

Otsuka Holdings Co., Ltd.  
Corporate Governance Guidelines

1. General Provisions

(1) Basic Perspective on Corporate Governance

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

(2) Corporate Philosophy

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

(3) Otsuka Group Global Code of Business Ethics

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

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

2. Securing the Rights and Equal Treatment of Shareholders

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

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

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

**3. Annual Shareholders Meeting**

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

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

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

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

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

#### 5. Related-party Transactions

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

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

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

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

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

## 8. The Board of Directors

### (1) Duties

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

### (2) Standards for the Appointment and Dismissal of Directors

In order to promote sustainable growth and an increase of corporate value over the medium to long term, and effective governance, the Company seeks diverse representation on the Board and appoints Directors with significant expertise and experience.

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

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

In the appointment of Directors, the skill matrix and the reason for their appointment shall be disclosed.

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

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

### (3) Independence Standards for Outside Directors

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

- ① A person who is a relative within the second degree of kinship of an Outside Director is currently or has been in the past three fiscal years a managing director, executive officer, executive operating officer or important employee (each an Executive) of the Company or one or more of the Otsuka group companies.
- ② A company to which an Outside Director belongs as an Executive has transactions with the Otsuka group companies, in which the amount of such transactions in any fiscal year within the past three years

exceeds 2 (two) percent of consolidated net sales of either company.

- ③ An Outside Director, as a legal, accounting or tax expert or as a consultant, has received remuneration exceeding 5 (five) million yen per fiscal year directly from the Otsuka group companies (excluding remuneration as the Company's Outside Director) in any fiscal year within the past three years
- ④ The amount of donations to a non-profit organization to which an Outside Director belongs as an executive has exceeded 10 (ten) million yen in total for the past three fiscal years and such amount exceeds 2 (two) percent of the income of such non-profit organization.

#### (4) Remunerations

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

##### ① Remuneration Levels

Considering the need to acquire and motivate outstanding personnel who will take responsibility for the Company's global business activities, the Company sets remuneration levels fully commensurate with the roles and responsibilities expected of such personnel, while also considering levels at companies that the Company considers benchmarks based on the scale, industry and business model.

##### ② Remuneration System

With regard to remuneration for 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 comprises only fixed remuneration as basic remuneration in light of their duties.

**(5) Delegation to Managing Directors and Operating Officers**

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

**(6) Directors' Concurrent Roles with the Otsuka Group Companies**

In order to maximize synergies within the Otsuka group and improve the governance system through close cooperation with the Otsuka group companies and monitoring of each business, Directors may concurrently serve as directors of other Otsuka group companies.

**(7) Evaluation of Effectiveness**

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

**(8) Internal Control**

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

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

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

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

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

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

decisions.

- ③ The Board establishes the Risk Management Committee, chaired by the CEO and composed of directors in charge of Administration, etc. The Board establishes a group-wide risk management system and supervises the status of its operation utilizing the Internal Audit Department.

(11) Operation

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

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

9. Audit & Supervisory Board

(1) Duties

The Audit & Supervisory Board and its members play critical roles in auditing the Directors' performance of their duties, electing and dismissing the Accounting Auditor and through involvement in decisions on remunerations for the Accounting Auditor.

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

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

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

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

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

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

The Internal Audit Department reports directly to the Audit &

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

(5) Operation

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

10. Corporate Governance Committee

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

(1) Composition of the Committee

The Committee consists of the CEO, the Director in charge of Administration, and all Outside Directors. The CEO serves as the chair of the Committee.

(2) Establishment of Subcommittees

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

① Evaluation of the CEO

② Nomination

Regarding the appointment and dismissal of Directors and Audit & Supervisory Board Members, the subcommittee deliberates on their



suitability and fairness. The subcommittee shall obtain consent on Audit & Supervisory Board Members candidates from the Audit & Supervisory Board, prior to submitting the report to the Board.

③ **Remuneration**

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

**11. Directors' and Officers' Liability Insurance Contract**

The Company concludes directors' and officers' liability insurance contract with the following outlines in accordance with Article 430-3 of the Companies Act.

① **Scope of the insured persons**

Directors and the Accounting Auditor of the Company and its major domestic subsidiaries.

② **Insurance premium burden of the insured persons**

The Company shall bear the premium and the insured persons shall not bear the premium.

③ **Overview of insured events and coverage**

Compensation shall be provided for damages (legal damages and litigation costs) caused by claims arising from the business execution by the insured persons.

④ **Measures to secure appropriateness of Directors' duties**

The insurance will not cover damages arising from willful misconduct, illegal provision of private benefits, criminal acts, etc. by the insured persons as exemptions.

**12. Training of Directors and Audit & Supervisory Board Members**

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

**13. Accounting Auditor**

Considering that the Accounting Auditor performs an important role for effective corporate governance, which presupposes secure, credible financial reporting, the Company demands that the Accounting Auditor comply with standards of quality control necessary for appropriate accounting audits, and

maintains its independence and expertise, and also secures the framework under which the Accounting Auditor is able to fairly audit collaborating with the Audit & Supervisory Board as well as the Internal Audit Department.

#### 14. Development of Management Talent

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

#### 15. Information Disclosure

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

#### 16. Dialogue with Shareholders

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

#### 17. Sustainability

- (1) The Company has declared as its sustainability mission that, guided

by its corporate philosophy, it strives to address social issues through its businesses and aims to realize its own sustainable growth while contributing to the creation of a healthy and sustainable society.

- (2) The Company has identified the materiality to address social issues such as unmet medical and health needs, human rights, the health and working environments of employees along with their fair and appropriate treatment, environment and fair and appropriate transactions with business partners.

Otsuka group materiality:

- Contribute to the health and wellbeing of people all over the world.
- Develop human capital at good working environment.
- Create more sustainable future with business partners.
- Reduce environmental impact.

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

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

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

## 18. Diversity and Inclusion

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

develop human resource for diverse human resources to be able to fully utilize their individual abilities.

#### 19. Whistleblowing System

- (1) The Company has formulated the “Otsuka Group Global Speak-Up Policy” to describe the basic principles of a reporting or whistleblowing system, which encourages all directors, officers, and employees of the Otsuka group to report suspected occurrence(s) of illegal, unethical, or inappropriate conduct if they know or suspect behavior that is not consistent with laws, rules, regulations, Otsuka’s values, policies, or procedures.
- (2) The aforementioned policy clearly stipulates that the whistleblowers and the information that they report shall be treated as confidential, and that the whistleblowers will not be subject to harassment, retaliation, or adverse employment consequence as a result of making the report.
- (3) The Company operates a whistleblowing system under internal regulations and has established points of contact at law firms etc., independent from the Company, in addition to points of contact in the Administration and the Internal Control Departments.
- (4) The Board is responsible for timely evaluation and supervision of whether the whistleblowing system is being effectively and appropriately operated.

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

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

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

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

**(Revision History)**

**These Guidelines were enacted on November 13, 2015.**

**Revisions were made on**

**March 15, 2017,**

**May 11, 2018,**

**December 12, 2018,**

**December 1, 2021,**

**April 1, 2023, and**

**June 28, 2024**