

Material Issue 7

Strengthening of Financial Capital: financial strategy and policy on medium- to long-term investment

Management of Priority Issues

Reason for being a priority issue	Robust financial capital is important for continuing investment in management infrastructure that supports research and development and growth, which makes it possible for us to provide value to patients and continue increasing our corporate value.
Vision over the medium to long term	Based on our corporate philosophy, Dedicated to the Fight against Disease and Pain, we strive to maintain and expand a robust financial base that leads to drug discovery, with the aim of becoming a global specialty pharma that creates innovative new drugs that truly benefit patients, and responds to unmet medical needs.
Indicators	(FY2022 to FY2026) <ul style="list-style-type: none"> Revenue CAGR: In the high single digits Operating income to revenue ratio: Maintain 25% or higher
Major initiatives	<ul style="list-style-type: none"> Enhancing operating cash flow by expanding sales revenue Increasing asset efficiency by reducing cross-shareholdings Maintaining and increasing profitability and ROE by maximizing return on investment

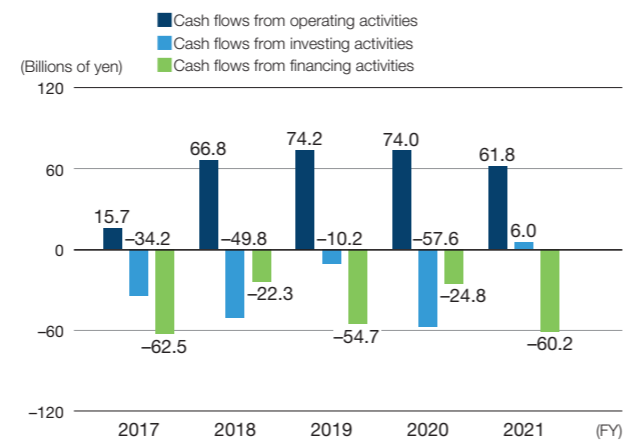
Creating Stable Investment Resources

To realize our corporate philosophy, Dedicated to the Fight against Disease and Pain, we will acquire growth capital by maximizing the value of prescription drugs we create and investing the capital intensively in the discovery and development of new drugs, thereby generating innovative drugs. We will create a virtuous cycle of capital and cash generation by using the cash generated by both the creation of new drugs and by the improvement of capital efficiency, including the reduction of cross-shareholdings, to fund the next stage of growth while ensuring financial soundness, aiming to create value for patients and society and continuously enhance corporate value. We will create a virtuous cycle of capital and cash generation to create value for patients and society and enhance our corporate value continuously.

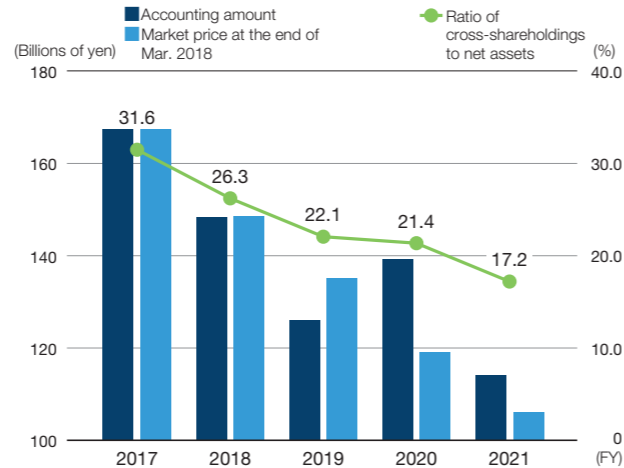
At the same time, the business environment surrounding pharmaceutical companies is becoming increasingly challenging, and the probability of success in new drug discovery remains low. By securing an appropriate level of internal funds, we will ensure the liquidity of funds necessary for smooth business activities, including prompt investment in quality projects.

We have been actively reducing our cross-shareholdings to prevent the hollowing out of voting rights, and from April 2018 to the end of March 2022, we reduced our cross-shareholdings by a total of 44 issues, amounting to 53.2 billion yen (on a balance sheet basis). In addition, from October 2021 to March 2025, we plan to generate approximately 40 billion yen in cash by reducing our cross-shareholdings (based on market value as of September 30, 2021) by 30%, which will be used for future growth investments. We will continue to reduce our cross-shareholdings from the viewpoint of capital efficiency.

Statement of Cash Flows



Reduction of Cross-shareholding

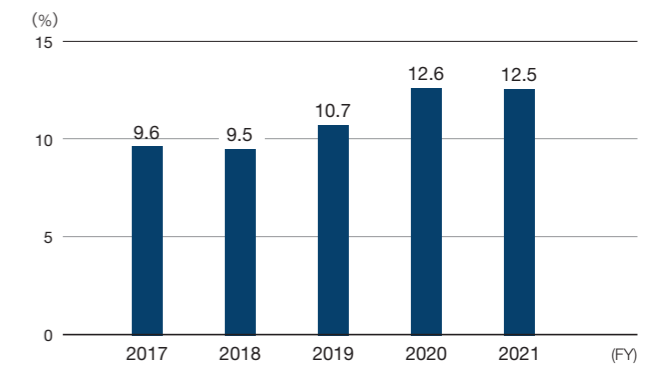


Maximizing Return on Investments and Maintaining Financial Soundness

Even as we make aggressive R&D and strategic investments, we will strictly apply our investment adoption criteria to ensure value creation and profitability. For the five years from FY2022 to FY2026, we will strive to expand revenue at an revenue CAGR in the high single digits compared to FY2021. We will then aim to maintain an operating income to revenue ratio of at least 25% while investing about 20-25% of revenue in R&D. With these levels of revenue growth and expanding profits through aggressive R&D investment as targets, we believe we can achieve ROE that exceeds the cost of shareholders' equity without falling into a short-term orientation.

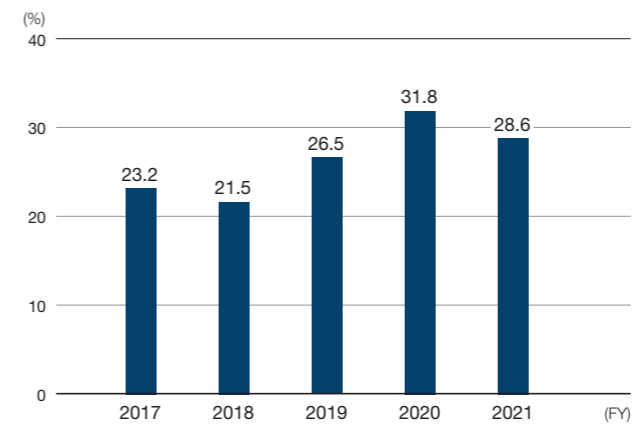
Regarding fund procurement, the Group will ensure the liquidity necessary for smooth business activities, and will do so effectively and flexibly, taking into consideration market conditions and other factors. The Group's current assets far exceed current liabilities, and the source of funds is allocated between funds generated from operations and internal funds.

ROE*

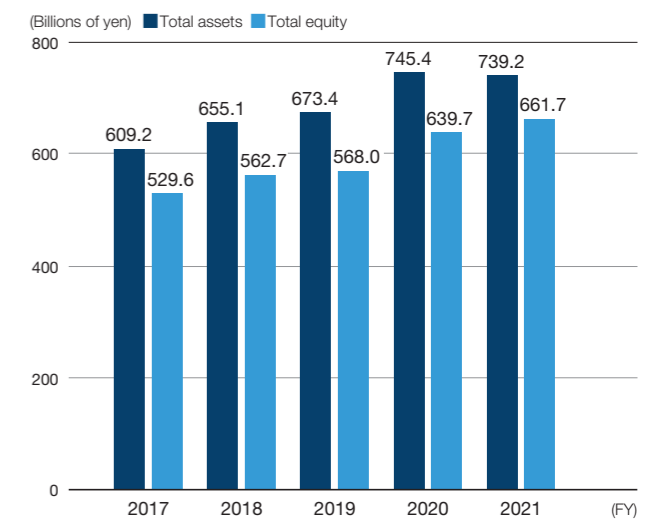


* Profit for the year attributable to owners of the parent company / Equity attributable to owners of the parent company (average of beginning and end of fiscal year)

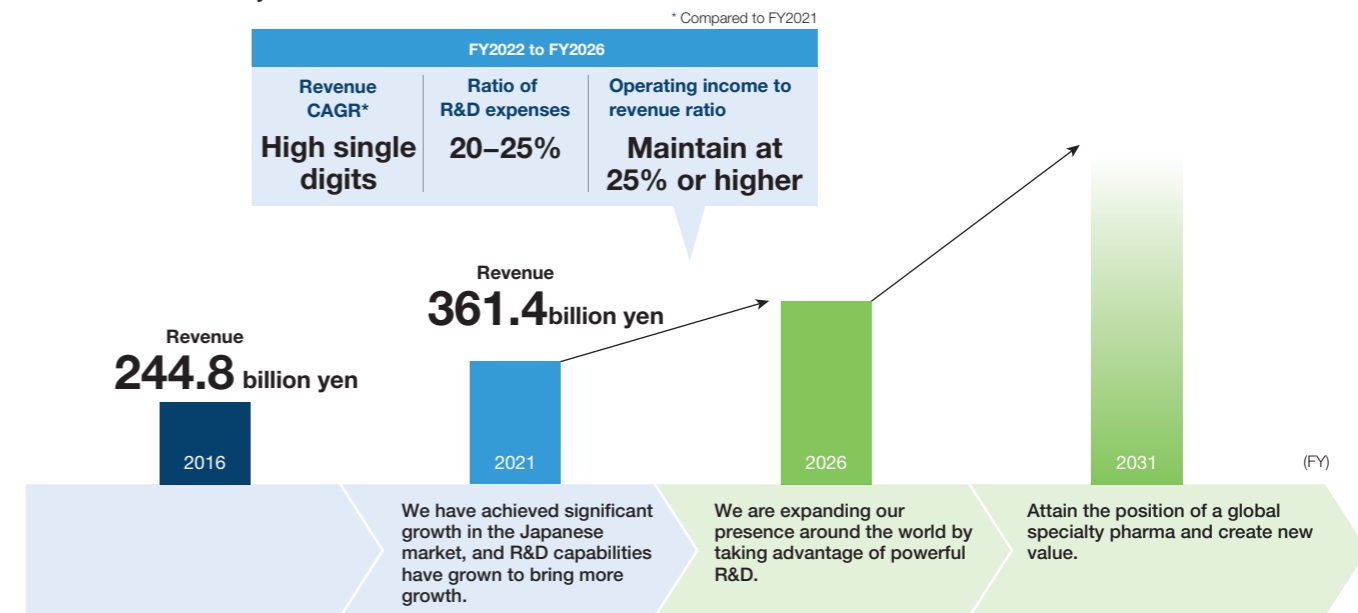
Operating Income to Revenue Ratio



Total Assets and Total Equity



Future Qualitative Objectives



Policy on Medium- to Long-term Investment

Strategic investments are essential for sustainable growth. Although R&D expenses will increase due to aggressive growth investments, we will raise the level of ROE by expanding profits through revenue growth. We will also maintain an appropriate level of shareholders' equity by balancing shareholder returns.

Research and Development Investment

We are aggressively investing in R&D to create original and innovative new drugs and expand our development pipeline. Along with the expansion of revenue, we plan to increase R&D expenditures to the 100 billion yen-level first, and then in the five years from 2022 to 2026, invest a total of 600 billion yen in R&D. Specifically, in addition to drug discovery alliances with biopharmaceutical companies that possess the world's most advanced technologies, we are actively pursuing research alliances that lead to drug discovery research with universities and other research institutions. At the end of FY2021, we were carrying out more than 200 cooperative research projects in Japan and overseas, and we plan to do even more going forward. In addition to compounds in the late development stage, which are expected to be launched within a few years, we are also strengthening our licensing activities to actively acquire attractive compounds even in the early development stage (preclinical and Phase I). In addition, Ono Venture Investment Fund I, L.P., established in July 2020, is investing in drug discovery ventures in the seed stage. In addition to regular R&D expenditures, we intend to invest

150-200 billion yen over the next five years to strengthen our drug discovery business by acquiring global rights to compounds with established PoC.

Investments to strengthen corporate infrastructure and expand business areas

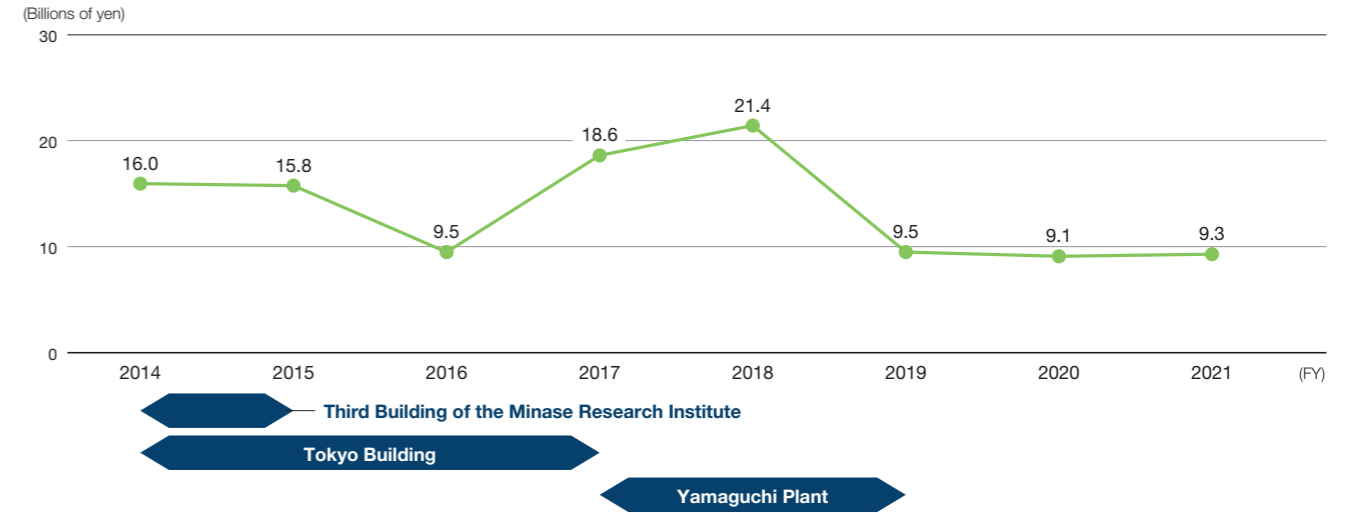
We will also actively invest in IT and digital technology, and research and production facilities sufficient to maintain the latest drug discovery activities and safe and efficient production activities over the medium-to-long term. With regard to expanding our overseas development bases and sales network, we will accelerate the establishment of our own sales organization in the U.S. in anticipation of the launch of the BTK inhibitor VELEXBRU Tablets, and in Europe, we will consider establishing an organization for our own sales, including marketing and sales, while taking into account the progress of development. With regard to R&D and production facilities, 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, and it began operation in March 2020. Going forward, we will continue to also make ESG-related investments on the basis of environmental and societal factors. Furthermore, Ono Pharma Healthcare Co., Ltd., established in February 2021, and Ono Digital health Investment, GK. in March 2022, plan to invest in new healthcare businesses, DX funds, and other business domain expansion, and together with the expansion of our overseas development bases and sales network, and also the strengthening of corporate foundations, plan to invest 30 to 50 billion yen over the next five years.

Shareholder Returns

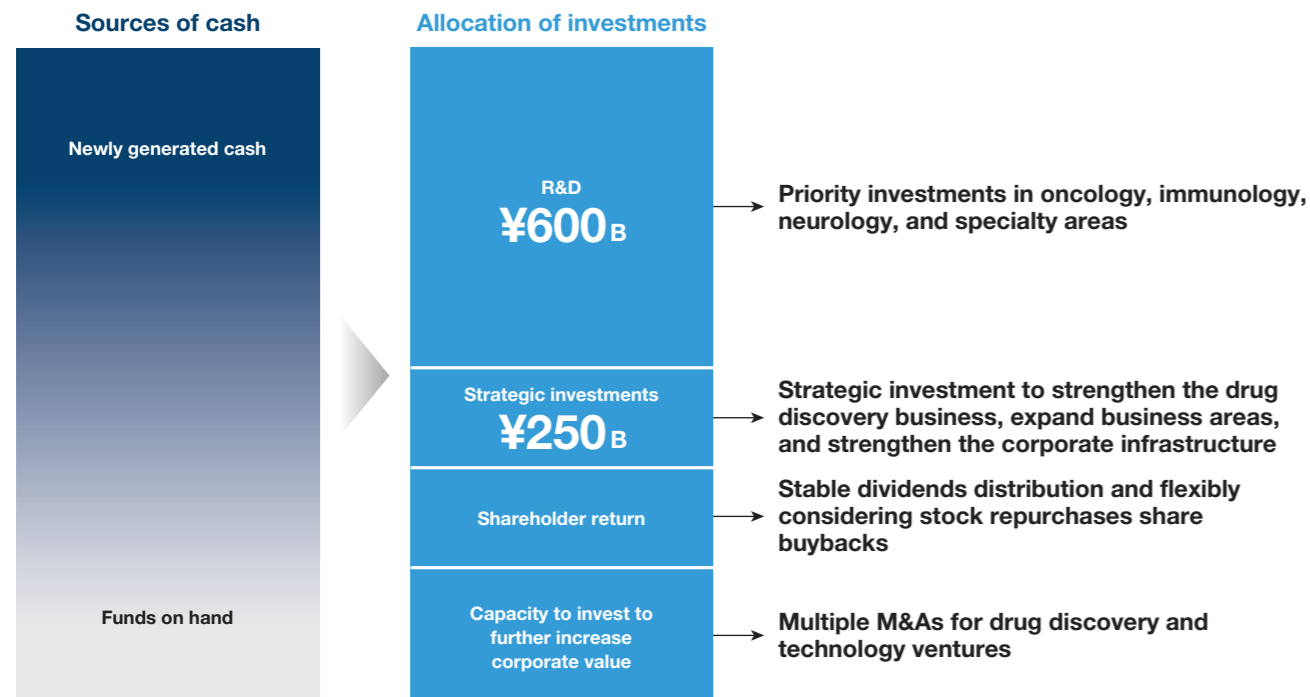
Returning profits to all of our shareholders is one of ONO's key management policies, and we will achieve a good balance between dividends and share buybacks. We are focused on maintaining stable dividends on a monetary basis, and also consider business performance in the current

fiscal year and various indicators. ONO increased its share dividend by 6 yen in FY2021 and is planning to increase the dividend by 10 yen in FY2022. We will continue to flexibly review and execute share buybacks, positioning them as a part of measures to improve shareholder benefit and comprehensive shareholder returns.

Capital Expenditures & Major Investments



The Sources of Cash and Allocation of Investments (FY2022-FY2026)



Shareholder Returns Over Time

