



# Otsuka Group Global Anti-Corruption Policy

Otsuka Holdings Co., Ltd.

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## Introduction

The legal landscape has witnessed an upsurge in transnational anti-corruption efforts. It is urging global companies to strengthen their commitment to fighting corruption. As the Otsuka Group of Companies continues to strengthen our presence in the worldwide marketplace, we are firmly committed to conducting business according to high ethical standards across all our operations. The scope and geographic range of our business activities require that we abide by national laws and international standards; we do not tolerate bribery or corruption. We will not provide or accept payments, items of value, or advantages to influence anyone improperly, be they in the public or private sector, directly or indirectly, locally or internationally. No matter where we operate, our commitment to integrity and transparency remains vital to our continued success as a global enterprise. By striving to build on this commitment, we maintain the trust and confidence of our patients, consumers, healthcare professionals, other customers and stakeholders around the world.

## Policy Overview

The Otsuka Group Global Anti-Corruption Policy ("this Policy") embodies and reiterates our steadfast commitment to conducting business with integrity and in compliance with all relevant anti-corruption laws. This Policy outlines how to prevent, detect and deter violations of anti-corruption laws. It applies to all our worldwide business operations, setting forth our global *minimum* standards regarding the prevention of corruption. This Policy is intended to supplement all applicable codes, laws, and regulations (collectively, "laws and regulations"). We recognize that the laws and regulations in some countries may impose more stringent standards. If that is the case, the more stringent standards apply. If local laws and regulations are less stringent than the principles set out in this Policy, the latter prevails.

Every employee at every level, across all of our operations worldwide, must expressly uphold our policy against corruption by reading, understanding and adhering to this

Policy or equivalent. We expect Third Party Suppliers<sup>1</sup> to share our values and ethical standards.

This Policy does not address every possible scenario relating to corruption risks. Nor does it substitute for expert advice. When in doubt as to the best course of action, seek guidance from the Legal/Compliance Department before taking any action. Lack of understanding of the Policy is not an excuse.

#### Scope

This Policy is applied to directors, officers, employees (both permanent and contract) and temporary employees of Otsuka Holdings Co., Ltd. and subsidiaries<sup>2</sup> of Otsuka Holdings Co., Ltd. In addition, we should continue to ensure that directors, officers, employees and temporary employees of affiliates of Otsuka Holdings Co., Ltd. and third parties (*e.g.*, contractors, vendors, suppliers) conducting business on Otsuka's<sup>3</sup> behalf understand this Policy and act in compliance with this Policy.

#### Guiding Principles: Synopsis

##### 1. Adhering to Anti-Corruption Laws and Policies

We respect and uphold the letter and the spirit of all applicable anti-corruption laws, domestic and foreign.

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<sup>1</sup> This Policy defines “Third Party Suppliers” as any individuals or organizations doing work on behalf of Otsuka with whom we come into contact in performing our role. They may include the following: agents, distributors and service providers, consultants, contractors, brokers, introducers/finders and joint venture partners.

<sup>2</sup> For affiliates of which Otsuka Holdings co., Ltd. (or a subsidiary) has an ownership interest of less than 50% and for joint ventures (50/50 ownership interest), these requirements do not apply unless Otsuka Holdings Co., Ltd. exercises significant control over the affiliates.

<sup>3</sup> “Otsuka” (or the “Company”) refers to the Otsuka Group consisting of Otsuka Holdings Co., Ltd and subsidiaries of Otsuka Holdings Co., Ltd.

## 2. Prohibiting Bribery

We never give or accept, directly or indirectly, “anything of value”<sup>4</sup> (e.g., bribes, kickbacks, gifts or entertainment) to improperly influence any person to obtain or retain a financial, business or other advantage.

## 3. Working with Third Party Suppliers

We require Third Party Suppliers to ensure compliance with this Policy as well as relevant anti-corruption laws and regulations.

## 4. Conducting Due Diligence

We<sup>5</sup> perform due diligence to obtain an informed assessment of the nature and extent of potential corruption risks associated with the retention of all Third Party Suppliers working on Otsuka’s behalf.

## 5. Refusing to Make Facilitating Payments

We will not make facilitating payments of any kind.

## 6. Providing Training

We provide annual training regarding this Policy and anti-corruption laws, incorporating them into Otsuka’s global compliance program.

## 7. Recording

We keep complete books and records in reasonable detail, accurately and fairly

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<sup>4</sup> “Anything of value” means *anything* (tangible or intangible) that may have value. Examples of “anything of value” include, but are not limited to, the following: payments; gifts; free goods or services; job offers to Government Officials and employees at nationally-owned companies, their family members, and their friends (even if they are qualified for the job); meals, entertainment (e.g., golf outings), payment of travel expenses (except as permitted for legitimate business purposes outlined in this Policy); assumption or forgiveness of debt; discounts on products and services not readily available to the public; personal favors; and important and/or material information about the Company that has not been released to the public (“insider information”). There is no minimum threshold in determining value –whether the amount involves only a few dollars or a much greater amount such as \$10,000, both are considered serious. It is important to remember that “anything of value” can include things that benefit a foreign Government Official’s family members, friends, charities, or projects.

<sup>5</sup> “We” refers to Otsuka Holdings Co., Ltd. and its subsidiaries.

documenting and reflecting all transactions including expenses, disbursements, receipts and the disposition of assets.

#### 8. Monitoring

We maintain internal controls focused on detecting and deterring improper business practices.

#### 9. Reporting Concerns

We promptly report instances or activities that may violate or appear to violate this Policy to our internal Legal/Compliance Department. We will not tolerate any form of retaliation against anyone for making a good faith report of a potential violation.

### Analyzing Gifts and Hospitality

The term “gifts” includes tendering to a recipient products, services, cash or cash equivalents (*e.g.*, checks, travelers checks, gift cards, gift certificates, vouchers, loans and shares) and all business courtesies, gratuities, discounts, favors and other things of value for which the recipient does not pay the fair market value.

The term “hospitality” includes meals, drinks, entertainment, recreation (*e.g.*, tickets or invitations to sporting or cultural events), travel, accommodation (*e.g.*, hotel stays) and other forms of hospitality which are of value and for which the recipient does not pay the fair market value.

The intent behind the provision of a gift or hospitality remains the most critical factor in the analysis of its appropriateness. The value and all the relevant circumstances of any gifts or hospitality should *not* imply the presence of corrupt intent. We should never request, receive, offer, promise or give gifts and hospitality that are intended (or may be perceived to) influence a decision or action resulting in special treatment to the Company. We strive to avoid even the appearance of corruption in all aspects of our business activities.

Any gifts or hospitality should be reasonable, proportionate and made in good faith. They must also comply with any monetary limits or other restrictions specified by relevant local laws and regulations. Operating in diverse legal and cultural environments, we appreciate that the practice of business gifts and hospitality varies

between countries and regions. Otsuka's local entities are responsible for establishing and monitoring monetary limits, other restrictions and approval level for gifts and hospitality based on the principles in this Policy as well as regional codes.

Generally, gifts are acceptable if all of the following requirements are met:

\*The gift is not presented with the intent to influence a third party to obtain or retain business or a business advantage. Infrequent gifts of nominal value may be allowed. Gifts should have no role in business other than as a token of courtesy. (Note that frequent gifts to the same individual or group, even if modest in value, may be unacceptable.)

\*The gift is given in Otsuka's name, not in the name of an individual.

\*The gift does not create any expectation of compensation or value in return.

\*The gift is of an appropriate type and value and given at an appropriate time.

\*The gift is presented openly and transparently, not secretly or through a third party.

\*The gift is accurately recorded in Otsuka's books and records.

\*The gift is allowed under local laws and regulations.

CAUTION: Even if the preceding requirements are met, gifts of cash or cash equivalents (*e.g.*, gift certificates, checks, gift cards) are prohibited.

Generally, hospitality is allowed if all of the following requirements are met:

\*The hospitality is business-related. For instance, it is in connection with a business meeting where the business content is predominant.

\*The hospitality is reasonable in amount or frequency. It is not perceived as excessive or luxurious.

\*The hospitality does not result in the recipient perceiving he or she is obligated to

reciprocate.

\*The hospitality does not permit any inference that it was provided with corrupt intent to obtain or retain business.

\*The hospitality is accurately recorded in Otsuka's books and records.

\*The hospitality is allowed under local laws and regulations.

## Analyzing Contributions

### Grants, Donations and Charitable Contributions

Any charitable contribution made on behalf of Otsuka must be legal under applicable local laws and regulations and not be made with the intention of influencing business or official decisions or gaining a commercial or other advantage. In other words, charitable contributions must not be used as a vehicle to conceal corrupt payments or benefits to government officials.

### Political Contributions

Except as expressly authorized pursuant to applicable regional laws and regulations, Otsuka does not allow any of its funds or resources to be used to contribute to any political campaign, political party, political candidate or any of their affiliated organizations.

### Facilitating Payments

Otsuka strictly forbids facilitating payments.<sup>6</sup> If a facilitating payment is demanded, you should immediately and unequivocally refuse to pay and report the situation to your line manager and the Legal/Compliance Department at the earliest possible opportunity.

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<sup>6</sup> Facilitating Payments are payments made to non-U.S. Government Officials to facilitate, expedite or secure the performance of routine governmental action. At Otsuka, the making of facilitating payments is prohibited unless there is a threat to personal health, safety and/or liberty.

## Working with Third Party Suppliers

Conducting our business according to rigorous legal, ethical and professional standards, we require the same standards from all Third Party Suppliers who perform services on Otsuka's behalf. Otsuka can be held liable for the actions of the third parties who act as intermediaries for and on behalf of Otsuka in the conduct of business dealings. Prohibitions that apply to our employees apply equally to all individuals and entities acting on our behalf. Accordingly, our commitment to anti-corruption activities includes use of special care in our business dealings through Third Party Suppliers or intermediaries.

At the outset of our relationship with Third Party Suppliers, we should clearly articulate and effectively communicate our policy against corruption as well as our commitment to transparent and responsible business conduct. We expect Third Party Suppliers to share and uphold this dedication.

We will re-evaluate our business relationship with Third Party Suppliers who fail to ensure compliance with the relevant laws and regulations and this Policy. Upon any indication of misconduct, we all have a duty to report the misconduct to our internal Legal/Compliance Department.

### Anti-Corruption Due Diligence

Due diligence includes investigations into the Third Party Supplier's background, reputation, financial records, codes of conduct and training, and business conduct as well as written agreements and monitoring controls. The following circumstances typically necessitate anti-corruption due diligence: (a) engaging the services of a Third Party Supplier; (b) entering into a joint venture with another entity; and (c) merging with or acquiring another entity.<sup>7</sup> We perform due diligence before and after proceeding with the proposed business transaction, continuously evaluating the Third

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<sup>7</sup> Companies contemplating an M&A (mergers and acquisitions) transaction face additional risks because illegal practices, weaknesses in controls, or books and records inaccuracies at the target could become the responsibility of the acquiring company or the emerging entity. The risk of successor liability necessitates pre-closing due diligence and post-closing integration of the target into the acquirer's compliance and internal control programs.

Party Suppliers' adherence to relevant anti-corruption laws.

We conduct risk-tailored and risk-based due diligence. The due diligence process must be a fact-based inquiry closely tailored to the specific business operations of the Third Party Suppliers. We define the proper level of due diligence for each Third Party Supplier, depending on key risk factors (*e.g.*, the industry, geographic location, reputation, beneficial ownership, professional capability, experience, financial standing and credibility of the Third Party Supplier and the history of that Third Party Supplier's compliance with applicable anti-corruption laws and regulations, the scope of the services performed.)

Not intended to be a one-time event, due diligence should be considered an ongoing process. We must periodically re-examine our relationships with Third Party Suppliers. The frequency of the re-examination may depend on the level or risk presented by the party as well as the context in which they are engaged.

“Red Flags” (Warning Signs for Corrupt Conduct)

Before the engagement of Third Party Suppliers, we must adequately respond to potential “red flag” issues we encounter during the due diligence process. “Red flags” mean activities, factors and conditions that may arouse suspicion about the potential existence of corrupt conduct. The identification of a red flag may require additional scrutiny and approval. Any unresolved concerns should be reported to relevant management or the Legal/Compliance Department.

The following is a non-exclusive list of some of the red flags that may arise:

\*The transaction occurs in a “high-risk” country with widespread corruption.<sup>8</sup>

\*The transaction occurs in an industry with a history of anti-corruption law violations.

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<sup>8</sup> To identify “high risk” countries, one may refer to Transparency International's Corruption Perception Index (CPI). It is a “survey of surveys,” deriving from thirteen different expert and business surveys. It specifies the perceived level of public-sector corruption in 177 countries and territories around the world as of 2013.

\*The Third Party Supplier has a reputation for legal and/or ethical violations.

\*The Third Party Supplier has a family or business ties with government officials.

\*The Third Party Supplier provides insufficient, false or inconsistent explanations during the due diligence process.

\*The Third Party Supplier lacks qualifications, experience or resources for the nature of the engagement

### Books and Records

It is our responsibility to maintain the integrity of our books, records and accounts. We ensure that such documents accurately and fairly reflect each of the underlying transactions including all expenses, disbursements, receipts and the disposition of assets. If you are authorized to incur business expenses on behalf of Otsuka, you must report them fully and accurately, with appropriate documentation, and in a timely manner. We prohibit falsification of any records or accounts about company transactions or the disposition of company assets. Included under this prohibition are false personal expense statements, claims for personal expenses misrepresented as business expenditures and false benefit claims.

### Monitoring

We maintain internal controls across our business operations to ensure continued compliance and aiming for continuous improvement. For this purpose, we conduct audits both internally by Otsuka and externally by retained third parties. We report any discrepancies in our books, records and financial reporting to our internal Legal/Compliance Department.

### Communications and Training

Otsuka will either make this Policy available on-line or provide a copy to our employees, depending on the location. We will also make this Policy available to new employees and contractors during the orientation or engagement process. All

employees and contractors working on Otsuka's behalf will be required to certify that they comply with this Policy.

Education plays a vital role in our anti-corruption efforts. We view learning as a continuous and ongoing process. We<sup>9</sup> periodically provide training (either live or online) designed to offer additional guidance on how to prevent bribery and corruption.

### Reporting

We encourage each of you to seek advice, voice concerns or report misconduct confidentially, and, where allowed, anonymously. You have a responsibility to report to the Legal/Compliance Department any behavior that you observe and believe to be potentially illegal, unethical or in violation of this Policy.

We take claims of retaliation seriously. We prohibit threats, harassment, discrimination or any other unfavorable treatment toward a person reporting a suspected violation of this Policy honestly and in good faith.

### Consequences for Violations

Strict adherence to this Policy is mandatory. Violations of this Policy may trigger disciplinary action by the Company. Violations may also trigger reporting obligations on behalf of Otsuka, prosecution by law enforcement authorities and serious criminal and civil penalties.

### Issuance and Implementation

The Internal Control Department of Otsuka Holdings Co., Ltd. is responsible for the issuance and implementation of this Policy.

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<sup>9</sup> "We" refers to Otsuka Holdings Co., Ltd. and its subsidiaries. Training will be conducted in the primary language of the audience.

## Modifications

Modifications of this Policy require authorization of the Risk Management Committee of Otsuka Holdings Co., Ltd.

Established on November 1, 2014

Revised on May 1, 2017

## Appendix: Overview of Applicable Anti-Bribery Laws

The following international legal framework provides a foundation for this Policy : (1) Organization of Economic Cooperation and Development (OECD) Convention on Combating Bribery of Foreign Officials in International Business Transactions; (2) United Nations Convention Against Corruption (UNCAC); (3) The U.S. Foreign Corrupt Practices Act (FCPA); and (4) The U.K. Bribery Act of 2010 (U.K. Bribery Act). The FCPA and the U.K. Bribery Act are discussed in more detail below.

In addition to the preceding legal framework, we need to ensure compliance with applicable local anti-corruption laws and regulations. Most countries have taken steps to enact and enforce anti-corruption legislation of their own (*e.g.*, Japanese Unfair Competition Prevention Act.) In fact, many countries have domestic laws criminalizing bribery of government officials. Private sector bribery, too, has become an offense in many jurisdictions. Employees are responsible for familiarizing themselves with all relevant anti-corruption laws and regulations in the countries in which you operate.

The anti-corruption laws and regulations are open to interpretation, based on facts and circumstances. Given the complexity of the subject matter, we encourage you to seek clarification or guidance from the Legal Department when necessary. Each situation will be evaluated on a case-by-case basis.

### U.S. Foreign Corrupt Practices Act (FCPA)

The FCPA remains a groundbreaking law against corruption in the international marketplace. It remains the world's most aggressively enforced anti-corruption legislation. The law imposes criminal liability on both individuals and corporations. To enforce the FCPA worldwide, the US government has applied expansive jurisdictional concepts.

The FCPA contains both anti-bribery and accounting provisions. The law prohibits corrupt payments to foreign officials to secure a business advantage. Under the FCPA, a foreign official is any officer or employee of a government or public organization, or a person acting in an official capacity. It can be essentially anyone who exercises foreign governmental authority. In general, the law's bribery prohibition has been

interpreted very broadly.

Prohibited conduct can take many forms including the transfer of cash, payment of travel expenses, or giving gifts. The law contains no minimal threshold amount for corrupt gifts or payments. However, for a gift or other payment to violate the statute, the payor must have corrupt intent – to improperly influence the act or decisions of a foreign official to secure or retain business transactions.

The FCPA's accounting provisions require companies (those subject to Securities and Exchange Commission (SEC) jurisdiction) to maintain accurate books and records as well as an adequate system of internal accounting and final controls with proper authorization.

As twin enforcers, the Department of Justice (DOJ) and the SEC have overlapping enforcement authority. Although only the DOJ has the authority to pursue criminal actions, both the DOJ and the SEC have civil enforcement authority. The FCPA continues to be one of the highest enforcement priorities of the DOJ and the SEC.

The FCPA imposes severe penalties for both companies and individuals. For instance, violations of the law's anti-corruption provisions can subject an entity to fines of up to \$2 million per violation as well as civil penalties of up to \$10,000. Individuals, on the other hand, are subject to imprisonment for up to five years and/or criminal fines of up to \$250,000, as well as civil penalties of up to \$10,000. A recent upsurge in the DOJ's vigorous anti-corruption enforcement actions has resulted in substantial corporate fines and criminal penalties for individuals. FCPA violations can trigger other forms of liability including charges under related criminal laws and regulations such as money laundering, mail and wire fraud and export control.

#### The U.K. Bribery Act

Recognized as the most stringent and far-reaching anti-corruption law, the U.K. Bribery Act penalizes offering *and* accepting bribes. Unlike the FCPA, it forbids not only bribery of government officials but also commercial bribery.

The Act applies to any company, U.K. or foreign, if any act or omission takes place in the U.K., or if the company carries on some part of its business in the U.K. and the act

or omission takes place *anywhere* in the world. The law also mandates unlimited fines against companies and ten years' imprisonment for individuals for bribery violations. It also requires systems and controls to be maintained to demonstrate compliance within a company.

#### Extraterritorial Application of the FCPA and the U.K. Bribery Act

Both the FCPA and the U.K. Bribery Act are far-reaching. Their territorial reach encompasses acts performed across borders. Given this extraterritorial effect of the laws, multinational business operations may be subject to multiple anti-corruption laws and regulations, depending on the location of the activities and nationality of affiliates and individuals.

In general, anti-corruption laws and regulations are broadly interpreted. We should assume that the FCPA and the U.K. Bribery Act apply to our conduct regardless of geography. Recent enforcement actions strongly suggest that the government adopts an aggressive jurisdictional approach to targeting individuals and companies worldwide.