

# CSR Report 2013

## Dedicated to Man's Fight against Disease and Pain

This is Ono Pharmaceutical's corporate philosophy and the words were engraved on the commemorative plaque which was placed in 1968 at the Minase Research Institute, the hub of our drug discovery and research.

It was in 1717 when Ichibei Fushimiya set up his apothecary in Doshomachi, Osaka, which later evolved into Ono Pharmaceutical. Since then, Ono has dedicated itself to the business of developing and selling pharmaceutical products. Throughout this almost 300-year history, Ono has never wavered in its effort at grappling with disease and pain.

Ono will remain true to our corporate philosophy which is clearly engraved in stone and in mind, pursuing our passion for the discovery of original and innovative drugs.

Ono will rely on this commitment that has sustained us for nearly three centuries, combined with the technology and the know-how we have against disease. Ours is a relentless quest for the development of drugs that deliver a true benefit to the health of individuals and a genuine contribution to the good of society.



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### Editorial Policy

Ono Pharmaceutical publishes this CSR Report 2013 as a part of its activities to disclose information relating to corporate social responsibility (CSR). This report also contains a wide range of information to facilitate communications with our stakeholders by ensuring that they can understand the CSR approach of the Ono Pharmaceutical Group, as well as our initiatives in the CSR priority issues based on corporate governance ("Development of Innovative Pharmaceutical Products," "Human Resources and Human Rights," "the Environment," "Fair Operating Practices" and "Society").

### Scope of This Report

This report mainly covers the activities of Ono Pharmaceutical Co., Ltd., and some pages also include the activities of the whole Group or group companies.

### Period Covered by This Report

April 1, 2012 through March 31, 2013 (2012 fiscal year) \*Activities conducted in and after April 2013 are also covered in part.

### Reference Guidelines

Sustainability Reporting Guidelines Version 3.1 by GRI (Global Reporting Initiative)  
ISO 26000

Environmental Reporting Guidelines 2007 by the Ministry of the Environment of Japan  
Environmental Accounting Guidelines 2005 by the Ministry of the Environment of Japan

Published in November 2013 / The next report is scheduled to be published in October 2014.

## To be “Dedicated to Man's Fight against Disease and Pain,” we will promote research and development of new drugs that deliver benefits to the world and contribute to society.

The Ono Pharmaceutical Group is “Dedicated to Man’s Fight against Disease and Pain.” Under this corporate philosophy, we are committed to fulfilling unmet medical needs. We aim to develop innovative new drugs that deliver a true benefit to patients. We are highly aware of our responsibilities as a pharmaceutical company dealing in medicinal drugs upon which human lives depend on, and we are working to further strengthen our level of compliance to ensure that all our actions not only fully comply with all legal regulations but

also are based on higher ethical standards.

To achieve sustainable development as a pharmaceutical company with a focus on new drug development, we have set a policy in drug discoveries that serves as the core of our business, as well as setting challenges in the current situation as follows.

In the policy of drug discoveries, we have pursued our “Compound-Orient” approach to development of new and unique drugs by identifying priority areas such as bioactive lipids and enzyme inhibitors, instead of targeting specific diseases, collecting a “library” of compounds that act on diverse targets and finding drugs that are effective against disease or support treatment from the library. As well as maximizing the potential of the well-stocked library, Compound-Orient is being updated with technologies that can pinpoint more accurately and speedily compounds that may be suitable for disease or therapy. We will also improve the efficiency of drug discovery research and the likelihood of success in discovering novel drugs through active collaboration with academic and research institutions and venture companies that have world-leading knowledge and technologies.



The pharmaceutical industry has been currently faced with a progressive decline in the success rate of drug discovery. While R&D costs are mounting for pharmaceutical companies, public policies are intent on curtailing medical costs through reforms of the healthcare system. We have been certainly facing extremely challenging times. In this context, we will address the current challenges through the following initiatives.

### ① Expanding the Development Pipeline

Vital to realizing sustained growth, we must expand our development pipeline and deliver new products to the market in a continuous stream. To that end, we must step up our drug discovery effort to develop original and breakthrough drugs using leading-edge technologies, and we will also continue trying to commercialize new drugs by introducing new drug candidates that have the highest value in terms of corporate strategy and medical needs on an ongoing basis. In clinical studies, we will also acceleratedly develop new drugs by proving their effectiveness and safety in a shorter time.

### ② Expanding Global Reach

We have no greater desire than to see the whole world use the new drugs that we have created. This is why we conduct business in the global arena, and we are driving clinical development forward in foreign countries, in addition to out-licensing to overseas partners to launch our original compounds into overseas markets. We are therefore moving ahead to develop the personnel we anticipate for this overseas business expansion and to strengthen our overseas business locations, as required.

### ③ Strengthening Corporate Infrastructure

We will focus our efforts on developing and bringing dynamism to our human resources for enhanced global competitiveness while also continuing to pursue realization of our innovation goals and to deal with all kinds of changing circumstances by strengthening internal and external collaborative ties and enhancing diversification. In addition, we will promote our CSR activities to a new level across the areas of corporate ethics, contribution to society, environmental awareness, and risk management.

For our CSR activities, we have selected the following priority areas in line with Ono Pharmaceutical Codes of Conduct: “Development of Innovative Pharmaceutical Products,” “Human Resources and Human Rights,” “the Environment,” “Fair Operating Practices” and “Society.” We will make company-wide efforts to address challenges in each of the areas on the basis of the corporate governance.

We appreciate your loyal patronage, and look forward to your continued support.

Gyo Sagara  
President, Representative Director, and CEO

## Identify six priority areas based on our corporate philosophy and codes of conduct, we will contribute to sustainable development of society through business activities.

In line with Ono Pharmaceutical Codes of Conduct, we have identified priority areas for CSR activities based on the corporate governance. Under the initiative of the CSR Committee, we will make company-wide efforts to promote the activities.

### CSR Management of Ono Pharmaceutical

Ono Pharmaceutical has established an unbroken and undaunted history in the pharmaceutical industry since its founding in 1717.

We believe that this was possible because our sincere efforts to develop safer and more effective new drugs under the corporate philosophy of "Dedicated to Man's Fight against Disease and Pain" have been valued by society.

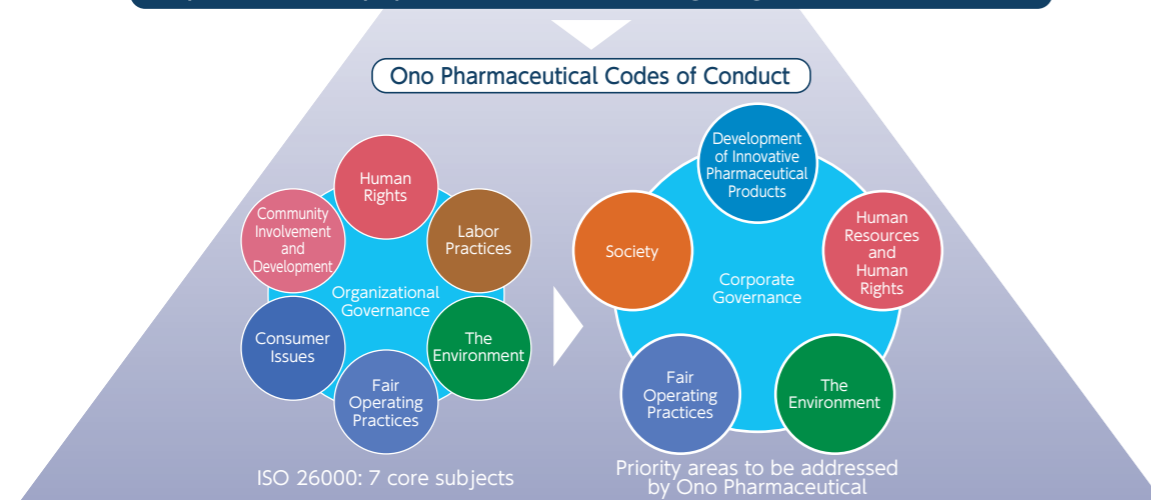
We will continue to be committed to the development of new drugs that truly benefit patients with all our strength from a global perspective while promoting proper business activities based on awareness of corporate social responsibility. In compliance with relevant laws, as well as in accordance with high ethical standards, our activities will be based on the following Ono Pharmaceutical Codes of Conduct:

#### Ono Pharmaceutical Codes of Conduct

1. We will develop safe, high quality and effective drugs that help people have a healthy life and provide society with them in addition to necessary information.
2. We will act with respect for human rights of all people in every aspect of our business activities.
3. We will comply with the law in every field of our business activities and try to maintain fair relationships with society.
4. We will make efforts to conserve the global environment in every field of our business activities.
5. We will strive for establishment of transparent corporate management and proactively disclose business information.
6. We will seek harmony with society as a corporate citizen.

Setting the above-mentioned codes of conduct as the cornerstone of CSR management, Ono Pharmaceutical will strengthen the compliance system to improve corporate governance which underlies CSR management. With "Development of Innovative Pharmaceutical Products," "Human Resources and Human Rights," "the Environment," "Fair Operating Practices" and "Society" selected as the core subjects, we will disclose information through a CSR report to fulfill accountability to our stakeholders.

### Corporate Philosophy: Dedicated to Man's Fight against Disease and Pain



### Priority Areas for Ono Pharmaceutical

#### Corporate Governance

To enhance corporate value, Ono believes that its important management tasks are not only in achieving strict compliance with laws and regulations, but also in improving transparency in corporate management and in strengthening the function of management control. To this end, Ono has adopted an Auditor-based (Board) organizational framework as a part of endeavors to bolster corporate governance focusing on enhancement of the functions of the Board of Directors and the Board of Auditors.

#### Development of Innovative Pharmaceutical Products

Ono considers that it is essential to expand its development pipeline and deliver new products to the market in a continuous stream in order to realize sustained growth. We will promote discoveries of breakthrough drugs using leading-edge original technologies while also focusing on licensing activities to introduce attractive new drug candidates for the treatment of diseases that pose the greatest medical needs. Through a combination of these two initiatives, we will deliver drugs that benefit patients in the true sense.

#### Human Resources and Human Rights

Ono believes that "People make the company," and actively supports the development of individual abilities and positive action taken without fear of failure. We promote making the work environment where the company and its employees can live in harmony and where individual abilities blossom

to their full extent, as well as efforts to improve safety and hygiene conditions. We value a society where human rights are fully respected and seek to establish a company with no discrimination due to race, nationality, ethnicity, sex, age, religion, belief or philosophy, sexual preference, academic background, disability or illness.

#### The Environment

Ono recognizes a corporate social responsibility regarding the environment, and we will work to protect and preserve the global environment in all of our business operations.

#### Fair Operating Practices

As advocated in Ono Pharmaceutical Codes of Conduct, we will act with respect for human rights of all people, comply with laws and regulations and strive to maintain fair relations with society in every aspect of our business activities. We are committed to providing employees with comprehensive education based on the Codes of Conduct and strengthening compliance so that we can establish and maintain fair, healthy, and transparent relations with medical personnel, customers, politicians, and governments.

#### Society

Ono will increase its value as a social entity by single-mindedly pursuing the development of drugs that truly benefit patients. We will also make sincere efforts to be involved in society and act in harmony with society as a local corporate citizen.

### How to Identify Priority Areas

- ① Ono Pharmaceutical Codes of Conduct represent the ideal state of a company from six perspectives based on high ethical standards.
- ② We identify the social issues to be considered for CSR management and divide them into those which we are required to address, those for which we should give support, and those for which we can give indirect support.
- ③ We review those issues and assess the progress in addressing the issues, as well as social demand, to identify any additional issues which we should also address or issues for which we should enhance our efforts.

### CSR Promotion Structure

To promote CSR activities, Ono has established the CSR Committee, which consists of managers from various divisions, with the Executive Director of Corporate Management Division as the chair. The committee deliberates and makes decisions on the important issues and subjects related to the six priority areas specified for our CSR activities: "Corporate Governance," "Development of Innovative Pharmaceutical Products," "Human Resources and Human Rights," "the Environment," "Fair Operating Practices" and "Society." The activities of the committee are reported to the management on a regular basis.



## Since the foundation, we have pursued the development of drugs that truly benefit patients. We will continue to make sincere efforts to meet the demands of society.

Ono has established an unbroken and undaunted history in the pharmaceutical industry spanning as long as almost 300 years. Using the technologies we have cultivated, we will continue to be devoted to the development of drugs that deliver a true benefit to the health of individuals.

1717



Yuzo Ono  
(9th generation Ichibei Ono)

Ichibei Fushimiya, the founder, set up the business. During the era of Yuzo Ono, who restored the business as the ninth generation Ichibei Ono, the company started R&D work on prostaglandins (PGs), and then succeeded at world's first biochemical synthesis of PGs as a corporation in 1968.

1960s  
to  
1970s

While vitamin pills had been produced more than any other drugs in Japan until the 1970, pharmaceutical products began to be used widely following the start of the national health insurance system in 1961. Ono released a lipid metabolism improving agent, and also established a study group on geriatric diseases with an aim to produce and market pharmaceutical products. Nevertheless, its lineup of the products was still limited. In 1965, at the ninth meeting of the study group on geriatric diseases held in Sendai, Yuzo Ono had a crucial experience for the company. He learned PGs from Professor Sune Bergström who was invited for the meeting and later awarded the Nobel Prize in Physiology or Medicine. In the same year, although there were no sufficient research workers or facilities, Yuzo Ono started to study PGs which can improve lipid metabolism, lower blood pressure by causing blood vessels to dilate and have various other effects, and launched the Rosenmorgen Project, which was named with a hope for the rosy dawn. At the same time, the Central Research Institute (now the Minase Research Institute) was established to strengthen the research system. This Rosenmorgen Project eventually achieved results when production of **PROSTARMON® F injection**, a labor-inducing drug, was permitted in 1973. This world's first PG drug attracted global attention, and defined the direction for Ono to establish the current position. Then, in 1976, Ono released **PROSTARMON® E Tablets**, an oral prostaglandin E2 labor-inducing drug, followed by the release of **PROSTANDIN® for injection** for the treatment of chronic arterial occlusive disease, which was the world's first prostaglandin E1 drug for circulatory organs, three years later in 1979.



PROSTARMON® F injection



PROSTARMON® E Tablets

In the meantime, a shadow was cast on the business development of Ono, which was establishing its global presence, when chloroquine retinopathy caused by medication became a major scandal. In the 1960s, large scandals of thalidomide, quinoform, and other drugs occurred one after another and rocked Japan. While such drug disasters attracted growing attention in society, a paper published in Germany raised concerns about chloroquine contained in **KIDOLA® Tablets**, a drug for treatment of renal disease released by Ono in 1961. Damage induced by the drug spread due to improper safety and effectiveness assessment at that time compared to the standards of the present, as well as insufficient warning to medical workers. Eventually, the scandal of chloroquine was recognized as a social problem in Japan as well. In 1972, an association of the victims was formed and filed a suit against Ono and other manufacturers to the Tokyo District Court in 1975 (a settlement was reached in 1988). Learning a lesson from this case, Ono has been committed to the assessment of safety and effectiveness of drugs.



The Minase Research Institute  
(former Central Research Institute)

1980s  
to  
1990s

On the other hand, Ono developed its business steadily. The company listed its stock on the second section of the Osaka Securities Exchange in 1962 and on the Tokyo Stock Exchange in 1963, and then in 1969, reassigned the listed stock to the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange. Ono also enhanced its research and production facilities with completion of the first and second annexes to the Central Research Institute in 1970 and 1974 respectively, in addition to opening of the Fujiyama Plant in 1976. Becoming a first section-listed company, Ono began to draft a medium-term management plan for reinforcement of the management base and further growth, and launched the first three-year plan in 1979.



The Fujiyama Plant

During the two decades, Ono Pharmaceutical launched the world's first products one after another, including **FOIPAN® Tablets**, the world's first orally administered protease inhibitor for the treatment of chronic pancreatitis launched in 1985, **CATACROT® for injection**, the world's first thromboxane synthetase inhibitor that improves cerebral vasospasm after subarachnoid hemorrhage surgery and subsequent cerebral ischemic events as well as **OPALMON® Tablets**, the world's first orally administered prostaglandin-E1 derivative for the treatment of thromboangiitis obliterans, both released in 1988. In addition, **FOY® for injection**, a protease inhibitor, was launched in 1977. The company not only enhanced its R&D capabilities with completion of the third annex to the Central Research Institute and the Fukui Safety Research Institute in 1985 and a new research building of the Minase Research Institute (renamed from the Central Research Institute) in 1987 but also invited Sir John Robert Vane, a Nobel Prize winner, to launch drug discoveries in new fields. Ono's first overseas office was opened in London in 1982, and the company began to enter the global market on a full scale in the 1990s with opening of the Seattle and Boston Offices in 1990 (the Seattle Office closed in 1994). With establishment of Ono Pharma USA, Inc. in the US and Ono Pharma UK Ltd. in the UK in 1998, Ono advanced the development of a system to promote the clinical development in foreign countries.



OPALMON® Tablets

2000s  
to  
2010s

The period of the 2000s and 2010s has been a time to keep working aggressively on drug discovery in unknown fields for Ono Pharmaceutical. As a part of efforts related to the organization and facilities, the company established the Tsukuba Research Institute as a center for genome pharmacology in 2003, and established Corporate Development & Strategy Division in 2007 to boldly tackle the drug discovery through adoption of the external technologies in addition to the internal drug discovery. Ono has been particularly committed to three new areas of HIV, Alzheimer's disease and cancers. While regrettably giving up the effort to develop HIV medicine, the company successfully released a product for the treatment of Alzheimer's disease, **RIVASTACH® Patch**, which is the world's first percutaneous absorbent for the treatment of the disease, in 2011. Ono has also launched a website on the medical treatment of dementia to support fight against the disease from different angles. In the development of anticancer agents, Ono focuses its efforts on a self-developed product ONO-4538 (nivolumab). Development to apply ONO-4538 for the treatment of various cancers such as melanoma, non-small cell lung cancer, renal cell cancer, hematological cancer and hepatocellular carcinoma has been underway both in Japan and overseas. There are great expectations within and outside the company that ONO-4538 will help Ono to be "Dedicated to Man's Fight against Disease and Pain" and take the company one step higher.



RIVASTACH® Patch



## To improve management transparency and corporate value, we strive to enhance corporate governance.

Ono has in place a corporate governance system including the Board of Directors and the Board of Auditors.

We appoint Outside Directors and Outside Corporate Auditors to realize more sound and transparent management.

### Basic Concept

To respond to the trust of all stakeholders and increase corporate value, Ono believes that we are required not only to comply with laws and regulations but also to improve management transparency and enhance corporate governance.

### Corporate Governance Structure

Ono has adopted an Auditor-based (Board) organizational framework as a part of endeavors to bolster corporate governance focusing on enhancement of the functions of the Board of Directors and the Board of Auditors.

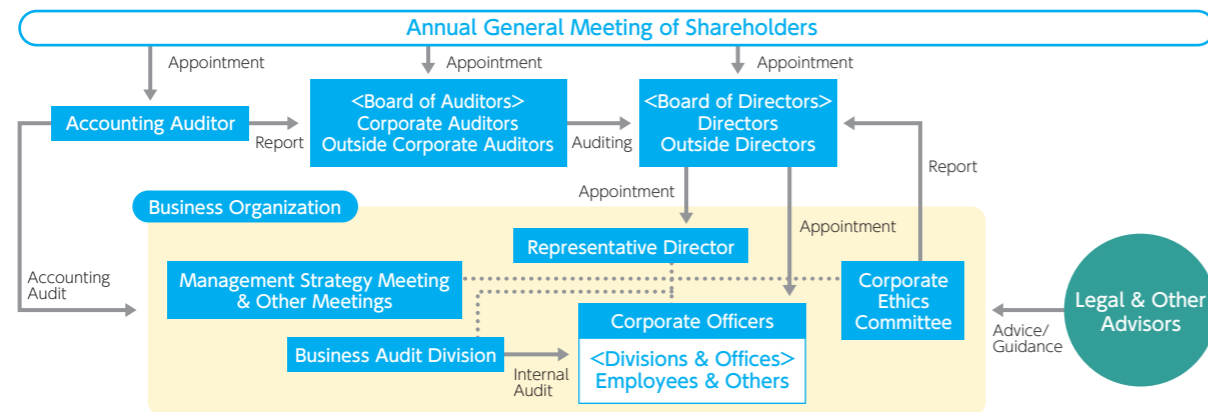
The Board of Directors aims to boost corporate dynamism, expedite decision-making and endeavors to ensure that the Board is comprised of the appropriate number of directors. Also, from June 2013, to ensure that operational management remains sound, administration remains surefooted and improvements are made, Ono invited two outside directors with expert knowledge and depth of experience onto the Board for further enhancement of corporate governance. Important matters related to operational management and executive decisions are discussed and made in various meetings. The Management Strategy Meeting is attended by the Directors and Corporate Officers, who variously take responsibility for each division, up to the President and Representative Director, as well as the managers of those divisions. The Directors and Corporate Officers also variously preside over meetings according to the significance and details of the management issues at hand, to deliberate and make executive decisions on those issues. We strive to achieve appropriate operational management that takes into consideration provision for supervisory functions by employing

such checks and balances. Furthermore, Ono also includes attendance at Management Strategy Meetings and inspection of the Board minutes within the scope of the Auditors' work. Introduction of the Corporate Officer System seeks to enhance operational management functions while allowing members of the Board of Directors to participate directly in important operational management as Corporate Officers, to implement continuous and stable business operations.

Meanwhile, the Board of Auditors fulfills its role through its members (four) attending the Board of Directors meeting and other key meetings, and auditing the execution of duties by directors via reports from directors and discussions thereof. As to outside corporate auditors, a lawyer and a certified public accountant are on the Board, respectively providing audit from objective and expert perspectives.

With regard to our system of internal control, the Board of Directors meeting held in May 2006 resolved that "a system for ensuring appropriateness of the company's operations" should be in place. To this end, such a system was created and is constantly under review, so as to strengthen and improve operational compliance as well as overall internal control. Furthermore, we adopt a firm stance fighting against any antisocial force or organizations that may threaten social order or security.

#### ●Corporate Governance Structure



## We are aware of our responsibility as a pharmaceutical company dealing in medicinal drugs upon which human lives depend, and working to ensure thorough compliance.

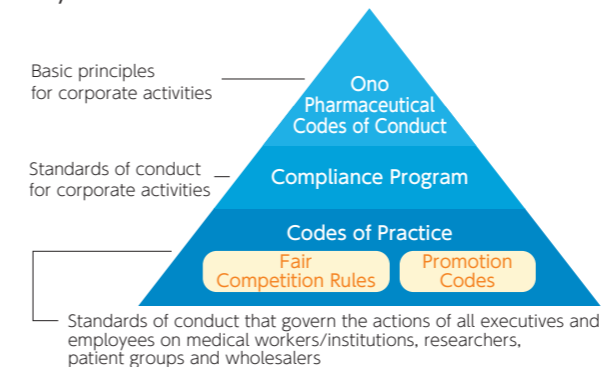
As a pharmaceutical company dealing in pharmaceutical products, Ono sets original standards of conduct and thoroughly trains all employees to ensure that our actions fully comply with all legal regulations and are based on higher ethical standards.

### Promotion of Corporate Ethics

#### Ethical System

Recognizing that actions based not only on laws but also on social practices and norms underlie corporate ethics, Ono has been committed to disseminating the importance of compliance with laws and internal and external rules to instill the principle in the company. Our ethical system consists of Ono Pharmaceutical Codes of Conduct, which serve as basic guidance for our corporate activities, and Compliance Program, which are standards of conduct for the activities, as well as Codes of Practice, which are based on the industry standards on promotion and other issues. Our efforts to comply with laws and regulations and maintain high ethical standards are in line with this system of Codes of Conduct.

#### ●System of Codes of Conduct in Ono Pharmaceutical



#### Compliance Promotion System

To promote compliance, Ono has appointed a Corporate Ethics Officer and set up the Corporate Ethics Committee under the officer to examine and deliberate compliance-related issues and plan and promote relevant training programs. We also have in place an organizational structure that can prevent and solve compliance problems, including establishment of internal and external contacts to receive internal information. We also instruct subsidiaries to establish a system and rules to prevent noncompliance, and also strongly ask affiliates and suppliers to take similar measures.

#### Compliance Education Program

Ono gives the following training courses for employees to enhance their awareness of compliance:

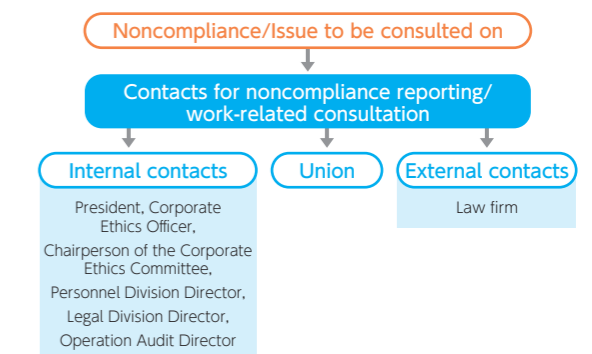
(1) During the Training Months (three months) specified every year, all employees attend training courses given by

leaders of respective divisions, as well as courses using an e-learning system, to learn knowledge on compliance in general (training on information security is provided separately).

(2) Training on the internal standards established based on laws and agreements in the industry is provided for relevant divisions on a regular basis. For example, compliance promotion staff in the Sales and Marketing Division visit each sales branch a few times each year to provide compliance training with focus on the dissemination of the internal standards relating to the pharmaceutical promotion code in Ono Pharmaceutical's Codes of Practice.

In addition to the regular training courses (1) and (2) above, in case of noncompliance, we may give special training to prevent occurrence or recurrence of noncompliance.

#### Noncompliance Reporting and Work-related Consultation System and Contacts



To prevent noncompliance and to identify any noncompliance as promptly as possible, take necessary measures and minimize any loss or decrease in credibility of the company, Ono has contacts for consultation related to compliance as well as a system to ensure that any reports will be passed to top management. In the system, informants can directly report to or consult with President and Corporate Ethics Officer. We have also appointed a law firm as an external contact. Anonymous reporting or consultation is available. Thus, the system is designed to encourage employees not to hesitate in reporting or consulting.

Ethical Considerations in R&D Activities

● Efforts in the Research Phase

■ Ethical Considerations in the Use of Samples of Human Origin

In recent years, research has been in progress to use samples of human origin for the prediction of drug effectiveness and side effect as a process prior to a clinical test. When samples of human origin are used for research, it is essential to make sufficient ethical considerations including protection of personal information of the donors. Ono has set ethical rules on "research using human tissues" and on "human genome and gene analyses" based on the basic guidelines issued by the Japanese Government. Our research using samples of human origin is practiced after assessment of the ethical and scientific validity in the Ethics Committee.

● Efforts in the Development Phase

■ Ethical Considerations in Clinical Tests to Ensure Human Rights

Clinical tests are essential for verifying the safety and efficacy of investigational products, and they must be performed with respect for the rights of trial subjects. Clinical trials are closely monitored for patient safety, following stringent scientific methodology based on the highest ethical standards. Ono is committed to evaluating the real merit of investigational products using well-established, reputable testing procedures that comply with Japan's Pharmaceutical Affairs Law and other related legislation, as well as the Declaration of Helsinki \*1 and ICH-GCP \*2, which are global standards.

\*1: "Ethical Principles for Medical Research Involving Human Subjects" first adopted at the World Medical Association in 1964. Biomedical research must ultimately include testing on human subjects in order to contribute to healthcare. The 1964 Declaration of Helsinki is the ethical foundation of modern clinical trials. (Source: the Pharmaceutical Society of Japan)

\*2: Good Clinical Practice (GCP) guidelines adopted by the International Conference on Harmonisation (ICH) for conducting pharmaceutical clinical trials in Europe, the United States and Japan. (Source: Pharmaceuticals and Medical Devices Agency)

■ Ethical Considerations in Animal Experiments

Ono hopes to contribute to society through development of drugs that help people have a healthy life, which involves drug discovery research using laboratory animals as an essential process. We believe that such research using laboratory animals must respect the lives of the animals from the aspect of animal welfare, minimize pain and distress to them and meet the objective with the minimum necessary number of animals. To this end, we have set up the Ethics Committee of Animal Experimentation in the company, which conducts prior examination to ensure implementation of proper tests with due consideration of replacement (to actively adopt alternative test methods), reduction (to use a smaller number of laboratory animals) and refinement (to relieve pain and distress).

■ Fair Use of Genetic Resources

Based on the Fundamental Principles of Research on the Human Genome (issued by Council for Science and Technology, Bioethics Committee on June 14, 2000) and the Ethics Guidelines for Human Genome/Gene Analysis Research (issued by the Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Health, Labour and Welfare and the Ministry of Economy, Trade and Industry of Japan, and fully revised on February 8, 2013), Ono established the Ethics Committee on August 6, 2001 to ensure that its human genome and gene analysis research is ethically and scientifically viable and that no human rights or dignity of the donors and their relatives are undermined. The committee reviews the ethical and scientific viability of proposed trials related to human genome and gene analysis research. In response to the full revision of the Ethics Guidelines for Human Genome/Gene Analysis Research, we are currently reexamining the rules of the Ethics Committee on human genome/gene analysis research.

Product Liability

System to Ensure the Reliability of Drugs

Ono supplies safe, quality and effective drugs in a stable manner, and provides and collects information to ensure that its drugs are used properly at the frontline of healthcare. We always give first priority to patients, and have started to prepare a drug risk management plan and operate a drug quality system. These activities are part of our efforts to establish a system to ensure that patients and medical personnel can use our medical products in a safe and reliable manner.

Efforts to Ensure Reliability

● Basic Policy for Quality Assurance

Quality Assurance Policy of Ono Pharmaceutical

Pharmaceutical products are related to the lives of people, and play a crucial role in maintaining health and treating diseases. It is vital that their quality is stable and uniform and have no safety problem. Accordingly, we must make efforts not only to secure and guarantee quality of drugs but also to ensure the safety and efficacy of the drugs that we get on the market for maintenance of health and treatment of diseases.

Recall

Ono has in place a system to recall any products with problems related to safety, quality or efficacy after promptly providing information on them for medical personnel. We conduct a drill in preparation for recall on a regular basis to confirm that we can recall products quickly even in an emergency case.

Efforts to Improve User-friendliness

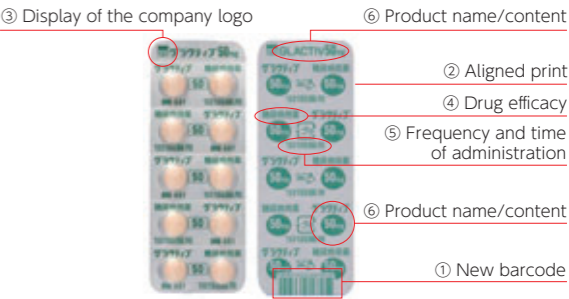
Ono is committed to development and improvement of products so that, for example, patients can store drugs in a more convenient manner, patients can take drugs safely without water, or children can take drugs easily. We are also developing products designed to allow necessary information to be written on them or their packages in order to avoid confusion of products at medical institutions and prevent patients from using the drugs improperly.

For the Proper Use of Pharmaceutical Products

Medical institutions make efforts to prevent malpractice such as confirmation of the drug name, dosage and other information before prescription for patients. Self check of the name, dosage, etc. by the patients before administration will further ensure the safety and security of medication. Ono prevents malpractice through various measures, including clearer labelling on containers to avoid confusion

of drugs by patients, their family members, doctors and nurses, as well as labels showing the drug name and content clearly even on divided PTP sheets.

● Example of Measures to Prevent Malpractice



Information on Side Effects

For safe and proper use of drugs, collection and provision of information on safety (side effects) is crucial in the pharmaceutical industry. Information on safety (side effects) is collected through reports from patients and medical institutions, surveys conducted by pharmaceutical companies, review of academic papers and other means. We assess the collected information and accordingly revise precautionary statements in the attached documents when necessary. We also provide information for the frontline of healthcare in a timely manner to ensure safe and proper use of drugs.

Risk Management

1. Rules and Other Systems for Risk Management

- (1) Ono manages risks related to compliance, production safety and quality, health and safety, environment, disasters, information security and other issues based on respective internal rules through preparation and distribution of procedures in the relevant sections, as well as training and other measures.
- (2) The risks that are considered to have significant impact on management and cross-organizational risks are addressed at the meeting attended by the President and the Directors and Corporate Officers who respectively take responsibility for the relevant divisions, as well as the managers of those divisions, which monitors risks and takes necessary measures against them. In case of unexpected risks, the President calls a meeting of the Emergency Response Committee to solve problems promptly.
- (3) Risks specific to individual divisions are addressed by the divisions when necessary through preparation of response procedures and other measures.

2. Systems to Ensure that Directors Execute Their Duties in an Efficient Manner

- (1) The Corporate Officer System, which authorizes Corporate Officers to perform their duties in the divisions for which they take responsibility, has been introduced to speed up the decision making process, improve management efficiency and realize flexible management that can respond to changes in the environment quickly.
- (2) The Board of Directors holds a meeting every month in principle, as well as an extraordinary meeting when necessary, to make decisions on important issues and supervise execution of duties by Directors.
- (3) The Management Strategy Meeting, which is attended by the Directors and Corporate Officers, who variously take responsibility for each division, up to the President and Representative Director, as well as the managers of those divisions, discusses and deliberates management strategy, urgent business challenges, important issues related to business operations, issues related to company-wide operations and important reports from the divisions, and if needed, informs the Board of Directors of the results for discussion.

3. Systems to Ensure that the Company and its Corporate Group Composed of the Company's Subsidiaries are Operating in an Appropriate Manner

Ono provides sound advice and guidance in order to promote the compliance and risk management systems of the entire Ono Group. As to the management of each Group company, while respecting its autonomy, Ono receives reports on their business operations on a regular basis and makes preliminary arrangements for important issues.



Combining our proprietary technologies for drug discovery with cutting-edge technologies in Japan and overseas, we are developing drugs that meet patients' demand.

To tackle the diseases that remain unconquered as yet and meet various unsatisfied needs of patients, Ono is fully committed to research and development of totally new pharmaceutical products.

Business Model Sought by Ono Pharmaceutical

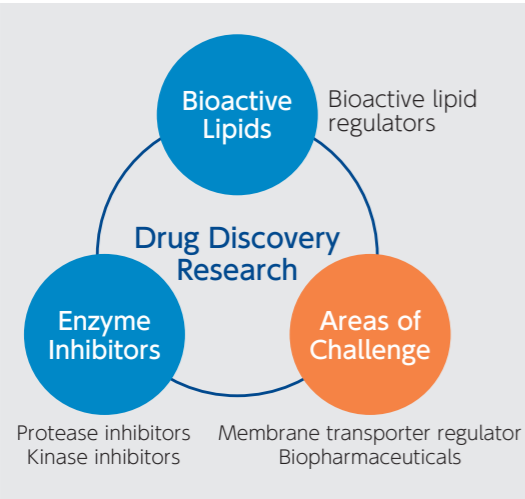
Under the corporate philosophy of "Dedicated to Man's Fight against Disease and Pain," Ono is committed to fulfilling unmet medical needs. To this end, we actively strive to develop innovative new drugs, adopting the research and development principle to "Deliver our contribution to society by developing drugs that truly benefit patients."

In our drug discovery research, we recognize bioactive lipids and enzyme inhibitors as areas where we can use the technologies and know-how accumulated in our long history through research into prostaglandins/leukotrienes and enzyme inhibitors. We are engaged in drug discovery research involving bioactive lipid signal mediators and protease/kinase inhibitors. To find the areas of new challenge to develop world-class original and breakthrough pharmaceutical products, we are utilizing know-how developed through neuroscience research and gene assets obtained through genome research as we resolutely take on the challenge in new areas involving modulators of membrane transport system such as ion-channels and transporters as well as biotechnology based medicines. As a drug discovery method, we collect a "library" of compounds that act on diverse targets in the course of our research, and pursue our original path using Compound-Orient, enabling us to identify drugs that are effective against disease or support treatment. We have

also employed technologies that can pinpoint more accurately and speedily compounds that may be suitable for disease or therapy to improve the efficiency of drug discovery research.

Across all areas of drug discovery, we also make active use of world-leading technologies and the "seeds" of breakthrough drug discoveries identified externally, and combine them with our own original drug discovery methods to develop original and epoch-making pharmaceutical products.

For sustainable growth, we also aim to expand the development pipeline so as to provide a continuous stream of new market launches. We continue to forge ahead with licensing activities to introduce attractive new drug candidates that meet high therapeutic need, and that have the highest value in terms of corporate strategy and efficiency, while taking into consideration the development pipeline and existing products. We must also speed up the establishment of proof of concept for this expanded development pipeline. We will promote business activities in the global arena to see the whole world use the new drugs that we created while also driving clinical developments forward in Asia, as well as Europe and the USA, and aiming at out-licensing to overseas partners to launch our original compounds onto overseas markets.



| In-/out-licensing partners   |
|--|
| Merck & Co., Inc. (USA), Bristol-Myers Squibb Company (USA), Novartis Pharma AG (Switzerland), Helsinn Healthcare, S.A. (Switzerland), PAION AG (Germany), Nissan Chemical Industries, Ltd. (Japan), Progenics Pharmaceuticals, Inc. (USA), Kadmon Corporation, LLC (USA), Onyx Pharmaceuticals, Inc. (USA), Les Laboratoires Servier (France), Amgen Inc. (USA), Merck KGaA (Germany) and BIAL (Portugal) |

| Drug discovery alliances  |
|---|
| Array BioPharma Inc. (USA), Locus Pharmaceuticals, Inc. (USA), Evotec AG (Germany), Xention Limited (UK), BioSeek LLC (USA), Receptos Inc. (USA), BioFocus DPI Limited (UK), Scil Proteins GmbH (Germany) and Domain Therapeutics S.A. (France) |

Progress in the Development of New Drugs

The Minase Research Institute, the hub of our drug discovery and research, has a commemorative plaque with "Dedicated to Man's Fight against Disease and Pain," which is Ono Pharmaceutical's corporate philosophy, written on it. Ono will remain true to the corporate philosophy, clearly engraved in stone and in mind, pursuing our passion for the discovery of original and innovative drugs. We will rely on this commitment that has sustained us for nearly three centuries, combined with the technology and know-how we have against disease. Ours is a relentless quest for the development of drugs that deliver true benefit to the health of individuals and genuine contribution to the good of society.

The development pipeline currently has new drug candidates in the areas of cancer treatment and supportive care for it, including antibody drugs and other anticancer agents as well as agents for the treatment of cancer cachexia, in addition to drug candidates for treatment of multiple sclerosis and other diseases. We are working to develop them for quick commercialization.

New Drugs in Development Overseas

| Product (development code) | Proposed indication   | Phase I | Phase II | Phase III |
|----------------------------|---|---------|----------|-----------|
| ONO-4538                   | Renal cell cancer   |         |          |           |
| ONO-4538                   | Non-small cell lung cancer  |         |          |           |
| ONO-4538                   | Melanoma  |         |          |           |
| ONO-4641                   | Multiple sclerosis  |         |          |           |
| ONO-6950                   | Bronchial asthma  |         |          |           |
| ONO-4053                   | Allergic rhinitis   |         |          |           |
| ONO-2952                   | Irritable bowel syndrome  |         |          |           |
| ONO-4538                   | Triple-negative breast cancer, stomach cancer, pancreatic cancer and small cell lung cancer |         |          |           |
| ONO-4538                   | Hematological cancer  |         |          |           |
| ONO-4538                   | Hepatocellular carcinoma  |         |          |           |
| ONO-4538                   | Hepatitis C   |         |          |           |
| ONO-7746                   | Thrombocytopenia  |         |          |           |
| ONO-9054                   | Glaucoma, ocular hypertension   |         |          |           |
| ONO-4059                   | B-cell lymphoma   |         |          |           |
| ONO-8055                   | Underactive bladder   |         |          |           |
| ONO-8539                   | Gastroesophageal reflux disease   |         |          |           |
| ONO-1266                   | Portal hypertension   |         |          |           |
| ONO-4232                   | Acute cardiac insufficiency   |         |          |           |

New Drugs in Development in Japan

| Product (development code)      | Proposed indication                      | Phase I | Phase II | Phase III |
|---------------------------------|--|---------|----------|-----------|
| PROEMEND® Intravenous Injection | Chemotherapy-induced nausea and vomiting |         |          |           |
| RIVASTACH® Patch                | Alzheimer's disease                      |         |          |           |
| ONO-4538                        | Renal cell carcinoma                     |         |          |           |
| ORENCIA® IV Infusion            | Juvenile idiopathic arthritis            |         |          |           |
| ORENCIA® IV Infusion            | Lupus nephritis                          |         |          |           |
| ONO-2745                        | General anesthetic                       |         |          |           |
| ONO-7165                        | Non-small cell lung cancer               |         |          |           |
| ONO-4641                        | Multiple sclerosis                       |         |          |           |
| ONO-3849                        | Opioid-induced constipation              |         |          |           |
| ONO-7643                        | Cancer anorexia / cachexia               |         |          |           |
| ONO-4538                        | Melanoma                                 |         |          |           |
| ONO-4538                        | Non-small cell lung cancer               |         |          |           |
| ONO-7057                        | Multiple myeloma                         |         |          |           |
| ONO-5163                        | Secondary hyperparathyroidism (SHPT)     |         |          |           |
| ONO-6950                        | Bronchial asthma                         |         |          |           |
| ONO-7056                        | Solid tumor                              |         |          |           |
| ONO-7268                        | Hepatocellular carcinoma                 |         |          |           |
| ONO-1162                        | Chronic heart failure                    |         |          |           |
| ONO-2160/CD                     | Parkinson's disease                      |         |          |           |

Financial report for the second quarter of the year ending March 31, 2014 (as of November 5, 2013)

Global Operation Sites

**Ono Pharma UK Ltd.**

- Clinical development
- Licensing initiatives
- Drug discovery collaborations

**Ono Pharma USA, Inc.**

- Clinical development
- Licensing initiatives
- Drug discovery collaborations

**Seoul Branch**

- Application for development and support of marketing activities

**Head Office**

Europe: 23% Asia: 77%

Export sales in FY2012: 2.4 billion yen

Sales by region are calculated based on the location of the company which booked the sales.

## Products in Key Areas

● **GLACTIV® Tablets** (generic name: sitagliptin phosphate hydrate) for the Treatment of Type 2 Diabetes

Sales in FY2012: 34.8 billion yen

**GLACTIV® Tablets** are usually used for the treatment of type 2 diabetes. This product was released in December 2009 as the first drug aimed at type 2 diabetes with the novel mechanism of action in Japan.

Single daily dosing of **GLACTIV®** improves blood sugar levels by enhancing the function of incretin, which stimulates secretion of insulin, a hormone released from pancreas with a function to lower blood sugar levels.

The treatment of diabetes is based on dietary and exercise therapy. **GLACTIV®** is administered when dietary and exercise therapy, or combination of the therapy with diabetes drugs, has insufficient effect.



● **RECALBON® Tablets** (generic name: minodronic acid hydrate) for the Treatment of Osteoporosis

Sales in FY2012: 7.7 billion yen

**RECALBON® Tablets** are usually used for the treatment of osteoporosis.

Osteoporosis is a disease in which bones become fragile and more likely to fracture due to low bone mass (e.g. calcium, collagen). Risk factors for osteoporosis include aging, calcium deficiency, physical inactivity, smoking and drinking. Particularly in case of women, a decrease in estrogen following menopause is a major cause of this disease as it leads to an imbalance in bone metabolism. Patients with osteoporosis may have a spine or hip fracture and consequently suffer a decrease in the quality of life.

**RECALBON® Tablets** inhibits release of calcium from bones (bone resorption) to increase the bone mass and also reduce the incidence of spinal compression fracture. We offer **RECALBON® Tablets** for single daily dosing and for dosing every four weeks. There are usually various restrictions on the administration of drugs for the treatment of osteoporosis, which involve complexity and inconvenience in the daily life that may lower the rate of continuing the dosing or the rate of dosing the drugs. As an option to mitigate this problem, we developed **RECALBON® Tablets** for dosing every four weeks and released it in September 2011.



● **RIVASTACH® Patch** (generic name: rivastigmine) for the Treatment of Alzheimer's Disease

Sales in FY2012: 3.9 billion yen

**RIVASTACH® Patch** is usually used to inhibit the progression of symptoms of Alzheimer's disease.

**RIVASTACH® Patch** is the first transdermal patch for the treatment of Alzheimer's disease in Japan. Application of the patch can improve neurotransmission in the brain and thereby slow the progression of symptoms of Alzheimer's disease such as memory loss.

Adoption of the patch style has reduced the side effects of the drug on gastrointestinal symptoms, and also enabled administration to patients with dysphagia or difficulty in taking oral agents. The administration can be also visually checked, which can reduce burden on the caretakers who supervise the administration. This drug was released in July 2011, and is now used over 80 countries and regions across the world.



● **EMEND® Capsules** (generic name: aprepitant) and **PROEMEND® Intravenous Injection** (generic name: fosaprepitant meglumine) for the Treatment of Chemotherapy-induced Nausea and Vomiting

Sales in FY2012: 7.9 billion yen

**EMEND® Capsules** and **PROEMEND® Intravenous Injection** are used to prevent gastrointestinal symptoms caused by anticancer drugs such as nausea and vomiting.

For the patients who receive administration of anticancer drugs, nausea and vomiting are among the most painful side effects. Failure to prevent these symptoms often deteriorates the physical and psychological conditions of the patients and eventually interferes with continuous cancer chemotherapy. Prevention, or relief, of nausea and vomiting is vital to maintenance of the quality of life in cancer patients, as well as continuous cancer chemotherapy.

**EMEND® Capsules** and **PROEMEND® Intravenous Injection** suppress the central emetic response to inhibit chemotherapy-induced nausea and vomiting. In addition to **EMEND® Capsules**, we developed **PROEMEND®** for intravenous injection and released it in December 2012 to meet the demand in the medical front for the treatment of the cancer patients who have difficulty in oral medication.



● **STAYBLA® Tablets** and **STAYBLA® OD Tablets** (generic name: imidafenacin) for the Treatment of Overactive Bladder (OAB)

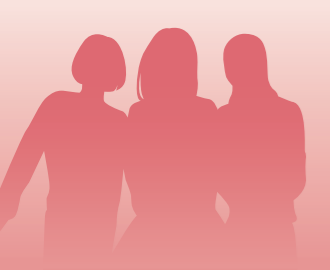
Sales in FY2012: 6.4 billion yen

**STAYBLA® Tablets** and **STAYBLA® OD Tablets** are usually used for the treatment of symptoms associated with OAB including frequent urination, urge urinary incontinence and urgency of urination.

Overactive bladder (OAB) is a disease in which the bladder contracts uncontrollably. The patients may suddenly have too strong urge to urinate to tolerate, leak urine before getting to the bathroom and go to the bathroom eight or more times during the day and one or more times at night (as a reference). They go to the bathroom frequently out of fear of leaking urine, and the disease thus affects their entire life. Some patients even have difficulties in working, going out and other activities of daily life, and experience a decrease in the quality of life.

**STAYBLA® Tablets** block nerve messages that contract bladder muscles to inhibit excessive and uncontrollable contraction of bladder smooth muscles and help keep urine in the bladder. We also offer orally disintegrating (OD) tablets, which can be taken easily without water by soaking the tablet with saliva on the tongue, lightly crushing it with the tongue and then swallowing it with saliva.





Based on the idea that “People make the company,” we are promoting a corporate climate where all employees can demonstrate their abilities and work lively.

Ono is committed to development of human resources that can adapt to changes in the environment and play active roles in the global arena. We also promote diversity with a well-developed training system and through establishment of a pleasant working environment.

Development of “Self-directed” Human Resources

Provision of Growth Opportunities

Ono organizes a wide range of training programs including joint training for new employees from all divisions, departmental introductory training for medical representatives (MRs) and other staff, annual training for young employees in their 3rd and 5th year, pre-management training for employees in their 8th and 13th year and collective training for employees in their 20th and 30th year. Position-based training is also provided for managerial staff, namely section leaders, assistant managers and division managers, once a year with focus on what management is required for organizational growth. In addition to these seniority- and position-based training programs, we also organize English language training in Japan and overseas and send employees to overseas affiliates in a continuous manner to develop human resources that can contribute to our global strategy.

As part of our commitment to promotion of diversity, we provide training for female workers with the aim of establishing a corporate culture where women can work more actively and demonstrate their abilities. Training is also conducted at medical institutions specializing in dementia, diabetes and cancers so that our employees have opportunities to listen to the opinions of patients and medical staff directly and know in depth the needs in the medical field. In addition, we have a system to assist employees in self-learning with an aim to develop a culture where they study and grow independently. While committed to development of human resources that can respond promptly to changes in the environment and contribute to society, we are also working actively to create an environment where employees can improve their capabilities and deliver good performance.

Pleasant Working Environment

Marriage

- System for employees who have to give up their jobs after getting married to register in advance to apply for reemployment

Employees who have to give up their jobs due to difficulty in balancing work and home life even with help from various programs offered by the Company are eligible to register in advance to apply for reemployment. After the situation changes so that such retired employees can return work, they inform the Company accordingly, and when the Company recruits staff, it reemploys them if appropriate.

- Special paid vacation for employees getting married

Employees getting married are granted a five-day special paid vacation.

Family Care and Nursing Care

- Nursing care leave scheme that exceeds the legal requirements

While companies are legally required to give nursing care leave for up to 93 days in total per family member in need of care, Ono gives the leave for up to a year in total.

- Shortened work hours for nursing care

When an employee wants to work in a shorter time than the regular working hours to engage in nursing care, the working time can be reduced by up to two hours a day.

- Family care leave scheme

Employee who have to provide care to preschool children and other family members in need of care can take family care leave without pay. The prescribed number of days is five for employees with one person in need of care, and 10 days for those with two or more such persons.

- System for employees who have to give up their jobs for nursing care to register in advance to apply for reemployment

This system is same with the system for employees who have to give up their jobs after getting married to register in advance to apply for reemployment.

Childbirth and Child-raising

- Shortened work hours for child care

When an employee who is raising a child in the third grade or younger wants to work in a shorter time than the regular working hours, the working time can be reduced by up to two hours a day (in units of 30 minutes; also available in installments).

- Extension of the child care leave

If no day-care centers are available or under other reasonable circumstances when the child turns one year, employees can extend the period of child care leave to the date when the child becomes 18 months of age, or to March 31 after the child becomes one year of age, whichever comes later.

- System for employees who have to give up their jobs for child care to register in advance to apply for reemployment

Employees who have to give up their jobs due to difficulty in balancing work and home life even with help from various programs offered by the Company are eligible to register in advance to apply for reemployment. After the situation changes so that such retired employees can return work, they inform the Company accordingly, and when the Company recruits staff, it reemploys them if appropriate.

Retirement

- Scheme to reemploy retired employees as non-regular staff

All applicants for this scheme can extend their retirement age in a phased manner to 65, the time when they start to receive their pension.

- System for employees who have to give up their jobs due to the transfer of the spouse to a different location to register in advance to apply for reemployment

Employees who have to give up their jobs due to difficulty in balancing work and home life even with help from various programs offered by the Company are eligible to register in advance to apply for reemployment. After the situation changes so that such retired employees can return work, they inform the Company accordingly, and when the Company recruits staff, it reemploys them if appropriate.

Promotion of Opportunities for Women to Play Active Roles

Ono regards human resource development as one of its key management issues, and especially works for creation of a system where women can work lively as a priority issue. In addition to programs to support childbirth and child-raising that exceed the legal requirements, we assist the employees who have used the programs in returning to work smoothly and aim to develop a comfortable working environment for them after the return.

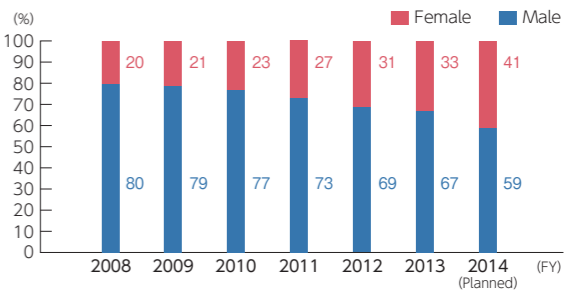
We have also increased recruitment of women in all divisions in recent years, and the ratio of female new graduate hires is rising year by year.

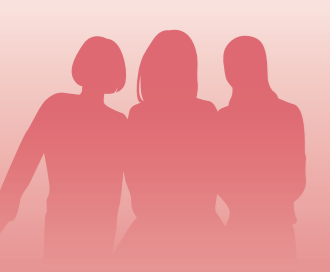
While women account for only a small proportion of the managers at present, we organize training for female employees and seniority-based training to ensure that women can develop their capabilities to play more active roles including those in managerial positions.

In the future, we will make efforts to help employees

improve their capabilities through development of career advancement plans designed for their individual career paths, as well as interviews, and to create a working environment where all employees can work with dreams and motivation.

Ratio of female new employee





**While striving to establish safe and hygienic workplaces, we will respect human rights in every aspect of our business activities.**

Ono regularly holds health and safety committee meetings to improve the working environment. We also respect human rights in our business activities based on Ono Pharmaceutical Codes of Conduct.

## Health and Safety

### Workplace Health and Safety Activities

Ono regularly holds health and safety committee meetings in plants and research institutes, where findings from health and safety inspections are reported and areas for improvement are proposed, while working to make employees fully aware of health and safety procedures.

The inspections are carried out for all establishments annually. They include inspections of fire and other disaster prevention measures, fire extinguishing and first aid equipment, safe handling of machinery, implementation level of safety procedures, transportation operations and cleaning and housekeeping.

In the Head Office and other workplaces in which a health committee needs to be established, health committee members from the union and management have discussions

on health, report the results of environmental measurement in workplaces and conduct the review of overtime working hours and other issues.

#### ●Numbers of Industrial Accidents



While the number of industrial accidents in FY2012 was 10, there was no accident resulting in lost work time.

## Respect to Human Rights

Also see the "Compliance" section on P11.

We will respect human rights of all people in every aspect of our business activities.

Based on this principle, we adopt the policy that "no discrimination should be allowed either inside or outside the Company due to race, nationality, ethnicity, sex, age, religion, belief/philosophy, sexual preference, academic background, disability or illness," and promote establishment and operation of the personnel system in line with the policy. We also prohibit any forms of harassment and provide compliance training with focus on harassment.

Furthermore, Ono supports international norms and codes regarding human rights, including the Universal Declaration of Human Rights, the core labor standards of the ILO (International Labour Organization) and the Voluntary Principles on Security and Human Rights.

## Relationship with the Unions

Ono Pharmaceutical has two labor unions, namely the nationwide union of Ono workers and the industrial union (chemical & general) of Ono workers in Joto Plant.

As of March 31, 2013, the nationwide union of Ono workers has 1,835 members while the industrial union (chemical & general) of Ono workers has 26 members. Both unions have good relationships with the Company.

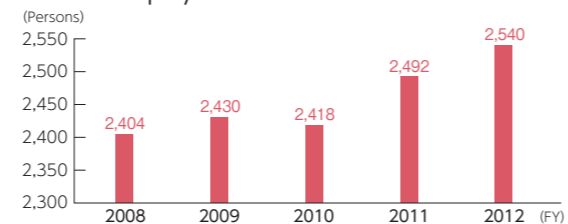
## Composition of the Employees

The table below shows the number, average age and average service years of employees in Ono as of March 31, 2013.

|                                      | Non-consolidated data         |                               |                           |
|--------------------------------------|-------------------------------|-------------------------------|---------------------------|
|                                      | Total                         | Male                          | Female                    |
| No. of employees (consolidated data) | 2,540 persons (2,807 persons) | 2,188 persons (2,334 persons) | 352 persons (473 persons) |
| Average age                          | 39.8 years old                | 40.0 years old                | 38.5 years old            |
| Average service years                | 15.8 years                    | 15.9 years                    | 15.1 years                |

\* The figures in brackets indicate the total number of employees in Ono and its consolidated subsidiaries.  
\* The numbers of new employees in the past three fiscal years were: 139 persons in FY2011, 101 persons in FY2012 and 123 persons in FY2013.

#### ●No. of employees



**We have formulated an Environmental Self-regulating Action Plan, are aware of challenges in environmental conservation and make continuous efforts to reduce environmental impact.**

Ono understands the whole picture of environmental impact, and promotes environmental conservation activities with a system developed under the initiative of the Environmental Management Office and the Environmental Management Committee.

In recent years, abnormal weather has increased its intensity, and other impacts of global warming have also been growing continuously. Fight against global warming is one of the inevitable tasks for human beings.

Accordingly, Ono has formulated an Environmental Self-regulating Action Plan. In line with the plan, we make company-wide efforts to reduce greenhouse gas emissions from our business activities, and with recognition of corporate social responsibility for the environment, strive to perform environmentally friendly activities in all business fields to help improve the global environment.

### Ono Pharmaceutical Environmental Guidelines

We recognize that our company has a social responsibility regarding the environment, and we will work to protect and preserve the global environment in all of our business operations.

- In addition to fully complying with all environment-related laws and regulations, we will establish targets and action plans in a continuous effort to protect and preserve the environment, including natural resources and biodiversity.
- In all of our business operations we will implement environment-focused measures such as saving resource and energy, recycling, reducing waste and preventing pollution.
- We will endeavor to produce eco-friendly products and will cooperate with society.
- With the participation of every employee, we will strive to further understand environmental issues and to promote environment-related activities.

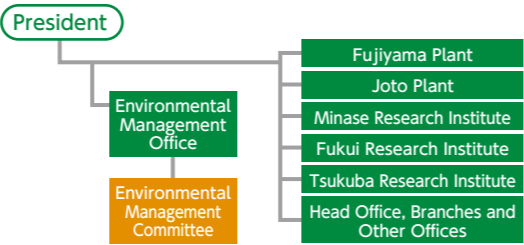
## Environmental Management

In accordance with the above-mentioned Environmental Guidelines, we have formulated an Environmental Self-regulating Action Plan. We are committed to achieving the specific targets set for six items as presented below.

| Objective                                   | Target   | Activities in FY2012  |
|---|--|---|
| Commitment to a Low Carbon Society          | Reduce CO <sub>2</sub> emissions by 23% from the 2005 level in 2020  | CO <sub>2</sub> emissions in FY2012 increased by 20% from the FY2011 level and by approximately 8% from the FY2005 level. The increase is mainly due to the significant deterioration of the GHG emission factor as a result of shutdown of the nuclear power plants.                           |
| Control of chemical substances              | The release and transfer volume of the PRTR Class I designated chemical substances is around 10 tons. We work to minimize the release in addition to complying with relevant laws and regulations. | The release and transfer volume of the notified chemical substances was 8.2 tons.   |
| Waste reduction                             | Reduce the amount of waste landfilled by 40% from the FY2010 level by FY2015.  | The amount of waste landfilled was 14 tons in FY2012, 22.2% less than 18 tons in FY2010. The recycling rate was 29.8% in FY2012 while it was 31.5% in FY2010.   |
| Measures to control air and water pollution | Thoroughly comply with emission standards, and continue to make efforts to prevent any environmental accidents or complaints from local communities.   | We received no complaints about environmental issues such as noise, offensive odor and vibration.   |
| Environmental accounting                    | Disclose environmental accounting data in accordance with the guidelines issued by the Ministry of the Environment of Japan.   | In addition to disclosure of data on environmental cost, capital investment, economic effect and environmental conservation effect, we evaluated environmental efficiency. According to the evaluation, the environmental impact in FY2012 slightly deteriorated by 2.3% from the FY2000 level. |
| Engagement with local communities           | Support local communities through cleanup and other activities, and endeavor to prevent any workplace accidents involving employee injury.   | Employees of our plants and research institutes participated in cleanup campaigns and fire fighting activities of the respective local communities. We also disclosed data on relationships with our employees in reference to the environmental guidelines.                                    |

Environmental Management Promotion Structure

The Environmental Management Office is responsible for all environment-related issues at Ono Pharmaceutical. Meanwhile, members of the Environmental Management Committee consisting of representatives from sections across the company gauge the current situation and promote environmental management. In addition, each of our research institutes and manufacturing plants, which have greater environmental impact, has a subcommittee to work on environmental issues.



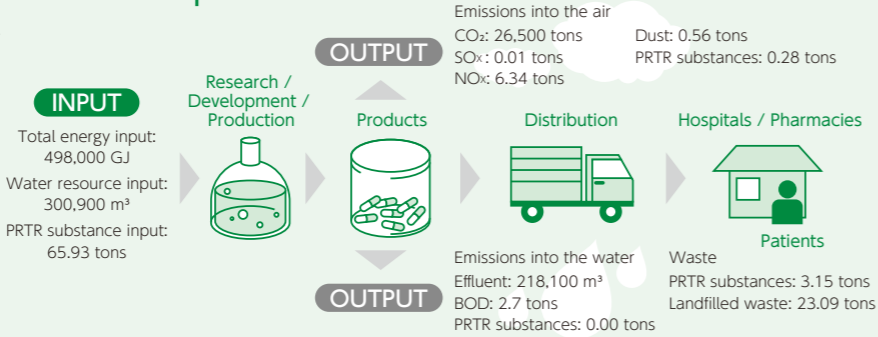
In line with the statement in Ono Pharmaceutical Environmental Guidelines "We recognize that our company has a social responsibility regarding the environment, and we will work to protect and preserve the global environment in all of our business operations," each of the manufacturing bases of the production & distribution division (Fujiyama and Joto Plants) has established an environmental management system in accordance with ISO 14001 and formulated environmental policy for the operation of the system.

Engagement of Ono Pharmaceutical with the Environment

Overall Picture of Environmental Impact

Eco Balance in FY2012

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



Measures to Address Global Warming

Because we do not conduct any synthesis of pharmaceutical substances at Ono Pharmaceutical, our discharge volumes of carbon dioxide (CO<sub>2</sub>), wastes and chemical substances have remained relatively low as a pharmaceutical company and are within ranges that do not cause concerns to society. Nevertheless, the amounts of CO<sub>2</sub>, waste and chemical substances discharged at Ono Pharmaceutical are all higher than the levels in 1990, which is the base year set in the Kyoto Protocol for the target of reducing total emissions. This is attributable to the company's growth resulting in the

doubling of sales and tripling of R&D investment compared to those in 1990. Despite our continued efforts to reduce environmental impact during the period, increase of environmental impact associated with company growth has exceeded the volume that has been reduced. We recognize that future reduction of the environmental impact measured by total volume will continue to be an agenda for Ono Pharmaceutical to tackle. We will continue our efforts to consider all aspects of environmental action and achieve the new targets as mentioned below.

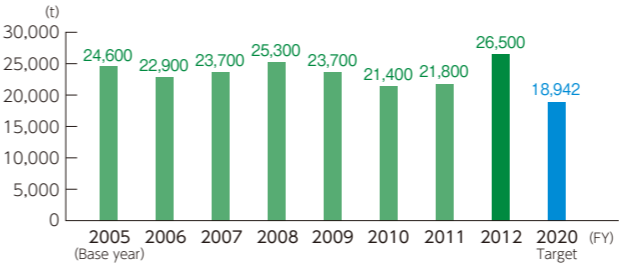
Reduction of GHG Emissions

Environmental Action Plan

Reduce CO<sub>2</sub> emissions by 23% from the 2005 level in 2020

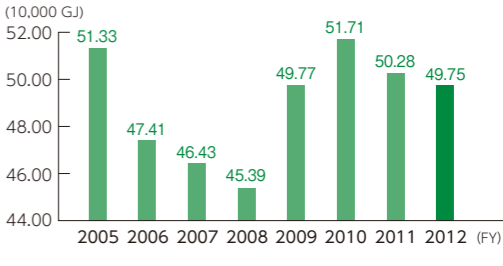
Ono Pharmaceutical reduced energy consumption by 1.05% year-on-year in FY2012 through introduction of high efficiency devices and energy saving measures. Nevertheless, our energy-derived CO<sub>2</sub> emissions increased in FY2012 due to the significant deterioration of the GHG emission factors published by electric companies as a result of shutdown of their nuclear power plants. (The values for the sites where we collected data were extracted from the periodical reports submitted to the Agency for Natural Resources and Energy of Japan.)

Energy-derived CO<sub>2</sub> Emissions



\* Sites where CO<sub>2</sub> emission data were collected: Fujiyama Plant, Joto Plant, Minase Research Institute, Fukui Research Institute and Tsukuba Research Institute. CO<sub>2</sub> emissions are calculated with the emission factor published by the Ministry of the Environment of Japan every year.

Energy Consumption



\* Sites where energy consumption data were collected: Fujiyama Plant, Joto Plant, Minase Research Institute, Fukui Research Institute and Tsukuba Research Institute.

(Reference) CO<sub>2</sub> Emission Factors

| Electricity company     | Emission factor (t-CO <sub>2</sub> /1,000 kWh) |            | Sites that receive electricity from the company |
|-------------------------|--|------------|---|
| Tokyo Electric Power    | 0.375  | 0.464      | Fujiyama Plant, Tsukuba Research Institute      |
| Hokuriku Electric Power | 2011 0.423                                     | 2012 0.641 | Fukui Research Institute                        |
| Kansai Electric Power   | 0.311  | 0.450      | Joto Plant, Minase Research Institute           |

Initiatives in the Production & Distribution Division

The manufacturing bases of the production & distribution division (Fujiyama and Joto Plants) are committed to energy saving and management based on the respective energy management rules. To meet the target of reducing electrical energy consumption and fuel consumption, the sites take such measures as renewal of aging air conditioning equipment, cubicles and boilers, as well as leakage testing of steam drain pipes and suspension of air supply to unnecessary parts to reduce gas consumption, and thorough implementation of turning off of lights and air conditioners when not in use, replacement of fluorescent lamps with energy-saving/LED type and introduction of air-cooled inverter air conditioners to reduce power consumption. Furthermore, in response to the request for power saving by the government, we make systematic efforts according to the company-wide plan on energy saving measures in summer and winter, including encouragement of "2UP 3DOWN" (use stairways instead of an elevator when going up two floors and going down three floors) and turning off of toilet equipment and hot water heaters. Meanwhile, Fujiyama Plant has been designated as a designated energy management factory, and reports its energy consumption and energy saving plan every year to the Ministry of Economy, Trade and Industry and the Ministry of Health, Labour and Welfare.



Cubicle in Fujiyama Plant

Initiatives in the Research Division

The three sites of the research division (Minase, Fukui and Tsukuba Research Institutes) are designated as designated energy management factories based on the Act on the Rational Use of Energy, and report their energy consumption and energy saving plan every year to the Ministry of Economy, Trade and Industry and the Ministry of Health, Labour and Welfare. As measures to prevent global warming, the institutes made various efforts to reduce GHG emissions in FY2012 such as further reduction of power consumption of air conditioners, lights, elevators, OA equipment and other devices, which also aimed at responding to nationwide demand for energy saving as a result of the Great East Japan Earthquake. GHG emission reduction activities also included company-wide adoption of "Cool Biz" and "Warm Biz," introduction of a hybrid eco-friendly water supply system, which was conducted based on a medium- and long-term plan prepared in compliance with the Energy Saving Act, and replacement of compressors with the inverter type and of lamps with LED equivalents. We will continue to take measures to prevent global warming in a systematic manner in the division.



Inverter compressor



Eco Cute heat pump system

Initiatives in Other Divisions

The building of the Head Office has been environmentally conscious and committed to energy saving since its opening in September 2003. Efforts are made to reduce environmental impact and save energy in the building, including extension of the life with earthquake proof design, as well as power load leveling with a high-efficiency water heat storage system. In our sales activities, we encourage the staff to practice eco-driving, and have been gradually replacing the vehicles leased for the activities with hybrid cars since FY2010. Hybrid cars represented 90% of the vehicles leased for sales activities (excluding 4WD cars for cold weather) as of March 31, 2013, and are scheduled to account for 100% (excluding the 4WD cars) by the end of FY2013.

Various Efforts to Reduce GHG Emissions

Fuel-related Initiatives

● Initiatives in the Production & Distribution Division

Replacement of fuels used in boilers and other equipment (heavy oil, kerosene, etc.) with equivalents that emit less CO<sub>2</sub> helps prevent global warming. The Production & Distribution Division has promoted conversion of fuel for boilers from heavy oil and kerosene to city gas in the plants where city gas can be supplied. Joto Plant and Fujiyama Plant already switched the fuel from heavy oil and kerosene to city gas and started operation of boilers with the new fuel in FY1994 and FY2012 respectively.



Boiler equipment in Fujiyama Plant

● Initiatives in the Research Division

Minase and Tsukuba Research Institutes have traditionally used city gas as fuel for boilers to prevent air pollution. In the course of annual maintenance, the air ratio is adjusted to maintain efficient combustion and control CO<sub>2</sub> emissions. Fukui Research Institute is now considering switch of boiler fuel from kerosene to natural gas to reduce CO<sub>2</sub> emissions, and seeks to start the operation of boilers with the gas in FY2014.

Introduction of Heat Pumps

Heat pumps, which use heat in the air for heating, are very effective for improvement of energy efficiency.

● Initiatives in the Production & Distribution Division

The manufacturing bases of the production & distribution division (Fujiyama and Joto Plants) have promoted introduction of heat pumps when renewing existing air conditioning systems and installing new ones. We will expand the scope of equipment to employ heat pumps in line with the technical development to further promote the introduction.



Air cooling chillers

● Initiatives in the Research Division

The three sites of the research division (Minase, Fukui and Tsukuba Research Institutes) have also promoted introduction of heat pumps when renewing existing air conditioning systems and installing new ones. We will expand the scope of equipment to employ heat pumps in line with the technical development to further promote the introduction.

Energy Monitoring

We consider that it is important in energy management to estimate/measure and visualize energy consumption for understanding of the current situation, and that a key is the idea of analyzing the consumption from every angle. Energy management needs to involve processing of data collected from different facilities to provide easy-to-understand information, which requires preparation of graphs, flow diagrams and a list of main devices, for example. It is fundamental to determine the efficiency of the facilities and reduce energy load based on effective use of the information. While the manufacturing bases of the production &

distribution division (Fujiyama and Joto Plants) and three sites of the research division (Minase, Fukui and Tsukuba Research Institutes) have conventionally measured energy use, we are considering adoption of FEMS (factory energy management system) and BEMS (building energy management system), which offer an enhanced monitoring system, and gradually introducing a system where energy use can be monitored.

Waste Management

● Initiatives in the Production & Distribution Division

The manufacturing bases of the production & distribution division (Fujiyama and Joto Plants) met the target of limiting the amount of landfilled waste below 0.2 tons through reduction of various wastes generated from all operations ranging from manufacturing to delivery, testing and storage, as well as through material recycling. Fujiyama Plant also promoted "zero waste emission\*" activities and achieved a recycling rate of 100% in FY2010.



Waste storage in Fujiyama Plant

\* Some hazardous substances and waste reagents are excluded from the "zero waste emission" activities because priority is given to disposal of them in a safe and reliable manner.  
\* This aims to reduce the proportion of waste landfilled (waste landfilled / waste generated x 100) below 1.0% through reuse of waste generated from business activities.

● Initiatives in the Research Division

The three sites of the research division (Minase, Fukui and Tsukuba Research Institutes) have traditionally worked to achieve "zero emission" by diverting their waste from landfill disposal to recycling. In FY2012 as well, the percentage of waste landfilled in the total amount of waste generated by the institutes was below 1% to achieve zero emission. We will continue to discuss our initiatives to achieve zero emission and promote recycling of waste. In the meantime, we visited intermediate waste treatment facilities and landfill sites to confirm that our industrial waste is properly treated.

● Initiatives in Other Divisions

All of our sites collect waste paper separately, which is divided into three types and respectively reused or recycled as copy paper, toilet paper and cardboard. In FY2012, we introduced on-demand printing of marketing materials to reduce the stock of such materials in our sales offices, which has trimmed the stock in the offices and reduced the amount of used materials disposed of as waste.

Air Pollution and Water Pollution

Environmental Action Plan

We will thoroughly comply with emission standards, and continue to make efforts to prevent any environmental accidents or complaints from local communities.

● Initiatives in the Production & Distribution Division

The manufacturing bases of the production & distribution division (Fujiyama and Joto Plants) comply with the Air Pollution Control Act, the PRTR Law, agreements on pollution prevention with local governments and other related laws and regulations in order to reduce environmental impact. They measure the concentration of exhaust gas from boilers and cogeneration systems, as well as noise level and industrial effluent, on a regular basis in accordance with relevant legislation to confirm that the levels are within the regulation ranges and to keep them in the ranges.



Treatment system of exhaust gas from cogeneration systems

● Initiatives in the Research Division

As a measure to prevent air pollution, the three sites of the research division (Minase, Fukui and Tsukuba Research Institutes) employed scrubbers and filters to remove chemical substances from exhaust gas in FY2012. Regular analysis of exhaust gas from boilers is also conducted as specified by prefectural ordinances to confirm that the value is below the regulation level. We will continue to perform maintenance and management of the systems to prevent the value from exceeding the regulation level. All reagents used for experiments are collected and thoroughly disposed of as industrial waste to prevent water pollution. The quality of effluent from the institutes was maintained within the limits as provided by the Sewerage Law in FY2012.

Fujiyama Plant and Joto Plant



Fujiyama Plant



Joto Plant

result of abnormal operation of equipment, as well as infiltration of oil into the ground, workers practice necessary preventive and responsive measures and receive an on-site training.

Responses to Accidents and Emergency Situations

In recent years, extreme weather events have happened frequently due to global warming. We have formulated manuals to prepare for accidents and emergency situations caused by such weather, and organize training sessions to minimize environmental impact of them. In particular, to address any accidents and emergency situations that may cause water/soil pollution, we review and implement the backup and reinforcement of the relevant equipment in a planned manner.

Chemicals

We are committed to reducing chemical emissions to the lowest possible level not only in compliance with laws and regulations but also in recognition that they may have impact on human health and the ecosystem.

Compliance with the PRTR Law

In FY2012, Fujiyama Plant, Minase Research Institute and Fukui Research Institute made reports on Class I Designated Chemical Substances including the names and amounts according to the PRTR Law. We thus conduct chemical substance management to comply with the law.

● Handling of PRTR substances

| Class I Designated Chemical Substance No. | Substance              | Amount handled by the notifying facilities | Notified release amounts |                    | Notified transfer amounts |                    |  |
|---|------------------------|--|--------------------------|--------------------|---------------------------|--------------------|--|
|   |                        |  | Into the air             | Into public waters | Contained in waste        | Into public sewage | For effluent treatment in other facilities |
| 12  | Acetonitrile           | 7.565                                      | 0.135                    | 0.0                | 3.146                     | 0.0                | 0.428                                      |
| 63  | Xylene                 | 25.187                                     | 0.030                    | 0.0                | 0.000                     | 0.0                | 0.000                                      |
| 296                                       | 1,2,4-trimethylbenzene | 29.058                                     | 0.034                    | 0.0                | 0.000                     | 0.0                | 0.000                                      |
| 392                                       | Normal-hexane          | 4.115                                      | 0.078                    | 0.0                | 0.000                     | 0.0                | 4.037                                      |
| total                                     |                        | 65.925                                     | 0.277                    | 0.0                | 3.146                     | 0.0                | 4.465                                      |
| 179                                       | Dioxins                | 72.583                                     | 0.583                    | 0.0                | 72.000                    | 0.0                | 0.000                                      |

(Unit: tons; for dioxins: mg-TEQ)

Amount of Chemical Substances Handled

Because we do not conduct any synthesis of pharmaceutical substances at Ono, we release or transfer only 7.888 tons of Class I Designated Chemical Substances under the PRTR Law. Still, we will work to reduce the release to the lowest possible level.

Handling of PCBs

We manage waste polychlorinated biphenyls (PCBs) properly in accordance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, and submit a report on the storage and disposal status of waste PCBs to the Osaka Municipal Government every year.

● Storage status of polychlorinated biphenyls (PCBs)

| Site                      | Status    | Type                        | Number of units |
|---------------------------|-----------|-----------------------------|-----------------|
| Joto Plant                | Stored    | Fluorescent lamp stabilizer | 552             |
|                           | Disposed* | Condenser                   | 6               |
| Minase Research Institute | Stored    | Condenser                   | 2               |

\* Delivered to Japan Environmental Safety Corporation, a PCB waste treatment service provider, in FY2007.

Environmental Efficiency/Environmental Accounting

We calculated environmental efficiency of our activities to evaluate our environmental efforts in a quantitative form. In addition, we disclosed environmental accounting data in reference to the Environmental Accounting Guidelines (2005 edition) issued by the Ministry of the Environment of Japan.

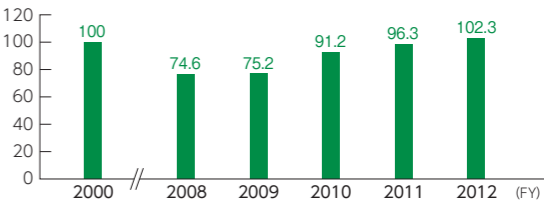
Assessment of Environmental Efficiency

Ono has disclosed an indicator that represents the efficiency of our environmental conservation activities in the reduction of environmental impact. To calculate the indicator, environmental impact generated by our activities are categorized into the five categories of chemical substances, global warming, waste, water quality and air quality, and the level of the environmental impact in a representative environmental factor selected for each of these categories is divided by the sales for the fiscal year.

In FY2012, the environmental efficiency indicator slightly deteriorated from both the FY2000 and FY2011 levels. The main cause was an increase in the landfilled waste because Fukui Research Institute disposed of sludge generated in its effluent treatment facilities, which occurs once every 12 to 15 years. Although we had such an exceptional event in FY2012, we will continue to endeavor to reduce environmental impact and improve the environmental efficiency indicator in the next fiscal year and beyond.

● Assessment of Environmental Efficiency

(Indicator with a Score of 100 Representing the Level in 2000)



● Factors Used in the Assessment of Environmental Efficiency and the Calculation Method

The following environmental factors are used to evaluate the amount of environmental impact generated by our business activities:  
Chemical: Release of chemical substances designated by the PRTR Law into the environment    Waste: Amount of waste landfilled  
Air quality: Total emissions of dust, NOx and SOx    Global warming: CO<sub>2</sub> emissions    Water quality: Amount of BOD discharged

Calculated by dividing the discharge of each of the factors by sales for the fiscal year:  
Intensity of environmental impact of chemicals (A) = Release of chemical substances designated by the PRTR Law / Sales  
Intensity of environmental impact of global warming (B) = CO<sub>2</sub> emissions / Sales  
Intensity of environmental impact of waste (C) = Amount of waste landfilled / Sales  
Intensity of environmental impact on water quality (D) = Amount of BOD discharged / Sales  
Intensity of environmental impact on air quality (E) = Total emissions of dust, NOx and SOx / Sales

The index represents the relative value when the overall intensity of the environmental impact in the base year (FY2000) is 100.  
The environmental impact index for each of the five environmental factors in the base year is set to be 20 (the sum for the five factors is 100).  
The overall environmental impact index is calculated by dividing the intensity of the environmental impact in the fiscal year in question by the intensity in the base year and multiplying this value by 20 (the formula is presented below).

Overall environmental impact index=20×(A/A<sub>0</sub> + B/B<sub>0</sub> + C/C<sub>0</sub> + D/D<sub>0</sub> + E/E<sub>0</sub>)  
Note: The values of the intensity of the environmental impact in the fiscal year in question are respectively expressed as A, B, C, D and E while the values in the base year are expressed as A<sub>0</sub>, B<sub>0</sub>, C<sub>0</sub>, D<sub>0</sub> and E<sub>0</sub>.

Environmental Cost and Effect in FY2012

Our investment in environmental equipment during FY2012 was mainly aimed at global warming countermeasures and other environmental measures. The economic effect of our environmental activities grew as a result of progress in energy saving activities with introduction of high-efficiency and energy-saving equipment.

●Environmental Cost (Including Depreciation Cost)

| Unit: 1,000 yen  |             |                    |  |
|--|-------------|--------------------|--|
| Category   | Fiscal year | Environmental cost | Value of investment in environmental equipment |
| 1:Pollution prevention costs (prevention of air pollution, water pollution, soil pollution, groundwater pollution, hazardous chemicals, noise, vibration and offensive odor) | 2011        | 132,368            | 30,891   |
| 2:Global environment conservation costs (prevention of global warming and environmental conservation)  |             | 452,976            | 206,381  |
| 3:Resource circulation costs (reduction of waste, proper treatment of waste and efficient use of resources)  |             | 94,305             | —  |
| 4:Administration costs (time and costs spent for relevant committees, ISO activities and environmental management)   |             | 11,010             | —  |
| 5:Research and development costs   |             | 185,703            | —  |
| 6:Social activity costs (promotion of cleanup and tree planting in the business sites and surrounding areas, etc.)   |             | 888                | —  |
| Total  |             | 877,252            | 237,272  |
| 1:Pollution prevention costs (prevention of air pollution, water pollution, soil pollution, groundwater pollution, hazardous chemicals, noise, vibration and offensive odor) | 2012        | 106,575            | 3,189  |
| 2:Global environment conservation costs (prevention of global warming and environmental conservation)  |             | 460,226            | 104,129  |
| 3:Resource circulation costs (reduction of waste, proper treatment of waste and efficient use of resources)  |             | 93,136             | —  |
| 4:Administration costs (time and costs spent for relevant committees, ISO activities and environmental management)   |             | 7,193              | —  |
| 5:Research and development costs   |             | 172,028            | —  |
| 6:Social activity costs (promotion of cleanup and tree planting in the business sites and surrounding areas, etc.)   |             | 755                | —  |
| Total  |             | 839,916            | 107,319  |

●Environmental Conservation Effect

| Environmental performance indicator   |                                   | Change in the amount of environmental impact |        | Environmental impact |        |
|---------------------------------------|-----------------------------------|--|--------|----------------------|--------|
|                                       |                                   | FY2011                                       | FY2012 | FY2011               | FY2012 |
| Effect related to business area costs | SOx emissions (tons)              | 0.0  | -0.0   | 0.0                  | 0.0    |
|                                       | NOx emissions (tons)              | 0.7  | -1.0   | 7.3                  | 6.3    |
|                                       | Water use (10,000 m³)             | -1.0   | 2.4    | 27.7                 | 30.1   |
|                                       | BOD emissions (tons)              | -1.4   | 0.6    | 2.0                  | 2.7    |
|                                       | CO₂ emissions (10,000 tons)       | 0.0  | 0.5    | 2.2                  | 2.7    |
|                                       | Energy use (10,000 GJ)            | -1.2   | -0.5   | 50.3                 | 49.8   |
|                                       | Total waste discharge (tons)      | 12.3   | -30.0  | 634.5                | 604.5  |
|                                       | Amount of waste landfilled (tons) | -4.7   | 11.9   | 11.2                 | 23.1   |

●Economic Effect Associated with Environmental Protection Activities

| Details of effect                                      | Total  |        |
|--|--------|--------|
|  | FY2011 | FY2012 |
| 1.Reduction in cost through energy saving activities   | 3,292  | 9,230  |
| 2.Reduction in waste cost through recycling activities | 0      | 1,038  |
| 3.Sales revenue from waste recycling                   | 563    | 0      |
| Annual total   | 3,855  | 10,268 |



For fair, transparent and environmentally-conscious procurement, we have formulated transaction rules and gained the cooperation of suppliers.

We require our procurement staff to act in accordance with the Purchase Transaction Rules, and promote proper procurement activities through internal audits of our purchasing organization and questionnaire surveys directed at suppliers.

Efforts to Prevent Bribery and Other Fraud and Corruption

Compliance with laws related to bribery and other fraud and corruption is attracting increasing attention on a global scale in line with establishment of relevant laws in various countries including the Unfair Competition Prevention Act in Japan, the Foreign Corrupt Practices Act in the US and the Bribery Act in the UK. In this context, Ono provides training programs to make employees fully aware of their duties to ensure transparency in transactions and prevent fraud and corruption with a system based on its Codes of Conduct. We are also making discussions to take measures in response to the social situation in Japan and overseas.

CSR Procurement

Initiatives in Procurement Activities

Our procurement staff are required to act in accordance with the Purchase Transaction Rules based on the Basic Ideas on Purchase Transactions in order to perform fair and transparent procurement activities. Ono clearly separates its purchase organization from other parts of the Company and carries out regular audits of the purchase organization to confirm its transparency.

In addition to internal surveys, we conduct questionnaire surveys directed at our suppliers, and 119 of them provided us with their answers in FY2010. We will analyze the results of questionnaire and give feedback to the suppliers to ask them to continuously support our proper procurement.

Basic Ideas on Purchase Transactions

- 1.Purchase transactions are made to select and purchase favorable goods and services in terms of economic rationality.
- 2.Purchase transactions are open to suppliers both in Japan and overseas and conducted in a fair and transparent manner through a simple and easy-to-understand procedure.
- 3.Purchase transactions play a key role in the activities of companies to contribute to society as good citizens. Companies also give consideration to resource saving and environmental conservation in purchase transactions.

Green Purchasing

In December 2004, we started purchasing from @office, an office supply purchase system of KOKUYO Co., Ltd., on a company-wide basis. This system offers a wide range of environmentally conscious office supplies including Green Mark and EcoMark certified products, and we use the system to promote green procurement. In FY2012, 85% of the office supplies purchased by Ono were environmentally conscious products.



Initiatives for CSR Procurement

We plan to establish CSR Procurement Standards by the end of FY2013. After the establishment, while asking our suppliers to support us in accordance with the standards, we will strive for continual improvement in cooperation with them.



## We engage in a variety of social contribution activities such as participation in community-based activities and transmission of useful information for patients.

The business facilities of Ono in various locations are actively committed to activities that contribute to local communities. We also conduct activities to enhance understanding of dementia and provide relevant information useful for medical services and nursing care on the Internet.

### Involvement in the Community

#### Activities as a Corporate Citizen

##### Relationship with Local Communities

We actively took part in community-based activities such as cleanup campaigns and fire fighting activities to develop communication with people in the local community.

##### ● Initiatives in the Production & Distribution Division

Fujiyama Plant set the improvement of the outdoor environment as a target in its activities to give consideration to the local environment (for external communication) in FY2012, and the staff cleaned the boundary areas of the plant premises in September 2012 and March 2013. The plant also plans to promote such cleanup activities with involvement of all staff in FY2013. In the meantime, staff of Joto Plant took part in the cleanup of the periphery of the plant site and the area around an elementary school in the neighborhood, as well as parks and other places, as part of the Osaka Marathon "Cleanup" campaign organized by the Osaka Municipal Government in October 2012. The plant staff will continue to actively participate in such useful community-based social contribution activities.



##### ● Initiatives in the Discovery and Research Division

Minase Research Institute has joined the Villa Spring (Rikyū no Mizu) Conservation Society to protect the famous water source selected as one of the 100 best springs in Japan, and the staff took part in the joint cleanup activities, which is organized twice a year. In addition, the private fire brigade members at the institute participated in firefighting training in the fire prevention festival in Shimamoto-cho, which is held to raise awareness of fire prevention among local residents every November, as well as the New Year parade of the firefighting brigade of Shimamoto-cho, which is organized on the second Sunday of January every year.

At Fukui Research Institute, staff took part in cleanup activities including picking up of litter around the boundary of the site on a regular basis. The private fire brigade members at the institute joined a volunteer fire brigade competition, which is held to raise awareness of fire prevention and improve fire fighting skills every year, and conducted firefighting training. Staff members at the institute are also on the executive committee of Techno Port Fukui Summer Festival, which is hosted by Techno Port Fukui Business Council, to deepen exchanges with local people. Moreover, the gymnasium and tennis courts in the premises are opened to the public as places for communication.

At Tsukuba Research Institute, employees regularly patrol the areas around the boundary of the site to pick up and dispose of litter.



##### ● Initiatives in Other Divisions

We participated in the Osaka Marathon "Cleanup" campaign and cleaned the area surrounding the Head Office and other places.

At the Head Office, a fair to sell bread and cookies made at work centers that support the independence of persons with disabilities is held on the fourth Wednesday of each month.



### Support of Patients and Their Families

Ono provides information useful for patients and their families on the Internet.

The corporate website of Ono Pharmaceutical has a section dedicated to patients and their families, which provide information for them to use our main products in a proper manner. This section also explains 11 common diseases, including diabetes, osteoporosis, hay fever and bronchial asthma, in an easy-to-understand manner with diagrams and illustrations. In addition to information on diseases, we introduce specific symptoms, therapeutic methods and things that patients should do in their daily life to support them and their families.

Ono released the first transdermal patch for the treatment of Alzheimer's disease in Japan in July 2011, and took this opportunity to consider what we can do in the field of dementia. We provided relevant training for our Medical Representatives (MRs) with cooperation of medical institutions, and all of the MRs at Ono (roughly 1,000 persons) participated to learn the actual situation of dementia and needs in the medical field. They also attended supporter training courses to consider what Ono can do on a daily basis to help dementia patients live with a sense of security from the standpoint of both a pharmaceutical company and patients.

In July of the same year, Ono launched a website specialized in dementia medicine, which introduces comments from leading doctors and other medical staff across the country, ideas for the treatment of the disease and cases of regional alliances, as well as smiling pictures and messages of those who work for the treatment. Short movies for better understanding of dementia are also shown on the website.



Ono's website on dementia medicine, including short movies for better understanding of about the disease

In recognition of these efforts, this website on dementia medicine was awarded as an "Excellent Website" for the two categories of "Content Planning & Writing (B2B)" and "Social Contribution and CSR" at the Sixth Japan Web Grandprix (sponsored by the Ministry of Internal Affairs and Communications of Japan) in 2012.

In medical institutions around Japan, an initiative to prevent or impede progression of dementia through involvement of patients in creative activities, such as painting, pottery and paper crafting, is attracting attention. To make this initiative widely known and help the patients who engage in such activities and their families, as well as medical workers, feel happy and satisfied, Ono started in April 2013 to invite works of such patients and show them on the website.



Gallery of works posted by dementia patients



Webpages dedicated to patients and their families

Endowed Courses

Ono has established endowed courses as part of its social contribution activities. Although technological advancement has improved medicine, there are still many uncured diseases. In the meantime, the needs of ensuring basic health and hygiene in developing countries and controlling various diseases triggered by climate change are emerging as challenges in the world. Moreover, how to define "health"

in a broad sense has also been raised as an issue for companies, local communities, countries and international relationships. Ono has the corporate philosophy of being "Dedicated to Man's Fight against Disease and Pain." Based on this philosophy, we will continue to be actively committed to contributing to society.

| University             | Course   | Duration   | Purpose   |
|------------------------|--|--|---|
| Kyushu University      | Surgery and Multidisciplinary Treatment                                | April 1, 2011 to March 31, 2014 (3 years)  | Education, basic research and clinical research on multidisciplinary treatment of cancer, including surgical treatment, radiation treatment, drug therapy and associated supportive care, and medical transplantation, as well as immune disorder and infectious diseases associated with cancer in order to improve performance of surgical treatment. The results of the research and the data collected through necessary epidemiological studies are used to disseminate optimal surgical treatment and cancer supportive care and develop pharmaceutical products through joint efforts between industry and academia. |
| Keio University        | Advanced Therapy for Spine and Spinal Cord Disorders Endowed Chair III | October 1, 2009 to September 30, 2012 (3 years)<br>October 1, 2012 to September 30, 2015 (continued) | Education, enlightenment and epidemiological studies on various spinal diseases and understanding of causes of spine and spinal cord disorders, development of new diagnostic and treatment techniques and related surgical instruments through basic and clinical research, as well as multicenter prospective randomized controlled trials involving relevant hospitals to assemble evidence to provide quality medical care.   |
| Nagoya City University | Rheumatoid Arthritis Control and Functional Reconstructive Surgery     | April 1, 2013 to March 31, 2017 (4 years)  | Control of rheumatoid arthritis and associated osteoporosis, which are diseases particularly common in women<br>1.Role of gliostatin in rheumatoid arthritis (application to diagnosis and treatment)<br>2.Maintenance of functions of joints of the hands and feet with biological agents and surgery<br>3.Drug therapy for rheumatoid arthritis-associated osteoporosis and control of osteoclast   |
| Kyoto University       | Immunology and Genomic Medicine  | April 1, 2005 to March 31, 2010 (5 years)<br>April 1, 2010 to March 31, 2015 (continued)             | Fundamental research on the structure of genetic variation in the immune system and its regulation, as well as research on novel treatments for a range of diseases by using immunoregulatory factors.  |

Ono Medical Research Foundation

Ono Medical Research Foundation was established with donations from Ono in 1988. This foundation provides grants for research activities in the field of a disorder of lipid metabolism, and also aims to promote research and treatment in that field through various projects and thereby contribute to the health and welfare of the public. Recent progress in the studies of the field has revealed that a disorder of lipid metabolism influences a variety of medical fields including not just lifestyle-related diseases but also intractable neurological diseases and cancer occurrence, and the importance of lipid research in public health keeps growing. Since the establishment of the foundation, research grants and scholarships have been provided based on strict assessment by selection committee members every year. The foundation received over 2,200 applications in the 24 years of operation, and fostered more than 400 among them. The grant recipients make presentations at meetings to present research findings, which are held by the foundation. For detail on the research activities, visit <http://pac.jfc.or.jp/ono/search.php?zid=f-00163> (in Japanese only).

●24th meeting to present research findings



At Senri Life Science Center on June 1, 2013



Recipients of research grants and scholarships from Ono Medical Research Foundation



We disclose information to shareholders and investors on various occasions in a timely and appropriate manner to ensure transparent corporate management.

Through the corporate website, briefings, reports and other tools and opportunities, Ono strives to disclose information on its business activities in a fair, prompt, accurate and impartial manner.

IR Activities

As specified in Ono Pharmaceutical Codes of Conduct, we will strive for establishment of transparent corporate management and proactively disclose business information. Our investor relations (IR) activities are based on the policy of pursuing fairness, promptness, accuracy and impartiality, and conducted as mentioned below.

Information Disclosure

We disclose financial results and other related information in a timely manner through TDnet, the timely disclosure network of the Tokyo Stock Exchange, and our website at the same time. Information that is not subject to the timely disclosure rules is also disclosed swiftly through our website and other means.

Provision of Information through Our Website

Our website contains "IR Library," which provides useful materials and past data including annual reports, flash reports and development pipeline progress status, as well as "Financial Highlights," which presents main financial indicators for the last five years, in efforts to give a wide range of information.

Company Briefings for Individual Investors

Ono participates in company briefings organized by securities firms for individual investors to present its profile, main products and growth strategy along with the circumstances surrounding the pharmaceutical industry. We will make continuous efforts to make many individual investors know about us.



Company briefing for individual investors

Preparation of IR Tools

Ono prepares materials that introduce its financial results and various corporate activities such as ONO'S VIEW, a business report for shareholders, and Annual Reports, which are also available on our website. We endeavor to convey IR information to a wider array of people in an easy-to-understand manner.



ONO'S VIEW, a business report for shareholders

IR webpages





Company Profile

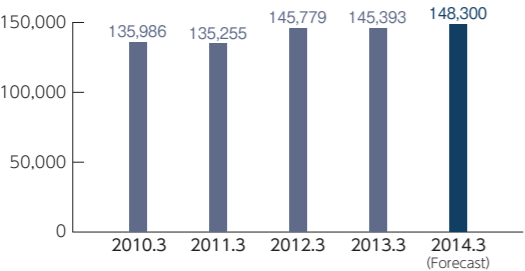
As of March 31, 2013

|                        |   |
|------------------------|---|
| Company Name           | Ono Pharmaceutical Co., Ltd.                |
| Founded                | 1717  |
| Incorporated           | 1947  |
| Paid-in Capital        | 17,358 million yen                          |
| Number of Shareholders | 13,943                                      |
| Number of Employees    | 2,807 (consolidated) 2,540 (unconsolidated) |

Business Locations

|                       |  |  |
|-----------------------|--|--|
| Head Office           | 8-2, Kyutaramachi 1-chome, Chuo-ku, Osaka 541-8564, Japan<br>Tel : +81-6-6263-5670 Fax : +81-6-6263-2950<br>(Registered Office) 1-5, Doshomachi 2-chome, Chuo-ku, Osaka, Japan                   |  |
| Branches in Japan     | Sapporo, Sendai, Tokyo I, Tokyo II, Kitakanto, Koshinetsu, Yokohama, Nagoya, Kyoto, Osaka, Kobe, Takamatsu, Hiroshima, Fukuoka (Sales offices are also located in major cities throughout Japan) |  |
| Research Institutes   | Minase Research Institute, Osaka, Japan<br>Tsukuba Research Institute, Ibaraki, Japan  | Fukui Research Institute, Fukui, Japan |
| Manufacturing Plants  | Joto Plant, Osaka, Japan   | Fujiyama Plant, Shizuoka, Japan        |
| Overseas Branch       | Seoul  |  |
| Domestic Subsidiaries | Oriental Pharmaceutical & Synthetic Chemical Co., Ltd.<br>Bee Brand Medico Dental Co., Ltd.  |  |
| Overseas Subsidiaries | Ono Pharma USA, Inc., NJ, USA<br>Ono Pharma UK Ltd, London, UK   |  |
| Domestic Affiliates   | Namicos Corporation<br>Tokai Capsule Co., Ltd.   |  |
| Corporate Website     | <a href="http://www.ono.co.jp/eng/index.html">http://www.ono.co.jp/eng/index.html</a>  |  |

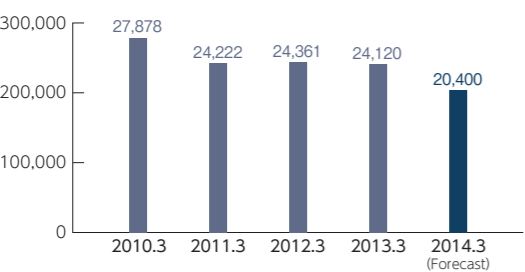
●Net Sales (Millions of Yen)



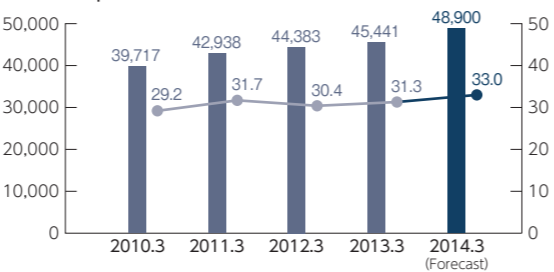
●Operating income (Millions of Yen)



●Net income (Millions of Yen)



●R&D expenditures/Ratio to sales (Millions of Yen/%)



Third-Party Comment

1. Shift to "CSR Report"

While the annual sustainability report of Ono Pharmaceutical had been released under the title of Environmental Report until the previous fiscal year, the Company started to prepare "CSR Report" this fiscal year. The biggest change associated with the shift was introduction of the CSR management system as an internal organization. While the conventional Environmental Management Committee is still maintained, the CSR Committee has been established in a position very close to the management as an independent section to control overall sustainability management and promote measures in the CSR priority areas in accordance with the codes of conduct based on the corporate philosophy. With such a structure, the system strengthens involvement of the management in comparison with the mechanism where the Environmental Management Office controls overall environmental management as a specialized section. This fact represents the intention of the Ono Pharmaceutical Group to be committed to CSR management on a company-wide scale. It is a commendable point that Ono began with establishment of a system to support CSR activities while a shift to CSR report often involves only efforts related to information disclosure.

2. Six Priority Areas

The Ono Pharmaceutical Group has identified six priority areas and determined important issues to focus on in CSR management prior to formulation of the CSR policy. Such a process requires assessment of sustainability risks associated with business activities and prioritization of measures against the risks, which should be based on evaluation of their importance or "materiality." It is worth noting that the report for this fiscal year outlines the evaluation process, which has significantly improved the transparency of the decision-making process on sustainability. In conjunction with reference to ISO 26000 as a benchmark for evaluation of importance, the basic process of the report is controlled in a proper manner.

3. Future Challenges

In relation to the shift to CSR report, there are several issues to be considered for future improvement. One of them is the table that shows the objectives and targets in the Environmental Self-regulating Action Plan. CSR management involves the use of the PDCA cycle as in the case of environmental management. If a panoramic view of the function of the cycle is given in the table of the objectives and targets, the table serves as an effective tool not only for performance evaluation by stakeholders but also for internal management. Accordingly, as a high-priority target, the table should be improved to present a comprehensive list of CSR-related issues. It is also suggested that the output in the Eco Balance should include the amount of products to ensure consistency with the concept of grasping the amount of environmental impact based on the balance between the input of resources and the output of products. In addition, continual improvement is desirable in the disclosure of information on social activities such as that on employment.

Professor, Faculty of Economics, Sophia University Yoshinao Kozuma



Response to the Third-Party Comment

Along with introduction of the CSR management system, Ono switched from "Environmental Report," which had been prepared until the previous fiscal year, to "CSR Report." On the release of this CSR report, we asked Professor Yoshinao Kozuma at Faculty of Economics, Sophia University to provide a third-party comment. We sincerely thank him for the valuable feedback.

With respect to our new CSR management system, Professor Kozuma indicated an increase in the transparency of the decision-making process, as well as enhanced involvement of the management in the system that shows our intention to strive for CSR management on a company-wide basis, as commendable points.

On the other hand, we consider the future challenges pointed out by Professor Kozuma to be crucial tasks, namely the preparation of a table of the objectives and targets in the Environmental Self-regulating Action Plan in a way to give a panoramic view of all CSR-related issues, and continual improvement of information on social activities such as employment. We will actively tackle these challenges.

Ono recognizes that it is important to steadily follow the PDCA cycle of CSR management in line with the CSR Policy formulated in reference to our basic philosophy and ISO 26000, an international standard on social responsibility. While taking the feedback into consideration as well, we will further expand and develop our activities to contribute to the realization of a sustainable society and environment.

Member of the Board of Directors, Senior Executive Officer, Chair of the CSR Committee Kei Sano





**Please send inquiries to:**

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8-2, Kyutaromachi 1-chome, Chuo-ku, Osaka 541-8564, Japan    Tel.: +81-6-6263-5670  
This report is also available on our website at <http://www.ono.co.jp/eng/index.html>