

Notice of Disposal of Treasury Shares as Tenure-based Restricted Stock Compensation and Performance-linked Restricted Stock Compensation

Osaka, Japan, June 20, 2024 - Ono Pharmaceutical Co., Ltd. (Headquarters: Osaka, Japan; President: Toichi Takino; “the Company”) today announced that it resolved at the meeting of the Board of Directors held today to dispose of its treasury shares as tenure-based restricted stock compensation and performance-linked restricted stock compensation (hereinafter referred to as the “Disposal of Treasury Shares”), as described below.

1. Overview of Disposal of Treasury Shares

(1) Disposal as tenure-based restricted stock compensation

(i) Disposal date	July 12, 2024
(ii) Class and number of shares to be disposed of	23,100 shares of common stock of the Company
(iii) Disposal price	2,115 yen per share
(iv) Total value of shares to be disposed of	48,856,500 yen
(v) Allottees and number of shares to be disposed of (Planned allottees)	Board of Directors of the Company (excluding Outside Directors): 3 persons / 23,100 shares
(vi) Other	With respect to the Disposal of Treasury Shares, the Extraordinary Report set forth in the Japanese Financial Instruments and Exchange Act is to be submitted.

(2) Disposal as performance-linked restricted stock compensation

(i) Disposal date	July 12, 2024
(ii) Class and number of shares to be disposed of	40,300 shares of common stock of the Company
(iii) Disposal price	2,115 yen per share
(iv) Total value of shares to be disposed of	85,234,500 yen
(v) Allottees and number of shares to be disposed of (Planned allottees)	Board of Directors of the Company (excluding Outside Directors): 3 persons / 21,600 shares Audit & Supervisory Board Member*: 1 person / 3,200 shares Corporate Officers who are not the Board of Directors of the Company: 8 persons / 15,500 shares
(vi) Other	With respect to the Disposal of Treasury Shares, the Extraordinary Report set forth in the Japanese Financial Instruments and Exchange Act is to be submitted.

※: The relevant Audit & Supervisory Board Member retired from his position as the Board of Director due to the completion of his term of office at the conclusion of the 76th Ordinary General Shareholders’ Meeting held on June 20, 2024. He was newly appointed as an Audit & Supervisory Board Member at the same Ordinary General Shareholders’ Meeting and assumed the position. He will be paid performance-linked restricted stock compensation to be delivered as compensation for the service during his term of office.

2. Purposes and Reasons of the Disposal

The Company has introduced the compensation system for the Board of Directors, excluding Outside Directors (hereinafter referred to as the “Eligible Board of Directors”) and Corporate Officers (hereinafter together with the Eligible Board of Directors referred to as the “Eligible Board of Directors, etc.”) since the fiscal year ended March 31, 2023, in order to motivate them to achieve higher corporate value over the medium to long term, on the road to a “Global Specialty Pharma,” as well as to further share value with shareholders. The compensation system consists of a stock compensation system to grant tenure-based restricted stock to the Eligible Board of Directors (hereinafter referred to as the “System I”) and a system to grant performance-linked restricted stock to the Eligible Board of Directors, etc. (hereinafter referred to as the “System II”) (hereinafter the System I and the System II are collectively referred to as the “System”).

The Board of Directors of the Company today resolved the following resolutions with respect to the System: as tenure-based restricted stock compensation under the System I, to provide a total of 48,856,500 yen in monetary compensation claims to the three Eligible Board of Directors (hereinafter referred to as the “Allottees I”) and grant 23,100 shares of the common stock of the Company after the Allottees I pay all such monetary compensation claims as contribution in kind, and as performance-linked restricted stock compensation under the System II, to provide a total of 85,234,500 yen in monetary compensation claims to the three Eligible Board of Directors, the one Audit & Supervisory Board Member (person who was eligible Board of Directors during the relevant compensation period) and the eight Corporate Officers (hereinafter referred to as the “Allottees II,” and together with the Allottees I, collectively referred to as the “Allottees”) and grant 40,300 shares of the common stock of the Company after the Allottees II pay all such monetary compensation claims as contribution in kind. The Company intends to enter into a Restricted Stock Allotment Agreement outlined below with each of the Allottees. Therefore, the Company’s common stock subject to the Disposal of Treasury Shares falls under the category of specified restricted stock stipulated in Article 54, paragraph (1) of the Corporation Tax Act and Article 84, paragraph (1) of the Order for Enforcement of the Income Tax Act.

3. Details of the System and Details of Payments for This Time

Tenure-based restricted stock compensation (System I)

(1) Details of System I

The Company shall grant shares of the Company to the Eligible Board of Directors in consideration of the performance of their duties during the period from the date of the Ordinary General Shareholders’ Meeting to be held in the relevant fiscal year to the day before the date of the Ordinary General Shareholders’ Meeting to be held in the following fiscal year, in proportion to the degree of their responsibility for decision making.

(2) Period Subject to Compensation

From June 20, 2024 to the day before the 77th Ordinary General Shareholders’ Meeting to be held in June 2025

(3) Outline of Restricted Stock Allotment Agreement

(i) Transfer restriction period

From July 12, 2024 to the date when the Allottees I retire from any of the positions of the Board of Directors, Audit & Supervisory Board Member, Corporate Officer, employee, or any other equivalent position of the Company (hereinafter referred to as the “Eligible Positions”) (Except for the expiration of the term of office, death, or other reasons deemed legitimate by the Board of Directors of the Company, in the case of resignation or retirement within more than three months after the end of the fiscal year in which the payment due date falls, the period up to more than three months after the end of the fiscal year in which the payment due date falls.)

During the transfer restriction period set forth above (hereinafter referred to as the “Transfer Restriction Period I”), the Allottees I may not transfer, create a pledge or mortgage by transfer to or for a third party, or otherwise dispose of the allotted tenure-based restricted stock (hereinafter referred to as the “Allotted Shares I”) (hereinafter, the restrictions are referred to as the “Transfer Restrictions”).

(ii) Acquisition of Allotted Shares I by the Company without paying compensation

The Company shall naturally acquire the Allotted Shares I without paying compensation if any of the Allottees I retire from the Eligible Positions on or after the commencement date of the Transfer Restriction Period I, unless such retirements are due to the expiration of their term of office, death, or other reasons deemed reasonable by the Board of Directors of the Company.

In addition, the Company shall naturally acquire the Allotted Shares I for which the Transfer Restrictions have not been lifted, based on the terms provided in (iii) “Lifting of transfer restrictions” below, without paying compensation at the expiration of the Transfer Restriction Period I (hereinafter referred to as the “Time of Expiration I”), if any.

(iii) Lifting of transfer restrictions

The Company shall lift the Transfer Restrictions of all of the Allotted Shares I held by the Allottees I at the Time of Expiration I, in principle, on the condition that the Allottees I have continuously held the Eligible Positions throughout the Transfer Restriction Period I, and that the retirements of the Allottees I from the Eligible Positions are due to the expiration of their term of office, death, or other reasons deemed reasonable by the Board of Directors of the Company.

However, if any of the Allottees I retire from the position of the Board of Directors of the Company during the period from the start date of the Transfer Restriction Period I until the day before the date of the first Ordinary General Shareholders’ Meeting of the Company due to death or any other reasons deemed reasonable by the Board of Directors, the Company shall, at the time of their retirement, naturally acquire the Allotted Shares I without paying compensation in the number reasonably adjusted according to the period they held the position of Member of the Board of Directors.

(iv) Provisions for management of shares

Each of the Allottees I shall, in a manner designated by the Company, open an account to book or record the Allotted Shares I with SMBC Nikko Securities Inc. The Allotted Shares I shall be deposited and maintained in that account until the Transfer Restrictions are lifted.

(v) Handling in cases of organizational restructuring, etc.

In the event of a merger agreement in which the Company is the dissolving company or any other organizational restructuring, etc. of the Company during the Transfer Restriction Period I, the Company shall lift, based on a resolution of the Board of Directors’ meeting of the Company, the Transfer Restrictions of a certain number of the Allotted Shares I at a date prior to the effective date of such organizational restructuring, etc. The number of the Allotted Shares I for which the Transfer Restrictions will be lifted shall be reasonably determined in consideration of the time period from the start date of the Transfer Restriction Period I to the date of the approval of such organizational restructuring, etc.

In this case, as of the time immediately after the lifting of the Transfer Restrictions as provided for in the above, the Company shall naturally acquire without paying compensation the Allotted Shares I for which the Transfer Restrictions are not lifted.

(vi) Malus clause

The Company shall acquire all of the Allotted Shares I held by the Allottees I without paying compensation if, during the Transfer Restriction Period I, any of the Allottees I violate laws and regulations or internal rules, etc. in a material respect and the Board of Directors of the Company recognizes such violation as grounds for the gratis acquisition of the shares by the Company, or in the case of any other event specified by the Board of Directors of the Company as being grounds for the same.

Performance-linked restricted stock compensation (System II)

(1) Details of System II

The Company shall grant shares of the Company to the Eligible Board of Directors, etc., in consideration of the performance of their duties during the period from the date of the Ordinary General Shareholders' Meeting held in the previous fiscal year to the day before the date of the Ordinary General Shareholders' Meeting to be held in the relevant fiscal year, in proportion to the degree of achievement of performance target figures, etc. determined by the Board of Directors of the Company during the performance evaluation period separately determined. In cases where it is not appropriate to grant restricted stock, such as when any of the Eligible Board of Directors, etc., retire or resign from any of the Eligible Positions due to the expiration of their term of office, the Company will pay (settle) the amount in cash instead of delivering shares.

(2) Period Subject to Compensation and Performance Evaluation Period

Period subject to compensation: From June 22, 2023 to June 19, 2024

Performance evaluation period: From April 1, 2023 to March 31, 2024

(3) Outline of Restricted Stock Allotment Agreement

(i) Transfer restriction period

From July 12, 2024 to the date when the Allottees II retire from any of the Eligible Positions (Except for the expiration of the term of office, death, or other reasons deemed legitimate by the Board of Directors of the Company, in the case of resignation or retirement within more than three months after the end of the fiscal year in which the payment due date falls, the period up to more than three months after the end of the fiscal year in which the payment due date falls.).

During the transfer restriction period set forth above (hereinafter referred to as the "Transfer Restriction Period II"), the Allottees II may not transfer, create a pledge or mortgage by transfer to or for a third party, or otherwise dispose of, the allotted performance-linked restricted stock (hereinafter referred to as the "Allotted Shares II").

(ii) Acquisition of Allotted Shares II by the Company without paying compensation

The Company shall naturally acquire the Allotted Shares II without paying compensation if any of the Allottees II retire from any of the Eligible Positions on or after the commencement date of the Transfer Restriction Period II, unless such retirements are due to the expiration of their term of office, death, or other reasons deemed reasonable by the Board of Directors of the Company.

In addition, the Company shall naturally acquire the Allotted Shares II for which the Transfer Restrictions have not been lifted, based on the terms provided in (iii) "Lifting of transfer restrictions" below, without paying compensation at the expiration of the Transfer Restriction Period II (hereinafter referred to as the "Time of Expiration II"), if any.

(iii) Lifting of transfer restrictions

The Company shall lift the Transfer Restrictions of all of the Allotted Shares II held by the

Allottees II at the Time of Expiration II, in principle, on the condition that the Allottees II have continuously held the Eligible Positions throughout the Transfer Restriction Period II, and that the retirements of the Allottees II from the Eligible Positions are due to the expiration of their term of office, death, or other reasons deemed reasonable by the Board of Directors of the Company.

(iv) Provisions for management of shares

Each of the Allottees II shall, in a manner designated by the Company, open an account to book or record the Allotted Shares II with SMBC Nikko Securities Inc. The Allotted Shares II shall be deposited and maintained in that account until the Transfer Restrictions are lifted.

(v) Handling in cases of organizational restructuring, etc.

In the event of a merger agreement in which the Company is the dissolving company or any other organizational restructuring, etc. of the Company during the Transfer Restriction Period II, the Company shall lift, based on a resolution of the Board of Directors' meeting of the Company, the Transfer Restrictions of all of the Allotted Shares II at a date prior to the effective date of such organizational restructuring, etc.

(vi) Malus and clawback clauses

The Company shall acquire all or part of the Allotted Shares II held by the Allottees II without paying compensation if, during the Transfer Restriction Period II or for a certain period of time after the lifting of the Transfer Restrictions, any of the Allottees II violate laws and regulations or internal rules, etc. in a material respect and the Board of Directors of the Company recognizes such violation as grounds for the gratis acquisition of the shares by the Company, or in the case of any other event specified by the Board of Directors of the Company as being grounds for the same. Additionally, if such shares have been disposed of, the Company may demand payment of an amount equivalent to the value of such shares at the time of the act of disposal to the relevant Allottees II.

4. Basis of Calculation and Specific Details for the Payment Amount

To avoid arbitrary pricing, the disposal price for the Disposal of Treasury Shares shall be set at 2,115 yen, which is the closing price of the Company's common stock on the Tokyo Stock Exchange on June 19, 2024, the business day immediately preceding the date of resolution of the Board of Directors' meeting of the Company. This is the market price on the day before the date of resolution, and the Company believes that it is a reasonable and not particularly advantageous price.

Contact:

Ono Pharmaceutical Co., Ltd.

Corporate Communications

public_relations@ono-pharma.com