

The Otsuka Group's Approach to Sustainability

The Otsuka group has determined its material issues to be society (health, people, quality in all we do), environment (carbon neutrality, circular economy, water neutrality), and governance, and worked as a group to achieve its medium-term goals.



- 1 Identification of social issues with reference to respective international guidelines
- 2 Assessment of social issues that our business activities can contribute to solving and their importance
- 3 Determination of material issues by the Sustainability Promotion Committee from the viewpoint of their impact on society and on the Otsuka group
- 4 Approval at the Otsuka Holdings Board of Directors meeting

Process for Determining Materiality (Material Issues)

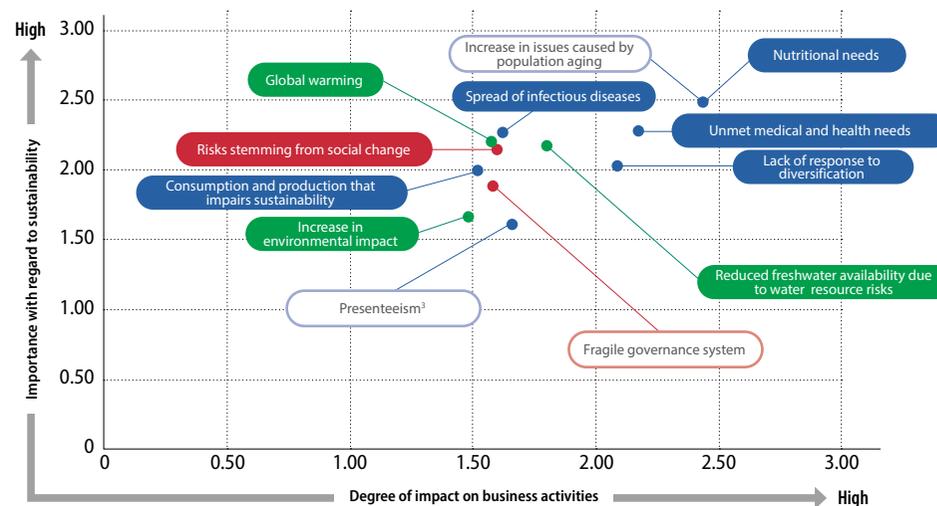
Materiality is initiatives that Otsuka is focused on. To determine the Otsuka group's material issues, we first compiled a list of social issues, referencing a range of international guidelines and frameworks, including ISO 26000, GRI, and the U.N. SDGs. We narrowed down the list of issues by evaluating them in terms of their importance, taking into account our ability to contribute to a solution, their impact on business, and our strengths.

Issues were then discussed by the Sustainability Promotion Committee¹ and approved at the Otsuka Holdings Board of Directors meeting.

¹ The Sustainability Promotion Committee promotes sustainability throughout the Otsuka group. The committee's responsibilities include discussing and deciding on the direction and plans for sustainability activities. The Otsuka Holdings director in charge of sustainability promotion serves as the committee chair. Committee members comprise group managers of departments relating to sustainability and the sustainability officers of each company.

Map of Social Issues²

We compiled a list of social issues relevant to the Otsuka group's businesses and created a map of social issues considering their importance in terms of sustainability and degree of impact on business activities.



² Issues printed in colors are the nine priority social issues

³ A situation in which, despite coming in to work, productivity does not increase due to the employee's poor mental and physical condition

Materiality (Material Issues)

Materiality	Social Issues	Our Goals	Our Activities	Related SDGs	
 Society (Healthier Society)	 Health	① Unmet medical and health needs ② Spread of infectious diseases ③ Nutritional needs ④ Increase in issues caused by population aging	<ul style="list-style-type: none"> Contribution to the resolution of unmet needs Eradication of tuberculosis Creation of a system for the realization of healthy lifestyles Healthy life extension 	<ul style="list-style-type: none"> Promotion of R&D for unmet needs R&D of anti-tuberculosis drugs and improvement of drug access Support and awareness activities for people's health maintenance/improvement, mainly on exercise and nutrition, etc. Promotion of problem solving by strengthening partnerships 	   
	 People	⑤ Presenteeism ¹ ⑥ Lack of response to diversification	<ul style="list-style-type: none"> Creation of a corporate culture that stimulates creativity Enhance employee engagement 	<ul style="list-style-type: none"> Human resource development Diversity promotion Health and productivity management 	   
	 Quality in All We Do	⑦ Consumption and production that impairs sustainability	<ul style="list-style-type: none"> Gaining stakeholder trust Pursuing sustainability at all levels of the value chain Establishing a quality assurance system for safety and security 	<ul style="list-style-type: none"> Sustainable procurement and product design Thorough quality control and stable supply Responsible promotional activities and information provision Deepening communication with stakeholders Promotion of "Consumer-oriented management" 	
 Environment (Healthier Planet)	 Carbon Neutrality²	⑧ Global warming	<ul style="list-style-type: none"> 2028 target: Reduce 50% in CO₂ emissions compared to 2017 	<ul style="list-style-type: none"> Reduce CO₂ emissions throughout the value chain 	  
	 Circular Economy³	⑨ Environmental load increase	<ul style="list-style-type: none"> 2028 target: Reduce 50% in simple incineration and landfill disposal compared to 2019 2030 target: 100% content of recycled and plant-based materials in our PET bottles 	<ul style="list-style-type: none"> Reduce environmental impact by improving resource efficiency Promotion of business activities aimed at sustainability for both society and the earth 	  
	 Water Neutrality⁴	⑩ Reduced freshwater availability due to water resource risks	<ul style="list-style-type: none"> 2028 target: Expand the plant water management program to all locations globally 2028 target: Develop a water use strategy for business locations in water-stressed areas 	<ul style="list-style-type: none"> Understanding water resource risks Management and effective use of water resources 	
 Governance	⑪ Fragile governance system ⑫ Social change risk	<ul style="list-style-type: none"> Long-term improvement of corporate value 	<ul style="list-style-type: none"> Strengthen corporate governance Thorough compliance Risk identification, evaluation and management 		

1. A situation in which, despite coming in to work, productivity does not increase due to the employee's poor mental and physical condition
 2. To reduce CO₂ emissions from business activities to substantially zero (calculated by subtracting uptake from emissions)
 3. To establish an economic system that recycles resources by reusing waste discharged from business activities as new raw materials
 4. To reduce the impact of water intake and discharge from business activities on water resources to zero

Fiscal 2023 Goals and Fiscal 2022 Progress

Among the 12 social issues determined to be Otsuka group's materiality, we selected nine issues that we regard as especially important at present, and set goals related to them for fiscal 2023.

Social Issues	FY2023 Goals	FY2022 Progress
1	<ul style="list-style-type: none"> Promotion of R&D for unmet needs Address unmet needs in the psychiatry and neurology areas Create first-in-class products in the oncology area Create first-in-class products in the cardiovascular and renal area In areas with unmet needs New development projects: 10 or more Late-phase development projects advancing to the next phase: 30 or more 	<ul style="list-style-type: none"> In areas with unmet needs New development projects: 17 projects¹ Late-phase development projects advancing to the next phase: 27 projects
2	<ul style="list-style-type: none"> Provide delamanid for more than 60,000 cases Supply DELTYBA (generic name: delamanid) for pediatric patients Launch a clinical trial for new treatment regimen Increase access to delamanid by collaborating with partners 	<ul style="list-style-type: none"> Provided delamanid for 90,000 cases ahead of schedule, in more than 120 countries/regions DELTYBA pediatric formulation available from the Global Drug Facility (GDF), from June 2022 Contract signed in collaboration for a clinical trial of a new treatment regimen, August 2022
3	<ul style="list-style-type: none"> Challenge new categories and new areas Create new systems and reinforce existing systems for the realization of healthy lifestyles Create new concepts and products keeping an eye on changes in environments 	<ul style="list-style-type: none"> Executed comprehensive cooperation agreements on health with all 47 prefectures in Japan and other local governments, and promoted collaboration in health and other fields Raised awareness of proper hydration and electrolyte replenishment Continued to hold Women's Health Seminars More than 30 years of publishing the Otsuka Health Comic Library
6	<ul style="list-style-type: none"> Further instill the corporate culture and philosophy Build systems for ongoing human resource development aligned with changes in society and the times Further promote and instill diversity as a source of innovation Build new systems to maintain more comfortable working environments 	<ul style="list-style-type: none"> Cumulative total participants in the executive human resource development programs of Otsuka Global Academy (OGA): 257² Opened employee training facility Implemented employee participation program
7	<ul style="list-style-type: none"> Suppliers implementing self-assessment questionnaire (SAQ): 196 Pursuing sustainability at all levels of the value chain Sustainable procurement Conduct supplier briefings For 160 suppliers Original goal: Over 30 times/companies by fiscal 2023 	<ul style="list-style-type: none"> Number of companies implementing SAQ: 597 (577 in Japan, 20 overseas) Number of companies participating in on-demand information sessions for suppliers: 583 Stable supply of products during the COVID-19 pandemic Held a group-wide Global Quality, Production, Supply chain and Environment Meeting
8	<ul style="list-style-type: none"> Reduce CO₂ emissions by introducing renewable energy and maximizing energy efficiency Reduce CO₂ emissions throughout the value chain 	<ul style="list-style-type: none"> Established an integrated energy service system to centralize energy management in Japan
9	<ul style="list-style-type: none"> Reduce environmental impact through enhanced resource efficiency Promote business activities that aim for social and environmental sustainability 	<ul style="list-style-type: none"> Expanded sales of PET bottles using recycled PET resin Promoted horizontal recycling of PET bottles
10	<ul style="list-style-type: none"> Analyze and ascertain risks regarding sustainable water usage Ensure effective use and management of water resources 	<ul style="list-style-type: none"> Implemented water source management programs at three sites
12	<ul style="list-style-type: none"> Build a system to strengthen compliance within the group Strengthen corporate governance to further raise effectiveness Build a governance system capable of global business development and response to various changes 	<ul style="list-style-type: none"> Carried out activities for directors to raise effectiveness Board of Directors meeting attendance rate: 100% Implemented the Otsuka Group Global Anti-Fraud Policy Establish the Otsuka Group Global ERM⁶ Policy Establish the Otsuka Group's Global ERM Implementation Guidelines.

1. Cumulative total since 2019

2. As of December 31, 2022

3. From 20 companies (16 in Japan, 4 overseas) * For more details, see page 27.

4. PT Otsuka Indonesia, PT Amerta Indah Otsuka, PT Widatra Bhakti, and PT Lautan Otsuka Chemical

5. Includes carbon-neutral electricity utilizing certificates equal to renewable energy that does not emit CO₂

6. ERM: Enterprise Risk Management

Relationship between Materiality and the Medium-Term Management Plan

■ Description of Materiality ■ Description of MTM Plan

