Otsuka

Otsuka-people creating new products
for better health worldwide

Environmental Report 2025

For the year ended December 31, 2024

Otsuka Holdings Co., Ltd.

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How to Use This Report

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Click here to go to the relevant website

Category Tab

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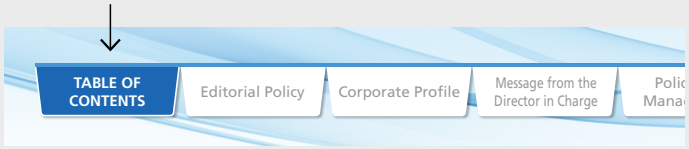


Editorial Policy

Editorial Policy

The editorial policy of this environmental report is to ensure accuracy of information, comprehensiveness, and response to requests from stakeholders. In terms of the environment, the report is based on specific numerical targets and progress in the results of initiatives. We hope that this report will help our stakeholders understand our environmental initiatives.
For information on social (S) and governance (G) initiatives, please refer to the Integrated Report on our website.

Reporting Period

The period covered is FY 2024 (from January 1 to December 31 of 2024). Certain activities in FY2025 are included.

Scope of Report

In principle, all Otsuka group consolidated production sites are covered.
In case of any limit on the scope of initiatives or data, a note on the details is provided in this report.

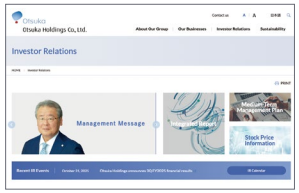
Issuing Date

October 2025 (once a year)

Referenced Standards and Guidelines

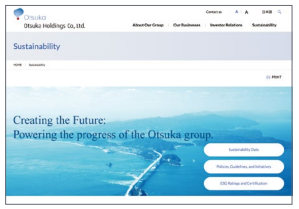
- International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)
- GRI Standard
- ISO 26000
- Environmental Reporting Guidelines 2018, Ministry of the Environment, etc.

Disclosure of Information on Otsuka Group



Investor Relations

Integrated Report



Sustainability

Contact Information

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Shinagawa Grand Central Tower, 2-16-4 Konan,
Minato-ku, Tokyo 108-8241, Japan
TEL: +81-3-6717-1410

Third-Party Assurance

To improve the transparency and reliability of its environmental data, we have received a third-party assurance from KPMG AZSA Sustainability Co., Ltd. We have received assurances for greenhouse gas emissions Scopes 1 and 2 (CO_2 emissions from energy sources, including energy consumption) and Scope 3 (category 1). We are making efforts to understand the trends in emissions and improve them. We will continue to expand the scope of verification and further enhance the reliability of our data.

Third-Party Assurance Report

Corporate Profile

Corporate Philosophy

Otsuka-people creating new products for better health worldwide

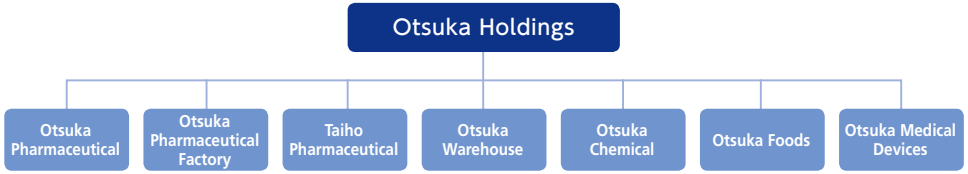
Otsuka's Goal

To become an indispensable contributor to people's health worldwide

Corporate Profile (As of December 31, 2024)

Company Name	Otsuka Holdings Co., Ltd.
Established	July 8, 2008
Capital	¥81.69 billion
Tokyo Headquarters	Shinagawa Grand Central Tower, 2-16-4 Konan, Minato-ku, Tokyo 108-8241, Japan
Number of Employees	183 (Consolidated: 35,388)
Group business network	174 companies in 32 countries/regions

Organizational Structure



Business Description

The Otsuka group operates its business in four segments: the Pharmaceutical Business, the Nutraceutical Business (NC)*1, the Consumer Products Business, and Other Businesses.

Pharmaceutical Business

- Therapeutic drugs
- Diagnostics
- Clinical nutrition
- Medical devices
- Active pharmaceutical ingredients and intermediates

Nutraceutical Business

- Functional beverages and foods
- OTC products and quasi-drugs
- Cosmedics*2

Consumer Products Business

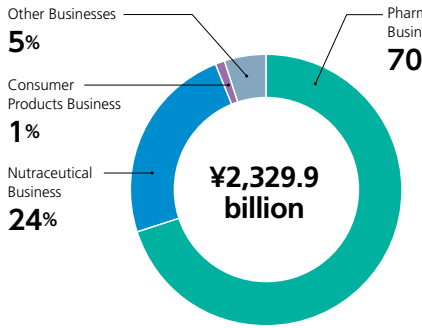
- Beverages
- Foods
- Wine

Other Businesses

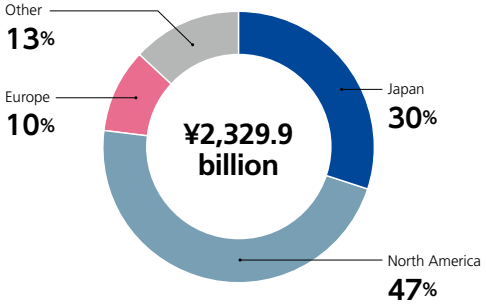
- Chemicals
- Warehouse and distribution
- Packaging
- Electronic equipment

Fiscal 2024 consolidated revenue*3

By Business Segment



By Region



*1 nutrition + pharmaceuticals
*2 Cosmedics = cosmetics + medicine
*3 Revenue from sales to external customers

Message from the Director in Charge of Sustainability

Contributing to a sustainable society that leads to a prosperous future.

Guided by its corporate philosophy of "Otsuka-people creating new products for better health worldwide," the Otsuka group strives to solve social issues through its businesses and contribute to a healthy and sustainable society, while achieving continuous growth.

Climate change due to global warming is regarded as one of the highest priorities of the international community. Companies are expected to address environmental issues to achieve a sustainable future, particularly through proactive measures such as promoting decarbonization, resource recycling, conserving water resources, and maintaining biodiversity. This is why we established our 2050 Environmental Vision, "Net Zero," which aims to reduce the overall environmental impact across all our business activities to zero. The group has identified four priority environmental issues: Carbon Neutrality, Circular Economy, Water Neutrality, and Biodiversity. In June 2024, we revised our five-year targets under the 4th Medium-Term Management Plan. Based on these new targets, we will formulate a roadmap for achieving the targets and promote measures for our entire group to evolve sustainably.

Regarding Carbon Neutrality, we installed our second mega solar power system in Japan at Naka Town, Tokushima, where the Tokushima Wajiki Factory of the Otsuka Pharmaceutical Co., Ltd. is located, following the Kushiro Factory of Otsuka Pharmaceutical Factory Co., Ltd. Besides promoting the further creation of renewable energy as a result of this, we have started the operation of a cogeneration system to maximize energy use efficiency, which supplies energy to the factories of our group. We are actively installing solar power generation facilities and introducing CO_2-free electricity in Asia, which has a high environmental impact overseas.

We also regard our activities in the Circular Economy and Water Neutrality as essential for recycling limited resources, minimizing environmental impact, and realizing a recycling-oriented society. In particular, for addressing plastic issues that have drawn attention in recent years, in accordance with the Otsuka Group Plastic Policy, we aim to achieve 100 percent content of recycled and plant-derived materials in our PET bottles by 2030. To date, we have adopted PET bottles made from recycled PET resin for our products such as *POCARI SWEAT*, and introduced 100% recycled PET bottles for *OS-1* and *JAVATEA*. As a sustainable approach to water resources, we have formulated water resources management guidelines that define water management standards to perpetually preserve water resources, from intake to discharge.

Furthermore, we now regarded Biodiversity as a priority issue, as it forms a critical foundation for the sustainable development of both the natural environment and human society. To begin with, we will actively adopt certification systems that consider the sustainability of raw materials such as palm oil and paper and promote initiatives to reduce our dependence on and impact on nature in our business activities.

Environmental issues surrounding us are interconnected, requiring comprehensive solutions. The Otsuka group will continue to work together among its group companies to promote initiatives unique to the group and aim to realize a society in which people and the earth can sustainably coexist in prosperity.

Yoshiro Matsuo
Executive Deputy President and Representative Director
Otsuka Holdings Co., Ltd

Sustainability of the Otsuka group

Our 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.

Beyond our 100-year history, the Otsuka group has strived to pursue quality at every stage of its supply chain, from research and development all the way to the delivery of its products and services to customers, and to build trust with stakeholders including employees, customers, business partners, society, and shareholders based on strong governance and a spirit of "Quality First," a principle the group has adhered to since its foundation. Based on the cornerstones of "Quality First" and "Building Trust with Stakeholders," our group is committed to solving social issues through our business, aiming for our own sustainable growth and the realization of a healthy and sustainable society.
We reassessed our materiality, which is the key areas that the Otsuka group should prioritize, in line with the 4th Medium-Term Management Plan (MTMP) that just started from 2024.
We evaluated the growth potential of our businesses, and specified strategies, measures and indicators of each materiality. We keep moving forward toward the achievement of our sustainability mission.
The Otsuka group will continue to advance toward the realization of a sustainable society through its business and to create the future.

Materiality

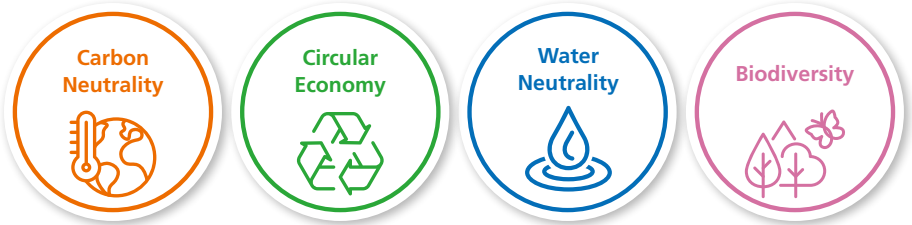
We identified our materiality, which is the key areas that the Otsuka group should prioritize.
We also established strategies, policies, and goals of each materiality to fulfill our sustainability mission as a whole.

WEB Materiality

- **Contribute to the Health and Well-Being of People Around the World**
- **Develop Human Capital to Fulfill Our Corporate Philosophy at Good Working Environment**
- **Create More Sustainable Future with Business Partners**
- **Promote Positive Impact on Global Environment**

Based on our 2050 Environmental Vision of "Net Zero," which aims to reduce the total environmental impacts from our business activities to zero, we have established and are promoting our medium-term target for measures to reduce the environmental impact (priority environmental issues) in light of our business characteristics.

Environmental Material Issues



2050 Environmental Vision of "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.

Related SDGs

Environmental Material Issues	Carbon Neutrality	Circular Economy	Water Neutrality	Biodiversity
Vision	Curbing climate change caused by global warming	Curbing resource use and recycling	Maintenance and conservation of water resources	Sustainable and stable procurement of natural resources
Our Goals	**[2028 targets]** ● Reduction of CO_2 emissions Scopes 1, 2: 50% reduction (compared to 2017) Scope 3: Initiatives to achieve carbon neutrality by 2050 ● 20% self-generated renewable energy	**[2028 targets]** ● 50% reduction in simple incineration and landfill disposal compared to 2019 ● Formulation and implementation of food loss reduction plans **[2030 targets]** ● 100% of recycled materials in our PET bottles and use of plant-based materials	**[2028 targets]** ● Planning water use strategies at business sites in water-stressed areas ● Develop a water use strategy for business locations in water-stressed areas ● 10% reduction in water consumption compared to 2023	**[2028 targets]** ● Uses 100% of RSPO certified palm oil ● 100% use of sustainable paper
FY 2024 Progress	● Initiatives to Reduce CO_2 Emissions (Scope1,2) ● Initiatives to reduce CO_2 emissions throughout the supply chain (Scope 3) ● Pursuing the optimal energy mix through group-wide integrated energy management in Japan	● Initiatives toward Zero Waste ● Initiatives of Packaging for a Sustainable Society ● Initiatives to Reduce Food Loss	● Initiatives to Reduce Water Usage ● Recovery of water for its effective use at production sites ● Evaluating Water Risk at Manufacturing Sites	● Business Operations Considerate of Local Ecosystems ● Working with business partners for sustainable procurement

WEB Environment

Environmental Management

Core Principles

Otsuka Group's Environmental Policy

The Otsuka group, aiming to be an indispensable contributor to people's health and global environment, continues to challenge issues with creativity to realize a society where people and the earth can coexist into the future.

Activity Guidelines

1. **Environmental Compliance**
   We enhance the effectiveness of environmental compliance and reduce risks.
2. **Environmental Management**
   We continuously improve our environmental management system and promote activities related to environmental materiality.
3. **Environmentally Considerate Technology**
   By proactively developing and introducing environmentally considerate technologies, we provide products and services that contribute to the formation of a sustainable society.
4. **Human Resource Development**
   We foster human resource development and corporate culture, and each employee is engaging in environmental activities through daily activities.
5. **Communication**
   To foster communication with stakeholders, we disclose environmental information with high transparency.

(Revised April 2024)

Governance

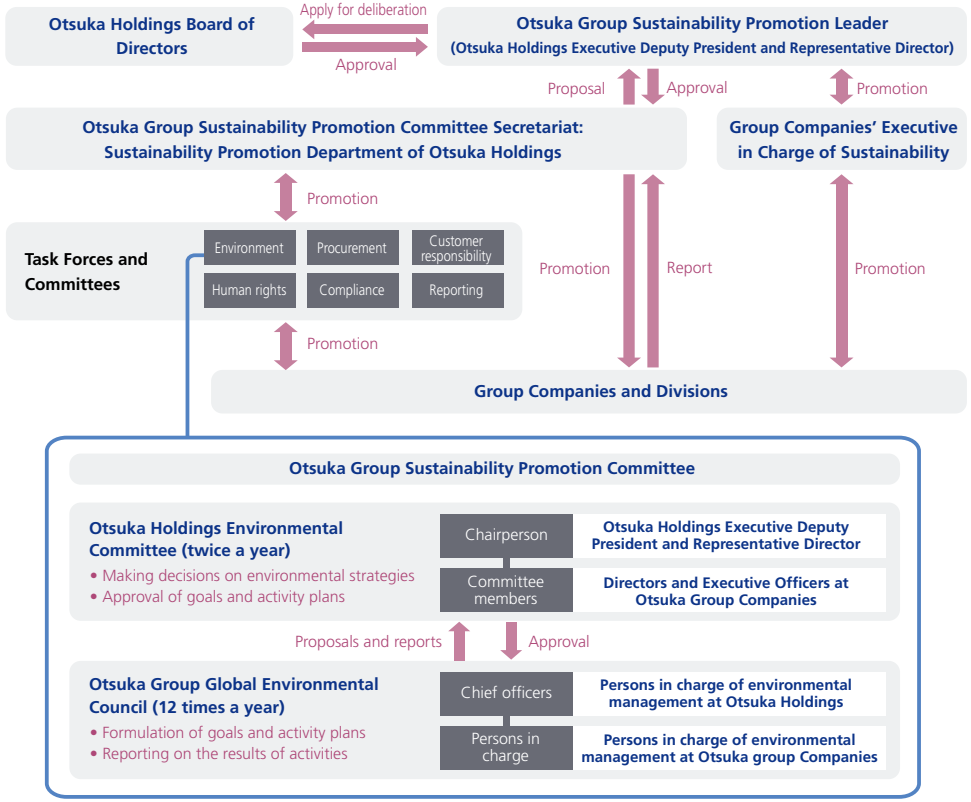
The Otsuka Holdings Environmental Committee, chaired by the Executive Deputy President and Representative Director of Otsuka Holdings and composed of directors or executive officers from each group company, is advancing our initiatives to address environmental issues, including climate-related risks and opportunities. The Committee discusses policies and measures for the entire group and monitors progress against the set targets. Furthermore, the key environmental issues related to the group's management strategies are submitted to the Otsuka Holdings Board of Directors. The Board of Directors establishes management policies and targets for the entire group, including the issues related to climate change, and supervises the management and execution of operations for our group companies.

The climate-related policies and measures, after being resolved by the Otsuka Holdings Board of Directors, are implemented and developed by the Otsuka Group Global Environmental Council (hereafter "OGG Environmental Council"), which consists of directors of production departments of group companies and persons in charge of environmental management, leading to concrete measures at the field level.

Remuneration for Directors and Audit & Supervisory Board Members

Major Environment-Related ESG Indexes for which Otsuka Holdings has been selected as their constituent

Sustainability Management Structure



Risk Management

The Otsuka group identifies and assesses climate-related risks that could have significant financial and strategic impacts, formulates the response plan, and implements and monitors them through the Otsuka Holdings Environmental Committee and the OGG Environmental Council. If we find any significance in the risk assessment, the Chairperson of the Otsuka Holdings Environmental Committee reports the matter to the Board of Directors, and once approved, the matter is shared with group companies as the Otsuka group's response policy to work on management of mitigating environmental risks.

Violations of Environmental Laws and Regulations

In FY 2024, the Otsuka group had nine violations of environmental laws and regulations (inadequate reporting, failure to perform measurements, and exceeding the standards). Of these, we were fined 14,400 USD (2,059,000 yen) for failing to report hazardous waste management at CIL Isotope Separations, and 676,000 TWD (3,296,000 yen) at Taiwan Otsuka Pharmaceutical for exceeding the pH value standard for wastewater. The amount we were fined totaled 5,355,000 yen. We have completed the correction of all these violations and we are making continuous efforts to prevent recurrence.

Environmental Management System

Acquisition of Integrated ISO 14001 Certification for the Otsuka Group

To strengthen Group-wide efforts toward more efficient and effective environmental activities, the Otsuka group began acquiring ISO14001 integrated certification in August 2020. In 2024, the certification expanded to include 10 companies in Japan and Otsuka Holdings, the supervising organization. Under the integrated environmental goals and management systems outlined in the certification, we will further strengthen our environmental initiatives and make Group-wide efforts to achieve the goals. We also established the Otsuka Group Global Environmental Management Guidelines with the aim of standardizing environmental management on a global basis. In 2024, we introduced the guidelines at 4 subsidiaries in Indonesia, aiming to expand them to all production sites by 2028. As a result, we promote reinforcement of our initiatives to achieve integrated environmental goals and risk management and make group-wide efforts to achieve the goals.

ISO 14001 Certification

Otsuka Group's subsidiaries' acquisition of ISO 14001 certification (As of December, 2024)

Global certification acquisition rate: 60.0% (57 out of 95 production sites. 82.9% in Japan and 42.6% overseas)

Japan: 13 Companies	Outside Japan: 17 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 Food 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.	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 PT Otsuka Indonesia ⑨ PT Amerta Indah Otsuka ⑩ PT Widatra Bhakti ⑪ PT Lautan Otsuka Chemica ⑫ Otsuka Pakistan Ltd. ⑬ Egypt Otsuka Pharmaceutical Co., S.A.E. ⑭ Otsuka Al-Obour Pharmaceutical Egypt S.A.E. ⑮ Nutrition & Sante SAS ⑯ Nutrition & Sante Iberia SL ⑰ Hebron S.A

Strategy

The Otsuka group has set forth its 2050 Environmental Vision of "Net Zero," which aims to reduce the total environmental impacts from our business activities to zero. In addition to reducing CO_2 emissions from our group's business activities, we are aiming to eliminate environmental impacts throughout our entire supply chain. The Otsuka group grasps the risks and opportunities that climate change could have on its business and its financial impact and conducts assessment. We recognize the importance of dealing with adaptation and mitigation measures against climate change to realize our sustainability mission. Thus, we are making efforts to introduce renewable energy and maximize energy efficiency and are working with our business partners to reduce CO_2 in the supply chain.

Process of Scenario Analysis

In accordance with the following steps, we assessed our climate change-related business risks and opportunities under the below 2°C scenario and the 4°C scenario using scenarios presented by the IEA (International Energy Agency) and the IPCC (Intergovernmental Panel on Climate Change), and systematically summarized the financial impacts and responses associated with climate-related risks and opportunities.

Step1
Identify key climate-related risks and opportunities, and set up parameters

Step2
Set up climate-related scenarios

Step3
Assess financial impacts in each scenario

Step4
Assess the resilience*1 of our strategies to climate-related risks and opportunities and consider further measures

*1 Business continuity and growth based on risks and opportunities

Step1 Identify key climate-related risks and opportunities, and set up parameters

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

Step2 Set up climate-related scenarios

Based on the scenarios below 2°C and 4°C, the possible impacts on society are shown below.

Below 2°C Scenario

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

<Impacts>

Measures to achieve a decarbonized society are enhanced, including the introduction of CO_2 emissions regulations and expansion of the renewable energy market.

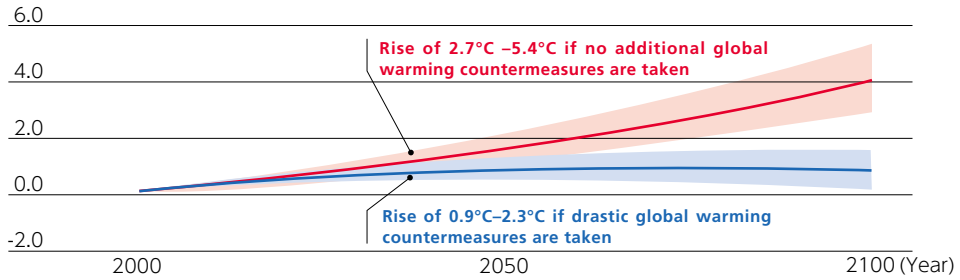
4°C Scenario

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

<Impacts>

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.

Change in Global Mean Surface Temperature*2



*2 Based on the Ministry of the Environment's Japanese translation of Summary for Policymakers, Working Group II Report, Fifth Assessment Report published by the IPCC Main Scenarios Referenced
- IEA World Energy Outlook 2020 (Sustainable Development Scenario, Stated Policy Scenario)
- IPCC (RCP2.6, RCP8.5)
- OECD-FAO Agricultural Outlook 2021–2030

Step3 Assess financial impacts in each scenario

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 our business activities.

Step4 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 pre-industrial era. To achieve this goal, we are promoting the expansion of renewable energy and the installation of mega-solar facilities to curb energy procurement prices. Furthermore, we are working to reduce long-term energy costs and strengthen the resilience of our business activities by improving energy use efficiency through fuel conversion and centralized energy management.

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

Financial Impacts and Responses Associated with Climate-Related Risks and Opportunities

Category		Contents	Business/Financial Impacts		Our Response/Resilience
			Below 2°C	4°C	
Transition Risks	Policies and regulations	• Increased costs due to tightened regulations such as carbon pricing	Large	Large	• Introduction of internal carbon pricing • Introduction of CO_2-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	Large	Large	
		• Steep rise in energy prices	Large	Large	
	Reputation	• Reputation risk and investment-related risk associated with inadequate response to climate change and water resource risks	Large	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 • Risks in raw material procurement such as disruption to supply chains and stable procurement	Medium	Large	• Decentralized production of major products • Formulation, disclosure, and sharing of procurement policies and guidelines with suppliers • Strengthening communication with our suppliers
	Chronic	• Increased energy costs associated with temperature rise	Large	Large	• Systematic renewal of facilities
		• Effects of climate change on drug discovery using crop and other natural products	Medium	Medium	• Collection of information about the impacts on drug discovery using crops and other natural products, risk assessment, and examination of countermeasures
Opportunities	Resource efficiency	• Reduction of operating costs through the introduction of energy-efficient equipment	Large	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	Large	Small	• 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 disorders and the spread of infectious diseases)	Large	Large	• 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 stroke, and expand sales of products with low environmental impact throughout their lifecycles
	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	Large	• 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: Large: One billion yen or more (equivalent to 1% of operating income assuming a minimum operating income of 100 billion yen) Medium: From negligible to less than one billion yen
Small: Negligible

Green Finance

The Otsuka group issued Green Bonds in September 2024. By issuing these bonds, we will support the financing of environmentally friendly projects and further boost our 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 yen	10 billion yen
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 Manager	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	

*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

Green Bonds (Japanese only)

Carbon Neutrality

Core Principles

Climate change due to global warming is causing serious environmental issues on a worldwide scale, such as by severely impacting biological and water resources. We recognize it as a major business risk. In aiming to contribute to a sustainable society, the Otsuka group is working to reduce greenhouse gas (GHG) emissions throughout the supply chain in line with the international targets and indicators adopted under the Paris Agreement.

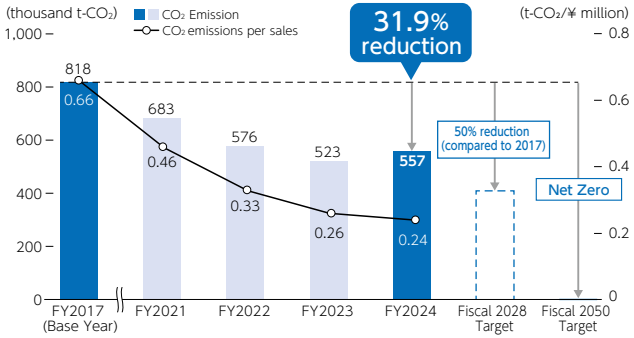
Governance Risk Management

Indicators and Goals

2028 targets

- **Reduction of CO_2 emissions**
  Scopes 1, 2: 50% reduction (compared to 2017)
  Scope 3: Initiatives to achieve carbon neutrality by 2050
- **20% self-generated renewable energy**

Target of CO_2 emission reduction and progress (Scope1,2)



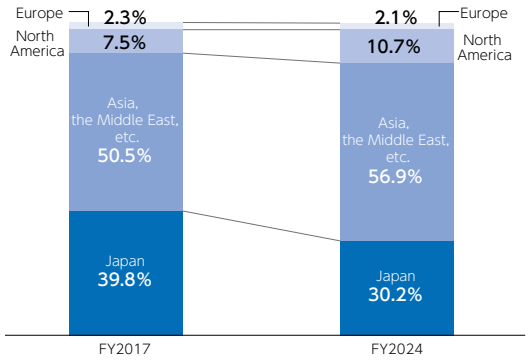
Major initiatives in 2024

- Purchase of electricity from renewable sources
- Introduction of solar power generation facilities
- Update and expansion of co-generation systems
- Expanding the scope of integrated energy services

Measures to achieve the 2028 target

- Further expansion of solar power generation facilities
- Installing storage batteries
- Fuel conversion by biomass fuel

Details of CO_2 emissions by region



Initiatives

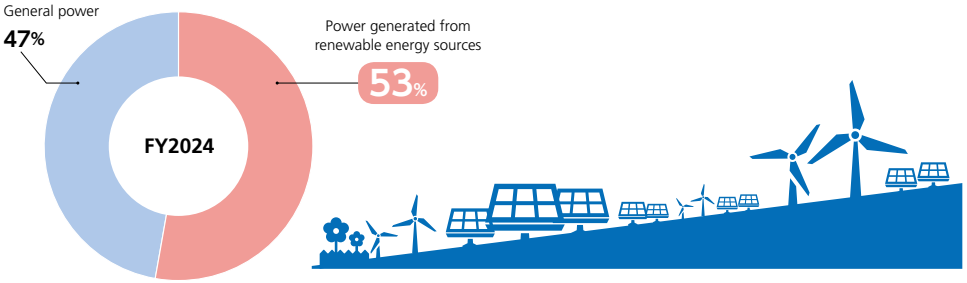
Initiatives to Reduce CO_2 Emissions (Scope1,2)

The Otsuka group has set a target of reducing CO_2 emissions by 50% by 2028 compared to 2017. As of 2024, we have achieved a 31.9% reduction, and we are making steady progress towards our target.

In expanding the use of renewable energy, we place importance on "additionality," which contributes to the creation of new renewable energy. In Japan, large-scale solar power generation facilities were installed at the Kushiro Factory of Otsuka Pharmaceutical Factory Co.,Ltd. in 2020, and in Naka Town, where the Tokushima Wajiki Factory of Otsuka Pharmaceutical Co., Ltd. is located, in 2024. Outside Japan, large-scale solar power generation facilities were introduced at Otsuka Pharmaceutical India in 2020, and at Otsuka Chemical India in 2022. In addition, we are working to maximize energy use efficiency, such as by introducing a cogeneration system* (Tokushima Factory, Otsuka Chemical, started operation in January 2024) that enables us to supply energy, including electricity and steam, to Otsuka group companies, thereby promoting decarbonization.

* The engines, turbines, or fuel cells of co-generation systems generate electricity from natural gas, LPG, or other fuel sources. At the same time, the systems collect the waste heat, thereby achieving efficient use of both heat and electricity

Ratio of electricity from renewable sources



Expansion of introducing solar power generation facilities

The Otsuka group installed a large-scale solar power generation facility with annual power generation of approximately 4,000 MWh in Naka Town, where the Tokushima Wajiki Factory of Otsuka Pharmaceutical Co., Ltd. is located, in September 2024. This is our second mega solar power system in Japan, following the Kushiro Factory of Otsuka Pharmaceutical Factory Co., Ltd. Outside Japan, we have also introduced large-scale solar power generation facilities in India and Indonesia. In FY2024, the group's total solar power generation reached 24,600 MWh.
We will continue to place importance on "additionality," which contributes to the creation of new renewable energy, and actively promote the expansion of its use.

Amount of solar power generated in Otsuka group

24,600MWh
(Equivalent to the amount of electricity consumed by approximately 6,200 households*)


Solar power generation facilities in Naka Town of Tokushima

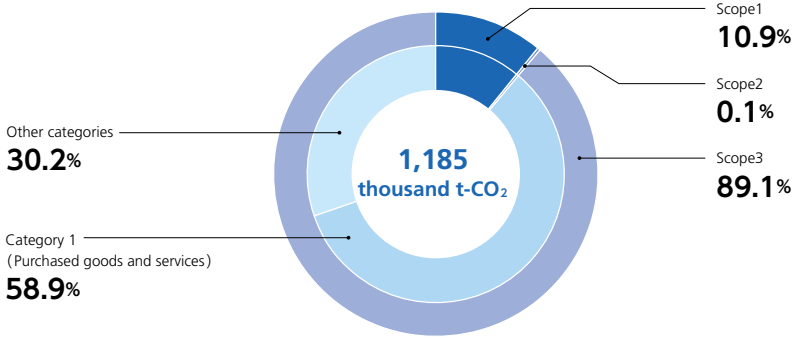
*FY2022 Survey on CO_2 Emissions from Households by the Ministry of the Environment

Initiatives to reduce CO_2 emissions throughout the supply chain (Scope 3)

We have adopted the 2050 Environmental Vision, "Net Zero," which calls for us to reduce the total environmental impacts of our business activities to zero. We are working to reduce our environmental impacts throughout our group's business activities and the supply chain. To achieve this vision, we have established an integrated energy service structure within the group and are promoting centralized procurement of renewable energy and the supply of electricity generated within the group to our business sites. In April 2024, we began supplying renewable energy to our business partners, to whom we outsource the production of some of the containers for our group's products. Moreover, we disseminate our procurement policies and conduct assessments also in procurement activities to take initiatives for sustainable procurement, which encourages suppliers to consider the environment, aiming to build a sustainable supply chain.
We will continue to work with our business partners to further reduce the environmental impact of our entire supply chain and achieve business growth through utilizing new technologies and solutions.

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

Greenhouse gas emissions (Scopes 1, 2, 3*)



Scope: Five group companies: Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory,Taiho Pharmaceutical, Otsuka Chemical, and Otsuka Foods

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

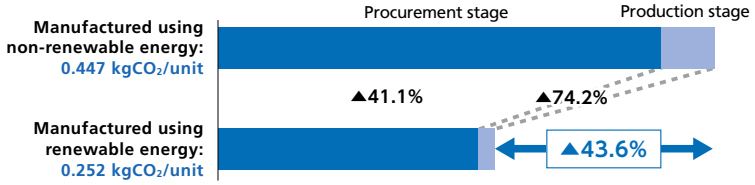
Assessment of reducing the environmental impact by supplying renewable energy to our business partners

In April 2024, the Otsuka group began supplying renewable energy to our business partners, to whom we outsource the production of some of the containers for our group's products. We have evaluated the carbon footprint of our relevant products to quantify the reduction in environmental impact caused by this initiative.

The carbon footprint is a method of converting the greenhouse gas emissions produced throughout the entire lifecycle of our products and services, from raw materials procurement to disposal and recycling, to equivalent CO_2 emissions, and evaluating them quantitatively. The Otsuka group is working to reduce CO_2 emissions throughout the supply chain by periodically evaluating the environmental impact of its products and using the results to take improvement measures.

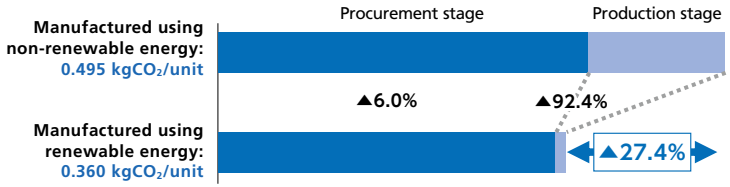
Oronine H Ointment 100g Bottle (excludes product contents)

Oronine-H Ointment is a product for treating minor skin conditions and injuries. The carbon footprint value of this product from the procurement stage to the production stage has been reduced by 43.6%. (At the procurement stage, that includes the carbon footprint values for the containers (bottles) manufactured by a business partner that has adopted renewable energy, as well as the packaging materials (labels, lids, boxes, etc.) manufactured by other suppliers. At the production stage, carbon footprint values from the introduction of renewable energy are included.)



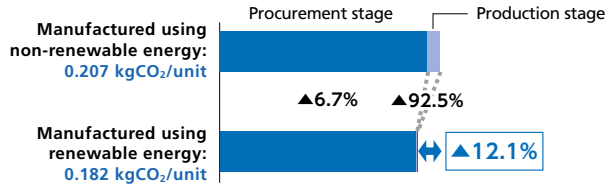
ELNEOPA-NF No.2 Injection 1000mL Soft Bag (excludes product contents)

ELNEOPA-NF No.2 Injection is a kit formulation for high-calorie infusion. The carbon footprint value of this product has been reduced by 27.4%. (At the procurement stage, that includes the carbon footprint values for some of the containers (MP port: circled red) manufactured by a business partner that has adopted renewable energy as well as the packaging materials (such as container films) manufactured by other suppliers. At the production stage, carbon footprint values from the introduction of renewable energy are included.)



Lactec Injection 500mL Soft Bag (excludes product contents)

Lactec Injection is a lactated Ringer's solution mainly used as an infusion. The carbon footprint value of this product has been reduced by 12.1%. (At the procurement stage, that includes the carbon footprint values for some of the containers (NC port: circled red) manufactured by a business partner that has adopted renewable energy as well as the packaging materials (such as container films) manufactured by other suppliers. At the production stage, carbon footprint values from the introduction of renewable energy are included.)

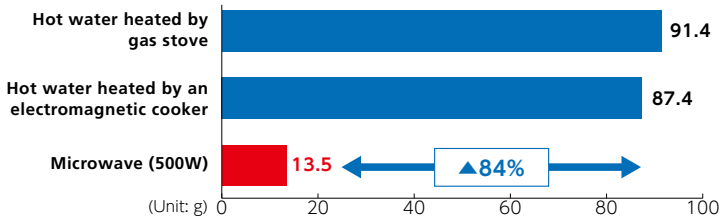


Substantial reduction of CO_2 emissions by adopting a new cooking method in the *Bon Curry* brand*1

For the *Bon Curry* brand, Otsuka Foods was one of the first to introduce a microwave-safe pouch that can be microwaved with the entire box after opening the top, instead of the conventional method of cooking with hot water. This improved convenience and reduced CO_2 emissions during cooking by approximately 84%*2.

*1 Carbon footprint calculation based on the new cooking method
*2 When heated for 2 minutes at 500W

Comparison of CO_2 emissions in the *Bon Curry* brand



Pursuing the optimal energy mix*1 through group-wide integrated energy management in Japan

The Otsuka group established the Energy Support Department (ES Department) in Otsuka Business Support, a subsidiary responsible for shared services that consolidates indirect operations of Otsuka group companies, aiming to centralize energy management in Japan and establish an advanced management system of supply and demand. Since April 2022, we have been supplying renewable energy to group companies nationwide by purchasing electricity from electricity generation utilities and other sources.

In July 2023, we completed the Otsuka Group Energy Management Building, which serves as the central hub for the group's integrated energy service. Subsequently, we started the operation of a cogeneration system at Otsuka Chemical in January 2024. The ES Department promotes integrated group management of electricity and steam through cooperation with Otsuka Chemical, including centralized procurement of renewable energy, forecasts of power supply and demand, and distribution of electricity and steam generated by the system to the business sites. Furthermore, through introducing a state-of-the-art data management system utilizing various IoT sensors and cameras, the department also manages the usage of water, electricity, and heat within the Kawauchi area factories, where many of the production facilities are located in Tokushima, as well as wastewater from production activities.

A demonstration plant using hydrogen is in operation adjacent to the Energy Management Building, and we are working to validate next-generation energy technologies that do not emit CO_2.

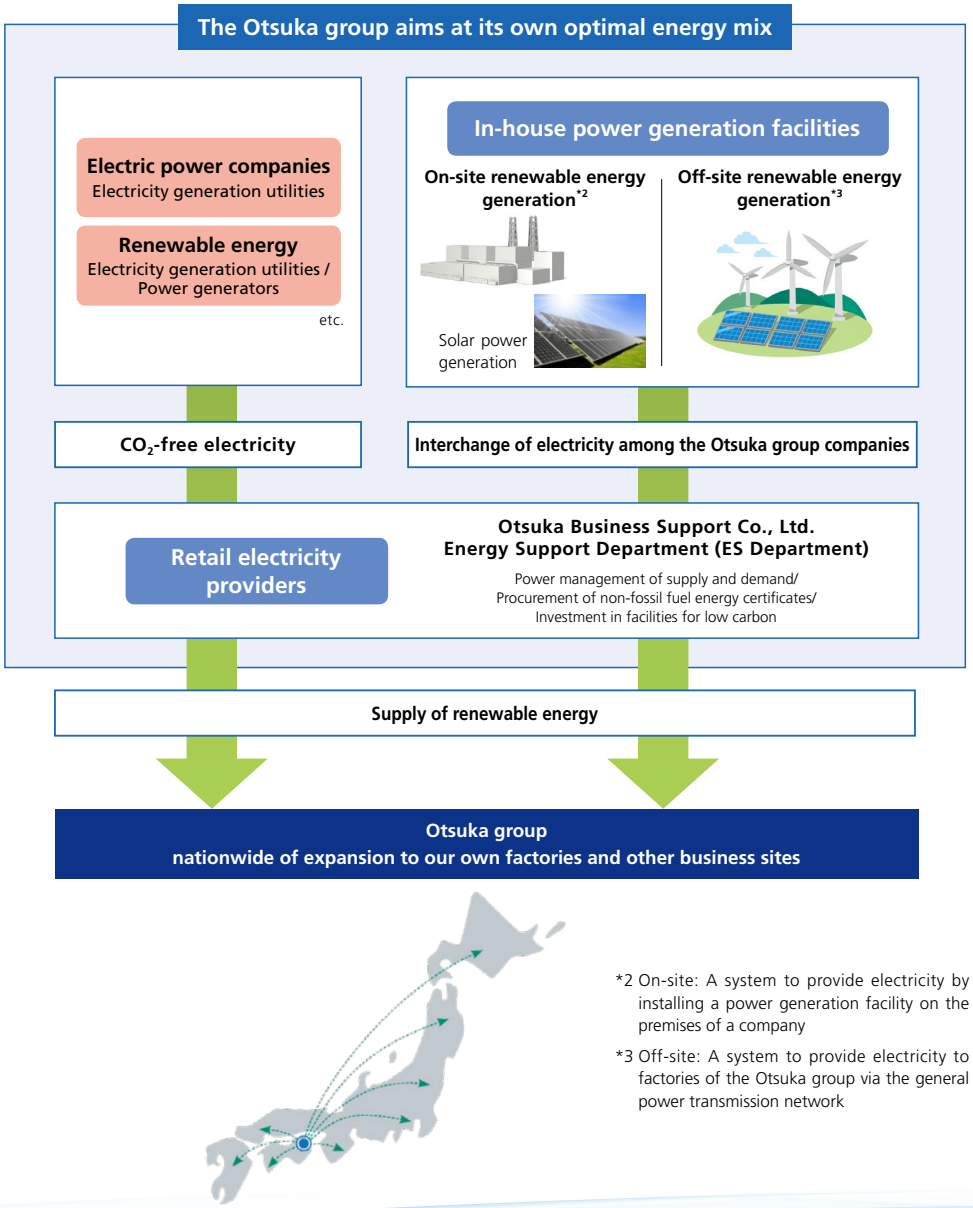
The Otsuka group is pursuing the optimal energy mix by upgrading its energy management system and is promoting its initiatives to achieve the 2050 Environmental Vision, "Net Zero."

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

Assessment of reducing the environmental impact by supplying renewable energy to our business partners

Otsuka Group Energy Management Building

Integrated energy management



*2 On-site: A system to provide electricity by installing a power generation facility on the premises of a company

*3 Off-site: A system to provide electricity to factories of the Otsuka group via the general power transmission network

Circular Economy

Core Principles

In line with global trends, for us to be able to create a more sustainable society and achieve sustainable corporate growth, we need to shift to a circular economy-type business model whereby we can achieve growth without having a serious impact on the environment. We regard the use of fossil resources-derived materials and waste discharge to the natural environment as environmental impacts that must be reduced to zero. We are committed to eliminating fossil resources-derived materials and achieving zero waste* as our vision. We will also continue to increase resource efficiency throughout the supply chain and build a harmonious and sustainable relationship with all resources, including bioresources.

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

Otsuka Group Plastic Policy

Fundamental Concept

PET bottles comprise the majority of plastic containers and packaging used for consumer products by our group companies. For this reason, we believe that by promoting PET bottle recycling, we can reduce our reliance on fossil fuel and thereby contribute to environmental conservation. Our plan is to use PET bottles manufactured from recycled and plant-based materials and increase the percentage of such sustainable resource use in our production processes globally to 100% by 2030 and by 2050, we aim to eliminate the use of petroleum-based raw materials in all consumer products.

Our Vision for 2050

For our entire line of consumer products, we will endeavor to use packaging that supports a sustainable society:

- No use of plastics made from petroleum-based materials
- Promote use of recycled, plant-based, and biodegradable materials
- Promote use of reusable packaging

Our Goal for 2030

- Achieve 100% use of recycled and plant-based materials in our PET bottles.
- Adopt new alternative materials (such as paper containers) as beverage containers, and increase the use of existing can containers.
- Promote the reuse model for beverage containers by the adoption of reusable containers through a circular sales model as well as the use of personal bottles and squeeze bottles for existing powder-type products.
- Promote the use of alternative material containers in parallel with the recycling of beverage containers.

To advance PET material recycling, it is essential to recycle PET bottles for use as raw material. Together with our various stakeholders, we will advance our global efforts on proper collection and recycling of used PET bottles.

(Revised July 2022)

Governance Risk Management

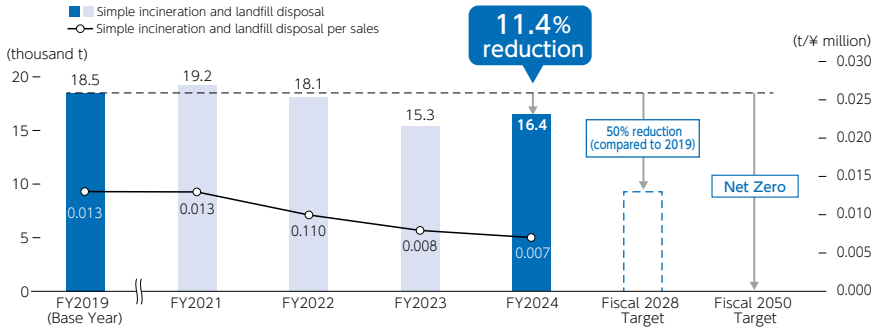
Indicators and Goals

Our Goals

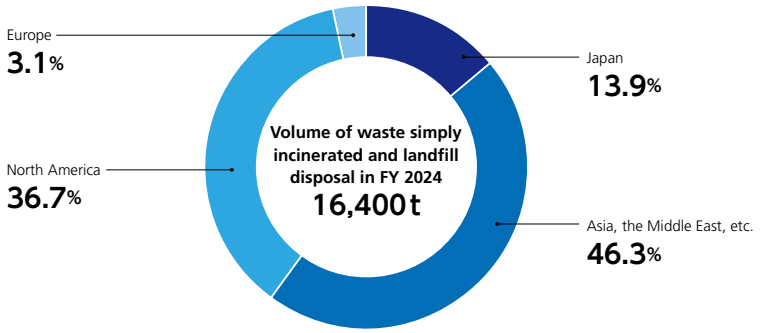
[2028 targets]
- **50% reduction in simple incineration and landfill disposal compared to 2019**
- **Formulation and implementation of food loss reduction plans**

[2030 targets]
- **100% of recycled materials in our PET bottles and use of plant-based materials**

Targets and progress in reduction of simple incineration and landfill disposal volume



Volume of waste simply incinerated and landfill disposal by region

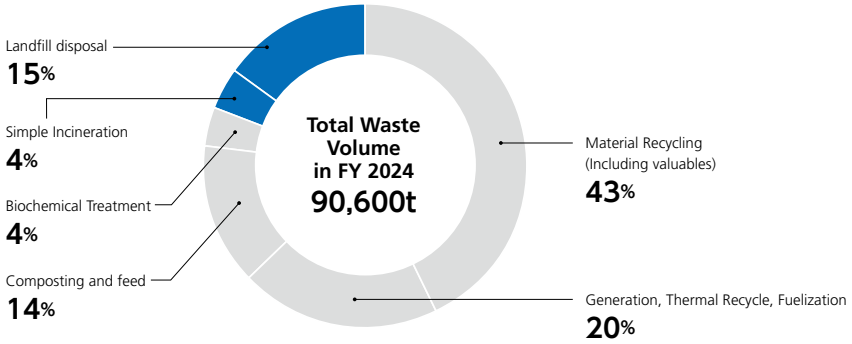


Initiatives

Initiatives toward Zero Waste

To promote the circular economy, the Otsuka group recognizes waste discharge to the natural environment (simple incineration and landfill disposal) as a serious environmental impact, and aims to reduce waste volume to zero (zero waste) by recycling and efficiently using resources. To achieve this "zero waste," our group has set our goal of reducing 50% in simple incineration and landfill disposal compared to 2019 by 2028. As of 2024, we have achieved an 11.4% reduction (see page 15) To achieve this goal, we are tracking the waste treatment status by nation and region, identifying issues through analyzing the breakdown, and promoting concrete initiatives.

Breakdown of Total Waste Volume



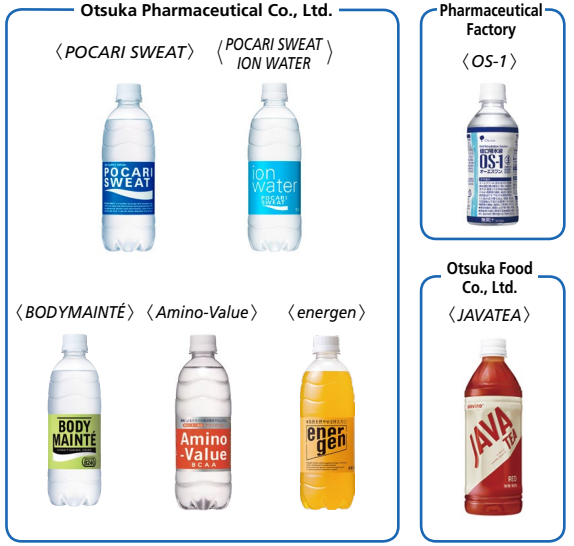
Initiatives of Packaging for a Sustainable Society

Resources recycling of PET bottles

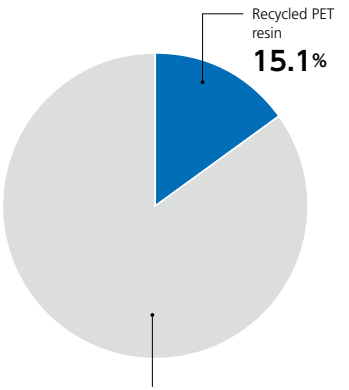
The Otsuka group has been working to reduce the amount of plastic used by reducing the weight of plastic containers and packaging, and selling label-free products. In Japan, PET bottles made from recycled PET resin are available in various products, including *POCARI SWEAT*, *POCARI SWEAT ION WATER*, *BODYMAINTÉ*, *Amino-Value*, and *energen* as of 2024, which has helped the proportion of recycled PET resin in beverage products in Japan reach 15.1%. Outside of Japan, Amerta Indah Otsuka in Indonesia is also filling *POCARI SWEAT* in PET bottles made from 30% recycled PET resin.

In Japan, we began shifting to 100% recycled PET bottles for OS-1 with 300 mL in 2025, and *JAVATEA* in February of the same year.

Major PET bottle products made from recycled PET resin

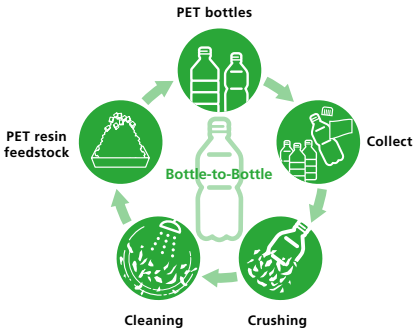


Ratio of recycled materials in our PET bottles (FY 2024 in Japan*1)



*1 Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory and Otsuka Foods

Promotion of horizontal PET bottle recycling "Bottle-to-Bottle"



The Otsuka group set the goal of the percentage of recycled and plant-based materials used in all PET bottles to 100% by 2030 and promote "Bottle-to-Bottle*2" initiatives. In the past, PET bottles disposed of at home were recycled into products other than PET bottles, such as food trays and textiles, and those that did not meet the quality level for recycling were incinerated. However, the development of technologies to produce high-quality recycled PET resin from used PET bottles enables spreading initiatives to reuse PET bottles as PET bottles. These technologies will enable the recycling of PET bottles and reduce the environmental impact by reducing CO_2 emissions and the use of new fossil resource-derived materials.

*2 Used PET bottles are converted into raw materials (horizontal recycling) and recycled into new PET bottles.

Regional collaboration agreement for resource recycling

Regional collaboration agreement for resource recycling

Otsuka Pharmaceutical has been working on this initiative since November 2022 in collaboration with local administrations, business partners, etc. The company also finalized a collaboration agreement for resource recycling with Naruto City of Tokushima, and Toyota Tsusho Corporation in February 2023.

As of 2024, the company has concluded agreements for resource recycling with more than 20 municipalities. The company also promote "Bottle-to-Bottle," collection and horizontal recycling of PET bottles at large-scale events such as marathons and summer music festivals.

Signing Ceremony of the Agreement on Horizontal Recycling of PET Bottles between Minamiuonuma City and Yuzawa Town

The company will continue to create synergies through collaboration with public administrations, local governments, and business partners to achieve a recycling-oriented society.

*Used PET bottles are converted into raw materials (horizontal recycling) and recycled into new PET bottles.

Promotion of horizontal PET bottle recycling "Bottle-to-Bottle"

Public-private-academic collaboration in Indonesia Sustainability Program "OTSUKA BLUE PLANET"

In September 2022, PT Amerta Indah Otsuka in Indonesia concluded an agreement with the Ministry of Environment and Forestry on OTSUKA BLUE PLANET, a sustainability program for local governments and residents in the vicinity of its factory. The company has been promoting the following three projects since then:

1. ECO Village Project: With the aim of creating a community environment in which people can develop the habit of taking good care of waste as resources and manage waste independently, we are working together with local people to operate facilities for waste treatment and management, and promoting the establishment of a system for independent waste management in the community.


Waste separation facility


Recycling using waste

2. ECO Blue School Project: The company engages a total of 3,500 students from 6 participating high schools in environmental education and recycling initiatives, including school beautification, waste management, and PET bottle recycling.


Environmental awareness activities at a high school


Collecting used PET bottles

3. ECO Bottle Project: The company is promoting the sales of *POCARI SWEAT* in PET bottles made from recycled PET resin.

4. Eco Factory Project: Promoting environmentally friendly factory management to achieve the 2050 Environmental Vision, "Net Zero."

Resources recycling of PET bottles

Initiatives to Reduce Food Loss

Large-scale waste disposal due to food loss results in an impact on the environment, including an increase in waste and CO_2 emissions. The Otsuka group is improving production processes and the accuracy of supply and demand forecasting to reduce food loss.

Repurposing food waste for biofuel production and composting

FoodState's brand MegaFood, a pioneering company in food-based supplements in the United States, launched the "Compost Program" in August 2024 in collaboration with their third-party partner, Waste Management, Inc. This program repurposes food waste into biofuel and compost. By composting food waste, soil improvement is promoted, and CO_2 emissions and disposal costs are reduced. This contributes to both environmental protection and the effective use of resources. As a result, 1.8 tons of food waste were repurposed in the first five months. Moving forward, the initiative will be expanded to include the repurposing of food waste generated in offices and discarded supplements from the production process into biofuel and compost.

Donation to non-profit organizations (NPO)

We donate food and beverages whose in-house shipping deadlines have expired to food banks and NPOs that provide food and daily necessities to people in need.

Results in FY 2024

Operating company	Region	Product	Recipients of the donation	Amount of donation
Nutrition et Santé	Europe	Health food	Food banks	Approx. 41t
FoodState	United States	Food-based supplements	NPO	Approx. 5t
Taiho Pharmaceutical	Japan	Nutritional drinks, etc.	Food banks	Approx. 3t

Water Neutrality

Core Principles

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

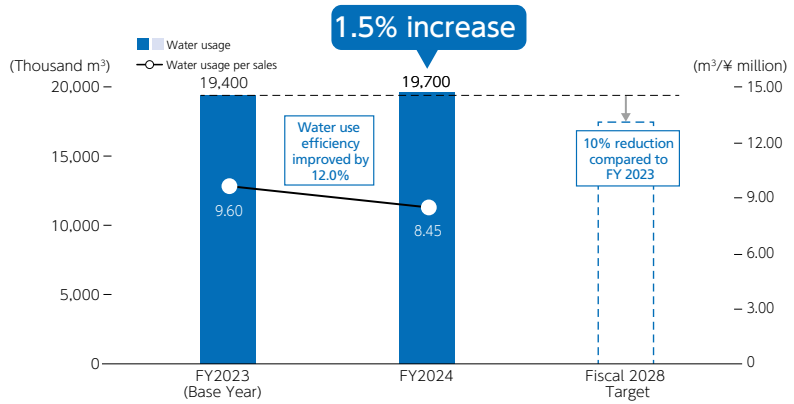
Indicators and Goals

Governance | Risk Management

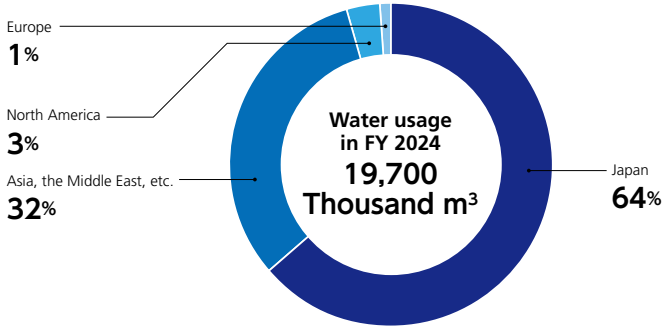
2028 targets

- **Planning water use strategies at business sites in water-stressed areas**
- **Develop a water use strategy for business locations in water-stressed areas**
- **10% reduction in water consumption compared to 2023**

Target of water usage reduction and its progress



Breakdown of water usage by region



Water intake by area

(Thousand m³)

	Municipal water (including industrial water)	River water	Ground water
Japan	11,310	80	1,143
Asia, the Middle East, etc.	3,463	0	2,815
North America	560	0	121
Europe	167	2	25

Initiatives

Initiatives to Reduce Water Usage

About 60% of the water used by the Otsuka group comes from production activities in Japan. We strive to ensure the proper use of water to continuously preserve water resources from intake to discharge.
Major initiatives to reduce water usage, including improvements in our production processes and water reuse, resulted in a 12.0% improvement in global water use efficiency (water usage per sales) compared to FY 2023. However, global water usage increased by 1.5% (300,000 m³) compared to FY 2023 due to an increase in production volume.

Reduction of Emissions to the Atmosphere and Water Systems

Water recovery for its effective use at production sites

At the Matsushige Factory of Otsuka Pharmaceutical, which manufactures infusion solutions, ethical pharmaceuticals, approximately 84,000 m³ of water was effectively utilized by recovering the water used to cool the devices. We will continue to utilize water effectively.

Evaluating Water Risk at Manufacturing Sites

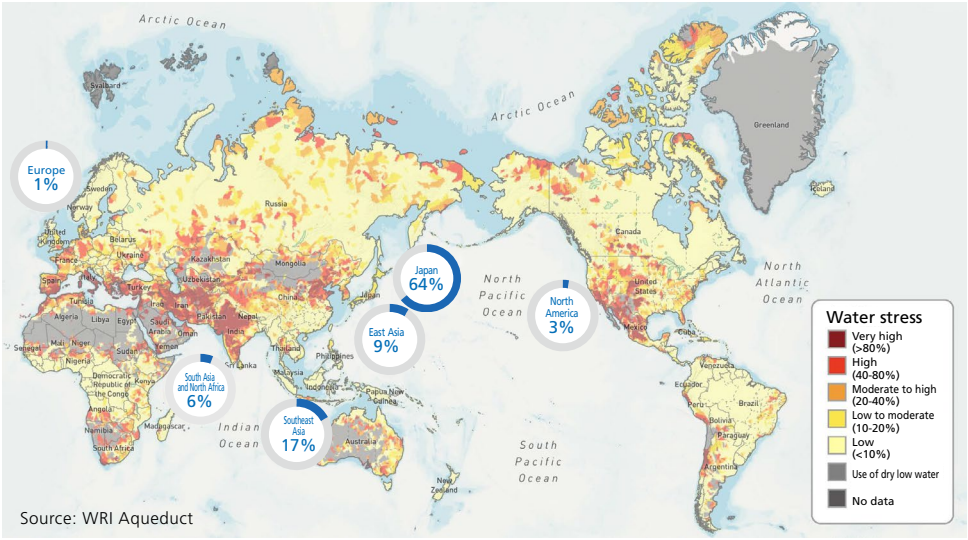
Considering environmental risks in each region is also important for sustainable growth in the diverse business models of the Otsuka group operating around the world. As for water resources, we have conducted water risk assessments at our group's production sites using the water risk assessment tool "Aqueduct," developed by the World Resources Institute (WRI), which found that seven factories in the U.S., India, and Spain fall under the category of "Extremely High (Extremely High)" in the index of Baseline Water Stress*.

The Otsuka group used 19.7 million m³ of water in FY 2024, of which 7.4% of the water was used in the areas that fall under the category of "Extremely High." Currently, no risks have been identified. We will continue to closely examine risk details at these factories with our local subsidiaries and further investigate the risks.

In addition to complying with national and regional laws and regulations, the Otsuka group has formulated water resources management guidelines that establish and manage water management items and standards to identify risks in the supply chain of water resources. We monitor and manage the quantity and quality of water from intake to discharge at all production and research sites, thereby aiming to strengthen water resource management in each region and to achieve sustainable water use.

* A state in which the amount of available water resources is insufficient relative to the amount of water demand of humans and ecosystems. It includes not only water shortage, but also water quality and access to water.

Aqueduct Water Risk Atlas and Breakdown by Region of Water Consumption in the Otsuka Group



Source: WRI Aqueduct

Biodiversity

Core Principles

The Otsuka group recognizes that biodiversity is an indispensable natural capital for all business activities. As a member of a society that benefits from nature, we will take into consideration the impact of our business activities on biodiversity and work to conserve and restore biodiversity towards realizing a sustainable society that passes rich nature to future generations.

Otsuka Group Biodiversity Policy

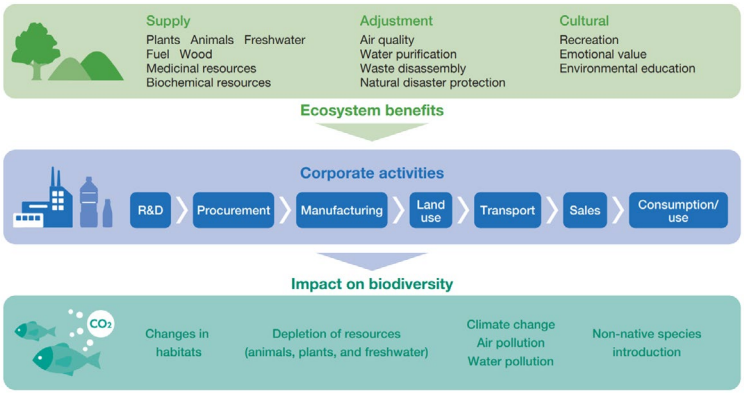
Guidelines

1. We will clarify the relationship between biodiversity and business activities throughout the supply chain and promote the conservation and sustainable use of biological resources.
2. We will promote the development of biodiversity considerate products and technologies and strive to reduce the impact on nature.
3. We will respect international agreements on biodiversity and comply with treaties and laws and ensure the proper access and use of genetic resources, as well as the fair and equitable distribution of the benefits accruing therefrom.
4. We will communicate with various stakeholders such as administrative agencies, local residents, and NGOs, and collaborate with local communities, to conserve and restore biodiversity.
5. We will strive to promote conservation activities by raising awareness about the relationship between our business activities and biodiversity.

(Revised in April 2024)

Governance Risk Management

Relationship between Biodiversity and Business Activities



Indicators and Goals

The Otsuka group has established the 2050 Environmental Vision, "Net Zero," which aims to reduce the total environmental impact across all our business activities to zero. As a mid-term biodiversity target, the group has set a target of 100% use of RSPO certified palm*1 oil and sustainable paper*2 by 2028. We are promoting sustainable and responsible procurement (sustainable procurement) initiatives by promoting business operations considerate of ecosystems.

*1 Certified sustainable oil approved by RSPO (Roundtable on Sustainable Palm Oil)
*2 Certified paper or recycled paper that complies with the forest certification system under appropriate management

Sustainable Procurement

2028 targets	
	● Uses 100% of RSPO certified palm oil ● 100% use of sustainable paper

Initiatives

Business Operations Considerate of Local Ecosystems

The Otsuka group is committed to conserving animals and plants in accordance with laws and regulations, as well as protecting the natural environment in local communities. We have introduced annual environmental surveys to our domestic and global operating companies with production sites, and we monitor compliance with laws and regulations regarding protected animals and plants that are defined by laws (e.g., IUCN protected area management categories, the Ramsar Convention, domestic laws and regulations), and conservation activities. In addition, the Otsuka group has revised our biodiversity policy and guidelines this year to assess our dependency and the environmental impact of our business activities. We plan to disclose information on governance, strategy, risk management, and targets and indicators in line with the Taskforce on Nature-related Financial Disclosures (TNFD). We will continue striving to recognize ecological risks in the regions surrounding our factory and tackle them.

Sustainable procurement

The Otsuka group recognizes that the conservation of biodiversity and sustainable use of biological resources are essential for the sustainable growth of our group and promotes the procurement of palm oil and paper with consideration for sustainability. We will gradually replace palm oil with RSPO certified palm oil. With regard to paper, we have prepared procurement guidelines and are replacing paper-based documents, such as reports, with sustainable paper documents. We will also replace packaging materials for our products with sustainable ones in the future.

Sustainable Procurement

Pollution Control and Management of Chemical Substances

Core Principles

The Otsuka group will control and reduce the generation of chemical substances used and emitted in the business activities of our group companies and our manufacturing contractors through operation of the ISO14001 environmental management system with appropriate management and improve the system's operation.

Otsuka Group's Chemical Substance Management Policy

Guidelines

1. Prevent the adverse effects of chemical substances on humans and ecosystems

2. Comply with laws and regulations in each country and further promote voluntary initiatives We will comply with the laws and regulations of each country regarding the use and discharge of chemical substances and will further promote voluntary initiatives.

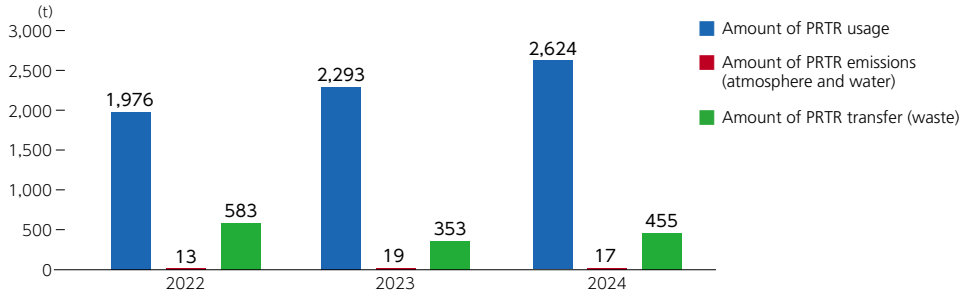
3. Monitoring
We will monitor the amount of chemical substances used and emitted in our business activities, check the status of compliance and progress of voluntary initiatives regularly, and take necessary corrective actions.

4. Response in the event of violations or disasters
We prepare the procedures for dealing with violations and disasters and share them with relevant employees to prevent the occurrence of chemical contamination even in a state of emergency.

Proper Management of Chemical Substances*1

We handled 2,624 metric tons of PRTR substances*2 in our business activities. We will continue to strive for appropriate management of chemical substances.

Substance transfers and emissions (substances subject to PRTR)

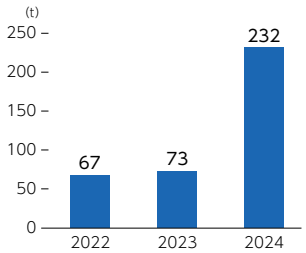


Reduction of Emissions to the Atmosphere and Water Systems*1

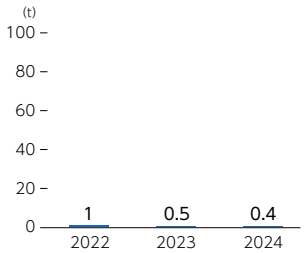
Prevention of Air Pollution

The total amounts of emissions of air pollutants from our business activities were 232 metric tons of NOx (nitrogen oxides), 0.4 metric ton of SOx (sulfur oxides), and 3 metric tons of soot and dust. The increase in NOx emissions was due to the addition of equipment installed at Otsuka Chemical's cogeneration facilities. Complying with laws and regulations, we are making efforts to operate the facilities appropriately. We will continue to consolidate boiler facilities, switch to cleaner fuels, and improve its energy efficiency to minimize emissions of NOx and SOx into the atmosphere.

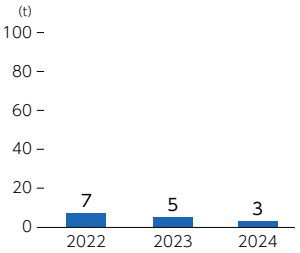
NOx (Nitrogen Oxides) Emissions



SOx (Sulfur Oxide) Emissions



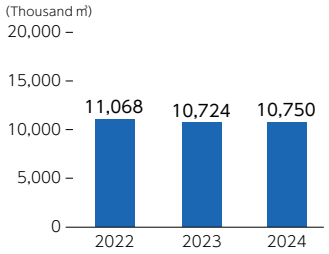
Dust and Soot Emissions



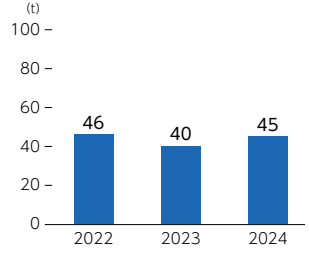
Prevention of Water Pollution

The total amount of wastewater discharged from our business activities were 10,750,000m^3, COD (chemical oxygen demand), which indicates the environmental impact of water quality, was 45 metric tons, and SS (suspended solid) emissions were 31 metric tons.

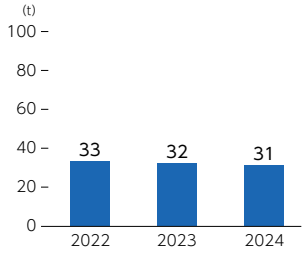
Total Amount of Wastewater



COD (chemical oxygen demand) Emissions



SS (Suspended Solids) Emissions



*1 Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, and Otsuka Foods

*2 PRTR (Pollutant Release and Transfer Register): an inventory tracking system to recognize, calculate, and publicize data on various harmful chemical substances: their generation sources, and their quantities released into the environment, or their quantities contained in waste and carried out of the workplace. At present, the identified number of PPTR substances is 515.

Sustainable Procurement

Core Principles

In March 2024, the Otsuka group established the Otsuka Group Business Partner Code of Ethics to articulate our uncompromising commitment to the highest standards of ethical conduct to be achieved in cooperation with our business partners. As for procurement activities, we established our procurement policy, the Otsuka Group Procurement Policy, and the Otsuka Group Sustainable Procurement Guidelines to ask our suppliers for cooperation. We have disseminated the content of the guidelines to them.
In November 2024, we set up a "Speak Up Line" for our business partners, including suppliers, to consult with us or to report any suspected or actual misconduct or violations of laws/regulations by any person associated with the Otsuka group. To deliver high-quality, sustainable products to patients and consumers, we work together with our suppliers to realize a sustainable society and increase corporate value for both parties through ethical and sustainable procurement activities, in addition to quality, safety, and stable supply.

Otsuka Group Procurement Policy
(Excerpts involved environment)

Environmental management

We conduct our procurement activities in compliance with the Otsuka Group's Environmental Policy and hold ourselves accountable for the commitments listed below.

- Environmental protection
- Environmental permits
- Reduction of greenhouse gas emissions
- Proper management and reduction of waste and emissions to prevent pollution
- Sustainable resource utilization and responding to biodiversity

(Revised in May 2024)

Business Partner Code of Ethics

Otsuka Group Procurement Policy

Sustainable Procurement Guidelines

Initiatives

Promotion Framework for Sustainable Procurement Activities

A Sustainable Procurement Project, led by the director in charge of sustainability at Otsuka Holdings, was launched in 2022 and its progress and issues are shared every quarter. This project promotes activities with two pillars: "Stable Procurement," aiming to build a solid procurement system to deliver high-quality products, and "Responsible Procurement," aiming for ethical and sustainable procurement activities.

Promotion System

Implementing Supplier Due Diligence

To ensure a stable product supply, the group has conducted due diligence in new suppliers and risk assessments of key raw materials. The group has also implemented risk countermeasures for raw material procurement, such as identifying potential risks and sourcing from multiple suppliers.
While some of the group's overseas and domestic operating companies already evaluate new suppliers based on human rights, labor conditions, anti-corruption measures, and environmental impact, expanding this evaluation to all group companies remains a challenge for the future.

Expanding Evaluation on Suppliers

The Otsuka group conducts supplier assessments using the CSR Procurement Self-Assessment Questionnaire (SAQs) prepared by Global Compact Network Japan (GCNJ) in 2022 to grasp the suppliers' initiatives for human rights, labor, the environment, and anti-corruption. To date, we have conducted an assessment for 653 suppliers of our group's major domestic operating companies* and confirmed that there are no significant sustainability-related risks. In 2024, we introduced the assessment by using our own SAQs and EcoVadis, an international assessment standard tool. In the future, we will gradually expand the assessment for our suppliers at our operating companies in our group, including overseas companies.
During the period of our 4th Medium-Term Management Plan, which ends in 2028, we will make our procurement policies and guidelines known to our suppliers and obtain their consent. Furthermore, we conduct assessments for our suppliers and promote sustainable procurement by identifying and managing potential risks in the supply chain.

* Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, and Otsuka Foods, Otsuka Techno, EN Otsuka Pharmaceutical, and Otsuka Packaging Industries

Engagement

Core Principles

The Otsuka group believes that building relationships of trust with its various stakeholders, including employees, customers, business partners, society, investors, and shareholders, is essential to achieving sustainable growth and a healthy and sustainable society. In particular, to promote environment-friendly initiatives, the Otsuka group aims to solve social issues through business in cooperation with the national government, ministries and agencies, local governments, and industry groups.

Stakeholder Engagement

Industry Associations

The Otsuka group is promoting common environmental initiatives in cooperation with various industry associations, including the Japan Pharmaceutical Manufacturers Association and the Japan Soft Drink Association, while maintaining fair relationships. The group deepen mutual understanding through communication and discussion and work together to improve the sustainability of the entire industry.

Japan Soft Drink Association

PET bottles for beverages account for about 70% of plastic containers and packaging used for consumer products handled by the group companies. For this reason, the group considers PET bottles recycling a social responsibility. Otsuka Pharmaceutical and Otsuka Foods are members of the Japan Soft Drink Association. In particular, Otsuka Pharmaceutical serves as executive director of the organization and actively works to resolve industry issues, including the promotion of a PET bottle recycling system: “Bottle-to-Bottle” initiatives, and efforts to address logistics issues.

Community and Society

Promotion of agroecology*1

Nutrition et Santé (N&S), a pioneer in health foods in Europe, is actively promoting agroecology, a sustainable agriculture that leverages ecosystems, in collaboration with business partners to ensure a stable supply of high-quality products in the future.

In recent years, soil degradation in Europe has become a serious issue due to changes in soil environments, including climate change. Maintaining the soil environment of agricultural products, which are the raw materials, is essential for the stable supply of high-quality products. Therefore, N&S signed a sustainable partnership with agricultural cooperatives and farmers in 2024 to promote sustainable agriculture through soil conservation while securing high-quality raw materials. Specifically, by reducing the use of chemical fertilizers, soil improvement is promoted, and the procurement of nutrient-rich raw materials is expected. In addition to technical and financial support for farmers, through a 3 year follow-up, the partnership aims to increase the proportion of raw material procurement accordance with this partnership to over 60% (100% for main raw materials such as wheat and organic soybeans) by 2030.

Tripartite agreement ceremony

*1 Agriculture and farming methods that improve soil quality, plant health, and crop productivity without relying on chemical pesticides and fertilizers by effectively utilizing interactions among various species in farmland and the surrounding environment. They are 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 agriculture*2

Regenerative agriculture is a holistic farming approach that helps to restore and improve soil and the environment while cultivating nutrient-rich crops. FoodState's brand, MegaFood, a pioneer in food-based supplements in the United States, is actively supporting regenerative agriculture through academic research, investment in supplier education, and participation in related initiatives.

For example, the company is conducting joint research with academia on beets, a vegetable rich in antioxidant polyphenols and used in a number of MegaFood's popular products. The study will analyze how growing conditions and processing affect nutrients in raw materials and results will be used to help educate consumers on the implications of regenerative agriculture.

*2 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

Initiative/External Assessment

Initiatives That We Are Engaged In

Initiative/ Organization Name	Projects
RE100	Otsuka Holdings has endorsed RE100, an international initiative that aims for 100% use of renewable energy for business operations and joined it in April 2022.
Japan Climate Initiative (JCI)	Otsuka Holdings supports for Japan Climate Initiative that declares "joining the front line of global push for decarbonization from Japan," and participates in various activities.
Science Based Targets Initiative (SBTi)	Greenhouse gas (GHG) emissions reduction targets set by Otsuka Pharmaceutical and Taiho Pharmaceutical have been certified by the Science Based Targets (SBT) initiative. * An international initiative led by the United Nations Global Compact (UNGC), World Resources Institute (WRI), and Worldwide Fund for Nature (WWF). It certifies the CO_2 emission reduction targets of companies that are in line with emissions reduction scenarios based on scientific facts, for achieving the Paris Agreement-mandated objective of limiting the average global temperature rise to below 2°C.

External Recognition

ESG External Assessment

CDP	**Otsuka Holdings selected for CDP Climate Change A List** CDP is a UK-based international NGO that works on environmental issues such as climate change. They ask major companies and cities around the world to disclose information on how they are dealing with issues such as climate change and water management and conduct questionnaires and assessments. In 2024, Otsuka Holdings received the highest evaluation of A List for climate change for 3 consecutive years, and A- for water security.

Major Environment-Related ESG investment index for which Otsuka Holdings has been selected as their constituent

FTSE Blossom Japan Index	Indexes by U.K. based FTSE Russell. An ESG investment index that reflects the performance of Japanese companies that excel in responding to ESG. Otsuka Holdings has been included since 2023.
FTSE Blossom Japan Sector Relative Index	Indexes by U.K. based FTSE Russell. An ESG investment index that reflects the performance of Japanese companies that relatively excel in responding to ESG in each sector. Otsuka Holdings has been included since 2022.
S&P/JPX Carbon Efficient Index	A stock price index that determines the weighting of its constituent stocks in the Tokyo Stock Price Index (TOPIX) with a focus on the status of environmental information disclosure and the level of carbon efficiency (carbon emissions per unit of revenue). The Government Pension Investment Fund (GPIF), one of the world's largest pension funds, newly selected this ESG index for investment. Otsuka Holdings has been included since 2018.

ESG Ratings

Environmental Data

Priority environment issues	Classification	Sources	Scope of the data	FY2020	FY2021	FY2022	FY2023	FY2024	Unit
Carbon Neutrality	Energies	Electricity	Global total	533,095	503,399	405,636	377,064	378,943	thousand kWh
			Japan	127,521	93,177	80,972	64,306	56,694	
			Outside Japan	405,573	410,221	324,664	312,758	322,249	
		CO_2 free electricity	Global total	201,858	265,242	424,719	442,208	407,698	thousand kWh
			Japan	194,051	226,690	289,010	310,430	262,043	
			Outside Japan	7,807	38,552	135,709	131,778	145,655	
		Natural gas & City gas	Global total	71,600	68,084	59,718	63,004	73,551	thousand m^3
			Japan	31,498	31,153	22,696	22,339	30,957	
			Outside Japan	40,101	36,930	37,022	40,666	42,594	
		Coal	Global total	57,968	60,203	55,502	53,492	61,532	t
			Japan	0	0	0	0	0	
			Outside Japan	57,968	60,203	55,502	53,492	61,532	
		Steam	Global total	343,067	355,317	345,182	314,789	291,124	t
			Japan	152,076	152,010	139,282	129,757	124,323	
			Outside Japan	190,991	203,307	205,900	185,032	166,801	
		LNG	Global total	14,104	16,142	18,735	18,371	18,992	t
			Japan	13,823	15,729	18,735	18,371	18,992	
			Outside Japan	281	413	0	0	0	
		A HFO	Global total	7,945	5,025	2,762	2,183	1,880	kL
			Japan	7,945	5,025	2,762	2,183	1,880	
			Outside Japan	0	0	0	0	0	
		LPG	Global total	5,870	5,990	5,523	5,323	5,069	t
			Japan	5,596	5,664	5,473	5,278	5,023	
			Outside Japan	274	327	50	45	46	
		Diesel	Global total	436	452	554	964	1,371	kL
			Japan	58	20	18	17	16	
			Outside Japan	378	432	536	948	1,355	
		Kerosene	Global total	130	133	139	133	127	kL
			Japan	130	133	139	133	127	
			Outside Japan	0	0	0	0	0	
		Gasoline	Global total	115	48	52	35	43	kL
			Japan	115	48	52	35	43	
			Outside Japan	0	0	0	0	0	
		Steam (non industrial)	Global total	1,084	1,198	1,397	1,025	985	GJ
			Japan	1,084	1,198	1,397	1,025	985	
			Outside Japan	0	0	0	0	0	
		Hot water	Global total	2,567	1,371	1,461	1,579	1,428	GJ
			Japan	173	138	162	139	190	
			Outside Japan	2,393	1,233	1,299	1,440	1,238	
		Cold water	Global total	11,774	3,897	4,087	4,910	4,942	GJ
			Japan	11,774	3,897	4,087	4,910	4,942	
			Outside Japan	0	0	0	0	0	

Priority environment issues	Classification	Sources			Scope of the data	FY2020	FY2021	FY2022	FY2023	FY2024	Unit
Carbon Neutrality	Renewable Energies	Solar power			Global total	3,869	6,727	15,152	20,492	24,595	thousand kWh
					Japan	1,409	4,069	4,417	5,628	6,809	
					Outside Japan	2,459	2,658	10,735	14,864	17,786	
		Biomass power			Global total	7	13	17	14	12	thousand t
					Japan	0	0	0	0	0	
					Outside Japan	7	13	17	14	12	
	CO_2	CO_2 emissions			Global total	706,034	683,702	575,816	522,671	557,567	t-CO_2
					Japan	207,281	188,999	164,784	153,727	168,565	
					Outside Japan	498,754	494,704	411,032	368,944	389,002	
			Scope1		Global total	368,555	362,336	333,153	327,309	368,733	
			Scope2		Global total	337,480	321,366	242,662	195,362	188,833	
		CO_2 emissions per sales			Global total	0.50	0.46	0.33	0.26	0.24	t-CO_2/¥million
		CO_2 emissions (Scope1、2、3)			Japan*1	1,118	1,030	1,110	1,107	1,185	thousand t-CO_2
		Scope3	Category 1 (Purchased goods and services)		Japan*1	635,542	592,537	648,624	664,646	698,157	t-CO_2
			Category 2 (Capital goods)			52,402	38,763	85,592	62,083	82,447	
			Category 3 (Fuel and energy-related activities not included in Scopes 1 and 2)			45,579	34,167	30,272	35,423	35,448	
			Category 4 (Transportation and distribution)(Upstream)			70,621	70,519	72,548	73,671	72,476	
			Category 5 (Waste generated in operations)			12,836	13,535	10,966	10,254	12,233	
			Category 6 (Business travel)			6,030	5,413	8,285	13,576	13,354	
			Category 7 (Employee commuting)			5,773	5,917	5,679	6,126	6,105	
			Category 8 (Leased assets) (Upstream)			6,356	7,258	7,294	6,940	6,350	
			Category 9 (Transportation and distribution) (Downstream)			20,407	20,736	22,480	21,608	21,373	
			Category 10 (Processing of used products)					N/A*2			
			Category 11 (Use of sold products)			80,209	79,452	80,051	79,728	85,894	
			Category 12(End-of-life treatment of sold products)			20,751	21,163	22,879	21,542	21,797	
			Category 13 (Leased assets) (Downstream)					N/A*2			
			Category 14 (Franchise)					N/A*2			
			Category 15 (Investment)					N/A*2			
			Total			956,506	889,462	994,670	995,597	1,055,635	
Water Neutrality	Water	Water usage			Global total	17,732	17,680	18,488	19,389	19,686	thousand m^3
					Japan	11,605	10,909	11,629	12,553	12,533	
					Outside Japan	6,127	6,772	6,859	6,836	7,153	
		Water use efficiency			Global total	12.46	11.80	10.64	9.60	8.45	m^3 /¥ million
		Water intake by water source	Municipal water (including industrial water)		Japan	—	9,654	10,399	11,316	11,310	thousand m^3
					Asia, the Middle East, etc.	—	3,275	3,264	3,325	3,463	
					North and South America	—	407	390	445	560	
					Europe	—	212	220	195	167	
			River water		Japan	—	123	96	85	80	
					Asia, the Middle East, etc.	—	0	0	0	0	
					North and South America	—	0	0	0	0	
					Europe	—	2	2	1	2	
			Ground water		Japan	—	1,131	1,134	1,152	1,143	
					Asia, the Middle East, etc.	—	2,708	2,755	2,698	2,815	
					North and South America	—	137	201	148	121	
					Europe	—	32	26	24	25	

*1 Five group companies: Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, and Otsuka Foods *2 Not applicable to Otsuka group's business sectors or have extremely low impact

Priority environment issues	Classification	Sources			Scope of the data	FY2020	FY2021	FY2022	FY2023	FY2024	Unit
Water Neutrality	Water	Wastewater by destination*1	Total Amount of Wastewater			15,666	15,122	14,407	14,404	14,587	thousand m³
			Rivers, lakes and marshes			11,717	11,194	10,560	10,275	10,249	
			Underground seepage			60	4	1	1	2	
			Area of ocean			1,002	1,051	1,118	1,246	1,052	
			Third-party processing (municipal sewage, etc.)			2,886	2,873	2,729	2,883	3,285	
Circular Economy	Material	Material			Japan*2	114,847	114,771	119,541	124,353	123,962	t
	Packaging material*	Plastics	PET		Japan*2	11,963	12,028	14,416	15,593	15,022	t
			Others			16,028	14,998	15,675	15,833	16,093	
		Paper and cardboard				33,149	32,481	36,173	35,446	35,266	
		Others				89,826	88,949	92,812	81,073	84,133	
	Waste	Total amount of waste			Global total	91,838	93,895	92,943	85,036	90,559	t
					Japan	35,723	35,246	30,820	33,576	35,068	
					Outside Japan	56,115	58,649	62,123	51,460	55,491	
			Non-hazardous waste		Global total	81,954	83,064	82,400	74,951	78,813	t
			Hazardous waste		Global total	9,884	10,831	10,543	10,085	11,746	t
		Non-hazardous waste	Recycled materials		Global total	59,938	59,864	58,526	59,857	62,748	t
					Japan	29,457	28,178	25,347	29,073	26,258	
					Outside Japan	30,480	31,686	33,179	30,784	36,490	
				Material Recycling		37,871	35,466	34,332	13,963	35,020	
				Thermal Recycle		7,972	8,718	9,429	11,364	14,817	
				Composting and feed		15,256	15,680	14,765	34,531	12,910	
			Simple Incineration		Global total	1,935	2,838	1,709	1,487	1,781	t
					Japan	1,559	1,748	1,328	1,182	928	
					Outside Japan	376	1,090	381	305	853	
			Landfill disposal		Global total	10,680	11,430	12,657	10,725	11,093	t
					Japan	98	111	205	81	98	
					Outside Japan	10,582	11,319	12,452	10,643	10,995	
			Bio-processing and chemical processing		Global total	9,401	8,934	9,508	2,881	3,192	t
					Japan	774	697	660	715	821	
					Outside Japan	8,627	8,237	8,848	2,168	2,371	
		Hazardous waste*3	Recycled materials		Global total	4,549	5,450	6,365	6,585	7,852	t
					Japan	1,653	2,174	1,932	1,784	5,535	
					Outside Japan	2,897	3,276	4,433	4,801	2,316	
				Material Recycling		1,832	2,257	3,155	3,446	4,183	
				Thermal Recycle		1,556	3,193	3,210	3,139	3,669	
				Composting and feed		0	0	0	0	0	
			Simple Incineration		Global total	2,443	2,694	1,661	1,090	1,440	t
					Japan	2,047	2,235	1,201	678	1,244	
					Outside Japan	396	459	460	412	197	
			Landfill disposal		Global total	1,914	2,265	2,003	1,932	2,119	t
					Japan	1	1	2	2	17	
					Outside Japan	1,913	2,264	2,001	1,931	2,102	
			Bio-processing and chemical processing		Global total	978	421	514	478	334	t
					Japan	135	102	144	61	167	
					Outside Japan	843	319	370	416	167	

*1 Comply with national and regional laws and regulations *2 Five group companies: Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, and Otsuka Foods
*3 Specially controlled industrial waste by Japanese regulations; in other countries, the classification is based on the respective national standards

Material Balance over the Life Cycle of the Business*1

INPUT

			Unit	Total
Material (Pharmaceuticals, glucose, etc.)			t	123,962
Packaging material			t	150,515
	Plastics	PET	t	15,022
		Others	t	16,093
	Paper and cardboard		t	35,266
	Others		t	84,133
Fuel			GJ	2,484,585
	Oils	Gasoline	GJ	456
		Kerosene	GJ	4,328
		Diesel	GJ	361
		A HFO	GJ	7,219
	Gas	LPG	GJ	181,149
		LNG	GJ	914,824
		City gas	GJ	1,376,248
Purchased power			GJ	1,269,909
	General power		GJ	3,560
	CO_2 free power		GJ	830,567
	Other power *2		GJ	435,782
Purchase energy			GJ	356,582
	Steam, Hot water, Cold water		GJ	7,279
	Industrial steam including cold water		GJ	349,303
By-product energy			GJ	782,591
Water			thousand m^3	11,837
	River water		thousand m^3	80
	Industrial water		thousand m^3	7,789
	Clean water		thousand m^3	3,187
	Well water		thousand m^3	782
	Others (rainwater, etc.)		thousand m^3	0
Transportation amount			thousand t-km	870,533

Material

Production

Transportation

Use

Disposal

OUTPUT

		Unit	Total
Scope 3	Category 1 (Purchased goods and services)	t-CO_2	698,157
Scope 1*3		t-CO_2	128,921
Scope 3	Category 3 (Fuel and energy-related activities not included in Scopes 1 and 2)	t-CO_2	35,448
Scope 2	Market-based	t-CO_2	747
	Location-based	t-CO_2	101,046
Scope 3*4	Category 2 (Capital goods)	t-CO_2	82,447
	Category 4 (Transportation and distribution)(Upstream)	t-CO_2	72,476
	Category 5 (Waste generated in operations)	t-CO_2	12,233
	Category 6 (Business travel)	t-CO_2	13,354
	Category 7 (Employee commuting)	t-CO_2	6,105
	Category 8 (Leased assets) (Upstream)	t-CO_2	6,350
	Category 9 (Transportation and distribution) (Downstream)	t-CO_2	21,373
	Category 11 (Use of sold products)	t-CO_2	85,894
	Category 12 (End-of-life treatment of sold products)	t-CO_2	21,797

*1 Five group companies: Otsuka Pharmaceutical, Otsuka Pharmaceutical Factory, Taiho Pharmaceutical, Otsuka Chemical, and Otsuka Foods *2 Power generation by co-generation systems
*3 Direct emissions from energy sources and Direct emissions from freon leak volume and during the production of carbonated beverages, etc *4 Categories 10 and 13 to 15 are not applicable

Otsuka Holdings Co., Ltd.