

(Translation)

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Code number: 4578  
March 6, 2024  
Tatsuo Higuchi  
President and Representative Director  
**Otsuka Holdings Co., Ltd.**  
2-9 Kanda-Tsukasamachi, Chiyoda-ku, Tokyo

## **Notice of the 16th Annual Shareholders Meeting** **(for FY2023)**

Dear Shareholders,

We are pleased to announce the 16th Annual Shareholders Meeting of Otsuka Holdings Co., Ltd. (the “Company”), which will be held as indicated below.

When convening this Shareholders Meeting, the Company takes measures for providing information that constitutes the Reference Documents for Shareholders Meeting, etc. (measures for providing information in electronic format are to be taken) in electronic format, and posts this information on the Company’s website. Please access the website using the internet address shown below to review the information.

Our website: <https://www.otsuka.com/jp/ir/stock/meeting.html>

The Company also posts this information on the website of Tokyo Stock Exchange, Inc. (TSE). Please access the TSE website below, perform a search by entering (in half-width characters) either “Otsuka Holdings” in the “Issue name (company name)” field or the Company’s securities code of 4578 in the “Code” field. Next, select “Basic information” followed by “Documents for public inspection /PR information.” This information will then be available in the “Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting” column listed under “Filed information available for public inspection.”

TSE website (Listed Company Search):  
<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>

If you are unable to attend the meeting in person, you may exercise your voting rights either via the Internet or in writing (by post). Please examine the Reference Documents for Shareholders Meeting and exercise your voting rights so that your vote is received by the designated time, **5:30 p.m. (the close of business hours) on Wednesday, March 27, 2024 (JST)**.

(Translation)

To exercise your voting rights via the Internet→ Please refer to page 5.

Please access to the Website for Exercising Voting Rights designated by the Company (<https://evote.tr.mufg.jp/>) (in Japanese only) and follow the instructions on the screen to input your approval or disapproval for each proposal by the designated time above.

To exercise your voting rights in writing (by post)→ Please refer to page 4.

Please indicate on the enclosed “Voting Form” whether you approve or disapprove of each proposal and return the completed form by the designated time above.

We will stream a live webcast of the Shareholders Meeting to ensure that our shareholders are able to view proceedings. (<https://v.sokai.jp/4578/2024/otsuka16/>) (in Japanese only)

## Details

### 1. Date and Time:

Thursday, March 28, 2024, at 10:00 a.m.

### 2. Place:

ANA InterContinental Tokyo, B1F, Prominence  
1-12-33 Akasaka, Minato-ku, Tokyo

### 3. Purpose of the Meeting

#### Matters to be reported:

- a. Business Report and Consolidated Financial Statements, as well as the audit reports of the Accounting Auditors and the Audit & Supervisory Board for Consolidated Financial Statements, for the 16th Fiscal Year (from January 1, 2023 to December 31, 2023)
- b. Financial Statements for the 16th Fiscal Year (from January 1, 2023 to December 31, 2023)

#### Matters to be resolved:

**Proposal 1:** Election of Thirteen (13) Directors

**Proposal 2:** Revision of the Remuneration Plan for the Grant of Shares with Transfer Restrictions to Directors

### 4. Matters Decided upon Convocation (Guidance for Exercising Voting Rights)

- (1) If you do not circle “Approve” on a Proposal of the “Voting Form” upon having exercised voting rights in writing (by post), that proposal shall be deemed to indicate approval.
- (2) If you exercise your voting rights more than once via the Internet, only the last vote shall be deemed effective.
- (3) If you exercise your voting rights both via the Internet and in writing (by post), your vote via the Internet shall be deemed effective regardless of the arrival date and time.
- (4) You may designate one other shareholder with voting rights as your proxy to exercise your voting rights in accordance with the Articles of Incorporation. In such a case, your proxy will be required to submit documentation indicating his/her authority in advance to act as your proxy.

#### Notes:

- \* You are kindly requested to present the “Voting Form” sent out with this notice to the receptionist when you attend the meeting.
- \* If revisions to the matters for which measures for providing information in electronic format are to be taken arise, a notice of the revisions and the details of the matters before and after the revisions will be posted on the Company’s website below and the TSE website as stated on page 1.
- \* We will send paper-based documents stating the matters for which measures for providing information in electronic format are to be taken to shareholders who have requested the delivery of paper-based documents, but that documentation will not include the following matters, in accordance with the laws and regulations and the Articles of Incorporation.
  - (i) “System to Ensure the Appropriateness of Operations” “Overview of Current Status of System to Ensure the Appropriateness of Operations” of the Business Report
  - (ii) “Consolidated Statement of Changes in Equity” “Notes to Consolidated Financial Statements” of the Consolidated Financial Statements
  - (iii) “Statement of Changes in Net Assets” “Notes to Financial Statements” of the Nonconsolidated Financial Statements

Accordingly, the Business Report, Consolidated Financial Statements and Nonconsolidated Financial Statements presented in this document are among the documents subject to audit upon preparation of the accounting audit report by the Accounting Auditor and preparation of the audit report by the Audit & Supervisory Board Members.

Our website <https://www.otsuka.com/en/>

## Flow of the Company's Shareholders Meeting

### **Until opening of the Shareholders Meeting**

#### **Review disclosure documents**

Various disclosure documents are available on "Investor Relations," "Stock Information," "Shareholders' Meeting" of our website.

Our website: <https://www.otsuka.com/en/ir/stock/meeting.html>

#### **To exercise your voting rights via the Internet**

You can exercise your voting rights using a personal computer (PC) or a smartphone.

Please refer to page 5 for details.

Deadline: to be exercised on Wednesday, **March 27, 2024, at 5:30 p.m.**

#### **To exercise your voting rights in writing (by post)**

Please indicate on the enclosed "Voting Form" whether you approve or disapprove of each proposal, and return it by the voting deadline below.

Deadline: to be received on Wednesday, **March 27, 2024, at 5:30 p.m.**

#### **[How to fill out the "Voting Form"]**

Please indicate whether you approve or disapprove of each proposal.

(When neither "Approve" nor "Disapprove" is circled on a Proposal, that proposal shall be deemed to indicate approval.)

#### Proposal 1

- To mark your approval for all candidates → Circle "Approve."
- To mark your disapproval for all candidates → Circle "Disapprove."
- To mark your disapproval for certain candidates → Circle "Approve" and write candidate number(s) you disapprove.

#### Proposal 2

- To mark your approval → Circle "Approve."
- To mark your disapproval → Circle "Disapprove."

Please note that your online vote will prevail over the written vote should you exercise your voting rights both via the Internet and in writing (by post). If you exercise your voting rights more than once via the Internet, only the last vote shall be deemed effective.

### **Day of the meeting**

#### **To exercise your voting rights by attending the Shareholders Meeting (make a statement/exercise voting rights)**

Please submit the enclosed "Voting Form" to the receptionist. Please also bring with you "Notice of the 16th Annual Shareholders Meeting" (this document).

Date and time of the meeting: Thursday, **March 28, 2024, at 10:00 a.m.**

#### **To view a live webcast (in Japanese only)**

Please view a live webcast on the dedicated site for shareholders.

Date and time of the live webcast of the meeting: start on Thursday, **March 28, 2024, at 10:00 a.m.**

### **After conclusion of the Shareholders Meeting**

#### **To check results of exercise of voting rights**

Please check the notice regarding results of exercise of voting rights on our website.

Our website: <https://www.otsuka.com/jp/ir/stock/meeting.html>

## Guidance for Exercising Voting Rights via the Internet

### How to scan QR code

You can log in the Website for Exercising Voting Rights by scanning the QR code® without entering your login ID and password.

1. Please scan QR code provided at the bottom right of the “Voting Form.”  
\*QR code is registered trademarks of DENSO WAVE INCORPORATED.
2. Please follow the directions that appear on the screen to input approval or disapproval to each proposal.

### How to enter login ID and password

Website for Exercising Voting Rights: <https://evote.tr.mufg.jp/> (in Japanese only)

1. Please access the Website for Exercising Voting Rights.
2. Please enter the login ID and provisional password provided on the “Voting Form.”
3. Please follow the directions that appear on the screen to input approval or disapproval to each proposal.

If you have any inquiries about the operation of a PC or a smartphone regarding the exercise of voting rights via the Internet, contact the following:

Corporate Agency Division (Help Desk), Mitsubishi UFJ Trust and Banking Corporation Phone: <b>0120-173-027</b> (9:00 to 21:00 (JST); toll free (Japan only))
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Institutional investors may use the platform for electronic exercise of voting rights for institutional investors, operated by ICJ, Inc.

## Reference Documents for Shareholders Meeting


### Proposal 1: Election of Thirteen (13) Directors


The terms of office of all thirteen (13) Directors will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, the Company proposes to elect thirteen (13) Directors.

The candidates for Directors are as follows:

Candidate No.	Name	Term of office as Director*	Current position and areas of responsibility in the Company	Attendance rate at meetings of the Board of Directors
1	Reappointment Ichiro Otsuka	15 years and 8 months	Chairman and Representative Director	100%
2	Reappointment Tatsuo Higuchi	15 years and 8 months	President and Representative Director, CEO	100%
3	Reappointment Makoto Inoue	4 years	Representative Director, COO	100%
4	Reappointment Yoshiro Matsuo	15 years and 8 months	Executive Deputy President and Executive Director	100%
5	Reappointment Yuko Makino	6 years	Executive Director, CFO	100%
6	Reappointment Shuichi Takagi	5 years	Executive Director	100%
7	Reappointment Masayuki Kobayashi	7 years	Executive Director	100%
8	Reappointment Noriko Tojo	9 years and 10 months	Executive Director	100%
9	Reappointment Outside Independent Yukio Matsutani	8 years	Outside Director	100%
10	Reappointment Outside Independent Ko Sekiguchi	6 years	Outside Director	100%
11	Reappointment Outside Independent Yoshihisa Aoki	5 years	Outside Director	100%
12	Reappointment Outside Independent Mayo Mita	4 years	Outside Director	100%
13	Reappointment Outside Independent Tatsuaki Kitachi	2 years	Outside Director	100%


\* The term of office as director represents the total period including their past term of office.


Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
1	<p data-bbox="295 268 475 295">Reappointment</p>  <p data-bbox="295 600 491 667">Ichiro Otsuka (February 15, 1965)</p> <p data-bbox="295 698 502 824">Position and areas of responsibility in the Company: Chairman and Representative Director</p> <p data-bbox="295 855 491 936">Term of office as Director: 15 years and 8 months</p>	<p data-bbox="550 257 1236 286">April 1987 Joined Otsuka Pharmaceutical Factory, Inc.</p> <p data-bbox="550 291 1236 362">June 1997 Executive Director, Director of Consumer Products Development Division, Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="550 369 1236 448">June 1998 Managing Director, responsible for Consumer Products, Publicity, Promotion and Development Division, Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="550 452 1236 510">December 2001 Executive Director, Research and Development, Otsuka Pharmaceutical Factory, Inc.</p> <p data-bbox="550 515 1236 564">May 2002 Representative Director, Otsuka Pharmaceutical Factory, Inc.</p> <p data-bbox="550 571 1236 622">December 2003 Executive Deputy President and Representative Director, Otsuka Pharmaceutical Factory, Inc.</p> <p data-bbox="550 627 1236 676">December 2004 President and Representative Director, Otsuka Pharmaceutical Factory, Inc.</p> <p data-bbox="550 683 1236 712">July 2008 Executive Director, Otsuka Holdings Co., Ltd.</p> <p data-bbox="550 716 1236 766">June 2010 Executive Deputy President and Executive Director, Otsuka Holdings Co., Ltd.</p> <p data-bbox="550 772 1236 878">June 2014 Representative Director, Otsuka Pharmaceutical Factory, Inc. Vice Chairman and Representative Director, Otsuka Holdings Co., Ltd.</p> <p data-bbox="550 884 1236 1034">March 2015 Executive Director, Otsuka Pharmaceutical Co., Ltd. (Current Position) Chairman, Otsuka Pharmaceutical Factory, Inc. Chairman and Representative Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p data-bbox="550 1041 1236 1093">March 2022 Representative Director, Otsuka Pharmaceutical Factory, Inc. (Current Position)</p> <p data-bbox="550 1097 1236 1258">[Significant concurrent positions outside the Company] Representative Director, Otsuka Pharmaceutical Factory, Inc. Executive Director, Otsuka Pharmaceutical Co., Ltd. President and Representative Director, Otsuka Estate Co., Ltd. President and Representative Director, Otsuka Asset Co., Ltd.</p>	7,868,584
<p data-bbox="295 1265 849 1294">[Reasons for nominating him as a candidate for Director]</p> <p data-bbox="295 1299 1181 1460">Mr. Ichiro Otsuka has been overseeing all areas of management of the Company and its subsidiaries (hereinafter referred to as the “Group”), and promoting optimal coordination among group companies and enhancement of internal and external networks to accomplish development in a unique way as a total healthcare company based on the corporate philosophy from a higher perspective on businesses. He has achieved a proven track record of enhancing corporate value by leading business strategies eyeing medium- to long-term growth, and pursuing an ideal vision of the Otsuka group.</p> <p data-bbox="295 1467 1193 1630">He has a deep understanding of the characteristics and business strategies of the Group's each business. The Company deems that it can expect him to ensure and improve the effectiveness of the Board of Directors by playing a central role in management decision-making and supervision in making use of his broad experience, expertise, and high level of management knowledge, and furthermore deems that he is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated him as a candidate for Director.</p>			


Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
2	<div data-bbox="295 264 475 295" style="border: 1px solid black; padding: 2px;">Reappointment</div> <div data-bbox="295 331 523 564" style="text-align: center;">  </div> <p data-bbox="295 600 446 667">Tatsuo Higuchi (June 14, 1950)</p> <p data-bbox="295 698 507 846">Position and areas of responsibility in the Company: President and Representative Director, CEO</p> <p data-bbox="295 878 507 958">Term of office as Director: 15 years and 8 months</p>	<p data-bbox="550 250 1236 286">March 1977 Joined Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="550 286 1236 340">June 1998 Senior Managing Director, Otsuka Pharmaceutical Co., Ltd. (Pharmavite)</p> <p data-bbox="550 340 1236 394">November 1998 Executive Deputy President and Executive Director, Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="550 394 1236 448">June 1999 Executive Director, responsible for U.S. Business, Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="550 448 1236 501">June 2000 President and Representative Director, Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="550 501 1236 555">June 2008 Executive Director, Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="550 555 1236 609">July 2008 President and Representative Director, CEO, Otsuka Holdings Co., Ltd. (Current Position)</p> <p data-bbox="550 609 1236 663">December 2011 Executive Director, Otsuka Chemical Co., Ltd.</p> <p data-bbox="550 663 1236 716">February 2015 President and Representative Director, Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="550 716 1236 770">March 2020 Chairman and Representative Director, Otsuka Pharmaceutical Co., Ltd. (Current Position)</p> <p data-bbox="550 770 1236 869">[Significant concurrent positions outside the Company] Chairman and Representative Director, Otsuka Pharmaceutical Co., Ltd.</p>	183,600
<p data-bbox="295 967 849 999">[Reasons for nominating him as a candidate for Director]</p> <p data-bbox="295 999 1236 1236">Mr. Tatsuo Higuchi has been leading the Group through his outstanding leadership. In the Third Medium-Term Management Plan positioned as “Advance in the Global Market as a Unique Total Healthcare Company ~ Five-Year Growth Phase ~,” he pursued “New value creation” and “Existing business value maximization” in the two core businesses of the pharmaceutical business and the nutraceutical business, and achieved adequate results to contribute greatly to increasing the corporate value. In the succeeding Fourth Medium-Term Management Plan, he has also been taking the leadership of the overall group, and focusing on generating new innovation and on developing human resources toward further growth of the Group, and has steadily achieved results in terms of ensuring medium- to long-term sustainable growth and creative business development.</p> <p data-bbox="295 1236 1236 1361">The Company deems that it can expect him to, by making use of his broad experience, expertise, and high level of management knowledge, ensure and improve the effectiveness of the Board of Directors and that he is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated him as a candidate for Director.</p>			




(Translation)

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
3	<p data-bbox="293 271 485 297">Reappointment</p>  <p data-bbox="293 600 459 663">Makoto Inoue (August 9, 1958)</p> <p data-bbox="293 701 507 819">Position and areas of responsibility in the Company: Representative Director, COO</p> <p data-bbox="293 857 443 931">Term of office as Director: 4 years</p>	<p data-bbox="553 259 1230 949">           April 1983 Joined Otsuka Pharmaceutical Co., Ltd.            June 2008 Vice President, General Manager of Diagnostic Division, Otsuka Pharmaceutical Co., Ltd.            June 2009 Senior Vice President, Deputy General Manager of Pharmaceutical Business Division, Otsuka Pharmaceutical Co., Ltd.            March 2015 Executive Director, Executive Vice President, General Manager of Nutraceutical Business Division, Otsuka Pharmaceutical Co., Ltd.            April 2015 Executive Director, Pharmavite LLC            March 2017 Managing Director, Nutraceutical Business, Otsuka Pharmaceutical Co., Ltd.            September 2017 Executive Director, Daiya Foods Inc.            March 2018 Senior Managing Director, Nutraceutical Business, Otsuka Pharmaceutical Co., Ltd.            October 2018 Chairman, Nardobel SAS            March 2019 Executive Deputy President and Executive Director, Otsuka Pharmaceutical Co., Ltd.            March 2020 President and Representative Director, Otsuka Pharmaceutical Co., Ltd. (Current Position)            Executive Director, Otsuka Holdings Co., Ltd.            January 2024 Representative Director, COO, Otsuka Holdings Co., Ltd. (Current Position)         </p> <p data-bbox="553 956 1203 1032">           [Significant concurrent positions outside the Company]            President and Representative Director, Otsuka Pharmaceutical Co., Ltd.         </p>	57,000
	<p data-bbox="293 1048 847 1075">[Reasons for nominating him as a candidate for Director]</p> <p data-bbox="293 1081 1198 1267">           Mr. Makoto Inoue has abundant experience and a track record as a leader in both the pharmaceutical business and the nutraceutical business, which are the core businesses of the Group, and has been playing a central role in practice of business strategies as COO of the Company since January 2024. He has outstanding leadership in business promotion and organizational management capabilities and has also achieved adequate results in business development such as establishment and practice of strategies and alliance management in the Group's main businesses. In addition, as the president of Otsuka Pharmaceutical Co., Ltd., he has steadily built a track record.         </p> <p data-bbox="293 1276 1230 1373">           The Company deems that it can expect him to, by making use of his broad experience, expertise and management knowledge, ensure and improve the effectiveness of the Board of Directors and that he is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated him as a candidate for Director.         </p>		


Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
4	<p data-bbox="293 271 485 297">Reappointment</p>  <p data-bbox="293 607 493 667">Yoshiro Matsuo (November 3, 1960)</p> <p data-bbox="293 703 504 846">Position and areas of responsibility in the Company: Executive Deputy President and Executive Director</p> <p data-bbox="293 887 488 958">Term of office as Director: 15 years and 8 months</p>	<p data-bbox="550 259 1118 286">April 1985 Joined Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="550 293 1214 365">January 2003 Vice President, Associate General Manager of the General Affairs Department, Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="550 371 1201 443">June 2006 Vice President, General Manager of the General Affairs Department, Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="550 450 1185 555">November 2007 Senior Vice President, General Manager of the General Affairs Department with additional responsibility for Legal Affairs and External Relations, Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="550 562 1182 611">July 2008 Managing Director, Corporate Administration, Otsuka Holdings Co., Ltd.</p> <p data-bbox="550 618 1142 667">March 2016 Senior Managing Director, Corporate Administration, Otsuka Holdings Co., Ltd.</p> <p data-bbox="550 674 1209 723">January 2017 Executive Director, Otsuka Medical Devices Co., Ltd. (Current Position)</p> <p data-bbox="550 730 1225 801">March 2022 Executive Deputy President and Representative Director, Otsuka Pharmaceutical Co., Ltd. (Current Position)</p> <p data-bbox="550 808 1166 880">Executive Deputy President and Executive Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p data-bbox="550 887 1150 936">March 2023 Executive Director, Otsuka Foods Co., Ltd. (Current Position)</p> <p data-bbox="550 943 1086 969">[Significant concurrent positions outside the Company]</p> <p data-bbox="550 976 1177 1025">Executive Deputy President and Representative Director, Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="550 1032 1074 1059">Executive Director, Otsuka Medical Devices Co., Ltd.</p> <p data-bbox="550 1066 970 1093">Executive Director, Otsuka Foods Co., Ltd.</p>	74,760
<p data-bbox="293 1106 847 1133">[Reasons for nominating him as a candidate for Director]</p> <p data-bbox="293 1140 1214 1256">Mr. Yoshiro Matsuo has been overseeing all of the corporate departments of the Group. He has been working to enhance the functions of departments that serve as a basis for increasing corporate value, such as enhancing corporate governance, promoting sustainability, strengthening compliance, developing human resources and improving employee engagement, and has achieved adequate results.</p> <p data-bbox="293 1263 1230 1379">He has in-depth knowledge in Group operations and corporate governance. The Company deems that it can expect him to, by making use of his expertise and management knowledge, ensure and improve the effectiveness of the Board of Directors and that he is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated him as a candidate for Director.</p>			


Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
5	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Reappointment</div>  <p>Yuko Makino (October 23, 1961)</p> <p>Position and areas of responsibility in the Company: Executive Director, CFO</p> <p>Term of office as Director: 6 years</p>	<p>April 1982 Joined Otsuka Pharmaceutical Co., Ltd.</p> <p>April 1993 Joined Deloitte&amp;Touche LLC Seattle Office (present day Deloitte Touche Tohmatsu LLC)</p> <p>April 1996 Joined Baxter Limited</p> <p>April 2000 Joined Otsuka Pharmaceutical Co., Ltd.</p> <p>March 2015 Director of the Corporate Finance &amp; Accounting Department, Otsuka Holdings Co., Ltd.</p> <p>September 2016 Vice President, Director of the Corporate Finance &amp; Accounting Department, Otsuka Holdings Co., Ltd.</p> <p>Vice President, Director of Accounting Department, Otsuka Pharmaceutical Co., Ltd.</p> <p>April 2017 Vice President, Director of the Tax Department, Otsuka Holdings Co., Ltd.</p> <p>Vice President, Director of the Finance &amp; Accounting Department, Otsuka Pharmaceutical Co., Ltd.</p> <p>March 2018 Executive Director, Corporate Finance, Otsuka Holdings Co., Ltd.</p> <p>March 2019 Executive Director, CFO, Otsuka Holdings Co., Ltd. (Current Position)</p> <p>March 2022 Executive Director, Finance, Otsuka Pharmaceutical Co., Ltd. (Current Position)</p> <p>[Significant concurrent positions outside the Company] Executive Director, Finance, Otsuka Pharmaceutical Co., Ltd.</p>	27,900
<p>[Reasons for nominating her as a candidate for Director]</p> <p>Ms. Yuko Makino has a high level of expertise in finance and a track record in formulating and implementing financial strategies for the Company. She has been promoting the enhancement and sophistication of the management platform by optimizing the Group's corporate functions, and the business management with a corporate wide awareness of capital costs, and has been achieving results in strengthening the financial foundation and management in general as CFO.</p> <p>The Company deems that it can expect her to, by making use of her broad experience, expertise, and management knowledge, ensure and improve the effectiveness of the Board of Directors and that she is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated her as a candidate for Director.</p>			

(Translation)


Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
6	<p>Reappointment</p>  <p>Shuichi Takagi (January 3, 1966)</p> <p>Position and areas of responsibility in the Company: Executive Director</p> <p>Term of office as Director: 5 years</p>	<p>April 1989 Joined TOBISHIMA CORPORATION</p> <p>September 1995 Joined Otsuka Pharmaceutical Co., Ltd.</p> <p>August 2002 Finance Department of OIAA Division, Otsuka Pharmaceutical Co., Ltd.</p> <p>July 2003 Corporate Finance &amp; Accounting Department, Otsuka Pharmaceutical Co., Ltd.</p> <p>March 2015 Vice President responsible for India Business, Otsuka Pharmaceutical Factory, Inc.</p> <p>May 2015 CEO, Claris Otsuka Private Limited (present day Otsuka Pharmaceutical India Private Limited)</p> <p>January 2019 Senior Vice President, President's Office, Otsuka Holdings Co., Ltd.</p> <p>March 2019 Executive Director, Finance and Business Portfolio Management, Otsuka Pharmaceutical Co., Ltd. Executive Director, Business Portfolio Management, Otsuka Holdings Co., Ltd.</p> <p>October 2021 President, Otsuka America, Inc.</p> <p>March 2022 Managing Director, Business Strategy; concurrently President, Otsuka America, Inc., Otsuka Pharmaceutical Co., Ltd. Managing Director, CSO, Otsuka Holdings Co., Ltd.</p> <p>February 2023 Chairman, Otsuka America, Inc.</p> <p>March 2023 Executive Director, Otsuka Pharmaceutical Factory, Inc.</p> <p>January 2024 Executive Director, Otsuka Holdings Co., Ltd. (Current Position) President and Representative Director, Otsuka Pharmaceutical Factory, Inc. (Current Position)</p> <p>[Significant concurrent positions outside the Company] President and Representative Director, Otsuka Pharmaceutical Factory, Inc.</p>	36,100
<p>[Reasons for nominating him as a candidate for Director]</p> <p>Mr. Shuichi Takagi has management experience in the fields of finance and accounting and several overseas subsidiaries, and served as the president of Otsuka Pharmaceutical Factory, Inc. since January 2024. Increase in value of the clinical nutrition business, one of the Group's core businesses, and the promotion of synergies across the group mainly for clinical nutrition are expected, based on his experience in the management of overseas subsidiaries and the promotion of management strategies at the Company.</p> <p>The Company deems that it can expect him to, by making use of his broad experience, expertise and management knowledge, ensure and improve the effectiveness of the Board of Directors and that he is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated him as a candidate for Director.</p>			

(Translation)


Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
7	<p data-bbox="293 264 475 295">Reappointment</p>  <p data-bbox="293 600 501 667">Masayuki Kobayashi (July 10, 1966)</p> <p data-bbox="293 698 478 801">Position and areas of responsibility in the Company: Executive Director</p> <p data-bbox="293 833 446 913">Term of office as Director: 7 years</p>	<p data-bbox="549 255 1225 309">April 1989 Joined The Daiwa Bank, Ltd. (present day Resona Bank, Limited)</p> <p data-bbox="549 313 1104 344">October 1993 Joined Taiho Pharmaceutical Co., Ltd.</p> <p data-bbox="549 349 1200 403">August 2002 President, Taiho Pharma USA, Inc. (present day TAIHO ONCOLOGY, INC.)</p> <p data-bbox="549 407 1232 461">September 2003 Executive Director, Taiho Pharmaceutical Co., Ltd.</p> <p data-bbox="549 465 1136 497">April 2010 President and CEO, Otsuka America, Inc.</p> <p data-bbox="549 501 1168 582">April 2012 President and Representative Director, Taiho Pharmaceutical Co., Ltd. (Current Position) Executive Director, Taiho Pharma USA, Inc.</p> <p data-bbox="549 586 1206 640">April 2014 Chairman, TAIHO ONCOLOGY, INC. (Current Position)</p> <p data-bbox="549 645 1184 698">March 2017 Executive Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p data-bbox="549 703 1091 734">[Significant concurrent positions outside the Company]</p> <p data-bbox="549 739 1193 792">President and Representative Director, Taiho Pharmaceutical Co., Ltd.</p> <p data-bbox="549 797 938 828">Chairman, TAIHO ONCOLOGY, INC.</p>	80,500
<p data-bbox="293 918 849 949">[Reasons for nominating him as a candidate for Director]</p> <p data-bbox="293 954 1232 1124">Mr. Masayuki Kobayashi has broad experience and a track record in corporate management, including the management of overseas subsidiaries. Based on his insight and expertise in the pharmaceutical business, particularly oncology, he has been focusing on the development of the pharmaceutical business of the Group, and has been steadily achieving results. In addition, as the president of Taiho Pharmaceutical Co., Ltd., he has been steadily achieving results in relation to enhancement of the corporate value such as globalization, organizational management and human resources development.</p> <p data-bbox="293 1128 1232 1223">The Company deems that it can expect him to, by making use of his broad experience, expertise and management knowledge, ensure and improve the effectiveness of the Board of Directors and that he is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated him as a candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
8	<p data-bbox="295 271 485 297">Reappointment</p>  <p data-bbox="295 600 491 658">Noriko Tojo (February 28, 1964)</p> <p data-bbox="295 696 480 792">Position and areas of responsibility in the Company: Executive Director</p> <p data-bbox="295 831 491 904">Term of office as Director: 9 years and 10 months</p>	<p data-bbox="555 259 1214 770">           April 1987 Joined Goldman Sachs (Japan) Corporation            August 1991 Joined Shearson Lehman Brothers Holdings Inc.            July 2002 Engagement Manager, McKinsey &amp; Company, Japan Office            June 2006 Director, Intel Capital Japan, Intel Corporation            August 2008 Managing Director, Corporate Development, Otsuka Holdings Co., Ltd.            February 2011 Executive Director, Otsuka Medical Devices Co., Ltd.            April 2012 President and CEO, Otsuka America, Inc.            August 2015 Executive Director and CEO, Pharmavite LLC            January 2017 President and Representative Director, Otsuka Medical Devices Co., Ltd. (Current Position)            May 2017 Executive Director, Otsuka America, Inc.            August 2017 Chairman, Pharmavite LLC            March 2018 Executive Director, Otsuka Holdings Co., Ltd. (Current Position)         </p> <p data-bbox="555 779 1214 860">           [Significant concurrent positions outside the Company]            President and Representative Director, Otsuka Medical Devices Co., Ltd.         </p>	65,000
<p data-bbox="295 913 842 940">[Reasons for nominating her as a candidate for Director]</p> <p data-bbox="295 949 1225 1093">           Ms. Noriko Tojo has experience in the management of the corporate planning department of the Company and overseas subsidiaries as well as expertise in company analysis. She carried out a business strategy to grow the Group's medical devices business into a new core business, and could establish the foundation during the period of the Third Medium-Term Management Plan. Moreover, as the president of Otsuka Medical Devices Co., Ltd., she has been actively promoting organizational management and development of human resources.         </p> <p data-bbox="295 1102 1230 1196">           The Company deems that it can expect her to, by making use of her broad experience, expertise and management knowledge, ensure and improve the effectiveness of the Board of Directors and that she is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated her as a candidate for Director.         </p>			

(Translation)


Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
9	<div data-bbox="295 271 486 304" style="border: 1px solid black; padding: 2px;">Reappointment</div> <div data-bbox="295 315 486 365" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <div data-bbox="295 376 486 425" style="border: 1px solid black; padding: 2px;">Candidate for Independent Officer</div>  <p data-bbox="295 734 486 795">Yukio Matsutani (October 20, 1949)</p> <p data-bbox="295 835 486 929">Position and areas of responsibility in the Company: Outside Director</p> <p data-bbox="295 969 486 1041">Term of office as Outside Director: 8 years</p>	<p data-bbox="550 259 1236 309">April 1975 Intern, Pediatric Department, St. Luke's International Hospital</p> <p data-bbox="550 320 1236 369">October 1981 Joined Ministry of Health and Welfare (present day Ministry of Health, Labour and Welfare)</p> <p data-bbox="550 380 1236 430">August 2005 Director-General, Health Policy Bureau, Ministry of Health, Labour and Welfare</p> <p data-bbox="550 441 1236 490">August 2007 Director, National Sanatorium Tama Zenshoen</p> <p data-bbox="550 501 1236 551">April 2012 President, National Institute of Public Health</p> <p data-bbox="550 562 1236 611">December 2015 Vice President, International University of Health and Welfare</p> <p data-bbox="550 622 1236 672">March 2016 Outside Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p data-bbox="550 683 1236 732">June 2019 President, Japan Public Health Association (Current Position)</p> <p data-bbox="550 743 1236 792">[Significant concurrent positions outside the Company] President, Japan Public Health Association</p>	0
		<p data-bbox="550 1055 1236 1104">[Reason for nominating him as a candidate for Outside Director and overview of the role expected of him]</p> <p data-bbox="550 1115 1236 1220">Mr. Yukio Matsutani has abundant experience and extensive knowledge in the healthcare and welfare field, as well as high level of expertise in overall health care. He also has provided accurate and valuable suggestions and advice to the Company's management from an independent standpoint as an outside director, and from an objective and expert viewpoint. Therefore, the Company nominated him as a candidate for Outside Director.</p>	

(Translation)


Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
10	<div data-bbox="295 264 486 297" style="border: 1px solid black; padding: 2px;">Reappointment</div> <div data-bbox="295 309 486 365" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <div data-bbox="295 376 486 432" style="border: 1px solid black; padding: 2px;">Candidate for Independent Officer</div>  <p data-bbox="295 734 438 795">Ko Sekiguchi (May 4, 1948)</p> <p data-bbox="295 835 478 929">Position and areas of responsibility in the Company: Outside Director</p> <p data-bbox="295 969 518 1037">Term of office as Outside Director: 6 years</p>	<p data-bbox="550 264 1029 291">April 1973 Joined Mitsubishi Corporation</p> <p data-bbox="550 297 1093 324">May 1990 Joined The Boston Consulting Group</p> <p data-bbox="550 331 1189 403">January 1996 General Manager of Sterrad Business Division, Johnson &amp; Johnson Medical K. K. (present day Johnson &amp; Johnson K. K. Medical Company)</p> <p data-bbox="550 409 1189 481">November 1998 President and Representative Director, Janssen Kyowa Co., Ltd. (present day Janssen Pharmaceutical K.K.)</p> <p data-bbox="550 488 1204 515">July 2009 Chairman and Director, Janssen Kyowa Co., Ltd.</p> <p data-bbox="550 521 1157 548">October 2009 Supreme Advisor, Janssen Kyowa Co., Ltd.</p> <p data-bbox="550 555 1204 604">January 2011 Representative Director, DIA Japan (present day SH DIA Japan)</p> <p data-bbox="550 611 1212 660">April 2012 Outside Director, N.I.C. Corporation (present day Solasto Corporation)</p> <p data-bbox="550 667 1029 694">March 2014 Outside Director, Kenedix, Inc.</p> <p data-bbox="550 701 1157 750">March 2018 Outside Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p data-bbox="550 757 1093 784">[Significant concurrent positions outside the Company]</p> <p data-bbox="550 790 566 817">-</p>	0
		<p data-bbox="295 1048 1157 1097">[Reason for nominating him as a candidate for Outside Director and overview of the role expected of him]</p> <p data-bbox="295 1104 1220 1220">Mr. Ko Sekiguchi has abundant experience, a track record, and extensive knowledge as a corporate manager and high level of expertise and network in pharmaceutical business. He also has provided accurate and valuable suggestions and advice to the Company's management from an independent standpoint as an outside director, and from an objective and expert viewpoint. Therefore, the Company nominated him as a candidate for Outside Director.</p>	




(Translation)

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
11	<div data-bbox="295 264 486 297" style="border: 1px solid black; padding: 2px;">Reappointment</div> <div data-bbox="295 309 486 365" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <div data-bbox="295 376 486 432" style="border: 1px solid black; padding: 2px;">Candidate for Independent Officer</div> <div data-bbox="295 465 518 694" style="text-align: center;">  </div> <p data-bbox="295 728 478 795">Yoshihisa Aoki (January 17, 1952)</p> <p data-bbox="295 828 478 929">Position and areas of responsibility in the Company: Outside Director</p> <p data-bbox="295 963 518 1041">Term of office as Outside Director: 5 years</p>	<p data-bbox="550 257 1228 286">April 1974 Joined ITOCHU Corporation</p> <p data-bbox="550 291 1228 320">June 2003 Executive Officer, ITOCHU Corporation</p> <p data-bbox="550 324 1228 380">April 2009 Managing Executive Officer, President, Food Company, ITOCHU Corporation</p> <p data-bbox="550 385 1228 459">April 2010 Member of the Board, Senior Managing Executive Officer, President, Food Company, ITOCHU Corporation</p> <p data-bbox="550 463 1228 519">March 2017 Administrative Officer, ITOCHU Corporation (Current Position)</p> <p data-bbox="550 524 1228 580">June 2017 Outside Director, ARATA CORPORATION (Current Position)</p> <p data-bbox="550 584 1228 640">March 2019 Outside Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p data-bbox="550 645 1228 701">[Significant concurrent positions outside the Company] Outside Director, ARATA CORPORATION</p>	0
		<p data-bbox="295 1048 1228 1104">[Reason for nominating him as a candidate for Outside Director and overview of the role expected of him]</p> <p data-bbox="295 1108 1228 1220">Mr. Yoshihisa Aoki has abundant experience, a track record, and extensive knowledge as a corporate manager and abundant experience, expertise and network in the food industry. He also has provided accurate and valuable suggestions and advice to the Company's management from an independent standpoint as an outside director, and from an objective and expert viewpoint. Therefore, the Company nominated him as a candidate for Outside Director.</p>	

(Translation)

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
12	<div data-bbox="295 264 486 297" style="border: 1px solid black; padding: 2px;">Reappointment</div> <div data-bbox="295 309 486 365" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <div data-bbox="295 376 486 432" style="border: 1px solid black; padding: 2px;">Candidate for Independent Officer</div>  <p data-bbox="295 734 486 790">Mayo Mita (October 14, 1960)</p> <p data-bbox="295 835 486 925">Position and areas of responsibility in the Company: Outside Director</p> <p data-bbox="295 969 486 1037">Term of office as Outside Director: 4 years</p>	<p data-bbox="555 264 1230 331">April 1983 Joined Morgan Stanley Japan Securities Co., Ltd. (present day Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)</p> <p data-bbox="555 342 1230 387">January 1989 Equity Research Division (Healthcare), Morgan Stanley Japan Securities Co., Ltd.</p> <p data-bbox="555 398 1230 443">December 2000 Managing Director, Morgan Stanley Japan Securities Co., Ltd.</p> <p data-bbox="555 454 1230 521">December 2013 Senior Advisor, Investment Banking Business Unit (Healthcare), Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.</p> <p data-bbox="555 533 1230 577">March 2020 Outside Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p data-bbox="555 589 1230 633">June 2023 Outside Auditor, Mitsui Fudosan Co., Ltd. (Current Position)</p> <p data-bbox="555 645 1230 712">[Significant concurrent positions outside the Company] Outside Auditor, Mitsui Fudosan Co., Ltd.</p>	0
		<p data-bbox="555 1048 1230 1104">[Reason for nominating her as a candidate for Outside Director and overview of the role expected of her]</p> <p data-bbox="555 1115 1230 1227">Ms. Mayo Mita, as a securities analyst, has abundant experience in corporate analysis and based on that, a high level of insight in objectively observing and analyzing companies. She has been providing accurate and valuable suggestions and advice to the Company's management from an independent standpoint as an outside director, and from an objective and expert viewpoint. Therefore, the Company nominated her as a candidate for Outside Director.</p> <p data-bbox="555 1238 1230 1261">Note: Ms. Mayo Mita's name on the family register is Ms. Mayo Nakatsuka.</p>	

(Translation)

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
13	<div data-bbox="295 264 486 295" style="border: 1px solid black; padding: 2px;">Reappointment</div> <div data-bbox="295 309 486 362" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <div data-bbox="295 376 486 430" style="border: 1px solid black; padding: 2px;">Candidate for Independent Officer</div>  <p data-bbox="295 734 518 795">Tatsuaki Kitachi (April 23, 1956)</p> <p data-bbox="295 833 518 929">Position and areas of responsibility in the Company: Outside Director</p> <p data-bbox="295 967 518 1034">Term of office as Outside Director: 2 years</p>	<p data-bbox="550 257 1228 331">October 1985 Joined Sanwa Tokyo Marunouchi Office Audit Corporation (present day Deloitte Touche Tohmatsu LLC)</p> <p data-bbox="550 340 1228 362">April 1989 Registered as a certified public accountant</p> <p data-bbox="550 371 1228 425">July 1996 Partner, Tohmatsu &amp; Co. (present day Deloitte Touche Tohmatsu LLC)</p> <p data-bbox="550 434 1228 488">April 2010 Commissioner, Public Interest Corporation Commission, Cabinet Office</p> <p data-bbox="550 497 1228 551">October 2012 Leader of Advisory Development Division, Deloitte Touche Tohmatsu LLC</p> <p data-bbox="550 560 1228 613">November 2013 Member of the Board, Deloitte Touche Tohmatsu LLC</p> <p data-bbox="550 622 1228 676">June 2017 Leader of Industry Service Division, Advisory Service Headquarters, Deloitte Touche Tohmatsu LLC</p> <p data-bbox="550 685 1228 716">June 2019 Thought Leader, Deloitte Tohmatsu LLC</p> <p data-bbox="550 725 1228 779">September 2021 Special Adviser to the Governor of Kanagawa Prefecture (Current Position)</p> <p data-bbox="550 788 1228 842">March 2022 Outside Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p data-bbox="550 851 1228 904">[Significant concurrent positions outside the Company] Special Adviser to the Governor of Kanagawa Prefecture</p>	0
	<p data-bbox="295 1048 518 1102">[Reason for nominating him as a candidate for Outside Director and overview of the role expected of him]</p> <p data-bbox="295 1111 518 1218">Mr. Tatsuaki Kitachi has expertise as a certified public accountant and consulting experience related to risk management, corporate governance, etc. He also has provided accurate and valuable suggestions and advice to the Company's management from an independent standpoint as an outside director, and from an objective and expert viewpoint. Therefore, the Company nominated him as a candidate for Outside Director.</p>	<p data-bbox="550 1048 1228 1102">[Significant concurrent positions outside the Company] Special Adviser to the Governor of Kanagawa Prefecture</p>	

Notes:

1. The candidates have no special interests in the Company.
2. The number of the Company's shares owned by Ichiro Otsuka is those actually held, including shares in the Otsuka Founders Shareholding Fund Trust Account.
3. Yukio Matsutani, Ko Sekiguchi, Yoshihisa Aoki, Mayo Mita and Tatsuaki Kitachi are candidates for Outside Directors. The five conform with the Independence Criteria for Outside Directors in the Company's Corporate Governance Guidelines, and the Company has registered them as Independent Officers as provided for under the rules of the Tokyo Stock Exchange.
4. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with Yukio Matsutani, Ko Sekiguchi, Yoshihisa Aoki, Mayo Mita and Tatsuaki Kitachi which limit their liabilities for damages under Article 423, paragraph (1) of the same Act. If their reappointments are approved, the Company plans to continue these agreements. The maximum amount of liabilities under the said agreement shall be the minimum amounts set forth in laws and regulations. The limitation of liability specified in these agreements shall be limited to times when the Outside Directors are without knowledge and not grossly negligent in performing the duties as Outside Director that cause liability.
5. The Company has entered into an executive liability limitation insurance agreement as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The insurance agreement covers damages caused by claims for damage compensation arising from the performance of duties by Directors and/or Audit & Supervisory Board Members (legally mandated damage compensation and legal expenses). The Company's Directors and Audit & Supervisory Board Members are the insured parties under the insurance agreement, and the entire amount of the insurance premiums for the insured parties is borne by the Company. If the election of each candidate is approved at the meeting, the Company plans to include each of them as an insured in the insurance agreement. For an overview of the details of the insurance agreement, please see "Summary of the executive liability limitation insurance agreement" on page 44.

**[For Reference]**

**Independence Criteria for Outside Directors (Corporate Governance Guidelines 8. (3))**

The Company deems that an Outside Director has independence when not falling under any of the items below.

- (1) The Outside Director in question has any close relative within the second degree of kinship who is currently or has in the past three years served as an executive director, executive officer (*shikkoyaku*), vice president (*shikkoyakuin*), or important employee (collectively, hereinafter “Executive”) of the Company or one of the Group companies.
- (2) The company at which the Outside Director in question currently serves as an Executive has transactions with the Group companies, and the amount of those transactions between the company and any of the Group companies in the past three fiscal years is more than 2% of the consolidated net sales of any of the respective companies.
- (3) The Outside Director in question, in any one fiscal year in the past three fiscal years, has received remuneration in excess of ¥5 million as an expert or consultant in law, accounting, or tax, directly from the Group companies (excluding the remuneration as Director of the Company).
- (4) Contributions to a non-profit organization at which the Outside Director in question serves as an Executive total more than ¥10 million in the past three fiscal years, and, exceed 2% of the gross income of the organization in question.

(Translation)

### Skill Matrix for Directors and Audit & Supervisory Board Members

In order to establish an effective corporate governance structure that supports sustainable growth, the Company appoints individuals with wide-ranging business experience, advanced expertise in broad fields, and extensive knowledge, as Directors and Audit & Supervisory Board Members.

The table below summarizes areas of experience and expertise of Directors and Audit & Supervisory Board Members if this Proposal is approved as originally proposed.

Name	Global business	Technology, R&D, production	Strategic planning, marketing, sales	Finance, accounting	Legal, compliance, risk management	Company analysis	Healthcare administration, public health	Major qualifications, etc.
Directors								
Ichiro Otsuka	●	●	●					
Tatsuo Higuchi	●	●	●				●	
Makoto Inoue	●	●	●					
Yoshiro Matsuo					●			
Yuko Makino				●				
Shuichi Takagi	●		●	●				
Masayuki Kobayashi	●	●					●	
Noriko Tojo	●				●	●		
Yukio Matsutani							●	MD
Ko Sekiguchi			●			●		
Yoshihisa Aoki			●					
Mayo Mita						●		
Tatsuaki Kitachi				●		●		CPA
Audit & Supervisory Board Members								
Yoza Toba	●			●				
Hiroshi Sugawara				●				CPA
Kanako Osawa					●			Attorney at law
Sachie Tsuji				●	●			CPA

(Translation)

**Proposal 2:** Revision of the Remuneration Plan for the Grant of Shares with Transfer Restrictions to Directors

At the 2nd Annual Shareholders Meeting held on June 29, 2010, approval was obtained for remuneration for the Company's Directors in the amount of ¥1.5 billion or less per year (excluding the employee salary of Directors concurrently serving as employees of the Company). At the 11th Annual Shareholders Meeting held on March 28, 2019, aside from the previously mentioned remuneration limitation, it was resolved to introduce a restricted stock remuneration plan (the "Current Plan") as a mid- to long-term incentive plan, and provide restricted stock remuneration to the Company's Directors (excluding Outside Directors; "Directors Covered by the Plan"), and this has remained unchanged until now. Under the Current Plan, the Company provides restricted stock remuneration to the Directors Covered by the Plan for a target period of five years from FY2019 to FY2023, which is the target period for the Third Medium Term Management Plan.

Upon the completion of the target period of the Third Medium-Term Management Plan, the Company plans to formulate a new medium-term management plan, which covers the period from FY2024 through FY2028 (the "Fourth Medium-Term Management Plan"). In the Fourth Medium-Term Management Plan, the Company plans to aim to provide the Company's Directors with incentives with improving the medium- to long-term performance and sustainably enhancing the corporate value in mind, and to further share more of that value with shareholders.

Therefore, approval is sought for this Proposal in order to make a revision to adopt the new restricted stock remuneration plan that not only sets conditions of remaining in office for a certain term and meeting certain performance achievements, which were attached to restricted stock remuneration under the Current Plan, but also incorporates the achievement of financial indicators and non-financial indicators set by the Company in the medium-term management plan into release conditions for transfer restrictions (the "Plan"). If this Proposal is approved as originally proposed, the Company will not issue or dispose of additional shares with transfer restrictions based on the Current Plan.

This Proposal is to pay restricted stock remuneration to Directors Covered by the Plan, aside from the upper limit of remuneration for the Company's Directors which was approved at the 2nd Annual Shareholders Meeting held on June 29, 2010.

The remuneration paid to the Directors Covered by the Plan for the grant of shares with transfer restrictions under this Proposal will be monetary claims (the "Monetary Remuneration Claims"), and the total amount will be ¥1.2 billion or less per year (excluding the employee salary of Directors concurrently serving as employees of the Company). This is a reasonable amount in the light of the above-mentioned purposes. Taking into account the growth in the Company's performance, the increase in the Company's share value associated with the rising share price of the Company, and other circumstances, the Company proposes to change the amount from ¥1.0 billion or less per year (excluding the employee salary of Directors concurrently serving as employees of the Company) under the Current Plan. The specific payment timing and allocation for each Director Covered by the Plan will be decided by the Board of Directors. The Board of Directors determines specific payment timing and allocation after giving consideration to the report on the evaluations of the Directors Covered by the Plan and recommendations on the individual remuneration for each of them, the appropriateness of their remuneration system and levels, as well as performance evaluations for performance-linked bonuses and share-based payments, etc., following deliberations within the Nomination and Remuneration Committee. Under this Plan, the Directors Covered by the Plan will pay all of the Monetary Remuneration Claims paid by the Company under this Proposal as property contributed in kind (*genbutsu shusshi*) and then acquire newly issued or disposed ordinary shares of the Company. The total number of the Company's ordinary shares newly issued or disposed under the Plan will be 160,000 shares or less per year in the same manner with the Current Plan. However, in the event of a share split (including share allotment without contribution), share consolidation of the Company's ordinary shares, or other necessary adjustments of the Company's ordinary shares issued or disposed as shares with transfer restrictions after the date on which the Proposal is approved, reasonable adjustments will be made to the total number of shares.

The amount paid per share will be determined by the Board of Directors based on the closing price of the ordinary shares of the Company on the Tokyo Stock Exchange on the business day immediately prior to the date of each resolution related to issuance or disposal of the ordinary shares of the Company (if the transaction is not established on that day, then the closing price on the most recent trading day prior to

the date of the resolution) and be within an amount that is not particularly advantageous to the Directors Covered by the Plan who subscribe for said ordinary shares.

This Proposal aims at granting incentives to Directors Covered by the Plan so as to achieve the medium-term management plan of the Company, to sustainably improve the medium- to long-term performance and corporate value of the Company, and to further share more of that value with shareholders through strengthening the linkage between achievement of the medium-term management plan of the Company and remuneration for Directors. In addition, as this Proposal was determined by the Board of Directors based on the report following deliberations of the Nomination and Remuneration Committee, a majority of whose members are independent Outside Directors, the Company has judged that the content of this Proposal is fair and reasonable.

The current number of Directors of the Company is thirteen (13) (including five (5) Outside Directors). If Proposal 1 “Election of Thirteen (13) Directors” is approved as originally proposed, the number of Directors Covered by the Plan will be eight (8), excluding Outside Directors.

1. Details of the Plan after the Revision

The purpose of the Plan is to grant the Directors Covered by the Plan incentives to achieve the Company’s medium-term management plan, to sustainably improve the medium- to long-term performance and corporate value of the Company, and to further share more of that value with the shareholders. Under the Plan, the Company will grant the Directors Covered by the Plan shares with restrictions on transfer, attachment of security interest, and other dispositions (the “Transfer Restrictions”) for a fixed term. The release of the Transfer Restrictions will be subject to conditions of remaining in office as Director of the Company for a certain term and meeting indicators set by the Company in the medium-term management plan. The Company aims to achieve a more effective remuneration system by granting shares with Transfer Restrictions as an incentive to sustainably improve medium- to long-term performance and corporate value by incorporating non-financial indicators in addition to financial indicators as specific indicators, granting the shares with Transfer Restrictions subject to evaluations over several fiscal years simultaneously in the first fiscal year. When issuing or disposing of the ordinary shares of the Company under the Plan, the Company will conclude a restricted stock allocation agreement (the “Allocation Agreement”) with the Directors Covered by the Plan, which will include the contents listed under Section 2 below. In addition to the Directors Covered by the Plan, the Company also plans to grant about forty (40) Directors of subsidiaries, who do not concurrently serve as Directors of the Company, shares with Transfer Restrictions through a restricted stock remuneration plan similar to this Plan.

2. Overview of the Allocation Agreement

(1) Transfer Restriction Period

Directors Covered by the Plan will not transfer, attach security interest to, or otherwise dispose of the Company’s ordinary shares allotted under the Allocation Agreement (the “Allotted Shares”) for a period between three years and thirty years from the payment date of the Allotted Shares prescribed by the Company’s Board of Directors (the “Transfer Restriction Period”).

(2) Treatment upon Resignation or Removal

In the event of any Director Covered by the Plan resigning or being removed from the Company’s Director before the expiration of the Transfer Restriction Period, the Company will acquire all of the Allotted Shares free of charge, with the exception of cases where the Company determines that the term of office has expired, or there is a death or other reasonable cause existing for the resignation or removal.

(3) Release of Transfer Restrictions

Notwithstanding Item (1) above, the Company will release the Transfer Restriction with respect to all of the Allotted Shares upon the expiration of the Transfer Restriction Period on the condition that the relevant Director Covered by the Plan continues to be a Director of the Company during the Transfer Restriction Period. However, in the event that a Director Covered by the Plan resigns or is removed from the Company’s Director due to expiration of term of office, death or other reasonable cause set forth in Item (2) above before the expiration of the Transfer Restriction Period, the number of the Allotted Shares and the time of release from the Transfer Restriction will be reasonably adjusted as necessary.

Immediately after it becomes clear that the number of the Allotted Shares to be released from the Transfer Restriction will be adjusted pursuant to the above, the Company will acquire, free of charge, all of the Allotted Shares for which the Transfer Restriction is determined not to have been released.

(4) Indicator Achievement Conditions

Notwithstanding Item (3) above, the Company will release the Transfer Restriction with respect to all of the Allotted Shares on the condition of meeting the indicators determined by the Board of Directors in advance in the medium-term management plan. Immediately after it becomes clear that the Transfer Restriction will not be released due to the release condition not having been achieved, the Company will acquire all of the Allotted Shares free of charge.

(5) Treatment in Organizational Restructuring

Notwithstanding Item (1) above, in the event of a merger agreement in which the Company will be extinguished or in the event that a share exchange agreement, share transfer plan, or other organizational restructuring in which the Company becomes a wholly owned subsidiary is approved at the Shareholders Meeting of the Company (or the Company's Board of Directors, where approval by the Shareholders Meeting of the Company is not required for said organization restructuring) during the Transfer Restriction Period, the Company will release the Transfer Restrictions for the Allotted Shares in numbers reasonably determined by resolution of the Board of Directors prior to the effective date of the said organization restructuring based on the period from the start date of the Transfer Restriction Period to the approval date of the said organizational restructuring. Immediately after the release of the Transfer Restrictions pursuant to the above, the Company will acquire all of the Allotted Shares for which the Transfer Restrictions have not been released.

(6) Other Items Specified by the Board of Directors

Notwithstanding the above, the methods for manifestation of intention and notification under the Allocation Agreement, the method for amending the Allocation Agreement, and other items specified by the Board of Directors will be included in the provisions of the Allocation Agreement.



(Translation)

**[For Reference]**

The Company, based on the completion of the Third Medium-Term Management Plan having FY2023 as its final fiscal year, plans to proceed with formulating the Fourth Medium-Term Management Plan that covers the new target period from FY2024 to FY2028 and announce it on June 7, 2024.

The shares with Transfer Restrictions that are to be granted under the Plan during the target period of the Fourth Medium-Term Management Plan are planned to be set as a remuneration system reflecting the achievement status of the Fourth Medium-Term Management Plan by incorporating the achievement of indicators including financial indicators (such as EPS, TSR, ROIC and CF) and non-financial indicators (such as external evaluation indicators related to the Company's ESG initiatives) that are set in the Fourth-Term Management Plan into conditions for release of Transfer Restrictions.

## Attached documents

**Business Report**

(From January 1, 2023 to December 31, 2023)

**1. Overview of Business during the Current Fiscal Year****(1) Business Progress and Achievement of the Group**

## i) Business activity and results

(Millions of yen)

Item	FY2022 (Fiscal year ended December 31, 2022)*2	FY2023 (Fiscal year ended December 31, 2023)	Change	% Change
Revenue	1,737,998	2,018,568	280,570	16.1%
Business profit before research and development expenses	450,147	620,358	170,210	37.8%
Business profit*1	174,917	312,553	137,636	78.7%
Operating profit	150,323	139,612	(10,710)	(7.1)%
Profit before tax	172,954	142,655	(30,298)	(17.5)%
Profit for the year	137,280	125,499	(11,780)	(8.6)%
Profit attributable to owners of the Company	133,906	121,616	(12,290)	(9.2)%
Research and development expenses	275,230	307,804	32,574	11.8%
Impairment losses	41,521	172,419	130,898	315.3%

\*1 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

\*2 Due to the application of IAS 12 “Income Taxes” (amended in May 2021), figures for the fiscal year ended December 31, 2022 have been retrospectively restated.

Based on the concept of total health care, the Group (the Company and its affiliated companies) has been operating its businesses to maintain and promote health and to diagnose and treat disease. To anticipate social issues brought about by a highly uncertain world amid a changing social environment due to the impact of the spread of COVID-19, geopolitical risks, etc., the Group has incorporated new technologies and needs arising from changes in the environment and harness the opportunities presented by a growing awareness of health in order to demonstrate the Group’s true value as a total healthcare company, and pursued initiatives aimed at the realization of sustainable growth.

Revenue for the fiscal year ended December 31, 2023 totaled ¥2,018,568 million (up 16.1% over the previous fiscal year), as all business segments recorded increased revenue. The main factors were growth in sales for the four global products, the long acting antipsychotic agent *ABILIFY MAINTENA*, the antipsychotic agent *REXULTI*, the V<sub>2</sub>-receptor antagonist *JYNARQUE*, and the anti-cancer agent *LONSURF*, in addition to growth in royalties and milestones for out-licensed products, drove results in the pharmaceutical business. As a result, revenue grew significantly, exceeding the decline in revenue with the expiry of the exclusive sales period of the V<sub>2</sub>-receptor antagonist *Samsca* for the treatment for fluid retention in patients with heart failure and hepatic cirrhosis in Japan. Furthermore, in the nutraceutical business as well, sales of *POCARI SWEAT* and *Nature Made* continued to grow amid increasing health awareness.

Business profit before research and development expenses was ¥620,358 million (up 37.8%). The main factors were as follows. On one hand, the gross profit increased due to high sales for the four global products, and increased royalties and milestones for out-licensed products. On the other hand, amid efforts to accelerate investment in new businesses, the SG&A expense ratio was

reduced by appropriately controlling selling, general and administrative expenses through efficient investment in existing businesses.

Research and development expenses totaled ¥307,804 million (up 11.8%) mainly due to development expenses based on a collaboration and license agreement executed with Sumitomo Pharma Co., Ltd. for joint development and commercialization related to antipsychotic agent with a novel mechanism of action, as well as due to steady progress for zipalertinib/TAS6417 under development for the treatment of non-small cell lung cancer and sibeprenlimab/VIS649 under development for the treatment of IgA nephropathy. There was also the impact of exchange rate fluctuations.

As a result of greater than anticipated sales growth and appropriate controls having been imposed on selling, general and administrative expenses, business profit increased significantly to ¥312,553 million (up 78.7%).

Operating profit decreased to ¥139,612 million (down 7.1%). The main factor was the impact of recording a total of ¥172,419 million in impairment losses in the fiscal year ended December 31, 2023 due to AVP-786, a drug for agitation associated with dementia due to Alzheimer's disease, Daiya Foods Inc. and products pertaining to a collaboration with Sumitomo Pharma Co., Ltd.

Profit for the year was ¥125,499 million (down 8.6%) and profit attributable to owners of the Company was ¥121,616 million (down 9.2%).

## ii) Major business activities (as of December 31, 2023)

Business segment	Business activities
Pharmaceuticals	Manufacture, purchase, and sale of pharmaceutical products Consignment of research and development of new drugs Manufacture and sale of analytical and measurement equipment Manufacture, sale, and consigned analysis of reagents for research use Development and sale of therapeutic systems
Nutraceuticals	Manufacture, purchase, and sale of functional foods, etc., functional beverages, etc., quasi-pharmaceuticals, nutritional supplements, and others
Consumer products	Manufacture, purchase, and sale of consumer products
Others	Warehousing and transport business Liquid crystal and spectroscope business Manufacture and sale of printing and packaging goods Manufacture and sale of resin compound Manufacture and sale of chemical products

## Pharmaceuticals

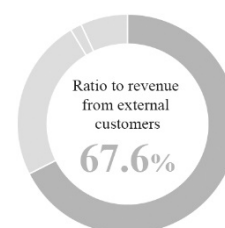
### Outline of business

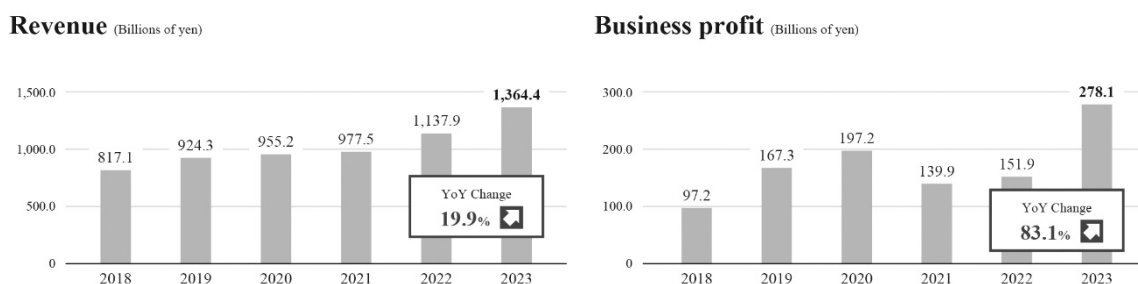
Based on the theme of “unmet medical needs,” we are focusing on the areas of the psychiatry and neurology as well as the area of oncology as priority areas. Furthermore, by engaging in a wide range of areas and businesses such as cardiovascular and renal system, digestive system, ophthalmology, diagnostic agent business, intravenous solutions business, and medical devices business, we provide comprehensive healthcare services ranging from diagnosis through to treatment of disease.

Therapeutic drugs   Clinical nutrition   Diagnostics   Medical devices

Consolidated revenue: ¥1,364.4 billion (up 19.9%)

Revenue in the pharmaceutical business for the fiscal year ended December 31, 2023 totaled ¥1,364,358 million (up 19.9%) due to strong sales of the four global products, with business profit of ¥278,057 million (up 83.1%), partly due to increased royalty income and ongoing cost control efforts.





◆ Four global products

The Group positions the long acting antipsychotic agent *ABILIFY MAINTENA*, the antipsychotic agent *REXULTI*<sup>\*1</sup>/*RXULTI*<sup>\*2</sup>, the Vasopressin V<sub>2</sub>-receptor antagonist *Samsca*/*JINARC*<sup>\*3</sup>/*JYNARQUE*<sup>\*4</sup> and the anti-cancer agent *LONSURF* as its four global products. Sales of those products totaled ¥726,850 million (up 17.4%).

\*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 and the U.S.

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

• Long acting antipsychotic agent *ABILIFY MAINTENA*

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 face-to-face detailing activities, and the impact of exchange rate fluctuations. In Japan, sales grew steadily due to stronger information provision activities for bipolar I disorder, in addition to schizophrenia. As a result, sales of *ABILIFY MAINTENA* totaled ¥202,464 million (up 22.4%).

• Antipsychotic agent *REXULTI*/*RXULTI*

In the U.S., the drug is sold as adjunctive therapy in major depressive disorder, as a treatment for schizophrenia, and from May 2023, as a treatment for agitation associated with dementia due to Alzheimer’s disease. The Group is actively engaged in activities to raise awareness of agitation associated with dementia due to Alzheimer’s disease and is also conducting DTC advertising<sup>\*5</sup>. Prescriptions grew and sales increased, mainly due to enhancement of face-to-face detailing activities, as well as the impact of exchange rate fluctuations. In Japan, sales increased, boosted by new prescriptions due to enhancement of detailing activities for schizophrenia. As a result, sales of *REXULTI*/*RXULTI* totaled ¥212,509 million (up 25.6%).

\*5: Advertising of prescription pharmaceutical products that targets patients directly

• Vasopressin V<sub>2</sub>-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 significantly 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 ¥48,230 million (down 45.1%).

• Vasopressin V<sub>2</sub>-receptor antagonist *JINARC*/*JYNARQUE*

In the U.S., the number of prescriptions for ADPKD increased mainly due to continued efforts to raise awareness of the disease and provide information about clinical data, as well as the impact of exchange rate fluctuations. As a result, sales of *JINARC*/*JYNARQUE* totaled ¥183,541 million (up 31.7%).

- 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\*<sup>6</sup> and the impact of exchange rate fluctuations. In Europe, sales increased due to the increase in the number of prescriptions and the impact of exchange rate fluctuations. In addition, the combination therapy was approved in July 2023. In Japan, sales continued to be solid due to increased awareness of the combination therapy following the publication of a research paper, etc. As a result, sales of *LONSURF* totaled ¥80,105 million (up 39.3%).

\*6: Cancer treatment guidelines that are used widely around the world

## Nutraceuticals

### Outline of business

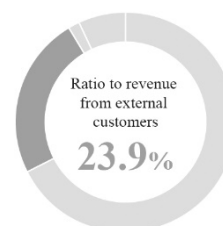
The Group operates a business focused on functional beverages and foods that support the maintenance and improvement of day-to-day well-being. Utilizing the know-how cultivated in the pharmaceutical business, the Group is engaged in the development of original products based on scientific evidence.

Functional beverages and foods    Cosmetics\*<sup>7</sup>    OTC products and quasi-drugs

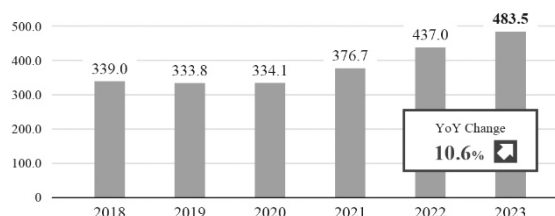
\*7: Cosmetics: a word coined by cosmetics + medicine = Otsuka's unique concept for skin health products

Consolidated revenue: ¥483.5 billion (up 10.6%)

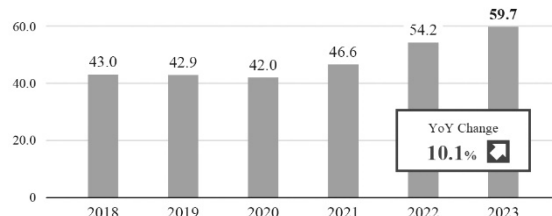
Revenue in the nutraceutical business for the fiscal year ended December 31, 2023 totaled ¥483,463 million (up 10.6%) due to significant contributions from functional beverages etc., and supplements, with business profit of ¥59,652 million (up 10.1%).



Revenue (Billions of yen)



Business profit (Billions of yen)



### ◆ Three major brands and nurture brands

The Group positions *POCARI SWEAT*, *Nature Made* and the Nutrition & Santé SAS brand as its three major brands. Sales of those brands totaled ¥312,998 million (up 14.8%). Total sales of its three nurture brands, the Daiya Foods Inc. brand, *EQUELLE* and *BODY MAINTÉ*, were ¥27,851 million (down 2.3%).

- Three major brands

In Japan, sales volume of *POCARI SWEAT*, an electrolyte supplement drink, is increasing due to continuing education about hydration and replenishment of electrolytes, as well as an increase in brand contact points and drinking experiences at sports events and hot spa facilities. Overseas, more people have been recognizing the importance of hydration and replenishment of electrolytes through activities to raise awareness that are tailored to the culture and situation in each region. Through the building of a brand image through many years of initiatives, sales volume is increasing.

Sales of *Nature Made* supplements by Pharmavite LLC (“Pharmavite”) increased, backed by

their high trust in the brand and quality, and also boosted by marketing activities through social media and the impact of exchange rate fluctuations.

The Nutrition & Santé SAS brand, which sells health food products mainly in Europe, is expanding its food services<sup>\*8</sup> and e-commerce. Although there was a sales decline due to the impact of business reorganization, Japanese yen-based sales increased mainly due to growth in the main products such as *Gerblé* and the impact of the exchange rate fluctuations.

\*8: Services for providing meals to public institutions, schools, etc.

- Three nurture brands

Plant-based foods of the Daiya Foods Inc. brand saw a decrease in sales, mainly due to increased competition in the dairy alternative cheese market in North America. However, efforts have been made to enhance the product lineup by utilizing its original technology and expand distribution.

Sales of *EQUELLE*, a food and supplement brand containing equol that supports women's health and beauty, is growing steadily in Japan due to increased recognition of the product through the wide-ranging spread of information on the product, including seminars on women's health.

As for *BODY MAINTÉ*, a protective beverage brand containing the plant-based lactic-acid bacteria B240<sup>\*9</sup>, although sales declined, efforts were made to develop core users, and raise recognition and increase consumption of the product.

\*9: Lactiplantibacillus pentosus ONRICb0240: Strain isolated by Tokyo University of Agriculture, for which Otsuka Pharmaceutical has confirmed efficacy.

## Consumer products

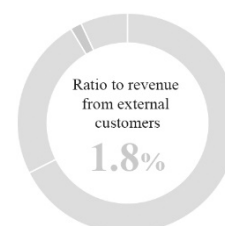
### Outline of business

Since launching *Bon Curry*, the world's first commercially available curry in retort pouch bags, in 1968, the Group has been developing products ahead of their time and expanding business in the field of food and beverages familiar to consumers under the theme of taste, safety, security, and health.

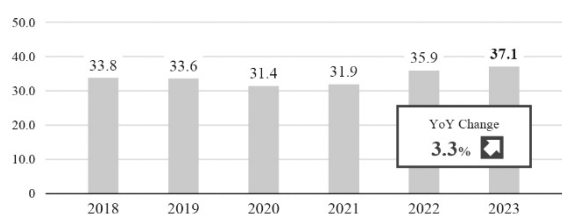
Beverages    Foods    Wine

Consolidated revenue: ¥37.1 billion (up 3.3%)

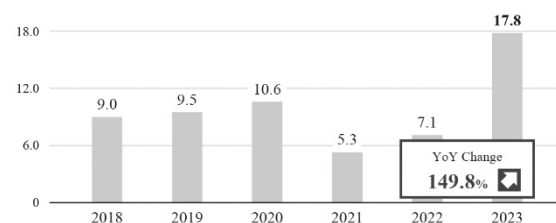
Revenue in the consumer product business for the fiscal year ended December 31, 2023 totaled ¥37,081 million (up 3.3%), while business profit totaled ¥17,823 million (up 149.8%) in part due to an increase in share of profit of investments accounted for using the equity method.



Revenue (Billions of yen)



Business profit (Billions of yen)



*Bon Curry*, the mainstay product, celebrated its 55th anniversary in 2023, and has been certified by Guinness World Records™ as the world's longest-selling retort-pouch curry brand (Longest-selling retort-pouch curry brand target year: 2022). Sales volume of *MATCH*, a carbonated vitamin drink, increased due to an increase in the number of users of existing products and strong sales of *MATCH Salty Lemon Soda*, which was launched in March 2023, and *MATCH*

*Vitamin Mikan*, which was launched in October 2023. For *CRYSTAL GEYSER*, efforts were made to appeal to the brand value by communicating the environmental initiatives through the use of lightweight bottles and caps and PET bottles made from 50% recycled raw materials.

## Others

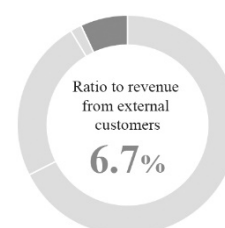
### Outline of business

The Group's diversified operations include a chemical business that supplies various materials in the fields of automobiles, electrical and electronic equipment, and building materials; a warehousing and transport business that aims for environmentally friendly logistics, mainly for the Group pharmaceuticals, foods, and beverages; and an electronic equipment business that supports the development of leading-edge technologies.

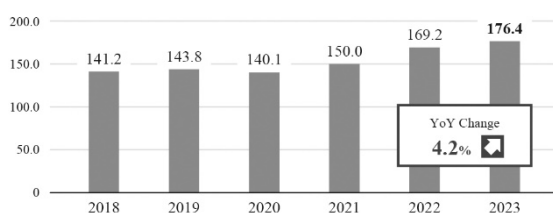
Chemicals   Fine chemicals   Warehousing and transport   Packaging   Electronic equipments

Consolidated revenue: ¥176.4 billion (up 4.2%)

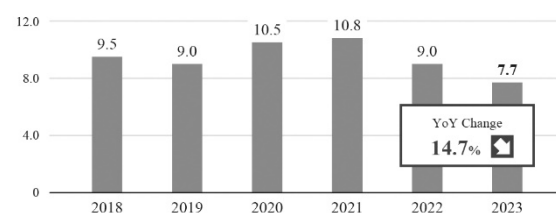
Revenue in the other businesses for the fiscal year ended December 31, 2023 totaled ¥176,395 million (up 4.2%) with business profit of ¥7,717 million (down 14.7%).



**Revenue** (Billions of yen)



**Business profit** (Billions of yen)



Sales in the specialty chemical business remained on par with the previous fiscal year, despite a delayed recovery in the semiconductor market and stagnation in the Chinese market. Sales in the fine chemical business increased mainly due to an increase in sales of antibiotic intermediates.

In the warehousing and transport business, despite the acquisition of new external customers and steady growth in handling volume by strengthening the total healthcare distribution platform through coordination of logistics data, sales decreased marginally due to a decline in the unit freight rates for international transportation.

**(2) Research and Development Activities**

Research and development expenses for the fiscal year ended December 31, 2023 totaled ¥307,804 million.

Research and development expenses for the pharmaceutical business amounted to ¥292,028 million, those for the nutraceutical business amounted to ¥9,874 million, those for the consumer products business amounted to ¥663 million and those for the other businesses amounted to ¥5,238 million.

## i) Pipeline information

Phase III or later stage of development as of December 31, 2023

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.

Category	Brand name (Generic name) Development Code	Indication / Dosage form	Development status					
			JP		U.S.		EU	
			Phase III	Filed	Phase III	Filed	Phase III	Filed
Psychiatry and neurology	REXULTI/RXULTI (brexpiprazole) OPC-34712 / OPC-34712 FUM	Agitation associated with dementia due to Alzheimer's disease / Oral		•				
		Posttraumatic stress disorder / Oral			•			
		Schizophrenia / Once-weekly oral	•					
	(aripiprazole 2-month long-acting injection)	Schizophrenia / Depot injection						•
	(deuterium-modified dextromethorphan, quinidine) AVP-786	Agitation associated with dementia due to Alzheimer's disease / Oral			•		•	
	(centanafadine) EB-1020	Attention-deficit hyperactivity disorder / Oral			•			
	(ulotaront) SEP-363856	Schizophrenia / Oral	•*		•			
		Major depressive disorder / Oral			•*			
		Generalized anxiety disorder / Oral	•*		•*			
	(pizuglanstat) TAS-205	Duchenne muscular dystrophy / Oral	•					



## (Translation)

Category	Brand name (Generic name) Development Code	Indication / Dosage form	Development status					
			JP		U.S.		EU	
			Phase III	Filed	Phase III	Filed	Phase III	Filed
Oncology	<i>INAQOVI</i> (decitabine, cedazuridine) ASTX727	Myelodysplastic syndrome / Oral						•
	(pamufetinib) TAS-115	Osteosarcoma / Oral	•					
	(zipalertinib) TAS6417	Non-small cell lung cancer / Oral	•		•		•	
	(zimberelimab +domvanalimab) AB122 + AB154	Upper gastrointestinal tract cancer / Injection	•					
Cardiovascular and renal system	(sibeprenlimab) VIS649	IgA nephropathy / Injection	•		•		•	
	(bempedoic acid) ETC-1002	Hyper-cholesterolemia / Oral	•					
	(voclosporin)	Lupus nephritis/ Oral		•				
Other categories	<i>Delytba</i> (delamanid) OPC-67683	Multidrug-resistant tuberculosis / Oral			•			
	(glucose, electrolyte, amino acid and vitamin) OPF-109	High-calorie parenteral nutrition for chronic renal failure / Injection		•				

\* Phase II/ III

(Translation)

ii) Research and development activities  
Phase II or later stage of development as of December 31, 2023

<i>Brand name</i> (Generic name) Development Code	Status*
Psychiatry and neurology	
<i>REXULTI</i> (brexpiprazole) OPC-34712 / OPC-34712 FUM	<Japan> <ul style="list-style-type: none"><li>• An additional indication of treatment for major depressive disorder was approved in December 2023.</li><li>• An application for the indication of agitation associated with dementia due to Alzheimer's disease was filed in October 2023.</li></ul> <U.S.> <ul style="list-style-type: none"><li>• An additional indication of treatment for agitation associated with dementia due to Alzheimer's disease was approved in May 2023.</li></ul> <Europe> <ul style="list-style-type: none"><li>• Development for the treatment of major depressive disorder and agitation associated with dementia due to Alzheimer's disease was discontinued for business reason.</li></ul>
<i>ABILIFY ASIMTUFI</i> (aripiprazole 2-month long-acting injection)	<U.S.> <ul style="list-style-type: none"><li>• An application for the indication of schizophrenia and bipolar I disorder was approved in April 2023.</li></ul>
(deuterium-modified dextromethorphan, quinidine) AVP-786	<U.S.> <ul style="list-style-type: none"><li>• Development for the treatment of negative symptoms of schizophrenia was discontinued for business reason.</li></ul>
SEP-4199	<Japan and U.S.> <ul style="list-style-type: none"><li>• Due to significant delays in the recruitment progress, the trial for the treatment of bipolar I depression was discontinued.</li></ul>

(Translation)

<i>Brand name</i> (Generic name) Development Code	Status*
Oncology	
<i>INQOVI</i> (decitabine, cedazuridine) ASTX727	<Europe> <ul style="list-style-type: none"><li>• An application for the indication of myelodysplastic syndrome was filed in December 2023.</li><li>• An application for the indication of acute myeloid leukemia was approved in September 2023.</li></ul>
(tolinapant) ASTX660	<U.S.> <ul style="list-style-type: none"><li>• Development for the treatment of solid tumors and lymphoma was discontinued for strategic reason.</li></ul>
<i>Jeselhy</i> (pimipespib) TAS-116	<Japan> <ul style="list-style-type: none"><li>• Phase II trial for the treatment of prostate cancer was initiated in September 2023.</li></ul>
<i>LYTGOBI</i> (futibatinib) TAS-120	<Japan> <ul style="list-style-type: none"><li>• An application for the indication of biliary tract cancer was approved in June 2023.</li></ul> <Europe> <ul style="list-style-type: none"><li>• An application for the indication of cholangiocarcinoma was approved in July 2023.</li></ul>
TAS3351	<Japan, U.S. and Europe> <ul style="list-style-type: none"><li>• Phase I/ II trial for the treatment of non-small cell lung cancer was initiated in June 2023.</li></ul>
(zipalertinib) TAS6417	<Japan, U.S. and Europe> <ul style="list-style-type: none"><li>• Phase III trial for the treatment of non-small cell lung cancer was initiated in December 2023.</li></ul>
(zimberelimab + domvanalimab) AB122 + AB154	<Japan> <ul style="list-style-type: none"><li>• Phase III trial for the treatment of upper gastrointestinal tract cancer was initiated in June 2023.</li></ul>
OPF-501C	<Japan> <ul style="list-style-type: none"><li>• Phase II trial for the treatment of cancerous skin ulcers was initiated in July 2023.</li></ul>

(Translation)

<i>Brand name</i> (Generic name) Development Code	Status*
Cardiovascular and renal system	
OPC-131461	<Japan> • Phase II trial for the treatment of cardiac edema was initiated in January 2023.
(bempedoic acid) ETC-1002	<Japan> • Phase III trial for the treatment of hypercholesterolemia was initiated in February 2023.
(voclosporin)	<Japan> • An application for the indication of lupus nephritis was filed in November 2023.
Other categories	
(glucose, electrolyte, amino acid and vitamin) OPF-109	<Japan> • An application was filed as a high-calorie parenteral nutrition for chronic renal failure.

\* The above description of status in 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.

### **(3) Capital Investments**

Capital investments including the acquisition of goodwill and intangible assets during the fiscal year ended December 31, 2023 amounted to ¥210,988 million. These investments were funded by own capital and borrowings.

Capital investments in the pharmaceutical business totaled ¥82,291 million, while those in the nutraceutical business totaled ¥105,397 million, the consumer products business totaled ¥3,611 million, the other businesses totaled ¥7,236 million, and corporate investments (common) totaled ¥12,451 million.

Capital investments in the nutraceutical business include Pharmavite's acquisition of Bonafide Health, LLC

### **(4) Acquisition or Disposal of Shares or Other Equities or Share Acquisition Rights of Other Companies**

Pharmavite, a consolidated subsidiary of the Company, acquired all of the shares of Bonafide Health, LLC on November 30, 2023, making it a wholly owned subsidiary.

### **(5) Key Issues to be Addressed**

During the period of the Third Medium-Term Management Plan, for which fiscal year 2023 was the final year, the Group's business activities were impacted to a certain degree as the social situation grew even more uncertain with the lingering impact of COVID-19 and mounting geopolitical risks associated with the conflict between Russia and Ukraine and the situation in the Middle East. In 2023, the Group proactively engaged in initiatives that included marketing and operating activities to address the new business environment as social activity restarted after being restrained during the COVID-19 pandemic. On the other hand, the Group dealt with rising prices, etc., due to soaring raw material prices and exchange rate fluctuations.

The fundamental healthcare industry is experiencing a period of changing environment. An aging society, the introduction of expensive drugs, outbreaks of communicable disease, etc. are contributing an ever-increasing health care budget and making governments of Japan, the U.S. and those in the Europe become more aware of costs for medical treatments. Facing limited financial resources, those governments are weighing the balance between benefits and costs of medical treatments. The NHI pricing system reforms and the penetration of generic drugs are progressing while new technologies such as artificial intelligence, machine learning and gene therapy are evolving as well. Under these circumstances, the consciousness for health including disease preventive measures is steadily increasing. The Group will continue to contribute to a new society that "Only Otsuka Can Do," and will take this heightened health consciousness as a growth opportunity and proceed toward the realization of sustainable growth.

The Group has been creating new value, underpinned by its corporate philosophy of "Otsuka-people creating new products for better health worldwide" and driven by the management spirit of "Ryukan-godo" (Commitment), "Jissho" (Actualization), and "Sozosei" (Creativity). Integral to this value creation have been (1) new concepts created from the organic fusion of unique and diverse businesses, insights into the world's true needs, and technological and scientific knowhow; (2) synergies and derivation of diverse operations; and (3) cultivation of niche areas of business. The Group accordingly aims to become an "indispensable contributor to people's health worldwide" by offering original products of the pharmaceutical business and the nutraceutical business to address both unmet medical needs and yet-to-be-imagined needs as a total healthcare provider which supports daily maintenance and improvement of health and extends from the diagnosis through to treatment of disease.

The Company plans to announce the Fourth Medium-Term Management Plan that covers the period from fiscal year 2024 to fiscal year 2028, which is under preparation, on June 7, 2024.

### **<Positioning of Third Medium-Term Management Plan and Main Initiatives>**

The Company chose the statement, "Advance in the Global Market as a Unique Total Healthcare Company ~ Five-Year Growth Phase ~" to describe the positioning of the Third

Medium-Term Management Plan. Through pursuing “New value creation” and “Existing business value maximization” in the two core businesses of the Pharmaceutical business and the Nutraceutical business, and “Capital cost-oriented business management,” the Company aimed to achieve sustainable growth.

Performance Targets: Business profit growth of more than 10% compound annual growth rate (CAGR)

The Company aims to achieve business profit growth of more than 10% CAGR through steady growth of products and brands in the pharmaceutical business and the nutraceutical business.

Business Strategy: New value creation and existing business value maximization

**Accelerate growth through strategic initiatives geared to mainstay products and brands**

Enhance strategic initiatives upon designating the following products and brands as growth drivers: four global products in the pharmaceutical business, three major brands in the nutraceutical business, three nurture brands in the nutraceutical business.

**Initiatives geared to next-generation business and products**

In the pharmaceutical business, the Company will address the challenges of “Existing business value maximization,” and expanding into new frontiers that “Only Otsuka Can Do,” responding to unmet medical needs and generating innovation from original and diverse research platforms. In the nutraceutical business, the Company will create new concepts informed by changes in the business environment and address challenges of expanding into new categories and new areas.

Financial Policy: Business management with a corporate wide awareness of capital costs

- Balancing investment for future growth and stable shareholder returns
- Establishing a management platform to support rapid global expansion by conducting disciplined management in practice

**<Progress in FY2023>**

- In the pharmaceutical business, revenue significantly exceeded the targets of the Third Medium-Term Management Plan, due to the significant growth of the four global products that are growth drivers. In the late-stage development pipelines that contribute to helping address unmet needs, *REXULTI/RXULTI* was approved in the U.S. as the first antipsychotic agent with an indication for agitation associated with dementia due to Alzheimer’s disease. The ultrasound renal denervation system was approved in the U.S. as the first renal denervation device for a new treatment option for hypertension. The Company is also making steady progress on nurturing new products.
- In the nutraceutical business, *POCARI SWEAT* and supplements contributed to revenue, achieving the targets of the Third Medium-Term Management Plan. Both revenue and business profit achieved new record highs again this fiscal year as the Company maintained a business profit margin of 12% or higher. The Company will continue aiming to achieve further expansion in business scale and increase in profitability by establishing its brands in high-growth markets.
- As a result of sales growth that exceeded expectations and appropriate control of selling, general and administrative expenses, business profit reached a record high, overcoming the impact of the patent cliff and changes in the social environment. Annual business profit growth rate achieved a high level of over 20%, well above the 10% compound annual growth rate which was the target of the Third Medium-Term Management Plan.

(Translation)

## (6) Trends in Consolidated Operating Results and Assets

Item	The 13th fiscal year ended December 31, 2020	The 14th fiscal year ended December 31, 2021	The 15th fiscal year ended December 31, 2022	The 16th fiscal year ended December 31, 2023 (Current fiscal year)
Revenue (Millions of yen)	1,422,826	1,498,276	1,737,998	2,018,568
Operating profit (Millions of yen)	198,582	154,497	150,323	139,612
Profit attributable to owners of the Company (Millions of yen)	148,137	125,463	133,906	121,616
Basic earnings per share (Yen)	273.15	231.32	246.80	224.10
Total assets (Millions of yen)	2,627,807	2,820,915	3,102,638	3,361,244
Total equity (Millions of yen)	1,883,432	2,045,189	2,262,369	2,436,317
Equity attributable to owners of the Company per share (Yen)	3,415.54	3,707.64	4,100.84	4,410.80

Note: Due to the application of IAS 12 “Income Taxes” (amended in May 2021), figures for the 15th fiscal year have been retrospectively restated.

## (7) Significant Subsidiaries (as of December 31, 2023)

Company name	Country	Capital	Percentage of voting rights held by the Company	Major business activities
Otsuka Pharmaceutical Co., Ltd.	Japan	20,000 million yen	100.0%	Manufacture and sale of pharmaceutical products, clinical testing, medical devices, food, beverages and cosmetic products
Otsuka Pharmaceutical Factory, Inc.	Japan	80 million yen	100.0%	Manufacture and sale of pharmaceutical products
Taiho Pharmaceutical Co., Ltd.	Japan	200 million yen	100.0%	Manufacture and sale of pharmaceutical products
Otsuka Warehouse Co., Ltd.	Japan	800 million yen	100.0%	Warehousing and transport business
Otsuka Chemical Co., Ltd.	Japan	5,000 million yen	100.0%	Manufacture and sale of chemical products
Otsuka Foods Co., Ltd.	Japan	1,000 million yen	100.0%	Manufacture and sale of food and beverages, sale of alcoholic drinks (wine)
Otsuka Medical Devices Co., Ltd.	Japan	7,550 million yen	100.0%	Manufacture and sale of medical devices
Otsuka America, Inc.	U.S.	4,584,213 thousand U.S. dollars	*100.0%	Holding company
Otsuka America Pharmaceutical, Inc.	U.S.	50,000 thousand U.S. dollars	*100.0%	Manufacture and sale of pharmaceutical products
Pharmavite LLC	U.S.	1,032 thousand U.S. dollars	*100.0%	Manufacture and sale of nutritional products
Otsuka Pharmaceutical Europe Ltd.	U.K.	140,652 thousand euro	*100.0%	Manufacture and sale of pharmaceutical products
Nutrition & Santé SAS	France	65,145 thousand euro	*100.0%	Manufacture and sale of food products

\* The percentage of voting rights held by the Company with an asterisk (\*) includes the percentage of voting rights held indirectly.

(Translation)

Specified wholly owned subsidiaries as of the current fiscal year-end are as follows:

Name of specified wholly owned subsidiary	Address of specified wholly owned subsidiary	Carrying amount of specified wholly owned subsidiary at current fiscal year-end (Millions of yen)
Taiho Pharmaceutical Co., Ltd.	1-27 Kanda Nishikicho, Chiyoda-ku, Tokyo	275,447

Note: The Company's total assets amounted to ¥1,212,335 million at the current fiscal year-end.

## (8) Major Offices and Factories (as of December 31, 2023)

### i) The Company

Head Office	2-9 Kanda-Tsukasamachi, Chiyoda-ku, Tokyo
Tokyo Headquarters	2-16-4 Konan, Minato-ku, Tokyo

### ii) Significant subsidiaries

Company name	Location
Otsuka Pharmaceutical Co., Ltd.	Chiyoda-ku, Tokyo
Otsuka Pharmaceutical Factory, Inc.	Naruto City, Tokushima
Taiho Pharmaceutical Co., Ltd.	Chiyoda-ku, Tokyo
Otsuka Warehouse Co., Ltd.	Minato-ku, Osaka
Otsuka Chemical Co., Ltd.	Chuo-ku, Osaka
Otsuka Foods Co., Ltd.	Chuo-ku, Osaka
Otsuka Medical Devices Co., Ltd.	Chiyoda-ku, Tokyo
Otsuka America, Inc.	U.S.
Otsuka America Pharmaceutical, Inc.	U.S.
Pharmavite LLC	U.S.
Otsuka Pharmaceutical Europe Ltd.	U.K.
Nutrition & Santé SAS	French Republic

## (9) Employees (as of December 31, 2023)

### i) Employees of the Group

Business segment	Number of employees		Increase / Decrease from the previous fiscal year	
Pharmaceuticals	20,084	(1,612)	up 445	(down 194)
Nutraceuticals	8,546	(2,298)	up 319	(up 24)
Consumer products	621	(128)	down 30	(down 33)
Others	3,603	(613)	up 84	(down 46)
Corporate (Common)	1,534	(509)	up 88	(up 23)
Total	34,388	(5,160)	up 906	(down 226)

Note: The number of employees indicates the number of employees currently on duty and the yearly average number of part-time and temporary employees is separately indicated in parentheses.

### ii) Employees of the Company

Number of employees	Increase / Decrease from the previous fiscal year	Average age	Average service years
151 (23)	up 4 (up 5)	44.1	4.5

Note: The number of employees indicates the number of employees currently on duty and the yearly average number of part-time and temporary employees is separately indicated in parentheses.



(Translation)

**(10) Major Creditors** (as of December 31, 2023)

(Millions of yen)

Creditor	Balance of borrowings
MUFG Bank, Ltd.	19,624
Sumitomo Mitsui Banking Corporation	11,713
The Awa Bank, Ltd.	6,780
Mizuho Bank, Ltd.	6,561
Bank of America Corporation	4,229

(Translation)

**2. Shares** (as of December 31, 2023)

- (1) **Total number of authorized shares:** 1,600,000,000 shares  
(2) **Total number of issued shares:** 557,835,617 shares  
(3) **Number of shareholders:** 85,818  
(4) **Principal shareholders (top 10 shareholders):**

Name of shareholder	Number of shares held (thousand)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	72,660	13.38
The Nomura Trust and Banking Co., Ltd. Otsuka Founders Shareholding Fund Trust Account	55,457	10.21
Custody Bank of Japan, Ltd. (trust account)	26,409	4.86
Otsuka Group Employee Shareholding Fund	13,438	2.47
The Awa Bank, Ltd.	10,970	2.02
STATE STREET BANK WEST CLIENT - TREATY 505234	10,646	1.96
STATE STREET BANK AND TRUST COMPANY 505001	10,112	1.86
SMBC Nikko Securities Inc.	9,581	1.76
Otsuka Asset Co., Ltd.	7,380	1.35
JP MORGAN CHASE BANK 385781	6,998	1.28

Notes:

1. Number of shares held is rounded down to the nearest thousand.
2. Although the Company holds 15,149,580 of its own shares, treasury shares are excluded from the above list.
3. Shareholding ratio is calculated after treasury shares are deducted.

**(5) Status of shares granted to all Directors and Audit & Supervisory Board Members as consideration for the execution of duties during the current fiscal year**

	Number of shares	Number of recipients
Directors excluding Outside Directors	25,600	8

Note: The above shares were granted as restricted stock remuneration of the Company.

**3. Directors and Audit & Supervisory Board Members of the Company****(1) Directors and Audit & Supervisory Board Members (as of December 31, 2023)**

Position in the Company	Name	Areas of responsibility and significant concurrent positions outside the Company
Chairman and Representative Director	Ichiro Otsuka	Representative Director, Otsuka Pharmaceutical Factory, Inc. Executive Director, Otsuka Pharmaceutical Co., Ltd. President and Representative Director, Otsuka Estate Co., Ltd. President and Representative Director, Otsuka Asset Co., Ltd.
President and Representative Director	Tatsuo Higuchi	CEO Chairman and Representative Director, Otsuka Pharmaceutical Co., Ltd.
Executive Deputy President and Executive Director	Yoshiro Matsuo	Executive Deputy President and Representative Director, Otsuka Pharmaceutical Co., Ltd. Executive Director, Otsuka Medical Devices Co., Ltd. Executive Director, Otsuka Foods Co., Ltd.
Managing Director	Shuichi Takagi	CSO Managing Director, Business Strategy; concurrently President, Otsuka America, Inc., Otsuka Pharmaceutical Co., Ltd. Chairman, Otsuka America, Inc. Executive Director, Otsuka Pharmaceutical Factory, Inc.
Executive Director	Yuko Makino	CFO Executive Director, Finance, Otsuka Pharmaceutical Co., Ltd.
Executive Director	Masayuki Kobayashi	President and Representative Director, Taiho Pharmaceutical Co., Ltd. Chairman, TAIHO ONCOLOGY, INC.
Executive Director	Noriko Tojo	President and Representative Director, Otsuka Medical Devices Co., Ltd.
Executive Director	Makoto Inoue	President and Representative Director, Otsuka Pharmaceutical Co., Ltd.
Outside Director	Yukio Matsutani	President, Japan Public Health Association
Outside Director	Ko Sekiguchi	
Outside Director	Yoshihisa Aoki	Outside Director, ARATA CORPORATION
Outside Director	Mayo Mita	Outside Auditor, Mitsui Fudosan Co., Ltd.
Outside Director	Tatsuaki Kitachi	Special Adviser to the Governor of Kanagawa Prefecture
Standing Audit & Supervisory Board Member	Yozo Toba	Audit & Supervisory Board Member, Otsuka Chemical Co., Ltd
Outside Audit & Supervisory Board Member	Hiroshi Sugawara	Audit & Supervisory Board Member, Otsuka Pharmaceutical Co., Ltd. External Director, Inbound Platform Corp.
Outside Audit & Supervisory Board Member	Kanako Osawa	Attorney at law, KAJITANI LAW OFFICES Outside Director (Audit & Supervisory Committee Member), LINTEC Corporation External Director, TPR Co., Ltd. Outside Audit & Supervisory Board Member, Toshiba Tec Corporation

(Translation)

Position in the Company	Name	Areas of responsibility and significant concurrent positions outside the Company
Outside Audit & Supervisory Board Member	Sachie Tsuji	CPA, Representative Director, Biz-suppli Corporation Director, Association of Certified Fraud Examiners Outside Director (Audit & Supervisory Board Member), SBS Holdings, Inc. Outside Audit & Supervisory Board Member, Shindengen Electric Manufacturing Co., Ltd.

Notes:

1. Outside Audit & Supervisory Board Members Hiroshi Sugawara and Sachie Tsuji are certified public accountants and have extensive knowledge of finance and accounting.
2. The Company appoints Outside Directors Yukio Matsutani, Ko Sekiguchi, Yoshihisa Aoki, Mayo Mita and Tatsuaki Kitachi as well as Outside Audit & Supervisory Board Members Kanako Osawa and Sachie Tsuji as Independent Officers as provided for under the rules of the Tokyo Stock Exchange and have registered them with the Exchange.
3. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with each of Outside Directors and each of Audit & Supervisory Board Members which limit their liabilities for damages under Article 423, paragraph (1) of the same Act. The maximum amount of liabilities under the said agreements shall be the minimum amounts set forth in laws and regulations.
4. Executive Director Yoshiro Matsuo assumed office as Executive Director, Otsuka Foods Co., Ltd., as of March 10, 2023.
5. Executive Director Shuichi Takagi assumed office as Chairman, Otsuka America, Inc., as of February 27, 2023, and Executive Director, Otsuka Pharmaceutical Factory, Inc., as of March 14, 2023.
6. Outside Director Mayo Mita assumed office as Outside Auditor, Mitsui Fudosan Co., Ltd., as of June 29, 2023.
7. Outside Audit & Supervisory Board Member Hiroshi Sugawara retired from office as Vice President, Will Capital Management Co., Ltd., as of June 20, 2023. In addition, he was appointed as an External Director, Inbound Platform Corp. on August 1, 2018. As the company was listed on the Tokyo Stock Exchange Growth Market on August 30, 2023, from the current fiscal year, the Company has listed this information as “Significant concurrent positions outside the Company” from the perspective of the materiality.
8. The following changes in Directors were made as of January 1, 2024, after the end of the fiscal year ended December 31, 2023.
  - Executive Director Makoto Inoue has assumed office as Representative Director, COO, Otsuka Holdings Co., Ltd.
  - Executive Director Shuichi Takagi has assumed office as President and Representative Director, Otsuka Pharmaceutical Factory, Inc., and has been changed from Managing Director, CSO to Executive Director, Otsuka Holdings Co., Ltd. Additionally, on the same day, he resigned from his position as Managing Director, Business Strategy; concurrently President, Otsuka America, Inc., Otsuka Pharmaceutical Co., Ltd., and as of January 10, he retired as Chairman, Otsuka America Inc.
9. Mayo Mita’s name on the family register is Mayo Nakatsuka.
10. Kanako Osawa’s name on the family register is Kanako Koike.
11. Sachie Tsuji’s name on the family register is Sachie Ueda.

## (2) Summary of the executive liability limitation insurance agreement

Pursuant to Article 430-3, paragraph (1) of the Companies Act, the Company has entered into an executive liability limitation insurance agreement whose content is summarized below. The insurance agreement is scheduled to be renewed in July 2024.

Summary of the insurance agreement

- Scope of insured persons  
The Directors and Audit & Supervisory Board Members of the Company and the Directors and Audit & Supervisory Board Members of the Company’s major subsidiaries in Japan (including those appointed after the agreement was concluded)
- Actual portion of insurance premium borne by insured persons  
Insurance premiums are borne by the Company and its subsidiaries, and the insured persons do not bear any of the premiums.
- Summary of insurance incidents subject to cover  
The insurance covers damages caused by claims for damage compensation arising from the performance of duties by the insured persons (legally mandated damage compensation and legal expenses)
- Measures to ensure that the propriety of the execution of duties by executives, etc., is not impaired  
The insurance agreement includes an exclusion clause that excludes coverage for liability arising from certain acts by the insured persons, such as intentional behavior, unlawful personal profit or remuneration and violations of law.

**(3) Policy on determining remuneration amounts, etc. for Directors and Audit & Supervisory Board Members and calculation method thereof**

i) Basic approach to remuneration plan for Directors and Audit & Supervisory Board Members of the Company

The Company's remuneration plan for directors and Audit & Supervisory Board members is designed to achieve sustainable growth and enhanced corporate value over the medium to long term for the Group in line with the Group's corporate philosophy, while also ensuring that functions such as business execution and management supervision are exercised appropriately, maintaining transparency and fairness. The Company's basic approach to remuneration plan for Directors and Audit & Supervisory Board Members is as follows:

Remuneration levels

Considering the need to acquire and motivate outstanding personnel who will take responsibility for the Company's global business activities, the Company sets remuneration levels fully commensurate with the roles and responsibilities expected of such personnel, referencing remuneration levels at corporations the Company selected as benchmark based on business scale, fields and formats.

Remuneration system

With regard to remuneration for directors responsible for business execution, the Company has formulated a remuneration system that is closely linked to performance in individual fiscal years, as well as over the medium to long term, while emphasizing sustainable enhancement of corporate value, consisting of fixed remuneration as the basic remuneration, performance-linked bonuses, and share-based payments emphasizing the link to shareholder value. Remuneration for Outside Directors and Audit & Supervisory Board Members comprises only fixed remuneration as the basic remuneration in light of their duties.

ii) Remuneration plan for Directors and Audit & Supervisory Board Members

a. Content of remuneration, etc. to Directors (excluding Outside Directors)

Content of remuneration, etc. to Directors (excluding Outside Directors) is as follows:

Type of remuneration	Payment method Fixed/variable	Content of remuneration (Including the policy regarding determination of timing or conditions for granting remuneration, etc.)
Fixed remuneration	Cash/Fixed	<ul style="list-style-type: none"> <li>• Remuneration for Directors of the holding company is determined based on their duties and responsibilities including formulation of Group strategies, monitoring Group operations, and strengthening corporate governance.</li> <li>• Remuneration for Directors who serve concurrently as Directors of subsidiaries that are operating companies is determined based on their duties and responsibilities including execution of business based on Group strategies formulated by Otsuka Holdings, formulation of strategies for the operating company, and strengthening corporate governance. (Remuneration shall not to exceed the upper limit of remuneration resolved at the shareholders meeting.)</li> <li>• Fixed remuneration is paid out equally every month.</li> </ul>
Performance-linked bonus	Cash/Variable	<ul style="list-style-type: none"> <li>• Remuneration is paid in a lump sum at a certain timing every fiscal year, with the amount or calculation method determined based on (1) rate of achievement of the fiscal year's targets for consolidated revenue, consolidated operating profit, and consolidated business profit before R&amp;D expenses; (2) progress with respect to medium-to-long-term consolidated performance targets; and (3) appropriate business management in compliance with corporate governance, along with the individual's personal performance.</li> </ul>
Share-based payment	Non-cash (Shares with transfer restrictions)/ Variable	<ul style="list-style-type: none"> <li>• The Company has introduced a share-based payment system that reflects progress in achieving the Third Medium-Term Management Plan that covers the period from fiscal year 2019 to 2023.</li> <li>• The plan specifies that each person eligible for allocation must enter into a restricted stock allocation agreement with the Company, which contains provisions on restrictions, etc. on transfer for a fixed term, and is designed to provide an effective remuneration system by combining multiple release conditions for the transfer restrictions, including a set performance evaluation period and performance achievement, and by in principle granting shares with transfer restrictions requiring evaluation of performance over several fiscal years simultaneously in the first fiscal year.</li> <li>• The specific timing for granting is every fiscal year for items that are subject to performance evaluation of a single fiscal year, and simultaneously in the first fiscal year of the evaluation period for items subject to a performance evaluation over several fiscal years.</li> </ul>

## Overview of non-cash remuneration (shares with transfer restrictions)

To determine the number of shares to be allocated for persons eligible for allocation of shares with transfer restrictions, the standard number of shares for each fiscal year for each eligible recipient, giving consideration to their performance of duties, responsibility, and balance of their fixed remuneration as basic remuneration. Based on this standard number of shares, the shares are allocated simultaneously for each series each fiscal year or in the first fiscal year of an evaluation period of several fiscal years, according to the following release conditions.

	Allocation ratio	Fiscal year for evaluation and allocation timing	Overview of release conditions
Series A (Incumbent condition)	40% of the standard number of shares	Allocation each year, taking a single fiscal year as the evaluation period	On condition of incumbency in the subject fiscal year (single fiscal year) (However, the shares will not be released if the combined consolidated revenue and consolidated operating profit target achievement rate is less than 80%)
Series B (Achievement of medium-term performance target)	30% of the standard number of shares	Evaluation period (1) is the three fiscal years from fiscal 2019 through fiscal 2021, with the shares for the three years allocated simultaneously at the start Evaluation period (2) is the two fiscal years from fiscal 2022 through fiscal 2023, with the shares for the two years allocated simultaneously at the start	In each evaluation period, the value of (2) below may not fall below the value of (1) (1) The cumulative amount of the planned value of “consolidated business profit before R&D expenses” of the Third Medium-Term Management Plan (2) The cumulative amount of the actual value of “consolidated business profit before R&D expenses” for the evaluation period
Series C (Satisfaction of the medium-term cost of capital condition)	30% of the standard number of shares	Evaluation period (1) is the three fiscal years from fiscal 2019 through fiscal 2021, with the shares for the three years allocated simultaneously at the start Evaluation period (2) is the two fiscal years from fiscal 2022 through fiscal 2023, with the shares for the two years allocated simultaneously at the start	In each evaluation period, the value of (2) below may not fall below the value of (1) (1) The cumulative amount of the “consolidated cost of capital” calculated in accordance with the consolidated capital cost ratio for the evaluation period (2) The cumulative amount of the actual value of “consolidated net operating profit after tax” for the evaluation period

Note: Under the restricted stock allocation agreements concluded with the persons eligible for allocation of shares, it is stipulated that where certain reasons arise, the transfer restriction of the shares with transfer restrictions shall not be released and the Company shall acquire all of them without paying compensation. For example,

- if a Director of the Company retires before the end of the transfer restriction period, the Company shall acquire without paying compensation all of the Director’s shares with transfer restrictions upon the retirement of the Director, except in the case where the Company recognizes a just reason, such as completion of the term of office or death;
- if a Director retires before the end of the transfer restriction period due to a just reason, such as completion of the term of office or death, the number of shares whose transfer restriction is to be released and the timing of the release shall be rationally adjusted as necessary and the Company shall acquire without paying compensation all of the shares for which it is decided that the transfer restriction is not to be released; and
- if the release conditions based on performance have not been met, the Company shall acquire without paying compensation all of the shares for which it is decided that the transfer restriction is not to be released.

#### Reason for selection of the indicators

For the performance indicators for performance-linked bonus, by combining consolidated revenue, consolidated operating profit, and consolidated business profit before R&D expenses, it is possible to evaluate the results of business management for a single fiscal year from multiple perspectives.

For the performance indicators for share-based payment, by selecting incumbency contribution for achievement of single-fiscal year financial results, consolidated business profit before R&D expenses from a medium-term perspective, and consolidated cost of capital as evaluation items, it is possible to comprehensively evaluate the level of contribution to increasing corporate value.

#### Composition of remuneration for Directors (excluding Outside Directors)

Performance-linked remuneration as a percentage of total remuneration varies according to the Company's single-year and medium-to-long-term consolidated results of operations. The system emphasizes medium-to-long-term enhancement of corporate value.

As a rough guide for ratio of remuneration by remuneration types, performance-linked bonuses are designed to be variable over the range of 0%–100% of fixed remuneration, and share-based payment over the range of 0%–100% of fixed remuneration. Performance-linked bonus and share-based payment combined, as a percentage of total remuneration, is 66% (200% of 300% total) at maximum.

#### b. Content of remuneration to Outside Directors

The Company pays only fixed remuneration to Outside Directors; no component of the remuneration varies according to performance.

#### c. Content of remuneration to Audit & Supervisory Board Members

The Company pays only fixed remuneration to Audit & Supervisory Board Members; no component of the remuneration varies according to performance.

#### Method of determining the content of remuneration, etc. for individual Directors

The Board of Directors determines the individual remuneration for each Director as follows after giving consideration to the report on the evaluations of the Directors and recommendations on the individual remuneration for each Director, the remuneration system and levels, etc., following deliberations within the Nomination and Remuneration Committee.

- For the individual fixed remuneration as basic remuneration for Directors and the individual performance-linked bonuses for each Director (excluding Outside Directors), President and Representative Director, CEO Tatsuo Higuchi, who oversees business execution for the entire Group, is delegated to decide the specific payment amounts based on a resolution of the Board of Directors, then in accordance with this delegation, determines the final remuneration amounts based on the deliberation and report by the Nomination and Remuneration Committee.

The reason for delegating President and Representative Director, CEO Tatsuo Higuchi is that he is deemed to be the most appropriate person to evaluate the operations assigned to each Director while having an overview of the business of the entire Group.

- The individual share-based payments for each Director (excluding Outside Directors) are resolved by the Board of Directors based on the report on the performance evaluation and so forth by the Nomination and Remuneration Committee.

#### <Corporate Governance Committee and Nomination and Remuneration Committee>

As an advisory body to the Board of Directors, the Corporate Governance Committee discusses the state of corporate governance at the Company, and reports to the Board of Directors. The committee consists of the President, the Director in charge of Corporate Administration, and all Outside Directors. The President serves as the chair of the committee.



(Translation)

The Nomination and Remuneration Committee, as a subcommittee of the Corporate Governance Committee, deliberates on: (1) the evaluation of the President; (2) matters concerning the appointment/dismissal of Directors and Audit & Supervisory Board Members; and (3) matters concerning the evaluation and individual remuneration of Directors, their remuneration system and levels, etc. Matters that have been determined will be recommended to the Board of Directors after reporting to the Corporate Governance Committee. The Nomination and Remuneration Committee consists of the Director in charge of Corporate Administration and all Outside Directors. The chair is selected mutually from among the Outside Directors.

iii) Matters concerning the resolution of the Annual Shareholders' Meeting regarding remuneration, etc.

The upper limit of remuneration for Directors and Audit & Supervisory Board Members were approved by resolution of shareholders meeting, as detailed below.

Eligible recipients	Directors	Directors (excluding Outside Directors)	Audit & Supervisory Board Members
Content of remuneration	Fixed remuneration /Performance-linked bonus	Restricted stock remuneration	Fixed remuneration
Resolution of shareholders' meeting	2nd Annual Shareholders Meeting held on June 29, 2010	11th Annual Shareholders Meeting held on March 28, 2019	2nd Annual Shareholders Meeting held on June 29, 2010
Content of resolution	Upper limit: ¥1,500 million (annual amount)	Upper limit: ¥1,000 million (annual amount) and Number of the Company's ordinary shares newly issued or disposed: 160,000 shares (per year)	Upper limit: ¥80 million (annual amount)
Number of eligible officers	11	9	4

#### (4) Total remuneration to Directors and Audit & Supervisory Board Members

Classification	Total amount of remuneration (Millions of yen)	Total amount by type of remuneration (Millions of yen)			Number of eligible officers
		Fixed remuneration	Performance- linked bonus	Share-based payment	
Directors (of which Outside Directors)	504 (54)	354 (54)	150 (-)	-	13 (5)
Audit & Supervisory Board members (of which Outside Audit & Supervisory Board Members)	56 (32)	56 (32)	-	-	4 (3)
Total (of which Outside Directors and Audit & Supervisory Board Members)	560 (86)	410 (86)	150 (-)	-	17 (8)

Notes:

1. There are no Directors of the Company who concurrently serve as employees.
2. During the current fiscal year, Outside Directors and Audit & Supervisory Board Members received total remuneration of ¥2 million from the Company's subsidiaries for their services as Directors and Audit & Supervisory Board Members.
3. The amount of the share-based payment is the amount recorded as expenses for the current fiscal year.
4. Targets and results for indicators relating to performance-linked remuneration for the current fiscal year

a. Performance-linked bonus

For the performance-linked bonuses for Directors (excluding Outside Directors), the performance indicators—consolidated revenue, consolidated operating profit, and consolidated business profit before R&D expenses—exceeded the target levels, and the payment rate was determined to be 100% after giving consideration to the report following deliberations within the Nomination and Remuneration Committee.

b. Share-based payment (shares with transfer restrictions)

For share-based payment using shares with transfer restrictions for Directors (excluding Outside Directors), three series have been issued with different release conditions.

Series A takes an evaluation period of a single fiscal year and has an incumbent condition for the target fiscal year as well as a release condition that the combined consolidated revenue and consolidated operating profit achievement rate must be at least 80%. For the current fiscal year, the combined consolidated revenue and consolidated operating profit achievement rate was 80% or less.

Series B takes the two-year period from fiscal 2022 to fiscal 2023 as the evaluation period, and specifies the target of consolidated business profit before R&D expenses set in the Third Medium-Term Management Plan, with the release condition that the cumulative amount of the actual value for this indicator during the target period must not be lower than the cumulative amount of targets in the evaluation period. For the current fiscal year, which was the final fiscal year of the evaluation period, the cumulative amount of actual value for the two-year period for consolidated business profit before R&D expenses exceeded the cumulative amount for the target.

Series C takes the two-year period from fiscal 2022 to fiscal 2023 as the evaluation period, with the release condition that the cumulative amount of actual value for consolidated net operating profit after tax for the target period must not be lower than the cumulative amount of the consolidated cost of capital calculated using the consolidated cost of capital ratio based on the Third Medium-Term Management Plan. For the current fiscal year, which was the final fiscal year of the evaluation period, the cumulative amount of actual value for the two-year period for consolidated net operating profit after tax fell below the cumulative amount of the consolidated cost of capital.

Reason for the Board of Directors' judgment that the content of Directors' individual remuneration, etc. for the current fiscal year is in line with the determination policy of (3)

The Company's Board of Directors has confirmed that the content of individual remuneration, etc. for Directors for the current fiscal year has been determined based on the report following deliberations within the Nomination and Remuneration Committee, which is in accordance with the determination policy of (3).

**(5) Matters concerning Outside Directors and Outside Audit & Supervisory Board Members**

- i) Significant concurrent positions at other companies and relationships between the Company and such other companies

For details on concurrent positions of Outside Directors and Outside Audit & Supervisory Board Members, please refer to the previous section (1) "Directors and Audit & Supervisory Board Members." There are no significant transactions subject to disclosure between the respective organizations and the Company.

- ii) Major activities of the Outside Directors and overview of the duties performed in relation to the roles expected to be carried out by the Outside Directors

Executive Director Yukio Matsutani attended all thirteen (13) meetings of the Board of Directors held during the current fiscal year, and provided accurate and beneficial comments based on his extensive experience and high-level insights gained in the healthcare and welfare field and his expert perspective on healthcare in general. In addition, he attended all six (6) meetings of the Corporate Governance Committee and all five (5) meetings of the Nomination and Remuneration Committee held during the current fiscal year, conducting beneficial exchanges of opinions on various themes related to corporate governance.

Executive Director Ko Sekiguchi attended all thirteen (13) meetings of the Board of Directors held during the current fiscal year, and provided accurate and beneficial comments based on his extensive experience and track record and high-level insights gained as a corporate manager and his expert perspective on the pharmaceutical business. In addition, he attended all six (6) meetings of the Corporate Governance Committee and all five (5) meetings of the Nomination and Remuneration Committee held during the current fiscal year, conducting beneficial exchanges of opinions on various themes related to corporate governance.

Executive Director Yoshihisa Aoki attended all thirteen (13) meetings of the Board of Directors held during the current fiscal year, and provided accurate and beneficial comments based on his extensive experience and track record and high-level insights gained as a corporate manager and his expert perspective and abundant experience in the food industry. In addition, he attended all six (6) meetings of the Corporate Governance Committee and all five (5) meetings of the Nomination and Remuneration Committee held during the current fiscal year, conducting beneficial exchanges of opinions on various themes related to corporate governance.

Executive Director, Mayo Mita attended all thirteen (13) meetings of the Board of Directors held during the current fiscal year, and provided accurate and beneficial comments based on her extensive experience gained in corporate analysis as a securities analyst, and based on that experience, her high-level insight into objective observation and analysis of companies. In addition, she attended five (5) out of six (6) meetings of the Corporate Governance Committee (attendance rate: 83.3%) and three (3) out of five (5) meetings of the Nomination and Remuneration Committee (attendance rate: 60.0%) held during the current fiscal year, conducting beneficial exchanges of opinions on various themes related to corporate governance.

Executive Director Tatsuaki Kitachi attended all thirteen (13) meetings of the Board of Directors held during the current fiscal year, and provided accurate and beneficial comments based on his high level of insight derived from his expertise as a certified public accountant and his consulting experience related to risk management, corporate governance, etc. In addition, he attended all six (6) meetings of the Corporate Governance Committee and four (4) out of five (5) meetings of the Nomination and Remuneration Committee (attendance rate: 80.0%) held during the current fiscal year, conducting beneficial exchanges of opinions on various themes related to corporate governance.

iii) Major activities of Audit & Supervisory Board Members during the current fiscal year

Audit & Supervisory Board Member, Hiroshi Sugawara attended all thirteen (13) meetings of the Board of Directors and all sixteen (16) meetings of the Audit & Supervisory Board held during the current fiscal year, and provided appropriate comments based on his expertise as a certified public accountant, and on his extensive business experience, including corporate management.

Audit & Supervisory Board Member, Kanako Osawa attended all thirteen (13) meetings of the Board of Directors and all sixteen (16) meetings of the Audit & Supervisory Board held during the current fiscal year, and provided appropriate comments based on her broad experience cultivated as an attorney at law and high-level insights of overall legal knowledge.

Audit & Supervisory Board Member, Sachie Tsuji attended all thirteen (13) meetings of the Board of Directors and all sixteen (16) meetings of the Audit & Supervisory Board held during the current fiscal year, and provided appropriate comments based on her broad experience and high-level insights related to internal controls, internal audits, and risk management, etc., in addition to her expertise as a certified public accountant.

(Translation)

#### 4. Accounting Auditor

(1) Name of accounting auditor (Independent Auditor): KPMG AZSA LLC

(2) Amount of audit fees

(Millions of yen)

	Amount
Total audit fees for the current fiscal year	120
Total of amount of cash and other financial benefits payable by the Company and its subsidiaries to the accounting auditor	437

Notes:

1. The Audit & Supervisory Board gave its consent for the amount of audit fees for the accounting auditor after the verification necessary to determine whether the following matters were appropriate; the content of the accounting auditor's audit plans, the status of execution of duties by the accounting auditor, and the basis for calculating the estimate of audit fees.
2. Of the Company's significant subsidiaries, Otsuka Pharmaceutical Europe Ltd. and one other company are audited by a certified public accountant or an audit firm (including parties holding qualifications comparable to those of a certified public accountant or an audit firm in a country besides Japan) other than the accounting auditor of the Company (provided, however, that such parties fall under the provisions of the Companies Act or the Financial Instruments and Exchange Act (or foreign laws comparable to the said Acts)).
3. As audit fees based on the Companies Act and the Financial Instruments and Exchange Act are not clearly separated under the audit engagement, nor can they be classified in practice, the amount of audit fees for the accounting auditor in the current fiscal year is represented in aggregate.

#### (3) Policy for determining dismissal or non-reappointment of accounting auditor

In the event any deficiency is found in the execution of duties by the accounting auditor, or if judging the necessity thereof, the Audit & Supervisory Board will submit a resolution related to the dismissal or non-reappointment of the accounting auditor. Based on that submission, the Board of Directors will call a shareholders meeting to discuss the resolution.

The Audit & Supervisory Board shall, if finding that the accounting auditor falls under any of the items in Article 340, paragraph (1) of the Companies Act, and judging that there is no prospect of improvement, dismiss the accounting auditor based on the unanimous consent of all Audit & Supervisory Board Members. In this case, the Audit & Supervisory Board Member appointed by the Audit & Supervisory Board shall report the dismissal of the accounting auditor and the reason thereof at the first shareholders meeting convened after the dismissal.

## 5. System to Ensure Appropriate Operations

At a meeting on April 13, 2015, the Board of Directors approved a resolution to partially revise its basic policies on internal control to ensure the appropriateness of operations (internal control system) in light of revisions to the Companies Act and the Regulations for Enforcement of the Companies Act that came into effect on May 1, 2015. The revised basic policies are as follows:

- i) System to ensure that the execution of the duties by the Directors and employees complies with the laws and regulations and the Articles of Incorporation

The Otsuka group adopts a pure holding company system within the Company to further strengthen corporate governance by separating the group's management supervisory function from the business execution function.

The Company formulates the Otsuka Group Global Code of Business Ethics in order to ensure compliance with laws and regulations, the Articles of Incorporation, and other relevant rules and the underlying concepts, and to ensure corporate activities are carried out based on high ethical standards. The Company establishes the Otsuka Holdings Compliance Program as the specific guidelines of the Otsuka Group Global Code of Business Ethics, and leads efforts to promote establishment, maintenance, and improvement of the compliance system by providing thorough education for employees under the Risk Management Committee.

While promoting the establishment of an internal control system to perform appropriate accounting processes and ensure reliability of financial reporting based on the Financial Instruments and Exchange Act and other relevant laws and regulations, the Company continually assesses whether or not the said system is functioning appropriately, and implements necessary corrective action when it is inadequate.

The Company is resolute in its stance toward all anti-social forces and organizations that threaten social order and corporate soundness and has zero tolerance toward relations with such forces and organizations.

An Internal Audit Department established under the direct reporting line to the President shall periodically perform internal audits of the assets and the overall operations of the Company based on Internal Audit Regulations, and report the results to the President. Should a need for improvement be found, the Internal Audit Department provides comments on such improvement and subsequently follows up the status of such improvement.

- ii) System for preserving and managing information regarding the execution of duties by Directors

The Company shall appropriately and securely retain and manage records of meetings of the Board of Directors and circulars for managerial approval, etc., in accordance with Corporate Document Control Regulations and maintain a system to allow such records and circulars to be accessed as necessary.

- iii) Regulations and other systems for the management of risk of loss

To establish a risk management system for the Company and each of the group companies, a Risk Management Committee along with Risk Management Rules shall be established. The Risk Management Committee shall evaluate and comprehensively manage risks that may impair improving the sustainable value of the Otsuka group by managing each of the risk management departments within the organization.

In the event of an unforeseen situation, the Company shall promptly implement responsive measures to minimize any damage caused by the emergent situation.

- iv) System to ensure efficient execution of duties by Directors

In accordance with the Regulations of the Board of Directors, a regular Board meeting shall be held on a monthly basis and an extraordinary meeting whenever deemed necessary to discuss and determine important matters such as management policies and strategies.

A Corporate Officer system shall be put in place that defines the roles of Corporate Officers executing business operations based on resolutions passed by the Board of Directors, which serves as the management decision-making and supervisory function, to ensure the transparency of management and prompt execution of business operations.

- v) System to ensure appropriate operations in the business group comprising the Company and its subsidiaries

The Company, as the holding company that undertakes the role of maximizing the corporate value of the Otsuka group, shall put in place a system to secure the appropriateness of operations from the viewpoint of the entire Otsuka group. The Company will maintain a reporting system comprising subsidiary Directors, Corporate Officers, employees responsible for executing operations, and individuals responsible for conducting duties defined in Article 598, paragraph (1) of the Companies Act, or individuals with authority over those employees (hereinafter “Directors, etc.”) and ensure that the Directors, etc. of subsidiaries always conduct their duties efficiently and appropriately.

Affiliates shall report matters provided for in the Affiliate Management Regulations to the Company as necessary, and seek approval from the Company for any significant matters under the framework to establish a collaborative system within the Otsuka group.

The Company shall oversee or conduct audits of affiliates and promote the development of risk management and compliance systems across the group in accordance with the Internal Audit Regulations to ensure appropriate operations integrally.

- vi) Matters concerning employees in the event where Audit & Supervisory Board Members issue requests for employees to take charge of assisting them with their duties

The Company establishes an Audit & Supervisory Board Member’s Office responsible for administering the convocation of meetings of the Audit & Supervisory Board and supporting the duties of Audit & Supervisory Board Members independently from the supervision of Directors.

- vii) Matters concerning the independence of employees referred to in the previous item from Directors and ensuring the effectiveness of instructions issued to them by Audit & Supervisory Board Members

Employees referred to in the previous item will be assigned exclusively to the Audit & Supervisory Board Member’s Office, follow the instructions of the Audit & Supervisory Board Members and carry out assigned duties. Personnel transfers and evaluations relating to the Audit & Supervisory Board Member’s Office shall be determined by the Board of Directors based on prior approval obtained from the Audit & Supervisory Board and shall secure independence from Directors.

- viii) Systems for reporting to Audit & Supervisory Board Members by Directors, employees, and executives or employees of subsidiaries (including Directors, etc., Audit & Supervisory Board Members and individuals involved in accounting), and other systems for reporting to Audit & Supervisory Board Members

The Company shall ensure that specific means, including a system to have Directors and employees report to Audit & Supervisory Board Members, which allow Audit & Supervisory Board Members to collect information concerning the execution of duties by Directors, in any of the following events take place.

- (i) Any incident that has caused or may cause material damage to the Company
- (ii) Any violation of laws and regulations, or the Articles of Incorporation and any other important compliance matter
- (iii) Progress of business execution by the Company and each of the group companies
- (iv) Implementation status of internal audits
- (v) Matters to be resolved at important meetings

The Company shall establish a system that allows executives or employees of any company in the Otsuka group, or individuals who have received reports from those executives or employees, to report matters related to (i) through (v) above to the Company’s Audit & Supervisory Board Members.

The system shall also ensure that individuals who have submitted reports shall not be treated unfavorably for their actions.

- ix) Policy for treating expenses incurred by Audit & Supervisory Board Members in the course of executing their duties

The Company shall establish a system to ensure advance payments or reimbursement procedures for expenses incurred by Audit & Supervisory Board Members in the course of their duties, or the payment and reimbursement of expenses incurred by other duties, are conducted smoothly upon request from the Audit & Supervisory Board Members.

- x) Other systems to ensure effective audits by Audit & Supervisory Board Members

Audit & Supervisory Board Members may attend meetings of the Board of Directors and other important meetings to understand the process whereby important decisions are made and the status of Directors' and employees' performance of duties, question Directors and employees on the status of their performance of duties, and access important records relating to the business operations such as circulars for managerial approval.

Directors and employees, if so requested by Audit & Supervisory Board Members, shall promptly report matters relating to business executions.

Internal Audit Department, Administration Department, Finance & Accounting Department, Internal Control Department and any other relevant department shall provide Audit & Supervisory Board Members with information as necessary and cooperate in ensuring and improving the effectiveness of audits performed by Audit & Supervisory Board Members.

## 6. Overview of Current Status of System to Ensure the Appropriateness of Operations

The Company, in accordance with its basic policies on system to ensure the appropriateness of operations, works to improve the system and ensure it functions appropriately.

Below is an overview of the status of the system in the current fiscal year, based on the Corporate Governance Guidelines established by the Company.

### i) Overview of internal control system

In accordance with regulations to ensure the appropriateness of operations in the Otsuka group, the Company's Board of Directors, Audit & Supervisory Board and relevant departments receive reports, depending on the level of importance, from the Directors and Audit & Supervisory Board Members of the Company and affiliates with respect to operations, earnings, risk and the status of legal compliance, supporting the operation of the internal control system. The Company also regularly holds Group Internal Control Meetings. By sharing information, it makes efforts to conduct and manage operations in a consistent manner across the group. The Internal Audit Department, which is under the direct reporting line to the President, conducts internal audits of the internal control system structure and status of operation, including at affiliates, in accordance with audit plans approved by the President.

Internal control systems related to financial reporting at the Company and each of the group companies were also evaluated at the account settlement period of each fiscal year to strengthen systems to ensure the preparation of appropriate financial documents.

### ii) Compliance efforts

#### (i) The Otsuka Group Global Code of Business Ethics and a range of global policies

Under its corporate philosophy, "Otsuka-people creating new products for better health worldwide," the Otsuka group has formulated the Otsuka Group Global Code of Business Ethics to promote compliance in the group, thereby stipulating standards of behavior expected of everyone involved in its work. Meanwhile, Tatsuo Higuchi, the President and Representative Director, CEO of the Company, widely communicates the group's stance for the Code of Business Ethics through the corporate website as the President's message, and the Company's Directors, the internal audit department and Audit & Supervisory Board Members confirm that the group's stance is being implemented.

Moreover, we have established a range of global policies (regulations) embodying key points stipulated in the Code of Business Ethics, and accordingly seek to thoroughly instill compliance practices.

#### (ii) Compliance training

The Otsuka group thoroughly instills compliance practices at its group companies by conducting universal training in alignment with the Otsuka Group Global Code of Business Ethics and a range of global policies. We have executives and employees of the group companies attend relevant training at least once annually and check their levels and depth of understanding regarding compliance through means such as tests and awareness surveys administered during training sessions.

In addition, we hold risk management training for executive teams of the Company, the Group's main operating companies and other such enterprises once a year. The training includes simulation drills and lectures by outside experts, and involves discussions and reviews on domestic and overseas risks, referencing serious incidents and other matters. Topics include the initial response and coordination of information among the Group when a crisis occurs, measures to ensure business continuity, and corporate social responsibility.

### iii) Reinforcing risk management system

#### (i) Risk management system

To mitigate different types of risk in the Company's and the Group's business environment, including product quality risk, environmental risk and pharmacovigilance (PV) risk, the Company formulates business continuity plans and holds meetings of the Risk Management Committee and risk management training to thoroughly promote



awareness of them. Furthermore, to further enhance companywide risk management at the Company and its main operating companies, in July 2020 the Company introduced Enterprise Risk Management (“ERM”), which aims to recognize and evaluate risks from a companywide perspective and prioritize allocation of management resources to the control of important risks. As part of ERM, we define uncertainties that could have a major impact on our ability to fulfill our corporate philosophy and achieve business strategy goals as risks, and have established a group-wide risk management framework and a system for risk assessment to effectively and efficiently manage significant risks faced by the Group. Under this framework and system, we perform risk assessments to identify and gauge the significant risks faced by the Group’s main operating companies; determine whether to mitigate, transfer, avoid, or accept risks; develop and implement risk management policies, and conduct monitoring activities on an ongoing basis. At the Company, the Risk Management Committee oversees the Group’s ERM activities as a whole. The committee participates in deliberations on significant risks and reports on them at meetings of the Board of Directors, formulates and monitors the implementation of policies for the management of significant risks, and provides instructions and support to the main operating companies when needed. The Board of Directors of the Company receives reports on committee activities, issues instructions as necessary, and oversees the efficacy of the ERM activities.

(ii) Information security

In addition to conducting security checks, the Company and every group company are continuously raising their levels of defense against risks, by such means as conducting periodic information security training and drills related to targeted e-mail attacks.

The Company and group companies also participate in regular group information security meetings, which involve exploring specific measures and sharing the latest information regarding information management and information security.

We persistently strive to enhance security by visually rendering and improving aspects of management by conducting security risk assessments at domestic and overseas group companies.

Furthermore, a system capable of responding to computer-related emergencies has been established by setting up the CSIRT (Computer Security Incident Response Team), a team to respond, on the assumption of damage occurrence, to cyberattacks that seek personal information or trade secrets owned by the Company and group companies.

The Otsuka Group Global Privacy Policy has been established to clarify stance and guidelines for privacy protection of the Company and group companies, and the Company and group companies have adjusted the relevant rules and reviewed the management system, responding to personal information security regulations in each country.

iv) Management of affiliates

In accordance with the Affiliate Management Regulations, the Company’s Board of Directors or principal departments received reports about decision-making at affiliates and approved decisions, issued instructions or took other steps.

v) Execution of duties by Directors

In accordance with the Regulations of the Board of Directors, a regular Board meeting was held each month. At the meetings, the Board of Directors made decisions on important matters stipulated by laws and regulations or in the Articles of Incorporation and conducted oversight of Directors using reports about the execution of their duties. The Board of Directors makes important decisions for the Company and each of the group companies with respect to business trends, investment projects and other areas, and fulfills its business oversight functions through sufficient discussion of reported matters by using business analysis reports, documents on specialist fields and other materials.

vi) Execution of duties by Audit & Supervisory Board Members

In accordance with the Regulations of the Audit & Supervisory Board and the Audit Standards of the Audit & Supervisory Board, the Audit & Supervisory Board Members conducted the following audits.

Through attendance at meetings of the Board of Directors and other important meetings, the Audit & Supervisory Board Members gave their opinion as needed, inspected documents, such as circulars for managerial approval, requested explanations from Directors, etc., and provided guidance as necessary.

The Audit & Supervisory Board Members also receive information, including regular reports, and secure opportunities to view documents. Meetings of the Audit & Supervisory Board were held monthly and at other times when needed to work to improve the effectiveness and efficiency of audits through reporting the audit activities of individual Audit & Supervisory Board Members, and exchanging opinions and information.

The Audit & Supervisory Board Members received reports required by laws and regulations from Representative Directors, Directors and other individuals of the Company and each of the group companies, received information about earnings, business operations, the status and operation of the internal control system and implementation status of internal audits on a regular basis and at other times when necessary, and provided guidance as necessary.

Audit & Supervisory Board Members regularly hold a meeting of the group's Audit & Supervisory Board as well as regularly receive reports from, exchange opinions with, and share information with the accounting auditor. In addition, Audit & Supervisory Board Members visited and inspected the group companies and received reports from Representative Directors and other individuals at those companies to gain understandings of business issues, risk and other matters, and provided guidance as necessary.

## **7. Policy on Decisions on Dividends**

The Company recognizes returning profits to shareholders to be one of the key management measures. The Company adopts a basic policy of continuously distributing profits to shareholders in line with the growth of profits while securing adequate internal reserves necessary to support future corporate growth and respond to changes in the business environment.

Based on this policy, in accordance with a resolution of the Board of Directors meeting held on February 14, 2024, the Company has resolved to pay a year-end dividend of ¥60 per share in accordance with the consolidated financial results for the fiscal year ended December 31, 2023, and the prospect for sustainable growth given the results of its growth investments. Combined with the interim dividend of ¥50 per share that was paid on September 4, 2023, this amounts to annual dividends of ¥110 per share. The effective date of the year-end dividend for the current fiscal year is March 29, 2024.

(Translation)

**Consolidated Statement of Financial Position**

(As of December 31, 2023)

(Millions of yen)

Item	(Reference) FY2022	FY2023	Item	(Reference) FY2022	FY2023
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and cash equivalents	471,634	513,341	Trade and other payables	198,356	206,369
Trade and other receivables	423,426	474,086	Bonds and borrowings	26,440	69,425
Inventories	223,507	249,581	Lease liabilities	17,717	18,847
Income taxes receivable	2,954	19,611	Other financial liabilities	3,307	–
Other financial assets	17,481	16,062	Income taxes payable	28,340	54,939
Other current assets	52,934	54,113	Provisions	763	919
Subtotal	1,191,939	1,326,797	Contract liabilities	13,376	14,322
Assets held for sale	91	–	Other current liabilities	250,891	302,410
<b>Total current assets</b>	<b>1,192,030</b>	<b>1,326,797</b>	<b>Total current liabilities</b>	<b>539,193</b>	<b>667,233</b>
<b>Non-current assets</b>			<b>Non-current liabilities</b>		
Property, plant and equipment	510,674	553,358	Bonds and borrowings	93,775	69,200
Goodwill	335,442	379,048	Lease liabilities	56,229	56,715
Intangible assets	579,786	490,971	Other financial liabilities	30,515	16,774
Investments accounted for using the equity method	241,743	278,562	Net defined benefit liabilities	16,011	16,557
Other financial assets	177,421	197,887	Provisions	1,507	2,252
Deferred tax assets	53,383	118,825	Contract liabilities	50,736	44,869
Other non-current assets	12,156	15,792	Deferred tax liabilities	29,511	27,170
<b>Total non-current assets</b>	<b>1,910,608</b>	<b>2,034,446</b>	Other non-current liabilities	22,787	24,152
			<b>Total non-current liabilities</b>	<b>301,076</b>	<b>257,692</b>
			<b>Total Liabilities</b>	<b>840,269</b>	<b>924,926</b>
			<b>Equity</b>		
			<b>Equity attributable to owners of the Company</b>		
			Share capital	81,690	81,690
			Capital surplus	506,579	506,230
			Treasury shares	(44,858)	(44,669)
			Retained earnings	1,553,069	1,621,218
			Other components of equity	128,773	229,214
			<b>Total equity attributable to owners of the Company</b>	<b>2,225,255</b>	<b>2,393,683</b>
			<b>Non-controlling interests</b>	<b>37,114</b>	<b>42,634</b>
			<b>Total equity</b>	<b>2,262,369</b>	<b>2,436,317</b>
<b>Total Assets</b>	<b>3,102,638</b>	<b>3,361,244</b>	<b>Total Liabilities and Equity</b>	<b>3,102,638</b>	<b>3,361,244</b>

(Translation)

## **Consolidated Statement of Income**

(From January 1, 2023 to December 31, 2023)

(Millions of yen)

Item	(Reference) FY2022	FY2023
<b>Revenue</b>	<b>1,737,998</b>	<b>2,018,568</b>
Cost of sales	(569,501)	(611,219)
<b>Gross profit</b>	<b>1,168,496</b>	<b>1,407,348</b>
Selling, general and administrative expenses	(724,129)	(807,355)
Share of profit of investments accounted for using the equity method	5,780	20,365
Research and development expenses	(275,230)	(307,804)
Impairment losses	(41,521)	(172,419)
Other income	23,445	5,729
Other expenses	(6,518)	(6,250)
<b>Operating profit</b>	<b>150,323</b>	<b>139,612</b>
Finance income	28,693	9,566
Finance expenses	(6,063)	(6,523)
<b>Profit before tax</b>	<b>172,954</b>	<b>142,655</b>
Income tax expenses	(35,673)	(17,155)
<b>Profit for the year</b>	<b>137,280</b>	<b>125,499</b>
Attributable to:		
Owners of the Company	133,906	121,616
Non-controlling interests	3,373	3,883
Total	137,280	125,499

(Translation)

[Reference]

**Consolidated Statement of Comprehensive Income**

(From January 1, 2023 to December 31, 2023)

(Millions of yen)

Item	(Reference) FY2022	FY2023
Profit for the year	137,280	125,499
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(5,407)	1,344
Financial assets measured at fair value through other comprehensive income	8,937	5,373
Share of other comprehensive income of investments accounted for using the equity method	462	360
Subtotal	3,992	7,078
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	117,461	72,652
Cash flow hedges	26	22
Share of other comprehensive income of investments accounted for using the equity method	13,458	22,511
Subtotal	130,947	95,186
Total other comprehensive income	134,939	102,264
<b>Comprehensive income for the year</b>	<b>272,219</b>	<b>227,764</b>
<b>Attributable to:</b>		
Owners of the Company	267,980	222,855
Non-controlling interests	4,238	4,909
Comprehensive income for the year	272,219	227,764

(Translation)

**Consolidated Statement of Changes in Equity**  
FY2022 (From January 1, 2022 to December 31, 2022) [Reference]

(Millions of yen)

	Equity attributable to owners of the Company					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
<b>Balance as of January 1, 2022</b>	<b>81,690</b>	<b>506,724</b>	<b>(45,572)</b>	<b>1,482,197</b>	–	<b>28,632</b>
Cumulative effects of changes in accounting policies	–	–	–	(37)	–	–
Restated balance	81,690	506,724	(45,572)	1,482,160	–	28,632
Profit for the year	–	–	–	133,906	–	–
Other comprehensive income	–	–	–	–	(5,091)	8,961
<b>Comprehensive income for the year</b>	–	–	–	<b>133,906</b>	<b>(5,091)</b>	<b>8,961</b>
Purchase of treasury shares	–	–	(0)	–	–	–
Dividends	–	–	–	(54,251)	–	–
Share-based payment transactions	–	(101)	714	–	–	–
Changes in ownership interests in subsidiaries that do not result in loss of control	–	(43)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(8,746)	5,091	3,655
<b>Total transactions with owners</b>	–	<b>(144)</b>	<b>713</b>	<b>(62,997)</b>	<b>5,091</b>	<b>3,655</b>
<b>Balance as of December 31, 2022</b>	<b>81,690</b>	<b>506,579</b>	<b>(44,858)</b>	<b>1,553,069</b>	–	<b>41,249</b>

(Translation)

(Millions of yen)

	Equity attributable to owners of the Company			Total	Non-controlling interests	Total equity
	Other components of equity					
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
<b>Balance as of January 1, 2022</b>	<b>(42,673)</b>	<b>(6)</b>	<b>(14,046)</b>	<b>2,010,994</b>	<b>34,195</b>	<b>2,045,189</b>
Cumulative effects of changes in accounting policies	–	–	–	(37)	0	(37)
Restated balance	(42,673)	(6)	(14,046)	2,010,956	34,195	2,045,152
Profit for the year	–	–	–	133,906	3,373	137,280
Other comprehensive income	130,176	26	134,074	134,074	864	134,939
<b>Comprehensive income for the year</b>	<b>130,176</b>	<b>26</b>	<b>134,074</b>	<b>267,980</b>	<b>4,238</b>	<b>272,219</b>
Purchase of treasury shares	–	–	–	(0)	–	(0)
Dividends	–	–	–	(54,251)	(1,342)	(55,593)
Share-based payment transactions	–	–	–	612	–	612
Changes in ownership interests in subsidiaries that do not result in loss of control	–	–	–	(43)	22	(21)
Transfer from other components of equity to retained earnings	–	–	8,746	–	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>8,746</b>	<b>(53,682)</b>	<b>(1,320)</b>	<b>(55,002)</b>
<b>Balance as of December 31, 2022</b>	<b>87,503</b>	<b>20</b>	<b>128,773</b>	<b>2,225,255</b>	<b>37,114</b>	<b>2,262,369</b>



(Translation)

FY2023 (From January 1, 2023 to December 31, 2023)

(Millions of yen)

	Equity attributable to owners of the Company					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
<b>Balance as of January 1, 2023</b>	<b>81,690</b>	<b>506,579</b>	<b>(44,858)</b>	<b>1,553,069</b>	–	<b>41,249</b>
Profit for the year	–	–	–	121,616	–	–
Other comprehensive income	–	–	–	–	1,468	5,435
<b>Comprehensive income for the year</b>	–	–	–	<b>121,616</b>	<b>1,468</b>	<b>5,435</b>
Purchase of treasury shares	–	–	(1)	–	–	–
Dividends	–	–	–	(54,265)	–	–
Share-based payment transactions	–	(199)	190	–	–	–
Changes in ownership interests in subsidiaries that do not result in loss of control	–	(149)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	798	(1,468)	669
<b>Total transactions with owners</b>	–	<b>349</b>	<b>188</b>	<b>(53,467)</b>	<b>(1,468)</b>	<b>669</b>
<b>Balance as of December 31, 2023</b>	<b>81,690</b>	<b>506,230</b>	<b>(44,669)</b>	<b>1,621,218</b>	–	<b>47,355</b>

(Translation)

(Millions of yen)

	Equity attributable to owners of the Company			Total	Non-controlling interests	Total equity
	Other components of equity					
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
<b>Balance as of January 1, 2023</b>	<b>87,503</b>	<b>20</b>	<b>128,773</b>	<b>2,225,255</b>	<b>37,114</b>	<b>2,262,369</b>
Profit for the year	–	–	–	121,616	3,883	125,499
Other comprehensive income	94,312	22	101,239	101,239	1,025	102,264
<b>Comprehensive income for the year</b>	<b>94,312</b>	<b>22</b>	<b>101,239</b>	<b>222,855</b>	<b>4,909</b>	<b>227,764</b>
Purchase of treasury shares	–	–	–	(1)	–	(1)
Dividends	–	–	–	(54,265)	(1,432)	(55,698)
Share-based payment transactions	–	–	–	(9)	–	(9)
Changes in ownership interests in subsidiaries that do not result in loss of control	–	–	–	(149)	2,043	1,893
Transfer from other components of equity to retained earnings	–	–	(798)	–	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>(798)</b>	<b>(54,426)</b>	<b>610</b>	<b>(53,816)</b>
<b>Balance as of December 31, 2023</b>	<b>181,815</b>	<b>43</b>	<b>229,214</b>	<b>2,393,683</b>	<b>42,634</b>	<b>2,436,317</b>

## Notes to Consolidated Financial Statements

### 1. Basis of Preparation of Consolidated Financial Statements

#### (1) Accounting Principles for Preparing Consolidated Financial Statements

The consolidated financial statements of the Company, its subsidiaries and interests in its associates (hereinafter collectively referred to as the “Group”) are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) pursuant to the provision of Article 120, paragraph (1) of the Regulations on Corporate Accounting. Pursuant to the provision of the second sentence of the same paragraph, some disclosure items required under IFRS are omitted.

#### (2) Scope of Consolidation

i) Number of consolidated subsidiaries: 167

ii) Names of major consolidated subsidiaries:

Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., Taiho Pharmaceutical Co., Ltd., Otsuka Warehouse Co., Ltd., Otsuka Chemical Co., Ltd., Otsuka Foods Co., Ltd., Otsuka Medical Devices Co., Ltd., Otsuka America, Inc., Otsuka America Pharmaceutical, Inc., Pharmavite LLC, Otsuka Pharmaceutical Europe Ltd. and Nutrition & Santé SAS

#### (3) Application of the Equity Method

i) Number of associates accounted for using the equity method: 28

ii) Names of major companies accounted for using the equity method:

Earth Corporation, ALMA S.A., CG Roxane LLC, China Otsuka Pharmaceutical Co., Ltd. and Nichiban Co., Ltd.

#### (4) Changes in the Scope of Consolidation and the Scope of Equity-Method Application

Bonafide Health, LLC, Mindset Pharma, Inc. and one other company were included in the scope of consolidation for the current fiscal year due to acquisition of their shares.

Atmo Biosciences Limited was included in the scope of equity-method application for the current fiscal year due to the acquisition of its shares.

KiSCO Co., Ltd. and two other companies, which were previously consolidated subsidiaries of the Company, have been excluded from the scope of consolidation due to their liquidation.

NEOS Corporation, which had been an associate of the Company, was excluded from the scope of equity-method application because the Company’s equity interest in the company decreased as a result of a capital increase.

#### (5) Fiscal Year End of Consolidated Subsidiaries and Associates

For consolidated subsidiaries and associates accounted for using the equity method if their closing date differs from that of the Group, the Company used their financial statements that were provisionally settled on December 31 for the purpose of consolidation.

#### (6) Accounting Policies

i) Valuation of significant assets

A. Financial assets

(i) Initial recognition and measurement

Trade and other receivables are initially recognized on the date when they are incurred. All other financial assets are initially recognized on the contract date when the Group becomes a party to the contract of the instruments.

At initial recognition, all financial assets, except for those measured at fair value through profit or loss, are measured at fair value plus directly attributable transaction costs. However, trade receivables that do not contain a significant financing component are measured at the transaction price. Transaction costs of financial assets measured through profit or loss are recognized in profit or loss.

At initial recognition, financial assets are classified as (a) Financial assets measured at amortized cost, (b) Debt instruments measured at fair value through other comprehensive income, (c) Equity instruments measured at fair value through other comprehensive income or (d) Financial assets measured at fair value through profit or loss.

(a) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met.

- The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Debt instruments measured at fair value through other comprehensive income

Financial assets are classified as debt instruments measured at fair value through other comprehensive income if both of the following conditions are met.

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Equity instruments measured at fair value through other comprehensive income

For investments in some equity instruments, the Group has chosen an irrevocable option to present subsequent changes in the fair value of investments that are neither 'held for trading' nor 'contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies,' in other comprehensive income. The Group classifies such investments as equity instruments measured at fair value through other comprehensive income.

(d) Financial assets measured at fair value through profit or loss

Financial assets, except for financial assets measured at amortized cost and equity instruments measured at fair value through other comprehensive income stated above, are classified as financial assets measured at fair value through profit or loss.

(ii) Subsequent measurement

After initial recognition, financial assets are measured according to their classification as follows:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method. Amortization by using the effective interest method and any gains or losses on derecognition are recognized in profit or loss.

(b) Equity instruments measured at fair value through other comprehensive income

Equity instruments measured at fair value through other comprehensive income are measured at fair value. Any changes in fair value are recognized in other comprehensive income. When such financial assets are derecognized, the accumulated other comprehensive income is transferred to retained earnings. Meanwhile, dividends from such financial assets are recognized as profit or loss.

(c) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are measured at fair value, and any changes in their fair value are recognized in profit or loss.

(iii) Impairment

With regard to impairment of financial assets measured at amortized cost, the Group recognizes an allowance for expected credit losses on such financial assets.

At each reporting date, the Group evaluates whether the credit risk on financial instruments has increased significantly after initial recognition.

If credit risk on financial instruments has not increased significantly after initial recognition, the allowance for those instruments is measured at an amount equal to the 12-month expected credit losses. If credit risk on financial instruments has increased significantly after initial recognition, the allowance for such financial instruments is measured at an amount equal to the lifetime expected credit losses.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The assessment of whether or not credit risk has increased significantly takes into account all relevant current information that is reasonably available to the Group, as well as past due information.

However, with regard to trade receivables that do not contain a significant financing component, the allowance is always measured at an amount equal to the lifetime expected credit losses, regardless of whether or not there has been a significant increase in credit risk after initial recognition.

(iv) Derecognition

The Group derecognizes financial assets only when the contractual rights to the cash flows from the financial assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

B. Financial liabilities

(i) Initial recognition and measurement

Bonds and borrowings are initially recognized on the date when they are issued or incurred. All other financial liabilities are initially recognized on the contract date when the Group becomes a party to the contract of the financial instruments.

At initial recognition, financial liabilities are classified as (a) financial liabilities measured at amortized cost or (b) financial liabilities measured at fair value through profit or loss.

At initial recognition, financial liabilities measured at amortized cost are measured at fair value net of transaction costs that are directly attributable to the financial liabilities.

Transaction costs of financial liabilities measured at fair value through profit or loss are recognized in profit or loss.

(ii) Subsequent measurement

After initial recognition, financial liabilities are measured according to their classification as follows:

(a) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization by using the effective interest method and any gains or losses on derecognition are recognized in profit or loss.

(b) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are measured at fair value, and any changes in their fair value are recognized in profit or loss.

(iii) Derecognition

The Group derecognizes the financial liabilities only when they are extinguished, that is, the obligations specified in the contract are discharged, cancelled or expired.

C. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented only when the Group currently has a legally enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

D. Derivatives and hedge accounting

Derivatives are initially recognized at fair value. After initial recognition, derivatives continue to be measured at fair value.

The Group designates certain derivatives such as forward foreign exchange contracts, currency swap agreements, currency option transactions, and interest rate swap agreements to hedge foreign currency risk and interest rate risk.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and the methods of assessing whether the hedging relationship meets the hedge effectiveness requirements. The Group assesses whether the

hedging relationship meets the hedge effectiveness requirements, both at inception and on an ongoing basis. Ongoing assessments are performed at each reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first.

The Group applies hedge accounting to cash flow hedges which meet the criteria for hedge accounting and such hedges are accounted for as follows:

The portions of the gain or loss on the hedging instrument that are determined to be effective hedges are recognized in other comprehensive income, while the remaining ineffective portions are recognized in profit or loss. The amounts associated with the hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the hedged transactions affect profit or loss. However, in cases where the hedged forecast transaction subsequently results in the recognition of a non-financial asset or liability, the amount recognized in other comprehensive income is accounted for as an adjustment to the initial carrying amount of the non-financial asset or liability.

When the hedging relationship ceases to meet the qualifying criteria, or the hedging instrument expires or is sold, terminated or exercised, the application of hedge accounting is discontinued prospectively. When forecast transactions or firm commitments are no longer expected to occur, any related cumulative gains or losses that have been recognized in equity through other comprehensive income are reclassified to profit or loss.

The Group does not undertake any fair value hedges or any hedges of net investment in foreign operations.

E. Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is determined mainly by the weighted-average cost formula. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to the present location and condition.

ii) Depreciation of property, plant and equipment, and amortization of intangible assets

Property, plant and equipment and intangible assets are measured under the cost model and carried at their cost less any accumulated depreciation, amortization and impairment losses.

A. Property, plant and equipment

The cost of property, plant and equipment includes the cost directly incidental to the acquisition of assets, the initial estimated costs of dismantling, removing and restoring the assets.

Depreciation expense for assets except for land and construction in progress is recognized mainly by the straight-line method over the respective estimated useful lives. The estimated useful lives of major asset items are as follows:

- Buildings and structures: 2 to 65 years
- Machinery and vehicles: 2 to 40 years
- Tools, furniture and fixtures: 2 to 20 years

The estimated useful lives, residual values and depreciation methods of assets are reviewed at the end of each fiscal year, and any changes are applied prospectively as a change in an accounting estimate.

Right-of-use assets are included in “Property, plant and equipment” in the consolidated statement of financial position.

For the leases that the Group has contracted as a lessee, right-of-use assets are measured at cost, and lease liabilities are measured at the present value of total lease payments payable at the commencement date of the leases.

Right-of-use assets are depreciated by the straight-line method over the estimated useful lives or lease terms, whichever is shorter. The estimated useful lives of major asset items are as follows:

- Buildings and structures: 2 to 50 years
- Machinery and vehicles: 2 to 15 years
- Tools, furniture and fixtures: 2 to 6 years
- Land: 2 to 55 years

The Group does not recognize right-of-use assets and lease liabilities for leases on intangible assets and short-term leases within 12 months. The Group recognizes the total lease payments associated with short-term leases on either a straight-line method or another systematic basis over the lease term.

#### B. Intangible assets

Separately acquired intangible assets are initially measured at cost.

Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Internally generated intangible assets, other than development expenses that meet the requirements for capitalization, are recognized as an expense when incurred.

Intangible assets with finite useful lives are amortized by the straight-line method over the estimated useful lives. The estimated useful lives of major intangible assets are as follows:

- Patents: 5 to 15 years
- Trademarks, distribution rights and others: 8 to 16 years
- Software: 2 to 10 years

The estimated useful lives, residual values and amortization methods are reviewed at the end of each fiscal year, and any changes are applied prospectively as a change in an accounting estimate.

Intangible assets with indefinite useful lives consist mainly of brands and trademarks acquired separately or in business combinations, and are included in intangible assets as “Trademarks, distribution rights and others.” Intangible assets with indefinite useful lives are reviewed at the end of each fiscal year to determine whether the indefinite useful life assessment remains appropriate. If it is no longer appropriate, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate. In-process researches and developments acquired separately or in business combinations are included in intangible assets as “In-process research and development.” As these assets are intangible assets that are not yet available for use, they are tested for impairment without amortization. An asset in “In-process research and development” is transferred to “Trademarks, distribution rights and others” when the asset becomes available for use by obtaining permits and approvals from regulatory authorities in a subsequent period, and begins to be amortized by the straight-line method over the estimated useful life from that time.

#### C. Impairment of property, plant and equipment and intangible assets

The Group assesses whether there is any indication of impairment at the end of each reporting period for property, plant and equipment and intangible assets (including right-of-use assets; the same applies hereinafter). If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the intangible assets with indefinite useful lives, or those not yet available for use, the recoverable amounts are estimated at the end of each fiscal year, regardless of whether there is any indication of impairment.

The recoverable amount of an individual asset or a cash-generating unit is measured at the higher of its fair value less cost of disposal or its value in use. The value in use is calculated

by discounting the estimated future cash flows to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

The corporate assets do not independently generate cash inflows. When there is an indication of impairment of the corporate assets, the recoverable amount of the cash-generating unit to which the corporate assets belong is calculated.

An impairment loss is recognized in profit or loss when the carrying amount of the asset or cash-generating unit exceeds the recoverable amount.

For an impairment loss recognized in prior periods, the Group assesses whether there is any indication of a decrease or disappearance of the impairment loss at the end of each reporting period. If there is any indication of reversal of the impairment loss, the recoverable amount of the asset or cash-generating unit is estimated. In cases in which the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the recoverable amount or the carrying amount less any depreciation and amortization costs that would have been determined had no impairment loss been recognized.

iii) Goodwill

Goodwill is measured as the excess of the aggregate of the consideration transferred in business combination, the amount of non-controlling interests in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In case the identifiable net asset exceeds the aggregate of the consideration and others, such excess is immediately recognized in profit or loss.

The consideration transferred is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. The consideration transferred includes any assets or liabilities resulting from a contingent consideration arrangement. The amount of non-controlling interests in the acquiree at the acquisition date is measured for each business combination either at fair value or as the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. After initial recognition, the amount is recorded at its cost less any accumulated impairment losses.

Goodwill is allocated to each of the cash-generating units or groups of cash-generating units (hereinafter referred to as the "Cash-Generating Units") that is expected to benefit from the synergies of the business combination. Cash-Generating Units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired. If the recoverable amount of Cash-Generating Units is less than their carrying amounts, an impairment loss is recognized in profit or loss. With regard to allocation of impairment losses recognized in association with Cash-Generating Units, first the carrying amount of goodwill allocated to the unit is reduced, and then the remaining amount of impairment loss is allocated to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. For impairment losses recognized on goodwill, no reversal is made in subsequent periods.

iv) Provisions

Provisions are recognized when there are present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of obligations.

The amount recognized as provisions is the best estimate taking into account the risks and uncertainties of the expenditure required to settle the present obligations on each reporting date. When the time value of money is material, the amount of provision is measured at the present value of the expenditures expected to be required to settle the obligation.

v) Post-employment benefits

The Group has defined benefit plans and defined contribution plans as post-employment benefit plans for its employees.



The Group uses the projected unit credit method to determine the present value of the defined benefit obligations, the related current service cost and the past service cost.

The discount rate is determined based on market yields on high quality corporate bonds at the end of the fiscal year that are consistent with the discount period, which is set for the projected period until the expected date of benefit payment in each fiscal year.

Net defined benefit liabilities or assets are calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligations. If the defined benefit plan has surplus, the defined benefit asset is limited to the asset ceiling that is the present value of any future economic benefits available in the form of reductions in the future contributions to the plan or cash refunds.

Service costs and net interest on the net defined benefit liabilities (assets) are recognized in profit or loss.

The remeasured amount of a defined benefit plan is recognized at once in other comprehensive income when it occurs, and immediately transferred to retained earnings.

Contributions to the defined contribution retirement benefits are recognized as expenses when employees have rendered service.

vi) Foreign currency translation

A. Foreign currency transactions

Foreign currency transactions are translated to the functional currencies at exchange rates on the transaction dates or exchange rates which are close to the actual rate on the transaction dates. Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rate on each reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rate at the date of measurement. Non-monetary assets and liabilities that are measured at cost in a foreign currency are translated into the functional currency using the spot exchange rate on the date of the original transaction.

Translation differences arising from translations or settlements are recognized as profit or loss. However, equity instruments measured through other comprehensive income as well as the effective portion of translation differences arising from hedging instruments related to cash flow hedges used to hedge foreign currency risk are recognized as other comprehensive income.

B. Foreign operations

The assets and liabilities of foreign operations are translated into Japanese yen at the exchange rate on each reporting date. The revenues and expenses of foreign operations are translated into Japanese yen at the average exchange rate for the reporting period. Translation differences arising from translation of financial statements of foreign operations are recognized as other comprehensive income. The exchange differences on translation of foreign operations are recognized in profit or loss for periods in which foreign operations are disposed.

vii) Revenue

A. Sales of products

For sales of products, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the products because legal title, physical possession, significant risks and rewards of ownership of the products are transferred to a customer upon delivery, and the customer obtains control over the products.

Products may be sold with a rebate based upon the achievement of a defined sales volume and amount. In such a case, the transaction price is recognized as the consideration promised in the contract with a customer, less estimated rebates and other items. Rebates are measured by the 'most likely amount' method based on historical performance. Revenue is recognized only to the extent that it is highly probable that significant reversal will not occur.

Specifically, in connection with rebates for Medicaid, Medicare and Commercial Managed Care Program in the U.S., the Group estimates statutory and contractual rebate payments

related to the public healthcare system provided by federal and state governments, and contractual rebate payments with medical institutions and customers to prepare for possible refunds after the end of the fiscal year. The Group estimates the accrual amounts through the process such as identifying the target products of each program, applicable product prices, estimated inventory at pharmacies and wholesalers, and time lag between sales of products and payment of rebates. However, these estimates are uncertain and may differ from the actual amount incurred. The Group evaluates whether the estimates of variable consideration are constrained, taking into account the impact of reasonable and potential changes such as past experiences on the related contracts, consistency between the paid rebates and contract clauses, and demand forecasts. As a result of this evaluation, the Group judges the constraints are limited. The estimated amount of these rebate payments is recorded in "Other current liabilities" on the consolidated statement of financial position.

The majority of the consideration for sales is received within one year from the date of delivery. Therefore, the promised amount of consideration does not include a significant financing component.

B. License and royalty income

License income includes up-front and milestone payments that the Group receives from a third party based on license agreements for development and distribution right of developing or finished products. Under license agreements, if contractual obligations are fulfilled at a point in time, up-front payments are recognized as revenue once development and distribution rights are granted, and milestone payments are recognized as revenue when the contractual milestones are achieved. If contractual obligations are fulfilled over a period of time, including those for certain license agreements entered into between the Group and a third party for development and distribution rights and others of products under development, in principle, the corresponding payments are recorded as contract liabilities and the income from up-front and milestone payments is recognized as revenue over a period such as an estimated contract term, in accordance with the measurement method of progress towards satisfaction of performance obligations. The progress towards satisfaction of performance obligations is measured by the ratio between the output, such as time elapsed, and the remaining service provision periods promised in the contract, etc. for each contract such as development cooperation. Income from milestone payments under license agreements is recognized as revenue from the point when the conditions are met to avoid future reversal of revenues.

Royalty income is the income that is calculated based on the sales of counterparties under license agreements, and is recognized as revenue at the later point of either the counterparty's revenue recognition, or satisfaction of performance obligations.

License and royalty income are received primarily within one year from the time when the rights are acquired based on the agreements. Therefore, the agreements do not include significant financing components.

viii) Others

A. Accounting method for consumption taxes

Consumption taxes are excluded from revenues and expenses.

B. Application of group tax sharing system

The Company applies the group tax sharing system.

## 2. Notes to Changes in Accounting Policies

### Changes in Accounting Policies Required by IFRS

The Group applied IAS 12 “Income Taxes” (amended in May 2021) from the fiscal year ended December 31, 2023.

IFRS		Description of new standard, interpretations and amendments
IAS 12	Income Taxes	Clarification of accounting treatment for deferred taxes related to assets and liabilities arising from a single transaction

The application of this standard clarifies the accounting treatments on initial recognition for transactions that give rise to equal taxable and deductible temporary differences at the time of the transaction, and results in the recognition of taxable and deductible temporary differences as deferred tax liabilities and assets, respectively, in the consolidated statements of financial position.

As a result of the application of the standard, the previous fiscal year’s consolidated financial statements have been retrospectively restated. The effect of the application decreased deferred tax assets by ¥77 million, increased deferred tax liabilities by ¥101 million, and decreased total equity by ¥178 million which consisted of decreases of retained earnings by ¥150 million, other components of equity by ¥1 million, and non-controlling interests by ¥26 million in the consolidated statements of financial position as of December 31, 2022. In addition, the effect increased income tax expenses by ¥139 million and decreased profit for the year by ¥139 million in the consolidated statement of income for the fiscal year ended December 31, 2022.

Due to the cumulative effect of application of this standard, the beginning balance of retained earnings for the fiscal year ended December 31, 2022 decreased by ¥37 million in the consolidated statement of changes in equity.

## 3. Notes to Accounting Estimates

Items whose amounts were recorded based on accounting estimates in the consolidated financial statements for the current fiscal year, and which may have a significant impact on the consolidated financial statements for the following fiscal year are as follows.

(1) Estimation of statutory and contractual rebates related to the public healthcare system in the U.S.

i) Amount recorded in the consolidated financial statements for the current fiscal year

Accrued expenses based on statutory and contractual rebates related to the public healthcare system in the U.S. ¥75,568 million

ii) Information that contributes to understanding of details of accounting estimates

In connection with rebates for Medicaid, Medicare and Commercial Managed Care Program in the U.S., the Group estimates statutory and contractual rebate payments related to the public healthcare system provided by federal and state governments, and contractual rebate payments with medical institutions and customers to prepare for possible refunds after the end of the fiscal year. The Group estimates the accrual amounts through the process such as identifying the target products of each program, applicable product prices, estimated inventory at pharmacies and wholesalers, and time lag between sales of products and payment of rebates. The estimated amount of these rebate payments is recorded in “Other current liabilities” on the consolidated statement of financial position.

These estimates include various conditions unique to each product and if any change is made to such conditions, it may have a significant impact on the estimated amounts of rebates payable that are included in other current liabilities in the consolidated financial statements for the following fiscal year.

(2) Impairment of intangible assets

i) Amount recorded in the consolidated financial statements for the current fiscal year

Intangible assets ¥490,971 million

- ii) Information that contributes to understanding of details of accounting estimates  
Intangible assets, such as in-process research and development and trademarks, distribution rights and others are tested for impairment annually and whenever there is an indication of impairment. If the recoverable amount is less than the carrying amount, an impairment loss is recognized, and the carrying amount is reduced to the recoverable amount. The recoverable amount is estimated for each asset to be evaluated individually, cash-generating units or groups of cash-generating units, and measured at the higher of its fair value less cost of disposal or its value in use. The value in use is calculated based on assumptions such as estimated future cash flows, probability of success, growth rate and discount rate. Major assumptions such as the estimated future cash flows, the probability of success, growth rates, and discount rates are highly uncertain in the estimates. If a delay or halt of development and launches of competing products will lead to results that differ from the initial assumptions, this may have a significant impact on the amount of intangible assets in the consolidated financial statements for the following fiscal year.
- (3) Recoverability of deferred tax assets
- i) Amount recorded in the consolidated financial statements for the current fiscal year
- |                     |                  |
|---------------------|------------------|
| Deferred tax assets | ¥118,825 million |
|---------------------|------------------|
- ii) Information that contributes to understanding of details of accounting estimates  
Deferred tax assets are recognized for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is highly probable that taxable profits will be available against which they could be utilized. In assessment of the recoverability of deferred tax assets, reversal of deferred tax liabilities, expected future taxable profit and tax planning are taken into account, and the carrying amount is reviewed each fiscal year based on the level of taxable profit in the past and estimated future taxable profit in the period during which deferred tax assets are deductible.  
The future taxable profit and tax planning are estimated based on the Group's business plan. If a different result from forecasts such as revenue in the business plan is occurred, this may have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year.
- (4) Fair value of financial instruments
- i) Amounts recorded in the consolidated financial statements for the current fiscal year
- |   |                 |
|---|-----------------|
| Financial assets measured at fair value<br>(Other financial assets)           | ¥83,050 million |
| Financial liabilities measured at fair value<br>(Other financial liabilities) | ¥16,210 million |
- ii) Information that contributes to understanding of details of accounting estimates  
In calculating fair value of certain financial instruments, the Group uses valuation techniques including inputs that are not observable in the market.  
Unobservable inputs are affected by uncertain future economic conditions. Therefore, if a different result from their assumptions is occurred, this may have a significant impact on the amounts of financial assets and financial liabilities measured at fair value in the consolidated financial statements for the following fiscal year.
- (5) Measurement of defined benefit obligations
- i) Amounts recorded in the consolidated financial statements for the current fiscal year
- |   |                 |
|---|-----------------|
| Net defined benefit liabilities                       | ¥16,557 million |
| Net defined benefit assets (Other non-current assets) | ¥7,630 million  |

## ii) Information that contributes to understanding of details of accounting estimates

For defined benefit retirement benefit plans, the net amount calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligations is recognized as net defined benefit liabilities or net defined benefit assets in the consolidated statement of financial position. Defined benefit obligations are calculated using an actuarial technique, and actuarial assumptions include estimates of discount rate, retirement rate, mortality rate, and salary increase rate. The discount rate is determined based on market yields on high quality corporate bonds at the end of the fiscal year.

These assumptions may be affected by uncertain future economic conditions or changes in social situations, and other factors. If a different result from their assumptions is occurred, this may have a significant impact on the amounts of net defined benefit liabilities and net defined benefit assets included in other non-current assets in the consolidated financial statements for the following fiscal year.

**4. Notes to Consolidated Statement of Financial Position**

(1) Allowance for Expected Credit Losses Directly Deducted from Assets	
Trade and other receivables	¥3,875 million
Other financial assets (non-current assets)	¥110 million
(2) Assets Pledged as Collateral and Secured Liabilities	
Trade and other receivables	¥266 million
Inventories	¥581 million
Property, plant and equipment	
Buildings and structures	¥199 million
Machinery and vehicles	¥1,454 million
Land	¥397 million
Total	¥2,899 million

The properties above are pledged as collateral for bonds and borrowings (current liabilities) of ¥765 million and bonds and borrowings (non-current liabilities) of ¥2 million.

(3) Accumulated Depreciation on Property, Plant and Equipment (including accumulated impairment losses)	¥879,153 million
(4) Contingent Liabilities	
Guarantees given to financial institutions for borrowings of associates:	¥0 million

**5. Notes to Consolidated Statement of Changes in Equity**

## (1) Total Number of Issued Shares

Class of shares	Number of shares as of January 1, 2023	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares as of December 31, 2023
Ordinary shares	557,835 thousand shares	—	—	557,835 thousand shares

## (2) Number of Treasury Shares

Class of shares	Number of shares as of January 1, 2023	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares as of December 31, 2023
Ordinary shares	15,201 thousand shares	12 thousand shares	64 thousand shares	15,149 thousand shares

Note: The 12-thousand-share increase in the number of treasury shares is due to the acquisition without contribution of some ordinary shares allotted as restricted stock remuneration and the purchase of shares less than one share unit. The 64-thousand-share decrease in the number of treasury shares is due to the disposal of treasury shares as restricted stock remuneration.

(Translation)

(3) Dividends

i) Payment of dividends

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on February 14, 2023	Ordinary shares	¥27,131 million	¥50	December 31, 2022	March 31, 2023
Meeting of the Board of Directors held on July 31, 2023	Ordinary shares	¥27,134 million	¥50	June 30, 2023	September 4, 2023

ii) Dividends whose record date is in the current fiscal year but whose effective date falls in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on February 14, 2024	Ordinary shares	Retained earnings	¥32,561 million	¥60	December 31, 2023	March 29, 2024

**6. Notes to Financial Instruments**

(1) Matters Concerning Conditions of Financial Instruments

i) Financial risk management

The Group is exposed to financial risks (market risk, credit risk and liquidity risk) in the course of operating activities and conducts risk management in accordance with its policy to mitigate these financial risks. The Group uses derivative transactions to avoid foreign currency risk or interest rate risk and, in accordance with its policy, does not carry out any speculative transactions.

ii) Market risk management

The Group's activities are mainly exposed to risks of changes in economic circumstances and financial market circumstances. Specifically, the risks of changes in financial market circumstances include A. Foreign currency risk, B. Interest rate risk and C. Risk of fluctuations in equity instrument prices.

A. Foreign currency risk management

As the Group is expanding its business globally, exchange rate fluctuations mainly in the US dollar and euro affect its operating results.

With regard to settlement of receivables and payables arising from ongoing operating activities, the Group's policy is to balance foreign exchange receipts and payments as much as possible with three major currencies, namely, the US dollar, euro and yen.

In addition, the Group has established management rules for derivative transactions and limits derivative transactions, including forward foreign exchange contracts, to those for the purpose of hedging risks.

B. Interest rate risk management

The Group is exposed to various interest rate risks in its business activities, and especially subjected to interest rate fluctuations associated with borrowings. However, the effect of interest rate fluctuations on borrowing costs is offset by income arising from assets that are affected by the interest rate fluctuations.

The Group monitors fluctuations in interest rates arising from these assets and liabilities, and manages interest rate risks through refinancing and other means when interest rates drastically fluctuate.

C. Risk management of price fluctuations in equity instruments

The Group is exposed to risk of stock price fluctuations in equity instruments. The Group has no equity instruments held for short-term trading but owns equity instruments to execute business strategies smoothly. With regard to equity instruments, the Group regularly assesses fair value and monitors financial conditions of issuers.

iii) Credit risk management

Credit risk is the risk that causes financial loss to the Group when a counterparty of a financial asset held by the Group goes into default for contractual obligations. According to its credit management policy, the Group's sales department and accounting and finance department regularly monitor the credit status of each counterparty to claims such as trade receivables, manage due dates and balances, and strive for early identification and mitigation of any concerns about collections due to deterioration in the financial position of the counterparty and other factors. When full or partial collection of trade receivables and other is considered impossible, or extremely difficult, it is deemed as a default.

The Group recognizes that there is little credit risk in the use of derivatives since the Group only deals with financial institutions with high credit ratings.

The Group does not have any credit risk significantly concentrated in a specific counterparty or a group to which the counterparty belongs.

The carrying amounts presented in the consolidated statement of financial position represent the Group's maximum exposure to credit risk of financial assets.

iv) Liquidity risk management

The Group manages liquidity risk by having the accounting and finance departments prepare and update cash flow management plans, and maintaining a constant level of liquidity.

(2) Fair Value of Financial Instruments

Please refer to Notes to Consolidated Financial Statements "1. Basis of Preparation of Consolidated Financial Statements – (6) Accounting Policies – i) Valuation of significant assets" for further details about fair value of financial instruments. If financial instruments are settled in a short term and their carrying amount approximates to their fair value, information on fair value of the financial instruments is omitted.

Fair value hierarchy

The fair value hierarchy classifies the inputs as follows:

Level 1: Fair value that is measured by using quoted prices in active markets

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price

Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs

Transfers between fair value hierarchy levels are recognized on the date the event or condition prompting the transfer occurred.

i) Financial instruments measured at amortized cost

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
<Financial liabilities>					
Borrowings	58,711	–	58,630	–	58,630
Bonds	79,913	–	79,658	–	79,658
Total	138,625	–	138,288	–	138,288

The fair value calculation methods are as follows:

Borrowings

The fair value of borrowings with floating interest rates reflects market interest rates in a short term, and the carrying amount approximates to their fair value. The fair value of borrowings with fixed interest rates is calculated by the method in which future cash flows are discounted, using an interest rate to which approximates when funds are borrowed under the same terms and conditions with the same remaining borrowing period.

Bonds

The fair value of bonds is calculated based on the observable price in the market.

ii) Financial instruments measured at fair value

	Level 1	Level 2	Level 3	Total
(Millions of yen)				
<Financial assets>				
Financial assets measured at fair value through other comprehensive income				
Equity instruments	98,353	–	73,648	172,001
Financial assets measured at fair value through profit or loss				
Equity instruments	10,402	–	8,441	18,844
Debt instruments	–	–	87	87
Derivatives	–	873	–	873
Total	108,755	873	82,177	191,805
<Financial liabilities>				
Financial liabilities measured at fair value through profit or loss				
Contingent consideration	–	–	16,210	16,210
Total	–	–	16,210	16,210

iii) Valuation techniques and inputs for financial instruments classified as Level 2 and Level 3

(a) Valuation techniques and inputs

Equity instruments

The fair value of equity instruments is measured using a valuation technique appropriate to characteristics of the instrument, such as the comparable company analysis method and the option pricing method.

In the measurement, input information, including stock price index of comparable companies, the discount rate according to risk of the instrument, and price of conversion of preference shares held by the Group into ordinary shares, is taken into account.

Debt instruments

The fair value of bonds and other instruments is calculated based on cash flows and business models.

Derivatives

Forward exchange contracts and others

The fair value of forward exchange contracts and others is calculated based on the market price of forward exchange contracts and others entered into on similar terms and conditions.

Interest rate swaps

Interest rate swaps are used for the purpose of reducing interest borne on borrowings, and their fair value is calculated based on the quoted price at lending financial institutions.

Currency swaps

Currency swaps are used for the purpose of reducing foreign currency risks on currencies of borrowings, and their fair value is calculated based on the quoted price at lending financial institutions.

Call options

The fair value of call options is calculated based on the Black-Scholes model.



(Translation)

Contingent consideration

Contingent consideration classified as Level 3 is a liability recognized as a result of recognizing a part of the considerations as contingent consideration in the acquisition of shares of Neurovance, Inc. in prior fiscal year. Valuation techniques and inputs of fair value are provided in Note “10. Other Notes (Business Combinations).”

(b) Valuation processes

The fair value of Level 3 financial instruments is measured based on internal regulations. The Group has adopted appropriate valuation techniques and inputs that reflect the risks, characteristics and nature of the financial instruments subject to valuation.

iv) Reconciliation of financial instruments classified as Level 3 from the opening balances to the closing balances

(Millions of yen)

	Fair value measurement as of the end of the year	
	Financial assets	Financial liabilities
Balance as of January 1, 2023	63,765	31,370
Gains (losses)		
Recorded in profit or loss* <sup>1</sup>	1,198	7,448
Recorded in other comprehensive income* <sup>2</sup>	8,205	1,059
Purchase and issuance	9,525	—
Sales and settlements	(339)	(23,668)
Other	(177)	—
Balance as of December 31, 2023	82,177	16,210
Unrealized gains or losses included in profit or loss for assets and liabilities held at the end of the year	1,198	3,207

\*1 Gains or losses included in profit or loss relate to financial assets and financial liabilities measured at fair value through profit or loss as of the reporting date. These gains or losses are included in “Other expenses” and “Finance expenses” in the consolidated statement of income.

\*2 Gains or losses included in other comprehensive income mainly relate to financial assets measured at fair value through other comprehensive income as of the reporting date. These gains or losses are included in “Financial assets measured at fair value through other comprehensive income” and “Exchange differences on translation of foreign operations” in the consolidated statement of comprehensive income.

## 7. Notes on Revenue Recognition

(1) Disaggregation of revenue

The Group disaggregates revenue by type of goods or services and by geographical area. The relationship between disaggregated revenue and reportable segments for the fiscal year ended December 31, 2023 is as follows:

(Translation)

(Millions of yen)

	Reportable segment				
	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total
By type of goods or services					
Sales of products	1,215,051	483,266	36,662	108,484	1,843,465
License and royalty income	98,216	51	3	437	98,708
Other	51,090	7	400	24,895	76,394
Total	1,364,358	483,325	37,066	133,818	2,018,568
By geographical area*					
Japan	409,436	164,388	24,281	72,743	670,850
North America	665,772	192,358	11,263	3,981	873,376
EU	148,577	59,861	537	9,690	218,667
Other	140,571	66,716	984	47,401	255,673
Total	1,364,358	483,325	37,066	133,818	2,018,568

\* Revenue is classified based on the location of customers.

## (2) Contract balance

The breakdown of receivables and contract liabilities from contracts with customers is as follows:

(Millions of yen)

	Amount
Receivables from contracts with customers	463,545
Notes and accounts receivable - trade	467,421
Allowance for doubtful accounts	(3,875)
Contract liabilities (current liabilities)	14,322
Contract liabilities (non-current liabilities)	44,869

Of the opening balance of contract liabilities, the amount of revenue recognized is ¥12,632 million. In the current fiscal year, the contract liabilities balance increased by ¥7,367 million due to the receipt of up-front payments under license agreements for development and distribution rights and others of products under development, fulfillment of milestones, and others. The amount of revenue recognized from performance obligations satisfied (or partially satisfied) in the past period was ¥84,359 million, of which major revenue was license and royalty income.

## (3) Timing of satisfaction of performance obligations

Contract liabilities are recorded mainly due to certain license agreements entered into between the Group and a third party for development and distribution rights and others of products under development. In principle, contract liabilities are recorded at the time of receiving the corresponding payments regardless of satisfaction of performance obligations and recognized as revenue over a period such as a contract term according to the satisfaction of performance obligations such as development cooperation determined by each contract. In the license agreements above, there is no consideration from the contract with a customer that is not included in the transaction price. In addition, contract liabilities include advances received from customers in relation to sale of products.

(Translation)

The total amount of transaction price allocated to remaining performance obligations and timing when revenue is expected to be recognized are as follows:

(Millions of yen)	
	Amount
Due within one year	14,322
Due after one year through two years	10,459
Due after two years through three years	9,343
Due after three years through four years	6,486
Due after five years	18,579
Total	59,191

## 8. Notes to Per Share Information

- |  |           |
|--|-----------|
| (1) Equity attributable to owners of the Company per share | ¥4,410.80 |
| (2) Basic earnings per share                               | ¥224.10   |

## 9. Notes to Significant Subsequent Events

Not applicable.

## 10. Other Notes

(Impairment of Assets)

The Group recorded impairment losses of ¥172,419 million for the fiscal year ended December 31, 2023, ¥136,677 million of which related to the pharmaceutical business and ¥26,065 million related to the nutraceutical business.

In the pharmaceutical business, the main impairment losses were ¥105,495 million in impairment loss of AVP-786 under development for the treatment of agitation associated with dementia due to Alzheimer's disease and ¥23,106 million in impairment loss related to intangible assets recorded based on a collaboration and license agreement executed with Sumitomo Pharma Co., Ltd. for joint development and commercialization.

Concerning AVP-786, the Group received results of Phase III of clinical studies (305 studies) targeting agitation associated with dementia due to Alzheimer's disease, indicating that the studies did not meet the primary endpoint. Due to a delay beyond the initially anticipated approval application timeline and diminished probability of market approval, the Group re-evaluated intangible assets (in-process research and development). As a result, impairment losses of ¥105,495 million were recorded, with carrying amount of the intangible assets reduced to its recoverable amount, which is the value in use. For calculation of the value in use, the discount rate (10.6%) based on the pre-tax weighted average cost of capital was used.

The Group received results of clinical studies which relate to intangible assets recorded based on a collaboration and license agreement executed with Sumitomo Pharma Co., Ltd. for joint development and commercialization, indicating that DIAMOND 1 and DIAMOND 2 clinical studies (Phase III) evaluating "ulotaront" in acutely psychotic adults with schizophrenia did not meet their primary endpoint. Due to a confirmed delay beyond the initially anticipated approval application timeline, the Group re-evaluated the intangible assets (in-process research and development). As a result, impairment losses of ¥23,106 million were recorded, with carrying amount of the intangible assets reduced to its recoverable amount, which is the value in use. For calculation of the value in use, the discount rate (12.3%) based on the pre-tax weighted average cost of capital was used.

In the nutraceutical business, the profitability of Daiya Foods Inc., which develops, manufactures and sells plant-based foods in North America, declined as a result of increased competition in the dairy alternative cheese market in North America. Accordingly, the Group reduced the carrying amount of the assets related to Daiya Foods Inc. to the recoverable amounts and recorded impairment losses of ¥24,828 million (¥12,707 million for goodwill, ¥2,477 million for trademarks, distribution rights and others and ¥9,643 million for other intangible assets). The recoverable amounts are measured at fair value less costs of disposal. The fair value less costs of disposal is measured primarily by taking into account the analysis of the income approach, and is calculated by discounting the estimated amount of future cash flows for the next 10 years, based on the business plan reflecting past experience and

(Translation)

external information and being approved by management, using a discount rate of 12.8%, which is calculated as pre-tax weighted average cost of capital. Beyond the projected period of the business plan, subsequent growth rate is estimated to be 3.0%. The hierarchy for the fair value is Level 3.

(Business Combinations)

(Acquisition of Bonafide Health, LLC)

Pharmavite LLC (“Pharmavite”), a consolidated subsidiary of the Company, entered into an agreement to acquire all shares of Bonafide Health, LLC (“Bonafide Health”), a company specializing in the manufacture and sale of products for women’s health, and the acquisition was completed on November 30, 2023.

(1) Outline of business combination

i) Name of acquired company and business description

Name of acquired company Bonafide Health, LLC

Business activities Manufacture and sale of supplements and medical devices primarily aimed at women’s health

ii) Main reasons for the business combination

Bonafide Health was founded in 2017 with a mission to contribute to women’s health by providing innovative, safe, and effective choices. The company is engaged in researching, developing and marketing new nature-inspired health products for women. Through the products of Bonafide Health, which are grounded in science and endorsed by healthcare professionals, the company addresses the complex health needs of women that evolve with age, offering long-term and sustained support.

Through the acquisition of Bonafide Health, Pharmavite will expand its existing portfolio in the women’s health field, comprised of Uqora, a novel urinary tract health brand; and EQUELLE, the supplement with equol.

iii) Date of obtaining control

November 30, 2023

iv) Method of obtaining control of the acquired company and percentage of equity with voting rights acquired

Pharmavite, a consolidated subsidiary of the Company, acquired 100% of shares with voting rights in Bonafide Health for cash consideration.

(2) Fair value of consideration paid, assets acquired and liabilities assumed as of the date of obtaining control

(Millions of yen)

	Amount
Fair value of consideration paid	62,432
Cash	62,432
Fair value of assets acquired and liabilities assumed	
Current assets	2,943
Non-current assets	27,021
Current liabilities	(1,913)
Non-current liabilities	(134)
Fair value of assets acquired and liabilities assumed	27,916
Goodwill	34,515

Notes: 1. The direct cost of the acquisition was ¥1,490 million and is included in “Selling, general and administrative expenses” in the consolidated statement of income.  
2. There are no acquired trade and other receivables, or contractual cash flows that are not expected to be collected.

(Translation)

3. Goodwill consists mainly of synergies with existing businesses and excess earning power that are expected to arise from the acquisition. There is no amount of goodwill that is expected to be deductible for tax purposes.
4. The major components of non-current assets allocated to intangible assets are ¥22,828 million in trademarks, distribution rights and others, and ¥4,015 million in other intangible assets.

(3) Impact on the Group's financial results

Revenue and profit or loss included in the Group's consolidated statement of income arising from Bonafide Health after the date of obtaining control is immaterial. The disclosure of revenue and profit or loss assuming that the date of the business combination was January 1, 2023 (so-called "pro forma" information) has been omitted because the impact is immaterial.

(Contingent considerations arising from business combination)

Contingent considerations arising from business combination are included in other financial liabilities in the consolidated statement of financial position. Contingent considerations that were recorded as of December 31, 2023 arose from the business combination of Neurovance, Inc.

The contingent considerations from the acquisition of Neurovance, Inc. consist of the milestones to be paid based on the progress of the development of centanafadine, which is a compound under development as a treatment of ADHD, obtained when the Group acquired Neurovance, Inc. in March 2017, and the ones to be paid based on the revenue after the launch of centanafadine. The maximum potential amounts of the milestones will be USD 50 million and USD 750 million, respectively.

The contingent consideration, which is a milestone based on the development progress of the ultrasound renal denervation device acquired in the business combination with ReCor Medical Inc. in June 2018, was settled in December 2023.

The fair value of the contingent considerations is estimated based on the probability-weighted present value of the potential amount to be paid to the counterparty.

The fair value changes of the contingent considerations attributable to time value are recognized in "Finance expenses," and the one attributable to changes of non-time-value is recognized in either "Other income" or "Other expenses."

Changes in the fair value of the contingent considerations for the current fiscal year are as follows:

(Millions of yen)

	Amount
Balance as of January 1, 2023	31,370
Changes in fair value	7,448
Settlement amount during the period	(23,668)
Foreign currency translation adjustment	1,059
Balance as of December 31, 2023	16,210

(Translation)

**Balance Sheet (Under Japanese GAAP)**

(As of December 31, 2023)

(Millions of yen)

Item	(Reference) FY2022	FY2023	Item	(Reference) FY2022	FY2023
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>	<b>193,829</b>	<b>124,886</b>	<b>Current liabilities</b>	<b>127,376</b>	<b>72,005</b>
Cash and bank deposits	129,111	86,380	Accounts payable - other	9,359	13,888
Supplies	66	69	Accrued expenses	142	147
Prepaid expenses	2,448	1,874	Income taxes payable	9,771	312
Short-term loans receivable from subsidiaries and associates	33,094	12,577	Current portion of bonds	–	20,000
Income taxes receivable	–	15,939	Deposits received from subsidiaries and associates	107,740	37,238
Other current assets	29,349	9,253	Provision for bonuses	60	134
Allowance for doubtful accounts	(240)	(1,208)	Provision for directors' bonuses	50	50
<b>Non-current assets</b>	<b>1,077,667</b>	<b>1,087,448</b>	Other current liabilities	252	233
<b>Property, plant and   equipment</b>	<b>7,974</b>	<b>11,404</b>	<b>Non-current liabilities</b>	<b>80,823</b>	<b>60,479</b>
Buildings	4,103	4,277	Bonds	80,000	60,000
Structures	706	667	Deferred tax liabilities	721	428
Machinery and equipment	1,692	1,593	Provision for retirement benefits for directors (and other officers)	40	27
Tools, furniture and fixtures	409	370	Other non-current liabilities	62	23
<b>Construction in     progress</b>	<b>1,062</b>	<b>4,494</b>	<b>Total Liabilities</b>	<b>208,200</b>	<b>132,484</b>
<b>Intangible assets</b>	<b>5,536</b>	<b>4,768</b>	<b>Net Assets</b>		
Software	5,536	4,768	<b>Shareholders' equity</b>	<b>1,061,012</b>	<b>1,078,058</b>
<b>Investments and other   assets</b>	<b>1,064,156</b>	<b>1,071,276</b>	<b>Share capital</b>	<b>81,690</b>	<b>81,690</b>
Investment securities	13,172	12,471	<b>Capital surplus</b>	<b>811,223</b>	<b>811,298</b>
Shares of subsidiaries and associates	750,984	750,984	Additional paid-in capital	731,816	731,816
Investments in capital of subsidiaries and associates	133	133	Other capital surplus	79,406	79,481
Long-term loans receivable from subsidiaries and associates	300,073	307,993	<b>Retained earnings</b>	<b>212,957</b>	<b>229,738</b>
Prepaid pension costs	210	314	Other retained earnings	212,957	229,738
Other assets	341	548	Reserve for tax purpose reduction entry of non-current assets	220	180
Allowance for doubtful accounts	(760)	(1,170)	Retained earnings brought forward	212,736	229,558
			<b>Treasury shares</b>	<b>(44,858)</b>	<b>(44,669)</b>
			<b>Valuation and translation   adjustments</b>	<b>2,283</b>	<b>1,792</b>
			Unrealized gain on available-for-sale securities	2,283	1,792
			<b>Total Net Assets</b>	<b>1,063,296</b>	<b>1,079,851</b>
<b>Total Assets</b>	<b>1,271,496</b>	<b>1,212,335</b>	<b>Total Liabilities and Net   Assets</b>	<b>1,271,496</b>	<b>1,212,335</b>

(Translation)

## **Statement of Income (Under Japanese GAAP)**

(From January 1, 2023 to December 31, 2023)

(Millions of yen)

Item	(Reference) FY2022	FY2023
<b>Operating revenues</b>	<b>57,013</b>	<b>82,432</b>
<b>Operating expenses</b>	<b>12,676</b>	<b>13,429</b>
<b>Operating income</b>	<b>44,336</b>	<b>69,003</b>
<b>Non-operating income</b>	<b>2,865</b>	<b>2,739</b>
Interest and dividend income	1,216	1,257
Business consignment fees	1,416	1,423
Other	232	58
<b>Non-operating expenses</b>	<b>839</b>	<b>1,732</b>
Interest expenses	58	83
Commission fees	165	13
Provision of allowance for doubtful accounts	400	1,377
Bond interests	214	214
Other	-	43
<b>Ordinary income</b>	<b>46,363</b>	<b>70,010</b>
<b>Extraordinary income</b>	<b>-</b>	<b>4</b>
Loss on sales of investment securities	-	4
<b>Extraordinary loss</b>	<b>364</b>	<b>17</b>
Loss on sales of non-current assets	-	1
Loss on retirement of non-current assets	12	15
Loss on sales of investment securities	335	-
Loss on valuation of investment securities	16	-
<b>Profit before tax</b>	<b>45,999</b>	<b>69,997</b>
<b>Income tax - current</b>	<b>(1,462)</b>	<b>(973)</b>
<b>Income tax - deferred</b>	<b>56</b>	<b>(76)</b>
<b>Net profit</b>	<b>47,404</b>	<b>71,047</b>

(Translation)

**Statement of Changes in Net Assets**

FY2022 (From January 1, 2022 to December 31, 2022) [Reference]

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
				Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward		
<b>Balance as of January 1, 2022</b>	<b>81,690</b>	<b>731,816</b>	<b>79,140</b>	<b>810,956</b>	<b>107</b>	<b>219,695</b>	<b>219,803</b>
<b>Changes in the year</b>							
Dividends						(54,251)	(54,251)
Share-based payment transactions			266	266			
Purchase of treasury shares						47,404	47,404
Net profit						47,404	47,404
Net changes other than shareholders' equity					112	(112)	-
<b>Total changes in the year</b>	<b>-</b>	<b>-</b>	<b>266</b>	<b>266</b>	<b>112</b>	<b>(6,959)</b>	<b>(6,846)</b>
<b>Balance as of December 31, 2022</b>	<b>81,690</b>	<b>731,816</b>	<b>79,406</b>	<b>811,223</b>	<b>220</b>	<b>212,736</b>	<b>212,957</b>

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Unrealized gain on available-for-sale securities	Total valuation and translation adjustments	
<b>Balance as of January 1, 2022</b>	<b>(45,572)</b>	<b>1,066,878</b>	<b>1,870</b>	<b>1,870</b>	<b>1,068,749</b>
<b>Changes in the year</b>					
Dividends		(54,251)			(54,251)
Share-based payment transactions	714	980			980
Purchase of treasury shares	(0)	(0)			(0)
Net profit		47,404			47,404
Net changes other than shareholders' equity		-	413	413	413
<b>Total changes in the year</b>	<b>713</b>	<b>(5,866)</b>	<b>413</b>	<b>413</b>	<b>(5,452)</b>
<b>Balance as of December 31, 2022</b>	<b>(44,858)</b>	<b>1,061,012</b>	<b>2,283</b>	<b>2,283</b>	<b>1,063,296</b>



(Translation)

FY2023 (From January 1, 2023 to December 31, 2023)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
				Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward		
<b>Balance as of January 1, 2023</b>	<b>81,690</b>	<b>731,816</b>	<b>79,406</b>	<b>811,223</b>	<b>220</b>	<b>212,736</b>	<b>212,957</b>
<b>Changes in the year</b>							
Dividends						(54,265)	(54,265)
Share-based payment transactions			75	75			
Purchase of treasury shares							
Net profit						71,047	71,047
Net changes other than shareholders' equity					(40)	40	–
<b>Total changes in the year</b>	<b>–</b>	<b>–</b>	<b>75</b>	<b>75</b>	<b>(40)</b>	<b>16,821</b>	<b>16,781</b>
<b>Balance as of December 31, 2023</b>	<b>81,690</b>	<b>731,816</b>	<b>79,481</b>	<b>811,298</b>	<b>180</b>	<b>229,558</b>	<b>229,738</b>

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Unrealized gain on available-for-sale securities	Total valuation and translation adjustments	
<b>Balance as of January 1, 2023</b>	<b>(44,858)</b>	<b>1,061,012</b>	<b>2,283</b>	<b>2,283</b>	<b>1,063,296</b>
<b>Changes in the year</b>					
Dividends		(54,265)			(54,265)
Share-based payment transactions	190	265			265
Purchase of treasury shares	(1)	(1)			(1)
Net profit		71,047			71,047
Net changes other than shareholders' equity		–	(491)	(491)	(491)
<b>Total changes in the year</b>	<b>188</b>	<b>17,045</b>	<b>(491)</b>	<b>(491)</b>	<b>16,554</b>
<b>Balance as of December 31, 2023</b>	<b>(44,669)</b>	<b>1,078,058</b>	<b>1,792</b>	<b>1,792</b>	<b>1,079,851</b>

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

#### (1) Valuation of Assets

##### i) Shares of affiliates:

Stated at cost, determined by the moving-average method.

##### ii) Other securities

- Securities other than shares, etc. with no market price

Stated at fair value based on the quoted market price at the end of the fiscal year, with unrealized gains or losses, net of applicable taxes, stated in a separate component of net assets. The cost of securities sold is calculated using the moving-average method.

- Shares, etc. with no market price

Stated at cost, determined by the moving-average method.

##### iii) Valuation of inventories

- Supplies:

Stated at the lower of cost or net selling value, determined by the first-in, first-out method.

#### (2) Depreciation and Amortization of Non-Current Assets

##### i) Property, plant and equipment:

The Company uses the straight-line method.

The estimated useful lives of major items are as follows:

- Buildings: 3 to 50 years
- Structures: 10 to 50 years
- Machinery and equipment: 13 to 15 years
- Tools, furniture and fixtures: 2 to 20 years

##### ii) Intangible assets:

The Company uses the straight-line method over their estimated useful lives. Software for internal use is amortized by the straight-line method based on internal guidelines (3 to 10 years).

#### (3) Reserves

##### i) Allowance for doubtful accounts:

In order to prepare for losses from bad debt, the Company sets up a provision for uncollectible amounts estimated by either using the historical rate of credit loss for general receivables, or based on individual considerations of collectability for specific doubtful receivables.

##### ii) Provision for bonuses:

To prepare for the payment of employees' bonus, the Company accounts for a reserve for the estimated bonus payments, which is attributable to the current fiscal year.

##### iii) Provision for directors' bonuses:

To prepare for the payment of directors' bonus, the Company accounts for a reserve for the estimated bonus payments to directors, which is attributable to the current fiscal year.

##### iv) Provision for retirement benefits for directors (and other officers):

In order to cover payment of retirement benefits to corporate officers, the Company estimates the amount required to be paid at year-end in accordance with the internal rules.

##### v) Provision for retirement benefits:

In order to cover payment of retirement benefits to employees, the Company estimates a provision based on the amount of retirement benefit obligations and plan assets at the end of the current fiscal year. For the calculation of provision for retirement benefits and retirement benefit expenses, the Company has adopted a simplified method in which the latest actuarial obligations in pension funding calculation makes it the retirement benefit obligations.

#### (4) Recognition of revenues and expenses

##### Recognition of revenues:

The Company recognizes revenue from contracts with customers based on the following five-step model:

(Translation)

Step 1: Identify the contract with a customer  
Step 2: Identify the performance obligations in the contract  
Step 3: Determine the transaction price  
Step 4: Allocate the transaction price to the performance obligations in the contract  
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation  
The Company's revenues consist primarily of dividend income from subsidiaries and management support fees. Management support fees are recognized as revenue in equal amounts over the contract period, as the performance obligation is to provide services in accordance with terms of the contract and is satisfied over time. The consideration is received within a short period of time and does not include a significant financing component. Dividend income is recognized as revenue on the effective date of the dividends.

## 2. Notes to Balance Sheet

(1) Accumulated Depreciation on Property, Plant and Equipment	¥1,213 million
<b>(2) Receivables from and Payables to Affiliates (Excluding Those Classified Separately in the Balance Sheet)</b>	
i) Short-term receivables	¥9,193 million
ii) Short-term payables	¥7,488 million

## 3. Notes to Statement of Income Transactions with Affiliates

i) Operating revenues	¥82,432 million
ii) Operating expenses	¥1,797 million
iii) Non-operating transactions	
Interest income	¥644 million
Interest expenses	¥83 million
Other non-operating income	¥1,426 million

## 4. Notes to Statement of Changes in Net Assets

### Number of Treasury Shares

Class of shares	Number of shares as of January 1, 2023	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares as of December 31, 2023
Ordinary shares	15,201 thousand shares	12 thousand shares	64 thousand shares	15,149 thousand shares

Note: The 12-thousand-share increase in the number of treasury shares is due to the acquisition without contribution of some ordinary shares allotted as restricted stock remuneration and the purchase of shares less than one share unit. The 64-thousand-share decrease in the number of treasury shares is due to the disposal of treasury shares as restricted stock remuneration.

## 5. Notes to Income Taxes

(1) Major components of deferred tax assets and liabilities are as follows:

Deferred tax assets	
Provision for retirement benefits for directors (and other officers)	¥8 million
Provision for bonuses	¥45 million
Accrued directors' bonuses	¥30 million
Accrued enterprise tax	¥93 million
Share-based remuneration expenses	¥397 million
Allowance for doubtful accounts	¥727 million
Loss on valuation of shares of subsidiaries and associates	¥2,837 million
Loss on extinguishment of tie-in shares	¥176 million
Adjustment of tax-basis carrying amount of shares of subsidiaries and associates	¥886 million
Deferred assets	¥56 million
Unused tax losses	¥2,081 million
Other	¥62 million
Subtotal of deferred tax assets	¥7,404 million
Valuation allowance for unused tax losses	¥(2,081) million
Valuation allowance for the total of deductible temporary differences, etc.	¥(4,785) million
Subtotal of valuation allowance	¥(6,866) million
Total of deferred tax assets	¥538 million
Deferred tax liabilities	
Unrealized gain on available-for-sale securities	¥(790) million
Prepaid pension costs	¥(96) million
Reserve for tax purpose reduction entry of non-current assets	¥(79) million
Total of deferred tax liabilities	¥(966) million
Net deferred tax liabilities	¥(428) million

(2) **Accounting treatment for income tax and local income tax or related tax effect accounting**

**The Company has applied the group tax sharing system from the current fiscal year. In addition, the Company accounts for and discloses income tax and local income tax or related tax effect accounting in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021).**

**6. Notes to Related Party Transactions****Subsidiaries**

Type	Company name	Percentage owned	Relationship		Transaction details	Transaction amount (Millions of yen)	Item	Balance as of fiscal year end (Millions of yen)
			Interlocking directors and audit & supervisory board members	Business relationship				
Subsidiary	Otsuka Pharmaceutical Co., Ltd.	(Held by the Company) 100.0% direct	7	Investment in stock	Lending of funds <sup>*1</sup>	254,104	Short-term loans receivable from subsidiaries and associates <sup>*1</sup>	1,475
		(Held by the subsidiary) None			Receipt of interest <sup>*2</sup>	496	Long-term loans receivable from subsidiaries and associates <sup>*1</sup>	198,720
Subsidiary	Taiho Pharmaceutical Co., Ltd.	(Held by the Company) 100.0% direct	1	Investment in stock	Borrowing of funds <sup>*1</sup>	98,876	Deposits received from subsidiaries and associates <sup>*1</sup>	14,721
		(Held by the subsidiary) None			Payment of interest <sup>*2</sup>	63		
Subsidiary	Otsuka Chemical Co., Ltd.	(Held by the Company) 100.0% direct	1	Investment in stock	Borrowing of funds <sup>*1</sup>	21,585	Deposits received from subsidiaries and associates <sup>*1</sup>	2,179
		(Held by the subsidiary) None			Payment of interest <sup>*2</sup>	13		
Subsidiary	Otsuka Medical Devices Co., Ltd.	(Held by the Company) 100.0% direct	2	Investment in stock	Lending of funds <sup>*1</sup>	68,815	Short-term loans receivable from subsidiaries and associates <sup>*1</sup>	7,599
		(Held by the subsidiary) None			Receipt of interest <sup>*2</sup>	123	Long-term loans receivable from subsidiaries and associates <sup>*1</sup>	98,973

Terms and conditions of transactions and policy on determination thereof

\*1 The Group utilizes an intercompany cash management process for efficient use of its funds. The transaction amount represents the average balance during the fiscal year.

\*2 The interest rate is mutually agreed upon based on market rates.

**7. Notes to Per Share Information**

(1) Net Assets per Share	¥1,989.83
(2) Earnings per Share	¥130.92

(Translation)

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

February 13, 2024

To the Board of Directors of

Otsuka Holdings Co., Ltd.:

KPMG AZSA LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant:  
Hiroto Kawase

Designated Engagement Partner,  
Certified Public Accountant:  
Takayuki Suzuki

Designated Engagement Partner,  
Certified Public Accountant:  
Hirotaka Matsuo

### Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of Otsuka Holdings Co., Ltd. and its consolidated subsidiaries (the "Group"), namely, the consolidated statement of financial position as of December 31, 2023, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from January 1, 2023 to December 31, 2023, and the related notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023, and its consolidated financial performance for the year then ended and conform to the accounting standard that omits a part of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Regulations on Corporate Accounting.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The other information refers to the Business Report and the accompanying supplementary schedules. Management is responsible for preparing and disclosing the other information. In addition, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties within the maintenance and operation of the reporting process for the other information.

(Translation)

The scope of our audit opinion on the consolidated financial statements does not include the content of the other information, and we do not express an opinion regarding the other information. Our responsibility in auditing the consolidated financial statements is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the consolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences. If we determine there to be material errors in the other information based on the work we have performed, we are required to report those facts. There are no matters to report regarding the other information.

### **Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting standard that omits a part of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Regulations on Corporate Accounting, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, and for disclosing matters related to going concern as applicable in accordance with the accounting standard that omits a part of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Regulations on Corporate Accounting.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are

(Translation)

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements conform to the accounting standard that omits a part of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Regulations on Corporate Accounting, as well as whether the overall presentation, structure and content of the consolidated financial statements, including the disclosures, represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, any measures taken to remove hinderances to independence or any safeguards applied to mitigate hinderances to a tolerable level.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.



(Translation)

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

February 13, 2024

To the Board of Directors of

Otsuka Holdings Co., Ltd.:

KPMG AZSA LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant:  
Hiroto Kawase

Designated Engagement Partner,  
Certified Public Accountant:  
Takayuki Suzuki

Designated Engagement Partner,  
Certified Public Accountant  
Hirotaka Matsuo

### Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements of Otsuka Holdings Co., Ltd. (the "Company"), namely, the nonconsolidated balance sheet as of December 31, 2023 and the nonconsolidated statement of income and nonconsolidated statement of changes in net assets for the 16th fiscal year from January 1, 2023 to December 31, 2023, and the related notes and the accompanying supplemental schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The other information refers to the Business Report and the accompanying supplementary schedules. Management is responsible for preparing and disclosing the other information. In addition, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties within the maintenance and operation of the reporting process for the other information.

The scope of our audit opinion on the nonconsolidated financial statements does not include the content of the other information, and we do not express an opinion regarding the other information.

(Translation)

Our responsibility in auditing the nonconsolidated financial statements is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the nonconsolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences.

If we determine there to be material errors in the other information based on the work we have performed, we are required to report those facts.

There are no matters to report regarding the other information.

### **Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall

(Translation)

presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, any measures taken to remove hinderances to independence or any safeguards applied to mitigate hinderances to a tolerable level.

### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### **Notes to the Readers of Independent Auditor's Report**

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader. "The accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

(Translation)

(TRANSLATION)

## **Audit Report of the Audit & Supervisory Board**

### **AUDIT REPORT**

Regarding the performance of duties by the Directors for the 16th fiscal year from January 1, 2023 to December 31, 2023, the Audit & Supervisory Board hereby submits its audit report, which has been prepared through discussions based on the audit report prepared by each Audit & Supervisory Board Member.

#### 1. Auditing Methods and Content of Audits

- (1) The Audit & Supervisory Board established the auditing policies, allocation of duties, and other relevant matters, and received reports from each Audit & Supervisory Board Member regarding the status of his or her audit and the results thereof, as well as reports from the Directors and independent auditors regarding performance of their duties, and sought explanations as necessary.
- (2) In accordance with the auditing standards for Audit & Supervisory Board Members determined by the Audit & Supervisory Board, the auditing policies and audit plan for the relevant fiscal year and the division of work, each Audit & Supervisory Board Member endeavored to collect information and established auditing circumstances through communication with Directors, the Internal Audit Department and other employees, and audits were implemented as follows:
  - i) Each Audit & Supervisory Board Member attended the meeting of the Board of Directors and other important meetings to receive reports regarding performance of duties from Directors and other employees, and sought explanations as necessary. Each Audit & Supervisory Board Member also inspected the significant approved documents and examined the status of operations and conditions of assets at its head office and principal offices. With regard to subsidiaries, we communicated and exchanged information with Directors, Audit & Supervisory Board Members, and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary.
  - ii) With regard to contents of resolutions of the Board of Directors regarding the development of the system to ensure that the performance of duties by the Directors conforms to the laws and regulations and the Articles of Incorporation and other systems that are stipulated in Article 100 (1) and (3) of the Regulations for Enforcement of the Companies Act as being necessary to ensure appropriateness of operations of a joint stock company and business group comprising its subsidiaries, and also the systems (internal control systems) developed based on such resolutions, which are described in the Business Report, we periodically received reports from the Directors and other relevant personnel, sought explanations as necessary and made opinions, on the establishment and management of such systems.
  - iii) Furthermore, we monitored and verified whether the independent auditors maintained their independence and implemented appropriate audits, and received reports from the independent auditors regarding the performance of their duties and sought explanations as necessary. In addition, we received notice from the independent auditors that the system for ensuring that duties are performed properly (matters set forth in each Item of Article 131 of the Regulations on Corporate Accounting) is organized in accordance with the product quality management standards regarding audits (Business Accounting Council) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the Business Report and the accompanying supplementary schedules, the financial statements (Balance Sheet, Statement of Income, Statement of Changes in Net Assets, and Notes to Financial Statements), supplementary schedules thereof, as well as the Consolidated Financial Statements (Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Changes in Equity and Notes to Consolidated Financial Statements) related to the relevant fiscal year.

2. Results of Audit

- (1) Results of Audit of the Business Report, etc.
  - i) In our opinion, the Business Report and the accompanying supplementary schedules are in accordance with the related laws and regulations and the Articles of Incorporation, and fairly represent the Company's condition.
  - ii) With regard to the performance of duties by the Directors, we have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with regard to the Articles of Incorporation.
  - iii) In our opinion, resolutions of the Board of Directors for internal control systems are fair and reasonable. And there is no problem with the contents of the Business Report and the performance of duties by the Directors with regard to internal control systems.
- (2) Results of Audit of Financial Statements and the Accompanying Supplementary Schedules  
In our opinion, the methods and results employed and rendered by the independent auditors, KPMG AZSA LLC, are fair and reasonable.
- (3) Results of Audit of Consolidated Financial Statements  
In our opinion, the methods and results employed and rendered by the independent auditors, KPMG AZSA LLC, are fair and reasonable.

February 13, 2024

Audit & Supervisory Board, Otsuka Holdings Co., Ltd.

Standing Audit & Supervisory Board Member	Yozo Toba	[Seal]
Outside Audit & Supervisory Board Member	Hiroshi Sugawara	[Seal]
Outside Audit & Supervisory Board Member	Kanako Osawa	[Seal]
Outside Audit & Supervisory Board Member	Sachie Tsuji	[Seal]