

Message from the Director in Charge of Sustainability



Resolving Social Issues through Our Business

The Otsuka group of companies, in accordance with its corporate philosophy, "Otsuka-people creating new products for better health worldwide," seeks to be an indispensable contributor to people's health worldwide through a wide range of innovative and creative products including pharmaceuticals, functional beverages, and foods. We believe that by making our philosophy a reality we will effectively achieve sustainability. As such, our basic stance is to grow sustainably and help resolve social issues through our business, in accordance with that philosophy.

In 2019, when we unveiled the Third Medium-Term Management Plan, we also announced our Sustainability Mission and Materiality (the initiatives that Otsuka is focused

on) to further clarify the group's commitment to sustainable growth. The material issues were selected with consideration of social issues and based on the characteristics and strengths of the Otsuka group in conducting broad-ranging businesses, and we are working together to achieve the goals we have set for each material issue.

In Search of Solutions for Unmet Needs

One of the Otsuka group's important missions is to contribute to the resolution of unmet needs. We work every day to help in the prevention and treatment of illness around the world, and to maintain and improve peoples' health. Daunting challenges remain, including the threat of prolonged pandemics, insufficient medical infrastructure, lack of effective

treatments for some conditions, and undernutrition. We approach these issues by considering what only Otsuka can do and setting about addressing the related unmet medical needs.

For example, in the Pharmaceutical Business, we seek to eradicate tuberculosis—one of the "big three" infectious diseases. Tuberculosis is a serious public health challenge, and like COVID-19, accounts for a high number of deaths every year. In fact, tuberculosis kills 1.5 million people annually,^{1,2} and is particularly prevalent in the developing world. We continue to work with various partners around the world to deliver drugs and address the disparity in access to medicines due to economic factors.

In the Nutraceutical Business, we develop innovative science-based products that leverage the know-how that the Pharmaceutical Business has accumulated over many years, and conduct ongoing health education programs aimed at tackling challenges involved in access to nutrition. (See pages 43–44)

1. *Global Tuberculosis Report 2021*, World Health Organization

2. *WHO Coronavirus (COVID-19) Dashboard*, World Health Organization

People and Quality in All We Do Are Essential for Sustained Corporate Growth

Nurturing successive generations of talent is essential for the sustainable growth of a company. At the Otsuka group, we know that the diversity of our people is key to innovation, globalization, and the development of revolutionary products. That is why we always seek to hire a broad range of people, encourage effective personnel exchanges within the group, and conduct training that further invigorates and develops our workforce. The Otsuka Group Global Code of Business Ethics, a code of conduct for business activities in global markets, includes topics on human rights and diversity. Furthermore, we are signatories to the United Nations Global Compact (as of

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2016), which stipulates ten principles on human rights, labor, the environment, and anti-corruption, as well as to the Women's Empowerment Principles (as of 2017), thus further underlining our commitment to social responsibility. In addition, we released the Otsuka Group Human Rights Policy in 2021, and are engaged in group-wide initiatives to ensure respect for human rights. (See pages 45–46)

Commitment to quality has been an important part of the Otsuka spirit since the company's inception. "Quality in all we do" signifies not only our product quality, but quality at all stages of the value chain, from R&D and production through to distribution and accountability to customers, as well as quality in management. We will continue with our group-wide efforts to achieve higher levels of quality. (See pages 47–50)

Our 2050 Environmental Vision, "Net Zero"

The Otsuka group aims to help resolve social issues through its business activities. In 2021, amid the increasing seriousness of climate change and various other environmental issues, we adopted the 2050 Environmental Vision, "Net Zero," which calls for us to reduce the total environmental impacts of our business activities to zero. Under this vision, we identified three environmental material issues: *carbon neutrality*, *circular economy*, and *water neutrality*; set new medium-term targets that include reducing 50% in CO₂ emissions compared to 2017 levels by 2028; and raised the target of the Otsuka Group Plastic Policy to 100% use of recycled and plant-derived raw materials in our PET bottles by 2030. The group will work as one to achieve its 2050 Environmental Vision, "Net Zero," by pursuing unique initiatives to realize a sustainable society that can be passed on to future generations. (See pages 51–55)

Further Strengthening Group Corporate Governance

For the Otsuka group to remain relevant to all stakeholders, a strong governance structure is necessary. Based on realizing its corporate philosophy, Otsuka Holdings is committed to maximizing corporate value sustainably over the medium to long term. To meet this commitment, its basic policy is to make transparent, fair, and timely decisions, and to fulfil its corporate social responsibility by living up to the expectations of all stakeholders and engaging in ongoing dialogue. Governance has been a key focus since the establishment of Otsuka Holdings. We continue working to strengthen governance, as illustrated by the introduction of Enterprise Risk Management (ERM) in July 2020. (See pages 62–73)

Sustainability Management Structure

We believe that sustainability initiatives are an integral part of our business and should be undertaken by each and every employee. To this end, the Otsuka group has established the Otsuka Group Sustainability Promotion Committee.

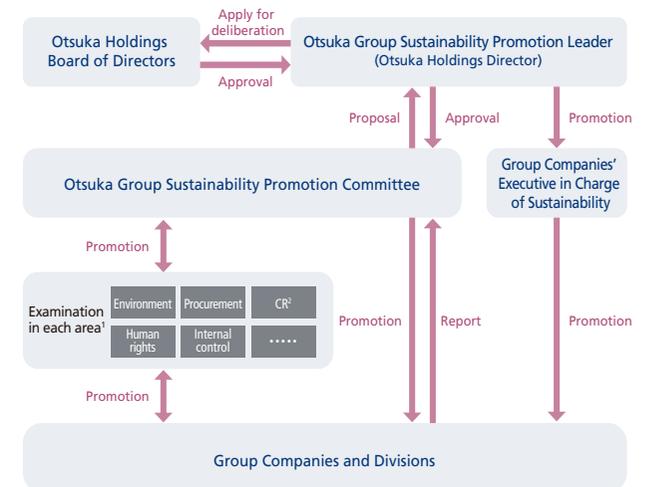
The committee was formed in 2018 to discuss and determine the direction and plans for the group's sustainability efforts. Committee members comprise managers of departments related to sustainability-relevant areas such as the supply chain, the environment, human resources, general affairs, compliance and risk management, public relations, and, from 2021, production and quality.

For those in charge of the supply chain, the environment, human rights, and other relevant areas, the committee provides a forum for sharing their initiatives and progress on sustainability

issues. Amid rapid day-to-day change in the external environment and societal demands related to sustainability, opportunities to participate in lectures and discussions by outside experts on the latest trends are also provided.

We at the Otsuka group are committed to growing sustainably in accordance with our corporate philosophy and resolving social issues through our business.

Sustainability Management Structure



1. Activities are promoted through various conference bodies, WGs, TFs, and others (including time-limited PJ)
2. Consumer Relations