

Otsuka Holdings Co., Ltd.  
Corporate Governance Guidelines

1. General Provisions

(1) Basic Perspective on Corporate Governance

Otsuka Holdings Co., Ltd. (the “Company”) is committed to promoting sustainable increase of its corporate value over the medium to long term by realizing its corporate philosophy. To meet this commitment, the Company adopts a basic policy of making transparent, fair and timely decisions, and fulfilling its corporate social responsibility by living up to the expectations of all stakeholders, including customers, business partners, employees, local communities, and shareholders, through ongoing dialogue.

(2) Corporate Philosophy

United under the banner of its corporate philosophy “*Otsuka-people creating new products for better health worldwide,*” the Company contributes to people’s health worldwide by creating innovative products.

(3) Otsuka Group Global Code of Business Ethics

The Company, in order to pursue innovation and conduct its business based on the highest standards of ethical conduct, has established and disclosed its corporate code of conduct, “*The Otsuka Group Global Code of Business Ethics,*” (the Code) that all individuals working for, or on behalf of, the Otsuka group companies must uphold.

This Code applies to all of its worldwide business operations and stipulates that all applicable laws and regulations, public policies, and professional standards of each country where the Otsuka group companies operate shall be understood and followed under the most stringent interpretation of them whenever they conflict with individually established standards and policies in each region.

2. Securing the Rights and Equal Treatment of Shareholders

(1) The Company treats its shareholders in accordance with the number of the shares each shareholder holds, and prohibits giving any special benefits, such as property benefits, to a specific shareholder.

(2) The Company takes appropriate measures to fully secure shareholder rights in accordance with relevant laws and regulations, and develops an

environment in which shareholders can exercise their rights fully by giving adequate consideration to all the shareholders including non-Japanese and minority shareholders.

**3. Annual Shareholders Meeting**

- (1) The Company recognizes that the Shareholders Meeting is the highest decision-making body, and conducts the meeting so as to appropriately reflect the views of shareholders.
- (2) The Company analyzes the causes and backgrounds, and examines the necessity of dialogue with shareholders and other responses when, at the Shareholders Meeting, more than 30% of votes are against the Company's proposal or when there is a large number of votes against the proposal compared to the previous year.
- (3) The Company recognizes that Shareholders Meeting is an opportunity for constructive dialogue with the shareholders, and therefore strives to secure an environment in which deliberations are ensured based on accurate information.
- (4) On the premise that the audit period of both the Audit & Supervisory Board and the Accounting Auditor is assured to be sufficient, the Company ensures that there is sufficient time for shareholders to consider the items on the agenda, and sets the date of the Shareholders Meeting and any associated dates so that a large number of shareholders are able to attend it.
- (5) In order that shareholders may make informed decisions before exercising their voting rights, the Company strives to include sufficient details in informational materials for the Shareholders Meeting (convocation notice for the Shareholders Meeting, reference documents, business report, financial statements, etc.), and discloses them promptly on the Company's website or other channels.
- (6) The Company provides an environment in which all shareholders are able to properly exercise their voting rights, by allowing for electronic voting via such platform, and providing an English translation of the informational materials for the Shareholders Meeting on the Company's website.

**4. Cross-shareholdings of Listed Stocks and the Exercise of Their Voting Rights**

- (1) The Company may strategically hold shares of listed companies in order

to maintain and strengthen business relationships and thereby increase corporate value over the medium to long term.

- (2) Each year, the Board of Directors of the Company (the Board) assesses whether or not to maintain strategic holdings of each individual stock, and carefully scrutinizes continuation of stock holdings if it does not contribute to an increase of corporate value.
- (3) With respect to the exercise of voting rights on cross-shareholdings, in principle, the Company votes for approval on proposals submitted by the boards of directors of investee companies.  
However, the Company rationally decides whether or not to vote for approval on proposals if their adoption is not likely to contribute to the increase of corporate value.

#### 5. Related-party Transactions

- (1) The Board takes appropriate steps for related-party transactions in accordance with the Companies Act and any other applicable laws.
- (2) The Board examines transactions between the Company and, respectively, Director & Board Members, Auditor & Supervisory Board Members, their close relatives, and major shareholders. Major transactions are reported at the Board.

#### 6. Disclosure of and Training on the Code of Conduct

- (1) The Company discloses "*The Otsuka Group Global Code of Business Ethics*" (the Code) to all stakeholders on its website.
- (2) The Company defines and describes in the Code the basic principles to be adhered with regard to "conflicts of interest," "bribery and corruption," "discrimination and harassment," "human rights and labour standards," "privacy and confidentiality" as well as "diversity and inclusion" and other themes. Training on the Code is provided to employees of the Company and all of its subsidiaries (the "Otsuka group companies") to ensure thorough operation of the Code and confirm the status of its operation.

#### 7. Establishment, Disclosure and Execution of Medium-Term Management Plans

As a total healthcare company with corporate philosophy on its center, the Company establishes medium and long term policies on management planning, human resource policy and capital policy including its business portfolio, mindful of capital cost, in order to achieve sustainable growth and enhance corporate value. These policies are disclosed to all stakeholders

including shareholders and executed.

## 8. The Board of Directors

### (1) Duties

The Board advances the execution of medium management plans, supervises the Company's management, and also assumes roles and responsibilities to enhance the profitability and capital efficiency in order to promote the sustainable growth of the Company and the increase of corporate value over the medium to long term.

### (2) Standards for the Appointment and Dismissal of Director & Board Members

In order to promote sustainable growth and an increase of corporate value over the medium to long term, the Company appoints Director & Board Members with insights, significant expertise and extensive experience that are appropriate for achieving and maintaining effective governance, taking into consideration diversity in the composition of the Board of Directors, including from the aspects of gender, internationality, career history and age.

The Company appoints Internal Director & Board Members after evaluating whether their experience, expertise and insights qualify them to advance the corporate philosophy, the Code and the corporate strategies.

The Company appoints talented Outside Director & Board Members in order for their knowledge, experience and expertise in various fields, including corporate management, to be reflected in the Company's management.

In the appointment of Director & Board Members, the skill matrix and the reason for their appointment shall be disclosed.

The number of Director & Board Members including Outside Director & Board Members is no more than eighteen, and at least 1/3 (one-third) of those Director & Board Members shall be independent Outside Director & Board Members.

Furthermore, matters concerning the appointment and dismissal of senior management and Director & Board Members are deliberated and determined by the Nomination and Remuneration Committee, and will be reported first to the Corporate Governance Committee and subsequently to the Board.

### (3) Independence Standards for Outside Director & Board Members

The Company determines that an Outside Director & Board Member has independence if none of the following applies:

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

#### (4) Remunerations

The Company's remuneration plan for Director & Board Members is designed to achieve sustainable growth and enhanced corporate value over the medium to long term for the group based on the corporate philosophy, while also ensuring that functions such as business execution and management supervision are exercised appropriately, maintaining transparency and fairness. The Company's basic approach to remuneration for Director & Board Members is as follows, and "The Policy for Determining Director & Board Member Remuneration," approved by the Board, shall apply for further details.

##### ① 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, while also considering levels at companies that the Company considers benchmarks based on the scale, industry and business model.

② **Remuneration System**

With regard to remuneration for Director & Board Members responsible for business execution, the Company has formulated a remuneration system that is closely linked to performance in individual fiscal years, as well as over the medium to long term, while emphasizing sustainable enhancement of corporate value.

Remuneration consists of fixed remuneration as basic remuneration, performance-linked bonuses, and share-based payments emphasizing the link to shareholder value. Remuneration for Outside Director & Board Members comprises only fixed remuneration as basic remuneration in light of their duties.

(5) **Delegation to Director & Board Members and Senior Vice President & Operating Officers**

The Board stipulates in the internal regulations regarding which material matters relating to management should be referred for discussion by the Board. It delegates decisions on other management matters which do not fall within the above regulations and its operation to the Company's representative directors, managing directors as well as to its senior vice president & operating officers.

(6) **Director & Board Members' Concurrent Roles with the Otsuka Group Companies**

In order to maximize synergies within the Otsuka group and improve the governance system through close cooperation with the Otsuka group companies and monitoring of each business, Director & Board Members may concurrently serve as director & board members of other Otsuka group companies.

(7) **Evaluation of Effectiveness**

The Board assesses the effectiveness of its functioning on an annual basis through self-evaluations by each Director & Board Member and Auditor & Supervisory Board Member. The analyses are undertaken of its size, operation, agenda items, deliverables following deliberation, supporting system etc.

(8) **Internal Control**

The Board has established the policy, "Basic Views on System to Ensure Appropriateness of Operations" (internal control system), and periodically receives a report and confirms its operation. The Board also periodically

receives a report from the Internal Control Department on the enforcement of internal controls on financial reports and confirms the controls.

**(9) Report from the Internal Audit Department**

The Internal Audit Department regularly reports the results of internal audits and related matters to the Board.

**(10) Development of a Risk Management System**

① The Board establishes policies concerning risk management for the entire Otsuka group in order to develop a system to encourage sound risk-taking, and introduces Enterprise Risk Management (“ERM”) for the purpose of recognizing and evaluating risks from a group-wide perspective and allocating management resources preferentially to controls over material risks.

② The Board uses internal audits and other internal control functions to supervise the operational status of ERM and make necessary decisions.

③ The Board establishes the Global Risk Oversight Committee, chaired by the Director & Board Member appointed by the Board and composed of Director & Board Members or senior vice president & operating officers in charge of Finance, Corporate Planning, and Administration, etc. The Board establishes a group-wide risk management system and supervises the status of its operation utilizing the Internal Audit Department.

**(11) Operation**

The Company has organized the Secretariat of the Board in the Corporate Management Department. It administers the support system for the Board’s effective operation, cooperating with the Finance and Accounting Department, the Corporate Planning Department and other departments.

The Company provides Outside Director & Board Members with opportunities to better understand the businesses of the Otsuka group companies by receiving explanations and visiting offices, factories and laboratories in addition to the above support.

**9. Audit & Supervisory Board**

**(1) Duties**

The Audit & Supervisory Board and its members play critical roles in

auditing the Director & Board Members' performance of their duties, electing and dismissing the Accounting Auditor and through involvement in decisions on remunerations for the Accounting Auditor.

- (2) Securing the soundness of the Company with the aim of its sustainable growth and increase of corporate value over the medium to long term, the Company ensures that the Audit & Supervisory Board is able to appropriately perform from an objective standpoint.

- (3) Standards for the Selection of Auditor & Supervisory Board Members

The Company appoints at least one member to the Audit & Supervisory Board who has appropriate expertise in finance and accounting.

In addition, the Company appoints, as Outside Auditor & Supervisory Board Members, talented persons who have expertise in a variety of fields, in order for the Audit & Supervisory Board to perform multifaceted audits.

In the appointment of Auditor & Supervisory Board Members, the skill matrix and the reason for their appointment shall be disclosed.

- (4) Cooperation with the Internal Audit Department and the Accounting Auditor

The Internal Audit Department reports directly to the Audit & Supervisory Board on the results of internal audits and related matters on a regular basis. In addition, the Audit & Supervisory Board ensures to conduct appropriate audits in cooperation with the Accounting Auditor.

- (5) Operation

The Company has established the Statutory Auditor's Office and appoints its full-time staff. The Audit & Supervisory Board, as necessary, collects information from the Legal Affairs Department, the Corporate Management Department, the Finance and Accounting Department, the Corporate Planning Department and other departments to undertake audits on management. In addition, the Company provides Outside Auditor & Supervisory Board Members with opportunities to better understand the businesses of the Otsuka group companies by receiving explanations and visiting offices, factories and laboratories.

## 10. Corporate Governance Committee

As an advisory body to the Board, the Company has established the Corporate Governance Committee as follows. The Committee discusses the ideal form of corporate governance of the Company, succession plans for the CEO and other senior management and directors, development of



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

**(1) Composition of the Committee**

The Committee consists of the CEO, the Director & Board Member in charge of Administration, and all Outside Director & Board Members. The CEO serves as the chair of the Committee.

**(2) Establishment of Subcommittees**

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

**① Evaluation of the CEO**

**② Nomination**

Regarding the appointment and dismissal of Director & Board Members and Auditor & Supervisory Board Members, the subcommittee deliberates on their suitability and fairness. The subcommittee shall obtain consent on Auditor & Supervisory Board Members candidates from the Audit & Supervisory Board, prior to submitting the report to the Board.

**③ Remuneration**

The subcommittee deliberates on evaluation of Director & Board Members and their individual remuneration along with the remuneration system and remuneration level, and reports to the Board.

**11. Director & Board Members' and Auditor & Supervisory Board Members' Liability Insurance Contract**

The Company concludes director & board members' and auditor & supervisory board members' liability insurance contract with the following outlines in accordance with Article 430-3 of the Companies Act.

**① Scope of the insured persons**

Director & Board Members and the Auditor & Supervisory Board Members of the Company and its major domestic subsidiaries.

- ② **Insurance premium burden of the insured persons**  
The Company shall bear the premium and the insured persons shall not bear the premium.
- ③ **Overview of insured events and coverage**  
Compensation shall be provided for damages (legal damages and litigation costs) caused by claims arising from the business execution by the insured persons.
- ④ **Measures to secure appropriateness of Director & Board Members' and Auditor & Supervisory Board Members' duties**  
The insurance will not cover damages arising from willful misconduct, illegal provision of private benefits, criminal acts, etc. by the insured persons as exemptions.

#### **12. Training of Director & Board Members and Auditor & Supervisory Board Members**

The Company, as necessary, provides Director & Board Members and Auditor & Supervisory Board Members with opportunities to receive lectures regarding laws and regulations from lawyers or other experts. In addition, the Company provides financial support for expenses associated with such training.

#### **13. Accounting Auditor**

Considering that the Accounting Auditor performs an important role for effective corporate governance, which presupposes secure, credible financial reporting, the Company demands that the Accounting Auditor comply with standards of quality control necessary for appropriate accounting audits, and maintains its independence and expertise, and also secures the framework under which the Accounting Auditor is able to fairly audit collaborating with the Audit & Supervisory Board as well as the Internal Audit Department.

#### **14. Development of Management Talent**

In order to systematically develop management talent who can act consistently with the corporate philosophy, the Company seeks to identify and foster people with the qualities and skills required for management in the next generation. Training programs are provided continually and their status is reported to the Board periodically.

#### **15. Information Disclosure**

The Company actively and appropriately discloses important information

with regard to its businesses on a timely basis in accordance with the Disclosure Policy, which stipulates separately. English translations of the required information in the disclosure documents shall be disclosed.

#### 16. Dialogue with Shareholders

- (1) The Company acknowledges that a trusting relationship with shareholders is essential for its sustainable growth and increase of corporate value over the medium to long term. Therefore, accurate information is provided to shareholders on a timely basis in order to sustain constructive dialogue with them.
- (2) The Investor Relations Department is responsible for dialogue with shareholders.
- (3) The Investor Relations Department provides appropriate responses to shareholders, following consultation with the CEO, Director & Board Members and Senior Vice President & Operating Officers in charge.
- (4) Appropriate disclosure of financial results etc., is done, taking into consideration the protection of insider information, after discussion among the Investor Relations Department, the Finance and Accounting Department, the Corporate Planning Department and other relevant departments.
- (5) Opinions from shareholders and analysts are shared at the Board and utilized for implementation of business strategies.

#### 17. Sustainability

- (1) The Company has declared as its sustainability mission that, guided by its corporate philosophy, it strives to address social issues through its businesses and aims to realize its own sustainable growth while contributing to the creation of a healthy and sustainable society.
- (2) The Company has identified the materiality to address social issues such as unmet medical and health needs, human rights, the health and working environments of employees along with their fair and appropriate treatment, environment and fair and appropriate transactions with business partners.

Otsuka group materiality:

- Contribute to the health and wellbeing of people all over the world.
- Develop human capital to fulfill our corporate philosophy at good

working environment.

- Create more sustainable future with business partners.
- Promote positive impact on global environment.

For each materiality, the Company has established strategies, measures and indexes, aiming to realize its sustainability mission through initiatives in line with the materiality.

The Company has established the Sustainability Promotion Committee under the supervision of the Board, regularly conducting discussions, evaluations, and setting the direction and plan of activities. In addition to this, the Company prepares the framework for each measure and update the promotion plan as needed.

- (3) Regarding for the disclosure of our sustainability information, the Company responds to the international requirements and directives such as the Task Force on Climate-related Financial Disclosures (TCFD), and works toward raising awareness of our sustainability mission and initiatives for our stakeholders.

#### 18. Diversity and Inclusion

- (1) By encouraging employees to share and effectively link together different cultures, backgrounds, experiences and viewpoints, the Company fosters a corporate culture which enables us to create products and services that correspond to diversified consumer needs around the world through more creative R&D activities.
- (2) The Company actively recruits and promotes talented people with different backgrounds and careers who can relate with a diversified society. In addition, the Company establishes voluntary and measurable targets for the promotion of women, foreigners, and mid-career recruits to managerial positions, and strives to establish working environments and develop human resource for diverse human resources to be able to fully utilize their individual abilities.

#### 19. Whistleblowing System

- (1) The Company has formulated the “Otsuka Group Global Speak-Up Policy” to describe the basic principles of a reporting or whistleblowing system, which encourages all director & board members, senior vice presidents & corporate officers, and employees of the Otsuka group to report suspected occurrence(s) of illegal, unethical, or inappropriate conduct if they know or suspect behavior that is not consistent with laws, rules, regulations, Otsuka’s values, policies, or procedures.

- (2) The aforementioned policy clearly stipulates that the whistleblowers and the information that they report shall be treated as confidential, and that the whistleblowers will not be subject to harassment, retaliation, or adverse employment consequence as a result of making the report.
- (3) The Company operates a whistleblowing system under internal regulations and has established points of contact at law firms etc., independent from the Company, in addition to points of contact in the Corporate Management and the Internal Control Departments.
- (4) The Board is responsible for timely evaluation and supervision of whether the whistleblowing system is being effectively and appropriately operated.

#### 20. Roles of the Corporate Asset Owner

- (1) The Company funds and operates corporate pensions through the Otsuka Pharmaceutical Corporate Pension Fund.
- (2) The Otsuka Pharmaceutical Corporate Pension Fund consists of the Delegation Committee, the board of directors and the Asset Management Committee. Those members have related expertise and are from the Financial and Human Resources Departments of the group.
- (3) Regular monitoring is conducted of the investment status of pension assets and the Asset Management Committee reviews the composition of pension assets as necessary.
- (4) Comprehensive evaluation and monitoring of investment management institutions is conducted, taking into consideration investment performance, investment policies, operation process, etc.

#### 21. Revision and Abolition of These Guidelines

These Guidelines may be revised or abolished by resolution of the Board.

#### (Revision History)

These Guidelines were enacted on November 13, 2015.

Revisions were made on

March 15, 2017,

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March 14, 2025**