We Have Redefined Our Material Issues to Realize a Sustainable Company and Society

From Important CSR Issues to Important Management Issues

ONO has striven to develop our CSR by defining important areas of focus based on ISO 26000. In FY2018, we redefined our material issues as "important CSR issues" to clarify CSR activity themes that we should emphasize. ONO actively engaged in CSR in accordance with the material issues that we established.

In FY2021, based on the newly established sustainable management policy, we changed the material issues from "important CSR issues" to "important management issues" to analyze and

manage financial and non-financial management issues in a more integrated way. The material issues thus defined have been clearly linked to the strategy of the mid-term management plan and have been developed into a more dynamic management system. We believe that the disclosure of integrated financial and non-financial information and dialogues will be possible so that stakeholders outside of ONO can understand our sustainability initiatives.

Steps in Material Issue Analysis

Step

Extract the issues

Extract management issues

Analyze the external and internal environmentals

- Analyze in conjunction with the formulation of the mid-term management plan
- Organize the expectations of stakeholders
- Refer to ISO 26000, ESG disclosure criteria, etc. for CSR issues

Extract issues to realize the long-term vision

• Analyze gaps between the vision and current state

Step 2

Define material issues

Defining priority issues

Classify and analyze the importance of issues to stakeholders and business from the following perspectives:

- Opportunity for value creation
- Foundation for value creation
- Value preservation (erosion risks)

Deliberation structure

- Deliberated by the Board of Directors, at Management Meetings, and by all division managers (e.g., Research and Development, Sales and Marketing, Quality Assurance, Manufacturing, and Administration)
- Managed by the secretariat of the mid-term management plan (Corporate Planning Department) and the secretariat of the CSR Committee (CSR Promotion Department) as a company-wide cross-departmental project during the period from June 2021 to March 2022

Stakeholder issues

 Opinions of stakeholders are extracted from the issues confirmed by each division in the course of business activities, dialogues with investors, evaluations by the ESG-rating agencies, etc.

Step 1

Extract the Issues

In the material issue analysis conducted in FY2021, we analyzed the management environment in conjunction with the formulation of the mid-term management plan to extract potential management issues. This analysis identified important opportunities and risks for creating value and achieving sustainable growth of our company. Our directors, executive officers, and senior management from all divisions participated in the analysis of the external and internal management environment, which included analysis of the management environment surrounding the business and analysis of gaps between our long-term vision and current status. In addition, management issues were extracted based on requests and

expectations of stakeholders that were confirmed by each division in its daily business activities. As for non-financial issues, we extracted issues related to intangible assets, such as human capital and intellectual capital, that are needed to realize our growth strategies.

Non-financial issues were updated based on ISO 26000, the GRI Standards, the SASB Standards, the Ten Principles of the United Nations Global Compact, evaluations by ESG-rating agencies, dialogues with investors, etc. Analysis of issues was conducted while the progress of deliberation was reported to and confirmed by the Board of Directors.

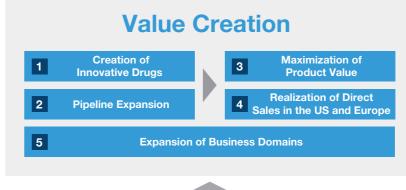
Step 2

Define the Material Issues

In defining material issues, we first classified the issues extracted in Step 1 into "value creation," "foundation for value creation," or "value preservation (erosion risks)." "Value creation" and "foundation for value creation" are opportunities and "value preservation" is a risk for our company. Furthermore, at the Management Meeting and

other occasions, 18 material issues were defined as the most important issues from the perspective of importance to stakeholders and business. Material issues were deliberated and finalized by the Board of Directors.

New Material Issues (Priority Management Issues)







Strengthening of Corporate Governance

Actions for Material Issues

For each material issue that was redefined in FY2021, we established medium-term targets and plans, and confirmed the progress. Furthermore, in conjunction with the mid-term management plan, each issue is linked to a corresponding division, organization, and committee, and a company-wide PDCA

management cycle has been established and is managed by the Board of Directors and via Management Meetings. Please see pp. 25-99 for targets and actions for each material issue. Progress toward the targets will be disclosed every fiscal year starting with the results in FY2022.

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