(Translation)

Code number: 4578
March 6, 2025
Makoto Inoue
President and Representative Director
Otsuka Holdings Co., Ltd.
2-9 Kanda-Tsukasamachi, Chiyoda-ku, Tokyo

Notice of the 17th Annual Shareholders Meeting (for FY2024)

Dear Shareholders,

We are pleased to announce the 17th Annual Shareholders Meeting of Otsuka Holdings Co., Ltd. (the "Company"), which will be held as indicated below.

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

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

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

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

If you are unable to attend the meeting in person, you may exercise your voting rights either via the Internet or in writing (by post). Please examine the Reference Documents for Shareholders Meeting and exercise your voting rights so that your vote is received by the designated time, **5:30 p.m. (the close of business hours) on Thursday, March 27, 2025 (JST)**.

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

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

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

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

We will stream a live webcast of the Shareholders Meeting to ensure that our shareholders are able to view proceedings. (https://links-v.pdcp.jp/4578/2025/otsuka17/) (in Japanese only)

(Translation)

Details

1. **Date and Time:**
Friday, March 28, 2025, at 10:00 a.m.

2. **Place:**
ANA InterContinental Tokyo, B1F, Prominence
1-12-33 Akasaka, Minato-ku, Tokyo

3. **Purpose of the Meeting**
Matters to be reported:
a. Business Report and Consolidated Financial Statements, as well as the audit reports of the Accounting Auditors and the Audit & Supervisory Board for Consolidated Financial Statements, for the 17th Fiscal Year (from January 1, 2024 to December 31, 2024)
b. Financial Statements for the 17th Fiscal Year (from January 1, 2024 to December 31, 2024)

Matter to be resolved:
Proposal: Election of Thirteen (13) Directors

4. **Matters Decided upon Convocation (Guidance for Exercising Voting Rights)**
(1) If neither "Approve" nor "Disapprove" is circled on a Proposal of the "Voting Form" upon having exercised voting rights in writing (by post), that proposal shall be deemed to indicate approval.
(2) If you exercise your voting rights more than once via the Internet, only the last vote shall be deemed effective.
(3) If you exercise your voting rights both via the Internet and in writing (by post), your vote via the Internet shall be deemed effective regardless of the arrival date and time.
(4) You may designate one other shareholder with voting rights as your proxy to exercise your voting rights in accordance with the Articles of Incorporation. In such a case, your proxy will be required to submit documentation indicating his/her authority in advance to act as your proxy.

Notes:

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

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

Our website **https://www.otsuka.com/en/**

(Translation)

Flow of the Company's Shareholders Meeting

Until opening of the Shareholders Meeting

1. Review disclosure documents

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

2. Exercising voting rights in advance

Deadline: Thursday, **March 27, 2025, at 5:30 p.m.**

To exercise your voting rights via the Internet

You can exercise your voting rights using a personal computer (PC) or a smartphone.
Please refer to page 5 for details.

To exercise your voting rights in writing (by post)

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

[How to fill out the "Voting Form"]

Please indicate whether you approve or disapprove of the proposal.
(When neither "Approve" nor "Disapprove" is circled on a Proposal, that proposal shall be deemed to indicate approval.)

Proposal

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

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

Day of the meeting

Date and time of the meeting: Friday, **March 28, 2025, at 10:00 a.m.**

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

Please submit the "Voting Form" to the receptionist. Please also bring with you "Notice of the 17th Annual Shareholders Meeting" (this document).

To view a live webcast (in Japanese only)

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

After conclusion of the Shareholders Meeting, please check the notice regarding results of exercise of voting rights on our website.

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

(Translation)

Guidance for Exercising Voting Rights via the Internet

How to scan QR code

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

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

How to enter login ID and password

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

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

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

Corporate Agency Division (Help Desk), Mitsubishi UFJ Trust and Banking Corporation Phone: **0120-173-027** (9:00 to 21:00 (JST); toll free (Japan only))

Institutional investors may use the platform for electronic exercise of voting rights for institutional investors, operated by ICJ, Inc.

(Translation)

Reference Documents for Shareholders Meeting

Proposal: Election of Thirteen (13) Directors

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

Candidate No.		Name	Term of office as Director*	Current position and areas of responsibility in the Company	Attendance rate at meetings of the Board of Directors
1	Reappointment	Ichiro Otsuka	16 years and 8 months	Chairman and Representative Director	100%
2	Reappointment	Makoto Inoue	5 years	President and Representative Director, CEO	100%
3	Reappointment	Yoshiro Matsuo	16 years and 8 months	Executive Deputy President and Representative Director	100%
4	Reappointment	Yuko Makino	7 years	Executive Director, CFO	100%
5	Reappointment	Shuichi Takagi	6 years	Executive Director	100%
6	Reappointment	Masayuki Kobayashi	8 years	Executive Director	100%
7	Reappointment	Noriko Tojo	10 years and 10 months	Executive Director	100%
8	Reappointment	Tatsuo Higuchi	16 years and 8 months	Executive Director and Advisor	92.3%
9	Reappointment Outside Independent	Yukio Matsutani	9 years	Outside Director	100%
10	Reappointment Outside Independent	Yoshihisa Aoki	6 years	Outside Director	100%
11	Reappointment Outside Independent	Mayo Mita	5 years	Outside Director	100%
12	Reappointment Outside Independent	Tatsuaki Kitachi	3 years	Outside Director	100%
13	New appointment Outside Independent	Jiro Seguchi	–	–	–

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

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Career summary and
significant concurrent positions outside the Company</th><th>Number of the Company's shares owned</th></tr>
<tr><td rowspan="2">1</td><td>Reappointment

Ichiro Otsuka
(February 15, 1965)

Position and areas of responsibility in the Company:
Chairman and Representative Director

Term of office as Director:
16 years and 8 months</td><td>April 1987 Joined Otsuka Pharmaceutical Factory, Inc.
June 1997 Executive Director, Director of Consumer Products Development Division, Otsuka Pharmaceutical Co., Ltd.
June 1998 Managing Director, responsible for Consumer Products, Publicity, Promotion and Development Division, Otsuka Pharmaceutical Co., Ltd.
December 2001 Executive Director, Research and Development, Otsuka Pharmaceutical Factory, Inc.
May 2002 Representative Director, Otsuka Pharmaceutical Factory, Inc.
December 2003 Executive Deputy President and Representative Director, Otsuka Pharmaceutical Factory, Inc.
December 2004 President and Representative Director, Otsuka Pharmaceutical Factory, Inc.
July 2008 Executive Director, Otsuka Holdings Co., Ltd.
June 2010 Executive Deputy President and Executive Director, Otsuka Holdings Co., Ltd.
June 2014 Representative Director, Otsuka Pharmaceutical Factory, Inc.
Vice Chairman and Representative Director, Otsuka Holdings Co., Ltd.
March 2015 Executive Director, Otsuka Pharmaceutical Co., Ltd. (Current Position)
Chairman, Otsuka Pharmaceutical Factory, Inc.
Chairman and Representative Director, Otsuka Holdings Co., Ltd. (Current Position)
March 2022 Representative Director, Otsuka Pharmaceutical Factory, Inc. (Current Position)
[Significant concurrent positions outside the Company]
Representative Director, Otsuka Pharmaceutical Factory, Inc.
Executive Director, Otsuka Pharmaceutical Co., Ltd.
President and Representative Director, Otsuka Estate Co., Ltd.
President and Representative Director, Otsuka Asset Co., Ltd.</td><td rowspan="2">7,882,584</td></tr>
<tr><td colspan="2">[Reasons for nominating him as a candidate for Director]
Mr. Ichiro Otsuka has been overseeing all areas of management of the Company and its subsidiaries (hereinafter referred to as the "Group"), and promoting coordination among group companies and enhancement of internal and external networks. In line with the corporate philosophy, he has achieved a proven track record of enhancing corporate value by pursuing an ideal vision of the Otsuka group from a medium- to long-term perspective, while also creating optimal synergies within the group.
The Company deems that it can expect him to ensure and improve the effectiveness of the Board of Directors by playing a central role in management decision-making and supervision in making use of his broad experience, expertise, and high level of management knowledge, and furthermore deems that he is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated him as a candidate for Director.</td></tr>
</table>

(Translation)

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
2	Reappointment  Makoto Inoue (August 9, 1958) Position and areas of responsibility in the Company: President and Representative Director, CEO Term of office as Director: 5 years	April 1983 Joined Otsuka Pharmaceutical Co., Ltd. June 2008 Vice President, General Manager of Diagnostic Division, Otsuka Pharmaceutical Co., Ltd. June 2009 Senior Vice President, Deputy General Manager of Pharmaceutical Business Division, Otsuka Pharmaceutical Co., Ltd. March 2015 Executive Director, Executive Vice President, General Manager of Nutraceutical Business Division, Otsuka Pharmaceutical Co., Ltd. April 2015 Executive Director, Pharmavite LLC March 2017 Managing Director, Nutraceutical Business, Otsuka Pharmaceutical Co., Ltd. September 2017 Executive Director, Daiya Foods Inc. March 2018 Senior Managing Director, Nutraceutical Business, Otsuka Pharmaceutical Co., Ltd. October 2018 Chairman, Nardobel SAS March 2019 Executive Deputy President and Executive Director, Otsuka Pharmaceutical Co., Ltd. March 2020 President and Representative Director, Otsuka Pharmaceutical Co., Ltd. (Current Position) Executive Director, Otsuka Holdings Co., Ltd. January 2024 Representative Director, COO, Otsuka Holdings Co., Ltd. January 2025 President and Representative Director, CEO, Otsuka Holdings Co., Ltd. (Current Position) [Significant concurrent positions outside the Company] President and Representative Director, Otsuka Pharmaceutical Co., Ltd.	72,000
	[Reasons for nominating him as a candidate for Director] Mr. Makoto Inoue has served as the President and Representative Director, CEO of the Company since January 2025. With the aim of achieving the objectives of the Fourth Medium-Term Management Plan and eyeing medium- to long-term growth beyond its scope, he has been promptly responding to the rapidly evolving external environment, and proactively promoting our business as a new leader in alignment with the corporate philosophy and management strategy. He has abundant experience and a track record in both the pharmaceutical business and the nutraceutical business, which are the core businesses of the Group, and has outstanding leadership and organizational management capabilities. The Company deems that it can expect him to, by making use of his broad experience, expertise and management knowledge, ensure and improve the effectiveness of the Board of Directors and that he is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated him as a candidate for Director.		

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Career summary and
significant concurrent positions outside the Company</th><th>Number of the Company’s shares owned</th></tr>
<tr><td rowspan="2">3</td><td>Reappointment

Yoshiro Matsuo
(November 3, 1960)

Position and areas of responsibility in the Company:
Executive Deputy President and Representative Director

Term of office as Director:
16 years and 8 months</td><td>April 1985 Joined Otsuka Pharmaceutical Co., Ltd.
January 2003 Vice President, Associate General Manager of the General Affairs Department, Otsuka Pharmaceutical Co., Ltd.
June 2006 Vice President, General Manager of the General Affairs Department, Otsuka Pharmaceutical Co., Ltd.
November 2007 Senior Vice President, General Manager of the General Affairs Department with additional responsibility for Legal Affairs and External Relations, Otsuka Pharmaceutical Co., Ltd.
July 2008 Managing Director, Corporate Administration, Otsuka Holdings Co., Ltd.
March 2016 Senior Managing Director, Corporate Administration, Otsuka Holdings Co., Ltd.
January 2017 Executive Director, Otsuka Medical Devices Co., Ltd.
March 2022 Executive Deputy President and Representative Director, Otsuka Pharmaceutical Co., Ltd. (Current Position)
Executive Deputy President and Executive Director, Otsuka Holdings Co., Ltd.
March 2023 Executive Director, Otsuka Foods Co., Ltd.
January 2025 Executive Deputy President and Representative Director, Otsuka Holdings Co., Ltd. (Current Position)
[Significant concurrent positions outside the Company]
Executive Deputy President and Representative Director, Otsuka Pharmaceutical Co., Ltd.</td><td rowspan="2">84,760</td></tr>
<tr><td colspan="2">[Reasons for nominating him as a candidate for Director]
Mr. Yoshiro Matsuo has been conducting an appropriate analysis of changes in the external environment. He has achieved adequate results in overseeing and enhancing the functions of all of the corporate departments that serve as a basis for increasing corporate value, such as enhancing corporate governance, promoting sustainability, developing human resources and improving employee engagement within the Group.
He has in-depth knowledge in Group operations and corporate governance. The Company deems that it can expect him to, by making use of his expertise and management knowledge, ensure and improve the effectiveness of the Board of Directors and that he is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated him as a candidate for Director.</td></tr>
</table>

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Career summary and
significant concurrent positions outside the Company</th><th>Number of the Company’s shares owned</th></tr>
<tr><td rowspan="2">4</td><td>Reappointment

Yuko Makino
(October 23, 1961)

Position and areas of responsibility in the Company:
Executive Director, CFO

Term of office as Director:
7 years</td><td>April 1982 Joined Otsuka Pharmaceutical Co., Ltd.
April 1993 Joined Deloitte&Touche LLC Seattle Office (present day Deloitte Touche Tohmatsu LLC)
April 1996 Joined Baxter Limited
April 2000 Joined Otsuka Pharmaceutical Co., Ltd.
March 2015 Director of the Corporate Finance & Accounting Department, Otsuka Holdings Co., Ltd.
September 2016 Vice President, Director of the Corporate Finance & Accounting Department, Otsuka Holdings Co., Ltd.
Vice President, Director of Accounting Department, Otsuka Pharmaceutical Co., Ltd.
April 2017 Vice President, Director of the Tax Department, Otsuka Holdings Co., Ltd.
Vice President, Director of the Finance & Accounting Department, Otsuka Pharmaceutical Co., Ltd.
March 2018 Executive Director, Corporate Finance, Otsuka Holdings Co., Ltd.
March 2019 Executive Director, CFO, Otsuka Holdings Co., Ltd. (Current Position)
March 2022 Executive Director, Finance, Otsuka Pharmaceutical Co., Ltd. (Current Position)
[Significant concurrent positions outside the Company]
Executive Director, Finance, Otsuka Pharmaceutical Co., Ltd.</td><td rowspan="2">35,000</td></tr>
<tr><td colspan="2">[Reasons for nominating her as a candidate for Director]
Ms. Yuko Makino has a high level of expertise in finance, as well as track records in the formulation and implementation of financial strategies for the Company that contribute to growth, and in the establishment of the financial foundation. She has been promoting the enhancement and sophistication of the management platform by optimizing the Group’s corporate functions, and the business management with a corporate wide awareness of capital costs, and has been achieving adequate results as CFO.
The Company deems that it can expect her to, by making use of her broad experience, expertise, and management knowledge, ensure and improve the effectiveness of the Board of Directors and that she is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated her as a candidate for Director.</td></tr>
</table>

(Translation)

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Career summary and
significant concurrent positions outside the Company</th><th>Number of the Company’s shares owned</th></tr>
<tr><td rowspan="2">5</td><td>Reappointment

Shuichi Takagi
(January 3, 1966)

Position and areas of responsibility in the Company:
Executive Director

Term of office as Director:
6 years</td><td>April 1989 Joined TOBISHIMA CORPORATION
September 1995 Joined Otsuka Pharmaceutical Co., Ltd.
August 2002 Finance Department of OIAA Division, Otsuka Pharmaceutical Co., Ltd.
July 2003 Corporate Finance & Accounting Department, Otsuka Pharmaceutical Co., Ltd.
March 2015 Vice President responsible for India Business, Otsuka Pharmaceutical Factory, Inc.
May 2015 CEO, Claris Otsuka Private Limited (present day Otsuka Pharmaceutical India Private Limited)
January 2019 Senior Vice President, President’s Office, Otsuka Holdings Co., Ltd.
March 2019 Executive Director, Finance and Business Portfolio Management, Otsuka Pharmaceutical Co., Ltd.
Executive Director, Business Portfolio Management, Otsuka Holdings Co., Ltd.
October 2021 President, Otsuka America, Inc.
March 2022 Managing Director, Business Strategy; concurrently President, Otsuka America, Inc., Otsuka Pharmaceutical Co., Ltd.
Managing Director, CSO, Otsuka Holdings Co., Ltd.
February 2023 Chairman, Otsuka America, Inc.
March 2023 Executive Director, Otsuka Pharmaceutical Factory, Inc.
January 2024 Executive Director, Otsuka Holdings Co., Ltd. (Current Position)
President and Representative Director, Otsuka Pharmaceutical Factory, Inc. (Current Position)
[Significant concurrent positions outside the Company]
President and Representative Director, Otsuka Pharmaceutical Factory, Inc.</td><td rowspan="2">43,200</td></tr>
<tr><td colspan="2">[Reasons for nominating him as a candidate for Director]
Mr. Shuichi Takagi has achieved adequate results in managing the fields of finance and accounting and several overseas subsidiaries. Currently, as the president of Otsuka Pharmaceutical Factory, Inc., he is demonstrating strong leadership in driving the globalization of the clinical nutrition business, one of the Group’s core businesses.
The Company deems that it can expect him to, by making use of his broad experience, expertise and management knowledge, ensure and improve the effectiveness of the Board of Directors and that he is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated him as a candidate for Director.</td></tr>
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<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Career summary and
significant concurrent positions outside the Company</th><th>Number of the Company's shares owned</th></tr>
<tr><td rowspan="2">6</td><td>Reappointment

Masayuki Kobayashi
(July 10, 1966)

Position and areas of responsibility in the Company:
Executive Director

Term of office as Director:
8 years</td><td>April 1989 Joined The Daiwa Bank, Ltd. (present day Resona Bank, Limited)
October 1993 Joined Taiho Pharmaceutical Co., Ltd.
August 2002 President, Taiho Pharma USA, Inc. (present day TAIHO ONCOLOGY, INC.)
September 2003 Executive Director, Taiho Pharmaceutical Co., Ltd.
April 2010 President and CEO, Otsuka America, Inc.
April 2012 President and Representative Director, Taiho Pharmaceutical Co., Ltd. (Current Position)
Executive Director, Taiho Pharma USA, Inc.
April 2014 Chairman, TAIHO ONCOLOGY, INC. (Current Position)
March 2017 Executive Director, Otsuka Holdings Co., Ltd. (Current Position)
[Significant concurrent positions outside the Company]
President and Representative Director, Taiho Pharmaceutical Co., Ltd.
Chairman, TAIHO ONCOLOGY, INC.</td><td rowspan="2">90,500</td></tr>
<tr><td colspan="2">[Reasons for nominating him as a candidate for Director]
Mr. Masayuki Kobayashi has broad experience and a track record in corporate management, including the management of overseas subsidiaries. Based on his unique viewpoint and expertise in the pharmaceutical business, particularly oncology, he has been accelerating the development of the pharmaceutical business of the Group. In addition, as the president of Taiho Pharmaceutical Co., Ltd., he is demonstrating impactful leadership and has been steadily achieving results.
The Company deems that it can expect him to, by making use of his broad experience, expertise and management knowledge, ensure and improve the effectiveness of the Board of Directors and that he is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated him as a candidate for Director.</td></tr>
</table>

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Career summary and
significant concurrent positions outside the Company</th><th>Number of the Company's shares owned</th></tr>
<tr><td rowspan="2">7</td><td>Reappointment

Noriko Tojo
(February 28, 1964)

Position and areas of responsibility in the Company:
Executive Director

Term of office as Director:
10 years and 10 months</td><td>April 1987 Joined Goldman Sachs (Japan) Corporation
August 1991 Joined Shearson Lehman Brothers Holdings Inc.
July 2002 Engagement Manager, McKinsey & Company, Japan Office
June 2006 Director, Intel Capital Japan, Intel Corporation
August 2008 Managing Director, Corporate Development, Otsuka Holdings Co., Ltd.
February 2011 Executive Director, Otsuka Medical Devices Co., Ltd.
April 2012 President and CEO, Otsuka America, Inc.
August 2015 Executive Director and CEO, Pharmavite LLC
January 2017 President and Representative Director, Otsuka Medical Devices Co., Ltd. (Current Position)
May 2017 Executive Director, Otsuka America, Inc.
August 2017 Chairman, Pharmavite LLC
March 2018 Executive Director, Otsuka Holdings Co., Ltd. (Current Position)
[Significant concurrent positions outside the Company]
President and Representative Director, Otsuka Medical Devices Co., Ltd.</td><td rowspan="2">72,000</td></tr>
<tr><td colspan="2">[Reasons for nominating her as a candidate for Director]
Based on her experience in the management of the corporate planning department of the Company and overseas subsidiaries as well as expertise in company analysis, Ms. Noriko Tojo is steadily carrying out a business strategy to grow the Group's medical devices business into a new core business as the president of Otsuka Medical Devices Co., Ltd., all while achieving results. Moreover, she has been actively promoting organizational management and development of human resources to facilitate the development of the company's foundation.
The Company deems that it can expect her to, by making use of her broad experience, expertise and management knowledge, ensure and improve the effectiveness of the Board of Directors and that she is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated her as a candidate for Director.</td></tr>
</table>

(Translation)

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary and
significant concurrent positions outside the Company</th><th>Number of the Company’s shares owned</th></tr>
<tr><td rowspan="2">8</td><td>Reappointment

Tatsuo Higuchi
(June 14, 1950)

Position and areas of responsibility in the Company:
Executive Director and Advisor

Term of office as Director:
16 years and 8 months</td><td>March 1977
June 1998

November 1998

June 1999

June 2000

June 2008

July 2008

December 2011
February 2015

March 2020

January 2025</td><td>Joined Otsuka Pharmaceutical Co., Ltd.
Senior Managing Director, Otsuka Pharmaceutical Co., Ltd. (Pharmavite)
Executive Deputy President and Executive Director, Otsuka Pharmaceutical Co., Ltd.
Executive Director, responsible for U.S. Business, Otsuka Pharmaceutical Co., Ltd.
President and Representative Director, Otsuka Pharmaceutical Co., Ltd.
Executive Director, Otsuka Pharmaceutical Co., Ltd.
President and Representative Director, CEO, Otsuka Holdings Co., Ltd.
Executive Director, Otsuka Chemical Co., Ltd.
President and Representative Director, Otsuka Pharmaceutical Co., Ltd.
Chairman and Representative Director, Otsuka Pharmaceutical Co., Ltd.
Executive Director and Advisor, Otsuka Holdings Co., Ltd. (Current Position)
Chairman and Executive Director, Otsuka Pharmaceutical Co., Ltd. (Current Position)
[Significant concurrent positions outside the Company]
Chairman and Executive Director, Otsuka Pharmaceutical Co., Ltd.</td><td rowspan="2">205,600</td></tr>
<tr><td colspan="3">[Reasons for nominating him as a candidate for Director]
Mr. Tatsuo Higuchi has steadily achieved results in achieving the objectives outlined in the First to Third Medium-Term Management Plans through his outstanding leadership as President. In addition to establishing the foundation for the Fourth Medium-Term Management Plan, he has also worked to develop future-oriented human resources and has continuously strived to strengthen the management foundation and lay the groundwork for the next generation.
Going forward, from a medium- to long-term perspective, the Company deems that it can expect him to, by making use of his broad experience, expertise, and high level of management knowledge, ensure and improve the effectiveness of the Board of Directors and that he is essential for seeking sustainable and innovative growth and increased corporate value for the Group. Therefore, the Company nominated him as a candidate for Director.</td></tr>
</table>

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Career summary and
significant concurrent positions outside the Company</th><th>Number of the Company’s shares owned</th></tr>
<tr><td rowspan="2">9</td><td>Reappointment
Candidate for Outside Director
Candidate for Independent Officer

Yukio Matsutani
(October 20, 1949)

Position and areas of responsibility in the Company:
Outside Director

Term of office as Outside Director:
9 years</td><td>April 1975 Intern, Pediatric Department, St. Luke’s International Hospital
October 1981 Joined Ministry of Health and Welfare (present day Ministry of Health, Labour and Welfare)
August 2005 Director-General, Health Policy Bureau, Ministry of Health, Labour and Welfare
August 2007 Director, National Sanatorium Tama Zenshoen
April 2012 President, National Institute of Public Health
December 2015 Vice President, International University of Health and Welfare
March 2016 Outside Director, Otsuka Holdings Co., Ltd. (Current Position)
June 2019 President, Japan Public Health Association (Current Position)
[Significant concurrent positions outside the Company]
President, Japan Public Health Association</td><td rowspan="2">0</td></tr>
<tr><td colspan="2">[Reason for nominating him as a candidate for Outside Director and overview of the role expected of him]
Mr. Yukio Matsutani has abundant experience and extensive knowledge in the healthcare and welfare field, as well as high level of expertise in overall health care. He also has provided accurate and valuable suggestions and advice to the Company’s management from an independent standpoint as an outside director, and from an objective and expert viewpoint. Therefore, the Company nominated him as a candidate for Outside Director.</td></tr>
</table>

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
10	Reappointment Candidate for Outside Director Candidate for Independent Officer  Yoshihisa Aoki (January 17, 1952) Position and areas of responsibility in the Company: Outside Director Term of office as Outside Director: 6 years	April 1974 Joined ITOCHU Corporation June 2003 Executive Officer, ITOCHU Corporation April 2009 Managing Executive Officer, President, Food Company, ITOCHU Corporation April 2010 Member of the Board, Senior Managing Executive Officer, President, Food Company, ITOCHU Corporation March 2017 Administrative Officer, ITOCHU Corporation (Current Position) June 2017 Outside Director, ARATA CORPORATION March 2019 Outside Director, Otsuka Holdings Co., Ltd. (Current Position) [Significant concurrent positions outside the Company] –	0
	[Reason for nominating him as a candidate for Outside Director and overview of the role expected of him] Mr. Yoshihisa Aoki has abundant experience, a track record, and extensive knowledge as a corporate manager and abundant experience, expertise and network in the food industry. He also has provided accurate and valuable suggestions and advice to the Company's management from an independent standpoint as an outside director, and from an objective and expert viewpoint. Therefore, the Company nominated him as a candidate for Outside Director.		

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Career summary and
significant concurrent positions outside the Company</th><th>Number of the Company’s shares owned</th></tr>
<tr><td rowspan="2">11</td><td>Reappointment
Candidate for Outside Director
Candidate for Independent Officer

Mayo Mita
(October 14, 1960)
Position and areas of responsibility in the Company:
Outside Director
Term of office as Outside Director:
5 years</td><td>April 1983 Joined Morgan Stanley Japan Securities Co., Ltd. (present day Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
January 1989 Equity Research Division (Healthcare), Morgan Stanley Japan Securities Co., Ltd.
December 2000 Managing Director, Morgan Stanley Japan Securities Co., Ltd.
December 2013 Senior Advisor, Investment Banking Business Unit (Healthcare), Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
March 2020 Outside Director, Otsuka Holdings Co., Ltd. (Current Position)
June 2023 Outside Auditor, Mitsui Fudosan Co., Ltd. (Current Position)
[Significant concurrent positions outside the Company]
Outside Auditor, Mitsui Fudosan Co., Ltd.</td><td rowspan="2">0</td></tr>
<tr><td colspan="2">[Reason for nominating her as a candidate for Outside Director and overview of the role expected of her]
Ms. Mayo Mita, as a securities analyst, has abundant experience in corporate analysis and based on that, a high level of insight in objectively observing and analyzing companies. She has been providing accurate and valuable suggestions and advice to the Company’s management from an independent standpoint as an outside director, and from an objective and expert viewpoint. Therefore, the Company nominated her as a candidate for Outside Director.
Note: Ms. Mayo Mita’s name on the family register is Ms. Mayo Nakatsuka.</td></tr>
</table>

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Career summary and
significant concurrent positions outside the Company</th><th>Number of the Company’s shares owned</th></tr>
<tr><td rowspan="2">12</td><td>Reappointment
Candidate for Outside Director
Candidate for Independent Officer

Tatsuaki Kitachi
(April 23, 1956)
Position and areas of responsibility in the Company:
Outside Director
Term of office as Outside Director:
3 years</td><td>October 1985 Joined Sanwa Tokyo Marunouchi Office Audit Corporation (present day Deloitte Touche Tohmatsu LLC)
April 1989 Registered as a certified public accountant
July 1996 Partner, Tohmatsu & Co. (present day Deloitte Touche Tohmatsu LLC)
April 2010 Commissioner, Public Interest Corporation Commission, Cabinet Office
October 2012 Leader of Advisory Development Division, Deloitte Touche Tohmatsu LLC
November 2013 Member of the Board, Deloitte Touche Tohmatsu LLC
June 2017 Leader of Industry Service Division, Advisory Service Headquarters, Deloitte Touche Tohmatsu LLC
June 2019 Thought Leader, Deloitte Tohmatsu LLC
September 2021 Special Adviser to the Governor of Kanagawa Prefecture (Current Position)
March 2022 Outside Director, Otsuka Holdings Co., Ltd. (Current Position)
[Significant concurrent positions outside the Company]
Special Adviser to the Governor of Kanagawa Prefecture</td><td rowspan="2">0</td></tr>
<tr><td colspan="2">[Reason for nominating him as a candidate for Outside Director and overview of the role expected of him]
Mr. Tatsuaki Kitachi has expertise as a certified public accountant and consulting experience related to risk management, corporate governance, etc. He also has provided accurate and valuable suggestions and advice to the Company’s management from an independent standpoint as an outside director, and from an objective and expert viewpoint. Therefore, the Company nominated him as a candidate for Outside Director.</td></tr>
</table>

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
13	New appointment Candidate for Outside Director Candidate for Independent Officer  Jiro Seguchi (July 29, 1963) Position and areas of responsibility in the Company: – Term of office as Outside Director: –	April 1986 Joined The Bank of Tokyo, Ltd. (present day MUFG Bank, Ltd.) March 1999 Joined Merrill Lynch Japan Securities Co., Ltd. July 2010 Representative Director and President, Merrill Lynch Japan Securities Co., Ltd. Country Executive, Bank of America Corporation October 2013 Head of Asia Pacific Global Corporate & Investment Banking, Bank of America Corporation June 2016 Representative Director and President, Merrill Lynch Japan Securities Co., Ltd. Country Executive, Bank of America Corporation January 2019 Co-President of Asia Pacific, Bank of America Corporation July 2023 Senior adviser of Asia Pacific, Bank of America Corporation [Significant concurrent positions outside the Company] –	0
	[Reason for nominating him as a candidate for Outside Director and overview of the role expected of him] Mr. Jiro Seguchi has abundant experience and a track record as a corporate manager for global companies, and broad expertise as an investment banker. The Company deems that it can expect him to provide accurate and valuable suggestions and advice to its management from an independent standpoint as an outside director, and from an objective and expert viewpoint. Therefore, the Company nominated him as a candidate for Outside Director.		

Notes:

1. The candidates have no special interests in the Company.
2. The number of the Company's shares owned by Ichiro Otsuka is those actually held, including shares in the Otsuka Founders Shareholding Fund Trust Account.
3. Yukio Matsutani, Yoshihisa Aoki, Mayo Mita, Tatsuaki Kitachi and Jiro Seguchi are candidates for Outside Directors. The five conform with the Independence Criteria for Outside Directors in the Company's Corporate Governance Guidelines, and the Company has registered them as Independent Officers as provided for under the rules of the Tokyo Stock Exchange.
4. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with Yukio Matsutani, Yoshihisa Aoki, Mayo Mita and Tatsuaki Kitachi which limit their liabilities for damages under Article 423, paragraph (1) of the same Act. If their reappointments are approved, the Company plans to continue these agreements. If the appointment of Jiro Seguchi is approved, the Company will enter into the same agreement with him. The maximum amount of liabilities under the said agreement shall be the amounts set forth in laws and regulations. The limitation of liability specified in these agreements shall be limited to times when the Outside Directors are without knowledge and not grossly negligent in performing the duties as Outside Director that cause liability.
5. The Company has entered into an executive liability limitation insurance agreement as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The insurance agreement covers damages caused by claims for damage compensation arising from the performance of duties by Directors and/or Audit & Supervisory Board Members (legally mandated damage compensation and legal expenses). The Company's Directors and Audit & Supervisory Board Members are the insured parties under the insurance agreement, and the entire amount of the insurance premiums for the insured parties is borne by the Company. If the election of each candidate is approved at the meeting, the Company plans to include each of them as an insured in the insurance agreement. For an overview of the details of the insurance agreement, please see "Summary of the executive liability limitation insurance agreement" on page 41.

[For Reference]

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

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

(1) The Outside Director in question has any close relative within the second degree of kinship who is currently or has in the past three years served as an executive director, executive officer (*shikkoyaku*), vice president (*shikkoyakuin*), or important employee (collectively, hereinafter "Executive") of the Company or one of the Group companies.

(2) The company at which the Outside Director in question currently serves as an Executive has transactions with the Group companies, and the amount of those transactions between the company and any of the Group companies in the past three fiscal years is more than 2% of the consolidated net sales of any of the respective companies.

(3) The Outside Director in question, in any one fiscal year in the past three fiscal years, has received remuneration in excess of ¥5 million as an expert or consultant in law, accounting, or tax, directly from the Group companies (excluding the remuneration as Director of the Company).

(4) Contributions to a non-profit organization at which the Outside Director in question serves as an Executive total more than ¥10 million in the past three fiscal years, and, exceed 2% of the gross income of the organization in question.

(Translation)

Skill Matrix for Directors and Audit & Supervisory Board Members

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

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

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

(Translation)

Attached documents

Business Report

(From January 1, 2024 to December 31, 2024)

1. Overview of Business during the Current Fiscal Year

(1) Business Progress and Achievement of the Group

i) Business activity and results

(Millions of yen)

Item	FY2023 (Fiscal year ended December 31, 2023)	FY2024 (Fiscal year ended December 31, 2024)	Change	% Change
Revenue	2,018,568	2,329,861	311,293	15.4%
Business profit before research and development expenses	620,358	744,696	124,338	20.0%
Business profit*	312,553	430,463	117,909	37.7%
Operating profit	139,612	323,564	183,951	131.8%
Profit before tax	142,655	335,854	193,198	135.4%
Profit for the year	125,499	347,271	221,771	176.7%
Profit attributable to owners of the Company	121,616	343,120	221,504	182.1%

Research and development expenses	307,804	314,233	6,428	2.1%
Impairment losses	172,419	126,040	(46,378)	(26.9)%

* The Group adopted “Business profit” as an indicator of ordinary earnings power, which is calculated as follows: Revenue – Cost of sales – Selling, general and administrative expenses – Research and development expenses + Share of profit of investments accounted for using the equity method

Revenue for the fiscal year ended December 31, 2024 totaled ¥2,329,861 million (up 15.4% over the previous fiscal year), as revenue increased particularly in the pharmaceutical business and the nutraceutical business. The main factors behind this growth were increases in the two core products of antipsychotic agent *REXULTI/RXULTI* and anti-cancer agent *LONSURF*, which have been designated the growth drivers under the Fourth Medium-Term Management Plan, as well as sales growth of long-acting injection *ABILIFY MAINTENA/ABILIFY ASIMTUFII*, V_2-receptor antagonist *JINARC/JYNARQUE*, and others. Within the nutraceutical business, in the three newly designated growth driver categories by social issues, all categories also recorded expansion, centered on *POCARI SWEAT* and *Nature Made*, which led to an increase in revenue.

Business profit before research and development expenses was ¥744,696 million (up 20.0%). The main factors were increased gross profit with increased sales for the pharmaceutical business and nutraceutical business.

Research and development expenses totaled ¥314,233 million (up 2.1%). In the development pipeline, development expenses increased for the development of sibeprenlimab/VIS649 which is under development for the treatment of IgA nephropathy, and the new antipsychotic agent ulotaront/SEP-363856 introduced by Sumitomo Pharma Co., Ltd. On the other hand, development expenses for AVP-786 decreased due to discontinued development.

Business profit increased significantly to ¥430,463 million (up 37.7%) as a result of steady revenue growth.

Operating profit increased to ¥323,564 million (up 131.8%). This can be attributed to the greater than anticipated growth in revenue, despite the recording of impairment losses on AVP-786 and assets related to digital medicine, etc.

Income tax income for the fiscal year ended December 31, 2024 totaled ¥11,417 million (income tax expenses of ¥17,155 million in the previous fiscal year) as a result of a one-time tax adjustment at a U.S. subsidiary.

As a result, profit for the year was ¥347,271 million (up 176.7%), and profit attributable to owners of the Company was ¥343,120 million (up 182.1%).

ii) Major business activities (as of December 31, 2024)

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

Results by business segment are as follows:

(Millions of yen)

Business segment*	Revenue			Business profit		
	FY2023	FY2024	Change	FY2023	FY2024	Change
Pharmaceuticals	1,391,155	1,629,032	237,877	282,089	390,608	108,519
Nutraceuticals	483,463	557,043	73,580	60,462	64,147	3,685
Consumer products	37,081	33,760	(3,321)	18,101	23,662	5,561
Others	110,211	113,657	3,446	3,134	6,952	3,818
Adjustments	(3,343)	(3,631)	(288)	(51,234)	(54,907)	(3,673)
Total	2,018,568	2,329,861	311,293	312,553	430,463	117,910

* Effective from the fiscal year ended December 31, 2024, which marks the beginning of the Fourth Medium-Term Management Plan, the warehousing and transport business provided for the Group, previously categorized as "Others," has been separated and included in each business segment. Similarly, the business handling bulk pharmaceuticals and intermediates and the business handling pharmaceutical containers and packaging for Group companies, also once classified under "Others," have been separated and included in the pharmaceuticals segment. These changes were made to further clarify the revenue, expense, and profit status of each business segment. The figures stated for the fiscal year ended December 31, 2023 have been reclassified to reflect the new business segment classifications after the change.

Pharmaceuticals

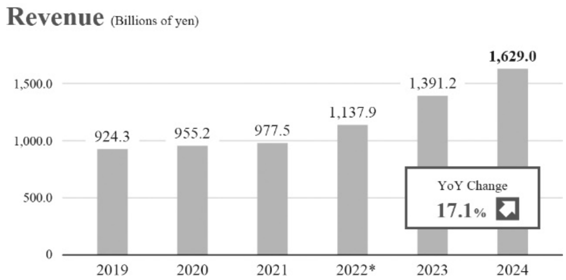
Outline of business

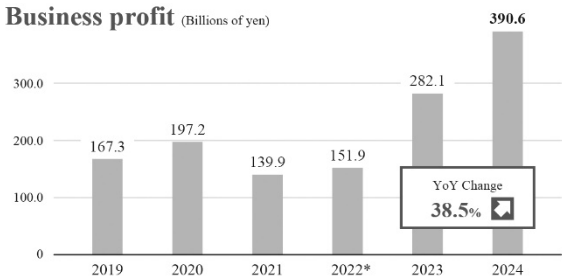
Based on the theme of "unmet medical needs," we are focusing on the areas of the psychiatry and neurology, oncology, and cardiovascular and renal system as priority areas. Furthermore, by engaging in a wide range of areas and businesses such as digestive system, ophthalmology, diagnostic agent, intravenous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

Therapeutic drugs Diagnostics Clinical nutrition Medical devices Bulk pharmaceuticals and intermediates

Consolidated revenue: ¥1,629.0 billion (up 17.1%)

Revenue for the fiscal year ended December 31, 2024 totaled ¥1,629,032 million (up 17.1%) due to strong sales of the main products, with business profit of ¥390,608 million (up 38.5%) owing to sales contribution from the two core products (*REXULTI/RXULTI* and *LONSURF*) and other mainstay products.





* The figures up until FY2022 correspond to the segments before the change.

◆ Main products

- Antipsychotic agent *REXULTI/RXULTI*

In the U.S., the Group is actively engaged in activities to raise awareness of agitation associated with dementia due to Alzheimer's disease. Prescriptions grew and sales increased, mainly due to enhancement of detailing activities. In Japan, sales increased significantly in part as a result of an increase in the number of new prescriptions due to enhancement of detailing activities for schizophrenia, and also as a result of having obtained approval for indication for treating depression and depressive states in December 2023 and having obtained approval for the indication of agitation associated with dementia due to Alzheimer's disease* in September 2024. As a result, sales of *REXULTI/RXULTI* totaled ¥267,441 million (up 25.8%).

* In the Japanese package insert, the indications and effects are described as "excessive motor activity or physically/verbally aggressive behavior due to rapid changes in mood, irritability, and/or outbursts associated with dementia due to Alzheimer's disease."

- Anti-cancer agent *LONSURF*

In the U.S., sales increased significantly due to the approval in August 2023 for the additional indication for treatment in combination with bevacizumab for colorectal cancer, and the recommendation of the combination therapy in NCCN Guidelines* leading to an increase in the number of prescriptions. In Europe, sales increased significantly due to an increase in the number of prescriptions associated with initiation of detailing activities in some countries where such combination therapy is employed. In Japan, sales increased in part due to increased awareness of such combination therapy following publication of a research paper, etc., and also because detailing activities of such combination therapy became possible due to package insert revision in March 2024, and JSCCR Guidelines for the Treatment of Colorectal Cancer were revised in July 2024. As a result, sales of *LONSURF* totaled ¥104,394 million (up 30.3%).

* Cancer treatment guidelines that are used widely around the world

- Aripiprazole long-acting injection (1 month) *ABILIFY MAINTENA*

In the U.S., sales increased mainly due to promoting the efficacy of the product for bipolar I disorder and schizophrenia patients, who have problems adhering to drug regimens, as well as detailing activities. In Europe, sales increased due to solid performance in each country. In Japan, sales increased due to stronger detailing activities for bipolar I disorder, in addition to schizophrenia. As a result, sales of *ABILIFY MAINTENA* totaled ¥218,973 million (up 10.8%).

- Aripiprazole long-acting injection (2 months) *ABILIFY ASIMTUFII*
  In the U.S., sales increased significantly atop growth in prescriptions, mainly due to promoting the efficacy of the product for bipolar I disorder and schizophrenia patients, who have problems adhering to drug regimens, as well as detailing activities, in addition to a switch from the aripiprazole long-acting injection (1 month) *ABILIFY MAINTENA*. In Europe, sales continued to be solid as the 2-month long-acting injection obtained approval in March 2024 for the first time ever in Europe for maintenance treatment of schizophrenia. As a result, sales of *ABILIFY ASIMTUFII* totaled ¥18,937 million (up 286.8%).

- V_2-receptor antagonist *Samsca/JINARC/JYNARQUE*
  In the U.S., sales increased significantly as a result of an increase in the number of prescriptions for autosomal dominant polycystic kidney disease (ADPKD) mainly due to continued efforts to raise awareness of the disease and detailing activities about clinical data. In Europe and Japan, the business was affected by generics, leading to a decrease in sales. As a result, sales of *Samsca/JINARC/JYNARQUE* totaled ¥281,403 million (up 21.4%).

Nutraceuticals

Outline of business

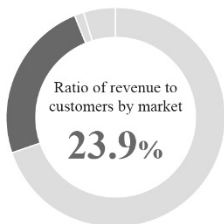
The Group operates a business focused on functional beverages and foods and supplements that support the maintenance and improvement of day-to-day well-being. Utilizing the know-how cultivated in the pharmaceutical business, the Group is engaged in the development of original products based on scientific evidence and the expansion of its global operations in regions such as Asia, the U.S., Europe, the Middle East, and Africa.

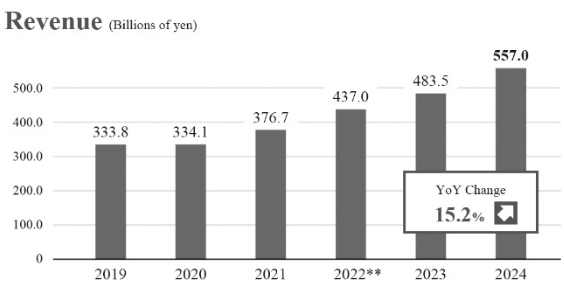
Functional beverages and foods   Cosmedics*   OTC products and quasi-drugs

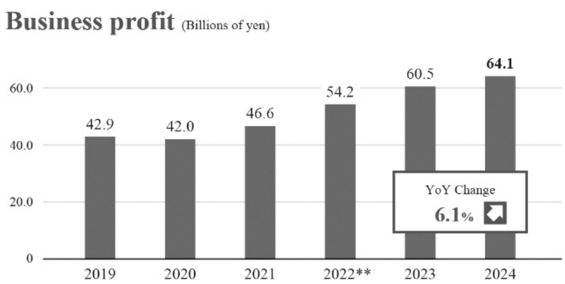
*   Cosmedics: a word coined by cosmetics + medicine = Otsuka's unique concept for skin health products

Consolidated revenue: ¥557.0 billion (up 15.2%)

Revenue for the fiscal year ended December 31, 2024 totaled ¥557,043 million (up 15.2%) due to growth in all of the categories mentioned below, centered on the "For Women's Health" category, with business profit of ¥64,147 million (up 6.1%).







** The figures up until FY2022 correspond to the segments before the change.

Focusing on the three social issues of "Global environment," "Women's health," and "Aging society with declining birthrates," the Company has introduced new categories effective the Fourth Medium-Term Management Plan. The category "For Climate & Environmental Risk" is a product group that contributes to measures to avoid heat stroke, one of the health related issues exacerbated by global warming, and reduction of environmental impact; the category "For Women's Health" is a product group that proposes health solutions for social issues unique to women through the development of products based on scientific evidence; and the category "For Healthier Life" is a product group that meets various needs tailored to life stages.

◆ Three categories by social issues

- For Climate & Environmental Risk

Sales of *POCARI SWEAT*, an electrolyte supplement drink, increased due to growth in sales volume. In Japan, we continued our long-running educational activities focused on hydration and replenishment of electrolytes according to the season and occasion, along with activities for brand value propositions through the dissemination of information to consumers on measures to avoid heat stroke, etc. However, sales volume decreased due to effects of factors that include a reduction in the activity levels—such as outings—by consumers because extremely hot days increased compared to last year. Overseas, sales volume has been increasing due to improvement of the brand value achieved through activities to raise awareness regarding the importance of hydration and replenishment of electrolytes tailored to cultures and circumstances in each region. Sales of the Nutrition & Santé SAS brand, which sells health food products mainly in Europe, increased mainly due to growth in the main products such as *Gerblé*. As a result, revenue for this category totaled ¥198,580 million (up 8.2%).

Products comprising the category: *POCARI SWEAT*, *OS-1*, *Daiya*, the Nutrition & Santé SAS brand

- For Women's Health

Sales of *EQUELLE*, a food and supplement brand that contains eqoul and supports women's health and beauty, increased. In Japan, product awareness made progress as a result of wide-ranging of information, such as seminars on women's health. Meanwhile, sales in the U.S. are expanding due to e-commerce. There was an increase in sales of *Uqora*, which supports women's urological health in North America, due to e-commerce growth and expansion into the pharmacy channel. In this category we acquired the *Bonafide*, brand from Bonafide Health, LLC, which supports women's health, in November 2023. As a result, revenue for this category totaled ¥56,613 million (up 52.3%).

Products comprising the category: *EQUELLE*, *Bonafide*, *Uqora*, *Cosmedics* (*InnerSignal*, *Sakuraé*)

- For Healthier Life

Sales of Nature Made supplements by Pharmavite LLC increased* against a backdrop of continued promotional activities targeting consumers and a high level of trust in the brand and its quality in the U.S. market. Sales of plant-focused supplement brand *MegaFood* grew behind strong innovation and new product launches. As a result, revenue for this category totaled ¥219,332 million (up 19.3%).

Products comprising the category: *Nature Made*, *MegaFood*, *Calorie Mate*

* Circana Data; Market Advantage; YTD wks 12/29/2024, Food, Drug, Mass Excluding Amazon and Costco (MULO) © 2024 Circana

Consumer products

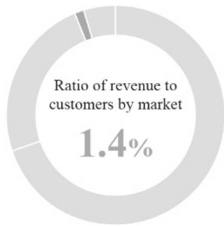
Outline of business

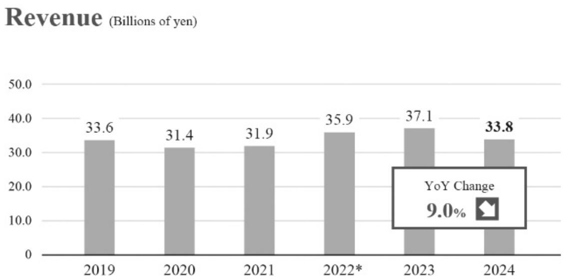
Since launching *Bon Curry*, the world's first commercially available curry in retort pouch bags, in 1968, the Group has been developing products ahead of their time and expanding business in the field of food and beverages familiar to consumers under the theme of taste, safety, security, and health.

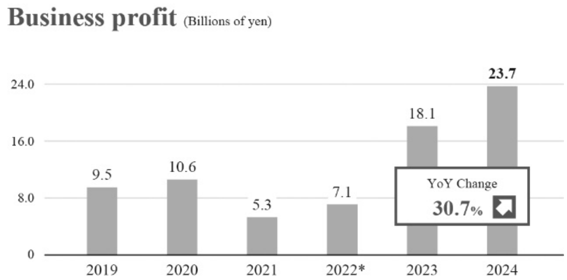
Beverages	Foods	Wine

Consolidated revenue: ¥33.8 billion (down 9.0%)

Revenue for the fiscal year ended December 31, 2024 totaled ¥33,760 million (down 9.0%), with business profit of ¥23,662 million (up 30.7%) in part due to the contribution of a share of profit of investments accounted for using the equity method.







* The figures up until FY2022 correspond to the segments before the change.

The main reason for the decrease in revenue was the withdrawal from sparkling water business in the U.S. *CRYSTAL GEYSER* continued to appeal to the brand value in Japan by communicating the environmental initiatives through the use of lightweight bottles and caps and bottles made from 50% recycled raw materials, although sales volume decreased due to the impact of the price revision. As for *MATCH*, a carbonated vitamin drink, the user base of existing products expanded due to ongoing marketing activities such as measures to offer the drinking experience, targeting mostly high school students, and campaigns that foster relationship building. In addition, sales of *MATCH Vitamin Mikan* launched upon its renewal in October 2024 contributed to results, thereby leading to growth in sales volume.

Others

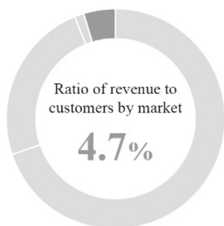
Outline of business

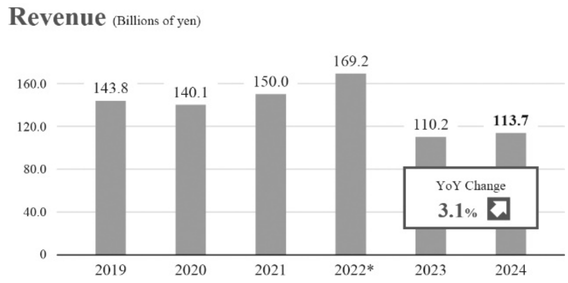
The Group's diversified operations include a chemical business that supplies various materials in the fields of automobiles, electrical and electronic equipment, and building materials; a warehousing and transport business that aims for environmentally friendly logistics; and an electronic equipment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

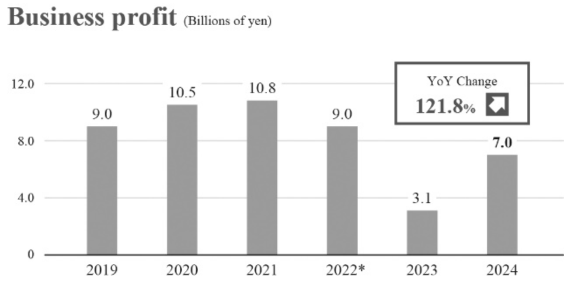
Chemicals	Warehousing and transport	Packaging	Electronic equipments

Consolidated revenue: ¥113.7 billion (up 3.1%)

Revenue for the fiscal year ended December 31, 2024 totaled ¥113,657 million (up 3.1%), with business profit of ¥6,952 million (up 121.8%) in part due to the contribution of a share of profit of investments accounted for using the equity method.







* The figures up until FY2022 correspond to the segments before the change.

Revenue increased in the specialty chemical business. The main reason was the recovery in the automobile and smartphone markets. In the warehousing and transportation business, we are striving to strengthen the total healthcare distribution platform through coordination of logistics data, and revenue remained on par with the previous fiscal year.

(2) Research and Development Activities

Research and development expenses for the fiscal year ended December 31, 2024 totaled ¥314,233 million.

Research and development expenses for the pharmaceutical business amounted to ¥296,422 million, those for the nutraceutical business amounted to ¥11,989 million, those for the consumer products business amounted to ¥636 million and those for the other businesses amounted to ¥5,185 million.

i) Pipeline information

Phase III or later stage of development as of December 31, 2024

The Group conducts research and development with a primary focus on the areas of psychiatry and neurology, and oncology. The Group also conducts research and development focusing on fields that are yet to be fully addressed such as cardiovascular and renal system, etc.

Category	*Brand name* (Generic name) Development Code	Indication / Dosage form	Development status					
			JP		U.S.		EU	
			Phase III	Filed	Phase III	Filed	Phase III	Filed
Psychiatry and neurology	*REXULTI/RXULTI* (brexpiprazole) OPC-34712	Posttraumatic stress disorder / Oral				●		
		Schizophrenia / Once-weekly oral	●					
	(centanafadine) EB-1020	Attention-deficit hyperactivity disorder / Oral			●			
	(ulotaront) SEP-363856	Schizophrenia / Oral	●*		●			
		Major depressive disorder / Oral			●*			
		Generalized anxiety disorder / Oral	●*		●*			
	(pizuglanstat) TAS-205	Duchenne muscular dystrophy / Oral	●					
	(ulefnersen) ION363	Amyotrophic lateral sclerosis / Injection	●**		●**		●**	

Category	*Brand name* (Generic name) Development Code	Indication / Dosage form	Development status JP Phase III	JP Filed	U.S. Phase III	U.S. Filed	EU Phase III	EU Filed
Oncology	(azacitidine・cedazuridine) ASTX030	Myelodysplastic syndromes, chronic myelomonocytic leukemia, acute myeloid leukemia / Oral			●*			
	(pamufetinib) TAS-115	Osteosarcoma / Oral	●					
	(zipalertinib) TAS6417	Non-small cell lung cancer / Oral	●		●		●	
	(zimberelimab + domvanalimab) AB122 + AB154	Upper gastrointestinal tract cancer / Injection	●					
		Non-small cell lung cancer / Injection	●					
Cardiovascular and renal system	(sibeprenlimab) VIS649	IgA nephropathy / Injection	●		●		●	
	(bempedoic acid) ETC-1002	Hypercholesterolemia, familial hypercholesterolemia / Oral		●				
Other categories	*Deltyba* (delamanid) OPC-67683	Multidrug-resistant tuberculosis / Oral			●			
	(donidalorsen) ISIS 721744	Hereditary angioedema / Injection						●

* Phase II/ III
** Phase I/ II/ III

ii) Research and development activities

Phase II or later stage of development as of December 31, 2024

Brand name (Generic name) Development Code	Status*
Psychiatry and neurology	
ABILIFY MAINTENA** (aripiprazole) aripiprazole 2-month long-acting injection	<Europe> ・An application for the indication for the maintenance treatment of schizophrenia was approved in March 2024.
REXULTI (brexpiprazole) OPC-34712	<U.S.> ・An application for the indication for the treatment of post-traumatic stress disorder (PTSD) in adults was filed in April 2024. <Japan> ・An additional indication of treatment for agitation associated with dementia due to Alzheimer's disease was approved in September 2024.
(deuterium-modified dextromethorphan, quinidine) AVP-786	<U.S. and Europe> ・Development for the treatment of agitation*** associated with dementia due to Alzheimer's disease was discontinued for development strategic reason.
(ulefnersen) ION363	<Japan, U.S. and Europe> ・Currently in Phase I / II / III trial for the treatment of amyotrophic lateral sclerosis.
Oncology	
(zimberelimab + domvanalimab) AB122 + AB154	<Japan> ・Phase III trial for the treatment of non-small cell lung cancer was initiated in January 2024.
LYTGOBI (futibatinib) TAS-120	<U.S. and Europe> ・Phase II trial for the treatment of solid tumors (esophageal cancer, pancreatic cancer) was initiated in February 2024.
(azacitidine・cedazuridine) ASTX030	<U.S.> ・Phase II / III trial for the treatment of myelodysplastic syndromes, chronic myelomonocytic leukemia and acute myeloid leukemia was initiated in April 2024.
INQOVI/INAQOVI (decitabine, cedazuridine) ASTX727	<Europe> ・Development for the treatment of myelodysplastic syndromes was discontinued for development strategic reason.
OPB-111077	<Japan> ・Development for the treatment of diffuse large B-cell lymphoma was discontinued for development strategic reason. <U.S.> ・Development for the treatment of hematological cancer was discontinued for development strategic reason.
OPC-415	<Japan> ・Development for the treatment of multiple myeloma was discontinued for development strategic reason.
TAS0313	<Japan> ・Development for the treatment of urothelial carcinoma was discontinued for development strategic reason.
(zinc chloride) OPF-501C	<Japan> ・Development for the treatment of cancerous skin ulcer was discontinued for development strategic reason.

Brand name (Generic name) Development Code	Status*
Cardiovascular and renal system	
Lupkynis (voclosporin)	<Japan> ・An approval for the indication of lupus nephritis was granted in September 2024.
(bempedoic acid) ETC-1002	<Japan> ・An application for the indication of hypercholesterolemia and familial hypercholesterolemia was filed in November 2024.
Other categories	
(repinatrabit) JNT-517	<U.S.> ・Currently in Phase I / II trial for the treatment of Phenylketonuria.
KIDPAREN Injection (glucose, electrolyte, amino acid and vitamin) OPF-109	<Japan> ・An approval was granted as a high-calorie parenteral nutrition for chronic renal failure in September 2024.
ENOSOLID Semi Solid for Enteral Use EN-P09	<Japan> ・An approval was granted as an enteral nutrition to address difficulty in oral food intake in September 2024.
(donidalorsen) ISIS 721744	<Europe> ・An application for the indication of hereditary angioedema was filed in December 2024.

* The above description of status in U.S. and Europe, "an application was filed" indicates that an application for approval has been submitted to or accepted by the relevant authorities. For other countries and regions, it indicates that an application for approval has been submitted to the relevant authorities.

** In Europe, the brand name for the aripiprazole 2-month long-acting injection is *ABILIFY MAINTENA* 720mg/960mg.

*** In the Japanese package insert, the indications and effects are described as "excessive motor activity or physically/verbally aggressive behavior due to rapid changes in mood, irritability, and/or outbursts associated with dementia due to Alzheimer's disease."

(3) Capital Investments

Capital investments including the acquisition of goodwill and intangible assets during the fiscal year ended December 31, 2024 amounted to ¥327,325 million. These investments were funded by own capital and borrowings.

Capital investments in the pharmaceutical business totaled ¥252,004 million, while those in the nutraceutical business totaled ¥54,170 million, the consumer products business totaled ¥3,606 million, the other businesses totaled ¥7,659 million, and corporate investments (common) totaled ¥9,883 million.

Capital investments in the pharmaceutical business include Otsuka America Inc.'s acquisition of Jnana Therapeutics Inc.

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

On September 19, 2024, Jnana Therapeutics Inc. became a wholly owned subsidiary through acquisition of its shares via a special-purpose acquisition subsidiary established by Otsuka America Inc., a consolidated subsidiary of the Company, for cash and future milestone payments, followed by a merger.

(5) Key Issues to be Addressed

i) Business environment surrounding the Company

During fiscal year 2024, the first year of the Fourth Medium-Term Management Plan, the Group's business activities were impacted to a certain degree as the social situation grew increasingly uncertain with mounting geopolitical risks associated with the conflict between Russia and Ukraine and the situation in the Middle East. Amid these circumstances, the Group proactively engaged in initiatives that included marketing and operating activities to address the new business environment, while also dealing with rising prices, etc., due to soaring raw material prices and exchange rate fluctuations.

The healthcare industry is experiencing a period of changing environment. An aging society, the introduction of expensive drugs, outbreaks of communicable disease, etc. are contributing an ever-increasing health care budget and making governments of Japan, the U.S. and those in the Europe become more aware of costs for medical treatments. Facing limited financial resources, those governments are weighing the balance between benefits and costs of medical treatments. The NHI pricing system reforms and the penetration of generic drugs are progressing while new technologies such as artificial intelligence, machine learning and gene therapy are evolving as well.

In such a social environment undergoing continuous change, as a total healthcare company that resolves social issues by taking into account the whole of the society in which people live, the Group will incorporate new technologies and needs arising from changes in the environment and promote initiatives to realize sustainable growth.

ii) Fourth Medium-Term Management Plan

The Company announced the Fourth Medium-Term Management Plan that covers the period from fiscal year 2024 to fiscal year 2028, in June 2024. In the Fourth Medium-Term Management Plan, along with presenting the Otsuka group's vision toward 2035, the Company clarifies the positioning of the Fourth Medium-Term Management Plan with respect to this long-term vision and sets performance targets.

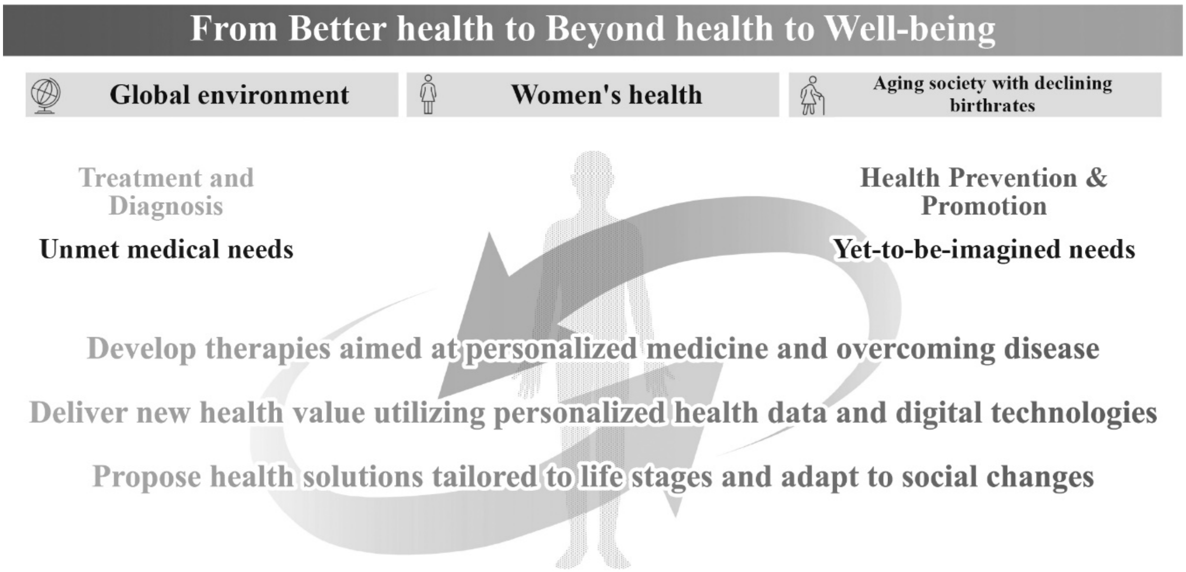
Long-term vision | Otsuka group's vision toward 2035

The Otsuka group is presenting its long-term vision of how it aspires to be in 2035. Under this vision, we will focus on strengthening the following initiatives.

- ■ We will strive to develop therapies aimed at personalized medicine and overcoming disease, deliver new health value utilizing personalized health data and digital technologies, and propose health solutions adapting to social changes and tailored to life stages.
- ■ Based on the concept of total healthcare, we will address social issues such as global environment, women's health, and aging society with declining birthrates, and provide new health value that cannot be clearly categorized as health prevention and promotion, treatment

and diagnosis.

■ As for the theme of "From Better Health to Beyond Health to Well-Being," we will take a broader view of health and conduct business in a way that addresses the health experience of each individual person.



Positioning of Fourth Medium-Term Management Plan and performance targets

The role that the Fourth Medium-Term Management Plan, which started in fiscal year 2024, plays in our efforts to realize the long-term vision is to provide "Five years of creation and growth in order to promote new business expansion and investment to generate growth for the next generation." With that in mind, we will focus on the following three initiatives.

- **Further investments to build a unique business foundation**
- **Creating new value that leads to "well-being"**
- **Aggressive financial strategies to support sustainable growth**

Outline of the Fourth Medium-Term Management Plan

- Performance targets are set to establish growth drivers and achieve a double-digit business profit growth rate by minimizing the adjustment phase caused by LOEs*.
- To achieve the performance targets and sustainable growth, we aim to realize launches of new drug candidates from our most robust development pipeline and continue R&D investments on the scale of ¥300 billion on the back of stable financial conditions. In the pharmaceutical and nutraceutical businesses, we will increase the size and quality of profits by expanding our business areas through new products and services.
- As part of our financial strategy, we will manage our performance through ROIC and ROE, actively invest in growth opportunities, and enhance shareholder returns.

* Loss of exclusivity

Performance targets	**Establish an advanced stage for revenue/profit growth** ・ Establish new revenue growth drivers of new product groups ・ Minimize the period of adjustment caused by LOEs and transition to a growth stage with a double-digit business profit growth rate
Business strategy	**Establish an advanced stage of business growth stage** ・ Realize launches of new drug candidates from robust development pipeline ・ Continue R&D investments on the scale of ¥300 billion on the back of the highest level of stable financial conditions

- Expand and deepen business areas through new products and services in the pharmaceutical and nutraceutical businesses
- Significantly increase the size and quality of profits in the new stage after achieving the MTMP

Financial strategy **Implement management conscious of cost of capital**

- Performance management through ROIC and ROE
- Continue proactive growth investments
- Enhance shareholder returns

Performance targets | KPI

- Revenue: Absorb the negative impact of LOEs of approximately ¥300 billion and plan to increase by approximately ¥480 billion from 2023 to ¥2,500 billion in 2028 mainly driven by the growth of new drugs and the nutraceutical business
- R&D investment: Maintain the level of ¥300 billion or more
- Business profit: Return to a high growth phase after an adjustment period due to the impact of LOEs in 2026
- Finance: Aim to achieve financial targets of ROIC and ROE at 9.5% and 10.0%, respectively

Item	2023	2026	2028
Revenue (¥100 million)	20,186	22,000	25,000
Business profit before research and development expenses (¥100 million)	6,204	5,800	7,200
Ratio/Revenue	30.7%	26.4%	28.8%
Research and development expenses (¥100 million)	3,078	3,100	3,300
Business profit (¥100 million)	3,126	2,700	3,900
Ratio/Revenue	15.5%	12.3%	15.6%
Operating CF before research and development expenses (¥100 million)	5,762	5,400	6,500
EPS	¥224.1	¥380	¥550
ROIC	4.8%	7.5% or more	9.5% or more
ROE	5.3%	8% or more	10% or more

iii) Progress in FY2024

- In the pharmaceutical business, there were increases in the two core products of antipsychotic agent *REXULTI/RXULTI* and anti-cancer agent *LONSURF*, which have been designated the growth drivers under the Fourth Medium-Term Management Plan, as well as sales growth of aripiprazole long-acting injection *ABILIFY MAINTENA/ABILIFY ASIMTUFII*, V_2-receptor antagonist *JINARC/JYNARQUE*, and others.
  In the late-stage development pipelines that contribute to helping address unmet needs, an interim analysis of a global Phase III trial of sibeprenlimab for the treatment of IgA nephropathy has shown that the primary endpoints have been met. Additionally, repinatrabit/JNT-517, currently under development for Phenylketonuria, has been incorporated into the pipeline following the acquisition of Jnana Therapeutics Inc. The Company is also making steady progress on nurturing new products.
- Within the nutraceutical business, in the three newly designated growth driver categories by social issues, all categories recorded expansion, centered on *POCARI SWEAT* and *Nature Made*, which led to an increase in revenue. As a result, both revenue and business profit achieved new record highs again this fiscal year. The Company will continue aiming to achieve further expansion in business scale and increase in profitability by establishing its brands in high-growth markets.
- As a result of steady sales growth and appropriate control of selling, general and

administrative expenses, business profit saw a significant increase of 37.7% over the previous fiscal year, reaching a record high, while overcoming the impact of changes in the social environment.

(6) Trends in Consolidated Operating Results and Assets

Item	The 14th fiscal year ended December 31, 2021	The 15th fiscal year ended December 31, 2022	The 16th fiscal year ended December 31, 2023	The 17th fiscal year ended December 31, 2024 (Current fiscal year)
Revenue (Millions of yen)	1,498,276	1,737,998	2,018,568	2,329,861
Operating profit (Millions of yen)	154,497	150,323	139,612	323,564
Profit attributable to owners of the Company (Millions of yen)	125,463	133,906	121,616	343,120
Basic earnings per share (Yen)	231.32	246.80	224.10	633.76
Total assets (Millions of yen)	2,820,915	3,102,638	3,361,244	3,739,251
Total equity (Millions of yen)	2,045,189	2,262,369	2,436,317	2,778,165
Equity attributable to owners of the Company per share (Yen)	3,707.64	4,100.84	4,410.80	5,089.58

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

(7) Significant Subsidiaries (as of December 31, 2024)

Company name	Country	Capital	Percentage of voting rights held by the Company	Major business activities
Otsuka Pharmaceutical Co., Ltd.	Japan	20,000 million yen	100.0%	Manufacture and sale of pharmaceutical products, clinical testing, medical devices, food, beverages and cosmetic products
Otsuka Pharmaceutical Factory, Inc.	Japan	80 million yen	100.0%	Manufacture and sale of pharmaceutical products
Taiho Pharmaceutical Co., Ltd.	Japan	200 million yen	100.0%	Manufacture and sale of pharmaceutical products
Otsuka Warehouse Co., Ltd.	Japan	800 million yen	100.0%	Warehousing and transport business
Otsuka Chemical Co., Ltd.	Japan	5,000 million yen	100.0%	Manufacture and sale of chemical products
Otsuka Foods Co., Ltd.	Japan	1,000 million yen	100.0%	Manufacture and sale of food and beverages, sale of alcoholic drinks (wine)
Otsuka Medical Devices Co., Ltd.	Japan	7,550 million yen	100.0%	Manufacture and sale of medical devices
Otsuka America, Inc.	U.S.	4,645,939 thousand U.S. dollars	*100.0%	Holding company
Otsuka America Pharmaceutical, Inc.	U.S.	50,000 thousand U.S. dollars	*100.0%	Manufacture and sale of pharmaceutical products
Pharmavite LLC	U.S.	1,032 thousand U.S. dollars	*100.0%	Manufacture and sale of nutritional products
Otsuka Pharmaceutical Europe Ltd.	U.K.	140,652 thousand euro	*100.0%	Manufacture and sale of pharmaceutical products
Nutrition & Santé SAS	France	65,145 thousand euro	*100.0%	Manufacture and sale of food products

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

Note: There are no companies that fall under specified wholly owned subsidiaries.

(8) **Major Offices and Factories** (as of December 31, 2024)

i) The Company

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

ii) Significant subsidiaries

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

(9) **Employees** (as of December 31, 2024)

i) Employees of the Group

Business segment	Number of employees	Increase / Decrease from the end of the previous fiscal year
Pharmaceuticals	21,421 (1,745)	up 199 (down 66)
Nutraceuticals	9,166 (2,345)	up 620 (up 47)
Consumer products	604 (98)	down 17 (down 30)
Others	2,756 (422)	up 60 (up 8)
Corporate (Common)	1,391 (462)	up 88 (down 47)
Total	35,338 (5,072)	up 950 (down 88)

Notes:

1. The number of employees indicates the number of employees currently on duty and the yearly average number of part-time and temporary employees is separately indicated in parentheses.
2. Effective from the fiscal year ended December 31, 2024, some businesses previously categorized as "Others" have been separated and included in each segment.
   Accordingly, the increase or decrease from the end of the previous fiscal year was calculated based on the number of employees currently on duty in accordance with the revised segment classifications.

ii) Employees of the Company

Number of employees	Increase / Decrease from the end of the previous fiscal year	Average age	Average service years
183 (25)	up 32 (up 2)	44.4	3.2

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

(10) **Major Creditors** (as of December 31, 2024)

(Millions of yen)

Creditor	Balance of borrowings
The Awa Bank, Ltd.	6,254
PT BANK RESONA PERDANIA	2,098
MUFG Bank, Ltd.	1,659
Mizuho Bank, Ltd.	1,226
Citibank, N.A.	749

2. **Shares** (as of December 31, 2024)

(1) Total number of authorized shares: 1,600,000,000 shares

(2) Total number of issued shares: 552,024,717 shares

Note: Due to the cancellation of treasury shares on December 9, 2024, the total number of issued shares decreased by 5,810,900 shares from the end of the previous fiscal year.

(3) Number of shareholders: 76,561

(4) Principal shareholders (top 10 shareholders):

Name of shareholder	Number of shares held (thousand)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	87,403	16.27%
The Nomura Trust and Banking Co., Ltd. Otsuka Founders Shareholding Fund Trust Account	52,952	9.85%
Custody Bank of Japan, Ltd. (trust account)	28,451	5.29%
STATE STREET BANK AND TRUST COMPANY 505001	14,301	2.66%
Otsuka Group Employee Shareholding Fund	12,930	2.40%
The Awa Bank, Ltd.	10,970	2.04%
STATE STREET BANK WEST CLIENT - TREATY 505234	10,571	1.96%
Otsuka Asset Co., Ltd.	7,380	1.37%
JP MORGAN CHASE BANK 385781	6,865	1.27%
MEDIPAL HOLDINGS CORPORATION	5,732	1.06%

Notes:

1. Number of shares held is rounded down to the nearest thousand.
2. Although the Company holds 14,932,021 of its own shares, treasury shares are excluded from the above list.
3. Shareholding ratio is calculated after treasury shares are deducted.

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

	Number of shares	Number of recipients
Directors excluding Outside Directors	156,000	8

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

3. Directors and Audit & Supervisory Board Members of the Company

(1) Directors and Audit & Supervisory Board Members (as of December 31, 2024)

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

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

Notes:

1. Outside Audit & Supervisory Board Members Hiroshi Sugawara and Sachie Tsuji are certified public accountants and have extensive knowledge of finance and accounting.
2. The Company appoints Outside Directors Yukio Matsutani, Ko Sekiguchi, Yoshihisa Aoki, Mayo Mita and Tatsuaki Kitachi as well as Outside Audit & Supervisory Board Members Kanako Osawa and Sachie Tsuji as Independent Officers as provided for under the rules of the Tokyo Stock Exchange and have registered them with the Exchange.
3. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with each of Outside Directors and each of Audit & Supervisory Board Members which limit their liabilities for damages under Article 423, paragraph (1) of the same Act. The maximum amount of liabilities under the said agreements shall be the minimum amounts set forth in laws and regulations.
4. Outside Director Yoshihisa Aoki retired from office as Outside Director, ARATA CORPORATION, as of June 25, 2024.
5. The following changes in Directors were made as of January 1, 2025, after the end of the fiscal year ended December 31, 2024.
   - Representative Director, COO Makoto Inoue has assumed office as President and Representative Director, CEO, Otsuka Holdings Co., Ltd.
   - Executive Deputy President and Executive Director Yoshiro Matsuo has assumed office as Executive Deputy President and Representative Director, Otsuka Holdings Co., Ltd. Additionally, he will retire from the positions of Executive Director, Otsuka Medical Devices Co., Ltd. and of Executive Director, Otsuka Foods Co., Ltd. as of March 11, 2025 and March 12, 2025, respectively.
   - President and Representative Director, CEO Tatsuo Higuchi has assumed office as Executive Director and Advisor, Otsuka Holdings Co., Ltd. Additionally, on the same day, he assumed office as Chairman and Executive Director, Otsuka Pharmaceutical Co., Ltd.
6. Mayo Mita's name on the family register is Mayo Nakatsuka.
7. Kanako Osawa's name on the family register is Kanako Koike.
8. Sachie Tsuji's name on the family register is Sachie Ueda.

(2) Summary of the executive liability limitation insurance agreement

Pursuant to Article 430-3, paragraph (1) of the Companies Act, the Company has entered into an executive liability limitation insurance agreement whose content is summarized below. The insurance agreement is scheduled to be renewed in July 2025.

Summary of the insurance agreement

- Scope of insured persons

  The Directors and Audit & Supervisory Board Members of the Company and the Directors and Audit & Supervisory Board Members of the Company's major subsidiaries in Japan (including those appointed after the agreement was concluded)
- Actual portion of insurance premium borne by insured persons

  Insurance premiums are borne by the Company and its subsidiaries, and the insured persons do not bear any of the premiums.
- Summary of insurance incidents subject to cover

  The insurance covers damages caused by claims for damage compensation arising from the performance of duties by the insured persons (legally mandated damage compensation and legal expenses)
- Measures to ensure that the propriety of the execution of duties by executives, etc., is not impaired

  The insurance agreement includes an exclusion clause that excludes coverage for liability arising from certain acts by the insured persons, such as intentional behavior, unlawful personal profit or remuneration and violations of law.

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

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

At the meeting of the Board of Directors held on March 28, 2024, the Company revised its policy on determining remuneration for Directors.

Basic policy on remuneration plan for Directors of the Company

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

Specifically, the remuneration for executive directors shall consist of fixed remuneration as basic remuneration, performance-linked bonuses, and share-based payments as non-monetary remuneration. Taking into account their duties, remuneration for Outside Directors comprises only fixed remuneration as basic remuneration.

Remuneration levels

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

Remuneration system

With regard to remuneration for Directors responsible for business execution, the Company has formulated a remuneration system that is closely linked to performance, etc. in individual fiscal years, as well as over the medium to long term, with the latter including non-financial indicators, while emphasizing sustainable enhancement of corporate value, consisting of fixed remuneration as the basic remuneration, performance-linked bonuses, and share-based payments emphasizing the link to shareholder value.

Remuneration for Outside Directors comprises only fixed remuneration as the basic remuneration in light of their duties.

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

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

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

Type of remuneration	Payment method Fixed/variable	Content of remuneration (Including the policy regarding determination of timing or conditions for granting remuneration, etc.)
Fixed remuneration	Cash/Fixed	Remuneration is determined based on their duties and responsibilities including formulation of Group strategies, monitoring Group operations, and strengthening corporate governance. • Fixed remuneration is paid out equally every month.
Performance-linked bonus	Cash/Variable	• Remuneration is paid in a lump sum at a certain timing every fiscal year, with the amount or calculation method determined based on (1) rate of achievement of the fiscal year’s targets for consolidated revenue, consolidated operating profit, and consolidated business profit before R&D expenses; (2) the progress of management toward the creation of sustainable corporate value and an evaluation of the individual.
Share-based payment	Non-cash (Shares with transfer restrictions)/ Variable	• The Company has introduced a share-based payment system that reflects progress in achieving the indicators, etc. in the Fourth Medium-Term Management Plan that covers the period from fiscal year 2024 to 2028. • Each person eligible for allocation must enter into a restricted stock allocation agreement with the Company, which contains provisions on restrictions, etc. on transfer for a fixed term, and is designed to provide an effective remuneration system by combining multiple release conditions for the transfer restrictions, including a set performance evaluation period and the achievement of performance indicators, and by in principle granting shares with transfer restrictions requiring evaluation of performance, etc. (including non-financial indicators) over several fiscal years simultaneously in the first fiscal year. • The specific timing for granting is every fiscal year for items that are subject to the indicator of a single fiscal year, and simultaneously in the first fiscal year of the evaluation period for items subject to an indicator 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).”

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

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

	Allocation ratio	Fiscal year for evaluation and allocation timing	Overview of release conditions
Incumbent condition	20% of the standard number of shares	(Indicators evaluated each year) Allocation each year, taking a single fiscal year as the evaluation subject fiscal year	On condition of incumbency in the evaluation subject fiscal year (single fiscal year) However, the shares will not be released if the Director is not an incumbent at the time the evaluation is finalized.
EPS	20% of the standard number of shares	(Indicators evaluated each year) Allocation each year, taking a single fiscal year as the evaluation subject fiscal year	Basic earnings per share (EPS) for the fiscal year exceeds the target value at the beginning of the year.
TSR	10% of the standard number of shares	(Indicators evaluated each year) Allocation each year, taking a single fiscal year as the evaluation subject fiscal year	For the fiscal year (single fiscal year), figure (2) below may not fall below the figure (1) (1) Total shareholder return (TSR) for TOPIX (dividend included) at the end of FY2023 and the fiscal year evaluated (2) Total shareholder return (TSR) for the Company, which reflects the stock price and dividends for the evaluation period, at the end of FY2023 and fiscal year evaluated * Year-end stock price is calculated as the average of the year-end stock price, stock price at the end of the month one month before the year-end, and the stock price at the end of the month two months before the year-end
Operating CF before R&D	20% of the standard number of shares	(Indicators to be evaluated over multiple years) Evaluation period (1) with the shares for the three years allocated at the same time at the start of the period Evaluation period (2) with the shares for the two years allocated at the same time at the start of the period	The cumulative amount of the actual value of “consolidated cash flows from operating activities before R&D expenses” of the Fourth Medium-Term Management Plan for each evaluation period may not fall below the cumulative amount in the plan.

	Allocation ratio	Fiscal year for evaluation and allocation timing	Overview of release conditions
ROIC	20% of the standard number of shares	(Indicators to be evaluated over multiple years) Evaluation period (1) with the shares for the three years allocated at the same time at the start of the period Evaluation period (2) with the shares for the two years allocated at the same time at the start of the period	Cumulative average of the actual return on invested capital (ROIC) for each evaluation period may not fall below the weighted average cost of capital (WACC) set in the Fourth Medium-Term Management Plan.
FTSE	10% of the standard number of shares	(Indicators to be evaluated over multiple years) Evaluation period (1) with the shares for the three years allocated at the same time at the start of the period Evaluation period (2) with the shares for the two years allocated at the same time at the start of the period	An FTSE Russell ESG score of 3.3 or more is obtained for each evaluation period.

Notes: 1. Under the restricted stock allocation agreements concluded with the persons eligible for allocation of shares, it is stipulated that where certain reasons arise, the transfer restriction of the shares with transfer restrictions shall not be released and the Company shall acquire all of them without paying compensation. For example,

- if a Director of the Company and main operating companies (Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., Taiho Pharmaceutical Co., Ltd., Otsuka Chemical Co., Ltd., Otsuka Foods Co., Ltd., Otsuka Warehouse Co., Ltd., Otsuka Medical Devices Co., Ltd.) retires before the end of the transfer restriction period, the Company shall acquire without paying compensation all of the Director’s shares with transfer restrictions upon the retirement of the Director, except in the case where the Company recognizes a just reason, such as completion of the term of office or death;
- if a Director retires before the end of the transfer restriction period due to a just reason, such as completion of the term of office or death, the number of shares whose transfer restriction is to be released and the timing of the release shall be rationally adjusted as necessary and the Company shall acquire without paying compensation all of the shares for which it is decided that the transfer restriction is not to be released; and
- if the release conditions based on evaluation indicators have not been met, the Company shall acquire without paying compensation all of the shares for which it is decided that the transfer restriction is not to be released.

2. Furthermore, the eligible Directors should promptly return all of the shares from which the transfer restrictions have been lifted if any amendments (excluding minor ones) are made to the consolidated financial statements of the Company within three years after the lifting of the transfer restrictions, or if any damages occur to the Group due to excessive investments made during the period of their incumbency.

Reason for selection of the indicators

With regard to the performance-linked bonus, by combining consolidated revenue, consolidated operating profit, consolidated business profit before R&D expenses, and the extent to which sustainability management has been promoted, it is possible to evaluate the results of business management for a single fiscal year from multiple perspectives.

For share-based payment, by selecting incumbency contribution for achievement of single-fiscal year financial indicators (EPS, TSR), financial indicators from a medium-term perspective (consolidated cash flows from operating activities before R&D expenses and ROIC), and the achievement of non-financial indicators (FTSE), it is possible to comprehensively evaluate the level of contribution to increasing corporate value.

Composition of remuneration for Directors (excluding Outside Directors)

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

b. Content of remuneration to Outside Directors

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

c. Content of remuneration to Audit & Supervisory Board Members

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

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

The Board of Directors determines the individual remuneration for each Director, within the limit of the total amount resolved in a shareholders meeting, as follows after giving consideration to the report on the evaluations of the Directors and recommendations on the individual remuneration for each eligible Director, the remuneration system and levels, etc., following deliberations within the Nomination and Remuneration Committee.

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

  The reason for delegating President and Representative Director, CEO Makoto Inoue is that he is deemed to be the most appropriate person to evaluate the operations assigned to each Director while having an overview of the business of the entire Group.
- The individual share-based payments for each Director (excluding Outside Directors) are resolved by the Board of Directors based on the performance evaluations, etc. (not limited to financial indicators but also on non-financial indicators), reported by the Nomination and Remuneration Committee.

<Corporate Governance Committee and Nomination and Remuneration Committee>

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

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

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

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

Eligible recipients	Directors	Directors (excluding Outside Directors)	Audit & Supervisory Board Members
Content of remuneration	Fixed remuneration /Performance-linked bonus	Restricted stock remuneration	Fixed remuneration
Resolution of shareholders' meeting	2nd Annual Shareholders Meeting held on June 29, 2010	16th Annual Shareholders Meeting held on March 28, 2024	2nd Annual Shareholders Meeting held on June 29, 2010
Content of resolution	Upper limit: ¥1,500 million (annual amount)	Upper limit: ¥1,200 million (annual amount) and Number of the Company's ordinary shares newly issued or disposed: not more than 160,000 shares (per year)	Upper limit: ¥80 million (annual amount)
Number of eligible officers	11	8	4

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

Classification	Total amount of remuneration (Millions of yen)	Total amount by type of remuneration (Millions of yen)			Number of eligible officers
		Fixed remuneration	Performance-linked bonus	Share-based payment	
Directors (of which Outside Directors)	968 (54)	354 (54)	165 (–)	449 (–)	13 (5)
Audit & Supervisory Board members (of which Outside Audit & Supervisory Board Members)	58 (34)	58 (34)	–	–	4 (3)
Total (of which Outside Directors and Audit & Supervisory Board Members)	1,026 (88)	412 (88)	165 (–)	449 (–)	17 (8)

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

   For the performance-linked bonuses for Directors (excluding Outside Directors), although consolidated operating profit, which is one of the performance indicators, fell slightly below the planned value at the beginning of the fiscal year, the other performance indicators—consolidated revenue and consolidated business profit before R&D expenses—exceeded the planned values at the beginning of the fiscal year, and steady progress was made in conducting management that achieves sustainable creation of corporate value. Accordingly, the payment rate was determined to be 110% after giving consideration to the report following deliberations within the Nomination and Remuneration

Committee.

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

Share-based payment using shares with transfer restrictions for Directors (excluding Outside Directors), is issued after multiple release conditions have been combined for the transfer restrictions, including a set performance evaluation period and the achievement of performance indicators.

Incumbency is evaluated on a single-fiscal year basis, with the condition being that the individual serves in the post of Director from the day on which the fiscal year being evaluated begins to the conclusion of the meeting of the Board of Directors (the meeting of the Board of Directors that decides whether the conditions have been fulfilled) scheduled for March 2025. All Directors fulfilled this condition.

Basic earnings per share (EPS) is evaluated on a single-fiscal year basis by dividing profit for the year being evaluated by the average number of ordinary shares outstanding for that period, with the condition for release being that the resulting amount is at least equal to the forecast value in the forecast of consolidated financial results shown in the financial results report for the end of the fiscal year before the fiscal year being evaluated. EPS for the current fiscal year was higher than the forecast value in the forecasts of consolidated operating results shown in the financial results report for the previous fiscal year.

It is a condition of release that total shareholder return (TSR) including dividends from the ordinary shares of the Company for the fiscal year being evaluated is higher than TSR for the TOPIX index (including dividends). For the current fiscal year, TSR including dividends from the ordinary shares of the Company exceeded the TSR for the TOPIX index (including dividends).

For each of the evaluation indicators of the evaluation period of several fiscal years from FY2024 to FY2026 (“consolidated cash flows from operating activities before R&D expenses,” “return on invested capital (ROIC),” and “FTSE Russell ESG Score”), the amount corresponding to the number of elapsed months in the evaluation period has been recorded as remuneration for the eligible Directors. For these indicators, the final evaluation is undetermined because the current fiscal year constitutes the first year of the three-year evaluation period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Accounting Auditor

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

(2) Amount of audit fees

(Millions of yen)

	Amount
Total audit fees for the current fiscal year	131
Total of amount of cash and other financial benefits payable by the Company and its subsidiaries to the accounting auditor	452

Notes:

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

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

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

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

5. System to Ensure Appropriate Operations

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

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

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

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

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

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

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

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

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

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

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

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

iv) System to ensure efficient execution of duties by Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

i) Overview of internal control system

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

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

ii) Compliance efforts

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

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

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

(ii) Compliance training

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

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

iii) Reinforcing risk management system

(i) Risk management system

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

(ii) Information security

In addition to using the assessment and monitoring of information security risks at the Company and at group companies to visualize and improve the state of management and strengthen security on an ongoing basis, we are working to raise our levels of defense against risks by implementing periodic information security training and drills related to targeted e-mail attacks.

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

Furthermore, the Company operates a Computer Security Incident Response Team (CSIRT) that is capable of responding to information system-related emergencies, and reacts promptly to minimize damage when it occurs as a result of cyberattacks that seek personal information or trade secrets owned by the Company and group companies.

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

iv) Management of affiliates

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

v) Execution of duties by Directors

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

vi) Execution of duties by Audit & Supervisory Board Members

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

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

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

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

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

7. Policy on Decisions on Dividends

The Company recognizes returning profits to shareholders to be one of the key management measures. The Company will flexibly consider shareholder returns from a multifaceted perspective, taking into account the business situation, cash and deposits held and indicators such as the shareholder return ratio, while responding to corporate growth and changes in the management environment going forward.

Based on this policy, and after making a comprehensive assessment that takes into account consolidated financial results, the outlook for earnings, free cash flow, and other factors, the Company will pay a year-end dividend of ¥60 per share in accordance with a resolution of the meeting of the Board of Directors held on February 14, 2025.

Combined with the interim dividend of ¥60 per share that was paid on September 2, 2024, this amounts to annual dividends of ¥120 per share. The effective date of the year-end dividend for the current fiscal year is March 31, 2025.

Furthermore, during the current fiscal year, the Company purchased 5,810,900 treasury shares (aggregate amount of purchase price of ¥49,883 million).

(Translation)

Consolidated Statement of Financial Position

(As of December 31, 2024)

(Millions of yen)

Item	(Reference) FY2023	FY2024
Assets		
Current assets		
Cash and cash equivalents	513,341	426,173
Trade and other receivables	474,086	515,289
Inventories	249,581	298,292
Income taxes receivable	19,611	3,531
Other financial assets	16,062	31,905
Other current assets	54,113	91,780
Total current assets	**1,326,797**	**1,366,972**
Non-current assets		
Property, plant and equipment	553,358	628,544
Goodwill	379,048	449,464
Intangible assets	490,971	544,247
Investments accounted for using the equity method	278,562	314,780
Other financial assets	197,887	206,272
Deferred tax assets	118,825	205,700
Other non-current assets	15,792	23,267
Total non-current assets	**2,034,446**	**2,372,278**
Total assets	**3,361,244**	**3,739,251**

Item	(Reference) FY2023	FY2024
Liabilities		
Current liabilities		
Trade and other payables	206,369	219,996
Bonds and borrowings	69,425	7,350
Lease liabilities	18,847	21,146
Other financial liabilities	–	4,387
Income taxes payable	54,939	29,250
Provisions	919	1,242
Contract liabilities	14,322	13,952
Other current liabilities	302,410	335,338
Total current liabilities	**667,233**	**632,664**
Non-current liabilities		
Bonds and borrowings	69,200	87,275
Lease liabilities	56,715	73,612
Other financial liabilities	16,774	53,127
Income taxes payable	–	1,584
Net defined benefit liabilities	16,557	12,564
Provisions	2,252	3,766
Contract liabilities	44,869	35,361
Deferred tax liabilities	27,170	28,801
Other non-current liabilities	24,152	32,327
Total non-current liabilities	**257,692**	**328,421**
Total liabilities	**924,926**	**961,085**
Equity		
Equity attributable to owners of the Company		
Share capital	81,690	81,690
Capital surplus	506,230	478,486
Treasury shares	(44,669)	(67,398)
Retained earnings	1,621,218	1,904,404
Other components of equity	229,214	336,397
Total equity attributable to owners of the Company	**2,393,683**	**2,733,580**
Non-controlling interests	**42,634**	**44,584**
Total equity	**2,436,317**	**2,778,165**
Total liabilities and equity	**3,361,244**	**3,739,251**

Consolidated Statement of Income

(From January 1, 2024 to December 31, 2024)

(Millions of yen)

Item	(Reference) FY2023	FY2024
Revenue	**2,018,568**	**2,329,861**
Cost of sales	(611,219)	(660,432)
Gross profit	**1,407,348**	**1,669,428**
Selling, general and administrative expenses	(807,355)	(958,345)
Share of profit of investments accounted for using the equity method	20,365	33,614
Research and development expenses	(307,804)	(314,233)
Impairment losses	(172,419)	(126,040)
Other income	5,729	23,031
Other expenses	(6,250)	(3,889)
Operating profit	**139,612**	**323,564**
Finance income	9,566	21,081
Finance expenses	(6,523)	(8,791)
Profit before tax	**142,655**	**335,854**
Income tax expenses	(17,155)	11,417
Profit for the year	**125,499**	**347,271**
Attributable to:		
Owners of the Company	121,616	343,120
Non-controlling interests	3,883	4,151
Total	125,499	347,271

[Reference]

Consolidated Statement of Comprehensive Income

(From January 1, 2024 to December 31, 2024)

(Millions of yen)

Item	(Reference) FY2023	FY2024
Profit for the year	125,499	347,271
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	1,344	4,312
Financial assets measured at fair value through other comprehensive income	5,373	(7,424)
Share of other comprehensive income of investments accounted for using the equity method	360	506
Subtotal	7,078	(2,606)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	72,652	98,269
Cash flow hedges	22	(55)
Share of other comprehensive income of investments accounted for using the equity method	22,511	17,283
Subtotal	95,186	115,497
Total other comprehensive income	102,264	112,891
Total comprehensive income for the year	**227,764**	**460,163**
Attributable to:		
Owners of the Company	222,855	455,504
Non-controlling interests	4,909	4,658
Total comprehensive income for the year	227,764	460,163

Consolidated Statement of Changes in Equity

FY2023 (From January 1, 2023 to December 31, 2023) [Reference]

(Millions of yen)

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

(Millions of yen)

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

FY2024 (From January 1, 2024 to December 31, 2024)

(Millions of yen)

	Equity attributable to owners of the Company					
					Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Remeasure-ments of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2024	**81,690**	**506,230**	**(44,669)**	**1,621,218**	**–**	**47,355**
Profit for the year	–	–	–	343,120	–	–
Other comprehensive income	–	–	–	–	4,515	(7,345)
Comprehensive income for the year	**–**	**–**	**–**	**343,120**	**4,515**	**(7,345)**
Purchase of treasury shares	–	–	(50,016)	–	–	–
Cancellation of treasury shares		(26,224)	26,224	–	–	–
Dividends	–	–	–	(65,135)	–	–
Share-based payment transactions	–	(123)	1,062	–	–	–
Changes in ownership interests in subsidiaries that do not result in loss of control	–	(1,395)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	5,201	(4,515)	(686)
Total transactions with owners	–	**(27,743)**	**(22,729)**	**(59,934)**	**(4,515)**	**(686)**
Balance as of December 31, 2024	**81,690**	**478,486**	**(67,398)**	**1,904,404**	**–**	**39,323**

(Millions of yen)

	Equity attributable to owners of the Company				Non-controlling interests	Total equity
	Other components of equity			Total		
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of January 1, 2024	**181,815**	**43**	**229,214**	**2,393,683**	**42,634**	**2,436,317**
Profit for the year	–	–	–	343,120	4,151	347,271
Other comprehensive income	115,270	(55)	112,384	112,384	506	112,891
Comprehensive income for the year	**115,270**	**(55)**	**112,384**	**455,504**	**4,658**	**460,163**
Purchase of treasury shares	–	–	–	(50,016)	–	(50,016)
Cancellation of treasury shares	–	–	–	–	–	–
Dividends	–	–	–	(65,135)	(1,627)	(66,763)
Share-based payment transactions	–	–	–	939	–	939
Changes in ownership interests in subsidiaries that do not result in loss of control	–	–	–	(1,395)	(1,079)	(2,474)
Transfer from other components of equity to retained earnings	–	–	(5,201)	–	–	–
Total transactions with owners	**–**	**–**	**(5,201)**	**(115,607)**	**(2,707)**	**(118,315)**
Balance as of December 31, 2024	**297,086**	**(11)**	**336,397**	**2,733,580**	**44,584**	**2,778,165**

Notes to Consolidated Financial Statements

1. Basis of Preparation of Consolidated Financial Statements

(1) Accounting Principles for Preparing Consolidated Financial Statements

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

(2) Scope of Consolidation

i) Number of consolidated subsidiaries: 173

ii) Names of major consolidated subsidiaries:

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

(3) Application of the Equity Method

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

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

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

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

ARIRGE CO., LTD., Otsuka Pharmaceutical Factory America, Inc., and three other companies, which were newly established, as well as Jnana Therapeutics Inc. and Otsuka Clinical Solutions, Inc., whose shares were newly acquired, were included in the scope of consolidation during the fiscal year ended December 31, 2024.

Astex Pharmaceuticals, Inc., which was already the Company's consolidated subsidiary, was merged by the consolidated subsidiary of the Company—Taiho Oncology, Inc.

(5) Fiscal Year End of Consolidated Subsidiaries and Associates

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

(6) Accounting Policies

i) Valuation of significant assets

A. Financial assets

(i) Initial recognition and measurement

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

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

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

(a) Financial assets measured at amortized cost
Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met.
- The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Debt instruments measured at fair value through other comprehensive income
Financial assets are classified as debt instruments measured at fair value through other comprehensive income if both of the following conditions are met.
- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

(ii) Subsequent measurement
After initial recognition, financial assets are measured according to their classification as follows:

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

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

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

(iii) Impairment
With regard to impairment of financial assets measured at amortized cost, the Group recognizes an allowance for expected credit losses on such financial assets.
At each reporting date, the Group evaluates whether the credit risk on financial instruments has increased significantly after initial recognition.
If credit risk on financial instruments has not increased significantly after initial recognition, the allowance for those instruments is measured at an amount equal to the 12-month expected credit losses. If credit risk on financial instruments has increased significantly after initial recognition, the allowance for such financial instruments is measured at an amount equal to the lifetime expected credit losses.
The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The assessment of whether or not credit risk has increased significantly takes into account all relevant current information that is reasonably available to the Group, as well as past due information.

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

(iv) Derecognition

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

B. Financial liabilities

(i) Initial recognition and measurement

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

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

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

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

(ii) Subsequent measurement

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

(a) Financial liabilities measured at amortized cost

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

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

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

(iii) Derecognition

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

C. Offsetting of financial assets and financial liabilities

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

D. Derivatives and hedge accounting

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

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

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and the methods of assessing whether the hedging relationship meets the hedge effectiveness requirements. The Group assesses whether the hedging relationship meets the hedge effectiveness requirements, both at inception and on an ongoing basis. Ongoing assessments are performed at each reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first.

The Group applies hedge accounting to cash flow hedges which meet the criteria for hedge accounting and such hedges are accounted for as follows:
The portions of the gain or loss on the hedging instrument that are determined to be effective hedges are recognized in other comprehensive income, while the remaining ineffective portions are recognized in profit or loss. The amounts associated with the hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the hedged transactions affect profit or loss. However, in cases where the hedged forecast transaction subsequently results in the recognition of a non-financial asset or liability, the amount recognized in other comprehensive income is accounted for as an adjustment to the initial carrying amount of the non-financial asset or liability.
When the hedging relationship ceases to meet the qualifying criteria, or the hedging instrument expires or is sold, terminated or exercised, the application of hedge accounting is discontinued prospectively. When forecast transactions or firm commitments are no longer expected to occur, any related cumulative gains or losses that have been recognized in equity through other comprehensive income are reclassified to profit or loss.
The Group does not undertake any fair value hedges or any hedges of net investment in foreign operations.

E. Inventories

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

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

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

A. Property, plant and equipment

The cost of property, plant and equipment includes the cost directly incidental to the acquisition of assets, the initial estimated costs of dismantling, removing and restoring the assets.
Depreciation expense for assets except for land and construction in progress is recognized mainly by the straight-line method over the respective estimated useful lives. The estimated useful lives of major asset items are as follows:

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

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

Right-of-use assets are included in “Property, plant and equipment” in the consolidated statement of financial position. For the leases that the Group has contracted as a lessee, right-of-use assets are measured at cost, and lease liabilities are measured at the present value of total lease payments payable at the commencement date of the leases.
Right-of-use assets are depreciated by the straight-line method over the estimated useful lives or lease terms, whichever is shorter. The estimated useful lives of major asset items are as follows:

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

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

B. Intangible assets

Separately acquired intangible assets are initially measured at cost.

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

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

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

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

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

Intangible assets with indefinite useful lives consist mainly of brands and trademarks acquired separately or in business combinations, and are included in intangible assets as "Trademarks, distribution rights and others." Intangible assets with indefinite useful lives are reviewed at the end of each fiscal year to determine whether the indefinite useful life assessment remains appropriate. If it is no longer appropriate, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

In-process researches and developments acquired separately or in business combinations are included in intangible assets as "In-process research and development." As these assets are intangible assets that are not yet available for use, they are tested for impairment without amortization. An asset in "In-process research and development" is transferred to "Trademarks, distribution rights and others" when the asset becomes available for use by obtaining permits and approvals from regulatory authorities in a subsequent period, and begins to be amortized by the straight-line method over the estimated useful life from that time.

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

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

The recoverable amount of an individual asset or a cash-generating unit is measured at the higher of its fair value less cost of disposal or its value in use. The value in use is calculated by discounting the estimated future cash flows to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

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

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

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

iii) Goodwill

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

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

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

iv) Provisions

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

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

v) Post-employment benefits

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

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

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

Net defined benefit liabilities or assets are calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligations. If the defined benefit plan has

surplus, the defined benefit asset is limited to the asset ceiling that is the present value of any future economic benefits available in the form of reductions in the future contributions to the plan or cash refunds.
Service costs and net interest on the net defined benefit liabilities (assets) are recognized in profit or loss.
The remeasured amount of a defined benefit plan is recognized at once in other comprehensive income when it occurs, and immediately transferred to retained earnings.
Contributions to the defined contribution retirement benefits are recognized as expenses when employees have rendered service.

vi) Foreign currency translation

A. Foreign currency transactions

Foreign currency transactions are translated to the functional currencies at exchange rates on the transaction dates or exchange rates which are close to the actual rate on the transaction dates. Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rate on each reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rate at the date of measurement. Non-monetary assets and liabilities that are measured at cost in a foreign currency are translated into the functional currency using the spot exchange rate on the date of the original transaction.
Translation differences arising from translations or settlements are recognized as profit or loss. However, equity instruments measured through other comprehensive income as well as the effective portion of translation differences arising from hedging instruments related to cash flow hedges used to hedge foreign currency risk are recognized as other comprehensive income.

B. Foreign operations

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

vii) Revenue

A. Sales of products

For sales of products, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the products because legal title, physical possession, significant risks and rewards of ownership of the products are transferred to a customer upon delivery, and the customer obtains control over the products.
Products may be sold with a rebate based upon the achievement of a defined sales volume and amount. In such a case, the transaction price is recognized as the consideration promised in the contract with a customer, less estimated rebates and other items. Rebates are measured by the ‘most likely amount’ method based on historical performance. Revenue is recognized only to the extent that it is highly probable that significant reversal will not occur.
Specifically, in connection with rebates for Medicaid, Medicare and Commercial Managed Care Program in the U.S., the Group estimates statutory and contractual rebate payments related to the public healthcare system provided by federal and state governments, and contractual rebate payments with medical institutions and customers to prepare for possible refunds after the end of the fiscal year. The Group estimates the accrual amounts through the process such as identifying the target products of each program, applicable product prices, estimated inventory at pharmacies and wholesalers, and time lag between sales of products and payment of rebates. However, these estimates are uncertain and may differ from the actual amount incurred. The Group evaluates whether the estimates of variable consideration

are constrained, taking into account the impact of reasonable and potential changes such as past experiences on the related contracts, consistency between the paid rebates and contract clauses, and demand forecasts. As a result of this evaluation, the Group judges the constraints are limited. The estimated amount of these rebate payments is recorded in “Other current liabilities” on the consolidated statement of financial position.
The majority of the consideration for sales is received within one year from the date of delivery. Therefore, the promised amount of consideration does not include a significant financing component.

B. License and royalty income
License income includes up-front and milestone payments that the Group receives from a third party based on license agreements for development and distribution right of developing or finished products. Under license agreements, if contractual obligations are fulfilled at a point in time, up-front payments are recognized as revenue once development and distribution rights are granted, and milestone payments are recognized as revenue when the contractual milestones are achieved. If contractual obligations are fulfilled over a period of time, including those for certain license agreements entered into between the Group and a third party for development and distribution rights and others of products under development, in principle, the corresponding payments are recorded as contract liabilities and the income from up-front and milestone payments is recognized as revenue over a period such as an estimated contract term, in accordance with the measurement method of progress towards satisfaction of performance obligations. The progress towards satisfaction of performance obligations is measured by the ratio between the output, such as time elapsed, and the remaining service provision periods promised in the contract, etc. for each contract such as development cooperation. Income from milestone payments under license agreements is recognized as revenue from the point when the conditions are met to avoid future reversal of revenues.
Royalty income is the income that is calculated based on the sales of counterparties under license agreements, and is recognized as revenue at the later point of either the counterparty’s revenue recognition, or satisfaction of performance obligations.
License and royalty income are received primarily within one year from the time when the rights are acquired based on the agreements. Therefore, the agreements do not include significant financing components.

viii) Others

A. Accounting method for consumption taxes
Consumption taxes are excluded from revenues and expenses.

B. Application of group tax sharing system
The Company applies the group tax sharing system.

2. Notes to Accounting Estimates

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

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

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

Accrued expenses based on statutory and contractual rebates related to the public healthcare system in the U.S.	¥83,808 million

ii) Information that contributes to understanding of details of accounting estimates
In connection with rebates for Medicaid, Medicare and Commercial Managed Care Program in the U.S., the Group estimates statutory and contractual rebate payments related to the public healthcare system provided by federal and state governments, and contractual rebate payments

with medical institutions and customers to prepare for possible refunds after the end of the fiscal year. The Group estimates the accrual amounts through the process such as identifying the target products of each program, applicable product prices, estimated inventory at pharmacies and wholesalers, and time lag between sales of products and payment of rebates. The estimated amount of these rebate payments is recorded in “Other current liabilities” on the consolidated statement of financial position.
These estimates include various conditions unique to each product and if any change is made to such conditions, it may have a significant impact on the estimated amounts of rebates payable that are included in other current liabilities in the consolidated financial statements for the following fiscal year.

(2) Impairment of intangible assets

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

Intangible assets	¥544,247 million

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

Intangible assets, such as in-process research and development and trademarks, distribution rights and others are tested for impairment annually and whenever there is an indication of impairment. If the recoverable amount is less than the carrying amount, an impairment loss is recognized, and the carrying amount is reduced to the recoverable amount. The recoverable amount is estimated for each asset to be evaluated individually, cash-generating units or groups of cash-generating units, and measured at the higher of its fair value less cost of disposal or its value in use. The value in use is calculated based on assumptions such as estimated future cash flows, probability of success, growth rate and discount rate.
Major assumptions such as the estimated future cash flows, the probability of success, growth rates, and discount rates are highly uncertain in the estimates. If a delay or halt of development and launches of competing products will lead to results that differ from the initial assumptions, this may have a significant impact on the amount of intangible assets in the consolidated financial statements for the following fiscal year.

(3) Recoverability of deferred tax assets

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

Deferred tax assets	¥205,700 million

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

Deferred tax assets are recognized for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is highly probable that taxable profits will be available against which they could be utilized. In assessment of the recoverability of deferred tax assets, reversal of deferred tax liabilities, expected future taxable profit and tax planning are taken into account, and the carrying amount is reviewed each fiscal year based on the level of taxable profit in the past and estimated future taxable profit in the period during which deferred tax assets are deductible.
The future taxable profit and tax planning are estimated based on the Group’s business plan. If a different result from forecasts such as revenue in the business plan is occurred, this may have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year.

(4) Fair value of financial instruments

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

Financial assets measured at fair value	
(Other financial assets)	¥84,017 million
Financial liabilities measured at fair value	
(Other financial liabilities)	¥56,931 million

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

In calculating fair value of certain financial instruments, the Group uses valuation techniques including inputs that are not observable in the market.

Unobservable inputs are affected by uncertain future economic conditions. Therefore, if a different result from their assumptions is occurred, this may have a significant impact on the amounts of financial assets and financial liabilities measured at fair value in the consolidated financial statements for the following fiscal year.

(5) Measurement of defined benefit obligations

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

Net defined benefit liabilities	¥12,564 million
Net defined benefit assets (Other non-current assets)	¥10,640 million

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

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

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

3. Notes to Consolidated Statement of Financial Position

(1) Allowance for Expected Credit Losses Directly Deducted from Assets

Trade and other receivables	¥5,580 million
Other financial assets (non-current assets)	¥111 million

(2) Assets Pledged as Collateral and Secured Liabilities

Property, plant and equipment	
Buildings and structures	¥179 million
Machinery and vehicles	¥1,681 million
Land	¥388 million
Total	¥2,249 million

The assets above are pledged as collateral for bonds and borrowings (current liabilities) of ¥648 million.

(3) Accumulated Depreciation on Property, Plant and Equipment (including accumulated impairment losses) ¥927,177 million

4. Notes to Consolidated Statement of Changes in Equity

(1) Total Number of Issued Shares

Class of shares	Number of shares as of January 1, 2024	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares as of December 31, 2024
Ordinary shares	557,835 thousand shares	–	5,810 thousand shares	552,024 thousand shares

Note: The 5,810-thousand-share decrease in the total number of issued ordinary shares is due to the cancellation of treasury shares.

(2) Number of Treasury Shares

Class of shares	Number of shares as of January 1, 2024	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares as of December 31, 2024
Ordinary shares	15,149 thousand shares	5,957 thousand shares	6,174 thousand shares	14,932 thousand shares

Note: The 5,957-thousand-share increase in the number of treasury shares is due to the purchase of treasury shares based on the resolution approved at the meeting of the Board of Directors, the acquisition without contribution of some ordinary shares allotted as restricted stock remuneration, and the purchase of shares less than one share unit. The 6,174-thousand-share decrease in the number of treasury shares is due to the cancellation of treasury shares based on the resolution approved at the meeting of the Board of Directors and the disposal of treasury shares as restricted stock remuneration.

(3) Dividends

i) Payment of dividends

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on February 14, 2024	Ordinary shares	¥32,561 million	¥60	December 31, 2023	March 29, 2024
Meeting of the Board of Directors held on July 31, 2024	Ordinary shares	¥32,574 million	¥60	June 30, 2024	September 2, 2024

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

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on February 14, 2025	Ordinary shares	Retained earnings	¥32,225 million	¥60	December 31, 2024	March 31, 2025

5. Notes to Financial Instruments

(1) Matters Concerning Conditions of Financial Instruments

i) Financial risk management

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

ii) Market risk management

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

A. Foreign currency risk management

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

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

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

B. Interest rate risk management

The Group is exposed to various interest rate risks in its business activities, and especially subjected to interest rate fluctuations associated with borrowings. However, the effect of interest rate fluctuations on borrowing costs is offset by income arising from assets that are affected by the interest rate fluctuations.
The Group monitors fluctuations in interest rates arising from these assets and liabilities, and manages interest rate risks through refinancing and other means when interest rates drastically fluctuate.

C. Risk management of price fluctuations in equity instruments

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

iii) Credit risk management

Credit risk is the risk that causes financial loss to the Group when a counterparty of a financial asset held by the Group goes into default for contractual obligations. According to its credit management policy, the Group's sales department and accounting and finance department regularly monitor the credit status of each counterparty to claims such as trade receivables, manage due dates and balances, and strive for early identification and mitigation of any concerns about collections due to deterioration in the financial position of the counterparty and other factors. When full or partial collection of trade receivables and other is considered impossible, or extremely difficult, it is deemed as a default.
The Group recognizes that there is little credit risk in the use of derivatives since the Group only deals with financial institutions with high credit ratings.
The Group does not have any credit risk significantly concentrated in a specific counterparty or a group to which the counterparty belongs.
The carrying amounts presented in the consolidated statement of financial position represent the Group's maximum exposure to credit risk of financial assets.

iv) Liquidity risk management

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

(2) Fair Value of Financial Instruments

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

Fair value hierarchy
The fair value hierarchy classifies the inputs as follows:
Level 1: Fair value that is measured by using quoted prices in active markets
Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price
Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs
Transfers between fair value hierarchy levels are recognized on the date the event or condition prompting the transfer occurred.

i) Financial instruments measured at amortized cost

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
<Financial liabilities>					
Borrowings	14,763	–	14,799	–	14,799
Bonds	79,863	–	78,693	–	78,693
Total	94,626	–	93,492	–	93,492

The fair value calculation methods are as follows:

Borrowings

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

Bonds

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

ii) Financial instruments measured at fair value

(Millions of yen)

	Level 1	Level 2	Level 3	Total
<Financial assets>				
Financial assets measured at fair value through other comprehensive income				
Equity instruments	101,278	–	68,207	169,485
Financial assets measured at fair value through profit or loss				
Equity instruments	13,573	–	12,186	25,759
Debt instruments	–	–	3,618	3,618
Derivatives	–	6	–	6
Total	114,851	6	84,011	198,869
<Financial liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	–	4,387	–	4,387
Contingent consideration	–	–	52,544	52,544
Total	–	4,387	52,544	56,931

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

(a) Valuation techniques and inputs

Equity instruments

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

In the measurement, input information, including stock price index of comparable companies, the discount rate according to risk of the instrument, and price of conversion of preference shares held by the Group into ordinary shares, is taken into account. The principal unobservable input used in measuring the fair value is the EBITDA multiple in the comparable company analysis method, with the calculation based on the median of the comparable companies. An increase (a decrease) in the EBITDA multiple will result in an increase (a decrease) in the fair value.

Debt instruments

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

Derivatives

Forward exchange contracts and others

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

Interest rate swaps

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

Currency swaps

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

Call options

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

Contingent consideration

Contingent consideration classified as Level 3 is a liability recognized as a result of recognizing a part of the considerations as contingent consideration in the acquisition of shares of Neurovance, Inc. and Jnana Therapeutics Inc. Valuation techniques and inputs of fair value are provided in Note “9. Other Notes (Business Combinations).”

(b) Valuation processes

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

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

(Millions of yen)

	Fair value measurement as of the end of the year	
	Financial assets	Financial liabilities
Balance as of January 1, 2024	82,177	16,210
Gains (losses)		
Recorded in profit or loss*1	1,988	2,790
Recorded in other comprehensive income*2	(10,663)	4,884
Purchase and issuance	10,463	–
Sales and settlements	(3)	–
Increase resulting from business combination	–	28,658
Other	50	–
Balance as of December 31, 2024	84,011	52,544
Unrealized gains or losses included in profit or loss for assets and liabilities held at the end of the year	1,988	2,790

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

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

6. Notes on Revenue Recognition

(1) Disaggregation of revenue

The Group disaggregates revenue by type of goods or services and by geographical area. The relationship between disaggregated revenue and reportable segments for the fiscal year ended December 31, 2024 is as follows:

(Millions of yen)

	Reportable segment				
	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total
By type of goods or services					
Sales of products	1,448,521	556,814	33,401	84,768	2,123,505
License and royalty income	120,881	183	4	162	121,232
Other	59,628	8	346	25,139	85,123
Total	1,629,032	557,006	33,752	110,070	2,329,861
By geographical area*					
Japan	434,900	168,904	23,595	72,308	699,709
North America	838,679	244,097	8,255	4,077	1,095,110
EU	169,806	66,451	462	6,162	242,882
Other	185,644	77,553	1,439	27,521	292,158
Total	1,629,032	557,006	33,752	110,070	2,329,861

* Revenue is classified based on the location of customers.

(2) Contract balance

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

(Millions of yen)

	Amount
Receivables from contracts with customers	503,029
Notes and accounts receivable - trade	508,610
Allowance for doubtful accounts	(5,580)
Contract liabilities (current liabilities)	13,952
Contract liabilities (non-current liabilities)	35,361

Of the opening balance of contract liabilities, the amount of revenue recognized is ¥15,469 million. Additionally, the balance of contract liabilities increased by ¥3,016 million due to the business combination.
The amount of revenue recognized from performance obligations satisfied (or partially satisfied) in the past period was ¥97,970 million, of which major revenue was license and royalty income.

(3) Timing of satisfaction of performance obligations

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

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

(Millions of yen)

	Amount
Due within one year	13,952
Due after one year through two years	9,690
Due after two years through three years	6,765
Due after three years through four years	5,947
Due after five years	12,958
Total	49,314

7. Notes to Per Share Information

(1) Equity attributable to owners of the Company per share ¥5,089.58

(2) Basic earnings per share ¥633.76

8. Notes to Significant Subsequent Events

Not applicable.

9. Other Notes

(Impairment of Assets)

The Group recorded impairment losses of ¥126,040 million for the fiscal year ended December 31, 2024, ¥119,682 million of which related to the pharmaceutical business.

Impairment losses in the pharmaceutical business mainly consisted of impairment losses on AVP-786 of ¥102,839 million and assets related to digital medicine of ¥11,119 million.

With regard to AVP-786, after thoroughly analyzing the results of phase III trials (305 studies) that ended in February 2024, and taking a comprehensive view of the outcomes, the Group made the decision to discontinue development of the drug, and reduced the carrying amount of in-process research and development to the recoverable amount of zero, which is the value in use.

Regarding assets related to digital medicine, due to factors such as the decision of the discontinuation of *Abilify MyCite* sales in the U.S. that lowered profitability, the Group reduced the carrying amount of almost all property, plant and equipment (buildings and structures, machinery and vehicles, tools, furniture and fixtures, and construction in progress) and intangible assets (in-process research and development, trademarks, distribution rights and others, and other intangible assets) related to the business to the recoverable amount of zero, and recorded impairment losses of ¥11,119 million (¥168 million for buildings and structures, ¥698 million for machinery and vehicles, ¥0 million for tools, furniture and fixtures, ¥1,012 million for construction in progress, ¥2,837 million for in-process research and development, ¥565 million for trademarks, distribution rights and others, and ¥5,836 million for other intangible assets).

(Business Combinations)

(Acquisition of Jnana Therapeutics Inc.)

Otsuka Pharmaceutical Co., Ltd. (Otsuka Pharmaceutical), a consolidated subsidiary of the Company, agreed on August 1, 2024, to acquire Jnana Therapeutics Inc. (Jnana), a company engaged in pharmaceutical research and development, by acquiring 100% of its shares via a special-purpose acquisition subsidiary established by Otsuka America Inc. through cash and future milestone payments (hereinafter the “Acquisition”), followed by a merger, and the Acquisition was completed on September 19, 2024.

(1) Outline of business combination

i) Name of acquired company and business description

Name of acquired company: Jnana Therapeutics Inc.

Business description: Research and development of pharmaceutical products

ii) Main reasons for the business combination

Jnana's novel approach to drug discovery is enabled by the Reactive Affinity Probe Interaction Discovery (*RAPID*) – the company's next-generation chemoproteomics platform designed to discover medicines for highly validated but challenging-to-drug targets. Jnana has used RAPID to successfully identify first-in-class compounds and address a range of historically challenging-to-drug target classes, including solute carriers, transcription factors, and signaling scaffold proteins. Jnana pursues drug discovery based on concepts that are complementary to those of Astex, a subsidiary of Otsuka Pharmaceutical based in Cambridge, UK.

While Jnana's *RAPID* platform is not limited to any specific therapeutic area, the company has built a unique competitive position by concentrating on Phenylketonuria (PKU), a rare inherited metabolic disorder in which phenylalanine accumulates to abnormally high levels in the blood, and autoimmune diseases, where small molecule drug discovery has been challenging. Jnana's technology successfully generated JNT-517, an allosteric small molecule inhibitor of SLC6A19, an SLC (solute carrier) that regulates amino acid reabsorption in the kidney. JNT-517 has the potential to become a first-in-class oral treatment for PKU, as it has been shown to be effective, well-tolerated, and safe in a Phase 1b/2 study. In the autoimmune disease field, the company is pursuing small molecule drug discovery for highly validated, but challenging-to-drug, targets such as interferon regulatory factor 3 (IRF3), a master transcription factor for the production of interferon.

Otsuka Pharmaceutical has advanced contributions to patients with a wide range of rare diseases, not only in the renal area with *JINARC* (approved for autosomal dominant polycystic kidney disease), sibeprenlimab (IgA nephropathy), and voclosporin (lupus nephritis), but also by adding new specialty drugs such as donidalorsen (hereditary angioedema). Additionally, through Visterra, a Boston region-based company that Otsuka acquired in 2018, Otsuka is advancing research and development in the autoimmune field using antibody drug technology, while also expanding its drug discovery platform.

The Acquisition will lead to the further expansion of Otsuka Pharmaceutical's portfolio of products that address unmet medical needs through JNT-517, and the addition of Jnana's drug discovery technology and small molecule pipeline in PKU and autoimmune diseases will strengthen our R&D in the Boston area of the U.S., one of the most important bioclusters in the world, and in a combined form will have a synergistic effect on the Group's global expansion.

iii) Date of obtaining control

September 19, 2024

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

A special-purpose acquisition subsidiary established by Otsuka America, Inc., a consolidated subsidiary of the Company, acquired 100% of the voting shares of Jnana for cash and future milestone payments.

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

(Millions of yen)

	Amount
Fair value of consideration paid	147,443
Cash	118,784
Contingent consideration	28,658
Fair value of assets acquired and liabilities assumed	
Current assets	6,620
Non-current assets	143,140
Current liabilities	(5,429)
Non-current liabilities	(24,438)
Fair value of assets acquired and liabilities assumed	119,892
Goodwill	27,550

Notes:
1. The direct cost of the acquisition was ¥1,918 million and is included in "Selling, general and administrative expenses" in the consolidated statement of income.
2. Acquired trade and other receivables were ¥2 million, and there were no contractual cash flows that are not expected to be collected.
3. Goodwill mainly consists of synergies with existing businesses and excess earning power that are expected to arise from the acquisition. There is no amount of goodwill that is expected to be deductible for tax purposes.
4. The major components of non-current assets allocated to intangible assets are ¥133,594 million in in-process research and development, and ¥4,596 million in other intangible assets.
5. Non-current liabilities include ¥19,149 million in deferred tax liabilities recognized as a result of the business combination.
6. In the fiscal year ended December 31, 2024, fair value assessment of contingent consideration constituting consideration paid, assets acquired, and liabilities assumed, as well as allocation of the consideration for acquisition were completed.

(3) Impact on the Group's financial results

Revenue and profit or loss included in the Group's consolidated statement of income arising from Jnana after the date of acquisition of control is not material. The disclosure of revenue and profit or loss assuming that the date of the business combination was January 1, 2024 (so-called "pro forma" information) has been omitted because the impact is immaterial.

(Contingent considerations arising from business combination)

Contingent considerations arising from business combination are included in other financial liabilities in the consolidated statement of financial position. Contingent considerations that were recorded as of December 31, 2024 arose from the business combinations of Neurovance, Inc. and Jnana Therapeutics Inc.

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

The contingent considerations from the acquisition of Jnana consist of the development and regulatory milestones to be paid based on the progress of JNT-517 and other development products acquired when Jnana was acquired in September 2024. The maximum potential amounts of the milestones will be USD 75 million and USD 250 million, respectively.

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

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

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

(Millions of yen)

	Amount
Balance as of January 1, 2024	16,210
Business combination	28,658
Changes in fair value	2,790
Foreign currency translation adjustment	4,884
Balance as of December 31, 2024	52,544

(Translation)

Balance Sheet (Under Japanese GAAP)

(As of December 31, 2024)

(Millions of yen)

Item	(Reference) FY2023	FY2024
Assets		
Current assets	**124,886**	**285,790**
Cash and bank deposits	86,380	130,375
Investments in leases	–	230
Supplies	69	77
Prepaid expenses	1,874	3,406
Short-term loans receivable from subsidiaries and associates	12,577	142,622
Income taxes receivable	15,939	146
Other current assets	9,253	10,255
Allowance for doubtful accounts	(1,208)	(1,323)
Non-current assets	**1,087,448**	**1,096,710**
Property, plant and equipment	**11,404**	**7,268**
Buildings	4,277	5,137
Structures	667	589
Machinery and equipment	1,593	1,234
Tools, furniture and fixtures	370	295
Construction in progress	4,494	11
Intangible assets	**4,768**	**4,271**
Software	4,768	4,271
Investments and other assets	**1,071,276**	**1,085,170**
Investment securities	12,471	11,689
Shares of subsidiaries and associates	750,984	750,984
Investments in capital of subsidiaries and associates	133	133
Long-term loans receivable from subsidiaries and associates	307,993	318,911
Prepaid pension costs	314	486
Investments in leases	–	3,038
Other assets	548	1,388
Allowance for doubtful accounts	(1,170)	(1,462)
Total assets	**1,212,335**	**1,382,500**

Item	(Reference) FY2023	FY2024
Liabilities		
Current liabilities	**72,005**	**228,170**
Accounts payable - other	13,888	9,836
Accrued expenses	147	307
Income taxes payable	312	256
Current portion of bonds	20,000	–
Deposits received from subsidiaries and associates	37,238	217,501
Provision for bonuses	134	108
Provision for directors' bonuses	50	65
Other current liabilities	233	94
Non-current liabilities	**60,479**	**81,398**
Bonds	60,000	80,000
Deferred tax liabilities	428	292
Provision for retirement benefits for directors (and other officers)	27	38
Asset retirement obligations	–	1,037
Other non-current liabilities	23	30
Total liabilities	**132,484**	**309,568**
Net assets		
Shareholders' equity	**1,078,058**	**1,071,682**
Share capital	**81,690**	**81,690**
Capital surplus	**811,298**	**786,295**
Additional paid-in capital	731,816	731,816
Other capital surplus	79,481	54,479
Retained earnings	**229,738**	**270,999**
Other retained earnings	229,738	270,999
Reserve for tax purpose reduction entry of non-current assets	180	161
Retained earnings brought forward	229,558	270,838
Treasury shares	**(44,669)**	**(67,303)**
Valuation and translation adjustments	**1,792**	**1,249**
Unrealized gain on available-for-sale securities	1,792	1,249
Total net assets	**1,079,851**	**1,072,932**
Total liabilities and net assets	**1,212,335**	**1,382,500**

Statement of Income (Under Japanese GAAP)

(From January 1, 2024 to December 31, 2024)

(Millions of yen)

Item	(Reference) FY2023	FY2024
Operating revenues	**82,432**	**118,029**
Operating expenses	**13,429**	**15,121**
Operating income	**69,003**	**102,907**
Non-operating income	**2,739**	**4,819**
Interest and dividend income	1,257	3,083
Business consignment fees	1,423	1,388
Reversal of allowance for doubtful accounts	–	181
Other	58	165
Non-operating expenses	**1,732**	**2,753**
Interest expenses	83	1,686
Commission fees	13	93
Provision of allowance for doubtful accounts	1,377	588
Bond interests	214	254
Other	43	130
Ordinary income	**70,010**	**104,974**
Extraordinary income	**4**	**–**
Gain on sales of investment securities	4	–
Extraordinary loss	**17**	**0**
Loss on sales of non-current assets	1	–
Loss on retirement of non-current assets	15	0
Profit before tax	**69,997**	**104,973**
Income tax - current	**(973)**	**(1,525)**
Income tax - deferred	**(76)**	**103**
Net profit	**71,047**	**106,396**

Statement of Changes in Net Assets

FY2023 (From January 1, 2023 to December 31, 2023) [Reference]

(Millions of yen)

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

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

FY2024 (From January 1, 2024 to December 31, 2024)

(Millions of yen)

	Shareholders' equity						
		Capital surplus			Retained earnings		
					Other retained earnings		
	Share capital	Additional paid-in capital	Other capital surplus	Total capital surplus	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	Total retained earnings
Balance as of January 1, 2024	**81,690**	**731,816**	**79,481**	**811,298**	**180**	**229,558**	**229,738**
Changes in the year							
Dividends						(65,135)	(65,135)
Share-based payment transactions			1,187	1,187			
Purchase of treasury shares							
Cancellation of treasury shares			(26,189)	(26,189)			
Net profit						106,396	106,396
Net changes other than shareholders' equity					(19)	19	–
Total changes in the year	**–**	**–**	**(25,002)**	**(25,002)**	**(19)**	**41,279**	**41,260**
Balance as of December 31, 2024	**81,690**	**731,816**	**54,479**	**786,295**	**161**	**270,838**	**270,999**

	Shareholders' equity		Valuation and translation adjustments		
	Treasury shares	Total shareholders' equity	Unrealized gain on available-for-sale securities	Total valuation and translation adjustments	Total net assets
Balance as of January 1, 2024	**(44,669)**	**1,078,058**	**1,792**	**1,792**	**1,079,851**
Changes in the year					
Dividends		(65,135)			(65,135)
Share-based payment transactions	1,062	2,249			2,249
Purchase of treasury shares	(49,886)	(49,886)			(49,886)
Cancellation of treasury shares	26,189	–			–
Net profit		106,396			106,396
Net changes other than shareholders' equity		–	(542)	(542)	(542)
Total changes in the year	**(22,633)**	**(6,375)**	**(542)**	**(542)**	**(6,918)**
Balance as of December 31, 2024	**(67,303)**	**1,071,682**	**1,249**	**1,249**	**1,072,932**

Notes to Financial Statements

1. Summary of Significant Accounting Policies

(1) Valuation of Assets

i) Shares of affiliates:
Stated at cost, determined by the moving-average method.

ii) Other securities

- Securities other than shares, etc. with no market price
Stated at fair value based on the quoted market price at the end of the fiscal year, with unrealized gains or losses, net of applicable taxes, stated in a separate component of net assets. The cost of securities sold is calculated using the moving-average method.
- Shares, etc. with no market price
Stated at cost, determined by the moving-average method.

iii) Valuation of inventories

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

(2) Depreciation and Amortization of Non-Current Assets

i) Property, plant and equipment:
The Company uses the straight-line method.

ii) Intangible assets:
The Company uses the straight-line method over their estimated useful lives. Software for internal use is amortized by the straight-line method based on internal guidelines.

(3) Reserves

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

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

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

iv) Provision for retirement benefits for directors (and other officers):
In order to cover payment of retirement benefits to corporate officers, the Company estimates the amount required to be paid at year-end in accordance with the internal rules.

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

(4) Recognition of revenues and expenses

Recognition of revenues:
The Company recognizes revenue from contracts with customers based on the following five-step model:
Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation
The Company's revenues consist primarily of dividend income from subsidiaries and

management support fees. Management support fees are recognized as revenue in equal amounts over the contract period, as the performance obligation is to provide services in accordance with terms of the contract and is satisfied over time. The consideration is received within a short period of time and does not include a significant financing component. Dividend income is recognized as revenue on the effective date of the dividends.

2. Notes to Balance Sheet

(1) Accumulated Depreciation on Property, Plant and Equipment ¥1,434 million

(2) Receivables from and Payables to Affiliates (Excluding Those Classified Separately in the Balance Sheet)

i) Short-term receivables ¥9,718 million
ii) Short-term payables ¥7,504 million

3. Notes to Statement of Income
Transactions with Affiliates

i) Operating revenues ¥118,029 million
ii) Operating expenses ¥2,854 million
iii) Non-operating transactions
Interest income ¥1,800 million
Interest expenses ¥1,685 million
Other non-operating income ¥1,590 million

4. Notes to Statement of Changes in Net Assets

Number of Treasury Shares

Class of shares	Number of shares as of January 1, 2024	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares as of December 31, 2024
Ordinary shares	15,149 thousand shares	5,957 thousand shares	6,174 thousand shares	14,932 thousand shares

Note: The 5,957-thousand-share increase in the number of treasury shares is due to the purchase of treasury shares based on the resolution approved at the meeting of the Board of Directors, the acquisition without contribution of some ordinary shares allotted as restricted stock remuneration, and the purchase of shares less than one share unit. The 6,174-thousand-share decrease in the number of treasury shares is due to the cancellation of treasury shares based on the resolution approved at the meeting of the Board of Directors and the disposal of treasury shares as restricted stock remuneration.

5. Notes to Income Taxes

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

Deferred tax assets	
Provision for retirement benefits for directors (and other officers)	¥11 million
Provision for bonuses	¥42 million
Accrued directors' bonuses	¥30 million
Accrued enterprise tax	¥75 million
Share-based remuneration expenses	¥452 million
Allowance for doubtful accounts	¥852 million
Loss on valuation of shares of subsidiaries and associates	¥2,837 million
Loss on extinguishment of tie-in shares	¥176 million
Adjustment of tax-basis carrying amount of shares of subsidiaries and associates	¥886 million
Deferred assets	¥16 million
Unused tax losses	¥2,351 million
Other	¥47 million
Subtotal of deferred tax assets	¥7,781 million
Valuation allowance for unused tax losses	¥(2,351) million
Valuation allowance for the total of deductible temporary differences, etc.	¥(4,886) million
Subtotal of valuation allowance	¥(7,238) million
Total of deferred tax assets	¥543 million
Deferred tax liabilities	
Unrealized gain on available-for-sale securities	¥(551) million
Prepaid pension costs	¥(148) million
Reserve for tax purpose reduction entry of non-current assets	¥(71) million
Supplies	¥(64) million
Total of deferred tax liabilities	¥(835) million
Net deferred tax liabilities	¥(292) million

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

The Company applies the group tax sharing system. In addition, the Company accounts for and discloses income tax and local income tax or related tax effect accounting in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021).

6. Notes to Related Party Transactions

Subsidiaries

Type	Company name	Percentage owned	Relationship: Interlocking directors and audit & supervisory board members	Relationship: Business relationship	Transaction details	Transaction amount (Millions of yen)	Item	Balance as of fiscal year end (Millions of yen)
Subsidiary	Otsuka Pharma-ceutical Co., Ltd.	(Held by the Company) 100.0% direct (Held by the subsidiary) None	6	Group management, etc.	Lending of funds*1	206,101	Short-term loans receivable from subsidiaries and associates*1	77,560
					Payment of interest*2	1,048	Deposits received from subsidiaries and associates*1	78,330
					Receipt of interest*2	840	Long-term loans receivable from subsidiaries and associates*1	198,720
Subsidiary	Taiho Pharma-ceutical Co., Ltd.	(Held by the Company) 100.0% direct (Held by the subsidiary) None	1	Group management, etc.	Borrowing of funds*1 Payment of interest*2 Receipt of interest*2	74,613 185 287	Deposits received from subsidiaries and associates*1	82,300
Subsidiary	Otsuka Chemical Co., Ltd.	(Held by the Company) 100.0% direct (Held by the subsidiary) None	1	Group management, etc.	Borrowing of funds*1 Payment of interest*2 Receipt of interest*2	22,698 45 3	Deposits received from subsidiaries and associates*1	22,209
Subsidiary	Otsuka Medical Devices Co., Ltd.	(Held by the Company) 100.0% direct (Held by the subsidiary) None	2	Group management, etc.	Lending of funds*1	112,823	Short-term loans receivable from subsidiaries and associates*1	10,660
					Receipt of interest*2	413	Long-term loans receivable from subsidiaries and associates*1	108,325
Sub-subsidiary	Otsuka America, Inc.	(Held by the Company) 100.0% indirect (Held by the sub-subsidiary) None	–	Group management, etc.	Lending of funds*1 Payment of interest*2 Receipt of interest*2	12,437 48 202	Short-term loans receivable from subsidiaries and associates*1	50,946

Terms and conditions of transactions and policy on determination thereof

*1 The Group utilizes an intercompany cash management process for efficient use of its funds. The transaction amount represents the average balance during the fiscal year based on net amount of lending and borrowing of funds.

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

7. Notes to Per Share Information

(1) Net Assets per Share	¥1,997.67
(2) Earnings per Share	¥196.52

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

February 12, 2025

To the Board of Directors of

Otsuka Holdings Co., Ltd.:

KPMG AZSA LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:
Hiroto Kawase

Designated Engagement Partner,
Certified Public Accountant:
Takayuki Suzuki

Designated Engagement Partner,
Certified Public Accountant:
Hirotaka Matsuo

Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of Otsuka Holdings Co., Ltd. and its consolidated subsidiaries (the "Group"), namely, the consolidated statement of financial position as of December 31, 2024, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from January 1, 2024 to December 31, 2024, and the related notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024, and its consolidated financial performance for the year then ended and conform to the accounting standard that omits a part of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Regulations on Corporate Accounting.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Notes to the Readers of Independent Auditor's Report</u>

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

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

February 12, 2025

To the Board of Directors of

Otsuka Holdings Co., Ltd.:

KPMG AZSA LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:
Hiroto Kawase

Designated Engagement Partner,
Certified Public Accountant:
Takayuki Suzuki

Designated Engagement Partner,
Certified Public Accountant:
Hirotaka Matsuo

Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements of Otsuka Holdings Co., Ltd. (the "Company"), namely, the nonconsolidated balance sheet as of December 31, 2024 and the nonconsolidated statement of income and nonconsolidated statement of changes in net assets for the 17th fiscal year from January 1, 2024 to December 31, 2024, and the related notes and the accompanying supplemental schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other Information

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

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

Our responsibility in auditing the nonconsolidated financial statements is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the nonconsolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences.
If we determine there to be material errors in the other information based on the work we have performed, we are required to report those facts.
There are no matters to report regarding the other information.

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Readers of Independent Auditor's Report

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

(TRANSLATION)

Audit Report of the Audit & Supervisory Board

AUDIT REPORT

Regarding the performance of duties by the Directors for the 17th fiscal year from January 1, 2024 to December 31, 2024, the Audit & Supervisory Board hereby submits its audit report, which has been prepared through discussions based on the audit report prepared by each Audit & Supervisory Board Member.

1. Auditing Methods and Content of Audits
   (1) The Audit & Supervisory Board established the auditing policies, allocation of duties, and other relevant matters, and received reports from each Audit & Supervisory Board Member regarding the status of his or her audit and the results thereof, as well as reports from the Directors and independent auditors regarding performance of their duties, and sought explanations as necessary.

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

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

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

   (2) Results of Audit of Financial Statements and the Accompanying Supplementary Schedules
   In our opinion, the methods and results employed and rendered by the independent auditors, KPMG AZSA LLC, are fair and reasonable.

   (3) Results of Audit of Consolidated Financial Statements
   In our opinion, the methods and results employed and rendered by the independent auditors, KPMG AZSA LLC, are fair and reasonable.

February 13, 2025

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

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