

Materiality (Material Issues)

In 2019, the Otsuka group determined its material issues based on their importance to society and to the group's businesses. They are: *society (health, people, quality in all we do)*, *environment (climate change, resource recycling and conservation, and water conservation)*, and *governance*.

Materiality	Social Issues	Our Goals	Our Activities	Related SDGs
 Society (Healthier Society)	 Health <ul style="list-style-type: none"> 1 Unmet medical and health needs 2 Spread of infectious diseases 3 Nutritional needs 4 Increasing aging issues 	<ul style="list-style-type: none"> Contribution to unmet needs solutions Eradication of tuberculosis Creation of a system for the realization of a healthful life Healthy life extension 	<ul style="list-style-type: none"> Promotion of R&D for unmet needs R&D of antituberculosis drugs and improvement of drug access Support and awareness activities for people's health maintenance/improvement mainly on exercise and nutrition etc. Promotion of problem solving by strengthening partnerships 	
	 People <ul style="list-style-type: none"> 5 Presenteeism* 6 Unprepared for diversification 	<ul style="list-style-type: none"> Creation of a corporate culture that stimulates creativity Enhance employee engagement 	<ul style="list-style-type: none"> Human resource development Diversity promotion Healthful management 	
	 Quality in All We Do <ul style="list-style-type: none"> 7 Consumption and production that impairs sustainability 	<ul style="list-style-type: none"> Gaining stakeholder trust Pursuing sustainability at all levels of the value chain Establishing a quality assurance system for safety and security 	<ul style="list-style-type: none"> Sustainable procurement and product design Thorough quality control and stable supply Responsible promotional activities and information provision Deepening communication with stakeholders Promotion of "Customer-centric management" 	
 Environment (Healthier Planet)	 Climate Change <ul style="list-style-type: none"> 8 Global warming 	FY 2030 Goal <ul style="list-style-type: none"> 30% reduction in CO₂ emissions compared to FY 2017 	<ul style="list-style-type: none"> Reduce CO₂ emissions throughout the value chain 	
	 Resource Recycling and Conservation <ul style="list-style-type: none"> 9 Environmental load increase 	FY 2030 Goal <ul style="list-style-type: none"> 50% reduction in simple incineration and landfill compared to FY 2019 50% or higher content of recycled and plant-based materials in our PET bottles 	<ul style="list-style-type: none"> Reduce environmental impact by improving resource efficiency Promotion of business activities aimed at a sustainable state of society and the earth 	
	 Water Conservation <ul style="list-style-type: none"> 10 Reducing in freshwater availability due to water resource risks 	FY 2030 Goal <ul style="list-style-type: none"> Improvement of water use efficiency by 15% compared to FY 2017 	<ul style="list-style-type: none"> Understanding water resource risks Management and effective use of water resources 	
 Governance <ul style="list-style-type: none"> 11 Fragile governance system 12 Social change risk 	<ul style="list-style-type: none"> Long-term improvement of corporate value 	<ul style="list-style-type: none"> Strengthen corporate governance Thorough compliance Risk identification, evaluation and management 		

* The situation where productivity does not go up due to the poor condition of the mind and body despite coming to work

Fiscal Goals 2023 and Fiscal 2020 Progress

Among the 12 social issues determined to be Otsuka group's materiality, we selected nine issues that we regard as especially important at present, and set goals related to them for fiscal 2023.

Social Issues	Our Goals	FY 2023 Goals	FY 2020 Progress
1	Contribute to unmet needs solutions	<ul style="list-style-type: none"> Promotion of R&D for unmet needs Address unmet needs in the psychiatry and neurology areas Create first-in-class products in the oncology area Create first-in-class products in the cardiovascular and renal area In areas with unmet needs¹ New development projects: 10 or more Late-phase development projects advancing to the next phase: 30 or more 	<ul style="list-style-type: none"> In areas with unmet needs¹ New development projects: 9 projects² Late-phase development projects: 9 projects²
2	Eradication of tuberculosis	<ul style="list-style-type: none"> Provide DELTYBA (generic name: delamanid) for a cumulative total of 60,000 cases Supply DELTYBA for pediatric patients Launch a clinical trial for new treatment regimen Increase access to DELTYBA by collaborating with partners 	<ul style="list-style-type: none"> DELTYBA Provided DELTYBA for 40,000 a cumulative total of cases in more than 110 countries/regions Acquired the indication of DELTYBA for children in Europe in October 2020 R-pharm acquired marketing approval for DELTYBA in Russia in May 2020 Implemented supply through the Global Drug Facility (GDF) of the Stop TB Partnership and alliance partners Participated in Pan-TB collaboration and accelerated the development of new TB treatment regimen Continued participation in the Global Health Innovative Technology (GHIT) Fund
3	Creation of a system for the realization of a healthful life	<ul style="list-style-type: none"> Challenge new categories and new areas Create new systems and reinforce existing systems for realizing healthy lifestyles Create new concepts and products keeping an eye on changes in environments 	<ul style="list-style-type: none"> Further increased the supply of plant-based food products by starting operations at a new manufacturing site Executed cooperation agreements with all 47 prefectures and promoted collaboration in health and other fields Continued to hold the Women's Health Seminars 30th anniversary of the Otsuka Health Comic Library Cumulative total OATHAS³ registrants: Approximately 20,000 Started the "Healthy President" service
6	Creation of a corporate culture that stimulates creativity Enhanced employee engagement	<ul style="list-style-type: none"> Further instill the corporate culture and philosophy Build systems for ongoing human resource development aligned with changes in society and in the times Further promote and instill diversity as a source of innovation 	<ul style="list-style-type: none"> Cumulative total participants in the executive human resource development programs of Otsuka Global Academy (OGA): 171⁴ Cumulative total participants in Health Seminars: approx. 1,500 Implemented health and safety measures for employees during the COVID-19 pandemic Formulated the "Otsuka Group Human Rights Policy"
7	Pursuing sustainability at all levels of the value chain	<ul style="list-style-type: none"> Self-assessment questionnaire (SAQ) survey conducted on: 200 companies Sustainable procurement Conducted supplier briefings for 160 suppliers Original goal: Over 30 times/companies by fiscal 2023) 	<ul style="list-style-type: none"> Cumulative total of companies implementing SAQ: 80 Companies participating in supplier briefings: 73 Stable supply of products during the COVID-19 pandemic Held global production meetings and environmental management information exchange meetings Held global product quality meetings Improved products based on customer feedback
8	FY 2030 Goal 30% reduction in CO ₂ emissions compared to FY 2017	<ul style="list-style-type: none"> Introduce renewable energy and raise the usage rate of CO₂-free electricity 	<ul style="list-style-type: none"> Acquired ISO14001 integrated certification Expanded the introduction of CO₂-free electricity⁵ Introduced co-generation system and solar power generation facilities Switched supply to green power for office departments of five group companies
9	FY 2030 Goal 50% reduction in simple incineration and landfill compared to FY 2019 50% or higher content of recycled and plant-based materials in our PET bottles	<ul style="list-style-type: none"> Strengthen cooperation for reducing simple incineration and landfill volume Build an internal group system for improving the usage rate of recycled and plant-based materials 	<ul style="list-style-type: none"> Established the Otsuka Group Plastic Policy
10	FY 2030 Goal Improvement of water use efficiency by 15% compared to FY 2017	<ul style="list-style-type: none"> Improve water use efficiency in accordance with water resource risks that are unevenly distributed by country/region 	<ul style="list-style-type: none"> Carried out water resource risk assessments using Aqeduct⁶ Formulated water resource risk analysis charts at each manufacturing site, and identified watershed issues around the sites
12	Promotion of R&D for unmet needs	<ul style="list-style-type: none"> Build a system to strengthen compliance within the group Strengthen corporate governance to further raise effectiveness Build a governance system capable of global business development and response to various changes 	<ul style="list-style-type: none"> Introduced enterprise risk management in July 2020 Carried out activities for directors to raise effectiveness Board of Directors meeting attendance rate: 100% Implemented the "Otsuka Group Global Policy for Conflict of Interest"

1. Unmet needs areas defined by Otsuka based on *PatientsMap2020JP* and *PatientsMap2020US*, M3 & SSRI
 2. Cumulative total since 2019
 3. Otsuka Advanced Training for Healthy Aging Supporters: A program that supports pharmacies as health information hubs with strong connections to local communities
 4. As of December 31, 2020
 5. Including carbon-neutral electricity
 6. Water resource risk assessment tool developed by the World Resources Institute