Otsuka

Otsuka-people creating new products
for better health worldwide

Integrated Report 2024

For the year ended December 31, 2023

Otsuka Holdings Co., Ltd.

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Creating Otsuka Group's Desired Well-being Future

The Otsuka group provides not only services to individual patients and consumers but also products and services that have a major impact on society as we aim to support well-being for the whole of society.

REXULTI ▶P.33

Reducing not only patients' suffering but also burden on families and caregivers

A major issue related to dementia is the burden that it places on the family and caregivers who nurse such patients, and the time and economic burden placed on these people is an extremely important social issue. *REXULTI* is the only drug approved in the U.S. for agitation associated with dementia due to Alzheimer's disease.

Source: Am J ManagCare 2022 Sep;28 (10 Suppl): S188-S196

EQUELLE ▶P.41

Working to achieve well-being for women

The economic loss due to health issues unique to women is a major social issue. The Otsuka group contributes to the well-being of diverse individuals by working to improve literacy related to women's health through products based on scientific evidence and the provision of information.

* 2024 trial calculation by Ministry of Economy, Trade and Industry

TB elimination project in Indonesia ▶P.37

According to the World Health Organization (WHO), Indonesia had the second largest number of TB patients in the world in 2022, surpassed only by India. The Otsuka Pharmaceutical subsidiaries PT Otsuka Indonesia and PT Amerta Indah Otsuka contribute to the early detection and treatment of TB through a program titled FREE Tuberculosis at Workplaces.

Source: Ministry of Health, Indonesia https://promkes.kemkes.go.id/

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

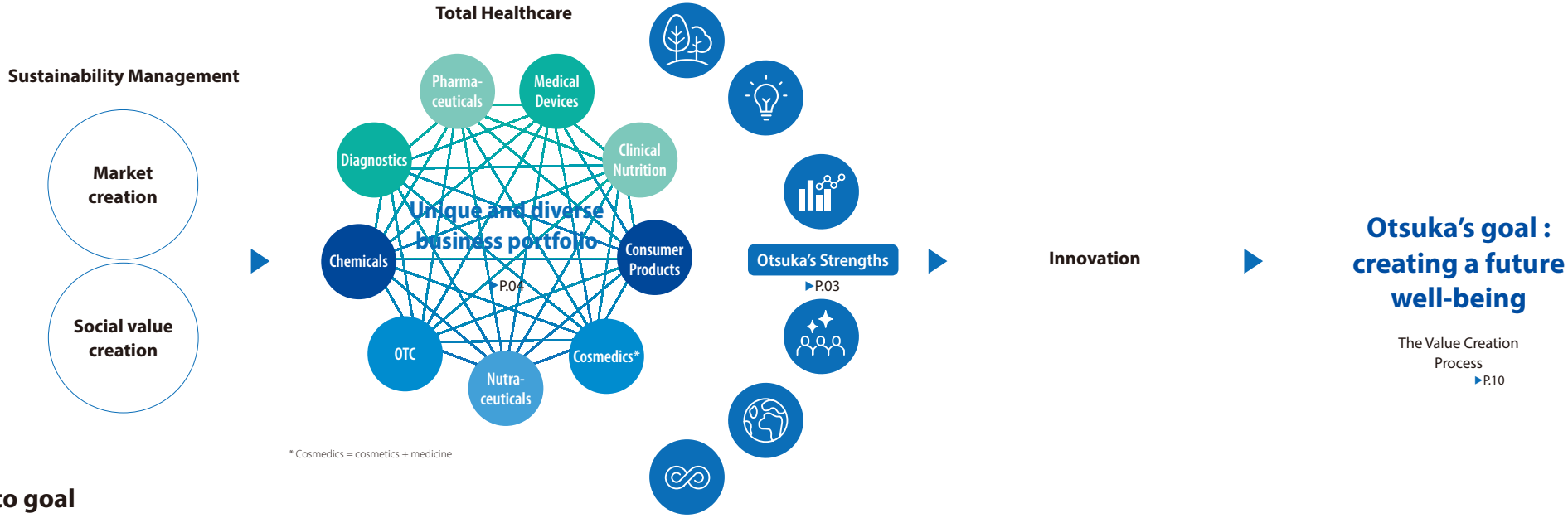
Ryukan-godo
(by sweat we recognize the way)
The process of discovering the core substance of something through hard work and practice

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

Sozosei
(creativity)
Pursuing that which only Otsuka is capable of delivering

Otsuka's Goal as a Total Healthcare Company Is to Create a Well-being Future

The Otsuka group is a total healthcare company involved in a wide range of activities that extend from health maintenance and improvement and diagnosis to treatment. Within an ever-changing society, we are promoting initiatives to generate sustainable growth as a "total healthcare company that solves social issues keeping in mind the whole of society that people live in" by incorporating new technologies and needs driven by changes in the environment.



* Cosmedics = cosmetics + medicine

Roadmap to goal

Pharmaceutical Business ▶P.31

4th Medium-Term Management Plan 2024–2028
Global 10 Plus 2, next-generation growth drivers

Nutraceutical Business ▶P.38

4th Medium-Term Management Plan 2024–2028
Provide health solutions tailored to life stages

2024

Environmental targets

Goal for 2035

Develop therapies aimed at personalized medicine and overcoming disease

Deliver new health value utilizing personalized health data and digital technologies

Propose health solutions tailored to life stages and adapt to social changes

2028/2030 targets

Carbon Neutrality
Circular Economy
Water Neutrality
Biodiversity
▶P.59

2050

2050 Environmental Vision, "Net Zero"

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's establishment in 1921, its employees everywhere have pursued business guided by our enduring corporate philosophy in order to contribute to people's health worldwide. Through their determination, we have developed many strengths. The six strengths described below are representative samples.
We will contribute to people's health worldwide by making the most of these strengths and creating unique value.

Diverse human resources Embodying our corporate philosophy and corporate culture

32 countries/regions

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

An unwavering quest for originality

68%

In-house drug discovery ratio[1]

58 projects

Development projects for unmet needs[2]

An ability to nurture enduring brands

Japan **9**

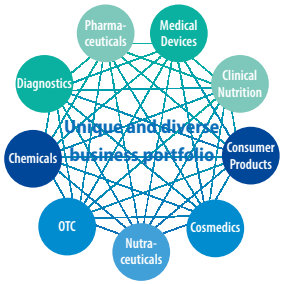
Outside Japan **3**

Top-share products by pharmaceutical category[4]

85.1%

Consumption experience of *POCARI SWEAT*[5]

A business model centered on total healthcare



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

Access to medicine **17**

IV solutions business overseas companies[3]

Climate change More than **20**

Countries/Regions where *POCARI SWEAT* is expanding

Infectious disease More than **120**

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

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

AA-

Rating by R&I (Rating and Investment Information, Inc.)

12.4%

Business profit margin of Nutraceutical Business[6]

+107.5%

TSR[7] Ten Year annualized, cumulative

1. In-house drug discovery ratio among late-phase development projects (Phase 3 onward)
2. As of December 2023; unmet needs areas defined by Otsuka based on PatientsMap2023JP and PatientsMap2022US, M3 & SSRI
3. Number of companies engaged in the IV solutions business. Many of these companies also export products to neighboring countries, thereby making a meaningful contribution to medical care in those countries.
4. Copyright © 2024 IQVIA. Created based on annual category totals for the past 10 years, including IQVIA MIDAS 2013 to 2023 and Otsuka research. Categories defined by Otsuka. Reprinted with permission.
5. May 2024 survey in Japan conducted by Otsuka: n=2,000
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: 7.4%)
7. TSR: Total shareholder return

What Only Otsuka Can Do: Businesses That Are Unique and Diverse

Established more than a century ago, the Otsuka group has taken the first step for the next century. 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	Clinical nutrition issues	Skin disease that families face	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	Develop ointments that combine sterilization ingredients	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	Develop unique and innovative therapeutic devices
Representative products	IV solutions	*Oronine H Ointment*	*ORONAMIN C DRINK*, *POCARI SWEAT*, *Calorie Mate*	*Bon Curry*	*REXULTI*, *LONSURF*, *JINARC/ JYNARQUE*, *Quick Navi*	*InnerSignal*, *UL·OS*	Ultrasound renal denervation system*

* Japan: Under clinical trials
US: FDA approved and commercialized
EU: CE mark certified

Diversification of business aimed at the resolution of social issues

Diversification of business

1921 Began sales of magnesium carbonate
- Chemicals

1946 Started the IV solutions business
- Clinical Nutrition
- Chemicals

1953 Launched *Oronine Ointment*
- OTC
- Chemicals
- Clinical Nutrition

1965 Launched *ORONAMIN C DRINK*
- Nutra-ceuticals
- Clinical Nutrition
- OTC
- Chemicals

1968 Launched *Bon Curry*
- Consumer Products
- Clinical Nutrition
- OTC
- Nutra-ceuticals
- Chemicals

1971 Established a pharmaceutical research institute
- Pharma-ceuticals
- Clinical Nutrition
- Consumer Products
- Nutra-ceuticals
- OTC
- Chemicals

1976 Established the Otsuka Assay Laboratories
- Diagnostics
- Pharma-ceuticals
- Consumer Products
- Clinical Nutrition
- OTC
- Nutra-ceuticals
- Chemicals

2005 Launched *InnerSignal*
- Cosmedics
- Diagnostics
- Consumer Products
- Pharma-ceuticals
- OTC
- Clinical Nutrition
- Chemicals
- Nutra-ceuticals

2011 Established Otsuka Medical Devices
- Medical Devices
- Diagnostics
- Cosmedics
- Pharma-ceuticals
- Consumer Products
- Clinical Nutrition
- OTC
- Nutra-ceuticals
- Chemicals

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.

Health Prevention & Promotion

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 to reduce the burden on patients if the dehydration can be treated with food, not IV treatment.

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 and electrolyte replenishment in more than 20 countries and regions around the world.

Physical Condition: *BODYMAINTÉ*

In *BODYMAINTÉ* products, Otsuka Pharmaceutical's unique* lactic acid bacterium B240 is combined with other ingredients to support the daily good physical condition of people so that they are ready for critical moments during such activities as hobbies, work, tests, and travel.

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

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 microwaveable box, and introducing Japan-grown vegetables as ingredients, it keeps pace with the times and family time.

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

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

For more information on "Today and every day," click here.
Web https://www.taiho.co.jp/en/company/slogan/

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.

Cosmedics (cosmetics + medicine): *UL·OS*

Cosmedics 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*.

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.

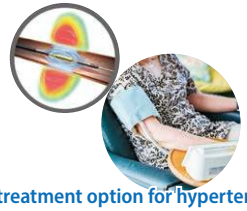
Treatment and Diagnosis

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.



New treatment option for hypertension: Ultrasound renal denervation system

Provides a new adjunctive treatment option for hypertension that cannot be adequately controlled with lifestyle modification or medications.

Major depressive disorder treatment app: Rejoyn

Rejoyn is the world's first treatment app for major depressive disorder approved by the FDA in the U.S. We will handle unmet needs using this as an innovative adjuvant treatment that supplements standard treatments.

Diagnostics: Quick Navi

We contribute to the construction of clinical test system at medical institutions within Japan and quick and appropriate treatments.

Message from the CEO

Otsuka will strive to address social issues to support the health and happiness of people around the world and bring about well-being for society as a whole through the creation of unique value.

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

Medium- to Long-Term Vision as a Total Healthcare Company

The Otsuka group's corporate philosophy is "Otsuka-people creating new products for better health worldwide." As a total healthcare company, Otsuka aims to support the health of people across the world down to local communities through the provision of products, services, and information—in other words, to contribute to the well-being of society as a whole. This corporate philosophy has been our constant and towering aspiration since our humble beginnings in Tokushima in 1921.

Today, the environment surrounding us is rapidly changing, and a variety of phenomena are emerging that will have a significant impact on society. These include climate change, women's empowerment, declining birthrates, aging societies, infectious diseases, scientific advancements, and technological innovations such as AI. The implications inherent in each will have a significant bearing on our business strategies and product development, so it is essential that we understand and adapt to them.

Based on this recognition, the 4th Medium-Term Management Plan (MTMP) announced in June 2024 identifies three social issues on which the Otsuka group will focus its efforts: the global environment, women's health, and aging societies with declining birthrates, outlining our ideal impacts for 2035. To achieve our goals in these areas, the Otsuka group will develop therapies aimed at personalized medicine and overcoming diseases, deliver new health value by utilizing personalized health data and digital technologies, and propose health solutions tailored to life stages and adapted to social changes. Under the concept of total healthcare, we have covered processes from diagnosis to treatment through the Pharmaceutical Business and from prevention to health promotion through the Nutraceutical Business. Additionally, we will work on the creation of new, complex health value that cannot be clearly categorized to provide more comprehensive healthcare solutions to address the aforementioned three social issues. As for the theme of "From Better Health to Beyond Health to Well-Being," we will take a broader view of health and conduct business in a way that addresses the health experience of each individual person.

Now that the group has grown in scale, we created the new executive position of COO as of January 2024 in order to further develop our business. We have developed a structure in which group companies collaborate in management, by having clearer division of responsibilities and accountability among management and department leaders. This has enabled stronger and more fleshed-out management, letting us create an environment in which we can carefully manage the execution of our strategies toward our medium- to long-term vision.

Message from the CEO

Long-Term Vision: Otsuka Group's Vision for 2035

From Better Health to Beyond Health to Well-Being

Global environment | Women's health | Aging societies with declining birthrates

Treatment and Diagnosis
Unmet medical needs

Prevention and Health Promotion
Yet-to-be-imagined needs

Develop therapies aimed at personalized medicine and overcoming disease

Deliver new health value through personalized health data and digital technologies

Propose health solutions tailored to life stages and adapt to social changes

A Total Healthcare Company Created by a Cycle of Investment and Growth

Otsuka was founded in 1921 in Tokushima Prefecture, Japan, as a manufacturer of chemical raw materials, producing magnesium carbonate in compliance with the Japanese Pharmacopoeia from the liquid called bittern that is left over after taking the salt out of salt pans. In a way, we began as a B2B company supplying raw materials by taking advantage of local characteristics. From there, we decided to make a major investment, which took us a step forward to become one of Japan's leading manufacturers of IV solutions. Following this success, the company worked on the development and growth of *Oronine Ointment* and expanded to B2C businesses, including *ORONAMIN C DRINK* and *POCARI SWEAT*, continuing to realize a cycle in which a series of business challenges and successes lead to investment for the next stage of growth. The growth of *POCARI SWEAT* became a source of funds for clinical development of pharmaceutical products in the U.S., the foundation for the growth of what is now our Pharmaceutical Business. Otsuka has always been quick to identify market and economic trends, and has repeatedly invested profits from its businesses to new businesses with an eye to the next stage of growth. This virtuous cycle of investment and results has led to the current growth of the Otsuka group.

Growth in corporate scale and globalized operations come with greater need to flexibly adapt to diverse cultural and economic conditions. The Otsuka group emphasizes a "multiglocal" approach that combines a global perspective with local practices. For example, our strategy for *POCARI SWEAT* in Asia is tailored to each area, producing locally to meet each area's demand. These strategies based on regional and business characteristics, as well as our efforts to realize new business and product concepts, have led to our current scale of 2 trillion yen in revenue. However, I believe that the context behind these numbers is more important than the numbers themselves. In other words, we need to give more thought to the quality of the businesses we are currently engaged in, and whether we have been able to plant new seeds that will lead us to the next step.

Each successive head of Otsuka, including founder Busaburo Otsuka, was extremely rigorous in their work, not out of personal greed but out of enthusiasm for the business, while at the same time having a strong sense of appreciation for their employees. I am convinced that this has made Otsuka an attractive organization, earning the trust of employees and other stakeholders. Furthermore, the founding family's enthusiasm and dedication to the business have been passed on as genetic makeup, represented in the Otsuka group's values: *Ryukan-godo* (by sweat we recognize the way), *Jissho* (actualization), and *Sozosei* (creativity). This Otsuka corporate culture has been the cornerstone of many innovations, and I believe we must make our innovations highly reproducible.

Our Goals in the 4th Medium-Term Management Plan

The 3rd MTMP concluded with revenue exceeding 2 trillion yen in the final year, achieving the plan's target. With the significant growth of our four Global Products in the Pharmaceutical Business and steady growth of functional beverages and supplements in the Nutraceutical Business, business profit before R&D expenses, which represents earning power for our businesses, was approximately 620 billion yen. The Otsuka group allocates about half of this amount to R&D investments, and by making progress on research themes, we are fostering our next drivers of growth. Naturally, we will not have success with all our themes. For example, if we undertake multiple projects, I believe it is fine if half of the projects move forward, and at least one of those significantly contributes to society.

When we went public in 2010, the Otsuka group faced calls to be more accountable for our corporate activities and ensure greater transparency to investors and the stock market, and our awareness of our growth shifted from an internal perspective toward external evaluations. Then, through three medium-term management plans, we worked to steadily nurture large-scale products and were able to turn them into seeds for medium- to long-term growth. Through this 15-year-long process, the quality of our management has steadily evolved, as we have increased the capability of our human resources and organization, made investments from a long-term perspective with positive outcomes, and enhanced our presence and operational capabilities in each region of the world. For the 4th MTMP period we have chosen the theme "Promotion of new business expansion and investment to generate growth for the next generation: Five years of creation and growth," in which we will focus efforts on the social issues of global environment, women's health, and aging societies with declining birthrates as mentioned earlier, under the concept of total healthcare from prevention, health promotion, and diagnosis to treatment.

Message from the CEO

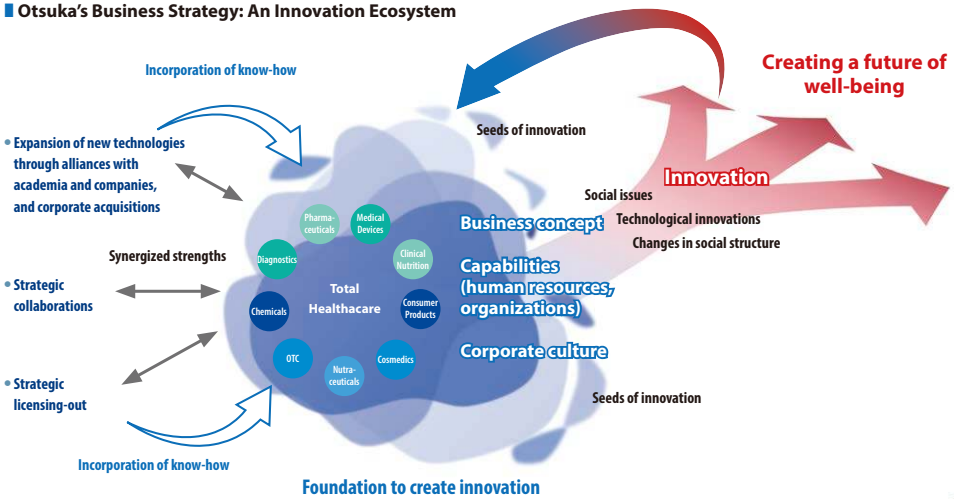
Establishing Mechanisms to Make Innovation Reproducible

I believe that innovation is born from the constant repetition of gathering information, thinking, forming hypotheses, and then conducting experiments and verifying our hypotheses. To this end, it is essential to expand our knowledge and networks, strengthen internal and external communication, and systematically build mechanisms that lead to innovations from unexpected discoveries. This is my life's work. It is an effort to make a reproducible process out of one that has traditionally been conducted unconsciously.

The key elements of our innovation-creating infrastructure are the development of business concepts, strong capabilities both in human resources and organizations, and the cultivation of a corporate culture, through which we have created an environment conducive to innovation. Improving the capability of our human resources is one of the most important elements; we have provided numerous opportunities to take on challenges through unique businesses, and we expect our human resources to grow by overcoming these challenges. To this end, we plan and implement a variety of training programs, and we expect each employee to be curious about various things on a daily basis and to be in the habit of critical thinking while they are engaged in their work. Furthermore, we are continuing to evolve this into an even stronger innovation-creating foundation by not only using our own assets, but also by expanding new technologies and proactively incorporating know-how through M&A and alliances with academia and companies that synergistically enhance one another's strengths.

From this innovation-creating foundation, we will generate many seeds, carefully plant and nurture them while responding to changes in social issues and the social structure through the incorporation of technological innovations, and link them to new innovations. Moreover, this mechanism of constant innovation creation, in other words an innovation ecosystem, will evolve through feedback via the insights and knowledge gained from delivering innovations to the world. Through these activities, we hope to create a future of well-being and evolve our business to realize our corporate philosophy.

Otsuka's Business Strategy: An Innovation Ecosystem



Message to Stakeholders for Realizing Our Vision

The Otsuka group will always strive to achieve growth and returns, and to build trust with its stakeholders including shareholders by providing them with timely, clear, and sufficient information. This will enhance management transparency and strengthen the foundation for sound corporate growth.

The Otsuka group is a health-related company. As a manufacturer, it is our greatest commitment to produce quality products, and we will not go in a direction that is inconsistent with our philosophy, even if it means incurring significant costs. We want our employees to identify with this policy and be willing to work together with us.

The Otsuka group, as steward of the long-inherited Otsuka culture of *Ryukan-godo*, *Jissho*, and *Sozosei*, will strive to put into practice what only Otsuka can do. To support the lives of people around the world through a wide range of innovative and creative products and services, we will continue to constantly create new value through innovation and work together with our stakeholders to realize the well-being of society as a whole. We look forward to your continued support as we strive forward toward this mission.

Uniqueness of Otsuka Group's Value Creation

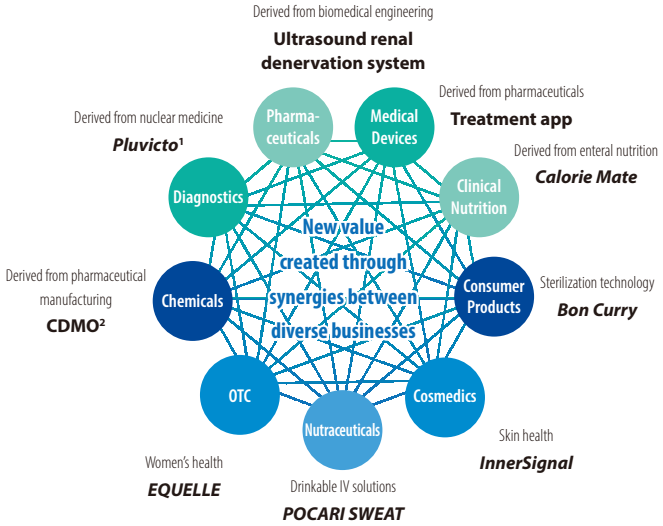
Vision as a Company That Provides Unique Total Healthcare

The Otsuka group conducts unique, diverse businesses globally based on the idea of total healthcare. Through its business, the company wants to make contributions to society that are not limited to treatments and health maintenance for individual patients and consumers but also include opportunities to improve the lives of those around patients and consumers. These initiatives lead to well-being, which can be seen in people's health and happiness, and the well-being future that Otsuka aims for. To pursue this future, the company considers it important to create an environment that leads to innovation.

The Otsuka group is distinguished by its stance toward finding the universal essence of things through its unique, diverse businesses. It is Otsuka's belief that this stance gives rise to concepts for new products and services and that providing services and products that embody these concepts–that is to say innovation–to the world leads to not only the physical health but also the mental and social health and well-being of people. Otsuka proposes new socially-impactful health value for the world through this innovation.

Otsuka has been able to create innovation for many years because the ideas embodied in *Ryukan-godo (by sweat we recognize the way)*, *Jissho (actualization)*, and *Sozosei (creativity)*, three phrases that have been passed on down from earlier times, have spread throughout the group as corporate culture. This corporate culture has provided a single orientation for the group over many years, serves as a map and compass for its pursuit of uniqueness and innovation, and distinguishes Otsuka as a unique, total healthcare company. The company will continue to pursue Otsuka's vision based on the unwavering management policies.

Examples of unique value creation



1. Product licensed to Novartis
2. Contract Development and Manufacturing Organization

Innovation Creation Structure

Otsuka considers a corporate culture that encourages employees to continually take on challenges, human resource development, and a stable financial framework three key elements for providing the world with products and services that embody new concepts and contribute to society that meet the needs of the changing times.

A culture that encourages employees to fearlessly try new ideas is the foundation for promoting new challenges and creating innovation. This makes it possible for each employee to create imaginative ideas, propose new business conceptions, and take actions to achieve them. ▶Our Corporate Culture P.01

Outstanding human resources are indispensable to deliver innovation to the world. Otsuka has not only created an environment in which each individual employee can make the most of their abilities but also provides a place in which diverse human resources can play active roles. In addition, the company offers an extensive range of support in the form of training for greater specialization, career support system, and independent study. These initiatives make it possible to achieve growth for not only the company but also employees. ▶Human Resources P.51

Financial resources generated from a stable financial framework are also an important factor for creating innovation, and the cash flows from Otsuka's diverse businesses are one of its important strengths. Otsuka is able to develop numerous new ideas because of this stable financial framework. The company will verify and deliver to the world new concepts while managing risks through sound financial management and appropriate investment strategy. ▶Message from the CFO P.24

Based on the three elements of corporate culture, human resources, and financial framework, the company will pursue the well-being future that it is aiming for. This entails establishing a virtuous cycle in which the new knowledge acquired by working to improve its drug discovery and product development capabilities, capturing outside assets through corporate mergers and alliances, and delivering innovation to the world, is fed back into the innovation creation infrastructure, and thus evolves it into a business foundation that can contribute to greater new value to the society.

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
- Sustainability (Environment, social, governance)

Inputs Actual for FY2023

Financial Capital

- Sound financial structure
  Total capital: ¥2,436.3 billion
  Cash and deposits: ¥513.3 billion

Manufacturing Capital

- Number of manufacturing sites: 42 in Japan, 55 overseas*
  * Otsuka HD and its consolidated subsidiaries only
- Capital expenditures: Acquired property, plant and equipment: ¥405.4 billion
  (cumulative 2019–2023)

Intellectual Capital

- Number of projects in progress: 72
- R&D expenditures: ¥1,248.0 billion (cumulative 2019–2023)
- R&D sites: 19 in Japan, 15 overseas*
  * Otsuka HD and its consolidated subsidiaries only

Human Capital

- A well-developed human resources education program (program to develop management human resources, rank specific training, selective training, etc.)
- Strengthened health management
- Total training hours: 150,754
  (In Japan: 19 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: 17
  Countries/Regions where *POCARI SWEAT* is available: More than 20
  Countries/Regions where delamanid is accessible: More than 120
- Persevering ability to nurture brands
- Brand strength of NC products
- Comprehensive health partnerships with local governments all over Japan, including with the 47 prefectures
- Explanatory briefings held for suppliers: 583*
  * Results from 2022 to 2023

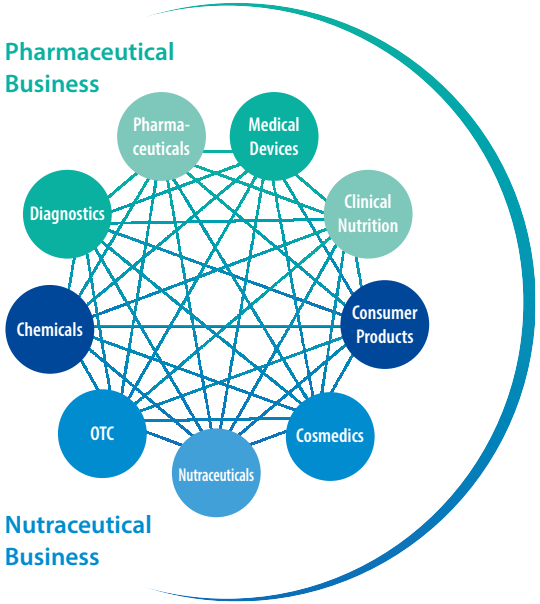
Natural Capital

- Total energy consumption: 233,500 kℓ
- Water consumption: 19,400 thousand m³

Otsuka-people creating new products for better health worldwide

Business Model

Unique total healthcare company



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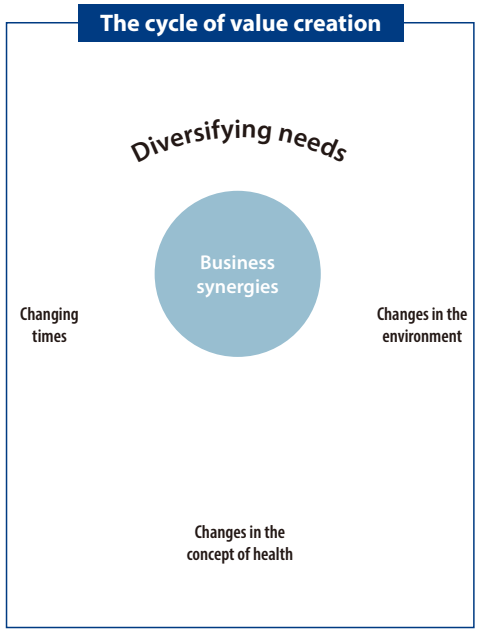
The cycle of value creation



Ryukan-godo *Jissho* *Sozosei*

Sustainable society **Maximization of corporate value**

The Value Creation Process

Otsuka-people creating new products for better health worldwide

Outputs

Otsuka's innovation

Products and services Revenue: 2,018.6 billion yen Actual for FY2023 ▶P.30

Pharmaceutical Business

Therapeutic drugs, medical devices, diagnostics, clinical nutrition products

▶P.31

ABILIFY MAINTENA

REXULTI

Samsca/JINARC/JYNARQUE

LONSURF

Nutraceutical Business

Functional beverages and foods / OTC medications and quasidrugs / Cosmedics

▶P.38

POCARI SWEAT

Nature Made

Gerblé

Consumer Products Business

Beverages / Foods / Alcoholic beverages

▶P.44

Bon Curry

MY SIZE

MATCH, CRYSTAL GEYSER

Other Businesses

Chemicals, warehouse and distribution, packaging, and electronic equipment

▶P.45

Otsuka Chemical Co., Ltd.

Otsuka Warehouse Co, Ltd.

Outcomes

Actual for FY2023

Financial Capital

- Strong financial and earnings base for sustainable growth
- Rating: AA-
- Ratio of equity attributable to owners of the company to total assets: 71.2%
- TSR: +107.5% for the 10-year annual rate of accumulation
- Dividend: ¥110

Manufacturing Capital

- Launched operations of the new cogeneration system at Otsuka Chemical's Tokushima Factory
- Constructed the SynCrest Corporation Naruto Factory
- Constructed Otsuka Group Energy Management Building
- Established Otsuka Pharmaceutical Kobe Analytical Center (see P.65)

Intellectual Capital

- Approved/launched compounds: 11 (pharmaceuticals and medical devices)
- Newly launched products: 8 (NC business)
- Percentage of in-house drug discovery: 68%
- 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: 306 in total
- Percentage of female managers*: 21.8%
  * 23 companies in fiscal 2023 (see P.29)
- 21 companies in the Otsuka group certified as 2023 Health and Productivity Management Outstanding Organizations

Program to develop management human resources

Social and Relationship Capital

- Responding to unmet needs
- Delamanid has been provided for a cumulative total of more than 100,000 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.)
- Top-share products by pharmaceutical category: 9 in Japan, 3 outside Japan
- Share of consumers with the experience of using *POCARI SWEAT*: 85.1% (In-house survey conducted domestically in May 2024: n=2,000)
- Utilization of health information and know-how cultivated through the Pharmaceutical and Nutraceutical businesses to encourage health promotion with local communities

Natural Capital

- Amount of renewable energy introduced: 242,000 t-CO_2
- Launch of PET bottles made using recycled materials
- Selected for the CDP Climate Change A-List

Impacts

Social well-being: Achieve a sustainable, healthy society

- Contributing to patient's participation in social activities
- Lessening burden on healthcare professionals, caregivers, and families
- Contributing to the development of regional economies

Physical well-being: Extension of healthy life expectancy

- Meeting unmet needs
- Creating products and services that contribute to new health value

Mental well-being: Peace of mind regarding and trust in products, services, and the company

- Making it possible for consumers, patients, and medical professionals to live vibrant lives on their own way
- Conducting transparent, fair, and impartial business activities (employees and suppliers)

Message from the COO

Aiming to be an indispensable company to people's health worldwide, we will develop and execute management strategies from a long-term perspective to enhance the Otsuka group's corporate value.

Makoto Inoue
Representative Director, COO
Otsuka Holdings Co., Ltd.

Strengthening Cooperation Among Operating Companies to Become a Partner in People's Well-being

With further advances in globalization, Otsuka Holdings is further expanding its scale, with overseas sales accounting for approximately 70% of total sales and market capitalization exceeding 4 trillion yen. Amid this expansion, the group's business environment is in a state of constant flux, requiring the creation of a more resilient management structure. In January 2024, the role of Chief Operating Officer, or COO, was newly established, and as we aim to achieve the goals of the 4th Medium-Term Management Plan (MTMP) by promoting new business expansion and investments that generate the next generation of growth, I recognize that I have three main roles to play as COO.

My first role is to strengthen collaboration among operating companies. The Otsuka group's operating companies with high expertise, including those covering the Pharmaceutical Business, Nutraceutical Business, and Consumer Products Business, provide a wide range of products and services in their respective fields, and organically linking these activities will be a key in the future. To fully support the well-being of people in their life, it is necessary to further strengthen collaboration among these operating companies.

To this end, I will work to encourage information sharing and cooperation among our group companies, facilitate the smooth execution of cross-company initiatives, and leverage our group synergies to provide integrated and solutions to people in their life.

The second role is to accelerate decision-making and execution. I feel the prompt and effective decision making, with close communication with CEO Higuchi, is essential in a wide variety of business domains. By doing so, we will adapt and respond dynamically to changes in market and customer needs and create new business opportunities.

The third role is to bring about sustainable growth as a group. I will work to leverage each operating company's strengths to solve social issues and effectively fulfill my responsibility for the sustainable growth of the Otsuka group as a whole.

Direction of the 4th Medium-Term Management Plan

During the period of the 3rd MTMP, the external environment changed dramatically as geopolitical risks such as the pandemic caused by the outbreak of COVID-19, sharp exchange rate fluctuations, and conflicts around the world became apparent, and technological innovation, including artificial intelligence (AI) progressed. In order to adapt and respond to these changes and promote global expansion, each operating company must autonomously manage business based on the characteristics of each region, rather than work under centralized management by the holding company. While we have seen technological advances, such as telecommuting and other diversifications of work styles, as well as the use of AI in daily work, we still believe that the foundation

Message from the COO

of business is people-to-people relationships. Because the Otsuka group has a diverse range of operating companies that we work to encourage collaboration through dialogue.

Reflecting on the 3rd MTMP, we have reaffirmed the importance of management that captures the essence of our businesses, and in the 4th MTMP, we will leverage the strengths of the Otsuka group to achieve further growth and value creation.

Our first measure in this area is to achieve both long-term growth and short-term earnings growth. The Otsuka group has a diverse range of businesses with different levels of risk and different cycles, from pharmaceuticals that require R&D with a long-term perspective, to food and beverages that are highly competitive on a day-to-day basis. With a view to sustainable growth beyond the 5th MTMP, we will execute aggressive R&D investments, create new products through in-house clinical development and strategic alliances, and take on the challenge of entering new business domains. In addition to this, we will maximize the value of existing businesses by pursuing greater efficiency and improving brand value to support the growth of the entire group. I believe that my role is to ensure to achieve both growth from a long-term perspective with short-term earnings growth.

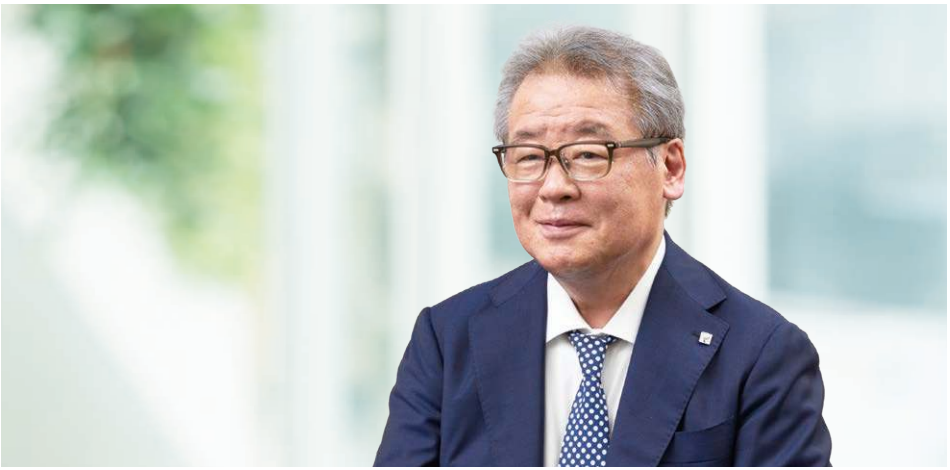
The second measure is to create new value that leads to well-being. By strengthening our drug discovery and product development capabilities and promoting the creation of a framework for innovation creation, we will provide advanced pharmaceuticals and healthcare solutions.

The third measure is to conduct business management with an awareness of capital cost from a long-term perspective. By fostering a corporate culture that supports sustainable growth and stabilizing our financial base, we will support Otsuka's innovation, thereby ensuring the economic development of the Otsuka group and stable and continuous returns to our shareholders.

Human Resources Supporting the Otsuka Group's Growth: the Spirit of Challenge

Otsuka Holdings has a large number of operating companies under its umbrella, consisting of many affiliates. It is therefore key that each operating company steadily manages their businesses under autonomous governance. For myself, I emphasize ensuring a balance between the governance of the group as a whole and the management of each operating company. In this way, we pursue the execution of optimal management strategies.

In addition, from the past to the present, the source of the Otsuka group's growth has been its people. We are tasked with developing excellent human resources who will lead our future businesses, and we will focus on strengthening our human capital by developing the skills and expertise of our employees. The development of human resources is of utmost importance for launching new businesses and expanding markets, and strengthening human capital is essential not only for each operating company but also for the collaboration amongst those operating companies. CEO Higuchi's focus on employee training is also aimed at strengthening this human capital.



Otsuka has a culture of nurturing young talents as leaders of operating companies, creating an underlying support for the growth of the entire group. I am convinced that continuing to challenge ourselves and accumulate experience will pave the way to success. This spirit of challenge is the driving force behind the Otsuka group's growth and strengthened governance.

Contributing to the World as an Indispensable Company

The Otsuka group aims to deliver total healthcare in a broad sense, as we provide products that cover all phases of people's healthcare, and furthermore, to expand its perspective to the entire society surrounding human beings and to solve social issues related to healthcare. As president of Otsuka Pharmaceutical, I have been involved in both the Pharmaceutical Business and Nutraceutical Business, advancing these two in collaboration with other operating companies. This experience has been an important asset in carrying out my duties as COO of Otsuka Holdings. As medical care is expected to shift more than ever toward health maintenance and prevention, and the contact points between medical care and people's everyday life are expected to grow, I believe that the Otsuka group has a great advantage in having products that address both of the aforementioned areas. Going forward, we will continue to support the realization of people's well-being through innovation from a long-term perspective.

For the Otsuka group, "success" is long-term growth with an emphasis on sustainability, not just growth in scale. I will use my experience and work with the CEO to strengthen the group's management structure. With close communication among top management and with the CEO as the final decision-maker, and myself as the strategic executor in my role as COO, we will oversee the operation of the entire organization. With the aim of becoming an indispensable company to people's health worldwide, I will support the growth and development of the Otsuka group by ensuring the smooth operation of the organization and the execution of management strategies.

Risks and Opportunities

We analyzed and assessed risks and opportunities for the Otsuka group based on changes in the internal and external environment.
We will continue to examine risks and opportunities, reflecting them in the Otsuka group's initiatives and promoting related activities.

Issues	Risks	Opportunities	Response (specific initiatives)
Changes in healthcare industry laws and regulations	● Impact of drug price revisions, healthcare systems, and government policies on business performance and financial position	● Providing innovative new drugs at fair prices ● Proving the value of new drugs ● Increasing awareness of disease prevention and health due to rising medical costs, etc. ● Responding to unmet needs with Otsuka's unique drugs created from our originality, which is free from fixed ideas ● Gaining the trust of stakeholders ● Pursuing sustainability at all stages of the value chain ● Further developing social issue-driven business ● Creative products and marketing based on scientific evidence ● Developing human resources based on our unique corporate culture and philosophy ● Advancing innovation and globalization through the promotion of diversity, equity and inclusion (DE&I) ● Transitioning to decarbonization through planned introduction of renewable energy ● Developing products which can adapt to environmental changes and contribute to environmental protection ● Building a strong supply chain in collaboration with business partners ● Enhancing corporate value by providing a stable supply of sustainable products ● Providing digitally-enabled healthcare products ● Developing brands through the use of digital marketing	● Establishing a system to ensure regulatory compliance ● Continuously monitoring government trends around the world ● Responding to health needs through a diverse business portfolio as a total healthcare company
Issues in efficacy and safety in clinical trials	● Delay or cancellation of R&D ● Shortening of exclusive license periods ● Emergence of competing products		● Enhancing the pipeline in priority areas, etc. ▶P.31 ● Expanding the range of development items ● Properly managing the portfolio by appropriately reviewing the R&D policy
Unexpected side effects or malfunctions caused by drugs, medical devices, etc.	● Sales discontinuation or recall of products due to occurrence of serious side effects ● Discontinuation of product development		● Establishing a global organizational structure for safety management ● Managing safety information in a global database
Occurrence of quality or legal issues	● 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		● Ensuring manufacturing and quality control in compliance with regulations in each country and region ▶P.65 ● Periodically verifying and evaluating quality assurance systems at contract manufacturers and raw material suppliers
Changing health values	● Failure of products to address customer needs ● Changing or tightening legal regulations ● Deterioration of economic conditions and manifestation of political instability		● 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
Issues in securing and developing human resources	● Lack of human resources with highly specialized skills ● Risk that the corporate philosophy and culture will not be sufficiently disseminated and that business operations will not be carried out in accordance with the group's strategies ● Outflow of human resources due to lower engagement		● Identifying and developing the next generation of human resources by establishing a program to develop management human resources ▶P.51 ● Promoting diversity, equity and inclusion based on the Otsuka Group Global Code of Business Ethics, and providing relevant systems and mechanisms ▶P.55 ● Promoting diverse work styles and health management
Climate change	● Failure to meet the group's environmental targets (e.g., reduction of greenhouse gas emissions) ● Increased costs due to laws/regulations, e.g., for the introduction of carbon taxes ● Changing needs for products and services due to the transition to a decarbonized society		● Setting 2028 and 2030 targets for material environmental issues and promoting initiatives to achieve them ▶P.59 ● Pursuing efficient and highly effective action through acquisition of ISO 14001 integrated certification (for environmental management systems) ● Building a structure (e.g., establishing committees) for addressing environmental issues ▶P.61
Pandemics and major natural disasters	● Suspension of plant operations, etc., loss of human resources, and interruption or delay of product development due to a pandemic or major natural disaster		● Formulating business continuity plans (BCP) and conducting ongoing review and improvement ● Conducting regular drills and exercises ● Responding to health needs through a diverse business portfolio as a total healthcare company
Building a sustainable supply chain	● Unstable material procurement and supply due to global economic stagnation, heightened geopolitical risks, etc.		● Conducting due diligence when selecting suppliers ● Diversifying procurement suppliers and secure alternative raw materials by purchasing from multiple companies, etc. ● Securing appropriate inventory and spreading production across multiple manufacturing sites ● Visualizing the upstream supply chain, identifying and addressing risks, and building a stable procurement system
Supply chain transparency	● Major non-compliance or misconduct (e.g., relating to human rights, labor, the environment, corruption) in the supply chain		● Implementing the Otsuka Group Procurement Policy and Otsuka Group Sustainable Procurement Guidelines ▶P.57 ● Operating an ongoing monitoring system ● Conducting supplier briefings and assessments to ensure responsible procurement
Promotion of DX	● Decline in competitive ability due to slow or insufficient digital transformation		● Adopting state-of-the-art technologies, conducting proof-of-concept demonstrations and practical application ● Developing digital human resources ▶P.52
Information security	● Large-scale system failure or external cyberattack ● Falsification, misuse, or leakage of information due to the negligence of employees, contractors, or other third parties		● Strengthening security infrastructure and processes ● Establishing a system to respond to information security incidents by the Computer Security Incident Response Team (CSIRT) ● Establishing the Otsuka Group Information Security Committee

The Otsuka Group's Approach to Sustainability

"Creating the future: becoming an indispensable contributor to the creation of a healthy and sustainable society."

The Otsuka group celebrated its 100th anniversary in September 2021. Solving social issues for a better future is the essence of our business activity itself. Our efforts extend beyond providing well-being to people; we also aim to make a positive impact on the global environment. We are united as an entire group and continue on a path of sustainable growth as a total healthcare company for corporate growth and a sustainable society.

Sustainability Mission

Guided by its corporate philosophy, the Otsuka group works to solve social issues through its businesses and contribute to the creation of a healthy and sustainable society, while achieving growth.

Sustainability of Otsuka group

Beyond our 100-year history, the Otsuka group has strived to pursue quality at every stage of its value chain, from research and development all the way to the delivery of its products and services to customers, and to build trust with stakeholders including shareholders, customers, employees, and local communities based on strong governance and a spirit of "Quality First," a principle the group has adhered to since its foundation. Then, we have continually pursued the creation of what has never been done and can only be done by Otsuka, and the resolution of social issues.

We re-assessed our materiality, which is the key areas that the Otsuka group should prioritize, in line with the 4th Medium-Term Management Plan (MTMP) that just started from 2024. ▶P.17

Materiality

Contribute to the Health and Well-being of People Around the World
▶P.31~

Develop Human Capital at Good Working Environment
▶P.50~

Promote Positive Impact on Global Environment
▶P.59~

Create More Sustainable Future With Business Partners
▶P.57~

Our Materiality

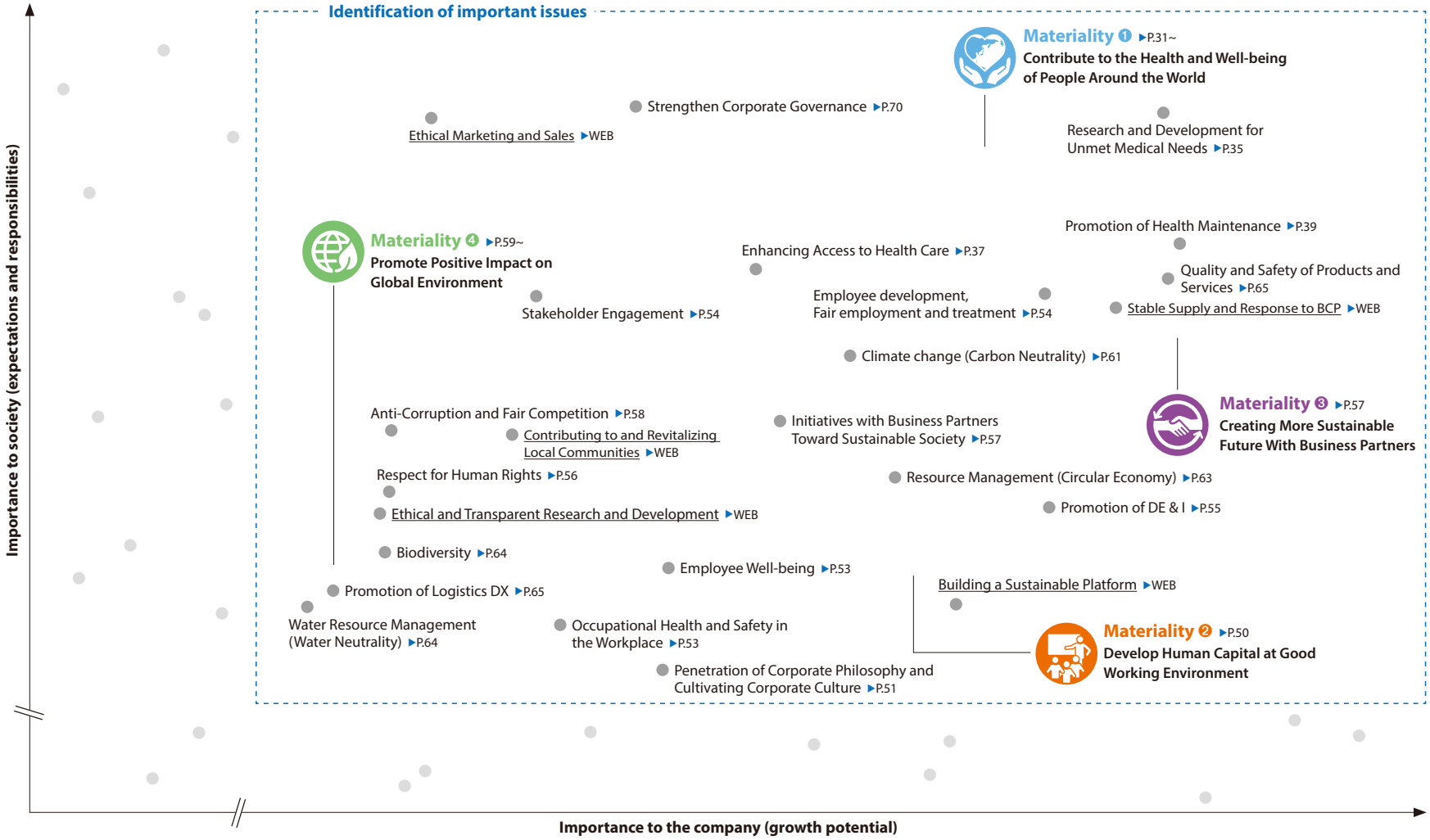
Materiality means the key area that the Otsuka group should prioritize. In our group, we specified it based on two axes: "importance to society" and "importance to the company." The former refers to external trends in the industry and requirements or expectations of ESG rating agencies and stakeholders including NGOs and investors. The latter refers to internal opinions from major operating companies, questionnaires and interviews of employees. We evaluated the growth potential of our businesses, specified strategies, measures and indicators (P.17), and created a map of materiality as follows.

STEP 1
Analyzing various information and creating list of issues

STEP 2
Evaluating impacts and importance to society and company

STEP 3
Creating map of issues based on impacts and importance to society and the company

STEP 4
Specifying materiality based on the evaluation



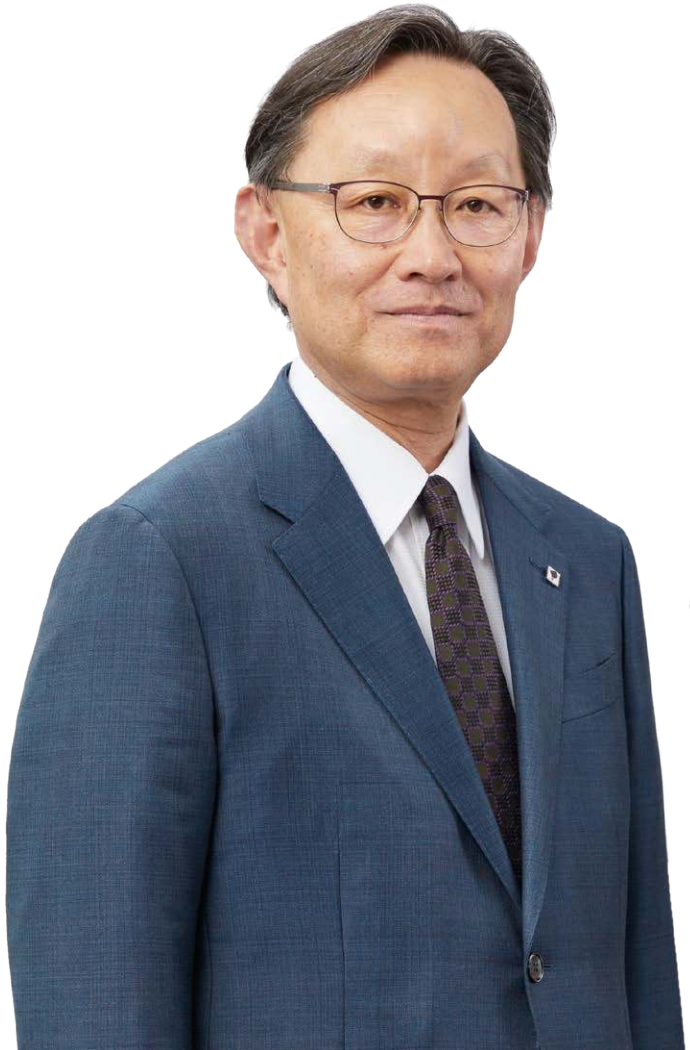
See the website with details of underlined items. https://www.otsuka.com/en/csr/hd_activity/

Our Materiality (cont.)

Materiality	Social Issues	Strategy	Policies	Indicators
Contribute to the Health and Well-being of People Around the World ▶P.31~	• Unmet medical needs/unrecognized health needs by consumers • Responding to changing health values	• Maximizing product value by leveraging diverse assets within and outside the group	• Seamless delivery of diagnostics, therapeutics, and services to overcome unconscious bias toward disease	• Expansion of global access • Promoting awareness of mental, neurological, cancer, cardiovascular and renal diseases • Eradication of tuberculosis
		• Strengthening research and development capabilities to address unmet medical needs	• Strengthening in-house drug discovery capabilities by maximizing the use of global research centers and academia networks	• In-house drug discovery capabilities
			• Strengthen development capabilities using the latest technologies and know-how	• Product development capabilities that contribute to unmet medical needs
		• Adapting to changes in the world and providing people with complex health solutions	• Raising awareness of hydration and electrolyte supplementation for heat disorders	• Penetration of *POCARI SWEAT*
			• Growth of women's health category	• Contribution to women's health
Develop Human Capital at Good Working Environment ▶P.50~	• Increased global competition, changes in the management competition environment due to increasing digitalization, diversification of individual values and working styles due to the limitations of a one-size-fits-all organization, and increased mobility	• Strengthen human resources, a source of innovation, to realize our corporate philosophy	• Cultivate human resources who practice *Ryukan-godo* (by sweat we recognize the way), *Jissho* (actualization), and *Sozosei* (creativity) through our unique human resource development programs	• Degree of penetration of corporate culture • Developing a system to nurture the next generation of human capital
		• Creating an environment to maximize human resources	• Creating a workplace and organization and providing opportunities for a variety of human resources unique to Otsuka, a company with diverse businesses	• Employee challenge index • Employee challenge support index
			• Creating a system to improve employee engagement	• Employee engagement to realize Otsuka's corporate philosophy
Create More Sustainable Future With Business Partners ▶P.57~	• (due to pandemics, geopolitical risks, etc.) destabilization of raw material procurement and product supply due to supply chain disruption • Building a sustainable supply chain	• Building a strong and stable procurement system to respond to risks	• Upstream supply chain visualization and risk identification and response	• Response rate to identified risks • Percentage of suppliers participating in the measures • Response rate to questionnaires when incidents occurred
		• Promotion of responsible procurement	• Building strong engagement with business partners to realize responsible procurement that takes human rights and the environment into consideration	• Number of communications with suppliers
Promote Positive Impact on Global Environment ▶P.59~	• Increasing environmental burden on the Earth due to climate change	• Realization of the 2050 environmental vision "Net zero" to reduce all environmental impacts of business activities to zero	• Carbon Neutrality: reducing climate change due to global warming	[2028 target] • Reduction of CO_2 emissions Scope 1, 2: 50% reduction in CO_2 emissions compared to 2017 Scope 3: Initiatives to achieve carbon neutrality by 2050 • 20% self-generated renewable energy
			• Circular Economy: curbing resource use and recycling	[2028 target] • 50% reduction in simple incineration and landfill disposal compared to 2019 • Formulation and implementation of food loss reduction plan [2030 target] • 100% recyclable materials in our PET bottles and use of plant-based materials
			• Water Neutrality: maintenance and conservation of water resources	[2028 target] • Planning water use strategies at business sites in water-stressed areas • Develop a water use strategy for business locations in water-stressed areas • Expand the factory water management program to all locations globally
			• Biodiversity: Sustainable and stable procurement of natural resources	[2028 target] • Uses 100% RSPO certified palm oil • 100% use of sustainable paper

Message from the Director in Charge of Sustainability

We will pursue our sustainability by providing well-being and enhancing the corporate value of the Otsuka group.



Executive Deputy President and Director
In charge of Otsuka group sustainability promotion
Otsuka Holdings Co., Ltd.

Sustainability of the Otsuka group

"Otsuka-people creating new products for better health worldwide" That is our corporate philosophy. Guided by this outlook, we keep trying to address social issues, and we have continually pursued the achievement of our business growth and a healthy, sustainable society.

In recent years, social situations and business environments have been changing rapidly. Our group consists of 168 companies in 32 countries and regions globally, and it is a mandatory task for us to keep an eye on the changes and tackle them. Based on this background, we re-assessed our materiality (key areas that the Otsuka group should prioritize) in line with 4th Medium-Term Management Plan (MTMP) that started in 2024. We recognize that this materiality is more clarified and integrated with our business strategy toward corporate growth and the promotion of sustainability (▶P.15).

The achievement of creating additional values with new materiality

■ Contribute to the Health and Well-being of People Around the World

As a total healthcare company, the Otsuka group believes that it is quite important to contribute well-being, including by improving people's quality of life (QOL), and not just provide products. In addition to diagnoses and medical treatments, we provide seamless healthcare solutions including disease awareness, the overcoming of unconscious bias, and support for patients' return to work and social community. For example, in the psychiatry and neurology area, we are committed to activities that support patients and caregivers, such as providing diagnostic and therapeutic support, and reducing the burden of care (▶P.34). In the Nutraceutical and the Consumer Products Businesses, we contribute well-being to people by creating products inspired by the medical field, then discovering yet-to-be imagined needs, and finally creating new categories. Our product *POCARI SWEAT* became widely known as "a drinkable I.V. solution," which is a good concept from the medical field. Our efforts to communicate the importance of hydration and electrolyte replenishment through *POCARI SWEAT* also contribute to our initiatives to prevent heat disorders (▶P.40). All of these initiatives are based on our values: Ryukan-godo (By sweat we recognize the way), Jissho (Actualization), which then lead us to perform Sozosei (Creativity). We will continually pursue the creation of what had never been done and can only be done by Otsuka, and deliver well-being to people all over the world.

■ Develop Human Capital at Good Working Environment

In order for us to sustain consistent growth and strive towards the achievement of a sustainable society, the development of our human capital is paramount. As our business operations expand, the nurturing of our human resources should be prioritized within our corporate group. Furthermore, we perceive the development of talent—individuals who comprehend our corporate philosophy and possess the ability to actualize the philosophy through their creativity—as crucial. To build the foundation for such talent to

thrive to their maximum potential, we are committed to creating a workplace where employees with diverse backgrounds gather and multiple perspectives intersect.

In addition, we intend to appoint candidates for the next generation of leaders who possess a broad perspective, team-building skills, and innovative thinking regardless of their backgrounds. In order to develop such human resources, it is desirable for them to experience at least two or more different departments or areas. For example, our talent can develop the ability to see things from a variety of perspectives through their experience across departments and areas such as production and headquarters, sales and marketing, U.S. and Japan, etc. In addition, the Otsuka group offers secondments to government ministries and agencies, recruits IT human resources from overseas universities and provides internships, and creates opportunities for employees within the group to gain experience in operating companies globally. In companies and departments where specialized knowledge is expected, we will steadily develop specialized human resources from a long-term perspective in accordance with the capabilities and characteristics of each employees (▶P.50).

■ Creating More Sustainable Future With Business Partners

The Otsuka group aims to contribute to the solution of social issues through business activities with our business partners. We established and enacted the Otsuka Group Business Partner Code of Ethics in 2024 to articulate our uncompromising commitment to the highest standards of ethical conduct to be achieved in cooperation with our business partners, since we believe that both the results of our business activities and the creation of a sustainable future with our business partners are of equal importance. We will promote business activities in accordance with these standards and work to ensure that these activities harmonize the entire supply chain with all business partners.

In recent years, we have also focused on sustainable procurement, which aims to solve social issues through procurement activities, while also building a stable procurement system which is able to adapt to social changes. In 2024, we revised our Otsuka Group Procurement Policy and Otsuka Group Sustainable Procurement Guidelines to enhance our sustainable procurement. The Otsuka group is working together with its suppliers to achieve sustainable society and improve the corporate value (▶P.57).

■ Promote Positive Impact on Global Environment: "Net Zero," our 2050 environmental vision

The Otsuka group's 2050 environmental vision, "Net Zero," aims to reduce environmental impact of all business activities to zero. Based on this vision, we tackle carbon neutrality, circular economy, and water neutrality. On top of these issues, we added biodiversity, considering the importance of maintaining and preserving ecosystems. We have revised and set medium-term goals for 2028 and 2030, and are working to achieve these targets (▶P.59).

Regarding carbon neutrality, we have completed the Otsuka group energy management building to expand the use of renewable energy and pursue the best group-wide energy mix (▶P.62). The Otsuka group promotes and organizes strategies to enhance integrated energy management, and is now starting trials of next-generation technologies.

Next, we have set a target of 100% use of recycled and plant-based materials used in PET bottles globally by 2030 in terms of circular economy. To achieve this goal, aligned with the implementation of recycled PET bottles, we are working with organizations, local governments, and business partners to establish a domestic resource recycling scheme for used PET bottles. In addition to domestic initiatives, PT Amerta Indah Otsuka in Indonesia, which is one of our subsidiary, has launched a sustainability program called OTSUKA BLUE PLANET, which aims to contribute to the global environment. This initiative aims at contributing to the environmental sector in Indonesia through recycling and raising awareness in cooperation with national and local governments, including support for the creation of communities so that they build customs regarding environmental consciousness, and manage waste disposal independently.

In addition, we identified biodiversity as a part of this materiality anew. We recognize that the conservation and sustainable utilization of biodiversity is essential for the sustainable growth of the Otsuka group, and we are assessing the impact and level of dependency of our business activities on biodiversity. Moreover, we have set targets for the procurement of raw materials that present a high risk of deforestation, and will continue to promote sustainable and responsible procurement (▶P.64).

Achieving our sustainability mission

Although the new materiality that we have re-identified should be prioritized, the concept of our sustainability is not limited to materiality (▶P.15). Based on the spirit of "Quality First," we persistently pursue the pinnacle of quality at every stage of our value chain, from research and development, procurement, production, logistics, all the way to the delivery of our products and services to achieve a sustainable society from the perspective of human rights, the environment, and so on. In order to realize our sustainability mission, what our group should tackle is the task of maximizing corporate value. This can be achieved through the promotion of the overall strategy by Otsuka Holdings, and its subsequent implementation by the operating companies. Moreover, strengthening our resilience is essential for our corporate governance so that we can quickly correct course if our overall management were to proceed in the wrong direction. Therefore, we will steadily reinforce our governance in line with the mandatory disclosure of sustainability information surrounding companies, including compliance with legislations and standards such as the Corporate Sustainability Reporting Directive (CSRD) in Europe and the disclosure standards developed by the Sustainability Standards Board of Japan (SSBJ).

We, from our 4th MTMP, have incorporated the achievement of external ESG-related evaluation indicators as non-financial evaluation indicators which was the one of the non-cash remuneration for the eligible directors, in order to focus on sustainability management. In addition, we have introduced a clawback clause* in contracts with them.

Our entire group will continue on a path of sustainable growth with enhancing each strategy and solving social issues for the achievement of well-being and a sustainable society.

*A system to refund paid remuneration if any amendments are made to the consolidated financial statements of Otsuka Holdings within 3 years after the lifting of the transfer restrictions, etc.

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 3rd 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 aims to become an indispensable contributor to the people's health worldwide as a total healthcare company. With the formulation of medium-term management plans, we will continue contributing to society and achieving sustainable growth through "what only Otsuka can do," based on our DNA of *Ryukan-godo*, *Jissho*, and *Sozosei*.

Review of past medium-term management plans

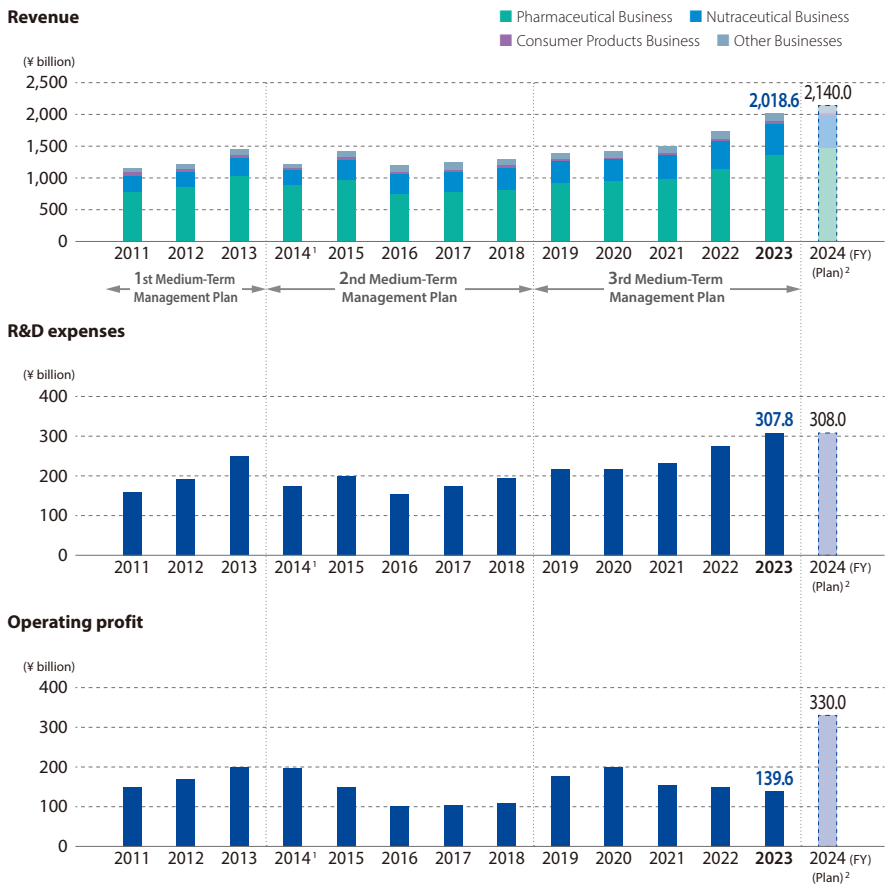
	The 1st Medium-Term Management Plan (FY 2011-FY 2013)	The 2nd Medium-Term Management Plan (FY 2014-FY 2018)	The 3rd Medium-Term Management Plan (FY 2019-FY 2023)[1]
Gist of the Medium-Term Management Plan	**Three years to establish a world-class structure as a global healthcare company with both medical 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)** ● Revenue: ¥1,330 billion ● Research and development expenses: ¥200.0 billion ● Operating income: ¥200.0 billion ● Profit: ¥130.0 billion ● EPS: ¥230 ● ROE: 10% or more	**FY 2018 Plan (announced in August 2014)** ● 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)** ● Revenue: ¥1,700.0 billion ● Business profit before R&D expenses: ¥460.0 billion ● Research and development expenses: ¥260.0 billion ● Business profit[2]: ¥200 billion (CAGR above 10%) ● ROE: 8.0% or more
Results	**FY 2013 Results** **Revenue and profit grew faster than originally planned.** ● 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** ● 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 2023 Results** ● Revenue: ¥2,018.6 billion ● Business profit before R&D expenses: ¥620.4 billion ● Research and development expenses: ¥307.8 billion ● Business profit: ¥312.6 billion ● ROE: 5.3%
Issues	**Pharmaceutical Business** ● Strengthening of core therapeutic areas ● Diversification of the sales structure **Nutraceutical Business** ● Revision of business assets that support the value-chain ● Acceleration of global expansion ● Improvement of profitability	**Pharmaceutical Business** ● Maximizing value of existing businesses ● Try new frontiers that only Otsuka can do ● Generate innovation from creative and diverse research platforms **Nutraceutical Business** ● Creating new concepts keeping an eye on changes in the environments ● Trying new categories and new areas ● Maintaining a high profit margin structure	**Pharmaceutical Business** ● Steadily executing trials of late-stage development projects, nurturing new products, further expanding the product pipeline that will drive growth beyond 2030, expanding business opportunities through collaboration, and increasing profitability by maximizing value of existing products ● Cultivating human resources who can create innovation **Nutraceutical Business** ● Further expanding the scope of business, particularly for Major Brands ● Accelerating growth of Nurture Brands that support future businesses ● Creating products based on new concepts and developing new markets

1. Announced February 2024 2. Business profit = Revenue - Cost of sales - Selling, general and administrative expenses + Share of profit of associates - Research and development expenses

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. Particularly during the 3rd Medium-Term Management Plan (MTMP) period, we have achieved stable growth as a group through the expansion of our Pharmaceutical Business, including our four Global Products, and the continuous generation of profits from our Nutraceutical Business through the promotion of a high-margin strategy. By supporting this unique Otsuka business model with a stable financial foundation, we aim to make further progress by creating new value.

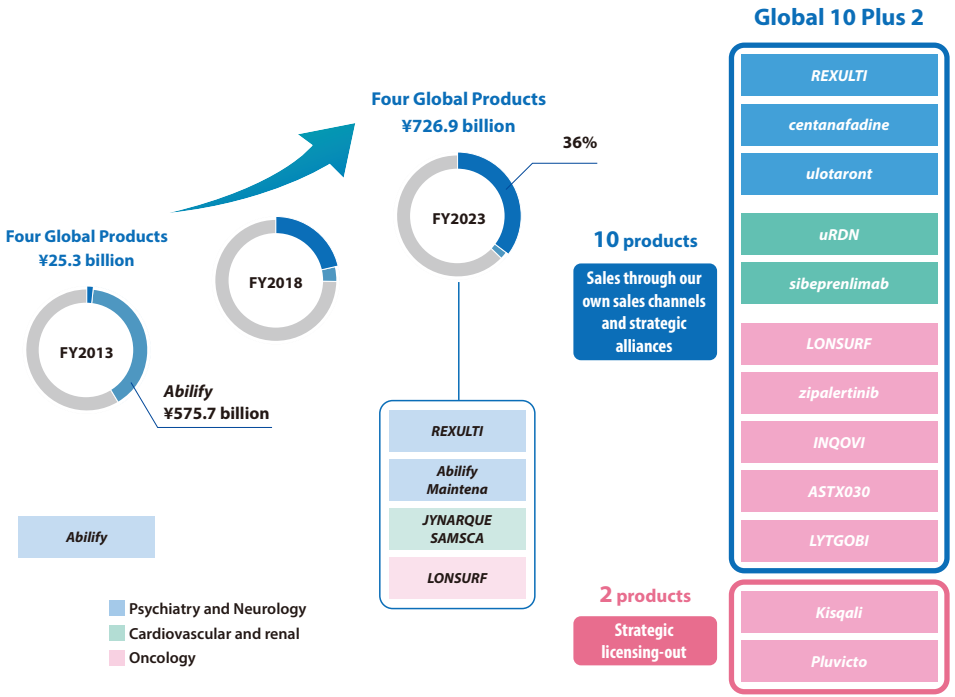


1. For 2014, figures used are for the nine-month period from April 1, 2014 to December 31, 2014 due to a change in the fiscal year end.
2. Announced February 2024

Pharmaceutical Business: Global 10 Plus 2 products, next-generation growth drivers for sustainable growth

In 2013, there was a single growth driver, the product *ABILIFY*. After implementing the 2nd MTMP, the goal of which was to diversify our revenue structure, we expanded the number of growth drivers to four products—*REXULTI*, *ABILIFY MAINTENA*, *LONSURF*, and *Samsca/JINARC/JYNARQUE*—through the 3rd MTMP and focused on maximizing value of four Global Products.

In the 3rd MTMP, we also touted the idea of "advancing in the global market as a unique total healthcare company," and nurtured Global 10 Plus 2 products (see the table below for reference) as next-generation growth drivers with an eye toward the 4th MTMP. During the period of the 4th MTMP, we will maximize the value of Global 10 Plus 2 products and link them to further growth in the 5th MTMP and beyond.



Outline of 4th Medium-Term Management Plan

The 4th Medium-Term Management Plan period (FY 2024-FY 2028)

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

(Social issues that Otsuka is particularly focused on)

Heat | Common global problems

Great health needs in various age groups

Aging population is rapidly advancing, especially in developed regions

Solving social issues and creating a wellbeing future

The 4th Medium-Term Management Plan (MTMP) is positioned as a period of "promotion of new business expansion and investment to generate growth for the next generation—five years of creation and growth." During that period, we will focus on addressing the social issues of global environment, women's health, and aging society with declining birthrates based on the concept of total healthcare that extends from health prevention and promotion and diagnosis through treatment.

For the Pharmaceutical Business, we forecast revenue of 1,680.0 billion yen in the final year of the plan due to growth for such products as Global 10 Plus 2 products and the minimization of the period of adjustment caused by LOEs.[1] For the Nutraceutical Business, we will propose health solutions for each life stage, centered on the three categories tied to social issues. For this business, we forecast revenue of 620.0 billion yen in the final year of the plan by further maximizing value in each category. Furthermore, we aim to increase corporate value in the long term with an eye toward sustainable growth by striving to implement a "financial strategy to support sustainable growth" and management conscious of cost of capital.

1. Loss of exclusivity

Outline of the 4th Medium-Term Management Plan

Performance Targets Establish an advanced stage for revenue/profit growth

- Establish new revenue growth drivers of new product groups
- Minimize the period of adjustment caused by LOEs and transition to a growth stage with a double-digit business profit growth rate

Business Strategy Establish an advanced stage of business growth stage

- Realize a series of launches of new drugs from the robust late-stage development pipeline
- Continue R&D investments on the scale of ¥300 billion on the back of the highest level of stable financial conditions
- Expand and deepen business areas through new products and services in the pharmaceutical and NC businesses
- Significantly increase the size and quality of profits in the new stage after achieving the MTMP

Financial Strategy Implement management conscious of cost of capital

- Performance management through ROIC and ROE
- Continue proactive growth investments
- Enhance shareholder returns

Performance targets | KPI

Unit | ¥ billion	FY2023	FY2026	FY2028
Revenue	2,018.6	2,200.0	2,500.0
Business profit before R&D expenses	620.4	580.0	720.0
Ratio/Revenue	30.7%	26.4%	28.8%
R&D expenses	307.8	310.0	330.0
Business profit[2]	312.6	270.0	390.0
Ratio/Revenue	15.5%	12.3%	15.6%
Operating CF before R&D investments	576.2	540.0	650.0
EPS	¥224.1	¥380	¥550
ROIC	4.8%	≥7.5%	≥9.5%
ROE	5.3%	≥8%	≥10%

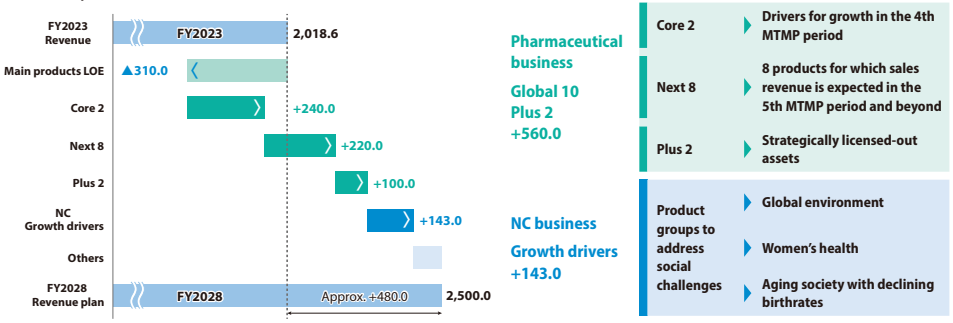
Exchange rate assumptions ¥130/$, ¥140/euro
2. Business profit = Revenue – COGS – SGA + share of profit of associates – R&D expenses

Outline of 4th Medium-Term Management Plan

Revenue forecast for growth drivers

We plan to offset most of the negative impact due to LOE for major products (310.0 billion yen) through growth of Core 2 products (*REXULTI, LONSURF*) that will drive growth during the period of the 4th Medium-Term Management Plan (MTMP). In addition, we plan to generate net growth for Next 8 products (*ulotaront*, *centanafadine*, *uRDN*, *sibeprenlimab*, *LYTGOBI*, *zipalertinib*, *INQOVI*, *ASTX030*), Plus 2 products (*Kisqali*, *Pluvicto*), and NC social problem solving products, which will drive growth in the 4th and 5th MTMPs. As a result, we forecast record revenue of 2,500.0 billion yen in 2028, an increase of almost 480.0 billion yen compared to 2023.

Revenue | Comparison between 2023 and 2028



Unit | ¥ billion
Main products | *ABLIFY MAINTENA*, *JYNARQUE*, *Samsca*

Core 2 (*REXULTI*, *LONSURF*), Next 8 (*ulotaront*, *centanafadine*, *uRDN*, *sibeprenlimab*, *LYTGOBI*, *zipalertinib*, *INQOVI*, *ASTX030*), Plus 2 (*Kisqali**, *Pluvicto**)
* Royality: licensed to Novartis

Pharmaceutical business | Strategy outline

Achieve sustainable growth by taking on challenges in new areas

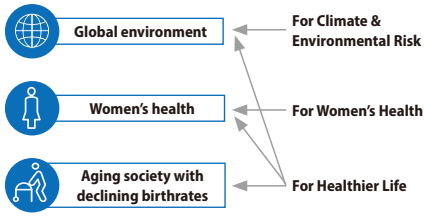
- Build business foundations in innovative new areas
- Create new value leading to "Well-being"
- Develop innovation ecosystem

NC business | Strategy outline

To become a global company with flexibility
—Offering health solutions tailored to life stages—

- Contribute to social issue resolutions from a global perspective
- Create and foster the next generation growth drivers
- Continue a high profit structure

Nutraceutical Business's solutions from the perspective of social issues



Growth investments that support sustainable growth

As for R&D expenses, for the Pharmaceutical Business, we expect to invest in not only basic research, which forms core technologies, but also in the psychiatry and neurology area, cardiovascular and renal areas, and oncology area in order to move forward with late-stage clinical development. For the Nutraceutical Business, we will continue to invest in the development of new products. Capital investments are expected to primarily involve investments to reinforce pharmaceutical raw material production capacity and overseas *POCARI SWEAT* production capacity in order to expand the business, and to maintain and update existing facilities with the environment in mind. The basic policy on external asset acquisition, which remains unchanged and is aligned with the long-term strategy, is to make investments in areas that will generate synergies with existing business assets. In particular, it is important to acquire not only drug discovery technologies that make it possible to continually create pipeline products but also a pipeline with global rights in disease areas, primarily in the psychiatry and neurology areas and cardiovascular and renal areas, to implement our growth strategy starting with the 5th MTMP.

R&D expenses	Purpose of business expansion capital investment	Acquisition of external assets Investment in areas where synergies with management assets can be created, consistent with long-term strategies
Basic research Psychiatry & neurology areas *centanafadine*, *ulotaront*, etc. Cardiovascular and renal areas *sibeprenlimab* etc. Oncology area Products that contribute to growth after the 5th MTMP Development of new NC products	Pharmaceutical Business Research on formulation technology Production facilities for products to be launched Nutraceutical Business Enhance production capacity of overseas *POCARI SWEAT* Enhance production capacity of *Nature Made* Maintenance of existing facilities ESG investment	Novel drug discovery technologies Disease areas: Psychiatry and neurology areas, Cardiovascular and renal areas, Oncology area Reinforcement of pipeline in each therapeutic area Aiming to address more social issues Area Assets with global rights Assets with region's rights such as Japan, Asia, and Europe

Message from the CFO

To contribute to solving social problems through Otsuka's innovation to be achieved by our growth as a Total Healthcare Company, we will maximize our cash generation from the organic growth of existing business, which would be also used for investment for future growth, improving capital efficiency and strengthening financial stability.

Executive Director, CFO
Otsuka Holdings Co., Ltd.

The 3rd Medium-Term Management Plan[1]

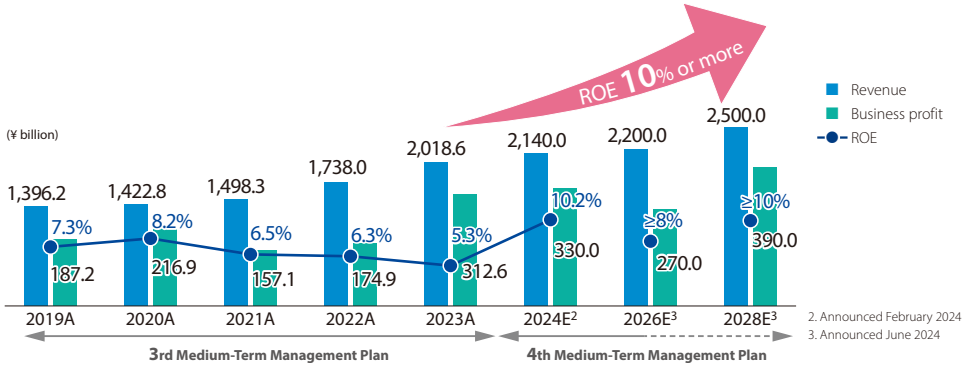
1. 3rd Medium-Term Management Plan: 3rd MTMP

The Otsuka group had positioned the period of the 3rd Medium-Term Management Plan (MTMP) as a five-year growth phase for advancing in the global market as a unique total healthcare company. Accordingly, we focused on maintaining sustainable growth by working "Existing Business Value Maximization and New Value Creation," and "Business management with a corporatewide awareness of capital costs" while balancing investment for growth and returns to shareholders. During the period of the 3rd MTMP, although our business was impacted by the external environment, including pandemics, heightened geopolitical risks, and soaring energy and raw material costs, our business grew strongly by leveraging our dual drivers of the Pharmaceutical Business and Nutraceutical Business.

Revenue for FY2023 was over 2 trillion yen, a record high that far exceeded the final year target of 1.7 trillion yen, and the revenue growth rate has been 9.3% on average per year since FY2018. In addition, as a result of our global expansion in the Pharmaceutical Business and Nutraceutical Business, the ratio of overseas revenue increased from 50% to 67%, showing steady expansion. Business profit totaled over 300 billion yen, far exceeding the final year target of 200 billion yen, and the growth rate has been 20.9% on average per year since FY2018, well above the target of more than 10%.

Fiscal 2028 Targets

Revenue	Business profit	ROE
¥2,500 billion	¥390 billion	10% or higher



2. Announced February 2024
3. Announced June 2024

Message from the CFO

In the Pharmaceutical Business, we were able to maximize business value through the contribution of four Global Products (*ABILIFY MAINTENA*, *REXULTI*, *Samsca/JINARC/JYNARQUE* and *LONSURF*), which are growth drivers, and new products launched in the past five years. In the Nutraceutical Business, the growth driver *Nature Made* grew significantly to become a 100 billion yen brand. We believe this is due to the growing trend of health consciousness of consumers and our activities to date have earned the brand high reliability. Meanwhile, we are leveraging the *POCARI SWEAT* brand strength we have built to increase sales and earnings in the Asia-Pacific region. Due to this growth of *Nature Made* and *POCARI SWEAT* and other factors, the ratio of overseas sales in the Nutraceutical Business increased by 9.3 percentage points to 66.0% in 2023 from 56.7% in 2018. Revenue from the growth drivers of both businesses accounted for 87% of the 726.6 billion yen increase in consolidated revenue, contributing significantly to the positive performance of the 3rd MTMP period.

The 3rd MTMP period has been positioned as a period for introducing the practice of "Business management with a corporatewide awareness of capital costs." Accordingly, we have introduced ROIC management as a financial framework to continue sustainable growth over the medium to long term and to have our stakeholders understand and value our challenge to contribute to society. We have been promoting the introduction of ROIC management and its penetration among group companies. We have made steady efforts to improve asset efficiency, by having our group companies understand the ROIC concept and promoting KPI management to improve ROIC, maximizing business value by optimizing SG&A expenses, and reviewing our cross-shareholdings structure and its reduction and utilizing idle real estate, which have steadily yielded results. The average ROIC over the past five years was 5.9%, exceeding the cost of capital (WACC) of 5.5% originally projected in the 3rd MTMP period. By generating cash through maximizing the value of existing businesses, we were able to increase cash and cash equivalents by approximately 200 billion yen during the period of the 3rd MTMP and to secure shareholder returns and investment for future growth in the 4th MTMP period, while implementing the investment for growth to create new value.

Financial Policy in the 4th Medium-Term Management Plan[1]

1. 4th Medium-Term Management Plan: 4th MTMP

Financial Targets

The Otsuka group has been investing the operating cash flow before R&D investments generated by its business activities in its pipeline, basic drug discovery technology, brand value of NC products and human resource development, which are all sources of growth, thereby generating new cash to fund future growth. Repeating this cycle of investment and growth has enabled us to achieve growth and enhance our corporate value. Looking at our stock price performance since listing on the Tokyo Stock Exchange, we have seen a steady increase in corporate value, which would imply our management

Stock Price Performance Over Time

decision to expand business area and to quickly recover from the impact of LOE in the Pharmaceutical Business has been accepted in the stock market.

When we went public in December 2010, many concerns were raised in the market about the US patent expiration of *ABILIFY* in 2015. To respond to such concerns, since the expiration of the *ABILIFY* patent, we have diversified our revenue structure by developing 3 Global Products (*ABILIFY MAINTENA, REXULTI,* and *Samsca/JINARC*), next-generation products such as *LONSURF,* as well as implementing the high-margin strategy on NC business. Furthermore, the 3rd MTMP period has been positioned as a preparation period to deal with the patent expirations of *ABILIFY MAINTENA* and *JYNARQUE* and this challenge through nurturing the next growth drivers. Through these measures, as well as expanding business and improving earnings through investment for growth, we were able to steadily enhance our ability to generate stable cash exceeding WACC.

In the 4th MTMP period, we will actively make investment for future growth to mitigate the impact from loss of exclusivity on Pharmaceutical Business and we will further develop our diversified business from a capital efficiency perspective. For FY2028 targets, we aim to achieve revenue of 2,500 billion yen, business profit before R&D expenses of 720 billion yen, business profit of 390 billion yen, EPS of 550 yen, operating cash flow before R&D investments of 650 billion yen, and capital efficiency with ROE of 10% or more, and ROIC of 9.5% or more.

Cash Allocation

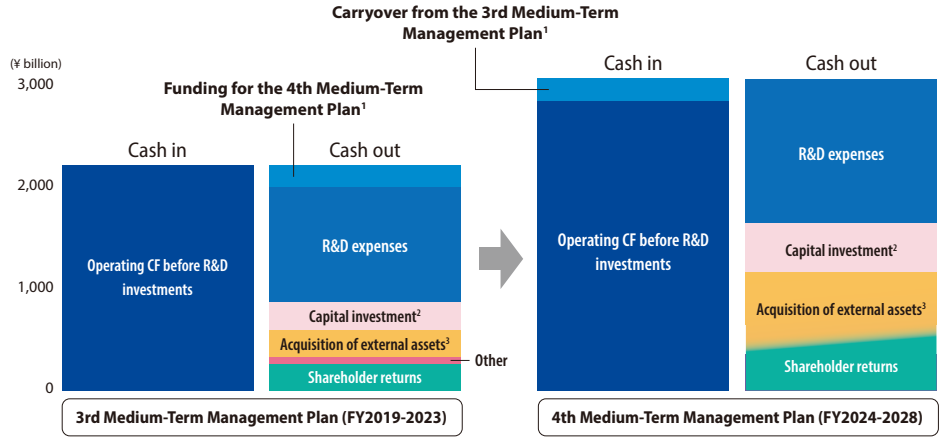
As a result of favorable business profits and efforts to improve asset efficiency during the period of the 3rd MTMP, operating cash flow before R&D investments for the five-year period totaled 2,336.5 billion yen. The generated cash was used for proactive R&D investments totaling 1,181.6 billion yen and growth investment totaling 496.9 billion yen, including capital expenditures for acquiring new pipelines and overseas expansion, while 278.5 billion yen was paid out to shareholders as dividends. Furthermore, cash and cash equivalents increased by 228.3 billion yen to 513.3 billion yen due to stable cash generation not only from Pharmaceutical Business but also from the other business segments particularly Nutraceutical Business.

Message from the CFO

In the 4th MTMP we plan to secure funds of approximately 3,200 billion yen, which exceeds the amount in the 3rd MTMP period, by adding approximately 200 billion yen in cash and cash equivalents, an increase from the 3rd MTMP period, to the approximately 3 trillion yen in operating cash flow before R&D investments to be generated over the five-year period. About 1.5 trillion yen for R&D is planned to be invested mainly in the fields of psychiatry and neurology, oncology, and cardiovascular and renal disease to advance basic research and late-stage clinical development that will become fundamental technologies for drug discovery in the Pharmaceutical Business. In addition, in the Nutraceutical Business we plan to continuously invest in the development of new products. Of the approximately 500 billion yen in capital expenditures, about half will be used for investment for growth, such as the construction of a plant to increase overseas *POCARI SWEAT* production capacity, while the remaining half will be invested in the maintenance and renewal of existing facilities in an environmentally friendly manner.

In acquisition of external assets, we will acquire pipelines that will contribute to growth in the 5th and 6th MTMPs, as well as acquire and collaborate on drug discovery technologies to continuously generate pipelines, and expand pipelines in disease areas that can contribute to social issues more broadly, based on our current strengths. From a regional perspective, we will not only expand our global pipeline including the U.S., but also acquire external assets in specific regions such as Japan, Asia, and Europe, taking into consideration the acquisition of pipelines that will allow us to utilize our own sales network.

Cash Allocation in the 3rd and 4th Medium-Term Management Plans



1. Investment for growth and funds to shareholder returns for 4th MTMP
2. ESG investments, maintenance of existing facilities and business expansion aimed at capital investment
3. Acquisition of external assets for investment for growth

Initiatives to Enhance Corporate Value

Framework of Financial Strategies to Support New Value Creation

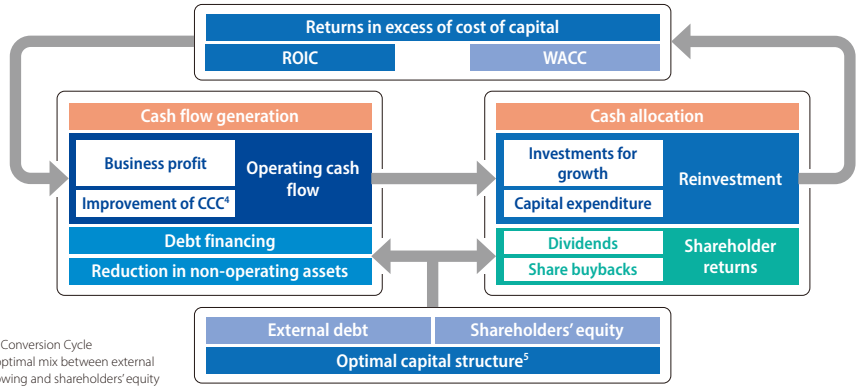
Source of Funds for Investment for Growth

In principle, investment 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. We are also considering the issuance of green bonds during the period of the 4th MTMP as not only a part of our efforts to promote sustainability management but also new procurement options in addition to the current available ones.

Allocation of Funds for Investment for Growth

At the Otsuka group, we see investment as a vehicle for pursuing innovation that enables us to contribute to society, and will continue to take on investment projects that enhance corporate value and contribute to society. The basic policy for acquiring external assets remains the same: invest in areas that are consistent with long-term strategies and that can generate synergies with existing management assets. As specific examples of reallocation of investments, in the Pharmaceutical Business, we will not only acquire and collaborate on drug discovery technologies that will continuously generate pipelines, and

Framework of Financial Strategies



4. Cash Conversion Cycle
5. The optimal mix between external borrowing and shareholders' equity

Message from the CFO

make sustained R&D investments to strengthen products and pipelines in the priority areas of psychiatry and neurology, oncology, and cardiovascular and renal diseases, but also invest in *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 brand building by promoting the value of new products and strengthening our supply chain.

Business Management with a Corporatewide Awareness of Capital Cost

We believe that ROIC management, which supports Otsuka's innovation, is an important measure not only to improve capital efficiency in the short term, but also to contribute to medium- to long-term corporate value. From a financial perspective, we believe that establishing a stable financial framework will make us continue working on "what only Otsuka can do," which would support driving innovation and eventually result in contribution to society. During the period of the 4th MTMP, we will plan our cost of capital at 6% and fully implement ROIC management. To improve ROIC, maximizing cash return from operations: operating cash flow before R&D investments, and optimizing invested capital will be key measures.

Maximizing Cash Return

As for maximizing cash return, we will set KPI targets according to business characteristics such as therapeutics, clinical nutrition, and medical devices in pharmaceutical business, and for NC business, we will set KPI targets according to business development in growth market areas, and will improve KPI management for promoting business.

At the same time, we will also practice cost control, which we have been continuously implementing since the previous MTMP period, and enhancing shared service initiatives in each area.

Optimizing Invested Capital

Optimization of invested capital will be practiced in three main areas: asset efficiency, financial stability and efficiency, and shareholder returns.

(1) Asset efficiency

For asset efficiency, we aim to improve ROA by strengthening control of business assets with a view to optimizing group companies as a whole, including the use of business assets based on stronger investment discipline. We also aim to improve CCC[1] by strengthening control of working capital through optimization of accounts receivable and inventory management. As for non-business assets, we will periodically test and reclassify the cross-shareholdings structure to improve the quality of invested capital.

(2) Financial stability and efficiency

We will maintain our R&I rating of AA- or higher and establish financial stability by diversifying financing sources, including the issuance of green bonds when external financing is required, and by practicing financial risk management such as foreign exchange forward contracts.

Financial efficiency will be improved by reducing interest-bearing debt as a result of controlling standby funds needed for operations through the use of CMS.

(3) Shareholder returns

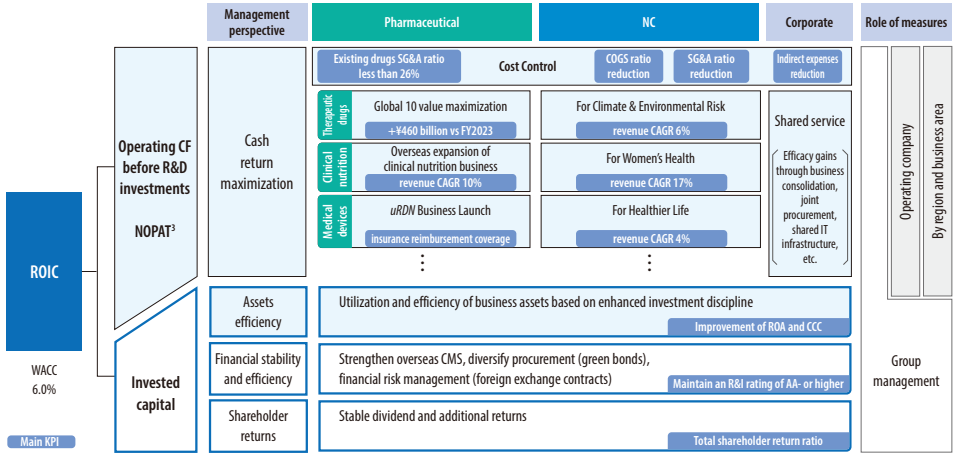
While our basic policy for shareholder returns is to make dividend payouts stably and continuously, we carefully consider the amount of dividends, comprehensively weigh issues such as appropriate levels of retained cash for investment for growth, maintain a solid financial standing, and achieve the optimal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

Thanks to the results from our investment for growth made up to the period of the 3rd MTMP, we have decided to increase the year-end dividend for FY2023, as we are now in a position to expect sustainable growth during the 4th MTMP period. In addition to stable and continuous dividend payments, we are planning approximately 50 billion yen of share buybacks during the period of the 4th MTMP (as of July 2024). We plan to flexibly consider additional approaches for shareholder returns during the 4th MTMP period from various perspectives, including the outlook for sustainable growth after the 5th MTMP period, the upward cash generation from organic growth of business during the 4th MTMP period, and the status of the total return ratio.[2]

1. Cash Conversion Cycle
2. (Cash dividend + Stock buy-back)/Net profit * 100

Otsuka Group ROIC Management

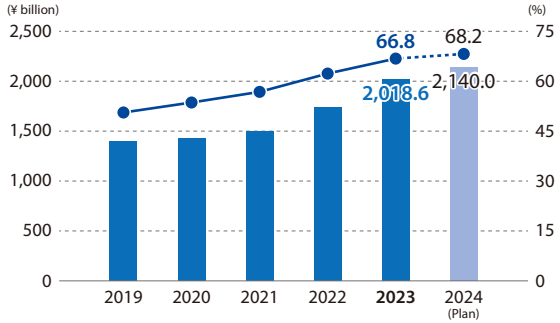
Aim to achieve a ROIC of over 9.5% by FY2028 by balancing growth investment and the creation of economic value exceeding WACC



3. Net Operating Profit After Tax

Financial and Non-Financial Highlights

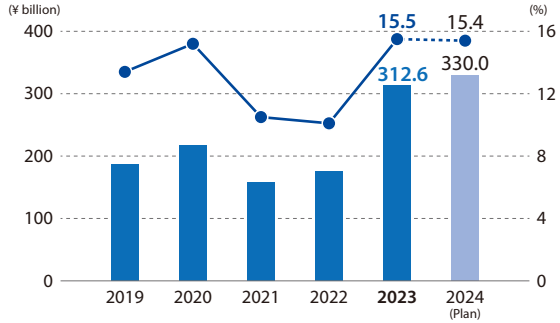
Revenue and Percentage of Overseas Revenue



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

Revenue continues to grow, 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.

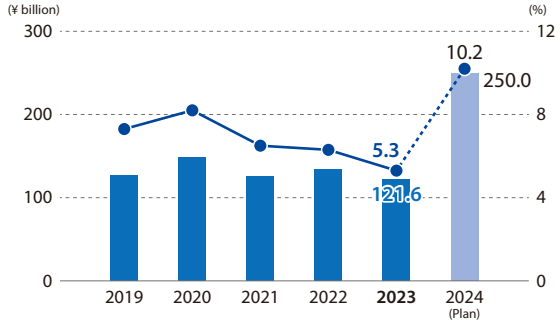
Business Profit, Business Profit Margin (Percentage of Revenue)



■■ 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.

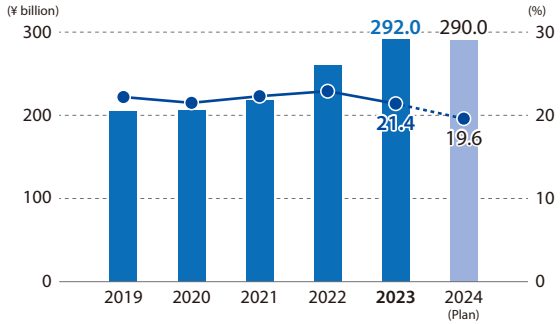
Profit Attributable to Owners of the Company, Return on Equity Attributable to Owners of the Company (ROE)



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

In 2023, ROE was 5.3% due to the impact of impairment loss on AVP-786. ROE for the 2024 plan is expected to be 10.2%, an increase of 4.9% 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.

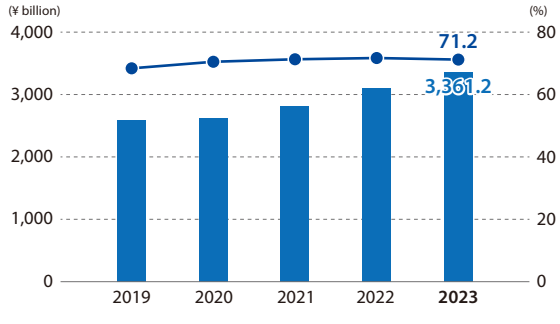
Pharmaceutical Business R&D Expenses, R&D Ratio (Percentage of Revenue)



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

In anticipation of growth from the 4th Medium-Term Management Plan (MTMP), 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.

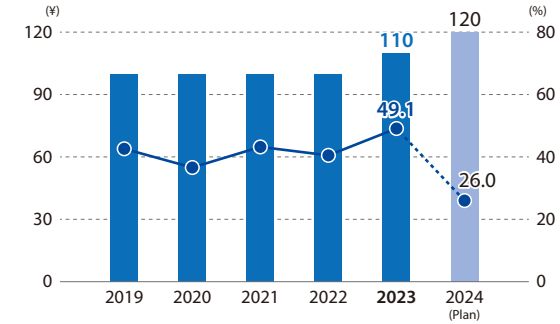
Total Assets, Ratio of Equity Attributable to Owners of the Company to Total Assets



■ 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



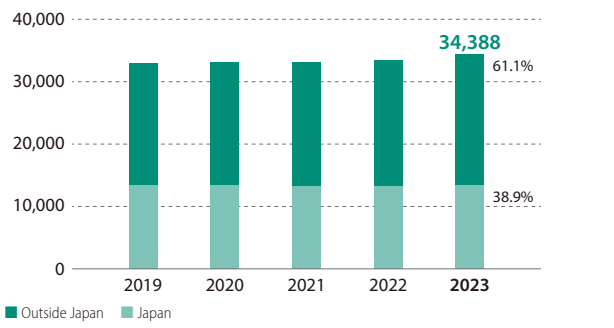
■■ Annual dividend per share (left) -●- Dividend payout ratio (right)

Our basic policy for shareholder returns is to pay stable dividends in line with profit growth. Starting from the end of fiscal 2024, we plan on increasing the annual dividend to 120 yen and will examine additional shareholder returns during the period of the 4th MTMP based on the outlook for sustainable growth starting with the 5th MTMP.

Financial and Non-Financial Highlights

See here for sustainability data.
https://www.otsuka.com/en/csr/data/

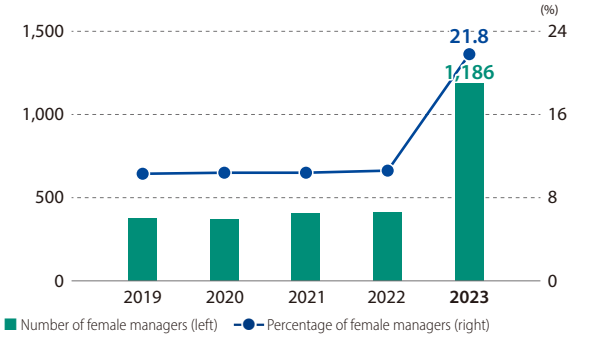
Number of Employees



Data scope: Otsuka Holdings and its 168 consolidated subsidiaries

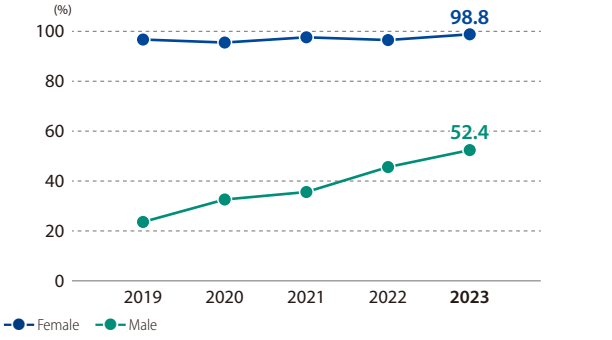
Sixty percent of our employees are active overseas and we are promoting global expansion.

Number of Female Managers, Percentage of Female Managers[1]



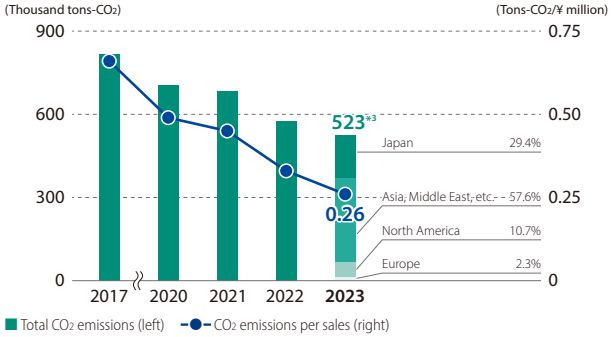
The number and rate of female managers increased as a result of revising the scope of "managers" at overseas operating companies in fiscal 2023.

Number of Employees Taking Parental Leave[2]



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 uptake rate.

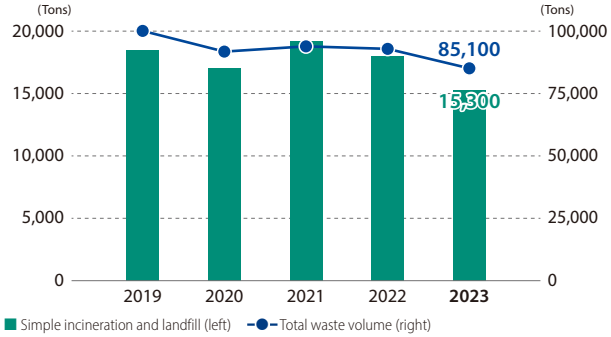
CO_2 Emissions, CO_2 Emissions per Sales



Scope: All production sites of the consolidated Otsuka group

CO_2 emissions declined 9.2% from the previous fiscal year for several reasons, including the broader introduction of CO_2-free electricity and solar power generation equipment and the switch in fuels.

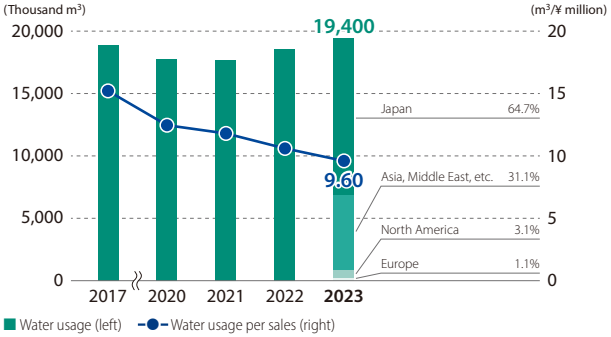
Simple Incineration and Landfill Volume, Total Waste Volume



Scope: All production sites of the consolidated Otsuka group

Total global emissions were down 8.4% from the previous year, while simple incineration and landfill emission volume were down 17.3% from 2019.

Water Usage, Water Usage per Sales



Scope: All production sites of the consolidated Otsuka group

Global water usage increased 4.9% from the previous fiscal year for several reasons, including greater production volume at domestic factories, but water usage per sales fell 9.7% from the previous fiscal year.

1. 2. Scope of the data: (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 nineteen companies above and Otsuka Pharmaceutical Europe
(Fiscal 2023) Twenty-three companies: the twenty companies above and J. O. Pharma, EN Otsuka Pharmaceutical, and Otsuka Business Support
2. Only for the above companies that are domestic companies.
3. Includes improvement in CO_2 emissions due to the use of the IEA's coefficients.

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
- Fine chemicals

Nutraceutical Business

- Functional beverages and foods
- OTC products and quasi-drugs
- Cosmedics

Consumer Products Business

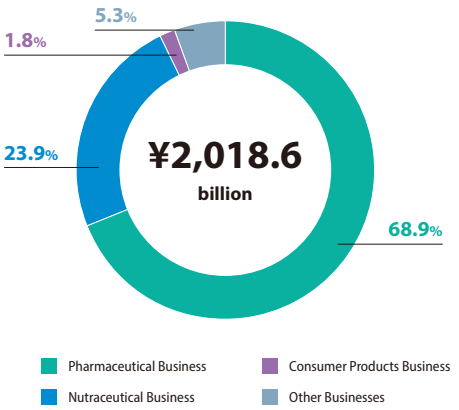
- Beverages
- Foods
- Wine

Other Businesses

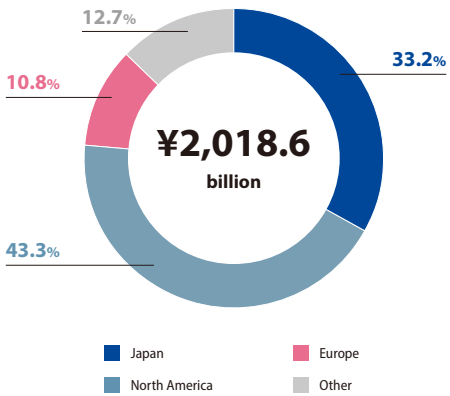
- Chemicals
- Warehouse and distribution
- Packaging
- Electronic equipment

Revenue*

By Business Segment (Fiscal 2023)



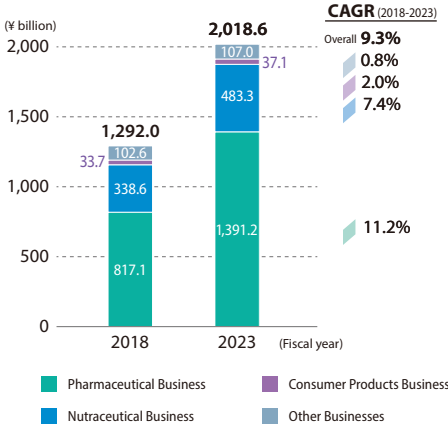
By Region (Fiscal 2023)



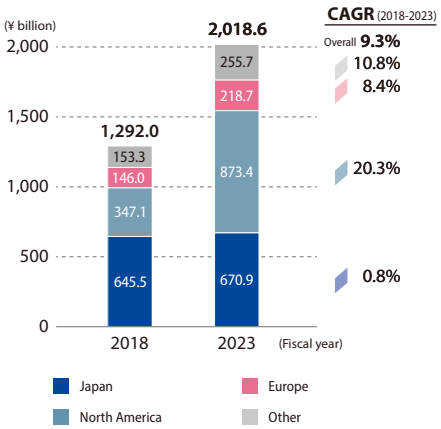
* Revenue from sales to external customers

Revenue and CAGR*

By Business Segment



By Region



* Fiscal 2023 performance was revised to reflect changes in how revenue from inter-segment transactions and other items are recorded starting in fiscal 2024.

Business Strategy

Contribute to the Health and Well-being of People Around the World

Related SDGs

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

Pharmaceutical Business

Outline of the 4th Medium-Term Management Plan strategy

Achieve sustainable growth by taking on challenges in new areas

- Build business foundations in innovative new areas
- Create new value leading to "Well-being"
- Develop innovation ecosystem

Fiscal 2028 Performance Targets

Revenue plan: 1,680 billion yen

Business profit plan: 320.0 billion yen

Fiscal 2023 Results

Revenue: 1,391.2 billion yen

Business profit: 282.1 billion yen

Summary of 3rd Medium-Term Management Plan and Outline of 4th Medium-Term Management Plan

Under the 3rd Medium-Term Management Plan (MTMP), we moved forward with various initiatives based on the strategic framework of maximizing value of existing businesses, challenging new frontiers as "only Otsuka Can Do", and generating innovation from creative and diverse research platforms. We were able to increase revenue from our four Global Products, *ABILIFY MAINTENA*, *REXULTI*, *Samsca/JINARC/JYNARQUE*, and *LONSURF*, which are positioned as growth drivers in this business. As a result, we achieved the targets in the 3rd MTMP two years ahead of schedule. As a result, the revenue from our pharmaceutical business in fiscal year 2023, the final year of the plan, reached 1,391.2 billion yen and business profit amounted to 282.1 billion yen.

Growth Driven by Four Global Products

The expansion of overseas areas and additional indications for Four Global Products, as well as efforts to raise awareness of the convenience of the formulations positively contributed, resulting in revenue of 726.9 billion yen in fiscal 2023, up 17.4% from the previous year. We achieved the target of 480.0 billion yen for the final year of the 3rd MTMP in fiscal 2021, and business continued to grow significantly in fiscal 2023.

Outline of the Fourth Medium-term Management Plan and Social issues continuing to be tackled

For the Otsuka group, R&D expenses totaled 1,181.6 billion yen over the five years of the 3rd MTMP as we continued to strengthen products and our pipeline, resulting in progress in the development of 69 products, 16 of which gained approval. The R&D efforts during the 3rd MTMP have contributed to nurturing the "Global 10 Plus 2" products, which are the next-generation growth drivers that will support Otsuka's future growth. Through the 4th MTMP we will move forward with further maximizing the value of Global 10 Plus 2 products. To contribute to the solution of social issues, we will continue to aggressively undertake R&D, confront global social issues with the unique product lineup that only Otsuka can offer, and provide well-being to people throughout the world as a total healthcare company.

Revenue

1,137.9 billion yen — Fiscal 2022

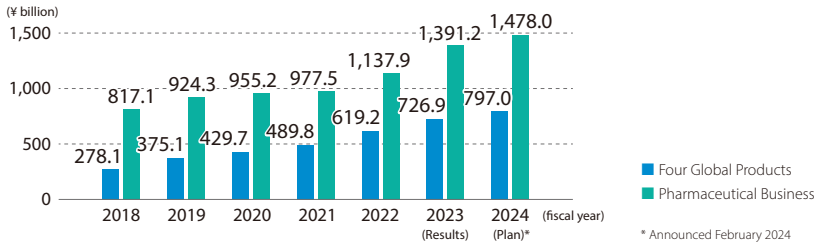
1,391.2 billion yen — Fiscal 2023

Business Profit

151.9 billion yen — Fiscal 2022

282.1 billion yen — Fiscal 2023

Pharmaceutical Business: Progress in Revenue



Four Global Products revenue

(¥ billion)	FY2022 revenue	FY2023 revenue	Year-on-year	FY2024 revenue plan*	Growth rate
ABILIFY MAINTENA	165.4	202.5	+22.4%	206.0	+1.7%
REXULTI	169.1	212.5	+25.6%	256.0	+20.5%
Samsca/JINARC/JYNARQUE	227.2	231.8	+2.0%	240.0	+3.6%
LONSURF	57.5	80.1	+39.3%	95.0	+18.6%
Total	619.2	726.9	+17.4%	797.0	+9.7%

* Announced February 2024

Business Strategy ■ Pharmaceutical Business

Pharmaceutical Business Outline and Areas

The Otsuka group is focusing on the priority fields of psychiatry and neurology, oncology, and cardiovascular and renal areas based on the topic of "unmet medical needs." In addition, we provide comprehensive healthcare services that extend from diagnosis to treatment through initiatives in a wide range of areas and businesses, including the digestive system, ophthalmology, diagnostics, the IV solutions business, and the medical device business.

Business Strategy for FY2024

Nurturing Global 10 Plus 2 Products that Can Support Otsuka's Future Growth

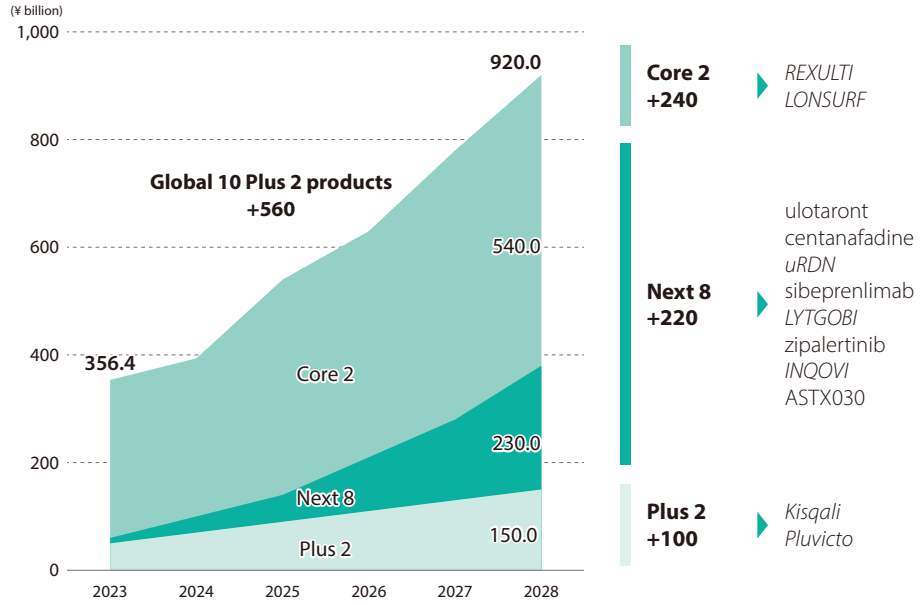
Through the 3rd MTMP, we generated numerous results as we worked to achieve sustainable growth starting with the 4th MTMP. Through continued aggressive R&D and progress with our pipeline based on in-house development and strategic collaborations, we nourished the Global 10 Plus 2 products, the next-generation growth drivers that can support Otsuka's future growth, which consist of ten in-house developed products and two strategically licensed-out products. Of these, five in-house developed products and two strategically licensed-out products have already been launched. As for the remaining five in-house developed products, we have already obtained positive results from Phase 3 studies for one and forecast strong sales growth for the product.

In the 4th MTMP, we plan to launch multiple new products in addition to the Global 10 Plus 2 products and will strive to minimize the expected impact of the expiration of the exclusivity period ("patent cliff") for major products and ensure the realization of sustainable growth starting with the 4th MTMP. In particular, we forecast total revenue for the entire Pharmaceutical Business at 1,680.0 billion yen in fiscal 2028 (average annual growth of 3.8%) as a result of growth in revenue from such products as Global 10 Plus 2 products (revenue of 920.0 billion yen in fiscal 2028) despite an adjustment phase in the short term due to loss of exclusivity (LOE).

Results of Strategic Investments During 3rd Medium-Term Management Plan

Results	Concrete examples
Implemented aggressive R&D investments (cumulative investment of **1,181.6 billion yen**)	
• **Promoted development of new drugs** Promoted development of **69 products** → Obtained approval for **16 products**	Main products that won approval or indications in 2023 • *REXULTI* • *ABILIFY ASIMTUFII* • *LONSURF* • Ultrasound Renal Denervation System (*uRDN*)
• **Developed innovative new drugs** **Granted Breakthrough Therapy and Breakthrough Device** Designation from U.S. FDA **4 products**	• zipalertinib • futibatinib • Ultrasound Renal Denervation System (*uRDN*) • sibeprenlimab (February 2024)
• **Strengthened pipeline through M&As and strategic collaboration (13 products)**	• ulotaront • AB122/AB154
• **Strategically licensed-out assets**	• *Kisqali*, *Pluvicto*
• **Expand drug discovery platform** (mergers and alliances)	• Opened Otsuka Pharmaceutical Osaka Research Center for Drug Discovery • Collaborated with academia

Revenue plan for Global 10 Plus 2 products



Business Strategy ■ Pharmaceutical Business

Otsuka Group's Priority Areas

Psychiatry and Neurology Area

In the area of psychiatry and neurology, we have a portfolio of development items and products with high potential for schizophrenia, bipolar disorder, and major depressive disorder. For example, in addition to brexpiprazole (product name: *REXULTI*), which was approved in the U.S. for agitation associated with dementia due to Alzheimer's disease, we are moving forward with the development of centanafadine for attention-deficit hyperactivity disorder (ADHD) and major depressive disorder. Moreover, there are concerns about the increase in Alzheimer's disease as the world population ages. The agitation due to this disease affects not just the patient's quality of life; it also places a strain on family members and caregivers, and is one reason patients have to enter nursing home, not live with their families.

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. As a leading company in this area, we are meeting unmet needs through comprehensive initiatives that are not limited to drugs but also include such products as recovery support programs for affected people using treatment apps and VR that employ digital technology.

■ *ABILIFY MAINTENA / ABILIFY ASIMTUFII*

aripiprazole | Antipsychotic long-acting injectable

In fiscal 2023, U.S. sales increased as a result of not only growth in prescriptions, mainly due to face-to-face detailing activities that promote the efficacy of the product for bipolar I disorder and schizophrenia patients, who have problems with medication adherence, but also the impact of exchange rate fluctuations. In addition, Japan sales are steadily growing because we strengthened information provision for bipolar I disorder in addition to schizophrenia.

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

■ *REXULTI*

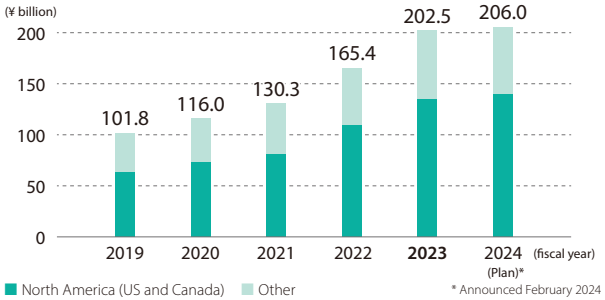
brexpiprazole | Atypical antipsychotics

In the U.S., in addition to adjunctive therapy for major depressive disorder and a treatment for schizophrenia, approval was obtained to use brexpiprazole as a therapy for agitation associated with dementia due to Alzheimer's disease in May 2023. In addition to moving forward with activities to raise awareness of agitation associated with dementia due to Alzheimer's disease, we are undertaking DTC[1] advertising. In fiscal 2023, sales rose because of an increase in the number of prescriptions due to stronger face-to-face detailing activities and impact of exchange rate fluctuations. In Japan, sales rose as the number of new prescriptions increased due to stronger detailing activities related to its use for schizophrenia.

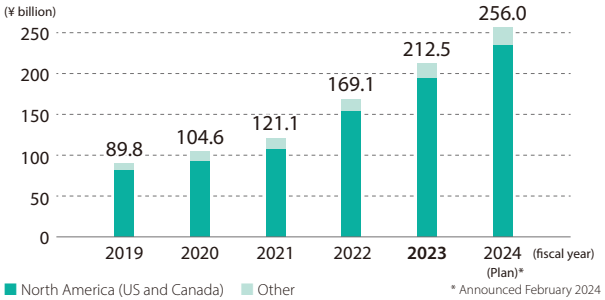
Currently, multiple clinical trials are underway to further contribute to unmet therapeutic areas in psychiatric and neurological disorders. In Japan, additional approval as an effective treatment option for depression and depressive states was obtained in December 2023.

1. Direct to Consumer: advertising of pharmaceuticals that make direct appeals to patients

Revenue of *ABILIFY MAINTENA / ABILIFY ASIMTUFII*



Revenue of *REXULTI*



Contribute to the Health and Well-being of People Around the World

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

Providing Comprehensive Solutions to Improve Mental Health

Basic Policy

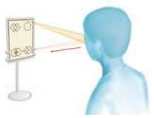
The World Health Organization (WHO) defines mental health as "a state of mental well-being that enables people to cope with the stresses of life, realize their abilities, learn well and work well, and contribute to their community," and elements such as treatment of mental disorders and rehabilitation are included. In addition, patient centricity such as making decisions of treatment policies through collaboration with patients and medical professionals are considered important solutions against social issues. The Otsuka group continues to implement initiatives to improve the mental health of patients with mental disorders.

Examples of Social issues

Mental disorders

- Unconscious bias
- Delayed treatment
- Deterioration of symptoms
- Recurrence
- Rehospitalization
- Job-related issues
- Difficulty of living daily life
- Nursing burden

Examples of Solutions Provided by the Otsuka group



Diagnosis

- *MIREVO*®, a Cognitive Function Testing Application for Dementia Care Support

REXULTI® brexpiprazole tablets

あいーと

Treatments and reducing the burden

- Develop and provide products for treatments and nursing care meals

こころの健康情報局 すまいるナビゲーター

Raising awareness

- Provide patients, families, caregivers, etc., with information of mental disorders

Support for recovery

- Collaborations with local communities and governments (e.g., sports activity)
- Digital solutions: FACEDUO, a VR-based platform to support social skills training for individuals (social skills training, emotion recognition training, family support of people with severe social withdrawal, dementia care support)

Developing innovative products to realize a future society that values well-being

Otsuka Pharmaceutical's initiatives targeting agitation* associated with dementia due to Alzheimer's disease

Mary Hobart
Otsuka Pharmaceutical Development & Commercialization Inc.
Senior Vice President,
Global R&D Evidence
(Regulatory Affairs OPDC)

I joined Otsuka Pharmaceuticals in 1999 and have been involved in the development of *REXULTI* since 2008.

In 2023, the approval of *REXULTI* as the first drug in the U.S. for agitation associated with dementia due to Alzheimer's disease was a great honor. Although clinical trials targeting these patients were challenging and time-consuming, we confirmed the effectiveness and safety of the drug.

Agitation, which about half of patients with Alzheimer's disease suffer from, is considered a major social issue because it not only places a heavy burden on caregivers and lowers the quality of life of patients, their families, and caregivers, but is also one reason why patients cannot live with their families and have to be placed in nursing facilities.

The approval of *REXULTI* as a treatment for agitation associated with dementia due to Alzheimer's disease represents an important milestone for patients and caregivers confronting this complicated challenge. Providing new treatment options in response to the unmet needs of people living with this condition underlines the commitment of the Otsuka group in a profound way.

* Agitation: A state that impedes either a patient's daily life, social life, or human relations and is indicated by either increased activity, such as wandering or repetitive actions, whether aggressive or non-aggressive, or aggressive speech or behavior.

Business Strategy ■ Pharmaceutical Business

Oncology Area

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

Our proprietary drug discovery platform technologies, including biochemical modulation drug discovery, which Taiho Pharmaceuticals quickly started to work on, Cysteinomix Drug Discovery, which is distinguished by specific covalent modification of therapeutic targets, and Astex Pharmaceuticals' fragment drug discovery,[1] support the creation of a broad product portfolio. For example, futibatinib (product name: *LYTGOBI*) was discovered using the Cysteinomix Drug Discovery Platform. In September 2022, the U.S. FDA granted approval for its use with "previously treated unresectable locally advanced or metastatic intrahepatic cholangiocarcinoma accompanying FGFR2 gene fusions or other rearrangement," and was approved for biliary tract cancer in Japan and for bile duct cancer in Europe in 2023. Similarly, zipalertinib was discovered using the Cysteinomix Drug Discovery Platform and is currently undergoing Phase 3 studies for non-small cell lung cancer with EGFR exon 20 insertion mutation. In addition, ASTX727 (product name: *INQOVI*/*INAQOVI*) and ASTX030, which were discovered by Astex Pharmaceuticals, are undergoing clinical trials as an oral drug for hematological cancer.

Cysteinomix Drug Discovery Platform

A unique drug-discovery platform technology, which allows for the formation of strong bonds and high target selectivity by covalently binding drugs to the specific cysteine residues of therapeutic target proteins.

The Otsuka group is also accelerating its drug development to resolve unmet needs through collaboration with partner companies. Furthermore, we look for opportunities for collaboration with promising startups through corporate venture capital, thereby expanding our development pipelines in cancer immunotherapy and other areas, and acquiring innovative drug discovery platform technologies. Meanwhile, primarily through 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 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.

■ *LONSURF*

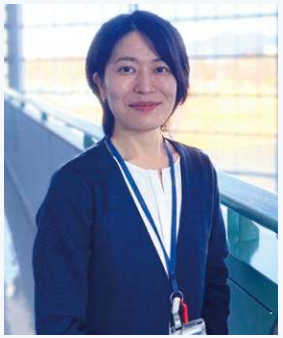
trifluridine/tipiracil | Anticancer agent

As of December 31, 2023, the drug had been approved in 100 countries and regions for the treatment of unresectable advanced or recurrent colorectal cancer, and prescriptions are increasing. In the U.S., sales grew dramatically because of its approval for additional indications as a bevacizumab combination therapy for colorectal cancer in August 2023, its recommendation as a combination therapy based on NCCN Guidelines,[2] and exchange rate fluctuations. In Europe, too, it was approved for additional indications for bevacizumab combination therapy for colorectal cancer in July 2023. In Japan, sales are also rising steadily due to greater recognition as a bevacizumab combination therapy on account of its reference in influential research articles.

2. Cancer treatment guidelines used broadly throughout the world

Creating innovative drugs to realize a future society that values well-being

To contribute in People's "Today and Every Day" ~Taking on the challenges in new cancer drug development~



Chihoko Yoshimura
Taiho Pharmaceutical Co., Ltd. R&D Division
Daiichi Lab Director

Taiho Pharmaceutical has adopted the communication slogan "Today and Every Day." Its goal is to make contributions through drugs so that, for example, cancer patients can receive appropriate treatment while enjoying their usual daily lives with their families.

As for new drug development, its focus is on cysteinomix drug discovery. This technology, which bonds specified amino acids into new drugs, has demonstrated both strong bonding strength and high selectivity. Focusing on this value in the early stages, we have been building the cysteinomix compound library for more than a decade. As a result, we are now working on multiple development projects based on cysteinomix drug discovery.

We confront numerous issues in our drug discovery activities. It is a continual process of trial and error because there are no clear right answers and success conditions. Our drug discovery projects are established through collaboration among numerous areas. We will resolve each issue by forming teams of specialists and sharing opinions from various perspectives. Working as unified team, we passionately strive to deliver new therapeutic options to patients.

We achieve this goal by showing the high efficacy and safety of the new drugs that we create through our activities for difficult-to-treat cancers that still lack satisfactory treatments and other immunity-related diseases.

For more information on "Today and Every Day," click here.
Web https://www.taiho.co.jp/en/company/slogan/

Business Strategy ■ Pharmaceutical Business

Cardiovascular and Renal Areas

Creating first-in-class products through new drug discovery technologies and new devices

In the cardiovascular and renal areas, we are not only reinforcing in-house drug discovery but also aggressively making growth investments, including acquiring Visterra Inc., which possesses a pipeline in the renal area. We are working to address diseases caused by renal failure that dramatically lowers the QOL of patients with such drugs as *JINARC/JYNARQUE*, a treatment for autosomal dominant polycystic kidney disease (ADPKD), and sibeprenlimab, a treatment for IgA nephropathy that is under development.

A concrete result of these initiatives was that we conducted a clinical trial of sibeprenlimab, which was created by Visterra Inc., for IgA nephropathy and obtained breakthrough therapy designation[1] by the U.S. FDA in February 2024. In addition, we are moving forward with the development of medical devices that place less of a burden on the body through a creative approach that combines pharmaceuticals and medical device know-how. In November 2023, we obtained approval from the U.S. FDA for the use of Ultrasound Renal Denervation System as a new treatment option for patients with hypertension who are unable to sufficiently manage their hypertension with the lifestyle improvements and antihypertensive drug treatment.

1. A system to accelerate the development and screening of drugs used to treat serious or life-threatening diseases. It is available for drugs for which there is significant preliminary clinical evidence for key clinical items compared to existing treatment methods.

■ Ultrasound Renal Denervation System

uRDN | New hypertension therapy option

The Ultrasound Renal Denervation system (*uRDN*) was first approved by the U.S. FDA in November 2023 as an adjunctive treatment option for hypertension when lifestyle modification and medications have not adequately controlled a patient blood pressure. It is a novel ultrasound-based renal denervation technology designed to lower blood pressure by denervating the sympathetic nerves surrounding the renal arteries, reducing the overactivity that can lead to hypertension.

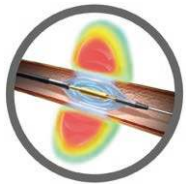
While a number of antihypertensive drugs have been developed and used for many years, a considerable number of patients who are treated for hypertension remain uncontrolled, which over time, can lead to serious heart issues. In three global, independently powered, sham-controlled[2] randomized clinical trials of the *uRDN* conducted in the U.S. and Europe, the efficacy and safety of the *uRDN* have been demonstrated. This novel treatment option can revolutionize the existing way hypertension has been treated.

In the U.S., the system has been used in a number of facilities since the day after the FDA approval and has spread throughout the U.S. In Europe, it has been introduced in major countries after receiving the CE Mark.[3] In Japan, a clinical trial is currently underway.

2. Placebo procedures
3. The CE marking represents a manufacturer's declaration that products comply with the EU legislation and meet high safety, health, and environmental protection requirements.

***uRDN* features**

- Designed to lower blood pressure by using ultrasound to denervate the sympathetic nerves surrounding the renal arteries in a circumferential and deep level, reducing the overactivity that can lead to hypertension
- Circulating sterile water through a balloon catheter during procedure to help protect the renal artery wall
- Simple operation and short procedure time



■ *Samsca/JINARC/JYNARQUE*

tolvaptan | V_2-receptor antagonist

In 2003, the number of prescriptions of *Samsca/JINARC/JYNARQUE* for autosomal dominant polycystic kidney disease (ADPKD) increased with more than 10,000 patients having been treated with the drug. On the other hand, 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. Even in the U.S., where the drug is sold as a treatment for hyponatremia, there was a dramatic decline in revenue in response to the introduction of generics.

For *JINARC/JYNARQUE*, there was a dramatic increase in sales because of an increase in the number of prescriptions due to continuous efforts to raise awareness of its use as a ADPKD drug and the provision of information on clinical data, as well as the impact of exchange rate fluctuations.

Global development as an ADPKD drug

Europe

Launched in 30 countries

Japan

Contributed to approx. 7,500 patients

U.S.

Contributed to approx. 12,000 patients

Estimated ADPKD patients

U.S.: 140,000, Europe: 205,000, Japan: 31,000

(As of the end of December 2023, in-house survey)

Contribute to the Health and Well-being of People Around the World

Challenge of Unmet Medical Needs (Tuberculosis)

Basic Policy

Good health is a universal desire. In 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 identifying what it is that only Otsuka can do, with a particular focus on working to address unmet medical needs. Among them, tuberculosis (TB), one of the world's three major infectious diseases, is one of the most important areas, and various efforts are underway to eradicate it.

Challenge to increase access to pharmaceuticals and related initiatives

TB is one of the world's three major infectious diseases, along with HIV/AIDS and malaria. In 2022, there were more than 10 million cases and 1.3 million deaths worldwide from TB, a serious disease that is the second most common cause of death by infectious disease after COVID-19. Multidrug-resistant TB (MDR-TB) cannot be treated with several of the top drug options, making it difficult to treat and a major issue. In some countries, being infected with TB results in discrimination and prejudices against patients and their families, which results not only in infections growing more serious as infected people are reluctant to get diagnosed but also to the disease spreading. This is given as one of the reasons why there has been little decline in the number of TB patients.

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 access to TB drugs and diagnostics to almost all countries that require therapies. We are also moving forward with R&D on new drugs and aiming to contribute to the elimination of TB and improvements in public health throughout the world.

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.

Number of patients provided with delamanid
(As of December 2023)

More than 100,000 in total

Can be used in more than 120 countries worldwide

Working to eliminate Antimicrobial Resistance (AMR[1])

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

This system for proper use, our initiatives to provide global access, and continuing R&D on antimicrobial-resistant TB have been highly praised in the *Antimicrobial Resistance Benchmark* report issued by the Access to Medicine Foundation, which analyzes initiatives to improve access to important drugs in low middle income countries.

1. AMR (antimicrobial resistance)

Indonesia's efforts to eliminate TB

According to the World Health Organization (WHO), Indonesia is one of the worst countries in terms of TB because as of 2022, it had the second largest number of TB patients after India. The Indonesian government recognizes the serious nature of this situation and launched activities to eliminate TB by 2030, which Otsuka Pharmaceutical is supporting. In particular, the TB elimination activities at workplaces, which were launched in July 2022 and involve numerous corporations, were highly praised, and in March 2024, PT Otsuka Indonesia and PT Amerta Indah Otsuka were presented with the Exemplar Award by the Ending Workplace Tuberculosis (EWTB) Initiative, which was established primarily by the World Economic Forum.

Received 2023 Exemplar Award

Business Strategy

Contribute to the Health and Well-being of People Around the World

Related SDGs

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

Nutraceutical Business

Outline of the 4th Medium-Term Management Plan strategy

- Contribute to social issue resolutions from a global perspective
- Create and foster the next generation growth drivers
- Continue a high profit structure

Fiscal 2028 Performance Targets

Revenue plan: ¥620.0 billion

Business profit plan: ¥90.0 billion

Fiscal 2023 Results

Revenue: ¥483.5 billion

Business profit: ¥60.5 billion

Summary of 3rd Medium-Term Management Plan

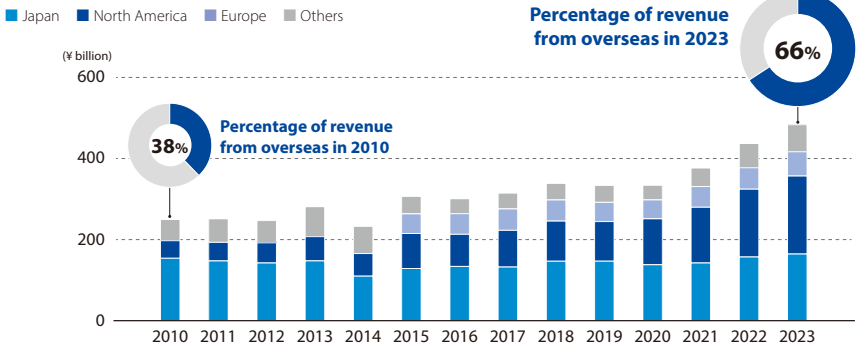
Search for growth and further acceleration of global expansion

During the 3rd Medium-Term Management Plan (MTMP), it was possible to increase sales, particularly overseas, through strong growth for *POCARI SWEAT*, *Nature Made*, and the Nutrition & Santé brand, our three Major Brands, and *Daiya*, *EQUELLE*, and *BODYMAINTÉ*, our three Nurture Brands.

Increase value of our product line-up of unique brands

Of the three Major Brands, *POCARI SWEAT* and *Nature Made* made firm contributions overseas, making it possible to exceed 3rd MTMP targets. Sales volume of *POCARI SWEAT* rose, primarily in Asia, on account of its brand image established over many years and greater awareness of the importance of hydration and electrolyte replenishment as a result of educational activities tailored to the particular region's culture and conditions. Sales of *Nature Made* rose dramatically in the U.S. because of the high trust in the brand and its quality.

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.

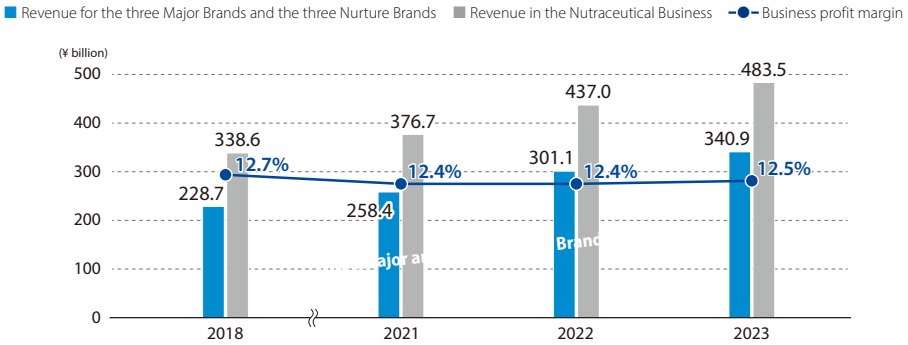
High margin strategy based on brand value

As a result of the marketing strategy to communicate globally the product value, it was possible to maintain the business profit margin above 12% during the period of the 3rd MTMP, which exceeded the plan's target of 10%. We are also making upfront investments in fields and areas to expand the scale of business while maintaining a business profit margin of at least 12%.

Outline of 4th Medium-Term Management Plan and social issues that we continue to tackle

Through the 4th MTMP, we will tackle social issues in each area and region and contribute to the health and well-being of people around the world as a total healthcare company through Otsuka's unique product line-up.

Revenue During the 3rd Medium-Term Management Plan



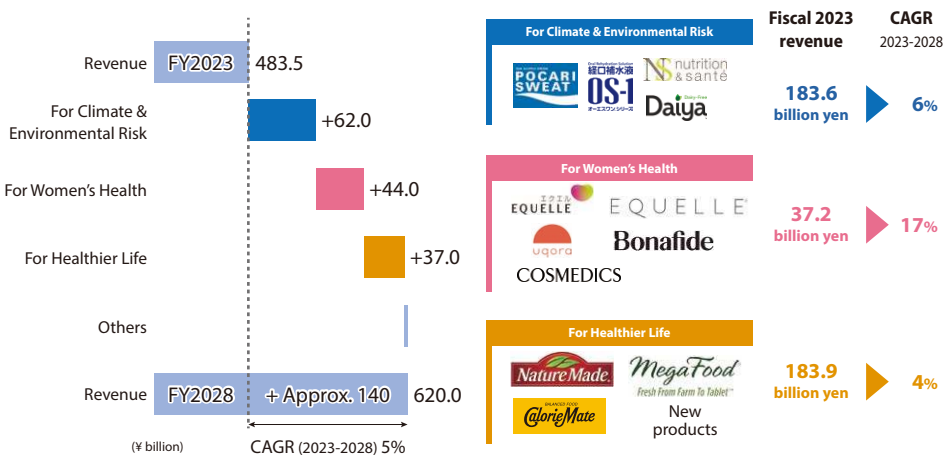
Business Strategy ■ Nutraceutical Business

Nutraceutical Business Outline and Area

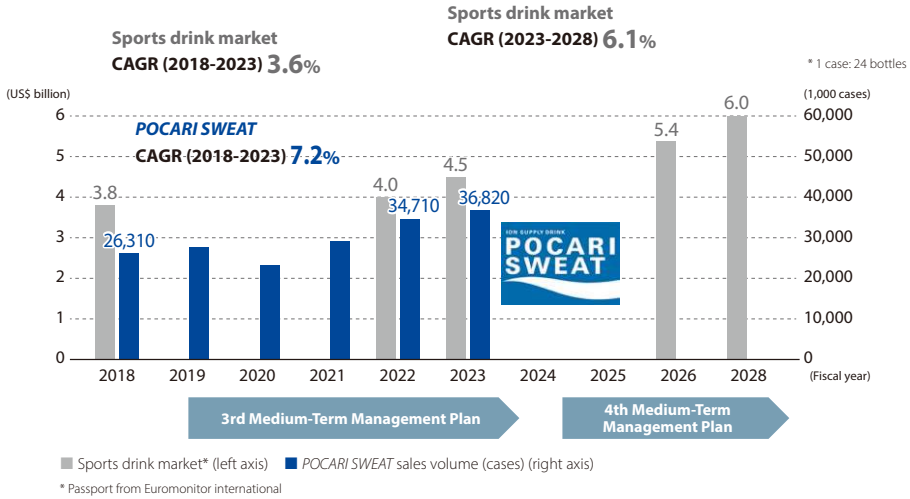
Otsuka group's Nutraceutical Business conducts business centered on such products as functional beverages, functional foods, and supplements, which support the maintenance and improvement of day-to-day health. Leveraging our know-how acquired through the Pharmaceutical Business, we are working to develop unique products based on scientific evidence and conduct business globally, including in Asia, U.S., Europe, Middle East, and Africa.

4th Medium-Term Management Plan Revenue Plan for Three Categories that Are Addressing the Social Issues

- For Climate & Environmental Risk | Develop overseas *POCARI SWEAT* business to be a ¥100 billion brand
- For Women's Health | Build growth foundation to become a leader by developing the category, mainly in North America
- For Healthier Life | Further maximize value with unique product line-up geared toward life stages of consumers



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



■ *POCARI SWEAT*

Aim to maximize value in global markets, particularly ones in the fast growing Asia-Pacific region

During the period of the 3rd MTMP, overseas *POCARI SWEAT* sales grew at a CAGR of about 16%, resulting in overseas sales accounting for more than 50% of sales in 2023. The Asia-Pacific sports drink market, where the Otsuka group operates its *POCARI SWEAT* business, contracted temporarily in 2020 because of restrictions on consumers' movement due to the COVID-19 pandemic, but since then, it has continued to grow due to strong health awareness. Sales are forecast to grow at a CAGR of 6% between 2023 and 2028. Because of this forecast of continued strong growth, we aim to further spread the brand in existing markets and expand into new markets by educating consumers of the importance of hydration and electrolyte replenishment.

We are taking on the challenge of nurturing *POCARI SWEAT* into a 100.0 billion yen brand overseas through growth, mainly in Asian countries such as China and Indonesia.

Contribute to the Health and Well-being of People Around the World

Striving for Zero Incidents of Heat Disorders

Basic Policy

As it is said that "the earth has entered the age of global boiling," global warming has become serious. Related social issues, such as heat disorders, are causing incidents and threatening our daily lives. The Otsuka group has been striving to achieve zero incidents due to heat disorders over the past 30 years. We are working with various stakeholders to maintain and enhance our well-being, in addition to providing diagnosis and treatments, as a total healthcare company.

Training Heat Disorders Prevention Ambassador Course

To prevent heat disorders, it is not only necessary for individuals to be aware of the risks, but also to encourage many people to help prevent such disorders through appropriate information. At Otsuka Pharmaceutical, we hold a Heat Disorders Prevention Ambassador Course (support provided by the Ministry of the Environment, the Ministry of Education, Culture, Sports, Science and Technology, and the Ministry of Agriculture, Forestry and Fisheries), at which it is possible for local governments, schools, corporations, and other organizations to acquire specialized knowledge necessary to conduct heat disorders prevention educational and promotion activities. Participants who complete the seminar are certified as Heat Disorders Prevention Ambassadors and play a role in expanding the range of people who provide warnings to those around them.

Expansion of Otsuka's heat disorders prevention activities

Local governments, ministries, and agencies

- Concluded first collaboration agreement with the Ministry of the Environment to reduce incidents involving heat disorders
- Concluded a collaboration agreement with the Environmental Restoration and Conservation Agency to promote heat disorders prevention
- Concluded a collaboration agreement with local governments throughout Japan, including 47 prefectures, related to heat disorders prevention measures
- Held an expert conference to promote heat disorders prevention in local communities in collaboration with local governments and related organizations

Elderly people

- Conducted educational activities on heat disorders prevention in collaboration with numerous entities, including public health centers and community comprehensive support centers throughout Japan
- Conducted educational activities in collaboration with welfare volunteers of local governments

Corporations and workplaces

- Collaborated with the Japan Industrial Safety & Health Association to create booklets on the prevention of heat disorders
- Dispatched instructors to seminars and conducted on-site courses on preventing heat disorders in workplaces with hot environments

Children and students

- Our employees conducted explanatory meetings on heat disorders and their prevention at various venues including classes, all-school meetings, and club activities
- We collaborated with local governments, school boards, and other entities to provide teaching materials, allowing teachers from elementary to high school to conduct related activities
- We collaborated with local experts, including trainers and sports nutritionists, to hold seminars for educators and guardians

Sport activities

- Initiated collaboration with the Japan Sport Association to help prevent heat disorders, coinciding with the formation of the association's Study Group for Prevention of Heat Disorders in Sports Activities
- Collaborated in creating and widely distributing the Guidebook for Prevention of Heat Disorders in Sports Activities, published by the Japan Sports Association
- Cosponsored the creation of hydration-focused sports manuals for rugby, soccer, judo, track and field, and baseball teams

Business Strategy ■ Nutraceutical Business

■ *Nature Made*

Striving to generate additional growth particularly in the U.S. based on brand strength and high trust in quality

While it continues to conduct R&D on supplements, Pharmavite LLC manufactures and sells *Nature Made* brand products, which were first launched in California, U.S., in 1971. The brand has captured the top retail market share[1] for vitamins in the U.S. During the period of the 3rd MTMP, *Nature Made* brand sales exceeded 100.0 billion yen, dramatically exceeding growth in the U.S. supplement market. Furthermore, we invested more than 200 million dollars to establish a new plant and R&D center in Ohio in order to expand production capacity and R&D capabilities in the gummy category, which is experiencing strong growth. The goal is to launch production in 2025.

In addition to its core brand *Nature Made*, Pharmavite is working to strengthen its lineup of women's health products in the supplement market, which included acquiring Uqora, Inc. in 2021 and Bonafide Health, LLC in 2023. During the period of the 4th MTMP, we plan to generate sustainable growth through aggressively investments in these next generation growth drivers.

1. Based on Pharmavite's own definition and using the 52-week general vitamin category data through December 31, 2023, as Circana reported in US MULO through Advantage service. ©2024, Information Resources Inc.

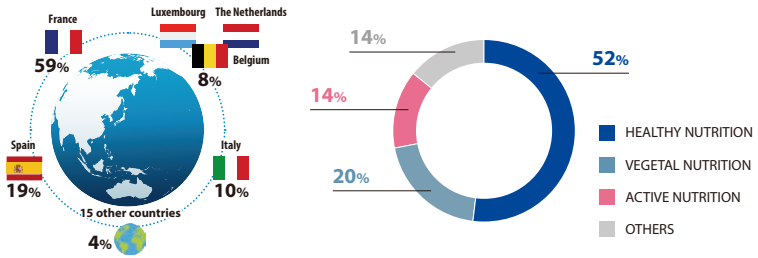
■ Nutrition & Santé

Expand e-commerce adapted to food service 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.

During the period of the 3rd MTMP, growth in sales was flat for several reasons, including high inflation in Europe due to geopolitical conditions and business restructuring, but since the onset of the COVID-19 pandemic, we have steadily moved forward with creating a foundation for growth through such initiatives as expanding e-commerce to meet the new lifestyles of people.

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



Nutrition & Santé brands

HEALTHY NUTRITION	VEGETAL NUTRITION	ACTIVE NUTRITION
Gerblé, Bicentury, Céréal, Valpi bio	NATURSOY, Céréal BIO, SOY	weight care, we care, Gerlinéa, biManán, modifast, isostar, PESOFORMA

■ *EQUELLE*

Taking on the challenge of a new field: women's health

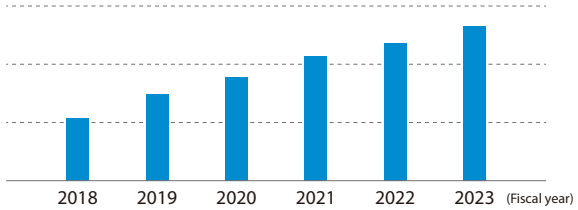
EQUELLE originated from research conducted at Otsuka Pharmaceuticals' Saga Nutraceuticals Research Institute, where women's health is a research theme. *EQUELLE*, which contains equol, is sold in Japan and the U.S. as a food product that supports women's health and beauty at a time when aging brings 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.

During the period of the 3rd MTMP, the number of e-commerce subscription-type contracts steadily grew and sales rose dramatically as product recognition increased due to extensive provision of information, including the holding of women's health seminars. In 2021, we introduced *tocoelle*, which offers gentle support for women dealing with premenstrual changes, as a product to help women's health.

We aim to improve literacy regarding women's health and contribute to the creation of a society in which all women can energetically participate by providing both products and information based on scientific evidence.

Business Strategy ■ Nutraceutical Business

EQUELLE* sales



2018-2023
CAGR 20%

* 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.

During the period of the 3rd MTMP, we were unable to generate growth that was as strong as expected because growth in the North American market for cheese with milk substitutes slowed and competition grew fiercer. However, during the period of the 4th MTMP, we will take on the challenge of becoming the category leader for plant-based food products by generating growth of at least 10% (CAGR), which exceeds market growth, through several initiatives. We will offer a flavor that is no different than that of traditional cheese through proprietary fermentation technology and establish a product lineup to meet the needs of consumers.

Creating innovative products to realize a future society that values well-being

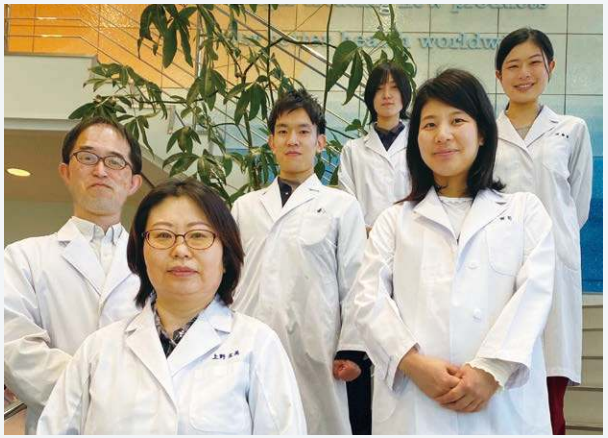
Social impact of *EQUELLE* on women's health issues

When *EQUELLE* was developed, it was thought only natural that women would have to put up with menopause symptoms. However, because many menopause symptoms are issues that normally occur, not ones due to illness, product development is driven by the idea of contributions possible from foods, not pharmaceuticals.

EQUELLE is a food product with guaranteed effectiveness and safety developed through an approach that only Otsuka, a pharmaceutical company, can employ. In addition, it was possible to raise awareness of menopausal disorders by having medical professionals provide consumers with proper information and propose *EQUELLE*.

According to the Ministry of Economy, Trade and Industry, women's health problems result in an economic loss of about 3.4 trillion yen annually for the whole of society. In response to this social issue, we will continue to undertake educational activities so that women themselves can proactively respond through such steps as seeing their gynecologist. This will be accomplished by raising awareness of menopause and premenstrual symptoms and increasing understanding among women.

During women's lives, there are other concerns that they are simply expected to tolerate. I want to continue to contribute to the creation of a society in which women proactively undertake self-care by broadening the use of Otsuka group products and proposing new products.



Tomomi Ueno (front left)
Otsuka Pharmaceutical Saga Nutraceuticals Research Institute, Director

Contribute to the Health and Well-being of People Around the World

https://www.otsuka.com/en/rd/business/nutraceuticals/
Please see p. 84

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, along with decreasing birthrates and an aging population, new health challenges have emerged such as lifestyle-related diseases. These new challenges also include issues related to women's health, such as symptoms associated with menstruation and menopause. According to an estimation by Japan's Ministry of Economy, Trade and Industry published in 2024, the economic loss to society at large caused by these women-specific conditions is equivalent to 3.4 trillion yen.
At Otsuka Pharmaceutical, we consider it important that women themselves and the people around them understand the physical and mental changes women undergo during each life stage, that women select the treatment method appropriate for them, and that an appropriate environment is created so that women can play an active role. Therefore, we are committed to addressing women's health issues with a heightened focus through various means, leveraging the knowledge we have gained over many years of research and development.

Building Awareness of Women's Health

Since 2015, we have held Women's Health Seminars throughout Japan. Furthermore, through the Otsuka Advanced Training for Healthy Aging Supporters (OATHAS) program for pharmacies and pharmacists who support the health of their local communities, we provide not only the knowledge necessary to provide that support but also opportunities to acquire practical skills. Our website includes informational pages on our Women's Health Promotion Project, KONENKI. Lab, and PMS LABORATORY, through which we offer day-to-day health support for women of all ages.

Otsuka Pharmaceutical health insurance association has offered a women's health consultation service provided 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 open to male employees.

Women's health seminar

Women's Healthcare Project

https://www.otsuka.co.jp/woman_healthcare_project/

U.S.-Based Pharmavite—Expanding Health Food Business for Women

In November 2023, Otsuka Pharmaceutical's U.S. subsidiary Pharmavite acquired Bonafide Health, LLC, which manufactures and sells women's health products. Bonafide Health was established in 2017 with the mission to "provide innovative safe and effective options that contribute to women's health." In addition to conducting R&D on, manufacturing, and selling new women's health products based on ideas gleaned from nature, we are supported by medical experts as our products are based on scientific evidence. Bonafide Health stresses providing long-term and sustainable support that meets women's health needs, which become more complex as they age, through our products.

Be acquiring Bonafide Health, Pharmavite will expand its existing women's health food business, which includes Uqora, a company that specializes in the field of women's urinary track health, and *EQUELLE*, a supplements that incorporates equol.

The Otsuka group will tackle women's health issues both in Japan and overseas through its products and health education activities.

Bonafide Health products

Uqora products

EQUELLE products

Business Strategy

Contribute to the Health and Well-being of People Around the World

Related SDGs

https://www.otsuka.com/en/rd/business/consumer/

Consumer Products Business

4th Medium-Term Management Plan Initiatives

- Revenue improvement & brand establishment

FY2023 Performance

Revenue: 37.1 billion yen

Business profit: 18.1 billion yen

Consumer Products Business Overview and Business Field

Otsuka Foods, the core of the Consumer Products Business, conducts business in the foods and beverages areas based on the topics of deliciousness, safety, peace of mind and better health by developing products that are ahead of their time, including *Bon Curry*, the world's first commercially available food in plastic pouch bags (retort bags) that was introduced in 1968.

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.

Summary of the 3rd Medium-Term Management Plan and Outline of the 4th Medium-Term Management Plan

During the period of the 3rd Medium-Term Management Plan (MTMP), *MATCH* sales fell slightly in both 2020 and 2021 for various reasons, including restrictions on people going out due to the COVID-19 pandemic. Since 2022, when consumer activity began to recover, sales have increased for two consecutive years as a result of stronger marketing to young people, our main target. Sales of *Bon Curry* rose dramatically due to greater demand as people were stuck at home during the COVID-19 pandemic and aggressive marketing activities, such as launching the first new products (Gold and NEO series) in 6 years in 2023. Through the 4th MTMP, we aim to increase sales by undertaking effective marketing activities, particularly for beverages and retort-pouch products, the core of the business.

Major Products

Launched in 1996, *MATCH* is a vitamin-enhanced carbonated beverage that is easy to gulp down because of its refreshing flavor and light carbonation, making it possible to get vitamins and minerals in a delicious manner. *Bon Curry* was created as the world's first commercially available retort pouch 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" and created using innovative unique technology.

MY SIZE is a series of 100 kcal retort pouch foods developed based on the concept that "meals should also come in small sizes." The series features easy-to-understand calorie labels, a salt content of no more than 2 g, 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.

Creating innovative products and link that to future wellbeing society

Contributing to well-being through *MY SIZE*

MY SIZE is a series of products for people who want to enjoy, not sacrifice, food in order to maintain their health that is based on the concept of selecting meals of the appropriate size for oneself. During development, one aspect we struggled with was not compromising flavor while limiting the calorie content for the popular curry and rice-bowl topping to no more than 100 kcal. In response to customer opinion, we also evolved the design in 2016 to lower the salt content for all products to no more than 2 g.

Retort pouch foods are growing more diverse as they are not only no longer simply convenient and fulfill a role as disaster rations but also now meet needs related to flavor, individual meals, and easy meals for two-income households. Through product development from a "food and health" perspective, we will provide delicious products that respond to consumer opinions by proposing new retort pouch meal and evolving our technology.

Koji Eto
Assistant Director
Biwako Research Institute
Otsuka Foods Co., Ltd.

Business Strategy

Contribute to the Health and Well-being of People Around the World

Related SDGs

https://www.otsuka.com/en/rd/business/others/

Other Businesses

4th Medium-Term Management Plan Initiatives

• Developing new markets both in Japan and overseas that support long-term growth

Otsuka Chemical

• Reinforcing global system (business expansion and local production)
• Pharmaceutical CDMO[1] business that leverages proprietary technology

1. CDMO: Contract Development and Manufacturing Organization

Otsuka Warehouse

• Promoting greater logistics efficiency through use of common platform with partner companies
• Promoting digitalization of delivery operations

FY2023 Results

Revenue: 107.0 billion yen
Business profit: 3.1 billion yen

Business Outline and Business Field

Otsuka's diversified operations include a chemical business that supplies various materials in the fields of automobiles, electrical and electronic equipment, and construction; 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 value-added materials that meet the needs of the automotive, electrical and electronics, housing, and pharmaceutical industries. Through the 3rd Medium-Term Management Plan (MTMP), we aimed to strengthen both our in-house material and technologies by area. In our Films Business, which provides products for automobiles, smartphones, and similar products, we launched operation of a process development building, expanded our lineup of anti-reflective films, and developed high value-added products through the combination of technologies we have developed. As for pharmaceutical raw materials, we deepened collaboration with customers and partner companies through open innovation by opening the Shonan Laboratory, and in May 2023, we started to supply CDMO services for medium-molecule drugs using the continuous flow synthesis method.

Through the 4th MTMP, we will use our strength of possessing an extensive line-up of unique products, primarily for growth markets, including semiconductors, mobility, and medium-molecule drug markets, to propose solutions for such activities as product development and manufacturing method improvements to lessen the environmental load, through decarbonization for example.

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 is a unique pharmaceutical manufacturer logistics company that promotes collaboration with other manufacturers, particular related to the Otsuka group's pharmaceuticals, beverages and food products, and daily necessities. We are building a connected logistics systems by leveraging technology and introducing IT into delivery operations and warehousing operations. Through these efforts, we not only achieve efficient logistics processes but also provide value-added logistic solutions that reduce environmental load and resolve the problem of insufficient shipping capacity.

Actual shipping volume per year (Japan): 170 million units	**Actual destinations delivered to per year:** 22,000
Logistics sites in Japan: 83	**Number of types of products handled:** 12,000

Otsuka Electronics

Otsuka Electronics conducts business in three categories based on technology that uses light as a medium. These three categories are medical testing devices, analytical devices and spectrometers. In the medical testing field, our medical testing devices include POConePlus, clinical test devices that test for Helicobacter pylori. In the analytical field, our analytical devices include Zeta-Potential and NanoParticle Size measurement instruments. And in the spectrometry field, our spectrometers include inspection instruments, such as contact-free thickness meters, for the semiconductor, functional materials and film materials industries. We always aim to create state-of-the-art technology and to fulfill customer needs in each business field, enabling the development of products that support daily life based on our business-to-business strategy. Otsuka Electronics continuously develops high-added-value products to solve problems, working together with customers.

R&D to Support Our Business

Our R&D Organization

Fiscal 2023 Results
Pharmaceutical Business R&D Expenses
292.0 billion yen

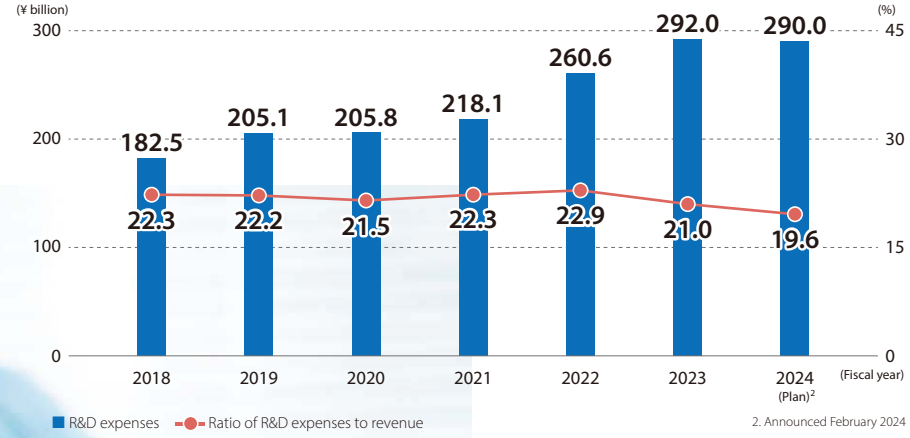
Fiscal 2023 Results
In-House Drug Discovery Ratio[1]
68%
1. Among late-stage development projects (Phase 3 and Beyond) percentage of Otsuka drugs discovered in-house

Fiscal 2023 Results
Pharmaceutical Business Ratio of R&D expenses to revenue
21.0%

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.

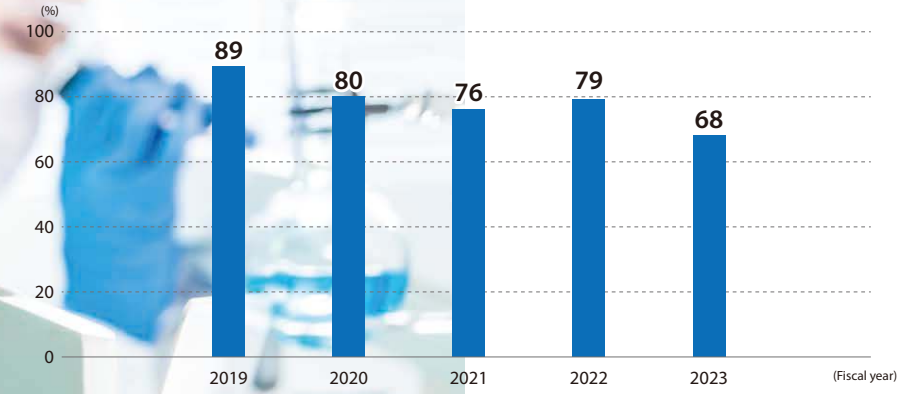
The Otsuka group's strength lies in its unique and diverse research base, and it will organically integrate its drug discovery research base, mainly small molecules accumulated through years of new drug research, with cutting-edge technologies to create innovation through a value creation process based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

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



2. Announced February 2024

Percentage of in-house drug discovery[1]



R&D to Support Our Business

Representative Research Institutes for the Pharmaceutical Business

❶ Astex

Astex Pharmaceuticals, 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] *INQOVI*, and *Truqap*.[3] Furthermore, in addition to drug design based on protein structure analysis using cryo-electron microscopy, Astex Pharmaceuticals is working to create innovative drugs through target and mechanism analysis using quantum computers.

1. Product sold by Novartis
2. Product sold by Janssen Biotech
3. Product sold by AstraZeneca

❷ Tokushima Research Center for Drug Discovery, Otsuka Pharmaceutical

The Tokushima Research Center for Drug Discovery has provided new therapeutic agents such as *REXULTI* and *Samsca/JINARC/JYNARQUE* for psychiatric and neurological diseases and cardiovascular and renal diseases. To fulfill unmet needs, 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 over the years. Furthermore, we are expanding our drug discovery capabilities through collaboration with the Osaka Research Center for Drug Discovery and the use of new technologies. We also conduct safety and pharmacokinetic studies to advance our products to clinical trials (investigational new drugs).

❸ Osaka Research Center for Drug Discovery, Otsuka Pharmaceutical

In addition to carrying on Otsuka Pharmaceutical's drug discover history and culture, the Osaka Research Center for Drug Discovery generates new innovation. Having built a network with research institutes and biotech companies both in Japan and overseas, we are engaged in drug discovery research for small molecule compounds and biologics. Equipped with cutting edge research equipment, including one of the world's most advanced cryo-electron microscopes and automated organoids culture equipment, we are undertaking new drug discovery, including that which incorporates cutting-edge immunology and digital transformation.

❹ Discovery and Preclinical Research Division (Tsukuba Area), Taiho Pharmaceutical

In the Tsukuba Area, Taiho Pharmaceutical's Discovery and Preclinical Research Division is taking on the challenge of discovering new original drug candidate compounds that indicate outstanding efficacy and high 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, which led to the discovery of futibatinib and zipalertinib (TAS6417), 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.

❺ Visterra

Leveraging its strength with antibodies and biologics, Visterra is undertaking R&D in the fields of immune-mediated and renal diseases where current treatment options are limited. We are steadily making progress with clinical trials, including a Phase 3 study of sibeprenlimab (VIS649) and a Phase 1 study of VIS171.

Our proprietary technology Hierotope® platform makes it possible to design antibody drugs for many biological substances by calculating and predicting the protein-antibody binding. As part of Otsuka Pharmaceutical's Open Innovation Strategy, we are collaborating with universities and hospitals in and around Boston.

Product Development Pipelines

At least in Phase 3 as of December 31, 2023

Category	*Brand name* (Generic name) Development Code	Indication / Dosage form	Development status						
			JP		U.S.		EU		
			Phase 3	Filed	Phase 3	Filed	Phase 3	Filed	Approved
Psychiatry and neurology area	***REXULTI/RXULTI*** **(brexpiprazole) OPC-34712 / OPC-34712 FUM**	Agitation associated with dementia due to Alzheimer's disease / Oral		●					
		Posttraumatic stress disorder / Oral				●			
		Schizophrenia / Once-weekly oral	●						
	(aripiprazole 2-month long-acting injection)	Schizophrenia / Depot injection							●[1]
	(centanafadine) EB-1020	Attention-deficit hyperactivity disorder / Oral			●				
	(ulotaront) SEP-363856	Schizophrenia / Oral	●[2]		●				
		Major depressive disorder / Oral			●[2]				
		Generalized anxiety disorder / Oral	●[2]		●[2]				
	(pizuglanstat) TAS-205	Duchenne muscular dystrophy / Oral	●						
Oncology area	***INAQOVI*** **(decitabine, cedazuridine) ASTX727**	Myelodysplastic syndromes / Oral						●	
	(pamufetinib) TAS-115	Osteosarcoma / Oral	●						
	(zipalertinib) TAS6417	Non-small cell lung cancer / Oral	●		●		●		
	(zimberelimab + domvanalimab) AB122 + AB154	Upper gastrointestinal tract cancer / Injection	●						
Cardiovascular and renal areas	**(sibeprenlimab) VIS649**	IgA nephropathy / Injection	●		●		●		
	(bempedoic acid) ETC-1002	Hypercholesterolemia / Oral	●						
	(voclosporin)	Lupus nephritis / Oral		●					
Other categories	***Deltyba*** **(delamanid) OPC-67683**	Multidrug-resistant tuberculosis / Oral			●				
	(glucose, electrolyte, amino acid and vitamin) OPF-109	High-calorie parenteral nutrition for chronic renal failure / Injection		●					

1. Approved in March 2024
2. Phase 2/3

Research and Development Activities

At least in Phase 2 as of December 31, 2023

Category	*Brand name* (Generic name) Development Code	Area	Treatment / Indication	Status
Psychiatry and neurology area	***REXULTI* (brexpiprazole) OPC-34712 / OPC-34712 FUM**	Japan	Major depressive disorder	New indication added in December 2023
		Japan	Agitation associated with dementia due to Alzheimer's disease	Application filed in October 2023
		U.S.	Agitation associated with dementia due to Alzheimer's disease	New indication added in May 2023
	***ABILIFY ASIMTUFII* (aripiprazole 2-month long-acting injection)**	U.S.	Schizophrenia, bipolar I disorder	Approval granted in April 2023
Oncology area	***INAQOVI* (decitabine, cedazuridine) ASTX727**	Europe	Myelodysplastic syndromes	Application filed in December 2023
		Europe	Acute myeloid leukemia	Approval granted in September 2023
	***Jeselhy* (pimitespib) TAS-116**	Japan	Prostate cancer	Start of Phase 2 trial in September 2023
	***LYTGOBI* (futibatinib) TAS-120**	Japan	Bile duct cancer	Approval granted in June 2023
	***LYTGOBI* (futibatinib) TAS-120**	Europe	Cholangiocarcinoma	Approval granted in July 2023
	TAS3351	Japan, U.S. and Europe	Non-small cell lung cancer	Start of Phase 1/2 trial in June 2023
	(zipalertinib) TAS6417	Japan, U.S. and Europe	Non-small cell lung cancer	Start of Phase 3 trial in December 2023
	(zimberelimab + domvanalimab) AB122 + AB154	Japan	Upper gastrointestinal tract cancer	Start of Phase 3 trial in June 2023
	OPF-501C	Japan	Cancerous skin ulcers	Start of Phase 2 trial in July 2023
Cardiovascular and renal areas	**OPC-131461**	Japan	Cardiac edema	Start of Phase 2 trial in January 2023
	(bempedoic acid) ETC-1002	Japan	Hypercholesterolemia	Start of Phase 3 trial in February 2023
	(voclosporin)	Japan	Lupus nephritis	Application filed in November 2023
Other categories	**(glucose, electrolyte, amino acid and vitamin) OPF-109**	Japan	High-calorie parenteral nutrition for chronic renal failure	Application filed

* The above description of status in U.S. and Europe, "Application filed," indicates that an application for approval has been submitted to or accepted by the relevant authorities. For other countries and regions, it indicates that an application for approval has been submitted to the relevant authorities.

Special Feature

Maximizing Individual and Organizational Value

Yoshiro Matsuo Executive Deputy President and Director, Otsuka Holdings Co., Ltd.

Developing Human Capital at Good Working Environment

Human Resource Strategy in the 4th Medium-Term Management Plan

One of the material issues in the Otsuka group's 4th Medium-Term Management Plan (MTMP) is to develop human resources and create an environment for realizing our corporate philosophy. The Otsuka group is committed to its corporate philosophy, which states "Otsuka-people creating new products for better health worldwide" and serves as a core driver for its work to support people's health from a variety of perspectives. Human resources are the source of value creation in realizing this corporate philosophy. In order to create innovation, maintain and strengthen competitiveness, and achieve sustainable growth in a rapidly changing business environment, it is important for all human resources to maximize their own individual value, and for companies and their human resources to work together to maximize organizational capability.

Ryukan-godo (by sweat we recognize the way), *Jissho* (actualization), and *Sozosei* (creativity) are the elements of corporate culture that Otsuka values in all of its businesses and throughout its value chain. We believe that by practicing this corporate culture in all of our actions and implementing it in our decision-making axes, including our perspectives on social issues, our approach to addressing issues, and the relationships we build with stakeholders, and by maintaining a consistent direction toward our corporate philosophy, we can create value that only Otsuka can offer. As the mobility of human resources increases, individual values diversify, and businesses expand on a global scale, the group's corporate philosophy and corporate culture are becoming increasingly important, and we intend to strengthen collaboration among group companies and evolve methods for passing on and instilling this corporate philosophy and culture.

The fact that Otsuka's businesses are so diverse also means that it employs a diverse range of human resources in a variety of businesses and areas. For all of Otsuka's human resources, we will continue to create a workplace where they can thrive and achieve self-fulfillment in the context of diverse values, and we will continue to provide opportunities for challenge and growth that only Otsuka can offer, in a diverse business structure that creates unprecedented value creation and elicits group synergies.

In the 4th MTMP, we have newly established employee engagement as an indicator with regard to human resources. We believe that without mutual trust between companies, organizations, and employees, the achievement of this medium-term management plan and sustainable growth beyond it will not be possible. Each operating company is currently conducting employee engagement evaluations in accordance with their respective characteristics and environment. Now, with the launch of the 4th MTMP, we have launched a task force that is responsible for the entire group. It discusses the positioning of employee engagement within the Otsuka group, a common understanding of the human resources that Otsuka seeks, and the establishment of evaluation methods. The task force will combine the group's common value standards and evaluation methods with the unique perspectives of each operating company and utilize them in a variety of initiatives, including employee development and organizational diagnosis, with the aim of promoting collaboration in organizational analysis and transformation, while maintaining the individuality of each operating company. Going forward, we will continue to ensure that all employees in Japan and overseas understand the values and vision of the entire group, foster a sense of unity within organizations, and build better and more facilitative work environments.

Linking Management Strategy to Human Resources Strategy

For the Otsuka group, the 4th MTMP is a five-year period for making investments to expand new businesses and create the next generation of growth. The group will make further investments to build a unique business foundation, create new value that leads to well-being, and pursue aggressive financial strategies to support sustainable growth. In order to advance this MTMP and maximize corporate value as a group, we recognize that it will become even more important to make strategic decisions from the perspective of total optimization, that is, from a bird's-eye view of the entire group, based on a thorough understanding of the individuality of each operating company and the nature of synergies among group entities.

For example, Otsuka Pharmaceutical and its subsidiaries are currently strengthening collaboration between human resources departments and management organizations to make strategic human capital investments and enhance company-wide organizational capabilities, as well as developing a foundation of human resources data for deeper information analysis and decision making, and promoting human resource policies through KPI management. We are also strengthening global collaboration among human resources departments, with the directors in charge and the personnel managers of major overseas operating companies playing a central role in advancing collaboration beyond the individual company level and promoting cooperation among companies in business management. In addition, these same key players are driving lively discussions on many detailed areas, including personnel recruitment, human resources development, and personnel planning for the future that cuts across different companies, organizations, and businesses.

Going forward, we will further promote and strengthen the above initiatives and reflect them in the implementation of the group's overall human capital strategy, resulting in the achievement of the goals set forth in the 4th MTMP, as well as enhanced corporate value and growth beyond 2030.

Material Issues	Develop human resources and create an environment for realizing our corporate philosophy		
Social Issues	Increased global competition, changes in the management competition environment due to increasing digitalization, diversification of individual values and working styles due to the limitations of a one-size-fits-all organization, and increased mobility		
Strategy	Strengthening human resources, a source of innovation, to realize our corporate philosophy	Creating an environment to maximize human resources	
Policies	Cultivating human resources who practice "Ryukan-godo (by sweat we recognize the way)," "Jissho (actualization)," and "Sozosei (creativity)" through our unique human resource development programs	Creating a workplace and organization and providing opportunities for a variety of human resources unique to Otsuka, a company with diverse businesses	Creating a system to improve employee engagement
Indicators	Degree of penetration of corporate philosophy and culture Developing a system to nurture the next generation of human resources	Employee challenge index Employee challenge support index	Employee engagement to realize Otsuka's corporate philosophy

Developing Human Capital at Good Working Environment

Developing Human Capital at Good Working Environment

Related SDGs

Strengthening human resources, a source of innovation

Basic Policy

At the Otsuka group, it is our opinion that people with different backgrounds and perspectives unbound by a rigid organization freely exchanging ideas and developing new ideas leads to more well-thought out management decisions, new business opportunities, and greater competitiveness. We promote communication both inside and outside the group in order to attract talented personnel, continually develop their individual abilities, and enable them to fulfill their potential. In addition, we intend to continually drive innovation and maximize human capital value by building personal networks that transcend job category and field and are not bound by a stereotype.

Otsuka Group Human Resource Policy

At the Otsuka group, we value the idea that throughout history, innovation has always been generated by people and provide an environment in which all employees can fulfill their potential by spreading our corporate philosophy and fostering our corporate culture.

The Otsuka group's diverse businesses offer employees a wide range of career opportunities and serve as a foundation for cultivating the ability to create new value through broad vision and experiences. In addition, we encourage each and every employee to pursue *Ryukan-godo*, *Jissho*, and *Sozosei*, the bedrock of our corporate culture, to deeply think about things, to repeatedly try things for themselves, and to find creative solutions, which produces human resources who can generate innovation.

Developing human resources who generate innovation

Developing managerial human resources and global leaders

It is indispensable that the Otsuka group, which conducts business in countries throughout the world, possesses human resources who have a deep understanding of our corporate culture and philosophy and can execute our strategy on the global stage. To respond to a variety of changes, including new changes in society and the escalation of geopolitical risks, we are working to train managerial human resources by improving their diverse individual capabilities and having employees take on challenges without fear of failure.

At Otsuka Holdings, we have introduced, under the leadership of the CEO and executives, a program for employees throughout the Otsuka group, including domestic and overseas group companies, to learn what it takes to be and the necessary business skills for managers based on the Otsuka's unique business view. We provide various types of opportunities for employees to learn about global management, and these include a training camp headed by the president, custom programs offered in partnership with the French global education institution INSEAD Business School, and study at any of 18 overseas business schools in 6 countries, primarily ones in the U.S. and Europe. In addition to actively conducting unique programs at business companies, we are working to train next-generation managerial human resources and global leaders throughout the group from numerous perspectives appropriate for the type of business.

Examples of training in 2023

Managing company	Training title	Training content	Length of training and number of participants
Otsuka Holdings	Otsuka Global Academy	Participants learn what it takes to be a manager and the required business skills based on Otsuka's own business perspective.	Participants: total of about 29,000 Training time: about 151,000 hours Training costs: about 700 million yen
Otsuka Pharmaceutical	Embark	This is training provided before an overseas assignment so that participants can adapt to the different cultural environment they will work in during their assignment and maximize business performance.	
Taiho Pharmaceutical	Taiho School	This is training related to inter-cultural management, work experience at other companies, and the essential roles of leaders, etc.	
Otsuka Pharmaceutical factories	Next-Generation Management Leader Training Program	Through this training, which is linked to the goal management system starting in the following year, next-generation managerial leader candidates propose to the company what contributions they can make to the organization.	
Otsuka Chemical	Next-Generation Leader Training	Participants learn from the president about such topics as cross-cultural communication, leadership, and management that targets both existing and new businesses.	
OAPI[1]/OPDC[2]	LTOW	This training provides an understanding of the dynamics and role of the Otsuka culture, improves skills and leadership, and builds relationship of trust between departments.	
Pharmavite	Ignite	This training for selected participants employs an online platform and workshops for key human resources who will play leadership roles in the future.	

1. Otsuka America Pharmaceutical
2. Otsuka Pharmaceutical D&C

Developing Human Capital at Good Working Environment

Strengthening human resources, a source of innovation

Global human resource training

In order to respond to the global business environment and further increase the competitiveness of the whole group, the Otsuka group focuses on training not only human resources who can make the most of their leadership and teamwork skills in an intercultural environment but also human resources who understand DE&I, have a desire for self-growth, and can embody the group philosophy and culture. Otsuka Holdings provides both Japanese and overseas group employees with access to the Harvard Manage Mentor®, a learning platform offered by U.S.-based Harvard Business Publishing that we have branded the Otsuka Global e-Learning Platform. In addition to self-study, this program, which serves as a human resource exchanges within the Otsuka group, leverages webinars and various initiatives to promote the formation of networks with other participants within the group. Since the program was first offered in 2020, a total of 5,700 employees from 75 group companies in 29 countries and regions have taken part in the program.

At Otsuka Pharmaceutical, we create opportunities for young employees who want to participate in global business to communicate with employees who actively participate in global operations, in order to deepen their understanding of not only other cultures but also operations. In addition, for employees expected to be assigned overseas, there is year-long training before an overseas assignment so that participants can adapt to the different cultural environment they will work in during their assignment and maximize business performance. Through this training, participants not only acquire knowledge of such topics as finance, legal affairs, and compliance necessary for the assignment but also deepen their problem-solving skills and understanding of interpersonal skills through assessment analysis and acquire the mindset of a representative of the company.

Developing digital human resources

The spread of digitalization not only encourages reforms in work styles and business models but also makes flexible responses possible. Therefore, at the Otsuka group, we focus on training digital human resources in order to link the promotion of digitalization to the maximization of individual work styles and values, greater competitiveness, and the creation of innovation.

At Otsuka Holdings, we offer learning tools and provide training to strengthen specialization appropriate for each skill level, which includes holding seminars on digital skills and design thinking for all group employees. We do this not only so that all employees, including managers, can acquire know-how by sharing cases of success within the group and reproduce those successes but also to improve operations and create new innovation through a cooperative system.

Examples of digital human resource training

Managing company	Training title	Training content and goal	Hours of training and number of participants
Otsuka Holdings	Data Scientist Development Program	This program provides participants with basic problem setting skills and practical skills necessary to make basic use of data.	Participants: about 13,000 Training time: about 14,000 hours
	DX Learning Platform*	This platform offers independent learning tailored to the level and goal of the individual participant and covers such topics as AI/machine learning and programming and DX basics.	
	Digitalization Promotion Case Sharing Webinar	This webinar raises awareness of digitalization through the sharing of cases of advanced AI use within the group and links that to derivative results.	
	Digitalization Promotion and Design Thinking Training	The training is to develop human resources who can promote the use of digital technology. The goal is to create business and operation ideas using digital technologies.	
Otsuka Holdings, Otsuka Pharmaceutical, and Otsuka Medical Devices	Reskilling Program	This program provides an understanding of basic items related to DX for society and operations and promotes the idea that DX concerns participants themselves. (Includes *.)	
Taiho Pharmaceutical	DX Assessment and Training	The goal of this training is to visualize the current state of the organization through assessments and raise the overall company's literacy level through e-learning.	

Initiatives to secure and retain R&D human resources

The Otsuka group stresses securing and retaining R&D personnel in order to create innovation and reinforce our competitiveness. The Drug Discovery Division actively recruits not only doctorate degree holders who possess specialized knowledge in key fields and vision but also Japanese and overseas researchers from academia with an eye toward solving problems from new perspectives and continually generating innovation. Furthermore, we strive to help employees acquire a wide breadth of knowledge, strengthen their specialization, and develop a multifaceted perspective through exchanges between research labs both in Japan and overseas and personnel rotations to other divisions. The New Drug Development Division provides its own open language training and next-generation leader training for selected candidates and stresses human resource training to promote leadership in global development, which includes flexibly responding to the changing clinical development environment.

Developing Human Capital at Good Working Environment

Creating an environment to maximize human resource capabilities

Basic Policy

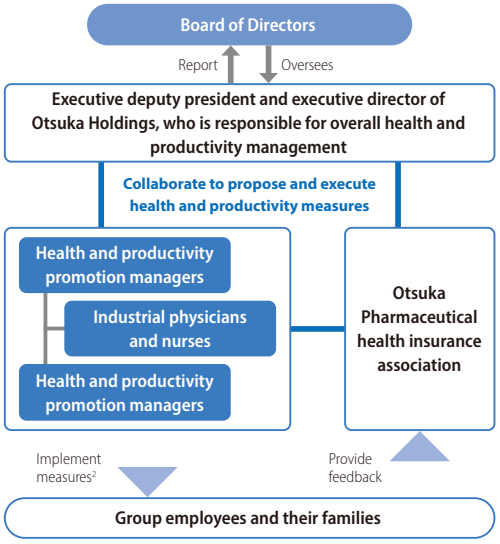
The Otsuka group considers healthy, energetic employees continually growing an indispensable element for implementing our corporate philosophy and undertakes initiatives that contribute to health maintenance and improvement. Convinced that diverse employees making contributions promotes innovation and globalization, we also focus on creating an environment that makes the most of individual capabilities and individuality. When creating this environment, we stress fairness and impartiality and give consideration to not undermining employees' opportunities to grow and challenge themselves.

Promoting Health and Productivity Management

At the Otsuka group, we promote initiatives throughout the organization to maintain and improve the health of employees and their families through collaboration between the Otsuka Pharmaceutical health insurance association and specialized staff, including each group company's health and productivity promotion managers and industrial physicians and nurses, under the leadership of the Executive Deputy President and Executive Director of Otsuka Holdings, who is responsible for overall health and productivity management. Otsuka Holdings' Board of Directors also supervises health maintenance and improvement–related issues, targets for related initiatives, and progress toward achieving those targets. Since Otsuka Pharmaceutical was recognized as a Certified Health & Productivity Management Outstanding Organizations in 2017, all group companies have worked to gain that certification, which 21 companies[1] did in 2024.

1. Includes the Earth Group

Promotion system (Japan)



2. Implement measures and provide feedback through Health and Safety Committee at each location

Leveraging the various health information and assets of group companies, we undertake a wide range of activities, including holding health seminars and offering health programs to improve the health literacy of employees. During fiscal 2023, we implemented various initiatives such as ones related to women's health, mouth care, and non-smoking.

External evaluation

Certified as Health & Productivity Management Outstanding Organizations
(Includes large, medium, and small-sized corporations)

Certified as Sports Yell Company by the Japan Sports Agency
[Otsuka Pharmaceutical (certified silver), Taiho Pharmaceutical, Earth Corporation]

Mental health initiatives

At each domestic group company, all employees undergo an annual stress check in order to ascertain the mental burden they experience, to link that to improvements in self-care and workplace environment, and to prevent mental health problems. Nurses and public health nurses provide counseling for employees who are flagged as having a high stress level in the stress check. In this and other ways, we work to ensure the mental health of employees through a meticulous system, which includes mental health consultation services and seminars on mental health.

Labor health and safety

In accordance with its corporate philosophy, the Otsuka group stresses ensuring the safety and health in all its business activities. Business sites are required by law to have a Health and Safety Committee, regularly hold meeting of the committee, identify sources of risk and conduct risk assessments, and strive to maintain a safe work environment. For example, Otsuka Holdings, Otsuka Pharmaceutical, and Otsuka Medical Devices, which conduct business from the same business site (Tokyo), undertake activities to improve the workplace environment, which includes holding monthly joint Health and Safety Committee meetings and conducting seminars and sharing information in line with that topic. The Production Division has been holding a group-wide Global Production Conference for more than thirty years. At this conference, information on work accidents, production technology, and quality are shared and efforts are made to improve technology throughout the whole global organization.

Developing Human Capital at Good Working Environment

Creating an environment to maximize human resource capabilities

Support for career independence

The Otsuka group has an open recruiting system for domestic and overseas group employees, in which requirements for posts and jobs that group companies need to fill are made public to employees and required human resources are selected from applicants, and this system was introduced to increase employee skills and motivation and enliven human resource exchanges between group companies. In addition to providing a self-reporting system for employees to report to the HR Department their current work conditions, opinions and proposals for workplaces, and desired career plan, we conduct an annual survey in order to further develop the skills of employees, make appropriate assignments, and improve the workplace environment. In 2024, Otsuka Holdings was selected as a constituent of the iSTOXX MUTB Japan Platinum Career 150 Index, comprised of Japanese companies that actively and continuously engage in initiatives to create "platinum careers" for their employees. A platinum career refers to a type of career in which people polish and build up their skills through self-directed learning and experiences, regardless of age, and the group's efforts were recognized in that matter.

Fair employment and compensation

Basic Policy

The Otsuka group conducts employment-related activities, such as recruitment, assignments, performance evaluations, promotions, and transfers, in line with the Otsuka Group Global Code of Business Ethic, which adhere to human rights and labor laws and regulations and are based on fair employment policies. We work to make it possible for employees to achieve their individual potential by building a fair, open, and equal workplace, without unfairly evaluating employees based on their race, skin color, country of origin, sex, sexual orientation, gender identity, religion, nationality, age, marital status, whether they are pregnant or not, or whether they have a disability. In addition, we conduct self-evaluations and HR interviews and operate a whistleblower system to eliminate coercive and forced work and prevent child labor by confirming the age of applicants when recruiting.

As for remuneration, we pay at least the legally required minimum wage for each country and region and work to appropriately manage wages so that wages are fairly paid and to ensure same pay for same work by comparing compensation for similar roles in each region. In Japan, when finalizing work details and changes in positions for regular workers using such systems as reduced hours and part-time workers, we comply with the Act on Improvement etc. of Employment Management for Part-Time and Fixed-Term Workers so that there are no unjustified gaps in compensation with regular employees.

Employee engagement

At the Otsuka Group, we recognize that all departments and business must have a single orientation to raise corporate value and build a strong organization. In addition, we stress the cultivation of a sense of unity within the organization by having employees understand the group's overall values and vision. Having set employee engagement as an indicator related to human capital, one of our material issues, we promote collaboration to strengthen the overall organization's creativity and problem-solving skills through such initiatives as organization diagnosis, reforms, and employee training based on group-wide taskforces.

At each group company, we are working to create a comfortable workplace through improvements to the organization culture based on employee engagement surveys and employee satisfaction survey, and related initiatives have included launching an internal whistleblowing system and conducting surveys on and implementing measures to combat bullying and harassment.

Wage gap between men and women

For recruiting, evaluations, promotions, assignments, allowance requirements, and similar issues, the Otsuka Group offers compensation based on individual roles and skills, results, evaluations, and growth regardless of sex, nationality, age, or other attribute. At the group, we work to comprehensively promote diversity, equity, and inclusion and undertake continual human resource development.

Wage gap between men and women

	All workers	Regular employees	Irregular employees
Otsuka Holdings (non-consolidated)	92.3%	90.9%	96.6%
Average for 23 group companies*	80.3%	83.2%	60.8%

* Figures are based on the stipulations of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) (as of December 31, 2023)

Evaluation and feedback process for employees

At group companies, goals based on organization's targets are set for individual employees, and superiors provide feedback twice a year. Holding meetings with superiors when setting goals and running through the evaluation and feedback cycle for employee self-evaluation supports human resource development.

Beginning in 2020, Otsuka group companies have been 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 April 2024, more than 20,000 Otsuka group employees are using the system to maximize human resource development and organizational capabilities.

Developing Human Capital at Good Working Environment

Creating an environment to maximize human resource capabilities

Promoting diversity, equity, and inclusion (DE&I)

Believing that a diverse workforce will lead to greater innovation, globalization, and innovative product development, the Otsuka group actively promotes diversity. The group also encourages DE&I through various initiatives, such as formulating common programs for the whole group, planning seminars, and regularly holding Best Practices Sharing Meetings at each company, and these initiatives are centered on each group company's DE&I promotion team, which were established in 2008. In 2024, Otsuka Holdings was selected as a constituent of the Morningstar Japan ex-REIT Gender Diversity Tilt Index, which tracks companies in the market that have strong gender diversity policies embedded in their corporate culture and that ensure equal opportunities to employees, irrespective of their gender.

Work style support

We have introduced throughout the group the Family Smile Support System and Work Interval System, support systems to increase efficiency and work productivity when working from home so that employees who find normal work difficult because of giving birth, childcare, child-rearing, or nursing care can balance work and family. Furthermore, in Japan, we provide support for employees balancing childcare and work by operating day care centers at three of our offices (Tokushima, Osaka, and Tsukuba). Since the first one in Tokushima in 2011, the day care centers have grown into some of the few large on-site day care centers in Japan.

Promoting the activity of women

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, equity, and inclusion. In order to transform the consciousness of employees, we are working to spread diverse work styles, which has included holding *Ikubosu* seminars and introducing role model examples. Furthermore, we provide a response program, which includes a management training e-learning course, as we consider the understanding of management indispensable for promoting DE&I and fostering a climate conducive environment.

LGBTQ

Group companies are moving forward with numerous initiatives, including holding seminars and establishing in-house helplines, in order to promote a proper understanding of the LGBTQ community. Taiho Pharmaceutical has conducted training for its HR department, managers, and various headquarters and divisions since 2020 to provide information on not only the current state of Japanese society, including basic knowledge and examples from other companies, but also concrete measures that can be immediately introduced. Furthermore, Otsuka Pharmaceutical, Otsuka Chemical, and Otsuka Foods offer LGBTQ-related training and e-learning courses for all employees. Otsuka Warehouse is also working to create a more comfortable environment to work in through such initiatives as eliminating the words "men" and "women" from employee rules.

work with Pride Silver 2023

Otsuka Pharmaceutical won silver award for PRIDE Index 2023, an index for LGBTQ+-related initiatives

Balancing treatment and work

As a company that develops and sells anticancer drugs, Taiho Pharmaceutical provides support for balancing treatment and work, which is centered on the HR Department and industrial nurses, in order to create a workplace in which even employees with diseases such as cancer can continue to work while receiving treatment. In 2019, we established the employee portal site C-Guide Portal regarding cancer. This site provides not only information on such issues as systems and consulting services that can be used when an employee or family member is diagnosed with cancer or another disease but also communicates the importance of cancer prevention and screening. These initiatives have been highly praised, and Taiho Pharmaceutical was awarded the gold medal Cancer Ally Award for the fifth consecutive year in 2023 and the newly established Best Practice.

The aim of OPEL is to advance diversity, equity, and inclusion (DE&I) within and beyond Otsuka. OPEL has focused on two primary goals – creating an inclusive culture and attracting, developing and retaining diverse talent.

(left) Nate Cope, Chief Operating Officer Otsuka Pharmaceutical Europe Ltd. (OPEL)
(right) Clair Milner, Senior Director, People Otsuka Pharmaceutical Europe Ltd. (OPEL)

Cultivating an inclusive culture

A range of activities have occurred to ensure that the European business celebrates diversity, promotes psychological safety and creates a sense of belonging for all of our approximately 550 employees. Specifically, the European executive team has undergone unconscious bias training, and whilst such awareness doesn't remove the bias, it has made the group more alert to their own individual biases and how to manage. This type of training will be rolled out to the European organisation in due course. Furthermore, we are pleased to say that as part of the Annual Engagement Survey, employees scored the organisations DE&I activities as 88% positive, highlighting the strong foundation present within the organisation and opportunities for improvement.

Attract, develop, and retain diverse talent

By achieving this, we can maximize the potential of our diverse talent pool, leading to improved employee satisfaction and long-term success. With current staff, we foster global and European mobility opportunities and prioritise individual development plans – with focussed sessions on individuals' development occurring at least 3 times a year.

Information about our various initiatives can also be found on the following website.

Web https://www.otsuka-europe.com/life-at-otsuka

Society | Respect for Human Rights

Related SDGs

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

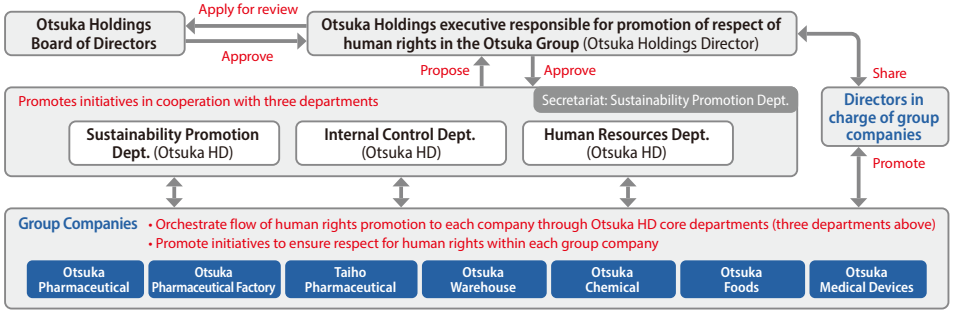
Basic Policy

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.

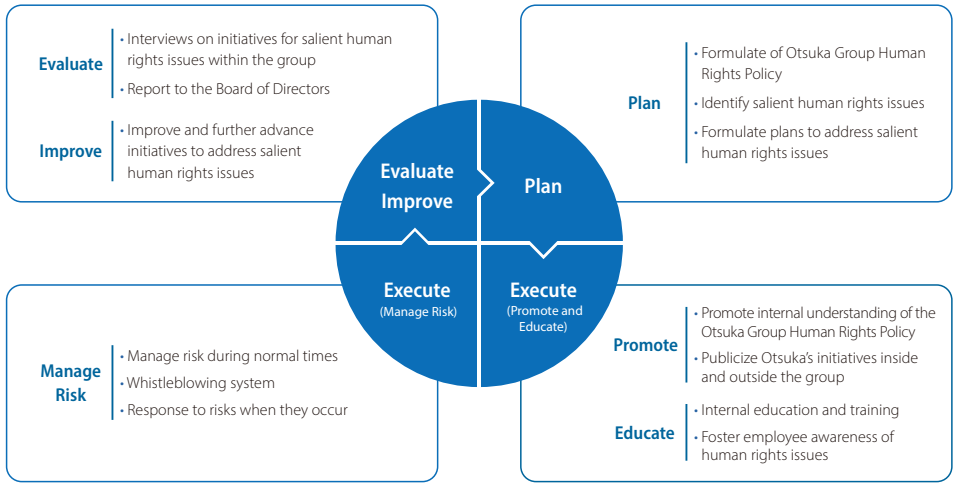
Human Rights Promotion Framework

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



PDCA Cycle for Promoting of Respect of Human Rights



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-do-check-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.

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.

Create More Sustainable Future With Business Partners

Create More Sustainable Future With Business Partners

Related SDGs

Basic Policy

Guided by its corporate philosophy, the Otsuka group works to solve social issues through its businesses and aims to grow while contributing to the creation of a healthy and sustainable society as its sustainability mission. In September 2020, the Otsuka group has established the Otsuka Group Procurement Policy and Otsuka Group Sustainable Procurement Guidelines for enhancing the relationships with our suppliers. We are committed to ethical and responsible procurement activities in addition to quality, safety, and stable supply. In May 2024, we revised the policy and guidelines with the aim of more actively and diversely promoting these initiatives . Under the policy and guidelines, we are working with our suppliers to deliver high-quality and sustainable products to consumers, and to realize a sustainable society and improve our corporate value together with our business partners.

Social issues that Otsuka is striving to address

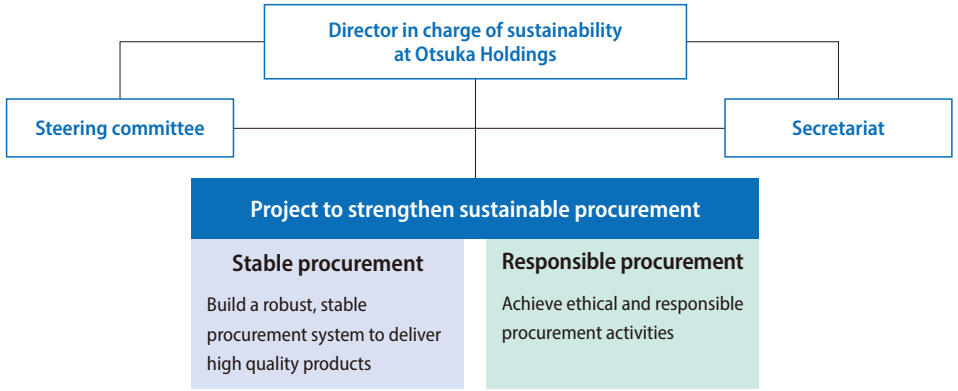
- Instability in raw material procurement and product supply due to supply chain disruptions
- Building a sustainable supply chain

Sustainable procurement in partnership with suppliers

Group-wide sustainable procurement project

A sustainable procurement project was launched in 2022, which led by the director in charge of sustainability at Otsuka Holdings, and its progress and issues are shared every quarter. This project is promoting activities with two pillars: "Stable Procurement," aiming to build a solid procurement system to deliver high-quality products, and "Responsible Procurement," aiming for ethical and sustainable procurement activities.

Promotion structure of the sustainable procurement project



Stable procurement

Project to strengthen sustainable procurement	
Stable procurement	Responsible procurement

In order to ensure a stable product supply, we have conducted due diligence on new suppliers and risk assessments of key raw materials, and also taken risk countermeasures for raw material procurement such as clarifying predicted risks and purchasing from multiple suppliers. To enhance this initiative further , we formed a cross-functional working group in 2022. Now we are working on building a procurement information management system as initiatives to manage and visualize information, which was previously taken place by each company. In 2023, we clarified key items in terms of their urgency and priority. In 2024, we would implement a system that aligns with the process of data-sharing that we have explained to our suppliers. We also plan to establish guidelines for risk management during emergencies and normal times. That is how we aim to standardize the whole process from risk assessment, analysis, and response.

Otsuka Group Business Partner Code of Ethics
Web https://www.otsuka.com/en/csr/hd_activity/pdf/standard.pdf

Otsuka Group Sustainable Procurement Guidelines
Web https://www.otsuka.com/en/csr/society/quality/pdf/procurement_guidelines_en.pdf

Otsuka Group Procurement Policy
Web https://www.otsuka.com/jp/csr/society/quality/pdf/procurement_policy_en.pdf

Create More Sustainable Future With Business Partners

Responsible procurement

Project to strengthen sustainable procurement	
Stable procurement	Responsible procurement

In parallel with efforts for stable procurement, we have formed a cross-group working group to promote ethical and responsible procurement activities. The working group is composed of procurement personnel from each operating companies, and in 2023, the working group reviewed the Otsuka Group Procurement Policy, Otsuka Group Sustainable Procurement Guidelines, and assessment tools. The working group also deepened their knowledge of the four areas (human rights, labor, environment, and anti-corruption) defined by the United Nations Global Compact and conducted training to establish good relationships with suppliers. Going forward, the working group plans to continue training in 2024, with the aim of promoting responsible procurement.

Expanding supplier assessments

The Otsuka group conducts supplier assessments using the CSR Procurement Self-Assessment Questionnaire (SAQs) prepared by Global Compact Network Japan (GCNJ) to assess the suppliers' environmental, social, and ethical performance. We have implemented SAQs for 597 suppliers in Japan and 56 overseas, and based on the results we have conducted interviews for 125 suppliers to confirm that there are no significant risks. Furthermore, from 2024, we have expanded the assessment by utilizing our own SAQs, which has evolved from the conventional GCNJ SAQs, and the sustainable procurement platform EcoVadis (https://ecovadis.com).

We will monitor the progress of our KPIs related to our sustainable procurement initiatives, such as the supplier assessment participation rate, the response rate to risks identified in assessment, and the implementation rate of communication with suppliers.

The Otsuka group will work with suppliers to achieve a sustainable society throughout the supply chain, under the sustainable procurement project. To this end, we will rebuild our overall strategy, including the development of guidelines, the expansion of supplier briefing and assessments, and the enhancement of internal education to promote sustainable procurement.

Sustainable procurement activity results

Item	Target	Result	Initiative
Procurement Personnel Training	Responsible Procurement Working Group 12 procurement personnel from 9 group companies	Training time: total 6 days About 30 hours	We implemented training to deepen knowledge in four areas defined in UNGC (human rights, labor, environment, and anti-corruption) and build constructive relations with suppliers.
On-demand briefing for suppliers	Number of companies (Japan): 587	Number of Companies: 583 (99%)	The Otsuka Group Procurement Policy, Otsuka Group Sustainable Procurement Guidelines, Otsuka Group Environmental Vision 2050, Guidelines on Respecting Human Rights in Responsible Supply Chain have been explained to the suppliers.
Consent to policy and guidelines	Number of companies (Japan): 587 Number of companies(overseas): 66	Number of companies (Japan): 583 (99%) Number of companies (overseas): 51 (77%)	We have obtained understanding of the Otsuka Group Procurement Policy and Otsuka Group Sustainable Procurement Guideline and consent from suppliers who agree with collaborating on the promotion of sustainable procurement.
Supplier Assessments	Number of companies (Japan): 612 Number of companies (overseas): 66	Number of companies (Japan) : 597 (98%) Number of companies (overseas) : 56 (85%)	The assessments are conducted using the GCNJ's SAQs and Otsuka Group's own Human Rights SAQs and Environmental SAQs.
Supplier Interviews	Number of companies (Japan): 125	Telephone interviews: 112 Web interviews: 13	We conducted interviews to ascertain the actual state of activities based on the results of the supplier assessment.

Message from Pharmavite

Ray Gosselin
EVP, Chief Operations Officer
Pharmavite, LLC

As a leader in the health and wellness industry with a commitment to responsibly produce the highest-quality products for our consumers, it is essential to Pharmavite that we continuously improve our efforts in sustainability. In my role as Chief Operations Officer at Pharmavite, I am charged with ensuring that our suppliers share our commitment to sustainability and understand the urgency of the issue.

The first step in our sustainability agenda is to gain transparency with our suppliers and their suppliers' sustainability performance, and taking proactive steps to do so reflects the important values of our organization: Do The Right Thing, Care Deeply, and Do Something.

To that end, Pharmavite conducts individual sustainability performance assessments of our supply chain partners using EcoVadis, a global ESG rating company based on international standards. This assessment is a key factor for Pharmavite sourcing and supplier review as we believe this process is critical to our supply chain sustainability management.

We believe that this strategic initiative with our supply chain partners will enhance our mutual corporate values and pave the way for a more sustainable future.

Promote Positive Impact on Global Environment

2050 Environmental Vision

Promote Positive Impact on Global Environment

Related SDGs

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

Ongoing activities to reduce environmental impact

Carbon Neutrality

2028 target

- **50% reduction** in CO_2 emissions (Scope 1, 2) compared to 2017

Circular Economy

2028 target

- **50% reduction** in simple incineration and landfill disposal compared to 2019

2030 target

100% recycled materials in our PET bottles and use of plant-based materials

Water Neutrality

2028 target

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

Please see the Environmental Report for details regarding the Otsuka group's environmental initiatives.
https://www.otsuka.com/en/csr/environmental_report.html

Materiality (Material Issues)	Social Issues	Our Goals	Our Activities
Carbon Neutrality[1]	Global warming	**2028 target** 50% reduction in CO_2 emissions compared to 2017	• Reduce CO_2 emissions throughout the value chain • Reduce environmental impact by improving resource efficiency • Promote business activities aimed at sustainability for both society and the Earth • Understanding water resource risks • Management and effective use of water resources
Circular Economy[2]	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	
Water Neutrality[3]	Reduced freshwater availability due to water resource risks	**2028 target** • Expand the factory water management program to all locations globally • Develop a water use strategy for business locations in water-stressed areas	

1. To reduce CO_2 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

Promote Positive Impact on Global Environment | 2050 Environmental Vision

Indicators and targets

Carbon Neutrality

Based on international targets and indicators stipulated in the Paris Agreement in order to achieve a decarbonized society, we have set the target of reducing our CO_2 emissions 50% by 2028 (compared to 2017) and promote activities to achieve decarbonization, which includes joining RE100, in order to reduce greenhouse gas emissions throughout the business value chain.

	Fiscal 2017 Results	Fiscal 2023 Results	Compared to 2017
CO_2 emissions (Scope 1, 2)	818,000 t-CO_2	523,000 t-CO_2	-36.1%

Circular Economy

Recognizing that materials derived from fossil resources and emissions of waste into the environment are an environmental load that should be eliminated, we have set the target of reducing simple incineration and landfill disposal by 50% by 2028 (compared to 2019) as our zero waste[1] vision.

1. Policy of eliminating waste emissions into nature (simple incineration and landfill disposal) and making effective use of all resources.

	Fiscal 2019 Results	Fiscal 2023 Results	Compared to 2019
Simple incineration and landfill volume	18,500 t	15,300 t	-17.3%

Water Neutrality

In order to continually work to preserve water, from intake to waste water, because of uneven distribution of water resources depending on country and region and differences in risk, we will provide all global business sites with water management guidelines and develop water use plans for business sites in regions with water stress by 2028.

	Fiscal 2022 Results	Fiscal 2023 Results	YoY Change
Water usage	18.50 million m^3	19.40 million m^3	4.9%

Selected for the CDP Climate Change "A List", the highest rating, for the second consecutive year

CDP DISCLOSURE INSIGHT ACTION A LIST 2023 CLIMATE

Otsuka Holdings was selected as an "A List" Company, the highest level, for the second consecutive year in the climate change survey CDP Climate Change 2023. This is because the content of and results from our climate change related–initiatives and related disclosure were rated as international leader level. In Japan, 112 companies were selected for the Climate Change "A List." We were also rated "A-" for water security.

Materiality: Promote Positive Impact on Global Environment

After reevaluating our materiality to match the 4th Medium-Term Management Plan (MTMP), the first year of which is 2024, the Otsuka group added biodiversity as a new item to the environmental materiality. In addition, for existing materiality, we reevaluated existing targets, set new targets, including having self-produced renewable energy account for 20% of energy use by 2028, and moved forward with initiatives to achieve them.

New materiality (fiscal 2024–) ★ Revised items

Carbon Neutrality	2028 targets	• Reduction of CO_2 emissions Scope 1, 2: 50% reduction (compared to 2017) Scope 3: Initiatives to achieve carbon neutrality by 2050 • 20% self-generated renewable energy ★
Circular Economy	2028 targets	• 50% reduction in simple incineration and landfilling compared to 2019 • Formulation and implementation of food loss reduction plan ★
	2030 target	• 100% recycled materials in our PET bottles and use of plant-based materials
Water Neutrality	2028 targets	• Planning water use strategies at business sites in water-stressed areas • Development of water management programs at all sites • 10% reduction in water consumption compared to 2023 ★
Biodiversity★	2028 targets	• Use of 100% RSPO certified palm oil ★ • 100% use of sustainable paper ★

Promote Positive Impact on Global Environment

Carbon Neutrality

Related SDGs

For more details about our Carbon Neutrality initiatives, 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 its 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

Starting with its securities report for the fiscal year ended December 2023, Otsuka Holdings has disclosed information on the financial impact of and its current response to risks and opportunities related to climate change in line with TCFD recommendations as part of its policy and initiatives related to sustainability. We will work to deepen initiatives and expand disclosure in light of future scenario analysis and those results.

Click here for TCFD initiatives.

https://www.otsuka.com/en/csr/library/pdf/environmental_report2022/er05.pdf

Governance

The Otsuka Holdings Environmental Committee, which consists of the executive deputy president and director of Otsuka Holdings and directors and executives from the various group companies, deliberates and makes decisions regarding important climate change issues. In addition, after the details of deliberations on the direction of the group are approved by Otsuka Holdings' Board of Directors, they are communicated to group companies as Otsuka group's policies. These shared policies are then enforced and expanded by the Otsuka group Global Environmental Council, an entity composed of the persons in charge of environmental management at Otsuka group companies and the persons in charge of the Production Division. In 2023, the Board of Directors approved "biodiversity" and new targets based on a revaluation of materiality conducted in conjunction with the 4th MTMP.

Otsuka Group Environmental Management System

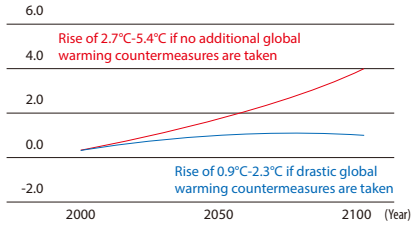
Strategy

In addition to reducing CO_2 emissions from group business activities, we are aiming to achieve a zero environmental load throughout the supply chain. Recognizing the need for aggressive initiatives to achieve decarbonization in order to combat climate change, we are moving forward with several initiatives, such as actively introducing renewable energy and maximizing energy efficiency, and working to balance contributions to lighter environmental load and business growth.

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 CO_2 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

Risk Management

At the Otsuka group, the Otsuka Holdings Environmental Committee and the Otsuka Group Global Environmental Council examine and evaluate climate risks that could have a material financial or strategic impact. Items that are judged to be material during the risk assessment are presented to the Board of Directors by the Otsuka Holdings Environmental Committee chairperson as items for deliberation, and approved details are shared with group companies as the Otsuka group policy, and efforts are made to manage the issues in order to lessen climate risk in order to make additional improvements.

Promote Positive Impact on Global Environment | Carbon Neutrality

Carbon Neutrality

Initiatives to introduce renewable energy and maximize energy use efficiency

The Otsuka group has touted the target of reducing its CO_2 emissions 50% by 2028 compared to 2017. Furthermore, we have joined RE100 initiative, the goal of which is to fully switch to renewable energy. We plan to reduce CO_2 emissions about 8,000 tons annually by introducing CO_2-free electricity at two Otsuka Techno factories in Japan in 2023. Otsuka Pharmaceutical plans to cut its CO_2 emissions 970 tons annually by installing solar panels at four of its factories, including Tokushima Itano Factory and Takasaki Factory. It has pursued initiatives such as making use of CO_2-free electricity and introducing in-house generated renewable energy from solar power generation equipment, leading to a reduction of CO_2 emissions of approximately 242,000 tons per year. Other measures include using a cogeneration system[1] that makes it possible to supply energy to Otsuka group companies extremely efficiently (launched operation in January 2024 at Otsuka Chemical's Tokushima Factory), evidencing the Otsuka group's commitment to make the most efficient use of energy throughout the whole group.

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.

Otsuka Chemical's Tokushima Plant

Promoting more efficient group energy management

The Otsuka group completed construction of the Otsuka Group Energy Management Building, a key facility for managing energy for the group, in July 2023 in order to pursue the best energy mix[2] for the Otsuka Group while making greater use of renewable energy by centralizing energy management within Japan and constructing an advanced demand management system. At this management building, we manage energy (both electricity and steam) for the group, which includes making centralized purchases of renewable electricity, forecasting power supply and demand, and supplying electricity generated within the group to group business site. Using the latest data management system that incorporate various types of IoT sensors and cameras, we not only manage such items as water, electricity, and heat for factories in the Kawauchi area of Tokushima but also manage water discharge during production activities.

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

Otsuka Group Energy Management Building

Integrated energy management

Promote Positive Impact on Global Environment

Circular Economy

Related SDGs

For more details about our Circular Economy initiatives, visit:

Web 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

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*, and *Amino-Value*. Overseas, we are promoting initiatives to achieve targets globally, which includes Indonesia-based PT Amerta Indah Otsuka introducing *POCARI SWEAT* in PET bottles made from recycled PET resin.

Otsuka group's Plastic Policy

Web 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.

While promoting alliances with the government, municipalities, and business partners, Otsuka Pharmaceutical launched the bottle-to-bottle initiative in November 2022. We concluded a material recycling collaboration agreement with Naruto City, Tokushima Prefecture, and Toyota Tsusho Corporation in February 2023 and the first PET Bottle Material Horizontal Recycling Promotion Agreement with Tokushima Prefecture in July of the same year. The partnership involves recycling used PET bottles from municipalities into resin, which is then used as a raw material for PET bottles. We are moving forward domestically with "bottle-to-bottle" resource recycling by expanding the number of municipalities in Tokushima Prefecture that we have concluded resource recycling agreements with to 13 as of December 2023.

Collaboration Agreement Signing Ceremony at Tokushima Prefecture Office

Promote Positive Impact on Global Environment | Water Neutrality / Biodiversity

Related SDGs

For more details about our Water Neutrality initiatives, 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.

Water Risk Assessments Conducted at Production Sites

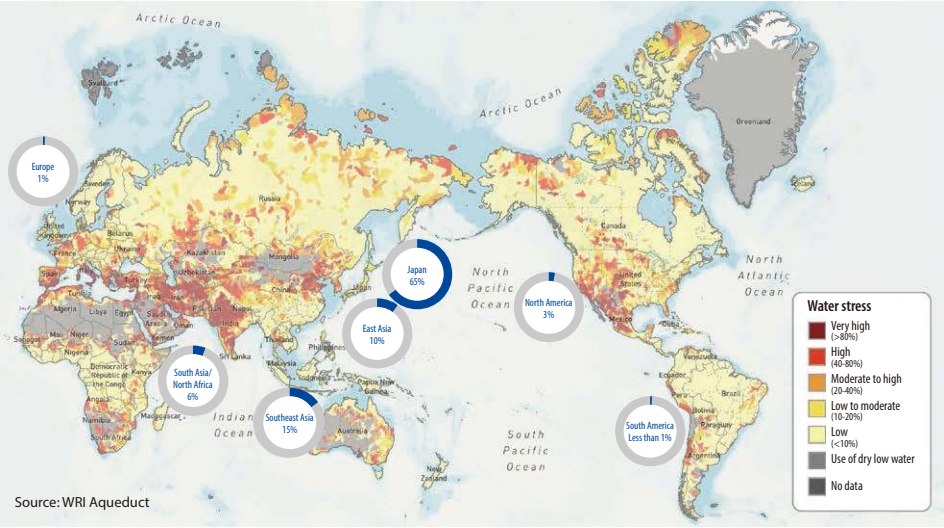
In order to ensure sustainable growth within the Otsuka group's diverse and global-scale business models, it is also important to consider environmental risks in each region. With regard to water resources, the Otsuka group has assessed its production sites using the Aqueduct water risk assessment tool developed by the World Resources Institute (WRI). This assessment has confirmed that no known high risks have materialized at any of its sites. In addition to complying with laws, regulations, and ordinances established by respective countries and regions, the Otsuka group has established water management items and management standards, and in 2023, we formulated water resource guidelines to help bring about a sustainable society along with our business growth. Going forward, these guidelines will inform our operations in our domestic and overseas companies.

Water intake by area

(1,000 m³)

	Municipal water, industrial water	River water	Groundwater
Japan	11,316	85	1,152
Asia, Middle East, etc.	3,325	0	2,698
North America	445	0	148
Europe	195	1	24

Aqueduct Water Stress Map and Otsuka group's Percentage of Water Use by Area



Source: WRI Aqueduct

Biodiversity

The Otsuka group recognizes that biodiversity is an essential part of natural capital in all of its business activities. Therefore, as a member of society that benefits from nature, we are committed to the conservation and restoration of biodiversity for a sustainable society that will pass on its rich natural resources to future generations.

The Otsuka group has revised its biodiversity policy and activity guidelines to assess its dependence on and impact on nature in its business activities. To do this, the group plans to disclose information on the four items of Governance, Strategy, Risk Management, and Metrics & Targets in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).

For more details about our biodiversity initiatives, visit:
https://www.otsuka.com/en/csr/environment/biodiversity.html

Quality Control and Assurance Systems to Ensure a Stable Supply of High-Quality Products and Services

For international certifications related to Production and Quality Management obtained by the Otsuka group, visit:
https://www.otsuka.com/en/csr/data/pdf/ISO_en.pdf

Basic Policy

At the Otsuka group, all of our business activities are founded in compliance with laws and regulations, with a further emphasis on ensuring data reliability. For pharmaceutical products, we have established a quality assurance system that complies with the international Good Manufacturing Practice (GMP) system in Japan, Europe, North America, and other areas. For our Nutraceutical and Consumer products, we have implemented a quality system that leverages our stringent quality control measures as a pharmaceutical company, thereby aligning with relevant international standards. From procurement of raw materials to development, production, quality control, logistics, and sales, we strive to ensure a stable supply of safe and secure products and services through continuous improvements under the supervision of our top management.

Fostering a Quality Culture

"Good product quality is the key to the operation of the factory, and packaging is part of product quality as well. We must produce and sell our products from the point of view of the buyers."

When the Otsuka group started manufacturing and selling injection drugs in 1946, the founder, Busaburo Otsuka, indicated in writing what those involved in manufacturing, transportation and sales should always do.

As a health-related company, the Otsuka group is committed to customer satisfaction. We continuously seek to understand our customer's needs, identify risks, develop and acquire technologies, cultivate our human resources, and improve our quality. Our aim is to provide a stable supply of products that ensure safety, security, and trust.

Quality Control Testing for Each Manufacturing Process and Ensuring Data Reliability

The Otsuka group is engaged in rigorous quality control and quality assurance based on clear standards for all elements that could influence product quality. Quality control testing is conducted at each step of the manufacturing process, from the reception of raw materials and supplies to product shipping, and strict standards have been established to ensure that products do not advance to the next step unless they pass the quality control testing for each manufacturing process. Data collected from our quality control testing is centrally stored in our system. We meticulously manage this system to prevent unauthorized alterations or deletions, thereby ensuring the reliability of all our data.

Ensuring Traceability*

Every company within the Otsuka group employs a traceability system that consolidates all information from in-house and outsourced manufacturing, enabling them to monitor products on a lot-by-lot basis. Through quality checks of raw materials, surveillance of manufacturing processes, and quality control testing, we aim to ensure a stable supply of safe and secure products by proactively developing countermeasures and persistently conducting assessments and improvements.

* Creating and maintaining traceable records of the manufacturer, supplier and distributor in each process from procurement of raw materials and parts to processing, assembly, distribution, and sales

Clear Standards and Rigorous Audit Procedures for Quality Control and Assurance

The Otsuka group ensures appropriate quality management by conducting regular audits of its business partners, including raw material suppliers and contract manufacturers, in addition to internal audits and inspections of its own factories by competent authorities. During these audits, we verify regulatory compliance through physical or written inspections and take improvement actions based on the severity of findings, thereby fostering stronger partnerships for enhanced quality. In the event of a high-risk issue in the supply chain, we promptly carry out an ad-hoc on-site audit to swiftly address the issue.

Feature: Establishment of Kobe Analytical Center (2023)

In August 2023, Otsuka Pharmaceutical established an analysis center in Kobe in Japan as part of its efforts to build a system for in-house quality control of global contract manufacturing products, which have grown alongside our business expansion. This center conducts quality control for products in both Pharmaceutical and Nutraceutical Businesses. Leveraging our strict quality control system as a pharmaceutical company, we maintain a high-level quality control system even for products in Nutraceutical Business.

Otsuka Pharmaceutical Kobe Analytical Center

Going forward, we will persist in cultivating human resources as well as developing and acquiring new technologies including digital technologies, robotics, and AI technologies.

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.

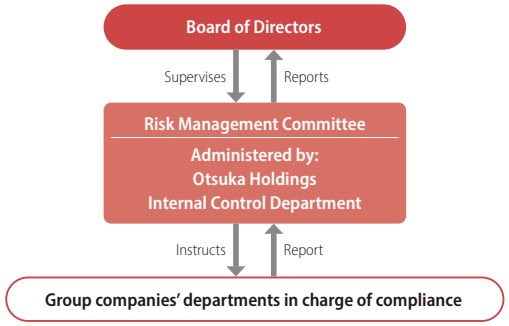
For more details about our various global policies and compliance-related initiatives, visit our website:
https://www.otsuka.com/en/csr/governance/compliance2.html

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

Number of participants who took global compliance training in 2023

Name of training (excerpt)	No. of targeted participants	Attendance
Otsuka Group Global Code of Business Ethics Otsuka Group Global Anti-Corruption Policy Otsuka Group Global Policy for Conflict of Interest Otsuka Group Global Anti-Fraud Policy Otsuka Group Human Rights Policy Otsuka Group Global Information Security Policy Otsuka Group Global Privacy Policy	41,658[1]	98.5%

1. 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	2022	2023
Suspicion of violation of law or regulations	187	176
Issues related to diversity or workplace and suspicion of harassment	85	118
Suspicion of violation of internal rules	48	68
Suspicion of violation of labor laws or regulations	13	11
Others (consultation on concerns, opinion, etc.)	247	226
Total	580[2]	599[2]

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

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 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 arrangements 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 above-mentioned policies and processes, as well as their ongoing implementation and maintenance.

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

The Otsuka group introduced Enterprise Risk Management (ERM) in 2020 to further enhance overall risk management at the group and its major operating companies, including the recognition and evaluation of risks from a companywide perspective and the prioritization of management resources to control important risks. The Otsuka Group Global ERM Policy was established in 2022.

Governance

Risk Management

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.

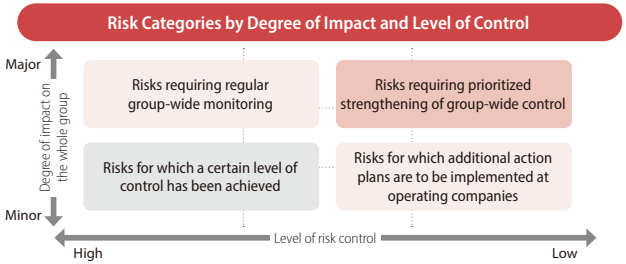
At Otsuka Holdings, the Risk Management Committee oversees the group's ERM as a whole. The committee participates in deliberations on significant risks and reports on them at meetings of the Board of Directors, formulates and monitors the implementation of policies for the management of significant risks, 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

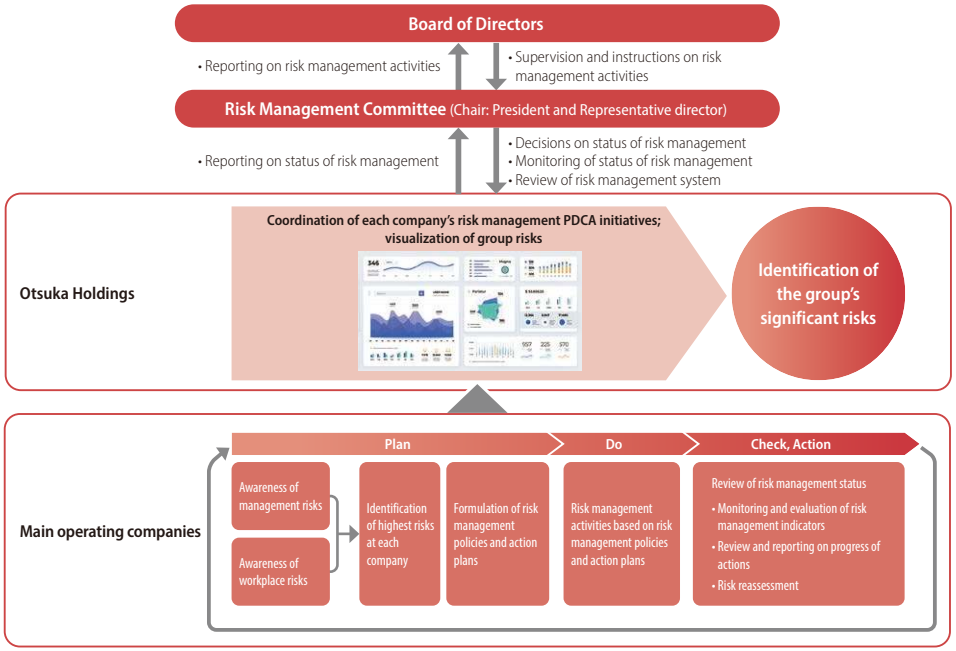
Identification of significant risks begins with the sharing of risk awareness by senior management through interviews at Otsuka Holdings and its main operating companies (top-down approach), as well as assessments of risks and controls by front-line employees (bottom-up approach). This enables us to 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 aggregates and visualizes the significant risks faced by each group company so as to grasp a comprehensive understanding of the existing risks and the status of controls in the group. Common risks that apply to the whole group are studied closely and the significant risks are gathered and identified. Based on the results of this process, the Risk Management Committee assigns priority to significant risks that could have major impact on the group's business, such as financial losses or disruptions to business continuity.

Otsuka Holdings and its main operating companies develop and implement countermeasures to each significant risk based on its characteristics and on 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

For more details about our Risk Management initiatives, visit:

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

Risk Management

FY2023 Policy and Initiatives

In order to not only build a highly effective risk management system that supports the Otsuka group's management foundation but also further improve that system, we moved forward with introducing ERM in regions throughout the world, including Japan, North America, Europe, Asia, and China, using a standardized process based on the Otsuka Group Global ERM Policy and Otsuka Group Global ERM Implementation Guidelines, which were established in 2022.

Furthermore, we conduct monitoring activities and hold risk management-related study sessions while regularly sharing with ERM staff of major operating companies information on risks that are growing more complex and advanced as the global situation continues to change.

Here, we look at workplace opinions that promoted initiatives in various regions.

Koki Hayashi
Compliance Department
Otsuka Pharmaceutical Factory

Effective ERM initiatives

For significant risks, we implement measures, set indicators, and receive quarterly reports on progress in implementing countermeasures and monitoring results. We also work to enhance corporate value by improving effectiveness through training and surveys of the Risk Management Committee and all employees, which are conducted three times a year. ERM has been introduced at six domestic and overseas subsidiaries, and we are working to further expand target companies.

Mike Gehrke
Compliance
Vice President,
IT & Compliance;
Corporate Secretary
Otsuka America

Leveraging ERM to achieve strategic objectives and enhance value

In North America, we are refining our ERM approach to enable the introduction of risk management activities in order to help us achieve our strategic business targets.

Marina Levis-Etournaud
Legal and Compliance
Director Group
Nardobel

Identifying significant risks and conducting monitoring

The Nardobel group (Nutrition & Santé in France, Spain, Italy, and the three countries of Benelux) is now working to introduce ERM. In light of changes in the market environment and the future management strategy, we will partner with all group companies to reinforce risk management by conducting annual reviews of significant risks in the group.

Pratul Gupta
Senior Vice President
Otsuka Chemical (India)

Visualizing risks and measures through ERM initiatives

In a quickly changing global business environment, we consider risk management based on general objective indicators extremely important for achieving sustainable business growth. Through management-centered ERM initiatives, we link the examination of concrete measures to their implementation through the visualization and monitoring of internal and external risks based on quantitative indicators.

Significant Risks

Otsuka Holdings and its main operating companies have conducted company-wide risk assessments, and have 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	
Significant Risks in Pharmaceutical Business • Healthcare Cost Containment Measures • Uncertainty of New Drug Development • Side Effects • Quality **Significant Risks in Nutraceutical Business** • Expansion into New Categories and New Regions • Food Safety and Quality (also applies to Consumer Products Business)	• 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	• Natural Disasters and Pandemics • Stable Supply • Soaring Raw Material Prices • Patent Infringement • Litigation • IT Security and Information Management • Global Business Operations

Governance

Related SDGs

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.

FY2024 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

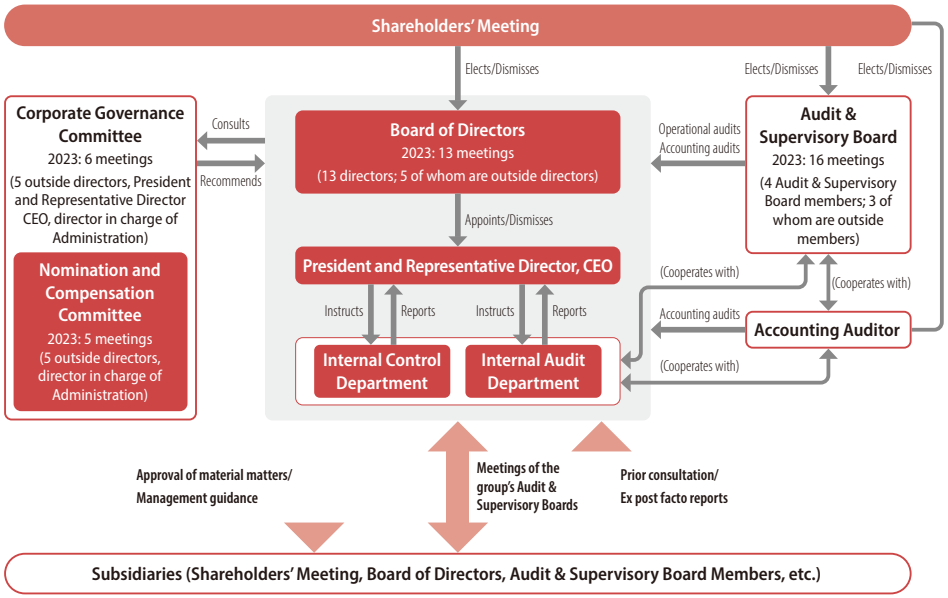
Corporate Governance Guidelines

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

Corporate Governance Report (July 5, 2024)

https://www.otsuka.com/en/csr/governance/pdf/governance_report2024.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			The 1st Medium-Term Management Plan (MTMP) announced.
2013	Appointment of outside directors begins.		
2014			The 2nd MTMP 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 introduced.	The 3rd MTMP 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.
2024		Stock-based compensation plan with restriction on transfer revised.	The 4th MTMP announced. Otsuka Group Business Partner Code of Ethics established. Corporate Governance Guidelines revised.

Governance

Corporate Governance

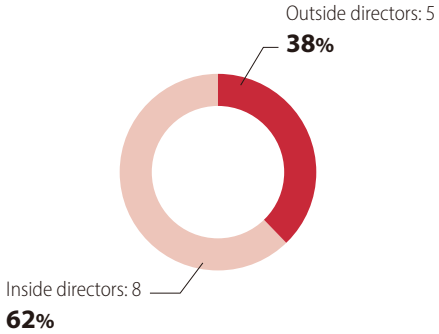
Board of Directors

In line with the Board of Directors' 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.

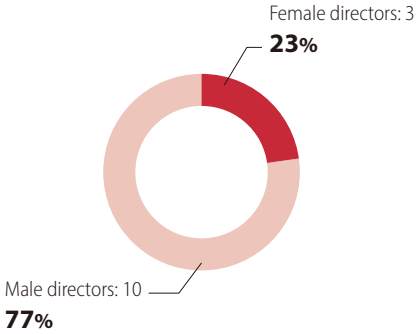
The term of directors at Otsuka Holdings is set at one year to clarify executive responsibility for each fiscal year. Furthermore, the Company works to ensure the overall diversity of directors, and appoints people with the insight, expertise, and experience needed to realize and maintain appropriate 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. Candidates must 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 FY2023 (Average Attendance): 13 (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 Audit & Supervisory Board members 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	●	●	●				●	
Makoto Inoue	●	●	●					
Yoshiro Matsuo					●			
Yuko Makino				●				
Shuichi Takagi	●		●	●				
Masayuki Kobayashi	●	●					●	
Noriko Tojo	●				●	●		
Yukio Matsutani							●	MD
Ko Sekiguchi			●			●		
Yoshihisa Aoki			●					
Mayo Mita						●		
Tatsuaki Kitachi				●		●		CPA

Directors' Selection Criteria/Independence Standards for Outside Directors

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

Please refer to the Notice of the 16th Ordinary General Meeting of Shareholders for the reasons for the election of each director.

Web https://www.otsuka.com/en/ir/stock/pdf/meeting/202312_01.pdf

Governance

Corporate Governance

Major Matters Deliberated by the Board of Directors in 2023

Category	Number of times deliberated	Major reports and discussions
Business performance and plan	18	• 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 • Deliberations on the 4th MTMP
Corporate governance	46	• 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	2	• Approval of plan to introduce solar power • Deliberations on sustainability strategy
M&A and partnerships	9	• Deliberations on Otsuka Pharmaceutical's acquisition of Mindset Pharma • Deliberations on Otsuka Pharmaceutical's acquisition of Bonafide Health
Risk management	10	• 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 • Reporting on ERM monitoring activities • Reporting on progress of initiatives to reinforce overseas crisis management
Financial strategy	5	• Formulation of funding policy • Discussions of new capital investments • Formulation of dividend policy
IT	1	• Reinforcement of cyber security measures

Evaluation of the Effectiveness of the Board of Directors

During January and February 2024, 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 2024.

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

Summary of discussions

All directors and Audit & Supervisory Board members submitted responses that the Board of Directors is sufficiently effective.

Such issues as the need for further deliberations on the composition of the Board of Directors (skills, experience, and diversity), the best way for the Company as the holding company to fully collaborate and share information with the various business companies, and the strategy and orientation of the overall group in order to furthermore raise the level of governance were discussed.

It was also confirmed that efforts to improve operation of the Board of Directors and deepen deliberations on the medium- to long-term management strategy to generate synergies and maximize corporate value as a holding company would be maintained.

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 and then to the Board of Directors.

Main Items Discussed by the Corporate Governance Committee

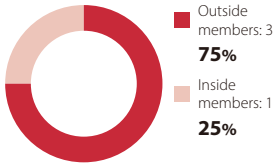
Corporate governance in general	• The state of corporate governance • Succession plan for the president and other senior management • Development of management human resources • Other group management issues

Main Items Discussed by the Nominating and Compensation Committee

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

Audit & Supervisory Board

Proportion of outside Audit & Supervisory Board members: 75%



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.

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

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.

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 group 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 2023

	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]	504 [54]	354 [54]	150 [—]	—	13 [5]
Audit & Supervisory Board members [of which outside Audit & Supervisory Board members]	56 [32]	56 [32]	—	—	4 [3]
Total [of which outside directors and outside Audit & Supervisory Board members]	560 [86]	410 [86]	150 [—]	—	17 [8]

Includes directors and Audit & Supervisory Board members who retired during 2023.

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

Name	Officer 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	—	—	195
	Executive Director	Otsuka Pharmaceutical	36	18	—	—	
	Representative Director	Otsuka Pharmaceutical Factory	30	7	—	5	
Tatsuo Higuchi	President and Representative Director, CEO	Otsuka Holdings	72	36	—	—	225
	Chairman and Representative Director	Otsuka Pharmaceutical	66	33	—	—	
	Advisor and Consultant	Otsuka Pharmaceutical Factory	9	—	—	—	
	Advisor and Consultant	Otsuka Chemical	9	—	—	—	
Makoto Inoue	Representative Director, COO	Otsuka Holdings	22	9	—	—	138
	President and Representative Director	Otsuka Pharmaceutical	73	33	—	—	
Yoshiro Matsuo	Executive Deputy President and Executive Director	Otsuka Holdings	48	24	—	—	117
	Executive Deputy President and Representative Director	Otsuka Pharmaceutical	29	12	—	—	
	Executive Director	Otsuka Foods	2	—	—	—	
	Executive Director	Otsuka Medical Devices	2	—	—	—	
Masayuki Kobayashi	Executive Director	Otsuka Holdings	12	6	—	—	115
	President and Representative Director	Taiho Pharmaceutical	51	25	—	21	

Governance

Remuneration for Directors during the Period of the 4th Medium-Term Management Plan (FY2024–FY2028)

Content of Remuneration to Directors (Excluding Outside Directors)

For details and the latest information on corporate governance and officer remuneration, please refer to the 16th Securities Report (only in Japanese):

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

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	• Fixed remuneration paid out equally every month, with the amount determined based on their duties and responsibilities including formulation of group strategies, monitoring group operations, and strengthening corporate governance.
Performance-linked bonus	Cash/ Variable	• Performance-linked bonus is paid in a lump sum every fiscal year at a certain time, with the amount and calculation method 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; and (2) progress in conducting management that achieves sustainable creation of corporate value, along with the individual's personal performance.
Share-based payment	Non-cash (restricted stock)/ Variable	• The Company has introduced a stock-based compensation plan that reflects progress in achieving such items as the metrics in the 4th MTMP (FY2024–FY2028). • 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 the period of the evaluation metrics and evaluation metric achievement, and by, in principle, granting restricted stock requiring evaluation of performance (including non-financial metrics) 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 metrics for 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. Moreover, for metrics evaluated over multiple years, evaluation period (1) is FY2024-FY2026 and evaluation period (2) is FY2027-FY2028.

Non-Cash Remuneration (Restricted Stock-Based Compensation)

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 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
Incumbency conditions	20% of the standard number of shares	(metrics evaluated each year) Granted each year, taking a single fiscal year as the evaluation period	Conditioned on incumbency in the fiscal year being evaluated (single fiscal year) However, the shares will not be released if the director is not an incumbent at the time the evaluation is finalized.
EPS	20% of the standard number of shares		Basic earnings per share (EPS) for the fiscal year exceeds the target value at the beginning of the year
TSR	10% of the standard number of shares		For the fiscal year (single fiscal year), figure (2) below may not fall below the figure (1) (1) Total shareholder return (TSR) for TOPIX (dividend included) at the end of FY2023 and the fiscal year evaluated (2) Total shareholder return (TSR) for the company, which reflects the stock price and dividends for the evaluation period, at the end of FY2023 and fiscal year evaluated * Year-end stock price is calculated as the average of the year-end stock price, stock price at the end of the month one month before the year-end, and the stock price at the end of the month two months before the year-end
Operating cash flow before investment in R&D expenses	20% of the standard number of shares	(metric is evaluated for multiple years) • Evaluation Period (1): three fiscal years from FY2024 through FY2026, with the shares for the three years allocated at the same time at the start of the period, and • Evaluation Period (2): two fiscal years from FY2027 through FY2028, with the shares for the two years allocated at the same time at the start of the period	The cumulative amount of the actual value of "consolidated cash flows from operating activities before R&D expenses" of the 4th MTMP for each evaluation period may not fall below the cumulative amount in the plan
ROIC	20% of the standard number of shares		Cumulative average of the actual return on invested capital (ROIC) for each evaluation period may not fall below the weighted average cost of capital (WACC) set in the 4th MTMP
FTSE	10% of the standard number of shares		An FTSE Russel ESG score of 3.3 or more is obtained for each evaluation period

* For example, restricted stock allocation agreement concluded with grantees
(1) if a director of the Company or a main business company (Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, Otsuka Foods, Otsuka Warehouse, Otsuka Medical Devices) resigns 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;
(2) 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
(3) if the evaluation metrics achievement-based release conditions have not been met, it stipulates that the restrictions on the transfer of restricted shares will not be lifted, and the Company shall will not lift the restrictions on the transfer of the restricted shares and acquire without paying compensation all of the shares for which it has decided that the transfer restriction is not to be released and certain other events occur.
Furthermore, the eligible directors should promptly return all of the shares from which the transfer restrictions have been lifted if any amendments (excluding minor ones) are made to the consolidated financial statements of Otsuka Holdings within 3 years after the lifting of the transfer restrictions, or if any damages occurs to the Otsuka group due to excessive investments made during the period of their incumbency (clawback clauses).

Composition of Outside Directors' Remuneration

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

Composition of Audit & Supervisory Board Members' Remuneration

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

Governance

For more details on the number of shares held by directors and Audit & Supervisory Board members, visit:

https://www.otsuka.com/en/ir/stock/pdf/meeting/202312_01.pdf

Directors and Audit & Supervisory Board Members (As of March 28, 2024)

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)

Makoto Inoue
Representative Director, COO

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.
Jan. 2024 Representative Director, COO, Otsuka Holdings 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)

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)

Shuichi Takagi
Executive Director

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.
Managing Director, CSO, Otsuka Holdings Co., Ltd.
Feb. 2023 Chairman and Director, Otsuka America, Inc.
Mar. 2023 Executive Director, Otsuka Pharmaceutical Factory, Inc.
Jan. 2024 Executive Director, Otsuka Holdings Co., Ltd. (current)
President and Representative Director, Otsuka Pharmaceutical Factory, Inc. (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)

Governance

Directors and Audit & Supervisory Board Members

Outside Directors

Outside Director

Yukio Matsutani

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)

Outside Director

Ko Sekiguchi

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)

Outside Director

Yoshihisa Aoki

Profile

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

Outside Director

Mayo Mita

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)
Jun. 2023 Outside Auditor, Mitsui Fudosan Co., Ltd. (current)

Outside Director

Tatsuaki Kitachi

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

Standing Audit & Supervisory Board Member

Yozo Toba

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, Trocellen 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)

Outside Audit & Supervisory Board Member

Hiroshi Sugawara

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.
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)
Aug. 2018 External Director, Inbound Platform Corp. (current)

Outside Audit & Supervisory Board Member

Kanako Osawa

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
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)
May 2023 Managing Director, Japanese Association for Business Recovery (current)

Outside Audit & Supervisory Board Member

Sachie Tsuji

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)

Outside Director Roundtable: How the Board of Directors Supports Future Value Creation

In this year's roundtable discussion, under the theme of "How the Board of Directors Supports Future Value Creation," each outside director focused on how the Board of Directors is involved in the formulation of the company's long-term vision, new medium-term management strategy, and materiality, and how the Board will work to realize these goals in the future, and how each of them will contribute to the company.

Back row, from left: Mr. Ko Sekiguchi, Mr. Yoshihisa Aoki, Mr. Tatsuaki Kitachi
Front row, from left: Mr. Yukio Matsutani, Ms. Mayo Mita

Otsuka Group's Vision for the Future: New Value from Business Diversity

Outside Director Matsutani As stated in the Otsuka group's corporate philosophy, "Otsuka-people creating new products for better health worldwide," the group is engaged in a very broad range of businesses to protect people's health, which comes in many different aspects. If we are sick, we need medicine, but when we are healthy, we also need food, supplements, and sleep. The Otsuka group applies its pharmaceutical expertise to the field of food in pursuit of safety and efficacy, which is helping it demonstrate synergistic effects of each of these businesses. For the Otsuka group, I believe that cultivating multiple businesses and pursuing a conglomerate premium approach is the way forward.

Outside Director Sekiguchi While synergies have been achieved among quite a few companies in the Otsuka group, there are still some companies where synergies have not yet been demonstrated. Although Otsuka has achieved great results to date, some of these results have not been from logical action, but through a kind of serendipity. In order to further enhance the corporate value of the group going forward, it needs to be able to reproduce its successes. From my outside perspective, there seems to be a capital efficiency issue in areas where synergies have not been realized. In this regard, if the group can achieve portfolio management that allows it to concentrate resources in areas offering further corporate value boosts, I believe that the market will value Otsuka even more highly.

Outside Director Aoki Coming from a trading company background, I understand how difficult it is to manage and understand a company like the Otsuka group, which is engaged in a diverse range of businesses. However, in my experience, this is also a business format that is highly resistant to change. In the case of the Otsuka group, as it aims to become a conglomerate for well-being, the Nutraceutical Business has been growing steadily. This is a business focused on health by science so to speak, for living a happy and healthy life, and I believe this is an initiative only

Otsuka is capable of carrying out. I believe there is room for the group to extend itself further to develop new products, such as food products, from the perspective of health maintenance and prevention, utilizing the results of its various research efforts. I would like for everyone to come to see Otsuka as a company with a very promising future.

Outside Director Mita From an analyst's perspective and from a global perspective, Otsuka group is a very unique organization. It has a diverse portfolio focused on pharmaceuticals and including nutraceuticals and food products, as well as chemicals and warehousing. It is only natural that returns will vary by industry, but I think we all agree that the group must take advantage of its diverse portfolio to grow each of its businesses.

Otsuka has a number of group companies whose names are well-known, such as Pharmavite, but what is surprising is that they are not known as Otsuka group companies.

Yukio Matsutani, Outside Director
Mr. Matsutani has a wealth of experience and insight in the field of health and welfare, as well as a high level of expertise in all aspects of medical care, having served in the Ministry of Health and Welfare (now the Ministry of Health, Labour and Welfare), as President of the National Institute of Public Health, and as Vice President of the International University of Health and Welfare.

Ko Sekiguchi, Outside Director
After working for Mitsubishi Corporation and Boston Consulting Group, Mr. Sekiguchi has extensive experience as a manager from his work at Janssen Kyowa Co., Ltd. (now Janssen Pharmaceutical K.K.) and other companies, a proven track record and a high level of insight, as well as a high level of expertise and network in the pharmaceutical business.

Yoshihisa Aoki, Outside Director
Mr. Aoki has a wealth of experience, a proven track record and a high level of insight, as well as extensive experience, expertise and networks in the food industry, having held management positions at ITOCHU Corporation and in his current service as Administrative Officer for the same company.

Mayo Mita, Outside Director
Ms. Mita has a wealth of experience in corporate analysis at an international securities firm, and based on this experience, she has a high level of insight for the objective observation and analysis of companies.

Tatsuaki Kitachi, Outside Director
Mr. Kitachi has expertise as a certified public accountant and consulting experience in risk management and corporate governance.

There needs to be a stronger branding push for Otsuka as a whole so that subsidiaries are better-known as part of the group. Otsuka has many loyal users and many trusted brands, meaning that showing these brands as a source of corporate value and the comprehensive strength of the group is a good idea. Subsidiaries acting alone may find themselves limited in terms of financial resources and expertise, whereas I believe that if subsidiaries can work together to make more comprehensive efforts, they can generate a very positive feedback loop.

Outside Director Kitachi The Otsuka group has long been an organization of great social significance, providing products in areas such as psychiatry, neurology, and oncology, areas where people would face great difficulty without treatment methods. There is a concept that humans, even when healthy, live in a "pre-symptomatic" state. This term refers to the fact that between a healthy state and death, there is a spectrum of states, and that there is no clear boundary between being healthy and being sick. I believe that Otsuka addresses all of these pre-symptomatic stages. In the U.S., where the insurance system is different from Japan's, adjustments are made in the earlier pre-symptomatic stages, such as supplementation of missing nutrients and exercise. Claude Lévi-Strauss, the great authority on structuralism,[1] once said that Japan is the norm for social health in the East and the norm for mental health in the West.[2] I believe that we can supplant "Japan" with "Otsuka" for its contributions.

1. The idea, based on linguistic theory in the 1960s, that different societies, ethnic groups, and countries have different characteristics
2. From *L'autre face de la lune: Écrits sur le Japon* [The Other Side of the Moon: Perspectives on Japanese Culture] by Lévi-Strauss

Importance of Corporate Culture and Human Resource Development for Successful Innovation

Outside Director Kitachi Innovation is not something that suddenly falls from the sky; it requires a heightened sensitivity to the world around us and the soil and nourishment to properly nurture the seeds of innovation when they are planted. Here, the soil refers to corporate culture. It has been said that 70% of NASA's R&D expenditures were spent on failures. Innovation cannot be created in the absence of effort. It is necessary to have the soil that allows us to accumulate a variety of experiences and cultivate questions on a regular basis. I have long felt that Otsuka is very good at nurturing that soil, and I hope that it will carry on that culture. Another important factor is its ample operating cash flow from diverse businesses to continue R&D and nurture the seeds of innovation.

Outside Director Mita Nurturing innovation takes soil as well as human resources to discover and cultivate this innovation. No matter how good a product is, it must be properly assessed and understood not only in Japan but also globally. Though Otsuka's Pharmaceutical Business is active worldwide, its Nutraceutical Business has not yet reached the point where it has the kind of presence globally as it does in Japan.

During the period of the 4th Medium-Term Management Plan (MTMP), the number of products will further increase, and the group's companies will grow in size. I believe that Otsuka has entered an important period in which it will build a global market and maximize its value. Each subsidiary has its own financial resources, but the strength of the holding structure is that Otsuka is able to invest funds in companies with future potential, such as Recor Medical, which is working on *uRDN* solutions. Regarding human resources, it is also important to utilize partnerships. In terms of branding and marketing, I feel that there is still a lot of room to leverage Otsuka's network to pitch its products, rather than simply saying that they are good and expecting people to know that.

Outside Director Aoki The year 2024 marks the beginning of the 4th MTMP, and looking to the world ahead of us, we face times of drastic changes. Amid this context, we must discuss what kind of company Otsuka wants to become, set targets, and drive toward this vision we have set. The Otsuka group has adopted the Mandala Chart,[3] a method also used by U.S. Major League Baseball player Shohei Ohtani to analyze what needs to be done from a target-based perspective. At Otsuka, each employee uses the Mandala Chart to set goals for the next five to ten years, and then considers how to manage the company to achieve those goals. This is where the need to develop human resources and concentrate resources becomes apparent, and there may well be a need for business restructuring. In that sense, I look forward to Otsuka's medium- to long-term visions, its 5th MTMP, and beyond.

3. A 9 x 9 table of cells for organizing thoughts and setting specific action goals to achieve objectives. By expanding objectives from the center, users can deepen their thinking processes

Outside Director Sekiguchi I believe that the way to expand Otsuka's value creation will be to leverage synergies. If Otsuka can generate synergies at each level of the value chain, such

as sales, production, and R&D through greater collaboration with each company than before, then it may be able to generate never-before-seen synergies also in areas like science and technology, markets and regions, DX and AI. At meetings of the Board of Directors, presentations are the best possible presentations for each individual company, but this may not be aligned with the best vector for the entire holdings structure. Since Otsuka has a solid foundation of philosophy, culture, and history of success that is unique to the company, I think it would be a good idea to create a place and organization to discuss and examine how to align (or deliberately misalign) these vectors. To take this one step further, Otsuka can also seek companies outside the group to find synergies and maximize value by considering alliances and acquisitions. Going forward, Otsuka will enter the stage of deciding how it can organize and reproduce this approach.

Outside Director Matsutani Human resources will be a key issue in advancing the 4th MTMP. Since a company is simply a group of people working together, the issue is how to cultivate human resources in an organized manner. At each stage of the value chain, there are human resources with expertise, and those who have risen from the field become managers. A management team that is too stable and homogeneous may miss opportunities for new ideas and growth, and I believe it is important to

have a diverse group of human resources in the management team, including non-Japanese employees, who know the front lines well.

Outside Director Mita The Otsuka Group has a diverse range of human resources, but I would like to see more active personnel exchanges between subsidiaries. If, over the course of two or three years, employees were to be transferred to subsidiaries, including those outside Japan, then mutual understanding of businesses would deepen, they would gain positive experiences, and the exchange of people would help to solidify the cohesiveness of the group.

Outside Director Kitachi Until now, value in corporate management has been focused on indirect financing, the long-term viability of companies, plus the employees, shareholders, and other stakeholders who have a strong stake somewhere in the financial statements. However, going forward, diversity and long-term value-building that helps to provide peace of mind for shareholders will have a positive impact on the cost of capital. For this reason, concepts such as purpose-driven management and ESG are now mainstream, and the emphasis is on a range of stakeholders: investors, employees, and society at large. Amid this, if we consider how to organize employees, personnel exchanges are no doubt one answer. Furthermore, I believe that a new definition of organizing will be created within Otsuka through the dynamism of subsidiary spin-offs and acquisitions through mergers and acquisitions.

Outside Director Matsutani From an objective point of view, personnel exchanges among the companies are still sluggish, and I believe that they must be revitalized going forward.

Open and Vigorous Discussions Led by the Chairperson at Board of Directors Meetings for Decision-making

Outside Director Kitachi I feel that information is actively shared in venues that go beyond solely Board of Directors meetings. In addition to information from the company, each outside director presents a variety of information. For example, we receive materials from management meetings, and Outside Director Aoki provides us with monthly materials on global economic conditions compiled by a research institute.

Outside Director Mita In the Board of Directors meetings themselves, I believe that there is a great deal of free speech. In particular, President Higuchi, who chairs the meetings, often asks for opinions, and I think it is characteristic of Otsuka's board meetings that there is significant time for free discussion.

Outside Director Sekiguchi More than half of the statements made at the Board are by outside directors.

Outside Director Kitachi Japan's Companies Act states that the board of directors is a body that makes decisions on resolutions and reports, but it also discusses matters such as the cost of capital and financial efficiency. In this respect, my sense of Otsuka's Board of Directors meetings is that they are different from that of a routine board meeting elsewhere.

Outside Director Aoki President Higuchi, the Board's chairperson, is a highly capable coordinator of these meetings. After taking the time for detailed presentations of each issue, he allows the outside directors to say what they think about it, and then asks the inside directors what they think. I feel the president wants a large number of opinions expressed.

Outside Director Mita Meetings are filled with questions being asked, and I feel that the Board's operation is very sound. Even with regard to resolutions, if there is an atmosphere of doubt, the president himself decides not to make a resolution on the spot, but rather to take a little more time.

Outside Director Sekiguchi There are places around the world where no decision is made if everyone is in agreement, and I believe that President Higuchi's approach is similar to this, in

that he always discusses and listens to many opinions, and then decides based on respect for those opinions.

Otsuka Group's Vision for the Future and the Responsibilities of Outside Directors

Outside Director Aoki The 4th MTMP sets forth Otsuka's corporate philosophy and its desired direction. This plan is a measure to get the group through the profit adjustment phase that it will face during the period, and it will lead the group to think about what lies ahead. If it can achieve its goals, I believe that Otsuka can become a company essential to people all around the world, a company that is needed in this world, and I am very much looking forward to seeing the kind of company Otsuka develops into.

Outside Director Mita Again, I believe that strengthening branding will be very meaningful in the future. When employees are proud to work in the Otsuka corporate group, that earns

a certain level of trust from society. Taking responsibility for the company and making efforts to earn society's trust will also help foster compliance. I would like to support the creation of a system in which employees are committed to the development of the Group with responsibility and pride.

Outside Director Sekiguchi Although the 3rd MTMP exceeded its initial targets, Otsuka is still faced with the looming challenge of patent expiration for pharmaceuticals. Against this backdrop, I consider 2023 to be a year in which Otsuka made significant progress as a company. However, with an eye on further rapid changes in the environment, I believe it is necessary to actively cultivate global human resources and take other measures from a holistic group perspective.

In addition, the Otsuka Group has many products, such as *POCARI SWEAT*, which can uncover latent needs that only Otsuka can address. I would like to see Otsuka continue to take on the challenge of developing products that create needs and markets.

Outside Director Kitachi On the occasion of Otsuka's 100th anniversary, Chairman Ichiro Otsuka expressed that Otsuka has been aiming to be a company which is appreciated by people. Later, in 2023, the company was praised as "indispensable" because it also provides essential drugs (IV solutions). Although the pharmaceutical industry continues to be undervalued in the stock market, Otsuka needs

to continue its growth as a company which is appreciated by people and as "indispensable" and increase its corporate value while considering how to reward investors. To do so, it will be necessary to look at the numerical values that can be quantified in terms of Otsuka's purpose and financial and non-financial data when working backwards from its Mandala Chart.

Where care is required is how Otsuka handles data to be collected. The wider the area to be covered, the more difficult it will be to analyze data using AI and other methods. For example, oncology drugs are highly individualized, making it difficult to establish metadata. Also, there are significant conflicts of interest regarding drugs in the psychiatric and neurological fields, showing that there are many data that are difficult to convert into business opportunities. It will be necessary to conduct business while being fully aware of the risks involved.

Outside Director Matsutani Outside directors serve as representatives for minority shareholders. Based on this fundamental premise, the question of how to reward each stakeholder is an important role for us as outside directors. Materiality has been made more specific and clearer, and I believe that the method of formulating materiality based on the SDGs has been quite unique to and characteristic of Otsuka. In addition to paying dividends to shareholders, Otsuka is committed to ESG and SDGs as a company and has indicated the extent to which it can respond as an organization in the form of this materiality, which it diligently and steadily acts upon. While this action may not lead directly to profits, I believe that profits can only spring forth if Otsuka maintains this spirit of action for materiality. As long as Otsuka does not lose this spirit, I believe that it can successfully achieve what is possible only for Otsuka, and because we are Otsuka, which are values that go beyond the mere accumulation of money. From FY2024, an external evaluation (by FTSE) of Otsuka's contribution to the creation of sustainable corporate value has been added to the non-financial indicators of the restricted stock-based compensation program. I look forward to continuing to fulfill my role as an outside director to enhance the value of the Otsuka group.

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.

		J-GAAP			IFRS		
Item[1]	(Unit)	2013.3	2014.3	2014.12[7]	2015.12	2016.12	2017.12
Results of Operations							
Revenue	(¥ billion)	¥1,218.1	¥1,452.8	¥1,224.3	¥1,427.4	¥1,195.5	¥1,240.0
Selling, general and administrative expenses[2, 3]	(¥ billion)	462.2	563.4	508.6	617.5	519.5	531.4
Business profit before R&D expenses	(¥ billion)				369.8	285.7	305.4
Ratio of business profit before R&D expenses to revenue	(%)				25.9	23.9	24.6
R&D expenses[3]	(¥ billion)	192.4	249.0	172.9	199.6	152.6	174.0
R&D ratio	(%)	15.8	17.1	14.1	14.0	12.8	14.0
Business profit[4]	(¥ billion)				170.2	133.1	131.4
Business profit margin	(%)				11.9	11.1	10.6
Operating profit	(¥ billion)	169.7	198.7	196.5	148.9	101.1	104.2
Operating profit margin	(%)	13.9	13.7	16.1	10.4	8.5	8.4
Profit attributable to owners of the Company	(¥ billion)	122.4	151.0	143.1	102.0	92.6	112.5
EPS	(Yen)	221.9	278.1	264.2	188.2	170.8	207.6
Percentage of revenue from overseas	(%)	51.1	56.8	61.8	56.4	47.8	48.5
Financial Position							
Total assets	(¥ billion)	¥1,779.2	¥2,028.4	¥2,178.2	¥2,575.3	¥2,478.3	¥2,480.3
Total equity	(¥ billion)	1,325.1	1,510.8	1,658.6	1,727.4	1,738.4	1,822.0
Ratio of equity attributable to owners of the Company to total assets	(%)	73.7	73.2	74.7	66.0	69.0	72.3
ROE	(%)	9.7	10.8	9.2	6.1	5.4	6.4
ROA[5]	(%)	10.3	11.0	10.0	6.2	4.6	4.2
ROIC[6]	(%)	9.1	10.1	8.6	5.2	4.0	5.6
Cash Flows							
Operating cash flow before R&D investments	(¥ billion)	¥ 304.5	¥ 468.9	¥ 257.8	¥ 455.1	¥ 304.6	¥ 270.7
Net cash flows from operating activities	(¥ billion)	119.3	226.5	88.5	257.9	142.0	102.8
Net cash flows from (used in) investing activities	(¥ billion)	-91.2	-108.5	-28.7	-422.6	-135.1	-40.1
Free cash flows	(¥ billion)	28.1	117.9	59.9	-164.7	6.9	62.8
Dividends							
Annual dividend per share	(Yen)	¥ 58	¥ 65	¥ 75	¥ 100	¥ 100	¥ 100
Dividend payout ratio	(%)	26.1	23.4	28.4	53.1	58.5	48.2
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)	¥ 3,300	¥ 3,087	¥ 3,617	¥ 4,317	¥ 5,093	¥ 4,948
Number of Employees[11]							
Total	(Persons)	25,330	28,288	29,482	31,940	31,787	32,817
Japan	(Persons)	13,732	14,116	14,285	14,082	13,909	13,880
Outside Japan	(Persons)	11,598	14,172	15,197	17,858	17,878	18,937

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. Until the fiscal year ended March 31, 2014, the calculation of profit was realized by using profit attributable to owners of the Company, in line with Japanese standards. Starting from the fiscal year ended December 31, 2014, profit is calculated using net operating profit after tax (NOPAT).
7. 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.
8. 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.
9. Due to the application of IAS 12 "Income Taxes" (amended in May 2021), results for the fiscal year ended December 31, 2022, have been retrospectively restated.
10. Calculated at ¥141.82 = US$1 (closing rate at the end of the period).
11. Number of employees including Otsuka Holdings Co., Ltd. and its subsidiaries (As of December 31, 2023)

Main Data

IFRS									
Item[1]	(Unit)	2018.12[8]	2019.12	2020.12	2021.12	2022.12[9]	2023.12	(Unit)	2023.12[10]
Results of Operations									
Revenue	(¥ billion)	¥1,292.0	¥1,396.2	¥1,422.8	¥1,498.3	¥1,738.0	**¥2,018.6**	(US$ million)	**$14,234**
Selling, general and administrative expenses[3]	(¥ billion)	552.8	557.6	562.4	622.3	724.1	**807.4**	(US$ million)	**5,693**
Business profit before R&D expenses	(¥ billion)	313.8	403.0	433.7	389.4	450.1	**620.4**	(US$ million)	**4,375**
Ratio of business profit before R&D expenses to revenue	(%)	24.3	28.9	30.5	26.0	25.9	**30.7**	(%)	**30.7**
R&D expenses[3]	(¥ billion)	192.9	215.8	216.8	232.3	275.2	**307.8**	(US$ million)	**2,170**
R&D ratio	(%)	14.9	15.5	15.2	15.5	15.8	**15.2**	(%)	**15.2**
Business profit[4]	(¥ billion)	120.9	187.2	216.9	157.1	174.9	**312.6**	(US$ million)	**2,204**
Business profit margin	(%)	9.4	13.4	15.2	10.5	10.1	**15.5**	(%)	**15.5**
Operating profit	(¥ billion)	108.3	176.6	198.6	154.5	150.3	**139.6**	(US$ million)	**984**
Operating profit margin	(%)	8.4	12.6	14.0	10.3	8.6	**6.9**	(%)	**6.9**
Profit attributable to owners of the Company	(¥ billion)	82.5	127.2	148.1	125.5	133.9	**121.6**	(US$ million)	**857**
EPS	(Yen)	152.2	234.6	273.2	231.3	246.8	**224.1**	(US$)	**158**
Percentage of revenue from overseas	(%)	50.0	50.6	53.6	56.8	62.3	**66.8**		
Financial Position									
Total assets	(¥ billion)	¥2,477.4	¥2,581.3	¥2,627.8	¥2,820.9	¥3,102.6	**¥3,361.2**	(US$ million)	**$23,700**
Total equity	(¥ billion)	1,732.3	1,795.4	1,883.4	2,045.2	2,262.4	**2,436.3**	(US$ million)	**17,719**
Ratio of equity attributable to owners of the Company to total assets	(%)	68.8	68.4	70.5	71.3	71.7	**71.2**	(%)	**71.2**
ROE	(%)	4.7	7.3	8.2	6.5	6.3	**5.3**	(%)	**5.3**
ROA[5]	(%)	4.4	6.9	7.3	6.0	5.8	**4.4**	(%)	**4.4**
ROIC[6]	(%)	4.3	6.6	7.6	5.6	5.1	**4.8**	(%)	**4.8**
Cash Flows									
Operating cash flow before R&D investments	(¥ billion)	¥ 344.9	¥ 398.3	¥ 438.4	¥ 448.7	¥ 473.7	**¥ 576.2**	(US$ million)	**$ 4,063**
Net cash flows from operating activities	(¥ billion)	135.8	192.6	232.8	228.9	211.8	**283.2**	(US$ million)	**1,997**
Net cash flows from (used in) investing activities	(¥ billion)	-93.3	-52.3	-99.9	-95.3	-81.6	**-190.5**	(US$ million)	**-1,343**
Free cash flows	(¥ billion)	42.5	140.4	133.0	133.6	130.3	**92.7**	(US$ million)	**654**
Dividends									
Annual dividend per share	(Yen)	¥ 100	¥ 100	¥ 100	¥ 100	¥ 100	**¥ 110**	(US$)	**$ 0.78**
Dividend payout ratio	(%)	65.7	42.6	36.6	43.2	40.5	**49.1**	(%)	**49.1**
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)	¥ 4,493	¥ 4,883	¥ 4,418	¥ 4,169	¥ 4,305	**¥ 5,289**	(US$)	**$ 37.29**
Number of Employees[11]									
Total	(Persons)	32,935	32,992	33,151	33,226	33,482	**34,388**	(Persons)	**34,388**
Japan	(Persons)	13,757	13,356	13,319	13,196	13,167	**13,362**	(Persons)	**13,362**
Outside Japan	(Persons)	19,178	19,636	19,832	20,030	20,315	**21,026**	(Persons)	**21,026**

Materiality (Material Issues through FY2023)

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 Increase in issues caused by population aging	• Contribution to the resolution of unmet needs • Eradication of tuberculosis • Creation of a system for the realization of healthy lifestyles • Healthy life extension	• Promotion of R&D to address unmet needs • R&D of anti-tuberculosis drugs and improvement of drug access • Support and awareness activities for people's health maintenance and improvement, focusing mainly on exercise and nutrition. • Promotion of problem solving by strengthening partnerships	2 ZERO HUNGER, 3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 17 PARTNERSHIPS FOR THE GOALS
	People	5 Presenteeism[1] 6 Lack of response to diversification	• Creation of a corporate culture that stimulates creativity • Enhance employee engagement	• Human resource development • Diversity promotion • Health and productivity management	3 GOOD HEALTH AND WELL-BEING, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES
	Quality in All We Do	7 Consumption and production that impairs sustainability	• Gaining stakeholder trust • Pursuing sustainability at all levels of the value chain • Establishing a quality assurance system for safety and security	• 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"	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Environment (Healthier Planet)	**Carbon Neutrality[2]**	8 Global warming	• 2028 target: Reduce 50% in CO_2 emissions compared to 2017	• Reduce 50% in CO_2 emissions throughout the value chain	6 CLEAN WATER AND SANITATION, 7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
	Circular Economy[3]	9 Environmental load increase	• 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	• Reduce environmental impact by improving resource efficiency • Promotion of business activities aimed at sustainability for both society and the earth	
	Water Neutrality[4]	10 Reduced freshwater availability due to water resource risks	• 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	• Risk analysis and understanding of sustainable water use • Management and effective use of water resources	
Governance		11 Fragile governance system 12 Social change risk	• Long-term improvement of corporate value	• Strengthening corporate governance • Thorough compliance • Risk identification, evaluation and management	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

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 CO_2 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

Social Issues	FY2023 Goals	FY2023 Results	
1	• Promotion of R&D for unmet needs Address unmet needs in the psychiatry and neurology areas Create first-in-class products in the oncology area Create first-in-class products in the cardiovascular and renal area • In areas with unmet needs New development projects: 10 or more Late-phase development projects advancing to the next phase: 30 or more	• In areas with unmet needs New development projects: 30 projects[1] Late-phase development projects advancing to the next phase: 40 projects	
2	• Provide delamanid for more than 60,000 cases • Supply delamanid for pediatric patients • Launch a clinical trial for new treatment regimen • Increase access to delamanid by collaborating with partners	• Provided delamanid for 100,000 cases ahead of schedule, in more than 120 countries/regions • Obtained promising interim analysis results for 3-drug regimen that includes the new anti-tuberculosis drug quabodepistat and delamanid with the support of the Bill & Melinda Gates Foundation • Launched phase 2b/c trials of 4-drug regimen that includes the new anti-tuberculosis drug quabodepistat and delamanid (Pan-TB collaboration)	• Continued participation in the Global Health Innovative Technology Fund (GHIT Fund) • Awarded Exemplar Award from the Ending Workplace Tuberculosis (EWTB) initiative due to high praise for activities in Indonesia
3	• 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	• Have conducted test sales of *POCARI SWEAT* in one area of Nigeria since 2022. Expanded into the U.S. in 2023. • 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	• Ongoing provision of the Kenko Shacho ("Healthy President") service • Expanded dietary education to communicate the importance of good nutrition • Support in disasters and emergencies • Support for the Tokyo Marathon • Support for the Inter-High School Championships
6	• 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	• Continued executive human resource development program • Launched Digital Reskilling Program • Continued to hold AI / Machine Learning Forum and Digitalization Promotion Case Sharing webinar	• Continued Women's Health Seminar and e-learning • Launched sleep and non-smoking program • Launched program for educators to further instill corporate culture and philosophy • Launched initiatives related to employee engagement
7	• 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	• Number of companies implementing (SAQ): 597 (577 in Japan, 20 overseas)[2] • Number of companies participating in on-demand information sessions for suppliers: 583[2] • Had outside instructors conduct employee training • Held a group-wide Global Quality, Production, Supply Chain, and Environment Meeting	• Implemented "Manufacturing Errors" Workshop • Improved products based on customer feedback
8	• Reduce CO_2 emissions by introducing renewable energy and maximizing energy efficiency • Reduce CO_2 emissions throughout the value chain	• Established an integrated energy service system to centralize energy management in Japan	• Supplied electricity and steam to the Otsuka group via the new cogeneration system
9	• Reduce environmental impact through enhanced resource efficiency • Promote business activities that aim for social and environmental sustainability	• Expanded sales of PET bottles using recycled PET resin • Promoted horizontal recycling of PET bottles	• Promoted resource recycling initiatives
10	• Analyze and ascertain risks regarding sustainable water usage • Ensure effective use and management of water resources	• Implemented water source management programs at three sites	
12	• Strengthen corporate governance to further raise effectiveness • Build a governance system capable of global business development and response to various changes • Build a system to strengthen compliance within the group	• Carried out activities for directors to raise effectiveness • Board of Directors meeting attendance rate: 100% • Formulated Otsuka Group Business Partner Code of Ethics (2024) • Conducted training to develop cybersecurity personnel	• Reinforced efforts to improve efficacy of crisis management • Reinforced activities responding to significant domestic and international risks • Strengthened the information security of each group company (education and training)

1. Cumulative total since 2019
2. Achieved in 2023

Investor FAQ

For details of the 4th Medium-Term Management Plan, please visit our website.
https://www.otsuka.com/en/ir/management/plan.html

Here, we answer questions commonly received from individual investors and other stakeholders.

Q1 Please tell us about your response to the loss of exclusivity (patent cliff) for *ABILIFY MAINTENA* and *JINARC*.

During the period of the 4th Medium-Term Management Plan (MTMP), we will enter a temporary adjustment phase due to the loss of exclusivity for *Abilify Maintena*, *Samsca*, *JINARC/JINARQUE*, and others. However, our aim is to limit the duration of this adjustment phase and rapidly return to a growth phase with double-digit business growth by establishing new growth drivers backed by Core 2 (*REXULTI* and *LONSURF*), the products that will drive growth in the 4th MTMP, as well as by new product lines. Please refer to page 32 of this report and the content of our 4th MTMP presentations for more details about Core 2.

Q2 Tell us about the elements of your pipeline that you will be focusing on going forward in the Pharmaceutical Business.

Our focus is on making Global 10 Plus 2 products our growth drivers for the next generation so that we can achieve sustainable growth. In particular, we are developing Next 8 products as part of our pipeline, promising growth during the 4th and 5th MTMP periods. Please refer to page 32 of this report and the content of our 4th MTMP presentations for more details about Next 8, including the constituent products.

Q3 What is your business plan for the Ultrasound Renal Denervation (*uRDN*) system?

The *uRDN* system was first approved by the FDA as an adjunctive treatment option for hypertension in the U.S. in November 2023. Currently, we are focusing on raising awareness of this new treatment option with the goal of obtaining broad insurance reimbursement in the U.S. In the first two days after approval, several patients were treated with *uRDN* and the system has been gradually spread across the U.S. We expect broad insurance reimbursement to take two to three years, after which we plan to make a strategic marketing introduction. Going forward, Otsuka will accelerate the development of the medical device market in the U.S. while leveraging our group's expertise in the pharmaceutical business.

Q4 What are your plans for royalty income from strategically licensed products allocated to other companies, such as *Kisqali* and *Pluvicto*?

We consider sales forecasts with reference to publicly available values regarding licensee companies and external forecasts such as reports issued by securities firms, and make plans accordingly.

Q5 How do you see the Nutraceutical Business growing in the future?

The Nutraceutical Business will grow as a result of expanding sales revenue through global development of existing brands such as *POCARI SWEAT*, and as a result of maintaining a high business profit margin while making investments to enhance the value of unique brands such as plant-based products and women's health. In the 4th MTMP, we divide growth drivers into three categories from the viewpoint of social issues, and we will continue to evolve to provide appropriate solutions to tackle needs that have yet to be imagined by consumers, in terms of prevention and health promotion. Please refer to page 39 of this report and the content of our 4th MTMP presentations for more details about these three categories. As a global company with flexibility, we aim to further expand the scale of our business and improve profitability by setting a challenge goal for our Nutraceutical Business of more than 1 trillion yen in sales revenue by 2035.

Q6 What kind of actions will you be taking as part of "business management with a corporatewide awareness of capital cost"?

During the 4th MTMP period, we will aim to improve ROIC by setting the cost of capital at 6%. Here, maximizing cash return from operations and optimizing invested capital are key measures. Cash return will be maximized by setting KPIs that match business characteristics, growth market areas, and other business developments, and by integrating KPI management into our business activities. We will also practice continuous cost control and upgrading of shared services in each area. Meanwhile, invested capital will be optimized by improving asset efficiency through the utilization of business assets based on reinforced investment discipline and strengthening control of business assets with a view to total optimization for the whole group. In addition, we will reduce interest-bearing debt and improve financial efficiency by controlling the standby capital required for business operations through the use of intra-group financing, while balancing financial stability by diversifying fund procurement.

Q7 What is your shareholder return policy?

Our basic policy on shareholder returns is to provide stable and consistent dividends. While placing emphasis on dividend continuity and stability, we carefully consider the amount of dividends by comprehensively taking into account internal reserves required for investment in growth, our financial condition, and optimal capital structure. Thanks to our growth investments, we are now able to expect sustainable growth ahead, we have decided to increase the dividend to 60 yen per share beginning at the year-end dividend for fiscal 2023. As for the interim and year-end dividends in fiscal 2024, we plan for both to be 60 yen per share, resulting in a stable and continuous total annual dividend of 120 yen per share. In addition, Otsuka Holdings plans to repurchase approximately 50 billion yen of its own shares during the 4th MTMP period (as of July 2024). Going forward, we will maintain the stable dividends we have paid so far and focus on further shareholder returns.

Group Structure / Global Network / Corporate Information / Overview of Main Operating Companies

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 34,000*2 employees across 168 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, 2023. Otsuka Holdings and consolidated subsidiaries.

Organizational Structure

Otsuka Holdings

Global Network (As of December 31, 2023)

Otsuka operates in

32 countries/regions

168 companies

Europe **36** companies | Asia, Middle East, Oceania, etc. **61** companies

Japan **34** companies | North America **36** companies | South and Central America **1** company

Corporate Information (As of December 31, 2023)

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	154 (Consolidated: 34,388)
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

Overview of Main Operating Companies

Otsuka Pharmaceutical Co., Ltd.	**A total healthcare company supporting well-being for the whole body, from the treatment of diseases to the promotion of everyday health** Under the corporate philosophy "Otsuka-people creating new products for better health worldwide," 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.
Otsuka Pharmaceutical Factory, Inc.	**Original company of the Otsuka group, and a leader in IV solutions in Japan with more than 75 years of experience in the field** Based on its management vision of being "The Best Partner in Clinical Nutrition," Otsuka Pharmaceutical Factory creates innovative products that meet a variety of needs, including pharmaceuticals, medical devices, oral rehydration solutions and other medical foods, and OTC pharmaceuticals. The company operates globally, with a focus on Japan and the rest of Asia.
Taiho Pharmaceutical Co., Ltd.	**Half a century of working in the field of oncology, for patients and people worldwide** Taiho Pharmaceutical is an R&D-driven specialty pharma focusing on the two fields of oncology, and allergy and immunology. 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.
Otsuka Warehouse Co., Ltd.	**Contributing to people's health worldwide in the field of logistics** Since its founding, Otsuka Warehouse has developed businesses with an emphasis on pharmaceutical and food product logistics. This includes constructing a 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 striving to reform its distribution solutions.
Otsuka Chemical Co., Ltd.	**Creatively giving shape to the power of materials together with its customers** With materials at the core of its operations, Otsuka Chemical aims for continuous technological innovation that leads to the creation of products that enable higher standards of living. Otsuka Chemical provides products to global markets in automotive, electrical and electronic equipment, housing, and healthcare areas through its main segments of the hydrazine business, the functional polymer business, the inorganic and composite materials business, and the pharmaceutical intermediates and active pharmaceutical ingredient (API) business.
Otsuka Foods Co., Ltd.	**Creating deliciousness, safety, peace of mind and better health, knowing that food begins with spirit** Otsuka Foods has been delivering revolutionary products for new dietary styles since 1955. Its 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.
Otsuka Medical Devices Co., Ltd.	**Developing innovative treatment methods and creating new value** 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.

Visit the website for the organization chart.

Web https://www.otsuka.com/en/company/overview/organization.html

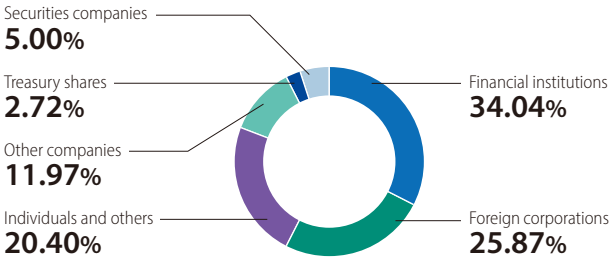
Stock Information

(As of December 31, 2024)

Stock Information

Number of shares authorized	1,600,000,000 shares
Number of shares issued	557,835,617 shares
Number of shareholders	85,818

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)	72,660	13.38
The Nomura Trust and Banking Co., Ltd. Otsuka Founders Shareholding Fund Trust Account	55,457	10.21
Custody Bank of Japan, Ltd. (trust account)	26,409	4.86
Otsuka Group Employee Shareholding Fund	13,438	2.47
The Awa Bank, Ltd.	10,970	2.02
STATE STREET BANK WEST CLIENT - TREATY 505234	10,646	1.96
STATE STREET BANK AND TRUST COMPANY 505001	10,112	1.86
SMBC Nikko Securities Inc.	9,581	1.76
Otsuka Asset Co., Ltd.	7,380	1.35
JP MORGAN CHASE BANK 385781	6,998	1.28

Notes: 1. Number of shares held is rounded down to the nearest thousand.
2. Although the Company holds 15,149,580 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

	FY2023 Results
Number of attendees at Shareholders' Meeting	362
Attendees in online livestream at Shareholders' Meeting	211
Percentage of voting rights exercised	83.61%

Shareholders' Meeting

Dialogue with analysts and institutional investors

	FY2023 Results
Individual meetings	243
Financial Results Announcement	4
Information Meeting	2
Conferences sponsored by securities firms	6

Financial Results Announcement

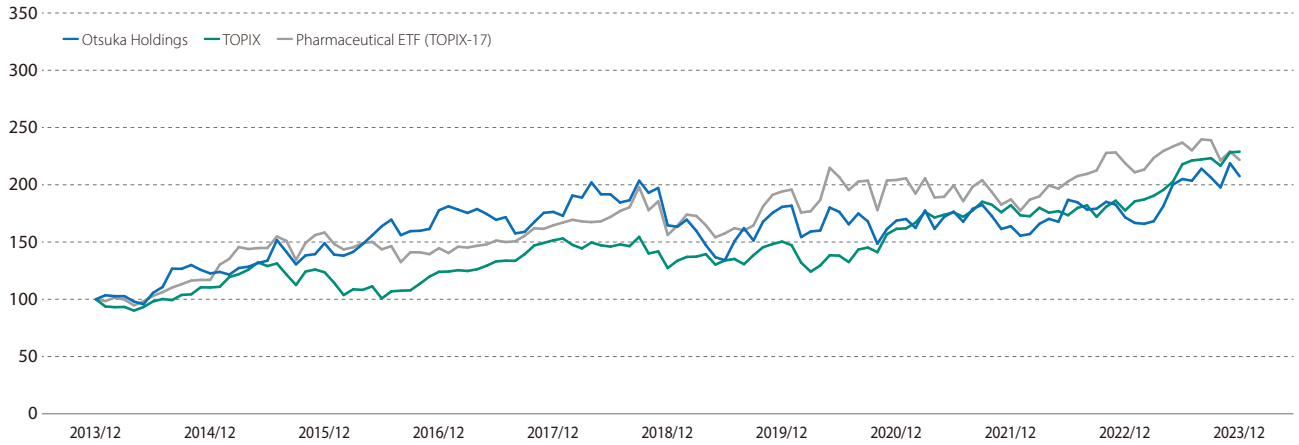
External Evaluation of IR Activities

- Gomez
  Awarded the Silver prize in the IR site ranking 2023
- Gomez
  Selected as an Excellent company in the ESG site ranking 2023

ESG-related indices

- FTSE4Good Index Series
- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index
- MSCI Japan ESG Select Leaders Index
- S&P/JPX Carbon Efficient Index
- MSCI Japan Empowering Women (WIN) Index
- Morningstar Japan ex-REIT Gender Diversity Tilt Index
- iSTOXX MUTB Japan Platinum Career 150 Index
- CDP

TSR*



	1 year	3 years		5 years		10 years	
		Cumulative	Annual	Cumulative	Annual	Cumulative	Annual
Otsuka Holdings	+25.4%	+26.7%	+8.2%	+29.1%	+5.2%	+107.5%	+7.6%
TOPIX	+28.9%	+41.8%	+12.3%	+79.8%	+12.5%	+128.9%	+8.6%
Pharmaceutical ETF (TOPIX-17)	+1.3%	+8.6%	+2.8%	+41.9%	+7.3%	+121.7%	+8.3%

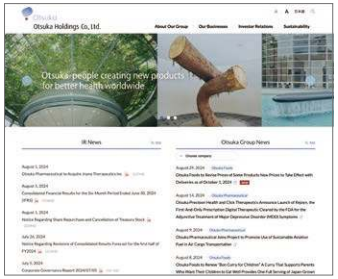
* TSR: Total shareholder return. The total return on investment, including capital gains and dividends.
* TSR is calculated for Otsuka Holdings based on accumulated dividends and stock price fluctuations, and for TOPIX based on a stock price index including dividends (prepared by the Company using Bloomberg 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 2013 as 100 (holding period is until the end of December 2023).

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.

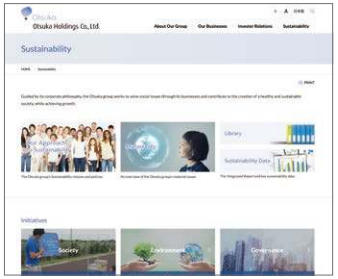
Website

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



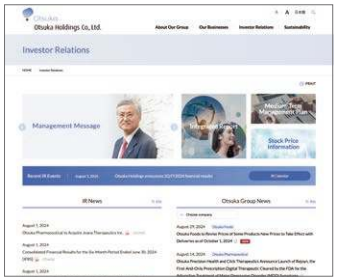
The Otsuka Group's Sustainability

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 2022

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

Attestation of Validity

Yoshiro Matsuo, Executive Deputy President and Director

Otsuka Holdings issued the Integrated Report 2024 in order to reinforce communication with all stakeholders.
Through this report, the topic of which is "creating new products, being there for people throughout the world with total healthcare, connecting, and creating a future society that stresses well-being," we worked to explain in easy-to-understand terms the group's business model, value creation process, and what we will do related to new material issues and the 4th Medium-Term Management Plan (MTMP) announced in June 2024.

As the director responsible for compiling the report, I attest to the fact that an appropriate process was used to create this report and that the content is accurate. I hope that through this report, we further deepen all stakeholders' understanding of the Otsuka group, which aims to become an indispensable contributor to people's health worldwide. Please feel free to provide us with your frank opinion regarding this report as we continue to value dialogue with all related parties and want to expand disclosure and improve transparency.

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 2023 (January 1, 2023 to December 31, 2023); Note that certain information from January 2024 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

Environment Social Governance
Guidance for Collaborative Value Creation

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 2023 (January 1, 2023 to December 31, 2023). The report contains forward-looking statements and forecasts 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.

Otsuka

Otsuka Holdings Co., Ltd.

The report is printed using non-VOC ink.