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## Corporate Governance Report

Ono Pharmaceutical Co., Ltd.

Last Update: September 27, 2022

Ono Pharmaceutical Co., Ltd.

Gyo Sagara

President, Representative Director & CEO

Contact: Corporate Communications Division

Tel: 06-6263-5670

Securities Code: 4528

**UPDATED**

<https://www.ono-pharma.com/en>

The corporate governance of Ono Pharmaceutical Co., Ltd. (the “Company”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

#### 1. Basic Views

The Company believes that not only complying with laws and regulations but also strengthening supervisory functions to enhance management transparency with a view to increasing corporate value is among its management priorities.

The Company therefore has adopted an organizational framework with Audit & Supervisory Board Members (or the Audit & Supervisory Board), focusing on the enhancement of functions of the Board of Directors and the Audit & Supervisory Board, as part of endeavors to bolster corporate governance.

The Company works to ensure an appropriate number of members of the Board of Directors, with a focus on improving flexibility and expediting the decision-making process. Moreover, the Company has appointed three Outside Directors with specialized knowledge and abundant experience to maintain and improve the soundness of the Company’s management as well as appropriateness of business execution, with the aim of further strengthening corporate governance.

Meanwhile, each Audit & Supervisory Board Member attends meetings of the Board of Directors and other important meetings, receives reports on business from Members of the Board of Directors, etc., and conducts hearings in order to audit execution of duties of Members of the Board of Directors. The Outside Audit & Supervisory Board Members include an attorney at law and a certified public accountant, who conduct audits from an objective and professional viewpoint.

#### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company implements all the principles of the Corporate Governance Code.

#### [Disclosure Based on the Principles of the Corporate Governance Code]

**UPDATED**

##### **Principle 1.4 Cross-Shareholdings**

<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 pharmaceutical products that bring true benefit to patients. The Company, therefore, holds shares that it deemed necessary to hold 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 corporate value.

When judging whether 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 the Board of Directors 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 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.

As part of an overall revision of cross-shareholdings, the Company has been systematically reducing them since fiscal 2018. Cross-shareholdings as of the end of March 2018 (111 issues, totaling 167.1 billion yen) had been reduced by 44 issues by the end of March, 2022, bringing the total amount on the balance sheet to 114 billion yen and the ratio of cross-shareholdings to consolidated net assets to 17.2%. Going forward, the Company will continue to reduce these holdings with the goal of reducing the ratio to less than 10% over the medium to long term.

<Basic Views on Exercise of Voting Rights>

The Company determines how it exercises its voting rights not by uniform standards, but by considering whether the cross-shareholding will lead to an increase in the corporate value of the Company from a medium- to long-term perspective, while respecting the management policies of the issuers of those shares.

#### **Principle 1.7 Related Party Transactions**

Any transaction with the related parties of the Company that may cause a conflict of interest requires approval of the Board of Directors pursuant to the Rules of the Board of Directors. In addition, transaction results are appropriately disclosed in accordance with laws and regulations.

#### **Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion to Core Human Resources**

<Views on Ensuring Diversity>

The Company believes that it is important to deepen understanding of the diversity of attributes, values, and behavioral characteristics of the members of the organization and to recognize their personalities in order to respond quickly and flexibly to changes in the environment and to improve corporate value.

In addition, the Company considers it necessary to utilize broad diversity regardless of specialized fields, gender, and nationality, as a source of ideas leading to creating innovative pharmaceuticals.

Based on this basic view, the Company conducts recruitment activities, and strives to ensure diversity through its personnel measures such as diversity management training and programs to foster innovative human resources, and others.

<Voluntary and Measurable Goals for Ensuring Diversity and Their Status>

##### (1)Female employees

The Company fosters a culture for training the next generation of female managers by creating an environment in which women can work more actively, building a system to increase the number of female employees and potential managers and to support the career development for women.

Details of the Company's activities to promote female employee participation in the workplace and others are disclosed on the Company's website.

Activities to promote female employee participation in the workplace: <https://sustainability.ono-pharma.com/en/themes/103#933>

##### (2)Foreign nationals

In the course of its overseas expansion, which is an important management issue, the Company hires local human resources at its overseas subsidiaries and appoints them to important positions, as they are indispensable for the promotion of projects. (Approximately 80% of managers in the overseas subsidiaries in the United States, United Kingdom, South Korea and Taiwan.)

Overseas subsidiaries play an important role in promoting open innovations such as drug discovery alliances, and global clinical trials. The overseas subsidiaries work together with the head office organization on projects to become a Global Specialty Pharma.

At present, the Company is building a system that enables it to conduct a clinical development in the US and Europe on its own, and is strengthening its organization with a view to future marketing operations. For

this reason, the Company believes that the number of local employees hired and promoted to management positions will increase, and the diversity of the Company as a whole will improve.

In light of the stage of its overseas development, the role of its overseas subsidiaries, and their relationship with the head office organization, the Company currently has not set any voluntary and measurable goals for the hiring of foreign nationals or their appointment to management positions at the Company.

### (3)Mid-career employees

In order to respond to changes in the business environment, the Company hires mid-career persons with the skills, knowledge, and experience that it needs as an immediate force.

In particular, since 2014, when the Company faced new growth opportunities, the Company has been actively hiring mid-career persons. The ratio of mid-career employees to total employees in Japan is 14.5%, and the ratio of mid-career employees to management positions is 15.3% (as of March 31, 2022).

Furthermore, the increase in the number of mid-career persons and their promotion to management positions are also driving a change in the organizational culture.

Going forward, the Company intends to continue hiring mid-career persons and promoting them to management positions while taking into consideration changes in the business environment and organizational management needs, and has included an increase in mid-career persons in its workforce plan for the next five years.

<Policies for Human Resource Development and Internal Environment Development to Ensure Diversity, and the Status of Their Implementation>

The Company's policies for human resource development and internal environment development to ensure diversity are disclosed on the Company's website.

Human resource development: <https://sustainability.ono-pharma.com/en/themes/103#931>

Cultivation of employee-friendly workplaces: <https://sustainability.ono-pharma.com/en/themes/104#935>

### **Principle 2.6 Roles of Corporate Pension Funds as Asset Owners**

In light of the fact that management of corporate pension funds impacts stable asset formation by beneficiaries and the Companies' own financial standing, the Company has set up the Corporate Pension Fund Management Committee, which is mainly comprised of managers responsible for the human resources section, the accounting section and the legal affairs section. The Committee monitors the status of the pension assets and regularly assesses the asset managers in a comprehensive manner. The Committee also reviews the composition of the assets as necessary in order to manage the pension fund appropriately.

### **Principle 3.1 Full Disclosure**

- (1) Based on its corporate philosophy, "Dedicated to the Fight against Disease and Pain," the Company aims to discover innovative pharmaceutical products that bring true benefit to patients. In order to develop as a pharmaceutical company discovering new drugs, the Company has formulated the fundamental policy on drug discovery and challenges to tackle. The Company's current challenges consist of "maximizing product value from a patient-centered perspective," "strengthening pipeline and accelerating global development," "realizing own marketing operations in US/Europe," and "expanding business domain." The Company has established a strategy for growth and is engaging in business activities to achieve the goals of these challenges. Furthermore, the Company is also working to expand intangible assets such as digital technology, IT platforms, human resources, and the corporate brand — the management base supporting the strategy for growth.
- (2) For the "basic views and guidelines on corporate governance," please refer to "I.1. Basic Views" of this report.
- (3) For the remuneration and other information of Members of the Board of Directors and Audit & Supervisory Board Members, please refer to "II.1. Remunerations of Members of the Board of Directors."
- (4) Appointment and dismissal of senior management officers and nomination of candidates for Member of the Board of Directors and Audit & Supervisory Board Member are discussed and approved by the Board of Directors after deliberation by the Executive Appointment Meeting, where Outside Directors account for a majority and one of them serves as chairperson.
- (5) The Company explains about the reasons for nomination of Members of the Board of Directors and Audit & Supervisory Members by providing brief biographic outlines and other information of individual

candidates in the Reference Materials for the Shareholders' Meeting. If a proposal for dismissing a Member of the Board of Directors or Audit & Supervisory Member is submitted to a General Shareholders' Meeting, reasons for dismissal will be provided in the Reference Materials for the Shareholders' Meeting. The Company discloses any special circumstances for appointment/dismissal of senior management officers as appropriate.

### **Supplementary Principle 3.1.3 Initiatives on Sustainability, Etc.**

< Initiatives on Sustainability >

The Company's views, policies and initiatives on sustainability are disclosed on the Company's website.

Sustainability: <https://sustainability.ono-pharma.com/en>

Corporate Report: [https://www.ono-pharma.com/en/ir/library/integrated\\_report.html](https://www.ono-pharma.com/en/ir/library/integrated_report.html)

<Investments in Human Capital >

The Company takes human resource development as one of its management issues, and aims at strategic develop of human resources who become source for the Company to grow to a Global Specialty Pharma by providing each employee with growth opportunities to make bold efforts all the time and act independently based on self-discipline.

The Company's initiatives are disclosed on the Company's website.

Human Resource Development: <https://sustainability.ono-pharma.com/en/themes/103#931>

ESG Data (Social Data): <https://sustainability.ono-pharma.com/en/themes/113#991>

<Investments in Intellectual Properties >

As an R&D-based pharmaceutical company, the Company is proactively investing in R&D with the dual aims of discovering original and innovative new drugs and expanding their existing development pipeline. The Company's management strategy and policy for strategic investments for growth are disclosed on the Company's website.

Management Strategy: <https://www.ono-pharma.com/en/company/strategy.html>

<Impact of Climate Change-Related Risks and Earning Opportunities on Business Activities and Profits >  
In October 2019, the Company has expressed its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Related information based on the TCFD recommendations is disclosed on the Company's website.

Disclosure of Climate Change-Related Information (In Line with TCFD Recommendations):  
<https://sustainability.ono-pharma.com/en/themes/121>

### **Supplementary Principle 4.1.1 Roles and Responsibilities of the Board of Directors**

The Board of Directors deliberates matters stipulated by the Rules of the Board of Directors as well as the matters stipulated by laws, regulations and the Articles of Incorporation. Among the matters for deliberation by the Board of Directors, important matters on business execution are decided after taking account of the status and results of discussions by the Management Meeting and other meetings operated in accordance with the basic policies of the internal control system.

### **Principle 4.9 Independence Standards and Qualification for Independent Outside Directors**

The Company nominates candidates for Independent Outside Director from those who have high level of expertise in corporate management on the premise that they satisfy the requirements under the Companies Act and the standards for Independent Directors set out by the Tokyo Stock Exchange. In nominating the candidates, the independence and the appropriateness of the nomination are individually deliberated by the Executive Appointment Meeting, where Outside Directors account for a majority and one of them serves as chairperson.

#### **Supplementary Principle 4.10.1 Appropriate Involvement and Advice from Independent Outside Directors through the Establishment of an Independent Nomination Committee and Remuneration Committee**

The Company has established the Executive Appointment Meeting and the Executive Compensation Meeting, where Outside Directors account for a majority and one of them serves as chairperson, in order to ensure transparency and objectivity in the nomination of candidates for the Members of the Board of Directors and those for the Audit & Supervisory Board Members, as well as the decision of the amounts of remuneration of the Members of the Board of Directors, etc. Through this, the Company receives the appropriate involvement and advice from Independent Outside Directors on especially important matters, such as the personnel changes, remuneration, etc., of the senior management and Members of the Board of Directors.

For the outline of the Executive Appointment Meeting and the Executive Compensation Meeting, please refer to “II. 1. [Members of the Board of Directors]” of this report.

#### **Supplementary Principle 4.11.1 Balance, Diversity and Size of the Board of Directors as a Whole**

The Company aims to have a Board of Directors with an appropriate size in line with the status of the development of the internal control system so that the Board of Directors can enhance management transparency and supervisory functions of management, and execute business based on expeditious decision-making. Currently, there are a total of eight Members of the Board of Directors.

In addition, in light of the nature of its business as an R&D-based pharmaceutical company, the Company nominates candidates for Member of the Board of Directors by taking into consideration the balance of their knowledge, experience, capability and diversity, regardless of gender, race, ethnicity, nationality and cultural background, etc., so that the Board of Directors as a whole can make technical and comprehensive management decisions to respond to the management environment surrounding the Company. Moreover, the Company uses a skills matrix and other methods to confirm that the Members of the Board of Directors and Audit & Supervisory Board Members who are required to attend the Board of Directors’ meetings, have the knowledge, experience, and capability necessary for the Board of Directors as a whole, while taking into consideration the roles and functions expected of each. The details of this confirmation are disclosed on the Company’s website, etc.

Nomination of candidates for the Members of the Board of Directors and Audit & Supervisory Board Members is approved by the Board of Directors after deliberation by the Executive Appointment Meeting, where Outside Directors (including two members with business management experience at other companies) account for a majority and one of the Outside Directors serves as chairperson.

NOTICE TO CONVENE THE 74TH ORDINARY GENERAL SHAREHOLDERS’ MEETING (p.13):

[https://www.ono-pharma.com/sites/default/files/en/ir/stock/notification/co\\_220526.pdf](https://www.ono-pharma.com/sites/default/files/en/ir/stock/notification/co_220526.pdf)

FY2022 Corporate Report (p.94):

[https://www.ono-pharma.com/sites/default/files/en/ir/library/integrated\\_report/2022\\_91-97\\_en.pdf](https://www.ono-pharma.com/sites/default/files/en/ir/library/integrated_report/2022_91-97_en.pdf)

#### **Supplementary Principle 4.11.2 Positions of Members of the Board of Directors and Audit & Supervisory Board Members Held at Other Companies**

The status of significant concurrent positions held by Members of the Board of Directors and Audit & Supervisory Board Members are disclosed in the Notice to Convene the General Shareholders’ Meeting and annual securities report every year. The Company determines candidates for Outside Director/Outside Audit & Supervisory Board Member of the Company after considering whether each of the candidates can appropriately fulfill his/her respective roles and responsibilities, including attendance at meetings of the Board of Directors of the Audit & Supervisory Board.

For this reason, the Company especially confirms with the candidates for part-time Outside Directors/ Outside Audit & Supervisory Board Members whether they are able to attend at least 75% of the meetings of the Board of Directors and the meetings of the Audit & Supervisory Board (in the case of Outside Audit & Supervisory Board Members) before their appointment. Furthermore, Outside Directors (candidates) must, in principle, be able to maintain 100% attendance to the Executive Appointment Meeting and the Executive Compensation Meeting as their members. Taking into account the time required to be devoted to duties as the Company’s Member of the Board of Directors or Audit & Supervisory Board Member, the Company sets a limit on the number of companies its Members of the Board of Directors and Audit & Supervisory Board Members are allowed to concurrently serve as officers or in other capacity (appointment as officers of listed companies, etc.) at up to, in principle, four companies not including the Company.

**Supplementary Principle 4.11.3 Evaluation of the Effectiveness of the Board of Directors as a Whole**

The Company conducts self-evaluations on the composition, operation and other matters of the Board of Directors once a year with the aim of improving the effectiveness of the Board of Directors as a whole. Results of analysis and evaluation of the effectiveness of the Board of Directors as a whole conducted in 2022 are summarized as follows:

**(1) Method of evaluation**

The Company conducted a questionnaire survey of all Members of the Board of Directors and all Audit & Supervisory Board Members requiring respondents to provide their names in the answer sheets, as well as one-on-one interviews with them, after explaining the purpose of the evaluation at a meeting of the Board of Directors. Based on the answers and opinions gained from the survey and interviews, the Board of Directors conducted analysis and self-assessments of its effectiveness and discussed challenges to tackle as well.

(Contents of the questionnaire and interviews)

- Size and composition of the Board of Directors
- Operation of the Board of Directors
- Roles and responsibilities of the Board of Directors

**(2) Summary of results of analysis and self-evaluation**

- The Board of Directors makes important management decisions in an expeditious and appropriate manner, and the system that allows appropriate supervision of business execution has been ensured.
- Measures has been taken on an ongoing basis to improve the operation of the Board of Directors, including a review of matters for deliberation at the Board of Directors in light of the management environment and the situation of the Company.
- Members of the Board of Directors and Audit & Supervisory Board Members, including Outside Directors and Outside Audit & Supervisory Board Members, are freely expressing their opinions from their own perspectives, based on the common understanding of the corporate philosophy and the management issues of the Company.

Based on the results above, the Company concluded that the effectiveness of the Board of Directors of the Company has been ensured.

**(3) Initiatives towards the improvement of the effectiveness**

Amid the drastically changing environment surrounding the Company, the Board of Directors of the Company will further improve its effectiveness by enhancing discussions on the direction of management from a medium- to long-term perspective.

**Supplementary Principle 4.14.2 Training Policy for Directors and Audit & Supervisory Board Members**

The Company appoints candidates for Member of the Board of Directors and Audit & Supervisory Board Member, including those for Outside Director and for Outside Audit & Supervisory Board Member, from those who are considered capable of fulfilling their expected roles and responsibilities. The Members of the Board of Directors and Audit & Supervisory Board Members newly appointed from within the Company then attend outside seminars, in order to deepen their understanding of the roles and responsibilities of Members of the Board of Director and Audit & Supervisory Board Members. On the other hand, for Outside Directors and Outside Audit & Supervisory Board Members, the Company provides trainings, in consideration of their backgrounds, to deepen their understanding of the business of the Company and industry trends. The Company also offers and arranges opportunities for trainings necessary for individual Members of the Board of Directors and Audit & Supervisory Board Members after their appointment, and bears costs for such trainings.

**Principle 5.1 Policy for Constructive Dialogue with Shareholders**

The Company aims to grow continuously and improve corporate value over the medium- to long-term by through holding a constructive dialogue with shareholders. Policies on the development of the systems and initiatives that facilitate such dialogue are as follows:

- (1) The Corporate Communications Division (Corporate Communications Department), which is under the direct control of the President is responsible for overall dialogue with shareholders and investors.
- (2) Opinions collected through dialogue with shareholders are appropriately conveyed to Members of the Board of Directors and Audit & Supervisory Board Members as well as relevant departments as necessary in order to share and utilize information.

- (3) To appropriately hold dialogue with shareholders and investors, the Corporate Communications Division has built a framework of cooperation to share information with Divisions of Corporate Planning, Finance & Accounting, Human Resources and General Affairs and other Departments.
- (4) If a shareholder requests a dialogue with the Company, the Company provides appropriate personnel for such a dialogue after confirming what the shareholder hopes and what the purpose of the dialogue is.
- (5) Other than personal interviews, the Company provides dialogue opportunities in the form of financial results briefings for analysts and investors after announcement of quarterly financial results, as well as annual R&D briefings. In addition, the Company actively offers briefings for individual investors hosted by securities companies.
- (6) The Company works to ensure stringent management of insider information in accordance with the Regulations for the Prevention of Insider Trading. When holding dialogue with shareholders, the Company strives to disclose information in an easy-to-understand, fair and accurate manner, based on the policy on information disclosure. The Company sets a quiet period of four weeks prior to the financial results announcement, during which dialogue with investors is restricted.

## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd.(Trust account)	76,107,500	15.58
Custody Bank of Japan, Ltd.(Trust account)	26,807,400	5.48
STATE STREET BANK AND TRUST COMPANY 505001	21,645,246	4.43
Meiji Yasuda Life Insurance Company	18,594,305	3.80
Ono Scholarship Foundation	16,428,820	3.36
KAKUMEISOU Co., LTD	16,161,915	3.30
MUFG Bank, Ltd.	8,640,740	1.76
Aioi Nissay Dowa Insurance Co., Ltd.	7,979,775	1.63
STATE STREET BANK WEST CLIENT – TREATY 505234	7,806,231	1.59
SSBTC CLIENT OMNIBUS ACCOUNT	7,086,266	1.45

Controlling Shareholder (except for Parent Company)	-----
Parent Company	None

### Supplementary Explanation

(Notes)

- Other than the shares listed above, the Company holds 40,031,712 treasury shares (7.57%).
- BlackRock Japan, Co., Ltd. and its joint holders, BlackRock (Netherlands) BV, BlackRock Fund Managers Limited, BlackRock Asset Management Ireland Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A., and BlackRock Investment Management (UK) Limited, submitted a Report of Large Volume Holding on June 6, 2022 (the date when filing requirement arose: May 31, 2022), which states that they owned shares as listed below. However, since the Company has not been able to confirm the actual number of shares owned by beneficial holders under the names of the said companies as of March 31, 2022, these shares are not included in the table of the Status of Major Shareholders above.

Name / Company Name	Number of Shares Owned (1,000 shares)	Percentage (%)
BlackRock Japan Co., Ltd.	7,192	1.39
BlackRock (Netherlands) BV	1,325	0.26

BlackRock Fund Managers Limited	1,248	0.24
BlackRock Asset Management Ireland Limited	2,348	0.45
BlackRock Fund Advisors	8,594	1.66
BlackRock Institutional Trust Company, N.A.	5,962	1.15
BlackRock Investment Management (UK) Limited	723	0.14

3. Sumitomo Mitsui Trust Bank, Limited and its joint holders, Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., submitted a Change Report of the Report of Large Volume Holding on December 21, 2021 (the date when filing requirement arose: December 15, 2021), which states that they owned shares as listed below. However, since the Company has not been able to confirm the actual number of shares owned by beneficial holders under the names of Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., except Sumitomo Mitsui Trust Bank, Limited, as of March 31, 2022, these shares are not included in the table of the Status of Major Shareholders above.

Name / Company Name	Number of Shares Owned (1,000 shares)	Percentage (%)
Sumitomo Mitsui Trust Bank, Limited	3,500	0.66
Sumitomo Mitsui Trust Asset Management Co., Ltd.	18,917	3.58
Nikko Asset Management Co., Ltd.	9,759	1.85

4. Wellington Management Company LLP. and its joint holders, Wellington Management Japan Pte Ltd. and Wellington Management International Ltd., submitted a Change Report of the Report of Large Volume Holding on August 19, 2021 (the date when filing requirement arose: August 13, 2021), which states that it owned shares as stated below. However, since the Company has not been able to confirm the actual number of shares owned by the beneficial holder under the name of these companies as of March 31, 2022, these shares are not included in the table of the Status of Major Shareholders above.

Name / Company Name	Number of Shares Owned (1,000 shares)	Percentage (%)
Wellington Management Company LLP.	34,554	6.54
Wellington Management Japan Pte Ltd.	2,176	0.41
Wellington Management International Ltd.	-	-

5. MUFG Bank, Ltd. and its joint holders, Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., submitted a Change Report of the Report of Large Volume Holding on June 21, 2021 (the date when filing requirement arose: June 14, 2021), which states that they owned shares as listed below. However, since the Company has not been able to confirm the actual number of shares owned by beneficial holders under the names of Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., except MUFG Bank, Ltd., as of March 31, 2022, these shares are not included in the table of the Status of Major Shareholders above.

Name / Company Name	Number of Shares Owned (1,000 shares)	Percentage (%)
MUFG Bank, Ltd.	8,640	1.59
Mitsubishi UFJ Trust and Banking Corporation	21,156	4.00
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	3,887	0.74
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,527	0.29

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Type of Business	Pharmaceutical
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000



Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but less than 50

#### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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#### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	A Company with Audit & Supervisory Board Members
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#### [Members of the Board of Directors]

Maximum number of Members of the Board of Directors stipulated in the Articles of Incorporation	Maximum number not stipulated
Term of office stipulated in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of Members of the Board of Directors	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Outside Directors Designated as Independent Directors	3

Relationship with the Company (1)
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Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Masao Nomura	Other												
Akiko Okuno	Academic												
Shusaku Nagae	Other												

\*Categories for “Relationship with the Company”

- \* “○” indicates that the Member of the Board of Directors presently falls under the category or did so recently.
  - “△” indicates that the Member of the Board of Directors fell under the category in the past.
  - \* “●” indicates that a close relative of the Member of the Board of Directors presently falls under the category or did so recently.
  - “▲” indicates that a close relative of the Member of the Board of Directors fell under the category in the past.
- a. He/she executes business of the Company or its subsidiaries.
  - b. He/she executes business or is a non-executive Member of the Board of Directors at a parent company of the Company.
  - c. He/she executes business of a fellow company of the Company.
  - d. He/she is a major client or supplier of the Company or a person who executes business thereof.
  - e. He/she is a major client of the Company or a person who executes business thereof.
  - f. He/she is a consultant, accounting expert, or legal expert who receives large amounts of monetary consideration or other property from the Company besides remuneration as a Member of the Board of Directors/an Audit & Supervisory Board Member.
  - g. He/she is a major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation).
  - h. He/she executes business of a client or supplier of the Company (excluding persons who fall under any of the categories d, e, and f above) (the Member of the Board of Directors himself/herself only).
  - i. He/she executes business of another company that has an outside Director(s)/Audit & Supervisory Board Member(s) appointed by the Company and has appointed an outside Director(s)/Audit & Supervisory Board Member(s) of the Company (the Member of the Board of Directors himself/herself only).
  - j. He/she executes business of an entity receiving donation from the Company (the Member of the Board of Directors himself/herself only).
  - k. Others

Relationship with the Company (2)
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Name	Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masao Nomura	○	-----	<p>Masao Nomura, Corporate Adviser Iwatani Corporation, 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.</p> <p>Furthermore, he has been designated as Independent Director as he satisfies all the requirements for Independent</p>

			Director defined by the Tokyo Stock Exchange. The Company has therefore determined that there is no risk of conflict of interest with general shareholders.
Akiko Okuno	○	-----	<p>Akiko Okuno, a Professor of the Faculty of Business Administration at KONAN UNIVERSITY, 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. 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. Furthermore, she has been designated as Independent Director as she satisfies all the requirements for Independent Director defined by the Tokyo Stock Exchange. The Company has therefore determined that there is no risk of conflict of interest with general shareholders.</p>
Shusaku Nagae	○	-----	<p>Shusaku Nagae, Special Corporate Adviser, Panasonic Holdings Corporation, 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</p>

			past performance, the Company believes that he will continue to properly fulfill the responsibilities of an Outside Director. Furthermore, he has been designated as Independent Director as he satisfies all the requirements for Independent Director defined by the Tokyo Stock Exchange. The Company has therefore determined that there is no risk of conflict of interest with general shareholders.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson
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	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Executive Appointment Meeting	Executive Compensation Meeting
All Committee Members	5	4
Full-time Members	0	0
Inside Directors	2	1
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation
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The Company has established the Executive Appointment Meeting and the Executive Compensation Meeting, where Outside Directors account for a majority, in order to ensure independence and objectivity with regard to the appointment and remuneration, etc. of the senior management and Members of the Board of Directors. Both meetings are chaired by Outside Directors from January 2022.

[Executive Appointment Meeting]

- Chairperson and Constitution

(Chairperson)Outside Director Masao Nomura, Outside Director Akiko Okuno, Outside Director Shusaku Nagae, President & CEO Gyo Sagara, Member of Board of the Directors, Senior Executive Officer Toshihiro Tsujinaka

- Activities

The Executive Appointment Meeting was held five times in FY2021 and deliberated on the appointment of candidates for Member of the Board of Directors and those for Audit & Supervisory Board Member, and senior management members, as well as succession planning of the chief executive officer (President, CEO) and other management members.

[Executive Compensation Meeting]

- Chairperson and Constitution

(Chairperson)Outside Director Masao Nomura, Outside Director Akiko Okuno, Outside Director Shusaku Nagae, President & CEO Gyo Sagara

- Activities

The Executive Compensation Meeting was held five times in FY2021 and deliberated on the amounts of remuneration of each Member of the Board of Directors and calculation methods thereof, and reasonability and future form of the executive remuneration system (including the revision of remuneration system for Members of the Board of Directors).

### [Audit & Supervisory Board Members]

Establishment of the Audit & Supervisory Board	Established
Maximum number of Audit & Supervisory Board Members stipulated in the Articles of Incorporation	Maximum number not stipulated
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, the Accounting Auditor and the Internal Audit Department

Audit & Supervisory Board Members work in cooperation with the Accounting Auditor through receiving explanations and reports from the Accounting Auditor on its accounting audit plans and results of audits periodically or as necessary and exchanging information and opinions, in order to conduct effective and efficient audits.

Audit & Supervisory Board Members also work in cooperation with the Internal Audit Department (Business Audit Department) for audits of the status of execution of duties by Members of the Board of Directors, through receiving reports from the department on the status and results of its internal audit periodically and exchanging information and opinions.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Auditors	2

Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yasuo Hishiyama	Lawyer													
Akiko Tanabe	CPA													

\*Categories for "Relationship with the Company"

- \* "○" indicates that the Audit & Supervisory Board Member presently falls under the category or did so recently.
- "△" indicates that the Audit & Supervisory Board Member fell under the category in the past.
- \* "●" indicates that a close relative of the Audit & Supervisory Board Member presently falls under the category or did so recently.
- "▲" indicates that a close relative of the Audit & Supervisory Board Member fell under the category in the past.
- a. He/she executes business of the Company or its subsidiaries.
- b. He/she is a non-executive Member of the Board of Directors or accounting adviser of the Company or its subsidiaries.

- c. He/she executes business or is a non-executive Member of the Board of Directors at a parent company of the Company.
- d. He/she is an Audit & Supervisory Board Member of a parent company of the Company.
- e. He/she executes business of a fellow company of the Company.
- f. He/she is a major client or supplier of the Company or a person who executes business thereof.
- g. He/she is a major client of the Company or a person who executes business thereof.
- h. He/she is a consultant, accounting expert, or legal expert who receives large amounts of monetary consideration or other property from the Company besides remuneration as a Member of the Board of Directors/an Audit & Supervisory Board Member.
- i. He/she is a major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation).
- j. He/she executes business of a client or supplier of the Company (excluding persons who fall under any of the categories f, g, and h above) (the Audit & Supervisory Board Member himself/herself only).
- k. He/she executes business of another company that has an outside Director(s)/Audit & Supervisory Board Member(s) appointed by the Company and has appointed an outside Director(s)/Audit & Supervisory Board Member(s) of the Company (the Audit & Supervisory Board Member himself/herself only).
- l. He/she executes business of an entity receiving donation from the Company (the Audit & Supervisory Board Member himself/herself only).
- m. Others

Relationship with the Company (2)
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Name	Independent Auditors	Supplementary Explanation of the Relationship	Reasons of Appointment
Yasuo Hishiyama	○	-----	Yasuo Hishiyama is partner attorney at law of TANABE & PARTNERS, and the Company expects him to audit the execution of duties of Members of the Board of Directors from a professional and objective standpoint as a legal expert. Furthermore, he has been designated as Independent Auditor as he satisfies all the requirements for Independent Auditor defined by the Tokyo Stock Exchange. The Company has therefore determined that there is no risk of conflict of interest with general shareholders.
Akiko Tanabe	○	-----	Akiko Tanabe is representative of Akiko Tanabe CPA office, and the Company expects her to audit the execution of duties of Members of the Board of Directors from a professional and objective standpoint as an accounting expert (a certified public accountant). Furthermore, she has been designated as Independent Auditor as she satisfies all the requirements for Independent Auditor defined by the Tokyo Stock Exchange. The Company has therefore determined that

			there is no risk of conflict of interest with general shareholders.
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**[Independent Directors and Independent Auditors]**

Number of Independent Directors/ Independent Auditors	5
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Other Matters Relating to Independent Directors/Independent Auditors

The Company designates all of the Outside Directors/Outside Audit & Supervisory Board Members who meet the requirements for Independent Director/Independent Auditor as Independent Director/Independent Auditor.

**[Incentives]**

Implementation Status of Incentive Policies for Members of the Board of Directors	Performance-linked Remuneration / Others
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Supplementary Explanation

The Company pays bonuses and grants performance-linked restricted stock remuneration to Members of the Board of Directors, excluding Outside Directors, as performance-linked remuneration. Bonuses reflect the degree of achievement of performance indicators for each fiscal year in order to raise the sensitivity of the Members of the Board of Directors toward performance targets. The Company also uses qualitative indicators linked to medium-term management challenges in order to evaluate activities undertaken each fiscal year to improve corporate value over the medium to long term. The Company has adopted revenue, operating profit, and profit for the year on a consolidated basis as performance indicators for bonuses. Bonus amounts are calculated by reflecting the degree of achievement of target figures for performance indicators on the base amount set for each executive position, then considering factors such as individual efforts taken toward medium-term management challenges. Meanwhile, performance-linked restricted stock remuneration is determined as follows: Members of the Board of Directors are evaluated based on overall performance, combining the degree of achievement of set targets for each fiscal year, and the results are applied to the number of shares to be granted to serve to motivate Members of the Board of Directors toward an increase in corporate value over the medium to long term from matching perceptions with shareholders. Evaluation indicators consist of performance targets set individually for each fiscal year that are linked to medium- to long-term management strategies and management challenges (strategic targets), performance targets for each fiscal year (financial targets), and external evaluations regarding ESG and other factors (non-financial targets). With regard to performance indicators for performance-linked restricted stock remuneration, strategic targets are set individually, taking into consideration the relationship between the field each Member of the Board of Directors is in charge of and each item the Company has indicated as its medium- to long-term management strategies and challenges, specifically: “maximizing product value,” “strengthening pipeline and accelerating global development,” “realizing own marketing operations in US/Europe,” “expanding business domain,” creation of a “management base supporting the strategy for growth (expansion of intangible asset),” and “transforming the Company by digital and IT.” The Company has adopted revenue and operating profit as financial targets, and status of inclusion in main ESG indices (in FY2022, we will adopt indexes developed by Dow Jones Sustainability Indices (DJSI), FTSE Russell, MSCI, CDP, etc.) and initiatives to achieve materiality as non-financial targets.

Recipients of Stock Options	-----
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Supplementary Explanation

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## [Remuneration of Members of the Board of Directors]

Disclosure of Remuneration of Individual Member of the Board of Directors	Remuneration of Members of the Board of Directors is partially disclosed.
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### Supplementary Explanation

<p>The amounts of remuneration, etc. of the Members of the Board of Directors and Audit &amp; Supervisory Board Members for FY2021 are as follows:</p> <p>A total remuneration amount of the 6 Members of the Board of Directors, excluding Outside Directors: 373 million yen (Base remuneration: 208 million yen, bonuses: 130 million yen, stock-based remuneration-type stock options: 41 million yen)</p> <p>A total remuneration amount of the 4 Outside Directors: 50 million yen</p> <p>A total remuneration amount of the 3 Audit &amp; Supervisory Board Members, excluding Outside Audit &amp; Supervisory Board Members: 59 million yen</p> <p>A total remuneration amount of the 2 Outside Audit &amp; Supervisory Board Members: 26 million yen</p> <p>(Notes)</p> <ol style="list-style-type: none"> <li>1. Amounts of less than one million yen are rounded.</li> <li>2. The above bonus amounts show the amount provided to the reserve for directors' bonuses in the current fiscal year.</li> <li>3. The above stock-based remuneration-type stock options include the amounts of remuneration, etc. recorded in the current fiscal year as an expense relating to stock acquisition rights allotted as stock options.</li> <li>4. The total amount of remuneration, etc. for the Members of the Board of Directors, excluding Outside Directors, exclude the amount paid as employee salary.</li> <li>5. As of March 31, 2022, there were five Members of the Board of Directors, excluding Outside Directors, three Outside Directors and two Audit &amp; supervisory Board Members, excluding Outside Audit &amp; Supervisory Board Members, provided the above remuneration amounts include those for one Member of the Board of Directors, excluding Outside Directors, one Outside Director, and one Audit &amp; Supervisory Board Member, excluding Outside Audit Supervisory Board Members who retired on June 17, 2021.</li> <li>6. Names of persons who receive remunerations, etc. of 100 million yen or more are individually disclosed in the securities report.</li> </ol>
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Policy on Determining Remuneration Amounts and Calculation Methods	Established
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### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

<p>Summary of the policy on determining the amount and method of calculating the remuneration, etc. of Members of the Board of Directors and Audit &amp; Supervisory Board Members</p> <p>(Basic policy)</p> <ul style="list-style-type: none"> <li>• The remuneration, etc. of Members of the Board of Directors, excluding Outside Directors, is provided to encourage the Members of the Board of Directors of the Company to continue taking on challenges with a medium- to long-term outlook so that they can endeavor to achieve sustainable growth as a R&amp;D-based pharmaceutical company and increase corporate value while sharing awareness of profits with shareholders, and designed to increase their sensitivity toward performance targets, and to prompt their contribution to increasing corporate value.</li> <li>• Remuneration, etc. of Members of the Board of Directors, excluding Outside Directors, consists of fixed base remuneration, performance-linked remuneration, etc. (bonuses) as a short-term incentive, and “non-monetary remuneration, etc. (stock-based remuneration)” as a medium- to long-term incentive, while the remuneration, etc. of Outside Directors and Audit &amp; Supervisory Board Members consists only of fixed base remuneration in light of their responsibilities.</li> </ul> <p>(Remuneration Level)</p>
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- Remuneration, etc. of Members of the Board of Directors and Audit & Supervisory Board Members 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.

(Base remuneration)

- Base remuneration is a monthly fixed remuneration.

(Performance-linked remuneration, etc.: bonuses)

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

(Non-monetary remuneration, etc.: Tenure-based restricted stock remuneration and performance-linked restricted stock remuneration)

- Non-monetary remuneration, etc. is provided to motivate Members of the Board of Directors toward an increase in corporate value over the medium to long term from matching perceptions 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 (pre issuance). 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) (post issuance).
- 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.

(Composition of remuneration)

- The Company determines the suitability of the composition of remuneration by type for Members of the Board of Directors, excluding Outside 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 targets, comprise a higher percentage of total remuneration for representative directors and the CEO than for other Members of the Board of Directors.

(Method of determining remuneration, etc.)

- The amounts of remuneration, etc. of individual Members of the Board of Directors are discussed and determined by the Board of Directors within the amounts approved at the Ordinary General Shareholders’ Meeting after deliberation by the Executive Compensation Meeting.
- The remuneration of Audit & Supervisory Board Members is determined within the amount approved at the Ordinary General Shareholders’ Meeting through discussion among Audit & Supervisory Board Members.

(Malus clause & Clawback clause)

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.

**[Supporting System for Outside Directors (Outside Audit & Supervisory Board Members)]**

< Outside Directors >  
 The Company supports Outside Directors by providing information to and receiving information from them through the Corporate Governance Office, which serves as the secretariat of the Board of Directors.

< Outside Audit & Supervisory Board Members >  
 Full-time Audit & Supervisory Board Members mainly provide Outside Audit & Supervisory Board Members with information at meetings of the Audit & Supervisory Board and other occasions in an appropriate manner. In addition, support for the Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, is provided by a person in charge of supporting the duties of the Audit & Supervisory Board.

**[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]**

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
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Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	0
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Others

The Company has a system of advisory positions, but currently has no former President and Representative Director who is in such positions.

**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

The Company has adopted an organizational framework with Audit & Supervisory Board Members (or the Audit & Supervisory Board), and important management matters are deliberated and determined by the Board of Directors. The Board of Directors, which consists of Inside Directors who are thoroughly familiar with the business of the Company and three Outside Directors who have extensive knowledge and a high level of expertise in corporate management, strives to maintain and improve efficiency, soundness and appropriateness of management.

Furthermore, important matters regarding business execution are deliberated by the Management Meeting, which is comprised of the President & CEO, Members of the Board of Directors and Corporate Officers responsible for each department, as well as managers of relevant departments, and other meetings chaired by the responsible Members of the Board of Directors or Corporate Officers depending on the importance and contents of the management issues, and decided on the execution. Overall, the Company strives for optimal business operations in consideration of mutual supervisory functions. The Management Meeting is subject to the audit by way of attendance by the Audit & Supervisory Board Members, review of the minutes and other means. The Company has also introduced the Corporate Officer System, under which it strives to improve management efficiency and expedite the decision-making process through delegation of authority and other measures.

In terms of audit by Audit & Supervisory Board Members, the four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members (one qualified attorney at law and one qualified certified public accountant) strive to enhance the management supervision function by enhancing audit

efficiency through cooperation with the Internal Audit Department and audit effectiveness through cooperation with the Accounting Auditor.

The Company has appointed Deloitte Touche Tohmatsu LLC as its Accounting Auditor, to which the Company provides appropriate management information and offers an environment where fair accounting audits are conducted. There is no vested interest between the Company and Deloitte Touche Tohmatsu LLC or any of its engagement partners that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

- Names of certified public accountants who conducted audits: Minoru Meboso, Akiyo Shimoida, Ikushi Murakami
- Audit corporation: Deloitte Touche Tohmatsu LLC
- Composition of the assistants involved in accounting audits: 7 certified public accountants and 13 other assistants

(Determination of the remunerations, etc. of Members of the Board of Directors, nomination of candidates for Member of the Board of Directors and Audit & Supervisory Board Member)

Please refer to “I.1 Principle 3.1 Full Disclosure (4)” and “II. 1. Remuneration of Members of the Board of Directors” of this report for details.

(Summarized details of limited liability agreement)

In accordance with Article 427-1 of the Companies Act, the Company has entered into agreements with Outside Directors and Outside Audit & Supervisory Board Members, which limit the maximum amount of liability for damage set forth in Article 423-1 of the said Act to the minimum liability amount provided by laws and regulations.

### **3. Reasons for Adoption of Current Corporate Governance System**

Please refer to “I.1. Basic Views” for details.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sends the Notice to Convene the General Shareholders' Meeting approximately three weeks before the meeting.
Scheduling AGMs Avoiding the Peak Day	In 2022, the Company held the Ordinary General Shareholders' Meeting on June 23.
Allowing Electronic Exercise of Voting Rights	The Company has adopted the electronic means for exercise of voting rights.
Participation in Electronic Voting Platform	The Company has participated in the electronic voting platform operated by ICJ, Inc.
Providing Convocation Notice in English	An English translation of the notice (an excerpt) is prepared and posted on the websites of the Tokyo Stock Exchange and the Company.
Other	The Notice to Convene the Ordinary General Shareholders' Meeting (both Japanese and English versions) of 2022 was posted on the websites of the Tokyo Stock Exchange and the Company on May 26, earlier than its sending date of June 1. The results of the exercise of voting rights on the matters resolved at the General Shareholders' Meeting are posted on the Company's website (in both Japanese and English).

#### 2. IR Activities

	Supplementary Explanations	Presentation by representative
Preparation and Publication of Disclosure Policy	The Company has established the Disclosure Policy, which has been posted on the Company's website, to clarify our basic stance on disclosure.	
Regular Investor Briefings for Individual Investors	The Company provides briefings for individual investors hosted by securities companies.	
Regular Investor Briefings for Analysts and Institutional Investors	The Company actively holds individual meetings and teleconferences in addition to quarterly financial results briefings and conference calls. ESG briefings continued to be held in FY2021, following the previous fiscal year.	○
Regular Investor Briefings for Overseas Investors	The Company visits individual investors overseas.	○
Posting of IR Materials on Website	The Company posts on its website various materials, such as financial results reports, business reports for shareholders, securities reports and corporate reports.	
Establishment of Department and/or Manager in Charge of IR	The Corporate Communications Department, which is under the direct control of the President, is in charge of IR matters.	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Ono Pharmaceutical Compliance Program Policy, the Company's internal regulations, prescribes respect for stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	The Fujiyama Plant has acquired ISO 14001, an international certificate for environmental management systems. The Company prepares the Corporate Report, which integrates an annual report and a CSR report, and posts it on its website. The Company has been selected by CDP, a global environmental non-profit organization, as a prestigious A-List company in the two fields of "climate change" and "water security" in CDP 2021. (climate change: selected for 4 consecutive years, water security: selected for the first time).
Development of Policies on Information Provision to Stakeholders	Ono Pharmaceutical Compliance Program Policy, the Company's internal regulations, prescribes the policy on the information provision to stakeholders.
Other	Among the Members of the Board of Directors and the Audit & Supervisory Board Members of the Company, there are two female officers, who are an Outside Director and an Outside Audit & Supervisory Board Member. The ratio of female members to all the Members of the Board of Directors/Audit & Supervisory Board Members is 16.7%.

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

#### ■ Basic Views on Internal Control System and the Progress of System Development

The Company works to develop a system that ensures proper operations of business of the Company (the “internal control system”) as given below, based on the Companies Act and the Regulations for Enforcement of the Companies Act.

#### 1. System to Ensure that the Members of the Board of Directors and Employees Comply with Laws and Regulations and the Articles of Incorporation in the Execution of Their Duties

(1) The Company shall formulate the Compliance Program Regulations to develop and establish a company-wide compliance system.

(2) The Company shall appoint an executive in charge of compliance to promote the compliance system and shall establish the Compliance Committee. Important compliance issues shall be deliberated by the Compliance Committee and the results of the deliberation shall be reported to the Board of Directors.

(3) The Company shall establish a system under which Directors, employees and others who find compliance issues promptly report to the Compliance Committee.

(4) The Company shall establish compliance consultation contacts internally and externally (e.g., at a law office) to prevent occurrence of compliance issues and redress them at an early stage.

(5) Issues reported or consulted through measures of above (3) and (4) shall be investigated by the Internal Audit Department and other bodies, and then deliberated by the Compliance Committee. The Compliance Committee shall consult and decide upon measures to prevent recurrence of compliance issues, and implement such measures across the Company.

#### 2. Matters Concerning the Storage and Management of Information Related to the Execution of Duties by Members of the Board of Directors

Members of the Board of Directors in charge shall prepare, store and manage documents regarding information related to their execution of duties in accordance with laws and regulations and internal regulations.

#### 3. Regulations Concerning the Management of the Risk of Loss and Other Relevant Systems

(1) Management of risks related to compliance, product quality and safety, health and safety, environments, disaster and information security, etc., shall be dealt with by the relevant departments through preparation and distribution of procedure manuals and conduct of training in accordance with internal regulations.

(2) For risks that may significantly affect corporate management or cross-departmental risks, a meeting body mainly comprised of the President & CEO, the responsible Members of the Board of Directors and managers of relevant departments shall monitor and deal with such risks. If an emergency occurs, the President & CEO shall convene relevant parties as necessary to promptly resolve it.

(3) Each department shall prepare procedure manuals as appropriate to respond to department-specific risks.

#### 4. System to Ensure that the Members of the Board of Directors Execute Their Duties Efficiently

(1) The Company shall convene a meeting of the Board of Directors once every month in principle and also as required, to decide on important matters and supervise the status of execution of duties by the Members of the Board of Directors.

(2) In order to improve efficiency of the Board of Directors, the Management Meeting, which is comprised of the President & CEO, Members of the Board of Directors responsible for each department, and managers of relevant departments, shall examine and deliberate management strategies, urgent management issues, important issues relating to the business execution, issues relating to the company-wide business execution, and important reports from departments, and provide their opinions on their examination and submit the results thereof as necessary.

#### 5. System to Ensure Proper Operation of Business of the Corporate Group Consisting of the Company and its Subsidiaries

(1) The Company shall establish a department which manages operations of the Company Group, and manage subsidiaries in cooperation with relevant departments. The Company shall request its subsidiaries to report the status of their business on a regular basis, while assessing the execution of duties of Directors of the subsidiaries through dispatching its executives to subsidiaries, daily business transactions and other means.

- (2) The Company shall provide advice and guidance to subsidiaries as necessary on their overall system for legal compliance and risk management. For risks that may jeopardize the operation of subsidiaries, or risks at subsidiaries that may cause a significant loss to the Company, it shall be involved in discussions on measures to deal with such risks.
  - (3) The system for execution of duties at subsidiaries of the Company shall be developed by taking into consideration the lines and scale of their businesses and relations with the Company's business, to allow flexible execution of business.
  - (4) The Company shall provide advice and guidance to subsidiaries as part of its subsidiary management so that subsidiaries can appropriately develop a system for promoting compliance according to the lines, scale and environment of their businesses, and request subsidiaries to report the system's operation on a regular basis.
6. Matters Concerning Appointment of Employees When There Are Requests by Audit & Supervisory Board Members for Staff to Support Their Duties and the Independence of Such Employees from Members of the Board of Directors
- (1) The Internal Audit Department shall cooperate and collaborate with Audit & Supervisory Board Members for audits, and appoint the person in charge of supporting the duties of the Audit & Supervisory Board who shall support the Audit & Supervisory Board Members.  
Upon their requests, the Company shall assign employees who support Audit & Supervisory Board Members on a full-time basis and who are independent from Members of the Board of Directors.
  - (2) If the Company has assigned employees who support duties of Audit & Supervisory Board Members, the Company shall make arrangements so as not to disrupt the execution of duties of Audit & Supervisory Board Members by conducting hearings with Audit & Supervisory Board Members prior to any personnel changes of such employees and ensuring their independence.
7. System for Reporting to Audit & Supervisory Board Members by Members of the Board of Directors and Employees of the Company, and Directors, Audit & Supervisory Board Members and Employees of its Subsidiaries, and Other Systems for Reporting to Audit & Supervisory Board Members
- (1) The President & CEO shall develop a system to report the following matters to Audit & Supervisory Board Members based on the consultation with Audit & Supervisory Board Members.
    - a. Matters resolved by the Management Meeting
    - b. Matters that may cause a significant loss to the Company Group
    - c. Material matters regarding the monthly status of business
    - d. Material matters regarding the status of internal audit and risk management
    - e. Material violation of laws, regulations, or the Articles of Incorporation by the Company or its subsidiaries
    - f. Status of reports to the compliance consultation contacts and the content thereof
    - g. Other material compliance matters
  - (2) Employees shall be allowed to report directly to Audit & Supervisory Board Members if they find material facts concerning the above b and e, even if when they have been dispatched to subsidiaries as an executive or seconded to subsidiaries.
  - (3) The President & CEO shall cooperate with Audit & Supervisory Board Members for audits of subsidiaries.
  - (4) The Company shall prohibit unfavorable treatment of any executives and employees of the Company or its subsidiaries on the grounds of their use of the compliance consultation contact or direct reports to Audit & Supervisory Board Members, and shall keep everyone aware of that fact.
8. Other Systems to Ensure Effective Audits by Audit & Supervisory Board Members
- (1) The Company shall arrange regular meetings for exchanges of opinions among Audit & Supervisory Board Members, the President & CEO and responsible Members of the Board of Directors.
  - (2) The Company shall secure the annual budget necessary for the execution of duties of Audit & Supervisory Board Members, and appropriately bear extra expenses based on requests by Audit & Supervisory Board Members when necessary.

## 2. Basic Views on Eliminating Anti-Social Forces

### ■ Basic Views on Elimination of Anti-Social Forces

The Company respects the spirit of the law in every aspect of its business activities, complies with laws and regulations, and strives to act based on the social norms and common sense. Furthermore, the Company takes an emphatic stance on anti-social forces and organizations that threaten the order and safety of society.

### ■ Status of Development of the System toward Elimination of Anti-Social Forces

The Company works to develop and establish a company-wide compliance system based on its Compliance Program Regulations. Specific action guidelines for executives and employees are set out in Ono Pharmaceutical Compliance Program Policy, while compliance consultation contacts are in place (the external contacts: a law office and a specialty company) to prevent and redress any compliance issues at an early stage. In addition, in order to take an emphatic stance on anti-social forces and eliminate any relationships with such forces, the Company's head office works closely with organizations that aim to eliminate anti-social forces, such as the police and the Center for Removal of Criminal Organizations, receives relevant information and guidance, and posts useful information it gained on the Company's internal website to keep everyone updated for prevention of occurrence of incidents (such as involvement in a business operated by anti-social forces).



## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	
None	

### 2. Other Matters Concerning to Corporate Governance System

- Overview of the System for Timely Disclosure
- (1) Management's Stance and Sharing of Policies  
The Company has set out in its codes of conduct: "We will strive for establishment of transparent corporate management and proactively disclose business information."  
As the Company believes that it is the responsibility of a company to appropriately disclose corporate information to shareholders and to society in order to ensure transparency of corporate management and that disclosure is also important to seek fair judgement by society, it proactively discloses corporate information as a basic stance. Having formulated the Ono Pharmaceutical Compliance Policy as practical guidelines, the Company ensures the effectiveness in the operation of information disclosures.
- (2) Arrangement of Departments in Charge of Disclosure  
The Corporate Communications Department and the Finance & Accounting Department are responsible for timely disclosure operations. They disclose information to shareholders and investors in a fair manner through various media, including distribution of materials, holding of press conferences, posting of information on the Company's website. In addition, the disclosed information is also posted on the internal portal site to keep employees informed.
- (3) Development of the System and Procedure of Timely Disclosure  
The following timely disclosure system is in place, considering the scale and nature of the Company and risks to the Company.
- a. Facts That Are Determined  
Regarding material information, the Board of Directors and the Management Committee, the second-most important decision-making body, and other meetings deliberate on and determine whether or not disclosure is required, and the Corporate Communications Department discloses the information in a prompt and fair manner after confirmation and approval by the Representative Director.
- Departments → Board of Directors/the Management Committee, etc. → Corporate Communications Department → Disclosure  
(Discussion) (Deliberation and determination) (Confirmation) ↓↑ (Approval)  
Members of the Board of Directors
- b. Facts That Occurred  
Regarding the information that needs to be immediately disclosed and information to be disclosed by the Company voluntarily, the relevant departments and the Corporate Communications Department will work together to examine the necessity of disclosure of the collected information and discloses it in an appropriate and timely manner after approval by the Representative Director. Such information will be reported to all Members of the Board of Directors at a later date.
- Departments ←→ Corporate Communications Department → Disclosure  
(Examination) (Report) ↓↑ (Approval)  
Representative Director
- c. Financial Results  
The Corporate Communications Department is in charge of disclosing financial results that need to be disclosed pursuant to the timely disclosure rules of stock exchanges. Such information is deliberated and determined by the Board of Directors and disclosed after approval by the Representative Director.

Meanwhile, the Finance & Accounting Department handles statutory disclosure pursuant to the Financial Instruments and Exchange Act, and discloses information after approval by the Representative Director.

