

The 4th Medium-Term Management Plan

June 7, 2024

Otsuka Holdings Co., Ltd.

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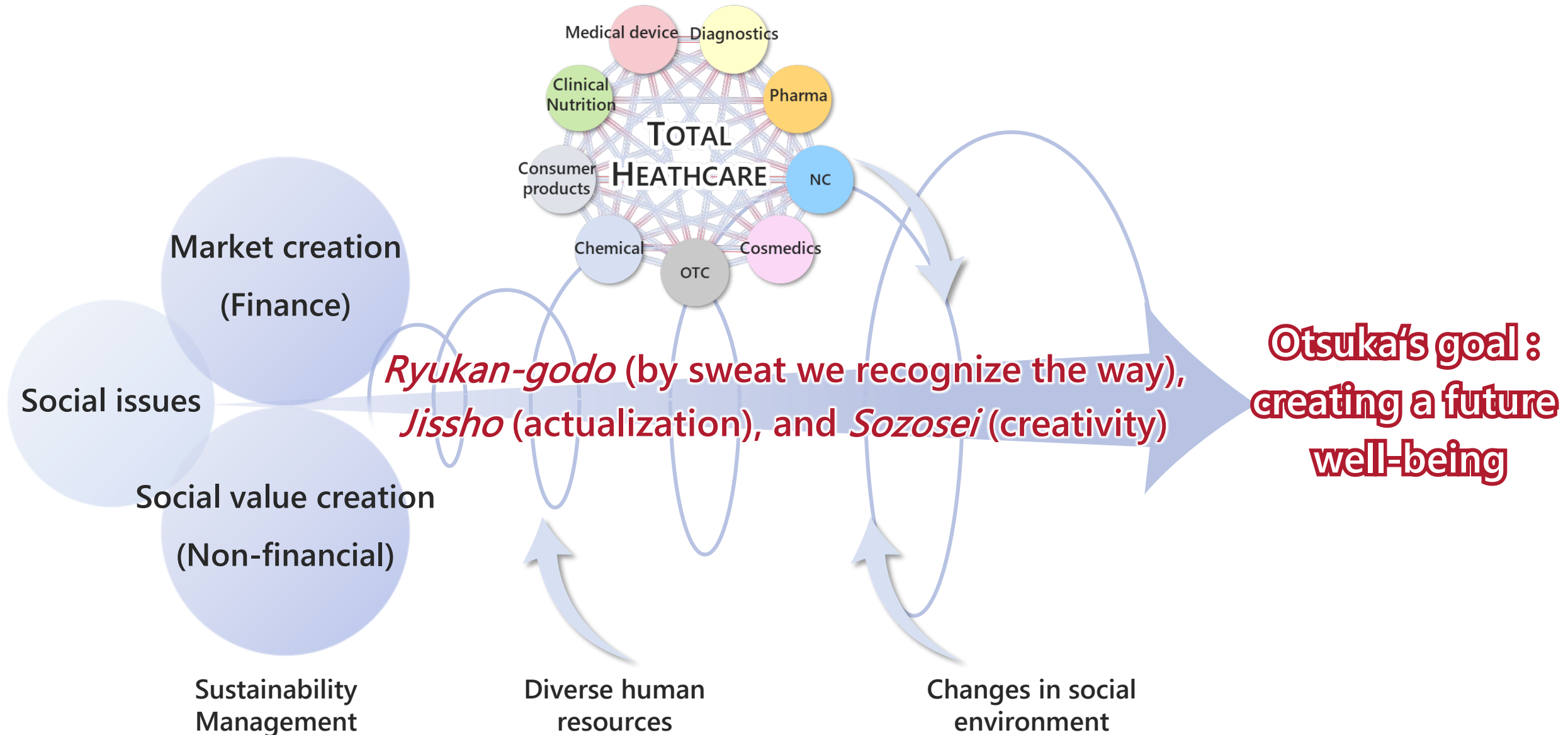
- To-be image and long-term vision
- Positioning and performance targets of the 4th MTMP^{*1}
- Outline of the 4th MTMP strategy

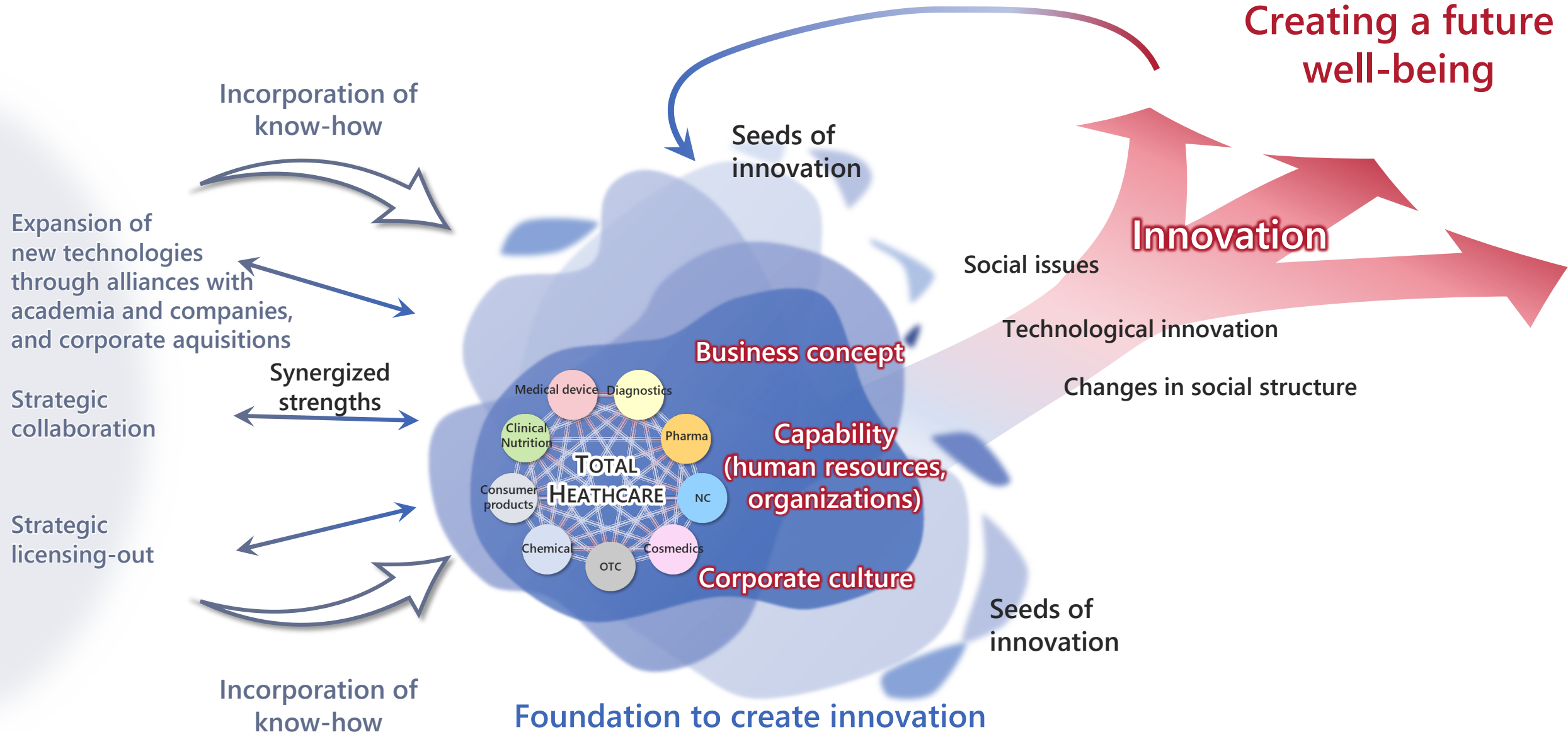
Pharmaceutical business

Nutraceutical^{*2} business

Financial Strategy

To-be image and long-term vision







Climate change

Women's health

Aging society with declining birthrates

Technological innovation

Advancement of science

Pandemics and infectious diseases

Globalization and geopolitical changes

Water depletion

Loss of biodiversity

⋮

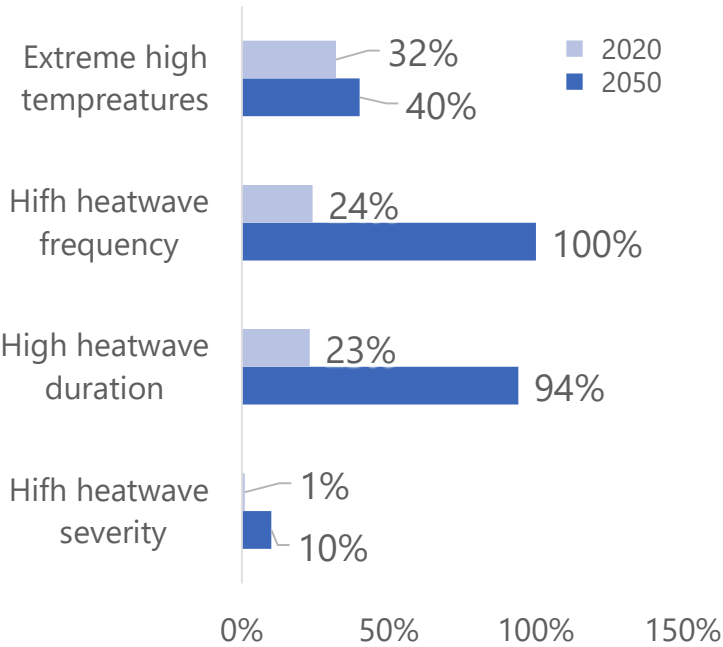
Long-term vision | Otsuka's social issues



Global environment

Heat | Common global problems

Ex: % of children exposed to heat in 2020 vs 2050



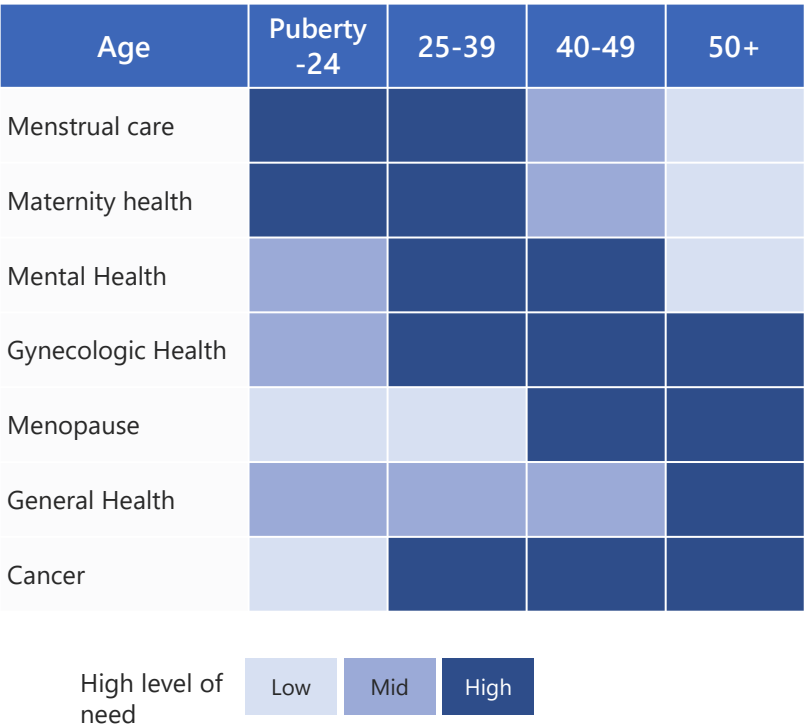
Source | Unicef "The coldest year of the rest of their lives"



Women's health

Great health needs in various age groups

Women's health needs, life stages and solutions across the wellness ecosystem



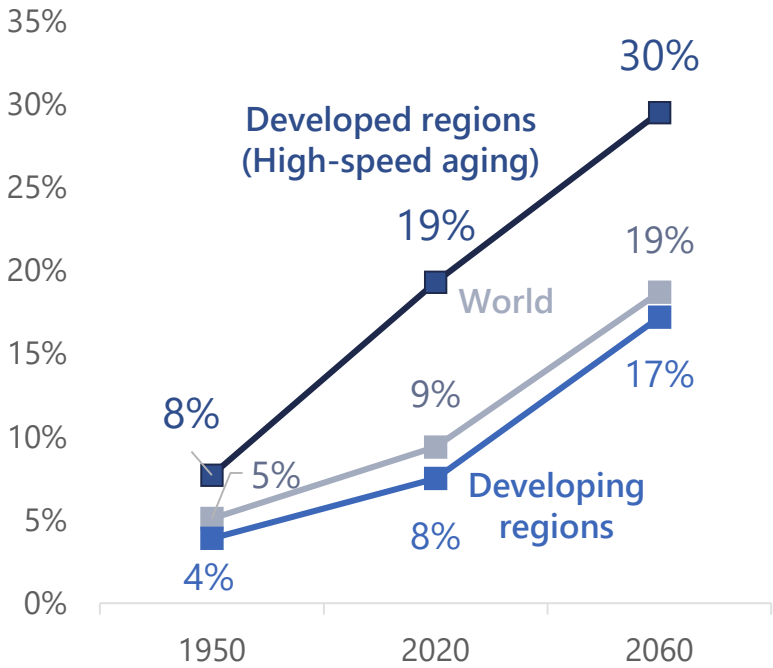
Source | Euromonitor International
*Gynecology | General health, including endometriosis, PCOS, and urinary/pelvic health | Cardiovascular, bone, eye, mental health, chronic disease, and Cancer | Breast, ovarian, uterine, and cervical cancer



Aging society with declining birthrates

Aging population is rapidly advancing, especially in developed regions

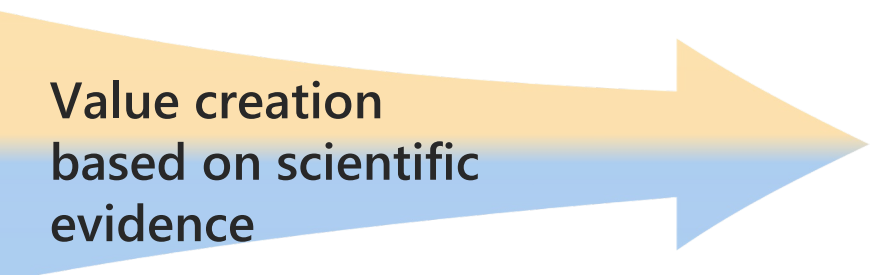
Percentage of population aged 65 years and over



Source | Cabinet Office, revised White Paper on Aging Society, Reiwa 5
Developed regions | Europe, Northern America, Japan, Australia and New Zealand, Developing regions | Africa, Asia (excluding Japan), Latin America, Melanesia, Micronesia and Polynesia

Otsuka's approach to value creation

Value creation
based on scientific
evidence



Health data oriented
products/services development



Explore new markets
with our unique ideas
to meet the rapidly
changing potential
demands

Change of external environment



Technological
innovation



Healthcare transformation

Increase in data on health

Advancement of science

Diversification of people's insight

From Better health to Beyond health to Well-being



Global environment



Women's health



Aging society with declining birthrates

Treatment and Diagnosis

Unmet medical needs

Health Prevention & Promotion

Yet-to-be-imagined needs

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

Positioning and performance targets of the 4th MTMP

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

Further investments to build a unique business foundation

Creating new value that leads to “well-being”

Aggressive financial strategies to support sustainable growth

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 launches of new drug candidates from the robust 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

*1 Loss of exclusivity,

Performance targets | KPI

- Revenue | Absorb the negative impact of LOEs of approx. ¥310 billion and plan to increase by approx. ¥480 billion from FY2023 to ¥2.5 trillion in FY2028 mainly driven by the growth of new drugs and NC products
- R&D investment | Maintain the level of approx. ¥300 billion
- Business profit | Return to a high growth phase after an adjustment period due to LOEs in FY2026
- Finance | Aim to achieve financial targets of ROIC and ROE at 9.5% and 10%, respectively

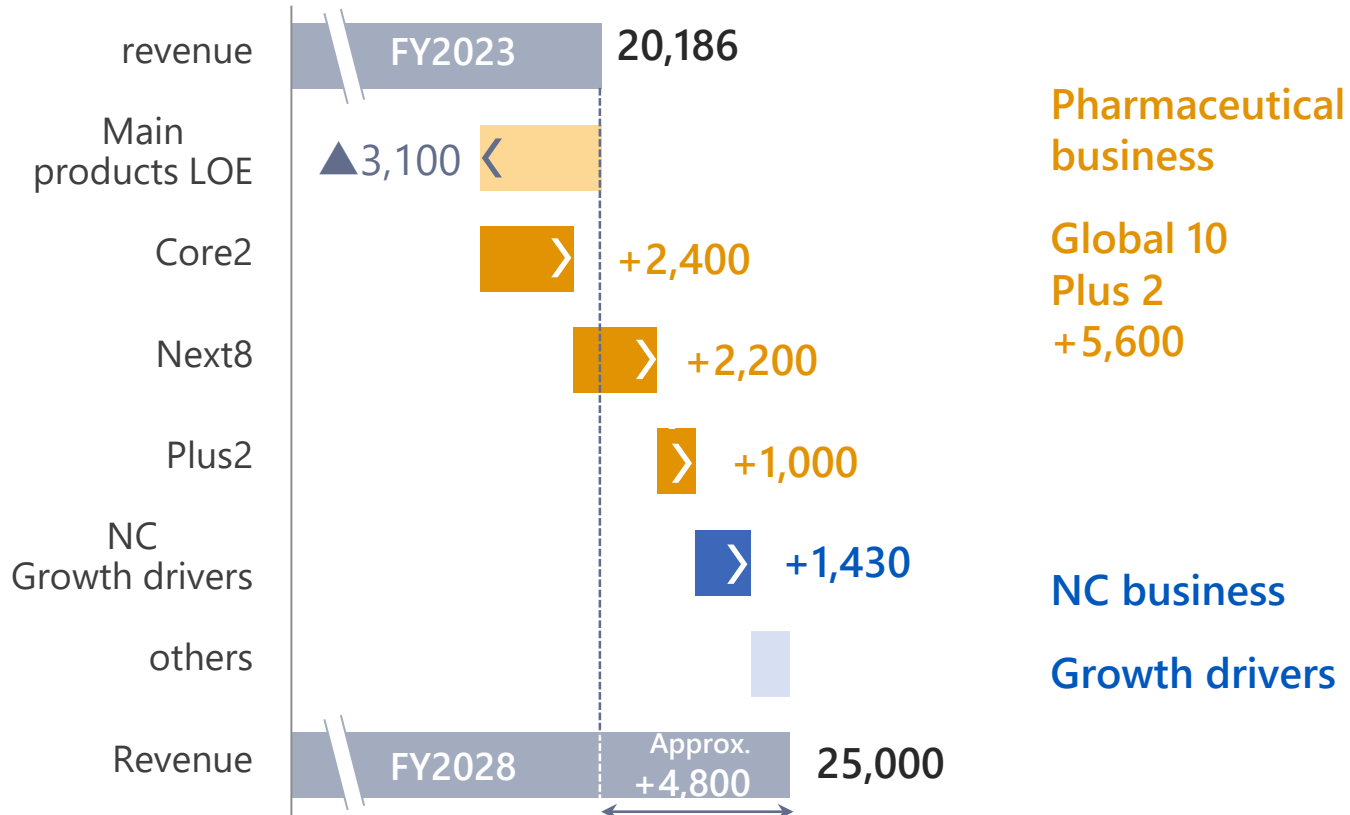
Unit ¥ 100Mil	FY2023	FY2026	FY2028
Revenue	20,186	22,000	25,000
Business profit before R&D expenses	6,204	5,800	7,200
Ratio/Revenue	30.7 %	26.4 %	28.8 %
R&D expenses	3,078	3,100	3,300
Business profit	3,126	2,700	3,900
Ratio/Revenue	15.5 %	12.3 %	15.6 %
Operating CF before R&D investments	5,762	5,400	6,500
EPS	¥224.1	¥380	¥550
ROIC	4.8 %	>7.5 %	>9.5 %
ROE	5.3 %	> 8 %	>10 %

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

Revenue forecast for growth drivers

- The negative impact of LOEs of approx. ¥310 billion to be largely offset by the growth of Core 2 products
- Continued aggressive R&D investment on the back of substantial late-stage drug candidates and stable cashflows
- Growth in Next 8, Plus 2 and NC products to drive net growth in this MTMP period and beyond

Revenue | Comparison between 2023 and 2028



Unit | ¥ 100Mil
 *Main products | ABLIFY MAINTENA, JYNARQUE, SAMSCA

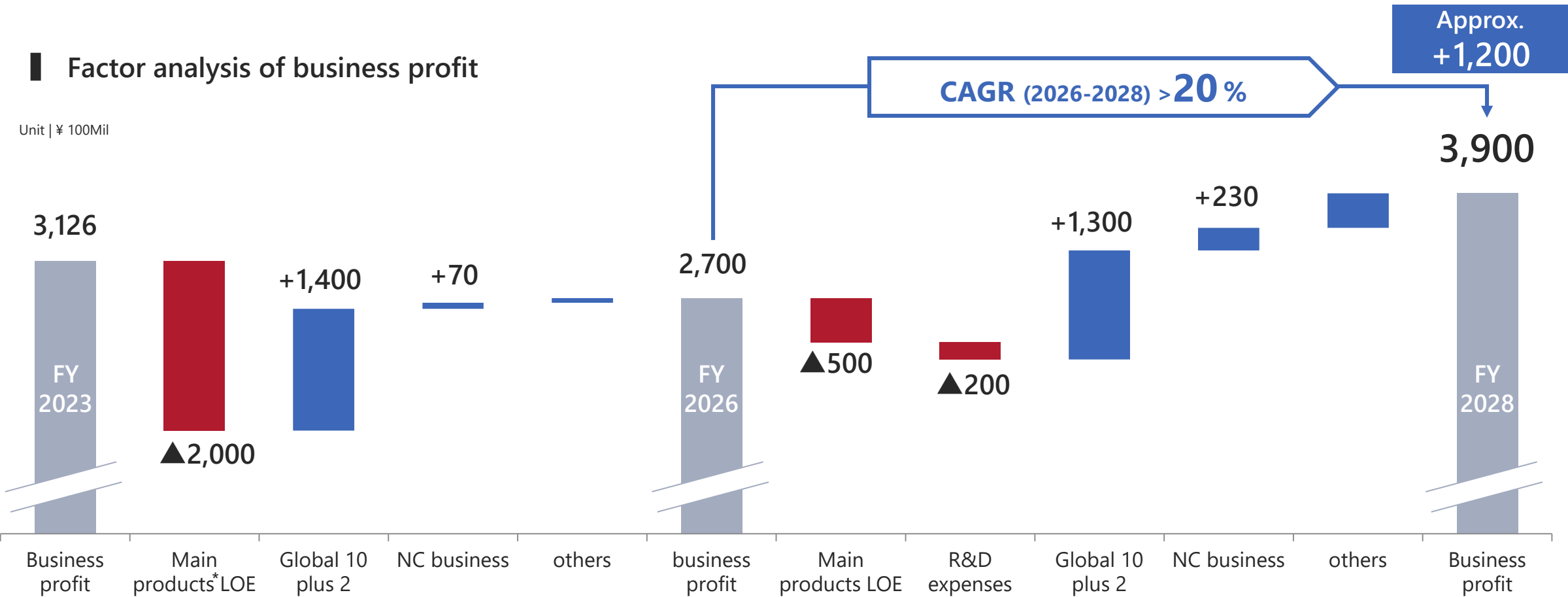
Core 2	Drivers for growth in the 4 th MTMP period
Next 8	8 products for which sales growth is expected in the 5 th MTMP period and beyond
Plus 2	Strategically licensed-out assets
Product groups to address social challenges	Global environment Women's health Aging society with declining birthrates

Core 2 (REXULTI, Lonsurf), Next 8(ulotaront, centanafadine, uRDN, sibeprenlimab, LYTGObi, zipalertinib, INQOVI, ASTX030) Plus 2 (Kisqall®, Pluvicto® *Royalty : licensed to Novartis)

Business profit | Evolution of revenue structure

- Due to the impact of LOEs, FY2026 is assumed to be an adjustment phase for business profit
- However, profit decline is expected to be relatively mild in FY2026 thanks to the growth of Global 10 plus 2 products
- After this phase, global 10 plus 2 and NC products are expected to drive growth, leading to a record high profit of ¥390 billion with a CAGR of more than 20%

Factor analysis of business profit



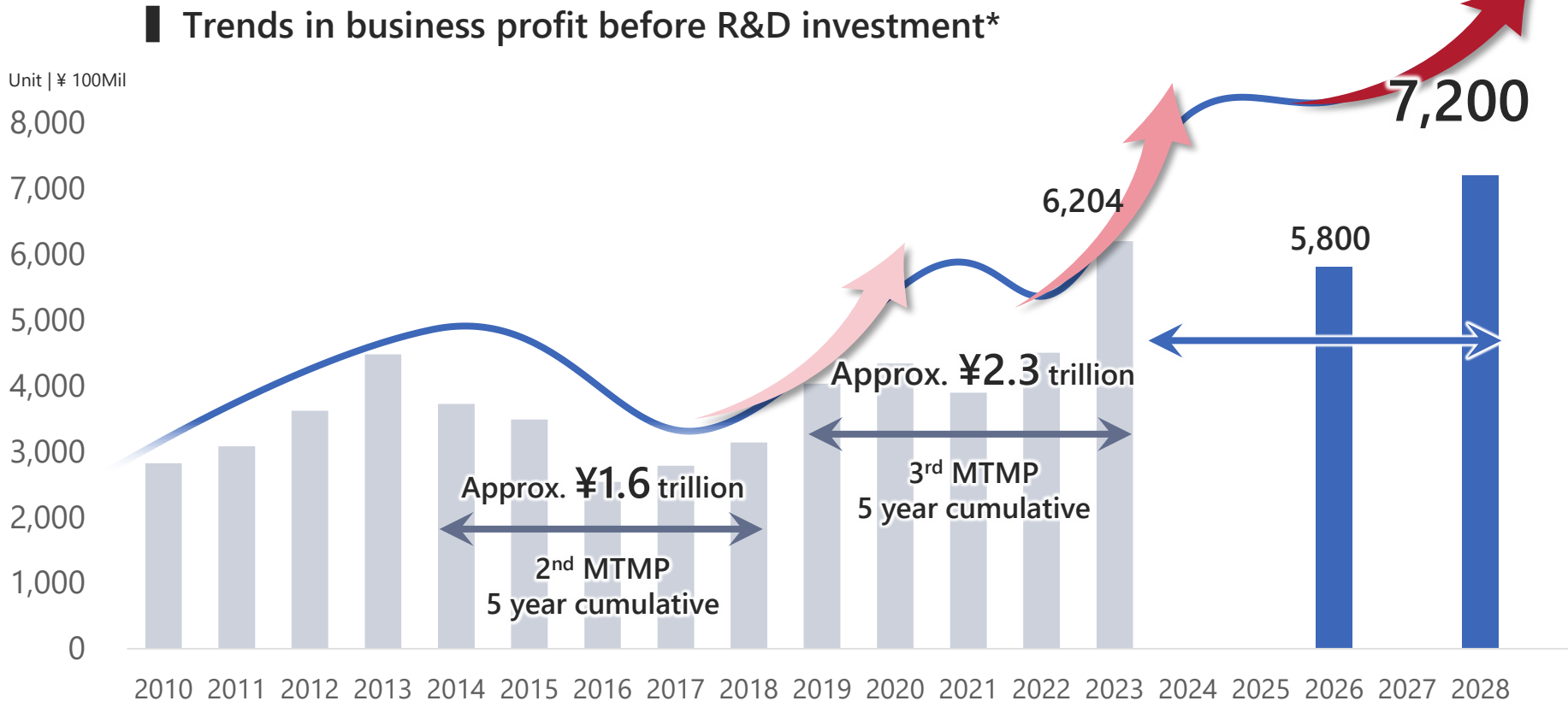
*Main products | ABLIFY MAINTENA, JYNARQUE, SAMSCA

Overcoming the patent cliff and aiming to reach higher

- *Jissho* (actualized) the Otsuka's long-term and unique management model in the past MTMPs
- Steadily evolve and develop management in the current MTMP

Management quality evolves

- ✓ Capabilities of human resources and organizations
- ✓ Investment and achievement from a long-term perspective
- ✓ Overseas expansion capabilities

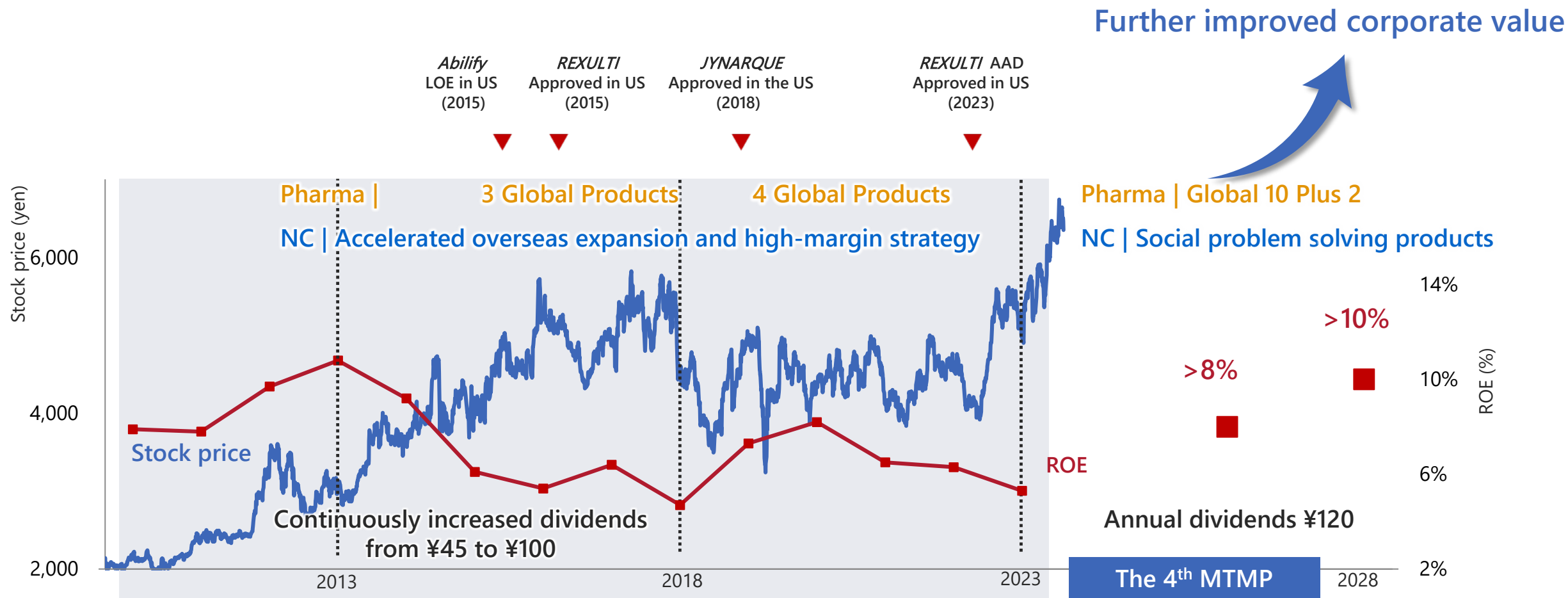


*In 2014, due to the change in the fiscal year end, the financial results were settled for 9 months. Before 2017, operating profit before R&D expenses

The 4th MTMP
5 year cumulative
Business profit before
R&D expenses
Approx. ¥3.1 trillion

Evolution of management quality leads to an improved market evaluation

- Execute growth investments from a sophisticated management perspective that takes into account capital efficiency
- Through *Jissho* (actualization) of the MTMP, we aim to further enhance the quality of management and increase corporate value



Cycle of enhancing corporate value

Otsuka Corporate Brand

Creating social value

Sustainability management

Growth investment supporting sustainable growth
Stable and continuous shareholder returns

Long-term corporate value

Finance+
non-financial

Mid-term business value

Assets

Unique core business foundation

Source of growth (foundation for CF generation)

Pipeline and Drug Discovery Technologies, NC Brand Value, Human Capital

Short-term economic value

Cash

Operating CF
before R&D
investments
¥16,000

2nd MTMP

Operating CF
before R&D
investments
¥23,000

3rd MTMP

Operating CF before
R&D investments
¥30,000

4th MTMP

5th MTMP

*All numbers are
approximate
Unit | ¥ 100Mil

Outline of the 4th MTMP strategy

Pharmaceutical business

Achieve sustainable growth by taking on challenges in new areas

Build business foundations in innovative new areas

Create new value leading to “Well-being”

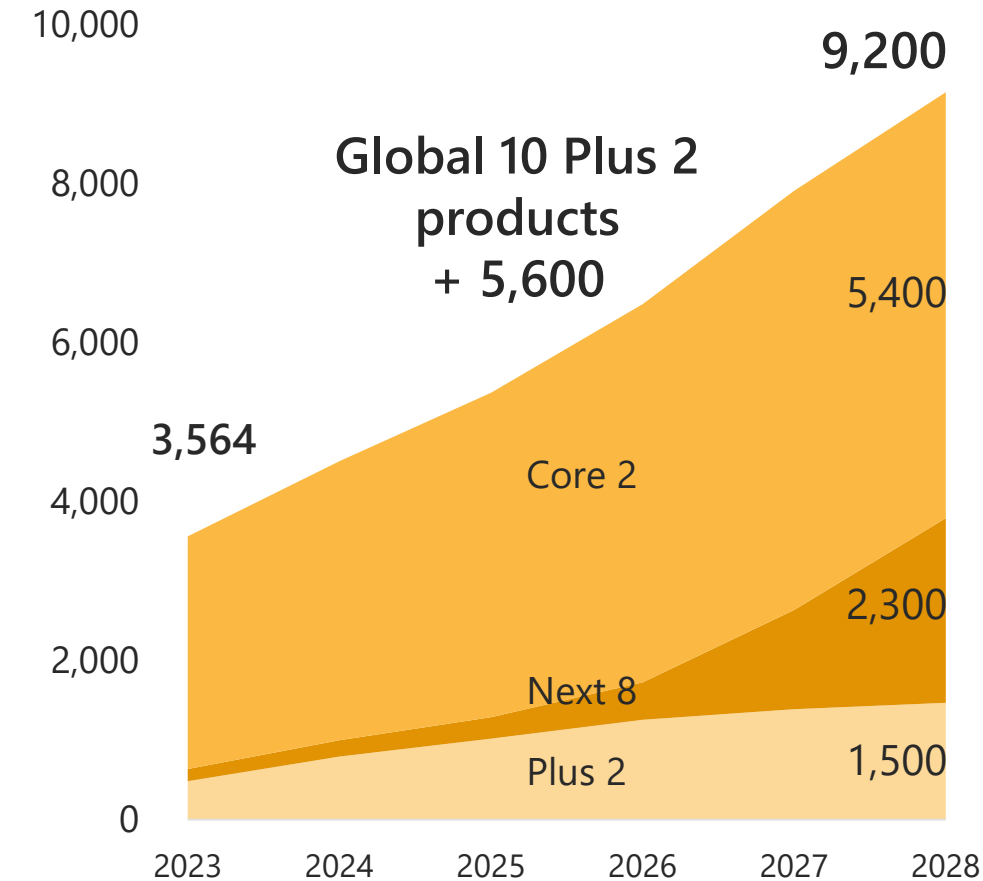
Develop innovation ecosystem

Achieve sustainable growth by taking on challenges in new areas

■ Achieve sustainable growth by developing growth drivers for the 5th MTMP

■ Revenue plan for Global 10 Plus 2 products

Unit | ¥ 100Mil



Core 2
+2,400

▶ *Rexulti*
Lonsurf

Next 8
+2,200

▶ ulotaront
centanafadine
uRDN
sibeprenlimab
LYTGOBI
zipalertinib
INQOVI
ASTX030

Plus 2
+1,000

▶ *Kisqali*
Pluvicto

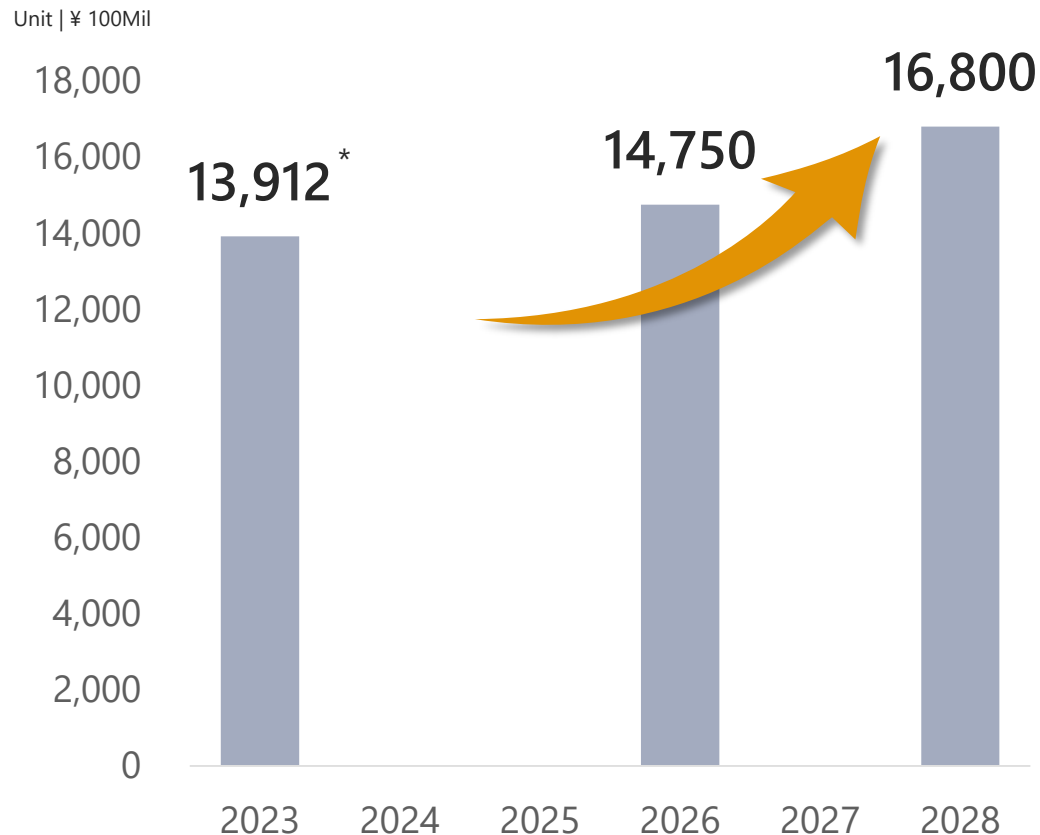
Assets to be acquired
and developed during
the 4th MTMP period

Development of growth
drivers in the 5th MTMP

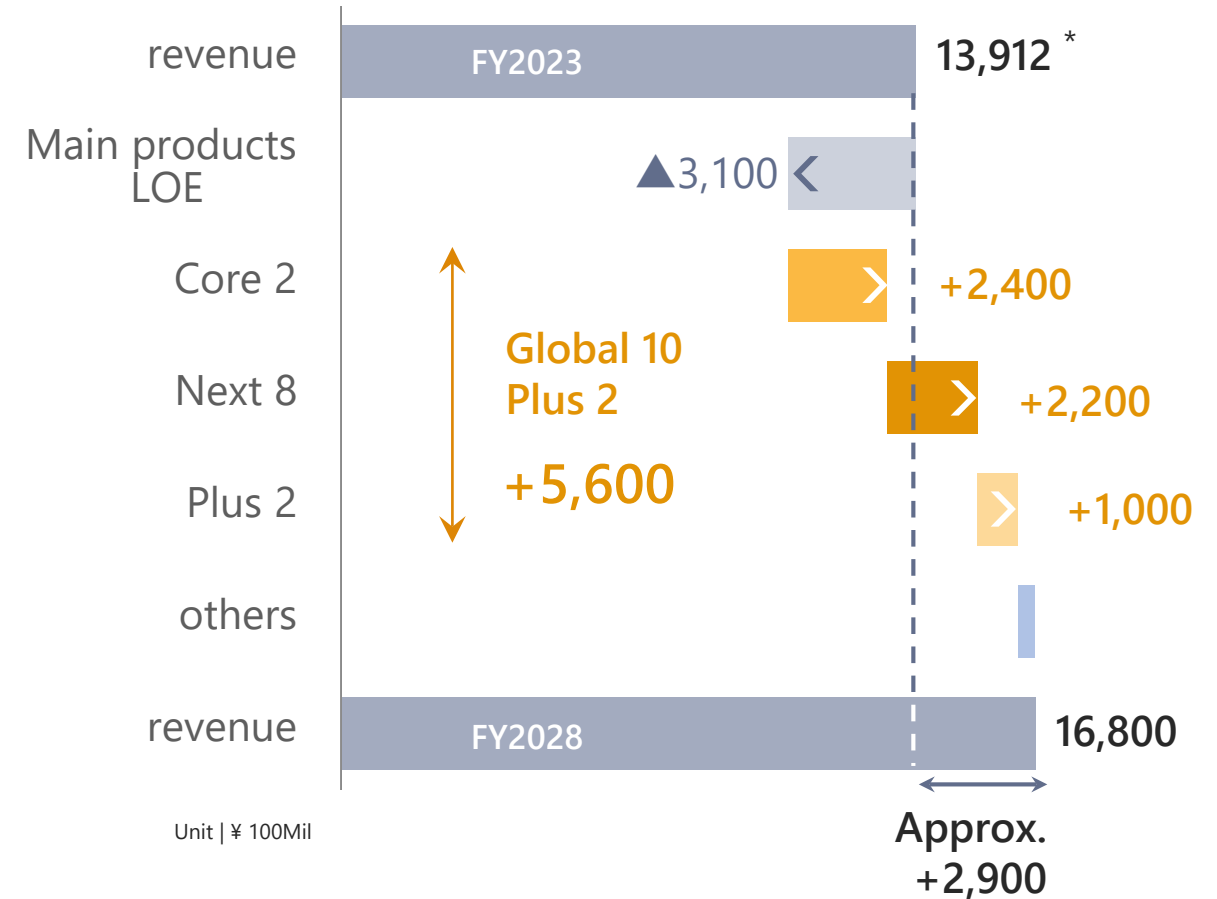
Pharmaceutical business | Revenue forecast for growth drivers

- Focus on continuing stable revenue growth by offsetting the impact of LOEs of main products

Revenue forecast



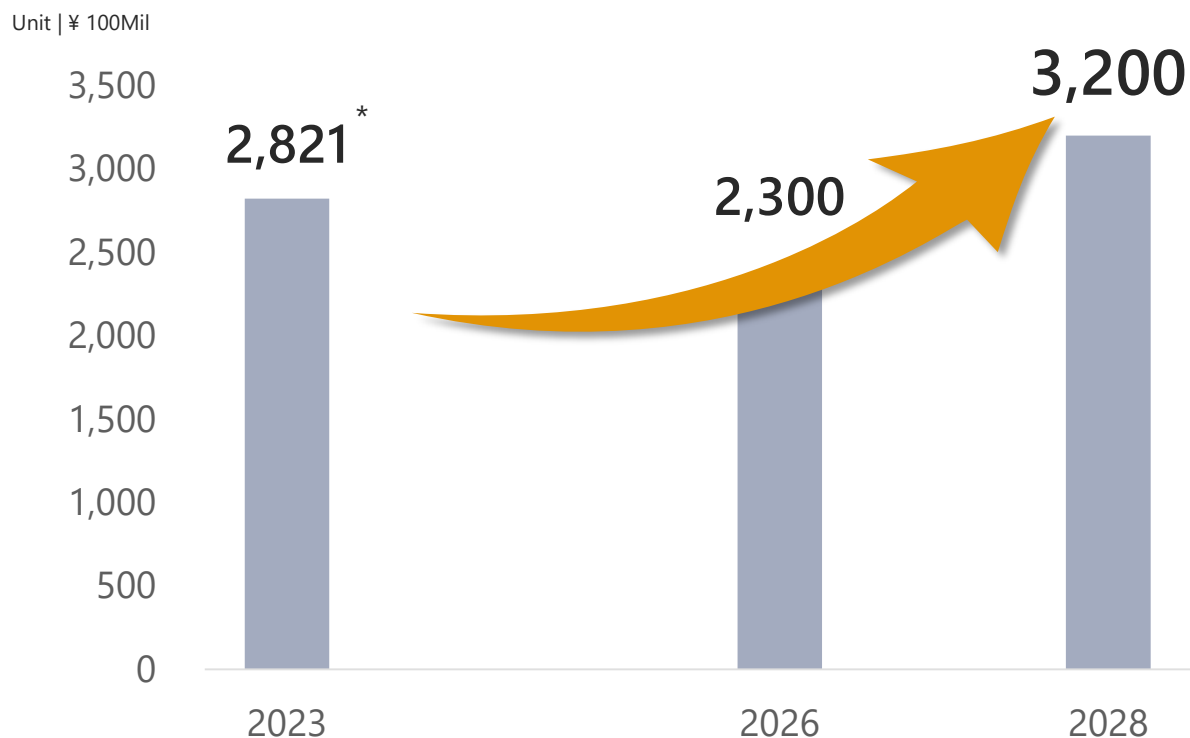
Factor analysis of revenue



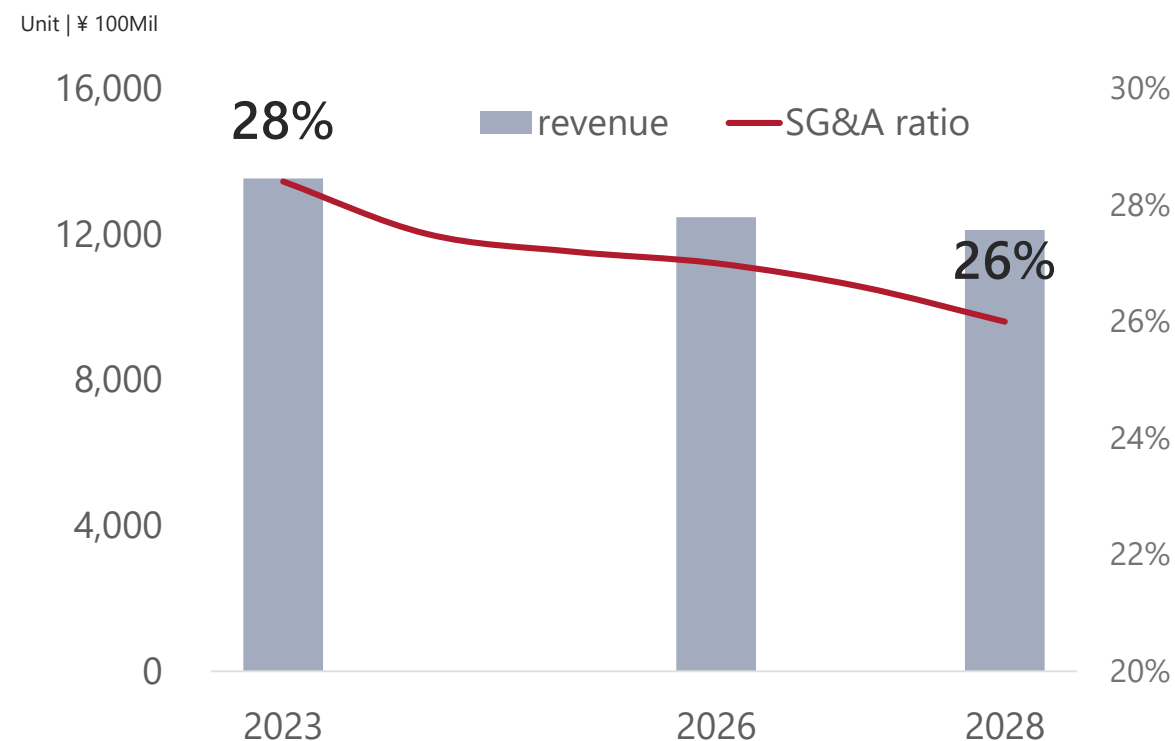
* The recording method of internal transactions, etc. of revenue in each business segment has been changes from FY 2024. Revenue for FY2023 correspond to this change.

- By driving sales and controlling the SG&A ratio of in-line products, business profit is expected to be ¥320 billion, exceeding the FY2023 result

■ Business profit forecast



■ Changes in in-line products sales and SG&A ratio



* The recording method of internal transactions, etc. of revenue in each business segment has been changes from FY2024. Business profit for FY2023 correspond to this change.

Psychiatry and neurology area

- 1 Rexulti
- 2 centanafadine
- 3 ulotaront
- 4 Approach to MDD
- 5 Promotion of digital health

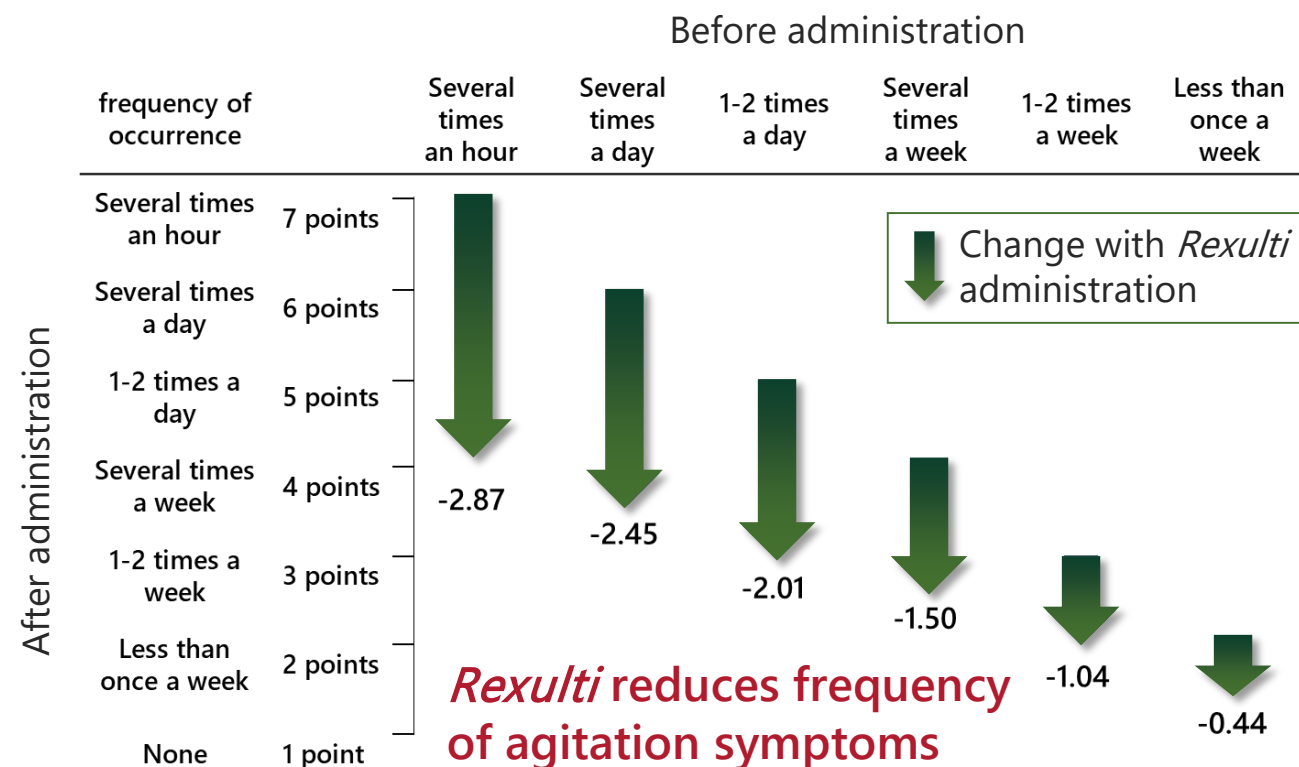
1 Rexulti | Toward a well-being society by reducing caregivers' burden

- Agitation associated with Alzheimer's disease has forced caregivers (family members) to bear burden and endurance
- Reduced caregiver burden leads to improved quality of care

■ Burden on caregivers caring for dementia patients*¹



■ Improvement of CMAI*³ by *Rexulti* in clinical study*⁴



*1 Am J Manag Care 2022 Sep;28(10 Suppl): S188-S196 *2 Alzheimer's Disease

*3 Cohen-Mansfield Agitation Inventory (an index for evaluating the frequency of agitation) *4 Internal data

1 Rexulti | To seek approval for PTSD, another major social issue

- No new drugs have been approved for more than 20 years, and there is a great need for drugs that have broad effects on four symptoms of PTSD
- Aim to contribute to solving the two major social issues of AAD and PTSD by maximizing the value of *Rexulti*

■ Social issues of PTSD in the US



Prevalence*¹

17 million people

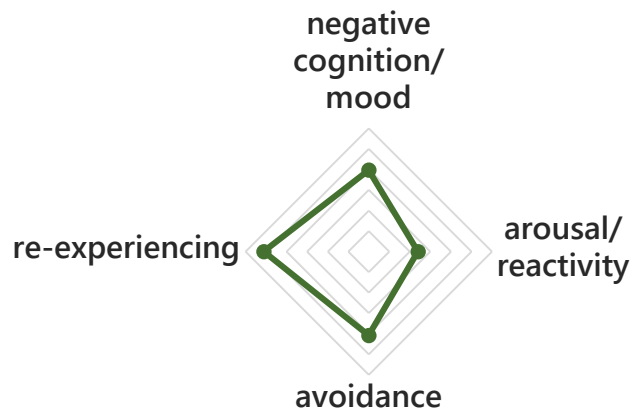
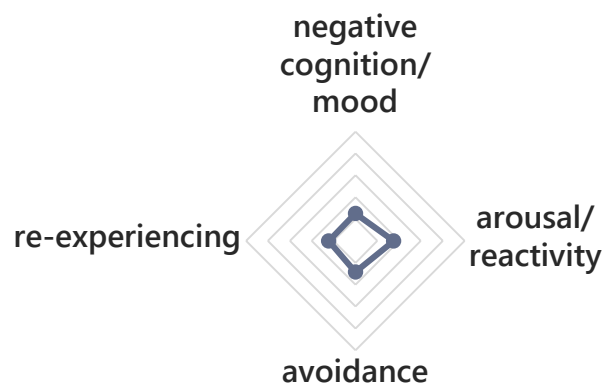
Economic burden*²

\$232.2 billion/year

■ Effect sizes in four CAPS-5 clusters*³

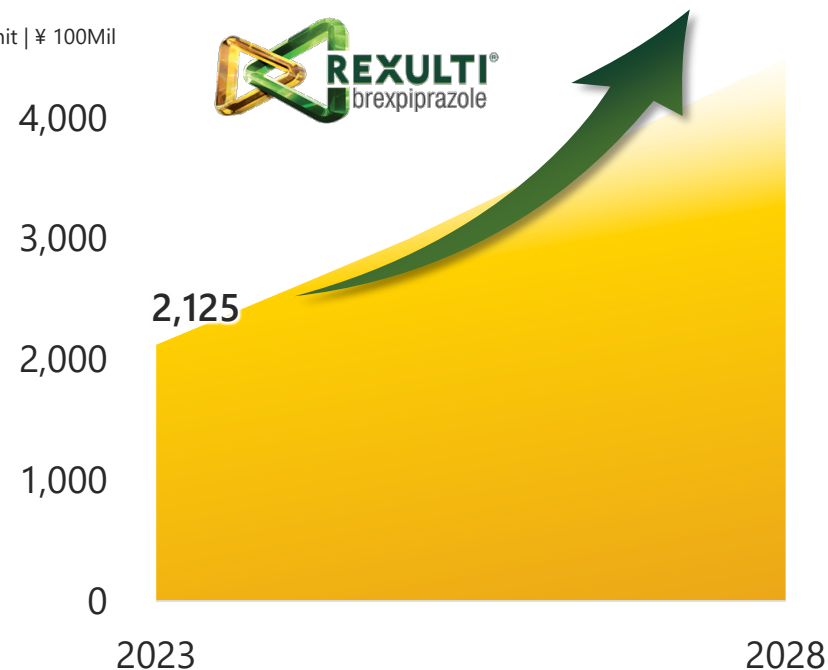
Existing treatment

Rexulti combination therapy



■ *Rexulti* revenue forecast

Unit | ¥ 100Mil



*¹ ©2023 Epidemiology, Total 12-month PTSD prevalent cases. DR/Decision Resources, LLC. All rights reserved. Reproduction, distribution, transmission or publication is prohibited. Reprinted with permission.

*² *J Clin Psychiatry*. 2022 Apr 25;83(3):21m14116

*³ Changes in 4 symptoms of CAPS-5 (Clinician-Administered PTSD Scale for DSM-5) presented at the Annual Meeting of the American Society of Clinical Psychopharmacology (ASCP2024), released May 29, 2024

2 centanafadine | ADHD drug with optimal a balance between efficacy and safety

- Existing ADHD drugs are not safe if effective and less effective if safe
- Emphasis is on efficacy in the US, but on safety in Japan
- Achieving an optimal balance between efficacy and safety has been difficult for drugs with conventional MOAs

■ Unresolved social issues in ADHD treatment

One in two patients has discontinued or changed their current medication for several reasons, including side effects.*¹

Staying on medication is difficult for both children and adults

■ Advantages of centanafadine:

- ✓ First-in-class*² drug
- ✓ Safety and tolerability profile may be superior to existing non-stimulants
- ✓ Ideal PK profile suitable for ADHD treatment



*¹ *J Psychiatr Res.* 2022 Aug;152:201-218

*² Novel MOA for norepinephrine, dopamine and serotonin reuptake inhibition

3 ulotaront | TAAR1 agonist, targeting non-dopamine system; next-generation growth driver

- Non-dopamine targeting agent as a new therapeutic option for schizophrenia and depression
- Departure from the conventional MOAs to novel class of antipsychotics
- TAAR1* agonists have little effect on body weight due to the prolonged gastric emptying effect

■ Social and therapeutic issues of schizophrenia

For patients to return to society

▲
**TAAR1 agonists as
"novel" antipsychotic**
▲

Atypical antipsychotics |
D₂ receptor blockade + serotonin
blockade

Typical antipsychotics |
D₂ receptor blockade

■ Development plan for urotalont

Schizophrenia

- ✓ Decided to continue the program with a launch targeted during the 4th MTMP period

Major depressive disorder (adjunctive)

P2/3

~ May 2025

NCT05593029

Generalized anxiety disorder

P2/3

~ February 2025

NCT05729373

*Trace amine-associated receptor 1

4 Social issues associated with depression treatment

- An urgent need to solve the growing social problem of depression as society becomes more complex
- For the treatment of depression including treatment-resistant depression (TRD)*¹, highly effective, well-tolerated and fast-acting drugs are needed

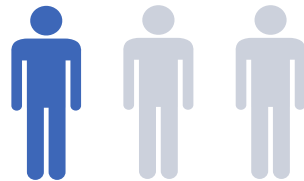
■ Current status of depression:

Prevalence*²



280 million people
5% of adults

One in three patients
treated for depression are
TRD*³



■ Social issue of TRD: suicidality

Percentage of TRD patients
who attempt at least one
suicide in their lifetime*⁴

30% or more

Suicide risk in TRD patients
compared with healthy
subjects*⁵

15 times

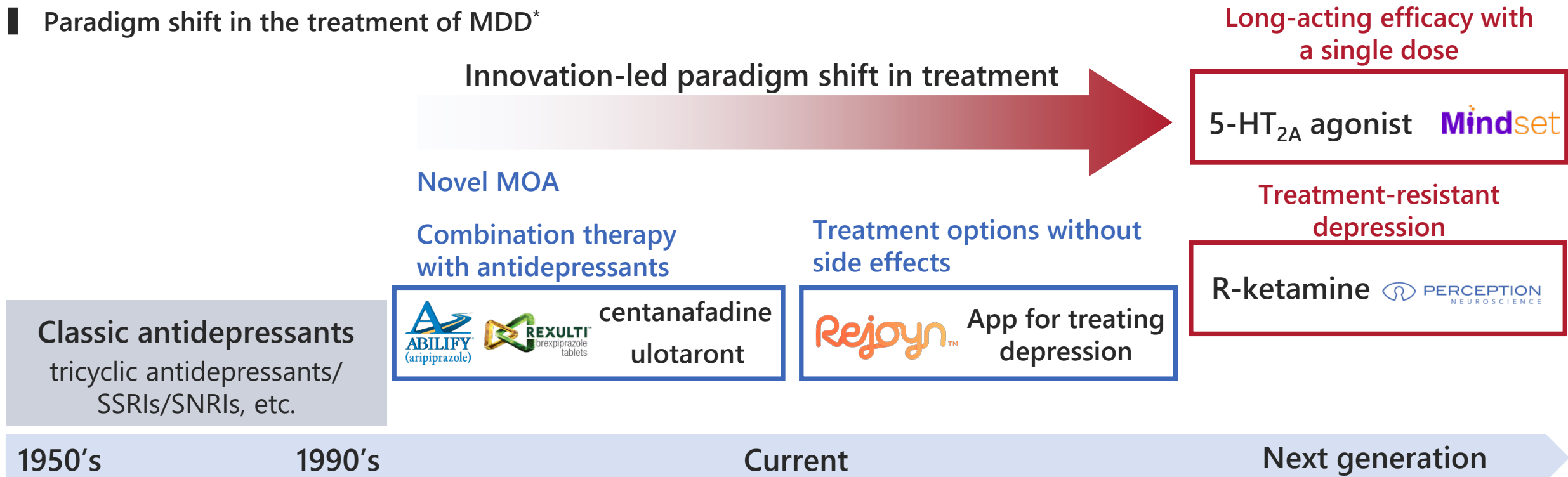
*¹ Two or more antidepressants are ineffective *² *Front Psychiatry*. 2022 Mar 2;13:812938 *³ *J Affect Disord*. 2018 Aug 1;235:362-367.

*⁴ :World Health Organization 2023, Institute of Health Metrics and Evaluation. Global Health Data Exchange *⁵ *Am J Psychiatry*. 2006;163:1905-1917.

4 Leading the paradigm shift in depression treatment

- We will lead the paradigm shift in the depression treatment with medication with novel MOAs
 - ✓ Changes depression from “a disease that never gets better” to “a disease that can be cured completely”
 - ✓ Long-acting efficacy for more than three months with a single dose
 - ✓ Drugs with novel MOA have the potential to become the first line treatment of MDD, and existing drugs (SSRIs and SNRIs) may be reduced to adjuncts

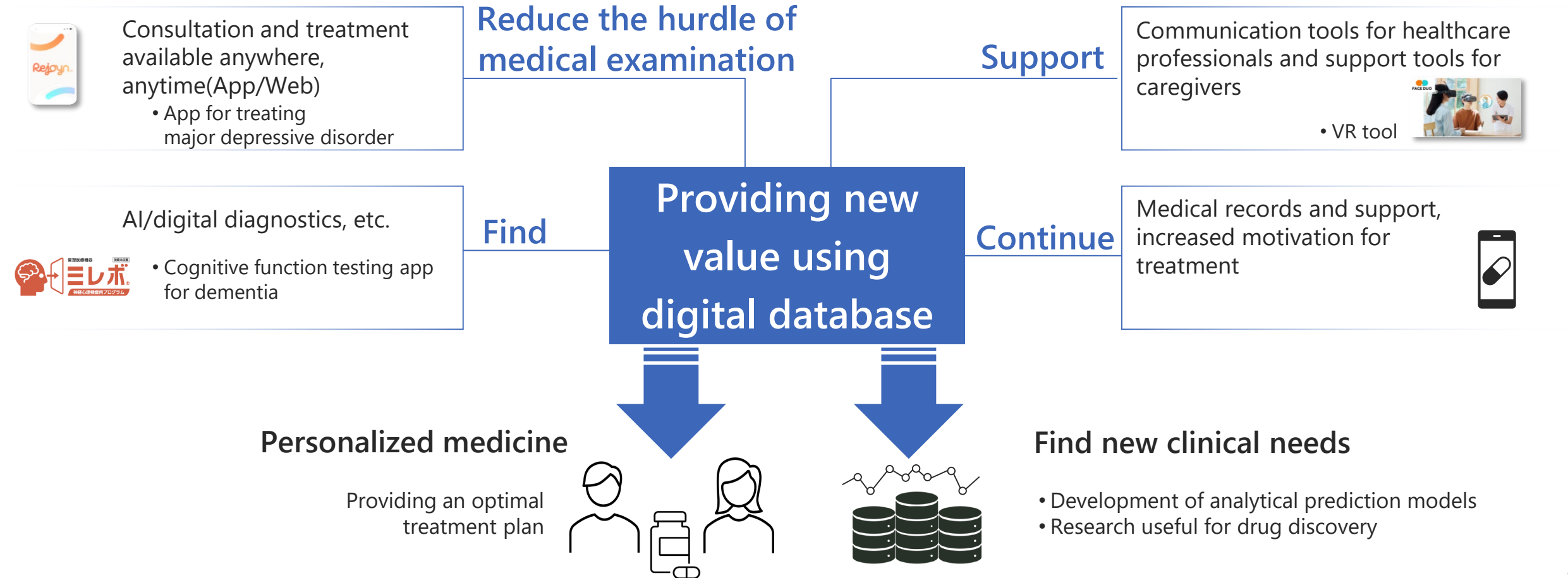
■ Paradigm shift in the treatment of MDD*



5 Promoting digital health by providing value through innovative digital technologies

- Contribute to the advancement of digital health by innovative and continuous value provision to all stakeholders including healthcare professionals, patients, family members and caregivers throughout the entire phases of prevention, diagnosis and treatment

■ Comprehensive treatment system: A case in CNS area



Cardiovascular and renal areas

1 sibeprenlimab

2 uRDN

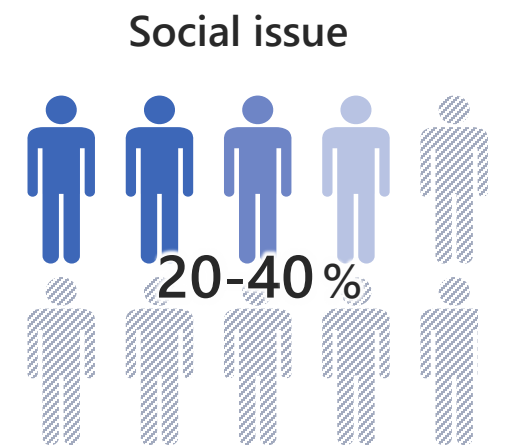
3 NO-13065

1 sibeprenlimab | A first-in-class biopharmaceutical for the treatment of IgAN

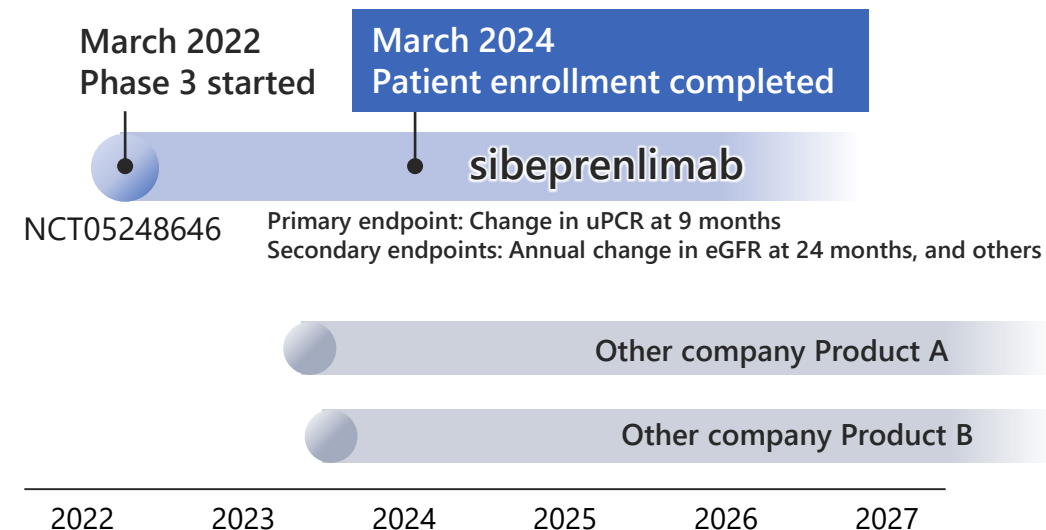
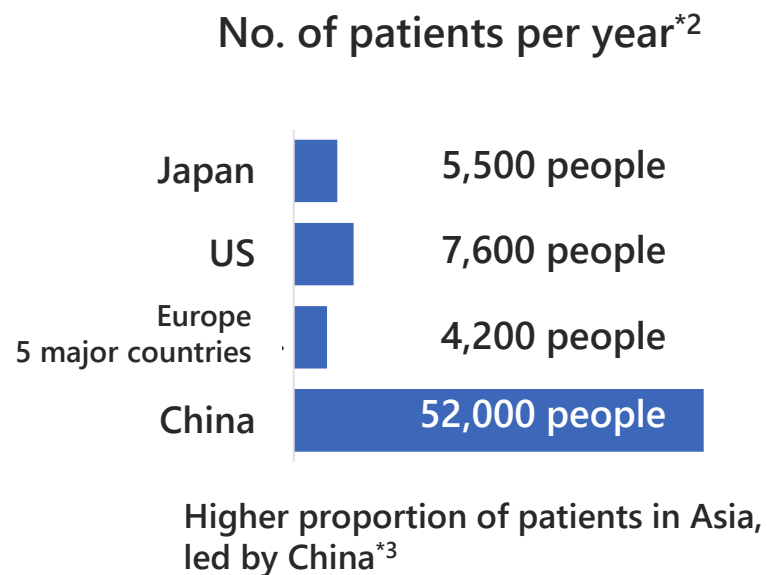
- Many patients with IgA nephropathy are at high risk of end-stage renal failure, which is a major social challenge
- As a first-in-class and easy-to-use drug, sibeprenlimab is actively being developed for other indications than IgA nephropathy as well in its LCM program
 - Subcutaneous injection with a dosing interval of once in every 4 weeks is expected to have a safer and better tolerability profile without excessive immunosuppressive effect

■ IgA nephropathy

■ Phase 3 timeline of drug candidates targeting APRIL*4



About 20 ~ 40% of patients with IgA nephropathy develop end-stage kidney disease within 20 yr*1



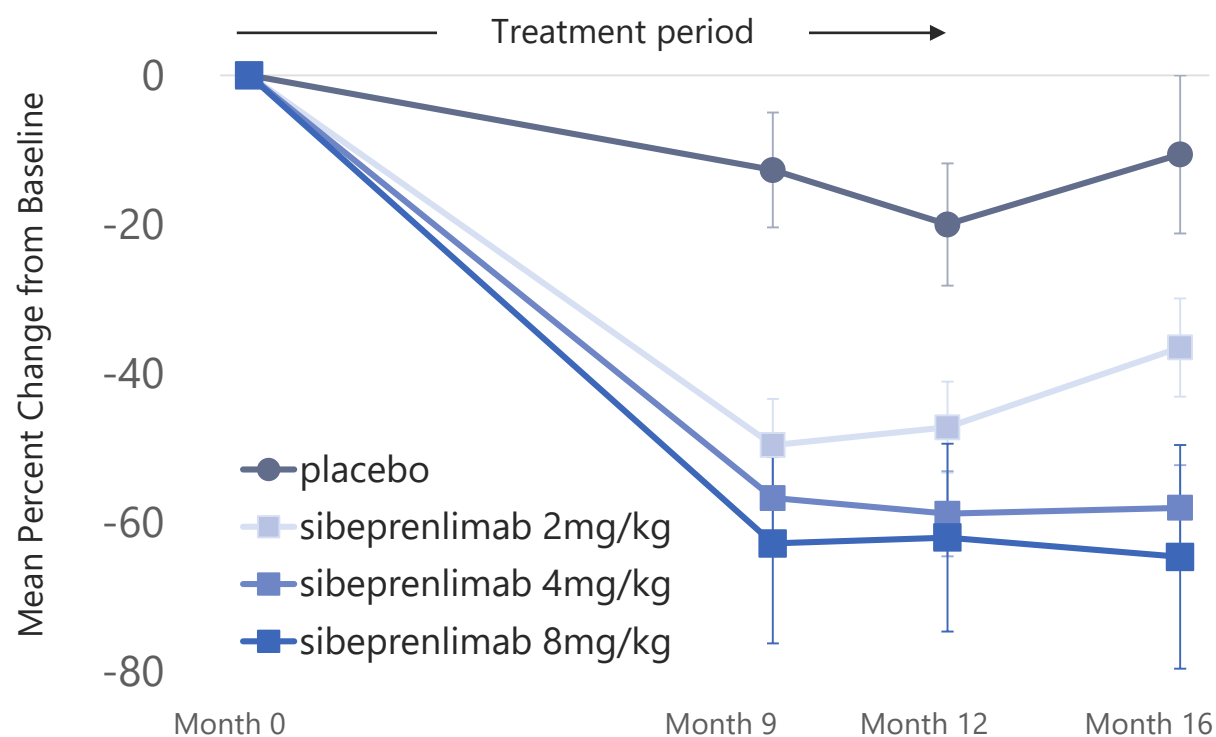
*1 *Am J Med Sci*, 2021;361(2):176–194. *2 © GlobalData Plc_2023 Epidemiology of IgA Nephropathy. (partially modified)

*3 M. Lee et al. *Clinical Kidney Journal*, 2023, vol. 16, Suppl 2, ii1–ii8 *4 A Proliferation Inducing Ligand

1 sibeprenlimab | Breakthrough therapy designation by the FDA for IgAN

- Treatment with sibeprenlimab once every 4 weeks greatly improved uPCR*¹ and stabilized eGFR*²
- Sibeprenlimab suppresses IgA production without suppressing normal immune defense

■ Phase 2 Study results*³ | uPCR (urinary protein/creatinine ratio)



■ Adverse events identified in Phase 2 Study*³

Incidence occurring at least 5% in the sibeprenlimab group

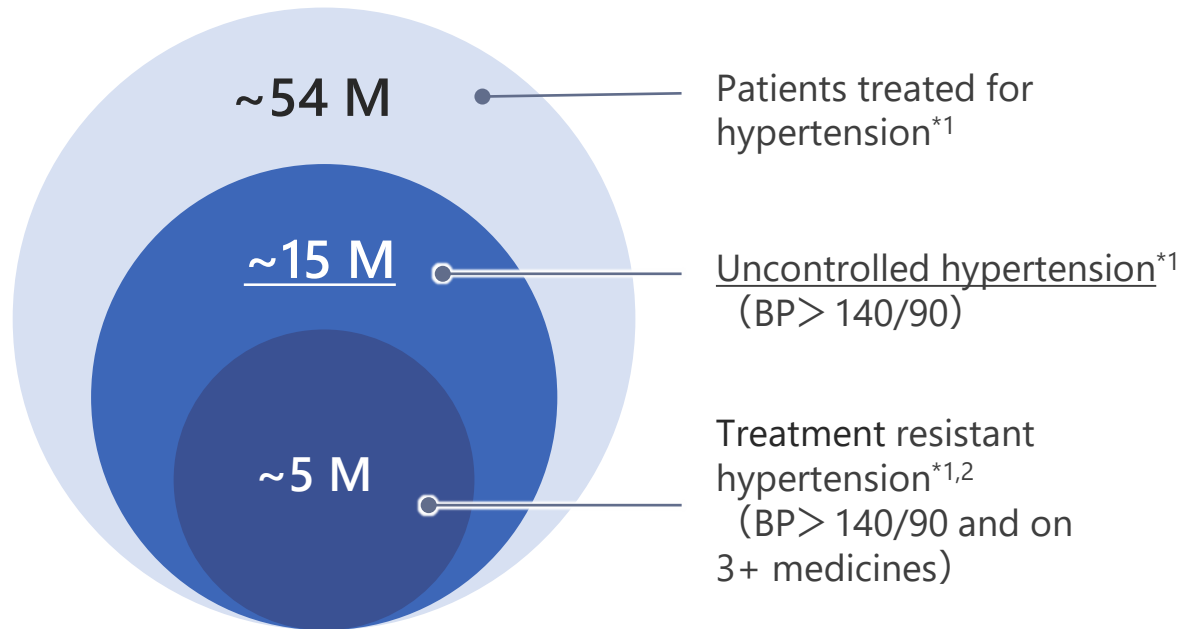
	Pooled sibeprenlimab N=117	Placebo N=38
COVID-19	29.9%	42.1%
pyrexia	13.7%	15.8%
nasopharyngitis	12.8%	7.9%
upper respiratory tract infection	8.5%	0%
headache	7.7%	10.5%
hypertension	6.0%	2.6%
diarrhea	5.1%	2.6%
muscle spasm	5.1%	2.6%

*1 Urinary protein to creatinine ratio *2 Estimated glomerular filtration rate

*3 A Phase 2 Trial of Sibeprenlimab in Patients with IgA Nephropathy : NEJM2023

- Although various antihypertensive drugs are available for treatment, many patients still have difficulty in controlling their blood pressure
- uRDN is a new treatment using proprietary technology that has been confirmed effective and safe in clinical studies
- Recor is accelerating penetration into the US medical device market by building sales base and utilizing pharmaceutical business know-how of Otsuka group
- Focus is placed on raising awareness of the new therapy with the aim of achieving broad insurance reimbursement coverage in the US

■ No. of patients with hypertension | US



■ Initiatives in the US

2024 | US Global Paradise System registry launched^{*3}



- uRDN clinical trial data
- US guideline

Within 2-3 years: US broad insurance reimbursement



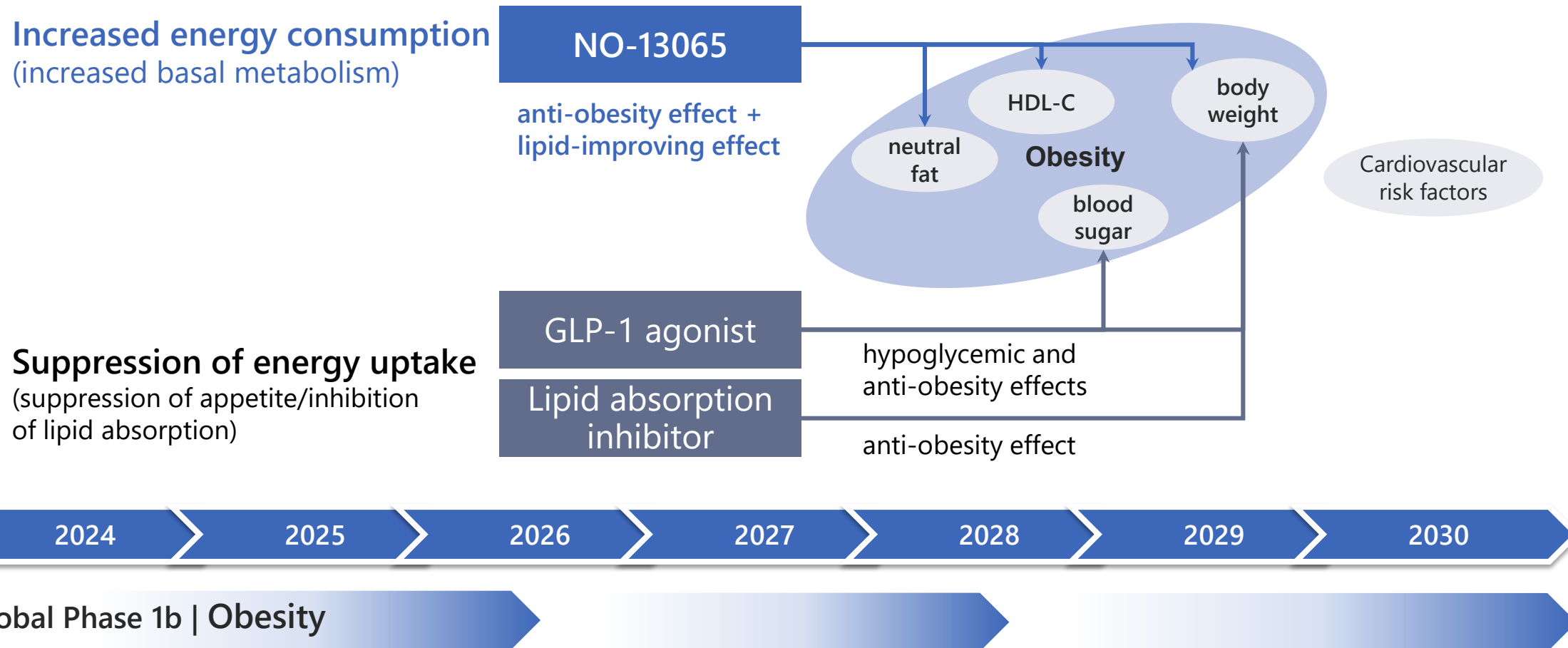
US Full launch

*1. *Hypertension*. 2017 Oct;70(4):736-742. Online Supplement – 2013-14 Data. *2. *Hypertension*. 2019 Feb;73(2):424-431.

*3. Global Paradise System registry : Real Clinical trial in patients with uncontrolled hypertension

3 NO-13065 | Asset with novel MOA for obesity

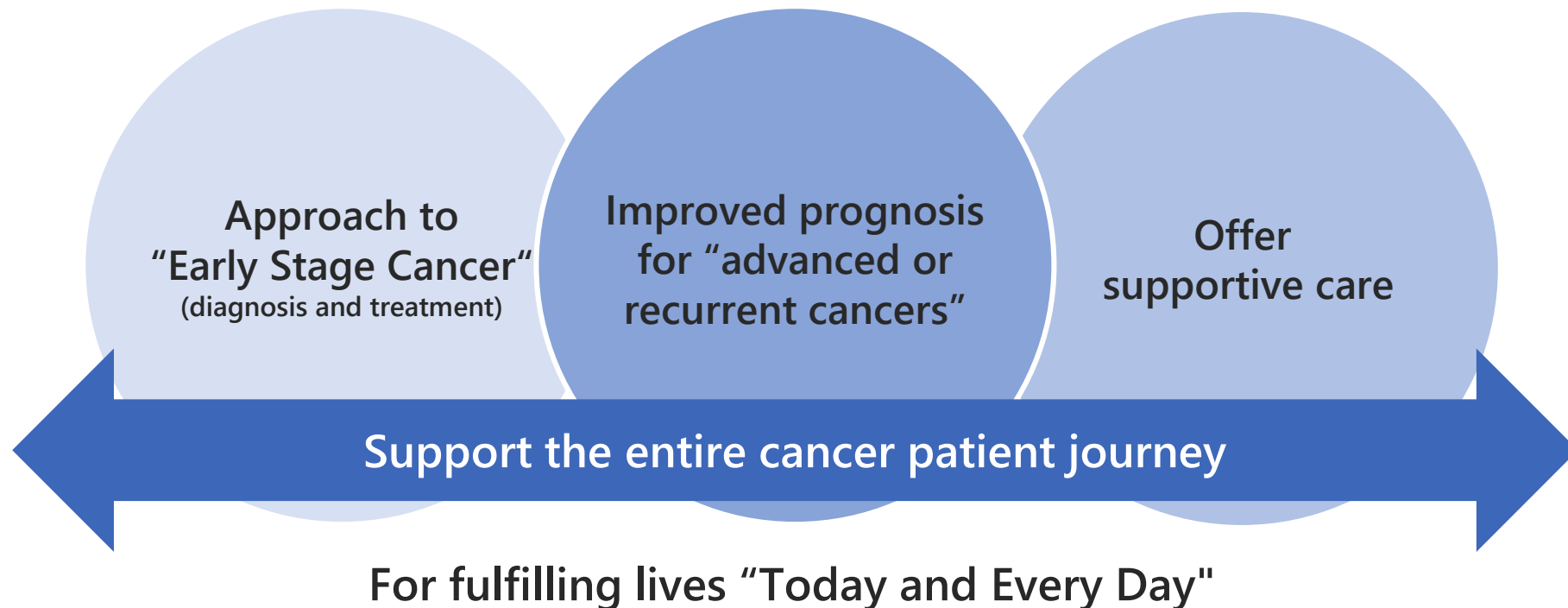
- Oral lipoprotein lipase activator
- The world's first compound with new pharmacological action for obesity to increase energy consumption



Oncology area

- 1 zipalertinib
- 2 LYTGObI
- 3 INQOVI, ASTX030
- 4 Toward a big breakthrough in oncology business

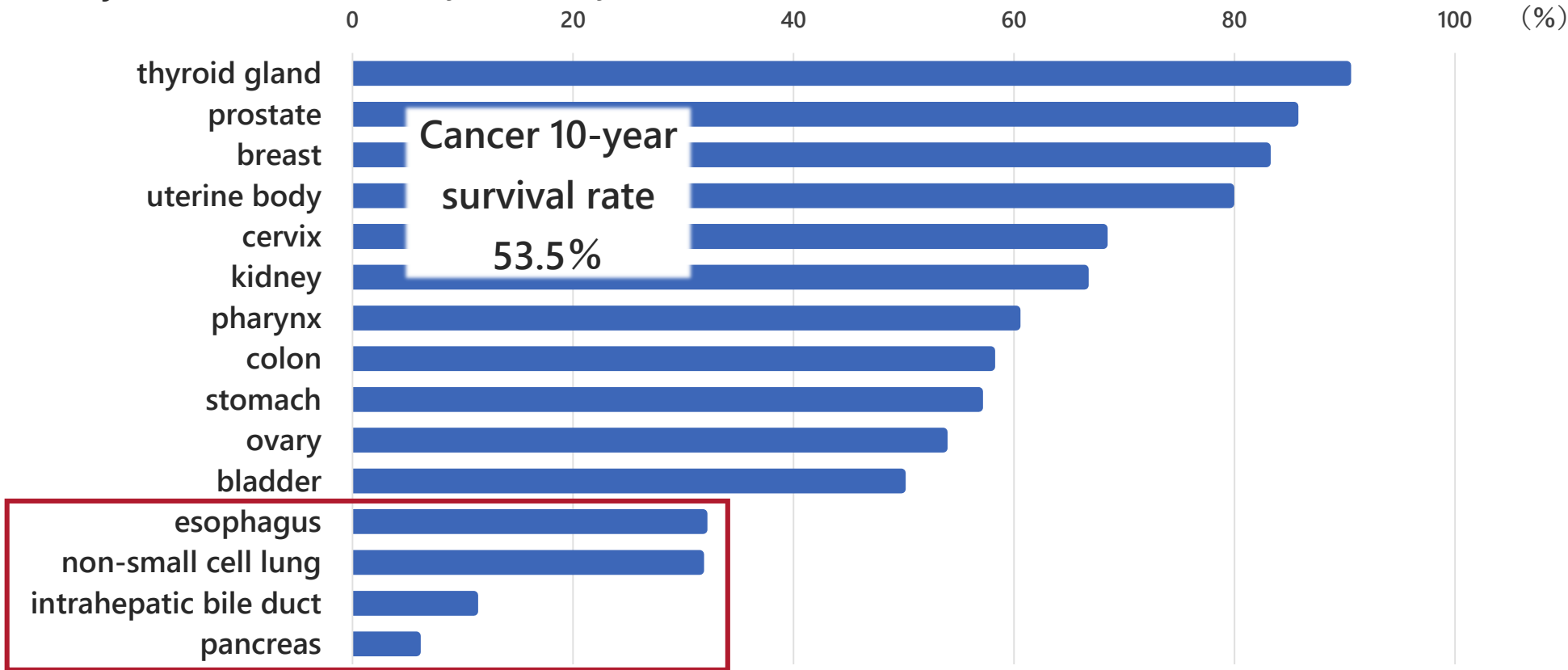
- Total support for each stage of treatment to help cancer patients' fulfilling lives "Today and Every Day" across the world
- Addressing unmet needs of cancer patients
- Creating novel drugs from innovation ecosystem



Needs for continued drug development

- Overall 10-year survival rate is 53.5%*, and is progressively prolonging, but further improvement is needed
- During the 4th MTMP, we will focus on lung and gastrointestinal cancers known for their poor prognosis

10-year survival rate* by cancer type



*National Cancer Center Japan (Diagnosed in 2011), 2024

1 zipalertinib | To improve prognosis of non-small cell lung cancer

- Oral treatment of NSCLC*¹ with EGFR exon 20 insertion mutation for which treatment options are limited
- Discovered by the proprietary cysteinomics drug discovery technology
- Excellent efficacy and safety profile from phase 1/2 interim results led to breakthrough therapy (BT) designation
- Development is being accelerated aiming for the 1st line therapy with potential peak sales of ¥100 bil or more including entire LCM programs

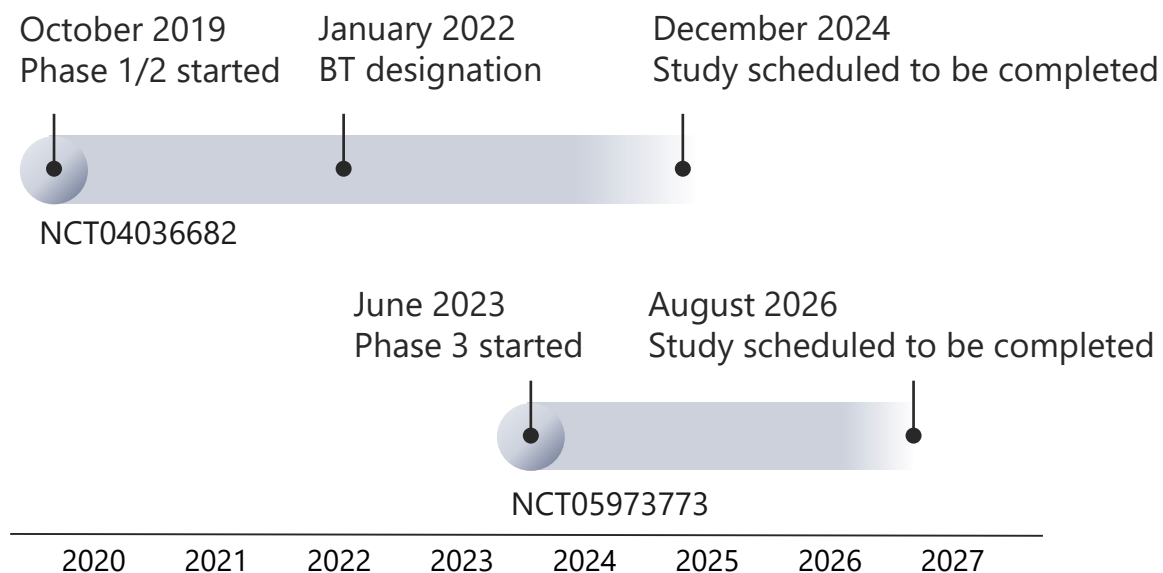
■ Annual number of patients*² with NSCLC

210M | Annual number of patients with NSCLC

1~2%*³

30,000 | Number of EGFR exon 20 insertion mutations positive patients

■ Development schedule



*1 non-small cell lung cancer

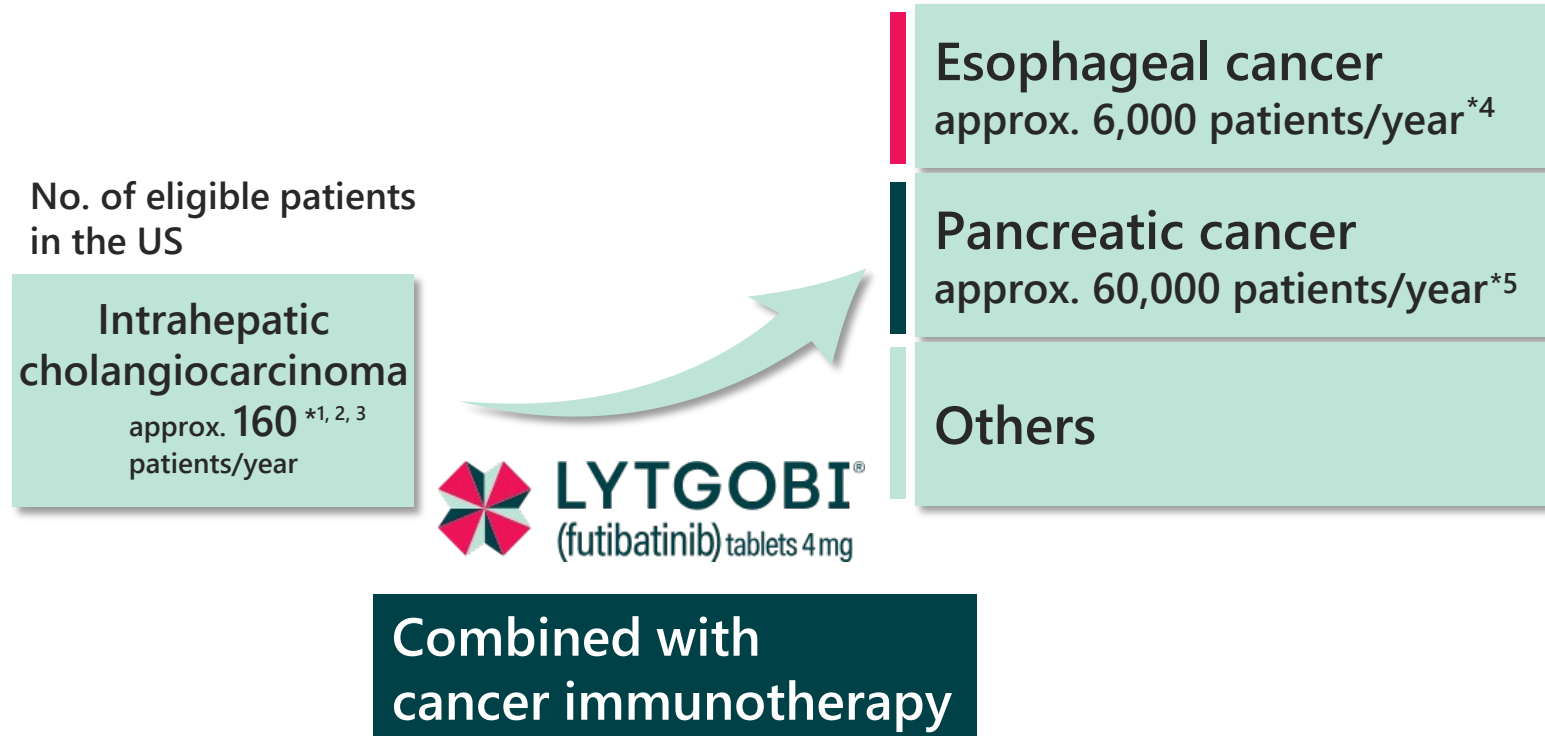
*2 GLOBOCAN 2022; *CA Cancer J Clin* 2024;1-35

*3 *Transl Lung Cancer Res* 2023;12(7):1590-1610

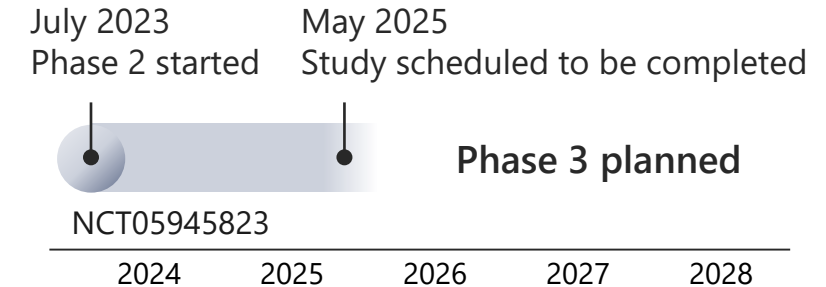
2 LYTGOBI | To improve prognosis of gastrointestinal cancer

- Approved in the US in Sep. 2022 for intrahepatic cholangiocarcinoma, a cancer whose US 5-year survival rate is estimated at 9%*¹, followed by approvals for biliary tract cancer in Japan and bile duct cancer in Europe
- Based on the new findings obtained in basic research and clinical studies, targets to be expanded to esophageal and pancreatic cancers, etc.
- Potential peak sales of ¥100 bil or more including the entire LCM program

■ LCM plan



■ Development schedule for esophageal, pancreatic cancers, etc.



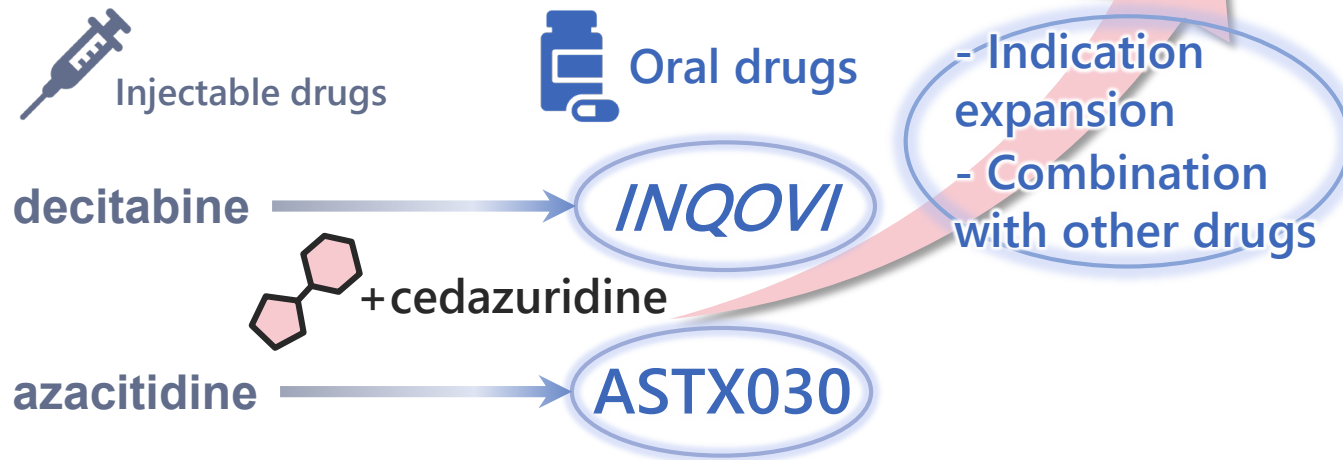
*¹ American Cancer Society. Key statistics for bile duct cancer.
*² Banales JM et al. *Nat Rev Gastroenterol Hepatol*. 2020;17:557-588.
*³ FGFR2 gene rearrangement (including fusion gene) rate calculated as 10%
*⁴ American Cancer Society. Key Statistics for Esophageal Cancer.
*⁵ American Cancer Society. Key Statistics for Pancreatic Cancer.

3 INQOVI, ASTX030 | Two oral blood cancer drugs that reduce life burden

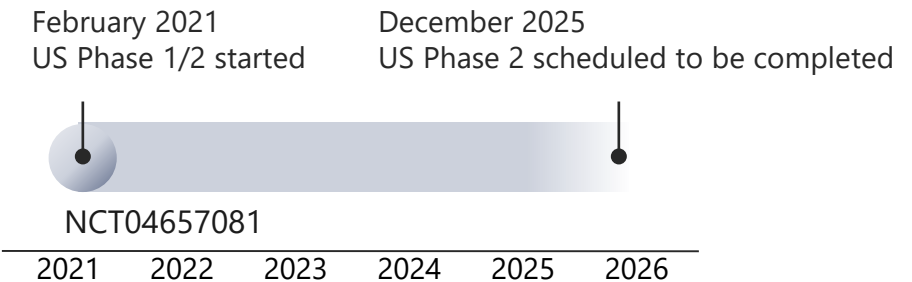
- Reformulation of an injection to an oral drug eliminates the need for frequent hospital visits, making the drug easier to use for more patients with blood cancer
 - Good oral exposure achieved through combination with cedazuridine which prevents degradation of the active ingredient
- Expected to reduce the burden on patients and those around them

■ Blood cancer strategy

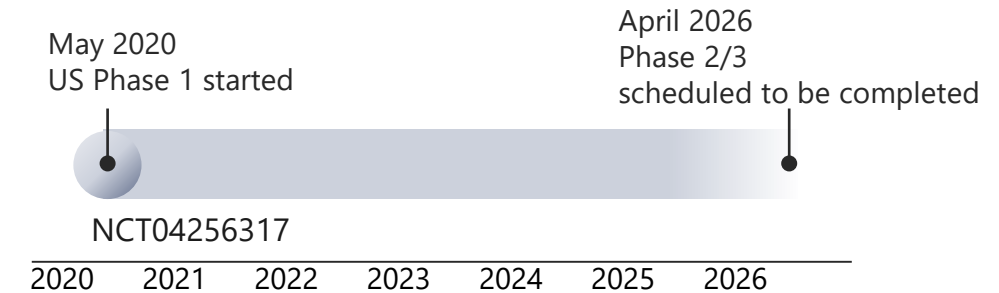
Maximize the Value



■ *INQOVI* AML development schedule

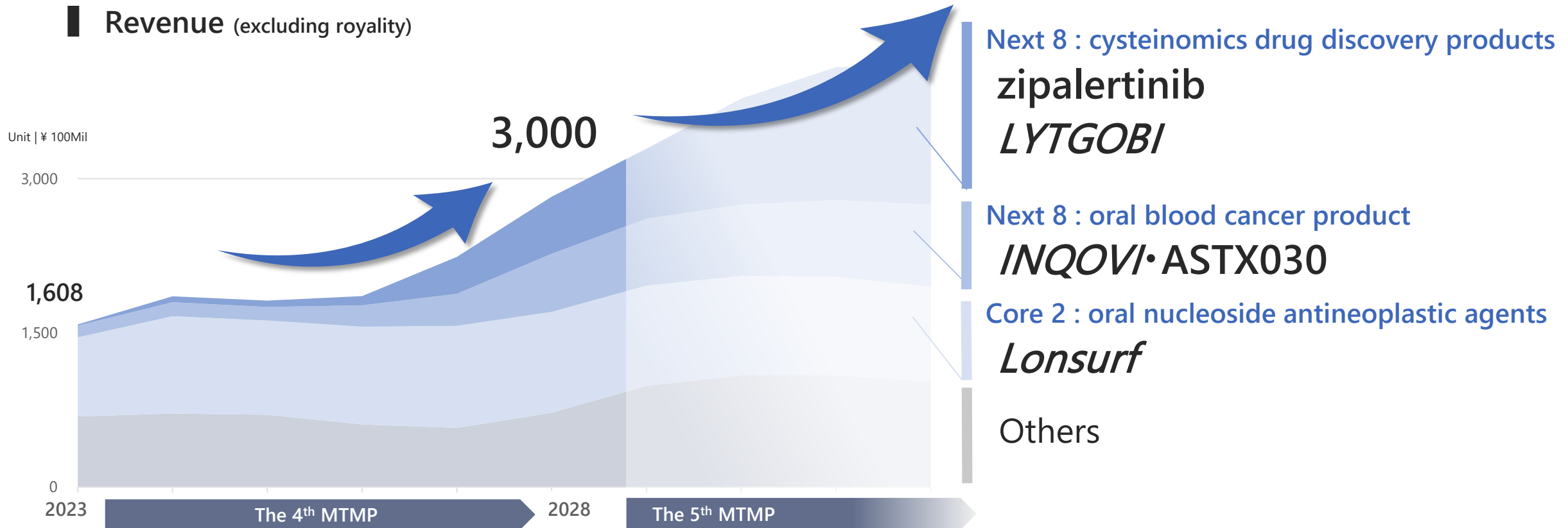


■ ASTX030 MDS/AML/CMML development schedule



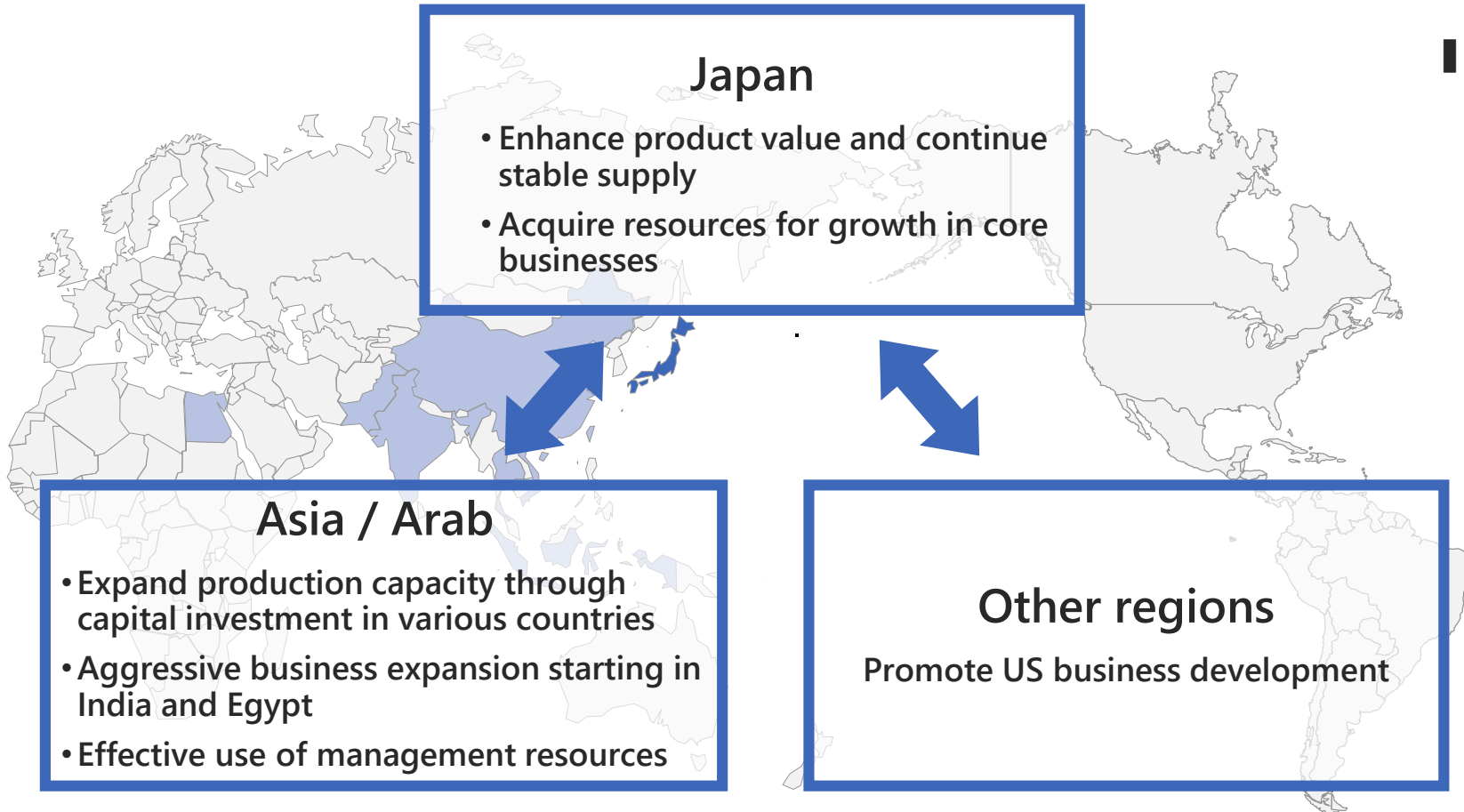
4 Toward a big breakthrough in oncology business | the second business pillar

- Revenue of ¥ 300 billion at the end of the 4th MTMP, led by the 5 products in Global 10 including Lonsurf
- Steady growth of the 4 products in Next 8 will drive future business expansion



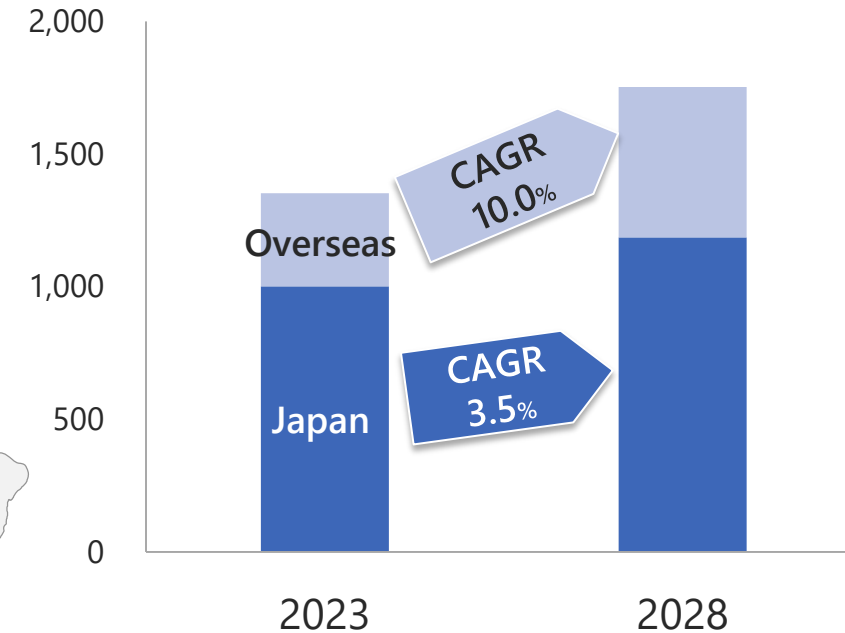
Clinical nutrition strategy | Build a long-term profit base & accelerate global expansion

- Japan | Acquire resources for growth by enhancing product value and ensuring production efficiency and stable supply
- Overseas | Solidify the company's global presence by introducing products tailored to the market needs and improving production capacity



Revenue forecast | Clinical nutrition business

Units | ¥ 100Mil



Outline of the 4th MTMP strategy

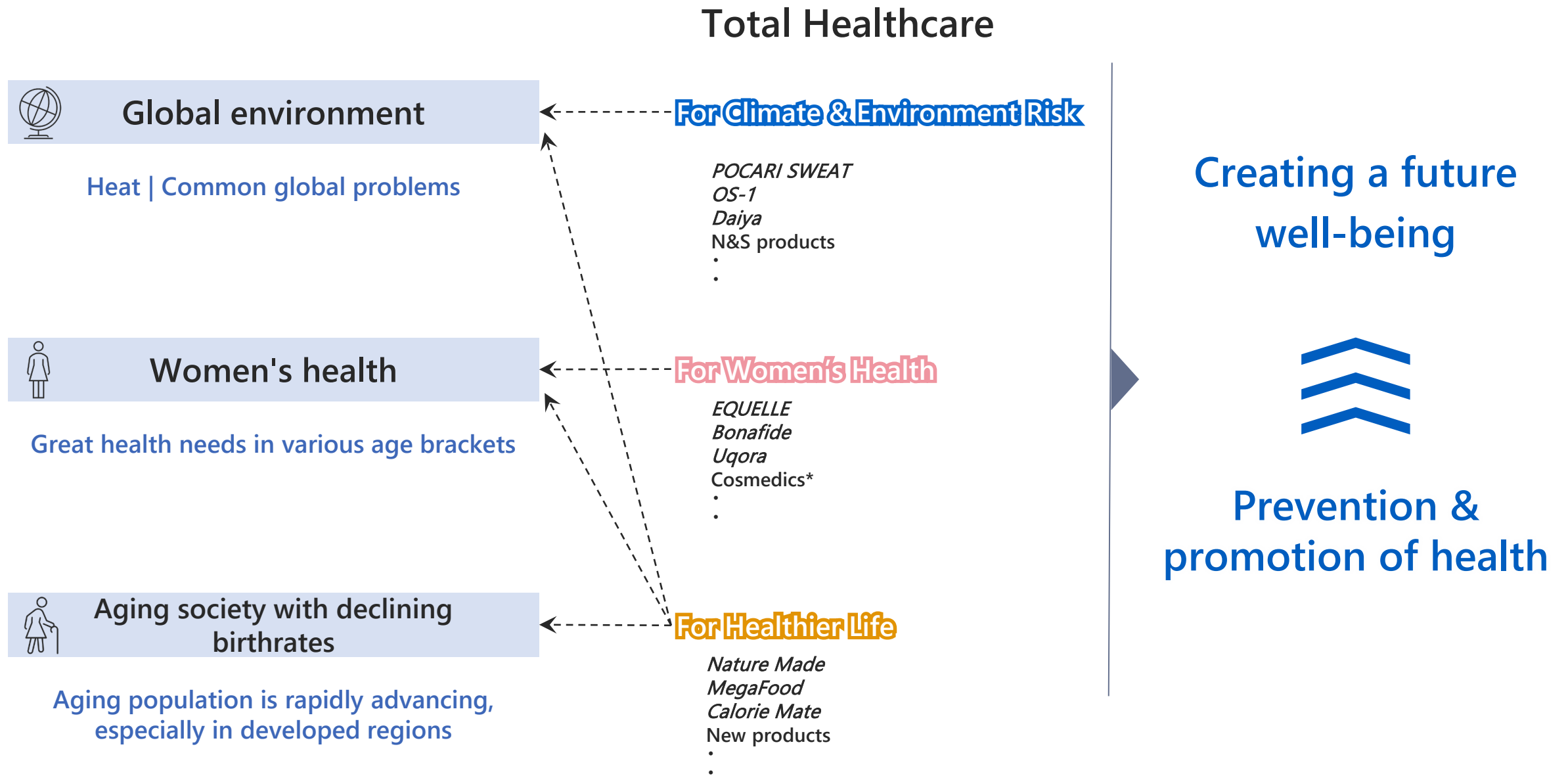
Nutraceutical business

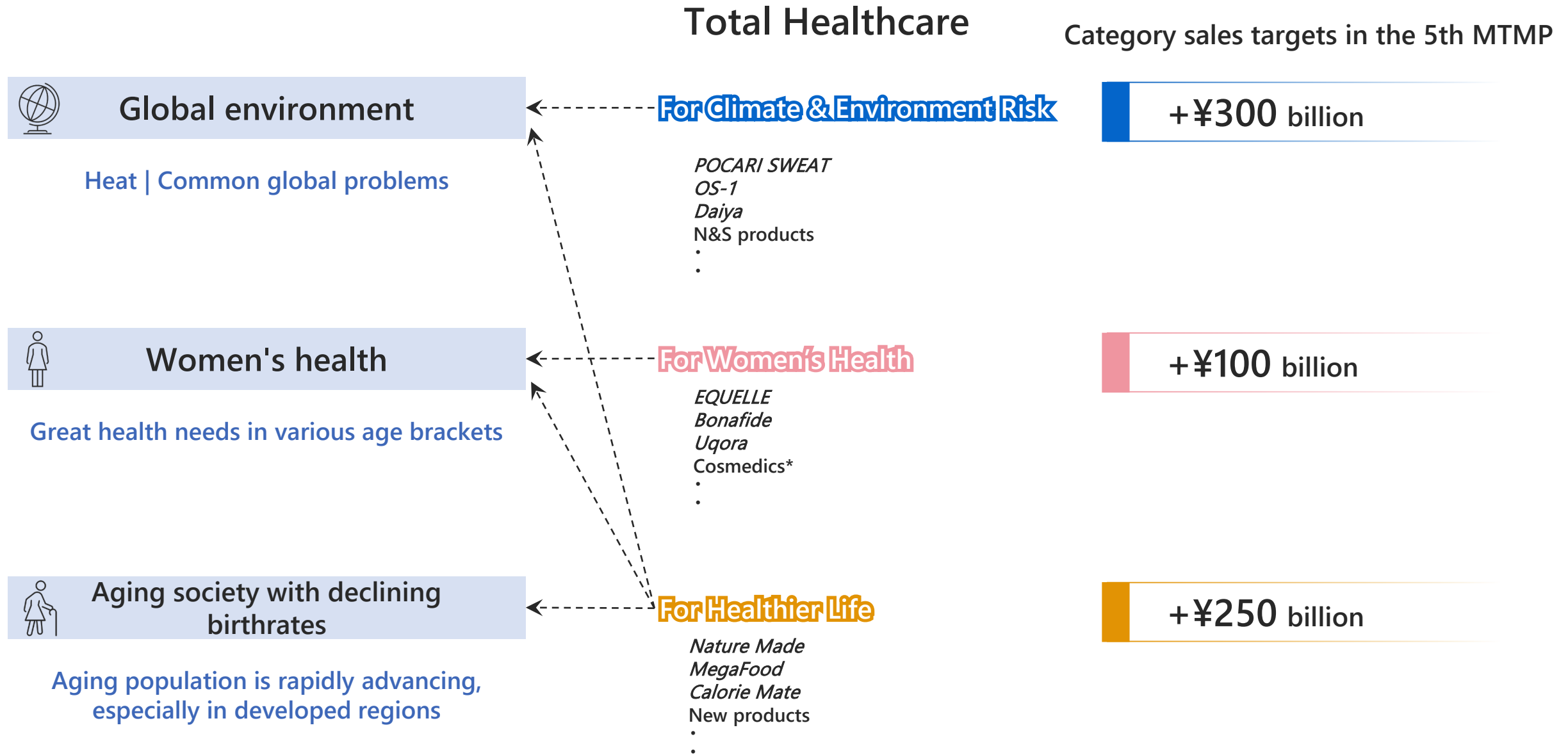
To become a global company with flexibility — Offering health solutions tailored to life stages —

Contribute to social issue resolutions from a global perspective

Create and foster the next generation growth drivers

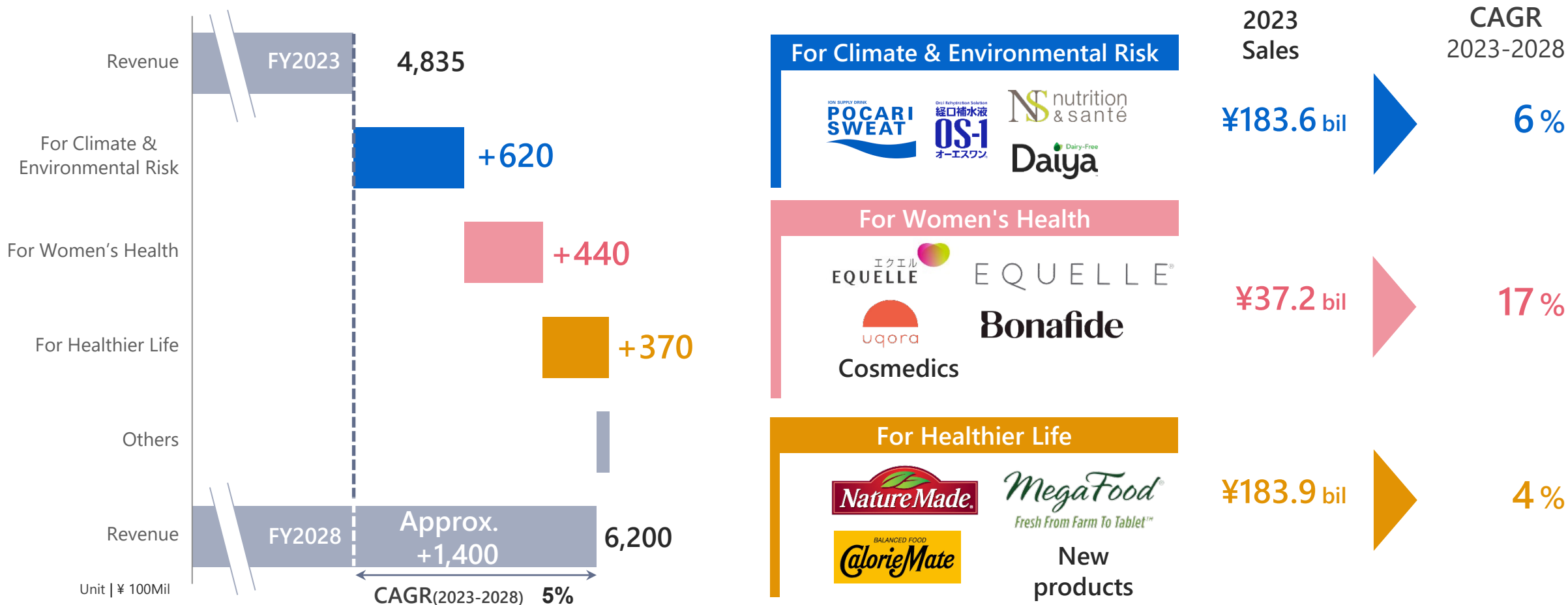
Continue a high profit structure





Revenue forecast for 3 categories that deal with social issues

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

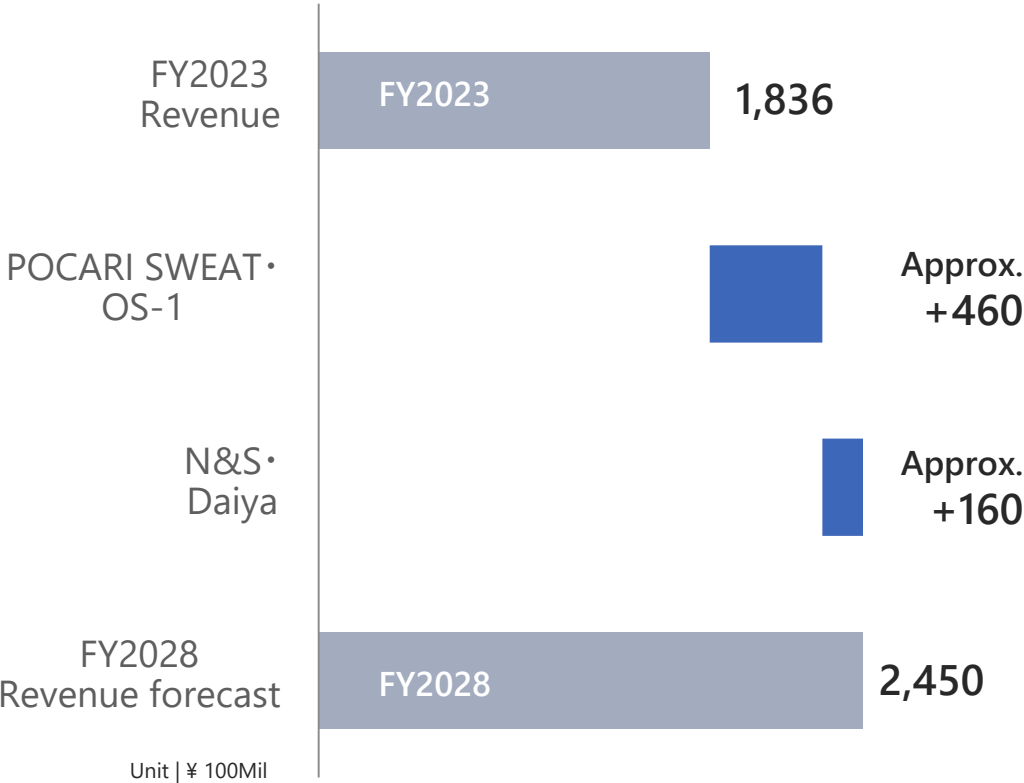


Climate & Environmental Risk | Offer health solutions in the existing markets as well as new areas and aim to be a category leader

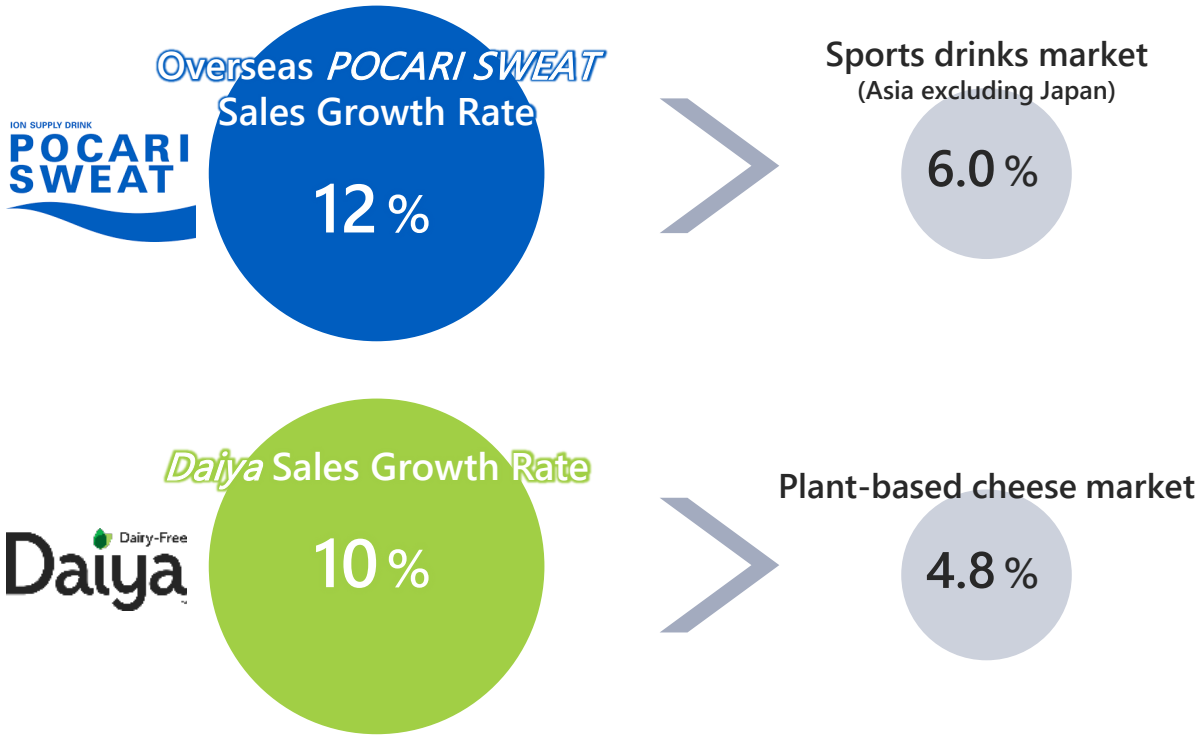


- *POCARI SWEAT* | Plan to boost product’s value perception in high-growth markets and strive to establish the growth foundation in new areas
- *Daiya* | *Daiya’s* dairy-free cheese using a new fermentation technology, contributes to reduction of environmental issues and meets the needs of health-conscious consumers

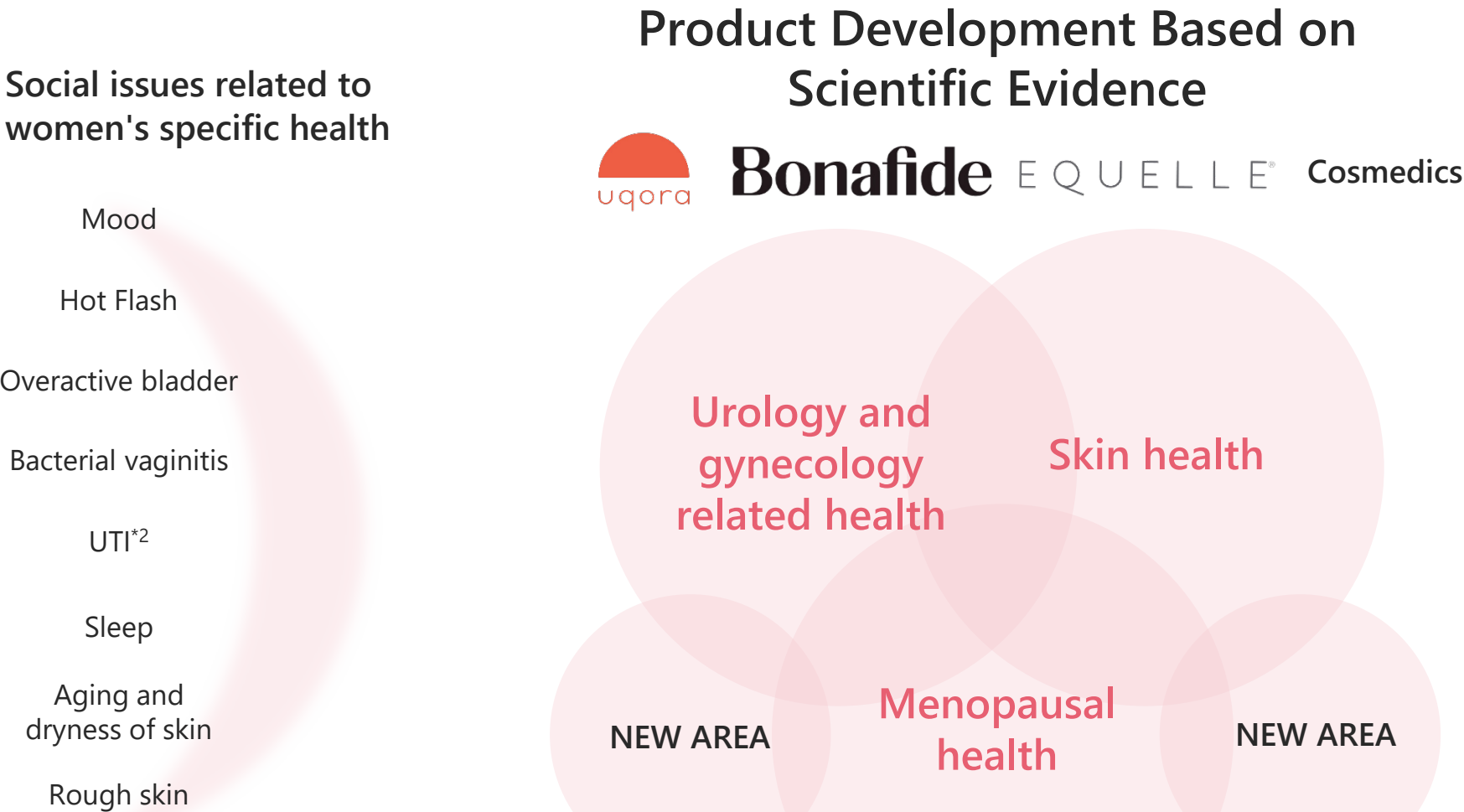
Revenue Forecast | Climate & environmental risk



CAGR (2023-2028) | Growth drivers vs market



- Offering health solutions to various social issues with science-based products
- Global market for menopause*1 | CAGR 5.7% (2023-2028)



Establish a brand value by proposing health solutions

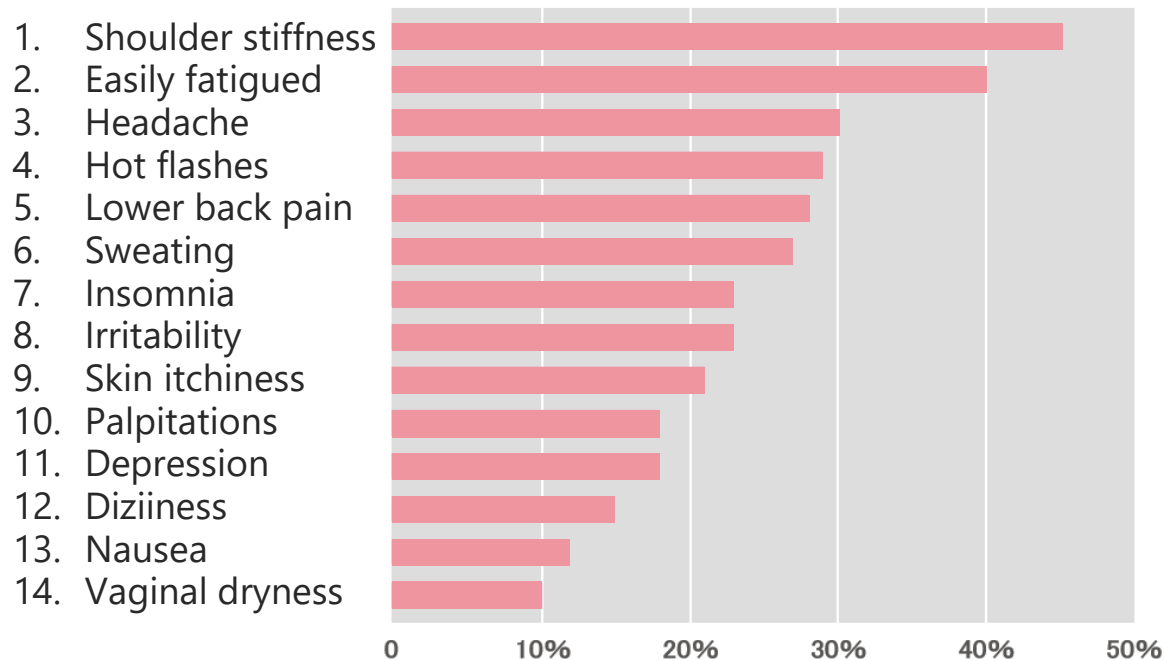
- Unique sales platform
- Wide product lineup
- Accumulated know-how

*1 Internal data *2 urinary tract infection

- Utilizing the knowledge and data from newly acquired Bonafide and Uqora, we will offer solutions to women's health issues on a global basis

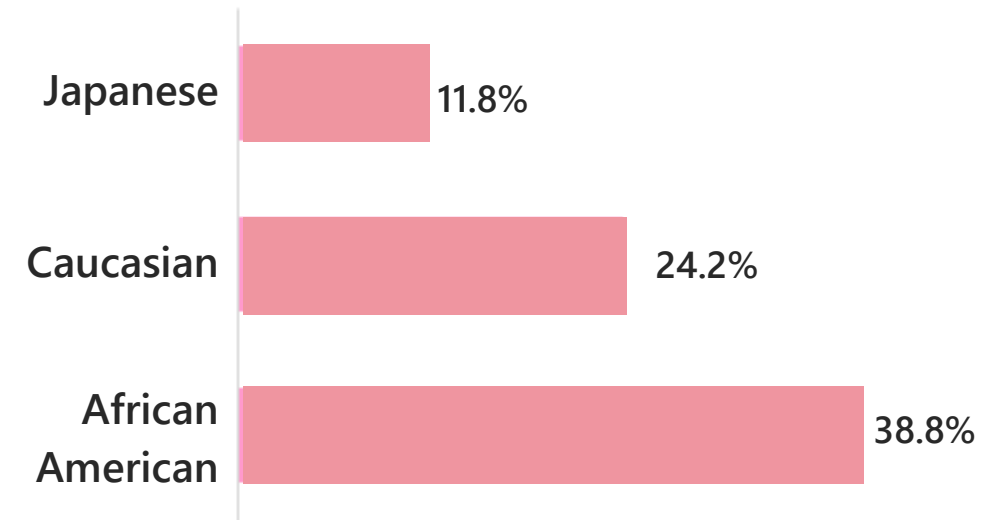
Significant individual and racial differences in symptoms

Various symptoms of menopausal disorders*¹



*¹ Masahiko Hiroi et al. : Acta Obstetrica et Gynaecologica Japonica 49: 433-439, 1997

Frequency of hot flashes by race*²

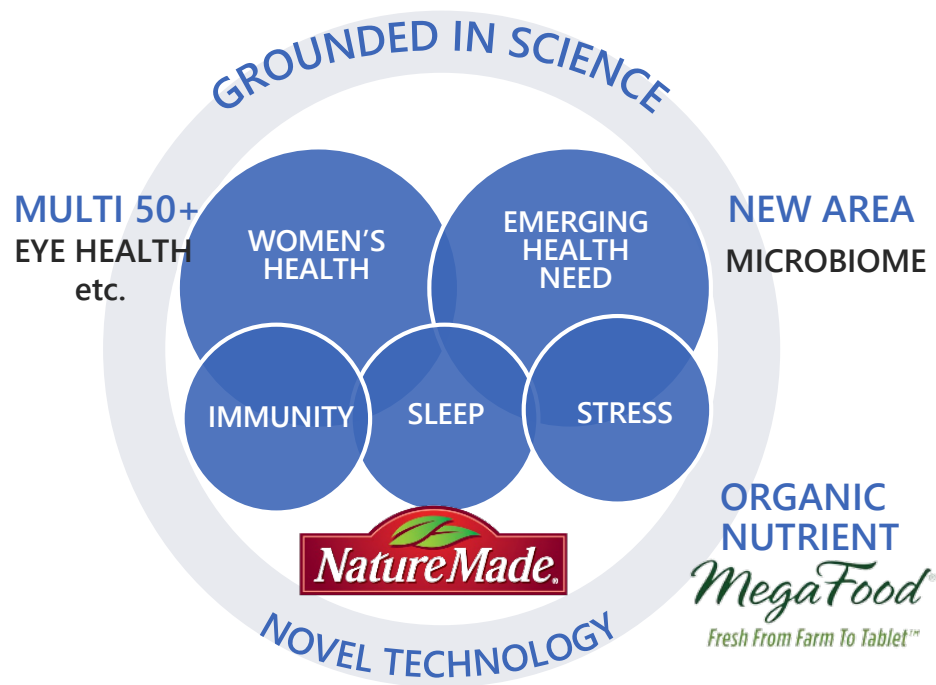


*² Aviset al., : Social Science and Medicine 52: 345-356, 2001

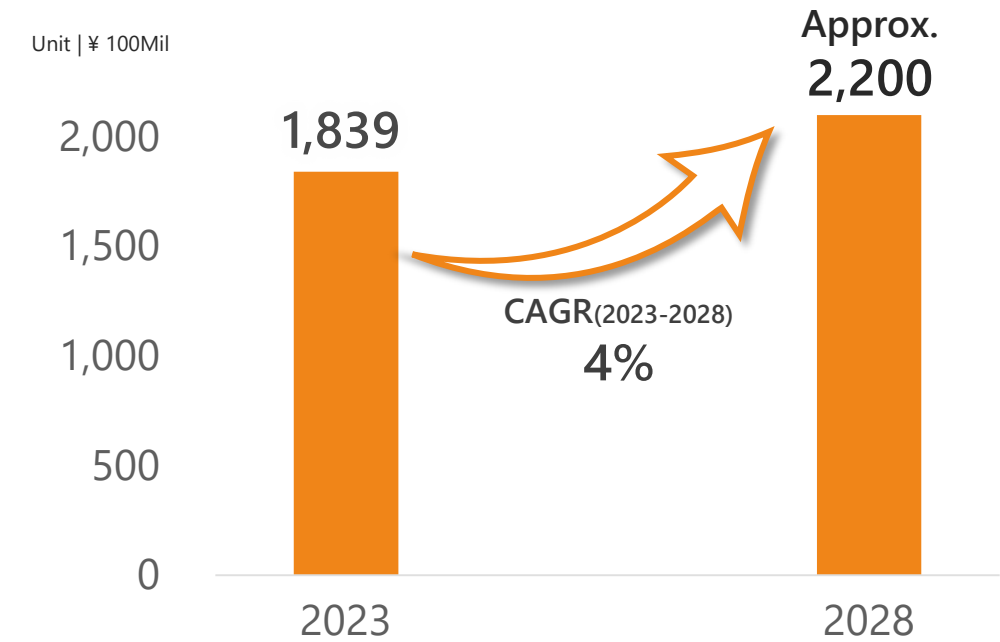
Healthier Life | Robust foundation to underpin the business

- Further maximize value through extensive lineup and high trust in brand
- Address various needs through a new approach of utilizing next growth drivers

Contributions according to life stages

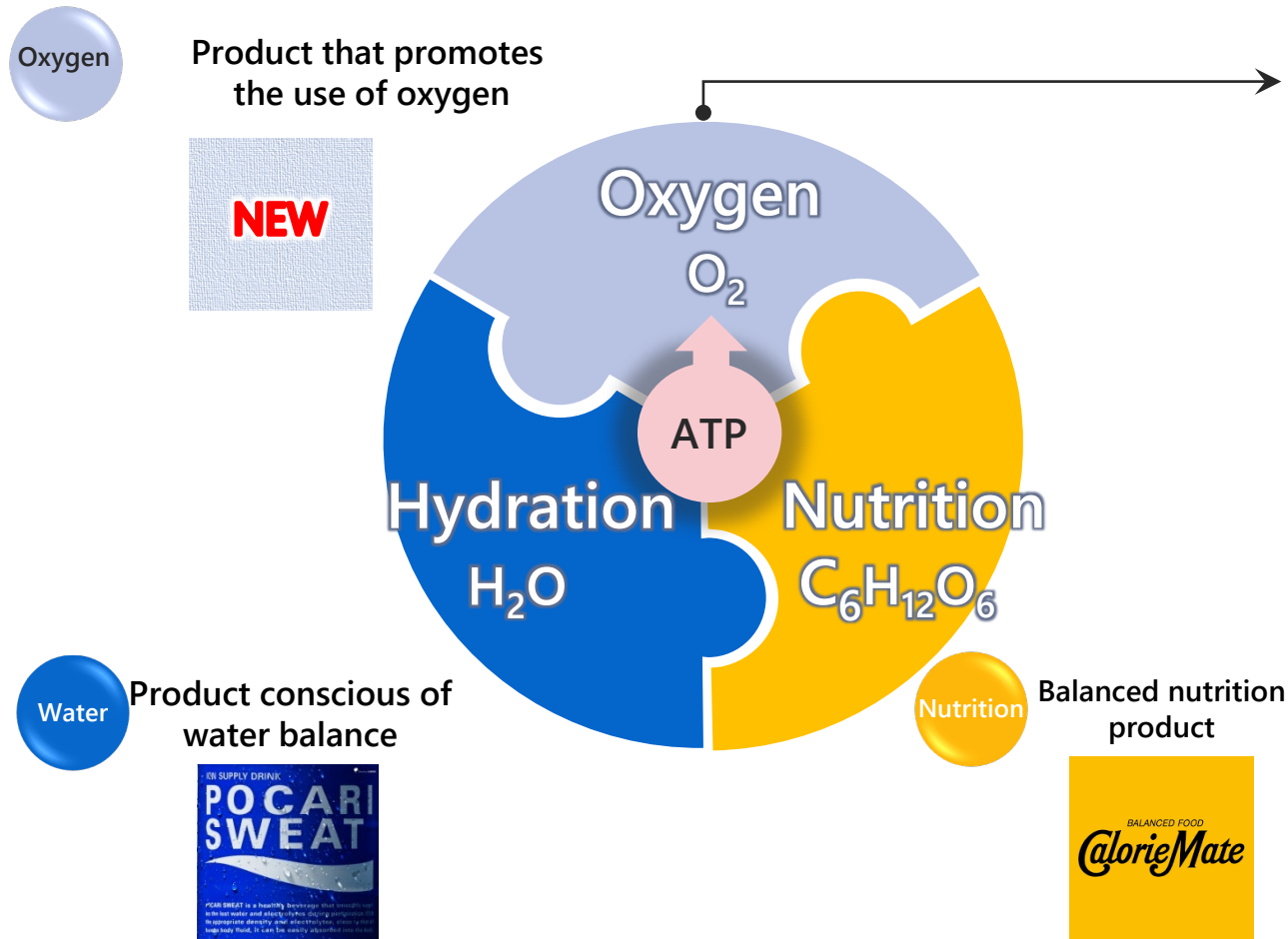


Revenue Forecast | For Healthier Life (Nature Made + MegaFood* + Calorie Mate)



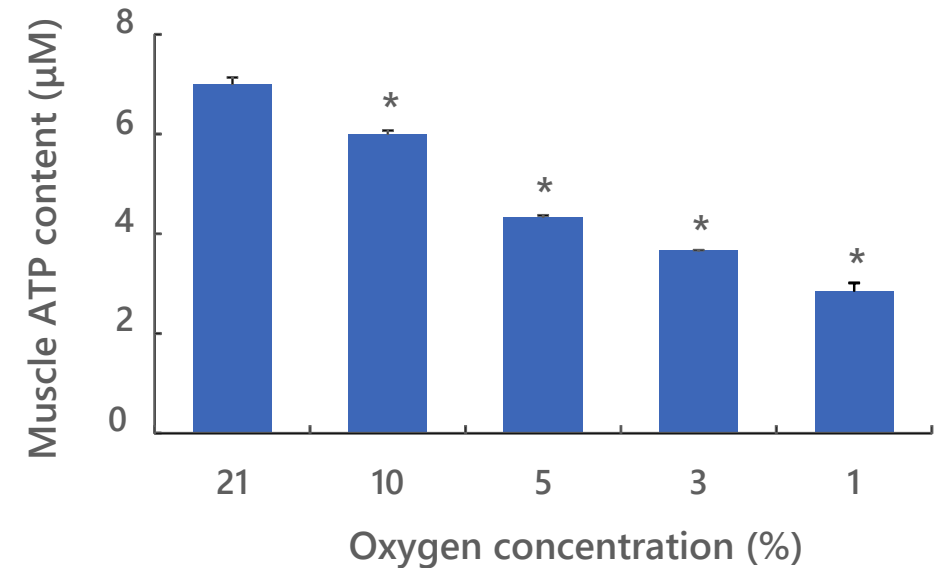
*This natural plant-based supplement brand is based on the concept of "Fresh From Farm to Table" (bringing fresh food from farm to Nutritional Supplement to home).

- New products addition for "hydration" and "nutrition" necessary for life activities
- Support activities at all life stages and contribute to the well-being of consumers



• Intracellular oxygen levels decrease with age

• Insufficient oxygen reduces ATP production from water and nutrients

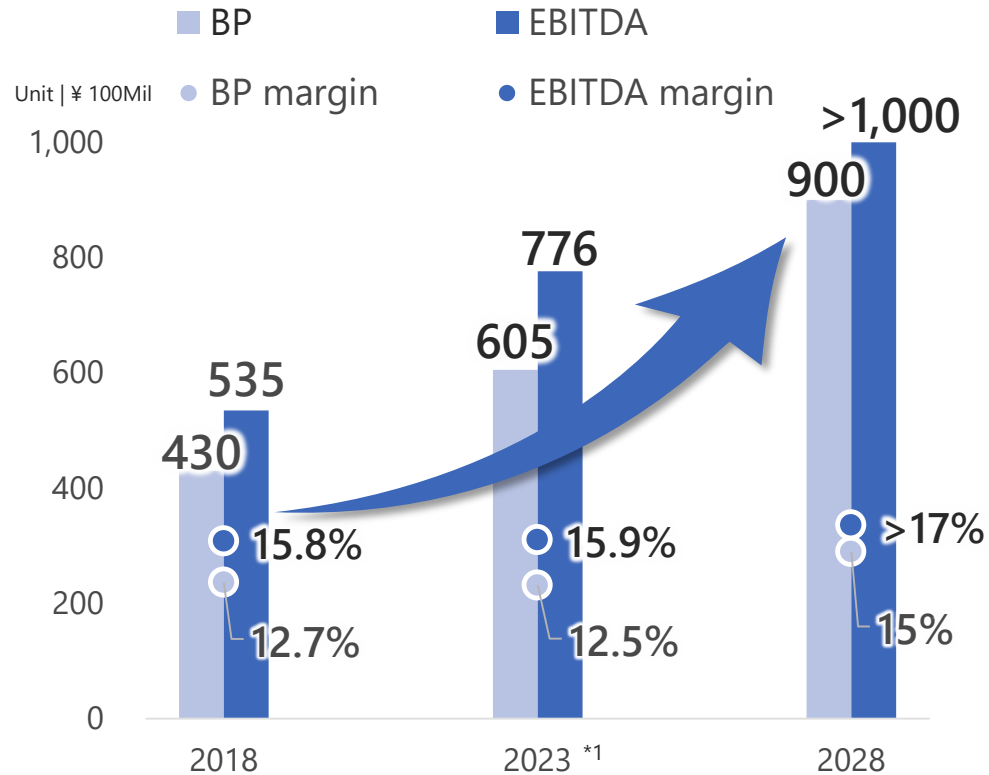


*: Scientifically significant decrease in muscle ATP content for 21% oxygen concentration

Improvement of high profit structure

- Aim to achieve a record-high business profit rate of about 15% and EBITDA margin of over 17%
Make upfront investments in areas where we aim to expand business scale

■ Trends in business profit (BP) and EBITDA



■ Contribution profit*2 rate by product group in FY2028



*1 The recording method of internal transactions, etc. of revenue in each business segment has been changes from FY 2024. Business profit for FY2023 correspond to this change.

*2 contribution profit = business profit - Indirect expenses - R&D expenses + Equity in net income of affiliates

Financial strategy

Financial strategy to support sustainable growth

— Implement management conscious of cost of capital

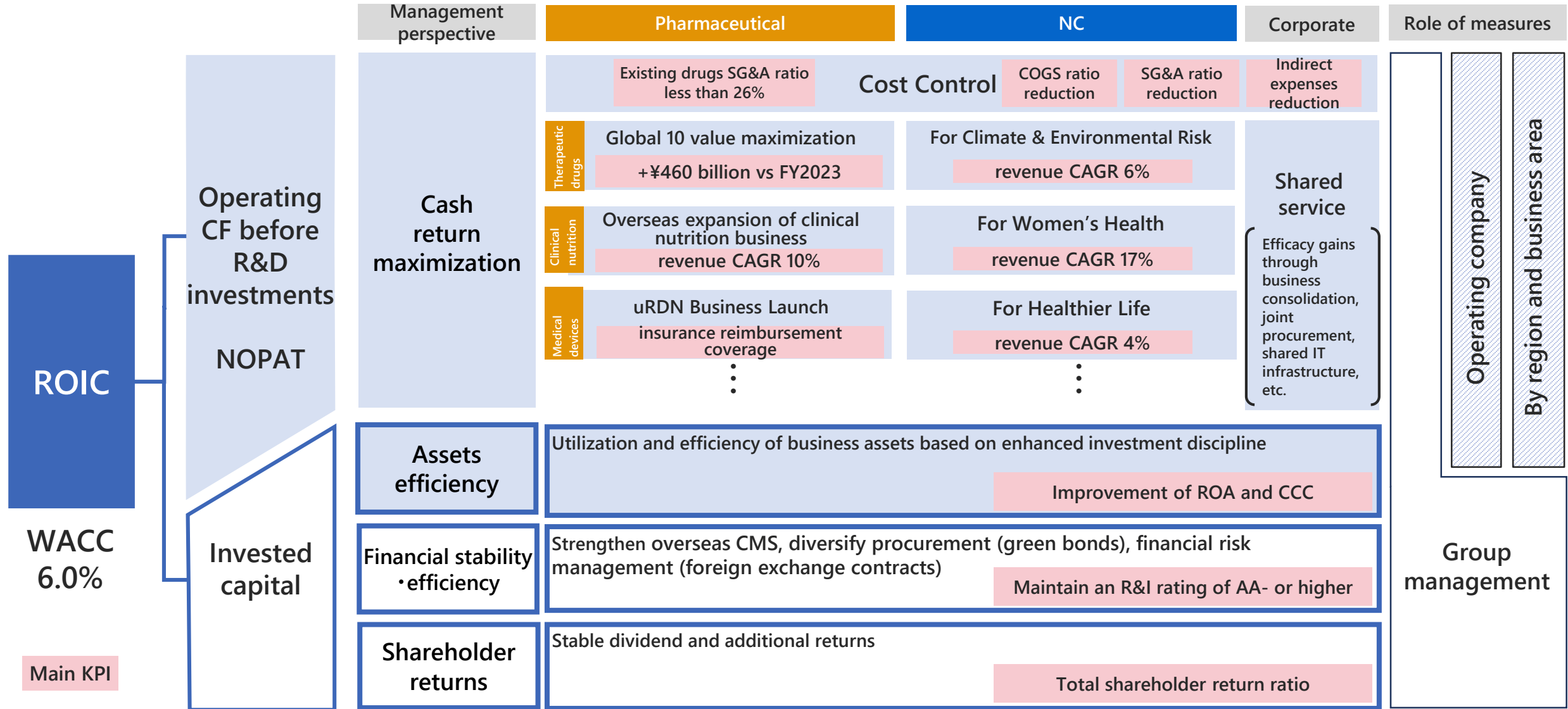
Otsuka group's ROIC management

Cash allocation and balance sheet management to support sustainable growth

Shareholder return policy

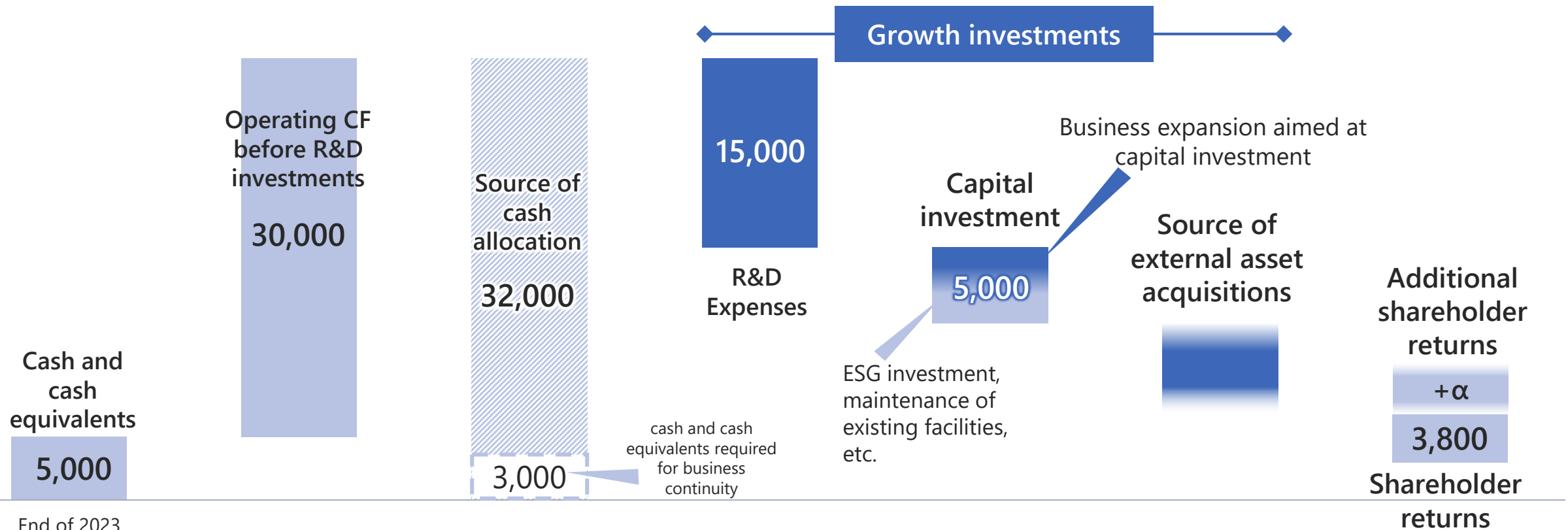
Otsuka group ROIC management

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



Cash allocation for sustainable growth

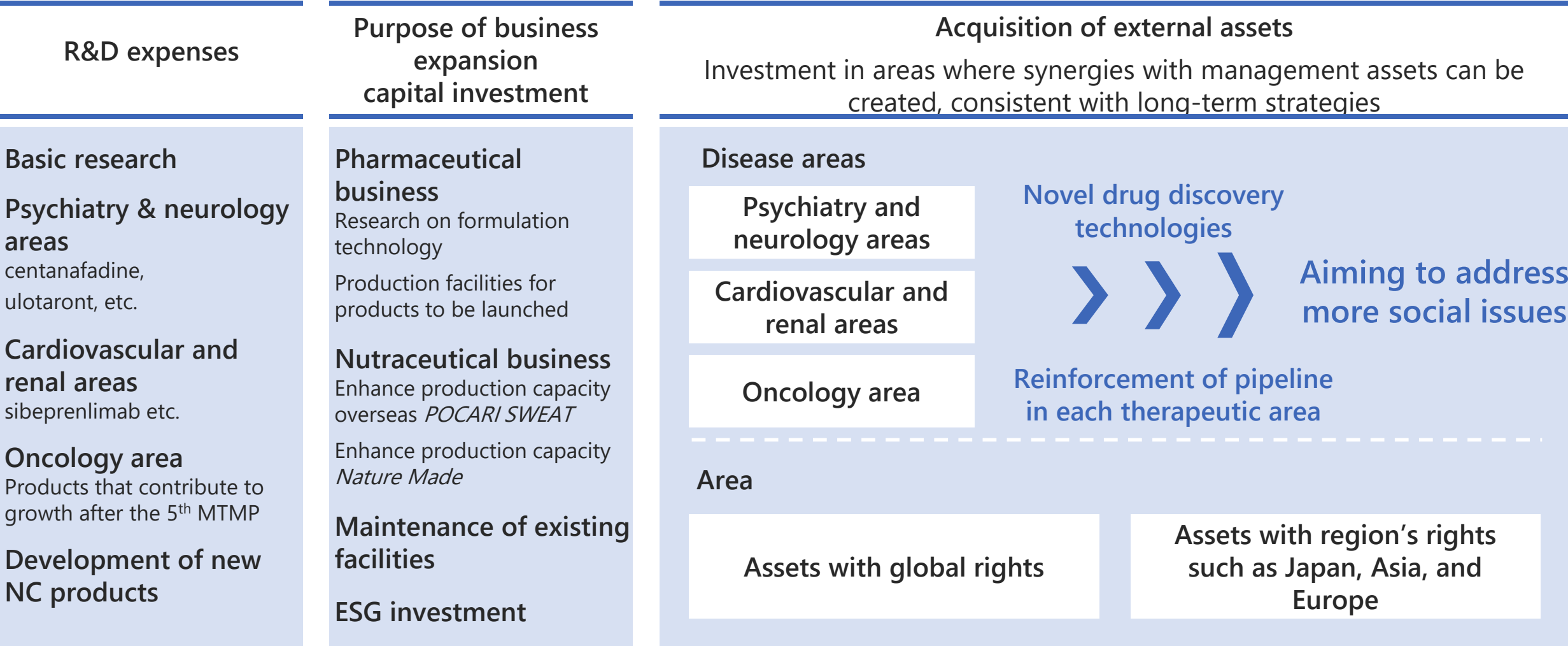
- To achieve sustainable growth, we will actively invest in growth, such as external asset acquisitions, using the cash generated from our business
- In addition to the shareholder returns planned for the 4th MTMP, we are also preparing for additional shareholder returns if conditions are met, such as sustainable growth expected in the next MTMP period and beyond



*All figures are in approximate unit | ¥100 mil

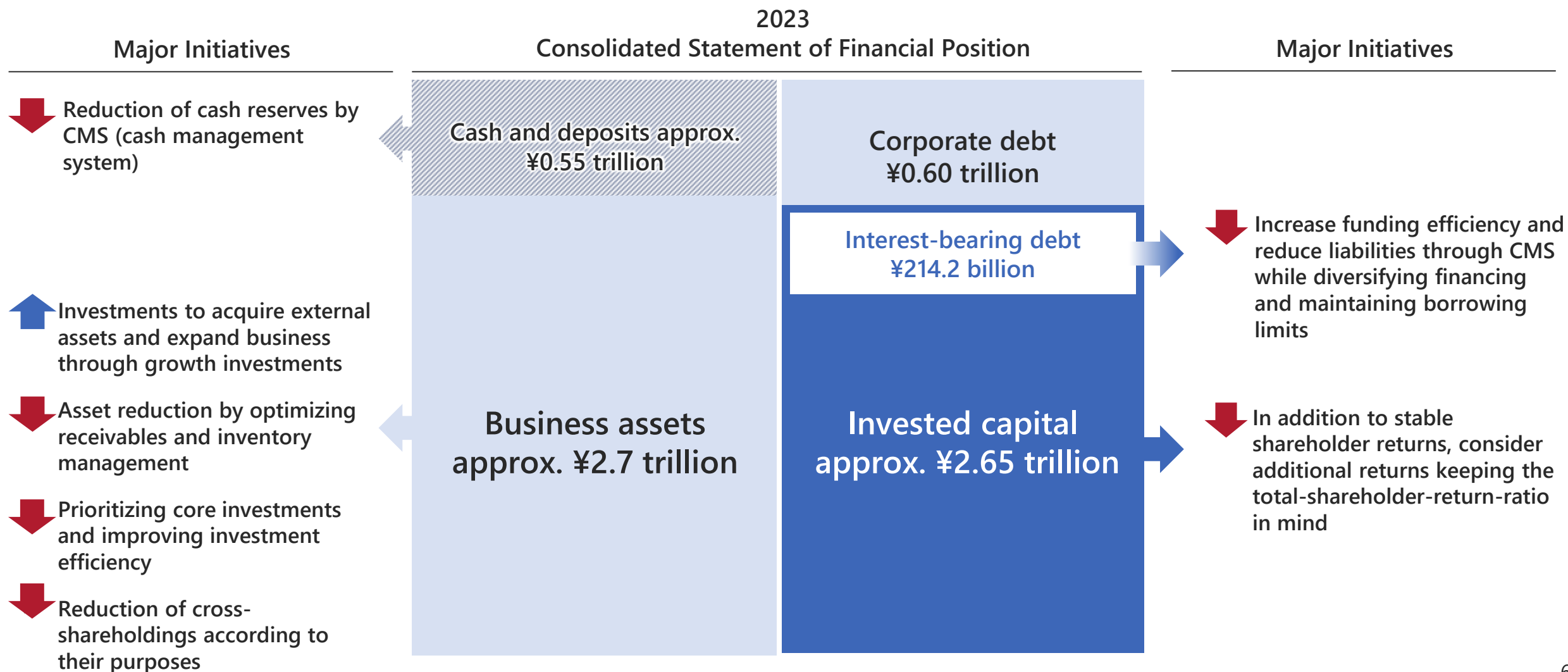
Growth investments that support sustainable growth

- Investment in R&D for late-stage assets and capital investment for business expansion, and acquisition of pipeline assets that will drive the business of the 5th ~6th MTMP to further ensure sustainable growth



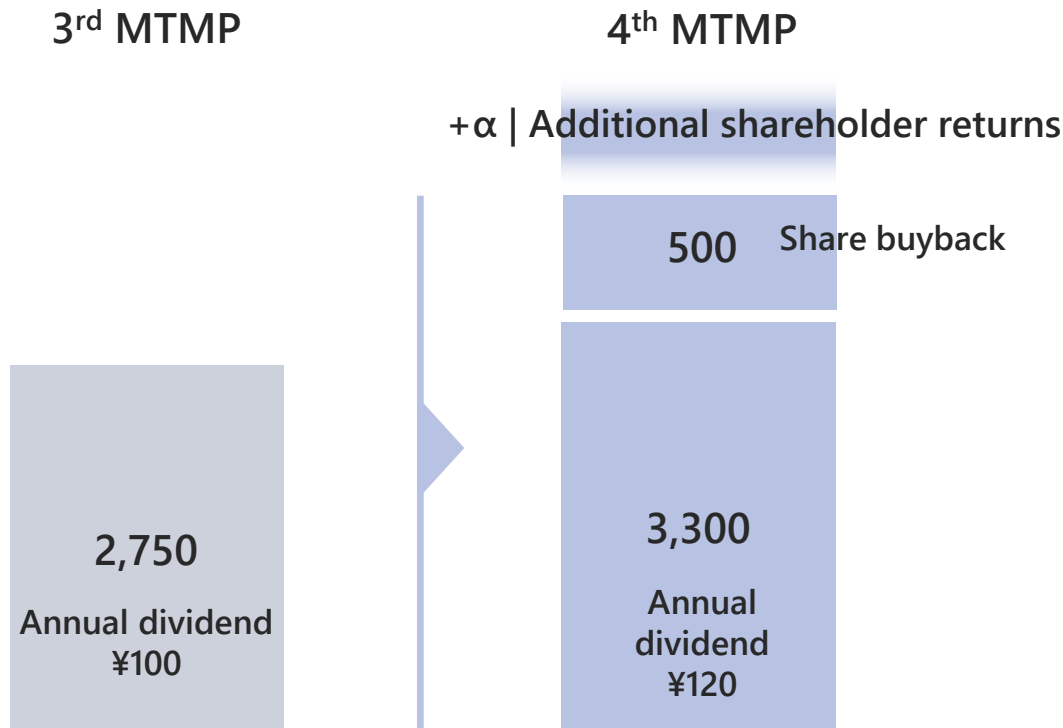
Balance sheet management based on investment discipline

- By actively acquiring excellent assets that serve as sources of growth, we aim to improve the quality of invested capital, and reinforce balance sheet management through the efficient use and reduction of business assets



- Basic policy: ensure stable shareholder returns
- Additional shareholder returns to be considered based on multiple perspectives such as sustainable growth foreseen in the 5th MTMP and onwards, etc.

Shareholder return policy



*All figures are in approximate units | ¥100 mil

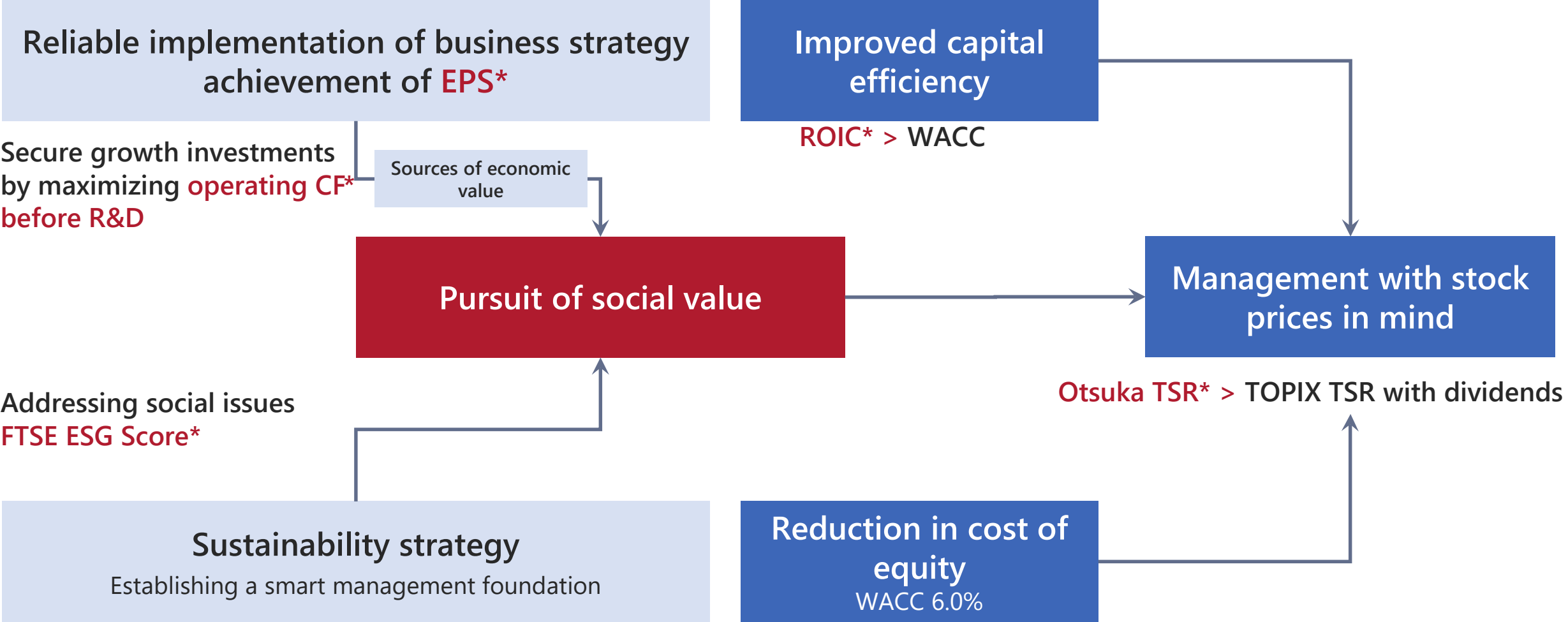
Additional shareholder return policy

- A situation in which sustainable growth after the 5th MTMP can be expected based on the results of growth investment
- Upside of operating CF before R&D investment due to strong business performance in the 4th MTMP period
- Status of total-shareholder-return-ratio

Appendix

Management incentives to increase corporate value

- By aligning management initiatives that focus on cost of capital and stock prices with the evaluation metrics of the restricted stock compensation system, aim for sustainable growth and medium- to long-term improvement in corporate value



* Indicators for management incentive evaluation are shown in red
See the reference materials for requirements for lifting restricted stock compensation.



Revenue and business profit forecast by segment









Unit ￥ 100Mil	FY2023	FY2026	FY2028	CAGR 2023-2028
Total				
<u>Revenue</u>	20,186	22,000	25,000	4.4%
Japan	6,709	6,840	7,300	1.7%
North America	8,734	9,790	11,260	5.2%
Europe	2,187	2,100	2,490	2.6%
Others	2,557	3,270	3,950	9.1%
<u>Business profit</u>	3,126	2,700	3,900	4.5%

Unit ￥ 100Mil	FY2023*	FY2026	FY2028	CAGR 2023-2028
pharmaceutical				
<u>Revenue</u>	13,912	14,750	16,800	3.8%
Japan	4,119	3,880	4,140	0.1%
North America	6,658	7,460	8,580	5.2%
Europe	1,514	1,390	1,720	2.6%
Others	1,621	2,020	2,360	7.8%
<u>Business profit</u>	2,821	2,300	3,200	2.6%
Nutraceutical				
<u>Revenue</u>	4,835	5,500	6,200	5.1%
Japan	1,644	1,790	1,860	2.5%
North America	1,924	2,190	2,480	5.2%
Europe	599	620	670	2.3%
Others	667	900	1,190	12.3%
<u>Business profit</u>	605	670	900	8.3%

* The recording method of internal transactions, etc. of revenue in each business segment has been changes from FY2024. The figures for the Pharmaceutical and Nutraceutical business for FY2023 correspond to this change.

Pharmaceutical | Peak sales of major products

Core 2	Peak sales	Prerequisites	Product characteristics
<i>Rexulti</i>		Schizophrenia MDD/AAD/PTSD	Only approved drug for AD agitation in the US To be indicated for PTSD as well dopamine D ₂ /serotonin 5-HT _{2A}
<i>Lonsurf</i>		Expansion of bevacizumab combination therapy	Oral treatment for unresectable advanced or recurrent colorectal cancer

Next 8	Peak sales	Prerequisites	Product characteristics
ulotaront		Schizophrenia • MDD • GAD	Asset with novel MOA; not bind to dopamine D ₂ /serotonin 5-HT _{2A} receptors
centanafadine		ADHD	Target of being first-in-class that can solve issues of existing drugs
uRDN		Uncontrolled hypertension	Novel use of medical device for uncontrolled hypertension
sibeprenlimab		IgA nephropathy	First-in-class anti-APRIL antibody therapy. BT designation granted
zipalertinib		NSCLC with exon 20 insertion mutation NSCLC with other uncommon mutation	EGFR inhibitor discovered by cysteinomics drug discovery technology BT designation granted
<i>LYTGOBI</i>		Esophageal cancer/Pancreatic cancer	FGFR inhibitor discovered by cysteinomics drug discovery technology
<i>INQOVI</i>		AML(US) • MDS(Europe)	Oral drug for hematological cancer
ASTX030		AML(US) • MDS(US)	Oral drug for hematological cancer



*Expected value if all currently planned LCMs are successful

CNS

CV Renal

Oncology

Pharmaceutical | Major projects to be filed during the 4th MTMP (As of May 31, 2024)

Psychiatry and neurology				
Generic Name/Development Code*2	Indications	Country of submission		
		Japan	US	Europe
brexpiprazole	Schizophrenia (QW formulation)	✓		
centanafadine	ADHD		✓	
ulotaront	schizophrenia		✓	
pizuglanstat	Duchenne muscular dystrophy (DMD)	✓		

Cardiovascular and renal				
sibeprenlimab	IgA nephropathy	✓	✓	✓
OPC-131461	Cardiac edema	✓		
bempedoic acid	Hypercholesterolemia	✓		

Oncology				
Generic Name/Development Code*2	indication	country of submission		
		Japan	US	Europe
zipalertinib	NSCLC	✓	✓	✓
zimberelimab + domvanalimab	NSCLC	✓		
zimberelimab + domvanalimab	Upper gastrointestinal tract cancer	✓		
azacitidine, cedazuridine	MDS, CMML, AML		✓	✓
decitabine, cedazuridine	AML		✓	

Others				
quabodepistat	Pulmonary tuberculosis	✓	✓	✓
donidalorsen	Hereditary angioedema (HAE)			✓

< Applied Project >
brexpiprazole (US: PTSD)

Major Projects: Psychiatry & Neurology (As of May 31, 2024)



		Phase 1	Phase 2	Phase 3/Pivotal phase	Filed
Psychiatry	SZ	brexpiprazole Long-acting injection US		ulotaront JP, US China brexpiprazole Oral tablet (once-weekly) JP	brexpiprazole China
	MDD		centanafadine US	ulotaront Phase2/3 US	
	Others			centanafadine ADHD US ulotaront Phase2/3 GAD JP, US	brexpiprazole PTSD US
Neurology	AD				brexpiprazole AD agitation JP
	Others	OPC-214870 Epilepsy US		pizuglanstat DMD JP	

Major Projects: Oncology (As of May 31, 2024)

	Phase 1	Phase 2	Phase 3/Pivotal phase	Filed
Oncology	pimitespib <div>US Europe</div>	pimitespib <div>JP</div> <div>Prostate cancer</div>	pamufetinib <div>JP</div> <div>Osteosarcoma</div>	ponatinib <div>China</div> <div>CML, ALL</div>
	TAS0612 <div>US Europe</div>			
	TAS0728 <div>US Europe</div>	pamufetinib <div>JP</div> <div>Prostate cancer</div>	zipalertinib <div>JP•US Europe</div> <div>Non-small cell lung cancer</div>	ASTX727 <div>Europe</div> <div>MDS</div>
	vepafestinib <div>JP</div> <div>Phase 1/2</div>	futibatinib <div>US Europe</div> <div>Breast cancer</div>	zimberelimab <div>JP</div> <div>domvanalimab</div> <div>Upper gastrointestinal tract cancer</div>	
	TAS1440 <div>US</div>	futibatinib <div>JP, US Europe</div> <div>FGFR aberrations cancer</div>		
	TAS1553 <div>US</div>	futibatinib <div>US Europe</div> <div>Urothelial cancer</div>	zimberelimab <div>JP</div> <div>domvanalimab</div> <div>Non-small cell lung cancer</div>	
	TAS2940 <div>US Europe</div>			
	TAS3351 <div>JP, US Europe</div> <div>Phase1/2</div>	futibatinib <div>US Europe</div> <div>Solid tumors (Esophageal cancer, Pancreatic cancer)</div>		
	trabectedin <div>JP</div>	TAS0313 <div>JP</div> <div>Urothelial cancer</div>		
	ASTX295 <div>US</div> <div>Phase 1/2</div>	ASTX727 <div>US</div> <div>AML</div>		
	ASTX030 <div>JP</div>	ASTX029 <div>US</div> <div>Phase 1/2 Solid tumors</div>		
	tolinapant <div>JP</div>	OPF-501C <div>JP</div> <div>Cancerous skin ulcers</div>		
	ASTX727 <div>JP</div>	ASTX030 <div>US</div> <div>Phase 2/3 MDS, CMML, AML</div>		
	ASTX727 <div>China</div> <div>Phase1/2</div>			
	OPB-111077 <div>JP, US</div>			
	OPC-415 <div>JP</div> <div>Phase 1/2</div>			
	zimberelimab <div>JP</div>			
	zimberelimab <div>JP</div> <div>pamufetinib</div>			
	zimberelimab <div>JP</div> <div>pimitespib</div>			
	zimberelimab <div>JP</div> <div>futibatinib</div>			

pimitespib: Generic name of TAS-116 vepafestinib ; Generic name of TAS0953 trabectedin: Generic name of ET-743 tolinapant: Generic name of ASTX660 zimberelimab: Generic name of AB122
 pamufetinib: Generic name of TAS-115 futibatinib: Generic name of TAS-120 zipalertinib: Generic name of TAS6417 domvanalimab: Generic name of AB154 FGFR: fibroblast growth factor receptors
 AML: Acute myeloid leukemia CML: Chronic myeloid leukemia ALL: Acute lymphoblastic leukemia MDS: Myelodysplastic syndromes AMML: Chronic Myelomonocytic Leukemia

Major Projects: Cardiovascular & Renal / Other areas (As of May 31, 2024)

	Phase 1	Phase 2	Phase 3/Pivotal phase	Filed
Cardiovascular & Renal	<div>NO-13065</div> <div>Obesity</div> <div>US</div>	<div>OPC-131461</div> <div>Cardiac edema</div> <div>JP</div>	<div>uRDN</div> <div>Pivotal phase/High blood pressure</div> <div>JP</div> <div>sibeprenlimab</div> <div>IgA nephropathy</div> <div>JP, US Europe</div> <div>bempedoic acid</div> <div>Hypercholesterolemia</div> <div>JP</div>	<div>Voclosporin</div> <div>Lupus nephritis</div> <div>JP</div> <div>OPC-61815</div> <div>Cardiac edema</div> <div>China</div>
Others	<div>VIS171</div> <div>Autoimmune disease</div> <div>TBD</div>	<div>TAS-303</div> <div>Stress urinary incontinence</div> <div>JP</div> <div>TAC-302</div> <div>Detrusor underactivity with OAB</div> <div>JP</div> <div>pamufetinib</div> <div>Chronic fibrosing interstitial lung diseases</div> <div>JP</div> <div>TAS5315</div> <div>RA</div> <div>JP</div> <div>TAS5315</div> <div>Chronic spontaneous urticaria</div> <div>JP</div> <div>quabodepistat</div> <div>Tuberculosis</div> <div>US</div> <div>OPS-2071</div> <div>Irritable bowel syndrome</div> <div>China</div>	<div>delamanid</div> <div>MDR-TB</div> <div>US</div> <div>difamilast</div> <div>Atopic dermatitis</div> <div>China</div> <div>OPC-1085EL</div> <div>Glaucoma, ocular hypertension</div> <div>China</div>	<div>OPF-109</div> <div>TPN for CRF</div> <div>JP</div> <div>G-1</div> <div>Sepsis</div> <div>JP</div>

uRDN: Ultrasound Renal denervation sibeprenlimab: Generic name of VIS649 SUI: Stress urinary incontinence OAB: Overactive bladder pamufetinib: Generic name of TAS-115
 Chronic fibrosing interstitial lung diseases: Chronic fibrosing interstitial lung diseases with a progressive phenotype RA: Rheumatoid arthritis uabodepistat: Generic name of OPC-167832
 MDR-TB: Multidrug-resistant tuberculosis TPN for CRF: Total parenteral nutrition for chronic renal failure

Continuous discovery of innovative assets by drug discovery hubs across the world

- Main research centers support drug discovery activities in the focused therapeutic areas of CNS, Cardiovascular & Renal and Oncology



Revenue and business profit by category

Unit ￥ 100Mil	FY2023	FY2028
<u>Revenue (NC business)</u>	4,835	6,200
Functional beverages	1,487	2,000
Functional foods	973	1,200
Nutritional Supplements	2,056	2,700
<u>Business profit (NC business)</u>	605	900
Functional beverages	259	300
Functional foods	11	100
Nutritional Supplements	327	500

Revenue improvement & brand establishment

Brand establishment



Revenue improvement in main business

- Expansion of existing products by concentrating on core competence
- Review of COG and production system
- Securing production capacity

“Delicious, safe, secure and healthy” products

Cultivate new markets around the world to support long-term growth

Otsuka Chemical



- Strengthen global structure (business expansion and local production)
- Pharmaceutical CDMO by utilizing unique technology

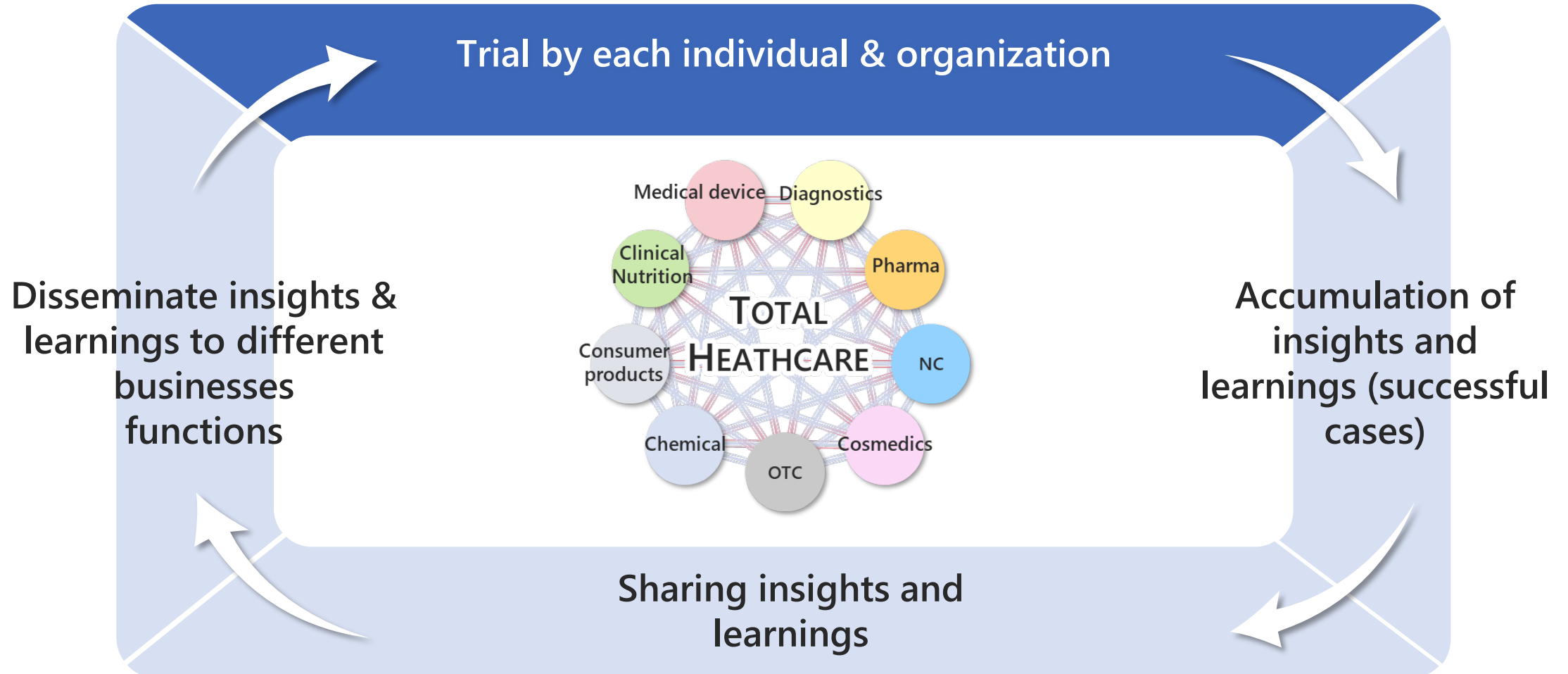
Otsuka Warehouse



- By sharing a common platform with external partners, promote logistic efficiency
- Promote digitalization of delivery operations

- Take two different approaches to create an environment where we can utilize state-of-the-art technology, depending on the level of maturity of the IT technology

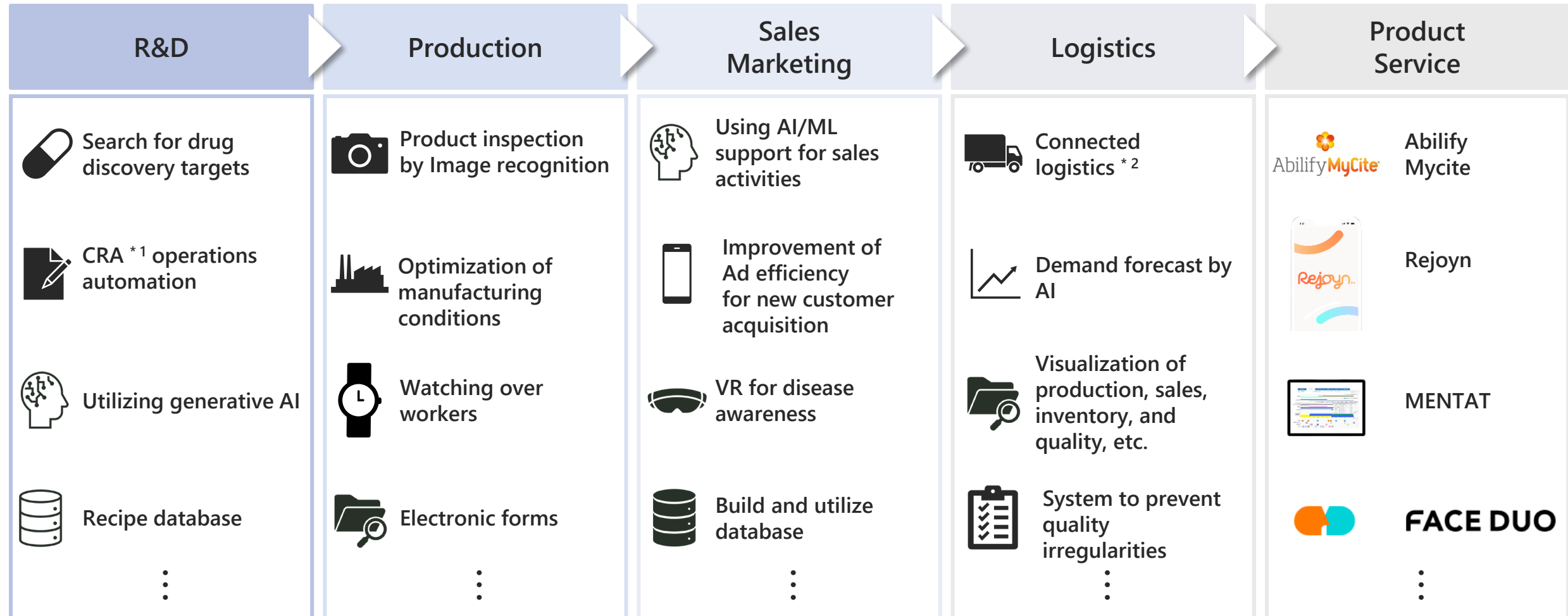
Use technologies and their derivatives for medium- to long-term growth



Use of digital technologies such as AI and ML in the value chain

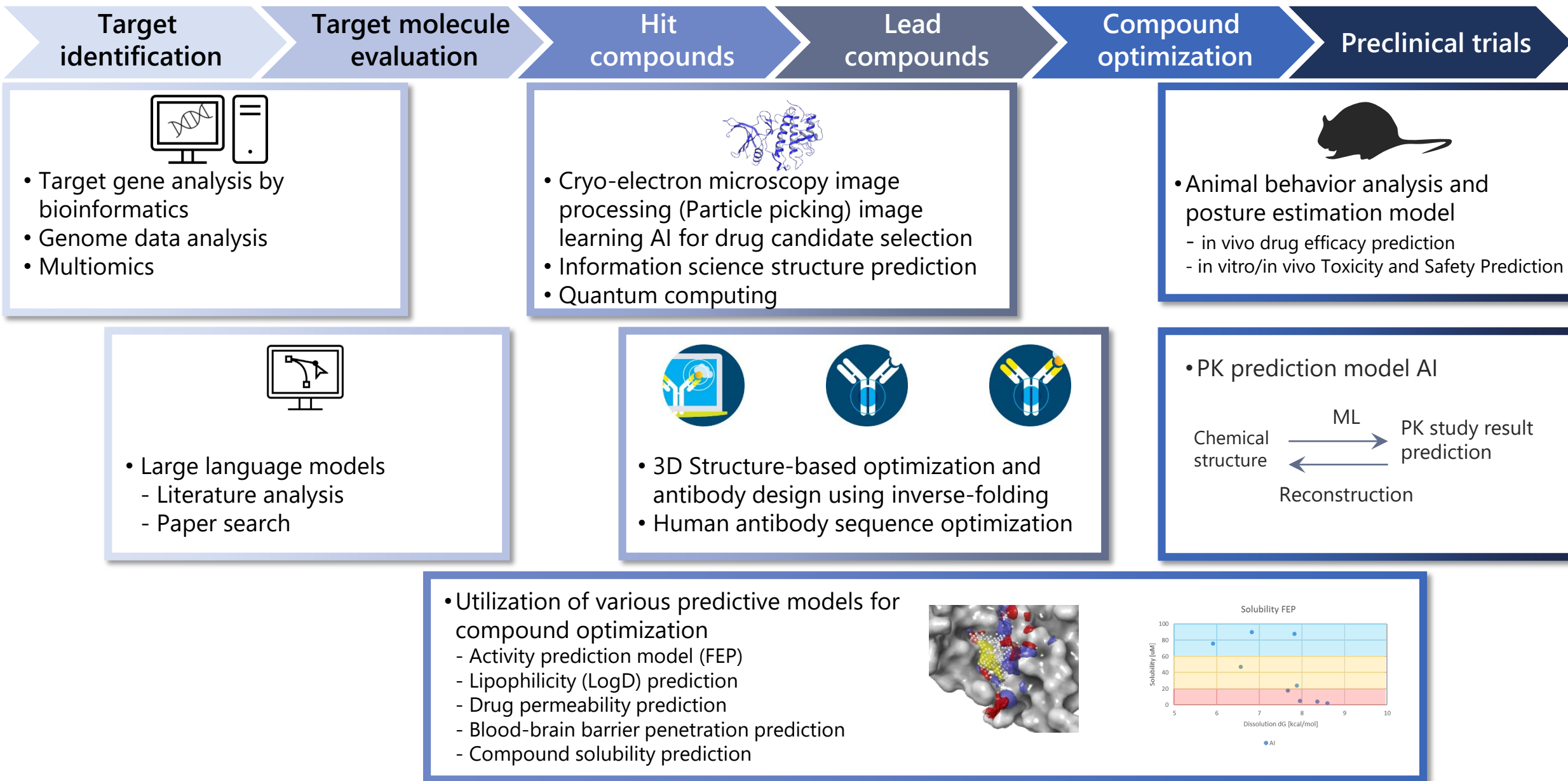
■ Promote licensing-in of new technology for new value creation (products and services)

Typical cases in value chain



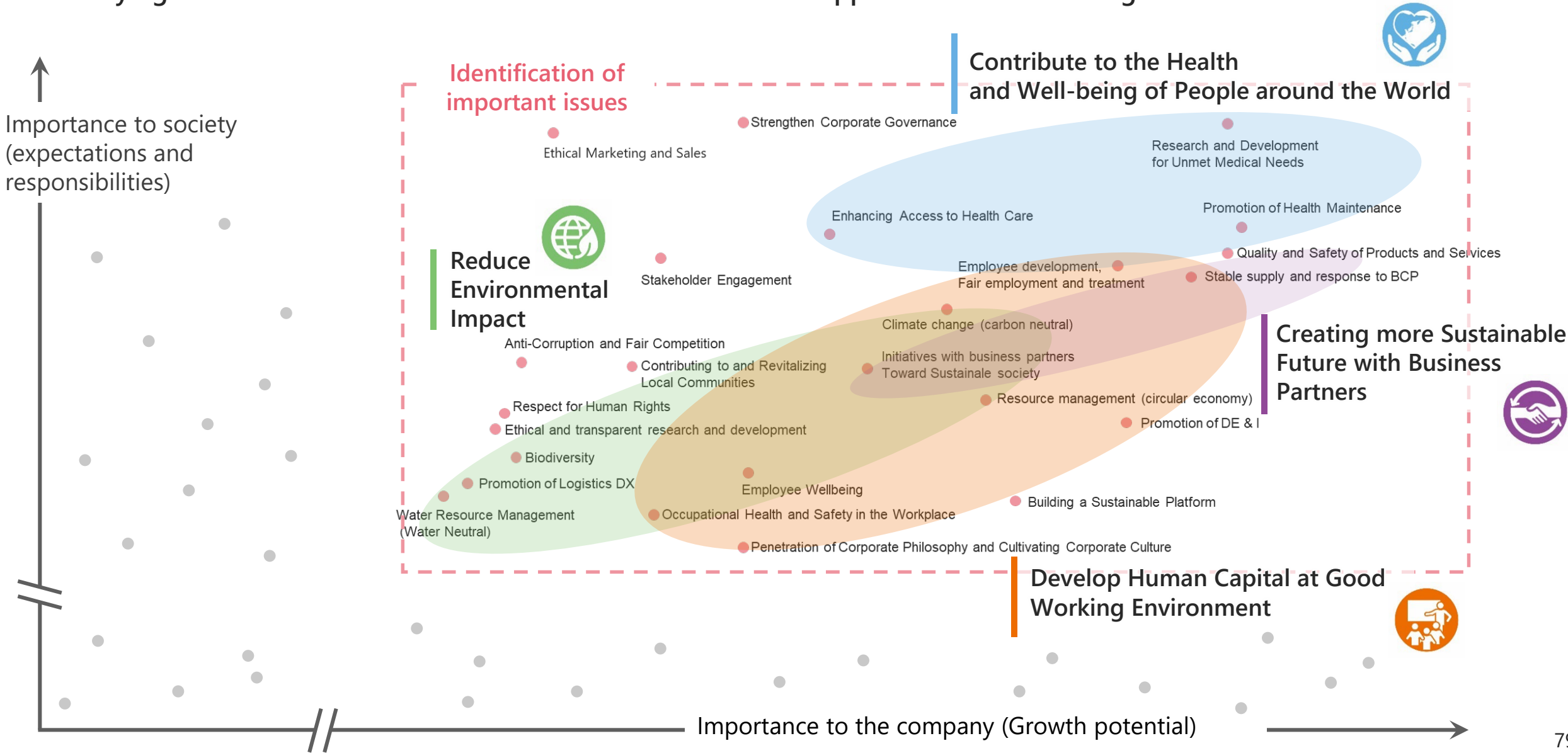
*1: Clinical Research Associate *2: <https://www.otsukawh.co.jp/company/greeting/>











Utilization of digital technology in various phases of drug discovery





Identifying materiality

■ Identifying four materialities and the foundation elements that support sustainable management



Materiality	Social Issues	Strategy	Policies	Indicators
Contribute to the Health and Wellbeing of People around the World     	<ul style="list-style-type: none"> Unmet medical needs/unrecognized health needs by consumers Responding to changing health values 	<ul style="list-style-type: none"> Maximizing product value by leveraging diverse assets within and outside the group 	<ul style="list-style-type: none"> Seamless delivery of diagnostics, therapeutics, and services to overcome unconscious bias toward disease 	<ul style="list-style-type: none"> Expansion of global access Promoting awareness of mental, neurological, cancer, cardiovascular and renal diseases Eradication of tuberculosis
		<ul style="list-style-type: none"> Strengthening research and development capabilities to address unmet medical needs 	<ul style="list-style-type: none"> Strengthening in-house drug discovery capabilities by maximizing the use of global research centers and academia networks 	<ul style="list-style-type: none"> In-house drug discovery capabilities
		<ul style="list-style-type: none"> Adapting to changes in the world and providing people with complex health solutions 	<ul style="list-style-type: none"> Strengthen development capabilities using the latest technologies and know-how 	<ul style="list-style-type: none"> Product development capabilities that contribute to unmet medical needs
			<ul style="list-style-type: none"> Raising awareness of hydration and electrolyte supplementation for heatstroke Growth of women's health category 	<ul style="list-style-type: none"> Penetration of POCARI SWEAT Contribution to women's health
Develop Human Capital at Good Working Environment     	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Strengthen human resources, a source of innovation, to realize our corporate philosophy 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Degree of penetration of corporate culture Developing a system to nurture the next generation of human capital
		<ul style="list-style-type: none"> Creating an environment to maximize human resources 	<ul style="list-style-type: none"> Creating a workplace and organization and providing opportunities for a variety of human resources unique to Otsuka, a company with diverse businesses 	<ul style="list-style-type: none"> Employee challenge index Employee challenge support index
			<ul style="list-style-type: none"> Creating a system to improve employee engagement 	<ul style="list-style-type: none"> Employee engagement to realize Otsuka's corporate philosophy

Materiality	Social Issues	Strategy	Policies	Indicators
Creating more Sustainable Future with Business Partners 	<ul style="list-style-type: none"> (due to pandemics, geopolitical risks, etc.) destabilization of raw material procurement and product supply due to supply chain disruption Building a sustainable supply chain 	<ul style="list-style-type: none"> Building a strong and stable procurement system to respond to risks 	<ul style="list-style-type: none"> Upstream supply chain visualization and risk identification and response 	<ul style="list-style-type: none"> Response rate to identified risks Percentage of suppliers participating in the measures Response rate to questionnaires when incidents occurred
		<ul style="list-style-type: none"> Promotion of responsible procurement 	<ul style="list-style-type: none"> Building strong engagement with business partners to realize responsible procurement that takes human rights and the environment into consideration 	<ul style="list-style-type: none"> Number of communications with suppliers
Reduce Environmental impact 	<ul style="list-style-type: none"> Reduction of environmental impact by responding to climate change 	<ul style="list-style-type: none"> Realization of the 2050 environmental vision "Net zero" to reduce all environmental impacts of business activities to zero 	<ul style="list-style-type: none"> Carbon neutrality: reducing climate change due to global warming 	[2028 target] <ul style="list-style-type: none"> Reduction of CO₂ emissions Scope1, 2 :50% reduction (compared to 2017) Scope3: Initiatives to achieve carbon neutrality by 2050 20% self-generated renewable energy
			<ul style="list-style-type: none"> Circular economy: curbing resource use and recycling 	[2028 target] <ul style="list-style-type: none"> 50% reduction in simple incineration and landfilling compared to 2019 Formulation and implementation of food loss reduction plan [Target for 2030] <ul style="list-style-type: none"> 100% of recycled and plant-based materials used in PET bottles
			<ul style="list-style-type: none"> Water neutral: maintenance and conservation of water resources 	[2028 targets] <ul style="list-style-type: none"> 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
			<ul style="list-style-type: none"> Biodiversity: Sustainable and stable procurement of natural resources 	[2028 target] <ul style="list-style-type: none"> Uses 100% RSPO certified palm oil 100% use of sustainable paper