

Third-Party Opinion

Comments on the Otsuka Group CSR Report 2016

Value Provided to Society by the Otsuka Group

In my view, the three monuments representing *Sozosei* (Creativity) shown on page 11 (Corporate Philosophy) are emblematic of the Otsuka group philosophy. By linking efforts to maintain and promote people's health with its main business activities, the group is uniquely making a significant contribution to society. These efforts include activities such as pioneering drug discovery and awareness raising activities to prevent heat disorders. It is clear to me that these activities embody the group's philosophy and have been well evaluated.

Going forward, by further clarifying the significance of each and every business activity in terms of systematic CSR management, the group can further enhance its stature in society and generate even greater social goodwill.

I look forward to seeing an increased social contribution from the Otsuka group through creative and unconventional thinking.

Relation between Otsuka Group Materiality and the Five CSR Areas

The 2016 report essentially follows the same format as the 2015 edition, but with greater detail in the information provided. Last year, the materiality selection process was disclosed for the first time; this year, further explanation of the five CSR areas is given. The report begins with a Contents page that provides data related to Otsuka's materiality for each of the five CSR areas. Moreover, I strongly believe the addition of the stakeholder engagement section is a good idea; it specifies the engagement details, as well as the responsibilities and issues concerning the five stakeholder groups.

Concerning target issues, the selection process and evaluation indicators illustrated by the "Process to Identify Materiality" diagram on page 8 need to be clearly indicated. The stakeholder engagement items, as well as the content on the introductory pages for each area, including content details, should also be presented systematically. These modifications would make it easier to understand the significance of each issue, what changed from the previous year, the status of activities, and the extent of progress made.



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Profile

Completed a master's degree in environmental management at the Graduate School of Policy and Management of Doshisha University, and taught at the Faculty of Commerce of Doshisha University. Joined Showa Ota & Co. (now Ernst & Young ShinNihon LLC) and engaged in consulting on environmental accounting and reporting. Served as a lead researcher for a project on corporations and the environment by the Kansai Research Center of the Institute for Global Environmental Strategies (IGES), and was a member of the Committee of Environmental Accounting of the Japanese Institute of Certified Public Accountants (JICPA), as well as serving on committees for Japan's Ministry of the Environment and Ministry of Economy, Trade and Industry. Joined the management team of the Institute for Environmental Management Accounting in April 2004, and has authored books on environmental accounting and environmental reports.

Performance in the Five CSR Areas

Concerning the five CSR areas, the Otsuka group should provide various types of information, which include how activities are related to management strategy, explanations of value provided by the Otsuka group, as well as numerical data and indicators for understanding year-to-year changes. Since the numerical information in the report increased significantly compared to last year, it would be good to provide more of the above-listed information.

As a global enterprise, the Otsuka group is strongly committed to CSR activities, as shown by its signing of the United Nations Global Compact.

The Otsuka group has established target issues and activity directions that conform to international guidelines and standards, such as Sustainable Development Goals, ISO 26000, and GRI guidelines. Therefore, the group needs to widely disseminate information on how its activities are specifically responding to these target issues, and the value the group contributes to society.