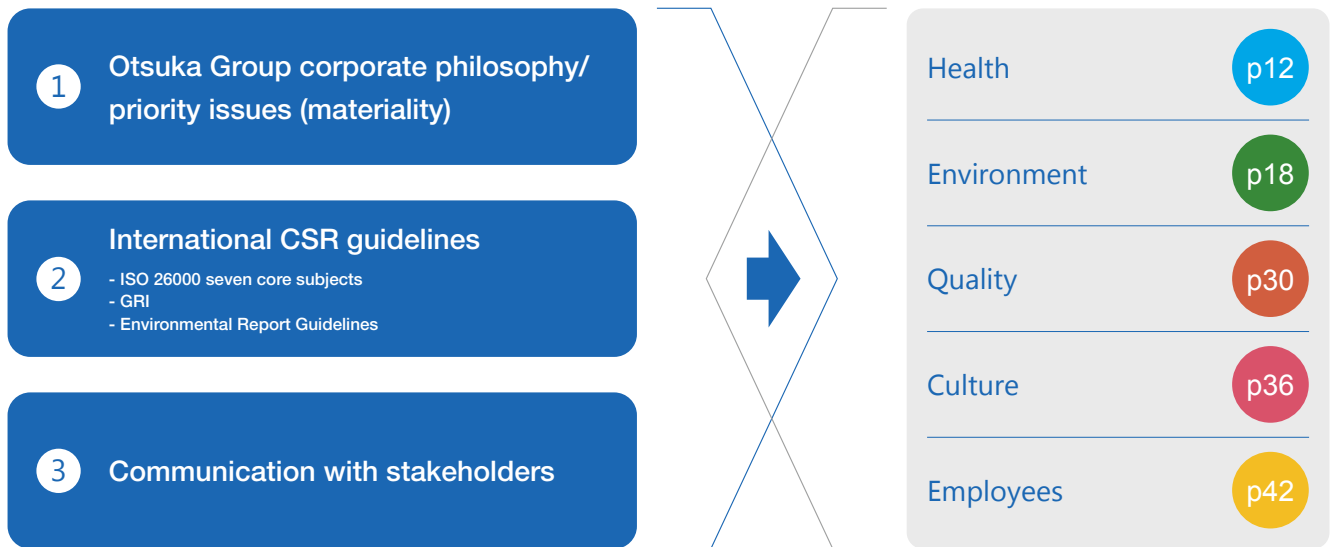


Editorial Policy

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

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

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



Priority initiatives Here are the activities that the Otsuka Group is currently focused on.

Scope of report

This report focuses on Otsuka Holdings and encompasses information for Otsuka Group companies worldwide, centering on the following 13 Group companies in Japan:

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

Period covered

Due to a change in the fiscal year-end to December, the results cover the period from April 1, 2014 to December 31, 2014. The activities reported on include some conducted more recently.

Publication schedule

The next report is scheduled for publication in summer 2016.

Guidelines referenced

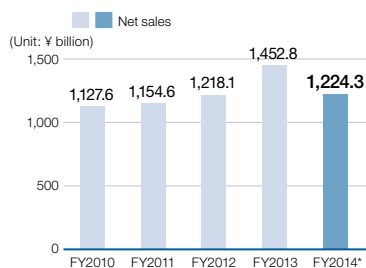
This report was compiled with reference to the GRI Sustainability Reporting Guidelines 3rd Edition, ISO 26000, and the Environmental Report Guidelines 2012 Edition issued by Japan’s Ministry of the Environment.

Corporate Profile

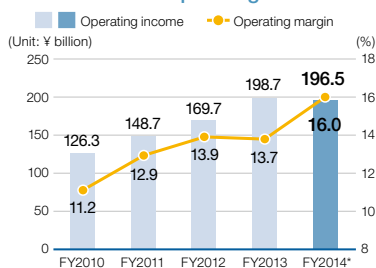
As of December 31, 2014

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: 73 (Consolidated: 29,482)
Scope of consolidation: 102 consolidated subsidiaries and 17 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.

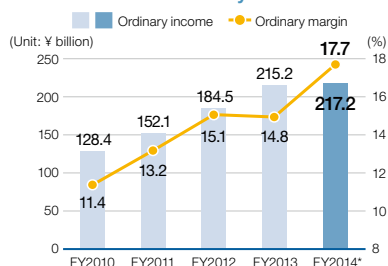
Consolidated Net Sales



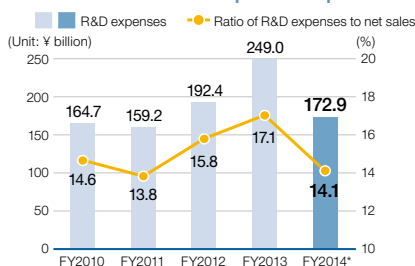
Consolidated Operating Income



Consolidated Ordinary Income

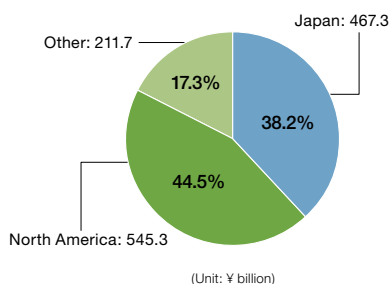


Research and Development Expenses



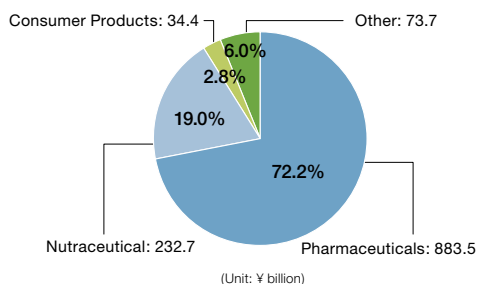
Consolidated Net Sales by Geographical Segment (FY2014*)

Sales to customers by market



Consolidated Net Sales by Business Segment (FY2014*)

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, 2014, over 60% of consolidated net sales were from markets outside Japan. At least half of the roughly 29,000 consolidated employees are 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

Spain

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

Sweden

Otsuka Pharma Scandinavia AB

Switzerland

Nutrinat AG

UK

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

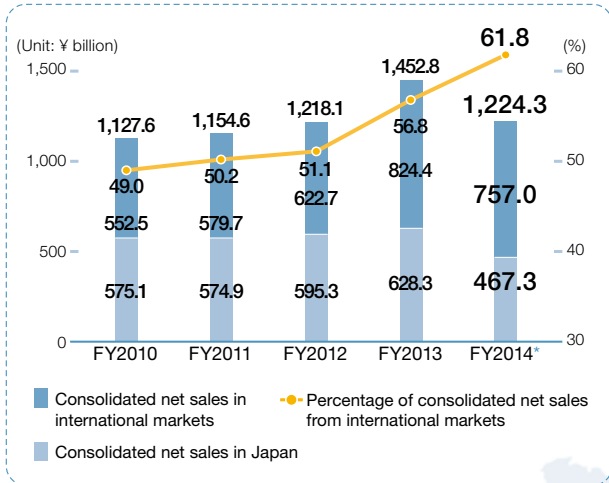
2,331 employees **26** companies

Europe

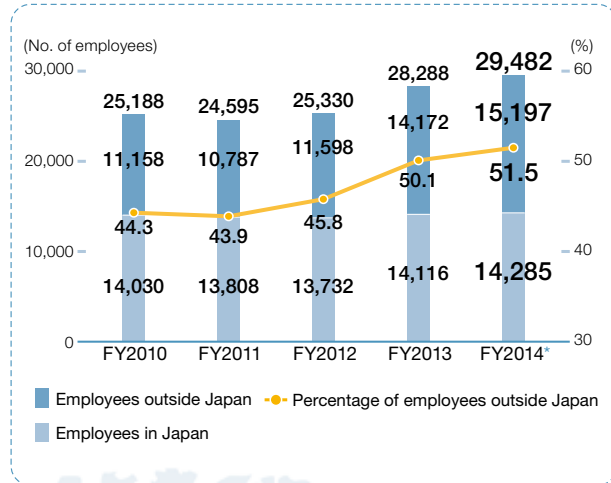
8,504 employees **38** companies

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 Ridge Co., Ltd.
- Nippon Pharmaceutical Chemicals 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.
- Bigarade Corporation
- FoodState, Inc.
- American Peptide Company, Inc.
- Otsuka America Foods, Inc.
- Crystal Geyser Brand Holdings, LLC*
- CG Roxane, LLC*

Brazil

- Jasmine Comercio de Produtos Alimenticios LTDA
- Nardobel Participacoes Ltda.
- Otsuka Chemical do Brazil Ltda.

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

14,285 employees **32** companies

Japan

4,362 employees **24** 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 focuses on the core areas of the central nervous system and oncology in order to address unmet medical needs. Furthermore, the Group is engaged in a wide range of fields and businesses, including the cardiovascular system, gastroenterology, ophthalmology, diagnostics, and the clinical nutrition and medical device businesses in order to provide comprehensive healthcare solutions ranging from diagnosis to the treatment of disease.

Flagship products



Flagship products



Nutraceuticals Business



Functional beverages
and foods

Cosmetics

OTC products,
quasi-drugs

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

Nutraceuticals = nutrition + pharmaceuticals



Flagship products



Bon Curry Gold



Bon Curry Neo



My Size



Sinvino Java Tea Straight



Ridge Monte Bello



Mannan Hikari



CRYSTAL GEYSER



MATCH



MATCH Pink



Consumer Products Business

Beverages

Foods

Alcoholic beverages

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

Flagship products



Terracess
(friction material for brake pads)



Rubber additive
(application of hydrazine derivatives)



POCone, a medical device



HM series of LED evaluators



Other Businesses

Functional chemical products

Fine chemicals

Distribution

Packaging

Electronic equipment

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

CSR Highlights

Addressing
Unmet Needs

P13



Shigeto Uchiyama
Senior Researcher,
Saga Nutraceuticals Research Institute,
Nutraceuticals Division
Otsuka Pharmaceutical Co., Ltd.

50%^{PH}

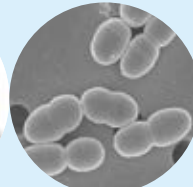
Percentage of Japanese people who are able to internally produce equol

During many years conducting soy research, Otsuka Pharmaceutical took notice of the relationship between equol and changes in women's emotions and bodies. In 1996, it started research on equol at the Saga Nutraceuticals Research Institute. In 2002, it succeeded in isolating the Lactococcus 20-92 strain of lactic acid bacteria that produces equol. The company subsequently continued research into the safety and usefulness of equol produced using this lactic acid bacterium to ferment soy germ (natural S-equol) in and outside Japan.

It was found that equol contributes to the maintenance and improvement of women's health, extension of healthy life expectancy, and improvement of quality of life (QOL). This led to the development of EQUELLE as a product that makes daily intake of equol easy. Otsuka is now continuing to provide information aimed at the maintenance and improvement of health, improvement of QOL, and extension of healthy life expectancy through this product for women in the menopausal transition.



EQUELLE



Lactococcus 20-92 strain



Youth Education

P41

Over 110,000 books

Number of books donated since 2007

With the aim of forging ties with local communities and contributing to the development of Indonesia, P.T. Amerta Indah Otsuka is engaged in activities to educate children. *Satu Hati* (One Heart) began as a charity concert. The proceeds from the event and donations have been used to support the education of children through activities such as library building and book donation. Since 2007 when these events began, the project has built 25 libraries and donated more than 110,000 books.



1,000 fish

Protecting and nurturing cyprinid fish, an endangered freshwater species

The Otsuka Group's plants engage in a variety of activities with the aim of protecting the environment and existing in harmony with the community. Committed to being an eco-friendly and people-friendly plant that is open to the community, Otsuka Pharmaceutical's Tokushima Itano Factory strives to protect the environment at the plant and in the surrounding community. It has achieved zero emissions and established a biotope pond that is fed with cooling water from the plant. In November 2012, it released 1,000 cyprinid fish, a freshwater variety designated as endangered and raised by the Fisheries Research Division of Tokushima Prefecture, into the pond, where they will be protected and nurtured.



Eco-Friendly
Plants
P19

Diversity
P43

3

On-site day care centers

The Otsuka Group has set up on-site day care centers with the aim to help foster a creative corporate culture by supporting the diverse lifestyles of employees who are raising children while pursuing their careers. Otsuka Pharmaceutical has opened a BeanStalk Kids Center in Tokushima and one in Osaka, while Taiho Pharmaceutical has established the Sucusuku Nursery in Ibaraki. Instead of putting the usual manufactured equipment in the playground of the daycare in Tokushima, small hills were created with cut logs set into the ground. This allows the children to use their own ingenuity to create games using the natural playground elements. The Group will continue to create environments that offer peace of mind to the busy parents it employs, while also fostering creativity and sensitivity in their children.



Message from the President



Tatsuo Higuchi

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

Becoming an indispensable company that contributes to the health of people worldwide: Putting the corporate philosophy at the center of all our activities

Economic climate continues to change dramatically

Our business environment has been changing remarkably in recent years. Looking back on 2014, the world continued to deal with issues concerning population growth, income disparity, energy, and the environment. Emerging markets saw a slowdown in economic growth, while there were signs of gradual economic recovery in Japan. As societies continue to age, governments are implementing measures to contain healthcare costs, and the use of generic drugs is becoming widespread. This has stimulated industry restructuring and M&A activity in order to boost business competitiveness. It is clear that the pharmaceutical industry is experiencing a surging wave of change.

With the Olympics coming to Tokyo in 2020, a younger generation of Japanese is now turning its attention to the world through the opportunity of sport. Hopefully, their interest will also extend beyond sport to the fields of science, technology, and business. The Games should be an invaluable opportunity for helping to develop human resources

with a more global perspective. Among older people and the elderly, the upcoming event is helping to raise health consciousness, which will positively impact the medical economy and health market. The Tokyo Olympics will certainly help to stimulate the Japanese economy.

Aiming to improve business quality as a total healthcare company

The Otsuka Group was listed on the Tokyo Stock Exchange in December 2010, marking a new stage in our development. In August 2014, we announced the Second Medium-Term Management Plan, which summarizes the essence of each measure toward ensuring sustainable development beyond 2020. We are taking on the challenge of self-transformative growth. In 2015, the revised Companies Act will take effect in Japan, along with the Corporate Governance Code, which outlines a new code of conduct for employees of listed companies. These

changes will help to strengthen Japanese corporate governance, with the goal of increasing management transparency and improving corporate information disclosure. The Otsuka Group intends to use these initiatives as an opportunity to make our corporate philosophy and management strategies absolutely clear to our stakeholders while also further enhancing communication with them. We also recognize that we must strive even harder to raise our sustainable corporate value in order to meet their expectations.

During the 94 years since our founding in 1921, the Otsuka Group has been creating innovative products that contribute to the world. These efforts have also fueled our growth. Today, we have expanded our business into a variety of areas including clinical nutrition, medical equipment, and chemicals, while remaining focused on our two core areas of pharmaceuticals and nutraceutical. As part of efforts to globalize the pharmaceuticals business, we are concentrating on expanding it by utilizing one of our quality assets, our value chain. The value chain was built on the therapeutic agent business, including the antipsychotic ABILIFY. As a total healthcare company that contributes to the maintenance and promotion of people's health, we want to promote a sustainable society and fulfill our social mission. The Otsuka Group will continue demonstrating a special knack for unique ideas and creativity, in order to generate an even broader and deeper understanding and trust from people worldwide.

Globalization through harmony and celebration of cultural differences

As we globalize our business, the social responsibilities of the Otsuka Group continue to expand and diversify. Today the Group includes 176 companies in 27 countries and regions. Half of our laboratories and about 70% of our factories are outside Japan. About 60% of our roughly 43,000 employees are also overseas, and they collectively speak twenty different languages. In fact, 750 billion yen in consolidated net sales in the fiscal year ended December 2014 (nine-month result), or 60% of total sales, are from markets outside Japan.

In order to respond to the globalization of our business and the diversification of our employees, we must ensure that we respect the differences in ways of thinking, traditions, history, and linguistics. Therefore, in order for co-workers from different backgrounds to undertake business activities together, they must welcome each other's differences, and help create a harmonious Otsuka Group culture centered on our corporate philosophy.

Working to realize the corporate philosophy through integrated business and CSR activities

The CSR activities of the Otsuka Group revolve around the realization of a corporate philosophy—Otsuka-people creating new products for better health worldwide. Our CSR efforts are focused on creating good communication with various stakeholders. This is because our corporate management requires cooperation and support from communities

and business partners, which we will continue to need in the future. Therefore, we are promoting CSR activities as part of, rather than separate from, the business activities of the Otsuka Group. Our initiatives for customers and communities include environmentally friendly product development, as well as nature conservation and environmental protection activities such as increasing the level of factory greening. They also include social contribution activities to promote community healthcare and development. These activities assist with our product creation and service improvement, either directly or indirectly, and simultaneously promote the development of our business. CSR initiatives help form a basis of trust that promotes cooperation with communities, while producing other benefits such as customer preference for our products. In fact, I believe that CSR activities promote an ever-expanding cycle of benefit. When a portion of profits is returned to society, it generates goodwill towards the company. Each CSR effort magnifies the beneficial effects. By promoting CSR initiatives, which are an integral part of the business, we can provide products, services and information that are useful for people to live healthy and happy lives. Our aim is to thrive as a company that is needed by society.



Utilizing creativity and proof through execution for even greater progress

In order to maintain CSR activities that are centered on the realization of our corporate philosophy and resonate with the business, we must ensure that our personal actions reflect the "management truths" that have been consistently passed down to us since the company's founding. However, rather than just thinking about it, we must also demonstrate our ideas by taking action and accomplishing what we've set out to do. Our goals should be those that only Otsuka can achieve. These management truths can serve as a source for our future, as we aim to become a total healthcare company indispensable to society through contribution to the health of people worldwide. Therefore, we shall explore Otsuka's unique abilities even more deeply, as we work towards even greater progress for the Otsuka Group. Thank you for your continued support of our endeavors.

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 mottos of *Jissho* (Proof through Execution) and *Sozosei* (Creativity), the Otsuka Group strives to utilize its unique assets and skills to develop differentiated scientific solutions which contribute to the lives of people worldwide in the form of innovative and creative products ranging from pharmaceuticals to consumer products. We are striving to cultivate a culture and a dynamic corporate climate reflecting our vision as a healthcare company. As such we are dedicated to achieving global sustainability, to our relationships with local communities and to the protection of the natural environment.

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

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



Giant Tomato Trees

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



Bent Giant Cedar

One giant cedar seems to take a deep bow, while another huge cedar trunk balances atop it. It defies expectations. This piece consists of a bent tree that is typically straight, and another in a seemingly unstable resting position that is actually perfectly balanced. Bent Giant Cedar speaks to the importance of not being limited by preconceived ideas.



Floating Stones

This water garden features large stones that appear to miraculously float on a wide expanse of water and other stones that seem to bend and droop. It is certainly one of a kind. The garden teaches us the importance of switching ideas and thinking beyond the conventional.

Health

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

Health

The Otsuka Group is passionate about creating groundbreaking new products that can save lives and improve the quality of life for many people.

Addressing Unmet Needs



Taiho Pharmaceutical: Anticancer drug research



Hospital TB ward

Priority Initiatives

Addressing Unmet Needs

Otsuka Pharmaceutical is committed to helping patients with mental illness return to their regular activities. In the 1970s it began research into central nervous systems therapies, ultimately resulting in the launch in 2002 of ABILIFY, an antipsychotic and the world's first drug with dopamine system stabilizer action.*1 It has been used to treat patients with various mental disorders in 60 countries and regions worldwide. Otsuka subsequently created and launched Abilify Maintena, a once-monthly injection developed to support long-term treatment of the condition. By developing this formulation, Otsuka is helping patients control their symptoms and live normal daily lives. In 2014, Otsuka acquired Avanir Pharmaceuticals Inc., a biopharmaceutical firm specializing in neurological disease to strengthen Otsuka's CNS portfolio.

Otsuka Pharmaceutical is also conducting research into tuberculosis, which is a major public health issue due to the increasing number of patients around the world. As of March 2014, no new anti-tuberculosis drug had been released in over 40 years, and there was a particularly strong need for new, effective drugs to treat multidrug-resistant tuberculosis (MDR-TB). Building on its more than 30 years of research in this field and in an effort to improve the treatment of TB, Otsuka has developed Deltiya (delamanid) a drug for treating MDR-TB. Deltiya received regulatory approval and was launched in Europe and Japan in 2014.

Samsca (tolvaptan), the world's first aquaretic,*2 was developed by Otsuka Pharmaceutical over a period of 26 years, and is now being used in 20 countries and territories*3 worldwide. Autosomal Dominant Polycystic Kidney Disease (ADPKD)*4 is a rare kidney disease for which no drug treatment previously existed. Through ADPKD-focused R&D that began in 2004, Otsuka

and external researchers found that tolvaptan inhibits proliferation and growth of renal cysts. As a result, in March 2014 an indication for Samsca (tolvaptan) in ADPKD was approved in Japan. Under the brand name JINARC, the drug was approved in Canada and the EU in 2015. Going forward, the company will file applications in multiple countries around the world and provide this encouraging new treatment to patients.

In the cancer field, the Otsuka Group continues to take on the challenge of developing new drugs to improve patients' quality of life. In 1974, when intravenous drip based treatment was the mainstay of cancer chemotherapy, Taiho Pharmaceutical, a member of the Otsuka Group, launched Futraful in Japan, an oral anti-cancer agent that provided a new method of treatment. Since then, Taiho Pharmaceutical has launched oncological products in Japan such as UFT in 1984, TS-1 in 1999, and Lonsurf in 2014.

While there has been enormous progress made in recent years in oncology, 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, such as antiemetics and cancer pain relievers.

Otsuka Pharmaceutical, Taiho Pharmaceutical

*1: Dopamine D₂ receptor partial agonist

*2: A diuretic that causes the patient to excrete only water and not electrolytes

*3: Japan, China, South Korea, the Philippines, Indonesia, Hong Kong, Taiwan, Thailand, U.K., Denmark, Australia, Germany, Italy, Norway, Spain, Sweden, Finland, Turkey, U.S., and Canada

*4: 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



Co-development of Medical Devices

As Japan's population grows old, like that in the rest of the world, Otsuka continues to invest aggressively in disease areas that are of importance to aging societies, such as orthopedics, osteoporosis, and spinal and urological diseases. That is why Otsuka Medical Devices is carrying out development of an innovative spinal implant in an international joint research project based primarily in France. In urologic care, Otsuka is co-developing with a company in Japan that employs a non-invasive technology to detect the amount of urine in the bladder.

Otsuka Medical Devices

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 period. 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 provides products designed for patients that require enteral feeding or have difficulty swallowing.

EN Otsuka Pharmaceutical develops and markets the iEat range, which are foods that are nourishing, tasty, and easy to eat for people who are still regaining their appetite. Using a proprietary technique, iEat foods after preparation are soft enough to break down in the mouth with just the use of the tongue, but retain the same shape, color, and, nutritional content as regular food. These products support health by providing nutritional food that even elderly persons requiring nursing care can find easy to eat.

Otsuka Pharmaceutical Factory, EN Otsuka Pharmaceutical



Otsuka Pharmaceutical Factory: Total support throughout convalescence



EN Otsuka Pharmaceutical: iEat food to support recovery to normal eating

Opening of the Medical Foods Research Institute

Otsuka Pharmaceutical Factory has positioned medical foods as a strategic growth area. In May 2014, the Medical Foods Research Institute was opened at its headquarters site in Naruto, Tokushima. The institute is focusing on the development of products for the global market, especially Asia.

By consolidating in one location the previously separated research and formulation development functions, an R&D structure is in place to rapidly develop new products.

Otsuka Pharmaceutical Factory has developed and marketed a range of medical foods, including the oral rehydration solution OS-1. Going forward, the company will accelerate development of products that contribute to people's health worldwide, increasingly turning its sights beyond Japan to the global market.

Otsuka Pharmaceutical Factory

Women's Health

Otsuka Pharmaceutical developed a functional food containing equol, an ingredient derived from soybeans, that functions very similarly to the female hormone estrogen. Since the launch in 2014, the product has been marketed to middle-aged women experiencing a variety of symptoms due to hormonal fluctuations. Earlier, there were also high expectations for another family of compounds from soy, isoflavones, which have similar functions to equol. However, it was found that about 50%* of Japanese women tended not to benefit from them. Otsuka Pharmaceutical is committed to contributing to women's health through its world-leading investigations into the efficacy and safety of equol.

Otsuka Pharmaceutical

* Journal of the Japan Society for Menopause and Women's Health, 20: 313-332, 2012

Health

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

Advocating the Importance of Hydration and Electrolytes



Otsuka Pharmaceutical Factory: Oshietel "Kakure Dassui" linkai (Tell us! The Pre-Dehydration Committee)



Otsuka Pharmaceutical: Seminar to build awareness of heat disorder prevention and hydration

VOICE



Teaching Children What They Can Do On Their Own To Prevent Heat Disorders

Hiroaki Yamazaki

Sales Promotion, Sales Section 2,
Chiba Branch office,
Nutraceuticals Division
Otsuka Pharmaceutical Co., Ltd.

When giving presentations about hydration and heat disorder prevention, Otsuka holds the attention of students with guidance from the teachers select topics.

These topics include heat disorders during sports, hydration for peak performance, heat disorders indoors, and the importance of eating breakfast. The Otsuka team teaches them the symptoms of heat disorders, the way heat disorders work, and what can be done about them. The Otsuka team also talks about the importance of recognizing symptoms in their teammates and of alerting someone when they occur.

Otsuka will continue conducting awareness building so that we can impart to children a proper understanding of heat disorders and the ways to prevent them.

Building Awareness of Heat Disorder Prevention

Ever since it first 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 situations. For over 20 years the company has engaged in efforts to raise awareness of how to prevent and address heat disorders. Otsuka works to disseminate this message through seminars across Japan and in collaborations with professionals such as weather forecasters, sports coaches, and industrial physicians. In 2013, the company introduced a service to automatically deliver free information in the spring and summer that warns of risks from heat disorders (WBGT, Wet-bulb globe temperature, a measure of heat stress in direct sunlight). Users select their location from the Heat Disorder Prevention Information Site, jointly produced by Otsuka and the NPO Weather Caster Network. Similarly, Otsuka and our partner provide information on air humidity (dry air) in the autumn and winter on the Life Dryness Information Site. In 2014, the company endorsed and cooperated with the Heatstroke Prevention – Communication Project supervised by the Ministry of the Environment.

Otsuka Pharmaceutical Factory, which developed and markets the oral rehydration solution OS-1, cooperates with the Pre-Dehydration Committee, the multi-stakeholder Committee for Awareness of Hidden Dehydration in conducting awareness building on the prevention of dehydration. Awareness is a key aim as the condition is difficult to notice and it is still not widely recognized that dehydration is a factor in heat disorders. The program also emphasizes how to intervene before it becomes serious. Seminars are held for various societies such as the Japan Society for Occupational Health

and the Japan Pediatric Association as well as at drug stores. This has led to a recent increase in the number of medical institutions adopting oral rehydration therapy for mild to moderate cases of dehydration where IV infusion used to be used for dehydration in the past.

In addition, the Otsuka Group conducted a webcast on heat disorder prevention and treatment, reaching out to industrial physicians, public health nurses, nutritionists, and nurses. The webcast featured a Q&A session with the speakers. A total of 2,500 people participated from about 200 locations around Japan. Similarly, the Otsuka Academy is a program in which employees visit schools to provide awareness-building activities for children. Otsuka employees also visit workplaces to provide workshops on occupational heat disorder prevention, at the invitation of corporate occupational health and safety departments.

The Otsuka Group also makes efforts to raise employee awareness of heat disorder prevention. It distributes POCARI SWEAT to break rooms for rehydration and as well as to where employees work in the heat. Otsuka Techno Corporation builds awareness by distributing a leaflet about heat disorders published by the Fire and Disaster Management Agency. Outside Japan, in fiscal 2014, Otsuka Pharmaceutical (H.K.) held seminars for boy scouts, athletes, workers at construction sites, and factory safety managers.

Otsuka Group

As a healthcare company that contributes to people's wellbeing, Otsuka engages in nutrition education by providing information on building a proper understanding of health through diet, nutrition, and hydration.

Health

Nutrition Education



Otsuka Pharmaceutical: Study session led by a local nutritionist for the general public about diet and the use of soy products

Extracting the Power of Soy

For many years the Otsuka Group has conducted scientific-based dietary education showcasing its functional foods and beverages, which maintain and improve good health. Through CalorieMate, which makes it easy to obtain the five major nutrient categories anywhere, anytime, Otsuka advocates the importance of breakfast and educates people that a well-balanced meal, not just sugar, is important to stimulate the brain.

The Group also promotes the possibilities of soy through its Soyolution (Soy + solution) concept, which emphasizes the potential of soybeans to contribute to better health worldwide, resolve nutritional problems, and help sustain the environment. The promotion is based on a multifaceted form of nutrition education that values the succession of food culture and contributes to the environment.

With health and nutrition in mind, Otsuka is developing soy products, creating new forms and flavors so that people around the world, even those who are not accustomed to eating soy, can benefit from the nutrition of soy presented in convenient and great tasting forms. The soy bar SOYJOY is made from whole soy dough mixed with ingredients such as fruits and nuts. Today it is sold in 11 countries and regions as a delicious low-glycemic index food, in which carbohydrates are absorbed slowly and less likely to lead to weight gain. Efforts are also being made to develop flavors suited to the cultures and diets of different countries. Additionally, Otsuka offers a range of other products, such as SoyCarat, a healthy soy snack that provides a fun and delicious way to get the nutrition of about 50 soybeans from one bag.

Furthermore, Otsuka Pharmaceutical holds seminars in cooperation with dietetic associations and public health nurses around Japan to widely convey the



Otsuka Pharmaceutical: An event at which children harvest soybeans

health value of soy and the current situation in which more people could benefit from eating soy. The company also conducts awareness building to stimulate interest in soybeans among children. In cooperation with retailers throughout Japan, it hosts dietary education events in which children can plant seeds or seedlings and then harvest soybeans to stimulate their interest in learning about the possibilities of soy.

Soybeans also hold high potential to contribute to preservation of the global environment. For instance, soybean production emits only 1/12th the carbon dioxide (CO₂) required to produce beef,^{*1} consumes 1/50th the amount of water and 1/20th the amount of energy.^{*2} Also, producing one kilogram of beef requires 10 kilograms of grain including soy. Eating soybeans can help reduce the world's environmental problems.

However, no more than 6% of soybeans grown worldwide are eaten directly by people.^{*3} Even among the Japanese, who are said to have the largest soybean consumption in the world, the amount eaten by people in their forties or younger tends to be below the national average.^{*4} Going forward, Otsuka will strive through its promotion of the Soyolution concept to spread a new food culture via soy products in novel forms.

Otsuka Pharmaceutical

*1: Calculated based on energy and emission intensity data using input-output tables for Japan, from the Center for Global Environmental Research Center of the National Institute for Environmental Studies

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

*3: U.S. Department of Agriculture

*4: From "2010 National Health and Nutrition Survey," Ministry of Health, Labour and Welfare

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

Promoting Understanding of Cancer and Other Illnesses

The Otsuka Group is engaged in activities to promote a proper understanding of cancer and other illnesses. Taiho Pharmaceutical supports the Pink Ribbon Campaign to raise awareness of the importance of early detection and treatment of breast cancer. Since 2006, it has supported the Pink Ribbon Festivals organized by the Japan Cancer Society. As part of awareness-raising efforts, in 2014, the company distributed educational pamphlets on breast cancer and distributed promotional items to encourage women to get screened for breast cancer. In 2007, Taiho Pharmaceutical created SURVIVORSHIP.jp, a website based on joint research with the Shizuoka Cancer Center. The site provides information from the perspective of cancer survivors and their families, and provides cancer patients with inspiration to overcome the challenges of life. The Anticancer Drug Treatment, Radiation Therapy, and Dietary Instruction sections were particularly well received and thus were developed into an app for smart devices and distributed for free. In addition, Otsuka Pharmaceutical disseminates information on health and illnesses through its website and the sponsorship of seminars.

Parents are provided with a range of information about water, including the importance of hydration and how to select water that is safe for young children. In fiscal 2014, the company produced picture cards that tell a story set at Mt. Shasta in North America, the source of Crystal Geyser water, and sent it along with bottles of water to around 1,000 kindergartens and daycare centers around Japan. The company received feedback from the kindergartens indicating that it helped them convey the importance of water. Furthermore, they distributed a leaflet called the Water Calendar to families, providing an opportunity for parents and children to think about hydration in an enjoyable manner.

Otsuka Foods

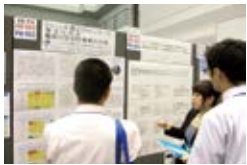


Otsuka Health Comics

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 25 volumes (including special volumes; total of 254 stories) have thus far been donated to elementary, special needs, and other schools throughout Japan. The books are used by children as reading material and for self-study as well as teaching material in student committee activities. Students are encouraged to submit ideas for health-related topics in the form of illustrations. The submissions are then used by the publication's cartoonists to make collaborative comic books. The effort has created an excellent opportunity to think about health, not just for the children whose submissions are utilized, but also for their friends and caretakers.

Otsuka Group



Otsuka Pharmaceutical Factory: Promoting Proper Use of Pharmaceuticals

The company gives poster presentations about the safety of transfusions and lipid emulsion at pharmaceutical-related conferences to provide information on the proper use of pharmaceuticals to pharmacists.



Taiho Pharmaceutical: Official messenger character of the Pink Ribbon Festival



Otsuka Pharmaceutical: Learning about the flu with AR

Clicking on an augmented reality (AR) marker with a smartphone enables users to watch a video explaining the diagnosis and prevention of influenza.



Kindergarteners having fun learning about the importance of water

My First Water Project

Otsuka Foods, which imports Crystal Geyser bottled water, has been running the My First Water Project since 2012 to educate parents and their children on the importance of water, with the premise that parents are responsible for making choices about water until their children are old enough to make their own decisions.

Environment

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

Environment

Eco-Friendly Plants

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.



Otsuka Pharmaceutical: Biotope at Tokushima Itano Factory



Taiho Pharmaceutical: Biotope at Okayama Plant

Priority Initiatives

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 manufactures pharmaceuticals and soy products. Designed to be an eco-friendly and people-friendly plant based on the concept of building harmonious relationships with the natural environment, the site features a section of untouched forest and biotope that offer a natural environment for diverse wildlife. 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 has been made for rhinoceros beetles to emerge from the ground near the biotope pond. 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. What is more, cyprinid fish, a small freshwater species that was thought to have gone extinct in Tokushima prefecture, was rediscovered in 2004. The company joined a project started by Tokushima Prefecture in cooperation with industry, government, academia, and the public, to protect and propagate the fish and return it to nature. In June 2012, it signed an agreement pertaining to the protection and propagation of the rare wild cyprinid fish, and the following November released 1,000 cyprinid fish received from Tokushima Prefecture into the biotope pond. This was the start of efforts to protect, propagate, and nurture them. The fish have been raised carefully while exchanging brood fish with other breeding sites in the prefecture. At present, they have propagated to the point where they are ready to be returned to their native habitats, which is the ultimate goal of the program. Tokushima Prefecture plans to conduct trial releases

during fiscal 2015. 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.

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 uses eco-friendly wastewater treatment methods to purify cooling and cleaning water generated in the manufacture of the Tiovita Drink series. This enables the plant to discharge the treated water into the sea in a condition closer to its natural state. 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 looking for food along its edge. The treated 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 material. This helps to increase the plants and animals in the tidal flats of Kugui Bay. 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



An emerged rhinoceros beetle



Cyprinid fish



Exchanging brood fish with Tokushima Prefectural Senior High School of Science and Technology



Tokushima Wajiki Factory (Otsuka Pharmaceutical)

Kitajima Plant (Taiho Pharmaceutical)

Saga Factory (Otsuka Pharmaceutical)

Priority Initiatives

Maintaining Factory Grounds as Parks

Otsuka Pharmaceutical's Tokushima Wajiki Factory carries out environmentally friendly production as a factory park that is integrated with people and nature in a verdant hilly area. The factory's grounds are open to the local community. When the weather is nice, children can be seen running around the plant's large lawn while local residents walk the grounds. It is also a popular place for enjoying weeping cherry blossoms in spring. In order to protect this abundant green space, the factory refrains from using pesticides and herbicides as much as possible. Otsuka Pharmaceutical's Saga Factory opens its grounds during the cherry blossom season for the enjoyment of people who visit it as a new hot spot for cherry blossom viewing. Making use of its lush green environment, it also held a class to learn about forest trees for nearby elementary school students in cooperation with the town of Yoshinogari. Otsuka Pharmaceutical's Fukuroi Factory is also committed to maintaining and managing its green spaces in an environmentally friendly way, and employees regularly weed the beautiful lawn in order to protect it.

Itano Factory also strengthens ties with the local community through a charity walking event and a marathon, under the theme of environment and health. Meanwhile, the Kitajima Plant of Taiho Pharmaceutical created a promenade lined with cherry trees on its grounds as a place for relaxation and contemplation for local residents. Cooperating with the community to establish a disaster preparedness system, a disaster management agreement has been signed with nearby local governments, designating a part of the grounds as a temporary shelter for local residents in the event of a large-scale disaster.

Otsuka Group



Otsuka Pharmaceutical: Children in forest tree class

Otsuka Pharmaceutical



Otsuka Pharmaceutical: Asan Walking Festival in Itano

Priority Initiatives

Participating in the Community

With the cooperation of local residents, the factories of the Otsuka Group hold various events for community revitalization. Every year since 1990, together with Otsuka Techno, the local government, and the chamber of commerce and industry, Otsuka Pharmaceutical's Tokushima Wajiki Factory has held a free outdoor concert, "Exciting Summer in Wajiki," on the lawn of the factory grounds. Otsuka Pharmaceutical's Tokushima



"Exciting Summer in Wajiki" concert

Column



Participants in the fishing tournament

Participating in a Prefectural Project to Protect the Ecosystem in Lake Biwa

At present, non-native species such as bluegill and black bass are multiplying in Lake Biwa, threatening the ecosystem. As part of a project promoted by Shiga Prefecture to eliminate invasive species, the Otsuka Group holds an annual fishing tournament to catch non-native species, in an effort to have fun thinking about and protecting Lake Biwa's environment and native ecosystem while also socializing across Group companies in the Shiga region. In 2014, 111 employees and their family members participated in the sixth tournament, catching 18.35 kg of fish, which was more than the previous year.

Otsuka Pharmaceutical, Otsuka Warehouse, Otsuka Foods, Otsuka Electronics

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 Compliance
- 6 Actively engage in social initiatives
- 7 Enhance risk management



Otsuka Group Environmental Promotion Council



Otsuka Pharmaceutical: Participants at a Southeast Asia/India Area Environmental Council meeting

Otsuka Group Environmental Promotion Council

Environmental and ISO managers from Group companies in the Tokushima area, where much of the Group's production takes place, created the Otsuka Group Environmental Promotion Council to take over information exchange meetings that began in 2003. Today, the council, involving environmental managers from 13 Group companies in Japan, meets to advance Group-wide environmental conservation initiatives. The council confirms trends concerning environmental regulations and technology, as well as the overall direction of the Group's environmental activities. In addition to this discussion and information exchange, the council also conducts subcommittee activities and workshops by outside guest lecturers.

Environmental Communication Outside Japan

In October 2014, Otsuka Pharmaceutical held a global environmental council meeting with the participation of nine companies from five countries in the Southeast Asia/India area. The previous March it held a meeting with 13 companies in the East Asia region. At each meeting attendees confirmed the Group's environmental policy and shared examples of advanced energy conservation as well as each company's efforts. Meanwhile, in December, Otsuka Chemical held a GPNM* attended by nine companies from seven countries outside Japan as well as one company from Japan to set environmental activity targets for fiscal 2015.

Otsuka Group

* Global Production NetWorking Meeting: A meeting for sharing information pertaining to manufacturing at Otsuka Chemical's businesses outside Japan



Otsuka Chemical: Meeting in progress

Otsuka Group

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

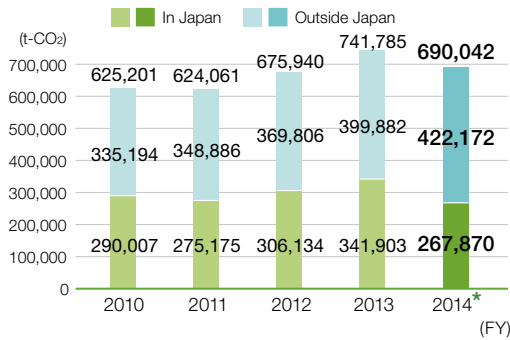
Combating Climate Change and Conserving Energy

In 2014, the 13 Group companies in Japan used the energy equivalent of 267,870 tons of CO₂ emissions through their business activities. The 30 Group companies outside Japan*¹ used the energy equivalent of 422,172 tons of CO₂ emissions.

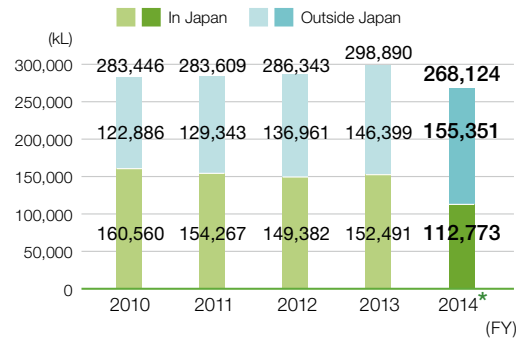
Outside Japan, CO₂ emissions increased with an increase in energy usage associated with the expansion of business while changes in the CO₂ emission coefficient of electricity in Japan (about a 10 percent increase) also had an impact. A lot of heat is required

in production processes for the reaction, distillation, and drying of chemicals, as well as for sterilization processes used in making beverages and pharmaceuticals (I.V. solutions). Therefore, the Otsuka Group is working to reduce energy consumption in these areas, which accounts for a large portion of energy use, through manufacturing process innovation at each Group company. 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.

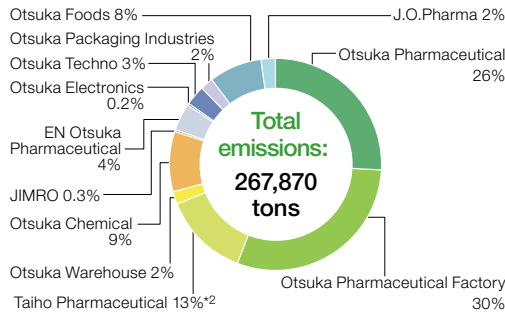
Total CO₂ Emissions (Energy-related)



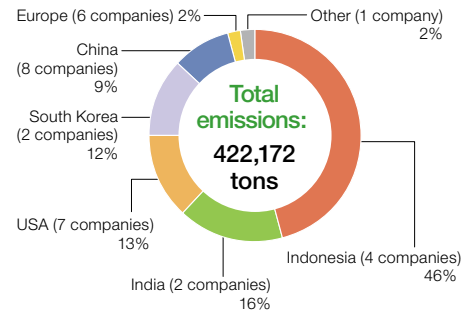
Energy Usage (Crude-oil equivalent)



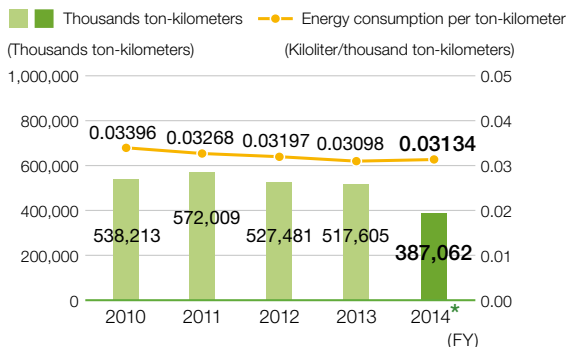
CO₂ Emissions by Company in FY2014 (in Japan)



Otsuka Group CO₂ Emissions by Country in FY2014 (outside Japan)



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



*1: Consolidated companies outside Japan 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.

Environmental Performance Data

Waste Management Situation at 20 Group Companies Outside Japan

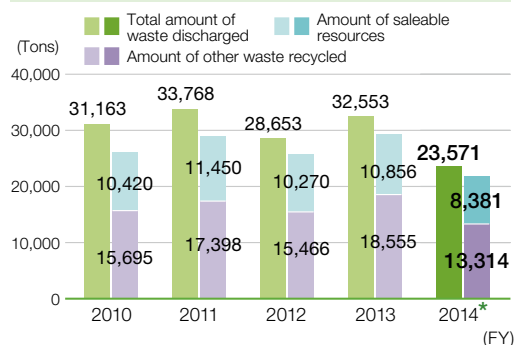
In 2014, 20 consolidated subsidiaries that have Group production sites outside Japan emitted 19,520 tons of waste. They had a recycling rate of 82.8%, and a final disposal amount of 2,596 tons.

Reducing Waste

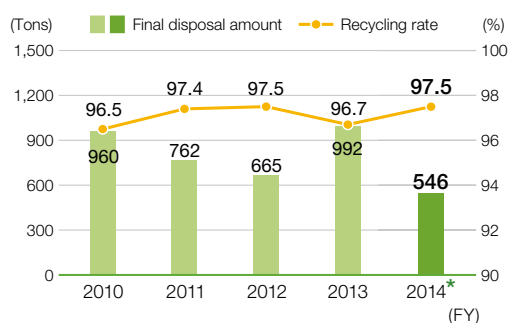
In 2014, the 13 Group companies in Japan discharged 23,571 tons of waste from business activities. While the amount of waste discharged fluctuates with changes in production output, the Group strives to recover resources and to reduce its final disposal amount through reuse and recycling initiatives. In fiscal 2014, its recycling rate was 97.5% and its final disposal amount was 546 tons. Each factory will continue robust 3R (reduce, reuse, and recycle) initiatives with the aim of achieving zero emissions. The Group has also begun ascertaining the waste management situation at its companies outside Japan.

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

Total Waste Discharge and Recycling



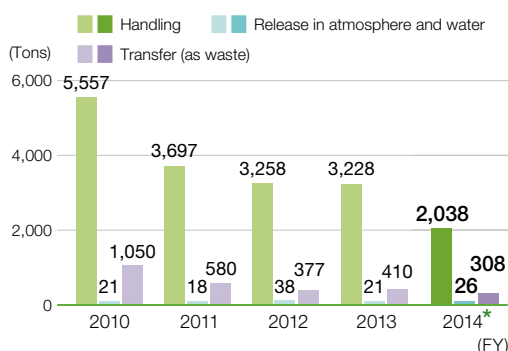
Recycling Rate and Final Disposal Amount



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



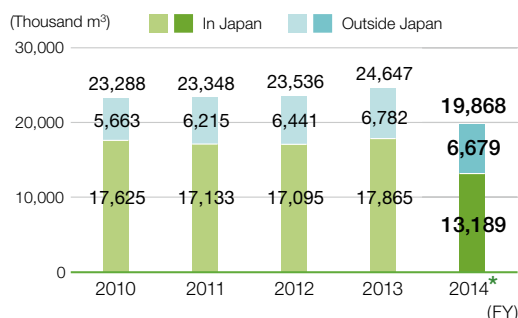
* Pollutant release and transfer registers (PRTRs). There are presently 462 substances designated under Japan's PRTR system.

* 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 2014, the 13 Group companies in Japan used 13.189 million m³ of water in business activities. Outside Japan, 30 Group companies used 6.679 million m³ of water, resulting in total use of 19.868 million m³. The Otsuka Group will strive to reduce its consumption of finite resources, based on usage analysis and comparisons between Group companies.

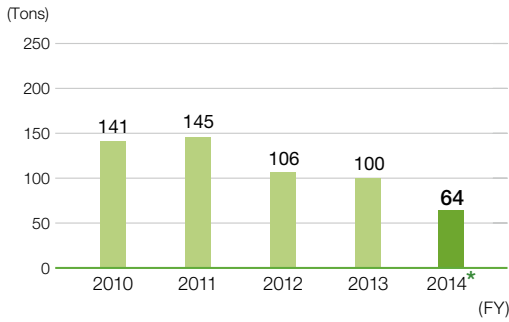
Water Usage by Group Companies



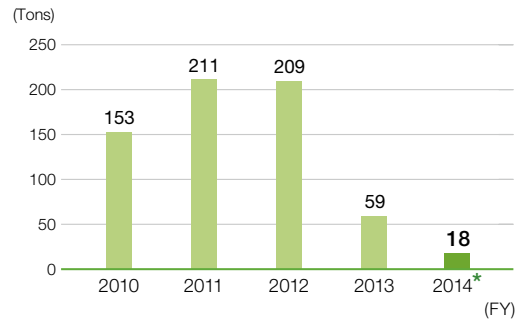
Preventing Air Pollution

Through efforts to switch from heavy oil to natural gas, 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 decline in nitrogen oxide (NOx) emissions for these companies was due to changes in incinerator operation.

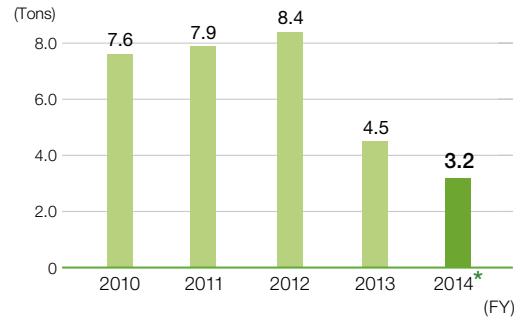
NOx Emissions



SOx Emissions



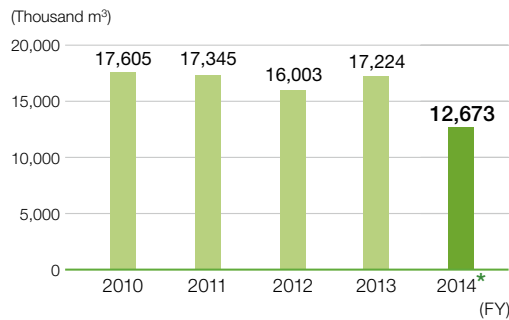
Dust and Soot Emissions



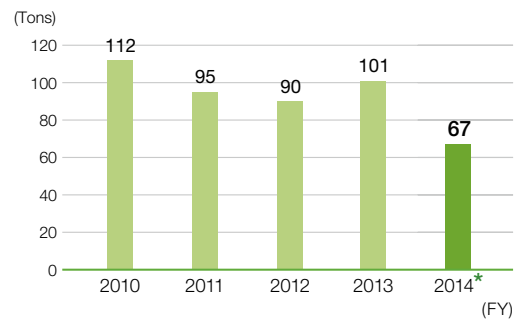
Preventing Water Pollution

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

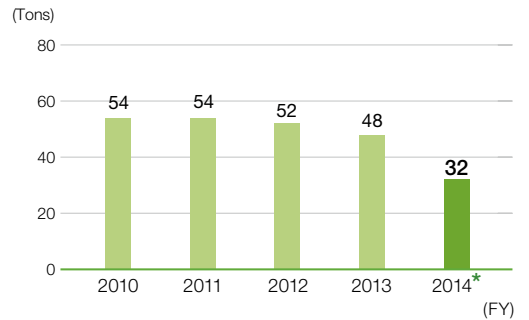
Total Wastewater



Chemical Oxygen Demand



Suspended Solid Emissions



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

Environment

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.



display unit that can be reused to showcase different products, thereby employing resources more effectively and reducing waste.

Otsuka Pharmaceutical, Taiho Pharmaceutical, Otsuka Foods, Otsuka Packaging Industries

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



Otsuka Pharmaceutical Factory: Products that result in less waste

Product Development that Improves Customer Convenience and Reduces Waste

Aiming to lessen medical waste, the Otsuka Group reduces waste right from the product design, development, and production stages in an effort to minimize its environmental impact. In the area of I.V. solutions, we developed the first-ever quad-chamber kit formulation bags. This eliminated the need for healthcare workers to mix several drugs and translated into less waste, including syringes and needles. We also developed an inhaler for respiratory disease treatment that is more compact and does not contain propellants that are harmful to the environment. This has reduced the amount of waste disposed, while also being more convenient. In the area of in-vitro diagnostic kits, we reduced medical waste by reducing kit contents.

Otsuka Pharmaceutical Factory, Otsuka Pharmaceutical

Otsuka Pharmaceutical, Taiho Pharmaceutical, Otsuka Techno, Otsuka Foods

Lighter and Smaller Packaging

The Otsuka Group is also working to reduce the weight of product packaging materials such as cardboard, in order to further reduce environmental impact. Taiho Pharmaceutical switched to a lightweight base paper for exterior cardboard packaging of Tiovita Drink while Otsuka Pharmaceutical worked to reduce the weight of exterior cardboard for MATCH bottles and cans, reducing base paper usage by around 14% in 2014. In addition, Otsuka Packaging Industries developed a pop



Packaging film reduced by about 9%



New 40% lighter eco-caps adopted



New lighter cardboard packaging for Tiovita Drink



Dong-A Otsuka: Campaign to encourage the removal of labels from plastic bottles for recycling

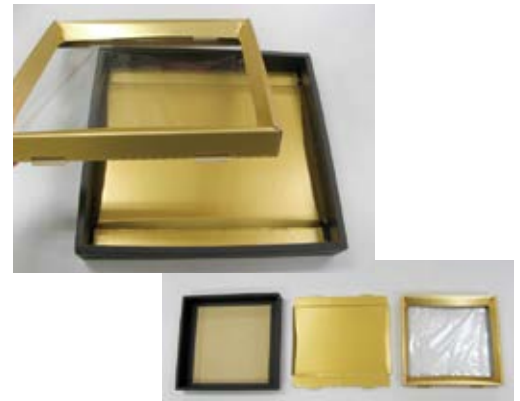
Carbon Footprint Reduction for POCARI SWEAT in Korea and a Campaign to Sort Waste for Recycling

When Dong-A Otsuka, which manufactures and sells beverages such as POCARI SWEAT in South Korea, reduced the weight of its 500 ml plastic bottles, it added the carbon footprint (CFP*) to labels, creating Korea's first certified low-carbon ion beverage. It is also conducting a campaign to add a perforated line to labels for easy removal and promote waste sorting.

Dong-A Otsuka

company is seeking to ensure that its own facilities and those of suppliers use RSPO-certified oil for Nutrition & Santé products.

Nutrition & Santé



Otsuka Packaging Industries: Developed a packaging technology that does not require cushioning material by securing contents with film.

Developing Environmental Packaging

Otsuka Packaging Industries, which manufactures packaging materials, reduces raw material use by making thinner packaging materials while maintaining packaging container performance and by changing packaging designs, such as the removal of internal partition pieces. Efforts to eliminate cushioning materials and develop self-sealing boxes, which makes the use of shrink-wrap film and tape unnecessary, have both contributed to having single material packaging that also simplifies material separation and disposal.

The company is also making efforts to manufacture environmentally friendly packaging material in terms of the quality of materials, such as the production of biodegradable plastic trays made from corn.

Otsuka Packaging Industries

VOICE



Delivery Health, Underpinned by Trust

Sylvie Martinel
Director of Sustainable Development and HSE
Nutrition & Santé SAS

N&S has a number of product lines that provide sustainable solutions to current and future food challenges. The 'health' that we offer customers is underpinned by a supply chain for natural, high-quality ingredients. We have already established a strong network with local growers, and in 2014 we were able to extend this to the entire supply chain, including for subsidiaries.

* Carbon footprint of products: Indicator, often displayed on the product label, of the CO₂ emitted throughout the life cycle of a product, from the extraction of natural resources to disposal and recycling.



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 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

Environment

By recognizing the finite nature of the earth's resources, 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.

Low Carbon Neutral Initiatives



Otsuka Pharmaceutical Factory: Matsushige Factory

VOICE



Fuel Conversion to Natural Gas

Li Chao Liang
Production Planning Department Manager
Guangdong Otsuka Pharmaceutical Co., Ltd.

We used to use a heavy oil boiler, but the quality of heavy oil fuel was unstable and it caused additional CO₂ emissions and impact on the atmosphere. Plus, a lot of houses were built around the plant, increasing the importance of emissions management. Accordingly, we switched to a natural gas boiler in 2013. This has significantly lowered our emissions of air pollutants, contributed to a reduction of our environmental impact, and is, I feel, playing an important role in our sustainable development.

Initiatives on the Production Floor

In Tokushima Prefecture, where many of the Group's production facilities are located, the Tokushima Factory of Otsuka Chemical has a gas turbine cogeneration system that it uses to supply electricity and steam to Group companies in the area, with the aim of using energy efficiently and reducing environmental impact. The Matsushige Factory of Otsuka Pharmaceutical has a cogeneration system using liquefied natural gas (LNG). By supplying half the power needed by the factory, the system has reduced CO₂ emissions by about 20%. Amerta Indah Otsuka, maker of POCARI SWEAT in Indonesia, has also introduced cogeneration systems at two of its plants in Java, in order to save energy and secure a stable supply of electricity.

At the Kushiro Factory at Otsuka Pharmaceutical Factory, boiler fuel was converted from C heavy oil to LNG, significantly reducing CO₂ and air pollutant emissions. The company plans to convert boiler fuel from A heavy oil to municipal gas at its Toyama Factory in fiscal 2015. 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 through fuel conversion 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 energy to manufacture.

Otsuka Group

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. Since fiscal 2014, environmental managers from different Group companies* have been meeting to work on environmental management, including energy-saving measures for office buildings across Japan. Having acquired ISO 14001 certification for its sales sites and research institutes in addition to production departments, Otsuka Pharmaceutical continues to promote environmental initiatives. Group companies that use business vehicles are actively converting them to eco-cars such as hybrid and other fuel-efficient vehicles. The fiscal 2014 eco-car usage rate was 81% at Otsuka Pharmaceutical, 74% at Otsuka Pharmaceutical Factory, 57% at Taiho Pharmaceutical, and 92% at EN Otsuka Pharmaceutical.

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

* Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Foods, Otsuka Warehouse, Earth Chemical

VOICE



Further CO₂ Reductions and Safety Measures

Naoki Furukawa

Facilities Maintenance and Engineering,
Matsushige Factory
Otsuka Pharmaceutical Factory, Inc.

The Matsushige Factory of Otsuka Pharmaceutical Factory started fuel conversion and the installation of a cogeneration system in 2010. Aiming to reduce CO₂ even more, we changed the set pressure in our once-through boiler, in order to make effective use of the accumulator (a heat accumulator that handles changes in steam load) that we have conventionally used. This resulted in an additional reduction of 370 tons per year. In addition, as safety measures we installed a high-speed circuit breaker to avoid power outages caused by lightning strikes and constructed a storm surge barrier to protect the factory from tsunamis caused by earthquakes. Every day we are striving to ensure the stable supply of pharmaceuticals.

VOICE



Acquisition of ISO 14001 Certification

Andi Hidayat

HVAC & Building, Engineering Dept
Assistant Supervisor
P.T. Widatra Bhakti

Indonesia is one of the countries most susceptible to the effects of climate change. We fully understand the importance of working to protect the global environment while expanding our business. In 2014, we acquired ISO 14001 certification. We are committed to establishing a system for reducing CO₂ emissions while simultaneously saving energy.



Otsuka Techno: Naruto Head Office



Taiho Pharmaceutical: Green curtain at the Okayama Plant



Ridge Vineyards: Lytton Springs



Otsuka Warehouse: Imagire No. 5 Warehouse



EN Otsuka Pharmaceutical: Hanamaki Factory

Green Curtains

Every year offices and factories throughout the Otsuka Group grow vine plants such as bitter melon and morning glory by sunny windows in order to create green curtains that lower the indoor temperature as part of measures to save energy. Bitter melon planted at the end of spring grows thick, softening the strong sunshine in the summertime, lowering the indoor temperature by three degrees Celsius, which helps conserve energy and create a comfortable working environment. Some sites install light-blocking curtains in addition to green curtains and take other steps to increase the shading effect. The Naruto Factory of Otsuka Pharmaceutical not only gets cool air; it has also started a unique effort to raise awareness of energy conservation initiatives by offering the harvested bitter melon as an item on the lunch menu in the employee cafeteria. Meanwhile, Otsuka Chemical plants passion fruit seedlings and conducts energy saving initiatives in other fun ways.

Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, EN Otsuka

Clean Energy Use

Through the installation of solar power generation systems and the use of clean energy, the Otsuka Group is working to reduce CO₂ emissions. Ridge Vineyards, a noted American winery, installed 400 solar panels on the roof of a building, covering around 40% of its electricity usage.

Otsuka Group

Environment

Initiatives for a Resource Recycling Society

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



Otsuka Pharmaceutical: Tokushima Wajiki Factory



Otsuka Pharmaceutical Factory: Naruto Factory

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.

As part of measures to reduce waste, the Group has developed an eco-bottle that cuts the amount of raw materials needed to make plastic beverage bottles. It is also actively pursuing reductions in other containers and exterior packaging materials.

As part of initiatives to reuse resources, the Group makes effective use of food waste as animal fodder and compost. In Group offices, office supplies are actively being reused.

In the area of recycling, the Group is promoting efforts to recycle its high-quality polyethylene scrap.*1 The scrap is used to manufacture and then sell recycled pellets. Efforts are also being made to use the pellets within the Group, such as a material to make squeeze bottles. Moreover, waste liquids generated during manufacturing are used in thermal recycling*2 and some are reused as fuel while syrup waste is used in biomass generators. Such efforts contribute to both waste reduction and energy conservation.

By actively pursuing these kinds of initiatives at each Group company, 25 plants (74% of the 34 plants at 13 companies in Japan) achieved zero emissions in 2014.

Otsuka Group

Wastewater Treatment and Facilities Updates

Otsuka Pharmaceutical Factory, which has a factory in the city of Naruto in Tokushima prefecture overlooking Harimanada (the eastern part of the Inland Sea) and the Kii Channel, manages the water quality of factory effluent under voluntary management standards that are more rigorous than the reference values, in order to reduce its environmental impact and ensure thorough compliance. Naruto Factory revised its conventional drainage system based on a difference in height, changing to a pump-driven system that will ensure the prevention of accidents even if the river water level rises abnormally due to a typhoon or other cause.

Otsuka Pharmaceutical Factory

Column



Otsuka Pharmaceutical Factory: Environmental Education through e-Learning

Providing Environmental Education

The Otsuka Group provides environmental education to all employees, in order to carry out environmental activities based on self-awareness and correct knowledge. Otsuka Pharmaceutical distributes educational materials every other month. Otsuka Pharmaceutical Factory distributes 10-minute video lessons via e-learning that make the material clearer and easy to work on. Taiho Pharmaceutical provides e-learning education to encourage understanding of environmental problems and the company's environmental initiatives.

Otsuka Pharmaceutical, Taiho Pharmaceutical, Otsuka Pharmaceutical Factory, Otsuka Packaging Industries



J.O. Pharma: Recycling rate increased through promotion of plastic recycling



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

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

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

Quality

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

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.

Priority Initiatives

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 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 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 the product quality and earn the trust of customers worldwide by thinking about quality assurance systems on a global level.

Priority Initiatives

Listening to Customers

In order to field and respond to customer inquiries appropriately, the Otsuka Group operates departments that are organized along product lines. Otsuka Pharmaceutical has established the Drug Information Center to respond to questions about pharmaceuticals from patients and medical practitioners, and provides information on proper use. The Customer Relations Desk, Planning and Reliability Promotion Office responds to customer inquiries about OTC, quasi drugs, and cosmetics. The Customer Relations Office responds to inquiries about functional foods and beverages. The staff listens carefully to customers' questions and inquires, and tries to provide clear and polite explanations.

The company has also established the Telephone Service Center to respond to all inquiries made after office hours, which often involve a level of urgency. This is part of a system put in place for responding appropriately to customer questions, inquiries, and feedback.

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

Quality Control in the Otsuka Group

Compliance to 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>



Initiatives on the Production Site

The Otsuka Group strives to improve production site safety and efficiency as well as product quality through the establishment of appropriate systems. The factories in Otsuka Chemical and Zhangjiagang Otsuka Chemical (in China) implement an equipment maintenance system that allows for the sharing of equipment maintenance information and the results of quantitative assessment in maintenance work. As a result, the Otsuka Group has improved operational and production stability by lowering the rate of equipment breakdowns and reducing production shutdowns.

The Otsuka Group strictly manages reagents, some of which are toxic, under a key control system in order to ensure the safe use and storage of these substances. The system prevents unauthorized access and automatically generates access logs to avoid oversights and omissions that can occur with manual access logs. Otsuka Foods was commended as a facility with excellent food hygiene at the Fiscal 2014 Gunma Prefecture Food Hygiene Convention.

agent Pletaal OD tablets. Additionally, it reduced the size of the container for the dry powder inhaler Meptin Swinghaler, in order to improve portability. Meanwhile, Otsuka Pharmaceutical Factory developed an I. V. solution bag that improved safety and convenience. Taiho Pharmaceutical adopted a pictogram for some anticancer agents including TS-1 Combination Granule in an effort to prevent accidental ingestion by children.



Otsuka Chemical: Building a structure for global quality assurance

Sharing Quality Data Internally

The Otsuka Group suitably manages information to improve quality and processes, in order to reduce quality risks and enhance quality. It centrally manages product information as well as inquiries and requests from patients and customers in a database on an internal network. It has accomplished rapid responses by sharing the information with all the parties concerned in a timely manner. In addition, meetings are regularly held among personnel responsible for different departments including sales, production, and quality control, in an effort to improve customer satisfaction.



Otsuka Pharmaceutical: Product name printed on both sides of tablets as a measure to prevent medical malpractice

Priority Initiatives

Example of Product Improvement

Otsuka Pharmaceutical has made a variety of improvements, including to packaging, labeling, and patient medication instructions, in order to facilitate the safe and proper use of its pharmaceuticals by healthcare professionals and patients. It adopted a color universal design in usage instructions for the bronchodilator Meptin (for inhalation). It also adopted Universal Design Font for PTP sheets and individual packing boxes for all productions to improve readability. As a measure to prevent medical malpractice, it prints the product name directly on tablets for its products such as the antiplatelet



Otsuka Pharmaceutical Factory: ELNEOPA Injection No. 2, 1,500 ml quad bag preparation

Soft bags are divided by partitions into several chambers, each filled with a drug solution. Pressing on the soft bag from the outside to open the partitions allows the different drug solutions to be mixed easily and safely.

Quality

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 Approach to Corporate Governance

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

Corporate Governance Structure

To facilitate internal control over financial reporting, the Otsuka Group has established an Internal Control Department at each of its Group companies. These departments prepare specified procedures and manuals related to internal control and inform and educate employees on rules of operation. At the same time, Internal Control Departments also work with Internal Audit Departments to monitor the operations continuously and develop systems to assess management workings in internal control accurately.

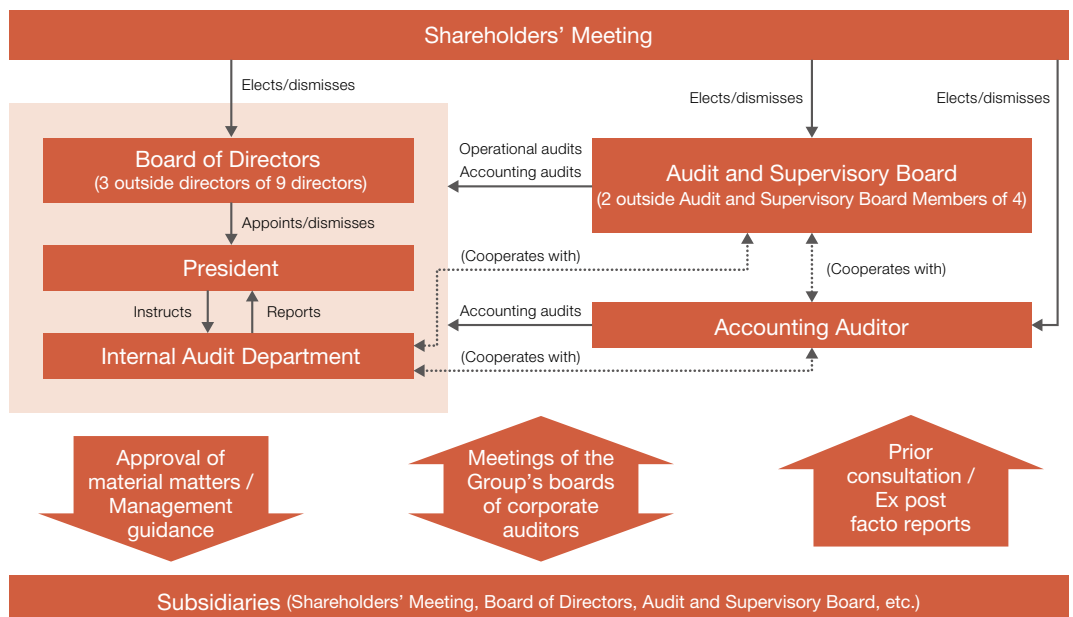
Otsuka Holdings has introduced a system of corporate officers that separates the roles of the board of

directors, which makes management decisions and supervises their executions, and those of the corporate officers, which execute the business based on the board's decisions. This system ensures the efficiency and the transparency of management and the rapid business execution. The holding company structure and the system of corporate officers allows the Board of Directors to concentrate on discussing and formulating management policy, strategies, and other priority issues that concern the management of the Group as a whole.

In order to further enhance its corporate governance structure, Otsuka Holdings appointed two outside directors in June 2013 and an additional new outside director in June 2014. Outside directors strive to increase the transparency of corporate management, ensure appropriate decision-making, and boost business performance by offering impartial and objective advice based on their respective views and experience.

In the Group companies outside Japan, the Otsuka Group Global Code of Conduct and other global rules are instilled. A Global Management Meeting is annually held with affiliate companies from around the world to discuss important topics and strengthen the governance.

■ Audit Frameworks of Otsuka Holdings



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.



Otsuka Group: Legal network meeting



Otsuka Chemical: Compliance training

Compliance

The Otsuka Group Global Code of Business Ethics is implemented in line with the Group's corporate philosophy. Each Group company has its own compliance programs based on this code of ethics, as a code of conduct to be followed worldwide, utilizing management frameworks, consultation desks, forums, and conferences to ensure that all employees are thoroughly educated on regulatory and ethical compliance.

In addition, the Group companies that work with pharmaceuticals*¹ 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 companies work to forge relationships of mutual trust with medical practitioners, as well as with all of its stakeholders, to foster appropriate collaboration on compliance issues. In particular, 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 2009, it has gathered legal affairs personnel from Group companies for international meetings by region, in order to promote a global legal affairs system. In fiscal 2014, it held a meeting in Hong Kong mainly for the companies in Asia. In addition, the Group updated its framework to ensure proper legal compliance in the U.S., particularly in response to the U.S. Sunshine Act*² (made effective August 1, 2013 that requires pharmaceutical companies to disclose such information as financial payments to medical institutions and other entities.

As a measure aimed at ensuring compliance, the Otsuka Group implements compliance training for all employees, including directors and divisional managers. The training covers a wide range of topics with a practical focus, including recent examples of inappropriate corporate behavior. Topics include the Act on the Protection of Personal Information, the National Public Service Ethics Act, prevention of insider trading, sexual harassment, and abuse of power. In addition, subcommittee meetings on compliance are regularly held as opportunities for employees to present proposals and improvement ideas as well as to express requests and opinions about compliance to the company. Through these initiatives, all Group companies are working to develop employees with a high sense of ethics.

The Otsuka Group has established the Internal Report Consultation Office for the purpose of strengthening compliance management. In fiscal 2013, Taiho Pharmaceutical newly established the Power and Sexual Harassment Hotline to provide an external channel for documenting problems and investigating intent for those employees who may be hesitant to report such issues. The identity of persons filing the report and the information they provide are handled in the strictest confidentiality to prevent repercussions from having filed a report.

*1: Otsuka Pharmaceutical, Taiho Pharmaceutical and Otsuka Pharmaceutical Factory

*2: Formulated as part of the Affordable Care Act, this U.S. law requires pharmaceutical manufacturers to report to relevant authorities financial payments, items of value, and benefits provided to physicians and teaching hospitals in the U.S. The Act strengthens U.S. law in this area and includes punitive damages for omissions in reports and intentional concealment. (Enacted on August 1, 2013)

Quality

Risk Management

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



Otsuka Chemical: Firefighting drill by the company fire brigade (Tokushima Plant)

VOICE



Advancing BCP Efforts

Aki Sudo

Director, Compliance & Ethics Department
Otsuka Pharmaceutical Co., Ltd.

Otsuka Pharmaceutical has acquired ISO 22301 certification, the international standard for BCP. In 2014, we held a BCP meeting with Otsuka Holdings, Otsuka Pharmaceutical Factory, and Otsuka Warehouse. In April 2015, the Otsuka Group additionally acquired ISO 22301 certification regarding the stable supply of Otsuka Pharmaceutical Factory's I. V. solutions in addition to the production and stable supply of Otsuka Pharmaceutical's drugs, beverages, and foods. Going forward, we will continue to advance BCP efforts in cooperation with the Group companies to ensure the stable supply of the Otsuka Group's products even in an emergency.

BCP and BCM Establishment

The Otsuka Group has business continuity plans (BCP/BCM) in place to ensure that we are able to continue to operate as much as possible and maintain stable supply of necessary items 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 the framework to ensure the production and the supply of pharmaceutical, nutraceuticals, and related products in both normal and emergent conditions. In April 2015, the stable supply of I.V. solutions was added to the scope of the certification.

In terms of risk management, we regularly practice for an emergency situation. For example, Otsuka Pharmaceutical, Otsuka Warehouse, and Otsuka Pharmaceutical Factory use a teleconference system in order to adjust supply and demand distribution during an emergency situation. The Group companies also consider responses to maintain stable supply of drugs, foods, and beverages during an outbreak of pandemic influenza.

In addition, the Group companies practice regular drills and disaster prevention training. In particular, in preparation for large-scale disasters that are anticipated to occur in the future, including an earthquake strike directly under Tokyo and severe earthquakes along the Nankai trough, they conduct practice drills including coordination between the head office and a disaster response headquarters, and also strengthen disaster preparedness in cooperation with local communities. These efforts are centered on the Group companies in the areas predicted to be affected. Furthermore, each site conducts drills of the safety verification system that would be used to verify the safety of employees and their families in a disaster and takes appropriate action

swiftly. They also put up stores of water, food, blankets and other supplies and periodically review their lists of nearby hospitals.

Handling of Personal Information

The Otsuka Group has established a management system to protect customers' valuable personal information and, where necessary, has acquired PrivacyMark certification*1 and Information Security Management System (ISMS) certification.*2 Further, it holds regular meetings to work on Group-wide comprehensive information security measures and operation, and also regularly implements emergency drills on the key systems that manage its database.

Training to Prevent Insider Trading

The Otsuka Group provides training to all employees and officers in each Group company, in order to prevent insider trading. The training is conducted via e-learning. In fiscal 2014, one of the training topics was insider trading associated with information leaks which encouraged trainees to understand the importance of information management and in-house systems for the buying and selling of shares. Furthermore, it uses the services of outside organizations to distribute compliance-related information as part of its efforts to ensure thorough compliance.

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, information security, environmental initiatives, and safety and security initiatives. When initiating business with a business partner, it conducts investigations and verifications to ensure the quality of raw materials and establishes stable procurement. In addition, it signs basic transaction agreements in advance in an effort to prevent risk and to build relationships of trust with the business partners.

*1: Otsuka Pharmaceutical, Otsuka Warehouse, and Heartful Kawauchi
*2: Otsuka Warehouse

Culture

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

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.

VOICE



Participation in a Charity Run for Colon Cancer

Tim Whitten
SVP & Chief Commercial Officer
Taiho Oncology, Inc.

In order to realize our corporate philosophy, Taiho Oncology strives to help create smiles in the local community. As a company, we recently participated in and sponsored a charity run organized by a local organization for colon cancer patients to raise money for colon cancer prevention, R&D, and patient support. By meeting with cancer patients, it was also an opportunity for employees to once again realize serious unmet medical needs, while further strengthening teamwork.



Taiho Oncology: Sponsorship and participation in a charity run for colon cancer



Otsuka Welfare Clinic

Priority Initiatives

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 poured into 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 700,000 people over 10 years. During heavy floods in 2010, the clinic mobilized to set up a temporary relief center in a nearby area that was severely impacted. The activities of the Otsuka Welfare Clinic have been highly praised. 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. In 2011, Otsuka received a letter of appreciation from the Ambassador of Japan to Pakistan. The Otsuka Group will continue to engage in support activities rooted in local communities in order to contribute to the health of people around the world.

Otsuka Group



Otsuka Pharma GmbH: Participation in the Kinderzukunft (children's charity) Christmas present campaign

Priority Initiatives

Participation in Charity Events in and Outside Japan

Since 2011, as part of reconstruction assistance after the Great East Japan Earthquake, Otsuka Pharmaceutical has sponsored the Santa Project to support children in the affected region through donating Calorie Mate and SOYJOY bars. Sponsored by Otsuka Pharmaceutical, the organization also holds Saturday Recitals for Parents and Children. In addition, SoyCarat soybean snacks were donated to the GBP Fukushima Two Million Smiles Support Project, which helps people that were evacuated to Koriyama after the earthquake.

At the Saitama Plant of Taiho Pharmaceutical, employees collect empty plastic bottles and cans as part of an activity to support vaccine provision.

Otsuka Group companies in the United States*1 participated in fundraising and sponsorship for charity events to support people with mental disabilities, patients with AIDS, and underprivileged children needing mental health care. Group employees also took part in charity walks and races held by organizations that support people with cancer or incurable diseases. In Europe, local Group companies*2 provided support for the homeless, donated to organizations that support children suffering from incurable diseases, as well as donated money and products to groups that help street kids and orphans in the former communist bloc countries of Eastern Europe. Other efforts included sponsorship of charity marathons for health promotion and funding for the Paralympics. In the Philippines, the Group made donations of POCARI SWEAT, school supplies, and toys to children affected by poverty and disease.

Otsuka Group

*1: CG Roxane, Crystal Geyser Water Company, Otsuka America Pharmaceutical, Pharmavite, and Taiho Oncology

*2: Otsuka Pharmaceutical Europe, Otsuka Pharma GmbH, Otsuka Pharmaceuticals (U.K.), and Astex Pharmaceuticals



VOICE



Supporting Healthy and Safe Urban Development

Shinsuke Toba
 Manager, Sales Section2,
 Nagoya Sub-Branch, Nagoya Branch Office,
 Nutraceuticals Division
 Otsuka Pharmaceutical Co., Ltd.

In July 2014, we signed a health promotion and disaster prevention agreement with the city of Owariasahi in Aichi Prefecture to support the municipality's plans for creating a healthier and safer city.

After brainstorming various ideas, we plan to take concrete action. By utilizing cooperation between industry, government and academia, the aim is to create mechanisms for locally generated activities in Owariasahi.



Employees and city officials brainstorming ideas in a joint meeting



Tofu for Africa partnership to help the people of Burkina Faso produce tofu



Nutrition & Santé: Tofu for Africa

Tofu for Africa

Since 2008, Nutrition & Santé 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 the 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



Otsuka Pharmaceutical: Cooperation agreement signing ceremony with Governor Yamaguchi for health promotion in Saga Prefecture

Health Promotion, Disaster Prevention, and Relief Activities

As part of community contribution activities, the Otsuka Group is engaged in health promotion as well as disaster prevention and relief activities. In Japan, the Group has signed a cooperation agreement with Saga Prefecture to promote better health for all of the prefecture's residents. In addition, a health promotion and disaster prevention agreement has been signed with the city of Owariasahi in Aichi Prefecture, as well as a disaster prevention agreement with Ebetsu City in Hokkaido Prefecture. The Group cooperates with these governments to improve the health of residents through public education to eliminate heat stroke and prevent metabolic syndrome. Additionally, in the case of a major natural disaster, the Group will provide emergency provisions such as beverages and nutritional food products.

In fiscal 2014, the Group provided relief supplies such as Calorie Mate and POCARI SWEAT to areas of Japan affected by disasters, including a landslide stricken city of Hiroshima, an earthquake affected area in northern Nagano Prefecture, and various locations hit by torrential rains. Outside of Japan, local Group companies provided relief supplies to areas struck by typhoons, volcanic eruptions, and large-scale earthquakes and floods. They also donated to help tornado victims and for mosquito spraying to prevent dengue fever. Medical equipment was donated to community health centers while financial support and relief supplies were provided to refugees of terrorism.

Otsuka Group

Culture

Cleanup Activities

Otsuka Group companies are involved in cleanup activities in partnership with local communities to preserve the local natural environment. Activities are carried out by staff in its manufacturing operations, R&D centers, and sales offices.



Otsuka Pharmaceutical Factory: Shoreline cleanup campaign



Otsuka Pharmaceutical: Gomi Zero (Zero Trash) Cleanup Campaign



Taiho Pharmaceutical: All employees of Saitama Plant participated in cleanups of the local industrial park



Taiho Pharmaceutical: Industrial park cleanup around the Discovery and Preclinical Research Division (Tsukuba Area)

Cleanup Activities

In the Kawauchi district of Tokushima Prefecture, where many Group companies are located, Otsuka Pharmaceutical, Otsuka Chemical, and Otsuka Foods have been performing joint environmental beautification activities since 2012. In fiscal 2014, 156 employees collected about 307 kilograms of litter. At the Matsushige Plant of Otsuka Pharmaceutical, 132 employees picked up litter as part of an annual shoreline cleanup campaign. In Taiho Pharmaceutical, 22 employee volunteers from the Tokushima area participated in the Komatsu Coast Cleanup Campaign organized by the City of Tokushima in July 2014. In May of the same year, the Inuyama Plant in Aichi Prefecture took part in a Gomi Zero (Zero Trash) Cleanup Campaign organized by the local community. In November 2014, employees from the Okayama Plant took part in cleanup at a local park and sports complex. Discovery and Preclinical Research Division (Tsukuba Area) in Ibaraki Prefecture holds two cleanup activities a year with local companies. At Saitama area, all employees participate in a cleanup organized by the industrial park twice a year, and the company has its own additional semiannual cleanups. Outside Japan, Korea Otsuka Pharmaceutical and Zhejiang Otsuka Pharmaceutical are also striving for environmental beautification by performing cleanups around their plants.

Community Environmental Protection Activities

The Otsuka Group is focused on environmental protection activities around its plants, with the aim of existing in harmony with nature and the local community. Formed by employee volunteers, the Otsuka Pharmaceutical Environmental Club held three cleanups on the Naruto Chidorigahama coast together with a local residents' association. With micro-plastic debris becoming a marine problem in recent years, the club sorted the litter and recorded it based on 44 classifications. The litter information was submitted to the Japan Environmental Action Network (JEAN). The data is also shared with the United Nations Development Programme (UNDP), where it is used for analyzing the causes of marine pollution and for planning global pollution prevention. In June 2014, the Group also participated in the Refresh Setouchi campaign organized by the Ministry of Land, Infrastructure, Transport and Tourism. It consisted of cleanup activities held at 256 locations around the Seto Inland Sea in the Kinki, Chugoku, and Shikoku regions. Since 2013, the Fukuroi Plant of Otsuka Pharmaceutical has held employee activities in spring and summer to plant flowers along Ecopa Memorial Road. The street leads to Shizuoka Ecopa Stadium, a venue for national athletic meets and a former World Cup site.

Otsuka Group

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.

Participation in Community Events

Every year, employees from the Otsuka Group organize four *ren* (dance groups) that participate in the annual Awa Odori Festival in Tokushima Prefecture. The Otsuka Pharmaceutical *ren* consists of elite members from various offices, while the *ren* from Otsuka Pharmaceutical Factory carries on the tradition of the oldest dance group in Naruto City. Both these groups have finely honed dance technique. A total of 103 employees participate in the *ren* from Taiho Pharmaceutical, and the *ren* formed by Otsuka Chemical, Otsuka Foods, and Otsuka Warehouse and they celebrate traditional culture. Meanwhile, about 100 employees from EN Otsuka Pharmaceutical take part in the Hanamaki Festival, a tradition in Iwate Prefecture. Otsuka Foods sponsors a Healthy Market event in Konan, Shiga Prefecture.



Otsuka Pharmaceutical: Otsuka *Ren*



Taiho Pharmaceutical: Tiovita *Ren*



Taiho Pharmaceutical: Tokushima Cooperative Forestry Project

Otsuka Group



Otsuka Indonesia: Save Our Forest, a tree-planting project

Tree Planting

Since fiscal 2010, Otsuka Pharmaceutical Factory and Taiho Pharmaceutical have been supporting forest maintenance through forest creation agreements that are based on prefectural environmental protection ordinances. At the same time, employees and their families have been participating in forest thinning and tree planting activities. By the end of fiscal 2014, the companies had sponsored maintenance of a total of 35.01 hectares of forest, which has absorbed a total of 265.18 tons of CO₂ from the atmosphere. Group companies Otsuka Indonesia and Widatra Bhakti have been donating and planting trees near their factories and on mountain slopes in Indonesia.

Otsuka Group



Van Gogh's "Sunflowers of Ashiya" reproduced on a ceramic plate (image of the work exhibited at the Otsuka Museum of Art)

The Otsuka Museum of Art

Through the Otsuka Museum of Art, the Otsuka Group is committed to promoting art and culture in the Tokushima area. The museum features more than 1,000 replicas of Western masterpieces, from ancient murals to modern paintings. The faithful replicas have been produced on ceramic and provide visitors with a tour of masterpieces from collections in 25 countries. The museum offers creative exhibits, including a set of six altar panels by El Greco, all arranged in their original configuration. In 2014, a Van Gogh work nicknamed the "Sunflowers of Ashiya" was reproduced on a ceramic canvas and put on display in the museum. The original painting was in Japan until the end of WWII when it was lost in a fire.

Otsuka Group

Tokushima Vortis Professional Soccer Team

The Tokushima Vortis professional soccer team was founded in 2004 with a core group of members from the Otsuka Pharmaceutical soccer team. In 2013, the team became the first from Shikoku to be promoted to J. League Division 1. In cooperation with the prefectural board of education, the team was the first in the J. League to develop a book for physical education and a food education program. The team is thus contributing to the healthy development of children in Tokushima.

The Otsuka Group provides support for the health of the players and for events at the home stadium. These and other efforts are helping develop Tokushima through soccer.

Otsuka Group

Culture

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

Youth Education



Otsuka (Philippines) Pharmaceutical: Reaching Out ... Across the Barren Land

Support Through Education

Since 2007, Otsuka Pharmaceutical, Otsuka Chemical, and Taiho Pharmaceutical have been working with schools and local government 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 fiscal 2014, participating high school students surveyed water quality near their school and investigated pollution causes. They then received a tour of the wastewater treatment facilities at the Itano Factory and learned about the company's wastewater purification technologies.

Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Otsuka Chemical, Otsuka Foods, and Taiho Pharmaceutical also provide career education support to junior high schools in Tokushima Prefecture by sending employee instructors to give classes at schools. With the cooperation of other companies in the prefecture, Science Tokushima, a regional supplementary reader on science and technology, was prepared and distributed to junior high school students. The aim of the text is to encourage student interest in science, technology, and industry, while also deepening their appreciation of their home region. The reader was utilized in classes provided by Otsuka Group employees.

Otsuka (Philippines) Pharmaceutical donated water supply equipment*1 to schools for the indigenous Aeta people*2, and also provided hygiene kits to students. The aim was to help improve the health environment of the people.

Otsuka Group



Otsuka Electronics: Mentoring foreign student interns

Plant Tours for Students

Otsuka Group companies proactively welcome visitors to tour their plants. Otsuka Pharmaceutical plants*3 have prepared informative displays and exhibits that enable visitors to learn not only about manufacturing processes for pharmaceuticals, beverages, and food products, but also about health and the environment. The Kitajima Plant of Taiho Pharmaceutical shows visitors how it manufactures pharmaceuticals using the latest technology in a new seismically isolated plant. The Hanamaki and Kitakami Plants of EN Otsuka Pharmaceutical proactively welcome students for workplace tours with the aim of contributing to local employment. In fiscal 2014, tours were given to 207 students, many of whom were impressed by the company's methods of pharmaceutical manufacturing and quality control based on Good Manufacturing Practice. Otsuka Packaging Industries, which manufactures product packages for the Otsuka Group, has been hosting social studies field trips for local elementary schools, showing them how packaging is made. In fiscal 2014, the Shiga Plant of Otsuka Electronics took in student interns from Japanese universities and the Japan Center for Michigan Universities (JCMU). The interns expressed their appreciation for this opportunity to learn about Japanese culture while engaging in activities at the plant. The company will continue to accept interns in the future.

Otsuka Group

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

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

*3: Tokushima, Saga, Takasaki, and Fukuroi Plants

Employees

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

The Otsuka Group is promoting diversity in its workforce based on the idea that utilizing the strengths of a wide variety of human resources leads to innovation and a flexible organization that is better able to adapt to a changing environment.

Employees

Diversity



Otsuka Pharmaceutical Factory: Female MR Forum



Otsuka Pharmaceutical: BeanStalk Kids Center Osaka

VOICE



Happy that Child Is Being Cared for Near Workplace

Shigeto Yoshida
Osaka Branch
Nutraceutical Division
Otsuka Pharmaceutical Co., Ltd.

In March, when my granddaughter was one year old, we enrolled her at the BeanStalk Kids Center Osaka, close to my office. After about two weeks of familiarization, she is now used to playing at the center, and she falls asleep as soon as she gets home.

My daughter and her husband take turns dropping her off and picking her up, and I feel reassured knowing that I can be there right away if anything happens. I hope that she will continue to enjoy the daycare experience.

*1: The ratio of female corporate officers at listed companies in Japan is 1.2% (Source: Cabinet Office White Paper on Gender Equality 2011) Proportion of female corporate officers at Otsuka Pharmaceutical Co., Ltd. is 13.3% (as of December 31, 2014)

*2: Medical Representatives

Priority Initiatives

Supporting Women in the Workplace

The Otsuka Group believes that employee diversity is a driving force for company growth. Along with the establishment of various programs, including reduced working hours for childcare and on-site daycare, the Group is actively promoting the recruitment of female managers. At Otsuka Pharmaceutical diversity promotion measures have been in place since the 1980s. In 2007, the Diversity Promotion Project was launched, and the company is actively engaged in measures to maintain and enhance employee motivation. Today, Otsuka Pharmaceutical has a greater number of projects and organizations with female leaders, in areas ranging from research to production, to marketing. Its proportion of female corporate officers*¹ is also above the average for listed companies. A Female MR Forum (held at Otsuka Pharmaceutical Factory) included small-group activities and presentations on career advancement and work-life balance. Through this kind of initiative, the company is working to create more supportive work environments for MRs.*² At Taiho Pharmaceutical, a working group for women in the workplace was begun in 2012. It is now promoting activities to motivate employees regardless of gender. At Otsuka Chemical, a diversity promotion committee was established as part of initiatives for the active promotion of women. At JIMRO, a consultation service has been set up to help female employees balance work and home responsibilities. As part of efforts to revise employee work styles, it provides support to women especially when they return to work after maternity and parenting leave.

Otsuka Group



Taiho Pharmaceutical: Sukusuku Nursery

Priority Initiatives

Workplace Daycare Creation

The Otsuka Group began setting up on-site day care 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 management of these daycares is based on a desire to promote the unique strengths of Otsuka through creativity and flexible thinking. 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 highly unique care that fosters creativity while contributing to the overall healthy development of the children, the leaders of tomorrow.

Otsuka Pharmaceutical, Taiho Pharmaceutical



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



Heartful Kawauchi: Magokoro Farm "Cosmos"

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 activating business and developing human resources, trial recruitment of external senior workers who have reached 60 is also being carried out. In order to support the success of these senior employees, the Group is working to enable work styles that can respond flexibly to specific 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. These seminars offer information on how to enjoy a rewarding second career after the retirement age. It also provides them with opportunities to prepare and plan for life after 60.

Otsuka Group

Normalization

The Otsuka Group embraces normalization to enable persons with disabilities to live on equal terms with others, and not to suffer any discrimination or inappropriate treatment. Heartful Kawauchi Co., Ltd.,*1 a special subsidiary of Otsuka Pharmaceutical, in order to provide these employees with a comfortable working environment, the company has consultation and support staff with specialized knowledge and ample experience in helping those with physical and mental challenges. The employees enjoy flexible employment rules making it easy to obtain paid time off. In recognition of these efforts, the company was certified as an excellent employer for people with mental disabilities*2 in April 2015. Heartful Kawauchi completed Magokoro Farm Cosmos in July 2014 for the purpose of providing more employment for people with disabilities while helping to revive the agriculture industry in Japan. With the full cooperation of Agribest, a member of the Otsuka Group, the farm began cultivation of greenhouse tomatoes. This is the first initiative for employees with disabilities carried out with another Group company.

Otsuka Group

*1: As of March 31, 2015, Heartful Kawauchi employs 15 persons with mental health conditions, 7 persons with physical disabilities, and 7 persons with intellectual disabilities.



*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 yellow ribbon, highlighting 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 March 31, 2014	As of December 31, 2014
Otsuka Pharmaceutical	7.11%	7.75%
Otsuka Pharmaceutical Factory	3.01%	3.54%
Taiho Pharmaceutical	3.16%	3.94%
Otsuka Chemical	6.87%	7.19%
Otsuka Warehouse	4.82%	7.59%
Otsuka Foods	3.16%	4.76%

■ Employees with disabilities

	As of March 31, 2014	As of December 31, 2014
Otsuka Pharmaceutical	2.32%	2.39%
Otsuka Pharmaceutical Factory	1.82%	1.91%
Taiho Pharmaceutical	1.69%	1.85%
Otsuka Chemical	2.39%	2.03%
Otsuka Warehouse	1.12%	1.54%
Otsuka Foods	1.95%	1.97%

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.



Otsuka Pharmaceutical Factory: Caregiver seminar



Otsuka Chemical: 'No Overtime Days' poster

VOICE



Reconfirming the Importance of Preparing for the Future

Takeshi Hara

Outsourcing Management Group Manufacturing Technical Department Technical Center
Otsuka Pharmaceutical Factory, Inc.

Since my father is now living on his own, I often worry about how he would manage if something happened to his health. That is why I decided to take part in the caregiver seminar, and I learned a lot more than I had expected. Not only did I find out about the company's programs for caregiver leave, but I also learned the importance of making preparations while my father is still healthy. I intend to take this seminar once more if it is offered again, and I will begin preparing for my dad's future needs.

Caregiver Support

With the aging of Japanese society, the Otsuka Group offers programs to help employees maintain their jobs while also caring for elderly family members. The Group is creating a workplace environment that allows employees to continue their work with confidence while they provide home care to an older parent. The company programs include caregiver leave, shorter working hours for caregiving (up to one year) and caregiver flex-time (up to one year). Employees with a family member needing support or care are encouraged to use the programs. Otsuka Pharmaceutical Factory conducts an employee survey each year. Due to an increase in feedback expressing concern over balancing work and home care responsibilities, the company held a seminar to provide information on caregiver support. The seminar included basic knowledge concerning company programs, the home care situation in Japan, and the public long-term care insurance system.

Otsuka Group

Parenting Support

The Otsuka Group companies in Japan have obtained Kurumin mark certification* as enterprises that support rearing the next generation. They are also working to help employees achieve work-life balance, by creating workplace environments that support employees with childcare responsibilities. The Group offers a parenting leave system, shorter working hours for childcare reasons, and a parenting flextime work program. An accumulated paid leave system has been introduced for employees to save up to 10 days per year, up to a maximum of 50 days, for future parenting leave. By also setting up on-site day care centers, the Group is working to create programs that can accommodate the actual circumstances of each individual employee.

Otsuka Group



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

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

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

	(unit: %)	
	FY2013	FY2014*
Otsuka Pharmaceutical	56.5	52.5
Otsuka Pharmaceutical Factory	56.0	54.7
Taiho Pharmaceutical	57.9	59.8
Otsuka Chemical	60.2	61.0
Otsuka Warehouse	49.0	57.8
Otsuka Foods	52.4	49.3

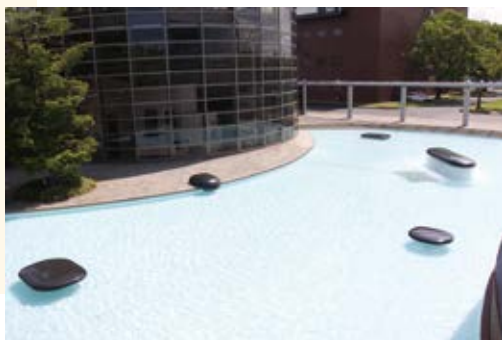
■ No. of employees taking parenting leave

	FY2013		FY2014*	
	Male	Female	Male	Female
Otsuka Pharmaceutical	0	94	1	86
Otsuka Pharmaceutical Factory	1	11	0	18
Taiho Pharmaceutical	33	30	32	43
Otsuka Chemical	2	3	0	0
Otsuka Warehouse	0	3	0	5
Otsuka Foods	0	7	0	7
Total	36	148	33	159

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

Human Resource Development Institute

The Otsuka Group founded the Human Resource Development Institute in Tokushima. The aim is to pass on the Otsuka Group Corporate Philosophy and develop creative human resources in order to continue thriving as a unique company. The institute implements employee training programs that leverage its research into creativity, Otsuka corporate culture, and the development of future managers. The institute instills dynamic thinking in its employees through classes that explore the importance of diverse perspectives and workshops on Otsuka corporate culture in order to teach the Group's Corporate Philosophy, values, and decision-making criteria. Employees are also trained in leadership and management skills in order to promote corporate strategy. The aim is to develop unique Otsuka thinking and to put it into practice.

Otsuka Group

Personal Development

Each Otsuka Group company has a variety of training programs for employees to show their individuality and to improve their skills and abilities. In addition to practical on-the-job training, there is systematic training by job rank and job duty in order to develop professional human resources. Other programs include WING, a voluntary female leadership workshop, and a global MBA program that provides opportunities for employees to study at U.S. business schools. A range of e-learning programs are also available, plus CASEC (English proficiency testing) and a foreign language qualification incentive system. Therefore, the Group is supporting employees in their personal development with training.

Otsuka Group



Otsuka Chemical: Safety demonstration fire staged by mixing hazardous materials

Safety Training Center

With a belief in safety first, Otsuka Chemical opened its *Anzen Dojo* (Safety Training Center) in 2012. Through lectures and simulations of past accidents, participants experience safety mistakes and reaffirm their safety knowledge. They develop a higher sensitivity to hazards while learning to anticipate and prevent accidents before they happen. In light of the *Anzen Dojo*'s enhanced health and safety training and activities to create a culture of safety, Otsuka Chemical was recognized with an award in 2014 at the 8th Responsible Care Awards sponsored by the Japan Chemical Industry Association.

Otsuka Chemical

Career Planning

The Otsuka Group provides support for individual career planning, so that all employees can enjoy active and rewarding careers. In November 2014, Taiho Pharmaceutical established a career counseling office staffed by HR personnel with specialized qualifications. The office provides a wide range of career advice to individual employees, including information on transfers, workplace stress, and personal development targets.

For three years, EN Otsuka Pharmaceutical has operated a personal self-reporting system. Rather than just ascertaining the current work situations and career plans of employees, the program strives to assess other individual factors such as health and family circumstances. The program serves as a data resource for work environment improvement and program revision.

Otsuka Group



The Otsuka Chemical was recognized at the 8th Responsible Care Awards sponsored by the Japan Chemical Industry Association, for "improving health and safety education through the establishment of the Anzen Dojo (Safety Training Center)"

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: Workplace inspection by an industrial physician

VOICE



Importance of Being Involved in Your Own Health

Megumi Takeda

Human Resources Department
Otsuka Pharmaceutical Co., Ltd.

Every year the weekly POCARI/efresh exercise program continues to gain popularity with employees. You can really tell when the exercise instructor calls out, "Hello everyone, it's time for POCARI/efresh!" and the atmosphere in the office is immediately lighter. One of the aims of the program is to get employees to start enjoying exercise. Although some participants claim this is the only exercise they do, when I see them putting the maximum effort into the exercises, I really feel they have become serious about maintaining and promoting their health. As a person in charge of this program, I want to continue promoting initiatives that can enhance employee health.

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 and healthy way. As part of health management support, 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 mental health training for managers. The Group is actively promoting health management for both the mind and body. With the increase in mental health issues for employees in recent years, Otsuka Techno implemented mental health training for managers in fiscal 2014. The training places priority on good communication between bosses and subordinates.

As part of its safety initiatives, the Otsuka Group not only complies with relevant health and safety laws and regulations, but also implements various occupational health activities in the workplace in order to prevent industrial accidents. As such, the Group takes measures 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. Additionally, Group companies provide avenues for employees to initiate workplace improvements by identifying issues and developing solutions.

Industrial physicians at Group companies provide advice on health matters and they follow up on employee health checkups. They also conduct education related to occupational health and safety, in order to raise awareness of health and occupational health and safety among all employees. Group companies conduct emergency first aid training, including training on the use of 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 driver skill testing before being permitted on the road, in order to ensure thorough safety. The Otsuka Group will continue working to enhance employee health, improve working conditions, and prevent occupational accidents.

Otsuka Group



Otsuka Pharmaceutical: Special POCARI/efresh session

POCARI/efresh

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/efresh 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 2014/12

CSR Built Into the Group's Main Business

The Otsuka Group has established health, environment, quality, culture, and employees as the five areas of its CSR. Quality of life (QOL) and the efforts based on it are discussed early in the section on health, which appears first in the report. This is the foundation of the Otsuka Group's main business and, I think, is what opens the door for the human hope to continue living as usual even when sick and even when the body weakens with age. In order to meet this need, the Otsuka Group develops new drugs that contribute to the treatment of disease, while on the other hand, supports the maintenance and improvement of health through efforts to raise awareness of heat disorders and other conditions, and to popularize foods made from soy. With respect to soy, the section on health introduces and clearly explains the features and objectives of Soyolution, Otsuka's initiative to educate people about the possibilities of soy. In addition, the Group does not focus solely on customers in regards to QOL; it also thinks about its employees' QOL, and that, I felt, has translated into its on-site day care centers.

Reading the entire report, it was clear that the five areas are connected to each other horizontally and form the Otsuka Group's CSR. I could see that the Otsuka Group's CSR functions organically.

Things the Group Would Like to Communicate and Those That It Must Communicate

While the data for fiscal 2014 is irregular in that it covers nine months due to a change in the accounting term, detailed data has been disclosed, especially on the environment and employees. For the Otsuka Group, 2013 was a year focused on building a basic global CSR structure, and the scope of 2014 data on the environment was broadened



Eriko Nashioka

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

Profile

Completed a Master's Degree in Environmental Management at the Graduate School of Policy and Management of Doshisha University, and taught at the Faculty of Commerce of 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 Industries. Joined the management team of the Institute for Environmental Management Accounting in April 2004, and has authored books on environmental accounting and environmental reports.

into a global data disclosure. As the Otsuka Group is a global company with more than 60% of its sales occurring outside Japan and over half of its workforce outside Japan, I would like to continue seeing the disclosure of global information in a variety of fields.

This report does a good job conveying the Otsuka Group's vision and the CSR initiatives grounded in its main business. However, I think that articulation of a global code of conduct and action goals as well as information that makes clear the status of annual activities and the current position and progress within plans would make a more specific evaluation possible. The Otsuka Group's CSR initiatives are carried out at a high level in each of the five areas, whether at the global or regional scale, and I expect the provision of information that makes the overall picture and degree of achievement clear.

Editorial Postscript

As of fiscal 2014, Otsuka Holdings has changed its consolidated closing date from the last day of March to the last day of December. Consequentially, the Otsuka Group CSR Report 2014/12 covers the nine months from April to December 2014. The Japanese version of the report was published in July 2015.

Since fiscal 2011, we have organized the Otsuka Group's CSR activities in this report into the five areas of health, environment, quality, culture, and employees. This year we highlighted priority initiatives in an effort to more clearly convey activities that the Group is focusing on.

Detailed information on the diverse activities of Group Companies that cannot be presented here due to space limitations have been disclosed on the Otsuka Group Consolidated CSR Site, and we encourage you to read that website along with this report.

We take opinions and feedback from readers seriously and are determined to reflect them in our initiatives in order to improve our

activities. We therefore ask that you fill out the questionnaire available on the website.

Going forward, we will continue to utilize the Group's unique assets and skills to promote its CSR initiatives that contribute to better health for people worldwide, which is the Group's corporate philosophy, and will strive to enhance information disclosure.

Lastly, we would like to express our appreciation to everyone who helped with 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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