

Otsuka

Otsuka-people creating new products for better health worldwide



# Otsuka Group CSR Report 2011

# Corporate Profile (as of March 31, 2011)

Company name: Otsuka Holdings Co., Ltd.

Established: July 8, 2008

Capital: JPY 81,690 million

Head Office: 2-9 Kanda-Tsukasamachi, Chiyoda-ku Tokyo 101-0048, Japan

Tokyo Headquarters: Shinagawa Grand Central Tower, 2-16-4 Konan, Minato-ku, Tokyo 108-8241, Japan

President and CEO: Tatsuo Higuchi

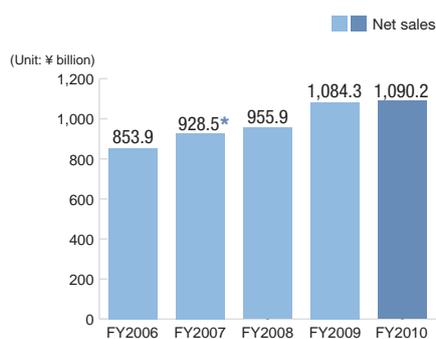
Employees: 73 (Consolidated: 25,188)

Scope of consolidation: 69 consolidated subsidiaries and 12 equity method affiliates

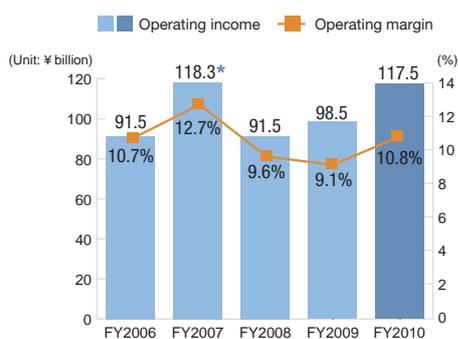
Business description: Control, management, and other operational aspects of business activities related to holding the shares of companies that operate in the fields of pharmaceuticals, nutraceuticals, consumer products, and other businesses.

## Financial Information

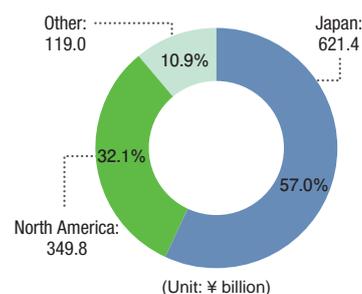
### Consolidated Net Sales



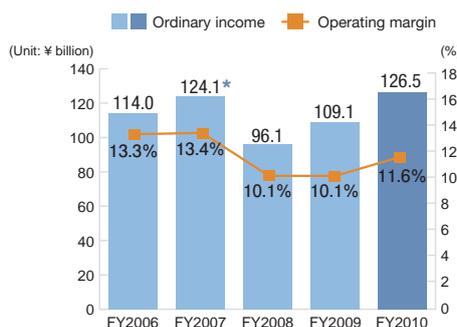
### Consolidated Operating Income



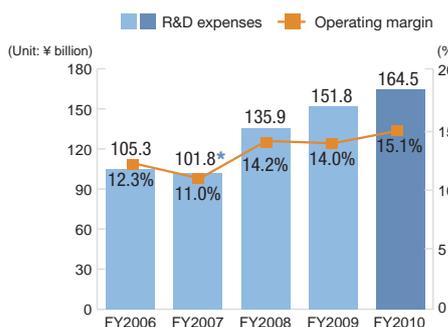
### Consolidated Net Sales by Geographical Segment (FY2010)



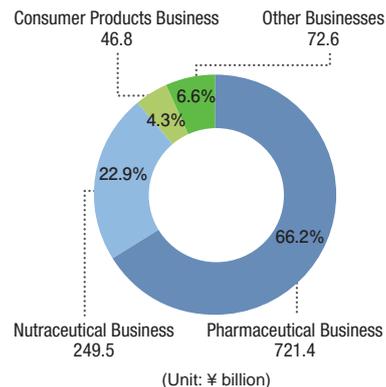
### Consolidated Ordinary Income



### Research and Development Expenses



### Consolidated Net Sales by Business Segment (FY2010)



\* The consolidated figures prior to March 2008 are the consolidated figures for Otsuka Pharmaceutical, Co., Ltd., which was then made a wholly owned subsidiary through equity transfer.

# Editorial Policy

Otsuka Holdings Co., Ltd. went public on December 15, 2010 with a listing on the First Section of the Tokyo Stock Exchange. The Otsuka corporate philosophy, "Otsuka-people creating new products for better health worldwide," drives our effort to benefit the health of people across the globe through our business activities, utilizing our Group's unique assets and skills to develop differentiating scientific solutions.

In 2010, we issued the *Otsuka Group Environmental and Social Report* to communicate these initiatives to a broad cross-section of stakeholders. We have expanded the report this year to provide stakeholders with an even better understanding of the initiatives of the Otsuka Group—a change that is reflected in the now renamed *Otsuka Group CSR Report*. In preparing this publication, we have made an effort to satisfy the needs of stakeholders and provide accurate and accessible information.

We will also use what we have learned in preparing this report to facilitate our initiatives for corporate social responsibility (CSR).

## ● Scope of report

This report focuses on Otsuka Holdings. Social initiatives described in this report encompass the global activities of Group companies in and outside of Japan. Environmental data applies to the following 11 Group companies in Japan:

Otsuka Pharmaceutical Co., Ltd.  
Otsuka Pharmaceutical Factory, Inc.  
Taiho Pharmaceutical Co., Ltd.  
Otsuka Warehouse Co., Ltd.  
Otsuka Chemical Co., Ltd.  
Otsuka Electronics Co., Ltd.  
JIMRO Co., Ltd.  
EN Otsuka Pharmaceutical Co., Ltd.  
Otsuka Techno Corporation  
Otsuka Packaging Industries Co., Ltd.  
Otsuka Foods Co., Ltd.

## ● Period covered

The data presented in this report are actual figures from April 1, 2010 to March 31, 2011. The activities reported on include some conducted more recently.

## ● Publication schedule

The next report is scheduled for publication in November 2012.

## ● Guidelines referenced

This report was compiled with reference to the *Environmental Report Guidelines 2007 Edition* and the *Environmental Accounting Guidelines 2005 Edition* issued by Japan's Ministry of the Environment, and the *GRI Sustainability Reporting Guidelines 3rd Edition*.

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## Message from the President

## A Global Healthcare Solutions for Human



Photographed at the Human Resource Development Institute in Tokushima Prefecture, beneath a giant tomato tree symbolizing the corporate philosophy of the Otsuka Group

# Company Offering Creative Health



**Tatsuo Higuchi**  
President and  
Representative Director, CEO  
Otsuka Holdings Co., Ltd.

## Great East Japan Earthquake and the Mission of the Otsuka Group

I would like to take this occasion to express my sorrow at the lives that were lost in the Great East Japan Earthquake, and to extend my deepest condolences to the survivors and those who were affected. I pray for the early reconstruction of areas that were devastated by the disaster.

As part of our relief efforts, the Otsuka Group donated products made by Group companies including beverages, foods, pharmaceuticals and over-the-counter medicines, and gave money for disaster relief (pages 7–8). The entire nation is mobilizing for the reconstruction efforts, and the Otsuka Group will continue to ensure the stable supply of our products in order to meet our responsibilities as a manufacturer, as we endeavor to support the health of the survivors.

## Going Public and Seizing Opportunities

Otsuka Holdings, which was formed in 2008 as a holding company for the Otsuka Group, went public in December 2010 with a listing on the First Section of the Tokyo Stock Exchange. By going public, we will have greater opportunities to gain the support of a broader group of stakeholders, and to receive their advice and guidance. It also gives us the opportunity to reach a wider audience in communicating our dedication to making products, driven by our core values of *Sozosei* (Creativity), or skill in the art of creating unique and unequalled products, and *Jissho* (Proof through Execution), which means delivering tangible results. We will listen to equity markets, while continuing to leverage our creativity and execution, which are imprinted in the identity of the Otsuka Group.

We promise to pursue timely and appropriate information disclosure in order to raise the transparency of our business operations. In addition, we will strengthen our compliance and corporate governance to fulfill our obligations as a public company, and respond to the trust placed in us by stakeholders.

## Otsuka Group and Corporate Social Responsibility

The Otsuka corporate philosophy—“Otsuka-people creating new products for better health worldwide” provides a social purpose for every Group employee, and is integral to our social responsibilities. In order to contribute to better health worldwide, we believe that the Otsuka Group has a social responsibility to create innovative products and to supply them to society. We also have a responsibility to communicate our activities to the many stakeholders who have a stake in our activities, and to engage in social initiatives as part of our social responsibilities.

The Otsuka Group supports healthcare from a comprehensive perspective, through our two cornerstone businesses—pharmaceuticals and nutraceuticals.\*1 In the pharmaceutical business, we comprehensively support healthcare, from diagnosis through to treatment of illness. In the nutraceutical business, we support the maintenance and improvement of daily health. Our employees in 23 countries and regions are tackling diverse projects that contribute to the health of people worldwide. We also broadly pursue social initiatives, both in Japan and internationally, in ways that only we can, and with a focus on health, the environment and communities (pages 37–44).

The Otsuka Group’s Human Resource Development Institute is located in Tokushima Prefecture, where the Otsuka Group originated. At the Institute, there are three installations that symbolize the creativity that underlines our corporate philosophy.

One is a giant tomato tree that at times can produce more than 10,000 tomatoes in a year. The tree’s fruit-producing potential has

been maximized through hydroponics. The second is a sculpture that features the trunk of a giant cedar that is deeply bent instead of being typically straight. The third is a water installation in which large stones appear to float on the surface of the water. These monuments symbolize the creativity of the Otsuka Group, and its willingness to switch ideas and think beyond the conventional. The Human Resource Development Institute serves as a training facility for the Otsuka Group, but we also open its doors to our business partners and members of the community for visits.

Our Group companies share a common respect for diversity and an appreciation for the unfettered ideas of our individual employees across the globe. Throughout our 90-year corporate history, we have nurtured a corporate culture that encourages employees to keep trying and to execute things to the end. We will continue to encourage diversity within the Group to generate diverse ideas, which we will leverage in order to develop new markets and original products. We will respect the cultural identities of the communities that we operate in, and pursue social initiatives as an integral part of our business activities.

In terms of the global environment, mankind faces the crucial task of addressing global warming and other environmental issues. In order to realize a low-carbon, recycling society, we are endeavoring to raise awareness of the need for environmental conservation among all our employees. In our manufacturing operations, we are developing new technologies and instituting improvements to reduce carbon dioxide (CO<sub>2</sub>) emissions and to practice the 3Rs.\*2 We are committed to conserving the global environment as part of our social responsibility.

## Securing Further Growth as a Global Healthcare Company

The Otsuka Group remains dedicated to universally supporting health. As a global healthcare company, we will pursue sustainable business activities to comprehensively support healthcare, from diagnosis and treatment of illness to maintenance and improvement of daily health.

In the pharmaceutical segment, we are focusing on the central nervous system and cancer treatment as unmet medical needs that take priority. In order to support comprehensive healthcare, from diagnosis to treatment of illnesses, the Group is involved in diverse areas including the fields of cardiovascular, digestive and ophthalmological science, and products such as diagnostic agents, I.V. solutions and medical devices.

For the pharmaceutical segment, we have taken on the challenge of growing the medical devices business, which is currently developed mainly in Japan and China, into a core business. In February 2011, we established Otsuka Medical Devices Co., Ltd. as a holding company to steer the strategic direction for the medical devices business, and to allocate business resources and pursue business



Bent Giant Cedar

development. By bringing together the Group's accumulated knowledge and expertise in the area of medical devices, Otsuka Medical Devices will endeavor to drive future growth by meeting new medical needs.

In the nutraceutical segment, we are focusing on the soybean business, centering on the Soyolution concept of soy products as a solution to the challenges facing mankind today in the areas of health, food and the environment. We are strengthening the global development of the Soyolution concept through products such as SOYJOY fruit and soybean bars and the SOYSH carbonated soy drink (pages 15–16).

The Otsuka Group will continue to leverage its original ideas to respond boldly to change and contribute to the enrichment and healthier lives of people worldwide.

We appreciate your continued support, as we take the first steps toward realizing the next stage of growth for our company.

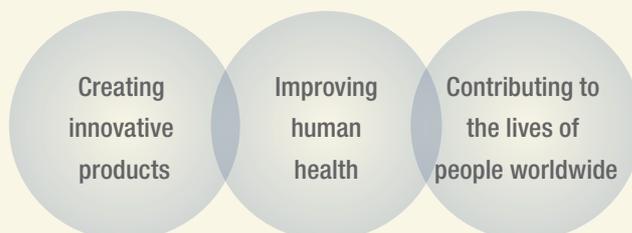
\*1 Nutraceuticals: nutrition + pharmaceuticals

\*2 3Rs: The 3Rs are "reduce, reuse, and recycle." Reduce means to decrease the amount of waste generated; reuse means to reutilize waste in products and parts; and recycle means to reutilize waste as a resource.

## Corporate Philosophy of the Otsuka Group

### Otsuka-people creating new products for better health worldwide

These words embody our commitment to:



In keeping with this corporate philosophy and the Otsuka mottos of *Jissho* (Proof through Execution) and *Sozosei* (Creativity), the Otsuka Group strives to utilize its unique assets and skills to develop differentiating scientific solutions which contribute to the lives of people worldwide in the form of innovative and creative products ranging from pharmaceuticals to consumer products. The Otsuka Group is striving to cultivate a culture and a dynamic corporate climate reflecting our vision as a healthcare company. As such we are dedicated to achieving global sustainability, to our relationships with local communities and to the protection of the natural environment.



# Response to Great East Japan Earthquake and Relief Efforts

The Otsuka Group is committed to the ongoing support of persons affected by the Great East Japan Earthquake that occurred on March 11, 2011. This commitment includes providing suitable products for the well-being of disaster survivors and persons involved in reconstruction efforts.

## Crisis Response Headquarters Activities

Otsuka Holdings and each Group company set up temporary crisis response headquarters immediately after the March 11 quake.

These offices worked together closely to coordinate the crisis response, acting quickly to check on the safety of employees

and to verify damage to production facilities, as well as logistics warehouses and offices. The crisis response offices also coordinated relief efforts for disaster areas.

\* For more information, see page 20.

## Main Production Facilities and Logistics Affected

### 1. EN Otsuka Pharmaceutical (Hanamaki City, Iwate Prefecture)

The plant, which manufactures clinical nutrition products, incurred some damage to production facilities that led to a temporary suspension of production. Some operations resumed from March 22, and production capabilities have now returned to normal.



### 2. Otsuka Warehouse (Osaka City, Osaka)

Otsuka Warehouse provides logistics services for the Group. The quake caused some stock to fall over at warehouses in Sendai City and Urayasu City, where pharmaceuticals and beverages are stored. The Urayasu Warehouse also suffered structural damage and ground liquefaction, which temporarily affected operations. However, the Urayasu Warehouse was able to resume normal operations on March 28. As a result, Otsuka Warehouse's distribution centers in the Tohoku and Kanto regions have almost regained full operability.



## Aid Activities

Starting from the morning after the March 11 quake, employees in disaster areas sprang into action to get emergency relief supplies to emergency medical organizations as well as to municipal governments of cities and towns that were devastated by the disaster. Working in collaboration with the disaster response departments of prefectural governments, the employees coordinated the supply of 1.75 million meals' worth of beverages and foods manufactured by the Group. The Group also supplied other products, including pharmaceutical products, over-the-counter medicines and daily necessities. Despite the logistics interruptions and impact on logistics facilities, employees were able to deliver relief supplies with the cooperation of different parties.

Otsuka Pharmaceutical together with Otsuka Pharmaceutical Factory and Taiho Pharmaceutical leveraged every means available

to assist with logistics to disaster areas. The companies worked with government authorities and industry groups to address the biggest challenge of getting stable supplies of pharmaceuticals and medical products to disaster areas. For example, the companies secured emergency approval for transport vehicles to be used for disaster relief, and arranged boat transport from manufacturing plants.



There was a groundswell of support and expressions of condolences for the quake victims from Group employees working in 23 countries and regions across the globe. To reflect the show of support, the company donated ¥390 million to the Japanese Red Cross Society for quake relief. The amount is equivalent to ¥10,000 per employee of the Group's 39,000 employees\* including 21,000 employees based outside of Japan.

\* Includes non-consolidated Group employees.

● **Relief supplies donated by the Otsuka Group (as of May 31, 2011)**

Foods and beverages	Pocari Sweat, OS-1, Oronamin C, Tiovita, Crystal Geyser, Calorie Mate, SOYJOY, Nature Made Multiple Vitamin, Bon Curry, medical foods <b>1.75 million meals' worth</b>
Pharmaceutical products	I.V. solutions, liquid diet, antiseptics, medicines
Over-the-counter medicines	
Other daily necessities	

**Donation of 10,000 Bottles of Nature Made Multiple Vitamin & Minerals**

Otsuka Pharmaceutical and U.S.-based subsidiary Pharmavite LLC donated 10,000 bottles of Nature Made Multiple Vitamin & Minerals for relief victims. The supplements are providing much-needed vitamins and minerals for persons living for extended periods of time in



Distributing Nature Made supplements during a health assessment

evacuation shelters, and were donated through the Japan Dietetic Association (JDA). From May, the supplements are being distributed by local dietetic associations, after assessing the health of disaster survivors individually.

**Emergency Supplies for the Tokyo Fire Department and Donations of Foods and Pharmaceuticals for Firefighters**

Since 2010, Otsuka Pharmaceutical has had an agreement with the Tokyo Firefighting Association to supply the Tokyo Fire Department with foods and beverages in case of a disaster. The agreement facilitated the supply of food and beverages to support disaster mitigation efforts in response to the Great East Japan Earthquake.

In addition, Otsuka Pharmaceutical Factory and Otsuka Foods donated products for fire crews heading from Tokyo to disaster areas. All three companies received a letter of appreciation from the Fire Chief of the Tokyo Fire Department for their contributions (see photo at right).



**Power Conservation and Rolling Blackouts**

The Group is addressing the need to conserve power and comply with rolling blackouts, due to power shortages resulting from the incident at the Fukushima Daiichi nuclear power plant.

**Reducing Power Consumption at Plants**

The Group's main production facilities in Japan comprise a network of 23 plants in 16 sites. In order to conserve energy, the plants are implementing energy-saving measures such as using self-generated power, and shifting production to evening hours, as well as weekend and holiday operation, to avoid peak electricity demand. Other aspects of production are also being reviewed to conserve power.

**Cutting Down on Vending Machine Power Consumption**

In order to curb the power consumption of beverage vending machines, the Japan Soft Drink Association announced a voluntary action plan to reduce the power consumption of beverage vending machines during the peak summer hours of 9:00 a.m. to 8:00 p.m. from July to September. The plan directs operators to reduce maximum power consumption by at least 25% year-on-year in Tokyo Electric service areas and 15% or more year-

on-year in Tohoku Electric service areas. In support of the plan, Otsuka Pharmaceutical and Otsuka Foods, whose beverages include Pocari Sweat, Oronamin C and Crystal Geyser, are shutting off the cooling functions of beverage vending machines at specific times and, on a rotating basis, between machines.

**Energy-Saving Measures at Offices**

The Group is also pursuing energy-saving measures at offices including head offices and branch offices.

● **Energy-saving initiatives implemented at offices**

- Shifting of work hours to take place later in the day
- Adjustment of office lighting, and shut off of lighting near windows and in hallways
- Reduction of overtime hours
- Shut off electricity for rooftop advertising and signage
- Reduction of office equipment use, such as copiers and printers
- Lowering of summer air-conditioning temperatures



# Otsuka Group across the Globe

## UK

Otsuka Pharmaceutical Europe, Ltd.  
Otsuka Pharmaceutical (U.K.) Ltd.

## Belgium

Nutrition & Sante Benelux SA

## Germany

Otsuka Pharma GmbH  
Cambridge Isotope Laboratories (Europe), GmbH  
Euriso-Top GmbH  
Advanced Biochemical Compounds, GmbH  
M-fold Biotech, GmbH

## Sweden

Otsuka Pharma Scandinavia AB

## Czech Republic

## Egypt

Egypt Otsuka  
Pharmaceutical Co.,  
S.A.E.

## Switzerland

Nutrinat AG

## Italy

Nutrition & Sante Italia SpA

## France

Otsuka Pharmaceutical France SAS  
Euriso-Top S.A.S  
Nardobel SAS  
Nutrition & Sante SAS  
Nutrition & Nature SAS  
Laboratoires Dietetique et Sante SAS  
ALMA S.A.\*

## Spain

Otsuka Pharmaceutical, S.A.  
Nutrition & Sante Iberia SL  
Hebron S.A.



## Pakistan

Otsuka Pakistan Ltd.\*

## India

Otsuka Chemical (India) Private Limited

## Indonesia

P.T. Otsuka Indonesia  
P.T. Merapi Utama Pharma  
P.T. Widatra Bhakti  
P.T. Amerta Indah Otsuka  
P.T. Otsuka Jaya Indah  
P.T. Lautan Otsuka Chemical

The Otsuka Group is engaged in a variety of businesses worldwide, from products that help to maintain and enhance daily health, to those that aid the diagnosis and treatment of illnesses. As of March 31, 2011, net sales from markets outside Japan accounted for 43% of the Group's consolidated net sales. There are more than 25,000 consolidated Group employees worldwide, and 44% of them are outside of Japan. Otsuka Group employees are working every day around the world, for the universal betterment of human health.

Consolidated subsidiaries of the Otsuka Group are shown on this page. Affiliated companies accounted for by the equity method are indicated with an asterisk (\*).

### China

Otsuka (China) Investment Co., Ltd.  
 Guangdong Otsuka Pharmaceutical Co., Ltd.  
 Zhejiang Otsuka Pharmaceutical Co., Ltd.  
 Sichuan Otsuka Pharmaceutical Co., Ltd.  
 Tianjin Otsuka Beverage Co., Ltd.  
 Suzhou Otsuka Pharmaceutical Co., Ltd.  
 Shanghai Otsuka Foods Co., Ltd.  
 China Otsuka Pharmaceutical Co., Ltd.\*  
 Micro Port Medical (Shanghai) Co., Ltd.\*  
 Microport Scientific Corporation\*  
 VV Food & Beverage Co., Ltd.\*

### South Korea

Korea Otsuka Pharmaceutical Co., Ltd.  
 Dong-A Otsuka Co., Ltd.\*

### Taiwan

Taiwan Otsuka Pharmaceutical Co., Ltd.  
 King Car Otsuka Co., Ltd.\*

### Philippines

Otsuka (Philippines) Pharmaceutical, Inc.

### Vietnam

### Thailand

Thai Otsuka Pharmaceutical Co., Ltd.\*



### Japan

Otsuka Holdings Co., Ltd.  
 Otsuka Pharmaceutical Co., Ltd.  
 Otsuka Pharmaceutical Factory, Inc.  
 Taiho Pharmaceutical Co., Ltd.  
 Otsuka Warehouse Co., Ltd.  
 Otsuka Chemical Co., Ltd.  
 Otsuka Medical Devices Co., Ltd.  
 JIMRO Co., Ltd.  
 EN Otsuka Pharmaceutical Co., Ltd.  
 Otsuka Electronics Co., Ltd.  
 Otsuka Techno Corporation  
 J.O. Pharma Co., Ltd.  
 Okayama Taiho Pharmaceutical Co., Ltd.  
 Otsuka Packaging Industries Co., Ltd.  
 Otsuka Foods Co., Ltd.  
 Otsuka Chilled Foods Co., Ltd.  
 MGC Otsuka Chemical Co., Ltd.  
 Earth Chemical Co., Ltd.\*  
 Earth Environmental Service Co., Ltd.\*

### Canada

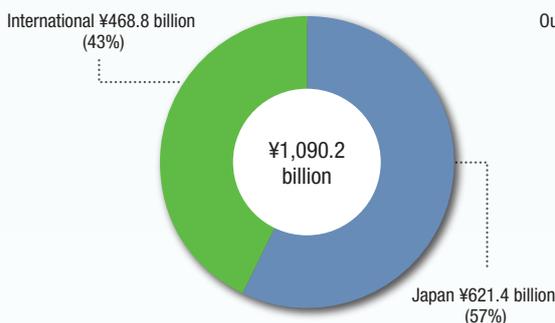
Otsuka Canada Pharmaceutical Inc.  
 2768691 Canada, Inc.

### USA

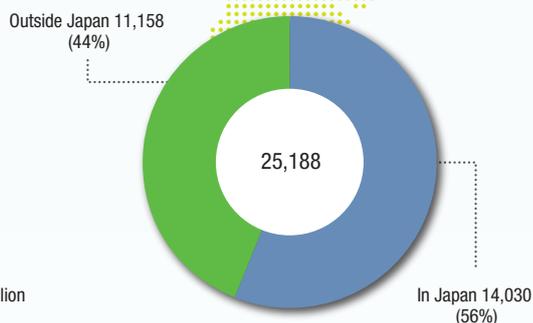
Otsuka America, Inc.  
 Otsuka America Pharmaceutical, Inc.  
 Otsuka Pharmaceutical Development & Commercialization, Inc.  
 Otsuka Maryland Medicinal Laboratories, Inc.  
 Cambridge Isotope Laboratories, Inc.  
 CIL Isotope Separations, LLC  
 Membrane Receptor Technologies LLC  
 Pharmavite LLC  
 Ridge Vineyards, Inc.  
 Crystal Geyser Water Company  
 Soma Beverage Company, LLC  
 Otsuka America Manufacturing LLC  
 CG Roxane LLC\*

### Brazil

● Consolidated Net Sales (FY2010)



● Consolidated Number of Employees (FY2010)



# Business Overview of the Otsuka Group

## Contributing to People's Health and Well-being Worldwide

The Group is dedicated to being a global healthcare company that works for the benefit of people's health worldwide. It generates health-outcomes from many angles, while offering original products that create new markets. The Group pursues a range of businesses in four main segments—pharmaceuticals, nutraceuticals, consumer products and other businesses. The Group strives to utilize its unique assets and skills, endeavoring to create products that are beneficial to health and to society.

### Pharmaceutical Business

Pharmaceuticals

I.V. solutions (clinical nutrition)

Diagnostics agents

Medical devices

The Otsuka Group's pharmaceutical business focuses on the priority areas of the central nervous system and the oncology in order to address unmet medical needs. Furthermore, the Group is engaged in a wide range of fields and businesses, including the cardiovascular system, gastroenterology, ophthalmology, diagnostics, and I.V. solutions and medical devices businesses in order to provide comprehensive healthcare solutions ranging from diagnosis to the treatment of disease.

#### ● Flagship products

 <b>ABILIFY</b> , an antipsychotic	 <b>Mucosta</b> , an anti-gastritis and anti-gastric ulcer agent
 <b>Pletaal/Pletal</b> , an antiplatelet agent	 <b>TS-1</b> , an antimetabolite
 <b>UFT</b> , an antimetabolite	 <b>ELNEOPA</b> , a high-calorie TPN solution

### Nutraceutical Business

Functional beverages and foods

Cosmetics\*

OTC products, Quasi-drugs

\* Cosmetics = cosmetics + medicine

The Otsuka Group's nutraceutical business focuses on functional beverages and foods that help maintain and promote day-to-day wellbeing. In recent years the Group has been developing a soy-based business based on the concept that the soybean is the "Soylution" ("soy" and "solution") to many of humanity's problems such as health, nutrition, and environment problems.

#### ● Flagship products

 <b>Pocari Sweat</b>	 <b>SOYSH</b>	 <b>Oronamin C Drink</b>
 <b>SOYJOY</b>	 <b>Calorie Mate</b>	 <b>Nature Made</b>
 <b>OS-1</b>	 <b>Tiovita Drink</b>	 <b>UL · OS</b>



### Consumer Products Business

Beverages

Foods

Alcoholic beverages

In the consumer products business, the Group develops, manufactures and markets safe and healthy products that bring vitality and enrichment to people's lives, focusing on familiar foods and beverages.

#### ● Flagship products



Bon Curry



Mannan Hikari



My Size



Crystal Geyser



Java Tea Straight



MATCH

### Other Businesses

Functional chemical products

Fine chemicals

Distribution solutions

Packaging

Electronic equipment

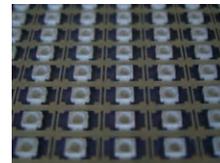
The Otsuka Group operates a range of businesses in areas that also include chemicals, transportation and warehousing, and electronic equipment.

#### ● Flagship products

Poticon resin compound  
Applications:



Automotive parts  
Clutch sleeve bearings  
(sliding bearings supporting an aluminum shaft)



Electronic parts  
LED reflectors  
(that increase light extraction efficiency)



POCone, a medical device



HM series of LED evaluators

# 1

## Satisfying Unmet Medical Needs

The Otsuka Group works as a global healthcare company to satisfy the real needs of medical care providers and continues to contribute solutions to medical problems. Below are details of the operations of Otsuka Pharmaceutical, Taiho Pharmaceutical, and Otsuka Pharmaceutical Factory, the three main companies that handle the Group's pharmaceutical business.



### Otsuka Pharmaceutical

#### SAMSCA: Inspired by a Physician's Comment

In 2009 Otsuka Pharmaceutical launched in the U.S. the oral non-peptide vasopressin  $V_2$ -receptor antagonist SAMSCA, which causes the selective elimination of water without loss of electrolytes. It was introduced in Europe that same year and in Japan the following year. Otsuka Pharmaceutical was the first one that focused attention on this type of pharmacological action and clinical effects, and finally developed SAMSCA.



Yoichi Yabuuchi  
Executive Fellow-Research,  
Pharmaceutical Business Division,  
Otsuka Pharmaceutical Co., Ltd.

The impetus behind development of this drug arose when the man who was the then corporate president ran into a clinical physician at an airport. The physician mentioned that he wished there were a drug with this sort of action and the president immediately contacted the research institute and had them begin research. By paying attention to the needs of a working healthcare professional and immediately acting on his comment, a 25-year long process of trial and error eventually led to success.

"The main goal is to create a drug that will satisfy the needs of patients around the world," said the leader of the development team at the time, Yoichi Yabuuchi. "The company will provide its continued support as we strive to solve all unmet medical needs. Once we get started, we never give up."

SAMSCA is a vasopressin  $V_2$ -receptor antagonist that is mainly used outside Japan as a treatment for hyponatremia and within Japan as a treatment for excess water retention in patients with cardiac failure when treatment with other diuretics is ineffective. From the beginning, we were aiming for the global market. Using our worldwide network, we were able to successfully introduce the product in countries around the world. We will continue to work in the global marketplace to increase the indications of this drug, and also develop a new vasopressin-related drug in other fields.

## Taiho Pharmaceutical

### Helping Cancer Patients to Cope

Taiho Pharmaceutical has made the research and development of anticancer agents the main pillar of its activities over the last 50 years, resulting in the development of one of Japan's leading anticancer agents.

As a leading company in the field of cancer drugs, Taiho Pharmaceutical is also engaged in the field of survivorship to offer support to cancer patients, their families, health care professionals, and cancer survivors as they work together to overcome the challenges the disease presents.

One part of this effort is the website Survivorship.jp,\* which was set up in 2007 as a joint research project with Shizuoka Cancer Center. The site offers cancer patients and their families information about diet, dealing with hair loss, drug side effects, and a host of other difficulties associated with cancer treatment.

From the outset Yumi Yatsuzuka, who is in charge of development of Survivorship.jp, made it clear that the fact she has a relative who is a cancer survivor means the project is highly personal. Cancer treatment is not something the patient faces alone but something to be supported by the whole family. Offering aid to both the patient and the family, therefore, results in real health. She is therefore committed to creating a site that places paramount importance on the cancer sufferers themselves.

The issue of recovery from a disease naturally implies the question of how to improve the patient's quality of life during the long course of treatment. Taiho Pharmaceutical provides solutions to a vast range of cancer patient needs.

\* See page 33



Yumi Yatsuzuka  
Assistant Manager, Homepage Planning,  
Medical Documentation,  
Product Information Dept.,  
Taiho Pharmaceutical Co., Ltd.

## Otsuka Pharmaceutical Factory

### Our Mission: Providing a Stable Supply of Products

Otsuka Pharmaceutical Factory handles essential medical supplies such as I.V. solutions\* and nutritional products. The Great East Japan Earthquake that struck in March 2011 put Otsuka Pharmaceutical Factory to a severe test, as it is dedicated to being the best partner of both patients and healthcare professionals. Otsuka Pharmaceutical Factory, a Basic Drug Pharma, needs to meet the expectation that it will maintain a stable supply of necessary medical supplies not only to the areas affected by the disaster but to medical facilities across Japan. Every employee works with a sense of mission: sales representatives visit medical facilities in the disaster area and across Japan, the production division works through holidays to increase output, and the entire staff work tirelessly at their various posts. That is why the factory can maintain an unbroken flow of product and fulfill its mission as a manufacturer of I.V. and nutritional products.

I.V. and nutritional products are not only necessary during times of disaster but are also essential on a daily basis. "I got a very strong impression that maintaining the supply of products necessary to medical facilities deepens the bond of trust we have with both patients and healthcare professionals," said the Pharmaceutical Affairs Division's Takashi Yamamoto, who worked frantically in the aftermath of the earthquake to insure a stable supply of I.V. solutions. Otsuka Pharmaceutical Factory will continue to be the best partner of both patients and healthcare professionals by continuing to steadily supply I.V. and nutritional products.

\* See Page 31



Takashi Yamamoto  
Supervisor, Regulatory Affairs Department,  
Otsuka Pharmaceutical Factory, Inc.

The Otsuka Group is committed to satisfying unmet medical needs by developing its business in a way that respects the originality and uniqueness of each of the Group companies, while at the same time fulfilling its role and responsibilities as a manufacturer. The Group maintains its commitment to provide total health support to people around the world.

## 2 Soylution From Japan to the World

The Otsuka Group is using soy to resolve the world's health, nutrition, and environmental problems, via its Soylution (soy + solution) concept.

### The Power of Soy



# 1

#### Solving Health Problems

Soy has been called “the meat of the fields” for its high quality plant proteins and isoflavones and lecithin, components that have the potential to improve health around the world. Soy has been in the spotlight ever since the U.S. Food and Drug Administration (FDA) approved in 1999 the health claim that “25 g of soy protein a day (6.25 g per serving) may reduce the risk of heart disease.”

Soy has the ability to guard against lifestyle-related diseases and make a positive contribution toward solving health problems that come from imbalanced nutrition.



# 2

#### Solving Nutrition Problems

Worldwide, annual production of soy totals approximately 220 million tons,<sup>\*1</sup> but no more than 6%<sup>\*2</sup> of the soybeans grown are eaten directly by people. The United States is the world's largest producer of soybeans, but most soybeans grown there are used as feed for livestock. Beef not only requires more resources to produce, it takes 10 kg of grain to produce 1 kg of beef.

If more people were to adopt the habit of eating soy, the world would take a major step forward toward resolving the pressing nutrition problems.

The Otsuka Group is contributing to a solution to the world's nutrition problems by promoting the widespread consumption of soy.

<sup>\*1</sup> According to the 2008 FAOSTAT <sup>\*2</sup> The U.S. Department of Agriculture (2008)



# 3

#### Solving Environmental Problems

Because animals eat plants, it requires a vastly larger area of land to produce animal protein than it does to produce plant protein. In addition, the various processes required to bring meat from the ranch to the dinner table use an enormous amount of energy.

The amount of CO<sub>2</sub> emitted during the production of soy is one-twelfth that of beef.<sup>\*1</sup> There is also data indicating that the amount of water required in the production of soy is one-fiftieth that of beef, and the amount of energy required is one-twentieth that of beef.<sup>\*2</sup>

If more people were to adopt the habit of eating soy, it would play an important role in the solution of the world's nutrition problems.

<sup>\*1</sup> From *Embodied Energy and Emission Intensity Data for Japan Using Input-Output Tables*, published by the Center for Global Environmental Research National Institute for Environmental Studies

<sup>\*2</sup> According to Professor David Pimentel of Cornell University, U.S.

## New Ways to Enjoy Soy

The first Soyolution product designed to make soy more popular around the world in a completely new way was SOYJOY, introduced in Japan in 2006. SOYJOY is a fruit-flavored soy bar made by baking a mix of soy powder and fruit without using any wheat flour. It is currently available in 11 countries and regions, including Asia, the U.S., and Europe. In China, where the value

of soy is well-understood, SOYJOY is popular as a new way to enjoy a part of the local food culture.

The second Soyolution product is SOYSH, a soy soda that blends soy\* and carbonation and whose refreshing taste is popular even with people who do not like soy.

\* Excluding the seed coat

### ● SOYJOY's global presence in 11 countries and regions (as of September 2011)



Soy—an integral part of Japanese food culture. The Otsuka Group will use its original ideas and technology to propose to the world new ways to enjoy soy, with all of its abundant nutrition.



# Corporate Governance

The Otsuka Group is committed to sound, highly transparent management and strong corporate governance and is building a robust system of internal controls.

## Basic Approach to Corporate Governance

Otsuka Holdings formulates and implements business strategies for the entire Group as its holding company, and endeavors to strengthen corporate governance.

The Otsuka Group consists of companies engaged in several businesses, including pharmaceuticals, nutraceuticals, consumer products, and other businesses around the world. The Group's six main operating companies are direct subsidiaries of Otsuka Holdings, and each takes operational responsibility for its respective business area.

Otsuka Holdings has adopted an operating officer system in which operating officers oversee business operations and the Board of Directors, whose members are elected at the general meeting of shareholders, make business decisions and supervise subsequent execution. This system ensures management transparency and efficiency of business operation.

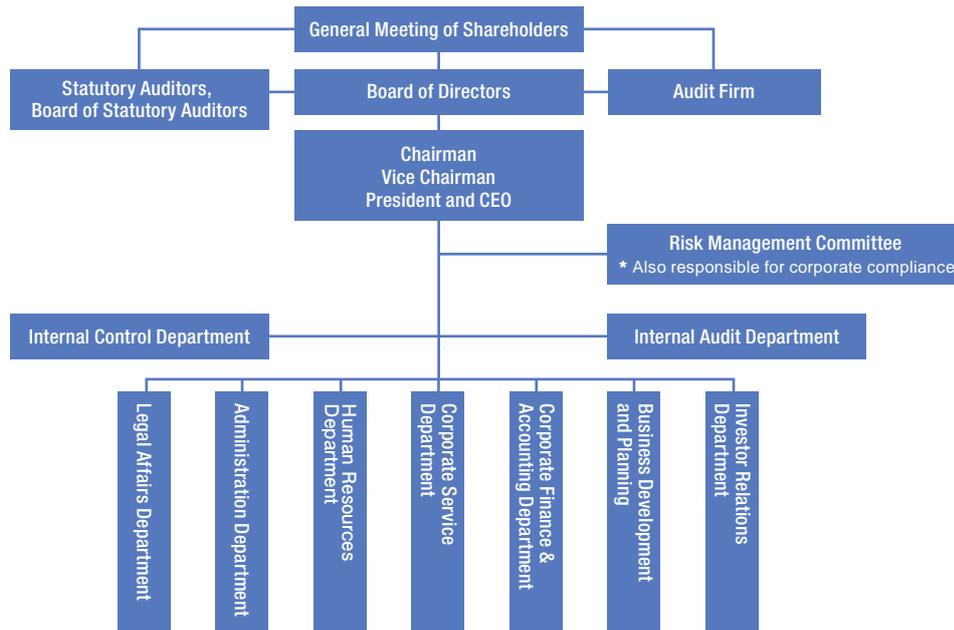
### Board of Directors

The Board of Directors of Otsuka Holdings meets once a month, and serves as a venue for passing resolutions on important proposals and other important matters stipulated in Japan's Companies Act, and also for reporting on and discussing the business affairs of each of the directors. There were 10 directors as of June 29, 2011.

### Statutory Auditors

Statutory auditors attend meetings of the Board of Directors, as well as other important company meetings. In accordance with the auditing guidelines and auditing plan established at the monthly meetings of the Board of Statutory Auditors, the auditors meet with the president, directors, and department heads and conduct on-site audits to audit the operational businesses of the directors. There were four statutory auditors of which three are outside auditors as of June 29, 2011.

● Otsuka Holdings organization and corporate governance framework



## Internal Control System

The Otsuka Holdings Board of Directors has passed a resolution regarding a system for ensuring the appropriateness of business activities, calling for the development of the type of internal control system required by Japan's Companies Act and related regulations, to cover the entire Otsuka Group.

### Internal Controls for Financial Reporting

The Group has operated internal controls since prior to becoming a public company, in view of the size of the company and importance of acting in a socially responsible manner. The Internal Control Department, which reports directly to the president, has been operating an internal control system for financial reporting since fiscal 2008, and is responsible for issuing internal control reports.



# Compliance

The Otsuka Group makes every effort to ensure full compliance with all laws and social norms in and outside of Japan. Otsuka is determined to see that all of its business activities contribute to the greater good, everywhere it operates.

## Approach to Compliance

Based on the corporate philosophy of “Otsuka-people creating new products for better health worldwide,” the Otsuka Group has established a Code of Conduct\* and a compliance program\* to fulfill its social responsibilities, and to ensure unequivocal compliance with laws and regulations. Otsuka is determined to contribute to society as a good corporate citizen.

Employees of the Otsuka Group must strive to secure legal compliance and uphold high ethical standards for conduct, including medical ethics, from the perspective of working for a company that supplies healthcare products.

\* [http://www.otsuka.com/en/csr/hd\\_activity/management/compliance/](http://www.otsuka.com/en/csr/hd_activity/management/compliance/)

## Compliance Promotion Structure

Otsuka Holdings operates a Risk Management Committee\* that is headed by the president and which oversees risk management and compliance for Group companies. Operating companies also operate their own departments that oversee compliance, which are dedicated to securing legal compliance, as well as ensuring compliance in a broader sense. In this way, companies can adhere to social norms and fulfill their social responsibilities.

\* See page 19

## Compliance Training

Group companies implement annual compliance training or the equivalent for management and employees. In fiscal 2010, the Group focused on training and education related to insider trading rules, driven by the fact that the company went public on December 15, 2010 with a listing on the First Section of the Tokyo Stock Exchange. The Group prepared training materials in the form of a training DVD and a booklet on insider trading laws, for the 15,000 officers and employees of 16 Group companies. In addition, Group companies designated officers and managers responsible for supervising insider trading prevention, and took steps to establish a compliance framework to educate employees about insider trading rules.



## VOICE

### Receiving Training on Insider Trading Rules

Mari Matsuyama  
Manager in charge of  
PR magazine, “Otsuka Yakuho,”  
Administration Department,  
Otsuka Pharmaceutical Factory, Inc.



Otsuka Group companies conducted employee training on insider trading rules, driven by the fact that Otsuka Holdings recently went public. The training was a good reminder of the importance of exercising due care in my day-to-day activities of editing and preparing public relations materials, from an information management perspective. It is sobering to think that an oversight or lack of awareness could lead to insider trading, and result in losses among investors. In addition to learning about the rules, as employees we learned new things and gained the tools to make sound judgments to prevent insider trading.

## Internal Reporting System

Otsuka Holdings established internal reporting regulations in March 2009 to facilitate compliance management. The company also established an Internal Report Consultation Office that enables employees to report compliance violations or suspected violations, as a channel for reporting that is separate from the work organization. Any person can consult with the office or report on violations, including contract workers and temporary staff, in addition to regular employees.

Individuals who report violations, and the information they provide, are treated confidentially, and are only known to the people handling the case. Precautions are taken to protect individuals who report violations from possible ramifications.

When a violation is reported, the office investigates the facts surrounding the case, and takes rapid and appropriate action to internally address the matter.

The internal reporting system is also used by Group companies to rapidly identify and address potential risk factors.



# Risk Management

Otsuka Holdings has developed a risk management system that includes both risk management, which consists of general measures to prevent and reduce risks and avoid recurrences, and crisis management, which consists of measures for promptly responding to emergency situations.

## Risk Management Approach

Large-scale disasters and other circumstances such as corporate scandals can place corporations at risk, making it critical for companies to implement risk response, both for their continuity and for sustainable growth. Otsuka Holdings oversees risk management for the entire Group and operates a risk management framework in order to prevent and minimize losses.

## Risk Management System

Otsuka Holdings defines "risks" as factors that could cause direct or indirect economic losses to the Group, interrupt or suspend the continuity of business, or erode the brand image by damaging the company's credibility. The company identifies and assesses risks under two main categories: disaster and accident risks, and management and business operating risks.

The Risk Management Committee of Otsuka Holdings is headed by the president and operates the framework for risk management.

Under normal circumstances, the committee engages in risk management by collecting and analyzing risk information on a day-to-day basis, in an effort to prevent and minimize losses and avoid the recurrence of risk factors.

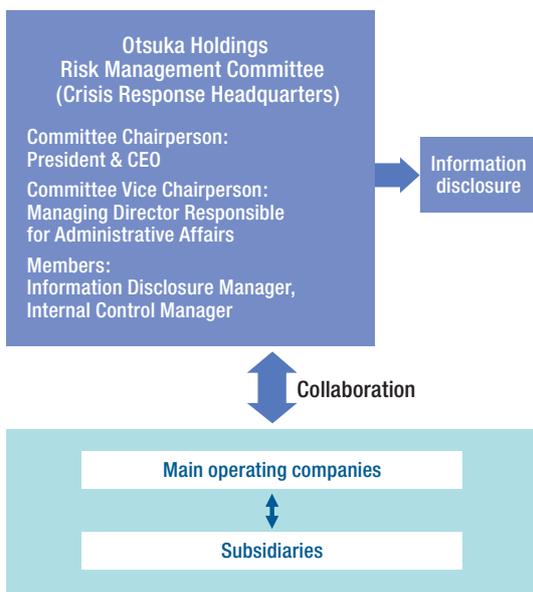
### ● Otsuka Holdings risk management framework

#### Risk management (general, ongoing)

Use gathered risk information to examine ways of preventing and minimizing risks; secure the continuity and stable growth of business

#### Crisis management (emergency situations)

Minimizing losses in the event of a crisis, while also minimizing the impacts on society and business operations



In the event of a disaster or incident, the committee quickly mobilizes to gather information and limit losses, engaging in crisis management to minimize the impact on the company and its operations. For certain risk events, the committee may assemble a temporary crisis response office and oversee its operation.

Group companies operate their own risk management organizations in order to facilitate risk management throughout the Group. These organizations share risk information and work collaboratively to facilitate crisis response as a linked network. In addition, the management of six Group operating companies conducts annual crisis management drills to collaborate on crisis response, discussing and formulating Group-wide crisis response strategies.

## Information Security Management System

Otsuka Holdings operates information security regulations and an Information Security Committee that is headed by the information security control officer. The committee is made up of staff from consolidated subsidiaries, who work to standardize information security at the Group level. The committee publishes information security guidelines in an effort to enhance information security at Group companies, and facilitate the proper management of information assets.

Otsuka Holdings has established and disclosed the *Otsuka Group Personal Information Protection Guidelines* to govern the protection of personal information, and its main subsidiaries have issued personal information declarations based on those guidelines. The guidelines mandate compliance with Japan's Act on the Protection of Personal Information, and specify that the collection and use of personal information shall be done only when necessary for business purposes and only through fair and legitimate means.

Otsuka Pharmaceutical and Otsuka Warehouse have acquired the right to display the PrivacyMark as a sign of measures taken to protect personal information. The companies carry out comprehensive measures, including daily checks and training for each of their departments.

Taiho Pharmaceutical has acquired the right to display on its website the TRUSTe mark approved by the Japan Privacy Accreditation Council, in recognition of the company's efforts to protect personal information. Otsuka Warehouse has acquired information security management system (ISMS) certification for data centers, to facilitate the secure management of its systems and information assets.

## Crisis Management Drills and Response to Great East Japan Earthquake

The management of Otsuka Holdings and six operating companies together with their crisis response organizations implement crisis management drills every year. In January 2010, the drills focused on earthquake response and pandemic measures, driven by the likelihood of a major earthquake in the Nankai region and the possibility of an outbreak of the highly pathogenic avian influenza in Japan. In January 2011, the drills focused on disaster response at production facilities.

Following the implementation of these drills, the company identified issues that emerged from conducting the drills, and reevaluated the system used to check the safety of officers and employees in a crisis. This information was used to develop *Crisis Response Guidelines* that clarify the functions of temporary crisis response offices. In addition, the company is equipping the main plants and research facilities of Group companies, as well as head offices and headquarters, with satellite phones and wireless communications to use in an emergency, in order to strengthen the framework for risk management.

Immediately after the recent Great East Japan Earthquake, Otsuka Holdings and Group companies in Japan mobilized to form temporary crisis response offices, in accordance with the crisis response guidelines. The offices were headed by the respective presidents of the companies and worked to gather and share information in collaboration with other Group companies.

The crisis response guidelines direct companies to form a temporary crisis response office after an earthquake, and to verify the safety of officers and employees, as well as to assess the extent of injuries and damage to homes. Furthermore, the offices are to verify

the safety of customers and damage to plants and offices, as well as confirm the supply of products and verify damage to business partners. In addition to responding to these situations, the offices are to provide appropriate disclosure of information.

In accordance with the guidelines, Group companies have established systems for verifying the safety of employees and contract workers in disaster zones, and the extent of damage to homes. As mentioned above, Otsuka Holdings and Group companies were also equipped with emergency satellite phones and wireless communications. Although mobile phone services were heavily inundated on the day of the quake, making it very difficult to get through, the temporary crisis response offices were able to use computers, as well as satellite phones and wireless communications, to closely monitor the fast-changing situation on the ground.

By having emergency communications equipment at the ready, the temporary crisis response offices were able to rapidly respond to the situation by verifying the extent of damage to offices and plants. The offices were also able to secure relief supplies for disaster areas and provide logistical support, in addition to verifying product supply and issuing supply instructions. The Group will carefully examine the issues that arose during the March 11 quake response, and make improvements in order to further strengthen the framework for crisis management.



Wide-area radios used for emergencies

### VOICE

#### Leveraging Knowledge Gained from Crisis Management Drills

Shunya Kawano

Director of Administration Department, Otsuka Holdings Co., Ltd.

In January 2011, the management of Otsuka Holdings and six operating companies and their crisis response organizations conducted joint crisis management drills. The companies have their own crisis response manuals, but when we started conducting the drill, we ran into a number of issues. For example, there was confusion about what information to gather, and what response to take. It also became apparent that we didn't have enough equipment for emergency communications.

When the March 11 earthquake hit Japan, the companies were able to use the experience they gained from the drills to rapidly

form temporary crisis response offices, and use their satellite phones and wireless communications for emergency communications. This enabled the offices to rapidly collect information and to respond in a precise manner. However, there was some confusion about how to operate the system for verifying the safety of employees. There was also confusion about how to use the satellite phones. These were both reminders of the importance of conducting regular drills.

We will continue conducting these drills in order to further expand the framework for crisis management.





# Environmental Management

While respecting the autonomy of each company, the corporate members of the Otsuka Group actively exchange information and work as a united team to address today's increasingly complex global environmental problems.

## Environmental Management at the Otsuka Group

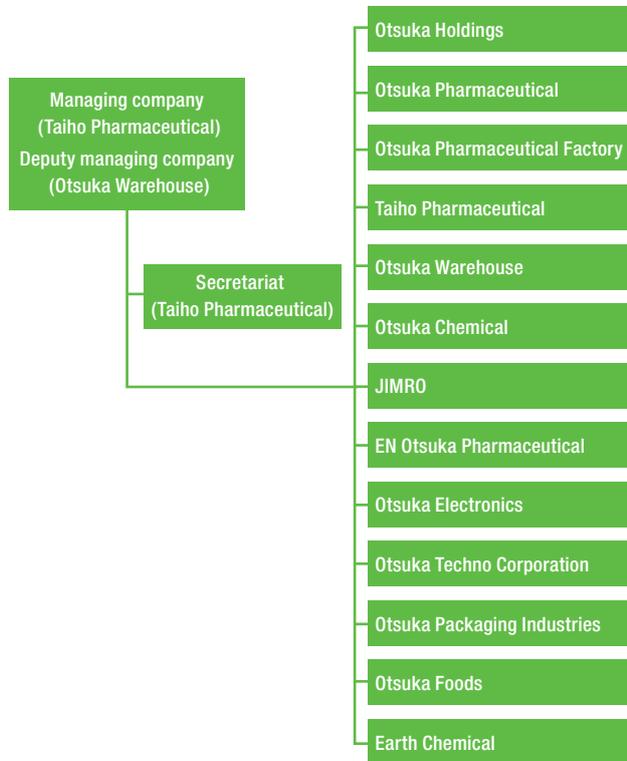
### Otsuka Group Environmental Promotion Council

The Otsuka Group Environmental Promotion Council was formed in 2003 to bring together staff involved in environmental and ISO initiatives, and facilitate exchange of a range of information, including on compliance with environmental regulations and technology trends. Thirteen Group companies currently participate in the council.

The council met four times in fiscal 2010 to exchange information on the following subjects: compliance with the revised Act on the Rational Use of Energy; adoption of energy-saving equipment such as LED lighting and solar power, and latest technology trends; and medium- and long-term planning for reducing CO<sub>2</sub> emissions under a post-Kyoto Protocol agreement. The Group has also developed a system for sharing environmental data, to facilitate the collection and sharing of accurate data and for the improvement of environmental initiatives.



● Organization of the Otsuka Group Environmental Promotion Council (Fiscal 2011)



\* Companies in parentheses are the managing companies for fiscal 2011.

## Status of ISO 14001 Certification

Most companies and individual sites in the Otsuka Group have obtained ISO 14001 certification, the international standard for environmental management systems. All Group companies are developing action programs that make the most of their unique capabilities.

Otsuka Chemical, Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, and Otsuka Foods went a step further and integrated ISO 14001 certification across their sites with the aim of streamlining and strengthening their initiatives.

### ● Status of ISO 14001 certification within the Otsuka Group

Otsuka Group in Japan			
	Site	Year certified	
Otsuka Pharmaceutical	Saga Factory, Tokushima Itano Factory	2000	
	Tokushima Wajiki Factory, Tokushima Factory, Second Tokushima Factory	2001	
	Takasaki Factory	2003	
	Fukuroi Factory	2004	
	7 sites integrated	2008	
	Otsuka Pharmaceutical Factory	Toyama Factory	1999
		Kushiro Factory	2002
Naruto Factory, Matsushige Factory		2003	
	4 sites integrated	2010	
Taiho Pharmaceutical	Saitama Factory	2001	
	Tokushima Factory	2003	
	Okayama Taiho Pharmaceutical	2006	
	Expanded to research divisions in Tokushima and Saitama	2009	
Otsuka Warehouse	Tokyo Branch	2005	
	Head Office, Osaka Branch, Aizumi Distribution Center	2006	
Otsuka Chemical	Tokushima Factory	1999	
	Naruto Factory, Matsushige Factory	2005	
	3 sites integrated	2005	
EN Otsuka Pharmaceutical	Headquarters/Hanamaki plant	2005	
Otsuka Techno	Wajiki Factory	2002	
	Head Office, Naruto Factory	2008	
Otsuka Packaging Industries	Factories at the Head Office	2005	
Otsuka Foods	Saga Factory	2008	
	Tokushima Factory	1999	
	Kushiro Factory, Shiga Factory, Mikuni Factory	2008	
	4 sites integrated	2008	
Otsuka Group sites outside Japan			
	Site	Year certified	
Egypt Otsuka Pharmaceutical		1997	
Otsuka Indonesia		2005	
Lautan Otsuka Chemical (Indonesia)		2006	
Korea Otsuka Pharmaceutical		2008	
Nutrition & Sante SAS (France)		2008	
Amerita Indah Otsuka (Indonesia)		2009	
Zhangjiagang Otsuka Chemical (China)		2009	
Pharmavite LLC (US)		2009	

## Environmental Initiatives Outside of Japan

### Pursuing Environmental Initiatives under ISO 14001

**Korea Otsuka Pharmaceutical**

Korea Otsuka Pharmaceutical manufactures and markets pharmaceuticals with a focus on the South Korean market. From its head offices in Seoul, the company oversees six sales branches and one manufacturing plant.

The Hyangnam plant embraces the philosophy that companies must take a leading stance on the environment to secure growth as trusted companies. In line with this philosophy, the plant has been operating a Health Safety Environment (HSE) Committee since 1996, to actively pursue initiatives for employee health and safety, and conservation of the global environment. The plant acquired Occupational Health and Safety Assessment Series (OHSAS) 18001 certification in 2010 as a platform for pursuing safety management.

In 2008, the plant acquired ISO 14001 certification as a basis for pursuing environmental initiatives. The plant received a Green Award in 2010 from Gyeonggi Province, in recognition of its excellent environment performance. The plant pursues a variety of ongoing initiatives, such as reducing CO<sub>2</sub> emissions by using natural gas-powered buses to shuttle employees. Every employee is involved in clean-up initiatives. These take place both in the community and around national parks and the Han River.



### New Eco-Bottle Packaging Introduced for Pocari Sweat in South Korean Market

**Dong-A Otsuka**

Dong-A Otsuka, which is engaged in the nutraceutical business in the South Korean market, introduced new eco-bottle packaging for Pocari Sweat in May 2011. The company previously purchased 500 ml PET bottles from a supplier, but introduced a new system using purchased preforms that are formed and filled in-house using the same line. The process takes place in near-clean room conditions, similar to a semiconductor production process, enabling the bottles to be filled at a lower temperature so that lighter, less heat-resistant PET bottles can be used.

The new eco-bottles are 6.2 grams lighter than previous bottles, for a 21% reduction in weight. This reduces usage by 200 tons of PET resin annually, equivalent to reducing 500 tons of CO<sub>2</sub> emissions or planting 100,000 pine trees.



### Introduction of Eco-Bottle Packaging and Initiatives for the Environment and Energy Conservation

**Otsuka Sims (Guangdong) Beverages**

Otsuka Sims (Guangdong) Beverages of China adheres to the principles of quality, safety, cost-efficiency and environmental friendliness in its manufacturing. The company focuses on measures to address global warming and rising resource prices, while striving to achieve unsurpassed levels of manufacturing efficiency, quality and environmental performance for Pocari Sweat manufacturing among Group companies. The company was the first in the Group to deploy an in-house eco-bottle production line, and has successfully built on this experience by making improvements to machinery and further reducing the weight of PET bottles, bottle caps and labels.

These initiatives led to a reduction of 224 tons of PET resin in 2010, equivalent to reducing CO<sub>2</sub> emissions by 672 tons annually. In addition, the company employs a system to recover waste heat from filling Pocari Sweat bottles. By using less steam, the company saves 70 kiloliters of heavy oil annually, which is equivalent to reducing CO<sub>2</sub> emissions by 260 tons per year.

Each division has separate teams for addressing quality, safety, cost and environmental issues. The teams meet every week to identify issues throughout the plant and rapidly execute improvements. This initiative has increased the number of improvement activities and has had a significant impact on enhancing the workplace environment. Safety has also greatly improved, and the number of occupational accidents has declined from an average of 7.5 accidents per year through 2009 to just three accidents in 2010.





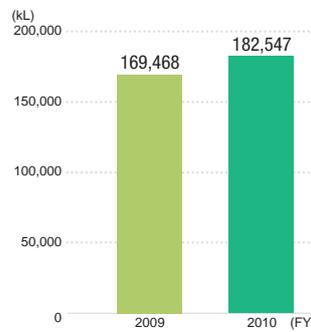
# Combating Climate Change and Conserving Energy

The Otsuka Group gives careful consideration to the natural environment and local communities and is undertaking a range of initiatives to reduce CO<sub>2</sub> emissions.

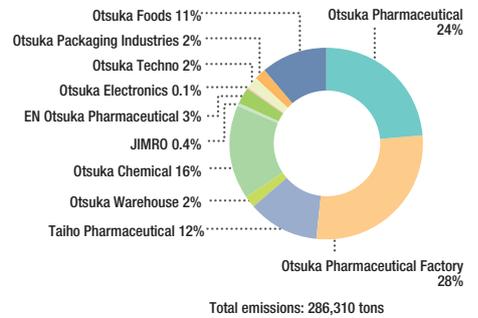
## CO<sub>2</sub> Emissions Report

In fiscal 2010, the 11 Group companies through their business activities used the energy equivalent of 182,547 kiloliters of crude oil, equivalent to 286,310 tons of CO<sub>2</sub> emissions. A large proportion of this energy use is from the extensive use of heat for sterilization processes in pharmaceuticals (I.V. solutions) and beverage production. The heat wave in Japan during the summer of 2010 caused beverage production to increase and required temperature control for pharmaceuticals, making it a major factor in the year-on-year increase in energy expenditure.

● Energy usage ratio (crude-oil equivalent)



● Carbon dioxide emissions by company in FY2010



## Initiatives to Reduce CO<sub>2</sub> Emissions

### Fuel Conversion and Consolidation of Steam Supply to Reduce CO<sub>2</sub> Emissions

**Otsuka Chemical** **Otsuka Pharmaceutical Factory**

In December 2009, Group companies in the Imagire region of Tokushima Prefecture carried out a plan to stop using heavy oil and migrate to utility gas for steam generation, as well as consolidate their steam generation facilities. Under the plan, the Tokushima Factory of Otsuka Chemical began centrally supplying steam to Group companies, using a gas turbine cogeneration system that can be efficiently operated to simultaneously generate both electricity and steam. Instead of having a surplus of steam generation, the move to adopt a central steam supply created a balance between steam generation and electricity generation to improve operational efficiency.

In addition, the Tokushima Factory installed 17 small through-flow boilers that use utility gas, enabling the plant to adjust the number of boilers it operates according to steam loads. The system enables the plant to efficiently generate steam, which was not generated in sufficient quantities from the waste heat boilers of gas turbines. The initiative enabled the Tokushima Factory to reduce CO<sub>2</sub> emissions by 2,500 tons in fiscal 2010.

The Matsushige plant of Otsuka Pharmaceutical Factory operates a cogeneration system that runs on liquefied natural gas (LNG). The system supplies electricity and steam to Group companies located at the same site, to efficiently use waste heat and reduce CO<sub>2</sub> emissions.



## VOICE

### Supplying Energy for Group Companies in the Tokushima Region

Suiji Komatsu

Manager, Maintenance and Energy Center, Production Headquarters, Otsuka Chemical Co., Ltd.



Our primary role as an energy center is to provide Group companies with a stable supply of energy. This is highly dependent on routine maintenance and the efforts of our operators to achieve stable operations round the clock. We must also consider environmental as well as quality and cost issues. We have made it a priority to adopt measures in case of earthquakes and tsunamis for our utility equipment, in response to the Great East Japan Earthquake.

### Group Companies in Shikoku Cited for Environmental Excellence in Fiscal 2010

**Otsuka Pharmaceutical** **Otsuka Warehouse**

The Tokushima Itano Factory of Otsuka Pharmaceutical was cited by the Shikoku Bureau of Economy, Trade and Industry for excellence in environmental management during fiscal 2010. The award was given in recognition of the plant's active pursuit of production efficiency improvements.

In addition, the Naruto Office of Otsuka Warehouse was cited by the Shikoku Regional Electricity Use Council for implementing energy-saving initiatives, including the installation of high-efficiency lighting. The project used subsidies provided under the Support Project for Industries for Increasing Efficient Use of Energy operated by the New Energy and Industrial Technology Development Organization (NEDO).



## Using Green Energy

Otsuka Pharmaceutical Factory Otsuka Chemical  
Otsuka Warehouse EN Otsuka Pharmaceutical

Otsuka Group companies are pursuing ongoing initiatives to install solar panels for power generation, to help reduce CO<sub>2</sub> emissions. The Otsuka Pharmaceutical Factory operates a 20 kilowatt photovoltaic system at its Information Center for Infusion Therapy and Products, cutting CO<sub>2</sub> emissions by eight tons annually.

Otsuka Chemical's Tokushima Factory operates a 30 kilowatt photovoltaic system using panels installed on the rooftop of its office building. In February 2009, Otsuka Warehouse installed a five kilowatt photovoltaic system at its Osaka Head Office and a 50 kilowatt system at its Osaka Branch, as well as a 70 kilowatt system at the

Imagine No. 5 Warehouse at the Shikoku Branch. The initiatives led to a reduction of 94 tons of CO<sub>2</sub> emissions annually: 41 tons and 53 tons of emissions in Osaka and Tokushima, respectively.

EN Otsuka Pharmaceutical has been operating a 12.5 kilowatt photovoltaic system since March 2006, to generate electricity for plant lighting and electrical receptacles. In fiscal 2010, the system generated 4,842 kilowatt hours, which is the equivalent of 1,245 liters of crude oil.

The Otsuka Group will continue to explore strategies to address global warming, including the use of eco-friendly sustainable energy.



Information Center for Infusion Therapy and Products, Otsuka Pharmaceutical Factory



Office building of Tokushima Factory, Otsuka Chemical



Imagine No. 5 Warehouse, Otsuka Warehouse



EN Otsuka Pharmaceutical

## Distribution

The Otsuka Group practices environmentally friendly distribution.

### Initiatives in Distribution

#### Eco-Friendly Logistics

Otsuka Pharmaceutical Factory Taiho Pharmaceutical Otsuka Warehouse

Every year, the Otsuka Group formulates and executes a CO<sub>2</sub> emissions reduction plan. In order to reduce emissions from logistics, the Group is implementing a modal shift from truck transport to the use of sea transport. The Maritime Bureau of the Ministry of Land, Infrastructure, Transport and Tourism has singled out several Group business locations for excellence under the Eco-Ship Modal Shift projects, recognizing the progress they have made. The Naruto Factory and Matsushige Factory of Otsuka Pharmaceutical Factory

and Okayama Factory of Taiho Pharmaceutical were cited as shippers, while the Shikoku Branch and Ako Branch of Otsuka Warehouse were cited as logistical providers.

The Group will endeavor to continuously improve its logistics in order to further reduce the environmental impact of logistics.



### Reducing Energy Consumption from Cargo Transport

In fiscal 2010, the five companies\*<sup>1</sup> of the Otsuka Group that are designated as specified consigners\*<sup>2</sup> achieved a 5.5% year-on-year reduction in energy consumption per ton-kilometer.\*<sup>3</sup> This was also a 15.9% reduction in energy consumption compared with the baseline year of fiscal 2006. The Group is focusing on reducing CO<sub>2</sub> emissions through a transport modal shift toward sea transport and overland trailer transport, and through delivery efficiency improvements.

● Ton-kilometers and energy consumption per ton-kilometer by five specified consigners of the Otsuka Group



\*<sup>1</sup> Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, and Otsuka Foods

\*<sup>2</sup> Specified consigners, designated by the Minister of Economy, Trade and Industry according to the revised Act on the Rational Use of Energy, have a volume of freight transportation (in ton-kilometers) in Japan of 30 million ton-kilometers or more for a given business year. Specified consigners are required to submit periodic reports and reduction plans once a year.

\*<sup>3</sup> Energy consumption per ton-kilometer = Energy consumption (kL) / ton-kilometers  
A ton-kilometer is a unit that expresses freight volume. For example, one ton of cargo transported one kilometer equals one ton-kilometer.



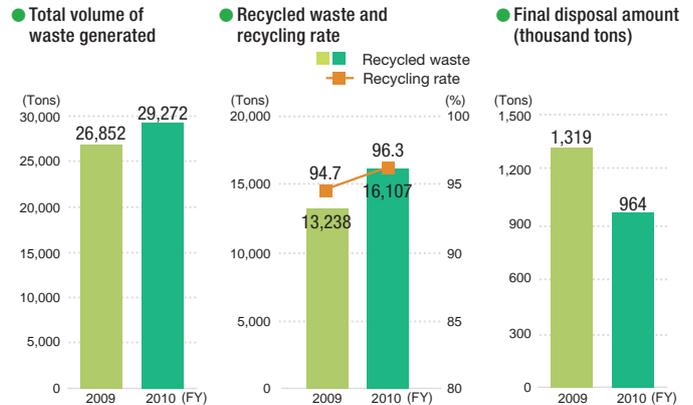
# Reducing Discharge of Waste and Conserving Resources

The Otsuka Group strives to minimize its use of natural resources by working to recycle waste and limit the final disposal amount.

## Waste Management

The 11 Group companies through their business activities generated 29,272 tons of waste in fiscal 2010, up 9% year-on-year for an increase of 2,420 tons. As a result of implementing recycling initiatives, the recycling rate was 96.3% in fiscal 2010 with 964 tons of final disposal amount, down by 27% year-on-year, or by 355 tons.

Although the volume of waste was up due to increased manufacturing of beverages, chemicals and components for precision devices, the final disposal amount was reduced as a result of aggressive recycling initiatives.



## Initiatives to Increase Recycling and Reduce Waste Discharge

### Recycling of Plastic within the Otsuka Group

Otsuka Warehouse Otsuka Pharmaceutical Factory Otsuka Pharmaceutical

As part of the Group's zero-emissions goals, Otsuka Warehouse recycles high quality polyethylene scrap\* generated from the manufacturing of intravenous drip bags and bottles at four plants in Japan belonging to Otsuka Pharmaceutical Factory. The scrap is used to produce recycled pellets, which in 2010 were certified by Tokushima Prefecture as a high quality, recycled low-density polyethylene (LDPE) raw material. Otsuka Pharmaceutical uses the recycled pellets to manufacture squeeze bottles.

\* Excess plastic formed on the edges of products during manufacturing.



Recycled pellets made from polyethylene scrap



Recycled product certification from Tokushima Prefecture

### Initiatives to Achieve Zero-emissions Goals

Otsuka Foods Otsuka Pharmaceutical Factory

In fiscal 2010, Otsuka Foods achieved zero-emissions\* of waste at the Kushiro soft drink plant and the Mikuni drink powder plant.

Under amendments to the Act on Promotion of Recycling and Related Activities for Treatment of Cyclical Food Resources (Food Recycling Act) that were introduced in December 2007, Otsuka Foods has pursued waste management initiatives focusing on the recycling of food waste at its plants. Previously, more than half of this food waste was incinerated.

The Kushiro plant successfully found a way to achieve zero-emissions of waste syrup, which it had struggled with, by switching to methane fermentation of waste syrup. This method produces biogas that is in turn used for power generation. By no longer incinerating waste syrup, which generates significant CO<sub>2</sub> emissions, the plant is able to use the waste syrup as a source of renewable energy.

The Mikuni plant switched to using a carbonizing process that is approved under the Food Recycling Act for waste powder generated during manufacturing. The carbonizing process enabled the plant to divert 25% of the waste powder it generates for fuel use, rather than incinerating the waste powder.

By adopting these processes and implementing stricter sorting practices to facilitate recycling, both plants achieved zero-emissions of waste in fiscal 2010. Otsuka Foods will take steps to secure the continuity of these initiatives and introduce the initiatives at other plants.

Otsuka Pharmaceutical Factory achieved zero-emissions of waste at four plants in Japan during 2009. These efforts enabled the plants to secure 3R Model Enterprise Certification from local governments as proof of their recycling efforts, and also earned the company a Minister of the Environment Award for Distinguished Service in Building a Recycling-Oriented Society in 2010.

\* Otsuka Foods defines "zero-emissions" using the formula: Recycling rate = (recycled amount + amount of valuable resources) / (final disposal amount + recycled waste + amount of valuable resources) × 100 ≥ 99 (%)

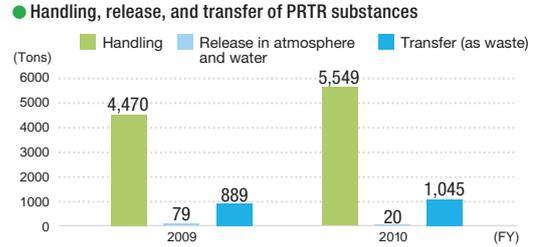


# Proper Management of Chemical Substances

The Otsuka Group pays careful attention to the safety and environmental effects of chemical substances, practicing proper chemical substance management at each stage from procurement through use to disposal.

## Pollutant Release and Transfer Register Substances

The 11 Group companies, through their business activities, handled 5,549 tons of Pollutant Release and Transfer Register (PRTR) substances in fiscal 2010. The figure was up on a year-on-year basis, due to amendments to PRTR legislation that were introduced in fiscal 2010 and resulted in more than 100 new substances such as n-hexane being added to the PRTR substance list. The Group handles many chemical substances for the testing of pharmaceuticals, and is endeavoring to reduce the release of these substances by improving the efficiency of chemicals recovery.



# Limiting Emissions to the Atmosphere and Water Systems

The Otsuka Group is striving to limit emissions in order to protect air and water environments by strengthening its voluntary management.

## Air and Water Pollution Prevention

### Preventing Air Pollution

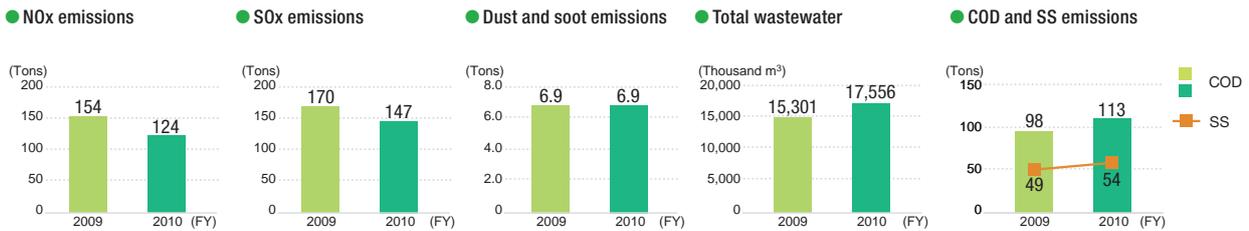
The business activities of the 11 main Group companies resulted in emissions of 124 tons of nitrogen oxides (NOx), 147 tons of sulfur oxides (SOx), and 6.9 tons of dust and soot, all of which were lower than the previous fiscal year.

The Group is endeavoring to reduce emissions by consolidating boiler facilities and switching to different fuels, as well as by implementing thermal efficiency improvements.

### Preventing Water Pollution

In fiscal 2010, the business activities of the 11 main Group companies resulted in a total wastewater discharge of 17,556,000 m<sup>3</sup>. Chemical oxygen demand (COD) emissions were 113 tons and suspended solid (SS) emissions were 54 tons.

The increase in total wastewater discharge is the result of increased manufacturing of beverages in fiscal 2010.



## Initiatives for the Atmosphere and Water Systems

### Okayama Factory Installs Biotope Pond

Taiho Pharmaceutical

In April 2011, the Okayama Factory of Taiho Pharmaceutical installed a biotope pond in its plant grounds, which provides a living environment for natural organisms. In manufacturing processes for Tiovita Drink, the plant generates purified cleaning water and cooling water that are of equal or better quality than tap water. These were previously released into the sewer system, but are now run through the biotope pond, which effectively enriches the water with eco-friendly plankton and lowers the water temperature. The new system enables the plant to discharge water that is richer in natural nutrients into the sea. The innovative wastewater approach is

expected to reduce CO<sub>2</sub> emissions by 23 tons annually from sewer processing that is now diverted to the biotope.





# Developing Environmentally Friendly Products and Technologies

As a responsible member of society that regards protection of the global environment as a critical priority, the Otsuka Group is working hard to develop products and technologies that can further reduce environmental impact.

## Pharmaceutical Products

### World's First Four-Chamber Injection Bags Reduce Waste

Otsuka Pharmaceutical Factory

Otsuka Pharmaceutical Factory developed ELNEOPA No. 1 injection and ELNEOPA No. 2 injection solutions formulated with five types of trace elements, adding to a lineup that includes high-calorie NEOPAREN No. 1 injection and NEOPAREN No. 2 injection solutions formulated with vitamins. The injection bags for the new products feature an innovative four-chamber design, to realize the world's first quad-bag kit formulation that greatly simplifies administration.

The bags feature an upper chamber that is further divided into two smaller chambers, one for vitamins and the other for trace elements. Packaging these in a single kit bag significantly reduces waste that would otherwise be generated from separate packaging for solutions and needles. Otsuka Pharmaceutical Factory will continue to develop other eco-friendly products to meet the critical challenges of minimizing waste and conserving the environment for future generations.



## Research and Development

### Tape-Free Shipping Boxes for Facial Soap

Otsuka Packaging Industries

Otsuka Packaging Industries has developed new shipping boxes for facial soap that do not require packaging tape and consume fewer resources. Previously, the shipping boxes were filled and packaging tape was affixed in two places, in order to prevent the shipping invoice and pamphlets from escaping from the boxes. The shipping waybill was then affixed to the lid.

The new shipping boxes are now designed for the lid to snap into place without any gaps on the sides, and the shipping waybill itself secures the lid. The new design eliminates the need to affix approximately 30 cm of packaging tape, and takes 20% less time to prepare for shipment.

Previous shipping box



New shipping box design



## Nutraceuticals

### Lighter Tiovita Drink Bottles

Taiho Pharmaceutical

Taiho Pharmaceutical has long been working with a bottle supplier to reduce the weight of Tiovita drink bottles, in order to conserve resources and reduce energy used for transport. In February 2010, the company started producing Tiovita drinks in a new bottle that weighs only 99 grams, which is 8% lighter than the previous 107-gram bottles. The new bottles enabled a reduction of 1,300 tons of CO<sub>2</sub> emissions annually, saving 1,000 tons of emissions from bottle manufacturing and 300 tons of transport emissions.

The bottle supplier is also implementing initiatives to reduce CO<sub>2</sub> emissions from bottle manufacturing, such as reducing the energy consumption of manufacturing processes.



● Tiovita Drink bottle weight



### Sales of Formaldehyde Adsorbent

Otsuka Chemical

Otsuka Chemical manufactures and markets CHEMCATCH, a formaldehyde adsorbent. New home construction and home renovations can result in lingering formaldehyde release from glues used in building materials and plywood, which is harmful to the health of humans. The release of formaldehyde is strictly regulated under the revised Building Standards Act introduced in 2003.

CHEMCATCH is used in a wide variety of fields and applications for its ability to lessen the release of aldehydes from materials through chemical reaction, and the absorption of lingering aldehydes. Otsuka Chemical will continue to develop other products that benefit human health and address the environmental needs of society.



# Initiatives in Offices

Each company in the Otsuka Group is pursuing a variety of energy-saving activities in its offices and sales divisions to reduce environmental impact.

## Initiatives in Offices

### Migrating to Hybrid Vehicles for Corporate Fleets

**Taiho Pharmaceutical** | **Otsuka Pharmaceutical Factory** | **Otsuka Pharmaceutical**

The Otsuka Group leases hybrid vehicles for its sales fleet and is migrating to hybrids to replace vehicles in its corporate fleet. Taiho Pharmaceutical operates 301 hybrids, which make up 46% of its sales fleet. The migration to hybrids has improved average fuel economy by 2.5 kilometers per liter since adopting hybrids, a reduction of 200 tons of CO<sub>2</sub> emissions annually.

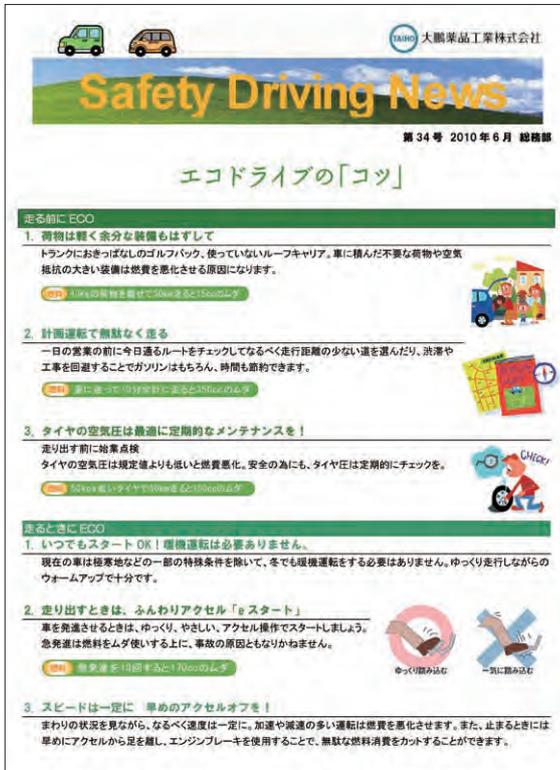
By the end of fiscal 2010, Otsuka Pharmaceutical Factory had adopted hybrids for more than half of its fleet, while Otsuka Pharmaceutical operated 517 hybrids out of a sales fleet of 2,071 vehicles. The company is also conducting trials for the adoption of electric vehicles.



### Encouraging Eco-Driving Practices

**Taiho Pharmaceutical**

Taiho Pharmaceutical educates its employees on eco-driving practices, through its in-house *Safety Driving News* publication (see below). In fiscal 2010, the company published a FAQ on eco-driving practices that contained concrete tips for employees.



## VOICE

### Trials of Electric Vehicles for Sales Fleet

Takashi Sakano

Pharmaceuticals Section 4, Tokyo Branch,  
Otsuka Pharmaceutical Co., Ltd



Since February 2010, we have been using electric vehicles (EVs) on a trial basis, to make our sales rounds to hospitals and pharmacies. The cars are roomier than one would imagine, and the acceleration, handling and braking are the same as a regular gasoline car. I was impressed by the supreme quietness of the EVs and the powerful acceleration. Since the vehicle is limited to 180 km on a single charge (or 120 km if using the air conditioning), some planning is required for long trips. I've noticed that driving a zero-emissions EV becomes a topic of conversation with my customers, and it has also given me a better awareness of safety and eco-driving practices.

### Light-Down Campaign

**Taiho Pharmaceutical** | **Otsuka Pharmaceutical**

The Ministry of the Environment of Japan promotes a national Light-Down Campaign to encourage the turning off of lights on two designated days each year. In support of the initiative, the Otsuka Group turned off lighting for signs and rooftop advertising at 32 offices across Japan that are either owned or leased by Group companies. The lighting was shut off during the entire period from June 18 through July 7, 2010, in addition to the two designated days of the government campaign, which saved nearly 12,418 kilowatt hours in fiscal 2010, equivalent to 6.8 tons of CO<sub>2</sub> emissions.

Taiho Pharmaceutical shut off lighting for the Tiovita signage at its head office building and extinguished parking lot lighting at its plants, which saved 3,000 kilowatt hours in fiscal 2010.





# Quality Initiatives

The Otsuka Group ensures that its products are safe, reliable, and of the highest quality by implementing a rigorous quality assurance program.

## Approach to Quality

The Otsuka philosophy of "Otsuka-people creating new products for better health worldwide" is reflected in both the products and services that the Otsuka Group offers as a human health company. It also drives the Group to place the highest priority on safety in its business activities, and forms the basis for the respective quality strategies and policies of Group companies.

### ● Otsuka Pharmaceutical's Quality Policy

Based on its corporate philosophy of "Otsuka-people creating new products for better health worldwide," Otsuka Pharmaceutical has formulated the following policy on quality:

1. Manufacture products from the perspective of the customer
2. Provide customers with clearly presented information
3. Take the views of customers seriously
4. Place the highest priority on customers' safety while making every effort to provide them with peace of mind
5. Conduct all actions ethically and fully comply with laws and regulations

## Quality Initiatives

### Good Manufacturing Practices for Pharmaceuticals Quality Control

Otsuka Pharmaceutical Factory

Otsuka Pharmaceutical Factory pursues initiatives to maintain and improve quality, working closely with the Group's seven international plants that manufacture I.V. solutions. The international plants are mainly based in Asia and engage in good manufacturing practices (GMPs) to secure quality control in the manufacturing of pharmaceuticals. Until now, however, the specific practices have varied slightly from country to country.

In fiscal 2011, Group companies held an international meeting to discuss the Group-wide adoption of an internationally harmonized GMPs, which requires the updating of quality assurance systems in and outside of Japan. The Group's nine plants in seven countries are working together to implement these updates and stay abreast of internationalization trends. The changes will make it possible for the plants to assume responsibility for supplying I.V. solutions based on an internationally harmonized GMP.



International meeting of quality control managers

### Product Development as a Best Partner of Both Patients and Healthcare Professionals

Otsuka Pharmaceutical Factory

Otsuka Pharmaceutical Factory endeavors to be a best partner of both patients and healthcare professionals in the field of clinical nutrition products. In particular, the company has focused on developing kits that help to reduce medical accidents and infection, while simplifying administration by medical practitioners. For example, the company developed ELNEOPA No. 1 injection and ELNEOPA No. 2 injection solutions in 2009. The products are packaged in an innovative quad-bag kit formulation and are the world's first high-calorie injection solutions formulated with vitamins and trace elements.

Certain types of vitamins lose their stability when formulated with trace elements, which Otsuka Pharmaceutical Factory addressed by developing quad-bag kits that greatly improve the stability of vitamins after mixing. The company will continue to develop other products that deliver superior quality and safety together with convenience.



### Quality Improvements from Eco-Bottle Production

Otsuka Pharmaceutical

Otsuka Pharmaceutical is reducing the weight of PET bottles, focusing on 500 ml eco-bottles made from preforms.\* The company's plants employ different systems, including use of in-house blow molding machines to open up preforms. In some cases the preforms are manufactured in-house. The latter eliminates energy expenditure and chemical use that is otherwise needed for bottle washing.

In addition, a method called positive pressure aseptic filling is being used. This enables filling at room temperature, which improves the flavor of beverages. Otsuka Pharmaceutical will continue working to develop manufacturing systems that raise quality and that are friendlier to the environment.

\* Preforms are test tube-shaped plastics that are expanded into a mold and formed into PET bottles.



### Equipment Maintenance System

Otsuka Chemical

Otsuka Chemical's three plants in Japan have jointly acquired ISO 9001 and ISO 14001 certifications for quality management and environmental management systems, respectively. Under ISO 9001/14001, the plants pursue the continuous improvement of product quality by focusing on quality of people, systems and work. The plants are driven by a commitment to delivering suitable quality to meet quality requirements.

To improve the quality of systems, the company's production headquarters calculates financial losses from lost production opportunities caused by problems on the production floor, to share an awareness of the issues. The company also operates an equipment maintenance system to prevent equipment problems. The system tracks information for more than 4,500 types of equipment, on everything from design and purchasing information to information about installation, operation and maintenance, as well as disposal.

### Safety and Security of Food Ingredients

Otsuka Foods

Initiatives to secure food safety and security are increasingly critical today, in light of the increasing importance of global procurement for securing the stable supply of basic ingredients for food production. Otsuka Foods, which manufactures products such as Java Tea and Bon Curry, operates traceability systems and identifies the origin of raw materials and the processes it uses.

In fiscal 2010, the company inspected management practices at tea plantations in Indonesia and checked pesticide management and usage. In China, the company inspected the safety of Chinese raw materials with the cooperation of Otsuka (Shanghai) Food Safety Research & Development, which has acquired CNAS certification.\*

\* Laboratory accreditation based on the ISO/IEC 17025, the global standard for testing and calibration laboratories, given by the China National Accreditation Service (CNAS)



### New Baking Ovens Improve Quality

Otsuka Pharmaceutical

Otsuka Pharmaceutical has improved the efficiency of baking ovens used to make Calorie Mate and SOYJOY products, replacing gas ovens with new ovens that use both gas and heat transmission from steam.

The new ovens achieve faster baking times, increasing production capacity approximately 1.6 times, while also improving the texture of goods through more even browning. Otsuka Pharmaceutical will pursue other initiatives in an effort to further reduce energy expenditure.



### VOICE

#### Leveraging Employee Ideas to Develop New Technologies

Takashi Yamaguchi  
Plant Manager,  
Tokushima Wajiki Factory,  
Otsuka Pharmaceutical Co., Ltd.



The circumstances that surround manufacturing are continuing to evolve, with economic factors and climate change having an impact on raw materials. This has created a pressing need to develop a production framework that is flexible and can adapt to external factors. At the Tokushima Wajiki Factory, we have made it a goal to develop new technologies and have been pursuing initiatives to improve production efficiency since 2008. The new baking ovens were developed out of an idea from one of our employees on the production floor, and we will keep striving to make further improvements.

### Quality Checks for the Safety and Security of Warehouse Operations

Otsuka Warehouse

Otsuka Warehouse pursues 6S activities focusing on *seiri, seiton, seiso, seiketsu, shitsuke* (sorting, setting in order, sweeping, standardizing, sustaining) and safety. The company performs daily, monthly and yearly checks of 6S items, as well as tracking the information. It also produces regular 6S quality check sheets to ensure that satisfactory quality is being achieved. These initiatives are maintaining the safety and security of warehouse operations and are helping to improve quality.



# Engagement with Customers

Every company in the Otsuka Group proactively communicates with customers, and shares the overall feedback received with the rest of the Group so that customer opinion can be reflected in corporate activities.

Social Report  
Engagement with Customers

## For the Enrichment and Health of Customers

### Aiming to Be a Best Partner of Both Patients and Healthcare Professionals

Otsuka Pharmaceutical Factory

I.V. solutions supply critical and basic life-saving medication to patients, and are used to treat dehydration and correct irregularities in bodily fluids caused by operations or medical conditions. The solutions also supply nutrients when patients are unable to eat properly, and are used to inject medicines into the vein in emergencies, as well as to treat special medical conditions. I.V. solutions can be formulated for a wide variety of situations and are essential to healthcare settings.

As the founding company of the Otsuka Group, Otsuka Pharmaceutical Factory started marketing I.V. solutions in 1946, originally supplied in glass containers. The company later became the first in Japan to develop plastic bottles for I.V. solutions in 1968, and since then has continued to improve the strength, transparency and heat resistance of I.V. solution packaging. In 1986, the company developed eco-friendly soft bag packaging for better aseptic delivery.

Then in 1994, the company developed a double-bag kit formulation comprising a soft bag with separated chambers filled with different solutions that are difficult to mix simultaneously, for instantaneous mixing to improve stability of the mixed formulation. The company followed this up in 2009 with the development of the world's first quad-bag kit formulation with separate chambers containing vitamins and trace elements, to further simplify preparation and enhance aseptic performance and utility.

In addition to I.V. solutions, the company has developed other products that are highly valued by the medical establishment, including antibiotic I.V. kit solutions and prepared solutions. These breakthrough products have earned Otsuka a reputation as an international leader in the field of I.V. solutions.

As a manufacturer of I.V. solutions, Otsuka Pharmaceutical Factory is working every day to make improvements and create innovative and safe products, in order to prevent medical accidents that can occur from medication errors or from the failure of chambers to open.

The company has been operating a nationwide sales organization for clinical nutrition products since 2005, in order to facilitate product development by incorporating feedback from healthcare settings, and increasingly complex and sophisticated medical information. The company also uses its own network to supply medical practitioners with more detailed information.



I.V. solutions therapy is a basic form of medical care. The *New Vision for the Pharmaceutical Industry* published by the Japanese Ministry of Health, Labour and Welfare classifies manufacturers of I.V. solutions under the category of basic drug pharma. As such, there is a need to secure the stable supply of I.V. solutions, as basic and essential drugs that support medical care.

As a market share leader and because of the importance of I.V. solutions as pharmaceuticals, Otsuka Pharmaceutical Factory will continue to dedicate itself to the stable supply of high quality I.V. solutions. To better facilitate the stable supply of products, the company operates a framework to secure rapid delivery to healthcare settings during disasters, and is spreading manufacturing among multiple facilities to safeguard against damage to individual plants.

As a leading company of I.V. solutions, Otsuka Pharmaceutical Factory will endeavor to be a best partner of both patients and healthcare professionals in the field of clinical nutrition, pursuing initiatives that advance all of medical care.

### VOICE

#### Role of the Information Center for Infusion Therapy and Product

Shogo Asanami  
Senior Manager,  
Training and Development Division,  
Information Center  
for Infusion Therapy and Products,  
Otsuka Pharmaceutical Factory, Inc.



I.V. solutions are commonly found in medical settings and are not complex in composition, but they still must penetrate the body's barriers in order to inject solutions directly into the veins. Although simple in composition, I.V. solutions can put patients at risk if not used correctly.

At the Information Center for Infusion Therapy and Products, we provide accurate product information to facilitate the proper administration of I.V. solutions. We also conduct in-house training for our employees and carry out training for healthcare professionals. The Otsuka Group is celebrating its 90th year of operations in 2011, which we have commemorated by creating an exhibit of product documentation from when the Otsuka Group was first established. We hope to keep people better informed about I.V. solutions, to facilitate their safe administration.

## Communication with Customers

### Customer Feedback

Otsuka Pharmaceutical

Otsuka Pharmaceutical operates a customer service office that deals with customer inquiries and responds to feedback and requests concerning nutraceutical products. The company has been operating a central Drug Information Center since 2005 to deal with inquiries from medical practitioners and patients, employing dedicated staff to provide useful information to facilitate the proper use of pharmaceuticals. The company also operates a Telephone Service Center that is open from 5:20 p.m. to 9:00 a.m. to field after-hour inquiries from customers.

Group companies of Otsuka Pharmaceutical also operate their own information centers to field inquiries from customers, patients and medical practitioners. Customer feedback is compiled in a database and used to improve products and corporate activities.



### Improved Packaging for Aloxi Injection Vials

Taiho Pharmaceutical

Taiho Pharmaceutical developed new packaging for boxes containing 5 ml vials of Aloxi Injection 0.75 mg, a serotonin-3 (5-HT<sub>3</sub>) receptor antagonist. The five-vial boxes previously used a folding divider to separate the vials. This was integrated with the box to facilitate disposal. However, the company received feedback from pharmacists and nurses who complained that the divider tended to lift up when removing a vial, causing the remaining vials to fall into the bottom of the box.

To address the complaints, the company designed a separate divider, unlike the previous boxes which used an integrated divider, to simplify the packaging. The cardboard material is unchanged in order to facilitate recycling. The size of the holes and the divider height were modified.



Previous integrated packaging

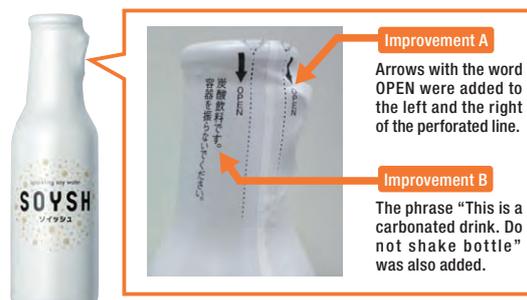


Redesigned packaging with separate vial divider

### Customer Input in Packaging and Labeling

Otsuka Pharmaceutical

Otsuka Pharmaceutical launched the SOYSH carbonated soy drink in July 2010, and has seen sales increase every month since the release. As customer inquiries about the product grew, the company received feedback that some customers were finding it difficult to determine where to open the bottles, as well as having difficulties opening the bottles. While the complaints amounted to only 40 inquiries out of some 3,000 calls fielded about SOYSH through March 2011, it was enough to convince the company to change the packaging and labeling for the convenience of customers. The modified SOYSH packaging was introduced in January 28, 2011.



### Reaching Consumers through Advertising

Otsuka Pharmaceutical Factory

Otsuka Pharmaceutical Factory received two awards for its magazine advertising for Oronine-H ointment. The awards included a Category A Division 1 award from the 53rd Annual Japan Magazine Ad Awards, and a Division 1 gold award in the 50th Advertisement Beneficial to Consumers Contest.

The particular advertisements were based around the concept of "saluting our working hands" and featured photographs of working hands with the ads looking like scrunched up paper.

The advertising was designed to reach consumers and communicate the features of the product through a simple yet eye-catching message.



## Survivorship.jp —Supporting Cancer Patients and their Families

Taiho Pharmaceutical

Taiho Pharmaceutical launched the Survivorship.jp website in 2007, to support cancer survivors and their families as well as medical staff. The website is operated in collaboration with the Shizuoka Cancer Center.

The website has a section on anticancer drugs, radiation therapy and food ideas, that features a wealth of recipes. Another section focuses on questions and answers about stomach cancer, with a fictional blog written from the point of view of a spouse whose husband has been diagnosed with cancer. The blog is designed to address the various concerns faced by cancer patients and their families.

There is also a section on anticancer drugs, radiation therapy and hair loss tips, featuring practical tips for using scarves to cover up hair loss, penciling eyebrows and applying artificial eyelashes. A section on lymphedema after cancer surgery explains about the condition and what to do, using videos and commentary.

The Survivorship.jp website received an award of excellence for providing information to make life better, as part of Best of Web awards for cancer education.



Lymphedema after cancer surgery

Anticancer drugs, radiation therapy and hair loss tips

## Website as a Portal for Communication with Customers

Otsuka Pharmaceutical

Otsuka Pharmaceutical uses its website as a portal for communication with customers, endeavoring to provide diverse information about health and illness. For example, the site provides information on preventing heatstroke, emphasizing the importance of keeping hydrated to people of all ages. The site offers eight strategies for preventing heatstroke during sports, through an animated video. The company fields many requests from schools and corporations who wish to link to the popular heatstroke prevention site, especially during the summer when heatstroke is prevalent.

There is also a section on tuberculosis, which has emerged into the spotlight again in recent years. The site endeavors to provide accurate information about how tuberculosis is contracted and how to prevent and treat it.

To promote children's health, the company publishes the Otsuka Health Comic Library, which features comics with accessible information about health and how the body works. These comics are being made available online. Additionally, the company is exploring ways to better communicate its corporate activities to the public, such as through virtual Web tours of production lines and plant facilities, as well as environmental initiatives.





# Engagement with Employees

The Otsuka Group provides a work environment in which every individual can reach his or her full potential, and it has established programs to develop self-directed employees. Otsuka people are the reason why the Group is able to create innovative and highly unique products for customers around the world.

## Promoting Diversity

The Otsuka Group conducts its business in the pharmaceutical and consumer products sectors, which are undergoing sweeping global changes. These changes demand human resources who are receptive to change and can lead a change in attitudes. The Group believes in enhancing synergies through business development that leverages the unique qualities of individual Group companies, and leaves hiring activities up to the discretion of each company. At the same time, the basic principles of the Otsuka Group are reinforced and shared through initiatives such as a Group assembly that is held every April in Japan to welcome new employees, and through joint education and training for new employees.



## Encouraging Hiring of Persons with Disabilities

**Otsuka Chemical** **Otsuka Pharmaceutical**

Otsuka Chemical has recently been focusing on hiring persons with hearing impairments, by creating work for persons with disabilities and removing workplace barriers.

Otsuka Pharmaceutical established Heartful Kawauchi Co., Ltd. as a wholly-owned subsidiary in October 2011, to create jobs for persons with disabilities. The subsidiary started operating in April 2011 and is currently waiting to receive certification as a special-purpose subsidiary under the Act on Employment Promotion Etc. of Persons with Disabilities.

The Group is committed to developing the talents of persons with disabilities and providing workplaces where they can flourish, by creating job opportunities that go beyond compulsory hiring requirements.

### ● Employees with disabilities (FY2010)

Otsuka Pharmaceutical	1.73%
Otsuka Pharmaceutical Factory	2.03%
Taiho Pharmaceutical	1.62%
Otsuka Chemical	2.65%

## I-Work Program

**Otsuka Pharmaceutical**

Otsuka Pharmaceutical is currently implementing a trial program called I-work that enables employees to work one day of the week from the home. The initiative is designed to encourage diversity in work styles. Forty employees are currently enrolled in the trial program, which reduces the everyday burden of commuting and enables employees to concentrate on their work without office distractions.

Employees in the program are finding that it is changing how they perceive their work and lifestyle, as well as quality of life, encouraging them to spend their remaining time at the office more efficiently. Otsuka Pharmaceutical will expand the program in the future and is planning to implement other programs to support the diverse work styles of employees.

## Otsuka Group Training and Study Groups

**Otsuka Holdings** **Otsuka Pharmaceutical** **Otsuka Pharmaceutical Factory**  
**Taiho Pharmaceutical** **Otsuka Warehouse** **Otsuka Chemical** **Otsuka Foods**

Diversity is encouraged throughout the Group. Seven Group companies including Otsuka Holdings and its main operating companies (Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Warehouse, Otsuka Chemical and Otsuka Foods) conduct joint training and study meetings. These initiatives are designed to enhance cohesion within the Group.

At the study meeting held in fiscal 2010, Group managers talked about ways to develop role models and change the attitudes of employees. Based on these discussions, the Group published profiles of role models from various Group companies in the Group newsletter, to highlight its diverse human resources and their thinking. The Group will continue to develop new initiatives to encourage diversity.



## Diversity Forum 2010

**Otsuka Pharmaceutical**

Otsuka Pharmaceutical organized the third Diversity Forum 2010 that took place in March 2011. The forum was attended by 211 employees including 49 female medical representatives. The employees came from R&D and sales departments of the Pharmaceutical Business Division, and from Head Office and Group companies outside of Japan. The forum focused on self-development sessions designed to develop employees who can lead the company to stable growth, and change their own attitudes and drive changes in behavior amid a constantly evolving business environment for pharmaceuticals. The forum proved to be invaluable to the employees from different areas of the company.



## Promoting Work-Life Balance

### Kurumin Mark Certification Signifying Active Corporate Support for Parenting

Otsuka Pharmaceutical Factory Otsuka Pharmaceutical Taiho Pharmaceutical

The Otsuka Group respects the diverse values and lifestyles of its employees and endeavors to provide an environment that enables employees to balance work and the home, under the mandate of the Japan's Law for Promotion of Measures to Support Development of the Next-Generation. In fiscal 2008, Otsuka Pharmaceutical Factory became the first company in Tokushima Prefecture to acquire certification to display the *Kurumin* mark, signifying its extensive corporate support for parenting. Otsuka Pharmaceutical also obtained Kurumin mark certification in fiscal 2008, as did Taiho Pharmaceutical in April 2010.

The Group will continue endeavoring to provide even better workplaces so that all employees can flourish at work.

● No. of employees taking parenting leave in FY2010

	Male	Female
Otsuka Pharmaceutical	1	80
Otsuka Pharmaceutical Factory	0	5
Taiho Pharmaceutical	13	16
Otsuka Chemical	0	3
Otsuka Warehouse	0	10



Kurumin mark

## VOICE

### Encouraging Employees to Take Parenting Leave

Akio Fujioka  
Drug Discovery Department,  
Tsukuba Research Center,  
Taiho Pharmaceutical, Co., Ltd.



I took four weeks off for the birth of my second child, after the company revised its parenting leave program. My plan was to spend the time looking after my first child and getting ready for the new baby, but right after the birth, our baby was taken to a general hospital outside my city to receive emergency care. As a result, my wife had to check out of the hospital by herself. It ended up being a hectic three weeks of commuting to the hospital to bring frozen breast milk and take videos of the new baby. I was glad that I had applied for the parenting leave.

For fathers, I think that it doesn't completely sink in that we have added a new family member until we see the baby. Sometimes it can seem like we are last in line to hold the baby, with breastfeeding going on. Nevertheless, I encourage fathers to take parenting leave and be actively involved in parenting. It just so happens that I will be taking parenting leave again in the fall of 2011.

### BeanStalk Kids Center Tokushima On-site Daycare Facility

The Group opened its first on-site daycare facility in April 2011, called the BeanStalk Kids Center Tokushima. The facility is located in Tokushima, where the Otsuka Group has its origins. With today's emphasis on work-life balance, the Group established the daycare facility as part of its efforts to provide conditions that enable employees to feel reassured about working while fulfilling their parenting duties. The Group is also considering the establishment of other daycare facilities both in and outside of Japan.

BeanStalk Kids Center Tokushima was named after the English folktale *Jack and the Beanstalk*, in which a bean is planted and then turns overnight into a giant beanstalk reaching up to the sky. The spacious one-story building covers 930 square meters inside and sits on a 4,528 square meter site. The building takes advantage of solar heat and light, as well as using wind and vegetation to provide a comfortable space that remains cool without the use of air-conditioning, on all but the hottest days.

The facility offers a diverse program that is designed to foster active minds and spark children's interest in all kinds of things. The building makes extensive use of pine from Tokushima Prefecture, and provides a safe and clean daycare environment to foster the talents and creativity of children and their individuality, in cooperation with their families.



VOICE

**Supportive Environment for Returning to Work**



**Noriko Hirota**  
Microbiological Research Institute,  
Otsuka Pharmaceutical Co., Ltd.  
with Seiya Hirota (6 months old)

It is reassuring for me to have my six-month old son attend BeanStalk Kids Center Tokushima. From the beginning, he has felt at ease here. Both my husband and I come from outside of Tokushima Prefecture, so it is reassuring to have a daycare facility close to work, where I can go and see how my son is doing on my work breaks. The daycare has also been supportive, by arranging opportunities to talk with nutritionists and ask questions that I have as a first-time mother, such as making baby food. I can tackle my work with the same security that I had before having my child. I look forward to fulfilling my responsibilities as both a parent and employee, thanks to the supportive environment that the company has provided.

VOICE

**Emphasizing both Work and Home**

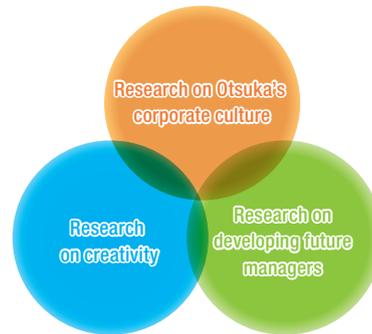


**Soshi Echigo**  
Manager, Sales Section,  
Tokushima Sales Office, Tokushima Branch,  
Nutraceuticals Division,  
Otsuka Pharmaceutical Co., Ltd.  
with Takashi Echigo (17months old)

My son has flourished at BeanStalk Kids Center Tokushima, and his vocabulary and expressions have grown. Since the daycare is close to my workplace, I can drop off and pick up my son when my wife is tied up, we can trade off duties. In many ways, it is hard to balance a sales job and parenting, but I think it is important to emphase both work and home life, when thinking about my future career path and the company organization. My own involvement as a parent is proof of the diversity of families. I am looking forward to exchanging information through the daycare.

**Human Resources Development**

The Group operates the Human Competence Development Institute for the identification and development of creative human resources with global capabilities. The institute was founded in 1988 with a mission to release people from their preconceptions and to develop creative human resources. Since then, the institute has pursued research on creativity, developing future managers and the Otsuka's corporate culture, and supports human resources development and training throughout the Group.



**Employee Health**

**Pocari/efresh Employee Exercise Program**

**Otsuka Pharmaceutical** **Otsuka Holdings**

As a comprehensive healthcare company, Otsuka Pharmaceutical recognizes the importance of employees knowing about health and taking steps to maintain and enhance their own health. The company provides company-wide health education and exercise programs, as well as educating employees on health matters. For example, the company operates the popular Pocari/efresh exercise program at its Tokyo, Osaka and Tokushima Headquarters, which leads employees through a weekly eight-minute program of invigorating exercises.





# Engagement with Local Communities

As a good corporate citizen, the Otsuka Group pursues social initiatives in ways that only Otsuka can, for the environment and for the communities in which it operates.

## Otsuka Group's social contribution activities

### Basic policy on social contribution activities

In keeping with the Otsuka Group's corporate philosophy, "Otsuka-people creating new products for better health worldwide," the business activities of the Group all aim to fulfill its mission of contributing to human health. In addition, Otsuka recognizes that it has a key role to play as a company committed to the betterment of human life, and uses the knowledge and experience it has gained, as well as its human resources and other management resources, to make a difference in the world. The Group is very engaged in social contribution activities and strives to be a good citizen of all the communities where it operates.

### Guidelines for social contribution activities

The Otsuka Group pursues social contribution activities that contribute to human well-being in the three key areas of health, the environment, and local communities.

## Support for Disaster-Stricken Areas OPSA

Otsuka Pharmaceutical in Spain operates a program for employees to make fixed monthly donations for worthy causes. Starting in April 2011, the firm joined a project whose goal is to improve the nutrition of children in Haiti.



## Otsuka Welfare Clinic →Page 42

## Charity Events OPEL OPFS

Otsuka Group subsidiaries in Europe are actively involved in charity events and fundraising efforts to find cures and eradicate disease.



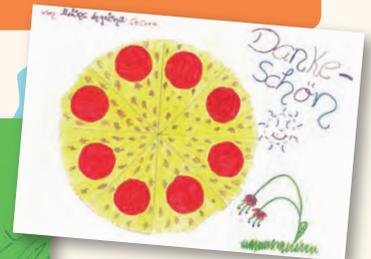
Employees of Otsuka Pharmaceutical France participate in an annual Fun Run for charity. The 2010 event raised funds to prevent mother-to-child transmission of HIV.



Employees of Otsuka Pharmaceutical Europe participated in the Race for Life—the UK's largest women-only run and walk event to raise funds for cancer research.

## Children's Welfare OPG

Employees of Germany-based Otsuka Pharma are supporting local children in foster care, by spending a full day with the children, through cooking classes and an airport tour. Employees also donate presents to an organization that distributes them to needy children in neighboring countries. In 2010, the company matched employees' donations, to collect 155 presents for needy children.



Thank you cards from children in foster care

**Employee Volunteerism** →Page 41 **Korea Otsuka Pharmaceutical** **Dong-A Otsuka**



- Otsuka Health Comic Library** →Page 44 **Otsuka Pharmaceutical**
- Pink Ribbon Campaign** →Page 44 **Taiho Pharmaceutical**
- Table for Two Program** →Page 44 **Otsuka Pharmaceutical**  
**Otsuka Pharmaceutical Factory** **Taiho Pharmaceutical** **JIMRO**

**Otsuka Museum of Art** →Page 43



**Supporting Children's Education and Health**

**Thai Otsuka Pharmaceutical**

Thai Otsuka Pharmaceutical pursues social initiatives with a focus on the education and health of children in Thailand. In 2010, the company implemented activities that combine fun and useful learning to support the physical and mental care of children in institutional care, through children's games that teach about nutrition and workshops for institutional staff.

The company's employees were also involved in the construction of a new school building to enable rural children to have access to education. Employees helped to procure supplies and textbooks, and painted murals on the school walls, sharing the excitement with the children at the school opening ceremony.



**Community Initiatives** →Page 41 **Amerta Indah Otsuka**

### Support for People in Local Regions

OAPI OMML OPDC

Three U.S.-based Group companies collect donations together with food, clothing and toys to give to community institutions, so that children in local facilities can enjoy the Christmas and New Year holidays.



OAPI: Otsuka America Pharmaceutical  
OMML: Otsuka Maryland Medicinal Laboratories  
OPDC: Otsuka Pharmaceutical Development & Commercialization

### Supporting the Social Participation of Persons with Developmental Disabilities

Pharmavite

Pharmavite regularly works with non-profit organizations to support the social participation of persons with developmental disabilities and to help them realize their dreams. The company collaborated on presenting the events, hiring those with disabilities to make sales promotion items, and helping with business operations and on marketing campaigns.



Start line of the 4th Annual Walk on the Horizon sponsored by Pharmavite



Exciting Summer in WAJIKI concert



Oronamin C Awa-Odori Sound Festival

### Participation in Awa-Odori Festival and Organization of the Events

The *awa-odori* folk dance is a colorful summer tradition in Tokushima. Each year, Group employees form four dance groups, and after grueling practice, show off their skills at the annual Awa-Odori Festival. Otsuka Chemical also sponsors the Oronamin C Awa-Odori Sound Festival, taking place on the night before the Awa-Odori Festival. On the evening of its festival, the music event is held in the Washinomon Plaza in Tokushima City and the event buzzes with energy.

Otsuka Pharmaceutical and Otsuka Techno sponsor the Exciting Summer in Wajiki outdoor concert event, which takes place on a grassy field at Otsuka Pharmaceutical's Wajiki plant in southern Tokushima Prefecture. The event is organized with the cooperation of the community and has become an annual tradition that draws crowds of young people and families.



Otsuka Ren dance unit from Otsuka Pharmaceutical



Otsuka Uzumaki Ren from Otsuka Pharmaceutical Factory



Otsuka Hatsuratsu Ren from Otsuka Chemical, Otsuka Foods and Otsuka Warehouse



TIOVITA Ren from Taiho Pharmaceutical

### Public-Private Partnership Maintains Forests in Tokushima

Taiho Pharmaceutical | Otsuka Pharmaceutical Factory

Taiho Pharmaceutical and Otsuka Pharmaceutical Factory are corporate partners of a forest conservation and maintenance initiative in Tokushima, which was launched with the introduction of a prefectural ordinance for the promotion of measures for combating global warming. The public-private partnership endeavors to improve the health of forests through thinning activities that restore the ability of forests to absorb CO<sub>2</sub>, as well as prevent landslides and provide ecosystems for living creatures, including insects. The days spent carrying out the thinning also serve as a recreational outing for employees and their families, with activities such as craftwork using acorns.

### Adopt an Eco-School Program

Otsuka Pharmaceutical | Otsuka Chemical | Taiho Pharmaceutical

Since fiscal 2007, Otsuka Pharmaceutical, Otsuka Chemical and Taiho Pharmaceutical have been working with junior high schools in Tokushima City to support environmental education. The initiative is part of an eco-school adoption program that is implemented through a public-private and university partnership involving the Tokushima Prefectural government.

In fiscal 2010, a total of 163 first-year students from Tokushima Junior High School were involved in various activities, including participation in study groups, environmental study of nearby rivers, and tours of wastewater treatment facilities at plants. The studies culminated in a group workshop for students to share their findings. Students reported that they gained a better understanding of how the wastewater they produce pollutes nearby waters, which indicates that the initiative is having a positive influence on awareness of environmental conservation.





# Engagement with Local Communities

## Indonesia



### Contributing to Indonesian Development

Amerta Indah Otsuka

Amerta Indah Otsuka actively pursues social initiatives in Indonesia that focus on education for children, in order to contribute to the nation's development.

#### Satu Hati Charity Events and Library Donations

Amerta Indah Otsuka has organized *Satu Hati* (One Heart) charity events since 2007. The company collaborates with media outlets to hold charity concerts and collect donations at major public gatherings. Different fund-raising approaches are taken, with the goal of building school libraries and purchasing books. In fiscal 2009, the program supported the building of libraries at 10 schools, and the donation books to 95 schools and other facilities.



#### Rebuilding Schools Destroyed in the Padang Earthquake

Amerta Indah Otsuka assisted the rebuilding of a new school that integrates two public elementary schools that were destroyed in the Padang earthquake that occurred in September 2009. The finished school has six classrooms and a library of around 700 books. It officially opened its doors in October 2010 for some 500 students.



#### Lining Coastline Streets with Recycled Garbage Bins

Amerta Indah Otsuka made 250 garbage bins out of empty drum containers used to transport raw materials and donated these to Sukabumi Regency in West Java. The garbage bins are placed on neighborhood beaches and at local shops to help keep the area clean. On the day of the presentation ceremony, employees joined local residents in cleaning up the beaches.



## South Korea



### Employee Volunteers Are a Dynamic Force in the Community

Korea Otsuka Pharmaceutical

All employees of Korea Otsuka Pharmaceutical participate in a volunteer group called *Osonji*, which is Korean for "Otsuka Benevolence Society." The group name is also a homonym of the Korean word for "sheet music," reflecting the desire of the members that the good effects of the social contribution activities of the entire group are notated, akin to notes on sheet music.

In 2010, the volunteer group visited ten public welfare facilities across the country, meeting with and lending a hand to senior citizens, children, and people with disabilities. In addition, some 130 employees participated in cleanup activities at Mt. Gwanak, designated a city park, and along the Han River.

### Volunteering on the 25<sup>th</sup> of Each Month for Ion Day

Dong-A Otsuka

Dong-A Otsuka (Korea) has designated the 25<sup>th</sup> of each month Ion Day, the day on which employees form teams and participate in a variety of volunteer activities. Pronounced [ee-oh] in Korean, 25 is the name used for Pocari Sweat, the ion supply drink in Korea. A total of 523 employees participated in these volunteer activities in 2010.

The activities focus on help at orphanages and nursing homes by preparing meals or cleaning residents' rooms. There are also activities that involve interaction between the generations at a tree-planting ceremony and at sports matches and other events. In the winter, volunteers bring cheer to senior citizens who live alone by taking them charcoal for heaters on home visits.



Pakistan



One-day medical clinic at the Azakhel refugee camp

**Free Medical Clinic for Afghan Refugees  
Otsuka Welfare Clinic**

Otsuka Pharmaceutical, Otsuka Pakistan and other Group companies in Asia and the Middle East established the Otsuka Welfare Clinic in 2003, to provide free medical care for Afghan refugees in Peshawar, Pakistan.

The clinic grew out of a desire to address the plight of Afghan refugees living in refugee camps in Peshawar, which is near the border with neighboring Afghanistan. The refugees originally fled their country to escape the conflict between U.S. forces and the Taliban following the September 11 terrorist attacks in 2001. These refugees faced critical shortages of food, clothing and housing, but despite many corporations and organizations donating relief supplies, the supplies were not effectively reaching the refugees. In response, Otsuka Pharmaceutical, which operates in Asia and the Middle East, came up with the idea of establishing a medical clinic. The company spearheaded a Group effort to open a clinic directly to provide much-needed treatment for refugees, leveraging the management capabilities of Otsuka Pakistan.

The clinic currently employs eight regular staff including doctors, nurses, midwives and pharmacists. Each day, the clinic sees some 260 patients, who are mainly women and children, providing treatment for respiratory and digestive ailments, as well as providing maternity and gynecological care. The clinic has treated more than 600,000 people since it opened, including providing treatment for people from local communities to ease the burden on local medical facilities.

In July 2010, heavy monsoon rains in Pakistan caused devastating flooding that affected some 20 million people in many areas of Pakistan. Staff at the Otsuka Welfare Clinic conducted

one-day medical clinics for disaster victims staying at the nearby Azakhel refugee camp and another location, working out of buildings that had survived the floods.

Otsuka Pakistan, with the assistance of the Otsuka International Asia /Arab Division of Otsuka Pharmaceutical, supplied intravenous drips for 29 facilities over a two-month period. Employees at Otsuka Pakistan also donated money to purchase food and water for victims, and employees were involved in getting supplies to 25 areas that were particularly hard hit by the floods, over a period of two months.

**VOICE**

**Directly Assisting  
Refugees and  
Disaster Victims**



Abid Hussain  
President  
Otsuka Pakistan Ltd.

At Otsuka Pakistan, we want to make a personal difference by helping to alleviate the hardship faced by refugees and disaster victims, beyond supplying pharmaceuticals through our business activities. We will continue doing as much as we can to support people who have been displaced for various reasons, including due to conflicts and disasters.





# Engagement with Local Communities

Japan



## Otsuka Museum of Art The World's Only Museum Displaying Masterpieces on Ceramic Panels

The Otsuka Museum of Art, an unprecedented museum exhibiting masterpieces reproduced on ceramic panels, was opened in Naruto, Tokushima in Japan, on the 75th anniversary of the founding of the Otsuka Group. The museum displays reproductions of many masterpieces of Western art, from ancient murals to modern works, from more than 190 museums in 25 countries. Rendered with special technology developed by Otsuka Ohmi Ceramics Co., Ltd., an Otsuka Group company, more than 1,000 pieces of art are now reproduced in their original size. Exhibition spaces occupy three underground and two aboveground levels. Works are displayed in the three categories of Historical Reconstruction, Historical Development, and a Thematic Section. Visitors can experience the transformation across 3,000 years of Western art and the artistic values represented by celebrated works from all over the world in Naruto.



## Creating New Value

In addition, the museum holds events designed to appeal to its diverse visitors, including programs to foster local culture and encourage children's interest in art, projects that integrate traditional performing arts, lectures, concerts, *shogi* competitions (Japanese chess), and *kabuki* performances.

In particular, the *Sistine Kabuki* is a new performance created in the Sistine Hall of the Otsuka Museum of Art that blends Eastern and Western elements to create a new type of *kabuki* performance.



Sistine kabuki



Sistine Cup Junior Shogi Competition



60th Oshosen Shogi Championships

### Donation from the Otsuka Health Comic Library to Elementary Schools

Otsuka Pharmaceutical

Aiming to help children take an interest in and gain a better understanding of their own health, Otsuka Pharmaceutical publishes a health comic book each year and donates copies to 23,000 elementary schools across Japan. The stories are written by nutrition and health experts. The illustrations are drawn in a way that is easy to understand by ten renowned *manga* artists, including Tetsuya Chiba, Takashi Yanase, and Fujio Production. Otsuka Pharmaceutical has been publishing these comic books for 22 years. The schools place the books in nurses' offices and in libraries where they are not only read by children, but are also widely used as reference materials by teachers and guardians. Otsuka Pharmaceutical has received letters of appreciation from 300 special needs schools and from overseas Japanese schools in 80 countries.



### Pink Ribbon Breast Cancer Awareness Campaign

Taiho Pharmaceutical

Taiho Pharmaceutical supports the Pink Ribbon campaign, which is dedicated to raising awareness of the need for early detection and diagnosis of breast cancer and to treatment of the illness. The company co-sponsors the Pink Ribbon Festival that is held in Tokyo and Kobe.

In 2010, the company distributed official Pink Ribbon products and pamphlets encouraging women to receive breast cancer screening, and raising awareness of the importance of screening. The company also supported the Pink Ribbon campaign in other ways, by adding Pink Ribbons to the sleeves of its women's softball team uniforms, and expanding its support website for breast cancer patients and survivors.



### Table for Two Program

Otsuka Pharmaceutical

Otsuka Pharmaceutical Factory Taiho Pharmaceutical JIMRO

Group employees participate in the Table for Two initiative that involves donating ¥20 for every healthy menu choice made by employees at company cafeterias. The money is donated to help children in developing nations. The cafeterias that offer the program belong to the Takasaki Factory area (Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical and JIMRO), Otsuka Pharmaceutical Tokushima Factory and Tokushima Itano Factory. The initiative is steadily growing and serves the dual purpose of encouraging better health choices for employees and benefiting children in developing nations.



### Support for "Hometown Rice Paddies and Water" Children's Art Exhibit 2010

Otsuka Holdings

Otsuka Holdings organizes an annual art exhibit by children to explore the splendors of their hometowns through paintings. The Children's Art Exhibit 2010 was sponsored by the Midori Net of the National Federation of Land Improvement Associations and revolves around the theme of "hometown rice paddies and water," offering entrants opportunities to win corporate-sponsored prizes and prizes for participation. Thirty-two paintings submitted by children in Tokushima Prefecture received prizes, and the works were featured in a one-month exhibit at the Otsuka Museum of Art Center Hall in December 2010. Many people viewed the exhibit, including the families of the young artists.



"The Rice Harvesting is Done" was awarded the Otsuka Holdings Prize



# CSR and Environmental Reports of Group Companies

Otsuka Group companies fulfill their social responsibilities as good corporate citizens by engaging in a wide range of activities to protect the global environment. The companies keep their stakeholders informed of these activities by publishing reports on their environmental and social initiatives.



### ● Otsuka Pharmaceutical's Environmental and Social Report 2011

Otsuka Pharmaceutical has been publishing an environmental and social report since 2003, with an editorial focus on providing accessible and accurate information. The 2011 report was published as a summary that was supplemented by data published on the corporate website.

<http://www.otsuka.co.jp/en/csr/report/>



### ● Taiho Pharmaceutical's Environmental and Social Report 2011

Taiho Pharmaceutical has published a report since fiscal 2004 to help its diverse stakeholders understand the company's thinking about its business activities and its environmental and social initiatives.

<http://www.taiho.co.jp/csr/report.html> (in Japanese only)



### ● Otsuka Chemical's CSR Report 2011

Otsuka Chemical has issued *Environmental and Social Reports* starting in 2006. In 2010, however, the company marked the 60th year of its establishment with the issuance of a new CSR report. Otsuka Chemical published the *CSR Report 2010* with the revamped objective of providing its diverse stakeholders with information on the company's business activities and initiatives related to social responsibility, as well as to raise awareness of these matters among its employees.

<http://www.otsukac.co.jp/society/index.html> (in Japanese only)



### ● Otsuka Pharmaceutical Factory's environmental initiatives

Otsuka Pharmaceutical Factory pursues a wide range of activities with the aim of becoming the best partner of people around the world in the field of clinical nutrition. The company reports on and introduces its environmental programs and social, cultural and sports activities on its website.

<http://www.otsukakj.jp/1about/08enviroment/index.html> (in Japanese only)



### ● Otsuka Warehouse's environmental initiatives

Otsuka Warehouse deepens each employee's understanding of the environment and pursues green logistics with the aim of reducing its environmental impact. Information is disclosed on the company's website to promote understanding of the company's environmental conservation activities and social contribution activities.

<http://www.otsukawh.co.jp/english/env/>

## Third-Party Opinion



Toshimichi Nishi  
Manager, Sustainability Services Department  
SGS Japan Inc.

On March 11, 2011, the East Coast of Japan was struck by a massive earthquake that affected countless people. The nation is now in the process of rebuilding. Stakeholders who read this Report will be very interested in learning how the Otsuka Group responded to the quake.

This Report outlines the Group's response to the quake and its relief efforts, in addition to describing the commitment made by senior management. The Group's relief efforts focused on the provision of beverages and foods, as well as pharmaceuticals, which matches the company's areas of business and is a testament to its corporate commitment and initiatives to supply products that benefit people.

The company's annual crisis management drills proved to be an asset in dealing with the March 11 quake, which deserves to be praised. Furthermore, the company has identified areas for further improving its crisis management, which indicates an ongoing improvement of risk management.

The *Otsuka Group CSR Report 2011* carries on from last year's *Environmental and Social Report*, while benefiting from expanded

reporting on social initiatives, including the company's response to the March 11 quake.

In the future, the company should place a greater emphasis on the seven core aspects of social responsibility as defined in the ISO 26000 standard, and incorporate them into future reports. This will help to further propel CSR throughout the Group and expand the actual initiatives, in addition to benefiting the Report.

For the future reporting of the Group's CSR initiatives, it should be noted that the environmental data in this Report covers the main 11 Group companies in Japan. Aside from environmental reporting, the Report is heavily focused on initiatives by Otsuka Pharmaceutical, Taiho Pharmaceutical and Otsuka Pharmaceutical Factory. However, these three companies together with Otsuka Chemical and Otsuka Warehouse provide their own reports and supply information on their social and environmental initiatives through their corporate websites, as mentioned at the end of the report. Future CSR reports would benefit from more reporting about initiatives throughout the Group, beyond these five companies.

The Group should also seek third party input on its process for preparing future Reports, to show stakeholders that it is using an objective process to prepare the reports. This would also give stakeholders a better understanding of the process used to choose articles for the report, and greater confidence in the accuracy of the data and Report contents.

Note: Opinions expressed above do not imply any evaluation of the accuracy of measurements and calculations presented in the report. Nor do these opinions constitute approval of the completeness of the information, in accordance with generally accepted standards for CSR reporting.

## Editorial Postscript

The *Otsuka Group CSR Report 2011* was assembled through many meetings by the editorial committee, whose members comprise employees of Otsuka Holdings as the publisher and of Group companies. Last year, we issued the *Otsuka Group Environmental and Social Report*, which summarized the environmental and social initiatives of Group companies from the perspective of the Otsuka Group. This year, the Report has been renamed the *Otsuka Group CSR Report* in order to communicate the Group's commitment to having a positive social impact through its manufacturing activities, driven by its corporate philosophy. We made this change based on what we learned from preparing last year's report, which gave us a better grasp of the social expectations on the Group and its social impact, together with the challenges that are involved. The front

cover design symbolizes the ties between the company and its stakeholders, and the desire to further strengthen these ties.

In April 2011, Otsuka was named for inclusion in the FTSE4Good Index Series, a leading global index for socially responsible investment. The listing is a testament to the progress that the company has made in its global initiatives. On behalf of the Otsuka Group, we will continue working to help build a solid base of trust between the Group and its stakeholders.

Editorial Committee  
*Otsuka Group CSR Report 2011*

Please contact us if you have any comments or feedback about this report.



Otsuka Holdings website  
<http://www.otsuka.com/en/>

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