

March 28, 2024

Company Name	Otsuka Holdings Co., Ltd.
Name of Representative	Tatsuo Higuchi President and Representative Director, CEO
Code Number	4578, Prime Market of the Tokyo Stock Exchange
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Notice Concerning Disposal of Treasury Shares as Restricted Stock Compensation

Otsuka Holdings Co., Ltd. (the “Company”) has announced that a resolution was passed at the Company’s Board of Directors’ Meeting held today to implement the disposal of treasury shares (the “Disposal of Treasury Shares” or “Disposal”). The details are as follows:

1. Overview of the Disposal of Treasury Shares

(1) Disposal date	April 26, 2024
(2) Class and number of shares to be disposed	363,900 shares of common shares of the Company;
(3) Disposal value	¥ 6,382 per share
(4) Total disposal value	¥ 2,322,409,800
(5) Recipients of allocation and the number thereof; number of shares to be disposed	Directors of the Company (excluding outside directors): 8 persons; 156,000 shares Directors of the Company’s subsidiaries: 36 persons; 207,900 shares
(6) Other	The Company plans to file an extraordinary report with respect to the Disposal of Treasury Shares.

Note: Among the recipients of allocation, directors of the Company’s subsidiaries refers to the directors of Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., Taiho Pharmaceutical Co., Ltd., Otsuka Chemical Co., Ltd., Otsuka Foods Co., Ltd., Otsuka Warehouse Co., Ltd., and Otsuka Medical Devices Co., Ltd., which are the Company’s main operating companies.

2. Purpose of and Reasons for the Disposal

At the 11th Annual Shareholders’ Meeting (FY2018) held on March 28, 2019, the Company passed a resolution to introduce a new restricted stock compensation plan for the Company’s directors (the “Directors Covered by the Plan,” excluding outside directors) aimed at granting incentives with a view to achieving the medium-term management plan, sustainably improving the medium- to long-term performance and corporate value of the Company, and sharing more value with shareholders. The Company also passed a resolution to introduce a restricted stock compensation plan for some of the directors of the Company’s subsidiaries (collectively the restricted stock compensation plan for the Directors Covered by the Plan, and hereinafter “the Plan”).

At the 16th Annual Shareholders’ Meeting (FY2023) held today, shareholders approved the revision of the Company’s maximum compensation amount under the Plan. This revision changed the maximum compensation amount from no more than 1.0 billion yen per year to no more than 1.2 billion yen per year

(excluding the employee salary of directors who are also employees of the Company), taking into account the growth in the Company's business performance and the increase in the value of the Company's shares due to the rise in its stock price.

As a result, it has been approved that the amount of the monetary claims as compensation of the Directors Covered by the Plan for the purpose of granting shares with transfer restrictions based on the restricted stock compensation plan shall not exceed 1.2 billion yen per year (excluding the employee salary of directors who are also employees of the Company), and the total number of the Company's common shares (the "Common Shares") newly issued or disposed of by the Company to the Directors Covered by the Plan under the restricted stock compensation plan shall not exceed 160,000 shares per year; provided, however, that in the event of share splitting (including share allotment without contribution) of the Common Shares, share consolidation of the Common Shares, or any other event that requires adjustment of the total number of the Common Shares issued or disposed of as transfer-restricted shares, adjustments will be reasonably made to the total number of shares.

The Disposal of Treasury Shares will be implemented as part of the Plan based on the resolution of the Board of Directors held on March 28, 2024. The Common Shares will be disposed of by the method of Disposal of Treasury Shares, which is carried out by making eight (8) directors of the Company and thirty-six (36) directors of the Company's subsidiaries (individually or collectively, the "Eligible Directors") tender monetary compensation receivables provided to them as property contributed in kind to the Company.

3. Overview of the Allocation Agreement

The Company will enter into a restricted share allocation agreement (the "Allocation Agreement"), which includes the following contents with each of the Eligible Directors.

(1) Transfer Restriction Period

The Eligible Directors are prohibited from transferring, creating any security interest on, or otherwise disposing of the Common Shares allotted under the Allocation Agreement (the "Allotted Shares") during the period from April 26, 2024 (the "Payment Date") to June 1, 2031 (such period is hereinafter referred as the "Transfer Restriction Period," and such restriction is hereinafter referred to as the "Transfer Restriction").

(2) Condition for Releasing Transfer Restriction

The Company will release the Transfer Restriction on all of the Allotted Shares upon expiration of the Transfer Restriction Period, on the conditions that the Eligible Directors have remained in the position of director (if an Eligible Director is a director of the Company's subsidiary who does not concurrently serve as a director of the Company, the director of that subsidiary) until the Company verifies the achievement of the indicators for each evaluation period (refers to the indicators for each evaluation period described in "(3) Conditions for Releasing Transfer Restriction by Indicator Achievement" below) and the indicators for the evaluation period have been achieved.

(3) Conditions for Releasing Transfer Restriction by Indicator Achievement

The achievement of indicators including the financial indicators (EPS and TSR) will be the conditions for releasing the Transfer Restriction of shares whose evaluation period is the 17th fiscal year (FY2024). The achievement of indicators including financial indicators (ROIC, CF, etc.) and non-financial indicators (external evaluation indices related to the Company's ESG initiatives, etc.) related to the three business years of the Fourth Medium-Term Management Plan scheduled to be announced in June 7, 2024 will be the conditions for releasing the Transfer Restriction of shares whose evaluation period is the three-year period from the 17th fiscal year (FY2024) to the 19th fiscal year (FY2026).

(4) Treatment in the Case where the Eligible Directors Resign during Transfer Restriction Period due to the Completion of the Term of Office or Other Legitimate Reasons

If it is decided by the Company that the Eligible Directors resign due to the completion of the term of office or other legitimate reasons, adjustments will be reasonably made to the timing of releasing Transfer Restriction and the number of shares subject to release.

(5) Acquisition by the Company with No Compensation

The Company will naturally acquire all of the Allotted Shares for which the Transfer Restriction has not been released for reasons listed as (2), (3) or (4) above, immediately after when the Transfer Restriction is released with no compensation. The Company will naturally acquire with no compensation all of the Allotted Shares that have been determined not to be released in accordance with (2), (3) or (4) above and all of the Allotted Shares pertaining to the indicator conditions if the indicator conditions are not achieved or if it becomes clear that the indicator conditions will not be achieved.

(6) Clawback System

The Eligible Directors shall return the Allotted Shares for which the Transfer Restriction has been released, within a period up to three years after the release of the Transfer Restriction, if any corrections are made to the financial statements relating to the period during which the Eligible Directors serve as directors (in the event that all or some of the shares have been sold, the amount equivalent to the market price of the shares at the time when the Transfer Restriction was released).

(7) Management of the Shares

In order to prevent the Eligible Directors from transferring, etc., the Allotted Shares during the Transfer Restriction Period, the Allotted Shares will be managed under dedicated accounts that the Eligible Directors open with Nomura Securities Co., Ltd. during the Transfer Restriction Period.

4. Basis for Calculating Payment Amount and the Details Thereof

To eliminate any arbitrariness in the disposal value, the closing price for the Common Shares on March 27, 2024 (the business day prior to the day of resolution of the Board of Directors) on the Prime Market of the Tokyo Stock Exchange of ¥ 6,382 shall be used value. As this is the market price of the day prior to the day of the resolution of the Board of Directors, we believe this is reasonable and do not believe this represents a particularly favorable price.