Notice Concerning Disposal of Treasury Shares as Restricted Stock Compensation

Otsuka Holdings Co., Ltd. (the “Company”) announces that the Company passed a resolution at its Board of Directors’ Meeting held today to implement the disposal of treasury shares (the “Disposal of Treasury Shares” or “Disposal”). The details are as follows:

1. Overview of the Disposal of Treasury Shares

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<tbody>
<tr>
<td>(1)</td>
<td>Disposal date</td>
<td>April 28, 2021</td>
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<td>(2)</td>
<td>Class and number of shares to be disposed</td>
<td>71,320 shares of common shares of the Company;</td>
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<td>(3)</td>
<td>Disposal value</td>
<td>¥ 4,804 per share</td>
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<td>(4)</td>
<td>Total disposal value</td>
<td>¥ 342,621,280</td>
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<td>(5)</td>
<td>Recipients of allocation and the number thereof; number of shares to be disposed</td>
<td>Directors of the Company (excluding outside directors): 9; 26,400 shares  Directors of the Company’s subsidiary: 39; 44,920 shares</td>
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<td>(6)</td>
<td>Other</td>
<td>The Disposal of Treasury Shares is conditional on the effectuation of the securities registration statement filed in accordance with the Financial Instruments and Exchange Act.</td>
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2. Purpose of and Reasons for the Disposal

At the Board of Directors’ Meeting held on February 13, 2019, the Company passed a resolution to introduce a new restricted stock compensation plan for the Company’s directors (excluding the outside directors, the “Directors Covered by the Plan”) aimed at granting incentives so as to achieve the medium-term management plan, to sustainably improve the medium- to long-term performance and corporate value of the Company, and to further share more of that value with the shareholders, and at the 11th General Meeting of Shareholders held on March 28, 2019, it was approved that the amount of the monetary claims as compensation of the Directors Covered by the Plan for the purpose of granting share with transfer restrictions based on the restricted stock compensation plan shall not exceed one (1) billion yen per year (excluding the employee salary of directors who are also employees of the Company) and that the total number of the Company’s common shares (the “Common Shares”) newly issued or disposed of by the Company to the Directors Covered by the Plan under the restricted stock compensation plan shall not exceed 160,000 shares per
year; provided, however, that in the event of share splitting (including share allotment without contribution) of the Common Shares, share consolidation of the Common Shares, or any other event that requires adjustment of the total number of the Common Shares issued or disposed of as transfer-restricted shares occurring after the conclusion of the General Meeting of Shareholders, adjustments will be reasonably made to the total number of shares.

In addition, at the Board of Directors’ Meeting held on February 13, 2019, the Company passed a resolution to introduce a new restricted stock compensation plan, similar to the restricted stock compensation plan for the Directors Covered by the Plan, for the limited number of directors of the Company’s subsidiary (new restricted stock compensation plan for the Directors Covered by the Plan and the limited number of directors of the Company’s subsidiary collectively, the “Plan”).

The Disposal of Treasury Shares will be implemented under the Plan based on the resolution of the Board of Directors held on March 30, 2021. The Common Shares will be disposed of by the method of the Disposal of Treasury Shares, which is carried out by making nine (9) directors of the Company and thirty-nine (39) directors of the Company’s subsidiary (individually or collectively, the “Eligible Directors”) tender monetary compensation receivables provided to them as property contributed in kind to the Company.

3. Overview of the Allocation Agreement

The Company will enter into a restricted share allocation agreement (the “Allocation Agreement”), which includes the following contents with each of the Eligible Directors.

(1) Transfer Restriction Period

The Eligible Directors are prohibited from transferring, creating any security interest on, or otherwise disposing of the Common Shares allotted under the Allocation Agreement (the “Allotted Shares”) during the period from April 28, 2021 (the “Payment Date”) to June 1, 2026 (such period is hereinafter referred as the “Transfer Restriction Period,” and such restriction is hereinafter referred to as the “Transfer Restriction”).

(2) Condition for Releasing Transfer Restriction

The Company will release the Transfer Restriction on all of the Allotted Shares upon expiration of the Transfer Restriction Period, on the conditions that the Eligible Directors have remained in the position of director (if an Eligible Director is a director of the Company’s subsidiary who does not concurrently serve as a director of the Company, the director of that subsidiary) and the achievement of the performance conditions (the “Performance Conditions”) described in “(3) Conditions for Releasing Transfer Restrictions by Performance Achievement” below.

(3) Conditions for Releasing Transfer Restriction by Performance Achievement

The degree of achievement of consolidated sales revenue and consolidated operating income will be the conditions for releasing Transfer Restrictions of shares whose evaluation period is the 13rd term (FY 2020) of the Company, and the performance achievement of targets set by using consolidated business profit before research and development expenses, consolidated net operating profit after taxes, etc. for the three fiscal years provided in the third medium-term business plan that the Company announced on May 30, 2019 will be the conditions for releasing Transfer Restrictions of shares whose evaluation period is from the 12th term (FY 2019) to the 14th term (FY 2021).

(4) Treatment in the Case where the Eligible Directors Resign during Transfer Restriction Period due to the Completion of the Term of Office or Other Legitimate Reasons

If it is decided by the Company that the Eligible Directors resign due to the completion of the term of office
or other legitimate reasons, adjustments will be reasonably made to the timing of releasing Transfer Restriction and the number of shares subject to release.

(5) Acquisition by the Company with no compensation
The Company will naturally acquire all of the Allotted Shares for which the Transfer Restrictions have not been released for reasons listed as (2), (3) or (4) above, immediately after when the Transfer Restrictions are released with no compensation. The Company will naturally acquire with no compensation all of the Allotted Shares that have been determined not to be released in accordance with (2), (3) or (4) above and all of the Allotted Shares pertaining to the Performance Conditions if the Performance Conditions are not achieved or it becomes clear that the Performance Conditions will not be achieved.

(6) Management of the Shares
In order to prevent the Eligible Directors from transferring, etc. the Allotted Shares during the Transfer Restriction Period, the Allotted Shares will be managed under the dedicated accounts that the Eligible Directors open with Nomura Securities Co., Ltd. during the Transfer Restriction Period.

4. Basis for Calculating Payment Amount and the Details thereof
To eliminate any arbitrariness in the disposal value, the closing price for the Common Shares on March 29, 2021 (the business day prior to the day of resolution of the Board of Directors) on the Tokyo Stock Exchange First Section of ¥ 4,804 is used as the disposal value. As this is the market price of the day prior to the day of the resolution of the Board of Directors, we believe this is reasonable and do not believe this represents a particularly favorable price.