

Message from the President



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Becoming an indispensable company that contributes to the health of people worldwide: Putting the corporate philosophy at the center of all our activities

Economic climate continues to change dramatically

Our business environment has been changing remarkably in recent years. Looking back on 2014, the world continued to deal with issues concerning population growth, income disparity, energy, and the environment. Emerging markets saw a slowdown in economic growth, while there were signs of gradual economic recovery in Japan. As societies continue to age, governments are implementing measures to contain healthcare costs, and the use of generic drugs is becoming widespread. This has stimulated industry restructuring and M&A activity in order to boost business competitiveness. It is clear that the pharmaceutical industry is experiencing a surging wave of change.

With the Olympics coming to Tokyo in 2020, a younger generation of Japanese is now turning its attention to the world through the opportunity of sport. Hopefully, their interest will also extend beyond sport to the fields of science, technology, and business. The Games should be an invaluable opportunity for helping to develop human resources

with a more global perspective. Among older people and the elderly, the upcoming event is helping to raise health consciousness, which will positively impact the medical economy and health market. The Tokyo Olympics will certainly help to stimulate the Japanese economy.

Aiming to improve business quality as a total healthcare company

The Otsuka Group was listed on the Tokyo Stock Exchange in December 2010, marking a new stage in our development. In August 2014, we announced the Second Medium-Term Management Plan, which summarizes the essence of each measure toward ensuring sustainable development beyond 2020. We are taking on the challenge of self-transformative growth. In 2015, the revised Companies Act will take effect in Japan, along with the Corporate Governance Code, which outlines a new code of conduct for employees of listed companies. These

changes will help to strengthen Japanese corporate governance, with the goal of increasing management transparency and improving corporate information disclosure. The Otsuka Group intends to use these initiatives as an opportunity to make our corporate philosophy and management strategies absolutely clear to our stakeholders while also further enhancing communication with them. We also recognize that we must strive even harder to raise our sustainable corporate value in order to meet their expectations.

During the 94 years since our founding in 1921, the Otsuka Group has been creating innovative products that contribute to the world. These efforts have also fueled our growth. Today, we have expanded our business into a variety of areas including clinical nutrition, medical equipment, and chemicals, while remaining focused on our two core areas of pharmaceuticals and nutraceutical. As part of efforts to globalize the pharmaceuticals business, we are concentrating on expanding it by utilizing one of our quality assets, our value chain. The value chain was built on the therapeutic agent business, including the antipsychotic ABILIFY. As a total healthcare company that contributes to the maintenance and promotion of people's health, we want to promote a sustainable society and fulfill our social mission. The Otsuka Group will continue demonstrating a special knack for unique ideas and creativity, in order to generate an even broader and deeper understanding and trust from people worldwide.

Globalization through harmony and celebration of cultural differences

As we globalize our business, the social responsibilities of the Otsuka Group continue to expand and diversify. Today the Group includes 176 companies in 27 countries and regions. Half of our laboratories and about 70% of our factories are outside Japan. About 60% of our roughly 43,000 employees are also overseas, and they collectively speak twenty different languages. In fact, 750 billion yen in consolidated net sales in the fiscal year ended December 2014 (nine-month result), or 60% of total sales, are from markets outside Japan.

In order to respond to the globalization of our business and the diversification of our employees, we must ensure that we respect the differences in ways of thinking, traditions, history, and linguistics. Therefore, in order for co-workers from different backgrounds to undertake business activities together, they must welcome each other's differences, and help create a harmonious Otsuka Group culture centered on our corporate philosophy.

Working to realize the corporate philosophy through integrated business and CSR activities

The CSR activities of the Otsuka Group revolve around the realization of a corporate philosophy—Otsuka-people creating new products for better health worldwide. Our CSR efforts are focused on creating good communication with various stakeholders. This is because our corporate management requires cooperation and support from communities

and business partners, which we will continue to need in the future. Therefore, we are promoting CSR activities as part of, rather than separate from, the business activities of the Otsuka Group. Our initiatives for customers and communities include environmentally friendly product development, as well as nature conservation and environmental protection activities such as increasing the level of factory greening. They also include social contribution activities to promote community healthcare and development. These activities assist with our product creation and service improvement, either directly or indirectly, and simultaneously promote the development of our business. CSR initiatives help form a basis of trust that promotes cooperation with communities, while producing other benefits such as customer preference for our products. In fact, I believe that CSR activities promote an ever-expanding cycle of benefit. When a portion of profits is returned to society, it generates goodwill towards the company. Each CSR effort magnifies the beneficial effects. By promoting CSR initiatives, which are an integral part of the business, we can provide products, services and information that are useful for people to live healthy and happy lives. Our aim is to thrive as a company that is needed by society.



Utilizing creativity and proof through execution for even greater progress

In order to maintain CSR activities that are centered on the realization of our corporate philosophy and resonate with the business, we must ensure that our personal actions reflect the "management truths" that have been consistently passed down to us since the company's founding. However, rather than just thinking about it, we must also demonstrate our ideas by taking action and accomplishing what we've set out to do. Our goals should be those that only Otsuka can achieve. These management truths can serve as a source for our future, as we aim to become a total healthcare company indispensable to society through contribution to the health of people worldwide. Therefore, we shall explore Otsuka's unique abilities even more deeply, as we work towards even greater progress for the Otsuka Group. Thank you for your continued support of our endeavors.