

Strengthening Corporate Infrastructure

In order to expand our business globally, the management of our company is also required to meet global standards. ONO is investing resources to strengthen its corporate infrastructure, including the enhancement of corporate governance.

Corporate Governance

Corporate Governance Structure

ONO has adopted the organizational framework with Corporate Auditors (or Board of Corporate Auditors) focusing on the enhancement of functions of the Board of Directors and the Board of Corporate Auditors, as a part of endeavors to bolster corporate governance.

Board of Directors

When selecting candidates for directorships we consider the balance of knowledge, experience and skills compatible with the whole Board of Directors' ability to make expert and general management decisions. We are also more clearly defining the responsibilities of management to our shareholders and have set the term of office for directors at one year, so as to enable rapid responses to changes in the management environment.

We have set the number of directors on the board to a number that is appropriate to enabling rapid and sound decision-making and that enhances managerial transparency and oversight. The Board of Directors currently consists of eight members including three outside directors and generally meets once a month. It is at these meetings when important management matters are decided and oversight of directors' duties takes place.

Board of Auditors

We have strengthened our auditing capability by appointing four auditors to the Board of Auditors, including two thoroughly independent outside auditors and two full-time auditors who are thoroughly familiar with ONO's business and have the authority to gather high-level information. The full-time auditors and the outside auditors work together to strengthen audit effectiveness.

The meeting of the Board of Auditors is held on a regular basis. The auditors are working with our Internal Audit Capability (Business Audit Department) to enforce auditing efficiency, and endeavors to improve its functions of the management oversight by enhancing the effectiveness of audits in cooperation with the accounting auditor.

Outside Directors / Outside Auditors

The outside directors, including one outside director appointed in June 2018, participated in all meetings of the Board of Directors held during FY2017. From an independent and objective standpoint, they oversee our business operations and take part in our decision-making process. The outside auditors participated in all meetings of the Board of Directors and Board of Auditors held during FY2017. As experts in law and corporate accounting, the outside auditors carry out their duties from an

independent and objective standpoint to ensure that our management remains sound and strong.

The outside directors provide us with useful indications and opinions related to the management of our business based on their abundant experience and broad knowledge.

In addition, the outside directors have no personal affiliations with ONO, and no any capital ties, business relations, or other connections to the company and therefore we consider that there is no risk of conflict of interest with general shareholders.

Operational Management Structure

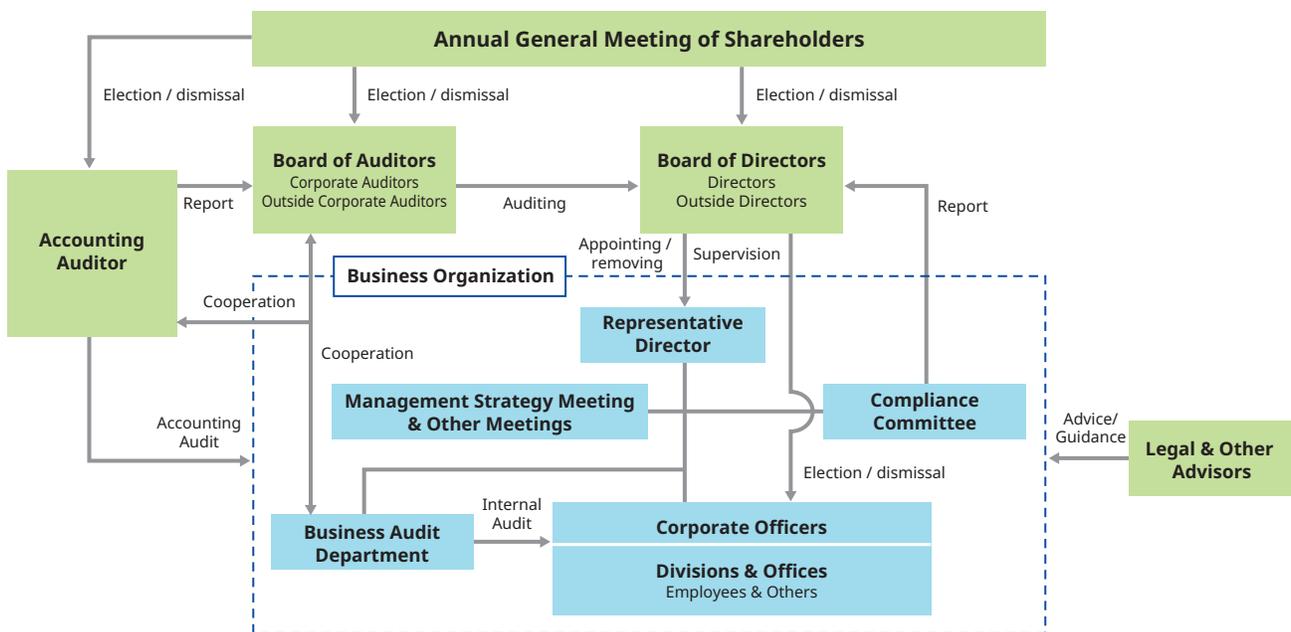
ONO is striving to ensure the efficiency and correctness of decision-making and operational management by, for example, the President and Representative Director, the Directors and Corporate Officers, who take responsibility for each division, as well as the managers of those divisions attending Management Strategy Meetings to deliberate from various angles on important operational management matters and above all, matters to put before the Board of Directors. We are also seeking to strengthen operational management capabilities in each business area by implementing our Corporate Officer system.

In addition, ONO also includes attendance at Management Strategy Meetings and inspection of the minutes within the scope of auditors' work.

Corporate Governance Code

Concerning the Corporate Governance Code stipulated by the Tokyo Stock Exchange, we follow all of its principles before revision (general principles that respectively specify the five issues of securing the rights and equal treatment of shareholders, appropriate cooperation with stakeholders other than shareholders, ensuring appropriate information disclosure and transparency, responsibilities of the board, and dialogue with shareholders, as well as the principles that embody the general principles and supplementary principles). Through the assessment of the effectiveness of the Board of Directors and other measures, we will continuously develop and improve our system in a way to make it more suitable for our business operations from such perspectives as the management efficiency, soundness, and transparency. We will take action in response to the Corporate Governance Code revised in June 2018 as necessary.

- For more details on our company's corporate governance, please refer to the following Corporate Governance Report (only available in Japanese).
→ <http://www.ono.co.jp/jpnw/csr/governance.html>



Internal Control System

ONO provides for an internal system in accordance with the basic policies of the internal control system decided upon by the Board of Directors. Our Internal Audit capability (Business Audit Department) ascertains whether it is operating properly or not. We are also working to continually improve the system by reporting on its operation to the Board of Directors. Furthermore, we adopt a firm stance fighting against any antisocial forces or organizations that may threaten social order or security.

Information Disclosure

As specified in our Codes of Conduct, we strive to establish transparent corporate management and recognize the importance of taking various opportunities to disclose information on our business activities in a timely and appropriate manner. We actively conduct investor relations (IR) activities based on a policy of pursuing accuracy, fairness, impartiality, and promptness. We disclose financial results and other timely disclosure information on our website and at the same time through TDnet, the timely disclosure network of the Tokyo Stock Exchange. Information that is not subject to the timely disclosure rules is also disclosed swiftly through our website and by other means. For securities analysts and institutional investors, we actively hold individual meetings and phone conferences in addition to financial results briefing or a conference call at the time of each quarterly statement and there were approximately 250 such opportunities in total in FY2017. We also participate diligently in investor conferences sponsored by securities firms and the like in order to facilitate individual investors' understanding of our business activities and management strategy. Our website contains IR Library that provides useful current and past data, including development progress updates, as well as financial

highlights for the last five years. Also, we endeavor to convey our corporate information to a wider range of people in an easy-to-understand manner by issuing business reports (shareholder newsletters) and Annual Reports (titled "Corporate Report"). We continue to address the disclosure of information in more accurate and prompt ways.

Risk Management

Rules and other systems on the management of the risk of losses

- (1) We manage risks related to compliance, product quality and safety, safety and health, the environment, disasters, information security, and other issues on the basis of internal rules and through the preparation and distribution of procedures in the relevant sections, as well as through training and other measures.
- (2) Cross-organizational risks and risks deemed to have a significant impact on management are monitored and addressed at a meeting attended by the President and Representative Director, the Directors and Corporate Officers in charge, and the managers of relevant divisions. In case of unexpected risks, the President gathers the relevant persons to solve any problems promptly as necessary.
- (3) Risks specific to a division are addressed by that division through the preparation of handling procedures, which are reviewed constantly in accordance with changes in the business environment.

Structure to ensure proper business operations of the corporate group composed of ONO and its subsidiaries

We provide consultation and guidelines for our group companies with regard to their legal compliance and risk management. While respecting their autonomy, we request that each company provides us with regular business reports and consult with us on important business issues in advance.

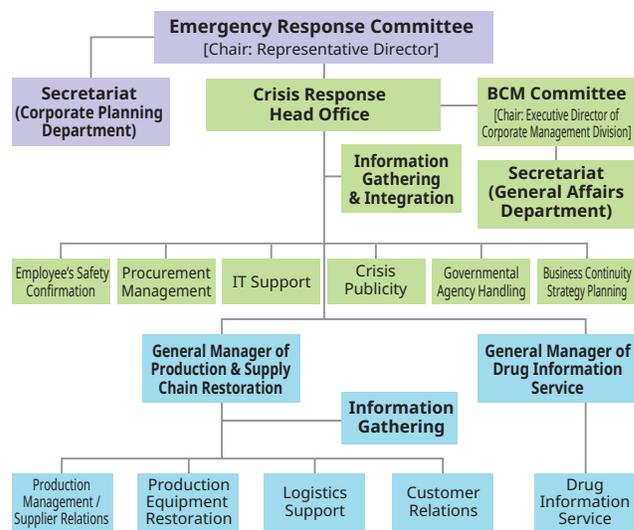
Strengthening Corporate Infrastructure

Corporate Governance

Business Continuity Plan (BCP)

According to the instructions of the Emergency Response Committee chaired by the President, we have organized the Crisis Management Headquarters and established a structure designed to minimize the impact of an emergency on mission-critical operations, so that we can continue business activities or recover promptly and resume them if they are suspended in cases of an emergency such as a natural disaster or serious accident. The BCM Committee, which is chaired by the Executive Director of the Corporate Management Division and in charge of business continuity management (BCM), and the Secretariat have been formed to maintain and strengthen our abilities to respond to crisis and continue our business operations, and promote relevant management activities during normal times.

Equipment for disasters, including emergency power equipment, two-line power receiving systems, and other measures, have been adopted at the Head office, Tokyo Building, each manufacturing plant, and each research institute, and seismic isolation devices against earthquakes have been introduced at the Head office, Tokyo Building, and Minase Research Institute. Furthermore, we have established a system to handle emergencies at two bases, in Osaka and Tokyo.



Messages from Independent Executives

Outside Director Yutaka Kato

I am an independent executive appointed as a Director of ONO PHARMACEUTICAL. Outside directors attend at Board of Directors meetings and get involved in management decision-making from a third-party perspective. Through such involvement, the outside directors play a role in strengthening the company's governance structure. Outside directors may identify what the industry or the company takes for granted, as peculiar to the public at large, and can give advice accordingly. I believe that reflecting social perspectives in management decisions on various issues enables the support that can ensure true competitive advantage.

In general, outside directors cannot even participate in discussions if they have little knowledge about the industry and the company. ONO, however, makes sure to, upon appointment of outside directors, provide us with sufficient explanation with detailed information about modes of action of drugs on living organisms and clinical trials. This allows us to actively participate in discussions at the Meeting of Board of Directors. Fortunately, business results have been good. However, ONO is expected to begin a new era after celebrating its 300th anniversary. It is important at this milestone juncture to comprehensively revise internal systems and adopt a clear strategy to take us into the future. In particular, I consider

the following activities to be important:

further strengthening research and development abilities; maximizing product value and strengthening corporate infrastructure in order to ensure sustainable competitive superiority; and sales expansion of ONO's products in overseas markets and engagement in new business fields. Outside directors are expected



to cooperate with internal management members concerning the issues involved in these management strategies.

We need to remind ourselves constantly of our Corporate Philosophy: Dedicated to Man's Fight against Disease and Pain. It is imperative we are aware of our duty to engage in corporate activities for people around the world.

Unfortunately, there have been serious problems in compliance with the law among many companies. I believe it is important that the notion "only virtuous companies flourish" permeates right throughout the organization.

Outside Director Jun Kurihara

Today, globalization shows further development and companies are required to review management strategies day after day in order to survive and develop under the severe competition beyond national boundaries. In addition, each country's system often changes, as shown in examples of the General Data Protection Regulation (GDPR) of the EU, and we need to consider preparation and responses to the frequent changes. Meanwhile the pressure of pursuing financial soundness is increasing in Japan, while company environments related to drug prices become critical in terms of social security expenses year on year. Furthermore, supported by advancements in computerization, the progressive improvement of management efficiency by information-communication technology (ICT) and security enhancement of corporate information have both become important management issues.

Under these environmental changes, according to a recent study by OECD, the gap in productivity between companies is increasing year by year and a major cause of the gap is due to business management quality. For this reason, companies are asked to improve their governance more than ever before. Further reforms are requested of

companies in relation to the following points due to the amendment of the Corporate Governance Code this year: giving sufficient consideration to shareholders; establishing leadership where stakeholders are respected; placing an emphasis on information disclosure; reconfirming heavy responsibilities of the Board of Directors, etc.; and communication with shareholders.

I will keep my eyes sharp with an "externally cool gaze" on daily operations as one of the outside directors in consideration of the aforementioned environmental changes and overall stakeholders, including shareholders. No doctor can calmly measure the pulse of his or her own child with a serious disease, even if he or she is an excellent doctor. In this case, it is necessary to have another doctor at his or her side. I think that the outside director fulfills the duties of this other doctor. I will do my utmost to be involved in the decision-making of ONO.



Outside Director Masao Nomura

I have been appointed as an outside director of ONO PHARMACEUTICAL as of June 2018.

It is my great honor to join ONO PHARMACEUTICAL, which has tradition of more than 300 years of history since its foundation of 1717. At the same time, I am humbled by the heavy responsibilities that I assume. I was President of Iwatani Corporation for five years starting in 2012 and was involved in business management. Iwatani Corporation started its business in May 1930 and will celebrate its 90th anniversary two years from now in 2020. Since its foundation, Iwatani Corporation has developed its business, by setting gas and energy as its core business, under the company philosophy, "Become a person needed by society, as those needed by society can prosper." It handles helium gas that is used for MRIs, medical gases, and other items as its products. In addition, Iwatani Corporation as a whole is preparing for the arrival of the next generation of energy, hydrogen energy. Since I have no direct relationship with the pharmaceutical industry, I would like to join in the management of ONO PHARMACEUTICAL from a different but allied perspective.

In the pharmaceutical industry, the business environment is rapidly

changing; for example, the revision of the drug price system and promotion of the use of generics which is advancing in Japan, while M&A is occurring worldwide. In the future, I consider that the allocation of management resources and reinforcement of governance will increasingly become important management issues. Under the

company philosophy "Dedicated to Man's Fight against Disease and Pain," I would like to join management as an outside director of ONO PHARMACEUTICAL, addressing continued growth and progression into a new stage, by bringing an independent and objective standpoint based on the management perspectives and knowledge that I have cultivated. I will strive to hand over ONO PHARMACEUTICAL, which has continued its business for more than 300 years since its foundation, to the next generation.



Four Growth Strategies

Strengthening Corporate Infrastructure

Corporate Governance



(Front row, left to right) Hishiyama, Sakka, Sagara, Kato, Kurihara, Nomura
(Back row, left to right) Fujiyoshi, Nishimura, Awata, Sano, Kawabata, Ono

Expected Roles of Outside Directors and Outside Auditors

	Name	Expected Roles	Attendance at meetings of the Board of Directors and Board of Auditors in the fiscal year ended in March 2018
Outside Director	Yutaka Kato	With advanced academic knowledge and abundant experience as a professor of management accounting and cost accounting, Mr. Kato has fulfilled important roles as an outside director by providing appropriate supervision of our company management from an independent standpoint as well as useful advice and suggestions. We expect that he will contribute to maintaining and improving sound management and appropriate operation by being involved in the management of our company as an outside director.	13 times / 13 times
	Jun Kurihara	With broad knowledge and abundant experience as one of the leading researchers in the fields related to politics, the economy, and society, Mr. Kurihara has fulfilled important roles as an outside director by providing appropriate supervision of our company management from an independent standpoint as well as useful advice and suggestions. We expect that he will contribute to maintaining and improving sound management and appropriate operation by being involved in the management of our company as an outside director.	13 times / 13 times
	Masao Nomura	Mr. Nomura has abundant experience and advanced knowledge as he has served as a management executive over the years and we expect that he will provide appropriate supervision of our company management from an independent standpoint as well as useful advice and suggestions.	Appointed in June 2018
Outside Auditor	Hiromi Sakka	With abundant experience and considerable knowledge of accounting as a certified public accountant, Ms. Sakka has fulfilled important roles as an outside auditor by providing appropriate supervision of our company management from an independent standpoint as well as findings and suggestions if needed. We expect that she will contribute to maintaining and improving sound management and appropriate operation by being involved in the management of our company as an outside auditor.	Meeting of Board of Directors: 13 times / 13 times Meeting of Board of Auditors: 13 times / 13 times
	Yasuo Hishiyama	With abundant experience and advanced knowledge of corporate legal affairs as an attorney-at-law, Mr. Hishiyama has fulfilled important roles as an outside auditor by providing appropriate supervision of our company management from an independent standpoint as well as findings and suggestions if needed. We expect that he will contribute to maintaining and improving sound management and appropriate operation by being involved in the management of our company as an outside auditor.	Meeting of Board of Directors: 13 times / 13 times Meeting of Board of Auditors: 13 times / 13 times

Management (as of June 22, 2018)

Members of the Board of Directors

President, Representative Director, and Chief Executive Officer	Gyo Sagara	
Member of the Board of Directors, Vice President Executive Officer/ Executive Director, Clinical Development	Hiroshi Awata	
Member of the Board of Directors, Senior Executive Officer/ Executive Director, Corporate Management & Director, Product Strategy Department	Kei Sano	
Member of the Board of Directors, Executive Officer/ Executive Director, Corporate Regulatory Compliance Safety and Quality Assurance	Kazuhito Kawabata, Ph.D	
Member of the Board of Directors, Executive Officer/ Director, Corporate Research	Isao Ono	
Member of the Board of Directors, Outside Director	Yutaka Kato	Professor, Doshisha Business School
Member of the Board of Directors, Outside Director	Jun Kurihara	Research Director, The Canon Institute for Global Studies Visiting Professor, School of Policy Studies, Kwansei Gakuin University
Member of the Board of Directors, Outside Director	Masao Nomura	Senior Adviser to the Board, Iwatani Corporation

Audit & Supervisory Board Members

Audit & Supervisory Board Member	Katsuyoshi Nishimura	
Audit & Supervisory Board Member	Shinji Fujiyoshi	
Outside Audit & Supervisory Board Member	Hiromi Sakka	CPA Partner of Kyoritsu Audit Corporation
Outside Audit & Supervisory Board Member	Yasuo Hishiyama	Attorney-at-law Partner Attorney at Law, TANABE & PARTNERS

Corporate Officers

Corporate Executive Officer/ Executive Director, Sales and Marketing & Business Unit Director, Primary Care Business Unit	Hiroshi Ichikawa
Corporate Executive Officer/ Director, Corporate Communications	Yukio Tani
Corporate Officer/ Director, Nivolumab Strategic Planning & Chairman, Scientific Review Committee of R&D Programs	Shozo Matsuoka, Ph.D
Corporate Officer/ Executive Director, Corporate Development & Strategy	Toichi Takino, Ph.D
Corporate Officer/ Business Unit Director, Primary Care Business Unit, Western Japan Region	Katsuji Teranishi
Corporate Officer/ Executive Director, CMC Production	Takuya Seko, Ph.D
Corporate Officer/ Business Unit Director, Oncology Business Unit, Sales and Marketing	Toshihiro Tsujinaka
Corporate Officer/ Executive Director, Discovery and Research	Hiromu Habashita
Corporate Officer/ Business Unit Director, Primary Care Business Unit, Metropolitan Region	Katsunori Morio

Strengthening Corporate Infrastructure

Fair Operating Practices

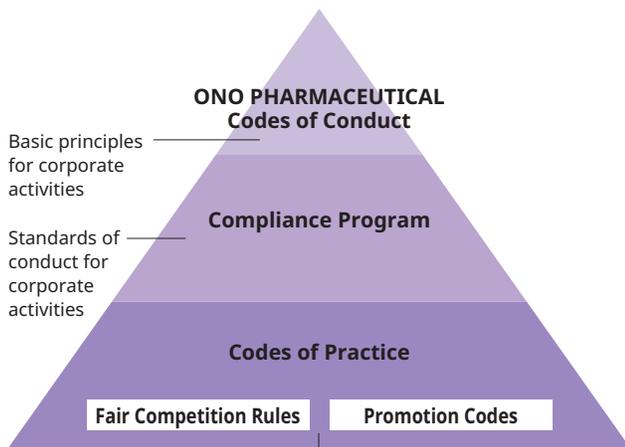
ONO PHARMACEUTICAL Compliance Structure

ONO has the ONO PHARMACEUTICAL Codes of Conduct to be aware of the responsibilities it holds as a pharmaceutical company in the development and provision of medicines on which human lives depend and to ensure that it acts in compliance with laws and regulations and that it meets high ethical standards.

Our compliance structure consists of the ONO PHARMACEUTICAL Codes of Conduct, which serve as a foundation for guiding our corporate activities; the Compliance Program, which provides standards of conduct for the activities; and the Codes of Practice, which are based on the pharmaceutical industry standards on promotion and other activities. When putting compliance with laws and regulations into practice, we repeatedly remind our employees of their duties to ensure transparency in transactions and prevent fraud and corruption, and to act taking consideration of the social context at home and abroad.

As a pharmaceutical company keenly aware of corporate ethics both in principle and in practice, we will continue to strengthen our level of compliance in line with our ethical principles.

ONO PHARMACEUTICAL Compliance Structure



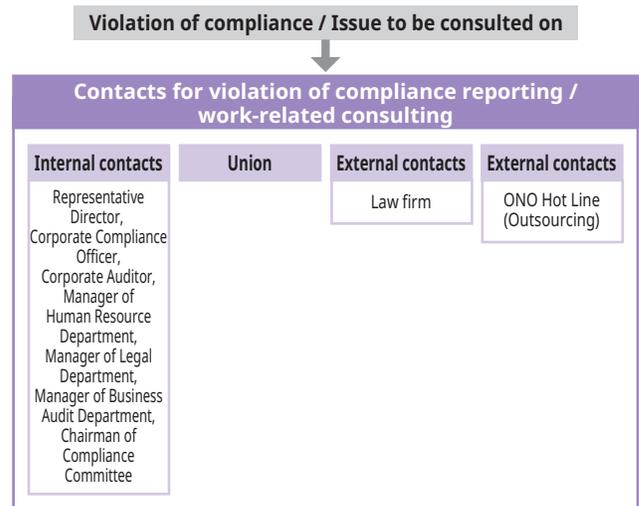
Standards of conduct that govern the actions of all executives and employees on medical workers/institutions, researchers, patient groups and wholesalers

Compliance Promotion Initiatives

Compliance Promotion System

To promote compliance, we have appointed a Corporate Compliance Officer and set up a Compliance Committee. The Compliance Committee examines and deliberates compliance-related issues, plans and promotes training and cooperates with the internal auditing department to check the extent to which compliance has been disseminated and practiced. We have internal and external contacts for reporting and consulting on

compliance issues for all group companies, including the 24-hour external contact for counseling service, ONO Hot Line, as a system to ensure that informants can directly report to or consult with top management members, including the Representative Director, the Corporate Compliance Officer, and Corporate Auditors. This system ensures harassment and other compliance violations are prevented as well as stopped from reoccurring. Likewise, an appropriate working environment can be ensured, and necessary actions and measures can be taken to minimize any damage or decline in credibility in the event of a compliance violation. From the perspective of the protection of informants, any information related to privacy, such as the name of an informant who uses the system, information related to details of the report, and other information will be strictly kept confidential and only provided to the authorized persons who need it for investigatory purposes. Anonymous reporting is also accepted. No employees who have used this reporting system will suffer prejudicial treatment of any kind only for making the report.



Engagement in Fair Promotion Activities

In terms of pharmaceutical marketing, so that the Compliance Promotion Department, Sales and Marketing Division, and other relevant departments cooperated with each other in order to provide optimal medical treatment from the patient standpoint, we established the Pharmaceutical Promotion Code in our Codes of Practice as an action guideline and we practice this Promotion in accordance with the guidelines.

ONO defines the term "Promotion" as "providing and conveying pharmaceutical information to medical workers so as to disseminate the appropriate use of pharmaceuticals based on such information." Employees involved in Promotion proactively carry out promotion activities, while always examining whether they are acting in accordance with the spirit of the Pharmaceutical Promotion Code in our Codes

of Practice regardless of whether there are any specific provision or description in the Code. Also, we comply with the Code and adhere to the JPMA (Japan Pharmaceutical Manufacturers Association) Code of Practice, as well as respecting the IFPMA (International Federation of Pharmaceutical Manufacturers & Associations) Code of Practice, which is a code established by an association in which the JPMA participates.

Compliance Education System

We give the following training courses for employees to enhance their awareness of compliance. We schedule a period for training (three months) every year during which all employees are required to join lectures given by the leaders of respective departments, and training courses using an e-learning system, to improve their familiarity with and understanding of compliance in general. In addition, in case of violation of compliance, we give special companywide training to prevent occurrence or recurrence of violation of compliance, depending on the nature of the case.

In particular, with regard to harassment, not only do we provide training courses for management staff, but we also have external lecturers hold sessions on harassment, thereby enhancing awareness of compliance. Concerning the thorough implementation of fair promotion activities, compliance promotion staff members visit each sales branch twice a year to provide MRs with compliance training focusing on dissemination and raising awareness of the Pharmaceutical Promotion Code in our Codes of Practice. The Compliance Promotion Department and Sales and Marketing Division hold monthly joint meetings with Trade Practice Committee members of the Fair Trade Council to share information and provide training. Furthermore, at meetings held by leaders in the Sales and Marketing Division, systems to improve familiarity with the aforementioned standards within the Division are developed.

Ethical Considerations

We always take consideration of ethics at every stage of research and development.

We have established internal ethical rules for research using human-derived samples (blood, tissue, cells, genes, etc.) based on the basic guidelines issued by the Japanese government. We have also established the Ethics Committee for Medical and Health Research Involving Human Subjects, as the advisory body comprising members from inside and outside the company. Such research is conducted only after the Committee conducts strict assessment of its ethical and scientific validity. For research using laboratory animals, we have an Institutional Animal Care and Use Committee in place. The committee reviews such research in advance to determine whether the protocols are prepared with due consideration of the 3Rs - replacement (to use alternative methods), reduction (to use a smaller number of animals) and refinement (to relieve pain and distress) - to ensure appropriate conduct of animal experiments with respect for the lives of the animals and with consideration for animal welfare. In addition, we conduct self-inspection and assessment of the status of ongoing animal experiments, for example, and obtain third-party certification of these activities from the Center for Accreditation of

Laboratory Animal Care and Use in the Japan Health Sciences Foundation. Clinical trials, which are essential for verifying the safety and efficacy of investigational compounds, must be performed with respect for the rights of trial subjects. Clinical trials are closely monitored for patients' safety and are stringently conducted under the high ethical standards. We are committed to evaluating the real merit of investigational compounds by steadily applying essential and complete testing procedures that comply with Japan's Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics (PMD Act) and other related legislation, as well as the global standards based on the spirit of the Declaration of Helsinki.

Fair and Transparent Business Activities

In promoting fair and transparent business activities, we ensure thorough awareness of the prevention of unfair and corrupt practices by repeatedly training our employees.

In order to contribute to healthcare and people's health around the world through continuous new drug R&D, along with a stable supply of our products, we need to engage in collaborative activities (support for patient organizations) and cooperate with research and medical institutions to help patients overcome disease and pain. To enhance the fairness and transparency aspects of such collaboration and cooperation, it is important to ensure transparent relationships with our partners. We therefore disclose information on costs of our assistance to medical institutions and patient organizations in accordance with our transparency guideline developed in consideration with the JPMA's relevant guideline.

As public interest rises globally on compliance to laws governing unfair and corrupt practices, we are mindful of the need to be aware of both domestic and international social contexts, and we therefore adopted in 2017 the ONO Anticorruption Global Policy and Regulations on the Prevention of Corruption. These are intended to clearly define and state our company's stance and system in preventing bribery and corruption. We are endeavoring to put these more strictly into practice.

As for publicly funded research, we instituted our Guideline on Publicly Funded Research as well as our Regulations on Publicly Funded Research in compliance with Japanese government guidelines and we are committed to ensuring proper operation and management.

Appropriate Procurement Activities

We have established a basic policy for procurement activities that is based on fairness, and incorporates the principles of economic rationality and environmental protection. Our procurement staff members are required to act in accordance with this policy. In addition, the purchasing organization is clearly separated from other parts of the company and is subject to regular internal audit to ensure transparency.

The basic policy for procurement activity is established based on our six CSR priority areas. We defined compliance with relevant laws and regulations in and outside Japan, respect of basic human rights, consideration of the environment, and other requirements in a written policy and engage in appropriate procurement activities with the cooperation of customers.

Strengthening Corporate Infrastructure

Human Resources and Human Rights

Development of Human Resources

Based on the belief that “People make the company,” we actively support the development of individual abilities and positive action taken where they are never afraid to fail so that individual abilities can fully blossom.

Basic Concept for the Development of Human Resources

We aim to invest in individuals who can work as members of a pharmaceutical company dealing in pharmaceuticals that human lives depend on and in members who can become resources of competitiveness to help us make the leap to becoming a R&D-based pharmaceutical company that can grow and develop in a global field.

While investing in the development of human resources, ONO seeks the following human resources:

Persons who try to achieve goals and who are self-directed, such as human resources who:

- are innovation-minded and never give up trying until the end;
 - can demonstrate their abilities in a team environment and can work collaboratively;
 - have a strong sense of responsibility for, and are proud of, their own jobs;
 - always take a positive approach and can learn and grow independently;
- and
- act in an ethical manner with common sense.

Provision of Growth Opportunities

We provide growth opportunities for our employees through training programs. We organize a wide range of collective training for employees in each phase of career growth, including companywide joint training for new employees from all divisions and departmental introductory training. To develop global human resources with capability for success irrespective of environment and location, we offer training programs and secondment to our overseas subsidiaries. We also aim to provide good training for managerial staff with a focus on the management skills required for organizational growth and the capability demanded of each role and position. Contents of these trainings are being continually enhanced. Furthermore, we encourage the self-development efforts made by employees. We set up a voluntary training system and we provide opportunities where employees can learn operations that are not familiar to those who work in some departments during regular operations and opportunities where cooperation and awareness between different departments

can be cultivated. A support system for self-learning has also been introduced. We provide more than 140 subjects for correspondence learning, including leadership, management, accounting, English conversation, and more, and we are always preparing an environment where attendees can learn a broad range of subjects. In addition, we promote self-development learning by aiding online English conversation classes and qualification tests.

Concerning activities mainly for MRs, we provide on-site training at medical institutions and other places so that MRs can understand the needs of patients and their families and can deliver our products that bring true benefit to patients. We conduct field training at facilities related to dementia, diabetes, and cancer and at medical institutions specialized in dialysis thanks to agreements for this type of our training and cooperation with medical institutions.

Respect for Human Rights

In all of our business activities, ONO respects the human rights of every person and will act accordingly.

In upholding this principle, we have adopted the policy of “no discrimination due to race, nationality, ethnicity, gender, age, religion, belief or philosophy, academic background, disability or illness, or other attributes,” in creating and managing our HR system. We have prohibited any form of harassment and conduct compliance training.

ONO supports international codes of conduct including the Universal Declaration of Human Rights, International Labor Standards, and the Voluntary Principles on Security and Human Rights.



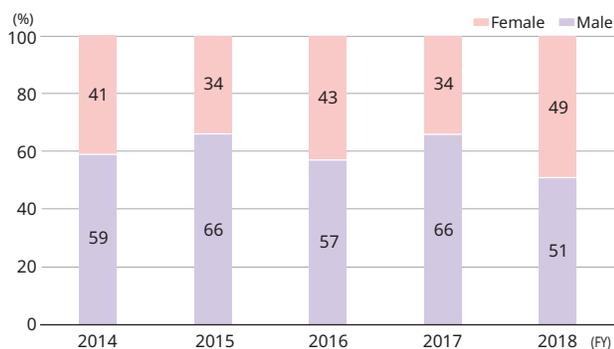
Diversity Promotion Initiatives

At ONO, we make continuous efforts to promote diversity in our workplaces. For the purpose of increasing corporate value, we believe that it is important to enhance the diversity of our corporate members' attributes, set of values and behavior, while recognizing their individualities.

Women's Participation Promotion Activities

We direct our strong endeavors in this area especially for the creation of systems that enable women to flourish. We have made strong drives to recruit women and to promote measures to prevent women from leaving the company due to major life events. Thanks to these efforts, the number of female employees has steadily increased and the employment rate of female employees as of March 2018 increased by 3.5% from March 2013. Also, we are creating an environment in which women can more fully exploit their potential by enhancing "Diversity & Inclusion," and embracing and including all kind of people, opinions and ideas by providing training for managerial staff members, for employees by year of employment or by work position, and other training. Starting in 2015, we have participated in a cross-industry activity which is run by sixty or so businesses located in western Japan that have taken the initiative to build on their diversity. We are striving to share information on diversity know-how and activities by participating in cross-industry seminars. We are continuing to move ahead with the creation of systems to increase the number of female employees and to support them in building up a career. We will do this by steadily implementing our Five-Year Action Plan (for the period from April 1, 2016 to March 31, 2021), which is based on the Act of Promotion of Women's Participation and Advancement in the Workplace (Women's Participation Promotion Act), set out in 2015.

The Male-to-Female Ratio of New Graduate Employees



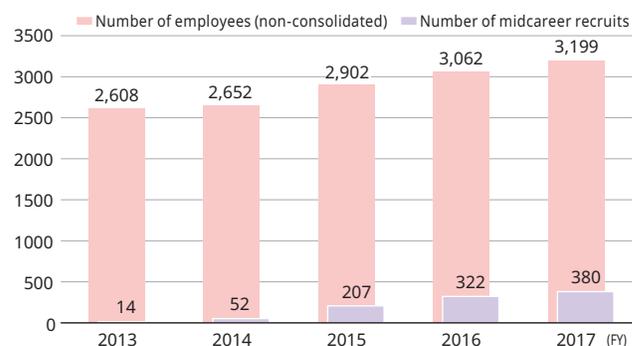
Activities to Promote Opportunities for Persons with Disabilities to Thrive / Activities to Promote of Midcareer Employment

As part of our diversity enhancement effort, we have been actively recruiting persons with disabilities, who account for an employment rate of 2.24% as of March 31, 2018. This exceeds the legally stipulated rate (2.2%), which was revised in 2018. Some 50 employees with disability currently enjoy working in their respective departments. In addition, we have been directing efforts toward employing people midcareer as an industry-ready workforce equipped with the skills and knowledge that ONO requires. Notably, since FY2014 when we started to adopt active steps toward midcareer recruitment in view of our business environment, the number of midcareer employees that have joined ONO has increased substantially among a wide range of employees and departments, including MRs, development staff members as well as pharmacovigilance department members and administrative department members. In FY2017, approximately seventy midcareer recruits joined ONO. They are playing their respective roles by applying their experience and expertise.

Employment Rate of Persons with Disabilities



Number of Midcareer Recruits



Strengthening Corporate Infrastructure

Human Resources and Human Rights

Enhancing Cultivation of Employee-Friendly Workplaces

ONO is moving ahead to create workplaces where employees can work with a sense of security. We are continuously committed to the development of support systems and working conditions that help employees work in various styles, as well as the improvement of their work-life balance, so that each and every person in our diverse workforce can bring energy to their work and demonstrate their full potential.

Promotion of the Reviewing the Way Employees Work

We consider that the shortening of work hours is an essential and fundamental challenge to be addressed for the development of a pleasant work environment. To this end, we focus on the review of working styles.

We appoint a promotion committee member in each department to involve the whole company in the activities, and the members work to raise awareness and encourage employees to make operations more efficient and to take paid holidays. We have also improved the system by making use of IT and introduced a flexible working time system and telecommuting system. Through these initiatives, we achieved positive results such as a year-on-year decrease in working hours by 0.5% and a year-on-year increase in the rate of taking paid holidays by 6.4% during the period from April 2017 to March 2018.

Childcare Support Initiatives

We believe that society as a whole should give more support to families raising children and that businesses should tackle the issue of creating environments that facilitate child bearing and parenting. We set out an Action Plan aimed at realizing workplaces that improve work-life balance and have been implementing action accordingly, ONO has been certified as a general business operator meeting the criteria based on the Act on Advancement of Measures to Support the Development of the Next Generation in 2008, 2012, 2014, and 2017.

Since April 2017, we have been promoting initiatives to build an environment in which men can actively take part in child-raising, such as the introduction of a new childcare support system, holidays to encourage employees to take part in child-raising, as well as the strengthening of activities to ensure that the male employees who wish to participate in child-raising by taking childcare leave can obtain the consent of the people around them.

Programs to Enhance Worker-friendliness

ONO offers various employment and support systems to make our workplaces more worker-friendly. We have systems

that allow employees to continue working during various major life events and to achieve a good work-life balance, as well as support systems that help employees who develop cancer, together with leave and subsidy systems. ONO designs systems so that employees can have more options in the way they work, for example, in cases of legally required systems, ONO's systems exceeds the statutory standards. We continuously improve these systems by listening to the workers' wishes so that they meet the actual needs of employees.

Furthermore, ONO strives to disseminate details of the systems thoroughly as well as the method of use for various kinds of employment and support systems by preparing and delivering handbooks that describe the benefit programs, such as leave before and after childbirth and childcare leave, application procedures for each system, FAQs, and other information and by providing announcements via Intranet.

Commitment to Safety and Health

For safety and health, we regularly hold safety and health committee meetings to continuously improve the working environment and employees' health. In our production and research sites, safety and health inspectors report findings from inspection patrols to the committee and propose improvements, effectively familiarizing employees with health and safety procedures, and taking appropriate actions. All our establishments are inspected annually for disaster prevention measures, fire extinguishing and first aid equipment, safe handling of machinery, safety procedure implementation levels, transportation operations, as well as cleanliness and tidiness. At the ONO Head Office and other company sites which have a health committee, each committee discusses health issues based on the results of workplace environmental measurements. We established the Central Safety and Health Committee as a place to share information and exchange opinions between all of the safety and health committees and have implemented safety and health activities across the entire company.

Labor and management proactively engage together in the prevention of industrial accidents and early reinstatement after an industrial accident.

Promotion of Health and Productivity Management

For ONO to achieve its corporate philosophy and to contribute to society by creating and developing innovative pharmaceuticals, it is essential that employees and their families are mentally and physically healthy, that our worksite is a place where individual abilities can be fulfilled to their utmost, and that lives of employees and their families are satisfying. ONO has developed a system for maintaining and enhancing the health of employees and has continuously implemented health and productivity management. For further implementation of activities in a systematic way, our company, labor union, industrial health staff members, and health insurance association organized the "Health Up Committee" in April 2018 based on the Representative Director's health declaration whereby we built a system to engage in activities to help maintain and promote health together.

Prevention of Diseases / Early Detection / Early Treatment Support

- ONO requires its employees to receive an annual health checkup and employees over 35 years old are required to undergo a complete medical checkup instead of a statutory health checkup. The complete medical checkup rate has continued to be approximately 99% excluding unavoidable reasons, such as employees taking leave, etc.
- Contract facilities for complete medical checkup exist in prefectures throughout Japan. The number of contract facilities as of April 2018 is 178 facilities so that employees and their families can easily receive the complete medical checkup.
- ONO supports the cost of screening tests for each cancer and many employees receive optional screening tests related to cancer when they undergo a complete medical checkup. We provide mail-in-type cervical cancer screening to female employees under 35 years old.

Cancer screening test rate (as of February 2018)

(Target: cervical cancer, employees over 20 years old; other cancers, employees over 40 years old)

	Cancer screening rate
Gastric cancer screening test	97.2%
Lung cancer screening test	99.3%
Colorectal cancer screening test	93.9%
Breast cancer screening test	90.0%
Cervical cancer screening test	43.4%

- After employees receive their health checkup, industrial health staff members recommend pursuing a consultation at a medical institution or give health instructions as necessary, or they recommend that employees with a high risk of lifestyle-related disease and their families receive specific health instructions.

Mental Health Measures

- ONO has provided internal training on mental health and conducted individual consultations by industrial health staff members in order to contribute to prevention, early detection, and early treatment of mental disorders, and we engage in these activities in cooperation with industrial physicians.
- We conduct stress checks once a year for all employees and the implementation rate is approximately 95%. After the checks, we continuously improve our worksites based on the results of organization analysis.
- ONO established a free consulting service counter operated by an external company and developed a system where employees can consult with experts via phone or e-mail in addition to face-to-face consultation.

Measures Against Passive Smoking and Promotion of Health

- On the way to enforcement of a total ban of smoking on the ONO's premises starting in April 2019, we are increasing employee awareness of no smoking activities by establishing "No Smoking Day," implementing an internal questionnaire on tobacco, and publishing the results of the questionnaire. We also engage in activities to increase awareness organizationally by preparing and displaying original posters using employee illustrations and by other means.



- In order to support employees who are trying to quit smoking, we have conducted an internal Quit Smoking Competition with the aim to stop smoking within six weeks in a fun and smart way. ONO supports employee activities to promote their health by providing allowances for treatment as an outpatient of the quit-smoking department, by providing an online quit smoking program, and by other measures.
- ONO conducts an internal walking campaign every year. Employee teams and their family members can participate in the campaign in addition to individual employees so that everyone can voluntarily join in the campaign. In addition, people who achieve a specific goal will receive local products from a disaster area as an achievement award. The number of participants is increasing year by year and the campaign is expected to encourage employees to make a habit of walking.
- Physical checkup meetings are conducted every year at major offices, and they include measurement of body composition, age of the blood vessels, bone density, and other items. Participants can check the conditions of muscles and bones that are not made clear by health checkups alone and they can also receive individual advice on diet and exercise from medical staff members. Therefore, the number of participants is increasing every year.

Health Management Support

- ONO started to operate a portal site where employees can check the results of their complete medical checkups and health checkups at any time with their terminal device regardless of where they received the checkups. The portal site provides extensive details to increase employee health awareness, including content that provides information to help accurately understand checkup results and correct lifestyle habits as well as advice on lifestyle habits based on each person's lifestyle conditions.

Strengthening Corporate Infrastructure

Society

Various Corporate Social Responsibility (CSR) Activities

We are working to support patients and their family members by disseminating information on diseases and their treatments. Our business facilities in various locations are actively involved in activities that contribute to local communities.

Web-Based Information Dissemination

Our corporate website contains a section, for patients and their families that explains specific symptoms of the clinical conditions, therapeutic methods, and things that the patients and their families should do in their daily lives to support themselves concerning common diseases, including diabetes and allergic rhinitis, and other diseases for which patients are increasing as the population ages, including Alzheimer's dementia, osteoporosis, and overactive bladder, in an easy-to-understand manner with diagrams and illustrations.

We also have other web sources to disseminate useful information widely. We operate a website specializing in dementia which provides comments and messages from a wide range of healthcare professionals involved in the treatment and care of people with dementia, as well as a website focused on oncology (information for the general public and patients), created in cooperation with supervising physicians so that people can learn about diseases and treatments in oncology, including the concept of cancer immunity, in an easy-to-understand way. In addition, we offer a free smartphone app that provides support to patients suffering from diabetes or other lifestyle diseases.

Concerning the website specializing in dementia, we covered an additional 37 medical institutions in FY2017 and published

an article to introduce their activities. The website focused on oncology has content on orphan cancers which have a high amount of unmet medical needs, including malignant melanoma, Hodgkin's lymphoma, multiple myeloma, etc., lung cancer, renal cell cancer, head and neck cancer, gastric cancer and other cancers, and it continuously provides the latest information.

Initiatives for Medical Advancement

We are making efforts to contribute to the medical advancement of unmet medical needs.

In 1988, the ONO Medical Research Foundation was established with donations from ONO. The Foundation provides grants for research activities in the field of lipid metabolism disorders and also aims to promote research and treatment in that field through various projects and thereby contributes to the health and welfare of the public. The Foundation has provided research grants and scholarships every year since its establishment. In FY2017, one person received the Osamu Hayaishi Memorial Award, 12 persons received research grants, and 16 persons received grants to encourage research (under 40 years old) respectively.

As of FY2017, we newly endowed or continue to endow some 20 academic chairs in institutions throughout Japan, focusing on disease domains where rapid increase in patient numbers are foreseen in line with the aging population, for example, cancer, diabetes and neuropathy and musculoskeletal disease. We have pledged 10-year support starting in FY2017 to the Japanese Biochemical Society for The Osamu Hayaishi Memorial Scholarship for Study Abroad to fund the overseas study of highly motivated life science researchers in biochemistry. 8 researchers were named recipients of the Osamu Hayaishi Memorial Scholarship for Study Abroad in March 2017 and 8 others in March 2018 respectively.

ONO continues to engage in providing grants for research that leads to medical advancements.

Activities to Support the Health of People

We conduct various health-related activities to provide a wide range of support for people such as patients and their families. We also cooperate in holding seminars for citizens to raise awareness and provide correct information about diseases. Since FY2014, we have been actively participating in a charity



event “Relay for Life” mainly in the locations of our offices. The objective of this event is to support cancer patients and their families and make cancer controllable and surmountable through actions of the whole local community against cancer. In the field of dementia, all our MRs, who have completed the Dementia Supporters Training Program, learn and put into action what they can do on a daily basis to help people with dementia and their families live with a sense of security. We produce and release on our corporate website a series of short movies titled “Grandma’s World” which are aimed at raising dementia awareness. In addition, we continue the “Communicate & Link” exhibition on the website, which shows images of paintings, calligraphy, and other art works created by people with dementia at medical institutions. This exhibition is aimed at spreading joy to people with dementia and their families and helping medical providers gain professional fulfillment. We received more than 400 works from all over Japan for the 9th exhibition held in FY2017. Since 2015, as a Great East Japan Earthquake reconstruction assistance activity, we cooperate with top athletes and specialists in lifestyle disease and provide a program, “Operation Slimmer and Healthier,” addressed childhood obesity, a social issue in the earthquake-affected areas. This project provides an opportunity for children and their parents to consider diet and lifestyle habit through sports. In March 2018, we held the program in Soma City, Fukushima Prefecture following Aizu Misato-machi, Fukushima Prefecture in 2015, Ishinomaki City, Miyagi Prefecture in 2016, and Ofunato City, Iwate Prefecture in 2017. We will be committed to continuing to be involved in activities that help people keep healthy.

Activities for Students and Children

ONO proactively engages in activities that support the development of children who will carry our future. We have been visiting schools and giving lessons on the theme of dementia (for junior and senior high school students). This continued activity of our company aims to give students the idea that dementia is not an uncommon event and to instruct them with the correct knowledge about dementia by viewing a short movie titled “Grandma’s World” which was created by ONO with the aim of raising dementia awareness and by providing statements from a specialist. This initiative has been repeatedly taken since its start in May 2014, and a total of more than 1,400 students have attended the lessons by the end of March 2018. In addition, our researchers visited schools and gave lessons (in the town where the Minase Research Institute is located, for elementary school students) on the theme of drugs with the aim of increasing interest in science in FY2017, following FY2016. We also sponsored experience training (provided by local governments around the Fujiyama Plant, for elementary school

students) with the aim of having students voluntarily consider the global environment and mainly the water environment. In FY2017, as we agreed with the philosophy of “Kokoro no Gekijo (Theater of the Heart)” performed by the Shiki Theatre Company and Butaigeijutsu Center, we started to sponsor their activities. The Theater of the Heart is a project that invites children in Japan (mainly 6th grade students) to theaters for free and conveys emotions in order to talk to the children’s hearts about the importance of life, caring for others, the pleasures of mutual trust, and other information through theater.

In addition, ONO donated to a project, “Kodomo Hon no Mori, Nakanoshima (tentative name),” which builds libraries. The project aims to help children pursue their abundant creativity by building libraries filled with books, art, and culture.

Relationship with Local Communities

In our role as a corporate citizen, we have each of our business sites take part in various activities such as cleanups, disaster prevention activities, and conservation of the natural environment.

In addition, ONO will go on contributing to the local community in various ways, for example by selling bakery products handmade by people with disabilities in their work centers, by enthusiastically supporting Japanese Red Cross Society blood drives at Head Office, research institutes, and plants; and by donating teeth-brushing packs and toothbrushes, produced by an ONO subsidiary company, to the elementary schools, kindergartens and nursery centers near the Minase Research Institute, during Dental and Oral Health Week.

From the perspective of sustainability where the local community and company live and achieve sustainable development together, ONO will proactively participate in and engage in a variety of activities to contribute to local communities as a member of society.



Visiting schools and giving lessons on the theme of dementia

Strengthening Corporate Infrastructure

The Environment

Activities to Achieve an Abundant Global Environment

ONO established the ONO PHARMACEUTICAL Environmental Guidelines for our environmental activities and formulated a voluntary environment action plan based on the Guidelines. We defined the specific content of actions as well as numerical goals by which we will strive to reduce greenhouse gas emissions from business activities on a company-wide basis. In this and other ways, we will fulfill our corporate social responsibility by prioritizing the environment in all business areas and by contributing to the realization of an abundant global environment.

[ONO PHARMACEUTICAL Environmental Guidelines]

- Aware of corporate social responsibility for the environment, we will work to protect and preserve the global environment in all of our business operations.
- In addition to fully complying with all environment-related laws and regulations, we will establish targets and action plans in a continuous effort to protect and preserve the environment, including natural resources and biodiversity.
- In all of our business operations we will implement environment-focused measures such as saving resources and energy, recycling, reducing waste, and preventing pollution.
- We will endeavor to produce eco-friendly products, and will cooperate with society.
- With the participation of every employee, we will strive to further understand environmental issues and to promote environment-related activities.

Promotion of Environmental Management

Our environmental management promotion structure consists of the Executive Director of Corporate Management Division, CSR Promotion Section, and the Environmental Management Committee. The Executive Director of Corporate Management Division supervises company-wide environment management, and CSR Promotion section operates the Committee. Members of the Committee are chosen from relevant departments, and are responsible for specific on-site monitoring and promoting environmental management. Each of the production and research sites with environmentally major impact has a subcommittee to work on environmental issues. Each production site makes continuous efforts to reduce environmental impact under an ISO 14000-compliant environmental management system in place.

Employees receive necessary training on environmental management concerning the operations that could have impact on the environment, to reduce environmental risks.

We also have a structure to minimize environmental impact arising from emergency disasters, by providing training and onsite education and formulating manuals to prepare for them.

Environmental Efficiency / Environmental Accounting

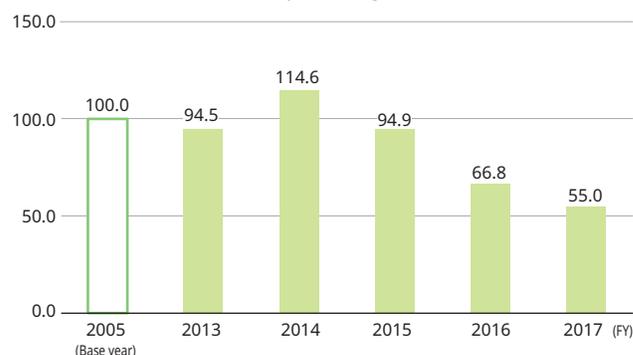
We assess the environmental efficiency of our production and research sites to evaluate their environmental efforts in a quantitative form. In addition, we have disclosed environmental accounting data in reference to the Environmental Accounting Guidelines (2005 edition) issued by the Ministry of the Environment of Japan.

We disclose an indicator that shows the efficiency of our environmental conservation activities in reducing environmental impact. To calculate this indicator, we classify the company's environmental impacts into five categories: chemical substances, global warming, waste, water quality, and air quality. We then select a typical environmental factor for each of the categories and divide their amount of environmental impact by revenue in the relevant fiscal year. The resulting figure is then used to assess the level of reduction in environmental impact achieved through environmental conservation activities.

Due to sales growth, the environmental efficiency indicator for FY2017 improved by 45.0 points compared to FY2005 in spite of temporary increases in waste from the renovation of facilities related to investigational drugs at Joto Plant.

We will remain committed to reducing our environmental impact and improving the environmental efficiency indicator.

Assessment of Environmental Efficiency (Indicator with a score of 100 representing the level in FY2005)



- See ONO's corporate website for more details on FY2017 environmental cost and effect.

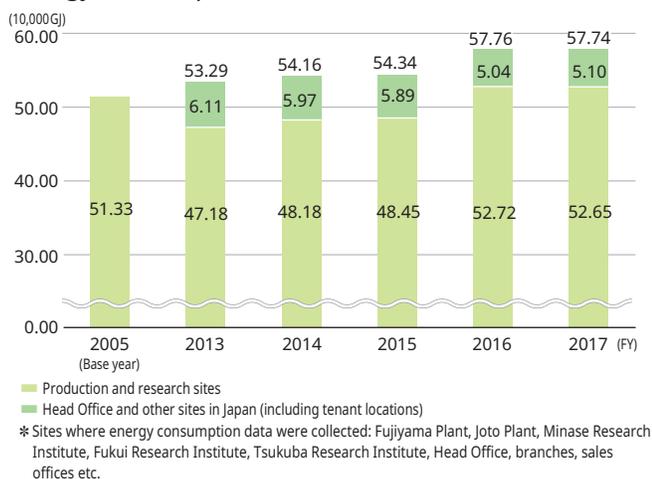
→ <http://www.ono.co.jp/eng/csr/environment04.html>

Energy Saving and Measures Against Global Warming

Implementation of energy saving and global warming prevention activities are regarded as the most important environmental goal of ONO. All our places of business - production sites, research institutes, and offices - take energy-saving and power-reducing measures appropriate to the nature of their operations. Efforts are made to reduce greenhouse gas emissions from our business activities with the aim of achieving our medium-term environmental target of a more than 23% reduction in CO₂ emissions (energy-derived CO₂ emissions from production and research sites) in FY2020 compared to FY2005. In FY2017, CO₂ emissions from production sites and research institutes decreased by 10.1% to 24,000 tons compared to 26,700 tons in FY2005.

We implement company-wide activities, including Cool Biz and Warm Biz, to reduce energy consumption. We also use the latest energy-saving devices at production sites and research institutes when renewing old air conditioning equipment and electric equipment. In addition, a solar power generation system, a renewable energy based system, is used at the Head Office, Minase Research Institute, and Tokyo Building constructed in March 2018. ONO is a specified business operator under Japan's Act on the Rational Use of Energy (Energy Saving Act), and every year we report our energy consumption and our mid- to long-term energy reduction plan to the Ministry of Economy, Trade and Industry (METI) and the Ministry of Health, Labour and Welfare (MHLW). We will examine the use of the latest systems with high energy-saving performance and renewable energy systems when planning to construct a new building or when conducting a major renovation, and thereby strive to reduce electric energy consumption in order to contribute to electric load leveling.

Energy Consumption



Water Resources Preservation / Measures Against Water-Related Risks

ONO addresses the preservation of water resources from the perspective of both production activities and research activities in order to fulfill our corporate social responsibility and reduce management risks. We make efforts to reduce water consumption amounts and to provide strict quality control of water discharge as we continue activities that take biodiversity into consideration. In addition, one of the important elements for us is to have quality freshwater available to engage in our business activities. For that reason, we survey risks related to water, understand risks that are likely to have an impact on our business, and analyze and assess them. The use of quality freshwater has never been restricted at our plants and research institutes in Japan and therefore there is a low possibility that the use of quality freshwater will present obstacles under the current situation. However, we understand and assess impact in cases where water quality worsens or water shortages arise due to changes in the global environment caused by future climate change or where regulations on water discharge are tightened, and we examine countermeasures.

Waste Management

We promote company-wide initiatives to reduce the amount of industrial waste landfilled. Residues after intermediate treatment were sent to landfill sites where materials can be recycled to reduce the amount of landfilled industrial waste to 7.4 tons in FY2017, which was equivalent to 1055.7% of the amount in the previous fiscal year. This is due to temporary increases in waste from the renovation of facilities related to investigational drugs at Joto Plant. All of our sites thoroughly collect waste paper by sorting them into three types, and they are recycled into copy paper, toilet paper, and cardboard respectively. In FY2012, we introduced on-demand printing of marketing materials to reduce the stock of such materials in our sales offices. This has trimmed the amount of stock in the offices and reduced the amount of unused materials that are disposed of as waste.

The production and research sites are achieving, and are committed to continuing "Zero Emissions*." Also, we visit intermediate and final waste disposal contractors to confirm that our industrial waste is properly disposed of. We are promoting efforts aimed at recycling industrial waste, using thermal recycling by authorized heat recovery facilities and choosing final waste disposal sites that utilize the material recycling system.

* Some hazardous substances and waste reagents are excluded from the "zero waste emission" activities because priority is given to disposal of them in a safe and reliable manner.

* This aims to reduce the proportion of waste landfilled below 1.0% through reuse of industrial waste generated from business activities.