

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?

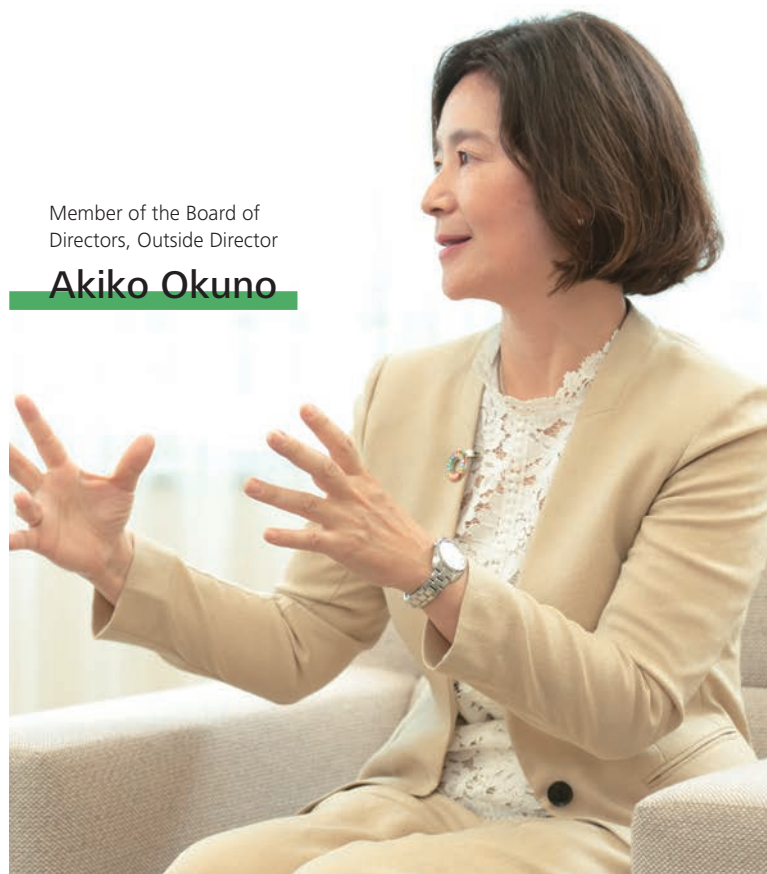
Okuno: I feel that the first step for an Outside Director is to carefully examine things from an outsider's perspective and to express their opinions candidly.

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.

GOVERNANCE

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.

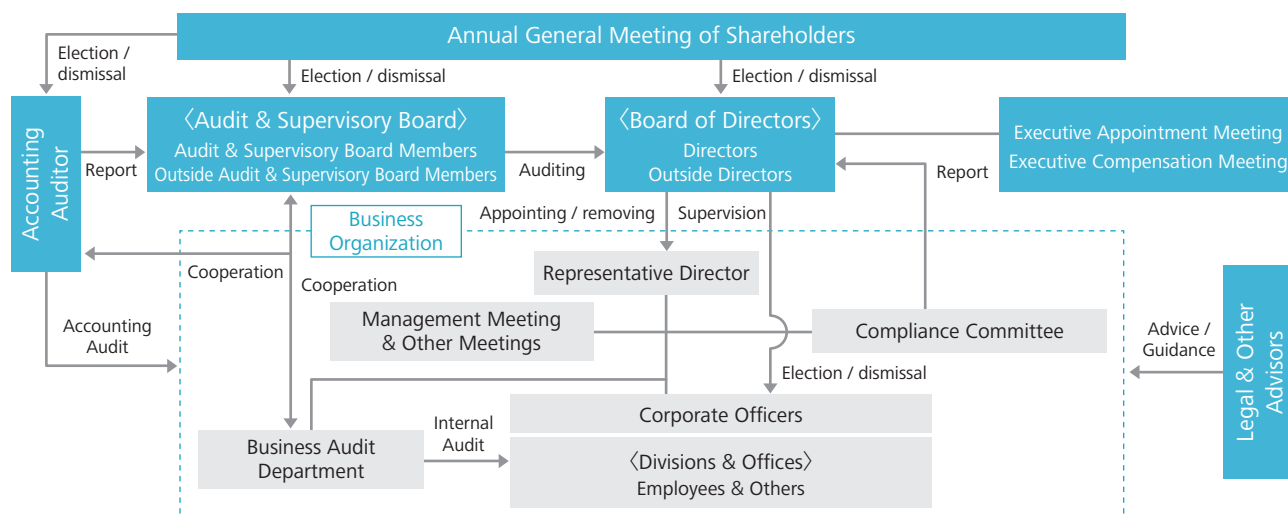
Corporate Governance Code

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.

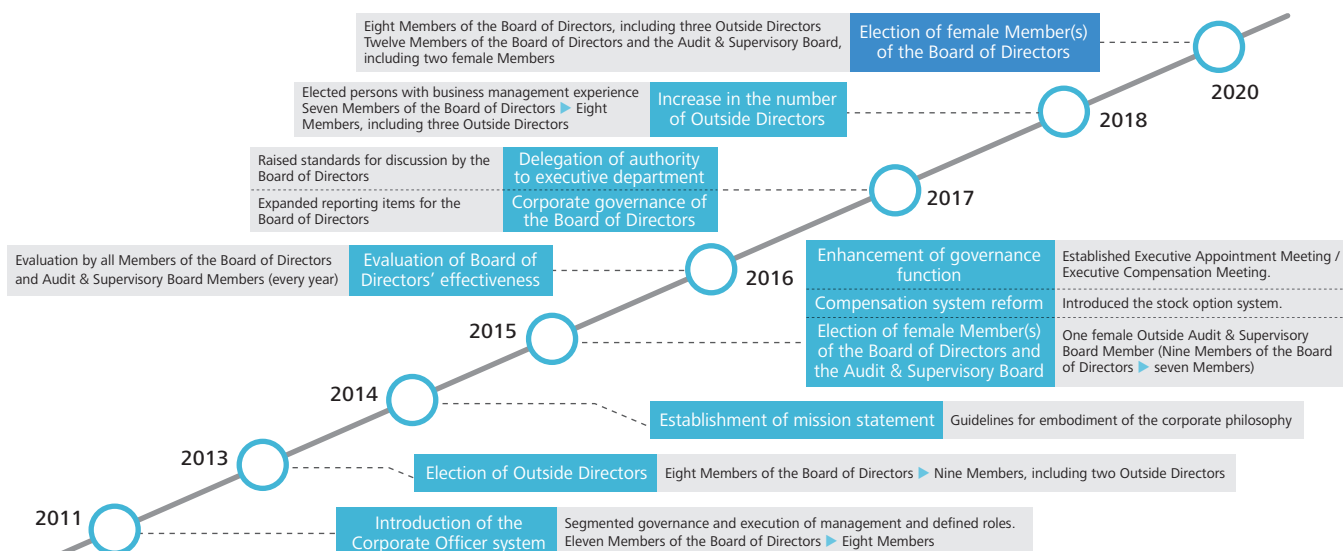
For more details about our company's corporate governance, please refer to the following Corporate Governance Report.

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, 2020¹⁾)

	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

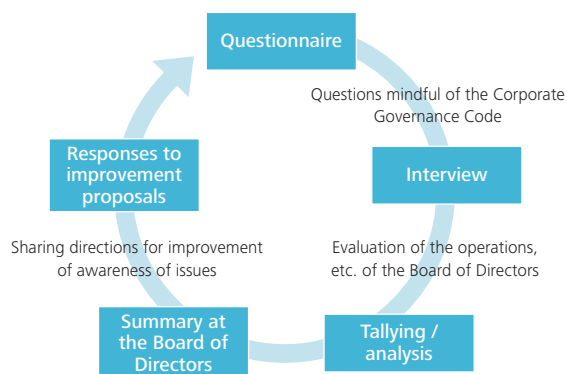
GOVERNANCE

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.

GOVERNANCE

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.

GOVERNANCE

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.

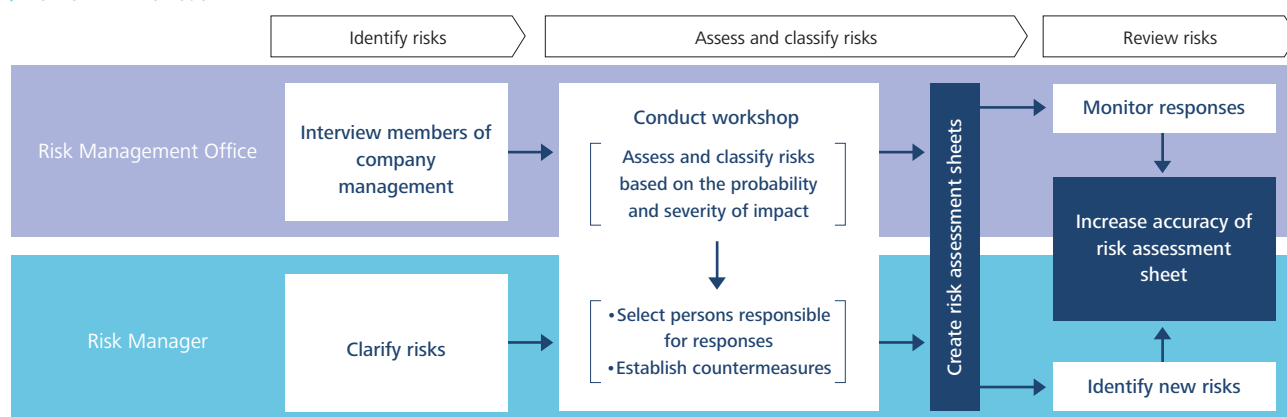
3 Risk Management System for Environmental Issues (▶ See pp.45-47)

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.

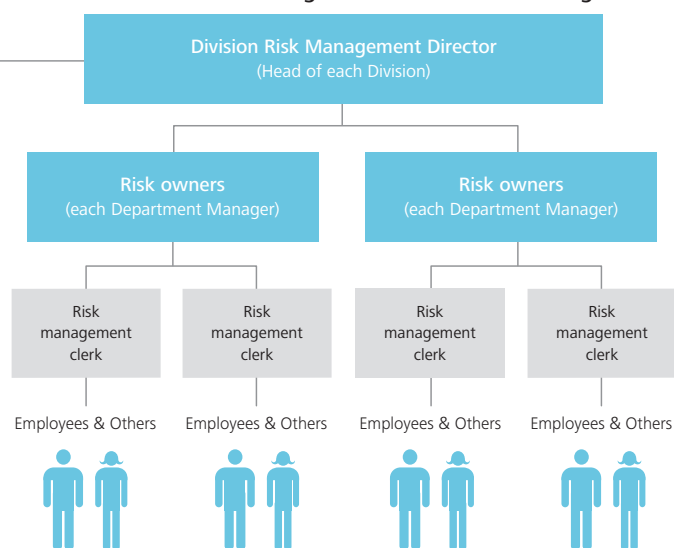
Training for risk managers and management:

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.

Division's Risk Management Promotion Meeting



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>

GOVERNANCE

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.



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.

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>