

Environmental Management

Otsuka Group's Environmental Policy

The Otsuka group, aiming to be an indispensable contributor to people's health and global environment, continues to challenge issues with creativity to realize a society where people and the earth can coexist into the future.

Activity Guidelines

1. Environmental Compliance

We enhance the effectiveness of environmental compliance and reduce risks.

2. Environmental Management

We continuously improve our environmental management system and promote activities related to environmental materiality.

3. Environmentally Considerate Technology

By proactively developing and introducing environmentally considerate technologies, we provide products and services that contribute to the formation of a sustainable society.

4. Human Resource Development

We foster human resource development and corporate culture, and each employee is engaging in environmental activities through daily activities.

5. Communication

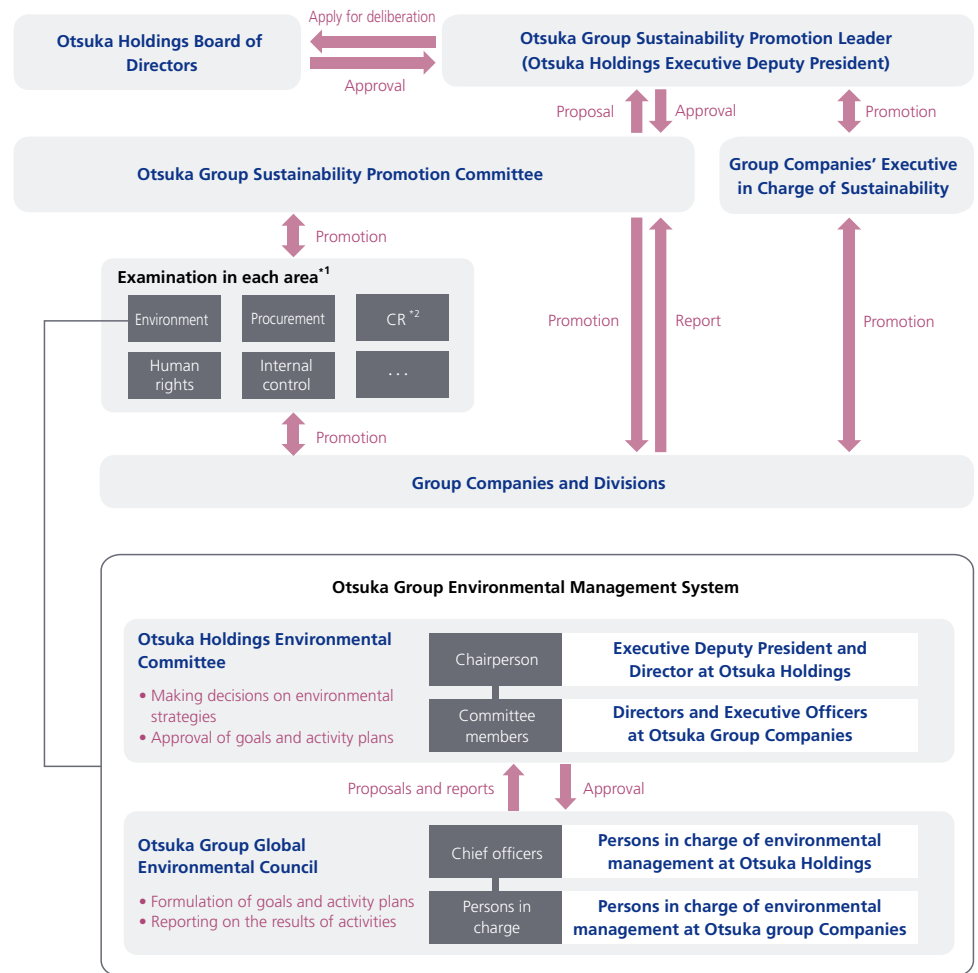
To foster communication with stakeholders, we disclose environmental information with high transparency.

(Revised April 2024)

We have established the Otsuka Group Sustainability Promotion Committee chaired by the director in charge of sustainability promotion at Otsuka Holdings. This committee is dedicated to promoting initiatives aimed at realizing sustainability within our group. As one of our sustainability initiatives, the Otsuka Holdings Environmental Committee established our group's environmental strategies and ensure their implementation at our operating companies.

 [Details of the system of governance](#)

Sustainability Management Structure

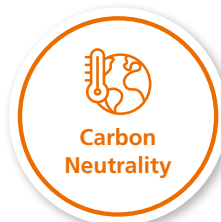


*1 Activities are promoted through various conference bodies, WGs, TFs, and others (including time-limited PJ)

*2 Consumer Relations: Activities to build trust between companies and consumers

2050 Environmental Vision of "Net Zero" – Zero environmental impact of all our business activities –

The Otsuka group, as a total healthcare company, is committed to reduce its impact on the global environment. In order to contribute to the realization of a sustainable society that leads to a healthy future. We aim to achieve our medium-term environmental goals as well as our 2050 Environmental Vision of "Net Zero."



Carbon Neutrality

2028 target

Reduce **50%** in CO₂ emissions compared to 2017



Circular Economy

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



Water Neutrality

2028 target

Expand the plant water management program to all locations globally
Develop a water use strategy for business locations in water-stressed areas



Our Goal and Results by 2023

Current key initiatives	Social Issues	Our Goals	Our Activities	FY 2023 Progress	Related SDGs	2050
Carbon Neutrality ^{*1}	Global warming	2028 target • Reduce 50% in CO ₂ emissions compared to 2017	• Reduce CO ₂ emissions throughout the value chain	<ul style="list-style-type: none"> • Start operation of a cogeneration system (Tokushima Factory, Otsuka Chemical) • Completion of the Energy Management Building, which serves as the central hub for the Group's integrated energy service 	 	Net Zero
Circular Economy ^{*2}	Environmental load increase	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 	<ul style="list-style-type: none"> • Promotion of horizontal PET bottle recycling • Conclusion of a partnership agreement to recycle used PET bottles from municipalities • Sustainability program "Otsuka Blue Planet" 	 	
Water Neutrality ^{*3}	Reduced freshwater availability due to water resource risks	2028 target • Expand the plant water management program to all locations globally • Develop a water use strategy for business locations in water-stressed areas	<ul style="list-style-type: none"> • Risk analysis and understanding of sustainable water use • Management and effective use of water resources 	<ul style="list-style-type: none"> • Development of water resources management guidelines 	 	

*1 To reduce CO₂ emissions from business activities to substantially zero (calculated by subtracting uptake from emissions)

*2 To establish an economic system that recycles resources by reusing waste discharged from business activities as new raw materials

*3 To reduce the impact of water intake and discharge from business activities on water resources to zero

Information Disclosure Based on the TCFD Recommendations

In October 2021, Otsuka Holdings announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Furthermore, starting from the financial statements for the fiscal year ended December 31, 2023, Otsuka Holdings began disclosing information on the financial impact of climate-related risks and opportunities based on the TCFD, as well as the status of our initiatives, as part of our philosophy and efforts towards sustainability. Moving forward, we will continue to update the scenario analysis, deepen our efforts based on its results, and work on expanding our disclosure.



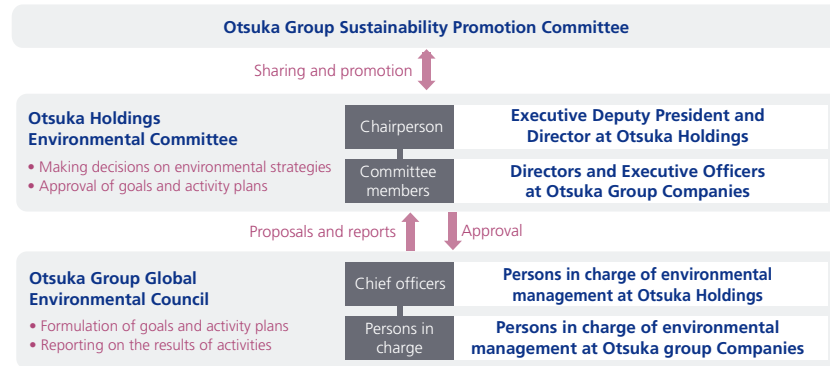
Governance

As a global total healthcare company, the Otsuka group is committed to reducing the environmental burden through its businesses and aims to contribute to the creation of a sustainable society that protects nature and the future of the earth, and for this purpose, we have established a system of governance.

Our key environmental issues are deliberated and decided upon at the Otsuka Holdings Environmental Committee, which consists of the Executive Deputy President and Director of Otsuka Holdings and the directors or officers of each group company. The matters concerning the overall direction of the group are shared with each company as the Otsuka group's policy after being deliberated and approved by the Otsuka Holdings Board of Directors, and are implemented and developed by the Otsuka Group Global Environmental Council (hereafter "OGG Environmental Council"), which consists of directors of production departments of each group companies and persons in charge of environmental management. In 2023, the Board of Directors approved the newly added materiality, biodiversity, and new goals based on the reassessment of materiality in line with the Fourth Medium-Term Management Plan. The OGG Environmental Council evaluates risks and opportunities and reports the results of monitoring, and the Otsuka Holdings Environmental Committee gives instructions for improvement and approves planning. If the results of monitoring have an effect on business strategy and management resources, they will be incorporated into the management plan as necessary as items to be resolved at the Board of Directors.

The Committee is positioned under the Otsuka Group Sustainability Promotion Committee, which decides the overall strategies and directions of sustainability, and plays a role as one of the group's sustainability initiatives.

Otsuka Group Environmental Management System



Risk Management

The Otsuka group examines and assesses potential risks that could have a significant financial and strategic impact due to climate-related risks through the Otsuka Holdings Environmental Committee and the OGG Environmental Council. If these risks are deemed important in the risk evaluation, they are brought to the Board of Directors as items for deliberation by the chairman of the Otsuka Holdings Environmental Committee. The approved contents are shared with each company as Otsuka group's policy, and we strive for management towards further improvement and reduction of climate-related risks.

[PDF Sustainability Management Structure](#)

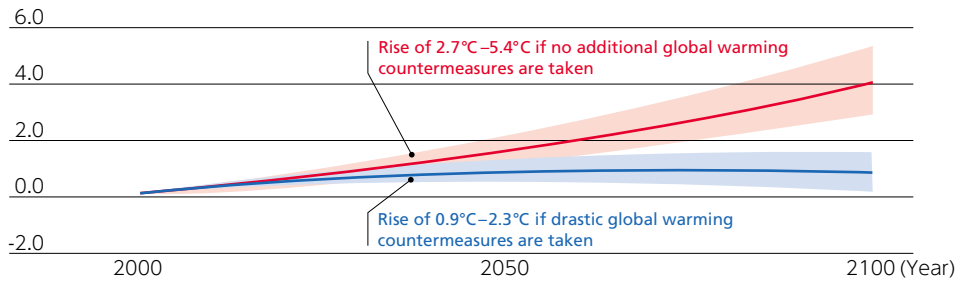
Strategy

The Otsuka group has set forth its 2050 Environmental Vision of "Net Zero," which aims to reduce the total environmental impacts from our business activities to zero. In addition to reducing CO₂ emissions from our group's business activities, we are aiming to eliminate environmental impacts throughout our entire supply chain. Also, in 2021, the Otsuka group conducted an assessment and identification of potential risks and opportunities that could have significant financial and strategic impacts related to climate change. We recognize that proactive efforts to decarbonize in response to climate change are crucial for realizing a sustainable society. We are committed to achieving both environmental load reduction and business growth through initiatives such as the active introduction of renewable energy and maximizing energy use efficiency.

Process of Scenario Analysis

We assessed our climate change-related business risks and opportunities under the below 2°C scenario and the 4°C scenario using scenarios provided by the IEA (International Energy Agency) and the IPCC (Intergovernmental Panel on Climate Change), and examined adaptation measures and financial impacts. We will continue to enhance our understanding and evaluation of risks and opportunities and expand scenario analysis.

Climate-related scenarios — Change in Global Mean Surface Temperature* —



Below 2°C Scenario

A scenario in which development is sustainable and climate change measures are proactively implemented to keep the temperature rise below 2°C. Measures to achieve a decarbonized society are enhanced, including the introduction of CO₂ emissions regulations and expansion of the renewable energy market.

4°C Scenario

A scenario in which development is dependent on fossil fuels and climate change measures are not introduced. If global average temperatures have risen by 4°C compared to preindustrial levels, it would cause an increase in natural disasters, negative impact on crops, and loss of biodiversity.

*Based on the Ministry of the Environment’s Japanese translation of Summary for Policymakers, Working Group II Report, Fifth Assessment Report published by the IPCC Main Scenarios Referenced

- IEA World Energy Outlook 2020 (Sustainable Development Scenario, Stated Policy Scenario)
- IPCC (RCP2.6, RCP8.5)
- OECD-FAO Agricultural Outlook 2021–2030

Financial Impacts and Responses Associated with Climate-Related Risks

Category	Contents	Business/Financial Impacts		Our Response/Resilience	
		Below 2°C	4°C		
Transition Risks	Policies and regulations	Large	Large	<ul style="list-style-type: none"> • Introduction of internal carbon pricing • Introduction of CO₂-free electricity • Introduction of solar power generation systems including mega solar power systems • Enhancing energy use efficiency through energy saving and fuel conversion • Investment in environmental facilities in Japan and overseas 	
	Market	• Steep rise in renewable energy prices	Large		Large
		• Steep rise in energy prices	Large		Large
Reputation	• Reputation risk and investment-related risk associated with inadequate response to climate change and water resource risks	Large	Medium		
Physical Risks	Acute	Medium	Large	<ul style="list-style-type: none"> • Decentralized production of major products • Formulation, disclosure, and sharing of procurement policies and guidelines with suppliers • Strengthening communication with our suppliers 	
	Chronic	• Increased energy costs associated with temperature rise	Large		Large
		• Effects of climate change on drug discovery using crop and other natural products	Medium	Medium	<ul style="list-style-type: none"> • Systematic renewal of facilities • Collection of information about the impacts on drug discovery using crops and other natural products, risk assessment, and examination of countermeasures

Financial Impacts and Responses Associated with Climate-Related Opportunities

Category	Contents	Business/Financial Impacts		Our Response/Resilience
		Below 2°C	4°C	
Opportunities	Resource efficiency	Large	Medium	<ul style="list-style-type: none"> • Collection of information on new technologies (such as membrane water treatment technology that does not require steam) and examination of introduction of such technologies in a timely manner
	Energy sources	Large	Small	<ul style="list-style-type: none"> • Introduction of internal carbon pricing • Collection of information on next-generation energy sources (such as hydrogen and ammonia) and examination of introduction of such sources in a timely manner
	Products and services	Large	Large	<ul style="list-style-type: none"> • Formulation of the Otsuka Group Plastic Policy (in 2020) that aims at reducing reliance on fossil fuel-derived materials • Examination of introduction of recycled PET resin or plant-based bio-PET resin for PET bottle beverage containers • Expand sales of products for preventing heat stroke, and expand sales of products with low environmental impact throughout their lifecycles
	Market	Medium	Medium	<ul style="list-style-type: none"> • Development of products that mitigate or address climate change (e.g., plant-based products)
	Resilience	Medium	Large	<ul style="list-style-type: none"> • Promotion of energy saving and renewable energy through internal carbon pricing • Business continuity plan measures at manufacturing sites (anti-seismic measures and measures against flooding)

Assessment of business/ financial impacts: Large: One billion yen or more (equivalent to 1% of operating income assuming a minimum operating income of 100 billion yen); Medium: From negligible to less than one billion yen; Small: Negligible

Adaptation measures to strengthen resilience

In order to understand potential risks, opportunities, and financial impact of climate change can have on our business, the Otsuka group conducted scenario analysis. The results showed that increased energy costs due to the introduction of further policy measures against global warming, such as a carbon tax and strengthened regulations, could potentially affect our business activities.

To avoid and mitigate these risks, the Otsuka group has revised its climate change target in line with the “1.5°C level,” which aims to limit global warming to 1.5°C above pre-industrial era. We also are promoting the expansion of renewable energy, the installation of mega-solar facilities, and fuel conversion as adaptive measures of further strengthen the resilience of our business activities. Furthermore, the Otsuka group is advancing the efficiency of our energy use by centralizing energy management and controlling supply and demand in Japan.