



ONO PHARMACEUTICAL CO., LTD.

ESG Presentation Meeting

March 26, 2024

[Number of Speakers]

4	
Gyo Sagara	President, Representative Director, and Chief Executive Officer
Toshihiro Tsujinaka	Member of the Board of Directors, Senior Executive Officer, Executive Director, Corporate Strategy & Planning, Sustainability Promotion
Masao Nomura	Member of the Board of Directors, Outside Director
Ryuta Imura	Senior Director, Corporate Communications

Presentation

Imura: Thank you very much for taking time out of your busy schedule to join us today in the ESG presentation meeting of ONO PHARMACEUTICAL CO., LTD for FY2023.

Agenda



Sustainable Management / Materiality (16:00-16:10)

President, Representative Director, and CEO

Gyo Sagara

Corporate Governance (16:10-16:25)

Member of the Board of Directors, Outside Director

Masao Nomura

Expansion of Human Capital / Conservation of the Global Environment / ESG Evaluation (16:25-16:45)

Member of the Board of Directors, Senior Executive Officer/
Executive Director, Corporate Strategy & Planning,
Sustainability Promotion

Toshihiro Tsujinaka

Q&A session (16:45-17:00)

1/45

As for today's agenda, First, President Sagara will explain sustainable management and materiality. Next, Nomura, an outside Director, will explain corporate governance. Finally, Tsujinaka, Executive Directors, Corporate Strategy & Planning, Sustainability Promotion, will explain the expansion of human capital, global environmental conservation, and ESG evaluation.

Sagara: For the first time in the history of ONO's various presentation meetings, we have an outside member of the board of directors, Mr. Nomura, taking the opportunity to speak today. We have spent a lot of time and effort considering the changes in our management structure from April 1, so I hope that you will all ask Mr. Nomura many questions.



For more than 300 years since our founding, we have walked hand in hand with society. To help people who are suffering from disease, we have created a series of innovative new medicines that had been thought to be impossible. We will continue to contribute to people's health by practicing our Corporate Philosophy and taking on the challenge of realizing a sustainable society through responsible business activities.

Contributing to People's Health

- In addition to our own drug discovery, we will take on the challenge of drug research and development in collaboration with the world's top scientists, and bring more hope to patients and their families around the world by providing them with original and innovative medicines that are safe, secure, and appropriate.
- We will contribute to the realization of a society in which people can live healthier lives through our evidence-based, next-generation healthcare business.

<p>Preserving a rich global environment for future generations → Conserving</p> <p>We are deeply aware of our social responsibility to the environment, and will actively adopt eco-friendly technologies and work together with our suppliers and partners to pass on a prosperous and sustainable global environment to future generations.</p>	<p>Realizing a society in which everyone can play an active role</p> <p>Through our business activities, we will contribute to the realization of a society in which the human rights and diversity of all people are respected and everyone can play an active role.</p>	<p>Establishing a highly transparent and robust management foundation</p> <p>We will build a strong foundation through corporate governance and conduct highly transparent business activities by strengthening compliance and risk management.</p>
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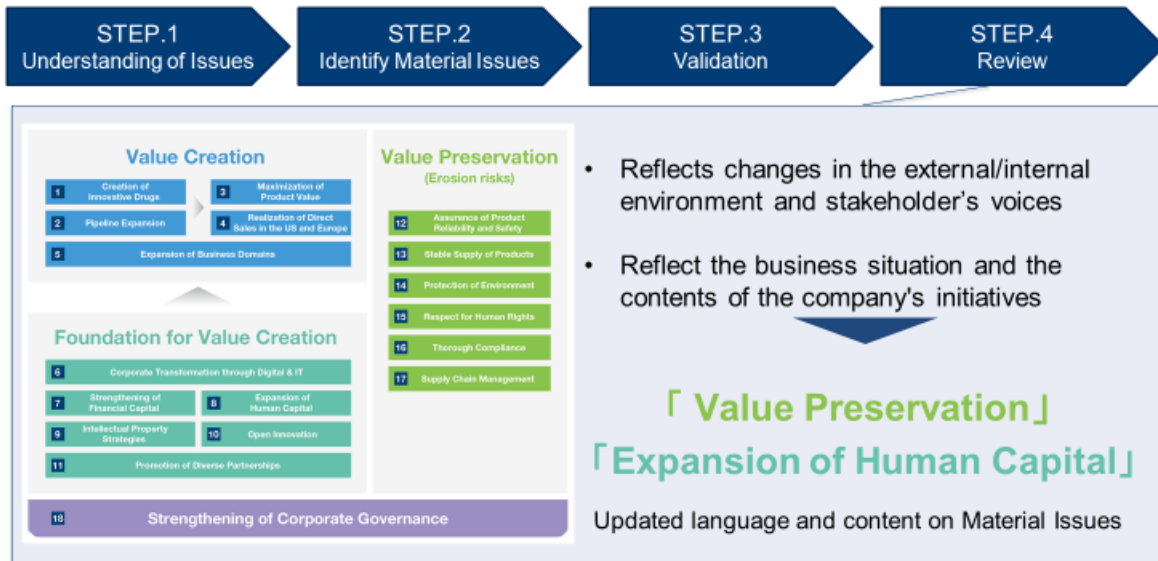
Material Issues

I would like to explain the Sustainable Management Policy. We are taking on the challenge of developing new drugs to meet the needs of patients with unmet needs where there is still no cure. Moreover, the method is to actively develop open innovation in collaboration with the world's top scientists, and since prostaglandin, we have been conducting research and development for more than 50 years.

At the same time, we have been focusing on sustainable management related to ESG and SDGs in recent years.

This is due to the combination of the successful development of Opdivo in 2014, which is said to be a breakthrough new drug, and the 300th anniversary of the Company's founding in 1717 in 2017. Having had these opportunities, we are now promoting sustainable management based on the belief that we need to change into a company that takes on the challenges of the world, society, and, to put it bluntly, humanity, including pharmaceuticals and new drugs, with respect to unresolved issues. In short, we are now managing the Company with the aim of further growing as a company that solves both our core business of drug discovery and the social environment and the unsolved problems of mankind.

Update Material Issues (Partial Revision)



5/45

We have established the materiality and are reviewing and updating it from time to time. This slide shows the current materiality. On the right side of the slide, we have reviewed the protection of value and the expansion of human capital, number 8, and then 12, 13, 14, 15, 16, and 17.

Partial Revision of Material Issues (Content : Example)



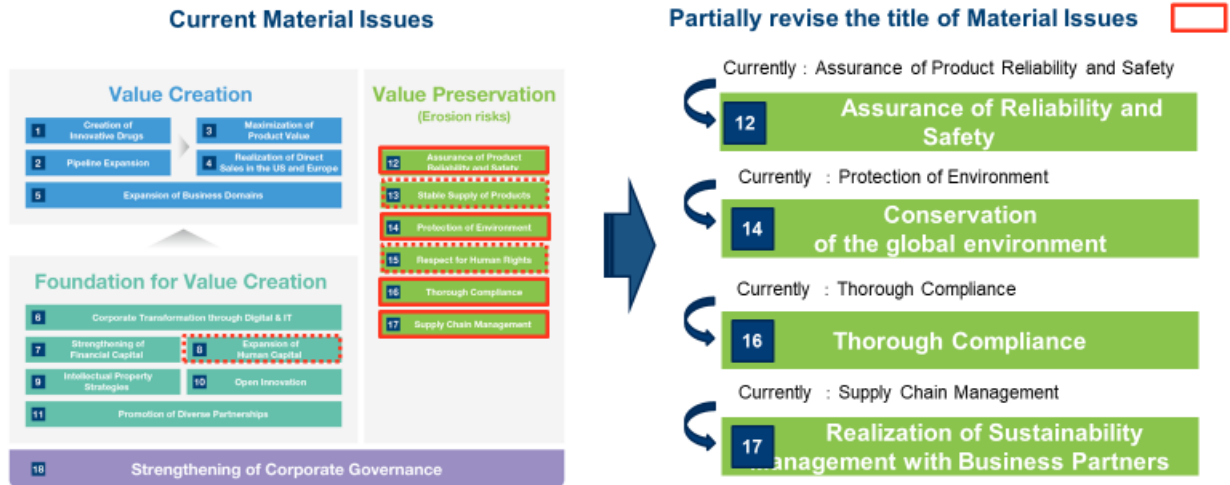
12 Assurance of Product Reliability and Safety		12 Assurance of Reliability and Safety	
Reason for being a priority issue	Quality assurance and safety management of pharmaceutical products are fundamental to our business. If a problem were to occur in either of these areas, it would be a serious risk that could violate our corporate philosophy, harm the health of patients, and significantly reduce our social value and raison d'être.	Reason for being a priority issue	Quality assurance and safety management of pharmaceutical products are fundamental to our business. If a problem were to occur in either of these areas, it would be a serious risk that could violate our corporate philosophy, harm the health of patients, and significantly reduce our social value and raison d'être.
Vision over the medium to long term	A global specialty pharmaceutical company with established organizational systems for appropriate quality assurance and safety management.	Vision over the medium to long term	As a global specialty pharmaceutical company, quality assurance and safety management of our products and investigational product, as well as reliability assurance of related data are thoroughly implemented so that healthcare professionals and patients can use our products and investigational product properly and with peace of mind.
Indicators	<ul style="list-style-type: none"> Construction of global quality and safety management system of Pharmaceuticals and investigational product, and Establishment of Data Reliability Assurance System Zero significant findings from regulatory inspections Zero recalls of Ono products 	Indicators	<ul style="list-style-type: none"> Construction of global quality and safety management system of Pharmaceuticals and investigational product, and Establishment of Data Reliability Assurance System Zero significant findings from regulatory inspections Zero recalls of Ono products
Major initiatives	<ul style="list-style-type: none"> Create appropriate global systems for product quality and safety management Establish an operation to study safety signals of investigational products Establish a system to respond to inspections of products for the U.S. market in preparation for the launch of ONO-4059 in the U.S. 	Major initiatives	<ul style="list-style-type: none"> Establishment and appropriate operation of an appropriate global system for quality assurance and safety management of drugs and investigational product and reliability assurance of related data Established a system to respond to inspections of products for the U.S. market in preparation for the launch of ONO-4059 in the U.S.

Revised to reflect previous in-house initiatives

6/45

This is the 12th materiality, for example, "Ensuring product reliability and safety," which means that we should ensure the reliability and safety of not only products but also investigational drugs. We revised this into "ensuring reliability and safety."

Update of Material Issues (Partial Revision)



Partially revised to reflect changes in the external/internal environment and stakeholder's feedback

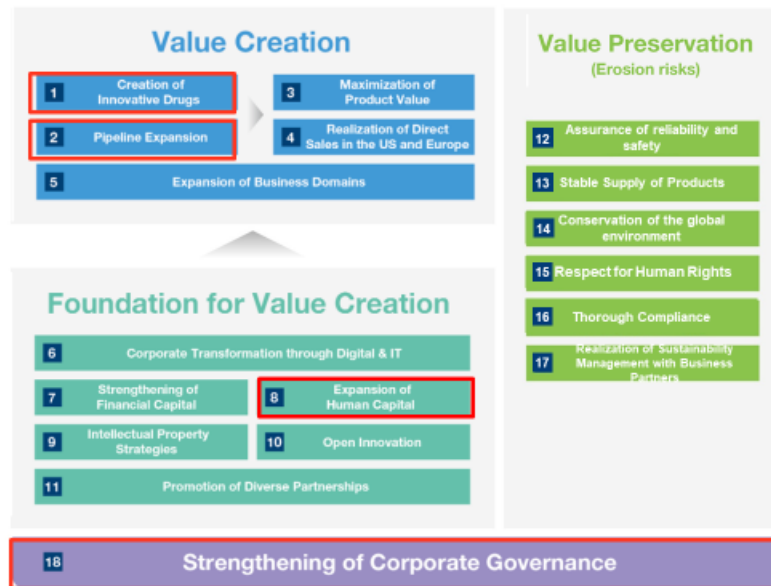
7/45

Including the title of materiality and other minor revisions, we have reviewed the materiality in seven areas as I mentioned. The numbers 8 and 12 through 17 are outlined by red lines, respectively; the thick red line, and the solid red line shows the revised title section of the materiality, and the dotted red line shows some revised parts of the contents in the materiality.

As I mentioned earlier, the titles "Assurance of Product Reliability and Safety" and "Protection of Environment" have been revised to "Conservation of the Global Environment." The difference is that protection means to leave themselves as they are without modification, and conservation means to maintain the global environment by modifying the necessary parts.

We have also changed the wording of "Legal compliance and thorough compliance". Then, we changed and revised the title of "Supply Chain Management" to "Realization of Sustainability Management with Business Partners".

With the dotted line, some revisions have been made to the content.



8/45

We have set the new materiality as shown in the slide you see. We outlined number 1 and 2 with red lines together with 8, 14, and 18. I myself will explain number 1 and 2 today. As for number 18, "Strengthening of Corporate Governance", will be explained by Mr. Nomura, an outside Director, and "Expansion of Human Capital" and "Conservation of the Global Environment will be explained and reported by Mr. Tsujinaka.

Materiality Issue 1 Creation of Innovative Drugs

Management of priority issue

Reason for being a priority issue	The creation of innovative drugs is the practice of our corporate philosophy, "Dedicated to the Fight against Disease and Pain," and is the core value we provide to society. To sustainably create this value, drug discovery research using the latest scientific knowledge and cutting-edge technologies is crucial, and strengthening our competitiveness in drug discovery research will lead to our growth.
Vision over the medium to long term	Cooperate with top scientists and accelerate the creation of new drugs that can change the world.
Indicators	The number of new drug candidates going to clinical trials 2 (ONO-8250, ONO-4538HSC)
Major initiatives	<ul style="list-style-type: none"> ● Explore unique breakthrough drug seeds and creation of new drug candidates through open innovation ● Improve the speed of creation of new drug candidates by selecting optimal modalities, utilizing artificial intelligence (AI), etc. ● Promote drug discovery research based on human disease biology using the latest technologies, such as AI and informatics, as well as patient-derived samples ● Promote translational research by searching for biomarkers based on the mechanism of action

9/45

I myself would like to explain creation of innovative new drugs. When we created the prostaglandin related products, we launched 11 new compounds as new drugs, again from the start of open innovation.

The next major success was Opdivo, which is currently indicated for 11 types of cancer. If we count the indications on a regimen basis, the number of indications can be as many as 20 or 30, but for 11 types of cancer, we have been able to lead to create a large number of new drugs from a single research of both PG and PD-1.

We will continue to focus on this open innovation, and are currently creating new drugs by adding new technologies such as AI, Informatics, and DX.

Materiality Issue 2 Pipeline Expansion



Management of priority issue

Reason for being a priority issue	Our pipeline is the source of our sustainable growth. We continue enriching our pipeline to constantly provide innovative drugs to patients.
Vision over the medium to long term	The speed and accuracy of establishing PoC* for new drug candidates are improving, and the pipeline is enriched through licensing activities. ※ PoC (Proof of Concept): PoC studies are an early stage of clinical drug development to confirm whether the drug candidates demonstrate the clinical safety and efficacy expected during the drug discovery phase.
Indicators	<ul style="list-style-type: none"> ● The number of drug candidates in the clinical development stage ● The number of newly introduced drug candidates: 1 (exclusive option and asset purchase agreement for itolizumab) ● Approvals received in the U.S. and Europe: Total of 12 projects at the clinical trial stage <div style="display: flex; align-items: center; justify-content: center; margin: 10px 0;"> <div style="margin-left: 10px;"> <ul style="list-style-type: none"> ● 24 ● 1 (NXI-101) ● The clinical trial in the US is making steady progress </div> </div>
Major initiatives	<ul style="list-style-type: none"> ● Establish PoC on multiple projects and conduct global clinical trials ● Continuously building a system development for early establishment of PoC ● Further enhancement for translational research (TR) and reverse translational research (rTR) ● Improving the speed and accuracy of PoC establishment using cutting-edge technology and methods ● Strengthen licensing activities to obtain global rights

45

Pipeline expansion. Naturally, pharmaceutical companies need to make their pipelines as rich and robust as possible. We are developing various activities to achieve this, but the first step is to see how many compounds we can generate from our own research laboratories.

Currently, a total of 24 compounds are in the clinical stage. In addition, we will acquire as many attractive compounds as possible through licensing activities, or, depending on the situation, we may consider M&A to strengthen our pipeline.

In this financial year, we have obtained global rights to one antibody drug candidates from NEXI in Korea. In addition, the development of ONO-4059 is underway in the US, which is currently on schedule for launch in 2026, and the patients enrollment of Phase II has been completed.

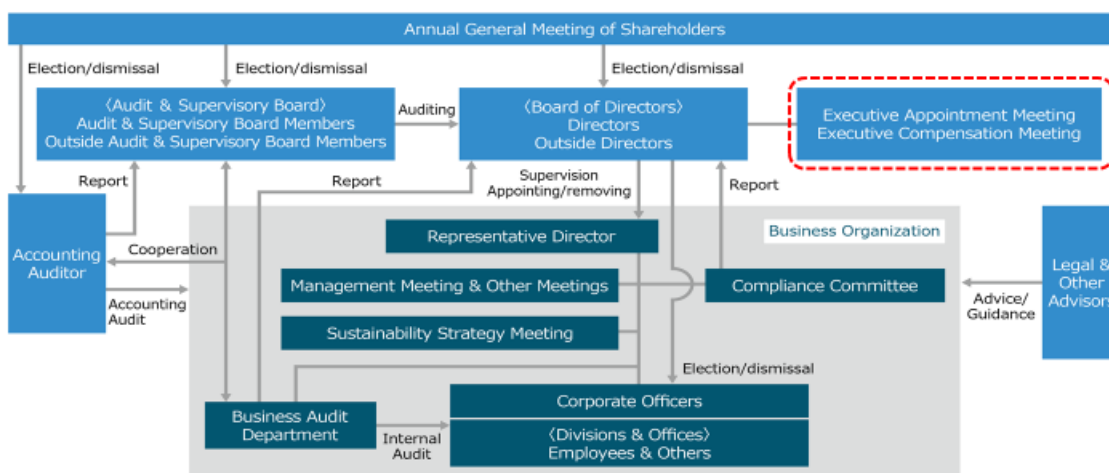
In this way, we intend to strengthen our various internal and external assets as much as possible and add them to our pipeline. We are currently in the early stages of joint research, but we are very active in our efforts, and we intend to enrich our pipeline in the future.

I am late to mention this, but this fiscal year, ONO-8250 and Opdivo subcutaneous injection have entered the clinical stage. That's all from me.

Imura: Mr. Nomura, an outside Directors, will continue with an explanation of corporate governance.

Nomura: This is the first time I meet you all. At the beginning of this presentation, President Sagara put me under pressure, but today I would like to explain corporate governance. I myself was appointed as an outside director in 2018 and have chaired the Executive Personnel Proposal Review Meeting and the Executive Compensation Proposal Review Meeting since January 2022.

Corporate Governance Structure



12/45

First, regarding the corporate governance structure, the Executive Personnel Plan Review Meeting and the Executive Compensation Plan Review Meeting, which I chair, are listed on the right side of the Board of Directors as the bodies that deliberate on executive personnel matters and executive compensation.

Members of the Board of Directors/Audit & Supervisory Board Member



		Name	Status, Assignments or Important Concurrent holding of Positions
Members of the Board (7)	Inside (4)	Gyo Sagara	President, Representative Director, and Chief Executive Officer
		Toshihiro Tsujinaka	Member of the Board of Directors, Senior Executive Officer/ Executive Director, Corporate Strategy & Planning, Sustainability Promotion
		Toichi Takino	Member of the Board of Directors, Senior Executive Officer / Executive Director, Discovery & Research
		Kiyooki Idemitsu	Member of the Board of Directors, Executive Officer / Executive Director, Clinical Development
	Outside (3)	Masao Nomura	Corporate Advisor, Iwatani Corporation Outside Director, Keihanshin Building Co., Ltd.
		Akiko Okuno	Professor, Faculty of Business Administration, KONAN UNIVERSITY
		Shusaku Nagae	Special Corporate Advisor, Panasonic Holdings Corporation Audit & Supervisory Board Member, Nikkei Inc.
Audit & Supervisory Board Member (4)	Inside (2)	Katsuyoshi Nishimura	Full-time Audit & Supervisory Board Member
		Hironobu Tanisaka	Full-time Audit & Supervisory Board Member
	Outside (2)	Yasuo Hishiyama	Partner Attorney at Law, TANABE & PARTNERS Member or appraisal committee (Land Lease Non-Contentious Cases) at Tokyo District Court
		Akiko Tanabe	Representative, Akiko Tanabe CPA office Outside Director, OIE SANGYO CO., LTD. Partner of Midosuji Audit Corporation

13/45

The corporate governance structure officers are shown in this table. We have seven directors, three of whom are outside directors, one of whom is female director, and two of whom, including myself, have corporate management experience.

Strengthening of Corporate Governance

Initiative for Corporate Governance

Material Issue 18



The executive appointment and executive compensation, both of which have governance-related importance are discussed at the meetings composed of highly independent Outside Board Director as key members in order to ensure management transparency and objectivity.

	Independent Outside Board Directors			Internal Board Directors	
	Masao Nomura	Akiko Okuno	Shusaku Nagae	Gyo Sagara	Toshihiro Tsujinaka
Executive Appointment Meeting	Chairperson	○	○	○	○
Executive Compensation Meeting	Chairperson	○	○	○	—

when examining remuneration for the Representative Director, the Representative Director is required to leave the meeting.

Executive Appointment Meeting	Executive Compensation Meeting
<ul style="list-style-type: none"> Selection of candidates for Corporate Officers, Members of Board of Directors and Audit & Supervisory Board Members Deliberation on successor plans Deliberation on Changes in Representative Directors (FY2023) 	<ul style="list-style-type: none"> Evaluation regarding fixed and performance-linked compensation and deliberation of compensation amounts Supervision to ensure the compensation system function in a way that encourages sound growth Deliberation on revision of compensation system (FY2022)

14/45

Now, regarding our initiatives in corporate governance, as I explained earlier in the organizational chart, the personnel and compensation of directors and corporate auditors, which are important for governance, are discussed at the Executive Appointment Meeting and the Executive Compensation Review Meeting, both of which have highly independent outside directors as key members, as shown in this document. Furthermore, we strive to ensure management transparency and objectivity.

President used to be a member of the executive compensation plan review meeting, but he was asked to leave the meeting when the performance evaluation and compensation of President himself were discussed, so that objectivity was maintained by having only outside directors participate in the discussions.



The executive appointment and executive compensation, both of which have governance-related importance are discussed at the meetings composed of highly independent Outside Board Director as key members in order to ensure management transparency and objectivity.

	Independent Outside Board Directors			Internal Board Directors
	Masao Nomura	Akiko Okuno	Shusaku Nagae	Gyo Sagara
Executive Appointment Meeting	Chairperson	○	○	○
Executive Compensation Meeting	Chairperson	○	○	—

After Apr. 1, 2024

Reconsideration on attendees of Internal Board Directors

Attends the Executive Compensation Meeting as explainer of company proposals.

Executive Appointment Meeting	Executive Compensation Meeting
<ul style="list-style-type: none"> • Selection of candidates for Corporate Officers, Members of Board of Directors and Audit & Supervisory Board Members • Deliberation on successor plans • Deliberation on Changes in Representative Directors (FY2023) 	<ul style="list-style-type: none"> • Evaluation regarding fixed and performance-linked compensation and deliberation of compensation amounts • Supervision to ensure the compensation system function in a way that encourages sound growth • Deliberation on revision of compensation system (FY2022)

15/45

In order to be more objective and independent, the Board of Directors has been composed of three outside directors since this April. It was decided that Director Sagara would be positioned as an explainer of the Company's proposal and would not participate in the deliberations.

On the other hand, the Executive Officer Personnel Plan Review Meeting will also deliberate on the executive structure, including the appointment of executive officers, and the CEO will be invited to participate in the decision-making process. The number of internal members has been changed from two to one. However, depending on the content of the agenda, top management appointments, etc., the chairperson may also have the authority to ask the members to leave the meeting. As I mentioned, the Executive Personnel Proposal Review Meeting will consist of four members.

Succession plan



 Involvement of outside directors	~2022	Execution for selective training such as executive training programs
	Jan. 2023	Confirmed to start specific discussions to select successor of the president
	Jul. 2023	Narrowing down candidates
	Oct. 2023	Interview with candidates only by outside director - Individually expressed and aggregated opinions
	Nov. 2023	Based on the results of the interview, outside directors and the president discussed (and determined a successor candidate)
	Dec. 2023	Discussed the timing of the president change and the next management system
	Jan. 2024	Resolved to change the Representative Director at the Board of Directors Meeting, Public Announcement

Independent outside directors led discussions on the succession plan

16/45

The Executive Personnel Proposal Review Meeting discussed the so-called Succession Plan and the selection of the President's successor, starting in January 2023. As a result, a new president and a new management structure were decided at the Board of Directors meeting this past January.

The Succession Plan, which is outlined in red at the bottom of the page, is in such a way that it implements consultation and management that takes into consideration the independence of outside directors.

As shown in the document, the study was conducted five times. In fact, if we include the meetings with only outside directors, which are hidden between the lines, there have been several more. Officially, there have been five such meetings, and with regard to the selection method, schedule, etc., the emphasis was placed in the form of discussions and management that maintained the independence of outside directors, for example, by holding interviews of candidates only with outside directors and consolidating their opinions based on those interviews.

We believe that we were able to consider the Succession Plan with a high degree of independence and objectivity, and in the form of our involvement in the deliberation and decision-making process for the next management structure.

Since my appointment as an outside director, a female outside director has been appointed in 2020. In 2022, as I mentioned earlier, I, an outside director, have been appointed as the chairperson of the meeting to review the executive compensation plan and the executive personnel plan. Similarly, the Company introduced a performance-linked stock compensation plan.

Starting in 2023, the Board of Directors will consist of four internal directors and three external directors. As I mentioned earlier, from April this year, the Executive Compensation Proposal Review Meeting will consist of three outside directors, and the Executive Personnel Proposal Review Meeting will consist of outside directors and the CEO, which will further improve governance.

During the same period, in the fiscal year in which I assumed the position of outside director, one year before 2018, in the fiscal year in March, I believe the policy shareholding was 31.6%, and in the fiscal year ended

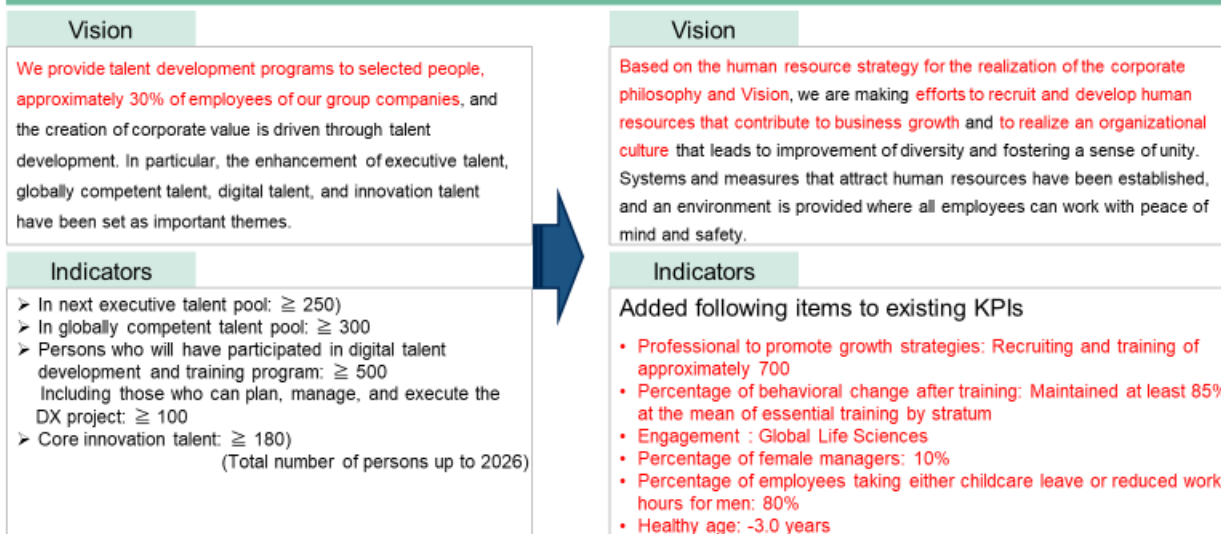
March 2023, this figure was 14.4%, and I believe that governance has been steadily enhanced and improved in a variety of ways. That is all for my explanation.

Imura: Mr. Tsujinaka, Executive Director, Corporate Strategy & Planning, Sustainability Promotion, will explain the expansion of human capital and global environmental conservation and ESG evaluation.

Partial Revision of Material Issues "Expansion of Human Capital"



8 Expansion of human capital



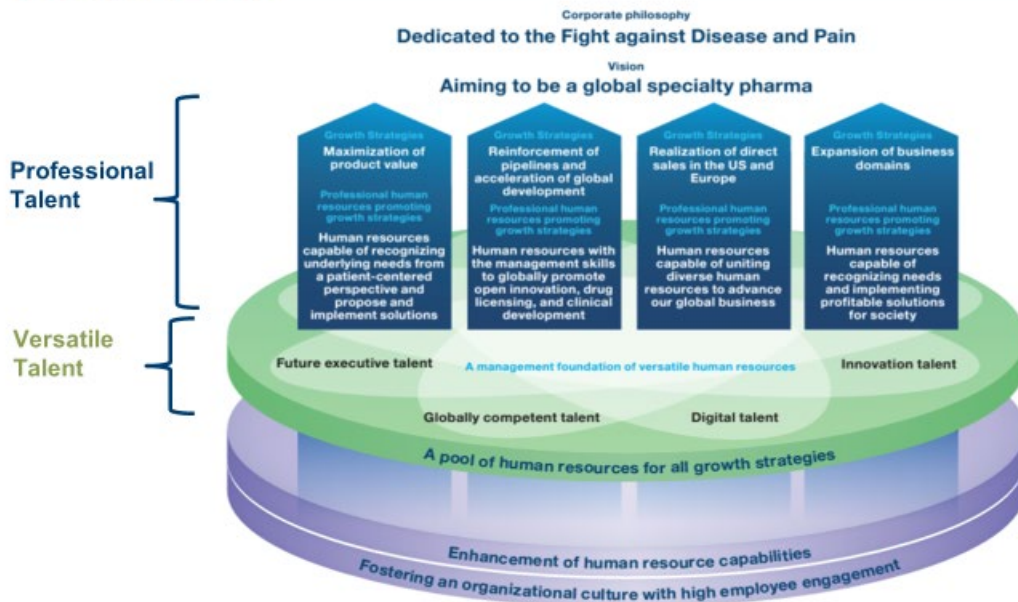
(Target for the end of fiscal 2026) 45

Tsujinaka: At the beginning of the meeting, President Sagara also reported that we reviewed the materiality.

We also reviewed a part of the "Expansion of Human Capital."

In brief, we have shifted from a focus on talent development that contributes to our growth strategy to a talent strategy for the realization of our management philosophy and vision, which is to recruit and develop talent that contribute to our growth strategy and to foster an organizational climate and culture in which these people can work enthusiastically. We are working on this as a talent strategy.

In addition, KPIs have been changed as shown. I will explain it later again.



20/45

Our efforts to expand human capital are summarized in this single slide. Under the corporate philosophy of Dedicated to the fight against disease and pain, we are working to become a global specialty pharmaceutical company.

In 2031, to overcome the Opdivo patent cliff and become a company that grows even more, we are working on four growth strategies under our mid-term management plan. And in order to realize the four horizontal growth strategies, we must develop talent who are willing to venture more and more into new areas. We position and train those who are responsible for such specifications as professional talent.

In addition, we also develop cross-functional talent such as next-generation management talent, global talent, digital talent, and innovation talent; they are positioned as cross-functional talent.

Up to this point, these employees have been selected as talent within the Company, but we are also running a program to equally train all employees and raise their level of performance.

In addition, we have positioned our talent strategy to include fostering an organizational climate in which these employees are motivated to work.

1. Development the Versatile Talent who Support the Management Foundation ①

Material Issue 8



– Training of Next generation executive talent · Global talent –

Next generation executive talent	Object	Development of next-generation management candidates			
	Subject	Talent capable of carrying out future management	Talent capable of serving as next-generation office managers	Talent capable of serving as next-generation division managers and executive	
	Training	ILT Around 30 age	LIP Around 35 age	MMD Young Manager	ETP Senior Manager
	Term	8 months	1 year	2 year	4 year

GSIP : Global Skill Improvement Program 1 year

Global Talent GSIP is a program aimed at developing talent who can influence the entire company while demonstrating leadership within a team and collaborating appropriately with those around them in any field, **whether domestic or overseas.**

(※ The main purpose of the training is not to improve language skills)

Cross-cultural communication: Ability to build relationships of trust even with different values and cultural backgrounds

22/45

Now let me explain a few more details. I would like to start with the selected talent. First of all, we are training our next generation of management personnel in a selective training program for people in each age group, approximately 30, 35, 40 to 45 years old, and we are developing talent on a replacement basis.

And finally, we have been providing executive training for four years. This training started eight years ago, and many general managers from various ONO Pharmaceutical functions have taken this course, including the new president, Dr. Takino, and myself.

In addition, as a global talent development program, the Global Skill Improvement Program, in short, we understand that global talents are, of course, to be developed through work. However, we are convinced that the development of talent who are skilled not only in language but also in cross-cultural communication will accelerate such a movement.

Incidentally, most of our overseas talent and global talent have entered into the international scene after completing this program. We intend to continue to develop such talent without interruption, which will always be conducive to globalization.

1. Development the Versatile Talent who Support the Management Foundation ②

Material Issue 8



– Digital talent development training –

Definition	Understanding DX Able to understand DX	DX participation With the participated DX project Active	DX lead DX project Able to plan, manage, and execute
Digital Technology talent	Understand an overview of digital technology and the importance of business transformation	Understand Digital technology and the foundation of business transformation when participating in the DX project can play an important role	Understand and practice a variety of digital technologies
Business talent for transformation			Set a problem area for Business Transformation can execute on the project
Training	e-learning	Lecture + Exercise/Project Based Learning	
KPI (FY2026)	All employees	Total 500	Technology and Business 100 people each
Vision	All employees understand the digital technology overview and importance of business change. Many of them are potential participant of DX talent	The personnel who completed the training play a central role with daily DX activities	The personnel who completed the training leads daily DX

23/45

Next is the status of digital talent development. We divided the digital talent into three categories for training people. People who can understand DX, people who can participate in DX, people who can lead DX. All employees go through the understanding stage. We want to give all employees a tactile understanding of what DX is all about.

We are also working to develop about 500 employees across the Company who can take on the challenge of incorporating DX into their daily business in each function.

In addition, we are running individual programs to train about 100 employees who are well versed in both IT, digital and business, and who can lead the entire Company's DX efforts.

1. Development the Versatile Talent who Support the Management Foundation ③

Material Issue 8



– Development of innovative talent (Ono Innovation Platform) –

- Talent development program aimed at accelerating the challenges of each and every employee
- Supporting employees so that they can discover what they want to accomplish and voluntarily take on challenges



Started in June 2021. Over 1,300 employees have participated so far (approximately 37%)

24/45

We also offer an unusual program, the Ono Innovation Platform, a program for developing innovative talent. As we are a pharmaceutical company, each function, such as R&D, Sales & Marketing, and CMC & production, is composed of highly specialized functions. While we nurture talent with deep knowledge and experience in a single area, we have conceived of this program in the sense of nurturing people who have a bird's eye view of the business as a whole and who excel in new ideas.

This is modeled after a new business. We would like to think of services, etc. other than drugs in the area of life science, and from the perspective of providing them to patients and to the world, we would like them to learn various things from the perspective of new business and use them while experiencing things that they cannot experience in their existing businesses, we want to create innovation. This is the program that we are executing to achieve such a goal.

We would like to develop talent that contribute to innovation through programs such as the Innovation Cafe for learning, programs that provide opportunities to meet with venture company owners, programs that provide experiences that you can actually go to a venture company to improve oneself, and programs that allow people to actually develop new businesses, and then assign a mentor to the person who has developed the new business and run it together.

1. A Pool of Talent for All Growth Strategies

Material Issue 8



- Development Status of Cross-Sectional Talent -

- Ensure that cross-functional talent are developed through various trainings, etc.
- In the future, we will maximize the use of Workday, the new talent management system, to promote efficient management.

Next generation executive talent (FY2022)	Actual results	Target value (2026)
Selection Training (ILT, LIP, MMD, ETP)	148	≥ 250
Global talent (FY2022)	Actual results	Target value (2026)
Global Talent Development Training	171	300
Digital talent (FY2022)	Actual results	Target value (2026)
DX participation	268 (54%)	500
DX lead	40 (40%)	100
Innovative talent (until FY2023)	Actual results	Target value (2026)
V2V (secondment to venture companies)	14	180
HOPE (business creation) * First-pass in business competitions	19	
Outsight (venture proposal)	24	
Operational Transformation Program	0 (under design)	

25/45

These are the current locations of the goals. For each goal, listed number of e have completed such a program and have become a pool of talent. We intend to continue to firmly promote the development of this program.

1. A Pool of Talent for All Growth Strategies

Material Issue 8



- Goal of hiring and developing specialists: About 700 in the next 5 years -

- For specialized talent, the organization of talent needs was completed in FY 2022 (approximately 700 people)
- From this fiscal year, we will start hiring experienced employees and developing them within each department in accordance with talent's needs

Growth strategy	Definition	Number of participants
① Maximization of Product Value	Talent capable of recognizing underlying needs from a patient-centered perspective and propose and implement solutions	Approximately 700
② Reinforcement of pipelines and acceleration of global development	Talent with the management skills to globally promote open innovation, drug candidates licensing, and clinical development	
③ Realization of direct sales in the US and Europe	Talent capable of uniting diverse talent to advance our global business	
④ Expansion of business domain	Talent capable of recognizing needs and implementing profitable solutions for society	
Common to all growth strategies	Support promotion of each growth strategy	



- More than 40% of the the required number (as of the end of February 2024)
- Conduct rolling year after year according to the progress of the project

26/45

In addition, we will visualize and manage the talent necessary to drive and execute the four growth strategies I mentioned at the beginning of this document. We believe that approximately 700 people will be needed over the next five years. We would like to develop and hire a total of about 700 people who will contribute to our growth strategy, including about 500 people from inside the Company and about 200 people to be hired from outside. Currently, after two years, more than 40% have been filled. We will continue to accelerate this effort.

2. Enhancement of Talent Capabilities

Material Issue 8



- Building a rich training lineup -

- Conducted workshops for all employees to disseminate the Mission Statement, along with tiered training and support for self-education
- Hold trainings for effective operation of personnel measures such as rater training in addition to the following

Title	General employees			Management Staff		
	New hired employee	Mid-level employees	Manager candidates	Manager grade	Manager	Senior Managers
Next generation executive talent development		ILT	LIP	MMD		ETP
Global talent development	Training to develop global talent					
Digital talent development	Training to develop digital talent					
Innovation Talent development	Training to develop innovative talent					
Training by hierarchy	Annual training	Training for G2/G1/P2 promotions		Manager Promotional training Follow-up Training		
Self-development support	Support for voluntary training, participation in seminars, correspondence courses, online foreign language conversation lesson, and qualification tests					
Activities to heighten knowledge and deepen understanding of our mission statement	Mission Statement Understanding, Empathy Workshop					
	Initiatives to enhance the perspective of patients (Patient lecture meetings and initiatives to understand patient experience)					
Other	Diversity Training	Career Planning Training		Diversity Management Training		

28/45

As I mentioned at the beginning, we also offer various programs in addition to these selected talents. We are running programs hard such as these, which are outlined in red, to all of our employees, including rank-based training, self-development training, mission statements, and training programs that encourage employees to share in the Company's mission statement and what the Company is aiming for.

Incidentally, the highest driver of engagement in our engagement surveys is the degree of empathy for this mission. We will continue to work hard on this project.

2. Enhancement of Talent Capabilities

Material Issue 8



- Training outcomes, etc. (FY 2022 preliminary report) -

- **Behavioral change rate** after receiving training and the number of hours of training per person met the target or exceeded the level of the last year
- There is room for further improvement (increase in users) in self-education support and voluntary participatory training

① Behavioral change rate after receiving training (evaluation by superiors)

85.9% . . . Target to maintain at least 85%

② Training hours per person

Organizational unit	Training hours per person (Reference: FY2021)	Training expenses per person
Consolidated	54.8 h (50.8 h)	122,000 yen
Non-consolidated	55.9 h (53.8 h)	126,000 yen

<For self-development/self-participation training, more appropriate dissemination and approaches are needed>

Measures	Number of users (Total number of people)	Number of users (actual number)	Up to 70,000 yen/person/year	
			per user	per employee
Self-development system	1093 (32%)	692 (20%)	55,000 yen	11,000 yen
Measures	Number of participants (Total number of people)	Number of participants (actual number)	Number of participants	
			per user	per employee
Voluntary Participatory Training	1263 (37%)	774 (23%)	1.6 times	0.4 times

29/45

The Group as a whole provides an average of 55 hours of training opportunities per person. And we are spending just over JPY120,000 as a cost. In addition, when the supervisors of those who have completed the training have rated their employees, more than 85% of the employees who have received the training have also received some type of behavioral change. We would like to continue to work on this as well.

3. Working to Foster an Organizational Culture with High Employee Engagement

Material Issue 8



- In the "A pool of talent for all growth strategies," the status of versatile and professional talent is followed.
- Initiatives and progress are described later.

Category	KPI item	KPI figure
A pool of talent for all growth strategies	Recruiting and training versatile talent goals	Next generation executive talent ≧ 250 Global talent ≧ 300 Digital talent ≧ 500 Innovation talent ≧ 180
	Recruiting and training professional talent goals	Recruiting and training of approximately 700 by FY2026
Enhancement of talent capabilities	Annual number of hours of training per employee	Consolidated : 54.8 hour/year(FY2022) ※Actual results Non-Consolidated : 55.9hour/year (FY2022) ※Actual results
	Percent change in behavior after training	Average of the training required for each grade : Maintain ≧ 85%
Working to foster an organizational culture with high employee engagement.	Engagement	More than Global life science
	Percentage of female managers (DE & I)	4.1%(FY2022)→ 10%(FY2026)→ 20%(FY2031)
	Percentage of male employees taking childcare leave	65.2% (FY2022)
	Male childcare leave + Reduced work hours (Act on Promotion of Women's Participation and Advancement in the Workplace)	68.8%(FY2022) → 80%(FY2026)
	Health age (difference between health age and actual age)	▲1.8 age(FY2022)→▲3.0 age(FY2026)

29/44

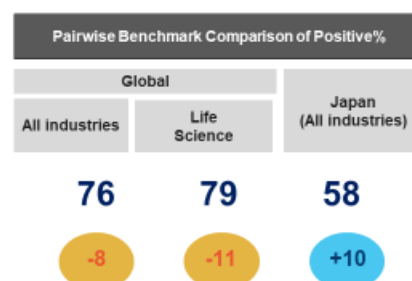
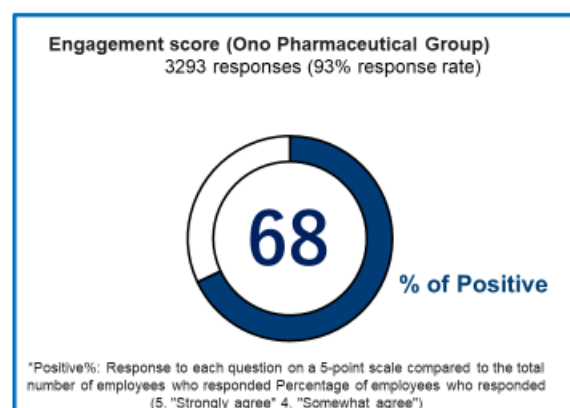
Next, we want to create an environment in which these employees are motivated to work, and we want to foster an organizational climate and culture, so we have set and are proceeding with the KPIs as you can see.

Landscape of Employee Engagement (FY 2022)

Material Issue 8



- The Ono Pharmaceutical Group's overall employee engagement (68) is: **High level compared to domestic benchmark (58)** (slightly lower than global benchmark (all industries) (76))
- Aim to achieve an engagement score higher than the Global Benchmark (Life Sciences) (79)



31/45

Since FY2022, through the Mercer Engagement Survey, we have been looking at where each of us is globally, how we compare to all industries in Japan, and how we compare to other global companies.

ONO's current value as of the end of FY2022 is 68 points, 10 points higher than the average for all industries in Japan, but a little less than 11 points short of a global life science company. We are starting with these areas and are working to make this global life science company a benchmark for higher engagement.

3. Fostering an Organizational Culture with High Employee Engagement Material Issue 8

- Aim to improve engagement by providing systems and measures to attract talent and enhancing the sense of unity among the group (emphasis on the balance between career autonomy and organizational commitment)
- Establishing the foundation to support the talent and organization that will generate sustainable business growth (DE & I and health and productivity management)



32/45

We put it like this: if we can be a company that attracts diverse talent, encourages them to stay and work for a long time, and at the same time fosters a sense of unity that has a trade-off relationship with diversity, we can be a company with high engagement.

To achieve this, we believe that it is necessary to have an attractive corporate culture that is fair and transparent, a system that allows employees to exercise their individuality and play active roles, and a flexible working environment that can adapt to change. We have set KPIs for each of them based on these ideas.



➤ In diversification of managers, efforts are being made with a focus on improving the ratio of female managers

Management, etc. (attribute)

■ Gender (biological) 2024.01			■ Employment form 2024.01		
	Employee	Percentage of manager		Employee	Percentage of manager
Male	80%	94.4%	Non-Career hire	81%	83%
Female	20%	5.6%	Career hire	19%	17%
		▼	Contract rehiring	4.6%	(approximately 160)
Target 2026		10%			
2031		20%			

33/45

First, there is diversity in management positions. Around 2014, with the launch of Opdivo, we took a proactive approach to career recruitment. Currently, carriers account for just under 20% of all employees, and the percentage of carriers in management positions is increasing each year. I believe that this ratio will continue to increase, and that the ratio of career to proper managers will increase a little more in favor of career workers.

On the other hand, the challenge is the composition of management positions for female employees. As of January 2024, the rate is 5.6%. There was once a time when the percentage was less than 2%. To improve this situation, we have been increasing the percentage of female employees in recruitment since around 2011. From around 2019, we have decided to increase the number of employees who are one step ahead of management, or in other words, those who are at the level of assistant managers, as they are often referred to in Japanese companies. We have therefore achieved our goal of increasing the percentage of female employees to at least 15% among assistant managers from 2019 to 2022.

And since last year, we have been working to achieve the goal of expanding the ratio to 10% in five years and 20% in 10 years, through corporate reports and other means. As of last year, it was 4.1%, and after one year, it has increased by 1.5% to 5.6%. Although our efforts are still insufficient, we will work hard to increase this ratio and aim for a more diverse organization.

Development Program for Diversifying Experiences and Perspective of Individuals ⇒ Expansion of the Open Recruiting System

Material Issue 8



To promote employee career development and enhance vitality and competitiveness through talent exchange

Solicit job offers from each department and realize transfers by matching with applicants

FY 2022 Expansion	Application conditions	① At least 3 years of experience with the company *Regardless of the number of years of affiliation with the current organization
	Job opening	Abolition (no job opening)

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of departments with job offers	12	13	14	34	49
Number of applicants	114	100	79	134	191
Number of successful applicants(transferred)	6	8	6	25	52

- Relaxation of application conditions and elimination of job opening limits
=>More opportunities for career realization
- Presentation of slides introducing departments with job offers
=>Advancing Challenges by Understanding the Contents of Operations
=>Effect to reduce mismatch after transfer

Evolving to a system that encourages employees to build careers and take on self-directed challenges

34/45

In addition, we are expanding our internal recruiting program, which we call the Diversification of Experience and Perspective Development Program. Those who have been with the Company for more than three years, for example, challenged to expand their individual diversity by going out to new areas, such as sales & marketing, development, or discovery & research, rather than their former departments.

We had been thinking about it since 2017 to 2018 and started in 2019, but it did not work for the first three years. Finally, around 2022, the program began to function, and 25 people were transferred using this program last year. This year, 52 people have taken on new work challenges. In addition, probably 60 people will be transferred this year.

We would like to use these programs to work on the blossoming of individual diversity.

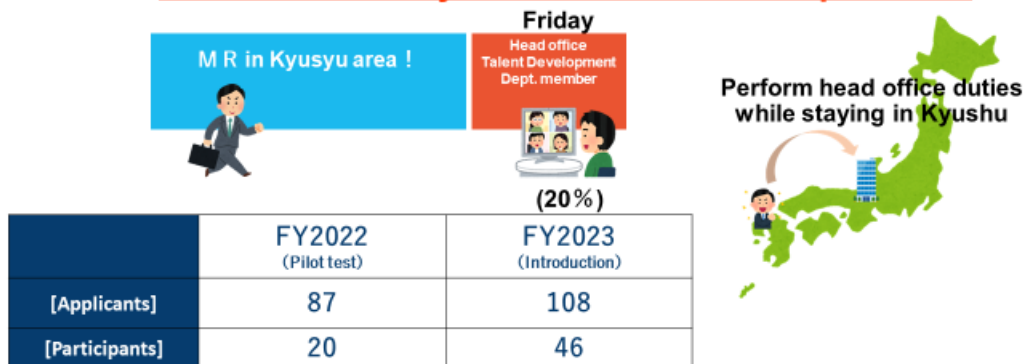
Individual Diversity Development Program 2: ⇒ Introduction an Internal Challenge Job System

Material issue 8



- Those who want to try a different role but are concerned about suitability
- Those who are not thinking about moving to another department right now but want to broaden their perspectives by learning more about other departments
- Those who want to know about the work in a specific department or deepen exchanges with people in other departments

⇒ **80% of work is in the current department and the remaining 20% concurrently serves in another department**



35/45

In addition, some people are hesitant to suddenly take on other occupations. For such people, we have introduced a challenge job system in which employees can challenge various departments remotely for 20% or one day out of five days in a week.

In FY2022, the program was introduced on a pilot basis and 20 people challenged. Half of these employees have been transferred through the internal recruiting program which I mentioned earlier. This year, 46 people are currently trying out for new positions, just once a week.

Through these programs, we hope to further increase the diversity of individuals within the Company.

- ① Changed the operation of working from home and introduced of the Super Flex system (May 2023)

To foster a sense of unity and allow diverse working styles at the same time, telecommuting rules will be

Set by Each Division, in principle.

Optimal work styles are sought through periodical reflections and reviews.

- In principle, an opportunity for face-to-face communication should be provided at least twice a month, e.g., by holding a meeting attended in person by all members of the team.

*At the same time, a super flex system was introduced that eliminated core time

- ② Introduction of dual/concurrent jobs (June 2023)

[Subjects] All employees

[Purpose] Career growth and growth of employees, activation of the organization, and creation of innovation

- ⇒ Leading to the growth of employees by obtaining external knowledge in various fields,
By giving it back to our main job, we can make new proposals that have never been made before.
New businesses can be expected to be created

In FY 2023, more than 40 employees applied



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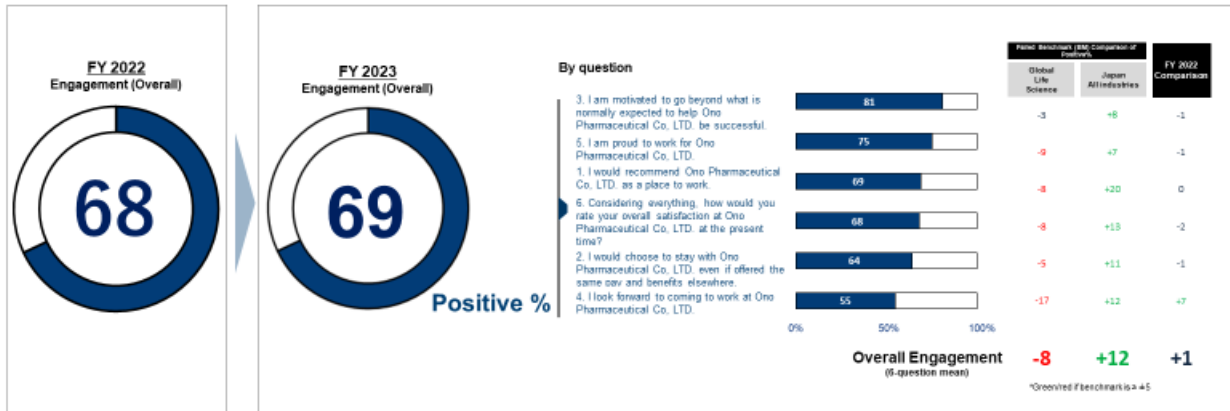
In addition, we are also working to diversify our work styles. It is often referred to as the post-COVID-19 style of working. We assume that remote work has advanced considerably in all companies during COVID-19.

What are we going to do post-COVID-19? So, starting in May 2023, ONO decided to define the style of working by department. Jobs with many different outcomes: discovery & research, development, and sales & marketing. Instead of making it uniform company-wide, we decided to set it up by each department and work on it. The Company only required people to take the initiatives for team building at least twice a month. Other than that, each department was allowed to decide anything necessary firmly on its own. They may work face-to-face or in a hybrid work style that incorporates remote work. A super-flex system has also been introduced. We would like to explore more efficient styles of working while sharing diverse ways of working.

In addition, we started a system of side/concurrent jobs in June last year. This has allowed more than 40 employees to step into new places so far. We hope that by doing this, they will gain experience that they would not be able to have within the Company and bring that experience to the Company to help diversify the Company.



- Employee engagement across the group is high compared to the benchmark for all domestic industries (Slightly behind Global BM)
- Compared to the previous survey, the positive response rate tended to increase slightly (+1), but “I am excited about coming to work ” particularly improved (+7)



37/45

Through these efforts, the number of points of engagement has increased by 1 point in a year. And with global life science companies, we were able to reduce the gap by 3 points from 11 points last year. We are still in the process of working on this, but we will continue to make firm efforts.

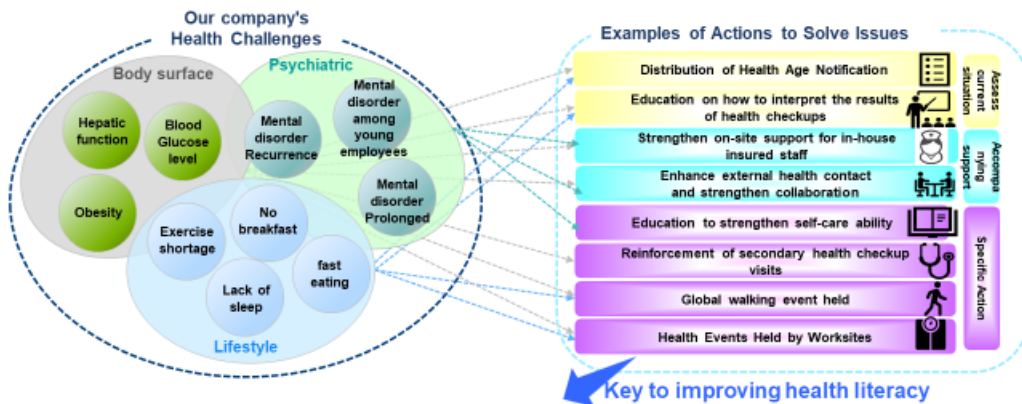


Our company KPIs

Fiscal Year	2018	2019	2020	2021	2022
Difference between actual age and healthy age	▲1.4	▲1.5	▲1.4	▲1.8	▲1.8



2026
▲3.0



Promote health and productivity management with the goal of continuing certification of "Certified Health & Productivity Management Outstanding Organization (White 500)" Reselection as a Health & Productivity Stock

38/45

This is the last slide. We are also making a strong effort to promote health management. We believe that the health of our employees and their families is what makes our work possible. We offer a variety of programs from all perspectives, including physical, mental, and lifestyle aspects, and we are currently working to achieve our goal of a three-year age difference between actual age and healthy age.

In recognition of these efforts, the Company has been selected as the "White 500, Certified Health & Productivity Management Outstanding Organization", for six consecutive years. In addition, the Company was re-selected this year for the "Health & Productivity Stock". We will continue to expand our human capital through these efforts.

Partial Revision of Material Issues “Conservation of the Global Environment”



14 Protection of the Global Environment

Major initiatives

- Reduce greenhouse gas emissions and increase share of renewable energy in total electricity consumption
- Reduce use of water resources
- Reduce final landfill disposal rate of industrial waste



14 Conservation of the Global Environment

Major initiatives

- Realization of a decarbonized society**
 - Reduce energy consumption by adopting high-efficiency equipment and improving operation
 - Promotion of renewable energy electricity procurement
 - Examination and introduction of procurement of green electricity by physical PPA
 - Introduction of carbon neutral city gas
 - consider and introduce new technologies such as next-generation solar cells
- Realization of a Water Recycling Society**
 - Identification of reduction target by installation/analysis of flow meter
 - Reduce water resource use through efficient operation and new measures
 - Strengthening of wastewater control at in-house plants and research laboratories (Establishment of stricter effluent standards and implementation of whole effluent toxicity tests)
 - Conduct ecotoxicity studies on late-stage development and marketed products and disclose the results
 - Establishment of water-related risk assessment system and implementation of engagement for important business partners
- Realization of a society with recycling of resources**
 - Recycling of waste materials
 - Material chemical recycling of plastics
 - Reduction in paper use
 - Thorough notification of segregation

※ Revised major initiatives in response to the update of mid- and long-term environmental Goals 40/45

Next, I would like to explain a brief introduction about global environmental conservation. We are reviewing the materiality of this as well. We have changed the concept from global environmental protection to conservation and have set a variety of KPI's.

Protecting Value

Conservation of the Global Environment

Material Issue

14



Recognizing that our business activities benefit from the environment and aiming to realize a sustainable and affluent society, we have adopted the environmental vision, “ECO VISION 2050” and are striving to resolve environmental issues in view of the future in 2050



- Realization of a Decarbonized Society**
- Realization of a Water Recycling Society**
- Realization of a Resource Recycling society**

Toward the realization of ECO VISION 2050, we have established 3 priority items and established medium- to long-term targets. In addition, we have established annual targets and are advancing initiatives.

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We are working to realize a decarbonized society, a water recycling society, and a resource recycling society under the title of Environment Challenging Ono Vision “ECO VISION 2050.”

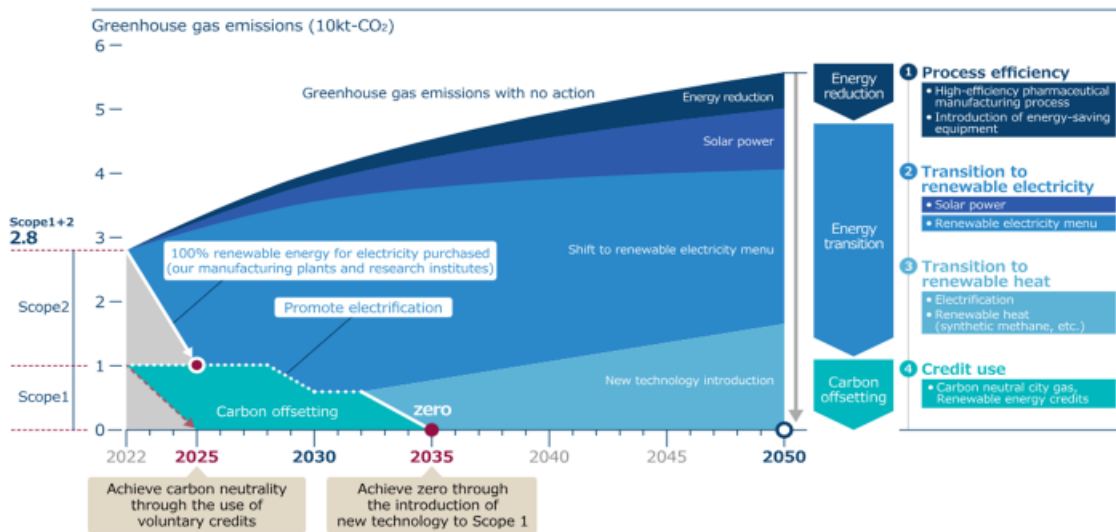
Medium- to long-term environmental Targets

	Scope 1+2		Scope 3	
Realization of a Decarbonized Society	FY2025 Achieve Carbon Neutrality (virtually zero carbon emissions by offsetting with voluntary credits) Renewable Electricity Rate 100% (coverage) ONO's operation sites	FY2035 Greenhouse gas emissions Zero	FY2030 Greenhouse gas emissions 30% reduction	FY2050 Greenhouse gas emissions 60% reduction (Base year) 2017
Realization of a Water Recycling Society	Water Scarcity Risk FY2030 Sales growth rate \geq water consumption increase rate (Coverage) ONO's operation sites (Base year) FY2017 Promote measures that lead to the conservation of rich water resources for local communities.	Water Pollution Risk FY2025 Conduct an aquatic life impact assessment for 100% of wastewater. FY2030 Disclose the results of the aquatic life impact assessment for developing compounds. Control 100% of wastewater more strictly than applicable laws and regulations.	Supply Chain Risk FY2026 Conduct water related risk assessment and comprehensive risk management for important business partners.	
Realization of a Resource Recycling Society	Final Landfill Disposal Rate of Industrial Waste $\leq 1\%$ (Coverage) ONO's manufacturing plants/research institutes, and logistics centers.	Recycling Rate FY2025 $\geq 60\%$ FY2030 $\geq 80\%$ (Calculation) In accordance with the calculation rules of the Federation of Pharmaceutical Manufacturers' Associations of JAPAN, FPMAJ. (Coverage) Unnecessary materials (wastes, valuables, free materials, etc.) generated from ONO's manufacturing plants/research institutes, and logistics centers.		Reduce the Environmental Impact of Product Packaging FY2030 100% correspondence Prioritize the use of FSC® certified paper, and use other recycled papers for materials that it is not possible to use FSC® certified paper. (Coverage) Individual packaging boxes for our marketed products

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In the current fiscal year, we have also reestablished our medium- and long-term environmental targets. The largest part of our efforts is to achieve net-zero greenhouse gas emissions by 2035, 15 years ahead of our original target of net-zero emissions in 2050.

Roadmap for Achieving a Decarbonized Society

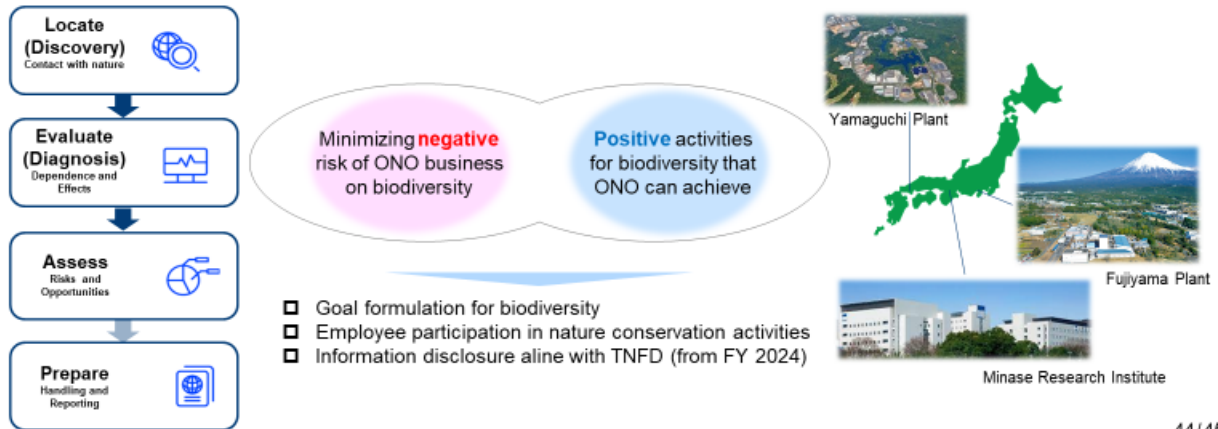


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We have set challenging goals for each of them, and we are not only setting them in words, but we are also moving forward with the establishment of a clear roadmap.

Biodiversity Conservation Initiatives

We are grasping the risks and opportunities related to biodiversity in our company's management in accordance with the LEAP approach, and at the same time, we are making preparations for initiatives to conserve biodiversity as part of our business and aiming for a spontaneous resurgence by implementing biodiversity conservation activities that are unique to Ono Pharmaceutical Co., Ltd.



44/45

At the same time, we are working to preserve the biodiversity of the global environment. In line with the deep approach of locate, evaluate, assess, prepare, we are currently developing initiatives to minimize ONO's negative risks to biodiversity through ONO's operations and to contribute to nature positivity, which we can only do as ONO. In this regard, we intend to strengthen our environmental efforts even more firmly by disclosing information in line with the TNFD from the next fiscal year.

External ESG Evaluation



	Evaluation institution	FY 2021	FY 2022	FY 2023
ESG General	DJSI	79/100 points World Index	79/100 points World Index	77/100 points World Index
	FTSE	Selected 4.2 points/5 points	Selected 4.3 points/5 points	Selected 4.5 points/5 points
	MSCI	Selected Score: A	Selected Score: AA	Selected Score: AA
	Sustainalytics	27.7 21th/403 companies	25.9 25th/458 companies	—
	TOYO ECONOMIC CSR Ranking	107th/ 1631 companies	102th/ 1353 companies	78th / 1714 companies
	Nikkei SDG management	Stars 4.0 ★★★★☆	Stars 4.0 ★★★★☆	Stars 4.0 ★★★★☆
Environment	CDP	Climate change: A Water: A	Climate change: A Water: A	Climate change: A Water: A
	S & P carbon efficiency index	Selected Decile ' 1 '	Selected Decile ' 1 '	Selected Decile ' 1 '
Social	Nikkei smart work management	星4.0 ★★★★☆	Stars 4.0 ★★★★☆	Stars 4.0 ★★★★☆
Diversity	MSCI-WIN	—	Selected Score: 6.53	Selected Score: 5.65

45/45

Finally, we would like to provide an update on the status of ESG external evaluations. As you can see, we have been selected for the DJSI World Index for three consecutive years, and we have also received a double-A rating from the CDP in the areas of climate change and water for three consecutive years.

We will continue our efforts to be a company that is recognized by the world for its environmental initiatives. That is all from me.

Question & Answer

Imura: Mr. Muraoka, please go ahead.

Muraoka: Hello. This is Muraoka from Morgan Stanley MUFG. Let me ask a question to Mr. Nomura. As far as the Succession Plan is concerned, I would like to take it a little further, just to the extent possible, what kind of discussions have you had? There may have been some opposition, maybe not so much from outside the Company, but what was the breadth of the discussion? It would be very helpful if you could share information with us to the extent possible.

Nomura: Thank you for your question. I think your question was about what kind of discussions were held, to the extent possible.

As I explained earlier, we outside directors were firmly involved, and in retrospect, I believe we were able to enhance our independence in our discussions and operations. As for the content of the discussion, I and another outside director, Mr. Nagae, Special Corporate Advisor of Panasonic Corporation, were discussing how to proceed with the selection process and the schedule, referring to our own experiences and other companies' case studies as experienced corporate management professionals, we started with such discussions.

Also, regarding the status of candidate training, there were many executive officers and above who have been trained in the management development program, so we confirmed the details of the program and considered the candidates in the form of a set of candidates.

We also discussed the image of the president that ONO needs today, and in general, the qualities of a new manager who can match the tough times ahead or times of change. I believe that we were able to have a very deep and dense discussion.

Based on these assumptions, we took the time to interview the candidates and finally selected Dr. Takino as a candidate for president. As you have just asked about this, each person involved in this case had their own thoughts on this.

The only thing in common among us was that ONO is now entering an important phase in which it will take on the challenge of becoming a global company with the Opdivo cliff ahead of us. We, including the outside directors, agreed that Dr. Takino is the most suitable person for the position because he has the talent to lead the Company's sustainable growth, as well as the career and ability to lead our employees and promote and realize the globalization. That is all for discussion and comments.

Muraoka: Thank you. Now, one more question, which is slightly different from today's discussion, but which I would also like to ask you, Mr. Nomura, is what you usually think about when you are working as an outside director.

In the past few days, especially, I have been reminded that another company, which has been experiencing problems with the side effects of its products, and various problems affecting people in the supply chain. Once again, I believe that pharmaceuticals are inextricably linked to health risks.

My question is that even when difficult problems like this occur, the outside directors may be in a position where he/she could be held responsible in a sense due to the duty of due care and attention, but how do you manage such risks including such small efforts, even though you are not a professional in medicine? For

example, how do you make an effort to nip such a small risk in the bud? I'm asking in the hope that I can learn something that we can share.

Nomura: I don't know if this will answer your question, but ONO is also evaluating the effectiveness of the board of directors, and we, the outside directors, would like to visit the site as well, and we conduct inspections of research institutes, manufacturing plants, etc. As for your question, I used to work in the gas industry, so I was always at risk of such accidents, so I was wondering if there were any near-misses at the site. I personally believe that this is the way to confirm the safety and the attitude of employees in their efforts while being shown the site.

Even though we are in different industries, I would like to have the Company show me the frontlines and exchange opinions with the employees on the frontlines. In the process, we are wondering if there are any hidden risks that could be shown to us.

I am aware of the question you just asked, but I think it is important for every industry and every company to be aware of what will happen when the problem becomes bigger, rather than thinking of it as someone else's problem. We believe that doing so will help to reduce or even prevent accidents. I hope I have answered your question.

Muraoka: Thank you. It was helpful. T

Imura: Next, Ms. Yatsunami of Nissei Asset Management, please go ahead.

Yatsunami: I have two questions. First, you have just explained the details of the Executive Personnel Proposal Review Meeting. I would like to ask you about the other one, the actual activities of the Executive Compensation Proposal Review Meeting. In terms of how Mr. Nomura evaluates the Company's executive compensation system at present: for example, sorry if my understanding is wrong, but in the case of your company, there is a large portion of fixed remuneration and continuous service, and there is no index for stock price, and the performance-linked portion is more qualitative evaluation. What kind of discussions are being held at the review meeting? Or, if you are going to change something in the future, what kind of changes, if any, ONO needs to make in the compensation system to achieve globalization in the future? Could you tell us about this?

Nomura: Thank you for your question. First of all, as I mentioned at the beginning, we have changed executive compensation to the current performance-linked compensation in 2022. Before it was changed, the fixed compensation portion was 70%, and the performance-linked portion was 30%, including bonuses and stock, but we have brought this to 50%/50%, and at present the fixed portion is 50%, the performance-linked compensation bonus is 25%, and the performance-linked stock compensation is 25%, for a total of 50% of the performance-linked portion. First, the Company has increased the proportion of performance-linked compensation.

There was also a question in the form of an indicator against the stock price that was not included. Although ROE is included in some performance-linked portions, we currently do not include indicators that directly reflect stock price trends.

As related to the previous question, I personally believe that the role of outside directors is to enhance corporate value over the medium to long term, and that this is our greatest responsibility to our stakeholders. ONO, as I am sure you know, is aiming to become a global specialty pharmaceutical company by 2031, with a view to the Opdivo cliff.

The four growth strategies, ESG, and materiality, as explained earlier, are included in the evaluation items. I personally think that they are difficult to quantify. Progress, content, and enrichment of the content are the

things that are subject to evaluation. So, I think that was 70% of the total, and the performance-linked remuneration portion is a qualitative evaluation of performance.

In terms of a series of movements, that's the way it's going to be however, in the future, we will also refer to the systems and standards of other companies in the same industry with regard to the current compensation of directors. I still think that this could change significantly in the future, and that the performance evaluation portion of compensation will become a higher part of compensation. I believe that this is a major trend, and we will continue to discuss a more appropriate executive compensation system.

Yatsunami: Secondly, I think this is part of what you have just explained. I understand that you have already explained the concept of your quantitative mid-term plan to the outside world, but you have not announced it in any quantitative way. You have just explained a little about how the board of directors evaluates the progress of mid-term strategies, quantitative evaluation, and monitoring in the evaluation of directors' compensation. If there is anything to add, please let us know.

Nomura: Okay, I will outline this as well. Basically, the Board of Directors also monitors the progress of the medium-term management plan, as a matter of course. The progress of each theme is presented at the Board of Directors' meeting, and we, as outside directors, give our opinions, impressions, and point out problems.

Basically, not a numerical target for the mid-term business plan, but we have rather a big supreme goal of becoming a global specialty pharma company. We have 18 materialities toward this goal, and the Board of Directors discusses, confirms, and points out the reasons for setting each of the materialities, the medium- to long-term vision, indicators, which are also included in the CG Report, and major initiatives, and the progress of these. We monitor the progress of each individual issue as we strive to become a global specialty pharmaceutical company.

Yatsunami: I understand your thoughts very well. Thank you.

Imura: I would like to ask Mr. Yamaguchi of Citigroup Securities, please go ahead.

Yamaguchi: Your company has a history of producing very distinctive products in R&D. On the other hand, the Opdivo cliff is quite large in terms of size. I think you must be troubled by the balance between quality and sales when you have to choose between R&D values that are unique to your company and products that are not unique to your company but are okay because they will sell anyway. At present, I expect that you will not compromise in terms of quality or originality, and have you been doing so for a long time? Or have you been flexible depending on the situation? I would like to ask Mr. Sagara.

Sagara: You are asking me a question with a good understanding of ONO's history and direction; basically we are always aiming for innovations such as prostaglandins, enzyme inhibitors from the same period, PD-1, and other innovations like these.

However, Opdivo patent expiration will be a big one. Therefore, if the policy is to fulfill unmet needs at a certain time, we consider, or may consider incorporating them into the enhancement of the pipeline, even if they are not particularly great innovations.

Imura : Mr. Sakai of UBS Securities, please go ahead.

Sakai: This may be getting off the subject, but I am very concerned about animal testing, and I have been to various ESG and sustainability meetings held by pharmaceutical companies this year, but not a single company has mentioned this point. At the end of the presentation, Mr. Tsujinaka mentioned that biological diversity is

an issue to be considered in the future, but I wonder if this part is included in that. This is just from my personal feelings. I am a member of WWF, but one thing is that I am still concerned about animals.

Last year, there were reports that the cost of so-called crab-eating monkeys soared to JPY10 million per animal, and there were also reports that the progress of clinical trials for anticancer drugs in the US was delayed. In that sense, I think it is important to reduce this part of the burden and burden in terms of sustainability. What do you think about this? Is this part of the process taboo for pharmaceutical companies? Or is there any other idea that you have in mind? I would like to ask just for a reference, please.

Tsujinaka: Thank you for your question. First of all, in response to Mr. Sakai's question about whether the biodiversity initiative has been able to reduce or start to think about the reduction of animal testing at the research stage, we unfortunately have not yet been able to go that far. We want to investigate the possibility that the various chemicals and other substances discharged by us may be contributing to the negative situation, and to reduce these negative factors as much as possible, and to qualitatively and quantitatively eliminate the negative aspects of the situation.

As for Nature Positive, it is very difficult to prove objectively, but we would like to think of ways specifically to contribute to Nature Positive in the areas where ONO has laboratories and manufacturing plants, as well as wetlands in the regions where we do business, in a way that is unique to a pharmaceutical company.

Mr. Sakai, we have not yet reached the point of deepening the discussion on what is going on with animal testing and what about the issue of crab-eating monkeys.

On the other hand, we think you have a good point. We will discuss this with the research division, and although we may not be able to immediately provide a numerical target, we will make every effort to present some kind of direction, goal, or somewhat our attitude. I don't think I have answered your question adequately, but what do you think?

Sakai: I see. I would like to ask you to answer the question again next time. Thank you very much.

Imura: We would like to conclude today's ESG briefing. Thank you all very much for taking time out of your busy schedules to join us today.