

Special Feature

Maximizing Individual and Organizational Value

Yoshiro Matsuo Executive Deputy President and Director, Otsuka Holdings Co., Ltd.



Developing Human Capital at Good Working Environment

Human Resource Strategy in the 4th Medium-Term Management Plan

One of the material issues in the Otsuka group's 4th Medium-Term Management Plan (MTMP) is to develop human resources and create an environment for realizing our corporate philosophy. The Otsuka group is committed to its corporate philosophy, which states "Otsuka-people creating new products for better health worldwide" and serves as a core driver for its work to support people's health from a variety of perspectives. Human resources are the source of value creation in realizing this corporate philosophy. In order to create innovation, maintain and strengthen competitiveness, and achieve sustainable growth in a rapidly changing business environment, it is important for all human resources to maximize their own individual value, and for companies and their human resources to work together to maximize organizational capability.

Ryukan-godo (by sweat we recognize the way), *Jissho* (actualization), and *Sozosei* (creativity) are the elements of corporate culture that Otsuka values in all of its businesses and throughout its value chain. We believe that by practicing this corporate culture in all of our actions and implementing it in our decision-making axes, including our perspectives on social issues, our approach to addressing issues, and the relationships we build with stakeholders, and by maintaining a consistent direction toward our corporate philosophy, we can create value that only Otsuka can offer. As the mobility of human resources increases, individual values diversify, and businesses expand on a global scale, the group's corporate philosophy and corporate culture are becoming increasingly important, and we intend to strengthen collaboration among group companies and evolve methods for passing on and instilling this corporate philosophy and culture.

The fact that Otsuka's businesses are so diverse also means that it employs a diverse range of human resources in a variety of businesses and areas. For all of Otsuka's human resources, we will continue to create a workplace where they can thrive and achieve self-fulfillment in the context of diverse values, and we will continue to provide opportunities for challenge and growth that only Otsuka can offer, in a diverse business structure that creates unprecedented value creation and elicits group synergies.

In the 4th MTMP, we have newly established employee engagement as an indicator with regard to human resources. We believe that without mutual trust between companies, organizations, and employees, the achievement of this medium-term management plan and sustainable growth beyond it will not be possible. Each operating company is currently conducting employee engagement evaluations in accordance with their respective characteristics and environment. Now, with the launch of the 4th MTMP, we have launched a task force that is responsible for the entire group. It discusses the positioning of employee engagement within the Otsuka group, a common understanding of the human resources that Otsuka seeks, and the establishment of evaluation methods. The task force will combine the group's common value standards and evaluation methods with the unique perspectives of each operating company and utilize them in a variety of initiatives, including employee development and organizational diagnosis,

with the aim of promoting collaboration in organizational analysis and transformation, while maintaining the individuality of each operating company. Going forward, we will continue to ensure that all employees in Japan and overseas understand the values and vision of the entire group, foster a sense of unity within organizations, and build better and more facilitative work environments.

Linking Management Strategy to Human Resources Strategy

For the Otsuka group, the 4th MTMP is a five-year period for making investments to expand new businesses and create the next generation of growth. The group will make further investments to build a unique business foundation, create new value that leads to well-being, and pursue aggressive financial strategies to support sustainable growth. In order to advance this MTMP and maximize corporate value as a group, we recognize that it will become even more important to make strategic decisions from the perspective of total optimization, that is, from a bird's-eye view of the entire group, based on a thorough understanding of the individuality of each operating company and the nature of synergies among group entities.

For example, Otsuka Pharmaceutical and its subsidiaries are currently strengthening collaboration between human resources departments and management organizations to make strategic human capital investments and enhance company-wide organizational capabilities, as well as developing a foundation of human resources data for deeper information analysis and decision making, and promoting human resource policies through KPI management. We are also strengthening global collaboration among human resources departments, with the directors in charge and the personnel managers of major overseas operating companies playing a central role in advancing collaboration beyond the individual company level and promoting cooperation among companies in business management. In addition, these same key players are driving lively discussions on many detailed areas, including personnel recruitment, human resources development, and personnel planning for the future that cuts across different companies, organizations, and businesses.

Going forward, we will further promote and strengthen the above initiatives and reflect them in the implementation of the group's overall human capital strategy, resulting in the achievement of the goals set forth in the 4th MTMP, as well as enhanced corporate value and growth beyond 2030.

Material Issues	Develop human resources and create an environment for realizing our corporate philosophy		
Social Issues	Increased global competition, changes in the management competition environment due to increasing digitalization, diversification of individual values and working styles due to the limitations of a one-size-fits-all organization, and increased mobility		
Strategy	Strengthening human resources, a source of innovation, to realize our corporate philosophy	Creating an environment to maximize human resources	
Policies	Cultivating human resources who practice "Ryukan-godo (by sweat we recognize the way)," "Jissho (actualization)," and "Sozosei (creativity)" through our unique human resource development programs	Creating a workplace and organization and providing opportunities for a variety of human resources unique to Otsuka, a company with diverse businesses	Creating a system to improve employee engagement
Indicators	Degree of penetration of corporate philosophy and culture	Employee challenge index	Employee engagement to realize Otsuka's corporate philosophy
	Developing a system to nurture the next generation of human resources	Employee challenge support index	



Developing Human Capital at Good Working Environment



Developing Human Capital at Good Working Environment

Related SDGs



Strengthening human resources, a source of innovation

Basic Policy

At the Otsuka group, it is our opinion that people with different backgrounds and perspectives unbound by a rigid organization freely exchanging ideas and developing new ideas leads to more well-thought out management decisions, new business opportunities, and greater competitiveness. We promote communication both inside and outside the group in order to attract talented personnel, continually develop their individual abilities, and enable them to fulfill their potential. In addition, we intend to continually drive innovation and maximize human capital value by building personal networks that transcend job category and field and are not bound by a stereotype.



Otsuka Group Human Resource Policy

At the Otsuka group, we value the idea that throughout history, innovation has always been generated by people and provide an environment in which all employees can fulfill their potential by spreading our corporate philosophy and fostering our corporate culture.

The Otsuka group's diverse businesses offer employees a wide range of career opportunities and serve as a foundation for cultivating the ability to create new value through broad vision and experiences. In addition, we encourage each and every employee to pursue *Ryukan-godo*, *Jissho*, and *Sozosei*, the bedrock of our corporate culture, to deeply think about things, to repeatedly try things for themselves, and to find creative solutions, which produces human resources who can generate innovation.

Developing human resources who generate innovation

Developing managerial human resources and global leaders

It is indispensable that the Otsuka group, which conducts business in countries throughout the world, possesses human resources who have a deep understanding of our corporate culture and philosophy and can execute our strategy on the global stage. To respond to a variety of changes, including new changes in society and the escalation of geopolitical risks, we are working to train managerial human resources by improving their diverse individual capabilities and having employees take on challenges without fear of failure.

At Otsuka Holdings, we have introduced, under the leadership of the CEO and executives, a program for employees throughout the Otsuka group, including domestic and overseas group companies, to learn what it takes to be and the necessary business skills for managers based on the Otsuka's unique

business view. We provide various types of opportunities for employees to learn about global management, and these include a training camp headed by the president, custom programs offered in partnership with the French global education institution INSEAD Business School, and study at any of 18 overseas business schools in 6 countries, primarily ones in the U.S. and Europe. In addition to actively conducting unique programs at business companies, we are working to train next-generation managerial human resources and global leaders throughout the group from numerous perspectives appropriate for the type of business.

Examples of training in 2023

Managing company	Training title	Training content	Length of training and number of participants
Otsuka Holdings	Otsuka Global Academy	Participants learn what it takes to be a manager and the required business skills based on Otsuka's own business perspective.	
Otsuka Pharmaceutical	Embark	This is training provided before an overseas assignment so that participants can adapt to the different cultural environment they will work in during their assignment and maximize business performance.	
Taiho Pharmaceutical	Taiho School	This is training related to inter-cultural management, work experience at other companies, and the essential roles of leaders, etc.	Participants: total of about 29,000
Otsuka Pharmaceutical factories	Next-Generation Management Leader Training Program	Through this training, which is linked to the goal management system starting in the following year, next-generation managerial leader candidates propose to the company what contributions they can make to the organization.	Training time: about 151,000 hours
Otsuka Chemical	Next-Generation Leader Training	Participants learn from the president about such topics as cross-cultural communication, leadership, and management that targets both existing and new businesses.	Training costs: about 700 million yen
OAPI/OPDC ²	LTOW	This training provides an understanding of the dynamics and role of the Otsuka culture, improves skills and leadership, and builds relationship of trust between departments.	
Pharmavite	Ignite	This training for selected participants employs an online platform and workshops for key human resources who will play leadership roles in the future.	

1. Otsuka America Pharmaceutical
2. Otsuka Pharmaceutical D&C

Developing Human Capital at Good Working Environment

Strengthening human resources, a source of innovation

Global human resource training

In order to respond to the global business environment and further increase the competitiveness of the whole group, the Otsuka group focuses on training not only human resources who can make the most of their leadership and teamwork skills in an intercultural environment but also human resources who understand DE&I, have a desire for self-growth, and can embody the group philosophy and culture. Otsuka Holdings provides both Japanese and overseas group employees with access to the Harvard Manage Mentor®, a learning platform offered by U.S.-based Harvard Business Publishing that we have branded the Otsuka Global e-Learning Platform. In addition to self-study, this program, which serves as a human resource exchanges within the Otsuka group, leverages webinars and various initiatives to promote the formation of networks with other participants within the group. Since the program was first offered in 2020, a total of 5,700 employees from 75 group companies in 29 countries and regions have taken part in the program.

At Otsuka Pharmaceutical, we create opportunities for young employees who want to participate in global business to communicate with employees who actively participate in global operations, in order to deepen their understanding of not only other cultures but also operations. In addition, for employees expected to be assigned overseas, there is year-long training before an overseas assignment so that participants can adapt to the different cultural environment they will work in during their assignment and maximize business performance. Through this training, participants not only acquire knowledge of such topics as finance, legal affairs, and compliance necessary for the assignment but also deepen their problem-solving skills and understanding of interpersonal skills through assessment analysis and acquire the mindset of a representative of the company.

Developing digital human resources

The spread of digitalization not only encourages reforms in work styles and business models but also makes flexible responses possible. Therefore, at the Otsuka group, we focus on training digital human resources in order to link the promotion of digitalization to the maximization of individual work styles and values, greater competitiveness, and the creation of innovation.

At Otsuka Holdings, we offer learning tools and provide training to strengthen specialization appropriate for each skill level, which includes holding seminars on digital skills and design thinking for all group employees. We do this not only so that all employees, including managers, can acquire know-how by sharing cases of success within the group and reproduce those successes but also to improve operations and create new innovation through a cooperative system.

Examples of digital human resource training

Managing company	Training title	Training content and goal	Hours of training and number of participants
Otsuka Holdings	Data Scientist Development Program	This program provides participants with basic problem setting skills and practical skills necessary to make basic use of data.	Participants: about 13,000 Training time: about 14,000 hours
	DX Learning Platform*	This platform offers independent learning tailored to the level and goal of the individual participant and covers such topics as AI/machine learning and programming and DX basics.	
	Digitalization Promotion Case Sharing Webinar	This webinar raises awareness of digitalization through the sharing of cases of advanced AI use within the group and links that to derivative results.	
	Digitalization Promotion and Design Thinking Training	The training is to develop human resources who can promote the use of digital technology. The goal is to create business and operation ideas using digital technologies.	
Otsuka Holdings, Otsuka Pharmaceutical, and Otsuka Medical Devices	Reskilling Program	This program provides an understanding of basic items related to DX for society and operations and promotes the idea that DX concerns participants themselves. (Includes *)	
Taiho Pharmaceutical	DX Assessment and Training	The goal of this training is to visualize the current state of the organization through assessments and raise the overall company's literacy level through e-learning.	

Initiatives to secure and retain R&D human resources

The Otsuka group stresses securing and retaining R&D personnel in order to create innovation and reinforce our competitiveness. The Drug Discovery Division actively recruits not only doctorate degree holders who possess specialized knowledge in key fields and vision but also Japanese and overseas researchers from academia with an eye toward solving problems from new perspectives and continually generating innovation. Furthermore, we strive to help employees acquire a wide breadth of knowledge, strengthen their specialization, and develop a multifaceted perspective through exchanges between research labs both in Japan and overseas and personnel rotations to other divisions. The New Drug Development Division provides its own open language training and next-generation leader training for selected candidates and stresses human resource training to promote leadership in global development, which includes flexibly responding to the changing clinical development environment.

Developing Human Capital at Good Working Environment

Creating an environment to maximize human resource capabilities

Basic Policy

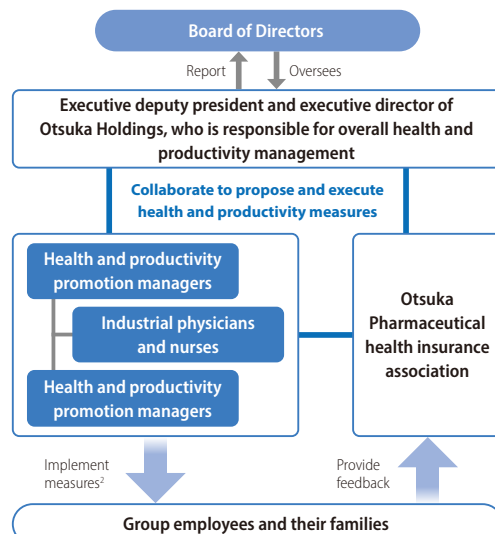
The Otsuka group considers healthy, energetic employees continually growing an indispensable element for implementing our corporate philosophy and undertakes initiatives that contribute to health maintenance and improvement. Convinced that diverse employees making contributions promotes innovation and globalization, we also focus on creating an environment that makes the most of individual capabilities and individuality. When creating this environment, we stress fairness and impartiality and give consideration to not undermining employees' opportunities to grow and challenge themselves.

Leveraging the various health information and assets of group companies, we undertake a wide range of activities, including holding health seminars and offering health programs to improve the health literacy of employees. During fiscal 2023, we implemented various initiatives such as ones related to women's health, mouth care, and non-smoking.

Promoting Health and Productivity Management

At the Otsuka group, we promote initiatives throughout the organization to maintain and improve the health of employees and their families through collaboration between the Otsuka Pharmaceutical health insurance association and specialized staff, including each group company's health and productivity promotion managers and industrial physicians and nurses, under the leadership of the Executive Deputy President and Executive Director of Otsuka Holdings, who is responsible for overall health and productivity management. Otsuka Holdings' Board of Directors also supervises health maintenance and improvement-related issues, targets for related initiatives, and progress toward achieving those targets. Since Otsuka Pharmaceutical was recognized as a Certified Health & Productivity Management Outstanding Organizations in 2017, all group companies have worked to gain that certification, which 21 companies¹ did in 2024.

Promotion system (Japan)



² Implement measures and provide feedback through Health and Safety Committee at each location

¹ Includes the Earth Group

External evaluation

Certified as Health & Productivity Management Outstanding Organizations
(Includes large, medium, and small-sized corporations)



Certified as Sports Yell Company by the Japan Sports Agency
[Otsuka Pharmaceutical (certified silver), Taiho Pharmaceutical, Earth Corporation]



Mental health initiatives

At each domestic group company, all employees undergo an annual stress check in order to ascertain the mental burden they experience, to link that to improvements in self-care and workplace environment, and to prevent mental health problems. Nurses and public health nurses provide counseling for employees who are flagged as having a high stress level in the stress check. In this and other ways, we work to ensure the mental health of employees through a meticulous system, which includes mental health consultation services and seminars on mental health.

Labor health and safety

In accordance with its corporate philosophy, the Otsuka group stresses ensuring the safety and health in all its business activities. Business sites are required by law to have a Health and Safety Committee, regularly hold meeting of the committee, identify sources of risk and conduct risk assessments, and strive to maintain a safe work environment. For example, Otsuka Holdings, Otsuka Pharmaceutical, and Otsuka Medical Devices, which conduct business from the same business site (Tokyo), undertake activities to improve the workplace environment, which includes holding monthly joint Health and Safety Committee meetings and conducting seminars and sharing information in line with that topic. The Production Division has been holding a group-wide Global Production Conference for more than thirty years. At this conference, information on work accidents, production technology, and quality are shared and efforts are made to improve technology throughout the whole global organization.

Developing Human Capital at Good Working Environment

Creating an environment to maximize human resource capabilities

Support for career independence

The Otsuka group has an open recruiting system for domestic and overseas group employees, in which requirements for posts and jobs that group companies need to fill are made public to employees and required human resources are selected from applicants, and this system was introduced to increase employee skills and motivation and enliven human resource exchanges between group companies. In addition to providing a self-reporting system for employees to report to the HR Department their current work conditions, opinions and proposals for workplaces, and desired career plan, we conduct an annual survey in order to further develop the skills of employees, make appropriate assignments, and improve the workplace environment. In 2024, Otsuka Holdings was selected as a constituent of the iSTOXX MUTB Japan Platinum Career 150 Index, comprised of Japanese companies that actively and continuously engage in initiatives to create "platinum careers" for their employees. A platinum career refers to a type of career in which people polish and build up their skills through self-directed learning and experiences, regardless of age, and the group's efforts were recognized in that matter.

Fair employment and compensation

Basic Policy

The Otsuka group conducts employment-related activities, such as recruitment, assignments, performance evaluations, promotions, and transfers, in line with the Otsuka Group Global Code of Business Ethic, which adhere to human rights and labor laws and regulations and are based on fair employment policies. We work to make it possible for employees to achieve their individual potential by building a fair, open, and equal workplace, without unfairly evaluating employees based on their race, skin color, country of origin, sex, sexual orientation, gender identity, religion, nationality, age, marital status, whether they are pregnant or not, or whether they have a disability. In addition, we conduct self-evaluations and HR interviews and operate a whistleblower system to eliminate coercive and forced work and prevent child labor by confirming the age of applicants when recruiting.

As for remuneration, we pay at least the legally required minimum wage for each country and region and work to appropriately manage wages so that wages are fairly paid and to ensure same pay for same work by comparing compensation for similar roles in each region. In Japan, when finalizing work details and changes in positions for regular workers using such systems as reduced hours and part-time workers, we comply with the Act on Improvement etc. of Employment Management for Part-Time and Fixed-Term Workers so that there are no unjustified gaps in compensation with regular employees.

Employee engagement

At the Otsuka Group, we recognize that all departments and business must have a single orientation to raise corporate value and build a strong organization. In addition, we stress the cultivation of a sense of unity within the organization by having employees understand the group's overall values and vision. Having set employee engagement as an indicator related to human capital, one of our material issues, we promote collaboration to strengthen the overall organization's creativity and problem-solving skills through such initiatives as organization diagnosis, reforms, and employee training based on group-wide taskforces.

At each group company, we are working to create a comfortable workplace through improvements to the organization culture based on employee engagement surveys and employee satisfaction survey, and related initiatives have included launching an internal whistleblowing system and conducting surveys on and implementing measures to combat bullying and harassment.

Wage gap between men and women

For recruiting, evaluations, promotions, assignments, allowance requirements, and similar issues, the Otsuka Group offers compensation based on individual roles and skills, results, evaluations, and growth regardless of sex, nationality, age, or other attribute. At the group, we work to comprehensively promote diversity, equity, and inclusion and undertake continual human resource development.

Wage gap between men and women

	All workers	Regular employees	Irregular employees
Otsuka Holdings (non-consolidated)	92.3%	90.9%	96.6%
Average for 23 group companies*	80.3%	83.2%	60.8%

* Figures are based on the stipulations of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) (as of December 31, 2023)

Evaluation and feedback process for employees

At group companies, goals based on organization's targets are set for individual employees, and superiors provide feedback twice a year. Holding meetings with superiors when setting goals and running through the evaluation and feedback cycle for employee self-evaluation supports human resource development.

Beginning in 2020, Otsuka group companies have been introducing a system to centrally manage personal information, including employee goals and evaluations, training, and the selection, promotion, and development of outstanding employees. As of April 2024, more than 20,000 Otsuka group employees are using the system to maximize human resource development and organizational capabilities.

Developing Human Capital at Good Working Environment

Creating an environment to maximize human resource capabilities

Promoting diversity, equity, and inclusion (DE&I)

Believing that a diverse workforce will lead to greater innovation, globalization, and innovative product development, the Otsuka group actively promotes diversity. The group also encourages DE&I through various initiatives, such as formulating common programs for the whole group, planning seminars, and regularly holding Best Practices Sharing Meetings at each company, and these initiatives are centered on each group company's DE&I promotion team, which were established in 2008. In 2024, Otsuka Holdings was selected as a constituent of the Morningstar Japan ex-REIT Gender Diversity Tilt Index, which tracks companies in the market that have strong gender diversity policies embedded in their corporate culture and that ensure equal opportunities to employees, irrespective of their gender.

Work style support

We have introduced throughout the group the Family Smile Support System and Work Interval System, support systems to increase efficiency and work productivity when working from home so that employees who find normal work difficult because of giving birth, childcare, child-rearing, or nursing care can balance work and family. Furthermore, in Japan, we provide support for employees balancing childcare and work by operating day care centers at three of our offices (Tokushima, Osaka, and Tsukuba). Since the first one in Tokushima in 2011, the day care centers have grown into some of the few large on-site day care centers in Japan.

Promoting the activity of women

The Otsuka group supports the activities of a diverse workforce by recognizing the promotion of women, support for balancing work and one's private life (childcare, nursing care, illness), and creating a comfortable work environment for various people, such as LGBTQ, as issues in diversity, equity, and inclusion. In order to transform the consciousness of employees, we are working to spread diverse work styles, which has included holding *Ikubosu* seminars and introducing role model examples. Furthermore, we provide a response program, which includes a management training e-learning course, as we consider the understanding of management indispensable for promoting DE&I and fostering a climate conducive environment.

LGBTQ

Group companies are moving forward with numerous initiatives, including holding seminars and establishing in-house helplines, in order to promote a proper understanding of the LGBTQ community. Taiho Pharmaceutical has conducted



Otsuka Pharmaceutical won silver award for PRIDE Index 2023, an index for LGBTQ+-related initiatives

training for its HR department, managers, and various headquarters and divisions since 2020 to provide information on not only the current state of Japanese society, including basic knowledge and examples from other companies, but also concrete measures that can be immediately introduced. Furthermore, Otsuka Pharmaceutical, Otsuka Chemical, and Otsuka Foods offer LGBTQ-related training and e-learning courses for all employees. Otsuka Warehouse is also working to create a more comfortable environment to work in through such initiatives as eliminating the words "men" and "women" from employee rules.

Balancing treatment and work

As a company that develops and sells anticancer drugs, Taiho Pharmaceutical provides support for balancing treatment and work, which is centered on the HR Department and industrial nurses, in order to create a workplace in which even employees with diseases such as cancer can continue to work while receiving treatment. In 2019, we established the employee portal site C-Guide Portal regarding cancer. This site provides not only information on such issues as systems and consulting services that can be used when an employee or family member is diagnosed with cancer or another disease but also communicates the importance of cancer prevention and screening. These initiatives have been highly praised, and Taiho Pharmaceutical was awarded the gold medal Cancer Ally Award for the fifth consecutive year in 2023 and the newly established Best Practice.

The aim of OPEL is to advance diversity, equity, and inclusion (DE&I) within and beyond Otsuka. OPEL has focused on two primary goals – creating an inclusive culture and attracting, developing and retaining diverse talent.

Cultivating an inclusive culture

A range of activities have occurred to ensure that the European business celebrates diversity, promotes psychological safety and creates a sense of belonging for all of our approximately 550 employees. Specifically, the European executive team has undergone unconscious bias training, and whilst such awareness doesn't remove the bias, it has made the group more alert to their own individual biases and how to manage. This type of training will be rolled out to the European organisation in due course. Furthermore, we are pleased to say that as part of the Annual Engagement Survey, employees scored the organisations DE&I activities as 88% positive, highlighting the strong foundation present within the organisation and opportunities for improvement.

Attract, develop, and retain diverse talent

By achieving this, we can maximize the potential of our diverse talent pool, leading to improved employee satisfaction and long-term success. With current staff, we foster global and European mobility opportunities and prioritise individual development plans – with focussed sessions on individuals' development occurring at least 3 times a year.

Information about our various initiatives can also be found on the following website.

<https://www.otsuka-europe.com/life-at-otsuka>



(left) Nate Cope, Chief Operating Officer Otsuka Pharmaceutical Europe Ltd. (OPEL)
(right) Clair Milner, Senior Director, People Otsuka Pharmaceutical Europe Ltd. (OPEL)

Society | Respect for Human Rights

Related SDGs



For more details about our human rights initiatives (including our human rights policy), visit:

https://www.otsuka.com/en/csr/society/people/human_rights.html



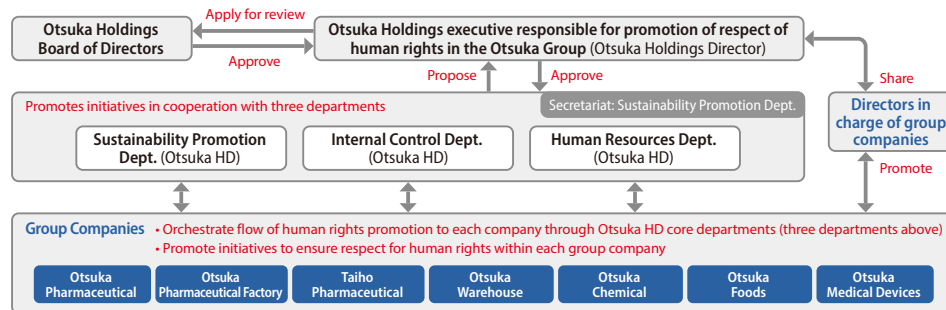
Basic Policy

The Otsuka group aims to maximize our unique assets and skills as a global healthcare company in keeping with our corporate philosophy, "Otsuka-people creating new products for better health worldwide". We recognize that respect for human rights in every aspect of our business activities must be the premise upon which we build to meet the expectations of our stakeholders, create new value, and contribute to the health and wellbeing of people all over the world as we continue to grow sustainably. Based on the Otsuka Group Global Code of Business Ethics, which outlines our commitment to integrity in all of our business activities, we have established the Otsuka Group Human Rights Policy to guide our efforts to promote human rights initiatives on a group-wide basis.

Human Rights Promotion Framework

Human rights initiatives are necessary in various areas. In the Otsuka group, three departments—the Internal Control, Human Resources and Sustainability Promotion Departments—cooperate to promote initiatives for respecting human rights, under the Otsuka Group Human Rights Promotion Leader (an Otsuka Holdings Director).

Promotion Framework

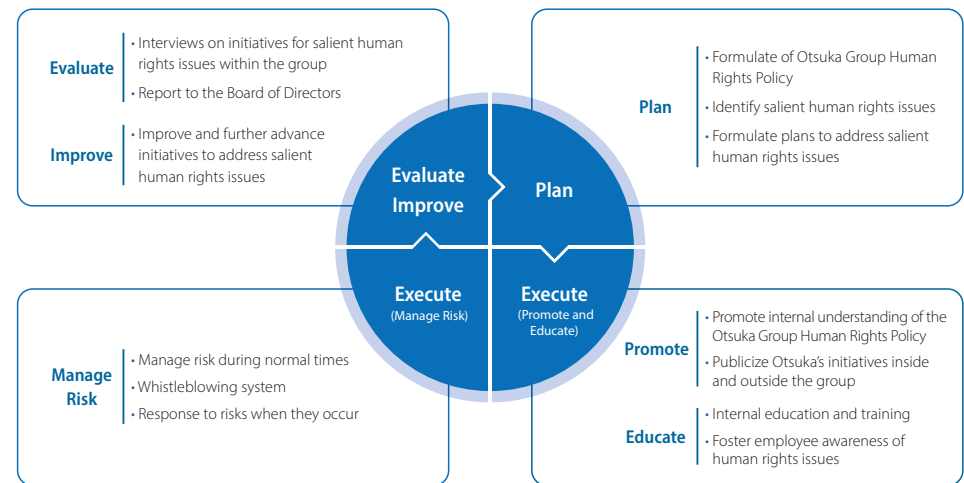


Human Rights Due Diligence

To fulfill our responsibility regarding respect for human rights, the Otsuka group identifies salient human rights issues related to our business operations, and we continually perform due diligence to prevent and mitigate any impact, as outlined in the United Nations Guiding Principles on Business and Human Rights.

Human rights due diligence in the Otsuka group refers to the entire process of the PDCA (plan-do-check-act) cycle outlined below, which is repeated as part of this ongoing process to resolve salient human rights issues for the Otsuka group. Moreover, we hold regular internal interviews to determine risks to human rights and have established a framework enabling a continuing response to these risks throughout the group.

PDCA Cycle for Promoting of Respect of Human Rights



Education and Awareness-Raising for Management and Employees

We are working to raise awareness throughout the group through ongoing educational activities and training.

- Provide annual education for all employees of group subsidiaries based on the Otsuka Group Code of Business Ethics.
- Provide annual education for all employees of group subsidiaries guided by the Otsuka Group Human Rights Policy.
- Conduct internal training on bullying and harassment for management and employees at each group company.
- Conduct training that incorporates units on human rights as part of personnel training.
- Raise awareness within the group using in-house newsletters and other educational materials.

Create More Sustainable Future With Business Partners



Create More Sustainable Future With Business Partners

Related SDGs



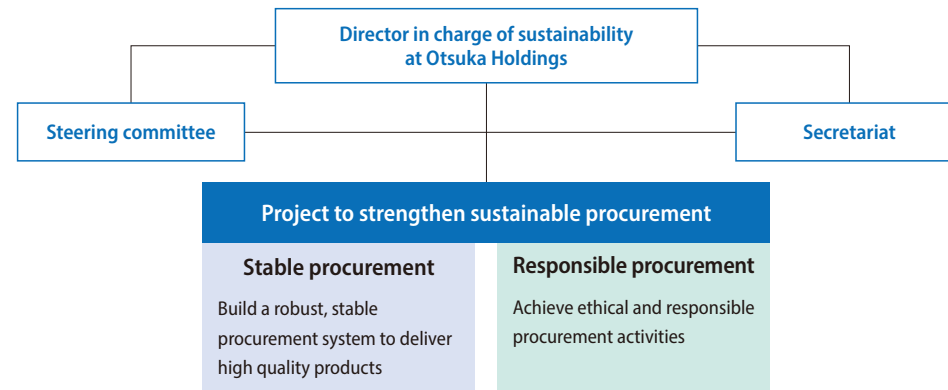
Basic Policy

Guided by its corporate philosophy, the Otsuka group works to solve social issues through its businesses and aims to grow while contributing to the creation of a healthy and sustainable society as its sustainability mission. In September 2020, the Otsuka group has established the Otsuka Group Procurement Policy and Otsuka Group Sustainable Procurement Guidelines for enhancing the relationships with our suppliers. We are committed to ethical and responsible procurement activities in addition to quality, safety, and stable supply. In May 2024, we revised the policy and guidelines with the aim of more actively and diversely promoting these initiatives. Under the policy and guidelines, we are working with our suppliers to deliver high-quality and sustainable products to consumers, and to realize a sustainable society and improve our corporate value together with our business partners.

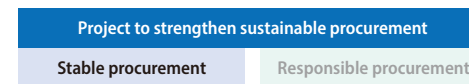
Social issues that Otsuka is striving to address

- Instability in raw material procurement and product supply due to supply chain disruptions
- Building a sustainable supply chain

Promotion structure of the sustainable procurement project



Stable procurement



In order to ensure a stable product supply, we have conducted due diligence on new suppliers and risk assessments of key raw materials, and also taken risk countermeasures for raw material procurement such as clarifying predicted risks and purchasing from multiple suppliers. To enhance this initiative further, we formed a cross-functional working group in 2022. Now we are working on building a procurement information management system as initiatives to manage and visualize information, which was previously taken place by each company. In 2023, we clarified key items in terms of their urgency and priority. In 2024, we would implement a system that aligns with the process of data-sharing that we have explained to our suppliers. We also plan to establish guidelines for risk management during emergencies and normal times. That is how we aim to standardize the whole process from risk assessment, analysis, and response.

Sustainable procurement in partnership with suppliers

Group-wide sustainable procurement project

A sustainable procurement project was launched in 2022, which led by the director in charge of sustainability at Otsuka Holdings, and its progress and issues are shared every quarter. This project is promoting activities with two pillars: "Stable Procurement," aiming to build a solid procurement system to deliver high-quality products, and "Responsible Procurement," aiming for ethical and sustainable procurement activities.

Otsuka Group Business Partner Code of Ethics

https://www.otsuka.com/en/csr/hd_activity/pdf/standard.pdf



Otsuka Group Sustainable Procurement Guidelines

https://www.otsuka.com/en/csr/society/quality/pdf/procurement_guidelines_en.pdf



Otsuka Group Procurement Policy

https://www.otsuka.com/jp/csr/society/quality/pdf/procurement_policy_en.pdf



Create More Sustainable Future With Business Partners

Responsible procurement

Project to strengthen sustainable procurement

Stable procurement

Responsible procurement

In parallel with efforts for stable procurement, we have formed a cross-group working group to promote ethical and responsible procurement activities. The working group is composed of procurement personnel from each operating companies, and in 2023, the working group reviewed the Otsuka Group Procurement Policy, Otsuka Group Sustainable Procurement Guidelines, and assessment tools. The working group also deepened their knowledge of the four areas (human rights, labor, environment, and anti-corruption) defined by the United Nations Global Compact and conducted training to establish good relationships with suppliers. Going forward, the working group plans to continue training in 2024, with the aim of promoting responsible procurement.



Expanding supplier assessments

The Otsuka group conducts supplier assessments using the CSR Procurement Self-Assessment Questionnaire (SAQs) prepared by Global Compact Network Japan (GCNJ) to assess the suppliers' environmental, social, and ethical performance. We have implemented SAQs for 597 suppliers in Japan and 56 overseas, and based on the results we have conducted interviews for 125 suppliers to confirm that there are no significant risks. Furthermore, from 2024, we have expanded the assessment by utilizing our own SAQs, which has evolved from the conventional GCNJ SAQs, and the sustainable procurement platform EcoVadis (<https://ecovadis.com>).

We will monitor the progress of our KPIs related to our sustainable procurement initiatives, such as the supplier assessment participation rate, the response rate to risks identified in assessment, and the implementation rate of communication with suppliers.

The Otsuka group will work with suppliers to achieve a sustainable society throughout the supply chain, under the sustainable procurement project. To this end, we will rebuild our overall strategy, including the development of guidelines, the expansion of supplier briefing and assessments, and the enhancement of internal education to promote sustainable procurement.

Sustainable procurement activity results

Item	Target	Result	Initiative
Procurement Personnel Training	Responsible Procurement Working Group 12 procurement personnel from 9 group companies	Training time: total 6 days About 30 hours	We implemented training to deepen knowledge in four areas defined in UNGC (human rights, labor, environment, and anti-corruption) and build constructive relations with suppliers.
On-demand briefing for suppliers	Number of companies (Japan): 587	Number of Companies: 583 (99%)	The Otsuka Group Procurement Policy, Otsuka Group Sustainable Procurement Guidelines, Otsuka Group Environmental Vision 2050, Guidelines on Respecting Human Rights in Responsible Supply Chain have been explained to the suppliers.
Consent to policy and guidelines	Number of companies (Japan): 587 Number of companies(overseas): 66	Number of companies (Japan): 583 (99%) Number of companies (overseas): 51 (77%)	We have obtained understanding of the Otsuka Group Procurement Policy and Otsuka Group Sustainable Procurement Guideline and consent from suppliers who agree with collaborating on the promotion of sustainable procurement.
Supplier Assessments	Number of companies (Japan): 612 Number of companies (overseas): 66	Number of companies (Japan) : 597 (98%) Number of companies (overseas) : 56 (85%)	The assessments are conducted using the GCNJ's SAQs and Otsuka Group's own Human Rights SAQs and Environmental SAQs.
Supplier Interviews	Number of companies (Japan): 125	Telephone interviews: 112 Web interviews: 13	We conducted interviews to ascertain the actual state of activities based on the results of the supplier assessment.

Message from Pharmavite



Ray Gosselin
EVP, Chief Operations Officer
Pharmavite, LLC

As a leader in the health and wellness industry with a commitment to responsibly produce the highest-quality products for our consumers, it is essential to Pharmavite that we continuously improve our efforts in sustainability. In my role as Chief Operations Officer at Pharmavite, I am charged with ensuring that our suppliers share our commitment to sustainability and understand the urgency of the issue.

The first step in our sustainability agenda is to gain transparency with our suppliers and their suppliers' sustainability performance, and taking proactive steps to do so reflects the important values of our organization: Do The Right Thing, Care Deeply, and Do Something.

To that end, Pharmavite conducts individual sustainability performance assessments of our supply chain partners using EcoVadis, a global ESG rating company based on international standards. This assessment is a key factor for Pharmavite sourcing and supplier review as we believe this process is critical to our supply chain sustainability management.

We believe that this strategic initiative with our supply chain partners will enhance our mutual corporate values and pave the way for a more sustainable future.

Promote Positive Impact on Global Environment

2050 Environmental Vision



Promote Positive Impact on Global Environment

Related SDGs



For more details about our environment-related initiatives, visit:

<https://www.otsuka.com/en/csr/environment/>



Toward Our 2050 Environmental Vision, "Net Zero"

As a total healthcare company, the Otsuka group will work diligently to reduce its impact on the global environment and contribute to the realization of a sustainable society that continues into a healthy future. We will strive to achieve our medium-term targets for the environment and our 2050 environmental vision, "Net Zero."

Sustainability Mission

Contribute to a healthier and more sustainable society, while simultaneously achieving growth



Ongoing activities to reduce environmental impact

Carbon Neutrality



2028 target

• 50% reduction in CO₂ emissions (Scope 1, 2) compared to 2017

Circular Economy



2028 target

• 50% reduction in simple incineration and landfill disposal compared to 2019

2030 target

100% recycled materials in our PET bottles and use of plant-based materials

Water Neutrality



2028 target

- Expand the factory water management program to all locations globally
- Develop a water use strategy for business locations in water-stressed areas

Please see the Environmental Report for details regarding the Otsuka group's environmental initiatives.

https://www.otsuka.com/en/csr/environmental_report.html



Materiality (Material Issues)	Social Issues	Our Goals	Our Activities
Carbon Neutrality¹	Global warming	2028 target 50% reduction in CO ₂ emissions compared to 2017	<ul style="list-style-type: none"> • Reduce CO₂ emissions throughout the value chain • Reduce environmental impact by improving resource efficiency
Circular Economy²	Environmental load increase	2028 target 50% reduction in simple incineration and landfill disposal compared to 2019 2030 target 100% recyclable materials in our PET bottles and use of plant-based materials	<ul style="list-style-type: none"> • Promote business activities aimed at sustainability for both society and the Earth
Water Neutrality³	Reduced freshwater availability due to water resource risks	2028 target <ul style="list-style-type: none"> • Expand the factory water management program to all locations globally • Develop a water use strategy for business locations in water-stressed areas 	<ul style="list-style-type: none"> • Understanding water resource risks • Management and effective use of water resources

1. To reduce CO₂ emissions from business activities to substantially zero (calculated by subtracting uptake from emissions)
 2. To establish an economic system that recycles resources by reusing waste discharged from business activities as new raw materials
 3. To reduce the impact of water intake and discharge from business activities on water resources to zero

Promote Positive Impact on Global Environment | 2050 Environmental Vision

Indicators and targets

Carbon Neutrality

Based on international targets and indicators stipulated in the Paris Agreement in order to achieve a decarbonized society, we have set the target of reducing our CO₂ emissions 50% by 2028 (compared to 2017) and promote activities to achieve decarbonization, which includes joining RE100, in order to reduce greenhouse gas emissions throughout the business value chain.

	Fiscal 2017 Results	Fiscal 2023 Results	Compared to 2017
CO ₂ emissions (Scope 1, 2)	818,000 t-CO ₂	523,000 t-CO ₂	-36.1%

Circular Economy

Recognizing that materials derived from fossil resources and emissions of waste into the environment are an environmental load that should be eliminated, we have set the target of reducing simple incineration and landfill disposal by 50% by 2028 (compared to 2019) as our zero waste¹ vision.

1. Policy of eliminating waste emissions into nature (simple incineration and landfill disposal) and making effective use of all resources.

	Fiscal 2019 Results	Fiscal 2023 Results	Compared to 2019
Simple incineration and landfill volume	18,500 t	15,300 t	-17.3%

Water Neutrality

In order to continually work to preserve water, from intake to waste water, because of uneven distribution of water resources depending on country and region and differences in risk, we will provide all global business sites with water management guidelines and develop water use plans for business sites in regions with water stress by 2028.

	Fiscal 2022 Results	Fiscal 2023 Results	YoY Change
Water usage	18.50 million m ³	19.40 million m ³	4.9%

Selected for the CDP Climate Change “A List”, the highest rating, for the second consecutive year

Otsuka Holdings was selected as an “A List” Company, the highest level, for the second consecutive year in the climate change survey CDP Climate Change 2023. This is because the content of and results from our climate change related-initiatives and related disclosure were rated as international leader level. In Japan, 112 companies were selected for the Climate Change “A List.” We were also rated “A-” for water security.



Materiality: Promote Positive Impact on Global Environment

After reevaluating our materiality to match the 4th Medium-Term Management Plan (MTMP), the first year of which is 2024, the Otsuka group added biodiversity as a new item to the environmental materiality. In addition, for existing materiality, we reevaluated existing targets, set new targets, including having self-produced renewable energy account for 20% of energy use by 2028, and moved forward with initiatives to achieve them.

New materiality (fiscal 2024–) ★ Revised items



2028 targets	<ul style="list-style-type: none"> • Reduction of CO₂ emissions • Scope 1, 2: 50% reduction (compared to 2017) • Scope 3: Initiatives to achieve carbon neutrality by 2050 • 20% self-generated renewable energy ★
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2028 targets	<ul style="list-style-type: none"> • 50% reduction in simple incineration and landfilling compared to 2019 • Formulation and implementation of food loss reduction plan ★
2030 target	<ul style="list-style-type: none"> • 100% recycled materials in our PET bottles and use of plant-based materials



2028 targets	<ul style="list-style-type: none"> • Planning water use strategies at business sites in water-stressed areas • Development of water management programs at all sites • 10% reduction in water consumption compared to 2023 ★
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Biodiversity ★



2028 targets	<ul style="list-style-type: none"> • Use of 100% RSPO certified palm oil ★ • 100% use of sustainable paper ★
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Promote Positive Impact on Global Environment



Carbon Neutrality

Related SDGs



For more details about our Carbon Neutrality initiatives, visit:

<https://www.otsuka.com/en/csr/environment/climate.html>



Carbon Neutrality

Basic Policy

Aiming to create a healthy future as a total healthcare company, the Otsuka group established its 2050 Environmental Vision, "Net Zero," with the aim of reducing the total environmental impact across all its business activities to zero. As global efforts to realize a decarbonized society accelerate, the Otsuka group is committed to reducing greenhouse gas emissions throughout its business value chain in accordance with the international targets and indicators set forth in the Paris Agreement, with the aim of achieving a sustainable society.

Disclosure in line with TCFD recommendations

Starting with its securities report for the fiscal year ended December 2023, Otsuka Holdings has disclosed information on the financial impact of and its current response to risks and opportunities related to climate change in line with TCFD recommendations as part of its policy and initiatives related to sustainability. We will work to deepen initiatives and expand disclosure in light of future scenario analysis and those results.

Click here for TCFD initiatives.

https://www.otsuka.com/en/csr/library/pdf/environmental_report2022/er05.pdf



Governance

The Otsuka Holdings Environmental Committee, which consists of the executive deputy president and director of Otsuka Holdings and directors and executives from the various group companies, deliberates and makes decisions regarding important climate change issues. In addition, after the details of deliberations on the direction of the group are approved by Otsuka Holdings' Board of Directors, they are communicated to group companies as Otsuka group's policies. These shared policies are then enforced and expanded by the Otsuka group Global Environmental Council, an entity composed of the persons in charge of environmental management at Otsuka group companies and the persons in charge of the Production Division. In 2023, the Board of Directors approved "biodiversity" and new targets based on a reevaluation of materiality conducted in conjunction with the 4th MTMP.

Otsuka Group Environmental Management System



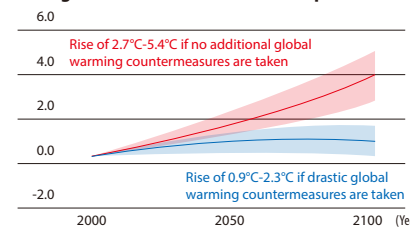
Strategy

In addition to reducing CO₂ emissions from group business activities, we are aiming to achieve a zero environmental load throughout the supply chain. Recognizing the need for aggressive initiatives to achieve decarbonization in order to combat climate change, we are moving forward with several initiatives, such as actively introducing renewable energy and maximizing energy efficiency, and working to balance contributions to lighter environmental load and business growth.

Scenario Analysis

We analyzed business risks and opportunities under the 2°C and 4°C climate change scenarios below, which are related to scenarios indicated by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), and examined adaptation measures and financial impacts. We will continue to examine risks and opportunities and expand our scenario analysis.

Change in Global Mean Surface Temperature*



4°C Scenario

A scenario in which development is dependent on fossil fuels and climate change measures are not introduced. Rising temperatures cause an increase in natural disasters, negative impact on crops, and loss of biodiversity.

Below 2°C Scenario

A scenario in which development is sustainable and climate change measures are proactively implemented to keep the temperature rise below 2°C. Measures to achieve a decarbonized society are enhanced, including the introduction of CO₂ emissions regulations and expansion of the renewable energy market.

[Main Scenarios Referenced]
• IEA World Energy Outlook 2020 (Sustainable Development Scenario, Stated Policy Scenario)
• IPCC (RCP2.6, RCP8.5)
• OECD-FAO Agricultural Outlook 2021-2030

* Based on the Ministry of the Environment's Japanese translation of Summary for Policymakers, Working Group II Report, Fifth Assessment Report published by the IPCC.

Risk Management

At the Otsuka group, the Otsuka Holdings Environmental Committee and the Otsuka Group Global Environmental Council examine and evaluate climate risks that could have a material financial or strategic impact. Items that are judged to be material during the risk assessment are presented to the Board of Directors by the Otsuka Holdings Environmental Committee chairperson as items for deliberation, and approved details are shared with group companies as the Otsuka group policy, and efforts are made to manage the issues in order to lessen climate risk in order to make additional improvements.

Promote Positive Impact on Global Environment | Carbon Neutrality

Carbon Neutrality

Initiatives to introduce renewable energy and maximize energy use efficiency

The Otsuka group has touted the target of reducing its CO₂ emissions 50% by 2028 compared to 2017. Furthermore, we have joined RE100 initiative, the goal of which is to fully switch to renewable energy. We plan to reduce CO₂ emissions about 8,000 tons annually by introducing CO₂-free electricity at two Otsuka Techno factories in Japan in 2023. Otsuka Pharmaceutical plans to cut its CO₂ emissions 970 tons annually by installing solar panels at four of its factories, including Tokushima Itano Factory and Takasaki Factory. It has pursued initiatives such as making use of CO₂-free electricity and introducing in-house generated renewable energy from solar power generation equipment, leading to a reduction of CO₂ emissions of approximately 242,000 tons per year. Other measures include using a cogeneration system¹ that makes it possible to supply energy to Otsuka group companies extremely efficiently (launched operation in January 2024 at Otsuka Chemical's Tokushima Factory), evidencing the Otsuka group's commitment to make the most efficient use of energy throughout the whole group.

¹ A system that uses natural gas, LP gas, etc. as fuel to generate electricity by means of an engine, turbine, fuel cell, etc., and simultaneously recovers the waste heat generated during the process, thereby utilizing heat and electricity without waste.

Promoting more efficient group energy management

The Otsuka group completed construction of the Otsuka Group Energy Management Building, a key facility for managing energy for the group, in July 2023 in order to pursue the best energy mix² for the Otsuka Group while making greater use of renewable energy by centralizing energy management within Japan and constructing an advanced demand management system. At this management building, we manage energy (both electricity and steam) for the group, which includes making centralized purchases of renewable electricity, forecasting power supply and demand, and supplying electricity generated within the group to group business site. Using the latest data management system that incorporate various types of IoT sensors and cameras, we not only manage such items as water, electricity, and heat for factories in the Kawauchi area of Tokushima but also manage water discharge during production activities.

² Pursue optimization of power supply configuration in consideration of environmental friendliness, economic efficiency, and stability of supply



Otsuka Chemical's Tokushima Plant



Otsuka Group Energy Management Building



Integrated energy management

Promote Positive Impact on Global Environment

Circular Economy

Related SDGs



For more details about our Circular Economy initiatives, visit:

<https://www.otsuka.com/en/csr/environment/resource.html>



Circular Economy

Basic Policy

In line with global trends, for us to be able to create a more sustainable society and achieve sustainable corporate growth, we must shift to a circular economy-type business model whereby we can achieve growth without having a serious impact on the environment. We regard the use of materials derived from fossil resources and waste discharge to the natural environment as environmental impacts that must be reduced to zero. We are committed to eliminating materials derived from fossil resources and achieving zero waste* as our vision. We will also continue to increase the efficiency of resource use throughout the value chain and build a harmonious and sustainable relationship with resources, including bioresources.

* Approach to reduce waste discharge (simple incineration and landfill disposal) to the natural environment to zero and use all resources effectively

PET bottle resource recycling

The majority of the plastic containers and packaging handled by the Otsuka group are PET beverage bottles. In 2020, the Otsuka group established the Otsuka Group Plastic Policy, and set a target of 100% recycled and plant-derived raw materials in PET bottles globally by 2030.

The Otsuka group has been working to reduce the amount of plastic used in its products for some time by reducing the weight of plastic containers and packaging, as well as through label-less product initiatives. PET bottles made from recycled PET resin are used in Japan for products such as *POCARI SWEAT*, *POCARI SWEAT ION WATER*, and *Amino-Value*. Overseas, we are promoting initiatives to achieve targets globally, which includes Indonesia-based PT Amerta Indah Otsuka introducing *POCARI SWEAT* in PET bottles made from recycled PET resin.

Promoted "bottle-to-bottle" (horizontal) PET bottle recycling

The Otsuka group promotes recycling of plastics, primarily "bottle-to-bottle" (horizontal) recycling, in which used PET bottles are recycled back into PET bottles.

While promoting alliances with the government, municipalities, and business partners, Otsuka Pharmaceutical launched the bottle-to-bottle initiative in November 2022. We concluded a material recycling collaboration agreement with Naruto City, Tokushima Prefecture, and Toyota Tsusho Corporation in February 2023 and the first PET Bottle Material Horizontal Recycling Promotion Agreement with Tokushima Prefecture in July of the same year. The partnership involves recycling used PET bottles from municipalities into resin, which is then used as a raw material for PET bottles. We are moving forward domestically with "bottle-to-bottle" resource recycling by expanding the number of municipalities in Tokushima Prefecture that we have concluded resource recycling agreements with to 13 as of December 2023.



Collaboration Agreement Signing Ceremony at Tokushima Prefecture Office

Otsuka group's Plastic Policy

<https://www.otsuka.com/en/csr/environment/plastic.html>

Promote Positive Impact on Global Environment

Water Neutrality / Biodiversity

Related SDGs



For more details about our Water Neutrality initiatives, visit:

<https://www.otsuka.com/en/csr/environment/water.html>



Water Neutrality

Basic Policy

Since its establishment, the Otsuka group's operations have had a deep connection to water, a resource essential to life. Through products that use water as a raw material, we have actively contributed not only to the treatment and prevention of diseases, but also the maintenance and promotion of health. We therefore recognize the importance of water to us as a resource, and consider its conservation to be a critical global issue. Moreover, water resources are unevenly distributed across different countries and regions, each of which faces different risks. We cooperate with all stakeholders, and conduct ongoing water conservation initiatives from intake to discharge (including cultivation of water resources, conscientious use and clean return), in the aim of sustainable water use.

Water Risk Assessments Conducted at Production Sites

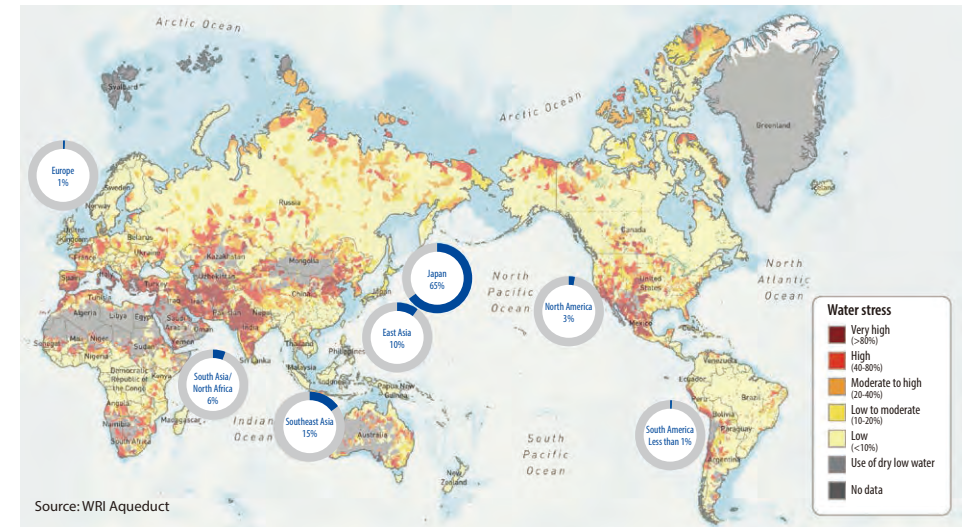
In order to ensure sustainable growth within the Otsuka group's diverse and global-scale business models, it is also important to consider environmental risks in each region. With regard to water resources, the Otsuka group has assessed its production sites using the Aqueduct water risk assessment tool developed by the World Resources Institute (WRI). This assessment has confirmed that no known high risks have materialized at any of its sites. In addition to complying with laws, regulations, and ordinances established by respective countries and regions, the Otsuka group has established water management items and management standards, and in 2023, we formulated water resource guidelines to help bring about a sustainable society along with our business growth. Going forward, these guidelines will inform our operations in our domestic and overseas companies.

Water intake by area

(1,000 m³)

	Municipal water, industrial water	River water	Groundwater
Japan	11,316	85	1,152
Asia, Middle East, etc.	3,325	0	2,698
North America	445	0	148
Europe	195	1	24

Aqueduct Water Stress Map and Otsuka group's Percentage of Water Use by Area



Biodiversity

The Otsuka group recognizes that biodiversity is an essential part of natural capital in all of its business activities. Therefore, as a member of society that benefits from nature, we are committed to the conservation and restoration of biodiversity for a sustainable society that will pass on its rich natural resources to future generations.

The Otsuka group has revised its biodiversity policy and activity guidelines to assess its dependence on and impact on nature in its business activities. To do this, the group plans to disclose information on the four items of Governance, Strategy, Risk Management, and Metrics & Targets in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).

For more details about our biodiversity initiatives, visit:

<https://www.otsuka.com/en/csr/environment/biodiversity.html>



Quality Control and Assurance Systems to Ensure a Stable Supply of High-Quality Products and Services

For international certifications related to Production and Quality Management obtained by the Otsuka group, visit:
https://www.otsuka.com/en/csr/data/pdf/ISO_en.pdf



Basic Policy

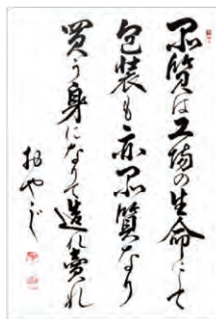
At the Otsuka group, all of our business activities are founded in compliance with laws and regulations, with a further emphasis on ensuring data reliability. For pharmaceutical products, we have established a quality assurance system that complies with the international Good Manufacturing Practice (GMP) system in Japan, Europe, North America, and other areas. For our Nutraceutical and Consumer products, we have implemented a quality system that leverages our stringent quality control measures as a pharmaceutical company, thereby aligning with relevant international standards. From procurement of raw materials to development, production, quality control, logistics, and sales, we strive to ensure a stable supply of safe and secure products and services through continuous improvements under the supervision of our top management.

Fostering a Quality Culture

“Good product quality is the key to the operation of the factory, and packaging is part of product quality as well. We must produce and sell our products from the point of view of the buyers.”

When the Otsuka group started manufacturing and selling injection drugs in 1946, the founder, Busaburo Otsuka, indicated in writing what those involved in manufacturing, transportation and sales should always do.

As a health-related company, the Otsuka group is committed to customer satisfaction. We continuously seek to understand our customer's needs, identify risks, develop and acquire technologies, cultivate our human resources, and improve our quality. Our aim is to provide a stable supply of products that ensure safety, security, and trust.



Quality Control Testing for Each Manufacturing Process and Ensuring Data Reliability

The Otsuka group is engaged in rigorous quality control and quality assurance based on clear standards for all elements that could influence product quality. Quality control testing is conducted at each step of the manufacturing process, from the reception of raw materials and supplies to product shipping, and strict standards have been established to ensure that products do not advance to the next step unless they pass the quality control testing for each manufacturing process. Data collected from our quality

control testing is centrally stored in our system. We meticulously manage this system to prevent unauthorized alterations or deletions, thereby ensuring the reliability of all our data.

Ensuring Traceability*

Every company within the Otsuka group employs a traceability system that consolidates all information from in-house and outsourced manufacturing, enabling them to monitor products on a lot-by-lot basis. Through quality checks of raw materials, surveillance of manufacturing processes, and quality control testing, we aim to ensure a stable supply of safe and secure products by proactively developing countermeasures and persistently conducting assessments and improvements.

* Creating and maintaining traceable records of the manufacturer, supplier and distributor in each process from procurement of raw materials and parts to processing, assembly, distribution, and sales

Clear Standards and Rigorous Audit Procedures for Quality Control and Assurance

The Otsuka group ensures appropriate quality management by conducting regular audits of its business partners, including raw material suppliers and contract manufacturers, in addition to internal audits and inspections of its own factories by competent authorities. During these audits, we verify regulatory compliance through physical or written inspections and take improvement actions based on the severity of findings, thereby fostering stronger partnerships for enhanced quality. In the event of a high-risk issue in the supply chain, we promptly carry out an ad-hoc on-site audit to swiftly address the issue.

Feature: Establishment of Kobe Analytical Center (2023)

In August 2023, Otsuka Pharmaceutical established an analysis center in Kobe in Japan as part of its efforts to build a system for in-house quality control of global contract manufacturing products, which have grown alongside our business expansion. This center conducts quality control for products in both Pharmaceutical and Nutraceutical Businesses. Leveraging our strict quality control system as a pharmaceutical company, we maintain a high-level quality control system even for products in Nutraceutical Business.

Going forward, we will persist in cultivating human resources as well as developing and acquiring new technologies including digital technologies, robotics, and AI technologies.



Otsuka Pharmaceutical Kobe Analytical Center

Governance

Compliance

Basic Policy

The Otsuka group seeks to earn the trust of stakeholders and to achieve sustained growth by contributing to people's health worldwide, acting in good faith and with the highest level of ethics in accordance with the corporate philosophy: "Otsuka-people creating new products for better health worldwide." That commitment is encapsulated in the Otsuka Group Global Code of Business Ethics, which outlines the standards of behavior expected of everyone involved in our work. This is reinforced with a range of global policies that reflect our behavioral standards in core areas. Regular training helps ensure that our compliance stance is thoroughly embedded into employees' thinking.

For more details about our various global policies and compliance-related initiatives, visit our website:

<https://www.otsuka.com/en/csr/governance/compliance2.html>

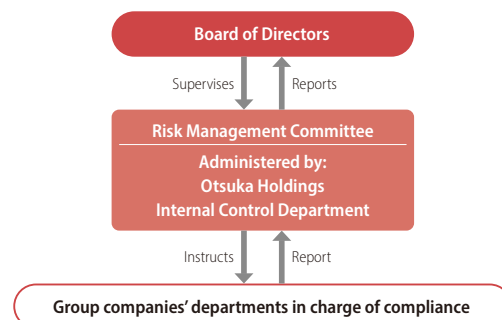


Compliance Promotion System

As a holding company whose role is to maximize the group's corporate value, Otsuka Holdings has established a system for appropriate business operations from the perspective of the group as a whole. We have established a system for facilitating cooperation in the Otsuka group. Under this system, group companies report to Otsuka Holdings as necessary regarding items specified in the Affiliated Company Management Regulations, and obtain approval on relevant important items. The Board of Directors has built a group-wide risk management system, which has a Risk Management Committee (chaired by the President and Representative Director), and oversees the system's operation. The Board of Directors receives regular reports on compliance and risk management action plans and results from the Risk Management Committee. These reports and plans form the basis for discussion of issues and additional measures.

To instill thorough compliance at group companies, the Otsuka group conducts universal training based on policies such as the Otsuka Group Global Code of Business Ethics, the Otsuka Group Global Anti-Corruption Policy and the Otsuka Group Global Policy for Conflict of Interest. Training materials (available in English, French, Chinese, Korean, Indonesian, and other languages) are distributed to group companies, and executives and employees

Compliance Promotion System



attend related training at least once annually. Depth and breadth of compliance understanding among employees is evaluated through a test during training, awareness surveys, and other measures. Trainees are required to submit a signed declaration that they will observe the regulations, and the results of training and the status of submission of declaration forms are regularly reported at meetings of the Board of Directors. The operational status of the internal reporting systems and internal audits at group companies is likewise reported. Each group company has a compliance officer to share the status of progress of each company's compliance. In Asia, for instance, the director in charge of compliance visits companies to gather information and offer suggestions on how improvements can be made.

Monitoring System

The Company's Internal Audit Department reports directly to the president. The department conducts regular audits based on the Internal Audit Rules to verify that operations are being executed appropriately and efficiently with regard to the assets and business in general of Otsuka Holdings and Otsuka group companies. Audit reports are submitted to the president, directors, and Audit & Supervisory Board members. Where there is need for improvement, the department recommends remedial actions and later confirms their implementation, thereby contributing to the optimization of business execution. The department also shares information and works in cooperation with Audit & Supervisory Board members and the Accounting Auditor.

The Otsuka group operates a crisis management system that enables a swift, cohesive response if a risk event demanding an urgent response occurs in or outside Japan. When a critical or time-sensitive event does occur, the group company immediately shares information with the main operating companies and Otsuka Holdings, and the relevant departments mount a coordinated response to mitigate impact. Otsuka Holdings maintains and updates regulations, manuals, and other documentation setting out fundamental approaches to risk management and response, and enhances group-wide readiness through regular training and exercises.

Governance

Number of participants who took global compliance training in 2023

Name of training (excerpt)	No. of targeted participants	Attendance
Otsuka Group Global Code of Business Ethics Otsuka Group Global Anti-Corruption Policy Otsuka Group Global Policy for Conflict of Interest Otsuka Group Global Anti-Fraud Policy Otsuka Group Human Rights Policy Otsuka Group Global Information Security Policy Otsuka Group Global Privacy Policy	41,658 ¹	98.5%

1. The number of people covered by the Otsuka Group Global Code of Business Ethics training when it was deployed. In addition to directors and employees, the number of participants includes temporary employees.

Number of consultations received from employees, etc.

Item	2022	2023
Suspicion of violation of law or regulations	187	176
Issues related to diversity or workplace and suspicion of harassment	85	118
Suspicion of violation of internal rules	48	68
Suspicion of violation of labor laws or regulations	13	11
Others (consultation on concerns, opinion, etc.)	247	226
Total	580 ²	599 ²

2. The number of cases reported to Otsuka Holdings on an annual basis, covering all companies in the Otsuka group.

Transfer Pricing Policy

The Otsuka group calculates transfer prices based on the OECD guidelines that were created for the prevention of double taxation and fair application of the transfer price tax system, as well as each country's transfer price tax system, and makes efforts to ensure proper transactions between related parties. Also, when necessary, we make use of advance pricing arrangements to obtain ahead-of-time consensus with tax authorities.

Governance

We work to maintain and improve tax-related governance, recognizing that this contributes to the enhancement of corporate value. To this end, we are strengthening cooperation with operating companies as well as securing and training capable human resources, thereby maintaining an appropriate system that enhances the group's tax compliance and reduces tax risks. Furthermore, we have established reporting obligations to the Board of Directors and the Audit & Supervisory Board regarding the above-mentioned policies and processes, as well as their ongoing implementation and maintenance.

Tax Compliance

Basic Policy

The Otsuka group operates around the world and recognizes that the appropriate payment of taxes in accordance with relevant laws and regulations in each country and region contributes to the local economy in those countries and regions. The group complies with the Otsuka Group Global Code of Business Ethics, the group's tax policy, country-specific laws, regulations and tax treaties, as well as international taxation rules, and does not engage in transactions designed to evade the payment of taxes, but carries out the appropriate filing and payment of taxes in each country. We endeavor to appropriately disclose information and ensure a degree of transparency and trust when dealing with tax authorities in each country. The globalization of business makes tax oversight more complex, but by continuously updating information and consulting tax experts where necessary, we are appropriately responding in order to minimize tax risk.

Correspondence with Tax Authorities

The Otsuka group remains committed to building constructive relationships with tax authorities in the countries and regions in which it operates. As economies become more global and digital, the Organization for Economic Co-operation and Development (OECD) and other organizations have been reviewing the basic rules of international taxation. The shift toward a system in which even enterprises without permanent facilities in a location are liable for tax on income earned in that market means that the process of reporting to local tax authorities will become more complex and far-reaching. We will continue to improve the reliability of tax data and establish systems to provide it promptly.

Risk Management

Basic Policy

The Otsuka group recognizes that pursuing management efficiency and controlling the risks inherent in business activities are important to enhancing corporate value. To that end, it is vital to establish a group-wide system that enables all executives and employees to uncover, identify, and deal with risks related to their work swiftly. The Otsuka group manages risk via the initiatives outlined below under the supervision of top management.

Risk Management System

The Otsuka group introduced Enterprise Risk Management (ERM) in 2020 to further enhance overall risk management at the group and its major operating companies, including the recognition and evaluation of risks from a companywide perspective and the prioritization of management resources to control important risks. The Otsuka Group Global ERM Policy was established in 2022.

Governance

Risk Management

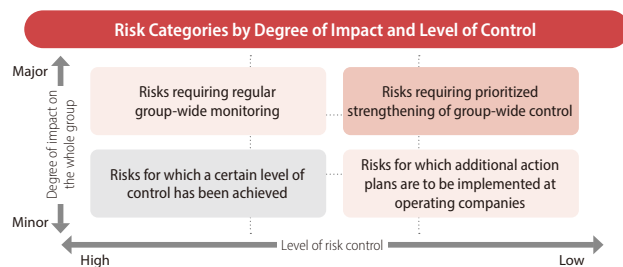
As part of ERM, we define uncertainties that could have a major impact on our ability to fulfill our corporate philosophy and achieve business strategy goals as “risks,” and have established a group-wide risk management framework and a system for risk assessment to effectively and efficiently manage 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 Otsuka Holdings, the Risk Management Committee oversees the group’s ERM 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 receives reports on committee activities, issues instructions as necessary, and oversees the efficacy of the group’s ERM structure.

Details of Risk Management Activities

Identification of significant risks begins with the sharing of risk awareness by senior management through interviews at Otsuka Holdings and its main operating companies (top-down approach), as well as assessments of risks and controls by front-line employees (bottom-up approach). This enables us to comprehensively identify the risks that exist in the group. Each group company develops risk management policies and risk management action plans for the risks that are judged to be its significant risks, and regularly monitors and reviews the status of those risks and the progress of action plans. Otsuka Holdings aggregates and visualizes the significant risks faced by each group company so as to

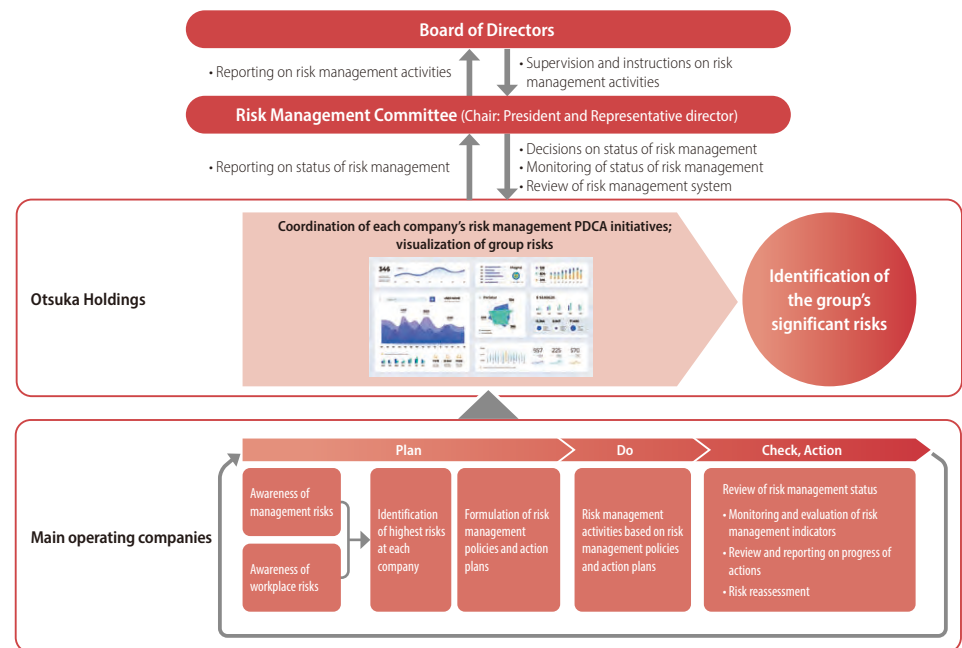
Risk Map



grasp a comprehensive understanding of the existing risks and the status of controls in the group. Common risks that apply to the whole group are studied closely and the significant risks are gathered and identified. Based on the results of this process, the Risk Management Committee assigns priority to significant risks that could have major impact on the group’s business, such as financial losses or disruptions to business continuity.

Otsuka Holdings and its main operating companies develop and implement countermeasures to each significant risk based on its characteristics and on risk tolerance. Otsuka Holdings provides the necessary guidance and support to group companies, which submit reports and seek advice from Otsuka Holdings as appropriate. In these activities, the whole group coordinates closely to promote and practice ERM. Moreover, Otsuka Holdings and group companies work to prevent risks from realizing by regularly monitoring them and confirming that they are within their respective tolerance levels.

Risk Management System



Governance

For more details about our Risk Management initiatives, visit:

https://www.otsuka.com/en/csr/governance/risk_management.html



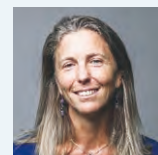
Risk Management

FY2023 Policy and Initiatives

In order to not only build a highly effective risk management system that supports the Otsuka group's management foundation but also further improve that system, we moved forward with introducing ERM in regions throughout the world, including Japan, North America, Europe, Asia, and China, using a standardized process based on the Otsuka Group Global ERM Policy and Otsuka Group Global ERM Implementation Guidelines, which were established in 2022.

Furthermore, we conduct monitoring activities and hold risk management-related study sessions while regularly sharing with ERM staff of major operating companies information on risks that are growing more complex and advanced as the global situation continues to change.

Here, we look at workplace opinions that promoted initiatives in various regions.



Marina Levis-Etournaud
Legal and Compliance Director Group Nardobel

Identifying significant risks and conducting monitoring

The Nardobel group (Nutrition & Santé in France, Spain, Italy, and the three countries of Benelux) is now working to introduce ERM. In light of changes in the market environment and the future management strategy, we will partner with all group companies to reinforce risk management by conducting annual reviews of significant risks in the group.



Pratul Gupta
Senior Vice President Otsuka Chemical (India)

Visualizing risks and measures through ERM initiatives

In a quickly changing global business environment, we consider risk management based on general objective indicators extremely important for achieving sustainable business growth. Through management-centered ERM initiatives, we link the examination of concrete measures to their implementation through the visualization and monitoring of internal and external risks based on quantitative indicators.



Koki Hayashi
Compliance Department Otsuka Pharmaceutical Factory

Effective ERM initiatives

For significant risks, we implement measures, set indicators, and receive quarterly reports on progress in implementing countermeasures and monitoring results. We also work to enhance corporate value by improving effectiveness through training and surveys of the Risk Management Committee and all employees, which are conducted three times a year. ERM has been introduced at six domestic and overseas subsidiaries, and we are working to further expand target companies.



Mike Gehrke
Compliance Vice President, IT & Compliance; Corporate Secretary Otsuka America

Leveraging ERM to achieve strategic objectives and enhance value

In North America, we are refining our ERM approach to enable the introduction of risk management activities in order to help us achieve our strategic business targets.

Significant Risks

Otsuka Holdings and its main operating companies have conducted company-wide risk assessments, and have identified the significant risks listed on the right, and we are implementing measures to reduce these risks.

For more details about our business risks, visit:

<https://www.otsuka.com/en/ir/management/risk.html>



Significant Risks in Core Business Areas	Significant Risks Common to All Business Areas	
Significant Risks in Pharmaceutical Business <ul style="list-style-type: none"> Healthcare Cost Containment Measures Uncertainty of New Drug Development Side Effects Quality 	<ul style="list-style-type: none"> Securing and Developing Human Resources and Instilling Corporate Culture and Philosophy Environmental Issues Supply Chain Transparency Group Governance and Management Corporate Brand Management Business Alliances and Acquisitions Digitalization 	<ul style="list-style-type: none"> Natural Disasters and Pandemics Stable Supply Soaring Raw Material Prices Patent Infringement Litigation IT Security and Information Management Global Business Operations
Significant Risks in Nutraceutical Business <ul style="list-style-type: none"> Expansion into New Categories and New Regions Food Safety and Quality (also applies to Consumer Products Business) 		

Governance

Related SDGs



For more details about our governance-related initiatives, visit:

<https://www.otsuka.com/en/csr/governance/>



Corporate Governance

Basic Policy

Otsuka Holdings Co., Ltd. ("the Company") is committed to promoting the sustainable increase of its corporate value over the medium to long term by realizing its corporate philosophy, "Otsuka-people creating new products for better health worldwide." To meet this commitment, it 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.

FY2024 Targets

- Strengthen corporate governance for further effectiveness
- Establish a governance structure that responds to global business development and diverse changes
- Establish a system to strengthen compliance in the group

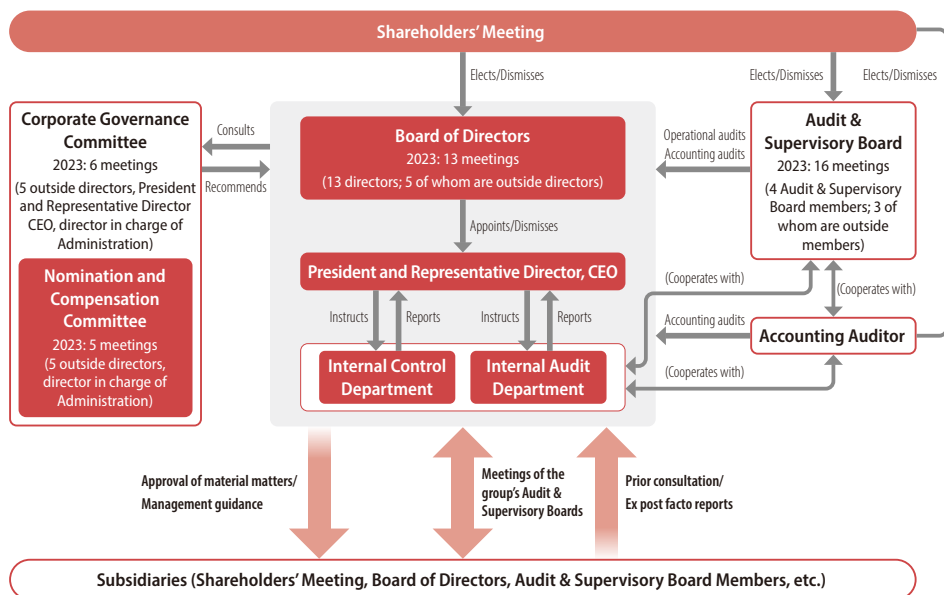
Corporate Governance Guidelines

https://www.otsuka.com/en/csr/governance/pdf/governance_guideline.pdf

Corporate Governance Report (July 5, 2024)

https://www.otsuka.com/en/csr/governance/pdf/governance_report2024.pdf

Corporate Governance Organizational Structure



Initiatives to Strengthen Corporate Governance

	Institutional design	Remuneration for directors	Other corporate governance measures
2008	Establishment of Otsuka Holdings. Term of directors set at one year. Appointment of outside Audit & Supervisory Board members begins.		
2010	Stock publicly listed in December.	Stock options as performance-linked remuneration introduced.	
2011			The 1st Medium-Term Management Plan (MTMP) announced.
2013	Appointment of outside directors begins.		
2014			The 2nd MTMP announced. Otsuka Group Global Code of Business Ethics established. Otsuka Group Global Anti-Corruption Policy established.
2015			Corporate Governance Guidelines established. Internal whistleblowing system (for Otsuka Holdings and major group companies) established, with reporting to an independent body outside the Company.
2016		System for granting stock options conditional on progress with the medium-term management plan introduced.	Effectiveness of Board of Directors evaluated.
2017	Corporate Governance Committee established.		Corporate Governance Guidelines revised. Started to evaluate the effectiveness of the Board of Directors based on questionnaires completed by all directors and Audit & Supervisory Board members. Started to hold reporting meetings for outside directors and outside Audit & Supervisory Board members to improve their understanding of the group's management and business.
2018	First female directors appointed.		Corporate Governance Guidelines revised.
2019		Stock-based compensation plan with restriction on transfer introduced.	The 3rd MTMP announced.
2020			Otsuka Group Global Policy for Conflict of Interest established.
2021	Accounting auditors changed.		Corporate Governance Guidelines revised. Otsuka Group Global Anti-Fraud Policy established.
2022	Proportion of independent outside directors increased to more than one third.		Otsuka Group Global Speak-Up Policy established. Otsuka Group Global ERM Policy established. Otsuka Group Global ERM Implementation Guidelines established.
2023	Nominating and Compensation Committee established.		Corporate Governance Guidelines revised.
2024		Stock-based compensation plan with restriction on transfer revised.	The 4th MTMP announced. Otsuka Group Business Partner Code of Ethics established. Corporate Governance Guidelines revised.

Governance

Corporate Governance

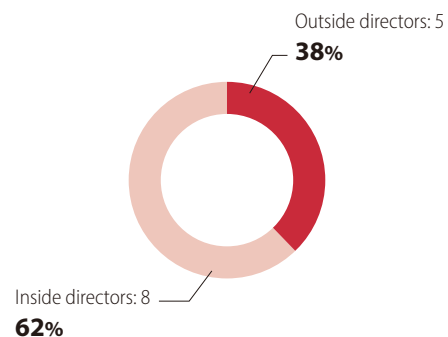
Board of Directors

In line with the Board of Directors' regulations, the Board of Directors convenes regularly once a month and holds extraordinary meetings as necessary to make important business decisions and supervise the execution of operations.

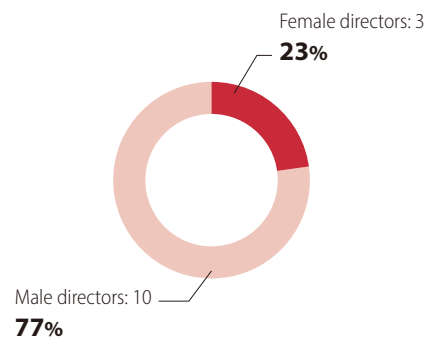
The term of directors at Otsuka Holdings is set at one year to clarify executive responsibility for each fiscal year. Furthermore, the Company works to ensure the overall diversity of directors, and appoints people with the insight, expertise, and experience needed to realize and maintain appropriate and effective corporate governance. For internal directors, we comprehensively evaluate the experience, expertise, insight, and other attributes of candidates to ensure that they have the qualities needed to implement the group's corporate philosophy, Code of Business Ethics, and management strategies. For outside directors, the Company looks for individuals with a wealth of knowledge and extensive experience in various fields. Candidates must have the ability to adequately exercise management oversight functions through fair and objective monitoring, supervision, and auditing of management from a neutral and objective viewpoint.

Meetings Held in FY2023 (Average Attendance): 13 (100%)

Proportion of outside directors: 38%



Proportion of female directors: 23%



Director Skill Matrix

To establish an effective corporate governance structure for sustainable growth, the Company appoints directors and Audit & Supervisory Board members with broad business experience and a wide range of highly specialized expertise and knowledge. The composition, experience, and expertise of the Company's directors are as follows.

	Global business	Technology, R&D, production	Strategic planning, marketing, sales	Finance, accounting	Legal, compliance, risk management	Company analysis	Healthcare administration, public health	Major qualifications, etc.
Ichiro Otsuka	●	●	●					
Tatsuo Higuchi	●	●	●				●	
Makoto Inoue	●	●	●					
Yoshiro Matsuo					●			
Yuko Makino				●				
Shuichi Takagi	●		●	●				
Masayuki Kobayashi	●	●					●	
Noriko Tojo	●				●	●		
Yukio Matsutani							●	MD
Ko Sekiguchi			●			●		
Yoshihisa Aoki			●					
Mayo Mita						●		
Tatsuaki Kitachi				●		●		CPA

Directors' Selection Criteria/Independence Standards for Outside Directors

https://www.otsuka.com/en/csr/governance/governance_system.html

Please refer to the Notice of the 16th Ordinary General Meeting of Shareholders for the reasons for the election of each director.

https://www.otsuka.com/en/ir/stock/pdf/meeting/202312_01.pdf

Governance

Corporate Governance

Major Matters Deliberated by the Board of Directors in 2023

Category	Number of times deliberated	Major reports and discussions
Business performance and plan	18	<ul style="list-style-type: none"> Monitoring of progress of consolidated results and plan Discussions on current conditions and issues regarding the performance of each operating company and business segment Monitoring of progress of medium-term management plan Deliberations on the 4th MTMP
Corporate governance	46	<ul style="list-style-type: none"> Identification of issues in improving the effectiveness of the Board of Directors Approval of officer election and remuneration Monitoring of subsidiary activities Confirmation of progress of measures to reinforce group governance Review of cross-shareholdings
Sustainability	2	<ul style="list-style-type: none"> Approval of plan to introduce solar power Deliberations on sustainability strategy
M&A and partnerships	9	<ul style="list-style-type: none"> Deliberations on Otsuka Pharmaceutical's acquisition of Mindset Pharma Deliberations on Otsuka Pharmaceutical's acquisition of Bonafide Health
Risk management	10	<ul style="list-style-type: none"> Approval of internal control reports, update on implementation of global training programs and on confirmation of conflicts of interest, and approval of activity reports and activity plans Annual reporting on internal whistleblowing system (whistleblowing system improvement status, number of reports and overview) and approval of action plan Reporting on ERM monitoring activities Reporting on progress of initiatives to reinforce overseas crisis management
Financial strategy	5	<ul style="list-style-type: none"> Formulation of funding policy Discussions of new capital investments Formulation of dividend policy
IT	1	<ul style="list-style-type: none"> Reinforcement of cyber security measures

Evaluation of the Effectiveness of the Board of Directors

During January and February 2024, the Company conducted a questionnaire survey of all directors and Audit & Supervisory Board members. Results of the survey were reviewed by a company attorney, and then considered and evaluated at the Board of Directors meeting in March 2024.

Questionnaire items were as follows.

- (1) Composition of the Board of Directors
- (2) Each director's understanding and knowledge of business fields and specific management strategies and plans
- (3) Cooperation with outside directors
- (4) Cooperation with the Audit & Supervisory Board
- (5) Operation of Board of Directors meetings
- (6) Governance-related matters
 - i Function of the Board of Directors in determining the direction of management strategy
 - ii Monitoring of each business with respect to the execution of management strategy
 - iii Understanding of the perspectives of major investors and stakeholders
 - iv Risk management
 - v Cooperation and information sharing with each operating company
- (7) Support system for outside directors
- (8) Operation of the Corporate Governance Committee meetings (frequency, agenda, etc.)
- (9) Overall functioning of the Board of Directors from the perspective of effectiveness

Achieving Overall Optimization while Maintaining the Uniqueness of Each Operating Company

Summary of discussions

All directors and Audit & Supervisory Board members submitted responses that the Board of Directors is sufficiently effective.

Such issues as the need for further deliberations on the composition of the Board of Directors (skills, experience, and diversity), the best way for the Company as the holding company to fully collaborate and share information with the various business companies, and the strategy and orientation of the overall group in order to furthermore raise the level of governance were discussed.

It was also confirmed that efforts to improve operation of the Board of Directors and deepen deliberations on the medium- to long-term management strategy to generate synergies and maximize corporate value as a holding company would be maintained.

Governance

Corporate Governance

Corporate Governance Committee

Otsuka Holdings has had a Corporate Governance Committee since February 2017, and as a subcommittee of that committee, a Nominating and Compensation Committee since April 2023.

As an advisory body to the Board of Directors, the committee discusses the state of corporate governance at the Company, succession plans for the President and other executives, the development of management human resources, and other management issues of the group, and submits reports to the Board of Directors as necessary. The committee consists of the president, the director in charge of administration, and all outside directors (five as of the publication of this report). The president serves as the chair of the committee.

The Nomination and Compensation Committee, a subcommittee of the Corporate Governance Committee, is composed of the director in charge of administration and all five outside directors, and its chairman is elected by the outside directors. The Nomination and Compensation Committee deliberates on the following matters, and reports its deliberations and decisions to the Corporate Governance Committee and then to the Board of Directors.

Main Items Discussed by the Corporate Governance Committee

Corporate governance in general	<ul style="list-style-type: none"> The state of corporate governance Succession plan for the president and other senior management Development of management human resources Other group management issues
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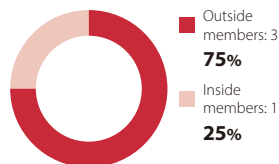
Main Items Discussed by the Nominating and Compensation Committee

Evaluation of the president	
Nominations	The appropriateness and fairness of matters relating to the appointment and dismissal of directors and Audit and Supervisory Board members
Remuneration	Matters related to evaluation and individual remuneration of directors, remuneration systems, levels, etc.

Audit & Supervisory Board

Audit & Supervisory Board members attend and express opinions at meetings of the Board of Directors, and monitor directors' performance of duties in terms of legal compliance and soundness of management through audits. To ensure the effectiveness of auditing by Audit & Supervisory Board members, systems have been established by which Audit & Supervisory Board members can interview directors and employees about the status of business execution, review internal consultation documents and other important documents pertaining to business execution, and promptly receive reports on the execution of operations when requested. There is a Statutory Auditor's Office to assist the duties of Audit & Supervisory Board members. It convenes meetings of the Audit & Supervisory Board and is independent of directors' authority in its assistance in the duties of Audit & Supervisory Board members.

Proportion of outside Audit & Supervisory Board members: 75%



Audit & Supervisory Board Member Skill Matrix

	Global business	Technology, R&D, production	Strategic planning, marketing, sales	Finance, accounting	Legal, compliance, risk management	Company analysis	Healthcare administration, public health	Major qualifications, etc.
Yoza Toba	●			●				
Hiroshi Sugawara				●				CPA
Kanako Osawa					●			Attorney
Sachie Tsuji				●	●			CPA

Internal Audit Department

The Company's Internal Audit Department reports directly to the president. The department regularly conducts audits based on the Internal Audit Rules to verify that operations are being executed appropriately and efficiently with regard to the assets and business of the Company and its affiliated companies. The department submits audit reports to the president, directors, and Audit & Supervisory Board members. Where there is need for improvement, the department recommends remedial actions and later confirms their implementation, thereby contributing to the optimization of business execution. In addition, the Department cooperates with corporate auditors' audits and accounting audits by sharing information and cooperating with them.

Internal Control Department

The Company views internal controls as an integral component of corporate governance that functions together with compliance and risk management, and has an Internal Control Department as the department in charge of compliance and risk management to improve the internal control system. The Internal Control Department promotes the Otsuka Group Global Code of Business Ethics and other Otsuka group global rules at Otsuka Holdings and its affiliated companies. It also works to establish and promote compliance programs and risk management programs at each company. The status of the establishment and operation of those programs is regularly reported to the Board of Directors, the Audit & Supervisory Board, and the Accounting Auditor.

The Internal Control Department handles internal controls regarding financial reporting by the Company and its affiliated companies. The department formulates rules and manuals pertaining to internal controls, provides training, and ensures that employees thoroughly understand operational rules. The department also works in cooperation with the Internal Audit Department to continuously monitor the status of operations. This is the basis of an internal control system under which management personnel can be reliably evaluated.

Governance

Remuneration for Directors and Audit & Supervisory Board Members

Basic Policy

The Company's remuneration plan for directors and Audit & Supervisory 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.

Remuneration Levels

Considering the need to acquire and motivate outstanding personnel who will take responsibility for the Company's global business activities, the group 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.

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 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 directors and Audit & Supervisory Board members comprises only fixed remuneration as basic remuneration in light of their duties.

Total Amount of Remuneration for Directors and Audit and Supervisory Board Members in 2023

	Total amount of remuneration (¥ million)	Total amount by type of remuneration (¥ million)			Number of eligible officers
		Fixed remuneration	Performance-linked bonus	Share-based payment	
Directors [of which outside directors]	504 [54]	354 [54]	150 [—]	—	13 [5]
Audit & Supervisory Board members [of which outside Audit & Supervisory Board members]	56 [32]	56 [32]	—	—	4 [3]
Total [of which outside directors and outside Audit & Supervisory Board members]	560 [86]	410 [86]	150 [—]	—	17 [8]

Includes directors and Audit & Supervisory Board members who retired during 2023.

Total Amount of Consolidated Remuneration, etc. of People Whose Total Consolidated Remuneration, etc. is ¥100 Million or More

Name	Officer classification/position	Company classification	Amounts, by type of remuneration (¥ million)				Total remuneration (¥ million)
			Fixed remuneration	Performance-linked bonus	Share-based payment	Allowance for retirement benefits, etc.	
Ichiro Otsuka	Chairman and Representative Director	Otsuka Holdings	66	33	—	—	195
	Executive Director	Otsuka Pharmaceutical	36	18	—	—	
	Representative Director	Otsuka Pharmaceutical Factory	30	7	—	5	
Tatsuo Higuchi	President and Representative Director, CEO	Otsuka Holdings	72	36	—	—	225
	Chairman and Representative Director	Otsuka Pharmaceutical	66	33	—	—	
	Advisor and Consultant	Otsuka Pharmaceutical Factory	9	—	—	—	
	Advisor and Consultant	Otsuka Chemical	9	—	—	—	
Makoto Inoue	Representative Director, COO	Otsuka Holdings	22	9	—	—	138
	President and Representative Director	Otsuka Pharmaceutical	73	33	—	—	
Yoshiro Matsuo	Executive Deputy President and Executive Director	Otsuka Holdings	48	24	—	—	117
	Executive Deputy President and Representative Director	Otsuka Pharmaceutical	29	12	—	—	
	Executive Director	Otsuka Foods	2	—	—	—	
Masayuki Kobayashi	Executive Director	Otsuka Holdings	12	6	—	—	115
	President and Representative Director	Taiho Pharmaceutical	51	25	—	21	

Governance

Remuneration for Directors during the Period of the 4th Medium-Term Management Plan (FY2024–FY2028)

Content of Remuneration to Directors (Excluding Outside Directors)

For details and the latest information on corporate governance and officer remuneration, please refer to the 16th Securities Report (only in Japanese):

<https://www.otsuka.com/en/csr/governance/officer-compensation.html>

The content of remuneration to directors (excluding outside directors) is as follows:

Remuneration type	Payment method Fixed/Variable	Remuneration content (Including policy for determining timing or conditions of remuneration)
Fixed remuneration	Cash/ Fixed	• Fixed remuneration paid out equally every month, with the amount determined based on their duties and responsibilities including formulation of group strategies, monitoring group operations, and strengthening corporate governance.
Performance-linked bonus	Cash/ Variable	• Performance-linked bonus is paid in a lump sum every fiscal year at a certain time, with the amount and calculation method 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; and (2) progress in conducting management that achieves sustainable creation of corporate value, along with the individual's personal performance.
Share-based payment	Non-cash (restricted stock)/ Variable	<ul style="list-style-type: none"> • The Company has introduced a stock-based compensation plan that reflects progress in achieving such items as the metrics in the 4th MTMP (FY2024–FY2028). • Under the plan, restricted stock allocation agreements stipulating conditions including transfer restrictions for a set period are concluded with the grantees. The plan is designed to function as an effective remuneration system by combining multiple release conditions for the transfer restrictions, including the period of the evaluation metrics and evaluation metric achievement, and by, in principle, granting restricted stock requiring evaluation of performance (including non-financial metrics) over several fiscal years at the same time in the first fiscal year. • Specifically, stock is granted each fiscal year for items requiring evaluation of metrics for a single fiscal year, and at the same time in the first fiscal year of the evaluation period for items requiring evaluation of performance over several fiscal years. Moreover, for metrics evaluated over multiple years, evaluation period (1) is FY2024-FY2026 and evaluation period (2) is FY2027-FY2028.

Non-Cash Remuneration (Restricted Stock-Based Compensation)

To determine the number of shares to be allocated to grantees of restricted stock, a standard number of shares is set for each fiscal year for each individual, giving consideration to his or her performance of duties, responsibilities, and the weighting versus fixed remuneration as basic remuneration. Based on this standard number of shares, shares are allotted each fiscal year or at the same time in the first fiscal year of an evaluation period of several fiscal years, according to the specified release conditions.

	Allotment ratio	Fiscal year for evaluation and allocation timing	Summary of release conditions
Incumbency conditions	20% of the standard number of shares	(metrics evaluated each year) Granted each year, taking a single fiscal year as the evaluation period	Conditioned on incumbency in the fiscal year being evaluated (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		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		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 cash flow before investment in R&D expenses	20% of the standard number of shares	(metric is evaluated for multiple years) • Evaluation Period (1): three fiscal years from FY2024 through FY2026, with the shares for the three years allocated at the same time at the start of the period, and • Evaluation Period (2): two fiscal years from FY2027 through FY2028, 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 4th MTMP for each evaluation period may not fall below the cumulative amount in the plan
ROIC	20% of the standard number of shares		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 4th MTMP
FTSE	10% of the standard number of shares		An FTSE Russel ESG score of 3.3 or more is obtained for each evaluation period

* For example, restricted stock allocation agreement concluded with grantees
(1) if a director of the Company or a main business company (Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, Otsuka Foods, Otsuka Warehouse, Otsuka Medical Devices) resigns before the end of the transfer restriction period, the Company shall acquire without paying compensation all of the director's restricted stock upon the retirement of the director, except when the Company recognizes a just reason, such as completion of the term of office or death;
(2) 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 of restricted stock to be released and the timing of the release shall be reasonably adjusted as necessary, and the Company shall acquire without paying compensation all of the shares for which it has decided that the transfer restriction is not to be released; or
(3) if the evaluation metrics achievement-based release conditions have not been met, it stipulates that the restrictions on the transfer of restricted shares will not be lifted, and the Company shall will not lift the restrictions on the transfer of the restricted shares and acquire without paying compensation all of the shares for which it has decided that the transfer restriction is not to be released and certain other events occur.
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 Otsuka Holdings within 3 years after the lifting of the transfer restrictions, or if any damages occurs to the Otsuka group due to excessive investments made during the period of their incumbency (clawback clauses).

Composition of Outside Directors' Remuneration

Remuneration for outside directors comprises only fixed remuneration, with no variable components based on business performance.

Composition of Audit & Supervisory Board Members' Remuneration

Remuneration for Audit & Supervisory Board members comprises only fixed remuneration, with no variable components based on business performance.

Governance

Directors and Audit & Supervisory Board Members (As of March 28, 2024)

For more details on the number of shares held by directors and Audit & Supervisory Board members, visit:

https://www.otsuka.com/en/ir/stock/pdf/meeting/202312_01.pdf

Directors

**Ichiro Otsuka**
Chairman and Representative Director

Profile

Apr. 1987 Joined Otsuka Pharmaceutical Factory, Inc.
 Jun. 1997 Executive Director, Director of Consumer Products Development Division, Otsuka Pharmaceutical Co., Ltd.
 Jun. 1998 Managing Director, responsible for Consumer Products, Publicity, Promotion and Development Division, Otsuka Pharmaceutical Co., Ltd.
 Dec. 2001 Executive Director, Research and Development, Otsuka Pharmaceutical Factory, Inc.
 May 2002 Representative Director, Otsuka Pharmaceutical Factory, Inc.
 Dec. 2003 Executive Deputy President and Representative Director, Otsuka Pharmaceutical Factory, Inc.
 Dec. 2004 President and Representative Director, Otsuka Pharmaceutical Factory, Inc.
 Jul. 2008 Executive Director, Otsuka Holdings Co., Ltd.
 Jun. 2010 Executive Deputy President and Executive Director, Otsuka Holdings Co., Ltd.
 Jun. 2014 Representative Director, Otsuka Pharmaceutical Factory, Inc. Vice Chairman and Representative Director, Otsuka Holdings Co., Ltd.
 Mar. 2015 Executive Director, Otsuka Pharmaceutical Co., Ltd. (current) Chairman, Otsuka Pharmaceutical Factory, Inc. Chairman and Representative Director, Otsuka Holdings Co., Ltd. (current)
 Mar. 2022 Representative Director, Otsuka Pharmaceutical Factory, Inc. (current)

**Tatsuo Higuchi**
President and Representative Director, CEO

Profile

Mar. 1977 Joined Otsuka Pharmaceutical Co., Ltd.
 Jun. 1998 Senior Managing Director, Otsuka Pharmaceutical Co., Ltd. (Pharmavite)
 Nov. 1998 Executive Deputy President and Executive Director, Otsuka Pharmaceutical Co., Ltd.
 Jun. 1999 Executive Director, responsible for U.S. Business, Otsuka Pharmaceutical Co., Ltd.
 Jun. 2000 President and Representative Director, Otsuka Pharmaceutical Co., Ltd.
 Jun. 2008 Executive Director, Otsuka Pharmaceutical Co., Ltd.
 Jul. 2008 President and Representative Director, CEO, Otsuka Holdings Co., Ltd. (current)
 Dec. 2011 Executive Director, Otsuka Chemical Co., Ltd.
 Feb. 2015 President and Representative Director, Otsuka Pharmaceutical Co., Ltd.
 Mar. 2020 Chairman and Representative Director, Otsuka Pharmaceutical Co., Ltd. (current)

**Makoto Inoue**
Representative Director, COO

Profile

Apr. 1983 Joined Otsuka Pharmaceutical Co., Ltd.
 Jun. 2008 Vice President, General Manager of Diagnostic Division, Otsuka Pharmaceutical Co., Ltd.
 Jun. 2009 Senior Vice President, Deputy General Manager of Pharmaceutical Business Division, Otsuka Pharmaceutical Co., Ltd.
 Mar. 2015 Executive Director, Executive Vice President, General Manager of Nutraceutical Business Division, Otsuka Pharmaceutical Co., Ltd.
 Apr. 2015 Executive Director, Pharmavite LLC
 Mar. 2017 Managing Director, Nutraceutical Business, Otsuka Pharmaceutical Co., Ltd.
 Sep. 2017 Executive Director, Daiya Foods Inc.
 Mar. 2018 Senior Managing Director, Nutraceutical Business, Otsuka Pharmaceutical Co., Ltd.
 Oct. 2018 Chairman, Nardobel SAS
 Mar. 2019 Executive Deputy President and Executive Director, Otsuka Pharmaceutical Co., Ltd.
 Mar. 2020 President and Representative Director, Otsuka Pharmaceutical Co., Ltd. (current) Executive Director, Otsuka Holdings Co., Ltd. (current)
 Jan. 2024 Representative Director, COO, Otsuka Holdings Co., Ltd. (current)

**Yoshiro Matsuo**
Executive Deputy President and Director

Profile

Apr. 1985 Joined Otsuka Pharmaceutical Co., Ltd.
 Jan. 2003 Vice President, Associate General Manager of the General Affairs Department, Otsuka Pharmaceutical Co., Ltd.
 Jun. 2006 Vice President, General Manager of the General Affairs Department, Otsuka Pharmaceutical Co., Ltd.
 Nov. 2007 Senior Vice President, General Manager of the General Affairs Department with additional responsibility for Legal Affairs and External Relations, Otsuka Pharmaceutical Co., Ltd.
 Jul. 2008 Managing Director, Corporate Administration, Otsuka Holdings Co., Ltd.
 Mar. 2016 Senior Managing Director, Corporate Administration, Otsuka Holdings Co., Ltd.
 Jan. 2017 Executive Director, Otsuka Medical Devices Co., Ltd. (current)
 Mar. 2022 Executive Deputy President and Representative Director, Otsuka Pharmaceutical Co., Ltd. (current) Executive Deputy President and Director, Otsuka Holdings Co., Ltd. (current)
 Mar. 2023 Executive Director, Otsuka Foods Co., Ltd. (current)

**Yuko Makino**
Executive Director, CFO

Profile

Apr. 1982 Joined Otsuka Pharmaceutical Co., Ltd.
 Apr. 1993 Joined Deloitte&Touche LLC Seattle Office (present day Deloitte Touche Tohmatsu LLC)
 Apr. 1996 Joined Baxter Limited
 Apr. 2000 Joined Otsuka Pharmaceutical Co., Ltd.
 Mar. 2015 Director of the Corporate Finance & Accounting Department, Otsuka Holdings Co., Ltd.
 Sep. 2016 Vice President, Director of the Corporate Finance & Accounting Department, Otsuka Holdings Co., Ltd.
 Vice President, Director of Accounting Department, Otsuka Pharmaceutical Co., Ltd.
 Apr. 2017 Vice President, Director of the Tax Department, Otsuka Holdings Co., Ltd.
 Vice President, Director of the Finance & Accounting Department, Otsuka Pharmaceutical Co., Ltd.
 Mar. 2018 Executive Director, Corporate Finance, Otsuka Holdings Co., Ltd.
 Mar. 2019 Executive Director, CFO, Otsuka Holdings Co., Ltd. (current)
 Mar. 2022 Executive Director (Finance), Otsuka Pharmaceutical Co., Ltd. (current)

**Shuichi Takagi**
Executive Director

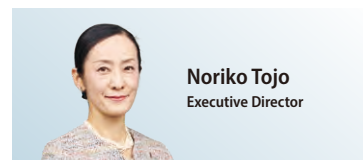
Profile

Apr. 1989 Joined Tobishima Corporation
 Sep. 1995 Joined Otsuka Pharmaceutical Co., Ltd.
 Aug. 2002 Finance Department of OIAA Division, Otsuka Pharmaceutical Co., Ltd.
 Jul. 2003 Corporate Finance & Accounting Department, Otsuka Pharmaceutical Co., Ltd.
 Mar. 2015 Vice President responsible for India Business, Otsuka Pharmaceutical Factory, Inc.
 May 2015 CEO, Claris Otsuka Private Limited (now Otsuka Pharmaceutical India Private Limited)
 Jan. 2019 Senior Vice President, President's Office, Otsuka Holdings Co., Ltd.
 Mar. 2019 Executive Director, Finance and Business Portfolio Management, Otsuka Pharmaceutical Co., Ltd.
 Executive Director, Business Portfolio Management, Otsuka Holdings Co., Ltd.
 Oct. 2021 President, Otsuka America, Inc.
 Mar. 2022 Managing Director (Business Strategy), Otsuka Pharmaceutical Co., Ltd. Managing Director, CSO, Otsuka Holdings Co., Ltd.
 Feb. 2023 Chairman and Director, Otsuka America, Inc.
 Mar. 2023 Executive Director, Otsuka Pharmaceutical Factory, Inc.
 Jan. 2024 Executive Director, Otsuka Holdings Co., Ltd. (current) President and Representative Director, Otsuka Pharmaceutical Factory, Inc. (current)

**Masayuki Kobayashi**
Executive Director

Profile

Apr. 1989 Joined The Daiwa Bank, Ltd. (now Resona Bank, Limited)
 Oct. 1993 Joined Taiho Pharmaceutical Co., Ltd.
 Aug. 2002 President, Taiho Pharma USA, Inc. (now Taiho Oncology, Inc.)
 Sep. 2003 Executive Director, Taiho Pharmaceutical Co., Ltd.
 Apr. 2010 President and CEO, Otsuka America, Inc.
 Apr. 2012 President and Representative Director, Taiho Pharmaceutical Co., Ltd. (current) Executive Director, Taiho Pharma USA, Inc.
 Apr. 2014 Chairman, Taiho Oncology, Inc. (current)
 Mar. 2017 Executive Director, Otsuka Holdings Co., Ltd. (current)

**Noriko Tojo**
Executive Director

Profile

Apr. 1987 Joined Goldman Sachs (Japan) Corporation
 Aug. 1991 Joined Shearson Lehman Brothers Holdings Inc.
 Jul. 2002 Engagement Manager, McKinsey & Company, Japan Office
 Jun. 2006 Director, Intel Capital Japan, Intel Corporation
 Aug. 2008 Managing Director, Corporate Development, Otsuka Holdings Co., Ltd.
 Feb. 2011 Executive Director, Otsuka Medical Devices Co., Ltd.
 Apr. 2012 President and CEO, Otsuka America, Inc.
 Aug. 2015 Executive Director and CEO, Pharmavite LLC
 Jan. 2017 President and Representative Director, Otsuka Medical Devices Co., Ltd. (current)
 May 2017 Executive Director, Otsuka America, Inc.
 Aug. 2017 Chairman, Pharmavite LLC
 Mar. 2018 Executive Director, Otsuka Holdings Co., Ltd. (current)

Governance

Directors and Audit & Supervisory Board Members

Outside Directors



Outside Director
Yukio Matsutani

Profile

Apr. 1975 Intern, Pediatric Department, St. Luke's International Hospital
Oct. 1981 Joined Ministry of Health and Welfare (now Ministry of Health, Labour and Welfare)
Aug. 2005 Director-General, Health Policy Bureau, Ministry of Health, Labour and Welfare
Aug. 2007 Director, National Sanatorium Tama Zenshoen
Apr. 2012 President, National Institute of Public Health
Dec. 2015 Vice President, International University of Health and Welfare
Mar. 2016 Outside Director, Otsuka Holdings Co., Ltd. (current)
Jun. 2019 President, Japan Public Health Association (current)



Outside Director
Ko Sekiguchi

Profile

Apr. 1973 Joined Mitsubishi Corporation
May 1990 Joined The Boston Consulting Group
Jan. 1996 General Manager of Sterrad Business Division, Johnson & Johnson Medical K. K. (now Johnson & Johnson K. K. Medical Company)
Nov. 1998 President and Representative Director, Janssen Kyowa Co., Ltd. (now Janssen Pharmaceutical K.K.)
Jul. 2009 Chairman and Director, Janssen Kyowa Co., Ltd.
Oct. 2009 Supreme Advisor, Janssen Kyowa Co., Ltd.
Jan. 2011 Representative Director, DIA Japan (now SH DIA Japan)
Apr. 2012 Outside Director, N.I.C. Corporation (now Solasto Corporation)
Mar. 2014 Outside Director, Kenedix, Inc.
Mar. 2018 Outside Director, Otsuka Holdings Co., Ltd. (current)



Outside Director
Yoshihisa Aoki

Profile

Apr. 1974 Joined ITOCHU Corporation
Jun. 2003 Executive Officer, ITOCHU Corporation
Apr. 2009 Managing Executive Officer, President, Food Company, ITOCHU Corporation
Apr. 2010 Member of the Board, Senior Managing Executive Officer, President, Food Company, ITOCHU Corporation
Mar. 2017 Administrative Officer, ITOCHU Corporation (current)
Jun. 2017 Outside Director, ARATA Corporation (current)
Mar. 2019 Outside Director, Otsuka Holdings Co., Ltd. (current)



Outside Director
Mayo Mita

Profile

Apr. 1983 Joined Morgan Stanley Japan Securities Co., Ltd. (now Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
Jan. 1989 Equity Research Division (Healthcare), Morgan Stanley Japan Securities Co., Ltd.
Dec. 2000 Managing Director, Morgan Stanley Japan Securities Co., Ltd.
Dec. 2013 Senior Advisor, Investment Banking Business Unit (Healthcare), Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
Mar. 2020 Outside Director, Otsuka Holdings Co., Ltd. (current)
Jun. 2023 Outside Auditor, Mitsui Fudosan Co., Ltd. (current)



Outside Director
Tatsuaki Kitachi

Profile

Oct. 1985 Joined Sanwa Tokyo Marunouchi Office Audit Corporation (now Deloitte Touche Tohmatsu LLC)
Apr. 1989 Registered as a certified public accountant
Jul. 1996 Partner, Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC)
Apr. 2010 Commissioner, Public Interest Corporation Commission, Cabinet Office
Oct. 2012 Leader of Advisory Development Division, Deloitte Touche Tohmatsu LLC
Nov. 2013 Member of the Board, Deloitte Touche Tohmatsu LLC
Jun. 2017 Leader of Industry Service Division, Advisory Service Headquarters, Deloitte Touche Tohmatsu LLC
Jun. 2019 Thought Leader, Deloitte Tohmatsu LLC
Sep. 2021 Special Adviser to the Governor of Kanagawa Prefecture (current)
Mar. 2022 Outside Director, Otsuka Holdings Co., Ltd. (current)

Audit & Supervisory Board Members



Standing Audit & Supervisory Board Member
Yoza Toba

Profile

Apr. 1979 Joined Otsuka Chemical Holdings Co., Ltd. (now Otsuka Chemical Co., Ltd.)
Jan. 1995 Director, Information Center, Otsuka Chemical Holdings Co., Ltd.
Jan. 2006 CFO, Trocellen GmbH
May 2009 Operating Officer, Information System Department, Otsuka Chemical Holdings Co., Ltd. (now Otsuka Chemical Co., Ltd.)
Jun. 2009 Corporate Officer, Director of IT, Corporate Finance & Accounting Department, Otsuka Holdings Co., Ltd.
Dec. 2011 Executive Director, Corporate Administration, Accounting and IT, Otsuka Chemical Co., Ltd.
Mar. 2015 Executive Vice President, Corporate Finance & Accounting and Corporate Service Department, Otsuka Holdings Co., Ltd.
Mar. 2018 Standing Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (current)
Mar. 2019 Audit & Supervisory Board Member, Otsuka Chemical Co., Ltd. (current)



Outside Audit & Supervisory Board Member
Hiroshi Sugawara

Profile

Oct. 1997 Joined Chuo Audit Corporation
Oct. 2000 Joined Deloitte Touche Tohmatsu (now Deloitte Touche Tohmatsu LLC)
Apr. 2002 Registered as a certified public accountant
Feb. 2006 Vice President, Will Capital Management Co., Ltd.
Jun. 2010 Outside Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (current)
Jun. 2012 Outside Audit & Supervisory Board Member, Otsuka Pharmaceutical Co., Ltd.
Oct. 2013 Outside Director, Nippon Parking Development Co., Ltd.
Mar. 2016 Audit & Supervisory Board Member, Otsuka Pharmaceutical Co., Ltd. (current)
Aug. 2018 External Director, Inbound Platform Corp. (current)



Outside Audit & Supervisory Board Member
Kanako Osawa

Profile

Apr. 1998 Registered as an attorney at law (Dai-ichi Tokyo Bar Association) Joined KAJITANI LAW OFFICES (current)
Oct. 2005 Admitted to the bar of the State of New York
Jun. 2015 Outside Director (Audit & Supervisory Committee Member), LINTEC Corporation (current)
Apr. 2021 Committee Member for Reform of Collateral Law, Legislative Council of the Ministry of Justice (current)
May 2021 Director, Japanese Association for Business Recovery
Jun. 2021 External Director, TPR Co., Ltd. (current)
Mar. 2022 Outside Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (current)
Jun. 2022 Outside Audit & Supervisory Board Member, Toshiba Tec Corporation (current)
May 2023 Managing Director, Japanese Association for Business Recovery (current)



Outside Audit & Supervisory Board Member
Sachie Tsuji

Profile

Oct. 1996 Joined Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC)
Apr. 1999 Registered as a certified public accountant
Jul. 2015 Representative Director, SPLUS Corporation (now Biz-suppli Corporation) (current)
Jun. 2016 Director, Association of Certified Fraud Examiners (current)
Mar. 2021 Outside Director (Audit & Supervisory Board Member), SBS Holdings, Inc. (current)
Jun. 2021 Outside Audit & Supervisory Board Member, Shindengen Electric Manufacturing Co., Ltd. (current)
Mar. 2022 Outside Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (current)

Outside Director Roundtable: How the Board of Directors Supports Future Value Creation

In this year's roundtable discussion, under the theme of "How the Board of Directors Supports Future Value Creation," each outside director focused on how the Board of Directors is involved in the formulation of the company's long-term vision, new medium-term management strategy, and materiality, and how the Board will work to realize these goals in the future, and how each of them will contribute to the company.



Back row, from left: Mr. Ko Sekiguchi, Mr. Yoshihisa Aoki, Mr. Tatsuaki Kitachi
Front row, from left: Mr. Yukio Matsutani, Ms. Mayo Mita

Otsuka Group's Vision for the Future: New Value from Business Diversity

Outside Director Matsutani As stated in the Otsuka group's corporate philosophy, "Otsuka-people creating new products for better health worldwide," the group is engaged in a very broad range of businesses to protect people's health, which comes in many different aspects. If we are

sick, we need medicine, but when we are healthy, we also need food, supplements, and sleep. The Otsuka group applies its pharmaceutical expertise to the field of food in pursuit of safety and efficacy, which is helping it demonstrate synergistic effects of each of these businesses. For the Otsuka group, I believe that cultivating multiple businesses and pursuing a conglomerate premium approach is the way forward.

Outside Director Sekiguchi While synergies have been achieved among quite a few companies in the Otsuka group, there are still some companies where synergies have not yet been demonstrated. Although Otsuka has achieved great results to date, some of these results have not been from logical action, but through a kind of serendipity. In order to further enhance the corporate value of the group going forward, it needs to be able to reproduce its successes. From my outside perspective, there seems to be a capital efficiency issue in areas where synergies have not been realized. In this regard, if the group can achieve portfolio management that allows it to concentrate resources in areas offering further corporate value boosts, I believe that the market will value Otsuka even more highly.

Outside Director Aoki Coming from a trading company background, I understand how difficult it is to manage and understand a company like the Otsuka group, which is engaged in a diverse range of businesses. However, in my experience, this is also a business format that is highly resistant to change. In the case of the Otsuka group, as it aims to become a conglomerate for well-being, the Nutraceutical Business has been growing steadily. This is a business focused on health by science so to speak, for living a happy and healthy life, and I believe this is an initiative only



Otsuka is capable of carrying out. I believe there is room for the group to extend itself further to develop new products, such as food products, from the perspective of health maintenance and prevention, utilizing the results of its various research efforts. I would like for everyone to come to see Otsuka as a company with a very promising future.

Outside Director Mita From an analyst's perspective and from a global perspective, Otsuka group is a very unique organization. It has a diverse portfolio focused on pharmaceuticals and including nutraceuticals and food products, as well as chemicals and warehousing. It is only natural that returns will vary by industry, but I think we all agree that the group must take advantage of its diverse portfolio to grow each of its businesses.

Otsuka has a number of group companies whose names are well-known, such as Pharmavite, but what is surprising is that they are not known as Otsuka group companies.

Yukio Matsutani, Outside Director

Mr. Matsutani has a wealth of experience and insight in the field of health and welfare, as well as a high level of expertise in all aspects of medical care, having served in the Ministry of Health and Welfare (now the Ministry of Health, Labour and Welfare), as President of the National Institute of Public Health, and as Vice President of the International University of Health and Welfare.

Ko Sekiguchi, Outside Director

After working for Mitsubishi Corporation and Boston Consulting Group, Mr. Sekiguchi has extensive experience as a manager from his work at Janssen Kyowa Co., Ltd. (now Janssen Pharmaceutical K.K.) and other companies, a proven track record and a high level of insight, as well as a high level of expertise and network in the pharmaceutical business.

Yoshihisa Aoki, Outside Director

Mr. Aoki has a wealth of experience, a proven track record and a high level of insight, as well as extensive experience, expertise and networks in the food industry, having held management positions at ITOCHU Corporation and in his current service as Administrative Officer for the same company.

Mayo Mita, Outside Director

Ms. Mita has a wealth of experience in corporate analysis at an international securities firm, and based on this experience, she has a high level of insight for the objective observation and analysis of companies.

Tatsuaki Kitachi, Outside Director

Mr. Kitachi has expertise as a certified public accountant and consulting experience in risk management and corporate governance.

There needs to be a stronger branding push for Otsuka as a whole so that subsidiaries are better-known as part of the group. Otsuka has many loyal users and many trusted brands, meaning that showing these brands as a source of corporate value and the comprehensive strength of the group is a good idea. Subsidiaries acting alone may find themselves limited in terms of financial resources and expertise, whereas I believe that if subsidiaries can work together to make more comprehensive efforts, they can generate a very positive feedback loop.

Outside Director Kitachi The Otsuka group has long been an organization of great social significance, providing products in areas such as psychiatry, neurology, and oncology, areas where people would face great difficulty without treatment methods. There is a concept that humans, even when healthy, live in a “pre-symptomatic” state. This term refers to the fact that between a healthy state and death, there is a spectrum of states, and that there is no clear boundary between being healthy and being sick. I believe that Otsuka addresses all of these pre-symptomatic stages. In the U.S., where the insurance system is different from Japan's, adjustments are made in the earlier pre-symptomatic stages, such as supplementation of missing nutrients and exercise. Claude Lévi-Strauss, the great authority on structuralism,¹

once said that Japan is the norm for social health in the East and the norm for mental health in the West.² I believe that we can supplant “Japan” with “Otsuka” for its contributions.

1. The idea, based on linguistic theory in the 1960s, that different societies, ethnic groups, and countries have different characteristics
2. From *L'autre face de la lune: Ecrits sur le Japon* [The Other Side of the Moon: Perspectives on Japanese Culture] by Lévi-Strauss

Importance of Corporate Culture and Human Resource Development for Successful Innovation

Outside Director Kitachi Innovation is not something that suddenly falls from the sky; it requires a heightened sensitivity to the world around us and the soil and nourishment to properly nurture the seeds of innovation when they are planted. Here, the soil refers to corporate culture. It has been said that 70% of NASA's R&D expenditures were spent on failures. Innovation cannot be created in the absence of effort. It is necessary to have the soil that allows us to accumulate a variety of experiences and cultivate questions on a regular basis. I have long felt that Otsuka is very good at nurturing that soil, and I hope that it will carry on that culture. Another important factor is its ample operating cash flow from diverse businesses to continue R&D and nurture the seeds of innovation.

Outside Director Mita Nurturing innovation takes soil as well as human resources to discover and cultivate this innovation. No matter how good a product is, it must be properly assessed and understood not only in Japan but also globally. Though Otsuka's Pharmaceutical Business is active worldwide, its Nutraceutical Business has not yet reached the point where it has the kind of presence globally as it does in Japan.

During the period of the 4th Medium-Term Management Plan (MTMP), the number of products will further increase, and the group's companies will grow in size. I believe that Otsuka has entered an important period in which it will build a global market and maximize its value. Each subsidiary has its own financial resources, but the strength of the holding structure is that Otsuka is able to invest funds in companies with future potential, such as Recor Medical, which is working on *uRDN* solutions. Regarding human resources, it is also important to utilize partnerships. In terms of branding and marketing, I feel that there is still a lot of room to leverage Otsuka's network to pitch its products, rather than simply saying that they are good and expecting people to know that.

Outside Director Aoki The year 2024 marks the beginning of the 4th MTMP, and looking to the world ahead of us, we face times of drastic changes. Amid this context, we must discuss

what kind of company Otsuka wants to become, set targets, and drive toward this vision we have set. The Otsuka group has adopted the Mandala Chart,³ a method also used by U.S. Major League Baseball player Shohei Ohtani to analyze what needs to be done from a target-based perspective. At Otsuka, each employee uses the Mandala Chart to set goals for the next five to ten years, and then considers how to manage the company to achieve those goals. This is where the need to develop human resources and concentrate resources becomes apparent, and there may well be a need for business restructuring. In that sense, I look forward to Otsuka's medium- to long-term visions, its 5th MTMP, and beyond.

3. A 9 x 9 table of cells for organizing thoughts and setting specific action goals to achieve objectives. By expanding objectives from the center, users can deepen their thinking processes

Outside Director Sekiguchi I believe that the way to expand Otsuka's value creation will be to leverage synergies. If Otsuka can generate synergies at each level of the value chain, such



as sales, production, and R&D through greater collaboration with each company than before, then it may be able to generate never-before-seen synergies also in areas like science and technology, markets and regions, DX and AI. At meetings of the Board of Directors, presentations are the best possible presentations for each individual company, but this may not be aligned with the best vector for the entire holdings structure. Since Otsuka has a solid foundation of philosophy, culture, and history of success that is unique to the company, I think it would be a good idea to create a place and organization to discuss and examine how to align (or deliberately misalign) these vectors. To take this one step further, Otsuka can also seek companies outside the group to find synergies and maximize value by considering alliances and acquisitions. Going forward, Otsuka will enter the stage of deciding how it can organize and reproduce this approach.

Outside Director Matsutani Human resources will be a key issue in advancing the 4th MTMP. Since a company is simply a group of people working together, the issue is how to cultivate human resources in an organized manner. At each stage of the value chain, there are human resources with expertise, and those who have risen from the field become managers. A management team that is too stable and homogeneous may miss opportunities for new ideas and growth, and I believe it is important to



have a diverse group of human resources in the management team, including non-Japanese employees, who know the front lines well.

Outside Director Mita The Otsuka Group has a diverse range of human resources, but I would like to see more active personnel exchanges between subsidiaries. If, over the course of two or three years, employees were to be transferred to subsidiaries, including those outside Japan, then mutual understanding of businesses would deepen, they would gain positive experiences, and the exchange of people would help to solidify the cohesiveness of the group.

Outside Director Kitachi Until now, value in corporate management has been focused on indirect financing, the long-term viability of companies, plus the employees, shareholders, and other stakeholders who have a strong stake somewhere in the financial statements. However, going forward, diversity and long-term value-building that helps to provide peace of mind for shareholders will have a positive impact on the cost of capital. For this reason, concepts such as purpose-driven management

and ESG are now mainstream, and the emphasis is on a range of stakeholders: investors, employees, and society at large. Amid this, if we consider how to organize employees, personnel exchanges are no doubt one answer. Furthermore, I believe that a new definition of organizing will be created within Otsuka through the dynamism of subsidiary spin-offs and acquisitions through mergers and acquisitions.

Outside Director Matsutani From an objective point of view, personnel exchanges among the companies are still sluggish, and I believe that they must be revitalized going forward.

Open and Vigorous Discussions Led by the Chairperson at Board of Directors Meetings for Decision-making

Outside Director Kitachi I feel that information is actively shared in venues that go beyond solely Board of Directors meetings. In addition to information from the company, each outside director presents a variety of information. For example, we receive materials from management meetings, and Outside Director Aoki provides us with monthly materials on global economic conditions compiled by a research institute.

Outside Director Mita In the Board of Directors meetings themselves, I believe that there is a great deal of free speech. In particular, President Higuchi, who chairs the meetings, often asks for

opinions, and I think it is characteristic of Otsuka's board meetings that there is significant time for free discussion.

Outside Director Sekiguchi More than half of the statements made at the Board are by outside directors.

Outside Director Kitachi Japan's Companies Act states that the board of directors is a body that makes decisions on resolutions and reports, but it also discusses matters such as the cost of capital and financial efficiency. In this respect, my sense of Otsuka's Board of Directors meetings is that they are different from that of a routine board meeting elsewhere.

Outside Director Aoki President Higuchi, the Board's chairperson, is a highly capable coordinator of these meetings. After taking the time for detailed presentations of each issue, he allows the outside directors to say what they think about it, and then asks the inside directors what they think. I feel the president wants a large number of opinions expressed.

Outside Director Mita Meetings are filled with questions being asked, and I feel that the Board's operation is very sound. Even with regard to resolutions, if there is an atmosphere of doubt, the president himself decides not to make a resolution on the spot, but rather to take a little more time.

Outside Director Sekiguchi There are places around the world where no decision is made if everyone is in agreement, and I believe that President Higuchi's approach is similar to this, in

that he always discusses and listens to many opinions, and then decides based on respect for those opinions.

Otsuka Group's Vision for the Future and the Responsibilities of Outside Directors

Outside Director Aoki The 4th MTMP sets forth Otsuka's corporate philosophy and its desired direction. This plan is a measure to get the group through the profit adjustment phase that it will face during the period, and it will lead the group to think about what lies ahead. If it can achieve its goals, I believe that Otsuka can become a company essential to people all around the world, a company that is needed in this world, and I am very much looking forward to seeing the kind of company Otsuka develops into.

Outside Director Mita Again, I believe that strengthening branding will be very meaningful in the future. When employees are proud to work in the Otsuka corporate group, that earns



a certain level of trust from society. Taking responsibility for the company and making efforts to earn society's trust will also help foster compliance. I would like to support the creation of a system in which employees are committed to the development of the Group with responsibility and pride.

Outside Director Sekiguchi Although the 3rd MTMP exceeded its initial targets, Otsuka is still faced with the looming challenge of patent expiration for pharmaceuticals. Against this backdrop, I consider 2023 to be a year in which Otsuka made significant progress as a company. However, with an eye on further rapid changes in the environment, I believe it is necessary to actively cultivate global human resources and take other measures from a holistic group perspective.

In addition, the Otsuka Group has many products, such as *POCARI SWEAT*, which can uncover latent needs that only Otsuka can address. I would like to see Otsuka continue to take on the challenge of developing products that create needs and markets.

Outside Director Kitachi On the occasion of Otsuka's 100th anniversary, Chairman Ichiro Otsuka expressed that Otsuka has been aiming to be a company which is appreciated by people. Later, in 2023, the company was praised as "indispensable" because it also provides essential drugs (IV solutions). Although the pharmaceutical industry continues to be undervalued in the stock market, Otsuka needs



to continue its growth as a company which is appreciated by people and as "indispensable" and increase its corporate value while considering how to reward investors. To do so, it will be necessary to look at the numerical values that can be quantified in terms of Otsuka's purpose and financial and non-financial data when working backwards from its Mandala Chart.

Where care is required is how Otsuka handles data to be collected. The wider the area to be covered, the more difficult it will be to analyze data using AI and other methods. For example, oncology drugs are highly individualized, making it difficult to establish metadata. Also, there are significant conflicts of interest regarding drugs in the psychiatric and neurological fields, showing that there are many data that are difficult to convert into business opportunities. It will be necessary to conduct business while being fully aware of the risks involved.

Outside Director Matsutani Outside directors serve as representatives for minority

shareholders. Based on this fundamental premise, the question of how to reward each stakeholder is an important role for us as outside directors. Materiality has been made more specific and clearer, and I believe that the method of formulating materiality based on the SDGs has been quite unique to and characteristic of Otsuka. In addition to paying dividends to shareholders, Otsuka is committed to ESG and SDGs as a company and has indicated the extent to which it can respond as an organization in the form of this materiality, which it diligently and steadily acts upon. While this action may not lead directly to profits, I believe that profits can only spring forth if Otsuka maintains this spirit of action for materiality. As long as Otsuka does not lose this spirit, I believe that it can successfully achieve what is possible only for Otsuka, and because we are Otsuka, which are values that go beyond the mere accumulation of money. From FY2024, an external evaluation (by FTSE) of Otsuka's contribution to the creation of sustainable corporate value has been added to the non-financial indicators of the restricted stock-based compensation program. I look forward to continuing to fulfill my role as an outside director to enhance the value of the Otsuka group.