

February 20, 2026

Company name: OTSUKA CORPORATION
Name of representative: Yuji Otsuka, President & Chief Executive Officer
(Securities code: 4768; Tokyo Stock Exchange Prime Market)
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Notice Concerning Introduction of a Medium- to Long-Term Incentive Remuneration Plan for Directors

OTSUKA CORPORATION(the “Company”) hereby announces that it has resolved, at a meeting of the Board of Directors held on February 20, 2026, to submit Introduction of a Medium- to Long-Term Incentive Remuneration Plan for Directors to the Annual General Meeting of Shareholders to be held on March 27, 2026.

1. Purpose

The amount of remuneration, etc. for Directors of the Company was approved at the General Meeting of Shareholders held on March 13, 1990, to be within ¥650 million per year (excluding employee salaries). The Company hereby requests approval for the introduction of a new medium- to long-term incentive remuneration plan (hereinafter referred to as the “Plan”) for the Company’s Directors (excluding outside Directors; hereinafter referred to as “Eligible Directors”), separately from the above remuneration limit, as described below, for the purpose of clarifying the link between the remuneration of Eligible Directors and the Company’s business performance and stock value, and granting incentives to Eligible Directors for the sustainable improvement of the Company’s corporate value.

The current number of Eligible Directors is seven.

2. Overview of the Plan

The Plan is a performance-linked remuneration system using Performance Share Units (hereinafter referred to as “Units”) under which the Board of Directors sets numerical targets for business performance, the base number of shares, etc. for three fiscal years of the Company (hereinafter referred to as the “Evaluation Period”) in advance, and delivers common shares of the Company (hereinafter referred to as “Company Shares”) or pays cash calculated according to the degree of achievement of such numerical targets, etc., to Eligible Directors as remuneration, etc.

Upon granting Units to Eligible Directors, the Company will notify the individual Eligible Directors of the property to be provided (Company Shares or cash) underlying the Units to be granted to them, the base number of shares to be delivered determined by the Company, etc., taking into consideration the number of Company Shares held by the Eligible Directors, their individual intentions, and other circumstances. The Company shall deliver Company Shares or pay cash to Eligible Directors on the condition that they hold the position of Director of the Company during the period from the date of the Annual General Meeting of Shareholders held immediately after the start of the Evaluation Period to the date of the Annual General Meeting of Shareholders held immediately after the end of the Evaluation Period (hereinafter referred to as the “Service Provision Period”). Even if Company Shares are designated as the property to be provided underlying the Units, the Company may pay cash instead of a portion of the shares to be delivered to secure funds for tax payment (the number of Company Shares to be delivered to Eligible Directors after the Service Provision Period based on the Plan is hereinafter referred to as the “Final Number of Delivered Shares,” and the amount of money to be paid is hereinafter referred to as the “Final Payment Amount”).

Performance indicators adopted in the Plan shall be determined by the Board of Directors based on indicators showing the status of profits and other indicators based on the Company’s management policy.

Therefore, the Plan delivers Company Shares or pays cash according to the degree of achievement, etc. of numerical targets for business performance, and whether or not to deliver Company Shares or pay cash to each Eligible Director, as well as the number of shares to be delivered and the amount of money to be paid, are not fixed at the time of the introduction of the Plan.

Based on this proposal, the total number of Company Shares to be issued or disposed of to Eligible Directors shall be within 30,000 shares per year, and the total amount of remuneration related to Company Shares and cash to be paid shall be within ¥200 million per year, as an amount considered reasonable in light of the purpose

of the Plan, separately from other remuneration limits. However, the upper limit of the total number of such Company Shares shall be adjusted according to the split ratio or consolidation ratio if a share split (including allotment of Company Shares without contribution) or a consolidation of shares of Company Shares is conducted on or after the date this proposal is approved and adopted.

The specific timing of payment and allocation to each Eligible Director shall be determined by the Board of Directors.

In addition, the granting of Company Shares when delivering Company Shares based on the Plan shall be carried out, based on a resolution of the Board of Directors, by (i) the method of issuing or disposing of Company Shares without requiring payment of money or contribution of property contributed in kind as remuneration, etc. for Eligible Directors, or (ii) the method of having Eligible Directors contribute all of the monetary remuneration claims paid to them as property contributed in kind and receiving issuance or disposal of Company Shares. In the case of method (ii), the amount to be paid in per share shall be determined by the Board of Directors within a range that is not particularly advantageous to Eligible Directors, based on the closing price of the Company's common share on the Tokyo Stock Exchange on the business day immediately before each date of resolution by the Board of Directors (if there is no closing price on such date, the closing price on the closest preceding trading day).

3. Requirements for Delivery of Company Shares or Payment of Cash

Under the Plan, the Company will deliver Company Shares or pay cash to Eligible Directors when the Evaluation Period has ended and the requirements outlined below are met.

- (i) There has been no certain misconduct, etc. as defined by the Board of Directors of the Company.
- (ii) Satisfaction of other requirements defined by the Board of Directors of the Company as necessary to achieve the purpose of the performance-linked remuneration system.

In addition, before the delivery of Company Shares or payment of cash after the start of the Evaluation Period, if (i) an Eligible Director retires or resigns from the position of Director of the Company or other positions defined by the Board of Directors of the Company due to death or other reasons deemed justifiable by the Board of Directors of the Company, (ii) a merger agreement in which the Company is the disappearing company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or other matters regarding reorganization, etc. are approved at the General Meeting of Shareholders of the Company (provided, however, that if approval by the General Meeting of Shareholders of the Company is not required for such organizational restructuring, etc., the Board of Directors of the Company), or (iii) the Board of Directors of the Company otherwise deems that there are justifiable reasons, the Company may deliver a number of shares reasonably determined by the Board of Directors of the Company or pay an amount of money reasonably determined by the Board of Directors of the Company at a time reasonably determined by the Board of Directors of the Company, as necessary.

4. Calculation of Final Number of Delivered Shares and Final Payment Amount

As described above, the Company notifies each Eligible Director of the property to be provided underlying the Units to be granted (Company Shares or cash) prior to the granting of Units, and the Final Number of Delivered Shares or Final Payment Amount to be delivered or paid to Eligible Directors based on the Plan varies according to the degree of achievement of performance targets, etc. during the Evaluation Period. The upper limits of the number of shares and amount are as described above, but for Units granted in fiscal 2026 (Evaluation Period is from January 2026 to December 2028), the Company plans to calculate the Final Number of Delivered Shares and Final Payment Amount based on the calculation method as summarized below.

- (1) When the property to be provided underlying the Units is Company Shares

The Final Number of Delivered Shares and Final Payment Amount are calculated by the following formula.

$$\text{Final Number of Delivered Shares} = [\text{Base number of shares to be delivered} \times \text{Payout rate according to the degree of achievement of performance targets}] \times 1/2$$
$$\text{Final Payment Amount} = [\text{Base number of shares to be delivered} \times \text{Payout rate according to the degree of achievement of performance targets}] \times \text{Share price coefficient after Evaluation Period} \times 1/2$$

- (2) When the property to be provided underlying the Units is cash

The Final Payment Amount is calculated by the following formula.

$$\text{Final Payment Amount} = [\text{Base number of shares to be delivered} \times \text{Payout rate according to the degree of achievement of performance targets}] \times \text{Share price coefficient after Evaluation Period}$$

*1 The base number of shares to be delivered shall be determined separately by the Board of Directors.

*2 The payout rate according to the degree of achievement of performance targets varies in the range of 0 to 200% according to the degree of achievement of target values determined separately by the Board of Directors.

*3 The share price coefficient after Evaluation Period shall be an amount determined by the Board of Directors as an amount corresponding to the stock price of Company Shares after the end of the Evaluation Period.

5. Reasons Why Payment of Remuneration Based on the Plan is Appropriate

The Company judges that the payment of remuneration based on the Plan is appropriate because (i) it provides incentives for the sustainable improvement of corporate value over the medium to long term by setting performance targets during the Evaluation Period and delivering Company Shares or paying cash according to the degree of achievement, etc. of such targets, and (ii) the ratio of the upper limit of the number of shares to be issued or disposed of per year based on the Plan to the total number of issued shares (as of December 31, 2025) is approximately 0.008% at the maximum, and the dilution rate is insignificant.

In addition, the Company established a policy for determining the details of individual remuneration, etc. for Directors at the Board of Directors meeting held on February 19, 2021, but if this proposal is approved, the Company plans to amend the said policy in line with this proposal.

[Reference]

The Company plans to introduce the same remuneration system for its Corporate Officers.