

# The Otsuka Group's Approach to Sustainability

Guided by its corporate philosophy, "Otsuka-people creating new products for better health worldwide," the Otsuka group works to contribute to the creation of a healthy and sustainable society, while achieving growth. We pursue these objectives supported by a comprehensive governance system. In 2019, we determined the material issues of the Otsuka group to be *society (health, people, quality in all we do)*, *environment (climate change, resource recycling and conservation, water conservation)*, and *governance*, and announced goals for 2030 to be pursued by the entire group.



## Process for Determining Materiality (Material Issues)

Materiality is initiatives that Otsuka is focused on. To determine the Otsuka group's material issues, we first compiled a list of social issues, referencing a range of international guidelines and frameworks, including ISO 26000, GRI, and the U.N. SDGs. We narrowed down the list of issues by evaluating them in terms of their importance, taking into account our ability to contribute to a solution, their impact on business, and our strengths.

Issues were then discussed by the Sustainability Promotion Committee\* and approved at the Otsuka Holdings Board of Directors meeting. As a result, the material issues of the Otsuka group were determined to be: *society (health, people, quality in all we do)*, *environment (climate change, resource recycling and conservation, water conservation)*, and *governance*.

- 1 Identification of social issues with reference to respective international guidelines
- 2 Assessment of social issues that our business activities can contribute to solving and their importance
- 3 Determination of material issues by the Sustainability Promotion Committee from the viewpoint of their impact on society and on the Otsuka group
- 4 Approval at the Otsuka Holdings Board of Directors meeting

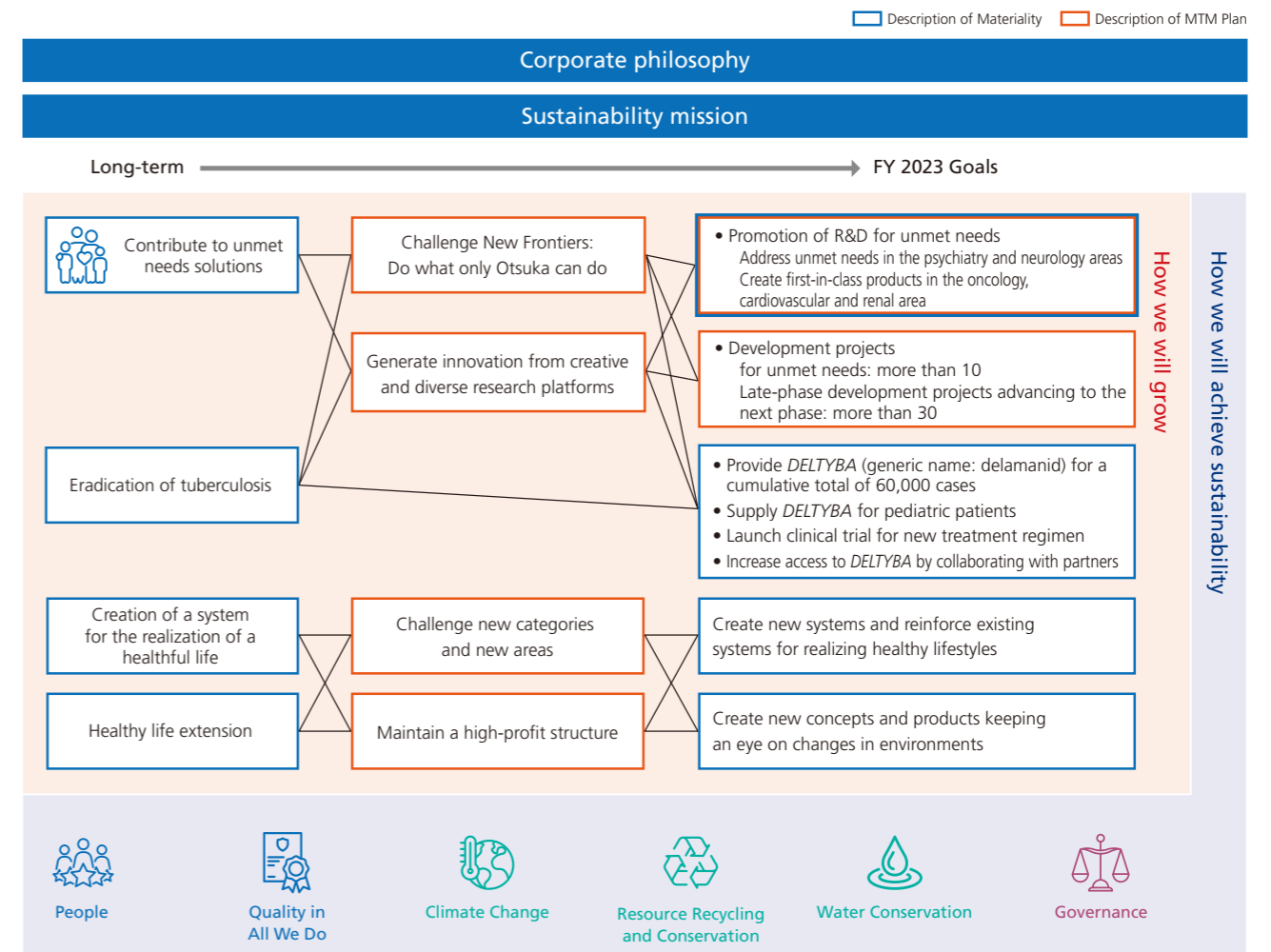
\* The Sustainability Promotion Committee promotes sustainability throughout the Otsuka group. The committee's responsibilities include discussing and deciding on the direction and plans for sustainability activities. The Otsuka Holdings director in charge of sustainability promotion serves as the committee chair. Committee members comprise group managers of departments relating to sustainability and the sustainability officers of each company.

Visit the Otsuka Holdings website for a map of social issues  
[https://www.otsuka.com/en/csr/hd\\_activity/materiality.html](https://www.otsuka.com/en/csr/hd_activity/materiality.html)



We are promoting business toward our goals for fiscal 2023 in the same direction of the materiality, under the medium-term management plan for fiscal 2019 to 2023.

## Relationship between Materiality and the Medium-Term Management Plan



## Relationship between Materiality and Capitals

		Capital	Human Capital	Relationship and Social Capital	Manufactured Capital	Intellectual Capital	Financial Capital	Natural Capital
Society	Health		●	●		●	●	
	People		●			●	●	
	Quality in All We Do		●	●	●	●	●	
Environment	Climate Change		●		●		●	●
	Resource Recycling and Conservation		●		●		●	●
	Water Conservation		●		●		●	●
Governance			●	●	●		●	

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

\* 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"> <li>Promotion of R&amp;D for unmet needs</li> <li>Address unmet needs in the psychiatry and neurology areas</li> <li>Create first-in-class products in the oncology area</li> <li>Create first-in-class products in the cardiovascular and renal area</li> <li>In areas with unmet needs<sup>1</sup></li> <li>New development projects: 10 or more</li> <li>Late-phase development projects advancing to the next phase: 30 or more</li> </ul>	<ul style="list-style-type: none"> <li>In areas with unmet needs<sup>1</sup></li> <li>New development projects: 9 projects<sup>2</sup></li> <li>Late-phase development projects: 9 projects<sup>2</sup></li> </ul>
2	Eradication of tuberculosis	<ul style="list-style-type: none"> <li>Provide DELTYBA (generic name: delamanid) for a cumulative total of 60,000 cases</li> <li>Supply DELTYBA for pediatric patients</li> <li>Launch a clinical trial for new treatment regimen</li> <li>Increase access to DELTYBA by collaborating with partners</li> </ul>	<ul style="list-style-type: none"> <li>DELTYBA</li> <li>Provided DELTYBA for 40,000 a cumulative total of cases in more than 110 countries/regions</li> <li>Acquired the indication of DELTYBA for children in Europe in October 2020</li> <li>R-pharm acquired marketing approval for DELTYBA in Russia in May 2020</li> <li>Implemented supply through the Global Drug Facility (GDF) of the Stop TB Partnership and alliance partners</li> <li>Participated in Pan-TB collaboration and accelerated the development of new TB treatment regimen</li> <li>Continued participation in the Global Health Innovative Technology (GHIT) Fund</li> </ul>
3	Creation of a system for the realization of a healthful life	<ul style="list-style-type: none"> <li>Challenge new categories and new areas</li> <li>Create new systems and reinforce existing systems for realizing healthy lifestyles</li> <li>Create new concepts and products keeping an eye on changes in environments</li> </ul>	<ul style="list-style-type: none"> <li>Further increased the supply of plant-based food products by starting operations at a new manufacturing site</li> <li>Executed cooperation agreements with all 47 prefectures and promoted collaboration in health and other fields</li> <li>Continued to hold the Women's Health Seminars</li> <li>30th anniversary of the Otsuka Health Comic Library</li> <li>Cumulative total OATHAS<sup>3</sup> registrants: Approximately 20,000</li> <li>Started the "Healthy President" service</li> </ul>
6	Creation of a corporate culture that stimulates creativity Enhanced employee engagement	<ul style="list-style-type: none"> <li>Further instill the corporate culture and philosophy</li> <li>Build systems for ongoing human resource development aligned with changes in society and in the times</li> <li>Further promote and instill diversity as a source of innovation</li> </ul>	<ul style="list-style-type: none"> <li>Cumulative total participants in the executive human resource development programs of Otsuka Global Academy (OGA): 171<sup>4</sup></li> <li>Cumulative total participants in Health Seminars: approx. 1,500</li> <li>Implemented health and safety measures for employees during the COVID-19 pandemic</li> <li>Formulated the "Otsuka Group Human Rights Policy"</li> </ul>
7	Pursuing sustainability at all levels of the value chain	<ul style="list-style-type: none"> <li>Self-assessment questionnaire (SAQ) survey conducted on: 200 companies</li> <li>Sustainable procurement</li> <li>Conducted supplier briefings for 160 suppliers</li> <li>Original goal: Over 30 times/companies by fiscal 2023)</li> </ul>	<ul style="list-style-type: none"> <li>Cumulative total of companies implementing SAQ: 80</li> <li>Companies participating in supplier briefings: 73</li> <li>Stable supply of products during the COVID-19 pandemic</li> <li>Held global production meetings and environmental management information exchange meetings</li> <li>Held global product quality meetings</li> <li>Improved products based on customer feedback</li> </ul>
8	FY 2030 Goal 30% reduction in CO <sub>2</sub> emissions compared to FY 2017	<ul style="list-style-type: none"> <li>Introduce renewable energy and raise the usage rate of CO<sub>2</sub>-free electricity</li> </ul>	<ul style="list-style-type: none"> <li>Acquired ISO14001 integrated certification</li> <li>Expanded the introduction of CO<sub>2</sub>-free electricity<sup>5</sup></li> <li>Introduced co-generation system and solar power generation facilities</li> <li>Switched supply to green power for office departments of five group companies</li> </ul>
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"> <li>Strengthen cooperation for reducing simple incineration and landfill volume</li> <li>Build an internal group system for improving the usage rate of recycled and plant-based materials</li> </ul>	<ul style="list-style-type: none"> <li>Established the Otsuka Group Plastic Policy</li> </ul>
10	FY 2030 Goal Improvement of water use efficiency by 15% compared to FY 201	<ul style="list-style-type: none"> <li>Improve water use efficiency in accordance with water resource risks that are unevenly distributed by country/region</li> </ul>	<ul style="list-style-type: none"> <li>Carried out water resource risk assessments using Aqeduct<sup>6</sup></li> <li>Formulated water resource risk analysis charts at each manufacturing site, and identified watershed issues around the sites</li> </ul>
12	Promotion of R&D for unmet needs	<ul style="list-style-type: none"> <li>Build a system to strengthen compliance within the group</li> <li>Strengthen corporate governance to further raise effectiveness</li> <li>Build a governance system capable of global business development and response to various changes</li> </ul>	<ul style="list-style-type: none"> <li>Introduced enterprise risk management in July 2020</li> <li>Carried out activities for directors to raise effectiveness</li> <li>Board of Directors meeting attendance rate: 100%</li> <li>Implemented the "Otsuka Group Global Policy for Conflict of Interest"</li> </ul>

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