Environment

Otsuka Group’s Environmental Policy

The Otsuka group of companies strives to advance as an essential company that contributes to the health of people worldwide. We will help to realize a sustainable society by always taking account of the global environment in the value chain as we pursue our business activities based on our trademark qualities of autonomy, proactiveness and creativity.

Guidelines

1. Climate Change

- Play a part in controlling global warming by reducing CO2 emissions.
- Promote sustainable use of water through conservation, recycling and clean return.
- Continue to improve our environmental management system, increase effectiveness of compliance, and reduce risks.

2. Resource Recycling and Conservation

- Continue to improve resource efficiency and help create a zero-waste society.

3. Water Conservation

- Promote sustainable use of water through conservation, recycling and clean return.

4. Environmental Compliance

- Continue to improve our environmental management system, increase effectiveness of compliance, and reduce risks.

The Otsuka group has determined the materialities of its environmental initiatives to be climate change, resource recycling and conservation and water conservation. We have set goals for 2030, and are carrying out activities aimed at achieving them. As part of these initiatives, the Otsuka group’s five major companies in Japan1 are working to acquire integrated ISO 14001 certification, the international standard for environmental management systems, as part of efforts to promote activities that are more efficient and highly effective.2

Going forward, the group will work together toward the realization of a decarbonized society, and ultimately a sustainable society, raising awareness and understanding of environmental issues by conducting environmental training for employees and generating synergy through collaborations between group companies.

Otsuka Group Global Environmental Council

As a global group that contributes to the health of people worldwide, the Otsuka group works sincerely to reduce the impact its businesses have on the global environment, and seeks to contribute to the creation of a sustainable society that can protect nature and the future of the earth.

The Otsuka Group Global Environmental Council comprises the group-wide coordinator at Otsuka Holdings, executive officers at each group company who are responsible for and have jurisdiction over matters related to the environment, and a secretariat. Matters deliberated on by the council are approved by the Board of Directors of Otsuka Holdings, and shared as the environmental management policies of the Otsuka group. The council promotes initiatives that contribute to solutions to global social issues related to the earth’s environment.

Otsuka Group Global Environmental Council Organization

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- Continuing environmental management system development, increase effectiveness of compliance, and reduce risks.

Climate Change

FY 2030 Goal: 30% reduction in CO2 emissions compared to FY 2017

Climate change due to global warming is causing serious environmental issues on a worldwide scale, such as by severely impacting biological and water resources. We recognize it as a major risk to our global operations. The Otsuka group is committed to creating a decarbonized society, and thereby a sustainable society. We are aiming to reduce greenhouse gas (GHG) emissions across the entire value chain in order to help achieve the Paris Agreement goal of holding the global average temperature increase below 2°C above pre-industrial levels.

1. Initiatives for Efficient Energy Use and CO2 Reduction

In Tokushima Prefecture, where a number of Otsuka group production sites are concentrated, we have installed cogeneration systems at Otsuka Chemical and Otsuka Pharmaceutical Factory. These systems generate electric power from natural gas, while converting waste heat into steam and hot water, which are then supplied to nearby group companies. Furthermore, the cogeneration system introduced in February 2020 at Otsuka Pharmaceutical Factory’s Toyama Factory supports our business continuity plan, reduces annual CO2 emissions by approximately 1,800 tons, and contributes to energy efficiency and stable drug supply.

We are working to reduce CO2 emissions by switching to renewable energy. In July 2019, we started introducing CO2-free electricity, which is derived from renewable energy sources and does not emit CO2, at Otsuka group factories and research centers in Tokushima Prefecture and at Otsuka Pharmaceutical’s Fukutsu Factory. In November 2019, we expanded its introduction to Otsuka Foods’ Shiga Factory, and overseas to Nutrition & Santé’s Spain Factory.

2. Validation of Otsuka Pharmaceutical and Taiho Pharmaceutical Goals under the SBT Initiative

GHG reduction goals set by Otsuka Pharmaceutical and Taiho Pharmaceutical have been validated under the Science Based Targets (SBT) Initiative.

In order to achieve these new goals, we will optimize energy use and introduce renewable energy, and continue to promote reduction of GHG emissions throughout the value chain.

2030 Goals

- Reduction of greenhouse gas emissions (Scope 1 and 2) by 30% compared to 2017
- Reduction of greenhouse gas emissions (Scope 3) by 20% compared to 2017

3. Third-Party Verification of GHG Emissions

In order to improve the transparency and reliability of its environmental data, the Otsuka group has its GHG emissions Scopes 1 and 2 (CO2 emissions from energy sources, including energy consumption), and Scope 3 (Category 1) verified by third-party organizations. This helps us identify emissions trends and implement improvements.

We will continue to expand the scope of verification and further enhance the reliability of our data.

<table>
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<th>GHG Emissions Throughout the Value Chain</th>
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<td>Scope 1: Direct emissions</td>
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<td>Scope 2: Indirect emissions from energy sources</td>
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<td>Scope 3: Other indirect emissions</td>
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1. An international initiative led by the United Nations Global Compact (UNGC), World Resources Institute (WRI), and World Wide Fund for Nature (WWF). Validates companies’ CO2 emission reduction targets that align with scientifically-based reduction scenarios, in order to achieve the Paris Agreement goal of holding the global average temperature increase below 2°C above pre-industrial levels.

2. Scope 1: Direct emissions

3. Scope 2: Indirect emissions from energy sources

4. Scope 3: Other indirect emissions

5. Categories: Category 1: Purchased goods and services; Category 2: Transportation; Category 3: Employee travel; Category 4: Business travel; Category 5: Other CO2 emissions.
Resource Recycling and Conservation

FY 2030 Goals: 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

In order to realize both a sustainable society and ongoing corporate growth, a global shift to sustainable business models that grow without impacting the environment is necessary. To continue providing products that contribute to the health of people worldwide, the Otsuka group will raise resource efficiency throughout the value chain and build a sustainable system for recycling and conservation of resources, including biological resources.

1. Initiatives to Achieve Zero Waste

In fiscal 2019, the Otsuka group’s total global waste volume was 97,000 tons. The effective use amount including material recycling1, composting, and heat recovery2 was 74,000 tons, or about 76% of the total. Furthermore, the simple incineration volume was 5,000 tons (mainly in Japan) and the landfill volume was 11,000 tons (mainly overseas). Going forward, we will promote activities to reduce waste and disposal volumes together with group companies in Japan and overseas.

2. Initiatives Targeting the Issue of Plastic Waste

As an initiative aimed at solving the issue of plastic waste, we have formulated the Otsuka Group Plastic Policy to support the sustainable recycling of resources. As a group that provides products that contribute to the health of people worldwide, the Otsuka group will raise resource efficiency throughout the value chain and build a sustainable system for recycling and conservation of resources, including biological resources.

Otsuka Group Plastic Policy

- Fundamental Concept
  - PET bottles comprise the majority of plastic containers and packaging used for consumer products by our group companies. For this reason, we believe that by promoting PET bottle recycling, we can reduce our reliance on fossil fuel and thereby contribute to environmental conservation. The goal is to use PET bottles manufactured from recycled and plant-based materials and increase the percentage of such sustainable materials. In our production processes globally to 50 percent by 2030 and 100 percent by 2050.
  - Moreover, to advance PET material recycling, it is essential to recycle PET bottles for use as raw materials. Together with our various stakeholders, we will advance our global efforts on proper collection and recycling of used PET bottles.

- Our Vision for 2050
  - For our entire line of consumer products, we will endeavor to use packaging that supports a sustainable society:
    - No use of plastics made from petroleum-based materials
    - Promote use of recycled, plant-based, and biodegradable materials
    - Promote use of recyclable packaging

- Our Goal for 2030
  - Achieve a 50 percent or higher content of recycled and plant-based materials in our PET bottles.
  - Introduce alternative packaging (e.g., paper) and increase use of cans for our drink products.
  - Stop promotion of drink bottle recycling by introducing recyclable packaging through a zero-waste sales and circular distribution model, which also includes the use of sport bottles for our powder products.
  - We will promote the use of alternative packaging and concurrently pursue the use of more recyclable materials for drink containers.

Water Conservation

FY 2030 Goal: Improvement of water use efficiency by 15% compared to FY 2017

Since its establishment, the Otsuka group’s operations have had a deep connection to water, a resource essential to life. Through products that use water as a raw material, we have actively contributed not only to the treatment and prevention of diseases, but also the maintenance and promotion of health. We therefore recognize water as an important resource, and consider its conservation to be a critical global issue. Moreover, water resources are distributed across different countries and regions, each of which faces different risks. The Otsuka group therefore cooperates with all stakeholders, and conducts ongoing water conservation initiatives from intake to discharge (including cultivation of water resources, conscientious use and clean return), in the aim of sustainable water use.

Evaluating Water Risk at Production Sites

Considering environmental risk in each region is also important to sustainable growth in the diverse business models of the Otsuka group operating around the world. Since 2017, the Otsuka group has conducted water risk assessments at all production sites using the water risk assessment tool “Aqueduct,” developed by the World Resources Institute (WRI), so as to understand and minimize the impact of such risk on water-related business activities.

Going forward, we will conduct more specific assessments and promote activities tailored to each region that target the effective management and use of water, with the aim of conservation and sustainable use of water resources.

Environmentally Friendly Products of the Otsuka Group

Going beyond making our products themselves low impact, in development, we consider environmental impact throughout the value chain, from raw material procurement to disposal, as well as the needs of the times resulting from changes in society. In this way, we contribute to solutions to global environmental issues and increasingly diverse social issues.

A unique formulation allows POGARI SWEAT ICE SLURRY to be stored at room temperature

We developed POGARI SWEAT ICE SLURRY with a focus on core body temperature regulation to support active people in hot environments. The unique formulation of this drinkable ice product allows it to be stored at room temperature and conveniently frozen before use. Even if it melts, the liquid can be returned to a slurry state by refrigerating. This also enables energy savings when transporting or storing the product.

Bon Curry can be warmed in the microwave while still in the box

Launched in 1968, Bon Curry was the world’s first commercial retort pouch food product and can be heated in the microwave while still in the box. It saves consumers the time and trouble of boiling water or putting the curry on a plate to warm it. This product is environmentally friendly because it does not require open flame or water for preparation.3

The world’s first quad-chamber infusion bag

Otsuka Pharmaceutical Factory develops products under its management vision of being “The Best Partner in Clinical Nutrition.” It is focusing above all on the development of kit products that are easy for healthcare workers to use, and which also reduce medical errors and the risk of infection. Otsuka Pharmaceutical Factory was behind the development of the first-ever quad-chamber bag, which is used for ELIWIPE, a high-calorie infusion vitamin mixture containing glucose, electrolytes, amino acid, multivitamin, and trace elements. Its groundbreaking design makes it possible to aseptically prepare the mixture with a single pump. It also saves resources, enables efficient transportation and reduces disposal waste.