



Otsuka Group CSR Report 2015

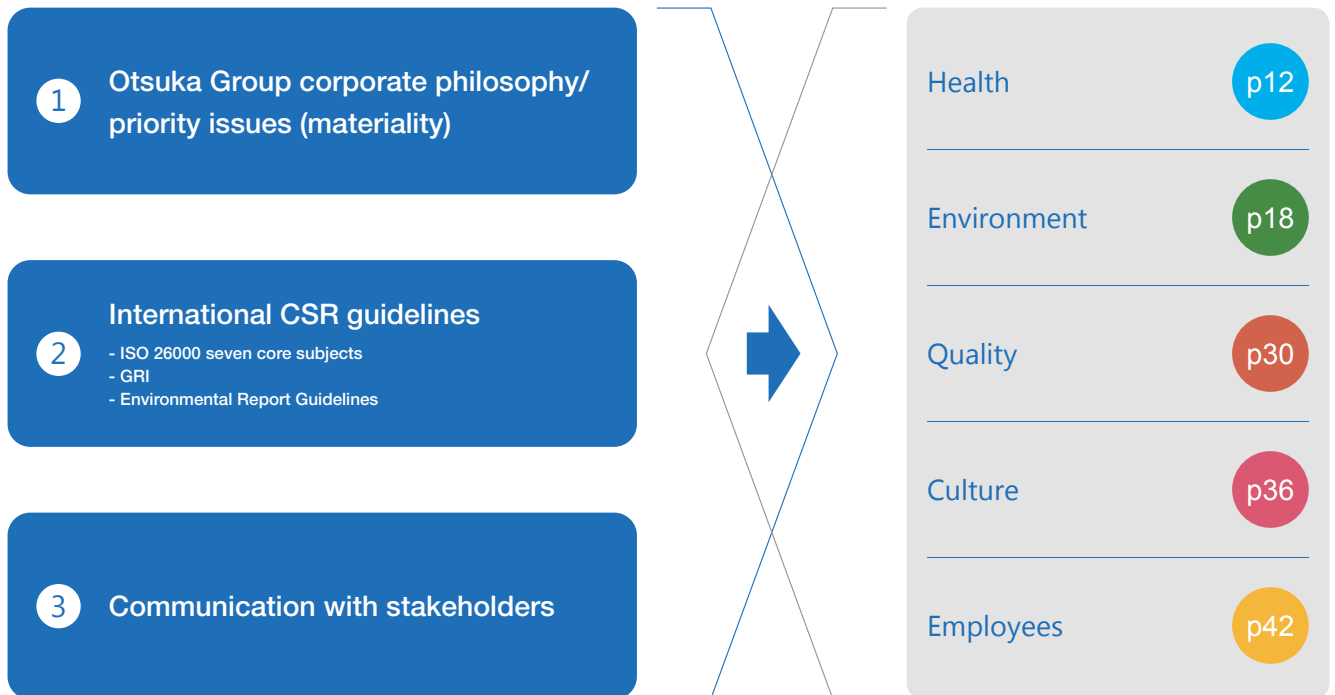
Otsuka-people creating new products for better health worldwide

Editorial Policy

In keeping with its corporate commitment, “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 can lead to a better mutual understanding with our stakeholders.

In this report, we focus on the three concepts below in addressing the five areas of CSR at the Otsuka Group – health, environment, quality, culture and employees.



Scope of report

This report focuses on Otsuka Holdings and encompasses information for Otsuka Group companies worldwide, principally following these 14 Group companies in Japan:

Otsuka Pharmaceutical Co., Ltd.	Otsuka Medical Devices Co., Ltd.	J.O. Pharma Co., Ltd.
Otsuka Pharmaceutical Factory, Inc.	Otsuka Foods Co., Ltd.	Okayama Taiho Pharmaceutical Co., Ltd.
Taiho Pharmaceutical Co., Ltd.	Otsuka Electronics Co., Ltd.	Otsuka Packaging Industries Co., Ltd.
Otsuka Warehouse Co., Ltd.	EN Otsuka Pharmaceutical Co., Ltd.	JIMRO Co., Ltd.
Otsuka Chemical Co., Ltd.	Otsuka Techno Corporation	

Period covered

Due to a change in the fiscal year-end to December, the results cover the period from January 1, 2015 to December 31, 2015. The activities reported on include some conducted more recently.

Publication schedule

The next report is scheduled for publication in summer 2017.

Guidelines referenced

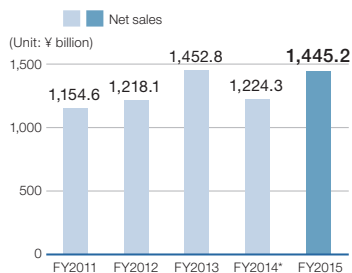
This report was compiled with reference to the GRI Sustainability Reporting Guidelines 3rd Edition, ISO 26000, and the Environmental Reporting Guidelines 2012 Edition issued by Japan’s Ministry of the Environment.

Corporate Profile

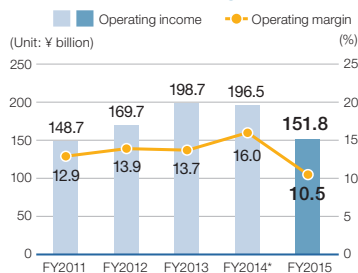
As of December 31, 2015

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: 78 (Consolidated: 30,638; Group total including non-consolidated subs. of approx. 47,000)
Scope of consolidation: 112 consolidated subsidiaries and 16 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.

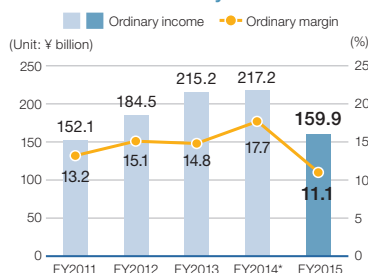
Consolidated Net Sales



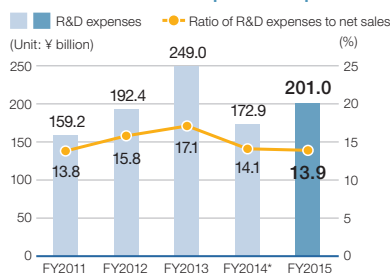
Consolidated Operating Income



Consolidated Ordinary Income

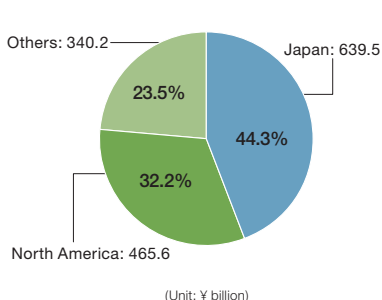


Research and Development Expenses



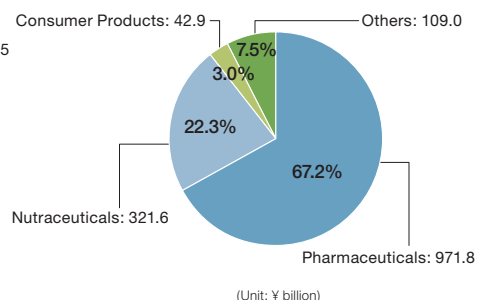
Consolidated Net Sales by Geographical Segment (FY2015)

Sales to customers by market



Consolidated Net Sales by Business Segment (FY2015)

Sales to customers by market



* Due to a change in the fiscal year-end to December, FY2014 covers the nine-month period from April 1, 2014 to December 31, 2014.

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Otsuka Group Across the Globe

As of December 31, 2015, over 50% of consolidated net sales were from markets outside Japan. At least half of the roughly 30,000 consolidated employees were also located overseas. Otsuka Group employees are working every day around the world, for the universal betterment of human health.

Belgium

Nutrition & Sante Benelux S.A.

Czech Republic

Interpharma Praha, a.s.

France

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

Germany

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

Italy

Otsuka Pharmaceutical Italy S.r.l.
Nutrition & Sante Italia SpA

Portugal

Biocentury Portugal, Unipessoal Lda.

Spain

Otsuka Pharmaceutical, S.A.
Nutrition & Sante Iberia SL
Biocentury, S.L.U.
Hebron S.A.
Trocen Iberica S.A.

Sweden

Otsuka Pharma Scandinavia AB

Switzerland

Otsuka Pharmaceutical (Switzerland) GmbH
Nutrinat AG

UK

Otsuka Pharmaceutical Europe Ltd.
Otsuka Pharmaceuticals (U.K.) Ltd.
Otsuka Europe Development & Commercialisation, Ltd.
Astex Therapeutics, Ltd.

China

Otsuka (China) Investment Co., Ltd.
Zhejiang Otsuka Pharmaceutical Co., Ltd.
Sichuan Otsuka Pharmaceutical Co., Ltd.
Tianjin Otsuka Beverage Co., Ltd.
Otsuka Sims (Guangdong) Beverage Co., Ltd.
Otsuka Pharmaceutical (H.K.) Ltd.
Otsuka Beijing Research Institute
Pharmavite (Shanghai) Business Information Consultancy Co., Ltd.
Giant Harvest, Ltd.
Suzhou Otsuka Pharmaceutical Co., Ltd.
Shanghai Otsuka Foods Co., Ltd.
Zhangjiagang Otsuka Chemical Co., Ltd.
Higashiyama (Shanghai) Function Film Co., Ltd.
China Otsuka Pharmaceutical Co., Ltd.*
Guangdong Otsuka Pharmaceutical Co., Ltd.*
VV Food & Beverage Co., Ltd.*
Shanghai MicroPort Medical (Group) Co., Ltd.*
MicroPort Scientific Corporation*

Egypt

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

Philippines

Otsuka (Philippines) Pharmaceutical, Inc.

India

Claris Otsuka Private Limited
Otsuka Chemical (India) Private Limited

South Korea

Korea Otsuka Pharmaceutical Co., Ltd.
Korea OIAA Co., Ltd.
Otsuka Electronics Korea Co., Ltd.
KOC Co., Ltd.
Dong-A Otsuka Co., Ltd.*

Indonesia

P.T. Otsuka Indonesia
P.T. Widatra Bhakti
P.T. Amerta Indah Otsuka
P.T. Otsuka Jaya Indah
P.T. Merapi Utama Pharma
P.T. Lautan Otsuka Chemical

Taiwan

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

New Zealand

Diatranz Otsuka Limited

Thailand

Thai Otsuka Pharmaceutical Co., Ltd.*

Pakistan

Otsuka Pakistan Ltd.*

Turkey

Abdi Ibrahim Otsuka Pharmaceutical Company

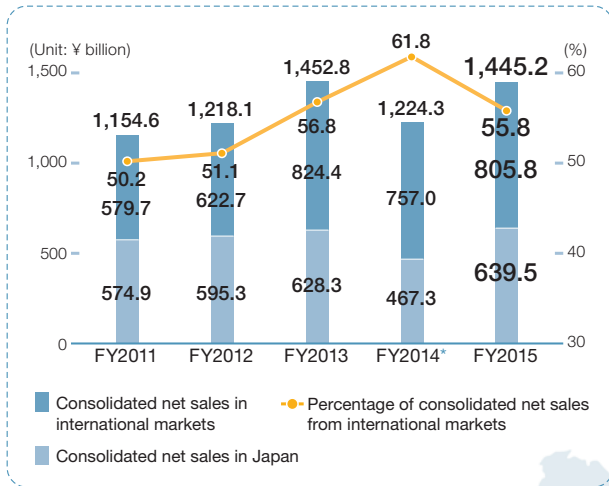
 **2,685** employees  **30** companies

Europe

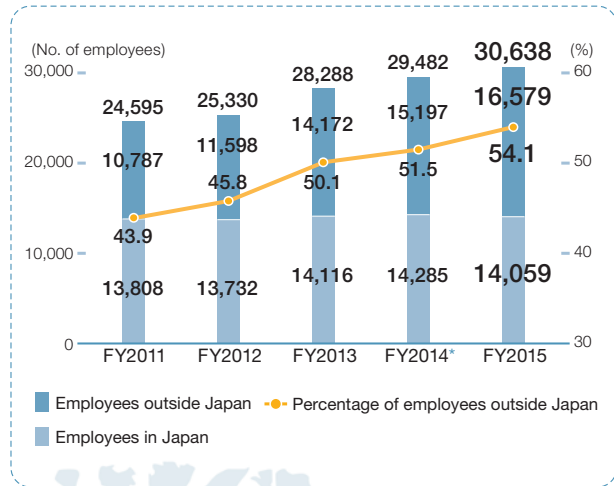
 **8,991** employees  **39** companies

Asia / Oceania / Middle East

Consolidated Net Sales in and outside of Japan



Consolidated Number of Employees in and outside of Japan



* Due to a change in the fiscal year-end to December, FY2014 covers the nine-month period from April 1, 2014 to December 31, 2014.

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 Medical Devices Co., Ltd.
- Otsuka Foods Co., Ltd.
- EN Otsuka Pharmaceutical Co., Ltd.
- Otsuka Electronics Co., Ltd.
- Otsuka Techno Corporation
- Otsuka Packaging Industries Co., Ltd.
- JIMRO Co., Ltd.
- Otsuka Wellness Vending Co., Ltd.
- Otsuka Ridge Co., Ltd.
- Nippon Pharmaceutical Chemicals Co., Ltd.
- Chuo Electronic Measurement Co., Ltd.
- J.O. Pharma Co., Ltd.
- Otsuka Naruto Development, Inc.
- Okayama Taiho Pharmaceutical Co., Ltd.
- Dairin Integrated Transportation Co., Ltd.
- HAIESU Service Co., Ltd.
- Otsuka Furniture Manufacturing and Sales Co., Ltd.
- Otsuka Turftech Co., Ltd.
- ILS, Inc.
- Otsuka Ohmi Ceramics Co., Ltd.
- Higashiyama Film Co., Ltd.
- Otsuka Chilled Foods Co., Ltd.
- Otsuka-MGC Chemical Company, Inc.
- KISCO Co., Ltd.
- Earth Chemical Co., Ltd.*
- Earth Environmental Service Co., Ltd.*
- Nichiban Co., Ltd.*
- NEOS Corporation*

Canada

- 2768691 Canada, Inc.
- Otsuka Canada Pharmaceutical, 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
- Pharmavite Direct LLC
- Ridge Vineyards, Inc.
- Crystal Geyser Water Company
- Otsuka Global Insurance, Inc.
- Astex Pharmaceuticals, Inc.
- Avanir Pharmaceuticals, Inc.
- Avanir Acquisition Corporation
- Avanir Holding Company
- Xenerex Biosciences
- FoodState, Inc.
- Taiho Oncology, Inc.
- Otsuka Chemical America, Inc.
- Crystal Geyser Brand Holdings, LLC*
- CG Roxane LLC*

Brazil

- Jasmine Comercio de Produtos Alimenticios LTDA
- Otsuka Chemical do Brasil Ltda.

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

14,059 employees **34** companies

Japan

4,903 employees **26** companies

North & South America

Business Overview of the Otsuka Group

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.

Pharmaceutical Business



Pharmaceuticals

I.V. solutions
(clinical nutrition)

Diagnostics

Medical devices

The pharmaceutical business is engaged in the core areas of the central nervous system and oncology in order to address unmet medical needs. Furthermore, the Group is active in a range of health-related fields including the cardiovascular system, gastroenterology, ophthalmology, diagnostics, I.V. solutions and medical devices in order to provide comprehensive healthcare solutions ranging from diagnosis to the treatment of disease.

Flagship products



ABILIFY,
an antipsychotic



Abilify Maintena,
an antipsychotic



Mucosta ophthalmic suspension,
a therapeutic agent for dry eye



Pletaal/Pletal,
an antiplatelet agent



TS-1,
an anticancer agent



Lonsurf,
an anticancer agent



Samsca, an aquaretic agent and
treatment for autosomal dominant
polycystic kidney disease (ADPKD)



Deltiba,
a treatment for multidrug-
resistant tuberculosis (MDR-TB)



Aloxi,
an antiemetic agent



Abraxane,
an anticancer agent



ELNEOPA,
a high-calorie TPN solution



Enteral formula RACOL-NF
semi-solid for enteral use

Nutraceutical Business



Functional beverages
and foods

Cosmetics

OTC products,
Quasi-drugs

The nutraceutical business focuses on functional foods and beverages that help maintain and promote day-to-day well-being. The Group leverages the expertise gained in its pharmaceutical business to develop original product based on scientific evidence.

Nutraceuticals = nutrition + pharmaceuticals
Cosmetics = cosmetics + medicine

Flagship brands and products



POCARI SWEAT



POCARI SWEAT
ION WATER



ORONAMIN C Drink



Tiovita Drink



OS-1



Calorie Mate



SOYJOY



SoyCarat



EQUELLE



Kenja-no-Shokutaku
(The Wise Man's Dining)
Double Support



Nature Made



Gerblé



UL-OS



Oronine H Ointment



Flagship products



Bon Curry Gold



Bon Curry Neo



My Size



Sirvino Java Tea Straight



MATCH Berry MATCH



CRYSTAL GEYSER



Ridge Monte Bello



Mannan Hikari



Consumer Products Business

Beverages

Foods

Alcoholic beverages

Since launching the world's first commercially available curry in a pouch, Bon Curry, in 1968, Otsuka has continued to pioneer in product development. The company delivers foods and beverages to consumers, which taste delicious and also give the consumer peace of mind.

Flagship products



Terracess (friction material for brake pads)



Application of hydrazine derivatives Additive for rubber tires



Other Businesses

Functional chemical products

Fine chemicals

Distribution

Packaging

Electronic equipment

The Otsuka Group also engages in diversified businesses such as chemical materials for the automotive, electrical, electronic, and building materials sectors. It operates 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.



POCone, a medical device



HM series of LED evaluators

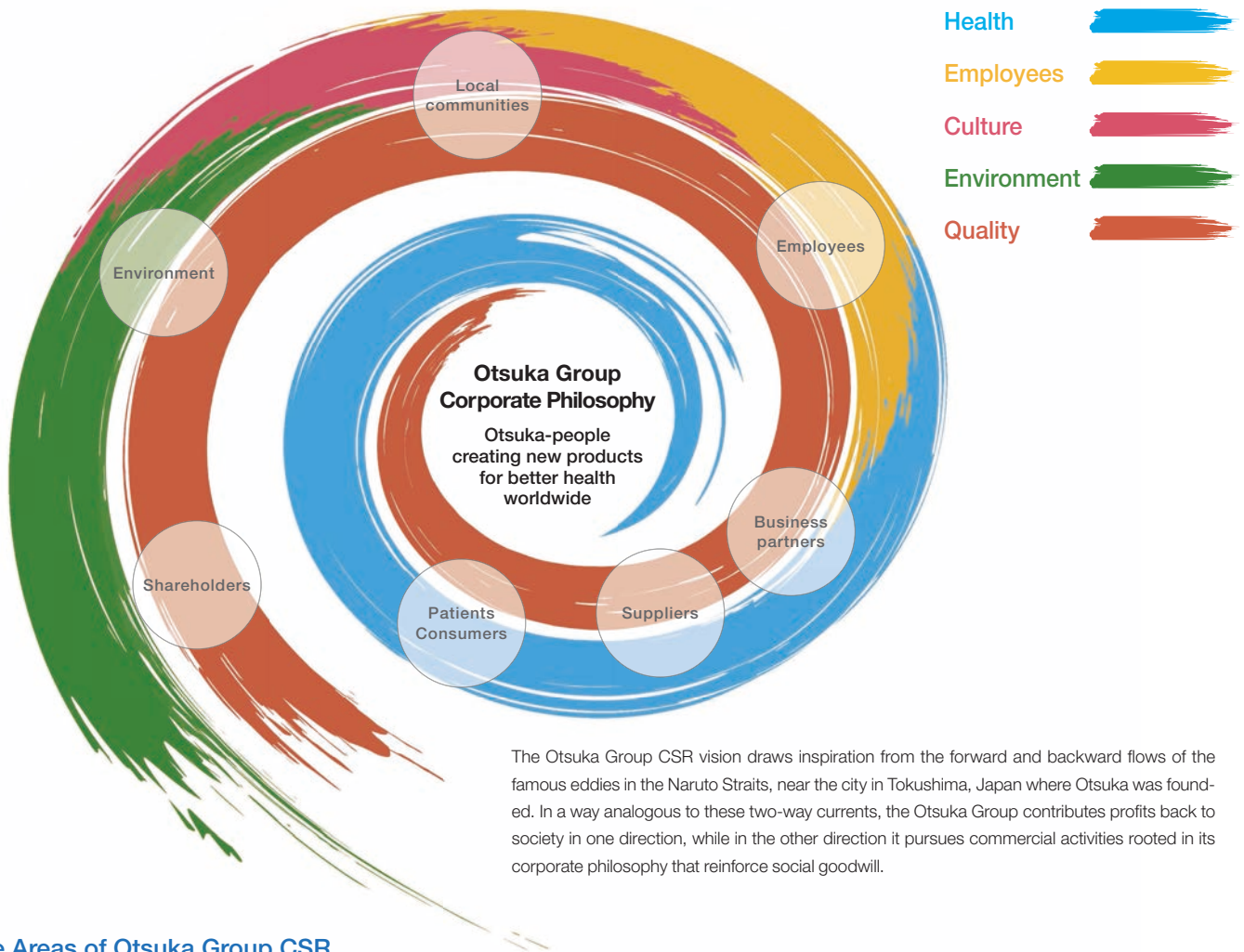
Otsuka Group's CSR Vision

Otsuka's approach to social responsibility is driven by its determination to live up to its corporate philosophy, "Otsuka-people creating new products for better health worldwide." Otsuka's specific initiatives evolve as stakeholders become engaged and increasingly involved. This is only natural, since Otsuka's business activities require the understanding, cooperation and support of many stakeholders, including local communities, suppliers, patients, and consumers. The Group contributes to society in various ways, including initiatives to benefit the local communities where it operates and protect the natural environment. These initiatives, in turn, directly and indirectly help Otsuka to improve

its manufacturing and services. Delivering products and services highly valued by customers helps develop the Group's business and enhances relationships of shared trust with stakeholders.

With this approach, Otsuka aspires to create a virtuous cycle of synergies through community partnerships built on customer trust, loyalty and support. The more the Group is able to give back to society, the more goodwill it will accrue naturally.

By pursuing CSR as an integral part of its business, the Otsuka Group aims to continue as a valued, necessary partner for society.



The Otsuka Group CSR vision draws inspiration from the forward and backward flows of the famous eddies in the Naruto Straits, near the city in Tokushima, Japan where Otsuka was founded. In a way analogous to these two-way currents, the Otsuka Group contributes profits back to society in one direction, while in the other direction it pursues commercial activities rooted in its corporate philosophy that reinforce social goodwill.

Five Areas of Otsuka Group CSR

Health
p12

As a comprehensive healthcare company, the Otsuka Group is focused on developing innovative products and seeking ways to maintain and promote better health for all.

Environment
p18

Our lives, communities and business activities are inextricably linked to the environment. Otsuka Group embraces its responsibility to care for the environment and pursue sustainability at every stage, from the manufacturing of products through to their use.

Quality
p30

Otsuka's approach to product quality extends beyond safety and security in manufacturing. Striving also to enhance the quality of its social initiatives, the Group is focused on a broad range of activities, from information transparency and disclosure to collaboration with business partners, respect for local communities, and ensuring compliance with regulations.

Culture
p36

Otsuka respects local communities and their traditional cultures. The Group contributes to community development and in particular to the education of children, who represent the future of their communities, through community exchanges, partnerships, and support for education.

Employees
p42

The spirit of *Sozosei* (creativity) instilled in every employee of the Otsuka Group stems from their desire to emulate the corporate philosophy. The Group fosters a corporate culture that encourages a diverse workforce to break out of the conventional, broaden their perspectives, and never stop in their personal development. This collective creativity, in turn, enables the Group to continue developing innovative products that enrich society.

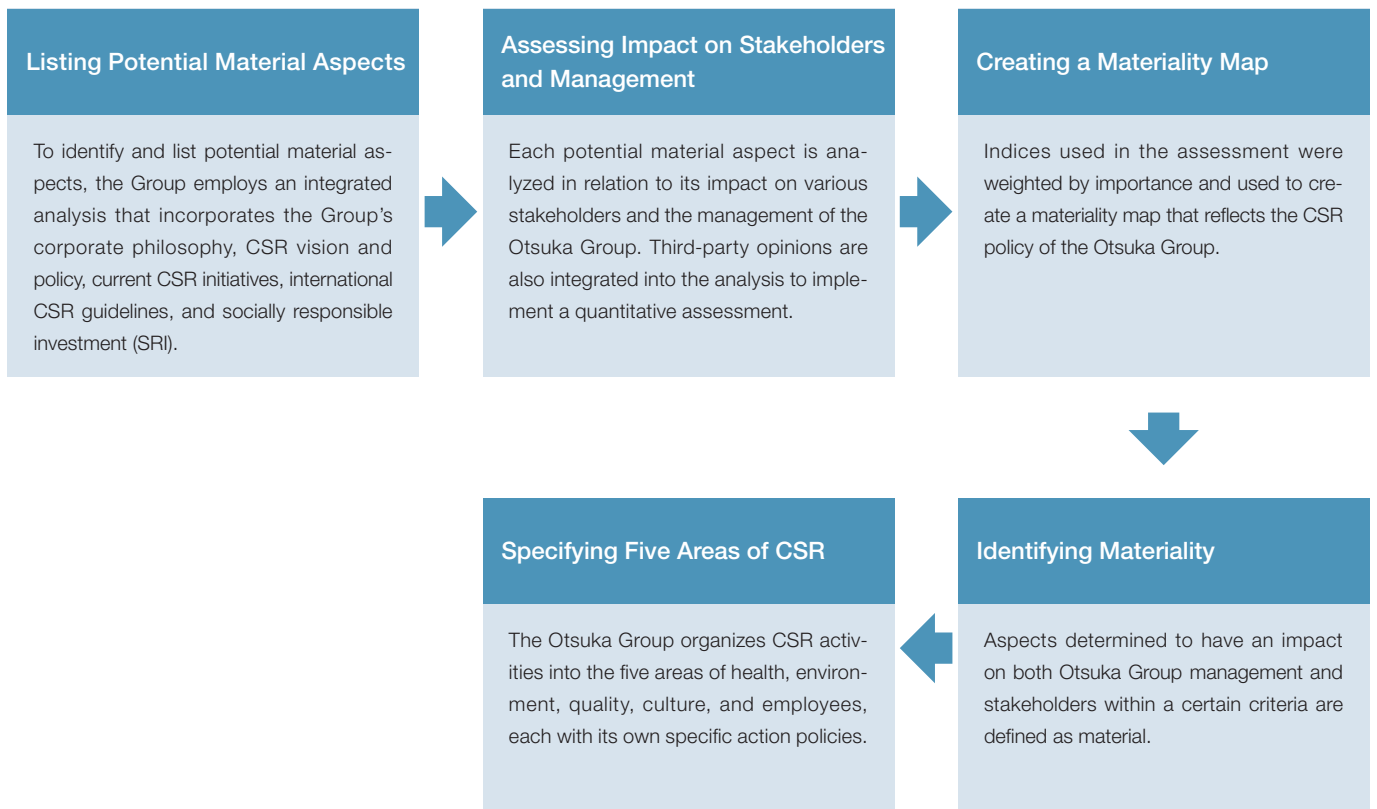
Process to Identify Materiality*

The Otsuka Group recognizes initiatives to address sustainability, including social and environmental issues, as a vital aspect of its corporate philosophy. The Group engages in a diverse set of initiatives to uphold this responsibility.

Using the methodology described below the Otsuka Group identified material aspects which it should emphasize. The Group continues to

pursue this process, promote CSR as an integral part of its business activities, and strive for sustainable development in its business operations and society at large.

* In this context materiality refers to significant economic, social and environmental impacts of corporate performance. This is not limited to significant financial impacts on the company and considers wider impacts that would substantively influence the assessments and decisions of broader stakeholders.



Message from the President



To Become an Indispensable Contributor to People's Health Worldwide

Dedicated to a Management Philosophy that Anticipates and Fulfills Customer Needs

While remaining deeply committed to pharmaceuticals and nutraceuticals (NC)* as our two core areas, the Otsuka Group has expanded into businesses that include clinical nutrition, medical equipment, and chemicals. As our business has developed, Otsuka has grown to operate around the world with 49 companies in Japan and 129 companies in other countries, which employ approximately 47,000 people.

Our goal is to achieve sustainable growth. To do this, we seek to gain a deeper understanding of what patients and consumers are seeking—in other words, the underlying fundamental needs that drive their wants—as we work to develop competitive products and services.

The Otsuka Group is currently working under its Second Medium-Term Management Plan, which will conclude in December 2018. We are concentrating on reorganizing business segments and strengthening management practices with the goal to become an indispensable contributor to people's health worldwide.

The management plan is designed to ensure sustainable growth for the Otsuka Group beyond 2018 by diversifying the Group's profit structure over the plan's five-year period, maintaining a basic policy of continued investment, and moving forward structural reforms so that our business will expand steadily. In the pharmaceutical business, we aim to maximize product value in two core areas, the central nervous system and oncology, as well as to make steady progress in specific R&D fields that address unmet medical needs. In the nutraceutical business, the management plan calls for accelerated development of new products and their accelerated global deployment, alongside a corresponding reassessment and restructuring of management resources to facilitate growth.

* Nutraceuticals = nutrition + pharmaceuticals

Developing Global CSR to be an Integral Part of Our Business Activities

The Otsuka Group's corporate social responsibility (CSR) activities are an integral component of our business activities and central to the practical implementation of our corporate philosophy. Group companies utilize Otsuka products and services in a variety of initiatives that focus on contributing to customer health, protecting the global environment, and supporting healthier, more comfortable lives for local communities. Otsuka's approach is based on integrating CSR into these types of business activities and to develop initiatives that evolve naturally from our ongoing engagement with stakeholders.

Today, more than half of the employees of the Otsuka Group work outside of Japan and among them more than 20 different languages are spoken as a mother tongue. This rich diversity in languages requires respect for associated differences in mindset, tradition, and history. At Otsuka, we recognize the importance of mutual acceptance and welcome the multiplicity of ideas which emerges from encouraging different perspectives. This is a strength that helps us create new value on a global basis.

The increasingly international nature of the Otsuka Group's business leads to greater social and legal responsibilities, as well. Otsuka business activities are based on a foundation of earning the trust of patients, consumers, and all other stakeholders. Recognizing the importance of all Otsuka Group employees acting in good faith and honesty, we established the Otsuka Group Global Code of Business Ethics. This code serves as compliance standards for all Group employees and provides a framework for shared values on fairness, diversity, and environmental protection. They also compel each employee to demonstrate a high level of business ethics in upholding his or her responsibilities to our stakeholders.

Earning Greater Trust from Stakeholders

The Otsuka Group places great importance on corporate governance when developing CSR activities that are based on putting our corporate philosophy into practice. A solid corporate governance structure is essential to swift, agile decision-making that is also fair and transparent. It goes without saying that solid governance is essential if we are to fulfill our social responsibilities as a company that engages with and is trusted by customers, business partners, employees, local communities, and shareholders.

Japan's Corporate Governance Code, which outlines standards of conduct drafted by the Financial Services Agency and the Tokyo Stock Exchange (TSE), took effect in May 2015. This new code addresses the increasing and diverse demands on companies to ensure transparency and fairness in management and at the same time to increase profitability and capital efficiency. The Otsuka Group is moving to meet these societal demands and respond in good faith,



because we believe that this approach to management provides greater business opportunities over the long term. In November 2015, we established the Otsuka Group Corporate Governance Guidelines, which reflect the standards laid out in the national Corporate Governance Code and describes the Otsuka Group's basic approach to governance. The basic policy laid out in our guidelines aims to increase corporate value in a manner that is sustainable over the medium- to long-term and to fulfill our mission as a company that is committed to the betterment of life.

Passing on the Concepts of *Jissho* (Actualization) and *Sozosei* (Creativity) to the Next Generation

Founded in 1921, the Otsuka Group will mark its 100th anniversary in 2021. Over the years, we have adapted to changes in difficult business environments by moving into new fields of business. In 2010, Otsuka became a listed company on the Tokyo Stock Exchange and in 2015 achieved sales of more than 1.4 trillion yen. This growth is built on the focus of Otsuka management who over the generations have valued and promoted *ryukan-godo* (discovering the substance of matters through hard work and practice), *jissho* (Actualization), and *sozosei* (creativity). The Otsuka Group continues to see these values as the driving force behind development and growth. *Ryukan-godo* means discovering the core substance of matters not only through knowledge, but also through hard work and repeated practical application. *Jissho* is defined as self-actualization through achievement, completion and the discovery of truth. *Sozosei* means resisting the urge to copy and pursuing that which only Otsuka is capable of delivering.

We are committed to passing this corporate culture on to the next generation of Otsuka management to ensure that the Group's creative thinking continues to inform our products and services. Our aim is to thrive as a global healthcare company that contributes to better health for people around the world through pharmaceuticals, functional foods and beverages, and other innovative and creative products.

We thank you for your continued support of our endeavors.

Tatsuo Higuchi

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

Corporate Philosophy of the Otsuka Group

Otsuka-people creating new products for better health worldwide

These words embody our commitment to:

Creating innovative
products

Improving human health

Contributing to
the lives of
people worldwide

In keeping with this corporate philosophy and the Otsuka mottoes of *Jissho* (Actualization) 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.



Health

As a comprehensive healthcare company, the Otsuka Group is focused on developing innovative products and seeking ways to maintain and promote better health for all.

Health

The Otsuka Group is passionate about people's health. We strive to create groundbreaking new products that save or extend lives and improve the quality of life of people with unmet medical needs.

Addressing Unmet Needs



Otsuka Pharmaceutical: Providing a creative environment to stimulate drug discovery research



Taiho Pharmaceutical: Discovery and Preclinical Research Division (Tsukuba Area)

Addressing Unmet Needs

To address unmet needs in the area of central nervous system diseases, Otsuka Pharmaceutical began in the 1970s to research new mechanisms of action for treating schizophrenia. This research led ultimately in 2002 to the launch in the US of ABILIFY, an antipsychotic and the world's first drug with a dopamine partial antagonist. This drug has been used in the treatment of patients in 60 countries and regions worldwide. In 2013, Otsuka launched Abilify Maintena, a once-monthly injectable developed to support long-term treatment of the condition. This injectable, launched first in the US, was subsequently launched in the EU, Canada, and Australia. In May 2015, the product was made available in Japan (under the brand name ABILIFY extended-release suspension for intramuscular injection). The treatment of schizophrenia requires long-term drug administration and over this period patients may forget to take their medication or may quit altogether. By developing this formulation, Otsuka helps patients control their symptoms so they can return to their daily lives.

In January 2015, Otsuka Pharmaceuticals acquired Avanir Pharmaceuticals Inc. the developer of NUEDEXTA, the world's first treatment approved specifically for pseudobulbar affect (PBA^{*1}). The combination of Otsuka's strengths in psychiatric disorders and Avanir's strengths in neurological disease establishes a solid framework for continued development of new treatments in central nervous system disorders.

Samsca (tolvaptan), the world's first aquaretic, developed over a period of 26 years by Otsuka Pharmaceutical, is now sold in 21 countries and regions around the world. In 2014, Samsca was also approved in Japan as the world's first treatment to slow the progression of autosomal dominant polycystic kidney disease (ADPKD^{*2}), a serious kidney disease for which no drug treatment previously existed. In 2015, the drug was

also approved for this indication in Canada, followed by the EU. (Samsca is marketed for ADPKD outside of Japan under the brand name JINARC).

Otsuka Pharmaceutical is also working on research into tuberculosis, which remains a critical public health issue. Along with AIDS and malaria, tuberculosis is one of the three infectious diseases that most seriously impact the world, with one-third of the world's population infected and 9.6 million people progressing to the active disease each year. Of particular concern is multidrug resistant tuberculosis (MDR-TB), which is contracted by 480,000 people and results in about 190,000 deaths per year. To address this particularly strong need for new drugs in MDR-TB, Otsuka Pharmaceutical discovered and developed the anti-tuberculosis drug Delytba, the result of over 30 years of research. Launched in Europe and Japan in 2014, Delytba has been used to treat MDR-TB, improving patient outcomes.

In oncology, Otsuka Group companies continue to take on the challenge of developing innovative new drugs to improve the health of patients and extend their lives. In oral anticancer agents, Taiho Pharmaceutical pioneered oral formulations before they became commonplace worldwide. In 1974, the company introduced the oral anticancer agent Futraful, and has since brought to market UFT (in 1984), TS-1 (in 1999), and LONSURF (in 2014). The company also continues apace with its global clinical development program. While there has been enormous progress made in recent years in cancer treatment, significant unmet medical needs remain. Therefore, Otsuka Group companies are committed to the research and development of new anticancer agents as well as drugs for supportive care from the perspective of patients.

Otsuka Pharmaceutical, Taiho Pharmaceutical

*1: Pseudobulbar affect (PBA) is a neurological disorder in which individuals cannot control their feelings or actions. It is characterized by involuntary outbursts of crying in front of others for no reason or laughter in inappropriate situations.

*2: autosomal dominant polycystic kidney disease: A genetic disease in which the kidneys become enlarged due to proliferation of fluid-filled cysts, causing renal function to eventually decline.



EN Otsuka Pharmaceutical: iEat series supports recovery to normal eating



Otsuka Pharmaceutical Factory: Sensory assessment (taste-testing food products)

VOICE



Addressing Unmet Needs by Visually Displaying Bladder Volume

Isao Shirasaki
President and Representative Director
Liliium Otsuka Co., Ltd.

Liliium Otsuka was established in 2015 as a subsidiary of Otsuka Medical Devices Co., Ltd. to engage in the development of urological-related devices that address significant societal and medical needs. In developing an innovative and non-invasive technology that visually displays urine volume in the bladder, Liliium Otsuka brought to market the Liliium α-200, a device that notifies caregivers of the appropriate time to empty a patient's bladder when they care for patients who have lost the urge to urinate due to a variety of illnesses. These developments help improve the quality of life for many patients and also relieve the burden on nurses and other caregivers.



Otsuka Pharmaceutical Factory: Total support from the acute stage through to full recovery

Support Ranging from Basic IV Solutions to Eating Solid Food

Otsuka Pharmaceutical Factory is engaged in the development of products that comprehensively support the nutritional management of patients throughout their convalescence. The company developed the world's first IV solution bag (quad bag), used to provide basic nutrition, which reduces the risk of infection and increases convenience. Otsuka also develops thickened liquid foods, food products designed for individuals who have difficulty swallowing, and other scientifically-backed products that reduce the burden on patients and caregivers.

EN Otsuka Pharmaceutical develops and markets the iEat range, nutritious foods that help patients to recover their ability to eat and bring back the joy of eating solid foods. As Japan experiences a rapid ageing of its population, growing numbers of elderly require nursing care. Many such people have difficulty chewing and are otherwise unable to eat regular food, but they desire more than the usual purees and soft food given. To meet this need, EN Otsuka developed iEat foods, which retain the look and taste of the food patients are used to eating, but are soft enough to break down in the mouth just with the tongue. The iEat series is used in home nursing care, as well as in nursing homes, hospitals and other facilities. As part of Otsuka's commitment to support the nutrition and health of the elderly, Otsuka conducts clinical research in collaboration with medical facilities to develop appetizing and satisfying meals.

Otsuka Pharmaceutical Factory, EN Otsuka Pharmaceutical

Medical Food Research from a Global Perspective

Otsuka Pharmaceutical Factory has positioned medical foods as a growth area and has sought to bolster development of products for use in Asia and other markets around the world. In May 2014, the Medical Foods Research Institute was opened at its headquarters site in Naruto, Tokushima. The Institute brings together research and formulation development work under one roof to expedite the launch of new products.

In the medical foods sector, Otsuka received permission from the Consumer Affairs Agency in Japan to market OS-1, an oral rehydration solution, as a Special Purpose Food Product for Sick People. It is formulated to replenish and maintain water and electrolyte levels for people with mild to moderate dehydration. Feedback regarding OS-1 in Japan has been extremely positive. Otsuka plans to extend its research and development to products for the global market that contribute to healthcare.

Otsuka Pharmaceutical Factory

Health

Otsuka is engaged in initiatives to make people aware of the importance of hydration. It promotes a variety of activities, including raising awareness of heat disorders, targeting audiences from the general public to leaders in education and healthcare.

Advocating the Importance of Hydration and Electrolytes



Otsuka Pharmaceutical: A seminar to build awareness of prevention of heat disorders and hydration



Otsuka Pharmaceutical (H.K.): Seminar on the importance of hydrating before walking

VOICE



Avoiding Hidden Dehydration

Rika Ootaki
Assistant Manager, OS-1 Division
Otsuka Pharmaceutical Factory, Inc.

Dehydration is the primary cause of heat disorders, but the symptoms are rarely apparent before the individual becomes seriously dehydrated. People can become dehydrated without realizing it themselves, or without others recognizing the signs, and thus find themselves suddenly dealing with something quite serious. This is what we call hidden dehydration. The Committee for Awareness of Hidden Dehydration is comprised of doctors and nurses who conduct seminars, give out information explaining different aspects of hidden dehydration, and promote early treatment. We work with the committee on their educational activities to help increase awareness that dehydration is something that can happen to anyone anywhere.

Building Awareness of Prevention of Heat Disorders

Ever since it launched POCARI SWEAT, Otsuka Pharmaceutical has been advocating to people of all ages, from children to seniors, the importance of hydration and electrolytes in a variety of daily activities. For over 25 years the company has engaged in efforts to raise awareness on the prevention and treatment of heat disorders.

Otsuka has collaborated since 1991 with the Japan Sports Association on research into prevention of heat disorders. In addition, the company has conducted educational activities for athletes and instructors of various ages on the importance of hydration and electrolyte replenishment based on scientific research. These activities have been expanded beyond their original scope to include educating construction workers, factory workers, and others who work in hot environments, as well as the elderly and others at risk of heat disorders. In 2015, Otsuka held 5,000 seminars across Japan attended by approximately 500,000 participants. Additionally, Otsuka worked to publicize prevention of heat disorders by providing support at high-school tournaments and other summer sports matches and working with local governments to distribute posters and leaflets.

Otsuka Pharmaceutical Factory, which developed and markets the oral rehydration solution OS-1, cooperates with the Committee for Awareness of Hidden Dehydration. Comprised of pediatricians, emergency personnel, homecare doctors, and nurses, the committee engages in a broad range of activities to provide information on heat disorders and the appropriate ways to use oral rehydration solution to intervene before dehydration occurs. In addition, Otsuka Pharmaceutical

Factory holds seminars on dehydration prevention for a diverse cross section of organizations such as the Japan Society for Occupational Health, the Japan Pediatric Association, and other academic groups. These initiatives have increased recognition of heat disorders and oral rehydration methods. The Japanese Association for Acute Medicine included OS-1 as a recommended oral rehydration solution to be given to those suffering from a heat disorder in their Guidelines for Treatment of Heat Disorders released on April 13, 2015. With the message that prompt treatment of dehydration can mitigate heat disorders, Otsuka continues to educate the public on the importance of proper hydration and replenishment of electrolytes.

Outside of Japan, Otsuka Pharmaceutical (H.K.) Ltd. provides lectures and seminars. For athletes participating in sports events, these seminars are on the importance of hydration before a competition. For children, activities at sports matches and video events explain the importance of hydration. For students, seminars are on topics such as the relationship between injuries and hydration in sports and the relationship between blood pressure, exercise and hydration. For construction workers, seminars address prevention of heat disorders and replenishment of electrolytes.

In Taiwan, King Car Otsuka Co., Ltd. holds approximately 70 seminars a year for students to raise awareness of health issues, particularly the importance of hydration. Otsuka also visits business partners to give lectures on the importance of staying hydrated on the job and on prevention of heat disorders.

Otsuka Group

Health

Women's Health

Otsuka supports active, dynamic lives for women. The company applies its wide range of knowledge and expertise to disseminate information and thereby help women maintain and improve their health, alleviate symptoms of illness, and prevent disease.



Otsuka Pharmaceutical: Women's Health Seminar attended by Otsuka Group employees



Taiho Pharmaceutical: Leaflets and socks at the Pink Ribbon Symposium to raise awareness of breast exams

VOICE



Maintaining and Improving Women's Health and Quality of Life

Tomomi Ueno

Saga Nutraceuticals Research Institute
Otsuka Pharmaceutical Co., Ltd.

At the Institute, we have looked closely at the relationship between equol and the emotional and physical changes that women experience as well as the safety of the product. We have developed techniques for producing equol that isolate the strain of lactic acid bacteria that produces this compound and uses this bacteria to ferment soy germ. Research spanning 18 years has led to a product that makes it easier for women to obtain an adequate daily intake of equol. We continue to disseminate the benefits of equol in presentations and other means to help women maintain and improve their health and quality of life during menopause. We also focus on helping younger women properly understand the physical changes and diseases that are specific to their gender. We continually strive to provide this information so that women of all ages can lead full and active lives.

Raising Awareness of Women's Health

As more women become active in the workplace, they face multiple difficulties involved in raising children, caring for aging parents, and maintaining their own health, while at the same time continuing to work outside the home. This is a particularly difficult issue for women in their 40s and 50s. At this age of sudden fluctuation in female hormone levels, the care women receive to alleviate various symptoms that affect their daily lives will also impact their healthy life expectancy later in life. For example, in Japan the average healthy life expectancy is 12 years lower for women than their respective life expectancy, a critical issue.

Otsuka developed a supplement containing equol, an ingredient derived from soybeans that functions similarly to the female hormone estrogen. Equol is thought to stabilize the variety of emotional and physical changes caused primarily by fluctuations in female hormones. Dedicated staff across Japan working in the female health sector distributes accurate information on the scientific evidence for equol and the physical changes and decline that women go through, as well as solutions to these issues.

Otsuka Pharmaceutical also provides information on nutrition for women on its website in order to improve the quality of women's lives and extend their healthy life expectancy.

Otsuka Pharmaceutical provides support for initiatives that inspire employees to be interested in women's health and help in the maintenance and management of their own health. The company hosts women's health seminars for all Otsuka Group employees, including male employees.

Otsuka Pharmaceutical

Pink Ribbon Campaign

Taiho Pharmaceutical supports the Pink Ribbon campaign, a worldwide effort to raise awareness of breast cancer. In its campaign activities, Taiho Pharmaceutical disseminates accurate information on breast cancer and carries out activities designed to promote early detection and treatment of the disease.

Since 2006, it has supported the annual Pink Ribbon Symposium held by the Japan Cancer Society.

The Taiho Pharmaceutical booth attracted a great many symposium-goers. Visitors received a leaflet entitled *Don't Miss the Signs of Cancer!* with information on detecting breast cancer and a variety of other cancerous tumors; decorative pink ribbon stickers; and pairs of original five-toed socks designed to raise awareness and keep as many people as possible from having to deal with breast cancer.

Today, it is estimated that one in 12 women in Japan will develop breast cancer. Despite the fact that early detection enables a recovery rate of more than 90%, the number of deaths from breast cancer continues to rise. Taiho Pharmaceutical continues to engage in educational activities both internally and externally to raise breast cancer awareness among the entire population.

Taiho Pharmaceutical

Health

To help people improve their health and quality of life, the Otsuka Group provides health information to patients and their families, medical practitioners, and school children.

Communicating Health Information

Health Information Online

The Otsuka Group is involved in awareness-building activities to promote proper understanding of cancer and other diseases. Taiho Pharmaceutical shares information on a wide range of diseases and illnesses, including cancer, allergies, and lifestyle-related diseases. In 2007, Taiho Pharmaceutical launched SURVIVORSHIP.jp, a website based on joint research with the Shizuoka Cancer Center. To address the concerns of cancer survivors and their families, this website provides cancer patients with inspiration to overcome the challenges of life. The sections of the website that cover anticancer agents, radiation therapy, and diet proved so popular that the company developed a free smartphone app.

The Health and Illness page of the Otsuka Pharmaceutical website present information on illness and health issues in a manner that is easy for the layperson to follow.

Taiho Pharmaceutical, Otsuka Pharmaceutical

and children the importance of water. This initiative took place before the summer holidays to teach small children and their parents how to stay hydrated during the summer.

Working with Bean Stalk Snow Co., Ltd., Otsuka Foods distributed Crystal Geysers to 400,000 expectant and nursing mothers across Japan. Employees visited training sessions on bottle-feeding to show mothers how the soft Crystal Geysers mineral water is suited for infant formula.

Otsuka Foods



Otsuka Health Comics

Otsuka Health Comic Library

The Otsuka Group has been publishing the Otsuka Health Comic Library since 1989 as an activity to contribute to better children's health. One volume is issued each year, and a total of 26 volumes (including special volumes; total of 259 stories) have thus far been donated to elementary, special needs, and other schools throughout Japan. The books are used by children for reading material and self-study, and also for teaching material in student committee activities. In August 2015, the city of Kawaguchi in Saitama Prefecture held the First Otsuka Health Comic Library Workshop for Health Education. The workshop was attended by approximately 100 people, including elementary school nurses and other school faculty and members of the Committee to Promote Better Dietary Habits.

Otsuka Group



Taiho Pharmaceutical:
SURVIVORSHIP.jp website



Otsuka Pharmaceutical:
New webpage devoted to nutrition



Kindergarteners having fun learning about the importance of water

My First Water Project

Otsuka Foods, which imports Crystal Geysers and other mineral waters, has been running the *My First Water Project* since 2012. It is based on the premise that parents are responsible for making choices about water until their children are old enough to make their own decisions. The project offers parents and children a range of information about water, stressing the importance of hydration and how to select water that is safe and healthy. In 2015, the company distributed bottles of Crystal Geysers and leaflets at 1,000 kindergartens and daycare centers around Japan to teach parents

Environment

Our lives, communities and business activities are inextricably linked to the environment. Otsuka Group embraces its responsibility to care for the environment and pursue sustainability at every stage, from the manufacturing of products through to their use.

Environment

Environmental Management

An information exchange meeting for environmental managers from Group production facilities is growing into a global system to promote Group-wide environmental activities.

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
- 2 Contribute to a low-carbon society
- 3 Contribute to a sound material-cycle society
- 4 Conserve biodiversity
- 5 Ensure compliance
- 6 Actively engage in social initiatives
- 7 Enhance risk management



Otsuka Group Global Environmental Council



Taiho Pharmaceutical: Environmental education e-learning



Otsuka Pharmaceutical: "Otsuka Academy of the Environment" educational tool

Otsuka Group Environmental Promotion Council

Originating in 2003, the Otsuka Group Environmental Promotion Council mainly comprises environmental and ISO managers from Group companies in the Tokushima area. In 2015, environmental managers from 13 Group companies in Japan were involved on the council. It played a major role in the improvement of operations and manager skills through activities included discussion and information exchange relating to technology trends and response to environmental laws and regulations, as well as subcommittee activities and study sessions with outside lecturers.

In 2016, it was renamed the Otsuka Group Global Environmental Council, and renewed to further develop global environmental activities based on activity guidelines and Otsuka Group environmental policies. The aim is to produce results by creating a synergistic effect using both local and global perspectives.

Environmental Education

Otsuka Pharmaceutical is steadily promoting business activities in line with its environmental policy. In order to promote active efforts by all employees based on awareness and a correct understanding of environmental issues, in 2011, the company implemented Otsuka Academy of the Environment, an environmental e-learning program. The aim of the program is to ensure that all employees have a proper understanding and awareness of environmental issues, and to give them the necessary knowledge for promoting environmental activities in and outside the company. In addition to studying educational materials, employees also take a comprehension test once a year. Since 2014, the program participation rate has been 100%.

At Taiho Pharmaceutical, environmental education is also provided to all office employees, with a new e-learning program established in 2015.

Environment

Each Group company sets annual, as well as medium and long-term targets, for combating climate change, conserving energy, and managing waste. The results of efforts by Group companies worldwide have been compiled and reported here.

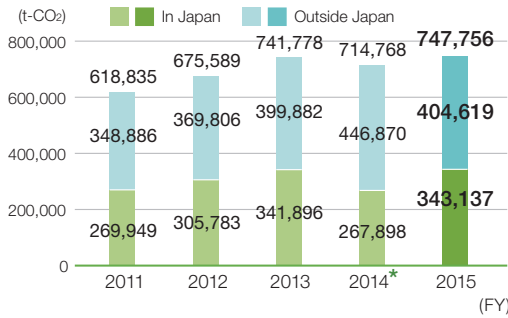
Environmental Performance Data

Combating Climate Change and Conserving Energy

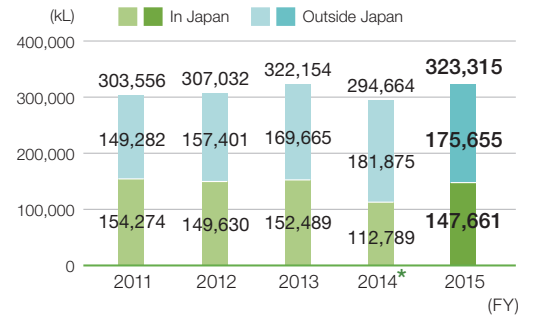
In 2015, the 13 Group companies in Japan*1 used the energy equivalent of 343,137 tons of CO₂ emissions through their business activities. The 34 Group companies outside Japan*1 used the energy equivalent of 404,619 tons of CO₂ emissions, resulting in total emissions of 747,756 tons of CO₂. Both in and outside Japan, the Group worked to control emissions through fuel conversion and energy efficiency improvement. A lot of heat is required for sterilization processes used in

producing pharmaceuticals (I.V. solutions) and beverages, as well as for the reaction, distillation, and drying of chemicals. Therefore, each Group company is working to reduce energy consumption in these processes, which account for a large portion of energy use, through production process innovation. For logistics operations in Japan, which are greatly affected by weather factors, the Group is improving delivery efficiency using transportation modal shift measures and joint delivery.

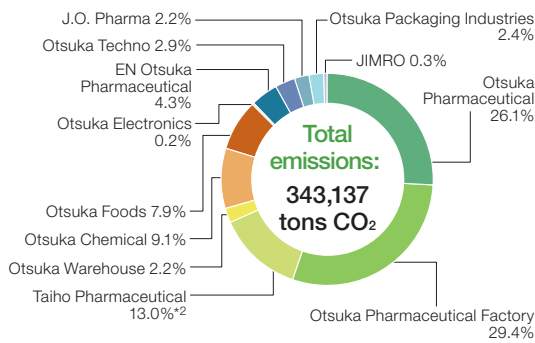
Total CO₂ Emissions (Energy-related)



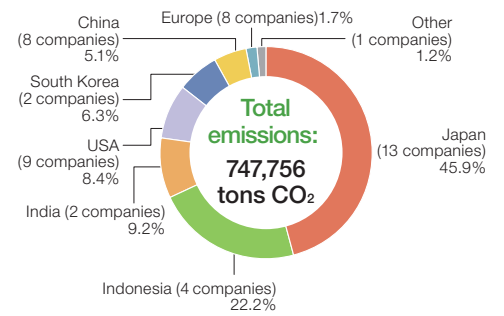
Energy Usage (Crude-oil equivalent)



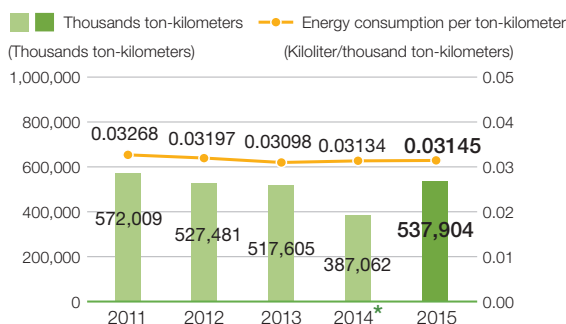
CO₂ Emissions by Company in FY2015 (in Japan)



Otsuka Group CO₂ Emissions by Country in FY2015



Energy Consumption per Ton-Kilometer by Four Specified Consigners of the Otsuka Group*3



*1: Consolidated companies which have a production site.

*2: Including Okayama Taiho Pharmaceutical Co., Ltd.

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

* The "In Japan" results are for the nine months Apr-Dec, but the "Outside Japan" results are for the twelve months Jan-Dec.

Environment

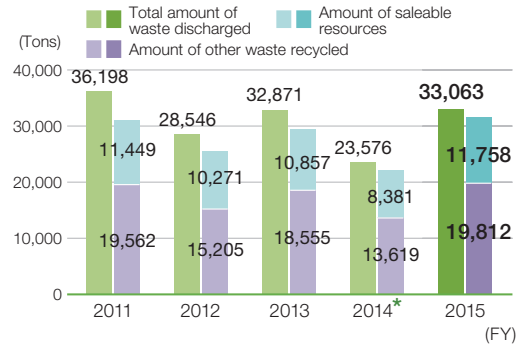
Environmental Performance Data

Reducing Waste

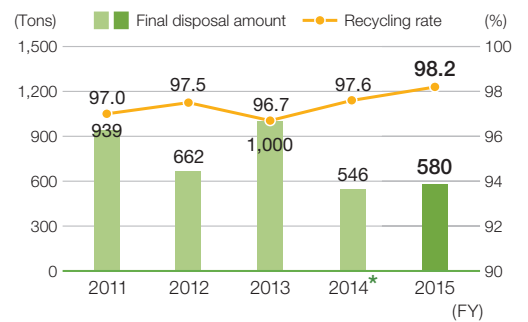
In 2015, the 13 Group companies in Japan discharged 33,063 tons of waste from business activities. While the amount of waste discharged fluctuates with changes in production output, the Group strives to recover resources and to reduce its final disposal amount through reuse and recycling initiatives. In fiscal 2015, its recycling rate was 98.2% and the final disposal amount was 580 tons. Each factory will continue robust 3R (reduce, reuse, and recycle) initiatives with the aim of achieving zero emissions.

$$\text{Recycling rate (\%)} = \frac{\text{Amount of other waste recycled} + \text{Amount of saleable resources}}{\text{Final disposal amount} + \text{Amount of other waste recycled} + \text{Amount of saleable resources}} \times 100$$

Total Waste Discharge and Recycling



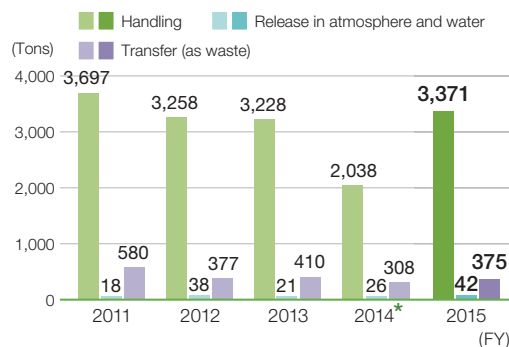
Recycling Rate and Final Disposal Amount



PRTR Substances

Management of PRTR substances* at the 13 Group companies in Japan are shown in the graph below.

Handling, Release, and Transfer of PRTR Substances



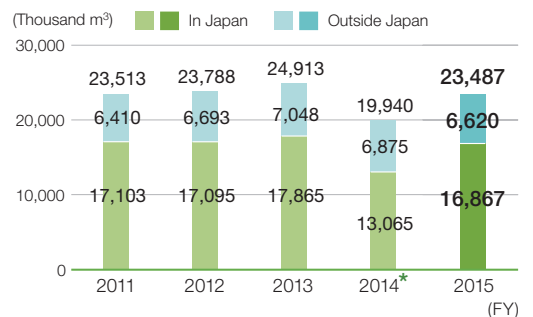
* Pollutant release and transfer registers (PRTRs). There are presently 462 substances designated under Japan's PRTR system.

* The "In Japan" results are for the nine months Apr-Dec, but the "Outside Japan" results are for the twelve months Jan-Dec

Water Usage by Group Companies

In fiscal 2015, the 13 Group companies in Japan used 16.867 million m³ of water in business activities. Outside Japan, 34 Group companies used 6.620 million m³ of water, resulting in total use of 23.487 million m³. The Otsuka Group will strive to reduce its consumption of finite resources, based on usage analysis and comparisons between Group companies.

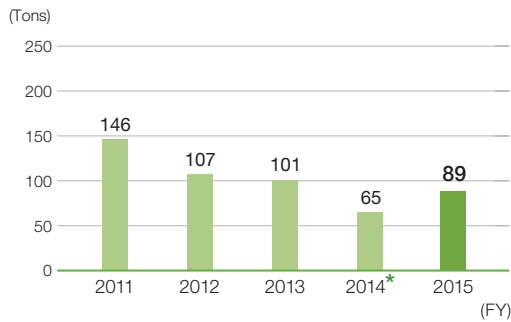
Water Usage by Group Companies



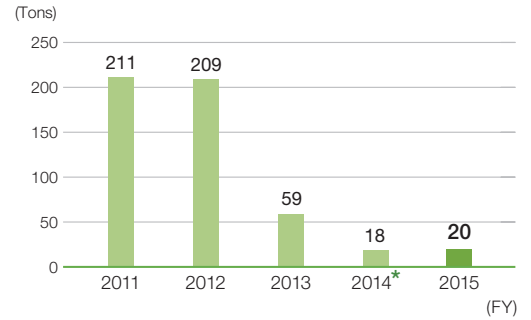
Preventing Air Pollution

Through efforts to switch from heavy oil to natural gas in fiscal 2013, the volume of dust and soot as well as sulfur oxides (SOx) emitted into the atmosphere decreased significantly for the 13 Group companies in Japan. The fluctuation in nitrogen oxide (NOx) emissions for these companies was due to changes in incinerator operation.

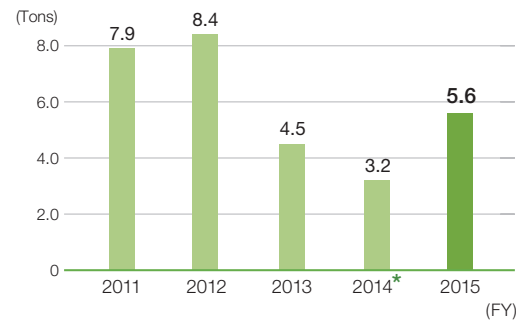
NOx Emissions



SOx Emissions



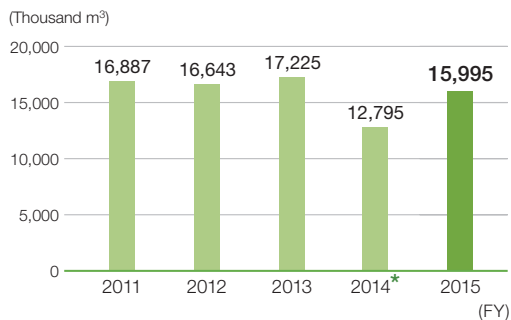
Dust and Soot Emissions



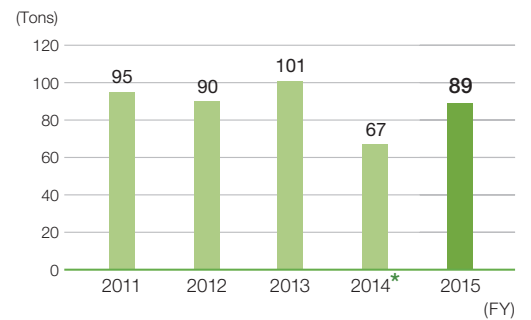
Preventing Water Pollution

The total volumes of wastewater, chemical oxygen demand, and suspended solid emissions for the 13 Group companies in Japan are shown here.

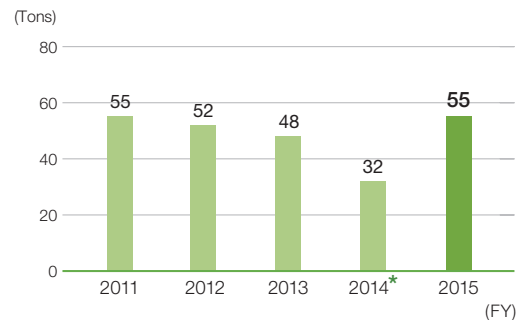
Total Wastewater



Chemical Oxygen Demand



Suspended Solid Emissions



* Results are for the nine months from April to December.

Environment

As part of its biodiversity conservation activities, the Otsuka Group promotes the creation of biotopes to preserve natural habitats for wildlife and to build harmonious relationships with the natural environment.

Eco- and People-Friendly Plants



Taiho Pharmaceutical: Biotope at Okayama Plant



Otsuka Pharmaceutical: Fish release by students from Tokushima Prefectural Senior High School of Science and Technology

Creating Biotopes and Building Harmonious Relationships with Wildlife and the Local Community

Located at the foot of the Asan Mountains looking out across the Tokushima Plain, Otsuka Pharmaceutical's Tokushima Itano Factory has created facilities that are friendly to people and the environment, based on the concept of building harmonious relationships with the natural environment. In a natural forest area of the factory, there are various species of oak attracting a range of wild birds throughout the seasons. It has become a place of recreation and relaxation for employees and visitors. The biotope pond, fed by cooling water from the plant, creates an environment for diverse aquatic creatures, including dragonfly larva, water scorpions, and pygmy water lilies. A spot, near the biotope pond, has been made where rhinoceros beetles can thrive. Every year leaves from deciduous trees on the plant grounds are used to raise several hundred of the beetles, which are popular with children who come to tour the plant. In recognition of these kinds of conservation efforts, the plant was chosen in 2010 as among the 'Best 100: Corporate Greening Linked to Conservation of Biodiversity' by the Organization for Landscape and Urban Green Infrastructure.

In 2004, a small freshwater cyprinid fish, thought to be extinct in Tokushima Prefecture, was rediscovered in this region. The news inspired the Tokushima Itano Factory to participate in a cooperative project to protect and breed this fish, and help return it to its local natural habitat. To investigate whether artificially bred cyprinid fish could be successfully reintroduced in the local natural environment, a trial release was conducted in March 2015. About 2,000 fish were released including 140 fish bred at the Factory. As a result of these efforts, the Cyprinid Breeding and Release

Liaison Committee, with members from industry, government and academia, received the Minister of the Environment Award Good Life Special Prize, as part of the Good Life Awards 2015, sponsored by the Ministry of the Environment.

Otsuka Pharmaceutical's Tokushima Wajiki Factory actively participates in local nature conservation activities, and is involved in the Acorn Project of the Tokushima Prefecture Government South District Administration Bureau. The project raises seedlings of acorn-bearing trees that are native to the region. Once the seedlings are large enough, they are distributed to local communities and also planted on the factory grounds.

Located in a scenic spot overlooking Kugui Bay in the city of Bizen, Taiho Pharmaceutical's Okayama Plant has established an eco-friendly wastewater treatment method for discharging the cooling and cleaning water generated in the manufacture of the Tiovita Drink series. This system discharges wastewater into the sea through a biotope. In the biotope on the plant grounds, there are a variety of features such as a babbling brook, a deep pool, and sandbars, creating an environment in which fish and small animals can thrive. The water also attracts insects and birds that are foraging for food along its edge. The wastewater that flows through this 300-meter long biotope is eventually released into the sea and has the same qualities as natural stream water, rich in organic materials. The biotope is thus contributing to regional biodiversity conservation. The Okayama Plant has been recognized for its efforts with the Fiscal 2013 Bizen General Service Bureau Director's Award for Regional Environmental Protection. The plant was also selected as a Fiscal 2014 Okayama Prefecture Eco Tour Learning Facility.

Otsuka Pharmaceutical, Taiho Pharmaceutical



Cyprinid fish



Good Life Special Prize for cyprinid trial release



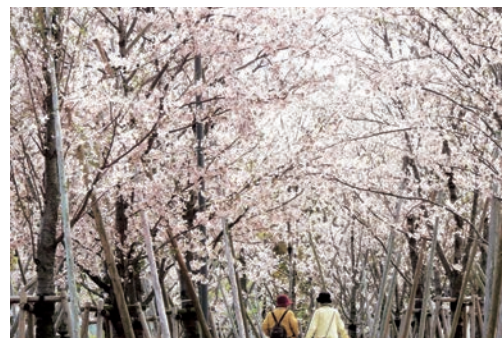
Amerta Indah Otsuka: Kejayan Factory

Factory Grounds Open to the Community

In operation since 2010, the Kejayan Factory at Amerta Indah Otsuka was constructed based on the concept of open space and interaction with the local community. The factory grounds feature facilities that can be used as a meeting place for local residents. One such facility is a mosque used by local residents for Friday prayers and during Ramadan. An area referred to as a green common is used not only for soccer, but also for a variety of recreational activities, and is mainly utilized by neighborhood children. The company offers an after-school study support program, SATU HATI School at the local center in the factory.

The Kitajima Plant of Taiho Pharmaceutical is promoting a GREEN concept: Global, Relaxation, Ecology, Economy, and Neighborhood. Open to the public, the factory grounds feature a promenade of 560 cherry trees of 11 varieties, including early- and late-blooming types. There is also a grassland park featuring 25,200 creeping phlox plants, which produce a colorful carpet of flowers in spring. No pesticides are used in the park as a consideration for visitors, and it is a popular place for daily walks. A disaster prevention agreement has also been signed with a local government agency, as part of cooperation with the community in the event of a large-scale disaster. A system has been created to open the park as a temporary evacuation area for about 3,000 people. In order to promote good relations with local residents, the plant also hosts special events such as illuminated cherry blossoms in spring and an LED illuminated display in winter. These attractions are enjoyed by local residents and passersby, alike.

Amerta Indah Otsuka, Taiho Pharmaceutical



Taiho Pharmaceutical: Cherry tree promenade at the Kitajima Plant



Participants in the fishing tournament

Otsuka Group Non-Native Fishing Tournament Helps Protect the Environment and Ecosystem of Lake Biwa

Lake Biwa is well-known as Japan's largest lake and has been a source of local drinking water in Kansai for many years. Today however, due to the propagation of alien fish species such as bluegill and black bass, the ancient and endemic fish of Lake Biwa are on the decline, and the local ecosystem is out of balance. The Otsuka Group has 12 sites in Shiga Prefecture near the lake. As part of a project promoted by the prefecture to eliminate invasive species, the Group has been holding an annual fishing tournament to catch non-native species since 2009. The aim is for employees to have fun thinking about and protecting Lake Biwa's environment and native ecosystem, while also socializing across Group companies in the region. In 2015, 123 employees and family members participated in the seventh tournament, catching 33.7 kg of fish, almost double last year's catch.

Otsuka Group

Environment

Eco-Friendly Products

The Otsuka Group is striving for environmental conservation through its products. It is working to develop eco-friendly products that reduce the environmental impact throughout the product life cycle, including measures for environment-friendly disposal.



Lighter Bottles

The Otsuka Group has been making lighter containers in order to conserve resources and reduce CO₂ emissions. When they were launched in 2007, Otsuka Pharmaceutical's 500 ml plastic bottles of POCARI SWEAT were the lightest in Japan. The weight of the bottles was reduced by introducing a method called "positive pressure aseptic filling" to the bottling lines, a first for Japan. Now the bottle washing and sterilizing process has been eliminated, as the company produces preforms in-house from raw PET plastic material. After reducing the weight of bottles for its carbonated vitamin beverage MATCH, in 2014 Otsuka Foods adopted eco-caps, which are around 40% lighter than conventional caps, for all sizes of Crystal Geyser mineral water except one gallon bottles. It thereby reduced the use of the raw material (polypropylene) by about 60%. Additionally, Taiho Pharmaceutical gradually reduced the weight of glass bottles for its Tiovita Drink while maintaining break-resistance, and Otsuka Pharmaceutical has reduced the weight of packaging film for SOYJOY by about 9%.

Furthermore, a container update for jelly-type products such as Calorie Mate resulted in a 13% reduction in resin usage.

Through innovation in shape design to make plastic products thinner, Otsuka Techno has also been promoting efforts to reduce product weight.

Otsuka Group



Otsuka Pharmaceutical Factory: ELNEOPA Injection No. 2, 2,000 ml

Product Development Targeting Both User Convenience and Waste Reduction

Along with a procedures manual for environmental product assessment, Otsuka Pharmaceutical employs an environmental product assessment checklist containing about 20 items. Using them in the product development and design stages, the company evaluates the level of its environmental efforts from raw materials procurement to final product disposal.

Through the introduction of product life cycle assessment (LCA), the company also quantitatively ascertains and evaluates environmental impact throughout the entire product life cycle, from raw materials procurement and production, to distribution, use and disposal. Using LCA initiatives, the company obtains an overview, on a product by product basis, of those points where the greenhouse gas emissions reduction effect is large. This helps to strengthen internal systems for improvement, raises employees' awareness, and provides them with opportunities to reduce costs.

Aiming to lessen medical waste, Otsuka Pharmaceutical Factory has begun reducing waste material from the product design, development, and production stages in an effort to minimize its environmental impact. A recently developed product, the world's first I.V. solution quad bag, reduced waste, such as syringes and drug containers, compared with a conventional product which requires manual mixing of several I.V. pharmaceuticals. This has translated into lower environmental impact. Moreover, since the product can be prepared just by opening a partition wall, it also increases safety and convenience for those who use it. Otsuka Pharmaceutical Factory will continue to develop highly safe and convenient products that are also environmentally friendly.

Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory



Taiho Pharmaceutical: New lighter cardboard packaging for Solmack Digestive Drink Plus

product development and ingredients procurement, to manufacturing, packaging material design, and product transport. As palm oil is used as an ingredient in biscuits and other products, the company participates in the Roundtable on Sustainable Palm Oil (RSPO)*. The company is seeking to ensure that its own facilities and those of suppliers use RSPO-certified oil for Nutrition & Santé products.

Nutrition & Santé

Lighter and Smaller Packaging

Otsuka Pharmaceutical adopted lighter aluminum film for wrapping containers of Mucosta ophthalmic suspension UD 2%. Along with revising the film's layered structure to increase the seal strength, both edges of the film were changed from a straight to a jagged edge, in order to make it even easier to open. As a result, the necessary width of the aluminum film was reduced from 175 mm to 155 mm.

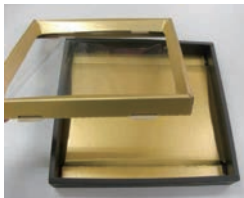
Developing Environmental Friendly Packaging

Otsuka Packaging Industries proposes and manufactures eco-friendly packaging materials with improved material quality and packaging formats. The company's food-product biomass trays, which are made from at least 25% plant-derived (sugar cane) polyethylene, and a no-tape box, which can be sealed without adhesive tape thanks to an interlocking design, are helping to reduce the use of packaging materials. Otsuka Packaging Industries also produces a box that prevents bottle breakage based on an innovative interior structure that cushions the contents. Not only does it not require any Styrofoam or impact-absorbing material, but the box also saves inventory space and reduces logistics energy usage. It even makes disposal and recycling easier, as it is made of a single material. The results of these initiatives are also being publicized through environmental events.

Otsuka Packaging Industries



Otsuka Pharmaceutical: Lighter aluminum film for Mucosta ophthalmic suspension UD 2% packaging



Otsuka Packaging Industries: Development of packaging that secures contents with film and does not require cushioning material

The Group is also working to reduce the weight of product packaging materials such as cardboard, in order to further reduce environmental impact. In May 2015, Taiho Pharmaceutical reduced the weight of its outer cardboard packaging for Solmack Digestive Drink Plus, thereby lowering base paper usage by around 3%.

Otsuka Pharmaceutical, Taiho Pharmaceutical



Nutrition & Santé products

Ecodesign and Sustainable Ingredients

Nutrition & Santé SAS, based in southern France, implements its own eco-design charter to ensure that environmental impact is considered at all stages, from

* Roundtable on Sustainable Palm Oil: An NPO seeking to secure sustainable sources of palm oil while protecting the environment. It was established in 2004 in response to rising concerns worldwide, and unites stakeholders such as the WWF, from all seven sectors of the palm oil industry.

Environment

Low-Carbon Emissions

By recognizing that the earth's resources are finite, the Otsuka Group is working to help realize a carbon-neutral society. This includes initiatives to minimize carbon dioxide emissions through energy conservation and better productivity.



Otsuka Pharmaceutical Factory: Boiler room at the Toyama Factory



Otsuka Sims (Guangdong) Beverage: Gas boiler

VOICE



Aiming to Maintain and Improve Global Warming Measures and Quality

Kazuo Yamashita
Assistant Manager, NOP section,
Naruto Factory
Otsuka Pharmaceutical Factory, Inc.

As part of a company-wide initiative to help create a low-carbon society, I am working on ongoing energy-saving activities such as equipment updates and operational improvements. At the Naruto Factory, we are optimizing our steam usage, and in 2015 we reduced CO₂ emissions by 400 tons compared to the previous year. I would like to continue my efforts to help create a low-carbon society by maintaining and improving quality while collaborating with the quality and technology departments.

Initiatives on the Production Floor

The Otsuka Group aims to help prevent global warming by promoting both tangible energy-saving activities, such as equipment updating, and intangible activities, including operational improvements.

In Tokushima, where most of the Group's production facilities are located, the Tokushima Factory of Otsuka Chemical has installed a gas turbine cogeneration system, which supplies power and steam to various Group companies in the same district. In addition, the Fukuroi Factory of Otsuka Pharmaceutical has introduced a system that uses energy from hot wastewater generated by sterilization processes during manufacturing to provide air conditioning for low-humidity rooms.

Otsuka Pharmaceutical Factory is also promoting a variety of measures in all its production plants. Following initiatives by the Matsushige Factory in 2010, and the Kushiro Factory in 2014, the Toyama Factory implemented fuel conversion to its boiler in November 2015. As a result, the company expects to reduce its CO₂ emissions by about 1,500 tons per year.

In Indonesia, Amerta Indah Otsuka manufactures and sells POCARI SWEAT. It installed a cogeneration system at two of its plants to enhance supply stability and save energy. In addition to its ISO 14001 certification, the company also acquired ISO 50001 in 2015, a certification that focuses on energy management.

China Otsuka Pharmaceutical and Guangdong Otsuka Pharmaceutical, which manufacture I.V. solutions, Otsuka Sims (Guangdong) Beverage, a maker of POCARI SWEAT in China, and Egypt Otsuka Pharmaceutical, which makes I.V. solutions, have reduced their impact on the atmosphere by converting fuel sources from coal and heavy oil to natural gas and diesel. Further, the Group is proactively making other

improvements, including changing the set pressure in a once-through boiler, installing demand-monitoring devices, and shifting peak demand through production adjustments for products that require significant energy to manufacture.

Otsuka Group

Reducing CO₂ Emissions from Logistics

In order to reduce environmental impact from logistics, the Otsuka Group is focusing on a modal shift from road to rail and ocean transport, which allows shipment of large quantities while generating less CO₂ emissions. For large cargo and long-haul cargo, it is using Eco Liner containers that can be directly transferred from trucks to rail transport in addition to shifting to ocean transport, which has a lower environmental impact. Going forward, the Group plans to switch to rail transport for medium-haul in addition to long-haul transport. The Otsuka Group is also improving efficiency for short-range deliveries by conducting joint distribution of goods with other companies, while expanding delivery vehicle capacity in order to reduce the number of vehicles on the road. Additionally, the Group is converting its fleet of forklifts operated in factories from diesel- and gas-powered models, which are seen as an environmental impact problem, to models that run on electricity and LPG, which have a lower impact on the environment.

Otsuka Group

VOICE



Fuel Conversion and Greater Operating Efficiency

Lu Xinyun
Utilities Manager,
Otsuka Sim's (Guangdong) Beverage Co., Ltd.

We switched fuel for our boiler from diesel to natural gas, and this has greatly reduced our emissions of CO₂ and air pollutants. Moreover, since the old boiler was replaced with multiple compact units, we are now generating the right amounts of steam for optimum operating efficiency. By also implementing other measures, such as replacing all the factory florescent lighting with LED lighting and reducing wastewater volume through improvement of the manufacturing water treatment system, we are working to reduce our impact on the environment.

VOICE



Acquiring ISO 50001 Certification

Nanang Sugiantoro
Energy Manager
P.T. Amerta Indah Otsuka

Our Sukabumi Factory in West Java and Kejayan Factory in East Java have obtained the international ISO 50001 certification which aims to manage energy use and make continual efficiency improvements.

By combining ISO 50001 with ISO 14001, which covers environmental management initiatives, we are aiming for even greater energy savings.



Otsuka Pharmaceutical Factory:
Cool Biz poster



Otsuka Pharmaceutical:
Power-saving poster

Initiatives in the Office

The Otsuka Group's office energy-saving activities are focused on increasing the efficiency of energy use and improving the mileage of sales vehicles. Group companies are working on day-to-day energy-saving activities, while educating and enhancing the awareness of employees. Efforts include installation of power demand monitoring equipment in company buildings, thorough participation in power-saving campaigns such as Cool Biz and Warm Biz, utilizing air circulators, and turning off all office lights at the end of the work day. In the offices of Taiho Pharmaceutical, LED lighting has been progressively introduced since 2012. In May 2015, the lighting at the Kagoshima office was updated to LED. As a result, the office reduced its power usage by 13% and lowered CO₂ emissions by 5 tons. Overall, Taiho Pharmaceutical reduced its CO₂ emissions from office electrical consumption by 43 tons year on year.

Group companies that use business vehicles are actively converting them to eco-cars such as hybrid and other fuel-efficient vehicles. In the fiscal 2015, eco-car usage rate was 84% at Otsuka Pharmaceutical, 92% at Otsuka Foods, 84% at Otsuka Pharmaceutical Factory, 70% at Taiho Pharmaceutical, and 82% at EN Otsuka Pharmaceutical. Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, and Taiho Pharmaceutical are installing onboard cameras in their sales vehicles, as a measure to promote safe and environmentally friendly driving, while preventing accidents.

Since fiscal 2014, environmental managers from across the Otsuka Group have gathered regularly to exchange information on office energy-saving measures, and to help promote each other's activities.

Otsuka Group



Otsuka Techno: Naruto Mold Center



Ridge Vineyards: Lytton Springs



Otsuka Warehouse:
Imagire No. 5 Warehouse



EN Otsuka Pharmaceutical:
Hanamaki Factory

Clean Energy Use

The Otsuka Group is actively pursuing clean energy. It is working to reduce CO₂ emissions by installing solar power generation systems. Ridge Vineyards, a noted American winery, installed 400 solar panels on the roof of a building, covering around 40% of its electricity usage. At EN Otsuka Pharmaceutical, solar panels installed at the Hanamaki Factory are helping to offset some of the electricity used in the employee cafeteria. At Otsuka Techno, solar power generation has also been introduced at the Naruto head office, Mold Center, and the Wajiki No. 4 Factory.

Otsuka Group

Environment

With the aim of helping to create a recycling society, the Otsuka Group is actively striving to achieve zero waste for final disposal, by promoting recycling and reduction of waste.

Initiatives for a Resource Recycling Society



Otsuka Pharmaceutical: Saga Factory



Otsuka Pharmaceutical Factory: Wastewater treatment facilities

Aiming to Achieve Zero Emissions Based on the 3Rs

Through efforts to reduce, reuse, and recycle (3Rs), the Otsuka Group is helping to build a recycling-oriented society and working toward the goal of achieving zero emissions. Otsuka Pharmaceutical is working on material*¹ and thermal*² recycling, wherever possible, for waste emitted from its manufacturing processes. Five out of its seven factories in Japan have achieved zero emissions. The remaining factories have also been working to recycle particulate matter and ash generated by incinerator operation. As a result of these efforts, Otsuka Pharmaceutical has achieved zero emissions status on a company-wide level, based on its internal standards.

In 2009, Otsuka Pharmaceutical Factory achieved zero emission status with a recycling rate of 99% or more at all its production plants. It has maintained this status and achieved a 99.8% recycling rate in fiscal 2015. Naruto, Matsushige, and Toyama Factories have also received environmental certification, including model site status, from each relevant municipality. Otsuka Foods also achieved, and has been maintaining, zero emissions status for all its plants since 2010. At the Tokushima Factory, manufacturing waste is sorted into 39 types, and these are processed and recycled into 13 kinds of products. In recognition of these efforts, the plant was certified as a Tokushima Prefecture 3R Implementation Site. Otsuka Techno also continues to maintain a recycling rate of 99% or more, through initiatives to improve the recycling rate based on thorough waste sorting as it strives to achieve zero emissions at the plant. The Naruto head office, Naruto Factory and Wajiki Factory have been approved as Tokushima Prefecture Certified 3R Model Sites.

Wastewater Treatment and Facilities Updates

All the plants of Otsuka Pharmaceutical Factory have set their own management standards, which are stricter than required levels, and are managing the quality of their wastewater, in order to ensure environmental impact reduction and legal compliance. In December 2014, the Naruto Factory improved its wastewater treatment facility, and highly stable operation is now possible even during times of load fluctuation. With the aim of further minimizing environmental risks, it has established a system that monitors wastewater with a water quality meter, and automatically returns wastewater for re-treatment whenever there is a temporary drop in water quality.

Otsuka Pharmaceutical Factory



Otsuka Pharmaceutical Factory: "Tokushima Prefecture Certified 3R Model Site" certification ceremony

Column

Head Office Initiatives Recognized by Tokyo's Chiyoda City



In March 2015, the head office building and annex of Taiho Pharmaceutical were recognized by Tokyo's Chiyoda City as Buildings with Outstanding Waste Management. The prize is awarded to a large commercial building with a floor space of 1,000 m² or more that has implemented outstanding initiatives for waste reduction and recycling. The Taiho Pharmaceutical head office building and annex were given the prize in recognition of such efforts as mixed paper sorting, from among 301 large commercial buildings which were physically inspected by Chiyoda City in 2014.

Taiho Pharmaceutical

*1: Reusing waste as raw materials for products

*2: Recovering and utilizing the energy generated during the incineration of waste

Quality

Otsuka's approach to product quality extends beyond safety and security in manufacturing. Striving also to enhance the quality of its social initiatives, the Group is focused on a broad range of activities, from information transparency and disclosure to collaboration with business partners, respect for local communities, and ensuring compliance with regulations.

Quality

Safety Initiatives

As the duty of 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 the quality and safety of our products.

VOICE



Ensuring Reliable Product Quality

Harue Matsunaga
Deputy General Manager,
Quality Assurance Department
Otsuka Chemical Co., Ltd.

Otsuka Chemical supplies sodium chloride, potassium chloride and other minerals that are essential ingredients in I.V. solutions and such beverages as POCARI SWEAT. By working to guarantee the quality of these ingredients, we support the quality of the products manufactured by Otsuka Group companies. We are dedicated to protecting the quality of our products, which have earned customer trust, with the same honesty and determination as the founder of our company.

Quality and Safety Control

The Otsuka Group has established rigorous quality control systems suited to the characteristics of each of its businesses, including pharmaceuticals, medical devices, cosmetics, and foods, in pursuit of product quality and safety. The Otsuka Group's quality and safety control systems comply with regulatory requirements, government and industry standards, including Japan's Pharmaceuticals, Medical Devices and Other Therapeutic Products Act as well as Japan's Food Sanitation Act. The Group is also promoting the acquisition of international certifications such as ISO 9001 for quality, ISO 13485 for medical devices, and ISO 22000 for food safety. Furthermore, in order to ensure thorough quality control, it has adopted traceability systems covering all processes, from raw material procurement to production, distribution, and sales. Meanwhile, its major operating companies conducting global business have established global quality assurance systems. In fiscal 2014, in order to clarify the roles and responsibilities of affiliated companies outside Japan, it fundamentally reexamined its approaches to global quality assurance systems to unify its concept of quality assurance. In this way, it is constantly striving to improve product quality and earn the trust of customers worldwide by thinking about quality assurance systems on a global level.

Listening to Customers

In order to field and respond to customer inquiries appropriately, the Otsuka Group operates departments that are organized along product lines. At Otsuka Pharmaceutical, the Drug Information Center fields inquiries about pharmaceuticals; the Customer Relation Desk in the Planning and Reliability Promotion Office fields inquiries about OTC products, quasi drugs, and cosmetics; and the Customer Relations Office responds to inquiries about functional foods and beverages. The company has also established the Telephone Service Center to respond to all inquiries made after office hours and on holidays and weekends, which often involve a level of urgency. These channels form a system by which the company is able to respond appropriately to customer questions, inquiries, and feedback.

Otsuka Pharmaceutical Factory has established the I.V. Drug information (DI) Center to field various inquiries by telephone. The company also provides answers to questions via the FAQ page on the company's website and presents information at pharmaceutical-related conferences.

Information regarding the safety and quality of any product is immediately reported to the relevant departments, which monitor risks, take steps to provide information that consumers need to ensure proper use, and work to develop and improve Otsuka products.

VOICE



Ensuring Proper Usage of our Pharmaceuticals

Hironori Kawano
Assistant Manager,
Intravenous Drug Information Center,
Quality Assurance Division
Otsuka Pharmaceutical Factory, Inc.

I.V. solutions are a core element of medical care and, as such, are used in a wide range of medical treatments. The questions asked are, therefore, quite varied. At the I.V. DI Center, we provide a wide range of information. Our job is not only to respond to inquiries, but also to help facilitate the sharing of information among related departments and divisions in the company.

Quality Control in the Otsuka Group

Compliance with Regulatory, Government and Industry Standards	Certification	Otsuka Group Policies and Schemes
<p>Pharmaceutical and Medical Device Act Legislation aimed at securing the quality, effectiveness, and safety of pharmaceuticals, quasi drugs, cosmetics, and medical devices</p> <p>GLP Standards for securing the reliability of nonclinical testing for safety</p> <p>GMP National standards for manufacturing control and quality control of pharmaceuticals and quasi drugs</p> <p>QMS National standards for manufacturing control and quality control of medical devices and external-use diagnostic pharmaceutical products</p> <p>GQP National standards for quality control</p> <p>GVP National standards for safety management in the post-marketing</p> <p>Food Sanitation Act Law to ensure safety by establishing principles for standards, labels, and inspections for food, additives, and other substances</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 continuous manufacturing and supply of the safe and effective medical devices</p> <p>ISO 22000 Standard for food safety management systems (FSMS) to supply food to consumers safely</p> <p>Hazard Analysis Critical Control Point (HACCP) International standards formulated by Codex Alimentarius for methods of managing hygiene and sanitation to ensure food safety</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>

In order to achieve stable business activities and sustainable growth, the Otsuka Group aims to be a company trusted by all of its stakeholders. Toward that end, it has worked to build a sound and highly transparent management structure.

Corporate Governance

Basic Position on Corporate Governance

Otsuka Holdings formulated its Corporate Governance Guidelines based on Japan's Corporate Governance Code dated May 2015 for companies listed on the Tokyo Stock Exchange. These guidelines, as an indication of the basic approach to corporate governance in consideration of the Otsuka Group's philosophy and the status of business operation, were established and clarify the Otsuka Group's stance on corporate governance. The corporate governance of the Otsuka Group, in order to promote increase of its sustainable corporate value over the medium- to long-term by realizing the corporate philosophy, is committed to the basic policy of making transparent, fair and timely decisions and fulfilling social responsibility by living up to the expectations of all of the stakeholders including customers, business partners, employees, local communities as well as shareholders, through dialogue with them.

Corporate Governance Structure

Otsuka Holdings strives to continuously increase corporate value and maintain a highly transparent governance structure with regard to management. In order to achieve this, the Board of Directors and the Audit & Supervisory Board, both of which include a number of outside members, work closely together to enable effective exercise of the functions of the Audit & Supervisory Board, resulting in strengthened supervisory functions for Group management.

• Directors and the Board of Directors

In accordance with Board regulations, the Board of Directors convenes once a month and holds extraordinary meetings as necessary to make important business decisions and supervise the execution of operations. The Board is comprised of nine directors, three of whom are outside directors.

• The Audit & Supervisory Board and its members

Each Audit & Supervisory Board member attends and expresses opinions in meetings of the Board of Directors and monitors the legality and soundness of management as represented by the directors' performance of their duties, with audits by the Audit & Supervisory Board at the core of this process.

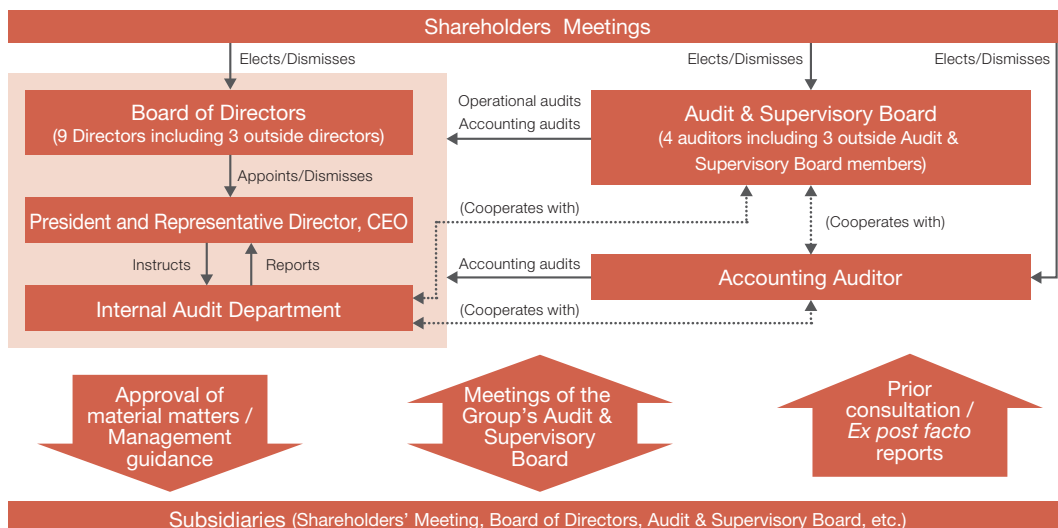
The Board is comprised of four members, three of whom are outside members.

• Outside Directors and Outside Audit & Supervisory Board Members

The role of the outside directors is to enhance the governance function of the Board of Directors, which supervises business execution and ensures appropriate decision making, by providing effective advice from a neutral and objective viewpoint, based on broad insights and extensive experience.

The outside Audit & Supervisory Board members conduct audit work from a neutral and objective viewpoint, based on a wealth of experience relating to corporate finance, accounting, legal work, and management. Their role is to strengthen the oversight function while improving management transparency by providing appropriate advice to the Board of Directors.

■ Otsuka Holdings Corporate Governance Structure



- **Standards for the Selection of Outside Directors and Outside Audit & Supervisory Board Members**

With respect to outside directors and outside Audit & Supervisory Board members, the Company has set standards to appoint talented persons who have extensive knowledge and experience, and are able to exert their abilities adequately for oversight to the Directors by supervising, monitoring or auditing Directors' performance of their duties fairly and objectively from a neutral and objective viewpoint. The Company realizes that one criterion for ensuring neutrality and objectivity of outside director and outside Audit & Supervisory Board members is independence from the management team. Otsuka Holdings has established standards of independence for outside directors in order to ensure their independency in the Corporate Governance Guidelines of the Company. The Company also determines the independency of outside Audit & Supervisory Board members in accordance with the standards.

■ **Independence Standards for Outside Directors**

The Company determines that an outside director is independent if none of the following applies to the outside director:

- ① A person who is a relative within the second degree of kinship of an outside director is currently or has been in the past three fiscal years a managing director, executive officer, executive operating officer or important employee (each an "Executive") of the Company or one or more of the Company's subsidiaries.
- ② A company to which an outside director belongs as an Executive has a transaction with the Otsuka Group, and the amount of such transactions in any fiscal year within the past three fiscal years exceeds 2% of consolidated net sales of either company.
- ③ An outside director, as a legal, accounting or tax expert or as a consultant, has received remuneration exceeding 10 million yen per fiscal year directly from the Otsuka Group (excluding remuneration as the Company's outside director) in any fiscal year within the past three years.
- ④ The amount of donation to a non-profit organization to which an outside director belongs as an Executive from the Otsuka Group has exceeded 10 million yen in total for the past three fiscal years and such amount exceeds 2% of the income of such non-profit organization.

- **Internal Audit Department**

The Internal Audit Department, under the direct supervision of the president, regularly conducts audits to verify that operations are being executed appropriately and efficiently regarding the assets and overall affairs of the Group. When the need for improvement is indicated, the department issues recommendations and afterward confirms the status of implementation in an effort to optimize the performance of duties. The department also works with Audit & Supervisory Board members and the accounting auditor to share information and otherwise coordinate efforts.

- **Internal Control Department**

The Internal Control Department handles internal controls relating to the Group's financial reporting. The department formulates regulations, provides training and ensures that employees thoroughly understand operational rules. The department also works in cooperation with the Internal Audit Department to monitor the status of operation, and has established a system in which the assessment of internal controls by executives is conducted reliably.

- **System for Ensuring Appropriateness of Operations in Otsuka Holdings and the Corporate Group Consisting of Its Subsidiaries**

As a holding company responsible for maximizing the corporate value of the Group, Otsuka Holdings has established a system to ensure the appropriateness of operations from a Group-wide perspective.

Affiliated companies report matters prescribed in the Affiliated Companies Management Rules to Otsuka Holdings as needed, and the approval of Otsuka Holdings is required. The Company has established a structure for coordination within the Otsuka Group.

The Otsuka Group has adopted a statutory auditor system and appointed a number of Audit & Supervisory Board members, who work together to audit the directors' performance of duties and thereby enhance the effectiveness of the audit.

Pursuant to the Internal Audit Rules, Otsuka Holdings' Internal Audit Department supervises or conducts audits that also include affiliated companies. In this way, the Company has established a cross-divisional risk management system and compliance system to ensure the appropriateness of operations throughout the Group.

Quality

Compliance

The Otsuka Group has maintained an organization and created a corporate climate which enable all employees to behave with extremely high ethical standards, including compliance with laws, regulations, and bioethics.

Establishing a Global Code of Business Ethics and a Global Anti-Corruption Policy

In order to promote and achieve Group-wide compliance under the banner of its corporate philosophy, the Otsuka Group established the Otsuka Group Global Code of Business Ethics. The commitment to this Code of Conduct is publicly posted on its website as a message from President and Representative Director, CEO Tatsuo Higuchi.

At the same time, the Group established the Otsuka Group Global Anti-Corruption Policy which delineates the Group's approach to preventing corruption at all of its sites worldwide and promotes its business based on the highest standards of ethical conduct.

Promoting Compliance

Otsuka Group companies formulate their own individual programs to promote compliance based on the Otsuka Group Global Code of Business Ethics.

The Group companies that handle pharmaceuticals* follow the Prescription Drug Promotion Code, which is a code of behavior for healthcare professionals, and have formulated their own Code of Practice. The Otsuka Group works to forge relationships of mutual trust with medical practitioners, as well as with all of its stakeholders, to foster appropriate collaboration on compliance issues. As the social responsibility to clearly specify the relationship between pharmaceutical companies and healthcare-related organizations is questioned, it is striving to ensure adherence to norms, in order to fulfill its responsibility as a pharmaceutical company and ensure the practice of proper medical care based on ethics and a patient-centered commitment.

Since being listed on the Tokyo Stock Exchange in December 2010, Otsuka Holdings and its Group companies have conducted training on insider trading laws and regulations in compliance training sessions held each year. This training prompts employees to understand the contents of these laws and regulations, and the importance of rigorous information management.

Enhancing Whistleblowing System

The Corporate Governance Code calls for establishing a whistleblowing system that is independent from management and overseeing the operational status of the system by the management. This independence and oversight is extremely important for a whistleblowing system to function in the quick detection of illegal and inappropriate conduct and/or information disclosure. Otsuka Holdings reviewed its system and additionally established a point of contact at two external law firms. Major Otsuka Group companies have also established independent external points of contact so that an internal whistleblower is able to utilize the system without worry. Full-time Otsuka employees, as well as contracted and temporary employees, are able to utilize this system. The identity of individuals who file reports and the information received are handled and protected with the strictest confidentiality to prevent these individuals from any disadvantageous treatment.



Otsuka Pharmaceutical: Asia and Middle East Compliance Officer Meeting (Hong Kong)



Otsuka Pharmaceutical Factory: Ethics Forum

President's Message

Otsuka Group Global Code of Business Ethics

United under the banner of our corporate philosophy, "Otsuka-people creating new products for better health worldwide", we are working tirelessly toward a shared vision: improving global health through innovative products and services. As a "Big Venture Company", we keep moving forward, constantly asking ourselves the following questions: *Is our work innovative? Are we meeting the needs of our patients and consumers globally? Do our pharmaceutical products bring something innovative to healthcare? Can our nutraceutical products create new markets?*

As we strengthen our presence in the international marketplace, we have a heightened duty to continue fulfilling our ethical and legal obligations as a responsible global corporate citizen. To earn and secure the trust and confidence of our stakeholders including patients and consumers, we operate our business ethically, and with integrity.

The Otsuka Group Global Code of Business Ethics embodies and reiterates our commitment to integrity, which remains steadfast across the Otsuka Group worldwide. I strongly hope that our adherence to the principles set forth in this Code promotes a fair and open workplace inspiring creativity, empowering us to reach our fullest potential, and enabling us to enhance the quality of life worldwide.

Tatsuo Higuchi

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

* Otsuka Pharmaceutical,
Taiho Pharmaceutical,
Otsuka Pharmaceutical Factory

Quality

Risk Management

In order to fulfill its social responsibilities as a healthcare company, the Otsuka Group works to manage risks under normal conditions and prepares to continue operations safely even at times of disaster or emergency.



Otsuka Pharmaceutical Factory: Full-circumference seawall built against tsunami

BCP and BCM Establishment

The Otsuka Group has business continuity plans (BCP) and a business continuity management (BCM) system in place to ensure that the Group continues to operate as much as possible and is able to maintain a stable supply of its products even when large-scale earthquakes and disasters strike.

In addition, Otsuka Pharmaceutical has acquired ISO 22301 certification (the international standard for business continuity management systems). This certification verifies that Otsuka Pharmaceutical provides a framework capable of ensuring the production and supply of pharmaceuticals, nutraceuticals, and related products in both normal and emergency conditions, cooperating with Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, and Otsuka Warehouse. In April 2015, the certification was expanded to cover the stable supply of I.V. solutions, as well.

EN Otsuka Pharmaceutical, which is mainly engaged in the manufacture and marketing of enteral nutrition and medical foods, is based in the city of Hanamaki in Iwate Prefecture. With firsthand experience of the Great East Japan Earthquake, the company understands that its most important mission is to continuously deliver a stable supply of pharmaceuticals. Having formulated basic BCM rules and formed the BCM Committee in fiscal 2012, the company developed its BCP rule for earthquakes in fiscal 2013. In fiscal 2015, in addition to conducting drills to test the BCP, the company also signed agreements with other companies to coordinate and collaborate at times of disaster. Other Otsuka Group companies have incorporated BCP and BCM into operations, as well.

Information Security Initiatives

The Otsuka Group has formed the Otsuka Group Information Security Committee for the purpose of sharing the latest information on information security and reviewing specific security measures. Otsuka focuses on boosting the level of comprehensive security throughout the entire Group and continuously improving the information security process.

In order to counter the risk of cyber-attack, the Otsuka Group has a number of measures, such as inspecting security of systems, diagnosing website vulnerabilities, conducting drills related to targeted email attacks, and monitoring the content of SNS messages, with outside security companies. In addition, the Group conducts regular emergency drills focusing on systems that are key to database management.

The Otsuka Group has established a privacy protection management system to protect customers' valuable personal information and has acquired PrivacyMark certification and Information Security Management System (ISMS) certification in businesses where this certification is relevant.

CSR Procurement

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, environmental initiatives, and safety and security initiatives.

When initiating business with a business partner, the Group conducts investigations and verifications to ensure the quality of raw materials and stable procurement. In addition, it signs basic transaction agreement in advance in an effort to prevent risk. Working together with business partners, the Group will focus on building further relationships of mutual trust by upholding its social responsibilities with a clear understanding of the current situation of human rights, labor, and environmental circumstances.



Otsuka Techno: Comprehensive disaster drill in preparation for Nankai Trough Earthquake

VOICE



Working to Ensure Uninterrupted Delivery to Patients

Shin Miyazaki
Supervisor, Procurement Section,
Production Division
EN Otsuka Pharmaceutical Co., Ltd.

We understand how important it is to build positive relationships with our business partners, and work hard to make sure that all links in our value chain are in compliance with laws, regulations, and social norms. In fiscal 2015, we held a study session on the Subcontract Act for the entire Procurement Department in order to raise awareness about compliance. Having firsthand experience of the Great East Japan Earthquake in 2011, we are taking steps to procure not only raw materials, but also energy-related services and consumable materials from multiple companies in order to maintain and improve quality, and to establish a stable procurement structure.

Culture

Otsuka respects local communities and their traditional cultures. The Group contributes to community development and in particular to the education of children, who represent the future of their communities, through community exchanges, partnerships, and support for education.

Culture

Community Initiatives

The Otsuka Group provides relief to victims of natural disasters around the world through the provision of goods and medical support. Employees also make donations and volunteer to help people in need.



Otsuka Welfare Clinic



Taiho Oncology: Taking part in a campaign to raise awareness of colon cancer

VOICE



Community-Based Medical Support

Syed Sabir Ullah
Public Relations Officer
Otsuka Welfare Clinic

Since Otsuka Welfare Clinic (OWC) was established in June 2003, I have been in charge of working with staff to support doctors, coordinate drug purchasing and send reports to the Otsuka Pakistan head office and the Pakistani Health Department. In a single day, some 200 patients visit the OWC. I know how passionate the OWC staff are about providing medical treatment that patients need and how much the refugees from Afghanistan appreciate what the clinic does.

Healthcare Support Activities: Otsuka Welfare Clinic

In 2003, the Otsuka Group established the Otsuka Welfare Clinic in Peshawar, Pakistan, to provide medical treatment to Afghan refugees.

Since 2001, over 1.8 million Afghan refugees have entered Pakistan and many of them have been unable to receive satisfactory medical treatment. With a strong desire to contribute to the health of local people as a healthcare company in Asian and Arab countries, the Otsuka Group decided to provide free medical treatment to refugees in need. Otsuka Pharmaceutical and the 23 Group companies that operate in Asian and Arab countries jointly set up the Otsuka Welfare Clinic. The total number of visits to the clinic has risen to more than 800,000 people over 10 years. Following the 10-year milestone of helping the Afghan people and promoting healthcare in the Peshawar region, in August 2014, Otsuka Pharmaceutical was awarded the Japanese Foreign Minister's Commendation. The honor is given to individuals and groups that have had great success in promoting friendly relations between Japan and other countries.

The Otsuka Group including Otsuka Pakistan will continue to engage in community-based support activities in order to contribute to people's health.

Otsuka Group

Participation in Charity Events

At the Saitama Plant of Taiho Pharmaceutical, employees take part in a program to collect plastic PET bottles and empty cans, the proceeds of which are used to fund vaccines for children in developing countries. In 2015, donations enabled 680 children to receive vaccinations. Otsuka Warehouse, by providing support for the non-profit organization Heart of Gold, provides assistance to children and victims of landmines in Cambodia. In December 2015, 14 employees took part in a charitable half-marathon event held in Cambodia to deliver much-needed supplies to local children.

In Belgium, Nutrition & Santé Benelux donates Otsuka Group products to food banks. Otsuka Pharma GmbH in Germany takes part in campaigns conducted by the Stiftung Kinderzukunft (Foundation for the Future of Children), delivering Christmas presents to underprivileged children.

In the U.S., Otsuka Group companies participate in fundraising and sponsorship for events that support various health-related charities. Taiho Oncology focuses on raising public awareness of colon cancer, participating in a number of activities throughout the year that highlight this issue. Since 2001, Astex Pharmaceuticals, Inc. has participated in the Light the Night® Walk sponsored by the Leukemia & Lymphoma Society.

Otsuka Group



Otsuka Pharma GmbH (Germany): Taking part in the Christmas present campaign. (Photo courtesy of Stiftung Kinderzukunft)



Photo courtesy of Stiftung Kinderzukunft



Nutrition & Santé: Tofu for Africa



Clariss Otsuka: Donating I.V. solutions to earthquake victims in Nepal

Tofu for Africa

Since 2008, Nutrition & Santé in France has been promoting a Tofu for Africa project in the landlocked country of Burkina Faso just south of the Sahara Desert. The aim is to help improve nutrition for local residents. Partnering with Orange Blue Africa, an NGO active in the region, the project helps farmers by encouraging them to sign a production contract to grow soybeans. It then purchases harvested soybeans and makes tofu in workshops. In 2008, a trial was conducted to see whether soybean cultivation and the taste of tofu would be accepted locally. Soybean cultivation then began in 2009, followed by tofu production in 2010.

Currently, the project aims to improve nutrition, create employment, and popularize soy-based food culture in nine villages. The biggest challenge however, has been that tofu is largely unknown in the region. Therefore, project promoters have been setting up stalls to make grilled tofu skewers for people to try at local festivals and events. They have also been encouraging local restaurants to put tofu on their menus, in order to cultivate consumer demand. In addition to grocery stores, the sales routes also include food stalls, which are readily accessible to locals. In this way, tofu is becoming gradually known in the area. In the future, organizers plan to make the project in this region self-sufficient, before starting up new projects in other regions.

Nutrition & Santé



The Tofu for Africa project delivers tofu to help support Burkina Faso

Health Promotion, Disaster Prevention, and Relief Activities

The Otsuka Group works with communities to engage in health awareness, disaster prevention, and disaster relief programs. In Japan, Otsuka Pharmaceutical cooperates with local government bodies, to share the expertise accumulated by the company in the treatment of heat disorders, the prevention of lifestyle-related diseases, the improvement of health through sports, and the provision of nutritional education. Additionally, they work together on disaster preparedness. By 2015, Otsuka had signed cooperation agreements with five prefectures and seven cities to collaborate in these areas.

Otsuka Pharmaceutical Factory coordinates with local residents on disaster preparedness systems and actively promotes coordinated disaster preparedness measures with local governments. Its efforts have received recognition with the initiative advocated by the Japanese Cabinet Office as a model for local disaster prevention. The Otsuka Electronics Shiga Factory is also active in disaster preparedness, participating in activities run by the local fire prevention and safety association.

As a response to a natural disaster, the Otsuka Group is quick to provide relief supplies such as POCARI SWEAT and Calorie Mate to affected areas. The Group has continued to deliver relief supplies to Kumamoto, Japan since the earthquake struck in April 2016. Outside of Japan, local Group companies deliver relief supplies from the Otsuka Group to areas affected by a natural disaster or a large-scale accident. In 2015, the Group responded to the explosions at the Port of Tianjin in China by donating I.V. solutions to hospitals and provided emergency aid to victims of the earthquakes in Nepal and Afghanistan.

Otsuka Group

Culture

Community Exchange

As a good corporate citizen, the Otsuka Group values the natural environment and local communities while placing importance on community-rooted culture. The Group is contributing to society in its own unique way.



Otsuka Pharmaceutical: Otsuka *ren* dance groups

Participation in Community Events

Every year, employees from the Otsuka Group participate in the annual Awa Odori Festival in Tokushima Prefecture, Japan. The Group organizes four dance groups, called *ren*, made up of employees from six Group companies. The aim is to bring both dancers and the spectators into the fun and excitement of this traditional festival.

In Iwate Prefecture, approximately 80 employees of EN Otsuka Pharmaceutical took part in the Hanamaki Festival, a local tradition that, with 114 *Mikoshi* portable Shinto shrines, holds a Guinness Book world record for the largest gathering of shrines at a single time.

In Japan, the Otsuka Foods Kushiro Factory participates in the local marathon and tree-planting activities, while the Gunma Plant takes part in the Flamenco Dance Festival and cosponsors the fireworks festival. The Shiga Plant also participates in local activities such as the Healthy Market event to publicize the flourishing agriculture, commerce, and industry in the area. Otsuka Electronics has been a member of the Koka City Industrial Association steering committee since 2015 and is an active participant in local activities.

Otsuka Group

Community Exchange

With the cooperation of local residents, Otsuka Group plants host a variety of events to promote community exchange. Every year since 1990, together with Otsuka Techno and the local government, Otsuka Pharmaceutical's Tokushima Wajiki Factory has held a free outdoor concert. Called Exciting Summer in Wajiki, the event is staged in the factory grounds during the

Awa Odori Festival. This concert was cancelled in 2014 due to flood damage in nearby Naga. In light of this, the theme of the concert in 2015 was 'recovery'. Also the Tokushima Itano Factory builds stronger ties with the local community by participating in the Asan Walking Festival and welcoming visitors for plant tours.

Otsuka Group



Thai Otsuka Pharmaceutical: Taking part in mangrove tree planting activities

Tree Planting

Otsuka Pharmaceutical Factory and Taiho Pharmaceutical support the Tokushima Cooperative Forestry Project, a program based on environmental protection prefectural ordinances. The project funds forest management practices, such as forest thinning and tree planting. In 2015, an event was held at a Cooperative Forestry site in Sanagochi in Tokushima Prefecture. Some 300 people took part in thinning and planting trees in the forest.

In Indonesia, Otsuka Indonesia and P.T. Amerta Indah Otsuka focus on preserving and revitalizing the forests situated around the factory or nearby by donating plants and trees for planting. Thai Otsuka Pharmaceutical employees also engage in mangrove planting activities within the country.

Otsuka Group



Otsuka Pharmaceutical: Asan Walking Festival



Otsuka Pharmaceutical Factory: Posing with the governor of Tokushima Prefecture (Cooperative Forestry event in Sanagochi 2015)



Leonardo da Vinci's *Last Supper*; the ceramic replicas of the painting before and after its restoration are displayed side by side to clearly illustrate the difference

The Otsuka Museum of Art

The Otsuka Group is committed to promoting art and culture in the Tokushima area. To mark the 75th anniversary of its founding, the Group established the Otsuka Museum of Art in 1998. The museum features more than 1,000 replicas of Western masterpieces, from ancient murals to modern paintings, along some four kilometers of display space. The precise replicas have been produced on ceramic boards and allow visitors to view masterpieces from collections in 25 countries without leaving Japan. The museum's creative exhibits take advantage of the durability and other benefits of ceramic. A set of six altar panels by El Greco are arranged in their original configuration; a display of da Vinci's *Last Supper* compares the painting before and after restoration; and Van Gogh's *Sunflowers*, which was destroyed by fire in 1945 during the war, has been reproduced for visitors.

Otsuka Group



Tokushima Vortis community activities

Tokushima Vortis Professional Soccer Team

Tokushima Vortis professional soccer team was founded in 2004 around a core group of members from the Otsuka Pharmaceutical soccer team. Tokushima Vortis was conceived to revitalize the local community, and with support from the Tokushima Prefecture Board of Education, the team published the *Tokushima Challenge Program*, a booklet on ways to improve physical strength. The booklet is distributed to elementary school students in the prefecture and available online. Team players also take part in physical education classes at elementary schools to motivate kids and interest them in engaging in physical activities.

The Otsuka Group provides support for the soccer team, helping to promote the athletes' health and nutrition; sponsoring events at the team's home stadium; and other efforts to develop the local region through soccer.

Otsuka Group

Column

Reproduction in Ceramic of the Seated Statue of Kobo Daishi



Unveiling of the Seated Statue of Kobo Daishi

The manufacturing techniques developed by Otsuka Ohmi Ceramics have a valuable role in the preservation of cultural assets. One striking example of this is the full-size ceramic replica of the Seated Statue of Kobo Daishi from Koyasan Kongobuji temple. Otsuka Ohmi Ceramics used a mix of the latest 3-D technology, its own traditional ceramic techniques, and reproduction technologies to create a semi-permanent preservation of the statue for future generations.

Otsuka Ohmi Ceramics

Track and Field Program Sponsorship

The Otsuka Pharmaceutical track and field team includes male and female athletes, some of whom will go on to compete in the Olympics and world-class sports events. In between their training commitments, the team members participate in local school or community track and field programs. Students are also invited to join the running program held during the team's annual training camp in the town of Shibechea in Japan's northernmost prefecture of Hokkaido.

Otsuka Pharmaceutical Factory



Running program offered in the Hokkaido town of Shibechea



Track and field program for elementary school students in Tokushima Prefecture

Culture

Youth Education

The Otsuka Group engages in educational and awareness-building initiatives to ensure children understand the importance of nature conservation, protection of communities, and their enhancement for future generations.



Eco-School Adoption Program

VOICE



Giving Children the Opportunity to Study

Pratiwi Juniarsih
Corporate Affairs Director
P.T. Amerta Indah Otsuka

The SATU HATI School provides free tutoring for children living in the area around our Kejayan Plant. This is a unique program in that Otsuka employees volunteer their own time to tutor the children. In 2014, the Minister of Women Empowerment and Child Protection services in Indonesia visited the school as part of her focus on children's education. The Minister herself took part in the tutoring and came away impressed with the work the school is doing.

Support Through Education

Since 2007, Otsuka Pharmaceutical, Otsuka Chemical, and Taiho Pharmaceutical have been working with schools and local governments to prepare the next generation of Tokushima residents for life in a leading environmentally conscious city. The initiative is part of an eco-school adoption program. In 2015, high school students gained practical insights on environmental issues through water quality assessments of irrigation water near their schools and tours of wastewater treatment facilities at Otsuka plants. In addition, the companies also held a School in the Rice Fields in June 2015 to teach elementary school students about insects and plants. Five Group companies also provide career education support to junior high students in Tokushima Prefecture by sending employee instructors to give classes at schools.

Since 2011, Otsuka Pharmaceutical has sponsored a class for junior high school students, Life Studies Through Cancer. The primary instructors, a doctor and a cancer patient, give students and their parents an opportunity to think about what "life" means and examine their own lifestyles. By 2015, more than 8,500 students and their parents from 24 different schools had taken part in the class.

In Cambodia, Otsuka Warehouse is committed to the long-term support of children through a non-profit initiative to increase literacy and education for girls. In December 2015, the company began sending donations to the school library and became a sponsor of a literacy program at Tuk Elementary School in Kampong Thom Province.

In Indonesia, P.T. Amerta Indah Otsuka has held SATU HATI (One Heart) charity events since 2007. To date these events have funded construction of 28

libraries and the donation of 124,000 books. Since 2011, the company has sponsored the SATU HATI School, a program at the Kejayan Plant to tutor children in science, English, and math.

In the Philippines, Otsuka Pharmaceutical donates water supply equipment*1 to schools for the indigenous Aeta people*2 and provides students with hygiene kits. The aim is to improve the hygiene and sanitation environment for the local population.

Otsuka Group



Amerta Indah Otsuka: SATU HATI School

Plant Tours for Students

Otsuka Group companies proactively welcome visitors to tour their plants. Otsuka Pharmaceutical plants have prepared informative displays and exhibits for visitors to learn not only about manufacturing processes for Otsuka products, but also about health and the environment. Taiho Pharmaceutical's plant in Kitajima, Japan has cooperated with elementary and junior high schools since it opened to provide outside-of-school learning and to welcome visitors for plant tours. The Hanamaki Factory of EN Otsuka Pharmaceutical welcomes high school, vocational school, and university students. The Shiga Factory of Otsuka Foods conducts a yearly vocational training program for nearby junior high schools, and welcomes elementary school students and other children's groups to tour the plant, as well.

Otsuka Group

*1: Including a diesel motor pump, an elevated storage tank, and toilets

*2: Indigenous people living in the northern part of Luzon, Philippines

Employees

The spirit of *Sozosei* (creativity) instilled in every employee of the Otsuka Group stems from their desire to emulate the corporate philosophy. The Group fosters a corporate culture that encourages a diverse workforce to break out of the conventional, broaden their perspectives, and never stop in their personal development. This collective creativity, in turn, enables the Group to continue developing innovative products that enrich society.

Employees

Diversity

By promoting a diverse workforce, the Otsuka Group fosters in its employees a spirit of innovation and flexibility that enables the organization to adapt to an ever-changing environment.



Otsuka Foods: Diversity Forum



Otsuka Pharmaceutical: BeanStalk Kids Center in Tokushima

VOICE



Both Husband and Wife Can Focus on Their Careers

Haretsugu Hishigaki, Ph.D.
Director,
Biomedical Technology Research Center,
Tokushima Research Institute,
Otsuka Pharmaceutical Co., Ltd.

Every morning when we arrive at the childcare center, my daughter immediately runs toward the instructor at full speed, without even looking back. Even though I feel a touch of jealousy at those moments, I am always overwhelmed with a sense of gratitude for having the BeanStalk Kids Center in Tokushima. Here, my daughter is surrounded by kind teachers and fun friends. She receives nourishing lunches and snacks, while also absorbing and learning many things. When I pick her up at the end of the day, it almost seems that she has grown since the morning. Having the childcare inside my workplace, and being able to do things such as participate in disaster prevention drills with her, gives me real peace of mind. It lets my wife and me focus fully on our work.



Diversity Management Selection 100

With the aim of raising awareness of the importance of diversity and expanding the horizons of enterprises, this award program recognizes companies that have improved their corporate value through diversity in management.

Supporting Women in the Workplace

The Otsuka Group believes that employee diversity is a driving force for company growth. Therefore, as part of this philosophy each Group company is engaged in various initiatives to promote the active participation of women in the workplace.

Otsuka Pharmaceutical initiated Women's Forums in the 1980s when diversity was still an unfamiliar concept in Japan, and today actively promotes female employees into leadership roles. In 2014, Otsuka was included by the Ministry of Economy, Trade and Industry in its Diversity Management Selection 100 in recognition of these efforts. Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, and Otsuka Foods have implemented working groups and forums to expand opportunities for all employees, including women. By presenting examples of women who are successfully balancing career and childcare responsibilities and by holding group discussions, these companies promote diversity through both program support and awareness raising.

Through the introduction of the "Return to Work Challenge" program at Otsuka Pharmaceutical, and the "Comeback Path" program at Taiho Pharmaceutical, both companies have systems through which employees who left the company to provide childcare or due to other unavoidable circumstances, can easily return to work.

At EN Otsuka Pharmaceutical, the employee reassignment policy provides support for long-term career development to enable employees with childcare responsibilities, or those who are receiving outpatient medical treatment, to continue working.

Otsuka Group



Taiho Pharmaceutical: Sukusuku Nursery in Ibaraki

Establishment of Workplace Childcare

The Otsuka Group began setting up on-site childcare centers in 2011, in order to support employees with young children. Otsuka Pharmaceutical has opened a BeanStalk Kids Center in Tokushima and one in Osaka, while Taiho Pharmaceutical has established the Sukusuku Nursery in Ibaraki. The programs have been designed to facilitate new enrollments each month, enabling parents to return to work at any time. They also offer temporary childcare, care for sick children, and extended-hour care in order to respond to the rapidly changing needs of parents. As a result, female employees can maintain their career activities, and male employees can actively participate in childcare as well. Management of the BeanStalk Kids Centers was transferred from an external to an internal administrator. The centers provide unique care that fosters creativity while contributing to the overall healthy development of the children, the leaders of tomorrow.

Otsuka Pharmaceutical, Taiho Pharmaceutical



Heartful Kawauchi: Magokoro Farm "Cosmos"



Otsuka Pharmaceutical Factory: Exercise class by a certified health and exercise instructor

Integration of Employees with Impairments

The Otsuka Group enables persons with impairments to work on equal terms with others. Heartful Kawauchi Co., Ltd.,*1 a special subsidiary of Otsuka Pharmaceutical hires persons with mental impairments and strives to create a comfortable working environment. It provides specialized consultation and support staff and maintains flexible rules that allow employees to get paid time off in one-hour increments. In recognition of these efforts, the company was certified in April 2015 as an excellent employer for people with mental disabilities.*2 In September 2015, the company also earned an encouragement award from the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers.

EN Otsuka Pharmaceutical has hired two individuals with disabilities, starting with a three-month trial period. With the support of various departments, the new hires have been successfully working in the office and in pharmaceutical sample preparation, and they are looking to expand their areas of activity.

The company will continue its initiatives to create employment opportunities, and aims to create workplaces that integrate persons with disabilities.

Otsuka Group

Support for Senior Employment

The Otsuka Group provides opportunities for employees to continue working past the retirement age of 60, and the Group has developed a program for senior employees to apply their wealth of experience and knowledge and transfer those skills to other employees. With the aim of incorporating new ideas and perspectives while also advancing business and human resource development, trial recruitment of outside senior workers is also underway. In order to support the success of these senior employees, the Group is working to enable work styles that can respond flexibly to circumstances. This includes efforts such as assistance for accessing the telecommuting and caregiver leave programs. The Group also holds life planning seminars for employees who have reached the age of 58. It also provides them with opportunities to prepare and plan for life after 60.

EN Otsuka Pharmaceutical is providing support for employees to help them maintain satisfying lifestyles as members of their local communities even after they reach retirement age. For example, the company has programs that allow employees to leave early from work or obtain paid leave in order to participate in volunteer activities.

Otsuka Group

*1 Employees with physical impairments: 8
Employees with mental health conditions: 16
Employees with intellectual impairments: 7
(as of December 2015)



*2: The Excellent Employer of Persons with Mental Disabilities mark is bestowed on companies accredited for their employment practices. The design evokes the concept of the strong ties between society and persons with mental health conditions and symbolizing the company's active approach to fulfilling its social responsibilities. The mark conveys the idea that society and its enterprises understand well the hiring of persons with mental health conditions and provide the optimal support for employment.

Percentage of female managers

	As of December 31, 2014	As of December 31, 2015
Otsuka Pharmaceutical	7.75%	8.56%
Otsuka Pharmaceutical Factory	3.54%	4.10%
Taiho Pharmaceutical	3.94%	5.23%
Otsuka Chemical	7.19%	8.15%
Otsuka Warehouse	7.59%	9.38%
Otsuka Foods	4.76%	5.14%

Percentage of employees with impairments

	As of December 31, 2014	As of December 31, 2015
Otsuka Pharmaceutical	2.39%	2.48%
Otsuka Pharmaceutical Factory	1.91%	1.86%
Taiho Pharmaceutical	1.85%	1.89%
Otsuka Chemical	2.03%	2.43%
Otsuka Warehouse	1.54%	1.57%
Otsuka Foods	1.97%	2.16%

Employees

Work-Life Balance

The Otsuka Group respects the diverse values and lifestyles of its employees. It endeavors to create workplace environments that allow all employees to realize their full potential while maintaining work-life balance.

VOICE



Workplace Tour

Hiroaki Nishikata
Section Chief,
Administration Department,
Osaka Headquarters
Otsuka Pharmaceutical Co., Ltd.

We organized a workplace tour for the young children of employees, during their summer vacation. Employee ID cards and business cards were prepared for the kids, and they had opportunities to practice exchanging business cards and using video conferencing. They even participated in a lecture on heat stroke prevention. For lunch, the visitors enjoyed Bon Curry from Otsuka Foods, and the tour ended with high approval from the young participants. We want to hold a tour again next year with the aim of creating a vibrant working environment, while deepening workplace understanding among family members.



*1: Prefectural Labor Bureaus provide Kurumin certification to companies that meet criteria, such as creation of an action plan and achievement of goals based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

*2: A corporate network consisting of the NPO, Fathering Japan, and member companies. Its aim is to foster corporate managers who consider the importance of work-life balance for themselves as well as their subordinates, and can raise awareness among other managers (Ikuboss = "childcare boss").

* Results are for the nine months from April to December.



Otsuka Pharmaceutical Factory: Caregiver seminar

Caregiver Support

The Otsuka Group has programs that allow employees to balance their work and home care responsibilities. The company programs include caregiver leave, shorter working hours for caregiving (for up to one year) and caregiver flextime (for up to one year).

Each year, Otsuka Pharmaceutical and Otsuka Pharmaceutical Factory conduct employee surveys. As a result of employee feedback expressing concern over balancing work and home care responsibilities, the companies held seminars to provide information on caregiver support. The seminars included information on the home care situation in Japan, basic knowledge concerning the public long-term care insurance system and company programs. Otsuka Pharmaceutical Factory also strives to promote employee understanding of its home care programs, through a Work-Life Balance Support Handbook and information on its intranet site.

Otsuka Group



Otsuka Pharmaceutical: Childcare seminar for male employees

Parenting Support

Otsuka Group companies in Japan have been accredited with the Kurumin mark^{*1}, which recognizes enterprises that support raising the next generation of children by creating workplace environments that support employees with childcare responsibilities. The Group offers a parenting leave system, shorter work hours for childcare reasons, and a parenting flextime work program. In addition to maternity leave as prescribed by law, a consultation service has been set up to help female employees return to work after parenting leave. Otsuka also has childcare centers inside some workplaces.

Otsuka Pharmaceutical holds seminars specifically for male employees with childcare responsibilities, and is proud to support the Ikuboss Project.^{*2} Through efforts such as these, it hopes to foster a corporate culture that supports employees who are raising children. At JIMRO, a consultation service has been set up to help female employees when they return to work after maternity leave. The aim is to help female employees balance work and family responsibilities and offer them peace of mind.

Otsuka Group

■ Paid leave usage rate (including full-time plus contract employees / carryover portion)

	FY2014*	FY2015
Otsuka Pharmaceutical	52.5%	63.8%
Otsuka Pharmaceutical Factory	54.7%	52.9%
Taiho Pharmaceutical	59.8%	69.5%
Otsuka Chemical	61%	56.6%
Otsuka Warehouse	57.8%	57.1%
Otsuka Foods	49.3%	53.5%

■ No. of employees taking parenting leave

	FY2014*		FY2015	
	Male	Female	Male	Female
Otsuka Pharmaceutical	1	86	0	116
Otsuka Pharmaceutical Factory	0	18	0	25
Taiho Pharmaceutical*	32	43	39	30
Otsuka Chemical	0	0	0	1
Otsuka Warehouse	0	5	0	5
Otsuka Foods	0	7	0	5
Total	33	159	39	182

* At Taiho Pharmaceutical, male employees are also eligible for parenting leave, and are encouraged to use the program, even for short periods.

Employees

In conducting its business worldwide, the Otsuka Group is committed to developing creative human resources that can break out of the mold and lead our corporate activities for continued growth and innovation.

Development of Human Capital



Human Resource Development Institute



Otsuka Chemical: Safety Training Center

Human Resource Development Institute

The Otsuka Group Human Resource Development Institute in Tokushima is a training facility offering a wide range of programs from basic training to instruction in various business skills. The Institute is also a place for exploring the Otsuka Group corporate philosophy, and it aims to foster dynamic thinking among employees for the development of innovative products. The facility features a number of monuments created to illustrate thinking beyond the conventional. They express the Otsuka Group's desire to succeed as a highly creative company not limited by preconceived notions.

Through unique, internally developed programs such as courses on Otsuka corporate culture and training for the next generation of top managers, employees learn how to put Otsuka innovation into practice.

Otsuka Group

Personal Development

Each Otsuka Group company has a variety of training programs enabling employees to express their individuality and to improve their skills and abilities. In addition to on-the-job training for new hires, there is training based on job rank and job content, such as leadership development or technician training, designed to develop professional skills. Other programs include an MBA support program that provides opportunities for employees to study at US business schools, and WING, a voluntary female leadership workshop. A range of e-learning programs are also available, including a foreign language qualification incentive system. The Group also provides a Chinese learning course. In this way, the Group has created a supportive environment for people to achieve their learning goals.

Otsuka Group

Safety Training Center

Opened in 2012, the *Anzen Dojo* (Safety Training Center) provides simulated and hands-on training to both Otsuka Chemical employees and those of affiliated companies outside Japan, as well as outside participants. The Center teaches the ability to think before acting, in order to improve risk assessment, and seeks to improve safety awareness through lectures and simulated scenarios based on past accidents.

In 2016, the Center launched a new program for all employees. By presenting recent industrial accidents as valuable case studies, the program is designed to improve the risk prediction capability of employees.

Otsuka Electronics is also striving to prevent occupational accidents while fostering a healthy and comfortable workplace. Efforts include annual safety training where employees watch a video on the proper use of organic solvents and other hazardous chemical substances. Practical skills coaching is also provided by the safety manager.

Otsuka Group

Career Planning

The Otsuka Group provides support for individual career planning, so that all employees can enjoy active and rewarding careers. Taiho Pharmaceutical established a career counseling office staffed by HR personnel with specialized qualifications, who provide a wide range of career advice to employees. In cooperation with an outside employee assistance program provider, EN Otsuka Pharmaceutical has created a system where counselors with specialized training provide career planning assistance. The company is supporting and encouraging its employees to take on new challenges and plan their careers from a long-term perspective.

Otsuka Group



Otsuka Chemical: In July 2015, the company received an encouragement award for occupational health and safety from the Director of the Tokushima Labor Bureau. The award recognizes the company as a model for maintaining and improving excellent levels of health and safety in the Tokushima region.

Employees

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 the Group strives to maintain and enhance employees' wellbeing. The Group facilitates these goals through physical activity programs and education concerning health matters.



Otsuka Pharmaceutical Factory: Mental health counseling

VOICE



Breakfast Promotion Campaign

Kana Kuga, PHN, RN
Health Support Labor Management,
Human Resources Department
Taiho Pharmaceutical Co., Ltd.

Although numerous studies have shown that eating breakfast is good for you, many people still skip it. Therefore, we implemented a breakfast promotion campaign to encourage all employees to get into the habit of eating a meal in the morning.

As a result, some employees have been inspired to start eating breakfast. I look forward to providing ongoing support and creating more opportunities for staff to participate in health initiatives.

Employee Health and Safety

Each company in the Otsuka Group implements safety measures, consultation services, and diverse health programs to ensure that all employees are able to work in a safe environment and live a healthy lifestyle. The Group offers health consultation by telephone for employees and their families, and distributes health newsletters. It also provides mental health counseling, stress management training, and training for managers on recognizing and managing mental health issues in employees. Health management is actively promoted for both the mind and body. EN Otsuka Pharmaceutical is striving to identify employee mental health issues early by utilizing a stress check questionnaire. In addition to measures for preventing lifestyle-related diseases and mental health issues, Taiho Pharmaceutical stresses the importance on eating breakfast to employees. It held a breakfast awareness-raising campaign, as a way to improve work productivity.

As part of its safety initiatives, the Otsuka Group not only complies with relevant health and safety laws and regulations, but also implements occupational health activities in the workplace to realize a comfortable work environment and reduce accident hazards. Group companies operate occupational health and safety committees that regularly conduct inspections of all workplaces to secure compliance. The committees also work to promote employee health by encouraging staff to identify and discuss workplace health issues and ways to solve them, for independent workplace improvement. Industrial physicians at Group companies provide advice on health matters and follow up on employee health checkups. They also conduct education and training related to occupational health and safety. The aim is to create workplaces where all employees have strong health and safety awareness.

Group companies conduct emergency first aid training, including training on the use of cardiopulmonary resuscitation (CPR) and automated external defibrillators (AEDs), to prepare for medical emergencies. At plants where many employees commute by private vehicle, there are initiatives to prevent driving accidents during their commute and while at work, such as driver safety education and vehicle tire inspections. At Otsuka Pharmaceutical, employees who drive commercial vehicles are required to pass safe-driving skill testing before being permitted on the road, in order to ensure thorough safety.

Otsuka Group



Otsuka Pharmaceutical: Special POCARI/fresh session

POCARI/fresh

Otsuka Pharmaceutical provides various health education and exercise programs for employees. The goal is to enhance the health consciousness and involvement of all employees so that they can better maintain and promote their own health. In 2007, the POCARI/fresh exercise program was begun. An instructor visits each office once a week and leads the employees in an invigorating eight-minute workout they perform near their desks. The theme of the workout changes each time, and can include things such as shoulder stretches and brain-stimulating exercises. The program has been popular with employees right from the start, and has been continuously offered at the Tokyo and Osaka headquarters, as well as in the Tokushima area. While providing exercise opportunities for employees, it also helps improve operational efficiency.

Otsuka Pharmaceutical

Third-Party Opinion

Feedback on the Otsuka Group CSR Report 2015

Clarifying materiality as identified by the Otsuka Group

At the beginning of this year's CSR report (p. 8), the Otsuka Group clarified and made transparent the process by which materiality is disclosed. By clearly identifying materiality, the report sheds light on what the Otsuka Group considers issues of priority and gives a clearer picture of the direction in which the Group would like to move.

This information would, I believe, be even clearer and easier to understand in the next report if the process for identifying materiality was described in more detail.

Performance in the five areas of CSR

The Otsuka Group organizes its CSR Report into five core areas of activity: health, the environment, quality, culture, and employees. Each section begins with a title page that features the Group's policy in that particular area and contains a great deal of information on the resulting initiatives. Reading each section, it is clear which issues the Otsuka Group considers to be priorities. However, I think the report would be easier to understand if a page were added to give readers a broad overview or a summary of CSR activities in general. I would suggest the Group look for new formats to better convey to readers the steady progress the Group is making in each of the five areas. This could include disclosure of progress using Group targets and numeric data, as well as self-assessments and feedback the Group will incorporate the following fiscal year. Naturally, certain areas are not suited to this type of format, but some, such as the environment and employees, are easily quantified. I hope the Otsuka Group will look for ways to more clearly present this information in future reports.

Global Otsuka Group CSR management

While this report does indeed disclose more global data than the report for fiscal 2014, I believe more information is still needed on global Otsuka activities in areas such as the environment and employees. After all, the majority of Otsuka Group sales and employees are from outside Japan. Environmental management requires a swift and early response to increasingly tougher global standards. It is clear that the Otsuka Group is making



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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 Doshisha University. 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 Industry. Joined the management team of the Institute for Environmental Management Accounting in April 2004, and has authored books on environmental accounting and environmental reports.

progress here, both in Japan and outside Japan, and this progress should be conveyed in more depth in the Group's CSR Reports.

The Health section describes how Otsuka, through its core health-related business activities, addresses issues that reflect expectations for broader societal solutions. Stakeholders would like to read more about issues that the Group is working to address, methods employed, and progress made. An additional page in the report offering a road map or other visual graphics would be helpful in this regard.

In the Culture section, the Otsuka Group provides information on its clinic in Pakistan, the Tofu for Africa project, and other activities. These are important contributions that involve Otsuka's main business, and I would like to know more about the progress being made and the manner the activities impact the community. In that respect, I would like to hear directly from local residents.

The Otsuka Group is clearly making steady progress on establishing CSR management. The next step, I believe, is to continue expanding CSR management to operations around the world. In many sectors, the Otsuka Group is already active at a global level, and I would like to know more about the Group's aspirations

I look forward to learning more in future reports.

Editorial Postscript

Thank you for taking the time to read the Otsuka Group CSR Report 2015. This CSR Report outlines a variety of activities conducted by the Otsuka Group to uphold its social responsibilities as a group of companies that are vital members of the community by pursuing CSR as an integral part of its business.

With this report, we introduce the analysis that the Otsuka Group uses to define and determine topics that are important to the Group and all of our stakeholders over the mid- to long-term. We focus on initiatives over five broad themes (health, environment, quality, culture, employees).

The Otsuka Group Consolidated CSR website provides additional information on the wide range of CSR activities the Group is engaged in. The Otsuka Group aims to become an indispensable contributor to people's

health worldwide. To achieve this, we are committed to CSR activities that help us continue to meet society's expectations as a vital member of the community by putting our corporate philosophy into practice and actively engaging with our stakeholders.

The Editorial Committee expresses its sincere gratitude to everyone who helped in the production of this report.

Editorial Committee
Otsuka Group CSR Report



● Otsuka Group Consolidated CSR Site

This report is also available online.

<http://otsuka.csrportal.jp/en>



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.

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