SUSTAINABILITY REPORT 2023

ONO PHARMACEUTICAL CO.,LTD.

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About the Sustainability Report

Editing Policy

This Sustainability Report is issued yearly in order to inform in a systematic and faithful manner to all the stakeholders on the basic ideas, targets and plans of ONO's sustainable management as well as the contents, progress, and achievement of the efforts we made.

Organization Covered by the Report

ONO PHARMACEUTICAL CO., LTD

＊This report partly covers the activities of our subsidiaries listed below.

Domestic subsidiaries: Ono Pharma Healthcare Co., Ltd., Ono Digital health Investment, GK, Ono Pharma UD Co., Ltd., michiteku Co., Ltd.

Overseas Subsidiaries: ONO PHARMA USA, INC.,ONO PHARMA UK LTD.,ONO PHARM KOREA CO. LTD.,ONO PHARM TAIWAN CO. LTD.,Ono VentureInvestiment Inc.

Period of Time Covered by the Report

FY2021 (from April 2022 to March 2023)

＊The report partly refers to the activities before and after the period above.

Publication Date

November 2023

Reference Guidelines

GRI（Global Reporting Initiative）' GRI Standards '

GRI Standards Content Index is posted on ONO's website "Sustainability" .

Ministry of the Environment, Environmental Reporting Guidelines (Fiscal Year 2018 Version)

Ministry of the Environment, Environmental Accounting Guidelines (Fiscal Year 2005 Version)

Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures

Independent Practitioner's Assurance

As for the categories of sustainability information, each of which is disclosed and indicated with the icon check in our SUSTAINABILITY DATA 2022, we have received independent practitioner's assurance so as to bolster the reliability of the information.

Contact Information

ONO PHARMACEUTICAL CO., LTD.

CSR Promotion, Sustainability Promotion Department

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Top message

Contributing to sustainable social development through business activities

President, Representative Director
Gyo Sagara

Since its establishment in 1717, ONO has devoted itself solely to the pharmaceutical industry under the corporate philosophy "Dedicated to the Fight against Disease and Pain." In order to contribute to society by developing pharmaceutical products that truly benefit patients, we continue to tackle diseases that remain unconquered as yet and address areas with high healthcare needs where patients are poorly satisfied with current treatments.

In March 2022, we formulated a sustainable management policy, and will continue to take on the challenge of realizing a sustainable society by contributing to people's health through the research and development of pharmaceuticals, preserving a rich global environment for future generations, realizing a society where people can play active roles, and establishing highly transparent and robust management.

In FY2022, we continued to conduct our business activities amidst the novel coronavirus pandemic, and in order to fulfill our mission as a pharmaceutical company, we have taken measures to prevent infection and reduce the burden on medical sites, while working to ensure a stable supply of pharmaceuticals. As a pharmaceutical company, we are also aware of the importance of improving access to healthcare, and are promoting initiatives such as research and development on pharmaceuticals for rare diseases, intractable diseases, and pediatric patients, for which medical needs have not yet been fulfilled.

In recent years, the issue of global warming, including extreme weather events, is becoming increasingly serious, and countermeasures to address climate change is one of the critical challenges facing the international community. We believe that it is important to be fully aware of our corporate social responsibility to the environment, and to consider the environment in all aspects of our business activities so that we can play our part in preserving a rich global environment. Based on this belief, in June 2019 we formulated the medium- to long-term environmental vision "ECO VISION 2050," pledging to become a leading company in the area of environmental challenges in the pharmaceutical industry by 2050. To achieve "ECO VISION 2050," we determined three priority items, namely the "Realization of a decarbonized society," "Realization of a water recycling society," and "Realization of a resource recycling society," and set specific medium- to long-term reduction goals for greenhouse gas emissions, water use, and waste amounts. In March 2023, we reviewed our targets to accelerate our efforts, and have set a new medium- to long-term environmental goal of achieving carbon neutrality (net zero emissions by offsetting carbon offsets) for our own emissions (Scope 1+2) by 2025, and moving up the target year for achieving zero emissions from 2050 to 2035. In October 2019, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and have since worked to appropriately disclose information based on the TCFD recommendations. In June 2020, we participated in "RE100," an international initiative aimed at enabling companies to use 100% of the electricity used in their businesses from renewable energy. Participating in "RE100" is an important step toward achieving the goal of "ECO VISION 2050," and we will further strengthen our efforts to procure and expand the use of renewable energy.

With regard to the Sustainable Development Goals (SDGs) adopted by the United Nations, we have set three development goals as our top goals and are collaborating with parties both within and outside of our company to promote activities that will help us achieve them. Namely, those goals are "GOAL 3: Good Health and Well-being," "GOAL 9: Industry, Innovation and Infrastructure," and "GOAL 17: Partnerships for the Goals."

Under the corporate philosophy "Dedicated to the Fight against Disease and Pain," we will continue being passionate challengers. We sincerely ask for your continued support.

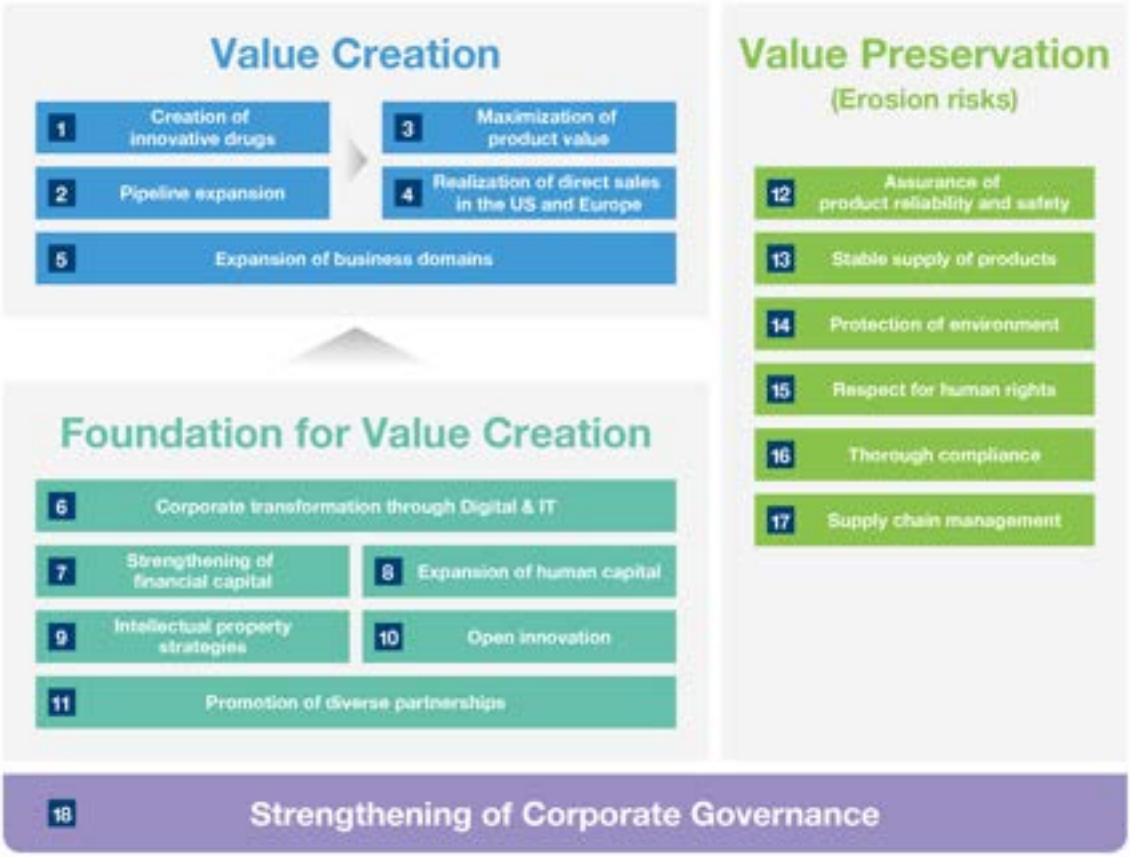
ONO's Approach to Sustainability

Since our foundation in 1717(Kyoho 2nd year of the Edo period), we have fully committed to the pharmaceutical business, under the corporate philosophy “Dedicated to the Fight against Disease and Pain”. In FY2021, we have newly established sustainable management policy, to realize a sustainable society.

Please see here for the details (183KB)

Our Materiality

Materiality: Our most important issues



In FY2021, based on the newly established sustainable management policy, we changed the materiality from “important CSR issues” to “important management issues” to analyze and manage financial and non-financial management issues in more integrated way. The materiality thus defined has been clearly linked to the strategy of the mid-term management plan and has 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 materiality analysis

Materiality analysis was conducted in FY2021, by following steps.

Step 1: Identify the Issues

In the materiality analysis, we conducted a management environmental analysis 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 external/internal management environmental analysis, 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: Identify the Materiality

In identifying materiality, we first classified the issues extracted in Step 1 into “value creation,” “foundation for value creation,” or “value preservation (erosion risks).” We recognized that “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 materiality issues* were defined as the most important issues from the perspective of importance to stakeholders and business. Materiality issues were deliberated and finalized by the Board of Directors.
Please see the “Actions for Materiality Issue” for reason for being a priority issue, targets and progresses for each materiality.

* Other important CSR issues which are not included in the 18 most important issues include "Assurance of comprehensive occupational health and safety", "Contribution to local communities," and "Consideration of animal welfare and bioethics”, etc.

Verify Validity

For the materiality analysis in FY2018, we engaged in a dialogue with external experts about the process of our materiality analysis, the themes that are set and future initiatives to verify the validity of each important issue.
Also, in FY2021, we engaged in a dialogue with the same external experts, about the validity and future challenge of our new materiality analysis.

Radical and excellent materiality analysis in ONO's way
Overseas communications will become more important.

Makiko Akabane
Japan Representative, CSR Asia

This materiality analysis is conducted in ONO's way and is very forward-thinking. In the previous materiality analysis, a general biaxial materiality map was used; however, this time, it is going beyond the existing framework and creating a more satisfactory examination process at ONO. ONO conducted and compiled a radical analysis in its own way. It is excellent. Other companies will likely use it as a reference.
In addition, issues that bring a sense of satisfaction are defined even from the perspective of whether the corporate philosophy "Dedicated to the Fight against Disease and Pain" can be achieved by engaging in the materiality identified this time.
What ONO should strengthen in the future is to include global awareness and perspectives when aiming to be a global specialty pharma. The following two points are noted when assuming overseas audiences:
The first point is whether global and high-interest themes are fully identified. Particularly in the US and Europe, the topics of interests are the wealth gap, medical access, diversity and inclusion, and industrial safety and health, etc. While ONO is developing globally, it is necessary to acknowledge the issues that overseas stakeholders acknowledge, now more than ever.
The second point is clear communication to show the attitude of a "challenger" that ONO put forth in its Mission Statement. For example, in the expression "protection of environment," it is difficult to communicate ONO's aggressive features to become a leading environmental company in the pharmaceutical industry. Therefore, more proactive communication is important with overseas stakeholders.
It will be more important to include the expectations of overseas stakeholders in the future, and it is better to reflect the opinions of overseas employees, now more than ever.

ONO has grown steadily towards expected integrated materiality. In the future, the establishment and management of goals as well as disclosure and communication will be more important.

Kenji Fuma
Chief Executive Officer,
Neural Inc.

The position of materiality has changed from major CSR issues to management issues in which financial and non-financial matters are combined. This shows that ONO has overcome the previous issues and made major progress. The materiality analysis procedures are also appropriate. It was excellent to see that ONO, including management members, verbalized the issues, and examined why the issues were important to them. In addition, it is also highly appreciated that ONO examined them in consideration of how non-financial issues influence future financing.
At the same time, ONO should be careful when engaging in communication outside the company in the future. The number of groups with major issues that are included in the "Foundation for value creation" and "Value Preservation" among the materialities identified at this time is large and there is a wide variety of such groups. For this reason, stakeholders may have concerns as to whether ONO can really manage these issues or whether the issues are narrowed down to truly material issues. When disclosing information outside the company, it is important to present medium-term goals that can satisfy each issue and to give explanations of the management methods that are being strengthened more than ever.
In addition, in the new materiality, issues are listed in large categories, such as "Thorough compliance," etc.; however, stakeholders would like to know what specific materiality issues are included in each category. In particular, investors communicate with companies on the assumption that themes such as corruption prevention, the protection of personal information, etc., are included among the major issues, and are interested in how far ONO is going to progress activities for these themes, etc. Therefore, it is preferable that companies can disclose the information and provide careful explanations.
Materiality analysis is progressing in the expected direction. In order to achieve strategic goals for value creation, it becomes important to engage in non-financial issues integrally and to strengthen communication outside the company year by year.

Actions for Materiality Issue

With regard to each materiality issue that was redefined in FY2021, we will establish mid-term targets and plans, and confirm the progress. Issues are managed in an integrated manner with the risks identified and managed in ERM (Click here for ERM).
Furthermore, in conjunction with the mid-term management plan, each issue will be linked to a corresponding division, organization, and committee, and a company-wide PDCA management cycle will be established and managed by the Board of Directors and via Management Meetings. In addition, the external/internal business environment is reviewed annually to review the appropriateness of materiality issues and progress against medium- and long-term goals. There were no changes to the materiality issues in FY2022.
Please see below for reason for being a priority issue, targets and actions for each materiality and the progress of FY2022.

Material Issues and KPI (54KB)

Please refer to the Corporate Report for specific strategies and progress for each materiality.

Initiatives up to FY2021

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

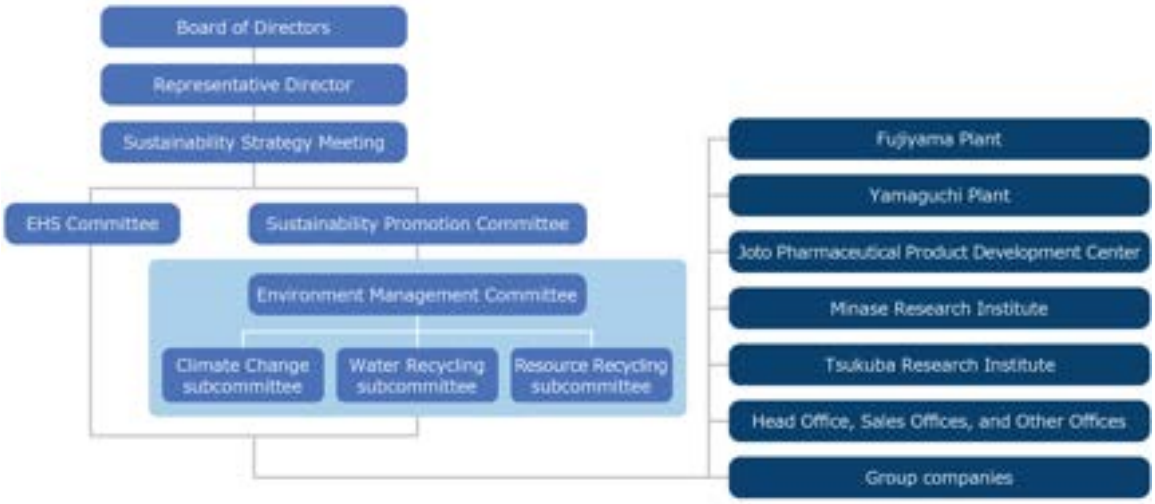
For the Targets and Progress of the Previous Materiality (FY2019-FY2021), please see here. (819KB)

Sustainability Promotion Structure

The Board of Directors supervises materiality (important issues) in sustainable management at ONO. The president, representative director, and CEO is appointed as the person responsible for sustainability management and the Member of the Board of Directors, Senior Executive Officer/ Executive Director, Corporate Strategy & Planning as the executive officer in charge of sustainability.

The Sustainability Strategy Meeting (consisting of the Representative Director, directors, and executive officers in charge of each division, persons responsible for relevant divisions, etc.) is established under the supervision of the Representative Director and it reviews, examines, and makes decisions on major matters.

In addition, the Sustainability Promotion Committee, which is chaired by the Member of the Board of Directors, Senior Executive Officer/ Executive Director, Corporate Strategy & Planning and consists of persons responsible for a wide range of divisions, examines major issues and issues in sustainability activities and promotes countermeasures. Their activities are proposed or reported regularly to meetings in which management personnel participate. Furthermore, the Environment Committee and EHS Committee are reviewing and promoting issues related to the environment and industrial health and safety.



Participation in the United Nations Global Compact

In November 2017, we participated in the United Nations Global Compact (UNGC), which is composed of 10 principles advocated by the UN concerning human rights, labour, environment, and anti-corruption. We comply with relevant laws and disseminate “the Ten Principles of the UNGC” through our daily activities to ensure that all employees follow them.

The Ten Principles of the UNGC

《Human Rights》

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

《Labour》

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

《Environment》

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

《Anti-Corruption》

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

We submit our Communication of Progress (CoP) every year to the UNGC to report on our initiatives toward “the 10 Principles of the UNGC.”

› UNCG website posting our CoP

Our Contribution to the SDGs

Contribution by ONO to the SDGs

We contribute to Goal 3, Goal 9 and Goal 17 in the SDGs through the creation of innovative drugs.

We strive to realize Goal 3: Ensure healthy lives and promote well-being at all ages as a research and development company specializing in prescription drugs based on our corporate philosophy to be dedicated to the fight against disease and pain. In response to the mortality rate of non-communicable diseases raised as a goal of the SDGs, we began to concentrate our research area into diseases such as cancers, immunological diseases and central nervous system disorders to contribute to the creation of original and innovative therapeutic medications for diseases for which medical needs have still not yet been satisfied. To improve access to healthcare in low-income and low- and middle-income countries, we will work in partnership with NGOs and other organizations to strengthen healthcare systems over the medium to long term, including the development of medical personnel and the improvement of healthcare environments.

In terms of Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation, ONO contributes to encouraging innovation and building research and development infrastructure. To vitalize research and development in order to create new drugs, we of course not only invest in internal research and development but also provide grants, such as those for investigator-initiated clinical trials. Furthermore, the ONO Medical Research Foundation and ONO Pharma Foundation promote research to help build a bedrock for innovation through research grants to researchers overseas.

Moreover, we cannot separate ourselves from the duty to promote innovation or from Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development. We will not only provide innovative drugs independently but also seek out and achieve a wide range of partnerships. Long before “open innovation” became a commonly used phrase, ONO advanced the development of new drugs through the use of state-of-the-art technology and expertise from various fields worldwide. At the same time, we have been actively working to introduce and draw on new candidate compounds for pharmaceuticals. In addition to alliances with venture companies and other pharmaceutical companies, we form partnerships with a wide range of stakeholders from universities and research institutes to government agencies, local communities and NPOs in an effort to resolve problems via open innovation. A list of our main partnerships can be found here.


Priority: High
SDGs tied to the creation of innovative medicines assessed as most important
SDGs relevant to the value chain of Ono Pharmaceutical

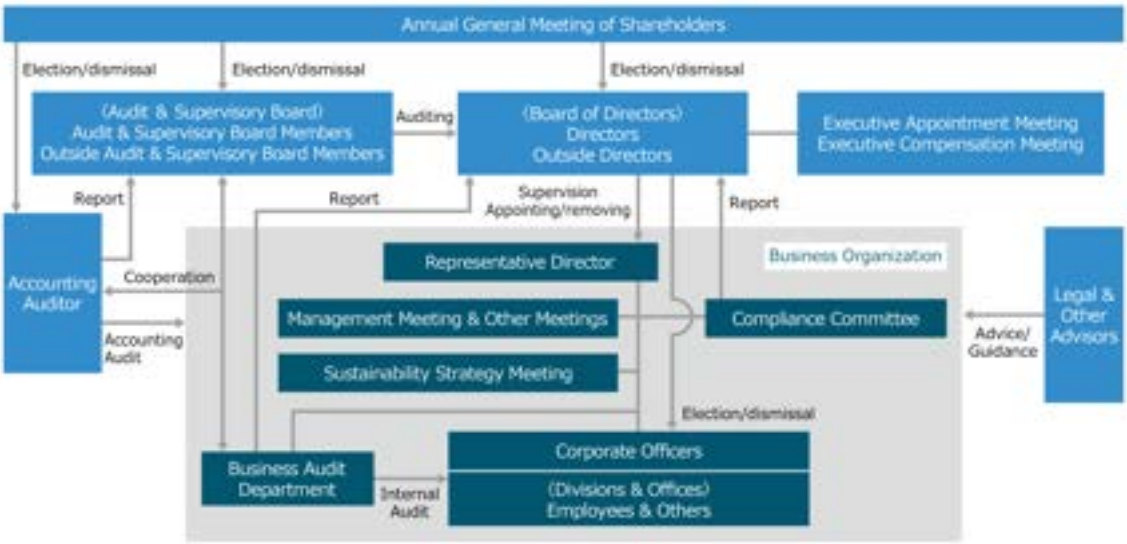
Corporate Governance

We believe that, in order to earn the trust of all stakeholders and to improve our corporate value, it is important not only to comply with laws and regulations, but also to increase the transparency of management and strengthen corporate governance.

Corporate Governance Structure

We have adopted an organizational framework with Audit & Supervisory Board Members (or the Audit & Supervisory Board), focusing on the enhancement of functions of the Board of Directors and the Audit & Supervisory Board, as part of endeavors to bolster corporate governance. In addition, in order to ensure independence and objectivity with regard to the appointment and remuneration of the senior management and Members of the Board of Directors, we have established the Executive Appointment Meeting and the Executive Compensation Meeting, where Outside Directors account for a majority and one of them serves as chairperson.
Regarding business execution, we have adopted the Corporate Officer System to improve management efficiency and expedite the decision-making process. Furthermore, important matters regarding business execution are deliberated and determined at Management Meetings and other meetings chaired by the responsible Members of the Board of Directors or Corporate Officers, depending on the importance and content of the management issues. Overall, we strive for optimal business operations in consideration of mutual supervisory functions.

Corporate Governance Structure



Board of Directors

We work to ensure an appropriate numbers and composition of the Board of Directors, with focus on expediting 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 Independent Outside Director from those who have high level of expertise in corporate management on the premise that they satisfy the standards for Independent Directors set out by Tokyo Stock Exchange, with a basic policy of at least one third of Members of the Board of Directors being Outside Directors (currently, three of the seven Members of the Board of Directors are Outside Directors, including one female Member of the Board of 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.
The 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 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 on duties as our 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 capacity (appointment as officers of listed companies, etc.) at up to, in principle, four companies not including us.

Attendance of all Directors at the Meeting of the Board of Directors (FY2022)

Positions*1	Name	Assignments or Important Concurrent holding of Positions*1	the Meeting of the Board of Directors	
			Attendance / holding	Attendance rate
Representative Director, President & CEO	Gyo Sagara	—	12 / 12	100%
Member of the Board of Directors, Senior Executive Officer	Toshihiro Tsujinaka	Executive Director, Corporate Strategy & Planning	12 / 12	100%
Member of the Board of Directors, Senior Executive Officer	Toichi Takino	Executive Director, Discovery & Research	12 / 12	100%
Member of the Board of Directors, Executive Officer	Isao Ono*2	Director, Corporate Research	12 / 12	100%
Member of the Board of Directors, Executive Officer	Kiyoaki Idemitsu	Executive Director, Clinical Development	12 / 12	100%
Member of the Board of Directors, Outside Director	Masao Nomura	Corporate Advisor, Iwatani Corporation Outside Director, Keihanshin Building Co., Ltd.	12 / 12	100%
Member of the Board of Directors, Outside Director	Akiko Okuno	Professor, Faculty of Business Administration, KONAN UNIVERSITY	12 / 12	100%
Member of the Board of Directors, Outside Director	Shusaku Nagae	Special Corporate Advisor, Panasonic Holdings Corporation Chairman, Audit & Supervisory Board Member, Nikkei Inc.	12 / 12	100%

*1 Positions, Assignments or Important Concurrent holding of Positions are as of April 1, 2023.

*2 Isao Ono left the board as of the end of the 75th Ordinary General Shareholders Meeting held on June 22, 2023.

Audit & Supervisory Board

From the perspective of strengthening audit functions, the Audit & Supervisory Board is composed of two independent Outside Audit & Supervisory Board Members (including one female Audit & Supervisory Board Member) 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. The 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.

Attendance of all Audit & Supervisory Board Members at the Meeting of the Board of Directors / the Meeting of the Audit & Supervisory Board (FY2022)

Positions*	Name	Assignments or Important Concurrent holding of Positions*	the Meeting of Board of Directors		the Meeting of the Audit & Supervisory Board	
			Attendance / holding	Attendance rate	Attendance / holding	Attendance rate
Full-time Audit & Supervisory Board Member	Katsuyoshi Nishimura	—	11 / 12	91.7%	14 / 15	93.3%
Full-time Audit & Supervisory Board Member	Hironobu Tanisaka	—	12 / 12	100%	15 / 15	100%
Outside Audit & Supervisory Board Member	Yasuo Hishiyama	Partner Attorney at Law, TANABE & PARTNERS Member or appraisal committee (Land Lease Non-Contentious Cases) at Tokyo District Court	12 / 12	100%	15 / 15	100%
Outside Audit & Supervisory Board Member	Akiko Tanabe	Representative, Akiko Tanabe CPA office Outside Director, OIE SANGYO CO., LTD. Partner of Midosuji Audit Corporation	12 / 12	100%	15 / 15	100%

* Positions, Assignments or Important Concurrent holding of Positions are as of April 1, 2023.

Skill Matrix of Members of the Board of Directors and Audit & Supervisory Board Members

Position	Name	Main Skills and Areas of Experience								
		Corporate Management	Finance and Accounting	Legal and Risk Management	Research and Development	Business Strategy and Marketing	Personnel Affairs and HR Development	ESG and Sustainability	Global Experience	DX and IT
Representative Director President & CEO	Gyo Sagara	●	●			●		●		
Member of the Board of Directors, Senior Executive Officer	Toshihiro Tsujinaka		●			●	●			
Member of the Board of Directors, Senior Executive Officer	Toichi Takino				●	●			●	
Member of the Board of Directors, Executive Officer	Kiyoaki Idemitsu				●	●			●	
Member of the Board of Directors	Masao Nomura	●	●	●		●	●	●		●
Member of the Board of Directors	Akiko Okuno						●	●	●	
Member of the Board of Directors	Shusaku Nagae	●			●	●		●	●	●
Full-time Audit & Supervisory Board Member	Katsuyoshi Nishimura			●		●		●		
Full-time Audit & Supervisory Board Member	Hironobu Tanisaka			●				●		
Audit & Supervisory Board Member	Yasuo Hishiyama			●				●		
Audit & Supervisory Board Member	Akiko Tanabe		●					●		

Skill certification standard: Internal Members of the Board of Directors: Experience in the pharmaceutical industry and in managerial positions; Outside Directors and Audit & Supervisory Board Members: Fields in which they are expected to give supervision, auditing, and advice

Executive Appointment Meeting

The Executive Appointment Meeting consists of five members, including three Outside Directors, the President & CEO, and 1 internal director in charge of human resources, and is chaired by an Outside Director. All members attend the Executive Appointment Meeting to ensure the transparency and objectivity of 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 Executive Appointment Meeting, and submitted and approved at the Board of Directors.

Executive Compensation Meeting

The Executive Compensation Meeting consists of four members, including three Outside Directors and the President, Representative Director, and Chief Executive Officer ("Representative Director") and is chaired by an Outside Director. All members attend the Meetings to ensure transparency and objectivity of the amount of remuneration for each Member of the Board of Directors and the calculation methods thereof and deliberations are held on the appropriateness and future form of the executive remuneration system. In addition, when examining remuneration related to performance evaluations, such as bonuses for the Representative Director, etc., the Representative Director is required to leave the meeting and is not to be directly involved in the examination. Remuneration of Members of the Board of Directors is proposed to and determined by the Board of Directors after being examined at the Executive Compensation Meeting.

Corporate Governance Code

We implement all the principles of the Corporate Governance Code stipulated by the Tokyo Stock Exchange. We continue to improve the efficiency, soundness and transparency, etc. of the management, and to develop our system to be more suitable for our business operations, through an annual evaluation of the effectiveness of the Board of Directors.

Corporate Governance Report

Please refer to the “Corporate Governance Report” below for details on our corporate governance situation.

Corporate Governance Report（1,095KB）

Internal Control System

We have established an internal system in accordance with the basic views on Internal Control System set forth by the Board of Directors. The Internal Audit Department (Business Audit Department) performs audits to ensure compliance, make efforts to identify internal control issues early, and maintain and improve the appropriateness of organizational management. In addition, the status of development and operation of the Internal Control System is regularly reported to the Board of Directors to ensure continual improvement of organizational operations.
We are also fully aware of the need to take a firm attitude against anti-social forces and organizations that threaten the order and safety of society.

Operational Management Structure

We effort to maintain and improve the efficiency and accuracy of decision-making and business execution by conducting multifaceted reviews of important business executive matters, including those to be reported to the Board of Directors, at the Management Meetings and other meetings, which are comprised of the President & CEO, Members of the Board of Directors, and Cooperate Officers responsible for each department, as well as the manager of relevant departments. We have also introduced a Corporate Officer System, under which we strive to improve management efficiency and expedite the decision-making process through delegation of authority and other measures.
The Management Meeting is subject to audit by way of attendance by the Audit & Supervisory Board Members, review of the minutes, and other means.

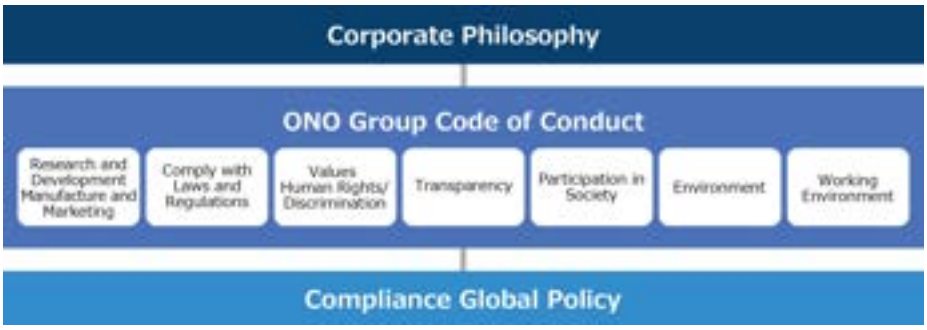
Compliance

Being aware of responsibilities as a pharmaceutical company dealing in pharmaceuticals upon which human lives depend, ONO has established the ONO Group Code of Conduct to ensure all its members act in compliance not only with laws and regulations but also with high ethical standards. We also promote fair procurement activities by thoroughly training employees on compliance education and by closely cooperation of our suppliers.

ONO Pharmaceutical's Compliance System

We are aware of our responsibility as a pharmaceutical company involved in the manufacture of pharmaceuticals that affect the lives of people, and as a part of our compliance system, we have established the " ONO Group Code of Conduct" to ensure our actions are in compliance with laws and regulations and are based on a high sense of ethics. Our compliance system is comprised of the ONO Group Code of Conduct which has been established as a basic guideline that should be followed in our corporate activities based on our corporate philosophy, and the Compliance Global Policy which has been established as the concept and management system for promoting our compliance system. We have also formulated "ONO Pharmaceutical Code of Practice," in line with the Japan Pharmaceutical Manufacturer's Association (JPMA) Code of Practice, which sets forth action standards for promotion activities, and we act in strict compliance with this code.

In putting the compliance system into practice, we adequately inform our employees to ensure transparency, prevent fraud and corruption, and to be constantly aware of domestic and international social conditions.
In addition, social demands for compliance have increased in recent years. In our company, there are more demands than ever for increase in awareness of compliance. With the aim of fostering a company culture where every single employee considers compliance to be their own issue and to achieve the prevention of compliance violations, we included "compliance" items in the behavior assessment items for performance appraisal in all jobs and classes in order to increase employee awareness.



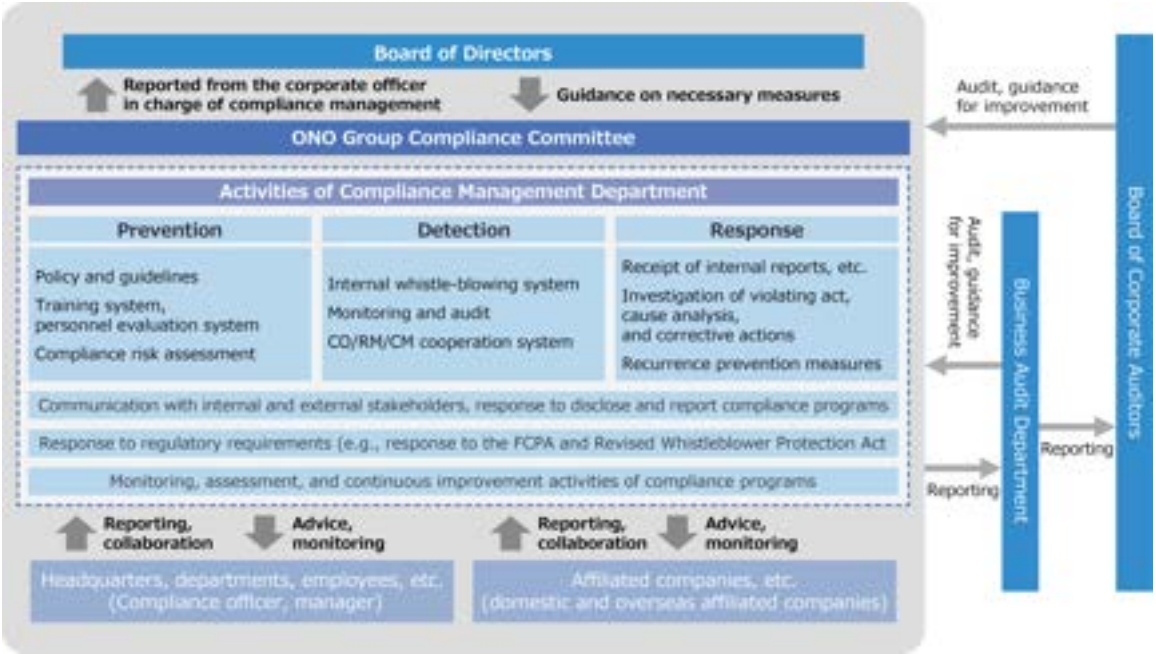
For details, please refer to the Corporate Philosophy / ONO Group Code of Conduct, Compliance Global Policy, and ONO Pharmaceutical Code of Practice below.

- Corporate Philosophy/ONO Group Code of Conduct
- Compliance Global Policy (521KB)
- ONO Pharmaceutical Code of Practice (201KB)

Initiatives to Strengthen Compliance System

Compliance Promotion System

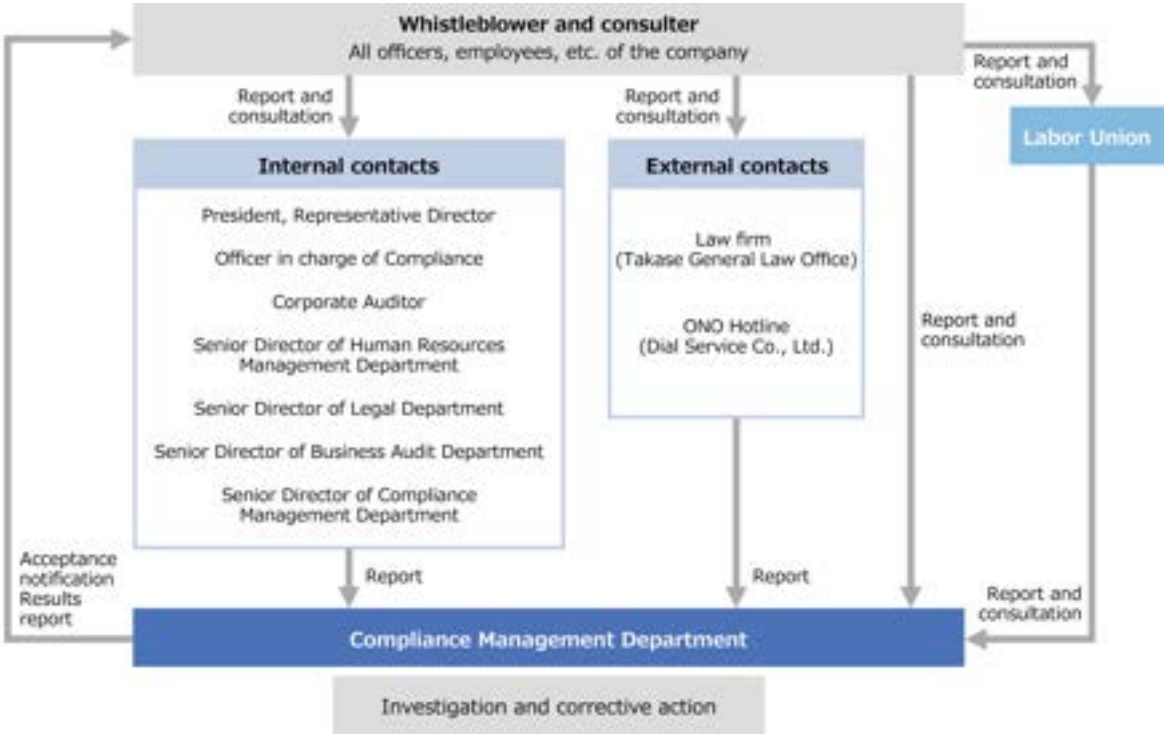
In order to strengthen our compliance system, we have appointed a Member of the Board of Directors, and Senior Executive Officer as the Officer in Charge of Compliance and established the ONO Group Compliance Committee. The committee examines and deliberates on compliance-related issues, plans and promotes training and other programs, and takes up and discusses matters reported by subsidiaries. It also works with the Internal Audit Department to check the status of initiatives at each business site, and with the Risk Management Committee, which promotes enterprise risk management (ERM), to manage compliance risks. In response to serious compliance violations in FY2020, in October 2021, in order to strengthen compliance, we appointed Compliance Officers in each division who are in charge of operations for compliance, as well as Compliance Managers in all departments who act as the point of contact in the workplace for consultations regarding compliance matters. This system is designed to coordinate with the Risk Manager, who is in charge of managing the overall risks of the organization, and to promptly take measures in response to consultation matters that arise within the organization. Information on consultation matters is also shared with the Compliance Management Department, which provides advice to Compliance Managers. In addition, a special officer in charge of overall compliance has been separately assigned at the Sales and Marketing Department. In addition to regularly participating in the Compliance Management Committee within the Sales and Marketing Department and other meetings, this officer provides advice and suggestions in an effort to optimize operations and establish awareness of prevention. For more details on our compliance management system implemented from October 2021, please refer to "[1] Strengthening Our Compliance System" listed under the section titled "In response to serious compliance violations in FY2020." We require our group companies to establish systems and regulations to prevent compliance violations.



Reporting and Consultation System

We have established internal and external points of contact for reporting and consultation (see the chart below), including the ONO Hotline, which is open 24 hours a day. The aim of this is to prevent the occurrence and recurrence of compliance violations, including harassment, to secure an appropriate work environment, and to minimize loss and the erosion of public trust by taking swift action and measures in the event of a violation. We have also established a system that enables direct reporting and consultation with management, including the President, Representative Director and, CEO, the Officer in Charge of Compliance, and the Audit & Supervisory Board Member. All officers and employees (including contract employees, temporary employees, part-time employees, seconded employees, etc.) of the company (including its wholly owned group companies in Japan), as well as former employees who have retired within the past 12-month period (excluding officers) may use the points of contact for reporting and consultation. Reports and consultations received by the points of contact are immediately reported to the Compliance Management Department, which conducts an investigation to confirm the facts. As a result of the investigation, if the existence of misconduct, etc. is revealed, corrective actions, recurrence prevention measures and other necessary measures are promptly taken, and disciplinary action or other measures are strictly enforced. Efforts are made to notify the whistleblower of these developments as appropriate. When using the points of contact for reporting and consultation, the name of the whistleblower, the content they provide, and other privacy-related matters are strictly prohibited from being disclosed to parties other than those required for the investigation, and anonymous reports are also accepted. In addition, the whistleblower who uses these points of contact is protected by law and is not subject to any disadvantageous treatment on the grounds of whistleblowing. These matters are also clearly stated in the Whistleblowing Policy, which were newly established based on the Amended Whistleblower Protection Act that came into effect from FY2022. We also conduct training and other programs to ensure that our employees are aware of these reporting and consultation systems. We will continue to raise awareness on the significance and importance of reporting and consultation, as well as the protection of persons who report and consult, in order to establish a system that allows people to report and consult without hesitation.

For more details on the development of our whistleblowing system, please refer to "[4] Development of Whistleblowing System" listed under the section titled "In response to serious compliance violations in FY2020."



Management of Compliance Risks

The Compliance Management Department, which operates the PDCA cycle for compliance risk management, holds hearings four times a year with all of our divisions, supervisory departments, and other departments in order to visualize risks. In addition to the compliance risks identified by the Risk Manager and the Compliance Officers in charge of risk management in relevant departments, the results of these hearings are used to assess how frequently risks occur and the degree of their impact. The Compliance Management Department then discusses countermeasures with the Compliance Officers and the Risk Manager and monitors their progress after repeated examinations.

Compliance Education

In order to promote compliance, it is important to continuously conduct training and awareness-raising activities for officers and all employees. We use e-learning to conduct a 100-question compliance test twice a year for officers and all employees. In addition, we have designated the three-month period from October to December of each year as our Compliance Promotion Enhancement Month, and we are strengthening our compliance initiatives, including holding division-specific discussions, for officers and all employees. In response to cases of serious compliance violations that occurred in FY2020, we conducted education and training in FY2021 and FY2022 on the prevention of bribery for officers and all employees in order to thoroughly prevent a recurrence. We also conduct annual training regarding harassment to strengthen our efforts to create a comfortable working environment. Training related to the Guidelines on Activities to Provide Sales Information is based on compliance issues that have actually been confirmed, and in addition to holding regular training sessions, if problems do arise, we promptly conduct training to prevent their recurrence. We also promote risk-based training programs on other compliance-related themes. For more details on our compliance training, please refer to "[2] Employee Education" listed under the section titled “In response to serious compliance violations in FY2020.”

Response to Violations and Corrective Actions

The Compliance Management Department investigates any violations that occur. As a result, those who are found to have violated compliance are subject to disciplinary action, including termination of employment. We are also working to prevent recurrences by strengthening our compliance management system and thoroughly raising employee awareness through training, etc.

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. We also recognize that the use of human embryonic stem cells (ES cells) for research purposes raises bioethical concerns because human ES cells are derived by destroying human embryos, which are the emerging potential of human life, and they have the potential to differentiate into any type of human cell. We believe that we should carefully consider the use of human ES cells for research purposes at the internal Ethics Committee based on relevant laws and regulations and guidelines.
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 the Japan Pharmaceutical Information Center.
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 particular attention to the rights, safety and welfare of study subjects. Clinical trials are a long process. We ascertain the true value of a new drug 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 of pharmaceutical products. We regularly provide education on drug-induced injuries to all employees so that they will never forget patients' pain, the drug-induced toxicity, and the grave responsibility of a pharmaceutical company.

For more information, see the web pages below:

- Human Rights
- Animal Ethics

Fair and Transparent Business Activities

In order to ensure our business activities are conducted fairly and transparently, we provide e-learning and establish a training month in each division every year to provide thorough education to all employees concerning the prevention of fraud and corruption. To contribute to healthcare and people's health around the world through continuous new drug creation and provision of a stable supply of our products, we need to cooperate with research and medical institutions and engage in collaborative activities such as support for patient organizations to help patients overcome disease and pain. To enhance the fairness and transparency of these cooperation 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 the Japan Pharmaceutical Manufacturers Association (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 Corporate Senior Executive Officer. For details, refer to the "ONO Pharmaceutical Global Tax Policy," "Country-by-Country Report (Condensed)," "Business Description and Information on Subsidiaries and Associates," and "Notes to Consolidated Financial Statements (Income taxes)" below.

- ONO Pharmaceutical Global Tax Policy
- Country-by-Country Report (Condensed) (Fiscal year ended March 31, 2022) (123KB)
- Business Description and Information on Subsidiaries and Associates (Fiscal year ended March 31, 2022) (307KB)
- Notes to Consolidated Financial Statements (Income taxes) (Fiscal year ended March 31, 2022) (201KB)

Amid a globally mounting interest in compliance with laws governing unfair and corrupt practices, we established the Anti-Bribery and Corruption Global Policy and the Anti-Bribery and Corruption Policy 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.

For the details of our system for preventing bribery and corruption, refer to the Anti-Bribery and Corruption Global Policy (hereinafter the "Global Policy") below.

- Anti-Bribery and Corruption Global Policy

For more information, see the web pages below:

- Operation and Management System of Public Research Funds

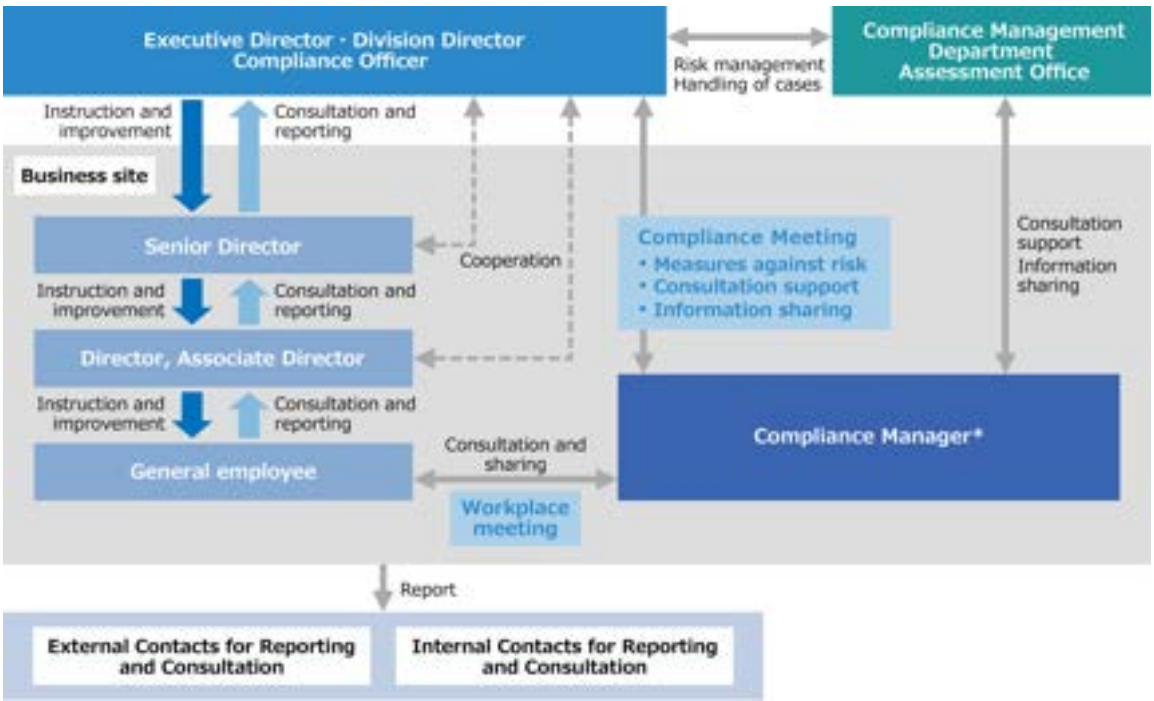
In response to serious compliance violations in FY2020

Since the misconduct that occurred in FY2020 (hereinafter referred to as the "Misconduct"), progress regarding the measures we have taken to strengthen compliance to prevent a recurrence is as follows:

[1] Strengthening Our Compliance System

Since September 2021, the Board of Directors has regularly taken up the following initiatives to strengthen our internal compliance system and reported on their progress in order to strengthen the supervisory system by Members of the Board of Directors, Outside directors.

- As part of our efforts to strengthen internal systems, in October 2021, we established the Assessment Office within the Compliance Management Department , which is in charge of compliance in the company. The Assessment Office serves as a new point of contact for employees with compliance-related questions and concerns, as well as for raising awareness within the company to prevent compliance violations.
- In October 2021, 8 Members of the Board of Directors and Corporate Officers were appointed as Compliance Officers in each division. In addition, 85 Compliance Managers were appointed to each workplace as the primary point of contact for reporting and consultation in order to prevent compliance violations. Furthermore, the Sales and Marketing Department, which has a large number of personnel, has assigned 158 Compliance Assistants to each sales office/office to support the operations of Compliance Managers, so that more detailed reports and consultations can be provided.
- The vertical reporting line is managed by the Compliance Officer, and horizontal management aimed at supporting the activities of Compliance Managers is conducted by the Compliance Management Department's Assessment Office. Based on these systems, the Compliance Manager at each workplace instigates efforts to always question how compliance-based business practices should ideally be, with the aim of encouraging employees to courageously speak up and whistle blow in order to prevent compliance violations.



* The Compliance Manager is the primary point of contact within the business site who listens to the opinions of business site employees and receives consultations that cannot be raised through the usual channels (via superiors).

- Since the start of operations under the new system (October 2021), we have held a total of 183 workplace roundtable conferences mainly comprised of Compliance Managers to educate employees on the importance of initiatives that contribute to the prevention of compliance violations at the workplace level. We have also worked to ensure that employees who have courageously spoken up do not suffer any disadvantages in our operations, and have listened to feedback from our employees while disseminating this in our operations. As a result, over a period of about one and a half years up to March 2023, Compliance Managers consulted on 605 matters (including simple questions). Of these, 48 were found to be consultation matters that could not be raised through the regular reporting line (i.e., those involving suspected harassment with superiors and those concerning the working environment). The Compliance Management Department's Assessment Office also intervened, discussing and addressing response measures with Compliance Officers and Compliance Managers. As a result, we were able to eliminate words and actions that could have led to compliance violations before they developed into more serious situations, and we believe that initiatives that contribute to prevention have taken root and are beginning to function.
- In October 2021, the company appointed a special compliance officer (Senior Partner) who is responsible for overseeing compliance training and overall management in the Sales and Marketing Department. This Senior Partner regularly participates in compliance-related meetings held within the Sales and Marketing Department and provides guidance and advice. The special compliance officer (Senior Partner) not only provides advice to the Executive Director of the Sales and Marketing Department, but also works with the Compliance Management Department as necessary to raise awareness and disseminate information on prevention among Sales and Marketing Department.
- With compliance as an in-house goal, we continuously conduct training aimed at letting employees know the whole picture of the Misconduct that occurred in FY2020, without concealing it, so that the Misconduct will never be forgotten. Not only were we punished by industry organizations, but we were also prohibited from visiting certain medical institutions. In addition, we underwent assessments and sometimes received requests for audits from our partner companies. By having all employees understand the impact of actions that damage social trust, we are working to ensure that each employee sees compliance as his or her own responsibility.

[2] Employee Education

(1) Company-wide Compliance Training Held from January to March 2022 on the Subject of the Misconduct that Occurred in FY2020

Theme: As for the full details on the incident and its ruling, the violation of industry rules, and the issue of compliance and corporate social responsibility, in order to learn from the Misconduct and to have all employees pledge that they will never make the same mistake again, compliance training was conducted based on the incident as follows:

Training Overview: Executive Message VTR > Lecture by Lecturer > Discussion > Questionnaire

Implementation Status: All employees have taken the course (3,260 employees: Including 12 make-up classes and excluding employees on leave for child care, injury or illness, and temporary employees)

Message from the President about the purpose of the training
[Training instructor] Senior Partner, Compliance Management Department 1. Summary of the misconduct 2. Impact the misconduct had on the company 3. What we and the company are expected to do 4. Challenges for Compliance of laws and regulations
[Discussion moderated by the head of the business site] 5. Future initiatives (impressions/opinions, etc.)
A message from the Officer in Charge of Compliance at the end of the training

(2) February-March 2022: E-learning Training on Anti-bribery Initiatives

Theme:	Anti-bribery
Training Overview:	Training via audio slides + confirmation test, pledge to comply with anti-bribery policies
Implementation Status:	Implemented by all employees, including officers, employees on secondment to an outside company (in Japan and overseas), and temporary employees (3,627 employees: Excluding those on long-term leave due to child care or injury/illness)

(3) April-May 2022: E-learning Training on Company-wide Compliance Knowledge

Theme:	Acquiring compliance knowledge that should be acquired as a member of society
Training Overview:	E-learning in quiz format (100 questions)
Implementation Status:	All employees have taken the course (3,298 employees: Excluding employees on leave for child care, injury or illness, and temporary employees)

(4) June 2022: Company-wide Training on the Subject of the Misconduct that Occurred in FY2020 (held in FY2021) Make-up Class

Theme:	About the full details on the incident and its ruling, industry rule violations, compliance and corporate social responsibility
Training Overview:	Lecture and training led by members of the Compliance Management Department
Implementation Status:	Persons who have returned from childcare leave or sick leave (10 persons)

(5) June-July 2022: Company-wide Compliance Training in the First Half of FY2022

Theme:	To promote understanding of the Amended Whistleblower Protection Act, Whistleblowing Policy (enacted in April 2022), and workplace harassment
Training Overview:	Lecture and training led by members of the Compliance Management Department
Implementation Status:	All employees have taken the course (3,195 employees: Excluding employees on leave for child care, injury or illness, seconded employees on assignment in Japan and overseas, and temporary employees)

(6) October-December 2022: Company-wide Compliance Training (Compliance Enhancement Month)

Theme:	Acquiring compliance knowledge that should be obtained as a member of society, and to continue learning from the lessons learned from the Misconduct in FY2020
Training Overview:	Training held by members of the Risk & Compliance Management Department to prevent the Misconduct in FY2020 from being forgotten Discussion training for each department (selection of 2 out of the following 3 themes: Escalation, Power Harassment, and Corporate Social Responsibility) E-learning in quiz format (100 questions)
Implementation Status:	Implemented by all employees (approximately 3,215 employees: Excluding employees on long-term leave for child care, injury or illness, and temporary employees)

[3] Handling of Scholarship Donations, Etc.

(1) Handling of Scholarship Donations

- As for the contribution of scholarship donations (donations to general courses), the company has made an internal decision to first discontinue donations in FY2021 and not to continue donations after FY2022. This decision was announced when the financial results were released for the third quarter of the relevant fiscal year in January 2022. While considering the necessity of contributing to academia and the social significance of promoting research, we have continued to consider new ways of contributing that can ensure independence and impartiality. As a result, we have decided to establish the Ono Pharma Oncology, Immunology, Neurology Research Foundation and to provide research grants from FY2023.

  > Press Release on the Ono Pharma Oncology, Immunology, Neurology Research Foundation

- As of October 2020, all new requests for donations to endowed courses have been rejected, and donations have been made only to those who had previously made a commitment or who had made a commitment under a multi-year contract. All such donations will be completed by the end of FY2023. (Implemented in FY2021: 21, Implemented in FY2022: 8, Scheduled for implementation in FY2023: 2)

(2) Handling of Other Donations (General Donations, Donations to Academic Societies, Membership Fees for Supporting Members, Etc.)

- In October 2021, we changed the system so that company-wide donations and requests for supporting membership fees are consolidated to the General Affairs Department of the Headquarters, and reviewed by the Donation Review Committee, which consists of the General Affairs Department, Legal Department, Compliance Management Department, and external experts (lawyers). The status of the activities of organizations eligible for donations and the appropriateness of amounts to be supported are examined, and the results are communicated directly to the applying facility by the General Affairs Department. Furthermore, since April 2022, we have adopted an open call system for accepting these donations online, eliminating direct involvement with medical professionals related to donations, such as employees (Medical Representatives those in charge at Clinical Development Departments and Medical Affairs Departments, etc.) receiving requests for donations or communicating the results of screenings.

[4] Development of Whistleblowing System

In anticipation of the enforcement of the Amended Whistleblower Protection Act, we reviewed our whistleblowing system and established it as an independent internal whistleblowing policy in April 2022 and made it known to employees. The key points are as follows:

1. In principle, reports shall be made under a public (real) name. (if there is a justifiable reason, an anonymous report is also possible)
2. Investigations shall be led mainly by the Compliance Management Department
3. Any person who makes a false statement or leaks information to a third party during an investigation may be subject to disciplinary action in accordance with the employment regulations, etc.
4. Provide specific details about the content related to confidentiality
5. Detailed description of content that prohibits searches on whistleblower

After the above points were made known in the company, the number of whistleblowing consultation, as well as the ratio of anonymous reports have gradually been increasing.

The above is the status of responses regarding the handling of scholarship donations, efforts to strengthen our compliance system, employee education, and the establishment of a whistleblowing system. By promoting these initiatives, we will not only prevent recurrence, but also strive to prevent violations, and continue to work to restore the trust of patients, healthcare professionals, and related parties.

Risk Management

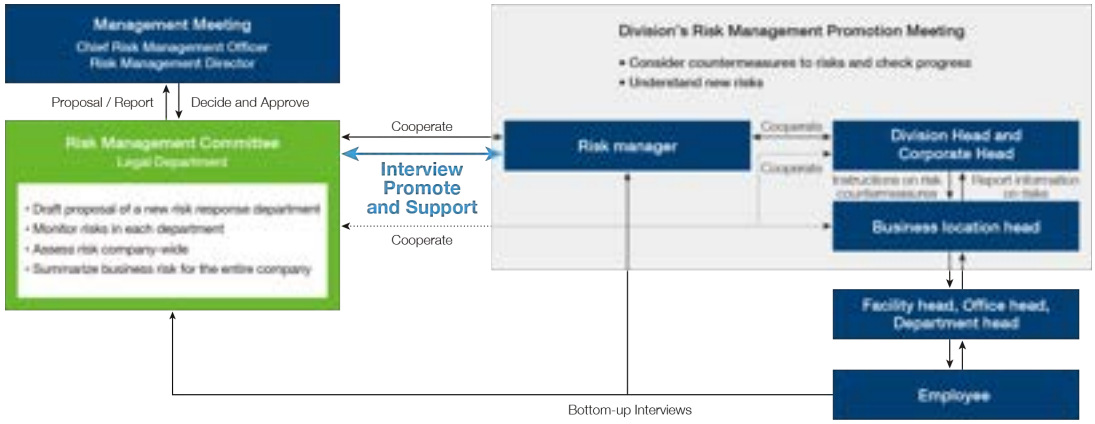
We work to identify potential major risks to prevent them from occurring, and we have a structure in place to ensure that appropriate actions are taken in case they occur.

Risk Management

Establishment of the Enterprise Risk Management (ERM) System

We established "Risk Management Regulations" and introduced Enterprise Risk Management (ERM) in FY2019, aiming for total, rather than partial, optimization of risk management.
We have appointed the President, Representative Director, and Chief Executive Officer as Chief Risk Management Officer, and member of the board of directors, Senior Executive Officer/ Executive Director, head of Corporate Strategy &Planning, as Head Risk Management Officer and established a company-wide risk management system. We consider risk management issues to be priority issues in terms of corporate strategy and planning and we are addressing them.
In addition, the Risk Management Committee was established under the Management meeting and the Legal Department, which is in charge of risk management (secretariat), is mainly promoting ERM.
The Audit & Supervisory Board and the internal audit department (Business Audit Department) are in charge of auditing the progress of ERM. The Risk Management Committee regularly reports company-wide risk assessment results and the progress of actions against risks to the Audit & Supervisory Board and the Business Audit Department in order to increase the effectiveness of audits.

ONO's risk management system



Basic Policy on ERM.

(1) With the aim of ensuring stable business continuity and achieving our business objectives, we have 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, using the risk assessment sheets, and autonomously promotes risk management.

(3) We identify the most important and urgent risks that could have a considerable impact on business management, 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. Each Division Head uses the division's Risk Management Promotion Meeting to supervise the division's risk management.

2. Office Managers conduct daily risk management.

3. The Legal Department periodically monitors the risk management status of each division from the viewpoint of ERM. The results of monitoring are reported to the Management Committee (composed of directors, executive officers, division managers, etc.), the Board of Directors, and the Audit & Supervisory Board.

(2) Risk Management Promotion Meeting

The Risk Management Promotion Meeting in each division assesses the division's risks and extracts issues using a risk assessment sheet, and develops prevention measures for identified risks according to their materiality and urgency, as well as risk responses. 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, bribery, etc. In addition, risk managers (management layer) are assigned to each division to strengthen its effectiveness. Furthermore, the risk managers identify risks based on reporting from worksites and give feedback on risk identification and action status in order to use it to increase the risk management culture at the worksite level.

(3) Risk Management System for Environmental Issues

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. The head of the Legal Department also participates in this working group, and progress is reported to the Company-Wide Risk Management Committee to ensure coordination with ERM. For details on TCFD, see "Information Disclosure Based on the TCFD Recommendation"

(4) Response to Major Risks

In risk analysis, the importance, urgency, and frequency of identified risks are evaluated. 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. For major risks, see the list of Business Risks.

In addition, we integrate risks to be identified and managed under ERM into the materiality analysis and management process, we define management priority issues, and we address them in that way.

In the event a risk occurs, 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.

(5) Crisis management

In the event a material risk occurs, the President will establish an Emergency Response Committee as necessary, 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 toward risks.

(7) 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 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. Starting in FY2021 we initiated risk management using the "Risk Management Sheet."

Progress of Measures

(1) Training for all employees: In FY2019, we conducted e-learning training to help employees acquire basic knowledge about risks, risk assessment, and ERM, and learn about our company's ERM system. In FY2020 to FY2021, we provided 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.

(2) Training for risk managers and management: We also commenced workshop-style training regarding risk management methods in the second half of FY2019. In FY2020, inside directors, risk managers of all divisions, and leader-class employees in some divisions completed the training.
Furthermore, we started to provide "Risk Management Leadership Training" for leaders in FY2022. This training aims to increase the ability of lead employees to identify risks, gain risk sensitivity, and handle risks. The following four-class e-learning training is provided. In FY2022, training for the Sales and Marketing members in all leader layers was completed and in FY2023, training for employees in all leader layers will be provided.

Risk Management Leadership Training

Vol.1	Basic knowledge and idea of risk management
Vol.2	Why misconducts occur despite conducting risk management?
Vol.3	Why Bad News First does not function?
Vol.4	How can we increase the capability of staff members to imagine potential risks?

(3) In FY2020, we prepared a detailed incident response manual and provided employees with education and practical response training (reporting and public communication systems), with anticipation of multiple individual risks (personal information leaks, plant/laboratory accidents, etc.), to enhance their ability to respond to major incidents.

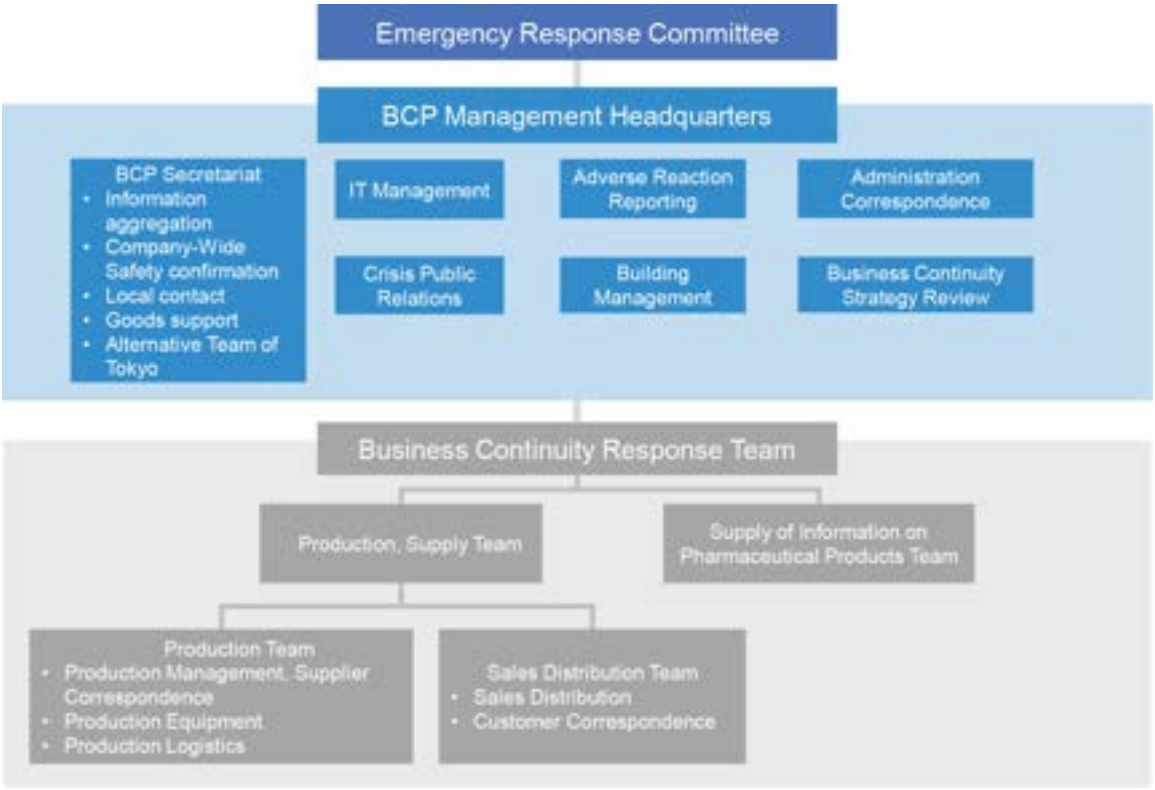
(4) Starting in FY2021, ERM secretariat reports ERM status to the Audit & Supervisory Board (including two outside auditors) semi-annually (risk identification (methods and results), risk assessment (evaluation of importance), actions against important risks and action results). Auditors survey opinions of ERM status during the report. In addition, the operational risk management status and occurrence of new risks that the ERM secretariat has confirmed with each division are shared with the Business Audit Department and they are reflected in the selection of business audit items. Furthermore, the Business Audit Department reports the audit results regularly to the Audit & Supervisory Board.

Business Continuity Plan (BCP)

We have set up a BCP Management Headquarters under the Emergency Response Committee, chaired by the President and Representative Director, and established a system designed to minimize the impact on operations even if a natural disaster or serious accident occurs, so that we can continue business activities, and even if they are suspended, recover promptly and resume them. And for management during normal times, we have a Business Continuity Management (BCM) Committee, which is chaired by the Executive Director of Corporate Strategy & Planning and is in charge of business continuity management, and a Management Office to maintain and strengthen our abilities to respond to crisis and continue our business operations, and promote relevant management activities.

We have prepared for disasters by installing systems such as emergency generators and duplicate power service in our Headquarters, the Tokyo Building, and all of our plants and research institutes, and we have also introduced seismic isolation systems to prepare for earthquakes in our Headquarters, the Tokyo Building, Minase Research Institute, and the Yamaguchi Plant. Also, in order to prepare for a large-scale disaster, we have divided our disaster action bases into the Headquarters in Osaka and the Tokyo Building so that we have two bases to function against disasters.

The BCM Committee establishes business continuity plans responding to all hazards in the medium- to long-term, conducts drills based on inter-division cooperation, and thereby increases effectiveness in handing business continuity. In addition, the BCM Committee is developing global emergency response plans and business continuity plans, including for overseas subsidiaries, in consideration of our own marketing operations in Europe and the U.S.A.



Business Risks

The Group's business performance may be significantly affected by various risks that could in the future occur in its business activities.
The major risks that have the potential to affect the Group's business are listed below. However, this list does not cover all risks, and there are risks other than those described below that could potentially influence investor decisions.
The matters in this document relating to the future are based on the judgment of the Group as of the end of FY2022.
Identified risks are divided into three categories, “strategic risks,” “external factor risks,” and “operational risks,” and basic action policies and priority orders against risks are determined. The basic action policy for each risk category is stated below.
Strategic risks: Risks associated with the business itself, such as failure of the business plan, etc.; these should be handled under a medium-term plan, etc.
External factor risks: Risks arising due to uncontrollable external factors; these should be handled under Business Continuity Plan (BCP), etc.
Operational risks: Risks arising from management failures that could have been avoided by using imagination; these should be handled by Enterprise Risk Management (ERM).

ONO’s “major risks” based on these three categories are stated below.

Risk field	Major risk item	Risk category
(1) New product development	• Failure to develop new products	Strategic risk
(2) Response to changes in the market environment	• Fiercer competition with competing products and generic products	Strategic risk
(3) Compliance	• Breach of laws and regulations related to bribery prevention • Breach of Code of Practice • Breach of the Anti- Monopoly Act • Pharmaceutical and Medical Device Act	Operational risk
(4) Product quality control	• Occurrence of defects and recall of products	Operational risk
(5) Recruiting, training, and securing (retaining) human resources	• Delay in recruiting, training, and securing human resources	Strategic risk
(6) Large-scale earthquakes, climate change-related natural disasters, and accidents	• Occurrence of natural disasters and accidents, etc.	External factor risk
(7) Supply-chain (stable supply)	• Supply-chain risks	External factor risk
(8) Health insurance system reform	• Failure of actions for measures to limit healthcare spending	External factor risk
(9) Reliance on specific products	• Failure to end reliance on specific products	Strategic risk
(10) Newly discovered side effects	• Occurrence of new side effects, etc.	Strategic risk
(11) Intellectual property rights	• Infringement of a third party’s intellectual property rights, etc.	Operational risk
(12) Litigation	(To be included in other risks.)	
(13) Information management	• Cyber-attacks, unauthorized access • Leakage of personal information	Operational risk
(14) Overseas business expansion	• Failure of own marketing operations in Europe and the U.S.A.	Strategic risk
(15) Alliance with other companies	• Failure of business alliances	Strategic risk
(16) Fluctuations in financial market conditions	• Foreign exchange fluctuations • Price fluctuations of financial resources	External factor risk
(17) Response to environmental issues	• Increasing costs for measures against global warming • Occurrence of environmental pollution accidents	External factor risk Operational risk
(18) Pandemic	• Occurrence of a new pandemic	External factor risk
(19) Deferred tax assets and impairment treatment	• Suffering large impairment loss	Strategic risk

<Major Risks>

(1) New product development

Upholding our corporate philosophy, “Dedicated to the Fight against Disease and Pain,” ONO strives to become a Global Specialty Pharma specializing in specific fields through development of unique and innovative new drugs that deliver true benefit to patients to satisfy as-yet unmet medical needs. To that end, we not only pursue development of innovative pharmaceutical products independently, but also actively promote open innovation that incorporates world-leading technologies and knowledge.

However, it is possible that a long-term and large amount of R&D investment will not lead to the market launch of an innovative drug, and will cause the discontinuation of development midway. If such a situation occurs, expected revenue may not be realized, and the Group's operating results and financial position may be significantly affected.

(2) Response to changes in the market environment

The Group is striving to maximize product value through proactive R&D activities and swift inter-departmental cooperation across the entire company. To that end, we always keep our eyes on the market environment, starting in the early stages of development, and review strategies to achieve a competitive advantage, thereby responding appropriately to changes in the market. We also constantly analyze market trends in the factors affecting the product lifecycle to prepare the necessary resources to maximize the potential of every product we offer.

However, the Group’s operating results and financial position may be significantly affected depending on the sales situation of competing products and generic products.

(3) Compliance

In conducting business activities, the Group is subject to various laws and regulations, such as those related to product quality, safety, the environment, chemical substances, transactions and labor, as well as accounting standards and tax laws. In the future, we will need to respond to ever-stricter climate change mitigation policies and regulations around the world. In addition to formulating the Compliance Global Policy, etc. based on the ONO Group Code of Conduct, the Group has established a robust compliance system, e.g., by setting up a Compliance Committee, internal and external desks for reporting compliance violations, and employment consultation desks, to ensure that all business activities are conducted in compliance with applicable laws and regulations. However, if the Group or any of its contractors violate any laws or regulations materially, the Group’s reputation, as well as its operating results and financial position, may be adversely affected. In addition, if the Group’s business activities are restricted due to changes in laws and regulations, and as a result additional investment costs are incurred, the Group's operating results and financial position may be significantly affected.

(4) Product quality control

In line with its policy of contributing to society through stable supply of pharmaceuticals that are quality-assured to a high standard, the Group not only meets the legal requirements relating to the quality of pharmaceutical products but also has established a robust quality system based on its own quality manual and continually improves the system to stably supply high-quality pharmaceutical products from the perspectives of patients, caregivers and healthcare professionals. Also, we have a robust product recall system in place. If concerns arise regarding the quality, efficacy, or safety of any of our products, investigation will be conducted promptly, and if a decision to recall is made, such recall information will be communicated immediately to medical professionals and the relevant product will be recalled.

However, if a serious quality problem that exceeds the Group’s expectation arises or a concern is raised about the safety and security of our product due to the discovery of new scientific knowledge, it could reduce trust not only in the relevant product brand but also in the entire Group, possibly causing a significant adverse impact on the Group’s operating results and financial position.

(5) Recruiting, training, and securing (retaining) human resources

The Group strives to recruit, train, and secure (retain) diverse and talented human resources to ensure sustainable growth. We are developing systems and working conditions where employees can work in various styles so that each and every person in our diverse workforce can work energetically and demonstrate his or her full potential. We are also enhancing our training programs to match the individual needs and levels of ability and development to promote recruiting and securing human resources through various activities aimed at becoming a more meaningful and attractive company.

Furthermore, to respond quickly and flexibly to environmental changes and increase corporate value, we believe it is important to enhance the diversity of attributes, values, and behavioral characteristics of the members who make up the organization and recognize their individuality. Based on this belief, we are implementing various initiatives to promote the active participation of women and persons with disabilities in the workplace and to promote midcareer employment.

However, the potential failure to recruit, train, and secure diverse and talented human resources over the medium to long term could cause the Group's business activities to stagnate, resulting in a significant impact on the Group's operating results and financial position.

(6) Large-scale earthquakes, climate change-related natural disasters, and accidents

In preparation for earthquakes, floods associated with climate change (water risks), and other natural disasters, the Group formulates disaster prevention measures and business continuity plans (BCPs) for its manufacturing plants and major business sites, and identifies climate change-related risks and discloses information on countermeasures to these risks in accordance with the TCFD recommendations. The Group has two manufacturing centers, the Fujiyama Plant (Shizuoka Prefecture) and the Yamaguchi Plant (Yamaguchi Prefecture), and multiple delivery centers in Japan as a risk-mitigation measure to ensure stable supply of its products. Also, the Group's critical sites—the Head Office, the Tokyo Building, and all manufacturing plants and research institutes—are equipped with emergency power generators and two-line power receiving systems as part of disaster contingency planning to ensure uninterrupted operations in preparation for power failure. In addition, the Head Office, Tokyo Building, Minase Research Institute and Yamaguchi Plant are equipped with seismic isolation systems to mitigate earthquake risk. Furthermore, we have upgraded our internal crisis management systems; e.g., we have established a system to handle emergency situations at two bases, in Osaka and Tokyo, in preparation for a large-scale disaster, and we have also introduced a safety confirmation system to speedily confirm the safety of our employees. In addition, we conduct periodic disaster drills to raise employees' awareness of disaster prevention and improve their ability to respond to an emergency situation.

Despite our efforts, however, a large-scale earthquake or natural disaster resulting from climate change could cause problems in our raw material procurement, manufacturing, or logistics operations, thus hindering the supply of products and goods and our R&D activities. In any such case, the operating results and financial position of the Group could be significantly affected.

Furthermore, the occurrence of a pandemic, an explosion or fire accident at production plants, information/control system failures, problems at suppliers of raw materials, malfunction of social infrastructure such as electricity and water, environmental pollution from harmful substances, terrorism, political disturbances, riots, etc. may hinder the supply of products, R&D activities and other business activities. This may have a serious impact on the Group's operating results and financial position.

(7) Supply-chain (stable supply)

The Group identified the “stable supply of its products and goods” as a materiality and built a system responding to risks of natural disasters and accidents and risks of deviation from the Pharmaceutical and Medical Device Act. For more details on countermeasures against natural disasters and accidents, please see Section (6), “Large-scale earthquakes, climate change-related natural disasters, and accidents.”

Concerning actions for deviation risks from the Pharmaceutical and Medical Device Act, we established strict quality standards internally and we are conducting thorough control with records and documents related to production, review, change control, and deviation control. In addition, quality audits are conducted at Company plants and contractors and the appropriateness of the operations is periodically checked. As mentioned above, constant and high-level quality control is conducted thoroughly to prevent products not conforming to the standards from being shipped. However, if the functions of specific plants or external contractors were to stop, and the supply of raw materials from the suppliers stops, and production activities are suspended or delayed due to natural disasters, such as earthquakes, typhoons, etc., a pandemic, fire, system failure, terrorism, and other accidents, or deviation from the Pharmaceutical and Medical Device Act, the Group’s management performance and financial conditions could be affected.

(8) Health insurance system reform

The pharmaceutical manufacturing and sales business of the Group is subject to various regulations under the pharmaceutical administration and regulations of each country in which it operates. The changes are being made in Japan to the downward revision of drug prices under the official drug pricing system and the medical system, including promotion of use of generic drugs. Overseas, the pressure to limit healthcare spending is increasing. Due to the above-mentioned factors, in the event the revenue is decreased in consequence of falling sales prices of pharmaceuticals which cannot be covered by increased sales volumes or other measures, the Group’s operating results and financial position may be adversely affected.

(9) Reliance on specific products

Of the Group's revenue, revenues from OPDIVO Intravenous Infusion and anti-PD-1/PD-L1 antibody-related royalties account for in the mid-60% of the total revenue (fiscal year ended March 31, 2023). If the revenue decreases due to drug price revisions, emergence of other promising competing products, expiration of protection period of patents, or other unforeseen circumstances, the Group’s operating results and financial position may be adversely affected.

(10) Newly discovered side effects

The Group develops a risk management plan and collects and evaluates safety (side effects) information on a continual basis for each pharmaceutical. We analyze the collected data to determine the seriousness of the safety information and the necessity of issuing warnings, and if necessary, we revise package inserts and make announcements about proper use.

However, there is a possibility that new side effects that had not been experienced in clinical trials will be reported after marketing. In the event that a new serious side effect is discovered, the Group’s operating results and financial position may be adversely affected by the payment of damages and a decrease in revenue due to revocation of drug approval.

(11) Intellectual property rights

The Group takes great care to ensure that the products it manufactures or sells do not infringe upon third-party intellectual property rights. However, if an event occurred in which the Group were to be found to have infringed upon a third-party intellectual property right, the Group’s operating results and financial position could be adversely affected by the payment of damages and a decrease in revenue, etc. due to the suspension of manufacturing and sale, etc. Therefore, the Group identifies and manages the inventors, etc. appropriately and pays the appropriate amount of compensation determined by internal regulations and contracts. However, if a lawsuit were to be filed by an inventor, etc., the Group's operating results and financial position could be adversely affected by the payment of compensation for damages and other matters.

(12) Litigation

The Group may be subject to litigation over pharmaceutical side effects, product liability (PL), labor issues, fair trade issues, environmental issues, or other issues associated with its business activities. Unfavorable court decisions may adversely affect the Group's operating results and financial position.

(13) Information management

The Group is promoting the use of digitals and IT, in addition to streamlining and sophisticating operations, so that company reforms can be implemented more flexibly to respond to the business environment. We also handle highly confidential and personal information with these systems. In association with the promotion of business globalization and the expansion of the range of data use, complexity is increasing and therefore the possibilities are increasing that technical failure may occur, that business operations could be suspended due to unauthorized access, or attacks made by a third party or internally, and that important information could be leaked.

To reduce these risks, in addition to the establishment of policies related to securities and the stable operation, and selection of appropriate technologies and services in conformance with changes to technologies, and the social environment, training is provided for all employees and measures are strengthened continuously based on third-party security assessment

However, if information in the possession of the Group were to be falsified, misused, or leaked due to computer virus infection, system failures caused by cyber-attacks, accidents, etc., the Group's operating results and financial position could be adversely affected due to a significant loss of social credibility, etc.

(14) Overseas business expansion

The Group is actively expanding its operations overseas with the aim of becoming a "Global Specialty Pharma" capable of offering innovative new drugs developed in-house around the world. In South Korea and Taiwan, we have already set up wholly owned subsidiaries and have started selling our products. Currently, we are working to improve and strengthen our development system, etc., with a view to marketing through our own sales organizations in Europe and the United States.

In conducting global business activities, we prepare multiple candidate products for launch by enhancing the development pipeline as a measure against development risks and we obtain information on each country or region where we operate, including legal restrictions, economic conditions, status of political stability, region-specific natural disasters, and uncertainties in the business environment, and consider necessary measures accordingly. However, if these risks cannot be avoided completely, the Group's operating results and financial position could be adversely affected.

(15) Alliance with other companies

The Group cooperates with other companies in various forms, such as joint research, joint development, in-and-out licensing of developed products, and joint sales. Changes in or cancellations of alliances with other companies for any reason may have an adverse impact on the Group's operating results and financial position.

(16) Fluctuations in financial market conditions

- Foreign exchange fluctuations

The Group conducts business internationally and receives royalties and makes payment of expenses, etc. in foreign currencies. Foreign exchange rate fluctuations expose the Group to risks, such as a decline in sales revenue, an increase in purchasing costs, an increase in R&D expenses, and foreign exchange losses. To mitigate the above risks, based on its market risk management policy, the Group hedges foreign exchange risk through forward exchange contracts, for a certain percentage of foreign currency denominated transactions. However, foreign exchange fluctuations that exceed assumptions may adversely affect the operating results and financial position of the Group.

- Stock price fluctuations

The Group is exposed to risk of stock price fluctuations arising from equity instruments. The Group holds equity instruments to smoothly execute its business strategies but no equity instruments are held for short-term trading purposes. These equity instruments are periodically reviewed to assess their fair values and the financial status of the issuing companies, and the portfolio is revised as required, taking into account the relationships with the relevant companies. However, if the fair value of equity instruments were to fluctuate to a substantially higher degree than expected, the Group's operating results and financial position could be adversely affected.

(17) Response to environmental issues

As part of efforts to address global environmental issues, the Group has established an environmental vision (ECO VISION 2050) based on its Global Environmental Policy. In line with the ECO VISION 2050 and Global Environmental Policy, the Group is making group-wide efforts to realize a decarbonized society, a water recycling society, and a resource recycling society. In addition, being keenly aware of corporate social responsibility toward the environment, we carry out all our business activities in an environmentally responsible way to preserve a rich global environment. Some of the chemical substances used in pharmaceutical research and manufacturing processes include substances that have a negative impact on human health or the ecosystem. Therefore, we act in compliance with environmental laws and regulations, e.g., by implementing voluntary standards, some of which are stricter than the legislation, regarding the use, handling, manufacture, storage, and disposal of hazardous substances of countries and regions in which we conduct business activities.

However, costs may increase in the future if new carbon taxes are introduced or greenhouse gas emission limits are tightened to combat global warming. Also, should unexpected contamination by harmful substances or collateral damage occur, the Group may face exclusion from insurance coverage or have to bear expenses that exceed compensation and legal liability. In addition, changes of environmental laws and regulations in the future may limit the Group’s business activities, including research and development and manufacturing. In such cases, the Group’s operating results and financial position may be adversely affected

(18) Pandemic

As a life-related company, the Group strives to ensure a stable supply of pharmaceutical products. We are working vigorously to maintain a stable supply in cooperation with our affiliated companies and business partners. For the time being, there is no problem regarding the production and supply of our pharmaceutical products to medical institutions.

However, a pandemic in the future could hinder the supply of products and goods and the R&D activities. In such case, the Group’s operating results and financial position may be adversely affected by the stagnation of its business activities, etc.

(19) Deferred tax assets and impairment treatment

The Group monitors performance through budget control, etc. We built a system to review the collectability of deferred tax assets at the appropriate time and to measure impairment loss, etc. if there is a sign of a decline in earnings. If any of the risks described in the “Business Risks” section were to materialize, deviations from the business performance plan could occur, making it impossible for the Group to generate expected cash flows. In this case, there would be a possibility that tangible fixed assets and intangible assets could be impaired, and deferred tax assets could decrease. In such cases, the Group’s operating results and financial position may be adversely affected.

Information Security Management

Basic Approach

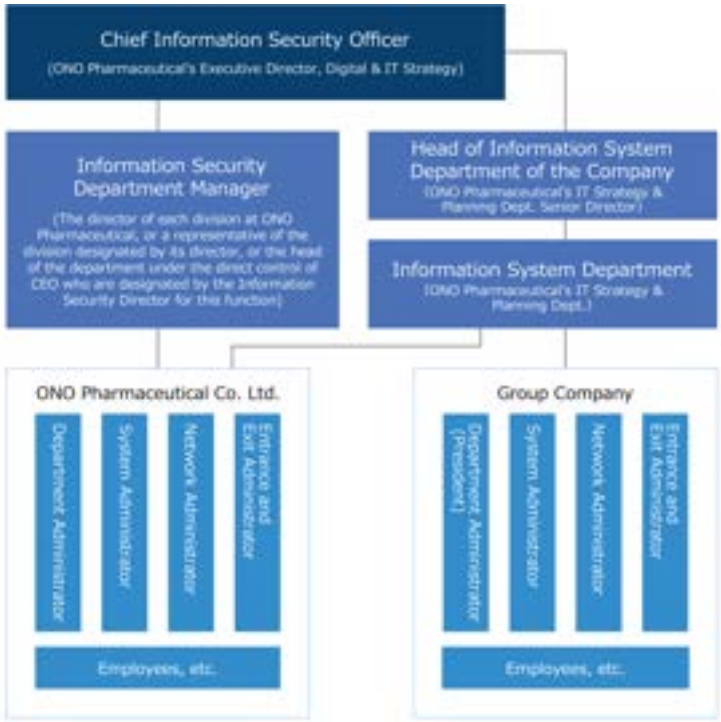
Information assets are very important management resources.
We established a global policy on information security to protect information resources strictly, including data related to research and development and the personal information of internal and external stakeholders, and to manage the information appropriately. In consideration of the global increase in cyberattacks and security threats, we are also addressing the further strengthening of cybersecurity based on the global standard framework.

> Information Security Global Policy

Information Security Management System

The ONO Group has established the Information Security Global Policies and procedures. To ensure their effectiveness, an information security management system has been established, including specific actions to be taken in the event of an information security incident.
Overall responsibility for information security rests with the Information Security Director (Corporate Executive Officer / Executive Director, Digital & IT Strategy). The Information Security Director is responsible not only for formulating the Group's information security management strategy, but also for creating, revising, implementing and managing related policies, etc. and for ensuring that our Group complies with them, while taking into account changes in the environment surrounding ONO and the latest trends in relevant laws and regulations. Under the Information Security Director, Information System Division Manager and the Division Directors of Information Security are appointed to perform information security management duties at each division and Group company*.
In addition, we also provide training to employees and conduct regular security audits in order to increase company-wide cybersecurity awareness.
*A company of which 100% of voting rights are owned by ONO PHARMACEUTICAL CO., LTD..

Organizational Structure for Information Security Management



Click here for our Privacy Policy.

Responsible Promotion Activities

Basic approach

Our vision of our sales activities is to work as a team, think from the patient's perspective, and respond to the real needs of healthcare professionals, based on the belief of "Contribute to patients' wellbeing as a true medical partner". As a life-related company, we always maintain high ethical standards. In order to provide appropriate information on pharmaceutical drugs, the Sales and Marketing department and each department (Compliance Management Department, Corporate Regulatory Compliance, Safety and Quality Assurance, etc.) collaborate to promote responsible promotion activities. We pursue promotion activities in accordance with the "ONO Pharmaceutical Code of Practice (hereinafter the "Code")", which has been formulated as our corporate action guidelines in compliance with the JPMA Code of Practice.

› ONO Pharmaceutical Code of Practice

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" (hereinafter the "Guidelines") issued by the Ministry of Health, Labour and Welfare of Japan, and the "Promotion Code for Prescription Drugs" established by the Japan Pharmaceutical Manufacturers Association (JPMA), but also respect the IFPMA (International Federation of Pharmaceutical Manufacturers & Associations) Code of Practice.

Management system for promotion activities

The Compliance Management Department and the Sales and Marketing Department hold Compliance Meetings once a month with Compliance Managers from each region to share information and provide training. We have established a system where all employees involved in promotional activities are informed of shared information and training contents through meetings where leaders of the sales divisions meet or online conferences attended by all medical representatives (MRs). In addition, as for the status of promotional activities, the Compliance Management Department regularly reviews business reports to confirm whether appropriate promotional activities are being carried out, and conducts and checks a monthly questionnaire to MRs regarding this Code.

Review system for promotional materials

In promotion, the provision of accurate information is required to promote the proper use and spread of pharmaceuticals. All materials used for promotion undergo a review process by the Compliance Management Department, which involves a review by external third parties.
We also strive to provide appropriate information on slides used by speakers in sponsored and co-hosted lecture meetings,by checking in advance whether the Compliance Management Department contains any unapproved information on pharmaceuticals. The Sales and Marketing Department is not involved in any of these processes.

Training for thorough implementation of fair promotion activities

We provide training not only for the members of the department in charge of the creation of promotional materials, but also for all employees involved in promotion, to enhance their awareness of compliance. Specifically, every year, we set up a Compliance Promotion Month (three months) to raise awareness of compliance in general, and the Compliance Management Department provides training for branches and sales offices twice a year. Furthermore, we organize lecture training sessions given by the leaders of various departments as well as e-learning training courses in order to improve employees' knowledge and understanding of compliance in general. In the event of a violation of the Code, we promptly conduct special training sessions on a company-wide scale to prevent the occurrence and recurrence of violations.

	Frequency	Scope	Main contents
Training by Compliance Promotion Department	Twice a year	Code, Guidelines, Fair Competition Code	Operating rules of lectures hosted and co-hosted by our company, Appropriate promotional activities
Training by leaders in departments	Twice a year	Guidelines	Appropriate provision of information (Company Records) Rules for lectures hosted by our company (Prior confirmation of slides)
Training by e-learning	Once a month	Code, Guidelines, Fair Competition Code	Q&A for Code and guideline compliance

Training for promoting proper use of pharmaceuticals and collecting safety information

In promotion activities, it is important to quickly collect safety information on prescribed drugs and provide appropriate information, based on collected information, to healthcare professionals to further promote proper use of pharmaceuticals.
We conduct introductory training on "Ministerial Ordinance on the Post-Marketing Safety Management of Drugs (GVP Ordinance)" in a lecture format for all employees involved in promotion activities. After that, training on drug risk management plans (RMP) is also conducted at the launch of a new product and once a year, and training on pharmaceutical damage is conducted every two years. In addition, e-learning education on the collection of post-marketing side effect information is conducted every year.
All employees involved in promotion activities are fully aware of safety characteristics of each drug as well as the importance of safety management, and promote the proper use of drugs and collect safety information in order to minimize the occurrence of side effects in patients.

Innovative Pharmaceutical Products

"Dedicated to the Fight against Disease and Pain" is our corporate philosophy as a pharmaceutical company dedicated to the development of new drugs. In line with this philosophy, we work to bring world-class innovative drugs as soon as possible to patients across the globe through collaboration between all our divisions including research, development, business strategy, manufacturing, safety/quality assurance, marketing and digital & IT, as well as through the dedication of all employees to the efforts with passion and conviction.

Research

ONO's mission, policy, and structure regarding research and development are introduced.

- Drug Discovery Strategy
- Research Organization

Business Strategy

ONO's licensing activities and major partners are introduced.

- Global Business
- Licensing Activities

Development

ONO's development policy and progress on new drugs being developed are introduced.

- Development Policy
- Develpoment Pipeline

Please refer to the status of development pipeline.

Manufacturing and Safety/Quality Assurance

ONO's manufacturing and safety/quality assurance initiatives are introduced.

- Manufacturing
- Safety and Quality Assurance

Marketing

ONO's marketing initiatives and main products are introduced.

- Marketing
- Main Products

Digital & IT

ONO's digital & IT strategy is introduced.

- Digital & IT

Efforts Made for Improving Access to Healthcare

Basic Policy

Even today as we see remarkable developments in the medical field, there are many diseases against which no effective treatment exists. Also, in low- and lower middle-income countries, there are many people who have difficulty receiving necessary medical care due to various reasons such as inadequate medical infrastructure and poverty.
Under the corporate philosophy “Dedicated to the Fight against Disease and Pain,” we aim to improve access to healthcare by pursuing these goals: the development of innovative pharmaceutical products and strengthening healthcare infrastructure.
We currently sell our pharmaceutical products ourselves in Japan, South Korea, and Taiwan.
We will make efforts to improve access to healthcare including the discovery of pharmaceuticals for rare diseases. In addition, we will strengthen our activities to provide new drugs to patients throughout the world, even in the U.S.A. and Europe, in addition to the regions of Asia.
We will also engage in medium- to long-term activities to strengthen the healthcare infrastructure in lower middle-income countries by such means as training of healthcare personnel and the development of healthcare infrastructure through partnerships with NGOs.

The Direction of our efforts

- Promotion of research and development for measures against diseases for which patients’ medical needs are not yet met, rare diseases, and intractable diseases
- Local medical education, training of medical personnel, improvement of medical supplies in countries and regions where medical infrastructure is not fully developed

Our Policies on Intellectual Property Rights and on Patents in Countries with Limited Access to Healthcare

We strive to continually develop innovative drugs through appropriate protection and use of various types of intellectual property generated during the course of drug development, while at the same time respecting intellectual property rights owned by third parties. In some countries, people have difficulty access to healthcare due to economic reasons. To deliver our innovative drugs to more patients worldwide, we will neither apply for nor enforce patent rights in Least Developed Countries defined by the United Nations*1 and Low Income Countries defined by the World Bank*2. We also will not file patent applications or enforce rights in Lower Middle Income Countries defined by the World Bank*3 with the exception of some countries.

In addition, we continue to examine applicability of our patented compounds to Neglected Tropical Diseases (NTDs) and other diseases in the aforementioned countries (use of the existing patent pool, the provision of voluntary licenses to generics manufacturers, etc.).

In the situation of a public health national emergency, such as a pandemic, etc., we understand that the compulsory right will be granted as one of the options. We also understand that the compulsory right will be granted in accordance with Article 31-2 of the TRIPS Agreement (the Agreement on Trade-Related Aspects of Intellectual Property Rights) in order to export pharmaceuticals to countries with insufficient or no capacity to manufacture pharmaceuticals. We will consider licensing patents flexibly and appropriately on a case-by-case basis. In order to improve access to pharmaceuticals, granting the compulsory right alone cannot resolve the fundamental problems. We consider that comprehensive activities are necessary, including activities that include the correction of economic discrepancies, training of healthcare professionals, and development of the healthcare system, healthcare infrastructure, and drug supply system.

*1 https://www.un.org/development/desa/dpad/least-developed-country-category.html

*2 https://data.worldbank.org/income-level/low-income

*3 https://data.worldbank.org/income-level/lower-middle-income

Promotion Management System

We set the improvement of access to healthcare as a theme included in the materiality "respect for human rights" and the Board of Directors and the Management Meeting are managing targets and progress (Please click here for detail). In addition, in terms of implementation, the Sustainability Promotion Committee, consisting of members of each division, mainly promotes implementation under management by the Sustainability Strategy Meeting.

Examples of working on the creation of pharmaceuticals

Efforts made against rare diseases

Working on the treatment of rare diseases is important so as to improve access to healthcare. We make the following efforts to develop and provide pharmaceuticals for rare diseases.

(As of July31, 2023)

Product name	Therapeutic indication*	Date designated as an orphan drug	Development Status
OPDIVO intravenous infusion	Malignant melanoma	June 17, 2013	Approved
	Hodgkin lymphoma	March 16, 2016	Approved
	Malignant pleural mesothelioma	December 1, 2017	Approved
	Cancer of unknown primary	March 11, 2021	Approved
	Malignant mesothelioma (excluding malignant pleural mesothelioma)	February 22, 2023	Filed
	Unresectable advanced or recurrent epithelial skin malignancies	May 23, 2023	Filed
Demser Capsules	Improvement of catecholamine excess and various symptoms in pheochromocytoma	May 25, 2015	Approved
Kyprolis for intravenous infusion	Relapsed or refractory multiple myeloma	August 20, 2015	Approved
Onoact for intravenous infusion	Life-threatening refractory and emergent cardiac arrhythmias: ventricular fibrillation and hemodynamically unstable ventricular tachycardia	August 24, 2016	Approved
Mektovi Tablets	NRAS or $BRAF^{V600}$ mutation-positive malignant melanoma	December 4, 2013	Approved
Braftovi Capsules	$BRAF^{V600}$ mutation-positive malignant melanoma	December 4, 2013	Approved
Velexbru Tablets	Primary central nervous system lymphoma	August 20, 2019	Approved
	Waldenström's macroglobulinemia, Lymphoplasmacytic lymphoma	November 19, 2019	Approved

* Anticipated indications or diseases on the designation

Efforts to obtain approval for pediatric use

Medication evaluated appropriately for children should be used for pediatric patients. Aiming to improve pediatric patients' access to healthcare products, we are working on the flexible approval for children as follows.

(As of July31, 2023)

Product name	Therapeutic indication	Status
Onon Dry Syrup	Bronchial asthma, allergic rhinitis	Approved
Emend Capsules	Digestive symptoms (nausea, vomiting) resulting from the administration of antineoplastic agents (cisplatin, etc.) (including the delayed phase)	Approved
Proemend for intravenous injection	Digestive symptoms (nausea, vomiting) resulting from the administration of antineoplastic agents (cisplatin, etc.) (including the delayed phase)	Approved
Orencia for intravenous infusion	Active polyarticular juvenile idiopathic arthritis	Approved
Demser Capsules	Improvement of status of catecholamine excess secretion in patients with pheochromocytoma	Approved
OPDIVO intravenous infusion	Relapsed or refractory classical Hodgkin lymphoma	Approved
Onoact for intravenous infusion	Tachyarrhythmia (supraventricular tachycardia, atrial fibrillation and atrial flutter) in patients with low cardiac function	Approved

Efforts for Improvement of the Medical Ecosystem – Capacity Building –

There are still countries and regions in the world where the healthcare infrastructure is immature and many people who cannot access necessary healthcare are left behind. We are working to support NGOs to strengthen the healthcare infrastructure in these regions (local capacity building: Building a healthcare infrastructure where healthcare can be delivered continuously by local capabilities).

Under the "ONO SWITCH Project" that was implemented from FY2018 to FY2021, we have provided support in Cambodia, Myanmar, Bangladesh, and Bhutan for the training of local healthcare personnel, educating local citizens on diseases, and assisting with scarce healthcare facilities and supplies (for more details, see "ONO SWITCH Project (FY2018 to FY2022)" on this page below). We have achieved steady results in strengthening healthcare infrastructure through the activities of the NGOs and NPOs that we supported under this project.
In consideration of the lessons learned from this project, we started a new healthcare access improvement project, the "ONO Bridge Project," in FY2022.

With the new project, and not only through financial support necessary for NGO measures, we will also increase the social recognition of issues related to access to healthcare, have our employees participate in volunteer activities, take measures for collaboration using our know-how, etc. At the same time, we will increase the input of non-financial capital into the project and thereby maximize our social impact and strengthen our human resources, etc. For example, we will increase employee understanding, empathy, and desire to take on the challenge of resolving issues related to healthcare access and we aim to disseminate the mission statement and to increase engagement in the association thereto. In addition, we consider this project as to be an opportunity to broaden our understanding of patients and healthcare issues around the world and thereby aim to support our growth strategy

Our thoughts on the project name:

To serve as a bridge between healthcare and patients.

As the hope of patients for the future,we aim to create a society where people who need healthcare and people who want to deliver healthcare are connected and overcome the healthcare access gap.

In this project, we first started the two programs below with the NGOs with which we collaborate. Through the programs, we not only contribute to the financial support necessary for NGO measures but we will also increase the social recognition of issues related to healthcare access and take measures for collaboration using our know-how, among other things.

Myanmar: Maternal and child health service improvement program

Partner

Specified Nonprofit corporation People's Hope Japan (hereinafter referred to as "PHJ")

› https://www.ph-japan.org/en/

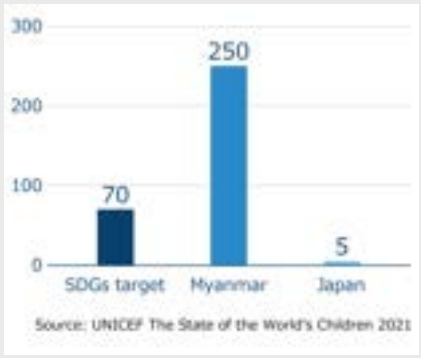
Corresponding SDGs

3.1 By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births

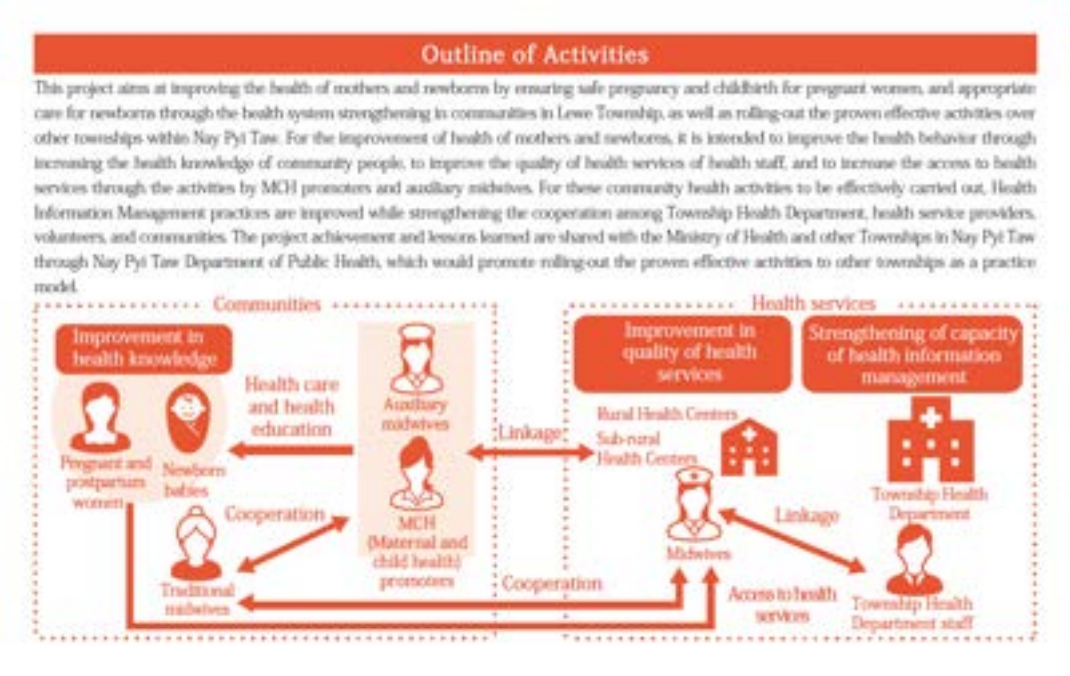
Issues related to healthcare access in Myanmar and PHJ's activities

The maternal mortality rate in Myanmar is considered to be 250/100,000 live births (source: UNICEF, The State of the World's Children 2021). There is a big gap from the goal: "SDGs 3.1: By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births." One of the causes is childbirth without assistance from healthcare professionals. In addition, the causes include a shortage of healthcare professionals, a shortage of appropriate devices at medical institutions, barriers to physical access, traditions of at-home childbirth, lack of community understanding of the risks associated with childbirth, etc. In addition, this issue is more significant in rural areas and there are differences in access to healthcare even within Myanmar.

Maternal mortality ratio(Per 100,000 live births)



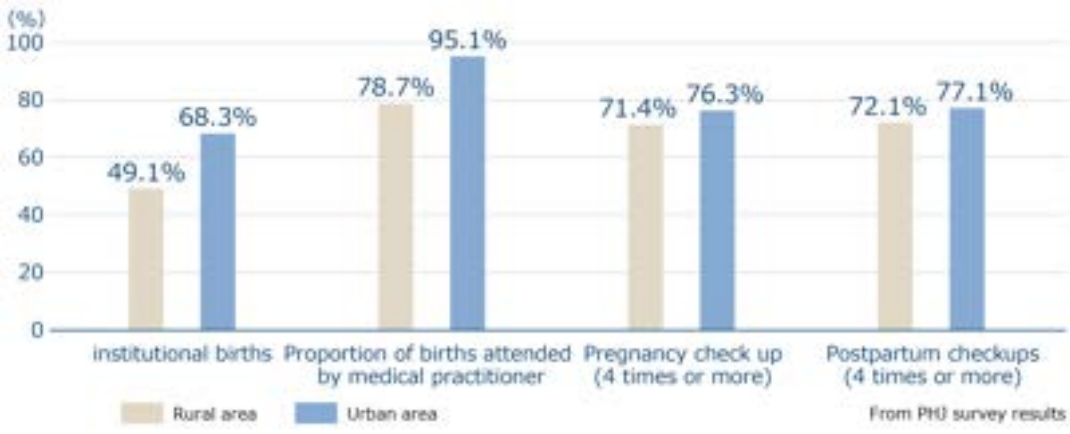
PHJ has engaged with this issue in Tatkone Township, Nay Pyi Taw Union Territory for approximately six years starting in 2014 and achieved results in promoting the use of maternal and child health services in rural areas. PHJ has been expanding the effective models obtained from this activity into Lewe Township Nay Pyi Taw Union Territory since 2020 (we have supported part of this activity).



Source: Extracted from PHJ Annual Report 2022

PHJ aims to increase four indicators (pregnancy check up rate, rate of proportion of births attended by medical practitioners, institutional births rate, and postpartum checkups rate) for which the use rate is particularly low in rural areas.

Percentage of maternal and child health services accessed in the target area (before the start of the program)



Programs that ONO supports

[Target area]

Target area: Lewe Township, Nay Pyi Taw

[Support period]

From FY2022 to FY2024

[Issues, measures, targets]

Issues

- Lack of local people's knowledge of the risks of childbirth: Lack of appropriate knowledge of the risks associated with childbirth, such as hypertension due to pregnancy, postpartum bleeding, etc. leads to delays in identifying danger signs during pregnancy or at the time of childbirth and in deciding to see a hospital.
- Difficulty accessing health services: There are significant differences in the use status of maternal and child health services between urban areas and rural areas. The network between local people and health services, such as midwives, etc., is insufficient.

Measures

Training and support for "maternal and child health promoters"

- "Maternal and child health promoters" are volunteers. After they complete a two-day training session specified by the Ministry of Health, they provide health education and visit pregnant women in their homes, and they serve as a bridge between local people and health services under the supervision and instruction of a midwife. After the training, they cooperate with midwives and auxiliary midwives and collect information on pregnant women, postpartum women, and children below the age of 5 in their villages, visit pregnant women in their homes, support vaccination by midwives, prepare reports, and more.
- This program trains maternal and child health promoters, monitors their activities, provides instructions, and provides re-training six months later.

Targets

- Train new maternal and child health promoters: 600 promoters by FY2024
- Provide re-training to trained maternal and child health promoters: 300 promoters by FY2024
  One maternal and child health promoter will be assigned per five pregnant women to all villages (178 villages) based on the approximate number of childbirths in one year.

[Progress of the program]

Program target	FY2022	Status
Train new maternal and child health promoters Target: 600 promoters by FY2024	• Trained 121 promoters. • Selected 401 candidates for the next training. • Provided training for instructors to 55 local healthcare professionals who instruct maternal and child health promoters.	On schedule
Provide re-training to maternal and child health promoters. Target: 300 promoters by FY2024	—	—
Activity monitoring and instructions Target: Every year	—	—

Activity status in FY2022

In FY2022, 121 maternal and child health promoters were trained (in 27 villages), which made a total of 181 promoters in combination with the previous project, the ONO SWITCH project. In addition, maternal and child health promoters are not selected by PHJ. Midwives, auxiliary midwives, and representatives of each village, etc. have mainly selected women who are trusted by villagers and are "expected to be a promoter." PHJ meets every single woman selected individually, explains the role of promoters and their specific activities, and confirms the consent of the woman. In FY2022, 401 candidates were selected in 98 villages.

Training for maternal and child health promoters is provided for two days by PHJ staff members and the health service bureau of Lewe Township together. In FY2022, training for instructors of maternal and child health promoters was provided to healthcare professionals so that maternal and child health promoters can be trained continually by local people even if PHJ's support will be ended in the future. 55 healthcare professionals who work at 45 health centers in rural areas underwent the training.

Selection of maternal and child health promoter candidates

Briefing to maternal and child health promoter candidates

Cambodia: Program to Improve Access to Advanced Pediatric Medical care

Partner

Specified Nonprofit corporation Japan Heart
(hereinafter referred to as "JH")

› https://www.japanheart.org/en/

Corresponding SDGs

3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being

3.8 Achieve universal health coverage (UHC), including financial risk protection, access to quality essential health-care services and access to safe, effective, quality, and affordable essential medicines and vaccines for all

3.c Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States

Issues related to Access to Healthcare in Cambodia and Activities of Japan Heart

Name of the hospital
Japan Heart Children's Medical Center (JHCMC)

Year constructed
2016: JHCMC built
2018: JHCMC Expansion (increase in pediatric oncology beds)

Number of staffs
116（as of Aug., 2022）

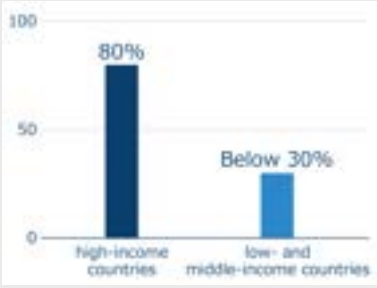
Number of beds
94 beds（Adult: 39 beds/ Pediatric: 55 beds）

Diagnosis and treatment department
Internal medicine, Pediatrics, Obstetrics & Gynecology, Pediatric Hematology & Oncology, Pediatric Surgery

Performance
Provide medical care: Adult 16,569, Pediatric 3,274
Hospitalization: Adult 837, Pediatric 255
Surgery: Adult 844, Pediatric 219

The United Nations World Health Organization (WHO) has indicated that 80% of patients with pediatric cancer survive in high-income countries, while the percentage of patients who achieve remission in low- and middle-income countries is below 30%*.

Survival rate of pediatric cancer



Many pediatric patients who cannot access advanced medical care have also been left behind in Cambodia.
A major cause is the shortage of medical institutions and healthcare professions that can provide advanced medical care. In particular, due to the impact of history, including the slaughter and civil war that occurred in the past in Cambodia, skilled medical care professionals who train the next-generation of medical care professionals are in short supply and issues related to healthcare access may remain in the future. In addition, the lack of economic power of people in the community, hospital visitation habits, and trust in healthcare are barriers to accessing healthcare.

Japan Heart opened the Japan Heart Children's Medical Center independently in the Ponnel District, Kandal Province, Cambodia, which provides advanced medical care for free to patients with pediatric cancer and other diseases. In addition, Japan Heart also trains local healthcare professionals through its activities. The Medical Center also engages in building the local healthcare system in the Ponnel District and provides free mobile medical services in the district.

- In Japan there were 2.3 physicians per 1,000 people as of 2014, while in Cambodia, there were only 0.2 physicians per 1,000 people as of 2014. The number of general beds per 1,000 people is 13.1 beds in Japan, while it is only 0.9 beds in Cambodia in 2016*.
- For example, at the Japan Heart Children's Medical Center, the medical fees for one patient with pediatric cancer are approximately eight hundred thousand to one million yen. The average annual income in Cambodia is 1,625 US dollars (approximately two hundred and twenty thousand yen; 2021, World Bank survey). Therefore, the standard treatment for pediatric cancer cannot be covered by an average household in Cambodia*.
- There are only a few medical institutions that have a department specialized in pediatric oncology in Cambodia. In particular, the number of medical institutions that can provide expert treatment of pediatric solid tumors is very limited. Therefore, patients with pediatric solid tumors come to the Japan Heart Children's Medical Center from all over Cambodia.

* Source: Japan Heart "State of Pediatric Cancer"

Programs that ONO supports

[Target area]

Target area: Ponnel District, Kandal Province, Cambodia

In this program, we support the activities of "Japan Heart Children's Medical Center."

[Support period]

From FY2022 to FY2026

[Issues, measures, targets]

1. Training skilled healthcare professionals

Issues

- In order for local healthcare professionals of Japan Heart Children's Medical Center to provide medical treatment without the support of Japanese staff and to train the next generation of healthcare professionals, it is necessary for them to accumulate more advanced and wider knowledge and experience. The Medical Center is one of the few facilities in Cambodia where healthcare professionals can experience advanced healthcare; however, clinical experience is limited at the Medical Center alone. In addition, the advanced healthcare that is provided at medical facilities and the environment in advanced countries cannot be acquired at the Medical Center.
- Local nurses of the Medical Center have insufficient knowledge and skills to provide advanced nursing care (e.g., caring for patients who are under postoperative ventilator management, etc.).
- The Medical Center has no local radiology technicians. Therefore, Japanese technicians are engaging in treatment, meaning that local technicians are not trained.

Measures

- Training physicians:
  - Provide training at a medical institution in Japan (National Hospital Organization Okayama Medical Center) in order to learn advanced medical care for pediatric patients (5 months).
  - Expand the scope of clinical experience by providing training at other medical institutions in Cambodia.
  - Create opportunities to learn the latest knowledge, such as participation in international academic conference of cancer, etc.
- Training nurses:
  - Provide clinical training for advanced healthcare mainly for postoperative management through training at other medical facilities in Cambodia.
  - Create opportunities to learn the latest knowledge by participating in internal academic conference of cancer, etc.
- Employing local radiology technicians: Employ local radiology technicians.

Targets

- Training physicians:
  - Training in Japan: 1 person
  - Training at other medical facilities in Cambodia: 2 persons
  - Participation in international academic conference of cancer: 5 persons
- Training nurses:
  - Training at other medical facilities in Cambodia: 5 persons
  - Participation in international academic conference of cancer: 5 persons
- Employing radiology technicians: 1 person

2. Improvement of access to healthcare in rural areas

Issues

- There are public healthcare facilities, such as health centers, in rural areas in Ponnel District, Kandal Province and surrounding areas. However, the healthcare that can be provided is limited and patients do not regularly use the public healthcare facilities. In addition, there is a hospital with medical devices on site located at more than an hour's drive away. Local people are not accustomed to visiting the hospital regularly and they do not fully trust medical care.

Measures

- Japan Heart Children's Medical Center will give free mobile medical service to rural areas in Ponnel District, Kandal Province and surrounding areas and continue to provide necessary healthcare mainly for internal diseases to both adults and children.

Targets

- Free mobile medical service: Monthly (The service will be provided 51 times during the program period, from January 2023.)

3. Enhancement of advanced medical devices

Issues

- Japan Heart Children's Medical Center is one of few facilities that can provide advanced healthcare to pediatric patients in Cambodia; however, their medical devices are insufficient when compared with advanced countries.
- There are issues where internal diseases (such as intussusception) cannot be diagnosed due to the absence of an X-ray fluoroscope or where there may be a greater burden on patients since a surgery requiring an X-ray fluoroscopy room is substituted with X-ray imaging machines.

Measures

- Introduce an X-ray fluoroscope.

Targets

- Purchase an X-ray fluoroscope and prepare an X-ray fluoroscopy room.

Progress of support programs

		FY2022	Status
1. Training skilled healthcare professionals	Training physicians in Japan	One person completed the training.	On schedule
	Training physicians at other medical institutions in Cambodia	—	—
	Training nurses at other medical institutions in Cambodia	—	—
	Participating in international academic conference of cancer	One physician and two nurses participated.	On schedule
	Employing radiology technicians	Started recruiting activities	—
2. Improvement of access to healthcare in rural areas	Free mobile medical service	Conducted three times. Provided free medical services to 143 persons.	On schedule
3. Enhancement of advanced medical devices	Preparation of an X-ray fluoroscopy room	Placed orders for devices. Completed construction to renovate surgery rooms.	On schedule

Progress in FY2022

1. Training skilled healthcare professionals

- Training physicians and nurses:
  — Training physicians in Japan:
    - One Cambodian physician received clinical training for 5 months at a medical institution in Japan. The physician has been working at Japan Heart Children's Medical Center as a pediatric surgeon since its opening and is expected to be a leader of Japan Heart's healthcare activities in Cambodia in the future.
    - During the clinical training in Japan, the physician acquired a wide range of clinical experience, not only in pediatric cancer. After the training, the physician can engage in the management of pediatric surgery patients and patients with pediatric cancer and can make decisions on treatment policy with a higher level of leadership than before. The physician will accumulate surgery experience as a surgeon under the instruction of Japanese physicians at the Medical Center.

  — Participation in international academic conference of cancer by physicians and nurses:
    - One local physician and two nurses of Japan Heart participated in the St. Jude-VIVA Forum on Pediatric Oncology in Singapore. This forum is a place where pediatric tumor specialists in Asia gather and share their know-how and implement networking to fill the gap between advanced countries and developing countries. At the Nursing Symposium, nurses of Japan Heart presented their activities. It became an opportunity for them to discuss their activities using their own words and they learned a lot and were stimulated by the exchanges with many healthcare professionals.

- Employing radiology technicians: Recruiting activities of local technicians have started. Since SNS is a main source for searching recruiting information in Cambodia, recruiting activities were mainly conducted using SNS and inquiries to educational institutions were also made. Educational institutions that train radiology technicians are limited in Cambodia and human resources are also limited. Therefore, recruiting is not easy. Recruiting activities will also be continued in various ways in the following fiscal year.

2. Improvement of access to healthcare in rural areas

- Free mobile medical services: Mobile medical service was conducted three times in Ponnel District and the surrounding area (an area which is a three-hour drive from the Japan Heart Children's Medical Center) and provided free medical treatments to 143 local people. Lifestyle-related illness were found with many patients who came for medical examination. Diagnoses, such as diabetes, high blood pressure, and gastroenteritis, were given and therapeutic agents were prescribed. They were encouraged to continue visiting local medical institutions. In addition, it was found that knowledge on pediatric nutrition management is lacking. There are children with smaller bodies than usual. Nutritional guidance is also provided to their parents.

3. Enhancement of advanced medical devices

- In order to install a surgical X-ray machine (C arm), construction to expand an operation room was conducted in FY2022. Lead sheets were attached to the wall so that X-rays do not leak outside the room and a special door was installed. An X-ray machine will be introduced in FY2023.

ONO SWITCH Project from FY2018 to FY2021

We engaged in the ONO SWITCH Project from FY2018 to FY2021 as an initiative to promote both medical system support and work style reform. Under this initiative, donations are made to the medical-related NPOs/NGOs mentioned below who use the money saved by reducing overtime payments through the promotion of our work style reform. The project aims to contribute to the promotion of work style reform, healthcare, and people's health around the world, thereby further promoting our corporate philosophy "Dedicated to the Fight against Disease and Pain."

—Project name and concept—

Save the **W**orld by our work style **I**mprovemen**T** and **CH**ange
The project name also expresses switching working styles, switching the funds obtained through work style reform to donations, and switching in the process of reviewing our working styles.

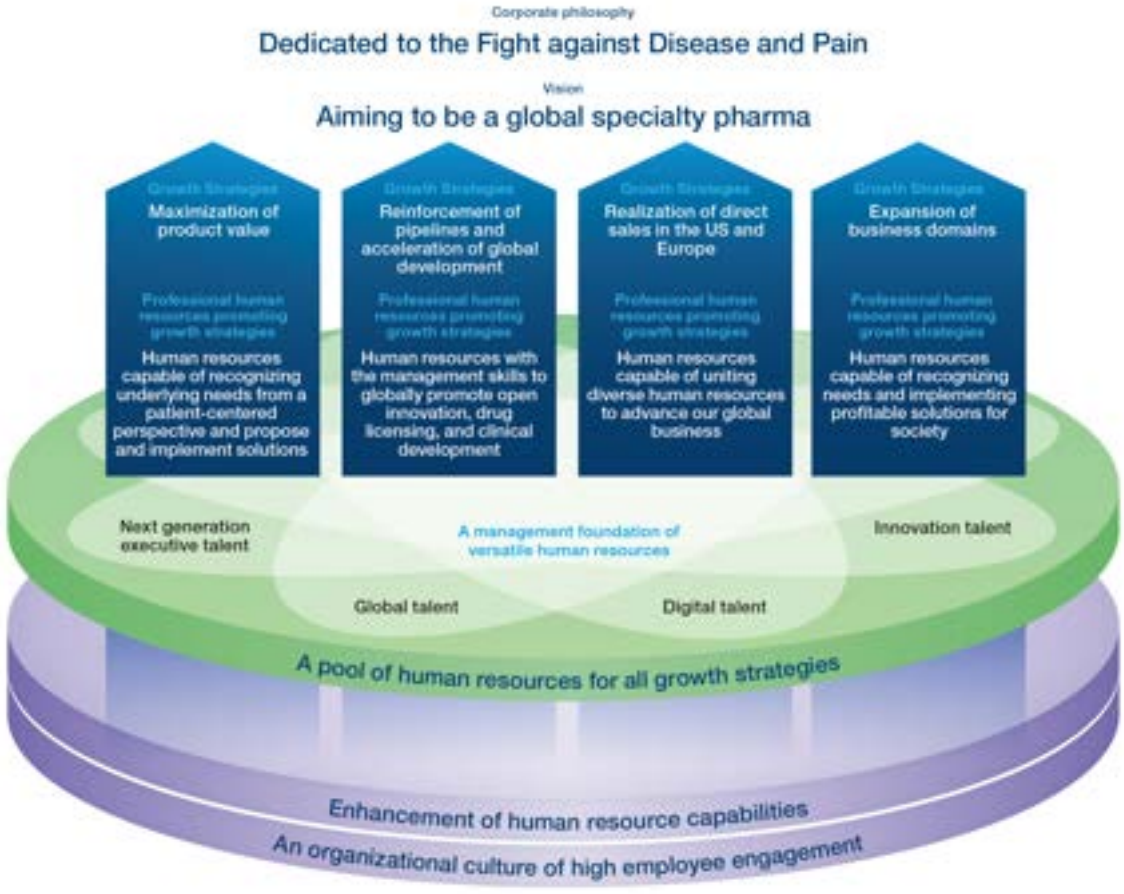
Please see the results for each fiscal year below.

- FY2018 results（270KB）
- FY2019 results（278KB）
- FY2020 results（288KB）
- FY2021 results（1.27MB）

Expansion of Human Capital (Talent Development)

We established four growth strategies to achieve our corporate philosophy, "Dedicated to the Fight Against Disease and Pain," and the vision of being a global specialty pharmaceutical company and we are working on our business activities. It is the "talent" who implements these strategies and supports permanent company development. Therefore, we are promoting activities that consider the expansion of human capital to be one of our important business challenges.

Growth Strategy and Talent Strategy Towards Achievement of Corporate Philosophy and Vision



In order to achieve sustainable growth, talents that implement strategies to achieve our corporate philosophy and vision are essential. For this reason, we are expanding human capital for sustainable growth in a way where diversified talents, including " Versatile human resources" who support the management foundation in an inter-department manner as well as " Professional human resources " who have the skills and expertise to promote each growth strategy, collaborate and drive members of organizations and projects.

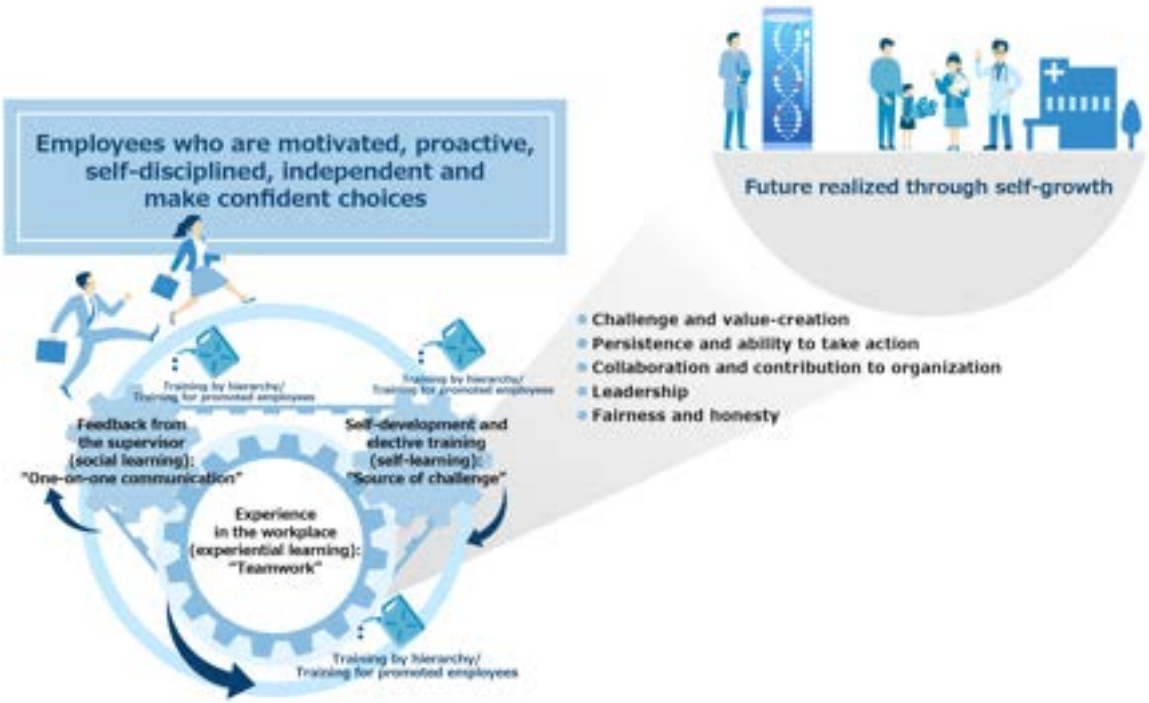
Development of Desired Talents

The talents we desire are motivated, proactive, self-disciplined, independent and make confident choices. We aim to develop human resources who become source for us to grow to be an R&D-based global pharmaceutical company (Global Specialty Pharma) as well as act in an ethical manner with a strong sense of responsibility as a member of a pharmaceutical enterprise involved in pharmaceutical products, which are closely related to the lives of people.

Desired characteristics of ONO Employees are those who:

are motivated, proactive, self-disciplined, independent and make confident choices

- are innovative, aspirational and persistent
- can work collaboratively in a global team environment
- have a strong sense of ownership for, and take pride in their roles
- always has a positive attitude and seeks opportunities for professional growth
- act in an ethical, honest and trustworthy manner



Training " Versatile Human Resources " that Supports the Management Foundation Inter-departmentally

As versatile human resources that support the management foundation, we are employing and training "Next generation executive talent," "Global talent," "Digital talent," and "Innovation talent" respectively.

	Employment and training method	Indicators and goals: Number of talents to be pooled by FY2026
Next generation executive talent	Candidate talents who may become future executives are trained by dividing them into four levels, including general employees, mid-level employees, managers, and senior managers, through training and planned tough assignments.	250 or more
Global talent	They are trained through the Global Skill Improvement Program (GSIP) or with planned dispatch overseas, etc. to acquire language skills, international perspective, cross-cultural communication, and other skills necessary to perform in a global business.	300 or more
Digital talent	We are engaging in activities to train talents with high digital literacy through DX promotion of existing business arms other than digital and IT departments (research, development, marketing, and other departments).	500 or more
Innovation talent	We started our unique activity, Ono Innovation Platform (OIP), in FY2021 and are conducting training by providing a program consisting of three fields that include learning, experience, and challenges.	180 or more

Training " Professional Human Resources " that Promote Our Growth Strategy

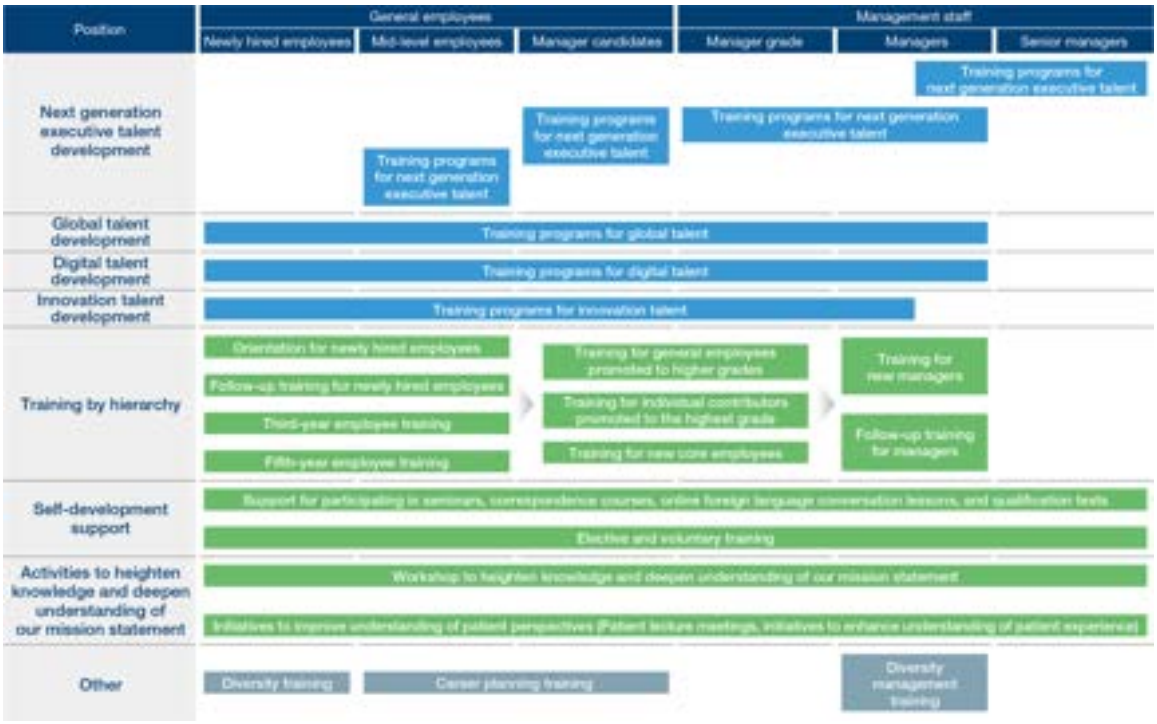
Requirements for the talents and skills for each strategy are defined in the following table and we are implementing employment and training.

Strategy	Requirements for talents and skills	Indicators and goals: Number of talents to be employed and trained by FY2026
Maximization of product value	Talents who can identify needs from a patient-centered perspective, propose solutions, and execute the solutions.	About 700 persons
Reinforcement of pipelines and acceleration of global development	Talents who can globally implement and manage open innovation, in-licensing, and clinical developments.	
Realization of direct sales in the US and Europe	Talents who can implement business by supervising a diversity of talents who can actively work globally.	
Expansion of business domains	Talents who can identify needs and conduct social implementation of solutions with economic rationality.	

In addition to these employment and training programs, training sessions to acquire the specialized skills required by each division have been provided separately. In FY2022, each employee received an average of 54.8 hours of annual training and the costs were JPY122,000.

We also provide e-learning training programs on drug scandal education, which is essential for employees of pharmaceutical companies, collecting safety information, handling personal information, preventing bribery, and other basic matters.

Education and Training Programs for Talent Development



For more details on each type of training, please see below.

Training Programs for Next Generation Executive Talent (for Selected Employees)

For the purpose of training the next executive talents necessary for the continued development of our business, we have implemented this program for employees selected from candidates who can implement a growth strategy by dividing them into four levels, from general employees to senior managers.
The common theme of this program is "learning the perspectives and ideas of management," but the curriculum is set up by level, so the training period ranges between 1 to 2 years. In the training for general employees, leadership development is conducted for employees in their 30's before they become managers, and job rotation is conducted after completion of this training. For the senior manager level, we provide training aimed at fostering awareness of being future executive candidates, and they also take part in discussion-based opinion exchange meetings with executives from other companies that transcend industries. We established 29 requirements for the next business leaders (creation of social value, foresight into the future, developing strategies, etc. based on corporate philosophy) for each level and provide training to acquire a management mindset and management skills based on the requirements while fostering company-wide management viewpoints.
Selected talents are considered to be valuable human capital shared across departments, and we established a meeting structure in which the heads of each division are able to hold discussions from the same perspective so that the selected talents can be assigned to jobs that they need to experience as the next executive talent candidates.

Actual number of participants for next generation executive talent training programs and goals

Employee level	Number of participants in FY2022	Total number of participants from FY2016	Indicators and goals: Total number of participants by FY2026
Mid-level employees	20	56	117
Manager level	20	56	116
Senior manager level	0	41	A sufficient number of participants have been secured.

Training Programs for Global Talent

We provide training to train global talents who are essential for our future growth. This program targets employees who are nominated by their department head as potential future global leaders. After their skill gaps are identified, we provide one-year programs to acquire the ability to adapt to the environment where they find themselves, leadership skills, logical thinking, and global business skills through language programs and the Global Skill Improvement Program (GSIP) based on their identified skill gaps. In FY2021, there were 21 participants in GSIP and only one person achieved 700 points or higher on a BISA test* before participation in the GSIP; however, 19 persons achieved the 700 points after participation. Subsequently, we assigned them to an appropriate position as a global talent in consideration of conformity between company tasks and each participant's career-vision.

Number of participants in GSIP in FY2022	Total number of participants from FY2015	Indicators and goals: Total number of participants by FY2026
25	171	300

Number of participants in GSIP in FY2021	
21	
Number of persons who achieved 700 points or higher in BISA test*	
Before participating in GSIP	After participating in GSIP
1	19

* BISA test: An abbreviation of Business Interaction Simulation and Assessment test. An English test by GLOBUS. A score of 700 points or higher is considered to be at the level where employees can work overseas.

English Speaking Skill Training Program

In order to acquire the English skills essential for global business, we provide training with the aim of eliminating participants' feelings that English is difficult and achieving the level required for overseas business.
Based on the status of participants, we have three programs, including a one-week, camp-style English conversation training program in Japan, a three-month study abroad language training program, and weekly lectures by dispatched English instructors (two-year course).

Training type	Number of participants in FY2022	Total number of participants from FY2013
Lectures by dispatched English instructors (2 years)	61	590
Study abroad language training program	1	11
Camp-style English conversation training program	0	54

Training Programs for Digital Talent

In order to use new technologies developed in recent years, such as AI, etc., we have actively been working on training talents with digital transformation (DX) and IT skills. We defined DX talent by dividing it into DX understanding, DX participation, and DX leadership, and developed programs so that they can achieve the level required in each category. Our aim is to train participants so that they can eventually plan, manage, and implement DX projects.

DX talent category	Number of participants in FY2022	Total number of participants from FY2022	Indicators and goals: Total number of participants by FY2026
DX understanding*1	367	367	All employees
DX participation*2	269	269	500
DX leadership*3	40	40	100

*1 DX understanding: Participants understand the outline of digital technology and the importance of changes in business.

*2 DX participation: Participants understand DX and can fulfill important roles when they participate in DX projects.

*3 DX leadership: Participants can understand and perform digital technology, establish the area of issues for changes in business, and implement the project.

Training Programs for Innovation Talent

Innovation is crucial for a pharmaceutical company to continue to deliver novel drugs to patients and we dedicated the most training to innovation talents. We launched the Ono Innovation Platform (OIP) in June 2021 as a place to generate innovation in a multifaceted and intensive manner in addition to conventional development measures. At OIP, we develop innovative talents through programs, such as the Innovation Cafe, a training program to learn the mindset and skills needed for taking on challenges; Voyage to Venture (V2V), which sends employees to venture companies on secondment to acquire an overwhelming sense of ownership through cross-border experiences; and HOPE, a business competition in which employees challenge new businesses based on their own awareness of issues. All employees are eligible to participate in OIP, and we are working to create an organizational culture that fosters innovative talent in all departments.

〈Opportunities for learning〉

Our training program, Innovation Cafe, which aims to teach the mindset and skills needed for taking on challenges, offers programs that allow employees to “know,” “touch” and “experience.” We hold a variety of seminars and workshops so that employees can learn about the field and acquire practical skills, in addition to basic knowledge. In FY2022, we held a total of 11 programs with themes including problem-solving methods based on the latest trends in business and healthcare and customer thinking, and a total of 1,499 persons participated. With regards to open innovation, which is the focus of our company, we held seminars featuring outside experts to provide fruitful learning opportunities. Going forward, we will continue to provide opportunities for employees to not only acquire knowledge and skills, but also to confront what they wish to achieve (WILL).

〈Opportunities for experience〉

The secondment program for venture companies, V2V, was established based on the idea that it is important to acquire an overwhelming sense of ownership, capability to take action, and resilience by experience in overcoming tough situations to develop talents who can create innovation. Employees are seconded to venture companies for one year and up to five persons per year. They are expected to gain experience in venture companies in business fields different than our business field, healthcare business, and to be able to create innovation when returning to their worksite compared to before secondment.
We have participated in an online cross-border program, "outsight," where participants propose solutions to the management issues of venture companies and earnestly discuss them since FY2022. We expect participants to acquire the mindset and skills to take on unknown challenges by facing realistic issues from different industries several times. We also aim to hone their problem-solving skills by putting them into practice and cultivating a spirit of challenge and courage through external study.

〈Opportunities for taking on challenges〉

In the course of selecting a theme for "HOPE," a business competition to challenge new businesses, participants are not only judged on their ideas, but also receive support to acquire the skills and mindsets necessary for the development of new businesses. Participants in the competition will have the opportunity to realize self-actualization and are expected to gain the ability to spearhead change through HOPE. In the competition for FY2021, the final judging took place in June 2022 and three themes were eventually selected. In FY2022, 85 participants proposed 101 themes and three themes were selected.

Program	Number of entries in FY2022	Total number of entries from FY2021	Indicators and goals: Total number of entries by FY2026
Innovation Cafe (seminars, workshops)	1499	2814	1000
V2V (secondment program to venture companies)	4	9	Total : 180
HOPE (business creation program)	85	168	
outsight (venture proposal program)	15	15	

Training by Hierarchy

Orientation for Newly Hired Employees, Follow-Up Training for Newly Hired Employees, Third-Year Employee Training, and Fifth-Year Employee Training

The orientation for newly hired employees is a two-week course provided for all newcomers to get together, learn basic business manners and rules, along with role sharing and cooperation in a team, and learn about the Mission Statements and rules inside and outside the company to acquire awareness as members of society.

We also incorporate global training and diversity training in order to broaden the vision of employees, after which they undergo education specialized for the divisions they are separately assigned to. In addition, after 10 months of being employees, follow-up training for newly hired employees is provided for them to take time to review events in the first year as members of society and to refresh their minds for the second year.

In the training for the newly hired employees of the sales department, which takes half a year after they enter the company, they acquire knowledge of medicine, pharmacology, the medical system and knowledge on diseases that have to do with our products, all of which are necessary for MRs (persons in charge of medical information), and take practical output-focused training. In addition to becoming MRs, who are required by the medical field, we provide opportunities for them to accompany senior MRs in on-site training, learn about the duties of MRs and the rules used in the medical field, and hear directly from doctors and wholesalers. As for the MR accreditation test, with the aim of having all our examinees pass, we support them with a carefully operated backup system not only during the training period but also after assignment to a specific post, which allows us to maintain a top-class pass rate in the industry.

The third-year employee training is designed to help third-year employees realize the necessity of changing their mentality—more specifically, moving one step forward from being independent to being autonomous— and to promote their voluntary actions and proposals as well as more active involvement in training junior colleagues. This training focuses on improving communication skills and other abilities necessary to perform their assigned job functions.

The goal of the five-year employee training is to further raise motivation for work by having employees view their work in a multifaceted manner and review it from creative perspectives. The training includes experiential learning cycles for them to grow themselves while achieving outcomes, and contents that help the participants digest tacit knowledge to establish their cherished opinions, leading to effective practices and outward development.

Training for Promoted Employees

In the training for those who are promoted to higher grades, they will understand the roles required of leaders, and foster the awareness and attitude of proactively engaging in team management. In addition, the training helps participants acquire the skills to identify problems and understand what is necessary to become an influencer.

In the training for employees promoted to core employees, as a candidate for the next candidates for managers, they will acquire management skills that will enhance their understanding of the personnel evaluation system, the ability to build trust with those around them, and the ability to take action.

In the training for new managers who are appointed from among core employees, participants review the personnel evaluation system, deepen their understanding of labor management, and learn the roles that managers are expected to play, as well as team building, and team management. These training sessions for those promoted are held with members who go beyond the framework of their level or department, which has led to enhanced awareness of cross-functional collaboration.

Furthermore, in addition to briefings after the training sessions, we are also holding briefings before training for the supervisors to motivate the trainee to receive training, thereby increasing the return on investment in training. In addition, we hold a training briefing session for supervisors after the training, with the objective of increasing the effect of the training by connecting them to OJT after the training sessions.

Indicators and goals:

Percentage of behavioral change after the training	**Average value after mandatory hierarchy training: Remain at 85% or higher.**

Self-development support

Self-Development Learning (Correspondence Courses/Online Foreign Language Conversation/Support for Qualification Tests)

For employees who are self-motivated and have a strong awareness of growth, we provide opportunities for self-development learning and provide partial financial support. Through correspondence education, we have over 500 courses such as leadership and management, accounting, finance, and English conversation, and we arrange an environment on a steady basis for those proactive learners with a wide range of fields. In addition, we promote self-development learning by aiding online foreign language conversation classes and qualification tests.

Elective and Voluntary Training

For employees who are self-motivated and have a high awareness of growth, we provide opportunities for self-directed learning. We provide training to learn marketing, accounting, finance, and other operations that employees have fewer opportunities to engage with during regular operations, depending on their department, by using management simulation games, and other methods to foster the perspective of members of management at early stage as well as training to learn leadership and team building to lead other employees and organizations.

Activities to Heighten Knowledge and Deepen Understanding of Our Mission Statement

In line with our Mission Statement as a common guidance that all employees can share for realizing our corporate philosophy, “Dedicated to the Fight against Disease and Pain,” we aim to ensure that each individual employee acts with a certain understanding of how patients and their families feel about and confront the illness and treatment. These activities are aimed at having employees gain a deeper understanding of the true needs of patients, and identifying the significance of the company’s existence and the challenges each employee faces. This contributes to creating a sense of oneness as an organization and promotes involvement from employees, and it is considered as one of the most important measures at our company.

Workshop to Heighten Knowledge and Deepen Understanding of Our Mission Statement

This workshop aims to ensure that all employees embrace our Mission Statement and act accordingly. In the workshop, the CEO talks about the background to the establishment of our Mission Statement and the history of ONO’s bold endeavors which lie behind it over 300 years, or managers talk to their subordinates about the challenges they have experienced. Such talks evoke empathy and inspire employees to voluntarily put the Mission Statement into practice.

› Click here to view our Mission Statement.

Activities for Understanding Patient Experiences

It is important for employees of a pharmaceutical company to be aware of what it means to be a member of medical staff and to have the patient perspective. We have collaborated with Japan Patient Experience Study Group* and have provided educational video materials and training on basic knowledge with the aim of acquiring the patient perspective by understanding the value of the patient experience (patient experience; "PX") in various situations.

* First organization in Japan that aims to contribute to the improvement of the quality of medical care by conducting activities related to the spread and promotion of patient-centered medical service provision.

Patient Lecture Meetings

The opportunity to have direct contact with patients is very important for employees of pharmaceutical companies that are responsible for the research, development, and marketing of ethical drugs. At a lecture by patients, the patients will give a speech on how they managed their feelings when a disease was diagnosed along with the disease symptoms, the impact on the quality of their daily lives, the effects and adverse effects of the drug, and how they live everyday with their disease. We consider that when we listen to patients' opinions directly, we can understand patients' feelings and it leads to behaviors based on the patient perspective in our daily operations. In FY2022, we heard the speeches of a pediatric patient with cancer and the patient's family, and the nurse who looks after the patient. In addition, our employees, who are cancer survivors, gave a speech on their experience of struggle against the cancer.

Other Trainings

Diversity Management Training

We are always pursuing innovation to continuously create innovative pharmaceuticals. As a source of ideas leading to the creation of innovation, broad diversity regardless of specialized fields, gender, and nationality is increasingly required in the future. In this seminar, we not only understand the significance of diversity, but also improve interviewing skills to make better use of it, and acquire management capabilities. For this purpose, the training is conducted for all of new management positions.

Career Planning Training

We provide training opportunities for employees to review their individual careers and think positively about their future careers. In order to develop future career plans and translate them into results by discovering qualities and strengths that employees did not recognize themselves, challenges, and values that they treasure, we plan one-on-one interviews with external career consultants. In FY2022, they were provided for employees in the third and fifth year from the start of their employment, which is the time when they often worry about their career.

Participants in each training (2022)

Training program name	Participants
Training programs for selected employees（next generation executive talent, global talent）	129
Training programs for digital talent	676
Training programs for innovation talent	1,063
English speaking skill training program	128
Orientation for newly hired employees Follow-up training for newly hired employees	68
Third-year employee training Fifth-year employee training	156
Training for general employees promoted to the highest grade Training for new core employees Training for new managers	218
Self-development (support for correspondence courses, online foreign language conversation, qualification tests)	649
Elective and voluntary training	1,263
Career planning training (including e-learning)	35
Workshop to heighten knowledge and deepen understanding of our mission statement	287
Initiatives to improve understanding of patient perspectives (Initiatives to enhance understanding of patient experience, Patient lecture meetings)	4,966

Activities for the Development of Future Talent (Internship Program)

We offer an internship program for undergraduate and graduate students looking to gain work experience. In addition to providing an introduction to the pharmaceutical industry, our internship program provides students with various opportunities such as introducing activities in each job category and interacting with employees, to allow them to gain firsthand experience working at a pharmaceutical company. We hope that by participating in the internship program, students will understand the mission that pharmaceutical companies should fulfill and feel the significance and value of working at a pharmaceutical company. We also hope that the internship experience will help interns shape their future career plan.

Initiatives Improving Employee Engagement

Based on the concept that “a company is its people,” we believe that it is important to promote talent development, improve diversity and broaden the abilities of each individual in order to respond to various environmental changes and overcome competition in the future. That is why we have been conducting engagement surveys with the aim of objectively measuring the status of our efforts to strengthen corporate infrastructure and help boost organizational capabilities. In fiscal 2022, we conducted a major review of the questionnaire items to expand the scope of the survey to overseas subsidiaries. Please see here for the results of fiscal 2022.

We also use the results of the engagement surveys when planning new development programs and introducing various systems. We will continue to improve the issues identified from those results and improve employee engagement through initiatives linked to activities that disseminate our mission statement.

Expansion of Human Capital (DE&I)

In order to achieve continuous business growth, it is important to employ, train and retain human resources and to achieve the status where "employees can work safely and actively while respecting different and diversified values." For this reason, we are promoting Diversity, Equity, and Inclusion (DE&I), for example by creating a system where every single employee can express their identity, a fair and highly transparent corporate culture and a flexible working environment that can adapt to changes, etc. We established "Difference" × "Sense of Unity" as a theme for promoting DE&I. New awareness and ideas will emerge when human resources with different backgrounds and ideas work together. Our aim is to become a company that has a sense of unity and is attractive to people outside the company, and to create an organization full of human resources who desire to work actively in our company for a long time by fostering a corporate culture accepting of diversity.

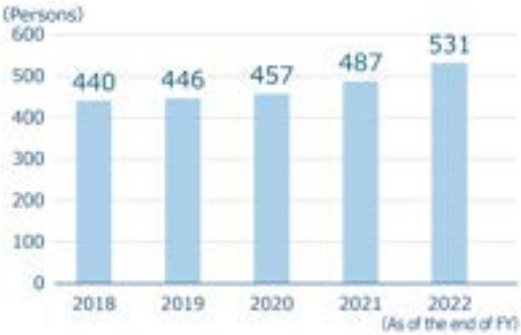
Promoting Appointment of Young, Mid-Career, and Female Employees

We are promoting diversity so that young employees, mid-career employees and female employees can work actively at the managerial level. In 2022, a system was revised under which young employees in their early 30's can be promoted to managerial positions. In addition, we have proactively employed mid-career employees at the managerial level. Currently, approximately 100 mid-career employees, accounting for 16% at the managerial level, work actively for us.
Concerning promotion of female employees, the percentage of female employees at the managerial level remains at 4.1% (FY2022) and it is one of our issues. At first, in order to increase female employee candidates for management positions, we established a goal, "percentage of female employees at the team leader level of 15%" within two years from April 2021, based on the Act on the Promotion of Women's Active Engagement in Professional Life, and we achieved the goal. We aim to achieve 10% female employees at the managerial level by FY2026 and 20% by FY2031. With the aim of achieving this goal, we will develop a structure and environment where we can employ, train, and retain human resources equally regardless of gender.

Employing mid-career persons

We are also focusing on career recruitment, to employ human resources with the skills, knowledge, and experience that we need as an immediate force. Especially since FY2014, when we started to actively promote mid-career employment in view of changes in the business environment, we have been actively hiring mid-career employees in a broad range of jobs, including MR, R&D, safety information management, digital / IT, and managing section. In FY2022, about 60 mid-career recruits joined our company.
In July 2023, we established OPhrs Co., Ltd. as a strategic subsidiary with a unique personnel system, etc. to acquire "highly specialized human resources in digital and innovation, etc. fields." We will proactively engage in the employment of highly professional human resources who contribute to promoting our growth strategy.

Number of employees hired by Mid-career recruitment



Balancing Work and Childcare, and its Goals (Act on the Promotion of Women's Active Engagement in Professional Life)

Outline of action plans for the period from FY2023 to FY2026 based on the Act on the Promotion of Women's Active Engagement in Professional Life (Goals/Activities)

Goal	Action plan	Annual Results
Increase the percentage of female employees at managerial level to 10% or higher.	1. Develop a system and working environment that can respond to life events and diversified working styles. 2. Develop and implement measures contributing to fostering a corporate culture related to the appointment of female employees as core human resources or at the managerial level (determining policies, training for management members, etc.). 3. Develop and implement measures contributing to training the next female employees at the managerial level.	—
Increase either the percentage of childcare leave or the percentage of reduced working hours taken by male employees to 80% or higher.	1. Develop and implement measures contributing to fostering a corporate culture where male employees can easily participate in childcare (disseminating the systems and information related to childcare leave or reduced working hours for employees and management members, etc. who desire to participate in childcare, etc.) 2. Develop and implement a system and structures relating to balancing work and childcare.	—

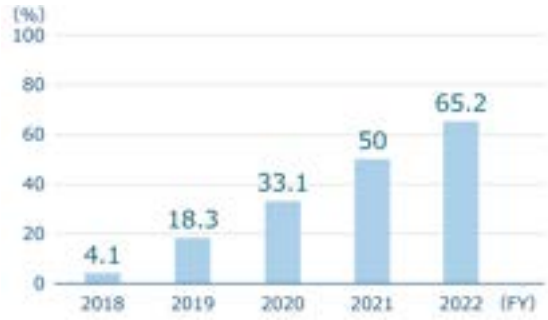
Childcare Support Initiatives

We believe that society as a whole should support families raising children and that creating an environment that supports childbearing and childrearing is one of the challenges that companies should address. We formulated an action plan based on the "Act on Advancement of Measures to Support Raising Next-Generation Children," and are working to support employees in balancing their work and childrearing. As a result, we were certified by the Minister of Health, Labor and Welfare as a standard-compliant general company, and we were awarded the mark of certification as a childcare support company (Kurumin*) five times between 2008, and the Platinum Kurumin certification in November 2019.
After April 2017, we introduced a new childcare support system, "Encouraging Leave for Childcare Participation," and we are also developing an environment to promote understanding of the workplace among male employees who take childcare leave that child-rearing is a life event for both men and women. In concrete terms, we provide guidance for the purpose of support from pregnancy, the start of childrearing, and reinstatement (pre-mother, pre-father guidance) and orientation at the reinstatement from childcare leave for the purpose of reducing anxiety at reinstatement and supporting smooth returns to work as well as follow-up seminars after reinstatement from childcare leave for employees and their supervisors (seminars to support work-life balance starting after reinstatement from childcare leave). Thus, we support our employees in balancing work and childcare. In addition, we publish open newsletters about the experiences of men taking childcare leave.
In recognition of these activities to support a balance of work and childcare and create a supportive work environment, we received certifications.

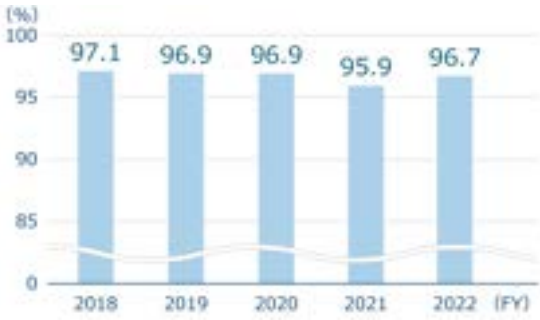
Medirabi-san ONO's mascot promoting diversity initiatives

Features in ONO's booklet on systems for balancing work and child-raising. Promotes initiatives to improve diversity.

Percentage of Male Employees Taking Childcare Leave



Retention rate of female*



* Retention rate = 100-(Turnover rate of each years)

We have set a goal, "Increase either the percentage of childcare leave or the percentage of reduced working hours taken by male employees to 80% or higher," to continue promoting male participation in childrearing, and we will continue to promote initiatives to further support the balancing of work and family life, including the establishment of personnel systems and holding seminars to support this balance.

Acquiring Diversified Experiences and Perspectives

We have established an "open recruitment system" and an "internal challenge job system" so that individual employees can acquire diversified experiences and perspectives. We also began to allow our employees to engage in "side business and concurrent business" from April 2023 in order to acquire new knowledge and experience that cannot be obtained from internal operations.
By acquiring diversified experiences and perspectives regardless of whether they are obtained from inside or outside the company, we aim for further improvement of productivity and the creation of revolutionary innovation.

[Systems that promote employee challenges]

- **Open recruitment system**

  We have used an open recruitment system to promote employee challenges and revitalize inter-departmental transfers. we have eased requirements for application based on the needs of employees and greatly expanded the number of positions available, and 25 employees were transferred to other departments. We renewed the system to raise awareness for more employees.

- **Internal challenge job system**

  Based on the needs of employees who wish to expand their horizons by learning about work in areas other than their own department, to grow professionally, or to deepen person-to-person exchanges across departments, we have introduced an internal challenge job system with the aim of challenging employees to work in another department for 20% of their prescribed working hours while still being in their current department, and raising employees' skills and providing career support. In FY2022, 20 employees engaged in concurrent business under the system as a test operation in limited departments

- **Side business and concurrent business**

  We implemented a system revision that allows employees to engage in side business in June 2023. By acquiring new knowledge and experience in various fields that cannot be obtained from operations in our company, we aim to achieve employee growth and career development in our company while maintaining the career of employees with diversified backgrounds. In addition, we also aim to increase productivity, to create evolutional innovation, and further growth of our company by increasing diversity as an organization and using the knowledge and experience obtained from outside the company for operations in the company.
  In addition, we have enabled contract employees who have retired from our company to engage in side business since April 2023 with the purpose of achieving a more flexible working style and forming their second career after retirement..

- **Temporary assignment program to venture companies**

  To create opportunities to gain experience that is not possible in our company, we have introduced a temporary assignment program to venture companies, V2V (Voyage to Venture). For more details, please see here ("Training for Innovative Human Resources" in "Training for Human Resources").

- **HOPE**

  We are holding an internal business competition, "HOPE," for the creation of new business as a voluntary opportunity to bring the lessons and experiences of employees into practice. For more details, please see here ("Training for Innovative Human Resources" in "Training for Human Resources").

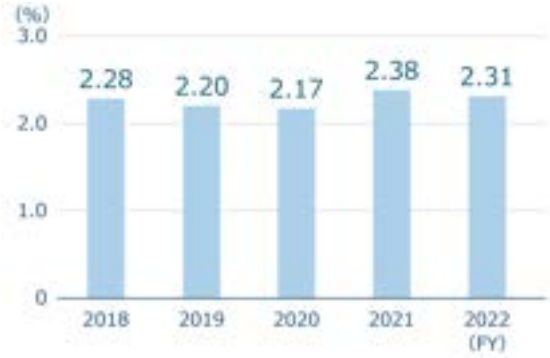
Work Style Reform and Other Initiatives related to DE&I

We are creating a work environment where employees can work safely and introducing a system to promote employee challenges (indicated under "Acquiring diversified experiences and perspectives") as a work style reform contributing to employing and training human resources. We are also engaging in an initiative to develop the support system and work environment where our employees can work in diversified ways so that every single employee can grow by working actively and can fulfill their abilities to the maximum. For more details of our support system, welfare program, etc., please see "Cultivation of Employee-friendly Workplaces/Safety and Health."

Effort made for promoting active participations of persons with disabilities

We have been proactively promoting the employment of challenged persons and creating a work environment where challenged persons can work easily. In April 2022, we established a 100% subsidiary, Ono Pharma UD Co., Ltd., in order to provide more working opportunities for challenged persons. In October 2022, it was certified as a specified subsidiary and engaged in printing business at the beginning. In the future, we will expand it as a place where challenged employees can fully show their abilities and work actively in a greater variety of businesses. As mentioned above, we would like to contribute to a sustainable society by providing worksites where employees can engage in meaningful work. As of July 2023, 33 employees are working actively.

Employment rate of persons with disabilities



Use of UD Talk

We introduced UD Talk* for business in 2016 as a communication tool for hearing-impaired people, and use it in almost all departments to which hearing-impaired employees belong. Currently, subtitles are displayed in real time on the screen of the Web conferencing system, and we will support an environment where people with hearing impairments can work lively without any inconvenience through in-house communication even in a telework environment.

* UD Talk is an application used for communication with the mainly hearing-impaired people using a smartphone. It enables us to convert voice into text using automatic speech recognition.

LGBTQ+ Initiatives

We are engaging in creating worksites where our employees respect diversity, such as sexual orientation and gender identification (SOGI), where employees who are LGBTQ+ can ensure their psychological safety and work, as part of promotion of DE&I.
We established an external consultation window that our employees who are LGBTQ+ can consult anonymously and also provided e-learning to all employees so that they can take action based on correct knowledge.
We will promote the understanding of SOGI through seminars and training for management members and implement initiatives to create worksites where employees who are LGBTQ+ can work easily.

Respect for Human Rights

We also respect everyone's human rights in all business activities and aim to establish a company with no discrimination either inside or outside the company due to race, nationality, ethnicity, gender, age, colour, religion and belief/philosophy.

Respect for Human Rights

Our approach to human rights

In all of our business activities in and outside Japan, Ono Pharmaceutical Group understands and respects the human rights of each individual in terms of the diversity of values, personalities, and characteristics, and we act accordingly. We also uphold and respect the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, conventions on the human rights of workers, such as wages and working hours, etc., the OECD Guidelines for Multinational Enterprises, the United Nations Declaration on the Rights of Indigenous Peoples, and other international codes of conduct related to human rights, and the Ten Principles of the United Nations Global Compact.

In July 2020, we established the ONO Pharmaceutical Human Rights Global Policy based on the United Nations Guiding Principles on Business and Human Rights. For the entire Ono Pharmaceutical Group, to fulfill our responsibility to respect the human rights of our stakeholders, the ONO Pharmaceutical Human Rights Global Policy applies to all executive officers and employees of our group, and we also encourage all of our business partners involved in the businesses, products, and services of Ono Pharmaceutical Group to comply with the policy. This Policy has been revised and disclosed after obtaining the approval of the Board of Directors meeting held in March 2023.

> Ono Group Human Rights Global Policy.

We also consider that respect of human rights by employees is a foundation of business activities and we include respect for human rights in the ONO Group Code of Conduct, which all employees should consider to be a guideline for their daily operational activities.

> ONO Group Code of Conduct

In addition, for the further development of our global business activities, we revised the Basic Policy for Procurement Activities and established the Sustainable Procurement Code for ONO's Business Partners in which we compiled matters for our business partners to cooperate with concerning global human rights issues, such as forced labor and child labor, in the entire supply chain, asked for cooperation of our business partners, and are strengthening the collaboration.

> Basic Policy for Procurement Activities

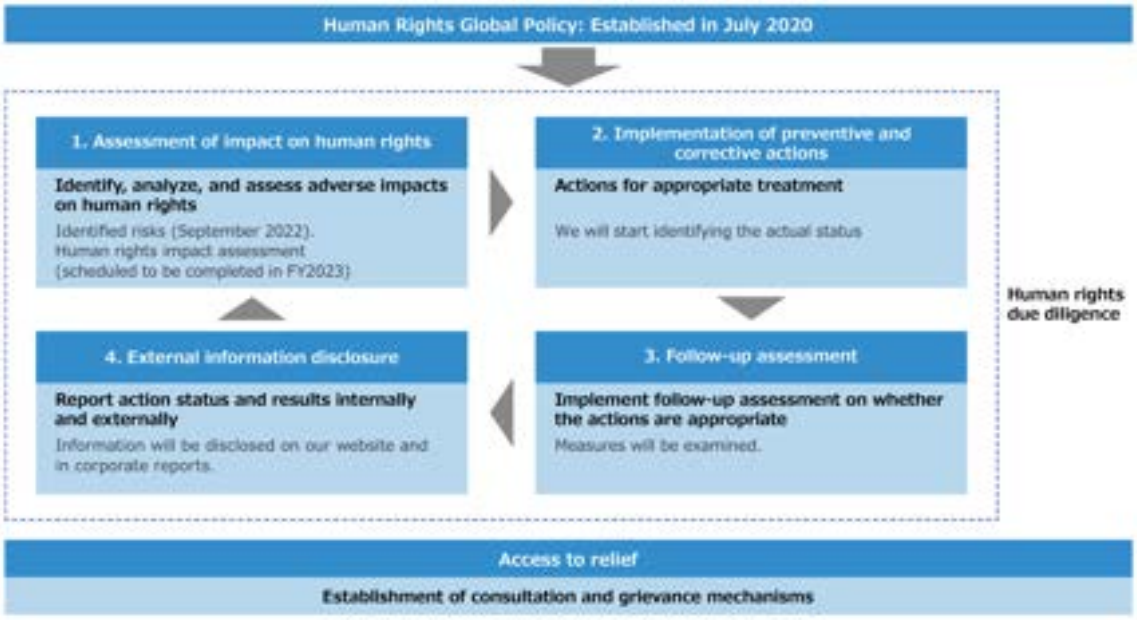
Sustainable Procurement Code for ONO's Business Partners (189KB)

Human rights due diligence

We recognize that we may have adverse impacts on human rights directly or indirectly through our business activities and in our supply chain. In accordance with the United Nations Guiding Principles on Business and Human Rights, we have established a human rights due diligence system to prevent or reduce adverse impacts on human rights that we may cause to society, will continue to implement the system, and will disclose the progress and results externally.

Initiatives in FY2022

In FY2022, we conducted an impact assessment of potential risks to human rights (human rights risk assessment) in our group and supply chain in cooperation with the Caux Round Table (CRT Japan Committee) and specified priority human rights that we will address. In the future, we will conduct an assessment of exposed impacts (human rights impact assessment).



Assessment of impact on human rights

・Human rights risk assessment and risk identification

First, we conducted a desktop survey* and identified potential human rights risks associated with our business activities, including our supply chain.
In addition, we also identified themes and areas with high potential human rights risks and held a human rights due diligence workshop to identify our risks. The human rights due diligence workshop was held for two days with 25 participants in total from relevant departments.
In the workshop, we considered the needs of society and social changes, and then we identified potential human rights issues that may have an impact on our business and that may occur among rights holders and the overall value chain.

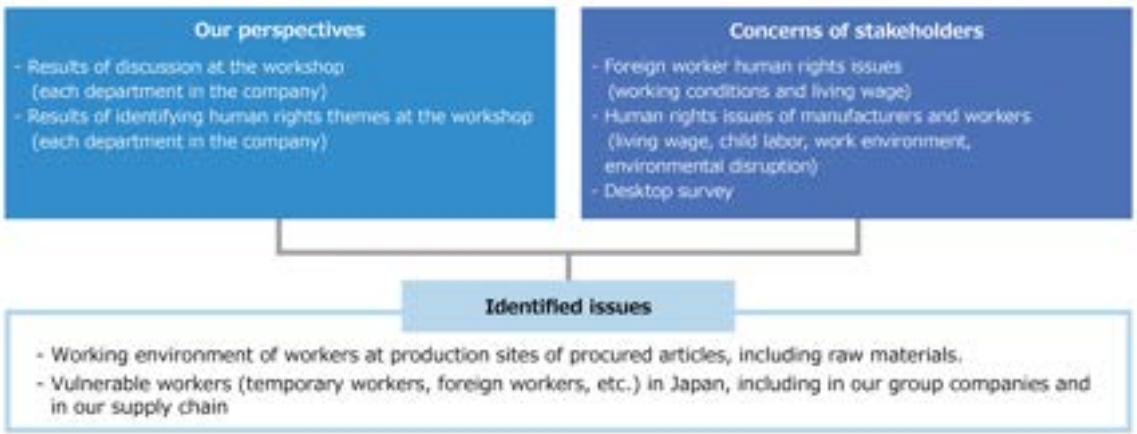
Target value chain: Research and development – Procurement – Manufacturing – Logistics – Selling – Consumption – Discarding

Rights holders who may be impacted: Workers in the supply chain, workers of our business partners, our employees, and the local community (including the supply chain)

Risks of concern			
Access to healthcare	Access to pharmaceuticals	Pharmaceutical safety and health damage	Provision of appropriate pharmaceutical information
Risks during development	Pharmaceutical distribution	Waste treatment	Human rights issues related to the environment and climate change
Industrial safety and health	Human rights issues under supply chain	Compliance	Human rights issues related to technology and AI
Privacy rights	Race, age, sex	Religion, culture, language	Discrimination
Various forms of harassment	Human rights issues related to gender (including sexual minorities)	Foreign worker rights	Impact on indigenous peoples and local residents
Equal pay for equal work	Child labor	Forced labor	Excess and unfair working hours

* Assessment report by PSCI (Pharmaceutical Supply Chain Initiative) and survey by CRT Japan Committee, Nippon CSR Consortium "Important Human Rights Issues for each Industry" (Pharmaceutical Industry), etc.

As a result of assessment of potential human rights issues that are of concern through the desktop survey and human rights due diligence workshop, there were issues for which risks have not been identified in detail. We will identify the actual status of the following two issues with our group companies and business partners. In addition, we will implement preventive and corrective actions as well as establish a system where high priority human rights issues and new human rights issues can be promptly recognized.



"Working environment of workers at production sites of procured articles, including raw materials"

We will identify the actual status of the working environment of raw material suppliers, such as producers and manufacturers, etc., in particular, the working environment of raw material producers and outsourcing manufacturing companies, identify and assess specific adverse impacts on their human rights during our procurement activities, and implement prevention and mitigation actions.

"Vulnerable workers (temporary workers, foreign workers, etc.) in Japan, including in our group companies and in our supply chain"

We will identify the actual status of vulnerable workers in our group companies in Japan and in our supply chain, identify and assess specific adverse impacts on their human rights during our procurement activities, and implement prevention and mitigation actions.

Implementation of preventive and corrective actions

・Actions for urgent matters related to human rights

We have established a system to take action promptly for high priority human rights issues in cooperation with CRT Japan Committee.

[Forced labor issue at a rubber glove manufacturing plant in Malaysia]

In 2022, Kimberly-Clark Corp (U.S. company) and Ansell Ltd (Australian company) were sued by International Rights Advocates (IRA), a legal support group in Washington, D.C., on the grounds that they knowingly profited from forced labor at Brightway Holdings, a rubber glove manufacturing company and supplier in Malaysia.
In response to a report on this fact by the CRT Japan Committee, we investigated through our agents since we have purchased rubber gloves made by Brightway and sold by Kimberly-Clark. As a result, we confirmed that, as of the investigation date (September 15), Kimberly-Clark had discontinued transactions with Brightway, no longer handled Brightway's products, and is conducting third-party audits regularly with all outsourcing manufacturing companies. We determined that we would continue to use the products of Kimberly-Clark while watching the progress of the lawsuit and their actions, and if further concerns arise in the future, we will reexamine transactions with Kimberly-Clark, including the use of substitutes.

・Training

We are creating worker-friendly work environments by strengthening the compliance system to prevent any harassment and providing training every year. For more details on the compliance system and training, please see here.
In addition, in association with the revision of the ONO Pharmaceutical Human Rights Global Policy, we provided training on the Guiding Principles on Business and Human Rights for persons in charge from the Business Audit, Legal, Corporate Planning, Sustainability Promotion, Procurement and Purchasing, Compliance Promotion, and Human Resources Departments in FY2022, as a preliminary exercise prior to training for all employees.

Access to relief

Internal Reporting and Consultation System

We have established internal and external points of contact for reporting and consultation (see the chart below), including the ONO Hotline, which is open 24 hours a day. The aim of this is to prevent the occurrence and recurrence of compliance violations, including harassment, to secure an appropriate work environment, and to minimize loss and the erosion of public trust by taking swift action and measures in the event of a violation. Please click here for details of the internal reporting and consultation system.

Cultivation of Employee-friendly Workplaces/Safety and Health

Promoting the Creation of an Employee-friendly Working Environment

We are implementing work style reform to contribute to employing and retaining excellent human resources and are engaging continuously in the improvement of work-life balance. We also implemented the promotion of DX for operational efficiency, improved the system using IT, and introduced a super flexible working hour system, telecommuting system, and interval work system where the core working time is removed for the creation of attractive work environment. In FY2022, improvement was seen in work style reform in association with a situation where a new normal work style was established to an extent under the COVID-19 catastrophe, resulting in an average of 15.9 hours of overtime per month and 66.0% of employees taking paid vacation days. We will further enhance flexible work styles, operational efficiency, and the amount of annual leave taken. In FY2023, we aim to decrease the average monthly overtime work hours per employee to 13 hours or less, and the percentage of employees taking paid vacation days to 70% or more and use them to enhance our competitiveness in employment and retaining excellent human resources.

[System that promotes flexible work styles]

- **Flexible working hours**

  We have introduced a super flexible working hours system that the eliminates core time throughout company, excluding some job types, departments and ranks. By allowing employees to choose diverse work styles, we improve their work efficiency and help them better balance work obligations and family obligations, such as childcare and nursing care. Since FY2021, we have made it possible for employees to take summer holiday on any day between July and September, except for certain occupations, and have increased the flexibility of taking vacations.

- **Telecommuting system**

  In order to achieve "fostering a sense of unity" and "various work styles" at the same time, we have introduced a telecommuting system where the upper limit of frequency of telecommuting system is "set by department," as a system where employees can show the maximum performance based on the job type. In addition, we emphasize communication between employees and, as a company-wide operation, we established opportunities for face-to-face communication between all team members two times or more per month in principle.

  * If there are other reasons, such as childrearing, nursing care, etc., the limit on frequency is eliminated.

- **Hourly paid leave system**

  Although annual paid leave may be taken in half-day units, we have made changes so that up to five days' worth (eight hours per day) of paid leave per year can be taken in hourly units. This system is designed to enable employees to work flexibly to suit their needs.

- **Selective retirement system**

  The retirement age is 60 years old, but under certain conditions, if they wish to retire when they reach 55 years old, a special surcharge will be paid in addition to the retirement allowance to support their life planning.

- **Support of the transfer**

  Under certain conditions, if they are between the ages of 45 to less than 55 retire for independent self-employment, a special surcharge will be paid in addition to the retirement allowance for the purpose of supporting the start-up of a new life.

[Systems that exceed the standards specified by labor-related laws]

- **Childcare leave**

  The statutory period of childcare leave is, in principle, until the child reaches 1 year of age (maximum 2 years of age for certain reasons). However, our employees can take childcare leave until the last day of the month when the child reaches 3 years of age.

- **Shortened work hours for childcare**

  Although Japanese law stipulates that shortened work hours for childcare can be utilized until the child becomes three years old, we allow employees to shorten their working hours by up to two hours per day until March 31 of the year in which their child finishes the third grade of elementary school. In addition, as support for employees who desire to be reinstated from childcare leave earlier than scheduled, moving up the scheduled end date of childcare leave (moving up reinstatement) is allowed in principle.

- **Nursing care leave**

  Although Japanese law stipulates that nursing care leave can be taken up to 93 days in total per family member in need of care, we allow employees to take nursing care leave for up to a year in total.

[Legally required systems]

- **Shortened work hours for nursing care**

  An employee caring for a family member in care-requiring condition may shorten his/her working hours by up to two hours per day, aside from the period of nursing care leave.

- **Nursing leave system**

  Within the law, employees can take care leave to care for a child who has not yet entered elementary school and to care for a family member in need of assistance. Furthermore, our employees can take sick/injured childcare leave until the end of March of the third year of elementary school. Our employees can take 5 days off per year if they have one family member, or 10 days off (unpaid) on a day, or half day basis if they have two or more family members.

[Various leave and subsidy systems]

While employees may take leave when they cannot come to work due to attendance to weddings, funerals, and other ceremonies of their own or their family members, moving for job transfer, and accidents, disasters, and other events of force majeure, we also have systems in which special paid holidays can be taken under other circumstances.

- **Accumulated leave**

  Under this system, our employees can set aside expired annual paid leave under certain conditions and use the time for reasons such as personal injury/illness, family care, infertility treatment, or secondary examination of regular health checkups. Some employees take paid leave for sudden diseases of children.

- **Childcare participation encouragement leave**

  We allow employees to take up to two days of leave for child-raising until the child reaches the age of 1. This system can be used in a wide range of situations such as regular health checkups and immunization.

- **Maternity protection leave**

  A female employee who is pregnant or within one year after childbirth can take leave up to the number of days specified according to the pregnancy period to receive health guidance or a health examination. Besides reasons such as health guidance and a health examination, this leave may be taken up to five days during the pregnancy period when work is not possible due to morning sickness, threatened premature delivery, etc.

- **Volunteer leave, and bone-marrow donor leave**

  To encourage employees to participate in volunteer activities, we have introduced a volunteer leave system, under which special paid leave of up to five days a year may be granted. We have also introduced a bone marrow donor leave system to grant special paid leave (necessary period for bone marrow donation) to employees who donate bone marrow.

- **Subsidies for day-care centers and babysitting**

  A subsidy is available upon application to eligible employees with preschool children whose spouse is also working when they use day-care centers or babysitting services. Even if the spouse is not working, a subsidy will be provided when such a facility or service is used due to the spouse's illness.

- **Subsidies for sick child care**

  A subsidy is available upon application to eligible employees with children under the age of two whose spouse is also working when it becomes necessary to use a sick child care facility or service. Even if the spouse is not working, a subsidy will be provided when such a facility or service is used due to the spouse's illness.

- **Support for medical checkup**

  Our employees who are 35 years of age or older can take a comprehensive medical examination in lieu of an annual legal health checkup, and we bear all expenses. Furthermore, we also support comprehensive medical examination for dependent spouses who are 35 years of age or older.

[Other systems and benefits]

- **Support for employees with cancer**

  Employees who are diagnosed with cancer will work in the midst of many challenges, including regular hospital visits, side effects from various treatments, and financial problems. To support employees who wish to continue working while receiving cancer treatment, we have established various systems, including a leave of absence extension system, an income guarantee system to eliminate non-earning periods, a system that allows employees to take their accumulated leave in half-day units, and a system that allows employees to work shorter hours for cancer treatment. Furthermore, we have established a workplace support system to ensure employees with cancer receive adequate support in their workplace. To disseminate this workplace support system widely to our employees, we have created a handbook and posted it on our intranet. We are also working to improve colleagues' understanding and provide necessary work adjustments to enable employees with cancer to continue working while receiving treatment. Thus, we are implementing multifaceted initiatives to support employees with cancer.

- **Use of company cars to pick up and drop off children**

  MRs are allowed to use company cars for the purpose of drop-off and pickup of their children from day-care centers.

- **Childcare Future Concierge [day-care center enrollment support system]**

  In order to support the smooth reinstatement of employees who have been taking childcare leave, our employees can use information provision services by external institutions, such as providing a daycare center matching service, various consultation services and other content..

- **Re-employment registration system**

  We provide an opportunity for former employees who left the company because of difficulty in balancing work and family life due to major life events, such as marriage, childbirth, childcare or family care, to return to the company when certain conditions are met.

- **Temporary re-employment system**

  Employees who have retired after reaching the mandatory retirement age of 60 may be reemployed as temporary employees up to the age of 65 when certain conditions are met.

- **Employee stock ownership association**

  When employees join the treasury stock investment association, they receive incentives from the company according to the number of reserves. We recommend it as part of employee asset management.

- **Using the Welfare Website (Fukuri Kosei Club)**

  Employees will be able to utilize a benefit package that includes international and local travel, hotel accommodations, leisure facility tickets, car services, interior accessories, shopping for items such as sundry goods, movie theater tickets, fitness, and restaurants at special prices and plans.

- **Use of contract recreation center**

  Contract recreational facilities such as Tokyu Harvest Club (37 facilities nationwide), Daiwa Royal Hotel (24 facilities nationwide), and ANA Crowne Plaza Resort Appi Kogen, etc. can be available.

- **Residential Support**

  A variety of residential supports for employees can be available including leased company dormitories for single employees, company housing for transferred employees, housing allowances, and housing subsidies.

- **Congratulation or condolence payment system**

  Payment supports for employees' life events can be available, such as marriage congratulatory money, childbirth congratulatory money, and children's entrance congratulatory money. In case of illness and injury, illness and injury allowances, condolence money and/or disaster condolence money etc. will be paid.

- **Group long-term disability (GLTD) system**

  If an employee is absent from work for a long period of time due to an illness or injury, and the period of payment of illness and injury allowance and additional illness and injury allowance provided by the health insurance society has expired, the employee will have no income. For such a case, we have introduced a system in which the company pays the premium and the insurance company compensates for a certain amount of income up to the age of 60.

Efforts made regarding wages

We comply with the Minimum Wage Law and pay our employees more than the minimum wage. We protect the lives of our employees and promote the creation of workplaces where employees can work with peace of mind.

Regular feedback on evaluations for employees

We have adopted an interview system of activity goals for the purpose of improving employees' motivation to work and developing human resources. Through interviews with supervisors, all employees set goals for their activities once every six months and align their goals based on our vision. In the middle of the term, the progress of the activity goals is confirmed, and the course is revised in an interim meeting with the manager. At the end of the term, feedback is provided about the overall performance of the activities, individual strengths and weaknesses, and evaluation results, and the next term activity plan, development policy, and future career development are discussed through the summary meeting and feedback meeting of the evaluation results. As described above, we are implementing the system by holding eight times a year interviews to increase employee satisfaction, leading to human resource development. Evaluation consists of performance evaluation and behavior evaluation; the performance evaluation evaluates the degree of achievement against individual goals based on the outcomes and process each employee used, and the behavior evaluation is based on how the employees behaved compared to the required behaviors determined according to each employee's roles; results that combine the performance evaluation and the behavior evaluation are the final evaluation. In addition, multiple evaluators evaluate in principle, which ensures objectivity and fairness, and the results of evaluations are reflected in employee compensation.

Safety and Health

As safety and health risk management activities, we are implementing potential risk management by "compliance with laws and regulations," and industrial safety risk management for potential risks that are "matters exceeding laws and regulations."
Concerning compliance with laws and regulations, we carefully inspect the action status for legal requirements that have been organized for each plant, laboratory, office, and other bases. We also implement "EHS Self-Inspection" where the sustainability department visits each site for investigation, checks the appropriateness of operations based on laws and regulations and omissions of actions, corrects defects, and thereby continues to improve in view of firm compliance with laws and regulations related to occupational safety and health.
Matters exceeding laws and regulations are potential risks. For example, work environment standard values have not been established by the national government for pharmaceuticals manufactured by our company. However, employees who handle them may be exposed to an amount greater than that from which actions as a drug can be observed, through the operation. Concerning the aforementioned risks where employees are exposed to chemical substances handled at plants and laboratories, we implement risk assessment and exposure measurement and take appropriate measures based on the risk. In addition, concerning potential risks in daily operations and risks leading to accidents, we implement risk assessment to identify issues. For risks at the middle level or higher, we consider that they must be corrected and engage in activities. These activities are shared and opinions on them are exchanged at the safety and health committee at each site and at the EHS committee that is held semi-annually. We thereby strive to provide a safe work environment for employees. In addition, at the safety and health committee, the correction of issues identified during safety and health patrols, which are implemented from the perspectives of checking fire prevention measures and disaster-prevention equipment, such as fire, etc., checking the safe handling of machines, checking the completeness of safety operations, checking transfer operations, checking sorting, organizing, and cleaning, etc., are discussed.
At offices in headquarters where a health committee is established, various measures to maintain employee health are examined at monthly health committees based on the results of work environment measurements. In addition, a central health committee is held semi-annually to share information and exchange opinions concerning reporting on health management activity status, company-wide health matters, and details and issues examined at safety and health committees at each site.
From FY2020, we have worked to increase employees' safe by equipping all sales vehicles with AI-based telematics (in-vehicle device with communication facility) and detecting unsafe driving behavior. This function helps to reduce not only the safety of employees but also CO_2 emissions by reducing traffic accidents and violations, and improving fuel efficiency by driving and eco-driving.

In FY2022, the number of lost time injuries was 1 and lost-time injuries frequency rate was 0.16. For details including past data, please click here.

Relationship with the Labor Unions

We have two labor unions: the ONO Pharmaceutical Labor Union, which is a nationwide organization, and the ONO Pharmaceutical Chemical & General Workers' Union at the Joto Pharmaceutical Product Development Center. As of March 31, 2023, the ONO Pharmaceutical Labor Union had 1,885 members and the ONO Pharmaceutical Chemical & General Workers' Union had 13 members. Both unions have good relationships with the company.

Efforts made to promote employees' health

Health Up Declaration 2018

Based on our corporate philosophy, Dedicated to the Fight against Disease and Pain, we desire to contribute to society through the creation of innovative drugs. In order to continue to make bold efforts toward the realization of our corporate philosophy, it is important to ensure that all employees are both mentally and physically healthy, that their workplaces allow them to fully demonstrate their abilities, and that the daily lives of employees and their families are fulfilling. We declare that employees, companies, labor unions, occupational health staff, and health insurance society will actively engage as a single team in maintaining and improving the health of employees and their families.

April 2018
Gyo Sagara
President, Representative Director
ONO PHARMACEUTICAL Co., Ltd.

Basic policy

1. We will promote the maintenance and improvement of the health of employees and their families through the Health Up Committee, consisting of representatives from the company, labor unions, occupational health staff, and health insurance society.
2. Employees will actively engage in health management for themselves and their families.

Major efforts being made:

1. To realize completely non-smoking premises according to passive smoking countermeasures.
2. To proactively support measures from disease prevention and early detection and treatment to reinstatement.
3. To promote supports for the prevention of mental disorders, early detection, and prompt responses, to reinstatement and the prevention of recurrence.
4. To develop an environment where employees proactively work on health maintenance/improvement.

Organizational structure to promote health management

Support for Disease Prevention, Early Detection and Early Treatment

- All our employees are required to undergo health checkups once a year, and of these, employees aged 35 years or older can undergo a comprehensive medical examination in lieu of statutory health checkups. Excluding unavoidable reasons such as absence from work, the proportion of subjects undergoing comprehensive medical examination in FY2022 was 99.9%.
- We hold contracts with medical facilities nationwide for thorough medical checkups. The number of contract facilities as of April 2023 was 226. We work to make it easier for our employees and their family members to receive thorough medical checkups.
- We assist with expenses for cancer screenings. Many employees receive optional cancer-related screenings at the time of a thorough medical checkup. We provide mail-in cervical cancer screening kits to female employees under 35 years old.

	Medical examination rate	Target
Stomach cancer screening	96.1%	100%
Lung cancer screening	99.9%	100%
Colorectal cancer screening	93.3%	100%
Breast cancer screening	89.0%	100%
Cervical cancer screening	38.9%	70%

* Regular screenings for uterine cancer are recommended every two years.

After health checkups, industrial health staff provide health guidance and recommend seeking medical attention, as required. They also advise employees with a high risk of lifestyle-related disease and their families to participate in specific health guidance sessions.

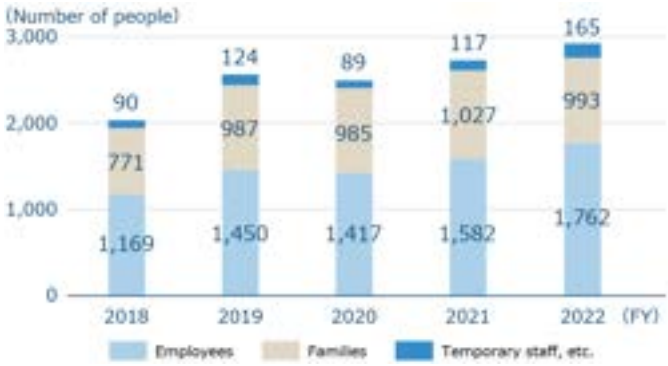
Mental Health Measures

- To promote prevention, early detection, and early treatment of mental health problems, we conduct in-house training on mental health and individual consultations by industrial health staff. We also work in cooperation with industrial physicians to promote employees' mental well-being.
- We conduct stress checks once a year for all employees. The proportion of employees who received stress checks was 98.7% in FY2021, and 98.3% in FY2022, approaching the target of 100%. After the checks, we conduct a stress check group analysis and work to continuously improve each workplace based on the analysis results. Furthermore, The percentage of high-stress workers was 4.4% in FY 2022.
- In addition to the stress check, which is performed once a year, we encourage employees to answer a simple self-check questionnaire, which can be taken whenever necessary.
- We developed a system by establishing a free external fitness consultation window for employee mental and physical fitness so that employees and their families can consult experts by phone or email in addition to face-to-face consultation.

Measures against Passive Smoking and Promotion of Health

- Since April 2019, we have completely banned smoking on its premises. We also conduct in-house questionnaire surveys on tobacco and publicize the results to raise awareness and motivate employees to quit smoking. We are promoting awareness-raising activities systematically, including producing and displaying original posters that use illustrations written by employees.
- Also, to support employees who try to quit smoking, we provide subsidies for outpatient smoking cessation treatment and an online smoking cessation program. We are taking various anti-smoking measures to promote and maintain our employees' health. The percentage of our employees who were smokers in FY2022 was 14.2%, down from 15.5% in FY2021. We aim to achieve 13.0% or lower in FY2023
- We hold a walking campaign every year. In addition to all employees, employees' families, temporary employees, and subcontract workers are subject to this program. This program allows employees to participate voluntarily not only by themselves, but also with their families and volunteers in teams. In addition, we hand out local specialties from the earthquake-affected areas to individuals who have achieved a certain goal as achievement awards. In FY2022, we distributed a total of approximately 5 tons of rice (equivalent to 5 million yen). The activity has become more prevalent year by year, which leads to the habit of walking. The participation rate was 47% in FY2021 and 52% in FY2022, and we are targeting 60% in FY2023.
- Sessions to measure body composition, blood vessel age, bone density, etc. are held each year at major business sites. Participants can check the conditions of muscles and bones that are not made clear by health checkups alone, and they can also receive individual advice on diet and exercise from medical staff members. The number of participants is increasing year by year.

Number of participants in walking campaign



Health Management Support

- In October 2021, we opened a health management portal site that integrates the transmitting and sharing of health information and health promotion content. According to an internal questionnaire conducted in FY2022, 67% of employees are satisfied with our company's health promotion activities, and 85% of employees are aware of their own self-care. We will promote efforts to encourage employees to consider self-care as their own issues by bringing together interviews of the president on health promotion and other health-related contents, and will improve the quality of activities.
- We have linked the health management portal site with an existing site where employees can check the results of their thorough medical checkups and periodic health checkups at any time via their terminals. The contents of the portal site include information to help employees accurately understand checkup results and improve their lifestyle habits and personalized advice on lifestyle according to individual health conditions. We are working to enhance the contents of the portal site to raise employees' awareness of their health.
- We plan and promote effective initiatives that lead to improvements in employee presenteeism*1 and absenteeism*2 by utilizing the annual questionnaire on health management effectiveness verification.

*1 Calculate the monthly loss per employee using QQmethod as the measurement method.
If there is any health problem, we ask questions such as "What is the health problem that has the most impact on your work", "How many days in 30 days have you had the symptom?" etc, After understanding how much work you will have compared to when you have no symptoms, multiply the percentage of performance reduction when you have symptoms by the average hourly wage to calculate the amount of loss per person per month.
FY2021: 56,396 yen(response rate 81.8%), FY2022: 61,987 yen (response rate 83.2%)
FY2023 target: 31,460 yen (95% compared to FY2019 [pre-COVID])

*2 Calculate the average number of days used for sickness absence and sick leave system for all employees.
FY2021: 1.03 days, FY2022: 1.62 days
FY2023 target: ≤ 1.00 days

Health Management Efforts

In March 2023, we were certified as "Health & Productivity Management Outstanding Organization 2023 - White 500 (Large Enterprise Category)" jointly promoted by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi*4 for five consecutive years. Also, we were in the top 50 of the responding companies (3,169 companies) and received high praise for three consecutive years. We will continue to work on health management through various activities. In addition, we set the difference between an employee's health age and actual age as a KPI item as one of activities to enhance human capital in FY2023, and we will increase employee awareness of their health. We set the goal of increasing the difference between an employee's health age and actual age from -1.8 years in FY2022 to -3.0 years in FY2026 and will continue to engage in health management through different types of activities.

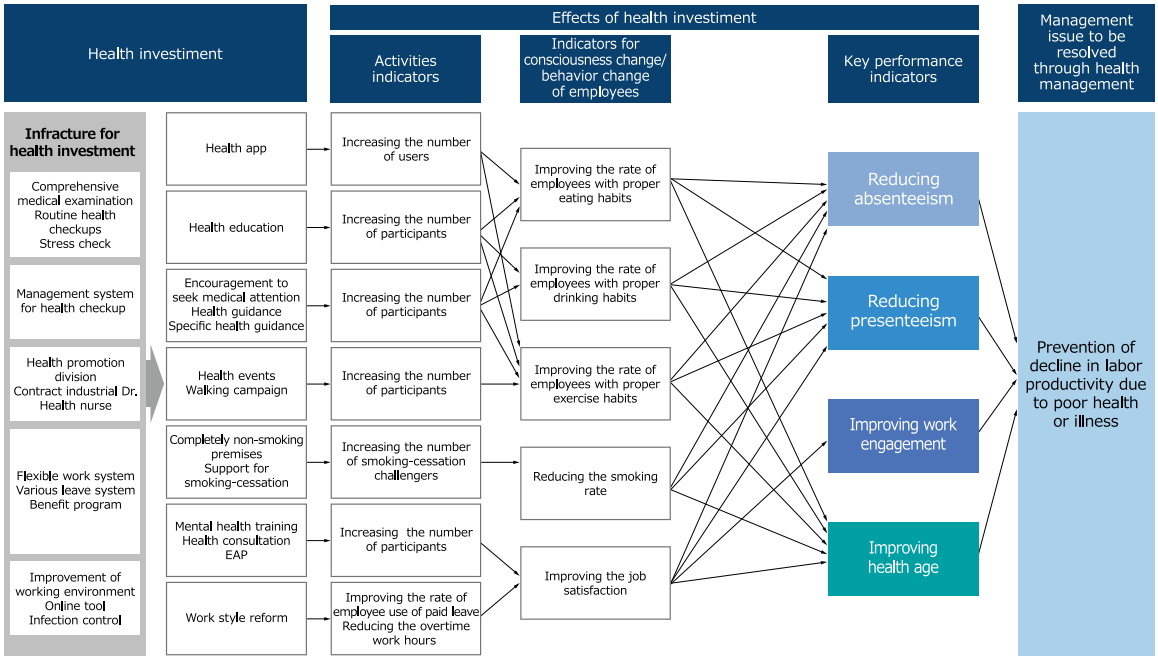
* The Nippon Kenko Kaigi is an organization aiming to encourage workplaces and communities to achieve specific measures to overcome health-related challenges under collaboration among private organizations, e.g., economic associations, medical-care associations and insurers, and municipalities.

› External Evaluation

Strategic Map (Visualization of Health Management Strategies)

For effective and efficient health management, we have clarified the important issues and evaluation indicators (KPI) that we want to solve, and we have visualized the flow of initiatives toward the resolution of important issues as a story.

Strategic map of health management



Social value: Dissemination of health management to suppliers and local communities

Corporate value: An increase in the market capitalization of stocks

Health resource: Human and environmental health resources

Supply Chain Management

Our Stance on Supply Chain Management

As social structures evolve due to factors such as technological innovation and globalization, the importance of supply chain management has increased for continuing business activities. Under this external environment, in order to respond to emerging social issues, such as human right abuses, issues related to the working environment, etc., and to contribute to achieving a sustainable society, it is important to develop management systems and enhance initiatives along with all the business partners in our supply chain.
We recognize the importance of supply chains in business continuity. In FY2021, we specified "supply chain management" as a materiality again. We appointed a Member of the Board of Directors and Senior Executive Officer as a person responsible. Important matters requiring examination and decision making from the management layer are reported and examined at the Sustainability Strategy Meeting.

We have built a sound network with our business partners for quality assurance and a stable supply of pharmaceuticals. While implementing the further strengthening of alliances, we promote initiatives related to human rights, working environment, and natural environment and aim to resolve social issues with our business partners.
We require all of our employees involved in procurement activities to comply with the "Basic Policy for Procurement Activities" in order to engage in fair, just, and highly transparent procurement activities. We established the "ONO Sustainable Procurement Code for Business Partners," compiling matters for which we request cooperation from our business partners, and we request their cooperation to strengthen alliances.

Dissemination in the company

For persons responsible for promoting the sustainable procurement activities of each division, we are disseminating the importance of sustainable procurement and our ideas at the taskforce meeting. We are also preparing for e-learning in view of the understanding and dissemination of sustainable procurement to all employees.

- Basic Policy for Procurement Activities
- Ono Sustainable Procurement Code for Business Partner (188KB)

Initiatives with Business Partners

We have shared our ideas related to sustainable procurement at briefings principally with our business partners of the production departments and conducted a cycle consisting of a risk assessment step and a corrective step. We used EcoVadis's sustainability assessment system ("EcoVadis") for risk assessment. Although none of our suppliers were classified as being high risk in terms of sustainability, we held discussions with several companies that received assessments to check their activities related to the sustainability and progress of the corrective action plan. We then confirmed at the following EcoVadis's assessment that these business partners had enhanced their activities.

In consideration of changes in the external environment and the importance of sustainable procurement, in FY2021, in order to identify and organize risks related to sustainability in our supplier chain, we conducted risk analysis based on procurement amounts, sustainability risks by industry (governance of compliance and ethics, social issues related to human rights and work safety, environment, etc.), the existence of substitute suppliers, country of production, and other information, and from FY2022, we specified "sustainable procurement" as a materiality again and, thereby, enhanced our activities.
In view of concluding future agreements with our business partners who can cooperate with our sustainable procurement activities, including obtaining consent forms, implementing risk assessments, responding to corrections if risks are found, etc., in FY2022, we built an internal system to promote the expansion of business suppliers subject to the activities and established standards, etc. In addition, we revised the "ONO Sustainable Procurement Code for Business Partners" and prepared consent forms. We determined a priority order based on the results of the risk analysis conducted in FY2021 and the impact on our business, held briefings, etc. for our business partners, and started to obtain consent forms. In FY2022, we received consent forms from 132 companies out of 180 target companies (as of the end of March 2023).

In FY2023, towards the establishment of a management system, we will implement risk assessment at companies from which we obtained consent forms and will expand the number of companies from which we obtain consent forms. Companies subject to risk assessment are selected in consideration of the impact on our business and of sustainability risks of the industry based on third-party data.

Major activities (extract)

FY 2021	FY 2022	Schedule in FY 2023 and after
• Risk Analysis • Continuing risk assessment (Ecovadis)	• Revision of Sustainable Procurement Code • Start of obtaining consent forms • Development of internal promotion system • Continuing risk assessment (Ecovadis)	• Expantion of the number of business partners from which consent forms are obtained • Expansion of business partners with which risk assessment is implemented • Establishment of the internal promotion system

Progress in FY 2022 (as of the end of March 2023)

	FY 2022
Number of target companies	180 companies
Number of companies submitting consent	132 companies
Number of companies included in risk assessment (EcoVadis)	59 companies

In the risk assessment in FY2022, like in previous fiscal years, none of our suppliers were classified as being high risk in terms of sustainability.
For more information on Supply Chain Management, see also ONO's Approach to Sustainability.

Declaration on Building Partnerships

We agree with the purport of the "Council on Promoting Partnership Building for Cultivating the Future," promoted by the Cabinet Office and the Small and Medium Enterprise Agency and we announced the "Declaration on Partnership Building." We aim to build new partnerships by implementing alliances as well as coexistence and co-prosperity with our business partners in the supply chain and companies promoting the creation of value.

Anti-bribery due diligence for third parties

Before appointing a third party such as a subcontractor or an agent, we perform due diligence using an Anti-bribery Check Sheet, including checking country risks based on the Corruption Perceptions Index ("CPI"), etc., to see if there are any red flags. We have developed a process through which we submit the third party's replies to our detailed question sheet to the Corporate Compliance Officer to get his/her approval before appointing the third party in case we identify a red flag.

Animal experiment outsourcing policy

When we outsource animal experiments, we ensure that the outsourcing contractor complies with the laws and standards of the relevant country concerning animal welfare. We also make every effort so that such an outsourcing contractor complies with our standards as much as possible. Please click here for our thoughts on ethical considerations in animal experiments.

Global Environment Policy/Environment Challenging Ono Vision（ECO VISION 2050）

The impact of global warming, including extreme weather events, is increasing year by year, and efforts to prevent global warming have become an important challenges for the international community. The Paris Agreement at COP21 calls for limiting the average global temperature increase to less than 2 degrees Celsius compared to pre-industrial levels, with the goal of essentially reducing greenhouse gas emissions from human activities to zero. To this end, we have established an medium- to long-term environmental vision (ECO VISION 2050) based on our "Global Environmental Policy". Recognizing the corporate social responsibility for the environment, we will promote environmentally friendly activities in all of our business activities in order to realize a richer global environment.

Global Environment Policy

Under the corporate philosophy "Dedicated to the Fight against Disease and Pain," ONO group contributes to the realization of a sustainable and prosperous society by creating innovative medicines and working on solving environmental issues such as climate change.

1. Recognizing corporate social responsibility for the environment, we conduct environmentally friendly activities at entire stages of product research, development, procurement, production, distribution, sales, use, and disposal.
2. We comply with environmental laws and agreements in each country and region, and our voluntary standards.
3. Under the environmental management system, we set goals and action plans, monitor regularly, and disclose information.
4. We actively introduce the latest science and technology to reduce environmental impacts.
5. To conserve the natural environment and biodiversity, we pursue efficient use of resources and energy, efficient use of water and appropriate wastewater management, reduction of waste, promotion of recycling, and prevention of pollution.
6. We communicate with internal and external stakeholders and produce eco-friendly products in cooperation.
7. We build all employees' environmentally sensitive minds through education to promote environmentally friendly initiatives.

Medium- to Long-term Environmental Vision

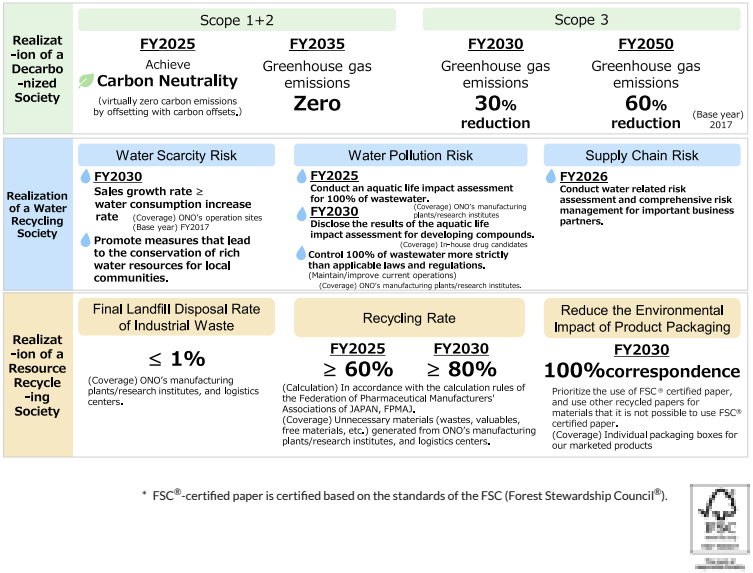
ONO has established a medium- to long-term environmental challenge vision for 2050, named “Environmental Challenge Ono Vision (ECO VISION 2050)” to realize a sustainable society.

Background for the establishment of vision

In recent years, the global environmental issues including climate change and other issues have become serious. In the future of 2050, it is expected that people's healthy and sound life will be threatened due to various threats such as water and food shortages, increase of new diseases, devastating natural disasters and so on.
In order to promote the creation of a healthy and sound society through the discovery and development of innovative pharmaceutical products under the corporate philosophy to be "Dedicated to the Fight against Disease and Pain", it is important that we recognize that our business activities are supported by a sound global environment and that we will strengthen our activities toward the resolution of environmental challenge. We believe that such activities are not only our corporate responsibility for the environment, but also lead to build the foundation for sustainable business activities.
We will challenge to reduce the environmental burden in anticipation of 2050 based on the ECO VISION 2050 so that people can welcome a healthy and sound society.

New Medium- to Long-Term Environmental Targets

Based on our medium- to long-term environmental vision, ECO VISION 2050, which was established in 2019, we have set respective goals and taken initiatives to realize a decarbonized society, a water recycling society, and a resource recycling society. Furthermore in 2023, we reviewed our medium- to long-term environmental targets in order to strengthen and accelerate our efforts to address various global environmental issues. We recognize that the new targets represent goals that can lead the industry to promote the "creation of a healthy and sound society" as set forth in ECO VISION 2050. We will accelerate various initiatives to achieve our new targets.



* FSC®-certified paper is certified based on the standards of the FSC (Forest Stewardship Council®).

Progress of Medium- to Long-Term Environmental Targets (Former Targets) until FY2022

In view of the attainment of the medium- to long-term environment targets of "ECO VISION 2050," which was established in FY2019, we have engaged in three priority items: "Realization of a decarbonized society," "Realization of a water recycling society," and "Realization of a resource recycling society."

Realization of a decarbonized society

Targets (Medium- to Long-Term Targets/Annual Target) and Progress by FY2022

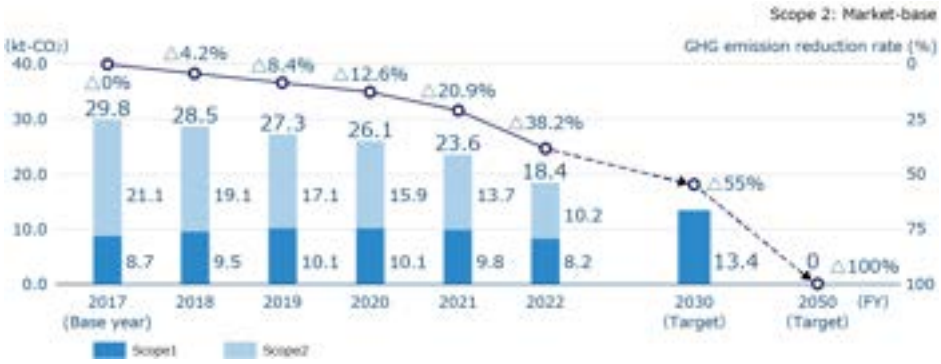
In FY2022, greenhouse gases were reduced by 38.2% from FY2017 in Scope 1+2 and by 30.3% from FY2017 in Scope 3, and the use of renewable energy was 21.5%. Achievement was higher than the targets.

Index	Medium- to long-term target	FY2021 target	Results and progress in FY2021
Greenhouse gas emissions (Scope 1+2) (Market-base*1)	Reduce by 55% in FY2030 Reduce to zero in FY2050 〈Comparison with FY2017〉	Reduce by 21.0% or more from FY2017	18.4 kt-CO_2 (Reduced by 38.2% from FY2017*1)
Greenhouse gas emissions (Scope 3)	Reduce by 30% in FY2030 Reduce by 60%in FY2050 〈Comparison with FY2017〉	Reduce by 11.5% or more from FY2017*2	52.3 kt-CO_2 (Reduced by 30.3% from FY2017*2)
Renewable energy usage rate as a percentage of total electricity consumption	Increase to 55% or more in FY2030 Increase to 100% in FY2050	21.0% or more	21.5%

*1 Greenhouse gas emissions (Scope 1+2) do not include CO_2 offset amounts (purchases of carbon-neutral city gas) from voluntary credit. If CO_2 offset amounts (purchases of carbon-neutral city gas) from voluntary credit is included, greenhouse gas emissions (Scope 1+2) were reduced by 40.5% from FY2017.

*2 Scope 3 results are for FY2021 because the FY2021 data of our major suppliers and wholesale distributors had not been released at the time of calculation.

GHG emissions (Scope 1+2)



Coverage sites: Fujiyama Plant, Yamaguchi Plant (added from FY2018), Joto Pharmaceutical Product Development Center, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, sales offices and other offices, etc.

GHG emissions are calculated using the following formula.

GHG emissions = Purchased electricity × Adjusted emission factor published by the electric company + Σ (Fuel consumption × Unit calorific value × Carbon emission factor × 44/12) + Σ (Fluorocarbon leakage amount x Global warming potential)

The amount of green electric power certified under the Green Energy Certificate, the amount of renewable energy certified under the J-Credit Scheme and the Non-Fossil Fuel Certificate quota are deducted.

Electricity consumption and renewable energy utilization rate

Realization of a Water Recycling Society

Targets (Medium- to Long-Term Targets/Annual Target) and Progress by FY2022

Water intake has reduced since FY2019 compared to FY2017 (Base year). However , the water intake per production volume unit from FY2019 to FY2021 increased compared to FY2017 due to the reduction in the number of boxes produced in association with the addition of high-dose formulations of main products. On the other hand, in FY2022, water intake per production volume unit decreased by 16% from FY2017 due to an additional reduction in water intake and increases in the number of boxes produced in association with expansion of the use of major products. In addition, water intake in FY2022 (196.4 thousand m^3) was reduced by 10.5% from the previous fiscal year and resulted in the attainment of both medium- to long-term targets and the single fiscal year target for water resource consumption (water intake).

Index	Medium- to long-term target	FY2022 target	Results and progress in FY2022
Water resource consumption (water intake)	Reduce water resource consumption per production volume unit by 15% in FY2030 〈Comparison with FY2017〉	Less than the previous fiscal year (FY2021: 219.4 thousand m^3)	196.4 thousand m^3 (Increased water resource consumption per production volume unit by 16% from FY2017)

Water intake (water resource consumption) and water intake per production volume unit (Comparison with FY2017)

Realization of a Resource Recycling Society

Targets (Medium- to Long-Term Targets/Annual Target) and Progress by FY2022

The volume of industrial waste per production volume unit decreased in FY2018. However, due to subsequent changes to the internal environment, such as reduction in the number of boxes produced by addition of high-dose formulations of main products and activation of research activities, the target was not achieved in FY2019 and after. In addition, the total volume of industrial waste increased in FY2022 due to the disposal of all unnecessary furniture and fixtures in association with the closing of the Fukui Research Institute and the generation of highly active liquid waste in association with test production and verification of our new product, Kyprolis, at Yamaguchi Plant. For reduction of environmental impact through business activities, please see "Initiatives for Pharmaceuticals

Index	Medium- to long-term target	FY2022 target	Results and progress in FY2022
Final landfill rate of industrial waste	1% or lower every year	1% or lower	0.02%
Total volume of industrial waste	Reduce the volume of industrial waste per production volume unit by 15% in FY2030 〈Comparison with FY2017〉	Lower than the previous year (FY2021: 479.1 t)	492.8 t (Increased in the volume of industrial waste per production volume unit by 9.6 % from FY2017)
—	Promote reduction of the environmental impact through business activities	—	Reduced environmental impact by changing product packaging materials and packaging form, etc.

Industrial waste volume (per production volume unit) and Final landfill disposal rate of industrial waste

* Coverage sites: Fujiyama Plant, Joto Pharmaceutical Product Development Center, Yamaguchi Plant (added from FY2018), Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute and Logistics centers (added from FY2021)

* The amount of industrial waste per production volume unit in FY2017 was calculated by excluding the amount of waste (25.64t) from the renovation of the Joto Pharmaceutical Product Development Center.

Environmental Initiatives

SBT initiative (Science Based Targets initiative)

Our medium- to long-term greenhouse gas reduction targets were approved in June 2019 as science-based greenhouse gas reduction targets from the international initiative "Science Based Targets initiative (SBTi)."

> For details, please see the SBTi

Task Force on Climate-related Financial Disclosures (TCFD)

We expressed our support in October 2019 for the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board to encourage the disclosure of climate-related risks and opportunities.

> For details, please see the TCFD

TCFD Consortium

We participated in the TCFD Consortium in 2019. The TCFD Consortium was established to promote efficient and effective disclosure based on recommendations of the Task Force on Climate-related Financial Disclosures (hereinafter, TCFD recommendations) and to contribute to a "Virtuous Cycle of Environment and Growth," in which information is appropriately evaluated and funding is facilitated through communication between business operators and financial institutions that support TCFD recommendations.

> For details, please see the TCFD Consortium

Water Project

We participated in the “Water Project” in October 2019. The "Water Project" is a public-private partnership project launched after the "Basic Law on the Water Cycle" enacted in 2014, which states that governments and companies should work together to protect the water cycle in Japan.

› For details, please see the “Water Project”

RE100 (Renewable Energy 100%)

We participated in RE100 in June 2020. RE100 is an international initiative, aiming to source 100% of the electricity consumed in its business activities with renewable energy, which is operated by The Climate Group, an international environmental NGO which promotes climate change countermeasures, in partnership with CDP, an international NPO, that encourages companies to disclose and manage environmental impact information.

› For details, please see the RE100

Carbon Neutral LNG Buyers Alliance

We have introduced carbon neutral city gas (CN city gas*) in August 2021 and participated in the Carbon Neutral LNG Buyers Alliance at the same time. The Alliance is a partnership between Tokyo Gas Co., Ltd., which procures and supplies carbon neutral LNG (CNL), and companies and corporations that purchase CNL, with the aim of expanding the use of CNL and increasing its value for a sustainable society.

* CN city gas is made from a type of liquefied natural gas (carbon-neutral LNG), which offsets greenhouse gases generated in the processes from the extraction to the burning of natural gas with carbon credits (carbon offset) and assumes that no CO_2 is generated on a global scale.

› For details, please see the Carbon Neutral LNG (Only in Japanese).

GX League

We expressed our support in April 2022 for the GX (Green Transformation) League Basic Concept, which was announced by the Ministry of Economy, Trade and Industry (METI). The GX League is a place for companies which will take on the challenge of GX with a view to achieving carbon neutrality and social change in 2050 to collaborate with government and academia.

› For details, please see the GX League (Only in Japanese)

Information Disclosure Based on the TCFD Recommendation

ONO expressed our support in October 2019 for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)(click here for details). The TCFD is a task force established by the Financial Stability Board (FSB) to help companies understand and disclose the financial impact of climate change on their businesses. In June 2017, the TCFD announced its recommendations on how companies should disclose information. Based on the TCFD recommendations, we will evaluate and manage climate change-related risks and opportunities and disclose information appropriately.

Governance, Strategy, Risk and Opportunity Management, Indicators and Targets

Governance

ONO believes that action on global environment issues, including climate change, is one of the most important business challenges.
We appointed a president, representative director, and CEO as the chief executive officer for environmental management, and also appointed a member of the board of directors, Senior Executive Officer/ Executive Director, Corporate Strategy & Planning as the Chief Environmental Officer.
Major issues related to sustainability strategy, including measures against climate change, are discussed in the Sustainability Strategy Meeting that was newly established in FY2022. The Sustainability Strategy Meeting is chaired by the Chief Environmental Officer and many members of the Executive Committee, including the president and representative director, participate in the meeting. Details of discussions and decisions at the Sustainability Strategy Meeting are reported to the board of directors every six months or more often and members of the board of directors supervise the execution of the decisions.
In addition, as the executive officer in charge of sustainability, the Chief Environmental Officer chairs the Environment Management Committee, which manages and promotes the overall environmental activities of the company, and the Sustainability Promotion Committee, which discusses major issues related to the sustainability activities at each worksite level and raises issues at the Sustainability Strategy Meeting.
As mentioned above, we have a system where our activities for climate change are constantly supervised from the worksite level by the Chief Environmental Officer (member of the board of directors, Senior Executive Officer/ Executive Director) and by the board of directors.

We have positioned "protection of the global environment" as one of the important issues (materiality) for achieving medium- to long-term improvement of corporate value. We also include "Activities for materiality" and "Introduction status of ESG indicators" in the performance indicators of performance-based stock compensation for members of the board of directors (excluding outside board members) and executive officers. In this way, we can facilitate an increased awareness of environmental issues and promote sustainability management.
In FY2019, we established the TCFD Study Working Group, headed by the Chief Environmental Officer, to identify risks and opportunities related to climate change, assess their financial impact, and consider how to respond. In addition to the Chief Environmental Officer, we have also added the heads of related major departments (Finance and Corporate Planning) and the head of the Risk Management Office as members of the TCFD Study Working Group, who all work on tackling climate-related issues as part of our management strategy. The financial impact of the identified risks and opportunities is reviewed annually by the group. Furthermore, mitigation and adaptation measures against the identified risks, and measures for promoting opportunities will be discussed by the Environment Management Committee. The content of discussions held at the Environment Management Committee is supervised by the board of directors through the above-mentioned environmental management system.

Strategy
—Analysis and evaluation of risks and opportunities related to climate change—

Analysis and evaluation of climate change-related risks and opportunities were performed using the 1.5℃ and 4℃ scenarios from a short-term (up to 3 years), medium-term (3-10 years) and long-term (10-30 years) perspective, under the leadership of the TCFD Study Working Group. Continuing from our efforts in FY2020, in FY2021, we reviewed the amount of financial impact of physical risks[*1] based on changes in our product structure, suppliers, etc., and confirmed the status of our response to recognized risks. We also confirmed that there is no high risk of climate change in overseas product inventories and investigational product inventories. In FY2022, thanks to correction of the locations that are recognized to have flood risks (changed storage locations from a lower to higher position), the amount of financial impact has been drastically decreased. Concerning the amount of financial impact from transfer risks,[*2] it was partially revised by conforming it to the value of greenhouse gas emission amounts in the case of taking no measures, which was pending when new medium- to long-term environmental targets were established. The results of the analysis have been reported to committees, including the Environment Management Committee, Sustainability Promotion Committee, etc., and it has been confirmed that these issues will not be major financial issues for us in any case. The management status of identified risks and opportunities are being monitored (for the results of the analysis, please see "Risks and opportunities related to climate change, as well as financial and business impacts" in the table below). We will continue to check trends in the international community and closely monitor the impact of risks and opportunities that may have a relatively significant financial impact.

*1 Acute or chronic damage due to disasters, etc., caused by climate change with an unclear decarbonization policy

*2 Risks resulting from the enhancement of decarbonization policies on a global scale (e.g. climate change policies/regulations, technology developments, market trends, changes in evaluations, etc., in the market)

<Risks related to climate change, as well as financial and business impacts>

The impact of the scenario we assumed to ONO is as follows:

Factor		Target	Risk and impact		Affected period	Financial impact	Management approach
Society aiming for below 1.5℃	Regulatory risk	ONO	Increased carbon tax burden	If carbon prices rise due to regulations on climate change being tightened, and if high growth is achieved and energy consumption, etc., increases, then the burden of carbon tax on greenhouse gas emissions may increase.	Medium- to long-term	JPY 1.6 billion	Mitigation • Achieve the greenhouse gas emissions reduction target (Scope 1+2) in line with the 1.5℃ target to reduce the impact on future carbon price increases. • Implement energy saving and renewable energy investment plans to achieve the target.
		Suppliers	Carbon tax passed on to procurement prices	If carbon prices rise due to regulations on climate change being tightened, the carbon tax burden on the greenhouse gas emissions of suppliers will increase, and if the tax increase is passed on to our procurement prices, costs may rise.	Medium- to long-term	JPY 0.6 billion	Mitigation • Achieve greenhouse gas emissions reduction target (Scope 3) to reduce the impact on future carbon price increases. • Strengthen engagement with suppliers to achieve the target.
If the temperature rises by 4℃	Physical risk	ONO, manufacturing contractors, suppliers	Flood risk (acute)	Acute damage (flood) risk from typhoons, etc., will increase, and there is a possibility that profits will decline due to interrupted operations from damage to manufacturing equipment, damage to storage facilities for raw materials and products, or flooding.	Short- to medium-term	JPY 0.3 billion	Adaptation • Introduce emergency power generators at main bases and conduct periodic maintenance. • Integrate climate risks into enterprise risk management (ERM). • Maintain a cooperation system with business partners (review of waterproofing measures by product storage service provider and business partners, etc. The transfer of recognized flood risk areas to higher positions was completed in FY2022. • Secure multiple suppliers. • Consider the impact of flood due to climate change in the business partner selection process.
			Water shortage risk (chronic)	Since sufficient inventory is maintained, it is not likely at present that water-use restrictions due to long-term depletion of water resources will cause an interruption of our operations, resulting in a decrease in revenue.	Medium- to long-term	JPY 0 billion	Adaptation • Secure proper inventory to avoid loss of opportunities. • Maintain a cooperation system with business partners

Financial impact is the maximum value during the period from 2020 to 2030 in the 1.5℃ or 4℃ scenario (Regulatory risk is cumulative.)

Mitigation measures to reduce emissions of greenhouse gases that cause climate change, Adaptation measures to prevent or mitigate damage caused by the effects of climate change that have already occurred (or are expected to occur in the future).

Short-term: Up to 3 years; Medium-term: 3-10 years; Long-term: 10-30 years

<Opportunities related to climate change, as well as financial and business impacts>

Factor		Target	Opportunity and impact		Affected period	Financial impact	Management approach
Society aiming for below 1.5℃	Opportunity from resource efficiency	ONO	High-efficiency pharmaceutical manufacturing process	Introduction of high-efficiency pharmaceutical process technologies , such as process design and continuous manufacturing system, etc., that takes into account green sustainable chemistry* can provide opportunities to reduce energy and raw material costs. * A concept that aims to reduce environmental impacts throughout the life cycle of chemical substances in order to realize a sustainable society.	Medium- to long-term	JPY 2.3 billion	• Define indicators for assessing resource efficiency. • Develop systems.
If the temperature rises by 4℃	Business opportunity	Customers	Preventive/treatment products	If disease trends change due to global warming, demand for existing drugs (for melanoma, etc.) may increase, or the development and sales of new drugs may have a favorable impact on revenue.	Medium- to long-term	JPY 0.5 billion	• Additional indications for existing pharmaceuticals. • Enhance the new compound library. • Make use of open innovation, etc.
Society aiming for below 1.5℃	Reputation opportunity	Investors, customers, recruitment market	Corporate value improvement	It is possible that our efforts to tackle climate change will help us earn customer trust, retain employees, improve our reputation in the recruitment market, and improve ESG investors' evaluation of our performance, thus contributing to the creation of corporate value.	Short- to medium-term	(Contributing to the creation of corporate value)	Appropriately disclose the results of activities undertaken to the public.

Financial impact is the maximum value during the period from 2020 to 2030 in the 1.5℃ or 4℃ scenario (Opportunity from resource efficiency is cumulative).

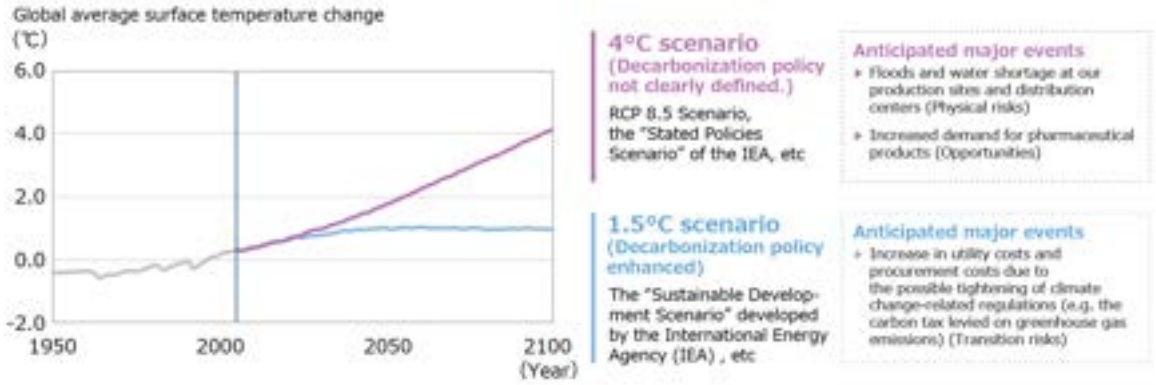
<Analysis method>

Selection of climate change scenario

The TCFD Study Working Group selected, analyzed and evaluated the 1.5°C and the 4°C scenarios in which progress toward a decarbonized society and intensification of global warming are projected, respectively.

For the 1.5°C scenario, the "Sustainable Development Scenario" developed by the International Energy Agency (IEA) was used; for the 4°C scenario, the "RCP 8.5 Scenario" (one of the Representative Concentration Pathways [RCP] scenarios, where global average temperature is predicted to increase by approximately 4°C by 2100) developed by the Intergovernmental Panel on Climate Change (IPCC), the "Stated Policies Scenario" of the IEA, etc. were used.

[Concept of climate change scenarios]



(Prepared by ONO based [Global average surface temperature change] of "Climate Change 2013: The Physical Science Basis – Summary for Policymakers" [IPCC, 2013, page 19])

<Social changes due to the selected scenario & ONO's situation>

Scenario	Name of key scenario	Social changes	ONO's situation
4℃ (unclear decarbonization policy)	RCP8.5 scenario, Stated Policies Scenario, etc.	• Worsening/increasing abnormal weather, etc. (flooding, water shortages) • Growing demand for drugs to treat relevant diseases due to changes in disease trends due to global warming	• Ensuring a continuous cooperative system with domestic and overseas business partners • Responding to growing demand for existing drugs (for melanoma, etc.), as well as developing and selling new drugs
1.5℃ (strengthened decarbonization policy)	Sustainable development scenario, External data unique to Japan, etc.	• Rising carbon prices due to tighter emission regulations • Increasing incentives for highly efficient technologies • Increase in ESG investments by investors	• Achieved high growth and energy consumption, etc., is increasing • Portion for carbon tax increase passed on to procurement prices • Growing momentum for highly efficient pharmaceuticals

<List of climate change scenarios that were referenced>

We comprehensively refer to scenarios and use them with different temperature zones as much as possible as a basis for our own scenarios in order to eliminate unexpected variables.

Name & characteristics	World Energy Outlook (WEO) published by International Energy Agency (IEA)	Description	Main viewpoints used at ONO
RCP 8.5	CPS (Current Policies Scenario)	Pessimistic scenario (SSP3 RCP8.5) (Aqueduct Water Risk Atlas tool)	• This scenario is one of the Representative Concentration Pathways (RCPs) according to the Intergovernmental Panel on Climate Change (IPCC), and is a scenario where the temperature is expected to rise by about 4℃ in 2100. It is widely used internationally and used as one of multiple 4℃ scenarios since it can assume the most extreme situations with the greatest physical impact.
RCP 6.0	Stated Policies Scenario (STEPS)	STEPS scenario (IEA)	• This scenario is one of the RCPs and is used to analyze the direction of energy in 2040 from the policies announced by the governments of various countries as a 4℃ scenario.
RCP 4.5	-	-	-
RCP 3.4	-	-	-
RCP 2.6	Sustainable Development Scenario (SDS)	Carbon price in developed countries: USD100/t-CO_2 by 2030, IEA SDS scenario)	• This scenario is one of the scenarios referenced in the WEO. WEO is the IEA's main publication and is widely recognized as the most reliable source of information on global energy forecasts and analyses. It is used as a 1.5℃ scenario because it shows a path consistent with the Paris Agreement to make efforts to limit the increase in temperature to less than 2℃ and (if possible) to 1.5℃, and is consistent with our 1.5℃ target.
RCP 1.9	-	-	(ONO's scenario is currently being verified)
Other	External data unique to Japan	Ministry of Land, Infrastructure, Transport and Tourism's hazard map and manual for economic evaluation of flood control investment	Used as a domestic scenario where our main offices are located.

Source: Prepared by ONO with reference to "Practical guide for Scenario Analysis in line with TCFD recommendations – Scenario Analysis in Disclosure of Climate-related Risks and Opportunities - Ver. 3.0" (Ministry of the Environment, 2022, p.2-25

Scope of analysis

The scope of analysis includes our domestic plants and contract manufacturers, suppliers, investors, customers, recruitment, etc. at home and abroad. The target period and area are FY2020-2030 and the pharmaceutical manufacturing industry, which is our major business, respectively.

Risk and opportunity management

We identify risks and opportunities where climate change has an impact on finance, analyze and evaluate the timing and probability of occurrence and the range of impact, and thereby determine the priority of each countermeasure. We place priority on handling risks that have a large impact on business and risks with a high probability of occurrence, and on engaging in measures that are highly cost-effective, and their progress is managed by the Environment Management Committee.
The Company-Wide Risk Management Committee considers measures for risk mitigation and adaptation when it comes to identified risks, and then proposes them to the Sustainability Strategy Meeting or Executive Committee for approval. The heads of production sites and research institutes, etc. carry out the approved measures, and comprehensively manage risks associated with climate change, including flood risks. The progress of these measures is presented at the Environment Management Committee, Sustainability Promotion Committee, and other meetings.
In addition, the amount of financial impact of the identified risks and opportunities is reviewed annually by the TCFD Study Working Group. Mitigation and adaptation measures for identified risks and measures to promote opportunities are also discussed by the TCFD Study Working Group and the Environment Management Committee. The content of discussions held at the Environment Management Committee is supervised by the board of directors through the environment management system (described in “Governance” above).

› For our risk/opportunity management system, please click here.

Indicators and targets

We have established and been monitoring medium- to long-term targets and annual targets with the aim of minimizing risks and maximizing opportunities associated with climate change. Concerning the transfer risk, we have established ambitious targets from an early stage, such as setting a goal of zero emissions (Scope 1+2) at ONO by FY2050, which was approved by SBTi* in October 2019 as a 1.5℃ target, the highest level at that time. In FY2022, we reviewed our targets and have set the new goal of achieving carbon neutrality (virtually zero due to carbon offsets) for our own emissions (Scope 1+2) by FY2025, and we are moving forward the target date for achieving zero greenhouse gas emissions from FY2050 to FY2035.
Greenhouse gas emissions (Scope 3) in our supply chain are calculated with our business sites in Japan in accordance with the guidelines of the Ministry of the Environment. We started joint transportation of ethical pharmaceuticals in Japan starting in January 2023 and have also been engaging in CO_2 emission reduction by establishing efficient transportation systems.
As for water risks, we conduct risk assessment once a year. Recognizing water risks as “disaster/climate change risks” among the company-wide risks, we implement measures based on our business continuity plan (BCP), including maintaining a proper stock. In the future, we will also work to establish a collaborative relationship with our business partners, to secure multiple suppliers, and to consider the impact of flood/shortage of water due to climate change in our business partner selection process.

Details on risks/opportunities regarding climate change, as well as greenhouse gas emissions are described in our CDP Climate Change’s response (Japanese only). These can be confirmed at the CDP website (CDP ID required).

* An international initiative that prompts private corporations and other types of organizations to set science-based greenhouse gas emission reduction targets in accordance with the Paris Agreement

Dialogues with stakeholders

In order to appropriately disclose information based on the TCFD recommendations, it is important to understand the concerns and issues of external stakeholders regarding TCFD disclosure. As part of this effort, we participate in the TCFD Consortium, a forum for companies, financial institutions and other organizations who support the TCFD recommendations to discuss effective information disclosure and appropriate initiatives. Furthermore, In March of FY2022, we held an ESG briefing for institutional investors, which we have been conducting continuously since FY2019, and received various opinions and questions. These efforts by us to respond to the TCFD recommendations were published as advanced cases in the Ministry of the Environment's "Climate Change Adaptation Guide for Private Sector -Preparing for Climate Risk and Surviving- (revised edition, March 2022)." We believe that deepening our understanding of TCFD disclosure through such dialogues with stakeholders and collaborations with the government will allow us to help promote responses to climate change in society as a whole.

TCFD Consortium

"Climate Change Adaptation Guide for Private Sector -Preparing for Climate Risk and Surviving- (revised edition, March 2022)," Ministry of the Environment

Realization of a Decarbonized Society

The realization of a decarbonized society is one of our key priorities in our business activities, and we are undertaking various company-wide initiatives toward this end.

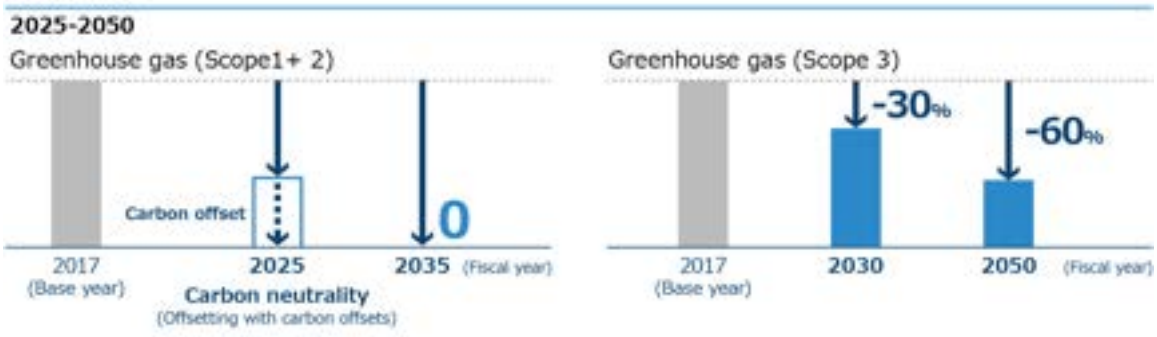
Analysis and Evaluation of Risks and Opportunities related to Climate Change

Risks and opportunities related to climate change are investigated under the leadership of the Environment Management Committee, the Climate Change Sub-Committee, which was established under the Environment Management Committee, and the TCFD Study Working Group. They identify, analyze, and evaluate risks and opportunities that may have an impact on business. For more details, please refer to our website on Information Disclosure Based on the TCFD Recommendation.

Targets

ONO has been working toward decarbonization by setting ambitious targets from an early stage, setting a goal of zero emissions (Scope 1+2) for the company itself by 2050, which was approved by SBTi in October 2019 as a 1.5°C target, the highest level at that time. (For more information, please visit here.) In order to accelerate our efforts, in FY2023 we set a new goal of achieving carbon neutrality* for our own emissions (Scope 1+2) by 2025, and moved up the target date for achieving zero emissions from 2050 to 2035.

* Carbon neutrality refers to virtually zero greenhouse gas emissions by offsetting with carbon offsets.



In terms of energy, we will further increase our use of renewable energy sources (we joined RE100 in June 2020).

Greenhouse Gas Emissions (Scope 1+2)	**Achieve carbon neutrality by FY2025** (virtually zero greenhouse gas emissions by offsetting with carbon offsets) **Achieve zero greenhouse gas emissions by FY2035**
Renewable Electricity Rate	**Achieve 100% by FY2025** – Coverage: Electricity purchased by our manufacturing plants and research institutes
Greenhouse Gas Emissions (Scope 3)	**Reduce by 30% by FY2030** **Reduce by 60% by FY2050** – Base year: FY2017

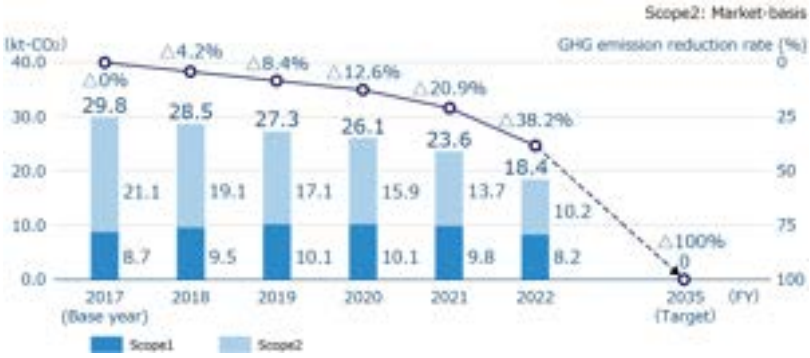
Progress

As for the results of progress against the greenhouse gas emission reduction targets in FY 2022, which were established based on our medium- to long-term environmental vision, our Scope 1+2 (on a market basis*1) for FY2022 was reduced by 38.2% against the reduction target of 21.0% or more compared to FY2017 (FY2017: 29.8 kt-CO_2, FY2022: 18.4kt-CO_2). Meanwhile, our Scope 3 was reduced by 30.3% against the reduction target of 11.5% or more compared to FY2017 (FY2017: 75.1 kt-CO_2, FY2021: 52.3kt-CO_2). Regarding a portion of Scope 3 emissions (Category 1 and 9), figures were calculated based on the previous-year emissions because current-year data for our major business partners and pharmaceutical wholesalers had not been published at the time of calculation. Scope 1+2 GHG emissions do not include CO_2 offsets from voluntary credits (for purchases of carbon-neutral city gas). Including the amount of CO_2 offset by voluntary credits (for purchases of carbon-neutral city gas), Scope 1+2 GHG emissions will be reduced by 40.5% compared to FY2017 (FY2022: 17.7kt-CO_2).
Regarding the use of renewable energy, in line with the RE100*2 international initiative (which we joined in June 2020), we achieved the FY2022 target (a renewable energy utilization ratio of 21.0% or more of total power consumption) and attained 21.5%.

*1 GHG emissions calculated using the emission factors released by each electric power company

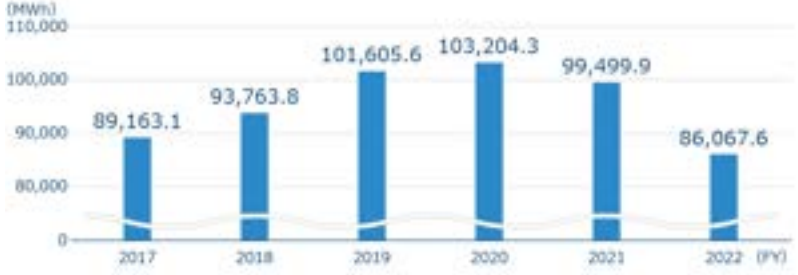
*2 An international initiative which aims to have companies utilize 100% renewable energy for electricity used in their operations

Greenhouse gas emissions (Scope 1+2)



Covered Locations: Fujiyama Plant, Yamaguchi Plant (added from FY2018), Joto Pharmaceutical Product Development Center, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, sales offices and other offices, etc.
GHG emissions are calculated using the following formula.
GHG emissions = Purchased electricity × adjusted emission factor published by the electric company + Σ (Fuel consumption × Unit calorific value × Carbon emission factor × 44/12)+Σ (Fluorocarbon leakage amount x global warming potential)
The amount of green electric power certified under the Green Energy Certificate, the amount of renewable energy certified under the J-Credit Scheme and the Non-Fossil Fuel Certificate quota are deducted.

Energy consumption



Covered Locations: Fujiyama Plant, Yamaguchi Plant (added from FY2018), Joto Pharmaceutical Product Development Center, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, sales offices and other offices, etc.

Electricity consumption and renewable energy utilization rate

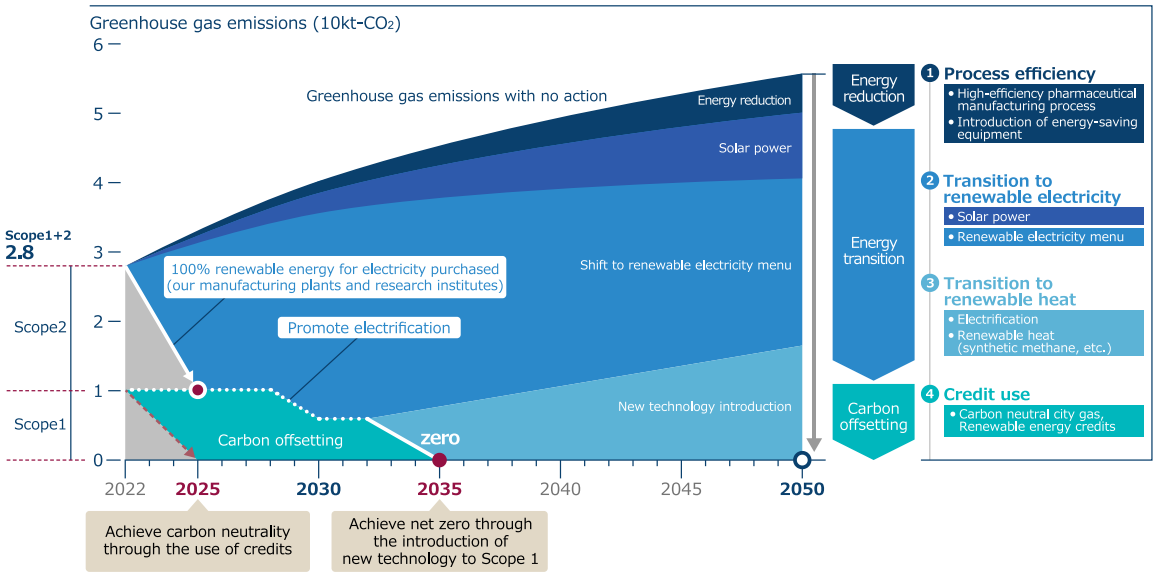
Initiatives

Creating a road map for reduction of GHG emissions

Actions against TCFD risks

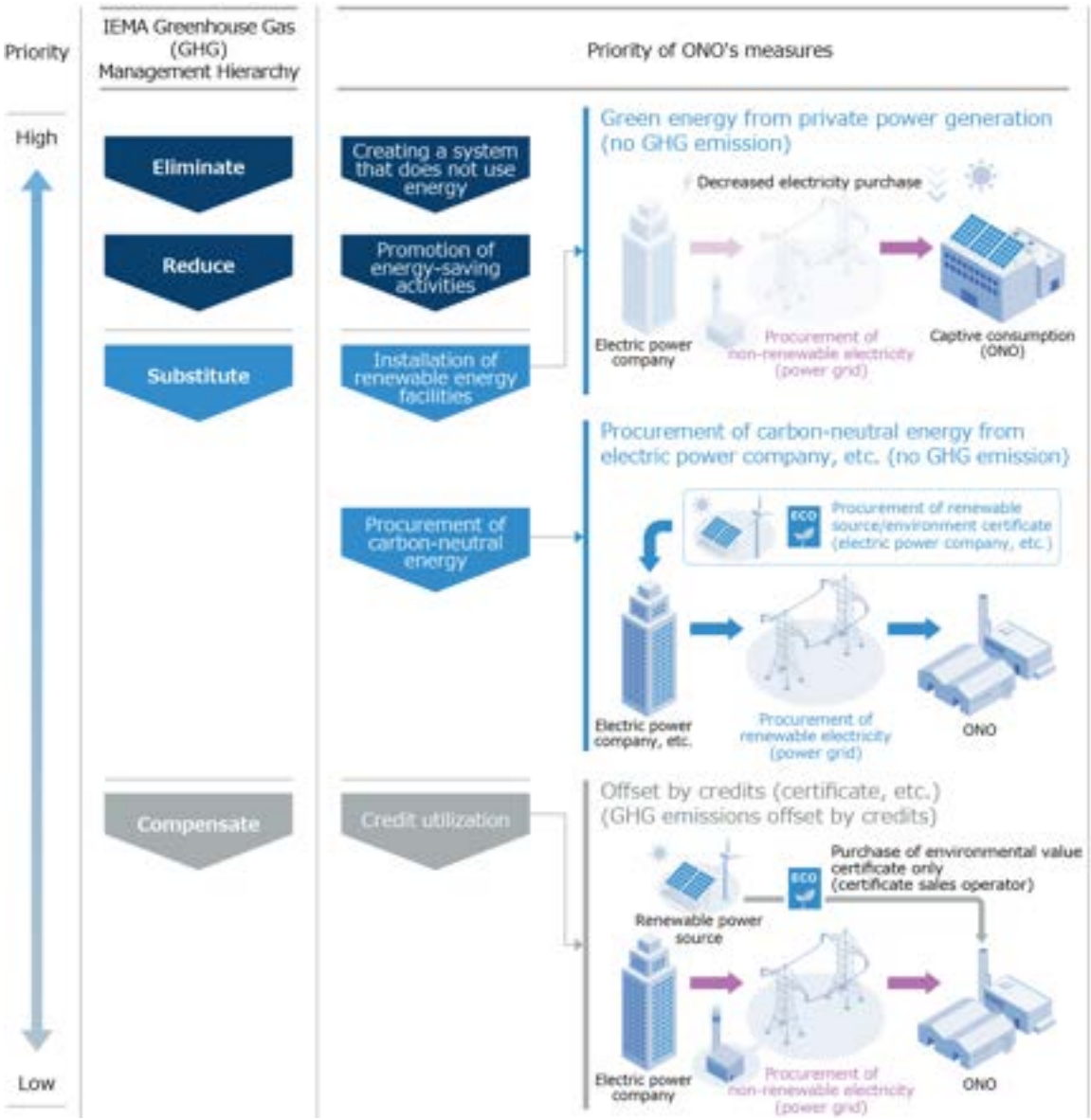
- Creating a road map for reduction of GHG emissions
  In order to achieve our new medium- to long-term targets that we reviewed in FY2022, we created a GHG emission reduction road map, incorporating new technologies, etc. that are under development. We also identified social movements by participating in environment initiatives, such as GX League, etc., and engaging in dialogue with companies developing next-generation technologies, and we determined the time to introduce measures at each site.

Company-wide roadmap



- Discussion on GHG emissions reduction policy
  In FY2020, we revised our GHG emissions reduction policy based on factors, such as recent energy market trends, costs, and emission factor fluctuation forecasts, etc. Referring to the Greenhouse Gas Management (GHG) Hierarchy of IEMA, we raised the priority of carbon-neutral energy procurement as compared to credit utilization, and the priority order of our measures was defined as promotion of energy-saving activities, installation of renewable energy facilities, procurement of carbon-neutral energy, and credit utilization. The roadmap above was established based on the reduction policy.

Source of IEMA's GHG Management Hierarchy: Institute of Environmental Management and Assessment (IEMA) Greenhouse Gas Management Hierarchy, first published in 2009 (updated 2020), www.iema.net



Priorities in ONO's GHG emission reduction measures

(Source: Prepared by ONO based on materials from ENECHANGE Ltd.)

Reduce

Promotion of energy-saving activities

Green sustainable chemistry initiatives

Actions for TCFD opportunities

We have embraced the concept of Green Sustainable Chemistry (GSC) in order to work on the development of a more environmentally conscious manufacturing process for active pharmaceutical ingredients (APIs) from the research and development stage. The aim of the GSC concept is to minimize the environmental burden throughout the entire process, from the selection of materials to manufacturing and disposal. The concept has gradually become widespread in the pharmaceutical industry since the mid-2000s. In order to introduce the GSC concept, we established the GSC Working Group at each site in 2018 and have been working on the development of the manufacturing process for APIs while minimizing the waste from the development stage and utilizing Process Mass Intensity (PMI)* as an evaluation indicator for API manufacturing efficiency. This initiative has been recognized by TCFD analysis as one of the climate change-related opportunities.

* PMI is calculated by dividing the total weight of raw materials and materials required for manufacturing APIs by the weight of the API that was manufactured.

Initiatives to introduce a continuous manufacturing system

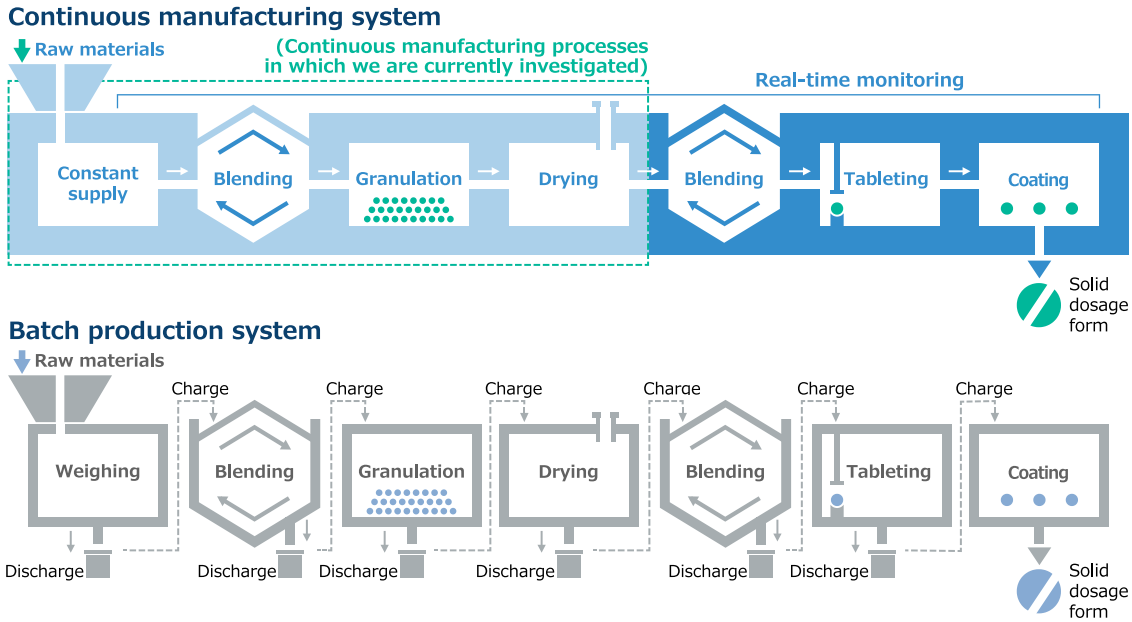
Actions for TCFD opportunities

The continuous manufacturing system is a production method in which raw materials are continuously charged to the manufacturing process and finished products are continuously discharge. Since compact devices are connected and automated, energy saving, production and resource efficiency are expected to be better than batch production system, which is the mainstream method in pharmaceutical manufacturing. We are changing one of the manufacturing processes, "wet granulation," from the batch method to the continuous method (see the following figure "Continuous manufacturing processes in which we are currently investigated"). We anticipate that doing so can reduce the raw materials required for development by approximately 13%* in weight. In the future, we will further expand the scope of applying this continuous manufacturing system in order to further reduce energy and raw material consumption. This initiative has also been recognized by TCFD analysis as one of the climate change-related opportunities.

* A numerical value that compares the raw material reduction effect achieved from changing our company's "wet granulation" process to a continuous one with general batch-type equipment.

Continuous manufacturing processes in which we are currently investigated

General continuous manufacturing system and batch production system (in cases of solid dosage form)



Our continuous manufacturing facilities (Fujiyama Plant)

Power load leveling

- Shifting and cutting the peak power usage from daytime hours to nighttime through the use of the nighttime heat storage system and cogeneration system
- Protecting production line during occurrence of instantaneous voltage drop and shifting daytime peak power usage by using large-capacity power storage system (NAS battery system)

Large-capacity power storage system (Yamaguchi Plant)

Participation in demand response

Demand response is positioned as an "optimization of electronic demand" under the Act on Rationalizing Energy Use and Shifting to Non-fossil Energy ("Revised Energy Conservation Act"). We have been striving to optimize the balance of demand and supply of electricity, in addition to electricity saving during regular time since FY2020 by saving and storing electricity (response) in response to the requests from power companies (demand).

Fluorocarbon management

In accordance with the Act on Rational Use and Proper Management of Fluorocarbons (Fluorocarbon Emissions Control Act), we conduct activities, such as the identification of equipment subject to the Act, simple inspections/periodic inspections, generation of records, and calculations/reporting of leakage, etc. In FY2022, the calculated leakage of fluorocarbons remained at a low level of 0.2 tons-CO_2. We will continue to prevent leakage and promote the introduction of non-CFC (chlorofluorocarbon) and low-GWP (global-warming potential) equipment in view of the reduction of fluorocarbons emissions. At the same time, we promote the total abolition of devices using CFCs, which include ozone-depleting substances.

Introduction of energy-saving equipment

- Replacing fluorescent lights with LEDs
- Upgrading heat source facility to module-type heat pump chiller
- Introduction of ultrahigh efficiency amorphous transformer with extremely low standby power
- Introduction of low air volume (push/pull type), ultrahigh speed variable air volume (VAV) local ventilation device
- Introduction of sterile isolator system that can limit the area subject to high-grade washing

Improvement of operation

- Heat collected from high-temperature waste water to be used as heat source
- Reviewing the operating hours and temperatures of the equipment

Module-type heat pump chiller (Minase Research Institute)

Low air volume (push/pull type), ultrahigh speed variable air volume (VAV) local ventilation device (exhaust fan output visualized on the operation panel) (Minase Research Institute)

Environment-friendly office design

- When planning our new office in the US, we selected a building that received the LEED*1 Gold Certification. Meanwhile in Japan, our company-owned building in Tokyo has been certified as CASBEE® (Comprehensive Assessment System for Built Environment Efficiency)*2 Class S. We will further pursue an environment-friendly office design.

*1 The Leadership in Energy and Environmental Design (LEED) is a rating system for building and site utilization developed and operated by the U.S. Green Building Council (USGBC), which promotes energy-saving and environmentally-friendly building and site utilization.

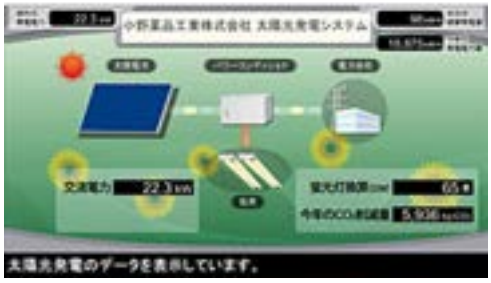
*2 The Comprehensive Assessment System for Built Environment Efficiency (CASBEE) is a method for evaluating and rating the environmental performance of buildings. The quality of buildings is evaluated in a comprehensive manner based not only on considerations for the environment including use of energy-saving and environment-friendly materials, but also on the comfort of the indoor environment and considerations for the surrounding landscape. A class S rating is the highest rating in this five-level rating system.

Substitute

Introducing renewable energy

- Introducing and operating solar power generation facilities: Head Office building (FY2003), Minase Research Institute (FY2015), Tokyo Building (FY2017)

Solar panels (Minase Research Institute)



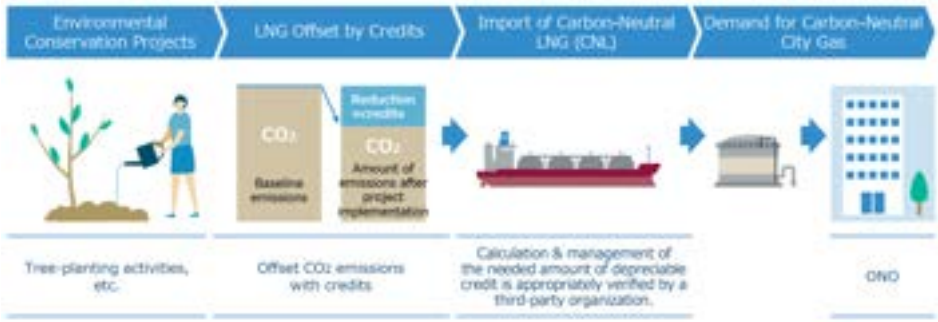
Solar power monitoring system (Minase Research Institute)

Substitute

Procuring carbon-neutral energy

- Purchasing electricity under a renewable energy-based electricity menu contract: Minase Research Institute (from FY2019), Yamaguchi Plant (from FY2022), Fujiyama Plant (from FY2023), and Tsukuba Research Institute (from FY023)
  Purchased electricity will be changed to 100% renewable energy from FY2023 at Fujiyama Plant, Yamaguchi Plant, and Tsukuba Research Institute.

- Introducing carbon neutral city gas: Tsukuba Research Institute (from FY2021), Joto Pharmaceutical Product Development Center (from FY2021), and Yamaguchi Plant (from FY2023)
  Carbon-neutral city gas is a type of city gas that utilizes carbon neutral LNG, or liquefied natural gas (LNG) which offsets greenhouse gases generated in the processes from the extraction to the burning of natural gas with CO_2 credits (carbon offset) and assumes that no CO_2 is generated on a global scale even if it is burnt. The credits are issued by highly reliable international organizations and consist of projects that meet the procurement requirements, quality standards, etc. of the companies that adopt them. These procurement requirements, quality standards, etc., include points such as no significantly adverse effects on the region or ecosystem (in the case of forest projects, avoiding logging and deforestation).



(Source: Created by ONO with reference to materials from Toko Electrical Construction Co., Ltd.)

Certificate of Carbon Neutral City Gas Supply

Compensate

Credit utilization

- Purchasing Green Energy Certificates (from FY2018), J-Credits (from FY2019) and Non-Fossil Fuel Certificates (from FY2021)
  We are promoting the use of renewable energy by purchasing certificates for electricity generated by renewable energy (Green Energy Certificates) and J-Credits.

Green Energy Certificate

Carbon pricing

We have incorporated carbon pricing* into our environment-related investment decisions. We use the carbon pricing to raise the priority of decarbonization investment.

* To price greenhouse gas emissions from facilities and to reflect it in management decisions in order to promote activities towards decarbonization.

External evaluation of our climate change-related efforts

Actions for TCFD opportunities

- In the survey conducted by the UK-based CDP on climate change, we were selected as an A-List company, the highest rating, for four consecutive years (in FY2018-FY2022).
- We won an award in the Activity Implementation and Promotion category of the Minister of the Environment's 2019 Commendation for Global Warming Prevention Activity (the Ministry of the Environment).
- The Minase Research Institute received the Osaka Governor's Award of the Osaka Stop Global Warming Award for FY2020.
- Our offices in Osaka won the Osaka Governor's Award for Climate Change Measures for FY2020.
- Under the Act on Rationalizing Energy Use and Shifting to Non-fossil Energy ("Revised Energy Conservation Act"), we have received the highest S rank for eight consecutive years in corporate energy conservation excellence (FY2015-FY2022).
- We were introduced in a collection of case studies on energy efficiency & conservation (published by the Kansai Bureau of Economy, Trade and Industry) as among specified businesses who have remarkable achievements in various aspects of energy conservation.

For more details, see our website of the "External Evaluation."

> External Evaluation

External activities for expanding the introduction of renewable energy

Actions for TCFD opportunities

Our basic stance is to communicate and engage in constructive dialogue with all stakeholders, including patients, healthcare professionals, shareholders and investors, business partners, local communities, employees, and related government and industry groups. In particular, in order to accelerate the reduction of GHG emissions, it is important to cooperate with other companies to encourage the government to expand the introduction of renewable energy. In March 2021, RE100, with the cooperation of the Japan Climate Leaders' Partnership (JCLP)*, supported a letter to the Japanese government calling for the expansion of renewable energy introduction, together with 52 companies in Japan and overseas (JCLP*, March 2021 news). We believe that if such inter-company collaboration can reduce renewable energy costs and lead to an expansion of the way in which renewable energy is obtained, it will be easier for companies to utilize renewable energy and contribute to the reduction of GHG emissions in society as a whole.

* JCLP supports the participation and activities of Japanese companies as an official regional partner of RE100.

GHG Emissions in the Supply Chain (Scope 3)

Actions against TCFD risks

GHG emissions in our supply chain (Scope 3) have been divided into 15 categories under the Ministry of the Environment's guidelines, and calculated for our sites in Japan since FY2014. Together with our business partners in the supply chain, we are strengthening our sustainability-related activities, such as the natural environment, human rights and the labor environment (click here for details). In January 2023, we started joint transportation of ethical pharmaceuticals in Japan and also started to engage in CO_2 emission reduction by making transportation more efficient (click here for more details).

Category		FY2021 emissions (kt-CO_2)	FY2022 emissions (kt-CO_2)	Calculation method	Notes
C1	Purchased goods and services	13.8	-	Multiplying GHG emissions (Scope 1, 2) of our suppliers for raw materials and materials (accounting for 80% or more of our raw materials or materials purchase costs) by the ratio of the sales to ONO out of the total sales of the suppliers. Concerning ratios for other suppliers, on the assumption that the same trend as major suppliers, calculate by using the ratio of GHG emissions to the transaction amount at major suppliers.	This category is closely associated with our business activities since active pharmaceutical ingredients for manufacturing of pharmaceuticals, intermediate products and research reagents are included. ・It covers production and research sites. ・Figures for FY2022 are not calculated because our major suppliers had not published their CSR reports at the time of calculation.
C2	Capital goods	26.4	21.3	Multiplying the amount of capital goods treated as fixed assets (facility reinforcement, maintenance, and investment) excluding land, by the factor.	Calculate based on capital goods treated as fixed assets. The fixed assets used in this calculation are essential for business activities.
C3	Fuel- and energy-related activities that are not included in scope 1 or 2	2.4	2.1	Multiplying the amount of purchased non-renewable electricity, by the emission factor.	-
C4	Upstream transportation and distribution	0.1	0.1	Multiplying the transportation data from our production site and logistic centers to the destination, by the emission factor.	-
C5	Waste generated in operations	0.3	0.3	Multiplying weight of each type of waste generated, by the emission factor.	-
C6	Business trip	0.5	1.3	Multiplying business trip allowances, by the emission factor.	It covers travels by airplane or Shinkansen bullet train.
C7	Employee commuting	0.7	0.7	Multiplying employees' commuting costs, by the emission factor.	-
C8	Upstream leased assets	2.1	1.9	Multiplying fuel consumption used in leased vehicles, by the emission factor.	-
C9	Downstream transportation and distribution	5.5	-	Multiplying CO_2 emissions of our major pharmaceutical wholesalers, by percentage of our net sales included in all net sales of major pharmaceutical wholesalers.	Transportation and distribution are important business activities to control distribution of pharmaceuticals and to ensure their stable supply. Concerning GHG emissions in FY2022, data of major pharmaceutical wholesalers have not been disclosed at the time of calculation. Therefore, they are not calculated.

Category		FY2021 emissions (kt-CO_2)	FY2022 emissions (kt-CO_2)	Calculation method	Notes
C10	Processing of sold products	N/A	N/A	-	We sell only finished products.
C11	Use of sold products	N/A	N/A	-	No energy is consumed during the use of our products due to characteristics of pharmaceuticals.
C12	Discarding sold products	0.1	0.2	Multiplying weight of each material of containers and packages of sold products, by the emission factor.	-
C13	Downstream leased assets	0.3	0.3	Multiplying floor space of assets (buildings) leased and owned by us for each use, by the emission factor.	-
C14	Franchises	N/A	N/A	-	We do not operate franchised stores.
C15	Investments	N/A	N/A	-	There is no investment involving large amounts of greenhouse gas emissions.
Total		52.3	-	-	Concerning GHG emissions in FY2022, data of major suppliers and pharmaceutical wholesalers have not been disclosed at the time of calculation. Therefore, they are not calculated.

The emission factors used for calculation are figures stated in the "Emission Factor Database on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (FY2021, Ver. 3.2; FY2022, Ver. 3.3)," published by the Ministry of the Environment, Government of Japan.

Realization of a Water Recycling Society

Good quality water is essential for our business activities, especially for research and manufacturing activities. In addition, it is important to manage risks generated from our business that could have an adverse impact on the global environment. Therefore, we are engaging in achieving a sustainable and water recycling society.

Analysis and Evaluation of Water-related Risks

As for water risks, the Environmental Management Committee and the Water Recycling subcommittee established under it, lead and conduct surveys on the risks, and identify, analyze, and evaluates the risks that are considered to have an impact on our business.
In addition, in FY2022, we considered how issues of water-related risks vary by the catchment area of each business site, re-considered our risks, and changed to a risk-based approach. Assessments have been updated in reference to the guidelines issued by the CEO Water Mandate, "Setting Site Water Targets Informed by Catchment Context: A Guide For Companies", and new medium- to long-term targets responding to risks are set.

Major risks and measures

1. Water scarcity risk

Risk assessment

Water scarcity risk evaluation is conducted for our research institutes and manufacturing plants that are utilizing at least 95% of our total water withdrawals by the WRI AQUEDUCT, a water-related risk assessment tool of the World Resource Institute. As of the end of FY2022, none of our research institutes and manufacturing plants are operating in areas categorized as being at "high risk" or “extremely high risk” for water stress. In addition, we conducted desk research and interviews with local municipalities concerning drought history in the areas where our business sites are located. As a result, we determined that the water scarcity risk at our research institutes and manufacturing plants is small.

Results of the risk assessment for water stress in our research institutes and manufacturing plants （WRI AQUEDUCT）

Water stress	Sites
Low to medium risk	Yamaguchi Plant, Joto Pharmaceutical Product Development Center, Minase Research Institute
Medium to high risk	Fujiyama Plant, Tsukuba Research Institute
High or extremely high risk	Not applicable

Measures

Although we determined that the water scarcity risk is small in areas where our sites are located, in order to appropriately manage water resources into the future, we will continue to promote the efficient use of water at our business sites and to manage appropriate water use. In addition, we will also promote measures that lead to the conservation of the local’s rich water resources.

2. Water pollution risk

Risk assessment

Raw materials, active pharmaceutical ingredients (APIs), and other chemical substances that are used in pharmaceutical research and manufacturing processes have the risk of causing an adverse impact on human health and ecosystems. If water pollution and resulting harm caused by our business activities, there may be a serious impact on stakeholders in the region and a great impact on our business (e.g., possibility of exclusion of our products from insurance coverage, bearing costs that exceed compensation amounts, assuming legal liabilities, etc.).
The substances used in our research institutes and manufacturing plants include substances for which the hazardousness is known and controlled under laws and regulations, as well as substances for which the hazardousness (in particular, hazardousness to the environment) is unknown, such as API, and therefore voluntary control is required. The risks must be managed based on the characteristics. For the substances controlled under laws and regulations, we monitor the concentration of them in drainage and then assess the presence or absence of pollution risks to the ecosystem based on the publicly available harmful information of these substances. On the other hand, for API, such as a development compounds, for which the hazardousness to the environment is unknown, we are currently developing the risk assessment system.

Measures

We continue to strive reducing the use of harmful substances and to maintain and strengthen drainage management at our research institutes and manufacturing plants with stricter control values than applicable laws and regulations for substances that are controlled by laws and regulations. In addition, for substances with the unknown environmental hazardousness such as development compounds, we plan to assess the impact to environment using the aquatic life as well as the computer simulation based on the quantitative structure-activity relationship (QSAR).

3. Water-related risks at our business partners

Risk assessment

Sustainability risks in association with the business activities of our business partners are assessed and handled through supply chain management. For water-related risks assessment, we will also establish a comprehensive risk management system by FY2026.

Measures

Following the identification of water-related risks such as water stress, drought, flood, and water quality etc. by WRI AQUEDUCT, we will assess the water-related risks associated with business activities of important business partners using EcoVadis' sustainability assessment system. In the case that water-related risks are suspected in the activities of important business partners, we will collect the information through an on-site audit and propose corrective actions.

› For more details, see our website on Supply Chain Management.

4. Other risks

For the assessment and action status of flood risks due to typhoon, etc., see our website on Information Disclosure Based on the TCFD Recommendation. In addition, for the business continuity plan (BCP) when a natural disaster occurs, see here.
We have posted details such as the water-related risks and opportunities, water intake and wastewater volumes at CDP Water Security (Japanese only). They can be confirmed at the CDP website (A CDP ID is required).

Targets

Towards “Realization of a water recycling society,” medium- to long-term targets that we have promoted since FY2019 were updated to new medium- to long-term targets in FY2022 in consideration of risk assessment results.

Water scarcity risk	1) Control the water consumption increase rate below the sales growth rate – Sales growth rate ≥Water consumption increase rate – Base year：FY2017, Target year：FY2030 – Coverage:ONO’s operation sites 2) Promote measures that lead to the conservation of the local’s rich water resources
Water Pollution risk	1) Conduct aquatic life impact assessment for 100% of wastewater – Target year：FY2025 – Coverage: ONO’s manufacturing plants/research institutes 2) Disclose the result of aquatic life impact assessment for developing compounds – Target year：FY2030 – Coverage:In-house drug candidate 3) Control 100% of wastewater more strictly than applicable laws and regulations – Maintain/improve current operations. – Coverage: ONO’s manufacturing plants/research institutes
Supply chain risk	Conduct water-related risk assessment and comprehensive risk management for important business partners – Target year：FY2026

Progress

The water intake amount in FY2022 was 196.4 thousand m^3, a 23.0 thousand m^3 reduction (reduction rate: 10.5%) compared to FY2021. In addition, water intake amount was reduced by 128.7 thousand m^3 (reduction rate: 39.6%) compared to the standard year, FY2017.

Specific initiatives to reduce water consumption include the following: visualization of water consumption amount by installing ultrasonic flowmeters, installation of highly airtight doors and stopping the use of running water traps as insect repellent, reduction of cooling water by adjusting the preset temperature of the heat drain tank, optimizing the sterilization of pharmaceutical water tank in the manufacturing plant, updating boilers, stopping the spraying of water or changing the preset temperature of the spraying water on air-cooling chillers and total heat exchangers, reduction of coolant water by collecting heat from hot drainage, and regular water leakage checks in the research institutes. We also installed water-saving sanitary equipment when a site is expanded, reconstructed, or renewed.

Water intake (water resource consumption)

Wastewater

Sites where data on water consumption and wastewater volume were collected: Fujiyama Plant, Joto Pharmaceutical Product Development Center, Yamaguchi Plant (added from FY2018), Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, sales offices and other offices, etc.

Water intake and wastewater volume by site (unit: thousand m^3)

Site name	River in the area	Wastewater drainage destination*1	FY2017		FY2018		FY2019		FY2020		FY2021		FY2022	
			Water intake volume	Waste-water volume	Water intake volume	Waste-water volume	Water intake volume	Waste-water volume	Water intake volume	Waste-water volume	Water intake volume	Waste-water volume	Water intake volume	Waste-water volume
Fujiyama Plant*2	Fuji River	River	205.6	148.6	240.2	178.4	185.0	145.1	157.8	125.0	138.7	110.2	122.9	100.1
Yamaguch Plant	Fushino River	River	-	-	8.2	8.2	18.1	18.1	18.6	17.7	21.6	20.0	22.8	20.9
Joto Pharmaceutical Deveopment Center	Todo River	Sewer	5.5	5.5	6.0	6.0	5.1	5.1	4.6	4.6	3.9	3.9	3.4	3.4
Minase Research Institute	Yodo River	Sewer	51.3	51.3	41.2	41.2	39.1	39.1	33.7	33.7	31.5	31.5	32.2	32.2
Fukui Research Institute*3	Kuzuryu River	Sewer	38.7	5.2	31.3	5.0	27.3	5.7	13.7	2.6	6.6	1.9	0.8	0.2
Tsukuba Research Institute	Lake Kasumigaura	Sewer	8.1	8.1	6.0	6.0	7.1	7.1	7.2	7.2	7.0	7.0	4.7	4.7
Head Office and other sites in Japan (including tenant locations)	Rivers/lake in the areas where major business sites are located*4	Sewer	15.9	15.9	15.1	15.1	15.0	15.0	10.0	10.0	10.0	10.0	9.5	9.5
total			325.1	234.6	348.0	259.9	296.7	235.2	245.6	200.8	219.4	184.5	196.4	171.2

*1 Draining destination: The draining destination is to a river (surface water of fresh water) or sewer (effluent by a third party) only and not the surface water of brackish water/seawater and underground water.

*2 Water source: Water intake amount at Fujiyama Plant includes underground water (FY2017: 34.6 km^3, FY2018: 26.2 km^3, FY2019: 21.0 km^3, FY2020: 22.0 km^3, FY2021: 19.6 km^3, and FY2022: 15.3 km^3).
Intake water from a third party's water source are used in other facilities.
Please note that no facilities intake water from the surface water of fresh water, surface water of brackish water/seawater, underground water (non-renewable), or produced water/mixed water.

*3 The Fukui Research Institute was closed at the end of March 2022 due to the reorganization of research bases.

*4 Toyohira River, Okura River, Arakawa River, Sakawa River, Kiso River, Lake Biwa, Yodo River, Ota River, Yoshino River, Naka River

Activities for water quality pollution risk management

At the 4th meeting of the International Conference for Chemicals Management (ICCM), pharmaceuticals in the environment are listed as an "Emerging Issue," and EFPIA, which is a pharmaceutical industry group in Europe, published the Eco-Pharmaco Stewardship program, and other actions were implemented.
We introduced whole effluent toxicity testing (WET testing) at Fujiyama Plant, which is our major production center, as part of activities for water pollution risks.
In addition, we assessed the impact of active pharmaceutical ingredients (APIs) under development on aquatic life using Quantitative Structure-Activity Relationship (QSAR) and promoted listing information in the safety data sheet (SDS).

Number of violations related to water quality and water quantity

Item	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Number of breaches of legal obligation/regulatory violations	All operation sites	Cases	0	0	0	0	0
Amount of breach-/violation-related fines	All operation sites	Million yen	0	0	0	0	0
Environmental liabilities as of fiscal year-end	All operation sites	Million yen	0	0	0	0	0

External evaluation

In the Water Security survey conducted by CDP, a U.K.-based nonprofit organization, we received “B” in FY2018, “A-” in FY2019 and FY2020, and “A”, the highest rating, in FY2021 and FY2022.

Realization of a Resource Recycling Society

In today's society, in which mass production and mass consumption continue to expand along with global economic growth and increases in population, pollution of the natural environment and damage to ecosystems related to the disposal of waste have become problems, while at the same time it is projected that our limited resources may run dry. In consideration of this situation, we have set Realization of a Resource Recycling Society as one of the major items of our medium-to-long term ECO Vision for implementing our business activities, and have been promoting a variety of initiatives on a company-wide basis.

Targets

We have implemented activities towards the achievement of a medium-to-long term environmental vision, which was defined in FY2019; however, in consideration of internal and external environmental changes, we have set new targets to accelerate the realization of a resource recycling society in FY2022.

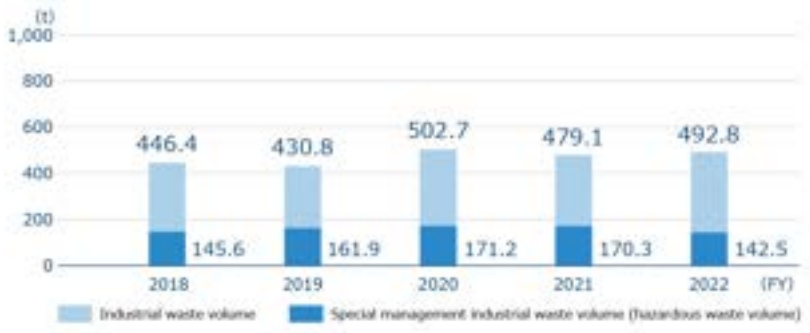
Final Landfill Disposal Rate of Industrial Waste	**Maintain 1% or less every year.** – Coverage: ONO's manufacturing plants/research institutes, and logistics centers.
Recycling Rate	**Increase the recycling rate for all unnecessary materials to 60% or more in FY2025 and 80% or more in FY2030.** – Calculation: In accordance with the calculation rules of the Federation of Pharmaceutical Manufacturers' Associations of JAPAN, FPMAJ. – Coverage: Unnecessary materials (wastes, valuables, free materials, etc.) generated from ONO's manufacturing plants/research institutes, and logistics centers.
Reduce the Environmental Impact of Product Packaging	**Use eco-friendly materials for 100% of the paper used for the individual packaging boxes of our marketed products by FY2030.** – Prioritize the use of FSC® certified paper, and use other recycled papers for materials that it is not possible to use FSC® certified paper.

Progress

The total volume of our industrial waste in FY2022 increased by 13.1 tons compared with the previous year. The major causes of the increase were the disposal of all unnecessary furniture and fixtures in association with the closing of the Fukui Research Institute and the generation of highly active liquid waste in association with test production and verification of our new product, Kyprolis, at Yamaguchi Plant.

The final landfill rate of our industrial waste in FY2022 was 0.02%. We defined "Reduce the final landfill rate (Final landfill volume/industrial waste volume×100) to no more than 1.0%" as zero emissions. We continued to achieve zero emissions in FY2022 as well by recycling rather than landfilling industrial waste that was emitted in association with business activities. In FY2022, we also set our target for recycling. Our calculation method for recycling is based on the ideas on recycling of the Federation of Pharmaceutical Manufacturers' Associations of Japan and thermal recycling is not included in the recycling.

Industrial waste volume and Special management industrial waste volume (hazardous waste volume)

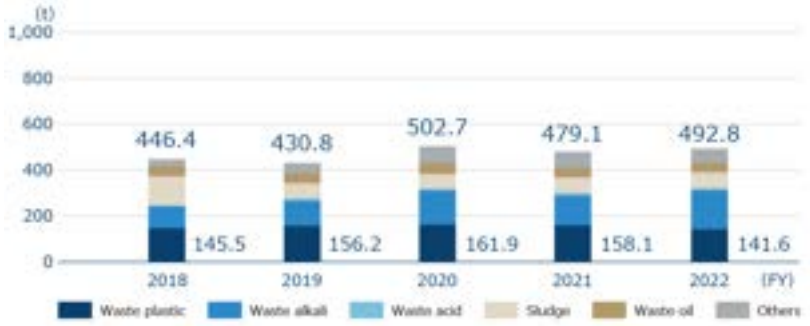


Sites covered by this data: Fujiyama Plant, Joto Pharmaceutical Product Development Center, Yamaguchi Plant, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute and Logistics centers (added from FY2021)

Data of the logistics center (external facility) that stores our pharmaceutical products has been added since FY2021.

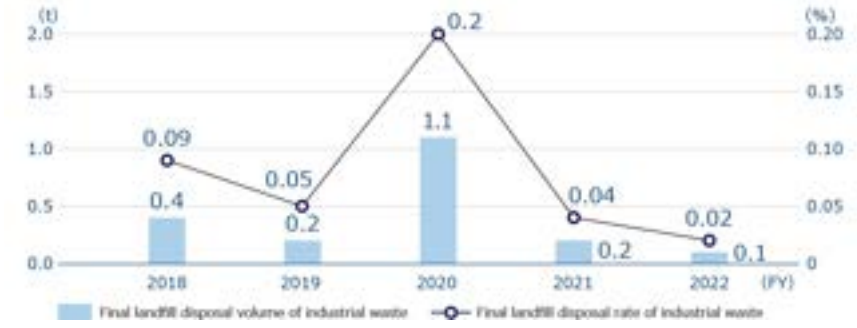
Special management industrial waste (hazardous waste) is defined under the Waste Management and Public Cleansing Law as waste that has properties of explosiveness, toxicity, infectiousness, and/or possibly causing damage to human health or the living environment.

Industrial waste volume (by item)



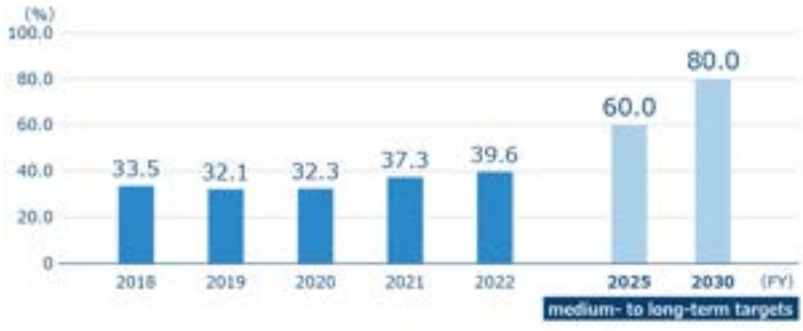
Sites covered by this data: Fujiyama Plant, Joto Pharmaceutical Product Development Center, Yamaguchi Plant, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute and Logistics centers (added from FY2021)

Final landfill disposal volume and Final landfill disposal rate of industrial waste



Sites covered by this data: Fujiyama Plant, Joto Pharmaceutical Product Development Center, Yamaguchi Plant, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute and Logistics centers (added from FY2021).

Recycling rate



Calculation method: Based on the calculation manual of the Federation of Pharmaceutical Manufacturers' Associations of Japan.

Coverage: Industrial waste (including specially controlled industrial waste), general waste from business activities, valuables, and free materials

Sites covered by this data: Fujiyama Plant, Joto Pharmaceutical Product Development Center, Yamaguchi Plant, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute and Logistics centers (added from FY2021).

Initiatives

We organized a resource recycling sub-committee consisting of waste management operators under the Environment Management Committee and we have been promoting activities by setting the following basic policies: "promotion of the 4Rs (refuse, reduce, reuse, and recycle)" and "selection of materials with a reduced environmental impact." We have worked to reduce waste generation across the company by reducing paper documents through digitization as well as engaging in the investigation and analysis of processes that generate waste and we are considering and evaluating the introduction of equipment to reduce the volume of waste to reduce emissions. Furthermore, we are promoting resource recycling activities, such as reuse and recycling, etc., and switching materials to materials with low environmental burden.

(Major initiatives)

- Conversion of paper waste and metal waste that are no longer needed
- Sale of experimental equipment that is no longer used due to replacement or aging with the aim of reuse
- Conversion of used plastics into a valuable resource
- Optimization of industrial waste (including specially controlled industrial waste) treatment contractors (selected intermediate treatment contractors that recycle waste without landfilling as our final treatment contractors for residual processing after intermediate waste treatment)
- Use of food waste (kitchen waste and leftovers) generated at cafeterias as animal feed
- Reuse of wooden pallets at our company by converting them into valuable resources and wood chips

Food waste recycling (Minase Research Institute)

Minase Research Institute landfilled incinerated kitchen waste and leftovers that were generated at the cafeteria; however, they achieved the recycling of general waste from business activities for which recycling is difficult by switching to recycling them as animal feed. In addition, in association with diverse working forms, such as telework, etc., the number of employees who come to work varies every day. Therefore, they strive to reduce food loss by sharing the number of employees who come to work on the day with the cafeteria vendor.

Recycling wooden pallets as wood chips (Fujiyama Plant)

Pallets that are used to transport products are crushed in the plant and recycled as wood chips. In FY2022, it resulted in a reduction of approximately 7 tons of wood debris. Spreading wood chips in the green areas on the plant premises prevents weeds and leads to landscape improvement.



Appropriate Waste Management

Monthly meetings are held by waste management operators to discuss measures for the promotion of the 4Rs and the appropriate disposal of waste; the implementation of measures is examined, and their effects are validated.In addition, in order to implement the appropriate disposal of waste, we have determined to give priority to contractors that are certified as excellent companies. On-site observation of intermediate treatment contractors is conducted every year, and we confirm that the appropriate disposal of waste is implemented. The final landfill sites are checked every five years. We continuously implement thorough and appropriate disposal of waste.

Internal training

We are introducing the familiar 4Rs activities and engaging in internal activities to increase employee awareness of appropriate waste disposal, waste sorting, etc. through various methods, including committee meetings that are organized at each plant and research institution, training for waste treatment operators and for applicants, and the distribution of internal newsletters and provision of internal intranet for the entire company. We provide opportunities so that employees can learn relevant laws and regulations, set themes that they can practice in their operations, and in this way, foster employee awareness of environmental preservation.

Initiatives for Pharmaceuticals

Pharmaceutical Development / Manufacturing Processes

We are also utilizing computer simulation technology in pharmaceutical development. This step will reduce the number of experiments and raw materials (waste).
In addition, we are also working to shift the wet granulation phase of the production process for a portion of our products from a batch production system to a continuous manufacturing system. Doing so will yield various advantages, such as allowing us to respond flexibly to changes in demand while also saving space by making manufacturing equipment more compact. This shift is expected to help reduce the volume of raw materials needed during pharmaceutical development. We estimate that this can allow us to slim down the weight of raw materials needed during pharmaceutical development by approximately 13% when it comes to products under development. By expanding the scope of continuous manufacturing applications in the future, we aim to not only save more energy but also further reduce the volume of raw materials used in our operations.

Extending the Validity Period of Our Products

We strive to extend the validity period of our products by obtaining long-term quality assessment data for each product. Extending the shelf life of products will result in reducing the risk of product disposal due to expiration.

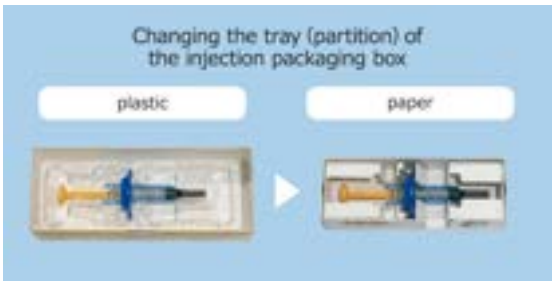
Product Packaging

When it comes to product packaging, based on the results of a questionnaire survey at medical institutions on product packaging, we are engaging in activities from the two aspects of ease of use and environmental friendliness. In terms of the environment, we are working to promote the reduction of its environmental impact by changing packaging materials and forms to help save resources and selecting eco-friendly materials. Upon disposal, we have also switched to material labels and packaging forms that encourage recycling.
Furthermore, in response to the results of the questionnaire survey, we changed the method of binding blister package sheets for new products from bag-type (transparent pillow packaging) to band-type. We also changed the tray (partition) of the injection packaging box from plastic to paper materials, which not only reduced the volume of plastic used, but also reduced the capacity (48% per box). Regarding the volume of paper used, with the introduction of electronic package inserts, which became operational on August 1, 2021, we estimate that we will be able to reduce about 44tons of paper per year by reducing package inserts (Estimate based on the shipment volume of our marketed products from plants in FY 2022).
In addition, we have changed paper-based materials for individual packaging boxes to FSC®-certified paper, and switched the inks we use to vegetable oil inks. We also verify the quality of primary packaging that comes into direct contact with pharmaceuticals to further promote the selection of materials that reduce our environmental impact.

Major initiatives	Progress
Changing packaging materials from plastics to paper-based materials	Changing packaging materials for parts of products. Started distribution of the products in FY2020.
Reconsideration and changing the method of binding Blister package sheets（Adopting the band-type）	A total of 8 products as of the end of March 2023
Switching individual packaging box materials to FSC®-certified paper.*	A total of 31 products as of the end of March 2023（Started distribution of 16 products in FY2022.）
Selecting vegetable oil inks.	A total of 11 products as of the end of March 2023（Started distribution of 5 products in FY2022.）

* In addition, under our new medium- to long-term environmental targets, the adoption rate of FSC®-certified paper for individual packaging boxes of our marketed products is 61% as of March 2023.

Initiatives to reduce the volume of plastic used



Switching of individual packaging box materials to FSC®-certified paper and selecting vegetable oil ink

FSC
www.fsc.org
FSC® N003217

The mark of
responsible forestry

In Japan, there is an enforced law called the Containers and Packaging Recycling Law, which covers the recycling volume of containers and packaging waste for products sold by sellers. This is to promote the recycling of containers and packaging waste, and based on this law, some of the containers and packaging materials for the products we sell are recycled.

FY2022(Unit: tons)

	Container and packaging usage	Obligatory recycling volume
Plastic	173.4	52.2
Paper	163.4	0.8
Glass (colorless)	0.0	0.0
Glass (brown)	0.2	0.0
Commissioning fee paid for recycling：1,958 thousand yen		

Other efforts

Introduction of paper files

We have introduced paper-based files since January 2020. By switching some plastic files to paper files, we are able to reduce the volume of plastic used.

Use of photocopy paper or purchase of stationary materials

For photocopies, we perform print management, and a cloud storage system "BOX", which was introduced globally in October 2017, promoted paperless storage and reduced the volume of work required to store and share files. As for purchasing, we have indicated in an easy-to-understand manner whether the products listed in the purchasing system are in compliance with the “Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities” and promoted awareness within us so that each employee has environmental awareness.

Awards for Resource-Recycling Efforts

- In recognition of our efforts to reduce waste at our headquarters, we were awarded the Osaka mayor’s commendation in 2021.
- We received the Reduce, Reuse and Recycle Promotion Council President’s Prize during the FY2020 3Rs (Reduce, Reuse and Recycle) Promotion Merit Awards

Biodiversity

Recognizing that our business activities benefit from the global environment, we are working to reduce environmental risks that affect biodiversity and contribute to the maintenance and conservation of biodiversity, with the aim of realizing a sustainable and prosperous society. We have endorsed the “Keidanren Initiative for Biodiversity Conservation” by KEIDANREN (Japan Business Federation) and make donations to the Keidanren Nature Conservation Fund.

For information about the “Keidanren Initiative for Biodiversity Conservation” and the list of companies and organizations that have endorsed this initiative, please see here.

Our Position on Biodiversity

We contribute to people's health and strive to maintain an abundant global environment for the next generation under the corporate philosophy “Dedicated to the Fight against Disease and Pain.” An abundant global environment (ecosystem) not only brings food, water, and other blessings to our lives, but it also contributes to mitigating climate change and disasters, restricting the generation of infectious agents, parasitic insects, etc., and stabilizing mental and cultural conditions, as well as plays an extremely important role for our health.

We assess the impact of our business activities on the global environment and promote a range of activities (environmental impact assessment of pharmaceutical products, management of chemical substances, management of living modified organisms and pathogens, pollution control of air, water, and soil, etc.) to minimize this impact. In addition, we do not operate in areas such as national parks or sanctuaries, or in areas with habitats of organisms classified as “Critically Endangered” or “Endangered” on the International Union for Conservation of Nature (IUCN) Red List.

We support the "Kunming-Montreal Global Biodiversity Framework" that was adapted by the 15th meeting of the Convention of Biological Diversity (COP15) held in Montreal, Canada in December 2022. We would like to work together with local governments, NPOs, NGOs, and other stakeholders and help halt biodiversity loss and turn it into a positive (nature positive). In addition, we have started to identify our dependence and impact on nature, including in the supply chain, as well as risks, and we are establishing science-based targets and indices in reference to the latest disclosure framework published by the Taskforce on Nature-related Financial Disclosures (TNFD).

Action policy

- Recognizing the impact of our business activities on biodiversity, we conduct business activities while taking biodiversity conservation into consideration.
- We support the three principles of the Convention on Biological Diversity (CBD), for which the objectives are: (i) The conservation of biological diversity; (ii) The sustainable use of the components of biological diversity; and (iii) The fair and equitable sharing of the benefits arising out of the utilization of genetic resources; and the Japanese National Biodiversity Strategy. We also comply with laws and regulations concerning biodiversity conservation in each country and region.
- We do not operate in areas with habitats of organisms classified as “Critically Endangered” or “Endangered” on the International Union for Conservation of Nature (IUCN) Red List. We apply the mitigation hierarchy (avoidance, minimization, restoration and offsets) and, thereby, we minimize the impact of our business and aim to attain no net loss in biodiversity.
- We appropriately use and manage chemical substances, living modified organisms and pathogens in accordance with relevant laws and regulations.
- We communicate with internal and external stakeholders and promote biodiversity conservation.
- We enhance the awareness of our employees and promote biodiversity conservation activities with the participation of all employees.

Initiatives

Handling of the active pharmaceutical ingredient (API) and environmental impact assessment

The API (including its metabolites if it was administrated to human) produced by the manufacturing process, or discharged into the environment through excretion after the proper use and disposal of medicines may affect ecosystems due to their physiological effects, as well as their physicochemical and biological properties. In our manufacturing plants we consider the scientific characteristics of API and implement deactivation treatments, such as oxidative decomposition, reduction, and alkaline hydrolysis. We also estimate occupational exposure limit (OEL) based the results of animal testing and human clinical trials and define an API in Category 4 (chemical substances with OEL lower than 10μg/m3) or higher as "highly-active API." All wastewater containing highly-active API is outsourced to be incinerated and we do not discharge it into the environment.
We appropriately conduct the environmental assessment of API in accordance with local guidelines. We predict the hazardousness to the environment of new drug application candidates and launched APIs based on the quantitative structure-activity relationship (QSAR) using a computer simulation, and we list the results on the safety data sheet (SDS). We also implement environmental assessment sequentially for launched APIs and disclose the results on SDS.

Management of chemical substances

We are working to reduce the use of chemical substances. We are also committed to reducing emissions of chemical substances not only in compliance with laws and regulations but also in recognition that these emissions may impact human health and the ecosystem.

Controlling emissions of chemical substances into the environment

In accordance with the Law concerning “Pollutant Release and Transfer Register (PRTR),” we have appropriately controlled chemical substances that may have harmful effects on human health and the ecosystem. In FY2022, the amount of PRTR Class 1 designated chemical substances handled in an amount of 1 ton or more was 8.7 tons and was reduced by 25% compared to FY2021. In the same fiscal year, the emissions into the air and public water/soil were 0.28 tons (reduced by 11% compared to FY2021) and zero (no emission as well as FY2021), respectively. Emissions into the environment remain at a low level. Please refer to the ESG Data for details. We also legally and appropriately manage chemical substances other than those reported. We will continue to work to reduce emissions into the environment through appropriate chemical substance management.

Results for our goals

Target	FY2022 results
Reduce the amount of PRTR Class 1 designated chemical substances released into the environment.	Registered emissions of chemical substances into the air and public water/soil were 0.28 tons (reduced by 11% compared to FY2021) and zero (no emission as well as FY2021), respectively; the levels were kept low.

Management of waste containing polychlorinated biphenyl (PCB)

Waste containing PCB is disposed of appropriately in compliance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes. As of FY2022, there is no high-level or low-level PCB-containing waste in our storage. We only have two electrical transformers containing low-level PCB (in use). We plan to entrust them to a treatment company that has permission to dispose of low-concentration PCB waste within the treatment deadline of March 31, 2027, which was stipulated in the above law, and dispose of them properly.

PCB waste	Type	Classification	Number of units
High-concentration PCBs waste (PCB concentration: Greater than 0.5%)	Capacitor, etc.	In use	0
		Strage	0
Low-concentration PCBs waste (PCB concentration: 0.5% or less)	Transformers, etc.	In use	2
		Strage	0

Management of radioisotopes

The management of radioisotopes is conducted appropriately in accordance with the "Act on Prevention of Radiation Hazards due to Radioisotopes, etc." and the results are reported to the Nuclear Regulation Authority as a radiation management status report every fiscal year.

Living modified organisms and pathogens

As for living modified organisms and pathogens used in drug discovery research and manufacturing activities, we are preventing their spread into the environment and their leakage by complying with in-house regulations based on relevant laws and regulations such as the “Act on the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms” (Cartagena Act) and the “Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases” (Infectious Diseases Control law). In addition, to promote the appropriate use of these research samples, the In-house Safety Committee continues to provide education and training to laboratory staff and conduct examinations on the experimental applications.

Prevention of air and water pollution, and soil contamination

In the manufacturing plants and research institutes, we comply with the Air Pollution Control Act, the Water Pollution Control Act, the Sewerage Act, the Soil Contamination Countermeasures Act, the Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement, and conclude agreements on pollution prevention with local governments, in order to reduce our environmental impact.
Nitrogen oxides (NOx), sulfur oxides (SOx), and smoke dust (particulate matter: PM) are measured as air pollution indices. NOx emissions in FY2022 were reduced by 40% from the previous fiscal year to 4.9 tons in order to the introduction of high-efficiency boilers and the revision of operation conditions for facilities using city gas. Since we have no facilities using high-sulfur content fuels (heavy oil, coal, etc.), we are maintaining SOx emissions at a very low level. In addition, PM emissions in FY2022 were reduced by 12% from the previous fiscal year to 0.26 tons. Please refer to the ESG Data for details.

In order to prevent water pollution, effluent from manufacturing plants and research institutes is controlled by the stricter standard agreed with local governments or by our voluntary and stricter standard in addition to standards related to relevant laws and regulations. The public sewerage system has not been developed at Fujiyama Plant and Yamaguchi Plant. Therefore, wastewater generated from business activities at both facilities is treated with sedimentation, activated sludge, pH adjustment and disinfection at our on-site wastewater treatment facility. After cleaning wastewater, its water quality is checked, and then discharged to rivers. The biochemical oxygen demand (BOD), an index of effluent water quality, of effluent discharged to public rivers in FY2022 was at a low level of 0.15 tons. In addition, we conduct Whole Effluent Toxicity (WET) tests, which are toxicity tests using the biological response of daphnia, algae and fish, for effluent discharged into rivers from Fujiyama Plant to comprehensively assess the environmental burden caused by manufacturing plant effluent. We plan to conduct the WET tests in all manufacturing plants and research institutes by FY2025.

Changes in BOD (biochemical oxygen demand)

	Drainage site	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
BOD	Total	Production and research sites	Ton	2.2	1.3	1.2	1.3	1.2
	Sewerage system			2.0	1.1	1.0	1.1	1.0
	River			0.21	0.20	0.21	0.22	0.15

We provide thorough control of hazardous substances in order to prevent soil pollution. Measures are taken to prevent reagent bottles from falling over on storage shelves for reagents containing dangerous materials and hazardous materials. We also implement regular leakage checks on drainpipes and replace them with quake-resistant flexible pipes. If soil pollution is found, we will consult with the government and take appropriate measures, such as for the prevention of spreading and purification measures, etc.

In recent years, extreme weather events are occurring as a result of global warming. We have formulated manuals to prepare for accidents and emergency situations caused by such weather, and we organize training sessions to minimize environmental impacts. In addition, we conduct drills every year in preparation for accidents and emergencies that may lead to water pollution and soil contamination. In preparation for an emergency event when wastewater containing hazardous substances flows into the drainage system, we have installed a storage tank to store wastewater, and for the wastewater containing highly-active API, we have separated them from the drainage system by setting up a dedicated collection tank.

Environmental conservation activities

Fushino river water system clean campaign

At Yamaguchi Plant, pharmaceutical products including injectable drugs are manufactured using water from the Fushino River water system (city water) as a raw material. At the Fushino River Water System Clean Campaign held in July 2023 (co-sponsored by Yamaguchi City government, Fushino River Fishermen's Cooperative, and Yamaguchi City Kaiteki Kankyo Zukuri Suishin Kyogikai [Yamaguchi City Comfortable Environment Promotion Council]), employees working at Yamaguchi Plant participated in the campaign and helped to clean the Fushino River.

”Rikyu no Mizu” (spring water) Conservation Society

At the Minase Research Institute, we are a member of the “Rikyu no Mizu” Conservation Society to protect a famous water source, which has been selected as one of the 100 best springs in Japan. In FY2022, we took part in the joint cleanup activities that are organized twice a year.

In FY2022, in addition to the aforementioned activities, we held opportunities for discussion with local governments and NPOs and exchanged opinions on what we can all do for nature conservation.

EHS Management

EHS (Environmental Health and Safety) Promotion System

At the EHS Committee consisting with members of production sites, research institutes, headquarters, and other major sites, we share details on the corrective action of occupational injuries and best practices obtained from risk assessment and share information on amendments to the law. The EHS Committee works with the safety and health committee of each site. In addition, the Sustainability Promotion Department implements EHS self-checks (equivalent to internal audits), reports the results at the EHS Committee, and implements management review. In this way, management members are involved in EHS management.

Building the EHS Management System

We set targets for sustainability, including environmental and occupational safety and health and promote building the EHS (Environmental Health and Safety) management system with the aim of achieving these targets.
The EHS Management System that we are building is stipulated by the sustainability departments of headquarters concerning entire company requirements related to EHS as the SOP (standard operating procedure). In addition, based on the SOP, operations of the SOP are stipulated for each department. Thereby, concrete actions for the achievement of entire company targets that have been established are stipulated at the same level throughout the company. Based on ISO45001 (Occupational Safety and Health Management System) and ISO14001 (Environmental Management System), the SOP stipulates compliance with laws and regulations related to occupational safety and health, the environment, and fire-prevention and disaster-prevention, etc. and technical requirements that are not provided for by laws and regulations but require actions to be taken. In addition, by stipulating and implementing internal audits, it plans to implement PDCA to promote continuous improvement. In addition, it stipulates management review so that management members are involved.
We started to build the EHS Management System in FY2021 and aim to create and complete an SOP for 100 items by FY2024. We have completed an SOP for 31 items by FY2022.
In addition, along with the creation of an SOP, we started internal audits for compliance with laws and regulations in FY2021 and management review in FY2022.
We will continue to promote the building of the EHS Management System, protect occupatinal health and safety, and maintain and improve the environment in our operation areas so that we can be a company that can obtain trust from stakeholders as well, including the community and employees.

EHS Management system flamework

Status of acquisition of ISO 14001 certification

Production site name	
Fujiyama Plant	Certified
Yamaguchi Plant	Certified
Scope of ISO 14001 certification at production sites	100%

Environmental Accounting

We conduct environmental efficiency assessments to quantitatively measure the efficiency of environmental conservation activities at our production and research sites. We also disclose information on environmental accounting in reference to the Environmental Accounting Guidelines 2005, issued by the Ministry of the Environment of Japan.

Environmental Costs (Including Depreciation Costs)

(Thousands of Yen)

Category	Environmental costs		Amount of investment in environmental equipment	
	FY2021	FY2022	FY2021	FY2022
1: Pollution prevention cost (air, water, soil, groundwater, hazardous chemicals, noise, vibration, and odor)	96,579	115,201	11,607	12,368
2: Global environment conservation cost (cost for preventing global warming, cost for environmental conservation activities)	640,752	549,242	441,042	294,724
3: Resource circulation cost (waste reduction, proper treatment of waste, efficient use of resources)	132,626	132,604	0	0
4: Administration cost (time and cost spent for committee and ISO activities, and environmental management)	11,890	17,962	—	—
5: Research and development cost	0	0	—	—
6: Social activity cost (cost for environmental improvement activities, including beautification and tree-planting, with the exception of those conducted at or in the vicinity of the business sites)	9,383	9,931	0	0
Total	891,230	824,941	452,649	307,092

Environmental conservation effects

Environmental performance indicators		Environmental impact		Change from the previous year
		FY2021	FY2022	
Effects corresponding to key business area costs	SOx emissions (tons)	0.0	0.0	0.0
	NOx emissions (tons)	8.3	4.9	-3.4
	Water use (1,000 m^3)	219.4	196.4	-23.0
	BOD load (tons)	1.3	1.2	-0.1
	CO_2 emissions (1,000 tons-CO_2)	23.6	18.4	-5.2
	Energy use (MWh)	99,438.0	86,067.6	-13,370.4
	Total waste discharge (tons)	479.1	492.8	-13.7
	Final landfill disposal (tons)	5.3	4.4	-0.9

Economic Effects Associated with Environmental Conservation Activities

(Thousands of Yen)

Details	Economic effects	
	FY2021	FY2022
1: Reduction in costs through energy-saving activities	6,814	10,203
2: Reduction in waste costs through recycling activities	0	100
3: Profit from sale of recycled materials	7,143	6,475
Annual total	13,957	16,778

Stakeholder Engagement

Basic Idea

Our stakeholders include patients, healthcare professionals, shareholders, investors, employees, suppliers, academia, research institutes, local communities, relevant governmental agencies, industrial associations, NGOs, and NPOs. We have to ensure legal compliance, corporate governance, and transparency. We believe that we also have to build and continue strengthening relationships with all stakeholders through engaging in business activities that respect their interests and holding dialogue with them to achieve sustained growth.

Our basic attitude is promoting communication/constructive dialogue with all stakeholders and disclosing necessary information to them accurately, fairly, impartially, and promptly.

We strive to disclose information and communicate so that stakeholders understand our policies and activities and we can earn their trust. In addition, we identify stakeholders' requests and expectations and then engage with the issues. In that way, we continue taking on the various challenges as a research and development pharmaceutical company.

Engagement with Stakeholders

Stakeholder	Activity outline	Opportunity to Build/Strengthen Relationship
Patients and healthcare professionals	Based on our corporate philosophy, we listen sincerely to consultations and opinions we receive from patients and healthcare professionals, and through careful communication, we aim to use these voices for drug discovery, product improvement, and better service.	Collection and provision of information on the proper use of pharmaceuticals
		Using the voices brought to Customer relations
		Communication with pharmacists for product improvement
Shareholders and investors	We strive to disclose information at the appropriate time and in the appropriate manner so that shareholders and investors can appropriately understand our business conditions and other activities. In addition, we use the opinions obtained through constructive dialogue with shareholders and investors to increase our corporate value.	Shareholders meeting
		Financial Results meeting
		Dialogues to promote understanding
		Provision of information through R&D and ESG Meetings
		Provision of information through corporate reports, sustainability reports, and official website
Employees	Our diversified personnel will contribute to society through our business and strive to create an environment for their growth and an organizational culture where employees proactively take on challenges.	Provision of opportunities for personal growth
		Provision of a work environment where employees can have peace of mind in their work
		Promotion of health maintenance and enhancement
		Provision of opportunities to take on challenges (calling for business ideas, etc.)
		Provision of information through company papers and internal intranet.
Suppliers	We engage in fair and equitable transactions with suppliers in compliance with the "Ono Pharmaceutical Global Basic Policy for Procurement Activities" and comply with laws and regulations, etc., and we also contribute to achieving a sustainable society in cooperation with suppliers.	Offering fair and transparent competitive opportunities
		Promoting sustainable procurement
Academia/research institutes	We share knowledge and technologies and exchange opinions proactively while striving to create a foundation for innovation to contribute to medical care together.	Joint research and collaboration in drug discovery with universities and other research institutes and venture companies
Local communities	We understand the impact of our business activities on local communities and engage in business activities that respond to the requests of local communities. In addition, we promote co-existence with the local community as a corporate citizen.	Contribution to economic development
		Environmental conservation activities
		Activities to contribute to the local communities
Governmental agencies, industrial associations	Along with governmental agencies and industrial associations, we engage in the sustainable development of governments and industries and in the resolution of social issues.	Information provision and dialogue
		Activities and information exchange at relevant organizations, including Keidanren (Japan Business Federation)
		Cooperation with governments
NGOs/NPOs	We understand the requests of society by engaging in dialogue and collaboration with NGOs and NPOs and we also strive to resolve social issues together.	Activities to improve medical access
		Social contribution activities

Communication with Investors

Information Disclosure

We aim for highly transparent management, recognize the importance of timely and appropriate disclosure of information on our business activities on various occasions, and have included these principles in the Company's Code of Conduct. We are actively engaged in IR activities based on our basic stance of "pursuing accuracy, fairness, impartiality, and promptness."

Our Disclosure Policy for information is described here.

IR Activities

We disclose financial results and other timely disclosure information on our website, and at the same time through the Timely Disclosure network (TDnet) 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.

We actively hold individual meetings and teleconferences for analysts and institutional investors, in addition to quarterly financial results meetings and conference calls. In FY2022, a total of approximately 220 meetings were held online. We conducted briefings via live stream because it was difficult to hold face-to-face meetings due to the impacts of the novel coronavirus. Under these circumstances, we continue to make effort to enhance the understanding of our business activities and management strategies.

We post useful historical data on our website, including that of our development pipeline, financial highlights for the previous six years, and stock price in real time. In addition, we widely provide information on our company in an easy-to-understand manner through business reports for shareholders, annual reports (Corporate Report) as integrated reports, and the like. We continue to make every effort to disclose information ever more accurately and more quickly.

ESG Activities

We have been holding ESG presentation Meeting every year since March 2020. At the briefing held in March 2023, 43 people, including institutional investors, participated, explained the status of our ESG initiatives, and received opinions from investors.

Main activities of FY2022

Activity	Results
Briefing session for securities analyst and institutional investors	About 220 times (total number of times)
Meeting for investors, securities analysts (Financial Results Meeting, R&D Meeting, ESG Presentation Meeting)	6times
Meeting for individual investors (holding of the online Meeting (publish the movie of the Meeting in our website))	1time
Publish IR documents in our website (publish the disclosure materials including financial results and the Financial Results Meetings, securities (quarter) report, a corporate report, stockholder communication or an IR calendar)	At any time

For more details, please see this (IR information).

Activities with the Local Government

On November 12, 2021, we concluded an agreement with Osaka Prefecture on cooperation and collaboration for the promotion of health promotion among residents in Osaka prefecture.
The public and private sector work together to solve social issues through cooperation between government initiatives and CSV (Creating Shared Value) activities by private company. We have been promoting "Dialogues with local communities" as one of important themes of our business activities.
As a pharmaceutical company headquartered in Osaka prefecture, we will continue to cooperate in promoting the health of the residents in Osaka prefecture by working together with Osaka Prefecture to solve social issues related to health, taking advantage of the mutual strengths of the government and company.

A picture of the signing ceremony of partnership agreement at the Osaka Prefectural Head Office

Transmitting messages for fitness in a radio program sponsored by ONO Pharmaceutical

We transmit messages on daily fitness in our sponsored radio program to maintain and improve the health of people in Osaka Prefecture. We encourage them to have cancer screening tests, eat vegetables, and undergo hepatitis screening, as well as support measures by Osaka Prefecture against passive smoking.

Support for promoting education on cancer in high schools

"Cancer Education" in high schools officially started in April 2022. In order to support the activities to promote "Cancer Education" that are needed in schools, we engage in activities in cooperation with the Osaka Cancer Society and Osaka Prefectural government.
For more details, please see here.

Social Contribution Activities

Approach to Social Contribution Activities

We conduct a variety of social contribution activities to contribute to the realization of a sustainable society, based on ONO's Global Policy for Social Contribution Activities. In consideration of the relationship between current and future business activities and our business resources, we determine priority fields to focus on and then promote activities.

ONO's Global Policy for Social Contribution Activities

We commit to contributing to sustainable social development as well as to the advancement of medicine and pharmacy as "a good corporate citizen", under the corporate philosophy of "Dedicated to the Fight against Disease and Pain". We also contribute to the achievement of Sustainable Development Goals (SDGs) through these activities. This Global Policy also applies to overseas subsidiaries.

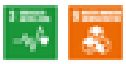
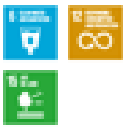
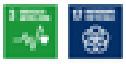
- Contributing to the advancement of medicine and pharmacy
- Supporting health of patients and their families
- Contributing to environmental conservation for the health of everyone
- Contributing to an education for the children's health
- Contribute to an improvement of the medical ecosystem

We are committed to transparency about any charitable donations that are made in relation to our CSR activities.
The target areas are the areas where we operate and areas where the medical infrastructure is immature*.

* Low-income countries and low-middle-income countries set by the World Bank
low-income countries: http://data.worldbank.org/income-level/low-income
low-middle-income countries: https://data.worldbank.org/income-level/lower-middle-income

We promote social development through partnering with parties who share our vision.

List of Activities

	Related SDGs	Activities
Efforts for the Advancement of Medicine and Pharmacy		・Research grants through ONO Medical Research Foundation
		・Research grants through ONO Pharma Foundation
		・Research grants through "Ono Pharma Oncology, Immunology, Neurology Research Foundation"
		・Research grants through Japanese Biochemical Society
Efforts for Supporting Health of Patients and Their Families		・Dissemination of Medical Information Through Websites and Applications
		・Cooperation with and Holding Seminars Open to the Public
		・Providing information through the radio program “The Moment of Change (Cancer Survivors' Stories)”
		・Participation in Relay for Life
		・Supporting for Solapti Kids' Camp
		・Initiatives with Being Alive Japan
		・Initiative to deliver "Nutrition care boxes" to patients with cancer (OPTW)
		・Supporting Cancer Patients at the US
		・Blood Donation
Efforts Toward Environmental Conservation for the Health of Everyone		・Nature Conservation Activities at each worksite (Cleaning and disaster prevention activities, etc.)
Efforts Toward an Education for the Children’s Health		・Travelling Science Workshop "Kusuri no Himitsu Manabu"
		・Efforts for Cancer Education in High School
		・Donation of Tooth Care Sets
		・Sponsoring the Performance “Kokoro no Gekijo (Theater of the Heart),” Performed in Kansai and Hosted by the Shiki Theatre Company / Butai Geijyutsu (Performing Arts) Center
Efforts for Improvement of the Medical Ecosystem		・ONO Bridge Project

Activities up to FY2022

- Sukoyaka Karada Daisakusen (Healthy Body Project) (FY2014 to FY2021):
  This activity was provided to support reconstruction from the Great East Japan Earthquake with the aim of correcting pediatric obesity, which is a social problem in three prefectures of the Tohoku district (Fukushima, Miyagi and Iwate prefectures), as well as supporting the fitness of children, who represent the next generation, and encouraging their sound physical and mental growth.

For more details, please consult this link. (341KB)

Efforts for the Advancement of Medicine and Pharmacy

We are making efforts to meet unmet medical needs and contribute to medical and pharmaceutical advancement.

Research Grants Through Foundations and Donated Courses

We have been donating and providing research grants to public interest incorporated foundations for the development of medical and pharmaceutical sciences.

ONO Medical Research Foundation

The Foundation provides grants for research activities in the field of lipid metabolism disorders and also aims to promote research and treatment in that field through various projects, thereby contributing to the health and welfare of the public. Since its establishment, the Foundation has provided research grants and research encouragement grants every year. In FY2022, one person was awarded the Osamu Hayaishi Memorial Award, 15 persons were awarded research grants, and 15 persons were awarded research encouragement grants (under age of 40) respectively.

ONO Pharma Foundation

This Foundation aims to support principal investigators (PIs) who are scientists with creative ideas in specific scientific research areas. By providing research grants, the Foundation contributes to supporting innovations that lead to innovative medical treatments of patients and promoting the research of young researchers.

General Incorporated Foundation "Ono Pharma Oncology, Immunology, Neurology Research Foundation"

The Foundation was established in FY2022 and aims to contribute to the health of people around the world by supporting cutting edge science and researchers leading to innovative (breakthrough) research achievements in the oncology, immunology and neurology areas in which high unmet medical needs still remain.

Japanese Biochemical Society

The Society has been supporting a new project "Osamu Hayaishi Memorial Scholarship for Study Abroad" since FY2017 for researchers who are motivated to conduct biochemical research related to all life sciences to study abroad. In October 2022, eight researchers were approved for support as the recipients in FY2023.

Efforts for Supporting Health of Patients and Their Families

We conduct various health-related activities to provide a wide range of support for people such as patients and the families of patients. Going forward, we continue to engage in various activities that contribute to people's health.

Dissemination of Medical Information

Through content and applications, the latest information useful for healthcare is widely and continuously posted and disseminated. We also cooperate with and hold seminars for citizens to raise awareness of diseases and provide accurate information. In FY2022, three online seminars were held focusing on areas such as rheumatism, chronic kidney disease, etc., with approximately 1,000 participants.

Delivered Content and Applications	Description
"For Patients and Their Families"	We operate a website that explains specific symptoms and treatment methods of familiar diseases and precautions to take in daily life.
"ONO ONCOLOGY (Information for the general public and patients)"	With the cooperation of supervising physicians, we operate a website where we can learn about the diseases and treatments in the field of cancer and the concepts of cancer immunity. In FY2022, we added a new web page, "Counseling Room for AYA Generation and Working Generation Handled by Physicians" concerning ways to communicate with the people around you and information collection methods to support your mental conditions and daily lives.
"Grandma's world"	We provided a short movie to increase dementia awareness.
“FukuSapo®” (A digital side-effect management support tool)	We provide a free support tool to assist early detection and treatment of side effects (especially immune-related adverse events) through physical condition management of patients treated with immune checkpoint inhibitors.

"The Moment of Change (Cancer Survivors' Stories) "

We have been producing a radio program called "The Moment of Change" since April 2020 in which we disseminate information about "today" and the "future" that we learn from cancer survivors. We invite celebrated cancer survivors who are active in various areas and they talk about their feelings when they found out that they had cancer, their mindset when they faced cancer, the triggers that helped them be positive, and more. We support patients with cancer and cancer survivors through the radio program with the view to pass a baton of hope to everyone who fights cancer.

Relay for Life

We have participated in Relay for Life (RFL) as a part of our CSR activities since FY2014. Relay for Life is a charity activity project conducted by the Japan Cancer Society and the National Action Council of Relay of Life aiming to deal with and overcome cancer. Many employees have been actively participating in the Relay for Life events mainly at the locations where our research institutes, plants, and sales offices reside.

From FY2020, the Relay for Life events were canceled in most locations due to the impact of the novel coronavirus infection (COVID-19). In order to keep up the hopes of cancer survivors and participants who look forward to this event every year and to continue supporting cancer patients and their families, Self Walk Relay (SWR) was held instead of the yearly Relay for Life since 2020.

The Self-Walk Relay is a charity event in which anyone can participate by downloading an application onto their smartphone and walking while taking measures against infection. The participation fees will support the operation of the Cancer Consultation Hotline, which listens to the concerns of patients with cancer and their families and provides consultations. In FY2022, 430 employees throughout Japan participated, which was a significant increase from the 294 employees in the previous year, and the participation fees were used for the operation of the Cancer Consultation Hotline.

In addition, we started to participate in the Relay for Life event again in FY2022 and started a "message flag" for our new attempt. We asked participants to write down their thoughts to our employees on the "message flag," which facilitated communication between our employees and participants. In FY2023, we will participate in the Relay for Life in more areas and strengthen support for patients with cancer and their families.

Support for “Solaputi Kids’ Camp”

Since FY2014, ONO has been a constant supporting member of a public interest incorporated foundation, "Solaputi Kids' Camp"(Takikawa City, Hokkaido), a campsite with on-site medical care that is a dream for children with illness.
Since FY2021, we have been supporting a new project "Snow Gift" that started under a situation where the campsite operation had to be reduced due to the impact of COVID-19. The "Snow Gift" is a project where fresh powder snow at the campsite is placed in a box and delivered to children hospitalized in medical institutions in areas without snow so that they can enjoy playing in the snow. However, there were cases where the Snow Gift was not delivered smoothly in the hospital and the snow in the box melted. Therefore, ONO's MRs, who visit and engage in activities at the target hospitals on regular basis, provide support as "Snow Delivery Volunteers" by receiving boxes from the package delivery company and directly delivering "fresh snow" to the person in charge of each medical institution.
In FY2022, ONO's MRs handed out Snow Gifts from "Solaputi Kids' Camp" to persons in charge at ten medical institutions in January and February 2023. We were able to give the joy of playing in the snow to in-hospital children who have no opportunities to play with snow. Later, we received compliments and letters from the children who played with the snow and their parents and medical staff members. ONO's employees who participated in this activity commented that they were so happy to help with "delivering joy (the snow)."





Initiatives to deliver "Nutrition care boxes" to patients with cancer

ONO PHARMA TAIWAN CO., LTD. (OPTW) refrained from engaging in in-person activities with patients due to the impact of COVID-19; however, we engaged in sending our thoughts to patients fighting cancer and delivering "Nutrition care boxes". A "Nutrition care box" is a gift box containing vegetables, cereal, eggs, and other ingredients for the purpose of improving the nutritional conditions of patients. In addition to the ingredients, employees wrote a message with their thoughts and placed it in the "Nutrition care box". Participating employees attended a lecture on diet (nutrition science) for patients with cancer from dietitians of the Taiwan Cancer Foundation. It was a good opportunity to learn about patients with cancer from a different perspective than medical treatment using pharmaceutical products.
In addition, under conditions where the opportunities for all employees to gather decreased drastically due to the spread of COVID-19, a sense of unity was further increased by having all employees engage in activities for the mental care of patients. Later, we received photographs from patients who had received a “Nutrition care box”, and we felt the significance of these activities once again.

Supporting Cancer Patients at the US

At ONO PHARMA USA, employees work together to support cancer patients, caregivers, and cancer survivors through a variety of activities. From FY2021 to FY2022, employees participated in the ASH Foundation Run/Walk held by ASH (American Society of Hematology), and in the Leukemia & Lymphoma Society's Light The Night Walk. Proceeds are used to support hematological cancer patient therapy and research funding. These events also give employees an opportunity to hear from patients and their supporters, and to learn about their cancer journeys.

Blood Donation

We actively cooperate with the blood donation activities of the Japanese Red Cross Society. In FY2022, our plants, research institutes and head office took measures against COVID-19 and cooperated with blood donation again. In addition, the Minase Research Institute received a Silver Merit Award from the Japanese Red Cross Society for its cooperation with blood donation over the years.

Efforts Toward Environmental Conservation for the Health of Everyone

In conducting our business activities, we recognize the impact on ecosystems and take on challenges to address environmental issues such as biodiversity and climate change. To realize a sustainable and prosperous society, it is important to promote activities that consider biodiversity at entire stages of product research, development, procurement, production, distribution, sales, use, and disposal. We also agree with the "Declaration of Biodiversity by Keidanren and Action Policy". In addition, we have each of our business sites take part in various activities to contribute to local communities such as cleanups, disaster prevention activities, and conservation of the natural environment.

Efforts at Each Worksite

At Fujiyama Plant, we have been providing trash bags for the “Operation Trash Clean-sweep,” a clean-up activity of the municipal neighborhood associations of Fujinomiya City and the “Fujinomiya City Cleaning Campaign” as activities friendly for the community environment. We also cleaned the area surrounding the plant premises in March 2023.

At Yamaguchi Plant, we contributed to the beautification of the community environment by participating in the "Sayama Region Trash Zero Activity 2022" hosted by the Sayama Regional Development Council, Yamaguchi City.


at Fujiyama Plant

providing trash bags

at Yamaguchi Plant

At the headquarters and Joto Pharmaceutical Product Development Center, we participated in the "Osaka Marathon 'Clean-up' Campaign,” which is a municipal clean-up campaign hosted by the Osaka Municipal Government in FY2022 and we cleaned the area surrounding our premises and the neighboring parks.
In addition, at the Joto Pharmaceutical Product Development Center, joint training was conducted with the Higashinari Fire Department (training in autonomous firefighting techniques and training by the firefighting team of the Higashinari Fire Department) in association with Hazardous Materials Safety Week. We received training in responses to actual fires, including how to use a fire extinguisher and emergency life-saving techniques under the instruction of the Higashinari Fire Department.

at Joto Pharmaceutical Product Development Center

at headquarters

At Tsukuba Research Institute, we are a member of the TSUKUBA HOKUBU Industrial Park Liaison Council and we have participated in the clean-up activities by member companies to maintain the beauty of the HOKUBU Industrial Park. In FY2022, we also cleaned the area surrounding the institute.


at Tsukuba Research Institute

Efforts Toward an Education for the Children's Health

We are proactively engaged in educational activities to support the development of children, who will be responsible for the future.

Travelling Science Workshop "Kusuri no Himitsu Manabu"

With the aim of increasing children's interest in science, experiments, and medicines, we have provided travelling science classes for 6th grade students. Our researchers are serving as lecturers and experiment support staff members for all classes in this program, so that children can get to know people who are engaging in research of new medicines. We have carried out this program since FY2015 at Shimamoto Municipal Third Elementary School, which is near the Minase Research Institute, and since FY2019 at Hoei Elementary School, which is near the Joto Pharmaceutical Product Development Center. In FY2022, in response to strong requests by the elementary schools, we conducted detailed infection control measures and were able to provide travelling science classes without any problems. According to comments from children after taking the classes, many of them were surprised by the fact that it takes a long time for new medicines to reach patients and that medicines are packed with various ingenuity. In addition, some children said, "I want to be a researcher in the future." We are pleased that this program may serve as a spark for children to think about their future occupation. This program was also an important experience for our staff members who participated in the program, such as recognizing the importance of connection with the local community and recalling their original intention as researchers by directly experiencing the reactions of children.

Number of Participants per Year	FY2018	FY2019	FY2020	FY2021	FY2022
Students	72	141	81	135	123
Lecturers and staff members supporting the experiment	12	25	9	17	24
Secretariat staff members	10	22	6	9	8

After providing travelling science classes, we gave questionnaires to the children, teachers, and our staff members, and are using them to improve this program for the next fiscal year onward.


Implemented at Hoei Elementary School


Implemented at Shimamoto Municipal Third Elementary School

Efforts for Cancer Education in High School

Following the revision of the Curriculum Guidelines by the Ministry of Education, Culture, Sports, Science and Technology, cancer education has officially started in high schools since FY2022. ONO, as a pharmaceutical company committed to contributing to people's health through the research, development, manufacture, and sale of cancer drugs, has supported initiatives related to cancer education in high schools so that high school students can acquire accurate knowledge of cancer.

For more information on our activities related to cancer education, please see here (only available in Japanese).

Donation of Tooth Care Sets

We have donated toothbrush/toothpaste sets and toothbrushes manufactured by our company affiliate, BeBrand Medical Dental Co., Ltd., with the aim of contributing to the improvement of children's oral hygiene in light of the fact that good dental health results in an extension of healthy life expectancy. This activity is implemented in line with the June 4th to 10th "Dental and Oral Health Week." In FY2022, we donated 3,601 toothbrush/toothpaste sets and 346 toothbrushes. We cherish the fact that local communities and companies develop together, and we continue to engage in this activity.

Location	Target	Year started	ONO's related base
Mishima-gun, Osaka Prefecture	Elementary schools, kindergartens, day care centers (a total of 17 sites in FY2022)	2014	Minase Research Institute
Higashinari-ku, Osaka City	Hoei Elementary School	2018	Joto Pharmaceutical Product Development Center

Sponsoring the Performance “Kokoro no Gekijo (Theater of the Heart),” Performed in Kansai and Hosted by the Shiki Theatre Company / Butai Geijyutsu (Performing Arts) Center

We are sponsoring the performance “Kokoro no Gekijo (Theater of the Heart),” which is performed in Kansai and hosted by the Shiki Theater Company / Butai Geijyutsu (Performing Arts) Center. "Theatre of the Heart" is a project to invite children (mainly elementary 6th grade students) from various regions in Japan to theaters free of charge, and demonstrate the excitement of theater, aiming to bring the most important principles for people in life to the children’s hearts, from the basic importance of life, consideration of other people, and the joy of believing in each other, through the performance. In FY2022, due to the impact of COVID-19, the Theater of the Heart was provided through video distribution just like in FY2021.

FY2022 "The Cat Who Wished to Be a Man"

ESG Data

Regarding the data for FY2022 marked with ★, we have received independent assurance in our SUSTAINABILITY DATA 2023 (PDF version) so as to bolster the reliability of the information. For details, please see the "Independent Practitioner's Assurance."Governance Data

Governance Data

Corporate Governance

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Board structure	Directors (Total)	Non-consolidated	Persons	8	8	8	8	8
	Independent outside directors	Non-consolidated	Persons	3	3	3	3	3
	Female directors	Non-consolidated	Persons	0	0	1	1	1
Board of Auditors structure	Auditors (Total)	Non-consolidated	Persons	4	4	4	4	4
	Independent outside auditors	Non-consolidated	Persons	2	2	2	2	2
	Female auditors	Non-consolidated	Persons	1	1	1	1	1
Director Remuneration	Total	Non-consolidated	Million yen	360	368	384	428	595*1
	President, Representative Director, and Chief Executive Officer	Non-consolidated	Million yen	114	116	126	125	227*1
Auditor Remuneration	Total	Non-consolidated	Million yen	77	78	83	85	90
Number of Board of Directors meetings		Non-consolidated	Times	13	13	13	15	12
Number of Board of Auditors meetings		Non-consolidated	Times	14	14	19	16	15
Board attendance rate（directors）		Non-consolidated	%	100	100	98.6	100	100
Board attendance rate（auditors）		Non-consolidated	%	100	92.3*2	100	100	97.9

*1 In FY2022, the remuneration system for Members of the Board of Directors was revised. The previous stock-based remuneration-type stock option system was abolished, and the restricted stock-based remuneration system was introduced. As a transitional measure, restricted stocks (75,000 shares) were issued to the Members of the Board of Directors in lieu of abandoning all stock options that had been allocated but not yet exercised (equivalent to 75,000 shares). The "Total" and the "President, Representative Director, and Chief Executive Officer" of Director Remuneration above included the difference between the amount equivalent to the abandoned stock options and the amount included in the costs in FY2022 when the restricted stocks were issued (96 million yen (for the "Total") and 51 million yen (for the "President, Representative Director, and Chief Executive Officer").

*2 The attendance rate of Audit & Supervisory Board Members excluding the Audit & Supervisory Board Member who resigned due to illness on March 27, 2020 was 100%.

Compliance

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Compliance training attendance rate		Non-consolidated	%	100	100	100	100	100
Number of reports	Bribery cases	Non-consolidated	Incidents	0	0	0	0	0
	Discrimination and harassment related	Non-consolidated	Incidents	-	22	15	29	22
	Personnel and labor management related	Non-consolidated	Incidents	-	2	1	2	6
	Customer privacy data related	Non-consolidated	Incidents	-	-	-	-	0
	Conflicts of interest related	Non-consolidated	Incidents	-	-	-	-	0
	Money laundering or Insider trading related	Non-consolidated	Incidents	-	-	-	-	0
	Others	Non-consolidated	Incidents	-	44	6	29	22
	Total	Non-consolidated	Incidents	44	68	22	60	50
Number of compliance violations (Disciplinary action cases)	Bribery cases	Non-consolidated	Incidents	0	0	1	0	0
	Discrimination and harassment related	Non-consolidated	Incidents	-	3	1	0	4
	Personnel and labor management related	Non-consolidated	Incidents	-	0	0	1	0
	Customer privacy data related	Non-consolidated	Incidents	-	-	-	-	0
	Conflicts of interest related	Non-consolidated	Incidents	-	-	-	-	0
	Money laundering or Insider trading related	Non-consolidated	Incidents	-	-	-	-	0
	Others	Non-consolidated	Incidents	-	6	0	10	9
	Total	Non-consolidated	Incidents	5	9	2	11	13
Costs for legal violations		Non-consolidated	Million yen	-	-	0	0	0
Number of facilitation payments		Non-consolidated	Incidents	0	0	0	0	0

Social Data

Research & Development

Item	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
R&D expenses	Non-consolidated	Million yen	70,008	66,497	62,384	75,879	95,344
Ratio of R&D expenses to net sales	Non-consolidated	%	24.3	22.7	20.2	21.0	21.3

Provision of Growth Opportunities

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Average hours and amount spent of training and development per employee		Consolidated	Hours	-	-	-	50.8	54.8
			JPY 10,000	-	-	-	-	12.2
		Non-consolidated	Hours	35.5	30.7	34.1	53.8	55.9
			JPY 10,000	-	-	-	-	12.6
Classification by training category	General capability development	Consolidated	Hours	-	39,189	69,080	63,161	63,958
			Participants	-	16,194	16,867	23,013	19,521
			JPY 10,000	-	-	-	-	31,534
		Non-consolidated	Hours	-	-	-	60,479	62,269
			Participants	-	-	-	22,568	19,228
			JPY 10,000	-	-	-	-	30,170
	Professional capability development	Consolidated	Hours	-	57,226	43,214	84,870	80,435
			Participants	-	11,012	13,072	23,414	25,780
			JPY 10,000	-	-	-	-	13,245
		Non-consolidated	Hours	-	-	-	82,325	71,028
			Participants	-	-	-	21,720	24,801
			JPY 10,000	-	-	-	-	11,924
	Compliance training	Consolidated	Hours	-	6,885	3,816	36,179	53,845
			Participants	-	13,999	33,503	38,276	75,669
			JPY 10,000	-	-	-	-	769
		Non-consolidated	Hours	-	-	-	34,811	48,171
			Participants	-	-	-	37,412	73,303
			JPY 10,000	-	-	-	-	529

Employees information

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Employees (total)		Non-consolidated	Persons	3,284	3,287	3,319	3,354	3,381
Employees (male)		Non-consolidated	Persons	2,682	2,676	2,688	2,696	2,707
			%	81.7	81.4	81.0	80.4	80.1
Employees (female)		Non-consolidated	Persons	602	611	631	658	674
			%	18.3	18.6	19.0	19.6	19.9
Contract workers ratio		Non-consolidated	%	0.1	0.1	0.1	0.1	0.3
Temporary staff ratio		Non-consolidated	%	8.9	8.0	8.8	9.3	9.8
Average age (total)		Non-consolidated	Years old	41.8	42.3	42.7	43.0	43.5
Average age (male)		Non-consolidated	Years old	42.6	43.2	43.7	44.1	44.6
Average age (female)		Non-consolidated	Years old	38	38.4	38.5	38.7	38.7
Employee age group ratio	<30 years old	Non-consolidated	%	-	13.3	13.1	13.0	11.4
	30-50 years old	Non-consolidated	%	-	62.1	59.7	58.2	61.0
	>50 years old	Non-consolidated	%	-	24.6	27.2	28.8	27.6
Average consecutive years of employment (total)		Non-consolidated	Years	15.5	16	16.3	16.5	16.8
Average consecutive years of employment (male)		Non-consolidated	Years	16.3	16.8	17.2	17.5	17.9
Average consecutive years of employment (female)		Non-consolidated	Years	12	12.4	12.5	12.4	12.5
Average annual salary of employees		Non-consolidated	JPY 10,000	917	928	937	947	963
Collective bargaining rights holding rate		Non-consolidated	%	-	97.3	95.7	96.0	95.5
Labor union participation rate		Non-consolidated	%	65.1	60.8	62.2	58.6	56.1

Diversity, Equity and Inclusion

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Employment of persons with disabilities		Non-consolidated	%	2.28	2.22	2.13	2.38	2.31
Female manager rate*1		Non-consolidated	%	1.8	1.5	2.8	3.7	4.1
Female junior manager rate		Non-consolidated	%	-	-	-	14.0	15.8
Percentage of Employees Taking Childcare Leave (male)		Non-consolidated	%	4.1	18.3	33.1	50.0	65.2
Percentage of Employees Taking Childcare Leave (female)		Non-consolidated	%	136.8	96.3	93.9	100	97.4
Gender pay gap*2	All employees	Non-consolidated	%	-	-	-	-	67.0
	Full-time employees		%	-	-	-	-	66.8
	Fixed-term eeployees		%	-	-	-	-	72.7

*1 Calculated based on the provisions of the "Act on Promotion of Women's Participation and Advancement in the Workplace" (Act No. 64 of September 4, 2015)

*2 The gender pay gap in our company arises from factors such as "the average age of female employees in main career track positions being 35.4 years, which is 7.9 years younger than the average age of males at 43.3 years" and "the percentage of female employees in main career track position positions being 81.3%, which is 17.3% lower compared to males at 98.6%."

Recruitment

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Total number of newemployee hires	Total	Non-consolidated	Persons	161	88	105	131	127
	New graduates	Non-consolidated	Persons	87	71	73	82	68
	Mid-careers	Non-consolidated	Persons	74	17	32	49	59
Ratio of new graduates (male)		Non-consolidated	%	51	66	60	60	67
Ratio of new graduates (female)		Non-consolidated	%	49	34	40	40	33
Replacement rate of managers through internal transfers*		Non-consolidated	%	-	95.0	96.4	94.1	94.4

* (Number of employees newly appointed to manager position) : A
(Number of employees promoted to higher manager positions within a manager position) : B
(Number of employees who joined the company as managers) : C
Replacement rate of managers through internal transfers=(A+B-C)/(A+B)

Employee Engagement

Item		Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Actively engaged employees	Total	%	66	-	79	-	68
	Male	%	68	-	80	-	69
	Female	%	57	-	74	-	64
% of employees with top level of engagement*	Total	%	-	-	-	-	21

The survey was conducted on a non-consolidated basis until fiscal 2020, and on a non-consolidated basis plus 100%-owned domestic and overseas subsidiaries in fiscal 2022. In addition, the questionnaire was revised in order to expand the scope of the survey to overseas subsidiaries in fiscal 2022.

* Proportion of employees at the highest level on a 5-point scale. Data are not shown until FY 2020 because the survey was performed on a 7-point scale. The target for fiscal 2022 was 36%. The target for fiscal 2023 is also 36%.

Turnover and retention rate

Item	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Retention rate after 3 years (total)	Non-consolidated	%	97.8	93.9	96.6	91.5	90.4
Retention rate after 3 years (male)	Non-consolidated	%	96.1	95.4	97.7	93.6	88.6
Retention rate after 3 years (female)	Non-consolidated	%	100.0	90.9	95.3	87.5	93.1
Full-time employee turnover rate (voluntary resignation)	Non-consolidated	%	1.5	1.6	1.2	1.7	1.7
Full-time employee turnover rate (Mandatory retirement, etc.)	Non-consolidated	%	0.6	0.2	1.1	1.7	1.4
Full-time employee turnover rate (total)	Non-consolidated	%	2.1	1.8	2.3	3.4	3.1

Enhancing cultivation of employee-friendly workplaces

Item	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Overtime hours	Non-consolidated	hours / month	14.9	13.6	15.3	16.3	15.9
Percentage of paid vacation taken	Non-consolidated	%	56	65	57.5	62.5	66.0

Health and safety

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	★FY2022
Industrial accident	Number of lost-time injuries	Non-consolidated (Employees)	Incidents	1	0	3	0	1
		Non-consolidated (Temporary employees)*2	Incidents	-	1	0	0	0
	Lost-time injury frequency rate*1	Non-consolidated (Employees)	-	0.15	0	0.47	0	0.16
		Non-consolidated (Temporary employees)*2	-	-	2.09	0	0	0
	Number of fatalities due to occupational accidents	Non-consolidated (Employees)	Persons	0	0	0	0	0
		Non-consolidated (Temporary employees)*2	Persons	-	0	0	0	0

*1 Lost-time injury frequency rate = (number of lost-time injuries / total number of actual working hours) x 1,000,000

*2 The data on the number of lost-time injuries, the lost-time injury frequency rate and number of fatalities due to occupational accidents for temporary employees were subject to disclosure from FY2019.

Supporting disease prevention, early detection and early treatment

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Comprehensive medical examination rate		Non-consolidated	%	99.4	99.7	99.5	99.8	99.9
Cancer screening rate	Stomach cancer screening	Non-consolidated	%	97.3	97.7	95.3	96.5	96.1
	Lung cancer screening	Non-consolidated	%	99.7	99.9	99.9	100.0	99.9
	Colorectal cancer screening	Non-consolidated	%	93.6	95.8	94.7	93.2	93.3
	Breast cancer screening	Non-consolidated	%	88.3	86.7	89.3	92.5	89.0
	Cervical cancer	Non-consolidated	%	42.3	47.3	46.6	52.3	38.9
Smoking rate		Non-consolidated	%	-	18.2	17.0	15.5	14.2
Difference between health age and actual age		Non-consolidated	Years old	-	-1.5	-1.4	-1.8	-1.8

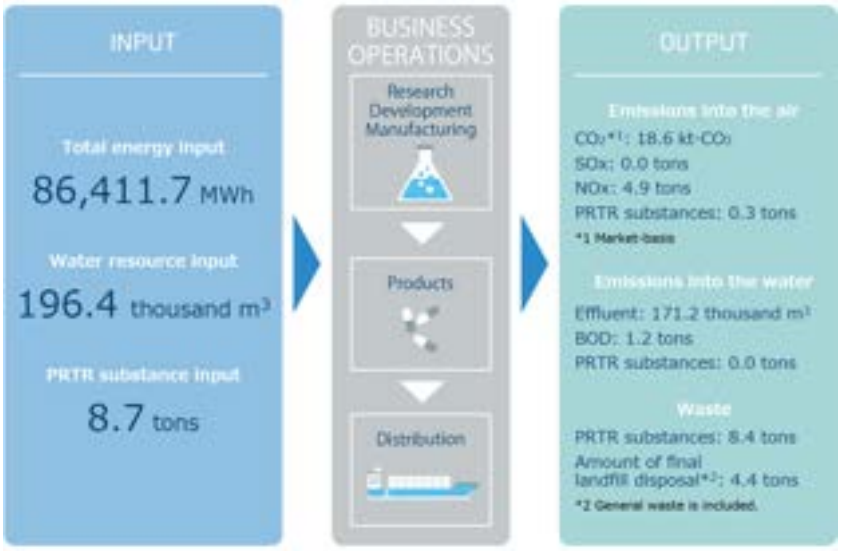
Mental health measures and health promotion

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Stress checks rate		Non-consolidated	%	99.4	99.8	99.5	98.7	98.3
Number of participants in walking campaign	Employees	Non-consolidated	Persons	1,169	1,450	1,417	1,582	1,762
	Family	Non-consolidated	Persons	771	987	985	1,027	993
	Temporary staff, etc.	Non-consolidated	Persons	90	124	89	117	165
Walking campaign all employee participation rate		Non-consolidated	%	35	44	42	47	52

Environmental Data

Overall Picture of Environmental Impact (ONO's Involvement in Environmental Protection)

Annual inputs and outputs are grasped on a regular basis to use as reference data for our efforts to reduce environmental impact (FY2022).



Sites where data were collected: [Non-consolidated] Fujiyama Plant, Joto Pharmaceutical Product Development Center, Yamaguchi Plant, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, sales offices and other offices, etc. (logistics centers have been added from FY2021 only for waste data)
[Group companies] ONO PHARMA USA, INC., Cambridge, ONO PHARMA UK LTD, London, ONO PHARMA KOREA CO., LTD, Seoul, ONO PHARMA TAIWAN CO., LTD. Taipei, and Ono Pharma UD Co., Ltd.

GHG emissions

Since the figures in the table are rounded, the breakdown totals may not always coincide with the overall totals (same as environmental data below).

Item			Scope	Unit	FY2018	FY2019	FY2020	FY2021	★FY2022
GHG emissions scope breakdown (Market-basis) (a)	Scope 1 (Breakdown by GHG type)	Energy-derived	Non-consolidated	$kt\text{-}CO_2$	9.0	9.7	10.0	9.8	8.0
			Group Companies		-	-	-	-	0.0
		Non-energy-derived (HFCs, HCFCs)	Non-consolidated		0.5	0.4	0.1	0.03	0.2
			Group Companies		-	-	-	-	0.0
		Total			-	-	-	-	8.2
	Scope 2		Non-consolidated	$kt\text{-}CO_2$	19.1	17.1	15.9	13.7	10.2
			Group Companies		-	-	-	-	0.1
			Total		-	-	-	-	10.4
	Scope 1+2 (Total)		Non-consolidated	$kt\text{-}CO_2$	28.5	27.3	26.1	23.6	18.4
			Group Companies		-	-	-	-	0.1
			Total		-	-	-	-	18.6
Amount of CO_2 offset due to voluntary credit(Carbon-neutral city gas purchased) (b)			Non-consolidated	$kt\text{-}CO_2$	-	-	-	0.6	0.7
GHG emissions after offset (a-b)			Subtotal (Non-consolidated)	$kt\text{-}CO_2$	-	-	-	23.0	17.7
			Total		-	-	-	-	17.9

GHG emissions are calculated using the following formula.

[Domestic sites] GHG emissions = Purchased electricity × Adjusted emission factor published by electric power company + Σ (Fuel consumption × Unit calorific value × Carbon emission factor × 44/12) + Σ (Fluorocarbon leakage amount × Global warming potential)

[Overseas sites] Calculated by multiplying the amount of electricity purchased at overseas sites by the electric utility company's emission factor or the country-specific emission factor published by the IEA.

The amount of green electric power certified under the Green Energy Certificate and , the amount of renewable energy certified under the J-Credit Scheme and the Non-Fossil Fuel Certificate quota are deducted.

GHG emissions in the supply chain (Scope3)

Category		Calculation method	Notes	Scope	Unit	FY2018	FY2019	FY2020	FY2021	★FY2022
C1	Purchased goods and services	GHG emissions (scope 1,2) volume of our major suppliers of raw materials and materials (accounting for 80% or more of our raw materials or materials purchase costs) multiplied by the ratio of the sales to ONO out of the total sales of the supplier. Ratios for other business suppliers are assumed to follow the same trend as for major suppliers, and are calculated using the ratio of GHG emissions to the transaction amount at major suppliers.	·This category is closely associated with our business activities since active pharmaceutical ingredients for manufacturing of drugs, intermediate products and research reagents are included. ·Covers production and research sites	Non-consolidated	kt-CO_2	8.1	11.5	12.7	13.8	-
C2	Capital goods	Amount of capital goods treated as fixed assets (reinforcement of facilities/maintenance investment) excluding land, multiplied by factor	Calculated based on capital goods treated as fixed assets. The fixed assets used in this calculation are essential for business activities.		kt-CO_2	60.4	26.9	25.8	26.4	21.3
C3	Fuel- and energy-related activities not included in scope 1 or scope 2	Amount of non-renewable electricity purchased, multiplied by emission factor	-		kt-CO_2	1.5	2.8	2.7	2.4	2.1
C4	Upstream transportation and distribution	Transport data on deliveries from our production sites and distribution centers to destinations, multiplied by emission factor	-		kt-CO_2	0.1	0.1	0.1	0.1	0.1
C5	Waste generated in operations	Weight of each type of industrial waste generated, multiplied by emission factor	-		kt-CO_2	0.3	0.3	0.3	0.3	0.3
C6	Business travel	Business travel costs, multiplied by emission factor	Covers travels by airplane or Shinkansen bullet train		kt-CO_2	2.3	4.0	0.4	0.5	1.3
C7	Employee commuting	Commuting costs, multiplied by emission factor	'Includes the amount for commuting by car from 2021		kt-CO_2	0.4	0.5	0.4	0.7	0.7
C8	Upstream leased assets	Fuel consumption used in leased vehicles, multiplied by emission factor	-		kt-CO_2	3.3	2.9	2.0	2.1	1.9

Category		Calculation method	Notes	Scope	Unit	FY2018	FY2019	FY2020	FY2021	★FY2022
C9	Downstream transportation and distribution	GHG emissions on our major pharmaceutical wholesalers, multiplied by percentage of our net sales included in all net sales of major pharmaceutical wholesalers	·Transportation and distribution are important business activities to control distribution of and to ensure stable supply of drugs.	Non-consolidated	$kt\text{-}CO_2$	5.3	4.9	5.0	5.5	-
C10	Processing of sold products	-	We make only finished products		$kt\text{-}CO_2$	Not relevant	Not relevant	Not relevant	Not relevant	Not relevant
C11	Use of sold products	-	No energy is consumed during the use of ONO products			Not relevant	Not relevant	Not relevant	Not relevant	Not relevant
C12	End-of-life treatment of sold products	Weight of each type of our product container or packaging disposed of as waste, multiplied by emission factor	-		$kt\text{-}CO_2$	0.2	0.2	0.2	0.1	0.2
C13	Downstream leased assets	Floor space of asset (building) owned and rented out categorized by use, multiplied by emission factor	-		$kt\text{-}CO_2$	0.3	0.3	0.3	0.3	0.3
C14	Franchises	-	ONO does not operate franchises		$kt\text{-}CO_2$	Not relevant	Not relevant	Not relevant	Not relevant	Not relevant
C15	Investments	-	There is no investment involving large amounts of greenhouse gas emissions.		$kt\text{-}CO_2$	Not relevant	Not relevant	Not relevant	Not relevant	Not relevant
Total					$kt\text{-}CO_2$	82.2	54.4	49.8	52.3	-

The emission factors used for calculation are figures stated in the "Emission Factor Database on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (FY2018, Ver. 2.6;
FY2019, Ver. 3.0; FY2020, Ver. 3.1; FY2021, Ver. 3.2; FY2022, Ver. 3.3)," published by the Ministry of the Environment, Government of Japan.
Categories 1 and 9 and their total for FY2022 are not calculated because our major suppliers and pharmaceutical wholesalers had not published their GHG at the time of calculation.
Only category 2 is consolidation.

Energy consumption

Item	Scope	Unit	FY2018	FY2019	FY2020	FY2021	★FY2022
Energy consumption	Non-consolidated	MWh	93,763.8	101,605.6	103,204.3	99,499.9	86,067.6
	Group Companies		-	-	-	-	344.1
	Total		-	-	-	-	86,411.7

Total electricity consumption and share of renewable energy

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Electricity consumption	Private power generation (renewable) (solar power generation)	Non-consolidated	MWh	65.0	63.0	63.3	61.9	64.4
		Group Companies		-	-	-	-	0.0
	Purchased electricity (renewable) (Non-fossil fuel)	Non-consolidated		-	1,278.0	1,954.7	2,040.0	3,480.0
		Group Companies		-	-	-	-	0.0
	Private power generation(non-renewable)	Non-consolidated		8,856.2	8,185.3	8,566.3	8,283.7	7,285.0
		Group Companies		-	-	-	-	0.0
	Purchased electricity (non-renewable)	Non-consolidated		43,734.4	46,351.7	45,232.2	42,833.5	37,821.6
		Group Companies		-	-	-	-	343.7
	Subtotal (Non-consolidated total electricity consumption)			52,655.5	55,878.0	55,816.5	53,219.2	48,651.0
	Total (total electricity consumption)			-	-	-	-	48,994.7
Amount of credits purchased	Solar power generation	Fujiyama Plant/Tsukuba Research Institute/Fukui Research Institute/Sales offices and other offices	MWh	-	2,427.0	4,946.6	3,937.9	0.0
	Biomass power generation			2,900.0	2,460.9	386.2	3,000.0	6,907.0
Renewable energy usage*		Total	MWh	2,965.0	6,228.9	7,350.7	9,039.9	★10,451.4
Renewable energy usage rate (renewable energy usage / total electricity consumption)		Subtotal (Non-consolidated)	%	5.6	11.1	13.2	17.0	★21.5
		Total		-	-	-	-	★21.3

* Renewable energy usage = Private power generation (renewable) + Purchased electricity (renewable) + Amount of credits purchased

Water intake and wastewater volume by site (unit: 1,000 m^3)

Site name	River in the area	Wastewater drainage destination	FY2018		FY2019		FY2020		FY2021		★FY2022	
			Water intake volume	Wastewater volume	Water intake volume	Wastewater volume	Water intake volume	Wastewater volume	Water intake volume	Wastewater volume	Water intake volume	Wastewater volume
Fujiyama Plant	Fuji River	River	240.2	178.4	185.0	145.1	157.8	125.0	138.7	110.2	122.9	100.1
Joto Pharmaceutical Product Development Center	Yodo River	Sewer	6.0	6.0	5.1	5.1	4.6	4.6	3.9	3.9	22.8	20.9
Yamaguchi Plant	Fushino River	River	8.2	8.2	18.1	18.1	18.6	17.7	21.6	20.0	3.4	3.4
Minase Research Institute	Yodo River	Sewer	41.2	41.2	39.1	39.1	33.7	33.7	31.5	31.5	32.2	32.2
Fukui Research Institute	Kuzuryu River	Sewer	31.3	5.0	27.3	5.7	13.7	2.6	6.6	1.9	0.8	0.2
Tsukuba Research Institute	Lake Kasumigaura	Sewer	6.0	6.0	7.1	7.1	7.2	7.2	7.0	7.0	4.7	4.7
Head Office and other sites in Japan (including tenant locations)	Rivers/ lake in the areas around each business site*	Sewer	15.1	15.1	15.0	15.0	10.0	10.0	10.0	10.0	9.5	9.5
Total			348.0	259.9	296.7	235.2	245.6	200.8	219.4	184.5	196.4	171.2

* Major basins: Toyohira River, Okura River, Arakawa River, Sakawa River, Kiso River, Lake Biwa, Yodo River, Ota River, Yoshino River, Naka River

Waste Management, and Recycling Containers and Product Packaging

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Industrial waste	Waste generated	Non-consolidated	t	446.4	430.8	502.7	479.1	★492.8
	[Waste breakdown] Special management industrial waste (hazardous waste)*		t	145.6	161.9	171.2	170.3	★142.5
	final landfill disposal		t	0.4	0.2	1.1	0.2	★0.1
	final landfill disposal rate		%	0.1	0.1	0.2	0.04	★0.02
final landfill disposal (Non-industrial waste is included)			t	9.4	6.7	5.9	5.3	4.4
Container and packaging usage	Plastic	Non-consolidated	t	171.7	162.8	161.5	147.0	173.4
	Paper		t	202.7	200.9	198.1	175.6	163.4
	Glass (colorless)		t	0.0	0.0	0.0	0.0	0.0
	Glass (brown)		t	0.3	0.3	0.2	0.2	0.2
Obligatory recycling amount	Plastic		t	35.5	31.2	35.1	36.6	52.2
	Paper		t	1.6	1.5	1.4	1.3	0.8
	Glass (colorless)		t	0.0	0.0	0.0	0.0	0.0
	Glass (brown)		t	0.0	0.0	0.0	0.0	0.0
Commissioning fee paid for recycling			1,000 yen	1,650	1,546	1,814	1,958	3,049

* Special management industrial waste (hazardous waste) is defined under the Waste Management and Public Cleansing Law as waste that has properties of explosiveness, toxicity, infectiousness, and/or possibly causing damage to human health or the living environment.

Prevention of Air Pollution and Water Pollution

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Emissions into the air	SOx	Non-consolidated	t	0.0	0.0	0.0	0.0	0.0
	NOx		t	8.4	8.1	8.1	8.3	4.9
	Particulate matter		t	0.28	0.33	0.32	0.34	0.26
	PRTR substance		t	0.25	0.15	0.35	0.32	0.28
Emissions into water	Wastewater		1,000m^3	244.8	220.2	190.8	174.5	★171.2
	BOD		t	2.2	1.3	1.2	1.3	1.2
	PRTR substance		t	0.0	0.0	0.0	0.0	0.0

Management of Chemicals (PRTR substances)

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Amount handled by the notified facilities	Acetonitrile	Non-consolidated	t	7.2	8.5	10.4	9.3	6.9
	Normal-hexane		t	2.8	3.0	2.6	2.3	1.8
	Total		t	10.0	11.5	13.0	11.6	8.7
	Dioxins		mg-TEQ	-	-	-	-	-
Notified release (into the air)	Acetonitrile		t	0.2	0.1	0.3	0.3	0.3
	Normal-hexane		t	0.0	0.0	0.0	0.0	0.0
	Total		t	0.2	0.1	0.3	0.3	0.3
	Dioxins		mg-TEQ	-	-	-	-	-
Notified release (into public waters)	Acetonitrile		t	0.0	0.0	0.0	0.0	0.0
	Normal-hexane		t	0.0	0.0	0.0	0.0	0.0
	Total		t	0.0	0.0	0.0	0.0	0.0
	Dioxins		mg-TEQ	-	-	-	-	-
Notified transfer (contained in waste)	Acetonitrile		t	6.9	8.4	10.1	8.9	6.6
	Normal-hexane		t	2.8	3.0	2.6	2.3	1.8
	Total		t	9.8	11.3	12.7	11.3	8.4
	Dioxins		mg-TEQ	-	-	-	-	-
Notified transfer (Into public sewage)	Acetonitrile		t	0.0	0.0	0.0	0.0	0.0
	Normal-hexane		t	0.0	0.0	0.0	0.0	0.0
	Total		t	0.0	0.0	0.0	0.0	0.0
	Dioxins		mg-TEQ	-	-	-	-	-
Notified release and transfer (total)	Acetonitrile		t	7.2	8.5	10.4	9.3	6.9
	Normal-hexane		t	2.8	3.0	2.6	2.3	1.8
	Total		t	10.0	11.5	13.0	11.6	8.7
	Dioxins		mg-TEQ	-	-	-	-	-

Management of Chemicals (PCB)

Item	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
In use	Number of units	2	2	2	2	2
Stored PCB		552	0	0	0	0

In FY2019, 552 units of stored PCB-using equipment were properly disposed of by contractors licensed to dispose of PCBs.

Environmental Management

Item	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Status of acquisition of ISO 14001 certification	Non-consolidated	site	100%	100%	100%	100%	100%

Scope of ISO 14001 certification at production sites.

Environmental Violations

Item	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Number of breaches of legal obligation/regulatory violations	Non-consolidated	Cases	0	0	0	0	0
Amount of breach-/violation-related fines		Million yen	0	0	0	0	0
Environmental liabilities as of fiscal year-end		Million yen	0	0	0	0	0

Breach/violation cases with fines of USD 10,000 or more

The above includes violations related to air and soil pollution, noise, vibration, and water quality.

Social Contribution Activities Data

Initiatives for medical advancement

Item	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Osamu Hayaishi Memorial Award	-	Persons	1	1	1	1	1
Recipients of theresearch grant	-	Persons	12	12	12	12	15
Recipients of theresearch scholarship grant（40 years old and below）	-	Persons	16	16	15	16	15
Recipients of the Osamu Hayaishi Memorial Scholarship for Study Abroad	-	Persons	8	8	8	8	8

External Evaluation

External evaluation of environmental, societal and corporate governance efforts

Dow Jones Sustainability Indices (DJSI)

We have been selected for the index component of the DJSI World Index and DJSI Asia Pacific Index for three straight years; from 2020 to 2022.
The DJSI is an index jointly developed by S&P Dow Jones in the U.S. and RobecoSAM in Switzerland. The companies' activities are analyzed in terms of the three aspects of economy, environment and society, and companies evaluated with excellent sustainability are selected as an index component.
DJSI world Index selects the top 10% of companies in each industry.

FTSE4Good Index Series

We have been included in the FTSE4Good Index Series for the consecutive years since 2018.
This index is designed by FTSE Russell, a member of the London Stock Exchange group. Companies with relatively good environmental, social and governance practices are selected in each sector.

FTSE Blossom Japan Index

We have been included in the FTSE Blossom Japan Index for the consecutive years since 2018.
This index is designed by FTSE Russell, a member of the London Stock Exchange group. Japanese companies with relatively good environmental, social and governance practices are selected in each sector.

FTSE Blossom Japan Sector Relative Index

We have been included in the FTSE Blossom Japan Sector Relative Index in 2022.
The index is designed by FTSE Russell, a member of the London Stock Exchange group.
Japanese companies with relatively good environmental, social and governance practices are selected in each sector.
The Index is designed as a sector neutral benchmark and supports climate transitions to a low carbon economy, especially for those companies with particularly high GHG emissions, by evaluating companies' climate governance and climate change efforts via the Transition Pathway Initiative's Management Quality Score.

MSCI Japan ESG Select Leaders Index

We have been selected as the MSCI Japan ESG Select Leaders Index developed by the U.S. Inc., MSCI for the consecutive years since 2019.
From among the component companies of the MSCI Japan IMI top-700 Index (the top 700 companies by market capitalization), Japanese companies with outstanding environmental, social and governance evaluations are selected.

MSCI Japan Empowering Women Index (WIN)

We have been selected as the MSCI Japan Empowering Women Index developed by the U.S. Inc., MSCI in 2022.
From among the component companies of the MSCI Japan IMI top-700 Index (the top 700 companies by market capitalization), Japanese companies with outstanding in gender diversity within industries are selected.

MSCI ESG Leaders Indexes Constituent

We were selected as the MSCI ESG Leaders Indexes Constituent in 2023. This index was developed by the U.S. Inc., MSCI, and companies with high evaluation in terms of environment, social, and governance are selected

CDP [climate change] [water security]

We have been selected by CDP, a global environmental non-profit organization, as a prestigious A-List company in the two fields of [climate change] and [water] in CDP 2022, in our commitment and disclosure to climate change and water security. We have been selected for the A-List for the fifth consecutive year in climate change category and for the second consecutive year in water security category.

CDP [SUPPLIER ENGAGEMENT LEADER]

In the Supplier Engagement Assessment, we have been selected as a "Leader Board" by a global environmental non-profit CDP, with the highest evaluation for the 4th consecutive year since 2019.
The Supplier Engagement Assessment assesses a company's approach to the supply chain for climate change issues.

S&P/JPX Carbon Efficient Index

We have been selected as a constituent of the "S&P/JPX Carbon Efficient Index" since 2018.
This index comprises companies included in the Tokyo Stock Price Index (TOPIX), and the weight of constituent is determined by the disclosure status of environmental information and carbon efficiency (Carbon emissions per unit of revenue) based on market capitalization.

Health & Productivity Management Outstanding Organization

In 2023, We were also accredited by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi[*1], for five consecutive years, as a “Health & Productivity Management Outstanding Organization 2023 - White 500 (Large Enterprise Category)”. Under the recognition program, the Nippon Kenko Kaigi examines large enterprises engaging in initiatives for overcoming health-related challenges in communities or for promoting health-conscious activities led by the Nippon Kenko Kaigi, and recognizes top 500 outstanding enterprises engaging in efforts for health and productivity management.

*1 The Nippon Kenko Kaigi is an organization aiming to encourage workplaces and communities to achieve specific measures to overcome health-related challenges under collaboration among private organizations, e.g., economic associations, medical-care associations and insurers, and municipalities.

Nikkei Smart Work Management Survey

We were rated 4 stars in the Nikkei Smart Work Management Survey 2022.
Nikkei Smart Work Management Survey has been conducted by Nikkei Inc. since 2017, targeting listed companies and leading unlisted companies across Japan. Smart Work Management is defined as initiatives for maximizing the performance of the organization through efforts in three factors: the realization of diverse and flexible work styles, a system for creating new businesses, and market development capability. Based on these 3 factors and management infrastructure such as corporate governance, companies with deviation values of 50 or more are evaluated on a scale of 5 (Star 5, 4.5, 4, 3.5, 3).

Nikkei SDGs Management

We were rated 4 stars in the Nikkei SDGs Management Survey 2022.
Nikkei SDGs Management survey has been conducted by Nikkei Inc. since 2019, targeting listed companies and leading unlisted companies across Japan. Companies are scored on whether they are contributing to the SDGs through their business and improving their corporate value in the four areas of SDG Strategy and Economic Value, Social Value, Environmental Value, and Governance. Companies with a deviation value of 50 or more are rated on a scale of 5 (Star 5, 4.5, 4, 3.5, 3).

SUSTAINA ESG AWARDS

We received the Silver Class which is given to the top 21 to 50 companies in the "Comprehensive Categories" of SUSTAINA ESG AWARDS in 2023.
SUSTAINA ESG AWARDS are award system established by SUSTAINA Japan Inc., for domestic companies that are actively engaged in ESG (Environment, Society, Governance).
The top 100 companies with an overall score are selected as "ESG management advanced companies" by adding the financial score to the ESG score provided by the unique AI system.

Independent Practitioner's Assurance

Sustainability information

We have received independent assurance so as to bolster the reliability of the information disclosed and indicated with the icon in our SUSTAINABILITY DATA 2023.

SUSTAINABILITY DATA 2023 (284KB)

【Environment】

- GHG emissions
- Energy consumption
- GHG emissions in the value chain (Scope 3)
  (For Cat1 and Cat9, the previous year's data has been verified in the assurance process.)
- Water intake volume
- Wastewater volume (including drainage destination)
- Industrial waste volume and special management industrial waste volume (hazardous waste volume)
- Final landfill disposal volume and rate of industrial waste

【Society】

- Number of lost-time injuries
- Lost-time injury frequency rate
- Number of fatalities due to occupational accidents

The Independent Assurance Report is reprinted on page 5.

Appendix

- Material Issues and KPI
- SUSTAINABILITY DATA 2023
- Country-by-Country Report (Condensed) (Fiscal year ended March 31, 2022)
- Business Description and Information on Subsidiaries and Associates (Fiscal year ended March 31, 2022)
- Notes to Consolidated Financial Statements (Income taxes) (Fiscal year ended March 31, 2022)

Material Issues and KPI

	Material Issues	Reason for being a priority issue	Vision over the medium to long term	Major initiatives	Indicators (items in blue are actual for FY2022)
Value Creation	**1 Creation of Innovative Drugs**	The creation of innovative drugs is the practice of our corporate philosophy, "Dedicated to the Fight against Disease and Pain," and is the core value we provide to society. To sustainably create this value, drug discovery research using the latest scientific knowledge and cutting-edge technologies is crucial, and strengthening our competitiveness in drug discovery research will lead to our growth.	Cooperate with top scientists and accelerate the creation of new drugs that can change the world.	• Explore unique breakthrough drug seeds and creation of new drug candidate compounds through open innovation • Improve the speed of creation of new drug candidate compounds by selecting optimal modalities, utilizing artificial intelligence (AI), etc. • Promote drug discovery research based on human disease biology using the latest technologies, such as AI and informatics, as well as patient-derived samples • Promote translational research by searching for biomarkers based on the mechanism of action	• The number of new products going to clinical trials: 3 (ONO-7018, ONO-1110, ONO-2020)

	2 Pipeline Expansion	Our pipeline is the source of our sustainable growth. We continue enriching our pipeline to constantly provide innovative drugs to patients.	The speed and accuracy of establishing PoC* for new drug candidates are improving, and the pipeline is enriched through licensing activities.
			* PoC (Proof of Concept): PoC studies are an early stage of clinical drug development to c
				• Establish PoC on multiple projects and conduct global clinical trials
				  • Continue system development for early establishment of PoC
				  • Further enhance activities for translational research (TR) and reverse translational research (rTR)
				  • Increase the speed and accuracy of establishing PoC by using state-of-the-art technologies and methodologies
				• Strengthen licensing activities to obtain global rights
					• The number of products in the clinical development stage: 21
					• The number of newly introduced products: 1 (exclusive option and asset purchase agreement for itolizumab
					• Approvals received in the U.S. and Europe: Total of 12 projects at the clinical trial stage

	3 Maximization of Product Value	Our mission is to contribute to people's health through our products. To achieve this mission, it is essential to maximize the potential of our products and promptly deliver drugs to patients in need. At the same time, we aim to enrich our resources for continued research and development through the maximization of product value.	We have addressed our goal of achieving the well-being* of patients and their families in cooperation with healthcare professionals, and as a result, our new drugs are spreading promptly. * "Well-being" refers to a state in which satisfaction in mental, physical, social, and life conditions are achieved.	• Engaging in effective marketing activities, using digital communications to provide information, and improving the expertise of MRs • Obtaining approvals for drugs with indications and usage, dosage and administration that maximize the potential of developed compounds • Identifying needs of patients and healthcare professionals and designing products to meet them • Generating evidence focused on extension of the healthy life span (efficacy, safety, and QoL)	• Number of patients to whom our new drugs are delivered: about 850,000 • Sales by major product: OPDIVO, 142,300 million yen; FORXIGA, 56,500 million yen • Number of approvals received in Japan, Korea, and Taiwan: Japan, 4; Korea, 4; Taiwan, 7
	4 Realization of Direct Sales in the US and Europe	We are committed to bringing medicines to patients around the world with our own hands. And to achieve sustainable growth, we will develop business in the U.S. and Europe, which have large markets.	Aiming to become a globally competitive specialty pharmaceutical company, we are marketing new drugs in the U.S. and Europe.	• Establish a sales structure for the launch of ONO-4059 in the U.S. • Carry out development in Europe and establish a sales structure according to the progress of the development	• Start our own sales in the U.S. and Europe: increase of about 40 employees (total of about 100 employees) to reinforce development organization, sales organization, and infrastructure at ONO PHARMA USA increase of about 10 employees (total of about 60 employees) primarily for development at ONO PHARMA UK
	5 Expansion of Business Domains	To solve society's healthcare issues and realize a society where people can live healthier lives, we are expanding our business beyond the new drug business to new business domains. We believe that we can develop unique businesses by leveraging the knowledge and strengths we have cultivated in our history of drug discovery.	Contributing to solving social issues and realizing next-generation healthcare by leveraging digital technologies and our strengths.	• Creating and promoting new businesses utilizing digital technology, starting from customers' unresolved issues (needs) • Develop and commercialize evidence-based products and services to solve social issues in the healthcare sector (Ono Pharma Healthcare Co., Ltd.) • Invest in and create business for venture companies engaged in businesses aimed at solving healthcare issues (Ono Digital health Investment, GK)	• The number of new businesses started: 1 (michiteku Co., Ltd.) • The number of new products and services provided: 1* * Released michiteku β-version in May 2023
Foundation for Value Creation	**6 Corporate Transformation through Digital & IT**	We aim to grow into a company capable of accelerating our growth strategy, innovating business processes, and creating new value (digital transformation) by leveraging digital and IT cross functionally.	A global IT infrastructure is being implemented and corporate transformation through digital is being realized.	• Implement cross-functional IT infrastructure based on the IT blueprint • Implement a data utilization platform including internal and external data for important decision-making • Improve robust information security management capabilities • Develop the talent to plan and lead DX	• Completion and utilization of the IT blueprint (big picture for IT infrastructure and related systems) • Construction and use of a data utilization platform: Operate OASIS • Establishment of a cross-functional DX promotion system: obtained DX certification • Number of participants in the Digital Talent Development Training Program: 100 (FY2026 target of 500) Of these, the number capable of planning, managing, and executing DX projects: 15 (FY2026 target of 100)(achieved all FY2022 targets)
	7 Strengthening of Financial Capital: financial strategy and policy on medium- to long-term investment	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.	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.	• 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	(FY2022 to FY2026) • Revenue CAGR: In the high single digits: 23.8% for FY2021 • Operating income to revenue ratio: Maintain 25% or higher: 31.7%
	8 Expansion of Human Capital	To achieve sustainable growth, it is essential to secure talent that can execute strategies as passionate challengers towards achievement of our corporate philosophy.	We provide talent development programs to selected people, approximately 30% of employees of our group companies, and the creation of corporate value is driven through talent development. In particular, the enhancement of executive talent, globally competent talent, digital talent, and innovation talent have been set as important themes.	• Next executive talent: Promoting the training for selected employees and the strategic personnel transfers • Globally competent talent: Promoting development plans based on global development and implementing global strategic personnel transfers • Digital talent: Developing talent to plan and lead the digital transformation, and providing training programs for them • Innovation talent: Providing programs to trigger innovations, and promoting innovation • Other: Engaging in activities to disseminate mission statements, providing voluntary-participation type training, developing a self-development learning support system, etc.	(Total number of persons up to 2026) • In next executive talent pool: 91 (goal of at least 250) • In globally competent talent pool: 153 (goal of at least 300) • Persons who will have participated in digital talent development and training program: 269 (goal of at least 500) Including those who can plan, manage, and execute the DX project: 40 (goal of at least 100) • Core innovation talent: 29 (goal of at least 180)
	9 Intellectual Property Strategies	Intellectual property (IP) is one of the most important intangible assets for R&D-based pharmaceutical companies. To deliver value to patients and generate financial value, IP (inventions), which are intangible assets, must be patented and given concrete form as innovative drugs. Creating, maintaining, and utilizing IP are important issues for maximizing its value.	In our research and development activities, we ensure that IP that leads to innovative pharmaceuticals is licensed, and we create new IP by leveraging internal and external IP to create financial value.	• Creating and maintaining IP to create innovative new drugs • Strengthening the inventive process to lengthen the life of launched products and products in development, and filing patents effective for LCM* • Utilization of IP (IP landscape) through integrated analysis with market and business information to determine the appropriateness of in-licensed products, new businesses, investments, etc. * Lifecycle management	• Products and the R&D pipeline: ▶See p. 37. • Amount of IP in use (IP landscape)

	Material Issues	Reason for being a priority issue	Vision over the medium to long term	Major initiatives	Indicators (items in blue are actual for FY2022)
Foundation for Value Creation	**10 Open Innovation**	We have been able to link the seeds of original drug discovery found through collaborative research with academia and other organizations to the creation of groundbreaking new drugs. The ability to realize open innovation is one of our core strengths and is the lifeline to continually create innovative new drugs in the future.	Based on the original seeds discovered through collaborative research with world-class researchers, the company is continually creating new drug candidate compounds through drug discovery alliances with biopharmaceutical companies.	• Promote collaborative research with world-class researchers, and drug discovery alliances and joint research with biopharmaceutical companies focusing on priority research areas • Strengthen competitiveness in drug discovery and R&D activities through strategic investments by Ono Venture Investment	• The number of research collaborations: over 300 in globally (ones underway as of March 31, 2023)
	11 Promotion of Diverse Partnerships	Our business is based on partnerships with diverse stakeholders. We will further strengthen networks and relationships of trust and cooperation with our partners and strengthen our brands, and thereby expand partnership opportunities and achieve growth strategies.	We strengthen company brands, etc. and accelerate business activities to promote partnerships with diverse stakeholders.	• Collaborating with partner companies in the research and development and sale of drugs • Building relationships with local communities and municipalities • Building cooperative relationships with the suppliers • Building relationships with many partners for our business	• The number of companies with which in-license and out-license agreements are concluded: 1 • The number of research collaborations: over 300 in globally (ones underway as of March 31, 2023) • Other partnering results: See p. 65
Value Preservation	**12 Assurance of Product Reliability and Safety**	Quality assurance and safety management of pharmaceutical products are fundamental to our business. If a problem were to occur in either of these areas, it would be a serious risk that could violate our corporate philosophy, harm the health of patients, and significantly reduce our social value and raison d'être.	A global specialty pharmaceutical company with established organizational systems for appropriate quality assurance and safety management.	• Create appropriate global systems for product quality and safety management • Establish an operation to study safety signals of investigational products • Establish a system to respond to inspections of products for the U.S. market in preparation for the launch of ONO-4059 in the U.S.	• Construction of global quality and safety management system: Completed OPUS QA SOP proposal, reached agreement on policy among Japan, US, Europe, and constructing QMS system • Zero significant findings from regulatory inspections: achieved • Zero recalls of Ono products: achieved
	13 Stable Supply of Products	The provision of a stable supply of our drugs to patients who need them is a basic duty of our business.	Our products are supplied stably to patients throughout the world.	• Building a global product supply system • Implementing risk management for overall operations related to product supply, such as strengthening response to BCP, maintaining proper inventory, etc. • Examining mid- to long-term stable production systems, including increased production efficiency and the use of CMO, etc.	• No out-of-stock incidences: achieved
	14 Protection of Environment	Our businesses are supported by a sound global environment. We believe that reducing the burden from our business activities on the global environment and local communities is an important corporate responsibility.	Under "ECO VISION 2050," we aim to become a leading environmentally friendly company in the pharmaceutical industry, and will strive to maintain a rich global environment for future generations so that people can have a healthy and sound society.	• Reduce greenhouse gas emissions and increase share of renewable energy in total electricity consumption • Reduce use of water resources • Recycling of unnecessary materials	Achievement of medium- to long-term environmental goals linked to ECO VISION 2050 • Realization of a decarbonized society: Reduced Scope 1 and 2 emissions 38.2% (compared to FY2017) and achieved renewable energy usage rate as a percentage of total electricity consumption of 21.5% • Realization of a water-recycling society: Reduced water resource consumption (water intake) 10.5% compared to previous year • Realization of a resource-recycling society: Achieved final landfill rate of industrial waste of 0.02%
	15 Respect for Human Rights	We believe that we have a responsibility to work toward the realization of a society in which people's human rights are respected through our business activities, and we are working to strengthen our human rights risk management. We also recognize that the right to access necessary medical care and to live a healthy life is a human rights issue. As a pharmaceutical company with problem-solving capabilities, we believe that we have a responsibility to contribute to this issue to the maximum extent possible.	Human rights risk management • Aim to construct a management system based on the UN Guiding Principles on Business and Human Rights • Aim to construct a governance system with adaptability to appropriately respond whenever human rights problems arise and establish a foundation of trust with society for the Group (including supply chain) Improving access to healthcare • We are delivering innovative medicines for rare and pediatric diseases. • We are contributing to local capacity-building* in areas with immature medical infrastructures (in collaboration with NPOs and NGOs. * Providing support for the development of medical human resources and the establishment of medical systems so that communities facing challenges can overcome them on their own.	Human rights risk management • Conduct human rights due diligence Improving access to healthcare • Develop new drugs and get additional approvals for rare diseases and pediatric indications with high unmet medical needs • Collaborate with NPOs and NGOs and support local capacity-building in areas with immature healthcare infrastructure	Human rights risk management (up to 2026) • Conduct human rights due diligence within the Group: conducting risk assessment and impact assessment • Conduct human rights risk assessments for high priority suppliers: conducted risk assessment (conducted desktop surveys and held workshops to organize human rights risks) Improving access to healthcare • Number of approved rare disease/pediatric indications: 1 • Project outcome goals (new project to begin in FY2022): See ONO Bridge Project goals.
	16 Thorough Compliance	As a pharmaceutical company involved in pharmaceuticals upon which human lives depend, we must not only comply with laws and regulations but also act in accordance with high ethical standards. In addition, compliance problems are a serious risk that could damage our brand and trust, which are our important non-financial assets, as well as affect the continuation of our business.	Establish a compliance risk management system to support global business expansion and prevent compliance violations.	• Establish overall risk management (ERM) for global response, including compliance • Comply with relevant laws and regulations of the pharmaceutical business, promote proper use of pharmaceuticals, prevent corruption and corrupt practices, protect information, etc. • Foster a culture of proactive involvement in preventing compliance violations • Strengthen governance of compliance risks by the Board of Directors	• Number of significant compliance violations*: 0 * Violations that have a great impact on sales and profits and have a great social impact
	17 Supply Chain Management	In order to provide a stable supply of our products to patients and realize a sustainable society, we believe it is important to build a sound network with all of our business partners in our supply chain and work together with them to improve human rights and labor conditions and protect the natural environment.	Strengthen collaborative relationships with business partners and manage sustainability-related risks such as the natural environment and human rights.	• Share our code of conduct, get consent forms • Assess risk • Carry out on-site audits • Confirm corrective action efforts	• Establish a stronger risk management system (formulate policies and Sustainable Procurement Code, and create related system) (–2026): Constructed management system and revised Sustainable Procurement Code • Comprehensive evaluations of companies in high-risk areas (–2026): Obtained consent forms and held partner explanatory meetings for companies in important and high-risk fields (3 times)
Corporate Governance	**18 Strengthening of Corporate Governance**	To establish a highly transparent and robust management for sustainable growth, ONO focuses on enhancing the functions of the Board of Directors and the Audit & Supervisory Board to strengthen corporate governance.	Establish an effective corporate governance system to achieve our sustainable growth.	• Improve function of the Board of Directors to enhance governance Continue taking measures to enhance function of the Board of Directors through communications with stakeholders and evaluation of the effectiveness of the Board of Directors • Establish governance system for sustainable growth Continue monitoring risk management-related measures by the Board of Directors	• Improve operation through evaluations of the effectiveness of the Board of Directors: Expanded support for outside directors and had Board of Directors review SR Activity Report (shared opinion of shareholders and investors) and agenda setting

SUSTAINABILITY DATA 2023

Social Data

ONO PHARMACEUTICAL CO., LTD.

Occurrence of occupational injuries

Item	Scope	Unit	FY2018	FY2019	FY2020	FY2021	☑ FY2022
Number of lost-time injuries	Non-consolidated (Employees)	Incidents	1	0	3	0	1
	Non-consolidated (Temporary employees) *2	Incidents	-	1	0	0	0
Lost-time injury frequency rate*1	Non-consolidated (Employees)	-	0.15	0	0.47	0	0.16
	Non-consolidated (Temporary employees) *2	-	-	2.09	0	0	0
Number of fatalities due to occupational accidents	Non-consolidated (Employees)	Persons	0	0	0	0	0
	Non-consolidated (Temporary employees) *2	Persons	-	0	0	0	0

*1 Lost-time injury frequency rate = (number of lost-time injuries / total number of actual working hours) x 1,000,000

*2 The data on the number of lost-time injuries and the lost-time injury frequency rate and the number of fatalities due to occupational accidents for temporary employees are subject to disclosure from FY2019.

Environmental Data

GHG emissions

Since the figures in the table are rounded, the breakdown totals may not always coincide with the overall totals.

Item			Scope	Unit	FY2018	FY2019	FY2020	FY2021	☑ FY2022
GHG emissions scope breakdown (Market-basis) (a)	Scope 1 (Breakdown by GHG type)	Energy-derived	Non-consolidated	$kt\text{-}CO_2$	9.0	9.7	10.0	9.8	8.0
			Group Companies		-	-	-	-	0.0
		Non-energy-derived (HFCs, HCFCs)	Non-consolidated		0.5	0.4	0.1	0.03	0.2
			Group Companies		-	-	-	-	0.0
		Total			-	-	-	-	8.2
	Scope 2		Non-consolidated	$kt\text{-}CO_2$	19.1	17.1	15.9	13.7	10.2
			Group Companies		-	-	-	-	0.1
			Total		-	-	-	-	10.4
	Scope 1+2 (Total)		Non-consolidated	$kt\text{-}CO_2$	28.5	27.3	26.1	23.6	18.4
			Group Companies		-	-	-	-	0.1
			Total		-	-	-	-	18.6
Amount of CO_2 offset due to voluntary credit (Carbon-neutral city gas purchased)(b)			Non-consolidated	$kt\text{-}CO_2$	-	-	-	0.6	0.7
GHG emissions after offset (a-b)			Subtotal (Non-consolidated)	$kt\text{-}CO_2$	-	-	-	23.0	17.7
			Total		-	-	-	-	17.9

Sites: [Non-consolidated] Fujiyama Plant, Joto Pharmaceutical Product Development Center, Yamaguchi Plant, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, sales offices and other offices, etc.

[Group companies] (FY2022-) ONO PHARMA USA, INC., Cambridge, ONO PHARMA UK LTD, London, ONO PHARMA KOREA CO., LTD, Seoul, ONO PHARMA TAIWAN CO., LTD. Taipei, and Ono Pharma UD Co., Ltd.

GHG emissions are calculated using the following formula.

[Domestic sites] GHG emissions = Purchased electricity × Adjusted emission factor published by electric power company + Σ (Fuel consumption × Unit calorific value × Carbon emission factor × 44/12) + Σ (Fluorocarbon leakage amount × Global warming potential)

[Overseas sites] Calculated by multiplying the amount of electricity purchased at overseas sites by the electric utility company's emission factor or the country-specific emission factor published by the IEA.

The amount of green electric power certified under the Green Energy Certificate and , the amount of renewable energy certified under the J-Credit Scheme and the Non-Fossil Fuel Certificate quota are deducted (Deducted CO_2 emissions: 3.2kt-CO_2) .

SUSTAINABILITY DATA 2023

GHG emissions in the supply chain (Scope3)

Since the figures in the table are rounded, the breakdown totals may not always coincide with the overall totals.

Category		Calculation method	Notes	Scope	Unit	FY2018	FY2019	FY2020	FY2021	☑ FY2022
C1	Purchased goods and services	GHG emissions (scope 1,2) volume of our major suppliers of raw materials and materials (accounting for 80% or more of our raw materials or materials purchase costs) multiplied by the ratio of the sales to ONO out of the total sales of the supplier. Ratios for other business suppliers are assumed to follow the same trend as for major suppliers, and are calculated using the ratio of GHG emissions to the transaction amount at major suppliers.	·This category is closely associated with our business activities since active pharmaceutical ingredients for manufacturing of drugs, intermediate products and research reagents are included. ·Covers production and research sites	Non-consolidated	kt-CO_2	8.1	11.5	12.7	13.8	-
C2	Capital goods	Amount of capital goods treated as fixed assets (reinforcement of facilities/maintenance investment) excluding land, multiplied by factor	Calculated based on capital goods treated as fixed assets. The fixed assets used in this calculation are essential for business activities.		kt-CO_2	60.4	26.9	25.8	26.4	21.3
C3	Fuel- and energy-related activities not included in scope 1 or scope 2	Amount of non-renewable electricity purchased, multiplied by emission factor	-		kt-CO_2	1.5	2.8	2.7	2.4	2.1
C4	Upstream transportation and distribution	Transport data on deliveries from our production sites and distribution centers to destinations, multiplied by emission factor	-		kt-CO_2	0.1	0.1	0.1	0.1	0.1
C5	Waste generated in operations	Weight of each type of industrial waste generated, multiplied by emission factor	-		kt-CO2	0.3	0.3	0.3	0.3	0.3
C6	Business travel	Business travel costs, multiplied by emission factor	Covers travels by airplane or Shinkansen bullet train		kt-CO_2	2.3	4.0	0.4	0.5	1.3
C7	Employee commuting	Commuting costs, multiplied by emission factor	Includes the amount for commuting by car from 2021		kt-CO_2	0.4	0.5	0.4	0.7	0.7
C8	Upstream leased assets	Fuel consumption used in leased vehicles, multiplied by emission factor	-		kt-CO_2	3.3	2.9	2.0	2.1	1.9
C9	Downstream transportation and distribution	GHG emissions on our major pharmaceutical wholesalers, multiplied by percentage of our net sales included in all net sales of major pharmaceutical wholesalers	· Transportation and distribution are important business activities to control distribution of and to ensure stable supply of drugs.		kt-CO_2	5.3	4.9	5.0	5.5	-
C10	Processing of sold products	-	ONO makes only finished products		kt-CO_2	Not relevant	Not relevant	Not relevant	Not relevant	Not relevant
C11	Use of sold products	-	No energy is consumed during the use of ONO products			Not relevant	Not relevant	Not relevant	Not relevant	Not relevant
C12	End-of-life treatment of sold products	Weight of each type of our product container or packaging disposed of as waste, multiplied by emission factor	-		kt-CO_2	0.2	0.2	0.2	0.1	0.2
C13	Downstream leased assets	Floor space of asset (building) owned and rented out categorized by use, multiplied by emission factor	-		kt-CO_2	0.3	0.3	0.3	0.3	0.3
C14	Franchises	-	ONO does not operate franchises		kt-CO_2	Not relevant	Not relevant	Not relevant	Not relevant	Not relevant
C15	Investments	-	There is no investment involving large amounts of greenhouse gas emissions.		kt-CO_2	Not relevant	Not relevant	Not relevant	Not relevant	Not relevant
Total					kt-CO_2	82.2	54.4	49.8	52.3	-

The emission factors used for calculation are figures stated in the "Emission Factor Database on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (FY2018, Ver. 2.6; FY2019, Ver. 3.0; FY2020, Ver. 3.1; FY2021, Ver. 3.2; FY2022, Ver. 3.3)," published by the Ministry of the Environment, Government of Japan.

Categories 1 and 9 and their total for FY2022 are not calculated because our major suppliers and pharmaceutical wholesalers had not published their GHG at the time of calculation.

Only category 2 is consolidation.

SUSTAINABILITY DATA 2023

Energy consumption

Since the figures in the table are rounded, the breakdown totals may not always coincide with the overall totals.

Item	Scope	Unit	FY2018	FY2019	FY2020	FY2021	☑ FY2022
Energy consumption	Non-consolidated	MWh	93,763.8	101,605.6	103,204.3	99,499.9	86,067.6
	Group Companies		-	-	-	-	344.1
	Total		-	-	-	-	86,411.7

Sites: [Non-consolidated] Fujiyama Plant, Yamaguchi Plant, Joto Pharmaceutical Product Development Center, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, sales offices and other offices, etc.
[Group companies] (FY2022-) ONO PHARMA USA, INC., Cambridge, ONO PHARMA UK LTD, London, ONO PHARMA KOREA CO., LTD, Seoul , ONO PHARMA TAIWAN CO., LTD. Taipei, and Ono Pharma UD Co., Ltd.

Electricity consumption and renewable energy usage rate

Since the figures in the table are rounded, the breakdown totals may not always coincide with the overall totals.

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Electricity consumption	Private power generation (renewable) (solar power generation)	Non-consolidated	MWh	65.0	63.0	63.3	61.9	64.4
		Group Companies		-	-	-	-	0.0
	Purchased electricity (renewable) (Non-fossil fuel)	Non-consolidated		-	1,278.0	1,954.7	2,040.0	3,480.0
		Group Companies		-	-	-	-	0.0
	Private power generation (non-renewable)	Non-consolidated		8,856.2	8,185.3	8,566.3	8,283.7	7,285.0
		Group Companies		-	-	-	-	0.0
	Purchased electricity (non-renewable)	Non-consolidated		43,734.4	46,351.7	45,232.2	42,833.5	37,821.6
		Group Companies		-	-	-	-	343.7
	Subtotal (Non-consolidated total electricity consumption)			52,655.5	55,878.0	55,816.5	53,219.2	48,651.0
	Total (total electricity consumption)			-	-	-	-	48,994.7
Amount of credits purchased	Solar power generation	Fujiyama Plant/Tsukuba Research Institute/Fukui Research Institute/Sales offices and other offices	MWh	-	2,427.0	4,946.6	3,937.9	0.0
	Biomass power generation			2,900.0	2,460.9	386.2	3,000.0	6,907.0
Renewable energy usage*		Total	MWh	2,965.0	6,228.9	7,350.7	9,039.9	☑10,451.4
Renewable energy usage rate (renewable energy usage / total electricity consumption)		Subtotal (Non-consolidated)	%	5.6	11.1	13.2	17.0	☑ 21.5
		Total		-	-	-	-	☑ 21.3

Sites: [Non-consolidated] Fujiyama Plant, Yamaguchi Plant, Joto Pharmaceutical Product Development Center, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, sales offices and other offices, etc.
[Group companies] (FY2022-) ONO PHARMA USA, INC., Cambridge, ONO PHARMA UK LTD, London, ONO PHARMA KOREA CO., LTD, Seoul , ONO PHARMA TAIWAN CO., LTD. Taipei, and Ono Pharma UD Co., Ltd.

*Renewable energy usage = Private power generation (renewable) + Purchased electricity (renewable) + Amount of credits purchased

SUSTAINABILITY DATA 2023

Water intake and wastewater volume by site (unit: 1,000 m^3)

Since the figures in the table are rounded, the breakdown totals may not always coincide with the overall totals.

Site name	River in the area	Wastewater drainage destination	FY2018		FY2019		FY2020		FY2021		☑ FY2022	
			Water intake volume	Wastewater volume	Water intake volume	Wastewater volume	Water intake volume	Wastewater volume	Water intake volume	Wastewater volume	Water intake volume	Wastewater volume
Fujiyama Plant	Fuji River	River	240.2	178.4	185.0	145.1	157.8	125.0	138.7	110.2	122.9	100.1
Yamaguchi Plant	Fushino River	River	8.2	8.2	18.1	18.1	18.6	17.7	21.6	20.0	22.8	20.9
Joto Pharmaceutical Product Development Center	Yodo River	Sewer	6.0	6.0	5.1	5.1	4.6	4.6	3.9	3.9	3.4	3.4
Minase Research Institute	Yodo River	Sewer	41.2	41.2	39.1	39.1	33.7	33.7	31.5	31.5	32.2	32.2
Fukui Research Institute	Kuzuryu River	Sewer	31.3	5.0	27.3	5.7	13.7	2.6	6.6	1.9	0.8	0.2
Tsukuba Research Institute	Lake Kasumigaura	Sewer	6.0	6.0	7.1	7.1	7.2	7.2	7.0	7.0	4.7	4.7
Head Office and other sites in Japan (including tenant locations)	Rivers/lake in the areas around each business site*	Sewer	15.1	15.1	15.0	15.0	10.0	10.0	10.0	10.0	9.5	9.5
total			348.0	259.9	296.7	235.2	245.6	200.8	219.4	184.5	196.4	171.2

*Major basins: Toyohira River, Okura River, Arakawa River, Sakawa River, Kiso River, Lake Biwa, Yodo River, Ota River, Yoshino River, Naka River

Waste management

Since the figures in the table are rounded, the breakdown totals may not always coincide with the overall totals.

Item		Scope	Unit	FY2018	FY2019	FY2020	FY2021	☑ FY2022
Industrial waste	Waste generated	Non-consolidated	t	446.4	430.8	502.7	479.1	492.8
	【Waste breakdown】 Special management industrial waste (hazardous waste)*	Non-consolidated	t	145.6	161.9	171.2	170.3	142.5
	Final landfill disposal	Non-consolidated	t	0.4	0.2	1.1	0.2	0.1
	Final landfill disposal rate	Non-consolidated	%	0.1	0.1	0.2	0.04	0.02

Sites: Fujiyama Plant, Yamaguchi Plant, Joto Pharmaceutical Product Development Center, Minase Research Institute, Fukui Research Institute , Tsukuba Research Institute, Logistics centers (added from FY2021)

*Special management industrial waste (hazardous waste) is defined under the Waste Management and Public Cleansing Law as waste that has properties of explosiveness, toxicity, infectiousness, and/or possibly causing damage to human health or the living environment.

Deloitte.
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（TRANSLATION）

Independent Practitioner's Assurance Report

August 10, 2023

Mr. Gyo Sagara,
President, Representative Director, and CEO,
ONO PHARMACEUTICAL CO., LTD.

Tomoharu Hase
Representative Director
Deloitte Tohmatsu Sustainability Co., Ltd.
3-2-3, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the sustainability data indicated with ☑ for the year ended March 31, 2023 (the "Sustainability Data") included in the "SUSTAINABILITY DATA 2023 (PDF version)" (the "Report") of ONO PHARMACEUTICAL CO., LTD. (the "Company").

The Company's Responsibility

The Company is responsible for the preparation of the Sustainability Data in accordance with the calculation and reporting standard adopted by the Company (indicated with the Sustainability Data). Greenhouse gas quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data needed to combine emissions of different gases.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Sustainability Data based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and *the Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Data is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

ONO PHARMACEUTICAL CO., LTD.
Country-by-Country Report (Condensed)
Fiscal year ended March 31, 2022

(Unit: Billions of Yen, Employees)

Tax Jurisdiction	Revenues	Profit before Income Tax	Income Tax Paid	Income Tax Accrued - Current Year	Number of employees
JAPAN	364.7	104.9	34.0	14.9	3,500
USA	2.4	0.1	0.1	0.1	59
UK	1.6	0.1	0.0	0.0	42
KOREA	3.9	0.3	0.2	0.2	45
TAIWAN	4.4	0.3	0.0	0.0	41
Total (Note 1)	376.9	105.7	34.3	15.2	3,687

This is the latest information available at this time (as of March 2023).

(Note 1) The above amounts are based on "Country-by-Country Report" submitted to Japanese Tax Authorities, and not directly related to the Consolidated Financial Statements.

Business Description

The Company and its subsidiaries (the “Group”) and the Group’s associate are engaged in business related to the pharmaceutical field. As of March 31, 2022, there were 11 subsidiaries and one associate.

The positions, etc. of the Company and its subsidiaries and associate in the pharmaceutical business are as follows.

<Pharmaceutical business>

The Group manufactures and sells medical and general pharmaceutical products, etc. Among these products, the Group has been focusing particularly on research & development activities for prescription drugs, and they are positioned as a key area within our corporate group.

[Subsidiaries and associates]

(Sales, sales support, etc.)

ONO PHARMA KOREA CO., LTD., ONO PHARMA TAIWAN CO., LTD.

(Manufacturing and sales)

Ono Pharma Healthcare Co., Ltd., TOYO Pharmaceutical Co., Ltd., BEE BRAND MEDICO DENTAL. CO., LTD., NAMICOS CORPORATION

(Clinical development, and in-licensing and out-licensing activities for pharmaceuticals)

ONO PHARMA USA, INC., ONO PHARMA UK LTD.

(Other)

Ono Venture Investment, Inc.

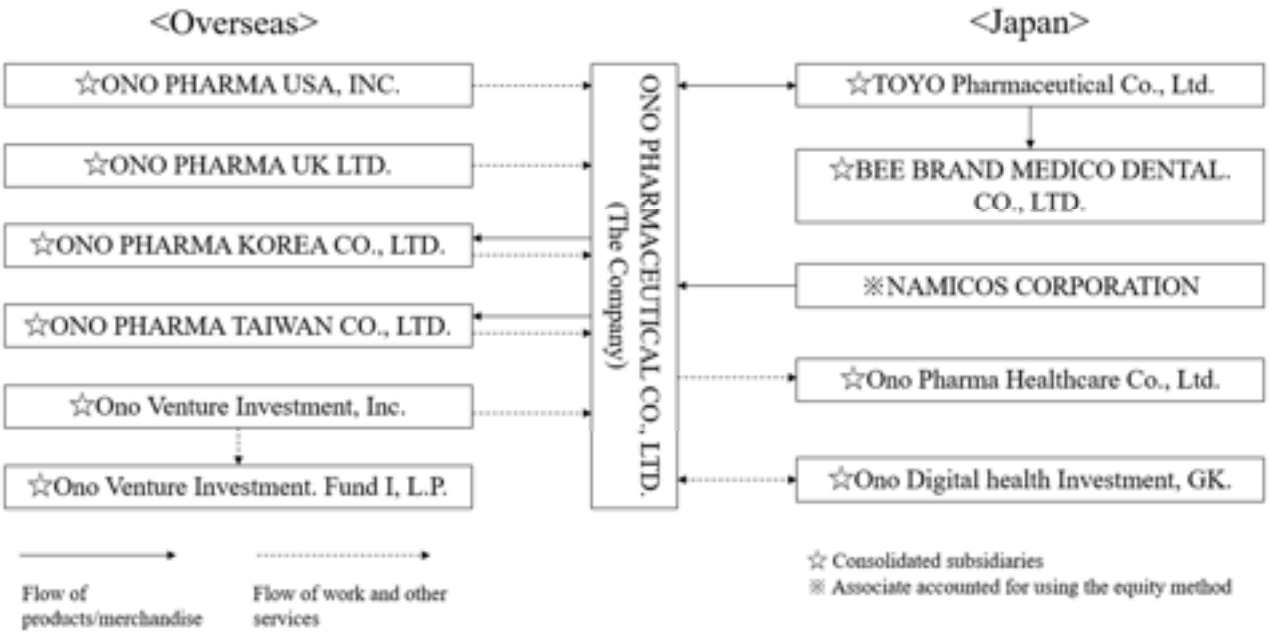
Ono Venture Investment. Fund I, L.P.

Ono Digital health Investment, GK.

One other company

Segment information is omitted herein, because the business of the Group and the Group’s associates is a single segment of the pharmaceutical business.

The following business organization chart shows the matters described above.



Information on Subsidiaries and Associates

(As of March 31, 2022)

Name	Address	Capital or investments in capital	Principal businesses	Ratio of voting rights held (%)	Relationship
(Consolidated subsidiaries) ONO PHARMA USA, INC. (Note 2)	Massachusetts, U.S.	Millions of U.S. dollars 24	Pharmaceutical business	100.0	Clinical development, in-licensing and out-licensing activities, etc. for pharmaceuticals.
ONO PHARMA UK LTD.	London, U.K.	Thousands of U.K. pounds 50	Pharmaceutical business	100.0	Clinical development, in-licensing and out-licensing activities, etc. for pharmaceuticals.
ONO PHARMA KOREA CO., LTD.	Seoul Special City, Republic of Korea	Millions of Korean Republic won 3,000	Pharmaceutical business	100.0	Sales, sales support, etc. for the Company's pharmaceuticals.
ONO PHARMA TAIWAN CO., LTD.	Taipei City, Taiwan	Millions of New Taiwan dollars 90	Pharmaceutical business	100.0	Sales, sales support, etc. for the Company's pharmaceuticals.
TOYO Pharmaceutical Co., Ltd. (Note 3)	Chuo-ku, Osaka City, Japan	Millions of yen 21	Pharmaceutical business	45.5	Manufacturing, sales, etc. for pharmaceuticals. No. of officers concurrently holding positions: One
BEE BRAND MEDICO DENTAL. CO., LTD.	Higashiyodogawa-ku, Osaka City, Japan	Millions of yen 10	Pharmaceutical business	80.0 (40.0)	Purchasing, sales, etc. for pharmaceuticals.
Ono Venture Investment, Inc.	California, U.S.	Millions of U.S. dollars 2	Pharmaceutical business	100.0	Investing in venture companies, etc., and fund management.
Ono Venture Investment. Fund I, L.P.	California, U.S.	Millions of U.S. dollars 15	Pharmaceutical business	100.0 (1.0)	Investing in venture companies, etc.
Ono Pharma Healthcare Co., Ltd.	Chuo-ku, Osaka City, Japan	Millions of yen 10	Pharmaceutical business	100.0	Operation, etc. of a healthcare-related business.
Ono Digital health Investment, GK.	Chuo-ku, Tokyo, Japan	Millions of yen 10	Pharmaceutical business	100.0	Provision of funding to venture companies, etc., and supporting their business growth.
One other company					
(Associates accounted for using the equity method) NAMICOS CORPORATION	Chuo-ku, Osaka City, Japan	Millions of yen 45	Pharmaceutical business	18.8	Manufacturing, sales, etc. for pharmaceutical glassware.

(Notes) 1 The names used in the segment information are given in the "Principal businesses" column.
2 The company is a specified subsidiary.

3 Although the Company's equity stake in TOYO Pharmaceutical Co., Ltd. does not exceed 50%, it is treated as a subsidiary because it is effectively controlled by the Company.
4 The number within the ( ) of the ratio of voting rights held is the ratio of voting rights which are indirectly held.
5 None of the companies file a securities registration statement or securities report.
6 None of the companies, which are the Company's subsidiaries and associate, have revenue that exceeds 10% of consolidated revenue (excluding internal sales revenue among consolidated companies).

16. Income Taxes

(1) Deferred Income Taxes

Amounts of deferred tax assets and deferred tax liabilities at each consolidated fiscal year end are as follows:

	Millions of Yen	
	March 31, 2021	March 31, 2022
Deferred tax assets	¥ 34,242	¥ 25,074
Deferred tax liabilities	1,052	1,009
Net	¥ 33,190	¥ 24,064

Details and movements of deferred tax assets and deferred tax liabilities by major sources are as follows:

For the year ended March 31, 2021

	Millions of Yen					
	Balance at March 31, 2020	Changes in Accounting Policies	Restated balance at April 1,2020	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Balance at March 31, 2021
Deferred tax assets						
Accrued bonuses	¥ 1,730	¥ –	¥ 1,730	¥ 37	¥ –	¥ 1,768
Accrued enterprise tax	1,087	–	1,087	250	–	1,337
Expenses for research and development commissions and others	41,107	–	41,107	3,961	–	45,068
Investment securities	33	–	33	(10)	–	23
Property, plant, and equipment	2,306	–	2,306	(80)	–	2,226
Intangible assets	61	438	500	6	–	506
Retirement benefit liabilities	3,806	–	3,806	123	(1,045)	2,884
Other accounts payable	1,817	–	1,817	502	–	2,319
Provision for patent royalties	6,341	–	6,341	–	–	6,341
Others	5,664	–	5,664	859	–	6,523
Total	¥ 63,953	¥ 438	¥ 64,391	¥ 5,650	¥ (1,045)	¥ 68,996
Deferred tax liabilities						
Property, plant, and equipment	¥ (4,138)	¥ –	¥ (4,138)	¥ (234)	¥ –	¥ (4,372)
Intangible assets	(2,755)	185	(2,570)	(10)	–	(2,580)
Investment securities	(23,302)	–	(23,302)	(35)	(5,516)	(28,854)
Others	(0)	–	(0)	0	–	–
Total	¥ (30,195)	¥ 185	¥ (30,010)	¥ (279)	¥ (5,516)	¥ (35,806)
Net	¥ 33,758	¥ 623	¥ 34,381	¥ 5,371	¥ (6,561)	¥ 33,190

For the year ended March 31, 2022

	Millions of Yen			
	Balance at April 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Balance at March 31, 2022
Deferred tax assets				
Accrued bonuses	¥ 1,768	¥ 18	¥ –	¥ 1,785
Accrued enterprise tax	1,337	(1,081)	–	256
Expenses for research and development commissions and others	45,068	(10,348)	–	34,720
Investment securities	23	(23)	–	–
Property, plant, and equipment	2,226	32	–	2,258
Intangible assets	506	(182)	–	324
Retirement benefit liabilities	2,884	75	(88)	2,871
Other accounts payable	2,319	1,152	–	3,471
Provision for patent royalties	6,341	(6,341)	–	–
Others	6,523	1,017	–	7,540
Total	¥ 68,996	¥ (15,682)	¥ (88)	¥ 53,226
Deferred tax liabilities				
Property, plant, and equipment	¥ (4,372)	¥ 124	¥ –	¥ (4,248)
Intangible assets	(2,580)	1,228	–	(1,352)
Investment securities	(28,854)	30	5,262	(23,561)
Others	–	–	–	–
Total	¥ (35,806)	¥ 1,382	¥ 5,262	¥ (29,161)
Net	¥ 33,190	¥ (14,300)	¥ 5,174	¥ 24,064

Notes: 1. The differences between deferred tax expense and the amount recognized in profit or loss are exchange differences on translation of foreign operations and others.

2. The effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities as of March 31, 2021 and 2022 in Japan is 30.6%.

3. Taxable temporary differences associated with investments in subsidiaries, for which deferred tax liabilities were not recognized, amounted to ¥4,098 million and ¥5,436 million as of March 31, 2021 and 2022, respectively. This is because the Group is able to control the timing of the reversal of the temporary differences, and it is certain that the temporary differences will not reverse in the foreseeable future.

4. The Group has changed the accounting policy for configuration or customization costs in cloud computing agreements. This change in accounting policy has been applied retrospectively to related accounts for the previous fiscal year.

(2) Income Tax Expense

Details of income tax expense are as follows:

	Millions of Yen	
	For the year ended March 31, 2021	For the year ended March 31, 2022
Current tax expense	¥ 30,736	¥ 10,018
Deferred tax expense	(5,344)	14,323
Total	¥ 25,392	¥ 24,340

Note: The Group is subject to corporate tax, inhabitant tax, and enterprise tax in Japan, which in the aggregate resulted in an applicable tax rate for current tax expense of 30.6% for the years ended March 31, 2021 and 2022. Overseas subsidiaries use the income tax rates of the countries in which they are located.

(3) Reconciliation of Applicable Tax Rates and Average Actual Tax Rates

Details of the differences between the applicable tax rates and average actual tax rates are as follows:

	For the year ended March 31, 2021	For the year ended March 31, 2022
Applicable tax rates	30.6 %	30.6 %
Permanent non-deductible items	0.2	0.2
Non-taxable dividends	(0.1)	(0.1)
Tax credit for research and development, etc.	(6.2)	(7.7)
Others	0.7	0.2
Average actual tax rates	25.2 %	23.2 %

Note: The applicable tax rates used to reconcile the applicable tax rates and average actual tax rates are the Company's effective statutory tax rates.