

# ESG briefing

**March 24, 2020**

# Today's program

- 1. Corporate philosophy and sustainability**
- 2. Corporate governance**
- 3. Medium- and long-term environmental vision and management**
- 4. Creating social value**

# Corporate Philosophy

## Corporate Philosophy

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

#### Our Vision

#### Be passionate challengers

Our Vision is to strive with the utmost effort and strong determination to meet the challenge of combining our individual competencies to deliver new, innovative drugs to patients. We will continue being the most passionate champion in the fight against disease and pain, together with patients, their families, and healthcare providers.

#### Our Values

#### Ono aims to be a world-changing team

What we are trying to achieve is to meet a challenge that nobody has ever successfully overcome before. It is therefore vital that we bring together our greatest wisdom, heart, aspirations and power as a united team.

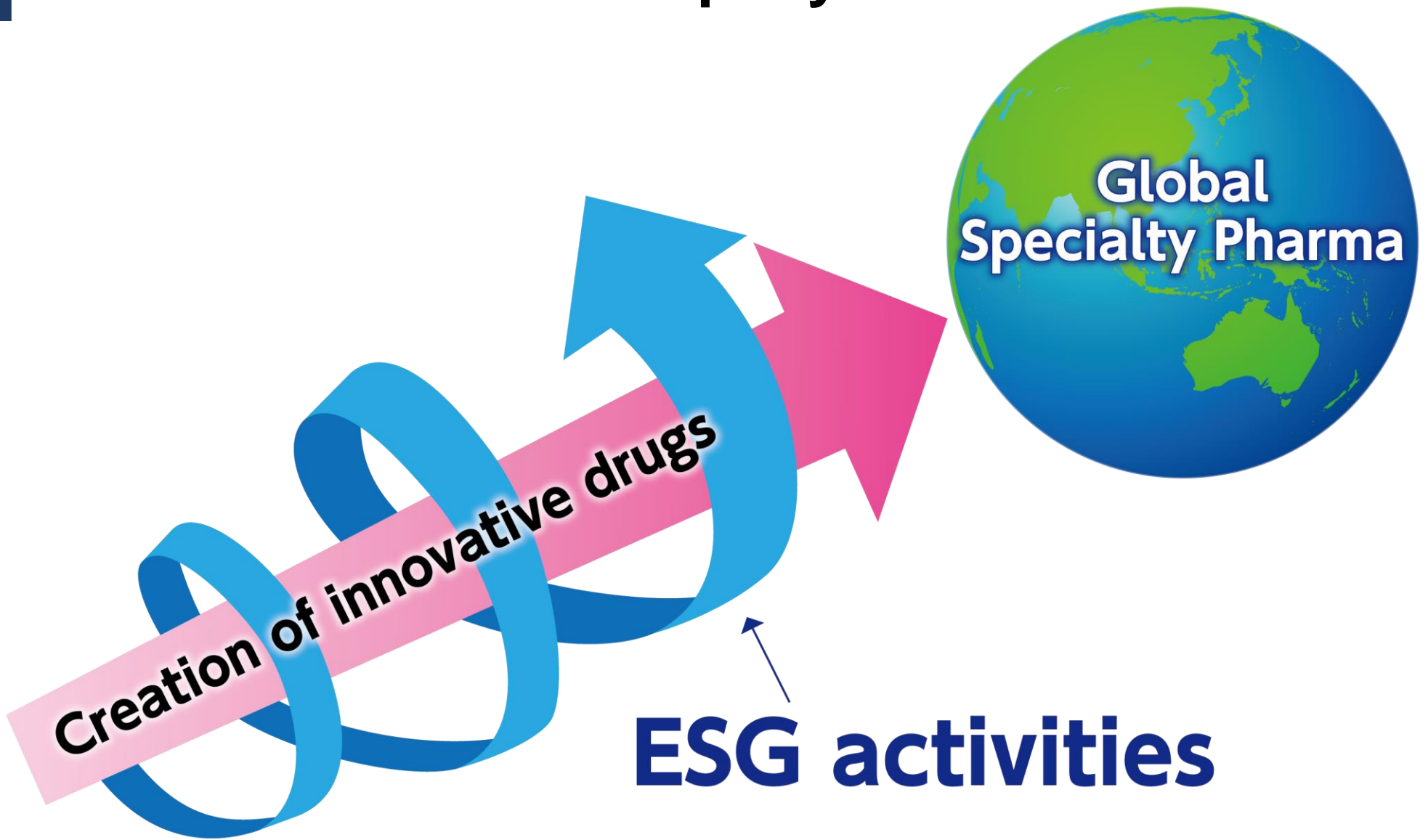
#### The greater the challenge, the more passionately Ono will rise to meet it

We will inevitably come up against brick walls when we are facing unprecedented challenges. When we encounter such obstacles, we should unhesitatingly rise to confront them and unflinchingly persevere in applying our ingenuity to overcome them.

#### Ono acts with dignity and pride

We should never lose the sense of dignity and pride we feel as people working in the pharmaceutical industry. We should be the bringers of hope for all those around the world who are waiting for us to deliver solutions.

# For Growth of the Company



# Materiality Analysis



<p>Extremely high importance</p> <p>↑ Importance expected of us by our stakeholders</p>	<ul style="list-style-type: none"> <li>■ Implementation of responsible marketing and promotion activities</li> <li>■ Provision of a stable supply of high-quality, easy-to-use products</li> <li>■ Response to climate change</li> </ul>	<ul style="list-style-type: none"> <li>■ Creation of innovative drugs</li> <li>■ Assurance of product reliability and safety</li> <li>■ Intellectual property strategies</li> <li>■ Promotion of human resource development</li> </ul>	
	<ul style="list-style-type: none"> <li>■ Responce to social cost</li> <li>■ Assurance of comprehensive occupational health and safety</li> <li>■ Reduction of water consumption</li> <li>■ Proper waste and wastewater management</li> <li>■ Improvement of medical access</li> <li>■ Provision of comprehensive chemical subatance management</li> </ul>	<ul style="list-style-type: none"> <li>■ Strengthening of governance toward globalization</li> <li>■ Promotion of diversity and inclusion</li> <li>■ Facilitating process innovation</li> <li>■ Comprehensive chemical substance management</li> <li>■ Contribution to local communities</li> </ul>	<ul style="list-style-type: none"> <li>■ Thorough Compliance</li> <li>■ Promotion of CSR procurement in supply chain management</li> <li>■ Building a work environment that ensures and sustains employment as well as fosters motivation</li> </ul>
	<ul style="list-style-type: none"> <li>■ Pespect for human rights</li> <li>■ Consideration of the enviroment in raw materials and packaging materials</li> <li>■ Consideration of animal welfare and bioethics</li> </ul>	<ul style="list-style-type: none"> <li>■ Enhancement of informational dissemination to patients</li> </ul>	
<p>High importance</p> <p>→ Importance from the point of view of Ono Phrmaceutical</p> <p>Extremely high importance</p>			
























# Materiality Map (important items excerpt)

- Implementation of responsible marketing and promotion activities
- Provision of a stable supply of high-quality, easy-to-use products
- Response to climate change

- Creation of innovative drugs
- Assurance of product reliability and safety
- Intellectual property strategies
- Promotion of human resource development

- Thorough Compliance
- Promotion of CSR procurement in supply chain management
- Building a work environment that ensures and sustains employment as well as fosters motivation

# Relevant Sustainable Development Goals (SDGs)

Materiality	Relevant Goals
Creation of innovative drugs	  
Assurance of product reliability and safety	
Intellectual property strategies	 
Promotion of human resource development	  
Thorough Compliance	
Promotion of CSR procurement in supply chain management	   
Building a work environment that ensures and sustains employment as well as fosters motivation	  
Implementation of responsible marketing and promotion activities	  
Provision of a stable supply of high-quality, easy-to-use products	
Response to climate change	    

# Our Contribution to the SDGs

**3** GOOD HEALTH  
AND WELL-BEING



**9** INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



**17** PARTNERSHIPS  
FOR THE GOALS





# External ESG Evaluation

Evaluation	FY2017	FY2018	FY2019
CDP	Climate Change:A- Water:B	Climate Change:A Water:B	Climate Change: A Water: A-
FTSE	Score:2.8/5.0	Selected Score:3.2/5.0	Selected Score:3.4/5.0
MSCI	Score:BBB	Score:BBB	Selected Score:A
DJSI	Score:16/100	Score:19/100	Score:60/100
Toyo Keizai CSR Ranking	Rank:254/1413 companies	Rank:180/1501 companies	Rank121/1593 companies
Nikkei Smart Work survey	—	★★★★☆	★★★★☆
Nikkei SDGs	—	—	★★★★☆
Survey on Health and Productivity Management	Top 60~70% /1239 companies	White 500	2020 Health & Productivity Stock White 500

# ESG-related Awards



## ESG Finance Awards Japan in FY2019

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令和元年度  
地球温暖化防止活動  
環境大臣表彰



## Environment Minister's Award for Global Warming Prevention Activity in the "Implementation and Dissemination of Countermeasures" Category in FY2019

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## Osaka Stop Global Warmings Award in FY2018

# CSR Promotion Structure

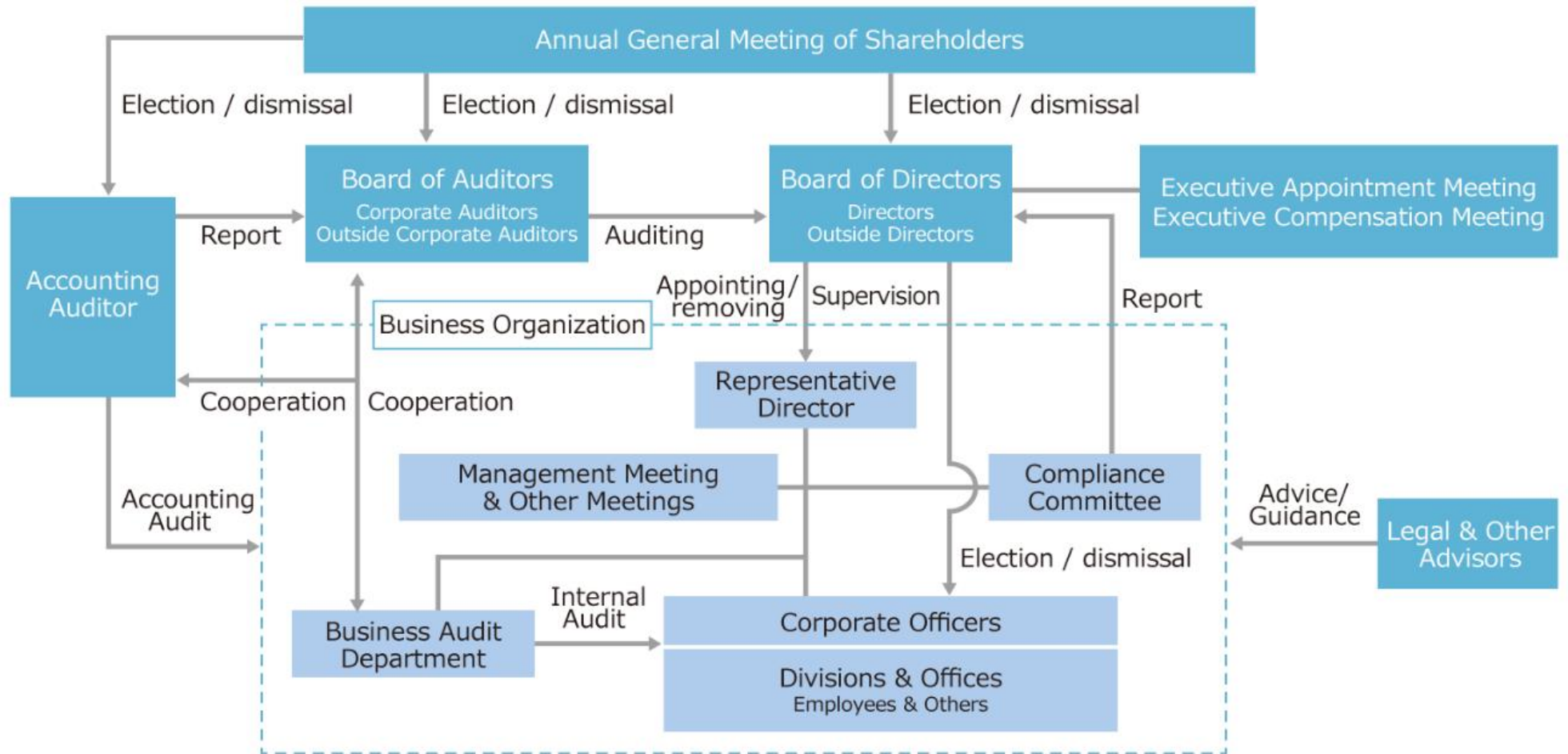


# Today's program



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- 2. Corporate governance**
3. Medium- and long-term environmental vision and management
4. Creating social value

# G: Corporate Governance Structure

## Corporate Governance Structure



# G: Efforts to Enhance Governance

	2011	2013	2014	2015	2016	2017	2018	2019
<b>Corporate philosophy</b>	"Dedicated to man's fight against disease and pain"		<ul style="list-style-type: none"> <li>● Conceptual framework of mission established</li> </ul> 					
<b>Separation of management oversight and execution</b>	<ul style="list-style-type: none"> <li>● Executive officer system introduction (Management oversight and execution separated; roles defined)</li> </ul>		<ul style="list-style-type: none"> <li>● Scope of authority delegated to executive officers expanded (agenda criteria reformed)</li> <li>● Matters for reporting expanded</li> </ul> 					
<b>Number of directors</b>	11 → 8	8 → 9		9 → 7			7 → 8	
<b>Outside directors</b>		2					3	
<b>Outside auditors</b>	2 (Attorney and CPA)		<ul style="list-style-type: none"> <li>● 1 female company auditor appointed</li> </ul>					
<b>Officers' compensation and officer appointment</b>	<ul style="list-style-type: none"> <li>● Officer personnel affairs meeting set up</li> <li>● Officer remuneration meeting set up</li> <li>● Incentive stock option program introduction</li> </ul>							
<b>Evaluations of board of directors' effectiveness</b>					<ul style="list-style-type: none"> <li>● Annual evaluations of board of directors' effectiveness</li> </ul>			

# G: Outside Directors (Independent Executives)

Three out of 8 directors are outside directors with the aim of strengthening the oversight function of the Board of Directors, maintaining and improving management transparency and the accuracy of business execution.



**Yutaka Kato**

Professor, Doshisha Business School



**Jun Kurihara**

Research Director, The Canon Institute for Global Studies Visiting Professor, School of Policy Studies, Kwansai Gakuin University



**Masao Nomura**

Senior Adviser to the Board, Iwatani Corporation Outside Director, Keihanshin Building Co., Ltd.

He supervises the company's management not only in specialized fields (management accounting and cost accounting) but also from the perspective of business administration in general. He has a wealth of experience in human resource development such as undergraduate training and MBA guidance.

As a researcher specializing in political economy, corporate strategy, etc., he oversees the management of the company from an international perspective. He has also abundant knowledge on governance and risk measures.

As an experienced president of a listed company, he leads and oversees the company's management based on his experience of making many complex business decisions.

## G: Officer Personnel Affairs and Remuneration Committees

Two committees led by highly independent outside directors as key members ensure management transparency and objectivity by discussing officer personnel affairs and officer remuneration, both of which have governance-related importance.

	Internal directors		Independent outside directors		
	Gyo Sagara	Kei Sano	Yutaka Kato	Jun Kurihara	Masao Nomura
Officer personnel affairs committee	Chairperson	○	○	○	○
Officer remuneration committee	Chairperson	—	○	○	○

Officer personnel affairs committee	Officer remuneration committee
<ul style="list-style-type: none"> <li>● Vets executive officer, director and company auditor candidates</li> <li>● Deliberates successor plans</li> </ul>	<ul style="list-style-type: none"> <li>● Evaluation regarding fixed and performance-linked remuneration and deliberation of remuneration amounts</li> <li>● Provides supervision to ensure the remuneration system function in a way that encourages sound growth</li> </ul>



# G: Directors' Remuneration

## Directors (not including outside directors)

**Fixed remuneration**  
(about 70%)

Set by referencing executive compensation databases and accounting for business size of the company, position, etc.

+

**Performance-linked remuneration**

(about 30%)

- Bonuses
- Share compensation-style stock option system

Sound incentives aimed at ensuring sustainable growth  
⇒ achievements assessed from comprehensive angles

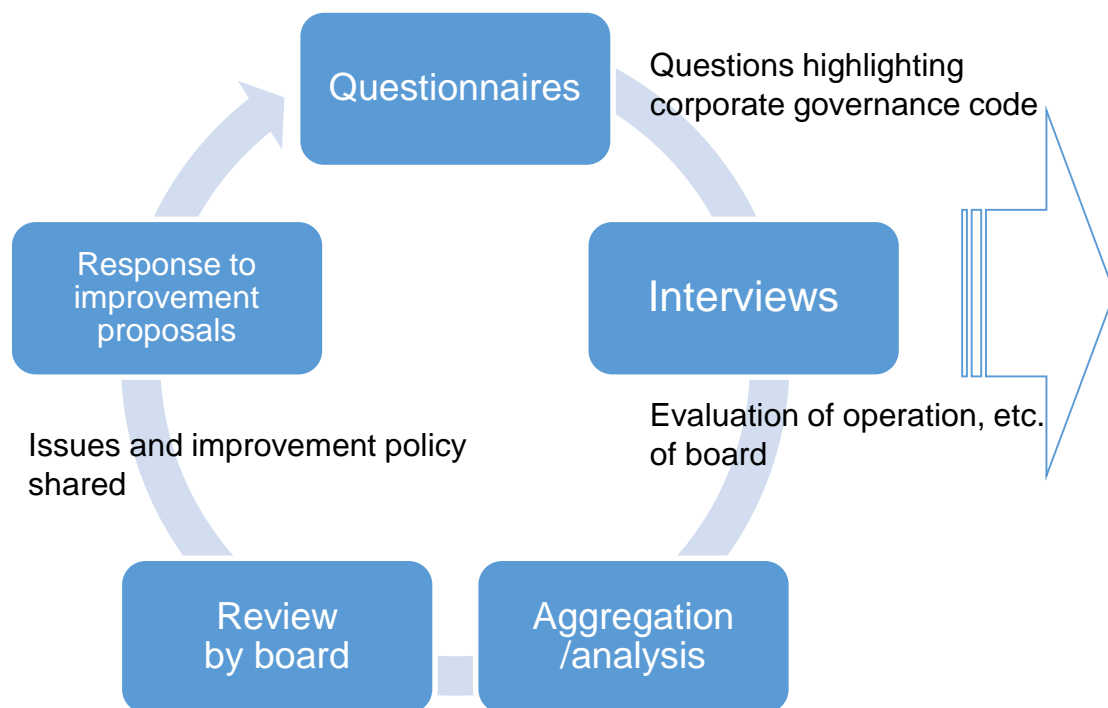
- **Performance indicators** (sales, operating profit, etc.)

- **Qualitative indicators** (linkage to medium-term management goals)

- **External factors, etc.**

# G: Evaluations of Board of Directors' Effectiveness

Effectiveness of the board of directors annually by all of the directors and company auditors  
Self-evaluation conducted using questionnaires and interviews, results of which are used to improve the board



Contributes to monitoring model-oriented governance reforms

- **Board make-up**  
⇒ Appointment of individuals experienced in management
- **Agenda for board meetings**  
⇒ Delegation of authority to executive side
- **Board oversight function**  
⇒ Expansion of matters for reporting

# G: Cross-shareholdings

About 30% reduction planned for cross-shareholdings from the level at end of March 2018 (111 issues totalling 167.1 billion yen) over the next three years starting from November 2018, aiming to improve capital efficiency and keep pace with changing environment surrounding corporate governance code

	end-Mar 2018	end-Sep 2019	Change
<b>Number of issues</b>	111	<b>84</b>	- 24.3 %
<b>Amount on balance sheet</b>	167.1 billion yen	146.1 billion yen	- 12.6 %
<b>End-Mar 2018 market value</b>	167.1 billion yen	<b>147.2 billion yen</b>	- 11.9 %

# G: Company-wide Risk Management



- ◆ Check and monitor situation of measures taken by divisions
- ◆ Consider additional measures expected to become necessary
- ◆ Identify new risks
- ◆ Work out plans to address material risks and submit them to management committee
- ◆ Report results of measures taken for material risks to management committee

# G: Issues Going Forward

## Size and composition of board of directors

- Appropriate in size and diverse
- ⇒ **Appointment of female directors; ratio of outside directors**

## Role of outside directors

- Expansion of governance roles
- ⇒ **Deeper involvement in officer personnel affairs and remuneration decision-making processes**

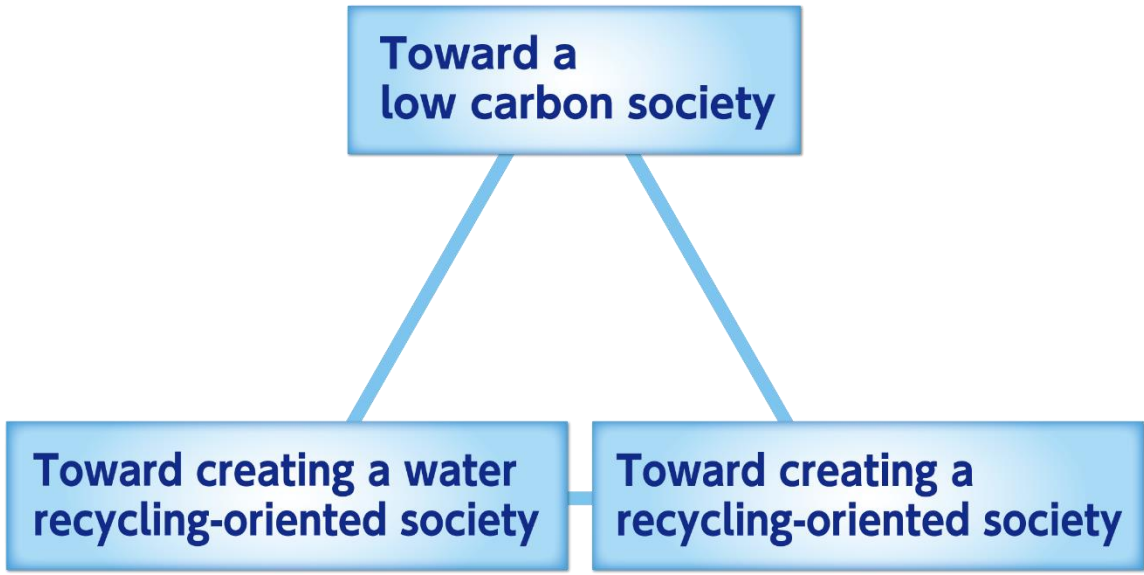
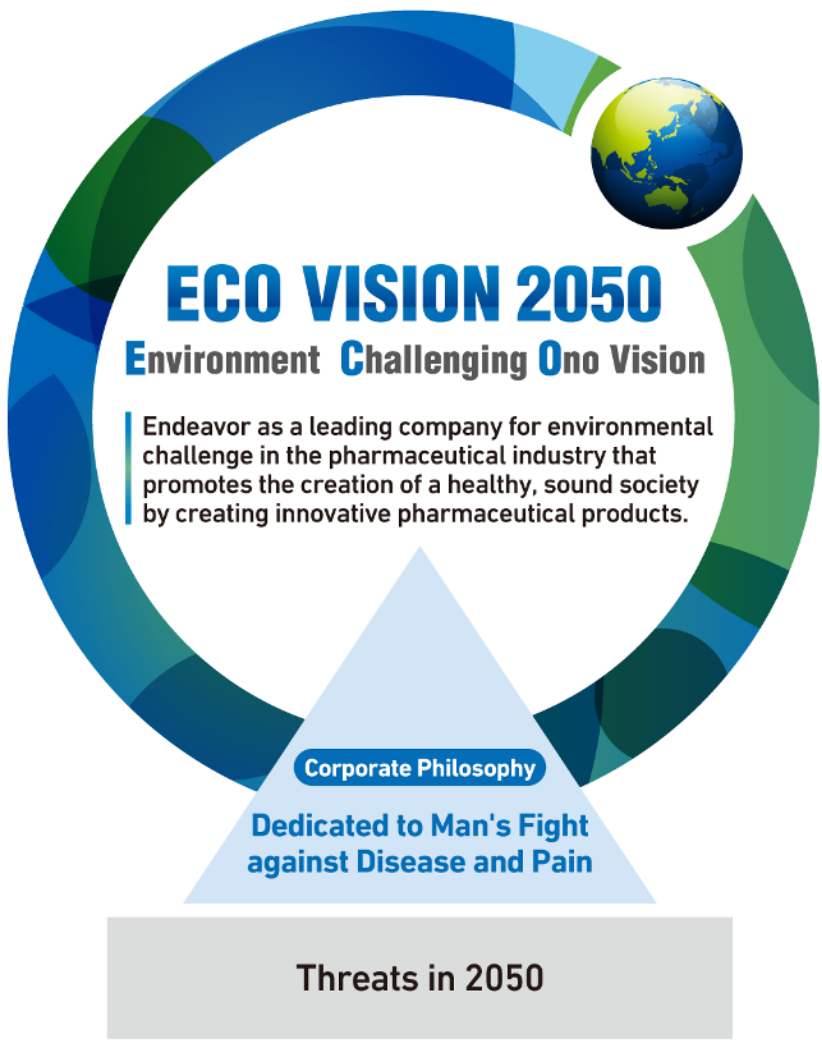
## Remuneration system

- Ratios for performance-linked remuneration
- ⇒ **Need to align criteria with shareholder/investor views**

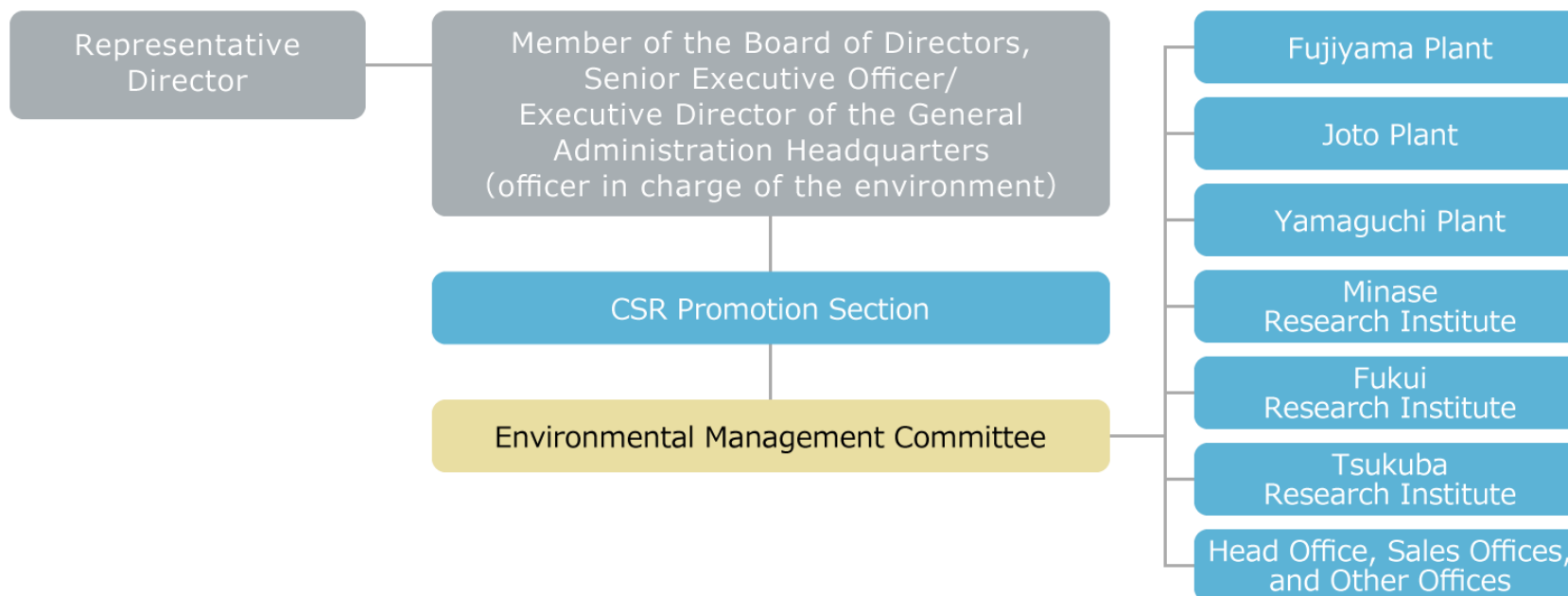
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# E:Environmental VISION (FY2019~)



# E:Promotion of Environmental Management



## ■ Status of acquisition of ISO 14001 certification

Production site name	First acquired in
Fujiyama Plant	November 2002
Joto Plant	February 2004
ISO 14001 acquisition percentage for production sites	100%

\*Production sites in operation are 100% ISO14001 certified.



# E: Science Based Targets (SBT) Approval



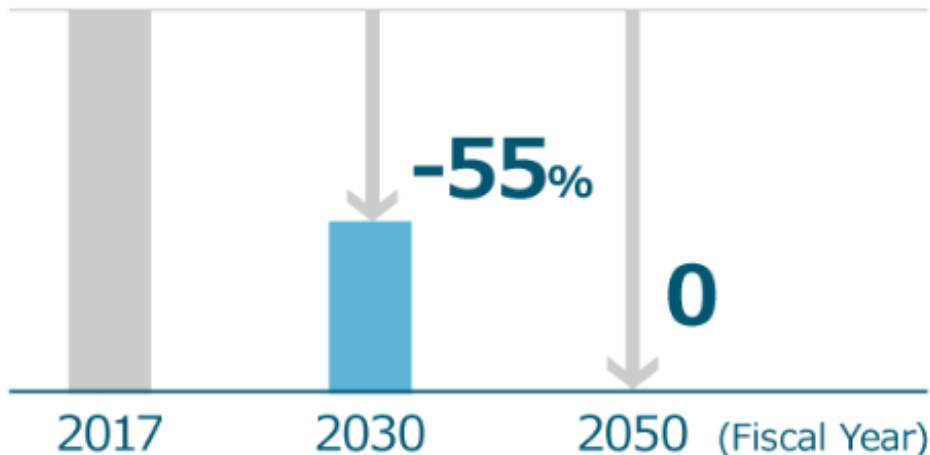
SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

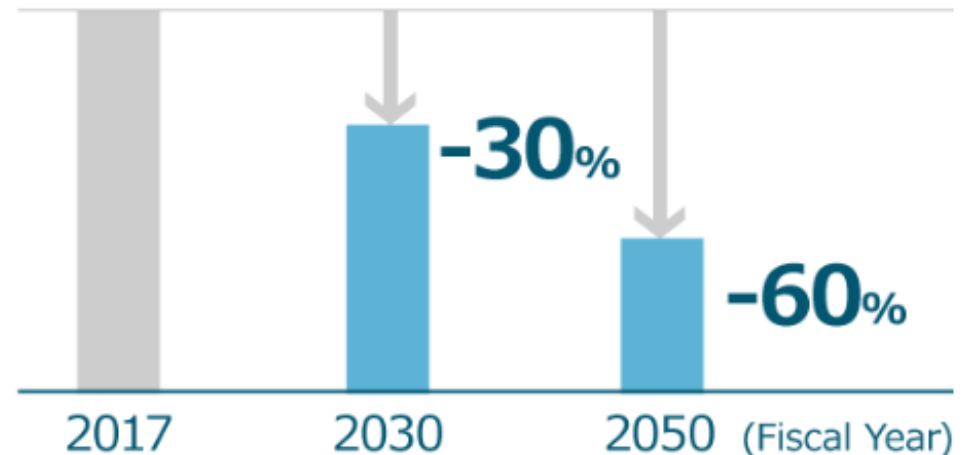
- Our mid- to long-term greenhouse gas reduction targets are approved by SBT as having a scientific basis.
- Our goal is categorized as the highest goal, “1.5 °C”.

## 2030-2050

The emissions for ONO



The emissions for suppliers



# E: Emission reduction activities

## ◆ Renewable Energy

Solar panels (headquarters)



Green Energy Certificates



## ◆ Power Load Leveling

NAS battery system (Yamaguchi Plant)



CGS

## ◆ Fuel-Related Initiatives



Laboratory gas boiler

# E: Reducing Environmental Impact of Products

Item	Goal
Waste materials	Promote measures to mitigate environmental impact through business activity

Reinforce measures for product packing

- Reduce amount of package materials, including plastics
- Use certified paper materials
- Change inks

## ◆ Efforts to reduce use of plastics (April-May 2020)



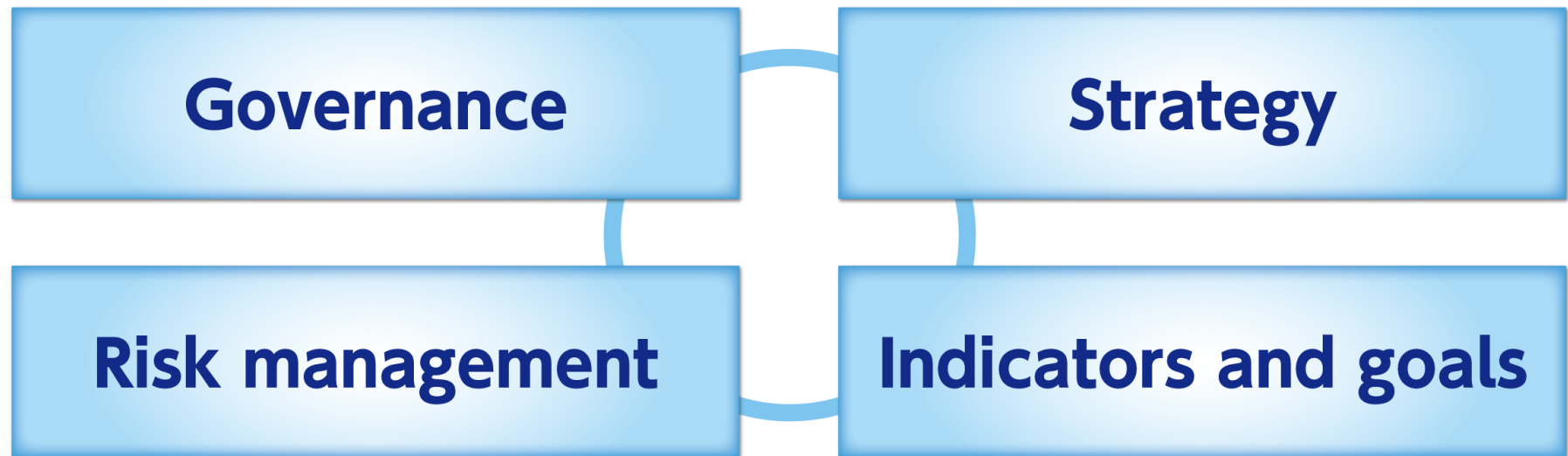
\* Significantly reduce sizes of boxes for individual products to reduce greenhouse gas emissions through reduction of waste materials and improved transportation efficiency (volume ratio:-48%)

# E: Policy Direction Going Forward



## Measures to address recommendations by Task Force on Climate-related Financial Disclosures (TCFD)

- We expressed endorsement in October 2019
- We will step up measures to address the following TCFD recommendations:



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# S:Improving Medical Access

## Rare diseases

Product name	Therapeutic indication	Status
Mektovi Tablets	Treatment of unresectable malignant melanoma with a BRAF mutation	Approved
Braftovi Capsules	Treatment of unresectable malignant melanoma with a BRAF mutation	Approved
Tirabrutinib	Relapsed or refractory primary central nervous system lymphoma (PCNSL)	Under development
	Waldenstrom macroglobulinemia (“WM”) and lymphoplasmacytic lymphoma (“LPL”)	Under development

## Flexible Approval for Children

Product name	Therapeutic indication	Status
Onoact for intravenous infusion	Tachyarrhythmia in cases of cardiac function failure	Under development



# S:Improving Medical Access

## Participation in the Global Health Innovative Technology Fund in 2018

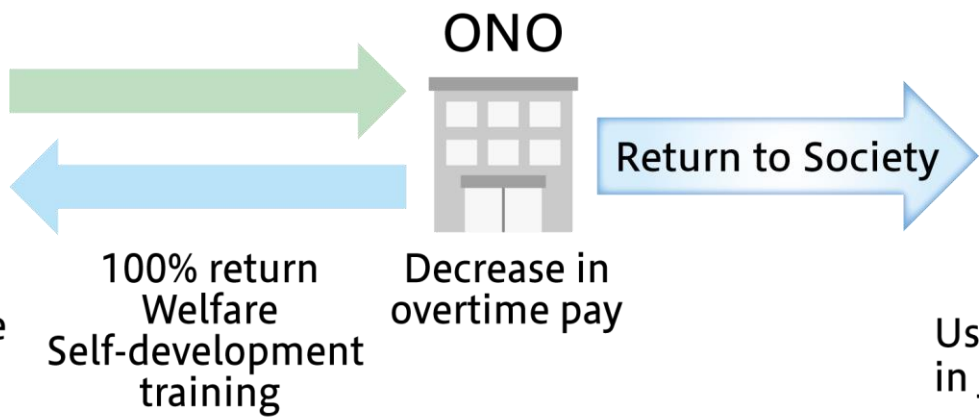


Global Health Innovative Technology Fund

### ONO SWITCH Project (starting from FY2018)



promotion of working style reform



Use for health and medical improvement in Japan and low-income countries

### Activities (focus on Asia, an important market)

Cambodia: Healthcare professional support and education

Bhutan: Donation of DPT vaccines and hepatitis B vaccines to be used yearly in Bhutan

# S:Development of Human Resources

Position		Training by hierarchy	Self-development	Other
Management staff	Manager	Manager training	Correspondence courses / on-line English conversation classes / support for qualification tests	Diversity management training Career planning training Coaching training Training for volunteers Workshop for understanding/spreading our mission statement Training for Medical Institutions
	Manager class	Training for new managers		
Individual contributor	Manager candidate	Training for new core employees		
		Training for individual contributors promoted to the highest level		
	Mid-level employee	Fifth-year employee training		
		Third-year employee training		
	Newly hired employee	Follow-up training for newly hired employees		
Orientation for newly hired employees				



# S:Development of Human Resources

Position		Training for selected employees
Management staff	Manager	Training for selected employees
	Manager class	
Individual contributor	Manager candidate	English training
	Mid-level employee	
	Newly hired employee	

## 【Training for selected employees】

**Objective : Foster awareness and autonomy as management**

### Major training curriculum (For executives)

※Management discussions including exchanges with other companies' executive classes

- Future vision
- View of management
- Decision making

### Major training curriculum (For managers)

※Set curriculum according to manager's position

- Understand the overall picture of management
- Imagination
- Leadership
- Social significance / sense of mission

## 【Global training】

**Objective : Develop human resources who can play an active role globally and demonstrate leadership**

### Major training curriculum

- Environmental adaptability, leadership, global business skills

# S: Goal of Work-style Reforms and Health and Productivity Management

**Creation of environment where diverse talents can work actively**

Higher motivation

Higher productivity

Higher external evaluation  
(S)

**Top message**

Review of work style

Health and productivity management

Compliance

Diversity/inclusion

Hiring greater talents



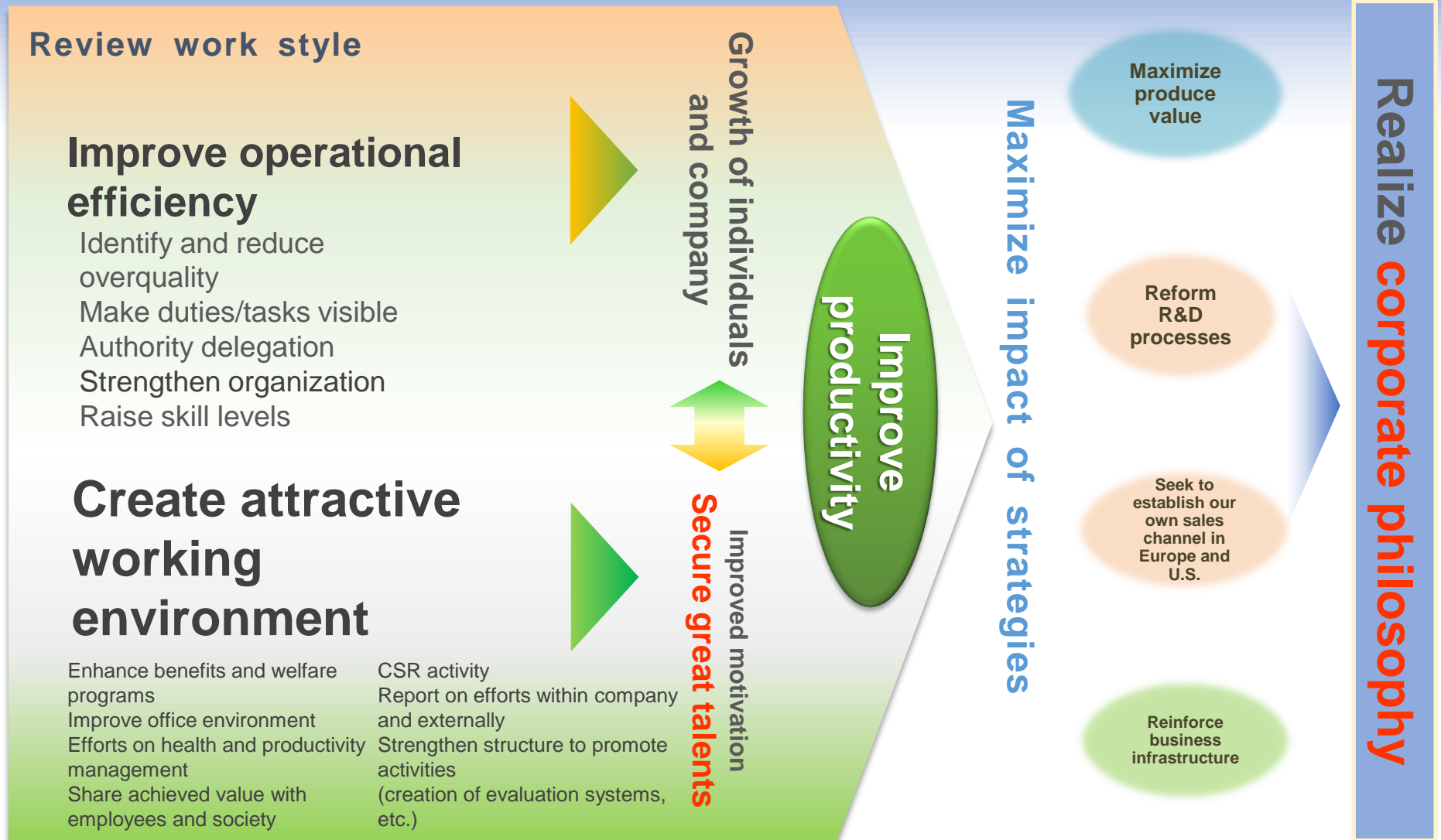
**Stronger business infrastructure**

**Realization of corporate philosophy  
and sustainable medium-term growth**

# S: Conceptual Framework of Work-style Reforms from FY2015

Conceptual diagram of our activity

Create a company that will last in the next 100 years



# History of Efforts (Action)

2015

- President declaration
- No-overtime days
- Information brochure to employees distributed

2016

- Employees encouraged to take paid leave
- Meetings visualized and reduced
- Stock-taking of tasks; priority checks
- Tools created to eliminate doubling of tasks
- Sharing of information
- Lectures on presentation skills
- Participation in external seminars
- Training programs on time management and leadership

2017

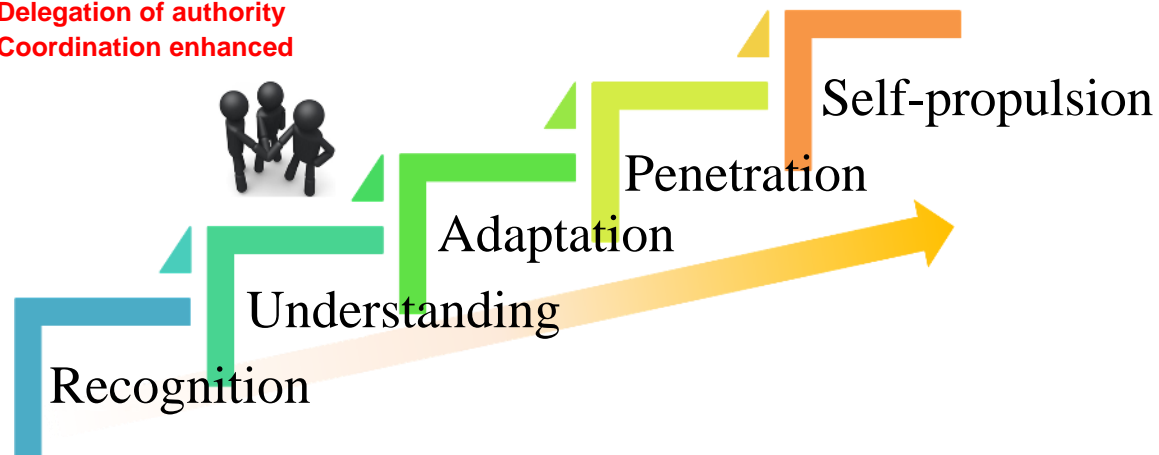
- President declaration
- Encouragement of paid leave (setting goals)
- Awareness raising about goals
- Roles set for persons in charge
- Company-wide themes set for improving efficiency
  - Overquality awareness reduction
  - Delegation of authority
  - Coordination enhanced

2018

- President declaration
- Roles set for all employees
- Change in company-wide themes for improving efficiency
  - Enhanced coordination
  - Improved skills

2019

- Commendation system introduced
- Change in company-wide themes for improving efficiency
  - Overquality reduction
  - Duties/tasks visualized
  - Structure creation



# History of Efforts (System)

2015

- Child-care support system brochure created
- Child-care leave period extended
- Retiree rehiring program expanded
- Follow-up during leave (PCs loaned)
- Scope expanded for cumulative paid leaves (child/nursing care)
- Orientation for child care-leave returnees introduced
- Day care facility and babysitter support program introduced

2016

- Commissioned rehiree system
- Flextime system
- Pregnancy test leave expanded
- Trial introduction of remote work

2017

- Support for employees with cancer
- Scope expanded for cumulative paid leaves
- Male employees encouraged to take paternity leave
- Child care participation encouragement leave introduced
- Full introduction of remote work
- Staggered work hours system partially introduced
- Efforts on health and productivity management started
- Office environment improved
- Support to employees returning from leave for mental issues
- Assigned paid leave

2018

- Membership in employee welfare club
- Sick child care support
- Support for employees seeking child care
- Self-learning support expanded
- Social contribution (donations)
- Guidance for expecting parents
- ONO SWITCH Project

2019

- Flex time system expanded
- Manual for short working hours system for child care posted
- Hourly paid leave system introduced
- Platinum Kurumin certification obtained



### 福利厚生倶楽部とは

当社がご用意した多数の福利厚生メニューの中から、皆さまが必要とするものを自由に選択してご利用いただく制度です。

映画/エンタメ	レジャー	ショッピング	住まい/引越
フィットネス	資格・語学	出会い/結婚	子育て/教育

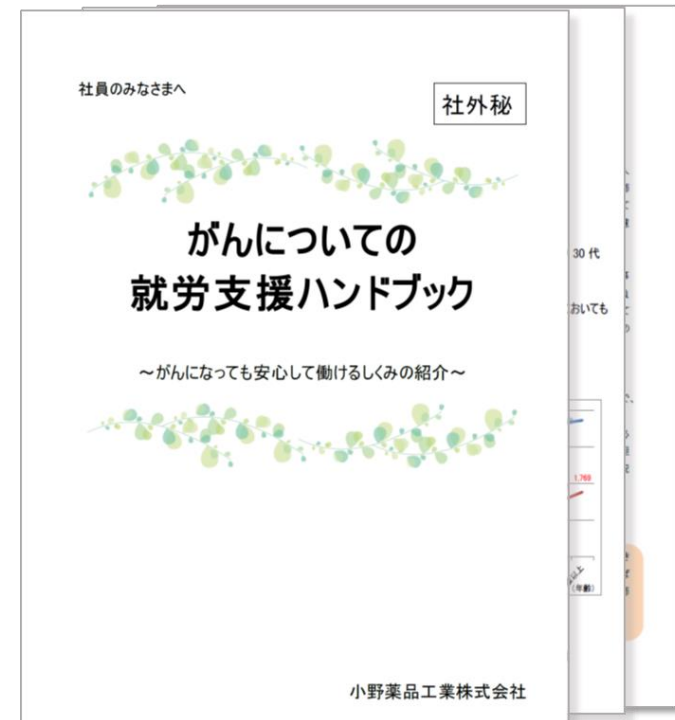
# Support for Employees with Cancer (from 2017)

We want to create an environment where employees with cancer can continue work while receiving treatment.

Introduction/expansion of various systems

- Extension of leave length
- Payment of injuries and sickness benefits
- Permission to take cumulative paid leave (expired paid leave)
- Plan created for support to employees returning to/commencing work  
(HR, supervisors, primary/industrial physicians)
- Rehabilitational work
- Reduced working hours
- Break hours and locations secured
- Remote work
- Promotion of awareness/understanding among supervisors, colleagues and subordinates
- Handbook created and distributed

Distribution of handbook





# Sharing of Achieved Value (from 2018)

*We want employees to feel results of their effort.*

Families with membership in welfare club can use it; other enhancement to welfare programs

**To employees and their families**

~Enhanced welfare programs~



→ We want families to be happy.  
(support for private life)

Decided based on suggestions by general employees (working group)

## Reduced overtime

Content of self-development and benefit amounts expanded

**All expected amount of reduction returned**

Participation in ONO SWITCH Project (separately paid by company)

**To employees**

~Education~



→ We want them to take advantage of it for their personal growth.

**To society**

~Donations~



→ We want to contribute to society.

# ONO SWITCH Project (from 2018)

SWITCH: Save the World by our work style Improvement and CHange

Specified ratio of expected reduction  
**Paid separately by company**

A program under which a specified ratio of saved overtime-pay amount is donated to nonprofit or nongovernmental organizations

To society

~Donations~



- ✓ SWITCH work style
- ✓ SWITCH saving gained through work style reforms to donations
- ✓ SWITCH on efforts to change work style

~Donation in 2018~

Total 7.74 million yen donated



~Donation in 2019~

Total 9.51 million yen donated





# Promotion of Health Management (from Apr 2018)

## Basic policy

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

## Major efforts being made

- ① To realize completely non-smoking premises according to passive smoking countermeasures. **Prevention of passive smoking**  
[From April 2019, we have completely smoked off the premises.]
- ② To proactively support measures from disease prevention and early detection and treatment to reinstatement. **Physical**  
[We carry out medical checkup (35 years old or older), consultation recommendation to those requiring treatment, and specific health guidance to all subjects.]
- ③ To promote supports for the prevention of mental disorders, early detection, and prompt responses, to reinstatement and prevention of recurrence. **Mental**  
[We promote self-care training, line care training, individual interviews with occupational health staff, and workplace improvements based on the results of organizational analysis of stress checks.]
- ④ To develop an environment where employees proactively work on health maintenance/improvement. **Self-management**  
[We provide a portal site for viewing medical examination results, walking campaigns, smoking cessation support, and so on.]

# Structure to Promote Health Management

Unified effort of company, labor union, health insurance society and public health nurses

CEO

Direction of policies/measures, progress reporting

Health Up Committee (planning / execution/verification of measures)

Manager: the directors and corporate officer

Members

Human Resource Department\*

General Affairs Department

CSR Promotion Section

Recruitment Section

Public Relation Department

Labor unions

Public health nurse\*

Health insurance society\*

\* Secretariat

Measures cooperation

Safety and Health Committee / Health Committees

Business sites

Divisions

Labor unions

Health insurance society

# Health Improvement Declaration (2018)

## Our target state (president's message)

We wish to contribute to society by developing innovative drugs under the corporate philosophy, "dedicated to man's fight against disease and pain."

We believe that, in order for us to be able to **continue to face challenges** on our path to realize our corporate philosophy, **all of our employees are healthy both mentally and physically, our work places can maximize their abilities, and their and their families' are leading fulfilling life.**

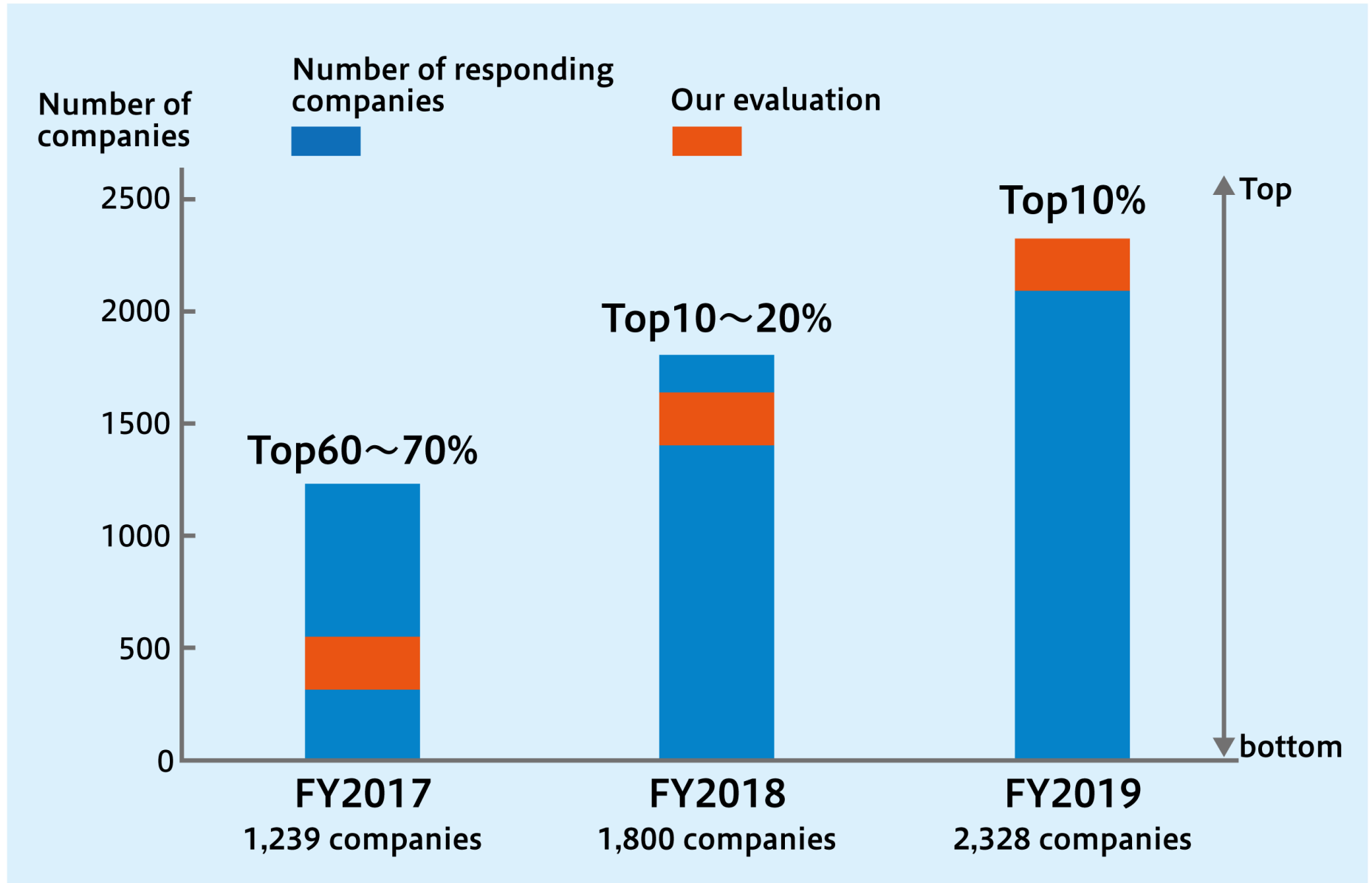
Therefore, we hereby declare that we **will** actively work to maintain and improve health of our employees and their families through a coordinated effort of **employees, the company, the labor union, industrial health staff and the health insurance society.**

April 2018

Ono Pharmaceutical Co., Ltd.

Gyo Sagara, president and CEO

# Trends in Health Management Survey Results



# Evaluation related with Human Resources



**Selected in 2020 Health & Productivity Stock**

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**Selected as a 2020 Certified Health & Productivity Management Outstanding Organization (White 500) for 2 consecutive years**

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**Platinum Kurumin  
Certified as a high-level child-rearing support company**

# S: Strengthening Supply Chains

We need to strengthen supply chains in CSR aspects, in addition to procurement QCD.

Companies

A



B



C



D



Partners

A



B



C



D



ecovadis



- ✓ Collect information in efficient ways for both partners and us
- ✓ Highly reliable information

# S: Strengthening Supply Chains

The logo for EcoVadis, featuring the word "ecovadis" in a lowercase, sans-serif font. The letter "v" is stylized with a green leaf-like shape above it.

## Evaluation items

- ① Environment
- ② Labor and human rights
- ③ Ethics
- ④ Sustainable procurement

Corrective measures discussed with partners whose ecovadis rating has fallen below our standards

## Results this fiscal year

Partners covering 80% of purchased amount (key partners) were surveyed. No partners fell below our standards and no partners were judged to have high CSR risk.



# S: Medical and Health

## Diabetes



### Healthy Body Campaign

We started this project as a reconstruction assistance activity from the Great East Japan Earthquake in 2015.

FY2015～

## Dementia



### Communicate & Link exhibition

A panel of 150 works that have passed the first judging out of 1,000 works published on the WEB will be held in Midtown for a total of three days.

FY2013～



### Dementia classes

The classes (targeting junior high school students and high school students) focusing on dementia are the effort we make to have children consider dementia.

FY2014～

## Cancer



### Relay for Life

Relay for Life is a charity activity aiming to deal with and overcome cancer.

FY2014～



# Our Approach to ESG

- **Setting and publishing our vision**
- **Setting specific aims and goals**
- **Extraction of and response to challenges by information collection and analysis**
- **Internal and external collaboration**



**ONO PHARMACEUTICAL CO.,LTD.**

Dedicated to Man's Fight against Disease and Pain