

Employees



Quality



Culture

Health



Environment



Otsuka Group CSR Report 2013

Otsuka-people creating new products for better health worldwide

Editorial Policy

In keeping with its corporate commitment to “Otsuka-people creating new products for better health worldwide,” the Otsuka Group endeavors to create new and innovative products in diverse areas related to health, as a global healthcare company devoted to better health worldwide.

The *Otsuka Group CSR Report* provides an overview of the diverse initiatives that the Otsuka Group engages in: from its relationship with stakeholders in the course of doing business to realizing its corporate commitment. We hope that this report promotes a better mutual understanding with our stakeholders.

In this report, we have tried to emphasize the unique aspects of our corporate social responsibility (CSR) initiatives as a global company, organized around the five areas of health, the environment, quality, culture, and employees. We also sought to expand the scope of information that we provide in the report.

The process of putting together this report has also provided us with new insights that we will use to further expand the CSR initiatives of the Otsuka Group going forward.

Scope of report

This report focuses on Otsuka Holdings and encompasses information for Otsuka Group companies worldwide, centering on the following 11 Group companies in Japan:

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

Period covered

The data presented in this report are actual figures from April 1, 2012 to March 31, 2013. The activities reported on include some conducted more recently

Publication schedule

The next report is scheduled for publication in autumn 2014.

Guidelines referenced

This report was compiled with reference to the *GRI Sustainability Reporting Guidelines 3rd Edition*, ISO 26000, and the *Environmental Report Guidelines 2012 Edition* issued by Japan’s Ministry of the Environment.

About the Cover

The circular ribbon represents our mutual bonds and trust with stakeholders, symbolizing the Naruto whirlpools, Otsuka DNA, and the globe (Earth). Surrounding this with the five areas of health, environment, quality, culture, and employees expresses the corporate social responsibility of the Otsuka Group.

Feedback on the Otsuka Group CSR Report

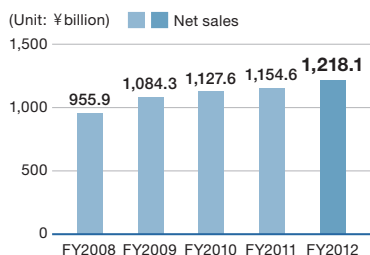
We welcome your feedback by email. Please do not hesitate to provide us with your feedback or impressions of this report, including requests about the initiatives of the Otsuka Group. Your input is valuable and will help us shape future reports and initiatives.



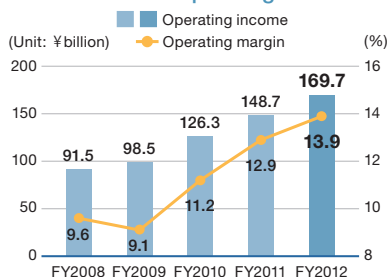
Email • hd-pr@otsuka.jp

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
 Representative: Tatsuo Higuchi, President and CEO
 Employees: 70 (Consolidated: 25,330)
 Scope of consolidation: 71 consolidated subsidiaries and 14 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.

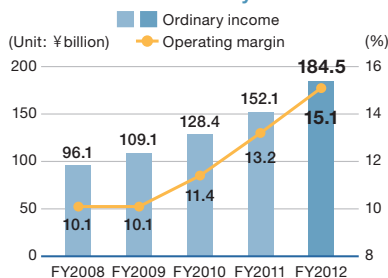
Consolidated Net Sales



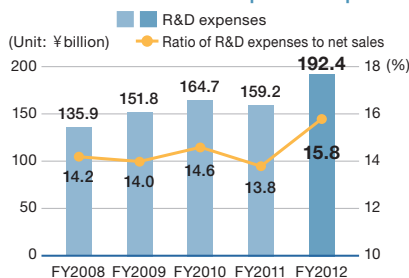
Consolidated Operating Income



Consolidated Ordinary Income

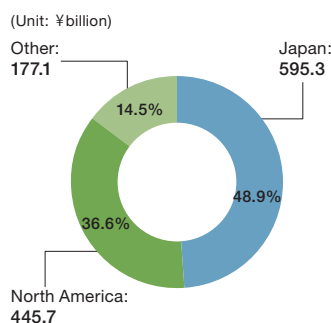


Research and Development Expenses



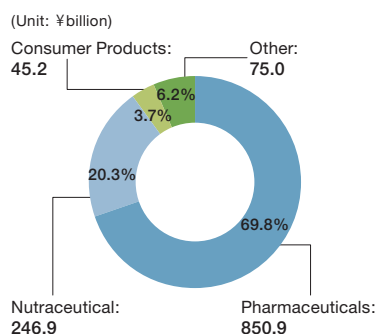
Consolidated Net Sales by Geographical Segment (FY2012)

Sales to external customers



Consolidated Net Sales by Business Segment (FY2012)

Sales to external customers



About the Otsuka Group	2
Corporate Profile	2
Otsuka Group across the Globe	3
Business Overview of the Otsuka Group	5
Message from the President	7
Corporate Philosophy	10
Highlight 1	
Rehydration for Better Health Worldwide	11
Products for Modern Needs and Preferences	
Highlight 2	
Coexisting with Communities in Indonesia	15
Bettering the Lives of Many	
Health	18
Priority Areas Heat Stroke Prevention Education	19
Disseminating Health Information	21
Research and Development	23
Environment	24
Priority Areas Eco-Friendly Products	25
Environmental Management	27
Low Carbon Neutral Initiatives	29
Initiatives for a Resource Recycling Society	31
Biodiversity	32
Environmental Performance Data	33
Initiatives by Group Companies Outside Japan	35
Quality	36
Priority Areas Safety and Security	37
Management	39
Compliance	41
Culture	42
Priority Areas Cleanup Activities	43
Community Initiatives	45
Youth Education	47
Employees	48
Priority Areas Development of Human Capital	49
Diversity	51
Work-Life Balance	52
Employee Health	53
Third-Party Opinion / Editorial Postscript	54

Otsuka Group across the Globe

The Otsuka Group's global businesses create a variety of products that help to maintain and enhance daily health and aid in the diagnosis and treatment of illness.

As of March 31, 2013, net sales from markets outside Japan accounted for 50% of the Group's consolidated net sales. There are approximately 25,000 employees in the consolidated Group worldwide, and 46% of these are outside Japan. Otsuka Group employees are working every day around the world, for the universal betterment of human health.



Belgium

Nutrition & Sante Benelux S.A.

France

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

Germany

Otsuka Pharma GmbH
Cambridge Isotope Laboratories (Europe) GmbH
Euriso-Top GmbH
Advanced Biochemical Compounds GmbH

Italy

Nutrition & Sante Italia SpA

Spain

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

Sweden

Otsuka Pharma Scandinavia AB

Switzerland

Nutrinat AG

UK

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

China

Otsuka (China) Investment 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.
Chongqing Otsuka Huayi Chemical Co., Ltd.
China Otsuka Pharmaceutical Co., Ltd.*
Guangdong Otsuka Pharmaceutical Co., Ltd.*
Shanghai MicroPort Medical (Group) Co., Ltd.*
Microport Scientific Corporation*
VV Food & Beverage Co., Ltd.*

Egypt

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

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

South Korea

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

Taiwan

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



Thailand

Thai Otsuka Pharmaceutical Co., Ltd.*

Pakistan

Otsuka Pakistan Ltd.*

List of consolidated companies. Equity-method affiliates are indicated with an asterisk (*).



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 Foods Co., Ltd.
- Otsuka Medical Devices 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 Chilled Foods Co., Ltd.
- Otsuka-MGC Chemical Company, Inc.
- Otsuka Furniture Manufacturing and Sales Co., Ltd.
- JIMRO Co., Ltd.
- KiSCO Co., Ltd.
- Earth Chemical Co., Ltd.*
- Earth Environmental Service Co., Ltd.*

Canada

- Otsuka Canada Pharmaceutical, Inc.
- 2768691 Canada, Inc.

USA

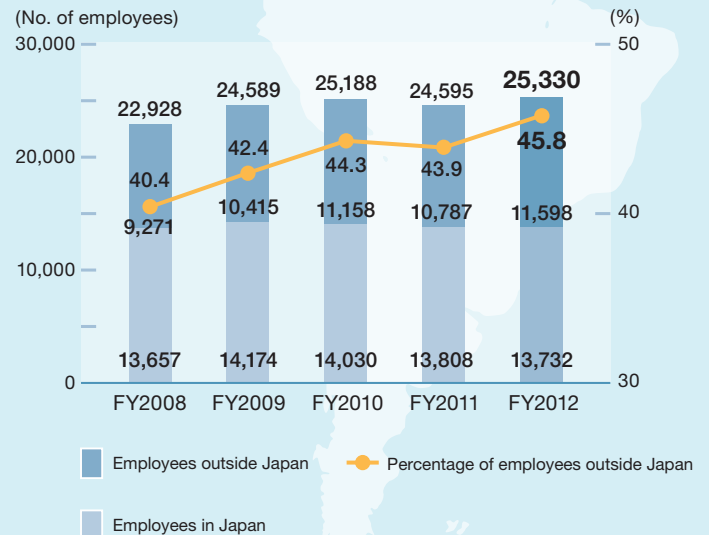
- Otsuka America, Inc.
- Otsuka America Pharmaceutical, Inc.
- Otsuka Pharmaceutical Development & Commercialization, Inc.
- Otsuka Maryland Medicinal Laboratories, Inc.
- Cambridge Isotope Laboratories, Inc.
- CIL Isotope Separations, LLC
- Membrane Receptor Technologies, LLC
- Pharmavite, LLC
- Ridge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



● Consolidated Net Sales in and outside of Japan



● Consolidated Number of Employees in and outside of Japan



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
- Medical devices



The pharmaceutical business focuses on the priority areas of the central nervous system and oncology in order to address unmet medical needs. Furthermore, in order to provide comprehensive healthcare solutions ranging from diagnosis to treatment of diseases, 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. There is a particular focus on these devices.

Nutraceuticals Business

- Functional beverages and foods
- Cosmetics
- OTC products, Quasi-drugs



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

Nutraceuticals = nutrition + pharmaceuticals

Flagship products



ABILIFY, an antipsychotic



Mucosta, an antigastitis and antigastric ulcer agent



Pletaal/Pletal, an antiplatelet agent



TS-1, an anticancer agent



Samsca, an aquaretic agent



Aloxi, an antiemetic agent



Abraxane, an antimetabolite agent



ELNEOPA, a high-calorie TPN solution

Flagship products



Pocari Sweat



Pocari Sweat Ion Water



Oronamin C Drink



Tiovita Drink



OS-1



SoyCarat



SOYJOY



Calorie Mate



SOYSH



Nature Made



UL·OS



Oronine H Ointment



Consumer Products Business

- Beverages
- Foods
- Alcoholic beverages



In the consumer products business, the Otsuka Group manufactures and supplies foods and drinks for everyday consumption. We have led the way with the development of products such as Bon Curry, which was launched in 1968 as the world's first commercially available food in a plastic pouch bag, and Sinvino Java Tea Straight, which was a pioneer in the unsweetened tea beverage market. Our mission is to supply foods and beverages that satisfy on all levels: delicious, safe, reassuring, and healthy.

Flagship products



Bon Curry Gold



Bon Curry Neo



My Size



Mannan Hikari



CRYSTAL GEYSER



MATCHA



Sinvino Java Tea Straight



Ridge Monte Bello

Other Businesses

- Functional chemical products
- Fine chemicals
- Distribution
- Packaging
- Electronic equipment



The Otsuka Group also pursues diversified businesses, such as chemical materials for the automotive, electrical, electronic, and building materials sectors. We operate transport and warehousing services that provide eco-friendly logistics. These are focused on the movement of Otsuka Group pharmaceuticals, foods and beverages, in addition to supplying electronic equipment to support cutting-edge advancements in science and technology.

Flagship products



Terracess (friction material for brake pads)

Application of Poticon resin compound



Electronic parts LED reflectors (that increase light extraction efficiency)



POCone, a medical device



HM series of LED evaluators

Our CSR comprises initiatives in the community inspired by our corporate philosophy and shaped by communication with stakeholders

Responsibility of Corporations in an Ever-Changing World

What are the social responsibilities of corporations amid accelerating political and economic globalization, and what must corporations do to survive and grow in our society?

Globally, we saw a number of countries experience a change of leadership in 2012, starting with China, South Korea, and Japan in Asia, while the administration in the United States was elected to its second term in office. One factor in the selection of these leaders was the fact that these nations were at a crossroads in terms of whether they could continue to maintain public finances. In developing countries, economic modernization combined with double-digit growth in GDP from demographic dividends*1 has brought investment from developed countries and prompted governments to adopt aggressive strategies linked to resource policy, which is driving growth. The world is changing at a fast pace.

It is often difficult to recognize the turning points in history from a current perspective, but several major factors will impact the world over the next several decades. For example, the global population, currently seven billion people, will continue growing. The resulting increase in human activity will affect water supply, food supplies, resources, and energy, while also having an impact on climate change.

*1: Demographic dividend or demographic bonus refers to economic growth that arises when the labor force grows faster than the population growth.

Leveraging Creativity to Help People

Founded in 1921, the Otsuka Group has been in business for more than 90 years, growing through a commitment to making innovative products and services that benefit society. Corporations exist



Tatsuo Higuchi

President and
Representative Director, CEO
Otsuka Holdings Co., Ltd.

because they supply products and services that are useful to people, and because they engage in activities that are needed. Now more than ever, we need creativity to achieve these things.

We are seeing cuts in healthcare costs and changes to the public health insurance system in Japan, in an effort to reduce the cost of healthcare as Japan's aging society progresses. There is an emphasis on preventative lifestyles to avoid becoming sick and enable us to live longer, healthier lives. The Otsuka Group approaches healthcare comprehensively, from the twin perspectives of nutraceuticals that support healthy lifestyles and pharmaceuticals that treat disease. Developing innovative products and services is central to our business.

I believe that creativity will be the driving factor for corporate growth amid the major trends of tomorrow.

Embracing Diversity and Creating New Value

The Otsuka Group presently encompasses more than 150 companies, including our affiliated companies, with two-thirds of these companies based outside of Japan. We employ some 40,000 people worldwide in 26 countries and regions, who speak 20 different languages.

These people's different cultures have diverse approaches and historical backgrounds. In order for people from different backgrounds to conduct business together, they must respect each other's differences. The Otsuka Group welcomes diversity, including in gender and age, and will leverage this diversity to identify new value and secure further growth.

Importance of Communication with All Stakeholders

It is important to respect the position and thinking of other people. This consideration applies to relations between our employees, and extends to our relations with all stakeholders, including customers and business partners in the countries and regions that we do business in.

Corporations are able to conduct business due to the cooperation of communities. Building a plant requires the acceptance of people in the community and the help of numerous businesses, including suppliers of building materials and construction companies. Corporations are not islands. They need to understand and respect communities as a foundation from which to supply products, services, and information that are useful to people, in order to continue existing in communities.

This approach drives us to realize our corporate philosophy, "Otsuka-people creating new products for better health worldwide," and to pursue initiatives that are shaped by our communication with all stakeholders, summarizing our corporate social responsibility (CSR).



Social Responsibility Integral to Business

The Otsuka Group pursues initiatives to conserve nature and the environment, in order to achieve sustainability and help communities for the sake of better health and good life. We are developing eco-friendly products and are increasing greenery at our plants, and are installing biotopes that conserve biodiversity. We are implementing energy conservation measures and reducing waste to zero emissions levels, to address global warming and achieve sustainability. These initiatives are helping to conserve the environment and to reduce our energy costs, while enhancing the working environment for our employees and giving people from the community a place to relax.

Additionally, we operate the Otsuka Museum of Art in Tokushima Prefecture, the birthplace of the Otsuka Group. The museum promotes local culture and brings in tourists while contributing to the education of children. Projects and initiatives like these create synergies, including community partnerships built on trust, and better procurement by boosting the local economy, creating a cycle that enables us to give back to and build connections with communities.

The Otsuka Group's initiatives for environmental conservation, and for customers and communities, are directly and indirectly helping us to improve our services and manufacturing, which is in turn helping us to develop our business. These initiatives are implemented in a continuous cycle with stakeholders and are integral to our business.



Social Responsibility Focusing on Health, Environment, Quality, Culture and Employees

We have redefined our initiatives for social responsibility, which are fully integrated with our business, in order to further propel our efforts with the support of more stakeholders. Accordingly, in this CSR report we have organized our initiatives into five areas: health, environment, quality, culture, and employees. These areas are central to our approach.

For example, our quality commitment comprehensively encompasses our social responsibilities for public information disclosure and collaborative efforts with business partners, in addition to our commitment to manufacturing safety and security. This comprehensive commitment to quality can be traced back to our founder, Busaburo Otsuka, who said, “Quality is the lifeblood of the factory. Packaging is a part of quality. Always make and sell products from the standpoint of the customer.”

Tackling Challenges as a Global Healthcare Company

The people of the world need many things, and this is where we try to identify products and services that only Otsuka can provide, doing what other companies are not doing and pursuing R&D to address unmet needs.

We are also focusing on developing products that are first in their segment, in order to supply new value where it did not exist, such as first-in-class pharmaceuticals that are novel or innovative

in their approach. When we launched Bon Curry, it was an innovation that helped busy people to make meals easily, using retort pouch packaging for the first time in Japan. In fact, the technology for retort pouch packaging developed out of aseptic technology for I.V. solutions. Similarly, the idea for Pocari Sweat came from the novel concept of an oral I.V. solution to replenish lost electrolytes and continues to help people today.

Social Responsibility Grounded on Our Corporate Philosophy

Developing innovative products requires breaking from preconceptions and switching ideas. At our employee training center, the Human Resource Development Institute, there are three monuments—giant tomato trees, bent giant cedar, and floating stones—that symbolize the importance of thinking outside of the box, which we emphasize through our training. All of our employees continue to tackle the challenge of breeding innovation, through a shared appreciation of the importance of creativity by switching ideas, and the drive to achieve our corporate philosophy.

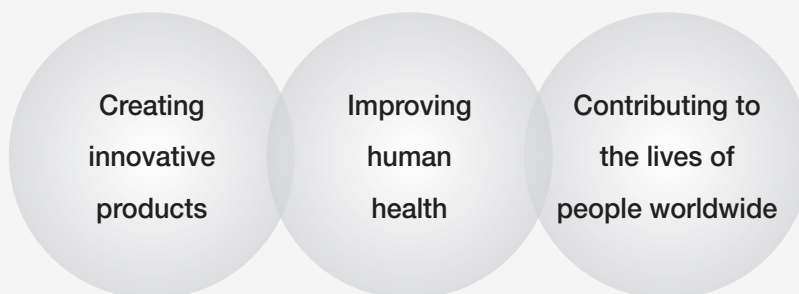
Our initial public offering in 2010 has created greater opportunities for increasing the recognition of the Otsuka Group worldwide, while expanding the platform for our activities and bringing your voice to the forefront. We remain committed to better health worldwide by listening to your feedback and working with you, our stakeholders.

We thank you for your continued support of the Otsuka Group, as we strive for further growth.

Corporate Philosophy of the Otsuka Group

Otsuka-people creating new products for better health worldwide

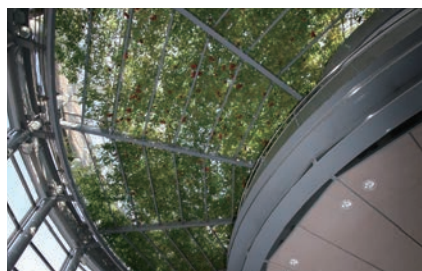
These words embody our commitment to:



In keeping with this corporate philosophy and the Otsuka mottoes of *Jissho* (Proof through Execution) and *Sozosei* (Creativity), the Otsuka Group strives to utilize its unique assets and skills to develop differentiated scientific solutions which contribute to the lives of people worldwide in the form of innovative and creative products ranging from pharmaceuticals to consumer products. We are 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.

Monuments embodying the Otsuka Group Philosophy Giant Tomato Trees / Bent Giant Cedar / Floating Stones

These three monuments embody the Otsuka Group philosophy, reminding all who visit the birthplace of the Otsuka Group in Tokushima of the importance of being creative and open-minded to new ideas.



Giant Tomato Trees

The giant tomato trees that cover the entire ceiling of the hall can produce more than 10,000 fruit per year, as a result of maximizing the fruit-producing potential through hydroponics that frees the roots from normal soil. The tomato trees are symbolic of employing new ideas to draw out potential.



Bent Giant Cedar

This piece features the trunk of a giant cedar that is deeply bent instead of being typically straight, with the trunk of a second cedar crossing on top of it. The delicately balanced piece—which at first glance appears unstable—was strong enough to withstand magnitude 5 tremors during the Great Hanshin Earthquake in 1995. The piece speaks to the idea that appearances may reveal something completely different.



Floating Stones

This water garden features large stones that appear to miraculously float on a wide expanse of water, including some that seem to droop. The garden was created to capture and enrich the spirit of the people who look at it, and to free the mind for contemplation. The piece teaches us the importance of switching ideas and thinking beyond the conventional.



Highlight

1

Rehydration for Better Health Worldwide Products for Modern Needs and Preferences

From the beginning, the Otsuka Group has conducted research into the relationship between water, electrolytes, and health. We are involved in education and we develop products such as intravenous (I.V.) solutions and beverages for rehydration, which are essential for medical recovery and to maintain and improve health.

Story Behind the Development of Pocari Sweat Ion Beverage

The Otsuka Group originated as a manufacturer of chemical ingredients using *nigari* (bittern or concentrated salts) from local seawater, later expanding into I.V. solutions and growing to become a comprehensive healthcare company that supports health in both medicine and daily life. Leveraging our expertise in I.V. solutions, we developed Pocari Sweat as a rehydration and electrolyte (ion) replenishment beverage to maintain and improve daily health. Pocari Sweat is enjoyed worldwide today, but it took major efforts to develop the beverage to make it ready for consumers.



1

2

1 The original 245 ml can of Pocari Sweat

2 Current Pocari Sweat in 500 ml eco-bottle packaging

Inspiration for a “Drinkable I.V. Solution”

Several years before the launch of Pocari Sweat, an Otsuka Japanese researcher suffered food poisoning while on a business trip outside Japan. Visiting a local medical clinic that did not have I.V. equipment, the researcher was advised by a physician to drink plenty of water and was handed a carbonated beverage. This led the researcher to consider the need for a physiologically based rehydration beverage that is readily available and easy to ingest.

On a separate occasion, the Otsuka researcher witnessed a doctor drinking an I.V. solution to rehydrate after performing a long surgery. This made the researcher think that a drinkable I.V. beverage would enhance absorption of liquid. This inspiration in turn led to the concept of a sweat replacement beverage to readily replenish electrolytes lost from sweating, fast-tracking the development of Pocari Sweat.

Developing a Completely New Taste

In taste testing, the electrolytes in the sweat replacement drink made the beverage taste bitter and less than enjoyable. Otsuka researchers tried numerous formulations to develop a palatable taste, and one day added a trial powder citrus juice that just happened to be on hand. This formulation produced a great new taste and the discovery that certain citrus juices erase the bitter taste of electrolytes.

The researchers developed numerous trial formulations in an effort to develop a great-tasting beverage that was not cloying and could be readily ingested when thirsty. To replicate thirsty conditions, researchers even brought the trial formulations with them to drink after hiking in the mountains.

After more than 1,000 trial formulations and seven years of development, Pocari Sweat was finally born.



3 Teaching the public about the importance of rehydration at sporting and other events

Winning Consumers Over to the Flavor of Pocari Sweat

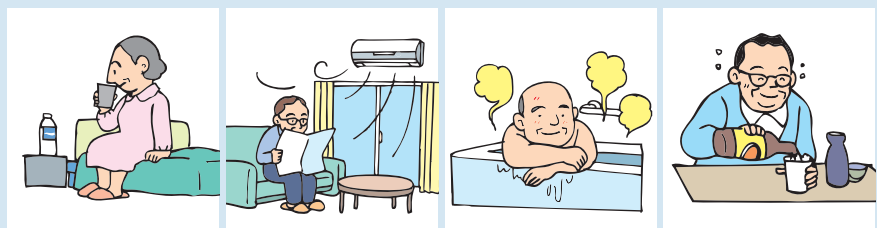
Pocari Sweat was finally launched in 1980, but initially struggled to gain acceptance among consumers who thought it tasted weak or less tasty than the sweet beverages they were accustomed to. Furthermore, the concept of electrolyte replacement was still new to consumers, who were not quite ready to embrace it.

In order to get consumers to appreciate the taste of Pocari Sweat, Otsuka aggressively gave out samples of the beverage at sporting and other events across Japan where people were likely to need rehydration. These efforts eventually won over customers to enjoy Pocari Sweat as an innovative and scientifically proven beverage for health and daily life.

Today, we continue to educate consumers on the effectiveness of Pocari Sweat for rehydration and electrolyte replenishment, any time people are thirsty, including for heatstroke prevention and in dry autumn and winter conditions.

Importance of Rehydration in Daily Life

- Whenever you sweat
- In dry winter conditions
- In enclosed indoor conditions
- After a long bath
- For long travel in a car or plane
- After drinking alcohol



Otsuka Pharmaceutical—Rehydration <http://www.otsuka.co.jp/en/company/business/rehydration/>

From the R&D Labs

Pocari Sweat was released more than 30 years ago, but the Otsuka Group continues to conduct advanced research on rehydration both at its own research laboratories and in collaboration with other research institutions, in continued efforts to develop and improve our products.

A New Low-Cal, Low-Sweetness Pocari Sweat

Taste preferences and lifestyles change over time, creating the need for a modern ion beverage that is better suited to daily ingestion. To address these changing needs, Otsuka set out to develop a new beverage that offers the same benefits as Pocari Sweat for the needs of today.

Taste testing for the new beverage was even more extensive than for the original Pocari Sweat, as researchers sought to develop a moderately sweet taste that was perfectly balanced with the taste of electrolytes. It took six years of development to achieve the right taste formulation, culminating in the launch of Pocari Sweat Ion Water in 2013 featuring a moderately sweet taste with fewer calories and a refreshing aftertaste.

OS-1 Rehydration Solutions

The Otsuka Group developed OS-1 rehydration solutions containing balanced concentrations of carbohydrates and electrolytes. OS-1 provides the right amount of hydration and electrolytes for replenishment from dehydration due to diarrhea, vomiting, fever, or excessive perspiration from colds or other ailments.

OS-1 oral rehydration solutions are categorized as special-purpose food products for sick people, suited to treat light to moderate dehydration. Following the Great East Japan Earthquake, the Otsuka Group delivered emergency supplies of OS-1 to evacuation centers, helping to treat dehydrated refugees.

The Otsuka Group will continue to pursue its unique R&D taking the untraveled path in an effort to create added value that helps to maintain and improve health.



4 OS-1 rehydration solutions are categorized as special-purpose food products for sick people by the Consumer Affairs Agency, Government of Japan

Interview

Continuing to Develop Healthy Products That Excite Consumers

Akihisa Takaichi

Adviser on Nutritional Products,
Manufacturing Process
Development Department
(Nutritional Products),
Production Headquarters
Otsuka Pharmaceutical Co., Ltd.

Pocari Sweat Ion Water was the product of six years of development to create a modern Pocari Sweat with a refreshing and moderately sweet taste for the needs and preferences of today.

It was quite a challenge to develop a formulation that offers the same benefits of Pocari Sweat with less sweetness, while still erasing the bitterness of electrolytes. Aftertaste is important for beverages, and achieving a low-calorie beverage with a refreshing aftertaste required even more extensive taste testing than for the original Pocari Sweat.

Existing technologies and known information do not help when tackling a new challenge. It is important to come up with your own ideas and actually make the trial beverages and taste them yourself, because you have to make your own discoveries.

Products are direct expressions of the ideas of the company that are behind them. We want to develop products and tastes that excite people and make health appealing to people, and we will continue to develop products that meet these ideals.



Countries Pocari Sweat is sold in	Japan	Singapore	Saudi Arabia	United Arab Emirates	Indonesia	Malaysia	Kuwait	Philippines	Viet Nam
	Taiwan	Bahrain	Oman	South Korea	Thailand	China	Qatar	Egypt	

Global Brand Concept

Pocari Sweat has grown to become a global brand marketed in 17 countries and regions, including Japan, and favored worldwide as a sweat replacement drink. We communicate the message of rehydration and its importance according to the customs and lifestyle of each country and region, to deliver better health worldwide.

Pocari Sweat for First Aid

In Indonesia, Pocari Sweat is proving its worth for first aid. The rainy season in Indonesia lasts from November through March, during which the number of dengue fever cases increases without fail. Dengue fever is an infectious disease that is transmitted by mosquitoes and has no known treatment drug. Since dengue fever is accompanied by high fever, it is usually treated using fever medication and through I.V. hydration.

Rehydration is critical for treating dehydration from dengue fever. The Otsuka Group conducts seminars for physicians and nurses on the benefits of supplying Pocari Sweat for dehydrated individuals.

The Otsuka Group also conducts regular seminars for community residents on the dangers of dehydration and its treatment, educating the public on the importance of rehydration.

Pocari Sweat in Other Markets

The Otsuka Group launched Pocari Sweat in the South Korean market in 1987, knowing that it might take some time to catch on with consumers because there was no precedence for an electrolyte replacement in that market. However, the 1988 Seoul Olympics took place the following year bringing sports and health to the forefront of the public mind, and Pocari Sweat suddenly caught on with large segments of the public. In fact, Pocari Sweat recently placed first in customer satisfaction in the beverages category for the fourth straight year according to the leading National Customer Satisfaction Index (NCSI) in South Korea.

In China, the Otsuka Group completed construction of its third Pocari Sweat manufacturing plant in 2012 to meet rapidly growing demand from Chinese consumers. The Pocari Sweat plant embraces community principles and actively accepts visitors for plant tours, which is not yet common in China, and in that capacity educates the public on the importance of rehydration and on the benefits of Pocari Sweat.

Pocari Sweat was launched in 2012 in the rapidly growing economy of Vietnam, in concert with health education efforts.

The Otsuka Group will continue to communicate the importance of rehydration to the public for better health worldwide, remaining true to the concept of Pocari Sweat as a sweat replacement beverage.



- 5 Seminar for nurses about the importance of rehydration for dengue fever
- 6 Teaching children in Indonesia about the importance of rehydration
- 7 Pocari Sweat is also enjoyed in the Middle East

Coexisting with Communities in Indonesia Bettering the Lives of Many

The Otsuka Group works to better the lives of people in communities it does business in, and values community ties and traditions. Six Otsuka Group companies are doing business in the rapidly growing economy of Indonesia, pursuing diverse initiatives tightly linked with communities.



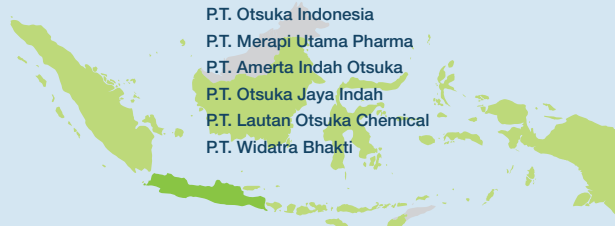
Initiatives for Children

The Otsuka Group started manufacturing and marketing pharmaceuticals in Indonesia in 1974 and presently operates six Group companies in the country covering both the pharmaceutical and nutraceutical businesses.

With a population of more than 240 million, Indonesia continues to grow through modernization as a developing nation. Otsuka Group companies that operate in Indonesia are supporting the nation's development by focusing on initiatives that are linked with communities.

Republic of Indonesia

Indonesia comprises more than 13,000 islands covering some 1.9 million square kilometers, which is roughly five times the land mass of Japan. The multicultural nation is home to more than 300 ethnic groups who speak over 500 different languages.



What does the prefix "P.T." mean?

"P.T." stands for Perseroan Terbatas, which is a limited company.

Growth of the Satu Hati (One Heart) Project

Nutraceutical company P.T. Amerta Indah Otsuka works in concert with communities to pursue initiatives focusing on children's education. At the center of these activities are *Satu Hati* (One Heart) charity events that the company has been conducting since 2007. With considerable support from the private sector, government, and non-profit organizations, *Satu Hati* has grown to encompass community assistance in addition to children's education.

Building Libraries and Donating Books

Satu Hati initially made efforts to rebuild schools that were damaged in the 2006 Java earthquake, through corporate donations from Amerta Indah Otsuka and by organizing a charity concert to raise funds and draw on the generosity of the wider community. In 2007, the initiative was christened *Satu Hati Cerdaskan Bangsa* (One Heart for Education) and set out on a new fundraising campaign to purchase books for elementary schools across Indonesia, with the support of a television station and the government. Even more funds were raised in 2008, enabling *Satu Hati* to build libraries in elementary schools. Since 2011, *Satu Hati* has enlisted the support of local non-profits and the Indonesian Ministry of Women Empowerment and Children Protection to further extend the scope of its activities.

Satu Hati donates libraries and books to schools and villages that would otherwise lack the necessary resources and gives out books to individuals. In certain communities, any or individual volunteers give their time to lend out books to children in order to encourage literacy.



- 1 *Satu Hati* charity concert
- 2 Library built in 2011
- 3 Children read in a library built by *Satu Hati*
- 4 Collecting donations at a *Satu Hati* charity event

Satu Hati built four libraries in 2012 including two libraries for children in communities close to the Sukabumi Plant and the Kejayan Plant. Otsuka Group also visited libraries that had previously been built, bringing new books. To date, *Satu Hati* has built 24 libraries and donated more than 100,000 books.



5 *Satu Hati* School at the Kejayan Plant



6 Children studying at the *Satu Hati* School

Initiatives at Otsuka Group Plants

The mission of *Satu Hati Cerdaskan Bangsa* to support children's education and improve communities also extends to initiatives we conduct at our plants.

Amerta Indah Otsuka gives plant tours to schools and other organizations, showing children how products are made and distributed.

The Kejayan Plant features a soccer pitch, mosque, and community learning center that can be accessed by members of the community and children. The learning center features a *Satu Hati* School that is held once a week, where employees take turns providing after-school tutoring in grammar, math, and English.



Satu Hati Peduli Lingkungan (One Heart for Environment) Program

In addition to supporting children's education, *Satu Hati* has grown to encompass environmental education as well as assistance and education to improve lives for all people in Indonesia, including adults. In 2012, the *Satu Hati Peduli Lingkungan* (One Heart for Environment) program was launched to support biodiversity and forest conservation efforts in Indonesia and environmental action by community residents.

Cleanup Events in Coastal Communities

In the first half of 2012, the Otsuka Group conducted environmental seminars for residents and high school students in the coastal communities of Sukabumi, Yogyakarta, and Lombok. These seminars were followed by coastal cleanup events where 2,145 volunteers collected 4,150 kilograms of trash. (To learn more, go to p. 44.)

Water and Forest Conservation

In the second half of 2012, the Otsuka Group conducted environmental conservation activities at the Gunung Halimun Salak National Park, which provides some of the water used to make Pocari Sweat. With the cooperation of non-governmental organizations and community residents, some 25,000 trees and vegetation were planted including Japanese witch hazel, schima mertensiana, and sugar palm trees whose sap can be used for sugar production. Residents were recruited to use GPS equipment to locate areas needing conservation and to prepare a conservation map using the collected data.

Tree Planting

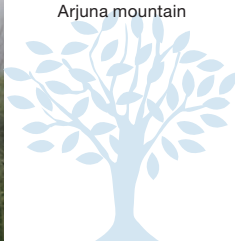
The pharmaceuticals manufacturing plant of P.T. Otsuka Indonesia is situated at the base of Arjuna mountain, which is a source of pure spring water. In order to promote conservation of nearby water sources, employees work alongside community residents and students to regularly plant trees on Arjuna mountain and surrounding hills.

In 2012, 180 volunteers planted 2,250 trees. Since the program was launched in 2007, volunteers have planted some 10,000 trees in all.



8

8 Planting trees on Arjuna mountain



7 Employees plant trees at a nearby mountain as a part of local conservation efforts



Recycled Cement Blocks for Communities

The plant of P.T. Lautan Otsuka Chemical burns coal to manufacture a blowing agent that is used as a plastic additive. The resulting coal ash is mixed with cement to make recycled cement blocks that are donated for the construction of homes, schools, hospitals, and mosques. Employees also volunteer their time to assist these communities by building homes in needy villages using the recycled blocks.



10

9 Building that was constructed using recycled cement blocks

10 Blocks made from cement and coal ash recycled from chemical production

Health

As a comprehensive healthcare company, the Otsuka Group develops innovative products and disseminates information to help find cures for diseases and to maintain and promote people's health.



Heat stroke prevention seminar (Otsuka Pharmaceutical)

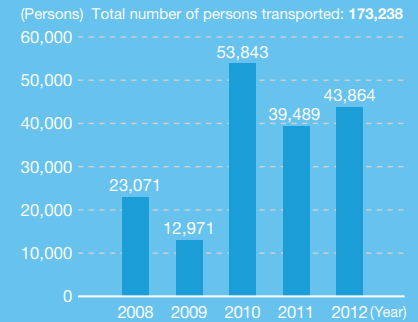
Priority Areas

Heat Stroke Prevention Education

Background

As a company that is committed to quality of life, the Otsuka Group pursues diverse initiatives related to health education and is actively involved in heat stroke education. The number of heat stroke victims has been rising in Japan since a record-breaking heat wave in 2010, and nationwide some 40,000 heat stroke victims are rushed every year to hospitals by emergency transport. Heat stroke covers a range of symptoms that occur in high temperatures, including dizziness, vomiting, and loss of consciousness, and can even be fatal in serious cases. Suitable prevention strategies and emergency treatment can prevent heat stroke and save lives. The Otsuka Group focuses on heat stroke education because it believes that it is important to know about and prevent heat stroke.

■ Number of heat stroke victims receiving emergency transport in Japan (July to September)



Source: Website of Fire and Disaster Management Agency, Japan

Education for Everyone from Children to the Elderly

Since Pocari Sweat was first introduced, Otsuka Pharmaceutical has advocated the “importance of hydration” in various scenes. The public has become more aware of the issue since the Study Group for Prevention of Heat Stroke in Sports Activities was established by the Japan Sports Association in 1991, and Otsuka Pharmaceutical began to take part in activities to help prevent heat stroke. The company has since expanded its activities in this area, and disseminated information about children’s sports, safety and



1 Protect Yourself from Heat Stroke website

health in the workplace, and the importance to senior citizens of staying hydrated.

The company posts information on its website, “**Protect Yourself from Heat Stroke**” (in Japanese) 1, based on the “Guidebook for Prevention of Heat Stroke in Sports Activities” published by the Japan Sports Association. These animated

movies explain heat stroke and its prevention is a way that is easy to understand.

Otsuka Pharmaceutical operates the Heat Stroke Prevention website in cooperation with non-profit Weather Caster Network. In addition to providing temperature information, the website provides a wet bulb globe temperature (WBGT) index that accounts for humidity, radiant heat, and other factors to forecast the degree of heat stroke risk. The WBGT index produces a value that is similar to perceived temperature, so that the public can easily grasp the degree of heat stroke danger. The website enables visitors to look up the WBGT index for their current location or anywhere in Japan. Weather summaries and AMeDAS forecast information are also displayed to help identify areas with a high risk of heat stroke. The website for smartphones uses GPS information to detect the

user’s current location and heat stroke risk in the area, and supplies weather updates and real-time weather monitoring information.

Focusing on children and youth, the Otsuka Group conducts **Otsuka Academy Open School Seminars** 2 in which employees visit schools, clubs, and sports classes to talk about heatstroke prevention and treatment, stressing the importance of rehydration.

The seminars are in their 14th year of implementation in 2013 and have grown more popular every year with schools requesting the seminars. Increasingly, the seminars are being incorporated into health lectures organized by nursing teachers and school health committees, and also conducted at school assemblies.

The presentations use slides and images to talk about heat stroke and are tailored to the specific circumstances and needs of the school or team receiving the presentation. To involve students, the speakers start by doing a quiz and take familiar examples of heat stroke, and highlight the critical points of the presentation at the end of the seminar so that students assimilate some knowledge about heat stroke prevention.



2 Heat stroke seminar at a junior high school



Disseminating Information for Medical Practitioners and Instructors

The Otsuka Group originally launched the Otsuka Academy Open Seminar series in 2001 to disseminate information about rehydration and nutritional replenishment during sports activities, for elementary, junior high school, and senior high school students across Japan. To better reach students, we created a **course specifically for instructors** **3** in 2011, which incorporates the seminar content with content for teachers, parents, and sports instructors, providing them with information on rehydration during sports. Many instructors have taken the course at the request of schools across the country. In addition to information on rehydration, and nutritional replenishment, the Otsuka Group is also communicating the importance of eating a proper breakfast, in response to growing demand from the public heatstroke prevention encapsulating food education. Feedback from participants has included comments such as:

“The contents were in line with the message to ‘sleep early, wake early, and eat breakfast’ and is easily conveyed to children.”

“I wish the message could reach all households by creating a classroom newsletter.”

“I learned a lot through the conversations with health educators.”



3 Teaching instructors about heat stroke prevention strategies

In 2012, the Otsuka Group conducted a live, open web seminar program featuring speakers on heatstroke prevention and treatment, reaching out to industrial physicians as well as public health nurses, nutritionists, nurses, and occupational safety and health personnel working in occupational settings. The webinars featured an interactive component through Q&A sessions. The feedback from the webinars include comments such as:

“I was able to brush up on my knowledge of heat stroke prevention and treatment through the webinars.”

“The detailed analysis of new data matches my own day-to-day perceptions and backed up my convictions of what to watch out for.”

“I was reminded of the importance for industrial physicians to work together with staff to fully prevent heat stroke.”



Heat Stroke Prevention in the Workplace and Industry Collaboration

The Otsuka Group provides workshop speakers to talk about heat stroke prevention and treatment in the workplace, at the request of occupational safety and health personnel from companies. Many of these activities are conducted in the manufacturing sector, where work can often take place in elevated temperatures. The Otsuka Group is also involved in an ongoing **industry joint project for heat stroke prevention and treatment** **4** in partnership with a major car and tire manufacture, in an effort to eliminate heat stroke in these workplaces. The programs are tailored to each company and involve comprehensive training, education, and implementation of practices to address heat stroke, in addition to conducting educational seminars. These programs have had great success in eliminating heat stroke cases with both companies aligned toward the same goal. Every year after the main risk period, Otsuka Group employees sit down with their colleagues at the partner companies to analyze the results and consider strategies for the following year as part of an ongoing cycle of improvement. The Otsuka Group also assists with the development of heat stroke prevention guidebooks for various organizations and works to disseminate heat stroke prevention guidelines issued by the Ministry of Health, Labour, and Welfare and Ministry of the Environment.



4 Heat stroke prevention workshop at a partner company



For Our Employees and Plants

The Otsuka Group conducts heat stroke prevention education for employees. At the start of summer, employees of Otsuka Techno receive a heat stroke prevention pamphlet issued by the labor standards office. Employees of Otsuka Packaging Industries are reminded to rehydrate during breaks through posters and at morning meetings.

Additionally, Otsuka Techno and EN Otsuka Pharmaceutical distribute and supply Pocari Sweat for the rehydration of employees who work outside in the summer and in plants with elevated temperatures.

Disseminating Health Information

The Otsuka Group disseminates health information for all persons, including patients, their families, medical practitioners, and children, to improve health and quality of life.

Cancer Initiatives

Taiho Pharmaceutical is working with cancer patients, their families, and medical practitioners to improve conditions for cancer treatment and to establish patient-centered clinical methods.

The company has sponsored a major gathering of cancer patients every year since 2005, in an effort to facilitate safe and quick access to therapies and drugs needed by cancer patients. The event serves as a platform to disseminate useful information to cancer patients and their families.

Taiho Pharmaceutical also supports the Pink Ribbon Campaign that is dedicated to early detection, diagnosis, and treatment of breast cancer, and since 2006 the company has been involved in annual Pink Ribbon Festivals sponsored by the Japan Cancer Society. In 2012, the company distributed educational pamphlets on breast cancer and gave out promotional goods to encourage women to get screened for breast cancer.



2012 Pink Ribbon Festival in Kobe

Taiho Pharmaceutical, in partnership with the Shizuoka Cancer Center in Shizuoka Prefecture, operates the SurvivorSHIP.jp website as a platform to support everyone involved in cancer survival—from cancer survivors to their families and medical staff—

in order to assist with the day-to-day challenges of cancer survivorship. The website is dedicated to improving the quality of life for cancer survivors by disseminating useful information for cancer survivors and their families.



SurvivorSHIP.jp app for iPhone and iPad

Otsuka Health Comic Library

The Otsuka Health Comic Library is a collection of comics about health topics. The collection is expanded every year with the release of one new title and copies are donated to grade schools across Japan. The comics deal with topics that are interesting for students, such as secrets for growing taller and treating influenza symptoms. The content is reviewed by health professionals from the Japan Medical Association and Japanese Society of School Health, and the comics are illustrated by well-known comic artists. Since 1989, some 50 titles have been published featuring the work of over 10 comic artists, including 16 series for elementary school students and six series for junior high school students.

The comics are placed in school libraries and nurse's offices for students to read at their leisure. In addition to being read and enjoyed by individual students, the comics are also used for school health committee activities and student research reports, and used in nutritional classes. The collection has been praised for using comics as a platform to reach children, noting that students enjoy reading the comics and have shown a greater interest in health after reading them.

The comics are also available online for children and parents to read outside of school settings. Starting in 2013, the Otsuka Group is asking students to submit ideas for health-related topics to be covered in future titles, getting students to help shape the direction of the comics.



Otsuka Health Comic Library



My First Water Project

Otsuka Foods started the My First Water Project to examine the importance of water in parenting, with the belief that parents are responsible for making good choices about water until their children are old enough to make their own decisions.

The project engages in activities to disseminate information about water, including tips on making safe water choices, and the importance of rehydration, for parents of young children. In 2012, the project published a picture book and coloring book about the importance of nature and water, which were distributed to 1,362 preschools and daycares across Japan serving some 196,988 children, along with samples of Crystal Geysler water. In 2013, Otsuka Foods has already received book requests from more than 1,000 preschools and daycares as of July 31.



Letters of thanks for coloring books and picture books provided through the My First Water Project



Open Medical Seminar Series

The Otsuka Group sponsors seminars aimed at the media and open public lectures to disseminate recent information and encourage a better understanding of various medical conditions.

To date, we have conducted 14 media seminars for oncology to disseminate information on cancer treatment, and 16 media seminars on central nervous system disorders. In 2012, we launched a series of three media seminars on dry eye syndrome. In the seminars, leading physicians brief members of the media on the medical conditions. We also support open public seminars to broadly inform the public about schizophrenia and specifics about the condition. The seminars feature psychiatrists and persons in the community who are dealing with schizophrenia, to talk about the condition and their personal experiences.



Open seminar for the public



Kenzen Cars

More than 20 million people in Japan aged 40 to 79 years suffer from metabolic syndrome or are at risk of the condition. With obesity issues increasing in Japan, Otsuka Foods operates the *Kenzen Car* project to promote Mannan Hikari, a food product made from konnyaku, a variety of yam, into the shape of rice grains. *Kenzen Cars* go into communities and give out samples of Mannan Hikari, as well as provide cooking demonstrations for calorie control (33% fewer calories) and distribute recipes. Feedback from the public has been positive, with consumers saying that Mannan Hikari tastes just like rice, with fewer calories, and is changing the way consumers view food and health.



Kenzen Car promoting Mannan Hikari

VOICE



Preschools and Mama Matsuri

Masanao Okazaki

Mineral Water Product Manager,
Beverage Products Department,
Marketing Division
Otsuka Foods Co., Ltd.

The My First Water Project is currently in its second year and has received much positive feedback from preschools and daycare facilities. It is gratifying to think that we are making a real difference in raising awareness of the importance of water. Starting in 2013, the project will support the *Mama Matsuri* event organized by moms for moms. The event is run by the non-profit Childrin, which also assists mothers with preschool children. Through the festival, we will seek to communicate the importance of water to young children and parents.

Research and Development

In our mission to deliver better health worldwide and to help address global environmental issues, the Otsuka Group is working to develop innovative new drugs and new foods that supply additional value.



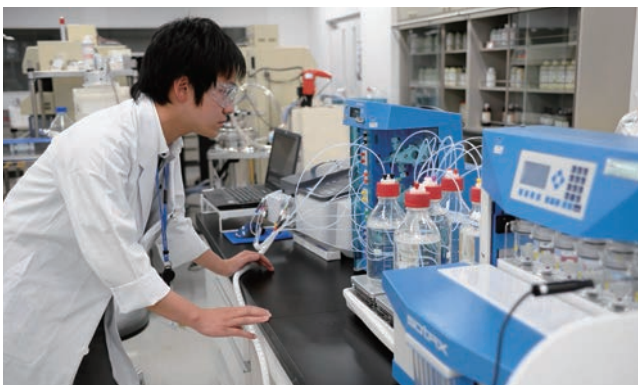
Addressing Unmet Medical Needs

The Otsuka Group conducts R&D to develop new drugs that address unmet medical needs for conditions that lack effective treatment or medicines. Otsuka Pharmaceutical began conducting R&D into the central nervous system in the 1970s, leading to U.S. FDA approval of the antipsychotic drug Abilify in 2002. The drug has since been approved for sale in more than 60 countries and regions worldwide, helping to treat many patients.

Otsuka Pharmaceutical is also conducting research into tuberculosis, which is a major public health issue around the world. No new anti-tuberculosis drug has been released in 40 years, and there is a particularly strong need for a new drug to treat multidrug-resistant tuberculosis (MDR-TB). Building on more than 30 years of research in this field, Otsuka Pharmaceutical developed the Delamanid anti-tuberculosis drug to treat MDR-TB, filing for approval of the drug in Europe in 2011 and in Japan in 2013.

Taiho Pharmaceutical is tackling the challenge of developing drugs that improve the quality of life for cancer patients, gaining approval for the Futraful oral anticancer agent in 1974, followed by approval of UFT in 1984 and TS-1 in 1999. While great strides are being made in anticancer drug treatment, there remain considerable unmet medical needs from cancers that still cannot be effectively treated today. Taiho Pharmaceutical is pursuing R&D for the entire spectrum of cancer treatment, including new drugs for future cancer treatments, and antiemetic agents and other supportive care products.

New drug development is a long and expensive process involving many obstacles, but the Otsuka Group will continue working for the sake of those with medical conditions.



Soylution

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

Soybeans contain nutritional benefits that have been found to help maintain health and improve various medical conditions such as disease and obesity. Additionally, soybean production emits just 1/12th the carbon dioxide (CO₂) required to produce beef,*¹ so that eating soybeans directly consumes 1/50th the amount of water and 1/20th the amount of energy.*² Furthermore, producing one kilogram of beef requires 10 kilograms of grain including soy, so eating soy directly can alleviate food shortages caused by population growth. Despite these benefits, only 6% of the soybeans grown are directly eaten by people worldwide.*³

Otsuka Pharmaceutical's two research centers in Tokushima are concentrating on the development of soy foods, continuing the pursuit of forms and flavors acceptable to people around the world.

The first Soylution product was Soyjoy, a soy bar that is currently available in 11 countries and regions. Since then, Otsuka Pharmaceutical has introduced Soysh, a carbonated soy drink that even people with an aversion to soy milk can enjoy, and SoyCarat, a healthy soy snack that is favored by children and adults alike.

The Otsuka Group will continue developing new Soylution products, bringing soy to the world.

*1: Calculated based on embodied energy and emission intensity data using Input-Output Tables for Japan, from the Center for Global Environmental Research Center of the National Institute for Environmental Studies.

*2: Professor David Pimentel, Cornell University, U.S.A.

*3: U.S. Department of Agriculture



Environment

Our lives and our communities and business activities are dependent on the bounty of nature. The Otsuka Group embraces its responsibility to conserve the natural environment, pursuing sustainability at every stage from manufacturing to the use of our products.



Biotope at Tokushima Itano Factory of Otsuka Pharmaceutical

Products for a Better Environment

As a company that engages in manufacturing, the Otsuka Group endeavors to help conserve the environment through its products. We develop products that reduce the environmental impact throughout the entire product life cycle extending to disposal after use.



Product Development to Reduce Waste

Otsuka Pharmaceutical Factory developed **ELNEOPA No. 1 and ELNEOPA No. 2 injection solutions** ¹ featuring the first-ever quad-chamber kit formulation bags containing glucose, electrolytes, and amino acids with vitamins and trace elements. The I.V. solution bags offer greater safety for patients and enhanced utility in medical settings, while significantly reducing medical waste from using additional needles and solution containers needed for intravenous injection of nutrition from multiple products. Handling multiple products involves extra work and there is the risk of forgetting a solution and there are hygiene concerns. The quad-chamber injection bags solve this issue by enabling

the formulation to be mixed aseptically. The quad-chamber kit formulation bags effectively reduce waste and lessen the impact on the environment.



¹ ELNEOPA No. 2 injection solutions

Lighter Bottles

Otsuka Pharmaceutical reduced the weight of plastic bottles by introducing a method called “positive pressure aseptic filling” to its manufacturing lines, a first for Japan. The manufacturing technique eliminates the need for bottles with sufficient hardness and thickness to withstand high



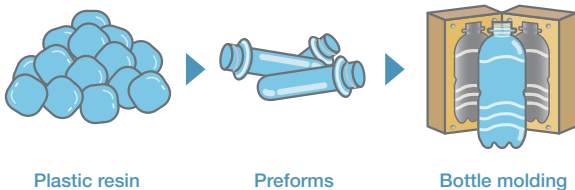
² Preforms are expanded in a mold and formed into plastic bottles.

temperatures. This has enabled Otsuka Pharmaceutical to make its 500 ml plastic bottles of Pocari Sweat the lightest in Japan when they were introduced in 2007. The company also produces plastic resin **preforms** ² in-house for 900 ml plastic Pocari Sweat bottles. This eliminates the need to wash and sterilize plastic

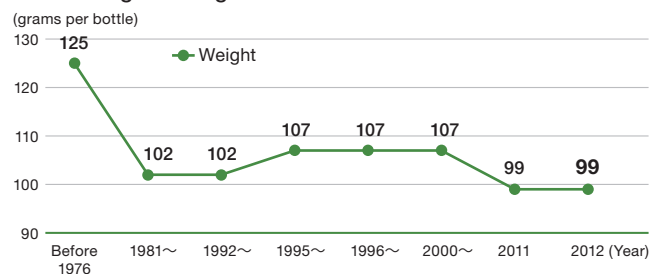
bottles, and significantly reduces energy consumption and the fuel otherwise required for transportation.

Otsuka Foods reduced the weight of plastic bottles for MATCH beverages from 33 grams to 28 grams. The 15% reduction in weight reduces greenhouse gas emissions from the manufacturing and disposal of plastic bottles and reduces plastic resin consumption.

Taiho Pharmaceutical reduced the weight of 100 ml glass bottles used for Tiovita drinks, from 107 grams to 99 grams. To ensure that breakage rates during transport did not increase, the lighter bottles were designed to offer the same strength despite the reduced weight.



● Reducing the Weight of Tiovita Bottles





Reducing Label Waste

Otsuka Foods reduced the thickness of labels used on plastic bottles from 90 microns to just 40 microns, saving some 59 tonnes of waste annually. In addition, the company switched from a stretch label to a wrap-around label, which facilitates the removal of labels for waste separation.

Otsuka Pharmaceutical reduced the thickness of labels from 60 microns to 50 microns, and reduced the thickness of labels used on 500 ml Pocari Sweat plastic bottles from 50 microns to 40 microns, achieving a 17% reduction of waste.



Lighter and Smaller Packaging

The Otsuka Group is developing lighter packaging for products. Otsuka Pharmaceutical, Taiho Pharmaceutical, EN Otsuka Pharmaceutical, and Otsuka Foods are switching to lighter cardboard and cases as well as **reducing the weight of cardboard boxes by eliminating overlap width and thus excess material** **3**.

Otsuka Foods changed its retort pouch processing to reduce the size of single retort pouches, making it possible to reduce the weight of cardboard shipping boxes and plastic wrapping.



Cardboard box redesigned with less overlap width to reduce weight



Lighter and Reusable Pop Display

Otsuka Foods is reducing waste in food sales by using lighter pop display, achieved by switching from clay-coated backboard to thin cardboard that is readily recyclable. The change in material reduced the weight of the boxes by 18% without affecting their strength.

Otsuka Packaging Industries developed a **pop display unit that can be reused** **4** to display multiple products by simply modifying the internal partitions. The reusable display unit eliminates the need to fabricate and dispose of customized counter displays for each new product type or version, which is more efficient to set up and conserves resources and reduces waste.



Reusable pop display unit



Developing and Marketing Eco-Friendly Packaging Materials

Otsuka Packaging Industries is reducing consumption of raw materials in addition to developing recyclable packaging materials. The company **is reducing paper consumption by redesigning paper and cardboard shipping boxes so that the contents are protected without needing to use additional internal partition pieces** **5**. Other changes to reduce materials consumption include the use of self-sealing paper boxes that do not require additional items such as wrapping paper, sealing stickers, shrink wrap film or tape, and the development of packaging that provides sufficient protection without using cushioning materials. The packaging solutions also simplify separation for disposal, by using a single material.

Otsuka Packaging Industries also manufactures **food trays and paper trays made from biomass materials** **5**. The company is actively developing and marketing eco-friendly packaging materials, and exhibited at the Eco-Products Fair in 2012.



Cardboard box that uses less paper (top) and trays made from biomass materials (bottom)

Environmental Management

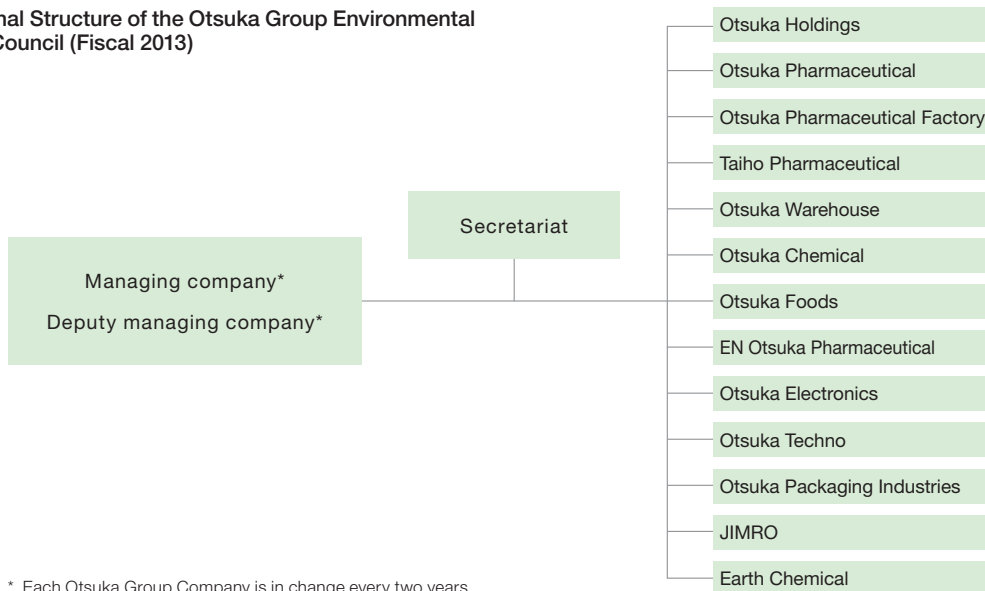
Otsuka Group Environmental Policy

As a global healthcare company and a responsible corporate citizen, the Otsuka Group will always take account of the global environment when it pursues its business activities. The Group will work on environmental issues with its trademark qualities of independence, proactiveness and creativity.

Guidelines

- 1 Provide products and services that are friendly to the environment**
At all stages, from product research, development and production through to distribution, sales, and disposal, the Group will assess environmental impacts, and formulate and implement eco-friendly measures.
- 2 Contribute to a low-carbon society**
Recognizing that there are limited global resources, the Group will contribute to the realization of a carbon-neutral society by restricting emissions of greenhouse gases and conserving resources. The Group will reduce carbon dioxide emissions through energy conservation and by improving the productivity of resource use.
- 3 Contribute to a sound material-cycle society**
Natural resources have finite availability, so the Group will minimize their consumption by reducing waste discharge and by recycling resources through reuse, material recycling and thermal recycling, along with suitable disposal.
- 4 Conserve biodiversity**
The Group will continue to pursue initiatives for the promotion of biodiversity in order to maintain diversity of ecosystems, species, and genetic materials.
- 5 Compliance**
The Group will comply with environmental legislation and observe social norms. In addition, the Group will respond to society's expectations and independently set itself further, stricter voluntary standards and rules, with which the Group will then work hard to comply.
- 6 Actively engage in social initiatives**
The Group will engage in broad social communication, and as a good corporate citizen, it will actively pursue ongoing social initiatives. The Group will focus on the three key themes of "health," "the natural environment," and "local communities" to pursue initiatives for the general betterment of human health and well-being.
- 7 Enhance risk management**
The Group will work to minimize potential risk to the environment from sudden accidents and emergencies, through preparation of crisis management plans and implementation of risk management programs.

Organizational Structure of the Otsuka Group Environmental Promotion Council (Fiscal 2013)



* Each Otsuka Group Company is in change every two years.



Otsuka Group Environmental Promotion Council

In 2003, the Otsuka Group launched an initiative to enhance information exchange on environmental conservation initiatives among environmental and ISO managers at Group companies in the Tokushima area, where much of the production takes place. This initiative grew to encompass additional Group companies and evolved into the Otsuka Group Environmental Promotion Council that today involves environmental managers from 13 companies to advance environmental conservation initiatives as a Group. The Council serves as a platform for information exchange on topics ranging from technology trends to environmental compliance and is a forum for discussing the overall direction of environmental initiatives.

In 2012, government and industry bodies in Japan asked electricity users across Japan to conserve electricity consumption during peak usage periods and hours to address tight supply and

demand for electricity. The Council responded by implementing measures to reduce peak electricity use and to enhance Group-wide measures through information exchange and by proposing Group-wide enhancements for common issues faced by Group companies such as energy conservation and waste management.



Otsuka Group Environmental Promotion Council



ISO 14001 Certified Business Locations

Group companies and business locations acquire ISO 14001 certification for environmental management systems, as a platform to advance activities tailored to their respective operations.

● Japan

Business location	Year certified	
Otsuka Pharmaceutical Co., Ltd.	Saga Factory, Tokushima Itano Factory	2000
	Tokushima Wajiki Factory, Tokushima Factory, Second Tokushima Factory	2001
	Takasaki Factory	2003
	Fukuroi Factory	2004
	Integration of EMS for seven business sites	2008
	Certification expanded to Tokyo Headquarter	2012
Otsuka Pharmaceutical Factory, Inc.	Toyama Factory	1999
	Kushiro Factory	2002
	Naruto Factory, Matsushige Factory	2003
	Integration of EMS for four business sites	2010
Taiho Pharmaceutical Co., Ltd.	Saitama Factory	2001
	Tokushima Factory	2003
	Okayama Factory, Okayama Taiho Pharmaceutical	2006
	Certification expanded to R&D in Tokushima and Saitama sites	2009
Otsuka Warehouse Co., Ltd.	Integration of EMS for three business sites	2011
	Head Office and Osaka Branch, Aizumi Logistics Center	2006
Otsuka Chemical Co., Ltd.	Tokushima Factory	1999
	Naruto Factory, Matsushige Factory	2005
	Integration of EMS for three business sites	2005
EN Otsuka Pharmaceutical Co., Ltd.	Hanamaki Plant	2005
Otsuka Techno Corporation	Wajiki Factory	2002
	Head Office, Naruto Factory	2008
Otsuka Packaging Industries Co., Ltd.	Head office plant	2005
	Saga Factory	2008
	Kitajima Factory	2010
Otsuka Foods Co., Ltd.	Tokushima Factory	1999
	Kushiro Factory, Shiga Factory	2008
	Gunma Factory	2011

● Outside Japan

Business location	Year certified
Egypt Otsuka Pharmaceutical Co., S.A.E.	1997
P.T. Otsuka Indonesia	2005
P.T. Lautan Otsuka Chemical (Indonesia)	2006
VV Food & Beverage Co., Ltd. (China)	2007
Nutrition & Nature SAS (France)	2008
Korea Otsuka Pharmaceutical Co., Ltd. (Korea)	2008
Pharmavite LLC (USA)	2009
Zhang Jia Gang Otsuka Chemical Co., Ltd. (China)	2009
P.T. Amerta Indah Otsuka (Indonesia)	2010
Thai Otsuka Pharmaceutical Co., Ltd. (Thailand)	2011
Nutrition & Sante SAS (France)	2012
Zhejiang Otsuka Pharmaceutical (China)	2013

Low Carbon Neutral Initiatives

Recognizing that there are limited global resources, the Group will contribute to the realization of a carbon-neutral society by restricting emissions of greenhouse gases and conserving resources. The Group will reduce carbon dioxide emissions through energy conservation and by improving the productivity of resource use.

'Reverse Summer Time' to Reduce Peak Demand

Otsuka Pharmaceutical shifts its summer working hours during the months from July to September, starting work one hour later than usual to reduce electricity consumption during peak hours of demand. The summer working hours have been instituted since 2011 and are in effect at seven business locations in Japan, including plants and research facilities, covering some 2,000 employees. Each business location posts their peak electricity demand for employees to see, in order to increase awareness. The initiative has effectively reduced electricity consumption during the peak demand time of 1:00 to 2:30 p.m., by spreading consumption over the course of the day.

VOICE



Effectively Cutting Electricity Demand During Peak Hours

Hidefumi Watanabe

Manager, Administration Department,
Tokushima Headquarters
Otsuka Pharmaceutical Co., Ltd.

While other companies typically shift their summer working hours to an earlier time, we did the reverse and set our summer working hours to a later time. By working later in the day, the peak electricity demand time of 1:00 to 2:30 p.m. coincides with our lunch break, which reduces demand during peak hours.

In addition, our employees are increasingly taking advantage of starting work later by using the extra time they have in the morning. We refer to the summer working hours as the Reverse Summer Time program.

Cogeneration Systems to Reduce CO₂ Emissions

Otsuka Group plants in the Tokushima area employ cogeneration systems that produce steam from waste heat generated during gas turbine electricity generation. The cogeneration systems provide an efficient supply of electricity and steam energy to nearby Group companies.

Demand Monitoring Devices

The Okayama Factory of Taiho Pharmaceutical has installed demand monitoring devices in an effort to reduce electricity consumption throughout the plant. The devices set off a warning when electricity demand is approaching a fixed threshold level, prompting employees to weaken air-conditioning settings and switch off lights to conserve energy. The demand monitoring devices have been particularly effective in reducing peak electricity demand during the summer, and are helping employees to be more aware of the need to conserve electricity.



Demand monitoring device screen

Initiatives at Otsuka Group Companies

Otsuka Group companies are pursuing diverse initiatives to conserve energy and resources at production facilities, research facilities, and offices.



*1: Air-conditioning and heating temperature adjustments, installation of high-efficiency equipment, and practices to conserve electricity

*2: Hybrid and low-emission vehicles



Installation of Solar Power Generation Systems

Otsuka Techno pursues ongoing, company-wide initiatives to reduce electricity consumption. Solar power generation systems have been installed at the company's Naruto Head Office, Molding



Solar power generation systems

Center, and Wajiki No. 4 Factory, helping to reduce CO₂ emissions.



Reducing CO₂ Emissions from Logistics

Under revisions to Japan's Law on the Rational Use of Energy that came into effect on April 1, 2006, transportation companies having more than a certain transport capacity and specified consigners that transport 30 million tonne-kilometers or more of freight in a given business year are required to formulate energy-conservation plans and submit energy consumption reports. As a specified consigner, the Otsuka Group is endeavoring to reduce the environmental impact of its logistics activities, including through a transportation modal shift from truck- and trailer-based land transport to sea and rail transport. The Group is also using Eco Liner containers that can be directly transferred from trucks to rail transport, in an effort to further reduce CO₂ emissions. Additionally, the Group is improving delivery efficiencies by using larger transport vehicles and unloading at ports that offer more efficient land transport. Group companies are utilizing a network to secure cargo for return trips and using joint deliveries with other companies to reduce the number of transportation vehicles used, effectively reducing the environmental impact of logistics activities.

Otsuka Warehouse has converted its forklift fleet from diesel-powered models to models that run on electricity and liquefied petroleum gas (LPG). These comprised 99% of the fleet in 2012.



Eco Liner containers that can be loaded directly onto rail transport



Plastics Recycling

In an effort to help Group companies achieve zero emissions of waste, Otsuka Warehouse recycles high-quality polyethylene scrap*¹ generated from manufacturing processes at Otsuka Pharmaceutical Factory's four plants in Japan.



Recycled pellets

The scrap is used to manufacture and then sell recycled pellets, which were certified in March 2013 by Tokushima Prefecture as a high-quality recycled material.

Otsuka Pharmaceutical uses the recycled pellets to manufacture reusable squeeze bottles, illustrating how Group companies are cooperating to recycle resources.

*1: Excess plastic shaved from the edges of products in manufacturing



Uniforms Made from Recycled Plastic Bottle Materials

As part of its sustainability efforts, Otsuka Pharmaceutical uses uniforms made from recycled plastic bottle materials at the Fukuroi Factory, Saga Factory, and Takasaki Factory that manufacture Pocari Sweat and other products in plastic bottles.

The Fukuroi Factory uses Eco Mark certified uniforms that are made from at least 60% recycled material from plastic bottles. Employees were consulted on the design of the uniforms and several designs were tested before the company settled on a coverall-style uniform that is suited for food manufacturing operations.

The Saga Factory and Takasaki Factory use uniforms made from materials that are chemically recycled from plastic bottles, plastic films, and fiber products.

Visitors to the plants are informed about the use of uniforms made from recycled materials, communicating the fact that the plants are actively pursuing sustainability.



Uniforms made from recycled materials from plastic bottles

Initiatives for a Resource Recycling Society

In aiming to contribute to a resource recycling society, the Otsuka Group actively pursues initiatives to achieve zero emissions*¹ of waste through waste reduction and to recycle in order to almost eliminate landfill waste.

Zero Emissions Plants and Business Locations

The Otsuka Group engages in various initiatives to reduce waste at plants and business locations. At pharmaceutical and chemical manufacturing plants, solid and liquid waste generated from manufacturing is recycled for use in cement production and to use for thermal energy. Food scraps generated at manufacturing plants are recycled for use in livestock feed and fertilizer.

Otsuka Pharmaceutical	Five out of seven plants in Japan have achieved and maintain a zero emissions waste record. The Tokushima Wajiki Factory and Tokushima Itano Factory are certified by Tokushima Prefecture as 3R (reduce, reuse, and recycle) business locations that implement 3R practices. The Second Tokushima Factory conducts thermal recycling of organic waste liquid, which recycles some 250 tonnes of waste annually.
Otsuka Pharmaceutical Factory	All four plants in Japan have achieved and maintain a zero emissions waste record. The Naruto Factory and Matsuhige Factory are certified by Tokushima Prefecture as 3R business locations. The Toyama Factory is certified by Toyama Prefecture as an eco business location, while the Kushiro Plant is certified by Hokkaido Prefecture as a Green Biz business.
Taiho Pharmaceutical	In 2012, the company's Tsukuba Research Center achieved zero emissions status by actively implementing initiatives to recycle resources and through recycling, joining the Saitama, Tokushima, and Okayama Plants as zero emissions plants.
Otsuka Techno	The company has achieved zero emissions through initiatives to recycle all waste plastics and by increasing the percentage of recycled materials used in products, to reduce the consumption of raw materials. The Naruto Head Office, Naruto Factory, and Wajiki Factory are certified by Tokushima Prefecture as 3R business locations.
Otsuka Foods	All four plants in Japan have achieved zero emissions of waste. The Tokushima Plant is improving its resource recycling by switching from using plastic bands for fuel, to finely shredding the bands for use as recycled plastic material. The Kushiro Plant uses waste syrup generated from manufacturing processes as a biomass energy source.



Recognition for Otsuka Pharmaceutical as a 3R business location by Tokushima Prefecture



Recognition for Otsuka Pharmaceutical Factory as a 3R business location by Tokushima Prefecture

*1: Recycling rate (The zero-emissions goal is a rate of 99% or more)
 = (recycled amount + amount of valuable resources) / (final disposal amount + recycled waste + amount of valuable resources) x 100
 *2: Using the heat generated by incinerating waste as energy.

Reducing Waste in Manufacturing Processes

The Otsuka Group endeavors to reduce waste through regular evaluation of raw materials and waste processing methods. Otsuka Chemical changed its processing of waste liquid alcohol to a method that uses less than half the heavy oil used previously, to reduce waste and cut down on fuel consumption.

Otsuka Packaging Industries switched to a plate process that eliminates waste developer liquid and the company installed equipment that generates less waste liquid. As a result of these efforts, the company reduced the amount of waste liquid generated by 74.1% in 2010.

Waste Recycling

Otsuka Group companies recycle waste for sale as commodities. EN Otsuka Pharmaceutical recycles and sells waste plastics and organic solvents generated from manufacturing, in addition to selling shredded paper produced from offices.

Otsuka Chemical is reducing landfill waste by selling waste as commodities, by revising its regulations for waste separation and by processing, and also by training employees to follow the regulations.

The Otsuka Group comprehensively pursues initiatives to preserve biodiversity through the conservation of ecosystem diversity, maintaining the number of species, and genetic diversity. As part of these efforts, the Group constructs biotopes that provide a harmonious natural living environment for wild organisms.

An Eco-Friendly Plant Integrated with the Community

The Okayama Factory of Taiho Pharmaceutical uses eco-friendly wastewater treatment methods to purify cooling water and cleaning water generated from manufacturing, enabling the plant to discharge the treated water in a condition that is closer to its natural state. The plant features a biotope stream that is fed with the treated water and which is home to a rich ecosystem that includes Japanese pupfish and water striders, replicating their natural ecosystem. The biotope provides a soothing oasis for visitors to the plant, while raising awareness of environmental conservation.

Otsuka Pharmaceutical's Tokushima Itano Factory was designed to be an eco-friendly and community-friendly plant, with greenery covering some 70% of the grounds. The site features a biotope that offers a natural environment for diverse wildlife and also encompasses a section of untouched forest with evergreen oak trees and other vegetation that is home to different species of birds depending on the time of year. To promote further greening, employees at the plant raise acorn seedlings and plant them in open lawn areas to increase the number of trees.



Biotope at Okayama Factory of Taiho Pharmaceutical

The Tokushima Wajiki Factory of Otsuka Pharmaceutical was designed to fulfill a “factory-park” concept of a plant that is integrated with the natural environment and community. The plant pursues various environmental conservation initiatives under this concept, such as raising acorn seedlings on site as part of a community project to increase the number of native acorn trees. The acorn seedlings are distributed free of charge to the community.

Biodiversity Conservation

The biotope pond at the Tokushima Itano Factory is fed with treated wastewater from the plant. Endangered freshwater cyprinid fish are released into the pond and raised to propagate the fish for release into natural habitats. Cyprinids are designated as endangered in the Red Data Book*1 from the Japanese Ministry of the Environment. The species was first confirmed to exist in Tokushima Prefecture in 1946 and was since thought to have become extinct, until the species was rediscovered in Otsu-cho, Naruto City in 2004. Scientists planned to raise and propagate the species at the Tokushima government's Fisheries Research Institute, for release into the rivers around Otsu-cho so that the species could become reestablished in natural waters. Unfortunately, the sustainability of a cyprinid population was put at risk by environmental degradation, so the Tokushima Itano Factory offers its biotope pond to conserve and propagate cyprinids in the clean water.



Cyprinid fish



Students release cyprinids into the biotope pond

Otsuka Pharmaceutical and Otsuka Electronics sponsor an annual fishing tournament to catch non-native species, in an effort to protect the native ecosystem in Lake Biwa. The tournament encourages recreation, while helping to remove non-native species such as black bass and bluegill, to protect native biodiversity.

*1: The Red Data Book lists endangered species and was first published by the International Union for Conservation of Nature and Natural Resources (IUCN) in 1966. Today, national and local governments and environmental ministries publish their own Red Data books.

Environmental Performance Data



Combating Climate Change and Conserving Energy

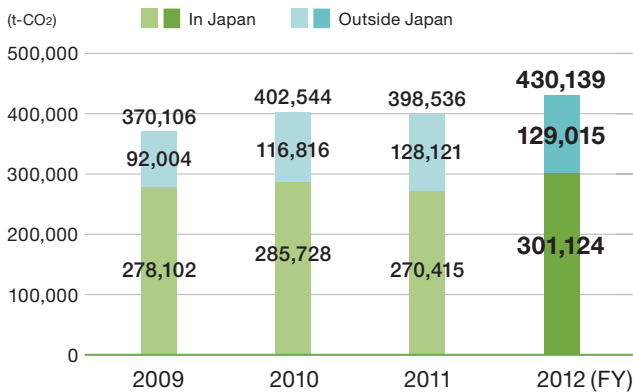
In 2012, the 11 Group companies in Japan used the energy equivalent to 301,124 tons of CO₂ emissions through their business activities. The 18 Group companies outside Japan*¹ used the energy equivalent to 129,015 tons of CO₂ emissions. Due to the expansion of business outside Japan and the changes of CO₂ emission coefficient in Japan (about 20 percent increased), CO₂ emissions increased 7.9% year-on-year. 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. Group companies have been striving to reduce their energy consumption in production processes. In the area of logistics, energy consumption per ton-kilometer*² in Japan was reduced by 2.2% year-on-year through the implementation of transportation modal shifts and improvements in delivery efficiency.

*1: There are a total 26 consolidated companies outside Japan which have a production site.

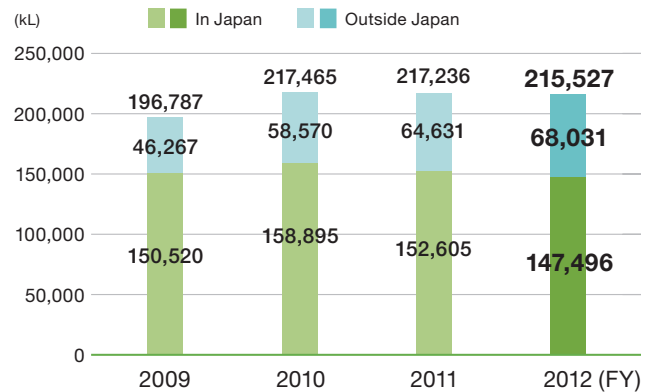
*2: Energy consumption per ton-kilometer = Energy consumption (kiloliters) / ton-kilometers

A ton-kilometer is a unit that expresses freight volume. For example, one ton of cargo transported one kilometer equals one ton-kilometer.

Total CO₂ Emissions (Energy-related)*

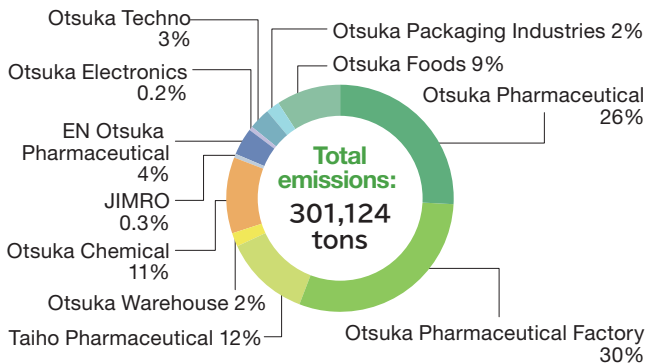


Energy Usage Ratio (Crude-oil equivalent)

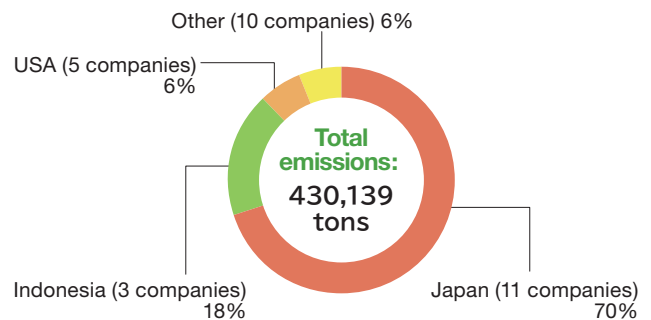


* Figures for other countries are calculated using the CO₂ emission coefficient used in each country.

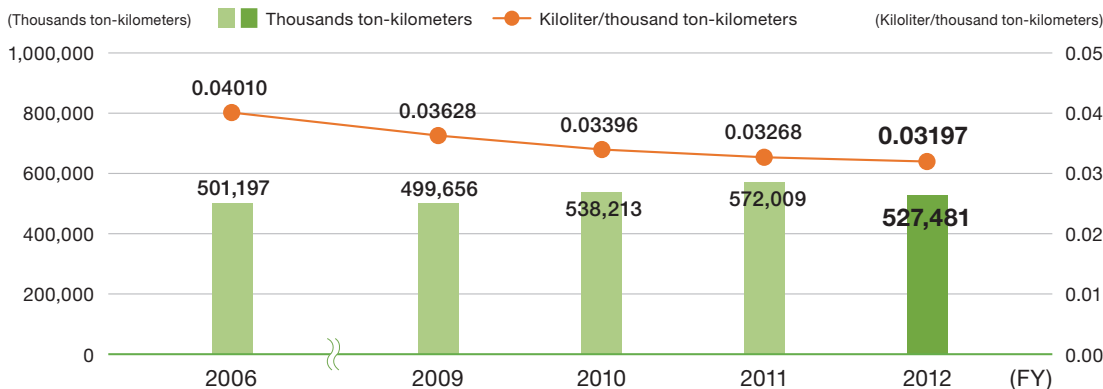
CO₂ Emissions by Company in FY2012 (in Japan)



Otsuka Group CO₂ Emissions by Country in FY2012 (Worldwide)



Energy Consumption per Ton-Kilometer by Five Specified Consigners of the Otsuka Group*

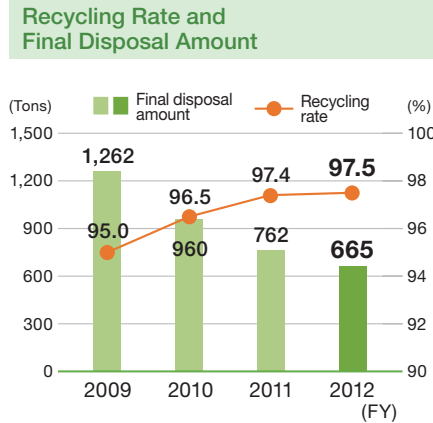
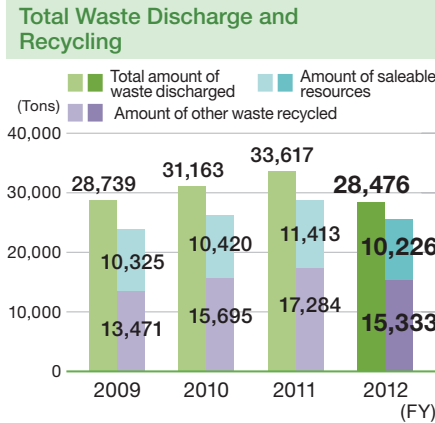


* Five Specified Consigners of Otsuka Group companies (as defined by Japanese Law): Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, and Otsuka Foods.



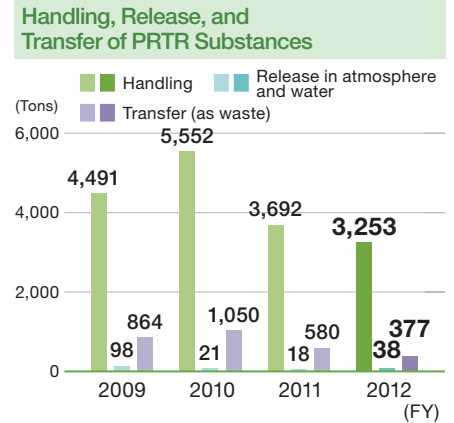
Reducing Waste

In 2012, the 11 Group companies in Japan discharged 28,476 tons of waste from business activities, a decrease of 15% year-on-year. The recycling rate*1 was 97.5% as a result of reuse and recycling initiatives, and the volume of landfilled waste was just 665 tons, down 13% year-on-year.



Proper Management of Chemical Substances

Management of PRTR substances*2 at the 11 Group companies in Japan are shown in the graph below.



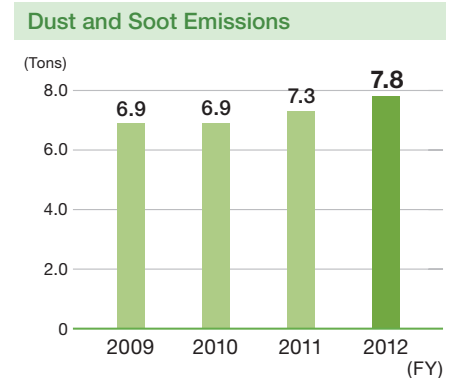
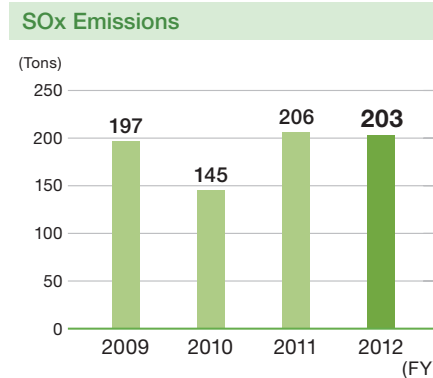
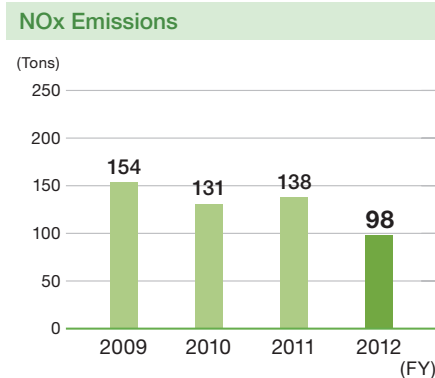
*1: Recycling rate (%) = (Amount of waste recycled + Amount of saleable resources) / (Final disposal amount + Amount recycled + Amount of saleable resources) × 100

*2: Pollutant release and transfer registers (PRTRs). There are presently 462 substances designated under Japan's PRTR system.



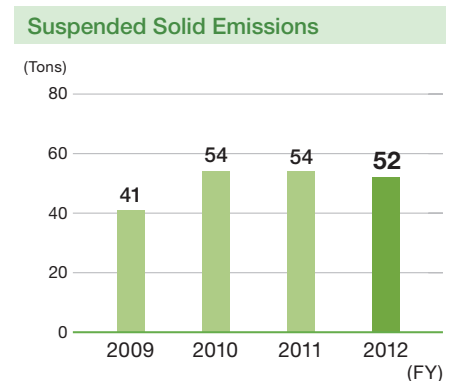
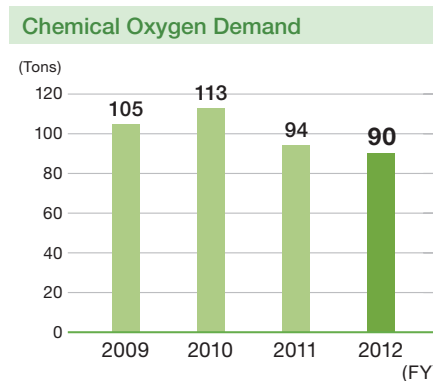
Preventing Air Pollution

The volume of sulfur oxides (SOx) emissions into the atmosphere for the 11 Group companies in Japan increased in 2011 and 2012 due to an increase in the sulfur content of certain fuel purchased on the market. Reduction of nitrogen oxide (NOx) emissions in those companies decreased due to the variation of the incinerator operation. The Group will continue to consolidate boiler facilities, switch to cleaner fuels, and continue to improve its energy efficiency in an effort to minimize emissions of NOx and SOx into the atmosphere.



Preventing Water Pollution

The total volumes of wastewater and water quality environmental impacts for the 11 Group companies in Japan are as follows.



Initiatives by Group Companies Outside Japan

As a global healthcare company, the Otsuka Group maintains a Group Environmental Policy that encompasses Group companies outside Japan. These companies implement environmental initiatives that are rooted in the communities where they do business, while keeping a global perspective.

Manufacturing Eco-Friendly Products Nutrition & Sante SAS (France)

Nutrition & Sante SAS is based in southern France and true to its name (sante means “health”), makes health and nutritional foods such as biscuits and chocolate bars as well as soy products and powder beverages. These are sold in France and throughout Europe as well as in Japan. The company implements its own eco-design charter to ensure that environmental impact is considered at all stages from product development and ingredients procurement to manufacturing, packaging materials design, and product transport. In particular, for palm oil that is used as an ingredient in biscuits and other products, the company has set a target to

switch to 100% Roundtable on Sustainable Palm Oil (RSPO) certified oil by 2015. All of the company’s plants in France now use 100% RSPO-certified oil, and the plant in Spain is working toward this goal.



Environmental Initiatives Grounded On Good Manufacturing Practice Guangdong Otsuka Pharmaceutical Co., Ltd. (China)

Guangdong Otsuka Pharmaceutical, which markets I.V. solutions in southern China, has continued to strengthen its production control system to meet increasing requirements under Good Manufacturing Practice (GMP).^{*1} The company has also implemented initiatives in the environment field, such as switching from heavy oil fuel to natural gas in order to reduce the impact on air quality, which was done in February 2013. The company recycles plastic scraps generated from manufacturing I.V. solution plastic bottles and has additionally modified its molding process to reduce the amount of plastic used in bottles by 16%.

^{*1}: Good Manufacturing Practice standards are set by each country for the manufacturing control and quality control of pharmaceuticals.



Official unveiling of new natural gas boiler

Environmental Initiatives through Employee Teamwork P.T. Amerta Indah Otsuka (Indonesia)

Amerta Indah Otsuka of Indonesia operates two plants in eastern and western Java that manufacture Pocari Sweat. The plants employ a positive pressure aseptic filling process that was developed in Japan, and since 2010 they have been manufacturing eco-bottles that are 20% lighter than previous bottles. The plants employ energy-efficient cogeneration systems for power and steam, ahead of other competitors in a growing market. The youthful production workforce at these plants actively pursues environmental conservation initiatives focusing on enhancing production efficiencies and reducing environmental impact.



A close-up on the social initiatives of Amerta Indah Otsuka is featured on page 15.

Quality

The Otsuka Group's approach to quality extends beyond safety and security in manufacturing. We also endeavor to enhance the quality of our social initiatives across a broad range of activities, from public information disclosure and collaboration with our businesses partners to community initiatives and ensuring compliance.



Product Quality

As a company that is committed to the betterment of life, the Otsuka Group thinks first of the customers and patients who use its products. We pursue business activities that place the highest priority on safety in the quality and management of our products.

We apply stringent quality assurance to supply quality products that offer safety, security, and ease of use, listening closely to customers and patients in an effort to continuously enhance quality.

Quality Control

The Otsuka Group applies strict quality control to medical devices, pharmaceuticals, foods, and packaging that it manufactures. We adhere to regulatory requirements and conform to government and industry standards, including Good Laboratory Practice (GLP), Good Manufacturing Practice (GMP), the Pharmaceutical Inspection Co-operation Scheme (PIC/S), and the Pharmaceutical Affairs Law. We also acquire international certifications such as ISO 9001, ISO 13485, and ISO 22000, and formulate internal quality policies and establish our own quality assurance systems that encompass quality policies, quality management systems, codes of conduct, and traceability systems. These efforts are aimed at securing the safety of our products, while maintaining quality and securing continuous improvement.

Quality Control of the Otsuka Group

Regulatory Compliance, Government and Industry Standards	ISO Certification	Otsuka Group Policies and Schemes
<p>GLP Standards for securing the reliability of non-clinical testing for the safety of pharmaceuticals</p> <p>GMP National standards for manufacturing control and quality control of pharmaceuticals</p> <p>PIC/S Joint scheme to promote pharmaceutical quality systems and global harmonization of GMP</p> <p>Pharmaceutical Affairs Law Legislation aimed at securing the quality, effectiveness, and safety of pharmaceuticals and medical devices</p>	<p>ISO 9001 Standard for establishing and achieving continuous improvement of quality control systems for products and services</p> <p>ISO 13485 Standard for quality management systems in the medical industry, for the safe and effective continuous manufacturing and supply of medical devices</p> <p>ISO 22000 Standard for food safety management systems (FSMS) to safely supply food to consumers</p>	<p>Formulation of quality systems</p> <p>Formulation of codes of conduct</p> <p>Establishment of total quality management systems (TQMS) for pharmaceuticals and medical devices</p> <p>Establishment of traceability systems</p> <p>Employee training</p>

Listening to Customers

The Otsuka Group operates departments organized along product lines that are dedicated to fielding and responding to customer inquiries.

The Group operates a customer hotline for pharmaceuticals, and in April 2011 it launched a separate drug information center for I.V. solutions and nutritional products, independent of the customer hotline. The Group also operates a customer hotline for nutraceutical and consumer products that fields some 40,000 inquiries each year and a hotline for cosmetic and quasi-pharmaceutical products for customers of the related business departments. In addition, the Group operates a hotline that is available from 5:30 p.m. to 9:00 a.m., to receive and respond to customer feedback and input outside of business hours.

Sharing Quality Data Internally

The Otsuka Group suitably manages quality information to improve quality and processes, in order to reduce quality risks and enhance quality.

Otsuka Chemical uses an internal online database to manage quality information such as requests and inquiries from customers, process data, and materials data, in order to rapidly utilize the data. The database ensures that managers and all other persons involved receive quality information, so that causes can be rapidly identified and corrective action can be taken when there is a problem. The system enables quality information to be shared in real-time, to facilitate coordination between departments and plants and to rapidly address problems.

Improving Our Products

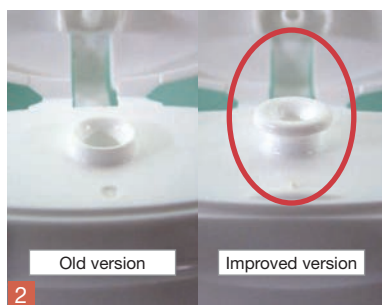
Otsuka Pharmaceutical Factory developed a formulation that incorporates multiple nutrients into one formulation, to eliminate the work of mixing separate solutions in sterile conditions, and to reduce the risk of a medical accident from handling.

Taiho Pharmaceutical adopted stick packaging for the granule formulation of the TS-1 anticancer agent. Stick packaging, which is seldom employed for pharmaceuticals, makes it easier for patients to ingest the medicine. The packaging itself features **universal design** ¹ principles such as displaying the product name in bold lettering to clearly identify it as a medicine. It is also the first prescription drug in Japan to incorporate a pictogram so that the product is properly stored out of the reach of children. The company developed a matching resealable aluminum storage pouch for keeping the medicine separately from other products to prevent accidental ingestion.

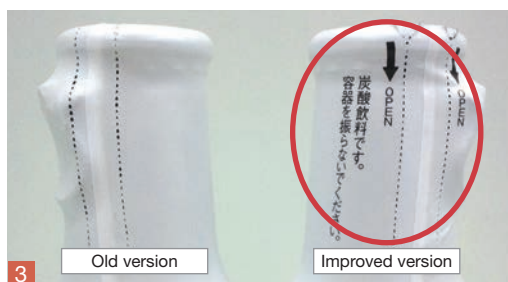


¹ TS-1 granule formulation

Otsuka Pharmaceutical **improved the spout on 200 ml bottles of UL·OS skin lotion** ², addressing feedback from consumers about dripping and excess lotion from the spout. The solution was to enlarge the lip of the spout to prevent dripping and to modify the inner shape of the spout to better regulate the amount of solution. For **Soysh carbonated soy drink** ³, the company addressed feedback from consumers who found it difficult to open the packaging, by adding tear perforations and by marking the wrapping with an arrow and “Open” indication.



² Improved spout on bottles of UL·OS skin lotion



³ Improved packaging on Soysh bottles



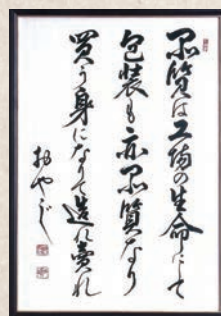
Improvements in Manufacturing

The Otsuka Group endeavors to enhance safety, efficiency, and quality in manufacturing by establishing suitable systems and solutions.

Otsuka Chemical implements an equipment maintenance system so that all parts of the company can access equipment maintenance information for the Tokushima Factory, Naruto Factory, Matsuhige Factory, and a factory in China. The solution makes it possible to quantitatively assess the results of equipment maintenance work. Additionally, employees can use portable devices such as iPads to access useful graphic information for equipment maintenance, such as photos and drawings to supplement written instructions. As a result of using the system and systematic improvements, the company has achieved lower rates of equipment breakdowns and a reduction in production shutdowns, which has improved the stability of operations and production.

EN Otsuka Pharmaceutical operates a smart card-based access management system to ensure the safe use and storage of reagents, some of which are toxic. The system prevents unauthorized access and automatically generates access logs to avoid oversights that can occur with manual access logs.

Our Founder's Approach to Quality



“Quality is the lifeblood of the factory.
Packaging is a part of quality.
Always make and sell products from the standpoint of the customer.”

Busaburo Otsuka, founder of the Otsuka Group

The history of the Otsuka Group began when Busaburo Otsuka established the Otsuka Pharmaceutical Kougyoubu (now Otsuka Pharmaceutical Factory) in Naruto City, Tokushima Prefecture. His unwavering commitment to quality was reflected in the belief that “product quality alone does not constitute quality—it extends to everything related to products, including pricing, packaging, and trustworthy relations.” These words were prominently displayed in offices and remain central to Otsuka’s approach to quality.

Driven by a commitment to quality that has been perpetuated ever since our company was founded, each of our employees continues to embrace and stand by the Otsuka dedication to quality.

Management

The Otsuka Group strives to achieve a sound management framework with excellent transparency, in order to secure the confidence of stakeholders for the stability of corporate activities and for sustainable growth.

Basic Approach to Corporate Governance

As a global healthcare company that conducts business worldwide, the Otsuka Group operates under a pure holding company structure that separates Group management and supervision from business execution, in order to practice sound management with a high degree of transparency. At the same time, the Group endeavors to strengthen corporate governance and to operate systems for internal control.

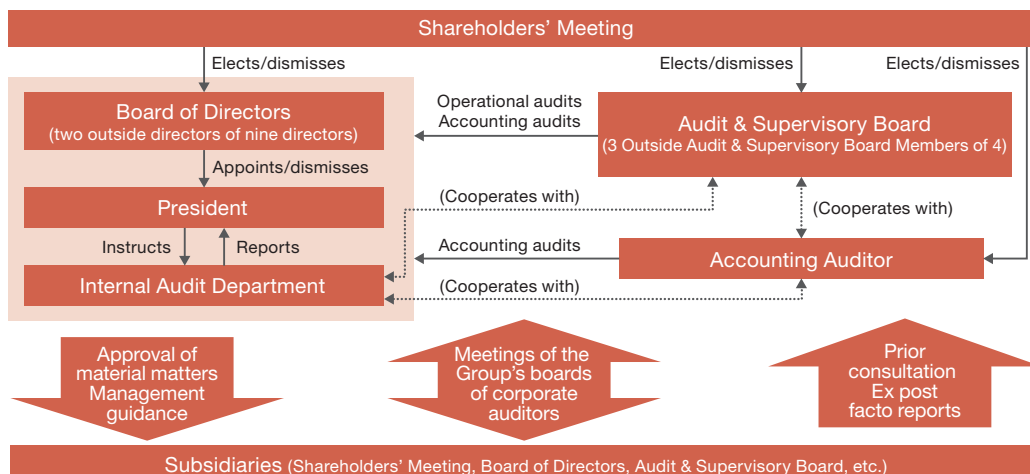
In addition, the Group operates a set of Affiliated Companies Management Rules that sets out the decision-making processes within the Group and provides a suitable framework for governance. The rules strengthen coordination within the Group by clarifying items needing reporting and approval.

Board of Directors

Otsuka Holdings uses a system of corporate officers that clearly separates the roles of directors—who make management decisions and supervise their execution—and corporate officers responsible for executing the business. This system ensures the efficiency and transparency of management together with rapid business execution. The Board of Directors consists of nine directors of whom two are outside directors (as of August 1, 2013). The directors meet once a month and whenever necessary to decide on matters stipulated under the Companies Act and important matters concerning business direction and strategy, while also supervising business execution.

Audit & Supervisory Board

Otsuka Holdings employs Audit & Supervisory Board comprising four Audit & Supervisory Board Members, of whom three are Outside Audit & Supervisory Board Members (as of August 1, 2013). Audit & Supervisory Board Members audit the business execution by the directors in accordance with the corporate auditing strategy and plan, by attending important meetings including Board of Directors' meetings. They review important documents, and exchange information with internal audit departments, audit firms, and other relevant departments and bodies. Audit & Supervisory Board Members of Group companies meet collectively twice a year to enhance information exchange and cooperation. The Supervisory Board members of Otsuka Holdings, to conduct field audits at subsidiaries directly as necessary, in cooperation with the companies' members, including interviewing management to grasp the state of business execution.





Internal Control

Group companies designate internal managers who are responsible for establishing and operating the internal control system for their companies. Otsuka Holdings issued an internal control report dated June 28, 2013 that covers the 85 consolidated companies (including equity-method affiliates) of the Otsuka Group, which concluded that internal controls for financial reporting in fiscal

2012 were effective. Information technology (IT) controls are also prioritized as an important part of internal controls, and are implemented to provide a common framework for the suitable operation of business systems in collaboration and coordination with important business sites in Japan and Group companies outside of Japan.



Risk Management System

The Otsuka Group practices risk management in order to secure business continuity and stable growth, and crisis management to rapidly respond to emergencies. Group companies engage in business continuity planning (BCP) to identify damages that could arise from emergency situations such as large-scale disasters and influenza pandemics, in an effort to prevent losses and minimize the impact on the business and to stakeholders. Issues and problems that are shared by Group companies are examined to enhance Group-wide risk management and secure a framework for crisis management.

Otsuka Pharmaceutical has acquired ISO 22301 certification for business continuity management systems for the manufacture and stable supply of products for medical-related business, making it the first pharmaceutical company in Japan to achieve ISO 22301 certification. The certification signifies that the company is prepared to ensure business continuity during normal business and to continue manufacturing and supplying medicines needed by medical facilities and patients in an emergency.

Cooperation with local authorities is a critical element of disaster preparedness efforts at Otsuka Group plants. In Tokushima Prefecture, where much of the Group's production is located, disaster preparedness efforts involve scenarios for dealing with severe earthquakes along the Nankai trough. Otsuka Group plants have established multiple evacuation centers inside plant premises and keep stockpiles of food supplies and essential necessities, not only for employees but for neighboring residents. Disaster preparedness discussions and cooperation are taking place on several fronts,

including establishing partnerships with relevant authorities in an effort to minimize the damage from a major disaster.

Otsuka Pharmaceutical and Otsuka Warehouse operate management systems to protect personal information belonging to customers, and have designated managers and supervisors responsible for personal information protection management. Additionally, both companies have acquired the right to display the PrivacyMark, including renewal of their accreditation. Employee training is also conducted to reinforce the importance of personal information protection.

VOICE



Hands-On Risk Management Training for Managers

Minoru Matsumoto

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

The Otsuka Group conducts annual risk management training for managers. In fiscal 2012, the training focused on dealing with product incidents and claims with the additional involvement of managers from two Group companies outside of Japan, based on the importance of cooperation with international subsidiaries amid increasing business globalization. The hands-on training gave the participants the chance to explore solutions to issues raised by the managers themselves, reflecting our unique approach to risk management at the Otsuka Group.



Partnerships

Recognizing the importance of working with business partners to implement sustainability initiatives, the Otsuka Group is committed to socially responsible business throughout the entire value chain, including business partners. Broadly, these initiatives encompass compliance, information security, environmental initiatives, and safety and security initiatives. The Group distributes Otsuka Group's Guideline for Socially Responsible Procurement to

business partners, to secure their understanding and cooperation with the Otsuka Group's policy for socially responsible procurement. Six Group companies (Otsuka Pharmaceutical Factory, Otsuka Chemical, Otsuka Foods, Taiho Pharmaceutical, Earth Chemical, and Otsuka Pharmaceutical) recently conducted a survey of business partners on socially responsible procurement, with 151 companies out of 256 surveyed having responded as of March 31, 2013.

Compliance

The Otsuka Group expects each employee to behave in a highly ethical manner, by practicing regulatory compliance and observing bioethics. We endeavor to create an organization and corporate culture that teaches all employees to understand and continuously uphold our social responsibility and ethical principles.

Compliance Approaches

The Otsuka Group operates the Otsuka Group Code of Conduct and implements compliance programs in line with its corporate philosophy, ensuring that all employees are educated on regulatory compliance.

Otsuka Holdings operates a Risk Management Committee that is headed by the president and oversees risk management and compliance for Otsuka Group companies. Group companies focus on implementing their own compliance programs, in consultation between senior management and departments that manage compliance.

The Otsuka Group Compliance Task Force meets twice a year for compliance managers from Group companies to foster cooperation between the companies and implement compliance across the Group. The meeting serves as a platform for managers to report on compliance initiatives at their own companies and actively discuss and examine matters affecting the entire Group.

In April 2013, Otsuka Pharmaceutical established the Otsuka Pharmaceutical Code of Practice,*1 developed from the existing promotion code for prescription drugs that was formulated as a code of conduct for medical practitioners by the Japan Pharmaceutical Manufacturers Association. The code of practice covers principles that govern how our employees interact with medical practitioners and all stakeholders, including researchers, patient advocacy groups, and drug distributors. The code instructs directors and employees to establish trustworthy relations with all stakeholders and cooperate appropriately with stakeholders.

*1: In addition to Otsuka Pharmaceutical, codes of practice have been established by Taiho Pharmaceutical and the Otsuka Pharmaceutical Factory.



Compliance training

Expanding Compliance Training and Programs

The Otsuka Group implements compliance training for all employees, including directors and divisional managers. The training covers a wide range of topics with a practical focus, including recent examples of inappropriate corporate behavior. Topics covered include the Act on the Protection of Personal Information, the National Public Service Ethics Act, insider trading, sexual harassment, abuse of power, and precautions for use of social media. The compliance training is a comprehensive effort by the Otsuka Group to foster employees with strong ethical principles.

Group companies also operate compliance subcommittees that serve as a sounding board for employees to supply feedback and request improvements from the company. The committees set out to resolve issues grounded on communication and mutual recognition with employees.

In addition to reporting compliance issues through normal channels, employees can report problems using a confidential employee hotline in the Internal Report Consultation Office, by email or in writing. The hotline is also available to contract workers and temporary staff of the Otsuka Group. The identity of persons contacting the hotline and the information they provide are handled with the strictest confidentiality to prevent repercussions from supplying information.

VOICE



Sounding Board for Employee Feedback

Hiroyuki Kondo

Section Manager,
Personnel and General Affairs Department
Otsuka Techno Co., Ltd.

At Otsuka Techno, we have a compliance subcommittee that meets every three months and comprises employees at every level from different parts of the company. The participants raise issues and provide feedback on all matters regardless of how important they are. When an issue is raised, we try to address it within three months at the next subcommittee meeting. Many issues have come to the attention of the Personnel and General Affairs Department through these meetings, including basic issues. We will continue working to be a sounding board for feedback from employees through the meetings.

Culture

The Otsuka Group cares for communities and their cultures. We are helping to develop communities and educate children, who represent the future of their communities, through community exchange, partnerships, and by supporting education.



Community Initiatives

Otsuka Group companies are involved in clean-up activities in partnership with communities. Such activities are carried out at its manufacturing operations, R&D centers, and sales offices. Employees and their families are actively involved in these efforts, which help to raise environmental awareness and build community dialogue while beautifying the local environment.

Naruto Coast Cleanup Days

Otsuka Pharmaceutical

The Otsuka Pharmaceutical Environmental Club, which was launched in 2012, conducts cleanup days on the Naruto coast four times a year. The club also participates in cleanup activities with communities.



Naruto, Tokushima Prefecture

Coastal Cleanup

Otsuka Pharmaceutical Factory



Employees of the Matsuhige Factory participate in a coastal cleanup initiative in partnership with an industrial park. In 2012, employees removed trash from an adjacent street and a beach area next to the local airport. Every year, employees of the Naruto Factory help tidy up the Otsuka Sports Park by collecting plastic bottle waste and raking leaves, using the collected leaves for composting.

Naruto and Itano, Tokushima Prefecture



Gomi Zero Cleanup Initiative

Otsuka Chemical Otsuka Foods

Employees of Otsuka Chemical and Otsuka Foods participate in the *Gomi Zero* (Zero Trash) cleanup day organized by the Tokushima government, removing trash from local roads and harbor areas.

Tokushima, Tokushima Prefecture

Involvement in Global Eco Fair

JIMRO

The company is involved in the Global Eco Fair, a community-sponsored cleanup initiative, as part of an ongoing effort to keep the community free of trash.



Takasaki, Gunma Prefecture

Industrial Park Cleanup Activities

Otsuka Electronics

Employees from the Shiga Factory regularly clean up around the plant, and participate in cleanup activities organized by the industrial park with the backing of the Shiga prefectural government. These activities are also raising awareness for beautifying the environment.



Koga, Shiga Prefecture

Community Cleanup

Taiho Pharmaceutical

Every year, employees from the various business locations of Taiho Pharmaceuticals donate their time to participate in cleanup activities by removing trash from local roads, parks, and beaches. Employees of the Tokushima Plant participate in the Komatsu Kaigan Cleanup Campaign, while employees from the Okayama Plant pick up trash around the plant and in a nature area that is known for fireflies. Employees from the Saitama Plant and Inuyama Plant remove trash from local industrial parks.



Tokushima, Tokushima Prefecture

Bizen, Okayama Prefecture

Kamikawa, Saitama Prefecture

Inuyama, Aichi Prefecture



Pocari Sweat Stadium

Otsuka Packaging Industries

Employees from Otsuka Packaging Industries participate in cleanup activities at the nearby Pocari Sweat Stadium. In 2012, more than 100 people, including employees and members of the community, removed trash and tidied the grounds.

Naruto, Tokushima Prefecture



Community Flower Bed Maintenance

Otsuka Pharmaceutical

Otsuka Warehouse

Twice a year, employees of Otsuka Pharmaceutical and Otsuka Warehouse, working together with non-profits and community groups, design and plant flower beds along municipal roads and maintain the beds.

Fukuroi, Shizuoka Prefecture



Cleanup around Plant Grounds

EN Otsuka Pharmaceutical

Employees of the Hanamaki Factory clean up areas around their plant grounds, to help beautify the community and raise environmental awareness. In 2012, 46 employees removed 154.9 kilograms of trash and leaves.

Hanamaki, Iwate Prefecture



Beach Cleanup

Amerta Indah Otsuka

Amerta Indah Otsuka organizes beach cleanup days in three areas, to raise environmental and recycling awareness. A total of 2,145 people, including employees and members of the public, participated in the cleanup events, collecting 4,150 kilograms of trash. The events featured cleanup games and challenged participants to collect recyclables. In addition, the company donated trash boxes for communities.

Indonesia



Pocari Sweat Mountain Cleaning Day

King Car Otsuka

King Car Otsuka organized a cleanup day at a mountain trail in Taichung, Taiwan, which was attended by 454 people including employees and customers, who picked up trash while walking the trail. The company plans to continue sponsoring the initiative in future years.

Taiwan



Beautifying the Community

Korea Otsuka Pharmaceutical

In 2012, a total of 210 employees of Korea Otsuka Pharmaceutical participated in activities to beautify the community by cleaning up areas around a local river.

Korea



Adopt-a-River Initiative

Otsuka Techno

Employees of Otsuka Techno participate in cleanup activities in areas around plants. The Wajiki Factory works with Otsuka Pharmaceutical and two other organizations to organize an adopt-a-river cleanup initiative, in which volunteers gather three times a year to clean up the shores of the local Nakagawa River.

Naga Gun, Tokushima Prefecture

Community Initiatives

The Otsuka Group engages in environmental and community initiatives as a good corporate citizen that is active in communities. We value the culture of these communities and endeavor to make a positive difference in ways that only we can.



Community Exchange

Otsuka Museum of Art



Photo courtesy of Shochiku Co., Ltd.

The Otsuka Museum of Art was created when the Otsuka Group launched the Ceramic Board Masterpiece Art Museum in 1998, to mark the 75th anniversary of the Group's founding and promote art while giving back to the local community. Otsuka Ohmi Ceramics Co., Ltd., a subsidiary of the Otsuka Group, developed special techniques to recreate more than 1,000 full-sized Western masterpieces on ceramic boards that convey the full wonder of these masterpieces. Unlike paper, the ceramic boards do not fade over time and provide near-permanent reproductions of the originals, while retaining the artistic value of the originals. These advantages have raised interest in using ceramic boards as a new medium for preserving masterpieces.

The Otsuka Museum of Art features a Sistine Hall containing full-sized reproductions of the murals in the Sistine Chapel in the Vatican. Utilizing this unique setting, the museum has hosted a *Sistine Kabuki* performance that blends Japanese and Western culture, held every year since 2009. In 2012, the group gave a performance of *Shutendoji*, an original *kabuki* performance piece based on the historical samurai figure Amakusa Shiro.

Awa Odori



Every year, employees from the Otsuka Group organize four *ren* (dance groups) that participate in the annual *Awa Odori* Festival in Tokushima Prefecture.

Members of the Otsuka Ren from Otsuka Pharmaceutical must pass a difficult audition before they are accepted into the group. The Otsuka Uzumaki Ren from Otsuka Pharmaceutical Factory carries on the tradition of the Uzumaki Ren, which is the oldest dance group in Naruto City. The Tiovita Ren from Taiho Pharmaceutical, and Otsuka Hatsuratsu Ren formed by Otsuka Chemical, Otsuka Foods, and Otsuka Warehouse, are family participation dance groups.

Tree Planting and Fish Release



Otsuka Techno engages in environmental conservation activities as part of a consortium of companies working to conserve the Nakagawa River nearby its Wajiki Factory. Every year, employees plant trees to regenerate natural forests around the river and they clean up the shores at the river mouth. In 2012, the participants released flounder fry after the cleanup activities, to help conserve marine biodiversity.

Oronamin C Awa Odori Sound Festival



On the evening before the *Awa Odori* Festival, Otsuka Chemical sponsors the Oronamin C *Awa Odori* Sound Festival, a free concert event to support culture in the community. Featuring artists from different musical genres every year, the event is enjoyed by a wide spectrum of age groups. Despite experiencing heavy rain in 2012, the 23rd edition of the event buzzed with its usual energy.

Fun Run/Run for Life



Employees of Otsuka Pharmaceutical France participated in a running event to raise funds for the Global Fund to Fight AIDS, Tuberculosis and Malaria. Eleven employees ran approximately 30 minutes around the Grande Arche de la Défense in Paris. All entry fees for the race were donated to the Cheer Up alliance.



Supporting Communities

Otsuka Welfare Clinic



In 2003, Otsuka Pharmaceutical, Otsuka Pakistan and 24 other Group companies in Asia and the Middle East established the Otsuka Welfare Clinic in Peshawar, Pakistan, to provide free medical care for needy persons. The clinic was established out of a desire to ease the plight of Afghan refugees living in refugee camps in Peshawar, who lacked basic food, clothing, and shelter, by leveraging the capabilities of the Otsuka Group, which operates in Asia and the Middle East and is committed to the betterment of life. The clinic currently sees some 150 patients every day and has received more than 700,000 people (as of March 2013) since it opened. During heavy floods in July 2010, the clinic mobilized to set up a temporary relief center in a nearby area that was severely impacted by flooding, reaching out to the community in a time of need. In 2011, the Japanese Ambassador to Pakistan bestowed a letter of appreciation to the Otsuka Group in recognition of the clinic's eight years of medical service.

Teaming Project



Employees of Otsuka Pharmaceutical, S.A. of Spain have been raising funds for children in Haiti since April 2011, to help needy children who struggle to get even a single meal per day in the aftermath of the 2010 Haiti earthquake. The funds are used to support a joint Teaming

Project as part of a food and meals project at the Saint Margaret School in Haiti, and directly help to provide meals for 108 needy children.

Table for Two

Employees of Otsuka Pharmaceutical and JIMRO raise funds to support school meals for children in developing countries, through the Table for Two program that donates ¥20 (enough for a single school meal in a developing country) for every healthy meal choice purchased by employees at company cafeterias.

Ecocap Movement



The Otsuka Group participates in the Ecocap Movement, which collects plastic bottle caps for recycling to raise money to purchase polio vaccines for needy children in developing countries.



Community Exchange at Plants

Free Summer Concerts



Otsuka Pharmaceutical partners with the local municipality to sponsor the Exciting Summer in Wajiki outdoor concert, which takes place every year on the grounds of the Tokushima Wajiki Factory and is the largest free concert in Japan. The event is aimed at vitalizing the com-

munity and takes place during the traditional *Obon* holidays, with more than 200 employees of Otsuka Pharmaceutical and Otsuka Techno serving as support staff. In 2012, around 6,000 people, including families, attended the concert.

Asan Walking Festival in Itano



Otsuka Pharmaceutical's Tokushima Itano Factory sponsors the Asan Walking Festival in Itano in partnership with local organizations, offering an organized walk in the Asan Mountains to spotlight Tokushima Prefecture's breath-taking natural assets for locals

and visitors from other prefectures. In 2012, a portion of the proceeds from the event were donated to assist recovery from the Great East Japan Earthquake.

Youth Education

The Otsuka Group engages in educational and awareness initiatives for children and youths, to communicate the importance of conserving nature and protecting communities, and to enhance them for future generations.

Adopt an Eco-School Program

Since 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 2012, students learned about local water resources and management of household and industrial wastewater, and took field trips to survey water quality in local rivers and visit a factory wastewater treatment facility. The feedback from students reflected a greater awareness of environmental conservation, with students saying that they learned about the importance of water resources and wished to communicate this to others.



Adopt an Eco-School



Insights for Students and Employees Alike

Shohei Karasutani
Environment Management
General Affairs Department
Taiho Pharmaceutical Co., Ltd.

Otsuka Group companies engage in initiatives to increase students' interest in water and other environmental issues that are close to home, through environmental education such as the adopt an eco-school program. These initiatives are in addition to environmental initiatives that Group companies pursue as part of their business activities. The educational initiatives also provide our employees with valuable new insights from teaching the students. We will continue implementing such educational initiatives in the future.

VOICE

Coloring Books on the Environment



Coloring books on the environment that were distributed to elementary schools in Frankfurt

Otsuka Pharma GmbH of Germany participates in an annual program to distribute coloring books on environmental conservation to all elementary schools in Frankfurt, Germany. In 2012, the coloring books covered the topic of energy conservation and were enjoyed by students who learned about the environment and ecosystems.

Bags of Hope



Handing out Bags of Hope to children in the Philippines

Otsuka (Philippines) Pharmaceutical, Inc. donates Bags of Hope to 205 students of Nayon Elementary School in Tanay, Rizal in the Philippines. The bags contain textbooks and stationery such as notebooks, pencils, crayons, and erasers to provide children with essential tools for learning.

Plant Tours for Students



Students on a field trip to the Okayama Factory of Taiho Pharmaceutical

Otsuka Group companies proactively receive visitors to tour their plants. The Okayama Factory of Taiho Pharmaceutical features a biotope stream for visitors to interface with nature, while Otsuka Packaging Industries gives visitors an opportunity to see how packaging is made. The plant tours are unique to each plant and contribute to students' social studies and environmental education.

Employees

The creativity of the Otsuka Group stems from a drive to achieve its corporate philosophy by breaking out of the mold. We will continue fostering a corporate culture that drives our diverse workforce to develop innovative products that are useful to society.



Ceremony for employees joining the Otsuka Group in 2013

Human Resources Philosophy

In conducting its business worldwide, the Otsuka Group embraces diversity and recognizes the need to leverage employees' unique talents in order to achieve continued growth and innovation. We endeavor to develop creative human resources that can break out of the mold and lead our corporate activities.

Human Resource Development Institute

The Otsuka Group founded the **Human Resource Development Institute** ¹ in March 1988, with a mission to foster the development of creative human resources who can break out of the mold and continue to help Otsuka stand out as a company. Located in Tokushima City, the institute implements employee training programs that leverage its research into the Otsuka corporate culture, into creativity, and to the development of future managers.

The institute offers programs that are designed to draw out the creative talents of each employee and realize original ideas that are unique to Otsuka. The programs continually evolve and include workshops to help employees adopt broader perspectives, and workshops on diversity management to encourage creativity within organizations. The institute also endeavors to foster the development of management skills that are needed to lead and run organizations.

The institute features three monuments that symbolize breaking out of the mold, in the form of giant tomato trees, a bent giant cedar, and floating stones. These serve as visible reminders to employees and customers who visit the institute of the importance of breaking out of the mold. They also send the message that Otsuka



¹ The Human Resource Development Institute

will continue to be a richly creative force.

The adjoining **Vega Hall** ² is a multi-purpose hall, which was named in the spirit of encountering new worlds, and serves as a place of communication for employees and the community. In addition to hosting corporate conferences and events, the venue is rented out to the general public for lectures and music concerts, in support of the arts and culture.



² Vega Hall, which is rented out for public events

Workshops on Otsuka Corporate Culture

The Otsuka Group conducts **workshops on Otsuka corporate culture** ³, to teach employees about the Group's corporate principles, values, and decision-making criteria. The workshops are designed to change employee perspectives and behavior for the future growth of the Group by enhancing employee understanding of the Group's vision and corporate culture through examining quotes from past and present senior management.

In 2012, more than 5,000 employees of the Otsuka Group attended the workshops in and outside Japan, serving to reinforce the meaning of the Otsuka Group and what it means to employees, and providing a springboard for further exploration. The Group is building on the program by enhancing the workshops to further examine the Otsuka Group corporate culture.



³ Workshop on Otsuka Group corporate culture



Safety Training Center

Otsuka Chemical implements training and initiatives to enhance safety awareness among employees, realizing that it is important for employees to take safety in their own hands alongside the precautions that the company takes to prevent accidents.

These initiatives include classroom **Anzen Dojo (Safety Training Center) activities** **4** that employees undertake to enhance their knowledge of safety and to increase their awareness by simulating hazards. For example, to learn about the risks of pinching and rolling accidents, employees first learn in the classroom about how rotary valves work, then they engage in hazard prediction as a group to identify the possible hazards. The employees then witness what happens when a piece of wood representing a finger is pinched or rolled in an actual rotary valve, so that the hazard fully registers with employees. The training ends with a group discussion on safety measures to enhance understanding. These initiatives are designed to make employees more sensitive to hazards and to teach them to think and behave in a preventative manner.



4 Anzen Dojo activities on rolling and pinching hazards



Extensive Training

The Otsuka Group provides extensive training to enhance the abilities and skills of each employee and to increase safety awareness, offering a wide range of training programs according to the purpose.

In addition to providing practical on-the-job training, Group companies implement systematic training by job rank, including for new employees, second-year employees, and employees in their fourth and fifth years, in addition to training for section managers and other levels of management. The training is designed

to equip employees with the tools they need for their respective positions, including basic skills for employees in the early stages of their careers, and fostering the management perspective of middle management while teaching them to be effective managers. Group companies also implement specific training for employees who are promoted to managerial positions, in order to facilitate their work and enhance their management skills, including communication abilities.

Accessibility is also a priority through e-learning programs that employees can access remotely or from the home. Training is led by outside instructors and external organizations, in addition to the **regular training conducted outside the company** **5**. Group companies also support those employees who desire to upgrade their skills by acquiring qualifications and skills that are pertinent to their work.



5 Employee training outside the company

Taiho Pharmaceutical supports personal development by offering employees more than 200 different options for distance learning and subsidized courses, and partially subsidizes costs associated with acquiring qualifications approved by the company. These programs are helping to enhance employees' specialization and enrich their lives and careers.

The Otsuka Group instituted a **global MBA program** **6** in 2011 to provide the opportunity to pursue MBA studies in the United States and to foster employees who can make a difference in global business. Employees who are accepted into the program take leave from work to develop their potential as future key management personnel.



6 Global MBA training

Diversity

The Otsuka Group promotes diversity by accepting diverse human capital and endeavors to realize employees' individual strengths in order to build a strong yet flexible organization that can cope with change, believing that this leads to innovation.



Supporting Women in the Workplace

The Otsuka Group supports women in the workplace, actively promoting women to management positions and offering other means of support, including parenting leave and the option to reduce working hours.

Taiho Pharmaceutical established a working group for women in the workplace in 2012. The working group conducted a survey on working conditions for women, using the results to identify four underlying strategies for promoting women in the workplace, which have been implemented in 2013 by changing programs and enhancing awareness at the company. The four strategies are to eliminate harassment from the workplace, foster a better understanding in the workplace and among managers (mainly regarding employees having children and parenting), measures to address long work hours, and examining diversity and work styles.

Otsuka Foods conducted a workshop on diversity in November 2012 for some 90 employees selected by department managers, in an effort to encourage positive attitudes toward diversity in the workplace. The company also prepared a handbook on diversity that was distributed to all employees, to encourage acceptance of diversity.



Taiho Pharmaceuticals working group on diversity

■ Percentage of Female Managers

	As of March 31, 2012	As of March 31, 2013
Otsuka Pharmaceutical	6.28%	6.70%
Otsuka Pharmaceutical Factory	2.11%	2.38%
Taiho Pharmaceutical	1.83%	2.50%
Otsuka Chemical	7.80%	7.20%
Otsuka Warehouse	3.50%	4.88%
Otsuka Foods	2.27%	2.85%



Employment of Senior Employees

The Otsuka Group provides opportunities for motivated employees to continue working past the age of 60, and a program for senior employees to apply their wealth of experience and knowledge to transfer skills to other employees by working until the age of 65.

The Group previously had a program in place to continue employing persons past 60 under certain conditions, but the option is now available to all employees who wish to continue working. The change was necessitated by revisions of the Act on Stabilization of Employment of Elderly Persons in Japan in April 2013, and the lack of public pensions for people who choose to retire at 60. The Group is also looking at other changes to support employees who wish to work past 60, including changing company regulations concerning retirement pay and enabling employees to customize their retirement pay schedule through life planning.



Normalization

The Otsuka Group embraces normalization to enable persons with disabilities to live on equal terms with others, and it encourages the hiring of persons with disabilities.

In October 2011, the Group established Heartful Kawauchi Co., Ltd. in Tokushima City, as a special subsidiary company to leverage the skills of persons with disabilities. As of March 31, 2013, the company employed eight persons with physical disabilities (including seven persons with major disabilities) and nine persons with mental illness. The company will strive to create more jobs in the future.

■ Employees with disabilities

	As of March 31, 2012	As of March 31, 2013
Otsuka Pharmaceutical	2.07%	2.11%
Otsuka Pharmaceutical Factory	1.90%	2.00%
Taiho Pharmaceutical	1.75%	1.95%
Otsuka Chemical	2.68%	2.34%
Otsuka Warehouse	1.18%	1.17%
Otsuka Foods	1.59%	1.69%

Work-Life Balance

The Otsuka Group respects the diverse lifestyles of its employees and endeavors to offer working conditions that facilitate a work-life balance.

Supporting Parents

The Otsuka Group endeavors to provide employees with working conditions that support parenting and the care of relatives and to encourage employees to take parenting leave and paid holidays. Group companies offer employees avenues for information exchange while on parenting leave, such as through the Otsuka Women's Workshop conducted by Otsuka Pharmaceutical and a forum for employees returning from parenting leave organized by Taiho Pharmaceutical. Group companies are also acquiring Kurumin mark certification, signifying that they actively support parenting.



■ No. of employees taking parenting leave

	FY2011		FY2012	
	Male	Female	Male	Female
Otsuka Pharmaceutical	2	93	2	87
Otsuka Pharmaceutical Factory	0	15	4	17
Taiho Pharmaceutical	16	12	21	27
Otsuka Chemical	0	2	0	3
Otsuka Warehouse	0	3	0	2
Otsuka Foods	0	2	1	2
Total	18	127	28	138

BeanStalk Kids Center Tokushima

Since 2011, the Otsuka Group has been operating the BeanStalk Kids Center Tokushima, an on-site daycare facility at the birthplace of the Otsuka Group. The building which houses the daycare center is finished using cedar from Tokushima Prefecture. It is designed to take advantage of solar heat, as well as natural light, wind, and the landscape. The design helps to regulate temperatures so that heating and air conditioning are only needed on especially hot or cold days.

The spacious one-story building offers plenty of room for children to run around in an environment that is designed to foster their talents, creativity, and individuality. Notices and other information are continuously posted on the corporate intranet, and staff



BeanStalk Kids Center Tokushima

meet regularly with parents to report on the daycare, supporting parents who need to juggle parenting and work.

The Otsuka Group is also moving forward with plans to construct a second on-site daycare facility to meet demand from employees, and it is considering other daycare facilities at Group companies in and outside of Japan.

VOICE



Returning to Full-Time Work with the Encouragement of the Company

Akiko Harada

Clinical Research, Kanto
Clinical Research Development Department
Taiho Pharmaceutical Co., Ltd.

I returned to the workplace in the spring of 2013 after taking parenting leave. Before returning, I wondered if it might be a burden to my co-workers to come back to work. However, at a forum organized by the company for returning parents, I talked with my boss who supported my desire to return to work. This eased my concerns and helped me to decide to come back to work on a full-time basis. I am grateful to the company for adjusting the scope of my responsibilities so that I can minimize the time I need to take off in case my daughter gets sick.

Employee Health

As a global healthcare company, the Otsuka Group believes that it is important for employees to be involved in their own health, and it strives to maintain and enhance their wellbeing. The Group facilitates these goals through physical activity programs and education concerning health matters.



Employee Health

The Otsuka Group implements diverse health programs and initiatives to encourage employees to maintain and improve their health.

Otsuka Pharmaceutical operates the Pocari/efresh exercise program, where instructors go from workplace to workplace and lead employees through a weekly eight-minute program of invigorating exercises. Employees find that the exercises help them to tackle their work. The program, now in its sixth year, has become an integral program to encourage physical activity among employees.

Additionally, Otsuka Pharmaceutical operates a “Walk-for-Health” program for employees and their families, and Taiho Pharmaceutical organizes a health festival organized for employees at the Okayama Factory and members of the community. Group companies organize the Let’s Enjoy Tokushima Health Club, which is designed to encourage employees to live better lifestyles through initiatives such as offering healthy cafeteria menu choices and conducting seminars on health topics. Otsuka Foods implements an employee abdominal fat loss program, while Otsuka Techno organizes sports tournaments for the participation of all employees.

Group companies actively disseminate health information to employees, including through life planning seminars conducted by the Otsuka Pharmaceutical Factory and a newsletter on health published by Otsuka Foods. Group companies also conduct education on mental health and stress management to address the mental well-being of employees, and offer services such as an outside counseling hotline that is available to employees of EN Otsuka Pharmaceutical.



Let’s Enjoy Tokushima Health Club



Occupational Health and Safety Committees

In addition to securing compliance with occupational health and safety regulations to prevent workplace accidents, the Otsuka Group implements industrial health initiatives in the workplace to secure optimal working conditions and reduce the risk of accidents.

Group companies operate occupational health and safety committees that regularly conduct inspections of all workplaces to secure compliance. Additionally, Group companies provide avenues for employees to initiate workplace improvements by identifying issues and developing solutions. Industrial physicians at Group companies provide advice on health matters and they follow up on employee health checkups. They also conduct education related to occupational health and safety, in order to raise awareness of health and occupational health and safety among all employees.

Group companies conduct emergency first aid training, including training on the use of automated external defibrillators (AEDs), to prepare for emergency situations in and outside the company. Drills are conducted to review procedures for confirming employee safety in an emergency such as a major earthquake or extreme weather, using automated systems for employee safety verification.

At plants where many employees commute by private vehicle, Group companies implement initiatives to prevent driving accidents during commuting and work, such as testing driving skills, organizing traffic safety workshops and safe driving seminars, and inspecting vehicle tires.

The Otsuka Group is committed to continue working to enhance employee health, improve working conditions, and prevent occupational accidents.



Workshop on traffic safety

Third-Party Opinion

Feedback on the Otsuka Group CSR Report 2013

Initiatives to Address Social Issues

Heat stroke has emerged as an important social issue in Japan, due to energy shortages affecting the nation and a trend of rising summer temperatures. The Otsuka Group can be praised for its commitment to rehydration education and its efforts to educate the public on the dangers of heat stroke through a dedicated website and other initiatives. As described in Highlight 1 and the Health section of this report, the Otsuka Group has sought to address a social issue through the development and marketing of Pocari Sweat, which both aids rehydration and is enjoyed as a beverage. Pocari Sweat represents a very good example of a company realizing its corporate philosophy and addressing social issues through its main business, which is a fundamental part of socially responsible management. In my assessment the Otsuka Group is doing an excellent job in this regard.

Socially Responsible Management and Communication

The Otsuka Group has taken the step of organizing its corporate social responsibility (CSR) initiatives in the five areas of health, environment, quality, culture, and employees. The Report outlines the activities in these five areas. Each section in this report describes “Priority Areas,” which the Otsuka Group sees as important areas to focus on. On the other hand, the environment section and other sections contain a lot of data. I think it is necessary to provide a summary of the issues that need to be addressed, and to list the Group’s targets, performance, and levels of achievement, as compared with previous years. Then the Report would be easier to understand.

With respect to social topics besides the environment, I think that the CSR Report can be improved by summarizing



Eriko Nashioka

Certified Public Accountant and
Certified Tax Accountant / President,
Institute for Environmental
Management Accounting

Profile

Completed a master’s degree in environmental management at the Graduate School of Policy and Management of Doshisha University, and taught at the Faculty of Commerce of the University of Doshisha.

Joined Showa Ota & Co. (now Ernst & Young ShinNihon LLC), engaging in consulting on environmental accounting and reporting. Served as a lead researcher for a project on corporations and the environment by the Kansai Research Center of the Institute for Global Environmental Strategies (IGES), and was a member of the Committee of Environmental Accounting of the Japanese Institute of Certified Public Accountants (JICPA), as well as serving on committees for Japan’s Ministry of the Environment and Ministry of Economy, Trade and Industries. Joined the management team of the Institute for Environmental Management Accounting in April 2004, and has authored books on environmental accounting and environmental reports.

and providing information about the Group’s code of conduct and the issues as it perceives them. The Report does a good job of describing the Group’s initiatives in 2012, but it needs to outline the progress made from the previous year as an annual report.

Global Initiatives

Highlight 2 focuses on the Otsuka Group’s environmental and social initiatives in Indonesia, reflecting the global nature of its business. I appreciate that the Group listens to local communities and embraces their culture. While the report has been improved in terms of disclosing information about the Otsuka Group’s social initiatives outside of Japan, there is still less information than is presented for initiatives in Japan. Therefore, I hope the Group will disclose more global data encompassing information on initiatives outside of Japan. The next step will be for the Group to develop simple and comprehensible benchmarks to communicate to its global stakeholders. I look forward to the Otsuka Group making continued progress with its CSR initiatives.

Editorial Postscript

The 2012 Otsuka Group CSR Report was our first attempt to assemble a report that represents the entire Otsuka Group. This year’s report has been expanded with additional content and information covering environmental initiatives and environmental performance data for Group companies outside of Japan, in addition to data for Group companies in Japan. For the first time, we have organized the initiatives of the Otsuka Group around the five areas of health, environment, quality, culture, and employees, and described the Group’s direction in each of these areas. We spotlighted the “Priority Areas” in each of these five domains, in an effort to better communicate the initiatives to stakeholders.

Group companies are involved in a broad range of initiatives that cannot be presented in entirety here, due to space limitations. Until now, additional information on these

initiatives has been provided through the websites of individual Group companies, but in order to present the information in a more accessible way and disclose updated information, we are preparing a portal site for the CSR initiatives of the Otsuka Group.



We will continue working to expand this report, so that we can convey the Otsuka Group’s initiatives stemming from the mutual bonds and trust it has established with stakeholders.

Editorial Committee
Otsuka Group CSR Report 2013



Otsuka Holdings Co., Ltd.

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

Publication date of this report: September 2013

● Contact information for inquiries

PR, Investor Relations Department, Otsuka Holdings Co., Ltd.

Tel : +81 (0)3-6717-1410 (switchboard) Fax : +81 (0)3-6717-1409

This report is also available online.

<http://www.otsuka.com/en>



The report is printed using Non-VOC ink, made 100% from aroma-free vegetable oil that does not contain volatile organic solvents. The report is printed on FSC™ certified paper, using a waterless printing method that minimises generation of harmful liquid waste.