

Otsuka Group Sustainable Procurement Guidelines

The Otsuka group of companies promote activities proactively for the realization of sustainable societies. This is exemplified by Otsuka Holdings' signing of the United Nations (UN) Global Compact in 2016.

The Otsuka group adheres to the *Ten Principles* of the UN Global Compact* and aims to contribute to the solution of social issues through business activities, supporting our ongoing and enduring perspective on the Sustainable Development Goals (SDGs). Our adherence to the *Ten Principles* extends to procurement, as we advance with our suppliers.

It is essential to collaborate with suppliers to maintain supply chains that considers quality, safety, supply stability, because the creation of innovative products requires flawless information exchanges and excellent working relationships. However, no less important are sustainable criteria that include human rights, labor standards, preservation of the environment, non-tolerance of corruption, and information security.

Based on the concept described above, the Otsuka group created the Otsuka Group Sustainable Procurement Guidelines. We ask all suppliers and companies located upstream in our supply chains to understand the importance of these guidelines and observe each part of them.

Also, as a Corporate responsibility, the Otsuka group established the Otsuka Group Global Code of Business Ethics*, Otsuka Group Human Rights Policy*, the Otsuka Group Global Anti-Corruption Policy, Otsuka Group Global Policy for Conflict of Interest*, Otsuka Group Global Privacy Policy*, the Environmental Policy*, etc. We appreciate and expect your understanding of, and adherence to, those policies.

I. Quality, Safety, and Stable Supply

We require observance of the following items in the quality policy of the Otsuka group of companies:

1. Supply of products that meet required quality and safety
2. Information on supply stability, such as production capacity and track record, as required
3. Stable business management
4. An up-to-date business continuity plan in case of extreme weather, natural disasters, pandemics, etc..

II. Human Rights and Labor Standards

We require the following, in accordance with the Otsuka Group Global Code of Business Ethics*:

1. Safe, sanitary, and comfortable work environments and consideration of employees' health
2. Respect for human rights of employees and the prohibition of forced labor anywhere within the supply chain
3. Upholding of fundamental human rights including prohibition of child labor
4. Prohibition of discrimination within employment and recruitment processes
5. Elimination of excessive working hours
6. Compliance with laws and regulations regarding minimum wages
7. Prohibition of inhumane treatment
8. Compliance with laws and regulations related to occupational safety and health
9. In conflict and high-risk areas, avoidance of raw material use that may fund armed groups, which in turn may cause human rights abuses and environmental damage
10. Respect the right to freedom of association and collective bargaining

III. Environment

We require the following in accordance with the Otsuka Group Environment Policy* :

1. Observance of environmental law as well as international treaty as well as in the countries and areas of business activities
2. Pursuing activities such as chemical management, reduction and appropriate disposal of waste and the prevention of pollution, to consider the health and safety of local communities and environments
3. Consideration of the impacts of activities on the global environment, such as reduction of greenhouse gas emissions, responses to climate change, and environmental load reduction
4. Recycling, efficient usage and reduction in the consumption of resources such as energy, water and raw materials
5. Promotion of comprehensive conservation activities for biodiversity considering the diversity in ecosystems, species, and genetics. Fair and equitable allocation of benefits resulting from utilization of genetic resources

IV. Anti-Corruption

In order to conduct fair and transparent transaction with all suppliers, we require the following in accordance with the Otsuka Group Global Code of Business Ethics* and the Otsuka Group Global Anti-Corruption Policy:

1. Zero tolerance of corruption, bribery and engagement with anti-social forces
2. Prohibition of excessive and/or inappropriate gifts and entertainment
3. Compliance with laws and regulations regarding commercial transactions
4. Prohibition of abuse of advantageous position
5. Prohibition of anti-competitive activities

V. Intellectual Property and Information Security

We require the following in accordance with the Otsuka Group Global Code of Business Ethics* and the Otsuka Group Privacy Policy* :

1. Prevention measures against the infringement of intellectual property rights of other parties
2. Protection against threats through computer network
3. Prevention of the leakage of confidential information of customers and third parties
4. Prevention of the leakage of personal information

VI. Business and Development Proposals

In order to support our ethos to “Do things because we are Otsuka” and “Do things that only Otsuka can”, we require support and efforts as follows:

1. Introduction of new materials and technologies that place a premium on the unprecedented
2. Proposals that lead to improvements of our existing products
3. Proposals that emphasize innovative ideas

*1: The Ten Principles of the UN Global Compact (<https://www.unglobalcompact.org/what-is-gc/mission/principles>)

*2: Otsuka Group Global Code of Business Ethics (<https://www.otsuka.com/en/company/conduct/>)

*3: Otsuka Group Human Rights Policy (<https://www.otsuka.com/en/csr/society/people/pdf/human-rights.pdf>)

*4: Otsuka Group Global Policy for Conflict of Interest
(https://www.otsuka.com/jp/csr/governance/pdf/OtsukaGroupGlobalPolicyforConflictofInterest_IR.pdf)

*5: Otsuka Group Global Privacy Policy
(https://www.otsuka.com/jp/csr/governance/pdf/OtsukaGroupGlobalPrivacyPolicy_IR.pdf)

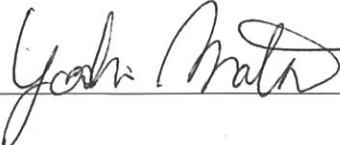
*6: Otsuka Group Environmental Policy (<https://www.otsuka.com/en/csr/environment/>)

Otsuka Holdings Co., Ltd.

Signed

Executive Deputy President and Director

Matsuo, Yoshiro



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