

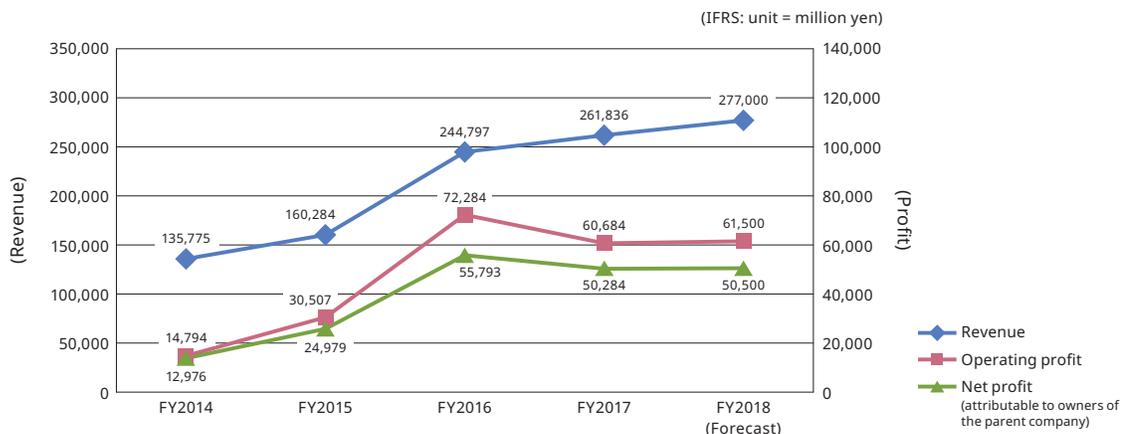
Boosting R&D Capability to Discover Innovative Drugs, ONO Always Meets the Challenges that Face Us to Maximize Product Value

Q1 Tell us about ONO's business results for FY2017 (year ended March 2018).

A1 We achieved increased revenues despite the influence of National Health Insurance drug price cuts on the sales of OPDIVO.

In our consolidated financial results for FY2017, revenue increased by 7.0% and operating profit decreased by 16.0% compared to FY2016. Of the revenue, the sales of products and goods decreased by 8.4 billion yen from the previous year. The NHI drug price for the anticancer drug OPDIVO Intravenous Infusion, one of our core products, was cut by 50% in February 2017, which had a great impact on the sales of the product. As a result, the sales of OPDIVO fell by 13.3% from the previous year to 90.1 billion yen. However, this sales

figure was significantly exceeding our initial forecast of 74.0 billion yen due to successful expansion of the indications of OPDIVO to gastric cancer in September 2017, in addition to renal cell carcinoma and head and neck cancer in FY2016, boosting sales volume by about 45% from the previous year. Meanwhile, OPDIVO expanded sales overseas mainly thanks to additional indication approval. Therefore, royalty revenue saw a huge increase, helping us achieve gains in revenue as a whole.





Gyo Sagara

President, Representative Director, and CEO

Q2 Tell us about the R&D performance and outlook.

A2 We succeeded in extending the indications of our core product OPDIVO to more types of cancer in FY2017. In FY2018, we will continue working to file many applications for approval.

FY2017 saw our R&D efforts lead to extending the indications of our core anticancer drug OPDIVO to more types of cancer worldwide including in Japan, South Korea, and Taiwan. In Japan, we obtained approval for additional indication to gastric cancer in September 2017 and now see OPDIVO administered to many patients. We also applied for additional indication to malignant pleural mesothelioma and adjuvant treatment (to reduce the risk of recurrence after resection) in melanoma. As part of OPDIVO development efforts, we have been progressing with development of combination therapies. In January 2018 we applied for approval for combination therapy with antineoplastic drug YERVOY® for untreated renal cell carcinoma. In South Korea and Taiwan, OPDIVO obtained additional indication approval for several types of cancer: it can now be used to treat eight types in Taiwan and seven types in South Korea. In the US and Europe, our partner Bristol-Myers Squibb steadily proceeds with OPDIVO development including combination therapies with other drugs.

We also actively promote the industry-academia open innovation strategy globally. Currently, we are conducting more than 200 joint research projects with universities, research institutes, and biopharmaceutical companies inside and outside Japan. We are committed to meeting our

challenges to discover new drugs exploiting new discovery modalities and technologies—including next generation antibody technology, small molecule macrocyclic technology, and computational drug discovery platform—to deliver innovations to the future frontline of healthcare.

In addition to in-house drug discovery, we are actively engaged in licensing activities. In FY2017, we in-licensed new drug candidates that have high value in terms of corporate strategy and efficiency, successfully expanding our development pipeline. We also signed alliance agreements to out-license our anticancer drug candidate ONO-4578, to deliver new drugs we develop to patients worldwide.

In FY2018, we will continue to put efforts into applying for approval for further additional indication of OPDIVO to esophageal cancer, hepatocellular carcinoma, and small cell lung cancer. We proceed with OPDIVO development to obtain approval for further additional indication to treat more than 20 types of cancer in the long run. Other than for OPDIVO, we aim to apply for approval for several drugs within this fiscal year including those to treat cancer cachexia, chronic heart failure, osteoarthritis, and Parkinson's disease. If development and application successfully progress to approval, that would significantly contribute to our financial results beyond FY2019.

View from the Top

Q3

What do you think of the environment surrounding ONO and the pharmaceutical industry at large?

A3

The speed of change in the business environment is accelerating. We need to respond with speed and agility.

The environment surrounding the pharmaceutical industry is toughening and this situation is expected to continue in the future.

One challenge we address is increased R&D costs. With decreased success rates of drug discovery faced by the pharmaceutical industry as a whole, inside and outside Japan, we have to discover better drugs faster and at less cost. Another challenge is the promotion of healthcare cost reduction measures in Japan. To curb further increase in social security costs with the population aging and the birthrate declining, Japan has introduced healthcare cost reduction measures, including the NHI drug price cuts and

generics use promotion measures. As part of the fundamental review of the NHI drug pricing system, moves are also stepping up toward introducing cost benefit assessment in healthcare.

In addition, the pharmaceutical sector will undergo intensifying competition on a global basis. We must continue as a company to act responsively and innovatively to the evolving markets that we operate within. In delivering our mission of developing and distributing innovative drugs that bring true benefit to all patients, we continue to make positive contributions to society.

Q4

Tell us about ONO's business model.

A4

We specialize in prescription medicines and focus management resources into drug discovery.

To achieve sustained growth in a tough and complex business environment, we believe we have to focus our finite management resources on discovering and developing new drugs as an R&D-based pharmaceutical company specializing in prescription medicines.

ONO's business model we pursue is not only to take up the challenge of discovering our own innovative drugs, but to develop in-licensing promising new candidate compounds from around the world.

ONO's Challenge of Discovering and Developing Innovative Drugs

We discover and develop novel drugs based on the "Compound-Orient" approach by collecting a library of compounds that may act on various therapeutic targets such as lipids and enzymes, and, through screening the library, identifying new drug candidates that would lead to treatments against disease. Based on our unique approach in discovery research, we focus our resources on the R&D efforts for cancer, autoimmune disease and neurological disease. We have specified these areas that have high medical needs as our priority R&D areas. We also focus on novel technologies including cell therapies and macrocyclic compounds, to keep tackling the challenge of drug discovery.

In addition, we are driving open innovation through the adoption of world-leading technologies and knowledge including research collaborations with world top-class scientists as well as many drug discovery collaborations with biopharmaceutical companies with leading-edge technologies to discover new drug candidates.

We will continue to work toward drug discovery and development to provide new treatment options with innovation to the frontline of healthcare, focusing on cancer, immunoregulation, and neurological disease by maximizing our open innovation strategy on a global basis.

Licensing Activities

We vigorously pursue in-licensing of new drug candidates, in addition to in-house drug discovery, for stable expansion of our development pipeline for the future. The disease areas we concentrate on include oncology and supportive care in cancer, diabetes, and niche areas. In these areas, we aim at in-licensing of new drug candidates that have high value in terms of corporate strategy and efficiency.

For our global business, excluding Asia, with specially our new drug candidates developed in-house, we adopt a basic strategy of licensing out on a per-developed-compound basis to our partners, which have outstanding development and commercialization capacities.

Q5

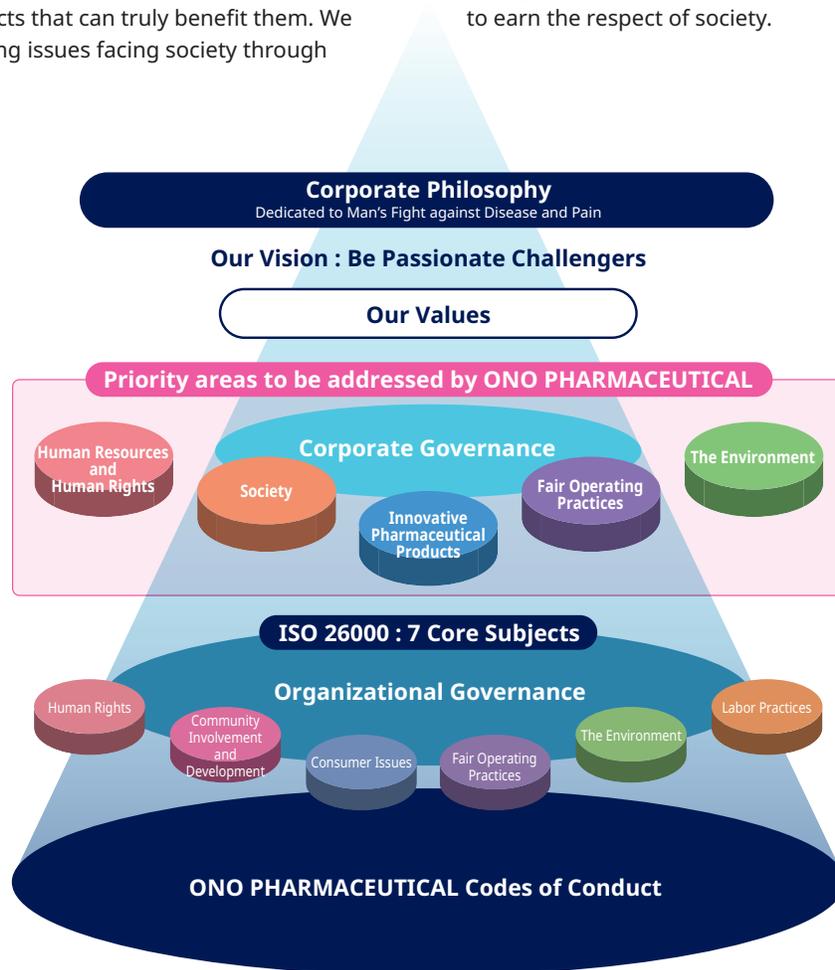
What do you think about ONO's corporate social responsibility through business activities?

A5

We will develop high quality pharmaceuticals that contribute to healthcare, thereby contributing to solving issues facing society and creating a sustainable society.

Placing the ONO PHARMACEUTICAL Codes of Conduct at the foundation of our CSR management, we have cross-checked them against the 7 Core Subjects of ISO 26000, and identified Six Priority Areas for the CSR activities that would be expected of us based on our Corporate Governance. As our Codes of Conduct clearly states, we will develop safe, high quality and effective drugs that help people have a healthy life and provide society with them in addition to necessary information. The greatest value that we can offer to society is the consistent delivery to patients of pharmaceutical products that can truly benefit them. We will contribute to solving issues facing society through

challenging ourselves to satisfy unmet medical needs. To continue enhancing our corporate value and to carry on as a successful entity, we must work in harmony with society as a good corporate citizen. As we have declared in our Codes of Conduct, we will act with respect for the human rights of all people, comply with laws, help to conserve the environment, strive for establishment of transparent corporate management and proactively disclose business information. Following these Codes, we engage in all our business activities so that we can continue to earn the respect of society.



* ISO26000: The international standard on social responsibility for organizations, published by the ISO (International Organization for Standardization, based in Geneva) in November 2010

Q6

What measures do you take to continually enhance corporate value?

A6

We work to strengthen our corporate governance and risk management.

We step up our efforts for compliance, corporate governance and risk management that form the backbone of all our activities. In December 2017, we participated in the United Nations Global Compact (UNGC), which consists of 10 principles in areas regarding human rights, labour, the environment and anti-corruption. We signed to join the UNGC to penetrate the 10 principles of the UNGC to all employees through daily activities.

Corporate Governance

To respond to the trust of all stakeholders and increase our corporate value, we believe that our critical issues are not only the compliance of laws but also the enforcement of our management transparency and enhancement of our corporate governance. We continue working to raise the effectiveness of our corporate governance.

Currently, our Board of Directors consists of eight members including three outside directors. We would like to apply objective external perspectives to management decisions. We have therefore appointed outside directors to our board, one of whom joined the board in June 2018 with extensive experience and deep insight as a business executive. Our three outside directors each are highly expert and abundantly experienced, using their specialist knowledge and broad insights as they oversee appropriately the management of the company from an objective and independent standpoint and work through the decision-making process by providing advice and/or proposals on management as a whole. The outside directors also engage in significant decision processes such as appointing directors and deciding remuneration by attending Directors Appointment Committee and Executive Compensation Committee, contributing to ensuring transparency and objectivity and enhancing the work of the board.

We have also appointed to the Board of Auditors two outside auditors who are highly knowledgeable as experts in law or corporate accounting. In collaboration with full-time auditors, they conduct audits from an independent and objective standpoint to ensure the soundness of ONO's business management. To ensure effective conduct of audits by the Board of Auditors, we have a framework in place in which, for example, to hold periodical meetings for exchange of opinions between the President and Representative

Director, other Directors and the Board of Auditors.

As regards the Corporate Governance Code of the Tokyo Stock Exchange, we implemented all its principles before revision in June 2018. We will proceed with complying with the revised Corporate Governance Code as appropriate. We will ensure that governance is constantly reviewed and otherwise strengthened in terms of our system and operations as necessitated by environmental changes and our current circumstances.

Risk Management

Drugs are related to human life and health. Pharmaceutical companies should identify various possible risks that might affect society and management, to prevent them from occurring and to address them quickly and properly if occurring. To perform proper risk management of our corporate group including subsidiaries, with appropriate internal rules in place, we have prepared handling procedures and regularly review them in response to the business environment. We also overhauled our business continuity plan (BCP) in 2016, improving our emergency response capabilities. Our new Tokyo Building completed in March 2018 is equipped with facilities for preparation for disasters including earthquakes. We have now another emergency command center in Tokyo besides our headquarters in Osaka, strengthening our disaster response system that allows for business continuity even in the event of natural disasters.

Moreover, we promote compliance, which will translate into earning our credibility with the public and improving our corporate value. We do not only work to improve our compliance promotion system by establishing regulations to create and establish a companywide compliance system and setting up contacts for reporting/consultation. But we also implement programs for employees in various ways—including lecture-style training, e-learning system-based training, and compliance awareness survey by external contractor—to develop and raise awareness among them for improving the effectiveness of compliance risk measures. For our subsidiaries' compliance promotion system, we give advice and instructions for system improvement as part of subsidiary control, and ask for periodical progress reporting to ensure proper operation of their business.

Q7 What do you think about relationships with stakeholders?

A7 I believe it important to be open to a variety of opinions while working with different stakeholders in pursuing business activities.

Companies work with various stakeholders in pursuing business activities. We always conduct business activities upon checking whether we can meet expectations or requests we receive, while ensuring legal compliance, corporate governance, and transparency as well as respecting the interests of and communicating with all stakeholders.

We adhere to the policy of disclosing necessary information accurately, fairly, impartially, and promptly to all stakeholders—including patients, healthcare professionals, shareholders, investors, suppliers, local communities, employees, relevant governmental agencies, and industrial associations—to promote communication/constructive dialogues with them.

Q8 What message do you have for ONO's shareholders?

A8 We want to fulfill the expectations. To do so, we will work for mid- and long-term growth.

We consider the redistribution of profits to shareholders as a vital management policy.

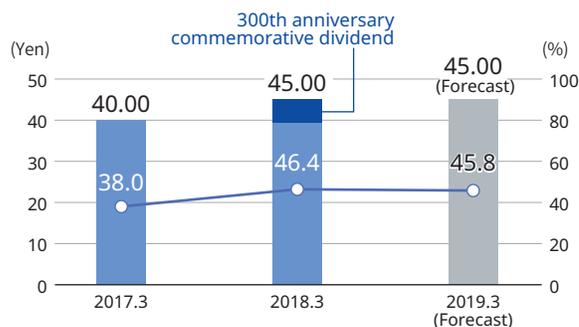
In terms of dividend pay-out, we will prioritize stable dividend distribution in the medium to long term while taking account of our business results and general social conditions, making appropriate distribution of our profits in line with our business performance.

We regard the purchase of treasury shares as part of raising capital efficiency and comprehensive shareholder returns. As usual, we will flexibly consider and carry out the purchase, keeping future demand for funds in mind, for the purpose of redistributing more profit to shareholders, raising capital efficiency, or tightening the supply-demand balance in the stock market. If we purchase our own shares, we intend to hold up to 10 percent of them as treasury stock and cancel the rest.

We periodically review the proper benchmarks of management indices including ROE and work hard to achieve higher performance so that these indices will go up. As an R&D-based pharmaceutical company, we would like to fulfill the expectations of shareholders. We will continue to meet various challenges that face us to become a company undergoing growth in middle and long term. We highly appreciate your continued support.

Profit Redistribution Policy

Annual Dividend Payments and Forecast / Consolidated Payout Ratio (Yen / %)



Q9 Could you tell us what your vision is for the future?

A9 We will implement a new growth strategy to move toward the next stage.

Last year we celebrated the 300th anniversary of our establishment, taking a new step forward. Under our corporate philosophy, we drive activities in six priority areas, committing to our vision of turning ONO into what can be called a Global Specialty Pharma. We have established four growth strategies for sustained growth and are accordingly taking measures to satisfy as-yet unmet needs.

(a) Maximizing Product Value

Through active R&D efforts, companywide collaboration and enhanced HR training capacity, we will achieve expedited market launch and additional indication approval and peak sales in the shortest period from launch. In addition, we will develop a strategy formation that constantly ensures competitive advantage by adjusting with agility to environmental changes in each stage of the product life cycle. We will thereby maximize the potential of every product we offer.

(b) Game-changing R&D

Based on our original drug discovery approach “Compound-Orient,” we have specified cancer, autoimmune disease and neurological disease that have high medical needs as our priority areas of research, to develop new pharmaceuticals that will provide new treatment options with innovation to the frontline of healthcare. For this, we will strengthen and enhance research and drug discovery alliance with world-leading universities, research institutes, and biopharmaceutical companies in specific research areas so

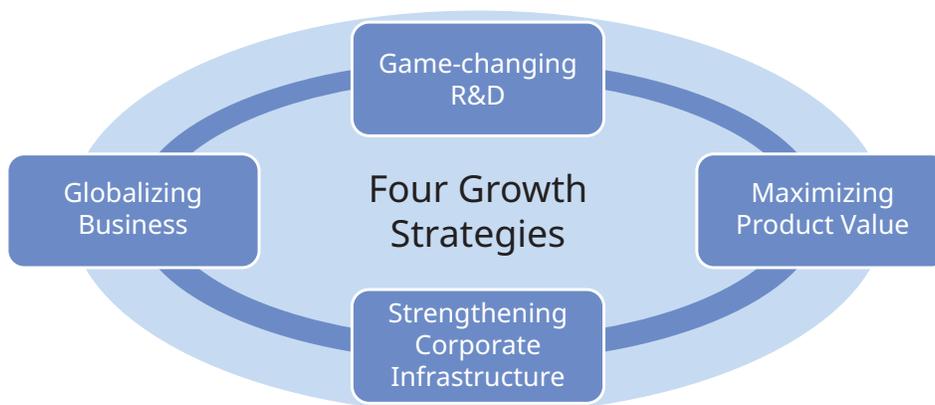
that we can expand our development pipeline aiming first-in-class drugs with high originality. We will also drive forward activities in areas with great medical needs, by in-licensing innovative compounds and acquiring novel technologies.

(c) Globalizing Business

To supply the world with new drugs that we have created, we are reinforcing overseas business expansion in anticipation of our own overseas marketing of specialty products such as anticancer drugs and other specialty medicines. In South Korea and Taiwan, we have already set up wholly owned subsidiaries and have started selling our products. We are also working to improve and strengthen our development and other systems, with a view to future marketing through our own sales organizations in America and Europe.

(d) Strengthening Corporate Infrastructure

We continue to reinforce our operational infrastructure, which we need to achieve in order to expand our overseas business and to continuously beat off the intense competition with other companies. We need to adapt to diverse changes in our business environment and eliminate competition. For this purpose, we must train human resources and encourage diversity so that we can have a stronger framework for development. In addition, we will fulfill our social responsibility toward all stakeholders through our activities.



Q10 Tell us about investments you are making for the future.

A10 We focus on investing in training human resources and creating the next innovations.

Human Resource Development

To push toward becoming a global player who can introduce world-class pharmaceutical products into the global market, we are inputting our utmost effort into strengthening our management base from all angles. We believe it essential, among other things, to develop human resources. So we are keenly making investments into, including, organizational improvements. As to organizational structure, we have made reinforcements mainly in the oncology domain, our priority strategic area. Especially, we have increased the number of MRs and pharmacovigilance professionals—including through mid-career professional recruitment—to bolster our corporate infrastructure as a company that handles life-supporting products. We will continue working toward an optimal organizational structure in light of the market environment. We also work hard to promote diversity in our workplaces. We believe it important to enhance the diversity of our corporate members' attributes, values and actions, while recognizing their individualities, to adapt quickly and flexibly to changing business conditions. We have taken various measures especially to create systems that enable women to flourish, and these measures are taking effect.

It is important to make our workplaces more worker-friendly to ensure that workers can demonstrate their full potential in their organization. Working toward all employees maintaining a positive work-life balance, we are implementing programs and improving systems so that our employees can work in diverse and flexible ways. We are taking companywide, not individual-based, initiatives to promote the reformation of our mindset of the way we work, which will lead to further improving operational efficiency and reducing working hours. We are also actively committed to helping maintain and improve employees' and their families' health to ensure that employees can work in physically and mentally good health. In April 2018, a committee of members from the company, the labor union, the occupational health staff, and the health insurance society was set up for promoting health maintenance/improvement programs, and the committee has started action, setting targets for several items including disease prevention, early detection and treatment, and anti-smoking.

We will continue actively investing in HR development, including enhancement of training programs, for further growth.

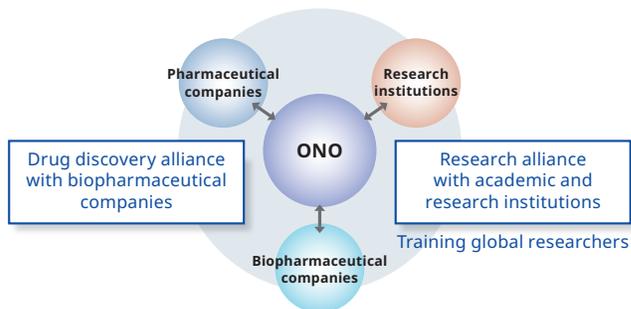
Creating Innovations

We continue actively driving R&D investment and are engaged in strengthening our R&D organization so that we can discover and deliver new drugs truly desired by patients as quickly as possible to the frontline of healthcare.

Specifying priority research areas, we are focusing our management resources, and accelerating drug discovery research by honing our expertise. However, we also believe it important to actively adopt outstanding knowledge and technologies from outside in order to overcome difficulty of keeping discovery of innovative drugs in-house only. Currently, we are conducting joint research projects and drug discovery alliances underway with notable Japanese and international universities, research institutes and biopharmaceutical companies over 200. Our researchers posted to our research allies and alliance partners are working on challenging research programs there.

As to organizational structure, we have departments in charge for research collaboration and drug discovery alliance promotion in place at our research institute, as well as at our local subsidiaries in the US and the UK posting our employees with extensive experience in drug discovery research. They visit world top-class researches on their own, and work hard to propose, plan and launch joint research projects that might lead to discovery of innovative drugs.

We devote prominent resources and efforts toward acceleration of open innovation much more than other companies of the same size do, striving toward creating new innovations.



Upholding our corporate philosophy, “Dedicated to Man’s Fight against Disease and Pain,” ONO is committed to creating innovations toward the future for the sake of development of new drugs and delivery to patients desiring them across the world. To this end, ONO will continue making investments actively to human resources development and R&D acceleration to turn ONO into what can be called a Global Specialty Pharma.