

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.

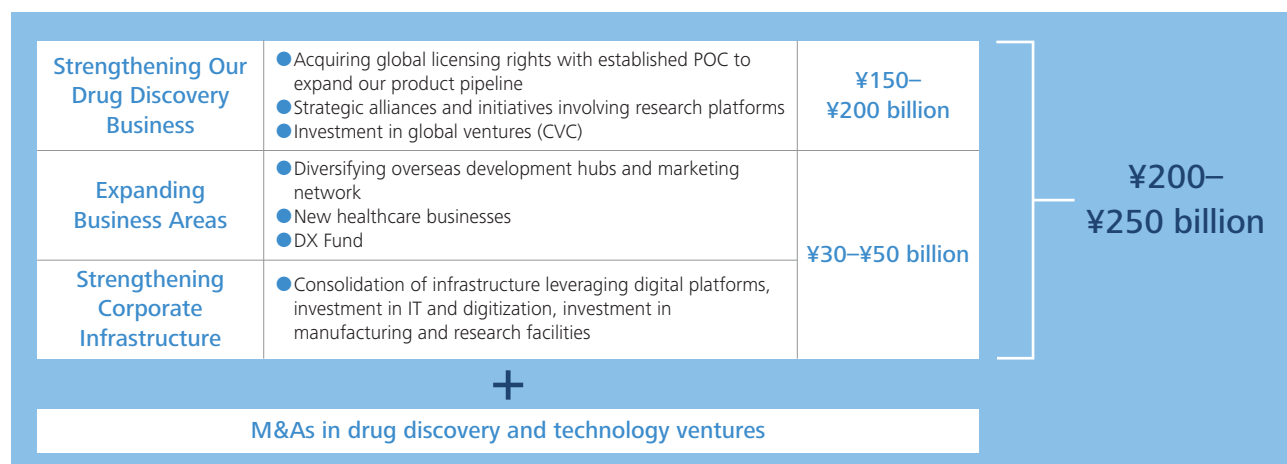
More specifically, we are vigorously pursuing drug discovery partnerships with bio-ventures that possess some of the world's most advanced technologies, as well as drug discovery-oriented research collaborations with universities and other research institutions. By the close of FY2020, our joint research 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.

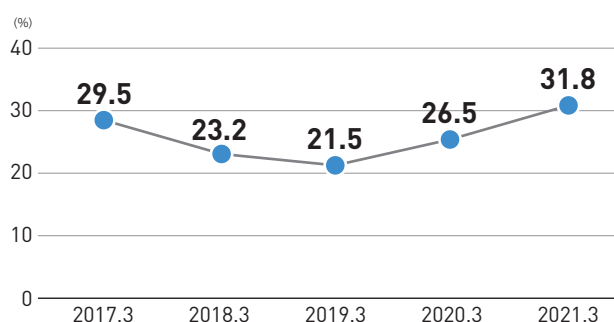
In July 2020, we established the Ono Venture Investment Fund I, L.P. to make direct investments in seed-stage drug discovery startups. The Fund will also actively pursue investments in fields outside of drug discovery, such as healthcare and digital technologies.

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.

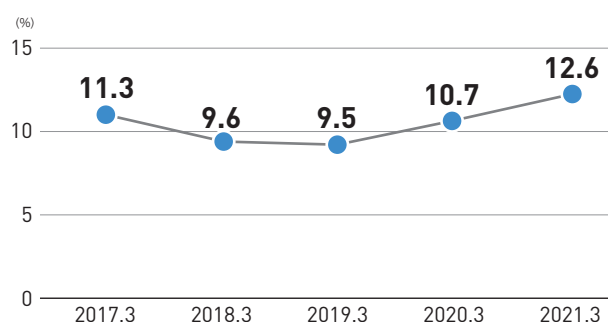
► Growth Investments (FY2021-2025)



► 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)

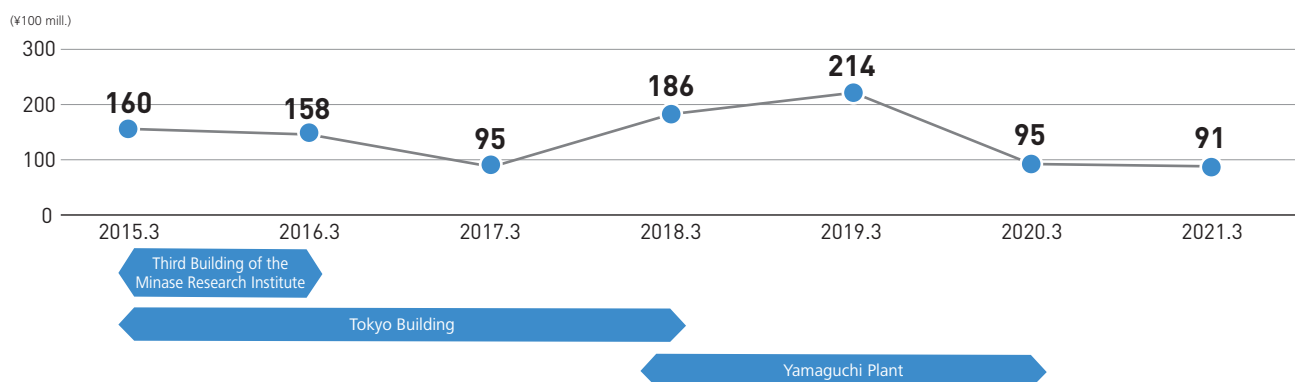
Growth Investments—Strengthening Corporate Infrastructure and Diversifying Business Areas

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

