

Top message

Contributing to sustainable social development through business activities.



President,
Representative Director, and CEO
Gyo Sagara

Since its establishment in 1717, ONO has resolutely pushed forward in the pharmaceutical industry under the corporate philosophy “Dedicated to Man’s Fight against Disease and Pain.” We continuously tackle diseases that have not been overcome, as well as the disease areas where the satisfaction level with the treatment is still low among patients and medical needs are high, so that we can develop pharmaceutical products that truly benefit patients and thereby contribute to society.

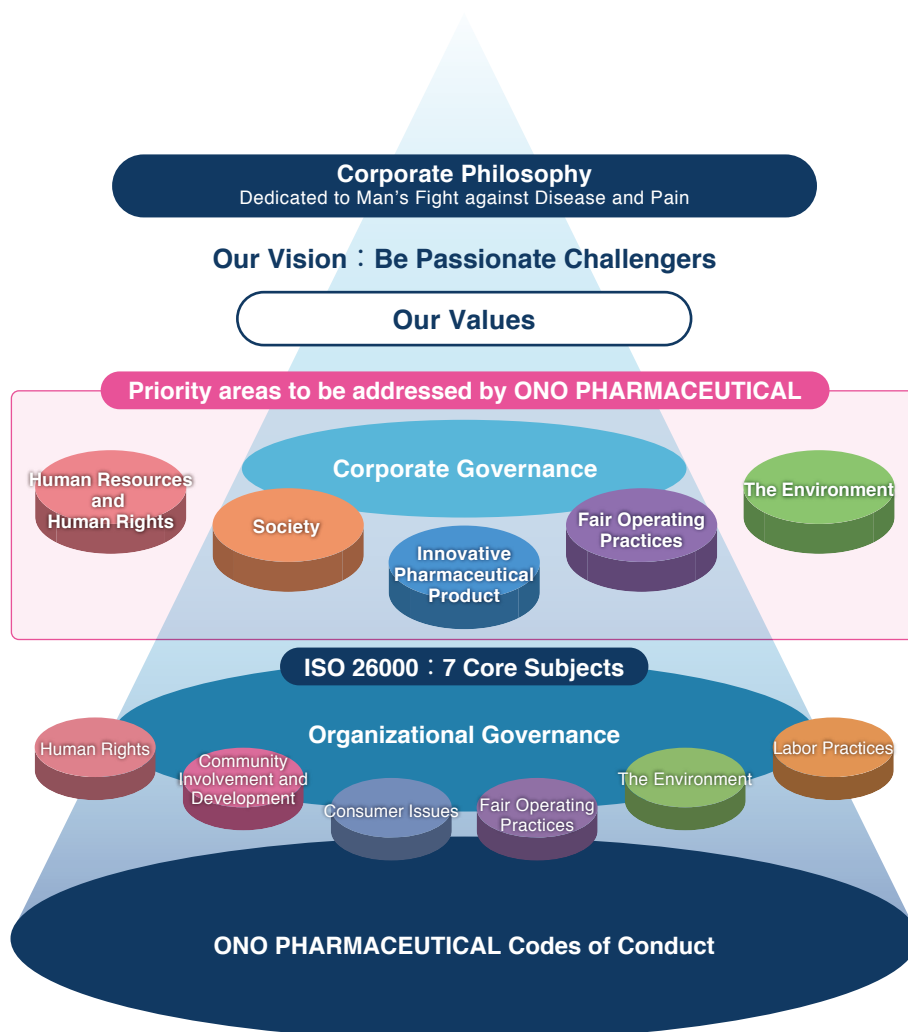
As a company that delivers pharmaceutical products, which are so crucial that the products affect the lives and quality of life of patients, we always engage with the community seriously and with sincerity and work to continuously strengthen the company-wide compliance system to ensure that we act in accordance with high ethical values, as well as to achieve strict compliance with laws and regulations.

We set the ONO PHARMACEUTICAL Codes of Conduct as the basis of our CSR management, and specify six priority areas for our CSR activities in light of the core subjects contained in ISO 26000, an international standard providing guidelines for social responsibility, to promote the activities in a cross-sectional manner. The first of these priority areas is Corporate Governance, which forms the foundation for the five remaining areas of Innovative Pharmaceutical Products, Human Resources and Human Rights, The Environment, Fair Operating Practices, and Society. We will promote activities related to these priority areas to fulfill our social responsibility to all stakeholders and contribute to the sustainable development of society.

CSR Management

Identifying six priority areas based on our corporate philosophy and Codes of Conduct, and contributing to sustainable social development through business activities

ONO PHARMACEUTICAL Codes of Conduct represent the ideal state of a company from a perspective of a high standard of ethics. They also guide us in acting with respect for human rights of all people, complying with laws and regulations, and striving to maintain fair relations with society in every aspect our business activities. Placing the ONO PHARMACEUTICAL Codes of Conduct at the foundation of our CSR management, we have cross-checked them against the Seven Core Subjects of ISO 26000, and identified Six Priority Areas for the CSR activities. Based on our Corporate Governance, we have defined the other priority areas as Innovative Pharmaceutical Products, Human Resources and Human Rights, The Environment, Fair Operating Practices, and Society, and we are committed to demonstrating accountability to our stakeholders by disclosing information about our efforts in these areas.



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 the 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 strive 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 highly transparent corporate management and proactively disclose business information.
6. We will seek harmony with society as a corporate citizen.

*ISO26000.....The international standard on social responsibility for organizations, published by the ISO (International Organization for Standardization, based in Geneva) in November 2010

● Corporate Governance

We enforce transparency in our corporate management, and thus enhance our corporate value, by not only complying with laws and regulations but also by strengthening our corporate governance systems.

● Innovative Pharmaceutical Products

Through collaboration between all our divisions including research, development, business strategy, manufacturing, safety/quality assurance, and marketing, we are committed to the disease areas where the satisfaction level with the treatment is still low among patients and medical needs are high so that we can bring innovative drugs as soon as possible to patients throughout the world.

● 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 efforts to improve safety and health conditions, and to create a working environment where the company and its employees can live in harmony and individual abilities blossom to their full extent.

We also value a society where human rights are fully respected and seek to establish a company with no discrimination.

● The Environment

Keeping in mind our corporate social responsibilities for the environment, we promote environmental efforts to realize a global environment rich in natural beauty through environmentally sustainable activities in all areas of business operations.

● Fair Operating Practices

We thoroughly implement employee education based on our Codes of Conduct and anti-bribery rules and strengthen compliance to establish and maintain sound, fair and transparent relations with medical professionals and trading partners as well as with government and administrative bodies.

● Society

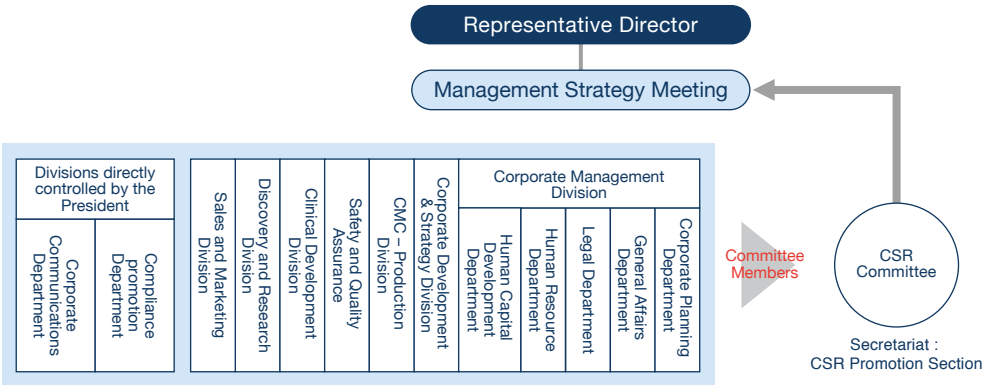
We raise our social value by creating and developing pharmaceuticals that truly benefit patients. We always engage with the community with sincerity and act in harmony with the community as a local corporate citizen.

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 assess and review those issues in consideration of the progress in addressing them, as well as social demand, to identify any items which we should add or aspects on which we should enhance our efforts.

CSR Promotion Structure

To promote CSR activities, we have the CSR Committee in place, chaired by the Corporate Management Division. The Committee, which mainly consists of managers from various divisions, deliberates and makes decisions on important issues and subjects in the six priority areas for CSR activities. The activities of the Committee are periodically reported to the management.



ISO 26000 Comparison Table

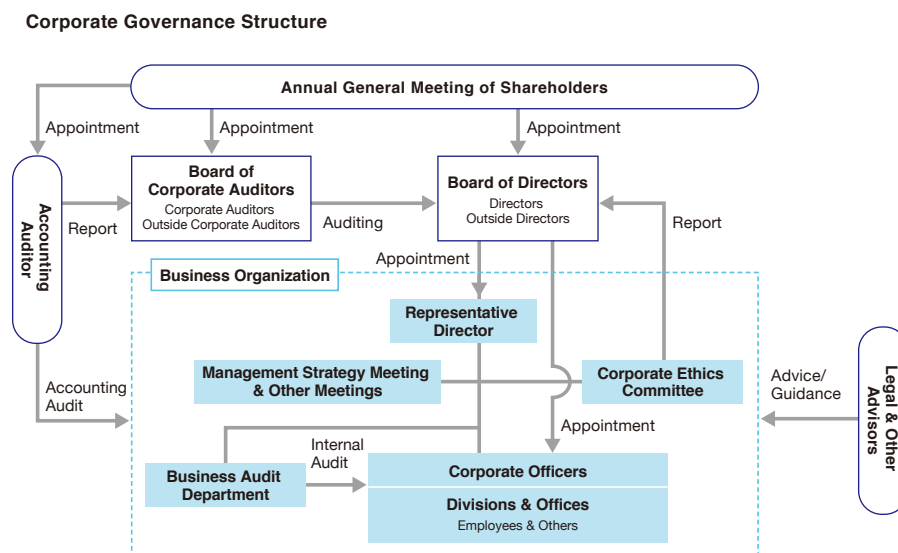
ISO26000		
Core subjects	Issues	Related items
Organizational Governance		<ul style="list-style-type: none"> •CSR Management •Corporate Governance Structure •Internal Control System •Corporate Governance Code •Risk Management •Business Continuity Plan (BCP)
Human Rights	Due diligence	<ul style="list-style-type: none"> •Respect for Human Rights •Diversity Promotion Initiatives •Enhancing Cultivation of Employee-friendly Workplaces
	Human rights risk situations	
	Avoidance of complicity	
	Resolving grievances	
	Discrimination and vulnerable groups	
	Civil and political rights	
	Economic, social and cultural rights	
	Fundamental principles and rights at work	
Labor Practices	Employment and employment relationships	<ul style="list-style-type: none"> •Human Resources •Respect for Human Rights •Diversity Promotion Initiatives •Enhancing Cultivation of Employee-friendly Workplaces
	Conditions of work and social protection	
	Social dialog	
	Health and safety at work	
	Human development and training in the workplace	
The Environment	Prevention of pollution	<ul style="list-style-type: none"> •Environmental Management •Ongoing Environmental Protection Activities •Environmental Efficiency / Environmental Accounting
	Sustainable resource use	
	Climate change mitigation and adaptation	
	Protection of the environment, biodiversity and restoration of natural habitats	
Fair Operating Practices	Anti-corruption	<ul style="list-style-type: none"> •ONO's Ethical System •Compliance Promotion Initiatives •CSR Procurement
	Responsible political involvement	
	Fair competition	
	Promoting social responsibility in the value chain	
	Respect for property rights	
Consumer Issues	Fair marketing, factual and unbiased information and fair contractual practices	<ul style="list-style-type: none"> •Key Product Profiles •Status of Development Pipeline •Innovative Pharmaceutical Products (Research, Licensing, Development, Manufacturing, and Marketing)
	Protecting consumers' health and safety	
	Sustainable consumption	
	Consumer service, support, and complaint and dispute resolution	
	Consumer data protection and privacy	
	Access to essential services	
	Education and awareness	
Community Involvement and Development	Community involvement	<ul style="list-style-type: none"> •Various Corporate Social Responsibility Activities (Web-Based Information Dissemination, Initiatives for Medical Advancement, Activities to Support the Health of People) •Activities as a Corporate Citizen
	Education and culture	
	Employment creation and skills development	
	Technology development and access	
	Wealth and income creation	
	Health	
	Social investment	

Corporate Governance

To ensure the trust of all of our stakeholders and increase our corporate value, ONO PHARMACEUTICAL believes it is vital not only to comply with laws and regulations but also to enforce management transparency and strengthen corporate governance.

Corporate Governance Structure

As part of our endeavors to bolster corporate governance, ONO has adopted an organizational framework with a Corporate Auditor (or Board of Corporate Auditors) whose task is to focus on enhancing the functions of the Board of Directors and the Board of Corporate Auditors.



● Board of Directors

When selecting board members, we take into consideration their knowledge, experience, and proficiency, so that the Board of Directors as a whole can incorporate a good balance of perspectives into its technical and comprehensive management decisions. The term of office for each director is limited to one year. This serves to clarify their responsibility towards shareholders, and it allows the board to respond flexibly to changes in the management environment.

The number of directors and the structure of the board are determined in a way that is optimally suited to enforcing management transparency, enhancing corporate governance, and expediting the decision-making process. Presently, the board consists of seven members, including two outside directors. The board holds a meeting every month in principle to deliberate and make decisions on important management issues and to assess how each board member is conducting his or her duties.

●Board of Auditors

To maintain a strong auditing function, the Board of Auditors comprises two independent outside auditors along with two full-time auditors who have expert knowledge on our business operations and who are highly skilled in collecting auditing information. These full-time and outside auditors work together to achieve high auditing efficiency.

The Board of Auditors holds a meeting every month in principle. Working with the internal auditing department to enforce auditing efficiency, the Board of Corporate Auditors endeavors to improve its functions of the management oversight by enhancing the effectiveness of audits in cooperation with the accounting auditor.

●Outside Directors / Outside Auditors

The outside directors have profound and extensive knowledge of corporate management. From an independent and objective standpoint, they oversee our business operations and take part in our decision-making process. They also help to enhance the functions of the board by serving as members of the Director Appointment Committee and the Executive Compensation Committee. As experts in law and corporate accounting, the outside auditors carry out their duties from an independent and objective standpoint to ensure that our management remains sound and strong. We have already informed the Tokyo Stock Exchange that these outside directors and auditors are acting as independent members of the board who have no personal affiliations with ONO, nor any capital ties, business relations, or other connections to the company. The outside directors attended all meetings of the Board of Directors held during fiscal 2016, and the outside auditors attended all meetings of the Board of Directors and the Board of Auditors held during fiscal 2016 (one of them attended only those held after he was appointed in June 2016), to provide us with useful indications and opinions for our business management based on their knowledge and professional perspectives.

●Operational Management Structure

For the improved efficiency and accuracy of our decision making and business operations, we hold Management Strategy Meetings attended by the president, board members, corporate officers in charge of each division, and managers of relevant departments. At these meetings, we take a multifaceted approach to addressing important management issues, including those that are to be deliberated on at board meetings. We have also introduced a corporate officer system to enforce the execution of business operations in each department.

Auditors are obliged to attend Management Strategy Meetings and inspect their minutes, as these meetings are also subject to auditing.

Internal Control System

We have laid out our operational system in compliance with the corporate governance guidelines set out by the board of directors. Implementation of the system is inspected regularly by the Internal Auditing Department (Business Audit Department). Results are reported to the board of directors with the aim of constantly improving the system.

Furthermore, we adopt a firm stance of fighting against any antisocial forces or organizations that may threaten social order or security.

Corporate Governance Code

We follow all principles of the corporate governance code stipulated by the Tokyo Stock Exchange (general principles that respectively specify the five issues of securing the rights and equal treatment of shareholders, appropriate cooperation with stakeholders other than shareholders, ensuring appropriate information disclosure and transparency, responsibilities of the board, and dialogue with shareholders, as well as the principles that embody the general principles and supplementary principles). Through the assessment of the effectiveness of the Board of Directors and other measures, we will continuously develop and improve our system in a way to make it more suitable for our business operations from such perspectives as the management efficiency, soundness, and transparency.

Risk Management

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

●Rules on the management of the risk of loss and other systems

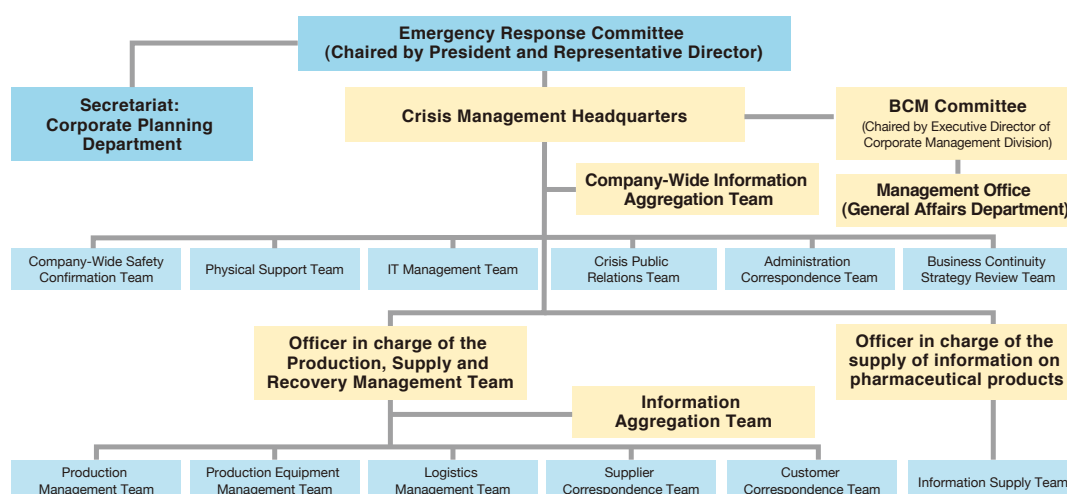
1. We manage risks related to compliance, product quality and safety, safety and health, the environment, disasters, information security, and other issues on the basis of respective internal rules and through the preparation and distribution of procedures in the relevant sections, as well as through training and other measures.
2. Cross-organizational risks and risks deemed to have a significant impact on management are monitored and addressed at a meeting attended by the president and representative director, the directors and corporate officers in charge, and the managers of relevant divisions. In case of unexpected risks, the president calls a meeting of the Emergency Response Committee to solve problems promptly.
3. Risks specific to a division are addressed by that division through the preparation of handling procedures, which are reviewed constantly in accordance with changes in the business environment.

●Structure to ensure proper business operations of the corporate group composed of ONO and its subsidiaries

We provide consultation and guidelines for our group companies with regard to their legal compliance and risk management. While respecting their autonomy, we request that each company provides us with regular business reports and consult with us on important business issues in advance.

Business Continuity Plan (BCP)

We conducted a fundamental review of the BCP developed to address an emergency such as a natural disaster or serious accident in 2016 to enhance the system. According to the instructions of the Emergency Response Committee chaired by the president, we have organized the Crisis Management Headquarters and established a structure designed to minimize the impact of an emergency on mission-critical operations, so that we can continue business activities or recover promptly and resume them if they are suspended. The BCM Committee, which is chaired by the Executive Director of Corporate Management Division and in charge of business continuity management (BCM), and the Management Office have been formed to maintain and strengthen our abilities to respond to crisis and continue our business operations, and promote relevant management activities during normal times.



Information Disclosure

As specified in our Codes of Conduct, we strive to establish transparent corporate management and recognize the importance of taking various opportunities to disclose information on our business activities in a timely and appropriate manner. We actively conduct investor relations (IR) activities based on a policy of pursuing accuracy, promptness, fairness, and impartiality.

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

For securities analysts and institutional investors, we actively hold individual meetings and phone conferences in addition to a financial results briefing or a conference call at the time of each quarterly statement. We also participate diligently in investor conferences sponsored by securities firms and the like in order to facilitate individual investors' understanding of our business activities and management strategy.

Our website contains an IR library that provides useful current and past data, including flash reports and development progress updates, as well as financial highlights for the last five years. Also, we endeavor to convey our corporate information to a wider range of people in an easy-to-understand manner by issuing business reports (shareholder newsletters) and corporate reports.

Innovative Pharmaceutical Products

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



Research

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

Drug development policy <http://www.ono.co.jp/eng/rd/index.html>

Research structure http://www.ono.co.jp/eng/rd/research_organization.html

Business Strategy

ONO's licensing activities and major partners are introduced.

Drug discovery alliances <http://www.ono.co.jp/eng/alliances/index.html>

Global business and licensing activities <http://www.ono.co.jp/eng/alliances/licensing.html>

Partners <http://www.ono.co.jp/eng/alliances/partners.html>

Development

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

Development structure <http://www.ono.co.jp/eng/rd/development.html>

IR library http://www.ono.co.jp/eng/investor/ir_library.html

* Please refer to the status of development pipeline.

Manufacturing and Safety/Quality Assurance

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

Manufacturing and safety/quality assurance

<http://www.ono.co.jp/eng/about/manufacturing.html>

Marketing

ONO's marketing initiatives and main products are introduced.

Marketing (scientific information) <http://www.ono.co.jp/eng/about/marketing.html>

Main products http://www.ono.co.jp/eng/about/our_products.html

Human Resources and Human Rights

ONO PHARMACEUTICAL believes that “People make the company,” and actively supports the development of individual abilities and positive action taken without fear of failure. We promote efforts to improve safety and health conditions, and to create a working environment where the company and its employees can live in harmony and individual abilities blossom to their full extent.

We also value a society where human rights are fully respected and seek to establish a company with no discrimination either inside or outside the Company due to race, nationality, ethnicity, gender, age, religion, belief or philosophy, academic background, disability or illness.

Development of Human Resources

●Human Resources Sought by ONO

Amid the changing environment, ONO needs “self-directed” human resources who always have a sense of innovation, adapt to such changes in a prompt and flexible manner, and act based on their own ideas and decisions. A new future for ONO will be built by the human resources who tackle any difficulties with a sense of purpose and an awareness of issues as members of a team that works to reach the same goal.

As pharmaceutical products are closely related to the lives of people, it goes without saying that the human resources also need to act in an ethical manner with a strong sense of responsibility.

In this context, we seek human resources who:

- are innovation-minded and never give up trying until the end;
- can demonstrate their abilities in a team environment and can work collaboratively;
- have a strong sense of responsibility for, and are proud of, their own jobs;
- always take a positive approach and can learn and grow independently; and
- act in an ethical manner with common sense.

In the meantime, to help develop such human resources, we are committed to enhancing our education and training system and cultivating employee-friendly workplaces.

●Provision of Growth Opportunities

We organize a wide range of training programs to provide employees with growth opportunities. Collective training is given in each phase of their career growth, including company-wide joint training for new employees from all divisions, departmental introductory training, and annual training for young employees. We also organize training programs to cultivate global human resources who can work actively under any circumstances, and send employees to overseas affiliates. For management staff, we provide training focusing on management skills required for their respective roles and managerial positions and for the growth of the organization, and we continuously enhance the training programs.

Training is also conducted at medical institutions 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 encourage employees to engage in personal development and grow independently.

Respect for Human Rights

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

Based on this principle, we promote establishment and operation of the personnel system in line with the policy that “no discrimination should be allowed either inside or outside the Company due to race, nationality, ethnicity, gender, age, religion, belief/philosophy, academic background, disability or illness.”

We also prohibit any forms of harassment and provide compliance training.

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 Labor Organization), and the Voluntary Principles on Security and Human Rights.

Diversity Promotion Initiatives

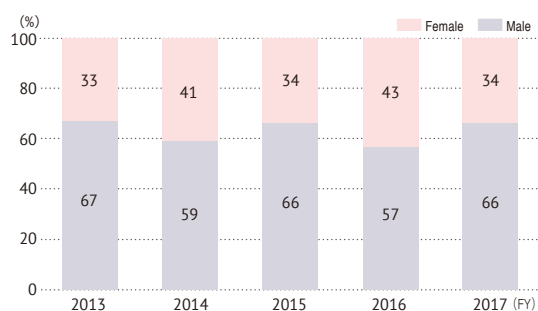
ONO considers that it is important to diversify the characteristics, values, and behavioral features of the members of the organization and accept their individuality for prompt and flexible responses to environmental changes and improvement of the corporate value. In line with this idea, we promote various initiatives.

A priority in this area is a commitment to the development of a system under which women can realize their full potential. As a result of our efforts to aggressively hire women and discourage female workers from quitting after major life events, the number of female employees has been increasing in all company divisions since 2011. Other initiatives to create an environment in which women can play more active roles include the introduction of programs aimed at improving diversity and inclusion into job rank-based training and seniority-based training.

We have participated in the "Diversity Western Japan Study Group," which is operated voluntarily by about 50 companies from western Japan and other parts of the country, since 2015 to share information on know-how and initiatives for the improvement of diversity across the companies.

We continuously work to increase the number of female employees and build a system that helps them develop their career in line with our five-year action plan (from April 1, 2016 to March 31, 2021) formulated in response to the Japanese government's enactment in FY2015 of a law to promote women's roles in the workplace (Act on Promotion of Women's Participation and Advancement in the Workplace).

The male-to-female ratio of new employees



Medirabi-san

ONO's character promoting system utilization

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

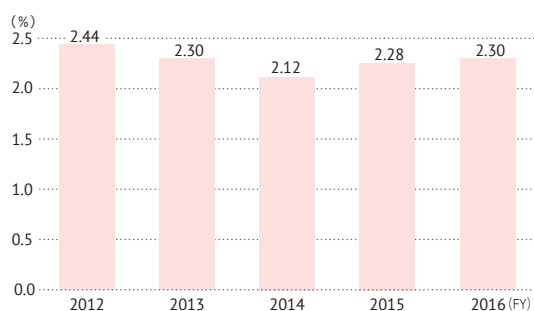
Overview of Action Plan Based on the Act on Promotion of Women's Participation and Advancement in the Workplace (Targets, Efforts)

Targets	Efforts
Have women account for 40% of newly hired university graduates in career-track positions starting in fiscal 2017	<ul style="list-style-type: none"> • Improve systems and strengthen training aimed at developing human resources • Introduce a recruiter system • Provide wide range of information to job applicants • Create an environment in which young employees can more easily plan their careers
Have the retention rate of women in career-track positions who joined ONO in the last five years be at least 90% that of men	<ul style="list-style-type: none"> • Ensure employees can continue working at ONO after various life events • Create an environment where employees can balance work, childcare, and nursing care • Create a corporate climate where women utilize their talents • Promote career-building support measures • Assist employees in achieving work-life balance • Expand support systems for women taking maternity leave and employees raising children • Help employees return to work at the earliest possible date • Introduce childcare support services of external service providers

As part of its commitment to improving diversity, ONO has been actively recruiting persons with disabilities, who account for an employment rate of 2.30% as of March 31, 2017. This exceeds the legally stipulated rate (2.0%) specified in 2013. Approximately 50 employees with disabilities are currently playing an active role in their respective divisions.

We have also been expanding mid-career employment to quickly obtain human resources with the skills and knowledge that are needed immediately. Especially since FY2014, when we started to actively promote such employment in consideration of the business environment, the number of mid-career employees, including those hired as MRs, development personnel, and staff in the safety information management department, has been increasing substantially. A total of about 120 new employees joined ONO in FY2016. Many mid-career employees are working to play their respective parts using their experience and expertise.

Employment rate of persons with disabilities



Enhancing Cultivation of Employee-friendly Workplaces

ONO regards the cultivation of human resources as one of the important management issues and is moving ahead to create workplaces where employees can work with a sense of security. We are continuously committed to the development of support systems and working conditions that help employees work in various styles, as well as the improvement of their work-life balance, so that each and every person in our diverse workforce can bring energy to their work and demonstrate their full potential.

●Promotion of the Review of Working Styles

We consider that the shortening of work hours is an essential and fundamental challenge to be addressed for the development of a pleasant work environment. To this end, we focus on the review of working styles.

We appoint a promotion committee member in each department to involve the whole company in the activities, and the members work to raise awareness and encourage employees to reduce overtime work and take paid holidays. We have also improved the system by making use of IT and introduced a flexible time system and telecommuting system. Through these initiatives, we achieved positive results such as a year-on-year decrease in overtime work hours by 2.6% and a year-on-year increase in the rate of taking paid holidays by 2.1% during the period from April 2016 to March 2017.

●Childcare Support Activities

Based on an idea that support of families raising children as part of the efforts of the whole society and creation of a better environment for having and raising children is one of the issues to which companies should be committed, we set up an action plan in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children established by the Japanese government, and have proceeded with the plan since 2005. ONO was certified as a general business operator meeting the criteria in 2008, 2012, and 2014, obtaining “Kurumin,” the mark accredited to such business operators.

Our past efforts were rewarded as ONO received two Osaka Labor Bureau Director’s Prizes in the 2015 Equal Employment/Work-Life Balance Corporation Awards, sponsored by Japan’s Minister of Health, Labour and Welfare. One was in the category of companies promoting gender equality, and the other was in the category of family-friendly companies.

In the 5th phase of the action plan, which started in April 2017, we promote initiatives to build an environment in which men can actively take part in child-raising, such as the introduction of support systems including holidays to encourage employees to take part in child-raising, as well as strengthening of the delivery of a message that child-raising is a life event to be shared by men and women in order to ensure that the male employees who wish to participate in child-raising by taking childcare leave can obtain consent from people around them.



	Period	
1st phase of action plan	April 1, 2005 to May 31, 2008	<ul style="list-style-type: none"> • Introduction of shortened work hour programs for employees raising preschool children • Introduction of a leave program for nursing care of children • Encouragement of employees to take annual paid holidays
2nd phase of action plan	April 1, 2008 to March 31, 2012	<ul style="list-style-type: none"> • Expansion of the shortened work hour programs for employees raising children • Implementation of measures to reduce overtime work
3rd phase of action plan	April 1, 2012 to March 31, 2014	<ul style="list-style-type: none"> • Provision of information to encourage male employees to take childcare leave • Introduction of a re-employment scheme for employees who have left their jobs due to childcare and other reasons
4th phase of action plan	April 1, 2014 to March 31, 2017	<ul style="list-style-type: none"> • Examination of a new program to support female employees to continue their careers, and introduction and dissemination of the program • Implementation of measures to reduce overtime work • Survey of the current situation on annual paid holidays taken by employees and implementation of measures to encourage employees to take the holidays
5th phase of action plan	April 1, 2017 to March 31, 2019	<ul style="list-style-type: none"> • Introduction of support systems that encourage men to take childcare leave and participate in child-raising and dissemination of them • Encouragement of employees to take annual paid holidays to achieve their work-life balance

●Support for Employees with Cancer

Employees with cancer may face various problems during work such as regular hospital visits, side effects of various treatment, and economic issues. To assist employees with cancer who wish to continuously work while being treated, ONO provides a system to prolong the period of absence from work, an income security program to help them avoid a period with no income, a system to allow the use of accumulated holidays on a half-day basis, and a system to offer shortened working hours for the treatment of cancer. We also provide support from other perspectives such as the promotion of understanding among other people in the workplace by establishing a system to encourage such people to support employees with cancer and enhancing the dissemination of it, as well as efforts to review their working styles.

●Various Support Systems

ONO has in place various systems aimed at creating a pleasant working environment in addition to the programs required by law. We have listened to the voices of employees and developed systems that meet their actual needs. When introducing a program for which legal standards are specified, we set up the program in a way to exceed the standards. Thus, we continuously work to develop support systems so that employees have many options for working styles.

We also prepare and distribute a booklet that summarizes the systems to inform employees about the contents and how to use them.

【Systems that exceed the standards specified by labor related laws】

•Childcare leave

Japanese law stipulates that childcare leave can be taken until the time the child turns one year old. However, employees at ONO can take childcare leave until the end of the month when the child turns three years old.

•Shortened work hours for childcare

Japanese law stipulates that shortened work hours for childcare leave can be utilized until the child turns three years old. But employees at ONO can shorten their working hours by up to two hours per day until March 31 of the year that their child is in third grade of elementary school.

•Nursing care leave

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

【Legally required systems】

•Shortened work hours for nursing care

When an employee works while providing care to family members in need of care, the working time can be shortened by up to two hours per day for up to three years aside from the period of nursing care leave.

•Family care leave

Employees 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 per year for employees with one person in need of care, and 10 days for those with two or more such persons.

【Systems that promote flexible working styles】

•Flexible working hours

As an initiative that provides employees with more options for working styles to thereby help them improve their work efficiency and achieve a work-life balance in which they give equal priority to their jobs, family, childcare, and nursing care, ONO's research institutes have a flexible working hours system. We also plan to introduce the system into the head office, main office, and other offices in the future.

•Telecommuting system

As one of the systems aimed at ensuring that employees can establish their individual working styles and work in a flexible and efficient manner, a telecommuting system is currently operated on a pilot basis in several departments to assist employees who need to raise children or care for family members, etc. in balancing work and family life.

[Various leave and subsidy systems] (extract)

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

•Accumulated holidays

Expired annual paid holidays can be accumulated under certain conditions and used for the treatment of the disease or injury of the employee, nursing care of family members, fertility treatment, and other purposes. For example, an employee can take a paid holiday using this system in case of sudden illness of their children.

•Holidays to encourage employees to take part in child-raising

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

•Maternity protection leave

A pregnant employee or an employee within one year from delivery can take leave up to the days specified according to the time of pregnancy to receive a health instruction or health checkup. Other than leave for checkups, up to five days off in total can be taken for the duration of each pregnancy when the employee cannot come to work due to morning sickness or suspicion of threatened premature labor.

•Support of employee volunteer activities

ONO has introduced a volunteer vacation program, which provides a five-day special paid vacation to support employees involved in volunteer activities. We also have a bone-marrow donor leave scheme to give special paid vacation during the period when employees need to take days off for bone-marrow donation.

•Subsidies for day-care centers and baby-sitting

For employees raising preschool children and whose spouses are also working, ONO provides subsidies to help pay for day-care centers or baby sitters when they need such services and make an application for the subsidies. These subsidies are also available if an ONO employee's spouse (working or not working) is ill or cannot care for the child for some other reason.

[Other systems]

•Use of company cars to pick up and drop off children

MRs are allowed to use company cars for the purpose of picking up or dropping off their children before or after work.

•Accompanying spouses transferred overseas

For an ONO employee who wishes to accompany his/her spouse transferred by the company of the spouse to another country, ONO allows the employee to take up to three years off work.

•Re-employment for employees who have quit ONO

The employees who have retired due to problems balancing work and family duties after major life events such as marriage, childbirth, and child-raising, or nursing care of family members can be re-employed when certain conditions are met.

•Non-regular re-employment

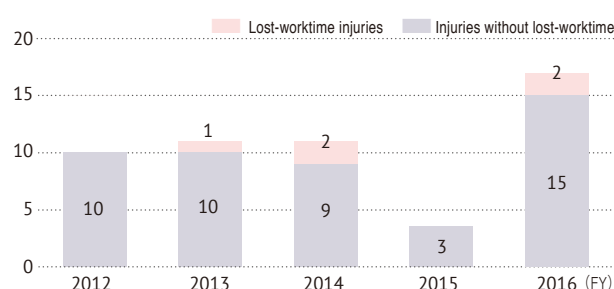
The employees who have reached the mandatory retirement age and retired can be re-employed as part-time employees when certain conditions are met until they reach the age of 65.

● Safety and Health

For safety and health, ONO holds the regular meetings of the safety and health committee to continuously improve the work environment. Our production sites and research institutes conduct safety and health inspections, report the problems identified during the inspections to the committee, and make proposals for improvement to disseminate information and take proper actions. The inspections are carried out in all ONO workplaces every year to check the items including measures and equipment for the prevention of fires and other disasters, safe handling of machinery, the level of safety in daily work, transport work, and the level of neatness, tidiness, and cleanliness in workplaces.

At the ONO Head Office and other company sites where there is a health committee, union and management representatives of the committee discuss health issues based on results of workplace environmental measurements.

Numbers of industrial accidents



● Relationship with the Unions

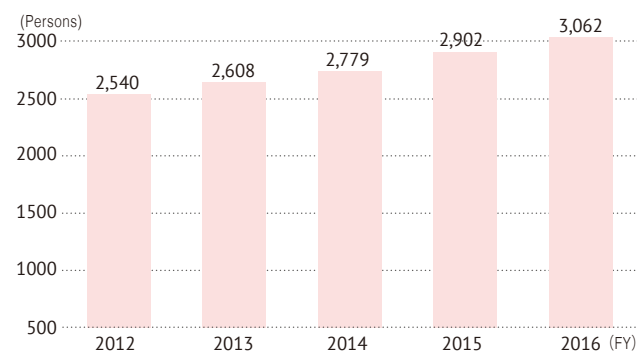
ONO has two labor unions, namely the nationwide union of ONO workers and the industrial union (chemical & general) of ONO workers in Joto Plant. As of March 31, 2017, the nationwide union of ONO workers has 2,089 members while the industrial union (chemical & general) of ONO workers has 16 members. Both unions have good relationships with the company.

● Composition of the Employees (Non-consolidated data)

The table below shows the number, average age, and average service years of employees in ONO as of March 31, 2017.

	No. of employees	Average age	Average service years
Total	3,062	40.4	15.3
Male	2,358	41.1	15.9
Female	524	37.1	12.3

No. of employees (Non-consolidated data)



The Environment

Recent years have witnessed the increasing impact of global warming, and battling this threat has become one of our most important collective challenges in the international society. The Paris Agreement from COP 21 sets out a global action plan to limit global warming to less than 2°C compared to temperatures before the Industrial Revolution, with the target, for all intents and purposes, of completely halting the increase in human-generated greenhouse gases. Based on our ONO Pharmaceutical Environmental Guidelines, we have formulated a voluntary action plan under which we will strive to reduce greenhouse gas emissions from business activities on a company-wide basis. In this and other ways, we will fulfill our corporate social responsibility by prioritizing the environment in all business areas and by contributing to the realization of a sustainable global environment.

ONO PHAMACEUTICAL Environmental Guidelines

- Aware of corporate social responsibility for the environment, 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 resources and energy, recycling, reducing waste, and preventing pollution.
- We will endeavor to do “Monozukuri”, 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.

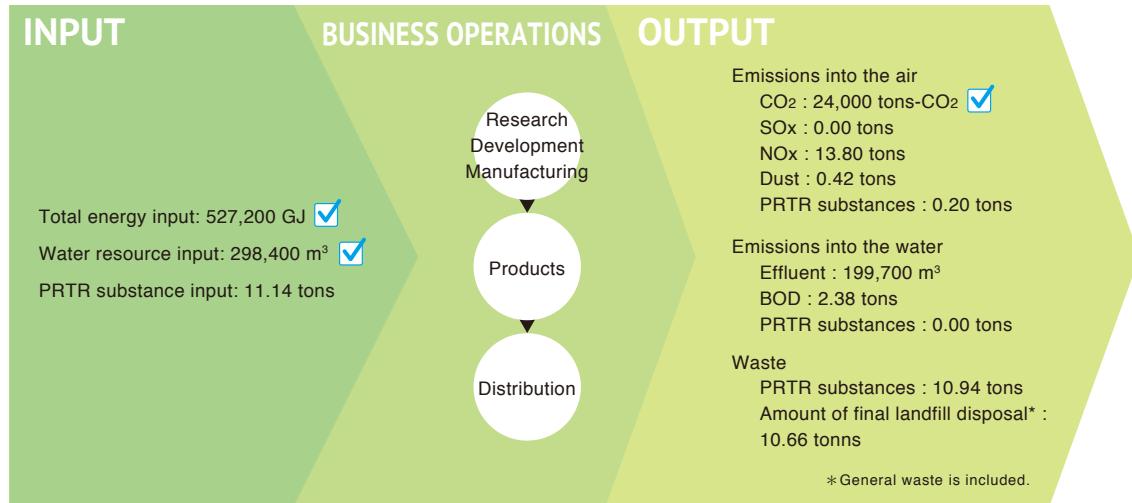
Environmental Management

In recent years, commitment to the prevention of global warming has become one of our most important collective challenges. We endeavor to fulfill our corporate social responsibility for the environment by prioritizing the environment in all business areas and by contributing to the realization of a sustainable global environment. We have formulated a voluntary environmental action plan in accordance with our Environmental Guidelines and specified the activities and numerical targets to be achieved under the plan as mentioned below. We work to achieve them and review the results (or progress) of the work toward the targets every year.

Item	Target	Activities in FY2016
Commitment to a low-carbon society	Reduce CO ₂ emissions by 23% from the FY2005 level in FY2020. Note: CO ₂ emissions from energy sources at production and research sites	CO ₂ emissions in FY2016 were 24,000 tons, a decrease of 10.1% from FY2005's 26,700 tons.
Chemical substances	Reduce the amount of PRTR Class I designated chemical substances released into the environment.	The release and transfer volume of the registered chemical substances was 11.14 tons, a decrease of 2.2% from FY2015's 11.39 tons.
Waste reduction	Reduce the amount of waste landfilled in FY2020 to a level below the amount landfilled in FY2015.	The amount of waste landfilled in FY2016 was 10.66 tons, down 14.7% from the 12.49 tons landfilled in FY2015.
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.	All analyses of air and water pollution revealed that we complied with emission standards. Also, there were no environmentally related complaints from local communities.
Environmental efficiency	Comply with guidelines issued by the Ministry of the Environment of Japan.	<ul style="list-style-type: none"> • Disclosed data on environmental cost, capital investment, economic effect, and environmental conservation effect. • Evaluated environmental efficiency. • Environmental efficiency was up by 33.2 points over FY2005.
Engagement with local communities and employees	<ul style="list-style-type: none"> • Actively support local communities through cleanup activities. • Help employees maintain good mental health. • Prevent any workplace accidents involving employee injury. 	<ul style="list-style-type: none"> • Participated in community cleanups and firefighting activities. • Took part in a municipal project to prevent workplace accidents causing injury • Conducted awareness and education activities on safety and health.

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

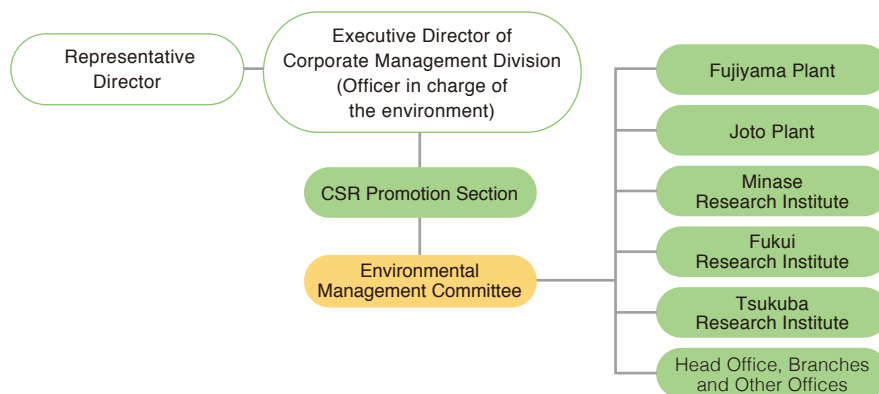
Annual inputs and outputs are grasped on a regular basis to use as reference data for our efforts to reduce environmental impact. (Scope: production and research sites, FY2016)



●Promotion of Environmental Management

Our environmental management promotion structure consists of the Executive Director of the Corporate Management Division, the CSR Promotion Section, and the Environmental Management Committee. The Executive Director of the Corporate Management Division supervises company-wide environmental management, and the CSR Promotion Section manages the Committee. Members of the Committee are chosen from relevant departments and are responsible for specific on-site monitoring and promoting environmental management. Each production and research sites with a major environmental impact has a subcommittee to work on environmental issues. Each production site makes continuous efforts to reduce environmental impact under an ISO 14000-compliant environmental management system.

To reduce environmental risks, employees involved in operations that could have an impact on the environment receive necessary training on environmental management. We also have a structure to minimize environmental impact arising from emergencies by providing training and on-site education and formulating emergency-preparedness manuals.



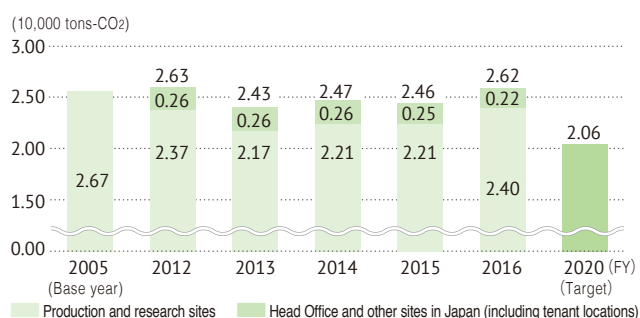
Ongoing Environmental Protection Activities

●Energy Saving and Global Warming Prevention

Implementation of energy saving and global warming prevention activities is regarded as the most important environmental goal of ONO. All our places of business — production sites, research institutes, and offices — take energy-saving and power-reducing measures appropriate to the nature of their operations. Efforts are made to reduce greenhouse gas emissions from our business activities with the aim of achieving our medium-term environmental target of a more than 23% reduction in CO₂ emissions (energy-derived CO₂ emissions from production and research sites) in FY2020 compared to FY2005.

In FY2016, CO₂ emissions from production and research sites decreased by 10.1% compared to FY2005. (It decreased from 26,700 tons to 24,000 tons.) We will continue to work towards our targets for FY2020.

Energy-derived CO₂ Emissions ☒



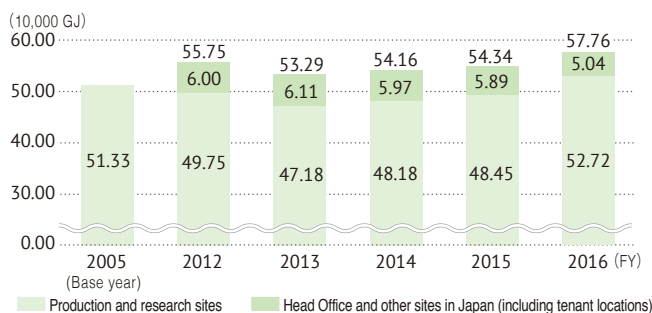
Note: Sites where CO₂ emission data were collected: Fujiyama Plant, Joto Plant, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, branches, sales offices etc.

CO₂ emissions are calculated according to the methods below.
CO₂ emissions = Purchased electricity (10,000 kWh) × the Federation of Pharmaceutical Manufacturers' Associations of Japan tracking indicator (1.152 tons-C/10,000 kWh)
× 44 / 12 + Σ (Fuel consumption × Unit calorific value × Carbon emission indicator × 44 / 12)

We use the value of the Warming Countermeasures Act as the calorific power unit and carbon emission indicator. However, we use the Federation of Pharmaceutical Manufacturers' Associations of Japan tracking indicator (FY2005 values) as the electricity CO₂ emissions volume calculation. This is to enable proper evaluation of ONO's initiatives, after removing the effect of external factors such as nuclear power plant operation status.

The figures in the base year and the target value are those in the production and research sites.

Energy Consumption ☒



Note: Sites where energy consumption data were collected: Fujiyama Plant, Joto Plant, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, branches, sales offices, etc.

1) Measures to Save Energy

•Company-Wide Initiatives

ONO is a specified business operator under Japan's Act on the Rational Use of Energy (Energy Saving Act), and every year we report our energy consumption and our mid- to long-term energy reduction plan to the Ministry of Economy, Trade and Industry (METI) and the Ministry of Health, Labor and Welfare (MHLW). Across the entire company, we do everything possible to reduce the load on energy usage. For example, we promote Cool Biz and Warm Biz, initiatives under which employees dress casually in summer and warmly in winter so that less air conditioning and heating are needed; we encourage employees "2 up 3 down" to walk up two flights of stairs and down three flights instead of using the elevator; and we save electricity in summer and winter by, for example, turning off heated toilet seats, hot water heaters, and some lights.

•Initiatives at Production Sites

ONO's production sites conduct energy management based on their energy management rules. The Fujiyama Plant has been designated as a specified business operator under the Energy Saving Act, and it reports its energy consumption and energy reduction plan every year to METI and MHLW.

Major initiatives in FY2016 included upgrading lighting to LEDs. We also repaired defective equipment and conducted preventive maintenance to reduce unnecessary energy usage. On the operational side, we tested for leaks in steam drains, stopped supplying air to unnecessary places, and turned off lighting and air conditioning when they were not needed.

•Initiatives at Research Institutes

ONO's research institutes conduct energy management based on their energy management rules. Air conditioning was controlled by, for example, managing operation schedules, introducing the outside air for air conditioning during intermediate seasons, and adjusting the temperature and humidity settings to the suitable levels for the respective seasons. All of the three institutes are also designated as specified business operators under the Energy Saving Act, and therefore report their energy consumption and energy reduction plan every year to METI and MHLW.

Major initiatives in FY2016 included upgrading heat source appliance and air conditioning equipment in the laboratories to high-efficiency models, as well as upgraded lighting to LEDs in office areas, laboratories, and outdoor lamps.

•Initiatives in Other Divisions

The Sales and Marketing Division encourages employees to practice eco-driving, and 90% of its commercial cars (except ones with cold climate specifications) were hybrid vehicles as of the end of FY2016. We are currently in the process of switching to smaller cars with better gas mileage.

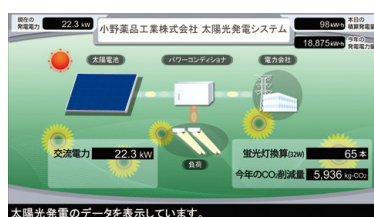
2) Measures to Reduce Greenhouse Gas Emissions and Achieve Power Load Leveling

•Incorporating Renewable Energy

Solar power, a form of renewable energy, is an effective way to reduce greenhouse gas emissions, since it does not need to release any when generating electricity. A solar power generation system was installed on the ONO Head Office building in FY2003 and at the Minase Research Institute in FY2015.



Solar panels at the Minase Research Institute



Solar power monitoring system at the Minase Research Institute

•Fuel-Related Initiatives

By switching from fuels such as heavy oil and kerosene to utility gas and natural gas (LNG), the same amount of energy can be obtained but with fewer CO₂ emissions. Therefore, switching to these cleaner fuels results in fewer greenhouse gas emissions.

We have been switching boiler fuel to utility gas at factories where utility gas can be supplied. The Joto Plant and Fujiyama Plant have switched fuels in FY1994 and FY2012, respectively. In addition, the air ratio is adjusted at the time of maintenance to improve the combustion efficiency and thereby reduce CO₂ emissions.

The Minase and Tsukuba Research Institutes have traditionally used utility gas as boiler fuel to prevent air pollution. In the course of annual maintenance, the air ratio is adjusted to maintain efficient combustion and control CO₂ emissions. We constructed an LNG satellite station at the Fukui Research Institute to switch boiler fuel from kerosene to natural gas and reduce CO₂ emissions. This station started operations in FY2013.

•Power Load Leveling

In Japan, due to stoppages of nuclear power plants, supply has had trouble keeping up with demand in the summer and winter. The revised Energy Saving Act, which went into effect in FY2014, includes provisions for cutting peak electricity usage in the summer and winter—a process known as power load leveling. Besides implementing company-wide energy-saving measures (such as turning off heated toilet seats, hot water heaters, and some lights) in summer and winter, our major bases are conducting the following measures to achieve power load leveling.

The Fujiyama Plant uses a cogeneration system (CGS) to generate power for its daily needs, thus easing the amount it needs to obtain from the electric power utility.

At the research institutes, we have been using an ice thermal storage chiller to carry out peak shifts during summer; this system has been in place since before the revised Energy Saving Act went into effect. Other efforts we make to achieve power load leveling include switching from air-cooled chillers to steam boilers to produce hot water for air conditioning in winter.

•Energy Monitoring

In order to successfully carry out measures to achieve energy efficiency and power load leveling and to reduce CO₂ emissions, it is helpful to gather data on energy usage from various facilities, analyze them, and use them to reduce and adjust the load. Through a monitoring system, graphs and flow charts are used to put data into an easy-to-grasp form so that the data can be used in the most effective way.

While the production sites and the research institutes have conventionally measured energy use, we are gradually moving ahead with upgrading our energy monitoring systems, which includes the possible adoption of a comprehensive FEMS (factory energy management system) and a BEMS (building energy management system).

3)CO₂ Emissions in the Value Chain (Scope 3)

ONO divides CO₂ emissions in the value chain (Scope 3) into 15 categories under the Ministry of the Environment's guidelines, and since FY2014 it has been calculating them for sites in Japan. Identifying emissions as Scope 3 constitutes one of the indicators of how well we are contributing to the realization of a low-carbon society.

Category	FY2015 emissions (10,000 tons-CO ₂)	FY2016 emissions (10,000 tons-CO ₂)	Calculation method	Notes
Purchased goods and services	7.57	9.71	Purchase cost of raw materials, materials, etc., multiplied by emission factor*	Covers production and research sites
Capital goods	4.46	2.70	Amount of capital investment, multiplied by emission factor*	—

Category	FY2015 emissions (10,000 tons-CO ₂)	FY2016 emissions (10,000 tons-CO ₂)	Calculation method	Notes
Fuel- and energy-related activities not included in scope 1 or scope 2	0.14	0.15	Amount of electricity purchased, multiplied by emission factor*	—
Upstream transportation and distribution	0.03	0.01	Transport data on deliveries from ONO factories and distribution centers to destinations, multiplied by emission factor*	—
Waste generated in operations	0.04	0.03	Weight of each type of industrial waste generated, multiplied by emission factor*	—
Business travel	0.18	0.22	Business trip allowances, multiplied by emission factor*	Covers travels by airplane or Shinkansen bullet train
Employee commuting	0.03	0.03	Employees' commuting costs, multiplied by emission factor*	—
Upstream leased assets	0.33	0.35	Cost of gasoline for leased company cars, multiplied by emission factor*	—
Downstream transportation and distribution	0.37	—**	CO ₂ emissions stated in ONO's CSR report on major wholesale pharmaceuticals, multiplied by percentage of ONO net sales included in all net sales of major wholesale pharmaceuticals	**No calculations made for FY2016, because at the time of calculation ONO's major wholesale pharmaceuticals CSR report had not been released
Processing of sold products	Not calculated	Not calculated	—	ONO makes only finished products
Use of sold products	Not calculated	Not calculated	—	No energy is consumed during the use of ONO products
End-of-life treatment of sold products	0.02	0.02	Weight of each type of ONO product container or packaging disposed of as waste, multiplied by emission factor*	—
Downstream leased assets	0.04	0.03	Floor space of asset (building) owned and rented out categorized by use, multiplied by emission factor*	—
Franchises	Not calculated	Not calculated	—	ONO does not operate franchises
Investments	Not calculated	Not calculated	—	—

* Figures stated in the "Emission Factor Database on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (ver. 2.2)," published by the Ministry of the Environment, Government of Japan.

●Waste Management

We promote company-wide initiatives to reduce the amount of industrial waste landfilled. Residues after intermediate treatment were sent to landfill sites where materials can be recycled to reduce the amount of landfilled industrial waste to 0.7 tons in fiscal 2016, which was equivalent to 38.9% of the amount in the previous fiscal year. We will continue to promote the reduction of landfill waste.

•Initiatives at Production Sites

The production sites work to reduce various wastes generated from and recycle materials in all operations ranging from manufacturing to delivery, testing, and storage. The Fujiyama Plant, which promotes “zero waste emission*” activities, achieved a recycling rate of 100% in FY2010 and has continuously maintained the rate since then.

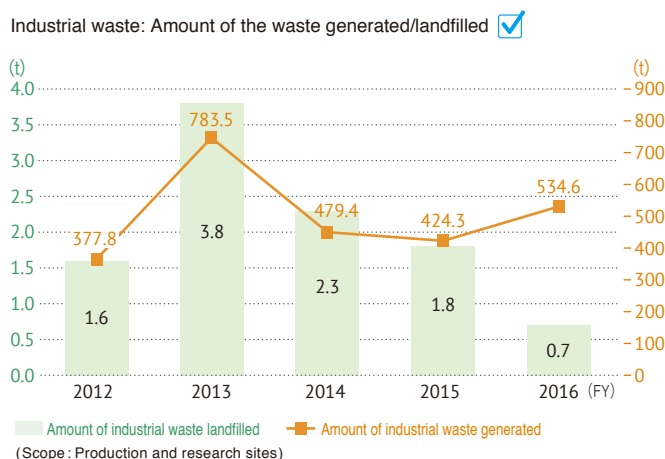
•Initiatives at Research Institutes

The research institutes endeavor to reduce the amount of waste generated by separating and recycling waste based on their waste management regulations and waste separation rules. Observation at the intermediate waste treatment facilities and landfill sites run by waste treatment subcontractors are also conducted periodically to ensure our company’s waste is being disposed of appropriately.

To meet the target of recycling all industrial waste, the research institutes also conduct thermal recycling with certified heat recovery operators and use landfill sites where material recycling is performed. They achieved zero emissions* again in FY2016 and will strive to continue this record.

•Initiatives in Other Divisions

All of our sites separately collect three types of waste paper, and they are recycled into 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. This has trimmed the amount of stock in the offices and reduced the amount of used materials disposed of as waste.



Notes:

- * We have not achieved zero emissions for certain materials, such as some hazardous substances and reagent waste, because their safe disposal is a higher priority.
- * Zero emissions means a final disposal rate (percentage of waste that is landfilled) of less than 1.0%, because industrial waste generated is recycled. (Calculation of final disposal rate: Final landfill disposal amount / amount of waste generated \times 100)

●Air Pollution and Water Pollution

• Initiatives at Production Sites

The production sites comply with the Japanese 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 periodically measure the concentration of exhaust gas and noise from boilers and CGSs as well as wastewater from the plants, in accordance with related laws and other regulations, in order to ensure that levels are within regulatory limits.

They also strive to reduce environmental risk. The PDCA cycle is followed in the plants, and employees are provided with the necessary environmental management training in operations in which there is a risk of environmental impact.

Emergency drills are also conducted regularly. These drills use scenarios such as high concentrations of soot due to faulty equipment and leakages of oil into the ground, giving employees practice in the necessary preventative and responsive measures for such situations.

In recent years, extreme weather events are occurring as a result of global warming. We have formulated manuals to prepare for accidents and emergency situations caused by such weather, and we organize training sessions to minimize environmental impacts. In particular, to address any accidents and emergency situations that may cause water or soil pollution, we systematically review and implement the backup and reinforcement of relevant equipment.

• Initiatives at Research Institutes

The research institutes periodically analyze boiler exhaust gas and wastewater in accordance with laws, municipal ordinances, and pollution control agreements to confirm that values are within regulatory limits. To prevent air pollution, the institutes employ scrubbers and filters to remove chemical substances from the exhaust gas. The Fukui Research Institute switched kerosene-fired boilers to gas-fired boilers in FY2014 to reduce the amount of soot and nitrogen oxide in the exhaust gas. To prevent water pollution, all wastewater containing reagents used for experiments is collected and appropriately disposed of as industrial waste based on wastewater management regulations. Based on the Japanese Water Pollution Control Act, wastewater is inspected regularly to ensure that no pollution of groundwater occurs.

We will continue to take all possible measures to prevent air and water pollution.

●Chemicals

ONO is committed to reducing chemical emissions to the lowest possible level not only in compliance with laws and regulations but also in recognition that these emissions may impact human health and the ecosystem.

• Compliance with the PRTR Law

In FY2016, the Minase Research Institute and the Joto Plant made reports on Class I designated chemical substances. These chemicals are managed in appropriate amounts and in compliance with the PRTR Law.

Compliance with the PRTR Law

Substance	Amount handled by the notifying facilities			Notified release						Notified transfer						Total of notified release amounts/notified transfer amounts		
				into the air			into public waters			Contained in waste			Into public sewage					
	FY 2015*	FY 2016*	FY 2015* comparison (%)	FY 2015*	FY 2016*	FY 2015* comparison (%)	FY 2015*	FY 2016*	FY 2015* comparison (%)	FY 2015*	FY 2016*	FY 2015* comparison (%)	FY 2015*	FY 2016*	FY 2015* comparison (%)	FY 2015*	FY 2016*	FY 2015* comparison (%)
Acetonitrile	8.48	8.29	97.7	0.13	0.20	53.8	0.00	0.00	—	8.36	8.09	96.7	0.00	0.00	—	8.48	8.29	97.7
Normal-hexane	2.90	2.85	98.2	0.05	0.00	0.0	0.00	0.00	—	2.85	2.85	100.0	0.00	0.00	—	2.90	2.85	98.2
Total	11.39	11.14	97.8	0.18	0.20	111.0	0.00	0.00	—	11.21	10.94	97.5	0.00	0.00	—	11.39	11.14	97.8
Dioxins	—	—	—	0.48	0.27	56.2	0.00	0.00	—	9.12	16.75	183.6	0.00	0.00	—	9.60	17.02	177.2

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

•Amount of Chemical Substances Handled

In FY2016, as in FY2015, the volume of Class I designated chemical substances under the PRTR Law that we handled was extremely low, at just 11.14 tons. This is partly because ONO does not conduct any synthesis of pharmaceutical substances. We will continue to strive to reduce the amount that we handle and release.

•Handling of PCBs

ONO manages waste polychlorinated biphenyls (PCBs) properly in accordance with the Law Concerning Special Measures for Promotion of Proper Treatment of PCB Waste in Japan. The company submits a report on the storage and disposal of waste PCBs to the Osaka municipal government every year.

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


* The Joto Plant in FY2007 and the Minase Research Institute in FY2014 delivered PCBs to the Japan Environmental Storage and Safety Corporation, a PCB waste treatment service provider.

●Green Purchasing

In December 2004, we started purchasing on a company wide basis-from @office, an online office supply purchasing service provided by Kokuyo Co., Ltd. This service offers a wide range of environmentally friendly office supplies, including Green Mark and Eco Mark certified products, and we use this service to promote green procurement. In FY2016, 83% of the office supplies purchased by ONO were environmentally friendly products.



●Independent Practitioner's Assurance

In order to improve the reliability of our environmental data in this CSR Report 2017, we had the data certified by an independent third party and marked the certified data with . The Independent Practitioner's Assurance Report is on page 43.

Environmental Efficiency / Environmental Accounting

We assess the environmental efficiency of our production and research sites to evaluate their environmental efforts in a quantitative form. In addition, we have disclosed environmental accounting data in reference to the Environmental Accounting Guidelines (2005 edition) issued by the Ministry of the Environment of Japan.

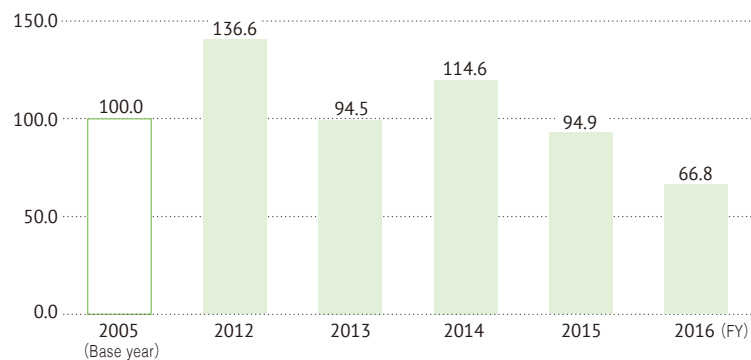
●Assessment of Environmental Efficiency

We disclose an indicator that shows the efficiency of our environmental conservation activities in reducing environmental impact. To calculate this indicator, we classify the company's environmental impacts into five categories: chemical substances, global warming, waste, water quality, and air quality. We then select a typical environmental factor for each of the categories and divide their amount of environmental impact by the net sales in the relevant fiscal year. The resulting figure is then used to assess the level of reduction in environmental impact achieved through environmental conservation activities.

The environmental efficiency indicator for FY2016 improved by 33.2 points compared to FY2005. This was due to sales growth although CO₂ emissions, BOD load, and NO_x emissions recorded a year-on-year increase.

We will remain committed to reducing our environmental impact and improving the environmental efficiency indicator.

Assessment of Environmental Efficiency (Indicator with a score of 100 representing the level in 2005)



●Environmental Costs and Effects in FY2016

The environmental investment at our main production and research sites during FY2016 was for global warming countermeasures and other environmental measures.

Environmental Costs (Including Depreciation Costs)

(Thousands of Yen)

Category	Environmental costs		Amount of investment in environmental equipment	
	FY2015	FY2016	FY2015	FY2016
1: Pollution prevention costs (prevention of air pollution, water pollution, soil pollution, groundwater pollution, hazardous chemicals, noise, vibration and offensive odors)	102,270	92,158	0	5,798
2: Global environment conservation costs (prevention of global warming and environmental conservation)	347,727	351,425	527,469	532,328
3: Resource circulation costs (reduction of waste, proper treatment of waste, and efficient use of resources)	100,827	93,809	0	0
4: Administration activity costs (time and costs spent for relevant committees, ISO activities, and environmental management)	10,908	8,706	—	—
5: Research and development costs	211,741	159,912	—	—
6: Community activity costs (cleanup and tree-planting activities on business sites and in surrounding areas, etc.)	1,098	1,114	—	—
Total	774,571	707,124	572,469	538,126

Environmental Conservation Effects

Environmental performance indicators		Change in the amount of environmental impact		Environmental impact	
		FY2015	FY2016	FY2015	FY2016
Effects related to business area costs	SOx emissions (tons)	0.00	0.00	0.00	0.00
	NOx emissions (tons)	0.23	2.07	11.73	13.80
	Water use (10,000 m ³)	-1.17	0.30	29.54	29.84
	BOD load (tons)	-0.56	0.46	1.92	2.38
	CO ₂ emissions (tons-CO ₂)	81	1,868	22,137	24,005
	Energy use (10,000 GJ)	0.27	4.27	48.45	52.72
	Total waste discharge (tons)	-24.89	99.93	665.81	765.74
	Final landfill disposal (tons)	-0.43	-1.83	12.49	10.66

Economic Effects Associated with Environmental Conservation Activities

(Thousands of Yen)

Details of effects	Total	
	FY2015	FY2016
1: Reduction in costs through energy-saving activities	2,307	4,384
2: Reduction in waste costs through recycling activities	0	0
3: Profit on sales from waste recycling	1,424	5,569
Annual total	3,731	9,953

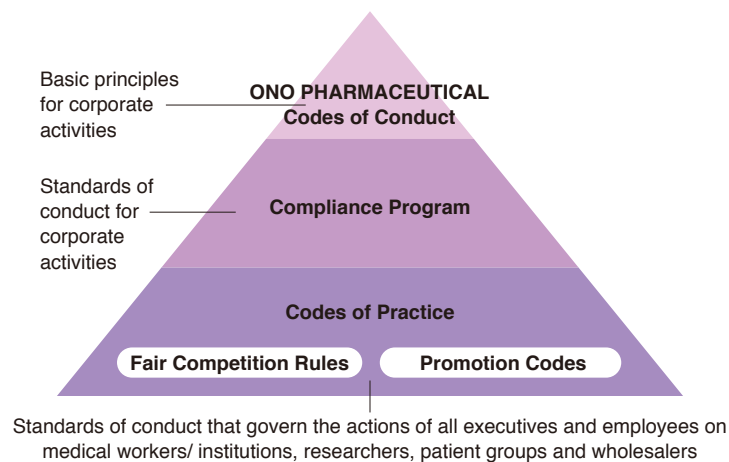
Fair Operating Practices

Being aware of responsibilities as a pharmaceutical company dealing in pharmaceuticals upon which human lives depend, ONO PHARMACEUTICAL has its own codes of conduct to ensure that it acts in compliance with laws and regulations and that it meets high ethical standards. We thoroughly train all employees to ensure compliance and promote proper procurement activities in cooperation with suppliers.

ONO's Ethical System

To promote compliance, we have appointed a Corporate Ethics Officer and set up a Corporate Ethics Committee under the officer to examine and deliberate on compliance-related issues and to plan and promote relevant training programs. We have internal and external contacts (refer to the chart below) for compliance issues as well as a system to ensure that informants can directly report to or consult with top management—that is, the Representative Director, the Corporate Ethics Officer, and the Corporate Auditors. Under this system, compliance violations can be prevented and necessary measures can be taken to minimize any loss of credibility in the event of a compliance violation.

Our external contacts include a 24-hour ONO Hot Line, which was set up in February 2015 to ensure that employees can report or consult without hesitation, in addition to law firms.

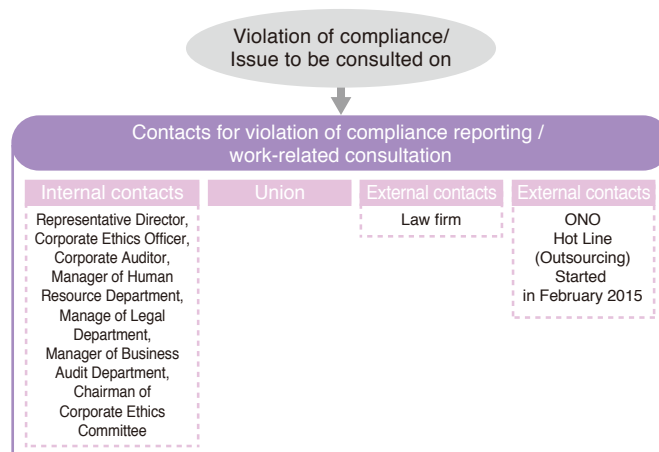


Compliance Promotion Initiatives

● Compliance Promotion System

To promote compliance, we have appointed a Corporate Ethics Officer and set up a Corporate Ethics Committee under the officer to examine and deliberate on compliance-related issues and to plan and promote relevant training programs. We have internal and external contacts (refer to the chart below) for compliance issues as well as a system to ensure that informants can directly report to or consult with top management—that is, the Representative Director, the Corporate Ethics Officer, and the Corporate Auditors. Under this system, compliance violations can be prevented and necessary measures can be taken to minimize any loss of credibility in the event of a compliance violation.

We provide guidance to associated group companies in creating systems and rules to prevent the occurrence of noncompliance, and we strongly urge our affiliates and suppliers to do the same. A 24-hour ONO Hot Line was set up in February 2015 to enable group-wide employees to report or consult without hesitation.



● Education System

We provide the following training courses for employees to enhance their awareness of compliance.

Every year we schedule a three-month period of intensive training during which we organize lectures given by the leaders of respective departments, as well as training courses using an e-learning system, to improve employees' familiarity with and understanding of compliance in general. In the event of a certain type of noncompliance, we also provide ad hoc training sessions to prevent occurrence or recurrence of such noncompliance on a company-wide scale.

We periodically provide training for relevant departments on the internal standards established based on laws and industry agreements. For example, in the Sales and Marketing Division, compliance promotion staff members visit each sales branch twice a year to provide MRs with intensive compliance training sessions on internal standards, particularly the Pharmaceutical Promotion Code in the ONO Codes of Practice. Training to ensure preparation of appropriate promotion materials, which uses an e-learning system, is also organized for the staff in charge.

In addition, sessions on harassment and other issues are held by external lecturers on an as-needed basis during job-level-specific training programs, in order to enhance awareness of compliance, as part of career path education.

● Ethical Considerations

ONO always gives consideration to ethical treatment in various stages of research and development.

We conduct research using human specimens (blood, tissue, cells, genes, etc.) after strict deliberations on ethical and scientific acceptability. To this end, we have established internal ethical codes based on the basic guidelines specified by the Japanese government and set up the Research Using Human Specimens Ethics Committee composed of internal and external members as an advisory board.

To ensure that the lives of the animals are respected and proper consideration is made to animal welfare in research using laboratory animals, we have established the Institutional Animal Care and Use Committee that reviews whether all animal experimental protocols are prepared based on the principles of the 3Rs—Replacement (active use of alternative methods of experiment), Reduction (reducing the number of test animals), and Refinement (alleviation of pain)—in advance. The committee also implements self-inspections and assessments of the animal experiment processes. In recognition of these initiatives, Ono has earned the Center for Accreditation of Laboratory Animal Care and Use (CALAC) in the Japan Health Sciences Foundation (JHSF) accreditation as an animal testing facility.

Clinical trials, which are essential for verifying the safety and efficacy of investigational compounds, must be performed with respect for the rights of trial subjects. Clinical trials are closely monitored for patients' safety and are stringently conducted under high ethical standards. We are committed to evaluating the real merit of investigational compounds by steadily applying essential and complete testing procedures that comply with the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices of Japan (Pharmaceutical and Medical Device Act) and other related legislation, as well as the global standards based on the spirit of the Declaration of Helsinki.

For more information, see the web pages below:

Considerations to ensure human rights during research http://www.ono.co.jp/eng/rd/human_rights.html

Ethical considerations in animal experiments http://www.ono.co.jp/eng/rd/animal_ethics.html

●Fair and Transparent Business Activities

We conduct fair and transparent business activities, and provide training programs to repeatedly familiarize employees with their duties to prevent fraud and corruption.

We aim to contribute to healthcare all around the world and people's health through continuous R&D activities and the stable supply of new drugs. To this end, we need to engage in collaborative activities-for example, providing support for patient organizations-and cooperate with research and medical institutions to help patients overcome disease and pain. To enhance the fairness and transparency of such collaborations and cooperation, it is important to ensure transparent relationships with our partners. We therefore disclose information on the costs of our assistance to medical institutions and patient organizations in accordance with our transparency guidelines, which are formulated in line with the relevant guidelines of the Japan Pharmaceutical Manufacturers Association (JPMA).

While compliance with laws related to fraud and corruption is attracting increasing attention on a global scale, we always act in consideration of the social situation in Japan and overseas. To this end, we established ONO PHARMACEUTICAL Bribery Prevention Global Policy and the Regulations on Bribery Prevention in April 2017 to clarify our bribery prevention system in a written form, and work to operate them in a strict manner.

To ensure that publicly funded research is conducted in compliance with the relevant guidelines established by the Japanese government, we have formulated the Action Guidelines for Publicly Funded Research and the Regulations on Publicly Funded Research, and apply them for even more appropriate use and management of public research funds.

For more information, see the web pages below:

Operation and management system of public research funds, and procurement policy

<http://www.ono.co.jp/eng/rd/management.html>

CSR Procurement

We have established a basic policy for procurement activities in terms of fairness, economic rationality, and environmental protection, and our procurement personnel are required to act in accordance with the policy. In addition, ONO clearly separates its purchase organization from other parts of the company and carries out regular internal audits of the purchase organization to confirm its transparency.

●CSR Procurement Policy

ONO has established its policy for procurement activities based on the six CSR priority areas*.

*Corporate governance, innovative pharmaceutical products, human resources and human rights, the environment, fair operating practices, and society

Basic Ideas on Purchase Transactions

1. Purchase transactions involve selecting and purchasing favorable goods and services on the basis of economic rationality.
2. Purchase transactions are open to suppliers both at home and abroad and are 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 as part of their contribution to society as good citizens. Companies also give consideration to resource savings and environmental conservation in purchase transactions.

Basic Policy for Procurement Activities

(1) Compliance with relevant laws and regulations

We will comply with relevant laws and regulations in Japan and other countries, and we will conduct fair transactions based on high ethical standards.

(2) Respect for human rights

We will respect fundamental human rights and perform our duties without unjust discrimination.

(3) Economic rationality

We will perform sufficient evaluations of the quality of goods and services and the management stability of suppliers, and we will select suppliers based on proper standards.

(4) Fair distribution of opportunities

We will provide opportunities for all suppliers to compete in a fair and transparent manner.

(5) Consideration of the environment

We will be conscious of the protection of resources and the conservation of the environment in our procurement activities.

(6) CSR procurement

We will promote CSR activities in all of our procurement activities as part of our efforts to promote CSR activities throughout the ONO PHARMACEUTICAL Group.

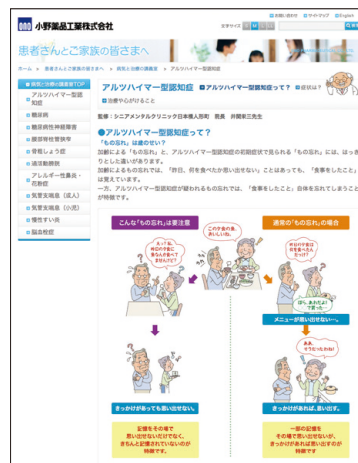
We strive to support patients and their families by sending information on diseases, treatment, and other issues. Also, we are actively committed to various activities that contribute to local communities at our business bases around the world.

Various Corporate Social Responsibility (CSR) Activities

●Web-Based Information Dissemination

Our corporate website contains a section for patients and their families that provides information for the proper use of our key products. This section also explains common diseases, including diabetes, allergic rhinitis, and Alzheimer's dementia, in an easy-to-understand manner with diagrams and illustrations. In FY2016, illustrations and other contents on osteoporosis and overactive bladder, the patients of which are increasing as the population ages, were renewed to additionally introduce specific symptoms of the clinical conditions, therapeutic methods, and things that the patients and their families should do in their daily lives to support themselves.

We also have other web sources to disseminate useful information widely. We operate a website specializing in dementia titled "Treating Dementia with Positivity," which provides comments and messages from a wide range of healthcare professionals involved in the treatment and care of people with dementia. We also post the latest information on "ONO Oncology," a website to communicate information on diseases and treatments in oncology to a wide audience. In addition, we offer a free smartphone app that provides support to patients suffering from diabetes or other lifestyle diseases. In FY2016, we newly interviewed 45 medical institutions and posted an article that introduces their initiatives on the website Treating Dementia with Positivity. We have also added contents concerning multiple myeloma and renal cell cancer to ONO Oncology to continuously provide the latest information



●Initiatives for Medical Advancement

We are making efforts to contribute to medical advancement to meet unmet medical needs. In 1988, the ONO Medical Research Foundation was established with donations from ONO. The Foundation provides grants for research activities in the field of lipid metabolism disorders and also aims to promote research and treatment in that field through various projects and thereby contribute to the health and welfare of the public. The Foundation has provided research grants and scholarships every year since its establishment.

In FY2016, we newly funded or continued to fund approximately 20 courses across Japan mainly on cancer, diabetes, neurological diseases, bone and motor organ diseases and other disease areas the patients of which are likely to increase rapidly as the population ages. In addition, we will support the Japanese Biochemical Society's Osamu Hayaishi Memorial Scholarship for Study Abroad, which assists researchers who are willing to research biochemistry-related life sciences in general in studying abroad, for 10 years from FY2017.

●Activities to Support the Health of People

We conduct various health-related activities to provide a wide range of support for people such as patients and the families of patients.

We also cooperate in holding seminars for citizens to raise awareness and provide correct information about diseases. Since 2014, we have been actively participating in a charity event “Relay for Life” mainly in the locations of our research institutes, plants, and sales offices. The objective of this event is to support cancer patients and their families and make cancer controllable and surmountable through actions of the whole local community against cancer.

In the field of dementia, all our MRs, who have completed the Dementia Supporters Training Program, learn and put into action what they can do on a daily basis to help people with dementia and their families live with a sense of security. We produce and release on our corporate website a series of short movies titled “Grandma’s World” which are aimed at raising dementia awareness. In addition, we continue the “Communicate & Link” exhibition on the website, which shows images of paintings, calligraphy, and other art works created by people with dementia at medical institutions. This exhibition is aimed at spreading joy to people with dementia and their families and helping medical providers gain professional fulfillment. We received 500 works from various parts of Japan for the eighth exhibition held in FY2016, and sent comments handwritten by the selection committee members, as well as a certificate of commendation, to each applicant.

In April 2017, we held the “Operation Slimmer and Healthier” program in Ofunato City, Iwate Prefecture, as held previously in Aizu Misato Town, Fukushima Prefecture in FY2014 and in Ishinomaki City, Miyagi Prefecture in FY2015, as a Great East Japan Earthquake reconstruction assistance activity. Run with the cooperation of top athletes and specialists in lifestyle disease, the program addressed childhood obesity, a social issue in the earthquake-affected areas. This project provides an opportunity for children and their parents to consider diet and lifestyle habit through sports. We will be committed to continuing to be involved in activities that help people keep healthy.



Activities as a Corporate Citizen

In our role as a corporate citizen, we have each of our business sites take part in various activities to contribute to local communities such as cleanups, disaster prevention activities, and conservation of the natural environment.

●Initiatives in the Production Division

The Fujiyama Plant’s recent activities for improving the environment involved planting trees in a nature park near the base of Mt. Fuji in May 2016 and cleaning up the areas surrounding the plant in March 2017. In FY2016, we co-sponsored a hands-on learning activity for elementary school children hosted by the local municipality and other organizations, as we also did in FY 2015. This program focuses on the wonders of water and aims to boost children’s awareness of water and the natural environment around Mt. Fuji. The goal is to get children thinking about how they can contribute to preserving the environment.



At the Joto Plant in October 2016, staff took part in the cleanup of the periphery of the plant site and the area around a neighboring elementary school, as well as parks and other places, as part of the Osaka Marathon Cleanup campaign organized by the Osaka Municipal Government. In January 2017, the private fire brigade of the plant joined the New Year's parade of private fire brigades in Higashinari Ward, Osaka. It took on the role of rescuing people from collapsed houses and delivering them to the emergency team.

A fair to sell bread and cookies made at work centers that support the independence of persons with disabilities is held on the second Wednesday of every month.

Staff in the production division will continue to actively participate in such useful community-based social contribution activities.



●Initiatives in the Discovery and Research Division

The Minase Research Institute joined the Rikyu no Mizu Conservation Society to protect the famous water source found on the premises of Minase Jingu Shrine, which has been selected as one of the 100 best springs in Japan. Staff members took part in the joint cleanup activities,

which are organized twice a year. In addition, the private fire brigade members at the institute participated in firefighting training in a fire-prevention festival in Shimamoto-cho, which is held to raise awareness of fire prevention among local residents every November, as well as in the New Year parade of the firefighting brigade of Shimamoto-cho, which is organized on the second Sunday of January every year.

At the 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 every year to raise awareness of fire prevention and improve firefighting skills and conducted firefighting training.

Staff members at the institute are also on the executive committee of the Techno Port Fukui Summer Festival, which is hosted by the Techno Port Fukui Business Council, to deepen exchanges with local people. Moreover, the gymnasium and tennis courts on the premises are opened to the public as places for communication.

At the Tsukuba Research Institute, employees regularly pick up litter in its neighborhood in an effort to maintain the beauty of the area.

●Initiatives in Other Divisions

On the fourth Wednesday of every month, the Head Office holds events at which bread and cookies made by the disabled members of a social welfare organization are sold.

Special lessons for high-school students and junior high-school students to deepen understanding of dementia were launched in May 2014. Short movies produced by ONO for better understanding of dementia are screened, and experts give lectures in the classes, so that the students can feel familiar with dementia and have accurate knowledge about the disease. This initiative has been repeatedly taken since the launch, and a total of more than 1,200 high-school students and junior high-school students have attended the lessons by the end of March 2017.

●Eco-Cap Activities

The Minase Research Institute (from June 2014) and the Head Office (from July 2014) have been taking part in an “Eco-cap” campaign. The caps of plastic bottles are disposed of in special garbage containers near vending machines and are recycled. The proceeds from this recycling are used, for example, to buy vaccines for children in developing countries and help communities recover from earthquakes.



●Blood Donation

Employees at the Head Office, plants, and research institutes actively donate their blood to the Japanese Red Cross Society.

●Contribution to the Local Community in Shimamoto-cho

In an effort to promote sustainable development in harmony with local communities, ONO donated dental goods to children in Shimamoto-cho, Mishima-gun, Osaka Prefecture—the home of the Minase Research Institute. During Dental Health Week (June 4 to 10), 2,700 tooth-brushing kits and 400 toothbrushes produced by Bee Brand Medico Dental Co., Ltd., which is one of our affiliates, were provided for four elementary schools and five kindergartens/nursery schools in the town, with the hope to help realize a world without dental cavities. This initiative is implemented as an annual program with an aim to realize coexistence of the local community with the company and achieve sustainable development.

In November 2016, researchers from the Minase Research Institute led a lesson for sixth-grade students at Shimamoto Municipal No. 3 Elementary School for the second straight year. The theme of the lesson was medicine, and it taught children the joys of learning science and the role of medicine in society. It also sought to offset the declining interest in science studies among the younger generation and promote the value of scientific learning.



Medium-term Targets and Progress Status

Corporate Governance

Evaluation criteria ○: Achieved, △: Mostly achieved □: Not achieved

Medium-term targets	Plan for FY2016	Results in FY2016	Evaluation	Action plan for FY2017
Strengthen corporate governance	Take new measures for the Corporate Governance Code, and continue to step up corporate governance	Took appropriate measures to respond to the revised Companies Act and the Corporate Governance Code	○	Evaluate the measures that have been newly taken, and continue to step up corporate governance

Innovative Pharmaceutical Products

Evaluation criteria ○: Achieved, △: Mostly achieved □: Not achieved

Medium-term targets	Plan for FY2016	Results in FY2016	Evaluation	Action plan for FY2017
Research and develop innovative pharmaceutical products	Continue to develop drugs through unique methods, carry out speedy clinical development, and conduct aggressive licensing	Built an industry-academia research network, launched one new product, received approval of additional indications for two products, and derived one compound	○	Continue to develop drugs through unique methods, carry out speedy clinical development, and conduct aggressive licensing
Conduct appropriate marketing	Continue to use the latest data in providing information in appropriate ways	Sped up process for gathering and conveying information on safety and proper usage, provided online information on treatment and pharmaceuticals	○	Continue to use the latest data in providing information mainly on safety and other issues in appropriate ways
Supply products to global markets	Build a system for the ongoing supply of ONO brand products aimed at Asian markets	Continued to supply the ONO brand products aimed at Asian markets	○	Step up the production of the ONO brand products aimed at Asian markets to strengthen the system for stable supply
Ensure stable supply of antibody products	Carry out supplemental application of antibody products at pharmaceutical substance plants, and strengthen the system for stable supply	Made a supplemental application for the addition of plants to produce pharmaceutical substances of antibody products to strengthen the system for stable supply and received approval	○	Add a domestic storage site for pharmaceutical substances of antibody products to strengthen the system for stable supply

Human Resources and Human Rights

Evaluation criteria ○: Achieved, △: Mostly achieved □: Not achieved

Medium-term targets	Plan for FY2016	Results in FY2016	Evaluation	Action plan for FY2017
Strengthen the human resource development system	[Hiring] Continue to revise and implement a hiring process capable of adapting to change	Revised the hiring process to effectively secure new graduates and mid-career recruits	○	Continuously hire diverse human resources in response to changes in the social environment
	[Education/ Training] Verify the results of training with the goal of training human resources through effective education and training	Conducted training that was useful in fostering human resources	○	Provide employees with opportunities for their growth and work to improve education and training programs to make them more effective
	[Self-learning] Analyze how many employees are taking the correspondence courses in order to enrich them and get more employees taking self-learning	Enriched correspondence courses and promoted their use by making applications available online	○	Continue to work to enrich the correspondence courses and get more employees taking self-learning
Respect human rights	Continue to operate a system based on current human resource policy, and verify this system	Established and operated a system based on current human resource policy	○	Continue to operate a system based on current human resource policy, and verify this system
	Hold compliance training to help prevent harassment	Held compliance training for line managers with the goal of preventing harassment	○	Hold compliance training to help prevent harassment and other noncompliance

The Environment

Evaluation criteria ○: Achieved, △: Mostly achieved □: Not achieved

Medium-term targets	Plan for FY2016	Results in FY2016	Evaluation	Action plan for FY2017
Reduce CO ₂ emissions by 23% from the FY2005 level in FY2020 Note: Covers production and research sites	Incorporate highly energy-efficient equipment when upgrading equipment, and continue strict air conditioner control in order to improve energy efficiency and reduce CO ₂ emissions	As a result of introduction of energy-efficient equipment and thorough energy management, CO ₂ emissions decreased by 10.1% over FY2005	△	Incorporate highly energy-efficient equipment when upgrading equipment, and continue strict air conditioner control in order to improve energy efficiency and reduce CO ₂ emissions
Reduce the amount of PRTR Class I designated chemical substances released into the environment	Maintain the volume of chemicals handled at the current level, and continue to work to reduce their discharge into the atmosphere	Periodic replacement of exhaust air filters reduced chemicals discharged into the atmosphere. The amount of chemicals handled decreased by 2.2%	○	Maintain the volume of chemicals handled at the current level, and continue to work to reduce their discharge into the atmosphere
Reduce the amount of waste landfilled by FY2015 by 40% over FY2010 Note: Covers production and research sites	Set a new target of maintaining FY2020 waste landfilled at the FY2015 level, and work to maintain and continue proper management of waste	Reduced the amount of waste landfilled by 14.7% year-on-year from 12.49 tons in FY2015 to 10.66 tons in FY2016 to maintain the amount of waste landfilled below the FY2015 level	○	Maintain the amount of waste landfilled in FY2020 below the FY2015 level
Prevent environmental accidents and complaints from local communities on an ongoing basis	Continue proper management of pollutants with the goal of maintaining our record of zero complaints from local communities	To prevent air pollution, we took smoke concentration measurements of boilers and cogeneration systems. To prevent water pollution, we measured final wastewater quality levels. Both were within emission standards, so there were no violations of emission standards or complaints from local communities	○	Continue proper management of pollutants with the goal of maintaining our record of zero complaints from local communities
Comply with guidelines issued by the Ministry of the Environment of Japan	Continue to reduce environmental impact in order to improve environmental efficiency	Improved the environmental efficiency indicator by 33.2 points compared to FY2005 due to sales growth although CO ₂ emissions, BOD load, and NO _x emissions recorded a year-on-year increase	○	Continue to reduce environmental impact in order to improve environmental efficiency
Beautify local communities, prevent workplace accidents involving employee injury	Take part in environmental protection activities and community action programs. Continue to educate employees	Major bases such as production sites and research institutes took part in community clean-ups and firefighting activities. To prevent workplace accidents, we took part in municipal programs and educated employees on workplace safety	○	Implement various social contribution activities including participation in environmental protection activities and programs of local communities. Also, continue education and other activities to raise awareness of employees to give first priority to the safety and health of employees

Fair Operating Practices

Evaluation criteria ○: Achieved, △: Mostly achieved □: Not achieved

Medium-term targets	Plan for FY2016	Results in FY2016	Evaluation	Action plan for FY2017
Promote CSR procurement	Disseminate our concept of CSR procurement among suppliers	Publicized our CSR procurement policy on our website	△	Obtain consent to our new conditions for transactions from suppliers and have them conclude contracts under the conditions
Conduct activities to eliminate noncompliance	Raise individual employee awareness through training and other measures; prevent noncompliance through mutual monitoring of company divisions	Set up the months to enhance the promotion of compliance (from October to December) and the month to promote the understanding of the codes (November) to perform the activities as planned	○	Promote understanding and raise awareness among employees through training and other measures, and continue organizational promotion activities to prevent occurrence or recurrence of noncompliance

Society

Evaluation criteria ○: Achieved, △: Mostly achieved □: Not achieved

Medium-term targets	Plan for FY2016	Results in FY2016	Evaluation	Action plan for FY2017
Actively promote community involvement as a corporate citizen	Step up the medical treatment and health initiative and projects to contribute locally	Along with projects to contribute locally, we continued the initiative focusing on medical treatment and health	○	Continue to step up the medical treatment and health initiative and projects to contribute locally
	Continue academic support activities through endowed courses	Continued to provide academic support through endowed courses at universities	○	Continue academic support activities through endowed courses
Support patients and their families	Continue to support lectures and other events sponsored by patient organizations	Supported events such as lectures on topics such as diabetes, dementia, and cancer	○	Continue to support lectures and other events sponsored by patient organizations
	Continue to expand information online	Expanded the content on sites including ONO Medical Navi, ONO Oncology, and a website specializing in dementia	○	Continue to provide medical information online, and specifically in this fiscal year, renew the pages for medical professionals on the ONO Oncology website
	Continue expanding online content to educate patients about diseases such as cancer	Renewed online content to introduce diseases such as diabetes, dementia, urinary organs, and cancer to raise awareness of the diseases	○	Continue to enrich the content to educate patients about diseases such as cancer; and specifically in this fiscal year, renew the pages for the general public on the ONO Oncology website

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(TRANSLATION)

Independent Practitioner's Assurance Report

November 7, 2017

Mr. Gyo Sagara,
President, Representative Director, and Chief Executive Officer,
ONO PHARMACEUTICAL CO., LTD.

Masahiko Sugiyama
Representative Director
Deloitte Tohmatsu Sustainability Co., Ltd.
3-3-1, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the environmental quantitative information (the "environmental quantitative information") indicated with  for the year ended March 31, 2017 included in the "CSR Report 2017 (PDF version)" (the "Report") of ONO PHARMACEUTICAL CO., LTD. (the "Company") created for the Company's webpage.

The Company's Responsibility

The Company is responsible for the preparation of the environmental quantitative information in accordance with the calculation and reporting standard adopted by the Company (indicated with the environmental quantitative information). CO₂ quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data.

Our Independence and Quality Control

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

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the environmental quantitative information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and the *Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's environmental quantitative information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

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Deloitte Touche Tohmatsu Limited

