



OTSUKA
TOTALREWARDS

Adoption Assistance Program

Effective January 1, 2025

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Program Overview

The Otsuka Adoption Assistance Program (the “Program”) offers Eligible Employees financial assistance with some of the expenses associated with adopting a child. It is intended that benefits paid under the Program for qualified, eligible adoption expenses will be excludable from an Eligible Employee’s income for federal income tax purposes as permitted by the Internal Revenue Service (the “IRS”).

The Adoption Assistance Program policy is applicable to the Otsuka companies listed in Appendix A.

Eligibility Requirements

Exclusions from eligibility to the Program include:

- Employees regularly scheduled to work fewer than 15 hours per week
- Short-Term, Inpat, and Intern Employees
- Employees who adopt the child(ren) of a spouse or domestic partner who are not newly born to, or placed for adoption with, the spouse/domestic partner
- Expenses that were approved and reimbursed under the Otsuka Surrogacy Assistance Program

Employees must be actively employed, or on approved paid or unpaid leave, at the time the adoption expenses are incurred and at the time the adoption is finalized. An adoption expense is incurred when the services relating to that expense are provided. Employees must be actively employed on the disbursement date.

Adoption Benefit

The Program provides reimbursement up to \$20,000 per year per adoption event for qualified, eligible adoption expenses for the adoption of an Eligible Child. An Eligible Child is defined as an individual who has not attained age 18 or who is physically or mentally incapable of caring for him/herself. A stepchild is not an Eligible Child.

If both parents are employees of Otsuka, only one employee is eligible for reimbursement per adoption event.

All adoption event expenses that qualify under the Otsuka Surrogacy Assistance Program and the Otsuka Adoption Assistance Program must be submitted solely for one or the other program, but not both. By submitting expenses for an adoption event to the Otsuka Adoption Assistance Program, an employee agrees and acknowledges that they understand that they cannot submit any other expenses for that same adoption event to the Otsuka Surrogacy Assistance Program.

Qualified, Eligible Adoption Expenses

A qualified, eligible adoption expense is incurred when the services relating to that expense are provided. Benefits paid under the Program for a qualified, eligible adoption expense will be excluded from an eligible employee’s income for federal tax purposes as permitted by the IRS. Any qualified, eligible adoption expenses reimbursed in excess of amounts permitted by the IRS will be treated as taxable income to the employee.

The following are qualified, eligible adoption expenses under the Program:

- public or private adoption agency fees;

- legal fees and court fees associated with the adoption;
- state required “pre-placement home study” and “post-placement” supervision programs;
- medical expenses for the Eligible Child prior to adoption;
- temporary foster care expenses for the Eligible Child;
- psychological services for an Eligible Child with “special-needs” to support such child’s adjustment;
- transportation costs (for the adoptive parents to travel to another city or county to pick up a child);
- immigration expenses related to the adoption; or
- other expenses as determined by Otsuka, consistent with the IRS guidance.

Please note that no expenses shall be submitted prior to the adoption being finalized. Expenses submitted prior to the adoption being finalized will be rejected and must be resubmitted following the finalization of the adoption.

If you adopt a special-needs child, as defined by the IRS, you may be able to exclude from income certain amounts, in addition to the actual qualified, eligible adoption expenses; however, Otsuka does not reimburse these special-needs child amounts under the Program. Please consult with your tax advisor for additional guidance.

Non-Qualified, Non-Eligible Adoption Expenses

The following are non-qualified, non-eligible adoption expenses under the Program:

- expenses paid or incurred before the individual became an Eligible Child under this Program;
- expenses reimbursed or reimbursable under a federal, state, or local program;
- expenses reimbursed under another employer-sponsored program;
- expenses associated with the adoption of the child of an employee’s spouse or domestic partner;
- expenses associated with the adoption of the child incurred by the employee’s spouse or domestic partner;
- expenses associated with the adoption of the child who is the employee’s biological child;
- expenses associated with the adoption of the child who the employee has legal parental rights of;
- expenses submitted later than one (1) year following the date the adoption becomes final;
- expenses incurred after the individual no longer meets the eligibility requirements;
- expenses that were approved and reimbursed under the Otsuka Surrogacy Assistance Program;
- expenses incurred with respect to an adoption not finalized while the individual meets the eligibility requirements; or
- expenses determined to be not qualified adoption expenses by Otsuka

In addition, because the Program must satisfy certain nondiscrimination requirements, your reimbursements for qualified, eligible adoption expenses may be limited if you are determined to be a highly compensated employee (HCE) of Otsuka.

Procedure for Reimbursement

Once the adoption is finalized, you may file for reimbursement of qualified, eligible adoption expenses under the Program. You must apply for reimbursement within one (1) year of the date the adoption is finalized.

When you are ready to submit your reimbursement request, please login to [Workday](#), complete the Adoption & Surrogacy Assistance Reimbursement Request Form, and upload the required supporting documentation into [Workday](#).

To navigate to the request form, login to [Workday](#) > View All Apps > Requests > Actions: Create Request

> Request Type: Adoption & Surrogacy Assistance Reimbursement Request Form.

Your reimbursement will be processed by the second regular payroll following the final approval of the request in [Workday](#).

The Program may recover any overpayments or payments made in error.

Tax Impact to Employee

Otsuka does not provide tax advice to employees and the following should not be considered tax advice. For additional tax information, please consult your individual tax advisor. You are responsible for understanding the tax treatment of reimbursements under this Program and for claiming the applicable income exclusion.

It is important for you to understand that although Otsuka is required to withhold applicable federal employment taxes from reimbursements (e.g., for Social Security, Medicare, and federal unemployment tax) and to report the total amount of reimbursements to the IRS on a Form W-2, reimbursements under this Program for qualified, eligible adoption expenses are not subject to and are made free of federal income tax withholding to the full extent permitted by the IRS. If you must include any of the reimbursements in your income, your withholding may not be enough to cover the tax on these payments so you may need to adjust your withholding by filing a new Form W-4 through Otsuka's payroll administrator, ADP.

State taxes may also apply to reimbursements under this Program.

In addition to the income exclusion discussed above, you also may be entitled to a federal income tax credit for other adoption expenses (other than for expenses reimbursed elsewhere, including under this Program or a program like this one). You are responsible for coordinating the income exclusion and tax credit and for determining which one will produce the greatest financial and tax benefit for you and your family.

Appendix A

Participating Companies:

- Otsuka America Pharmaceutical, Inc.
- Otsuka Pharmaceutical Development & Commercialization, Inc.
- Otsuka Precision Health, Inc.
- Jnana Therapeutics, Inc.