

## Message from the Director in Charge of Sustainability



### What is Our Contribution to a Sustainable Society as a Total Healthcare Company?

#### Sustainability Issues, and Initiatives to Address Them

The Otsuka group currently consists of 196 companies, and has operations around the world. While the diversity created by our global expansion is a source of new ideas and innovation, we also recognize the need to be aware of different markets, social environments, cultures, perspectives, and values, and to adapt from time to time to changes in how we view and execute our business. For the Otsuka group to continue being a company that is needed by its stakeholders, we believe it is important to share and enhance that awareness and discipline in various areas, what is otherwise called group governance. We also believe that one of the issues of group governance is to ensure the consistency of the overall management vector under the corporate philosophy, and we will build a system to clarify the scope and responsibilities of each group company while overseeing the overall strategy.

#### Investment in Human Capital is Essential for Long-Term Value Creation

The Otsuka group is currently formulating its Fourth Medium-Term Management Plan, which will begin in 2024. We recognize that the formulation of a human resource strategy linked to the management strategy is also an important issue, and are considering incorporating this into the medium-term management plan so that it can be presented both internally and externally.

Currently, we are placing particular emphasis on the development of management personnel who fully understand our corporate culture and philosophy, and who can execute our strategies. We believe that the next generation of leaders needs to have a global perspective, creativity, the ability to proactively build internal and external networks (humanity), and a proven track record. With this in mind, Otsuka Holdings has a program to develop global management personnel. Under the active commitment of CEO Higuchi, 60 participants from Otsuka group companies in Japan and overseas participate in the program each year to learn and discuss the type of human resources and business skills required of management personnel, based on the leadership of the company's leaders and Otsuka's unique way of looking at business. We hope that these employees, who have been directly trained by top management, will eventually develop into management talents who will lead Otsuka in cooperation with other group companies.

At the same time, we must improve the responsiveness of the entire group and continue to provide new value to the market through innovation. To develop human resources with the ability to respond to change, which is the source of this value creation, Otsuka group companies also conduct human resource development programs. For example, Otsuka Pharmaceutical is implementing a human resources development training program for employees aiming for global careers. Taiho Pharmaceutical plans to turn its program for developing female management personnel into a program for global management personnel development. In addition, Otsuka Pharmaceutical Factory conducts rank-based training and selective training programs, and plans medium- to long-term programs to develop personnel to take charge of divisions. Otsuka America Pharmaceutical, Inc. also provides experiential training for senior leaders in a wide range of roles to accelerate the development of their abilities.

Human resource development takes time to produce results. On the other hand, the more long-term the strategy is, the more important it is to have a foundation of values that does not change over time, in other words, a corporate culture and philosophy. We recognize that one of the important elements of human resource development is to pass on to the next generation the philosophy that forms the basis of our business development through the ideas and accumulated case studies of our predecessors, and that this is also an important duty. ▶P48-52

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### Activities in the Sustainability Promotion Committee

The Otsuka group established the Otsuka Group Sustainability Promotion Committee in 2018 based on the belief that efforts to achieve sustainability are an integral part of the business itself. Representatives from procurement, quality, human resources, environment, and compliance, etc. from each company participate in the committee to promote Otsuka group sustainability throughout the organization. Sustainability promotion activities are carried out while sharing information on initiatives, issues, and future plans in line with the Otsuka group's overall material issues.

We also conduct activities in each area by defining issues. For example, we consider sustainable procurement as one of our material issues, and in addition to the four areas of the United Nations Global Compact (UNGC) (human rights, labor, environment, and anti-corruption), we hold quarterly meetings to discuss the progress of our initiatives and share issues to strengthen our efforts for stable supply in response to natural disasters and geopolitical risks. ▶P.54

### Commitment to Quality that has not Changed Since the Company's Founding

Our commitment to quality is another important principle that has remained unchanged since our founding. "Quality in all we do" at Otsuka is a theme that we pursue at all stages of the value chain, and we believe that it is a never-ending issue that the entire Otsuka group must work together to achieve. With this in mind, in February 2023 we held a joint global conference across the Group on quality, production, supply chain, and the environment, areas which had previously been discussed in separate conferences.

By sharing the activities of not only one's own division but also those of related divisions and having opportunities for discussions that transcend each area, we will deepen mutual understanding and further strengthen collaboration to improve the quality of the entire group. ▶P.53-55

### Toward the 2050 Environmental Vision "Net Zero"

The Otsuka group has adopted "Net Zero" as its environmental vision for 2050, which is to reduce the environmental impact of all of its business activities to zero. In light of the nature of the Group's business, we have identified three environmental issues that are particularly relevant. These are carbon neutrality, circular economy, and water neutrality. We have designated these as our

environmental material issues, and have set medium-term goals for 2028 and 2030, and all group companies are working to achieve these goals.

With respect to carbon neutrality, in 2021 we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and are promoting disclosure of climate change-related risks and opportunities as recommended by the TCFD. In addition, in 2022 we joined the international initiative RE100, which aims for 100% renewable energy for electricity used in business activities. Furthermore, we have established and begun operating an integrated energy service system to manage energy use across the group in Japan. Operations began in Shikoku, where many of our business sites are located, and we plan to expand the scope of operations in the future with the aim of more efficiently procuring electricity and increasing the utilization rate of renewable energy. Overseas, in addition to the introduction of CO<sub>2</sub>-free electricity at all of our production sites in Indonesia, we have also introduced large-scale solar power generation facilities in India.

With respect to circular economy, the group has a plastic policy, which calls for 100% use of recycled and plant-derived raw materials globally by 2030 for PET bottles used by the group, and expanded the initiative overseas in 2022. In addition, PT Amerta Indah Otsuka, a subsidiary in Indonesia, is working with local governments and residents in the vicinity of its plants to form habits of awareness about environmental considerations and to support the creation of communities that can independently handle waste disposal and waste management. ▶P.57-62

### Mission as a Total Healthcare Company

As a total healthcare group, we believe that our greatest mission is to contribute to social issues related to people's health, and we continue to take on the challenge of solving still unmet medical and health needs.

Health, which Otsuka pursues, is a very simple and essential value. Otsuka's pursuit of health is a very simple and essential value. To be healthy, one must avoid getting sick, and if one does get sick, get better as quickly as possible. By pursuing these values through our two core businesses, the Pharmaceutical Business and the Nutraceutical Business, we aim to become an indispensable contributor to people's health worldwide. The Otsuka group's raison d'être is to be a company that continues to provide products, services, and information to address all unresolved and yet-to-be-identified healthcare needs, such as tuberculosis, one of the world's three major infectious diseases, and women's health issues arising from changes in life stages. We will continue to view various health-related issues as business opportunities and contribute to the realization of a sustainable society through our business activities. ▶P.46-47

#### Sustainability Management Structure

[https://www.otsuka.com/en/csr/hd\\_activity/promotion.html](https://www.otsuka.com/en/csr/hd_activity/promotion.html)

