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Corporate Governance Report

Ono Pharmaceutical Co., Ltd.

Last Update: February 13, 2024

Ono Pharmaceutical Co., Ltd.

Gyo Sagara

President, Representative Director & CEO

Contact: Corporate Governance Office

Tel: 06-6263-5670

Securities Code: 4528

<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 50 issues by the end of March, 2023, bringing the total amount on the balance sheet to 107.8 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>

In order to prevail in competitions while coping with various changes in environment, it is important to increase diversity as well as to talent development. The Company believes that by creating an environment that allows each and every employee to respect the different values of others and work with a sense of security and by nurturing a corporate culture that accommodates diversity, it will be able to strengthen the sense of unity and improve employee engagement. To this end, the Company is promoting Diversity, Equity & Inclusion (DE&I) based on the theme of “Difference” × “Sense of Unity.”

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

(1)Female employees

Aiming to promote the participation of women, the Company is working to increase the percentage of female managers by hiring more female new graduates into main career track positions, preparing work environment and work styles that make it possible for employees to make the most of their individuality, and developing and growing their capabilities. The target figures for these initiatives are set as the percentages of women among new graduate hires for main career track positions of 40% and in the section chief level, or manager candidates, of 15%; the figures currently stand at 39.2% (average of actual figures for the past five years) and 15.8% (actual, FY2022), respectively. The Company intends to continue the initiatives to promote women’s participation towards the goal of increasing the percentage of female managers to 10% by FY2026 and 20% by FY2031.

Activities to promote female employee participation in the workplace:

<https://sustainability.ono-pharma.com/en/themes/142#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 16.0%, and the ratio of mid-career employees to management positions is 15.8% (as of March 31, 2023).

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>

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, the business management 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 capital, 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

<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>

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.

Skill Matrix of Members of the Board of Directors and Audit & Supervisory Board Members:

<https://sustainability.ono-pharma.com/en/themes/80>

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 2023 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. The effectiveness of the Board of Directors for the next fiscal year will be evaluated in a more objective manner with the involvement of a third party, which is expected to lead to further improvements.

(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 and investors. Policies on the development of the systems and initiatives that facilitate such dialogue are as follows:

- (1) The 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 and investors 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 Department builds a framework of cooperation to share information with Divisions of Corporate Planning, Finance & Accounting, Human Resources and Corporate Governance and other Departments.
- (4) If a shareholder and investor request a dialogue with the Company, we provide 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 meetings for analysts and investors after announcement of quarterly financial results, as well as annual R&D meeting and ESG meeting. In addition, the Company offers meetings for individual investors.
- (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 and investors, we strive to disclose information in an easy-to-understand, fair and accurate manner, based on the policy on information disclosure. The Company set a quiet period of four weeks prior to the financial results announcement, during which dialogue with investors is restricted.

<Communication with Shareholders and Investors>

We disclose more information about our communications with shareholders and investors on website.

Please see : <https://www.ono-pharma.com/en/ir/library/dialogue.html>

【Action to Implement Management that is Conscious of Cost of Capital and Stock Price】

We disclose more information about the above on website.

Please see : <https://www.ono-pharma.com/en/company/strategy.html>

2. Capital Structure

Foreign Shareholding Ratio	30% or more
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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)	63,932,900	13.09
STATE STREET BANK AND TRUST COMPANY 505001	23,407,631	4.79
Custody Bank of Japan, Ltd.(Trust account)	22,876,200	4.68
Meiji Yasuda Life Insurance Company	18,594,305	3.80
Ono Scholarship Foundation	16,428,820	3.36
KAKUMEISOU Co., LTD	16,153,915	3.30
STATE STREET BANK WEST CLIENT – TREATY 505234	8,924,831	1.82
MUFG Bank, Ltd.	8,640,740	1.76
Aioi Nissay Dowa Insurance Co., Ltd.	7,779,775	1.59
SSBTC CLIENT OMNIBUS ACCOUNT	6,658,671	1.36

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

Supplementary Explanation

(Notes)

1. Other than the shares listed above, the Company holds 29,025,954 treasury shares (5.60%).
2. 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 November 8, 2022 (the date when filing requirement arose: October 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 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, 2023, 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	1.67
Mitsubishi UFJ Trust and Banking Corporation	15,454	2.99
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	3,494	0.68
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,465	0.28

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 November 7, 2022 (the date when filing requirement arose: October 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 Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., except Sumitomo Mitsui Trust Bank, Limited, as of March 31, 2023, 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.	15,503	3.00
Nikko Asset Management Co., Ltd.	7,139	1.38

4. Wellington Management Company LLP. and its joint holders, Wellington Management Japan Pte Ltd., submitted a Change Report of the Report of Large Volume Holding on July 20, 2022 (the date when filing requirement arose: July 15, 2022), 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, 2023, 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.	30,479	5.89
Wellington Management Japan Pte Ltd.	-	-

5. 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. 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

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

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	7
Appointment of Outside Directors	Appointed
Number of Outside Directors	3

Number of Outside Directors Designated as Independent Directors	3
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Relationship with the Company (1)

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)

Name	Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masao Nomura	○	-----	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

			<p>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. 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.</p>
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 past</p>

			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

	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

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.

[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 in FY2022

The Executive Appointment Meeting was held twice in FY2022 and the attendance status of each member is as follows.

Positions	Name	Attendance/ Holding	Attendance rate
Member of the Board of Directors, Outside Director (Chairperson)	Masao Nomura	2/2	100%
Member of the Board of Directors, Outside Director	Akiko Okuno	2/2	100%
Member of the Board of Directors, Outside Director	Shusaku Nagae	2/2	100%

Member of the Board of Directors, President & CEO	Gyo Sagara	2/2	100%
Member of the Board of Directors, Senior Executive Officer	Toshihiro Tsujinaka	1/2*	50%*

*Toshihiro Tsujinaka was absent from one of the Executive Appointment Meetings held in fiscal 2022, but he absented himself with due consideration given to the intent and purpose of the meeting and his absence was consented to by all other members.

The main items discussed in the fiscal year under review are as follows

- Succession planning of President & CEO
- Executive appointments after the 75th Ordinary General Shareholders' Meeting (including Executive Officers)

[Executive Compensation Meeting]

Chairperson and Constitution

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

Activities in FY2022

The Executive Compensation Meeting was held twice in FY2022 and the attendance status of each member is as follows.

Positions	Name	Attendance/ Holding	Attendance rate
Member of the Board of Directors, Outside Director (Chairperson)	Masao Nomura	2/2	100%
Member of the Board of Directors, Outside Director	Akiko Okuno	2/2	100%
Member of the Board of Directors, Outside Director	Shusaku Nagae	2/2	100%
Member of the Board of Directors, President & CEO	Gyo Sagara	2/2	100%

The main items discussed in the fiscal year under review are as follows.

- Proposed revision of the remuneration system for Members of the Board of Directors (including the introduction of a restricted stock remuneration plan)
- Bonuses for Members of the Board of Directors for fiscal 2021
- Remuneration level, remuneration composition, etc. of Members of the Board of Directors from July 2022 onwards
- Base amounts of bonuses for Members of the Board of Directors for fiscal 2022
- Tenure-based restricted stock remuneration (amounts of monetary remuneration claims paid for allotment of restricted stock) provided (paid) in July 2022
- Performance-linked restricted stock remuneration for fiscal 2022

[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)

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.

[Independent Directors and Independent Auditors]

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

Please see the attached “Incentive Remuneration for Members of the Board of Directors, excluding Outside Directors” for further information.
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Recipients of Stock Options	-----
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Supplementary Explanation

[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

Please see the attached “Amounts of Remuneration, Etc. for Members of the Board of Directors and Audit & Supervisory Board Members for FY2022” for further information.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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<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 & Supervisory Board Members</p> <p>(Basic policy)</p> <ul style="list-style-type: none"> • 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&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. • Remuneration, etc. for Members of the Board of Directors, excluding Outside Directors, shall consist 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. for Outside Directors and Audit & Supervisory Board Members consist only of fixed “base remuneration” in light of their role of supervising and auditing management from an objective and independent standpoint. <p>(Remuneration Level)</p> <ul style="list-style-type: none"> • 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. <p>(Base remuneration)</p> <ul style="list-style-type: none"> • Base remuneration is a monthly fixed remuneration. <p>(Performance-linked remuneration, etc.: bonuses)</p> <ul style="list-style-type: none"> • 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.
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(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 executive 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. The Company also provides Outside Directors with opportunities, other than the Board of Directors’ meeting, to receive an explanation of its businesses and to exchange opinions, thus helping them understand their business contents and business activities.

< 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.

3. Reasons for Adoption of Current Corporate Governance System

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

. 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 (Please see the attached “Activities of the Board of Directors” for information on the activities of the Board of Directors in fiscal 2022).

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 (Please see the attached “Status of Audits by Audit & Supervisory Board Members” for information on the activities of the Audit & Supervisory Board in fiscal 2022).

The Internal Audit Department (Business Audit Department consisting of six members) under the direct control of the President conducts internal audit for self-inspection to ensure that the business of the entire company, including the Internal Control Department, is being operated appropriately and efficiently. The results of the internal audit are reported to the President and CEO, full-time Audit & Supervisory Board Members, officers of the departments in charge, and the Senior Director of the Finance & Accounting Department, etc., and are also regularly reported to the Board of Directors (once a year) and the Audit & Supervisory Board (twice a year). The Internal Audit Department also cooperates with the Accounting Auditor as appropriate to develop and operate internal control over financial reporting and strives to continuously improve it.

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, Katsufumi Takami, Ikushi Murakami
- Audit corporation: Deloitte Touche Tohmatsu LLC
- Composition of the assistants involved in accounting audits: 12 certified public accountants and 27 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.

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 2023, the Company held the Ordinary General Shareholders' Meeting on June 22.
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 2023 was posted on the websites of the Tokyo Stock Exchange and the Company on May 25, earlier than its sending date of May 31. 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 FY2022, 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.	

• **Measures to Ensure Due Respect for Stakeholders**

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Ono Group Code of Conduct and Compliance Global Policy, prescribes respect for stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	The Fujiyama Plant and The Yamaguchi Plant have 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 2022. (climate change: selected for 5 consecutive years, water security: selected for the 2 consecutive years).
Development of Policies on Information Provision to Stakeholders	Ono Group Code of Conduct and Compliance Global Policy, 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 18.2%.

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 ONO Group Code of Conduct and Compliance-related regulations to develop and establish a company-wide compliance system.

(2) The Company shall appoint an executive in charge of compliance to promote measures related to compliance and shall establish the Compliance Committee.

(3) The Company shall establish a system under which Members of the Board of Directors, employees and others who find compliance issues promptly report to the Compliance Department. Identified important compliance issues shall be reported to the Board of Directors and be dealt with appropriately.

(4) The Company shall establish compliance reporting and 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 Compliance Department and reported to 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 reporting and 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 reporting and 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 ONO Group Code of Conduct. Specific action guidelines for executives and employees are set out in Compliance Global Policy, while compliance reporting and 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.

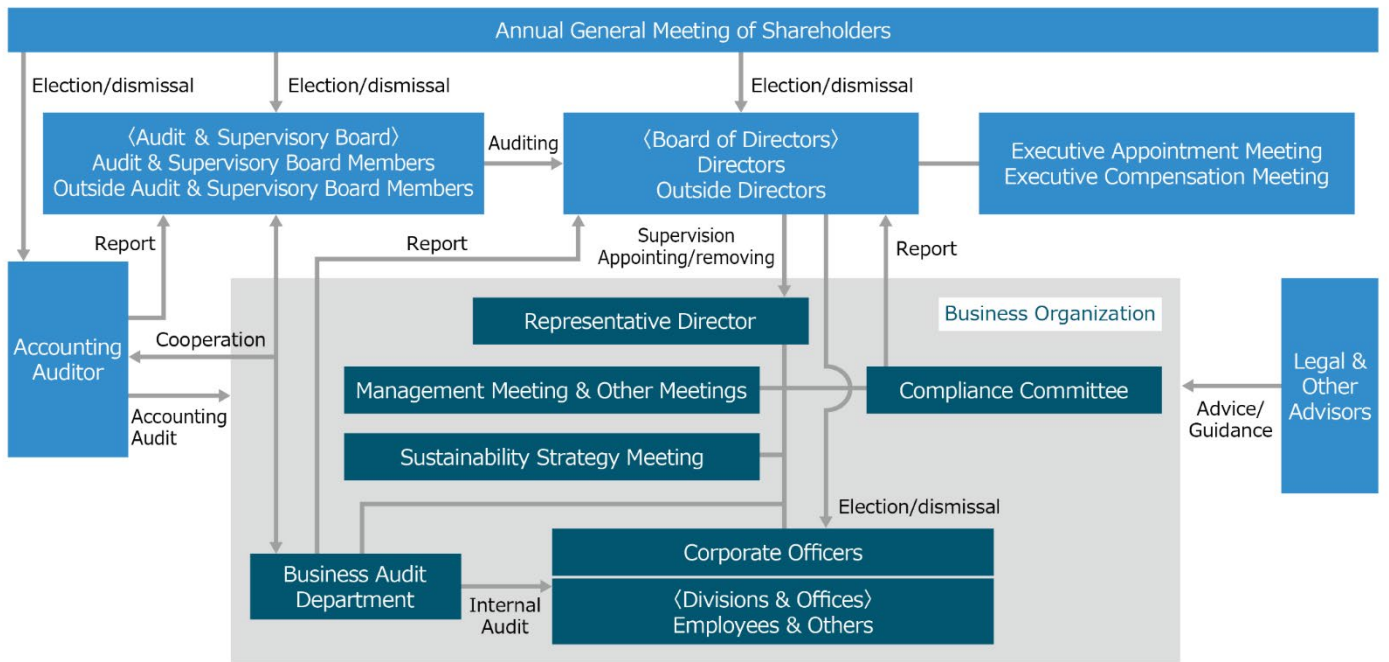
Departments → Board of Directors/the Management Committee, etc. → Corporate Communications Department → Disclosure
(Discussion) (Deliberation and determination) (Confirmation) ↓↑ (Approval)
Members of the Board of Directors
 - b. Facts That Occurred

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.

Corporate Governance Structure



Incentive Remuneration for Members of the Board of Directors, excluding Outside Directors

1. Bonuses (Short-term Incentives)

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, excluding Outside Directors, toward performance targets. The Company also uses qualitative indicators that are set annually for each individual in accordance with medium-term management challenges in order to evaluate activities undertaken each year for sustainable growth of the Company.

Bonus amounts are calculated by reflecting the evaluation of the degree of achievement of company performance on the base amount set for each executive position, then considering the evaluation results of individual performance. The targets and results related to the main evaluation indicators for FY2022 are shown in the table below.

Evaluation Items		Targets	Results
Company Performance ^{*1}	Consolidated Revenue	425.0 billion yen	447.2 billion yen
	Consolidated Operating Profit	145.0 billion yen	142.0 billion yen
	Consolidated Profit (Attributable to Owners of Parent)	110.0 billion yen	112.7 billion yen
Individual Performance	Individual Performance Targets	Individually Set	Individual Evaluation ^{*2}

*1 The target figures for company performance are the consolidated earnings forecast set at the beginning of the fiscal year.

Results are evaluated at the Executive Compensation Meeting based on special factors that were not anticipated when targets were set at the beginning of the fiscal year, performance evaluations, and the like.

*2 The President evaluates the individual performances of Members of the Board of Directors other than the President, and the validity of the evaluation is reviewed at the Executive Compensation Meeting. In addition, the performance of the President is evaluated only by Outside Directors at the Executive Compensation Meeting.

*3 The main evaluation indicators for bonuses for Members of the Board of Directors, excluding Outside Directors, in FY2023 are the same as those for FY2022.

2. Restricted Stock Remuneration

Restricted stock remuneration, which serves as a medium- to long-term incentive, is intended to motivate Members of the Board of Directors, excluding Outside Directors, to increase corporate value over the medium to long term and to further sharing of value with shareholders, and in principle, two types of restricted stock, all of which will have transfer restrictions lifted upon retirement of the Member of the Board of Directors, are granted.

(1) Tenure-based restricted stock remuneration (long-term incentive)

The number of shares to be granted in tenure-based restricted stock remuneration is determined in accordance with the degree of responsibility for decision-making.

(2) Performance-linked restricted stock remuneration (medium-term incentive)

Performance-linked restricted stock remuneration is intended to further encourage Members of the Board of Directors, excluding Outside Directors, to make efforts to improve corporate value over the medium term and to raise their sensitivity for performance targets, ESG evaluations, etc. The Company uses performance targets (including ESG targets) that are linked to medium-term management strategies and set for each fiscal year, and management challenges for each fiscal year as evaluation indicators.

The number of shares to be granted is determined in the range of 0 to 200% according to performance evaluation at the end of a performance evaluation period (one fiscal year) with respect to the standard number of shares (set according to position, job responsibilities, etc.). The targets and results related to the main evaluation indicators for FY2022 are shown in the table below.

Evaluation Items		Targets	Results	Composition		
Financial Targets* ¹	Consolidated Revenue		425.0 billion yen	447.2 billion yen	10%	
	Consolidated Operating Profit		145.0 billion yen	142.0 billion yen		
Strategic Targets	Medium-term Initiatives to Increase Corporate Value	Maximizing Product Value	Individually Set	Individual Evaluation* ²	70%	
		Strengthening Pipelines and Accelerating Global Development				
		Realizing Own Marketing Operations in US/Europe				
		Expanding Business Domains				
		Management Base Supporting Strategy for Growth (Expanding Intangible Assets)				
		Transforming Company by Digital and IT				
	Medium-term Growth - Value Creation	Consolidated Revenue Trend		Revenue Growth Trend	Revenue Growth	10%
		Consolidated Operating Profit Trend (Before R&D Expenses)		Profit Increase Trend	Profit Increase	
		Consolidated R&D Expenses Trend (Excluding Impact of Impairment)		Increase	Increase	
		Consolidated ROE Change/Trend		Evaluate Standard in Medium Term	Current Period: 16.1% 5-year Average: 12.3%	
Non-Financial Targets	Materiality Initiatives		Status of Initiatives for Identified Challenges	Achieve Goals Set by Company	10%	
	Status of Inclusion in ESG Indices* ³		Status of Inclusion in Identified Indicators, etc.	Achieve Goals Set by Company		

*1 The figures for financial targets are the consolidated earnings forecast set at the beginning of the fiscal year.

Results are evaluated at the Executive Compensation Meeting based on special factors that were not anticipated when targets were set at the beginning of the fiscal year, performance evaluations, and the like.

*2 The President evaluates the individual performances of Members of the Board of Directors other than the President, and the validity of the evaluation is reviewed at the Executive Compensation Meeting. In addition, the performance of the President is evaluated only by Outside Directors at the Executive Compensation Meeting.

*3 The Company has adopted, for status of inclusion in ESG indices, Dow Jones Sustainability Indices (DJSI), and indexes developed by FTSE Russell, MSCI, and CDP.

*4 The main evaluation indicators for performance-linked restricted remuneration in FY2023 are the same as those for FY2022.

**Amounts of Remuneration, Etc. for Members of the Board of Directors and Audit & Supervisory Board Members
for FY2022**

Officer Classification	Total Amount of Remuneration, Etc. (Million Yen)	Total Amount of Remuneration, Etc. by Type (Million Yen)						Number of Eligible Officers (Persons)
		Base Remuneration	Bonuses	Stock-Based Remuneration -type Stock Options	Restricted Stock Remuneration			
					Tenure-based	Performance-linked	Transition Measure	
Members of the Board of Directors (Excluding Outside Directors)	538	216	134	10	36	46	96	5
Outside Directors	58	58	—	—	—	—	—	3
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	61	61	—	—	—	—	—	2
Outside Audit & Supervisory Board Members	29	29	—	—	—	—	—	2
Total	685	364	134	10	36	46	96	12

(Notes)

- 1 Amounts of less than one million yen are rounded.
- 2 At the 74th Ordinary General Shareholders' Meeting held on June 23, 2022, it was resolved that the maximum amount of remuneration for Members of the Board of Directors shall not exceed 700 million yen per year and that for Outside Directors shall not exceed 100 million yen per year (There were eight eligible Members of the Board of Directors, including three Outside Directors, at the conclusion of the Ordinary General Shareholders' Meeting).
- 3 At the 74th Ordinary General Shareholders' Meeting held on June 23, 2022, it was resolved that the maximum amount of remuneration, etc. to be granted to Members of the Board of Directors, excluding Outside Directors, separately from 2 above, shall not exceed 100 million yen per year (60,000 shares per year) for tenure-based restricted stock and shall not exceed 300 million yen (180,000 shares per year) for performance-linked restricted stock (There were five eligible Members of the Board of Directors at the conclusion of the Ordinary General Shareholders' Meeting).
- 4 At the 74th Ordinary General Shareholders' Meeting held on June 23, 2022, the resolution of 3 above was followed by the abolition of the provision pursuant to the resolution at the 67th Ordinary General Shareholders' Meeting held on June 26, 2015 concerning remuneration, etc. for stock acquisition rights as stock-based remuneration-type stock options for Members of the Board of Directors, excluding Outside Directors. It was also resolved that the amount of remuneration, etc. for allocating restricted stock (75,000 shares) in lieu of forfeiting all unexercised stock acquisition rights allotted as stock-based remuneration-type stock options shall not exceed 400 million yen per year, separate from 2 and 3 above, for the 75th fiscal period (FY2022) only (There were five eligible Members of the Board of Directors, excluding Outside Directors). The amount of restricted stock (transition measure) granted pursuant to a transition measure is the amount recorded as an expense for the restricted stock remuneration in the current fiscal year minus the amount equivalent to the forfeited stock acquisition rights. In FY2022, the Company granted 75,000 shares of restricted stock pursuant to the transition measure.
- 5 Although stock-based remuneration-type stock options have not been newly granted in the current fiscal year, the amount recorded as an expense for the current fiscal year out of the amount granted in previous fiscal years is indicated in the stock-based remuneration-type stock options column.
- 6 The amount of bonuses shows the amount provided to the reserve for Directors' bonuses in the current fiscal year.
- 7 The amount of tenure-based restricted stock remuneration and that of performance-linked restricted stock remuneration each show an amount recorded as an expense for restricted stock remuneration for the current fiscal year. The Company granted 15,000 shares of tenure-based restricted stock as remuneration, etc. for FY2022.
- 8 The total amount of remuneration, etc. for Members of the Board of Directors, excluding Outside Directors, excludes the amount paid as employee salary.
- 9 Bonuses and performance-linked restricted stock remuneration for Members of the Board of Directors, excluding Outside Directors, fall under performance-linked remuneration, and tenure-based restricted stock remuneration, performance-linked restricted stock remuneration, and restricted stock remuneration granted pursuant to the transition measure described in 4 above fall under non-monetary remuneration, etc.
- 10 At the 75th Ordinary General Shareholders' Meeting held on June 22, 2023, it was resolved that the maximum amount of remuneration for Audit & Supervisory Board Members shall not exceed 150 million yen per year (There were four eligible Audit & Supervisory Board Members at the conclusion of the Ordinary General Shareholders' Meeting).
- 11 Names of persons who receive remunerations, etc. of 100 million yen or more are individually disclosed in the securities report.

Activities of the Board of Directors

Purpose and authority: The Board of Directors decides on the appointment and dismissal of the Representative Director as well as important business execution, etc. as stipulated in the Companies Act. The Board also supervises the execution of duties by Members of the Board of Directors by checking business reports, etc.

Chairperson and Constitution: The Chairperson is the President and CEO elected by resolution of the Board of Directors. The Board of Directors' meeting is composed of all the Members of the Board of Directors (seven members, including three Outside Directors) and is operated with the attendance of Audit & Supervisory Board Members (four members, including two Outside Audit & Supervisory Board Members) who are required to attend it.

Activities: In FY2022, the Board of Directors' meeting was held 12 times in total. The attendance of each Member of the Board of Directors and each Audit & Supervisory Board Member is as shown below.

Positions	Name	Attendance Rate
President & CEO (Chairperson)	Gyo Sagara	100% (12/12)
Member of the Board of Directors, Senior Executive Officer	Toshihiro Tsujinaka	100% (12/12)
Member of the Board of Directors, Senior Executive Officer	Toichi Takino	100% (12/12)
Member of the Board of Directors, Executive Officer	Isao Ono*	100% (12/12)
Member of the Board of Directors, Executive Officer	Kiyooki Idemitsu	100% (12/12)
Outside Director	Masao Nomura	100% (12/12)
Outside Director	Akiko Okuno	100% (12/12)
Outside Director	Shusaku Nagae	100% (12/12)
Full-time Audit & Supervisory Board Member	Katsuyoshi Nishimura	91.7% (11/12)
Full-time Audit & Supervisory Board Member	Hironobu Tanisaka	100% (12/12)
Outside Audit & Supervisory Board Member	Yasuo Hishiyama	100% (12/12)
Outside Audit & Supervisory Board Member	Akiko Tanabe	100% (12/12)

* At the conclusion of the 75th Ordinary General Shareholders' Meeting held on June 22, 2023, Mr. Isao Ono retired as a Member of the Board of Directors.

The main contents of deliberations at the Board of Directors' meeting in FY2022 are as shown below.

Theme	Main Items for Discussions
Management Strategy & Sustainability	<ul style="list-style-type: none"> · Report on the progress of strategy for growth (themes: “maximizing product value,” “strengthening pipelines and accelerating global development,” “realizing own marketing operations in US/Europe,” “expanding business domains,” and “management base supporting the strategy for growth”) · CSR activity report · Formulation of global human rights policy · Establishment of Ono Pharmaceutical Foundation for Oncology, Immunology and Neurology
Corporate Governance, etc.	<ul style="list-style-type: none"> · General Meeting of Shareholders (convocation and decision on agenda, etc.) · Financial results · Personnel affairs concerning Members of the Board of Directors, Audit & Supervisory Board Members, and Executive Officers · Revision of policy for determining remuneration for Members of the Board of Directors · Determination of payment of remuneration, etc. for Members of the Board of Directors · Directors and officers liability insurance · Evaluation of the effectiveness of the Board of Directors · Individual verification of cross-shareholdings · Report on the status of the development and operation of the internal control system · Report on activities to strengthen the compliance system · Risk management report · SR activity report
Investment Projects, Others	<ul style="list-style-type: none"> · Growth Investment · Establishment of subsidiaries · Introduction of compounds in development · Litigation and disputes

Status of Audits by Audit & Supervisory Board Members

1. Organization, Personnel, and Procedures for Audits by Audit & Supervisory Board Members

The Company is a company with an Audit & Supervisory Board, which consists of four Audit & Supervisory Board Members (two full-time Audit & Supervisory Board Members and two Outside Audit & Supervisory Board Members). The Outside Audit & Supervisory Board Members include one certified public accountant with considerable knowledge of finance and accounting. The status of each Audit & Supervisory Board Member is as shown below.

Positions	Name	Inauguration	Career, etc.
Full-time Audit & Supervisory Board Member (Chairperson of Audit & Supervisory Board)	Katsuyoshi Nishimura	2011	Katsuyoshi Nishimura is mainly involved in sales, public relations, and internal audits, is familiar with the overall business activities of the Company, and has a broad perspective and a high level of knowledge.
Full-time Audit & Supervisory Board Member	Hironobu Tanisaka	2021	Hironobu Tanisaka is mainly involved in legal affairs and internal audits, is familiar with the overall business activities of the Company, and has a broad perspective and a high level of knowledge.
Outside Audit & Supervisory Board Member	Yasuo Hishiyama	2016	From his experience as a lawyer, Yasuo Hishiyama has extensive experience and knowledge in law in general.
Outside Audit & Supervisory Board Member	Akiko Tanabe	2020	From her experience as a certified public accountant, Akiko Tanabe has extensive experience and knowledge in finance and accounting in general.

In addition, one staff member (serving concurrently) with the necessary abilities and experience to perform the duties of an Audit & Supervisory Board Member is assigned to support the execution of duties by Audit & Supervisory Board Members and to serve as the secretariat of the Audit & Supervisory Board.

2. Activities of Audit & Supervisory Board

In FY2022, the Audit & Supervisory Board meeting was held 15 times in total, with each meeting taking an average of approximately 2 hours and 20 minutes. The attendance of each Audit & Supervisory Board Member at the Audit & Supervisory Board meeting is as shown below.

Positions	Name	Attendance Rate
Full-time Audit & Supervisory Board Member (Chairperson of Audit & Supervisory Board)	Katsuyoshi Nishimura	93.3% (14/15)
Full-time Audit & Supervisory Board Member	Hironobu Tanisaka	100% (15/15)
Outside Audit & Supervisory Board Member	Yasuo Hishiyama	100% (15/15)
Outside Audit & Supervisory Board Member	Akiko Tanabe	100% (15/15)

The number of agenda items and the main agenda items for FY2022 are as shown below.

	Number	Main Agenda Items
Resolutions	9	Determination of audit policy, audit plans, and division of roles of the Audit & Supervisory Board, preparation of audit reports of the Audit & Supervisory Board, reappointment of the Accounting Auditor, consent to the remuneration of the Accounting Auditor, selection of Full-time Audit & Supervisory Board Members, selection of Chairperson of the Audit & Supervisory Board, etc.

Matters Discussed	20	Evaluation of the Accounting Auditor, draft audit plan of the Audit & Supervisory Board, draft audit report of the Audit & Supervisory Board, discussion on the remuneration of Audit & Supervisory Board Members, discussion on main items for discussion for auditing (KAM), prior consent flow of Audit & Supervisory Board Members when receiving non-guaranteed services from the Accounting Auditor (including a network farm), etc.
Matters Reported	46	<ul style="list-style-type: none"> · Reports from Full-time Audit & Supervisory Board Members (22 items) Audit implementation report, important meeting attendance report, etc. · Reports from the Accounting Auditor (10 items) Results of year-end audits and quarterly reviews, etc. · Reports from Members of the Board of Directors or Employees, etc. (14 items) Management strategies (four growth strategies and management base), internal audits (including J-SOX audits), compliance (including whistleblowing), risk management, subsidiaries and affiliates, etc.

3. Activities of Audit & Supervisory Board Members

The main activities of Audit & Supervisory Board Members are as shown below.

Activities	Full-time Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member
Attendance at the Board of Directors' meeting	○	○
Regular meetings with the Representative Director (twice a year)*1	○	○
Collaborative meeting with Outside Directors (once a year)*2	○	○
Attendance at important meetings (Management Meeting, Compliance Committee Meeting, etc.)	○	(Receive reports from Full-time Audit & Supervisory Board Members)
Viewing of important documents (viewing of approval documents, important meeting materials, minutes, etc.)	○	(Minutes, View only)
Interviews with executive Members of Board of Directors, Executive Directors, Senior Directors, Branch Directors, Research Laboratory Managers, Plant Managers, Sales Office Managers, Branch Presidents, etc.	○	*3
Audit visits to branches, sales offices, research laboratories, plants, etc., and overseas subsidiaries	○	*3
Collaboration with Internal Audit Department (1) Share results of audits and exchanging opinions on a case-by-case basis, (2) Report to the Audit & Supervisory Board [twice a year]	○	(2) only
Collaboration with the Accounting Auditor*4	○	○

*1 Regular Meetings with the Representative Director

The Company holds a meeting twice a year between all Audit & Supervisory Board Members and the Representative Director (President). At this meeting, Full-time Audit & Supervisory Board Members explain the audit policy, audit plan, and audit implementation status and results, and the Representative Director (President) explains the Company's management policy and current situation as well as challenges to be addressed. In addition, Audit & Supervisory Board Members and the Representative Director exchange opinions on issues that the Company should address, risks surrounding the Company, the status of the improvement in the environment for audits by Audit & Supervisory Board Members, important auditing issues, etc., thereby deepening mutual awareness and trust. Outside Audit & Supervisory Board

Members also provide information based on their respective experiences and expertise. In FY2022, the meeting was scheduled to be held twice (first half and second half), but due to various circumstances, one for the second half was held on April 7, 2023.

***2 Collaborative Meeting with Outside Directors**

The Company holds a collaborative meeting once a year between all Audit & Supervisory Board Members and all Outside Directors. At this meeting held in FY2022, Full-time Audit & Supervisory Board Members explained the audit policy and plan as well as the audit implementation status and results, and exchanged opinions on matters related to corporate governance and matters that require further development in the future (global expansion and diversity initiatives).

***3 Audit Visits Accompanied by Outside Audit & Supervisory Board Members and Site Visits by Outside Directors**

At the Company, Full-time Audit & Supervisory Board Members conduct audit visits (surveys of business and asset conditions as well as interviews with local executives) to two domestic business sites a year accompanied by Outside Audit & Supervisory Board Members. In FY2022, Outside Audit & Supervisory Board Members accompanied audit visits to the Tsukuba Research Institute and the Yamaguchi Plant. Since FY2022, Outside Directors have been conducting site visits in conjunction with the audit visits accompanied by Outside Audit & Supervisory Board Members, and opinions have been exchanged from various perspectives.

***4 Collaboration with Accounting Auditor**

In FY 2022, Audit & Supervisory Board Members and the Accounting Auditor collaborated as shown below.

Details of Collaboration (Main Contents for Reports and Discussions)	2022									2023		
	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Explanation of Audit Plan, etc.				●								●
Reports on Audit Results and Quarterly Reviews		●			●		●			●		
Examination of Audit Priority Areas, KAM		●					●		●	●		●
Status of J-SOX Audits and Internal Control			●									
Items Concerning Execution of Duties by the Accounting Auditor		●					●			●		
Accounting Audit Reports of Overseas Subsidiaries			■					■				
Information Exchange, Other Matters			■	■			●/■		■	●/■		■

● indicates implementation by the Audit & Supervisory Board and ■ indicates participation by Full-time Audit & Supervisory Board Members only.