



Otsuka Group CSR Report 2016

Otsuka-people creating new products for better health worldwide



Editorial Policy

In keeping with its corporate philosophy, “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, total healthcare company devoted to advancing health worldwide.

The Otsuka Group CSR Report provides an overview of the diverse initiatives that Otsuka engages in, from its relationships with stakeholders in the course of its business to the fulfillment of its corporate commitments. We hope that this report can deepen 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.

1 Otsuka group corporate philosophy/
material aspects (materiality)
(For more detail see page 8)

2 International CSR guidelines
- ISO 26000 seven core subjects
- GRI
- Environmental Report Guidelines

3 Communication with stakeholders

The five areas of CSR at the
Otsuka group

Health p12

Environment p18

Quality p28

Culture p34

Employees p40

Scope

This report focuses on Otsuka Holdings and Otsuka group companies worldwide, including the following 14 companies in Japan:

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.

Otsuka Electronics Co., Ltd.

EN Otsuka Pharmaceutical Co., Ltd.

Otsuka Techno Corporation

J.O. Pharma Co., Ltd.

Okayama Taiho Pharmaceutical Co., Ltd.

Otsuka Packaging Industries Co., Ltd.

JIMRO Co., Ltd.

Period covered

The results cover the period from January 1, 2016 to December 31, 2016. Certain activities reported on occurred in 2017.

Future publication schedule

The next report is scheduled for publication in the summer of 2018.

Guidelines referenced

This report was compiled with reference to the GRI *Sustainability Reporting Guidelines* 4th Edition, ISO 26000, and the *Environmental Reporting Guidelines* 2012 Edition issued by Japan’s Ministry of the Environment.

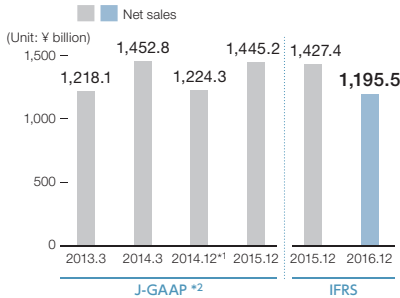
Corporate Profile

As of December 31, 2016

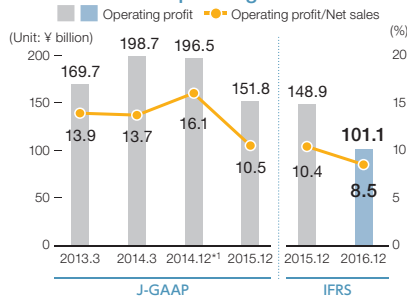
Company Name: Otsuka Holdings Co., Ltd.
Established: July 8, 2008
Capital: JPY 81.69 billion
Head Office: 2-9 Kanda-Tsukasamachi, Chiyoda-ku, Tokyo 101-0048, Japan
Tokyo Headquarters: Shinagawa Grand Central Tower, 2-16-4 Konan, Minato-ku, Tokyo 108-8241, Japan
Representative: Tatsuo Higuchi, President and CEO
Employees: 87 (Consolidated: 31,787)
Scope of consolidation: 147 consolidated subsidiaries and 32 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.

From fiscal 2016, International Financial Reporting Standards (IFRS) are applied.

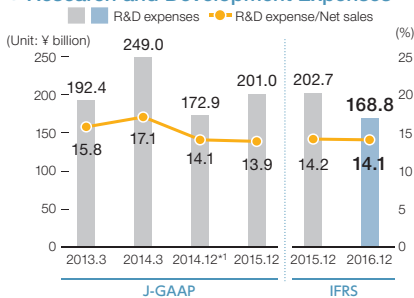
Consolidated Net Sales



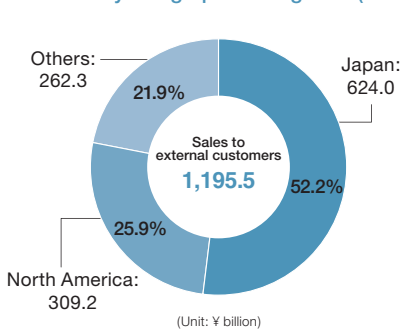
Consolidated Operating Profit



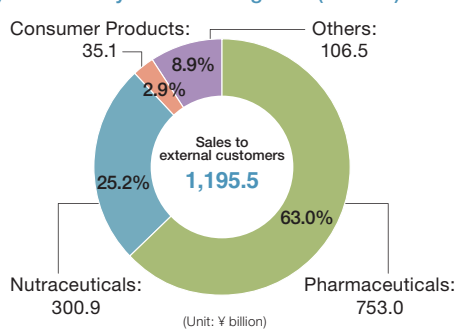
Research and Development Expenses



Sales by Geographical Segment (FY2016)



Sales by Business Segment (FY2016)



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

*2 J-GAAP (Japanese Generally Accepted Accounting Principles)

Contents

About the Otsuka Group

Corporate Profile	2
Otsuka Group Across the Globe	3
Stakeholder Engagement	4
Business Overview of the Otsuka Group	5
Otsuka Group's CSR Vision	7
Identification of the Otsuka Group's Materiality	8

Message from the President

Message from the President	9
Corporate Philosophy	11

Health

Addressing Unmet Needs	13
Raising Awareness of Health	15
Communicating Health Information	17

Environment

Environmental Management	19
Climate Change Response	20
Eco-Friendly Products	23
Waste Reduction	24
Protecting Biodiversity	25

Quality

Safety Initiatives	29
Corporate Governance	30
Compliance	31
Risk Management	32

Culture

Contributing to Communities	35
Contributions to Communities outside Japan	37
Youth Education	39

Employees

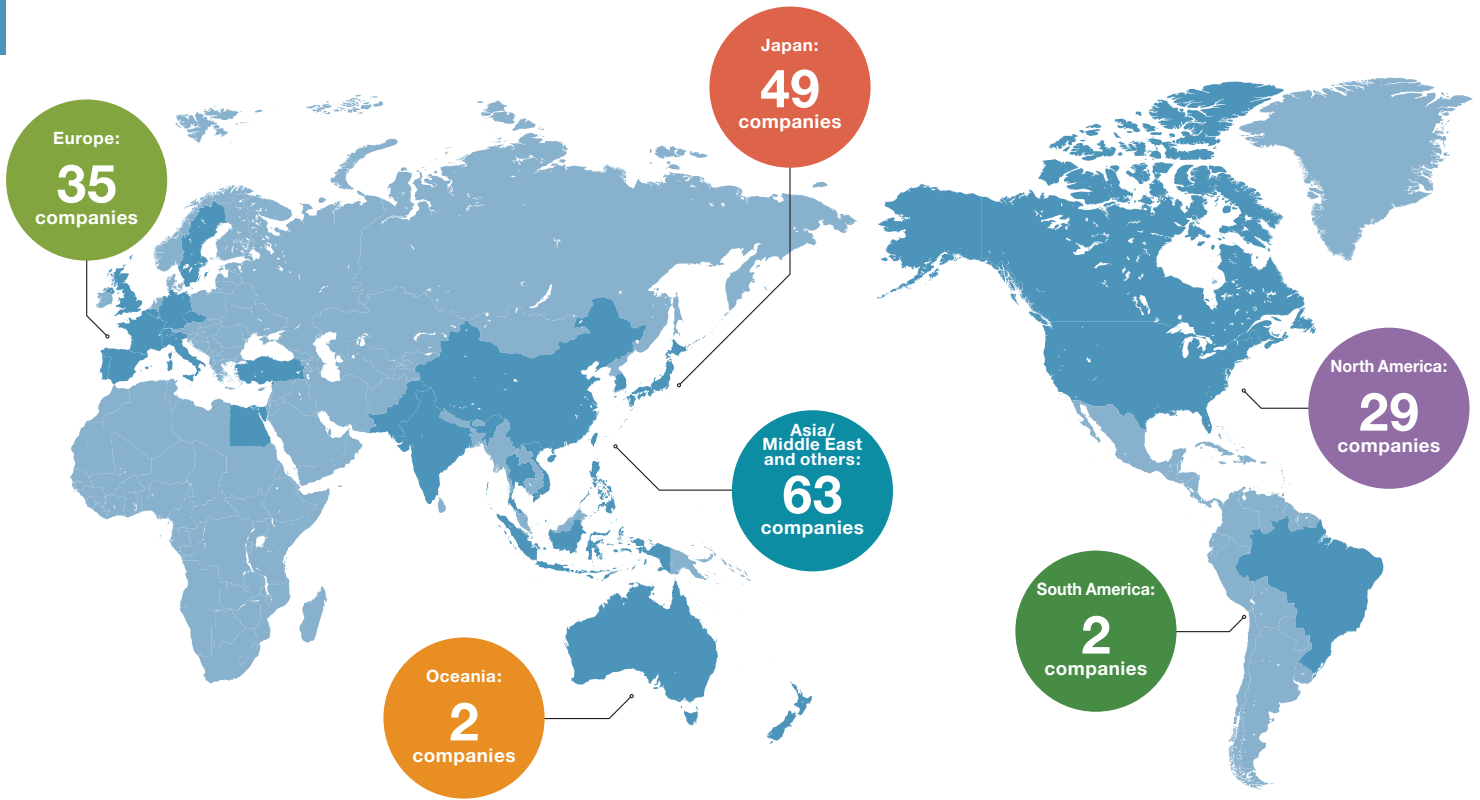
Diversity	41
Work-Life Balance	42
Employee Health	44
Development of Human Capital	45

Third-Party Opinion

46

Otsuka Group Across the Globe

The Otsuka group consists of 180 companies in 28 countries and regions worldwide. Approximately 45,000 employees are working every day for the universal betterment of human health.



Number of operations and employees of the Otsuka group

	Worldwide	Japan	Outside Japan
Number of companies	180	49	131
Number of factories	174	55	119
Number of research institutes	46	24	22
Number of employees	Approx. 45,000	Approx. 18,000	Approx. 27,000
Number of countries and regions	28 countries and regions worldwide		

(As of December 31, 2016)

Highlights of Otsuka's global expansion








Stakeholder Engagement

Over the years, the Otsuka group has received the support of many stakeholders, including consumers, patients, investors, local residents, collaborators, and employees. In order to fulfill corporate social responsibilities such as human rights protection and environmental conservation, the group realizes that one effective way to help solve social issues is collaborating with stakeholders worldwide.

The Otsuka group aims to maintain and enhance relationships of trust with stakeholders in various ways, and is working to strengthen communication and cooperation with them.

Stakeholder Engagement

Stakeholders	Forms of Engagement	Main Responsibilities and Issues
<p>Patients, consumers and healthcare professionals</p> 	<ul style="list-style-type: none"> • Provision of information on pharmaceutical products through medical representatives • Health-related, awareness-raising activities • Solicitation of customer feedback • Organization of seminars for healthcare professionals and events to support patient associations 	<ul style="list-style-type: none"> • Research and development into products to address unmet medical needs • Support for disease prevention, treatment, and health maintenance/promotion, while helping to extend healthy life expectancy and quality of life
<p>Investors and shareholders</p> 	<ul style="list-style-type: none"> • Formulation and communication of medium-term management plans • IR activities such as regular company briefings for analysts and institutional investors • Enhancement of information disclosure through materials in English for overseas institutional investors • Organization of shareholder meetings that are easy to understand for individual shareholders 	<ul style="list-style-type: none"> • Sustainable growth and improvement of corporate value • Return on dividends • Timely and appropriate information disclosure • Measures to attract socially responsible investment
<p>Communities and society</p> 	<ul style="list-style-type: none"> • Implementation and operation of environmental protection procedures at factories • Development and deployment of eco-friendly products • Interaction and collaboration with local communities • Disaster relief activities • Educational support activities 	<ul style="list-style-type: none"> • Environmental conservation • Contribution to local communities • Support for raising the next generation of young people
<p>Collaborators</p> 	<ul style="list-style-type: none"> • Holding company briefings and facility tours • Meeting and exchanging opinions with collaborators • Working with suppliers to implement CSR procurement questionnaires, etc. • Joint research and development for products, technologies and systems, and cooperation through co-promotion and co-marketing 	<ul style="list-style-type: none"> • Ensuring quality assurance and stable product supply • Enhancement of product information provision • Protection of human rights, the environment and societal concerns across the supply chain • Fair and equitable transactions • Sustainable growth and development with collaborators
<p>Employees</p> 	<ul style="list-style-type: none"> • Human resource development programs and training systems • Self-assessment system • Conducting personnel interviews/questionnaires, etc. • Provision of whistleblower hotlines for compliance/harassment, etc. 	<ul style="list-style-type: none"> • Human resources development • Respect for diversity • Work-life balance initiatives • Parenting and family home care support • Ensuring occupational health and safety

Business Overview of the Otsuka Group

The group is a global healthcare company dedicated to the maintenance and improvement of people's health worldwide. It generates positive health outcomes from many angles, while offering original products that create new markets. The group pursues a range of businesses in four main segments.

Pharmaceutical Business

Pharmaceuticals

IV solutions (clinical nutrition)

Diagnostics

Medical devices



The pharmaceutical business has long been engaged in discovering and developing therapies for diseases of the central nervous system and is also deeply engaged in the area of oncology, another area of significant unmet medical need. Importantly, in order to provide comprehensive healthcare solutions, the group's healthcare-related activities extend much further—from the diagnosis to the treatment of a number of other medical conditions. These activities encompass the cardiovascular system, gastroenterology, ophthalmology, diagnostics, IV solutions and medical devices.

Major products



Antipsychotic drug, REXULTI



Antipsychotic drug, ABILIFY MAINTENA



V₂-receptor antagonist (Aquaretic · ADPKD) drug, Samsca/JINARC



Antituberculosis drug, DELTYBA



Anticancer agent, TS-1



Anticancer agent, LONSURF



Drug for Pseudobulbar Affect (PEA), NUDEXTA



Therapeutic agent for glaucoma and ocular hypertension, Mikeluna combination ophthalmic solution



Antiemetic agent, Aloxi



Anticancer agent, Abraxane



High-calorie TPN solution, ELNEOPA NF



Enteral formula RACOL-NF semi-solid for enteral use

Nutraceutical Business

Functional beverages and foods

Cosmetics

OTC products, Quasi-drugs



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

Nutraceuticals = nutrition + pharmaceuticals

Cosmetics = cosmetics + medicine

Major products



POCARI SWEAT



POCARI SWEAT ION WATER



ORONAMIN C DRINK



Amino-Value



Tiovita Drink



OS-1



BODYMAINTÉ



Fibe-Mini



Calorie Mate



SOYJOY SOYJOY Crispy



EQUELLE



Kenja-no-shokutaku Double Support



Nature Made



UL·OS



Oronine H Ointment



Major products



Bon Curry Gold



Bon Curry Neo



My Size



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

Consumer Products Business

Beverages

Foods

Alcoholic beverages



Sirvino Java Tea Straight



MATCHA MATCH Pink



CRYSTAL GEYSER



Ridge Monte Bello



Mannan Hikari

Major products



Terracess
(friction material for brake pads)



TERPLUS application
Pigment dispersants for color filters



The Otsuka group engages in other diversified businesses such as chemical materials for the automotive, electrical, electronic, and building materials sectors. It operates transport and warehousing services that provide eco-friendly logistics. These are focused on the movement of Otsuka group pharmaceuticals, foods and beverages. In addition, an electronic equipment business supports cutting-edge advancements in science and technology.

Other Businesses

Functional chemical products

Fine chemicals

Distribution

Packaging

Electronic equipment



POCone,
a medical device



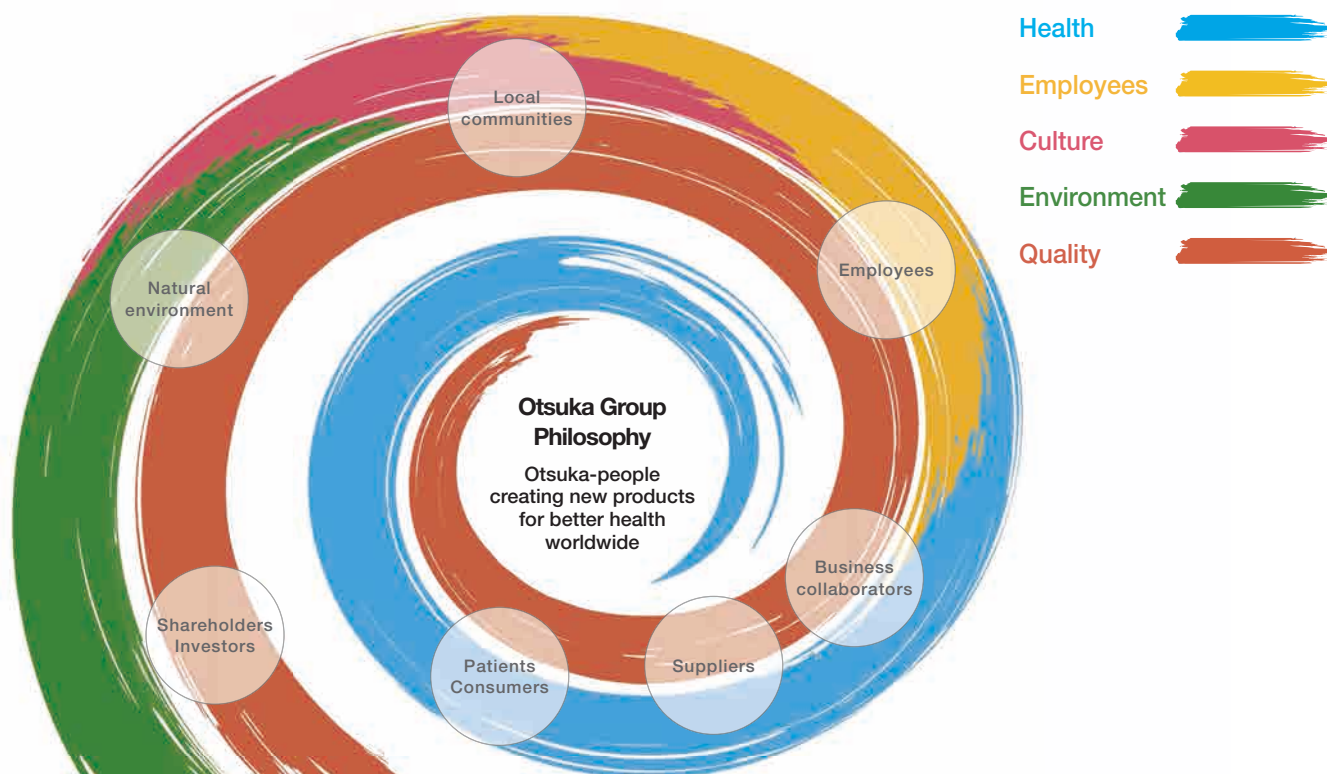
HM (HalfMoon) series of
LED evaluators

Otsuka Group's CSR Vision

Otsuka's approach to social responsibility is driven by its commitment to live up to its corporate philosophy, "Otsuka-people creating new products for better health worldwide." Otsuka's CSR initiatives evolve as stakeholders become increasingly engaged. This is only natural, since Otsuka's business activities require the understanding, cooperation and support of many external and internal stakeholders.

Otsuka contributes to society in various ways, including initiatives to benefit the local communities where it operates and protect the

environment. These initiatives directly and indirectly help Otsuka to improve its manufacturing and services. However, delivering products and services valued by customers does more than help develop the group's business. With this approach, Otsuka also creates virtuous cycles of trust, loyalty and support through emphasis on areas such as community partnerships. By pursuing CSR as an integral part of its business, Otsuka can continue as a valued, necessary partner for society.



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

Five Areas of Otsuka Group CSR

Health

p12

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

Environment

p18

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

Quality

p28

Otsuka's approach to quality extends beyond safety and security of product manufacturing. Striving to enhance the quality of its social initiatives, the group engages on a broad range of activities, from information transparency and disclosure to collaboration with other businesses, respect for local communities, and ensuring compliance with regulations.

Culture

p34

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

Employees

p40

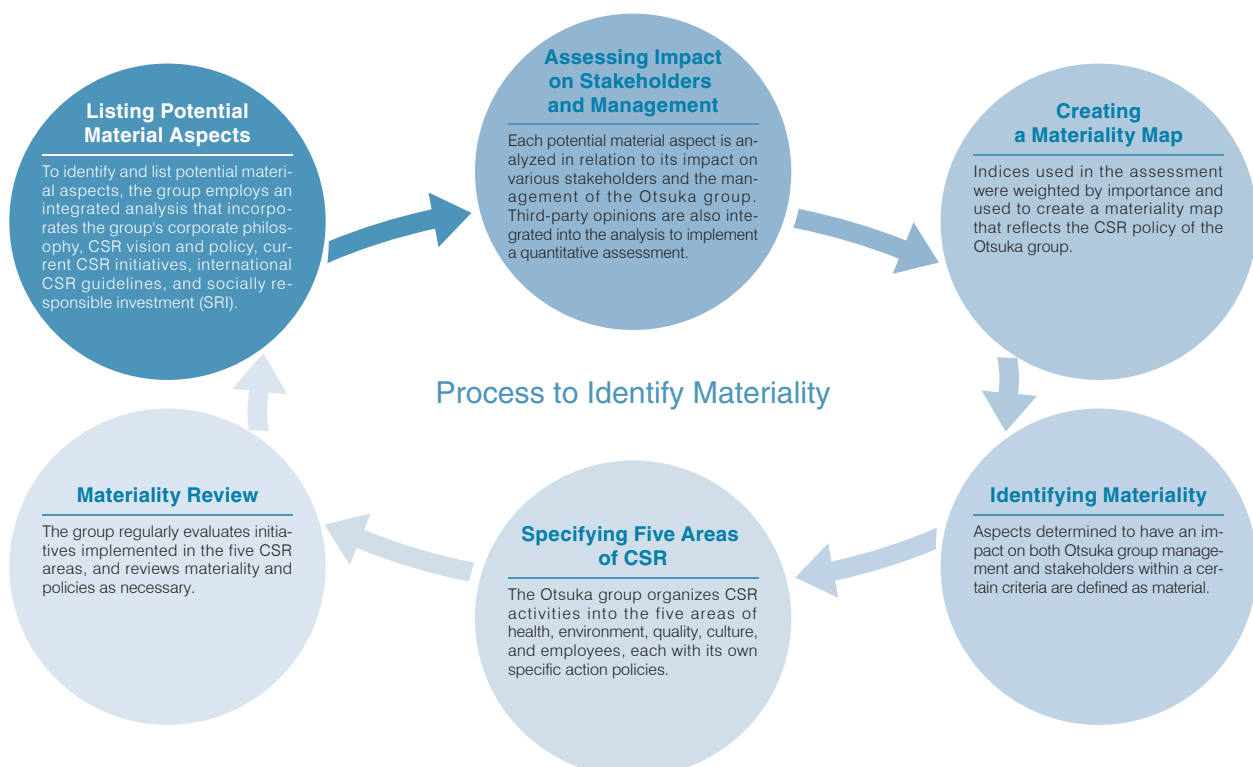
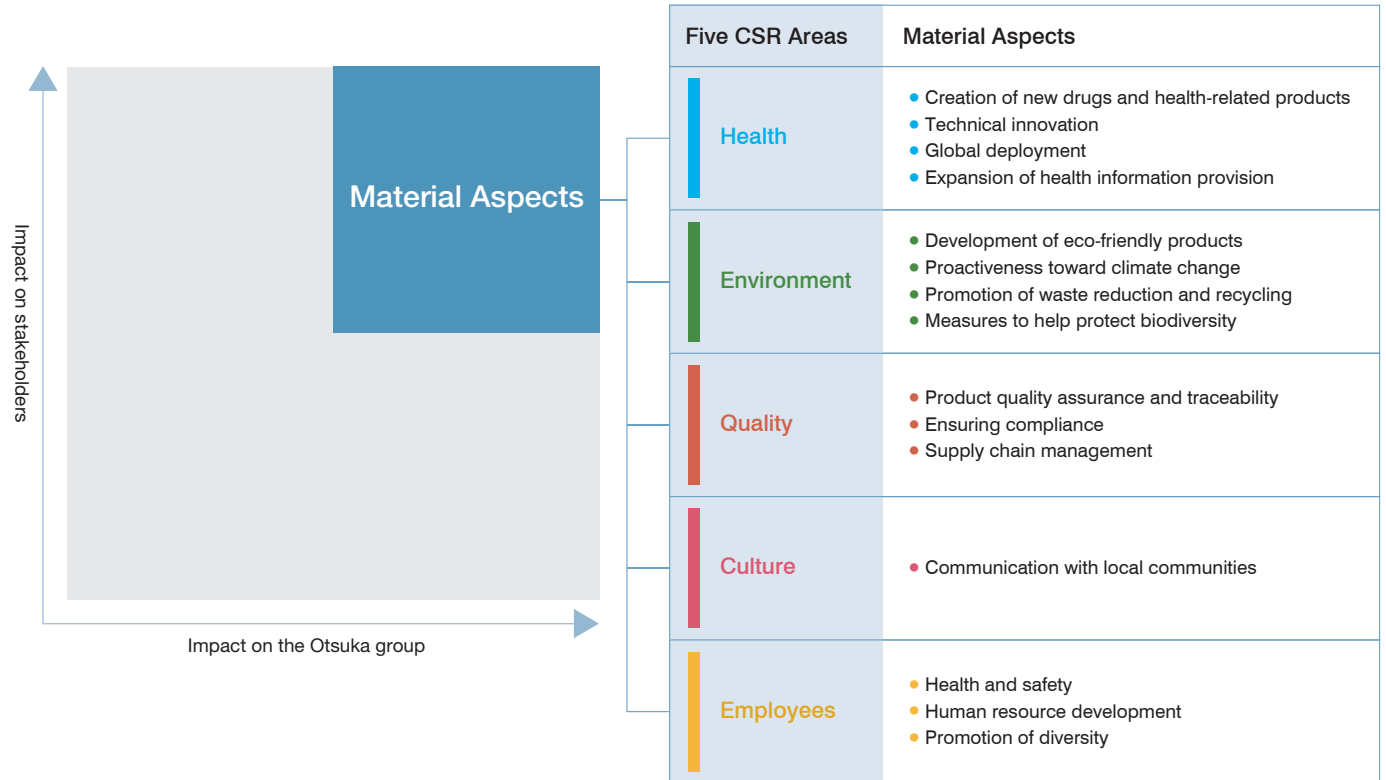
The spirit of *Sozosei* (creativity) instilled in every employee of the Otsuka group stems from their desire to emulate the corporate philosophy. The group fosters a culture that encourages a diverse workforce to break out of the conventional, broaden their perspectives, and pursue personal development. This collective creativity, in turn, enables the group to continue to develop innovative products that enrich society.

Identification of the Otsuka Group's Materiality

A vital part of the Otsuka group's corporate philosophy recognizes the importance of contributing to the promotion of sustainability in terms of both social and environmental issues. The group actively engages in a diverse set of initiatives to uphold this responsibility.

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

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



Message from the President



At Otsuka Pharmaceutical Tokushima Itano Factory

Supporting Sustainability by Addressing Social Issues through Health and Creativity

The Global Movement toward Sustainability

A current world population at over 7 billion, estimated to rise to nearly 10 billion in 2050, will continue to have significant global impacts, such as the environmental effects of increased carbon dioxide and waste levels, as well as growing wealth inequality. Analogously, addressing environmental, social and economic sustainability issues are critical responsibilities now and in the future for global companies.

Otsuka Holdings signed the United Nations Global Compact in 2016. By declaring our support for the Global Compact and commitment to contribute toward achieving the Sustainable Development Goals (SDGs)*, we underscored the Otsuka group's commitment to achieve sustainable development in collaboration with all sectors of society. Under the corporate philosophy of "Otsuka-people creating new products for better health worldwide," innovation is at the core of our business. We leverage this know-how through our work on a variety of sustainability issues for the betterment of all in society.

Sustainability of Our Business

In recent years, amid rising concerns about soaring healthcare costs, interest in disease prevention is growing rapidly. Otsuka foresaw growing social recognition of the importance of disease prevention and established its current business model, which focuses mainly on pharmaceuticals and nutraceuticals in functional foods and beverages.

In pharmaceuticals, treatments for disorders of the central nervous system (CNS) are one of our priorities. The underlying causes of many CNS-related disorders have yet to be precisely elucidated, making the research and development of treatments challenging. Our flagship, in-house-originated products include REXULTI, a new antipsychotic with a unique mechanism of action, and the antipsychotic, ABILIFY, with the world's first dopamine partial antagonist. In other fields, we have undertaken research and development aimed at creating first-in-class products to treat unmet medical needs. Examples of these products include Samsca, an aquaretic

* Sustainable Development Goals: Shared objectives for the international community that include both developed and developing countries, and that address sustainable development in social, economic, and environmental dimensions.

with the first-ever mechanism that promotes the excretion of water without electrolyte loss, for treating heart failure and cirrhosis of the liver with edema, and DELTYBA, one of the world's first new drugs in approximately 50 years for tuberculosis.

In nutraceuticals, we leveraged the knowledge gained in our IV solutions business to create the ion supply drink market by introducing POCARI SWEAT, which was conceptualized as a drinkable IV solution. By similarly leveraging our knowledge of liquid food concentrates used in medical settings, we created a new category of nutritionally balanced food products with Calorie Mate. This product has been incorporated into disaster relief supplies. In our focus to strengthen our business foundation, we are strategically concentrating on accelerating the global development of product lines to promote healthy life expectancy.

We believe that we can develop further confidence and exceed the expectations of our stakeholders by helping to address social issues through responsible business activities. Our CSR activities are also driven by our sense of fulfillment in recognizing the needs of others and delivering social benefit returns to the communities where we operate. This includes our community support related to culture and health. Our relationship with stakeholders is a vital force that drives our business development. Going forward, we aim to promote sustainability in our business, while at the same time identifying the unmet needs of patients and providing them with unique, innovative products.

Perpetuating Otsuka “DNA”

The Otsuka group has inherited its corporate “DNA” from generations of company leaders. It comprises three guiding principles: (1) *Ryukan-godo* (by sweat we recognize the way), which means discovering the core substance of matters not only through knowledge, but also through hard work and repeated practical application; (2) *Jissho* (actualization), which is defined as self-actualization through execution, completion and the discovery of truth; and (3) *Sozosei* (creativity), which means resisting the urge to copy and pursuing that which only Otsuka is capable of delivering. These principles are the driving force behind Otsuka’s growth. They serve both as our corporate foundation and as the basis for the future growth of the Otsuka group and its employees. It is this core Otsuka “DNA” that provides resilience in overcoming challenges. The foundation of the company’s success relies on the development of employees cognizant of the company’s heritage. In order to nurture talented people who can succeed on a global level, we have launched a new group-wide human resource development program that will continue over the medium and long term, steadily evolving to include more content.



Becoming an Indispensable Contributor to People’s Health Worldwide

Stakeholders, including investors, are closely watching corporate governance reforms triggered by a series of scandals at large companies in recent years. Consequently, at Otsuka Holdings, we are reinforcing already sound management practices by further strengthening our governing structure, promoting growth from a long-term perspective, and strengthening our international competitiveness.

We recognize that respect for universal social principles such as human rights, freedom, and equality are essential for conducting business globally.

We strive to cultivate a corporate culture where employees can express their individuality and values by promoting diversity in nationality, race, age, and gender.

Furthermore, productive workdays require that employees be mentally and physically healthy; therefore we continuously work on measures to promote employee health. In April 2017, Otsuka Holdings established the Otsuka Group Health Declaration to further promote health management. As a healthcare company, we widely advocate health as an important piece of social sustainability inside and outside the company.

I and my 45,000 colleagues deeply appreciate your ongoing support for the Otsuka group as we aim to become an indispensable contributor to people’s health worldwide.

A handwritten signature in black ink, reading "Tetsuo Higuchi". The signature is fluid and cursive, with the first name "Tetsuo" being more prominent.

President and CEO
Otsuka Holdings Co., Ltd.

Corporate Philosophy of the Otsuka Group

Otsuka-people creating new products for better health worldwide

These words embody our commitment to:

Creating innovative products

Improving human health

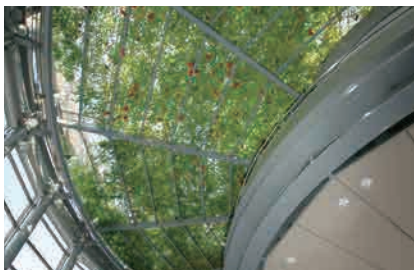
Contributing to the lives of people worldwide

In keeping with this corporate philosophy and Otsuka's guiding principles of *Jissho* (actualization) and *Sozosei* (creativity), the Otsuka group strives to utilize its unique assets and skills to develop differentiated scientific solutions which contribute to the lives of people worldwide in the form of innovative and creative products ranging from pharmaceuticals to consumer products. We are striving to cultivate a culture and a dynamic corporate climate reflecting our vision as a healthcare company. As such we are dedicated to achieving global sustainability, relationships with local communities, and protection of the natural environment.

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

“Our mission is the development of creative human resources who can break the mold”

The Otsuka group established the “Human Resource Development Institute”, an employee training center in Tokushima City, Japan, in March 1988. The institute's mission is to foster the development of creative employees who can break the mold of conventional thinking and contribute to Otsuka's ongoing success as a “big venture” company. The institute features three monuments that symbolize the Otsuka group philosophy, conveying the message that Otsuka will continue to be a richly creative force.



Giant Tomato Trees

The giant tomato tree that covers 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 tree is symbolic of employing new ideas to draw out potential.



Bent Giant Cedar

Here a giant cedar trunk bends sharply in the middle as a second cedar trunk balances on top. Although the formation appears unstable at first glance, it is actually perfectly balanced and even withstood powerful tremors during the Great Hanshin Earthquake of 1995. It speaks to the importance of not being limited by preconceived ideas.



Floating Stones

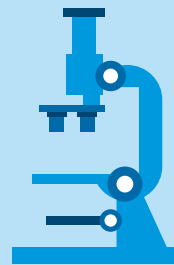
In this water garden, which gives a nod to the rock gardens of Japan, large stones seem to defy the laws of nature and float above the surface of a large pool, while others seem to oddly bend. The garden was created to capture people's interest, enrich their hearts and give them the ability to think about things. It encourages us to change our perceptions, and break free of conventional thinking.



Health

As a total healthcare enterprise, the Otsuka group of companies creates innovative products and seeks ways to maintain and promote better health for all.

14.1%



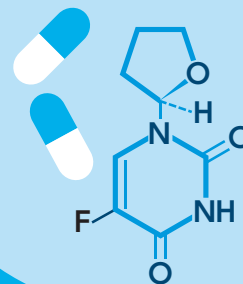
Otsuka group R&D expenses as a percentage of net sales

3 years



Number of consecutive years honored with Hitosuzumi Award

More than 40 years



Number of years the company has conducted R&D on oral anticancer agents

Addressing Unmet Needs

The Otsuka group is passionate about its philosophy to contribute to better health for people worldwide, and it does by striving to create groundbreaking new products of a kind that only Otsuka can conceive.



Otsuka Pharmaceutical

Taiho Pharmaceutical

Otsuka Pharmaceutical Factory

Addressing Unmet Medical Needs

Otsuka group medical-related businesses develop revolutionary new medications in fields wherever unmet medical needs exist and deliver them worldwide.

The central nervous system diseases and their treatments are often accompanied by adherence issues: patients may lack an understanding of their condition, dislike the side effects of their medication and stop taking it, or forget to take it. This often leads to disease relapses. For better patient outcomes and improved adherence, Otsuka Pharmaceutical, in 2013, launched ABILIFY MAINTENA, a prolonged-release version of ABILIFY. Additionally, in 2015, the company first launched the antipsychotic REXULTI in the US. In the area of oncology, Otsuka's involvement in blood cancer treatments has led to the

launch of ICLUSIG to treat chronic myeloid leukemia. Samsca was discovered and developed by Otsuka as the first-ever treatment to slow the progression of autosomal dominant polycystic kidney disease (ADPKD), an acute, chronic, and progressive kidney disease (outside Japan, Samsca is marketed to treat ADPKD under the brand name JINARC). In 2014, the company launched the antituberculosis drug DELTYBA in Europe and Japan as part of its work in treating infectious diseases.

In the area of oncology, Taiho Pharmaceutical continues to take on the challenge of developing revolutionary new drugs. In 1974, before use of oral formulations became widespread, the company introduced the oral anticancer agent Futrafal, and has since brought to market UFT (in

1984), TS-1 (in 1999), and LONSURF (in 2014). Additionally, Taiho Pharmaceutical developed and launched in Japan in 2015, Yondelis, a treatment for soft tissue sarcoma recommended in European and North American medical guidelines.

In addition to its extensive involvement in clinical nutrition, Otsuka Pharmaceutical Factory manufactures surgical products, such as the new topical antiseptic solution Olanedine, that treat and prevent infectious diseases and post-surgery complications. The company has accelerated research and development in the field of regenerative disease with bioartificial pancreas islets, an area that holds promise as a more effective method of type 1 diabetes treatment.

Otsuka Pharmaceutical, Taiho Pharmaceutical, Otsuka Pharmaceutical Factory



Otsuka Pharmaceutical: Saga Nutraceuticals Research Institute

Otsuka Pharmaceutical: Otsu Nutraceuticals Research Institute

Otsuka Pharmaceutical: Saga Nutraceuticals Research Institute

Addressing Yet-to-be-imagined Consumer Needs

In the area of nutraceuticals, Otsuka Pharmaceuticals leverages its medical-related expertise to develop original functional foods, beverages and other scientifically-based products to maintain and promote the health of people around the world. The company's perseverance in communicating the value of these functional products has created new markets.

Today, Japan and many other developed countries face a number of issues, including extending healthy life expectancy, aging populations, declining birthrates, and the increasing burden of medical expenses, which lead the company to focus on yet-to-be-imagined needs in the areas of exercise and nutrition, and women's health.

In 1980, the company launched POCARI SWEAT, a health drink that replenishes water and electrolytes. Otsuka Pharmaceutical has invested in 30-plus years of research on electrolyte and fluid replacement, and educational activities since then. Educational events at sports venues have helped ensure that proper hydration is an essential component of athletes' training regimens.

In 2016, the company launched POCARI SWEAT JELLY, an edible form of hydration, to appeal to those who are unable to hydrate despite understanding the need to sufficiently hydrate.

In 2017, the company launched BODYMAINTÉ JELLY, which is formulated specifically to support the physical condition of athletes who may be

prone to illness due to rigorous daily training. The company added lactic acid bacteria B240, a unique Otsuka Pharmaceutical ingredient for maintaining physical functioning, to develop the special formula.

With regard to women's health, Otsuka Pharmaceutical launched EQUELLE in 2014 to help women stay healthy and beautiful during and after the midlife transitional period, when they experience various physical and mental changes.

Otsuka Pharmaceutical



VOICE

Advancing Preventive Medicine

Yasuhide Inoue

Perioperative Medicine Research Office,
Naruto Research Institute
Otsuka Pharmaceutical Factory, Inc.

It has long been said that it is important to prevent illness. This is called preventive medicine. As part of Otsuka Pharmaceutical Factory's contribution to preventive medicine, we created the first new antiseptic in Japan in 50 years, Olanedine, which was launched in September 2015. Confirmed as extremely effective in sterilizing against methicillin-resistant Staphylococcus aureus (MRSA) infections, which are resistant to conventional antiseptics, and against vancomycin-resistant enterococci (VRE), this agent is expected to help prevent new in-hospital infections.



FIGHTBACK*

Global Initiatives for Public Health

Multidrug-resistant tuberculosis (MDR-TB)^{*1} is an increasing public health threat. After a long period of research and development, DELTYBA (delamanid), a treatment for adult pulmonary MDR-TB, was approved initially in the EU, Japan, and South Korea in 2014. In 2016, Otsuka entered into an agreement with the Stop TB Partnership's^{*2} Global Drug Facility (GDF), enabling distribution of DELTYBA to over 100 low- and middle-income countries. In addition to drug access, training and technical support is provided to ensure the drug is used correctly and effectively incorporated into existing TB treatment programs.

Otsuka Pharmaceutical

* To raise awareness, Otsuka Pharmaceutical worked with anti-tuberculosis-related organizations in a number of countries to compile books of portraits of people who have lived with tuberculosis.



Otsuka Pharmaceutical Factory: Medical Foods Research Institute

Medical Food Research from a Global Perspective

Otsuka Pharmaceutical Factory, a pharmaceutical company with a strong foundation in clinical nutrition, leverages this expertise in its mission to develop original, scientifically-backed food products. These medical food products find applications in healthcare and nursing care situations. With our social responsibilities as a pharmaceutical company in a super-aging society in mind, we have accelerated product development in Japan based on three areas: dehydration, malnutrition, and dysphagia (difficulty swallowing).

For example, OS-1, an oral rehydration solution, addresses oral rehydration therapy



Otsuka Pharmaceutical Factory: HINE E-GEL, one of the concentrated liquid nutrition series, and ENGELEAD, for people who experience difficulty swallowing

advocated by the WHO (World Health Organization) and is the first special use food for dietary uses approved in Japan for people with mild to moderate dehydration. Another product approved as a food for special dietary use, ENGELEAD, was developed specifically for those who experience difficulty swallowing. The company has also expanded its HINE series of concentrated liquid nutrition, adding products such as HINE E-GEL, a digestive type with a new consistency. The company is actively working to expand its line of medical foods and bring these revolutionary products to markets in other countries in Asia and elsewhere.

Otsuka Pharmaceutical Factory



EN Otsuka Pharmaceutical: iEat eating recovery assisting food series



Otsuka Foods: "My Size: line! Plus"

Support Ranging from IV Solutions to Eating Solid Food

Otsuka Pharmaceutical Factory develops products that comprehensively support the nutritional management of patients throughout their convalescence from the acute to the recovery phase. These range from the company's core IV solution products and enteral nutrition products to medical foods to make patients more comfortable. In IV solutions, the company strives to develop revolutionary products that meet the needs of patients and healthcare professionals, such as the first-ever IV solution quad bag, which provides greater convenience and helps prevent mistakes in preparation.

EN Otsuka Pharmaceutical has responded to the increasing number of elderly who have

difficulty in eating regular food as they age, and are dependent on purees and finely chopped foods. The company's iEat series of eating recovery assisting food products provide nutritious foods that retain the look and taste of the food patients are used to eating, yet are soft enough to be broken down in the mouth with just the tongue.

In 2010, Otsuka Foods launched its My Size series of retort food products prepared to be just the right size. Carefully prepared curry ingredients and rice bowl toppings, packaged rice, and portion control are features that ensure these popular products provide delicious meals with an easy-to-understand 100 or 150

kilocalories per serving. In 2016, the company launched its My Size: line! Plus series of products sold exclusively in Japanese pharmacies. The series is designed for people concerned not only about calories, but also about intake of salt, proteins, and sugars. As opportunities for health management and nutrition guidance campaigns increase at regular prescription drug pharmacies in Japan, and the Japanese government moves to create a system of Health Support Pharmacies, the My Size: line! Plus series is gaining the attention of consumers looking for products to support a healthy diet.

Otsuka Pharmaceutical Factory, EN Otsuka Pharmaceutical, Otsuka Foods



VOICE

Providing Information and Expanding Product Lines based on the Interrelationships between Medical and Dental Care

Kenichi Ogasawara
Chief of a Product Planning Division,
EN Otsuka Pharmaceutical Co., Ltd.

An oral cavity or poor nutrition can cause various illnesses and degrading of bodily functions. For example, maintaining good oral hygiene can be effective in preventing aspiration pneumonia. Promoting greater collaboration between the medical and dental fields is therefore a matter of some urgency. EN Otsuka Pharmaceutical has developed and launched oral care products. It also manufactures and markets iEat, a series of eating recovery assisting food products. The company also manufactures and markets enteral nutrition products. These are prescription drug enteral nutrition formulas that can be administered directly into the stomach or intestine in a relatively short period of time, giving patients more time for rehabilitation. The company will continue to add new products to this line and raise awareness at academic conferences, provide appropriate information, and manufacture products that meet healthcare needs.

*1: When TB bacteria become resistant to at least the two most commonly used first-line medicines, isoniazid and rifampin, the infection is called multidrug-resistant (MDR).

*2: Established in 2001 with the aim of eradicating tuberculosis. The Global Drug Facility was created as a subsidiary organization of the Stop TB Partnership to increase access to high-quality and affordable TB treatments and diagnostics.

Raising Awareness of Health

The Otsuka group engages in a variety of activities to raise awareness among stakeholders on the importance of staying healthy.



Otsuka Pharmaceutical: Raising awareness of heat disorder prevention

Otsuka Pharmaceutical Factory: Committee for Awareness of Hidden Dehydration activities

Building Awareness of Prevention of Heat Disorders

Ever since the launch of POCARI SWEAT, Otsuka Pharmaceutical has been carrying out educational events for all ages, children to seniors, which advocate the importance of hydration and electrolytes for various types of daily activity. The company has also engaged in efforts to prevent and treat heat disorders for over 25 years. Company employees visit sites to give seminars on the importance of hydration and electrolyte replenishment based on scientific research at Otsuka Pharmaceutical research institutes and elsewhere. These activities have been expanded to include educating athletes, coaches, construction workers, factory workers, staff employed in hot environments, the

elderly, and other people at risk of heat disorders. Moreover, in 2016, Otsuka Pharmaceutical and Otsuka Foods support COOL CHOICE, a national movement sponsored by the Japanese government to encourage wise decisions in light of global warming concerns. The company's employee-led on-site seminars on heat disorders provide a channel for raising awareness among a wide range of people. In recognition of these diverse activities, Otsuka Pharmaceutical was honored with a Heat Illness Prevention Communication Project Hitosuzumi Award in 2016* for its outstanding heat disorder prevention initiatives. In addition to being named Best Communicator for the third consecutive

year, the company also received in 2016 a Top Runner Award (Private Sector), presented to the organization that implemented the most effective heat disorder prevention initiatives among all award-winning organizations.

Otsuka Pharmaceutical Factory supports and cooperates with the Committee for Awareness of Hidden Dehydration, which works to raise awareness of ways to prevent and treat dehydration before it becomes critical. Heatstroke occurs when heat is not released and builds up in the body. This phenomenon is closely tied to a lack of proper hydration. In the past, dehydration was commonly treated by administering liquids, but today it is increasingly common to



Otsuka Pharmaceutical Factory: Committee for Awareness of Hidden Dehydration activities

Otsuka Pharmaceutical (H.K.): Running program

treat mild to moderate dehydration with an oral rehydration solution early on to prevent milder cases from becoming serious. Efforts to raise awareness of oral rehydration solutions have increased recognition and understanding of heat disorders, and the Japanese Association for Acute Medicine has included OS-1 as a recommended oral rehydration solution in their treatment guideline.

At Otsuka Techno, forklift operators work outdoors moving products, and warehouse managers are in charge of heat disorder prevention efforts. The company distributes Japan Industrial Safety & Health Association pamphlets on

prevention of heat disorders and works on raising awareness and understanding of heat disorder prevention.

The EN Otsuka Pharmaceutical Hanamaki and Kitakami factories in Japan communicate the dangers of heat disorders to employees, as well as to outside vendors working at the factories, frequently reminding workers to rehydrate. Between June and September, POCARI SWEAT servers are installed at both factories so that employees can hydrate as needed during the hottest months of the year.

Otsuka Pharmaceutical (H.K.) works with the Early Psychosis Foundation (EPISO), an

organization that provides support to those with mental illness. EPISO members include psychiatrists from university hospitals, professors at the University of Hong Kong, social workers, volunteers and others. The organization operates yoga and running programs with the aspiration to promote better health through exercise. To support these activities and ensure that the EPISO program is beneficial to all, Otsuka Pharmaceutical (H.K.) educates the doctors and volunteers on the importance of hydration and ways of hydrating and replenishing electrolytes.



VOICE

Cooperation with Super Nutrition Education School

Tasuku Maeda
Registered Dietician
Company Cafeteria
Otsuka Pharmaceutical Factory, Inc.

In response to a request from a designated Super Nutrition Education School under a project introduced by the Ministry of Education, Culture, Sports, Science and Technology, Otsuka Pharmaceutical Factory held a seminar focused on issues related to nutrition, diet, and health management and the relationship between food and sports.

* As part of the Heatstroke Prevention Communication Project, a public/private initiative under the auspices of the Ministry of the Environment, the Hitosuzumi (Cool Break) Awards are given to recognize outstanding initiatives to prevent heatstroke.



Otsuka Pharmaceutical: Seminar on women's health

Otsuka Pharmaceutical: Saga Nutraceuticals Research Institute

Lactococcus 20-92, equal-producing lactic acid bacteria

Raising Awareness of Women's Health

The average lifespan in Japan, which is over 80 years old for both men and women is the highest in the world. By contrast, the average for healthy life expectancy, during which the elderly are not bedridden or require home nursing care, is approximately nine years lower for men and 12 years lower for women than their respective life expectancies*1. Extending healthy life expectancy is a matter of great importance in Japan. Similarly, Japan also faces the issue of creating an environment in which women can be active and involved in society while raising children, caring for aging parents, and maintaining their own health.

For many women, their professional and personal lives are disrupted along with their bodily

rhythm and physical condition as they age. According to a survey, for example, respondents felt less positive about being promoted. The care received during and after the midlife transitional period, a time of significant physical and mental changes, has an impact on women's healthy life expectancy. To help women stay healthy and beautiful during and after the midlife transitional period, Otsuka Pharmaceutical developed EQUELLE, a supplement containing equal made by lactic-aid bacteria from fermented soybeans.

The company also conducts seminars across Japan on women's health that focus on the physical and mental changes that take place at each stage of life. The seminars also cover ways

to lighten this transformational period that are suitable for each individual, so that women can lead full and active lives.

In 2016, the company released the results of its joint research on equal with Kindai University Research Institute of Oriental Medicine and continues to focus on ways of improving women's quality of life.

In addition to information on women's nutrition available to the general public on its website, Otsuka Pharmaceutical provides support for Otsuka group employees such as seminars on women's health to help female employees consider and manage their own health needs.

Otsuka Pharmaceutical



Taiho Pharmaceutical: Pink ribbon illumination at Kitajima Plant

Taiho Pharmaceutical: Booth at Pink Ribbon Symposium

Taiho Pharmaceutical: Raising awareness with Pink Ribbon activities

Supporting the Pink Ribbon Campaign

Taiho Pharmaceutical supports the Pink Ribbon campaign, a worldwide effort to raise awareness on, distribute accurate information about, and promote early detection and treatment of breast cancer. Taiho Pharmaceutical participated once again in 2016 in the Pink Ribbon Symposium in Tokyo (sponsored by the Japan Cancer Society and the *Asahi Shimbun*) with a booth.

The 2016 theme was "Together we can overcome—The latest breast cancer treatment and mental health care." The symposium featured talks by specialists and actress Kaho Minami for people living with breast cancer and their families. The speakers fielded many questions from

the audience who expressed even more interest in breast cancer than in past years.

Visitors to the Taiho Pharmaceutical booth received pink ribbon stickers and a leaflet entitled *Don't Miss these Signs of Cancer!* with information on detecting breast cancer and variety of other cancerous tumors, as well as a laundry bag designed to raise awareness. The laundry bag was selected in an employee survey as the most appropriate item for raising awareness since the nearly daily chore of doing laundry would maximize people's exposure to the message. The company hopes that the laundry bag will motivate more women to think about

early detection and lead to more people receiving treatment.

Today, it is estimated that one in 11 women*2 in Japan will develop breast cancer. Taiho Pharmaceutical will continue to widely support the Pink Ribbon campaign to help ensure that as many women as possible receive support when they need it.

Taiho Pharmaceutical

*1: Source: Reference materials related to Health Japan 21 (the second term)

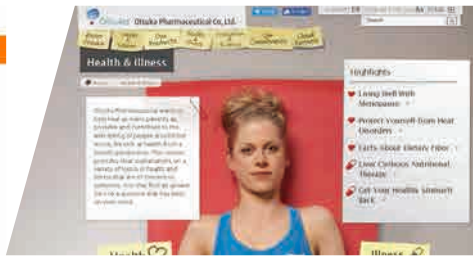
*2: Source: Center for Cancer Control and Information Services

Communicating Health Information

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



Taiho Pharmaceutical: SURVIVORSHIP.jp website



Otsuka Pharmaceutical: Health & Illness site



Otsuka Foods: My First Water Project

Health Information Online

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

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

Taiho Pharmaceutical and Otsuka Pharmaceutical

My First Water Project

Otsuka Foods has been running the *My First Water Project*, which aims to disseminate information about safe and healthy water, since 2012. This program is based on the premise that parents are responsible for making choices about water until their children are old enough to make their own decisions. In 2016, the company continued to work with Bean Stalk Snow Co., Ltd. to distribute samples of CRYSTAL GEYSER to 300,000 expectant and nursing mothers across Japan. Employees visited training sessions on bottle-feeding to show mothers how soft water with fewer minerals is suited for infant formula.

Otsuka Foods



Otsuka Health Comic Library



20 – TWENTY



Otsuka Pharmaceutical: Schizophrenia Forum

Otsuka Health Comic Library

The Otsuka group has been publishing the Otsuka Health Comic Library since 1989 as part of its efforts to contribute to better children's health. A new volume is issued each year, and these comics have been donated to elementary and special needs schools throughout Japan. They are used in classes and student committee activities as a tool for teaching children about health in a fun way.

In collaboration with the Japan Society of School Health, Otsuka Holdings has held health education workshops for elementary school nurses and other school officials since 2015 to promote health education using the Otsuka Health Comic Library.

20 – TWENTY

Taiho Pharmaceutical provides support for the National Cancer Center Hospital's Orange Clover activities. This project is designed to help patients undergoing medical treatment to live full and active lives. Receiving the supervision of the program, Taiho Pharmaceutical distributed its *20—TWENTY* booklet in 2016. The booklet was compiled for cancer patients in the AYA generation (adolescents and young adults), their families, friends, and others close to them.

The booklet does not just focus exclusively on issues of external appearance, but also addresses topics related to overcoming obstacles in daily life, dealing with negative emotions, and developing a positive attitude. The company distributes these to healthcare professionals in the hope that they will help patients undergoing cancer treatment and deal with the issues they face.

Taiho Pharmaceutical

Raising Awareness about Illness

Since 2009, Otsuka Pharmaceutical has provided support for forums on schizophrenia* held each year in two cities in Japan. In 2016, the forums were held in Matsuyama and Shizuoka. Aiming to convey to the general public the importance of acknowledging schizophrenia as the first step to recovery, Otsuka Pharmaceutical joined Silver Ribbon Japan to organize a photo exhibition entitled *Facing it Begins the Change* on October 10, World Mental Health Day. The exhibition has been held twice, welcoming a total of 2,000 visitors and bringing hope that awareness and attitudes toward the mentally ill can change. These activities have been recognized by the international advertising awards Clio and by Cannes Lions.

Additionally, US-based Avair Pharmaceuticals created a documentary film to raise awareness of pseudobulbar affect (PBA) and, in collaboration with the Brain Injury Association of America, has screened the film to healthcare professionals, support groups, and reporters, during the American Psychiatric Association annual meeting.

Otsuka Pharmaceutical

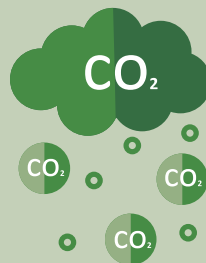
* Sponsored by NHK Enterprises with support from Otsuka Pharmaceutical



Environment

The Otsuka group embraces its responsibility to care for the environment and pursue sustainability at every stage, from the manufacturing of products through to their use.

795 thousand
tons-CO₂



Total CO₂ emissions in FY2016
(Otsuka group)

98.5 %



Waste recycling rate in Japan in FY2016
(Otsuka group)

100 %



Environmental e-learning program participation rate
since FY2014
(Otsuka Pharmaceutical)

Environmental Management

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

Otsuka Group Environmental Policy

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

Guidelines

- 1 Provide products and services that are friendly to the environment
- 2 Contribute to a low-carbon society
- 3 Contribute to a sound material-cycle society
- 4 Conserve biodiversity
- 5 Ensure compliance
- 6 Actively engage in social initiatives
- 7 Enhance risk management



Otsuka group: Global Environmental Council



Otsuka Pharmaceutical: "Otsuka Academy of the Environment" Taiho Pharmaceutical: Environmental education e-learning educational tool



Otsuka Group Environmental Promotion Council

The Otsuka Group Global Environmental Council has been established to promote environmental action based on the Otsuka Group Environmental Policy and Guidelines. The council comprises group-wide coordinators, environmental managers from group companies, and a secretariat. The council is actively engaged in enhancing the group's green initiatives through discerning environmental issues, setting common goals and establishing subcommittees to exchange information on each environmental issue. The council will develop its environmental activities in Japan and outside Japan going forward.

Environmental Education

Otsuka Pharmaceutical has provided an ongoing environmental e-learning program, the Otsuka Academy of the Environment, for all employees since its launch in 2011. This program has fostered an awareness and understanding of environmental issues for employees engaged in environmental activities in and out of the company. Comprehension tests have been used to reinforce learning. Since 2014, the program participation rate has been 100% and the program ensures employees knowledgeable of environmental considerations.

Otsuka Pharmaceutical Factory is developing an environmental e-learning program to support self-directed learning. The ongoing program,

begun in 2014, now offers two courses comprising twenty topics; the two courses are Environmental Studies (fundamental knowledge, such as basics of global warming) and Environmental Law. Taiho Pharmaceutical also provides environmental e-learning to all employees. Course topics are based on the latest issues; appropriate waste disposal was the topic in 2016. Environmental education for corporate officers and board members has also been implemented to enhance environmental management capabilities.

Climate Change Response

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

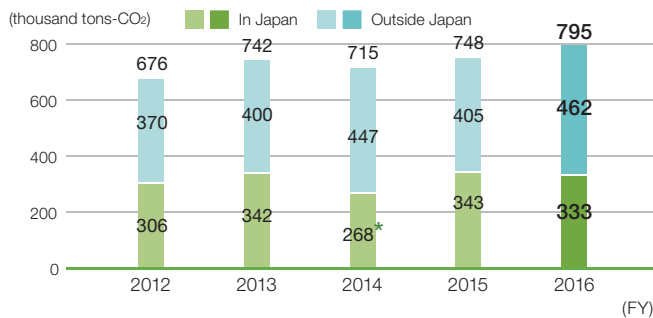
Combating Climate Change and Conserving Energy

In 2016, the 13 Otsuka group companies in Japan*1 used the energy equivalent of 333 thousand tons of CO₂ emissions through their business activities. The 34 group companies outside Japan*1 used the energy equivalent of 462 thousand tons of CO₂ emissions, resulting in total emissions of 795 thousand tons of CO₂. The increase in CO₂ emissions outside Japan was due to expansion of business activities. The Otsuka group in Japan has set a

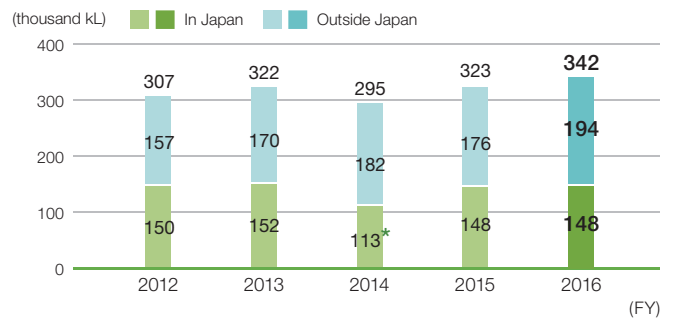
medium-term target to reduce fiscal 2018 CO₂ emissions*2 by 10% compared to fiscal 2010. The group is striving to control emissions by promoting fuel conversion and higher energy efficiency, and achieved a 7.3% reduction in fiscal 2016. In addition, by calculating the Scope 3 emissions of four group companies,*3 which account for about 80% of group emissions in Japan, and by ascertaining emissions for each product category, the group will devise further

emission reduction efforts. Heat is required for sterilization processes used in producing pharmaceuticals (IV solutions) and beverages, as well as for the reaction, distillation, and drying of chemicals. Therefore, each group company is working on innovative production processes that will reduce energy consumption for these energy-intensive uses.

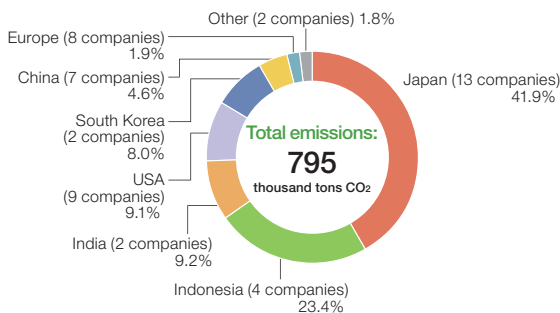
Total CO₂ Emissions (Energy-related)



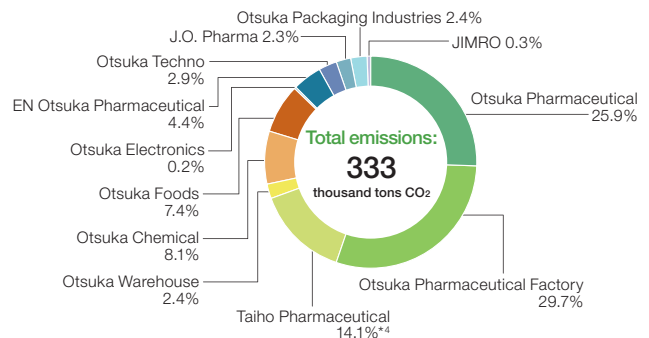
Energy Usage (Crude-oil equivalent)



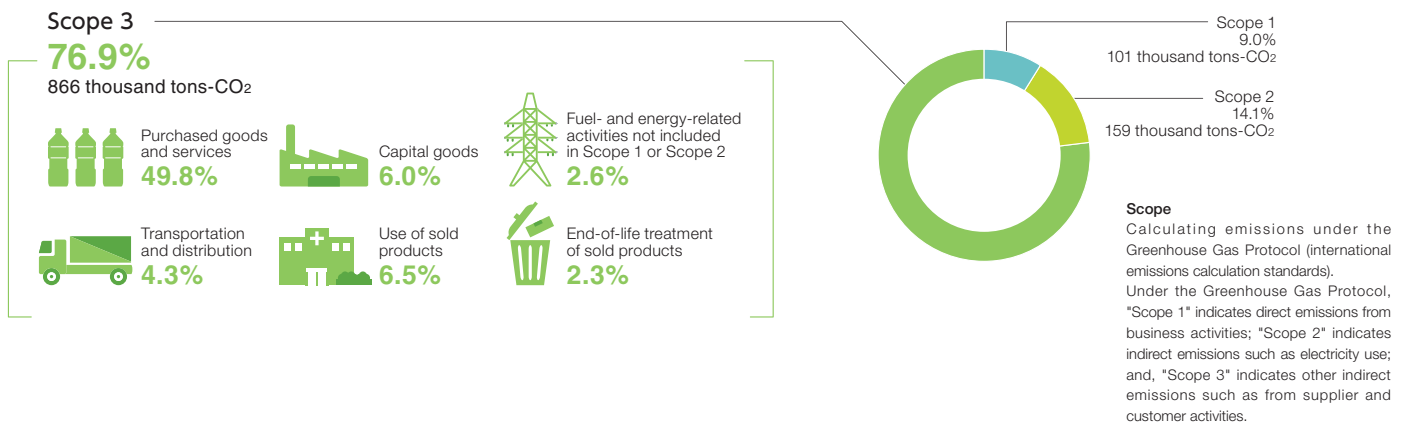
Otsuka Group CO₂ Emissions by Country in FY2016



CO₂ Emissions by Company in FY2016 (in Japan)



Supply Chain Emissions in FY2016 at Which of the four should be specified Four Group Companies in Japan*3



VOICE

Global Warming Prevention Efforts by the Whole Factory

Yasuji Sakamoto
Facilities Maintenance and Engineering,
Naruto Factory
Otsuka Pharmaceutical Factory, Inc.

The department is engaged in an innovative, cooperative effort with the manufacturing department to convert recovered heat from high-temperature wastewater generated in the manufacturing process into usable energy for boilers. This conversion process has reduced CO₂ emissions by 670 tons in 2016. At the Naruto Factory, all employees are dedicated to ensuring a stable supply of high-quality products, while working to prevent global warming.

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

*1: Consolidated companies that have a production site.

*2: Calculated using 2010 coefficient

*3: Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, and Otsuka Foods.

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



Otsuka Chemical: Cogeneration system at the Tokushima Factory Otsuka Pharmaceutical Factory: Boiler room at the Toyama Factory Otsuka Sims (Guangdong) Beverage: Gas boiler

Initiatives on the Production Floor

The Otsuka group aims to help prevent global warming by promoting both tangible energy-saving activities, such as equipment updating, and intangible activities, including operational improvements. In Tokushima, where most of the group's production facilities are located, the Tokushima Factory of Otsuka Chemical has installed a gas turbine cogeneration system, which supplies power and steam to various group companies in the same district. In addition, the Fukuroi Factory of Otsuka Pharmaceutical has introduced a system that uses energy from hot wastewater generated by sterilization processes during manufacturing to provide air conditioning for low-humidity rooms.

Otsuka Pharmaceutical Factory has a committee operating at each of its production sites comprised of members from all departments and headed by the plant manager and energy managers in order to promote energy conservation activities. Otsuka Techno seeks to tighten control of peak power use through the installation of demand monitoring systems at the Naruto and Wajiki Factories. The Hanamaki Factory of EN Otsuka Pharmaceutical aims to reduce power consumption through progressively switching to LED lighting and higher efficiency cooling equipment. Otsuka Chemical is reducing power through smarter use of power equipment such as controlling the number of

operating units, shortening operating hours, and adjusting settings.

In Indonesia, Amerta Indah Otsuka, which manufactures and sells POCARI SWEAT, acquired ISO 14001 certification and ISO 50001, a certification that focuses on energy management and implements energy-saving activities. China Otsuka Pharmaceutical and Guangdong Otsuka Pharmaceutical, which manufacture IV solutions, Otsuka Sims (Guangdong) Beverage, a maker of POCARI SWEAT in China, and Egypt Otsuka Pharmaceutical, which makes IV solutions, have reduced their environmental impact by converting fuel sources from coal and heavy oil to natural gas and diesel.

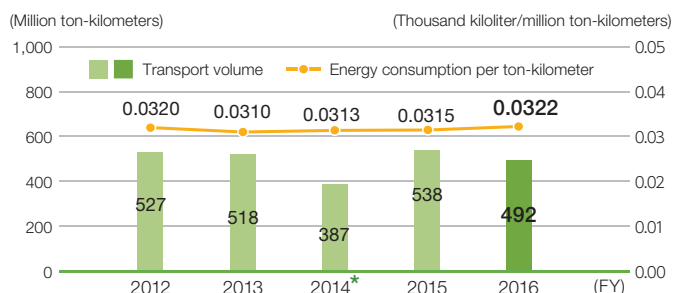


Otsuka Warehouse: Modal shift to ocean transport

Reducing CO₂ Emissions from Logistics

The Otsuka group is promoting modal shifting as part of Otsuka's efforts to address the environmental impact of its logistics operations. Shipping of drinks and other products is being shifted from trucks to ocean or railway transport, both of which are more environmentally friendly and better suited for mass transport. When trucks are necessary for medium and long distance transport, Otsuka Warehouse uses shared logistics platforms that enable it to decrease the number of necessary delivery vehicles; this innovation has effectively reduced CO₂ emissions.

Energy Consumption per Ton-Kilometer by Four Specified Consigners of the Otsuka group*¹



* Results are for the nine months Apr-Dec.

¹: Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, and Otsuka Foods.



Taiho Pharmaceutical: Cool Biz poster



Taiho Pharmaceutical: LED lighting at the Discovery and Preclinical Research Division (Tsukuba area)



Otsuka Pharmaceutical: Hybrid vehicle

Initiatives in the Office

The Otsuka group is focused on improving energy use efficiency in buildings and fuel efficiency in business vehicles. Environmental managers from across the Otsuka group gather together to share information on energy-saving activities in offices to promote each company's initiatives.

In addition to working to optimize daily energy use, the Otsuka group strives for efficient lighting and air conditioning use in offices. Employees participate in Warm Biz and Cool Biz campaigns that encourage appropriate seasonal office attire. The group has supported declaring no-overtime days and use of air circulators. LED lighting is also being progressively

introduced. Actions taken to reduce paper use in printers have raised awareness about paper and energy conservation. Transition to hybrid and fuel-efficient business vehicles is in effect. In fiscal 2016, the green vehicle usage rates for Otsuka Foods, Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, and Taiho Pharmaceutical were 92%, 87%, 84%, and 69%, respectively. Additionally the group promotes eco-friendly driving habits with attention on safe driving and accident prevention.

The Kobe Branch of Otsuka Pharmaceutical has cooperated with internal and external parties to reduce its energy consumption; it has

updated lighting, humidification, and air conditioning equipment in its rented office space. In addition to these updates, the branch continues to take comprehensive measures such as implementing plan-do-check-act cycles to find new and improved ways to save energy. The Kobe Branch received a 2016 Kansai Eco Office Award from the Union of Kansai Governments for their innovations. Based on the cooperation of seven Kansai prefectures, the Union of Kansai Governments promotes disaster prevention, tourism, culture, industry, healthcare, and environmental conservation.



Ridge Vineyards: Lytton Springs



Otsuka Techno: Naruto Head Office



Taiho Pharmaceutical: Green curtain planting at Okayama Plant

Clean Energy Use

The Otsuka group is actively pursuing clean energy. It is working to reduce CO₂ emissions by installing solar power generation systems. Otsuka Techno has introduced solar power generation at the Naruto head office, Mold Center, and the Wajiki No. 4 Factory. EN Otsuka Pharmaceutical has installed photovoltaic solar panels at its Hanamaki Factory, which partially power the employee cafeteria. Solar panels were installed for the IV solutions information center at the Naruto Factory of Otsuka Pharmaceutical Factory. The amount of electricity generated and the level of CO₂ emissions reduction are displayed on an indoor monitor. This

display serves to raise the environmental awareness of employees and communicates energy-saving efforts to visitors at the center. Ridge Vineyards—the group's winery in the United States—has installed 400 rooftop solar panels, which supply 40% of the facility's electricity.

Green Curtains

Every year offices and factories in the Otsuka group grow bitter melon, morning glory, and other vine plants to cover sunny windows in order to create green curtains that lower the indoor temperatures and save energy. Large mature leaves help block the strong sunlight in summer, and drop room temperatures by three degrees. Produce harvested from these window plantings is featured on lunch menus in employee cafeterias. This initiative raises conservation awareness, and encourages employees to growing other edible vines such as passion fruit.



VOICE

Energy-saving Activities through Local Collaboration

Kiyoto Oshima
Finance and Accounting Department
(Kobe Branch)
Otsuka Pharmaceutical Co., Ltd.

The Kobe Branch values close communication with the building management company; we continue to propose improvements found in daily environmental activities. Recent improvements and renovation of the building facilities resulted from the environmental awareness of our entire branch. We will continue to work on energy-saving activities in cooperation with the local community.

Eco-Friendly Products

The Otsuka group strives 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 environmentally friendly disposal.



Otsuka Pharmaceutical Factory: OS-1, an oral rehydration solution



Otsuka Foods: Short flap box for 500-ml Match bottles

Lighter Bottles

The Otsuka group has introduced lighter containers that conserve resources and reduce CO₂ emissions. When they were launched in 2007, Otsuka Pharmaceutical's 500 ml plastic bottles of POCARI SWEAT were the lightest in Japan. The weight of the bottles was reduced by introducing a method called "positive pressure aseptic filling" to the bottling lines, a first for Japan. Now the bottle washing and sterilizing processes have been eliminated, as the company produces preforms in-house from raw PET plastic material. The group has taken a number of actions to reduce the weight of product packaging including: changing the bottle design in 2016 from square to round design for OS-1 oral

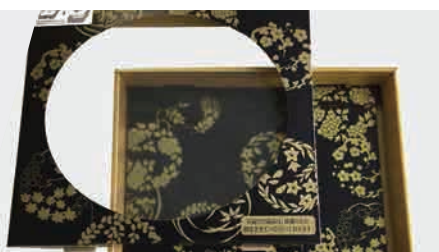
rehydration solution plastic bottles; introducing thinner microwave pouches (reducing weight by 7%) for Bon Curry Gold; reducing the weight of glass bottles while still maintaining break resistance for Tiovita Drink; lowering packaging film weight for SOYJOY; and redesigning containers to reduce overall resin usage for jelly-type products such as Calorie Mate. Otsuka Techno has also achieved weight savings through innovative plastic packaging redesign.

Lighter and Smaller Packaging

The Otsuka group is taking measures to reduce the weight of cardboard and other product packaging materials. Otsuka Foods is reducing the weight of outer cardboard boxes used for its carbonated beverage, Match. A shorter box flap design for the 500-ml Berry Match released in March 2016 reduced cardboard use by 16%. The new box design is being adopted for other Match products starting March 2017.



Otsuka Pharmaceutical: ABILIFY MAINTENA



Otsuka Packaging Industries: Packaging that eliminates the need of cushioning material through the use of film wrap



Nutrition & Santé products

Product Development Targeting Both User Convenience and Waste Reduction

Innovative packaging for the antipsychotic ABILIFY MAINTENA features improved impact resistance during distribution, ease of package removal and disposal by medical staff. Otsuka received an award in the pharmaceutical division from the 2016 Japan Packaging Competition for the extensive and creative design of this package. Regarding Adacolumn, a blood cell purification device, a panel used for treatment was eliminated, which reduced packaging size and user medical waste. Additionally, shipping volume and shipping weight were reduced. Otsuka Packaging Industries proposes and manufactures eco-friendly packaging materials

with improved material quality and packaging formats. Innovations in packaging containers include food-product biomass trays, which are made from plant-derived (sugar cane) polyethylene, tapeless interlocking boxes, and innovative cushioned boxes that prevent bottle breakage. The results of these initiatives are also being publicized through environmental exhibitions.

Sustainable Product Design

Nutrition & Santé SAS, based in southern France, implements its own eco-design charter to ensure that environmental impact is considered at all stages, from product development and ingredients procurement, to manufacturing, packaging material design, and product transport.

Waste Reduction

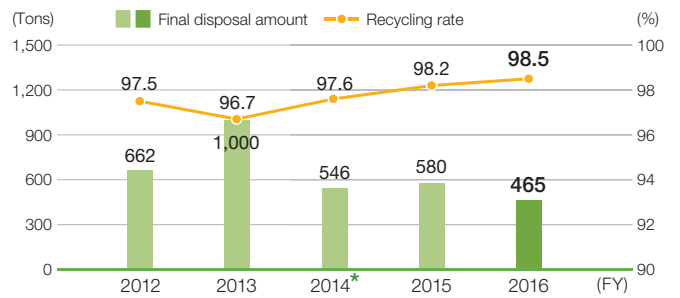
The Otsuka group aims to help create a recycling-oriented society. By curbing waste generation and promoting recycling, the group strives to attain final disposal amounts close to zero in its effort to achieve zero emissions.

Reducing Waste

In 2016, the 13 group companies in Japan discharged 336 thousand tons of waste from business activities. While the amount of waste discharged fluctuates with changes in production output, the group strives to recover resources and to reduce its final disposal amount through reuse and recycling initiatives. In fiscal 2016, its recycling rate was 98.5% and the final disposal amount was 465 tons. Each factory will continue robust 3R (reduce, reuse, and recycle) initiatives with the aim of achieving zero emissions.

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

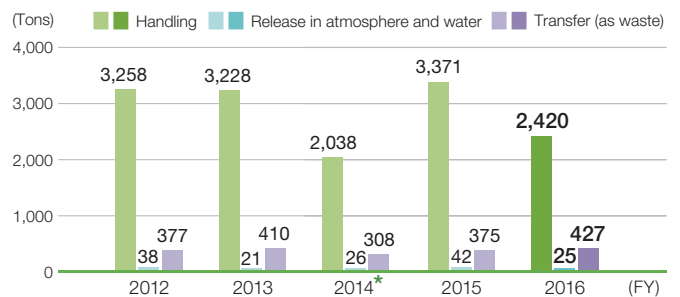
Recycling Rate and Final Disposal Amount



PRTR Substances

Management of PRTR substances*1 at the 13 group companies in Japan are shown in the graph at right.

Handling, Release, and Transfer of PRTR Substances



EN Otsuka Pharmaceutical: Canister reuse



Otsuka Pharmaceutical Factory: "Tokushima Prefecture Certified 3R Model Site" certification for the Naruto Factory



Otsuka Pharmaceutical: Tokushima Wajiki Factory

Waste Reduction and 3R Promotion

Through 3R (reduce, reuse, and recycle) promotion efforts, the Otsuka group of companies is helping to build a recycling-oriented society and working to achieve the goal of zero emissions. Otsuka Pharmaceutical is working on material*2 and thermal*3 recycling, wherever possible, for waste emitted from its manufacturing processes. All its production plants achieved—and continue to maintain—a zero emission status with a recycling rate of 99% or more. In 2009, Otsuka Pharmaceutical Factory achieved—and continues to maintain—a zero emission status at all its production plants. The Naruto, Matsu-shige, Toyama, and Kushiro Factories have also

received environmental certification, including model site status, from relevant municipalities. Otsuka Foods also achieved, and has maintained, zero emissions status for all its plants since 2010. The Tokushima Factory sorts manufacturing waste into 39 types and processes and recycles it into 13 kinds of products. In recognition of these efforts, the plant was certified as a Tokushima Prefecture 3R Implementation Site. The recycling efforts of the Hanamaki Factory of EN Otsuka Pharmaceutical include: providing empty canisters that previously contained raw-material fats and oils to an enterprise for reuse as agricultural product transport

containers; and corrugated cardboard and polyethylene bags to recyclers as valuable waste. Otsuka Techno also continues to maintain a recycling rate of 99% or more, through initiatives to improve the recycling rate based on thorough waste sorting as it strives to achieve zero emissions at the plant. The Naruto head office, Naruto Factory and Wajiki Factory have been approved as Tokushima Prefecture Certified 3R Model Sites.

* Results are for the nine months Apr–Dec.

*1: Pollutant Release and Transfer Registers (PRTRs). There are presently 462 substances designated under Japan's PRTR system.

*2: Reusing waste as raw materials for products

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

Protecting Biodiversity

The Otsuka group endeavors to maintain and preserve biodiversity. Through a growing understanding of the impact of its business activities on ecosystems, the group strives to minimize this impact and promote a society where humans and the natural environment are mutually beneficial.

Basic Approach

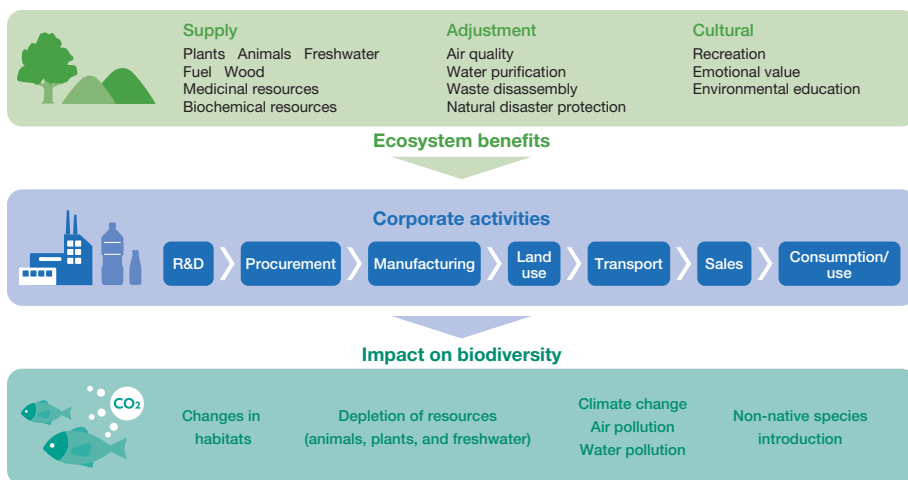
The Otsuka group recognizes the invaluable benefits provided by the global environment, and thus deeply values the wonder of life. It understands that nature's gifts are the key to our future, and is consequently committed to protecting biodiversity worldwide.

Guidelines

- 1 The group will deepen its understanding of the relationship between business activities and biodiversity.
- 2 The group will strive to reduce the environmental impact of business activities that impact biodiversity.
- 3 The group will strive for sustainable use of resources (including ecosystem services), and for fair and equitable distribution of genetic resources in accordance with international arrangements.
- 4 The group will work on conservation of biodiversity by communicating, cooperating and collaborating with stakeholders worldwide.
- 5 The group will help foster public awareness of biodiversity.

Relationship between Biodiversity and Business Activities

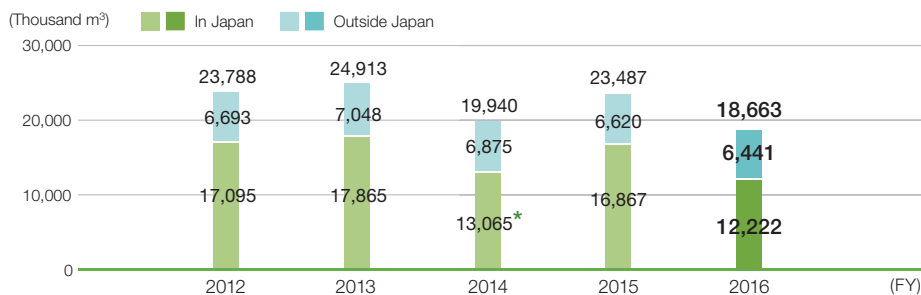
The Otsuka group manufactures and sells a wide range of products such as pharmaceuticals, IV solutions, beverages, foods, and chemicals. Biodiversity is integral to all group activity in these business domains; biodiversity supports business activities and is, at the same time, impacted by them. Thus an accurate understanding of this interrelationship is necessary as the group seeks to promote initiatives aimed at reducing impacts on biodiversity.



Water Resource Initiatives

In fiscal 2016, the 13 group companies in Japan used 12.222 million m³ of water in business activities. Outside Japan, 34 group companies used 6.441 million m³ of water, resulting in total use of 18.663 million m³. Water resources play a major role in the group's business. Water usage amounts are analyzed and compared among group companies as part of Otsuka's efforts to reduce environmental impact and use limited resources wisely.

Water Usage by Group Companies



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



Otsuka Pharmaceutical: Biotope at Tokushima Itano Factory

Taiho Pharmaceutical: Biotope at Okayama Plant

Emerging rhinoceros beetle

Creating Biotopes

Otsuka Pharmaceutical's Tokushima Itano Factory has created facilities that are friendly to people and the environment on the basis of building harmonious relationships with the natural environment. The design of the factory complex includes incorporating the pre-construction landscape, and reintroducing native plants in an effort to preserve the original biological habitats. A natural forest area was left intact on the factory grounds. The forest has various species of oak that attract a wide range of seasonal wild birds, and provide a relaxing recreational space for employees and visitors. The biotope pond, fed by cooling water from the plant, provides an environment for diverse aquatic creatures to

flourish, including dragonfly larva, water scorpions, and pygmy water lilies. A spot near the biotope pond was created where rhinoceros beetles can thrive. Every year leaves from deciduous trees on the plant grounds are used to raise several hundred beetles, which are popular with children who come to tour the plant. Located in a scenic spot overlooking Kugui Bay in the city of Bizen, Taiho Pharmaceutical's Okayama Plant has implemented an eco-friendly wastewater treatment system for discharging the cooling and cleaning water generated in the manufacture of the Tiovita Drink series. The system enables the plant to discharge the treated water into the sea in a condition closer to its



natural state. Fish and small animals thrive in the biotope that features a babbling brook, a deep pool, and sandbars. Insects and birds are attracted to food sources that flourish along the water's edges. The wastewater that is filtered through this 300-meter long biotope is eventually released into the sea as organically rich as natural stream water. The biotope thus contributes to regional biodiversity conservation.



Ridge Vineyards



Otsuka Pharmaceutical: Cyprinid fish exchange meeting

Initiatives to Protect Water Resources

Ridge Vineyards uses technology in an innovative way to reduce the quantity of water used to irrigate their vines. The technology, which measures how much water is lost by a grapevine and whether it is under water stress, enables the vineyard to gather information on when and where it is appropriate to irrigate. Judicious water management has helped cut the water used to irrigate by 50% without affecting the quality of the wine.

In Indonesia, Otsuka Indonesia and P.T. Amerta Indah Otsuka are donating trees and planting them around their factories and nearby mountain slopes to provide forestation for watershed protection.

Initiatives for Protecting and Reintroducing Endangered Species

Otsuka Pharmaceutical's Tokushima Itano Factory is working to protect and breed a small freshwater cyprinid fish, designated as an endangered species. The fish are raised in a biotope pond on the factory grounds before being reintroduced into their natural environment. The cyprinid was thought to be extinct in Tokushima Prefecture, but was rediscovered in this region in 2004. The factory then decided to get involved in a collaborative project launched by the prefecture involving industry, government, and academia to bring back the endangered fish. In 2012, the factory began to raise 1,000 fish provided by the prefecture in its biotope pond, and is careful to exchange individual

adult fish with those from other breeding ponds in the region to reduce inbreeding. Once breeding reached the point where some fish could be returned to the natural environment, a trial release of 2,000 fish, including 140 from the factory pond, was conducted in 2015. In 2016, the prefecture, along with participating local high schools and companies, conducted individual fish exchanges to reduce inbreeding, and also held a meeting to share data on breeding individuals and environment water quality.





Participants in the fishing tournament

Otsuka Group Non-Native Fishing Tournament

Lake Biwa is well known as Japan's largest lake and has been a local source of drinking water in the region. However, the propagation of non-native fish such as the bluegill has caused a decline in native and primitive fish species in Lake Biwa; this has put the local ecosystem in danger. The Otsuka group has 12 sites in Shiga Prefecture near the lake. As part of a project promoted by the prefecture to eliminate invasive species, the group has been holding an annual fishing tournament since 2009 to catch non-native fish.



Otsuka Pharmaceutical Environmental Club

Otsuka Pharmaceutical Environmental Club

Many Otsuka group employees living in Tokushima participate as volunteers in the Otsuka Pharmaceutical Environment Club. This club collaborates with local government and other organizations by promoting and participating in activities such as collecting shoreline rubbish and gathering data for the International Coastal Cleanup initiative hosted by JEAN. In recognition of these efforts, the club received a Tokushima Environmental Prefectural Assembly*1 Award.



Nutrition & Santé products

Sustainable Ingredients

As palm oil is used as an ingredient in biscuits and other products, Nutrition & Santé SAS participates in the Roundtable on Sustainable Palm Oil (RSPO*2). The company seeks to ensure that its facilities and those of suppliers use RSPO-certified oil for Nutrition & Santé products.



Exciting Summer in Wajiki

Taiho Pharmaceutical: Illuminated display at the Kitajima Plant

Otsuka Pharmaceutical: Tree workshop

Factory Grounds Open to the Community

Factories of the Otsuka group carry out regular cleanup activities on areas around their grounds. With a policy of openness toward local communities, some factories open their grounds to the public for cherry blossom viewing in the spring. Group sites also collaborate on various community events for regional revitalization. Together with Otsuka Techno, the local government, and chamber of commerce, Otsuka Pharmaceutical's Tokushima Wajiki Factory holds a free outdoor concert every year, called Exciting Summer in Wajiki. The concert is staged on a grassy area on the factory grounds during the Awa Odori Festival. In 2016, the concert drew 5,000 people from all

over Japan. Otsuka Pharmaceutical's Tokushima Itano Factory holds an event for the local community under the theme of health and environmental protection. The event is called Asan Walking Festival in Itano. Elsewhere, in cooperation with the town of Yoshinogari, the Saga Factory provides a tree workshop for children and local residents to better understand the natural environment. The grounds of Taiho Pharmaceutical's Kitajima Plant include walking paths and rows of cherry blossom trees. In addition to providing a peaceful, relaxing space for local residents during plant operating hours, the plant also hosts special events such as illuminated cherry blossoms

in spring and an LED illuminated display in winter. Furthermore, disaster prevention agreements have been signed with Kitajima Town, Tokushima City, and Tokushima Prefecture. In the event of a large-scale disaster, part of the factory site will be opened as a temporary evacuation site. A system for disaster preparedness has also been created with the local community.

*1: Established in 2000 under the basic philosophy of the Tokushima Prefecture Environmental Principal Ordinance. The assembly makes recommendations, conducts research, and raises public awareness through cooperating and collaborating with the citizens of Tokushima, businesses, and government agencies. In conjunction with their roles, the assembly also engages in proactive and independent activities to reduce environmental impacts. The foremost objective—as outlined by the Tokushima environmental charter—is a prefecture where people and nature flourish harmoniously together.

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

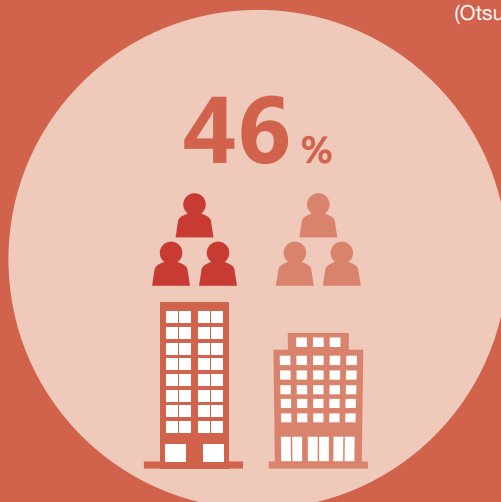


Quality

Striving also to enhance the quality of its social initiatives, the group is focused on a broad range of activities, from information transparency and disclosure to working with suppliers and other collaborators, respecting local communities, and ensuring compliance with regulations.



Telephone Service Center availability
(Otsuka Pharmaceutical)



Percentage of directors from outside company



Number of languages available for group training materials related to
Otsuka Group Global Code of Business Ethics

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. The group pursues business activities that place the highest priority on the quality and safety of our products.

Quality and Safety Control

The Otsuka group has established rigorous quality control systems suited to the characteristics of each of its businesses, including pharmaceuticals, medical devices, cosmetics, and foods, in pursuit of product quality and safety. The Otsuka group's quality and safety control systems comply with regulatory requirements, government and industry standards, including Japan's Pharmaceuticals, Medical Devices and Other Therapeutic Products Act as well as Japan's Food Sanitation Act. The group is also promoting the acquisition of international certifications such as ISO 9001 for quality, ISO 13485 for medical devices, and ISO 22000 for food safety. Furthermore, in order to ensure thorough quality control, it has adopted traceability systems covering all processes, from raw material procurement to production, distribution, and sales. Meanwhile, its major operating companies conducting global business have established global quality assurance systems.

Quality Control in the Otsuka Group

Compliance with Regulatory, Government and Industry Standards	Certification	Otsuka Group Policies and Schemes
<p>Pharmaceutical and Medical Device Act Legislation aimed at securing the quality, effectiveness, and safety of pharmaceuticals, quasi drugs, cosmetics, and medical devices</p> <p>GLP Standards for securing the reliability of nonclinical testing for safety</p> <p>GMP National standards for manufacturing control and quality control of pharmaceuticals and quasi drugs</p> <p>QMS National standards for manufacturing control and quality control of medical devices and external-use diagnostic pharmaceutical products</p> <p>GQP National standards for quality control</p> <p>GVP National standards for safety management in the post-marketing</p> <p>Food Sanitation Act Law to ensure safety by establishing principles for standards, labels, and inspections for food, additives, and other substances</p>	<p>ISO 9001 Standard for establishing and achieving continuous improvement of quality control systems for products and services</p> <p>ISO 13485 Standard for quality management systems in the medical industry for continuous manufacturing and supply of safe and effective medical devices</p> <p>ISO 22000 Standard for food safety management systems (FSMS) to supply food to consumers safely</p> <p>Hazard Analysis Critical Control Point (HACCP) International standards formulated by Codex Alimentarius for methods of managing hygiene and sanitation to ensure food safety</p> <p>FSSC 22000 Benchmark certification standard established by the Global Food Safety Initiative (GFSI) scheme, which integrates ISO 22000 (international standard for food safety management systems, FSMS), and ISO/TS22002-1 (and/or ISO/TS22002-4) based on the ISO22000 requirements</p> <p>ISO17025 General requirements prescribed for research institutes and research review agencies working to acquire certification as bodies qualified to carry out specific tests or calibrations</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>



Otsuka Pharmaceutical Factory: Quality tests



Otsuka Pharmaceutical Factory: IV Drug Information (DI) Center



Taiho Pharmaceutical: Tiovita Drink packaging designed to prevent cuts

Global Quality Assurance System for IV Solutions

As a leading manufacturer of IV solutions, Otsuka Pharmaceutical Factory technically cooperates with and manages the 15 Otsuka companies (in 10 countries) involved in the IV solutions business outside Japan. In this leading role, the company has voluntarily developed and implemented a strict global quality assurance system. In addition to sharing safety information and ensuring compliance with laws, regulations and industry standards in each country in which the group operates, the company works with other group companies to continuously maintain and improve product quality and develop a shared philosophy regarding quality assurance.

Otsuka Pharmaceutical Factory

Listening to Customers

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

Otsuka Pharmaceutical Factory has established an IV Drug Information (DI) Center. The

professionals at the center listen carefully to customers and do their best to answer questions conscientiously, honestly and in a manner that is easily understood.

Taiho Pharmaceutical has incorporated customer feedback to improve a variety of products. In 2015, for example, the company introduced new specifications to reduce paper cuts for the 10-bottle inner cases and 50-bottle exterior cardboard packaging for its Tiovita Drink series. Since conventional packaging with sharp edges can leave unexpected paper cuts, the company added tiny waves to the paper to reduce the sharpness of the box edges, making the products more comfortable for consumers.



VOICE

Helping People with OTC Medication

Hideki Yamamoto

Director, Customer Service,
Consumer Healthcare Administration
Taiho Pharmaceutical Co., Ltd.

Taiho Pharmaceutical markets the well-known Tiovita Drink series and Solmack series, as well as a large number of over-the-counter drugs. At the Customer Service, we receive a diverse range of inquiries and feedback on our products from customers. Every day, we focus on understanding precisely what our customers want to know and what they are hoping we will do, and then we respond quickly. We share information among all of the relevant departments in the company and serve as the contact point for helping these departments to incorporate customer feedback into their work.

Corporate Governance

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

Basic Position on Corporate Governance

The corporate governance of the Otsuka group, which seeks to promote the increase of its sustainable corporate value over the medium- to long-term by realizing the corporate philosophy, is committed to the basic policy of making transparent, fair and timely decisions and fulfilling social responsibility by living up to the expectations of all stakeholders including customers, suppliers and other collaborators, employees, local communities as well as shareholders, through dialogue with them.

Otsuka Holdings has formulated Corporate Governance Guidelines based on Japan's Corporate Governance Code for companies

listed on the Tokyo Stock Exchange. These guidelines were established to indicate the group's basic approach to corporate governance in light of the Otsuka Group philosophy and business operations.

In April of each year following the annual general shareholders meetings, Otsuka Holdings reports on the current status of group corporate governance initiatives in a Corporate Governance Report filed with the Tokyo Stock Exchange. The Corporate Governance Code and Corporate Governance Reports are also posted on the Otsuka Holdings website.

Corporate Governance Structure

At Otsuka Holdings, the Board of Directors, which includes outside directors, supervises the execution of management plans to ensure sustainable growth and raise corporate value over the medium- to long-term, and fulfills its roles and responsibilities regarding improving profitability and capital efficiency. At Otsuka Holdings, a company with an Audit & Supervisory Board, the Audit & Supervisory Board members, who are independent from the Board of Directors, take the lead in monitoring the execution of operations by the Board of Directors, while coordinating with accounting auditors and the Internal Audit Department. This ensures the Company's health and maintains a solid corporate governance system that can satisfy society's trust.

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

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

Corporate Governance Committee

Otsuka Holdings established a Corporate Governance Committee in February 2017. As an advisory council to the Board of Directors, the Committee discusses the nomination of directors and Audit & Supervisory Board members, director remuneration, and other corporate governance issues, and then reports to the Board of Directors. The Committee consists of the CEO, the director in charge of administration, as well as outside directors. The CEO becomes the chair of the Committee.

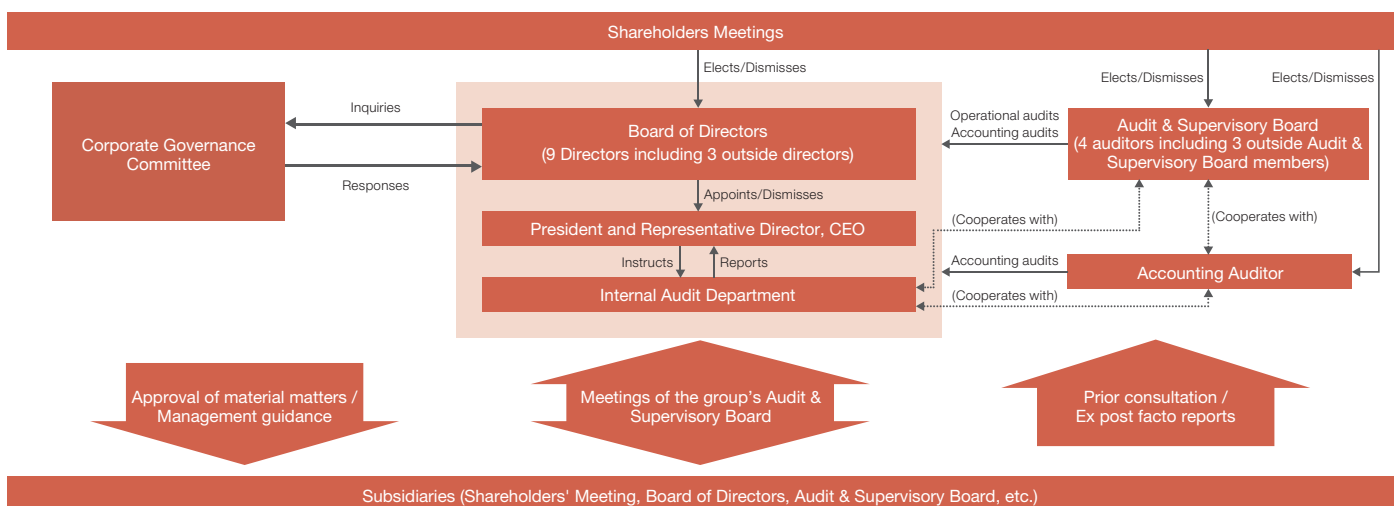
Evaluating Board of Director Effectiveness

Japan's Corporate Governance Code calls for ensuring that boards of directors operate effectively, and this is a matter of increasing interest to stakeholders.

To analyze and evaluate the effectiveness of its board of directors in fiscal 2016, Otsuka Holdings distributed a survey drafted on the advice of outside expert agencies to all directors and Audit & Supervisory Board members in January and February 2017. Following review by the corporate lawyers, the matter was discussed by the Board of Directors in March.

The survey found that the Otsuka Holdings Board of Directors is functioning in a sufficiently effective and productive manner with regard to the current state of operation and its deliberations. Building on these positive findings, the group is taking steps to further improve the quality of the Board of Directors, going forward.

■ Otsuka Holdings Corporate Governance Structure



Compliance

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



Otsuka Pharmaceutical Factory: Ethics Forum

Promoting Compliance

The Otsuka group of companies formulates their own individual programs to promote compliance based on the Otsuka Group Global Code of Business Ethics. The group companies that handle pharmaceuticals follow the Prescription Drug Promotion Code, which is a code of behavior for healthcare professionals, and have formulated their own Code of Practice. The Otsuka group works to forge relationships of mutual trust with medical practitioners, as well as with all of its stakeholders, to foster appropriate collaboration on compliance issues. As the social responsibility to clearly specify the relationship between pharmaceutical companies

and healthcare-related organizations is required, it is striving to ensure adherence to standards in order to fulfill its responsibility as a pharmaceutical company and ensure the practice of proper medical care based on ethics and a patient-centered commitment.

Expanding the Internal Whistle-blowing System

Japan's Corporate Governance Code calls for establishing a whistle-blowing system that is independent from management and for management oversight of the operational status of the system. This independence and oversight is extremely important for a whistle-blowing system to function in the quick detection of illegal and inappropriate conduct and/or information disclosure. Accordingly, the Otsuka group has established a whistle-blowing system that is independent from management to ensure that whistleblowers can use the system without concerns about potential repercussions. Major group companies also report regularly to the Otsuka Holdings Board of Directors on the status and condition of their internal whistle-blowing systems.

Implementing Otsuka Group-wide Training—Global Code of Business Ethics and a Global Anti-Corruption Policy

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

from President, Representative Director, and CEO Tatsuo Higuchi.

The Otsuka group distributes a universal set of training materials worldwide to address its Global Anti-Corruption Policy; this ensures that training is uniform and consistent for all group

companies. Training materials are provided not only in Japanese but also in English, Chinese, and Indonesian. Group companies regularly report to the Otsuka Holdings Board of Directors on the status of training implementation.

President's Message Otsuka Group Global Code of Business Ethics

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

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

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

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



VOICE

Compliance Initiatives

Maki Toyooka
Manager, Compliance Department
Otsuka Pharmaceutical Co., Ltd.

At Otsuka Pharmaceutical, we are reinforcing our efforts to ensure compliance at our approximately 30 subsidiaries in Asian and Arab countries. We have provided many different types of support, including setting rules and implementing group training for all officers in charge of compliance. These subsidiaries differ greatly in terms of their size and the products they sell, and the regulations in each of these countries also differ. These differences can make it difficult to address the issue of compliance. To address this, we are working hard to gain a greater understanding of the business customs and cultures of each country.

Risk Management

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



Otsuka Pharmaceutical Factory: Full-circumference seawall installed at Matsushige Factory

Otsuka Pharmaceutical Factory: Emergency LED lights along evacuation routes and at evacuation sites automatically turn on during a power outage.

Otsuka Pharmaceutical: Comprehensive disaster drill

BCP and BCM Establishment

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

Major Otsuka group companies such as Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, and Otsuka Warehouse have jointly acquired ISO 22301 certification (the international standard for business continuity management systems). This certification verifies that the Otsuka group provides a framework capable of ensuring the stable supply of pharmaceuticals, food products,

and beverages in both ordinary and emergency conditions. In 2016, major Otsuka group companies conducted joint desktop exercises simulating a severe earthquake along the Nankai Trough. Company offices in Tokushima, Tokyo, and Osaka communicated via video conferencing to test the group's collaborative structure for ensuring a stable supply of products under simulated conditions, and results were extremely close to projected scenarios.

As a manufacturer of the IV solutions that would be especially required for initial treatment when an emergency situation occurs, Otsuka Pharmaceutical Factory has designated business continuity management (BCM) as a key

management strategy. The company has enacted basic BCM rules and implements a variety of measures to preempt risk factors and limit damage should an unavoidable crisis occur. Otsuka Pharmaceutical Factory does not focus exclusively on its own BCM. The measures the company implements encompass the entire group to forge a united front on risk management. The company works with companies in the Otsuka group that distribute and sell its products, holding regular BCP meetings to address risks associated with Otsuka Pharmaceutical Factory business activities.



Otsuka Pharmaceutical: PrivacyMark

Information Security Initiatives

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

In order to counter the risk of cyber-attack, the Otsuka group has a number of measures, such as inspecting security of systems, diagnosing website vulnerabilities, conducting drills

related to targeted email attacks, and monitoring the content of social media messages, with outside security companies. In addition, the group conducts regular emergency drills focusing on systems that are vital to database management.

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

Each Otsuka group company focuses on training to raise awareness of information security and protection of personal information.

CSR Procurement/Green Procurement

Recognizing the importance of working with suppliers to implement sustainability initiatives, the Otsuka group is committed to socially responsible business throughout the entire value chain, including all of the companies it collaborates with. Broadly, these initiatives encompass compliance, environmental initiatives, and safety and security initiatives. When initiating business with a new company, the group conducts investigations and verifications to ensure the quality of raw materials and stable procurement. In addition, it signs a basic transaction agreement in advance in an effort to prevent risk.

The company asks suppliers for their understanding and cooperation on CSR procurement

for purchased goods, as well, to ensure that the goods procured have the most impact on reducing the company's environmental impact and to promote green procurement under a comprehensive framework.

EN Otsuka Pharmaceutical complies with Japan's Subcontract Act and related laws and regulations when procuring raw materials. Company policy is to purposefully purchase from multiple sources in order to ensure stable and continuous procurement and effective BCP implementation. With regard to raw materials and packaging materials for pharmaceuticals, the company reuses the boxes in which raw materials are shipped; reduces packaging and uses

lighter packaging materials; and promotes efficiency in truck shipment schedules in order to conserve energy and reduce CO₂ emissions.

Otsuka Electronics, a company that manufactures and markets electronic devices globally, strives to maintain product quality and prevent defects globally. The company first signs a basic transaction agreement and evaluates the subcontractor (reviewing capacity and conducting other surveys), then fully verifies quality via spec sheets, approval diagrams and prototypes. The company procures and manufactures products compliant with EU standards (RoHS and WEEE directives, etc.) according to the regulations in place in the area to which they are exported.

Initiatives with Suppliers

The Otsuka group is committed to working and growing with suppliers whose operations are rooted in corporate social responsibility. It focuses on providing solutions for the issues that communities face through its suppliers and making sure that transactions do not cause social issues.

The Otsuka group enacted a group-wide procurement policy in 2016 and distributes a CSR

procurement questionnaire to evaluate CSR activities within the supply chain. Working together with suppliers, the Otsuka group is determined to build relationships of even greater mutual trust by upholding its social responsibilities. This effort is based on ensuring a clear understanding throughout the supply chain of the current status of human rights, labor, environmental circumstances, and corruption prevention.

In order to ensure a stable supply of safe, quality products, each group company works with its suppliers to maintain and improve product quality, regularly monitoring the companies that supply raw materials to the Otsuka group. These companies are careful to maintain good business relations by communicating and sharing information on a daily basis.

Procurement Policy

1 Building Relationships of Trust

We respect all suppliers equally as valuable collaborators; conduct procurement transactions fairly, justly and transparently; and pursue mutually sustainable development as we build positive relationships of trust.

2 Stable Supply

We ensure the reliable level of quality that our customers expect; provide fair and honest opportunities for bidding by suppliers around the world that provide safe, quality, environmentally friendly, and cost competitive raw materials; and select the bid winners based on rational and fair criteria.

3 Product Development Ideas

We actively evaluate proposals for new materials, new technologies, and revolutionary ideas that will lead to new products.

4 Boosting Competitiveness

We aim for products that are optimal in every respect, not only optimal in certain respects. We evaluate all economically rational ideas for boosting competitiveness.

5 Environmental Measures, Human Rights, and Labor

We actively pursue initiatives that address corporate social responsibility and environmental issues, aiming to help build a sustainable society. At the same time, we support internationally recognized norms within the scope of our impact on respect for basic human rights, the elimination of forced labor, and the prevention of child labor, and we pursue initiatives toward these goals.

6 Protecting Confidentiality

We do not use confidential information from suppliers obtained in the course of doing business for any purpose other than the original purpose for which it was provided. We do not leak confidential information to third parties.

7 Promoting Compliance

We conduct our operations in accordance with socially accepted norms, complying with all relevant laws, rules, and regulations and upholding high ethical standards.

8 Risk Diversification

As a basic rule, we purchase major items from multiple companies to reduce risk and ensure that we deliver a stable supply of products to our customers regardless of weather, natural disasters, or other conditions.



Culture

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



Number of patients treated at Otsuka Welfare Clinic since its inception



Books contributed through SATU HATI social contribution activities in Indonesia



Participants in the class, Life Studies Through Cancer

Contributing to Communities

As a good corporate citizen, the Otsuka group cares about the natural environment and local communities. It places importance on a community-based culture, and companies across the group are undertaking social contribution activities.



Otsuka Welfare Clinic

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 and others in need.

In recent history, millions of Afghan refugees have entered Pakistan, where many of them have been unable to receive adequate medical care. In the early 2000s Otsuka Pakistan was providing IV solution products through the Red Cross. Driven by a desire to further contribute to the health of all in the community, Otsuka established a clinic and for 14 years has provided

free medical treatment to refugees and others in need. Otsuka Pharmaceutical and the 23 group companies that operate in Asian and Arab countries jointly set up the Otsuka Welfare Clinic. To date, more than 800,000 people have benefited from the care and treatments provided.

Following the clinic's tenth year of operations, Otsuka Pharmaceutical was awarded the Japanese Foreign Minister's Commendation in 2014. The honor is given to individuals and groups that have had great success in promoting friendly relations between Japan and other countries.

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



Otsuka Pharmaceutical: Sub-rural health center

Sub-Rural Health Center in Myanmar

In Myanmar, births typically occur at home with a midwife in attendance, and provision of health services for infants and expectant and nursing mothers can be a significant challenge. Through the non-governmental organization, People's Hope Japan (PHJ), Otsuka Pharmaceutical donated a sub-rural health center to Allel Kyum, a rural village in the northern part of Myanmar's capital city, Nay Pyi Taw, in 2016. Allel Kyum was chosen as the site for the new center at the request of the Myanmar Ministry of Health due to the lack of nearby hospital facilities for childbirth. Midwives are stationed at the clinic, and

in addition to childbirth assistance, basic treatment and ongoing health education are provided to expectant women and other villagers.

The result has led to an increased understanding about birth and childcare, and more stable support for maternal and child health. Otsuka Pharmaceutical is dedicated to the health and well-being of people the world over and therefore supports the activities of PHJ to provide education on health and medical care, with a focus on maternal and child healthcare. Throughout Asia, Otsuka has provided support for various PHJ projects in the past, including donations of

products to assist victims of flooding in Cambodia and of auto rickshaws (*tuk-tuks*) to transport expectant women in emergencies.

Otsuka Pharmaceutical



VOICE
Community-Based Medical Support
Syed Sabir Ullah
 Public Relations Officer
 Otsuka Welfare Clinic

I feel fortunate to be the part of Otsuka Welfare Clinic since its inauguration in June 2003. This clinic was set up in Peshawar by Otsuka Pharmaceutical Co., Ltd. jointly with its 23 affiliates with the aim to contribute to the health of Afghan Refugees and patients from the surrounding areas. My responsibilities are: the support of the clinic's staff, including 3 doctors; procurement of medicine; and, the compilation and forwarding of reports to the head office of Otsuka Pakistan and the Pakistani Health Department. It's a matter of great pride for me to be able to actively contribute to society in such a way. On average, some 162 patients visit our Welfare Clinic each day and receive free medical treatment and medicine. It's an honor to be able to provide healthcare facilities to more than 885,000 patients to-date.

Otsuka is committed to continuing the provision of healthcare to the patients at Otsuka Welfare Clinic; we are determined to actively contribute to the ongoing needs of society. We believe that contributing to patient's needs is the right thing to do, and we are determined to continue this effort.



Otsuka Pharmaceutical: Partnership Agreement with Kumamoto Prefecture Signing Ceremony

Otsuka Pharmaceutical Factory: Emergency drill together with the community

Relief work for the Kumamoto earthquake

Health Promotion, Disaster Prevention and Relief Activities

The Otsuka group of companies works with communities to engage in health awareness, disaster preparedness, and disaster relief programs.

Otsuka Pharmaceutical uses the knowledge gained through product research and development and awareness-raising activities related to health to promote activities for the treatment of heat disorders, prevention of lifestyle-related diseases, improvement of health through sports, nutritional education, women's health and establishment of disaster preparedness and relief measures. The company is also working collaboratively with local communities to help address social issues.

Otsuka Pharmaceutical Factory in Japan has designated the roof of the head office factory

building (located near the coast) as a temporary tsunami evacuation site for local residents. Emergency goods are also stockpiled on-site. Additionally, the factory holds briefing sessions on company business continuity plan initiatives, facility tours, and joint tsunami evacuation drills. A disaster relief agreement has been concluded with the local government concerning the assistance the company will provide in the event of a disaster. Such initiatives in collaboration with local governments and companies have been commended, and have received mention in the 2016 White Paper on Disaster Management produced by Cabinet Office of the Government of Japan.

Otsuka Foods has concluded agreements

with 19 local governments in Japan to provide relief supplies in the event of a disaster.

The Otsuka group also provides relief supplies such as POCARI SWEAT and Calorie Mate to areas affected by natural disasters. Shortly after the Kumamoto earthquake in April 2016, the group provided aid in the form of approximately 620,000 meals (food and beverages) and approximately 15,000 hygiene products.

Group companies outside Japan also provide relief supplies to areas affected by natural disasters. At the end of 2016, when heavy rain and flooding caused damage in southern Thailand, Thai Otsuka Pharmaceutical donated 8,000 IV solution packs and about 34,000 bottles of POCARI SWEAT.



Otsuka Pharmaceutical: Otsuka ren dance groups

EN Otsuka Pharmaceutical: Volunteers participating in the National Sports Festival held in Iwate



Taiho Pharmaceutical: Tokushima Cooperative Forestry Project

Participation in Community Events

The Otsuka group, with its origins in Tokushima Prefecture, is proud to participate in maintaining exemplary, local cultural activities, such as the *Awa Odori*, one of the Japan's largest dance festivals, which has a 400-year tradition. Every year, employees from the Otsuka group participate in the festival by organizing four dance groups, called *ren*, made up of employees from six group companies. Otsuka employees help promote this traditional festival by participating as both dancers and spectators in this exciting dance.

With its head office in Hanamaki City, EN Otsuka Pharmaceutical has participated in the spectacular Hanamaki Festival, an event dating back four centuries. In 2016, 90 employees participated in this festival with *Mikoshi*, portable Shinto shrines. The company actively participates in other events in Iwate Prefecture, such as the 2016 Hope Iwate National Sports Festival, where employees work as volunteers.

Forest Conservation Activities such as Tree Planting and Thinning

Otsuka Pharmaceutical Factory and Taiho Pharmaceutical have supported the Tokushima Cooperative Forestry Project since 2010 through partnership agreements with the Tokushima Prefecture.

As part of the project, a forest conservation event was held at a Cooperative Forestry site in the village of Sanagouchi, Tokushima Prefecture, in November 2016. Approximately 250 employees, family members and others participated in forest thinning and tree planting. As of 2016, the total amount of CO₂ absorption resulting from these activities was 397 tons.

Otsuka Techno participates in environmental conservation activities and tree planting activities in the nearby Naka River basin and its coastal estuary, which are organized by local councils.

Contributions to Communities outside Japan

To promote sustainable development overseas, the Otsuka group engages in activities with local communities.



Support for Cancer Patients

Every year since 2000, Astex employees and their families have taken part in the Light The Night of East Bay event in Walnut Creek in California to raise awareness and much-needed funds to support the Leukemia and Lymphoma Society (LLS). The LLS is the largest voluntary organization in the US dedicated to research, finding cures, and ensuring access to treatment for blood cancer patients. Light The Night draws nearly one million participants throughout the year in over 160 evening events across the US. To date, Astex and its employees have contributed over \$465,000 to the LLS.

Photo Astex: Employees and their families participating in a charity event



Participation in Charity Events

Taiho Oncology participates in charity events and other fundraising for patient support, disease awareness, and research support. The company participates in various activities throughout the year, especially raising awareness for colorectal cancer. The activities include sponsorship and participation in a charity organized by a local colorectal cancer patient group, as well as raising donations for colorectal cancer prevention, research and development, and patient support.

Photo Taiho Oncology: Taking part in the Undy Run/Walk campaign held by the Colon Cancer Alliance to raise awareness of colon cancer.

Delivering Vitamins to Mothers and Children

Since 2006, Pharmavite in the United States has supported the nonprofit Vitamin Angels, which delivers vitamins to children and mothers in developing countries. Thanks to Pharmavite's product donations, the organization has helped tens of millions of children and mothers obtain many of the essential nutrients they need. In 2016, Pharmavite organized a project that involved three Pharmavite employees visiting Mexico to directly participate in the activities of Vitamin Angels. In rural Mexico, there are many impoverished families, and it is estimated that 30% of children are anemic due to a lack of vitamin A.



© Matt Dayka/Vitamin Angels MX16

Photo Pharmavite: Vitamin Angel



Improving School Facilities

Thai Otsuka Pharmaceutical in collaboration with ARS Chemical (Thailand) Co., Ltd. and local organizations provided support for the construction of facilities at Watthanon Kaphrao primary school in Rayong Province, with 110 participants in 2016. The project involved construction and renovation work for the creation of a music room with Thai traditional musical instruments, a bakery, a play room, and a nurse's office, as well as painting the school walls and planting trees. Upon completion, a donation presentation ceremony was held for school personnel, as well as invited guests that included local educators and administrative officials.

Photo Thai Otsuka Pharmaceutical: Music room at Watthanon Kaphrao primary school



Providing Hope to Cambodian Children

At Korea Otsuka Pharmaceutical, income generated by its employee cafeteria is donated to projects in developing countries, such as educational support and drilling water wells. The latest education support project covered everything from choosing a recipient elementary school to its remodeling. The old classrooms of Prum elementary school in Cambodia's Prey Veng Province had wooden posts and old tile roofs. They were completely replaced, and furniture such as chairs and desks was also replaced. In March 2017, a completion ceremony was held for the newly renovated school.

Photo Korea Otsuka Pharmaceutical: Prum elementary school completion ceremony



Monthly Volunteer Activities on "ION Day"

Since July 2009, Dong-A Otsuka in South Korea has marked the 25th of every month as ION Day. The approximately 100 employees who work at the company headquarters take turns performing volunteer activities and distributing products. Employees visit local educational institutions and provide teacher assistance in after-school learning and club activities, such as sports or cooking classes. By establishing ION Day as part of its company culture, the company continues to promote individual volunteer activities in communities.

Photo Dong-A Otsuka: ION Day activity



SATU HATI Programs in Indonesia

In Indonesia, PT Amerta Indah Otsuka (AIO) has held SATU HATI (One Heart) charity events since 2007. These events to date have funded the construction of 28 libraries and the donation of 124,000 books.

At the Kejayan Plant production site for POCARI SWEAT in East Java, the company has sponsored the SATU HATI School, a program at the Kejayan Factory to tutor children in science and math.

AIO is committed to making a positive contribution through their SATU HATI CSR programs. AIO has taken a leading role in supporting efforts to collect and reduce trash in the local community surrounding the factory in the Sukabumi Area, West Java. This project is called SATU HATI Sehatkan Bangsa, which translates as 'One Heart to a Healthier Nation.' In the AIO-supported effort, the refuse previously left on the streets is collected in specially provided bins; this effort educates residents on the importance to the environment of waste separation and recycling. In Indonesia, the impact on the environment from littering has become an increasingly critical issue. In 2016, in recognition of this issue, AIO started this project. Roughly 300 families in the community around the Sukabumi factory attended environmental awareness lectures that year.



VOICE

Supporting the People of Indonesia in Education, Environment and Health

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

AIO through its three pillars of CSR—SATU HATI Cerdaskan Bangsa (One Heart to Educate the Nation), SATU HATI Peduli Lingkungan (One Heart Cares for the Environment), and SATU HATI Sehatkan Bangsa (One Heart to a Healthier Nation)—is committed to making a positive contribution to Indonesia.

SATU HATI Cerdaskan Bangsa has already built 28 libraries, donated more than 124,000 books, and operates a learning center in Kejayan Factory.

SATU HATI Peduli Lingkungan adopted trees (25,000 trees in the Sukabumi Factory; and 12,500 trees in the Kejayan Factory), cleans beaches, and works to revitalize urban forests.

SATU HATI Sehatkan Bangsa supports to maintain and develop the Mom & Child Clinic to improve people's health in the community.

Youth Education

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



Eco-School Adoption Program

Otsuka Pharmaceutical: Life Studies Through Cancer

Support Through Education

Since 2007, in Japan, Otsuka Pharmaceutical, Otsuka Chemical, and Taiho Pharmaceutical have participated in Eco-School Adoption Program activities through agreements with local schools. As indicated by the program name, the three group companies support environmental learning activities in their “adopted” school. Under a three-year plan for 2016 to 2018, the companies are supporting the activities of Oujin Junior High School in Tokushima City. In fiscal 2016, an Environmental Study Meeting was held as part of year-one efforts to achieve zero

school emissions. The event provided an opportunity for students to learn about garbage and related issues. The Eco-School Adoption Program is expected to become a catalyst for students to examine environmental problems close to home.

Since 2011, Otsuka Pharmaceutical has sponsored a class for junior high school students, Life Studies Through Cancer, organized by LOHAS Medical Japan. A doctor and a cancer patient teach classes of students and their parents, and reflect on the meaning and ways of

life. By 2016, more than 10,000 students and their parents from 29 different schools took part in the class.



Taiho Pharmaceutical: Factory tour of the Okayama Plant

Otsuka Pharmaceutical: Takasaki Factory

Plant Tours

Otsuka group companies proactively welcome visitors to tour their plants. Otsuka Pharmaceutical plants have prepared informative displays and exhibits for visitors to learn not only about manufacturing processes for Otsuka products, but also about health and the environment.

Otsuka Pharmaceutical's Takasaki Factory—manufacturer of POCARI SWEAT, Amino-Value and other products in plastic bottles—has worked to make its factory open and friendly to visitors, for example, by creating an accessible visitor route by installing an elevator. In 2016, the total number of visitors exceeded 100,000.

Since its completion in 2013, Taiho Pharmaceutical's Kitajima Plant has actively worked with elementary and junior high schools to provide factory tours that help students to learn outside school walls.

Otsuka Foods' Shiga Factory hosts work experience opportunities for local junior high school students every year. The students get to experience the joys and difficulties of working, which is a useful part of their education.

EN Otsuka Pharmaceutical's Hanamaki Factory provides many factory tours to local high school, technical college and university students

from Iwate Prefecture as well as to students throughout Japan. An increasing number of these visitors subsequently express an interest in the company and a desire to one day work at the company.

Otsuka Sims (Guangdong) Beverage provides factory tours to so-called left-behind children* in collaboration with the Mental Hygiene Association of the Third People's Hospital of Jiangmen, which provides educational support to the children. The company also provides factory tours and conducts health education for the prevention of heat disorders.

* Children whose parents have left to work in urban areas and are being raised by grandparents or other relatives in their hometown. Some left-behind children do not receive adequate education, which has become a social issue.



Employees

The spirit of *Sozosei* (creativity) in all employees in the Otsuka group of companies stems from their desire to fulfill the corporate philosophy. The group fosters a corporate culture that encourages a diverse workforce to break out of the conventional, broaden their perspectives, and pursue their personal development. This collective creativity, in turn, enables the group companies to continue developing innovative products that enrich society.



Employees outside Japan



Increase in the percentage of female managers
2012: 4.81% → 2016: 7.65%



Number of children enrolled in Otsuka group of companies' workplace day care centers

(Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, Otsuka Warehouse, Otsuka Foods)

Diversity

The Otsuka group maintains workplaces where human rights are highly respected. At the same time, the group understands the importance of promoting and capitalizing on employee diversity to build a strong and flexible organization.



Otsuka Pharmaceutical: WING, a voluntary leadership study group



Otsuka Pharmaceutical: Diversity Management Selection 100

Supporting Women in the Workplace

The Otsuka group believes that a diverse pool of workers is indispensable for corporate growth, maximum creativity, and the ability to rapidly respond to societal needs. Thus, the group companies actively promote the advancement of female employees.

Otsuka Pharmaceutical initiated Women's Forums (now known as the Diversity Forum) in 1990 when the concept of diversity was still unfamiliar in Japan. The company has since been recognized for its advancement efforts, in particular by actively appointing female leaders. Otsuka Pharmaceutical was recognized for its achievements in promoting diversity by the

Ministry of Economy, Trade and Industry in their Diversity Management Selection 100 in 2014.

Otsuka Foods holds information exchange meetings on women's work life, and also endeavors to strengthen support networks for female employees who are expectant or already raising children. Other group companies also focus on helping female employees balance their careers with their other commitments.

Percentage of female managers

	2015*	2016*
Otsuka Pharmaceutical	8.56%	9.04%
Otsuka Pharmaceutical Factory	4.10%	4.64%
Taiho Pharmaceutical	5.23%	6.15%
Otsuka Chemical	8.15%	8.63%
Otsuka Warehouse	9.38%	10.39%
Otsuka Foods	5.14%	6.95%

* As of December 31



Otsuka Pharmaceutical Factory: Life Planning Seminar



Heartful Kawauchi: Excellent Company Employing People with Mental Disabilities, etc.



Heartful Kawauchi: Tokushima "Challenged" Award ceremony

Support for Employment of Seniors

The Otsuka group has initiated a program aimed at giving employees aged 60 and older who have reached mandatory retirement age the opportunity to continue working and pass on their experiences, knowledge and skills to younger employees. All employees of the requisite age become eligible for this program. Additionally, senior talent outside the company is also hired to provide new perspectives, and to revitalize the organization by helping to develop younger employees.

The group additionally supports employees approaching retirement by offering life planning seminars focused on transitioning into a healthy and fulfilling retirement.

Integration of Employees with Disabilities

Under the principle of integrating people with special needs into the workforce, Otsuka group companies work diligently to create a work environment that provides an active role for people with disabilities. Heartful Kawauchi Co., Ltd., a special subsidiary of Otsuka Pharmaceutical, hires persons with mental disabilities and strives to create a supportive working environment. Efforts such as appointment of counselors and application of flexible employment rules have been well received. In recognition of these efforts, the company was certified as an Excellent Company Employing People with Mental Disabilities etc, in April 2015. One employee received the Tokushima Prefecture "Challenged" Award in 2016.

Percentage of employees with disabilities

	2015*	2016*
Otsuka Pharmaceutical	2.48%	2.45%
Otsuka Pharmaceutical Factory	1.86%	1.98%
Taiho Pharmaceutical	1.89%	2.11%
Otsuka Chemical	2.43%	2.50%
Otsuka Warehouse	1.57%	1.16%
Otsuka Foods	2.16%	2.39%

* As of December 31



VOICE

Participating in WING study groups

Yuna Sugimoto
Section Chief, Medical Safety Office,
Pharmacovigilance Department
Otsuka Pharmaceutical Co., Ltd.

My job involves interacting with employees in other departments and affiliates outside Japan, which affords me many opportunities to interact with many different types of people. This is why I decided to participate in a voluntary cross-organizational study group called WING. Here we learn about work-life balance, and how to communicate based on an understanding of the different nuances between male and female ways of thinking. We also share our childcare and nursing care experiences and explore ways to share this learning companywide. Appreciating these new ways of thinking is helping me improve both my work and life on the whole.

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 healthy work-life balance.



Taiho Pharmaceutical: seminar to help employees balance work and home care responsibilities

Caregiver Support

Otsuka group companies promote various initiatives enabling employees to remain at work while still fulfilling home care responsibilities.

The group programs include caregiver leave, shorter working hours for caregiving (for up to one year) and caregiver flextime (for up to one year). Employees who need to support or provide home care to a relative are encouraged to use these programs.

Otsuka Pharmaceutical offers caregiver leave periods that exceed statutory requirements, while Taiho Pharmaceutical is also working to enhance its programs, such as paying the social insurance premiums for employees on

caregiver leave. The company encourages the use of these programs and publicizes program information on the company intranet. This includes programs available to employees with home care responsibilities and the respective program contact information. The company also holds regular seminars to raise employee awareness and understanding related to balancing work and home care responsibilities, and to provide employees with valuable information on caregiving.

EN Otsuka Pharmaceutical has set up a system that allows employees to save up to 100 annual paid leave days as accumulated leave

that would otherwise expire unused. This leave can be used if an employee gets sick, and also if the employee needs time off to care for a family member. Together with legally mandated nursing care leave, this system provides additional support for employees to balance their work and family responsibilities.



Taiho Pharmaceutical: Acquires Platinum Kurumin certification



Otsuka Pharmaceutical: Member of "Ikuboss"

*Ikuboss means "childcare (ikujji) boss"

Parenting Support

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

Otsuka Pharmaceutical has established support systems which provide expectant female

employees with flexible work hours, and raise awareness of childcare issues in male employees through participation in the Ikuboss Project^{*2}.

At Taiho Pharmaceutical, systems have been established that exceed the legal requirements for shortened working hours and child sick care leave. Furthermore, the company promotes initiatives such as allowing sales employees to drive their preschool children to and from day-care in their sales vehicles. The company obtained Platinum Kurumin certification^{*1} from the Japanese Minister of Health, Labour and Welfare in January 2017.

■ Employees taking parenting leave

	FY2015		FY2016	
	Male	Female	Male	Female
Otsuka Pharmaceutical	0	116	5	130
Otsuka Pharmaceutical Factory	0	25	0	34
Taiho Pharmaceutical*	39	30	57	28
Otsuka Chemical	0	1	0	1
Otsuka Warehouse	0	5	1	2
Otsuka Foods	0	5	0	7
Total	39	182	63	202

* At Taiho Pharmaceutical, male employees are encouraged to use the program, even for short periods.

*1: Under the Kurumin program, the Japanese Minister of Health, Labour and Welfare certifies companies that meet certain criteria, such as creation of an action plan and achievement of goals based on the Act on Advancement of Measures to Support Raising Next-Generation Children. Companies that have already received Kurumin certification are eligible for Platinum Kurumin certification once they have achieved an even higher level of child-rearing support initiatives.

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



Otsuka Pharmaceutical: BeanStalk Kids Center TOKUSHIMA

Taiho Pharmaceutical: Sukusuku Nursery in Ibaraki Prefecture

Workplace Childcare

In the Otsuka group companies, Otsuka Pharmaceutical operates the BeanStalk Kids Centers Tokushima and Osaka, while Taiho Pharmaceutical operates the Sukusuku Nursery in Ibaraki. By establishing daycares with flexible services—such as accepting new children each month, and offering temporary and extended-hour childcare—the Otsuka group helps female employees advance their careers, and encourages male employees to more actively participate in childcare. In particular, the BeanStalk Kids Center Tokushima has been well received by parents and children. It is managed by Otsuka Pharmaceutical and offers a remarkable program that

emphasizes the nurturing of creativity, and has no manufactured playground equipment. Initially, the enrollment was set at 100 children, which expanded to 150 in 2014, and is increasing to 210 children in 2017. The aim is to continue supporting the varied lifestyles of employees while also energizing the organization by attracting a diversity of employees.

Otsuka Pharmaceutical, Taiho Pharmaceutical

Percentage of employees taking paid leave (including full-time plus contract employees / carryover days)

	FY2015	FY2016
Otsuka Pharmaceutical	63.8%	66.6%
Otsuka Pharmaceutical Factory	52.9%	53.8%
Taiho Pharmaceutical	69.5%	71.0%
Otsuka Chemical	56.6%	67.1%
Otsuka Warehouse	57.1%	61.4%
Otsuka Foods	53.5%	56.2%



Otsuka Warehouse: delivery reservation system using smartphones

Initiatives to Prevent Long Work Hours

As part of efforts to reduce overtime hours, Otsuka Warehouse uses its intranet to post the name and clock-out time of the last team to leave each night for each floor of the office building. The result of this effort has raised employee awareness of their time-use productivity, reduced overtime hours in fiscal 2016 by 18% from the previous year, and has increased the use of paid time off each year.

The problem of long working hours has worsened among drivers in the logistics sector. In 2015, Otsuka Warehouse developed and introduced a smartphone app as part of a delivery time reservation system, which has

shortened excessive driving hours. Drivers now book their delivery times in advance, can unload upon arrival, and thus have reduced driver wait times by 65%. From warehouse receiving to shipment, logistics is a relay operation involving external companies. Otsuka Warehouse will continue to implement various initiatives aimed at improving the way employees function within the supply chain.

Otsuka Warehouse



Otsuka Pharmaceutical Factory: plant tour for employee family members

Workplace Tours

The Otsuka group conducts workplace tours for employee family members that promote family understanding of employee work lives. A variety of tour programs are provided to create a memorable learning experience, especially for children. In addition to learning out about Otsuka's products, corporate philosophy and history, visitors can tour a beverage or pharmaceutical plant, eat in the employee cafeteria, and experience the video conferencing system.

Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Otsuka Warehouse



VOICE

Development of a Delivery Time Reservation System

Toshihiro Murata
Section Chief, Logistics Department
Otsuka Warehouse Co., Ltd.

In October 2015, I noticed a line of trucks waiting to unload at the logistics center, and knew it was an opportunity for system development. The cause of the problem was the conventional operating method. Other businesses, such as hairdressers, have improved efficiency thanks to the proliferation of smartphones. The reservation system we introduced is based on the same model. By providing visible unloading and schedule times, we created a highly efficient process for truck drivers and our warehouse. Logistics is similar to passing the baton in a relay race. Otsuka Warehouse acts as the intermediary between producers and our customers, and we will continue to promote activities that improve this dynamic relationship.

Employee Health

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



Otsuka Pharmaceutical: 2017 certified Health and Productivity Management Organization (large enterprise category: White 500)



Taiho Pharmaceutical: TOKYO WORK CIRCLE PROJECT^{*2}

Certification as a Health and Productivity Management Organization

Otsuka Pharmaceutical believes that each and every Otsuka employee should be able to work enthusiastically and be in the best of health. The company encourages employees to take charge of their own health.

To promote the maintenance and improvement of health of everyone, and to organize their workplaces, transforming them into worker-friendly environments. Specifically, employees 30 and older receive free medical checkups, and employees and their families have access to health seminars and programs augmented by the company's healthcare knowledge. In January

2017, top management issued an Otsuka Pharmaceutical Health Declaration to further promote employee health improvement activities.

In recognition of its diverse efforts to support employee health, Otsuka Pharmaceutical was recognized in February 2017 as a Certified Health and Productivity Management Organization (large enterprise category: White 500)^{*1}.

Otsuka Pharmaceutical

Employment Support for Cancer Patients

As a company committed to developing treatments for cancer, Taiho Pharmaceutical aims to create a workplace where employees can continue working even during treatment for cancer and other diseases. The company provides employees with the necessary assistance through the Cancer Patient Employment Support Team formed by the Human Resources Department and industrial nursing staff. Additional measures include extended leave periods for employees with cancer, and a reemployment (return to work) system.

Taiho Pharmaceutical



Taiho Pharmaceutical: Lunchtime seminar on cancer screening



Otsuka Techno: Automated External Defibrillator course



Otsuka Pharmaceutical : POCARI/fresh

Employee Health and Safety

Each company in the Otsuka group implements safety measures, consultation services, and diverse health programs to ensure that all employees are able to work in a safe environment and live a healthy lifestyle. The group offers health consultation by telephone, and distributes health newsletters. It also provides mental health counseling, stress management training, and training for managers on recognizing and managing mental health issues in employees. Mental and physical health management is actively promoted for employees and their families.

Otsuka Holdings holds health seminars for employees and their families, which draw on knowledge gained from its business activities.

The aim of these efforts is to create more supportive work environments that encourage working women to understand and monitor their health, especially to be mindful of changes in hormonal balance.

Taiho Pharmaceutical conducts educational activities for employees such as organizing lunchtime seminars on cancer screening, and distributing related booklets to all employees.

Each group company also provides training related to traffic safety and preparation for emergencies and natural disasters. This helps to create environments where employees can work with peace of mind.

POCARI/fresh

Otsuka Pharmaceutical carries out various health education and physical fitness programs aimed at raising employee health awareness, and maintaining and promoting health. The POCARI/fresh exercise program was begun in 2007. An instructor visits each office once a week and leads the employees in an invigorating eight-minute workout they perform near their desks.

The theme of the workout changes each time, and can include things such as shoulder stretches and brain-stimulation exercises.

Otsuka Pharmaceutical

*1: Health and Productivity Management Organization Recognition Program organized by the Ministry of Economy, Trade and Industry in Japan and the Nippon Kenko Kaigi (Japan Health Council) that identifies large corporations and small to medium enterprises that are practicing a high level of health and productivity management. Five hundred companies expect to be certified by 2020.

*2: An award program of the Tokyo Metropolitan Government that recognizes companies with outstanding initiatives to help employees with cancer to keep a good balance between treatment and work. Taiho Pharmaceutical received an excellence award in February 2016.

Development of Human Capital

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.



Otsuka Holdings: Otsuka Global Academy

Human Resources Development Program: Otsuka Global Academy

A key component of enhancing corporate value for the Otsuka group is nurturing the next generation of executives. Creative growth depends on executive managers and overall organizational business management that can respond to evolving needs. Executive management must be adept at responding to the ever-increasing complexities of business operations as the group expands into new fields. These complexities arise due to accelerating global expansion, and from increased social concerns and responsibilities induced by stakeholders.

Otsuka Holdings launched a mid- to long-term executive human resource development

program in 2016 called the Otsuka Global Academy. Its aim is to readily identify and cultivate human resources that will support vital next-generation development. The academy launched a Senior Leadership Program and a Middle Leadership Program the first year, and expects that the contents of these two programs will progressively expand going forward. These two programs will also work in conjunction with other individual human resource development programs that comprise each Otsuka group company.



Otsuka Pharmaceutical Factory: Training based on job rank

Personal Development

The Otsuka group offers a wide variety of personal development opportunities aimed at energizing the organization through employee growth. Personal development opportunities include: new employee on-the-job training; training based on job rank and job content; voluntary study groups to cultivate problem solving skills; and language training. Notably, there is a focus on personal development in the area of the environment to develop employees who can effectively contribute to environmental and social activities.



Otsuka Chemical: Hands-on training for rotary valve accident prevention

Safety Training Center

Otsuka Chemical has established the *Anzen Dojo* (Safety Training Center) to improve the safety awareness of employees, including those at affiliates outside Japan and their suppliers. Through classroom instruction and simulations of past accidents, the *Anzen Dojo* heightens awareness of safety hazards and sensitivity to danger, boosts safety knowledge, and cultivates the ability to anticipate one step ahead. In recognition of its activities for improvement of safety and health education and creation of a culture of safety, Otsuka Chemical received the Responsible Care Excellence Award from the Japan Chemical Industry Association in 2014, and the Tokushima Labor Bureau Director Encouragement Award for Safety Assurance Measures in 2015.

Otsuka Chemical



Taiho Pharmaceutical: Personal Career Counseling Office

Career Planning

Otsuka group companies provide support for individual career planning, so that all employees can enjoy active and rewarding careers.

Taiho Pharmaceutical has set up a Personal Career Counseling Office that provides consultation on a wide range of topics from career planning, transfers, and promotions, to job descriptions, workplace stress, and personal development. Consultations are provided by accredited industrial counselors and career consultants. The activities of the Personal Career Counseling Office were covered in the journal of the Japan Industrial Counselors Association in 2016, which was widely read and received by the larger business community.

In cooperation with an outside employee assistance program provider, EN Otsuka Pharmaceutical has created a system where counselors with specialized training provide career planning assistance. The company is supporting and encouraging its employees to take on new challenges and plan their careers from a long-term perspective.

Otsuka Electronics has introduced an online self-assessment system where employees can provide information concerning their career plans and desired work locations. The company uses this online assessment to try and understand the goals and health conditions of individual employees to better provide support for career planning and the futures of employees.

Third-Party Opinion

Comments on the Otsuka Group CSR Report 2016

Value Provided to Society by the Otsuka Group

In my view, the three monuments representing *Sozosei* (Creativity) shown on page 11 (Corporate Philosophy) are emblematic of the Otsuka group philosophy. By linking efforts to maintain and promote people's health with its main business activities, the group is uniquely making a significant contribution to society. These efforts include activities such as pioneering drug discovery and awareness raising activities to prevent heat disorders. It is clear to me that these activities embody the group's philosophy and have been well evaluated.

Going forward, by further clarifying the significance of each and every business activity in terms of systematic CSR management, the group can further enhance its stature in society and generate even greater social goodwill.

I look forward to seeing an increased social contribution from the Otsuka group through creative and unconventional thinking.

Relation between Otsuka Group Materiality and the Five CSR Areas

The 2016 report essentially follows the same format as the 2015 edition, but with greater detail in the information provided. Last year, the materiality selection process was disclosed for the first time; this year, further explanation of the five CSR areas is given. The report begins with a Contents page that provides data related to Otsuka's materiality for each of the five CSR areas. Moreover, I strongly believe the addition of the stakeholder engagement section is a good idea; it specifies the engagement details, as well as the responsibilities and issues concerning the five stakeholder groups.

Concerning target issues, the selection process and evaluation indicators illustrated by the "Process to Identify Materiality" diagram on page 8 need to be clearly indicated. The stakeholder engagement items, as well as the content on the introductory pages for each area, including content details, should also be presented systematically. These modifications would make it easier to understand the significance of each issue, what changed from the previous year, the status of activities, and the extent of progress made.



Eriko Nashioka

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Profile

Completed a master's degree in environmental management at the Graduate School of Policy and Management of Doshisha University, and taught at the Faculty of Commerce of Doshisha University. Joined Showa Ota & Co. (now Ernst & Young ShinNihon LLC) and engaged in consulting on environmental accounting and reporting. Served as a lead researcher for a project on corporations and the environment by the Kansai Research Center of the Institute for Global Environmental Strategies (IGES), and was a member of the Committee of Environmental Accounting of the Japanese Institute of Certified Public Accountants (JICPA), as well as serving on committees for Japan's Ministry of the Environment and Ministry of Economy, Trade and Industry. Joined the management team of the Institute for Environmental Management Accounting in April 2004, and has authored books on environmental accounting and environmental reports.

Performance in the Five CSR Areas

Concerning the five CSR areas, the Otsuka group should provide various types of information, which include how activities are related to management strategy, explanations of value provided by the Otsuka group, as well as numerical data and indicators for understanding year-to-year changes. Since the numerical information in the report increased significantly compared to last year, it would be good to provide more of the above-listed information.

As a global enterprise, the Otsuka group is strongly committed to CSR activities, as shown by its signing of the United Nations Global Compact.

The Otsuka group has established target issues and activity directions that conform to international guidelines and standards, such as Sustainable Development Goals, ISO 26000, and GRI guidelines. Therefore, the group needs to widely disseminate information on how its activities are specifically responding to these target issues, and the value the group contributes to society.

● Otsuka Group Consolidated CSR Site

This report is also available online.

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

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

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