CORPORATE REPORT 2021

Be passionate challengers

Year ended March 31, 2021

ONO PHARMACEUTICAL CO.,LTD.

Corporate Philosophy

Dedicated to the Fight

Our Vision

Be passionate challengers

Our Vision is to strive with the utmost effort and strong determination to meet the challenge of combining our individual competencies to deliver new, innovative drugs to patients. We will continue being the most passionate champion in the fight against disease and pain, together with patients, their families, and healthcare providers.

against Disease and Pain

Our Values

ONO aims to be a world-changing team

The greater the challenge, the more passionately ONO will rise to meet it

ONO acts with dignity and pride

CONTENTS

EDITORIAL POLICY

ONO PHARMACEUTICAL (ONO) publishes this report as an integrated report that, in addition to financial information, provides a broad range of non-financial information including corporate social responsibility (CSR) activity information. This report contains financial results and other financial data, and non-financial information on corporate governance, and environmental and social awareness, serving as a communication tool to ensure that ONO's stakeholders can understand our current status and direction.

Coverage of this Report

- Scope of Coverage: This report covers the activities of ONO. Some pages also include the activities of the whole Group or group companies.
- Period of Coverage: April 1, 2020 through March 31, 2021

* The report is based on activities in FY2020, the period for the financial reports, however, considering the importance of providing the most up-to-date information, some activities conducted in and after April 2021 are also covered.

Reference Guidelines

ONO refers to the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC), Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation compiled by the Ministry of Economy, Trade and Industry of Japan, ISO 26000, Environmental Reporting Guidelines 2018 by the Ministry of the Environment of Japan, and the Final Report on Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
This report has been prepared in accordance with the GRI Standards: Core option.

Publication Date: September 2021

Disclaimer Regarding Forward-Looking Statements

This report includes forward-looking statements regarding the ONO Group's business. All the forward-looking statements are based on forecast analysis using the information available at the time of preparation of this report. Actual financial results may therefore differ from the current business outlook due to market and industry conditions, and risks and uncertainties associated with general economic conditions at home and abroad.
This report also includes information that provides details of pharmaceutical products, including compounds under development. Please note, however, that this information is not intended for advertising purposes or for giving medical advice.

Information on ONO's Sustainability Initiatives

ONO discloses its initiatives in a variety of media, including this report and its website. Please refer to the website for further details on initiatives presented in this report.

▶ **https://sustainability.ono-pharma.com**

External ESG Assessment of ONO PHARMACEUTICAL

ONO included in premier indices for socially responsible investment (SRI)

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Dow Jones Sustainability Indices (DJSI)

Jointly developed by S&P Dow Jones Indices (US) and RobecoSAM (Switzerland) to evaluate companies based on an analysis of those companies' economic, environmental and social performance

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

MSCI Japan ESG Select Leaders Index

Designed to target companies that have relatively high ESG performance

FTSE4Good

FTSE4Good Index Series

Created by FTSE Russell to measure the performance of companies demonstrating strong ESG practices

FTSE Blossom Japan

FTSE Blossom Japan Index

Created by FTSE Russell, designed as an industry neutral benchmark that reflects the performance of Japanese companies demonstrating strong ESG practices

Recognition of ONO's environmental performance

CDP DISCLOSURE INSIGHT ACTION A LIST 2020 CLIMATE

2020 CDP Climate Change A List

Global accreditation by international environmental NGO CDP to name the world's top-rate businesses leading on environmental performance in climate change

Recognition of ONO's environmental and safety & health performance

2021 健康経営優良法人 Health and productivity ホワイト500

2021 Certified Health & Productivity Management Outstanding Organization Recognition Program "White 500"

ONO has been recognized as a company engaging in strategic health and productivity management program efforts for maintaining its employees' health from a management perspective

DISCLAIMER: THE INCLUSION OF ONO PHARMACEUTICAL CO., LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF ONO PHARMACEUTICAL CO., LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

HISTORY

ONO's History Timeline

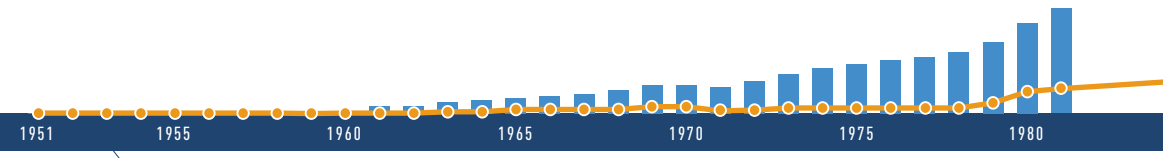
A 300-Plus-Year History of Full Commitment to the Pharmaceutical Business

Since our foundation in 1717, we have made progress for more than 300 years in our commitment to relieving pain of patients and focus on their health improvement.

"We believe there are new drugs that only we can develop."

We still continue to unite our efforts in meeting the challenge of discovering our own innovative drugs.

* Only for FY1989 (ended on March 31, 1990), the financial results are for four months from December 1, 1989 to March 31, 1990.



Foundation

1717

Ichibei Fushimiya I founded the apothecary "Fushimiya Ichibei Shoten" in Doshomachi, Osaka.

Illustration of the Fushimiya Ichibei shop
Source: Osaka guidebook "*Naniwa Hitori Annai,*" 1867

1934

Ichibei Ono VIII changed the name of the business from Fushimiya Ichibei, which had been used since its foundation, to Ono Ichibei Shoten (Ono-Ichi) and reorganized operations to modernize management.

Ichibei Ono VIII

1947

Ono PHARMACEUTICAL CO., LTD. was established to grow into a pharmaceutical manufacturer dedicated to developing ethical pharmaceuticals.

(Original headquarters building and surrounding Doshomachi 2-chome area)

Shift in Marketing from OTC Drugs to Prescription Drugs

1960's

Transformed to a prescription drug manufacturer

1968 World's First

Became the world's first company to succeed in the total chemical synthesis of prostaglandins

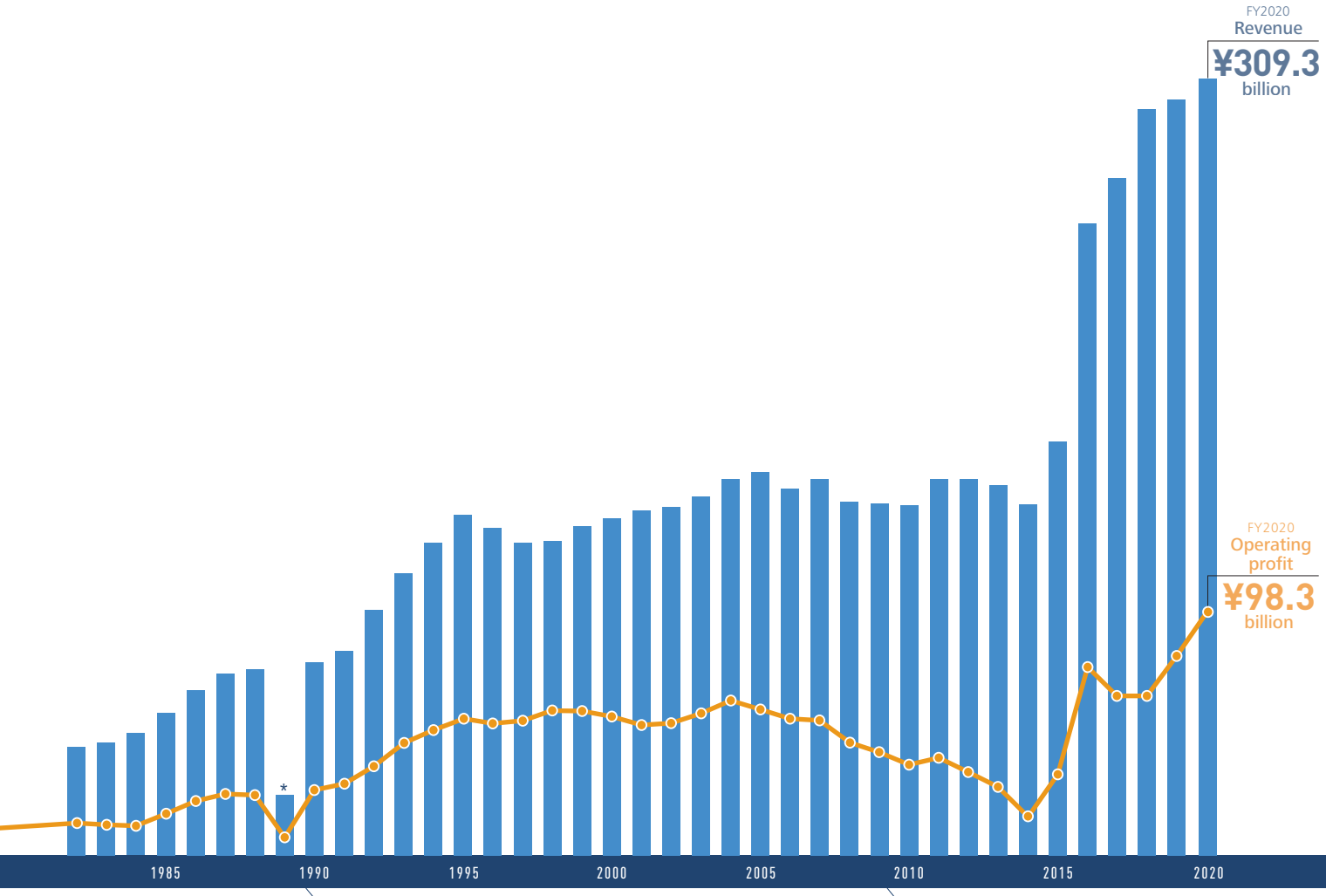
Tackling an Impossible Challenge: The Road to Launching PG Drugs on the Market

After World War II, ONO made a full-fledged entry into the OTC drug market. With the economy fluctuating and a universal health insurance system introduced in 1961, however, the OTC drug market environment became increasingly severe. Under such circumstances, prostaglandins (PGs) came to ONO's knowledge through the special lecture of Professor Sune K. Bergström of Sweden's Lund University in 1965, when ONO was still a small company with 20 researchers. With little development experience of prescription drugs, ONO started research on the then unidentified compounds.

No method for the chemical synthesis of PGs had yet been established, and the only method available was biosynthesis, requiring a considerable amount of effort to produce even small quantities. Following the success by Professor Elias J. Corey of the US's Harvard University in total chemical synthesis of PGs, ONO immediately sent its researchers to the professor to have them learn about the method. Finally, in 1968, ONO succeeded in the total chemical synthesis of PGs on a commercial basis for the first time in the world.

"To put it exaggeratedly, I feel like Columbus sailing on the Santa Maria westward across the Atlantic Ocean in search of the New World."
Excerpted from Yuzo Ono's remarks at the first PG Study Meeting

Yuzo Ono standing in front of the stone monument on which ONO's corporate philosophy is engraved



Strengthening Licensing Activities

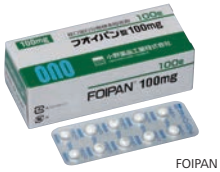
Entering Oncology Domain

1970's to 1980's

Successfully developed and launched new innovative drugs on the market

PROSTARMON-F Injection
(1974)

PROSTANDIN Injection
(1979)



FOIPAN Tablets
(1985)

1990's

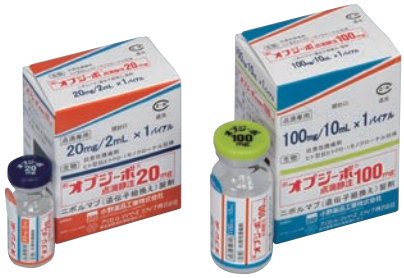
Strengthened licensing activities, promoting global open innovation

2010's

Made a full-fledged entry into the oncology domain

2014 World's First

Launched anti-PD-1 antibody OPDIVO for the first time in the world



A Game-Changing Cancer Immunotherapy Approach That Has Contributed to Drug Development Leading to receipt of the Nobel Prize in Physiology or Medicine

The 2018 Nobel Prize in Physiology or Medicine was awarded jointly to Distinguished Professor Tasuku Honjo of Kyoto University and Professor James P. Allison of the University of Texas for "discovery of an immunosuppression mechanism and development of cancer therapy based on the mechanism."
ONO was responsible for the development of cancer therapy.
In 1992, PD-1 was discovered at the Honjo laboratory of Kyoto University, but its functions had long been unknown. It was in 2002, 10 years after the identification of PD-1, that the researchers found it plays a role in the immune evasion mechanism of cancer.
However, because treating cancer by boosting the immune system was an unprecedented concept, ONO faced great difficulty in finding a co-developer with human antibody production technology and was turned down by a succession of companies. In 2005, ONO finally found and reached a collaborative research agreement with the American bioventure company Medarex (which was acquired by Bristol-Myers Squibb in 2009). As for clinical trials of OPDIVO, which started in Japan in 2008, ONO also saw reluctance among clinical healthcare professionals in accepting the therapy.
Overcoming many difficulties, ONO obtained marketing approval for OPDIVO for the first time in the world in July 2014, 22 years after the discovery of PD-1, and launched the drug on the market in September of the same year. Currently, OPDIVO is already approved for nine cancers and offers a new treatment option to clinical healthcare professionals.

At a Glance

An R&D-based Pharmaceutical Company Specializing in Prescription Drug Development

Continuing Vigorous Investment in Drug Development

R&D costs
(FY2020)

¥62.4 billion

R&D cost-to-revenue ratio
(FY2020)

20.2 %

R&D Abilities Combining In-house Drug Discovery and Open Innovation

Number of patents held
(As of end of July 2021)

123 patents

Number of approvals obtained
(January to December 2020)

11 approvals

Expanding Development Pipeline and Continuously Marketing New Drugs

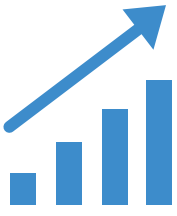
Number of clinical trials conducted
(As of end of December 2020)

78 trials

Number of new products launched/ additional indications approved
(FY2016 to FY2020)

28 products

Stable Financial Base That Supports Investment for Growth



Revenue
(FY2020)

¥309.3 billion

Operating income to revenue ratio
(FY2020)

31.8 %

To realize our corporate philosophy "Dedicated to the Fight against Disease and Pain," we focus our finite management resources on drug discovery and development, creating innovative drugs, typified by the cancer immunotherapy OPDIVO.

Main Products

ONCOLOGY	● OPDIVO Intravenous Infusion for the Treatment of Malignant Tumors ● KYPROLIS for Intravenous Injection for the Treatment of Malignant Tumors ● EMEND Capsules / PROEMEND for Intravenous Injection for the Treatment of Chemotherapy-induced Nausea and Vomiting ● DEMSER Capsules for the Improvement of Status of Catecholamine Excess Secretion in Pheochromocytoma ● BRAFTOVI Capsules and MEKTOVI Tablets for the Treatment of Malignant Tumors ● VELEXBRU Tablets for the Treatment of Malignant Tumors ● ADLUMIZ Tablets for the Treatment of Cancer Cachexia
DIABETES	● GLACTIV Tablets for the Treatment of Type 2 Diabetes ● FORXIGA Tablets for the Treatment of Diabetes (Also approved for indications for chronic heart failure and chronic kidney disease)
CARDIOVASCULAR DISEASE	● ONOACT for Intravenous Infusion for the Treatment of Tachyarrhythmia ● OPALMON Tablets for the Treatment of Peripheral Circulatory Disorder ● CORALAN Tablets for the Treatment of Chronic Heart Failure
IMMUNE SYSTEM DISEASE	● ORENCIA for Subcutaneous Injection for the Treatment of Rheumatoid Arthritis
NEUROLOGICAL DISEASE	● RIVASTACH Patch for the Treatment of Alzheimer's Disease ● ONGENTYS Tablets for the Treatment of Parkinson's Disease
Others	● PARSABIV Intravenous Infusion for Dialysis for the Treatment of Secondary Hyperparathyroidism in Patients on Hemodialysis ● STAYBLA Tablets for the Treatment of Overactive Bladder (OAB) ● RECALBON Tablets for the Treatment of Osteoporosis ● ONON Capsules and ONON Dry Syrup for the Treatment of Bronchial Asthma and Allergic Rhinitis ● JOYCLU Intra-articular Injection for the Improvement of Joint Function

Top Message

Gyo Sagara

Gyo Sagara

President, Representative Director, and CEO

Aiming to Be a Global Specialty Pharma, We Further Accelerate Growth Strategies and Increase Our Corporate Value

FY2020 Review

Despite the COVID-19 pandemic, we have achieved increased revenue and profits and enhanced our R&D capabilities to pursue further growth.

During FY2020, the world experienced unprecedented challenges from the novel coronavirus infectious disease (COVID-19). Despite the negative impact of COVID-19 on our corporate activities, we have achieved increased revenue and profits for three consecutive years, posting record-high sales revenue of over 300 billion yen. As a pharmaceutical company specializing in new drug development, our research and development (R&D) activities over the past 5 and 10 years have contributed to our current business performance. In other words, our sound business growth is a testament to our continued efforts in the past. In addition, departments in charge of sales, post-marketing surveillance, etc. have also exerted relentless efforts to navigate through the adversity of COVID-19. I am genuinely proud of achieving the milestone sales revenue of 300 billion yen even in such adverse circumstances.

Meanwhile, our R&D performance is highlighted by the acquisition of regulatory approval for 11 new drugs in Japan in 2020, the largest number of new drugs in one year. While being a medium-sized company, these significant results have been achieved because we have been promoting open innovation more vigorously than our competitors. To cite an example, we are currently undertaking approximately 200 joint research projects at home and abroad. Such solid research foundation and our constant pursuit of innovation give us a competitive advantage over larger-sized pharmaceutical companies.

In our response to the COVID-19 pandemic, we actively accelerated digitization and learned its utility and limitation. While introducing online meetings early to improve business efficiency, we realized the importance and appropriateness of face-to-face meetings where people get together to freely exchange and realize ideas. It was unfortunate that since lecture meetings also went online, opportunities for participants to exchange information at a banquet after a seminar were no longer available. We will take advantage of what we have experienced and learned during the pandemic in our activities post-COVID-19.

Industry Environment and Medium- to Long-term Challenges

R&D and overseas expansion hold the key to our growth in the next 5 and 10 years.

The business environment surrounding pharmaceutical companies has become increasingly tough. Reduction of social security to cope with the aging population and the dropping birthrate as well as the weakening financial base has negatively impacted drug prices. On the other hand, development competition among pharmaceutical companies has reduced the areas with unmet medical needs with success rates of drug discovery still remaining low.

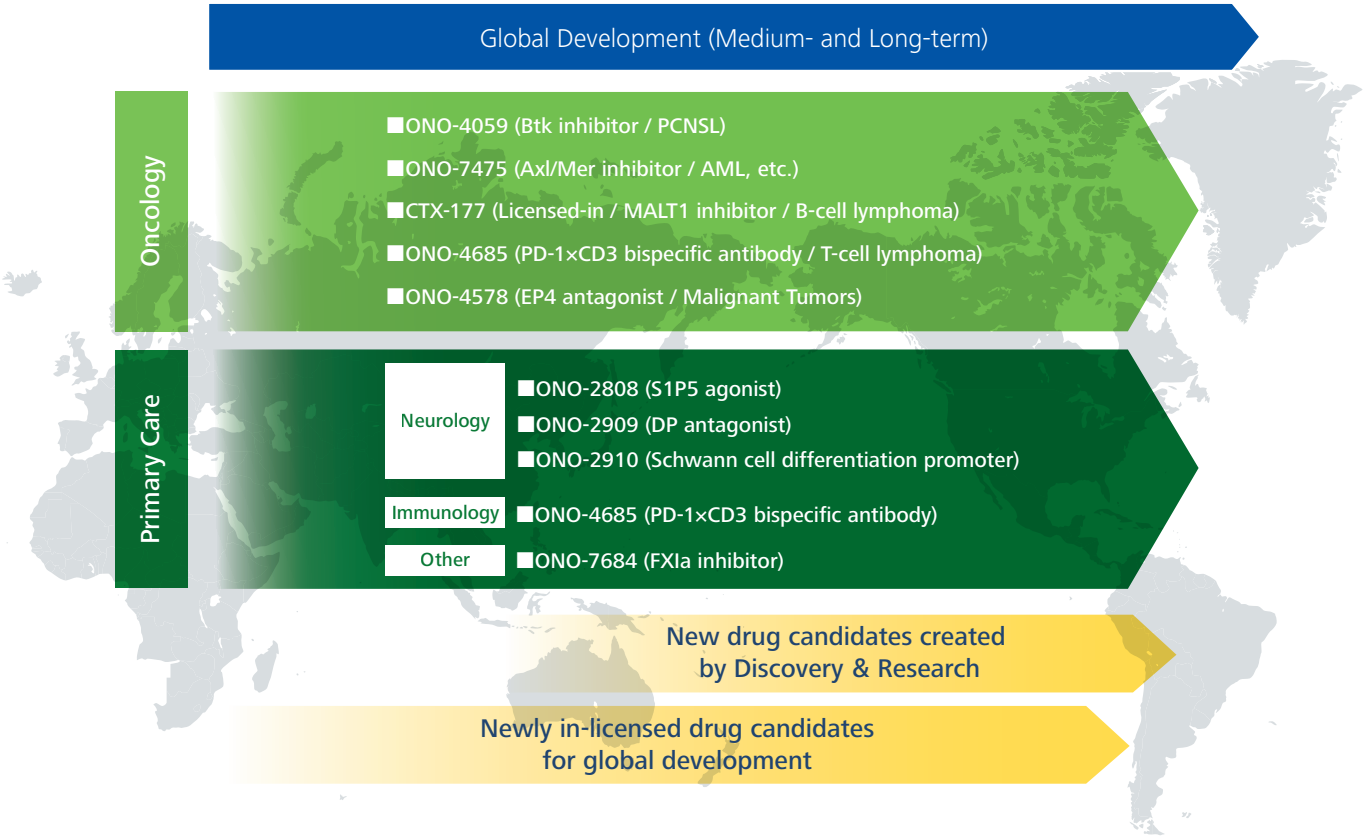
In these circumstances, we will face the patent cliff for our biggest growth driver, the anticancer drug OPDIVO for I.V. Infusion, 5 and 10 years later. The royalty revenue associated with PD-1 and PD-L1 patents will start to decrease in 2024 and terminate at the end of 2026. OPDIVO will reach patent expiration in Japan and abroad in 2031 and 2028, respectively. In order to overcome the patent cliff, we have been placing top priorities on the creation of new drugs and overseas expansion.

Specifically, we aim to address the patent cliff expected in 2026 and 2031 by overseas expansion and launch of products developed in-house and further growth overseas, respectively. It is vital for us to have promising new drug candidates to prepare for their launch 10 years later. Hence we have to work extremely hard for the coming couple of years to achieve our target.

Designating the oncology, immunology, neurology, and specialty domains with high medical needs as priority areas, we have been focusing our management resources on these domains. Specifically, in addition to ONO-4578 (EP4 antagonist) for the treatment of malignant tumors and ONO-4685 (PD-1×CD3 bispecific antibody) for the treatment of autoimmune disease, compounds developed in-house have successfully entered the clinical stage including ONO-2910 (Schwann cell differentiation promoter) for the treatment of peripheral neuropathy, ONO-2909 (DP1 antagonist) for the treatment of narcolepsy, and ONO-2808 (S1P5 receptor agonist) for the treatment of neurodegenerative disease. We also actively promote open innovation as well as using modalities including antibodies, nucleic acids, cells and viruses in addition to pursuing small molecule drug discovery in order to provide innovative treatment options.

Regarding overseas expansion, in the US, we have initiated a phase II clinical trial of BTK inhibitor VELEXBRU Tablets (ONO-4059), which has already been launched in Japan for the treatment of primary central nervous system lymphoma (PCNSL) and Waldenstrom macroglobulinemia (WM)/lymphoplasmacytic lymphoma (LPL). We also expect to commence clinical trials of multiple compounds this year. The scale of the US market is five times larger than that of the Japanese market. That is, if we can launch a product with domestic sales of 20 billion yen in the US, sales of about 100 billion yen can be expected. Such huge sales will help us not only compensate for the negative impact of the patent cliff but also realize further growth.

▶Continuous pipeline and overseas expansions



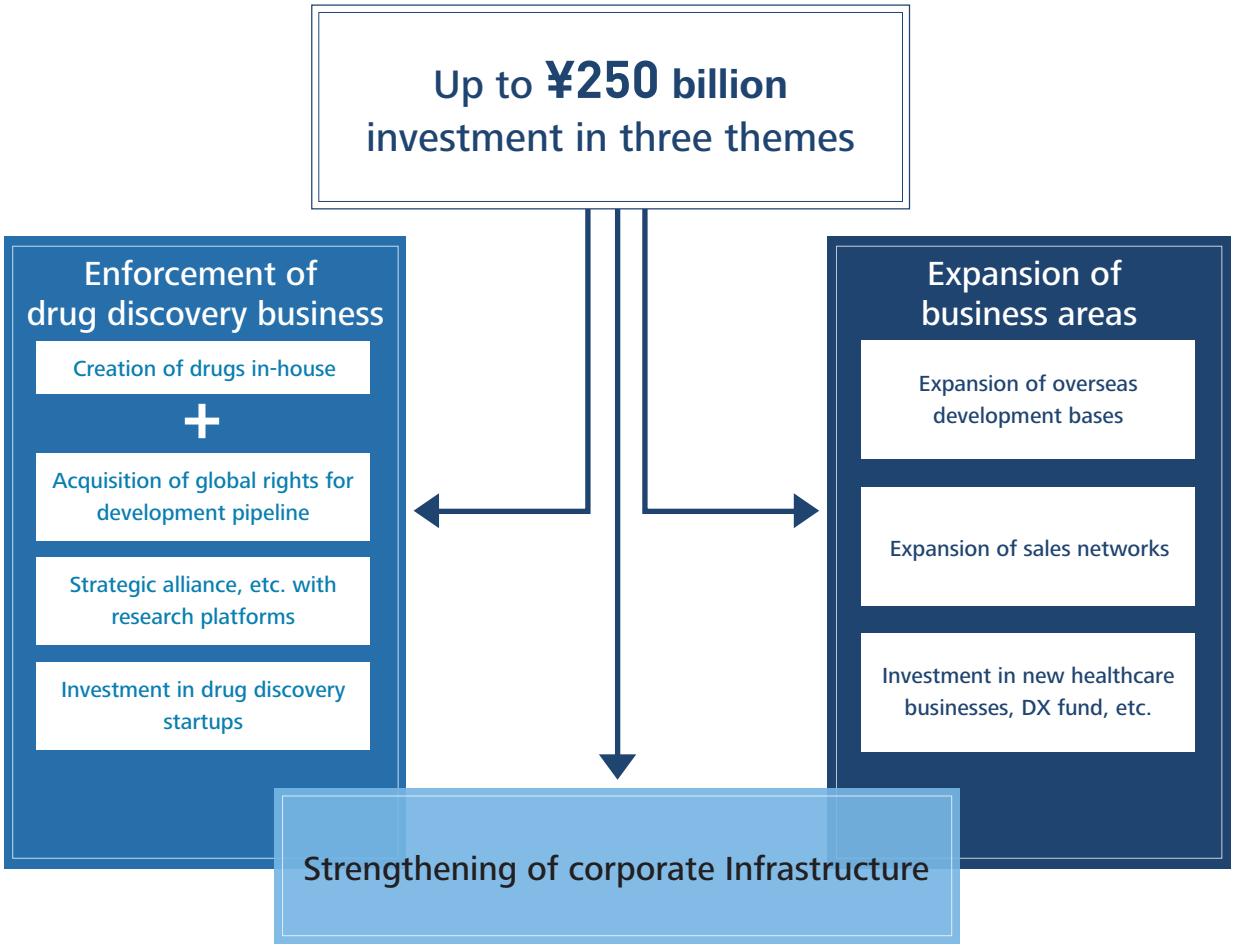
Strategic Investment to Promote Sustainable Growth

Investment policy to promote four growth strategies

In order to attain sustainable growth of our company, we have to acquire resources for growth by maximizing product value and to make investment for future growth. As described in our growth strategies and investment policy that were presented at the time of the announcement of financial results in May 2021, we will invest 200 to 250 billion yen over the next 5 years with cash generated by reduction of cross-shareholdings (100 billion yen) and cash on hand in the enforcement of the drug discovery business, expansion of business areas, and strengthening of corporate infrastructure.

Especially, placing our focus on the enforcement of the drug discovery business, we will invest at the largest scale ever into significantly strengthening our R&D capabilities. Our annual R&D cost will be increased from the current level of 70 to 100 billion yen. Separately, 150 to 200 billion yen will be invested over the next 5 years into the acquisition of global rights for proof of concept (POC)-established pipelines, strategic alliance and incorporation with research platforms, investment in drug discovery startups, etc.

For the expansion of business areas, we will invest in expanding overseas development bases and sales networks, new healthcare businesses, DX fund, etc. In our history of over 300 years as an R&D-based pharmaceutical company specializing in prescription drug development, we went through hardship when development of compounds in-house was terminated one after another. As previously mentioned, with the business environment becoming increasingly challenging, there is a risk that success/failure of R&D could directly impact our business results. One of the aims of entering new business areas is to mitigate such risk. As the first step of our endeavor, focusing on the healthcare business in which we can take advantage of the fruits of our research on prostaglandins and lipids, Ono Pharma Healthcare Co., Ltd. (a wholly-owned subsidiary of ONO), whose main business is health foods and foods with function claims in the healthcare field, was established in February 2021. Over the next 5 years, we will invest 30 to 50 billion yen in expanding business areas as well as strengthening corporate infrastructure focusing on digital infrastructure development.



Progress of Four Growth Strategies

Growth Strategy 1 Maximizing Product Value

Pursuing maximization of value of main products with high potential, centering on OPDIVO

We pursue maximization of OPDIVO's product value, with focus on the gastrointestinal cancers including gastric and esophageal cancers. There is a relatively large number of gastrointestinal cancer patients in Japan, South Korea, and Taiwan where we have marketing license for OPTIVO. While the number of gastric cancer patients is about one-tenth the number of lung cancer patients in Europe and the US, the numbers of these patients are roughly the same in East Asia. Hence it is important to expand OPDIVO use in order to increase treatment options for patients in this region. Meanwhile, the market holds a great potential; if OPDIVO is used in the first-line treatment for all domestic gastric cancer cases, the sales will reach about 110 billion yen. If it is used as relapse prophylaxis after surgery in all patients with high risk of relapse, the sales will be approximately 70 billion yen. Although OPDIVO will not be used for all patients in reality, we can further enhance the value of OPDIVO. To this end, we have been pursuing addition of indicated tumors and treatment lines, and development of combination therapies since the effect of OPDIVO as monotherapy is relatively limited.

With regard to our products other than OPDIVO, approximately 80% of the products will be replaced with their generic equivalents soon after patent expiration. Hence, in order to recoup R&D costs in a relatively short period of time, it is essential to achieve peak sales in the shortest period from launch. To this end, with the Medical Affairs Department playing the central role, we exert our utmost efforts to ensure the best preparation for product launch including pre-launch discussion with physicians on a science basis. One of our products with strong sales potential is FORXIGA Tablets for the treatment of diabetes. We received approval of the drug for the additional indication of chronic cardiac failure in November 2020. The approval for another additional indication of chronic kidney disease is also expected to be obtained in 2021. Our other promising products include ORENCIA for S.C. Injection for the treatment of rheumatoid arthritis, BRAFTOVI Capsules and MEKTOVI Tablets for the treatment of malignant tumors, ONGENTYS Tablets for the treatment of Parkinson's disease (launched in August 2020), ADLUMIZ Tablets for the treatment of cancer cachexia (launched in April 2021), and JOYCLU Intra-articular Injection for the treatment of joint function improvement (launched in May 2021). We will deliver the full potential of our products in order to acquire resources for further growth.

Growth Strategy 2 Enhancing R&D Capabilities

Expanding the development pipeline by enhancing open innovation and licensing activities, etc.

We place our focus on open innovation as well as licensing activities that we have been pursuing for years to enhance our R&D capabilities, showing successful results.

As a means of enhancing open innovation, we entered sponsorship agreements in February 2021 with LabCentral and MBC BioLabs, both of which are private, non-profit organizations in the US supporting the development of biotech startup companies. Thanks to the sponsorship, we can early access the most updated information of the companies supported by these organizations. Meanwhile, in March 2021, we joined the University of California Drug Discovery Consortium (UC DDC), which has allowed us to approach early-stage research themes originating from any of the seven US DDC campuses and to let our researchers attend symposiums, etc. hosted by US DDC. These are only a few of the various activities that we carry out. As previously described, approximately 200 joint research projects are currently underway in Japan and overseas. With our researchers participating in particularly promising joint research projects, we expect that their expertise and skills will be significantly improved.

We also actively seek opportunities for M&A of startups that possess attractive drug discovery platforms and compounds in order to strengthen our R&D capabilities.

With regard to our licensing activities, we entered into license agreements with SK Biopharmaceuticals Co., Ltd. (South Korea) for an antiepileptic drug in October 2020 and with Chordia Therapeutics Inc. (Japan) for an anti-hematologic cancer drug in December 2020. In February 2021, we also signed a license agreement with Ribon Therapeutics, Inc. (US) for an anticancer agent, thereby licensing in a new drug candidate compound. Under the terms of agreement with Chordia Therapeutics Inc., we have obtained exclusive global rights to develop, manufacture and commercialize CTX-177, a mucosa-associated lymphoid tissue lymphoma translocation protein 1 (MALT1) inhibitor, and related compounds. Although licensed-in drugs have previously been for domestic sales only, we are seeking acquisition of global rights to pursue expansion of our business operations overseas including the US.

Growth Strategy 3 Globalizing Business

Expanding our business in the US and making progress on the road to become a Global Specialty Pharma

For overseas expansion that holds the key to our future growth, we have been proceeding with developing our own sales organizations in the US. Meanwhile, in April 2019, we transferred the functions of the Global Clinical Development Division from Japan to our US subsidiary in order to conduct clinical trials and approval application work in the US and Europe.

In April 2021, we relocated the office of our US subsidiary from New Jersey to Cambridge, Massachusetts to pursue organizational enhancement. Cambridge is the home of world-leading universities/research institutions including Massachusetts Institute of Technology (MIT) and Harvard University as well as a number of the world's leading pharmaceutical companies and biopharma startups. Moreover, in geographical terms, there are more opportunities to attract top-tier talent in Cambridge than in New Jersey. The new office comprised of about 10 Japanese and 20 local staff came into operation, commencing a phase II study of BTK inhibitor VELEXBRU Tablets. While strengthening our development capabilities in the US, we will establish our own sales organization with hundreds of staff members over the next two to three years by setting up Marketing, Sales, Medical Affairs and Pharmacovigilance Departments.

In the US market, our target is a specialty domain that does not require a large-scale sales organization. Specifically, in the pursuit of our business expansion in the US, we will launch two to three in-house developed products in the niche domain, including VELEXBRU Tablets, put them on a steady growth track, and expand our product line to include those that require larger-scale operation.

Our focus of globalization is placed not solely on the US. After establishing our own sales organization in the US, we will further expand our development and marketing operations on a global scale. We strive to expand our operations not only in Europe, but also in China and ASEAN countries, thereby delivering valuable new drugs to patients around the world.

Growth Strategy 4 Strengthening Corporate Infrastructure

Enhancing our IT and digital infrastructure and launching new human resources development program

Our focus in strengthening corporate infrastructure is to enhance our IT and digital infrastructure in order to achieve digital transformation (DX). In early 2019, we designated the year as the first year of digitalization and established the Data Strategy Department in October the same year. With the department playing the central part, we have been working on the efficiency improvement of corporate activities and value creation by promoting company-wide use of real-world data (RWD). RWD refers to medical big data comprised of anonymized data about patient health status that can be utilized in many ways. For example, in a clinical study, if a placebo group can be replaced with a group whose data were acquired from RWD, it is not necessary to include a placebo group in the study, so that the associated cost and time can be significantly reduced. Moreover, RWD can be used for more sophisticated decision making in research and marketing, analysis of unmet needs, post-marketing surveillance, etc. Hence utilization of RWD has been actively promoted by pharmaceutical companies. Obviously, we have to keep pace with such a trend. To this end, we included digital infrastructure development in the previously mentioned investment policy and have been striving to establish an environment where big data and artificial intelligence (AI) can be effectively utilized (see pp.38-40).

Another focus in strengthening corporate infrastructure is human resources development, which is a key theme of our company. In order to create new innovations, it is essential to develop human resources who will contribute to innovation creation as well as to develop a corporate culture that helps employees take up challenges. In this context, in May 2021, we launched the Ono Innovation Platform, a program to support employees who take on challenges (see pp.49-50). The employees participating in the program are given opportunities to learn and experience how to create an innovation, and to take on challenges. For example, there is a program in which an employee is dispatched to a startup to carry out collaborative work, joint research, etc. to gain experience that is not available in-house. Although the initiative has just begun, there are more applicants than expected. We are looking forward to seeing their future endeavors. Thus, we encourage our employees not only to do assigned jobs but also actively take on challenges to enhance their capabilities to create innovations.

Steadily performing the PDCA cycle to continuously strengthen ESG initiatives

In our environmental, social and governance (ESG) initiatives to support sustainable growth of society, we carefully listen to stakeholders and define materiality (i.e. important corporate social responsibility [CSR] issues) to be addressed. Then we perform the PDCA cycle to cope with individual issues, thereby strengthening our ESG initiatives.

In relation to activities to address environmental challenges, under the medium- and long-term environmental vision called "ECO VISION 2050" established in June 2019, we have defined and been working on three important items as "realization of a decarbonized society," "realization of a water recycling society," and "realization of a resource recycling society." In particular, regarding realization of a decarbonized society, we have set a high target of reduction of greenhouse gas emission (scopes 1 + 2) to zero by 2050, which is classified by the Science Based Targets initiative (SBTi) as the most ambitious science-based "1.5°C target." We also expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and joined the RE100 international initiative in June 2020. The RE100 is an international initiative that aims to have companies utilize 100% renewable energy for electricity used in their operations, and we are the first Japanese pharmaceutical company to join the initiative. As a company that aims to become a leading environmental company in the pharmaceutical industry, we vigorously pursue challenging targets, leading the whole industry.

Regarding issues facing society, we are committed to the creation of innovative drugs, which is our most important task as a pharmaceutical company. Meanwhile, in FY2020, which was the last year of our five-year action plan formulated in response to the Japanese government's enactment of the Act on Promotion of Women's Participation and Advancement in the Workplace, we showed visible results including achievement of our target of raising the retention rate of female employees to 90% or higher for five consecutive years. While we pursue diversity of our human resources in terms not only of gender but also of age, nationality, disability, etc., promotion of female employee participation in the workplace is one of the symbolic themes of diversity and inclusion. We will further strive to promote diversity and inclusion to become a company where everyone wants to work.

Meanwhile, we have been promoting strengthening of corporate governance over the past 10 years. In FY2020, we appointed our first female external director. On revision of the Corporate Governance Code stipulated by the Tokyo Stock Exchange in June 2021, companies are increasingly required to improve transparency and soundness of management. We continue to be committed to improving our governance system to respond to these social demands.

In FY2021, in response to changes in the social environment and in light of the opinions of stakeholders, we conduct a review of materiality. In accordance with the newly defined materiality, we continue to promote ESG initiatives that meet the needs of the times.

Future Prospects and Aspirations

Presenting a more specific blueprint for growth and proceeding to a new stage as passionate challengers

We aim to establish ourselves as Global Specialty Pharma that discovers original and innovative drugs to compete in the global arena. This is our ultimate goal. ONO is a pharmaceutical company that carries out activities from R&D to approval application and marketing in Japan. Overseas, however, ONO is merely a startup and licenses out its compounds to partner companies that carry out clinical studies, approval application, and marketing. Hence we have been exerting our efforts to become a true global pharmaceutical company for more than 10 years.

The next 5- and 10-year periods are extremely important periods for ONO in our pursuit of becoming a Global Specialty Pharma. To this end, we need to think backwards from the goal, carefully define milestones for individual stages, and draw a detailed blueprint that I sincerely wish to share with all stakeholders.

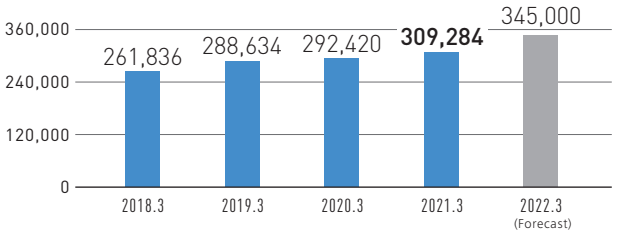
Our employees have joined the company because they were moved by our corporate philosophy "Dedicated to the Fight against Disease and Pain" and our vision "Be Passionate Challengers." Needless to say, they take on challenges with powerful passion. Where there is true passion, what we have to do is to define the right goals; people, money, and compounds naturally come together to realize creation of new drugs. Hence, we must always define goals carefully and meticulously. Specifically, since ONO is to explore new uncharted areas in the next 5- and 10-year periods, it is vital to set clear goals and present a blueprint for growth in order to keep the flame of passion of employees burning. In this context, I will start by drawing a fine-tuned blueprint for the next 5-year period by the end of this year.

The new stage for ONO that I envision is a stage where productive tasks steadily proceed toward the achievement of the defined goals. If the goals are in line with our corporate philosophy, our endeavors to achieve the goals will inevitably contribute to society, thereby giving employees a sense of motivation and purpose to work. Keeping these in mind and always going back to our corporate philosophy when in doubt, we provide an environment where everyone can put their passion into work. As a matter of course, ONO will continue to be a company of passionate challengers. As always, I really appreciate the continued support and cooperation of all stakeholders.

Financial/Non-Financial Highlights

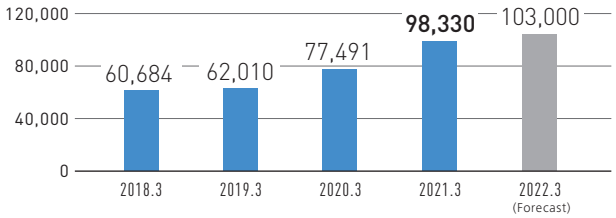
Financial Information

Revenue (Millions of yen)



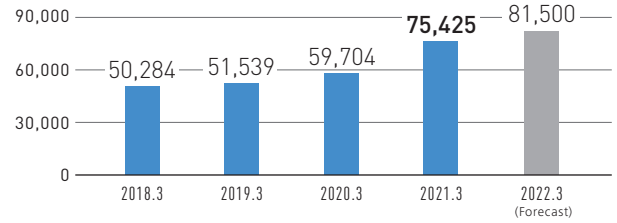
Revenue rose by 5.8% year-on-year due to increased sales from flagship products OPDIVO Intravenous Infusion, FORXIGA Tablets, and ORENCIA Subcutaneous Injection, and royalties.

Operating profit (Millions of yen)



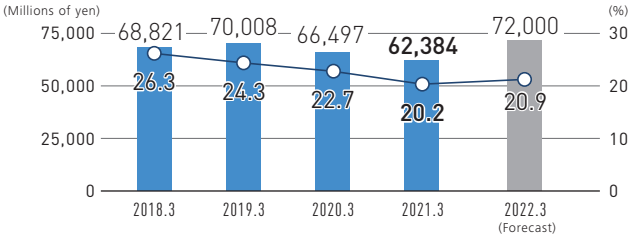
Along with the rise in revenue, operating profit also grew by 26.9% on the previous year, mainly due to declining R&D costs from the impact of the novel coronavirus infection (COVID-19) pandemic and income from up-front licensing fees.

Profit for the year attributable to owners of the parent company (Millions of yen)



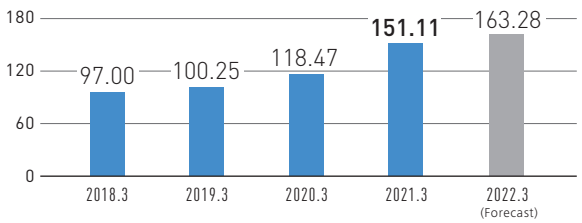
Current net income rose by 26.3% on the previous year despite an increase in corporate income tax due to a higher pre-tax net income.

R&D costs / Ratio to revenue (Millions of yen / %)

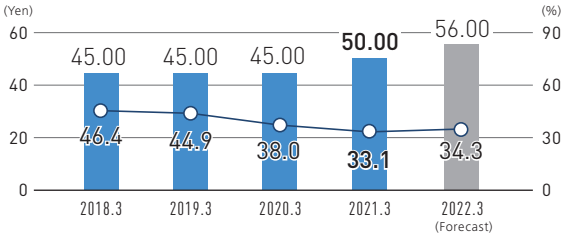


R&D costs fell by 6.2% year-on-year due to declining clinical trial costs from the impact of the COVID-19 pandemic, despite increases in joint research costs with universities & research institutions and milestone & other payments for drug discovery alliances with bio-venture companies.

Basic earnings per share (yen)



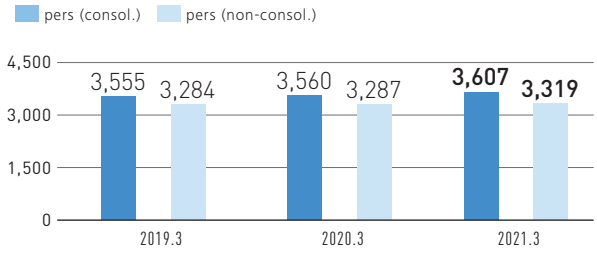
Dividend per share / Consolidated payout ratio (yen / %)



ONO considers the distribution of profits to shareholders as a vital management policy. ONO will prioritize stable dividend distribution, appropriately distributing its profits in line with its business performance.

Non-Financial Information

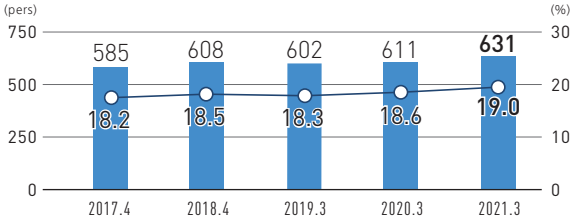
Number of employees



We recruit not only new graduates but also midcareer workers and others with a variety of different backgrounds to strengthen our corporate infrastructure.

▶ Human Resources and Human Rights, p.51

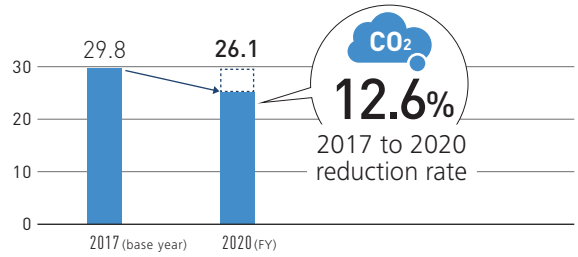
Number of female employees / Ratio of female to male workforce



As part of initiatives for promoting diversity, we have made efforts to promote women's participation and advancement in the workplace.

▶ Human Resources and Human Rights, p.51

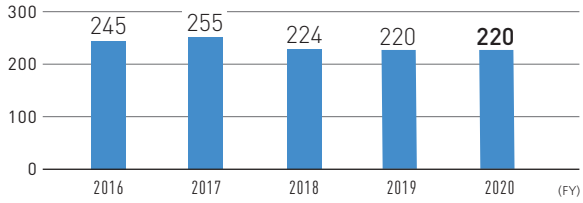
CO_2 emissions (thousand tons-CO_2)



In accordance with our environmental policy, we have set numerical targets and are working to achieve them.

▶ Environment, p.43

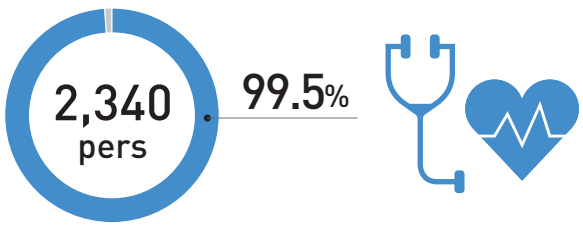
Meetings with institutional investors (personal interviews/phone conferences)



We disseminate information based on our policy of pursuing accuracy, fairness, impartiality, and promptness. We actively hold personal interviews and phone conferences with investors inside and outside Japan.

▶ Information Disclosure, p.68

Comprehensive medical examination rate (FY2020)

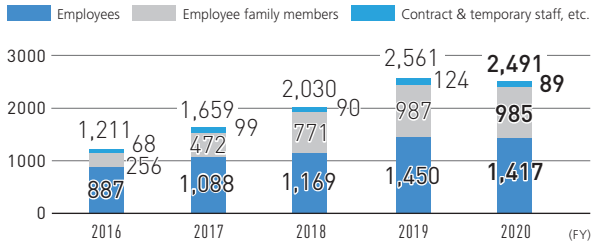


We take an approach to actively maintaining and improving the health of employees and their families. We have a support system in place for disease prevention, early detection, and treatment.

▶ Promotion of Health and Productivity Management, p.54

Eligibility: Insured employees aged 35 and over and their dependent spouses

No. of participants in ONO's annual walking campaign



Each year, ONO hosts a walking campaign at the company. The event is growing in popularity each year, and encourages ONO employees and their family members to take up walking.

▶ Promotion of Health and Productivity Management, p.54

Status of Development Pipeline (As of July 26, 2021)

Main Status of Development Pipelines (Oncology)

Product Name or Development Code (Generic Name)	Mechanism of Action, etc.	Target Disease	Development Stage	Area	In-house / In-license
			I II III Filed		
OPDIVO Intravenous Infusion (Nivolumab)	Anti-PD-1 antibody	Esophageal cancer (Adjuvant therapy)		JP	In-house (Co-development with Bristol-Myers Squibb)
				KR·TW	
		Urothelial carcinoma (Adjuvant therapy)		JP	
		Cancer of unknown primary		JP	
		Hodgkin's lymphoma (Pediatric)		JP	
		Ovarian cancer		JP	
		Bladder cancer		JP·KR·TW	
		Prostate cancer		JP·KR·TW	
		Hepatocellular carcinoma		JP·KR	
		Pancreatic cancer		JP·KR·TW	
		Biliary tract cancer		JP·KR·TW	
		Virus positive / negative solid carcinoma		JP·KR·TW	
YERVOY Injection★ (Ipilimumab)	Anti-CTLA-4 antibody	Gastric cancer		JP·KR·TW	Co-development with Bristol-Myers Squibb
		Esophageal cancer		JP·KR·TW	
		Urothelial cancer		JP·KR·TW	
		Hepatocellular carcinoma		JP·KR·TW	
		Virus positive / negative solid carcinoma		JP·KR·TW	
ONO-7701★ (Linrodostat)	IDO1 inhibitor	Bladder cancer		JP·KR·TW	Co-development with Bristol-Myers Squibb
BRAFTOVI Capsules (Encorafenib)	BRAF inhibitor	Thyroid cancer		JP	Pfizer
		Colorectal cancer		KR	
		Melanoma		KR	
MEKTOVI Tablets (Binimetinib)	MEK inhibitor	Thyroid cancer		JP	Pfizer
		Colorectal cancer		KR	
		Melanoma		KR	
ONO-4686★	Anti-TIGIT antibody	Solid tumor		JP	Co-development with Bristol-Myers Squibb
ONO-4482★ (Relatlimab)	Anti-LAG-3 antibody	Melanoma		JP	Co-development with Bristol-Myers Squibb
ONO-7807★	Anti-TIM-3 antibody	Solid tumor		JP	Co-development with Bristol-Myers Squibb

★In combination with OPDIVO.

Product Name or Development Code (Generic Name)	Mechanism of Action, etc.	Target Disease	Development Stage				Area	In-house / In-license
			I	II	III	Filed		
ONO-7912 (Devimistat)	Cancer metabolism inhibitor	Pancreatic cancer	→				JP	Rafael
			→	→	→		KR	
		Acute myeloid leukemia	→	→	→		KR	
ONO-7475	Axl / Mer inhibitor	Solid tumor★	→				JP	In-house
		Non-small cell lung cancer	→				JP	
		Acute leukemia	→	→			US	
ONO-4059 (Tirabrutinib)	Bruton's tyrosine kinase (BTK) inhibitor	Primary central nervous system lymphoma	→	→			US	In-house
ONO-4578★	PG receptor (EP4) antagonist	Colorectal cancer	→				JP	In-house
		Pancreatic cancer	→				JP	
		Non-small cell lung cancer	→				JP	
		Solid tumor, Gastric cancer	→				JP	
ONO-7911★ (Bempegaldesleukin)	PEGylated IL-2	Solid tumor	→				JP	Co-development with Bristol-Myers Squibb
ONO-7913 (Magrolimab)	Anti-CD47 antibody	Pancreatic cancer★	→				JP	Gilead Sciences
		Colorectal cancer★	→				JP	
		Solid tumor	→				JP	
		Myelodysplastic syndrome	→				JP	

★In combination with OPDIVO.

Main Status of Development Pipelines (Other than Oncology)

Product Name or Development Code (Generic Name)	Mechanism of Action, etc.	Target Disease	Development Stage				Area	In-house / In-license
			I	II	III	Filed		
ORENCIA SC (Abatacept)	T-cell activation inhibitor	Polymyositis / Dermatomyositis	→	→	→		JP	Co-development with Bristol-Myers Squibb
ONOACT for Intravenous Infusion (Landiolol Hydrochloride)	Short-active selective β_1 blocker	Tachyarrhythmia in low cardiac function (Pediatric)	→	→	→		JP	In-house
VELEXBRU Tablets (Tirabrutinib)	Bruton's tyrosine kinase (BTK) inhibitor	Pemphigus	→	→			JP	In-house
		Generalized scleroderma	→				JP	
Joyclu Intra-articular Injection	Hyaluronic acid-NSAID	Enthesopathy	→	→			JP	Seikagaku
ONO-2910	Schwann cell differentiation promoter	Diabetic polyneuropathy	→	→			JP	In-house
ONO-2808	S1P5 receptor agonist	Neurodegenerative disease	→				JP・EU	In-house
ONO-4685	PD-1×CD3 bispecific antibody	Autoimmune disease	→				JP	In-house
ONO-2909	PG receptor (DP1) antagonist	Narcolepsy	→				JP	In-house
ONO-7684	FXIa inhibitor	Thrombosis	→				EU	In-house

ONO's Value Creation Process

Be a Global Specialty Pharma, competing with original and innovative new drugs

Issues and Awareness of Business Environment

Issues Facing Healthcare

- Complex and advanced healthcare needs
- Aging population
- Improvement in access to healthcare

Issues Facing Society

- Harmonious coexistence of society and businesses
- Mutual prosperity of employees and businesses
- Diversity enhancement

Business Environment

- Progression of healthcare cost reduction measures around the world
- Tighter regulatory controls stemming from fundamental review of the NHI drug pricing system in Japan
- Increasing complexity of target diseases for drug discovery
- Decreased success rates of drug discovery
- Prolonged period/rising costs of new drug development

Capital to be Input

(2021.3)

Financial capital

A strong financial base that supports sustained drug discovery

- Total capital: ¥641.2 billion
- Ratio of equity attributable to owners of the parent company: 85.1%

Manufacturing capital

A manufacturing base that ensures stable supply of high-quality pharmaceutical products

- Capital investment: ¥9.1 billion
- Manufacturing centers: 2

Intellectual capital

R&D abilities based on ONO's unique drug discovery approach and open innovation

- R&D costs: ¥62.4 billion
- R&D cost-to-revenue ratio: 20.2%

Human capital

Providing a challenger culture and opportunities for personal growth

- Number of employees (consolidated): 3,607
- Total training time: 116,110 hours

Social capital

Various forms of partnership to create sustainable society

- Research collaborations conducted: Approx. 200 projects (Japan & overseas)

Natural capital

ECO VISION 2050 and environmental management

- Energy consumption: 103,204.3 MWh
- Water resource consumption (water intake): 245,600 m³

Corporate Philosophy

Dedicated to the Fight against Disease and Pain

Focusing limited management resources into drug discovery and development

In-house Drug Discovery

With focus on unique bioactivity, finding diseases against which drug candidates are most potentially effective, and taking up the challenge of discovering innovative drugs

Licensing Activities

Promoting expansion of our development pipeline and global marketing of new drugs we develop

Materiality (Important CSR Issues) P24

- Creation of innovative drugs
- Intellectual property strategies
- Assurance of product reliability and safety
- Promotion of human resource development
- Thorough compliance
- Implementation of responsible marketing and promotion activities
- Response to climate change
- Provision of a stable supply of products

in the global arena

- Globally increasing competition
- Increasing opportunity to achieve drug discovery innovations
- Expansion into the global market

Four Growth Strategies

Maximizing Product Value ▶ P29

Continuing actively driving R&D investment

Strengthening R&D ▶ P31

Discovery of innovative new drugs

Globalizing Business ▶ P35

Expansion of growth infrastructure

Strengthening Corporate Infrastructure ▶ P38

- Promotion of CSR procurement in supply chain management
- Strengthening corporate governance
- Building a work environment that ensures and sustains employment as well as fosters motivation

Output

(2021.3)

Securing stable earnings through drug discovery and addition of indications

▶ Revenue: ¥309.3 billion

Provision of a more stable supply by construction of Yamaguchi Plant

Expansion of development pipeline through in-house drug discovery and licensing activities

▶ Number of clinical trials conducted: 78 trials

Turnover rate, new employee retention rate

▶ Retention rate after 3 years of new employment: 96.6%

Improvement of access to healthcare

Reduction of environmental impact

▶ Greenhouse gas emissions (Scopes 1 + 2) reduction target (compared to FY2017): 12.6% reduction

Value ONO offers

To the frontline of healthcare

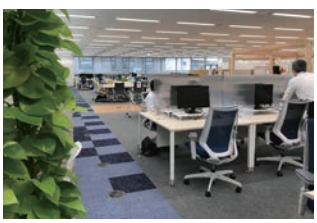
- Discovery of pharmaceutical products that bring true benefit to patients
- Stable supply of high-quality pharmaceutical products
- Information collecting/provision for proper drug usage

To society

- Contribution to economic development
- Contribution to the creation of a sustainable society

To shareholders and investors

- Stable return on investment through sustained growth
- Fair information disclosure



To employees

- Provision of opportunities for personal growth
- Creation of an environment where employees work with peace of mind

Major Risks and Countermeasures

There are 18 major risks that ONO indicated in the Securities Report in FY2020.
Among others, the following six items were judged to have particularly high impact and risk.
We also identified risks unique to ONO and new risks in addition to the aforementioned risks.

Risk factors	Risk outline	Countermeasures
Development of new products	● Long-term and significant investment in research and development did not result in the release of inventive new drugs and development was abandoned.	● Strengthening a system to engage in our drug discovery by focusing on research fields. ● Adopting the world's most advanced technologies and knowledge and promoting open innovation to increase the speed of new drug development and the probability of success.
Changes in market environment	● Decreases in product competitiveness due to sales conditions of competing products and generic products.	● Maximize product value by conducting proactive research and development activities, prompt cooperation between departments throughout the company. ● Review of strategy that can ensure competitive superiority for each product stage including research and development. ● Protecting resources to maximize the potential of product.
Compliance	● Decreases in trust if our Group and contractors cause a critical violation of laws. ● Restriction of business activities due to amendment of laws and regulations, etc. and investment in countermeasures.	● Development and practice of the compliance system based on the ONO PHARMACEUTICAL Code of Conduct. ● Establishment of the compliance promotion system. ● Thorough compliance with laws and regulations related to business activities.
Product quality control	● In the event of serious quality problems or concern over the safety and security of products based on new scientific knowledge, the brand value of the product may decrease and the trust in entire our group may be damaged.	● Establishment and continued improvement of the quality control system based on the original quality control manual. ● Development of the system to promptly respond to cases that concern product quality, efficacy, and safety.
Acquiring and fostering human resources	● Stagnation of business activities if diverse and excellent human resources cannot be acquired and fostered in the medium- and long-term.	● Development of a support system and work environment where multiple workstyles are allowed. ● Implementation of the training system based on individual growth and capability. ● Promotion of women's participation and advancement, promotion of the activities of people with disabilities, and promotion of employing mid-career individuals.
Natural disasters and accidents in association with large-scale earthquakes and climate change	● Stagnation of business activities due to natural disaster in association with large-scale earthquakes and climate change, explosions and fire accidents at production plants, information and control system troubles, problems at raw materials suppliers, functional failure of society's infrastructure such as electricity, water, etc., environmental pollution by hazardous substances, terrorism, political turmoil, riot, etc.	● Establishment of disaster measures and business continuity plan (BCP) for production plants and major business bases. ● Actions for climate change risks based on the proposal of TCFD. ● Strengthening ability to handle emergency situations by development of the 2 bases system, introduction of the Safety Confirmation System, and conducting periodic disaster-drills.

Part of the major risks identified in the Securities Report are extracted and indicated in the above table. For more details, please see the following Securities Report (only in Japanese) and ONO's sustainability website.

https://www.ono.co.jp/sites/default/files/ja/ir/library/securities_report/ns_ver4_210618.pdf

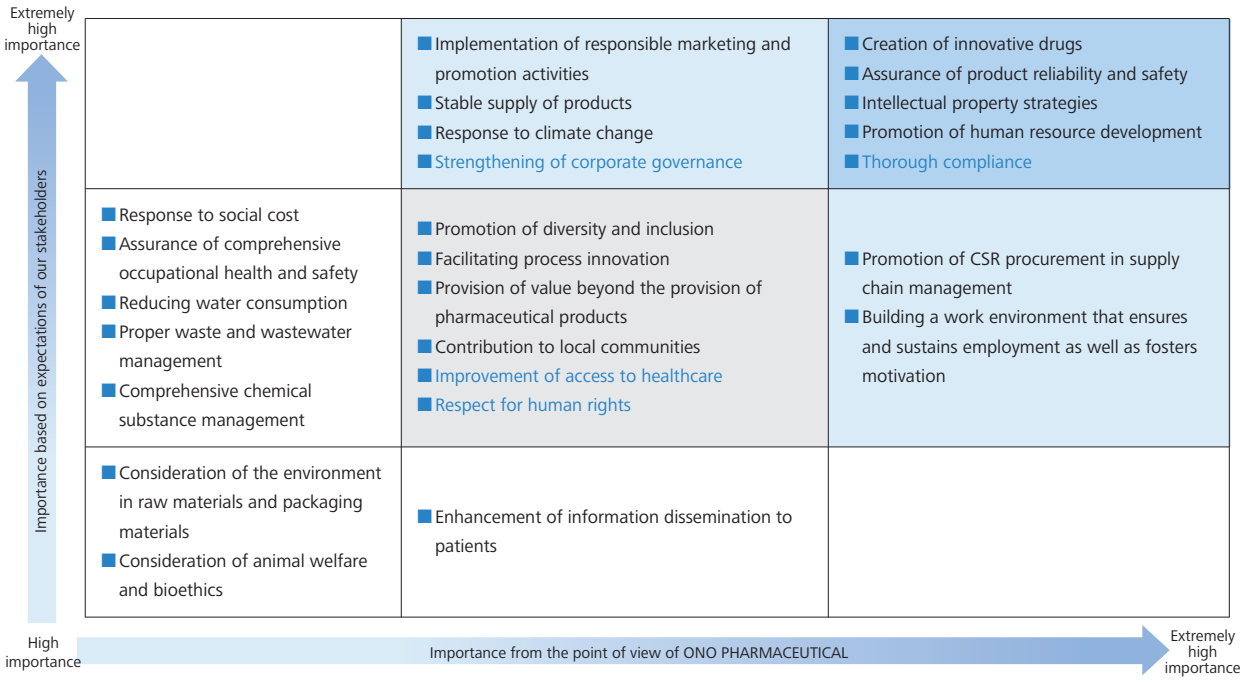
About ONO's Materiality

In FY2018, we redefined our materiality (important CSR issues) to clarify CSR themes which we should emphasize. ONO actively engages in CSR according to the new materiality that we have established.

Process of Determining Materiality

STEP. 1 Identify the Issues → STEP. 2 Analyze Materiality → STEP. 3 Verify Validity → STEP. 4 Review

In FY2021, we reviewed the importance of each item in light of external information obtained from discussions with stakeholders and changes in the business environment surrounding us. As a result, we changed our materiality map as described below.



Thorough compliance

- Change: This item has been raised by one level on the vertical axis "Importance based on expectations of our stakeholders."
- Reason: Based on the fact that some of our employees were convicted of bribery, we maintain efforts to ensure legal and regulatory compliance as the most important issues.

Improvement of access to healthcare

- Change: This item has been raised by one level on the horizontal axis "Importance from the point of view of ONO PHARMACEUTICAL."
- Reason: Improvement of access to healthcare has become more recognized as a social issue because of novel coronavirus infection (COVID-19) and has become more important for us, as we aim to become a more global company.

Strengthening of corporate governance

- Change: This item has been raised by one level on the vertical axis "Importance expected of us by our stakeholders." Also, the title was changed from "Strengthening of governance for globalization" to "Strengthening of corporate governance."
- Reason: As requirements for strengthening corporate governance are increasing, we are also expected to strengthen corporate governance with our anticipation of global business development.

Respect for human rights

- Change: This item has been raised by one level on both the vertical axis "Importance expected of us by our stakeholders" and the horizontal axis "Importance from the point of view of ONO PHARMACEUTICAL."
- Reason: Human rights issues are among the conventional social issues, and companies are expected to actively contribute to the resolution of human rights issues.

The process of determining materiality is provided in detail on ONO's sustainability website.

https://sustainability.ono-pharma.com/en/themes/100#898

Materiality and Relevant Sustainable Development Goals (SDGs)

We report and manage the progress of each materiality target semi-annually at the Management Meeting.

Creation of innovative drugs

Relevant SDGs

Medium- to long-term targets: Contribute to the health of people all over the world by satisfying unmet needs through the discovery and manufacture of innovative pharmaceutical products

Targets for FY2020	Progress results in FY2020	Targets for FY2021
① Speed up the drug discovery process and shorten each phase of research and development	Ono Venture Investment, a new system for open innovation, was established	Use open innovation to expand the development pipeline focusing on key areas of research including cancer, immune diseases, central nervous system diseases and specialty domains **KPI** ✓ Number of approvals/clinical studies/preclinical studies/in-licensed drugs
② Use open innovation to expand the development pipeline focusing on key areas of research including cancer, immune diseases, central nervous system diseases and specialty domains	Please refer to pp.19-20 for details of our development pipeline and its progress	

Intellectual property strategies

Relevant SDGs

Medium- to long-term targets: In addition to uncovering company-internal intellectual property, strengthen product lifecycle management from the standpoint of maximizing intellectual property value
Consider proactive utilization of intellectual property in order to improve healthcare access

Targets for FY2020	Progress results in FY2020	Targets for FY2021
① Spread awareness of the crucial nature of intellectual property by holding talks and exchanges of views in each department to uncover new company-internal intellectual property, with the aim of continuing to develop innovative pharmaceutical products while respecting others' patents **KPI** ✓ Hold talks and exchanges of views at least 10 times a year ✓ There are no cases where we have infringed on others' intellectual property rights	· The department in charge of intellectual property conducted awareness-raising sessions on intellectual property within relevant departments and held 29 discussions · No intellectual property of others was violated	① Maximize the value of intellectual property by holding talks and exchanges of views in each department to spread awareness of the crucial nature of intellectual property and uncover new company-internal intellectual property **KPI** ✓ Our intellectual property is actively used. Its value is not damaged
② Consider and formulate specific lifecycle management plans for all products and compounds under development, including plans to improve drug formulation, from the perspective of intellectual property	Lifecycle management strategies of all projects were examined and made from the perspective of intellectual property	② Enhance analysis, design and promotion of intellectual property strategies for all products and compounds under development from the perspective of lifecycle management
③ Engage in external information exchange to build a foundation for intellectual property utilization in order to improve healthcare access **KPI** ✓ Collect information from relevant institutions (such as the World Intellectual Property Organization) ✓ Consider the expectations of stakeholders for enhancing access to pharmaceutical products and possible measures we can take, and establish a policy to respond to their expectations	Relevant institutions and cases in the pharmaceutical industry were investigated and possible measures were organized	③ Continue collecting external information to build infrastructure for intellectual property utilization to improve healthcare access, extract issues to be addressed for global business development and make a medium- and long-term strategy **KPI** ✓ The medium- and long-term strategy is made to improve healthcare access

Assurance of product reliability and safety

Relevant SDGs

Medium- to long-term targets: Raise awareness in each and every employee about the importance of the reliability and safety of products by properly promoting quality management and safety management operations

Targets for FY2020	Progress results in FY2020	Targets for FY2021
① Keep the rate of incidents in safety management operations below a certain level **KPI** ✓ The compliance rate for reporting to regulatory authorities within the prescribed period is at least 99.9%	The compliance rate for reporting to regulatory authorities within the prescribed period is 100%	① Keep the rate of incidents in safety management operations below a certain level **KPI** ✓ Compliance rate for reporting to regulatory authorities within the prescribed period: At least 99.9%
② Keep the rate of incidents and recurrence of problems in quality management operations below a certain level **KPI** ✓ Zero product recall ✓ The quality claim rate is below 0.01%	· Zero product recall · The quality claim rate is below 0.01%	② Keep the rate of incidents and recurrence of problems in quality management operations below a certain level **KPI** ✓ Zero product recall ✓ The quality claim rate is below 0.01%
③ Conduct internal training · Quality management training: CMC-Production Division and Quality Assurance Department · Safety management training: Other programs to be undertaken by implementing departments in addition to employees companywide	Four quality management training sessions and about 30 safety management training sessions were conducted as scheduled	③ Train and raise awareness of relevant departments to improve compliance with GXP (GVP, GQP, GPSP) **KPI** ✓ Safety management training for all employees, plus additional programs for GVP/GPSP education, RMP and product education to be undertaken by implementing departments ✓ Quality management training for CMC, Production Division and Quality Assurance Department

Promotion of human resource development

Relevant SDGs

Medium- to long-term targets: Develop human resources able to actively participate on the world stage, so that each and every employee can take their own initiative in their duties and career and take action as passionate challengers to deliver better pharmaceutical products to patients

Targets for FY2020	Progress results in FY2020	Targets for FY2021
① Continue to engage in activities to raise awareness about our mission statement **KPI** ✓ Rate of employees who are highly aware that our mission statement is their principle for taking action: At least 50%	Rate of employees who are highly aware that our mission statement is their principle for taking action: 47%	① Continue to engage in activities to raise awareness about our mission statement **KPI** ✓ Rate of employees who are highly aware of our mission statement in taking action: At least 65% ✓ Rate of employees of overseas subsidiaries (excluding expatriate employee) who are highly aware of our mission statement: At least 40%
② Conduct cross-sectional training for seven ranks of employees, from new employees to managers, in order to develop human resources that behave according to the behavioral characteristics required of each rank, with the aim of facilitating changes in their behavior **KPI** ✓ Rate of behavior change recognized in the evaluation made by their superiors after the training: At least 80%	Rate of behavior change recognized in the evaluation made by their superiors after the training: 79%	② Conduct cross-sectional training for seven ranks of employees, from new employees to managers, in order to develop human resources that behave according to the behavioral characteristics required of each rank, with the aim of facilitating changes in their behavior **KPI** ✓ Rate of behavior change recognized in the evaluation made by their superiors after the training: At least 85%
③ Develop human resources that can act independently by expanding elective training in which employees can choose to participate, and enhancing support for self-improvement of employees. ONO also nurtures a climate of growth where employees are stimulated by learning from each other **KPI** ✓ Attendance rate for self-improvement programs: At least 33%	Attendance rate for self-improvement programs: 32%	③ Increase opportunities of self-learning and social learning of employees **KPI** ✓ Attendance rate for self-improvement programs: At least 40%
④ Develop human resources and build an organization able to adapt to harsh environmental changes worldwide **KPI** ✓ In the global skills assessment (BISA test) after the global development programs, 80% of the attendees reach at least 700 points (a level that allows for overseas assignment) ✓ Rate of behavior change recognized in the evaluation made by their superiors after the future top management candidate training: At least 80%	· In the global skills assessment, 83% of persons were assessed after training to be competent to work abroad · Rate of behavior change recognized in the evaluation after the future top management candidate training: 69% and 52% for two ranks, respectively	④ Enhance training of and increase the number of candidates for top management **KPI** ✓ Training additional 40 candidates for top management ✓ Training 20 persons who are competent to work abroad (target number of persons who are competent to work abroad by the end of FY2024: 200; 121 persons already trained) ⑤ Deepen employees' understanding of independent career development **KPI** ✓ Employees' understanding of career development: 50% ✓ Attendance rate of e-learning for career development: At least 85% ⑥ Discover core persons in charge of innovation **KPI** ✓ Number of participants in discovery programs: At least 60 ✓ Temporary transfer to ventures ⑦ Train persons in charge of digital transformation **KPI** ✓ Number of persons with IT passport: 35

Thorough Compliance

Relevant SDGs

Medium- to long-term targets: Improve awareness about organizational compliance and strengthen auditing systems in an effort to eliminate any regulatory or compliance violations

Targets for FY2020	Progress results in FY2020	Targets for FY2021
Implement the following initiatives with the aim of maintaining no occurrence of significant compliance violations* * Compliance violations that have a great impact on sales and profits **KPI** ✓ Number of significant compliance violations: Zero	Number of significant compliance violations: 1 * Case charged with bribery in February 2021 (and judged guilty in June 2021)	Implement the following initiatives with the aim of maintaining no occurrence of significant compliance violations* * Compliance violations that have a great impact on sales, profits and the society **KPI** ✓ Number of significant compliance violations: Zero 1. ① Hold a compliance meeting in which members of company management participate every quarter to work through the companywide compliance PDCA cycle ② Conduct compliance training (e-learning twice a year) ③ Conduct training and follow-up training of new employees ④ Conduct an employee awareness survey on compliance and harassment ⑤ Give feedback to and train each department based on the result of ④ ⑥ Conduct training about rules, guidelines, and the code of conduct for employees at the Sales and Marketing Department (twice a year) ⑦ Ensure that all employees (100%) receive the above training as required and are checked and assessed for their understanding after training ⑧ Dispatch a monthly email newsletter (ONO Compliance Report) 2. Enhance compliance management of overseas subsidiaries of our Group and collaborate with Enterprise Risk Management to take following company-wide measures · Conduct compliance training Focus on important compliance in training according to the business plan · Enhance global compliance management Make a road map for global business development in the next three years
① · Conduct all department leader training based on the legislation covering prevention of power harassment · Conduct an employee awareness survey on compliance and harassment to incorporate survey results on the formation of measures by each department · Conduct sales department training (rules, guidelines, code of conduct) · Conduct e-learning training (twice a year) · Distribute an email magazine on compliance **KPI** ✓ Training attendance rate: 100%	Training attendance rate: 100%	
② Hold a compliance meeting in which members of company management participate every quarter to work through the companywide compliance PDCA cycle	Four compliance meetings were held as scheduled	

Targets for FY2020	Progress results in FY2020	Targets for FY2021

Implementation of responsible marketing and promotion activities

Relevant SDGs

Medium- to long-term targets: Engage in activities that properly disseminate information in accordance with the guidelines for activities to disseminate marketing information about pharmaceutical products

Targets for FY2020	Progress results in FY2020	Targets for FY2021
Implement the following initiatives, with the aim of reducing the number of significant compliance violations* to zero * Compliance violations that have a great impact on sales and profits **KPI** ✓ No. of significant compliance violations: Zero	Number of significant compliance violations: 1 * Case charged with bribery in February 2021 (and judged guilty in June 2021). The same case is mentioned in "Thorough Compliance"	Implement the following initiatives with the aim of reducing the number of significant compliance violations* to zero *Compliance violations that have a great impact on sales, profits and the society **KPI** ✓ Number of significant compliance violations: Zero
① Conduct internal training for all employees involved in sales activities so that they act in compliance with the guidelines for activities to disseminate marketing information **KPI** ✓ Four times a year	Six times a year	① Enhance governance: Review and ensure adherence to internal rules of marketing activities, as well as legal compliance. Establish a reporting/notifying system (to superiors) to prevent inappropriate activity and conduct regular internal training of all salespersons ② Guidelines for activities to disseminate marketing information (lecture): Check slides for company-hosted lectures in advance to prevent information provision that violates the guidelines **KPI** ✓ Rate for prior confirmation of slides: 100%
② At company-hosted lectures, request that presenters provide information appropriately in keeping with internal company rules that conform to the guidelines, and check slides in advance **KPI** ✓ Rate for prior confirmation of slides: 100%	Rate for prior confirmation of slides for lecture: 99%	Ensuring the provision of well-balanced information on safety and efficacy at company-hosted lectures **KPI** ✓ Provision of safety information at all company-hosted lectures
③ The director of each sales office conducts an assessment to check whether the following activities are appropriately conducted at the time of accompanying his/her office members 1) Activities to disseminate information at the time of interview 2) Check slides used at company-hosted lectures in advance If the activities are inadequate, clarify the reasons for such activities and consider countermeasures against them. Then report the countermeasures to the Head Office for discussion **KPI** ✓ Conduct an assessment once a month	Assessment was conducted once a month to extract issues to be addressed and take measures	③ Guidelines for activities to disseminate marketing information (interview): Build a system that allows appropriate provision of information to healthcare professionals during interviews with them **KPI** ✓ Number of MRs who provide information inappropriately: Zero ④ Assessment of compliance with GL: Assess MRs regularly to check whether the following daily activities are appropriately conducted to determine causes of inappropriate cases, report countermeasures and prevent recurrence (prior confirmation of slides for lecture, safety information supply, information supply during interview) **KPI** ✓ A system is established to assess MR activity regularly, determine the causes and take measures under the responsibility of the director of sales office

Response to climate change

Relevant SDGs

Medium- to long-term targets: Reduce CO_2 emissions by 55% by 2030 (compared to FY2017 figures)

Targets for FY2020	Progress results in FY2020	Targets for FY2021
① Continue to work to reduce GHG emissions **KPI** ✓ A reduction of 12.6% compared to FY2017 (Scope 1 and 2)	Reduction by 12.6% compared to FY2017 (Scope 1 and 2)	① Continue to work to reduce GHG emissions **KPI** ✓ A reduction of 16.8% compared to FY2017 (Scope 1 and 2)
② Increase the usage rate of renewable energy **KPI** ✓ At least 12.6%	Renewable energy usage: 13.2%	② Increase the usage rate of renewable energy (renewable energy use/total electricity consumption) **KPI** ✓ At least 16.8%
③ Announce our participation in RE100 (an international initiative that aims for 100% usage of renewable energy in business operations by 2050)	Participation in June 2020	③ Take measures to abolish all devices using ozone-depleting substances **KPI** ✓ Make a road map

Stable supply of products

Relevant SDGs

Medium- to long-term targets: Create product designs able to ensure reliable quality and establish a stable supply system
Understand new medical needs and expand product designs

Targets for FY2020	Progress results in FY2020	Targets for FY2021
① Continue to incorporate on-site medical demand as well as treatment needs into product improvements and new products **KPI** ✓ Departments in charge conduct on-site investigations at medical sites to identify medical needs: At least 24 times ✓ Aim to improve packaging materials to be newly designed for at least four products	· Number of on-site investigations at medical sites: 72 · Improvement was made on seven products	① Continue to incorporate on-site medical demand (medical needs) and environmental demand (social needs) into product improvements and new products **KPI** ✓ Departments in charge conduct on-site investigations at medical sites to identify medical needs: At least 100 ✓ Improvement in newly designed packaging materials for at least five products ✓ Accelerated use of environmentally friendly packaging materials ✓ Use of FSC®-certified paper for additional five products (currently for seven products) ✓ Use of biomass plastic to be examined for four projects (compounds under development)
② Supply products to the market in a stable manner **KPI** ✓ Reset and ensure proper inventory levels according to product characteristics	Proper inventory levels were reset and achieved according to product characteristics	② Supply products to the market in a stable manner · Design stable supply of all products in BCP: ① Establish a policy of product priority (importance, categories I to V) ② Visualize a supply chain ③ Check the BCP policy with partner companies/suppliers of important products ④ Take measures to reduce risks of each product (multiple production bases, maintenance of safety stock, reduction in procurement/production lead time, etc.) ⑤ Update crisis management/business continuity manual **KPI** ✓ Appropriate stock months are maintained by product

Targets for FY2020	Progress results in FY2020	Targets for FY2021

Promotion of CSR procurement in supply chain management

Relevant SDGs

Medium- to long-term targets: Promote CSR activities together with our suppliers to build a sound and robust (resilient) supply chain

Targets for FY2020	Progress results in FY2020	Targets for FY2021
① Improve initiatives for CSR procurement in the companies that were subject to the survey conducted in the previous fiscal year **KPI** ✓ Increase the overall average score of all companies subject to the survey in FY2020, compared to FY2019	CSR evaluation system of EcoVadis (hereinafter "EcoVadis") indicated that overall score increased by 3.3 points on average	① Enhance CSR procurement for supply chain management · Analyze CSR risks of entire supply chain · Review CSR procurement policy and guidelines · Train employees to raise their awareness **KPI** ✓ Check understanding of employees after training
② Support the companies that have not met our standards to improve their initiatives **KPI** ✓ Increase the overall score of each company subject to the survey in FY2020, compared to FY2019	Number of companies with no increase in score compared to previous year: 5	② Continue supporting the companies that have not met our standards to improve their initiatives **KPI** ✓ Overall score of each company

Strengthening of corporate governance

Relevant SDGs

Medium- to long-term targets: Establish an effective corporate governance system to achieve our sustainable growth

Targets for FY2020	Progress results in FY2020	Targets for FY2021
———	———	① Improve function of the Board of Directors to enhance governance · Continue taking measures to enhance function of the Board of Directors through communication with stakeholders and evaluation of the effectiveness of the Board of Directors ② Establish governance for sustainable growth · Continue monitoring risk management-related measures by the Board of Directors

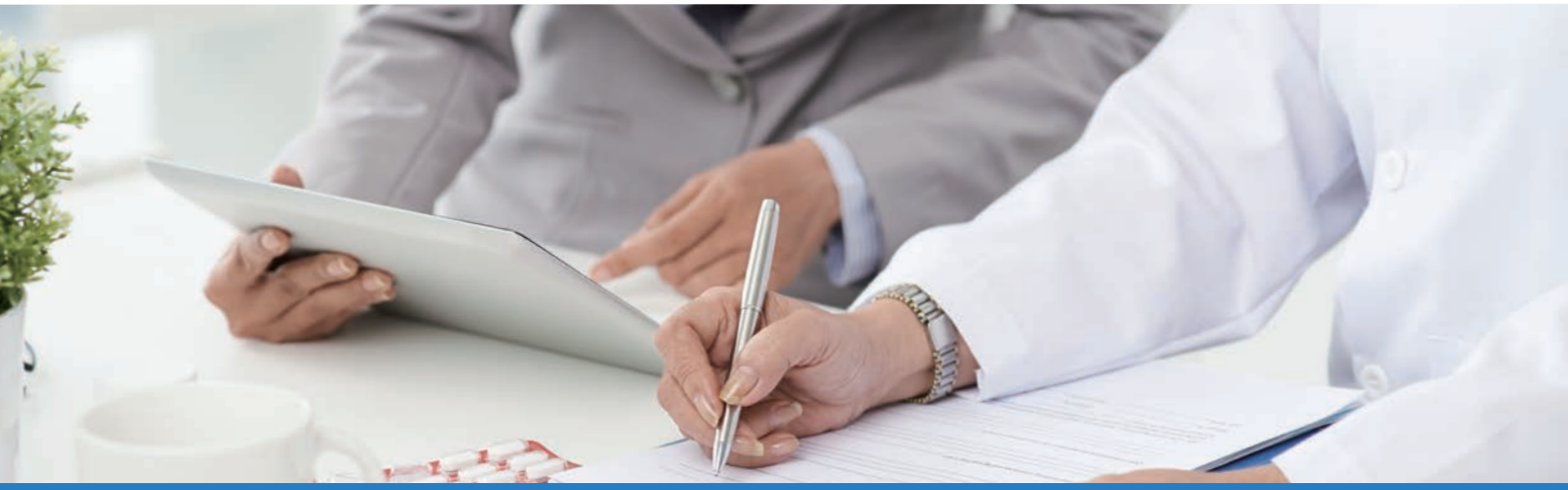
Building a work environment that ensures and sustains employment as well as fosters motivation

Relevant SDGs

Medium- to long-term targets: Instill pride in all of our employees about working in the pharmaceutical industry, help employees reach their full potential in diverse situations, and further establish a workplace environment where everyone can actively participate to aid in ensuring and sustaining employment

Targets for FY2020	Progress results in FY2020	Targets for FY2021
① Work to promote diversity and improve work-life balance as well as build a workplace environment in which diverse human resources can actively participate with motivation by establishing and operating human resource policies as well as other programs **KPI** ✓ Rate of employee use of annual paid leave: 70.0% in FY2020 (65.0% in FY2019) ✓ Return-to-work rate after child-care leave: 100% ✓ Maintain a low turnover rate (below 3%) ✓ Reduce average overtime work hours by promoting reform of working practices, including setting an interval (a certain amount of rest) between working hours (13.6 hours/month in 2019 ⇒ 13.0 hours/month in 2020)	· Rate of employee use of annual paid leave: 58.8% · Return-to-work rate after child-care leave: 100% · Turnover rate: 2.3% · Average overtime work hours: 15.3 hours/month	① Work to promote diversity and build a workplace environment in which diverse human resources can actively participate, by establishing and operating human resource policies as well as other programs **KPI** ✓ Ratio of female to the section chief level: 14.0% ✓ Rate of male employee use of child-care leave: 72.5% ✓ Eruboshi certification ✓ Return-to-work rate after child-care leave: 100% ✓ Rate of female employees who participate in next-generation top management training for assistant manager or higher position: 30% or more
② Promote awareness of and engage in health management initiatives **KPI** ✓ Earn inclusion in the Health & Productivity Stock for two consecutive years ✓ Increase labor productivity by improving presenteeism Productivity loss per employee per month: FY2019 (33,120 yen) FY2020 target: 5% reduction (31,460 yen) ✓ Improve the health age of employees by increasing their degree of health Difference between health age and actual age (Aged 35 or older; average): FY2020 target: -2.0 years (FY2019: -1.5 years) ✓ Reduce the smoking rate FY2020 target: 17.0% (FY2019: 18.2%) ✓ Maintain a low occupational accident frequency rate (0.3) FY2020 target: 0.10 (FY2019: 0.15)	· Out of selection as Health & Productivity Stock (for top companies accounting for 5%) · Improving presenteeism: Increase in monthly productivity loss per employee by 65% · Difference between health age and actual age: -1.4 years · Smoking rate: 17.0% · Productivity loss/accident frequency rate: 0.47	② Work to improve work-life balance and build a workplace environment in which employees are healthy and active at work to show their abilities, by establishing and operating human resource policies as well as other programs **KPI** ✓ Rate of employee use of annual paid leave: 70.0% ✓ Average overtime work hours: 13.0 hours/month ✓ Low turnover rate (below 3%) ③ Promote awareness of and engagement in health management initiatives **KPI** ✓ Reselection as Health & Productivity Stock ✓ Increasing labor productivity by improving presenteeism (reduction in productivity loss) Monthly productivity loss per employee: FY2021 target: 31,460 yen (5% reduction compared to FY2019) ✓ Improve the health age of employees by increasing their degree of health Target difference between health age and actual age: -2.0 years (aged 35 or older; average) ✓ Reduce the smoking rate FY2021 target: 16.0%
✓ Rate of employees who realize that they are working with motivation, leveraging their diversity: At least 50% (Targets ① and ②)	Rate of employees who realize that they are working with motivation, leveraging their diversity: 68%	

Maximizing Product Value



We actively pursue R&D activities to achieve expedited market launch and additional indication approval. We also develop a strategy formation that constantly ensures competitive advantage by adjusting with agility to environmental changes in each stage of the product life cycle, to achieve peak sales in the shortest period from launch and to maximize the potential of every product we offer.

Development Activities

- Maximizing OPDIVO's product value
  (Adding indicated tumors, adding treatment lines, developing combination therapies, searching for biomarkers)

Achieving Expedited Market Launch and Additional Indication Approval

Marketing Activities

- Developing a strategy formation that constantly ensures competitive advantage
- Understanding potential medical needs toward development of narrative-based medicine (NBM)

Achieving Peak Sales in the Shortest Period from Launch

Information Dissemination & Collection Activities

- Using a sales force automation (SFA) system and AI to bring efficiency to MR activities
- Prompt and appropriate provision of medical and scientific information
- Strengthening community-based activities

Enhancing Product Value and Contributing to the Frontline of Healthcare

Stable Supply of High-Quality Drugs and Drug Reliability Assurance ▶ P57

- Having a quality assurance system in place that is compliant with global regulations
- Upgrading of risk management systems at manufacturing centers
- Strengthening production systems
- Initiatives for proper use of pharmaceuticals
- Supply chain management, etc.

Maximizing OPDIVO's Product Value

To maximize OPDIVO's product value, we work with our partner Bristol-Myers Squibb (US) with focus on the four perspectives.

Adding indicated tumors	We have already obtained approval for 9 cancers in Japan and are continuing to work on development to obtain approval for additional cancer indications. In FY2020, the drug was approved for esophageal cancer in Japan, South Korea, and Taiwan.
Adding treatment lines	We are moving ahead with clinical trials to enable OPDIVO to be used at earlier stages in patients with advanced or recurrent cancer. We are also developing the drug for use in adjuvant therapy for some types of cancer before and after surgery. In FY2020, the drug was approved for the first-line treatment of non-small cell lung cancer in Japan, South Korea, and Taiwan.
Developing combination therapies	We proceed with development, searching for combinations of boosting its therapeutic effects by combining OPDIVO with other drugs or treatments.
Searching for biomarkers	We advance the search for optimal biomarkers that will predict which patients are more likely to be expected to exhibit the therapeutic effects of OPDIVO.

Marketing Activities to Enhance Product Value

The Sales & Marketing Division collaborates, from early stages, with other divisions, such as Clinical Development, CMC & Production, and Medical Affairs, to collect medical needs from multiple perspectives both in the oncology and primary care domains for maximization of the potential of every product we offer. The division develops and implements strategies and tactics based on market research that constantly ensures competitive advantage by adjusting with agility to environmental changes in each stage of the product life cycle.

In addition, we make every effort to collect patient opinions through meetings with healthcare professionals to understand potential healthcare needs toward development of narrative based medicine (NBM), which is based on the actual clinical experiences of patients. Based on needs obtained through these efforts, we will conduct future information dissemination activities to enhance product value.

Promotion of Information Dissemination Activities Using Digital Technology

With the COVID-19 pandemic making it increasingly difficult for us to visit medical institutions, we are actively engaged in information dissemination activities, including the use of our own websites (ONO Medical Navi, ONO ONCOLOGY, etc.) for medical professionals, in addition to delivering online interviews, briefings, and lectures. In FY2020, we upgraded our website infrastructure, doubling the contents therein. As a result, the physician membership has increased to almost double. We also launched a chatbot with a plan to provide responses starting with information about new products. In addition, we newly established the Remote Communication Section in October 2020, and it serves as e-MR to provide information to medical professionals via email or Zoom. Based on data that will be accumulated in the future, MRs will take the lead in promoting seamless hybrid activities that integrate physical and digital information dissemination. A system is under construction that will deliver appropriate information to medical professionals at appropriate times, in appropriate places, and by appropriate methods.

Prompt and Appropriate Provision of Medical and Scientific Information

One role of drug manufacturers is to relay up-to-date information as quickly as possible about daily advances in healthcare to the frontline of healthcare and to provide opportunities for information exchange. We actively provide information by organizing symposiums and seminars in conjunction with academic conferences held in Japan and through workshops and lectures in regional areas. In addition, we put effort into disseminating up-to-date drug information through operating several websites for medical professionals. In FY2020, we held web-based seminars and product presentations in line with various needs, including more than 500 lives live webinars, to relay up-to-date drug information to the frontline of healthcare.

Our Medical Affairs Department works to attain a high level of expertise and academic knowledge in oncology and primary care domains to assess and collect medical and scientific needs of healthcare professionals through meeting with experts or attendance at advisory board meetings. In response to requests from healthcare professionals, we provide such evidence-based medical and scientific information with transparency to contribute to the healthcare frontline.

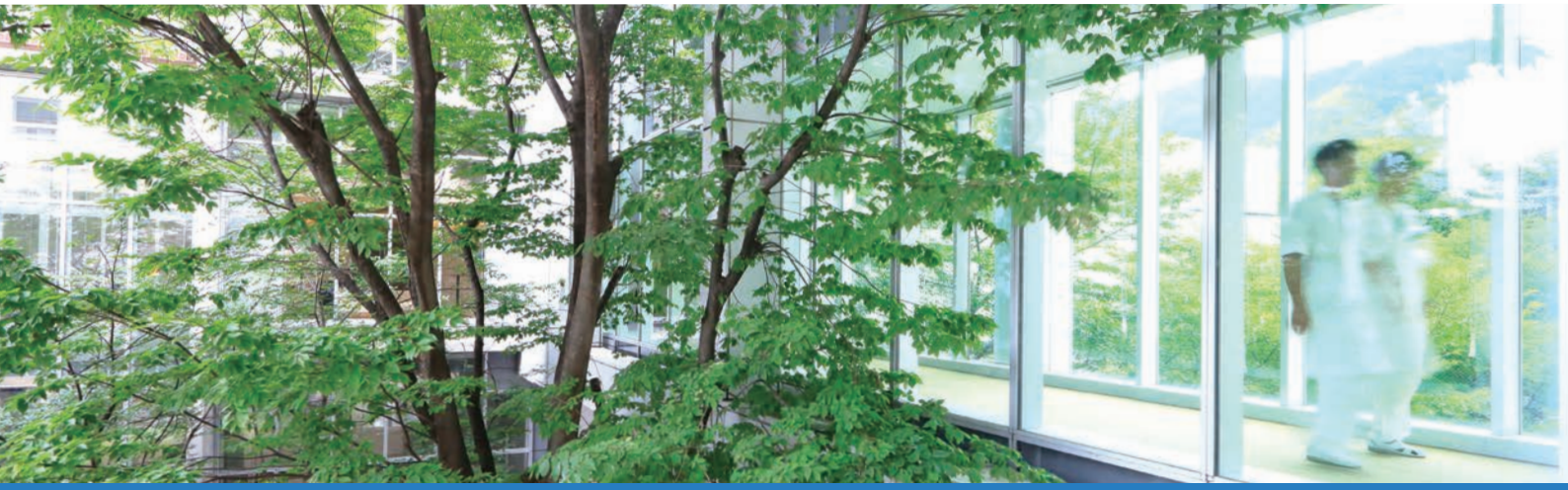
TOPICS

Remote Communication Section Newly Established

External environmental changes, such as the COVID-19 pandemic and tighter regulations on visiting physicians as part of "work-style reform for doctors," are making it more difficult to deliver information on our products by conventional face-to-face communication to healthcare professionals who truly need such information.

To respond to these changes in the external environment and diverse needs for information dissemination, the Remote Communication Section was newly established in October 2020, and it promotes web-based dissemination, collection, and interactive communication of information on our products. The section will proceed with activities to ensure that healthcare professionals can benefit from being connected to information under any circumstances, as well as to deliver our products to patients and their families in need.

Strengthening R&D



We are constantly improving our disease expertise with a focus on therapeutic areas with high unmet medical needs, engaging in initiatives as part of our "Open Innovation" strategy, and promoting in-house drug discovery by exploiting drug discovery technologies including informatics and human disease modeling technologies.

Our Mission in Research and Development

Deliver our contribution to society by developing drugs that truly benefit patients

Open Innovation

- "Sowing the seeds" of original drug discovery
- Exploiting breakthrough drug discovery modalities
- In-licensing of appealing new drug candidate compounds

×

Technology

- **Informatics technologies**
  Omics analytics and computational chemistry
- **Human disease modeling technologies**
  Human iPS cells and genome editing
- **Compound synthesis technologies**
  Small-molecule and antibody drugs

Disease Specialization

Oncology | Immunology | Neurology | Specialty

→ Creating unique and innovative new drugs

Drug Discovery Strategy

We have established the Research Center of Oncology, the Research Center of Immunology, the Research Center of Neurology and the Research Center of Specialty to boost our competitiveness in drug discovery in the areas of oncology, immunology, neurology and specialties; all of which include diseases with high medical needs. We will continue to accumulate disease expertise at each of our research centers and promote initiatives to accurately identify medical needs. Through our strategy of "Open Innovation," we are acquiring original drug seeds and are pursuing the discovery and development of innovative new drugs with a significant medical impact by exploiting the latest technologies in fields such as informatics, human disease modeling, and compound synthesis.

A total of 7 new drug candidates in our priority therapeutic areas have proceeded to the clinical stage, and we will also continue to bolster our efforts in translational research bridging the gap between basic and clinical research to accelerate drug discovery timelines and boost success rates. By organically leveraging bioinformatics technologies and research tools such as human genome data and human iPS cells in the early stages of research, we intend to garner a deeper understanding of the relationship between target molecules and diseases to more accurately predict the efficacy of new drug candidates in humans, and to develop physiological indicators (biomarkers) for evaluating efficacy against disease in clinical trials.

TOPICS

Applied use of human-type general-purpose experimental robot "Maholo"

ONO has been pursuing applications for human iPS cells as a means of predicting the efficacy of drug compounds in humans. However, the handling of iPS cells requires highly-skilled techniques and involves the problem of difficulty in stably preparing iPS cells. To address these challenges, ONO introduced a human-type general-purpose experimental robot called "Maholo" in August 2020 for use at the Minase Research Institute. Maholo is not only capable of automating experiment-based tasks, but can also quantify the skills and tacit knowledge of skilled laboratory test personnel and then systematize them into "technology". Maholo can also perform precise and accurate operations impossible for humans. Furthermore, by combining Maholo with artificial intelligence (AI), it can rapidly optimize experiments to an equivalent or higher level than those of human operators.

Maholo has already learned how to perform a series of iPS cell experiments, and has started performing them. In the future, we will integrate Maholo's capabilities with AI and cell analysis technologies to evolve it into a next-generation technology platform that can contribute to research geared toward highly unique drug discovery.

▶A Drug Discovery System and Major Initiative in Each of the Four Priority Areas

Priority Area	Organization	Major Initiative	Major New Drug Candidates under Development	Target Disease
Oncology	Research Center of Oncology	As a pioneer in cancer immunotherapy, the Center works toward discovering innovative drugs for cancer patients with our experience, and technology and know-how, nurtured through R&D of the immune checkpoint inhibitor OPDIVO. The Center is pursuing original and unique drug seeds and new drug modalities not only through "Open Innovation" with academia and bio-ventures companies around the world with cutting edge technologies, but also through promoting translational research.	ONO-4578	Colorectal cancer, Pancreatic cancer, Non-small cell lung cancer, Solid tumor, Gastric cancer
			ONO-7475	Acute leukemia, Solid tumor, Non-small cell lung cancer
Immunology	Research Center of Immunology	Based on its many years of experience in immunology research which has helped create OPDIVO, the Center works toward drug discovery in both areas of cancer immunotherapy and autoimmune therapy by establishing research capabilities with a primary focus on biopharmaceutical development in immunology. The Center is operated in accordance with the policy of advancing unique research with strong awareness of serendipity and the insight not to miss it.	ONO-4685	Autoimmune disease
Neurology	Research Center of Neurology	The Center focuses on not only neurons as major components of the nervous system, but also glial cells which maintain and support the environments necessary for survival and multiple functions of neurons. Through its intensive analysis of patient-derived tissues and iPS cells, the Center is dedicated to discovering innovative drugs to provide disease-modifying therapies, as well as symptomatic treatments, to patients with neurodegenerative diseases, which are becoming serious problems in the aging society, and those with mental disorders that are still largely detrimental to society, or chronic pain.	ONO-2808	Neurodegenerative disease
			ONO-2910	Diabetic polyneuropathy
			ONO-2909	Narcolepsy
Specialty	Research Center of Specialty	The Center is working toward discovery of clinically valuable pharmaceutical products for diseases for which treatment is high in unmet needs, free from the disease field. The Center has taken up the challenge of accurately identifying the diseases in society with genuine medical needs, and then leveraging this knowledge to discover and develop highly original new drugs.	ONO-7684	Thrombosis

Open Innovation

Even before the widespread use of the term "open innovation," ONO was already involved in the discovery of new drug seeds through partnerships with universities and other research institutions, and had been using these seeds as a starting point to create innovative new drugs. The Discovery Research Alliance Department and the Business Development Department are presently taking the lead in forming drug discovery alliances with world-class researchers and bio-ventures with a focus on our priority research areas, and are actively in-licensing various drug candidates. We are working on these collaborative activities with a sense of urgency in order to obtain cutting-edge research data before our competitors and to leverage this data in expedited drug discovery. Our locally incorporated subsidiaries in the US and UK are permanently staffed by researchers with practical experience in drug discovery, and we are visiting world-leading researchers and venture companies in Europe and the US to launch more new partnerships.

In 2017, we established the Ono Pharma Foundation in the US to set up academic research grants with an eye to the future, and have succeeded in building a cutting-edge scientific research network of grant recipients. In FY2020, we launched US subsidiary Ono Venture Investment, Inc. to further enhance our competitiveness in drug discovery and R&D via strategic investments in drug targets and advanced technologies enabling breakthrough new drugs.

In the same year, we also concluded sponsorship agreements with LabCentral and MBC BioLabs—two private non-profit organizations supporting the development of emerging bio-ventures—thereby consolidating a framework for early access to the latest information on emerging bio-ventures. ONO also joined the University of California (UC) Drug Discovery Consortium, which boasts the largest network of academic biomedical researchers in the US We will continue to promote R&D in our priority areas by pursuing collaboration on early-stage research projects at UC.

Development Policy

ONO is working to expedite clinical development and improve the success rate of drug candidates in order to fast-track the delivery of our proprietary and in-licensed compounds to patients suffering from diseases around the world. We are promoting translational research initiatives leveraging our extensive body of disease and clinical trial data to fast-track the designation of target diseases in conjunction with our Research Division with the aim of improving predictive accuracy on efficacy and safety of drug candidates. Furthermore, we are flexibly utilizing our clinical development functions in Japan, the US and Europe to fast-track clinical trials in early stage with the goal of expediently identifying the potential product value of candidate compounds.

We will also continue the clinical development of our existing product lineup in order to enhance their product value. For instance, we will conduct clinical trials on OPDIVO with the three aims of realizing expanded oncology indications, earlier-stage therapeutic applications, and new combination therapies delivering improved treatment response. Our portfolio of OPDIVO and other clinical trials is constantly growing, leading to a corresponding rise in drug approvals. In 2020, ONO achieved a record-breaking 11 new drug approvals within Japan, propelling us to the No. 1 pharmaceutical company for national approvals. With this in mind, we are undertaking efforts to digitize our clinical trial data to realize an accurate and efficient clinical trial system essential for handling a large volume of trials and regulatory approval submissions.

ONO will continue to actively promote clinical development in Japan and around the world for the benefit of patients awaiting new therapeutic drugs.

Expanding Our Pipeline Through Licensing Activities

In addition to expanding our pipeline through our in-house research, we are also actively pursuing licensing activities with the aim of in-licensing new candidate under development by pharmaceutical or bio-tech companies around the world. Our in-licensing efforts focus on compounds deemed to be strategic and efficient from a business perspective, and compounds deemed to be viable from the perspective of diseases with high medical needs. In FY2020, we successfully in-licensed 3 new compounds as candidates for anti-epileptic and anti-cancer drugs. In-licensing of one of these compounds involved the acquisition of development and marketing rights not only in Asia, but also globally, as the company has an eye to global expansion. Specifically, we are leveraging the strengths of OPDIVO in acquiring new candidates for anti-cancer agents with various modalities including molecular targeted drugs and antibodies.

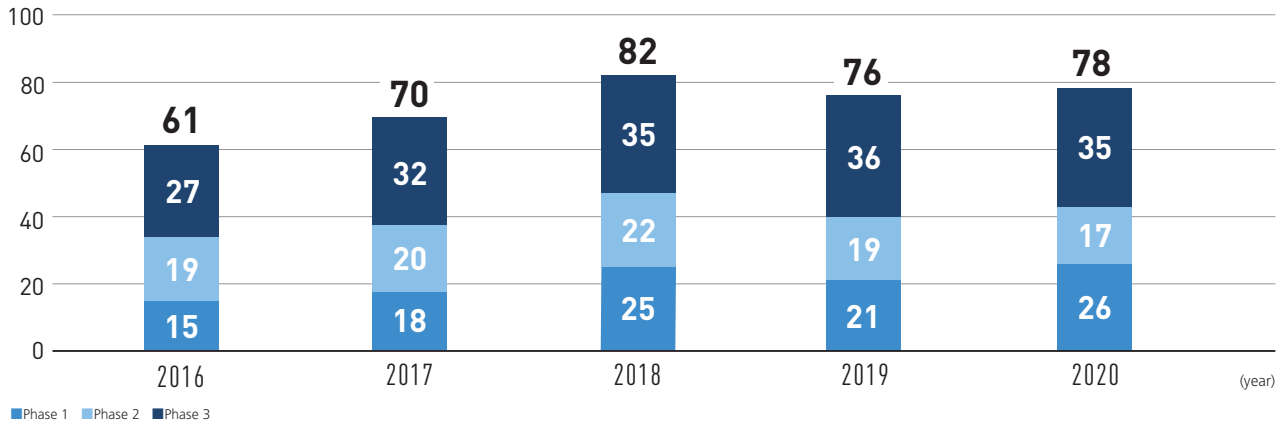
Details of main partners are available on our website.

https://www.ono.co.jp/company/rd/licensing.html

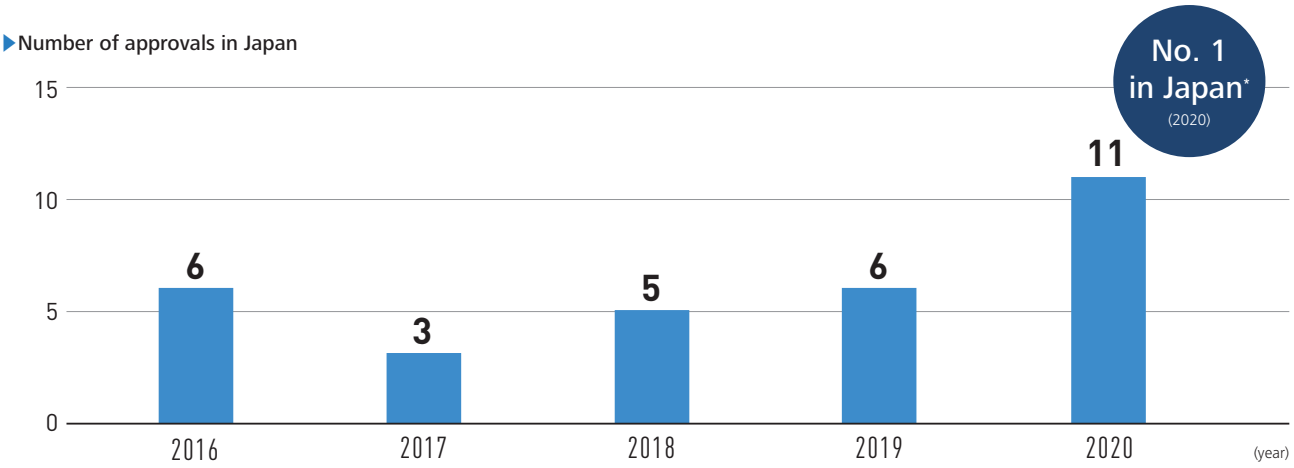
▶Licensing Activities in FY2020

Agreement date	Licensee/Affiliate	Licensing details	Indication
Oct. 2020	SK Biopharmaceuticals Co., Ltd. (South Korea)	License agreement granting ONO exclusive development and commercialization rights in Japan for anti-epileptic drug Cenobamate	Epileptic seizures
Dec. 2020	Chordia Therapeutics Inc. (Japan)	License agreement granting ONO exclusive global rights to develop, manufacture and commercialize mucosa-associated lymphoid tissue lymphoma translocation 1 (MALT1) inhibitor drug CTX-177 and its associated compounds	Lymphoma
Feb. 2021	Ribon Therapeutics, Inc. (US)	License agreement granting ONO exclusive rights in Japan, South Korea, Taiwan, and ASEAN nations to develop and commercialize poly-ADP-ribose polymerase 7 (PARP7) inhibitor RBN-2397	Solid tumors

▶Number of clinical trials conducted



▶Number of approvals in Japan



*AnswersNews "2020 Ranking of number of domestic approvals — ONO tops the list with 11 approvals, while Novartis has the most approvals for new ingredients with 6" (Feb. 15, 2021)
(Last viewed on Sep. 1, 2021)

Message from the Officer in Charge

Pushing the envelope of ONO's lifeline "Open Innovation"

"Open Innovation" is the lifeline of our company that has enabled us to develop innovative new drugs ranging from prostaglandin derivatives to our flagship product OPDIVO. Through joint research with world-class academia and drug discovery alliances with bio-ventures exploiting cutting-edge technologies, we will explore the biology of human disease in response to our proprietary target molecules, and will leverage optimal technologies to link the ideas of all of our researchers to the creation of new drug candidate. Thus far, we have used Merus N.V.'s multivalent antibody technology to develop ONO-4685—a new drug candidate for autoimmune diseases that has already entered clinical trials. We are also using technologies from two US-based companies—namely, iPS-derived CAR-T technology from Fate Therapeutics, Inc. and computational chemistry from Schrödinger, Inc.—to expedite the discovery of new drug candidates. Going forward, we will continue to actively promote "open innovation" to develop appealing new drug candidates.

Toichi Takino
Member of the Board of Directors,
Senior Executive Officer
Executive Director, Discovery & Research

Globalizing Business

To supply patients throughout the world with our new drugs, we are first of all engaging in activities to implement our own overseas sales operations in niche areas where a large-scale marketing organization is not necessary. In South Korea and Taiwan, we have already set up wholly owned subsidiaries and have started selling products. We are also working to improve and strengthen our development and other systems, with a view to future marketing through our own sales organizations in the US and Europe.

Step 3

Becoming a true global company

Global

Global development & own marketing operations

Step 2

Expanding own marketing operations into US and Europe

US & Europe

Launching development and own marketing operations in US and Europe

US/Europe-originated global development

Step 1

Globalizing own marketing operations

South Korea and Taiwan | **Asia**

Launched own marketing in South Korea in 2015
Launched own marketing in Taiwan in 2016

Achieved combined total sales of 10 billion yen

Expanding global development pipeline

Steps for Growing as a Global Company

ONO's global business expansion first started with the establishment of our own sales organization in South Korea and Taiwan. Currently, we are planning to expand sales in South Korea and Taiwan. We are establishing a clinical development capability from late-stage up to applications for approval on our own in the US and Europe and we are establishing our own sales organization in the US. In the future, we aim to deliver our products to patients throughout the world through global development and the expansion of our own sales organizations.

Step 1

Globalizing own marketing organizations

As a foothold to expand revenue sources into overseas markets, we have been reinforcing overseas business expansion starting in Asia. We established wholly owned subsidiaries, ONO PHARMA KOREA CO., LTD. in South Korea in 2013 and ONO PHARMA TAIWAN CO., LTD. in Taiwan in 2014. Then, the subsidiaries established their own sales organization, and we started our own sales operations for OPDIVO in South Korea in 2015 and in Taiwan in 2016 respectively.

Step 2

Expanding own marketing operations into US and Europe

<Asia>

Concerning OPDIVO in South Korea and Taiwan, where we established our own sales organization, the drug has been approved for 9 types of cancer in South Korea and 11 types in Taiwan (as of August 2021). To significantly contribute to advancements in cancer therapy in South Korea and Taiwan, we also put efforts into providing safety information, such as rolling out scientific activities countrywide with Japanese and Western doctors appointed as lecturers to promote proper drug use. In addition, we conduct activities to disseminate academic information a small-scale, locally-focused level to bring fresh awareness. Despite restrictions on activities such as visiting physicians after February 2020 due to COVID-19 in both countries, the aforementioned activities are being continued by effectively using online meetings and symposiums. In the future, we will continue releasing our own products, such as VELEXBRU, and licensed products, BRAFTOVI, and we will also contribute to treatments for patients with cancer as well as in Japan by expanding the range of health insurance reimbursement payment for our products including OPDIVO.

<The US and Europe>

To establish our own sales organization in the US, which has the world largest market, and in Europe after we transferred the functions of the Global Clinical Development Division from Japan to the US in April 2019, our locally incorporated subsidiary, ONO PHARMA USA, INC. (OPUS), was relocated to Cambridge, Massachusetts in April 2021 and opened a new office in order to create a system in which we can conduct our own operations from late-stage clinical trials up to applications for approval in the US and Europe in addition to the existing implementation of clinical trials at an early stage and prepare our own sales organization in the US. In the future, we will accelerate development in the US and Europe and establish a system by setting a goal of expansion of our own sales operations.

Step 3

Becoming a true global company

To deliver our products discovered and developed by ONO to patients throughout the world, we aim to develop ourselves as a global company that can conduct global development and expand our own sales operations. In the US, which has the world's largest market, we aim to expand our business in priority therapeutic areas as well as in Europe. In South Korea and Taiwan, we will enhance the presence in the oncology domain through OPDIVO and other products sales and we will expand our business in other priority therapeutic areas. In addition, we will expand our business in the Asian market including China and the ASEAN region.

Building a Foundation for Global Development

<Enhancing Pipelines>

New drug candidates discovered in-house that we are developing globally include VELEXBRU Tablets (BTK inhibitor) that are already sold in Japan, as well as ONO-7475 (Axl / Mer inhibitor), ONO-4685 (PD-1×CD3 bispecific antibody), ONO-2808 (S1P5 receptor agonist action), and other products. In addition, licensed products (CTX-177; MALT1 inhibitor: licensed from Chordia Therapeutics Inc.) for which we acquired the global rights to develop and sell, will be also developed as a global pipeline. These pipelines are developed for diseases with high medical needs, such as hematological cancer, autoimmune diseases, etc., and they are expected to be new drugs that define our presence. In the future, we will promote our own drug discovery as well as licensing activities based on the assumption of acquiring global rights and engage in further enhancement of pipelines.

<Development of Organization Towards Our Own Sales Operations in the US>

Based on our experience of building and enhancing our own sales organizations in South Korea and Taiwan, we will build systems for our own development and sales in the US. To resolve one by one various issues arising in association with the development of our business in the US, we will strengthen cooperation between mainly OPUS and Corporate Development & Strategy, and other departments, including Clinical Development, Pharmacovigilance and Quality Assurance Division, Corporate Strategy & Planning, Sales and Marketing, CMC-Production Division, Medical Affairs Division.

In addition, at OPUS, with the establishment of a new office in April 2021, clinical development organization will be expanded and a global organization is being established towards expansion of our own sales operations in marketing and sales organizations, pharmacovigilance department, medical department, business management department, and other organizations.

▶Major candidate global pipelines

Product (Development code)	Mechanism of action	Target disease	Development Stage (Japan)	Development Stage (Overseas)	In-house/in-license
VELEXBRU Tablets (ONO-4059)	BTK inhibitor	Primary central nervous system lymphoma	Launched	US: Phase 2	In-house
		Primary macroglobulinemia and lymphoplasmacytic lymphoma	Launched	—	
				—	
ONO-7475	Axl / Mer inhibitor	Acute leukemia	—	US: Phase 1/2	In-house
		Non-small cell lung cancer	Phase 1	—	
		Solid tumors	Phase 1	—	
ONO-4685	PD-1×CD3 Bispecic antibody	Autoimmune disease	Phase 1	—	In-house
ONO-2808	S1P5 receptor agonist	Neurodegenerative disease	Phase 1	EU: Phase 1	In-house
ONO-7018 (CTX-177)	Mucosa-associated lymphoid tissue lymphoma translocation 1 (MALT1) inhibitor	Lymphocytic hematologic tumor	Non-clinical		Licensed global rights from Chordia Therapeutics Inc.

Message from the director in charge

Delivering innovative new drugs for patients around the world by enhancing development bases in the US and Europe

"Delivering innovative drugs to patients around the world." For this purpose, we are expanding clinical trial area from Japan, South Korea, and Taiwan to the US and Europe. This April, we opened a new US office in Cambridge, Massachusetts, the location of the world's largest life-science biocluster. We have started multiple clinical trials, including ONO-4059, ONO-7475, ONO-2808, etc., at the new base in the US and at European subsidiary in the U.K.

Clinical Development is developing the in-house compounds created by Discovery & Research, as well as the in-license products acquired by Corporate Development & Strategy sequentially in the US and Europe, and delivering innovative new drugs to patients around the world.

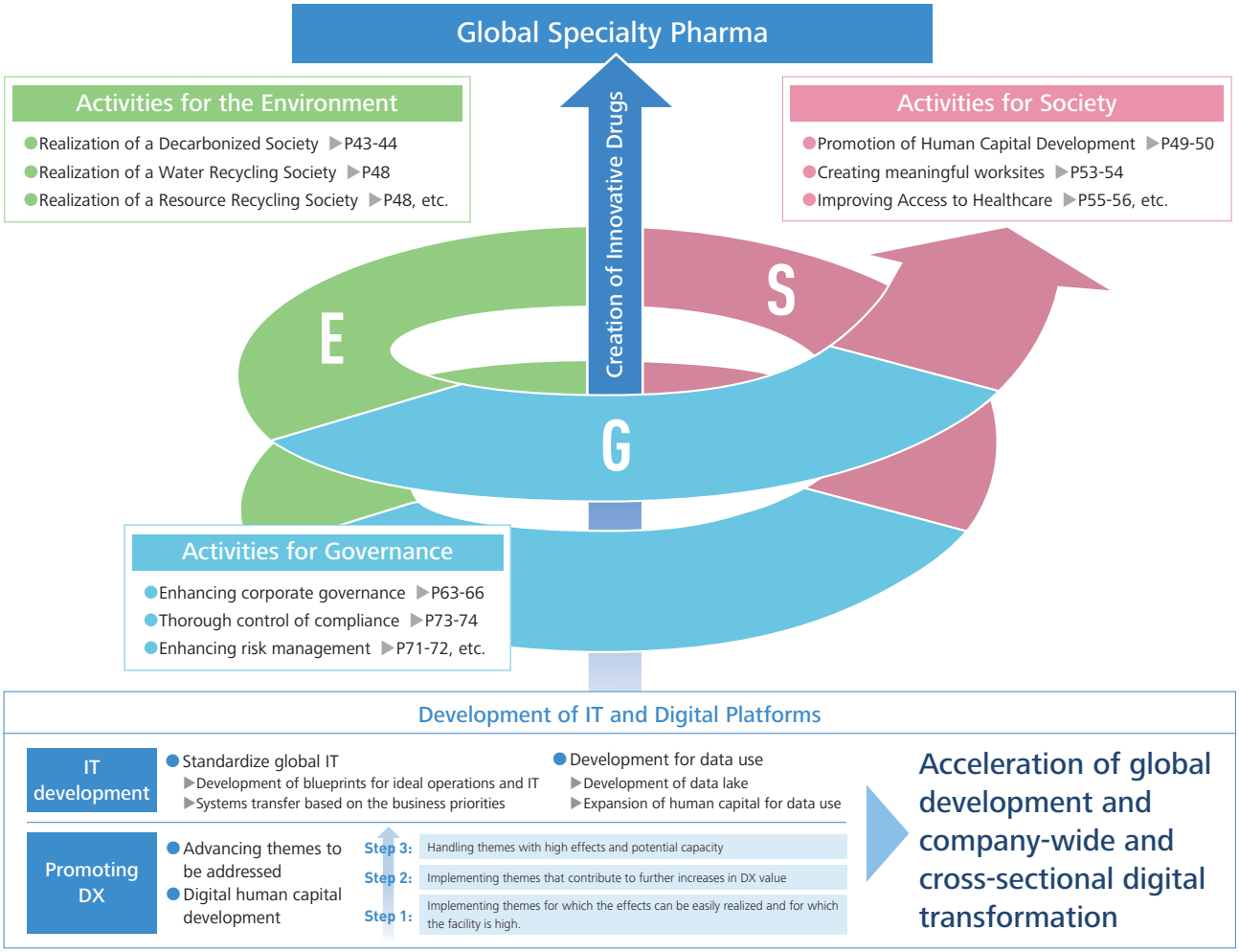
Kiyoaki Idemitsu

Member of the Board of Directors,
Corporate Executive Officer
Executive Director, Clinical Development

Four Growth Strategies

Strengthening Corporate Infrastructure

ONO continues to strengthen its corporate infrastructure to increase corporate value and realize sustained growth. We are also training personnel who can respond to various environmental changes while leading globalization and increasing diversity, and we are strengthening activities for the Environment, Society and Governance to fulfill our social responsibilities to all stakeholders.



Strengthening ESG Initiatives

One of major triggers that led ONO to focus on ESG was the release of anticancer drug OPDIVO in 2014. While the concept of ESG has spread around the world, ONO produced an innovative new drug, OPDIVO, that we could deliver to patients globally, and it became increasingly important for us to evolve as a company that could be admired by global standards. Consequently, we established our mission statement, developed a system whereby diverse employees and organizations can engage in business while being aware of the mission statement, created an environment where diverse personnel can enjoy working, and strengthened the training of personnel.

In addition, we consider that it is important to listen to the voices of diverse stakeholders and contribute to resolving social issues and achieving a sustainable society, and we are continuously strengthening activities towards ESG. In FY2018, based on external environmental changes and societal demands, ONO identified priority issues (materiality) for engaging in CSR management and specified SDGs to which ONO should particularly contribute to achieving. In addition, in FY2021, we revised materiality based on social environmental changes and stakeholders' requests. We believe we can achieve sustainable growth for ONO and society by steadily performing the PDCA cycle of materiality and responding to the expectations of stakeholders.

Use of External Evaluation

Increasing external evaluation is one of our policies for engaging in activities for ESG. From various evaluations, we have narrowed down 8 targets and engaged in activities by establishing goals for each target. As a result, steady progress has been seen as shown in the following table.

In FY2020, we have been selected for the first time as an index component of the DJSI World Index and DJSI Asia Pacific Index by a world representative ESG investment index, Dow Jones Sustainability Indices (DJSI).

▶External ESG Assessment

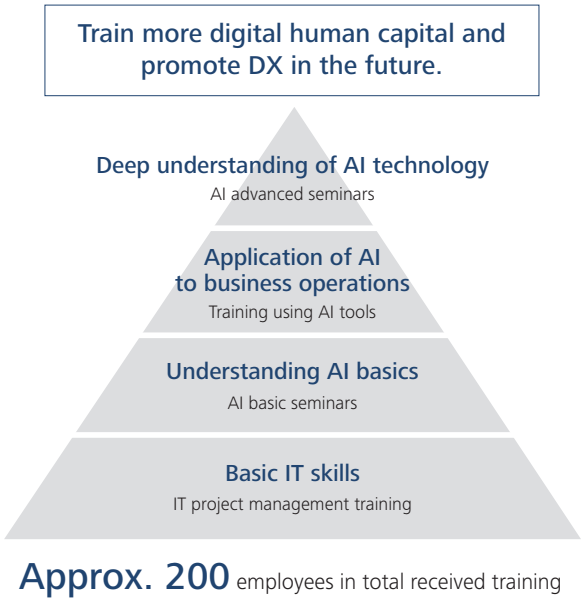
	FY2018	FY2019	FY2020
CDP	Climate change: A Water: B	Climate change: A Water: A-	Climate change: A Water: A-
FTSE	Selected Score: 3.2/5	Selected Score: 3.4/5	Selected Score: 4.1/5
MSCI	Not selected Score: BBB	Selected Score: A	Selected Score: A
DJSI	Unanswered: Score: 19/100	Answered: Score: 60/100	World Index (Industry Mover)
Toyo Keizai CSR Ranking	180/1501 companies	121/1593 companies	126/1614 companies
Nikkei Smart Work survey	3.5 stars ★★★½☆	4.0 stars ★★★★☆	4.0 stars ★★★★☆
Nikkei SDGs	—	4.5 stars ★★★★½	4.0 stars ★★★★☆
Survey on Health & Productivity Management	White 500	Health & Productivity Stock Selection Program White 500	White 500

Accelerating Digital Transformation

Utilizing digital technology is essential for implementing ONO's four growth strategies. We have already organized the ONO internal Digital Community with approximately 200 members across all business departments. Each idea from members utilizing digital technologies like AI to streamline business process and improve productivity is reviewed and prioritized in this community from both a business benefit perspective and technical perspective. We're now accelerating digital transformation with a wider view and new technologies toward the upcoming medium term target.

<Talent development focused on digital capabilities>

As one of the key initiatives of the acceleration of digital transformation, we have implemented 'ONO Digital Training Program' for all employees who are expected to utilize digital technologies. The program includes multiple levels aligned with required technical levels and has been conducted with approximately 200 employees.



Approx. 200 employees in total received training

<Global IT Platform for Digital Transformation>

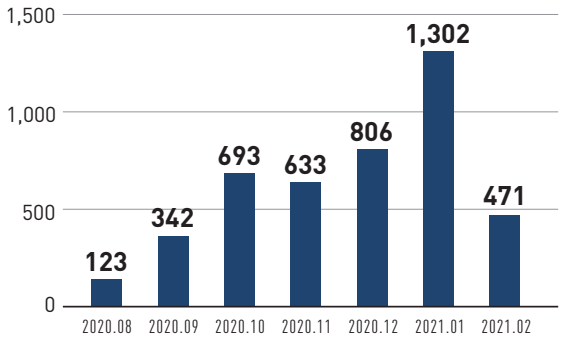
As one of the preparations for the upcoming medium term plan, we're developing 'ONO's Future Global IT Blueprint'. This blueprint covers all business functions globally from an enterprise perspective. What we'll implement with it is a simple IT landscape by leveraging cloud solutions. It enables us to transform our business flexibly and utilize 'data' across functions and regions with consistency, which is crucial for digital transformation. The infrastructure of data utilization is also included in this blueprint like a data lake which covers both internal and external data including real world data as well as boosting data science capability.

Major Activities for Digitalization

Company-wide Use of Real-World Data

The Data Strategy that was established in October 2019 takes the initiative and streamlines corporate activities while creating values through the company-wide use of real-world data (RWD). We have implemented the Japan and US RWD in the ONO DataBase, and introduced analytic tools, thereby simple analysis can be performed by each Division without requiring a statistical analyst. As a result, the number of uses of the RWD analysis tool has increased company-wide (right figure). In addition, by moving the analysis platform to the cloud, the necessary time for analysis, which was 5 hours or more, was decreased to approximately 4 minutes. Today we are building an infrastructure called "Data Lake" to accelerate the use of RWD in the company (scheduled to be complete at the end of 2022). We are now planning to use AI (artificial intelligence) and ML (machine learning) for the analysis of the complicated big data that can be available from inside and outside of the company, which is allowed for secondary use.

▶Number of uses of the RWD analysis tool company-wide



Streamlining of Operations and Increasing Productivity by DX

<Sales department> The Sales department is addressing the streamlining of MR activities and increasing activity quality using AI.

●Drug information system "MIRAI Answer"

A chatbot (automated answering system) provides MRs with drug safety information and up-to-date clinical trial or paper information. The MR asks questions in text or voice to the system, and it gives 10 different answers per question. If the MR asks, for example, "what is the evidence for advanced lung cancer?" the system shows the answers in descending order of relevance. It is easy to find an answer to the MR's question at a glance. The system also helps MRs learn by themselves.

●AI-based scoring learning support system "MIRAI Doctor"

MIRAI Doctor is a role-play learning support system for MRs for meetings with physicians, and it gives MRs "role-play training" on tablets that is designed to simulate interactions with physicians-training that used to happen with their supervisors. When MRs answer the displayed questions orally, their answers are automatically recorded and scored by AI. It provides MRs with the opportunity for effective self-learning and thereby contributes to increasing sales quality.

<Production department> The production department is promoting activities to reform operation processes using AI for foreign matter tests in vials, which is currently conducted manually. AI can learn bubble traces at 50μm and distinguish bubbles from foreign matter in vials.

Message from the Director in Charge

Promoting digital transformation to provide further value to society

Utilizing the latest digital and information technologies is crucial to increase the probability of success of drug discovery and new business domain development, which are core in the upcoming medium term plan. From this perspective, we're accelerating digital transformation especially through the talent development and corporate culture reform in addition to upgrading IT and Digital infrastructure. My focus points are to develop an 'innovation mindset' in each employee and foster a corporate culture that constantly challenges without fear of failure. Through these activities, I believe we can deliver new value to patients and society.

Toshihiro Tsujinaka

Member of the Board of Directors, Senior Executive Officer
Executive Director, Corporate Strategy & Planning

Medium- and Long-term Investment Strategy

Over the medium-to-long term, we will work towards greater profitability by proactively investing in growth leading to increased shareholder value, and will maintain an appropriate level of shareholder equity by effectively balancing shareholder returns.

Investment Policy

Strategic investments are essential in building a foundation for future growth. As an R&D-based pharmaceutical company specializing in new drug development, we are focusing our limited management resources on drug discovery and development, while also striving to deliver greater profits through more efficient expenditures.

Although R&D costs are expected to rise over the medium term, we intend to reinvest around 20% to 25% of revenue into R&D and are aiming to achieve an operating profit margin of at least 20% by generating increased revenue. By targeting these financial benchmarks and increasing profits through expanded revenue, we expect to realize higher ROE levels.

ONO's basic approach to capital raising consists of ensuring the necessary liquidity to facilitate our business activities and maintaining the Group's financial health and security. Capital raising efforts are undertaken in an effective and flexible manner in consideration of market environment and other factors. The Group's current assets have consistently and significantly surpassed its current liabilities, thereby allowing funds to be sourced internally. By reducing our cross-shareholdings, we plan to generate approximately 100 billion yen in cash for investing in future growth.

Growth Investments—Strengthening Our Healthcare Businesses

ONO is proactively investing in R&D with the dual aims of discovering original and innovative new drugs and expanding our existing development pipeline. Through these investments, we intend to bolster our spending on R&D to the 100 billion yen mark while also increasing revenues.

More specifically, we are vigorously pursuing drug discovery partnerships with bio-ventures that possess some of the world's most advanced technologies, as well as drug discovery-oriented research collaborations with universities and other research institutions. By the close of FY2020, our joint research program comprised 182 joint projects in Japan and 96 projects overseas, and we plan to undertake even more projects in the future.

ONO is also strengthening its licensing activities to actively acquire promising compounds in early-stage development (i.e., non-clinical and Phase I) as well as late-stage development candidates with a potential market launch within the next few years.

In July 2020, we established the Ono Venture Investment Fund I, L.P. to make direct investments in seed-stage drug discovery startups. The Fund will also actively pursue investments in fields outside of drug discovery, such as healthcare and digital technologies.

Over the next five years, we are planning to invest between 150 and 200 billion yen in these areas in addition to our regular spending on R&D.

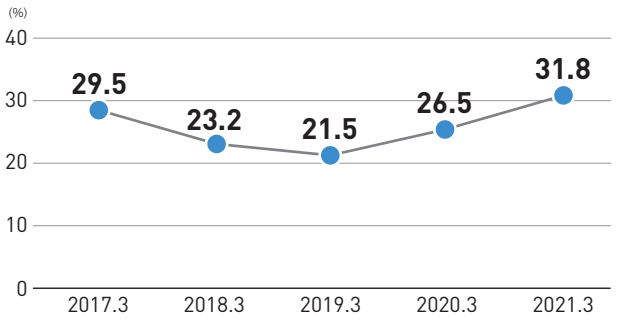
▶Growth Investments (FY2021-2025)

Strengthening Our Drug Discovery Business	●Acquiring global licensing rights with established POC to expand our product pipeline ●Strategic alliances and initiatives involving research platforms ●Investment in global ventures (CVC)	¥150–¥200 billion	¥200–¥250 billion
Expanding Business Areas	●Diversifying overseas development hubs and marketing network ●New healthcare businesses ●DX Fund	¥30–¥50 billion	
Strengthening Corporate Infrastructure	●Consolidation of infrastructure leveraging digital platforms, investment in IT and digitization, investment in manufacturing and research facilities		

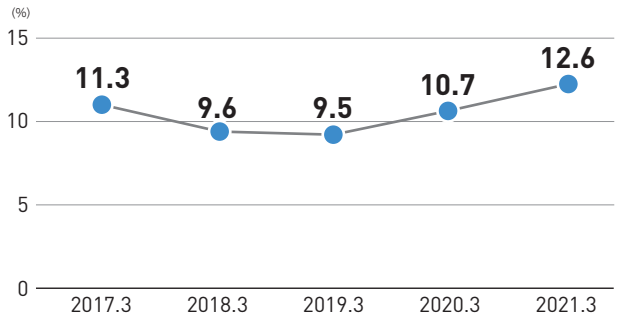
＋

M&As in drug discovery and technology ventures

▶Operating income to revenue ratio



▶ROE*



*Profit for the year attributable to owners of the parent company / Equity attributable to owners of the parent company (average of beginning and end of fiscal year)

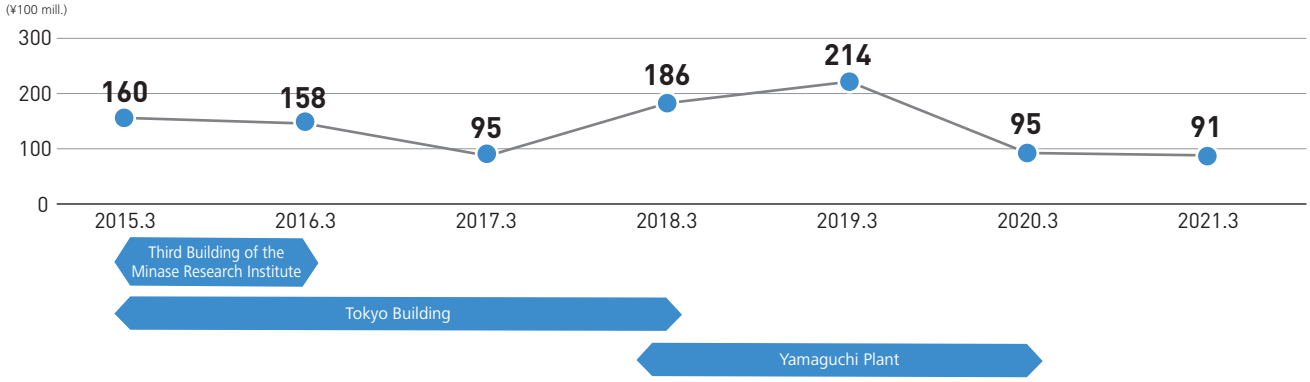
Growth Investments—Strengthening Corporate Infrastructure and Diversifying Business Areas

We will also actively invest in IT and digital investments and research and production facilities sufficient to maintain the latest drug discovery activities and safe and efficient production activities over the medium-to-long term. In February 2016, we expanded the third research building in the Minase Research Institute in order to promote R&D by strengthening collaboration between the company's compound synthesis and analysis functions previously divided between the Minase Research Institute and the Fukui Research Laboratory, from the early stages of seed compound research to clinical trials.

In March 2018, we constructed the new Tokyo Building to accommodate the increase in personnel, and relocated from the aging former Tokyo Building. In July 2019, we built the Yamaguchi Plant to accommodate business expansion and reduce the risk of large-scale disasters in terms of business continuity. These efforts to strengthen our corporate infrastructure also include ESG-related investments made on the basis of environmental and societal factors.

We are also planning to invest in the expansion of our overseas drug development hubs and sales networks, new healthcare businesses, DX funds, and other business areas. Combined with our investments to strengthen corporate infrastructure, these investments represent a planned investment of between 30 and 50 billion yen over the next 5 years.

▶Capital expenditures & major investments



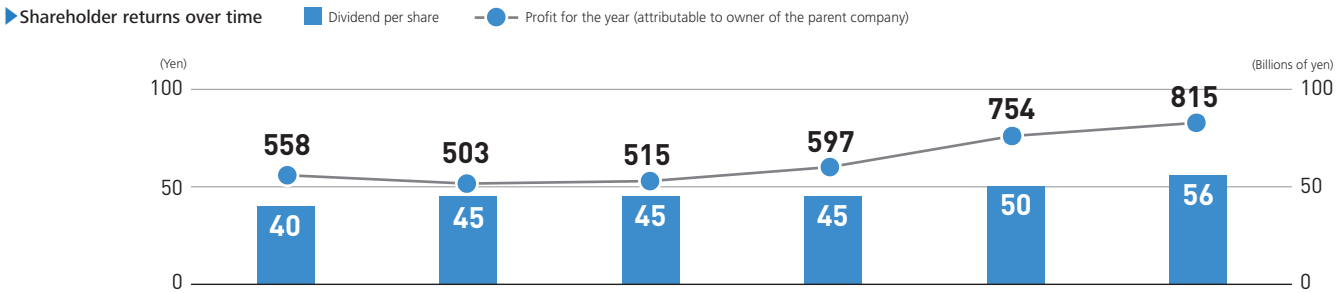
Shareholder Returns

Returning profits to all of our shareholders is one of ONO's key management policies, and we will continue to underpin our efforts to achieve an optimal balance between dividends and share buybacks.

Decisions on dividend payments are focused on the sustained delivery of stable dividends on a monetary basis, as well as consideration of business performance in the current fiscal term and various other indicators. ONO increased its share dividend by 5 yen in FY2020 and is planning to increase the dividend by 6 yen in FY2021.

We will continue to flexibly review and execute share buybacks as a means of further enhancing shareholder returns and improving the demand and supply of shares within the market and when such action is warranted by future funding requirements.

▶Shareholder returns over time



	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3 (Forecast)
Total dividends	¥21.2 billion	¥23.1 billion	¥23.1 billion	¥23.1 billion	¥25.0 billion	
Dividend payout ratio	38.0%	46.4%	44.9%	38.0%	33.1%	34.3%
Share buybacks	–	¥38.8 billion	–	¥29.6 billion	–	
Ratio of payouts and buyouts to net profit	38.0%	123.1%	44.9%	87.2%	33.1%	

ENVIRONMENT

Feature 01 | Response to Climate Change

Initiatives to reduce greenhouse gas emission volume towards "Realization of a decarbonized society"

While global environmental issues are worsening year after year and various menaces are threatening people's lives, ONO established a medium- and long-term vision, the "Environment Challenging Ono Vision (ECO VISION 2050)," and engages in resolving environmental issues for our future in 2050.
Concerning one of our priority items, "Realization of a decarbonized society," our entire company is engaging in various activities based on the medium- and long-term greenhouse gas emission volume reduction target that was established in FY2020.

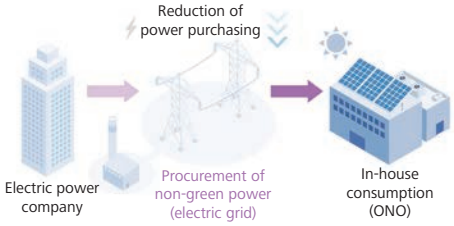
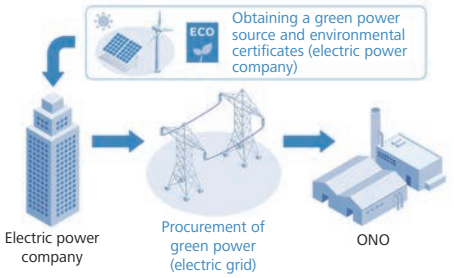
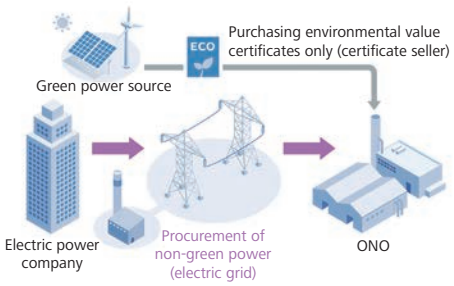
Established Ambitious Targets to Achieve a Decarbonized Society

Our goal towards realization of a decarbonized society, "Reduction of greenhouse gas emission (Scope 1 + Scope 2) to zero by FY2050" is categorized as the most aggressive goal for the "1.5°C target" by the international initiative "Science Based Targets initiative (SBTi)." Only 30 companies in Japan are categorized as having the "1.5°C target" of SBTi (as of the end of March 2021). In order to achieve this challenging target, ONO participated in the "Fiscal 2019 Model Project for Supporting the Development of CO_2 Emission Reduction Plans to Achieve SBT" (hosted by the Ministry of the Environment) and created a highly achievable greenhouse gas emission volume reduction plan in consideration of future new technologies based on the investigations and advice of specialists.

Revised Priority of Measures in Consideration of the Latest Market Trends and Future Outlook

In FY2020, we again examined our greenhouse gas emission volume reduction policy based on the current energy market trends, costs, emission factor predictions, and other factors. In concrete terms, in reference to IEMA's greenhouse gas (GHG) management hierarchy, we determined the priority order of our measures we determined the priority order of our measures ("Promotion of Energy Conservation Activities" > "Incorporating Renewable Energy Facilities" > "Procurement of Carbon-Free Energy" > "Use of Credit") and then revised it to increase the procurement rate of carbon-free energy rather than use of credits. We will implement these revisions based on changes to the business environment and the progress of our activities as needed. We will accelerate our activities to become "a leading environmental company in the pharmaceutical industry" and to achieve a decarbonized society in addition to promoting "the realization of a healthy and sound society" through the discovery and development of innovative pharmaceutical products for our future in 2050.

Priority of ONO's Measures for Greenhouse Gas Emission Volume Reduction and Major Activities

Priority	IEMA's Greenhouse Gas (GHG) Management Hierarchy	Priority of ONO's measures	Major activities
High	Eliminate		▶Introduction of Advanced Technologies ◎Updated heat source facilities to module-type heat pump chiller ◎Introduced super-high-efficient amorphous transformer, for which standby power is extremely low ◎Introduced low-air volume-type (push/pull type) ultra-high-speed VAV (variable air volume) local exhaust device ◎Introduced aseptic isolator system that can limit high cleanliness areas ◎Updated lights from fluorescent to LED  Module-type heat pump chillers (Minase Research Institute)
	Reduce	Promotion of Energy Conservation Activities	
	Substitute	Incorporating Renewable Energy Facilities In-house generated green energy (no GHG emissions) 	▶Operation Improvement ◎Collected heat from hot water discharge and used it as a heat source ◎Revised facility operation hours and temperature settings ▶Environment-friendly Office Design ◎U.S.A.: Selected a building that obtained an LEED Gold certificate for a new office ◎Tokyo building: Obtained CASBEE® S class ▶Implementation of Cool-biz and Warm-biz
		Procurement of Carbon-Free Energy Procurement of carbon-free energy from a power company (no GHG emissions) 	▶Introduction and Operation of Solar Installation ◎Headquarters building (FY2003) ◎Minase Research Institute (FY2015) ◎Tokyo building (FY2017)  Solar panel (Minase Research Institute)
	Compensate	Use of Credit Offsetting with credit (certificates, etc.) (Offsetting GHG emissions with credits) 	▶Power Purchase based on a Green Power Menu Agreement ◎Minase Research Institute (since FY2019): Changed to a quantitative agreement that provides tracking and can procure power more stably in FY2020 ▶Purchased Green Energy Certificates (since FY2018) and J-credit Scheme (since FY2019)
Low			

Source: Prepared by ONO based on materials from ENECHANGE Ltd.

Environmental Management

Global Environment Policy/Environmental Vision

ONO has established the Global Environment Policy as guidelines for our environmental activities. We formulated our medium- and long-term environmental vision towards 2050, the "Environment Challenging Ono Vision (ECO VISION 2050)," based on the Policy. We recognize our corporate social responsibility for the environment and engage in activities towards the realization of an abundant global environment by prioritizing the environment in all business areas.

Global Environment Policy / Environmental Vision

https://sustainability.ono-pharma.com/en/themes/106#943

Medium- and Long-term Targets and Fiscal Year Targets

To achieve "ECO VISION 2050," we have set three priority items, "Realization of a decarbonized society," "Realization of a water recycling society," and "Realization of a resource recycling society," and have set specific medium- and long-term targets for greenhouse gas, water, and waste in 2019. We have also set annual targets.
Our medium- and long-term greenhouse gas reduction targets are classified as the most ambitious "1.5°C target" by the international initiative "Science Based Targets initiative (SBTi)." As for energy, we will increase the use of green energy in line with the RE100 target that we joined in June 2020.

Promotion of Environmental Management

We have established an environmental management system in which the President and Representative Director is in charge of environmental management. Under the President and Representative Director, the environmental management promotion system has been developed where the Corporate Executive Officer / Head of Corporate Communications, who is the chairperson of the CSR Committee, oversees company-wide environmental management as the corporate officer in charge of the environment; the CSR Promotion Section manages the company-wide environmental management; and the Environmental Management Committee, which consists of Committee members from each department, engages in identifying the tangible current situation and in management and promotion of the system. In particular, regarding the three priority items of "Realization of a decarbonized society," "Realization of a water recycling society," and "Realization of a resource recycling society," subcommittees (climate change subcommittee, water recycling subcommittee, and resource recycling subcommittee) established under the Environmental Management Committee investigate initiatives to reduce the environmental burden and break them down as targets for each site to achieve for the fiscal year. Each of the manufacturing and research sites with a large environmental burden has established a subcommittee. The manufacturing sites have continuously acquired ISO 14001 certification and worked to reduce their environmental impact. The progress of these efforts is to be reported at least once a year at the Executive Committee chaired by the President.
In addition, to reduce environmental risks, employees involved in operations that could have an impact on the environment receive necessary educational training on environmental management. We also have a structure to minimize environmental impact by conducting drills and providing on-site training for emergency response against accidents and by formulating various manuals.

Environmental Management System / Status of Acquisition of ISO 14001 Certification

https://sustainability.ono-pharma.com/en/themes/107#957

▶Targets (Medium- and Long-term Targets and Annual Target) and Results

Key priority	Indicators	Medium- and long-term targets	Target in FY2020	FY2020 results
Realization of a decarbonized society	Greenhouse gas emissions (Scopes 1+2) (Market-based CO_2 emissions*1)	55% reduction by FY2030 and reduction to zero by FY2050 <Compared to FY2017>	Reduce by 12.6% or more from FY2017	Reduce by 12.6% from FY2017
	Greenhouse gas emissions (Scope 3)	30% reduction by FY2030 and 60% reduction by FY2050 <Compared to FY2017>	Reduce by 4.6% from FY2017*2	Reduce by 27.6% from FY2017*2
	Green energy use rate in all electricity consumption	Increase to 55% or more by FY2030 and increase to 100% by FY2050	12.6% or more	13.2%
Realization of a water recycling society	Water resource consumption (water intake)	15% reduction per production volume unit by FY2030 <Compared to FY2017>	Less than or equal to the previous year's level (FY2019: 296,700 m^3)	245,600 m^3 (Increase by 4.6% per production volume unit from FY2017)
Realization of a resource recycling society	Final landfill rate of industrial waste	1% or less every year*3	1% or less	0.2%
	Industrial waste volume	15% reduction per production volume unit by FY2030 <Compared to FY2017>	Less than or equal to the previous year's level (FY2019: 430.8 t)	502.7 t (Increase by 13.2% per production volume unit from FY2017)
	——	Promote reductions in the environmental burden in business activities	——	Reduce environmental burden by changing product package materials and packaging form, etc.

*1 Market-basis greenhouse gas emission volumes are calculated based on emissions coefficients published by each electric power company.
*2 Scope 3 is calculated based on the emissions in FY2019 since the data of our major suppliers and pharmaceutical wholesalers in FY2020 has not been published as of the calculation time.
*3 ONO's ZERO Emission standard is defined so that the ratio of non-recycling (landfill and simple incineration) is 1% or less of the total amount.

Disclosure of Climate Change-Related Information

(Disclosure based on TCFD)

ONO has expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in October 2019. The TCFD is a task force established by the Financial Stability Board (FSB) with the aims of understanding and disclosing the financial impact of climate change and publishing recommendations on methods of information disclosure in June 2017. Based on the recommendations, we will evaluate and manage climate change-related risks and opportunities and promote appropriate information disclosure.

Governance

We appoint a corporate officer in charge of the environment as the officer responsible for climate change issues. The corporate officer serves as the chairperson of the Environmental Management Committee, which meets at least once a quarter to discuss climate change issues. The corporate officer, who also serves as the Chairperson of the CSR Committee and a member of the Management Meeting, presents a report at least once a half year on the results of the Environmental Management Committee's activities to the CSR Committee and the Management Meeting for discussion. The results of discussions at the CSR Committee and the Management Meeting are reported at the Board of Directors' meeting and shared with all members of the Board of Directors more than once a year.

In FY2019, the TCFD Study Working Group was established, and it considered issues related to the identification and evaluation of climate change-related risks/opportunities and the countermeasures against them. The identified risks and opportunities are reviewed by the TCFD Working Group on a yearly basis. The TCFD Working Group, which is headed by the corporate officer in charge of the environment, is joined by the heads of major relevant departments (Finance and Corporate Strategy & Planning) and the head of Risk Management Office in order to integrate climate-related issues into our business strategy.

We also joined the TCFD Consortium, which is a platform for companies, financial institutions, etc. expressing support for the TCFD recommendations to discuss initiatives for effective disclosure of information and utilization of disclosed information for appropriate investment decisions by financial institutions. In FY2020, we participated in small-scale round table dialogue sessions with institutional investors hosted by the TCFD Consortium.

Strategy

<Analysis and evaluation of risks and opportunities related to climate change>

Analysis and evaluation of climate change-related risks and opportunities were performed using the 1.5°C and 4°C scenarios, under the leadership of the TCFD Working Group. In FY2020, we reviewed the amount of financial impact of physical risks*1 based on changes in our product structure, suppliers, etc. Meanwhile, the amount of financial impact of transition risks*2 was not revised since there were no specific changes in assumptions of calculation. Our analysis revealed no financially significant risks in both the 1.5°C and 4°C scenarios. We will continue to check trends in the international community and closely monitor the impact of risks and opportunities that may have a relatively material financial impact.

*1 Physical risks: Acute or chronic damage due to decarbonization policy that has not been clearly defined and due to disasters, etc. caused by climate change.

*2 Transition risks: Risks resulting from enhancement of decarbonization policy on a global scale (e.g. climate change policy/regulation, technology development, market trends, changes in evaluation of the market).

Risks Related to Climate Change

Factor		Value chain	Risk and impact		Financial impact*	Management approach
Society aiming for below 1.5°C	Regulatory risk	ONO	Increased carbon tax burden	Our burden of carbon tax levied on greenhouse gas emissions may increase due to the possible tightening of climate change-related regulations.	¥1.9 billion	Mitigation ■ Achieve the greenhouse gas emissions reduction target (Scope 1+2) in line with the 1.5°C target ■ Implement energy saving and green energy investment plans to achieve the target
		Suppliers	Carbon tax passed on to procurement prices	Suppliers' burden of the carbon tax levied on greenhouse gas emissions may increase due to the possible tightening of climate change-related regulations, and suppliers may pass on the carbon tax burden to us through higher procurement prices, potentially resulting in an increase in our materials costs.	¥0.6 billion	Mitigation ■ Achieve greenhouse gas emissions reduction target (Scope 3) ■ Strengthen engagement with suppliers to achieve the target
If the temperature rises by 4°C	Physical risk	ONO, manufacturing contractors, suppliers	Flood risk (acute)	Acute damage (flood) risk from typhoons, etc. may increase, and an interruption of operations caused by damage to production facilities or damage to storage facilities may potentially result in a decrease in revenue.	¥3.4 billion	Adaptation ■ Introduce emergency power generators at main bases and conduct periodic maintenance ■ Integrate climate risks into enterprise risk management (ERM) ■ Maintain a cooperation system with business partners (review of waterproofing measures by product storage service provider and business partners, etc.) ■ Secure multiple suppliers ■ Consider the impact of flood due to climate change in the business partner selection process
			Water shortage risk (chronic)	Since sufficient inventory is maintained, it is not likely at present that water-use restrictions due to long-term depletion of water resources will cause an interruption of our operations, resulting in a decrease in revenue.	¥0 billion	Adaptation ■ Secure proper inventory to avoid loss of opportunities ■ Maintain a cooperation system with business partners

* Financial impact: The maximum value during the period from 2020 to 2030 in the 1.5°C or 4°C scenario (showing cumulative value to regulatory risk)

Mitigation: Measures to reduce emissions of greenhouse gases that cause climate change

Adaptation: Measures to prevent or mitigate damage caused by the effects of climate change that have already occurred (or are expected to occur in the future)

ENVIRONMENT

▶Opportunities Related to Climate Change

Factor		Value chain	Opportunity and impact		Financial impact*1	Management approach
Society aiming for below 1.5°C	Opportunity from resource efficiency	ONO	High-efficiency pharmaceutical manufacturing process	Introduction of high-efficiency pharmaceutical process (green sustainable chemistry*2, etc.) technology can be an opportunity to reduce raw material costs.	¥2.3 billion	■Define indicators for assessing resource efficiency ■Develop systems
If the temperature rises by 4°C	Business opportunity	Customers	Preventive/ treatment products	If disease trends change due to global warming, demand for existing drugs (for melanoma, etc.) may increase, or the development and sales of new drugs may have a favorable impact on revenue.	¥0.5 billion	■Additional indications for existing pharmaceuticals ■Enhance the new compound library ■Make use of open innovation, etc.
Society aiming for below 1.5°C	Reputation opportunity	Investors, customers, recruitment market	Corporate value improvement	It is possible that our efforts to tackle climate change will help us earn customer trust, retain employees, improve our reputation in the recruitment market, and improve ESG investors' evaluation of our performance, thus contributing to the creation of corporate value.	(Contributing to the creation of corporate value)	■Appropriately disclose the results of activities undertaken to the public

*1 Financial impact: The maximum value during the period from 2020 to 2030 in the 1.5°C or 4°C scenario (showing cumulative value to regulatory risk)
*2 Green Sustainable Chemistry: A concept that aims to reduce environmental impacts throughout the life cycle of chemical substances in order to realize a sustainable society

Risk and Opportunity Management

When identifying risk and opportunity, the timing, probability of occurrence and the extent of the consequences are analyzed for each risk and opportunity, details of measures against them are evaluated, and then priorities are determined comprehensively. We prioritize and identify risks with high impact on our business or high probability of occurrence, as well as with measures that have high cost effectiveness, and the Environmental Management Committee manages the risks. Measures against the identified risks are examined by the Company-Wide Risk Management Committee, and proposed to the Management Meeting for approval. The measures approved by the Management Meeting are implemented by the responsible persons at production sites and research institutes and the risks are thus managed in a comprehensive manner. The impacts of risks and opportunities are reviewed each year, and the risk and opportunity management status is reported to the Environmental Management Committee, CSR Committee and the Management Meeting.

Indicators and Targets

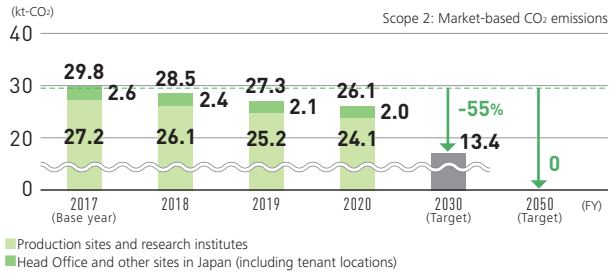
We have created a roadmap (see p. 43) to achieve the greenhouse gas emission reduction targets based on our medium- and long-term environmental vision. We discuss measures to be taken to achieve the targets and estimate the costs. To achieve our medium- and long-term targets, we set a single-year target and evaluate the results (progress) against the target (see p. 45). We also calculate greenhouse gas emissions across the entire value chain (Scope 3) for our business sites in Japan by dividing Scope 3 emissions into 15 categories, in accordance with the guidelines of the Ministry of the Environment since FY2014.

As for water risks, we conduct risk analysis once a year. Recognizing water risks as "disaster/climate change risks" among the company-wide risks, we implement measures based on our business continuity plan (BCP), including maintaining a proper stock. In the future, we will also work to establish a collaborative relationship with our business partners, to secure multiple suppliers, and to consider the impact of flood/shortage of water due to climate change in our business partner selection process.

Details on risks/opportunities regarding climate change, as well as greenhouse gas emissions are described in our CDP Climate Change response (Japanese only). These can be confirmed at the CDP website (CDP ID required).

https://www.cdp.net/en/saml/new

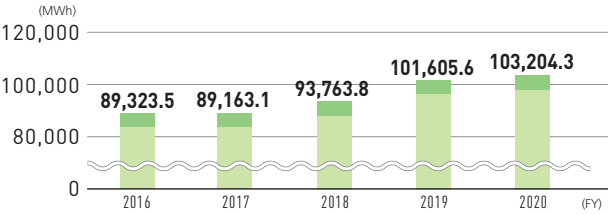
▶Greenhouse Gas Emissions (Scope 1+2)



Greenhouse Gas Emissions across the Entire Value Chain (Scope 3)

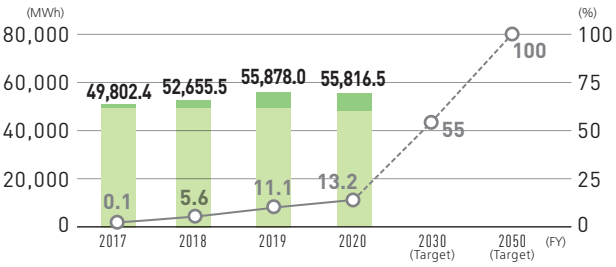
https://sustainability.ono-pharma.com/en/themes/106#946

▶Energy Consumption



*Sites where data on greenhouse gas emissions and energy consumption were collected: Fujiyama Plant, Joto Pharmaceutical Product Development Center, Yamaguchi Plant (added from FY2018), Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, sales offices and other offices, etc.

▶Electricity Consumption and Green Energy Utilization Rate*



* Green energy use rate: Green energy consumption / All electricity consumption

Activities towards Realization of a Water and Resource Recycling Society

Towards Realization of a Water Recycling Society

We are making efforts to create a water recycling society by establishing medium- and long-term targets (see p.45) so as to mitigate the load on limited water resources. As for water risks and opportunities, the Environmental Management Committee leads and conducts surveys, and identifies, analyzes and evaluates the possible risks and opportunities that are considered to have an impact on business.

Water risk assessment at major sites that use large volumes of water (production sites and research institutes) is conducted using the WRI AQUEDUCT risk assessment tool of the World Resource Institute. As of the end of FY2020, none of our company's major sites engage in operations in areas categorized as being "extremely high risk" for water stress. We engage in operations in areas where it is possible to use good quality fresh water as needed for business operations, and our business activities are therefore not affected. ONO's rating increased from B in FY2018 to A minus in FY2019 for the water security survey conducted by CDP of Britain and we maintained an evaluation of A minus in FY2020.

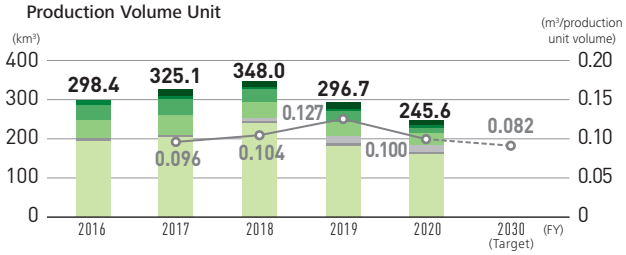
Analysis and Assessment of Water-related Risk and Opportunity

https://sustainability.ono-pharma.com/en/themes/106#947

Progress towards Realization of a Water Recycling Society

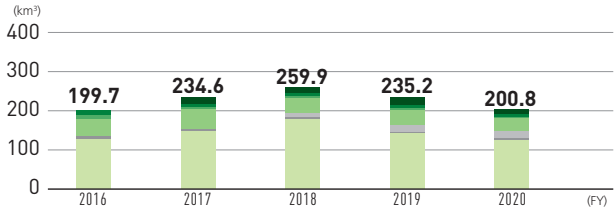
The volume of water intake in FY2020 was 245.6 km^3, a 17.2% reduction (51.1 km^3) compared to FY2019, and we therefore achieved the target for the fiscal year. In order to reduce water consumption, we engage in reducing cooling water by adjusting the preset temperature of the heat drain tank at production sites and stopping the spraying of water on air-cooling chillers and total heat exchangers at research institutes. We also adapted water-saving sanitary equipment at sites that have been expanded or reconstructed, or had facilities renewed. In addition, Fukui Research Institute has installed a water recycling system to reduce water intake.

Water Intake (Water Resource Consumption) and Water Intake per Production Volume Unit



Fujiyama Plant ■Joto Pharmaceutical Product Development Center ■Yamaguchi Plant
■Minase Research Institute ■Fukui Research Institute ■Tsukuba Research Institute
■Head Office and other offices, etc. (including some tenant locations)
—○— Water intake per production volume unit

Wastewater



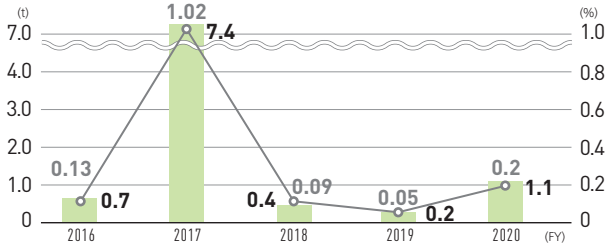
Fujiyama Plant ■Joto Pharmaceutical Product Development Center ■Yamaguchi Plant
■Minase Research Institute ■Fukui Research Institute ■Tsukuba Research Institute
■Head Office and other offices, etc. (including some tenant locations)

* Sites where data on water intake and wastewater were collected: Fujiyama Plant, Joto Pharmaceutical Product Development Center, Yamaguchi Plant (added from FY2018), Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, sales offices and other offices, etc.

Towards Realization of a Resource Recycling Society

The Resource Recycling Subcommittee, which is a sub-organization of the Environmental Management Committee, has led the company-wide efforts. Based on the basic policies of "promotion of 4Rs (refuse, reduce, reuse and recycle)" and "selection of materials with reduced environmental impact," the subcommittee has investigated and analyzed the waste generation processes, and examined and evaluated policies towards realization of a resource-recycling society, and reinforced initiatives for a sustainable society through environmental conservation.

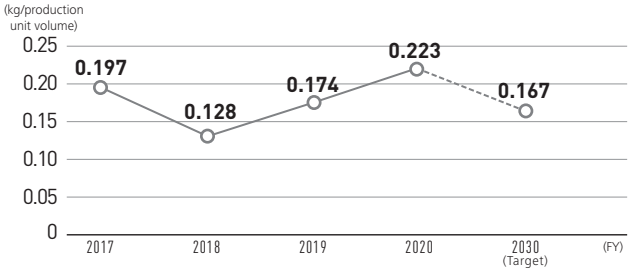
Final Landfill Disposal Volume and Final Landfill Disposal Rate of Industrial Waste



Final landfill disposal volume of industrial waste —○— Final landfill rate of industrial waste

* Sites where data on final landfill disposal volume and final landfill disposal rate of industrial waste were collected: Fujiyama Plant, Joto Pharmaceutical Product Development Center, Yamaguchi Plant (added from FY2018), Minase Research Institute, Fukui Research Institute, and Tsukuba Research Institute.
* Final industrial landfill disposal volume of industrial waste in FY2017 includes the amount of waste (5.8 tons) from renovation of the Joto Pharmaceutical Product Development Center.

Industrial Waste Volume per Production Volume Unit



* The industrial waste volume in FY2017 (25.64 tons) from renovation of the Joto Pharmaceutical Product Development Center was excluded from the calculation.

Activities towards Realization of a Resource Recycling Society

We have sold waste paper and metal waste which are no longer needed at our research institutes and production sites as valuable materials, and experimental equipment that is no longer used at research institutes. In addition, for industrial waste (including specially controlled industrial waste) generated at research institutes and production sites, we have selected intermediate treatment contractors that recycle wastes without landfilling.

In terms of product packaging, we are promoting the reduction of environmental impact by changing packaging materials from plastics to paper materials, packaging forms and so on.

More details on our environmental activities and environmental data are available on our sustainability website.

https://sustainability.ono-pharma.com/en/themes/118

SOCIETY

Feature 02 | Promotion of Human Capital Development

The newly established "Ono Innovation Platform" serves as a foundation for inspiring employees to challenge themselves

Human capital is a source for the creation of new innovations.
Producing more "passionate challengers" will result in the discovery of innovative new drugs and other innovations. We therefore established the "Ono Innovation Platform" as a foundation to inspire every single employee to challenge themselves and provide opportunities for learning, experience, and challenge.

Enhancing the environment to foster innovation towards the realization of "Global Specialty Pharma"

The "Ono Innovation Platform" was established in May 2021 as a program to foster our employees' ability to innovate. ONO has focused on investing in "the creation of new innovations" and "human capital development" in order to concentrate our finite management resources on drug discovery and development. However, to achieve exponential growth in becoming a Global Specialty Pharma in the future, it is essential to foster more human capital that has the will and qualifications to pursue innovation. Therefore, we started activities to enhance the creation of an environment where employees can expand their abilities, grow as innovators, and enthusiastically take on challenges.

Supporting employee growth and endeavors through three opportunities: "learning," "experience," and "challenge"

The "Ono Innovation Platform" provides opportunities for "learning," "experience," and "challenge."
At the "Innovation Cafe," which is an "opportunity for learning," employees learn about the passion, judgment, and ability to execute plans found in venture companies that currently produce many innovations and learn how they produce them. Employees acquire "knowledge" about the latest trends, such as changes occurring outside the company, are "exposed" to the thinking of entrepreneurs and management executives of venture companies and to the ways they overcome issues, and "experience" the ideas and frameworks that are used.

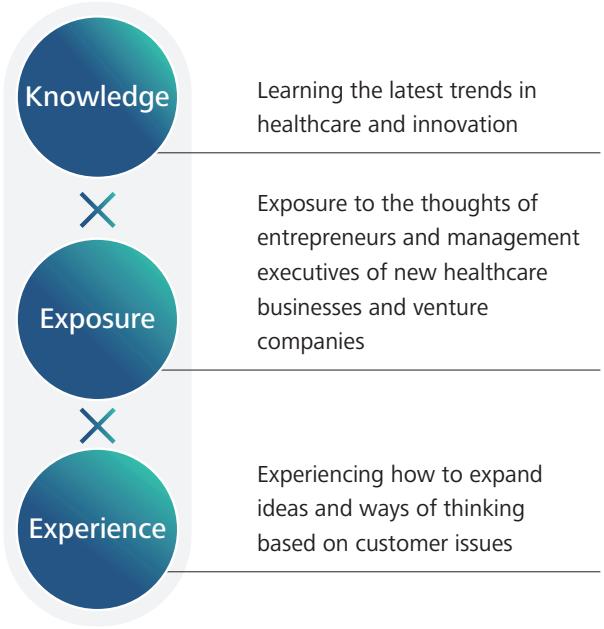
As an "opportunity for experience," we provide support for employees who are actually dispatched to a venture company and engage in joint operations and joint research with venture companies. It is difficult to produce innovation by holding lectures alone; however, experience will result in people's growth and awareness. Therefore, we provide opportunities for employees to put themselves out into a world where there are no answers and to gain experience in a way that is not possible in the company.

As an "opportunity for challenge," ONO supports employees to challenge themselves. The purpose of the "Ono Innovation Platform" is innovation creation, and it would be meaningless if employee learning and experiences did not find results in practice. For this reason, it is necessary to provide opportunities for employees to ignite their passions voluntarily and learn specific methods so that they can then make attempts with confidence and without worrying about failure. In addition, in consideration of the fact that no revolutionary idea can be achieved by a single employee alone, we support anyone to take further steps without hesitation by encouraging employees to test themselves through business competitions, and more.

Not only does this promote individual growth, but it also advances revolution as a platform for co-creation and production

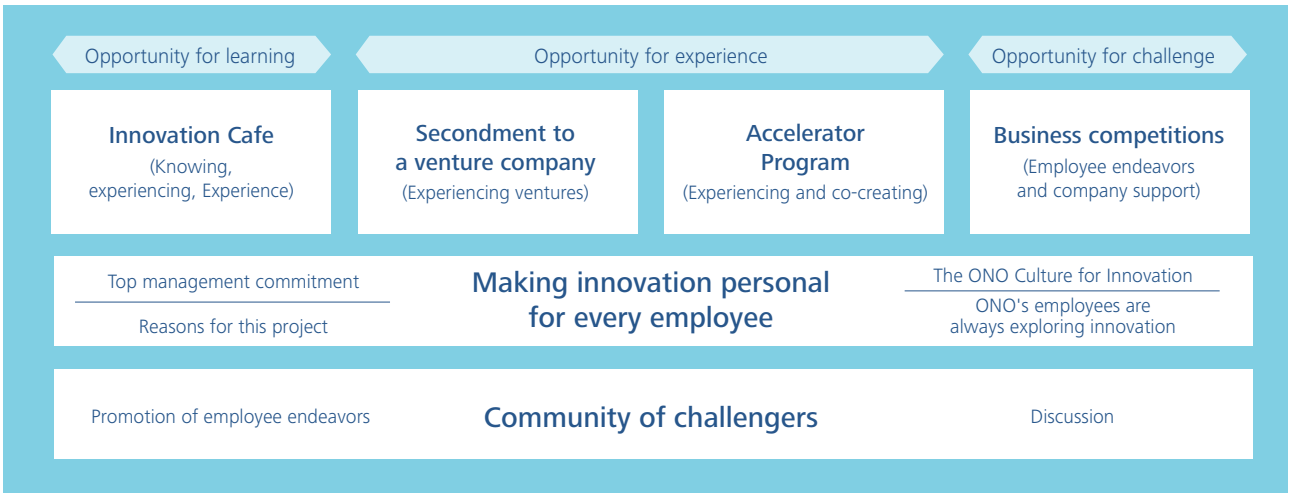
The "Ono Innovation Platform" not only promotes the growth and attempts of every single employee, but it is also expected to function as a "community" of challengers. Regardless of whether it is inside or outside the company, new ideas and inventions will be produced from exposure to a diversity of values. The activities of the "Ono Innovation Platform" have just begun; we will use it to improve our ability to innovate by continuing its evolution as a platform for developing employees with unlimited potential.

▶Three Phases of the "Innovation Cafe"



Established an exclusive website to present the activities of the "Ono Innovation Platform"

▶"Ono Innovation Platform" Outline



Human Resources and Human Rights

Our Concept of Human Resource Development

ONO positions human resource development (HRD) as a key managerial challenge. We are pursuing strategic HRD initiatives that will help us make the leap to a "Global Specialty Pharma" by providing growth opportunities so that each of our employees are motivated, proactive, self-disciplined, independent and make confident choice.

Provision of Growth Opportunities

ONO focuses on supporting managers from each organization in the creation of skill maps and promoting career self-reliance for every single employee, in addition to rank-based training, training for selected employees, voluntary training, self-development support systems, etc. and other general training activities.

When supporting the creation of a skill map, the skill map is created in the following order: environmental analysis in and outside the company, analysis of our business, identification of the values that the entire company or the department should offer to customers and other departments, identification of activities to create the values, identification of the skills necessary for the activities, and determination of the level for each skill. This activity enables us to fill gaps in organizations strategically.

Concerning career development, we are establishing a self-career-dock system* and use it to promote every single employee in developing their career vision and fulfilling their identities to the utmost. The strength of every single employee generates diversity in the organization. Combining lots kinds of strengths will build an environment where innovation can occur in any organization.

* Self-career-dock system: A system through which the company supports employees systematically and periodically and promotes and supports employees in developing their careers voluntarily by combining diversified career training and career consulting interviews based on the company's human resource training vision and policy.

Training Program for Selected Human Resources

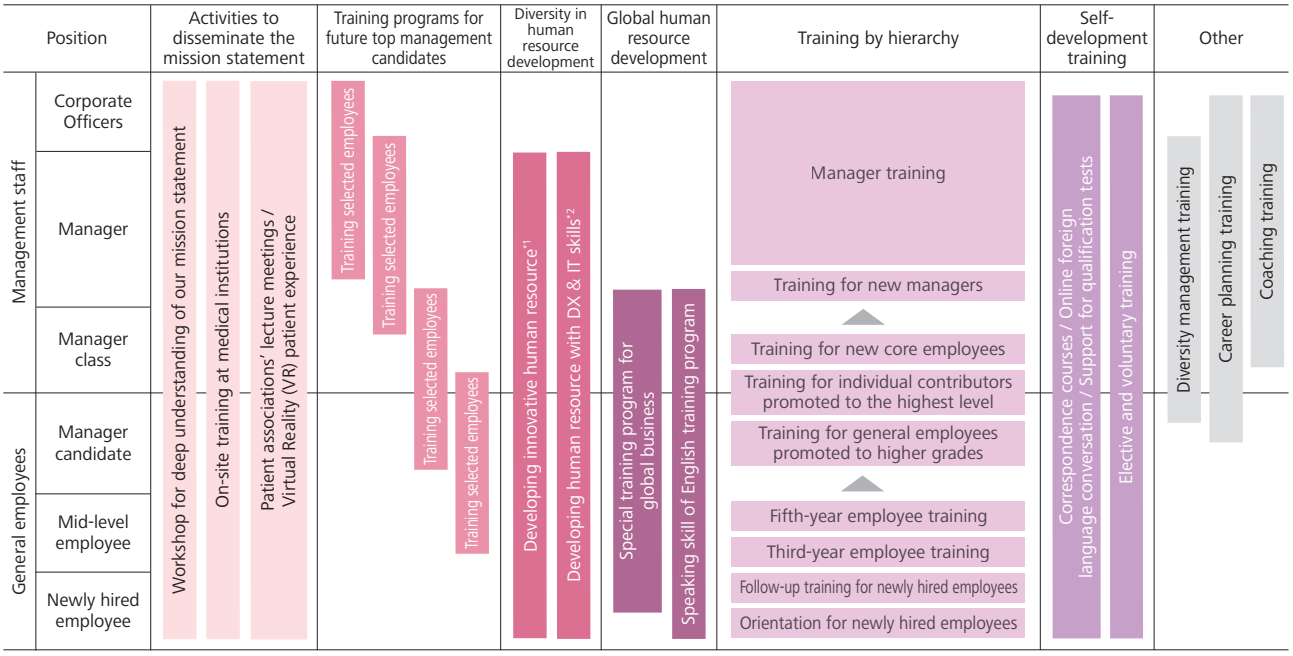
Selected human resources are positioned as cross-departmental, valued common human resources, and we established a meeting committee structure where all Executive Directors can hold discussions from joint perspectives so that the selected human resources can be assigned to the jobs they should experience as future executive trainees. Dispatching to venture companies under the "Ono Innovation Platform" (▶see pp.49-50) is included in the jobs to be experienced. They are expected to be trained to develop as overwhelmingly innovative human resources. In addition, in consideration of the training of DX human resources, the training department and IT department jointly established a training program for DX human resources in FY2021.

Respect for Human Rights

In all of our business activities in and outside Japan, ONO understands and respects the human rights of each individual in terms of the diversity of values, personalities, and characteristics and will act accordingly. Upholding these principles, we internally and externally prohibit discrimination and bullying of any type on the basis of race, nationality, ethnicity, gender, age, colour, religion, or belief/philosophy, and we established and administer the personnel system. We also prohibit any form of harassment and conduct compliance training.

Furthermore, as a signatory of the United Nations Global Compact (UNGC), we support its ten principles. In addition, we also pursue human rights initiatives in compliance with international standards, the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Convention on Economic, Social and Cultural Rights, the International Labour Organization (ILO)'s Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights with full respect. In addition, we engage in human rights due diligence to prevent and reduce adverse effects on human rights, including the establishment of the ONO PHARMACEUTICAL Human Rights Global Policy.

▶Summary of Common Education and Training Programs for All Divisions in FY2020



*1: Ono Innovation Platform, assignment to venture companies, etc. *2: "DX mindset" seminar, "IT passport" lecture, "G test accreditation" lecture, etc.

ONO PHARMACEUTICAL Human Rights Global Policy

https://www.ono-pharma.com/company/policies/human_rights.html

Human Rights Due Diligence

https://sustainability.ono-pharma.com/en/themes/103#932

Promotion of Diversity and Inclusion

At ONO, we make continuous efforts to promote diversity in our workplaces. For the purpose of responding promptly and flexibly to environmental changes and increasing corporate value, we believe that it is important to enhance better understanding of the diversity of our corporate members' attributes, values and behavior, while recognizing their individuality. In order to recognize the importance of diversity and to incorporate diversity proactively into our human resources strategies, we provide "Diversity Management Training" to all managers. We also promote internal understanding by incorporating content promoting diversity and inclusion (diversity, inclusion, and social integrity) into training by year of employment and rank-based training. In addition to our own activities, we also participate in study sessions and seminars that transcend the company boundaries and strive to collect information on know-how and initiatives for improving diversity.

Activities to Promote Female Employee Participation in the Workplace

We have focused on creating a system in which women can work actively. As a result of the proactive recruitment of women and measures to prevent turnover associated with life events, the number of female employees has steadily increased, and the employment rate of female employees as of March 2021 had increased by 4.9% compared to March 2013. Furthermore, we are creating an environment in which women can work more actively, for example by including content aimed at promoting diversity and inclusion in managerial training, training by year of employment, and rank-based training.

In addition, in order to support the balance between work and childcare, we hold "work-life balance support seminars" twice a year. By providing opportunities for women and the entire company to think about childcare participation and work-life balance, we are creating a friendly working environment.

We established a new action plan (for 2 years from April 1, 2021 to March 31, 2023), following our original action plan (for 5 years from April 1, 2016 to March 31, 2021), which is based on a law to promote women's roles in the workplace (Act on Promotion of Women's Participation and Advancement in the Workplace) enacted in FY2016. In accordance with these plans, we continue to build a system to increase the number of female employees and potential managers and to support career development for women.

Goals and Action Plans for FYs 2021 to 2022

Goal	Action plan
Increase the ratio of women at the section chief level to 15% or more	■Provide opportunities to consider careers, regardless of gender, so that future careers, including management, can be envisioned ■Provide systems to support the careers of subordinates to foster a culture for training the next generation of managers
Increase the rate of male employees taking childcare leave to at least 75%	■Implement an approach to encourage male employees and their superiors to take childcare-related leave and a support system for work-life balance after the birth of a child ■Disseminate information on childcare-related leave and programs to support systems for balancing work and family life

Efforts Made to Promote the Active Participation of Persons with Disabilities and Employing Mid-career Persons

We actively promote the employment of people with disabilities as part of our efforts to increase diversity. As of March 31, 2021, the percentage of employees with disabilities reached 2.17% due to the sudden retirement of employees with disabilities. In FY2021, we continued to actively implement hiring activities in order to secure employment at or above the legally mandated level, which was revised in March 2021. Approximately 50 employees are actively involved in each department.

In addition, we are also focusing on career recruitment, which employs human resources with the skills, knowledge, and experience that we need as an immediate force. Especially since FY2014, when we started to actively promote mid-career employment in view of changes in the business environment, the number of mid-career employees has increased substantially in a broad range of jobs. In FY2020, about 30 mid-career recruits joined our company. Many mid-career employees are playing their respective roles by applying their experience and expertise.

TOPICS

Use of UD Talk

We introduced UD Talk* for business in 2016 and use it in almost all departments where hearing-impaired employees belong. Currently, subtitles are displayed in real time on the screen of the Web conferencing system, and we will support an environment where people with hearing impairments can work actively without any inconvenience through in-house communication even in a telework environment.

*UD Talk: It is an application used for communication mainly with hearing-impaired people using a smartphone. It enables us to convert voice into text using automatic speech recognition.

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
The male-to-female ratio of new employees (%)	43	34	49	34	40	49
Retention rate of female employees (%) * Retention rate=100-(Turnover rate each fiscal year)	97.1	96.6	97.1	96.9	96.9	—
Employment rate of persons with disabilities (%)	2.30	2.24	2.28	2.20	2.17	—
Number of employees hired by mid-career recruitment (as of the end of the fiscal year)	322	380	440	446	457	—

Cultivation of Employee-friendly Workplaces/ Safety and Health

ONO is moving ahead to create workplaces where employees can work with a sense of security. We are continuously committed to the development of support systems and working conditions that help employees work in various styles, as well as the improvement of their work-life balance, so that each and every person in our diverse workforce can bring energy to their work and demonstrate their full potential.

Promotion of the Review of Working Styles

ONO started to review working styles since FY2015 with the purpose of increasing productivity by balancing improvements in operational efficiency with the creation of an attractive work environment. We appoint a promotion committee member in each department to involve the whole company in the activities, and the members work to raise awareness and encourage employees to improve operational efficiency and take paid holidays. We have also improved the system by making use of IT and introduced a flexible time system, telecommuting system, and work-interval system.

In FY2020, work volume increased because a different working style than before was required due to the impact of the novel coronavirus, and it resulted in 15.3 hours on average of monthly overtime work per employee and 58.8% of available paid holidays taken overall. We will promote telework and other new working styles and additionally enhance operational efficiency to achieve an average of 13 hours of monthly overtime work per employee and 70% of available paid holidays taken in FY2021.

Regular Feedback on Evaluations for Employees

We have adopted an interview system of activity goals for the purpose of improving employees' motivation to work and developing human resources. Through interviews with supervisors, employees set goals for their activities once every six months and align their goals based on our vision. In the middle of the term, the progress of the activity goals is confirmed, and the course is revised in an interim meeting with supervisors. At the end of the term, feedback is provided about the overall performance of the activities, individual strengths and weaknesses, and evaluation results, and the activity plan for the next term, development policy, and future career development are discussed through the summary meeting and feedback meeting of the evaluation results. As described above, we are implementing the system by holding interviews eight times a year to increase employee satisfaction, leading to human resource development.

Evaluation consists of performance evaluation and behavior evaluation. The performance evaluation evaluates the degree of achievement against individual goals based on the outcomes and process each employee used, and the behavior evaluation is based on how the employees behaved compared to the required behaviors determined according to each employee's roles; and results of the combined performance evaluation and behavior evaluation make up the final evaluation. In addition, there are multiple evaluators in principle, which ensures objectivity and fairness, and the results of evaluations are reflected in employee compensation.

Childcare Support Initiatives

We believe that society as a whole should support families raising children and that creating an environment that supports childbearing and childrearing is one of the challenges that companies should address. In 2005, we formulated an action plan based on the "Act on Advancement of Measures to Support Raising Next-Generation Children" established by the Japanese government, and are working to support employees in balancing work and childrearing. As a result, in 2020, we obtained for the fifth time the "Kurumin*" mark as a childcare support company from the Minister of Health, Labour and Welfare.

*Kurumin Certification: A certification by the Minister of Health, Labour and Welfare for childcare support company.

After April 2017, we introduced a new childcare support system, "Encouraging Leave for Childcare Participation," and as a way to promote understanding of the workplace among male employees who take childcare leave, we are strengthening communication that child-rearing is considered to be a life event for both men and women. We are also promoting the creation of an environment where men can actively participate in childcare. After April 2021, we continue to set a goal of achieving a 75% or higher rate of male employees taking childcare-related leave to promote male participation in child-rearing, and promote initiatives to further support balancing work and family life.

Various Support Systems for Employees

In addition to the systems stipulated in laws and regulations, we have established various systems to create a pleasant working environment. We continuously develop systems so that employees can have many options in working styles, for instance, by listening to employees and constructing systems that meet actual needs, or by establishing systems that exceed legal standards. Furthermore, we have prepared a handbook that summarizes these systems and posted it on our intranet to ensure that employees are fully aware of their contents and the methods of using them. The following systems are applicable to all employees, in principle.

▶ List of Support Systems

Systems that exceed the standards specified by labor-related laws	Childcare leave, shortened work hours for childcare, nursing care leave
Legally required systems	Shortened work hours for nursing care, family care leave, nursing care leave
System that promotes flexible work styles	Flexible working hours, telecommuting system, hourly-basis annual leave, selective retirement system, support for transfer
Various leave and subsidy systems	Accumulated holidays, holidays to encourage employees to take part in child-raising, maternity protection leave, support of employee volunteer activities/bone-marrow donor leave, subsidies for day-care centers and baby-sitting, subsidies for sick child care, support for medical checkup
Other systems	Support for employees with cancer, use of company cars to pick up and drop off children, day-care center concierge (day-care center enrollment support system), re-employment for employees who have quit ONO, non-regular re-employment, etc.

TOPICS

Support for Employees with Cancer

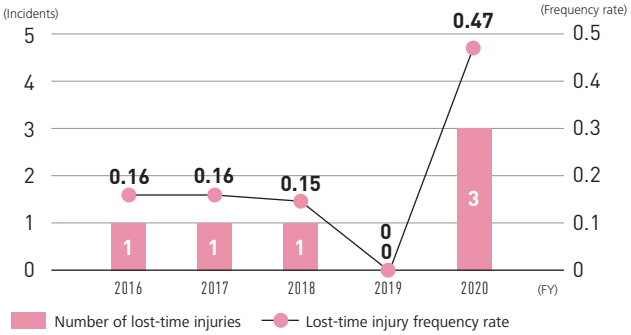
Employees who are diagnosed with cancer will work in the midst of many challenges, including regular hospital visits, side effects from various treatments, and financial problems. To support employees who wish to continue working while receiving cancer treatment, we have established various systems, including a leave of absence extension system, an income guarantee system to eliminate non-earning periods, a system that allows employees to take their accumulated leave in half-day units, and a system that allows employees to work shorter hours for cancer treatment. Furthermore, we are implementing multifaceted initiatives to support employees with cancer, including the establishment of a workplace support system to ensure that employees with cancer receive adequate support in their workplace and disseminating information on this workplace support system thoroughly to our employees.

Commitment to Safety and Health

For safety and health, we implement safety and health patrols at all sites each year, and findings are shared in the Safety and Health Committee to ensure appropriate corrective actions are taken. At the ONO Head Office and other company sites where a health committee is established, the committee discusses various issues to maintain employee health based on the results of workplace environmental measurements. In addition, the Central Safety and Health Committee is held every half-year term to provide opportunities for sharing information and exchanging opinions and considering measures that contribute to sanitation as a whole company.

Furthermore, in FY2020, we began working to increase employees' awareness of safe and eco driving by equipping all sales vehicles with AI-based telematics (in-vehicle device with communication facility) and detecting unsafe driving behavior. We aim to ensure the safety of employees and to reduce traffic accidents and violations, as well as to reduce CO_2 emissions by improving fuel efficiency through eco driving. The lost-time injuries that occurred in FY2020 were caused by a fall outside the workplace, and we will continue to engage in educational activities to pay more attention.

Number of Lost-time Injuries and Lost-time Injury Frequency Rate



* Scope of data collection: Employees at all worksites in Japan (excluding business vehicle accidents before FY2016)
Lost-time injury frequency rate = (number of lost-time injuries / total number of actual working hours) × 1,000,000

Promoting Health and Productivity Management

For ONO to contribute to society through the creation of innovative drugs, it is important that all employees are mentally and physically healthy, that our worksite is a place where individual abilities can be fulfilled to their utmost, and that the lives of employees and their families are satisfying. We have organized the "Health Up Committee" along with the President, Representative Director's health up declaration and are engaging in the promotion of "Health and Productivity Management" in a systematic way with our company, labor union, industrial health staff members, and health insurance society as a single team. These activities are being recognized, and in March 2021, we were recognized for three consecutive years as a "Health & Productivity Management Outstanding Organization 2021 - White 500 (large enterprise category)," promoted jointly by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi. We were in the top 100 companies among respondents and received high marks. We will continue to engage in health and productivity management through various activities.

2021
健康経営優良法人
Health and productivity
ホワイト500

Activity theme 1 Passive Smoking Prevention

- All sites are smoking-free on the premises of the company (since April 2019)
- Activities to raise awareness by conducting internal questionnaires, displaying original posters, etc.
- Supporting employees trying to quit smoking by granting subsidies to see a doctor at a smoking cessation clinic, providing online programs for smoking cessation, etc.

Activity theme 2 Lifestyle-related Diseases and Cancer Measures

- Requiring company employees to receive an annual health checkup (Employees over 35 years old undergo a complete medical checkup instead of a statutory health checkup)
- Established contract facilities for complete medical checkups in prefectures throughout Japan
- Supporting the cost of screening tests for each type of cancer
- After the medical checkup, occupational health staff may recommend that employees visit a medical institution, provide health guidance, participate in specific health instructions, etc., as required

Medical examination rate: **99.5%** (FY2020)

Activity theme 3 Mental Health Measures

- ONO has provided internal training on mental health and conducted individual consultations by occupational health staff
- Stress checks for all employees once a year
- Established an external free consulting service counter and developed a system where employees can consult with experts via phone or e-mail in addition to face-to-face consultation

Activity theme 4 Development of Self-care Environment

- Operating a portal site where employees can check the results of their complete medical checkup and regular health checkups at any time and "Health Management Sites" that compile information from the stress-check system and a health consultation counter
- Providing health-care application software for lifestyle correction and improvement
- Conducting a walking campaign every year in the company
- Conducting an annual session to measure body composition, blood vessel age, bone density, and more at major workplaces
- Distributing health age notifications that are calculated based on the health checkup results and show the difference between health age and actual age

* "Health and Productivity Management" is a registered trademark of Nonprofit Organization Kenkokeiei

Efforts Made for Improving Access to Healthcare

Even today as we see remarkable developments in the medical field, there are many diseases against which no effective treatment exists. Also, in low- and lower middle-income countries, there are many people who have difficulty receiving necessary medical care due to various reasons such as inadequate medical infrastructure and poverty. Under the corporate philosophy "Dedicated to the Fight against Disease and Pain," we aim to improve access to healthcare by pursuing the following goals: the development of innovative pharmaceutical products, improvement of medical infrastructure, and establishment of partnerships with outside parties. We currently sell our pharmaceutical products ourselves in Japan, South Korea, and Taiwan; in Asia, including Japan, we will make efforts for improving access to healthcare including the treatment of rare diseases. In regions other than Asia, we will make efforts to provide pharmaceuticals with the help of our partner companies. We will also work on supporting medium- and long-term activities to strengthen medical systems by means such as medical education and the development of medical infrastructure through partnerships with NPOs and the Global Health Innovative Technology Fund.

Our Policies on Intellectual Property Rights and on Patents in Countries with Limited Access to Healthcare

https://sustainability.ono-pharma.com/en/themes/102#927

The Direction of our Efforts

- Promotion of research and development for measures against diseases for which patients' medical needs are not yet met, rare diseases, and intractable diseases
- Local medical education, training of medical personnel, improvement of medical supplies in countries and regions where medical infrastructure is not fully developed
- Strengthening the medical system through partnerships with external parties

Working on the Creation of Pharmaceuticals

We are developing pharmaceuticals and providing pharmaceuticals through drug discovery and licensing activities for rare diseases for which the number of patients is small and therefore it is difficult to develop therapeutic agents. In addition, we consider that pharmaceuticals that have been appropriately assessed for children should be used for child patients and we engage in obtaining approvals for indications in child patients to improve access to healthcare for children.

For drug discovery and research for intractable diseases, we are engaging in activities to provide new options for treatment in

Efforts Made against Rare Diseases (as of July 26, 2021)

Product name	Indication	Date designated as an orphan drug	Status
OPDIVO intravenous infusion	Malignant melanoma	2013.06.17	Approved
	Relapsed or refractory classical Hodgkin's lymphoma	2016.03.16	Approved
	Unresectable advanced or recurrent malignant pleural mesothelioma	2017.12.01	Approved
DEMSER Capsules	Improvement of status of catecholamine excess secretion in patients with pheochromocytoma	2015.05.25	Approved
KYPROLIS for intravenous infusion	Relapsed or refractory multiple myeloma	2015.08.20	Approved
ONOACT for intravenous infusion	Refractory and urgent fatal arrhythmia (ventricular fibrillation and hemodynamically unstable ventricular tachycardia)	2016.08.24	Approved
MEKTOVI Tablets	Unresectable malignant melanoma with a BRAF mutation	2018.03.30	Approved
BRAFTOVI Capsules	Unresectable malignant melanoma with a BRAF mutation	2018.03.30	Approved
VELEXBRU Tablets	Relapsed or refractory primary central nervous system lymphoma (PCNSL)	2019.08.20	Approved
	Waldenstrom macroglobulinemia (WM) and lymphoplasmacytic lymphoma (LPL)	2019.11.19	Approved

Efforts to Obtain Approval for Pediatric Use (as of July 26, 2021)

Product name	Indication	Status
ONON Dry Syrup	Bronchial asthma and allergic rhinitis	Approved
EMEND Capsules	Digestive symptoms (nausea, vomiting) resulting from the administration of antineoplastic agents (cisplatin, etc.) (including the delayed phase)	Approved
PROEMEND for intravenous infusion	Digestive symptoms (nausea, vomiting) resulting from the administration of antineoplastic agents (cisplatin, etc.) (including the delayed phase)	Approved
ORENCIA for intravenous infusion	Active polyarticular juvenile idiopathic arthritis	Approved
DEMSER Capsules	Improvement of status of catecholamine excess secretion in patients with pheochromocytoma	Approved
ONOACT for intravenous infusion	Tachyarrhythmia in low cardiac function	Under Development
OPDIVO intravenous infusion	Relapsed or refractory classical Hodgkin's lymphoma	Under Development

industry-academia cooperation. Together with Keio University, Kochi University, the National Institute of Biomedical Innovation, Health and Nutrition, Mitsubishi Tanabe Pharma Corporation, and Daiichi Sankyo Co., Ltd., we established the Immune-mediated Inflammatory Diseases Consortium for Drug Development for the purpose of drug development research targeting intractable immuno inflammatory diseases in May 2018. It is expected that the achievements of this consortium will lead to the creation of next-generation pharmaceuticals with high utility against intractable immunoinflammatory diseases and also enable the provision of new treatment options for patients and healthcare professionals.

Participation in the Global Health Innovative Technology Fund

We became a member company of the Global Health Innovative Technology Fund (GHIT Fund) in 2018. The GHIT Fund is an international, non-profit organization that invests in the development of new drugs against various diseases such as malaria and tuberculosis, other less marketable drugs against neglected tropical diseases and other minor diseases, vaccines, and diagnostic agents, and is funded by the Japanese government, the Bill & Melinda Gates Foundation, the Welcome Trust, and private enterprises in Japan and overseas. In order to reduce the health disparities between developed countries and low- and middle-income countries, the therapeutic agents, vaccines, and diagnostic agents developed through the GHIT Fund's investments are priced according to the "No Gain, No Loss" principle. We understand the efforts and policy, and we contribute to the funding of the GHIT Fund. Through participation in the GHIT Fund, we will strengthen the establishment of partnerships aiming to improve access to healthcare in low- and middle-income countries.

ONO SWITCH Project

As an effort made to promote both medical system support and work style reform, we started ONO SWITCH Project in August 2018. This is an effort to make donations to NPOs/NGOs related to medical care using the money saved through the reduction of overtime work through the promotion of work style reform, aiming to further promote the embodiment of the corporate philosophy "Dedicated to the Fight against Disease and Pain" by contributing to the promotion of working style reform and healthcare and people's health around the world.

The project was named SWITCH by abbreviating **S**ave the **W**orld by our work style **I**mprovemen**T** and **CH**ange (meaning saving the world through improvement and reform of our ways of working). The project name also expresses switching work methods to new ones, switching the funds obtained through working style reform to donation, and switching to the process of reexamining how to work.

In this project, we will work on improving access to healthcare products and improving medical infrastructure through partnerships with outside parties.

Students training to become healthcare professionals (Cambodia)

▶Recipients of ONO SWITCH Project (FY2020)

Partner (Regions with ONO-sponsored initiatives)	Description of efforts made
Japan Committee, Vaccines for the World's Children (Bhutan)	(1) To provide DPT (diphtheria/pertussis/tetanus) vaccines for 53,500 people, hepatitis B vaccines for 9,000 people and TD (tetanus/diphtheria) vaccines for 69,482 people (2) To provide 5 coolers for vaccines
Japan Heart (Cambodia)	(1) Purchase of equipment for the early detection of neonatal jaundice and phototherapeutic devices for jaundice (2) Support for students who aim to become healthcare professionals (3) Environmental sanitation upgrades at Japan Heart Children's Medical Center (improvement of the sanitary environment during the rainy season)
People's Hope Japan (Myanmar)	(1) Monitoring of skills among midwives and assistant midwives (second) (2) Training after graduation of midwives and refreshment training of assistant midwives *May involve a shift to emergency support depending on how the situation in Myanmar changes from February 2021 onwards.

Details of ONO SWITCH Project are introduced on ONO's sustainability website.

https://sustainability.ono-pharma.com/en/themes/102#929

Stable Supply and Reliability Assurance of Pharmaceutical Products

Initiatives for Ensuring Drug Quality and Stable Supply

In order to ensure a stable supply of high-quality products as a health and life science business, ONO manufacturers all drugs under an appropriate quality assurance system both in our plants and in outsourced plants. At our plants, we established a quality assurance system complying with global regulations, such as GMP (Good Manufacturing Practice; standards for manufacturing and quality control system) in each country and PIC/S GMP, etc. When outsourcing, we confirm that appropriate manufacturing control and quality control are implemented by conducting periodic quality audits. We strive to provide a stable supply of high-quality products through multiple measures, e.g. training for all employees engaging in production and quality assurance, enhancing the quality system based on ICH Q10 Pharmaceutical Quality System, and the development of risk management systems at manufacturing sites.

Furthermore, from the perspective of business continuity, we have two manufacturing sites in Shizuoka (Fujiyama Plant) and Yamaguchi (Yamaguchi Plant) isolated geographically and thereby the risks from large-scale disasters are reduced.

Quality System and Training System

https://www.ono-pharma.com/company/business_activities/manufacturing.html

Drug Reliability Assurance Activities

In terms of safety management, ONO establishes a risk management plan for each drug, gathers and manages safety (adverse reaction) information. We evaluate the details of gathered information and take safety measures, such as the revision of "Precautions for Use" in package insert and provision of information related to the proper use of drugs, etc. as necessary. After the launch of the anticancer drug OPDIVO, safety information in and outside Japan increased drastically. We strive to use it properly by evaluating it based on the opinions of an external expert committee on proper use and other medical experts and then disseminate it through various information delivery materials, academic societies, medical journals, etc.

Concerning quality assurance of our pharmaceutical products, we establish a quality system and improve it continuously from the standpoints of patients, caregivers and healthcare professionals as well as complying with the regulatory requirements for marketing authorization holders.

We establish global safety management and quality assurance systems and perform our safety and quality activities by ONO group worldwide.

Basic Policy for Procurement Activities

Supply chain management has become more important for engaging in business activities due to changes to social structure and technical innovation. ONO maintains and enhances our current robust network of procurement and supply for the quality and stable supply of our pharmaceutical products.

In addition, for a sustainable society, we establish a CSR management system and strengthen initiatives related to CSR activities, e.g. human rights, labor environment and the natural environment, together with business partners in the supply chain.

We therefore established the Basic Policy for Procurement Activities that serves as the basis for all employees involved in procurement activities and Guidelines for CSR in Procurement that compile matters for which supplier cooperation is required. We address increasing the corporate value of ONO and suppliers through CSR procurement.

Basic Policy for Procurement Activities and CSR Procurement Guideline

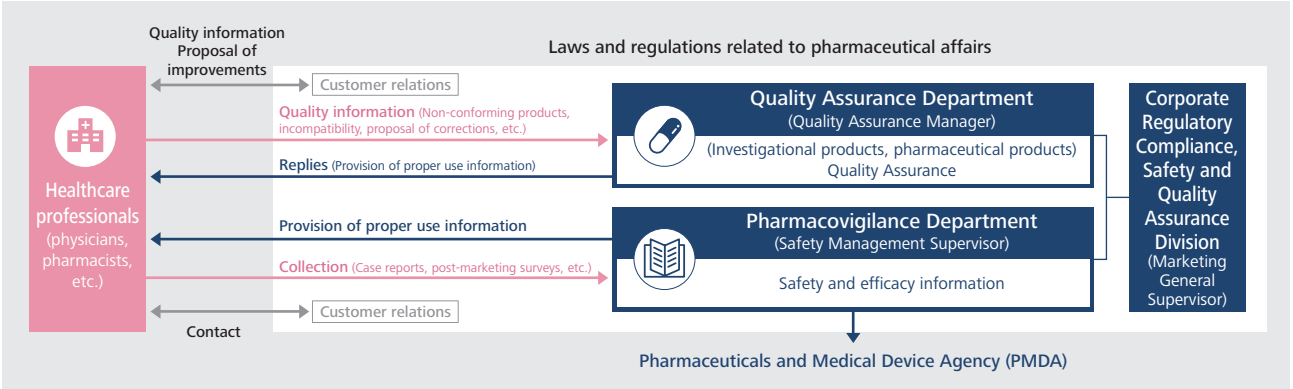
https://www.ono-pharma.com/company/policies/procurement.html

Initiatives for Procurement

In order to identify the CSR status of the suppliers in the supply chain objectively and continuously, the CSR evaluation system of EcoVadis (hereinafter, "EcoVadis") is used. By using EcoVadis, highly-reliable information concerning the CSR management of suppliers can be obtained annually or more frequently and appropriate corrective actions can be proposed. We are holding explanatory meetings for the suppliers to understand our CSR policy and activities in procurement. According to the evaluation in FY2020, there were no suppliers that fell under high CSR risk, following on from FY2019. In FY2020, we provided some suppliers that were evaluated by EcoVadis with the opportunity to meet to review the situations of the CSR management system, its activities, and corrective action plans. Through these activities, we will enhance our partnership with suppliers more than ever.

We consider social contribution activities such as these for sustainable development and engage in various activities under ONO's Global

▶Safety Information Gathering and Management System



Social Contribution Activities

Policy for Social Contribution Activities. In addition, in consideration of the relationship between current and future business activities and our business resources, we determine priority fields to focus on and then promote activities.

ONO's Global Policy for Social Contribution Activities

https://sustainability.ono-pharma.com/en/themes/109#963

Efforts for Advancement of Medicine and Pharmacy

We are making efforts to meet unmet medical needs and contribute to advancement of medicine and pharmacy. In 1988, the ONO Medical Research Foundation was established with donations from ONO. The Foundation provides grants for research activities in the field of lipid metabolism disorders and also aims to promote research and treatment in that field through various projects and thereby contribute to the health and welfare of the public. The Foundation has provided research grants and research promotion grants every year since its establishment and gave the Osamu Hayaishi Memorial Award to one researcher, research grants to 12 researchers, and research promotion grants (for researchers under 40 years old) to 16 researchers, respectively, in FY2020.

In addition, we have supported the Japanese Biochemical Society's Osamu Hayaishi Memorial Scholarship for Study Abroad, which assists researchers who are willing to research biochemistry-related life sciences in general by studying abroad from FY2017, and support for 8 researchers was determined in January 2021 as scholarship winners in FY2021. Furthermore, through the Ono Pharma Foundation's research grants to overseas researchers, we contribute to promoting research and the foundation of innovation.

Efforts for Supporting Patients and Their Families

We conduct the following activities to support to the health of a wide range of people, such as patients and the families of patients.

Transmitting Information through the Website

Contents and application provided	Activities
For Patients and Families	Operating a website explaining specific symptoms of familiar diseases and treatment and everyday practices for health
ONO ONCOLOGY (Information for the general public and patients)	Operating a website in cooperation with supervising physicians where visitors can learn about diseases and treatments in oncology as well as the concept of cancer immunity. (In FY2020, newly added "Cancer and Novel Coronavirus: Precautions against the spread of infection" for the purpose of supporting treatment and the lives of patients with cancer during the COVID-19 catastrophe.)
Dementia Treatment Connected by Smiles and Heart	Operating a website that considers dementia for people involved in dementia treatment and nursing care
Grandma's World	Releasing a short movie to increase dementia awareness
Application for patients with lifestyle diseases	Providing free smartphone applications aimed at supporting patients with lifestyle diseases

Efforts for Supporting People's Health

- Cooperation in holding seminars for citizens on diseases
- Participation in Relay for Life (since FY2014)
  Participating in activities to support patients with cancer and their families, to deal with cancer throughout an entire community and overcome cancer (Participated in Self Walk Relay in FY2020)
- Supporting member of Solaputi Kids' Camp (since FY2014)
  ONO supports this camp with medical care where children with serious life threatening illnesses can pursue their dreams.

Efforts towards Education for Children's Health

We are proactively engaging in activities to support the development of children, who will be responsible for the future.

Implementation of "Healthy Body Campaign" (since FY2014)	A reconstruction assistance activity from the Great East Japan Earthquake to contribute to reducing one of the social issues in affected areas, childhood obesity, by cooperating with top athletes and medical specialists on lifestyle-related illnesses: Activities have been postponed since FY2019 due to the impact of the novel coronavirus.
Classes focusing on dementia by visiting schools (since FY2014)	Classes for junior- and senior-high school students with medical specialists as lecturers while visiting schools to consider dementia as a familiar disease and to acquire correct knowledge: In FY2020, activities were suspended due to the impact of the novel coronavirus.
"Kusuri no Himitsu Manabu (Learning the secrets of Pharmaceuticals!)" (Classes while visiting schools) (Minase Research Institute: Since FY2015; Joto Pharmaceutical Product Development Center: Since FY2019)	Classes for 6th grade elementary school students near these facilities with the aim of increasing interest in science with ONO's researchers as lecturers while visiting their schools: In FY2020, this activity was conducted only by Joto Pharmaceutical Product Development Center due to the impact of the novel coronavirus.
Donation of toothbrushes (Minase Research Institute: Since FY2014; Joto Pharmaceutical Product Development Center: Since FY2018)	ONO donates toothbrush sets and toothbrushes to children in elementary schools, kindergartens, and nursery schools near these facilities for Tooth and Mouth Health Week, from June 4 to 10.
Sponsoring the performance Kokoro no Gekijo (Theatre of the Heart), hosted by the Shiki Theatre Company / Butai Geijutsu (Performing Arts) Center (since FY2017)	Activities to invite children to the theater with the aim of sharing the importance of life and consideration of other people with children through performing arts: In FY2020, these activities were suspended due to the impact of the novel coronavirus.
Sponsoring "Kodomo Hon no Mori Nakanoshima (The Nakanoshima Children's Book Forest)" (since FY2017)	Activities aimed at encouraging children to develop rich creativity through books and artistic culture.

"Learning the secrets of Pharmaceuticals!" (Classes while visiting schools)
* It was conducted by taking thorough careful measures against the novel coronavirus.

More details on social contribution activities are available on our sustainability website.

https://sustainability.ono-pharma.com/en/themes/109

GOVERNANCE

Feature 03 | Towards Greater Diversity

Interview with ONO's Directors

A Global Company Capable of Achieving Sustainable Growth
The indispensable role of outside perspectives incorporating social norms and diverse values

As we move towards becoming a fully globalized company capable of realizing sustainable growth, we are working to strengthen our governance. "Greater diversity among the Board of Directors" is one issue in particular that is essential for realizing more sophisticated governance.
Akiko Okuno, an Outside Director who in 2020 became ONO PHARMACEUTICAL's first-ever female director, and President Sagara discussed the current and future issues facing the Board of Directors while also reflecting on its effectiveness.

President, Representative Director, and CEO
Gyo Sagara

Perspectives on the Board of Directors after one year's tenure

Okuno: More than a year has passed since I assumed the position of Outside Director. I began my tenure with some trepidation because I assumed that the Board of Directors' meeting would be a very important event in a company with such a long history as ONO, but I was relieved to find that the atmosphere was surprisingly amicable and conducive to discussion. This is my first appointment as an Outside Director to a company in the pharmaceutical industry, and there were plenty of things I wanted to see and ask about. However, many things did not turn out as I planned due to the COVID-19 pandemic, which was slightly disappointing. In the future I would like to be more proactive in gathering information in order to gain a better perspective on how ONO PHARMACEUTICAL should be in the global pharmaceutical industry as a whole.

Sagara: I initially thought it would take some time for you to understand the intrinsic characteristics of the industry. So, we are very grateful for their willingness to immediately participate in the discussions, such as initially remarking on the aspects that they understood and also candidly seeking clarification of any uncertain points.

Okuno: All of the Outside Directors have expressed their opinions candidly so I have found it easy to work with them. We asked the internal members of the Board of Directors ("Internal Directors") to explain some of the peculiarities of the industry, and they presented thorough lectures. The Internal Directors have also provided support by organizing and distributing various media articles on the pharmaceutical industry to the Outside Directors on a monthly basis, which has been very helpful. On the other hand, I felt that it would have been better if a study session had been organized for the Outside Directors to give them the necessary training prior to their appointment. I have mentioned this to the relevant department.

Sagara: We are currently developing a thorough curriculum and are preparing to make it available to the next newly-appointed Outside Director.

Okuno: I felt that in terms of the content of the Board meetings, the meeting agenda is biased towards matters related to business performance, development status and licensing so I think it would be better to discuss a broader range of long-term topics.

Sagara: That is something that we also felt very strongly. In the past, we have invited top business executives from various companies to join the Board of Directors as Outside Directors. Now, the Board of Directors has become a more active forum for comments thanks to the addition of Okuno-san, who specializes in business administration, particularly diversity and gender. The Outside Directors provide us with opinions from a completely new perspective. As you mentioned, we would like to discuss the mid-term management plan and the path that the company should take, and we would also prefer to have more in-depth discussions on overseas development and sales with an eye on our future strategy of becoming a global company. On the other hand, there are also many core issues that need to be discussed so we are considering extending the length of the meeting.

Okuno: As you mentioned, efforts are underway to diversify the Outside Directors but what are your thoughts on the Internal Directors?

Sagara: I think that a more drastic increase in diversity is necessary. The Board has previously considered the need for greater diversity of its directors in terms of departmental and divisional representation, such as the R&D Division, Sales Management Division and members of ONO's founding family. We have made some inroads in reducing the number of Internal Directors. However, going forward we will also consider the need for greater diversity in terms of global personnel, including foreign nationals, women and career hires, in addition to diversifying departmental and divisional representation.

Okuno: When it comes to diversity, there is a greater tendency to focus on gender, nationality and career hires, but in the case of ONO PHARMACEUTICAL, there is also the issue of departmental and divisional diversity. This is actually something that I am also keenly aware of, and I have the impression that only the direct departments are working hard whereas the back-office divisions are lacking in strength. In the future, as the company upscales to the next level, it will be essential to strengthen these back-office divisions.

Sagara: Yes, you're right. I personally recognize that we are in a transition period and that strengthening the back-office divisions will be an ongoing issue. I really appreciate that you have managed to discern all that in just one year.

What roles are expected of Outside Directors and how can they be expanded?

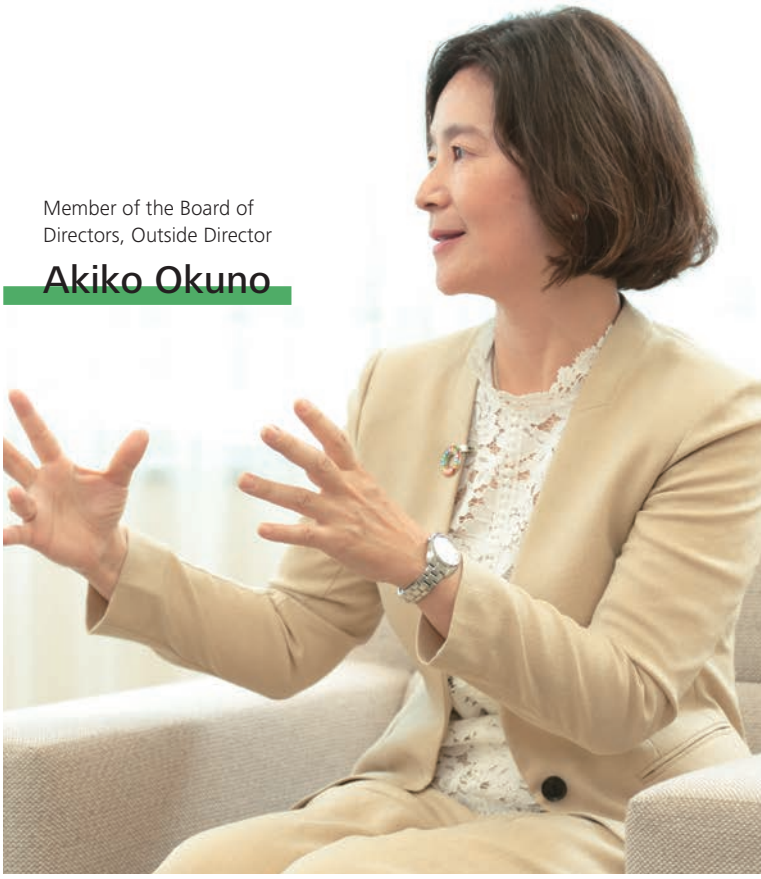
Okuno: I feel that the first step for an Outside Director is to carefully examine things from an outsider's perspective and to express their opinions candidly.

Sagara: Even within such a reputedly insular industry as this, I think that ONO PHARMACEUTICAL is a company that is particularly conservative so we need to remedy this in order to expand globally over the next 5 to 10 years. That's why I have been asking our career hires with outside experience to take charge in remedying the company's complacency, but it has been a struggle due to the difficulty in conveying this message convincingly. And that's why I have such high expectations for the Outside Directors and their outsider's perspective based on social norms. I hope to hear suggestions and advice such as "That's not right" or "This is what we should be doing instead."

Okuno: I myself cannot afford to be unconcerned about the executive decisions that precede these suggestions and advice. For example, when it comes to promoting the workforce participation of women, I wonder if there is anything I can do as an Outside Director to help realize specific goals, such as raising the percentage of women in managerial positions. Within the limitations of my role as an Outside Director, which is to provide advice and not to make executive decisions, I occasionally perceive the dilemma arising from my inability to take executive decisions, and wonder how I can help the company to move in the direction it is aiming for. I will seriously consider how I can contribute during my tenure.

Member of the Board of Directors, Outside Director

Akiko Okuno



Sagara: I genuinely appreciate how passionate you are about this. In addition to the Board of Directors meetings, you are also attending the Executive Appointment Meeting and the Executive Compensation Review Meeting in order to ensure their independence and objectivity in decisions such as the nomination and compensation of executives. The Chairmanship of the Executive Compensation Review Meeting should also be entrusted to an Outside Director, a goal which we believe is feasible and thus one towards which we are now working. The Chairperson of the Executive Appointment Meeting must be familiar with the company's human resources, but I think that 3 or 4 years of experience as an Outside Director would prove sufficient to fulfill this criteria so I would like to eventually delegate this function to an Outside Director also. Beyond that, it is also conceivable that the Chairperson of the Board of Directors and the general meeting of shareholders would be an Outside Director. I think this could occur if the opportunity arises within the context of industry trends. I recognize that these roles each require an outsider's perspective and would therefore be suitable for an Outside Director.

Okuno: I also participated in the Executive Appointment Meeting and the Executive Compensation Meeting, and both of these were slightly more rigid than the Board of Directors meetings. Although the Compensation Meeting is inherently short-sighted given its objective is to consider remuneration, perhaps the Appointment Meeting should adopt more of a long-term perspective. In any case, the Outside Director's role should be to provide a checking function from the shareholders' perspective. Personally speaking, my greatest concern is for the human resources and human capital who form the foundation of this company so my perspective may tend to be internally-oriented. In the future, I hope to build a relationship of trust with the company personnel, and to leverage their opinions and advice in order to realize concrete actions. During the past year, the COVID-19 pandemic has made it difficult to interact directly within the company but if this situation changes, I should be able to take a more hands-on approach in proactively expanding the role of Outside Directors.

Promoting participation by women is the first step towards greater diversity

Sagara: I have high expectations with regard to this issue. In order for our company to do well in the face of a shrinking workforce, we need to become a company that everyone—including women, the elderly, young people, foreign nationals, and people with disabilities—finds congenial and enjoyable to work for. One of the key points in the revision of the Corporate Governance Code is to "ensure diversity in the core human resources of a company," and ensuring diversity in HR is one of the most pressing issues for our company. Within this context, I think that the first step is to thoroughly engage in promoting the workplace participation of women based on Okuno-san's expert advice. Promoting the participation of women is symbolic in advocating for greater diversity so unless this goal can be achieved, it will be difficult to realize diversity in any shape or form. I am determined to keep this in mind and to develop comprehensive initiatives.

Okuno: You have been working on this issue for some time now, and there have been significant enhancements in the company's support for balancing work and childbirth/childcare.

Sagara: Since 2015, we have established a number of systems including subsidies for daycare centers and babysitters, flextime working hours, the use of sales vehicles for transportation to and from daycare centers, protected maternity leave, acceptance of employee requests for transfer due to spouse transfers, leave to encourage participation in childcare, and childcare assistance for sick children. We are considering expanding these systems in the future.

Okuno: We have made steady progress in developing and promoting the use of leave systems, as evidenced by the 100% uptake of

childcare leave among ONO's female employees. Meanwhile, further progress has been made in promoting participation of women. The challenge now is to find ways to increase the skills and capabilities of employees to maintain job progress despite taking time off for childcare or nursing care. I would like to see each and every one of the employees undergo comprehensive development based on appropriate processes, such as receiving training that leads to the acquisition of skills, assignment of roles and positions, and fostering of skills through both advice and support. This will result in a higher percentage of female employees in managerial positions, which is the way it should be. The method of fostering personnel through selection, which requires a degree of self-development, is commonly used and is also effective for women.

Sagara: Both men and women should be given more opportunities to build up their experience. We should provide opportunities while also considering the differences in their workplace environment. If we can do this, we will succeed in attracting self-motivated personnel.

Okuno: If that occurs, there is a major difference between men and women that we mustn't forget. In the case of men, most managerial positions are already filled by men so it's often a matter of "me too," whereas in the case of women, very few occupy managerial positions so it may be a matter of "only me." This disparity has the effect of placing attention and pressure on the woman so it is essential that she receives strong support. In the case of men, the pressure instead derives from not attaining a managerial position, so the impetus is completely reversed.

Sagara: So you're saying that, unlike men, women will need strong support. It might be difficult to get the support mix right so as not to unduly penalize or favor one gender over the other.

Okuno: An effective way to start would be to provide comprehensive support for female managers and increase their numbers so as to create more role models. There are a plenty of women in the company who are ready to take the plunge.

Sagara: Yes, I would really appreciate your help in encouraging these employees to take that step.

Becoming a company where employees can pursue their dreams

Okuno: I feel that ONO PHARMACEUTICAL still possesses some of the typical aspects of a conventional Japanese company due to its ingrained traditions spanning 300 years. Frankly speaking, I think that the company is still lacking in a culture that is conducive to diversity.

Sagara: Certainly, given our history of business operations within Japan we are lacking in diversity, especially from a country-based perspective. However, I believe that this could change dramatically in the future through our vendor activities in the US and EU. I realize that we are lagging behind in all aspects of diversity so I hope to do all that is possible with your help, Okuno-san. I would also like to see ONO become a company esteemed by many as a place where they choose to experience a part of their life and pursue various challenges. In the future, I want ONO to become a company where we can all pursue our dreams together, rather than one that is merely capable of efficiently generating profits but where each of our lives are separate.

Okuno: I have previously made suggestions whenever I had concerns, such as the hiring process. However, the past year seems to have been one in which we were still finding our way so I feel that perhaps our efforts have not been adequate. Now that I've finally begun to see things more clearly, I'd like to send a strong message that in our second year, and that we can make a meaningful contribution to the transformation that the President is aiming for. One proposal that I have in mind is the creation of a Diversity Promotion Office. Establishing a robust organization will likely facilitate our efforts to increase diversity rather than simply focusing on women.

Sagara: I expect that change will come quickly once the foundations have been laid for diversification as well as globalization.

Corporate Governance

Corporate Governance Structure

As part of our endeavors to strengthen corporate governance, ONO has adopted an organizational framework with the Audit & Supervisory Board Members (or the Audit & Supervisory Board) whose task is to focus on enhancing the functions of the Board of Directors and the Audit & Supervisory Board. ONO has established the Executive Appointment Meeting and Executive Compensation Meeting, both of which are comprised of a majority of Outside Directors in order to ensure independence and objectivity with regard to decisions of the appointment and compensation of the Executive Members.
Regarding business execution, we have adopted a corporate officer system to improve management efficiency and speed up decision-making. On the other hand, depending on the importance and contents of the management issues, important matters related to business execution are deliberated and determined by the Management Meeting and other meetings chaired by the responsible Members of the Board of Directors or Corporate Officers. Thus, we strive to achieve optimal business operations by ensuring effective working of mutually supervisory functions.

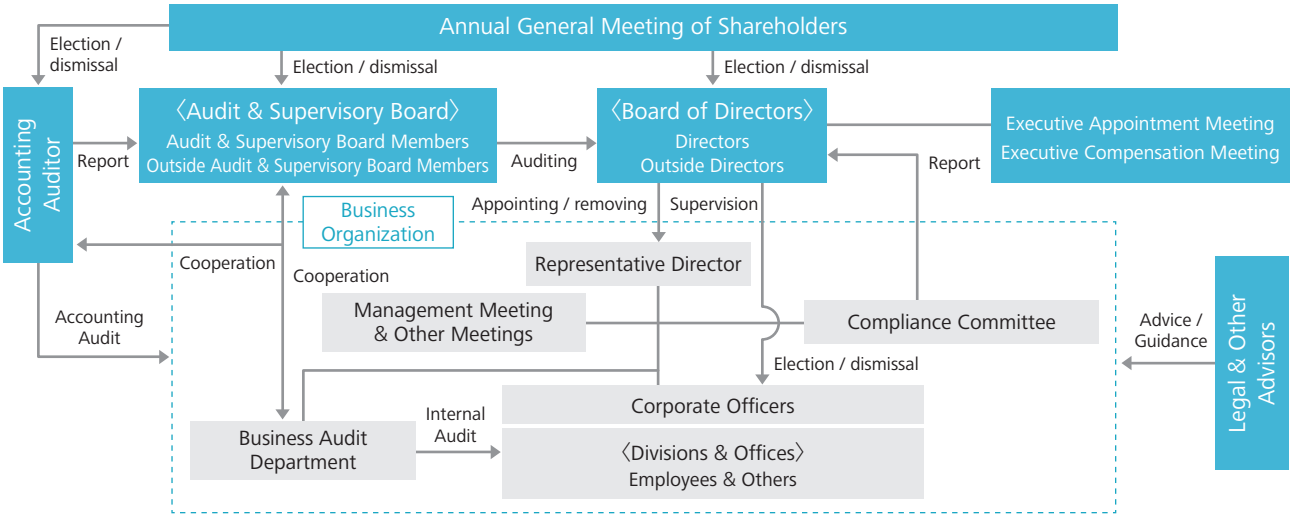
Corporate Governance Code

ONO has been following all principles indicated in the Corporate Governance Code stipulated by the Tokyo Stock Exchange. In consideration of the intent of the Corporate Governance Code, we are committed to improving the efficiency, soundness and transparency, etc. of the management, and improving our system to be more suitable for our business operations, through the evaluation of effectiveness at the annual meeting of the Board of Directors.

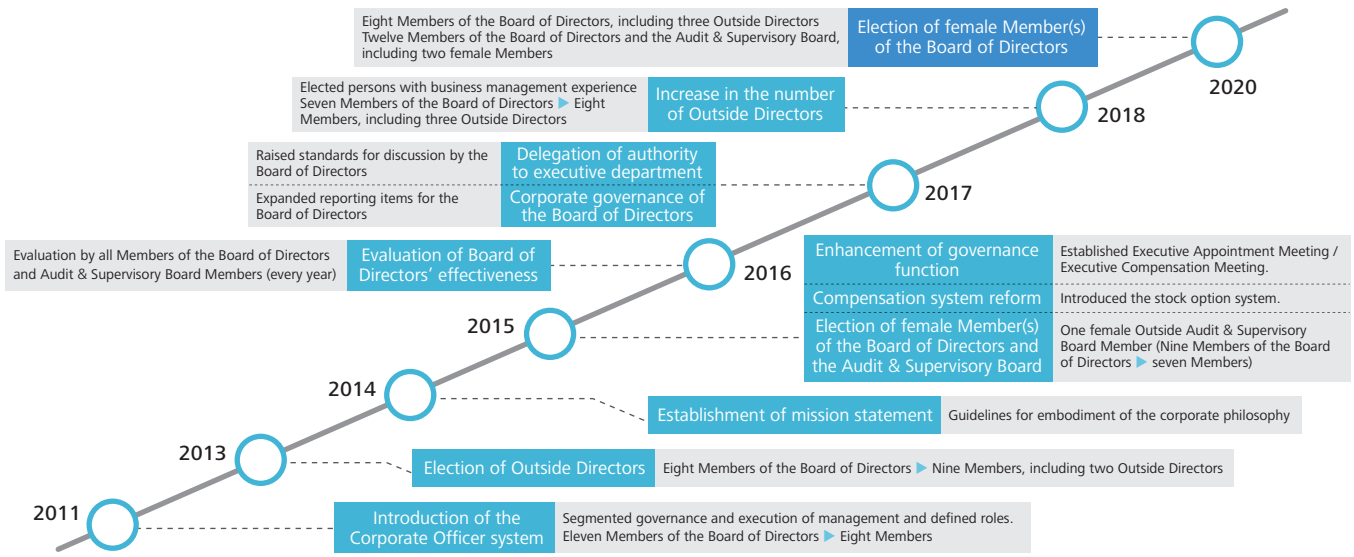
For more details about our company's corporate governance, please refer to the following Corporate Governance Report.

https://www.ono-pharma.com/sites/default/files/en/ir/corporate_governance_report_en.pdf

Corporate Governance Structure



Activities for Enhancing Corporate Governance



Board of Directors

We work to ensure an appropriate total number and composition of the Board of Directors, with focus on an expedited and accurate decision-making process while enhancing management transparency and supervisory functions.
We nominate candidates for Member of the Board of Directors by taking into consideration the balance of their knowledge, experience, and capability, as well as diversity, so that the Board of Directors as a whole can make technical and comprehensive management decisions. In addition, we nominate candidates for Outside Directors from those who have high levels of expertise in corporate management on the premise that they satisfy the standards for Independent Directors set out by the Tokyo Stock Exchange, with a basic policy of at least one-third of Members of the Board of Directors being Outside Members (currently, three of eight Members of the Board Directors are Outside Directors). The term of office for Members of the Board of Directors is set at one year to maintain clarity of the responsibilities of management and to ensure we can respond quickly to changes in the business environment.
A meeting of the Board of Directors is held once every month in principle, with the attendance of Members of the Board of Directors and Audit & Supervisory Board Members, to decide on important management issues and to supervise the status of the execution of duties by Members of the Board of Directors. In order for Members of the Board of Directors and Audit & Supervisory Board Members to appropriately fulfill their roles and responsibilities, the attendance rate at the meeting of the Board of Directors is, in principle, set at 75% or more. Taking into account the time required to be devoted to duties as a Member of the Board of Directors or Audit & Supervisory Board Member, we set a limit on the number of companies its Members of the Board of Directors and Audit & Supervisory Board Members are allowed to concurrently serve as officers or in other capacities (appointment as officers of listed companies, etc.) at up to, in principle, four companies not including us.

Audit & Supervisory Board

From the perspective of strengthening audit functions, the Audit & Supervisory Board is composed of two independent Outside Audit & Supervisory Board Members along with two Full-time Audit & Supervisory Board Members who have expert knowledge on our business operations and who are highly skilled in collecting auditing information. These Outside and Full-time Audit & Supervisory Board Members work together to achieve high auditing efficiency.
A meeting of the Audit & Supervisory Board is held regularly. Audit & Supervisory Board Members strive to enhance the management supervision function by enhancing the efficiency through cooperation with the Internal Audit Department (Business Audit Department) and audit effectiveness through cooperation with the Accounting Auditor.

Executive Appointment Meeting

The Executive Appointment Meeting is composed of the President, Representative Director, and Chief Executive Officer, who is the Chairperson, one internal Member of the Board of Directors, and three Outside Directors. All members attend the Executive Appointment Meeting to ensure the transparency and objectivity of the appointment of candidates for Members of Board of Directors, Audit & Supervisory Board Members, and senior management, and to discuss the policies for the succession planning to the chief executive officer (President, CEO) and senior management, and those of our corporate governance. Executive appointments to be submitted to the Board of Directors are discussed at the Executive Appointment Meeting, and submitted and approved by the Board of Directors.

Executive Compensation Meeting

The Executive Compensation Meeting is composed of the President, Representative Director, and Chief Executive Officer, who is the Chairperson, and three Outside Directors. All members attend Executive Compensation Meetings to ensure the transparency and objectivity of, and deliberate on the amounts of compensation for each Member of the Board of Directors and the calculation methods thereof, and the reasonability and future form of the executive remuneration compensation system, etc. Compensation, etc. of Members of the Board of Directors is discussed at the Executive Compensation Meeting, and submitted and approved by the Board of Directors.

Attendance Status at the Meetings of the Board of Directors / the Audit & Supervisory Board (for one year from June 18, 2020*1)

	Name	Board of Directors	Audit & Supervisory Board	Executive Appointment Meeting	Executive Compensation Meeting
Member of the Board of Director	Gyo Sagara	◎100%	—	◎100%	◎100%
	Hiroshi Awata*2	100%	—	—	—
	Isao Ono	100%	—	—	—
	Toshihiro Tsujinaka	100%	—	100%	—
	Toichi Takino	100%	—	—	—
Outside Director	Jun Kurihara*2	100%	—	100%	100%
	Masao Nomura	100%	—	100%	100%
	Akiko Okuno	92.3%	—	100%	100%
Audit & Supervisory Board Member	Katsuyoshi Nishimura	100%	◎100%	—	—
	Shinji Fujiyoshi*2	100%	100%	—	—
Outside Audit & Supervisory Board Member	Yasuo Hishiyama	100%	100%	—	—
	Akiko Tanabe	100%	100%	—	—

◎: Chairperson *1 At the end of the 72nd Annual General Meeting of Shareholders *2 Retired as of the end of the 73rd Annual General Meeting of Shareholders (June 17, 2021).
[Number of meetings held since appointment]
Board of Directors meetings: 13 times, Audit & Supervisory Board meetings: 18 times, Executive Appointment Meetings: 2 times, and Executive Compensation Meetings: 2 times

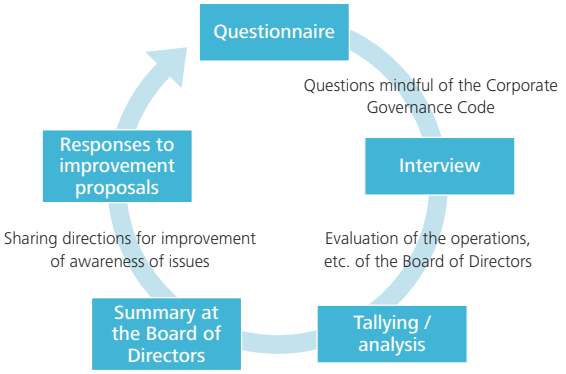
GOVERNANCE

Evaluation of the Effectiveness of the Board of Directors

ONO conducts self-evaluations on the composition, operation and other matters of the Board of Directors once a year with the aim of improving the effectiveness of the Board of Directors as a whole. Results of analysis and evaluation of the effectiveness of the Board of Directors as a whole conducted in FY2020 are summarized as follows:

1 Method of Evaluation

ONO conducted a questionnaire survey of all Members of the Board of Directors and all Audit & Supervisory Board Members requiring respondents to provide their names in the answer sheets, as well as one-on-one interviews with them, after explaining the purpose of the evaluation of the effectiveness at a meeting of the Board of Directors. Based on the answers and opinions gained from the survey and interviews, the Board of Directors conducted analysis and self-assessments of its effectiveness and discussed challenges to tackling issues as well.



Major contents of the questionnaire and interviews

- Size and composition of the Board of Directors
- Operation of the Board of Directors
- Roles and responsibilities of the Board of Directors

2 Summary of Results of Analysis and Evaluation

- The Board of Directors makes important management decisions in an expeditious and appropriate manner, and a system that allows appropriate supervision of business execution is ensured.
- Measures have been taken on an ongoing basis to improve the operation of the Board of Directors, including a review of matters for deliberation at the Board of Directors in light of the management environment and the situation of the Company.
- Members of the Board of Directors and Audit & Supervisory Board Members, including Outside Directors and Outside Audit & Supervisory Board Members, are freely expressing their opinions from their own perspectives, based on the common understanding of the corporate philosophy and the management issues of the Company.

Based on the results above, ONO concluded that the effectiveness of the Board of Directors of the Company has been ensured.

3 Initiatives towards the Improvement of the Effectiveness

Amid the drastically changing environment surrounding the Company, the Board of Directors of the Company will further improve its effectiveness by enhancing discussions on the direction of management from a medium- and long-term perspective.

Improvement Status Based on Evaluation of the Effectiveness of the Board of Directors

Major improvements in FY2020	
Composition of the Board of Directors	Election of female Member(s) of the Board of Directors (researchers in women's labor and personnel appraisal system, etc.)
Corporate governance of the Board of Directors	Enhancement of discussions of middle- and long-term business management
Sharing the viewpoints of investors, etc.	Reporting progress of IR activities, sharing analyst reports, conversations with investors and Outside Directors

Outside Directors and Outside Audit & Supervisory Board Members

Outside officers provide useful advice and suggestions for our business management based on their abundant experience and profound knowledge.

From an independent and objective standpoint, the Outside Directors oversee our business operations and take part in our decision-making process. They are involved in the process of making important decisions such as nomination of officers and executive compensation, help to ensure transparency and objectivity, and enhance the functions of the Board of Directors by serving as members of the Executive Appointment Meeting and the Executive Compensation Meeting.

As experts in law and corporate accounting, the Outside Audit & Supervisory Board Members carry out the audits from an independent and objective standpoint to ensure that our management remains sound.

There are no special interest relationships between outside officers and ONO such as personal relationships, capital relationships, or business relationships, based on which we believe there is no risk of conflict of interest with general shareholders.

Cooperation between Outside Directors and Audit & Supervisory Board Members (or Audit & Supervisory Board)

Since FY2015, we have held Cooperation Meetings between Outside Directors and Audit & Supervisory Board Members (or Audit & Supervisory Board) (annually) hosted by Audit & Supervisory Board Members (or Audit & Supervisory Board) for which one of the purposes is to facilitate mutual cooperation between Outside Directors and Audit & Supervisory Board Members who monitor business management as non-executive officers.

In this meeting, full-time Audit & Supervisory Board Members who are familiar with the operations of ONO, Outside Audit & Supervisory Board Members who are experts in law and corporate accounting, and Outside Directors who have abundant experience and knowledge come to an understanding of each other's viewpoints and differences in authority and then exchange opinions related to the issues and themes surrounding business management.

Supporting System for Outside Directors and Outside Audit & Supervisory Board Members

<Outside Directors>

The Company supports Outside Directors by providing information to and receiving information from them through the Corporate Governance Office, which serves as the secretariat of the Board of Directors.

<Outside Audit & Supervisory Board Members>

Full-time Audit & Supervisory Board Members mainly provide Outside Audit & Supervisory Board Members with information at meetings of the Audit & Supervisory Board and other occasions in an appropriate manner.

In addition, support for the Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, is provided by a person in charge of supporting the duties of the Audit & Supervisory Board.

Major Fields of Expertise and Experience of Members of the Board of Directors and Audit & Supervisory Board Members

■ Subject persons Members of the Board of Directors and Audit & Supervisory Board Members who are required to attend the Board of Directors' meetings
■ Skill recognition criteria In-house Members of the Board of Directors: Experiences in operations and management positions; Outside Members of the Board of Directors/Audit & Supervisory Board Members: Fields where supervision, auditing, and advice are expected.

	Name	Major fields of expertise and experience							
		Corporate management	Finance/ Accounting	Legal/Risk management	Research and development	Corporate Development & Strategy/Marketing	Human resources/Human capital development	ESG/ Sustainability	Global experience
Members of the Board of Directors	Gyo Sagara	●	●			●		●	
	Toshihiro Tsujinaka		●			●	●		
	Toichi Takino				●	●			●
	Isao Ono					●	●	●	
	Kiyoaki Idemitsu				●	●			●
	Masao Nomura	●	●	●		●	●	●	
	Akiko Okuno						●	●	●
	Shusaku Nagae	●			●	●		●	●
Audit & Supervisory Board Members	Katsuyoshi Nishimura			●		●		●	
	Hironobu Tanisaka			●				●	
	Yasuo Hishiyama			●				●	
	Akiko Tanabe		●					●	

Expected Roles of Outside Directors and Outside Audit & Supervisory Board Members

	Name	Expected roles
Outside Directors	Masao Nomura	Mr. Nomura has abundant experience and advanced knowledge as he has served as a management executive over many years, and he has fulfilled important roles as an Outside Director by providing appropriate supervision of our company management from an independent perspective as well as useful advice and suggestions on overall management. We expect that Mr. Nomura will continue to be involved in our company management as an Outside Director and thereby contribute to increasing our company value in consideration of his experience, knowledge, and work experience as a company management executive.
	Akiko Okuno	Ms. Okuno has extensive academic knowledge as a university professor specializing in business administration. She has fulfilled important roles as an Outside Director by providing appropriate supervision of our company management from an independent standpoint as well as useful advice and suggestions based on her knowledge in her fields of expertise, such as women's labor and personnel appraisal systems, etc. We expect that Ms. Okuno will contribute to increasing our company value in consideration of her expertise cultivated through business science research and the results of her work by being involved in our management as an Outside Director.
	Shusaku Nagae	Mr. Nagae has abundant experience and advanced knowledge as he has served as a management executive over many years. We expect that he will appropriately supervise our management from an independent perspective, provide useful advice and suggestions related to overall management, and thereby strengthen the functions of our Board of Directors. We expect that Mr. Nagae will continue to be involved in our company management as an Outside Director and thereby contribute to increasing our company value.
Outside Audit & Supervisory Board Members	Yasuo Hishiyama	With abundant experience and advanced knowledge of corporate legal affairs as an attorney-at-law, Mr. Hishiyama has fulfilled important roles as an Outside Audit & Supervisory Board Member by providing appropriate supervision of the operations of Members of our Board of Directors from an expert and independent standpoint as well as findings and suggestions if needed. We expect that Mr. Hishiyama will contribute to maintaining and improving sound management and appropriate operation by being involved in the management of our company as an Outside Audit & Supervisory Board Member.
	Akiko Tanabe	With abundant experience and considerable knowledge of accounting as a certified public accountant, Ms. Tanabe has fulfilled important roles as an Outside Audit & Supervisory Board Member by providing appropriate supervision of the operations of Members of our Board of Directors from an expert and independent standpoint as well as findings and suggestions as required. We expect that Ms. Tanabe will contribute to maintaining and improving sound management and appropriate operation by being involved in the management of our company as an Outside Audit & Supervisory Board Member.

Executive Compensation

<Policy for Determining the Amount of Executive Compensation or Calculation Method>

1 Basic Policy

- The compensation, etc. of Members of our Board of Directors encourages the Members to continue pursuing medium- and long-term visions so that they can address achieving sustainable growth as a research and development type pharmaceutical company, share awareness of interests with shareholders, and improve company value. The compensation, etc. makes it possible to increase awareness of Members of the Board of Directors of performance goals and to facilitate their contribution to improving company values.
- Compensation, etc. of Members of the Board of Directors (excluding Outside Directors) consists of Basic Compensation that is a fixed compensation, Performance-based Compensation, etc. that is a short-term incentive, and Stock-based Compensation that is a medium- and long-term incentive. As for Outside Directors and Audit & Supervisory Board Members, they receive Basic Compensation that is a fixed compensation only in consideration of their duties.

2 Basic Compensation

- Basic Compensation is a fixed monthly compensation and is set at an appropriate level in reference to the level of other companies in consideration of business size, duties, and consistency in the treatment of employees.

3 Performance-based Compensation, etc. (Bonus)

- Performance-based Compensation, etc. reflects the degree of achievement of numerical goals of performance for each business year in principle. It is calculated by examining and evaluating the degree of individual contribution to improving company value, changes in the business environment, and other factors, and it is paid as a lump sum as a bonus at the end of the business year.

4 Stock-based Compensation (Stock-based Compensation-type Stock Options)

- Stock-based Compensation provides Members of the Board of Directors with stock-based compensation-type stock options where rights can be exercised as a lump sum after the resignation of a Member of the Board of Directors as an incentive to increase medium- and long-term company value from the same perspective as shareholders. The number of stock options to be provided is calculated based on the degree of contribution to decision making towards future sustainable growth in consideration of performance and stock levels.

5 Compensation Structure Proportion

- Appropriateness of the proportion of the compensation structure for Members of the Board of Directors (excluding Outside Directors) is judged in consideration of our business characteristics, the business management issues of the moment, and the business environment.
- Proportion of Performance-based Compensation, etc. (at the time when the goal is achieved) and non-monetary compensation, etc. of Representative Director / CEO in overall compensation is higher than other Members of the Board of Directors in light of its goal.

6 How to Determine Compensation

- Amount of individual compensation, etc. of Members of the Board of Directors is proposed and determined at the Board of Directors to the extent that approval is obtained at the annual general meeting of shareholders after examination at the Executive Compensation Meeting.
- Amount of compensation of Audit & Supervisory Board Members is determined in discussions with Audit & Supervisory Board Members to the extent that approval is obtained at the annual general meeting of shareholders.

<How to Determine Policy>

Policy determinations related to the content of the individual compensation, etc. of Members of the Board of Directors are determined by a resolution of the Board of Directors. In cases of revising the policy, it is proposed and determined at the Board of Directors after examination at the Executive Compensation Meeting where Outside Directors are in the majority.
Compensation, etc. of Audit & Supervisory Board Members is determined in discussion with Audit & Supervisory Board Members so that it is at an appropriate level in light of the content of company duties, etc.

▶ Details of Executive Compensation

Members of the Board of Directors (excluding Outside Directors)	Basic Compensation (fixed): Approx. 70%*	Incentive Compensation: Approx. 30%*
Outside Directors and Audit & Supervisory Board Members	Basic Compensation (fixed): 100%	

Basic Compensation (fixed)	Incentive Compensation	
	[Short-term incentive] Bonus (Approx. 20%*)	[Medium- and long-term incentive] Stock-based Compensation-type Stock Options (Approx. 10%*)
■ It is set at an appropriate level in reference to the level of other companies in consideration of our business size, duties, and consistency with employee treatment.	■ Sound incentives to achieve sustainable growth. ■ Management indices (sales amount, operating profit, etc.), qualitative indices (linkage with medium-term management issues), external factors, etc. are evaluated comprehensively.	■ Incentive to increase medium- and long-term company value from the perspective of shareholders. ■ Focus on decision-making towards future sustainable growth.

* Appropriateness of proportion is judged based on the business management issues, business environment, etc. of the moment.

▶Total Amount of Executive Compensation* (Result in FY2020)

Executive category	Number of receivers	Fixed compensation	Bonus	Stock options	Total amount to be paid
Members of the Board of Directors (excluding Outside Directors)	7	¥215 million	¥84 million	¥40 million	¥339 million
Outside Directors	4	¥45 million	—	—	¥45 million
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	¥59 million	—	—	¥59 million
Outside Audit & Supervisory Board Members	3	¥24 million	—	—	¥24 million
Total	**16**	**¥343 million**	**¥84 million**	**¥40 million**	**¥467 million**

* Figures include executives who retired due to re-election, etc. [two Members of the Board of Directors (excluding Outside Directors), one Outside Director, and one Outside Audit & Supervisory Board Member].

Policy on Cross-Shareholdings

The Company believes that it is essential to have partner companies with which the Company can maintain a long-term collaborative relationship, in order to discover innovative pharmaceutical products that bring true benefit to patients. The Company, therefore, holds shares that it deemed necessary to hold for strategic purposes, after comprehensively considering the business relationship with the issuers of those shares and the synergies created, in light of a medium- to long-term perspective for increasing corporate value.

When judging whether shareholding will lead to an increase in the corporate value of the Company from the medium- to long-term perspective, the Company reviews the purpose of the shareholding, the benefits and risks from shareholding with respect to each issuer of the cross-held shares at the Board of Directors once a year, and determines whether or not to continue holding those shares after comprehensively considering the business relationship with the issuers and synergies created as the basis for an overall review of its cross-shareholdings. For the shares that the Company decides to reduce holdings as a result of this review, dialogue will be held with the investees to obtain their understanding while implementing the reduction.

As part of the review of cross-shareholdings overall, the Company is currently implementing a plan to reduce its cross-shareholdings as of March 31, 2018 (111 issues, totaling 167.1 billion yen) by approximately 30% in three years from October 2018. Based on this plan, the Company reduced 41 issues by March 31, 2021 (a reduction rate of 36.9%). As a result, the value of its cross-shareholdings posted on the Company's balance sheet totaled 137.0 billion yen (a reduction rate of 18.0%), while their valuation based on market value as of March 31, 2018 amounted to 119.2 billion yen (a reduction rate of 28.7%).

▶Possession Status of Cross-Shareholdings

	As of the end of March 2018	As of the end of March 2021	Reduction rate
Number of issues held	111 issues	70 issues	36.9%
Amount reflected on the balance sheet	¥167.1 billion	¥137.0 billion	18.0%
Based on the market value as of the end of March 2018	¥167.1 billion	¥119.2 billion	28.7%

Internal Control System

ONO has laid out our operational system in compliance with the internal control system set out at the Board of Directors meeting. We also strive to ensure compliance and detect internal control problems at an early stage through auditing by the Internal Auditing Department (Business Audit Department) and we thereby maintain and improve the appropriateness of organizational management. Furthermore, we have established compliance notification and consultation windows inside and outside the company to increase the self-cleansing function of the organization and to reduce reputation risks due to notification outside the company. The development and operation status of the internal control system is reported periodically to the Board of Directors meeting with the aim of constantly improving organizational operation. Concerning antisocial forces or organizations that may threaten social order or security, we communicate our firm stance to fight against them throughout our organization.

Operational Management Structure

For the maintenance and improvement of efficiency and accuracy of our decision making and business operations, we hold Management Meetings and other meetings attended by the President, Members of Board of Directors and corporate officers in charge of each division, and managers of relevant departments. At these meetings, we take a multifaceted approach to addressing important management issues, including those that are to be deliberated on at Board of Directors meetings. We also aim to maintain and improve management efficiency and make quicker decisions by introducing a corporate officer system and promoting transfer of authority.

Audit & Supervisory Board Members are obliged to attend Management Meetings and inspect their minutes, as these meetings are also subject to auditing.

Information Disclosure

As specified in our Codes of Conduct, we strive to establish transparent corporate management and recognize the importance of taking various opportunities to disclose information on our business activities in a timely and appropriate manner. We actively conduct investor relations (IR) activities based on a policy of pursuing accuracy, promptness, fairness, and impartiality.

We disclose financial results and other timely disclosure information on our website and at the same time through TDnet, the timely disclosure network of the Tokyo Stock Exchange. Information that is not subject to the timely disclosure rules is also disclosed swiftly through our website and by other means.

For securities analysts and institutional investors, we actively hold individual meetings and phone conferences in addition to a financial result briefing or a conference call at the time of each quarterly statement. In FY2020, due to the impact of COVID-19, we also used the Internet and held approximately 220 meetings in total. We in normal circumstances participate diligently in company briefings for individual investors sponsored by security firms, etc.; however, face-to-face briefings were difficult due to the impact of COVID-19 and therefore briefings were live-streamed. Under this environment, we continue to deepen investors' understanding of our business activities and business management strategies.

Management (as of June 30, 2021)

Gyo Sagara

President, Representative Director, and Chief Executive Officer

Number of the Company's shares held 55,200

April 1983	Joined the Company
April 2006	Executive Director, General Administration and Senior Director, Corporate Management
June 2006	Member of the Board of Directors
April 2007	Executive Director, Corporate Management
November 2007	Executive Director, Sales and Marketing
December 2007	Managing Member of the Board of Directors
February 2008	Member of the Board of Directors, Vice President
April 2008	Executive Director, Corporate Management
June 2008	Vice President and Representative Director
September 2008	President, Representative Director & CEO (to date)

Toshihiro Tsujinaka

Member of the Board of Directors, Senior Executive Officer
Executive Director, Corporate Strategy & Planning

Number of the Company's shares held 10,200

April 1988	Joined the Company
June 2004	Senior Director, Koshinetsu Branch Sales Division
July 2006	Senior Director, Tokyo Branch 2 Sales Division
November 2007	Senior Director, Sales Operations
August 2008	Senior Director, Marketing Strategy Planning
April 2009	Senior Director, Sales Operations
October 2012	Senior Director, Sendai Branch Sales Division
October 2013	Senior Director, Nagoya Branch Sales Division
October 2015	Senior Director, Oncology Planning & Promotion
April 2016	Division Director, Oncology Business Division
June 2016	Corporate Officer
October 2018	Executive Director, Corporate Strategy & Planning
June 2019	Corporate Executive Officer
October 2019	Executive Director, Corporate Strategy & Planning and Senior Director, Business Design
June 2020	Member of the Board of Directors, Executive Officer
October 2020	Executive Director, Corporate Strategy & Planning (to date)
June 2021	Member of the Board of Directors, Senior Executive Officer (to date)

Toichi Takino

Member of the Board of Directors, Senior Executive Officer
Executive Director, Discovery & Research

Number of the Company's shares held 11,600

April 1995	Joined the Company
April 2006	Senior Director, International Business
April 2008	Senior Director, Business Development
May 2008	Senior Director, Global Business Development & Licensing
July 2009	Vice President, ONO PHARMA USA, INC.
June 2011	Corporate Officer
April 2012	Executive Director, Corporate Development & Strategy
October 2018	Executive Director, Discovery and Research Division
April 2019	Executive Director, Discovery & Research (to date)
June 2019	Corporate Executive Officer
June 2020	Member of the Board of Directors, Executive Officer
June 2021	Member of the Board of Directors, Senior Executive Officer (to date)

Isao Ono

Member of the Board of Directors, Executive Officer
Director, Corporate Research

Number of the Company's shares held 1,510,675

April 1981	Joined the Company
February 1986	Member of the Board of Directors
May 1990	Deputy Executive Director, Production
June 1992	Senior Director, Human Resources Development and Assistant Director of Tokyo Branch Officer
August 1995	Director, CI
September 2005	Director, Environmental Management
June 2011	Member of the Board of Directors, Corporate Officer
April 2014	Director, Corporate Research (to date)
June 2015	Member of the Board of Directors, Executive Officer (to date)

Kiyoaki Idemitsu

Member of the Board of Directors, Executive Officer
Executive Director, Clinical Development

Number of the Company's shares held 4,200

April 1987	Joined the Company
December 2000	President, ONO PHARMA UK LTD.
January 2008	Senior Director, Discovery Research Alliance
January 2010	Senior Director, Global Business Department & Licensing
April 2012	Division Director, Discovery Research Alliance Division
October 2013	Senior Director, Nivolumab Strategic Planning
April 2017	Division Director, Medical Affairs
October 2018	Corporate Officer
October 2018	Executive Director, Clinical Development (to date)
June 2020	Corporate Executive Officer
June 2021	Member of the Board of Directors, Executive Officer (to date)

Masao Nomura

Member of the Board of Directors, Outside Director

Number of the Company's shares held 5,000

March 1972	Joined Iwatani Corporation
June 2007	Director, Executive Officer, Iwatani Corporation
April 2009	Executive Director, Executive Officer, Iwatani Corporation
April 2010	Senior Executive Director, Executive Officer, Iwatani Corporation
June 2012	President, Representative Director, Executive Officer, Iwatani Corporation
April 2017	Director, Senior Adviser to the Board, Executive Officer, Iwatani Corporation
June 2017	Senior Adviser to the Board, Iwatani Corporation (to date)
June 2018	Member of the Board of Directors, Outside Director (to date)
June 2019	Outside Director, Keihanshin Building Co., Ltd. (to date)
June 2020	Outside Director, NEW COSMOS ELECTRIC CO., LTD.

[Status or important concurrent holding of positions]
Senior Adviser to the Board, Iwatani Corporation
Outside Director, Keihanshin Building Co., Ltd.

Akiko Okuno

Member of the Board of Directors, Outside Director

Number of the Company's shares held 0

April 2002	Associate Professor, Faculty of Economics, Osaka University of Economics and Law
April 2004	Associate Professor, Faculty of Business Administration, Tezukayama University
April 2010	Professor, Faculty of Business Administration, Tezukayama University
April 2012	Professor, Faculty of Business Administration, KONAN UNIVERSITY (to date)
June 2020	Member of the Board of Directors, Outside Director (to date)

[Status or important concurrent holding of positions]

Professor, Faculty of Business Administration, KONAN UNIVERSITY

Shusaku Nagae

Member of the Board of Directors, Outside Director

Number of the Company's shares held 0

April 1972	Joined Matsushita Electric Works, Ltd.
December 2004	Managing Executive Officer, Matsushita Electric Works, Ltd.
June 2007	Managing Director, Matsushita Electric Works, Ltd.
June 2010	Representative Director, Panasonic Electric Works, Co., Ltd.
April 2011	Senior Managing Executive Officer, Panasonic Corporation
June 2012	Representative Director, Executive Vice President, Panasonic Corporation
June 2013	Representative Director, Chairman of the Board, Panasonic Corporation
June 2017	Director, Chairman of the Board, Panasonic Corporation
June 2021	Member of the Board of Directors, Outside Director (to date)
June 2021	Special Corporate Advisor, Panasonic Corporation (to date)

[Status or important concurrent holding of positions]

Special Corporate Advisor, Panasonic Corporation
Chairman, Vehicle Information and Communication System Center, a general incorporated foundation

Katsuyoshi Nishimura

Audit & Supervisory Board Member

Number of the Company's shares held 11,300

April 1977	Joined the Company
April 2003	Senior Director, Research Management and General Affairs
October 2005	Deputy Executive Director, Discovery & Research and Senior Director, Research Management and General Affairs
April 2006	Deputy Executive Director, Sales and Marketing and Senior Director, Sales Operations
June 2007	Senior Director, Sales Operations
November 2007	Director, Business Audit Department
June 2010	Senior Director, Research Management and General Affairs
June 2011	Full-time Audit & Supervisory Board Member (to date)

Hironobu Tanisaka

Audit & Supervisory Board Member

Number of the Company's shares held 1,200

April 1984	Joined the Company
August 2007	Senior Director, Legal Department
January 2018	Senior Director, Business Audit Department
June 2021	Full-time Audit & Supervisory Board Member (to date)

Yasuo Hishiyama

Outside Audit & Supervisory Board Member

Number of the Company's shares held 0

April 1999	Appointed as a judge (served at Sendai District Court, Saitama District Court and Osaka Family Court)
April 2006	Registered as an attorney at law (Dai-Ichi Tokyo Bar Association)
April 2006	Joined TANABE & PARTNERS (to date)
January 2010	Member or appraisal committee (Land Lease Non-Contentious Cases) at Tokyo District Court (to date)
June 2016	Outside Audit & Supervisory Board Member (to date)

[Status or important concurrent holding of positions]

Partner Attorney at Law, TANABE & PARTNERS
Member or appraisal committee (Land Lease Non-Contentious Cases) at Tokyo District Court

Akiko Tanabe

Outside Audit & Supervisory Board Member

Number of the Company's shares held 0

October 1993	Joined Century Audit Corporation (Present: Ernst & Young ShinNihon LLC)
May 1997	Registered as Certified Public Accountant
January 2012	Established Akiko Tanabe CPA office (to date)
June 2015	Outside Director, OIE SANGYO CO., LTD. (to date)
July 2019	Partner of Midosuji Audit Corporation (to date)
April 2020	Provisional Outside Audit & Supervisory Board Member
June 2020	Outside Audit & Supervisory Board Member (to date)

[Status or important concurrent holding of positions]

Representative, Akiko Tanabe CPA office
Outside Director, OIE SANGYO CO., LTD.
Partner of Midosuji Audit Corporation

Risk management

We work to identify potential major risks to prevent them from occurring, and we have a structure in place to ensure that appropriate actions are taken in case of their occurrence.
In addition, we establish a company-wide risk management system with the President, Representative Director as the chief risk management officer and Executive Director, Corporate Strategy & Planning (Member of the Board of Directors, Senior Executive Officer) as the risk management director in charge. In this way, we tackle issues related to risk management, recognizing them as important management strategic issues. Furthermore, we have an Audit & Supervisory Board and an internal auditing department (Business Audit Department) working to increase the effectiveness of audits in risk management.

Establishment of the Enterprise Risk Management (ERM) System

We started preparations for the introduction of Enterprise Risk Management (ERM) in FY2018 and introduced it in FY2019, aiming for total, rather than partial, optimization of risk management. For implementation, we have appointed a Chief Risk Management Officer (President, Representative Director, and Chief Executive Officer) and a Head Risk Management Officer (Member of the Board of Directors). In addition, we newly established the Risk Management Office in 2019. We also established the Risk Management Regulations in order to promote ERM.

<Basic Policy on ERM>

1. With the aim of ensuring stable business continuity and achieving our business objectives, we develop and implement an enterprise risk management system to minimize losses to our company and its stakeholders including customers, while fulfilling our accountability to society.
2. Each division assesses its risks and those in divisions under its jurisdiction, using the risk assessment sheet, and autonomously promotes risk management.
3. We identify the most important and urgent risks that could have a considerable impact on business management as material risks, and promote company-wide risk management activities.
4. In the event a risk materializes, we will take measures to minimize the damage and ensure prompt recovery in order to solve problems as quickly as possible.

<ERM Promotion System>

1 Basic Approach

1. The Heads of each division supervise the risk management of the entire division through the division's Risk Management Promotion Meeting.
2. Division Managers conduct daily risk management as risk owners.
3. Every quarter, the Risk Management Office monitors the risk management status of each division from the viewpoint of ERM.

The results of monitoring are shared and examined for issues at the Company-Wide Risk Management Committee (chairperson: Director, Risk Management Office) held twice a year. The monitoring results are also reported to the Management Committee (composed of directors, executive officers, division managers, etc.), the Board of Directors, and Audit & Supervisory Board.

2 Risk Management Promotion Meeting

The Risk Management Promotion Meeting in each division assesses the risks of their division and extracts issues using the risk assessment sheet, and develops prevention measures for identified risks according to their materiality and urgency, as well as risk response plans. Thus, each division autonomously promotes risk management by considering, developing and implementing appropriate risk measures. The risk assessment sheet covers a wide range of risks, not only business risks, but also risks related to the environment, major disasters, human rights, pharmaceutical affairs laws and regulations, and bribery, etc.

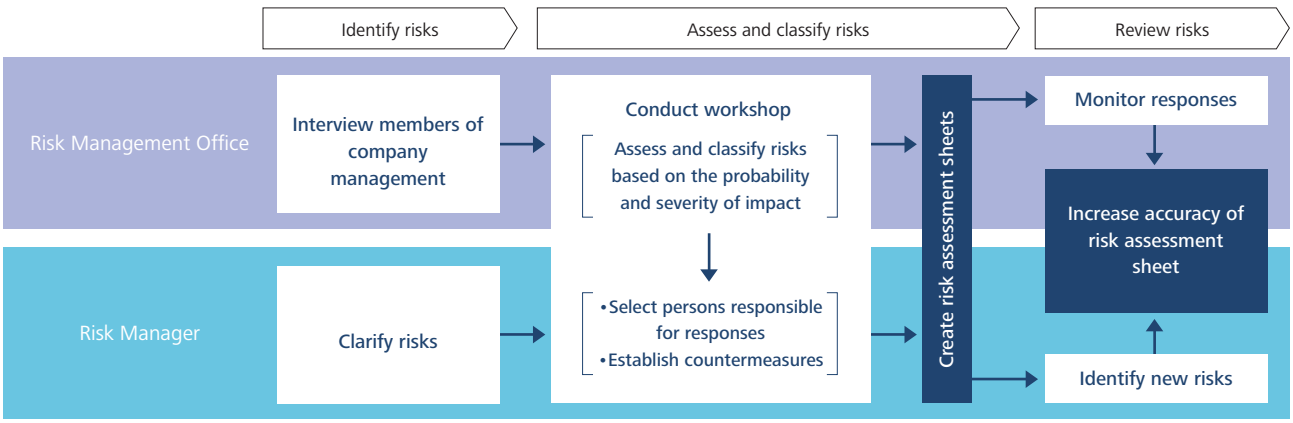
3 Risk Management System for Environmental Issues (▶See pp.45-47)

Business risks related to environmental issues are also managed within ERM. In terms of climate change in particular, associated risks and opportunities are identified and evaluated by the TCFD Working Group under the Environment Committee. This working group is joined by the head of the Risk Management Office so that these activities are implemented in cooperation with the ERM Promotion System, and the results from discussions within the group are reported to the Company-Wide Risk Management Committee to ensure coordination with ERM.

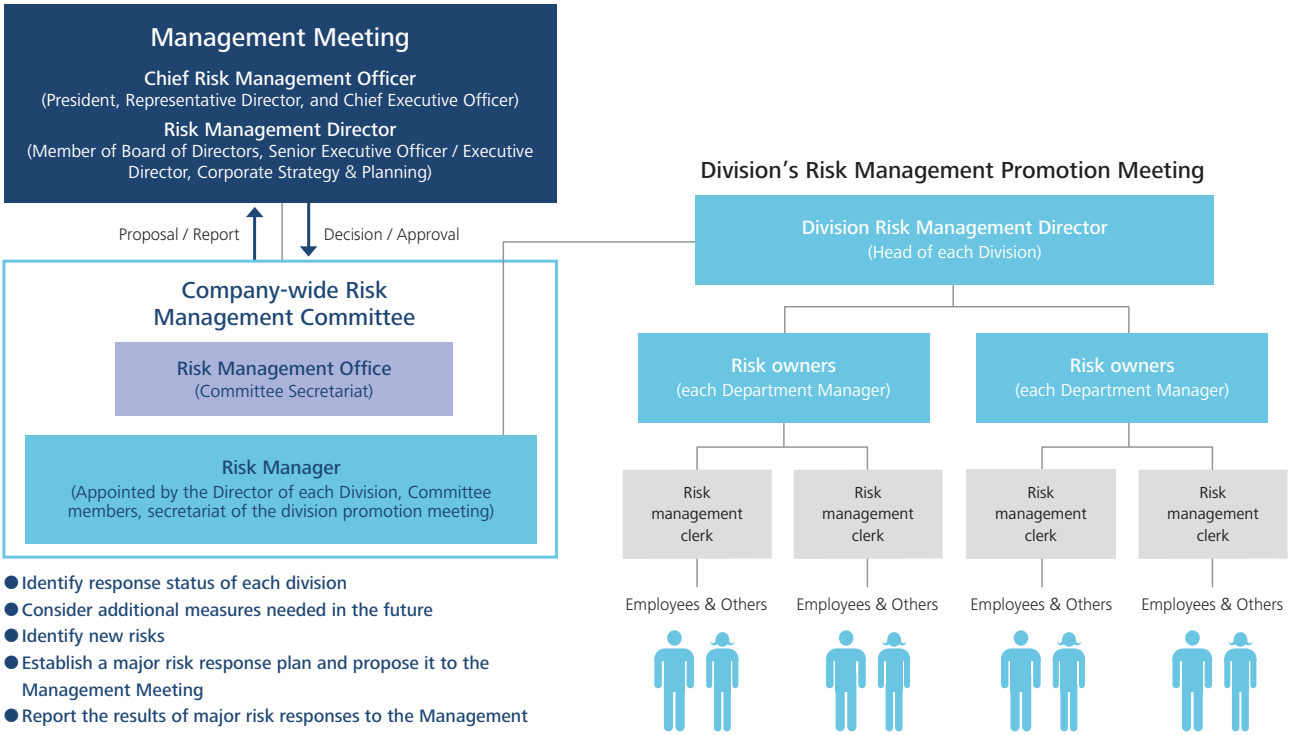
4 Response to Material Risks

The Management Meeting identifies important and urgent risks as "material risks" every fiscal year, and considers, develops and implements measures to control the identified risks, while monitoring the identified risks on a company-wide scale. In the event a risk arises, we will take action in accordance with the response plan to minimize the damage and ensure prompt recovery, thereby solving problems as quickly as possible.

▶Flow of ERM Promotion



▶ONO's Risk Management System



- Identify response status of each division
- Consider additional measures needed in the future
- Identify new risks
- Establish a major risk response plan and propose it to the Management Meeting
- Report the results of major risk responses to the Management Meeting

5 Crisis Management

In the event a material risk arises and crisis management becomes necessary, the President will appropriately establish an Emergency Response Committee to take measures to minimize damage and facilitate speedy recovery.

6 Risk Management Education

We provide education on risk management for all employees to raise their awareness and sensitivity towards risks.

Training for all employees:
In FY2020, we began to provide e-learning education on practical risk management skills (including true cause analysis of and management approaches to risk issues) in addition to fundamentals of risk management.

Training for risk managers and management:
We also commenced workshop-style training regarding risk management methods in the second half of FY2019. In FY2020, internal directors, risk managers of all divisions, and leader-class employees in some divisions completed the training.

ONO Group's Risk Management

To promote risk management activities across the Group, we provide our subsidiaries with guidance and advice on risk management, while respecting their autonomy. We provide such guidance and advice through various opportunities including regular meetings where we receive reports from subsidiaries regarding their business operations and discuss important matters. We began to expand our ERM system to our subsidiaries in Japan and overseas in FY2020 to further enhance the risk management of the entire Group.

Business Continuity Plan (BCP)

According to the instructions of the Emergency Response Committee chaired by the President, Representative Director, we have organized the BCP Management Headquarters and established a system designed to minimize the impact of an emergency on mission-critical operations even in the case where an emergency occurs such as a natural disaster or serious accident, so that we can continue business activities or recover promptly and resume them if they are suspended. The BCM Committee, which is chaired by the Executive Director, Corporate Strategy & Planning (Member of the Board of Directors, Senior Executive Officer) and in charge of business continuity management (BCM), and the Management Office have been formed to maintain and strengthen our abilities to respond to crisis and continue our business operations, and promote relevant management activities during normal times.
We have installed systems prepared for disasters such as emergency generators and duplicate power service in our head office building, the Tokyo Building, and all of our plants and research institutes, and we also have introduced seismic isolation systems to prepare for earthquakes in our head office building, the Tokyo Building, Minase Research Institute, and Yamaguchi Plant. As we have transferred some of the Osaka Head Office's functions to the Tokyo Building, the development of our two-base system prevents us from having to stop our business activities and improves our ability to continue our business operations. In FY 2020, we prepared a detailed manual and provided employees with education and practical response training (reporting and public communication systems) with anticipation of individual risks (personal information leaks, plant/research institute accidents, etc.).

BCP System

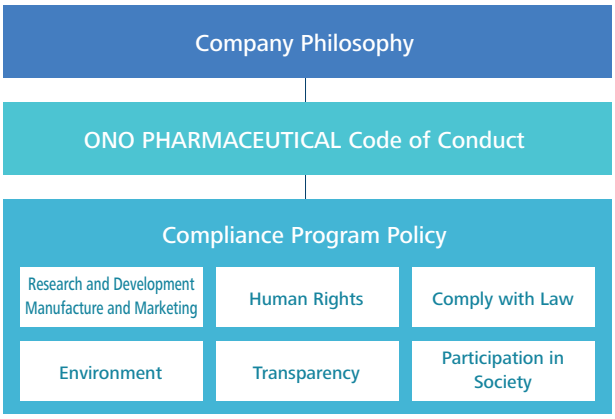
https://sustainability.ono-pharma.com/en/themes/82#916

Compliance

ONO PHARMACEUTICAL Compliance System

Being aware of responsibilities as a pharmaceutical company dealing in pharmaceuticals upon which human lives depend, ONO has the ONO PHARMACEUTICAL Code of Conduct to ensure that it acts in compliance with laws and regulations and that it meets high ethical standards. Under our compliance system, we established the ONO PHARMACEUTICAL Code of Conduct as a basic guideline for corporate activities and the Compliance Program Policy as a behavioral standard for activities. We also comply with the ONO PHARMACEUTICAL Code of Practice that is based on the Japan Pharmaceutical Manufacturers Association (JPMA) Code of Practice, which is related to promotional activities.

In practicing the compliance system, we are repeatedly informing our employees about ensuring transparency, preventing fraud and corruption, and constantly being conscious of domestic and international social conditions.



Company Philosophy / ONO PHARMACEUTICAL Code of Conduct

https://www.ono-pharma.com/company/mission.html

ONO PHARMACEUTICAL Compliance Program Policy

https://www.ono-pharma.com/company/policies/compliance.html

ONO PHARMACEUTICAL Code of Practice

https://www.ono-pharma.com/company/policies/cop.html

Compliance Promotion System

To promote compliance, we have appointed a Member of the Board of Directors, Senior Executive Officer / Executive Director of Corporate Strategy & Planning as a Corporate Compliance Officer and set up a Compliance Committee. The Compliance Committee examines and deliberates on compliance-related issues, plans and promotes relevant training programs, and checks the extent to which such compliance-related matters are shared and understood within the company in cooperation with the internal auditing department. In addition, the Compliance Committee manages risk in cooperation with the Risk Management Committee.

We provide guidance to group companies in creating systems and rules to prevent the occurrence of noncompliance, and we strongly urge our suppliers to do the same.

Reporting and Consultation System

We have internal and external contact windows, such as the 24-hour external contact service called the ONO Hotline, which was set up in 2015 for compliance issues to prevent compliance violations, including harassment, to ensure appropriate work environments, and to take measures promptly to minimize any loss of social credibility in the event of a compliance violation. We also have a system to ensure that informants can directly report to or consult with top management–that is, the Representative Director, the Corporate Compliance Officer, and the Corporate Auditors. We ensure that matters including the informant's name, reported content, and his/her privacy are strictly kept confidential, other than to those involved in the survey, and support anonymous reporting. In addition, we will never bring detriment to such an informant solely because of the use of the system. This system has been certified as a Whistleblowing Compliance Management System (WCMS) (a system for self-declaration of conformity). We also continue enhancing the system to make the contacts available in the entire group so that employees can report or consult without hesitation.

Reporting and Consultation System

https://sustainability.ono-pharma.com/en/themes/81#911

Compliance Education

To promote compliance, we recognize that it is important to continuously conduct employee training and awareness-raising activities. We therefore provide compliance training to our officers and all employees every year.

In FY2020, based on the results of the employee awareness survey conducted in FY2019, a discussion-style training program was held for leaders to improve the working environment in order to further strengthen the corporate culture for reporting and consultation related to compliance within the organization. In response to a mandatory requirement for employers to take measures to prevent power harassment, we work to raise awareness of compliance by incorporating these principles into a training program conducted by external lecturers in addition to annual training for management. As for the training related to the Guidelines on Activities to Provide Sales Information, the contents of the training are based on actual compliance issues. We provide not only regular training, but also training to prevent recurrence as soon as possible if any problem arises. We also promote risk-based training programs for other compliance themes.

Ethical Considerations

We always give consideration to ethical treatment in various stages of research and development.

For research using human-derived samples (blood, tissue, cells, genes, etc.), we have established internal ethical rules based on the basic guidelines issued by the Japanese government. We have also established the Ethics Committee for Medical and Health Research Involving Human Subjects, as an advisory body comprising members from inside and outside the company, to ensure that such research is conducted only after the Committee conducts strict assessment of its ethical and scientific validity.

For research using laboratory animals, we have established the Institutional Animal Care and Use Committee. The Committee reviews submitted animal experimentation plans in advance to determine

whether they have been prepared based on the principles of the 3Rs–Replacement (use of alternative methods), Reduction (reducing the number of test animals) and Refinement (alleviation of pain)–to ensure that animal experiments are carried out appropriately, with respect for the lives of animals and taking into consideration animal welfare. In addition, we conduct self-inspections and assessments of the implementation status of animal experiments. In recognition of these initiatives, we have acquired third-party certification from Japan Pharmaceutical Information Center foundation.

We ensure that clinical trials, which are essential for verifying the safety and efficacy of pharmaceuticals under development, are carried out in a highly ethical manner, with respect for the human rights and with particular attention to safety of study subjects. We ascertain the true value of drugs step-by-step by taking all necessary and appropriate procedures that comply with Japan's "Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (Pharmaceutical and Medical Device Act)" and other related legislation, as well as the global standards specified based on the spirit of the Declaration of Helsinki. In the past, many drug-induced injury cases occurred due to inadequate safety monitoring function of pharmaceutical products. We regularly provide education on drug-induced injuries to all employees so that they will never forget patients' pain, tragedy of the drug-induced suffering and the grave responsibility of a pharmaceutical company.

Human Rights

https://www.ono-pharma.com/company/policies/respect_human_rights.html

Animal Ethics

https://www.ono-pharma.com/company/policies/ethical_considerations_in_animal_experiments.html

Fair and Transparent Business Activities

In order to conduct fair and transparent business activities, we establish a training month for providing e-learning and training in each division every year to provide thorough education to all employees about the prevention of fraud and corruption.

To contribute to healthcare and people's health around the world through continuous new drug creation and a stable supply of our products, we need to cooperate with research and medical institutions and engage in collaborative activities (support for patient organizations) to help patients overcome disease and pain. To enhance the fairness and transparency of these cooperative and collaborative activities, it is important to ensure transparent relationships with our partners. We therefore disclose information on the costs of our assistance to medical institutions and patient organizations in accordance with our transparency guidelines, which were developed in line with the relevant guidelines of JPMA.

Regarding tax compliance, we have established the ONO PHARMACEUTICAL Global Tax Policy, in strict accordance with which all tax-related management are undertaken under the responsibility of the director in charge of compliance, namely the Member of the Board of Directors, Senior Executive Officer /Executive Director of the Corporate Strategy & Planning Division.

Amid a globally mounting interest in compliance with laws governing unfair and corrupt practices, we established the ONO PHARMACEUTICAL Global Anti-Bribery and Corruption Policy and the Regulations on Bribery Prevention in 2017 to clearly define and state our company's stance and system in preventing bribery and corruption. We endeavor to ensure strict implementation of the policy and regulations. Furthermore, we support Transparency International's Business Principles for Countering Bribery, an international anti-bribery standard.

As for research receiving public fund as research funding, we have formulated the Action Guidelines for Publicly Funded Research and the Regulations on Publicly Funded Research, in compliance with the relevant guidelines established by the Japanese government, to ensure further appropriate implementation and management of research projects.

Engagement to Achieve Transparency in Relationships with Medical Institutions, etc. (only in Japanese)

https://www.ono.co.jp/company/policies/medical_transparency_guidelines.html

Engagement to Achieve Transparency in Relationships with Patient Groups (only in Japanese)

https://www.ono.co.jp/company/policies/patient_transparency_guidelines.html

Operation and Management System of Public Research Fund

https://www.ono-pharma.com/company/policies/public_research.html

ONO PHARMACEUTICAL Global Tax Policy

https://www.ono-pharma.com/company/policies/tax_policy_jp.html

ONO PHARMACEUTICAL Global Anti-Bribery and Corruption Policy

https://www.ono-pharma.com/company/policies/bribery_prevention_globalpolicy.html

Pursuit of Fair Promotion Activities

We define "Promotions" as "Providing and transmitting drug information to healthcare professionals and promote the proper use and spread of ethical drugs based on such information." All employees involved in promotion carry out fair promotion activities, while always examining whether they are acting in accordance with the spirit of the Code regardless of whether there are specific provisions or descriptions in the Code. Furthermore, based on the Code, we not only comply with the "Guidelines on Activities to Provide Sales Information on Prescription Drugs" issued by the Ministry of Health, Labour and Welfare of Japan, and the "Promotion Code for Prescription Drugs" established by JPMA, but also respect the IFPMA (International Federation of Pharmaceutical Manufacturers & Associations) Code of Practice.

An examination system related to promotions and training to ensure fair promotion activities has been introduced at our website of Sustainability.

https://sustainability.ono-pharma.com/en/themes/83

Financial Review

Results for Fiscal Year Ended March 31, 2021

(Billions of yen)

	2017.3	2018.3	2019.3	2020.3	2021.3	Change rate Mar. 2020/Mar. 2021
Revenue	244.8	261.8	288.6	292.4	**309.3**	+5.8%
Operating profit	72.3	60.7	62.0	77.5	**98.3**	+26.9%
Profit for the year (attributable to owners of the parent company)	55.8	50.3	51.5	59.7	**75.4**	+26.3%

Revenue

Revenue increased by ¥16.9 billion (5.8%) from the previous consolidated fiscal year to ¥309.3 billion.

- Despite a harsher competitive environment for the OPDIVO Intravenous Infusion for malignant tumors, sales increased by ¥11.5 billion (13.2%) year-on-year to ¥98.8 billion due to expanding its use to treat esophageal cancer, etc.

- As for sales of our key new products, GLACTIV Tablets for type-2 diabetes decreased by 2.1% year-on-year to ¥25.5 billion, FORXIGA Tablets for diabetes and chronic heart failure increased by 23.7% year-on-year to ¥22.4 billion, ORENCIA for Subcutaneous Injection for rheumatoid arthritis increased by 10.4% year-on-year to ¥21.9 billion, PARSABIV Intravenous Injection for Dialysis for secondary hyperparathyroidism in patients on hemodialysis increased by 13.9% year-on-year to ¥8.1 billion, and KYPROLIS for Intravenous Infusion for multiple myeloma increased by 18.8% year-on-year to ¥7.1 billion.

- Sales of our main long-term listed products were affected by measures taken for promoting the use of generic drugs by the Japanese government. RIVASTACH Patch for Alzheimer's disease decreased by 22.5% year-on-year to ¥6.6 billion, OPALMON Tablets for peripheral circulatory disorder decreased by 34.5% year-on-year to ¥5.5 billion, and RECALBON Tablets for osteoporosis decreased by 39.9% year-on-year to ¥2.9 billion, respectively.

- Royalties and other revenue increased by ¥7.9 billion (9.1%) year-on-year to ¥94.7 billion.

(Billions of yen)

	2020.3	2021.3	Year-on-year comparison
Revenue of goods and products	205.6	**214.5**	+4.3%
Royalty and others	86.8	**94.7**	+9.1%

Profit and Loss

Operating profit for the current consolidated fiscal year totaled ¥98.3 billion, an increase of ¥20.8 billion (26.9%) year-on-year.

- Cost of sales increased by ¥6.5 billion (8.2%) year-on-year to ¥85.6 billion, which was mainly due to an increase in the amortization of intangibles, in addition to an increase in the revenue of goods and products.

- Research and development costs increased due to an increase in costs for joint research with universities and research institutions and milestone payments for cooperations with bio-venture companies to discover new drugs. At the same time, development activities, including the registration of subjects, were restarted in June 2020; however, clinical study expenses decreased due to COVID-19, resulting in a decrease of ¥4.1 billion (6.2%) year-on-year to ¥62.4 billion.

- Concerning selling, general, and administrative expenses (except for research and development costs), operating expenses decreased due to MRs refraining from visiting medical institutions because of COVID-19, meanwhile expenses associated with actively implementing online seminars, upgrading content on our website, and utilizing the new sales platform increased, as well as expenses pertaining to the launch of new products and additional indications and co-promotion fees associated with expanding sales of FORXIGA Tablets. As a result, selling, general, and administrative expenses (except for research and development costs) increased by ¥1.6 billion (2.3%) year-on-year to ¥69.2 billion.

- Other income increased by ¥7.3 billion year-on-year to ¥8.2 billion, due to an upfront payment received under the license agreement with Roche in November 2020 for the patent relating to the anti-PD-L1 antibody.

(Billions of yen)

	2020.3	2021.3	Year-on-year comparison
Cost of sales	79.1	**85.6**	+8.2%
Research and development costs	66.5	**62.4**	−6.2%
Selling, general, and administrative expenses	67.7	**69.2**	+2.3%

Profit for the current fiscal year attributable to owners of the parent company increased by ¥15.7 billion (26.3%) year-on-year to ¥75.4 billion in association with an increase in profit before tax.

Cash Flows

Cash and cash equivalents at the end of the current consolidated fiscal year decreased by ¥8.0 billion (11.5%) to ¥61.0 billion from those at the end of previous consolidated fiscal year of ¥69.0 billion due to cash flows from operating activities, which ended in a positive balance of ¥74.0 billion despite cash flows from investing activities, which ended in a negative balance of ¥57.6 billion, and cash flows from financing activities, which ended in a negative balance of ¥24.8 billion.

<Cash Flows from Operating Activities>

Cash flows from operating activities for the current consolidated fiscal year ended in a positive cash flow balance of ¥74.0 billion (cash flows for the previous consolidated fiscal year ended in a positive balance of ¥74.2 billion). The main factors behind this were a payment amount of ¥34.1 billion, including income tax expenditures, while profit before tax ended in a positive balance of ¥100.9 billion.

<Cash Flows from Investing Activities>

Cash flows from investing activities for the current consolidated fiscal year ended in a negative balance of ¥57.6 billion (cash flows for the previous consolidated fiscal year ended in a negative balance of ¥10.2 billion). The main factors behind this were payments into time deposits (net amount) of ¥50.1 billion and purchases of intangible assets of ¥13.3 billion, among others.

<Cash Flows from Financing Activities>

Cash flows from financing activities for the current consolidated fiscal year ended in a negative balance of ¥24.8 billion (cash flows for the previous consolidated fiscal year ended in a negative balance of ¥54.7 billion). The main factor behind this was the dividends paid to owners of the parent company of ¥22.4 billion.

(Billions of yen)

	2020.3	2021.3
Cash flows from operating activities	74.2	**74.0**
Cash flows from investing activities	(10.2)	**(57.6)**
Cash flows from financing activities	(54.7)	**(24.8)**
Cash and cash equivalents at the end of the fiscal year	69.0	**61.0**

Investment in Plant and Equipment

Plant and equipment investment during the current consolidated fiscal year totaled ¥9.1 billion. This included investment in enhancing and maintaining research facilities (¥6.0 billion), manufacturing facilities (¥1.6 billion), and business facilities (¥1.5 billion).

Future Outlook

<Revenue>

For the next fiscal year, the severe business environment is expected to continue due to the impact of revisions to the drug pricing system in April 2021 and the intensifying competition with competing products for market share. Sales of OPDIVO Intravenous Infusion are expected to reach ¥110.0 billion, an increase of ¥11.2 billion (11.3%) year-on-year, due to its expanded use in first-line treatment for lung cancer and treatment of esophageal cancer, as well as likelihood of its introduction as a first-line treatment of gastric cancer, despite intensifying competition. Regarding other main new products, in addition to multiple new product launches and additional indications, we also anticipate increases in sales of products including FORXIGA Tablets approved for additional indications of chronic heart failure, BRAFTOVI Capsules and MEKTOVI Tablets approved last year for additional indications of BRAF-mutant colorectal cancer, and products such as ORENCIA for Subcutaneous Injection and KYPROLIS for Intravenous Infusion. Furthermore, royalty and others are expected to grow continuously and increase by ¥10.3 billion (10.8%) to ¥105.0 billion. Therefore, revenue is forecasted to reach ¥345.0 billion, an increase of ¥35.7 billion (11.5%).

<Profit and Loss>

Cost of sales is expected to reach ¥95.0 billion, an increase of ¥9.4 billion (11.0%) year-on-year, due to an increase in sales of goods and products.

Research and development costs are expected to reach ¥72.0 billion, an increase of ¥9.6 billion (15.4%) year-on-year, which allows for active investment to achieve sustainable growth. Selling, general, and administrative expenses (except for research and development costs) are expected to reach ¥74.0 billion, an increase of ¥4.8 billion (6.9%) year-on-year, due to an increase in operating expenses involving several new products to be launched and additional indications for existing products, as well as active investment in information infrastructure related to IT and digital technologies.

Consequently, operating profit is forecasted to reach ¥103.0 billion, an increase of ¥4.7 billion (4.7%) year-on-year, and profit attributable to owners of the parent company is forecasted to reach ¥81.5 billion, an increase of ¥6.1 billion (8.1%).

(Billions of yen)

	2022.3 (forecast)	Comparison with current fiscal year
Revenue	**345.0**	+11.5%
Revenue of goods and products	**240.0**	+11.9%
Royalty and others	**105.0**	+10.8%
Operating profit	**103.0**	+4.7%
Profit for the year (attributable to owners of the parent company)	**81.5**	+8.1%

(Note) We predict that our business activities will continue to be restricted to an extent due to COVID-19. However, we forecast that the impact on our operating profit will be minor. Going forward, if any revisions to the financial forecasts are necessary, we will promptly announce them.

Consolidated Financial Summary

(Millions of yen)

Japanese GAAP	2012.3	2013.3
Operating Results		
Net sales	145,779	145,393
Cost of sales	28,986	33,983
Selling, general, and administrative expenses	78,888	79,489
Research and development costs	44,383	45,441
Operating profit	37,904	31,921
Net income	24,361	24,120
Financial Position		
Total assets	436,414	455,573
Net assets	400,968	423,291
Cash flows from operating activities	21,635	15,662
Cash flows from investing activities	(133)	7,170
Cash flows from financing activities	(19,073)	(18,847)
Investment in plant and equipment	2,455	4,490
Depreciation	3,005	2,845
Amount Per Share		
Net income (Yen)	229.78	227.51
Net assets (Yen)	3,753.04	3,961.55
Cash dividends (Yen)	180.00	180.00
Other Indicators		
Operating income to sales ratio (%)	26.0	22.0
R&D cost-to-sales ratio (%)	30.4	31.3
Equity ratio (%)	91.2	92.2
ROA (%)	9.4	7.6
ROE (%)	6.2	5.9
Payout ratio (%)	78.3	79.1
Number of employees	2,754	2,807

IFRS	2013.3
Operating Results	
Revenue	142,806
Cost of sales	31,479
Selling, general, and administrative expenses	35,831
Research and development costs	44,746
Operating profit	29,948
Profit for the year (attributable to owners of the parent company)	22,927
Financial Position	
Total assets	475,261
Total equity	442,276
Cash flows from operating activities	18,992
Cash flows from investing activities	4,365
Cash flows from financing activities	(19,372)
Investment in plant and equipment	4,490
Depreciation and amortization	4,765
Amount Per Share*1	
Basic earnings (Yen)	43.25
Equity attributable to owners of the parent company (Yen)	826.45
Cash dividends (Yen)	180.00
Other Indicators	
Operating income to revenue ratio (%)	21.0
R&D cost-to-revenue ratio (%)	31.3
Equity ratio (%)	92.2
ROA (%)*2	7.1
ROE (%)*3	5.3
Payout ratio (%)	83.2
Number of employees	2,807

(Millions of yen)

2014.3	2015.3	2016.3	2017.3	2018.3	2019.3	2020.3	2021.3
143,247	135,775	160,284	244,797	261,836	288,634	292,420	**309,284**
32,746	35,136	41,524	65,524	65,391	83,829	79,063	**85,573**
38,377	42,222	43,979	62,049	68,055	70,033	67,679	**69,230**
44,413	41,346	43,369	57,506	68,821	70,008	66,497	**62,384**
26,429	14,794	30,507	72,284	60,684	62,010	77,491	**98,330**
20,344	12,976	24,979	55,793	50,284	51,539	59,704	**75,425**
486,141	524,588	540,450	617,461	609,226	655,056	673,444	**746,842**
451,724	475,213	476,255	524,211	529,619	562,736	568,022	**641,157**
28,422	31,579	12,842	74,450	15,727	66,774	74,157	**73,977**
6,926	(12,756)	13,037	(17,989)	(34,189)	(49,763)	(10,234)	**(57,586)**
(19,636)	(19,603)	(19,465)	(20,552)	(62,549)	(22,279)	(54,721)	**(24,754)**
7,492	16,031	15,771	9,532	18,593	21,351	9,520	**9,100**
5,109	6,100	6,534	7,821	9,213	10,621	14,214	**15,820**
38.38	24.48	47.13	105.27	97.00	100.25	118.47	**151.11**
843.93	887.81	889.38	979.42	1,019.97	1,084.08	1,126.95	**1,273.28**
180.00	180.00	180.00	40.00	45.00	45.00	45.00	**50.00**
18.4	10.9	19.0	29.5	23.2	21.5	26.5	**31.8**
31.0	30.5	27.1	23.5	26.3	24.3	22.7	**20.2**
92.0	89.7	87.2	84.1	86.1	85.1	83.5	**85.1**
6.1	3.6	6.2	12.9	10.4	10.3	12.0	**14.2**
4.6	2.8	5.3	11.3	9.6	9.5	10.7	**12.6**
93.8	147.1	76.4	38.0	46.4	44.9	38.0	**33.1**
2,858	2,913	3,116	3,290	3,480	3,555	3,560	**3,607**

*1 The company conducted a stock split of common stocks at a ratio of 1:5 with an effective date of April 1, 2016. As for "Basic earnings" and "Equity attributable to owners of the parent company," these are calculated assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2013. Also, "Cash dividends" for the fiscal year ended March 31, 2013 to the fiscal year ended March 31, 2016 indicate the amounts before conducting the stock split.

*2 ROA = Profit before tax / Total assets (average of beginning and end of fiscal year)

*3 ROE = Profit for the year attributable to owners of the parent company / Equity attributable to owners of the parent company (average of beginning and end of fiscal year)

Details of Revenue

(Billions of yen)

	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3 (Forecast)
Revenue of Major Products						
OPDIVO Intravenous Infusion	103.9	90.1	90.6	87.3	**98.8**	110.0
FORXIGA Tablets	7.8	11.1	14.5	18.1	**22.4**	35.0
GLACTIV Tablets	29.4	27.4	26.9	26.1	**25.5**	24.5
ORENCIA for Subcutaneous Injection	11.6	14.1	17.4	19.8	**21.9**	22.5
PARSABIV Intravenous Injection	0.2	3.4	5.7	7.1	**8.1**	8.0
KYPROLIS for Intravenous Infusion	2.0	5.5	4.9	6.0	**7.1**	7.5
ONOACT for Intravenous Infusion	5.7	5.6	4.6	4.9	**4.7**	4.0
OPALMON Tablets	17.0	14.4	10.4	8.3	**5.5**	4.0
VELEXBRU Tablets	—	—	—	—	**2.1**	5.0
RIVASTACH Patches	8.9	8.9	8.9	8.5	**6.6**	3.0
BRAFTOVI Capsules	—	—	—	*	**1.1**	3.0
MEKTOVI Tablets	—	—	—	*	**1.0**	2.5
ONON Capsules	6.8	5.5	4.4	3.5	**2.9**	2.5
ONGENTYS Tablets	—	—	—	—	**0.3**	2.5
New products to be launched	—	—	—	—	—	2.5

(Note) Based on ex-manufacturer prices
*Not disclosed.

Breakdown of Revenue						
Revenue of goods and products	214.3	205.9	208.9	205.6	**214.5**	240.0
Royalty and others	30.5	55.9	79.7	86.8	**94.7**	105.0
OPDIVO Intravenous Infusion	26.7	39.8	58.5	61.6	**59.8**	
Keytruda® (Merck)	—	*	12.8	19.3	**24.3**	
Other	*	*	8.4	5.9	**10.6**	

*Not disclosed.

Revenue by Region						
Japan	214.0	204.0	207.4	202.9	**212.9**	
Americas	27.3	52.5	72.3	81.5	**85.6**	
Asia	3.1	5.1	7.4	7.5	**7.4**	
Europe	0.4	0.2	1.6	0.5	**3.4**	

Consolidated Financial Statement

Consolidated Statement of Financial Position

(Millions of yen)

	2020.3	2021.3
Assets		
Current assets:		
Cash and cash equivalents	69,005	**61,045**
Trade and other receivables	76,834	**84,269**
Marketable securities	614	**2,978**
Other financial assets	30,800	**40,952**
Inventories	32,906	**39,151**
Other current assets	15,063	**19,246**
Total current assets	225,222	**247,642**
Non-current assets:		
Property, plant, and equipment	114,628	**113,866**
Intangible assets	66,436	**70,322**
Investment securities	137,670	**146,796**
Investments in associates	108	**112**
Other financial assets	91,694	**131,888**
Deferred tax assets	34,817	**33,619**
Retirement benefit assets	—	**7**
Other non-current assets	2,871	**2,590**
Total non-current assets	448,222	**499,200**
Total assets	673,444	**746,842**
Liabilities and Equity		
Current liabilities:		
Trade and other payables	34,439	**39,163**
Lease liabilities	2,188	**2,023**
Other financial liabilities	450	**616**
Income taxes payable	20,346	**19,047**
Provisions	20,721	**20,721**
Other current liabilities	13,185	**12,163**
Total current liabilities	91,329	**93,733**
Non-current liabilities:		
Lease liabilities	6,173	**7,030**
Other financial liabilities	0	**0**
Retirement benefit liabilities	6,048	**3,056**
Deferred tax liabilities	1,059	**1,052**
Other non-current liabilities	813	**813**
Total non-current liabilities	14,093	**11,952**
Total liabilities	105,422	**105,685**
Equity:		
Share capital	17,358	**17,358**
Capital reserves	17,229	**17,231**
Treasury shares	(44,737)	**(44,705)**
Other components of equity	48,030	**62,299**
Retained earnings	524,605	**583,363**
Equity attributable to owners of the parent company	562,484	**635,547**
Non-controlling interests	5,538	**5,610**
Total equity	568,022	**641,157**
Total liabilities and equity	673,444	**746,842**

Consolidated Statement of Income

(Millions of yen)

	2020.3	2021.3
Revenue	292,420	**309,284**
Cost of sales	(79,063)	**(85,573)**
Gross profit	213,356	**223,711**
Selling, general, and administrative expenses	(67,679)	**(69,230)**
Research and development costs	(66,497)	**(62,384)**
Other income	822	**8,165**
Other expenses	(2,512)	**(1,932)**
Operating profit	77,491	**98,330**
Finance income	3,053	**2,693**
Finance costs	(845)	**(137)**
Share of profit (loss) from investments in associates	(4)	**4**
Profit before tax	79,696	**100,890**
Income tax expense	(19,808)	**(25,392)**
Profit for the year	59,888	**75,497**
Profit for the year attributable to:		
Owners of the parent company	59,704	**75,425**
Non-controlling interests	184	**72**
Profit for the year	59,888	**75,497**

Earnings per share:		(Yen)
Basic earnings per share	118.47	**151.11**
Diluted earnings per share	118.45	**151.09**

Consolidated Statement of Comprehensive Income

(Millions of yen)

	2020.3	2021.3
Profit for the year	59,888	**75,497**
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on financial assets measured at fair value through other comprehensive income	(1,909)	**17,273**
Remeasurement of defined benefit plans	(109)	**2,370**
Share of net gain (loss) on financial assets measured at fair value through other comprehensive income of investments in associates	(4)	**3**
Total of items that will not be reclassified to profit or loss	(2,022)	**19,646**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(219)	**424**
Total of items that may be reclassified subsequently to profit or loss	(219)	**424**
Total other comprehensive income (loss)	(2,241)	**20,070**
Total comprehensive income (loss) for the year	57,647	**95,567**
Comprehensive income (loss) for the year attributable to:		
Owners of the parent company	57,492	**95,488**
Non-controlling interests	155	**78**
Total comprehensive income (loss) for the year	57,647	**95,567**

Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent company							
	Share capital	Capital reserves	Treasury shares	Other components of equity	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance at April 1, 2019	17,358	17,202	(38,151)	61,852	499,088	557,350	5,386	562,736
Profit for the year					59,704	59,704	184	59,888
Other comprehensive income (loss)				(2,212)		(2,212)	(29)	(2,241)
Total comprehensive income (loss) for the year	—	—	—	(2,212)	59,704	57,492	155	57,647
Purchase of treasury shares			(29,586)			(29,586)		(29,586)
Retirement of treasury shares			22,999		(22,999)	—		—
Cash dividends					(22,798)	(22,798)	(3)	(22,801)
Share-based payments		27				27		27
Transfer from other components of equity to retained earnings				(11,610)	11,610	—		—
Total transactions with the owners	—	27	(6,587)	(11,610)	(34,187)	(52,357)	(3)	(52,360)
Balance at March 31, 2020	**17,358**	**17,229**	**(44,737)**	**48,030**	**524,605**	**562,484**	**5,538**	**568,022**
Profit for the year					**75,425**	**75,425**	**72**	**75,497**
Other comprehensive income (loss)				**20,064**		**20,064**	**6**	**20,070**
Total comprehensive income (loss) for the year	—	—	—	**20,064**	**75,425**	**95,488**	**78**	**95,567**
Purchase of treasury shares			**(5)**			**(5)**		**(5)**
Disposition of treasury shares		**(38)**	**38**			**0**		**0**
Cash dividends					**(22,461)**	**(22,461)**	**(6)**	**(22,467)**
Share-based payments		**40**				**40**		**40**
Transfer from other components of equity to retained earnings				**(5,795)**	**5,795**	—		—
Total transactions with the owners	—	**2**	**32**	**(5,795)**	**(16,666)**	**(22,426)**	**(6)**	**(22,432)**
Balance at March 31, 2021	**17,358**	**17,231**	**(44,705)**	**62,299**	**583,363**	**635,547**	**5,610**	**641,157**

Consolidated Statement of Cash Flows

(Millions of yen)

	2020.3	2021.3
Cash flows from operating activities		
Profit before tax	79,696	**100,890**
Depreciation and amortization	14,214	**15,820**
Impairment losses	2,816	**2,307**
Interest and dividend income	(2,968)	**(2,462)**
Interest expense	76	**73**
(Increase) decrease in inventories	(173)	**(6,107)**
(Increase) decrease in trade and other receivables	(793)	**(7,179)**
Increase (decrease) in trade and other payables	1,992	**6,361**
Increase (decrease) in provisions	3,515	**—**
Increase (decrease) in retirement benefit liabilities	381	**410**
Other	865	**(4,468)**
Subtotal	99,621	**105,645**
Interest received	92	**63**
Dividends received	2,878	**2,401**
Interest paid	(76)	**(73)**
Income taxes paid	(28,357)	**(34,060)**
Net cash provided by (used in) operating activities	74,157	**73,977**
Cash flows from investing activities		
Purchases of property, plant, and equipment	(7,475)	**(7,018)**
Proceeds from sales of property, plant, and equipment	424	**2**
Purchases of intangible assets	(14,970)	**(13,275)**
Purchases of investments	—	**(760)**
Proceeds from sales and redemption of investments	31,439	**14,033**
Payments into time deposits	(45,800)	**(80,939)**
Proceeds from withdrawal of time deposits	25,800	**30,800**
Other	348	**(429)**
Net cash provided by (used in) investing activities	(10,234)	**(57,586)**
Cash flows from financing activities		
Dividends paid	(22,775)	**(22,449)**
Dividends paid to non-controlling interests	(3)	**(6)**
Repayments of lease liabilities	(2,358)	**(2,296)**
Purchases of treasury shares	(29,584)	**(3)**
Net cash provided by (used in) financing activities	(54,721)	**(24,754)**
Net increase (decrease) in cash and cash equivalents	9,202	**(8,363)**
Cash and cash equivalents at the beginning of the year	59,981	**69,005**
Effects of exchange rate changes on cash and cash equivalents	(179)	**403**
Cash and cash equivalents at the end of the year	69,005	**61,045**

Corporate Information / Stock Information

Profile (as of March 31, 2021)

Company Name	ONO PHARMACEUTICAL CO., LTD.
Founded	1717
Date of Incorporation	1947
Paid-in Capital	17,358 million yen
Number of Employees	3,607 (Consolidated) 3,319 (Non-consolidated)
Total Number of Authorized Shares	1,500,000,000
Number of Shares Issued and Outstanding	528,341,400 (Including 29,135,107 shares of treasury stock)
Number of Shareholders	69,047
Stock Exchange Listing	Tokyo Stock Exchange (Code number: 4528)

Principal Shareholders

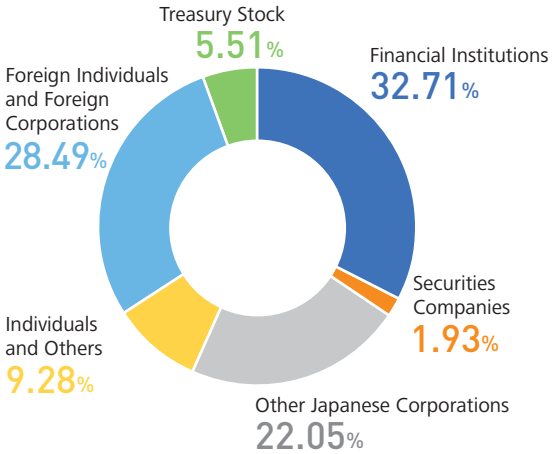
Name of shareholders	Number of shares held (Thousands of shares)	Shareholding percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	44,141	8.84
Custody Bank of Japan, Ltd. (Trust account)	26,871	5.38
STATE STREET BANK AND TRUST COMPANY 505001	21,422	4.29
Meiji Yasuda Life Insurance Company	18,594	3.72
Ono Scholarship Foundation	16,428	3.29
KAKUMEISOU Co., LTD	16,161	3.23
Custody Bank of Japan, Ltd. (Trust account 7)	9,433	1.88
MUFG Bank, Ltd.	8,640	1.73
Aioi Nissay Dowa Insurance Co., Ltd.	8,193	1.64
STATE STREET BANK WEST CLIENT – TREATY 505234	7,063	1.41

Note: 1. The Company is excluded from the principal shareholders listed in the table above, although the Company holds 29,135,107 shares of treasury stock.
2. The shareholding percentage is calculated by deducting treasury stock (29,135,107 shares).

Major Offices (as of March 31, 2021)

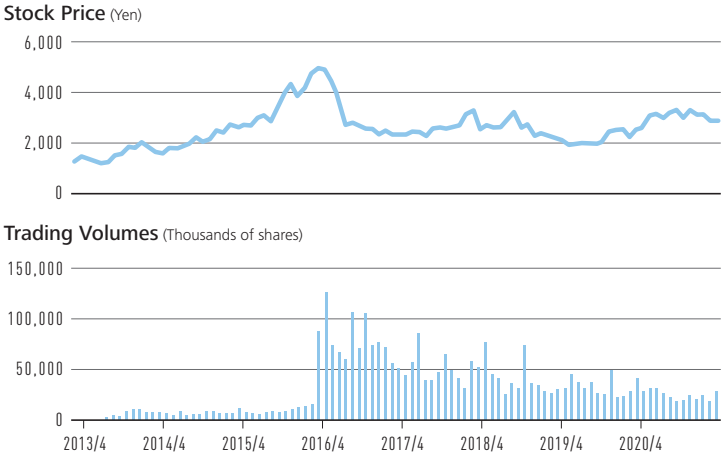
Head Office	8-2, Kyutaromachi 1-chome, Chuo-ku, Osaka 541-8564, Japan Tel: +81-6-6263-5670 (Registered Office) 1-5, Doshomachi 2-chome, Chuo-ku, Osaka, Japan
Tokyo Building	9-11, Nihonbashi-Honcho 4-chome, Chuo-ku, Tokyo 103-0023, Japan
Branches in Japan	Sapporo, Sendai, Yokohama, Nagoya, Kyoto, Takamatsu, Hiroshima, Fukuoka, and other branches in major cities
Research Institutes	Minase Research Institute, Osaka, Japan Fukui Research Institute, Fukui, Japan Tsukuba Research Institute, Ibaraki, Japan
Manufacturing Plants, etc.	Fujiyama Plant, Shizuoka, Japan Yamaguchi Plant, Yamaguchi, Japan Joto Pharmaceutical Product Development Center, Osaka, Japan
Domestic Subsidiaries	Oriental Pharmaceutical & Synthetic Chemical Co., Ltd. Bee Brand Medico Dental Co., Ltd. Ono Pharma Healthcare Co., Ltd.
Overseas Subsidiaries	ONO PHARMA USA, INC., Cambridge, USA ONO PHARMA UK LTD., London, UK ONO PHARMA KOREA CO., LTD., Seoul, South Korea ONO PHARMA TAIWAN CO., LTD., Taipei, Taiwan Ono Venture Investment, Inc., California, USA Ono Venture Investment Fund I, L.P., California, USA
Related Party	Namicos Corporation

Shareholders by Category



*The ratio by shareholders listed above is rounded down to two decimal places. Therefore, their total do not amount to 100%.

Stock Price and Trading Volumes



*The company conducted a stock split of common stocks at a ratio of 1:5 with an effective date of April 1, 2016. Note that the stock price is translated on a post-stock split basis.

ONO PHARMACEUTICAL CO.,LTD.

MIX
Paper from responsible sources
FSC™ C022784
FSC www.fsc.org

September 2021 Printed in Japan