

# The 4<sup>th</sup> 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 4<sup>th</sup> MTMP<sup>\*1</sup>
- Outline of the 4<sup>th</sup> MTMP strategy
  - Pharmaceutical business
  - Nutraceutical<sup>\*2</sup> business
  - Financial Strategy

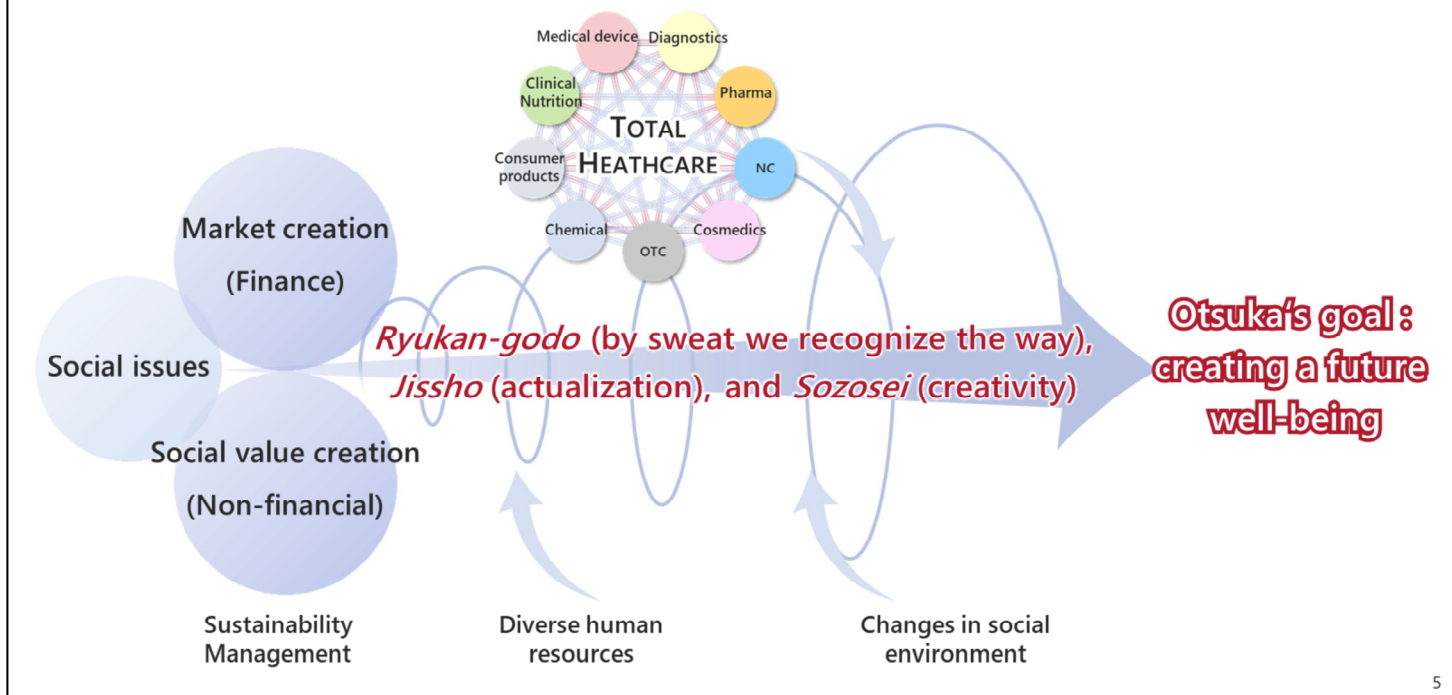
This is today's agenda.

I would like to explain our To-Be image and long-term vision, as well as our positioning and performance targets for the 4th Medium-Term Management Plan (MTMP).

## To-be image and long-term vision

First, our To-Be image and long-term vision.

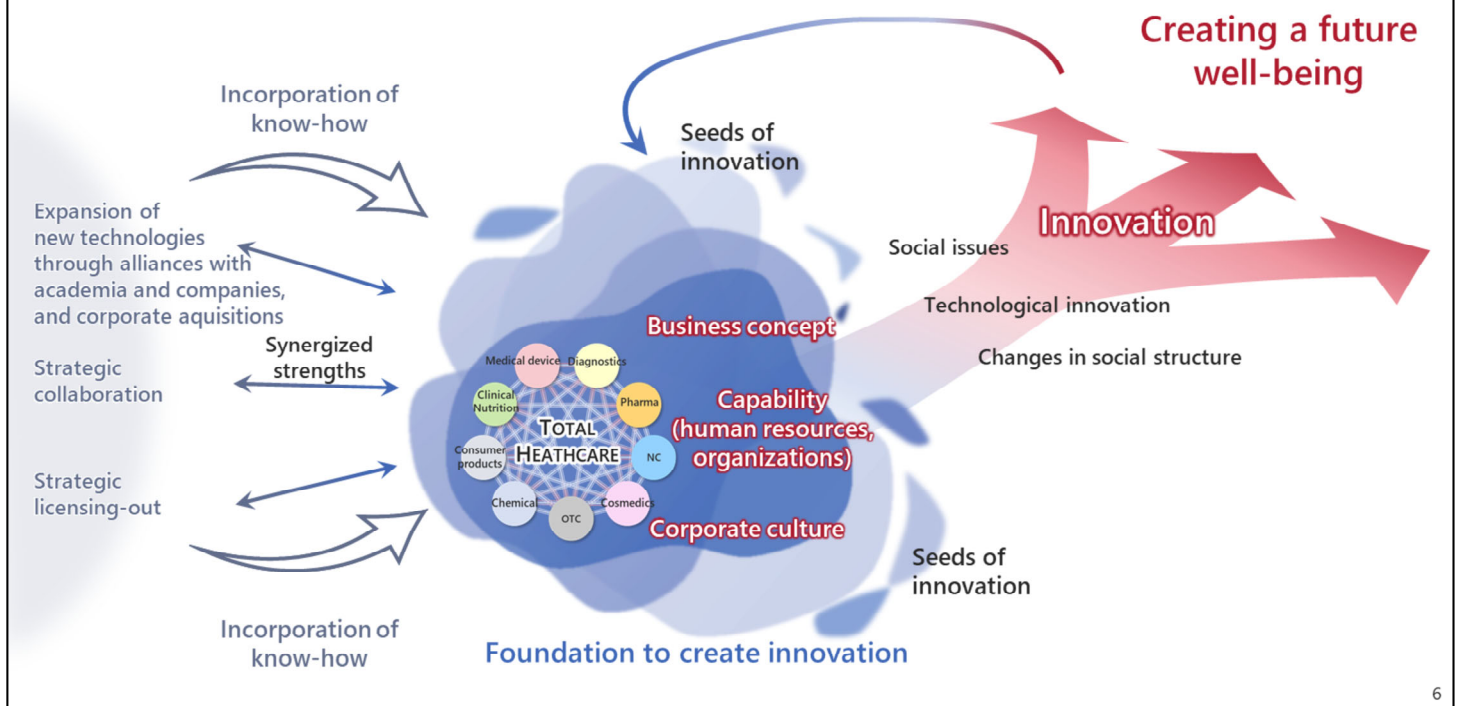




The Otsuka group runs business based on the corporate philosophy of "Otsuka-people creating new products for better health worldwide."

We are promoting sustainability management that simultaneously creates new markets and social value arising from social issues.

Based on the diverse human resources that can embody our corporate culture, which is represented by the words left by three generations of the founding family, and the diverse businesses as a total healthcare company, we will adapt to changes in the social environment and create a future well-being that Otsuka aims for by creating unique value.



Next, I will explain the innovation ecosystem, which is also the business strategy of the Otsuka group.

We are building a foundation to create innovation based on the diverse businesses that are characteristic of total healthcare companies.

We have been developing an environment to create innovation through crafting business concepts, the high capability of human resources and organizations, and the fostering of corporate culture, which are all important elements.

Especially for the capability of human resources, which is one of the most important elements, we hope that Otsuka can offer our employees opportunities for various challenges from its unique businesses, so that they will grow by overcoming such challenges.

Furthermore, in addition to our own assets, we are actively incorporating pipeline assets and new technology know-how through corporate acquisitions and alliances that synergistically enhance each other's strengths, and we continue to evolve to generate a solid foundation for creating innovation.

Using this foundation, we discover many seeds of innovation and carefully nurture them while incorporating social issues and changes in social structures, as well as technological innovations, thereby producing concrete results.

We provide feedback on the insights and learnings gained from delivering innovation to the world, to evolve the ecosystem.

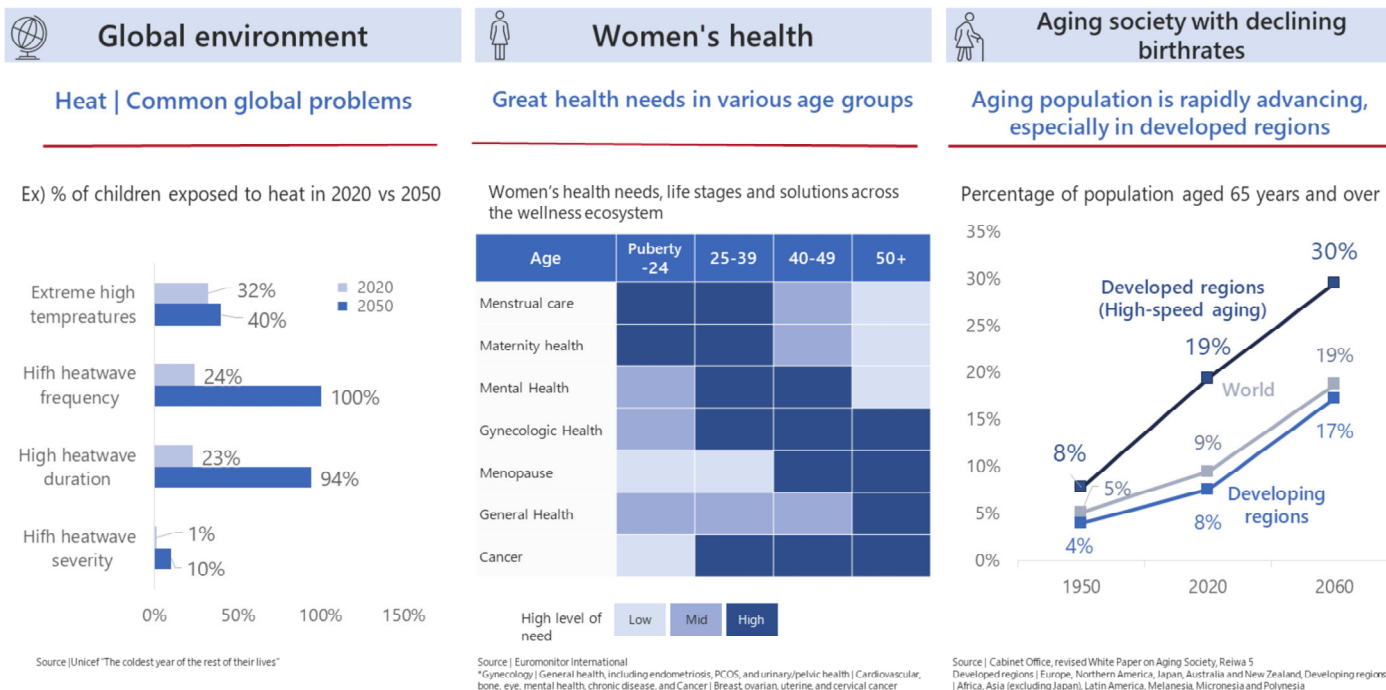
Through these actions, we hope to create a future well-being and expand our business to realize our corporate philosophy.



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  
⋮

Before I begin to explain the long-term vision, I would like to look at the social issues surrounding the earth.

Social issues such as climate change, women's health, aging society with declining birthrates, technological innovation, advancement of science, and infectious diseases are trends that have a major impact on society as a whole, and I believe it is important for us to understand and adapt to them because they have a major impact on our strategic business planning and product development.



In light of this, Otsuka focuses on these social issues of global environment, women's health and aging society with declining birthrates and aging population.

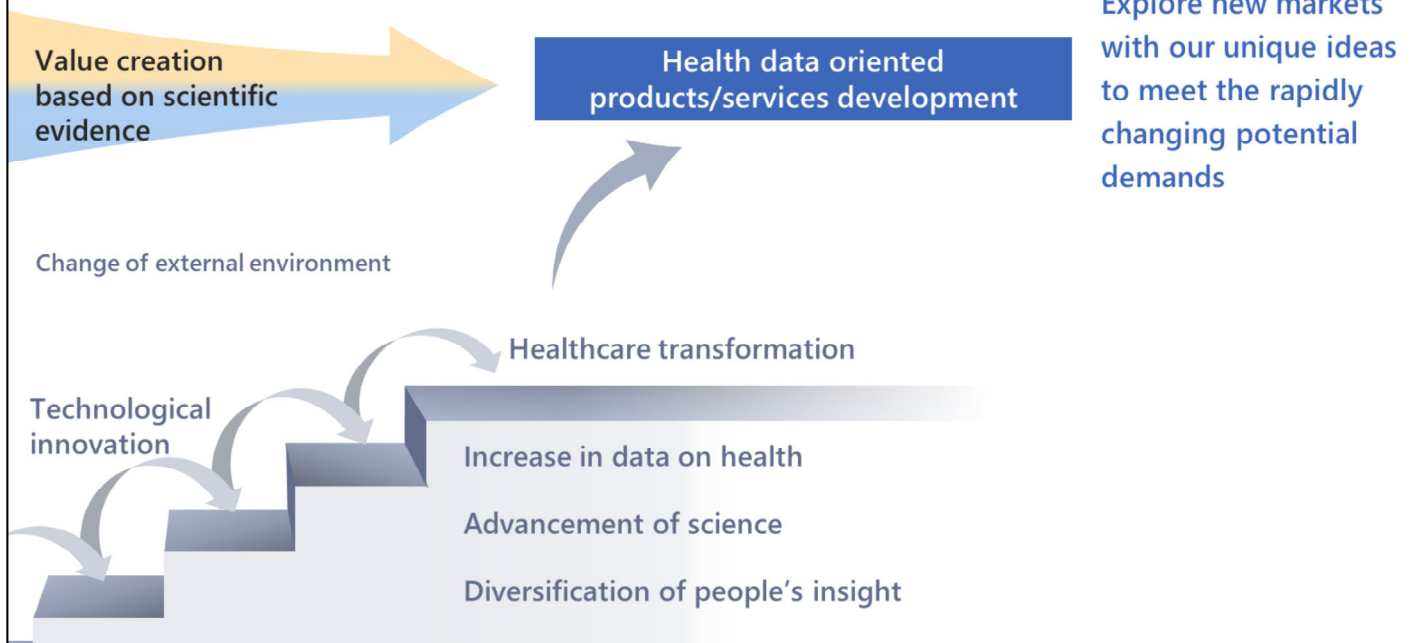
Climate and environmental risks are becoming more apparent due to global warming.

With regard to women's health, a data shows that there are great needs related to women's health.

As for aging population with declining birthrates, it is predicted that the proportion of elderly people aged 65 and over will continue to increase.

Otsuka will focus on solving these three social issues.

### Otsuka's approach to value creation



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Next, I would like to introduce Otsuka's approach to value creation from the perspective of technological innovation.

We are developing products based on scientific evidence, not only for pharmaceutical but also for nutraceutical products.

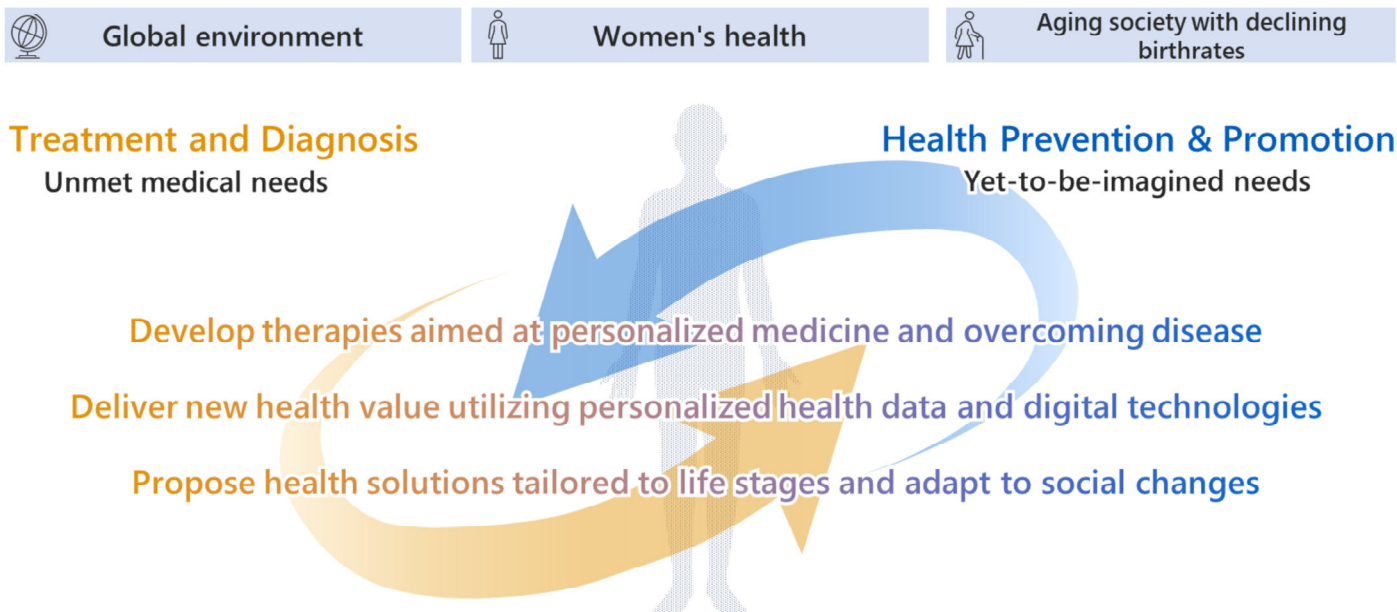
Also in delivering these products to consumers, Otsuka is promoting activities to ensure that people appreciate the information we provide and feel the value of our products.

We believe that, due to external technological innovations, the diversification of people's insight, advancement of science and increase in accumulated health data will lead to data-driven transformation in the healthcare field.

Otsuka has continued to grow with a unique perspective on technological innovation.

We will continue to explore new markets with our unique ideas to meet the rapidly changing potential demands in society.

### From Better health to Beyond health to Well-being



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There are three areas where we want to strengthen our efforts to achieve Otsuka's vision toward 2035.

We will develop personalized medicine and therapies aimed at complete cure, deliver new health value utilizing personalized health data and digital technologies, and propose health solutions tailored to life stages by adapting to social changes.

Based on the concept of total healthcare, we will address social issues such as global environment, women's health, and aging society with declining birthrates, and provide new health value that cannot be clearly categorized as prevention, health promotion, diagnosis or treatment.

From "better health" to "beyond health" and then to "well-being", we will take a broader view of health and work to address the health experience of each individual person.

## **Positioning and performance targets of the 4<sup>th</sup> MTMP**

In this section, I will explain the 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

This is the positioning of the 4th MTMP.

It is considered as a five-year period to promote the expansion of new businesses and invest in next generation 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 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.

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This is the outline of strategies in the 4th MTMP.

Our performance goal is to achieve double digit business revenue/profit growth rate, by establishing growth drivers and minimizing the adjustment phase caused by the LOEs.

With regard to our business strategy for achieving this performance goal and sustainable growth, we will try to invest continuously on the scale of 300 billion yen in R&D on the back of a stable financial condition to realize steady launches of new drug candidates in the late stage of development from robust pipeline.

In the pharmaceutical and nutraceutical businesses, we will improve the size and quality of profits by expanding our business areas with new products and services.

As part of our financial strategy, we will manage our performance through ROIC and ROE, and we will actively invest in growth opportunities and enhance shareholder returns.

## 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

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First, let me explain our performance targets.

We expect both revenue and business profit to significantly exceed those in FY2023 by absorbing the impact of the LOEs of our major products such as *ABILIFY MAINTENA* and *JYNARQUE*.

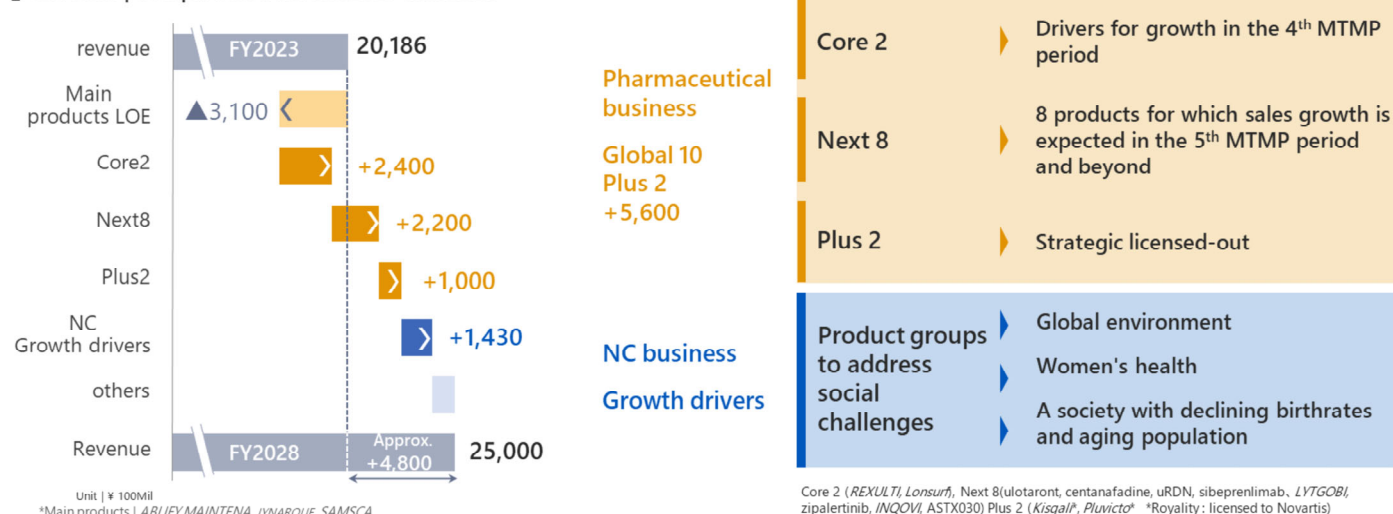
In addition, R&D expenses, or investments for growth, will be maintained at the level of 300 billion yen or more on the back of the high level of planned operating cash flow before R&D investment.

In addition to ROE, we will also use EPS and ROIC as financial management indicators, aiming for ROE of 10% or more, ROIC of 9.5% or more and EPS of ¥550.

## Revenue forecast for growth drivers

- The negative impact of LOEs of approx. ¥310 billion to be largely offset by the growth of Core 2
- 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



Next, let me explain our revenue forecast.

We plan to offset the negative impact of 310 billion yen from the LOEs of our major products, by "Core 2" products that will drive growth in the 4<sup>th</sup> MTMP period.

In addition, a net increase coming from the growth of Next8, Plus2, and nutraceutical's social problem-solving products will drive growth in the 4<sup>th</sup> MTMP and 5<sup>th</sup> MTMP periods.

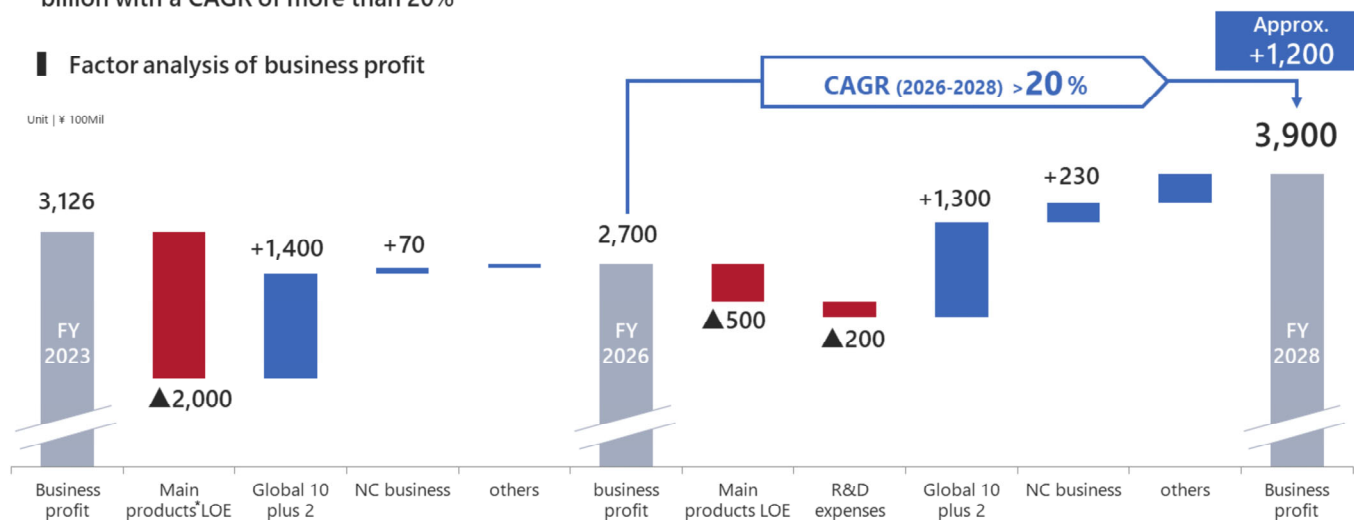
As a result, the revenue forecast for FY2028 is expected to reach a record high of 2.5 trillion yen, an increase of approximately 480 billion yen from FY2023 results.

## 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
- 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

Unit | ¥ 100M



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Next, let me explain business profit.

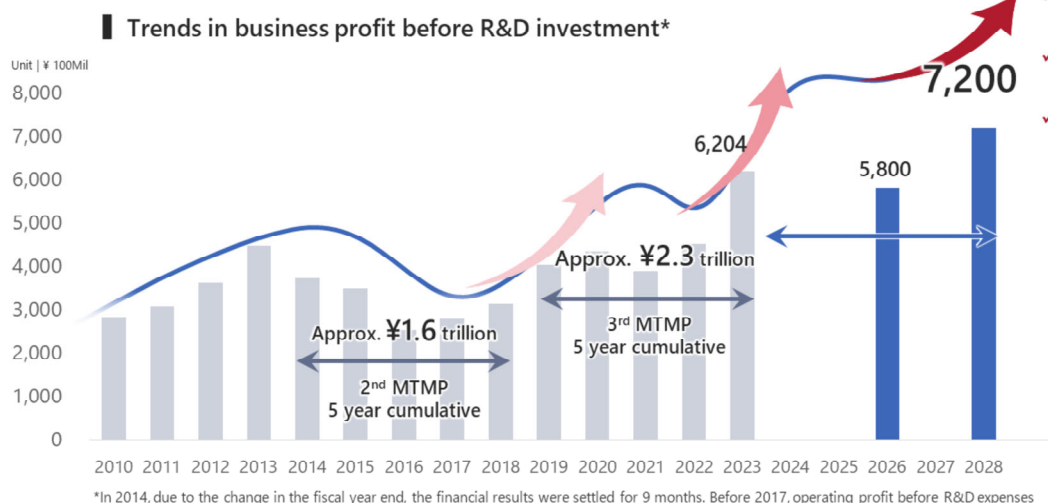
Although the growth drivers of "Global 10 Plus 2" continue to grow, business profit is expected to face an adjustment phase in FY2026 due to the LOEs of major products, as is the case for revenue.

Although there will be a negative impact on profit due to the LOEs of major products and an increase in R&D investment from FY2026 onward, we plan to achieve a record high profit of 390 billion yen, with a CAGR of 20% or more, mainly attributable to Global 10 Plus 2 products and NC business.

# Overcoming the patent cliff and aiming to reach higher

- *Jissho* (actualize) 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

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

I would now like to reflect on the transition of business profit before R&D expenses since IPO.

Through the steady implementation of the MTMP in the past and *Jissho* (actualization) of long-term unique management model, the capabilities of the human resources and organizations have enhanced, and the fruits of investment from a long-term perspective have been obtained.

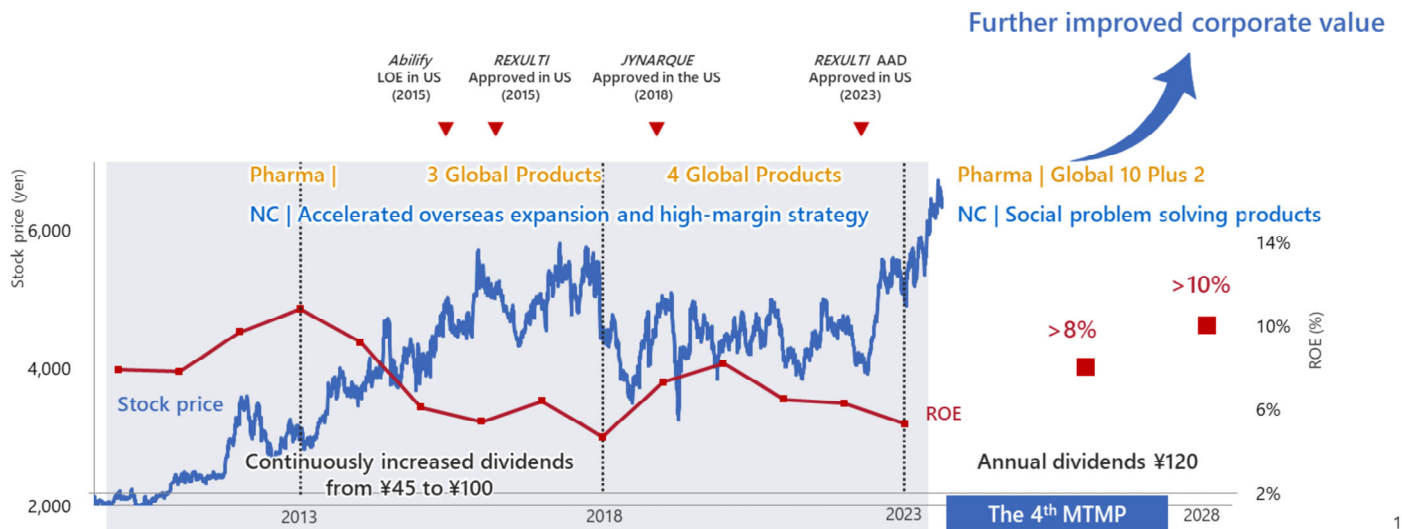
In addition, the ability to expand business overseas has increased, showing a steady evolution of the management quality.

As an indicator, the trend in business profit over the five-year period compared to previous MTMPs has shown steady expansion, and although there was a profit adjustment phase due to LOEs in pharmaceutical business, business profit has recovered strongly and reached a growth phase.

We believe this is because we have been able to deliver innovation addressing social issues to the world as a unique total healthcare company.

# 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



This shows the changes in our stock price.

Looking at our stock price performance so far, I feel that the measures on business expansion and earnings improvement we took have been appreciated by the market to a certain extent.

When we went public in December 2010, many concerns were raised in the market about the looming US patent expiration of *Abilify*.

To respond to such views, since the expiration of Abilify patent up to the 2nd MTMP period, we have diversified our revenues structure by developing 3 global products, 3 next-generation products, as well as implemented the high-margin strategy in NC business.

The 3<sup>rd</sup> MTMP has been positioned as a preparation period to deal with the patent expirations of *Abilify* MAINTENA and *JYNARQUE* and has addressed this challenge through nurturing the next growth drivers.

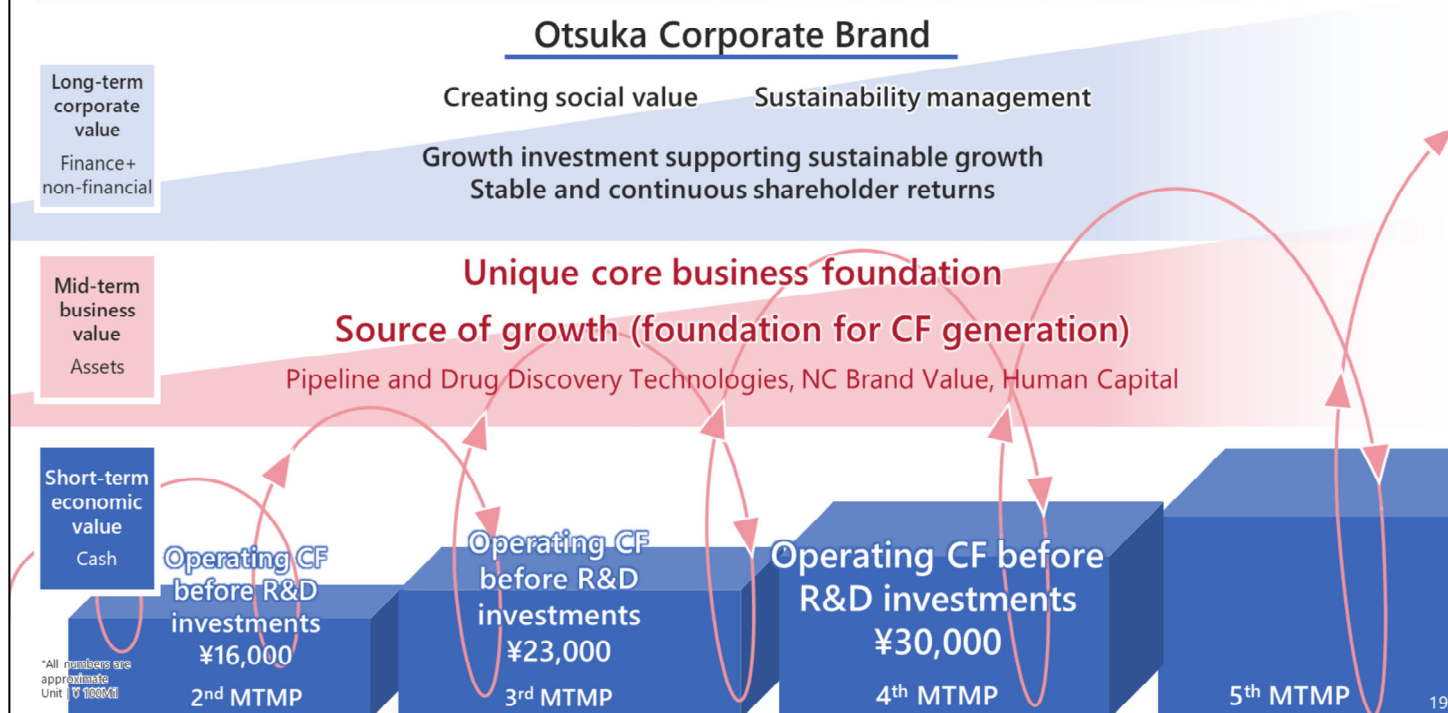
In addition to expanding business and improving earnings through growth investments, we were able to steadily enhance our ability to generate stable cash exceeding WACC.

As a result of our strong commitment to MTMP's goals and diligent *Jissho* (actualization), we have established a stage of evolving profit growth as I explained the trend of business profit before R&D expenses, and we have reached a stage to return some of the results to our shareholders.

In the 4<sup>th</sup> MTMP, we will actively make growth investments to address the patent expirations of our major products, and we will further improve the quality of management by developing our business from a sophisticated management perspective that takes into account capital efficiency.



## Cycle of enhancing corporate value



This section explains Otsuka's approach to enhancing corporate value.

We believe that short-term cash generation, medium-term investment in assets, and long-term financial/non-financial capital are three important factors for enhancing corporate value.

Investing operating cash flow before R&D investment generated from business activities, in basic drug discovery technology, brand value of NC products and human resource development, which are all sources of growth, will ensure our medium-term growth, and will serve as a basis for cash generation in the next MTMP.

Repeating this cycle will enhance Otsuka's corporate brand and ensure a source of long-term excess earning power.

Looking back on the past MTMPs, operating cash flow before R&D investment of 1.6 trillion yen was generated over the 5-year period of the 2nd MTMP, 2.3 trillion yen in the 3rd MTMP, and 3 trillion yen planned for the 4th MTMP.

Because of this cycle of corporate value improvement, operating cash flow before R&D has been increasing steadily, enhancing long-term corporate value.

In the 4th MTMP, we will further improve the quality of assets that are sources of growth from a long-term perspective, to create a virtuous cycle, anticipating the growth after the 5th MTMP.

# **Outline of the 4<sup>th</sup> 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”**

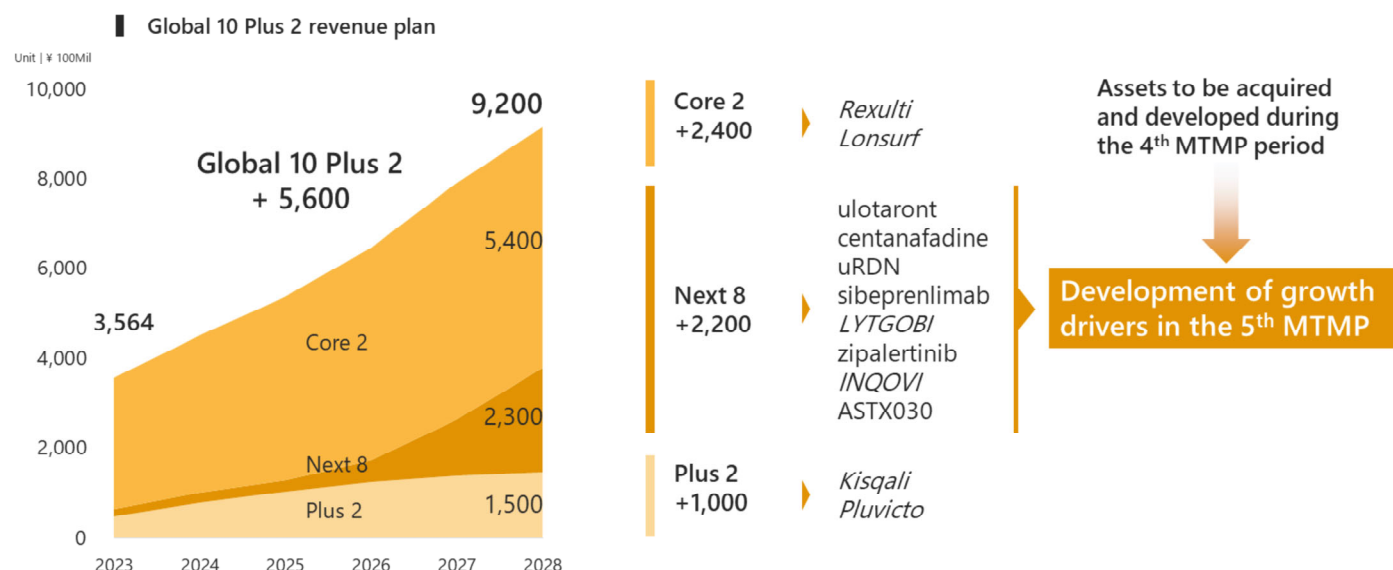
**Develop innovation ecosystem**

From here, Inoue, will explain pharmaceutical business performance goals and strategy.

During the 4th MTMP period, we will strive to achieve sustainable growth by taking on challenges in new areas.

# Achieve sustainable growth by taking on challenges in new areas

## ■ Achieve sustainable growth by developing growth drivers for the 5<sup>th</sup> MTMP

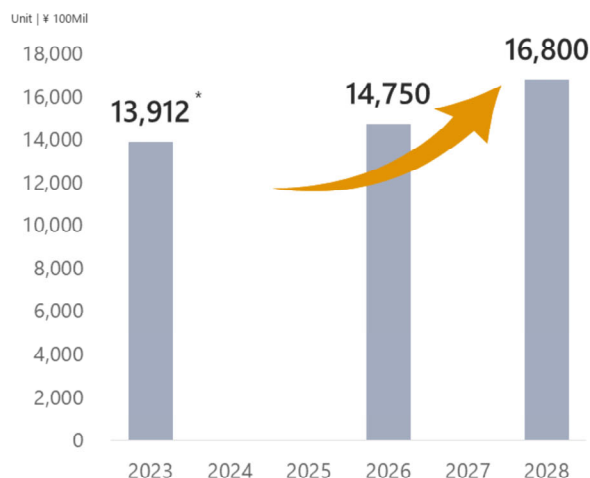


The revenue plan for Global 10 Plus 2, which are the main drivers of the 4<sup>th</sup> MTMP, is to increase by +240 billion yen for Core 2, +220 billion yen for Next 8, and by +100 billion yen as royalty income for Plus 2 licensed-out assets in the final year, totaling an increase by +560 billion yen to 920 billion yen.

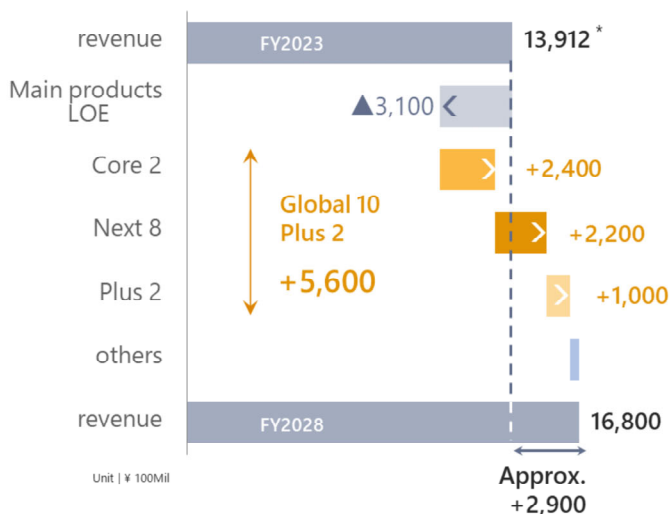
In particular, Next 8, which are expected to grow in the 5<sup>th</sup> MTMP, and home-grown as well as acquired assets in the 4<sup>th</sup> MTMP period will be developed as next-generation drivers.

- Focus on continuing stable revenue growth by offsetting the impact of LOEs of major 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.

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This is the revenue plan for the pharmaceutical business as a whole.

Revenue is forecast to achieve stable growth during the 4th MTMP period.

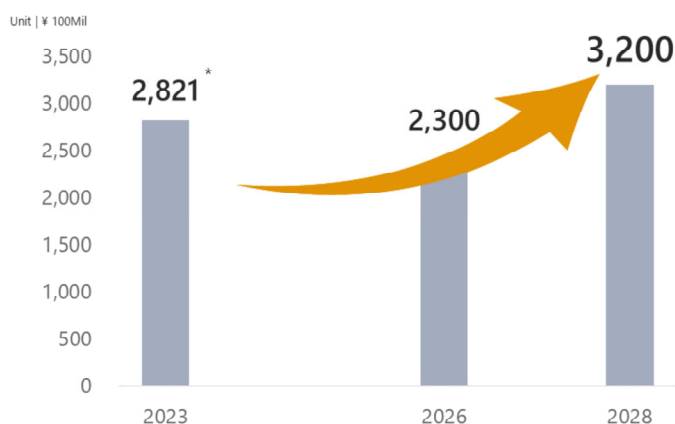
The negative impact of the LOEs of the main products, is assumed to be ¥310 billion.

However, most of the impact can be offset by Core 2, and, together with the growth of Next8 and Plus2, the revenue is planned to increase by 290 billion yen to 1.68 trillion yen in the final year.

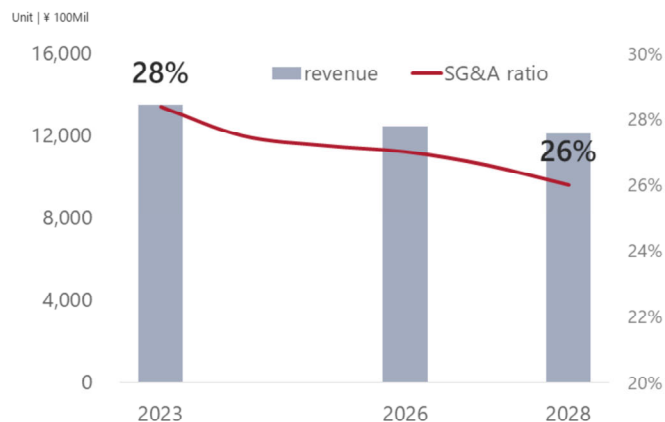
By spreading the life cycle of each product over the time period, we expect to be able to avoid big revenue fluctuations and put the company on a path of stable growth..

- 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.

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Next, I would like to explain business profit in the pharmaceutical business.

Due to steady sales growth and promotion of appropriate cost allocation, business profit is scheduled to reach 320 billion yen in the final year of FY2028, exceeding the 2023 level despite a temporary adjustment phase.

## Psychiatry and neurology area

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

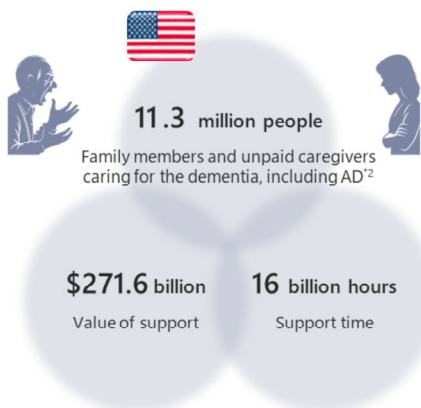
Next is the details by therapeutic area.

First, I will start with *Rexulti*.

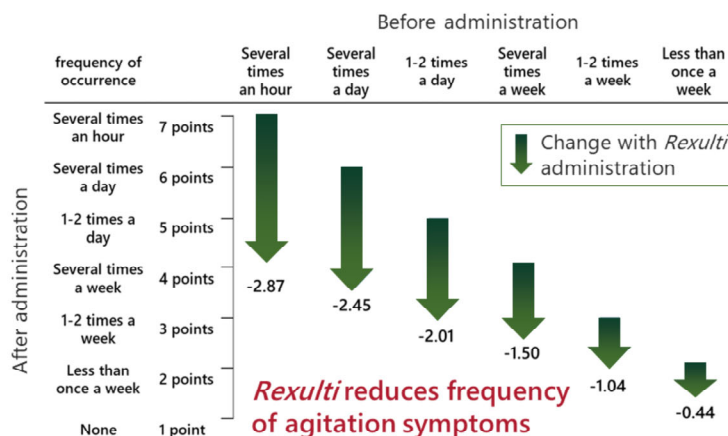
# 1 Rexulti | Toward a well-being society by reducing caregivers' burden

- 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\*<sup>1</sup>



## Improvement of CMAI\*<sup>3</sup> by *Rexulti* in clinical study\*<sup>4</sup>



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

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

One of the major issues in dementia is the burden on family members and caregivers who care for patients, and the time and financial burden on them is also a huge social issue.

*Rexulti* is the only drug approved for agitation associated with dementia due to Alzheimer's disease in the US.

The results from our clinical program showed reductions in the frequency of various behaviors associated with dementia. We believe this will result in improved quality of care.

## 1 Rexulti | Seeking new approval for PTSD, another major social issue

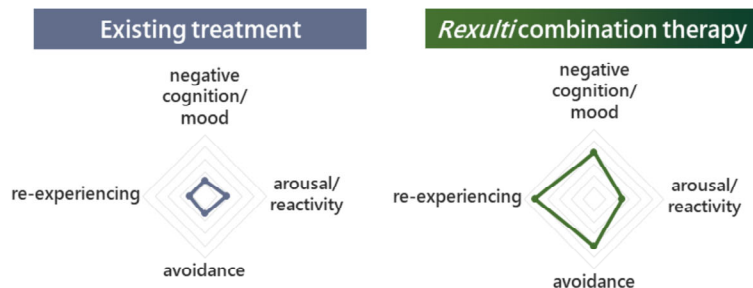
- No new drugs have been approved for more than 20 years, and there is a need for drugs that have broad effects on four symptoms of PTSD
- Aim to contribute to solving the two major social issues of AAD and PTSD by maximizing the value of *Rexulti*

### ■ Social issues of PTSD in the US

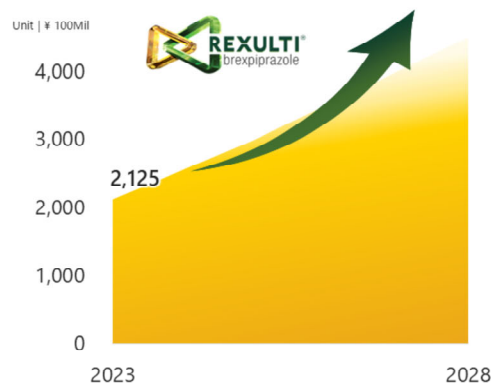


Prevalence\*<sup>1</sup> **17 million people**  
Economic burden\*<sup>2</sup> **\$232.2 billion/year**

### ■ Effect sizes in four CAPS-5 clusters\*<sup>3</sup>



### ■ Revenue forecast | *Rexulti*



\*<sup>1</sup> ©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.

\*<sup>2</sup> *J Clin Psychiatry*, 2022 Apr 25;83(3):21m14116

\*<sup>3</sup> 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

As for *Rexulti*, we are taking on a new indication challenge of PTSD.

Amid high prevalence of 17 million patients in the US and their high financial burdens, we are exploring this new potential of *Rexulti* to overcome the lack of new drugs for more than 20 years.

In the clinical studies we conducted, *Rexulti* has shown to be effective in treating the 4 major symptoms of PTSD, even those that have not been improved by conventional treatment, and is expected to become a new option.

We aim to contribute to solving the two major social issues of AAD and PTSD by maximizing the value of *Rexulti*.

- Existing ADHD drugs are not safer if effective and less effective if safe
- Emphasis is on efficacy in the US, but on safety in Japan
- Achieving a 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.\*<sup>1</sup>

**Staying on medication is difficult for both children and adults**

### ■ Advantages of centanafadine:

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



\*<sup>1</sup> J Psychiatr Res. 2022 Aug;152:201-218

\*<sup>2</sup> Novel MOA for norepinephrine, dopamine and serotonin reuptake inhibition

Next, I would like to explain centanafadine, which is under development for treatment of ADHD.

In ADHD treatment, there are challenges in continuing treatment, and the drug profile that is preferred varies by country and medical environment.

Therefore, drugs with an optimal balance between efficacy and safety are still needed.

We expect centanafadine to be the first-in-class drug with novel MOA, excellent potential and comparable safety and tolerability profile to existing non-stimulants.

In addition, the drug has an ideal PK profile for patients due to its proprietary formulation.

Phase 3 program has already been completed, and the long-term stability study of the drug product is underway. The development is ongoing for an NDA submission after 2025.



- 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 |  
D<sub>2</sub> receptor blockade + serotonin  
blockade

Typical antipsychotics |  
D<sub>2</sub> receptor blockade

#### ■ Development plan for ulotaront

##### Schizophrenia

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

##### Major depressive disorder (adjunctive)

P2/3 ~ May 2025  
NCT05593029

##### Generalized anxiety disorder

P2/3 ~ February 2025  
NCT05729373

\*Trace amine-associated receptor 1

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Next, I would like to explain ulotaront.

There are many drugs for schizophrenia, including our own products, but still there is a need for treatment options that can further improve patients’ quality of life such as the goal of reintegrating into society.

Ulotaront has a new mechanism of action that does not affect dopamine which is thought to cause schizophrenia.

Therefore, the various risks associated with dopamine blockade are expected to be low and tolerability is high.

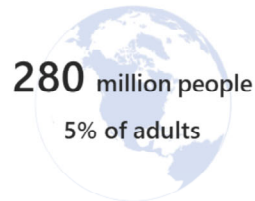
We have decided to continue development for schizophrenia as well as other indications of major depressive disorder and generalized anxiety disorder.

## 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)<sup>\*1</sup>, highly effective, well-tolerated and fast-acting drugs are needed

### Current status of depression:

Prevalence<sup>\*2</sup>



One in three patients  
treated for depression are  
TRD<sup>\*3</sup>



### Social issue of TRD: suicidality

Percentage of TRD patients  
who attempt at least one  
suicide in their lifetime<sup>\*4</sup>

30% or more

Suicide risk in TRD patients  
compared with healthy  
subjects<sup>\*5</sup>

15 times

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

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

Next, we would like to take up depression as a social issue to be resolved.

There are so many people with depression in the world, and it is said that one in three people is not getting enough benefit from medication they are on.

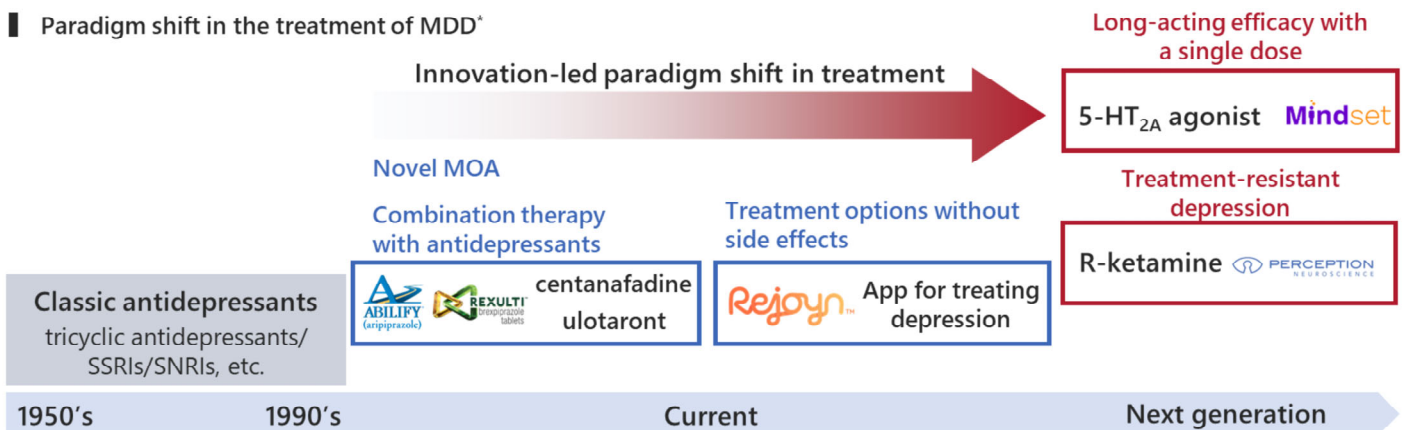
In addition, more than 30% of people with treatment-resistant depression attempt suicide, and the risk of suicide is 15 times higher than that of healthy people, which is an extremely big social issue we think need to be solved urgently.

## 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 for MDD, and existing drugs (SSRIs and SNRIs) may be reduced to adjuncts

### ■ Paradigm shift in the treatment of MDD\*



\* major depressive disorder

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In this situation, we will continue to work to solve this issue through various approaches.

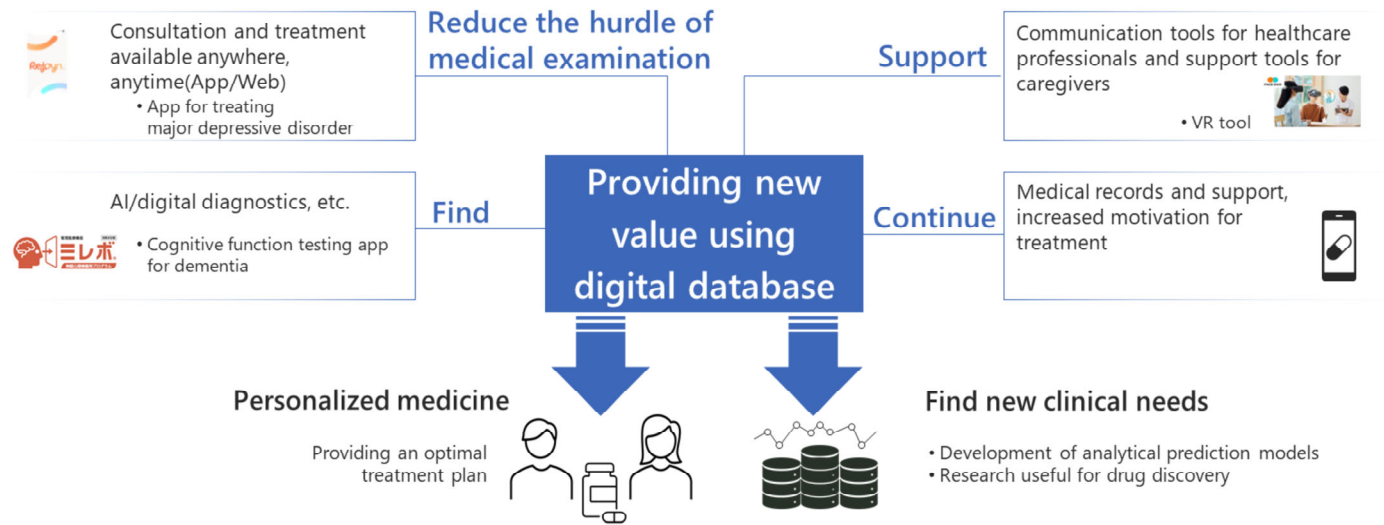
It is not an easy approach, but we want to change depression from “a disease that never gets better” to “a disease that can be cured completely”.

This is our challenge to a paradigm shift of depression treatment.

## 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 stages of prevention, diagnosis and treatment

### ■ Comprehensive treatment system/A case in CNS areas



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At the end of the CNS part, I would like to introduce our approach using digital tools.

In addition to providing innovative medicines, we are also actively building a digital health system that connects many people suffering from neuropsychiatric disorders with various digital tools.

We are developing digital tools that can be used in all medical situations to prevent, diagnose, and treat diseases, such as programs to support diagnosis of diseases, digital apps to reduce the hurdles of seeking medical care, VR tools to support healthcare providers, caregivers, and patients, and services to continue medication treatment.

Based on the data obtained from these digital tools, we will build a digital platform to identify personalized medicine and new needs.

## Cardiovascular and renal areas

- 1 sibeprenlimab
- 2 uRDN
- 3 NO-13065

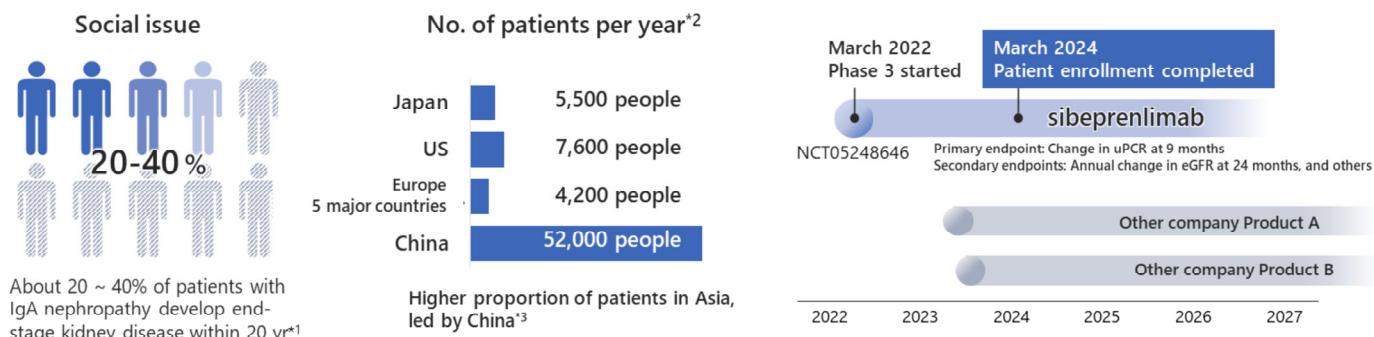
From here I will explain the cardiovascular and renal areas.

## 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 in its LCM programs.
  - The 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 effects.

### IgA nephropathy

### Phase 3 timeline of drug candidates targeting APRIL<sup>\*4</sup>



<sup>\*1</sup> Am J Med Sci, 2021;361(2):176–194. <sup>\*2</sup> © GlobalData Plc, 2023 Epidemiology of IgA Nephropathy. (partially modified)

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

The next topic is sibeprenlimab, which is being developed for IgA nephropathy in the cardiovascular and renal area.

IgA nephropathy is a disease in which approximately 20% to 40% of patients develop end-stage renal disease.

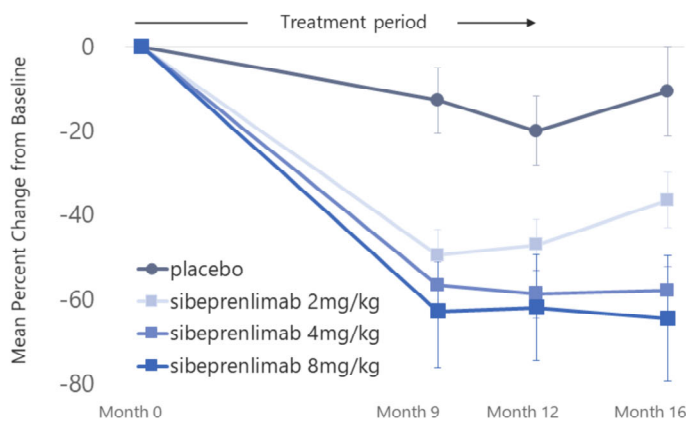
Effective treatment for IgA nephropathy is limited and its prevalence is reported to be high in Asia.

With the aim of launching it as the first-in-class drug, we are expediting the development of sibeprenlimab, making sure to deliver this easy-to-use, safe, and well tolerated product to patients.

## 1 sibeprenlimab | Breakthrough therapy designation by the FDA for IgAN treatment

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

### Phase 2 Study results<sup>\*3</sup> | uPCR (urinary protein/creatinine ratio)



### Adverse events identified in Phase 2 Study<sup>\*3</sup>

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%

<sup>\*1</sup> Urinary protein to creatinine ratio <sup>\*2</sup> Estimated glomerular filtration rate

<sup>\*3</sup> A Phase 2 Trial of Sibeprenlimab in Patients with IgA Nephropathy: NEJM2023

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Sibeprenlimab is characterized by its dosage regimen of once every 4 weeks.

In February this year, it received breakthrough therapy designation from the FDA after showing a decrease in urinary protein at 12 months in a phase 2 study.

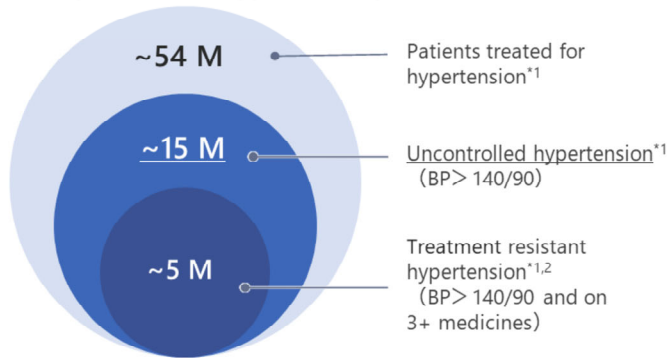
In addition, the phase 2 study, though it was conducted during the COVID-19 pandemic, was completed as planned.

We also obtained an interesting finding that, despite its immunosuppressive MOA, sibeprenlimab did not increase the risk of COVID-19 and other infections.

This is considered to be a unique characteristic of sibeprenlimab, and we will continue to examine it carefully.

- 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 shown to be 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<sup>\*3</sup>

- uRDN clinical trial data
- US guideline

Within 2-3 years: US broad insurance reimbursement

US Full launch

<sup>\*1</sup>. *Hypertension*. 2017 Oct;70(4):736-742. Online Supplement – 2013-14 Data. <sup>\*2</sup>. *Hypertension*. 2019 Feb;73(2):424-431.  
<sup>\*3</sup>. Global Paradise System registry : Real Clinical trial in patients with uncontrolled hypertension

Next, I would like to talk about a new treatment for hypertension ultrasound renal denervation system, uRDN.

Despite advances in medications, it has been reported that as many as 15 million patients in the US have uncontrolled blood pressure, and hypertension is still a major social issue.

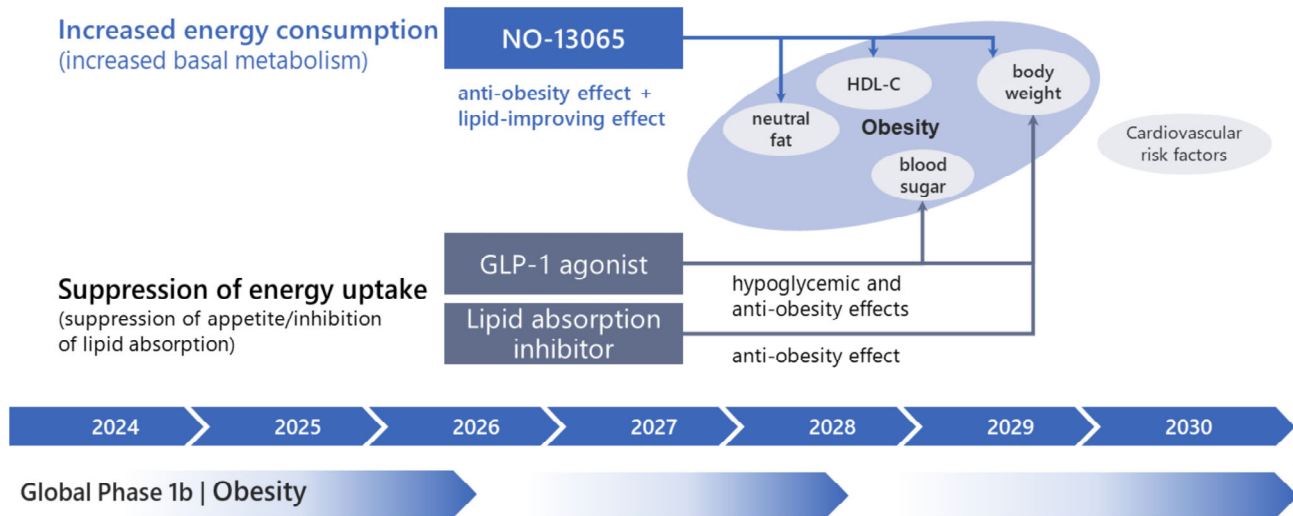
We are working to solve this problem with an innovative medical device, which was approved in the US last year.

Currently, we are focusing on raising awareness of uRDN with the aim of accelerating the development of the medical device market in the US and achieving broad insurance reimbursement by building Recor's sales base and utilizing Otsuka group's pharmaceutical business know-how.



### 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



Here, I would like to introduce NO-13065, a novel anti-obesity drug.

Drug development for obesity has been progressing as the disease has attracted much attention in recent years, and we believe that the feature of this compound is its novel pharmacological action that enhances energy consumption, the first in the world.

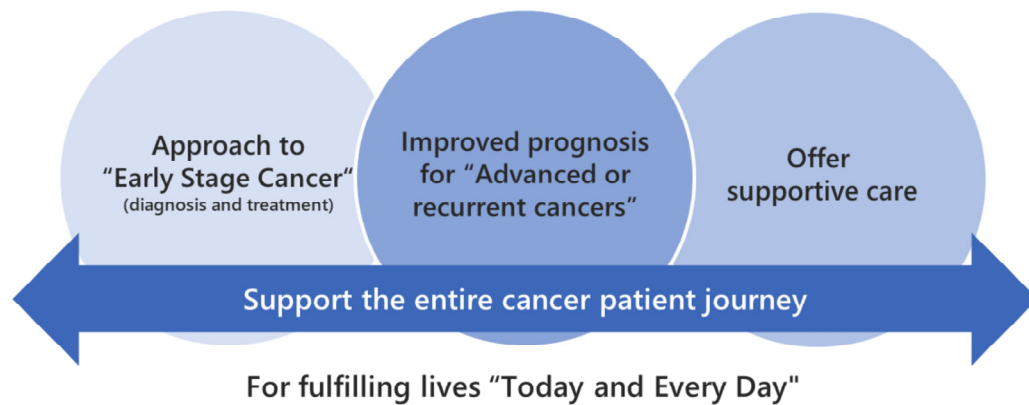
We will also actively address this new social issue of today.

## Oncology area

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

Next, I will explain the oncology area.

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



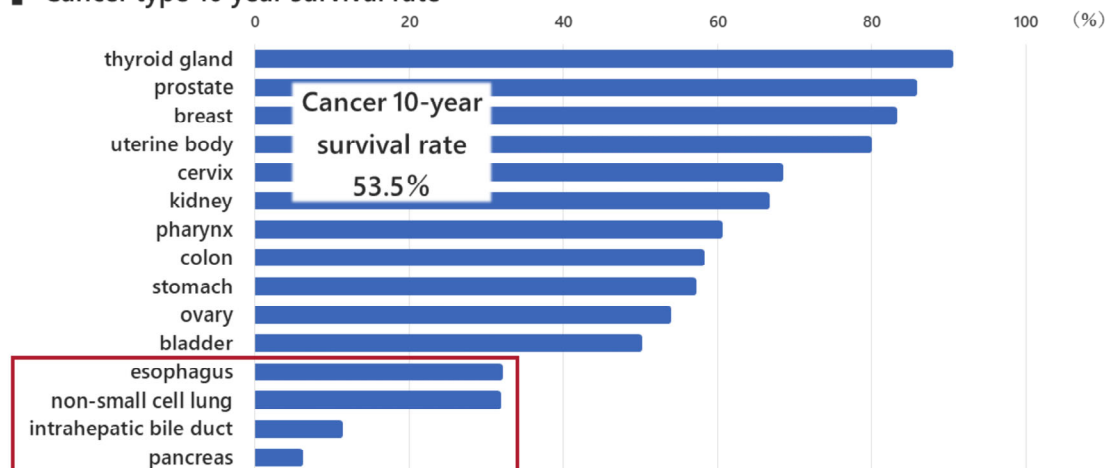
This section shows our approach in the oncology field.

We look at the cancer patient journey in three stages and work to support the entire cancer patient journey by addressing their needs at each stage.

## Needs for continued drug development

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

### ■ Cancer type 10 year survival rate\*



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

This shows the prognosis of cancer patients.

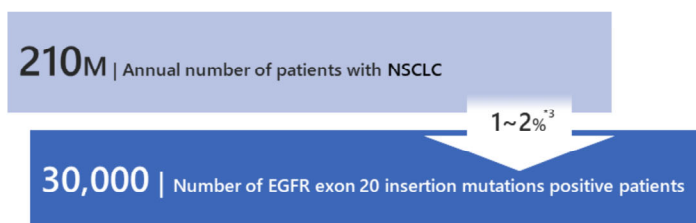
While progress in care is being made every day but far from satisfactory.

In the 4<sup>th</sup> MTMP period, we plan to focus on lung and gastrointestinal cancers, which are particularly known for their poor prognosis.

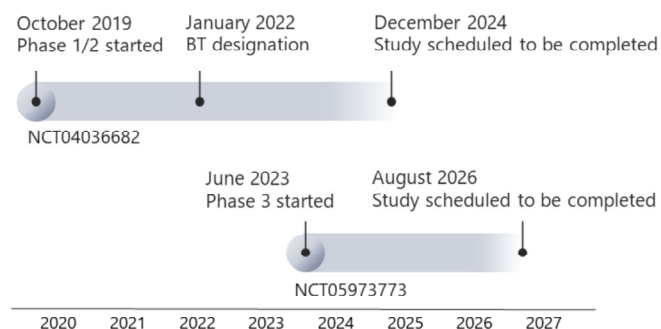
## 1 zipalertinib | To improve prognosis of non-small cell lung cancer

- Oral treatment of NSCLC<sup>\*1</sup> 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 leads to breakthrough therapy (BT) designation
- Development is being accelerated aiming for the 1<sup>st</sup> line therapy with potential peak sales of ¥100 bil or more including entire LCM programs

### ■ Annual number of patients<sup>\*2</sup> with NSCLC



### ■ Development schedule



<sup>\*1</sup> non-small cell lung cancer

<sup>\*2</sup> GLOBOCAN 2022; *CA Cancer J Clin* 2024;1-35

<sup>\*3</sup> *Transl Lung Cancer Res* 2023;12(7):1590-1610

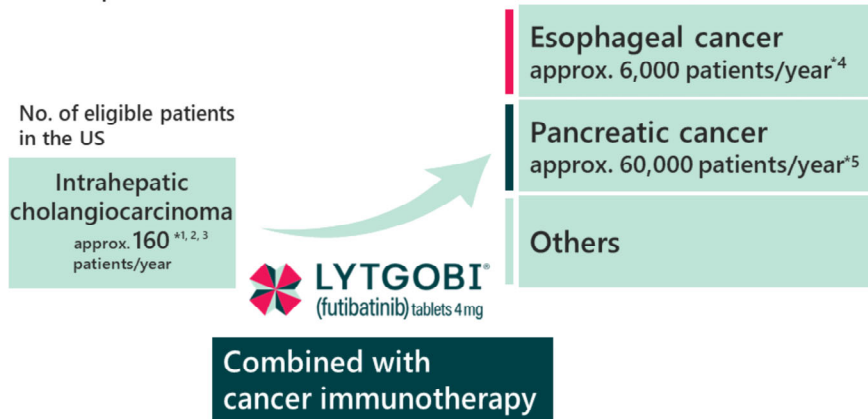
This shows zipalertinib, being developed for lung cancer.

In 2022, zipalertinib received an FDA's breakthrough therapy designation because of its expected excellent efficacy and safety based on the interim analysis of phase 1/2 study and is currently in phase 3 for NSCLC with specific gene mutations.

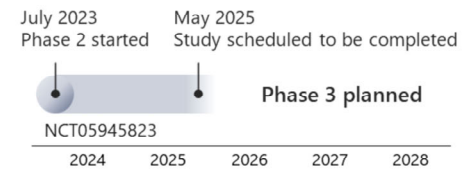
## 2 LYTGOBI | To improve prognosis of gastrointestinal cancer

- Approved in the US in Sep. 2022 for intrahepatic cholangiocarcinoma, a cancer whose US 5-year survival rate is estimated at 9%<sup>\*1</sup>, 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, expand cancer type to esophageal and pancreatic cancers, etc.
- Potential peak sales of ¥100 bil or more including the entire LCM programs

### ■ LCM plan



### ■ Development schedule for esophageal, pancreatic cancers and others.



<sup>\*1</sup> American Cancer Society, Key statistics for bile duct cancer.  
<sup>\*2</sup> Banalles JM et al. *Nat Rev Gastroenterol Hepatol*. 2020;17:557-588.  
<sup>\*3</sup> EGFR2 gene rearrangement (including fusion gene) rate calculated as 10%.  
<sup>\*4</sup> American Cancer Society, Key Statistics for Esophageal Cancer.  
<sup>\*5</sup> American Cancer Society, Key Statistics for Pancreatic Cancer.

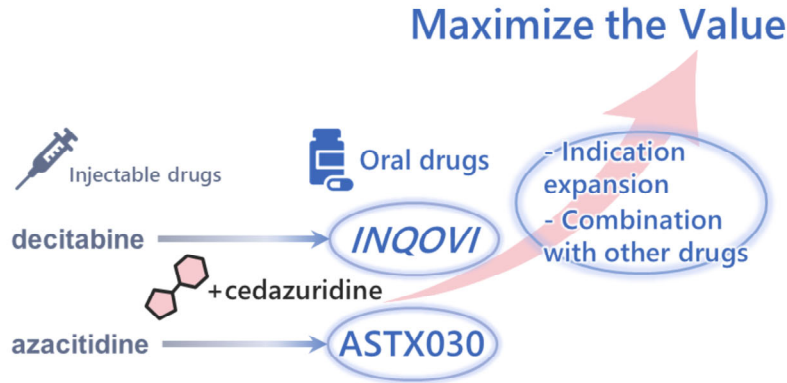
Next is *LYTGOBI*, approved in the US for intrahepatic cholangiocarcinoma and we have high expectations for its new approach of combination therapy with cancer immunotherapy.

We anticipate that it will be approved in the 5th MTMP period, and will proceed with clinical studies with the aim of adding indications for esophageal and, pancreatic cancers, etc.

### 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 the combination of cedazuridine, which prevents degradation of the active ingredient
- Expected to reduce the burden on patients and those around them

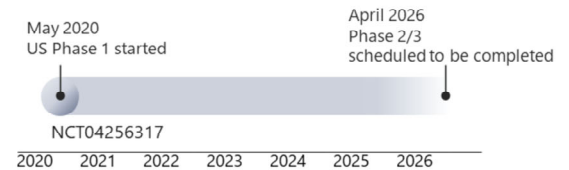
#### ■ Blood cancer strategy



#### ■ *INQOVI* AML development schedule



#### ■ ASTX030 MDS/AML/CMML development schedule



Here's our efforts on blood cancer, especially oral cancer drugs.

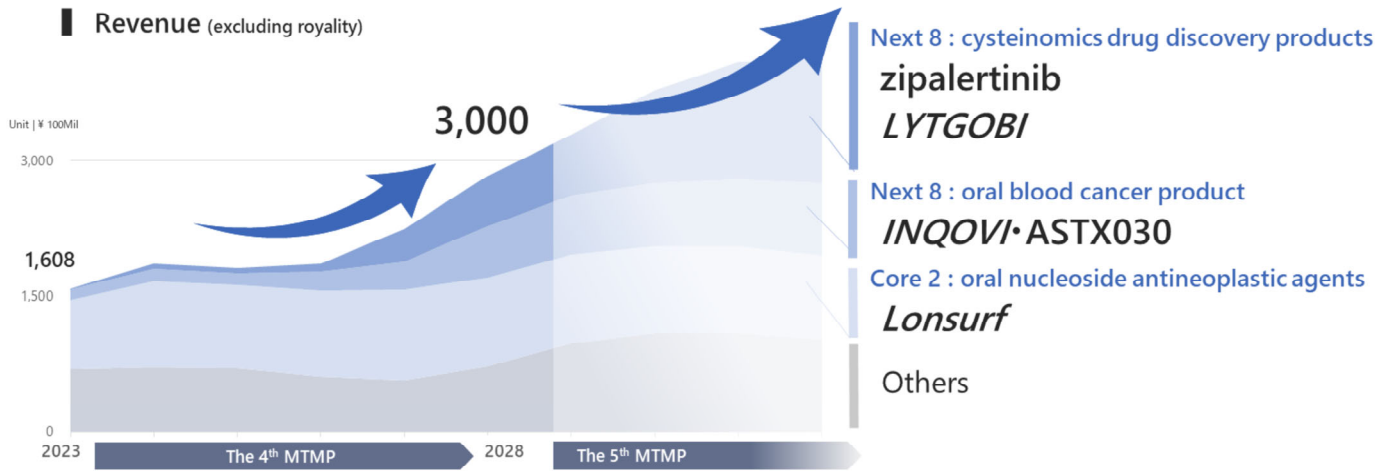
We have applied our expertise in oral anticancer drugs, that we have been working on since the 1970s, to blood cancer drugs.

*INQOVI* and ASTX030, which have been transformed from standard injectable drugs to oral drugs, are expected to contribute to improving the QOL as one of the new treatment options for patients who previously required frequent hospital visits.

Furthermore, we will maximize the value of our products by combining them with other drugs and expanding their indications.

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

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

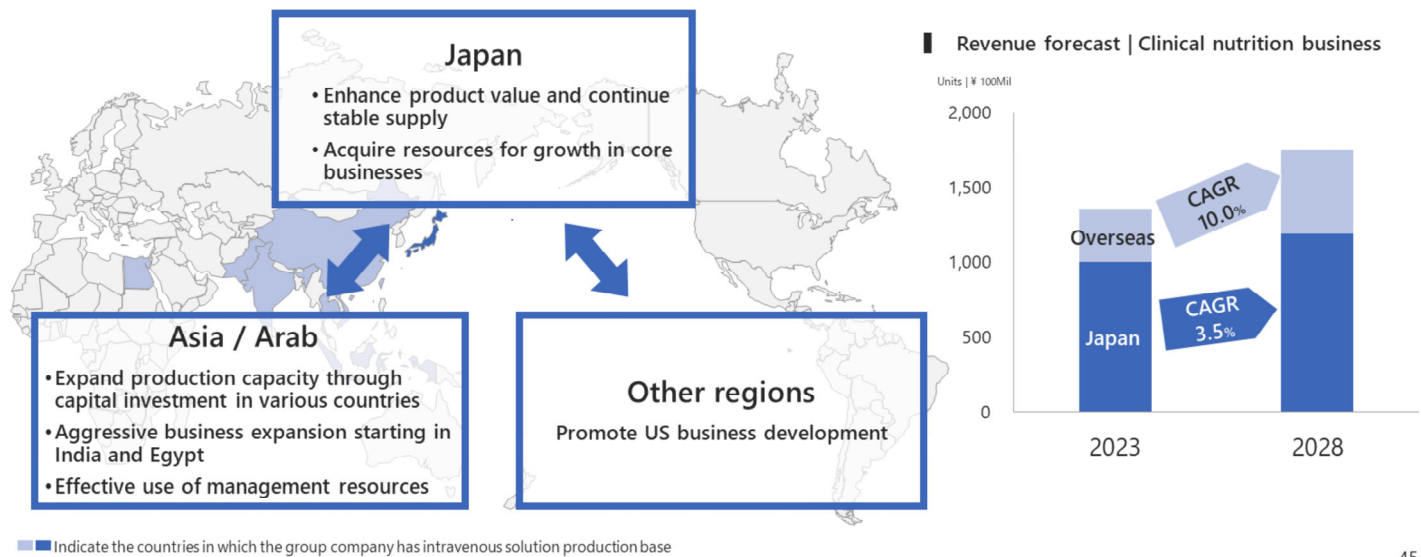


These five products in the Global 10 including *LONSURF* will lead our oncology business.

The fruits of our previous efforts have gradually become apparent from this 4th MTMP period, and we are looking to more contributions of our oncology business to the bottom line as the second pillar of our pharmaceutical segment after neuropsychiatry.



- 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



As the last topic of my pharmaceutical presentation, I would like to introduce the strategy of clinical nutrition.

First of all, in Japan, we aim to enhance the value of our products, ensure stable supply, and obtain resources for growth.

Overseas, in Asia and the Arab world, we will expand our production capacity by making effective use of our management resources and capital investments in each country.

We will further enhance our corporate presence in clinical nutrition globally by promoting business development in the US.

For peak sales of Global 10, please refer to page 67.

# Outline of the 4<sup>th</sup> 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**

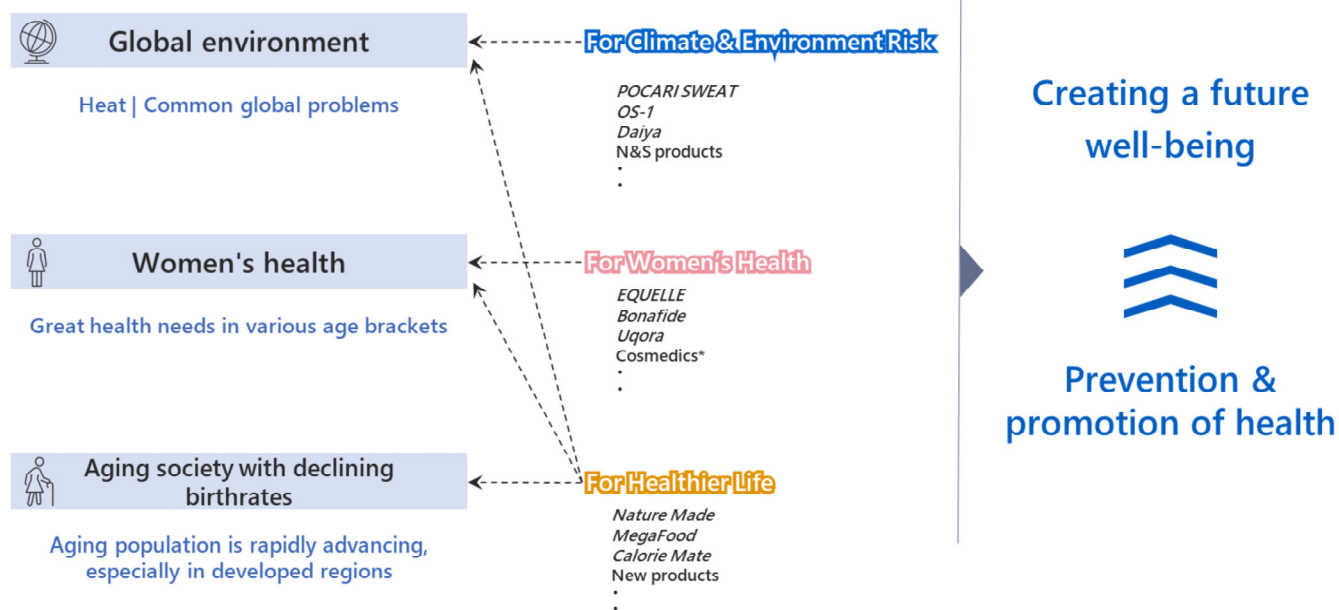
**Create and foster the next generation growth drivers**

**Continue a high profit structure**

From now on, I will explain our NC business strategy.

As for the outline of the strategy, we will work on these three items under the theme of "To become a global company with flexibility."

## Total Healthcare



\*Abbreviation for cosmetics + medicine

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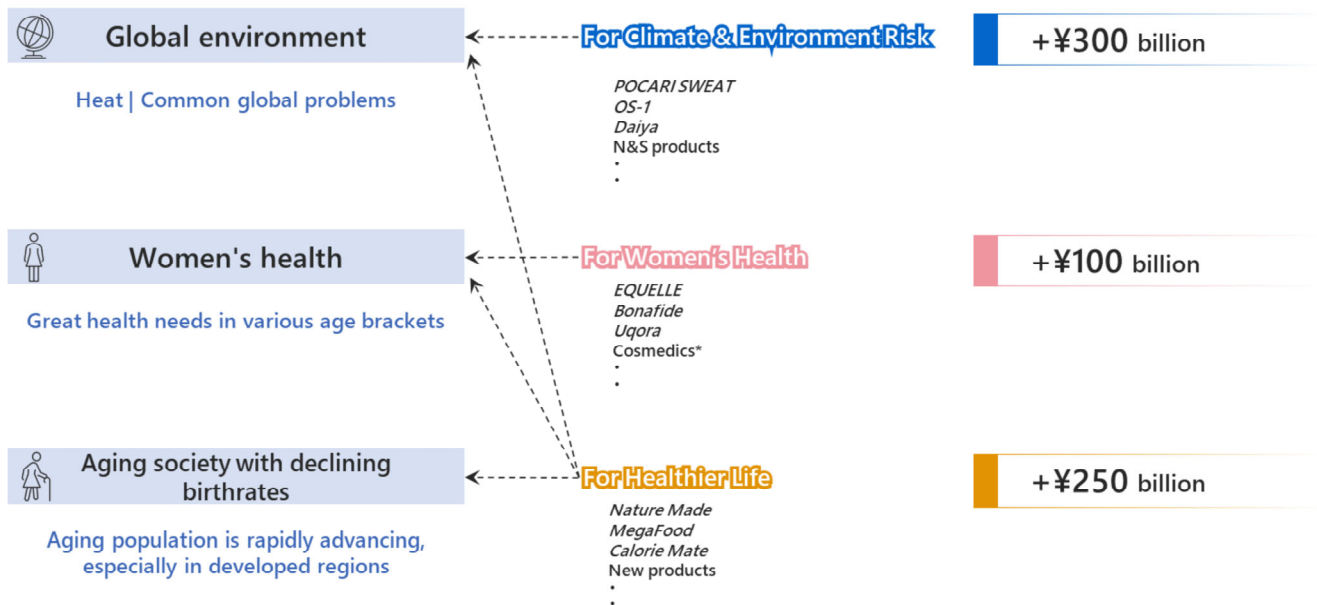
Otsuka focuses on the solution to these three social issues, and we have categorized our products that can deal with these issues.

These are "For Climate & Environmental Risk" for which we offer a solution to heatstroke caused by global warming and a contribution to reducing the environmental impact by our products, "For Women's Health", and "For Healthier Life" for which our product groups contribute to various needs tailored to people's life stage.

As a total healthcare company, we will continue to create and evolve a future well-being through our efforts to provide appropriate solutions for health prevention and promotion.

## Total Healthcare

Category sales targets in the 5th MTMP



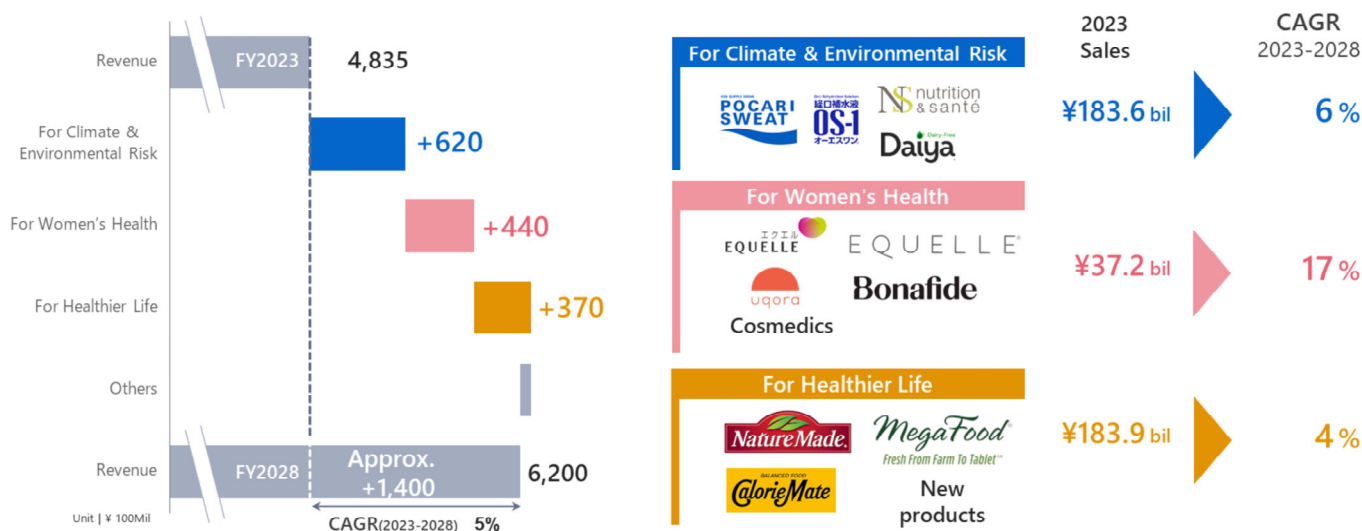
\*Abbreviation for cosmetics + medicine

We have set revenue targets for the 5<sup>th</sup> MTMP for each of these categories.

Next, I will explain our strategy for each category.

## Revenue forecast for 3 categories that deal with social issues

- Climate & Environmental Risk | Develop business of overseas *POCARI SWEAT* 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



This is a sales forecast for our NC business.

In FY2028, revenue forecast is 620 billion yen, up by about 140.0 billion yen from that in FY2023.

*POCARI SWEAT*, which is in "For Climate & Environmental Risk" category, will grow mainly in Asia such as China and Indonesia.

Our challenge is to foster *POCARI SWEAT* to a 100 billion-yen brand overseas.

In women's health, we will focus on nurturing this new category mainly in North America and build a foundation to become a category leader.

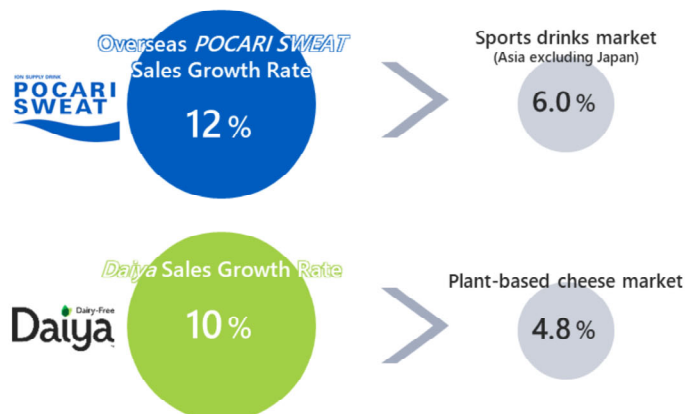
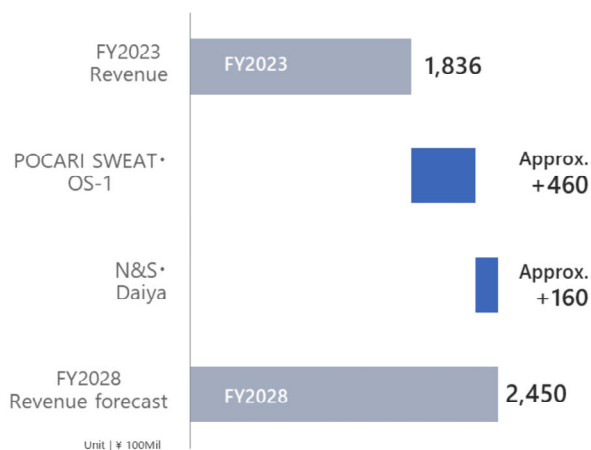
In addition, in "For Healthier Life" we aim for further value maximization with a CAGR of 4% during the 4th MTMP period as well as supporting the growth of the overall NC business.

## 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 market and strive to establish the growth foundation in new areas
- **Daiya** | *Daiya's* dairy-free cheese which contributes to reduction of environmental issues meet the needs of health-conscious consumers by using a new fermentation technology

### Revenue Forecast | Climate & environmental risk

### CAGR (2023-2028) | Growth drivers vs market



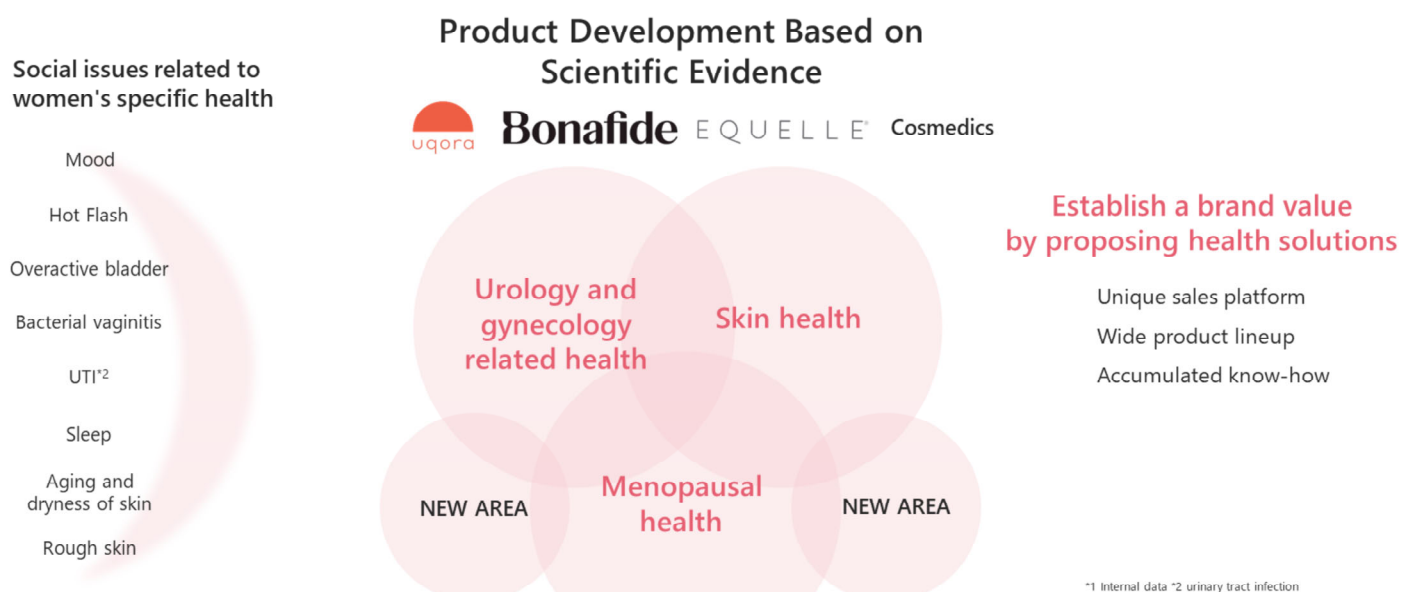
First, "For Climate & Environmental Risk", *POCARI SWEAT* will contribute to the health of people by improving its brand equity mainly in Asia, where demand for healthy beverages is expected to increase during the 4th MTMP period.

We will also make inroads into new markets such as India and Nigeria, North America and contribute to solving global health issues by developing our own solutions to heatstroke on a global scale.

In addition, *Daiya*, which is developing plant-based foods in North America, continues to contribute to reducing environmental impact in water use and CO2 emission in the plant-based cheese production process.

We will aim to achieve 10% of growth, exceeding the market growth and grow as a category leader in plant-based foods by offering a product line-up that meets the needs of consumers and delivers the same great taste as dairy-cheese using our unique fermentation technology.

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



As "For Women's Health", we develop products based on scientific evidence to propose health solutions for women's specific issues.

In addition to the comprehensive support provided by *Uqora*, *Bonafide*, and *EQUELLE*, we propose safe and effective solutions for skin health, "cosmetic" products such as *Inner Signals* and *Sakurae*, to meet the health needs of women that become more complex over time.

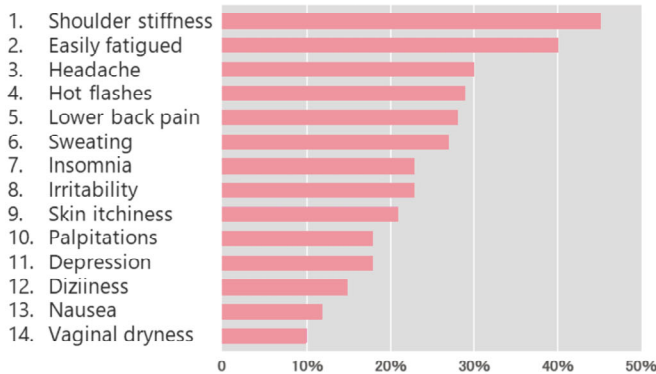
We will build a growth foundation as a category-leader in the "women's health" market by providing a long-term support.



- Utilizing the knowledge and data from newly acquired Bonafide and Uqora, we will globally expand solutions for women's health issues

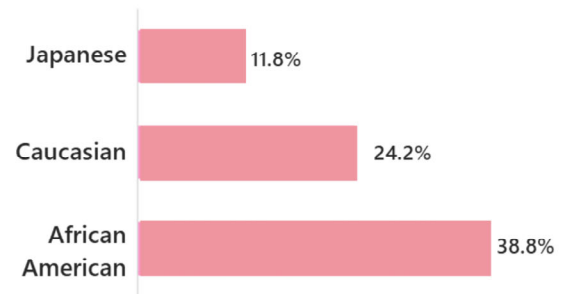
## Significant individual and racial differences in symptoms

Various symptoms of menopausal disorders\*<sup>1</sup>



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

Frequency of hot flashes by race\*<sup>2</sup>



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

As a characteristic of women's health problems, it is known that the symptoms that appear not only vary greatly by individual, but also by race.

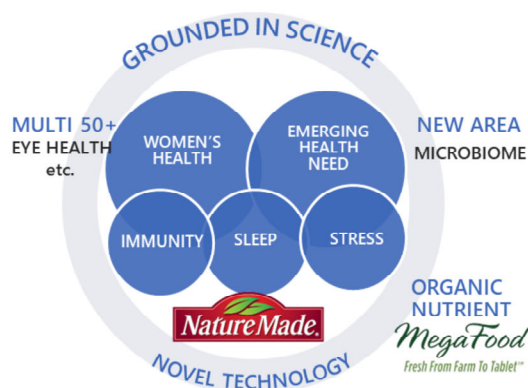
For example, there are various symptoms of menopause, and one is hot flashes. It has been reported that there is a difference in its frequency by races.

As you can see, even if you take a single symptom of women's specific issues, there is a big difference between individual and race, and you need solutions according to the symptoms.

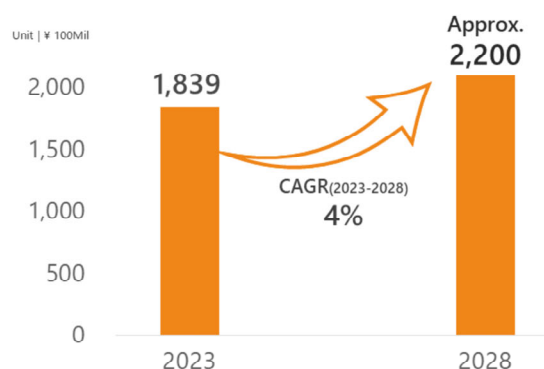
We will use scientific knowledge and data from *Uqora* and *Bonafide* that have joined Otsuka to develop solutions for women's health issues globally.

- Further maximizing value through extensive lineup and high trust in brand
- Contributing to various needs through a new approach to make it a next growth driver

### Each contribution according to the life stage



### 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).

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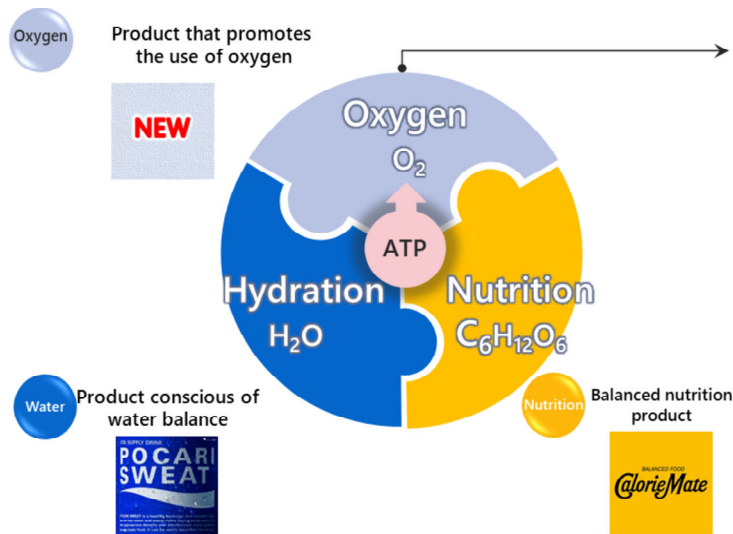
The third is "For Healthier Life."

We will maximize the values of our nutritional supplements, *Nature Made* and *MegaFood*, with a wide range of products that can meet a variety of needs at different life stages by leveraging their evidence-based brand equity.

During the period of the 4th MTMP, we will further accelerate the global expansion of *Nature Made* and focus on China, where the supplement market is expected to exceed the size of the U.S. market.

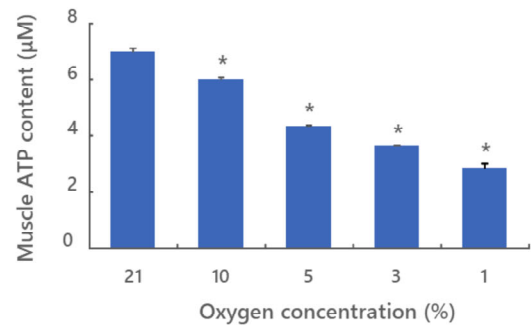
Revenue of "For Healthier Life" category is expected to grow at a CAGR of 4% during the 4th MTMP period and will continue to contribute to the growth of our NC business.

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



• 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

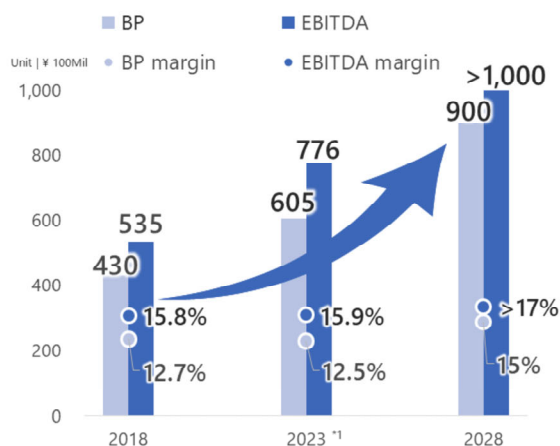
With regard to "For Healthier Life", we plan to add new products with the concepts of "hydration" and "nutrition" necessary for life activities.

We are currently preparing for the new product launches, and we will announce the rollout when they are ready.

## 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 the business scale

### Trends in business profit (BP) and EBITDA



### Contribution profit<sup>\*2</sup> rates by product group in FY2028



<sup>\*1</sup> 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.

<sup>\*2</sup> contribution profit = business profit - Indirect expenses - R&D expenses + Equity in net income of affiliates

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NC business has built up a strong business foundation by implementing a high-margin strategy based on its high brand equity.

In the 4th MTMP, we will aim to achieve a record business profit rate of about 15% in FY2028 and EBITDA, which represents profitability, of more than 100 billion yen, while making upfront investments to further expand our business scale.

On the right shows the contribution profit rate in FY2028 for the three categories that are addressing the social issues mentioned earlier.

That concludes the presentation on the pharmaceutical and NC businesses.

# 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

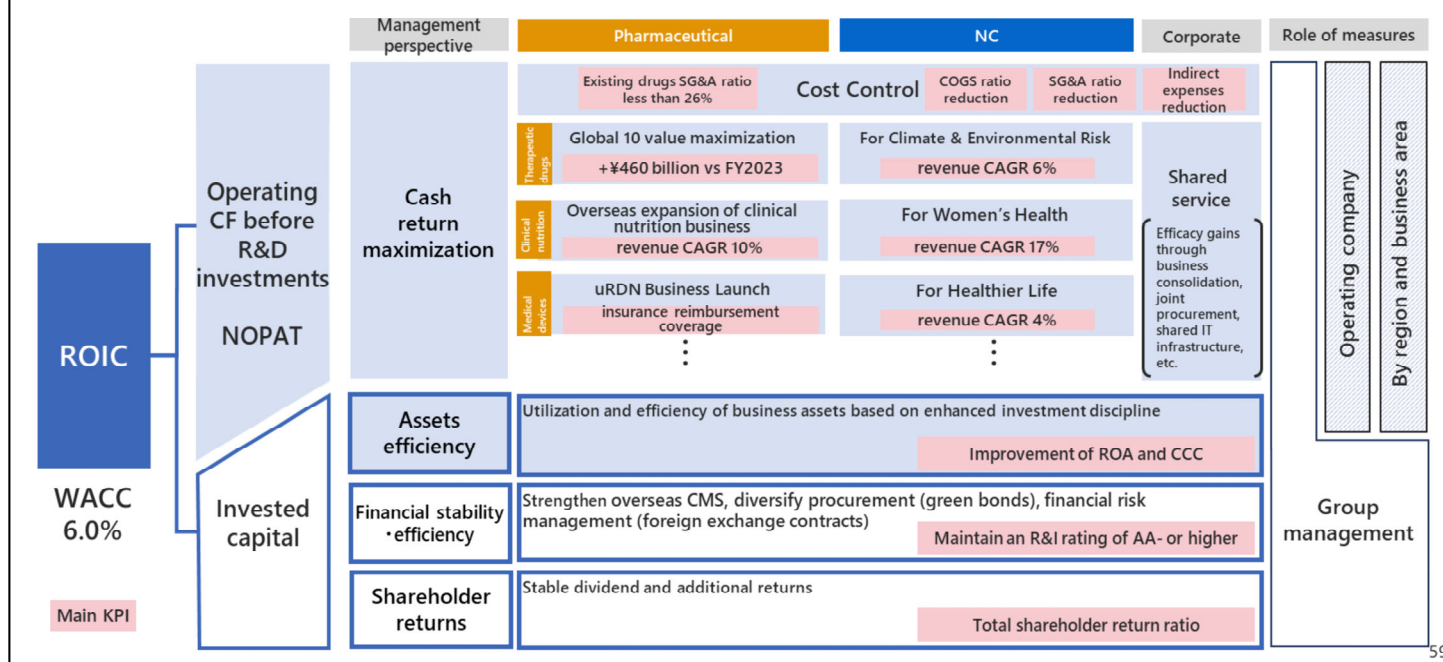
Shareholder return policy

As Higuchi, CEO, mentioned earlier, I will explain the cycle to enhance corporate value and the financial strategy to support evolution of management quality.

I will cover "Otsuka group's ROIC Management," "Cash Allocation and Balance Sheet Management to Support Sustainable Growth," and "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



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First, I will explain Otsuka group's ROIC Management.

In the 3<sup>rd</sup> MTMP, we positioned it as the period to introduce management conscious of cost of capital, and we have been working to disseminate the concept to the group companies.

In the 4<sup>th</sup> MTMP, we will fully implement management conscious of cost of capital.

As a core practice of management conscious of cost of capital, we aim to improve an indicator of ROIC.

Important measures to improve this indicator are the maximization of operating CF before R&D investment and the optimization of invested capital.

As for operating CF before R&D investment, 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. We will also practice continuous cost control, which we have been promoting since the previous MTMP, and upgrading shared service initiatives in each area.

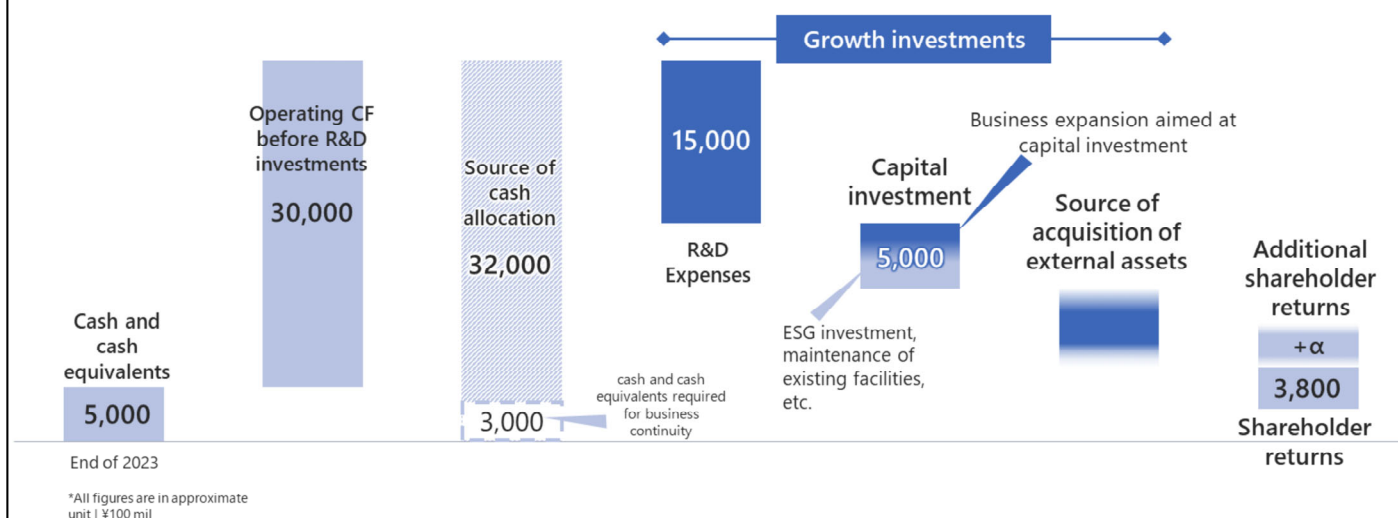
On the other hand, through capital investment, we will steadily acquire high-quality assets for growth, strengthen the prioritization of capital expenditures based on investment discipline, utilize existing business assets, review operating capital efficiency, and other measures to improve asset efficiency.

In addition, we will enhance financial efficiency through strengthening overseas cash management systems and also enhance financial stability through diversification of financing and maintenance of high credit ratings.

We will continue to invest for growth taking growth opportunities in the 4<sup>th</sup> MTMP period, aiming not only to create short-term economic value, but also to consistently exceed the capital cost of 6.0% set in the 4<sup>th</sup> MTMP on a mid to long term basis.

## Cash allocation for sustainable growth

- To achieve sustainable growth, we will actively invest in growth, such as acquiring external assets, etc. using the cash generated from our business as source
- In addition to the shareholder returns planned for the 4<sup>th</sup> 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



Next, I will explain the cash allocation for the 4<sup>th</sup> MTMP period, which supports sustainable growth.

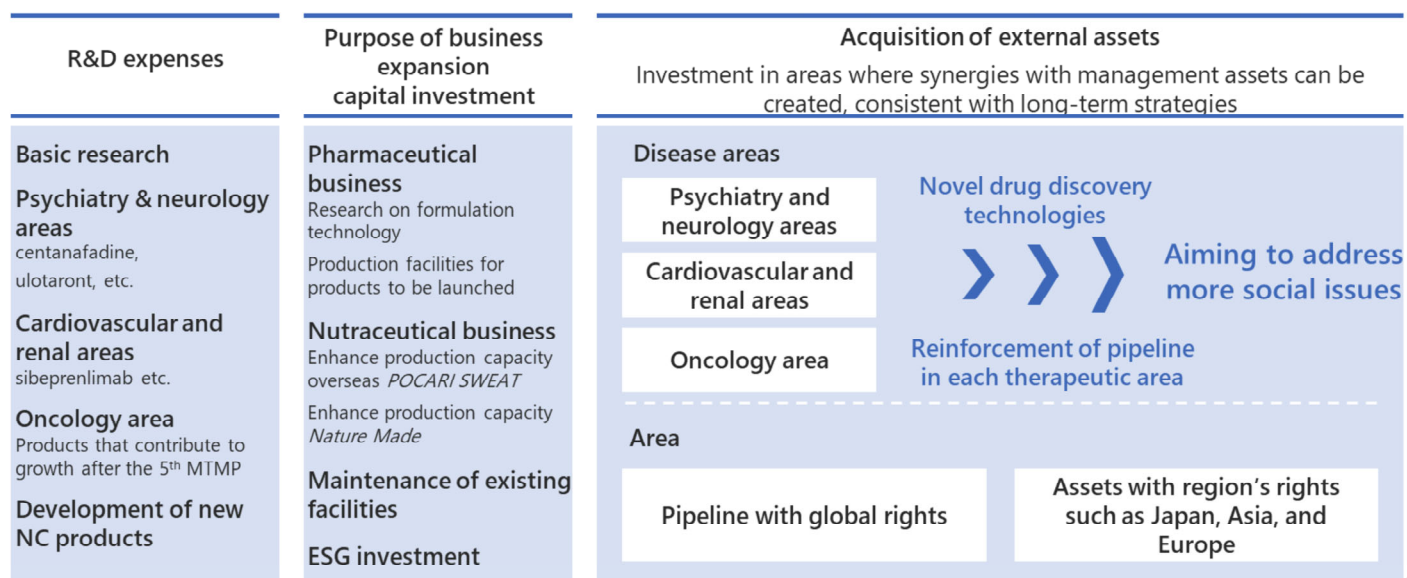
To prepare for sustained growth beyond the next MTMP, we will be making aggressive growth investments that significantly exceed the 3<sup>rd</sup> MTMP, while also enhancing shareholder returns.

In the 4<sup>th</sup> MTMP, we will invest approximately ¥3.2 trillion, mainly ¥1.5 trillion for R&D, about ¥500 billion for capital investment, and the acquisition of external assets as growth opportunities, using the cash generated from the business as the source of funds.



## Growth investments that support sustainable growth

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



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Next, let me explain our strategy for growth investment.

Regarding R&D expenses, in our healthcare-related business, we plan to invest heavily in basic research, which forms the foundation of our technology, and in late-stage clinical development programs in neuropsychiatry, cardiovascular & renal and oncology.

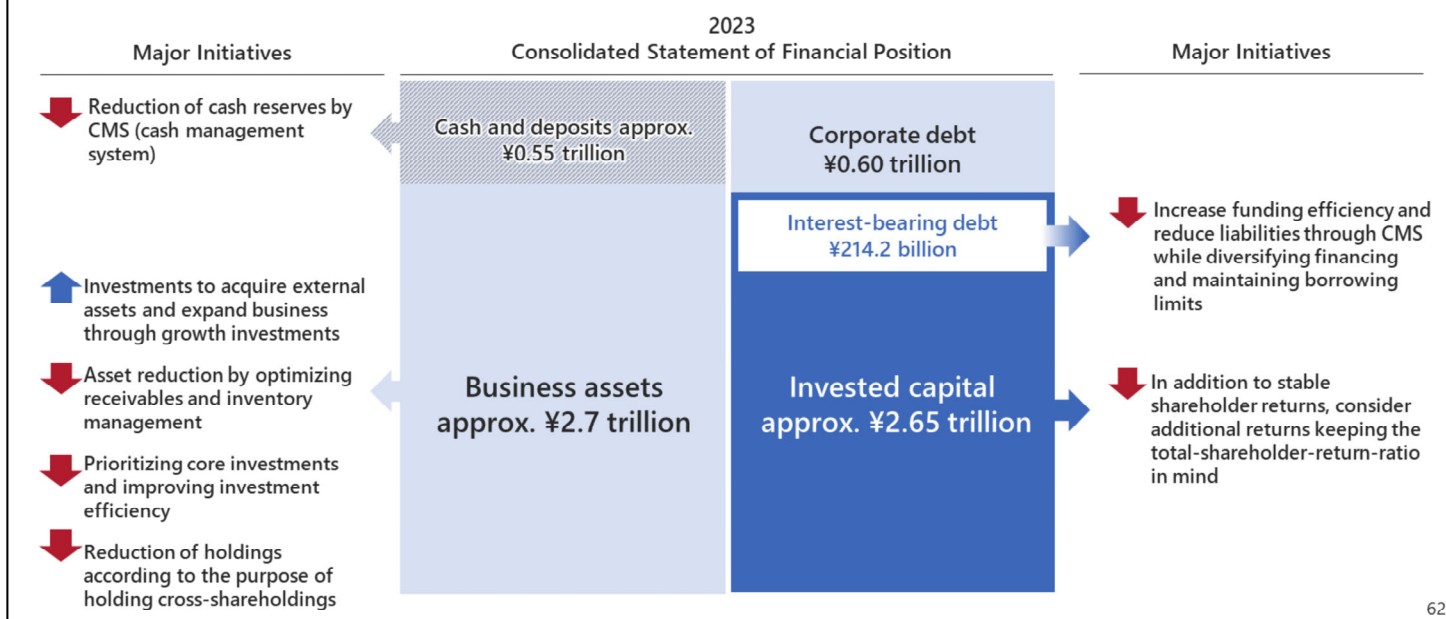
Also, we will continuously invest in the new product development in the NC-related business.

As for capital investment, we plan to invest mainly in the production facilities for pharmaceutical ingredients with the aim of business expansion, and in the construction of factories to enhance the production capacity of *POCARI SWEAT* overseas.

Regarding the basic policy for acquiring external assets, as I have explained so far, we are considering investment opportunities in the areas that are in line with our long-term strategy and can create synergies with our existing management assets.

In particular, the acquisitions of drug discovery technologies that continuously generate assets in the pipeline, and the acquisitions of assets with global rights in the neuropsychiatry and cardiovascular and renal space are considered important for our growth strategy beyond the 5<sup>th</sup> MTMP.

- 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 asset



Next, I will explain our balance sheet management, which aims to balance acquisition of high-quality assets through growth investments and invested capital.

The cash generated from our business will be used to acquire and accumulate excellent business assets that will serve as the source of growth. Meanwhile, we aim to improve the quality of the invested capital through the practice of ROIC management.

In terms of assets, we have been already controlling the cash reverse necessary for the business by enhancing our cash management system.

Receivables and inventory management are optimized according to the characteristics and areas of business.

We will also prioritize investments in maintenance and renewal of existing facilities and strengthen control over business assets.

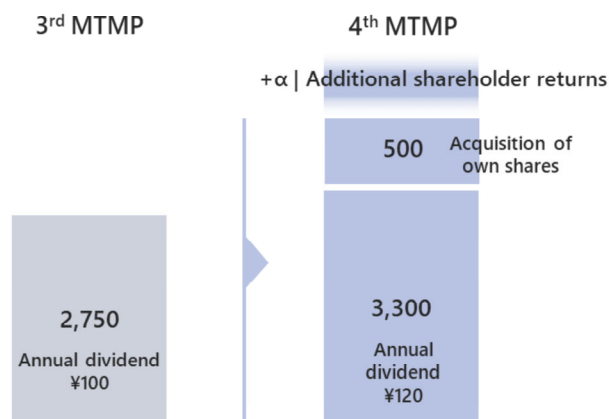
Cross-shareholdings were evaluated and reviewed during the 3<sup>rd</sup> MTMP period, and were reduced due to changes in holding purposes.

This direction remains unchanged in the 4th MTMP, and we will continue to sell shares.

As for liabilities, while diversifying financing and maintaining high credit ratings, we will strengthen control of invested capital by reducing interest-bearing debts utilizing inter-company loan.

- Stable shareholder returns are the basic policy
- Additional shareholder returns to be considered based on multiple perspectives such as sustainable growth foreseen in the 5th MTMP and onwards, etc.

### Shareholder returns policy



\*All figures are in approximate units | ¥100 mil

### Additional shareholder returns policy

- A situation in which sustainable growth after the 5<sup>th</sup> 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 4<sup>th</sup> MTMP period
- Total-dividend-payout-ratio

Finally, let me explain our shareholder return policy.

Our basic policy is to provide stable shareholder returns. In the 4th MTMP period, we plan to continue an annual dividend of ¥120 per share and are considering a share buyback of ¥50 billion.

Additional shareholder returns will be flexibly considered from multiple perspectives, such as sustainable growth foreseen in the 5th MTMP and onwards, an upside of the cash generated from the business during the 4<sup>th</sup> MTMP period, and the status of the total-dividend-payout-ratio, which is one of the shareholder return indicators.

This concludes the explanation of our financial strategy.