



# Otsuka Group CSR Report 2014

Otsuka-people creating new products for better health worldwide

# Editorial Policy

In keeping with its corporate philosophy 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 philosophy. 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.

## The five areas of CSR at the Otsuka Group



## Scope of report

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

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

## Period covered

The data presented in this report are actual figures from April 1, 2013 to March 31, 2014. The activities reported on include some conducted more recently.

## Publication schedule

The next report is scheduled for publication in spring 2015.

## 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.

 Email • [hd-pr@otsuka.jp](mailto:hd-pr@otsuka.jp)

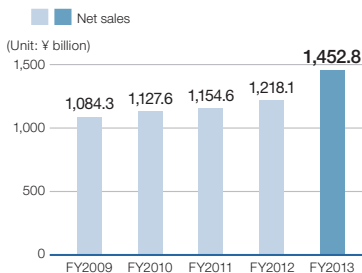
We welcome your feedback by email. Please do not hesitate to provide us with your feedback or impressions of this report, including requests about the initiatives of the Otsuka Group.

# Corporate Profile

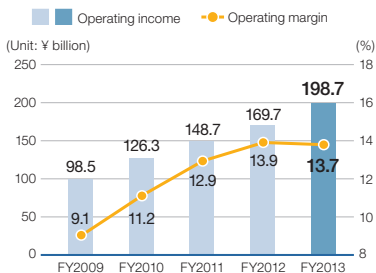
As of March 31, 2014

**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:** 75 (Consolidated: 28,288)  
**Scope of consolidation:** 95 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.

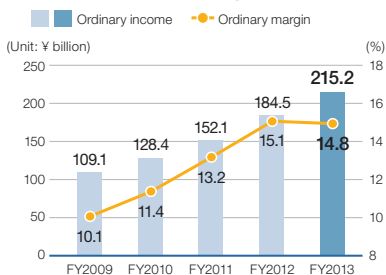
## Consolidated Net Sales



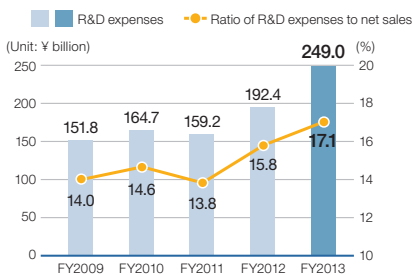
## Consolidated Operating Income



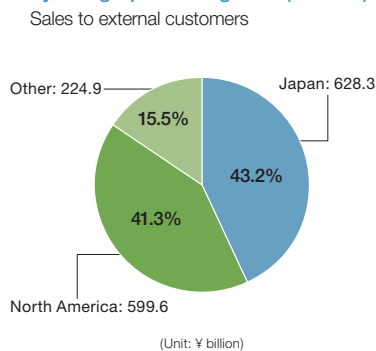
## Consolidated Ordinary Income



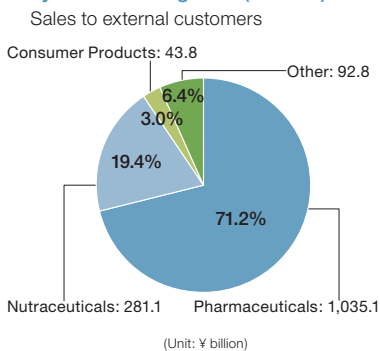
## Research and Development Expenses



## Consolidated Net Sales by Geographical Segment (FY2013)



## Consolidated Net Sales by Business Segment (FY2013)



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# Otsuka Group across the Globe

As of March 31, 2014, net sales from outside Japan accounted for more than 50% of the Group's consolidated net sales. There are approximately 28,000 employees in the consolidated Group worldwide, and 50% of these are outside Japan. Otsuka Group employees are working every day around the world, for the universal betterment of human health.

## Belgium

Nutrition & Sante Benelux S.A.

## 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  
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

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.  
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.

## India

Claris Otsuka Limited  
Otsuka Chemical (India) Private Limited

## 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

## South Korea

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

## Taiwan

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

## New Zealand

Diatranz Otsuka Limited\*

## Pakistan

Otsuka Pakistan Ltd.\*

## Philippines

Otsuka (Philippines) Pharmaceutical, Inc.

## Thailand

Thai Otsuka Pharmaceutical Co., Ltd.\*

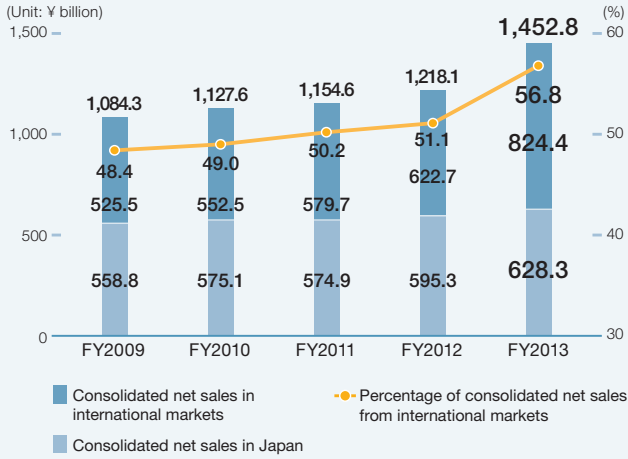
 **1,800** employees  **24** companies

Europe

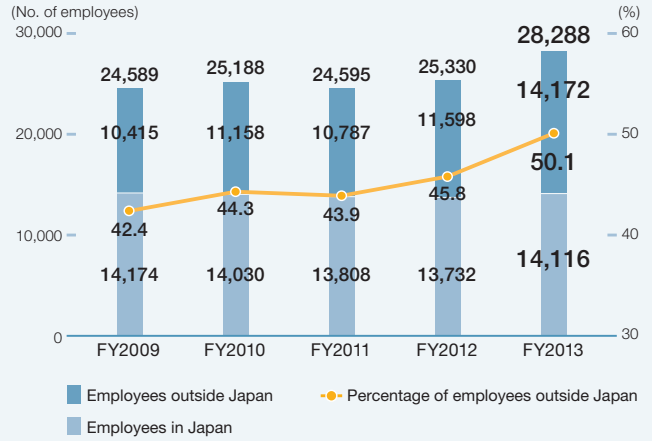
 **8,055** employees  **37** companies

Asia / Oceania / Middle East

**Consolidated Net Sales in and outside of Japan**



**Consolidated Number of Employees in and outside of Japan**



**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.
- 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.
- Soma Beverage Company, LLC
- American Peptide Company, Inc.
- Otsuka America Foods, Inc.
- Crystal Geyser Brand Holdings, LLC\*
- CG Roxane, LLC\*

**Brazil**

- Otsuka Chemical do Brazil Ltda.

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

**14,116** employees **31** companies

Japan

**4,317** employees **21** 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 priority areas of the central nervous system and oncology in order to address unmet medical needs. Furthermore, in order to provide comprehensive health-care solutions ranging from diagnosis to treatment of diseases, the Group is engaged in a wide range of fields and businesses, including the cardiovascular system, gastroenterology, ophthalmology, diagnostics, and I.V. solutions and medical devices. There is a particular focus on these devices.

### Flagship products



ABILIFY, an antipsychotic



Mucosta, an antigastritis and antigastric ulcer agent



Pletaal/Pletal, an antiplatelet agent



TS-1, an anticancer agent



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



Aloxi, an antiemetic agent



Abraxane, an anticancer agent



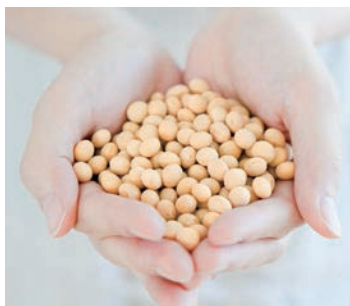
ELNEOPA, a high-calorie TPN solution

## Nutraceutical 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



POCARI SWEAT



POCARI SWEAT ION WATER



ORONAMIN C DRINK



Tiovita Drink



OS-1



SoyCarat



SOYJOY



SOYSH



Calorie Mate



Gerblé



Nature Made



UL·OS



Oronine H OINTMENT



Flagship products



Bon Curry Gold



Bon Curry Neo



My Size



Sirvino 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 Sirvino 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

Application of Hydrazine Derivatives



Terracess (friction material for brake pads)



Rubber additive



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.

## Top Message



**Tatsuo Higuchi**

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

Inspired by and committed to our corporate philosophy,  
our communication with its stakeholders shapes  
Otsuka Group CSR activities.

### Corporate Management in the Current Japanese and Global Economic Climates

Global economic conditions have become increasingly complex over the past several years. The areas in which we operate are affected by a complex combination of factors. Emerging economies are seeing growth; the planet faces energy and environmental issues; populations are increasing and ageing; the gap between the wealthy and the poor is extending; and nationalism is emerging. We operate under conditions in which politics and economics are increasingly difficult to separate. In addition, the world now demands that corporations' business activities meet more rigorous compliance standards, which for the pharmaceuticals industry include Japanese transparency guidelines and the U.S. Sunshine Act. On a more positive note, Tokyo's winning bid to host the Olympics in 2020 is expected to give younger generations the opportunity to show the world through sports what we are doing in the areas of science, technology and business. I believe this presents an invaluable opportunity. At the same time, older individuals are becoming increasingly aware of the importance of staying healthy. Greater awareness in this area has a positive impact on both the medical economy and the health market, which is expected to have an invigorating impact on the Japanese economy.



## Continuing to Adapt to Change, Doing More to Better the Health of People Worldwide

The Otsuka Group listed its stock publicly in December 2010, and since then we have embarked on the challenges that come with placing ourselves in an entirely new environment. Having reached the three-year mark as a public company in 2014, we recognize the need to continue to grow as a corporate group by adapting, as we focus on moving to the next stage.

Now that we are a public-listed company, a larger group of people across the globe is familiar with the Otsuka Group businesses, history and philosophy. At the same time, this means there are a larger number of stakeholders who expect more from our Group. In order to prove ourselves worthy of this trust and to garner a broader and deeper understanding of our stance across the globe, I believe it is incumbent on us to realize the original and unique ideas of Otsuka as a total healthcare company working to maintain and better health around the world.

## Fulfilling Worldwide Expectations with Global Development that Works for Local Communities

The Otsuka Group currently comprises 166 companies, as well as 181 factories and 44 laboratories, operating in Japan and 26 other countries and regions. Of these, three-fourths of our companies, two-thirds of our factories, and 40% of our laboratories operate outside Japan. Sales from international markets are larger in scale than those from the Japanese market. In fact, 56.8% of the total 1.45 trillion yen in consolidated net sales in the fiscal year ended March 2014 are from markets outside Japan.

Twenty different languages are used throughout the countries and regions in which the Otsuka Group currently does business. Language systems express a distinct view of the world, and it is through language that cultures, traditions, and philosophies are conveyed. Accommodating all of these different ways of thinking, we respect the different cultures and characters represented by these languages and work to promote business activities that share the basic Otsuka Group concepts and philosophy, while integrating these differences harmoniously. In the Otsuka Group culture, value does not lie simply with gaining knowledge. Value comes with putting this knowledge into practice; pursuing achievement to its conclusion to arrive at the essence of the matter; and constantly pursuing new challenges to create products and services that only Otsuka can provide. We are dedicated to bettering the health of people around the world, remaining vigilantly aware of the importance of creativity and proof through execution, while working in harmony with the local community.

## Otsuka CSR Shaped by Expanding Stakeholder Cycle

The business activities of the Otsuka Group only come together when there are customers who use the goods and services that we supply. The construction of a factory, as well, requires cooperation from a large number of individuals, including the understanding of everyone in the local community, the suppliers who provide the raw materials, and the construction companies. And in return for the opportunity to conduct these business companies, we deliver to the community and our customers the products, services, and information that we believe will help people lead happy, healthy lives.

This concept of the positive stakeholder cycle is not limited to our business activities. Inspired by and committed to our corporate philosophy, it is our communication with stakeholders that shapes the activities that comprise the Otsuka Group CSR. This relationship creates any number of cycles, as well. Our environmental activities, for example, recognize and protect the blessings that come from natural capital, while our social contribution activities are a channel through which we take part in enhancing and developing local communities. Concurrently, these activities are reflected directly and indirectly in the manufacture of goods and the improvement of services, which in turn contributes to the development of business. The Otsuka Group focuses on CSR activities that are an integral part of business by creating trust-based cycles in which business generates profits that are then returned to society, which creates an affinity between the Otsuka Group and the community, which in turn generates profit that will be returned to the community.



## Conducting Activities that Only the Otsuka Group Can Provide

For this report, we have organized various Otsuka Group CSR activities, which are fully integrated with our business activities, into five areas: health, environment, quality, culture, and employees. It is my belief that our CSR activities need to foster an understanding of the Otsuka Group among as large a segment of society as possible, and at the same time, raise awareness and understanding of our philosophy and approach among employees. We focus on creating a positive cycle by developing activities that our employees are proud of, which increases job satisfaction and in turn boosts employee motivation, improves productivity, and results in breakthrough products.

In fiscal 2013, we focused on raising the Otsuka Group to the next level as a global healthcare company by establishing a structure to ensure that all Group companies bring the same values to their operations. There is increasing demand today for companies to implement sound management and transparency practices in full compliance with laws in all of the countries and regions in which they operate. Companies are also expected to operate in a highly ethical and moral manner. To meet these expectations, we have instituted the Otsuka Group Global Code of Business Ethics in order to maintain high moral standards and conscientious business practices. We have also strengthened our global-level quality controls in the development and production of pharmaceuticals and food products, establishing a structure that ensures we deliver safe and secure products to our customers. In conducting environmental activities, we take a global perspective in sharing issues and introducing activities designed to protect the planet.

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



## Corporate Philosophy of the Otsuka Group

### Otsuka-people creating new products for better health worldwide

These words embody our commitment to:

Creating innovative products

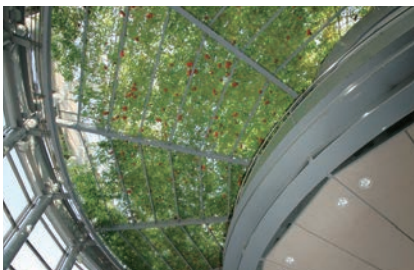
Improving human health

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

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



### Floating Stones

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



## Highlight 1

# Spinning Threads to Create Stronger Ties Among the Otsuka Group, Employees, and Local Communities – On-Site Day Care Centers Open –



### Otsuka Opens BeanStalk Kids Centers

The Otsuka Group operates on-site day care centers to ensure the future of its creative corporate culture. The centers also contribute to the development of local communities by supporting the diverse lifestyles of employees, and helping them to advance their careers while raising children. In April 2011, BeanStalk Kids Center Tokushima, an on-site day care center for 0-to 5-year-olds, was opened in the prefecture where the

Otsuka Group originated, followed by the Sukesuku Nursery at the Tsukuba Research Center in Ibaraki in April 2013 and the BeanStalk Kids Center Osaka in April 2014. The premises of these centers and nursery are nature-like environments that stimulate the five senses. This helps to foster healthy children with rich emotional and creative development. All of these facilities are located immediately adjacent to the workplace, giving employees who are raising children the ability to work without worrying about childcare.

## VOICE



### Daycare with Peace of Mind

**Mitsuyo Shindo**  
Administration Department,  
Shikoku Branch  
Otsuka Warehouse Co., Ltd.

My second child is less than a year old and is enrolled at BeanStalk. Since the on-site day care center hadn't yet opened when I had my first child, his grandmother helped with childcare, so this is my first experience using daycare. Having daycare where I work takes away so much of the worry involved. When my baby is not feeling well, I am notified by phone and can go check on her or take her home right away. She happened to start at BeanStalk in April, and having childcare whenever I need it helps a great deal with my own well being, and matters at home, too.

\* See p. 51 for number of male employees taking parenting leave.



Male employee picks up his child from daycare.

### Flexibility to Support Diverse Work Styles

BeanStalk Kids Centers enroll new children each month to make it possible for employees to return when they feel comfortable to work again. Public day care centers in Japan typically allow new admissions only in April of each year, whereas the flexibility of the Otsuka Group on-site day care centers provides much-needed support for employees' diverse work styles. It also gives male employees the opportunity to participate more actively in raising their children.

In fact, approximately half of the employees who drop their children off at BeanStalk Kids Center Tokushima are male, and some employees use these centers to provide daycare for their grandchildren. The number of children enrolled at the original BeanStalk in Tokushima has continually increased since the center first opened. When it became apparent that enrollment was certain to surpass 100, the center was expanded to accommodate the enrollment of 150 kids, and the project was completed in April 2014. BeanStalk Kids Center Tokushima is now prepared for greater numbers of children in the future.

## 2011

On-site day care center opens in Tokushima, the birthplace of the Otsuka Group



Children's rooms are arranged off the central hall like branches of a beanstalk.

### Creating Comfortable Working Environments for Employees

In addition to their on-site day care centers, all Otsuka Group companies focus on creating an environment in which employees are able to comfortably balance parenting and work. Group companies are working to acquire and retain Kurumin mark certification based on the Act on Advancement of Measures to Support Raising Next-Generation Children. The Group also actively promotes its paid leave programs, including maternity and parenting leave, and it works to promote an environment in which employees can easily take childcare leave and easily return to the workplace. When employees return to work after taking leave, Otsuka Group companies offer a number of options: employees may reduce their work hours until their child finishes third grade of elementary school; they may take on shift work from the point the pregnancy is confirmed until the child enters junior high school; and they can take advantage of other flexible work schemes designed for employees raising children. Thanks to measures at Otsuka Chemical, which provide support for male employees to take parenting leave as part of the Group's efforts to create an environment that encourages men to take part in raising their children, the number of male employees utilizing these flexible work schemes has continued to increase.\*

### Advantages for Both Employees and Group

Providing corporate support for diverse work styles through these initiatives is beneficial for employees, and the Otsuka Group as well. The knowledge that their children are close at hand naturally gives peace of mind to employees who are juggling parenting and work. At the same time, these employees are more aware of the importance of effectively using their limited time and approaching their work in an organized and efficient manner. Employees whose children attend day care at the BeanStalk Kids Centers indicate that having children has made their goals clearer, that they now concentrate better on their jobs, and approach their work in a more organized and efficient way. Giving employees the means to pursue work through diverse work styles has led to higher productivity and energized business. Awareness of the effectiveness of this initiative is also spreading.

Otsuka Group companies have acquired Kurumin mark certification provided by the Ministry of Health, Labour and Welfare in recognition of company efforts to support child rearing by employees.



- 1 Enjoying lunchtime
- 2 Practicing the Awa Odori dance
- 3 Daycare staff
- 4 Naptime

**VOICE**



**Dedicated to Childcare that Fosters Creativity**

**Junko Itami**  
 Director  
 BeanStalk Kids Center Tokushima

Rather than offering standard childcare, we are dedicated to an imaginative and original curriculum that brings out the limitless creativity of children. Growing plants at our day care facility involves not only planting seeds in soil, but also in water. Our children not only plant tomato vines vertically, but also try growing them horizontally to see what discoveries they can make. The toys at BeanStalk are handmade, and our teachers talk with the children to come up with fun ways to play. Field trips to the factory next door are also very popular with the children. We are dedicated to providing a wide range of experiences that help build healthy bodies and rich hearts and minds.

**VOICE**



**Childcare Tailored to the Parent and the Child**

**Masayuki Sato**  
 Researcher, Third Institute of New Drug Discovery  
 Otsuka Pharmaceutical Co., Ltd.

I am very confident having my child in daycare here, because I sense the professional pride that the teachers bring to their work. We can watch video feed of the children having lunch every day, and even if I can't make it to pickup on time, my child is still looked after. These are a couple of the ways that the childcare here is tailored to the working parent. Younger children are able to play together with older children, and I think this helps them develop faster. In my son's case, he has been at BeanStalk since he was six months old, and he began walking before he was a year old. He also loves going barefoot.



1



2



4



3

**BeanStalk Kids Centers Support Employees and Local Communities**

In keeping with its corporate philosophy, the Otsuka Group continues to seek creativity and innovation from each of its employees. The BeanStalk Kids Centers pursue these same goals in childcare by creating space to foster a child's development replete with the unique individuality and ideas of the Otsuka Group. The BeanStalk Kids Center Tokushima, which uses cedar from Tokushima Prefecture for its floors and for other features, is designed to liberally incorporate natural elements that make full use of the warmth of wood, as well as seasonal light and breezes. The design keeps the temperature comfortable so that heating and air conditioning are only needed on especially cold or hot days, and the spacious single-story building gives children plenty of room to run free barefoot.

The curriculum is also designed to nurture children's abundant creativity in a variety of ways. The playground has no man-made equipment. Instead, it features small hills and tree stumps that children use to create their own fun, such as sliding downhill on pieces of cardboard. From three years old, the children have English classes taught by native English speakers where they have fun learning language through songs and games. From age four, the children take part in soccer classes taught by coaches from the Tokushima Vortis Academy, a club run by the Tokushima J1 professional soccer team. The five-year-olds plant soybeans and incorporate science play, for example trying to create

"unpoppable" bubbles by working out by themselves the best ratio of water to soap. These lessons nurture children's interests, curiosity, and ability to think. School lunches offer opportunities for the children to learn about food and nutrition. Parents and guardians are given information on where the ingredients used in the food prepared for children and infants at BeanStalk are grown and the nutrients the food contains. Food tastings are also held twice a year so that parents and guardians can sample the food themselves for taste and texture. As a company pursuing a soy-based business, the Otsuka Group day care centers naturally incorporate new ideas and ingenuity such as the inclusion of soybeans in a variety of dishes served to the children at mealtimes.

The architectural design of the BeanStalk Kids Center Tokushima features a bean-shaped hall with four classrooms radiating out from the center. This allows the children to run freely around the building. With little segregation among the 0-to 5-year-olds, all of the children are able to interact a great deal with those younger and older than themselves, which provides stimulation for development and growth.

The center is also a fine example of initiatives aimed at revitalizing the Tokushima region. Materials from Tokushima Prefecture were used to construct the facility, and the work was entrusted to local companies. Incorporating a rich array of local color to convey the appeal of the Tokushima area, BeanStalk Kids Center Tokushima is expected to help attract people to the area and promote local development.

## INTERVIEW

### Katsura Tottori

Senior Operating Officer  
Otsuka Pharmaceutical Co., Ltd.

Using the unique strengths of the Otsuka Group to provide childcare that fosters the talent, individuality, and creativity of children



## 2009

The idea for on-site day care centers was first introduced in 2009. Otsuka spent two years preparing before the first facility opened.

The project for the first Otsuka Group on-site day care center began in June 2009. One purpose was to provide support for the diverse work styles of our employees, including helping male employees who actively participate in childrearing. Another purpose was to attract people to the community. Initially commissioned to outside contractors, we took over the administration of our first facility, BeanStalk Kids Center Tokushima, in its third year of operations and have studied ways to inspire traits that Otsuka also seeks to foster in its workforce such as imaginativeness from a variety of perspectives. As we expand on our curriculum, our goal is to encourage an education with an emphasis on emotions, creativity and individuality. Having hired full-time nursing staff, we are now looking into providing childcare for children who have recovered from illness.

We plan to follow our day care centers in Tokushima, and Osaka with childcare facilities at other Otsuka workplaces in Japan and around the world. In some regions, we are looking at the possibility of creating consortiums (facilities serving multiple companies), but whatever the structure, our goal remains to provide childcare that nurtures our children's talents, individuality and creativity.



BeanStalk Kids Center Osaka opened in April 2014

### BeanStalk Kids Center Osaka and Sukesuku Nursery Open



Taiho Pharmaceutical Sukesuku Nursery

In April 2014, Otsuka opened BeanStalk Kids Center Osaka in an area that could be called the second birthplace of the Otsuka Group. The architecture, with its ample use of natural materials such as wood and cork tiles, was designed to evoke a traditional extended family home where children grow free and unfettered. The goal is to provide an environment that makes it easy for

employees to balance work and parenting, while at the same time helping to alleviate the problem of long wait-lists for childcare centers in Osaka.

Otsuka on-site day care centers have had a ripple effect that has impacted other regions, and Taiho Pharmaceutical opened Sukesuku Nursery at the Tsukuba Research Center in April 2013. Children learn and play in small groups so that each child receives the best care for his or her individual needs, and the nursery offers flexibility to parents with both monthly and temporary day care programs. A full-time nursing staff makes it possible to provide daycare for sick children with a temperature of 38°C or lower. Feedback from employees who use the nursery has been positive: "On-site daycare has been a great help since the municipal day care centers reached their capacity;" "We don't need to worry about having temporary childcare when we need it;" and "The teachers tailor the childcare to each child, which is great for their development."

Providing support to employees who are trying to balance childcare and work responsibilities by establishing on-site day care centers helps them to be happier and to achieve greater self-actualization. It also leads to a more dynamic company through the maintenance of a workforce with greater diversity. The Otsuka Group will continue to provide full childcare support to contribute to solutions for falling birthrates and the aging of society.



Furniture stamped with the BeanStalk logo



## Highlight 2

# Otsuka Global Development Begins in Asia – Coexisting with Communities Around the World –

- ① China Otsuka Pharmaceutical
- ② Thai Otsuka Pharmaceutical
- ③ Basic I.V. plant, Thai Otsuka Pharmaceutical

### Sustainable Growth for the Otsuka Group and Local Communities Alike

Guided by its commitment to better health worldwide, the Otsuka Group's expansion beyond Japan began when the Group entered the global market from Asia 40 years ago last year. Today, the Group operates globally in 26 countries and regions, including all of Asia, as well as in the Middle East, Europe and the Americas, with two core businesses in pharmaceuticals and nutraceuticals. The Group has grown to encompass 166

Group companies\* employing approximately 44,000 individuals. Aiming for sustainable growth worldwide through the solutions it provides, Otsuka tailors its businesses to the particular needs and conditions in specific countries and regions.

\* As of March 31, 2014; includes non-consolidated companies.





Thai Otsuka Pharmaceutical: 40th anniversary ceremony



China Otsuka Pharmaceutical: I.V. solution exhibition room

### Thailand, First Production Base Outside of Japan

Established in 1973, Thai Otsuka Pharmaceutical was the Otsuka Group's first production site outside of Japan. Thai Otsuka Pharmaceutical began with the manufacture of I.V. solutions for the Thai market. At the time, restrictions on imports had been imposed in a number of countries due to the global recession. With the import of I.V. solutions also restricted in Thailand, the Otsuka Group changed course to ensure stable supplies for this market. Shifting away from exporting products manufactured in Japan, the Otsuka Group established local production, procuring materials locally and hiring local staff, as well. Although there were initially a number of hurdles to be overcome such as obtaining raw materials and negotiating cultural differences regarding hygiene and sanitation, the Otsuka Group persevered. Communicating closely with local medical personnel and Otsuka staff, solutions were found to these issues, and the company ultimately succeeded in producing goods on a level of quality on par with Otsuka in Japan.

When Thailand was hit with massive flooding in 2011, Otsuka Group companies in Thailand joined together to deliver Pocari Sweat and other relief supplies to hospitals and clinics in severely affected provinces, while Group companies in Japan and neighboring countries joined in the efforts to provide relief, as well.

### Helping Improve Medical Infrastructure in China

After initially expanding into Thailand, the Otsuka Group continued to develop with I.V. solution production in Indonesia, Taiwan, and the Middle East. In 1981, responding to a request from China for collaboration with the manufacture of high-quality I.V. solutions, the Group established China Otsuka Pharmaceutical. China Otsuka Pharmaceutical was the first foreign

pharmaceutical joint venture in the world involving the Chinese government. As one of the few companies in the world to include China in its name, the company's goal is to help advance medical care in the area, and in carrying out this mission, China Otsuka Pharmaceutical has helped improve the medical infrastructure in China through its I.V. solutions business.

China Otsuka Pharmaceutical's initial objectives were to convert infusion containers from the glass bottles then in use to safer and more convenient plastic containers; to improve procurement and quality of raw materials in China; to establish the manufacturing technologies needed to produce high-quality products; and to ensure more stable supplies. The company's growth has been guided by a clear understanding of its role in society, which has inspired a long-term view of human resources development and educational opportunities through factory tours and student factory training.

The Otsuka Group subsequently established additional companies and laboratories in the nutraceutical business, and there are currently 33 Otsuka Group companies operating in China.\*

### Participating in Local Communities

The purpose of the Otsuka Group expansion outside Japan is to ensure sustainable development by focusing on localizing business through local procurement of raw materials, hiring of local human resources, and local consumption of products, while respecting the traditions and cultures of each country and region in which the Group operates. Toward this end, the Group is keenly focused on its role as a leading company in the local community in which it actively participates by maintaining the social infrastructure and helping to find solutions to local problems.



## 40<sup>th</sup> anniversary

1973 Thai Otsuka Pharmaceutical established as the Group's first production site outside Japan

## 30<sup>th</sup> anniversary

1984 China Otsuka Pharmaceutical begins operations at Tianjin Factory

\* As of March 31, 2014; includes non-consolidated companies.



P.T. Amerta Indah Otsuka: Delivered relief supplies to a flooding-affected province



P.T. Amerta Indah Otsuka: *Satu Hati School*

## Disaster Relief Activities

As a member of the community and a company with a duty to protect life and improve health, the Otsuka Group works with local governments, NPOs and other entities to provide relief to areas hit by typhoons, earthquakes, volcano eruptions, and other natural disasters. The Group acts quickly to deliver supplies of I.V. solutions, pharmaceuticals, food and drinks that are urgently needed in times of emergency and it continues to provide support afterwards through donations and fundraising activities. When the Great East Japan Earthquake struck, Group companies in Asia were called on to collect contributions from employees, which were donated to the Japanese Red Cross Society.

The Otsuka Welfare Clinic established in Peshawar, Pakistan for refugees from Afghanistan marked the 10th anniversary of its opening in 2013. The clinic has treated more than 700,000 patients since it opened and continues to provide medical care and pharmaceuticals free of charge.\*

## Supporting Education/Coexisting with Local Communities

With the aim of forging ties with local communities and contributing to the development of Indonesia, P.T. Amerta Indah Otsuka is actively engaged in activities to educate the children who will be the leaders of tomorrow.

*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.

The theme of "One Heart for Environment" was added, and tree planting was carried out with the aim of regional revitalization and watershed protection in mountains near the company's plant. A soccer field, mosque, and local learning center were set up on the factory grounds, and they are open to local residents and children. The learning center features a *Satu Hati School* that is open once a week for children after their school, where employees take turns providing after-school tutoring in grammar, math, and English.

## Bettering the Health and Lives of People Around the World

In addition to activities that provide medical, health, and cultural support, Group companies also focus on environmental protection, another important topic for ensuring that the Group and local communities develop together.

The Otsuka Group will continue the global expansion it began in Asia, paying particular attention to meeting the needs of each of the regions in which it operates. The Group remains committed to working together with local communities to better lives and health in ways that ensure sustainable development for society.

## Health Support

The Otsuka Group places great importance on providing information related to health as part of its initiative to help people prevent illness and maintain health. The Group conducts educational activities to convey the importance of rehydration in preventing heat disorders and replenishing the body after sports, tailoring these sessions to suit the cultures of individual regions. Pocari Sweat is currently marketed in 17 countries and regions around the world. Increasingly recognized as a health drink, Pocari Sweat has been selected as the official drink of the Asian Games for 2014 and the last three years. It is the largest sports event in Asia, and this year's was held in September 2014.



Signing ceremony for selection of Pocari Sweat as official drink of the Asian Games (January 2014, Manila)

### History as Official Drink of Asian Games

- 1998 Bangkok (Thailand)
- 2002 Busan (South Korea)
- 2006 Doha (Qatar)
- 2014 Incheon (South Korea)

\* See p. 45 for more detail on the Otsuka Welfare Clinic.

# Health

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



Heat disorders prevention seminar (Otsuka Pharmaceutical)

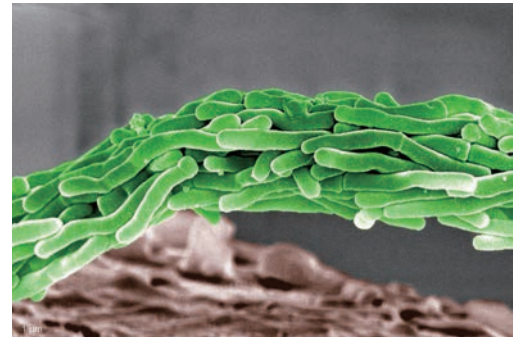
## Health

The Otsuka Group is passionate about discovering first-in-class new drugs and products that can save or extend lives and improve the quality of life for patients.

# Addressing Unmet Medical Needs



Taiho Pharmaceutical: Anticancer drug research



Electron micrograph of Mycobacterium tuberculosis (stained) [photo courtesy of Otsuka SA]

### Innovative Drug Development

In order to help patients with mental illness return to their regular activities, Otsuka Pharmaceutical began R&D into central nervous system therapies in the 1970s. By 2002, in the United States, Otsuka America Pharmaceutical had introduced the antipsychotic ABILIFY, the world's first drug to stabilize dopamine in the nervous system.\*<sup>1</sup> Now, it has been used to treat many patients in 60 countries and regions worldwide. In order to support continued treatment for patients who struggle with medication compliance,\*<sup>2</sup> Otsuka created Abilify Maintena, which only requires a once-monthly injection. After its launch in the United States in March 2013, and in the United Kingdom in January 2014, an application for regulatory approval was also filed in Japan in January. Schizophrenia requires long-term treatment, and if patients stop taking medication due to forgetfulness or other reasons, they can easily relapse, making recovery more difficult. By developing formulations that facilitate long-acting therapy, Otsuka is helping patients to maintain their treatment.

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 2013, no new anti-tuberculosis drug had been released in over 40 years, and there is a particularly strong need for new, effective drugs to treat multidrug-resistant tuberculosis (MDR-TB). Building on more than 30 years of research in this field, Otsuka Pharmaceutical has developed Delyba (delamanid), a drug for treating MDR-TB. The drug was approved for sale in Europe in April 2014, which was followed by regulatory approval in Japan, in July 2014. In this way, Otsuka is working to improve the treatment of TB.

Samsca, the world's first aquaretic,\*<sup>3</sup> was developed by Otsuka Pharmaceutical over a period of 26

years, and is now being used in 14 countries and territories worldwide. ADPKD\*<sup>4</sup> is a rare kidney disease with no approved drug treatment in Japan, until now. Through ADPKD-focused R&D that began in 2004, Otsuka researchers found that Samsca inhibits proliferation and growth of renal cysts. As a result, in March 2014 the indication for ADPKD was approved in Japan as the world's first treatment for this disease. Otsuka Pharmaceutical will seek approval for this indication in other countries as well, in order to provide hope for patients with ADPKD.

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 I.V.-based treatment was the mainstay of cancer chemotherapy, Taiho Pharmaceutical, a member of the Otsuka Group, launched Futraful, an oral anticancer agent that provided a new method of treatment. Since then, Taiho Pharmaceutical has launched oncological products such as UFT in 1984, TS-1 in 1999, and Lonsurf in 2014. In recent years, great progress has been made in anticancer drug therapies. However, adequate therapeutic efficacy cannot always be achieved depending on the type of cancer, and significant unmet medical needs remain. Therefore, Taiho Pharmaceutical is engaged in R&D for comprehensive cancer treatment from the patient perspective. This includes an extensive range of products from the newest cancer treatments, to drugs used for supportive care such as antiemetics and for pain relief.

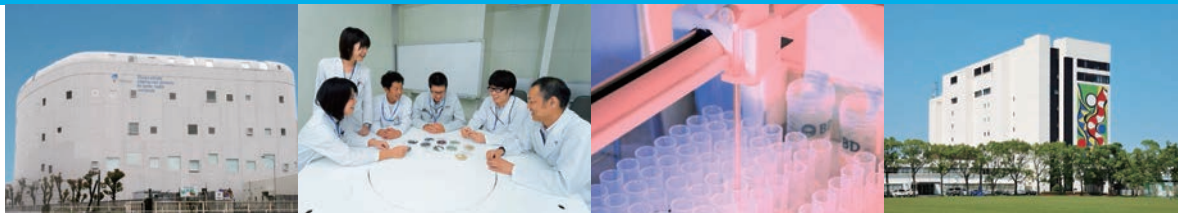
Otsuka Pharmaceutical, Taiho Pharmaceutical

\*1: Dopamine D<sub>2</sub> receptor partial agonist

\*2: Failure to take medication as prescribed by the patient's doctor

\*3: A diuretic that causes the patient to excrete only water and not electrolytes

\*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



Otsuka Pharmaceutical Factory: "Voluven 6%" plasma substitute

### Aiming to Solve Medical Problems

Otsuka Pharmaceutical Factory seeks to provide better products for healthcare settings, based on information obtained from existing products.

In cases where circulating blood volume is drastically reduced due to severe bleeding, plasma substitutes containing hydroxyethyl starch (HES) are used. However, since these products have a number of limitations, Otsuka Pharmaceutical Factory developed and released Voluven 6%. It is Japan's first preparation containing HES with a molecular weight of 130kDa, and was released in October 2013. Until now, preparations with a lower molecular weight (70kDa) have been used. However, in cases where more than the maximum dose was required, it was necessary to consider the use of albumin preparations, made from human blood. Accordingly, Otsuka Pharmaceutical Factory's new product was developed to enable higher dosages than existing HES products, increasing the benefits to patients.

Otsuka has also been working on measures to reduce the complications of enteral nutrition. In February 2014, the company released HINE E-GEL, a concentrated liquid nutrition product that addresses the issues of susceptibility to diarrhea, through measures such as viscosity control and the osmotic pressure of nutrients, as well as the use of dietary fiber and digestive conditions.

Otsuka Pharmaceutical Factory

### Developing Medical Devices That Advance Treatment

In the field of medical devices, the Otsuka Group is working on breakthrough product development useful for therapeutic advances. JIMRO developed Adacolumn,

a blood purifier used as an extracorporeal circulation therapy device for inflammatory bowel disease. Otsuka Electronics developed Adamonitor, a specialized circulation monitoring device that ensures stable blood flow at a low speed. By shortening the therapy time compared to regular extracorporeal circulation, Adamonitor helps in the treatment of patients with intractable diseases. Its approved uses have expanded to Crohn's disease and pustular psoriasis. Otsuka Electronics is also developing testing equipment with minimal mental and physical burden on patients. The POConc infrared spectrometer can easily detect *H. pylori* infection just by sampling the patient's breath to measure the level of  $^{13}\text{CO}_2$ .

JIMRO, Otsuka Electronics

### Column



**Aki Kawagishi**  
Drug Discovery & Development I,  
Tsukuba Research Center  
Taiho Pharmaceutical Co., Ltd.

### Creating New Anticancer Agents

Many anticancer agents currently in use place a heavy physical burden on patients, because they act upon normal cells, as well as on cancerous cells. Therefore, we are working on the creation of molecular-targeted drugs that attack only certain molecules involved in the growth and metastasis of cancerous cells. Through a process of repeated trial and error, we continue to tirelessly take on this challenge without any compromises, while keeping in mind patients suffering from cancer and who are waiting for new drugs. For a researcher there is no greater joy than seeing their daily hard work turn into a new drug that can save people's lives.

Taiho Pharmaceutical

## Health

# Soylution

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



Otsuka Pharmaceutical: Lecture seminar on the topic of soybeans for nutritionists and the general public



Otsuka Pharmaceutical: Soybean education event for parents and children, "Let's Experience Soybean Farming!"

### Soybeans Can Save the World

Soybeans contain nutritional benefits that have been found to help maintain health and improve various medical conditions such as lifestyle-related diseases and obesity. Additionally, soybean production emits only 1/12th the carbon dioxide (CO<sub>2</sub>) required to produce beef,<sup>\*1</sup> so that eating soybeans directly consumes 1/50th the amount of water and 1/20th the amount of energy.<sup>\*2</sup> Furthermore, producing one kilogram of beef requires 10 kilograms of grain including soy, so eating soy directly can alleviate food shortages caused by population growth. Despite these benefits, only 6% of the soybeans grown are directly eaten by people worldwide.<sup>\*3</sup> Even though Japan has the world's highest soybean consumption, the intake of legumes by Japanese aged 49 and younger is lower than the national average.<sup>\*4</sup>

Otsuka Group's Nutraceutical research centers are concentrating on the development of new soy foods, continuing the pursuit of forms and flavors acceptable to people around the world. The company wants even those unfamiliar with soy to be able to enjoy the nutrition of whole soybeans with ease.

SOYJOY bars are currently available in 11 countries and regions. In addition to the great taste of fruit and nuts baked into a bar made from whole soybean flour, SOYJOY is a low-GI (glycemic index) food that slows the rate of carbohydrate absorption, making it easier to achieve a healthy weight. Otsuka Pharmaceutical has been developing original SOYJOY flavors that fit the cultures and eating habits of different regions. These include dark cherry and chocolate for the United States and jujube for China. The company has developed other innovative soy products as well. Soysh is a carbonated soy drink that is easy to consume thanks to its mild carbonation and refreshing aftertaste. SoyCarat is

a healthy soy snack that contains the equivalent of 50 soybeans in one bag. Each bite-sized piece makes a delightful rattling sound and is a delicious way to get nutrition from soy.

Otsuka Pharmaceutical has been holding soy-themed seminars for nutritionists and members of the general public. The seminars are held in cooperation with local governments and regional dietetic associations to disseminate information on the value and possibilities of soybeans. Daylong soy educational events called, "Let's Experience Soybean Farming!," were also carried out for parents and children, allowing them to enjoy the work of planting, tending, and harvesting soybeans. The activities were held in collaboration with distribution companies across Japan, and also involved raising awareness and generating interest in soybeans. A special website (in Japanese only) was created to inform people about events across Japan, including the daylong activity schedule, as well as soybean growing conditions across the country. The website's photo gallery includes images from past events, including smiling parents and children engaged in soybean cultivation. The site is designed to increase visitors' desire to take part in the events. Otsuka Pharmaceutical is working to develop a new food culture based on soybeans, through active Soylution efforts with a variety of approaches.

Otsuka Pharmaceutical

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

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

\*3: U.S. Department of Agriculture

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

## 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



Otsuka Pharmaceutical Factory: Committee for Awareness of Hidden Dehydration

### Detailed Information for Everyone from Children to the Elderly

Since it first released POCARI SWEAT, Otsuka Pharmaceutical has been telling people of all ages about the importance of hydration to prevent heat disorders in various situations, especially junior athletes, those in their 20s and 30s, as well as seniors. The company has been promoting awareness activities in cooperation with experts such as industrial physicians, sports trainers and weather forecasters. It also provides lectures across Japan to convey the importance of water and ions (electrolytes) for the body. In fiscal 2013, Otsuka Pharmaceutical launched the Protect Yourself From Heat Disorders website in cooperation with non-profit Weather Caster Network. The service automatically delivers free information such as the WBGT index, indicating the level of heat disorder risk, for locations selected by users. The Committee for Awareness of Hidden Dehydration promotes awareness activities concerning ways to prevent and deal with hidden dehydration before it worsens. Otsuka Pharmaceutical Factory, which sells the oral rehydration solution OS-1, supports and assists with the activities of this committee.

Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory

### Raising Awareness among Otsuka Group Employees

The Otsuka Group is working to raise awareness among its employees concerning heat disorder prevention. It distributes POCARI SWEAT as a measure to promote hydration and prevent heat disorders. The beverages are supplied to employees working outside, or in factories where temperature levels are high, and the drink is made available in break rooms. At Otsuka

Techno, a heat disorder prevention leaflet prepared by the Fire and Disaster Management Agency is distributed to employees to promote awareness of heat disorder prevention measures.

Otsuka Pharmaceutical, EN Otsuka Pharmaceutical, Otsuka Techno



Otsuka Pharmaceutical: Otsuka Academy Open School Seminar

### Initiatives in Medical Settings, Schools, and Workplaces

The Otsuka Group holds forums across Japan on heat disorder prevention for industrial physicians, public health nurses, nurses, and nutritionists. In fiscal 2013, Otsuka's Heat Disorder Prevention TV Forum was changed to an online interactive format, enabling participants to ask each other questions. A total of 911 people participated at 120 locations across Japan. Seminars were also given to promote the appropriate use of oral rehydration solutions, and provide knowledge on dehydration as a contributing factor to heat disorders. They were held at the Japan Society for Occupational Health, the Japan Pediatric Association, and at a variety of other societies, as well as in drugstores, which are readily accessible to customers. 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.

Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory



Otsuka Group Consolidated CSR website >> <http://otsuka.csrportal.jp/en>

- ▶ Providing information on the proper use of infusion products at pharmaceutical-related societies Otsuka Pharmaceutical Factory
- ▶ Learn more about inflammatory bowel disease JIMRO

## Health

# Communicating Health Information

To help people improve their health and quality of life, the Otsuka Group provides health information not only to patients fighting disease, but also to their families, medical practitioners, and children.



Taiho Pharmaceutical: 2013 Pink Ribbon Festival in Kobe

### Understanding Cancer and Other Diseases

The Otsuka Group is engaged in activities to promote the proper understanding of cancer and other illnesses. Taiho Pharmaceutical endorses 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 fiscal 2013, the company distributed educational pamphlets on breast cancer and gave out promotional goods 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 shares information from the perspective of cancer survivors and their families, and provides them with inspiration to overcome the challenges of life. Otsuka Pharmaceutical maintains a website called, "Health & Illness," and distributes health and disease information through the sponsorship of seminars. The company also hosts lectures on autism in and outside Japan, by experts in the field, and promotes awareness of schizophrenia as well.



SurvivorSHIP.jp is also available as an application for iPhone and iPad

Otsuka Pharmaceutical, Taiho Pharmaceutical

### My First Water Project

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

2013, the company began distributing bottled water samples along with leaflets offering children and parents a fun way to learn about the importance of water. Over 800 requests were received. Otsuka Foods also delivered bottled water, leaflets and specially prepared picture books illustrating the importance of water to approximately 1,500 kindergartens and daycare centers across Japan. Positive feedback was received from the teachers and staff, including comments indicating that they talked about or are planning to talk about the importance of water with the children.

Otsuka Foods



Otsuka Health Comic

### Otsuka Health Comic Library

Since 1989, the Otsuka Group has been producing the Otsuka Health Comic Library, a collection of comic books that help promote the health of children, the next generation. To date, 24 titles have been published, including a special edition, and every year collections are donated to elementary and special needs schools across Japan. In addition to being read by children individually, the comics are used as teaching materials for self-directed learning and school health committee activities. To further increase interest, starting in fiscal 2013, students are being encouraged to submit ideas for health-related topics to be covered in future titles, in the form of illustrations or cartoons. The submissions are then used by the publication's cartoonists to make collaborative comic books. The effort has created good opportunities to think about health, not just for the children whose submissions are utilized, but for their friends, guardians, and teachers.

Otsuka Group

**24 titles**  
**(248 editions)**

Number of health-themed comic books published to date



# Environment

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



Biotope at the Tokushima Itano Factory of Otsuka Pharmaceutical

## 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.



Taiho Pharmaceutical: Biotope at Okayama Plant



Otsuka Pharmaceutical: Acorn Tree Project

### VOICE



#### Facilitating Both Production and Environmental Conservation

**Kaneto Nagamachi**  
Manager, Engineering Section,  
Tokushima Itano Factory,  
Production Headquarters  
Otsuka Pharmaceutical Co., Ltd.

The biotope at the Tokushima Itano Factory was recently used for a project to propagate an endangered species of fish, the cyprinid fish, in a natural environment. Fish protected and raised by Tokushima Agriculture, Forestry and Fishers Technology Support Center were introduced into the factory's biotope. Despite concerns that the tank-raised fish would face many predators in this natural environment, the population increased significantly. It made me realize the power of nature and the importance of environmental conservation. I will continue to promote both production and environmental conservation activities, as part of our factory's effort to build harmonious relationships with the natural environment.



Cyprinid fish

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

Otsuka Pharmaceutical's Tokushima Itano Factory was designed to be an eco-friendly and community-friendly plant, with greenery covering some 70% of the grounds. The site features a biotope that offers a natural environment for diverse wildlife.

The biotope pond is fed with purified wastewater from the plant's cooling system. Once a natural aquatic environment was created in which a wide variety of organisms could live, the factory and Tokushima Prefecture stocked the pond with cyprinid fish, an endangered freshwater species. About a year after the fish were released, the population had increased to between 10,000 and 20,000, which was more than ten times the initial number. However, when fish breed in the same place over time, there is the potential for lower fertility and less resistance to disease due to inbreeding. Therefore, we take care to exchange adult fish with those from other breeding sites, in order to maintain a healthy population. We will continue to participate in this project with the ultimate goal of returning the cyprinid fish to its native habitats.

Another project is also being carried out on the factory grounds. Each year we raise 300 beetles using deciduous tree leaves, in order to ensure a healthy population here. The adult beetles emerge in a location on one side of the pond, and this is a popular spot for children who come here during factory tours.

In recognition of these nature conservation activities, in 2010, Otsuka Pharmaceutical was chosen as one of the top 100 green companies for biodiversity conservation by the Organization for Landscape and Urban Green Infrastructure.

With a park-like setting that combines nature and human activities in a lush hilly area, the Tokushima Wajiki Factory of Otsuka Pharmaceutical carries out eco-friendly production. It also actively participates in local nature conservation activities, and is involved in the Acorn Tree Project of the Tokushima Prefecture Government South District Administration Bureau. The project involves raising 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, the Okayama Plant of Taiho Pharmaceutical uses eco-friendly wastewater treatment methods to purify cooling and cleaning water generated from manufacturing. This enables the plant to discharge the treated water into the sea in a condition that is 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. They look for food along the water's edge, and the habitat also attracts insects and birds.

The treated wastewater that flows through this 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 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



## Biotope Visitors and Inhabitants



Taiho Pharmaceutical: Promenade at the Kitajima Plant is open to the community



Sculpture in the garden of Tokushima Wajiki Factory

### Maintaining Factory Grounds as Parks

There is no fence surrounding the Tokushima Wajiki Factory of Otsuka Pharmaceutical, and its 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 far as possible.

Otsuka Pharmaceutical's Fukuroi Factory is also committed to maintaining and managing its green spaces in an environmentally friendly way, and the employees regularly weed the beautiful lawn in order to protect it. The factory also actively participates in community environmental conservation activities, such as a project to regenerate a pine forest in the city of Fukuroi, and one to fill planters on the city streets. In recognition of its environmental conservation activities and in cooperation with the local community, the Fukuroi Factory received the Fiscal 2011 METI Minister Awards for Factories Making an Outstanding Contribution to the Environment—Toward factories beautified with greenery.

Otsuka Pharmaceutical



"Exciting Summer in Wajiki 2013" concert

### Participating in the Community

With the cooperation of local residents, the factories of the Otsuka Group hold various events for community revitalization. Every year, together with Otsuka Techno and the local government, the Tokushima Wajiki Factory of Otsuka Pharmaceutical plans and holds an outdoor concert, "Exciting Summer in Wajiki," to coincide with the popular Awa Dance Festival in Tokushima.

The annual concert has been held since 1990, and 2013 marked the 24th year. Otsuka Pharmaceutical's Tokushima 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 in its grounds, which is open during plant operating hours to local residents, as a place for relaxation and contemplation. In the event of a natural disaster such as an earthquake, a part of the grounds is designated as a temporary shelter for local residents, and a disaster management agreement has been signed with the local government.

Otsuka Pharmaceutical, Taiho Pharmaceutical, Otsuka Techno

### Column



Building constructed with rice straw in the walls

### Rice Straw Building Construction at Ridge Vineyards

Ridge Vineyards is a prestigious winery in the United States and a member of the Otsuka Group. The company used rice straw for the construction of its warehouse and office, with the aim of creating a winery that is friendly with the global environment. Rice straw can be recycled as fertilizer, but it does not break down quickly in the soil and leaves residual material. However, when rice straw is formed into rectangular bales, it can be used as a building material. Thanks to the natural insulating properties of rice straw, the winery's warehouse maintains the optimal temperature for wine storage, and the company was able to reuse a waste material. The winery also installed 400 solar panels on the roof, and intends to save energy by using the panels to supply about 40% of its electrical needs.

Ridge Vineyards



## 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



East Asia Environmental Council Meeting

### Otsuka Group Environmental Promotion Council

In 2003, the Otsuka Group held a meeting to exchange information on environmental conservation initiatives. It was attended by environmental and ISO managers from Group companies in the Tokushima area, where much of the production takes place. Today, the Otsuka Group Environmental Promotion 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 works to improve the skills of environmental managers and other personnel. This is done through subcommittee activities and workshops by outside guest lecturers.

Otsuka Group

### Environmental Communication Outside Japan

Otsuka Pharmaceutical held its East Asia Environmental Council meeting at the Tianjin Factory China Otsuka Pharmaceutical. It was attended by 13 Group production companies in the East Asia region. A lecture was given by a guest speaker, and case studies were presented by the participating companies. In addition to exchanging practical information on the topics of waste management and energy conservation, the council was able to confirm the overall direction of the Group's environmental activities in East Asia. At its global production meetings, Otsuka Chemical also creates opportunities to share information relating to environmental conservation as well as health and safety.

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

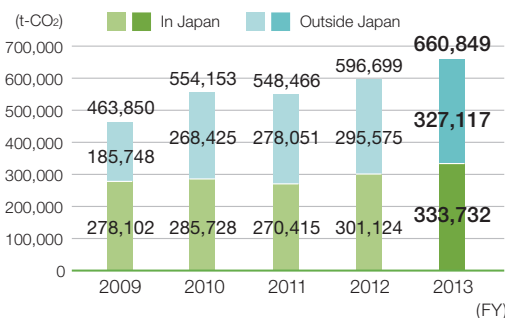
## Combating Climate Change and Conserving Energy

In 2013, the 11 Group companies in Japan used the energy equivalent of 333,732 tons of CO<sub>2</sub> emissions through their business activities. The 25 Group companies outside Japan\*<sup>1</sup> used the energy equivalent of 327,117 tons of CO<sub>2</sub> emissions. Due to the expansion of business outside Japan and changes in the CO<sub>2</sub> emission coefficient of electricity in Japan (about 10 percent increased), CO<sub>2</sub> emissions increased 10.8% year-on-year.

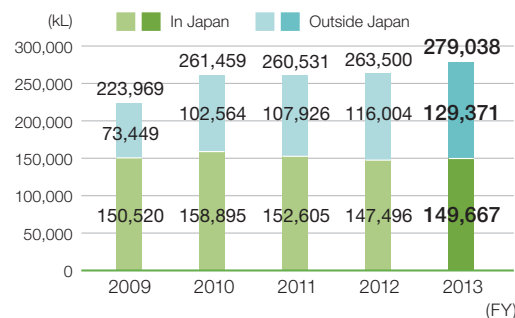
The startup of a new factory in the United States (Pharmavite's factory in Opelika, Alabama), and a new Taiho Pharmaceutical factory in Japan also made a big impact. A lot of heat is required in production

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, the number of specified consigners\*<sup>2</sup> within the Group was reduced from five to four, due to the transfer of Oronamin C business within the Group, starting in 2013. As a result of efforts to improve delivery efficiency using transportation modal shift measures and joint delivery, energy consumption per ton-kilometer\*<sup>3</sup> fell by 3.1% year-on-year.

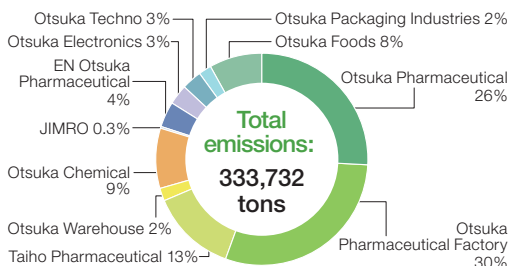
### Total CO<sub>2</sub> Emissions (Energy-related)



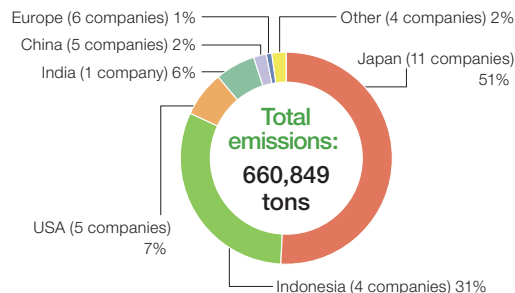
### Energy Usage (Crude-oil equivalent)



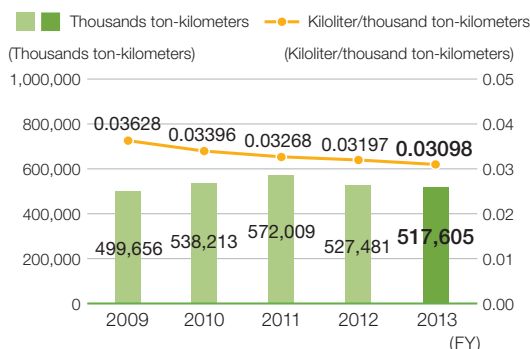
### CO<sub>2</sub> Emissions by Company in FY2013 (in Japan)



### Otsuka Group CO<sub>2</sub> Emissions by Country in FY2013 (Worldwide)



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



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

\*2: Four Specified Consigners of Otsuka Group companies (as defined by Japanese Law): Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, and Otsuka Foods.

\*3: Energy consumption per ton-kilometer = Energy consumption (kiloliters) / ton-kilometers. A ton-kilometer is a unit that expresses freight volume. For example, one ton of cargo transported one kilometer equals one ton-kilometer.

## Environment

# Environmental Performance Data

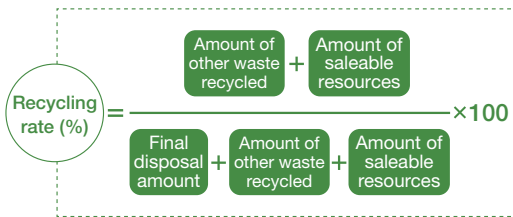
2013 recycling rate for 20 Group companies outside Japan

# 79.6%

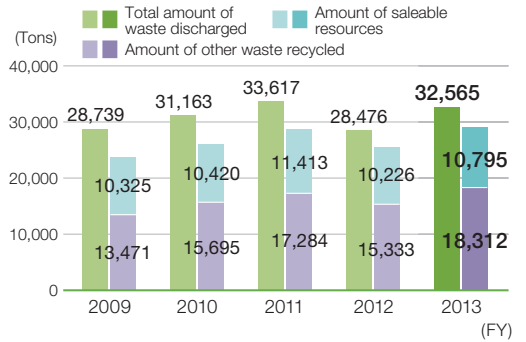
The Otsuka Group has begun ascertaining the waste management situation at its companies outside Japan. In 2013, 20 consolidated subsidiaries outside Japan emitted 16,357 tons of waste. They had a recycling rate of 79.6%, and a final disposal amount of 1,590 tons.

### Reducing Waste

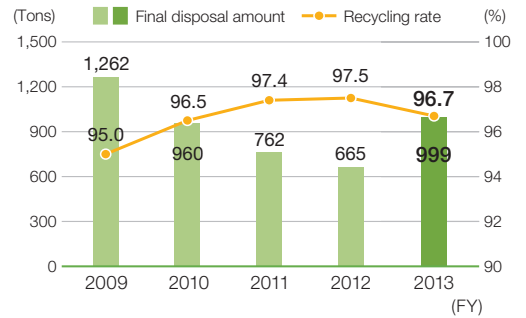
In 2013, the 11 Group companies in Japan discharged 32,565 tons of waste from business activities, an increase of 14.4% year-on-year. This was due to the replacement of equipment required to handle increases in production volume and trial products. The recycling rate was 96.7%, as a result of reuse and recycling initiatives. However, the final disposal amount was 999 tons, up 50.2% year-on-year. Each factory will continue robust 3R (reduce, reuse, and recycle) initiatives with the aim of achieving zero emissions.



### Total Waste Discharge and Recycling



### Recycling Rate and Final Disposal Amount

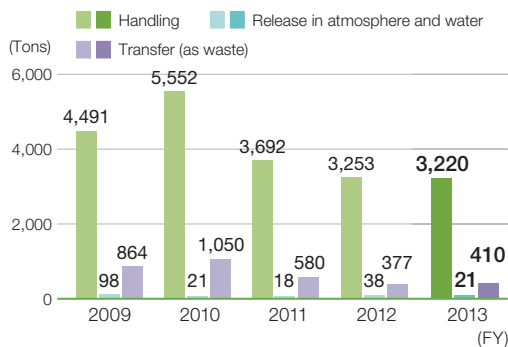


\* Pollutant release and transfer registers (PRTRs). There are presently 462 substances designated under Japan's PRTR system.

### PRTR Substances

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

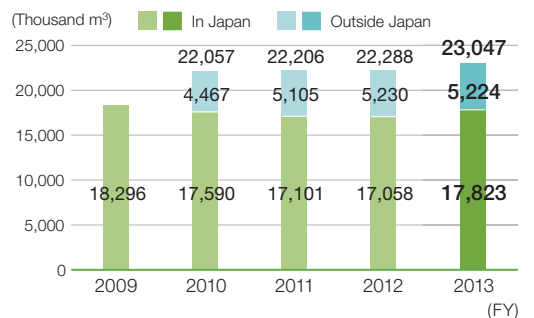
### Handling, Release, and Transfer of PRTR Substances



### Water Usage

In 2013, the 11 Group companies in Japan used 17.823 million m<sup>3</sup> of water in business activities. Outside Japan, 25 Group companies used 5.224 million m<sup>3</sup> of water, resulting in worldwide use of 23.047 million m<sup>3</sup>. The Otsuka Group will strive to reduce its consumption of finite resources, based on usage analysis and comparisons between Group companies.

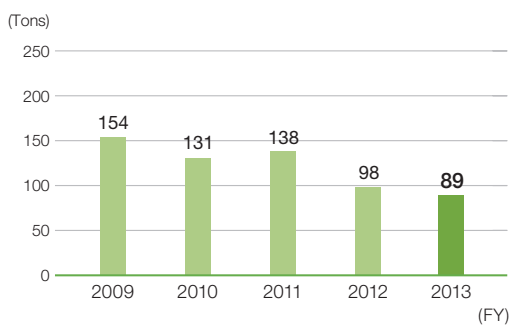
### Water Usage by Group Companies



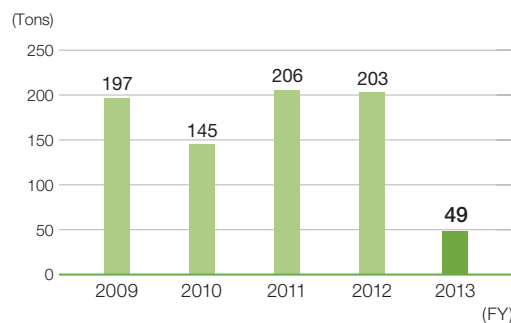
### Preventing Air Pollution

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 11 Group companies in Japan. The decline in nitrogen oxide (NOx) emissions for these companies was due to changes in incinerator operation.

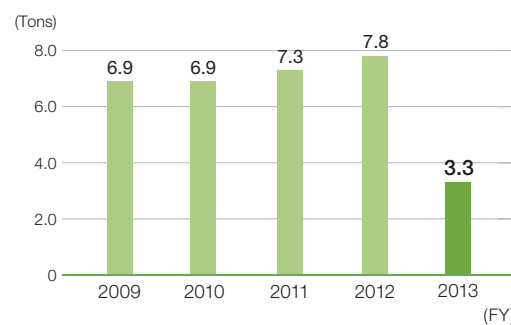
#### NOx Emissions



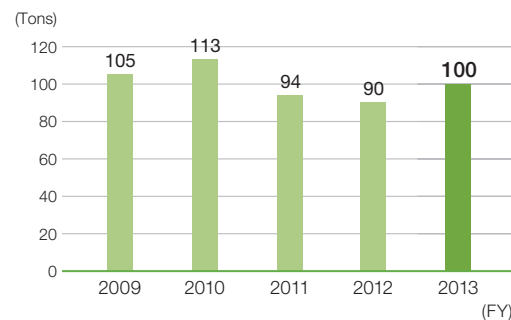
#### SOx Emissions



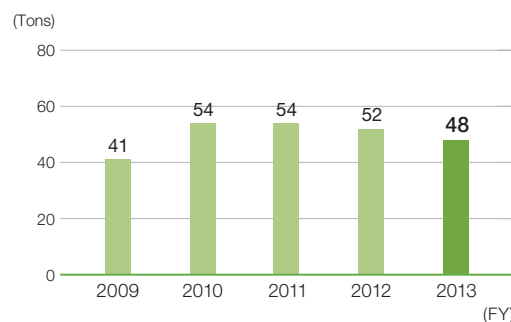
#### Dust and Soot Emissions



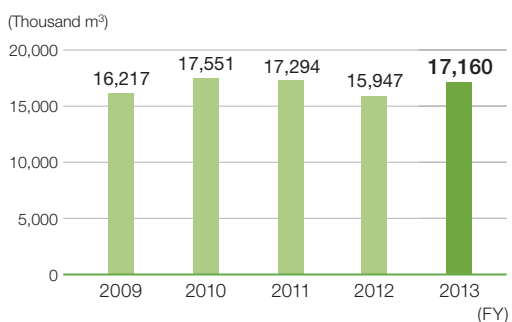
#### Chemical Oxygen Demand



#### Suspended Solid Emissions



#### Total Wastewater



2013 total wastewater volume for 20 Group companies outside Japan

**2.526 million m<sup>3</sup>**

The Otsuka Group has begun ascertaining the wastewater management situation at its companies outside Japan. In 2013, the total wastewater volume for 20 consolidated subsidiaries outside Japan was 2.526 million m<sup>3</sup>.

### Preventing Water Pollution

The total volumes of wastewater, chemical oxygen demand, and suspended solid emissions for the 11 Group companies in Japan are shown here.

## Environment

# Eco-Friendly Products

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



### Lighter Bottles

The Otsuka Group has been making lighter containers for many of its products. 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. The preforms are then inflated to make the bottles. Otsuka Foods also reduced the weight of bottles for its carbonated vitamin beverage, MATCH. The company is working to reduce raw material consumption and CO<sub>2</sub> emissions from manufacturing and disposal.

The Otsuka Group is striving to cut the amount of energy used in production processes, along with fuel used for transportation. In addition to reducing the thickness of its labels, the company adopted a wrap-around label process that does not require heat. Taiho Pharmaceutical has introduced lighter glass bottles over the years for its Tiovita Drink, through the use of technology to strengthen the bottles and compensate for the reduced weight. Through innovation in shape design to make plastic products thinner, Otsuka Techno is also promoting efforts to reduce product weight.

Otsuka Pharmaceutical, Otsuka Foods, Taiho Pharmaceutical and Otsuka Techno

### Lighter and Smaller Packaging

In addition to lighter products, the Otsuka Group is working to reduce packaging material such as cardboard. Starting in April 2013, lightweight paper was adopted to make cardboard cases for beverage bottles and cans. By making the cases smaller to fit the shape of the products, the Group is helping to reduce paper consumption and lessen environmental impact. Otsuka Packaging Industries developed a pop display unit that

can be reused to showcase different products, thereby employing resources more effectively and reducing waste. Since the new POP display can hold multiple products by simply adjusting the internal partitions, it eliminates the need to fabricate customized counter displays for each new product or package design, while also improving efficiency in the stores.

Otsuka Group



Otsuka Pharmaceutical Factory: Products that result in less waste

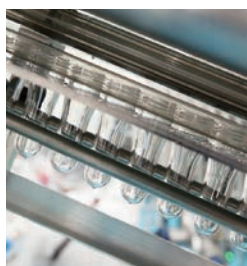
### Product Development that Improves Customer Convenience and Reduces Waste

In order to reduce medical waste, Otsuka Pharmaceutical Factory has developed ELNEOPA No. 1 and ELNEOPA No. 2 injection solutions featuring the first-ever quad-chamber kit formulation bags containing glucose, electrolytes, and amino acids with vitamins and trace elements. Compared to conventional injection solutions that require a combination of products, the new quad-chamber bags help reduce waste such as containers and needles, while lessening the environmental impact.

Otsuka Pharmaceutical has developed an inhaler for respiratory therapy that is more compact and does not contain propellants that are harmful to the environment. This has reduced the amount of disposal waste, while also being more convenient for patients.

In the area of in-vitro diagnostic kits, the company has developed products with improved usability to reduce the workload in medical labs. By also reducing kit contents, medical waste has been reduced, and the shorter testing time means a reduction in energy use.

Otsuka Group



Manufacturing preforms that are inflated to make plastic bottles



Otsuka Pharmaceutical: Meptin Swinghaler (top) and WT1 mRNA Assay Kit II 'Otsuka' (bottom)





Otsuka Group Consolidated CSR website >> <http://otsuka.csrportal.jp/en>

▶ **Chemcatch** Otsuka Chemical

**VOICE**



**Aiming to Reduce CO<sub>2</sub> Emissions**

**Kwon Sung-Won**

Quality Management Office,  
Production Division  
Dong-A Otsuka Co., Ltd.

I was in charge of obtaining low CO<sub>2</sub> emissions certification for Pocari Sweat, as the first of its kind for an ion beverage in South Korea. The project reminded me of the importance of reducing the use of electricity, fuel, and water in production processes, while maintaining cooperative relationships with ingredient manufacturers for CO<sub>2</sub> emissions reduction. I would like to continue looking for systematic ways to reduce energy use and help protect the environment.



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**

Dong-A Otsuka, which manufactures and sells beverages such as Pocari Sweat in South Korea, is reducing and labeling CO<sub>2</sub> emissions generated by its products, based on life cycle assessment (LCA).<sup>\*1</sup> When the company reduced the weight of its 500 ml plastic bottles used for Pocari Sweat in South Korea in 2010, it decided to indicate the carbon footprint (CFP)<sup>\*2</sup> level on the product labels. It then obtained a Carbon Emissions Certificate for CO<sub>2</sub> emissions reduction for its 500 ml and 1.5 liter bottles and added the Low-Carbon Product Certificate logo to the labels, creating Korea's first certified low-carbon ion beverage.

In 2013, the company launched a campaign to encourage customers to remove the labels from its plastic beverage bottles for recycling. The information was printed on the inside of a label with a perforated line for easy removal, a first in South Korea. In 2014, the effort was greatly expanded with the launch of a Blue Label Campaign for global environmental protection. Compared to the same period in the previous year, the number of participants increased by a factor of 13 or more. Dong-A Otsuka will continue to promote the environmental awareness of consumers, while striving to reduce product CO<sub>2</sub> emissions.

Dong-A Otsuka



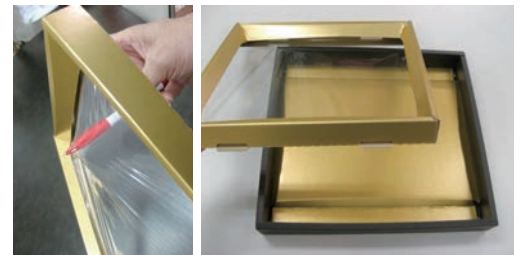
Recycling campaign information inside the label

<sup>\*1</sup>: Life cycle assessment: An environmental impact assessment for products that covers all processes from manufacturing and distribution, to use and disposal.  
<sup>\*2</sup>: Carbon footprint of products: Indicator, often displayed on the product label, of the CO<sub>2</sub> emitted throughout the life cycle of a product, from the extraction of natural resources to disposal and recycling.

These are sold in France and throughout Europe as well as in Japan. The company implements its own eco-design charter to ensure that environmental impact is considered at all stages, from product development and ingredients procurement, to manufacturing, packaging materials design, and product transport. As palm oil is used as an ingredient in biscuits and other products, the company participates in the Roundtable on Sustainable Palm Oil (RSPO). The company is seeking to ensure that its own facilities and those of suppliers use RSPO-certified oil for Nutrition & Sante products.



Nutrition & Sante



Otsuka Packaging Industries: Packaging that does not require extra cushioning material

**Developing Environmental Packaging**

Otsuka Packaging Industries is reducing the consumption of raw materials while also developing recyclable packaging materials. Packaging is being created that provides sufficient protection without using cushioning materials. It has developed cardboard shipping boxes that are self-sealing and do not require additional items such as wrapping paper, sealing stickers, shrink wrap film or tape. The new packaging solutions also simplify separation for disposal, by using a single material.

The company is reducing paper consumption by redesigning paper and cardboard shipping boxes so that the contents are protected without needing to use additional internal partition pieces. Moreover, it is actively making food trays and paper trays made from biomass materials.

Otsuka Packaging Industries

**Ecodesign and Sustainable Ingredients**

Nutrition & Sante SAS is based in southern France and true to its name ("sante" means "health"), makes health and nutritional foods such as biscuits and chocolate bars as well as soy products and powdered beverages.

## Environment

# Low Carbon Neutral Initiatives

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.



Otsuka Pharmaceutical Factory: Kushiro Factory

### VOICE



#### Eco-Friendly Production

**Nanang Sugiantoro**  
Engineering Manufacturing,  
Sukabumi Factory,  
P.T. Amerta Indah Otsuka

We decided to produce Pocari Sweat with an aseptic filling system. Because the grid has frequent power cuts, we decided to install a cogeneration system. It also has environmental benefits because it can provide steam from its waste heat recovery boiler. Initially we had problems with the breaker tripping frequently, but we have now optimized the system and greatly reduced this problem.



Amerta Indah Otsuka: Kejayan Plant

#### Initiatives on the Production Floor

In Tokushima Prefecture, where many of the Otsuka Group production facilities are located, electricity is produced using cogeneration systems, in order to operate facilities with a low environmental impact. The Tokushima Factory of Otsuka Chemical has a gas turbine cogeneration system that uses municipal natural gas. The Matsushige Factory of Otsuka Pharmaceutical Factory has a cogeneration system using liquefied natural gas (LNG). By supplying half the power needed by these facilities, the systems have reduced CO<sub>2</sub> 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.

Efforts to reduce CO<sub>2</sub> emissions are also underway through fuel conversion. At the Kushiro Factory at Otsuka Pharmaceutical Factory, the old water-tube boiler was replaced and updated with a once-through boiler in December 2013, by converting from C heavy oil to LNG. China Otsuka Pharmaceutical, which manufactures and sells I.V. solutions in the northern Chinese province of Tianjin, converted its coal boiler to natural gas in order to reduce its impact on the atmosphere. This significantly reduced CO<sub>2</sub> and air pollutant emissions. Guangdong Otsuka Pharmaceutical, which makes I.V. solutions in southern China, switched from heavy oil to natural gas, while Otsuka Sims (Guangdong) Beverage, a maker of Pocari Sweat, converted from heavy oil to light oil. Both plants have reduced their impact on the atmosphere as a result.

From July to September, the factories and research centers of the Otsuka Group in Japan adopt "reverse summer time" and start work one hour later than usual to reduce electrical consumption during peak demand hours. Other environmental ideas such as encouraging

Group employees to become eco-commuters by walking or cycling have also been successful.

Otsuka Group



Ridge Vineyards: Lytton Springs



Otsuka Warehouse: Imagire No. 5 Warehouse



EN Otsuka Pharmaceutical: Hanamaki Factory



Otsuka Techno: Naruto Head Office

#### Clean Energy Use

Through the installation of solar power generation systems and the use of clean energy, the Otsuka Group is working to reduce CO<sub>2</sub> emissions.

Otsuka Group



Otsuka Group Consolidated CSR website >> <http://otsuka.csrportal.jp/en>

- ▶ Combining electricity from the public grid and private generators Otsuka Foods
- ▶ Upgrading the transformer of the factory to high-efficiency models Otsuka Foods
- ▶ Goya shade curtains and energy conservation measures Taiho Pharmaceutical



Otsuka Pharmaceutical: Eco-car



Otsuka Warehouse: Choosing ocean transport

### Initiatives in the Office

The Otsuka Group's office energy-saving activities are focused on energy efficiency improvement and saving fuel in vehicles used for business activities. Group companies that use business vehicles are actively converting them to eco-cars such as hybrid and other fuel-efficient vehicles. The fiscal 2013 eco-car usage rate was 67% at Otsuka Pharmaceutical, 74% at Otsuka Pharmaceutical Factory, 75% at Taiho Pharmaceutical, and 92% at EN Otsuka pharmaceutical. With thorough participation in the national Cool Biz and Warm Biz campaigns for season-appropriate work attire, and by enabling the monitoring of electrical consumption in real time, the Otsuka Group is striving to improve the energy-saving awareness of employees. The Group is actively implementing other measures such as energy audits by third parties, in order to identify issues and promote appropriate energy-saving measures. Otsuka Pharmaceutical has expanded the scope of its ISO 14001 certification, which had been limited primarily to production departments. It aims to expand the scope to offices certified by 2015. The company has also started using FSC-certified paper\* to print company profiles and product pamphlets, in addition to using green purchasing for office supplies. Otsuka Pharmaceutical has implemented a variety of other environmental activities including conversion to LED lighting, updating heat sources for air conditioning systems, and reducing energy consumption by establishing no-overtime days once a week.

Otsuka Group

### Reducing CO<sub>2</sub> Emissions from Logistics

The Otsuka Group is endeavoring to reduce the environmental impact of its logistics activities, through a modal shift from trucking to sea and rail transport. Otsuka Pharmaceutical, which distributes beverages and other products across Japan, is promoting a modal shift from road to rail and ocean transport, which allows large quantities to be shipped while generating less CO<sub>2</sub> emissions. In 2013, the company began using Eco Liner containers that can be directly transferred from trucks to rail transport, while also increasing its use of marine transport. Future plans include greater use of rail transport for medium as well as long distances.

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. The Group is working to convert its forklifts from high-emission diesel-powered models to those that run on electricity or liquefied petroleum gas (LPG). At Otsuka Warehouse, which operates many forklifts, low-emission models comprised 99% of the fleet in 2013.

Moreover, when sending packages to suppliers or transferring documents between offices, the Otsuka Group is switching to delivery companies that use eco-vehicles such as bicycles or electric cars. Through these kinds of daily initiatives the Group is striving to reduce its environmental impact.

Otsuka Group

\* Paper made from wood that has been harvested in a sustainable manner and certified by the Forest Stewardship Council (FSC), an independent international organization.



Otsuka Group Consolidated CSR website >> <http://otsuka.csrportal.jp/en>

- ▶ Improving Wastewater Treatment and Equipment Otsuka Pharmaceutical Factory
- ▶ Collaborating in Recycling Used Cooking Oil Otsuka Techno/Taiho Pharmaceutical

## 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: Fukuroi Factory



Otsuka Pharmaceutical Factory: Recycled pellets

### VOICE



#### Working on Waste Reduction

**Kazuhiro Onishi**  
Environment Management,  
Plant General Affairs,  
Taiho Pharmaceutical Co., Ltd.

At Taiho Pharmaceutical, we continue to promote active efforts for environmental conservation and impact reduction in all our business activities. Last year, in order to make effective use of resources and reduce waste, the Environment Management Section established a system for collecting, sorting, and reusing approximately 1,000 document binders, which were previously thrown out. We are also recycling waste, and the Tokushima Plant has achieved zero emissions status.

#### Zero Emission Initiatives

The Otsuka Group is promoting a range of efforts to reduce waste in its factories and offices. In the pharmaceuticals and chemicals businesses, the Otsuka Group recycles solid and liquid waste generated during manufacturing as raw materials for making cement, while also using waste heat to generate electricity. At Otsuka Pharmaceutical's Second Tokushima Factory, about 250 tons of liquid waste was being generated annually from the manufacture of active pharmaceutical ingredients. This material is now being utilized to make electricity using thermal recycling.\*<sup>1</sup> Meanwhile, Otsuka Techno is working to reduce its raw material consumption through the use of recycled materials and the complete recycling of waste plastic. These efforts began with a move to become certified by Tokushima Prefecture as 3R (reduce, reuse, and recycle) business locations that implement 3R practices. The certification was obtained by Otsuka Group plants in this prefecture, specifically those of Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Otsuka Chemical, and Otsuka Techno.

In the food business, the Otsuka Group makes effective use of food waste as animal feed and fertilizer. The waste syrup generated from manufacturing processes is used as a biomass energy source, which helps to reduce waste and save energy. Plastic bands from packaging were previously used in thermal recycling. Now a system has been created that utilizes them to make recycled plastic, a more efficient way to recycle this resource.

By actively advancing these initiatives, 22 out of the 32 factories belonging to the 11 Group companies in Japan achieved zero emissions, a rate of 69%. The Group will remain united in the promotion of these efforts.

\*1: Recovering and utilizing the energy generated during the incineration of waste

\*2: Excess plastic shaved from the edges of products in manufacturing

#### Aiming to Recycle Resources Based on the Three Rs

Through efforts to reduce, reuse, and recycle (3R), the Otsuka Group is helping to build a recycling-oriented society. As part of measures to reduce waste, the Otsuka Group has developed an eco-bottle that cuts the amount of raw materials needed to make plastic beverage bottles. It has also switched to equipment that minimizes developer waste in the printing process for packaging, thereby reducing the volume of alkaline waste liquids produced. In addition, printers with reduced emissions have been installed.

As part of initiatives to reuse resources, the Group has devised ways to reuse cooling water, wastewater, and waste heat at its plants. 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.\*<sup>2</sup> The scrap is used to manufacture and then sell recycled pellets, which were certified in March 2013 by Tokushima Prefecture as a high-quality recycled material. Efforts are also being made to use the pellets within the Group, such as a material to make squeeze bottles. Moreover, waste cooking oil is collected from Group cafeterias and brought in by employees from home for recycling into biodiesel, a fuel for trucks.

The Group is promoting a variety of other resource recycling initiatives, such as using recycled plastic bottles to make factory uniforms and mats.

Otsuka Group

Otsuka Group

# 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 safety and quality of our products.

### Quality and Safety Control

The Otsuka Group applies strict quality control to the medical devices, pharmaceuticals, foods, and packaging that it produces. We adhere to regulatory requirements and conform to government and industry standards such as the Pharmaceutical Affairs Law and the Food Sanitation Act. We have also acquired international certifications such as ISO 9001, ISO 13485, and ISO 22000, and we formulate internal quality policies and establish our own quality assurance systems that encompass quality policies, quality management systems, codes of conduct, and traceability systems. These efforts are aimed at securing the safety of our products, while maintaining quality and securing continuous improvement.

In order to thoroughly control product quality, the Otsuka Group has established a product maintenance and service system to provide after-sales follow-up.

At the Otsuka Group, managers and staff involved with production and quality assurance meet once a year to discuss ways to further strengthen the quality assurance structure as part of our focus on delivering reliable products that customers can trust are safe. The meeting held in 2014 examined specific examples of quality control in the past and addressed the best responses and the most appropriate controls in these cases in order to formulate better practices for the future. Standardizing quality assurance at all Otsuka Group companies around the world in this way is part

of our focus on improving product quality and working to earn the trust of customers across the globe.

### Listening to Customers

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

Otsuka Pharmaceutical has established the Drug Information Center to respond to questions from patients and medical practitioners about pharmaceuticals and provide 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 Desk responds to inquiries about functional foods and beverages. Desk staff provide careful and detailed instructions that are easy for customers to understand.

Information regarding the safety and quality of any product 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. To ensure that someone is available at all times to answer inquiries and concerns, even outside of business hours or during the night, the Otsuka Group has established a Telephone Service Center as part of a structure that allows us to respond whenever necessary to customer feedback.

### Quality Control at the Otsuka Group

Regulatory Compliance, Government and Industry Standards	Certification	Otsuka Group Policies and Schemes
<p><b>Pharmaceutical Affairs Law</b> Legislation aimed at securing the quality, effectiveness, and safety of pharmaceuticals, quasi drugs, cosmetics and medical devices</p> <p><b>GLP</b> Standards for securing the reliability of non-clinical testing for safety</p> <p><b>GMP</b> National standards for manufacturing control and quality control of pharmaceuticals and quasi drugs</p> <p><b>QMS</b> National standards for manufacturing control and quality control of medical devices and external-use diagnostic pharmaceutical products</p> <p><b>GQP</b> National standards for quality control</p> <p><b>GVP</b> National standards for post-manufacture, post-marketing safety management</p> <p><b>Food Sanitation Act</b> Law to ensure safety by establishing principles for standards, labels, and inspections for food, additives, and other substances</p>	<p><b>ISO 9001</b> Standard for establishing and achieving continuous improvement of quality control systems for products and services</p> <p><b>ISO 13485</b> Standard for quality management systems in the medical industry, for the safe and effective continuous manufacturing and supply of medical devices</p> <p><b>ISO 22000</b> Standard for food safety management systems (FSMS) to safely supply food to consumers</p> <p><b>Hazard Analysis Critical Control Point (HACCP)</b> 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>



### Improvements in Manufacturing

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

Otsuka Chemical and Zhangjiagang Otsuka Chemical (factory in China) implement an equipment maintenance system that allows for the sharing of equipment maintenance information (number of failures, maintenance expenditure, operations outage hours, total production opportunity losses, etc.) and quantitative assessment of the results of maintenance work. Additionally, employees are able to use iPads and other portable devices to access both written instructions and graphic information such as photos and illustrations, significantly clarifying the methods that are to be used. The use of this system and structural improvements have helped the Otsuka Group to lower the rate of equipment breakdowns and to reduce production shutdowns, which has improved operational and production stability.

The Otsuka Group stores reagents, some of which are toxic, in locked storage areas strictly managed 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 Pharmaceutical Factory: Separate chambers created by partitions are filled with multiple solutions. This design allows multiple solutions to be easily and safely mixed when the outside of the soft bag is pressed to open the partitions. (Photo of quad-chamber bag for 1500 ml ELNEOPA Solution No. 2)



Taiho Pharmaceutical: TS-1 granule formulation

### Improving Our Products

Otsuka Pharmaceutical Factory developed a formulation that incorporates multiple nutrients into a single product. The mixing and processing of these solutions in the hospital or doctor's office have in the past required sterile conditions, and this formulation eliminates the need to sterilize the environment. The risk of medical accidents caused by misidentification of solutions and failure to properly sterilize the environment is

also reduced, which helps increase patient safety and makes it more convenient for medical practitioners to administer the solution.

Taiho Pharmaceutical adopted stick packaging and a universal design rarely used in pharmaceuticals to make it easier for patients to ingest the TS-1 anticancer agent granule formulation. In addition, the product features enlarged letters to prevent ingestion by mistake and is the first prescription drug in Japan to incorporate a pictogram to make it clear that the agent must be stored out of the reach of children. The company also developed a resealable aluminum storage pouch for separating the medicine from other products as one more way of preventing accidental ingestion by mixing.



Otsuka Chemical: Building a structure for global quality assurance

### Sharing Quality Data Internally

The Otsuka Group suitably manages quality information to improve quality and processes, in order to reduce quality risks and enhance quality. In order to accelerate response time and facilitate internal development, the Otsuka Group uses an internal network database to consolidate the management of customer information, including requests and inquiries from customers, and information on quality, including information related to process and materials. The Group addresses customer complaints and procedural abnormalities and trouble using tools to investigate the source of the problem and then it takes corrective and preventive action (CAPA). This information is shared immediately with the staff responsible and those involved in the procedures in question in order to ensure smooth coordination with other departments and factories and a faster Group response.



Otsuka Group Consolidated CSR website >> <http://otsuka.csrportal.jp/en>

- ▶ Framework for Supporting Global Marketing Activities Taiho Pharmaceutical
- ▶ Organizational Structure Based on Pharmaceutical Affairs Law Otsuka Electronics

## 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 works 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.

### Internal Control

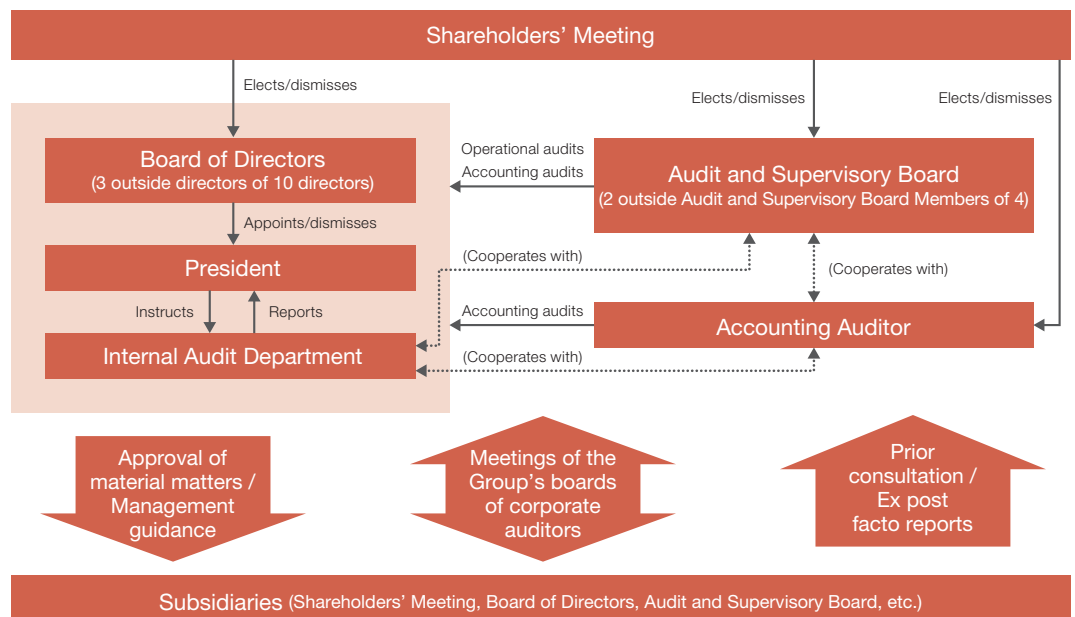
To facilitate internal control over financial reporting, the Otsuka Group has established an Internal Control Department at each of its group companies. These departments prepare specified procedures and manuals related to internal control and inform and educate employees on rules of operation. At the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

### Board of Directors

Otsuka Holdings uses a system of corporate officers that clearly separates the roles of directors—who make management decisions and supervise their execution—and corporate officers responsible for executing the business. This system ensures the efficiency and transparency of management together with rapid business execution. The holding company structure and system of corporate officers allows the Otsuka Group 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.

### ■ Audit Frameworks of Otsuka Holdings





## Quality

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 prepare to continue safe operations even at times of disaster or emergency.

# Risk Management



Otsuka Foods: Emergency supplies for disasters

## Business Continuity Plans for Disasters and Emergencies

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 supplies of the 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 the effectiveness of the Otsuka framework for ensuring that the production and supply of pharmaceutical-related products continue uninterrupted or are quickly restored in emergency circumstances. In April 2014, this certification was expanded to cover the production and supply of nutraceuticals, as well.

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

\*2: Otsuka Warehouse

with local communities to strengthen disaster prevention initiatives and conducting drills, including joint drills between the Head Office and Disaster Countermeasure Headquarters. The Group conducts drills of its safety verification system, as well. This system is designed to confirm that employees and their families are safe after disaster strikes so that the Group can respond immediately with the appropriate action.

The Otsuka Group also stores supplies of water, food, blankets and other necessities at Otsuka offices, and the Group regularly reviews lists of nearby hospitals.

## Information Management System

The Otsuka Group has acquired PrivacyMark System\*<sup>1</sup> accreditation and Information Security Management System (ISMS) certification\*<sup>2</sup> for the protection of its customers' valuable personal information. In addition, we have designated persons in charge, managers, and responsible officials to manage personal information under the Group's information protection management system. In order to formulate and implement comprehensive information security measures for the entire Otsuka Group, information system managers and information security department managers meet once every three months to address the issue of systematic protection of confidentiality.



Otsuka Techno: Disaster Prevention Training/Earthquake Training

## Risk Management Drills/ Disaster Prevention Training

The Otsuka Group conducts regular drills and disaster prevention training. In fiscal 2013, the Group prepared for the predicted Tonankai earthquake, while working

## Partnerships

Recognizing the importance of working with business partners to implement sustainability initiatives, the Otsuka Group is committed to socially responsible business throughout the entire value chain, including business partners. Broadly, these initiatives encompass compliance, information security, environmental initiatives, and safety and security initiatives.

The selection of business partners is based on careful investigation and inspection by the Otsuka Group to verify the quality of the candidate's products and the stability of raw material supplies. As security export control becomes increasingly important, the Otsuka Group works to ensure total legal compliance in all matters and comprehensive education on compliance issues among employees.

Quality

# Compliance

The Otsuka Group maintains an organizational framework within a corporate climate that is both designed to ensure that all employees have a comprehensive understanding of, and act in strict compliance with, the highest ethical standards, including compliance with laws, regulations and bioethics.



Otsuka Pharmaceutical Factory: Ethics forum



Otsuka Pharmaceutical Factory: Compliance education tools

VOICE



### Creating a Global Legal Affairs Structure

**Chen Yingying**  
 Manager, Legal Department  
 Otsuka (China) Investment Co., Ltd.

In February 2014, in Shanghai we held a meeting of Chinese legal affairs officers from the business departments of Otsuka Group companies in China hosted by Otsuka (China) Investment. One goal of this meeting was to accelerate the development of a legal affairs support structure in China. I expect that the mutually supportive relationships forged among legal affairs officers from these different companies will help to raise the professional expertise of legal affairs officers and increase the quality of our daily activities.

\*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)

### Compliance Approaches

We implement the Otsuka Group Global Code of Business Ethics in line with our corporate philosophy. Our Group companies each have their own compliance programs based on this code of ethics, utilizing management frameworks, consultation desks, forums, and conferences to ensure that all employees are thoroughly educated on regulatory and ethical compliance. In addition, Group companies that work with pharmaceuticals\*<sup>1</sup> follow the Prescription Drug Promotion Code, which is a code of behavior for healthcare professionals, and have formulated their own Code of Practice. Otsuka Group companies work to forge relationships of mutual trust with medical practitioners, as well as with all of our stakeholders, to foster appropriate collaboration on compliance issues.

Since 2009, the Otsuka Group has held region-specific international meetings of legal officers at Group companies worldwide to address the Group's global legal affairs framework. In fiscal 2013, meetings were held in Europe and China. In addition, the Otsuka Group responded to the change in the U.S. on August 1, 2013 (the U.S. Sunshine Act\*<sup>2</sup>) requiring disclosure by pharmaceutical companies of such information as financial payments to medical institutions and other entities by updating the Group framework to ensure proper legal compliance in the U.S.

### Expanding Compliance Training and Programs

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

The Group actively incorporates e-learning systems, satellite broadcasts, social media and other training tools to make content interesting and find ingenious ways to impart this information so that employees fully understand the implications and practice compliance in matters that are not directly linked with day-to-day duties. Departmental schemes include the distribution of online materials and email magazines that support training, so that employees across the entire Group are trained to the highest ethical standards.

The Otsuka Group has established the Internal Report Consultation Office for the purpose of strengthening compliance management. This office allows employees to report issues related to compliance through a route other than the normal channels. In fiscal 2013, Taiho Pharmaceutical also 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 problems. The hotline is available not only to full-time employees, but to contract workers and temporary staff. 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.

# 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.



Otsuka Museum of Art

Culture

# Cleanup Activities

Otsuka Group companies are involved in clean-up activities in partnership with local communities. Activities are carried out by staff in its manufacturing operations, R&D centers, and sales offices.



Otsuka Pharmaceutical Factory: Volunteer cleanup activity



Taiho Pharmaceutical: Komatsu Beach cleanup



Korea Otsuka Pharmaceutical: Green campaign



Otsuka Techno: Releasing juvenile flounder after a beach cleanup

VOICE



Annual Environmental Conservation Campaign

**Chea Bong Ae**  
CP Deputy Manager,  
Management Support Department,  
Korea Otsuka Pharmaceutical Co., Ltd.

Korea Otsuka Pharmaceutical participates in local beautification activities once a year, as part of an environmental conservation campaign. In 2013, we carried out a cleanup in a mountain forest near the company. Along with being a good opportunity to think about environmental conservation, it was a meaningful experience that also provided some healthy exercise. We will continue to help protect the local environment through this kind of activity.

Contributing to Local Communities

The Otsuka Group is actively involved in efforts that contribute to local communities, including cleanup activities. The Otsuka Pharmaceutical Environmental Club was formed by interested employees. It conducts cleanup activities with local governments and residents four times a year, mainly on the Naruto coast of Tokushima Prefecture, the region where Otsuka originated. Volunteer employees from the Tokushima site of Taiho Pharmaceutical participated in the Komatsu Beach Cleanup Campaign, organized by the city of Tokushima. Employees of Otsuka Group companies also participated in a cleanup campaign held each year as part of a Global Eco Fair sponsored by the city of Takasaki in Gunma Prefecture. The employees picked up litter around Takasaki Station.

At the Inuyama Plant of Taiho Pharmaceutical in Aichi Prefecture, employees joined local residents in May 2013 for the Gomi Zero (Zero Trash) Cleanup Campaign, organized by the Gakuden Community Association in Inuyama City. In July and October 2013, employees from the Okayama Plant of Taiho Pharmaceutical, and members of their families participated in beach cleanups near the plant, followed by litter collection at a local sports complex in November. Volunteer cleanup efforts

were also carried out by employees from four plants of Otsuka Pharmaceutical Factory (Naruto, Kushiro, Matsushige, and Toyama). After putting up posters with photos to encourage as many volunteers as possible, 67 employees of the Toyama Plant performed a beach cleanup near the plant before the 2013 summer tourist season. Through these activities, the Otsuka Group is actively supporting environmental conservation activities while cooperating closely with local communities.

Outside Japan, 199 employees of Korea Otsuka Pharmaceutical participated in a cleanup event in April 2014, while hiking on Mt. Gwanak, in Seoul. The event not only reminded the participating employees of the importance of environmental conservation as they restored the natural beauty of the trail, but also helped to boost their physical and mental well-being.

Otsuka Group



Otsuka Pharmaceutical: Enshu Fireworks cleanup



Otsuka Techno: Adopt-a-River activity



Otsuka Packaging Industries: Otsuka Sports Park Pocari Sweat Stadium cleanup in Naruto



Otsuka Pharmaceutical: Gomi Zero cleanup day



EN Otsuka Pharmaceutical: Clean-up campaign around the Hanamaki Factory

### Supporting Local Events

The Fukuroi Factory of Otsuka Pharmaceutical is located next to Haranoya River Park, where one of the largest fireworks displays in Japan is held. After the event, employees participate in a cleanup. In 2013, together with several thousand volunteers including local residents and staff of other local companies, the Fukuroi Factory employees cleaned up the park and the neighborhood near the plant. In addition, 45 employee volunteers from Otsuka Packaging Industries took part in a cleanup at the Otsuka Sports Park Pocari Sweat Stadium in Naruto, which is the home field of the Tokushima Vortis, a J1 League professional soccer team. The company also supports other community events such as firework displays.

Otsuka Pharmaceutical, Otsuka Packaging Industries

### Environmental Beautification Near Factories

The Otsuka Group is promoting neighborhood beautification activities near its plants, with the aim of building good relationships with local communities. In the Wajiki district of Tokushima Prefecture, each year the Group engages in three environmental events for conservation of the nearby Naka River, including its basin and coastal estuary. In the Kawauchi district of Tokushima Prefecture, where many Group companies are located, employees and their families participate with local residents in the Gomi Zero (Zero Trash) Day, organized by the prefecture. Each year Group employees clean the streets near their workplaces, and new hires also participate as part of their training. The Group companies also actively participate in cleanup activities in the industrial parks where they are located, together with neighboring companies. In China, about 100 employees at the Lin'an Factory of Zhejiang Otsuka Pharmaceutical performed a cleanup in April 2014. They collected 600 kilograms of litter in and around the plant grounds.

Otsuka Group



Otsuka Group Consolidated CSR website >> <http://otsuka.csrportal.jp/en>

- ▶ **Disaster Prevention** Otsuka Group
- ▶ **Donating Blood** Otsuka Group
- ▶ **Ecocap Movement** Otsuka Group
- ▶ **Table for Two** Otsuka Pharmaceutical/JIMRO

## Culture

# Community Initiatives

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



Otsuka Welfare Clinic



Taiho Oncology: Participating in Toys for Tots

### 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. Treatment is provided free of charge to those who need it. In December 2013, on the 10th anniversary of the clinic's establishment, a local commemoration ceremony was held. Since the terrorist attacks on September 11, 2001 in the United States, and the subsequent operation in Afghanistan, 1.8 million Afghan refugees have poured into Pakistan. However, many of them were 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. The Otsuka Welfare Clinic was jointly set up by Otsuka Pharmaceutical and the 23 Group companies that operate in Asian and Arab countries. With the ongoing fighting in the region, approximately 150 people visit the clinic each day, and the total number 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. In 2011, Otsuka received a letter of appreciation from the Ambassador of Japan to Pakistan. The Otsuka Group will continue to provide support activities rooted in local communities in order to contribute to the health of people around the world.

Otsuka Group

### Donation and Disaster Relief Activities

Employees of Taiho Oncology in the United States participate in the Toys for Tots\* charity program. A collection box is set up in the office toward year-end, for the employees to make toy donations.

Through a foundation, Otsuka Pharma of Germany distributes food and donates hygiene products to those in need, and also participates in a Christmas campaign that provides gifts to sick children, as well as to orphans and street children in Eastern Europe. In addition, employees participate in a charity race, and carry out community support activities such as operating a beach soccer stadium for kindergarten students in Frankfurt.

The Otsuka Group is also working to help victims of natural disasters worldwide. In Indonesia, after recent disasters including the Aceh earthquake and the eruption of Mt. Sinabung on the island of Sumatra, the eruption of Mt. Kelud in East Java, as well as flooding in Manado, North Sulawesi and in Jakarta, the Group donated masks, blankets, nutritional supplements, and Pocari Sweat to victims. After the 2013 Bohol earthquake in the Philippines, Otsuka (Philippines) Pharmaceutical delivered Pocari Sweat to victims in Ubojan, Tubigon.

Nutrition & Sante of France is aiming to help solve the food problems and improve the nutrition of people in Burkina Faso, Africa through access to good-quality soy protein. The company has formed partnerships to provide financial assistance and expertise for producing soy foods such as tofu.

Otsuka Group



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

\* Toys for Tots is a nationwide program run by the United States Marine Corps. It collects new toys in local communities and distributes them as Christmas gifts to underprivileged children.

## Culture

# Community Exchange

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



Tokushima Vortis

### Tokushima Vortis (J1 League soccer team)

The Tokushima Vortis professional soccer team was founded in 2004 by the Otsuka Group and the local Tokushima government with the aim of revitalizing the region. With a core group of members from the Otsuka Pharmaceutical soccer team, Tokushima Vortis is in J. League Division 1. In cooperation with the prefectural board of education, the team developed a book for local physical education and a food education program, the first such initiatives for a J. League team. The team is thus contributing to the healthy development of children in Tokushima.

The Otsuka Group provides special meals for the Tokushima Vortis athletes at the restaurant in the Tokushima Itano Factory of Otsuka Pharmaceutical. This is the Group's support for the health and nutrition of the team. The Group carries out other activities to help develop Tokushima through soccer, including support for events at the team's home stadium.

Otsuka Group

### Tree Planting

Otsuka Pharmaceutical Factory and Taiho Pharmaceutical are supporting forest maintenance through agreements with the Tokushima Cooperative Forestry Project, based on Tokushima's Ordinance on Promotion of Global Warming Countermeasures. In 2013, the companies held an event, which allowed employees and their families to experience the importance of forest management through undergrowth thinning. Group companies in Indonesia are planting trees near their factories for the purpose of water conservation.

Otsuka Group

### Participating in Community Events

Every year, employees from the Otsuka Group contribute to the development of local culture by organizing four *ren* (dance groups) that participate in the annual Awa Odori Festival in Tokushima Prefecture. Members of the *ren* from Otsuka Pharmaceutical must pass a difficult audition before they are accepted into the group. The *ren* from Otsuka Pharmaceutical Factory carries on the tradition of the oldest dance group in Naruto City. The *ren* from Taiho Pharmaceutical, and the *ren* formed by Otsuka Chemical, Otsuka Foods, and Otsuka Warehouse are family-participation dance groups. Meanwhile, in Iwate Prefecture, the Hanamaki Festival has been held since 1593. Employees from EN Otsuka Pharmaceutical participate in the festival's parade carrying their own portable shrine.

Otsuka Group



Recreated El Greco altar panels  
(photo of the replicas on display at the Otsuka Museum of Art)

### The Otsuka Museum of Art

The Otsuka Museum of Art was established in 1998, to commemorate the 75th anniversary of the founding of the Otsuka Group and to promote art and culture in the Tokushima area. The museum features more than 1,000 replicas of masterpieces of art, from ancient murals to modern paintings. The replicas have been produced as ceramic boards and are faithful reproductions of the originals that people can view without leaving Japan. The museum offers creative exhibits, including a set of six altar panels by El Greco, all in one location. Workshops and events are held for local children to learn about art.

Otsuka Group



In April 2013, the Otsuka Pharmaceutical Awa Odori dance team (Otsuka Ren) performed at the 6th Copenhagen Sakura Festival held in Denmark.

## Culture

# Youth Education

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



Amerta Indah Otsuka: Children browsing books in the library



Otsuka (Philippines) Pharmaceutical: Binyag Aral program

### VOICE



#### Plant Biotope Attracts Many Visitors

**Nobuyuki Abe**  
Manager, Okayama Office,  
Plant General Affairs  
Taiho Pharmaceutical Co., Ltd.

We decided to create a biotope based on a desire to utilize the plant's treated wastewater in a way that does not adversely affect the environment. With very few examples to follow, the initial hurdles were high. However, with the help of local experts we have created a habitat for various organisms, and many visitors come to tour the biotope. The benefits of the project are also becoming apparent, such as an increase in fiddler crabs, a rare species. I am glad that the biotope is generating an interest in the environment for many people.

#### Support Through Education

Since 2007, Otsuka Pharmaceutical, Otsuka Chemical, and Taiho Pharmaceutical have been working with junior high schools and high schools in Tokushima City to support environmental education. The initiative is part of an eco-school adoption program that is implemented through a public-private and university partnership involving the Tokushima prefectural government.

In fiscal 2013, the Otsuka Group worked with a high school in Tokushima, to provide students with environmental field trips under the title, "The Future of Agriculture Starting from the Fukuroi Irrigation Channel." The students learned about the water quality of the Fukuroi Irrigation Channel and received a tour of an Otsuka Group agricultural facility that uses hydroponic cultivation, as well as a plant biotope, and wastewater treatment facilities. Through these learning activities, the students developed a stronger interest in the environment and their local community. The Group will continue to support environmental learning for students.

The Otsuka Group is also committed to nurturing the next generation in countries outside Japan, mainly through donation activities. Otsuka (Philippines) Pharmaceutical provided school supplies and hygiene products to 200 local street children. In Indonesia, the Kejayan Plant of Amerta Indah Otsuka provides additional tutoring for elementary school students in math, Indonesian, and English. It also constructed a library for a local public school and donated 1,547 books. Otsuka Pharma of Germany participates in an annual program to distribute coloring books on environmental conservation to all elementary schools in Frankfurt, Germany.

Otsuka Group

#### Plant Tours for Students

Otsuka Group companies proactively welcome visitors to tour their plants. The Okayama Plant of Taiho Pharmaceutical maintains a biotope on its grounds for visitors to experience nature. They are able to learn about the regeneration of the rich tidal flats of Kugui Bay, which is home to unique flora and fauna species, such as *Suaeda maritima*, an endangered species of salt marsh plant.

Otsuka Packaging Industries manufactures product packages for the Otsuka Group. Every year since 2008, the company has hosted social studies field trips for local elementary school students, showing them how packaging is made. In 2013, 67 inquisitive students toured the plant and reported that they were happy to get answers to all their questions, and to learn how a variety of boxes are made.

The Otsuka Group also provides workplace tours for older students to help their career planning. In 2013, EN Otsuka Pharmaceutical provided tours to 123 high school, college, and university students, who were impressed by the company's methods of pharmaceutical manufacturing and quality control. Taiho Pharmaceutical hosted tours for students from a junior high school and a high school, who learned about the current healthcare environment and the mission and role of a pharmaceutical company.

Outside Japan, the Hyang-nam Plant of Korea Otsuka Pharmaceutical provides factory tours and opportunities for recreation near the plant to people with mental illnesses. The aim is to support the rehabilitation of these patients who find everyday outdoor activities difficult. In 2013, 17 visitors toured the company's plant.

Otsuka Group



# 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.



## Employees

# Diversity

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.



Otsuka Pharmaceutical: Female corporate officers

### Supporting Women in the Workplace

While actively promoting women to management positions, the Otsuka Group has developed support programs, such as parenting leave and the option to reduce working hours, for employees balancing home and work responsibilities. The Group is striving to expand career opportunities and create supportive work environments. Otsuka Pharmaceutical has five female corporate officers, which brings the rate of women in these positions to 11.4%\*, as of March 31, 2014. They oversee a wide range of areas from management to business divisions, and the Group is actively expanding opportunities for female employees.

Taiho Pharmaceutical established a working group for women in the workplace in 2012. The working group conducted a survey on working conditions for women, using the results to identify four underlying strategies for promoting women in the workplace, which have been implemented in 2013 by changing programs and enhancing awareness at the company. The strategies include the elimination of harassment in the workplace.

In May 2014, JIMRO established a general employer action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children. While reviewing employee work styles, the company is supporting female employees through the establishment of a consultation service to assist employees with work matters when they become pregnant, give birth, and return to work. The aim is to enable women to feel comfortable balancing their work and home responsibilities.

In October 2013, Otsuka Foods held a workshop on diversity in management to raise diversity awareness. It was attended by about 90 employees.



Heartful Kawauchi: Magokoro Farm "Cosmos"

### 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. Therefore, the Group actively encourages the hiring of persons with disabilities. It participates in job fairs for persons with disabilities organized by regional labor bureaus, and conducts mid-career recruitment through the government's employment service center (HelloWork) and the Group's own website. It strives for the appropriate work placement of persons with disabilities in meaningful jobs, according to the abilities of each new hire. The Group currently employs people with disabilities in various departments including human resources, accounting, production, and research.

In October 2011, the Group established Heartful Kawauchi Co., Ltd. in Tokushima City. As of July 1, 2014, the company employed 14 persons with mental disabilities, 7 persons with physical disabilities, and 3 persons with intellectual disabilities. The company mainly performs office and production line support services, by utilizing the abilities of its employees and providing them with a sense of job satisfaction. It strives to create a workplace environment where people can work regardless of their abilities without any form of discrimination. In July 2014, Heartful Kawauchi set out to create new employment opportunities in agriculture. With the full cooperation of Agribest, a member of the Otsuka Group, the company launched an agribusiness for the cultivation of greenhouse tomatoes. This is the first initiative for employees with disabilities carried out with another Group company, and Heartful Kawauchi is planning to further increase employment in the future.

Otsuka Group

Otsuka Group

\* 1.2% is the average figure for listed companies in Japan according to the "Cabinet Office White Paper on Gender Equality 2011"



Award Ceremony for Diversity Management Selection 100

VOICE



**In-house Programs to Encourage Diversity**

**ZhiWen Zhou**

Accounting Section (Tokushima)  
Financial Dept.  
Otsuka Chemical Co., Ltd.

I am originally from Shandong Province in China. When I was first assigned to the accounting department, I was uneasy about my lack of accounting knowledge. Thanks to the support of colleagues and superiors, I was able to improve my skills, and I now perform a specialized position on my own. I feel very fortunate to work in an environment where my needs as a foreigner are always taken into consideration, including special measures for human resource development.

**Recognition by Diversity Management Selection 100**

The Otsuka Group is actively promoting workplace diversity based on the idea that diverse human resources facilitate innovation and internationalization, through differing perspectives stemming from nationality or gender. In recognition of its efforts, Otsuka Pharmaceutical has been selected for inclusion in "Diversity Management Selection 100," an award program launched by Japan's Ministry of Economy, Trade and Industry. It is the first pharmaceutical company to be recognized by the program.

Since the 1980s, when there was little notion of the concept of diversity in Japan, Otsuka Pharmaceutical has been actively promoting diversity among its top management, based on the idea that utilizing diverse human resources of both genders provides a driving force for the company's growth. Today, the results of the company's various measures for improving the parenting leave program and actively hiring female managers are being publically recognized.

Otsuka Pharmaceutical

**Employment of Senior Employees**

The Otsuka Group provides opportunities for motivated 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 to transfer skills to other employees by working until the age of 65. The Group previously had a program in place to continue employing persons past 60 under certain conditions, but the option is now available to all employees who wish to continue working. The change was necessitated by revisions of the Act on Stabilization of Employment of Elderly Persons in Japan in April 2013, and the lack of public pensions for people who choose to retire at 60. The Group is also looking at other changes to support employees who wish to work past 60, including changing company regulations concerning retirement pay and enabling employees to customize their retirement pay schedule through life planning.

Otsuka Group

**Column**



**Diversity Management Selection 100**

With the aim of raising awareness of the importance of diversity and expanding the horizons of enterprises, this award program recognizes companies that have improved their corporate value through diversity in management. A total of 100 companies will be selected to receive the awards over three years starting in fiscal 2012.

■ Percentage of female managers

	As of March 31, 2013	As of March 31, 2014
Otsuka Pharmaceutical	6.70%	7.11%
Otsuka Pharmaceutical Factory	2.38%	3.01%
Taiho Pharmaceutical	2.50%	3.16%
Otsuka Chemical	7.20%	6.87%
Otsuka Warehouse	4.88%	4.82%
Otsuka Foods	2.85%	3.16%

■ Employees with disabilities

	As of March 31, 2013	As of March 31, 2014
Otsuka Pharmaceutical	2.11%	2.32%
Otsuka Pharmaceutical Factory	2.00%	1.82%
Taiho Pharmaceutical	1.95%	1.69%
Otsuka Chemical	2.34%	2.39%
Otsuka Warehouse	1.17%	1.12%
Otsuka Foods	1.69%	1.95%

## 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 a work-life balance.

### VOICE



#### Understanding the Caregiver Leave Program Is Most Important

##### Masako Doi

Director, Naruto Research Institute, Research and Development Center Otsuka Pharmaceutical Factory, Inc.

Although I thought that providing home care for my parents was still a long way off, I took part in the caregiver seminar for the first time. It provided me with easy-to-understand information on what kind of support the organization can provide in case I or one of my subordinates needs to stay home to provide home care for a family member. Since it is a problem that can happen to anyone, it is important to know in advance about the current home care environment and the various support programs. I hope we can increase opportunities for employees to learn more about home care options.

### VOICE



#### Taking Parenting Leave Increased My Efficiency at Work

##### Takashi Yoshikawa

Tokushima Factory Residence, Quality Control Section, Quality Assurance Department Otsuka Foods Co., Ltd.

I took parenting leave when my eldest daughter was born. Unfortunately, she was born with a congenital disease, and required numerous visits to the hospital, which was very difficult. However, I made new discoveries every day and the episode became a valuable experience for me. I would like to remain actively involved in childcare and other activities at home. Now that the purpose of work is clearer to me, I have greater motivation in my job.



Otsuka Pharmaceutical Factory: Life planning seminars

#### Caregiver Leave and Retirement Planning

The Otsuka Group provides programs to support employees with home care responsibilities. For employees approaching the age of retirement, the Group offers work schedules tailored to fit each lifestyle along with opportunities for planning a fulfilling retirement life.

Employees with family members that require care at home are encouraged to utilize the caregiver leave program. At Otsuka Pharmaceutical Factory, an employee questionnaire is conducted each year. Due to an increase in the number of comments concerning caregiver leave, the company decided to offer a seminar on the subject. The information provided includes the company's leave program, the environment for home care, and basic knowledge on the public long-term care insurance system.

The Group holds life planning seminars for employees who have reached the age of 57, three years before the early retirement age of 60, as an opportunity to think about future goals, work styles, and retirement. The main purpose of the seminar is to encourage employees to continue working to the age of 65, when eligibility for the public pension begins, as long as they have the desire and ability to do so. Seminar topics for life planning after the early retirement age of 60 include the Group's re-employment system for retirees (New Senior Employee System), basic knowledge about taxes, and lectures on pensions and employment insurance.

Two years ago, Otsuka Pharmaceutical Factory began holding health classes for its employees, which include tests to check brain health and measure physical fitness.

Otsuka Group



Otsuka Chemical: No Overtime Days poster

#### Supportive Workplaces

Otsuka Group companies provide support to employees through an extended eligibility period for shorter working hours, flextime, half-day paid leave, and an accumulated paid leave system. There is also an I-Work program for telecommuting. These programs enable employees to realize their desired lifestyles and allow them to balance their work and family lives, even when life cycle events occur such as parenting and home care. In order to further promote work-life balance, the Group holds regular No Overtime Days, with the aim of improving work efficiency and reducing work hours. This can also give employees time for personal development. Through these programs, male employees are actively encouraged to participate in the care of their children, and some of them have taken parenting leave. In addition, Taiho Pharmaceutical employees can take off five days per year to volunteer for disaster relief activities, utilizing their accumulated paid leave time.

Otsuka Group

#### ■ No. of employees taking parenting leave

	FY2012		FY2013	
	Male	Female	Male	Female
Otsuka Pharmaceutical	2	87	0	94
Otsuka Pharmaceutical Factory	4	17	1	11
Taiho Pharmaceutical	21	27	33	30
Otsuka Chemical	0	3	2	3
Otsuka Warehouse	0	2	0	3
Otsuka Foods	1	2	0	7
<b>Total</b>	<b>28</b>	<b>138</b>	<b>36</b>	<b>148</b>

## 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: In-house training

### VOICE



#### Overseas Volunteer Training

##### Kyungtak Kwak

Microbiological Research Institute  
Otsuka Pharmaceutical Co., Ltd.

As part of an initiative for Diversity & Inclusion, I took part in the volunteer training program and was sent to an orphanage in Ghana, Africa. The purpose was for me to witness the reality of malaria, my research topic. When I saw the smiles of children who live in an impoverished environment where malaria is prevalent and there is not enough to eat, it renewed my determination to help solve the problem of malaria as quickly as possible.

#### Extensive Training

The Otsuka Group provides extensive training to enhance the abilities and skills of each employee and to increase safety awareness, offering a wide range of training programs according to their purpose. In addition to providing practical on-the-job training, Group companies implement systematic training by job rank and job duties in order to develop professional human resources. They also provide overseas volunteer training for Japanese employees to improve their skills for communicating with people from other cultures. The companies have devised many other ways for employees to improve their skills. Through e-learning, employees can study at home or at other locations. There is also training by outside instructors and organizations, personal development support, and opportunities for post-graduate management studies in the United States as part of training for global leaders. The Otsuka Group is also working to provide environmental education to employees for fulfillment of the Group's environmental and social responsibilities, as a company dedicated to caring for human life.

Otsuka Group

#### Safety Training Center

Based on a belief in safety first, Otsuka Chemical opened its *Anzen Dojo* (Safety Training Center) in 2012. The center trains the company's own employees, as well as those from affiliates outside Japan. It holds classes and provides hands-on training to improve safety awareness through hazard simulations. For example, to learn about the risks of pinching and rolling accidents, trainees experience the hazards created when cardboard or a piece of wood gets caught in the

moving parts of a forklift. The participants also discuss prohibited behavior and near-miss incidents. By having all employees reaffirm their safety knowledge and reconsider the importance of safety rules through this kind of training, the company is further improving hazard sensitivity while enabling employees to anticipate and prevent accidents before they happen.

Otsuka Chemical



The Human Resource Development Institute

#### Human Resource Development Institute

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

The institute promotes dynamic thinking through classes that explore the importance of diverse perspectives, as well as workshops on Otsuka corporate culture to teach the Group's Corporate Philosophy, values, and decision-making criteria. The programs are continually updated in order to demonstrate the Otsuka approach to creativity. In addition, the institute provides classes to train next-generation leaders who can lead a unique company. The three monuments installed at the institute (see page 10) express the importance of dynamic thinking. The adjoining Vega Hall was built to provide opportunities for generating new ideas through communication. It is also available for local events, as a way to contribute to the community.

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' well-being. The Group facilitates these goals through physical activity programs and education concerning health matters.



POCARI/efresh



CPR training

### VOICE



#### POCARI/efresh Exercise Program Promotes Awareness of Our Corporate Philosophy

**Byunghoon Lee**  
Manager, Human Resource  
Development Institute  
Otsuka Pharmaceutical Co., Ltd.

Last year, I came here to Japan from Korea Otsuka Pharmaceutical, and participated in the POCARI/efresh exercise program for the first time. Every week, we work out with the instructor, who gives us valuable health information, and it really boosts my energy level at work. I think it is a good example of how Otsuka combines business and CSR activities as a total healthcare company. Since POCARI/efresh also reminds us that the Otsuka Group philosophy is to work "for better health," I think it is a good way to put the philosophy into practice.

### Employee Health

The Otsuka Group implements diverse health programs and initiatives to encourage employees to maintain and improve their health. Every year, each Group company holds exercise events for employees to provide them with opportunities for physical activity and fellowship. Otsuka Pharmaceutical operates the POCARI/efresh exercise program, where instructors go from workplace to workplace and they lead employees through a weekly eight-minute program of invigorating exercises. Other companies encourage exercise during the lunch break to get employees into the habit of exercising. Taiho Pharmaceutical has an Active Workplace Project that provides employees with comprehensive health management support, including ways to deal with metabolic syndrome (a disorder of energy utilization and storage). Other companies issue a health newsletter, provide stress management training, or offer mental health training for managers. In this way, the Otsuka Group is actively promoting physical and mental health management throughout its workforce. There are health counseling and consultation services, where employees can share their healthcare and home care concerns, and the Group is also working to prevent excessive overtime working.

Outside Japan, Otsuka Pharmaceutical France has implemented a program that pays 50% of employee exercise activity costs, up to 200 euro per person annually. This initiative is helping employees to maintain and manage their health.

Otsuka Group

### Health and Safety Initiatives

In addition to securing compliance with occupational health and safety regulations to prevent workplace accidents, the Otsuka Group implements industrial health initiatives in the workplace to secure optimal working conditions and reduce the risk of accidents. Group companies operate occupational health and safety committees that regularly conduct inspections of all workplaces to secure compliance. Additionally, Group companies provide avenues for employees to initiate workplace improvements by identifying issues and developing solutions. Industrial physicians at Group companies provide advice on health matters and they follow up on employee health checkups. They also conduct education related to occupational health and safety, in order to raise awareness of health and occupational health and safety among all employees. Group companies conduct emergency first aid training, including training on the use of cardiopulmonary resuscitation (CPR) and automated external defibrillators\* (AEDs), to prepare for emergency situations in and outside the company. In 2013, Otsuka Techno distributed information cards from the Japan Medical Association to all employees, outlining the use of CPR. The company is raising employees' awareness of how to deal with medical emergencies.

At plants where many employees commute by private vehicle, Group companies implement initiatives to prevent driving accidents during commuting and work, such as testing driving skills, organizing traffic safety workshops and safe driving seminars, and inspecting vehicle tires. The Otsuka Group is committed to continue working to enhance employee health, improve working conditions, and prevent occupational accidents.

Otsuka Group

\* A medical device that uses electrical shock to restore normal heart function in someone experiencing cardiac arrest

# Third-Party Opinion

## Feedback on the Otsuka Group CSR Report 2014

### Easy, Comfortable Working Environments

The Otsuka Group organizes its CSR initiatives into the five areas of health, environment, quality, culture, and employees. Highlight 1, which describes the BeanStalk Kids Centers operated by the Otsuka Group in several of their workplaces, is one of the sections in this report that identified for me the Group's objectives in the areas of culture and employees, specifically. On-site kids' centers are an outstanding CSR initiative. Having taken over the administration of these facilities in their third year of operation, the Group is now focused on providing childcare that not only makes it easier for female employees to work, but also recognizes the need for work-life balance for all employees. The Otsuka Group provides kids' centers that incorporate both local culture and the Group's basic CSR philosophy to create a fine childcare environment that embodies the Otsuka approach. I think that the evidence for how effective this initiative is will be in the rate of female employees working in management positions. Companies that make it easy for women to work are also easier working environments for men. The Otsuka Group corporate culture—one that responds flexibly to the specific circumstances of individual employees and creates a work environment that enables each employee to make the most of his or her talents—is extremely impressive. In my assessment, the Otsuka Group serves as a model for how corporate entities can help resolve social issues affecting the Japanese labor market.

### Laying the Foundation for Global CSR

For the Otsuka Group, 2013 was a year focused on building a basic global CSR structure. The Otsuka Group Global Code of Business Ethics was introduced to ensure that all 166 companies operating in 26 countries and regions around the world conducted business activities based on a shared set of common values. Otsuka Group CSR initiatives are integrated into its main businesses, and I expect the Group's CSR approach to be guided by the same values as those

#### Profile

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

expressed in its code of business ethics. I find that these new stipulations and the report's organization of CSR activities into five areas make the Otsuka Group's approach easier for those outside of the Group to understand. Group companies are introduced in detail at the beginning of this report, which gives a clear view of the Otsuka Group organization as a whole. The section titled Highlight 2 then covers the specific CSR activities that Group companies implement. Having expanded beyond Asia to other countries around the world, the Otsuka Group marks its 40th year of global development, and having laid the foundation for a global structure, we can expect to see even more growth for the Group in the future. Based on the purposes and targets for corporate conduct shaped by its Global Code of Business Ethics, it is my assessment that the Otsuka Group is capable of global-level operations once indexes that focus on global-level activities are in place. Companies operating in the medical sector generally demonstrate a high level of CSR performance, and I expect that Otsuka Group's global activities will measure up to this global standard.



**Eriko Nashioka**

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

# Editorial Postscript

Otsuka Group CSR activities are shaped by communication with stakeholders, which is inspired by and committed to its corporate philosophy. In an effort to convey our unique CSR approach to readers, we have organized these activities into the five areas of health, environment, quality, culture, and employees. We hope that this framework gives a better understanding of our approach.

The number of our stakeholders has naturally increased as our business has become more global in nature. In an effort to effectively disseminate information to this large group of individuals, we have developed the Otsuka Group Consolidated CSR Site, which offers a high level of browsing performance from a variety of devices, an advanced search function and improved search performance. This

site contains detailed information on the diverse activities of Group companies that cannot be presented here due to space limitations. By contrast, this report focuses on presenting a broad cross-section of Group-wide activities.



We will continue to work earnestly with all of our stakeholders to develop activities that fulfill their expectations.

Editorial Committee  
Otsuka Group CSR Report 2014

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