

(Translation)

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Otsuka Holdings Co., Ltd.

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The corporate governance of Otsuka Holdings Co., Ltd. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Views [Updated]

Otsuka Holdings Co., Ltd. (the “Company”) is committed to promoting sustainable increase of its corporate value over the medium to long term by realizing its corporate philosophy, “Otsuka—people creating new products for better health worldwide.” To meet this commitment, the Company adopts a basic policy of making transparent, fair and timely decisions, and fulfilling its corporate social responsibility by living up to the expectations of all stakeholders, including customers, business partners, employees, local communities, and shareholders, through ongoing dialogue. The Company’s basic policy on corporate governance is set forth in its Corporate Governance Guidelines (the “Guidelines”), which are disclosed on our website.
(https://www.otsuka.com/en/csr/governance/pdf/governance_guideline.pdf)

[Reasons for Non-compliance with the Principles of Japan’s Corporate Governance Code]

The Company complies with all principles of the Code for which explanations are required in the event of non-compliance.

[Disclosure Based on the Principles of Japan’s Corporate Governance Code] [Updated]

[Principle 1.4 Cross-Shareholdings]

The Company’s policy on the holding of the shares of listed companies as cross-shareholdings and the criteria for the exercise of voting rights are disclosed in “Guideline 4 Cross-shareholdings of Listed Stocks and the Exercise of Their Voting Rights,” as follows.

- The Company may strategically hold shares of listed companies, such as the shares of its business partners, in order to maintain and strengthen business relationships and thereby increase corporate value over the medium to long term.
- Each year, the Board of Directors of the Company assesses whether or not to maintain strategic holdings of each individual stock, and carefully scrutinizes continuation of stock holdings if it does not contribute to an increase of corporate value.
- With respect to the exercise of voting rights on cross-shareholdings, in principle, the Company votes for approval on proposals submitted by the boards of directors of investee companies. However, the Company rationally decides whether or not to vote for approval on proposals if their adoption is not likely to contribute to the increase of corporate value.

<Method of reviewing the rationality of cross-shareholdings>

- Each year, the Board of Directors will review the investment shares held by the Company and its group companies from the perspectives of both economic rationality and qualitative significance of holding each individual stock.
- In terms of economic rationality, the Board of Directors examines on the basis of each individual stock whether its dividends, transactional revenue and other related earnings exceed the group’s target cost of capital relative to its acquisition value.
- In addition to the above, the Board of Directors also reviews the qualitative significance of the cross-shareholding and ensures that the purpose of continuing to hold the stock in question is to maintain and strengthen business relationships with the investee and to promote joint ventures, etc.

<Review of the appropriateness of cross-shareholdings by the Board of Directors, etc.>

At the Board of Directors meeting held in January 2024, the Board reviewed the investment shares held by the Company and its group companies as of December 31, 2023, in accordance with the method described above in order to determine the appropriateness of continuing to hold the cross-shareholdings in question. The rationality of continuing to hold these stocks will be reviewed each year moving forward, and the cross-shareholding relationship will be reviewed if it is deemed that it does not contribute to enhancing the Company's corporate value.

[Principle 1.7 Related Party Transactions]

The Company's procedural framework for related party transactions based on the materiality and nature of such transactions is disclosed in "Guideline 5 Related-party Transactions." The status of such transactions has been reported at the Board of Directors meeting held in February 2023.

[Supplementary Principle 2.4.1 Ensuring Diversity in the Appointment of Core Human Resources]

The Company's efforts to ensure diversity in its appointment of core human resources, including the promotion of women, foreign nationals and mid-career recruits to managerial positions, are disclosed in "Guideline 18 Diversity and Inclusion," as follows.

- Approach

By encouraging employees to share and effectively link together different cultures, backgrounds, experiences and viewpoints, the Company aims to foster a corporate culture which enables us to create products and services that correspond to diversified consumer needs around the world through more creative R&D activities. In line with this approach, we actively recruit and promote talented people with different backgrounds and careers who can relate with a diversified society.

- Targets and achievements

The Company has set the following targets and achieved the following metrics in the promotion of women, foreign nationals and mid-career recruits to managerial positions.

- We will increase the percentage of female managers to 30% or more. (29% as of April 1, 2024)
- We will continue to hire foreign nationals every year for the next five years, with the goal of increasing the number of foreign employees at the Company.
- We have actively promoted mid-career recruits and will continue to do so in accordance with this policy without differentiating between fresh graduates and mid-career recruits. (Mid-career recruits accounted for 45% of all employees and 46% of all managers as of April 1, 2024.)
- Human resource development policy, internal environment improvement policy, and their implementation status

The Company has focused on the development of human resources and the creation of a workplace environment in which its diverse human resources, including women, foreign nationals and mid-career recruits, can maximize their individual abilities.

We believe that continuous human resource development is vital for the group to continue to grow and enhance its corporate value as a creative and innovative company moving forward, and we offer a variety of training programs that cater to the different stages of development of our employees. We also support independent learning by our employees through the introduction of e-learning programs designed to improve their English proficiency and business skills.

The entire group has been working to promote diversity, including creating opportunities for women to play greater roles, as part of efforts to establish an environment that ensures diversity. We signed the Women's Empowerment Principles (WEPs) in 2017 and took this opportunity to offer our support for diverse work styles that suit the needs of employees at different stages of their lives, including childcare and nursing care. In addition, we have launched three on-site childcare centers (in Tokushima, Osaka and Tsukuba) to provide support for both the childcare needs and work commitments of our employees.

The Company currently has three female Directors, two female Audit & Supervisory Board Members and four female Vice Presidents. (As of April 1, 2024)

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

The Company has set forth the following provisions under "Guideline 20 Roles of the Corporate Asset Owner" in relation to the role of its corporate pension fund as an asset owner.

- The Company funds and operates corporate pensions through the Otsuka Pharmaceutical Group Pension Fund.
- The Otsuka Pharmaceutical Group Pension Fund (the "Fund") is composed of the Delegation Committee, the Board of Directors and the Asset Management Committee, whose members have the relevant expertise as members of the group's Finance and Human Resources Departments.
- The Fund conducts regular monitoring of the investment status of pension assets and obtains third-party advice and assessments from a neutral standpoint by periodically entering into agreements with investment management consulting firms, with the Asset Management Committee reviewing the allocation of pension assets as necessary.

- The Fund conducts comprehensive evaluation and monitoring of the investment management institutions by taking into consideration their investment performance, investment policies, investment processes, etc.

The Otsuka Pharmaceutical Group Pension Fund has declared that it accepts the “Principles for Responsible Institutional Investors: Japan’s Stewardship Code” as an asset owner.

The Fund requires the investment management institutions to which it has entrusted the management of pension assets (“entrusted investment management institutions”) to comply with the Stewardship Code and to act in the interest of increasing medium- to long-term investment returns for the Fund’s members, beneficiaries, etc., by promoting the enhancement of corporate value and sustainable growth of investee companies through investment and dialogue.

In order to fulfill its stewardship responsibilities, the Fund has set forth a policy based on the various principles of the Stewardship Code and published it on the Fund’s website. (<https://www.otsuka-kikin.or.jp/entrance/steward/index.html>)

[Principle 3.1 Full Disclosure]

(1) Company objectives (e.g., management principles), management strategies and management plans

<Corporate philosophy>

“Otsuka—people creating new products for better health worldwide”

The Otsuka group strives on a daily basis to draw on its unique attributes and achieve what only Otsuka can do under this corporate philosophy. Based on the three concepts of “*Ryukan-godo*” (By sweat we recognize the way), “*Jissho*” (Actualization), and “*Sozosei*” (Creativity) inherited from previous generations of management, we seek to create a diverse range of innovative and creative products and services, including pharmaceuticals as well as functional food and beverages, in order to contribute to the vibrant and healthy lives of people around the world.

Our corporate philosophy is disclosed in “Guideline 1-(2) Corporate Philosophy” and on our website.

<Management strategies and management plans>

With regard to the formulation and disclosure of our management plans, “Guideline 7 Establishment, Disclosure and Execution of Medium-Term Management Plans” stipulates that, as a total healthcare company aligned with corporate philosophy on its center, the Company establishes medium and long term policies on management planning, human resource policy and capital policy including its business portfolio, mindful of capital cost, in order to achieve sustainable growth and enhance corporate value, and these policies are disclosed to all stakeholders including shareholders and executed.

The Otsuka group’s management strategies and management plans are disclosed in the Medium-Term Management Plan published on our website, and the policies and progress of the Medium-Term Management Plan are also shared at our financial results presentations and other IR activities.

(2) Basic views and guidelines on corporate governance

The Company’s basic views on corporate governance are as described above in “1. Basic Views,” and its Corporate Governance Guidelines are disclosed on our website.

(3) Board policies and procedures in determining the remuneration for senior management and Directors

The remuneration system for Directors is disclosed in “Guideline 8-(4) Remunerations.”

The basic policy in designing the Company’s remuneration plan for Directors is to make a plan with the objective to achieve sustainable growth and enhance corporate value over the medium to long term for the group, based on its corporate philosophy, as well as to ensure that functions such as business execution and management supervision can be exercised appropriately while maintaining transparency and fairness.

The Company amended its policy for determining the remuneration for Directors at a Board of Directors meeting held on March 28, 2024. An overview is described in the “Director Remuneration (Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof)” section of this Report.

(4) Board policies and procedures in the appointment/dismissal of senior management and the nomination of Directors and Audit & Supervisory Board Members

Board policies and procedures in the appointment/dismissal of Directors are disclosed in “Guideline 8-(2) Standards for the Appointment and Dismissal of Directors.”

Matters concerning the appointment, dismissal, etc. of Directors and Audit & Supervisory Board Members are deliberated and determined by the Nomination and Remuneration Committee which consists mainly of independent Outside Directors, and will be reported first to the Corporate Governance Committee and subsequently to Board of Directors.

The nomination procedures of Directors and Audit & Supervisory Board Members are resolved at a Board of Directors meeting based on deliberations and reports by the Nomination and Remuneration Committee.

* Regarding succession planning

In order to systematically develop management talent who can act consistently with the corporate philosophy, the Company seeks to identify and foster people with the qualities and skills required for management in the next

generation. Training programs are provided continually and their status is reported to the Board periodically. (Please refer to “Guideline 14 Development of Management Talent.”)

(5) Explanations with respect to individual appointments/dismissals and nominations during the appointment/dismissal of senior management and the nomination of Directors and Audit & Supervisory Board Members by the Board of Directors

Reasons for the nomination of each candidate are disclosed in the proposals for election of Directors and Audit & Supervisory Board Members enclosed in the convocation notice for the Shareholders Meeting.

[Supplementary Principle 3.1.3 Sustainability Initiatives]

The Company’s sustainability initiatives are disclosed in “Guideline 17 Sustainability,” as follows.

- (1) The Company has declared as its sustainability mission that, guided by its corporate philosophy, it strives to address social issues through its businesses and aims to realize its own sustainable growth while contributing to the creation of a healthy and sustainable society.
- (2) Giving attention to various social issues such as consideration for global environmental issues, respect for human rights, consideration for the health and working environments of employees along with their fair and appropriate treatment, fair and appropriate transactions with business partners, and keeping in mind the Company’s business characteristics and strengths, etc., the Company regards its “materiality (material issues)” as “society (health, people, quality in all we do),” “environment (carbon neutrality, circular economy, water neutrality)” and “governance.” The Company has established the Sustainability Promotion Committee under the supervision of the Board, and aims to realize the Company’s sustainability mission through initiatives in line with its materiality.
- (3) Regarding its information disclosure, as a company expressing its support of the Task Force on Climate-related Financial Disclosures (TCFD), the Company is working to expand sustainability-related information disclosure, such as the disclosure of information in line with “governance,” “strategy,” “risk management,” and “metrics and targets” concerning risks and opportunities related to climate change.

[Investments in Human Capital and Intellectual Properties]

As a total healthcare company, the Company is actively investing in R&D to contribute to people’s health worldwide by creating innovative products in its two core businesses: the Pharmaceutical Business, which aims to address unmet medical needs, and the Nutraceutical Business, which seeks to fulfill the yet-to-be-imagined needs of consumers. In addition, the Company has established the system for proper management of intellectual property rights, including patent rights, and by conducting continuous monitoring, and is constantly paying attention to the risk of infringement of intellectual property rights by third parties.

Details of the R&D activities, alliance agreements, etc. are disclosed in its quarterly earnings announcements and its Consolidated Financial Statements. (<https://www.otsuka.com/en/ir/library/materials.html>)

With regard to investment in human capital, the Company believes that innovation has always been driven by “people.” The Company is implementing various human resource development programs with the aim of attracting talented people and offering opportunities for skills development to enable those people to make the most of their skills. Moreover, the Company is establishing a network across workplaces and business fields that will actively promote communication inside and outside the group. By doing so, the Company hopes to generate a lasting source of innovation that is free from fixed ideas.

Details of the Otsuka Group’s “value creation process” and “human resource development” as a total healthcare company are disclosed in its Integrated Report. (<https://www.otsuka.com/en/ir/library/annual.html>)

[Supplementary Principle 4.1.1 Scope of Delegation to Management]

An overview of the scope of delegation to management is disclosed in “Guideline 8-(5) Delegation to Managing Directors and Operating Officers.”

[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

The criteria for determining the independence of Outside Directors are disclosed in “Guideline 8-(3) Independence Standards for Outside Directors” and in the “Independent Officers: Matters Relating to Independent Officers” section of this Report.

[Supplementary Principle 4.10.1 Approach, Mandates and Roles of the Corporate Governance Committee and the Nomination and Remuneration Committee with Respect to Independence]

The Corporate Governance Committee and the Nomination and Remuneration Committee are governed by the following stipulations under “Guideline 10 Corporate Governance Committee.”

- As an advisory body to the Board, the Company has established the Corporate Governance Committee. The Committee discusses the ideal form of corporate governance of the Company, succession plans for the President and

other senior management and directors, development of management personnel, and other management issues of the group, and reports to the Board as necessary.

(1) Composition of the Committee

The Committee consists of the President, the Director in charge of Administration, and all Outside Directors. The President serves as the chair of the Committee.

(2) Establishment of Subcommittee

As a subcommittee of the Corporate Governance Committee, the Company has established the Nomination and Remuneration Committee that consists of the Director in charge of Administration and all Outside Directors. The chair of this subcommittee is selected mutually from among the Outside Directors. The matters for discussion are described below. The Nomination and Remuneration Committee reports matters that are determined following discussions to the Corporate Governance Committee. Following this, the Corporate Governance Committee reports to the Board based on the report from the Nomination and Remuneration Committee.

(i) Evaluation of the President

(ii) Nomination

Suitability and fairness of matters concerning the appointment/dismissal of Directors and Audit & Supervisory Board Members

The subcommittee shall obtain consent on Audit & Supervisory Board Members candidates from the Audit & Supervisory Board, prior to submitting the report to the Board.

(iii) Remuneration

Matters concerning the evaluation and individual remuneration of Directors, their remuneration system and levels, etc.

* Independence of the Corporate Governance Committee and the Nomination and Remuneration Committee

The Corporate Governance Committee is composed of seven members, namely, two Internal Directors and all five independent Outside Directors, with the majority of its members being independent Outside Directors. As the Corporate Governance Committee is a body that deliberates on all aspects of corporate governance, it is chaired by the President, who is tasked with heading the Committee. However, each member of the Committee, including the Outside Directors, raises his/her own agenda and engages in deliberation within the Committee through the lively exchange of opinions.

As the Nomination and Remuneration Committee is a body that deliberates on the evaluation of the President, the appointment/dismissal of Directors and Audit & Supervisory Board Members, and the remuneration for Directors, it excludes the President and is composed of the Director in charge of Administration and all five Outside Directors. The chair of this subcommittee is selected mutually from among the Outside Directors.

In view of the above, we believe that these Committees are sufficiently independent.

[Supplementary Principle 4.11.1 Views on the Overall Balance Between Knowledge, Experience and Skills of the Board of Directors, as Well as its Diversity and Size]

The Company's views on the overall balance between the knowledge, experience and skills of the Board of Directors, as well as its diversity and size, are disclosed in "Guideline 8-(2) Standards for the Appointment and Dismissal of Directors," as follows.

- In order to promote sustainable growth and an increase of corporate value over the medium to long term, and effective governance, the Company seeks diverse representation on the Board and appoints Directors with significant expertise and experience.
In particular, the Company appoints Internal Directors after evaluating whether their experience, expertise and insights qualify them to advance the corporate philosophy, the corporate code of conduct and the corporate strategies.
 - The Company appoints talented Outside Directors in order for their knowledge, experience and expertise in various fields, including corporate management, to be reflected in the Company's management.
 - The Company discloses the skills matrices and reasons for appointment of Directors in the convocation notice for the Shareholders Meeting and in its Integrated Report.
- * These Guidelines stipulate that at least one-third of all Directors must be independent Outside Directors. There are currently five independent Outside Directors out of the Company's 13 Directors, accounting for 38.4% of all Directors. In addition, there are currently three female Directors out of the Company's 13 Directors, accounting for 23.1% of all Directors.
- The Company's policy for standards for the selection of Audit & Supervisory Board Members is to appoint at least one member to the Audit & Supervisory Board who has appropriate expertise in finance and accounting as stipulated in "Guideline 9-(3) Standards for the Selection of Audit & Supervisory Board Members." In addition, the Company appoints, as Outside Directors, talented persons who have expertise in a variety of fields, in order for the Audit &

Supervisory Board to perform multifaceted audits. The Company discloses the skills matrices and reasons for appointment of Audit & Supervisory Board Members as well.

[Supplementary Principle 4.11.2 Concurrent Appointments Held by Directors and Audit & Supervisory Board Members]

While the Company has not set a limit on the number of concurrent appointments that may be held by its Directors and Audit & Supervisory Board Members, individuals are appointed based on their ability to fulfill their responsibilities as Directors and Audit & Supervisory Board Members of the Company.

Concurrent appointments held by Directors and Audit & Supervisory Board Members are disclosed in the reference documents of the proposals for election of Directors and Audit & Supervisory Board Members at the Shareholders Meeting and in the Business Report (Directors and Audit & Supervisory Board Members of the Company).

[Supplementary Principle 4.11.3 Evaluation of the Effectiveness of the Board of Directors]

The analysis and evaluation of effectiveness of the Board of Directors as a whole and a summary of the results are as follows.

(1) Method of evaluation

A questionnaire survey was conducted for all Directors and Audit & Supervisory Board Members from January to February 2024. Results of the survey were reviewed by a company attorney and then considered and evaluated before they were discussed at the Board of Directors meeting held in March 2024. Questionnaire items were as follows.

- 1 Appropriateness of the composition of the Board of Directors
- 2 Adequacy of each Director's understanding and knowledge of business fields and specific management strategies and plans
- 3 Adequacy of cooperation with Outside Directors
- 4 Adequacy of cooperation with the Audit & Supervisory Board
- 5 Operation of Board of Directors meetings
- 6 Governance-related matters
 - i Appropriateness of the function of the Board of Directors in determining the direction of management strategies
 - ii Adequacy of monitoring of each business with respect to the implementation of management strategies
 - iii Adequacy of the Board's ability to understand the perspectives of major investors and stakeholders
 - iv Appropriateness of risk management
 - v Adequacy of cooperation and the sharing of information with each operating company
- 7 Adequacy of the supporting system for Outside Directors and Outside Audit & Supervisory Board Members
- 8 Appropriateness of the operation of Corporate Governance Committee meetings (frequency and content of meetings, etc.)
- 9 Adequacy of the overall functioning of the Board of Directors from the viewpoint of effectiveness

(2) Summary of results

All Directors and Audit & Supervisory Board Members responded that the Company's Board of Directors is functioning adequately from the standpoint of its effectiveness.

In order to further improve the standard of governance, the Board of Directors discussed issues such as the composition of the Board of Directors (skills, experience, and diversity), the means to foster adequate cooperation and sharing of information with each operating company as a holding company, and the need for further discussion on the strategy and direction of the entire Group.

The Board affirmed its intentions to continue making efforts to improve its operations and to engage in further deliberations on medium- to long-term management strategies aimed at creating group synergy and maximizing corporate value as a holding company.

[Supplementary Principle 4.14.2 Training Policy for Directors and Audit & Supervisory Board Members]

The Company's training policy for Directors and Audit & Supervisory Board Members is disclosed in "Guideline 12 Training of Directors and Audit & Supervisory Board Members." For more information on opportunities for ongoing training for Outside Directors and Outside Audit & Supervisory Board Members, please also refer to the "Supporting System for Outside Directors and/or Audit & Supervisory Board Members" section of this Report.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Company's policy on the establishment of systems and initiatives to promote constructive dialogue with shareholders is disclosed in "Guideline 15 Information Disclosure" and "Guideline 16 Dialogue with Shareholders." For more information on the conduct of investor briefings, etc., please refer to the "IR Activities" section of this Report.

[Principle 5.2 Establishing and Announcing Management Strategies and Business Plans]

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price] [English disclosure]

The Company has positioned the 3rd Medium-Term Management Plan (fiscal 2019 to fiscal 2023) as a period to introduce “capital cost-oriented business management.” As one of the measures to achieve this, the Company has adopted and implemented the release condition that consolidated net operating profit after tax must exceed consolidated cost of capital as one of the evaluation indices for the restricted stock remuneration plan.

In the 4th Medium-Term Management Plan that starts in fiscal 2024, the Company will adopt ROIC (return on invested capital) as an indicator of capital efficiency and TSR (total shareholder return) to realize business management with a corporate wide awareness of stock price in addition to EPS (earnings per share) and cash flow as financial indicators, as well as external evaluation indicators regarding the Company’s ESG initiatives as non-financial indicators in the evaluation index for the restricted stock remuneration plan.

The Company will aim to sustainably improve corporate value and further share value with its shareholders.

Measures to achieve business management with a corporate wide awareness of capital costs and stock price are disclosed in the Medium-Term Management Plan and financial results materials, etc. on the Company’s website.

Medium-Term Management Plan (<https://www.otsuka.com/en/ir/management/plan.html>)

Financial results materials (<https://www.otsuka.com/en/ir/library/materials.html>)

Integrated Report (<https://www.otsuka.com/en/ir/library/annual.html>)

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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[Status of Major Shareholders] [Updated]

Name/Company Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	72,660,600	13.38
The Nomura Trust and Banking Co., Ltd., Otsuka Founders Shareholding Fund Trust Account	55,457,079	10.21
Custody Bank of Japan, Ltd. (trust account)	26,409,417	4.86
Otsuka Group Employee Shareholding Fund	13,438,025	2.47
The Awa Bank, Ltd.	10,970,520	2.02
STATE STREET BANK WEST CLIENT - TREATY 505234	10,646,270	1.96
STATE STREET BANK WEST CLIENT - TREATY 505001	10,112,745	1.86
SMBC Nikko Securities Inc.	9,581,947	1.76
Otsuka Asset Co., Ltd.	7,380,000	1.35
JP MORGAN CHASE BANK 385781	6,998,005	1.28

Controlling Shareholder (except for Parent Company)	–
Parent Company	N/A

Supplementary Explanation [Updated]

The number of shares above is as of December 31, 2023.

Although the Company holds 15,148,580 of its own shares, treasury shares are excluded from the above list. Treasury shares are excluded in the calculation of the shareholding ratio for the number of shares owned.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	December
Type of Business	Pharmaceuticals
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organizational Form	Company with Audit & Supervisory Board Members
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	18
Term of Office Stipulated in Articles of Incorporation	1 year
Chairman of the Board	President
Number of Directors	13
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Officers Designated From Among Outside Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yukio Matsutani	Other												
Ko Sekiguchi	From another company												
Yoshihisa Aoki	From another company												
Mayo Mita	From another company												
Tatsuaki Kitachi	From another company												

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past;

* "●" when a close relative of the director presently falls or has recently fallen under the category; and

"▲" when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or executive of the parent of the Company

c. Executive of a fellow subsidiary of the Company

d. Party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., and f.) (the director himself/herself only)

i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)

j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)

k. Other

Outside Directors' Relationship with the Company (2)

Name	Appointment as Independent Officer	Supplementary Explanation of the Relationship	Reasons of Appointment
Yukio Matsutani	○	-	<p>Mr. Yukio Matsutani has provided accurate and valuable suggestions and advice to the Company's management from an independent standpoint as an Outside Director, as well as from an objective and expert viewpoint, based on his abundant experience and extensive knowledge in the healthcare and welfare field as well as a high level of expertise in all aspects of healthcare.</p> <p>In addition, as there is no risk of a conflict of interest with general shareholders, the Company has determined that Mr. Matsutani is suited for the role of an independent officer.</p>
Ko Sekiguchi	○	-	<p>Mr. Ko Sekiguchi has abundant experience and an extensive track record and knowledge as a corporate manager, as well as a high level of expertise and excellent networks in the pharmaceutical industry. He has also provided accurate and valuable suggestions and advice to the Company's management from an independent standpoint as an Outside Director, as well as from an objective and expert viewpoint.</p> <p>In addition, as there is no risk of a conflict of interest with general shareholders, the Company has determined that Mr. Sekiguchi is suited for the role of an independent officer.</p>
Yoshihisa Aoki	○	-	<p>Mr. Yoshihisa Aoki has abundant experience and extensive knowledge as a corporate manager, as well as abundant experience, a high level of expertise, and excellent networks in the food industry. He has also provided accurate and valuable suggestions and advice to the Company's management from an independent standpoint as an Outside Director, as well as from an objective and expert viewpoint.</p> <p>In addition, as there is no risk of a conflict of interest with general shareholders, the Company has determined that Mr. Aoki is suited for the role of an independent officer.</p>
Mayo Mita	○	-	<p>Ms. Mayo Mita, as a securities analyst, has abundant experience in corporate analysis, and on that basis, extensive knowledge in the objective observation and analysis of companies. She has also provided accurate and valuable suggestions and advice to the Company's management from an independent standpoint as an Outside Director, as well as from an objective and expert viewpoint.</p> <p>In addition, as there is no risk of a conflict of interest with general shareholders, the Company has determined that Ms. Mita is suited for the role of an independent officer.</p>

Name	Appointment as Independent Officer	Supplementary Explanation of the Relationship	Reasons of Appointment
Tatsuaki Kitachi	○	—	Mr. Tatsuaki Kitachi has expertise as a Certified Public Accountant and consulting experience related to risk management, corporate governance, etc. He has also provided accurate and valuable suggestions and advice to the Company's management from an independent standpoint as an Outside Director, as well as from an objective and expert viewpoint. In addition, as there is no risk of a conflict of interest with general shareholders, the Company has determined that Mr. Kitachi is suited for the role of an independent officer.

Establishment of Voluntary Committee(s) Equivalent to Nomination Committee or Remuneration Committee	Established
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Voluntary Committee's Name, Composition, and Chair's Attributes

	Committee's Name	Total Committee Members	Full-time Members	Internal Directors	Outside Directors	Outside Experts	Other	Chair
Committee Equivalent to Nomination Committee	Nomination and Remuneration Committee	6	0	1	5	0	0	Outside Director
Committee Equivalent to Remuneration Committee	Nomination and Remuneration Committee	6	0	1	5	0	0	Outside Director

Supplementary Explanation [\[Updated\]](#)

The Company established the Corporate Governance Committee in February 2017 and the Nomination and Remuneration Committee in April 2023 as a subcommittee of the Corporate Governance Committee. (Please refer to "Guideline 10 Corporate Governance Committee.")

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Cooperation Among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Departments [\[Updated\]](#)

Audit & Supervisory Board Members, the Accounting Auditor, and internal audit departments cooperate with each other as follows to ensure effective audits.

[Cooperation Among Audit & Supervisory Board Members and Accounting Auditor]

- Audit & Supervisory Board Members receive reports on the audit plan from the Accounting Auditor, receive reports on the status of audit implementation at regular meetings of the Audit & Supervisory Board, and exchange information and opinions in a timely manner.

[Cooperation Among Audit & Supervisory Board Members and Internal Audit Departments]

- Audit & Supervisory Board Members receive reports on the audit plan from Internal Audit Department as well as monthly audit reports. Audit & Supervisory Board Members also receive detailed reports on audit results and follow-up status at regular meetings of the Audit & Supervisory Board, and exchange opinions.

[Cooperation Among Internal Audit Departments and Accounting Auditor]

- In addition to regular quarterly meetings and exchanges of opinions, Internal Audit Department and the Accounting Auditor hold meetings and exchange opinions as necessary.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Officers Designated From Among Outside Audit & Supervisory Board Members	2

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hiroshi Sugawara	CPA													
Kanako Osawa	Attorney at law													
Sachie Tsuji	CPA													

* Categories for "Relationship with the Company"

* "○" when the audit & supervisory board member presently falls or has recently fallen under the category;

"△" when the audit & supervisory board member fell under the category in the past;

* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category; and

"▲" when a close relative of the audit & supervisory board member fell under the category in the past

- Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- Non-executive director or accounting advisor of the Company or its subsidiary
- Non-executive director or executive of the parent of the Company
- Audit & supervisory board member of the parent of the Company
- Executive of a fellow subsidiary of the Company
- Party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as an audit & supervisory board member
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- Executive of a client or supplier of the Company (which does not correspond to any of f., g., and h.) (the audit & supervisory board member himself/herself only)
- Executive of a corporation to which outside officers are mutually appointed (the audit & supervisory board member himself/herself only)
- Executive of a corporation that receives a donation from the Company (the audit & supervisory board member himself/herself only)
- Other

Outside Audit & Supervisory Board Members' Relationship with the Company (2) [Updated]

Name	Appointment as Independent Officer	Supplementary Explanation of the Relationship	Reasons of Appointment
Hiroshi Sugawara		–	In addition to his expertise as a Certified Public

			Accountant, Mr. Hiroshi Sugawara has extensive business experience, including in corporate management, and the Company has determined that he will be able to apply his experience and expertise to its audits. While there is no conflict with the independence standards set forth by the Company and the Tokyo Stock Exchange as an independent officer, the Company has made the conservative decision not to submit notification for Mr. Sugawara as an independent officer as he has been in office for more than 12 years.
Kanako Osawa	○	—	Ms. Kanako Osawa has expertise as an attorney at law and abundant experience in negotiating with overseas companies through her work, and the Company has determined that she will be able to apply her experience and expertise to its audits. In addition, as there is no risk of a conflict of interest with general shareholders, the Company has designated Ms. Osawa an independent officer.
Sachie Tsuji	○	—	Ms. Sachie Tsuji has expertise as a Certified Public Accountant and possesses extensive knowledge of internal control, internal audit and risk management, and the Company has determined that she will be able to apply her experience and expertise to its audits. In addition, as there is no risk of a conflict of interest with general shareholders, the Company has designated Ms. Tsuji an independent officer.

[Independent Officers]

Number of Independent Officers	7
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Matters Relating to Independent Officers
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• Independence standards for Outside Directors

The Company deems that an Outside Director is independent when none of the following applies.

- (1) A person who is a relative within the second degree of kinship of an Outside Director is currently or has been in the past three fiscal years a managing director, executive officer, executive operating officer or important employee (each an Executive) of the Company or one or more of the Otsuka group companies.
- (2) A company to which an Outside Director belongs as an Executive has transactions with the Otsuka group companies, in which the amount of such transactions in any fiscal year within the past three years exceeds 2% of consolidated net sales of either company.
- (3) An Outside Director, as a legal, accounting or tax expert or as a consultant, has received remuneration exceeding ¥5 million per fiscal year directly from the Otsuka group companies (excluding remuneration as the Company's Outside Director) in any fiscal year within the past three years.
- (4) The amount of donations to a non-profit organization to which an Outside Director belongs as an Executive has exceeded ¥10 million in total for the past three fiscal years and such amount exceeds 2% of the income of such non-profit organization.

(Please refer to “Guideline 8-(3) Independence Standards for Outside Directors.”)

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked remuneration
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Supplementary Explanation [Updated]

<Regarding the restricted stock remuneration plan>

The Company introduced a restricted stock remuneration plan for Directors from fiscal 2019, the start of the 3rd Medium-Term Management Plan.

The Company has recently reviewed the remuneration plan for Directors for the 4th Medium-Term Management Plan (fiscal 2024 to fiscal 2028) starting in fiscal 2024, and at the Board of Directors meeting held on February 14, 2024, as well as the 16th Annual Shareholders Meeting (fiscal 2023), the Company revised the plan to a new stock remuneration plan as an incentive plan with the aim of achieving medium- to long-term performance improvement as well as the sustainable improvement of corporate value.

For more information on the restricted stock remuneration plan, please refer to “[Director Remuneration] Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof.”

Recipients of Stock Options	—
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Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors
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Supplementary Explanation [Updated]

The amount of remuneration for Directors of the Company for fiscal 2023 is as follows.

- Total amount of remuneration: ¥504 million (including ¥54 million for Outside Directors)
- Total amount of remuneration by type: ¥354 million in fixed remuneration (including ¥54 million for Outside Directors), ¥150 million in bonuses and ¥– million in share-based payment
- Number of Directors eligible for remuneration: 13 (including five Outside Directors)

Remuneration for some Directors is disclosed separately in the Company's annual securities report in line with existing laws and regulations.

* Targets and results for indicators related to performance-linked remuneration for the current fiscal year

(1) Performance-linked bonus

For the performance-linked bonuses for Directors (excluding Outside Directors), although consolidated operating profit, which is one of the performance indicators, fell below the target level, the other performance indicators—consolidated revenue and consolidated business profit before R&D expenses—exceeded the target levels, and the payment rate was determined to be 100% after giving due consideration to the deliberations and reports by the Nomination and Remuneration Committee.

(2) Share-based payment (shares with transfer restrictions)

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

Series A takes a single fiscal year as the evaluation period and has an incumbency 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%.

In the current fiscal year, the Company achieved less than 80% of its combined consolidated revenue and consolidated operating profit achievement rate.

Series B takes the two-year period from fiscal 2022 to fiscal 2023 as the evaluation period and specifies as the target the consolidated business profit before R&D expenses set in the 3rd Medium-Term Management Plan, with the release condition that the cumulative amount for results for this indicator during the target period must not be lower than the cumulative amount for targets during the evaluation period.

The current fiscal year is the final year of the evaluation period, and the cumulative amount for results of consolidated business profit before R&D expenses for the two fiscal years exceeded the cumulative amount for targets.

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 results for consolidated net operating profit after tax during 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 3rd Medium-Term Management Plan.

The current fiscal year is the final year of the evaluation period, and the cumulative amount for results of consolidated net operating profit after tax for the two fiscal years was lower than the cumulative amount of the consolidated cost of capital.

Policy on Determining Remuneration Amounts and Calculation Methods [Updated]	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

At the Board of Directors meeting held on March 28, 2024, the Company revised its policy for determining remuneration for Directors. A summary of the revised determination policy is as follows.

1 Basic policy for the remuneration plan for Directors of the Company

The Company's remuneration plan for Directors shall be designed to achieve sustainable growth and enhance corporate value over the medium to long term for the group in line with the group's corporate philosophy, as well as to ensure that functions such as business execution and management supervision are exercised appropriately while maintaining transparency and fairness.

Specifically, the remuneration for managing directors shall consist of fixed remuneration as basic remuneration, performance-linked bonuses, and share-based payments as non-monetary remuneration. Remuneration for Outside Directors comprises only fixed remuneration as basic remuneration in light of their duties.

2 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 that are fully commensurate with the roles and responsibilities expected of such personnel, while also considering levels at companies that the Company considers benchmarks based on the scale, industry and business model.

3 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, etc. in individual fiscal years as well as over the medium to long term, with the latter including non-financial indicators, while emphasizing the sustainable enhancement of corporate value. Remuneration consists of fixed remuneration as 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 basic remuneration in light of their duties.

Content of remuneration, etc., for Directors (excluding Outside Directors)

(1) Fixed remuneration (Payment method: Cash, fixed remuneration)

- Fixed remuneration for Directors of the holding company is determined based on their duties and responsibilities, including the formulation and determination of group strategies, the monitoring of group operations, and the strengthening of its corporate governance, and paid out equally every month.

(2) Performance-linked bonus (Payment method: Cash, variable remuneration)

- Performance-linked bonuses are paid out in a lump sum at a certain timing every fiscal year, with its amount and calculation method determined based on (1) the rate of achievement of the fiscal year's targets for consolidated revenue, consolidated operating profit, and consolidated business profit before R&D expenses; and (2) the progress of management toward the creation of sustainable corporate value and an evaluation of the individual.

(3) Share-based payment (Payment method: Non-cash (shares with transfer restrictions), variable remuneration)

- The Company has introduced a share-based payment plan that reflects its progress in achieving the targets set out in the 4th Medium-Term Management Plan, which covers the period from fiscal 2024 through fiscal 2028.

- The plan specifies that each person eligible for allocation must enter into a restricted stock allocation agreement with the Company, which contains provisions on transfer restrictions for a fixed term, etc., 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 the achievement of performance targets, and by in principle granting shares with transfer restrictions subject to performance evaluations, etc. (including non-financial indicators) over several fiscal years simultaneously in the first fiscal year.

- In addition to the incumbency condition, the conditions for the release of shares with transfer restrictions incorporate EPS (earnings per share), TSR (total shareholder return), ROIC (consolidated return on invested capital), and cash flow

as financial indicators, and external evaluation indicators regarding the Company's ESG initiatives as non-financial indicators.

- The specific timing for the granting of shares is every fiscal year for shares that are subject to performance evaluation in a single fiscal year and simultaneously in the first fiscal year of the evaluation period for shares that are subject to performance evaluations over several fiscal years.
- In relation to the indicators to be evaluated over multiple years, the period from fiscal 2024 to fiscal 2026 is designated as "Evaluation Period 1" and fiscal 2027 and fiscal 2028 are designated as "Evaluation Period 2."

4 Policy on the composition of remuneration

As a rough guide for the composition of remuneration by remuneration type, performance-linked bonuses are designed to be variable over the range of 0% to 100% of fixed remuneration, and share-based payment over the range of 0% to 100% of fixed remuneration. The combination of performance-linked remuneration and share-based payment is 66% at maximum. Specific details (amount of remuneration and number of shares) for each Director will be determined as described in 5.

5 Method of determining the content of individual remuneration, etc., for Directors (including matters concerning delegation of decisions)

The Board of Directors will determine the individual remuneration for each Director as follows, based on the report from the Nomination and Remuneration Committee following deliberations on the evaluation of said Director, individual remuneration, appropriateness of the remuneration level, and evaluation indicators regarding performance-linked bonuses and share-based payment (including not only financial indicators but also non-financial indicators).

- For the individual fixed remuneration as basic remuneration for each Director as well as 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 the role of determining the specific payment amounts based on the resolution of the Board of Directors. The final remuneration amounts are then determined based on the deliberations and reports by the Nomination and Remuneration Committee in accordance with the responsibilities of the delegated role in question.
- The individual share-based payments for each Director (excluding Outside Directors) are resolved by the Board of Directors based on the performance evaluations, etc. (not limited to financial indicators but also on non-financial indicators), reported by the Nomination and Remuneration Committee.

* Content of remuneration, etc., for Outside Directors

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

* Content of remuneration, etc., for Audit & Supervisory Board Members

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

Matters concerning resolutions of shareholders meeting regarding remuneration, etc.

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

Eligible Recipients	Content of Remuneration	Content of Resolution	Resolution of Shareholders' Meeting	Number of Eligible Officers
Directors	Fixed remuneration /Performance-linked bonus	Upper limit: ¥1,500 million (annual amount)	2nd Annual Shareholders Meeting held on June 29, 2010	11
Directors (excluding Outside Directors)	Restricted stock remuneration	Upper limit: ¥1,200 million (annual amount) and Maximum number of the Company's ordinary shares newly issued or disposed: 160,000 shares (per year)	16th Annual Shareholders Meeting held on March 28, 2024	8
Audit & Supervisory Board	Fixed remuneration	Upper limit: ¥80 million (annual amount)	2nd Annual Shareholders Meeting held on June 29,	4

Members			2010	
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* The remuneration for Directors in fiscal 2023 will be determined in accordance with the policy before the revision.

* The details of the policy on determining remuneration amounts for Directors are disclosed in the Company's Annual Securities Report [Directors' remuneration].

(<https://www.otsuka.com/jp/ir/library/securities.html>)

[Supporting System for Outside Directors and Outside Audit & Supervisory Board Members]

The Secretariat of the Board is organized in the Administration Department. It administers the support system for the Board of Directors' effective operation, cooperating with the Finance and Accounting Department, Corporate Planning Department and other departments. (Please refer to "Guideline 8-(11) Operation.")

The Company has established the Statutory Auditor's Office with full-time staff as a supporting system for Audit & Supervisory Board Members. A system has also been established to collect information from the Legal Affairs Department, Administration Department, Finance and Accounting Department, Corporate Planning Department, and other departments to undertake audits on management. (Please refer to "Guideline 9-(5) Operation.")

Outside Directors and Outside Audit & Supervisory Board Members are regularly briefed by the Corporate Planning Department, Internal Control Department, Internal Audit Department, Investor Relations Department and other relevant departments on the Company's business conditions, industry situations and topics concerning the Company's business. In addition, the Company provides Outside Directors and Outside Audit & Supervisory Board Members with opportunities to better understand the businesses of the Otsuka group companies by receiving explanations and visiting offices, factories and laboratories.

In order to strengthen cooperation between the Audit & Supervisory Board and Outside Directors, regular exchanges of information and discussions on management are also held.

[Status of Persons Who Have Retired from Representative Director and President, etc.]

Retired Representative Director and Presidents, etc., Holding Advisory Position (Consultants, Advisors, etc.)

Name	Job Title/ Position	Responsibilities	Working Form and Conditions (Full/Part-time, With/Without Compensation, etc.)	Date of Retirement from Position Such as President	Term of Office
—	—	—	—	—	—

Total Number of Retired Representative Director and Presidents, etc., Holding Advisory Position (Consultants, Advisors, etc.)	0
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Other Matters

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2. Matters on Functions of Business Execution, Audit and Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) [Updated]

As a company with an Audit & Supervisory Board, the Company has established a Board of Directors, an Audit & Supervisory Board along with Audit & Supervisory Board Members, and an Accounting Auditor. As an advisory body to the Board of Directors, the Company has established the Corporate Governance Committee and its subcommittee, the Nomination and Remuneration Committee.

(1) Business execution

(Directors and the Board of Directors)

In accordance with the Regulations of the Board of Directors, a regular Board of Directors meeting shall be held on a monthly basis and an extraordinary meeting whenever deemed necessary to make decisions on important management-related matters and supervise the execution of business operations. There are currently 13 Directors (including five

Outsider Directors). The term of office of Directors is set at one year in order to clarify the management responsibilities for the fiscal year.

(Corporate Governance Committee)

The Company has established the Corporate Governance Committee as an advisory body to the Board of Directors. As an advisory body to the Board of Directors, the Corporate Governance Committee discusses the ideal form of corporate governance of the Company, succession plans for the President and other senior management and directors, development of management personnel, and other management issues of the group, and reports to the Board of Directors as necessary. The Committee consists of the President, the Director in charge of Administration, and all five Outside Directors. The President serves as the chair of the Committee.

As a subcommittee of the Corporate Governance Committee, the Nomination and Remuneration Committee consists of the Director in charge of Administration and all five Outside Directors. The chair of this subcommittee is selected mutually from among the Outside Directors. The Committee deliberates on the evaluation of the President, matters concerning the appointment/dismissal of Directors and Audit & Supervisory Board Members, as well as matters concerning the evaluation and individual remuneration of Directors, their remuneration system and levels, etc. All matters that have been deliberated and determined will be reported first to the Corporate Governance Committee and subsequently to the Board of Directors.

(2) Auditing and supervision

(Audit & Supervisory Board and its Members)

Audit & Supervisory Board Members not only attend Board of Directors meetings to express their opinions but also monitor the legality and soundness of management in the execution of the Directors' duties primarily through audits conducted by the Audit & Supervisory Board. There are currently four Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members).

In order to ensure that audits are conducted effectively by Audit & Supervisory Board Members, the Company has established a system that allows them to interview Directors and employees on the status of execution of their duties, to review circulars for managerial approval and other important documents related to business execution, and to promptly report on matters related to business execution when requested to do so. To assist Audit & Supervisory Board Members with their duties, the Company has also established the Statutory Auditor's Office, which is responsible for convening Audit & Supervisory Board meetings and supporting the duties of Audit & Supervisory Board Members by acting independently from the chain of command of the Directors.

(Internal Audit Department)

Established as the Company's internal audit departments under the direct purview of the President, the Internal Audit Department conducts regular audits based on the Internal Audit Regulations to ensure that the assets and overall operations of the Company and its subsidiaries and associates are subject to appropriate and efficient business execution, and its audit reports are submitted to the President, Directors and Audit & Supervisory Board Members. Where a need for improvement is identified, the Internal Audit Department provides recommendations for improvement and subsequently follows up on the status of such improvement to ensure the proper execution of duties. In addition, the Internal Audit Department collaborates by sharing the relevant information to facilitate accounting audits and audits conducted by Audit & Supervisory Board Members.

(Internal Control Department)

The Internal Control Department ensures that the Otsuka Group Global Code of Business Ethics and other global policies for the Otsuka group are disseminated throughout the Company and its subsidiaries, and that compliance programs and risk management programs have been established and disseminated at each company. The Department reports regularly to the Board of Directors, the Audit & Supervisory Board and the Accounting Auditor on the status of establishment and operation of these programs.

In addition, to facilitate internal control over financial reporting of the Company and its subsidiaries and associates, the Department has established regulations and manuals related to internal control while disseminating and educating employees on its operational rules and continuously monitoring its status of operation in cooperation with the Internal Audit Department to create a system under which management's evaluation of internal control can be carried out in a sound manner.

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

As the holding company responsible for maximizing the corporate value of the Otsuka group, the Company has established a system to ensure the appropriateness of operations from the perspective of the entire group. Subsidiaries and associates report matters provided for in the Subsidiary and Associate Management Regulations to the Company as necessary and seek approval from the Company for any significant matters under the framework, thereby establishing a collaborative system within the group.

The Company and its major subsidiaries have adopted an audit and supervisory system, under which audits of their respective Directors' business execution are conducted. In addition, meetings of the group's boards of corporate auditors are held four times a year in principle to share information and strengthen cooperation with the Audit & Supervisory Board Members of each company, as well as to request reports on the business conditions and other matters at each company.

The Company's Internal Audit Department oversees or conducts audits of subsidiaries and associates and ensures that cross-company risk management and compliance systems have been established in accordance with the Internal Audit Regulations.

Through the above, the Company ensures the appropriateness of the group's business operations in an integrated manner.

Please refer to the "Schematic Diagram" in the reference materials.

3. Reasons for Adoption of Current Corporate Governance System [Updated]

At the Company, the Board of Directors, which includes Outside Directors, has the role and responsibility of promoting the implementation of management plans, supervising management, and improving profitability and capital efficiency in order to achieve sustainable growth and enhance corporate value over the medium to long term.

In addition, the Corporate Governance Committee and the Nomination and Remuneration Committee, which are composed mainly of independent Outside Directors, deliberate and report to the Board of Directors on overall corporate governance of the Company.

As a company with an Audit & Supervisory Board, the Company has established a high-quality corporate governance system that ensures the soundness of the company and lives up to the trust of society through audits of the execution of duties by Directors conducted mainly by the Audit & Supervisory Board and its members, who are independent from the Directors, in cooperation with the Accounting Auditor and the Internal Audit Department.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize Shareholders Meetings and Smooth Exercise of Voting Rights [Updated]

	Supplementary Explanation
Early Notification of Shareholders Meeting	<p>The convocation notice (access notice) is dispatched three weeks prior to the date of the shareholders' meeting, which is one week earlier than the statutory deadline. The electronic provision of materials for the Shareholders Meeting starts around four weeks prior to the date of the Shareholders Meeting.</p> <p>For the 16th Annual Shareholders Meeting held on March 28, 2024, the convocation notice was dispatched on March 6, and the materials for the meeting were provided electronically on February 28 through publication on our website.</p> <p>In addition to the Company's website, the materials for the Shareholders Meeting are also provided electronically on the website of the Tokyo Stock Exchange.</p>
Allowing Electronic or Magnetic Exercise of Voting Rights	The Company has adopted an electronic voting system.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company participates in the electronic voting platform operated by ICJ, Inc., as part of its efforts to enhance the voting environment for institutional investors.
Providing Convocation Notice in English (Translated Fully or Partially)	To promote the exercise of voting rights by overseas investors, the Company prepares English translations of convocation notices and publishes them on the Company's website, the website of the Tokyo Stock Exchange, and the platform for exercising voting rights.
Other	<p>The Company sets up Otsuka group product displays and panel displays in the lobby of the venue of the Shareholders Meeting.</p> <p>In addition, the Company has been streaming the meetings live via the Internet (interactive-style) to allow shareholders who are unable to attend the meeting to view the proceedings.</p>

2. IR Activities [Updated]

	Supplementary Explanation	Explanation by Representative
Preparation and Publication of Disclosure Policy	The disclosure policy is published on the Company's website.	
Holding Regular Investor Briefings for Analysts and Institutional Investors	The Company holds regular investor briefings for analysts and institutional investors. We hold financial results presentations in a hybrid format involving both a physical venue and the Internet during the announcement of financial results for the full fiscal year and for the second quarter, and via conference calls during the announcement of financial results for the first and third quarters.	Yes
Holding Regular Investor Briefings for Overseas Investors	<p>The Company regularly visits and holds investor briefings for overseas investors.</p> <p>The Company arranges opportunities to meet with a wide variety of overseas investors, such as by participating in conferences for overseas institutional investors held by securities companies and meeting with overseas investors at the Company's offices when they visit Japan.</p>	Yes

Posting IR Materials on Website	An Investor Relations page for shareholders and investors is available on our website. This page contains financial results, financial results presentation materials (with video streams), consolidated financial statements, quarterly reports, information requiring timely disclosure, Integrated Reports and convocation notices for the Shareholders Meeting. Many of these materials are also published on the English version of the page.	
Establishment of Department and/or Manager in Charge of IR	The Company has established the Investor Relations Department as the department in charge of IR.	

3. Measures to Ensure Due Respect for Stakeholders [Updated]

	Supplementary Explanation
Provisions to Ensure Due Respect for Stakeholders in Internal Regulations, etc.	<ul style="list-style-type: none"> • “Guideline 1-(1) Basic Perspective on Corporate Governance” stipulates that the Company will fulfill its corporate social responsibility by living up to the expectations of all stakeholders through ongoing dialogue. • The Otsuka group has also established the Otsuka Group Global Code of Business Ethics, whose provisions apply to all individuals around the world who work for the group. <p>The group is committed to promoting the Code in line with its belief that maintaining high ethical standards and conducting business with integrity are essential to enhancing corporate value and earning the trust of all stakeholders as the social and legal responsibilities borne by each group company continue to grow in the global marketplace. (https://www.otsuka.com/en/company/conduct/)</p>
Implementation of Environmental Activities, Sustainability Initiatives, etc.	<ul style="list-style-type: none"> • In “Guideline 17 Sustainability,” the Company has declared as its sustainability mission its goals to address social issues through its business operations, achieve sustainable growth for the Company, and play a role in creating a healthy and sustainable society based on its corporate philosophy. <p>The Otsuka group’s sustainability promotion efforts, etc., are published on the “Sustainability” page of its corporate website and in its Integrated Report. (https://www.otsuka.com/en/csr/)</p> <ul style="list-style-type: none"> • Signing of the United Nations Global Compact <p>In December 2016, the Company became a signatory of the United Nations Global Compact (UNGC). The group will promote sustainability initiatives with clearer goals than ever before based on UNGC’s ten principles on human rights, labor, the environment and anti-corruption.</p> <ul style="list-style-type: none"> • Otsuka group’s environmental initiatives <p>The Otsuka group’s environmental policy is to realize a society in which people and the earth can coexist in the future by continuing to work on issues with creativity, with the aim of advancing as an essential company that contributes to the health of people and the global environment. Based on this policy, it has identified “carbon neutrality,” “circular economy,” and “water neutrality” as its materiality (material issues) to be addressed by its environmental initiatives and set forth a 2050 environmental vision of “net-zero.”</p> <p>In addition, it established the Otsuka Group Plastic Policy in 2020 to address the issue of plastic waste and contribute to the sustainable recycling of resources.</p> <p>The Otsuka group will work in a coordinated manner to achieve these</p>

	<p>goals and strive to create a sustainable society. The Otsuka group’s environmental efforts are disclosed in its Environmental Report. (https://www.otsuka.com/en/csr/environmental_report.html)</p>
<p>Implementation of Environmental Activities, Sustainability Initiatives, etc.</p>	<ul style="list-style-type: none"> • Otsuka Group Declaration on Health The Otsuka group aims to contribute to the health of people through the creation and deployment of innovative products. The group believes that both the physical and mental health of every employee is essential to the conduct of its day-to-day business activities, and it has been working on measures to promote the health of its employees and their families. In April 2017, the Company established the Otsuka Group Declaration on Health to further its efforts in promoting health and productivity management. As a total healthcare company, the group is committed to raising awareness of the importance of health for the sustainable society, both internally and externally, as part of its efforts to tackle existing issues. [Otsuka Group Declaration on Health] “We believe that the physical and mental health of every employee is essential for us to live up to our corporate philosophy. We will strive for a working environment that supports employees in maintaining and improving their health, enabling them to play active roles while fully demonstrating their abilities and individuality.” (https://www.otsuka.com/en/csr/society/people/health.html) • Otsuka Group Human Rights Policy In line with its founding policy of valuing people, the Otsuka group recognizes that respect for human rights in every aspect of our business activities must be the premise upon which we build to meet the expectations of our stakeholders, create new value, and contribute to the health and wellbeing of people all over the world as we continue to grow sustainably. To clearly express this stance, the Otsuka Group Human Rights Policy was formulated in December 2020 and enacted in March 2021. • Declaration of Consumer-Oriented Commitment In November 2018, the Company formulated the Declaration of Consumer-Oriented Commitment, which articulates the Company’s policy aimed at the realization of “consumer-oriented management” promoted by the Consumer Affairs Agency. As a total healthcare company, the Otsuka group has always prioritized patients and consumers through our entire value chain, from research and development to the delivery of its products and services. Along with the formulation of the Declaration of Consumer-Oriented Commitment, the group will further strengthen the communication with customers and promote initiatives that contribute to the health of people around the world. (https://www.otsuka.com/en/company/commitment/customer/) • Signing statement of support for the Women’s Empowerment Principles (WEPs) In December 2017, the Company signed the CEO statement of support for the Women’s Empowerment Principles (WEPs), a set of principles focusing on corporate action to promote gender equality and women’s empowerment in the workplace, marketplace and community. The Otsuka group believes that promoting gender equality will be the driving force behind its business growth, and the entire group has been working on it to date, including actively creating opportunities for women to play greater roles. Along with the signing of the WEPs, the group has been offering the

	<p>support for diverse work styles that suit the needs of employees at different stages of their lives by launching new initiatives such as the <i>Family Smile Support System</i>, which allows employees to work from home for a one-year period for the purposes of childcare, nursing care, etc., and the conduct of <i>IkuBoss</i>* seminars designed to improve employee awareness.</p> <p>As a result of these efforts, Otsuka Holdings was selected as a <i>Nadeshiko Brand</i> for fiscal 2022 by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.</p> <p>*IkuBoss: A supervisor or manager who is considerate and understanding of child care, nursing care and work-life balance for subordinates and co-workers.</p>
<p>Development of Policies on Information Provision to Stakeholders</p>	<ul style="list-style-type: none"> • “Guideline 1-(1) Basic Perspective on Corporate Governance” stipulates that the Company will fulfill its corporate social responsibility by living up to the expectations of all stakeholders through ongoing dialogue, while “Guideline 15 Information Disclosure” stipulates that the Company will actively and appropriately disclose important management-related information on a timely basis in accordance with the Disclosure Policy stipulated separately. <p>In addition, English translations of the required information in the disclosure documents are also disclosed.</p>

IV. Matters Related to Internal Control System

1. Basic Views on Internal Control System and Progress of System Development

The Company has established the Internal Control Department, a body under the direct purview of the President that serves as the supervising department for internal control, to oversee internal control across the Otsuka group, including internal control over financial reporting.

In order to enhance the value of the Otsuka group, it is vital that the risks arising from our business activities are controlled as we pursue management efficiency. Based on our basic recognition that strengthening corporate governance aimed at achieving this is indispensable, we have established and put in place the following systems to ensure the appropriateness of operations.

[Systems to Ensure Appropriateness of Operations]

- (1) System to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation
 - The Otsuka group adopts a pure holding company system for the Company to further strengthen corporate governance by separating the group’s management and supervisory functions from its business execution function.
 - The Company has formulated the Otsuka Group Global Code of Business Ethics in order to ensure compliance with laws and regulations, the Articles of Incorporation, as well as other relevant rules and the underlying spirit, and to ensure corporate activities are carried out based on high ethical standards. The Company has established the Otsuka Holdings Compliance Program as specific guidelines for the Otsuka Group Global Code of Business Ethics and leads efforts to promote the establishment, maintenance and improvement of the compliance system by providing rigorous education for employees under the Risk Management Committee.
 - While promoting the establishment of an internal control system to perform the appropriate accounting processes and ensure the reliability of financial reporting based on the Financial Instruments and Exchange Act and other relevant laws and regulations, the Company also continually assesses whether this system is functioning appropriately and implements the 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.
 - The Internal Audit Department established under the direct purview of the President periodically performs internal audits of the assets and the overall operations of the Company based on the Internal Audit Regulations and reports the results to the President. Where a need for improvement is identified, the Internal Audit Department provides recommendations for improvement and subsequently follows up on the status of such improvement.
- (2) 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, circulars for managerial approval, etc., in accordance with the Corporate Document Control Regulations and maintain a system that allows such records and circulars to be reviewed as necessary.

- (3) Regulations and other systems for the management of risk of loss
- To establish a risk management system for the Company and each of its group companies, a Risk Management Committee has been established along with Risk Management Rules. The Risk Management Committee shall evaluate and comprehensively manage risks that may impair the sustainable enhancement of value of the Otsuka group through management by the respective 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.
- (4) System to ensure efficient execution of duties by Directors
- In accordance with the Regulations of the Board of Directors, regular Board meetings 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 has been introduced to ensure the transparency of management and prompt execution of business operations by separating the Board of Directors, which serves as the management decision-making and supervisory body, from corporate officers who are assigned roles and execute business operations based on the resolutions of the Board of Directors.
- (5) System to ensure appropriateness of operations in the business group comprising the Company and its subsidiaries
- As the holding company responsible for maximizing the corporate value of the Otsuka group, the Company shall put in place a system to ensure the appropriateness of operations from the perspective of the entire Otsuka group. The Company will maintain a reporting system comprising its subsidiaries' Directors, executive officers, employees responsible for executing business operations, individuals responsible for performing duties defined in Article 598, paragraph (1) of the Companies Act, and other individuals equivalent to these persons (hereinafter "Directors, etc.") and ensure that the Directors, etc., of its subsidiaries always perform their duties efficiently and in compliance with the law.
 - Subsidiaries and associates shall report matters provided for in the Subsidiary and Associate 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 subsidiaries and associates and promote the establishment of a cross-company risk management and compliance system in accordance with the Internal Audit Regulations to ensure the appropriateness of the group's business operations in an integrated manner.
- (6) Matters concerning the employees in question in the event that Audit & Supervisory Board Members issue requests for employees to take charge of assisting them with their duties
- The Company has established the Statutory Auditor's Office responsible for convening Audit & Supervisory Board meetings and supporting the duties of Audit & Supervisory Board Members by acting independently from the chain of command of the Directors.
- (7) 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 Statutory Auditor's Office, where they will follow the instructions of the Audit & Supervisory Board Members to assist with the duties in question.
 - Personnel transfers and evaluations relating to the Statutory Auditor's Office shall be determined by the Board of Directors based on prior approval obtained from the Audit & Supervisory Board in order to ensure independence from Directors.
- (8) 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 the same shall apply hereinafter) and other systems for reporting to Audit & Supervisory Board Members
- The Company shall ensure concrete means that allow Audit & Supervisory Board Members to collect information concerning the execution of duties by Directors, including a system to have Directors and employees report to Audit & Supervisory Board Members in the event of any of the following.
 - (a) Any incident that has caused or may cause material damage to the Company
 - (b) Any violation of laws and regulations, the Articles of Incorporation, or any other compliance-related matter deemed important
 - (c) Progress of business execution by the Company and each of its group companies
 - (d) Implementation status of internal audits
 - (e) Matters to be resolved at important meetings

- The Company shall establish a system that allows executives and employees of any company in the Otsuka group, as well as individuals who have received reports from these executives and employees, to report matters related to (a) through (e) 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.

(9) Policy for the treatment of expenses incurred by Audit & Supervisory Board Members in the course of executing their duties

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

(10) 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 by which important decisions are made and the status of execution of duties, interview Directors and employees on the status of execution of their duties, and review circulars for managerial approval and other important documents related to business execution.
- Directors and employees shall promptly report on matters related to business execution if so requested by Audit & Supervisory Board Members.
- All other relevant departments, including the Internal Audit Department, Administration Department, Finance and Accounting Department and Internal Control 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.

2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts

(1) Basic views on eliminating anti-social forces

The Otsuka Group Code of Conduct declares that the Otsuka group will distance itself from anti-social forces, eliminate all relationships with anti-social forces and groups that threaten the order or safety of civil society, and resolutely confront such forces and groups. The Code stipulates that the group shall adopt a firm stance of rejecting any unreasonable demands made by anti-social forces, even if such demands do not violate the law.

(2) Progress of efforts to eliminate anti-social forces

The Company has established a system to eliminate anti-social forces, with the Administration Department as the responsible department, and enacted the Manual for Dealing with Anti-social Forces as well as the Manual for Investigating Business Partners, Etc., which govern how it deals with anti-social forces during normal times, responds to unreasonable demands, and conducts preliminary investigations of business partners, etc.

In addition, the Company is a member of its regional committee for the prevention of special organized crime groups and the Special Violence Prevention Measures Association (Tokubouren), and it works to not only engage in the close coordination of information but also respond to various incidents in consultation with the police and company attorneys.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

2. Other Matters Concerning Corporate Governance System [Updated]

[Overview of Timely Disclosure System]

The Company strives to provide timely and appropriate information to all stakeholders, including customers, shareholders and society, based on the principles of transparency, fairness and continuity.

With regard to the timely disclosure of material information, we have established the Timely Disclosure Guidelines to fulfill our obligation as a listed company to provide timely, lawful, accurate and official disclosure of such information. The Guidelines stipulate whether timely disclosure is required and the matters for which the preparation of disclosure materials is required.

The Company's timely disclosure system, process, etc., are outlined below.

- Timely disclosure system

Timely disclosure at the Company is conducted by the Timely Disclosure Review Committee, which is chaired by the manager in charge of insider trading control (Director in charge of Administration) and composed of members from the Corporate Planning Department, Investor Relations Department, Public Relations Department and Legal Affairs Department.

- Timely disclosure process

- (1) The Timely Disclosure Review Committee promptly reviews the necessity of timely disclosure of the Company's corporate information and material information collected from each group company, and it instructs the preparation of disclosure materials if it determines that disclosure is required.
- (2) The manager in charge of insider trading control gives the final approval for the outcome of whether timely disclosure is necessary as well as the disclosure materials in the event of disclosure.
- (3) The department in charge of timely disclosure promptly discloses the approved disclosure materials through TDnet based on the instructions of the manager in charge of insider trading control.

[Whistleblowing System]

- (1) The Company has formulated the "Otsuka Group Global Speak-Up Policy" to describe the basic principles of a reporting or whistleblowing system, which encourages all directors, officers, and employees of the Otsuka group to report suspected occurrence(s) of illegal, unethical, or inappropriate conduct if they know or suspect behavior that is not consistent with laws, rules, regulations, Otsuka's values, policies, or procedures.
- (2) The aforementioned policy clearly stipulates that the whistleblowers and the information that they report shall be treated as confidential, and that the whistleblowers shall not be subject to harassment, retaliation, or adverse employment consequence as a result of making the report.
- (3) The whistleblowing systems of the Company and the group's major subsidiaries comprise not only an internal whistleblowing hotline but also a whistleblowing hotline that has been set up outside the Company, such as at a law office that is independent from management.
- (4) The status of whistleblowing across the entire group is reported on a regular basis and whenever necessary at the Company's Board of Directors meetings to ensure that the system's operational status is appropriate.

[Schematic Diagram]

