

Natural Capital Strategy

Basic Principles

All economic activities depend on the value derived from ecosystem-related natural capital, including plant, animal, air, water, soil, mineral, and other types of natural capital. Biodiversity balance is essential if we are to continue enjoying these benefits.

From the perspective of operational sustainability, we therefore think it extremely important to understand the relationship between our business activities and their dependence and impacts on natural capital, including biodiversity, with a view to not only reducing the negative impacts on nature but also generating positive impacts.

As a corporate entity that contributes to society and earns its trust, the Group considers initiatives to address environmental problems to be its natural mission in line with its corporate philosophy: “Contribute toward the improvement of people’s health and progress in society through the development of innovative products.” Our environmental policies are based on protecting the environment and continuously reducing the environmental impact of all our business activities.

We have begun disclosing information in line with the TNFD recommendations, with the aim of evaluating and managing nature-related risks and opportunities and increasing Group resilience.

Going forward, we will increase our disclosure of information on the dependencies and impacts identified by

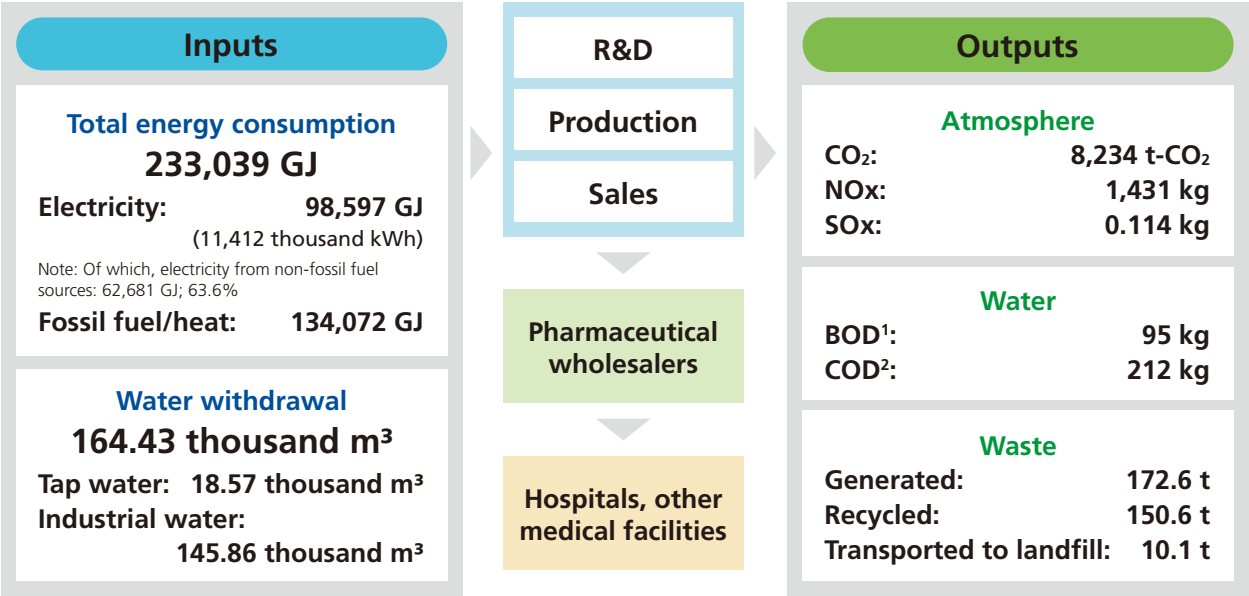
applying the LEAP approach* to the value chain mapping already shared within the Company.

*LEAP approach: A comprehensive methodology proposed by the TNFD to evaluate and manage nature-related issues. Consisting of the four steps of Locate/Evaluate/ Assess/Prepare, analysis using this approach can cover much of what should be disclosed in a TNFD disclosure proposal.

Environmental Policies

1. We will establish an environmental management structure.
2. We will comply with environmental laws and regulations and other requirements.
3. We will respond to climate change.
4. We will protect natural capital and biodiversity.
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 Impact Overview (FY2024)



1. BOD: Biochemical Oxygen Demand
2. COD: Chemical Oxygen Demand

Natural Capital Strategy

Disclosures Based on TCFD Recommendations: Governance

The Company has established an ESG Committee as a voluntary advisory committee (independent from the Board of Directors), as it believes the implementation of sustainable management to be a key policy. The ESG Committee is chaired by the Senior Managing Member of the Board of Directors, Representative Director. Other members include directors of subsidiaries, the Chairperson of the ESG Promotion Meeting, the Corporate Planning Department Director, and other persons appointed by the Chairperson of the ESG Committee. The ESG Committee sets out ESG strategies, including risks and opportunities related to climate change, and conducts risk-related management while reporting such ESG strategies regularly (at least twice a year) to the ESG Promotion Meeting and to the Board of Directors. The details of the ESG promotion system are as follows.

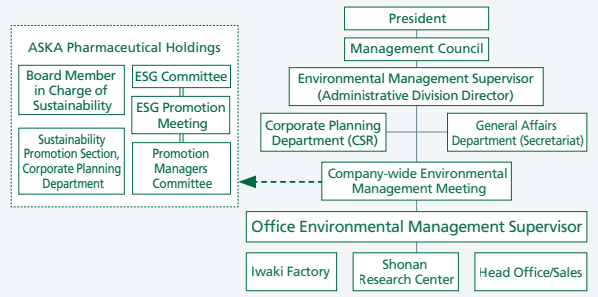
ESG Promotion System

The ESG promotion system consists of three meeting bodies: the ESG Committee, the ESG Promotion Meeting, and the Promotion Managers Committee. The ESG Committee deliberates on matters proposed by the ESG Promotion Meeting and promptly responds/reports them to the Board of Directors as soon as a decision is made. The flow of ESG promotion by the three meeting bodies is as follows.

Disclosures Based on TCFD Recommendations: Strategies

The Company considers the issue of climate change to be a management issue that affects its business. In May 2022, we identified the risks and opportunities posed by climate change based on the recommendations of the Task Force on

Company-wide Environmental Management Structure



(As of July 1, 2024)

1. The Promotion Managers Committee, consisting of representatives of each division and department, identifies issues and proposes them to the ESG Promotion Committee.
2. The ESG Promotion Committee aggregates issues from each division and department from a Company-wide perspective and submits a materiality proposal to the ESG Committee.
3. The ESG Committee identifies Company-wide material issues and determines ESG strategies.
4. Under the ESG Promotion Meeting, the Promotion Managers Committee formulates divisional goals and plans, and promotes ESG activities.
5. The ESG Promotion Meeting summarizes the ESG activities promoted by each division on a quarterly basis and submits a report to the ESG Committee.
6. The ESG Committee evaluates the content of activities.

Climate-related Financial Disclosures (TCFD), focusing on the opinions of stakeholders and taking into account advice from external consultants.

| | | |
|------------------|------------|--|
| 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 healthcare caused by a super aging society |
| | 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 increases in operating expenses, such as an increase in manufacturing costs due to climate change |
| | Acute | Risk of supply chain disruptions due to disasters caused by extreme weather events |
| Opportunities | | <div><div>• Strengthening competitiveness against climate change-related increases in disease and changes in consumer preferences lead to greater demand for products</div><div>• Proactive initiatives to address climate change risks enhance operational sustainability and stakeholder evaluation, leading to opportunities for share price appreciation</div></div> |

Note: Items other than “Strategies” are disclosed on the Company website under “Disclosures under TCFD Recommendations.” <https://www.aska-pharma-hd.co.jp/english/csr/sustainability/tcf.html>

Disclosures Based on TCFD Recommendations: Risk Management

The Promotion Managers Committee reports quarterly to the ESG Promotion Meeting on the scope of impact of risks. The ESG Promotion Meeting aggregates the reported information into Company-wide risks and opportunities, and reports them to the ESG Committee. The ESG Committee evaluates the impact of Company-wide risks and opportunities and reviews them on a case-by-case basis, and the ESG Promotion Meeting responds/reports

them to the Board of Directors. The Board of Directors integrates climate change-related risks into the Company's comprehensive risk management process based on the responses/reports from the ESG Promotion Meeting. We evaluated the potential impact on our business and the period of time until the impact occurs, using IEA (NZE) and IPCC (AR6 SSP1-1.9) as a 1.5°C warming scenario and IPCC (AR6 SSP5-8.5) as a 4°C warming scenario, as follows.

Scenario Analysis

| Category | Potential Risks and Opportunities | Potential Impact | Impact on the Company | | Time to Impact Onset | | Countermeasures |
|------------------|-----------------------------------|---|-------------------------|--------------|-------------------------|--------------|--|
| | | | 1.5° C warming scenario | 4° C warming | 1.5° C warming scenario | 4° C warming | |
| Transition Risks | Policies | Risk of unexpected pandemics and risks related to climate change, as well as drug price reductions that exceed expectations due to the financial pressures on the healthcare system, which are in turn due to an aging society with a declining birthrate | Small | Small | Long | Long | Even if core subsidiary ASKA Pharmaceutical is shifting its business to the continuous creation of new drugs in specialty fields, and even if NHI drug price reductions are greater than expected, the impact is likely to be immaterial because of Company efforts to build a foundation that can withstand such circumstances. |
| | 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 | Small | Medium | Long | Medium | ASKA Pharmaceutical is affected by a reduction in the number of medical examinations, we believe that the impact will be immaterial because demand for its products will be supported by women's advancement in the field of obstetrics and gynecology, an area of strength for the Company. |
| | Reputation | Increase of stakeholder concerns due to delays in climate change action | Small | Medium | Long | Medium | As a member of society, we recognize that climate change countermeasures are an urgent issue, and we are actively promoting sustainable management to solve social issues through our business, with a focus on environmental issues. However, as efforts to keep the temperature from increasing beyond 4°C will be expensive and time-consuming, we will consider taking actions to accelerate the target by 2030. |
| Physical Risks | Chronic | Risk of increase in operating expenses, such as an increase in manufacturing costs, due to climate change | Medium | Medium | Medium | Medium | The Iwaki Factory sustained damage at the time of the Great East Japan Earthquake, and based on this experience we have taken various measures in the name of thorough risk management. We will continue our efforts to create an environment that can handle unprecedented events. |
| | Acute | Risk of supply chain disruptions due to disasters caused by extreme weather events | Medium | Medium | Medium | Medium | Leveraging the experience gained from the damage to the Iwaki Factory in the Great East Japan Earthquake, the Company thereafter has implemented thorough risk management to ensure multiple routes in all situations. We will continue our efforts to create an environment that can handle unprecedented events. |
| Opportunities | | Strengthening competitiveness against climate change-related increases in disease and changes in consumer preferences lead to greater demand for products | Small | Small | Long | Long | We will continue to add indications to existing drugs and enhance our library of new compounds, with a focus on specialty fields. |
| | | Proactive initiatives to address climate change risks enhance operational sustainability and stakeholder evaluation, leading to opportunities for share price appreciation | Small | Small | Long | Long | We will strive to create corporate value by disclosing information and responding to stakeholders in a timely and appropriate manner. |

Disclosures Based on TCFD Recommendations: Indicators and Targets

We monitor environmental performance indicators related to CO₂ emissions, water pollution load, chemical substance management, and amount of waste emissions. The Production Division undergoes annual verification by a third-party organization on issues to be improved in relation to these indicators.

Scope 1 emissions are calculated as direct emissions by the Company and include CO₂ emissions from the use of gasoline, kerosene, diesel oil, heavy oil, LPG, city gas, and cold/heated water.

For Scope 1 and 2 emissions, we use the target set by the Federation of Pharmaceutical Manufacturers' Associations of Japan (FPMJ)—reducing CO₂ emissions by 46% from the

FY2013 level by FY2030 (research center, factory, offices, and sales vehicles)—as the benchmark for our reduction targets. In FY2024, we began disclosing Scope 3 emissions for the first time.

Scope 1, 2 and 3 Emissions (t-CO₂)

| | FY2022 | FY2023 | FY2024 |
|----------------------|--------|---------|---------|
| Scope 1 | 6,778 | 6,052 | 6,226 |
| Scope 2 ¹ | 4,013 | 2,945 | 2,007 |
| Scope 2 ² | 5,098 | 5,078 | 4,827 |
| Scope 3 | — | 100,067 | 102,786 |

1. Market-based 2. Location-based

Natural Capital Strategy

Working toward a Carbon-Neutral Society

The Group considers “response to climate change” and “protecting natural capital and biodiversity” to be important issues from the standpoint of operational sustainability, and to that end is working to reduce its greenhouse gas emissions and conserve ecosystem services.

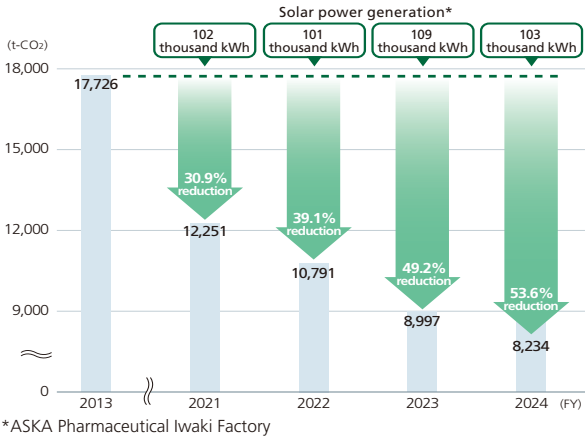
ASKA Pharmaceutical is promoting the deployment of eco-friendly commercial vehicles. We renovated our Head Office building to promote the efficient use of space and paperless operations, also switching the building’s electricity consumption to renewable energy sources and obtaining a FIT Non-Fossil Certificate and a Renewable Energy Electricity Certificate.

The Shonan Research Center uses 100% renewable energy-derived, Non- FIT, Non-Fossil certified electricity for the electricity it purchases. It also has high-efficiency in-house power generation equipment and a solar power-derived energy supply.

At the Iwaki Factory, we introduced year-round solar power generation, heat pumps, procurement of CO₂-free

electricity, and eco-cloth jackets. Through these initiatives, we reduced the Iwaki Factory’s total CO₂ emissions to 8,234 t-CO₂ (91.5% of the prior-year level).

CO₂ Emissions Volume



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 60% by FY2035 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 provide a portion of its power. The Iwaki Factory accounts for about 80% of our total energy consumption.

The switch to CO₂-free electricity will be made in stages, and in FY2025 we expect to reduce the Company’s CO₂

emissions by approximately 1,300 tons.

Overall, we aim to reduce total annual CO₂ emissions by approximately 2,400 tons as a result of this switch. In addition, we expect the June 2024 commissioning of a solar power generation system (under the PPA¹ method) to reduce CO₂ emissions by approximately 400 tons per year.

1. Power Purchase Agreement (PPA): 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.

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 we are actively engaged in resource-saving and waste-reduction measures. Of the 172.6 tons of waste generated by Iwaki Factory and Shonan Research Center in FY2024, 150.6 tons were ultimately recycled, which is 87.3% of the total amount of waste generated. In addition, 10.1 tons were consigned for landfill disposal, or 5.9% of the total amount of waste generated.

| Total Waste/Amount Recycled/Amount for Landfill Disposal/Recycling Rate (Factory and Research Center) | | | |
|---|--------|--------|--------|
| | FY2022 | FY2023 | FY2024 |
| Total waste (t) | 192.8 | 185.0 | 172.6 |
| Amount recycled (t) | 111.3 | 164.7 | 150.6 |
| Amount transported to landfill (t) | 70.0 | 9.0 | 10.1 |
| Recycling rate (%) | 57.7 | 89.0 | 87.3 |

Management of Air and Water Resources

To prevent air pollution, the Group is working to reduce pollutant emissions. We measure and report the concentration of NO_x, SO_x, soot and dust at our business locations twice a year, and concentration of all of these emissions is below the standard values. In addition, water resources used at our business locations are discharged after appropriate treatment and water quality control in accordance with regulations. At the 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 in compliance with standard practices. We will continue striving to reduce pollutant emissions 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, including their safe use and storage. We have 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)² system and promote appropriate management of chemical substances by considering substitution with safer chemical substances.

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

Response to TNFD Recommendations

The Group recognizes that the environmental impact associated with its business activities affects biodiversity, in view of which we have endorsed the TNFD recommendations and joined the TNFD Forum.³

The Group is furthermore committed to reducing various environmental impacts—including by undertaking initiatives related to resource conservation and climate change countermeasures—in order to preserve and protect biodiversity. In addition, through the development of our veterinary pharmaceutical and feed additive businesses, we contribute to building a society where humans and animals can coexist. As our initial response to the TNFD recommendations, we took the steps outlined at right.

3. An international organization that supports the Taskforce on Nature-related Financial Disclosures (TNFD; an international initiative established in June 2021 to develop a framework for corporate risk management and disclosure related to nature) as a stakeholder providing technical knowledge.
4. A comprehensive methodology proposed by the TNFD to evaluate nature-related issues. Consisting of the four steps of Locate/Evaluate/Assess/Prepare, analysis using this approach can cover much of what should be disclosed in a TNFD disclosure proposal.

Evaluation and Management of Nature-related Issues

The Group has used the LEAP Approach to identify the following key nature-related risks and opportunities across the entire value chain of our businesses. We used the ENCORE⁵ tool to screen nature-related dependencies and impacts (double materiality), and created a heat map based

(1) Raising awareness and sharing direction within the Company

In April 2025, we distributed an original training video on biodiversity to all employees, aiming to raise awareness and share direction.

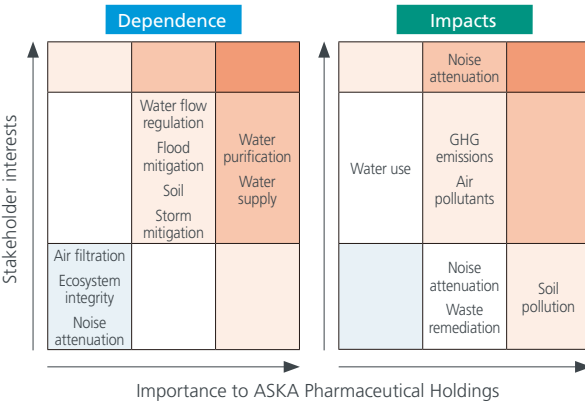
(2) Evaluation and management of nature-related issues

Using the LEAP Approach,⁴ an evaluation methodology developed by the TNFD, we analyzed nature-related opportunities and risks, and are in the process of gauging the effect on our finances.

(3) Relationship with our business

Through our veterinary pharmaceuticals and animal feed additives, in particular, we are contributing to building a society in which humans and animals can co-exist. We are keenly aware of the relationship between our business and nature.

Identifying Materiality in the Value Chain



Looking Ahead

Going forward, the Group will maintain an accurate grasp of its business activities’ impacts and dependencies on natural capital and biodiversity, identifying risks and opportunities and organizing and implementing countermeasures. In particular, using the LEAP Approach, we will analyze dependence on water resources and ecosystem services across the entire value chain, and will also evaluate physical and transition risks. We will redouble our efforts to conserve ecosystems and contribute to the creation of a sustainable society, and will disclose the relevant information progressively as it becomes available.

LEAP Approach

| Locate | | |
|----------------|---|---|
| Business sites | At the Iwaki Factory and Shonan Recerch Center, we are track water resource usage and characteristics of the surrounding ecosystems. We conduct water risk assessments at both sites as they are located in areas deemed to have relatively high water stress. | |
| Supply chain | When procuring pharmaceutical active ingredients, we identify whether they come from areas rich in biodiversity or areas at from deforestation and water pollution. This also applies to procuring raw materials for feed additives in our veterinary pharmaceuticals business. | |
| Evaluate | | |
| Dependence | We have determined that our business activities depend on cl water resources and stable ecosystem services (e.g., soil health and biological resources). | |
| Impacts | We assessed changes in land use and impacts on ecosystems associated with water use, wastewater discharge during the production process, waste disposal, and raw material procurement. | |
| Assess | | |
| Risks | Physical risks | Risk of halt to operations due to increased water stress, risk of instability in supply of raw materials due to ecosystem degradation |
| | Transition risk | Increase in costs accompanying stricter nature-related regulations (e.g., higher water quality standards, expansion of biosphere reserves) and change in product preferences as consumers become more environmentally aware |
| | Reputation risk | Damage to corporate image due to negative impact on biodiversity |
| Opportunities | Development of new products and services | Development of ecosystem-friendly pharmaceuticals and adoption of production processes with smaller environmental footprint |
| | Efficiency improvement | Lowering costs by reducing water usage and recycling waste |
| | Enhancing brand value | Enhancing corporate value by contributing to protection of the natural environment |