

Round-table Discussion with the Outside Directors



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Enhance the Objectivity and Transparency of Management and Realize Our Corporate Philosophy

We are promoting efforts to strengthen corporate governance. President Sagara and the three outside directors, who have diverse backgrounds, discussed the company's vision for sustainable growth and the significance of reorganizing material issues.

Accelerating Actions to Realize Our Corporate Philosophy

Sagara The word "purpose" has been used a lot lately, and for us, our corporate philosophy, "Dedicated to the Fight against Disease and Pain," is exactly that. In 2014, we formulated our mission statement, Our Vision, and Action Guidelines to guide us in realizing our corporate philosophy. We will continue to be "passionate challengers" to deliver innovative medicines to patients with what are called unmet medical needs for which treatments have not yet been established.

Nomura I've served as an outside director for four years now, but when I was first asked to become an outside director, before anything else, I was impressed by the corporate philosophy. When managing a company, the tendency is to lean toward product

development with a focus on profit, but I was moved by the corporate philosophy of what we can do for those who are suffering and struggling now. Furthermore, in the sustainable management policy newly formulated this year, contribution to people's health is newly mentioned. People have been talking about our being in a time of 100-year lifespans for a good while now, but I expect that the company will take on the challenge of the future being "a time of healthy lifespans of 100 years." I would like to thoroughly fulfill my function as an outside director so that we can make further contributions to society, with disease and pain, and health, as keywords.

Okuno As you all say, we have a great corporate philosophy. The next step is how to instill it in our employees. One of our tools is a mission statement movie, which is shown at various occasions,

such as company gatherings and training sessions. I have seen it several times and it is very good. The history of innovation shown, of course, but also the significance of what it is that we are working for, is front and center, and it is an excellent way to promote the instillation of the mission statement. Further, as a next step, management needs to take a step to watch and measure the degree to which it is instilled in employees and how it is expressed in their behavior.

Nagae It has only been a year since I became an outside director, but I remember feeling a great deal of empathy when I first heard the corporate philosophy. However, while every company has a great corporate philosophy, the question is how all employees can work together to realize it. That's why I think it's important to constantly make efforts to instill it. If all employees work together to fulfill their company's mission, sales and profits will follow as a result, and I believe that we must make it that way. I have high expectations that the company will not only help people suffering from intractable diseases, but also address the need to extend healthy life expectancy.

Promoting the Medium-Term Management Plan

Sagara As a roadmap to realize our corporate philosophy, in addition to our mission statement, in 2017 we formulated three 5-year medium-term management plans targeting 2031, fifteen years later. We are now in our second period, which started in fiscal 2022, and we would like to establish a firm future vision based on the results and challenges of the first period, and draw a roadmap to achieve it. At the core of this vision are four growth strategies:

Maximizing Product Value, Reinforcement of Pipelines and Acceleration of Global Development, Realization of Direct Sales in the US and Europe, and Expansion of Business Domains. We are also focusing on intangibles, such as human and intellectual assets, as well as digital and IT infrastructure. More to the point, we consider our expertise in open innovation to be a great asset, and we intend to pursue it so that we can further demonstrate this strength.

Nomura Recently, an all-division meeting was held with the participation of all employees to disseminate the medium-term management plan to employees, and what I felt there was the closeness between management and general employees. I believe that employees had an opportunity to speak up, and each one of them could recognize "what I do" and "what I can do." A training plan was also discussed at the board meeting, and I could see that the company is trying to develop human resources with a very broad range of skills and characteristics through various training programs. I have also experienced talents and corporate planning in the course of managing a company, so I hope to make positive comments and proposals as an outside director, based on my own experience and while learning something new.

Okuno My specialty is people. In terms of growth strategies, I believe that I can contribute to the strengthening of the management foundation that forms the base of such strategies. In particular, Ono is currently strengthening its efforts to develop human resources in digital and innovation, and the planning and operation of a wide variety of training programs, including e-learning, is being visualized by the Board of Directors, and I myself am watching the progress with great anticipation. If I were to make a

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request, it would be to see a greater focus on diversity. I have pointed out to the Board of Directors that I would like to see a firm count of the number of women and foreigners who have participated in the training programs.

Nagae In pursuing our growth strategy, I'm focusing on strengthening corporate infrastructure, particularly in the area of expanding human capital. While strict compliance is a major mission for any company, I believe that compliance is a matter of corporate culture, or in other words, a matter of people. I have been practicing kendo for a long time, and there is the idea that kendo is a path of human development. Winning is not the ultimate goal. The main objective is to develop people, and by doing so, the results will naturally follow. I believe that in a company as well, the development of people is the basis of everything. Creating a corporate culture in which people can say anything to each other. That is the key to preventing misconduct, encouraging employees to take on new challenges, and leading to innovation, so I would like to support and encourage this point in particular.

Management Issues and Redefining Material Issues

Sagara The material issues we identified in 2018 had a strong orientation to CSR issues, but this year we reorganized them from the perspective of important issues for overall management. In line with the medium-term management plan, we have clarified more clearly what kind of value creation we are aiming for and what kind of foundation we need to build in order to achieve that.

Nomura I believe that this reorganization has enabled each and every employee to more clearly recognize what they should do. Defining material issues is not the end of the process once, it is important for the field to take action and achieve results, so in that sense, it has become very easy to understand, and I am now looking forward to seeing what reports will be presented at next year's all-division meeting. As an outside director, I would like to collect and provide as much outside information as possible to further evolve material issues.



Okuno It's very significant that material issues were newly redefined as management issues this time. I think the reason for this is probably that CSR issues are considered to be things that are separate from the company's core business and not things that employees considered to be their own issues. However, now that they have become management issues, they are widely recognized as issues in our core business. That was a breakthrough.

Nagae Five or six years ago, the SDGs were already commonplace in Europe and the United States, but awareness was still low among Japanese managers. Now, however, awareness has spread considerably. Definition of material issues has also become commonplace, but it is important for each employee to think "what number of the SDGs is the work I'm doing now connected to, and which material issue will be solved?" and really feel the link of their work to the SDGs.

Increase Transparency and Objectivity in Executive Appointments and Executive Compensation

Sagara We now have three outside directors with diverse backgrounds: Mr. Nomura and Mr. Nagae, who have experience in corporate management, and Ms. Okuno, a university professor specializing in business administration, and I believe that we have reached a very ideal form. By incorporating objective opinions not only at Board of Directors meetings but also at meetings related to executive personnel and executive compensation, we believe that we have secured a level of transparency that allows us to provide thorough explanations to our stakeholders.

Nomura I have just assumed the chairmanship of the Executive Compensation Meeting. I will fulfill my position with objectivity and practicality, as well as keeping the word common sense in mind, which I have valued as a manager.

Nagae I think that although thinking about compensation systems differs depending on the company, I believe it is important to make sure that it is not too different from what is generally acceptable. Regarding executive appointments, the Board of

Directors then makes decisions after review by the Executive Appointment Meeting. I think it is good that we can deepen information and discussion in this process. On the other hand, I also feel that it is necessary to create a system that allows us to understand more in-depth personal information about director candidates, such as their personalities and backgrounds.

Okuno Compensation, evaluation and appointments, I believe these are all interlinked. While we cannot compete with those within the company in terms of the amount of information we have, I feel that our role is to look at it from the perspective of whether we can explain it to the outside world. If it is not at least satisfactory to us, it cannot be satisfactorily explained to those outside the company.

For Further Growth in the Future

Sagara Please tell me what you feel are the challenges at Ono Pharmaceutical today.

Nomura I believe that there is a need for a thicker layer of senior management. Ono's business performance has been expanding very rapidly over the past few years, and the number of employees has been increasing. Since we have gathered human resources from various fields, I believe that one of our major challenges is to increase the number of leaders.

Nagae When a company grows, there comes a desire for expansion, but this also entails the risk of failure. However, to grow further, one must be prepared to take on challenges, even if it involves some risk. It is important to be resourceful and change one's thinking and actions immediately when something happens. Also, as the company grows, various rules will become necessary, so I think it is important to start considering ahead of time what rules will be necessary in terms of governance and compliance.

Okuno In terms of my role, as I said before, it is still to strengthen diversity. I have had limited contact with employees due to the COVID-19 pandemic, but there seems to be many



excellent people. I would very much like to ask you to create a system to pick up these people and make them role models.

To Know More about Ono Pharmaceuticals

Nomura Ono's support system for outside directors is excellent, and we are making good use of the information in the trade press that you provide to us to gain expertise. I think that if you could go one step further and include information about the weaknesses of us outside directors, and other information that the company would definitely like us know, it would help us understand the company better.

Okuno I was limited by the COVID-19 pandemic, so my contact with the company and its employees itself was limited. I wish we had more opportunities to get to know the company in the flesh, as it were, during our monthly board meetings. With the return of the face-to-face format, I honestly feel that I would like to visit more places, if requested. I believe that new contacts would emerge from such visits, and we would probably be able to share with each other more information that we want and need. I hear that there are plans for outside directors to have research institute and factory tours in the future, and I would like for us to have more contact with employees in a variety of ways.

Nagae I am impressed that Ono is responding well to the requests of outside directors. Now it is important for me to study the information provided to me on my own, and I would like to ask for continued support in this regard.

Sagara We recognize that providing more opportunities and increasing the quantity and quality of information in order to receive better proposals and recommendations from all of you will strengthen Ono, and we will continue to be proactive in this regard.

Thank you very much for your time today.

