

Contribute to the creation of a healthy and sustainable society

Sustainability strategy

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Otsuka group sustainability

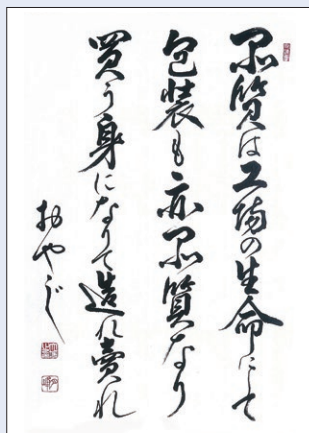
The foundation of Otsuka group's sustainability

Since its founding in 1921, the Otsuka group has persistently pursued the pinnacle of quality at every stage of the value chain from research and development all the way to the delivery of

products and services. The group also focuses on building relationships of trust with a wide range of stakeholders, from employees, customers, and business partners to shareholders and society. This is the approach that continues to form the foundation of the group's sustainability efforts today.

Spirit of Quality First

Good product quality is the key to the operation of the factory, and packaging is part of product quality as well. We must produce and sell our products from the point of view of the buyers.

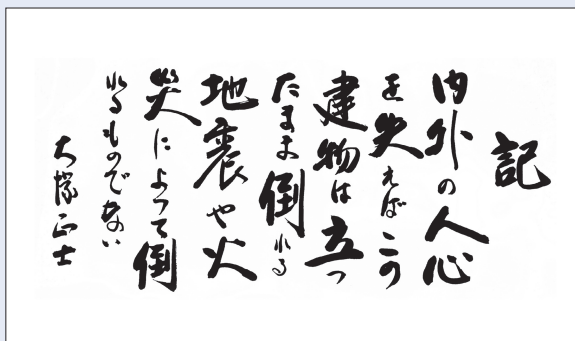


The quote made clear that quality had to be at the core of manufacturing, transportation, and sales activities by the Company and each employee. It was written by Busaburo Otsuka, the founder of Otsuka, who was also known as "Oyaji-san" ("father") by employees. The quote is from 1946, when Otsuka began manufacturing and selling injectable drugs.

As a long-standing guiding principle of our life science-related businesses, these words remain on display, as shown above, in our factories, where the philosophy of "Quality First" remains deeply rooted in the heart of each of our employees.

Building trust with stakeholders

If we cannot capture people's minds, then this building might as well go into ruin while standing up, even without an earthquake or fire.



These words demonstrate that a business is built on trust between people. Masahito Otsuka wrote these words after his appointment as the second-generation family member to lead Otsuka.

The Otsuka group's business environment is going through drastic and rapid change under the impact of issues ranging from climate change and resource depletion to shifts in the population structure and medical needs, human rights issues, geopolitical risk, and the increasing complexity of the supply chain.

These are important factors that affect the Otsuka group's business activity and sustainability.

By addressing these social issues through its business activity, the group aims to achieve sustainable growth and medium- to long-term corporate value increase, while also contributing to the creation of a healthy and sustainable society.

Sustainability mission



Guided by its corporate philosophy, the Otsuka group works to solve social issues through its businesses and contribute to the creation of a healthy and sustainable society, while achieving growth.

Materiality

Otsuka group's materiality

In order to respond to changes in the business environment and meet stakeholder expectations, the Otsuka group identifies as materiality those issues relating to the environment, society, corporate governance, and the economy that are important for corporate value generation and business sustainability.

The Otsuka group positions these as priority management issues and integrates them into its management strategy and

business activity.

Through these efforts, the group works to enhance its ability to adapt to changes in the business environment while also strengthening the foundation for long-term growth. The Otsuka group continuously verifies the progress and effectiveness of materiality-related initiatives and works to improve their quality as a way of promoting sustainable business development and corporate value increase.

Materiality

In 2024, in light of changes in the business environment and social conditions, the Otsuka group reassessed its materiality, which is a set of important issues to be prioritized in order to achieve its sustainability mission. The group has established indicators and targets for each of four new materiality items and is working to address them.

Contribute to the health and Well-being of people around the world

→ P. 17–20, P. 37–61



Empowering our people to realize our corporate philosophy

→ P. 69–75



Promote positive impact on global environment

→ P. 83–95



Create more sustainable future with business partners

→ P. 77–78



Materiality identification process

As part of the materiality identification process, to determine the level of importance to society of each issue, the Otsuka group took into account industry trends and consulted the opinions of organizations such as ESG rating agencies and NGOs as well as investors and other stakeholders.

To similarly determine the level of importance of each issue to its businesses, the group assessed the associated growth potential through issue scoring by the main operating companies combined with employee surveys and interviews.

Step 1

Analyzing various information and creating list of issues

Step 2

Evaluating impacts and importance to society and the Company

Step 3

Creating map of issues based on impacts and importance to society and the Company

Step 4

Specifying materiality based on the evaluation

Analysis of materiality-related risks and opportunities

In pursuit of the sustainable growth of the Otsuka group, the group conducted an analysis and evaluation of risks and opportunities, starting from the social issues identified by the group. The group will continue evaluating risks and opportunities and reflecting them in its initiatives.

Issues the Otsuka group is addressing	Risks	Opportunities	Strategy	Indicators
 Contribute to the health and Well-being of people around the world				
Enhancing access to healthcare	- Delayed product launches and limited access due to changes in pharmaceutical systems and price regulations - Unstable procurement and supply of materials caused by natural disasters, pandemics, global economic slowdowns, and heightened geopolitical risks - Reputational decline resulting from social criticism over high drug prices and unequal access to medications	- Expanding markets by introducing products and services in emerging countries' markets as healthcare needs grow - Strengthening competitiveness with comprehensive value creation by using digital tools to provide healthcare information, diagnostic support, and caregiver support - Building trust and enhancing corporate value through improved access to healthcare and appropriately priced products	Maximizing product value by leveraging diverse assets within and outside the group	- Expansion of global access - Promoting awareness of mental, neurological, cancer, cardiovascular and renal diseases - Eradication of tuberculosis
Research and development for unmet needs	- Decline in corporate value due to uncertainty in development of new drugs (delay or suspension of research and development, introduction of competing products) - Decline in competitive ability due to slow or insufficient digital transformation	- Capturing market advantage, increasing competitiveness, and improving reputation by succeeding in clinical trials and developing new drugs - Developing brands through the use of digital marketing	Strengthening research and development capabilities to address unmet medical needs	- In-house drug discovery capabilities - Product development capabilities that contribute to unmet medical needs
Ethical and transparent approach to research and development	Decline in trust as a result of not implementing compliance in basic research and clinical trials	- Reinforcing R&D capabilities by improving compliance and transparency - Improving engagement of R&D human resources		
Health maintenance and improvement	Decline in product development capabilities as a result of failure to address customers' needs	- Expanding markets in prevention and self-care on the strength of trends toward population aging and healthcare cost containment, and achieving differentiation through products benefiting from both scientific and nutritional expertise and based on scientific evidence - Capturing market advantage, improving competitiveness, and improving reputation by creating new categories and new products	Adapting to changes in the world and providing people with complex health solutions	- POCARI SWEAT market penetration through awareness-raising on hydration and electrolyte replenishment to combat heat illness, etc. - Contribution to women's health through growth in women's health category
 Empowering our people to realize our corporate philosophy				
Developing specialized talent based on corporate philosophy and culture	- Decline in competitiveness due to insufficient recruitment and development of highly specialized talent and resulting reduced business execution capabilities, delays in R&D, weakened quality assurance, and lagging digital transformation - Delays in decision-making, decline in organizational performance, and reduced innovation due to insufficient understanding of and alignment with corporate philosophy and culture, and inadequate collaboration capabilities for global business environment	- Creation of innovative products and services and strengthening of business competitiveness through strategic development and expansion of highly specialized talent - Promotion of decision-making and collaboration based on shared values, and strengthening of global organizational capabilities and innovation, through penetration of corporate philosophy and culture - Enhancement of productivity and decision-making through talent development and reskilling in digital and AI fields	Building the capabilities of our people to drive innovation and realize our corporate philosophy Enhance human resources, a source of innovation, to realize our corporate philosophy	- Degree of penetration of corporate culture - Developing a system to nurture the next generation of human capital
Promoting diversity, equity, and inclusion	- Reduced diversity in decision-making, stagnant innovation, and weakened competitiveness in attracting talent due to insufficient development of an environment where diverse human resources can take on challenges and thrive - Inhibition of diverse human resources from maximizing their capabilities and decreased employee engagement due to insufficient provision of fair and equal opportunities	- Leveraging diverse business base to create synergies between businesses and promote innovation by expanding opportunities for challenge and enabling diverse talent to thrive - Enhancement of employee engagement and organizational competitiveness through provision of fair growth opportunities	- Creating a workplace and organization and providing opportunities for a variety of human resources unique to Otsuka, a company with diverse businesses - Creating a system to improve employee engagement	- Employee challenge index - Employee challenge support index
Improving employee Well-being by respect for human rights	- Decline in productivity and employee engagement, increased personnel turnover, higher recruitment and training costs, and weakening of organizational capabilities due to inadequate development of workplace environment - Reputational damage and negative impact on business continuity arising from insufficient systems for prevention and remediation of human rights violations, and from inadequacies in whistleblowing mechanisms and occupational health and safety and compliance frameworks	- Organizational revitalization and enhancement of productivity through increased employee engagement - Promotion of human resource retention and performance, and improved efficiency of investment in talent recruitment and development, through creation of psychologically safe workplace environment - Continuous strengthening of organizational capabilities through establishment of cycle for measuring, analyzing, and improving employee engagement		Employee engagement to realize Otsuka's corporate philosophy

Analysis of materiality-related risks and opportunities

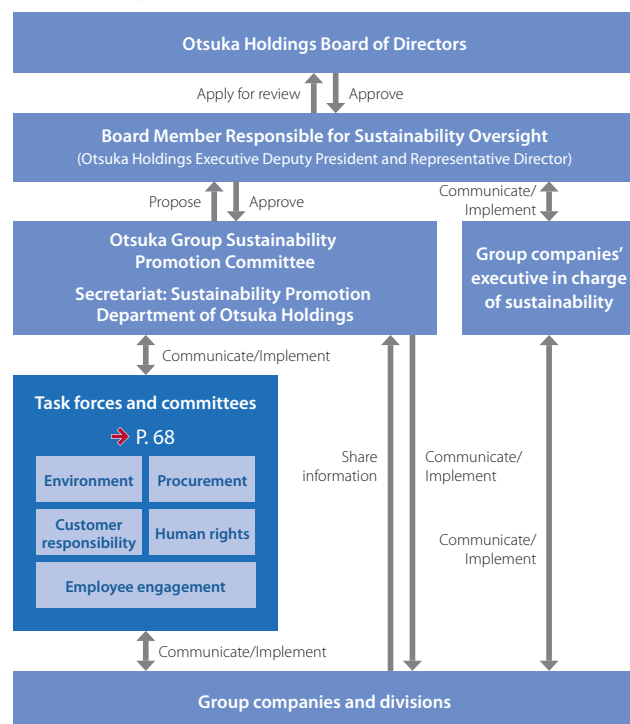
Issues the Otsuka group is addressing	Risks	Opportunities	Strategy	Indicators
 Create more sustainable future with business partners				
Building a sustainable supply chain	Unstable procurement and supply of raw materials caused by large-scale natural disasters, pandemics, global economic slowdowns, and heightened geopolitical risks	- Visualizing the upstream supply chain, identifying and addressing risks, and building a stable procurement system - Securing quality, safety, and stable supply by improving risk response rate - Enhancing corporate value and promoting responsible procurement by deepening collaboration with suppliers	Building a strong and stable procurement system to respond to risks	- Response rate to identified risks - Rate of supplier participation in shared group platform for supply chain information management - Response rate to questionnaires when incidents occurred
Initiatives with business partners toward sustainable society	Decline in corporate value due to the lack of supply chain transparency (major compliance violation or incident related to human rights, labor, environment, or corruption within the supply chain)		Promotion of responsible procurement	Number of communication engagements with suppliers
 Promote positive impact on global environment				
Climate change (Carbon neutrality)	- Cost increase on higher energy demand due to advancing climate change - Decline in raw material quality as temperatures rise, higher procurement costs due to reduced harvests - Increase in costs due to stricter regulation, including carbon pricing	- Reducing operating costs through the introduction of highly energy-efficient equipment - Reducing energy procurement risk by proactively introducing renewable energy - Increasing earnings through greater demand for climate change mitigation/adaptation products (e.g., products for heat illness or infections)	Strengthening the ability to respond to climate change risk by promoting energy optimization throughout the supply chain with a view to decarbonization	2028 target - Reduction of CO₂ emissions Scope 1 and 2: 50% reduction in CO₂ emissions compared to 2017 - Scope 3: Initiatives to achieve carbon neutrality by 2050 20% self-generated renewable energy
Circular economy	- Steep rise in raw material prices and supply instability due to dependence on fossil resource-derived materials - Decline in market competitiveness due to continued use of products and packaging not adapted to the circular economy	- Reducing resource procurement risk and improving supply stability by using recycled or plant-derived resources - Optimizing costs by reducing waste volume and raising resource efficiency, and generating environmental value through recycle-friendly products	Reducing dependence on fossil resource-derived materials and promoting zero waste by optimizing resource recycling throughout the supply chain	2028 target 50% reduction in simple incineration and landfill disposal compared to 2019 - Formulation and implementation of food loss reduction plans 2030 target 100% recycled materials in our PET bottles and use of plant-based materials
Water neutrality	- Business continuity risk due to water intake restrictions and suspension of operations caused by water shortage and worsening drought - Increase in procurement and manufacturing costs due to increase in water supply and treatment costs - Decline in quality and supply stability due to delay in implementing a water risk response adapted to local conditions	- Stabilizing operations and strengthening the business foundation by centralizing management of processes from water withdrawal to discharge and reducing water usage - Enhancing water quality and supply stability through more advanced water resource management - Realizing sustainable and stable business operation through stakeholder collaboration adapted to local conditions	Fostering stakeholder collaboration adapted to local conditions by promoting centralized management of processes from water withdrawal to discharge and reduced water usage	2028 target - Planning water use strategies at business sites in water-stressed areas - Development of water management programs at all sites 10% reduction in water usage compared to 2023
Biodiversity	- Supply instability and procurement cost inflation due to decline in raw material yield and quality caused by loss of biodiversity - Reputational decline and loss of sales opportunities due to use of non-sustainable raw materials and packaging materials	- Establishing a sustainable raw material procurement system and reducing supply risk by promoting biodiversity conservation and restoration - Improving market competitiveness and gaining increased support from customers and society by promoting procurement practices and products that respect natural capital	Stabilizing the supply chain and reducing supply risk through sustainable procurement based on natural capital assessment	2028 target - Uses 100% RSPO certified palm oil 100% use of sustainable paper

Sustainability management structure

Promotion system

The Otsuka Group Sustainability Promotion Committee is chaired by the Board Member Responsible for Sustainability Oversight (Executive Deputy President and Representative Director of Otsuka Holdings). With the Sustainability Promotion Department of Otsuka Holdings as its secretariat, the committee is comprised of personnel from each of the operating companies, including department heads and persons in charge from corporate planning, research, production, environment, human resources, compliance, public relations, investor relations, general affairs, and other related departments. It strives to improve effectiveness by discussing and deciding on the sustainability management strategy, reporting on activity progress, and evaluating activity progress reports and internal and external assessments.

Sustainability management structure



Otsuka Group Sustainability Promotion Committee

The annual meeting is attended by the Otsuka Group Sustainability Promotion Leader and the other committee members, who discuss progress and results reports on sustainability activity across the Otsuka group and future policy direction and plans.

The annual meeting of December 2025 was attended by around 140 Otsuka group personnel, among them directors and persons in charge of areas including corporate planning, research, production, environment, human resources, compliance, public relations, investor relations, and general affairs.

At the meeting, whose theme was “Human and Environmental Well-Being,” participants reported on the initiatives and plans of each group company in the areas of environment, human rights, and employee engagement. Additionally, an institutional investor gave a lecture on the importance of a sustainability strategy that contributes to enhancing corporate value in the context of the future expectations placed on the Otsuka group. The lecture helped to raise awareness and deepen understanding of sustainability across the group and provoked an active discussion on the future direction and specific measures with reference to each company's initiatives.

The result was a broad consensus on which measures to focus on going forward and greater clarity regarding the points to be addressed in the next fiscal year. The Otsuka group will unite in initiatives to advance further with sustainability activity.



Sustainability Promotion Committee

Sustainability Promotion Committee Topics covered at previous annual meetings

2023

Theme/content
- Progress report on sustainable procurement activity - Report on current status and trends in sustainability disclosure standards - Reidentifying materiality in coordination with the 4th Medium-Term Management Plan
Main initiatives and advances
- Establishment of a procurement information management platform and restructuring of the sustainable procurement system - Setting of a reporting method for sustainability disclosure standards - Public comment on and finalization of materiality (→ P. 64 Materiality)

2024

Theme/content
- Sharing of the status of action on respect for human rights throughout the supply chain, discussion of issues - Lecture by an external speaker on human rights-related corporate risk
Main initiatives and advances
Launch of Otsuka Group Human Rights Task Force to strengthen human rights due diligence in business activity (→ P. 68 Otsuka group's materiality-related committees and task forces)

Otsuka group's materiality-related committees and task forces

Guided by the spirit of Quality First, the Otsuka group promotes sustainability management as part of its aim to contribute to the health and Well-being of people around the world.

To realize that aim, the group has established group-wide committees and task forces to promote initiatives throughout the value chain on important themes including the environment, human rights, the supply chain, customer responsibility, and employee engagement.

Name	Details	Scope of activities within value chain		
		Upstream ¹	Own operation (Within Otsuka group)	Downstream ²
 Overall				
Otsuka Group Sustainability Promotion Committee	The committee strives to improve effectiveness by discussing and deciding on the sustainability management strategy and assessing activity progress reports and internal and external evaluations. The progress of activities is shared at committee meetings to promote the Otsuka group's sustainability management. (➡ P. 67 Sustainability management structure)			
Otsuka Group Customer Responsibility Liaison Meeting	Meetings are attended by representatives from companies in the Pharmaceutical, Nutraceutical, and Consumer Products Businesses, the daily necessities and customer-facing positions in the e-commerce categories, and other relevant departments. The various companies report on their customer responsibility activities and initiatives for greater consumer orientation, thus fostering a consumer-oriented corporate culture. (➡ P. 82 Quality)			
 Empowering our people to realize our corporate philosophy				
Employee Engagement Task Force	While respecting the distinctive character of each operating company, the task force aims to strengthen the group-wide system for promoting organizational analysis and reform. Among its specific activities are optimizing methods of analyzing engagement survey results and devising strategies for making use of the results. On that basis, it supports the setting of strategies and targets for the group as a whole and for each group company and works to enhance activities by sharing examples of good practice and areas requiring improvement. (➡ P. 75 Initiatives for employee engagement)			
Otsuka Group Human Rights Task Force	As a group-wide organization aimed at improving the effectiveness of action on respect for human rights, it works to strengthen human rights due diligence, which is an approach to identify, assess, prevent, and mitigate human rights risk related to business activity. By combining this with the creation of a human rights redress mechanism and education and research activity, the task force works to ensure that respect for human rights is embedded in our business activity. (➡ P. 76 Respect for human rights)			
 Create more sustainable future with business partners				
Sustainable Procurement Project	This project operates with two working groups: a stable procurement group aiming to build a solid system for stable procurement to deliver high-quality products; and a responsible procurement group aiming for ethical and sustainable procurement activity. The status of each team's activity and progress is regularly reported and shared at Steering Committee meetings. (➡ P. 77 Create more sustainable future with business partners)			
 Promote positive impact on global environment				
Otsuka Holdings Environmental Committee	The committee is responsible for discussing and deciding on the Otsuka group's overall environmental strategy and approving environmental goals and activity plans. (➡ P. 84 Environmental management)			
Otsuka Group Environmental Practices Committee	By proposing environmental goals and activity plans, assessing environmental risks and opportunities, and monitoring and reporting on progress, the committee works to promote and improve environmental activity group-wide. (➡ P. 84 Environmental management)			

1. Procurement

2. Delivery of value through products and services



Empowering our people to realize our corporate philosophy | Building our people's capabilities to drive innovation

Otsuka group's human capital

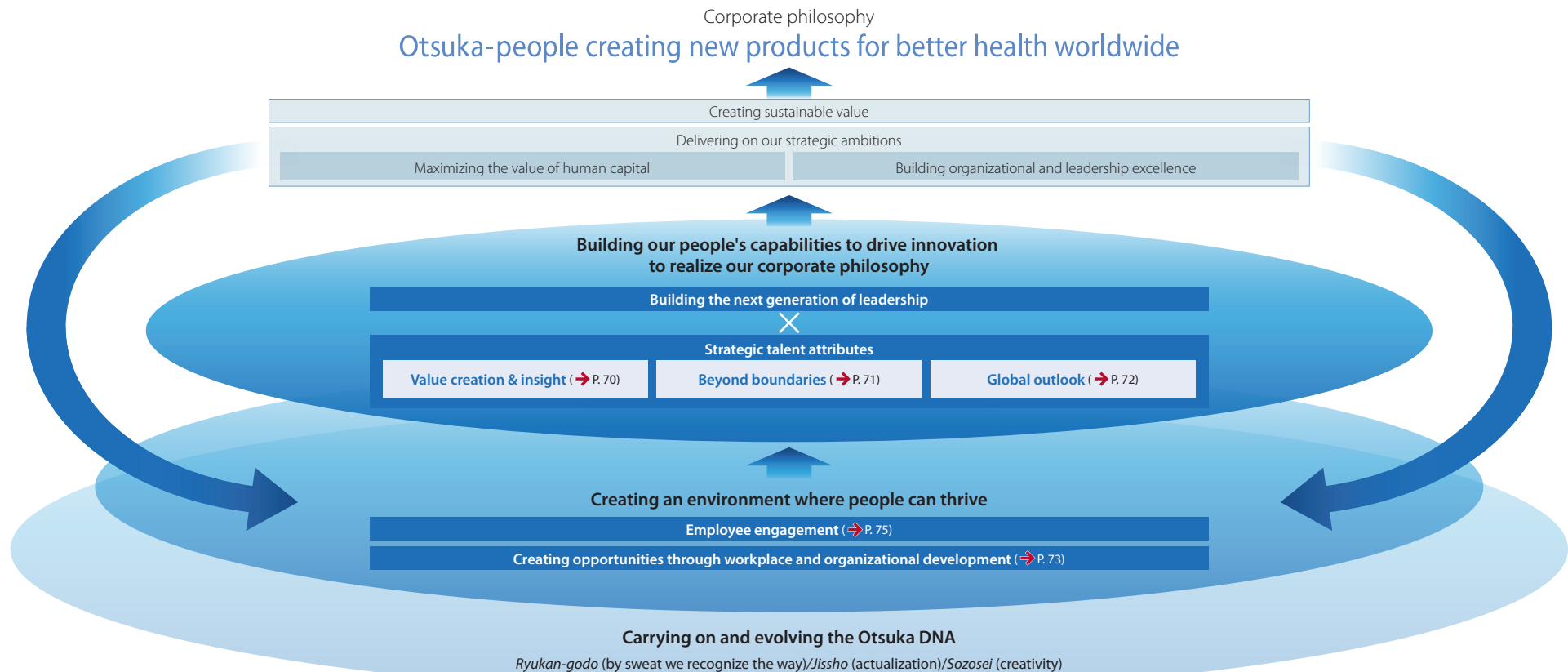
Guided by its corporate philosophy, "Otsuka-people creating new products for better health worldwide," the Otsuka group strives to create a future of Well-being as a total healthcare company. To realize this vision, we are committed to maximizing the value of our human capital—the driving force behind sustainable growth and value creation. Through these efforts, we seek to attract, develop, and empower people who embody the Otsuka DNA, rooted in the principles of *Ryukan-godo* (by sweat we recognize the way), *Jissho* (actualization), and *Sozosei* (creativity).

Connecting business strategy and people

Moving beyond conventional boundaries, the Otsuka group creates value across the continuum from disease prevention and health promotion to diagnosis and treatment. To support this mission, we regard three defining attributes as essential to sustainable growth: Value creation & insight, Beyond boundaries, and Global outlook. Guided by these attributes, we advance strategic talent development for roles critical to our business strategy, alongside succession planning and the development of next-generation leaders. We also promote cross-functional mobility and diverse

growth opportunities to strengthen talent management, strategic workforce planning, and career ownership.

To enhance organizational capabilities across the group, we are deepening collaboration between HR and business functions, expanding people analytics and strengthening KPI-based management. At the same time, we are reinforcing global HR collaboration and cross-company partnerships in talent management, development, workforce planning, and other key initiatives.



Strategic talent attributes ① Value creation & insight

• Talent profile

- Identifying the essence of challenges through scientific insight and creativity, unconstrained by conventional thinking, and transforming unique ideas into tangible value through iterative hypothesis testing and validation.
- Recognizing the potential of research themes and technologies from both scientific and business perspectives, grounded in drug discovery research, and contributing to the Otsuka group's distinctive strengths and originality.

• Talent development

The Otsuka group prioritizes attracting and developing talent capable of creating new value through scientific excellence and deep expertise, particularly in core innovation functions such as research and development.

In the field of drug discovery, we are strengthening our R&D capabilities by actively recruiting PhD scientists with specialized expertise in strategic scientific disciplines, as well as researchers from academia. Through cross-border talent exchanges and rotational assignments across our global R&D network, we provide opportunities to engage with diverse research cultures and cutting-edge technologies while fostering the broad perspectives and innovative thinking essential for breakthrough discoveries.

In clinical development, we place particular emphasis on cultivating talent who can adapt to a rapidly evolving environment and lead global development programs. Through language development initiatives and selected leadership programs, we seek to strengthen global communication capabilities, strategic thinking, and decision-making skills.

“ VOICES



Takeshi Watanabe

Executive Vice President & Operating Officer, Director (Department of Business Development)
Otsuka Pharmaceutical Co., Ltd.

One of the reasons why Otsuka has traditionally believed in empowering people to take ownership and pursue new challenges is the **conviction that the source of its growth is not in its management system but its people**. In my view, the fact that Otsuka has been able to retain the excitement of a big venture business while growing to become one of the world's top 20 players in the pharmaceutical industry is also a product of this unique growth strategy. Particularly in the Pharmaceutical Business, which has reliably navigated patent cliffs and numerous other difficult challenges, that reliability has come from its people and not from the superiority of its system. I believe that essential point will not change going forward.

To sustain and further strengthen this approach, it is essential that we **continue to cultivate talent capable of shaping strategy, making decisions, and driving execution through a deep understanding of the external environment and a global outlook**. As these individuals put rigorously developed hypotheses into action and learn from both success and failure, they acquire diverse perspectives and broaden their ways of understanding and framing the world. By accumulating and applying these insights across the organization, we believe Otsuka can continue to create the distinctive perspectives and unique value that define us.

Business development is a field that is heavily impacted by external factors in the form of the business partner's agenda. That makes it all the more crucial to invest enough time in advance to update ideas and plans in line with changing circumstances. I myself have experienced uncertainty and dilemmas in the past as I moved between different roles in research, regulatory affairs, and business development, but I have always been supported by Otsuka's culture of empowering people to take on new challenges. That opportunity to challenge myself has helped me become the person I am today. As one who was nurtured in that culture, I want to create an environment going forward that enables the next generation to take on challenges.



Takeshi Sagara

Executive Director, Board Member
Medical Affairs, Translational Development,
Clinical Development, Discovery and
Preclinical Research
Taiho Pharmaceutical Co., Ltd.

Generating truly breakthrough innovation requires the **ability to formulate hypotheses in situations where there are no predefined answers, and to take the first step toward testing them**. It also requires the ability to refine those hypotheses through ongoing dialogue with people who bring diverse perspectives. The more groundbreaking an idea is, the harder it can be to gain immediate support. This makes it essential to have the resilience to face opposition, overcome it, and continue validating hypotheses until others are ultimately convinced and inspired to join the effort. The Otsuka group has a **culture that values Jissho (actualization)**, which is a significant strength that drives innovation.

In the acquisitions and collaborative research agreements undertaken by Taiho Pharmaceutical in 2025, the decisive factor was the presence of leaders with a strong commitment to combining each party's strengths and driving innovation that could lead to breakthrough medicines. To continue to be chosen as a trusted partner for jointly taking risks and validating bold hypotheses, we must develop leaders who combine passion with integrity. We place the highest priority on investing time and resources in this kind of talent development.

The Otsuka group consists of a diverse portfolio of companies with unique technologies and business models, creating a constant influx of new talent and fresh perspectives. This diversity is a major strength that enables us to generate innovation sustainably. At the same time, I believe it is important to foster and maintain a **healthy level of constructive tension, as each operating company aspires to be the best in the world while learning from and challenging one another across the group**.

Strategic talent attributes ② Beyond boundaries

• Talent profile

- Creating new value by building and leveraging networks across organizational, cultural, and geographic boundaries through a global outlook and flexible thinking.
- Driving sustainable innovation and social value creation in healthcare through leadership, collaboration, and continuous learning with diverse stakeholders.

• Talent development

To further strengthen competitiveness in the global business environment, the Otsuka group is focused on developing talent who can demonstrate leadership and teamwork in different cultural environments and talent who embrace DE&I, embody our corporate philosophy, and pursue self-directed growth. With that in mind, we provide opportunities to learn the multifaceted aspects of global business management, including training led by management executives and placement on customized programs developed with overseas business schools. At the same time, we are drawing on the strengths of the Otsuka group, with its diverse business portfolio across different industries, organizations, and regions, to develop talent capable of creating new value beyond conventional thinking. This means providing the opportunity to take on challenges and assignments that transcend the limits of a particular business field or organization, and to gain practical experience through collaboration with diverse stakeholders.

Programs to cultivate Beyond boundaries offered by Otsuka Holdings and Otsuka Pharmaceutical

Program	Content/Purpose
Integrated Leadership Program	Strengthen the ability to see the big picture, and develop global management talent to drive company-wide strategy and transformation based on culture and philosophy
Global Leadership Program	Internalize the corporate philosophy and strengthen leadership within a global team
Otsuka Leadership HUB	Develop leaders to drive organizational transformation by imparting skills in business decision-making, strategy formulation, and organizational management, thereby cultivating leaders who serve as hubs for collaboration across boundaries
Pharmaceutical Business Division Global Talent Discovery Project	Develop global minded talent through an open application process, with no barriers of current professional affiliation, experience, age, or other attribute, to identify individuals with the potential to take on a role in the global pharmaceutical business and provide them with experience through on-the-job training (OJT) and overseas posting
Nutraceutical Business Division Global OJT Program	Develop global leaders in the Nutraceutical Business Division by selecting high-potential employees who meet certain criteria and providing them with OJT before assigning them to positions in the U.S.



Hiroaki Ono

Senior Executive Managing Director and Board Member (Pharmaceutical Business Group)
Otsuka Pharmaceutical Co., Ltd.

Since 2023, corporate officers and department heads across the Pharmaceutical Business Group have engaged in ongoing discussions about what Otsuka must do to sustain growth beyond 2030. Through these discussions, we identified several critical priorities: strengthening drug discovery capabilities, building a global manufacturing and supply network, establishing a medium- to long-term vision for our sales organization in Japan, laying the foundation for a digital healthcare business, accelerating growth in Asia, and developing globally minded talent. We then launched a series of initiatives with clearly defined action plans and accountability for each priority.

Among these priorities, talent development emerged as a particularly important challenge. It became clear that **conventional approaches alone would not enable us to systematically and strategically cultivate the talent profile needed to support Otsuka's future competitiveness**. In response, we launched the **Talent Discovery Project**, designed to identify "diamonds in the rough" across the organization, regardless of department or job function, and develop talent capable of creating value and thriving in a global environment.

Rather than relying solely on classroom learning or formal training programs, the project emphasizes engagement with real business challenges. Participants are encouraged to take an active role in discussions and decision-making involving diverse stakeholders, gaining firsthand experience in navigating complex situations. Through these experiences, they strengthen their ability to think critically, exercise sound judgment, and develop the leadership capabilities needed to shape Otsuka's future.

Many of the situations that require us to go Beyond boundaries cannot be overcome by individuals alone; they require organizations to work together. For me, Beyond boundaries is fundamentally about the ability to unite people behind a common purpose. **In addition to determination, persistence, and the ability to earn the support of others, leaders must also be willing to step forward and take responsibility in challenging situations. That commitment builds trust, trust energizes organizations, and ultimately enables us to go Beyond boundaries.**



Chiaki Sakurai

Senior Executive Vice President & Operating Officer
Associate General Manager (Nutraceutical Business Group), Sales Headquarters, Cosmetics Department
Otsuka Pharmaceutical Co., Ltd.
Senior Executive Vice President and Operating Officer
Director, Nutraceutical Business, Global Strategy and Planning Headquarters
Otsuka Holdings Co., Ltd.

Every April, a new cohort of employees completes their training and embarks on their first assignment. As I listen to their aspirations and concerns, I am encouraged by the many employees who speak enthusiastically about their desire to build a global career. At the same time, however, **I have often questioned whether we are providing sufficient opportunities for them to pursue that ambition**. This led us to launch the **Global OJT Program within the Nutraceutical Business Group** in 2025.

The program is open to employees who have completed at least five years of service and meet certain eligibility requirements. Through a competitive selection process involving application reviews and interviews, selected participants gain firsthand experience in global business operations in the U.S.. As our business continues to expand, identifying and developing talent capable of succeeding globally and going Beyond boundaries is essential. At the same time, genuine commitment cannot be assessed through written applications alone. Living and working overseas requires determination and resilience, and this program also serves as an opportunity to discover and cultivate those qualities.

As healthcare and everyday life become increasingly interconnected, the Nutraceutical Business provides community-based solutions to a wide range of health challenges. To contribute to consumer Well-being beyond conventional boundaries and across traditional industry silos, we expect our people to develop the ability to see the bigger picture rather than focusing on isolated issues. For example, in our sales organization, we expect **marketers not only to sell products but also to communicate their value in a meaningful and compelling way**.

Looking ahead, I hope Otsuka will continue to create globally recognized and nationally cherished brands such as *POCARI SWEAT* and *ORONAMIN C DRINK*, while also bringing new pharmaceuticals and medical devices to people around the world. Most importantly, I hope every employee will continue to take pride in being part of Otsuka. My hope is that 100 years from now, Otsuka will still be that kind of company.

Strategic talent attributes ③ Global outlook

• Talent profile

- Understanding the realities of a global business environment shaped by diverse cultures, regulatory frameworks, and market dynamics, and creating and executing strategies on a global scale by connecting the strengths of regions and businesses across the group.
- Driving sustainable growth and value creation by fostering collaboration across differing values and corporate cultures, while harnessing the collective strengths of the group.

• Talent development

To navigate an increasingly uncertain and complex business environment, the Otsuka group is committed to developing leaders and globally minded talent who embody its corporate philosophy and embrace challenges and uncertainty. By strengthening talent capable of demonstrating leadership and collaboration across cultures while pursuing continuous personal growth, the Otsuka group enhances its collective competitiveness.

Within Otsuka Pharmaceutical, early-career employees aspiring to participate in global business are provided opportunities to deepen their understanding of business operations and decision-making in multicultural environments through dialogue with colleagues active on the global stage. These opportunities also encourage employees to proactively shape their own career paths.

In addition, employees preparing for international assignments are provided with pre-assignment learning programs designed to support successful adaptation to new cultural environments and maximize their effectiveness in global roles.

Global talent development programs offered by Otsuka Holdings and Otsuka Pharmaceutical

Program	Content/Purpose
Otsuka global e-learning platform	A shared learning platform for employees across the Otsuka group worldwide. In addition to business knowledge and skills development, it provides opportunities for employees to learn together through Otsuka-specific content, including messages from senior leaders across the group.
Career infusion	An open-enrollment program for employees aspiring to build careers in global business, offering opportunities to broaden their perspectives through interactions with colleagues working internationally and to learn about global business and cross-cultural collaboration.
Pre-assignment training for overseas roles	Online pre-assignment learning that supports adaptation to a new cultural environment and helps maximize effectiveness in overseas assignments.



Shobana Narayanan

Vice President, People and Business Services
Otsuka America Pharmaceutical, Inc.

For Otsuka's sustained medium- to long-term growth, the **continuous evolution of organizational capabilities, alongside business expansion, is a critical enabler of value creation**. As we broaden our business across multiple therapeutic areas, products, and regions—and deepen our presence in markets characterized by increasing regulatory complexity and rapid change—success depends not only on scientific excellence and speed. It also requires the ability to deeply understand local systems, cultures, and stakeholder landscapes, while **operating as one cohesive global organization capable of delivering consistent value**.

Equally important is our ability to build and mobilize teams that perform effectively in highly cross-functional and matrixed environments. These capabilities are underpinned by a strong global mindset. Collaboration, respect for diversity, and openness to different perspectives support the effective translation of global strategies into locally relevant actions, strengthening execution quality across regions.

In addition, the **ability to leverage advanced technologies such as AI to drive both business growth and productivity improvement** is becoming increasingly important. These capabilities enhance decision-making, accelerate learning and collaboration across businesses, and strengthen organizational resilience in addressing rising market complexity—factors that contribute to sustainable competitiveness over time.

As diverse businesses and value chains create value at different speeds, with differing cultural norms and decision-making approaches, Otsuka pursues an operating model based on freedom within a framework, enabling each business to fully leverage its distinctive strengths. We believe this approach supports not only the attraction and development of diverse talent, but also clearer communication of Otsuka's unique organizational capabilities and long-term value creation story to the investment community.

HR plays a pivotal role as a catalyst for business growth by aligning people strategy directly with business priorities and strengthening the capabilities required for sustainable value creation. This includes enabling talent from diverse corporate and cultural backgrounds to work in harmony and perform effectively. **By connecting technology and people, local and global perspectives, and diversity and cohesion, we aim to further evolve Otsuka's value creation as a trusted and resilient global organization**.



Nobuyuki Kato

Head of Corporate Management Department
Otsuka Holdings Co., Ltd.
Director, Human Resources Department
Otsuka Pharmaceutical Co., Ltd.

One of the defining features of the Otsuka group's global operations is its decentralized and autonomous governance model, which **respects the culture and business context of each company** rather than relying on a top-down approach. Through continuous dialogue, the Otsuka group seeks the optimal balance between standardization and local autonomy, aligning overall direction while turning diversity into a source of strength rather than suppressing it. This flexible yet consistent approach is one of Otsuka's distinctive strengths.

This philosophy of decentralized autonomy is also reflected in the HR function. Through the HR Partnership, HR leaders from across the Otsuka Pharmaceutical group engage in ongoing discussions and year-round work streams focused on talent development, succession planning, workforce planning, and other strategic priorities. While diversity of perspectives can sometimes slow progress, such moments are a natural part of decentralized governance. In many cases, changing business environments create new momentum and discussions evolve once again. Over time, this accumulation of dialogue has helped build a stronger and more resilient organizational foundation.

Within the flexible framework that enables each group affiliate to maximize its growth potential, the Otsuka group has cultivated the strategic talent attributes of **Value creation & insight, Beyond boundaries, and Global outlook**. These attributes represent a **critical component of Otsuka's human capital and underpin the group's sustainable growth and long-term value creation**.

As the Otsuka group continues to expand, creating an environment in which people from diverse backgrounds can fully leverage their strengths becomes an increasingly important foundation for future value creation. By further expanding opportunities for learning and collaboration across the group's diverse businesses, Otsuka will continue to strengthen its collective capabilities, sustain its growth as a global enterprise, and create value for the world.

Empowering our people to realize our corporate philosophy | Creating an environment where people can thrive

Creating opportunities through workplace and organizational development

• Talent development and reskilling

Leveraging its diverse business portfolio, the Otsuka group supports each employee in reaching their full potential through unique talent development programs and continuous learning opportunities. Through cross-functional talent rotations, international assignments, and strategic collaboration among HR functions, the group has established a framework that enables diverse and multidimensional career development across businesses and regions. These opportunities allow employees to broaden their perspectives, gain diverse experiences, and contribute to the creation of new value.

2025 training totals (30 companies)	Participants: Total of 112,549
	Training costs: Approx. ¥1.3 billion

In response to changes in the business environment, the Otsuka group recognizes digitalization as a key management priority

“ VOICES



Makoto Sano
Director
Otsuka Digital Academy
Group IT Department
Otsuka Holdings Co., Ltd.

The Otsuka Digital Academy is a group-wide digital learning platform designed to develop leaders who will play a central role in advancing digital transformation, while elevating the digital literacy of all employees. Through training programs available to all employees, the Academy promotes digital literacy across the group and facilitates the accumulation and sharing of successful practices.

In addition, by establishing a cycle through which successful initiatives can be shared and scaled across the diverse businesses and functions that support Otsuka's total healthcare approach, the Academy seeks to foster further innovation as a total healthcare company.

for transforming the way we work, enhancing value creation, and strengthening competitiveness. As part of this effort, the Otsuka Digital Academy was launched in July 2025 as a group-wide digital learning platform. Through the Academy, the group is systematically advancing both the development of leaders who will drive digital transformation and the digital literacy of all employees.

• Support for career ownership

To promote talent mobility across group companies, employees in Japan are provided with access to an internal job posting system that openly shares position and role requirements across the group, enabling qualified candidates to apply for opportunities and facilitating the placement of the most suitable talent.

The group also operates an annual career self-reporting program through which employees can share information on their current job responsibilities, workplace feedback and suggestions, and career aspirations with the HR function. The program supports continued employee development, appropriate talent placement, and workplace improvement initiatives.

As of 2024, Otsuka Holdings has been selected as a constituent of the iSTOXX MUTB Japan Platinum Career 150 Index, which comprises Japanese companies that actively and continuously promote "Platinum Careers." The concept of a Platinum Career refers to continuously building and refining skills through self-directed learning and diverse experiences regardless of age, and Otsuka Holdings' ongoing efforts in this area have been recognized through its inclusion in the index.

External evaluation
https://www.otsuka.com/en/sustainability/hd_activity/evaluation.html

**STOXX
INDICES**

Member 2025/2026
**Platinum Career
Index**

Selected in 2024 as a constituent of
the iSTOXX MUTB Japan Platinum
Career 150 Index

Examples of activities promoting DE&I

Work style support	- Flexible work patterns to suit the individual circumstances of employees who have childcare or eldercare responsibilities, are undergoing medical treatment, etc., including working from home and the Work Interval System - Provision of workplace daycare centers (Tokushima, Osaka, Tsukuba) to support employees combining work with childcare - Measures to promote the acceptance of diverse work styles by altering perceptions (<i>Ikuboss</i> (supportive boss) Declaration, <i>Ikuboss</i> seminars, etc.)
LGBTQ+	- Education and awareness activities for managers and other staff to foster an inclusive workplace culture - In-house education and awareness activities and consultation systems to address concerns and lower barriers - Activities of employee resource group OtsukaHOPE (Honest, Open, Pride for Everyone)
Recruitment of people with disabilities	- Sensitive consideration of work environment and work content and creation of a workplace environment that supports continuing participation - Establishment of special subsidiary Heartful Kawauchi Co., Ltd.
Creating a workplace where employees can receive treatment while continuing to work	- System to support continued employment while receiving medical treatment, established in collaboration between the Human Resources Department and medical professionals - Provision through portal sites and other media of information on medical treatment, support systems, and consulting services

• Promoting DE&I

The Otsuka group positions DE&I as a key strategic element of its human capital initiatives. We believe that when people with diverse backgrounds, experiences, and perspectives actively exchange ideas and leverage one another's strengths, they generate new perspectives and create value beyond conventional boundaries. This serves as a driving force behind the group's sustainable growth.

Guided by this belief, the group is committed to fostering an environment in which diverse talent can thrive and contribute fully. We also strive to provide equitable opportunities for growth, enabling every employee to maximize their potential according to their unique strengths and experiences.

Leveraging the strengths of our diverse business portfolio, we encourage the integration of varied perspectives and experiences across the organization. Through this approach, we are building an organizational foundation capable of continuously creating value, even in a rapidly changing business environment.

• Promoting health and productivity management

The Otsuka group believes that it is essential for every employee to maintain both physical and mental Well-being and to work in a healthy and engaged manner. Based on this belief, the group promotes initiatives to support employee health and Well-being through the Otsuka Holdings Health Declaration, as well as health declarations established by individual group companies.

The Otsuka Group Health Insurance Association collaborates with health and productivity management leaders across the group, together with occupational physicians and occupational health nurses, to advance health and Well-being initiatives on a cross-organizational basis. Progress and key challenges related to these initiatives are also overseen by the Board of Directors.

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• Occupational health and safety

The Otsuka group positions the ensuring of safety and health in all business activities as an important element of management and is engaged in initiatives, including education and training, to create safe and healthy workplaces. As required by law, we have established a Health and Safety Committee at each business site that meets regularly to discuss health and safety in the workplace environment and also takes regular action to identify sources of risk, conduct risk assessments, and share results with stakeholders.

Otsuka Chemical, which handles chemical substances, has put in place a system for sharing factory-related issues across the company, both in and outside Japan, as a way of raising safety activities to a more advanced level. Regular reporting to the Board of Directors also helps to strengthen governance. In 2012, Otsuka Chemical established Anzen Dojo, an experience-based safety training center that runs training

“ VOICES



Mao Shaoshu

Environmental Safety Department
Zhangjiagang Otsuka Chemical Co., Ltd.

In response to a request from the Otsuka Chemical group to upgrade safety activities and prevent recurrence of incidents, ZOC started work on its Anzen Dojo in 2024. The center is equipped with four different experience-based safety training installations based on lessons learned from past incidents (e.g. entanglement in a conveyor belt, compression in a rotary valve) and has an environmental health and safety engineer in attendance full-time. With external experts invited on occasion to provide guidance through lectures, the center aims to use immersive training to improve employee safety awareness in the workplace and strengthen the ability to respond in emergency situations.

programs aimed at improving safety awareness for group employees, employees of overseas affiliates, and also third parties. In March 2025, Otsuka Chemical also established an Anzen Dojo at its China-based subsidiary Zhangjiagang Otsuka Chemical Co., Ltd., (ZOC). Through classroom lectures and simulations of past accidents, the center reinforces lessons from previous failures and safety knowledge, sharpens awareness of danger, and develops the ability to identify potential risks.

• Fair employment and compensation

The Otsuka group conducts employment-related activities, such as recruitment, assignments, performance evaluations, promotions, and transfers, in line with the Otsuka Group Global Code of Business Ethics, which adheres to human rights and labor laws and regulations and is based on fair employment policies. We work to make it possible for employees to achieve their individual potential by building a fair, open, and equal workplace, without unfairly evaluating employees based on their race, skin color, country of origin, sex, sexual orientation, gender identity, religion, nationality, age, marital status, whether they are pregnant or not, or whether they have a disability. In addition, we conduct self-evaluations and HR interviews and operate a whistleblower system to eliminate coercive and forced work and prevent child labor by confirming the age of applicants when recruiting.

As for remuneration, we pay at least the legally required minimum wage for each country and region. We also work to manage wages appropriately so that fair wages are paid for similar roles in each region and to ensure equal pay for equal work.

• Gender pay gap

For recruiting, evaluations, promotions, assignments, allowance requirements, and similar issues, we offer remuneration based on individual roles and skills, results, evaluations, and growth regardless of sex, nationality, age, or other attribute. As a group, we are committed to comprehensively promoting DE&I and continual human resources development.

Gender pay gap (FY2025)

• Average for 30 Otsuka group companies

All workers	Regular employees	Non-regular employees
80.6%	84.1%	58.1%

• Evaluation and feedback process

Across the group, employees set individual goals aligned with organizational objectives and participate in semiannual evaluation and feedback discussions with their managers. Through these regular conversations, the group promotes planned talent development and supports employees' continued growth.

In addition, the group regards strengthening management capabilities as a key priority. Through management training programs, managers are encouraged to deepen their understanding of their role as evaluators and people leaders, while enhancing the behaviors and capabilities required for effective talent development.

Furthermore, through the implementation of a talent management system, the group is advancing data-driven talent development and organizational capability building based on information such as goals, performance evaluations, and learning records.

FY2025 training overview (Otsuka Holdings / Otsuka Pharmaceutical)

Training title	Eligibility	Key learning objectives
Otsuka-people training	All employees	• Develop a fundamental understanding of talent management, centered on goal setting, one-on-one conversations, and effective communication • Promote self-awareness and understanding of others through dialogue, while encouraging proactive action
Otsuka-people management training	People managers	• Strengthen understanding of the roles and responsibilities expected of managers and support effective practices in goal setting, performance evaluation, and talent development • Enhance employees' growth and engagement through meaningful one-on-one conversations and feedback • Leverage talent data and performance insights to strengthen organizational capability and management effectiveness

Empowering our people to realize our corporate philosophy | Creating an environment where people can thrive

Initiatives for employee engagement

- **Importance of employee engagement in human capital management**

The Otsuka group positions employee engagement as an important indicator in human capital value enhancement.

- **Establishing a group-wide framework for advancing employee engagement**

To strengthen employee engagement, Otsuka established a cross-company group-wide task force in 2024. The task force promotes a common approach to engagement measurement and organizational diagnostics, enabling continuous improvement across group companies.

VOICES



Motoki Nishiwaki

Assistant Manager,
Human Resources Development
Section, Human Resources
Department
Otsuka Pharmaceutical Factory, Inc.

Since the launch of the task force, communication among members across group companies in Japan has increased significantly, creating growing opportunities to generate synergies across the group. Through the activities of the task force, we have gained valuable insights and opportunities to share and apply best practices that individual companies might otherwise find difficult to obtain on their own.

In addition, our shared goal of enhancing employee engagement has led to increased dialogue not only among group companies in Japan, but also with colleagues at overseas group companies and professionals from organizations outside the group. By continuing to advance the activities of this task force, I hope to contribute to strengthening employee engagement across the entire group, both in Japan and globally.

- **Building a common employee engagement framework across the group**

To leverage employee engagement more effectively across the group, the Otsuka group is progressively harmonizing its survey platform and survey design. In 2025, a common engagement survey framework was introduced at Otsuka Holdings, Otsuka Pharmaceutical, Otsuka Medical Devices, and Otsuka Foods. Beginning in 2026, participation has been expanded to Taiho Pharmaceutical, Otsuka Chemical, Otsuka Pharmaceutical Factory, and Otsuka Warehouse.

The survey incorporates key KPIs, including employee engagement, Well-being, inclusion, intention to remain with the Company, and overall employee experience, together with proprietary questions relating to corporate philosophy, organizational culture, attitudes toward challenge, and understanding of the Medium-Term Management Plan.

The framework enables our group to identify strengths and improvement opportunities across companies and translate insights into actions.

Survey results are reported to the Board of Directors and shared with operating officers and business leaders to support the identification of organizational issues and the development and execution of action plans. Department-level dashboards are also used to promote data-driven organizational development and talent development across the group.

- **FY2025 engagement survey results and key initiatives (Otsuka Holdings / Otsuka Pharmaceutical)**

The FY2025 survey results highlighted strong trust in Otsuka products, services, and leadership, while indicating opportunities to improve communication regarding management priorities, transformation initiatives, and links between the Medium-Term Management Plan and employees' day-to-day work.

In response, Otsuka Holdings and Otsuka Pharmaceutical are implementing target action plans, expanding leadership dialogue opportunities, and strengthening internal communication.

Spotlight

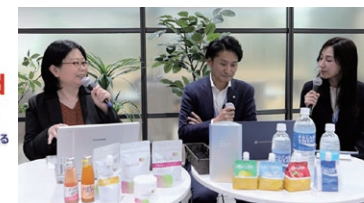
BeyOndVoice: Driving organizational transformation through dialogue and action

BeyOndVoice is a company-wide communication initiative jointly led by Otsuka Holdings and Otsuka Pharmaceutical. Built around insights from the employee engagement survey, it connects senior leadership, managers, and employees to promote positive organizational transformation through ongoing dialogue and action.

The initiative aims to ensure that employee engagement is not treated as a one-time program, but rather as an ongoing process supported through daily management practices and continuous workplace dialogue. Through "Senior Leadership LIVE," where members of the Board of Directors and corporate officers engage directly with managers, senior leadership shares its perspectives and priorities while creating opportunities to hear employees' voices firsthand.

In addition, company-wide lunchtime seminars, live streamed from operational sites, showcase practical initiatives and success stories from different departments. These sessions promote the sharing of insights and learning across the organization, helping to inspire behavioral change at the local workplace level.

Positioning the employee engagement survey as a catalyst for transformation, BeyOndVoice seeks to foster an environment in which employees can experience the organization's genuine commitment to engagement while establishing sustainable mechanisms for translating employee feedback into concrete actions.



Lunchtime seminar for all employees BeyOndVoice 2026 vol.2

Follow-up questionnaire survey of seminar participants

Q. Do you feel there will be positive change based on the results of the engagement survey?



Positive response rate
77%
(Total number of responses: 1,807)

Respect for human rights

Core principles

The Otsuka group has formulated the Otsuka Group Human Rights Policy and is working to promote respect for human rights across the supply chain, based on the Otsuka Group Global Code of Business Ethics. The group is further strengthening our human rights initiatives while also complying with international frameworks. For example, the group joined the United Nations Global Compact in 2016 and signed the Women's Empowerment Principles (WEPs) in 2017.

PDF Otsuka Group Human Rights Policy
<https://www.otsuka.com/en/sustainability/society/people/pdf/human-rights.pdf>

For more details on the group's human rights initiatives, visit:
https://www.otsuka.com/en/sustainability/society/human_rights.html

Promotion system

The Otsuka group regards respect for human rights as a prerequisite for all of its business activities. The group has set up the Otsuka Holdings Human Rights Task Force (TF) supervised by the Otsuka Holdings Director and Board Members, and established Human Rights Teams in the main operating companies.* The TF comprises members from Otsuka Holdings' Corporate Management Department (in charge of administration and human resources), Internal Control Department, and Sustainability Promotion Department. The TF enhances human rights capabilities across the group by developing personnel to promote human rights through joint training and other initiatives and helping operating companies

address human rights issues through the Human Rights Teams. Significant risks are reported to Human Rights Promotion Leaders and the Otsuka Holdings Board of Directors as part of its governance structure that links to management decision-making. The TF also implements programs on respect for human rights throughout the supply chain to promote group-wide human rights due diligence (DD) and to raise awareness of human rights through training and company newsletters aimed at top management and all employees in Japan and overseas.

* Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Warehouse, Otsuka Chemical, Otsuka Foods, and Otsuka Medical Devices

Human rights DD initiatives

To fulfill its responsibility regarding respect for human rights, the group identifies negative impacts on human rights in its business operations, and the TF continually conducts human rights DD to prevent and mitigate any impact, as outlined in the United Nations Guiding Principles on Business and Human Rights.

In 2025, the TF conducted assessments* with Otsuka Holdings employees. The results did not identify any major human rights risks, but did suggest potential risks regarding harassment and working hours. Having reported the results to top management, the TF is now working to strengthen our human rights education and training. Otsuka Warehouse also conducted assessments in 2025. In response to these findings, it established a Human Rights Promotion Department reporting directly to the President to address long working hours and harassment, while also conducting mindset training for executives and

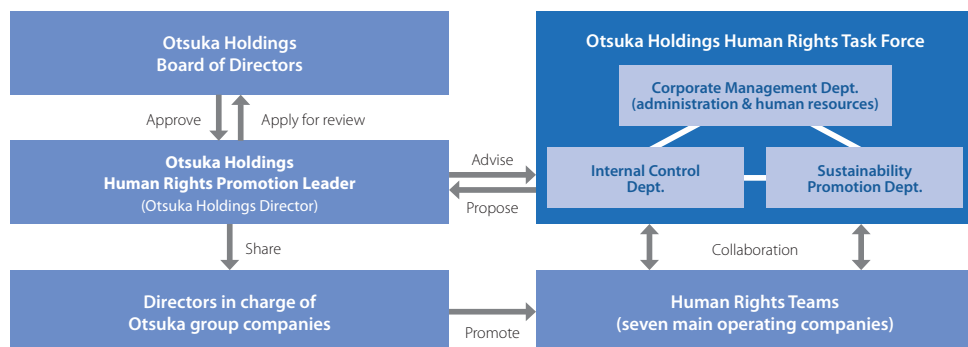
managers and introducing an online reporting channel. Otsuka Pharmaceutical plans to roll out the assessments, starting with headquarter functions and other departments, from 2026. For human rights DD risks identified or suggested by the assessments, it will implement practical measures and continually review outcomes through regular briefings and other methods.

* An assessment designed to visualize organizational culture and behavioral characteristics by quantitatively identifying the level of corporate human rights risk based on human rights risk classifications under Ministry of Justice guidelines, while also measuring psychological safety and unconscious bias as contributing factors behind such risks.

Establishment of human rights redress mechanisms

The Otsuka group places importance on dialogue with all stakeholders on the negative impacts of business and human rights, and addresses issues in good faith while also drawing on the knowledge of independent external experts. The group has established the Otsuka Group Speak-Up Policy and is working to improve the transparency and effectiveness of its systems. The group has established an internal reporting channel based on the internal whistleblowing system, which accepts reports from all employees, including contract and part-time employees. It has also established contact points outside the Company to receive feedback from business partners, medical professionals, patients, and local communities. Updates on the operational status of each contact point are regularly presented to the Board of Directors, and the group is striving to build a sustainable business foundation by developing relationships of trust with stakeholders.

Human rights promotion framework



Overview of human rights DD





Create more sustainable future with business partners | Procurement

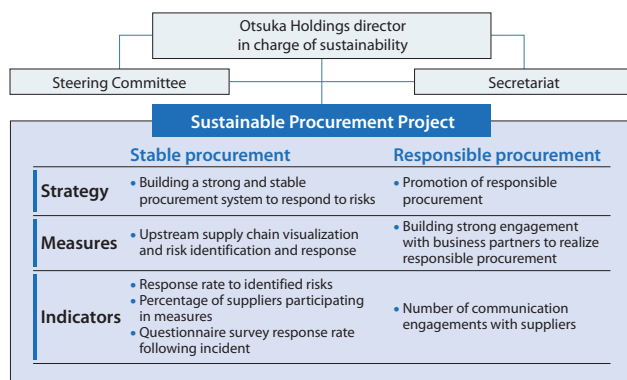
Core principles

The Otsuka group places importance on building relationships of trust with a wide range of stakeholders throughout the value chain. To respond to risks in the supply chain associated with change in the business environment, as well as working to ensure stable procurement and supply, the group also promotes responsible procurement, which focuses on environmental preservation and respect for human rights. By continuing these efforts, the group aims to strengthen resilience throughout the supply chain.

To ensure the effectiveness of these initiatives, efforts within the Otsuka group must be complemented by collaboration with suppliers and other business partners. The Otsuka group responds appropriately to the self-assessments carried out by business partners and works through dialogue and engagement to identify issues and achieve continuous improvement.

To share high ethical standards with all business partners and promote responsible business conduct, the group has established the Otsuka Group Business Partner Code of Ethics. For procurement activities, it has also established the Otsuka Group Procurement Policy as an internal guiding principle and the Otsuka Group Sustainable Procurement Guidelines for suppliers, and it works to promote awareness and implementation of these standards. These efforts are aimed at enhancing sustainability in a way that reaches beyond the group itself into the whole of the supply chain.

Sustainable procurement strategy and initiatives



Sustainable procurement strategy and initiatives

In FY2022, the Otsuka group launched the Sustainable Procurement Project* with the aim of raising to a more advanced level its existing initiatives to respond to risk in raw material procurement and ensure stable product supply. The project is built around two principles: stable procurement and responsible procurement. The former focuses on building a robust procurement framework to ensure the supply of high-quality products, while the latter promotes ethical and sustainable procurement practices. The respective working groups report on their progress toward targets and on key challenges on a quarterly basis.

* Participants include directors and personnel in charge of procurement, production, IT, and compliance at Otsuka Holdings, Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Warehouse, Otsuka Chemical, Otsuka Foods, Otsuka Medical Devices, EN Otsuka Pharmaceutical, Otsuka Techno, Okayama Taiho Pharmaceutical, Otsuka Packaging Industries, and JIMRO.

• Stable procurement initiatives and progress in FY2025

In FY2024, the group began operation of a platform for centralized management of procurement information, which had previously been handled independently by each group company. To prepare for the system's launch, it held briefing sessions for direct materials suppliers in Japan and put in place a system for coordinating information. With 80% of eligible suppliers cooperating and participating in the platform in FY2025, progress was made with obtaining consent to the registration of information and with registration of business site information. The platform was used in an actual incident situation to

conduct a Supplier Status Confirmation Survey, designed to check response following a disaster. The resulting response rate was 100%, illustrating the improved efficiency of information gathering compared to the previous system of individual confirmation.

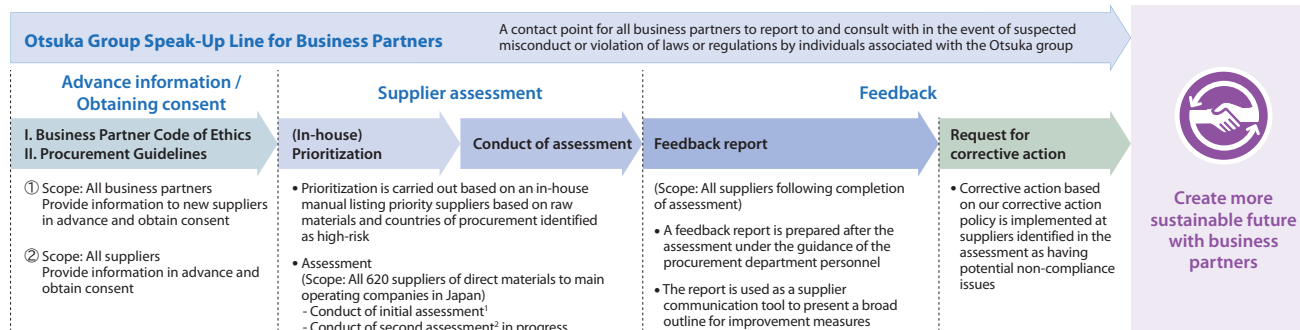
The group will roll out this initiative to suppliers of its overseas sites, enabling faster assessment of disaster-related impacts on the supply chain and more effective initial response measures.

• Responsible procurement initiatives and progress in FY2025

The Otsuka group promotes sustainable procurement activity through engagement with each supplier. By communicating information based on its Sustainable Procurement Guidelines, carrying out assessment, and engaging in dialogue, the group identifies issues and drives improvement. By the end of FY2023, it had completed initial assessment of the approximately 620 Japan-based suppliers of its main operating companies in Japan and confirmed that no significant risk was present. As part of subsequent continuous monitoring, a second assessment of the same group of suppliers began in FY2025 and was carried out in 389 companies within the fiscal year. As a result, seven companies identified as having potential non-compliance issues underwent interviews in accordance with our corrective action policy, and no significant issues were identified.

The group expects to complete the reassessment process at around 170 companies in FY2026 and around 60 in FY2027. The group will continue in the future with efforts to improve risk management and sustainability throughout the supply chain.

How Otsuka promotes responsible procurement through supplier monitoring

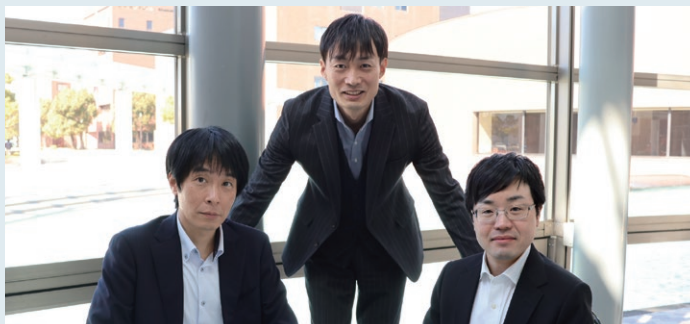


1. Up to 2023: Based on CSR/Sustainable Procurement Self-assessment Questionnaire prepared by Global Compact Network Japan (GCNJ)
 2. From 2025: Based on self-assessment questionnaire prepared by EcoVadis/Otsuka group

Focus | Building a sustainable supply chain: Initiatives of the working group on responsible procurement

The working group on responsible procurement (see P. 77) was established in 2022 to help build a sustainable supply chain by addressing issues in areas such as human rights and labor, the environment, and anti-corruption.

The working group currently brings together procurement professionals from 11 operating companies in Japan within the Otsuka group and is focused on strengthening the systems and processes needed to advance responsible procurement across the group. In this roundtable discussion, three members who have played a leading role in driving the working group's activities look back on its recent achievements and share their perspectives on its significance and future direction.



(Left)

Shingo Takida

Leader, Working Group on Responsible Procurement, Raw Materials Section, Purchasing Department, Otsuka Pharmaceutical Factory, Inc.

(Center)

Naoyuki Miyashita

Co-leader Working Group on Responsible Procurement, Purchasing Department, Otsuka Pharmaceutical Co., Ltd.

(Right)

Takato Aihara

Co-leader Working Group on Responsible Procurement, Quality Administration Department, Sustainability, Otsuka Packaging Industries Co., Ltd.

—Could you elaborate on the initiatives you are leading?

Takida We work to strengthen systems promoting responsible procurement activity across the Otsuka group by establishing shared procurement standards and a shared format for supplier assessment, and providing related training. We are also facilitating the sharing of knowledge and expertise across the full assessment process, including pre-assessment briefings, post-assessment feedback reports, and requests for corrective actions.

Miyashita Within the working group, we actively exchange best practices and practical know-how from across the group, allowing members to gain perspectives that may not emerge within their own companies. When there is uncertainty about how to proceed with an initiative, insights from other companies often provide useful guidance and help move discussions forward. The significance of the working group lies in its ability to bring together the firsthand experience and expertise of practitioners from each company, creating shared understanding and accelerating responsible procurement initiatives across the group.

Aihara In our day-to-day work, we tend to focus on the challenges facing our own companies. The working group, however, gives us an opportunity to come together, exchange ideas, and work toward common goals beyond the boundaries of individual operating companies. I believe this helps foster a stronger sense of unity across the Otsuka group, and the insights we gain through these discussions are also reflected in stronger relationships with our suppliers.

Takida The supplier assessment we mentioned just now operates on a shared basis across the Otsuka group. If each company had separate standards, it would cause duplication and confusion, for example when requesting assessments from a common supplier. So we worked out a joint set of questions and a joint assessment process, which has not only allowed us to identify issues at an early stage but also increased operational efficiency. As well as the assessment, we carry out continuous and consistent messaging as a way of promoting responsible procurement activity in partnership with our many suppliers.

—Have you had any specific comments from suppliers?

Takida After receiving their response to the assessment request, we present each supplier with a feedback report, which is a kind of ongoing support tool that contains not only the result of our evaluation but also recommendations for improvement. Suppliers have commented that our objective evaluation helped them to clarify their issues and revise their approach. I think that having a unified assessment standard across the Otsuka group results in a high level of transparency and reduces the burden on the supplier.

Miyashita Through our dialogue with a wide range of suppliers, we often find that while they understand the importance of addressing human rights and environmental issues, they are not always sure how best to get started. This is why we place particular emphasis on thoughtful and ongoing communication. Assessments also provide valuable insights for

us, and I have seen firsthand how deeper relationships with suppliers can foster a positive cycle of continuous improvement.

Aihara Our initiatives can only succeed with the cooperation of our suppliers. That is why we place great importance on clearly communicating shared standards and expectations, while fostering a common understanding of responsible procurement. I believe that these ongoing efforts will contribute to strengthening sustainability across the entire supply chain.

—What is the future outlook in terms of strengthening sustainable procurement?

Miyashita The procurement department where I work is not the only point of contact with the supplier. We also have contact through manufacturing, research, quality control, logistics and many other departments, so I feel we need to put in place a framework that embraces all operations.

Aihara Another point is that our assessment currently covers mainly suppliers of direct materials such as raw materials and packaging materials, so I am aware of the need to expand it to indirect material suppliers. Going forward, I would also like to increase the involvement of external evaluators in the assessment. That will create a system that can fill any gaps by pointing out risks that are hard to identify from an internal perspective. I would like to see the system operating in such a way that the process of building relationships with each supplier acts in itself to increase value for both sides.

Takida Introducing more advanced assessment methods and raising the quality of the feedback report are major tasks for the working group going forward. By focusing on these two points, I would like to enhance the resilience of the Otsuka group supply chain as a whole.



Stakeholder engagement

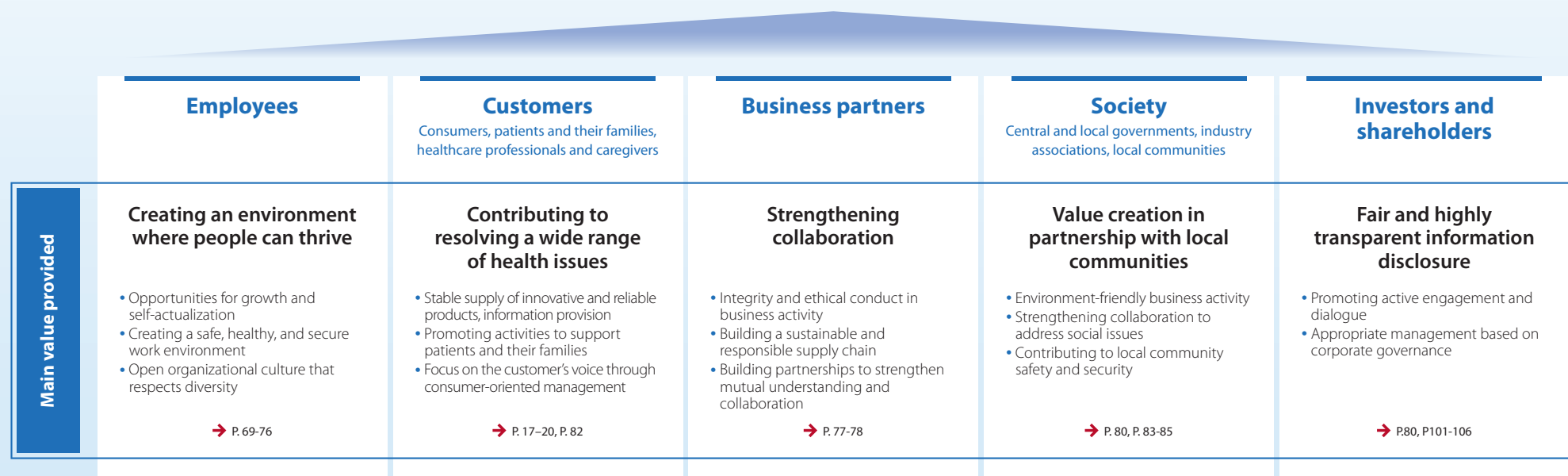
The Otsuka group works to address a wide range of health-related social issues by creating value through its business activities. With the rapid change in the social and economic environment, we recognize that understanding the views of diverse stakeholders and reflecting them in our business activities is essential to the sustainable enhancement of corporate value.

To that end, we work through dialogue and cooperation to build relationships of trust throughout the value chain to support the delivery of our products and services.

By further strengthening these relationships of trust and creating value together with our stakeholders, we aim to deliver Well-being for society as a whole.

Stakeholder engagement
https://www.otsuka.com/en/sustainability/hd_activity/stakeholder.html

Co-creating value with stakeholders for the Well-being of society as a whole



Stakeholder engagement

Co-creation initiatives

• Employee-driven environmental initiatives: Otsuka Group Environmental Award

The Otsuka Group Environmental Award recognizes examples of environmental initiatives at our operating companies that show originality or can serve as a model. The award considers a wide range of activity in light of our environmental material issues of carbon neutrality, the circular economy, water neutrality, and biodiversity. Since its launch in FY2018, we have worked to raise employee commitment to improvement and to promote related activities by recognizing and sharing outstanding initiatives.

In FY2025, there were 30 award entries from within Japan and 15 from outside Japan. The large number of activities presented demonstrates that employees in each region and workplace are taking the initiative in addressing environmental issues. The activities also illustrate the process of identifying issues on the ground and moving toward a solution through repeated testing of a theory. Independent initiatives of this kind are a powerful impetus for group-wide activity. The award provides an opportunity to share outstanding practice across the group, while also fostering employees' sense of ownership and pride, thereby enhancing employee engagement.

Going forward, we will encourage the positive cycle set in motion by these inventive frontline activities, which increase our ability to respond to environmental issues, leading in turn to the generation of new corporate value through employee initiative.



The winners of the environmental award are presented with an award certificate and an artistic ceramic plate from Otsuka Ohmi Ceramics.

Grand Prize

- Taiho Pharmaceutical and Otsuka Pharmaceutical: Group collaboration to establish a recycling process for the press-through package (PTP) sheets used in pharmaceutical packaging (→ P.91)

Excellence Award

- Otsuka Pharmaceutical: CO₂ emissions reduction through improvement of the load efficiency of the import containers used for *Nature Made* (→ P.89)

• Creating disaster-resilient local communities through cooperation with local governments

Because of Japan's historical experience of disaster, in addition to measures to protect life in the event of a disaster, emphasis is placed on creating a framework to secure lives and support livelihoods, which is aimed at reducing disaster-related deaths in the aftermath, when people may have to live in evacuation accommodation for an extended period.

Based on comprehensive partnership agreements with local governments, in FY2020 Otsuka Pharmaceutical launched the Otsuka Disaster Pharmaceutical Supporter Development Program with the aim of strengthening pharmaceutical support in the event of a disaster. The program is an initiative established in collaboration with local pharmacist associations and other stakeholders including local governments and doctors. Through it, Otsuka Pharmaceutical supports pharmacists in the affected region to provide swift and accurate management of pharmaceutical supplies combined with advice and consultation. So far the program has been rolled out to around 40 local government areas throughout Japan with the involvement of more than 3,500 participants.

Meanwhile, the Otsuka group operates a joint booth at local government-sponsored disaster preparedness events to present the wide range of healthcare information required in an emergency situation along with related products. The information provided relates for instance to management of nutrition following a disaster, measures against infectious disease, securing lavatory facilities, and pet care under evacuation conditions.

Going forward, we will continue to promote collaboration with related organizations in healthcare, medical care, social welfare, and other fields to expand the support framework for both affected residents and relief workers. In this way, we aim to continue being a company that contributes to resolving local issues.



Booth displaying a wide array of Otsuka group products from foods and beverages to sanitary supplies and pet products (disaster preparedness event held at Minato Ward, Tokyo)

The Otsuka group engages in social contribution activity in line with the key areas set out in its policy, **Our Responsibilities Toward Society and Community**. In disaster situations, we also provide support through supply of products, donations, and relief funds.

Responsibility for society and community
<https://www.otsuka.com/en/sustainability/community/>

• Building lasting trust through active communication

By clearly communicating its ideas and initiatives to society so as to promote understanding of its philosophy and approach, the Otsuka group seeks to build lasting relationships of trust with shareholders and investors.

As part of these efforts, following the release of each set of quarterly financial results, we hold a financial results presentation for analysts from securities firms, institutional investors, and media representatives. We also create other opportunities for communication, including briefings on our business, tours of our facilities, and individual meetings with institutional investors. We seek to utilize the views and stakeholder expectations received as feedback through these dialogues to improve our management and information disclosure and thereby contribute to enhancing corporate value in the medium to long term.



Financial results presentation



Shareholders' Meeting

Dialogue with analysts and institutional investors (FY2025 figures)

Individual interviews	504 events
ESG meetings	9 events
Financial results presentation	4 events
Briefings on business	6 events
Facility tours	1 event
Conferences sponsored by securities firms	7 events

Shareholders' Meeting (FY2025 results)

Number of in-person attendees	303
Number of live-stream participants	197
Percentage of voting rights exercised	85.41%

Major industry associations

Japan Pharmaceutical Manufacturers Association (JPMA)
The Intravenous Solutions Society
Japan Soft Drink Association

Quality

Creating value and building trust with quality

At the Otsuka group, quality is the foundation of all efforts to contribute to the Well-being of society. As it is dedicated to improving the health of people worldwide, the group believes that quality is the cornerstone of corporate value. Guided by this belief, the group strives to create value through quality excellence and to be a trusted contributor to healthier lives around the globe. Beyond regulatory compliance, the group is committed to strengthening trust in its brands and reducing business risks.

The Otsuka group has strengthened its globally integrated quality governance and quality management system across the group, while building a distinctive quality framework that leverages expertise in both pharmaceuticals and food products to continue living up to the expectations of patients and consumers worldwide.

Guided by the Otsuka Group Quality Policy, the Pharmaceutical, Nutraceutical, Consumer Products, and Other Businesses each maintain a quality management system tailored to the unique characteristics of their operations.

Otsuka Group Quality Policy

1. Cultivating a Quality Culture

We consistently pursue customer satisfaction by exploring needs from customer perspectives, identifying risks, developing and acquiring technology, fostering human resources, and implementing continuous quality improvements.

2. Quality First

We establish a quality system that meets international standards to provide products and services trusted by all.

3. Safety and Reliability

We provide safe and reliable products and services in all our operations ranging from procurement of raw materials and supplies, development, production, quality control, logistics, sales, and customer support.

4. Compliance

With legal compliance and ensured data reliability as the foundation of all business activities, we aim for sustainable growth by maintaining high ethical standards and conducting business with integrity.

Quality excellence at Otsuka

Based on the Otsuka Group Quality Policy and under the oversight and accountability of top management, each operating company implements appropriate quality management in accordance with its business characteristics while complying with the regulations of the countries and regions in which it operates. Quality managers at each operating company have established coordination mechanisms and conduct risk assessments and regular monitoring of product safety and quality, including at overseas sites, manufacturing facilities, and local partners, and implement corrective actions. Within the Pharmaceutical Business, the group continues to enhance its quality management system in line with the ICH Q10 Pharmaceutical Quality System guideline. In the Nutraceutical and Consumer Products Businesses, it is promoting certification to internationally recognized standards, including ISO 9001, ISO 22000, and FSSC 22000. Through multiple cross-functional, group-wide quality governance bodies, the group drives quality initiatives across the group, strengthening its quality assurance framework by ensuring data reliability and maintaining robust traceability. The effectiveness of this framework is continuously verified through inspections by regulatory authorities, including the U.S. FDA, and regular third-party audits.

The group also advances a globally coordinated audit program for business partners, including raw material suppliers and contract manufacturers. Through on-site and documentary assessments, it verifies compliance with applicable regulations and promotes continuous improvement by implementing corrective actions commensurate with the severity of audit observations. These efforts support the development of trusted partnerships that contribute to the delivery of high-quality products. When significant supply chain

Otsuka group quality assurance framework



risks or quality incidents arise, the group promptly conducts ad hoc on-site audits to ensure timely investigation and resolution.

Otsuka Global Quality Team

Otsuka Pharmaceutical utilizes contract manufacturing for both commercial products and development products at multiple sites in Europe, the U.S., Asia, the Middle East, and other regions. With the increasing complexity of supply chains, it formed the Global Quality Team in 2017, comprising 35 subsidiaries,* to support a stable global supply of high-quality pharmaceutical products and to ensure business continuity. It has established a consistent quality governance framework by appointing quality leaders in Japan, Asia, North America, and Europe. To drive global alignment, it has developed Global Standard Operating Procedures (G-SOPs) and is advancing the standardization of quality management practices. Leveraging an integrated IT platform, it also promotes centralized management of quality-related data, regulatory inspections, and vendor audits, thereby accelerating continuous quality improvement across the Company.

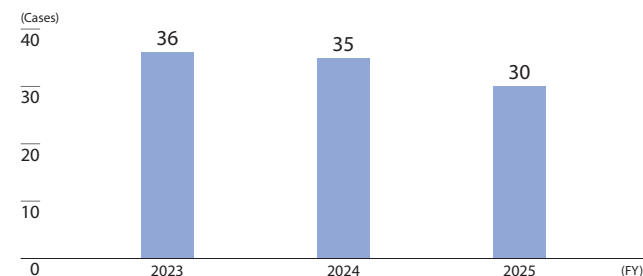
* 21 subsidiaries in Asia, the Middle East, and Africa; 12 in Europe; and 2 in North America

Group-wide business partner audits

The four Otsuka group pharmaceutical manufacturing companies have jointly conducted business partner audits of the same suppliers of raw materials since 2016, with the aim of ensuring consistency during audits and improving the skills of those in charge of auditing. In addition to audits, it operates a group-wide framework for training and certifying auditors.

* Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical and EN Otsuka Pharmaceutical

Number of business partner audits



Quality

Global cross-organizational collaboration

The Otsuka group considers product and service quality and stable supply to be key management issues. It holds the Global Quality, Production, Supply Chain and Environment (QPSE) Meeting every year, bringing together the closely interrelated quality, production, supply chains, and environmental departments. At these meetings, management receives updates on key activities, while participants exchange information and insights across functions and departments.

In 2026, the meeting was attended by a total of 182 participants from 14 countries/regions and 38 companies.* The session featured lively discussions on strategic approaches regarding production and quality. Participants shared case studies and issues from each company and developed best practice approaches for the group, helping to strengthen our organizational capabilities.

* Scope: Otsuka Holdings, Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, Otsuka Foods, and their overseas subsidiaries

Global QPSE meeting participants



Global QPSE Meeting

Developing the next generation of global leaders

The Otsuka group cultivates quality assurance professionals with the expertise and perspective needed to work seamlessly across functions, countries, and regions.

For example, Otsuka Pharmaceutical runs an Exchange Program that enables quality assurance personnel in Japan to work in quality assurance departments in the U.S. and Europe. The goal is to deepen their understanding of local laws, regulations, customs, and cultures, while also advancing quality assurance capabilities and strengthening global collaboration. The program includes a short-term component (1–2 months) and a long-term component (2–3 years). The short-term program fosters mutual understanding through hands-on collaboration, helping participants serve as bridges between regions. The long-term program develops global leaders capable of managing quality assurance operations to ensure stable supply of products, through multi-year assignments at affiliated companies in the U.S. and Europe.

Customer responsibility

The group has established a system to promptly share customer feedback received through its customer service offices with the quality divisions, enabling swift and appropriate responses to issues and concerns related to products and services. In Japan, under the

leadership of an Otsuka Holdings Director, the Otsuka Group Customer Service Representative Meeting is held annually, bringing together representatives responsible for customer service functions across Pharmaceutical, Nutraceutical, Consumer Products, daily necessities, and e-commerce categories, together with relevant departments.* The group is also working to develop cross-group systems to build trust with its customers, such as study sessions with lawyers and other experts or information sharing on topics of interest or customer liaison updates at each company.



Otsuka Group Customer Responsibility Liaison Meeting

Otsuka Pharmaceutical conducts annual emergency response drills to ensure the safety of its products and services. In addition, functions across the value chain, including the quality division, collaborate and share customer feedback received through the Customer Service Office.

* Scope: Otsuka Holdings, Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Foods, and other domestic group companies

Examples of initiatives

Cross-departmental quality and safety initiatives

Ensuring quality and safety is positioned as the most important issue for the group. The relevant departments around the world, including those involved in quality, production, CMC,* and the supply chain, work together to prevent, identify, and address risks. By sharing lessons learned from failures and customer feedback across the organization and rapidly disseminating best practices, the group enhances its organizational capabilities and pursues value creation that continues to build trust.

* CMC: Chemistry, Manufacturing and Control



Motoyuki Yamanishi
General Manager,
Product Safety and Quality
Assurance Headquarters
Otsuka Pharmaceutical
Co., Ltd.

Global quality initiatives for nutraceutical products

The Otsuka group has built a global network of 16 nutraceutical companies in 10 countries. By visualizing quality indicators, conducting peer reviews, and sharing best practices and past quality issues, we strive to enhance quality levels at each factory while improving quality assurance standards and customer satisfaction across the value chain.



Kohji Tada
General Manager,
Quality Headquarters
Otsuka Pharmaceutical
Co., Ltd.



Promote positive impact on global environment | **Environmental vision**

Contributing to a sustainable society that leads to a prosperous future

The Otsuka group recognizes the environmental impact of its business activities and works to solve social issues and achieve sustainable growth through products and services that are both innovative and demonstrate *Sozosei* (creativity). The group will continue to enhance business continuity and competitive advantage while fulfilling its environmental and social responsibilities, aiming to achieve long-term growth and create sustainable corporate value.

Otsuka Group's Environmental Policy
<https://www.otsuka.com/en/sustainability/environment/>

2050 Environmental Vision

"Net Zero"

Zero environmental impact of all our business activities

As a total healthcare company, the Otsuka group earnestly strives to reduce its impact on the global environment. In order to contribute to the realization of a sustainable society that leads to a sound future, we promote our 2050 Environmental Vision of "Net Zero," which aims to reduce the total environmental impacts from our business activities to zero.

Initiatives toward FY2050 targets

■ Intensifying decarbonization initiatives in collaboration with society, based on application and advancement of next-generation technologies

■ Promoting resource recycling in collaboration with society and across the value chain, with a focus on improved resource efficiency

■ Promoting the sustainable use of water resources through improved efficiency of water use and collaboration with communities and stakeholders

■ Conserving and restoring natural capital through business activities and across the value chain

FY2028 targets

- Reduction of CO₂ emissions
 - Scope 1 and 2: 50% reduction (compared to FY2017)
 - Scope 3: Promoting initiatives to achieve carbon neutrality by 2050
- 20% self-generated renewable energy



Climate change mitigation

Main Initiatives in FY2025

- Reducing CO₂ emissions (Scope 1 and 2)
- Reducing CO₂ emissions throughout the supply chain (Scope 3)
- Expanding self-generated renewable energy
- Pursuing the optimal energy mix through group-wide integrated energy management in Japan

FY2028 targets

- 50% reduction in simple incineration and landfill disposal (compared to FY2019)
- Formulation and implementation of food loss reduction plans



Resource efficiency and circularity

Main Initiatives in FY2025

- Initiatives toward zero waste
- Initiatives for sustainable packaging use
- Expanding resource recycling agreements with municipalities
- Promoting recycling through group collaboration

FY2030 target

- 100% recycled materials in our PET bottles and use of plant-based materials

FY2028 targets

- Planning water use strategies at business sites in water-stressed areas
- Implement the guidelines for water resource management across all sites
- 10% reduction in water usage (compared to FY2023)



Maintenance and conservation of water resources

Main Initiatives in FY2025

- Reducing water use
- Optimizing water usage at production sites
- Evaluating water risk at manufacturing sites
- Verification of fundamental water discharge management requirements at all 101 sites to support appropriate water resource management

FY2028 targets

- Uses 100% RSPO certified palm oil
- 100% use of sustainable paper



Sustainable and stable procurement of natural resources

Main Initiatives in FY2025

- Assessing palm oil usage
- Assessing sustainable paper usage
- Formulating paper procurement guidelines

Promote positive impact on global environment | Environmental management

Governance

The Otsuka Holdings Environmental Committee, chaired by the Executive Deputy President and Representative Director of Otsuka Holdings and composed of directors or executive officers from each operating company, plays a central role in overseeing initiatives related to environmental issues, including risks and opportunities arising from environmental challenges such as climate change. The committee discusses the overall approach and initiatives for the Otsuka group as a whole and monitors progress against the targets set. Furthermore, the key environmental issues related to the group's management strategies are submitted to the Otsuka Holdings Board of Directors. Environmental priorities and initiatives approved by the Board of Directors are implemented and promoted through the Otsuka Group Environmental Practices Committee, which comprises directors responsible for production functions and environmental management personnel from operating companies, leading to concrete action throughout the group.

Otsuka group environmental governance structure



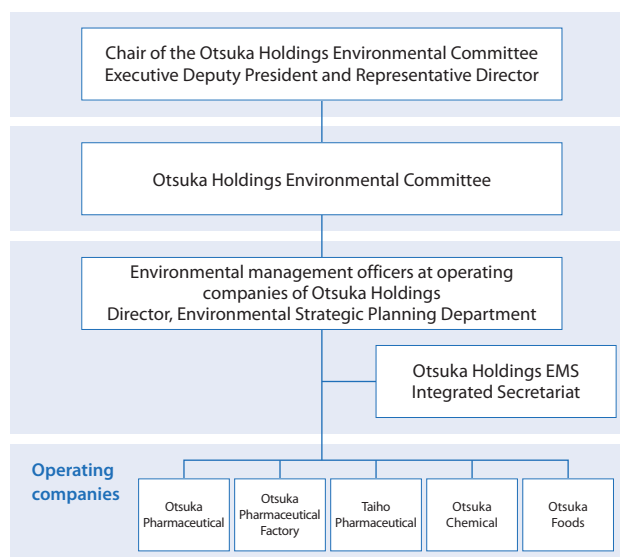
Risk management

The Otsuka Holdings Environmental Committee and the Otsuka Group Environmental Practices Committee oversee the identification and assessment of environmental risks, the development of action plans, and the monitoring of their implementation across the group. Risks deemed significant based on the assessment are reported to the Board of Directors by the Chair of the Otsuka Holdings Environmental Committee. Resolutions of the Board of Directors are communicated to the operating companies as the group's direction for addressing environmental issues, helping to strengthen environmental risk management across the group.

Environmental management system

The Otsuka group has built an environmental management system (EMS) that spans the domestic operating companies, appointing people in charge of environmental management under the jurisdiction of the Otsuka Holdings Environmental Committee and establishing an Otsuka Holdings Integrated EMS Secretariat. The

Otsuka Holdings EMS framework (As of December 2025)



group is committed to defining and complying with voluntary standards that exceed legal requirements, while conducting site-to-site audits based on its internal environmental auditing policy to reduce the environmental impact of its business activities and strengthen environmental risk management. For these audits, it has set common internal audit themes to allow the audits to confirm general understanding of Otsuka Group's Environmental Policy and the status of initiatives to achieve environmental targets. Conducting internal audits on a site-to-site basis facilitates communication on best-practice initiatives at each site and horizontal dissemination, while also enhancing the practical skills of auditors and developing talent.

To promote the global standardization of environmental management, it has established the Otsuka Group Global Environmental Management Guidelines and is rolling them out across domestic and overseas sites. In FY2025, the guidelines were implemented at 13 companies and 17 sites. The group aims to implement the guidelines at all production sites by FY2028. Through these initiatives in Japan and overseas, the Otsuka group continuously enhances the quality of environmental management across the group. In addition to addressing environmental issues, the group is advancing a comprehensive approach by strengthening organizational foundations and establishing and implementing guidelines that contribute to safety assurance and quality improvement at manufacturing sites.

Integrated ISO 14001 certification

To strengthen group-wide initiatives aimed at promoting efficient and effective environmental activities, the Otsuka group commenced the acquisition of integrated ISO 14001 certification in August 2020. By operating multiple group companies under a unified management system, the group is working to standardize environmental activities and enhance management efficiency.

In FY2025, the scope of certification was expanded to include 12 domestic subsidiaries and Otsuka Holdings, the group's coordinating organization.

Under a unified Otsuka Group's Environmental Policy and risk management framework, the Otsuka group is thereby advancing more sophisticated environmental management across the entire group.



ISO 14001 certification

Promote positive impact on global environment | Environmental management

• ISO 14001 certification status at Otsuka group subsidiaries (As of December 2025)

Global certification rate **61.7%**

(58 of 94 production sites; 85.4% in Japan and 43.4% overseas)

Japan: 13 companies

- (1) Integrated certification as Otsuka Holdings
- 1) Otsuka Pharmaceutical Co., Ltd.
- 2) Otsuka Pharmaceutical Factory, Inc.
- 3) Taiho Pharmaceutical Co., Ltd.
- 4) Otsuka Chemical Co., Ltd.
- 5) Otsuka Foods Co., Ltd.
- 6) Otsuka Techno Corporation
- 7) EN Otsuka Pharmaceutical Co., Ltd.
- 8) Higashiyama Film Co., Ltd.
- 9) J.O. Pharma Co., Ltd.
- 10) Otsuka Ohmi Ceramics Co., Ltd.
- (2) Otsuka Packaging Industries Co., Ltd.
- (3) Otsuka Electronics Co., Ltd.

Overseas: 18 companies

- (1) Korea Otsuka Pharmaceutical Co., Ltd.
- (2) Zhangjiagang Otsuka Chemical Co., Ltd.
- (3) Otsuka South China Precision Instruments (Shenzhen) Co., Ltd.
- (4) Tianjin Otsuka Beverage
- (5) Zhejiang Otsuka Pharmaceutical Co., Ltd.
- (6) Taiwan Otsuka Pharmaceutical Co., Ltd.
- (7) Otsuka Techno Vietnam Co., Ltd.
- (8) Otsuka Pharmaceutical Vietnam JSC
- (9) PT Otsuka Indonesia
- (10) PT Amerta Indah Otsuka
- (11) PT Widatra Bhakti
- (12) PT Lautan Otsuka Chemical
- (13) Otsuka Pakistan Ltd.
- (14) Egypt Otsuka Pharmaceutical Co., S.A.E.
- (15) Otsuka Al-Obour Pharmaceutical Egypt S.A.E.
- (16) Nutrition & Santé SAS
- (17) Nutrition & Santé Iberia SL
- (18) Hebron S.A.

Compliance with environmental laws and regulations

The total costs of environmental fines and penalties during FY2025 were ¥0 (0 cases). No significant violations of environmental laws and regulations occurred. The group will continue to prevent environmental risks through rigorous compliance with applicable laws and regulations and by further strengthening its management systems.

Climate change strategy

The Otsuka group has set forth its 2050 Environmental Vision of “Net Zero,” which aims to reduce the total environmental impacts from its business activities to zero. In addition to reducing CO₂ emissions from its business activities, the group aims to minimize environmental impacts throughout its entire supply chain.

The group also conducts assessments to identify the risks and opportunities that climate change may pose to its business, as well as the potential financial impacts of such risks and opportunities. The group recognizes that efforts related to both climate change adaptation and mitigation are essential to realizing its sustainability mission and is therefore advancing the adoption of renewable energy, maximizing energy efficiency, and collaborating with business partners to reduce CO₂ emissions across the supply chain.

• Process of scenario analysis

In accordance with the following steps, the Otsuka group assessed its climate change-related business risks and opportunities under the below 2°C scenario and the 4°C scenario using scenarios presented by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), and systematically summarized the financial impacts and responses associated with climate-related risks and opportunities. In this analysis, the group references scenarios as shown in the IPCC’s RCP¹ 2.6 (<2°C scenario) and RCP8.5 (4°C scenario) and the IEA’s and OECD²-FAO’s³ Agricultural Outlook 2021–2030.

1. RCP: Representative Concentration Pathways

2. OECD: Organisation for Economic Co-operation and Development

3. FAO: Food and Agriculture Organization

Process of scenario analysis

Step 1 Identify key climate-related risks and opportunities, and set up parameters

The Otsuka group identified transition risks, physical risks, and opportunities based on the business characteristics of each company in the group and social trends.

Step 2 Set up climate-related scenarios

Based on the scenarios below 2°C and 4°C, the possible impacts on society are shown below. The group identified transition risks, physical risks, and opportunities based on the business characteristics of each company in the group and social trends.

Below 2°C scenario

A society where sustainable development and climate change measures are proactively promoted to keep the temperature rising below 2°C.

Measures to achieve a decarbonized society are enhanced, including the introduction of CO₂ emissions regulations and expansion of the renewable energy market.

4°C scenario

Society in which development is dependent on fossil fuels and climate change measures are not introduced.

If global average temperatures have risen by 4°C compared to preindustrial levels, it would cause an increase in natural disasters, negative impact on crops, and loss of biodiversity.

Step 3 Assess financial impacts associated with climate-related risks and opportunities

The scenario analysis results showed that increased energy costs resulting from the introduction of further policy measures to combat global warming, such as a carbon tax, and strengthened regulations, could potentially impact the Otsuka group’s business activities.

(→ P. 86)

Step 4 Assess the resilience of our strategies to climate-related risks and opportunities and consider further measures

The Otsuka group has set its climate change target in line with the “1.5°C level,” which aims to limit global warming to 1.5°C above the preindustrial era. To achieve this goal, the group is promoting the expanded adoption of renewable energy, as well as the installation of mega-solar facilities and the use of newly generated wind power to curb energy procurement costs. Furthermore, the group is working to reduce long-term energy costs and strengthen the resilience of its business activities by improving energy use efficiency through fuel conversion and centralized energy management.

Promote positive impact on global environment | Environmental management

Financial impacts and responses associated with climate-related risks and opportunities based on TCFD*

Category		Details	Business/financial impacts		Otsuka group response/resilience
			Below 2°C	4°C	
Transition risks	Policies and regulations	• Increased costs due to tightened regulations such as carbon pricing	Major	Major	• Introduction of internal carbon pricing • Introduction of CO₂-free electricity • Introduction of solar power generation systems including mega-solar power systems • Enhancing energy use efficiency through energy saving and fuel conversion • Investment in environmental facilities in Japan and overseas
	Market	• Steep rise in renewable energy prices	Major	Major	
		• Steep rise in energy prices	Major	Major	
	Reputation	• Reputation risk and investment-related risk associated with inadequate response to climate change and water resource risks	Major	Medium	
Physical risks	Acute	• Risks of damage to production and other facilities due to intensification of extreme weather, and cost increases to prepare for extreme weather events	Medium	Major	• Decentralized production of major products • Formulation, disclosure, and sharing of procurement policies and guidelines with suppliers • Strengthening communication with our suppliers
		• Risks in raw material procurement such as disruption to supply chains and stable procurement			
	Chronic	• Increased energy costs associated with temperature rise	Major	Major	• Systematic renewal of facilities • Collection of information about the impacts on drug discovery using crops and other natural products, risk assessment, and examination of countermeasures
		• Effects of climate change on drug discovery using crops and other natural products	Medium	Medium	
Opportunities	Resource efficiency	• Reduction of operating costs through the introduction of energy-efficient equipment	Major	Medium	• Collection of information on new technologies (such as membrane water treatment technology that does not require steam) and examination of introduction of such technologies in a timely manner
	Energy sources	• Reduction of energy procurement risk due to proactive introduction of renewable energy	Major	Minor	• Introduction of internal carbon pricing • Collection of information on next-generation energy sources (such as hydrogen and ammonia) and examination of introduction of such sources in a timely manner
	Products and services	• Increased revenue from increased demand for products that mitigate or address climate change (e.g., products for preventing heat illness and the spread of infectious diseases)	Major	Major	• Formulation of the Otsuka Group Plastic Policy that aims at reducing reliance on fossil fuel-derived materials • Examination of introduction of recycled PET resin or plant-based bio-PET resin for PET bottle beverage containers • Expand sales of products for preventing heat illness, and expand sales of products with low environmental impact throughout their life cycles
	Market	• Increased revenue from expansion into new market categories with products that address climate change	Medium	Medium	• Development of products that mitigate or address climate change (e.g., plant-based products)
	Resilience	• Strengthening business continuity planning (measures against disaster and supply chain disruptions)	Medium	Major	• Reinforcement of promoting energy saving and renewable energy in line with business strategies • Business continuity plan measures at manufacturing sites (anti-seismic measures and measures against flooding)

Assessment of business/financial impacts

Major: ¥1 billion or more (equivalent to 1% of operating profit assuming a minimum operating profit of ¥100 billion)

Medium: From negligible to less than ¥1 billion

Small: Negligible

* Task Force on Climate-related Financial Disclosures

Green finance

Otsuka Holdings issued Green Bonds in September 2024. Through the issuance of these bonds, the Company will support the financing of environmentally friendly projects and further advance its efforts to achieve both a sustainable society and business growth.

Green Bonds

Name of bonds	Otsuka Holdings Co., Ltd. 4th Series of Unsecured Straight Bonds (with specific inter-bond pari passu clause) (Green Bonds)	Otsuka Holdings Co., Ltd. 5th Series of Unsecured Straight Bonds (with specific inter-bond pari passu clause) (Green Bonds)
Term of issue	7 years	10 years
Amount	¥10 billion	¥10 billion
Coupon rate	0.911% per year	1.219% per year
Pricing date	September 13, 2024	September 13, 2024
Issuance date	September 20, 2024	September 20, 2024
Maturity date	September 19, 2031	September 20, 2034
Rating	AA- (Rating and Investment Information, Inc. (R&I))	
Lead managers	Nomura Securities Co., Ltd., Daiwa Securities Co., Ltd., Mizuho Securities Co., Ltd., SMBC Nikko Securities Inc.	
Structuring agent*	Nomura Securities Co., Ltd.	
Second opinion	Otsuka Holdings established the Green Bond Framework and obtained a second opinion from R&I regarding its alignment with the ICMA Green Bond Principles 2021 Edition.	
Use of proceeds	(1) Renewable energy • Installing solar power generation facilities (renewable energy facilities) • Installing storage batteries (2) Energy efficiency (facilities) • Installing energy-efficient equipment (3) Environmentally adapted products, production technologies, and processes • Procurement of materials with less environmental impact, such as recycled PET resin	

 **Green Bonds**
<https://www.otsuka.com/jp/sustainability/environment/greenbonds.html>
(in Japanese only)

* Those who assist with the funding procurement process by advising on matters such as the formulation of the Green Bond Framework and on obtaining a second opinion

Promote positive impact on global environment | Carbon neutrality



For readability purposes, the numbers shown in the Carbon neutrality section are expressed in units of thousand t or thousand m³ and rounded to the nearest hundred. Because percentage reductions and percentage increases/decreases are calculated using the original data (to the nearest 1 t or 1 m³), they may not exactly match simple calculations using the figures shown.

Core principles

Climate change due to global warming is a global environmental challenge that has significant impacts on biological and water resources and causes serious effects on both social infrastructure and business activities, including the increasing frequency of natural disasters. The Otsuka group recognizes these changes as a major business risk to supply chain stability and continuity and considers climate change-related initiatives to be a key management issue.

The group aims to contribute to a sustainable society by reducing greenhouse gas (GHG) emissions in line with the international targets and indicators adopted under the Paris Agreement and by promoting decarbonization of the entire supply chain.

Indicators and goals

FY2028 targets

- Reduction of CO₂ emissions
Scope 1 and 2: 50% reduction (compared to FY2017)
Scope 3: Initiatives to achieve carbon neutrality by FY2050
- 20% self-generated renewable energy

Initiatives to reduce CO₂ emissions (Scope 1 and 2)

The Otsuka group has set a target of reducing CO₂ emissions by 50% by FY2028 compared with FY2017 levels. As of FY2025, the group achieved a 34.7% reduction and is making steady progress toward its target. In expanding the use of renewable energy, the group actively introduces CO₂-free electricity while placing emphasis on securing additionality that contributes to the creation of new renewable energy sources.

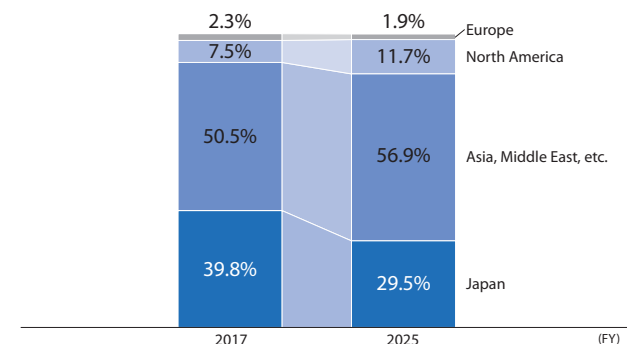
In Japan, the group introduced large-scale solar power generation facilities in FY2025 at Taiho Pharmaceutical's Kitajima Plant and Otsuka Pharmaceutical's Tokushima Mima Factory. In January 2026, it also completed its first procurement of electricity generated from wind power, establishing a more stable and effective renewable energy procurement system.

In Indonesia, the group completed the installation of large-scale rooftop solar power generation facilities at PT Amerta Indah Otsuka's Sukabumi and Kejayan plants.



Rooftop solar power generation facilities at the Sukabumi Plant of PT Amerta Indah Otsuka

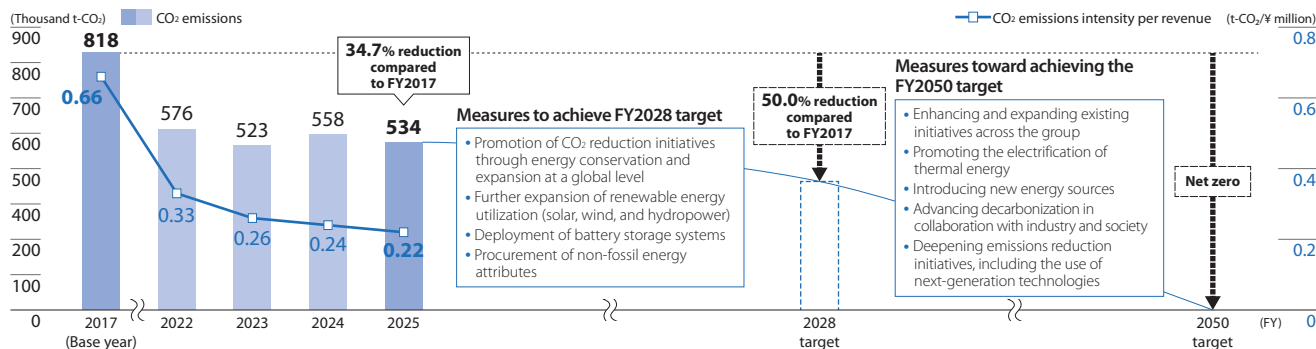
CO₂ emissions by region



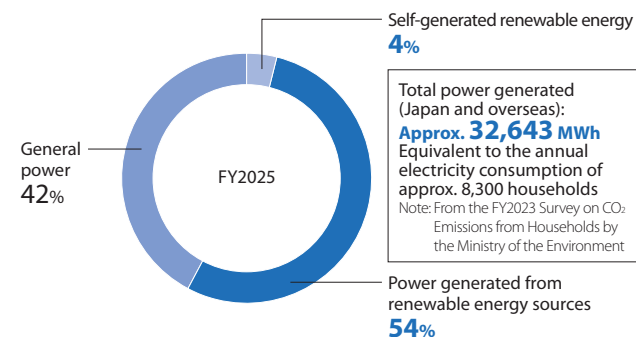
Toward 20% self-generated renewable energy

Self-generated renewable energy refers to renewable energy created through the Otsuka group's own facilities and through collaboration with power producers. The group has set a target of achieving a 20% share of self-generated renewable energy by FY2028. As of FY2025, this share had reached 4%. The group recognizes the limitations of relying solely on solar power from the perspectives of stable electricity supply and enhanced energy resilience. The group will work to increase the share of self-generated renewable energy by expanding and diversifying its energy mix.

CO₂ emissions reduction targets and progress (Scope 1 and 2)



Renewable electricity ratio and self-generated renewable energy ratio (global)





Diversifying the energy mix to enhance energy resilience

Further strengthening the energy infrastructure supporting business operations

The Otsuka group has expanded the installation of solar power generation facilities at its manufacturing sites. In FY2025, the group launched its first off-site PPA* project in Japan utilizing off-site solar power facilities, establishing a new model for renewable energy procurement. The group is also diversifying its power sources. For example, in January 2026, the group collaborated with Shikoku Electric Power Co., Inc. to introduce electricity generated from wind power for the first time within the group. In addition, the group entered into a long-term agreement with JERA Cross Co., Inc. to procure renewable electricity generated by newly constructed solar power facilities in the Kanto region, with power supply scheduled to begin in April 2027.

Through these initiatives, the group is optimizing its energy mix by combining diverse power sources, enabling efficient and stable energy operations and thereby strengthening the energy infrastructure that supports its business operations.

By further advancing its self-generated renewable energy initiatives, the group aims to promote decarbonization and enhance business resilience. The group will further accelerate its efforts to reduce environmental impact through collaboration with a diverse range of partners, contributing to the realization of a sustainable society and the enhancement of long-term corporate value.

* Off-site power purchase agreement (PPA): A mechanism under which companies or local governments purchase electricity from a renewable energy generation facility located outside their own premises under a long-term contract



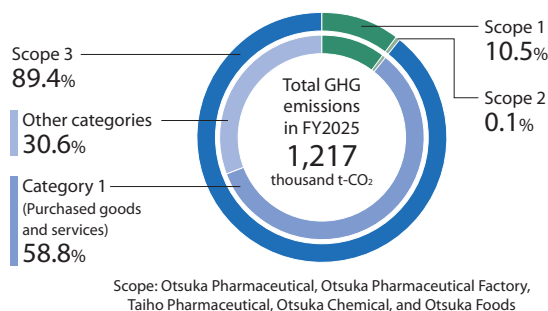
Shikoku Electric Power's wind power generation facility installed at Yutoristo Park Otoy, an outdoor recreation and tourism facility in Otoy Town, Kochi

Initiatives to reduce CO₂ emissions throughout the supply chain (Scope 3)

The Otsuka group has adopted its 2050 Environmental Vision, "Net Zero," which calls for reducing the total environmental impact of its business activities to zero. The group is working to reduce environmental impacts arising from the production activities of its operating companies as well as throughout the entire supply chain. To realize this vision, the group has established an integrated energy service structure and is promoting the centralized procurement of renewable energy as well as the supply of electricity generated within the group to its business sites. (→ P. 89) In April 2024, the group began supplying renewable energy to business partners that manufacture certain product containers on its behalf. In addition, it is advancing sustainable procurement by communicating its procurement policies and conducting assessments as part of its procurement activities, encouraging suppliers to give due consideration to environmental issues and helping to build a sustainable supply chain.

Going forward, the group will continue to collaborate with its business partners and leverage new technologies and solutions to further reduce environmental impacts across the entire supply chain while achieving business growth.

GHG emissions (Scope 1, 2, and 3*)



* Scope 1 (direct emissions)
GHG emissions due to using fuel in our group
Scope 2 (indirect emissions)
GHG emissions due to using purchased electricity, heat, and steam
Scope 3 (other indirect emissions)
GHG emissions throughout the supply chain, from material procurement to product disposal

Assessment of environmental impact reduction through the supply of renewable energy to business partners

The Otsuka group has positioned the supply of renewable energy to business partners, which began in April 2024, as an initiative to reduce environmental impacts throughout the supply chain. To quantify the outcomes of this initiative, the group conducted life cycle-based carbon footprint* assessments of applicable products.

By periodically assessing the environmental impacts of its products and utilizing the results to implement improvement measures, the group is working to reduce CO₂ emissions throughout the supply chain.

Click here for details on this initiative
https://www.otsuka.com/en/group_news/detail.php?id=1439

* Carbon footprint: A method of converting the GHG emissions produced throughout the entire life cycle of our products and services, from raw materials procurement to disposal and recycling, to equivalent CO₂ emissions, and displaying the resulting value on the product or through another means of disclosure.

Reducing packaging-related Scope 3 emissions

Introducing 100% recycled PET bottles for POCARI SWEAT and other drinks

Otsuka Pharmaceutical began introducing PET bottle containers made from 100% recycled PET resin from late January 2026 with the goal of using recycled containers for more than 90% (by number of bottles)* of our PET bottle beverage products, including POCARI SWEAT. It is expected to reduce GHG emissions throughout the product life cycle and eliminate the use of fossil resource-derived materials. This initiative is expected to reduce GHG emissions by approximately 5,300 tons of CO₂ annually.

Reducing the use of fossil resource-derived materials at the materials procurement and manufacturing stages will help reduce environmental impacts throughout the product life cycle.



→ P. 91 Advancing circularity in containers and packaging

* Estimates based on FY2026 production plan



Advancing Scope 3 emissions reductions in logistics

Reducing CO₂ emissions through improved load efficiency of import containers for *Nature Made* supplements

Otsuka Pharmaceutical has recently reviewed the supply structure for *Nature Made* products. Changes in import volume composition resulted in a decline in the load efficiency of transport containers, which had previously been maintained at a high level. As a result, the number of containers required increased, leading to higher CO₂ emissions and transportation costs, while also increasing exposure to external risks such as disruptions in international logistics and container shortages.

To address this issue, on-site employees in Japan proposed that improvements could be achieved by rethinking container loading methods. Based on the view that improving load efficiency would reduce environmental impacts and transportation costs while enhancing preparedness for changes in the external environment, Otsuka Pharmaceutical examined alternative cargo loading practices.

During this process, Otsuka Pharmaceutical engaged in ongoing discussions with Pharmavite, the manufacturer of *Nature Made* products, and

worked toward introducing a loading method based on double-stacked pallets while taking local operating conditions and work practices into account. To support implementation, it developed new loading procedures, clarified operational rules, and established a mechanism for continuously monitoring the loading status of each container. Through collaboration between teams in Japan and the U.S., it is building a stable operational framework.

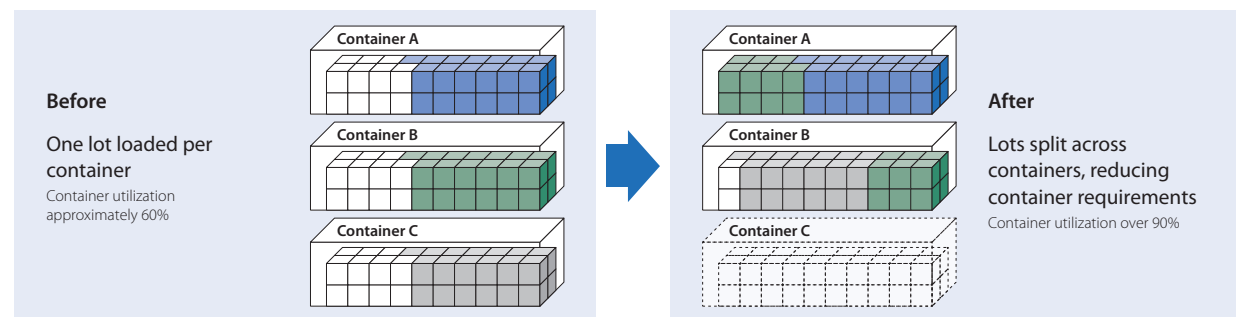
As a result of on-site innovation and collaboration among all parties involved, transport container load efficiency improved significantly, reducing the number of containers required by 21 annually. This initiative has reduced CO₂ emissions by approximately 50 metric tons while also lowering transportation costs.

Otsuka Pharmaceutical plans to apply the knowledge gained from this initiative to other products and transportation routes. By advancing logistics optimization in response to changes in supply structures, it aims to enhance resilience and reduce risk throughout the supply chain.

Illustration of improved container load efficiency

■ Lot 1 ■ Lot 2 ■ Lot 3 □ Empty space

Example: Transporting three lots from the U.S. to Japan



Pursuing the optimal energy mix* through group-wide integrated energy management in Japan

To centralize energy management in Japan and strengthen supply-demand management, the Otsuka group established the Energy Support Department (ES Department) within Otsuka Business Support, its shared-services subsidiary. The ES Department serves as the hub of energy operations, managing electricity supply and demand, procuring renewable electricity in bulk, and supplying it to sites nationwide.

The Otsuka Group Energy Management Building serves as the central hub for integrated energy management. It enables a stable supply of electricity and steam and supports flexible energy operations through collaboration with Otsuka Chemical, including the supply of electricity and steam generated by Otsuka Chemical's cogeneration system to business sites.

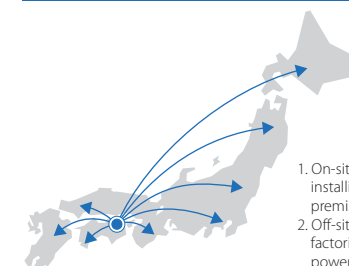
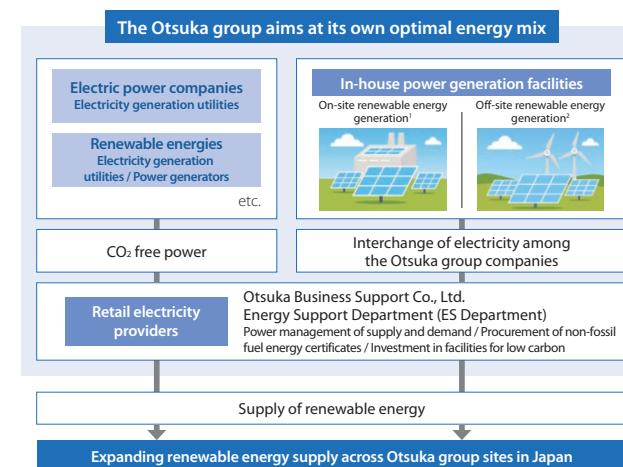
Adjacent to the facility, a hydrogen demonstration plant is in operation, supporting the validation of next-generation energy technologies that do not emit CO₂. The group will continue to support the enhancement of the group's energy management

system and the pursuit of an optimal energy mix that balances environmental considerations, economic efficiency, and stable supply, thereby contributing to both business growth and environmental sustainability.

* Optimal energy mix: Promote the optimization of power supply configurations in consideration of the environment, economy, and stable energy supply



Solar power generation facilities installed at Taiho Pharmaceutical's Kitajima Plant, Tokushima



1. On-site: A system to provide electricity by installing a power generation facility on the premises of a company
2. Off-site: A system to provide electricity to factories of the Otsuka group via the general power transmission network



Core principles

To achieve both a sustainable society and corporate growth, the Otsuka group believes a transition to a circular economy is essential.

The group regards the use of fossil resource-derived materials and the release of waste into the natural environment as environmental impacts that must be eliminated. Under its vision of eliminating the use of fossil resource-derived materials and achieving zero waste,* the group is advancing initiatives to achieve these goals. The group will improve resource efficiency across the entire supply chain and foster sustainable coexistence with all resources, including biological resources.

Otsuka Group Plastic Policy
<https://www.otsuka.com/en/sustainability/environment/plastic.html>

* Zero waste: An approach to reduce waste discharge (simple incineration and landfill disposal) to the natural environment to zero and utilize all resources effectively

Indicators and goals

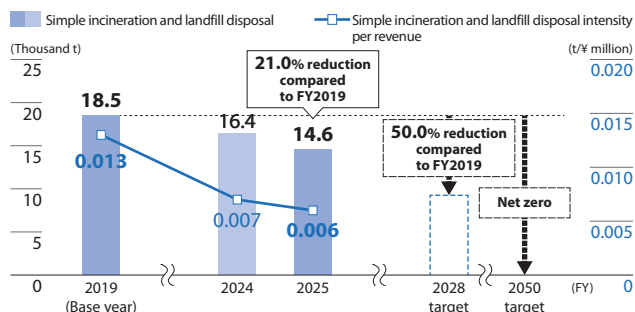
FY2028 targets

- 50% reduction in simple incineration and landfill disposal (compared to FY2019)
- Formulation and implementation of food loss reduction plans

FY2030 target

- 100% recycled materials in our PET bottles and use of plant-based materials

Targets and progress in reduction of simple incineration and landfill disposal



Initiatives toward zero waste

Approximately 85% of total waste generated is recycled and effectively utilized. The group has set a target of reducing by 50%, compared with FY2019 levels, the amount of waste disposed of through simple incineration and landfill.

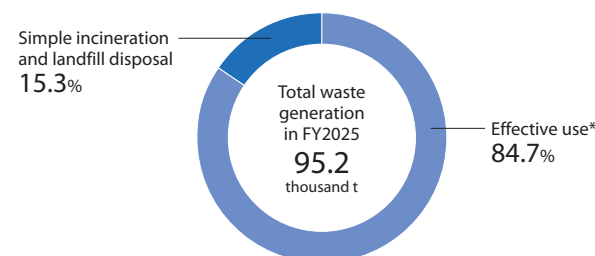
As of FY2025, the group has achieved a 21.0% reduction compared with the base year and will continue to promote recycling and the efficient use of resources as it works toward achieving zero waste.

To achieve this goal, the group is tracking the waste treatment status by nation and region, identifying issues by analyzing the breakdown, and promoting concrete initiatives.

• Advancing food loss reduction

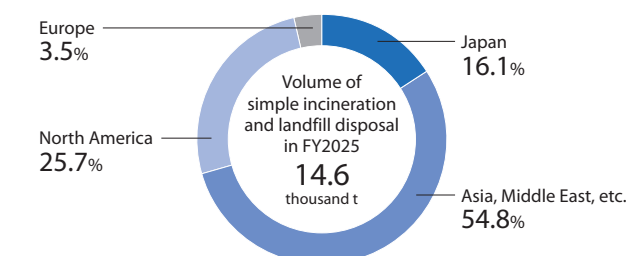
To achieve zero waste, the group is progressively advancing initiatives to reduce food loss. As a first step, the group is compiling baseline data

Waste generation breakdown



* Breakdown of effective use: Material recycling (including valuable recyclables); power generation, thermal recycling, and fuelization; and composting and feed

Waste sent to simple incineration and landfill by region



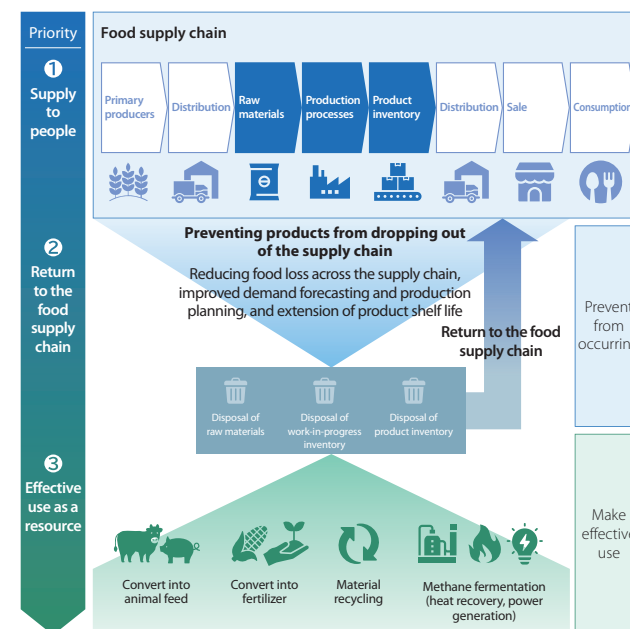
to gain a clear understanding of food loss across its companies.

The group has long worked to prevent food loss through more accurate demand forecasting and production planning, as well as by extending product shelf life. It has also promoted initiatives to return food to the food supply chain through donations and other measures.

To further strengthen these efforts, the group will launch full-scale food loss reduction activities in collaboration with its operating companies from FY2026. By identifying the areas within the food supply chain where it can make the greatest contribution, the group will further accelerate its efforts to reduce food loss.

For food that cannot readily be returned to the supply chain, the group will maximize its effective use as a resource through conversion into fertilizer and animal feed, material recycling, and energy recovery through methane fermentation, including power generation and heat utilization.

Overview of the Otsuka group's food loss reduction initiatives





Advancing circularity in containers and packaging

• Resource circularity of PET bottles

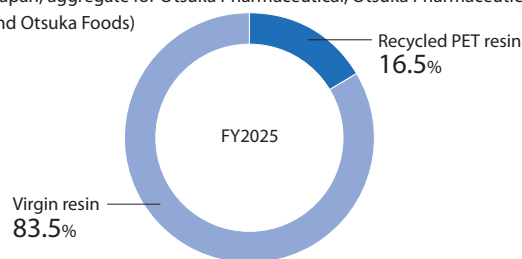
In light of the environmental impact of plastic containers and packaging, the Otsuka group has set a FY2030 target of achieving 100% use of recycled and plant-based materials in PET bottles. The group has continuously worked to reduce plastic consumption through initiatives such as lightweighting plastic containers and packaging and offering label-free products. In FY2025, it introduced 100% recycled PET bottles for *OS-1* (300 mL) and *JAVA TEA Straight* (270 mL and 500 mL), increasing the proportion of recycled PET resin used in beverage products in Japan to 16.5%. Overseas, the group is also steadily expanding the use of recycled PET bottles, including the adoption of PET bottles containing 30% recycled material for *POCARI SWEAT* (350 mL) sold in Indonesia.

From late January 2026, Otsuka Pharmaceutical switched more than 90% (by number of bottles)* of its PET bottle beverage products to containers made from 100% recycled PET resin and began rolling them out nationwide. The group will continue to enhance brand value by expanding its resource circularity.

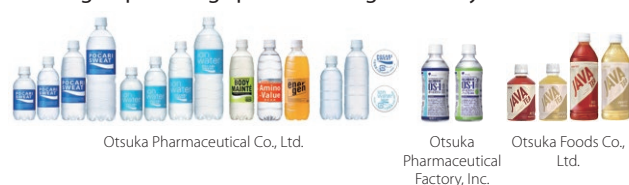
* Estimates based on FY2026 production plan

Ratio of recycled materials in our PET bottles

(FY2025, Japan; aggregate for Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, and Otsuka Foods)



Otsuka group beverage products using 100% recycled PET bottles



Diverse approaches to advance circularity

• Promoting bottle-to-bottle* recycling through collaboration with local governments and business partners

Since November 2022, Otsuka Pharmaceutical has been promoting bottle-to-bottle* recycling initiatives in collaboration with local governments and business partners.

The procurement function leading this initiative has accelerated these efforts by strengthening collaboration within the framework of comprehensive partnership agreements established between the Nutraceutical Business and local governments. As of FY2025, it has entered into resource circulation agreements with more than 30 municipalities across Japan.

The synergies generated through these collaborations have contributed to the establishment of a long-term, stable PET bottle collection scheme, supporting sustainable resource procurement and the enhanced circular use of resources.

In addition, at large-scale events such as the Tokyo Marathon and World Athletics Championships Tokyo 25, it has carried out activities to collect used PET bottles and promote awareness of bottle-to-bottle recycling. The Otsuka group will continue to collaborate with operating companies, national and local



Collecting separated PET bottle waste at World Athletics Championships Tokyo 25 (top left) Recycling boxes encouraging visitors to separate recyclable materials (top right) Signing ceremony for the Tokushima City PET Bottle Resources Recycling Agreement (bottom left) Schematic diagram of "bottle-to-bottle" horizontal recycling (bottom right)

governments, and business partners to advance initiatives aimed at realizing a circular economy, while further enhancing the foundations of sustainable business operations.

* Bottle-to-bottle: Used PET bottles are converted into raw materials (horizontal recycling) and recycled into new PET bottles

• Establishing a recycling process for pharmaceutical packaging PTP sheets through group collaboration

Otsuka Pharmaceutical and Taiho Pharmaceutical have established a recycling scheme for press-through package (PTP) sheets used in pharmaceutical packaging. Previously, these sheets were difficult to recycle, and incineration was often the only available disposal method. To address this challenge, the two companies worked closely with business partners to develop a process that enables the effective recycling of PTP sheets.

Through this initiative, approximately 57 tons of PTP sheets can be recycled annually and reused as plastic and industrial aluminum materials, contributing to the transition toward a circular economy.

In addition, by consolidating and compressing PTP sheets collected from multiple manufacturing sites, optimizing transportation schedules, and introducing a modal shift,* the companies have established a more efficient logistics system while also achieving significant reductions in CO₂ emissions.

* Modal shift: Changing logistics transport to more efficient modes with less environmental impact (e.g., rail or shipping)



PTP sheet (left) separated into plastic (top right) and aluminum foil (bottom right)

• Introduction of environmentally conscious pharmaceutical packaging

The Otsuka group places the highest priority on product quality, safety, and a stable supply. In the Pharmaceutical Business, efforts are being made to develop environmentally conscious packaging materials and review the materials used, including reducing the thickness of packaging materials, downsizing individual cartons, and using recycled paper in paper-based containers.

As part of these initiatives, products incorporating biomass plastics derived from plant-based materials have also begun to be introduced for plastic containers. Continuous improvements will be pursued throughout the product life cycle to achieve both quality and environmental sustainability, thereby enhancing the foundation for sustainable business operations.



Mucosta tablets 100 mg with the biomass plastic mark



For readability purposes, the numbers shown in the Water neutrality section are expressed in units of thousand t or thousand m³ and rounded to the nearest hundred. Because percentage reductions and percentage increases/decreases are calculated using the original data (to the nearest 1 t or 1 m³), they may not exactly match simple calculations using the figures shown.

Core principles

Since its establishment, the Otsuka group has maintained a deep connection with water, an essential resource that sustains life. Through products that use water as a key raw material, the group has actively contributed not only to the treatment and prevention of disease but also to the maintenance and promotion of health.

Accordingly, the group recognizes water as a vital resource and regards its conservation as both a critical global issue and an essential element in ensuring the sustainability of its business operations.

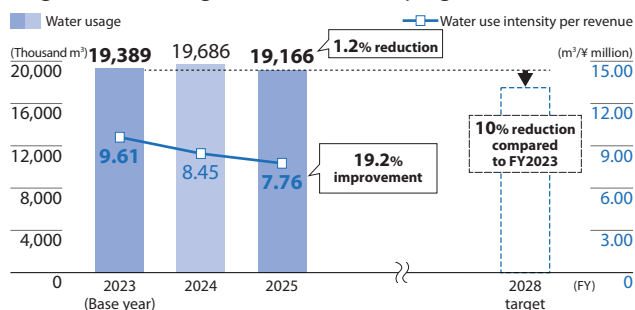
Furthermore, as water resources are unevenly distributed across countries and regions and associated risks vary by location, the group collaborates with a wide range of stakeholders and continuously promotes water stewardship throughout the entire water cycle—from water withdrawal to water discharge. Guided by the principles of conserving water resources, using water responsibly, and returning clean water to the environment, the Otsuka group aims to support the sustainable use of water.

Indicators and goals

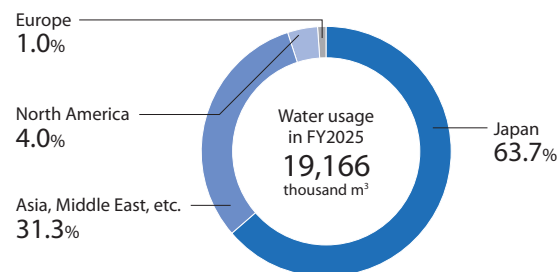
FY2028 targets

- Planning water use strategies at business sites in water-stressed areas
- Implement the guidelines for water resource management across all sites
- 10% reduction in water usage (compared to FY2023)

Target of water usage reduction and its progress



Breakdown of water usage by region



Water withdrawal by region

(Thousand m³)

Area	Municipal water (including industrial water)	River water	Ground water
Japan	11,053	77	1,076
Asia, Middle East, etc.	3,177	0	2,825
North America	643	0	121
Europe	167	4	24

Initiatives to reduce water usage

The Otsuka group places importance on minimizing the impact on water resources throughout all processes from water withdrawal to water discharge, and continuously works to promote the appropriate use of water and improve water-use efficiency. As a key initiative to reduce water usage, each operating company is advancing operational improvements and reviewing production processes to optimize water use throughout the manufacturing process. As a result of these efforts, water usage across global operations was reduced by 223,418 m³ compared with the base year, representing a 1.2% decrease. Water use intensity per revenue, an indicator of water-use efficiency, improved by 19.2% compared with the base year.

Approximately 60% of the water resources used by the group are used in production activities in Japan. Two factories in Japan (Otsuka Pharmaceutical's Fukuroi Factory and Otsuka Chemical's Tokushima Factory) have been selected as pilot sites to help us achieve our target of reducing water usage by 10% by FY2028 compared with FY2023.

As the two plants have different business operations, further

detailed assessments will be conducted to identify water-use reduction opportunities tailored to the characteristics of each operation. Based on the findings, concrete measures to reduce water use will be developed and implemented. In addition, the knowledge gained and successful initiatives will be shared across other sites, with the scope of implementation expanded progressively.



Fukuroi Factory in Shizuoka selected as a pilot site for water use reduction

Initiatives to optimize water usage at production sites

Otsuka Pharmaceutical is optimizing how water volume is controlled in the pasteurization process used to heat-sterilize and cool beverages after filling, and has introduced booster pump units in the cleaning process, thereby optimizing water usage and improving cleaning quality. These initiatives reduced water usage by 104,732 m³ compared with the previous fiscal year.

Otsuka Pharmaceutical Factory has reviewed the process for maintaining water discharge quality and optimized the volume of water required for water quality management, improving the efficiency of overall water discharge treatment processes and reducing water usage by 380,591 m³ compared with the previous fiscal year.

Otsuka Foods optimized the cleaning frequency for beverage production lines, helping to reduce water usage by 50,230 m³.

The group is promoting the effective use of water resources through these improvements and will continue these efforts going forward.



Evaluating water risk at manufacturing sites

Addressing environmental risks in each region is important for the sustainable growth of the diverse businesses operated by the Otsuka group around the world. Recognizing the impact of water resources on business sustainability, the group regularly evaluates all 101 sites (production and R&D sites) to assess long-term measures to address water risks.

Using the water risk assessment tool “Aquaduct” developed by the World Resources Institute (WRI), the group has conducted water risk assessments at each of our sites, from the perspectives of water stress (water resource risk) and seasonal variability risk, and identified sites with potentially high risk. The group then conducted a questionnaire-based survey on water risk using FY2024 water withdrawal performance and identified sites requiring priority action.

The results showed one factory was a high water-risk site. Of the group’s total water usage in FY2025, this factory used only 1.9%, and no water-related risks have been identified at this time.

Going forward, the Otsuka group will use the findings of further water risk assessments to conduct a more detailed review of risks in collaboration with local subsidiaries and advance initiatives toward the development of water use strategies.

* Assessed using Aqueduct Version 4.0 and the 2050 Business as Usual (BAU) scenario

Guidelines for water resources management

In FY2024, the Otsuka group formulated Guidelines for Water Resources Management to identify risks in the supply chain of water resources. The group promotes sustainable water use by monitoring the quantity and quality of water from withdrawal to discharge at all

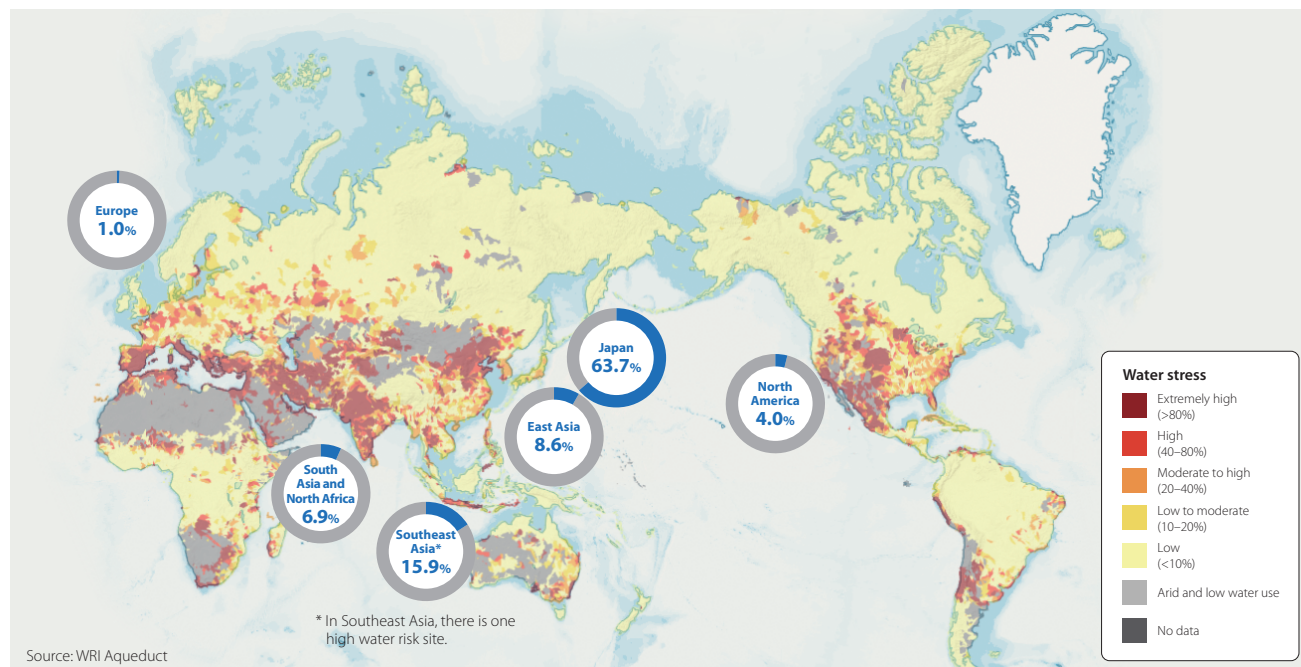
production and R&D sites, and by strengthening water resource management in each region. In addition to complying with national and regional laws and regulations, the guidelines establish management items and standards for water resources with the aim of achieving both a sustainable society and business growth.

Water resources are unevenly distributed across different countries and regions, and the nature of the risks and regulatory requirements also differs. The group recognizes the complexity and importance of water management and aims to establish a management framework that can adapt flexibly to local conditions.

In FY2025, as part of efforts to ensure appropriate water resource management, an external organization completed verification of basic wastewater management items at all 101 sites. Based on these results, it has begun measurement and analysis activities at sites requiring more detailed water quality assessments.

The group will establish a framework for more advanced global water management and continuously enhance water management across the group to achieve sustainable water use tailored to local conditions in each region.

Aquaduct water risk Atlas: Breakdown by region of water usage in the Otsuka group and high-risk sites



Five themes in the water resources management guidelines



* WASH: Water, sanitation, and hygiene

The guidelines specify matters such as measurement frequency, measurement methods, and reporting procedures for each of the 13 management items across the five themes.



Core principles

The Otsuka group recognizes that biodiversity is an indispensable natural capital for all business activities. The group seeks to accurately understand the impacts of its business activities on the natural environment and works to conserve and restore it with due consideration of those impacts.

As a member of a society that benefits from nature, the group is pursuing biodiversity initiatives aimed at realizing a sustainable society that passes rich nature to future generations.

Otsuka Group Biodiversity Policy
<https://www.otsuka.com/en/sustainability/environment/biodiversity.html>

Indicators and goals

FY2028 targets

- Uses 100% RSPO certified palm oil¹
- 100% use of sustainable paper²

1. RSPO certified palm oil: Certified sustainable oil approved by the RSPO
 2. Certified paper or recycled paper that complies with the forest certification system under appropriate management

Business operations that respect local ecosystems

The Otsuka group is committed not only to the conservation of animals and plants in accordance with applicable laws and regulations, but also to the protection of nature within local communities. The group conducts annual environmental surveys of operating companies with production sites in Japan and overseas, and monitors compliance with laws and regulations concerning protected species and the implementation of conservation activities. This includes monitoring the presence of protected animals and plants designated under relevant frameworks and regulations, such as the IUCN Protected Area Management Categories, the Ramsar Convention, and applicable domestic laws and regulations.

In addition, the group has revised the Otsuka Group Biodiversity Policy to assess both its dependencies and impacts on nature arising from business activities. The group plans to disclose information on governance, strategy, risk management, and indicators and goals in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).

Sustainable procurement

The Otsuka group recognizes that the conservation of biodiversity and sustainable use of natural resources are essential for sustainable growth and promotes sustainable procurement of palm oil and paper.

Procurement
<https://www.otsuka.com/en/sustainability/environment/>

• Usage of RSPO certified palm oil

Otsuka Holdings became a member of the Roundtable on Sustainable Palm Oil (RSPO) in March 2026. Palm oil usage was approximately 1,100 tons¹ in FY2024. The group will continue to enhance its internal control system with Otsuka Holdings playing a central role, while promoting certification-related initiatives in cooperation with its operating companies. By ensuring supply chain traceability, the group will promote the responsible sourcing of palm oil.

1. Aggregate for three domestic companies (Otsuka Pharmaceutical, Otsuka Foods, and EN Otsuka Pharmaceutical)

• Promoting the use of sustainable paper

In FY2025, the group established the Paper Procurement Guideline and launched initiatives to reduce paper consumption and promote the use of sustainable paper. Paper used for reports and other printed materials has already been transitioned to sustainable paper, and the transition rate for office supplies reached 91.1%² as of FY2025.

The group will expand the scope of these initiatives to include product packaging and promotional materials, and systematically advance the transition to paper that meets environmental requirements, such as certified and recycled paper. As one example of these efforts, Otsuka Packaging, an operating company in Japan, certified by the Forest Stewardship Council (FSC®), is engaged in the development and supply of packaging materials using FSC®-certified paper. Overseas, the group is assessing paper usage by its subsidiaries and strengthening these initiatives on a global basis.

2. Aggregate for five domestic companies (Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, and Otsuka Foods)



Example product using FSC®-certified packaging from Otsuka Packaging (FSC®-C131331)

• Promotion of agroecology³

Nutrition & Santé (N&S), a pioneer in health foods in Europe, is actively promoting agroecology in a tripartite partnership with agricultural cooperatives and farmers in response to soil degradation caused by climate change and other factors. Since entering into these partnerships in FY2024, N&S has reduced the use of chemical fertilizers, provided technical and financial support, and extended the application of this approach to multiple crops and regions. The goal is to transition more than 60% of its raw material procurement (100% for wheat and organic soybeans) to this approach by FY2030. Through these efforts, N&S seeks to conserve soil and establish a stable system for the procurement and supply of high-quality raw materials, thereby promoting sustainable agriculture.



Tripartite agreement ceremony

3. Agroecology: Agriculture and farming methods that improve soil quality, plant health, and crop productivity without relying on chemical pesticides and chemical fertilizers by effectively utilizing interactions among various species in farmland and the surrounding environment. They are working to scientifically demonstrate the effectiveness of various (traditional) farming methods, local ecological knowledge, and small-scale, diversified farming that are suitable for the local environment.

• Promotion of regenerative agriculture⁴

FoodState, a U.S. pioneer in plant-based nutritional supplements and the manufacturer of the MegaFood brand, is advancing regenerative agriculture through scientific validation conducted in collaboration with research institutions, investment in supplier education, and participation in related initiatives.

Specifically, FoodState collaborates with research institutions that study soil conditions, water dynamics, and the functions of living organisms to evaluate the impacts of regenerative agriculture on soil health and the environment, while promoting awareness of its value and benefits.



Regenerative agriculture practices at FoodState

4. Regenerative agriculture: Agricultural approaches aimed at improving the soundness of the ecosystem across farms while increasing farm productivity and profitability, focusing on soil health, the water cycle, and biodiversity



Assessment of dependencies and impacts in line with TNFD recommendations

The Otsuka group recognizes that a sound relationship with natural capital is essential to sustainable business growth. In light of the importance of nature-related financial disclosures, the group is conducting analyses to systematically identify its dependencies and impacts relating to natural capital, with reference to the LEAP approach recommended by the TNFD. In addition, it used a nature-related risk assessment tool called ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure), developed by the United Nations Environment Programme Finance Initiative (UNEP FI) and others, to visualize potential dependencies and impacts on natural capital for

pharmaceutical, nutraceutical, and other products. Through this analysis, the group identified the extent to which its value chains depend on ecosystem services and where they could have negative impacts on natural capital in the future, thereby identifying the sources of nature-related risks and opportunities.

Going forward, the group will continue to assess its dependencies and impacts on natural capital. By prioritizing efforts to reduce negative impacts in particular, the group aims to achieve sustainable business operations while promoting coexistence with nature.

LEAP approach



Using ENCORE to assess dependencies and impacts

Legend: Very high High Medium

Legend: Very high High Medium

Main business activities			Dependencies														Impacts								
Stage of the value chain	Sector	Sub-sector, production process	Provisioning services			Regulating and maintenance services											Land/ freshwater/ ocean-use change	Pollution (generation and release)				Resource use	Climate change	Invasive species and other	
			Biomass provisioning	Water supply	Genetic material	Air filtration	Global climate regulation	Local climate regulation	Rainfall pattern regulation (sub-continental scale)	Soil and sediment retention	Solid waste remediation	Storm mitigation	Flood mitigation	Water flow regulation	Water purification	Biological control		Area of land use	Non-GHG air pollutants	Nutrient pollutants to water and soil	Toxic pollutants to water and soil			Solid waste	Water usage
			Direct operations	Manufacturing	Soft drinks																				
Other food products																									
Pharmaceuticals, medicinal chemical, and botanical products																									
Electricity, gas, steam, and air conditioning supply	Fossil fuel-based energy generation																								
Water supply, sewerage, waste management, and remediation services	Water collection, treatment, and supply																								
	Sewerage																								
Upstream	Manufacturing	Paper and paper products																							
		Plastic products																							
		Soft drinks																							
		Glass and glass products																							
		Other food products																							
		Manufacture of grain mill products, starches and starch products																							
		Vegetable and animal oils and fats																							
	Agriculture, forestry and fishing	Growing of cereals (except rice), legumes, and oil seeds																							
Electricity, gas, steam, and air conditioning supply	Fossil fuel-based energy generation																								
Downstream	Water supply, sewerage, waste management, and remediation services	Waste treatment and disposal																							