

Sustainability of the Otsuka group

Our Sustainability Mission

Guided by its corporate philosophy, the Otsuka group works to solve social issues through its businesses and contribute to the creation of a healthy and sustainable society, while achieving growth.



Beyond our 100-year history, the Otsuka group has strived to pursue quality at every stage of its supply chain, from research and development all the way to the delivery of its products and services to customers, and to build trust with stakeholders including employees, customers, business partners, society, and shareholders based on strong governance and a spirit of "Quality First," a principle the group has adhered to since its foundation. Based on the cornerstones of "Quality First" and "Building Trust with Stakeholders," our group is committed to solving social issues through our business, aiming for our own sustainable growth and the realization of a healthy and sustainable society.

We reassessed our materiality, which is the key areas that the Otsuka group should prioritize, in line with the 4th Medium-Term Management Plan (MTMP) that just started from 2024.

We evaluated the growth potential of our businesses, and specified strategies, measures and indicators of each materiality. We keep moving forward toward the achievement of our sustainability mission.

The Otsuka group will continue to advance toward the realization of a sustainable society through its business and to create the future.

Materiality

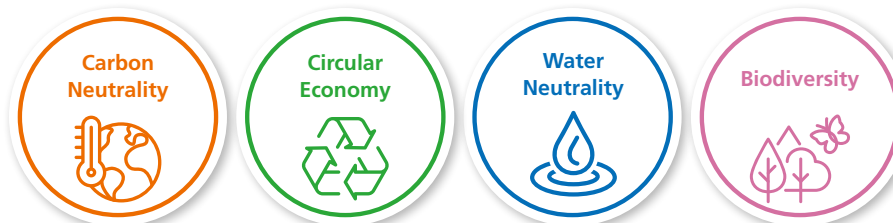
We identified our materiality, which is the key areas that the Otsuka group should prioritize. We also established strategies, policies, and goals of each materiality to fulfill our sustainability mission as a whole.



- **Contribute to the Health and Well-Being of People Around the World**
- **Develop Human Capital to Fulfill Our Corporate Philosophy at Good Working Environment**
- **Create More Sustainable Future with Business Partners**
- **Promote Positive Impact on Global Environment**

Based on our 2050 Environmental Vision of "Net Zero," which aims to reduce the total environmental impacts from our business activities to zero, we have established and are promoting our medium-term target for measures to reduce the environmental impact (priority environmental issues) in light of our business characteristics.

Environmental Material Issues



2050 Environmental Vision of "Net Zero"

– Zero environmental impact of all our business activities –



As a total healthcare company, the Otsuka group earnestly strives to reduce its impact on the global environment. In order to contribute to the realization of a sustainable society that leads to a sound future, we promote our 2050 Environmental Vision of "Net Zero," which aims to reduce the total environmental impacts from our business activities to zero.

Related SDGs



Environmental Material Issues	Carbon Neutrality	Circular Economy	Water Neutrality	Biodiversity
Vision	Curbing climate change caused by global warming	Curbing resource use and recycling	Maintenance and conservation of water resources	Sustainable and stable procurement of natural resources
Our Goals	<p>[2028 targets]</p> <ul style="list-style-type: none"> Reduction of CO₂ emissions Scopes 1, 2: 50% reduction (compared to 2017) Scope 3: Initiatives to achieve carbon neutrality by 2050 20% self-generated renewable energy 	<p>[2028 targets]</p> <ul style="list-style-type: none"> 50% reduction in simple incineration and landfill disposal compared to 2019 Formulation and implementation of food loss reduction plans <p>[2030 targets]</p> <ul style="list-style-type: none"> 100% of recycled materials in our PET bottles and use of plant-based materials 	<p>[2028 targets]</p> <ul style="list-style-type: none"> Planning water use strategies at business sites in water-stressed areas Develop a water use strategy for business locations in water-stressed areas 10% reduction in water consumption compared to 2023 	<p>[2028 targets]</p> <ul style="list-style-type: none"> Uses 100% of RSPO certified palm oil 100% use of sustainable paper
FY 2024 Progress	<ul style="list-style-type: none"> Initiatives to Reduce CO₂ Emissions (Scope 1,2) Initiatives to reduce CO₂ emissions throughout the supply chain (Scope 3) Pursuing the optimal energy mix through group-wide integrated energy management in Japan 	<ul style="list-style-type: none"> Initiatives toward Zero Waste Initiatives of Packaging for a Sustainable Society Initiatives to Reduce Food Loss 	<ul style="list-style-type: none"> Initiatives to Reduce Water Usage Recovery of water for its effective use at production sites Evaluating Water Risk at Manufacturing Sites 	<ul style="list-style-type: none"> Business Operations Considerate of Local Ecosystems Working with business partners for sustainable procurement

Environmental Management

Core Principles

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)

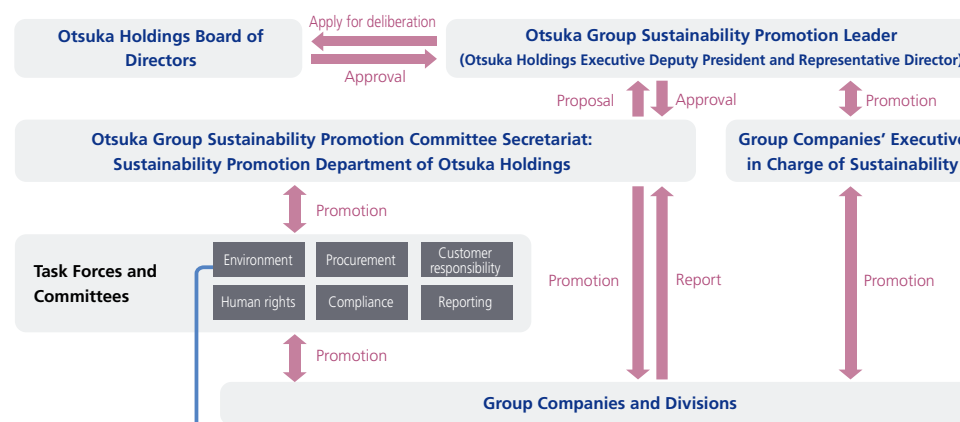
Governance

The Otsuka Holdings Environmental Committee, chaired by the Executive Deputy President and Representative Director of Otsuka Holdings and composed of directors or executive officers from each group company, is advancing our initiatives to address environmental issues, including climate-related risks and opportunities. The Committee discusses policies and measures for the entire group and monitors progress against the set targets. Furthermore, the key environmental issues related to the group's management strategies are submitted to the Otsuka Holdings Board of Directors. The Board of Directors establishes management policies and targets for the entire group, including the issues related to climate change, and supervises the management and execution of operations for our group companies.

The climate-related policies and measures, after being resolved by the Otsuka Holdings Board of Directors, are implemented and developed by the Otsuka Group Global Environmental Council (hereafter "OGG Environmental Council"), which consists of directors of production departments of group companies and persons in charge of environmental management, leading to concrete measures at the field level.

- [Remuneration for Directors and Audit & Supervisory Board Members](#)
- [Major Environment-Related ESG Indexes for which Otsuka Holdings has been selected as their constituent](#)

Sustainability Management Structure



Risk Management

The Otsuka group identifies and assesses climate-related risks that could have significant financial and strategic impacts, formulates the response plan, and implements and monitors them through the Otsuka Holdings Environmental Committee and the OGG Environmental Council. If we find any significance in the risk assessment, the Chairperson of the Otsuka Holdings Environmental Committee reports the matter to the Board of Directors, and once approved, the matter is shared with group companies as the Otsuka group's response policy to work on management of mitigating environmental risks.

Violations of Environmental Laws and Regulations

In FY 2024, the Otsuka group had nine violations of environmental laws and regulations (inadequate reporting, failure to perform measurements, and exceeding the standards). Of these, we were fined 14,400 USD (2,059,000 yen) for failing to report hazardous waste management at CIL Isotope Separations, and 676,000 TWD (3,296,000 yen) at Taiwan Otsuka Pharmaceutical for exceeding the pH value standard for wastewater. The amount we were fined totaled 5,355,000 yen. We have completed the correction of all these violations and we are making continuous efforts to prevent recurrence.

Environmental Management System

Acquisition of Integrated ISO 14001 Certification for the Otsuka Group

To strengthen Group-wide efforts toward more efficient and effective environmental activities, the Otsuka group began acquiring ISO14001 integrated certification in August 2020. In 2024, the certification expanded to include 10 companies in Japan and Otsuka Holdings, the supervising organization. Under the integrated environmental goals and management systems outlined in the certification, we will further strengthen our environmental initiatives and make Group-wide efforts to achieve the goals. We also established the Otsuka Group Global Environmental Management Guidelines with the aim of standardizing environmental management on a global basis. In 2024, we introduced the guidelines at 4 subsidiaries in Indonesia, aiming to expand them to all production sites by 2028. As a result, we promote reinforcement of our initiatives to achieve integrated environmental goals and risk management and make group-wide efforts to achieve the goals.



ISO 14001 Certification

Otsuka Group's subsidiaries' acquisition of ISO 14001 certification (As of December, 2024)

Global certification acquisition rate: 60.0% (57 out of 95 production sites. 82.9% in Japan and 42.6% overseas)

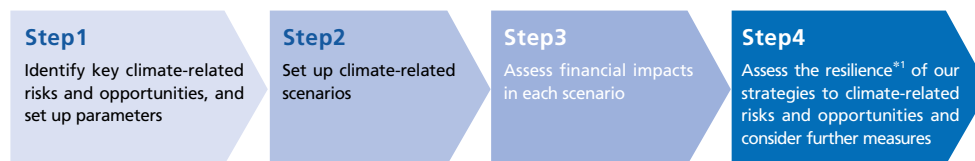
Japan : 13 Companies	Outside Japan : 17 Companies
<ul style="list-style-type: none"> ① Integrated certification as Otsuka Holdings <ul style="list-style-type: none"> (1) Otsuka Pharmaceutical Co., Ltd. (2) Otsuka Pharmaceutical Factory, Inc (3) Taiho Pharmaceutical Co., Ltd. (4) Otsuka Chemical Co., Ltd. (5) Otsuka Food Co., Ltd. (6) Otsuka Techno Corporation (7) EN Otsuka Pharmaceutical Co., Ltd. (8) Higashiyama Film Co., Ltd. (9) J.O. Pharma Co., Ltd (10) Otsuka Ohmi Ceramics Co., Ltd. ② Otsuka Packaging Industries Co., Ltd. ③ Otsuka Electronics Co., Ltd. 	<ul style="list-style-type: none"> ① Korea Otsuka Pharmaceutical Co., Ltd. ② Zhangjiagang Otsuka Chemical Co., Ltd. ③ Otsuka South China Precision Instruments (Shenzhen) Co., Ltd. ④ Tianjin Otsuka Beverage ⑤ Zhejiang Otsuka Pharmaceutical Co., Ltd. ⑥ Taiwan Otsuka Pharmaceutical Co., Ltd. ⑦ Otsuka Techno Vietnam Co., Ltd. ⑧ PT Otsuka Indonesia ⑨ PT Amerta Indah Otsuka ⑩ PT Widatra Bhakti ⑪ PT Lautan Otsuka Chemica ⑫ Otsuka Pakistan Ltd. ⑬ Egypt Otsuka Pharmaceutical Co., S.A.E. ⑭ Otsuka Al-Obour Pharmaceutical Egypt S.A.E. ⑮ Nutrition & Sante SAS ⑯ Nutrition & Sante Iberia SL ⑰ Hebron S.A

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. The Otsuka group grasps the risks and opportunities that climate change could have on its business and its financial impact and conducts assessment. We recognize the importance of dealing with adaptation and mitigation measures against climate change to realize our sustainability mission. Thus, we are making efforts to introduce renewable energy and maximize energy efficiency and are working with our business partners to reduce CO₂ in the supply chain.

Process of Scenario Analysis

In accordance with the following steps, we assessed our climate change-related business risks and opportunities under the below 2°C scenario and the 4°C scenario using scenarios presented by the IEA (International Energy Agency) and the IPCC (Intergovernmental Panel on Climate Change), and systematically summarized the financial impacts and responses associated with climate-related risks and opportunities.



*1 Business continuity and growth based on risks and opportunities

Step1 Identify key climate-related risks and opportunities, and set up parameters

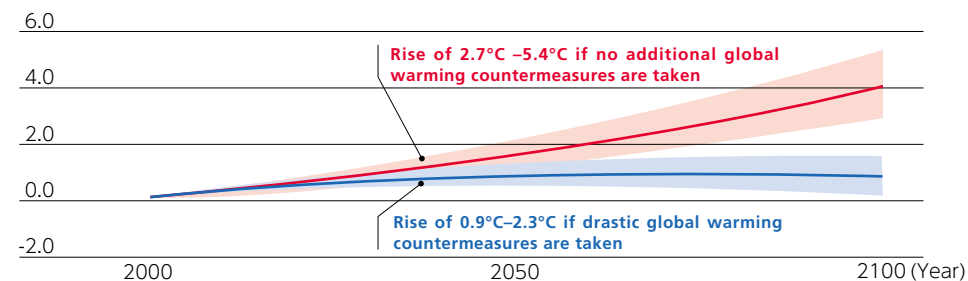
We identified transition risks, physical risks, and opportunities based on the business characteristics of each company in the Otsuka group and social trends.

Step2 Set up climate-related scenarios

Based on the scenarios below 2°C and 4°C, the possible impacts on society are shown below.

<p style="text-align: center;">Below 2°C Scenario</p> <p>A society where sustainable development and climate change measures are proactively promoted to keep the temperature rising below 2°C.</p> <p><Impacts> Measures to achieve a decarbonized society are enhanced, including the introduction of CO₂ emissions regulations and expansion of the renewable energy market.</p>	<p style="text-align: center;">4°C Scenario</p> <p>Society in which development is dependent on fossil fuels and climate change measures are not introduced.</p> <p><Impacts> 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.</p>
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Change in Global Mean Surface Temperature*2



*2 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

Step3 Assess financial impacts in each scenario

The scenario analysis results showed that increased energy costs resulting from the introduction of further policy measures to combat global warming, such as a carbon tax, and strengthened regulations, could potentially impact our business activities.

Step4 Assess the resilience of our strategies to climate-related risks and opportunities and consider further measures

The Otsuka group has set its climate change target in line with the “1.5°C level,” which aims to limit global warming to 1.5°C above the pre-industrial era. To achieve this goal, we are promoting the expansion of renewable energy and the installation of mega-solar facilities to curb energy procurement prices. Furthermore, we are working to reduce long-term energy costs and strengthen the resilience of our business activities by improving energy use efficiency through fuel conversion and centralized energy management.

TABLE OF CONTENTS	Editorial Policy	Corporate Profile	Message from the Director in Charge	Policy and Management	Carbon Neutrality	Circular Economy	Water Neutrality	Biodiversity	Pollution Control and Management of Chemical Substances	Sustainable Procurement	Engagement	Initiative/ External Assessment	Environmental Data
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Financial Impacts and Responses Associated with Climate-Related Risks and Opportunities

Category	Contents	Business/Financial Impacts		Our Response/Resilience	
		Below 2°C	4°C		
Transition Risks	Policies and regulations	• Increased costs due to tightened regulations such as carbon pricing	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 • 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	• Risks of damage to production and other facilities due to intensification of extreme weather, and cost increases to prepare for extreme weather events • Risks in raw material procurement such as disruption to supply chains and stable procurement	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 Systematic renewal of facilities
	Chronic	• Increased energy costs associated with temperature rise • Effects of climate change on drug discovery using crop and other natural products	Large	Large	
Opportunities	Resource efficiency	• Reduction of operating costs through the introduction of energy-efficient equipment	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 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 Formulation of the Otsuka Group Plastic Policy 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 Development of products that mitigate or address climate change (e.g., plant-based products) Reinforcement of promoting energy saving and renewable energy in line with business strategies Business continuity plan measures at manufacturing sites (anti-seismic measures and measures against flooding)
	Energy sources	• Reduction of energy procurement risk due to proactive introduction of renewable energy	Large	Small	
	Products and services	• Increased revenue from increased demand for products that mitigate or address climate change (e.g., products for preventing heat disorders and the spread of infectious diseases)	Large	Large	
	Market	• Increased revenue from expansion into new market categories with products that address climate change	Medium	Medium	
	Resilience	• Strengthening business continuity planning (measures against disaster and supply chain disruptions)	Medium	Large	

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

Green Finance

The Otsuka group issued Green Bonds in September 2024. By issuing these bonds, we will support the financing of environmentally friendly projects and further boost our efforts to achieve both a sustainable society and business growth.

Green Bonds

Name of bonds	Otsuka Holdings Co., Ltd. 4th Series of Unsecured Straight Bonds (with specific inter-bond pari passu clause) (Green Bonds)	Otsuka Holdings Co., Ltd. 5th Series of Unsecured Straight Bonds (with specific inter-bond pari passu clause) (Green Bonds)
Term of issue	7 years	10 years
Amount	10 billion yen	10 billion yen
Coupon rate	0.911% per year	1.219% per year
Pricing date	September 13, 2024	September 13, 2024
Issuance date	September 20, 2024	September 20, 2024
Maturity date	September 19, 2031	September 20, 2034
Rating	AA- (Rating and Investment Information, Inc. (R&I))	
Lead Manager	Nomura Securities Co., Ltd., Daiwa Securities Co., Ltd., Mizuho Securities Co., Ltd., SMBC Nikko Securities Inc.	
Structuring Agent*	Nomura Securities Co., Ltd.	
Second Opinion	Otsuka Holdings established the Green Bond Framework and obtained a second opinion from R&I regarding its alignment with the ICMA Green Bond Principles 2021 Edition.	
Use of proceeds	<ol style="list-style-type: none"> Renewable energy <ul style="list-style-type: none"> - Installing solar power generation facilities (renewable energy facilities) - Installing storage batteries Energy efficiency (facilities) <ul style="list-style-type: none"> - Installing energy-efficient equipment Environmentally-adapted products, production technologies, and processes <ul style="list-style-type: none"> - Procurement of materials with less environmental impact, such as recycled PET resin 	

*Those who assist with the funding procurement process by advising on matters such as the formulation of the Green Bond Framework and on obtaining a second opinion