

May 11, 2022

Announcement on the Revision of Remuneration System for Members of the Board of Directors

Ono Pharmaceutical Co., Ltd. (Osaka, Japan; President, Representative Director, Gyo Sagara; “the Company”) today announced that the Company reviewed the remuneration system for Members of the Board of Directors and resolved at the meeting of the Board of Directors held today to propose an agenda concerning remuneration, etc., for Members of the Board of Directors at the 74th Ordinary General Shareholders’ Meeting (“the Meeting”) to be held on June 23, 2022 as described below.

1. Background and Purpose for the Revision of the Remuneration System

The remuneration, etc., for Members of the Board of Directors of the Company excluding its Outside Directors (the “Eligible Member(s)”) consists of “base remuneration” as a fixed remuneration, “bonuses” paid based on the performance or the like of each fiscal year, and “stock-based remuneration-type stock options” as an incentive to enhance corporate value over the medium to long term from the same perspective as shareholders.

With the aim of establishing the Company as “Global Specialty Pharma,” the Company determined to revise the current remuneration system to increase the ratios of the performance-based remuneration and the stock-based remuneration, in order to enhance corporate value over the medium to long term and further promote shared value with its shareholders. Please note that this revision of remuneration system is subject to the shareholders’ approval at the Meeting of the proposal related to remuneration for Members of the Board of Directors.

2. Outline of the Revision of the Remuneration System

1) Monetary remuneration

In order to enable the Company to set the remuneration level that allows securing and maintaining talented human resources, as well as increase the ratio of bonuses (variable remuneration) to the Eligible Members and thereby further motivate them to achieve the performance targets, the Company will raise the limit of monetary remuneration for Members of the Board of Directors of the Company from the current annual amount limit of not more than ¥450 million (excluding the amount paid as employee salaries) to not more than ¥700 million (which includes the annual amount limit of not more than ¥100 million for Outside Directors, but does not include the amount paid as employee salaries).

2) Stock-based remuneration system

In order to enhance corporate value over the medium to long term and further promote shared value with its shareholders, the Company will introduce the restricted stock-based remuneration system under which common stock of the Company will be granted to the Eligible Members (the “System”; and the common stock of the Company to be granted under the System shall be referred to as the “Stock”).

Under the System, monetary remuneration claims will be provided to the Eligible Members, and the Stock will be granted to them in exchange for contribution in kind by the Eligible Members of all such monetary remuneration claims, and the Eligible Members are not allowed to transfer, create security interest with respect to, or otherwise dispose of, the Stock during their term of office (the “Transfer Restriction”). In addition to the Transfer Restriction, in the event that any Eligible

Member breaches the laws and regulations, internal rules or the like in any material respect and the Board of Directors of the Company considers it appropriate, or otherwise any of certain events stipulated by the Board of Directors of the Company has occurred, during the period of the Transfer Restriction, the Company will acquire all or part of the Stock held by such Eligible Member without payment of compensation (stipulation of the malus clause).

The Company will abolish the limitation of the amount of the remuneration for the stock acquisition rights allotted as the stock-based remuneration-type stock options (not more than ¥100 million a year) on the condition that the proposal submitted to the Meeting seeking introduction of the System is approved as originally proposed.

The System consists of the following two types of remunerations: (i) the “Tenure-Based Restricted Stock Remuneration,” which is regarded as the stock remuneration replacing the current stock-based remuneration-type stock options; and (ii) the “Performance-Based Restricted Stock Remuneration,” for which the number of shares granted is calculated on the basis of the degree of achievement to the performance targets established for each fiscal year in connection with the medium to long-term management strategies and challenges (including the ESG targets) as well as the degree of achievement to the target values of the performance targets for each fiscal year. The Company plans to provide the “Performance-Based Restricted Stock Remuneration” similar to (ii) described below to Corporate Officers of the Company subject to the approval at the Meeting of the proposal concerning the System as originally proposed.

(1) Tenure-Based Restricted Stock Remuneration

For the Tenure-Based Restricted Stock Remuneration, the number of shares granted is calculated on the basis of the level of responsibility in decision making, and such shares are granted after conclusion of the ordinary general shareholders’ meeting.

Because the Tenure-Based Restricted Stock Remuneration is substantially a replacement for the current stock-based remuneration-type stock options, the amount of this remuneration will be not more than ¥100 million a year (and the number of shares granted will be not more than 60,000 shares a year) in addition to the amount of the remuneration described in 1) above.

(2) Performance-Based Restricted Stock Remuneration

The purpose of the Performance-Based Restricted Stock Remuneration is to further promote the Company’s efforts aiming at the improvement of corporate values in medium to long term as well as to raise awareness to performance targets, ESG evaluations and the like. The number of shares granted is decided afterwards within the range of 0% to 200% of the standard number of shares, based on the performance evaluation following the end of the performance evaluation period (one fiscal year), and such shares are granted after conclusion of the ordinary general shareholders’ meeting. The first performance evaluation period is the 75th fiscal year of the Company (from April 1, 2022 to March 31, 2023). Thereafter, the Company may grant the Performance-Based Restricted Stock Remuneration for a new performance evaluation period which will be each fiscal year. With respect to the Performance-Based Restricted Stock Remuneration, in the event that any Eligible Member breaches the laws and regulations, internal rules or the like in any material respect and the Board of Directors of the Company considers it appropriate, or otherwise any of certain events stipulated by the Board of Directors of the Company has occurred, during a certain period following the lifting of the Transfer Restriction, the Company is entitled to acquire all or part of the shares of the Performance-Based Restricted Stock Remuneration held by such Eligible Member without payment of compensation and, if the relevant shares have been disposed of, require such Eligible Member to pay the amount equal to the disposal value (additional stipulation of the clawback clause).

The amount of the Performance-Based Restricted Stock Remuneration will be not more than ¥300 million a year (and the number of shares granted will be not more than 180,000 shares a year) in addition to the amount of the remuneration described in 1) and 2), (1) above.

For the performance evaluation of the Company's 75th fiscal year, the Company plans to include in the evaluation indicators the degree of achievement of performance targets (sales revenue and operating profit), assessment by an external party concerning the ESG and other items, with a focus on efforts and results concerning the four growth strategies that the Company is pursuing: "Maximizing Product Value — From a Patient Oriented View," "Improving Drug Pipelines and Accelerating Global Development," "Realizing Own Marketing Activities in the U.S. and Europe" and "Expanding Business Domains," as well as development of intangible assets that are the management base to support these growth strategies, such as digital and IT infrastructure, human resources and corporate brand.

3) Transitional Measure upon the Revision of Remuneration System

Following the introduction of the System, the current stock-based remuneration-type stock options will substantially be replaced by the Tenure-Based Restricted Stock Remuneration. In this respect, all unexercised stock acquisition rights allotted to Members of the Board of Directors of the Company as stock-based remuneration-type stock options in the past fiscal years will be waived, and in exchange for it, the same number of shares of the Stock as the number of shares of the Company's common stock that is the object of the stock acquisition rights to be waived by the Eligible Directors (75,000 shares in total), will be granted as remuneration, etc., for such Eligible Directors (the "Transitional Measure"). The purpose of the Transitional Measure is to integrally and efficiently manage and operate the stock-based remuneration system upon the revision the remuneration system, and therefore does not substantially add any new remuneration, etc., for the Eligible Members.

Only for the current fiscal year, the amount of remuneration, etc., required to implement the Transition Measure will be not more than ¥400 million (75,000 shares) in addition to the amount of other remuneration, etc.

3. Method, etc. for Determining the Details of Remuneration, etc., of Each Member of the Board of Directors

The Board of Directors determines remuneration, etc., of each Member of the Board of Directors of the Company within the amount approved at the general shareholders' meeting through the deliberation by the Executive Compensation Meeting, where Outside Directors account for a majority and one of them serves as chairperson. The Company will ensure proper operation of the remuneration system by maintaining the same procedure also after the revision of the remuneration system.

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