

(FOR REFERENCE PURPOSE ONLY)

Securities Code: 4528

June 1, 2022

To Our Shareholders

Gyo Sagara
President, Representative Director & CEO
Ono Pharmaceutical Co., Ltd.
1-5, Doshomachi 2-chome, Chuo-ku, Osaka, Japan
Head Office:
8-2, Kyutaromachi 1-chome, Chuo-ku, Osaka, Japan

NOTICE TO CONVENE THE 74TH ORDINARY GENERAL SHAREHOLDERS' MEETING

We hereby notify you that the 74th Ordinary General Shareholders' Meeting (hereinafter the "Meeting") of Ono Pharmaceutical Co., Ltd. (hereinafter "We" or the "Company") will be held as described below.

In light of the current situation concerning the coronavirus disease 2019 (COVID-19), in order to ensure the safety and health of our shareholders, as well as to prevent the spread of the infection, the Company encourages each shareholder to exercise the voting rights in writing or by electronic means (via the Internet, etc.) beforehand instead of attending the Meeting at the venue.

To exercise your voting rights in advance, please review the attached Reference Materials for the Shareholders' Meeting and exercise your voting rights by 5 p.m. on Wednesday, June 22, 2022 (JST).

1. Date and Time: 10 a.m., Thursday, June 23, 2022 (Entry will start at 9 a.m.)

2. Place: Peacock Room, 3F, IMPERIAL HOTEL OSAKA
8-50, Temmabashi 1-chome, Kita-ku, Osaka, Japan

3. Agenda:

Matters to be reported:

1. Business Report and Consolidated Financial Statements for the 74th Fiscal Year (from April 1, 2021 to March 31, 2022), as well as the Audit Report on the Consolidated Financial Statements for the 74th Fiscal Year by the Accounting Auditor and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 74th Fiscal Year (from April 1, 2021 to March 31, 2022)

Matters to be resolved:

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Partial Amendments to the Articles of Incorporation
- Proposal 3:** Election of Eight (8) Members of the Board of Directors
- Proposal 4:** Revision to the Amount of Remuneration for Members of the Board of Directors
- Proposal 5:** Determination of the Amount and Details of the Remuneration for Granting Restricted Stock to Members of the Board of Directors

4. Guidance Notes on the Exercise of Voting Rights

■ Exercise of Voting Rights in Writing (via postal mail)

Please indicate your approval or disapproval of the proposals on the enclosed Voting Rights Exercise Form and return it so that it will reach us by the due date and time for exercise.

Due Date and Time for Exercise: 5 p.m., Wednesday, June 22, 2022 (JST)

■ Exercise of Voting Rights by Electronic Means (via the Internet, etc.)

Please access the website at <https://www.web54.net> with the “Voting Rights Exercise Code” and password printed on the enclosed Voting Rights Exercise Form, and select the electronic voting option and exercise your voting rights in accordance with the instructions on the website by the due date and time for exercise.

If you exercise your voting rights via a smartphone, “Smart Voting” system is available for use.

Due Date and Time for Exercise: 5 p.m., Wednesday, June 22, 2022 (JST)

If you are an institutional investor, “Electronic Voting Platform” managed by Investor Communications Japan, Inc. (ICJ) is available for use.

- If you exercise your voting rights both in writing (via postal mail) and by electronic means, only the vote cast by electronic means will be regarded as valid.
- If you exercise your voting rights more than once by electronic means, only the last vote will be regarded as valid.

If you are attending the Meeting at the venue, please present the enclosed Voting Rights Exercise Form at the reception desk upon your arrival.

(If any changes are made to the Reference Materials for the Shareholders’ Meeting, Business Report, Consolidated Financial Statements, and/or Non-Consolidated Financial Statements, they will be posted on the Company’s website (<https://www.ono.co.jp/>.)

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Reference Materials for the Shareholders' Meeting

Proposals and Reference Items

Proposal 1: Appropriation of Surplus

We regard the return of profits to shareholders as one of our important management policies, and our policy on distribution of profits is to make distribution(s) commensurate with the business results while keeping in mind the importance of a stable and continuing payment of dividend.

For this fiscal year, we propose a year-end dividend of ¥28 per share. This would, together with the interim dividend of ¥28 per share, make the total annual dividend ¥56 per share (an increase of ¥6 from the previous fiscal year). The details are as follows:

Year-End Dividend

(1) Type of dividend property

Cash

(2) Allocation of dividend property to shareholders and total amount of such allocation

¥28 per share of common stock Total dividend amount: ¥13,672,671,264

(3) Effective date of the distribution of the dividend

June 24, 2022

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the Proposal

- (1) In order to give flexibility to the operation of the general shareholders' meeting, the provisions of the convener and chairperson of the general shareholders' meeting (Article 13 of the current Articles of Incorporation) will be changed.
- (2) The revised provisions stipulated in the supplementary provision of Article 1 of the Act Partially Amending the Companies Act (Act No.70 of 2019) will be enforced on September 1, 2022. In order to prepare for the introduction of the system for providing reference materials for the general shareholders' meeting in electronic format, the Articles of Incorporation of the Company will be amended as follows:
 - 1) The proposed amendments to Article 14, Paragraph 1 will stipulate that the Company will take electronic provision measures for information contained in the reference materials for the general shareholders' meeting, etc.
 - 2) The proposed amendments to Article 14, Paragraph 2 will establish a provision to limit the scope of matters to be described in the paper-based documents to be delivered to shareholders who have requested it.
 - 3) The provisions related to the internet disclosure and deemed provision of reference materials for the general shareholders' meeting, etc. (Article 14 of the current Articles of Incorporation) will become unnecessary and therefore will be deleted.
 - 4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. will be established.

2. Contents of the Amendments

The details of the amendments are as follows.

(The amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>Chapter III General Shareholders' Meeting Article 13 (Convenor and Chairperson) <u>The President</u> shall convene and be a chairperson of a general shareholders' meeting.</p> <p>In case, however, <u>the President</u> is prevented by unavoidable circumstances from so acting, another Member of Board of Directors shall convene and be a chairperson of such general shareholders' meeting in accordance with the order previously determined at the Board of Directors' meeting.</p>	<p>Chapter III General Shareholders' Meeting Article 13 (Convenor and Chairperson) <u>Unless otherwise provided by laws and regulations, the Member of Board of Directors previously determined by the Board of Directors, in accordance with a resolution of the Board of Directors' meeting,</u> shall convene and be a chairperson of a general shareholders' meeting.</p> <p>In case, however, <u>such Member of Board of Directors determined by the preceding paragraph</u> is prevented by unavoidable circumstances from so acting, another Member of Board of Directors shall convene and be a chairperson of such general shareholders' meeting in accordance with the order previously determined at the Board of Directors' meeting.</p>

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Current Articles of Incorporation	Proposed Amendments
<p><u>Article 14 (Internet Disclosure and Deemed Provision of Reference Materials for the General Shareholders' Meeting, etc.)</u></p> <p><u>In the process of convening a general shareholders' meeting, the Company may deem to provide shareholders with the information to be stated or indicated in reference materials for the general shareholders' meeting, business report, non-consolidated financial statements, and consolidated financial statements by way of disclosing such information via the internet as prescribed by the Ministry of Justice Ordinance.</u></p> <p>(Newly established)</p>	<p>(Deleted)</p> <p><u>Article 14 (Electronic Provision Measure, Etc.)</u></p> <p><u>The Company shall, when convening a general shareholders' meeting, take the electronic provision measure for information included in the reference materials for the general shareholders' meeting, etc.</u></p> <p><u>Among the matters subject to the electronic provision measure, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u></p>
<p>(Newly established)</p>	<p><u>Supplementary Provisions</u></p> <p><u>Amendments to Article 14 of the Articles of Incorporation shall take effect on September 1, 2022.</u></p> <p><u>Notwithstanding the provisions of the preceding paragraph, Article 14 (Internet Disclosure and Deemed Provision of Reference Materials for the General Shareholders' Meeting, etc.) of the current Articles of Incorporation shall remain in force with respect to a general shareholders' meeting to be held on or before February 28, 2023.</u></p> <p><u>These supplementary provisions shall be deleted on March 1, 2023 or the lapse of three months from the date of the general shareholders' meeting set forth in the preceding paragraph, whichever is later.</u></p>

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Proposal 3: Election of Eight (8) Members of the Board of Directors

The terms of office of all eight (8) current Members of the Board of Directors will expire at the close of the Meeting. Therefore, eight (8) Members of the Board of Directors, including three (3) Outside Directors, are proposed to be elected.

The candidates for Members of the Board of Directors were determined by the Board of Directors after the deliberation at the “Executive Appointment Meeting” where Outside Directors account for a majority and that is chaired by an Outside Director.

The candidates for Members of the Board of Directors are as follows:

No.	Name	Current Positions and Assignments in the Company and Important Concurrent Holding of Positions	Number of Board of Directors’ Meetings Attended
1	Reappointment Gyo Sagara	Representative Director, President & CEO	15/15 (100%)
2	Reappointment Toshihiro Tsujinaka	Member of the Board of Directors, Senior Executive Officer Executive Director, Corporate Strategy & Planning	15/15 (100%)
3	Reappointment Toichi Takino	Member of the Board of Directors, Senior Executive Officer Executive Director, Discovery & Research	15/15 (100%)
4	Reappointment Isao Ono	Member of the Board of Directors, Executive Officer Director, Corporate Research	15/15 (100%)
5	Reappointment Kiyooki Idemitsu	Member of the Board of Directors, Executive Officer Executive Director, Clinical Development	11/11* (100%)
6	Reappointment Outside Independent Masao Nomura	Member of the Board of Directors Senior Adviser to the Board, Iwatani Corporation Outside Director, Keihanshin Building Co., Ltd.	15/15 (100%)
7	Reappointment Outside Independent Akiko Okuno	Member of the Board of Directors Professor, Faculty of Business Administration, KONAN UNIVERSITY	15/15 (100%)
8	Reappointment Outside Independent Shusaku Nagae	Member of the Board of Directors Special Corporate Advisor, Panasonic Holdings Corporation Chairman, Vehicle Information and Communication System Center (to be retired in June 2022)	11/11* (100%)



Reappointment Candidates for Directors to be reappointed
Outside Candidates for Outside Directors
Independent Independent Directors registered with the Tokyo Stock Exchange

*Note:

* The Board of Directors’ meetings were held 11 times after Kiyooki Idemitsu and Shusaku Nagae assumed office as Members of the Board of Directors.

<p>No. 1</p> <p>Reappointment</p>  <p>Gyo Sagara (October 7, 1958)</p> <p>Number of the Company's shares held 56,500</p>	<p>Brief biographic outline, positions, assignments, and status of important concurrent holding of positions</p> <p>April 1983 Joined the Company</p> <p>April 2006 Executive Director, General Administration and Senior Director, Corporate Management</p> <p>June 2006 Member of the Board of Directors</p> <p>April 2007 Executive Director, Corporate Management</p> <p>November 2007 Executive Director, Sales and Marketing</p> <p>December 2007 Managing Member of the Board of Directors</p> <p>February 2008 Member of the Board of Directors, Vice President</p> <p>April 2008 Executive Director, Corporate Management</p> <p>June 2008 Vice President and Representative Director</p> <p>September 2008 President, Representative Director & CEO (to date)</p>
<p>No. 2</p> <p>Reappointment</p>  <p>Toshihiro Tsujinaka (December 18, 1964)</p> <p>Number of the Company's shares held 11,800</p>	<p>Brief biographic outline, positions, assignments, and status of important concurrent holding of positions</p> <p>April 1988 Joined the Company</p> <p>June 2004 Director, Koshinetsu Branch Sales Division</p> <p>November 2007 Senior Director, Sales Operations</p> <p>October 2012 Director, Sendai Branch Sales Division</p> <p>October 2015 Senior Director, Oncology Planning & Promotion</p> <p>April 2016 Division Director, Oncology Business Division</p> <p>June 2016 Corporate Officer</p> <p>October 2018 Executive Director, Corporate Strategy & Planning (to date)</p> <p>June 2019 Executive Officer</p> <p>June 2020 Member of the Board of Directors, Executive Officer</p> <p>June 2021 Member of the Board of Directors, Senior Executive Officer (to date)</p>

<p>No. 3</p> <p style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment</p>  <p>Toichi Takino (January 14, 1968)</p> <p>Number of the Company's shares held 12,300</p>	<p>Brief biographic outline, positions, assignments, and status of important concurrent holding of positions</p> <p>April 1995 Joined the Company</p> <p>April 2006 Senior Director, International Business</p> <p>April 2008 Senior Director, Business Development</p> <p>May 2008 Senior Director, Global Business Development & Licensing</p> <p>July 2009 Vice President, ONO PHARMA USA, INC.</p> <p>June 2011 Corporate Officer</p> <p>April 2012 Executive Director, Corporate Development & Strategy</p> <p>October 2018 Executive Director, Discovery and Research Division</p> <p>April 2019 Executive Director, Discovery & Research (to date)</p> <p>June 2019 Executive Officer</p> <p>June 2020 Member of the Board of Directors, Executive Officer</p> <p>June 2021 Member of the Board of Directors, Senior Executive Officer (to date)</p>
<p>No. 4</p> <p style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment</p>  <p>Isao Ono (January 3, 1959)</p> <p>Number of the Company's shares held 1,511,175</p>	<p>Brief biographic outline, positions, assignments, and status of important concurrent holding of positions</p> <p>April 1981 Joined the Company</p> <p>February 1986 Member of the Board of Directors</p> <p>May 1990 Deputy Executive Director, Production</p> <p>June 1992 Senior Director, Human Resources Development and Assistant Director of Tokyo Branch Office</p> <p>August 1995 Director, CI</p> <p>September 2005 Director, Environmental Management</p> <p>June 2011 Member of the Board of Directors, Corporate Officer</p> <p>April 2014 Director, Corporate Research (to date)</p> <p>June 2015 Member of the Board of Directors, Executive Officer (to date)</p>

<p>No. 5</p> <p style="border: 1px solid black; padding: 2px;">Reappointment</p>  <p>Kiyooki Idemitsu (March 12, 1964)</p> <p>Number of the Company's shares held 4,800</p>	<p>Brief biographic outline, positions, assignments, and status of important concurrent holding of positions</p> <p>April 1987 Joined the Company</p> <p>December 2000 President, ONO PHARMA UK LTD.</p> <p>January 2008 Senior Director, Discovery Research Alliance</p> <p>January 2010 Senior Director, Global Business Development & Licensing</p> <p>April 2012 Division Director, Discovery Research Alliance Division</p> <p>October 2013 Senior Director, Nivolumab Strategic Planning</p> <p>April 2017 Division Director, Medical Affairs Division</p> <p>October 2018 Corporate Officer</p> <p>October 2018 Executive Director, Clinical Development (to date)</p> <p>June 2020 Executive Officer</p> <p>June 2021 Member of the Board of Directors, Executive Officer (to date)</p>
<p>No. 6</p> <p style="border: 1px solid black; padding: 2px;">Reappointment</p> <p style="background-color: black; color: white; padding: 2px;">Outside</p> <p style="border: 1px solid black; padding: 2px;">Independent</p>  <p>Masao Nomura (August 2, 1949)</p> <p>Number of the Company's shares held 5,000</p>	<p>Brief biographic outline, positions, assignments, and status of important concurrent holding of positions</p> <p>March 1972 Joined Iwatani Corporation</p> <p>June 2007 Director, Executive Officer, Iwatani Corporation</p> <p>April 2009 Executive Director, Executive Officer, Iwatani Corporation</p> <p>April 2010 Senior Executive Director, Executive Officer, Iwatani Corporation</p> <p>June 2012 President, Representative Director, Executive Officer, Iwatani Corporation</p> <p>April 2017 Director, Senior Adviser to the Board, Executive Officer, Iwatani Corporation</p> <p>June 2017 Senior Adviser to the Board, Iwatani Corporation (to date)</p> <p>June 2018 Member of the Board of Directors, Outside Director (to date)</p> <p>June 2019 Outside Director, Keihanshin Building Co., Ltd. (to date)</p> <p>June 2020 Outside Director, NEW COSMOS ELECTRIC CO., LTD.</p> <p>[Status of important concurrent holding of positions] Senior Adviser to the Board, Iwatani Corporation Outside Director, Keihanshin Building Co., Ltd.</p>

<p>No. 7</p> <p>Reappointment Outside Independent</p>  <p>Akiko Okuno (November 17, 1970)</p> <p>Number of the Company's shares held 0</p>	<p>Brief biographic outline, positions, assignments, and status of important concurrent holding of positions</p> <p>April 2002 Associate Professor, Faculty of Economics, Osaka University of Economics and Law</p> <p>April 2004 Associate Professor, Faculty of Business Administration, Tezukayama University</p> <p>April 2010 Professor, Faculty of Business Administration, Tezukayama University</p> <p>April 2012 Professor, Faculty of Business Administration, KONAN UNIVERSITY (to date)</p> <p>June 2020 Member of the Board of Directors, Outside Director (to date)</p> <p>[Status of important concurrent holding of positions] Professor, Faculty of Business Administration, KONAN UNIVERSITY</p>
<p>No. 8</p> <p>Reappointment Outside Independent</p>  <p>Shusaku Nagae (January 30, 1950)</p> <p>Number of the Company's shares held 0</p>	<p>Brief biographic outline, positions, assignments, and status of important concurrent holding of positions</p> <p>April 1972 Joined Matsushita Electric Works, Ltd.</p> <p>December 2004 Managing Executive Officer, Matsushita Electric Works, Ltd.</p> <p>June 2007 Managing Director, Matsushita Electric Works, Ltd.</p> <p>June 2010 Representative Director, President, Panasonic Electric Works Co., Ltd.</p> <p>April 2011 Senior Managing Executive Officer, Panasonic Corporation (currently Panasonic Holdings Corporation)</p> <p>June 2012 Representative Director, Executive Vice President, Panasonic Corporation</p> <p>June 2013 Representative Director, Chairman of the Board of Directors, Panasonic Corporation</p> <p>June 2017 Director, Chairman of the Board, Panasonic Corporation</p> <p>June 2021 Member of the Board of Directors, Outside Director (to date)</p> <p>June 2021 Special Corporate Advisor, Panasonic Corporation (currently Panasonic Holdings Corporation) (to date)</p> <p>[Status of important concurrent holding of positions] Special Corporate Advisor, Panasonic Holdings Corporation Chairman, Vehicle Information and Communication System Center (to be retired in June 2022)</p>

- Notes: 1. There is no special interest between each of these candidates and the Company.
2. Masao Nomura, Akiko Okuno and Shusaku Nagae are the candidates for Outside Directors.

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3. The reasons why the Company appoints these candidates as Outside Directors and their expected roles are outlined as follows:
- 1) Masao Nomura has ample experience and expert knowledge gained through his long career as a corporate manager. Since assuming the position as an Outside Director in 2018, he has sufficiently fulfilled the duties of an Outside Director by providing advice and suggestions on the Company's overall management as well as by appropriately monitoring and supervising business execution from an independent point of view. Based on his experience, knowledge and past performance, the Company believes that he will continue to properly fulfill the responsibilities of an Outside Director and has proposed him as a candidate.
 - 2) Akiko Okuno has advanced academic knowledge as a university professor specializing in business administration. Since assuming the position as an Outside Director in 2020, she has sufficiently fulfilled the duties of an Outside Director by providing advice and suggestions based on her knowledge in her specialized fields, such as women's labor and personnel evaluation systems as well as by appropriately monitoring and supervising business execution from an independent point of view. Although she has not been directly involved in corporate management, the Company believes that she will continue to properly fulfill the responsibilities of an Outside Director, based on her expertise gained through research in business administration as well as her past performance, and has proposed her as a candidate.
 - 3) Shusaku Nagae has ample experience and expert knowledge gained through his long career as a corporate manager. Since assuming the position as an Outside Director in 2021, he has sufficiently fulfilled the duties of an Outside Director by providing advice and suggestions on the Company's overall management as well as by appropriately monitoring and supervising business execution from an independent point of view. Based on his experience, knowledge and past performance, the Company believes that he will continue to properly fulfill the responsibilities of an Outside Director and has proposed him as a candidate.
4. Panasonic Corporation (currently Panasonic Holdings Corporation), where Shusaku Nagae had served as Director, Chairman of the Board until June 2021, and its U.S. subsidiary, Panasonic Avionics Corporation (hereinafter "PAC"), agreed with the United States Securities and Exchange Commission and the United States Department of Justice in May 2018 to pay \$280,602,830.93 to the U.S. government and to engage in diverse activities to improve compliance, in light of an investigation for alleged violations of the Foreign Corrupt Practices Act and other securities laws in connection with certain contracts with airline customers and the use of sales agents and consultants pertaining to such contracts by PAC.
5. In June 2021, two former employees of the Company were convicted since the scholarship donations to Mie University Hospital made by the Company in March 2018 was ruled to be bribery. Masao Nomura, Akiko Okuno, and Shusaku Nagae had no prior knowledge of this incident, but they have regularly expressed their opinions on the importance of compliance and thorough compliance with laws and regulations. Furthermore, after they came to know about the case of suspected bribery, each has fulfilled their duty as an Outside Director through requesting an investigation of the facts as well as expressing opinions to strengthen the group-wide internal control and prevent a recurrence, etc.
6. Masao Nomura will have been in office as an Outside Director for 4 years at the close of the Meeting.
Akiko Okuno will have been in office as an Outside Director for 2 years at the close of the Meeting.
Shusaku Nagae will have been in office as an Outside Director for 1 year at the close of the Meeting.
7. With Masao Nomura, Akiko Okuno and Shusaku Nagae, the Company has entered into agreements which limit the maximum amount of liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the minimum liability amount provided by laws and regulations. If their election is approved as proposed, the Company plans to continue the said agreements.
8. The Company has entered into indemnification agreements with each Member of the Board of Directors which is specified in Article 430-2, Paragraph 1 of the Companies Act and will indemnify the costs provided in Item 1 and losses provided in Item 2 of the Paragraph within the scope stipulated by laws and regulations. If the election of each candidate is approved as proposed, the Company plans to continue the

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said agreements.

9. The Company has executed a directors and officers liability insurance contract set forth in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. In the event of a claim for damages from a shareholder or a third party, etc., the said insurance contract will compensate for damages including compensation for damages and legal expenses to be borne by the insureds. If the election of each candidate is approved as proposed, they will become the insured under the said insurance contract. The Company plans to renew the said insurance contract in July 2022.
10. Masao Nomura, Akiko Okuno and Shusaku Nagae have been registered as independent directors defined in the regulations of the Tokyo Stock Exchange. If their election is approved as proposed, they will continue to serve as independent directors.

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Reference: Management Structure after the Approval of Proposal 3 (Provisional)

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

Notes: 1. The evaluation criteria for the skills are as follows.

Inside Directors: work experience and managerial experience

Outside Directors and Audit & Supervisory Board Members: areas where the Company expects their supervision, auditing and advice

2. Full-time Audit & Supervisory Board Members and the positions of Members of the Board of Directors are determined at the Audit & Supervisory Board's meeting and the subsequent Board of Directors' meeting held after the Meeting, respectively.

Reference: Matters concerning Shares Held as Cross-Shareholdings

1. Policy on Cross-Shareholdings

The Company believes that it is essential to have partner companies with which the Company can maintain a long-term collaborative relationship, in order to discover innovative drugs that bring true benefits to patients. The Company, therefore, holds shares that it has deemed necessary for strategic purposes, after comprehensively considering the business relationship with the issuers of those shares and the synergies created, in light of a medium- to long-term perspective for increasing our corporate value.

When judging whether the shareholding will lead to an increase in the corporate value of the Company from the medium- to long-term perspective, the Company reviews the purpose of the shareholding, the benefits and risks from shareholding with respect to each issuer of the cross-held shares at a Board of Directors' meeting once a year, and determines whether or not to continue holding those shares after comprehensively considering the business relationship with the issuers and synergies created as the basis for an overall review of its entire shares held as cross-shareholdings. For the shares that the Company decides to reduce holdings as a result of this review, dialogue will be held with the investees to obtain their understanding while implementing the reduction.

2. Status of Shares Held as Cross-Shareholdings

Classifications		70th fiscal year (as of March 31, 2018)	71st fiscal year (as of March 31, 2019)	72nd fiscal year (as of March 31, 2020)	73rd fiscal year (as of March 31, 2021)	74th fiscal year (current) (as of March 31, 2022)
Number of issues held	Listed	95	72	66	55	53
	Unlisted	16	14	14	15	14
	Total	111	86	80	70	67
Amount carried in balance sheet (millions of yen)	Listed	166,290	147,312	124,876	136,055	113,151
	Unlisted	817	803	803	907	805
	Total	167,107	148,116	125,680	136,962	113,956
Consolidated net asset ratio		31.6%	26.3%	22.1%	21.4%	17.2%

Notes: 1. "Investment shares held for purposes other than pure investment purpose (including deemed holding shares)" disclosed in the Annual Securities Report are considered as equivalent to "Shares held as cross-shareholdings," and the changes in holding of such shares are shown above.

2. "Listed" stands for shares other than unlisted shares.

3. "Unlisted" stands for unlisted shares.

4. The Company does not hold deemed holding shares.

5. The amount carried in balance sheet is rounded off to the nearest whole number, and the consolidated net asset ratio is rounded off to the first decimal place.

3. Reduction Target of Shares Held as Cross-Shareholdings

The Company continues to reduce the ratio of shares held as cross-shareholdings to its consolidated net assets over the medium to long term, with a target of less than 10% (at the amount carried in balance sheet).

Proposal 4: Revision to the Amount of Remuneration for Members of the Board of Directors

The 59th Ordinary General Shareholders' Meeting held on June 28, 2007 resolved to set the maximum amount of monetary remuneration for Members of the Board of Directors at 450 million yen per year (excluding the amount paid as employee salary). Within this maximum amount, the Company has paid base remuneration to each Member of the Board of Directors upon resolution of the Board of Directors' meeting, and has paid bonuses to Members of the Board of Directors other than Outside Directors based on performance and other factors in each fiscal year.

In consideration of the increasing roles and responsibilities of Members of the Board of Directors as the Company steps up its efforts to improve its corporate value over the medium to long term with the aim of becoming a "Global Specialty Pharma," the Company has decided to revise the remuneration system for Members of the Board of Directors, as proposed in this proposal and Proposal 5 (Determination of the Amount and Details of the Remuneration for Granting Restricted Stock to Members of the Board of Directors).

The Company proposes to revise the maximum amount of monetary remuneration for Members of the Board of Directors of the Company to 700 million yen per year (including a maximum of 100 million yen per year for Outside Directors; excluding the amount paid as employee salary) in order to set remuneration at a level to attract and retain excellent human resources, as well as to further motivate Members of the Board of Directors (excluding Outside Directors) to achieve performance targets by increasing the ratio of bonuses (variable remuneration).

In reviewing the remuneration system, at the Board of Directors' meeting held on May 11, 2022, the Company decided to revise the details of the policy on determining the content of remuneration, etc. for individual Members of the Board of Directors (as shown on pages 27 to 29 as reference), on the condition that this proposal and Proposal 5 (Determination of the Amount and Details of the Remuneration for Granting Restricted Stock to Members of the Board of Directors) are approved as originally proposed. Since this proposal is necessary and reasonable in granting remuneration to individual Members of the Board of Directors in accordance with the policy, the Company believes that the content of this proposal is appropriate.

The Company currently has eight (8) Members of the Board of Directors in total, including three (3) Outside Directors. If Proposal 3 (Election of Eight (8) Members of the Board of Directors) is approved as originally proposed, the number of Members of the Board of Directors will be eight (8), including three (3) Outside Directors.

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Proposal 5: Determination of the Amount and Details of the Remuneration for Granting Restricted Stock to Members of the Board of Directors

The 59th Ordinary General Shareholders' Meeting held on June 28, 2007 resolved to set the maximum amount of remuneration for Members of the Board of Directors at 450 million yen per year (excluding the amount paid as employee salary). If Proposal 4 "Revision to the Amount of Remuneration for Members of the Board of Directors" is approved as originally proposed, the maximum amount will be revised to 700 million yen per year (including a maximum of 100 million yen per year for Outside Directors; excluding the amount paid as employee salary). The 67th Ordinary General Shareholders' Meeting held on June 26, 2015 resolved to set the maximum amount of remuneration for Members of the Board of Directors, excluding Outside Directors, relating to stock acquisition rights allotted as stock-based remuneration-type stock options at 100 million yen per year, which is separate from the amount of remuneration for Members of the Board of Directors as stated above, and this resolution has remained effective to date.

The Company has decided to revise the remuneration system for Members of the Board of Directors excluding Outside Directors (hereafter referred to as "Eligible Members of the Board of Directors") in order to motivate them to achieve higher corporate value over the medium to long term, on the road to a "Global Specialty Pharma," as well as to further share value with shareholders.

As part of this review of the remuneration system, the Company will abolish the above-mentioned remuneration related to stock acquisition rights allotted as stock-based remuneration-type stock options, and will newly grant remuneration, with details provided below, to Eligible Members of the Board of Directors for granting stocks set forth in (1) and (2).

- (1) Tenure-based restricted stock subject to certain restricted transfer periods and certain grounds for share acquisition by the Company without payment of compensation (hereinafter referred to as "Restricted Stock I"); and
- (2) Performance-linked restricted stock for which number of shares are granted according to the degree of achievement of performance target figures, etc. during the performance evaluation period, which is equivalent to each fiscal year (hereinafter referred to as "Performance-linked Restricted Stock").

In light of the above purpose, the maximum total amount of monetary remuneration claims to be paid to the Eligible Members of the Board of Directors for granting each Restricted Stock I and Performance-linked Restricted Stock shall be, 100 million yen per year for Restricted Stock I, and 300 million yen per year for Performance-linked Restricted Stock, separately from the amount of remuneration for Members of the Board of Directors pertaining to Proposal 4 "Revision to the Amount of Remuneration for Members of the Board of Directors," for which approval of shareholders is hereby requested.

In reviewing the remuneration system, at the Board of Directors' meeting held on May 11, 2022, the Company decided to revise the details of the policy on determining the content of remuneration, etc.

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for individual Members of the Board of Directors (as shown on pages 27 to 29 as reference), on the condition that this proposal and Proposal 4 (Revision to the Amount of Remuneration for Members of the Board of Director) are approved as originally proposed at this Meeting. Since this proposal is necessary and reasonable in granting remuneration to individual Members of the Board of Directors in accordance with the policy, the Company believes that the content of this proposal is appropriate.

In addition, in order to manage and operate the stock remuneration system in an integrated and efficient manner, and to further share value with shareholders, the Company will abolish the provisions concerning the amount of remuneration related to stock acquisition rights allotted as stock-based remuneration-type stock options, as described above, subject to the approval of this proposal. Furthermore, of the stock acquisition rights already allotted to Eligible Members of the Board of Directors as stock options in accordance with the provisions on such amount of remuneration, Eligible Members of the Board of Directors shall waive the right regarding any unexercised portions of such options, subject to the approval of this proposal.

In connection with this, as a transitional measure pertaining to allotting Restricted Stock I instead of the current stock acquisition rights as stock-based remuneration-type stock options, only in the 75th fiscal year (from April 1, 2022 to March 31, 2023) (hereinafter referred to as the “Fiscal Year”), the Company proposes, as detailed below, to grant as remuneration to Eligible Members of the Board of Directors shares of restricted stock (hereinafter referred to as “Restricted Stock II”) in the same number as the shares of common stock of the Company (75,000 shares) underlying the stock acquisition rights as stock-based remuneration-type stock options to be waived as described above, separately from the allotment based on the amount of remuneration for Restricted Stock I.

Therefore, the Company requests shareholders’ approval to set the total maximum amount of monetary remuneration claims to be paid for allotting Restricted Stock II at 400 million yen per year for this Fiscal Year only, separately from the amount of remuneration for Members of the Board of Directors pertaining to Proposal 4 “Revision to the Amount of Remuneration for Members of the Board of Directors” and amount of remuneration for granting Restricted Stock I and Performance-linked Restricted Stock above.

Such allotment will be made in conjunction with the waiver of stock acquisition rights as stock-based remuneration-type stock options allotted in previous years and, in effect, is not an additional remuneration. Therefore, the Company has determined that such allotment is appropriate as a measure to manage and operate the stock remuneration system in an integrated and efficient manner.

The details of Restricted Stock I, Restricted Stock II and Performance-linked Restricted Stock are to be determined at the discretion of the Board of Directors within the following scope. In addition, the details of the allocation of the above remuneration to each Eligible Member of the Board of Directors shall be determined by the Board of Directors.

The Company currently has eight (8) Members of the Board of Directors in total, including three (3) Outside Directors. If Proposal 3 (Election of Eight (8) Members of the Board of Directors) is approved as originally proposed, the number of Members of the Board of Directors will be eight (8), including

three (3) Outside Directors.

1. Details of Restricted Stock I and Restricted Stock II to be Granted to Eligible Members of the Board of Directors

(1) Allotment of and Payment for Restricted Stock

As compensation for the execution of duties during the period from the date of the ordinary general shareholders' meeting to be held in the relevant fiscal year to the day before the date of the ordinary general shareholders' meeting to be held in the following fiscal year (and, regarding Restricted Stock II, only in this Fiscal Year, as a transitional measure pertaining to allotting Restricted Stock I instead of the current stock acquisition rights as stock-based remuneration-type stock options only), the Company shall pay monetary remuneration claims as remuneration related to Restricted Stock I (to be granted each fiscal year) and Restricted Stock II (to be granted only in this Fiscal Year) to the Eligible Members of the Board of Directors within the maximum annual amount specified above, pursuant to a resolution of the Board of Directors' meeting. Each Eligible Member of the Board of Directors shall pay as property contributed in kind all monetary remuneration claims paid to them and in exchange, receive allotments of shares of Restricted Stock I or Restricted Stock II.

The amount to be paid in for Restricted Stock I and II shall be determined by the Board of Directors of the Company within a range that is not particularly advantageous to the Eligible Members of the Board of Directors subscribing to such Restricted Stock I and Restricted Stock II, based on the closing price of the common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution of the Board of Directors' meeting of the Company regarding the issuance or disposal of such shares (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day).

The above monetary remuneration claims will be granted to Eligible Members of the Board of Directors on the condition that they have agreed to the above property contributed in kind and have executed with the Company a Restricted Stock Allotment Agreement that contains the terms set forth in (3) below.

(2) Total Number of Shares of Restricted Stock

[Restricted Stock I]

The maximum total number of shares of Restricted Stock I to be allotted to Eligible Members of the Board of Directors will be 60,000 shares per fiscal year.

However, on or after the date of resolution of this proposal, in the case of a stock split or a stock consolidation, or in other equivalent cases that require adjustment of the total number of shares of Restricted Stock I to be allotted, the Company may reasonably adjust the total

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number of shares of Restricted Stock I.

[Restricted Stock II]

As a transitional measure pertaining to allotting Restricted Stock I instead of the current stock acquisition rights as stock-based remuneration-type stock options, the maximum total number of shares of Restricted Stock II to be allotted to Eligible Members of the Board of Directors will be 75,000 shares only in this Fiscal Year.

However, on or after the date of resolution of this proposal, in the case of a stock split or a stock consolidation, or in other equivalent cases that require adjustment of the total number of shares of Restricted Stock II to be allotted, the Company may reasonably adjust the total number of shares of Restricted Stock II.

(3) Details of Restricted Stock Allotment Agreement

[Restricted Stock I]

The Restricted Stock Allotment Agreement to be executed when being allotted the shares of Restricted Stock I between the Company and Eligible Members of the Board of Directors who receive an allotment of Restricted Stock I based on a resolution of the Board of Directors' meeting of the Company shall contain the following terms.

1) Details of Transfer Restrictions

Eligible Members of the Board of Directors who have been allotted shares of Restricted Stock I may not transfer, create a pledge or mortgage by transfer to or for a third party, or otherwise dispose of (hereinafter referred to as "Transfer Restrictions"), the Restricted Stock I allotted to them (hereinafter referred to as "Allotted Shares I") during the period from the grant date of the Restricted Stock I to the date when the Eligible Member of the Board of Directors retires from any of the position of Member of the Board of Directors, Audit & Supervisory Board Member, Corporate Officer, employee or any other equivalent position of the Company (hereinafter referred to as "Eligible Positions") (hereinafter referred to as "Transfer Restriction Period I").

2) Acquisition of Restricted Stock I by the Company without Paying Compensation

The Company shall naturally acquire the Allotted Shares I without paying compensation if an Eligible Member of the Board of Directors who has been allotted shares of Restricted Stock I retires from any of the Eligible Positions, unless such retirement is due to the expiration of their term of office, death, or other reasons deemed reasonable by the Board of Directors of the Company.

In addition, the Company shall naturally acquire the Allotted Shares I for which the Transfer Restrictions have not been lifted, based on the terms provided in 3) "Lifting of Transfer Restrictions" below, without paying compensation at the expiration of the Transfer Restriction Period I described in 1) above, if any.

3) Lifting of Transfer Restrictions

The Company shall lift the Transfer Restrictions of all of the Allotted Shares I at the expiration of the Transfer Restriction Period I, in principle, on the condition that the Eligible Member of the Board of Directors who has been allotted shares of Restricted Stock I has continuously held any of the Eligible Positions throughout the Transfer Restriction Period I, and that the retirement of the Eligible Member of the Board of Directors from the Eligible Position is due to the expiration of their term of office, death, or other reasons deemed reasonable by the Board of Directors of the Company.

However, if the Eligible Member of the Board of Directors retires from the position of Member of the Board of Directors of the Company during the period from the start date of the Transfer Restriction Period I until the day before the date of the first ordinary general shareholders' meeting of the Company after the start of the Transfer Restriction Period I due to death or any other reasons deemed reasonable by the Board of Directors of the Company, the Company shall, at the time of their retirement, naturally acquire the Allotted Shares I without paying compensation in the number reasonably adjusted according to the period they held the position of Member of the Board of Directors .

4) Handling in Cases of Organizational Restructuring, Etc.

In the event of a merger agreement in which the Company is the dissolving company or any other organizational restructuring, etc. of the Company during the Transfer Restriction Period I, the Company shall lift, based on a resolution of the Board of Directors' meeting of the Company, the Transfer Restrictions of certain Allotted Shares I at a date prior to the effective date of such organizational restructuring, etc. The number of such Allotted Shares I for which the Transfer Restriction will be lifted shall be reasonably determined in consideration of the time period from the start date of the Transfer Restriction Period I to the date of the approval of such organizational restructuring, etc.

In this case, as of the time immediately after the lifting of the Transfer Restrictions as provided for in the above, the Company shall naturally acquire without paying compensation the Allotted Shares I for which the Transfer Restrictions are not lifted.

5) Malus Clause

The Company shall acquire all of the Allotted Shares I held by an Eligible Member of the Board of Directors without paying compensation if, during the Transfer Restriction Period I, such Eligible Member of the Board of Directors violates laws and regulations or internal rules, etc. in a material respect and the Board of Directors of the Company recognizes such violation as grounds for the gratis acquisition of the shares by the Company, or in the case of any other event specified by the Board of Directors of the Company as being grounds for the same.

[Restricted Stock II]

The Restricted Stock Allotment Agreement to be executed when being allotted the shares of Restricted Stock II between the Company and Eligible Members of the Board of Directors who receive an allotment of Restricted Stock II based on a resolution of the Board of Directors' meeting of the Company shall contain the following terms.

1) Details of Transfer Restrictions

Eligible Members of the Board of Directors who have been allotted shares of Restricted Stock II may not transfer, create a pledge or mortgage by transfer to or for a third party, or otherwise dispose of, the Restricted Stock II allotted to them (hereinafter referred to as "Allotted Shares II") during the period from the grant date of the Restricted Stock II to the date when the Eligible Member of the Board of Directors retires from any of the Eligible Positions (hereinafter referred to as "Transfer Restriction Period II").

2) Acquisition of Restricted Stock II by the Company without Paying Compensation

The Company shall naturally acquire the Allotted Shares II without paying compensation if an Eligible Member of the Board of Directors who has been allotted shares of Restricted Stock II retires from any of the Eligible Positions, unless such retirement is due to the expiration of their term of office, death, or other reasons deemed reasonable by the Board of Directors of the Company.

In addition, the Company shall naturally acquire the Allotted Shares II for which the Transfer Restrictions have not been lifted, based on the terms provided in 3) "Lifting of Transfer Restrictions" below, without paying compensation at the expiration of the Transfer Restriction Period II described in 1) above, if any.

3) Lifting of Transfer Restrictions

The Company shall lift the Transfer Restrictions of all of the Allotted Shares II at the expiration of the Transfer Restriction Period II, in principle, on the condition that the Eligible Member of the Board of Directors who has been allotted shares of Restricted Stock II has continuously held any of the Eligible Positions throughout the Transfer Restriction Period II, and that the retirement of the Eligible Member of the Board of Directors from the Eligible Position is due to the expiration of their term of office, death, or other reasons deemed reasonable by the Board of Directors of the Company.

4) Handling in Cases of Organizational Restructuring, Etc.

In the event of a merger agreement in which the Company is the dissolving company or any other organizational restructuring, etc. of the Company during the Transfer Restriction Period II, the Company shall lift, based on a resolution of the Board of Directors' meeting of the Company, the Transfer Restrictions of all of the Allotted Shares II at a date prior to the effective date of such organizational restructuring, etc.

5) Malus Clause

Restricted Stock II will be subject to a malus clause that is equivalent to that for Restricted

Stock I.

2. Details of Performance-linked Restricted Stock to be Granted to Eligible Members of the Board of Directors

(1) Allotment of and Payment for Performance-linked Restricted Stock

The Company shall pay to the Eligible Members of the Board of Directors monetary remuneration claims as remuneration related to the Performance-linked Restricted Stock within the maximum annual amount stated above, in accordance with the degree of achievement of performance target figures, etc. set by the Board of Directors of the Company during each fiscal year as a performance evaluation period (hereinafter referred to as “Covered Period”). Each Eligible Member of the Board of Directors shall pay as property contributed in kind all monetary remuneration claims paid to them and in exchange, receive allotments of shares of Performance-linked Restricted Stock. Therefore, at the beginning of the Covered Period, it is not determined whether or not these will be granted to each Eligible Member of the Board of Directors nor is the number of shares of Performance-linked Restricted Stock to be granted (hereinafter referred to as the “Number of Shares to be Granted”).

The above monetary remuneration claims will be granted to Eligible Members of the Board of Directors on the condition that they have executed with the Company a Restricted Stock Allotment Agreement that contains the terms set forth in (5) below.

The initial Covered Period shall be the 75th fiscal year (from April 1, 2022 to March 31, 2023), and each Covered Period thereafter is a fiscal year corresponding to this period, during which shares of the Performance-linked Restricted Stock may be allotted.

(2) Total Number of Shares of Performance-linked Restricted Stock

The maximum total number of shares of Performance-linked Restricted Stock to be allotted to each Eligible Member of the Board of Directors will be 180,000 shares per Covered Period.

However, on or after the date of resolution of this proposal, in the case of a stock split or a stock consolidation, or in other equivalent cases that require adjustment of the total number of shares of Performance-linked Restricted Stock to be allotted, the Company may reasonably adjust the total number of shares of Performance-linked Restricted Stock.

(3) Method of Calculating the Number of Shares to be Granted

Indicators necessary for the calculation of the Number of Shares to be Granted, such as performance target figures or the like, used in allotting shares of the Performance-linked Restricted Stock shall be determined by the Board of Directors of the Company.

Specifically, the following formula is used to calculate the Number of Shares to be Granted

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to each Eligible Member of the Board of Directors. (Any fraction of less than 100 shares resulting from the calculation will be rounded up to the nearest 100 shares.)

In the event that the maximum number of shares of the Performance-linked Restricted Stock to be allotted or the maximum amount of monetary remuneration claims to be paid to each Eligible Member of the Board of Directors described above is exceeded when allotting the Eligible Members of the Board of Directors the number of shares of the Performance-linked Restricted Stock to be granted calculated by using the formula, the Company shall adjust such number of shares and such amount of monetary remuneration claims for the Performance-linked Restricted Stock to be allotted to the Eligible Member of the Board of Directors through proportional distribution or other reasonable methods determined by the Board of Directors, such that the maximum number of shares and the maximum amount of monetary remuneration claims are not exceeded.

Number of Shares to be Granted to Each Eligible Member of the Board of Directors

Base number of shares (*1) x granting ratio (*2)

- *1 To be determined by the Board of Directors of the Company in accordance with the position, responsibilities, etc. of each Eligible Member of the Board of Directors.
- *2 To be determined by the Board of Directors of the Company within the range of 0 to 200% in accordance with the rate of achievement of each performance target figure, etc. for a Covered Period.

Performance indicators for the initial Covered Period is planned to be as follows:

Performance indicators		
Financial Targets	Revenue	
	Operating profit	
Strategic Targets	Medium-term contribution to increasing corporate value (to be set individually)	Maximizing product value
		Strengthening pipeline and accelerating global development
		Realizing own marketing operations in US/Europe
		Expanding business domain
		Management base supporting the strategy for growth (Expansion of intangible asset)
		Transforming the Company by digital and IT
Non-Financial Targets	Initiatives to achieve materiality	
	Status of inclusion in ESG indices	

(4) Requirements for Granting Shares

During the period of execution of duties for which Performance-linked Restricted Stock is allotted (the period from the date of the ordinary general shareholders' meeting held in the previous fiscal year to the day before the date of the ordinary general shareholders' meeting held in the relevant fiscal year) (hereinafter referred to as "Period of Execution of Duties"), in the event that any of the following events that constitute grounds for forfeiture of right

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occurs with respect to each of the Eligible Members of the Board of Directors, such Eligible Member of the Board of Directors shall forfeit the right to receive Performance-linked Restricted Stock, and the Company shall neither pay monetary remuneration claims nor grant Performance-linked Restricted Stock to such Eligible Member of the Board of Directors.

Shares of the Performance-linked Restricted Stock shall be granted by means of the issuance of new shares or the disposal of treasury shares by the Company. The amount to be paid in for Performance-linked Restricted Stock shall be determined by the Board of Directors of the Company within a range that is not particularly advantageous to each Eligible Member of the Board of Directors, based on the closing price of the common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution of the Board of Directors' meeting of the Company regarding the allotment of Performance-linked Restricted Stock (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day).

- 1) The Eligible Member of the Board of Directors has retired from both the position of Member of the Board of Directors and Corporate Officer of the Company. However, this excludes the case where they are appointed or reappointed to either of these positions upon retirement, or the case where the retirement is due to the expiration of the term of office, death, or any other reasons deemed reasonable by the Board of Directors.
- 2) They committed certain illegal acts.
- 3) There was a fact that falls under any other grounds specified by the Board of Directors of the Company.

In the event that an Eligible Member of the Board of Director retires from the position of Member of the Board of Director of the Company for a reason deemed reasonable by the Board of Directors of the Company and assumes one of the Eligible Positions other than Member of the Board of Director or Corporate Officer during the Period of Execution of Duties as an Eligible Member of the Board of Director, the Company shall grant shares of Performance-linked Restricted Stock in the number reasonably adjusted according to the period during which they served as a Member of the Board of Director of the Company. In the event that an Eligible Member of the Board of Director retires from any of the Eligible Positions due to the expiration of their term of office, death or other reasons deemed reasonable by the Board of Directors during the same period, or in the event the Company executes a merger agreement in which the Company is the dissolving company or conducts other organizational restructuring, etc., the Company will pay monetary remuneration in the amount reasonably determined in lieu of Performance-linked Restricted Stock.

(5) Details of Performance-linked Restricted Stock Allotment Agreement

The Performance-linked Restricted Stock Allotment Agreement to be executed when being

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allotted the shares of Performance-linked Restricted Stock between the Company and Eligible Members of the Board of Directors who receive an allotment of Performance-linked Restricted Stock based on a resolution of the Board of Directors' meeting of the Company shall contain the following terms.

1) Details of Transfer Restrictions

Eligible Members of the Board of Directors who have been allotted shares of Performance-linked Restricted Stock may not transfer, create a pledge or mortgage by transfer to or for a third party, or otherwise dispose of, the Performance-linked Restricted Stock allotted to them (hereinafter referred to as "Allotted Shares III") during the period from the grant date of the Performance-linked Restricted Stock to the date when the Eligible Member of the Board of Directors retires from any of the Eligible Positions (hereinafter referred to as "Transfer Restriction Period III").

2) Acquisition of Performance-linked Restricted Stock by the Company without Paying Compensation

The Company shall naturally acquire the Allotted Shares III without paying compensation if an Eligible Member of the Board of Directors who has been allotted shares of Performance-linked Restricted Stock retires from any of the Eligible Positions, unless such retirement is due to the expiration of their term of office, death, or other reasons deemed reasonable by the Board of Directors of the Company.

In addition, the Company shall naturally acquire the Allotted Shares III for which the Transfer Restrictions have not been lifted, based on the terms provided in 3) "Lifting of Transfer Restrictions" below, without paying compensation at the expiration of the Transfer Restriction Period III described in 1) above, if any.

3) Lifting of Transfer Restrictions

The Company shall lift the Transfer Restrictions of all of the Allotted Shares III at the expiration of the Transfer Restriction Period III, in principle, on the condition that the Eligible Member of the Board of Directors who has been allotted shares of Performance-linked Restricted Stock has continuously held any of the Eligible Positions throughout the Transfer Restriction Period III, and that the retirement of the Eligible Member of the Board of Directors from the Eligible Position is due to the expiration of their term of office, death, or other reasons deemed reasonable by the Board of Directors of the Company.

4) Handling in Cases of Organizational Restructuring, Etc.

In the event of a merger agreement in which the Company is the dissolving company or any other organizational restructuring, etc. of the Company during the Transfer Restriction Period III, the Company shall lift, based on a resolution of the Board of Directors' meeting of the Company, the Transfer Restrictions of all of the Allotted Shares III at a date prior to the effective date of such organizational restructuring, etc.

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5) Malus and Clawback Clauses

If, during the Transfer Restriction Period III or for a certain period after the Transfer Restrictions are lifted, the Eligible Member of the Board of Directors violates laws and regulations or internal rules, etc. in a material respect and the Board of Directors of the Company recognizes such violation as grounds for the gratis acquisition of the shares by the Company, or in the case of any other event specified by the Board of Directors of the Company as being grounds for the same, the Company may acquire all or part of the Allotted Shares III held by such Eligible Member of the Board of Directors without paying compensation. If such shares have been disposed of, the Company may demand that the relevant Eligible Member of the Board of Directors refund an amount equivalent to the value of such shares at the time of the disposition.

(Reference)

The Company plans to allot Performance-linked Restricted Stock similar to those described above to Corporate Officers who do not concurrently serve as Member of the Board of Directors of the Company after the conclusion of this Meeting.

Reference

Policy on Determining the Content of Remuneration, etc. for Individual Members of
the Board of Directors

(Applicable if Proposals 4 and 5 are approved)

The Company has established a policy for determining the content of remuneration, etc. for individual Members of the Board of Directors. However, if Proposal 4 and Proposal 5 are approved, the content of such policy will be revised as follows.

1. Basic Policy

Members of the Board of Directors of the Company are expected to endeavor to achieve sustainable growth as an R&D-based pharmaceutical company and increase corporate value while sharing awareness of profits with shareholders. Therefore, remuneration, etc. of Members of the Board of Directors shall be designed to encourage them to continue taking on challenges with a medium- to long-term outlook, and to increase their sensitivity toward performance targets, and to prompt their contribution to increasing corporate value.

Based on this basic concept, the remuneration, etc. of executive Members of the Board of Directors consists of “base remuneration” as a fixed remuneration, “performance-linked remuneration, etc.” as a short-term incentive, and “stock-based remuneration” as a medium- to long-term incentive, while the remuneration, etc. of Outside Directors consists only of “base remuneration” as a fixed remuneration in light of their role of supervising management from an objective and independent standpoint.

2. Remuneration Level

Remuneration, etc. of Members of the Board of Directors shall be set at an appropriate level, on the assumption that the remuneration level is appropriate for securing excellent human resources, taking into account the business scale, duties and responsibilities, management strategy, etc., while also referring to information from management remuneration databases of external specialized organizations.

3. Policy on Determining the Amount of Base Remuneration (Monetary Remuneration) of Individual Members of the Board of Directors

Base remuneration of Members of the Board of Directors is a monthly fixed remuneration.

4. Policy on Determining the Details of Performance-linked Remuneration, etc. and Non-Monetary Remuneration, etc. and the Method of Calculating the Amount or Number of Shares thereof

Performance-linked remuneration, etc. basically reflects the degree of achievement of target figures for performance indicators for each fiscal year. The amount thereof is calculated by assessing and

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evaluating individual contributions to increasing corporate value, changes in the business environment, and other factors, and is paid as a bonus after each fiscal year end. Performance indicators shall be determined based on the basic policy.

Non-monetary remuneration, etc. is provided to motivate Members of the Board of Director toward an increase in corporate value over the medium to long term from matching perspectives with shareholders in the form of shares of restricted stock, all of which will have transfer restrictions lifted upon their retirement. Restricted stock-based remuneration consists of “tenure-based restricted stock remuneration”, in which the number of shares to be granted is calculated according to the degree of responsibility for decision-making, and “performance-linked restricted stock remuneration”, in which the number of shares to be granted is calculated based on the degree of achievement of performance targets (including ESG targets) set for each fiscal year, linked to medium- to long-term management strategies and management challenges, and the degree of achievement of target figures for performance indicators for each fiscal year. The tenure-based restricted stock remuneration shall be granted after the end of the ordinary general shareholders’ meeting. The performance-linked restricted stock remuneration shall be granted after the end of the ordinary general shareholders’ meeting based on the results of performance evaluation after the end of the performance evaluation period (one fiscal year). In cases where it is not appropriate to grant restricted shares, such as when a person eligible to receive the performance-linked restricted stock remuneration retires from the position of Member of the Board of Directors due to the expiration of their term of office, such remuneration will be paid (settled) in cash in lieu of granting shares.

5. Policy on Determining the Proportion of Monetary Remuneration, Performance-linked Remuneration, etc., or Non-Monetary Remuneration, etc. Amounts to the Amount of Remuneration, etc., of Individual Members of the Board of Directors

The Company determines the suitability of the proportion of remuneration by type for executive Members of the Board of Directors, in light of the nature of the Company’s business and its management challenges and business environment at that time. Performance-linked remuneration, etc. at the achievement of the target and non-monetary remuneration, etc., given their purpose, comprise a higher percentage of total remuneration for representative directors and the CEO than for other executive Members of the Board of Directors.

6. Matters for Determining Details of Remuneration, etc. of Individual Members of the Board of Directors

The amounts of remuneration, etc. of individual Members of the Board of Directors are discussed and determined at the Board of Directors’ meeting within the amounts approved at the ordinary general shareholders’ meeting after deliberation by the “Executive Compensation Meeting”.

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7. Other Important Matters

The Company reserves the right to confiscate all or part of the stock-based remuneration (malus clause) or require them to be returned after the transfer restriction is lifted (clawback clause) from any Member of the Board of Directors who have wrongfully received stock-based remuneration through serious misconduct, etc., after going through fair and prudent procedures in the event that it is determined to be necessary to ensure the appropriate operations of the system of performance-linked restricted stock remuneration, which is a medium- to long-term incentive.