

Environment

Basic Principles

The Group considers initiatives to deal with environmental problems to be its natural mission in line with its corporate philosophy, as a corporate entity that contributes to society and earns its trust. Our environmental policies are based on protecting the environment and continuously reducing the environmental impact of all our business activities.

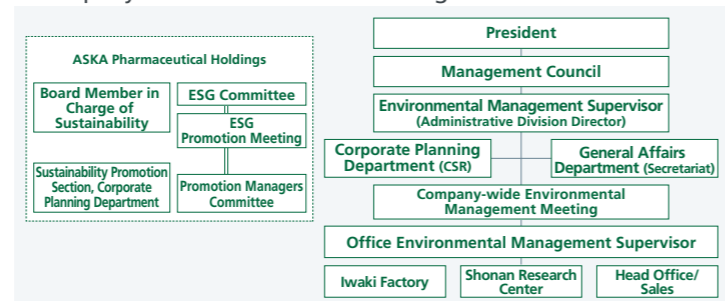
1. We will establish an environmental management structure.
2. We will comply with environmental laws and regulations and other requirements.

3. We will strive to continuously reduce the environmental impact from research, development, production, sales and other business activities.
4. We will conduct environmentally friendly facility planning and technology and product development.
5. We will strive to improve environmental communication as a corporate citizen.
6. We will strive to educate employees and raise their awareness about the environment.

Environmental Management Structure

To effectively practice environmental management, ASKA Pharmaceutical also regularly holds the Company-wide Environmental Management Meeting. Discussion at FY2023 meeting covered the FY2022 results under the medium-term environmental plan and the goals for FY2023. We believe that information sharing and exchange of opinions among the attendees help to promote environmental measures throughout the Company.

Company-wide Environmental Management Structure

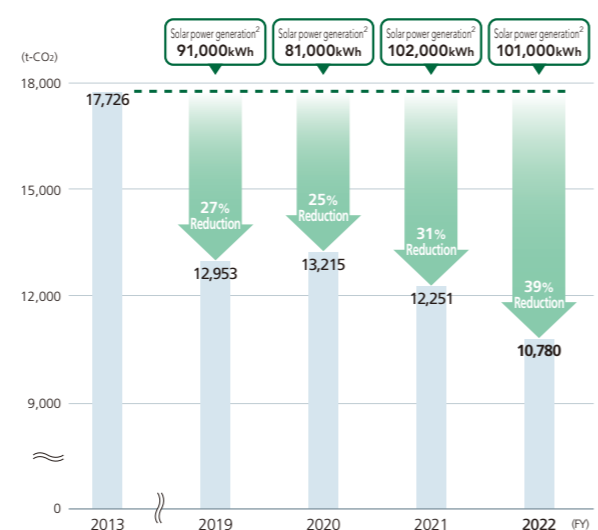


(As of July 1, 2023)

Working toward a Carbon-Neutral Society

The Group considers climate change to be one of the most important issues for global environmental conservation, and is working to reduce its greenhouse gas emissions. ASKA Pharmaceutical is promoting the deployment of eco-friendly commercial vehicles and is using hybrid vehicles in all cases except for 4WD vehicles in cold regions. We renovated our head office building to promote the efficient use of space and paperless operations. The Shonan Research Center uses 100% renewable energy-derived, non-FIT, non-fossil certificate electricity for the electricity it purchases. It also has high-efficiency in-house power generation equipment onsite and a solar power-derived energy supply. At the Iwaki Factory, we have worked to improve the operational efficiency of the cogeneration (combined heat and power) system and the manufacturing process. Future initiatives include plans to purchase CO₂-free electricity and introduce solar power generation under the PPA¹ method. In FY2022, ASKA Pharmaceutical's company-wide energy consumption was equivalent to 6,128 kl of crude oil, and CO₂ emissions were 10,780 t-CO₂. With respect to our medium-term target of a 46% reduction in CO₂ emissions by FY2030 compared to FY2013, we have achieved a 39% reduction so far.

CO₂ Emissions Volume



1. PPA: Power Purchase Agreement
A system that enables companies that own and manage solar power generation equipment (the PPA provider) to install that equipment at sites or roofs provided by facility owners, and those owners (electricity users) purchase the power generated by the solar power generation equipment at a discount.
2. ASKA Pharmaceutical Iwaki Factory

Switching to CO₂-Free Electricity

As mentioned above, as part of the Group's effort to reduce greenhouse gas emissions, we have set a specific target of reducing CO₂ emissions by 46% by FY2030 compared to FY2013, with the aim of having the Group become carbon-neutral by 2050. As one of the measures to achieve this goal, we introduced CO₂-free electricity at the Iwaki Factory in April 2023 to make up a portion of its power supply. The facilities account for about 80% of our energy consumption. We expect this move to reduce the Company's annual CO₂

emissions by approximately 530 tons. The switch will be made in stages, accounting for a total reduction of approximately 2,200 tons of CO₂ emissions. In addition, from the viewpoint of cost reduction, we have decided to install a solar power generation system (under the PPA¹ method), which we expect will reduce CO₂ emissions by approximately 440 tons per year. Construction has begun and preparations are underway to begin supplying electricity in the spring of 2024.

Disclosures Based on TCFD Recommendations

The Group considers the issue of climate change to be a management issue that affects its business, and is committed to climate change measures. From this perspective, we have been disclosing climate change-related information since June 2022 in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations established by the Financial Stability

Board (FSB) in 2022 at the request of the G20. Through the implementation of scenario analysis and identification of risks and opportunities based on the TCFD framework, the Group is developing measures to address the risks and opportunities associated with climate change and is working to improve the resilience of its business in the face of climate change.

Transition Risks	Policies	Risk of unexpected pandemics due to climate change, as well as drug price reductions that exceed expectations due to the financial pressures on the healthcare system caused by an aging society with a declining birthrate
	Market	Risk that climate change will cause a rise in raw material prices, which will lead to a rise in the cost of living for patients, thereby discouraging them from seeing a doctor
	Reputation	Increase of stakeholder concerns due to delays in climate change action
Physical Risks	Chronic	Risk of increase in operating expenses, such as increase in manufacturing costs due to climate change
	Acute	Risk of supply chain disruptions due to disasters caused by extreme weather events
Opportunities		<ul style="list-style-type: none"> Strengthening competitiveness against climate change-related increases in disease and changes in consumer preferences leads to greater demand for products Proactive initiatives to address climate change risks, enhance operational sustainability and stakeholder evaluation, leading to opportunities for share price appreciation

Note: Items other than strategy can be seen on our website.
<https://www.aska-pharma-hd.co.jp/english/csr/tcfd.html>

Establishment of a Recycling-oriented Society

As part of our efforts to build a recycling-oriented society aimed at more efficient resource use, minimizing waste as much as possible is an important issue for maintaining business continuity. We have set the reduction of waste as a target in our medium-term environmental plan and are actively working on resource saving and waste reduction measures. Of the 193 tons of waste generated by ASKA Pharmaceutical's factory and research center in FY2022, 111 tons were ultimately recycled, which is 58% of the total amount of waste generated. In addition, 70 tons were consigned to final disposal, or 36% of the total amount of waste generated.

Total Waste/Amount Recycled/Amount for Final Disposal/Recycling Rate (Factory and Research Center)

	FY2020	FY2021	FY2022
Total waste (t)	144	174	193
Amount recycled (t)	94	101	111
Amount for final disposal (t)	43	65	70
Recycling rate (%)	66	58	58

FY2021: Waste volume increased mainly due to the digitization of package inserts, partial discontinuation of manufacturing processes, and product recalls.

Management of Air and Water Resources

To prevent air pollution, the Group is working to reduce emissions of hazardous substances. We measure and report the concentrations of NO_x, SO_x, soot and dust at our business locations twice a year, and all of these concentrations are below the standard values. In addition, water resources used at our business locations are discharged into rivers and sewers after appropriate treatment and water quality control in accordance with regulations. At the ASKA Pharmaceutical Iwaki Factory, we conduct daily water quality monitoring, weekly water quality analysis, reporting to the Iwaki City Environmental Monitoring Center, and on-site inspection (once a year), all of which meet the standard values. We will continue to strive to reduce emissions of hazardous substances through appropriate management of air and water resources.

Management of Chemical Substances

The Group handles a wide variety of chemical substances and is committed to thorough management of these substances, which includes their safe use and storage. We have also established a system for the proper management of chemical substances at each of our business locations, and review the rules and regulations for this system as necessary. We will continue to reduce emissions and transfers of chemical substances subject to the Pollutant Release and Transfer Register (PRTR)* system and promote appropriate management of chemical substances by considering the use of alternative, safer chemical substances.

* A system for collecting and disseminating information about releases and transfers of chemical substances

Biodiversity

The Group recognizes that the environmental impact associated with our business activities affects biodiversity. We strive to reduce this impact in various ways, including through resource conservation and climate change countermeasures, in order to maintain and conserve biodiversity.

We will also develop our veterinary pharmaceuticals and animal feed additives businesses so that we can contribute to the creation of a society where people and animals can coexist in harmony.