

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2024 [IFRS]

April 30, 2024

Company name	: Otsuka Holdings Co., Ltd.
Stock exchange listing	: Tokyo Stock Exchange
Code number	: 4578
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Scheduled date of quarterly securities report submission	: April 30, 2024
Scheduled date of dividend payment commencement	: –
Supplementary materials for quarterly financial results	: Yes
Earnings announcement for quarterly financial results	: Yes (for institutional investors, analysts and the press)

(Figures are rounded down to the nearest million unless otherwise stated)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2024 (January 1, 2024 to March 31, 2024)

(1) Consolidated Operating Results (cumulative)

(% indicates percentage of change from the same period of the previous fiscal year)

	Revenue		Business profit		Operating profit		Profit for the period		Profit attributable to owners of the Company		Total comprehensive income for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2024 Q1	519,517	15.9	88,965	20.7	92,021	19.9	78,896	25.9	77,377	26.0	152,511	81.2
FY2023 Q1	448,344	17.9	73,681	73.5	76,779	270.0	62,663	159.2	61,430	164.2	84,171	(2.9)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
FY2024 Q1	142.59		142.59	
FY2023 Q1	113.20		113.18	

*1 Business profit is an indicator of ordinary earnings power calculated as follows: Revenue – Cost of sales – Selling, general and administrative expenses – Research and development expenses + Share of profit of investments accounted for using the equity method

*2 There is no dilution in basic earnings per share for the three-month period ended March 31, 2024.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity attributable to owners of the Company per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2024	3,449,786	2,555,254	2,511,586	72.8	4,629.31
As of December 31, 2023	3,361,244	2,436,317	2,393,683	71.2	4,410.80

2. Dividends

	Annual dividend per share				
	First Quarter end	Second Quarter end	Third Quarter end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2023	–	50.00	–	60.00	110.00
FY2024	–	–	–	–	–
FY2024 (forecast)	–	60.00	–	60.00	120.00

* Revisions to dividends forecast most recently announced: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)

(% indicates percentage of change from the same period of the previous fiscal year)

	Revenue		Business profit		Operating profit		Profit for the year		Profit attributable to owners of the Company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Q2 (YTD)	1,037,000	9.4	164,500	6.1	168,000	28.5	128,000	21.8	126,000	22.8	232.17
FY2024	2,140,000	6.0	330,000	5.6	330,000	136.4	254,000	102.4	250,000	105.6	460.67

* Revisions to financial forecast most recently announced: None

4. Others

(1) Changes in significant subsidiaries during the three-month period ended March 31, 2024 (changes in specified subsidiaries resulting in a change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

- 1) Changes in accounting policies required by IFRS: None
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None

(3) Number of shares issued and outstanding (common stock)

- 1) Number of shares issued and outstanding as of the end of the reporting period (including treasury shares):

March 31, 2024	557,835,617 shares
December 31, 2023	557,835,617 shares
- 2) Number of shares of treasury shares as of the end of the reporting period:

March 31, 2024	15,295,524 shares
December 31, 2023	15,149,580 shares
- 3) Average number of shares outstanding during the reporting period:

Three-month period ended March 31, 2024	542,647,534 shares
Three-month period ended March 31, 2023	542,633,700 shares

* This report is out of scope of reviews by the external auditor.

*** Note to ensure appropriate use of forecasts, and other comments in particular**

Forecasts and other forward-looking statements included in this report are based on information currently available and certain assumptions that Otsuka Holdings Co., Ltd. (hereinafter referred to as the “Company”) deems reasonable. Actual performance and other results may differ significantly due to various factors. Please refer to “1. Qualitative Information (3) Forecast for Consolidated Financial Results” on page 8 for details with regard to the assumptions and other matters concerning the financial forecast.

The Company plans to hold a conference call for institutional investors, analysts and the press on Tuesday, April 30, 2024. Presentation materials and the webcast of the call will be available on the Company’s website promptly after the call.

Attachment Index

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1. Qualitative Information

The forward-looking statements in this report were prepared based on information available as of March 31, 2024.

(1) Consolidated Operating Results

Summary of consolidated financial results for the three-month period ended March 31, 2024

The Company and its affiliated companies (hereinafter referred to as the “Group”) adopted “Business profit” as an indicator of ordinary earnings power, which is calculated as follows:

Revenue – Cost of sales – Selling, general and administrative expenses – Research and development expenses + Share of profit of investments accounted for using the equity method

(Millions of yen)

	Three-month period ended March 31, 2023	Three-month period ended March 31, 2024	Change	% Change
Revenue	448,344	519,517	71,173	15.9 %
Business profit before research and development expenses	141,649	161,352	19,703	13.9 %
Business profit	73,681	88,965	15,284	20.7 %
Operating profit	76,779	92,021	15,241	19.9 %
Profit before tax	79,242	100,079	20,836	26.3 %
Profit for the period	62,663	78,896	16,232	25.9 %
Profit attributable to owners of the Company	61,430	77,377	15,947	26.0 %
Research and development expenses	67,968	72,387	4,419	6.5 %
Impairment losses	211	125	(86)	(40.8)%

Based on the concept of total health care, the Group has been operating its businesses to maintain and promote health and to diagnose and treat disease. Amid a changing social environment, to anticipate social issues brought about by a highly uncertain world, the Group will incorporate new technologies and needs arising from changes in the environment and harness the opportunities presented by a growing awareness of health in order to continue to move toward the realization of sustainable growth.

Revenue for the three-month period ended March 31, 2024 totaled ¥519,517 million (up 15.9% over the same period of the previous fiscal year), as the pharmaceutical business and the nutraceutical business recorded increased revenue. The main factors were that growth in sales for the four global products, the long acting antipsychotic agent *ABILIFY MAINTENA/ABILIFY ASIMTUFII*, the antipsychotic agent *REXULTI*, the V₂-receptor antagonist *JYNARQUE*, and the anti-cancer agent *LONSURF*, drove results in the pharmaceutical business. Furthermore, revenue in the nutraceutical business also increased given the addition of Bonafide Health, LLC acquired in November 2023, in conjunction with continued growth in sales of *POCARI SWEAT* and *Nature Made* amid increasing health awareness.

Business profit before research and development expenses was ¥161,352 million (up 13.9%). The main factors were increased gross profit with increased sales for the aforementioned four global products and nutraceutical business.

Research and development expenses totaled ¥72,387 million (up 6.5%), but remained on par with those of the three-month period ended March 31, 2023, excluding the impact of exchange rate fluctuations. In the development pipeline, development expenses increased amid steady progress in development of sibeprenlimab/VIS649 which is under development for the treatment of IgA nephropathy, zimberelimab/AB122 introduced by Arcus Biosciences, Inc., and domvanalimab/AB154. On the other hand, development expenses decreased for brexpiprazole upon conclusion of multiple phase III trials.

Business profit increased to ¥88,965 million (up 20.7%) as a result of steady revenue growth.

Furthermore, operating profit increased to ¥92,021 million (up 19.9%).

Profit for the period was ¥78,896 million (up 25.9%), and profit attributable to owners of the Company was ¥77,377 million (up 26.0%).

Results by business segment are as follows.

Certain details regarding the reportable segments have been changed effective from the three-month period ended March 31, 2024. Please refer to “2. (6) Notes to Condensed Interim Consolidated Financial Statements (Operating Segments)” for details.

The figures stated for the previous three-month period ended March 31, 2023 have been reclassified to reflect the new reportable segment classifications after the change.

Revenue and business profit by business segment during FY2024 Q1

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	359,598	126,222	7,276	27,300	(881)	519,517
Business profit	79,423	16,870	4,305	1,671	(13,306)	88,965

Reference (FY2023 Q1)

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Revenue	309,532	103,972	8,233	27,348	(742)	448,344
Business profit	70,749	10,947	2,302	2,814	(13,132)	73,681

1) Pharmaceuticals

Revenue for the three-month period ended March 31, 2024 totaled ¥359,598 million (up 16.2%), with business profit of ¥79,423 million (up 12.3%).

Main products

- Four global products

The Group positions the long acting antipsychotic agent *ABILIFY MAINTENA/ABILIFY ASIMTUFII*, the antipsychotic agent *REXULTI*^{*1}/*RXULTI*^{*2}, the V₂-receptor antagonist *Samsca/JINARC*^{*3}/*JYNARQUE*^{*4} and the anti-cancer agent *LONSURF* as its four global products. Sales of those products totaled ¥199,741 million (up 25.1%).

*1: Brand name for the antipsychotic agent outside Europe

*2: Brand name for the antipsychotic agent in Europe

*3: Brand name for autosomal dominant polycystic kidney disease (“ADPKD”) treatment in multiple regions outside Japan

*4: Brand name for ADPKD treatment in the U.S.

- Long acting antipsychotic agent *ABILIFY MAINTENA/ABILIFY ASIMTUFII*

In the U.S., sales increased atop growth in prescriptions, mainly due to promoting the efficacy of the product for bipolar I disorder and schizophrenia patients, who have problems adhering to drug regimens, as well as detailing activities, and the impact of exchange rate fluctuations. In April 2023, *ASIMTUFII* 2-month long-acting injectable obtained approval for manufacture and sale in the U.S. In Japan, sales grew steadily due to stronger detailing activities for bipolar I disorder, in addition to schizophrenia. In Europe, the 2-month long-acting injectable obtained approval in March 2024 for the first time ever in Europe for maintenance treatment of schizophrenia. As a result, sales of *ABILIFY MAINTENA/ABILIFY ASIMTUFII* totaled ¥56,202 million (up 23.4%).

- Antipsychotic agent *REXULTI/RXULTI*

In the U.S., the Group is actively engaged in activities to raise awareness of agitation associated with dementia due to Alzheimer’s disease. Prescriptions grew and sales increased, mainly due to enhancement of detailing activities, as well as the impact of exchange rate fluctuations. In Japan, sales increased significantly in part as a result of an increase in the number of new prescriptions due to enhancement of detailing activities for schizophrenia, and also as a result of having initiated prescriptions to eligible patients upon having obtained additional approval for indication for treating depression and depressive states in December 2023. As a result, sales of *REXULTI/RXULTI* totaled ¥56,110 million (up 21.8%).

- V₂-receptor antagonist *Samsca*

In Japan, the number of prescriptions for autosomal dominant polycystic kidney disease (“ADPKD”) increased, and the number of patients who have received treatment has exceeded 10,000 cases. On the other hand, sales decreased due to the impact of the launch of generics for the treatment for fluid retention in patients with heart failure and hepatic cirrhosis. Also in the U.S., where the drug is sold as a treatment for hyponatremia, sales significantly decreased due to the impact of the launch of generics. As a result, sales of *Samsca* totaled ¥10,428 million (down 15.1%).

- V₂-receptor antagonist *JINARC/JYNARQUE*

In the U.S., sales increased significantly as a result of an increase in the number of prescriptions for ADPKD mainly due to continued efforts to raise awareness of the disease and detailing activities about clinical data, as well as the impact of exchange rate fluctuations. As a result, sales of *JINARC/JYNARQUE* totaled ¥52,412 million (up 32.8%).

- Anti-cancer agent *LONSURF*

In the U.S., sales increased significantly due to the approval in August 2023 for the additional indication for treatment in combination with bevacizumab for colorectal cancer, the recommendation of the combination therapy in NCCN Guidelines^{*5}, the increase in the number of prescriptions, and the impact of exchange rate fluctuations. In Europe, sales increased significantly amid the impact of exchange rate fluctuations, in addition to an increase in the number of prescriptions associated with initiation of detailing activities in some countries where such combination therapy is

employed. In Japan, sales continued to be solid in part due to increased awareness of such combination therapy following publication of a research paper, etc., and also because detailing activities of such combination therapy became possible due to package insert revision in March 2024. As a result, sales of *LONSURF* totaled ¥24,586 million (up 50.5%).

*5: Cancer treatment guidelines that are used widely around the world

2) Nutraceuticals

Revenue for the three-month period ended March 31, 2024 totaled ¥126,222 million (up 21.4%), with business profit of ¥16,870 million (up 54.1%).

Main products

The Group positions *POCARI SWEAT*, *Nature Made* and the Nutrition & Santé SAS brand as its three major brands. Sales of those brands totaled ¥83,414 million (up 21.4%). Total sales of its three nurture brands, the Daiya Foods Inc. brand, *EQUELLE* and *BODY MAINTÉ*, were ¥8,068 million (up 19.3%).

• Three major brands

Sales volume of *POCARI SWEAT*, an electrolyte supplement drink, decreased in Japan due to the impact of the price revision in April 2023. We carried out efforts that involve continuing education about hydration and replenishment of electrolytes according to the season and occasion, along with activities to create opportunities for brand value proposition and drinking experiences at sports events and the like, such as Tokyo Marathon 2024. Overseas, sales volume has been increasing due to penetration of the brand image achieved through activities to raise awareness regarding the importance of hydration and replenishment of electrolytes tailored to cultures and circumstances in each region. As a result, sales volume increased overall for the brand, leading to an increase in sales.

Sales of *Nature Made* supplements by Pharmavite LLC increased due to an expanded market share*⁶ in the U.S. backed by high trust in the brand and quality, and also boosted by the impact of the expanded e-commerce and exchange rate fluctuations.

Sales of the Nutrition & Santé SAS brand, which sells health food products mainly in Europe and is expanding its food services*⁷ and e-commerce, increased due to growth in the main products such as *Gerblé* and the impact of the exchange rate fluctuations.

*6: IRI Data: Market Advantage; Calendar YTD 3/24/2024, Food, Drug, Mass Excluding Amazon and Costco

*7: Services for providing meals to public institutions, schools, etc.

• Three nurture brands

With regard to the plant-based foods of the Daiya Foods Inc. brand, efforts have been made to enhance the product lineup by utilizing its original technology and expand distribution. Sales of the brand increased due to the impact of exchange rate fluctuations, despite the effect of increased competition in the dairy alternative cheese market in North America, etc.

Sales of *EQUELLE*, a food and supplement brand containing equol that supports women's health and beauty, grew in Japan due to increased recognition of the product through the wide-ranging detailing activities on the product, including seminars on women's health, and due to a steady increase in the number of e-commerce subscriptions.

Sales of *BODY MAINTÉ*, a protective beverage brand containing the plant-based lactic-acid bacteria B240*⁸, increased significantly, as a new communication campaign has been started from December 2023 that proposes to manage one's physical condition on a daily basis in preparation for an important day, and efforts have been made to develop core users, raise recognition and increase consumption of the product.

*8: *Lactiplantibacillus pentosus* ONRICb0240: Strain isolated by Tokyo University of Agriculture, for which Otsuka Pharmaceutical has confirmed efficacy.

3) Consumer products

Revenue for the three-month period ended March 31, 2024 totaled ¥7,276 million (down 11.6%), while business profit totaled ¥4,305 million (up 87.0%) in part due to an increase in share of profit of investments accounted for using the equity method.

In mineral water products, sales of mainstay brand *CRYSTAL GEYSER* continued to appeal to the brand value in Japan by communicating the environmental initiatives through the use of lightweight bottles and caps and bottles made from 50% recycled raw materials, although sales volume decreased due to the impact of the price revision. Sales volume of *MATCH*, a carbonated vitamin drink, increased partially due to an increase in purchasers in their 30s and 40s in addition to those in their tweens and teens primarily constituting the high school student target market, and also due to strong sales of *MATCH Pineapple Soda* and *MATCH Jelly* launched in March 2024.

4) Others

Although revenue for the three-month period ended March 31, 2024 totaled ¥27,300 million (down 0.2%), business profit was ¥1,671 million (down 40.6%) mainly due to soaring raw material costs and a decrease in share of profit of investments accounted for using the equity method.

Sales in the specialty chemical business decreased due to a downturn in prices of basic chemicals caused by excess inventories within China.

In the transportation and warehousing business, revenue decreased, but we are striving to strengthen the total healthcare distribution platform through coordination of logistics data.

* Please refer to the Supplement Documents (FACT BOOK) for sales by product and other information.
<https://www.otsuka.com/en/ir/library/materials.html>

Research and Development Activities

Research and development expenses for the three-month period ended March 31, 2024 totaled ¥72,387 million.

The primary areas of research and development as well as the status of new product development by segment were as follows:

Pharmaceuticals

The Group conducts research and development with a primary focus on the areas of psychiatry and neurology, and oncology. The Group also conducts research and development focusing on fields that are yet to be fully addressed such as cardiovascular and renal system, etc.

Research and development expenses in the pharmaceutical business for the three-month period ended March 31, 2024 were ¥68,448 million.

Research and development activities in the pharmaceutical business carried out for the three-month period ended March 31, 2024 are summarized below.

Category	Development Code	Brand Name	Generic Name	Area	Treatment/Indication	Status*
Psychiatry and neurology	aripiprazole 2-month long-acting injection	<i>ABILIFY</i> <i>MAINTENA</i>	aripiprazole	Europe	Maintenance treatment of schizophrenia	Granted approval in March 2024
Oncology	AB122 + AB154	—	zimberelimab + domvanalimab	Japan	Non-small cell lung cancer	Phase III trial was initiated in January 2024
	TAS-120	<i>LYTGOBI</i>	futibatinib	U.S. and Europe	Solid tumors (esophageal cancer, pancreatic cancer)	Phase II trial was initiated in February 2024

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

Nutraceuticals

In the nutraceutical business, the Group draws on its knowledge in the pharmaceutical business to conduct research and development of scientifically based original products in order to maintain and promote the health of people.

In the *SOYJOY* brand of soy snack bars, which delivers a convenient way to consume the nutrition of whole soybeans, *SOYJOY Fig & Raisin*, which features figs, a fruit renowned for its health and beauty benefits, was launched in March 2024.

Research and development expenses in the nutraceutical business for the three-month period ended March 31, 2024 were ¥2,559 million.

Consumer products

In the consumer product business, the Group is engaged in the research and development of original and unique products in the field of food and beverage that are part of everyone’s daily life. The Group is creating and proposing innovative products based on the themes of food and health, targeting businesses in retort foods, beverages, and plant-based foods, with the aim of solving various issues associated with the changing society, such as those involving health, the environment, population and the aging society.

Research and development expenses in the consumer product business for the three-month period ended March 31, 2024 were ¥150 million.

Others

In the other businesses, the Group is primarily engaged in the research and development of specialty chemical products. The Group is focusing on organic and inorganic synthesis technologies and conducting research and development of new products centered on own technology as well as next-generation fields.

Research and development expenses in the other businesses for the three-month period ended March 31, 2024 were ¥1,228 million.

(2) Consolidated Financial Position

1) Assets, Liabilities and Equity

(Millions of yen)

	As of December 31, 2023	As of March 31, 2024	Change
Current assets	1,326,797	1,305,155	(21,642)
Non-current assets	2,034,446	2,144,631	110,184
Total assets	3,361,244	3,449,786	88,542
Current liabilities	667,233	631,469	(35,764)
Non-current liabilities	257,692	263,062	5,370
Total liabilities	924,926	894,532	(30,394)
Total equity	2,436,317	2,555,254	118,936

a. Assets

Total assets as of March 31, 2024 were ¥3,449,786 million, an increase of ¥88,542 million compared to ¥3,361,244 million as of December 31, 2023. Current assets decreased by ¥21,642 million, and non-current assets increased by ¥110,184 million.

(Current Assets)

Current assets as of March 31, 2024 were ¥1,305,155 million, a decrease of ¥21,642 million compared to ¥1,326,797 million as of December 31, 2023. This was mainly due to a decrease in cash and cash equivalents by ¥101,719 million, partially offset by increases in inventories by ¥24,245 million, other financial assets by ¥48,621 million and other current assets by ¥11,786 million.

(Non-current Assets)

Non-current assets as of March 31, 2024 were ¥2,144,631 million, an increase of ¥110,184 million compared to ¥2,034,446 million as of December 31, 2023. This was mainly due to increases in property, plant and equipment by ¥15,771 million, goodwill by ¥26,920 million, intangible assets by ¥20,366 million, and investments accounted for using the equity method by ¥17,107 million. These increases were mainly due to the depreciation of the yen, in addition to investments, etc. in the pharmaceutical business and nutraceutical business.

b. Liabilities

Total liabilities as of March 31, 2024 were ¥894,532 million, a decrease of ¥30,394 million compared to ¥924,926 million as of December 31, 2023. Current liabilities decreased by ¥35,764 million, and non-current liabilities increased by ¥5,370 million.

(Current Liabilities)

Current liabilities as of March 31, 2024 were ¥631,469 million, a decrease of ¥35,764 million compared to ¥667,233 million as of December 31, 2023. This was mainly due to decreases in trade and other payables by ¥12,941 million, bonds and borrowings by ¥16,747 million, and income taxes payable by ¥8,837 million, partially offset by an increase in other current liabilities by ¥1,898 million. The decrease in bonds and borrowings was due to the redemption of the 1st unsecured bonds of ¥20,000 million.

(Non-current Liabilities)

Non-current liabilities as of March 31, 2024 were ¥263,062 million, an increase of ¥5,370 million compared to ¥257,692 million as of December 31, 2023. This was mainly due to increases in lease liabilities by ¥2,103 million and other non-current liabilities by ¥4,719 million, partially offset by a decrease in contract liabilities by ¥2,195 million.

c. Equity

Total equity as of March 31, 2024 was ¥2,555,254 million, an increase of ¥118,936 million compared to ¥2,436,317 million as of December 31, 2023. This was mainly due to an increase in retained earnings by ¥45,479 million which consisted of profit attributable to owners of the Company of ¥77,377 million net of dividend payments of ¥32,561 million and an increase in other components of equity by ¥72,429 million mainly as a result of the depreciation of the yen.

2) Cash Flows

Cash and cash equivalents as of March 31, 2024 were ¥411,622 million, a decrease of ¥101,719 million compared to the balance as of December 31, 2023. For the three-month period ended March 31, 2024, net cash flows provided by operating activities were ¥36,420 million, while net cash flows used in investing activities were ¥91,459 million mainly as a result of investments in the pharmaceutical business and nutraceuticals business toward sustainable growth. Net cash flows used in financing activities were ¥558,697 million, mainly due to the repayments of borrowings and lease liabilities, the redemption of the 1st unsecured bonds and the payment of the year-end dividend.

Thus, cash and cash equivalents were decreased to ¥411,622 million as operating cash inflows fell below the total investing and financing cash outflows.

The following provides details around cash flow movements for the three-month period ended March 31, 2024:

Cash Flows from Operating Activities

Net cash flows provided by operating activities were ¥36,420 million, a decrease of ¥35,461 million compared to the figure for the three-month period ended March 31, 2023.

Cash flows provided by operating activities for the three-month period ended March 31, 2024 mainly consisted of ¥100,079 million of profit before tax, ¥18,214 million of increase in inventories, ¥22,215 million of decrease in trade and other receivables, ¥17,851 million of decrease in trade and other payables, and ¥38,231 million of income taxes paid. The decrease of ¥35,461 million in inflows was mainly due to a ¥16,531 million decrease in inflow from trade and other receivables, a ¥21,951 million increase in outflow from other operating activities mainly due to increases in payments of employees' bonuses and accrued expenses, and a ¥19,439 million increase in income taxes paid, partially offset by a ¥20,836 million increase of profit before tax, driven by the four global products in the pharmaceutical business.

Cash Flows from Investing Activities

Net cash flows used in investing activities were ¥91,459 million, an increase in outflows of ¥55,687 million compared to the figure for the three-month period ended March 31, 2023.

Cash flows used in investing activities for the three-month period ended March 31, 2024 mainly consisted of ¥25,988 million of payments for acquisition of property, plant and equipment, ¥14,174 million of payments for acquisition of intangible assets, ¥35,680 million of payments for acquisition of investments, and ¥15,353 million of increase in time deposits. The increase of ¥55,687 million in outflows was mainly due to a ¥12,435 million increase in payments for acquisition of intangible assets due to an increase in upfront and milestone payments in the pharmaceutical business, a ¥19,577 million increase in payments for acquisition of investments, and an increase in outflow of ¥17,270 million from time deposits.

Cash Flows from Financing Activities

Net cash flows used in financing activities were ¥58,697 million, an increase in outflows of ¥26,037 million compared to the figure for the three-month period ended March 31, 2023.

Cash flows used in financing activities for the three-month period ended March 31, 2024 mainly consisted of ¥20,000 million of redemption of bonds, ¥5,387 million of repayments of lease liabilities and ¥32,907 million of dividends paid. The increase of ¥26,037 million in outflows was mainly due to the redemption of bonds resulting from the redemption of the 1st unsecured bonds, and an increase in dividends paid due to the year-end dividend raised from 50 yen per share to 60 yen per share.

(3) Forecast for Consolidated Financial Results

There are no changes to the forecast of consolidated financial results for the six-month period ending June 30, 2024 and the fiscal year ending December 31, 2024 announced on February 14, 2024.

2. Condensed Interim Consolidated Financial Statements and Major Notes
(1) Condensed Interim Consolidated Statements of Financial Position

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	513,341	411,622
Trade and other receivables	474,086	469,636
Inventories	249,581	273,827
Income taxes receivable	19,611	19,485
Other financial assets	16,062	64,684
Other current assets	54,113	65,899
Total current assets	1,326,797	1,305,155
Non-current assets		
Property, plant and equipment	553,358	569,129
Goodwill	379,048	405,969
Intangible assets	490,971	511,337
Investments accounted for using the equity method	278,562	295,669
Other financial assets	197,887	211,814
Deferred tax assets	118,825	134,117
Other non-current assets	15,792	16,591
Total non-current assets	2,034,446	2,144,631
Total assets	3,361,244	3,449,786

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	206,369	193,428
Bonds and borrowings	69,425	52,677
Lease liabilities	18,847	19,298
Other financial liabilities	—	1,356
Income taxes payable	54,939	46,101
Provisions	919	1,060
Contract liabilities	14,322	13,237
Other current liabilities	302,410	304,308
Total current liabilities	667,233	631,469
Non-current liabilities		
Bonds and borrowings	69,200	68,673
Lease liabilities	56,715	58,818
Other financial liabilities	16,774	18,493
Net defined benefit liabilities	16,557	15,103
Provisions	2,252	2,338
Contract liabilities	44,869	42,674
Deferred tax liabilities	27,170	28,088
Other non-current liabilities	24,152	28,872
Total non-current liabilities	257,692	263,062
Total liabilities	924,926	894,532
Equity		
Equity attributable to owners of the Company		
Share capital	81,690	81,690
Capital surplus	506,230	506,224
Treasury shares	(44,669)	(44,669)
Retained earnings	1,621,218	1,666,697
Other components of equity	229,214	301,643
Total equity attributable to owners of the Company	2,393,683	2,511,586
Non-controlling interests	42,634	43,668
Total equity	2,436,317	2,555,254
Total liabilities and equity	3,361,244	3,449,786

(2) Condensed Interim Consolidated Statements of Income

(Millions of yen)

	FY2023 (From January 1, 2023 to March 31, 2023)	FY2024 (From January 1, 2024 to March 31, 2024)
Revenue	448,344	519,517
Cost of sales	(136,776)	(151,802)
Gross profit	311,567	367,715
Selling, general and administrative expenses	(175,558)	(213,750)
Share of profit of investments accounted for using the equity method	5,640	7,387
Research and development expenses	(67,968)	(72,387)
Impairment losses	(211)	(125)
Other income	3,848	3,602
Other expenses	(538)	(421)
Operating profit	76,779	92,021
Finance income	3,884	10,092
Finance expenses	(1,421)	(2,034)
Profit before tax	79,242	100,079
Income tax expenses	(16,579)	(21,182)
Profit for the period	62,663	78,896
Attributable to:		
Owners of the Company	61,430	77,377
Non-controlling interests	1,232	1,518
Profit for the period	62,663	78,896
Earnings per share:		
Basic earnings per share (Yen)	113.20	142.59
Diluted earnings per share (Yen)	113.18	142.59

(3) Condensed Interim Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2023 (From January 1, 2023 to March 31, 2023)	FY2024 (From January 1, 2024 to March 31, 2024)
Profit for the period	62,663	78,896
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	20	148
Financial assets measured at fair value through other comprehensive income	4,125	5,016
Share of other comprehensive income of investments accounted for using the equity method	33	103
Subtotal	4,178	5,269
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	9,766	57,337
Cash flow hedges	30	(59)
Share of other comprehensive income of investments accounted for using the equity method	7,532	11,068
Subtotal	17,329	68,346
Total other comprehensive income	21,508	73,615
Total comprehensive income for the period	84,171	152,511
Attributable to:		
Owners of the Company	83,148	150,469
Non-controlling interests	1,023	2,041
Total comprehensive income for the period	84,171	152,511

(4) Condensed Interim Consolidated Statements of Changes in Equity

FY2023 (Three-month period ended March 31, 2023)

(Millions of yen)

Equity attributable to owners of the Company

	Equity attributable to owners of the Company				Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2023	81,690	506,579	(44,858)	1,553,069	—	41,249
Profit for the period	—	—	—	61,430	—	—
Other comprehensive income	—	—	—	—	34	4,207
Comprehensive income for the period	—	—	—	61,430	34	4,207
Purchase of treasury shares	—	—	(0)	—	—	—
Dividends	—	—	—	(27,131)	—	—
Share-based payment transactions	—	144	—	—	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	7	(34)	27
Total transactions with owners	—	144	(0)	(27,124)	(34)	27
Balance as of March 31, 2023	81,690	506,724	(44,858)	1,587,375	—	45,485

Equity attributable to owners of the Company

	Other components of equity			Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of January 1, 2023	87,503	20	128,773	2,225,255	37,114	2,262,369
Profit for the period	—	—	—	61,430	1,232	62,663
Other comprehensive income	17,443	30	21,717	21,717	(209)	21,508
Comprehensive income for the period	17,443	30	21,717	83,148	1,023	84,171
Purchase of treasury shares	—	—	—	(0)	—	(0)
Dividends	—	—	—	(27,131)	(985)	(28,116)
Share-based payment transactions	—	—	—	144	—	144
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	—	2,021	2,021
Transfer from other components of equity to retained earnings	—	—	(7)	—	—	—
Total transactions with owners	—	—	(7)	(26,987)	1,036	(25,950)
Balance as of March 31, 2023	104,947	51	150,484	2,281,415	39,174	2,320,590

Equity attributable to owners of the Company

	Equity attributable to owners of the Company				Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2024	81,690	506,230	(44,669)	1,621,218	—	47,355
Profit for the period	—	—	—	77,377	—	—
Other comprehensive income	—	—	—	—	148	5,042
Comprehensive income for the period	—	—	—	77,377	148	5,042
Purchase of treasury shares	—	—	(0)	—	—	—
Dividends	—	—	—	(32,561)	—	—
Changes in ownership interests in subsidiaries that do not result in loss of control	—	(5)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	662	(148)	(514)
Total transactions with owners	—	(5)	(0)	(31,898)	(148)	(514)
Balance as of March 31, 2024	81,690	506,224	(44,669)	1,666,697	—	51,884

Equity attributable to owners of the Company

	Other components of equity			Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of January 1, 2024	181,815	43	229,214	2,393,683	42,634	2,436,317
Profit for the period	—	—	—	77,377	1,518	78,896
Other comprehensive income	67,960	(59)	73,091	73,091	523	73,615
Comprehensive income for the period	67,960	(59)	73,091	150,469	2,041	152,511
Purchase of treasury shares	—	—	—	(0)	—	(0)
Dividends	—	—	—	(32,561)	(1,013)	(33,574)
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	(5)	5	—
Transfer from other components of equity to retained earnings	—	—	(662)	—	—	—
Total transactions with owners	—	—	(662)	(32,567)	(1,007)	(33,575)
Balance as of March 31, 2024	249,775	(16)	301,643	2,511,586	43,668	2,555,254

(5) Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	FY2023 (From January 1, 2023 to March 31, 2023)	FY2024 (From January 1, 2024 to March 31, 2024)
Cash flows from operating activities		
Profit before tax	79,242	100,079
Depreciation and amortization expenses	22,814	26,064
Impairment losses and reversal of impairment losses	211	125
Share of profit of investments accounted for using the equity method	(5,640)	(7,387)
Finance income	(3,884)	(10,092)
Finance expenses	1,421	2,034
Increase in inventories	(14,474)	(18,214)
Decrease in trade and other receivables	38,747	22,215
Decrease in trade and other payables	(27,511)	(17,851)
Others	(2,390)	(24,342)
Subtotal	<u>88,535</u>	<u>72,631</u>
Interest and dividends received	2,960	2,932
Interest paid	(821)	(912)
Income taxes paid	(18,792)	(38,231)
Net cash flows provided by operating activities	<u>71,882</u>	<u>36,420</u>
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	165	189
Payments for acquisition of property, plant and equipment	(20,235)	(25,988)
Payments for acquisition of intangible assets	(1,739)	(14,174)
Proceeds from sales and redemption of investments	39	2,084
Payments for acquisition of investments	(16,102)	(35,680)
Payments for acquisition of subsidiaries	—	(2,620)
Decrease (increase) in time deposits	1,916	(15,353)
Others	185	83
Net cash flows used in investing activities	<u>(35,771)</u>	<u>(91,459)</u>
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Change in short-term borrowings, net	1,797	1,014
Proceeds from long-term borrowings	11	150
Repayments of long-term borrowings	(4,136)	(1,567)
Redemption of bonds	—	(20,000)
Repayments of lease liabilities	(5,044)	(5,387)
Dividends paid	(27,308)	(32,907)
Capital contribution from non-controlling interests	2,021	—
Net cash flows used in financing activities	<u>(32,659)</u>	<u>(58,697)</u>
Increase (decrease) in cash and cash equivalents	3,451	(113,736)
Cash and cash equivalents at the beginning of the period	471,634	513,341
Effect of exchange rate changes on cash and cash equivalents	2,051	12,016
Cash and cash equivalents at the end of the period	<u>477,137</u>	<u>411,622</u>

(6) Notes to Condensed Interim Consolidated Financial Statements

Note to Going Concern Assumptions

Not applicable.

Operating Segments

1) Overview of reportable segments

The Group's reportable segments are the constituent units of the Group for which separate financial information is available and which are subject to periodic reviews by the Board of Directors in order to make decisions on allocation of business resources and to evaluate the business performance of the respective segments.

The Company, as a holding company, directs the Group's strategic planning and decision-making, monitors group operations and provides various common services to its Group companies. Business activities are conducted by the Group's subsidiaries and associates.

Centering on the healthcare business, the Group operates activities inside and outside Japan relating to the following four reportable segments: "Pharmaceuticals," "Nutraceuticals," "Consumer products" and "Others" businesses.

"Pharmaceuticals" comprises manufacturing and sales of prescription drugs and intravenous solutions. "Nutraceuticals" comprises manufacturing and sales of functional beverages, over-the-counter drugs and nutritional supplements. "Consumer products" comprises manufacturing and sales of mineral water, soft beverages and food products. "Others" comprises logistics, warehousing, manufacturing and sales of chemicals, evaluation systems for LED displays and spectroanalysis devices.

2) Matters related to changes in reportable segments, etc.

Effective from the three-month period ended March 31, 2024, which marks the beginning of the Fourth Medium-Term Management Plan covering the five-year period from the fiscal year ending December 31, 2024, the following changes have been made to some businesses previously classified as "Others" in order to further clarify the revenue, expense, and profit status of each segment.

This change was made in response to the formulation of the Fourth Medium-Term Management Plan, and an increase in intersegment transactions due to increased synergies and deeper collaboration among Group companies that had been promoted under the Third Medium-Term Management Plan, and the purpose of this change was to review the segment classification of some businesses that had previously been categorized as "Others" in order to more appropriately reflect the reality of activities that are directly related to other segments, and to properly attribute revenue and expenses to each segment.

- Warehousing and transport business provided by Otsuka Warehouse Co., Ltd. for the Group were separated and included in each segment.
- The fine chemical business of Otsuka Chemical Co., Ltd. and three other companies handling bulk pharmaceuticals and intermediates was separated and included in the pharmaceuticals segment.
- Profit and loss of pharmaceutical containers and packaging of Otsuka Techno Corporation and two other companies and Otsuka Packaging Industries Co., Ltd. for Group companies was separated and included in the pharmaceuticals segment.

The figures for the previous three-month period ended March 31, 2023 in (3) Revenues and performance by reportable segment have been reclassified to reflect the new reportable segment classifications after the change.

3) Revenues and performance by reportable segment

Revenues and performance by the Group reportable segments are as follows.

Segment profit is based on operating profit.

Intersegment revenue and transfers reflect reasonable prices for intersegment transfers based on market value.

FY2023 (Three-month period ended March 31, 2023)

(Millions of yen)

	Reportable segment					Adjustments *	Consolidated
	Pharma- ceuticals	Nutra- ceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	309,532	103,958	8,229	26,625	448,344	–	448,344
Intersegment revenue or transfers	–	13	4	723	742	(742)	–
Total	309,532	103,972	8,233	27,348	449,086	(742)	448,344
Segment profit	73,581	10,787	2,209	3,140	89,718	(12,939)	76,779

* Adjustments to segment profit of ¥(12,939) million include intersegment eliminations of ¥(105) million, unallocated corporate expenses of ¥(13,227) million and other income of ¥393 million. Corporate expenses are incurred in administrative departments such as headquarters.

FY2024 (Three-month period ended March 31, 2024)

(Millions of yen)

	Reportable segment					Adjustments *	Consolidated
	Pharma- ceuticals	Nutra- ceuticals	Consumer products	Others	Total		
Revenue							
Revenue from external customers	359,598	126,216	7,275	26,427	519,517	–	519,517
Intersegment revenue or transfers	–	6	1	872	881	(881)	–
Total	359,598	126,222	7,276	27,300	520,398	(881)	519,517
Segment profit	79,777	16,801	4,304	1,916	102,800	(10,778)	92,021

* Adjustments to segment profit of ¥(10,778) million include intersegment eliminations of ¥24 million, unallocated corporate expenses of ¥(13,624) million and other income of ¥2,820 million. Corporate expenses are incurred in administrative departments such as headquarters.