

February 14, 2024

Company Name	Otsuka Holdings Co., Ltd.
Name of Representative	Tatsuo Higuchi President and Representative Director, CEO
Code Number	4578, Prime Market of the Tokyo Stock Exchange
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## Notice of Introduction of a Special Incentive Scheme through the Otsuka Group Employee Stock Ownership Plan

Otsuka Holdings Co., Ltd. (the “Company”) has resolved at the Meeting of Board of Directors held on February 14, 2024 to introduce an incentive plan (the “Incentive Scheme”) that aims to raise awareness among Otsuka group employees (“employees”) with a view to achieving the medium-term management plan and increasing medium- to long-term corporate value, among other objectives.

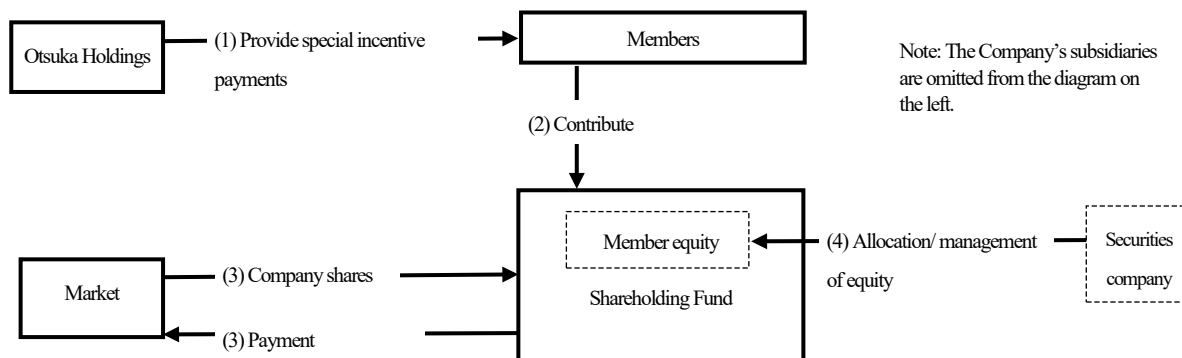
Under the Incentive Scheme, the Otsuka group will provide special incentive payments to members (“members”) of the Otsuka Group Employee Shareholding Fund (“Shareholding Fund”). This will result in members being granted shares of common stock issued by the Company (“Company Shares”). The Shareholding Fund will aggregate the special incentive payments to employees and acquire Company Shares from the market.

### 1. Purpose of the Scheme

With the expiry of the period covered by the Third Medium-Term Management Plan, the Company will formulate a new medium-term management plan that covers the period from fiscal 2024 to 2028 (the “Fourth Medium-Term Management Plan”). Under the Fourth Medium-Term Management Plan, the Company aims to step up efforts to share value with shareholders, in addition to giving the Company’s directors an incentive to sustainably improve the Otsuka group’s medium- to long-term performance and corporate value. Similar incentives will also be provided to directors of some Otsuka group companies who do not concurrently serve as directors of the Company.

Therefore, the Company has decided to introduce this Incentive Scheme to raise group-wide awareness with a view to achieving the targets set out in the Fourth Medium-Term Management Plan and to encourage all employees to work together to increase the Otsuka group’s medium- to long-term corporate value. While the Shareholding Fund has already contributed to the asset building of employees—the Fund’s members—and played a part in boosting their work motivation, the introduction of the Scheme will further advance these roles, providing many employees with the opportunity to share in medium- to long-term shareholder value.

## 2. Outline of the Scheme



- (1) The Company provides special incentive payments to members.
- (2) Members contribute the special incentive payments to the Shareholding Fund.
- (3) The Shareholding Fund aggregates the special incentive payments contributed by members to acquire Company shares from the market.
- (4) The acquired Company shares are allocated/managed as member equity within the Shareholding Fund through Nomura Securities Co., Ltd., which the Shareholding Fund has commissioned to administer shareholding.

## 3. Granting of Company Shares through the Scheme

### (1) Overview

Upon introducing the Scheme, the Company will provide special incentive payments per member calculated based on the method described in (2) below. The Shareholding Fund will use this as funds to acquire Company shares from the market. The Company shares acquired by the Shareholding Fund will be allocated/managed within each member's equity balance in the Shareholding Fund.

The special incentive payments will only be provided to people who are members of the Shareholding Fund at the time of payment.

For members who joined the Shareholding Fund during the performance evaluation period described in (3) below, the amount of special incentive payment will be calculated on a pro-rata basis according to the length of time they were a Shareholding Fund member during the performance evaluation period.

### (2) Method for Calculating Special Incentive Payments

#### A. Overview

A base amount for special incentive payments will be set for each position at each Otsuka group company based on members' positions within the Otsuka group and the scale and impact each Otsuka group company has on consolidated performance. Payment eligibility will be determined based on the level of achievement of the performance evaluation criteria below.

#### B. Performance Evaluation Criteria

Achievement of financial targets (consolidated revenue and consolidated business profit before R&D expenses) set out in the Company's Fourth Medium-Term Management Plan will be used as criteria. There will be two performance evaluation criteria: (i) annual achievement of financial targets; and (ii) cumulative achievement of financial targets over multiple fiscal years.

### (3) Timing of Special Incentive Payments

Special incentive payments based on annual achievement of financial targets are scheduled to be paid to members in the following fiscal year. Special incentive payments based on cumulative achievement of financial targets over

multiple fiscal years are scheduled to be paid to members during the fiscal year following the final fiscal year of the cumulative evaluation period.

(4) Outline of the Applicable Shareholding Fund

The outline of the applicable Shareholding Fund is as follows:

- A. Name: Otsuka Group Employee Shareholding Fund
- B. Location: 2-16-4 Konan, Minato-ku, Tokyo, Japan
- C. Chairperson: Yasushi Ooue
- D. Number of shares held: 13,438,000 shares (as of December 31, 2023)
- E. Ownership ratio: 2.47% (relative to the total number of issued shares)

4. Other

- (1) The introduction of the Scheme is expected to have a negligible impact on the Company's consolidated performance.
- (2) The Company is currently formulating a Fourth Medium-Term Management Plan, which is scheduled to be announced on June 7, 2024.