Environment

Basic Principles

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

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 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.

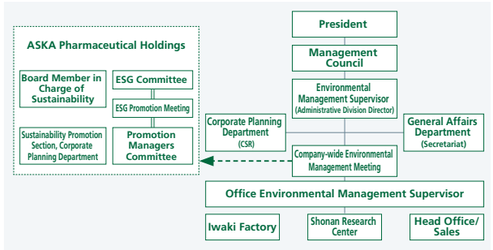
Disclosures Based on TCFD Recommendations: Governance

The Company has established an ESG Committee as a voluntary advisory committee (independent from the Board of Directors), as it believes the implementation of ESG management to be a key policy. The ESG Committee is chaired by the Senior Managing Member of the Board of Directors, Representative Director, in charge of Sustainability. 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:

Company-wide Environmental Management Structure



As of July 1, 2023

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.

Disclosures Based on TCFD Recommendations: Strategies

The Company considers the issue of climate change to be a management issue that affects its business. From this perspective, we have been disclosing climate change-related information since May 2022, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We identified the risks and opportunities in climate change as follows, based on advice from external consultants and the opinions of stakeholders.

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 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 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		• Strengthening competitiveness against climate change-related increases in disease and changes in consumer preferences lead 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 "Strategies" are disclosed on the Company website under "Disclosures under TCFD Recommendations."
https://www.aska-pharma-hd.co.jp/english/csr/sustainability/tcfd.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	4.0° C warming scenario	1.5° C warming scenario	4.0° C warming scenario	
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	Business growth may stagnate as sales decline due to drug price reductions, forcing the Company to reduce R&D and capital expenditures.	Small	Small	Long-term	Long-term	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	Decreased sales due to fewer prescriptions of our pharmaceuticals as a result of reduced medical examinations may force us to cut back on R&D and capital expenditures, which could stagnate business growth.	Small	Medium	Long-term	Medium-term	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	Although climate change-related measures are systematically implemented, they may not keep up with the actual situation on each occasion, leading to lower revenue due to a loss of trust from stakeholders.	Small	Medium	Long-term	Medium-term	As a member of society, we recognize that climate change countermeasures are an urgent issue, and we are actively promoting ESG 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	The risk of chronic wind and flood damage could increase, and operations could be disrupted due to employees' inability to come to work or damage to manufacturing facilities. Furthermore, damage to storage facilities (for raw materials, products, etc.) could lead to a decline in revenues.	Medium	Medium	Medium-term	Medium-term	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	Unprecedented severe windstorms and flooding could cause difficulties in securing raw materials and other resources, which could result in a decline in revenue.	Medium	Medium	Medium-term	Medium-term	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	Global warming may change disease trends and cause hormonal imbalances, which could increase demand for existing drugs (e.g., various hormone preparations) and promote the development and marketing of new drugs, thereby increasing revenue.	Small	Small	Long-term	Long-term	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	Our climate change initiatives will contribute to the creation of corporate value by earning the trust of customers, retaining employees, improving our reputation in recruiting, and enhancing our reputation with ESG investors.	Small	Small	Long-term	Long-term	We will strive to create corporate value by disclosing information to stakeholders in a timely and appropriate manner.

Environment

Disclosures Based on TCFD Recommendations: Indicators and Targets

We monitor environmental performance indicators related to CO_2 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 CO_2 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 (FPMAJ)—reducing CO_2 emissions by 46% by FY2030 from the FY2013 level (research center, factory, offices, and sales vehicles)—as the benchmark for our reduction targets.

Scope 1, 2 emissions (t-CO_2)

	FY2021	FY2022	FY2023
Scope 1	7,265	6,778	6,052
Scope 2[1]	4,883	4,013	2,945
Scope 2[2]	4,987	5,098	4,987

1. Market-based 2. Location-based

Environmental Impact Overview (FY2023)

Inputs

Total energy consumption
220,690 GJ
Electricity: 101,010 GJ / 11,754,000 kWh
Fuel/heat: 119,680 GJ

Total water use
170,620 m³
Tap water: 18,430 m³
Industrial water: 152,190 m³

R&D
Production
Sales

Pharmaceutical wholesalers

Hospitals, other medical facilities

Outputs

Atmosphere
CO_2: 8,997 t
NOx: 1,368 kg
SOx: 0.076 kg

Water
BOD[3]: 72 kg
COD[4]: 193 kg

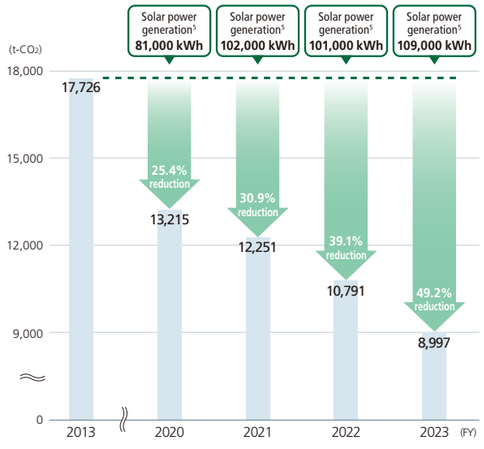
Waste
Waste generated: 185.0 t
Recycled resource: 164.7 t
Waste transported to landfill: 9.0 t

3. BOD: Biochemical Oxygen Demand
4. COD: Chemical Oxygen Demand

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. 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 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 have worked to improve the operational efficiency of the cogeneration (combined heat and power) system and the manufacturing process. Future initiatives include plans for purchasing more CO_2-free electricity and installing a heat pump. In FY2023, ASKA Pharmaceutical's company-wide energy consumption was equivalent to 5,694 kl of crude oil (down 7.1% year on year), and CO_2 emissions were 8,997 t-CO_2. With respect to our medium-term target of a 46% reduction in CO_2 emissions by FY2030 compared to FY2013, we have achieved a 49.2% reduction thus far.

CO_2 Emissions Volume



5. ASKA Pharmaceutical Iwaki Factory

Switching to CO_2-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 CO_2 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 CO_2-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 CO_2-free electricity will be made in stages, and in FY2024 we expect to reduce the Company's CO_2 emissions by approximately 530 tons. Overall, we aim to reduce annual CO_2 emissions by approximately 2,200 tons as a result of this switch. In addition, we expect the commissioning of a solar power generation system (under the PPA[6] method) to reduce CO_2 emissions by approximately 440 tons per year.

6. 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 185.0 tons of waste generated by ASKA Pharmaceutical's factory and research center in FY2023, 164.7 tons were ultimately recycled, which is 89.0% of the total amount of waste generated. In addition, 9.0 tons were consigned to final disposal, or 4.9% of the total amount of waste generated.

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

	FY2021	FY2022	**FY2023**
Total waste (t)	174.4	192.8	**185.0**
Amount recycled (t)	101.2	111.3	**164.7**
Amount for final disposal (t)	64.6	70.0	**9.0**
Recycling rate (%)	58.0	57.7	**89.0**

FY2022: Waste volume increased mainly due to the digitization of package inserts, partial discontinuation of manufacturing processes, product recalls, etc.

Management of Air and Water Resources

To prevent air pollution, the Group is working to reduce pollutant emissions. We measure and report the concentrations of NOx, SOx, 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 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)[7] system and promote appropriate management of chemical substances by considering substitution with safer chemical substances.

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

Green Procurement

Based on our corporate philosophy, we aim to realize a sustainable society by promoting ESG management as one of our key policies. As part of our efforts to achieve this goal, we are committed to green procurement, which prioritizes the procurement and purchase of environmentally friendly raw materials and other necessary resources.

Actual examples of green procurement
- Paper (copy paper, toilet paper, etc.)
- Stationery (ballpoint pens, clear folders, etc.)
- Office furniture (chairs, desks, shelves, etc.)
- Imaging equipment (displays, projectors, etc.)
- Electronic calculating machines (personal computers)
- Office equipment (color MFPs, shredders, etc.)
- Lighting (LED light fixtures, bulb-shaped lamps, etc.)

Biodiversity

The Group recognizes that the environmental impact associated with its 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 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.

Initiatives
- Continuing to reduce the use of phosphorus ore,[8] a natural resource, by marketing the feed additive phytase.
- Designated as a new feed additive, L-histidine hydrochloride is expected to help reduce fishmeal use in fish feed and contribute to the conservation of natural fishmeal resources.

8. Phosphorus ore: an essential element for living organisms and necessary for the extraction of phosphorus, which provides biodiversity.