



Governance

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 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.

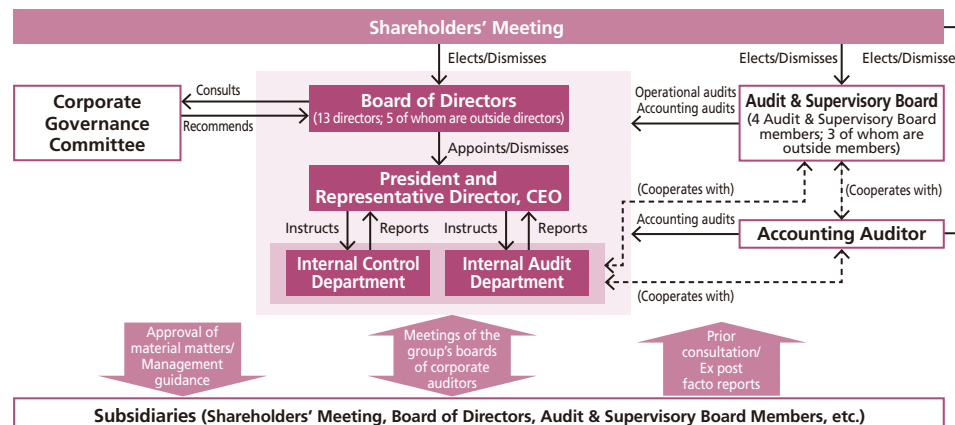
Corporate Governance Guidelines

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

Corporate Governance Report (April 12, 2022)

https://www.otsuka.com/jp/csr/governance/pdf/governance_report2022.pdf (available only in Japanese)

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			First Medium-Term Management Plan announced
2013	Appointment of outside directors begins		
2014			Second Medium-Term Management Plan 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		Restricted stock-based compensation plan introduced	Third Medium-Term Management Plan 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 formulated
2022	Ratio of independent outside directors increased to more than one third		Otsuka Group Global Speak-Up Policy formulated

Governance

Board of Directors

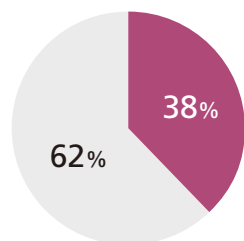
In line with the Board of Director regulations, the Board of Directors convenes regularly once a month and holds extraordinary meetings as necessary to make important business decisions and supervise the execution of operations.

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. The Company requires that candidates 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.

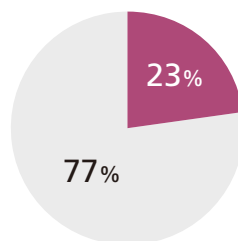
Meetings Held in Fiscal 2021 (Average Attendance): 15 (100%)

Ratio of Independent Directors Ratio of Female Directors

■ Outside directors: 5
■ Inside directors: 8



■ Female directors: 3
■ Male directors: 10



Director 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.
Ichiro Otsuka	●	●	●					
Tatsuo Higuchi	●	●	●				●	
Yoshiro Matsuo					●			
Yuko Makino				●				
Shuichi Takagi	●		●	●				
Masayuki Kobayashi	●	●					●	
Noriko Tojo	●				●	●		
Makoto Inoue	●	●	●					
Yukio Matsutani							●	MD
Ko Sekiguchi			●			●		
Yoshihisa Aoki			●					
Mayo Mita						●		
Tatsuaki Kitachi				●		●		CPA

Director Selection Criteria/Independence Standards for Outside Directors

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

For the reasons for nominating each director, refer to the Notice for the Calling of the 14th Annual Shareholders' Meeting

https://www.otsuka.com/en/ir/stock/pdf/meeting/202112_01.pdf

Governance

Major Matters Deliberated by the Board of Directors

Category	Major reports and discussions in fiscal 2021
Business performance and plan	<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
Corporate governance	<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	<ul style="list-style-type: none"> Formulation of group energy strategies Approval of support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) Confirmation of the status of execution of programs for cultivating management personnel Formulation of 2050 Environment Vision, "Net Zero" and approval of revised material issues Approval for joining the RE100 international initiative
M&A and partnerships	<ul style="list-style-type: none"> Discussion of a license agreement for joint development and commercialization by Otsuka Pharmaceutical, and Sumitomo Dainippon Pharma (now Sumitomo Pharma) and its U.S. subsidiary Sunovion Pharmaceuticals Discussion of Pharmavite's acquisition of Uqora
Risk management	<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 Formulation of new global policies (Otsuka Group Human Rights Policy, Otsuka Group Global Anti-Fraud Policy and Otsuka Group Global Speak-Up Policy) Reporting on ERM monitoring activities Reporting on progress of initiatives to reinforce overseas crisis management
Financial strategy	<ul style="list-style-type: none"> Formulation of funding policy Discussions of new capital investments Formulation of dividend policy
IT	<ul style="list-style-type: none"> Reinforcement of cyber security measures Reporting on Otsuka group IT activities, etc.

Evaluation of Effectiveness of Board of Directors

During January and February 2022, 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 2022.

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

Summary of Evaluation in Fiscal 2021

The overall opinion was that improvements have been made from the previous year, and that the Board of Directors is functioning appropriately from the standpoint of effectiveness. Nonetheless, the results confirmed the need for ongoing efforts to make further improvements in areas such as the role of the Company as a holding company, approaches for fully coordinating and sharing information with subsidiaries, and the stance of the Company with respect to investors and other stakeholders.

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Corporate Governance Committee

Otsuka Holdings established the Corporate Governance Committee in February 2017. As an advisory body to the Board of Directors, the committee discusses matters relating to the enhancement of the corporate governance structure, including the nomination of directors and Audit & Supervisory Board members, as well as succession plans and the remuneration system and remuneration levels for directors and Audit & Supervisory Board members, and reports the results of its deliberations to the Board of Directors. The committee has seven members: 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.

Effectiveness of the Corporate Governance Committee

The initial role of the Corporate Governance Committee was as a nomination and remuneration committee. Although the committee continues to effectively carry out this role, it now allocates more time to discussion of corporate governance overall, with greater freedom than the Board of Directors. I feel that the committee has evolved to a point where its discussions get to the very roots of corporate governance.

Yukio Matsutani, Outside Director

Although the president serves as the chair of the committee, Corporate Governance Committee meetings have become a platform for truly open discussions, and there are currently no issues regarding transparency. Considering that discussions on sustainability-related matters will increase even further, it may be best to set up a separate committee for matters concerning nomination, remuneration, and governance.

Ko Sekiguchi, Outside Director

The current structure enables lively exchange of opinions, so I believe the committee is serving its purpose effectively. I look forward to even more in-depth exchange of opinions in the future.

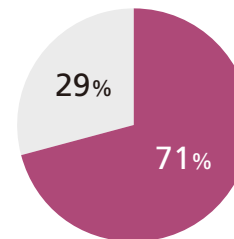
Yoshihisa Aoki, Outside Director

The committee provides outside directors with the opportunity to exchange opinions and interact with the individuals who execute business at each operating company. As financial market attention to succession plans increases, I am grateful that I can get a first-hand look at the different kinds of leaders in various group businesses and the approaches these leaders take toward management of operating companies.

Mayo Mita, Outside Director

Ratio of Independent Outside Directors

■ Outside directors: 5
■ Inside directors: 2



Major Matters for Deliberation

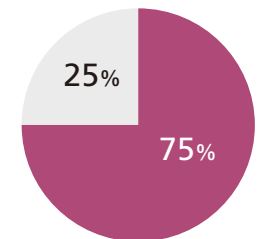
Nomination	Director and Audit & Supervisory Board member nomination, succession plans
Remuneration	Remuneration systems and levels for directors and Audit & Supervisory Board members
Other corporate governance matters	Improvement of group governance and global governance, organizational structure, innovation promotion, etc.

Audit & Supervisory Board

Audit & Supervisory Board members attend and express opinions at meetings of the Board of Directors, and monitor the performance of duties of directors 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. The Statutory Auditor's Office has been established to assist the duties of Audit & Supervisory Board members. It convenes meetings of the Audit & Supervisory Board and assists in the duties of Audit & Supervisory Board members independent of directors' authority.

Ratio of Outside Audit & Supervisory Board Members

■ Outside members: 3
■ Inside members: 1



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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.
Yozo 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.

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 established the 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.

Remuneration for Directors and Audit & Supervisory Board Members

Basic Approach to Officer Remuneration

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

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 Remuneration to Directors and Audit & Supervisory Board Members

	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]	764 [39]	342 [39]	129 [—]	292 [—]	13 [4]
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]	820 [72]	398 [72]	129 [—]	292 [—]	17 [7]

Notes: There are no directors of the Company who concurrently serve as employees.
During fiscal 2021, outside directors and Audit & Supervisory Board members received total remuneration of ¥2 million from the Company's subsidiaries for their services as directors and Audit & Supervisory Board members.

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Content of Remuneration to Directors (Excluding Outside Directors)

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	<ul style="list-style-type: none"> Remuneration for directors of the holding company is determined based on their duties and responsibilities including formulation of group strategies, monitoring group operations, and strengthening corporate governance. Remuneration for directors who serve concurrently as directors of subsidiaries that are operating companies is determined based on their duties and responsibilities including execution of business based on group strategies formulated by Otsuka Holdings, formulation of strategies for operating companies, and strengthening corporate governance. (Remuneration shall not to exceed the upper limit of remuneration resolved at the Shareholders Meeting.) Fixed remuneration is paid out equally every month.
Performance-linked bonus	Cash/ Variable	<ul style="list-style-type: none"> Remuneration is paid in a lump sum at a certain time every fiscal year, with the amount or calculation method determined based on (1) rate of achievement of the fiscal year's targets for consolidated revenue, consolidated operating profit, and consolidated business profit before R&D expenses; (2) progress with respect to medium-to-long-term consolidated performance targets; and (3) appropriate business management in compliance with corporate governance, 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 share-based payment plan that reflects progress in achieving the targets in the Third Medium-Term Management Plan covering the period from fiscal 2019 to fiscal 2023. 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 a set performance evaluation period and performance achievement, and by, in principle, granting restricted stock requiring evaluation of performance 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 performance in 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.

* Overview of non-cash remuneration (restricted stock): 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 for each series 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
Series A (Incumbency condition)	40% of the standard number of shares	Allocated each year, taking a single fiscal year as the evaluation period	On condition of incumbency in the subject fiscal year (single fiscal year) (However, the shares will not be released if the combined consolidated revenue and consolidated operating profit target achievement rate is less than 80%)
Series B (Achievement of medium-term performance targets)	30% of the standard number of shares	Evaluation Period 1 is the three fiscal years from fiscal 2019 through fiscal 2021, with the shares for the three years allocated at the same time at the start of the period Evaluation Period 2 is the two fiscal years from fiscal 2022 through fiscal 2023, with the shares for the two years allocated at the same time at the start of the period	In each evaluation period, the value of (2) below may not fall below the value of (1) (1) The cumulative amount of the planned value of "consolidated business profit before R&D expenses" of the Third Medium-Term Management Plan (2) The cumulative amount of the actual value of "consolidated business profit before R&D expenses" for the evaluation period
Series C (Satisfaction of the medium-term cost of capital condition)	30% of the standard number of shares	Evaluation Period 1 is the three fiscal years from fiscal 2019 through fiscal 2021, with the shares for the three years allocated at the same time at the start of the period Evaluation Period 2 is the two fiscal years from fiscal 2022 through fiscal 2023, with the shares for the two years allocated at the same time at the start of the period	In each evaluation period, the value of (2) below may not fall below the value of (1) (1) The cumulative amount of the "consolidated cost of capital" calculated in accordance with the consolidated capital cost ratio for the evaluation period (2) The cumulative amount of the actual value of "consolidated net operating profit after tax" for the evaluation period

Note: The restricted stock allocation agreements concluded with the grantees stipulate that in certain cases, the transfer restrictions on restricted stock shall not be released and the Company shall acquire all of the restricted stock without paying compensation.

For example,

- if a director of the Company retires 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;
- 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
- if the performance-based release conditions have not been met, 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.

Composition of Outside Director Remuneration

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

Composition of Audit & Supervisory Board Member Remuneration

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

For details and the latest information on corporate governance and officer remuneration, visit the Sustainability section of the Otsuka Holdings website:

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

Alternatively, please refer to the 14th Annual Securities Report:

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

Directors and Audit & Supervisory Board Members

(As of March 30, 2022)

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 Co., Ltd. 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)

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. 2019 Senior Managing Director, Otsuka Holdings Co., Ltd.
Mar. 2022 Executive Deputy President and Representative Director, Otsuka Pharmaceutical Co., Ltd. (current) Executive Deputy President and Director, Otsuka Holdings Co., Ltd. (current)

Shuichi Takagi

Managing Director, CSO



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. (current)
Mar. 2022 Managing Director (Business Strategy), Otsuka Pharmaceutical Co., Ltd. (current) Managing Director, CSO, Otsuka Holdings Co., Ltd. (current)

Yuko Makino

Executive Director, CFO



Profile

Apr. 1982 Joined Otsuka Pharmaceutical Co., Ltd.
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)

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)

Makoto Inoue

Executive Director



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 Nutraceuticals Business Division, Otsuka Pharmaceutical Co., Ltd.
Apr. 2015 Executive Director, Pharmavite LLC
Mar. 2017 Managing Director, Nutraceuticals Business, Otsuka Pharmaceutical Co., Ltd.
Sep. 2017 Executive Director, Daiya Foods Inc.
Mar. 2018 Senior Managing Director, Nutraceuticals 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)

Directors and Audit & Supervisory Board Members

Outside Directors

Yukio Matsutani
Outside Director



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)

Ko Sekiguchi
Outside Director



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)

Yoshihisa Aoki
Outside Director



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)

Mayo Mita
Outside Director



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)

Tatsuaki Kitachi
Outside Director



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

Yozo Toba
Standing Audit & Supervisory Board Member



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, Trocenen 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)

Hiroshi Sugawara
Outside Audit & Supervisory Board Member



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. (current)
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)

Kanako Osawa
Outside Audit & Supervisory Board Member



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 (current)
Jun. 2021 External Director, TPR Co., Ltd. (current)
Mar. 2022 Outside Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (current)

Sachie Tsuji
Outside Audit & Supervisory Board Member



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)

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.

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

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



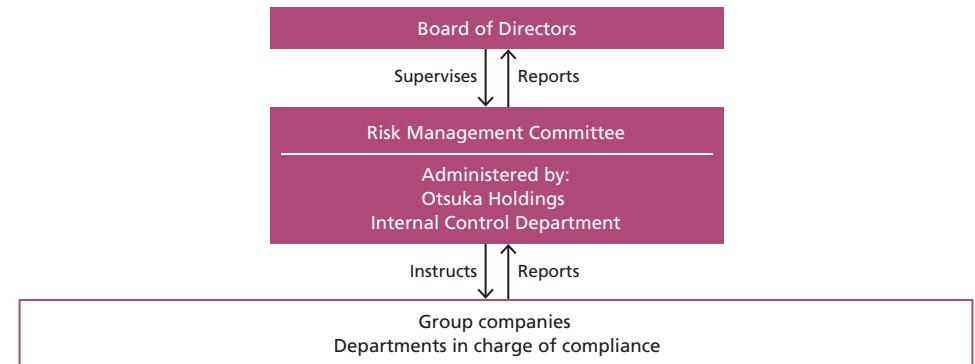
Compliance Promotion System

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 includes the establishment of the Risk Management Committee (chaired by the President and Representative Director), and oversees the system's operation. The Risk Management Committee and the Board of Directors receive regular reports on compliance and risk management action plans and results from the Internal Control Department. 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 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. Other examples of initiatives include the appointment of compliance officers at overseas group companies and regular meetings for sharing the status of progress in each country. In Asia, for instance, the director in charge of compliance visits companies to gather information and offer suggestions on how improvements can be made.

Compliance Promotion System



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

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.

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 agreements (APAs) 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.

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

To further enhance risk management at Otsuka Holdings and its main operating companies, the Company introduced enterprise risk management (ERM) in July 2020 for the purpose of recognizing and assessing group-wide risks, and prioritizing allocation of resources to the control of significant risks.

As part of ERM, we define uncertainties that could have a major impact on our ability to fulfill our corporate philosophy and achieve business strategy goals as "risks," and have established a group-wide risk management framework and a system for risk assessment to effectively and efficiently manage significant risks faced by the group. Under this framework and system, we perform risk assessments to identify and gauge the significant risks faced by the group's main operating companies; determine whether to mitigate, transfer, avoid, or accept risks; develop and implement risk management policies, and conduct monitoring activities on an ongoing basis.

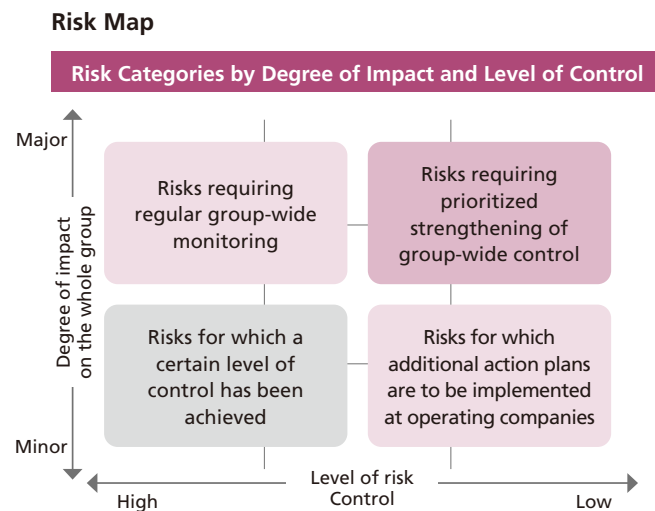
Governance

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.

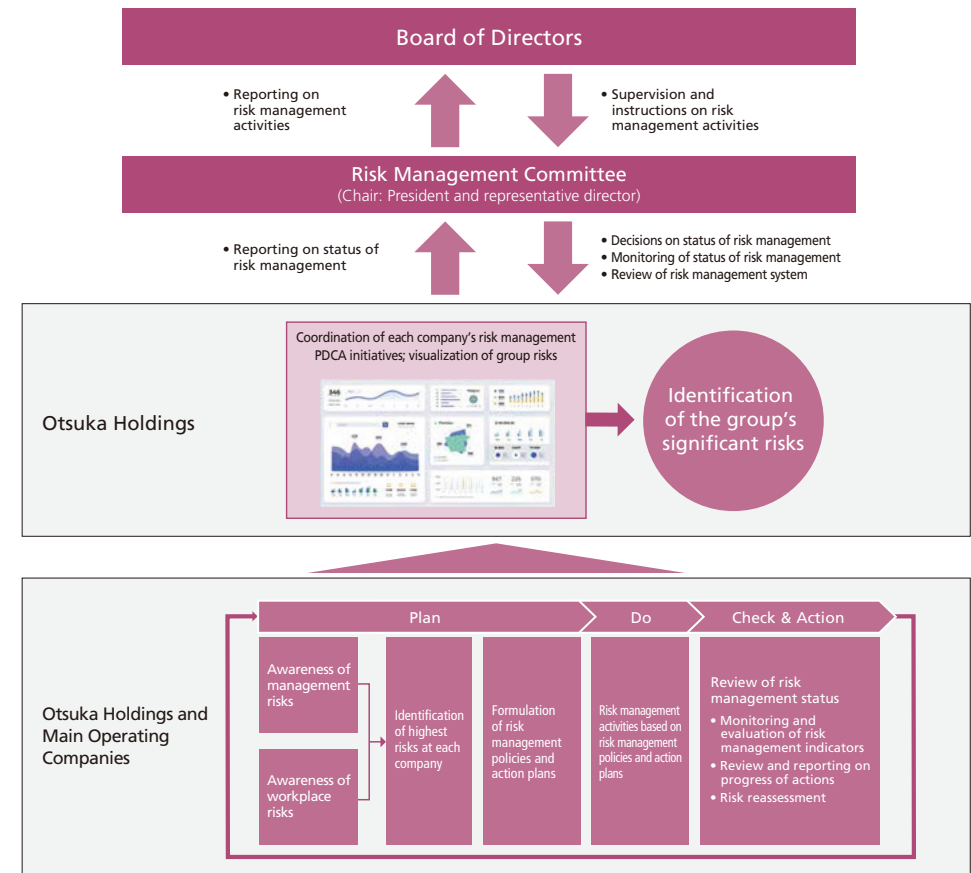
Otsuka Holdings aggregates and visualizes the significant risks faced by each group company so as to grasp a comprehensive understanding of the existing risks and the status of controls in the group. Common risks that apply to the whole group are studied closely and the significant risks are gathered 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, for such as financial losses or business continuity.



Otsuka Holdings and its main operating companies develop and implement countermeasures to each significant risk based on its characteristics and 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

Significant Risks

Through group-wide risk assessments, the Otsuka group recognizes the following significant risks at Otsuka Holdings and the main operating companies, and is taking steps to mitigate them.

For more details about business risks, visit our website:
<https://www.otsuka.com/en/ir/management/risk.html>



Item	Risk scenarios	Response	Risk management policies
Significant risks in core business areas	(Pharmaceutical Business) Healthcare cost containment measures	<ul style="list-style-type: none"> Demonstrating the value of new drugs and providing products at appropriate prices Monitoring and analyzing administrative trends Creating value as a total healthcare company 	<ul style="list-style-type: none"> Creating value as a total healthcare company while maintaining a healthy risk appetite
	(Pharmaceutical Business) Uncertainty of new drug development	<ul style="list-style-type: none"> Delay or cancellation of R&D Reduction of exclusive license periods Emergence of competing products 	<ul style="list-style-type: none"> Developing new drugs while maintaining a healthy risk appetite
	(Pharmaceutical Business) Side effects	<ul style="list-style-type: none"> Suspension of sales and recalls due to serious side effects 	<ul style="list-style-type: none"> Reducing risk by strengthening the safety management structure
	(Nutraceutical Business) Expansion into new categories and regions	<ul style="list-style-type: none"> Failure of products to address customer needs Changes to and strengthening of legal restrictions Deterioration of economic conditions, political instability 	<ul style="list-style-type: none"> Creating value in new categories and regions while maintaining a healthy risk appetite
	(Nutraceutical Business and Consumer Products Business) Food safety and quality	<ul style="list-style-type: none"> Quality problems (e.g., contamination by hazardous substance) caused by quality control system failure 	<ul style="list-style-type: none"> Reducing risk by strengthening systems related to quality management and safety assurance
Significant risks common to business areas	Talent recruitment and development, and understanding of corporate culture and corporate philosophy	<ul style="list-style-type: none"> Failure to secure sufficient human resources to execute high-level strategy Failure to develop talent 	<ul style="list-style-type: none"> Reducing risk by strengthening human resource development group-wide
	Environmental issues	<ul style="list-style-type: none"> Delay in action or responses regarding resolution of environmental problems Failure to meet the group's environmental targets (e.g., cutting GHG emissions) 	<ul style="list-style-type: none"> Reducing risk by proactively addressing environmental issues through our business
	Supply chain transparency	<ul style="list-style-type: none"> Major non-compliance or misconduct (e.g., relating to human rights, labor, the environment, corruption) in the supply chain 	<ul style="list-style-type: none"> Reducing risk through evaluations when selecting suppliers, and ongoing post-selection monitoring of suppliers
	Risk as a holding company	<ul style="list-style-type: none"> Failure to appropriately allocate business resources Incomplete or wrong formulation or review of group strategy Insufficient governance by holding company, including group company management 	<ul style="list-style-type: none"> Reducing risk by strengthening cooperation among group companies and ongoing reinforcement of group company management systems
	Corporate brand management and reputation	<ul style="list-style-type: none"> Insufficient corporate brand development and management 	<ul style="list-style-type: none"> Reducing risk through ongoing training and establishing information collection systems
	Business alliances and acquisitions	<ul style="list-style-type: none"> Failure to generate synergies due to insufficient due diligence of partners or acquired companies Insufficient business management when engaging in an alliance or following an acquisition 	<ul style="list-style-type: none"> Reducing risk by strengthening screening and monitoring systems
	Digitalization	<ul style="list-style-type: none"> Decline in competitive ability due to slow or insufficient digitalization 	<ul style="list-style-type: none"> Reducing risk by proactively adopting the latest technologies and offering training
	Natural disasters and pandemics	<ul style="list-style-type: none"> Suspension of plant operations, etc., loss of human resources, interruption or delay of product development due to major natural disaster or pandemic 	<ul style="list-style-type: none"> Reducing risk by incorporating natural disaster scenarios and pandemics into business continuity planning, and keeping employees informed
	Supply stability	<ul style="list-style-type: none"> Destabilization of material procurement and supply caused by global economic stagnation or heightened geopolitical risk 	<ul style="list-style-type: none"> Reducing risk by running various scenarios, diversifying suppliers, and securing alternative raw materials
	Patent infringement	<ul style="list-style-type: none"> Third-party infringement of intellectual property rights Infringement by the Otsuka group of third-party intellectual property rights 	<ul style="list-style-type: none"> Reducing risk by strengthening management and monitoring systems
	Litigation	<ul style="list-style-type: none"> Litigation brought by a third party Insufficient litigation response 	<ul style="list-style-type: none"> Reducing risk by establishing internal systems and strengthening cooperation
	Information management	<ul style="list-style-type: none"> Major system outage External cyberattack Falsification, misuse, or leakage of data through negligence, etc., on the part of an employee, contractor, or other third-party 	<ul style="list-style-type: none"> Reducing risk through higher security levels, ongoing improvements, and employee training
	Global business operations	<ul style="list-style-type: none"> Failure to keep up with legal restrictions in countries where the group operates Sudden changes in economic conditions or the business environment 	<ul style="list-style-type: none"> Reducing risk by establishing systems for cooperation among operating companies and relevant departments