



Gyo Sagara

President, Representative Director, and CEO

Diligently advancing our growth strategies to generate sustainable growth for society and the Company

Question 01

What is the Company doing to establish sustainable growth?

We are incorporating the material issues into our management strategies and accelerating Company-wide initiatives to create value.

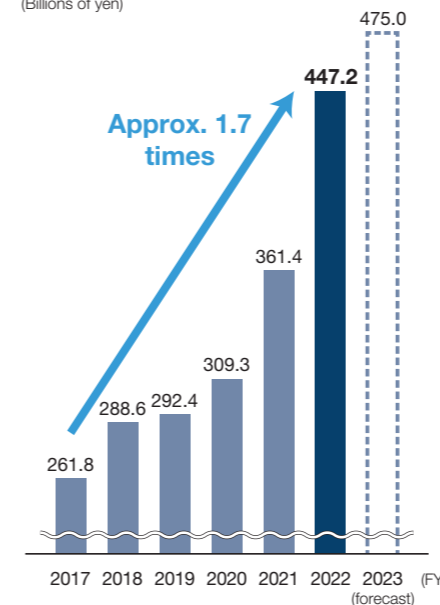
In FY2017, we set a long-term vision to build ONO into a Global Specialty Pharma that is investing 200 billion yen annually in R&D, which is on par with Japan's largest pharmaceuticals companies, and that is providing a continuous flow of innovative new drugs around the world. We set FY2031 as the date for fulfilling our vision and set three 5-year periods for which we would formulate specific

medium-term management plans. We launched the second medium-term management plan in FY2022.

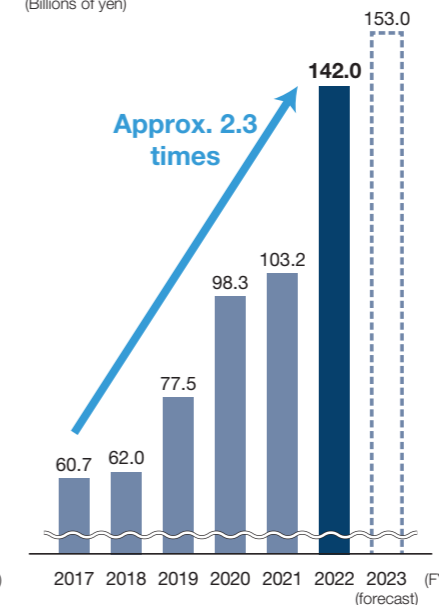
The current second period is critical to fulfilling our vision. In 2022, we reconfigured our four growth strategies (see pages 25-26) and fortified our management base for the DX and human resources needed to implement the strategies. We also recognized our material issues as management priorities (see pages 27-31).

With this change in perspective, we changed the description of materiality from "Important CSR Issues" to "Important Management Issues" encompassing both financial and non-financial issues requiring attention for the longer term. Implementing growth strategies and value creation measures that incorporate the material issues at a fundamental level will provide a solid base for sustainable growth.

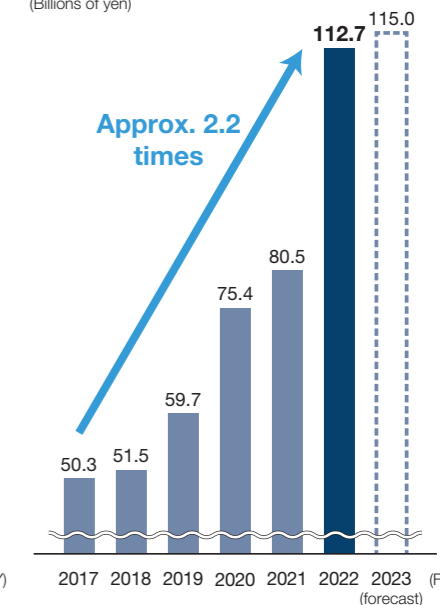
Revenue
(Billions of yen)



Operating profit
(Billions of yen)



Profit for the year attributable to owners of the parent company
(Billions of yen)



Question 02

How did the Company perform in FY2022, and what is the status of the medium-term management plan?

The plan is producing solid results as both revenue and operating profit reached record highs.

We set record highs in both revenue and operating profit in FY2022 with revenue growing 23.8% year on year to 447.2 billion yen and operating profit rising 37.6% to 142.0 billion yen. We increased R&D spending to 95.3 billion yen, which is approaching the halfway mark to our goal of 200 billion yen in FY2031.

We plan to increase R&D spending to 109 billion yen in FY2023, which will bring us half way to our target in the seventh year of our 15-year vision. Increasing our spending on R&D necessarily requires that we generate adequate resources. In FY2023, we expect to generate double the FY2016 amounts of both our revenue and profit for the year, with revenue growing 6.2% year on year to 475 billion yen and profit for the year rising 2.0% year on year to 115 billion yen.

I believe these results and our outlook for next year represent solid progress for the first seven years of our long-term plan. Nevertheless, we are by no means complacent and will continue steadily implementing all of our growth initiatives.

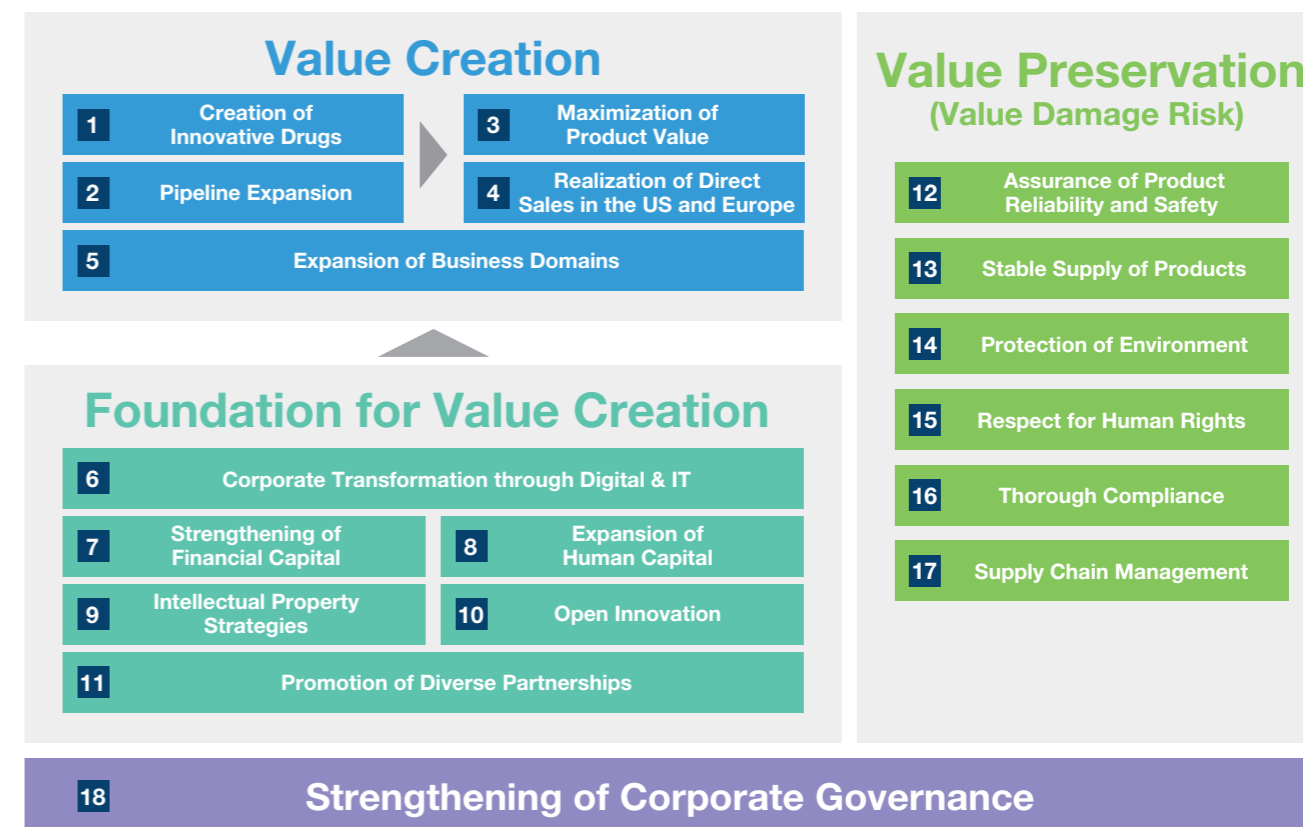
Question 03

Please describe the growth strategies for the Value Creation associated with material issues.

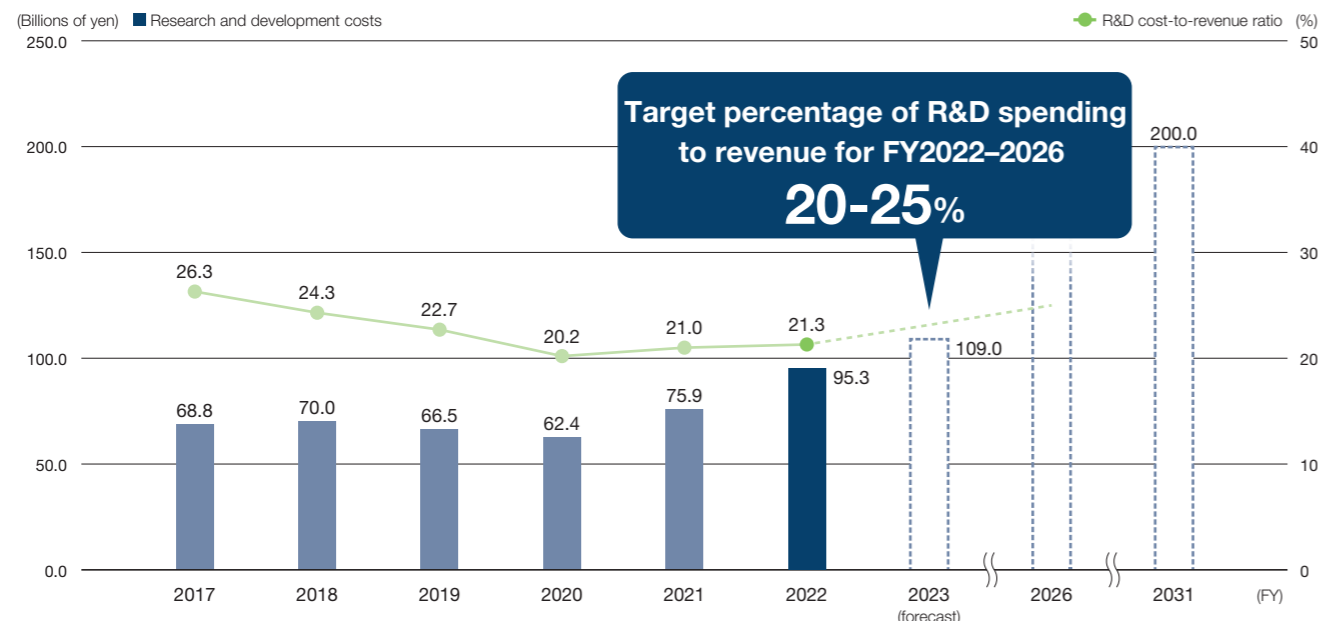
We will secure profit by continuing to maximize OPDIVO product value while creating innovative drugs and developing direct sales operations in the U.S. and Europe.

Our efforts to maximize the OPDIVO product value have boosted OPDIVO total sales and royalty income in Japan, South Korea, and Taiwan to close to 300 billion yen. We will continue to maximize OPDIVO product value by expanding the range of indicated cancer types, increasing treatment lines, and developing combination therapies. Sales of OPDIVO currently account for about 60% of the Group's total revenue, and we are preparing for the time when that patent expires by creating innovative drugs, expanding our product pipeline, and establishing direct sales operations in the U.S. and Europe. We are currently engaging in some 300 joint and commissioned research projects, including 110 new projects initiated in FY2022, of which nearly half are being conducted overseas. The pharmaceuticals market in the U.S. is five times larger and the European market is three times larger than the market in Japan. In other words, expanding our business into the U.S. and European markets offers potential to increase our revenue tenfold. That is why we are advancing a Group-wide initiative to establish direct sales operations in the U.S. and Europe. We are engaged in multiple projects in the U.S., including developing ONO-4059 (Velexbu tablets) and formulating the direct

Material Issues



R&D Investment



sales operation. We will need to develop and globally market at least three innovative drugs to offset the revenue impact from the OPDIVO patent expiration and ensure we continue to grow our business. We currently have 10 drugs in development around the world that we believe could be successors for OPDIVO and are aiming to have at least two or three of them on the market by FY2031. We also intend to actively pursue in-licensing activities for all of our proprietary drugs.

Another area of focus is expanding our business domain. Developing prescription drugs has been a primary way to expand business, but the success rate of drug discovery is diminishing as the scope of unmet medical needs becomes increasingly narrow. For us to achieve growth, in addition to marketing drugs, we also need to develop new businesses. One of the social issues we have been focusing on as a company is extending healthy life expectancy. We are accordingly allocating resources to the healthcare field where we believe we can effectively utilize the assets and expertise we have accumulated through our extensive experience in pharmaceutical R&D, sales, and production. One of our recent products in this field is the sleep supplement REMWELL, which we introduced in FY2021. REMWELL came out of our many years of research into lipids, and we

are continuing to apply our research assets to develop new products. In March 2022, we established Ono Digital Health Investment, GK to invest in venture companies engaged in healthcare businesses other than ethical drugs. We also established michiteku Co., Ltd. as a subsidiary to offer information processing and provision services in the healthcare field with a focus on providing tools for the treatment and daily support of cancer patients. We will continue seeking new areas in which to apply our experience and expertise to develop new business activities.





Question 04

Please describe the development of DX talent and human capital that are key parts of the growth strategy under the Foundation for Value Creation.

We are using digital and information technologies to completely transform our enterprise system and every aspect of our corporate operations.

Transforming our company with digital and information technologies is essential to increasing our future competitiveness as a pharmaceuticals company. We are doing this in three ways: by building a centralized enterprise system, by digitalizing all of our corporate processes, and by incorporating big data. The enterprise system we are constructing will be the foundation for the globalization of our operations and used by all Group companies, including all subsidiaries and overseas bases. We have been using systems that were developed for specific businesses areas, and which were not always usable across the whole Group. The new fully integrated system will enable us to unify and control activities throughout the Group. We believe it is vital for us to lay the solid foundation now for us to become a truly global corporation in the future.

The second way we are increasing the Company's competitiveness is by digitalizing all of our processes from R&D to production and sales to boost both our operating efficiency and productivity. Each division is leading its own

activities with support from the Digital & IT Strategy Division. Because it directly influences business growth, the sales division was one of the first to install an AI system to support its activities, and the results are already starting to appear. Leveraging the power of big data will be another key to ensuring our long-term growth. Big data is promising in many ways. For example, the cost of conducting clinical trials, which ordinarily engage two groups of patients, one for testing the active drug and a control group that receives a placebo, can exceed 10 billion yen. That cost could be sharply reduced if the placebo group could be replaced with data collected from standard medical care services. Big data promises compelling benefits for the pharmaceuticals industry; however, there are many issues that still must be resolved, so we do not believe big data technologies will lead to an immediate leap forward for the industry. We are currently examining how the analysis of wide-ranging data can help boost productivity at each stage of research, development, sales, production, and M&A.

We are nurturing our human capital by fostering an environment that emphasizes taking on challenges, pursuing innovation, and diversity.

Japan's decreasing working population is a critical issue, and it is no exaggeration to say that nurturing the next-generation of human capital will be vital for companies to survive. We are making ONO an attractive company to work for by creating a corporate environment that fosters enthusiastic employees and encourages them to take on new challenges.

We are particularly focusing on encouraging projects that transcend conventional boundaries between departments. We expanded our internal open recruitment system enabling employees to move to positions in other departments, and in FY2022 the sales division started a trial of an "internal job challenge program" that enables employees to retain their position while working outside their department. We also support employee efforts to expand their networks and engage in activities to advance their careers, such as taking temporary positions in venture companies and other organizations. Measures to foster innovative talent include hosting an in-house business contest. The contest received 83 entries in FY2021, from which three were chosen to be developed for commercialization. Employee enthusiasm for innovation remained high in FY2022 with the number of entrants rising to 85.

We are also continuing to increase our employee diversity, including our drive to promote women to management positions. Increasing the diversity of our workforce has become an urgent issue with the vast expansion of our

business fields since the launch of OPDIVO and as celebrated the 300th anniversary of our founding in FY2017. We are advancing initiatives to increase the percentage of female managers from 4.1% in FY2022 to 10% by FY2026 and 20% by FY2031. We also revised the employee system to enable younger employees around the age of 30 to be appointed to leadership positions.

The environment and systems we are creating for fair training, promotion, and skill development of our human resources regardless of age or gender will give us an even stronger foundation for growth in the medium and long term.

Question 05

What are the main risk reduction measures that you focus on for Value Preservation?

We raised the targets in our medium- to long-term environmental vision to accelerate our efforts to address environmental issues.

As climate change and other environmental issues become more acute, companies are increasingly expected to take action. Protecting the environment is an urgent issue that affects all of mankind. For our company as well, not responding fast enough to protect the environment can become a factor that hinders our long-term growth. Our Environment Challenging Ono Vision (ECO VISION 2050) adopted in FY2019 set targets and outlined initiatives to realize a decarbonized society, a water recycling society, and a resource recycling society. We updated the targets in FY2022 and revised our environmental initiatives to make them more effective and put them on a faster schedule. We brought forward the target date for reducing our greenhouse gas emissions to zero from FY2050 to FY2035, and set new targets to achieve carbon neutrality by FY2025 and to use eco-friendly paper materials for our individual product packaging boxes by FY2030. Our primary mission is to pursue drug discovery that will positively impact the lives of patients and their families. At the same time, we also consider addressing the environmental issues cited in ECO VISION 2050 to be of equal importance. We are accordingly stepping up our activities to achieve our new environmental targets and to help address the issues facing society and the whole human race.

In addition, thorough compliance with laws and regulations is a fundamental requirement for all corporate activities, and as we globalize our business, we know that we will need to increasingly vigilant. In FY2022, we revised our existing Ono Pharmaceutical Code of Conduct to make it the Ono Group Code of Conduct applying to all Group companies, including affiliates and overseas subsidiaries. The new Code

of Conduct is framed from the perspective of a global organization to serve as a secondary document to each Group company's corporate philosophy that will provide a foundation for sincere behavior that accords with the high ethical standards required of companies upon which human lives depend.

We have also appointed compliance managers at every workplace and regularly hold informal meetings to create an environment that encourages employees voice any about compliance concerns.

Educating employees about past incidents of serious compliance violations remains an essential part of our compliance training. We have also reexamined how the Company provides donations and suspended the provision of scholarships and research endowments. All donations are disclosed on our website. We also take steps to prevent employees from engaging in inappropriate activities, such as with mechanisms to prevent individual employees from receiving or being solicited for donations.

Question 06

Do you have a message you would like to communicate to stakeholders?

Our focus remains on establishing sustainable growth.

The Group's business environment does not necessarily support optimism. Nevertheless, I will continue executing strategies to drive our business growth and to make ONO an attractive presence for all stakeholders. One by one, we will increase the number of people who are eager to work at our company, and that will lead us to the creation of new value. That is my objective for the future. All of our employees will continue working together with the aim of achieving sustainable growth.