

CSR Report
2018



Be passionate challengers

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About the CSR Report

■ Editing Policy

This CSR Report is issued yearly in order to inform in a systematic and faithful manner to all the stakeholders on the basic ideas, targets and plans of ONO's CSR management as well as the contents, progress, and achievement of the efforts we made.

The CSR is structured in line with the six priority areas specified in light of ISO26000, an international standard providing guidelines on social responsibility.

■ Organization covered by the report

ONO PHARMACEUTICAL CO., LTD

*The report also partly informs our group companies' efforts.

■ Period of time covered by the report

FY 2017 (from April 2017 to March 2018)

*The report also partly describes efforts before and after the period above.

■ Publication date

August 2018

■ Reference guidelines

The Global Reporting Initiative's Sustainability Reporting Guidelines – G4
ISO26000

Ministry of the Environment, *Environmental Reporting Guidelines (Fiscal Year 2012 Version)*

Ministry of the Environment, *Environmental Accounting Guidelines (Fiscal Year 2005 Version)*

Top message

Contributing to sustainable social development through business activities.



President,
Representative Director, and CEO
Gyo Sagara

Since its establishment in 1717, ONO has resolutely pushed forward in the pharmaceutical industry under the corporate philosophy “Dedicated to Man’s Fight against Disease and Pain.” We aim to contribute to society by developing pharmaceutical products that truly benefits patients, and we will continue to tackle diseases that have not been overcome, as well as the disease areas where the satisfaction level with the treatment is still low among patients and medical needs are high.

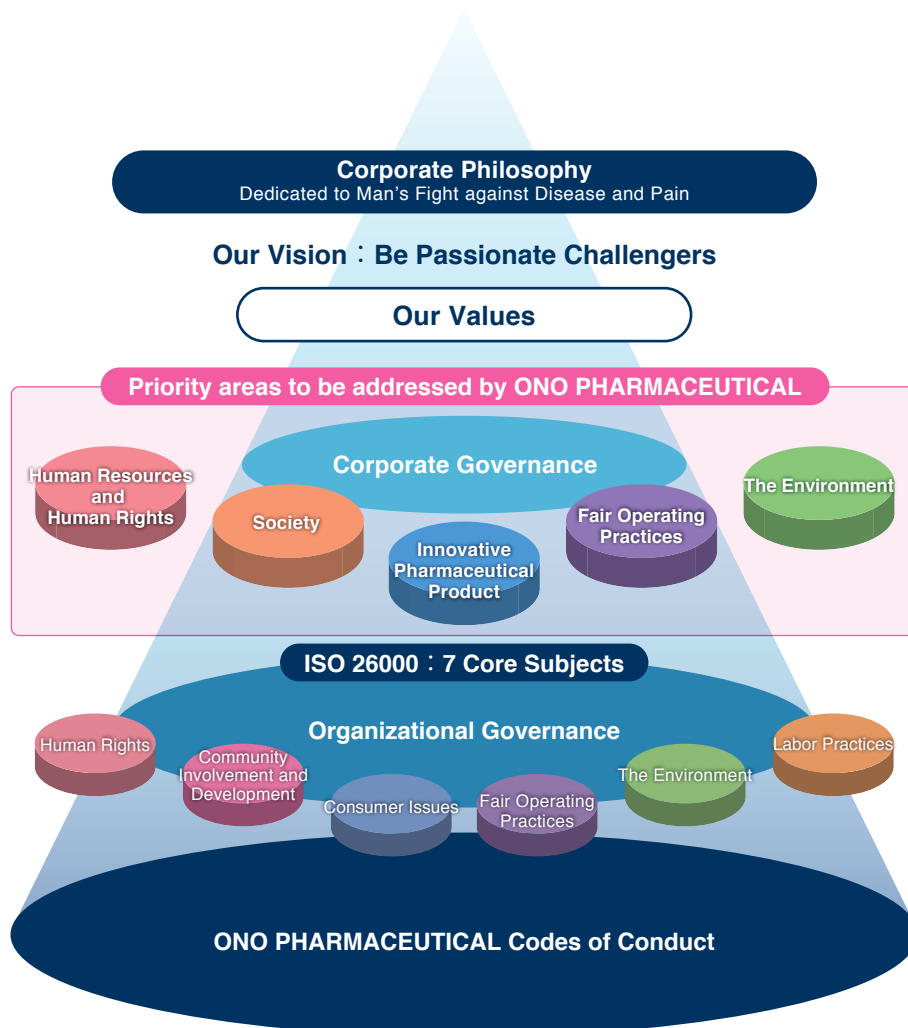
As a company that delivers pharmaceutical products affecting the lives and quality of life of patients, we always engage with the community with a sincere and faithful attitude and making efforts to further strengthen our compliance system on a company-wide scale, so as not only to comply with laws and regulations but also to act in accordance with high ethical standards.

We set the ONO PHARMACEUTICAL Codes of Conduct as the basis of our CSR management and specified six priority areas for our CSR activities in light of the seven core subjects defined in ISO 26000, an international standard providing guidelines for social responsibility, and we have promoted the activities with company-wide efforts. The first of these priority areas is Corporate Governance, which forms the foundation for the five remaining areas of Innovative Pharmaceutical Products, Human Resources and Human Rights, The Environment, Fair Operating Practices, and Society. We will promote activities related to these priority areas to fulfill our social responsibility to all stakeholders and contribute to the sustainable development of society.

CSR Management

Identifying six priority areas based on our corporate philosophy and Codes of Conduct, and contributing to sustainable social development through business activities

ONO PHARMACEUTICAL Codes of Conduct represent the ideal state of a company from a perspective of a high standard of ethics. They also guide us in acting with respect for human rights of all people, complying with laws and regulations, and striving to maintain fair relations with society in every aspect our business activities. Placing the ONO PHARMACEUTICAL Codes of Conduct at the foundation of our CSR management, we have cross-checked them against the Seven Core Subjects of ISO 26000, and identified Six Priority Areas for the CSR activities. Based on our Corporate Governance, we have defined the other priority areas as Innovative Pharmaceutical Products, Human Resources and Human Rights, The Environment, Fair Operating Practices, and Society, and we are committed to demonstrating accountability to our stakeholders by disclosing information about our efforts in these areas.



ONO PHARMACEUTICAL Codes of Conduct

1. 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.
2. We will act with respect for the human rights of all people in every aspect of our business activities.
3. We will comply with the law in every field of our business activities and strive to maintain fair relationships with society.
4. We will make efforts to conserve the global environment in every field of our business activities.
5. We will strive for highly transparent corporate management and proactively disclose business information.
6. We will seek harmony with society as a corporate citizen.

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

● Corporate Governance

We enforce transparency in our corporate management, and thus enhance our corporate value, by not only complying with laws and regulations but also by strengthening our corporate governance systems.

● Innovative Pharmaceutical Products

Through collaboration between all our divisions including research, development, business strategy, manufacturing, safety/quality assurance, and marketing, we are committed to the disease areas where the satisfaction level with the treatment is still low among patients and medical needs are high so that we can bring innovative drugs as soon as possible to patients throughout the world.

● Human Resources and Human Rights

ONO believes that “People make the company,” and actively supports the development of individual abilities and positive action taken without fear of failure. We promote efforts to improve safety and health conditions, and to create a working environment where the company and its employees can live in harmony and individual abilities blossom to their full extent. We also value a society where human rights are fully respected and seek to establish a company with no discrimination.

● The Environment

Keeping in mind our corporate social responsibilities for the environment, we promote environmental efforts to realize a global environment rich in natural beauty through environmentally sustainable activities in all areas of business operations.

● Fair Operating Practices

We thoroughly implement employee education based on our Codes of Conduct and anti-bribery rules and strengthen compliance to establish and maintain sound, fair and transparent relations with medical professionals and trading partners as well as with government and administrative bodies.

● Society

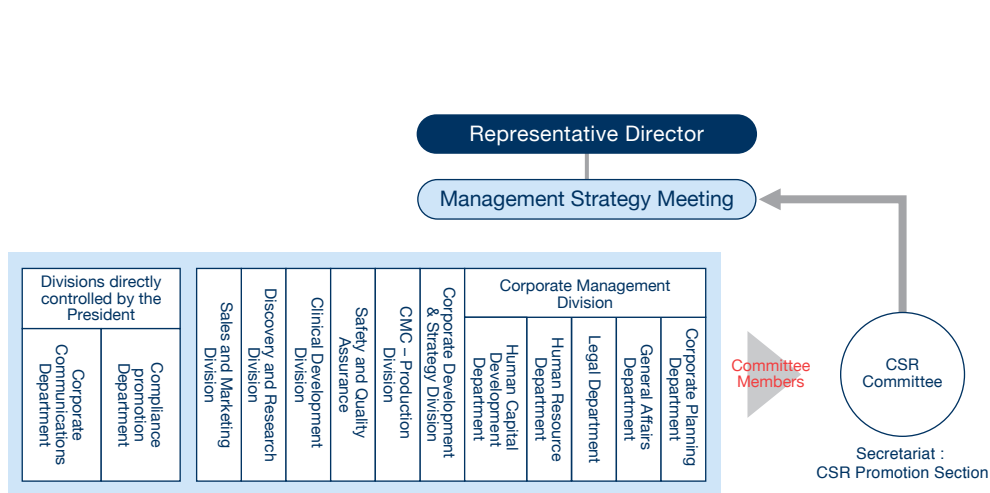
We raise our social value by creating and developing pharmaceuticals that truly benefit patients. We always engage with the community with sincerity and act in harmony with the community as a local corporate citizen.

How to Identify Priority Areas

1. ONO PHARMACEUTICAL Codes of Conduct represent the ideal state of a company from six perspectives based on high ethical standards.
2. We identify the social issues to be considered for CSR management and divide them into those which we are required to address, those for which we should give support, and those for which we can give indirect support.
3. We assess and review those issues in consideration of the progress in addressing them, as well as social demand, to identify any items which we should add or aspects on which we should enhance our efforts.

CSR Promotion Structure

To promote CSR activities, we have the CSR Committee in place, chaired by the Director, Senior Managing Executive Officer. The Committee, which mainly consists of managers from various divisions, deliberates and makes decisions on important issues and subjects in the six priority areas for CSR activities. The activities of the Committee are periodically reported to the management.



Participation in United Nations Global Compact

In November 2017, we participated in the United Nations Global Compact (UNGC), which is composed of 10 principles advocated by the UN concerning human rights, labour, the environment, and anti-corruption. We will comply with relevant laws and disseminate the Ten Principles of the Global Compact through our daily activities to ensure that all employees follow them.

The Ten Principles of the UNGC

〈Human Rights〉

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

〈Labour〉

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

〈Environment〉

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

〈Anti-Corruption〉

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



Efforts made for Achieving Sustainable Development Goals

Sustainable Development Goals (SDGs), which were adopted at the United Nation Summit in 2015, are the common goals of the international community and consists of 17 goals.



In the SDGs, good health and well-being for all is listed as Goal 3. Under our corporate philosophy “Dedicated to Man's Fight against Disease and Pain,” we, as a R&D-oriented company specialized in pharmaceuticals, take offering innovative drugs as an important CSR issue and are making efforts to realize it. Specifying cancer, immunologic diseases, and central nervous diseases as our priority research areas, we will develop original innovative drugs for diseases where medical needs still cannot be met, and contribute to achieving Goal 3: Good health and well-being for all through improving medical access.

As Goal 9, build infrastructure for industrialization and technological innovation is listed. Building a foundation to offer innovative drugs is also important for us. We are proactively working on preparing the groundwork for innovation by promoting researches through research grants for domestic and overseas researchers funded by the Ono Medical Research Foundation and Ono Pharma Foundation.

As Goal 17, leveraging partnerships to achieve the goals is listed. Offering innovative drugs can be achieved not only by ourselves, but also through various partnerships. We had promoted the development of our original drugs in various fields by leveraging the world’s cutting-edge technologies, knowledge and findings even before the term “open innovation” was popularized. At the same time, we also proactively work on the introduction and derivation of new drug candidate compounds. Furthermore, in addition to partnership activities with venture and other pharmaceutical companies, we form partnerships with various stakeholders, such as universities, research institutions, administrations, local communities, and NPOs, and make efforts to resolve issues through open innovation. You can find out more about our major business partners from [here](#).

We are now identifying materiality of our CSR activities, and by the end of FY 2018, we will determine which SDGs we should focus on besides the above three goals.



ISO 26000 Comparison Table

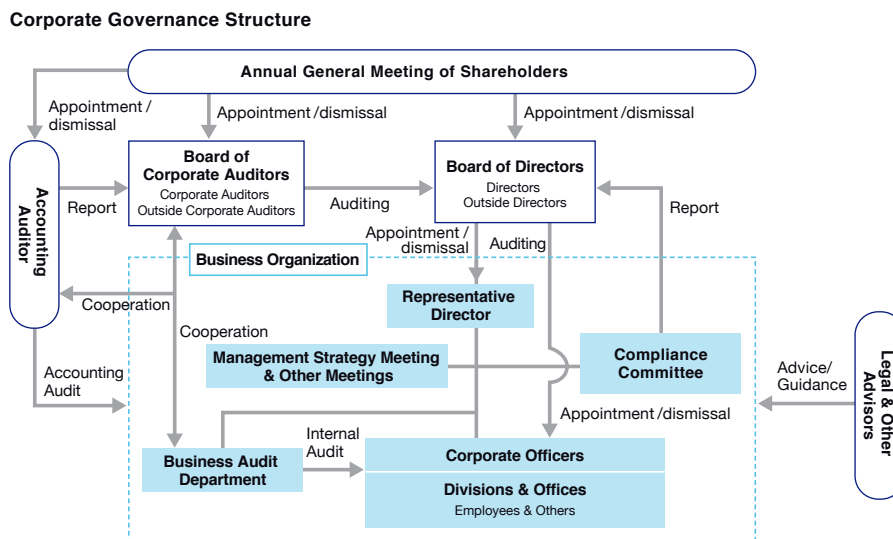
ISO26000		
Core subjects	Issues	Related items
Organizational Governance		<ul style="list-style-type: none"> • CSR Management • Corporate Governance Structure • Internal Control System • Corporate Governance Code • Risk Management • Business Continuity Plan (BCP)
Human Rights	Due diligence	<ul style="list-style-type: none"> • Respect for Human Rights • Diversity Promotion Initiatives • Enhancing Cultivation of Employee-friendly Workplaces
	Human rights risk situations	
	Avoidance of complicity	
	Resolving grievances	
	Discrimination and vulnerable groups	
	Civil and political rights	
	Economic, social and cultural rights	
	Fundamental principles and rights at work	
Labor Practices	Employment and employment relationships	<ul style="list-style-type: none"> • Human Resources • Respect for Human Rights • Diversity Promotion Initiatives • Enhancing Cultivation of Employee-friendly Workplaces
	Conditions of work and social protection	
	Social dialog	
	Health and safety at work	
	Human development and training in the workplace	
The Environment	Prevention of pollution	<ul style="list-style-type: none"> • Environmental Management • Ongoing Environmental Protection Activities • Environmental Efficiency / Environmental Accounting
	Sustainable resource use	
	Climate change mitigation and adaptation	
	Protection of the environment, biodiversity and restoration of natural habitats	
Fair Operating Practices	Anti-corruption	<ul style="list-style-type: none"> • ONO's Ethical System • Compliance Promotion Initiatives • CSR Procurement
	Responsible political involvement	
	Fair competition	
	Promoting social responsibility in the value chain	
	Respect for property rights	
Consumer Issues	Fair marketing, factual and unbiased information and fair contractual practices	<ul style="list-style-type: none"> • Key Product Profiles • Status of Development Pipeline • Innovative Pharmaceutical Products (Research, Licensing, Development, Manufacturing, and Marketing)
	Protecting consumers' health and safety	
	Sustainable consumption	
	Consumer service, support, and complaint and dispute resolution	
	Consumer data protection and privacy	
	Access to essential services	
	Education and awareness	
Community Involvement and Development	Community involvement	<ul style="list-style-type: none"> • Various Corporate Social Responsibility Activities (Web-Based Information Dissemination, Initiatives for Medical Advancement, Activities to Support the Health of People) • Activities as a Corporate Citizen
	Education and culture	
	Employment creation and skills development	
	Technology development and access	
	Wealth and income creation	
	Health	
	Social investment	

Corporate Governance

To ensure the trust of all of our stakeholders and increase our corporate value, ONO PHARMACEUTICAL believes it is vital not only to comply with laws and regulations but also to enforce management transparency and strengthen corporate governance.

Corporate Governance Structure

As part of our endeavors to bolster corporate governance, ONO has adopted an organizational framework with a Corporate Auditor (or Board of Corporate Auditors) whose task is to focus on enhancing the functions of the Board of Directors and the Board of Corporate Auditors.



● Board of Directors

As for board members, we select the candidates taking into consideration the balance and diversity of their knowledge, experience, and proficiency, so that the Board of Directors as a whole can make technical and comprehensive management decisions. The term of office for each director is limited to one year. This serves to clarify their responsibility, and it allows the board to respond flexibly to changes in the management environment.

The board system are determined in a way that is optimally suited to enforcing management transparency, enhancing corporate governance, and expediting the decision-making process. Presently, the board consists of eight members, including three outside directors. The board holds a meeting every month in principle to deliberate and make decisions on important management issues and to assess how each board member is conducting his or her duties.

●Board of Auditors

To maintain a strong auditing function, the Board of Auditors comprises two independent outside auditors along with two full-time auditors who have expert knowledge on our business operations and who are highly skilled in collecting auditing information. These full-time and outside auditors work together to achieve high auditing efficiency.

The Board of Auditors holds a meeting regularly. Working with the internal auditing department (Business Audit Department) to enforce auditing efficiency, the Board of Corporate Auditors 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 except a new director appointed in June 2018 attended all meetings of the Board of Directors held in FY 2017. From an independent and objective standpoint, they oversee our business operations and take part in our decision-making process. They are involved in the process of making important decisions such as nomination of offices and executive compensation, help to ensure the transparency and objectivity and enhance the functions of the board by serving as members of the Director Appointment Committee and the Executive Compensation Committee.

The outside auditors attended all meetings of the Board of Directors and the Board of Auditors held during fiscal 2017. As experts in law and corporate accounting, the outside auditors carry out the audits from an independent and objective standpoint to ensure that our management remains sound and strong.

Outside officers provide useful advice and suggestions for our business management based on their abundant experience and profound knowledge.

There is no special interest relationship between these outside officers and ONO such as personal relationships, capital relationships, and business relationships, based on which we believe there is no risk of conflict of interest with general shareholders.

●Operational Management Structure

For the improved efficiency and accuracy of our decision making and business operations, we hold Management Strategy Meetings and other meetings attended by the president, board members, corporate officers in charge of each division, and managers of relevant departments. At these meetings, we take a multifaceted approach to addressing important management issues, including those that are to be deliberated on at board meetings. We also aim to improve management efficiency and make quicker decisions by introducing a corporate officer system and promoting transfer of authority.

Auditors are obliged to attend Management Strategy Meetings and inspect their minutes, as these meetings are also subject to auditing.

Corporate Governance Code

As for the Corporate Governance Code stipulated by the Tokyo Stock Exchange, we follow all principles before revisions (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. As for the Corporate Governance Code revised in June 2018, we will continue to respond to it appropriately.

Internal Control System

We have laid out our operational system in compliance with the corporate governance guidelines set out by the board of directors. Implementation of the system is inspected regularly by the Internal Auditing Department (Business Audit Department). Results are reported to the board of directors with the aim of constantly improving the system.

Furthermore, we adopt a firm stance of fighting against any antisocial forces or organizations that may threaten social order or security.

Risk Management

We work to identify potential major risks to prevent them from occurring, and we have a structure in place to ensure that appropriate actions are taken in case of their occurrence.

In addition, we are making efforts to effectively and efficiently solve risk management issues, including promotion of the establishment of company-wide risk management system with the senior executive officer / executive director in charge.

● Rules on the management of the risk of loss and other systems

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 situations, the president calls a meeting with concerned parties to solve problems promptly.
3. Risks specific to a division are addressed through the preparation of handling procedures, which are reviewed constantly in accordance with changes in the business environment.

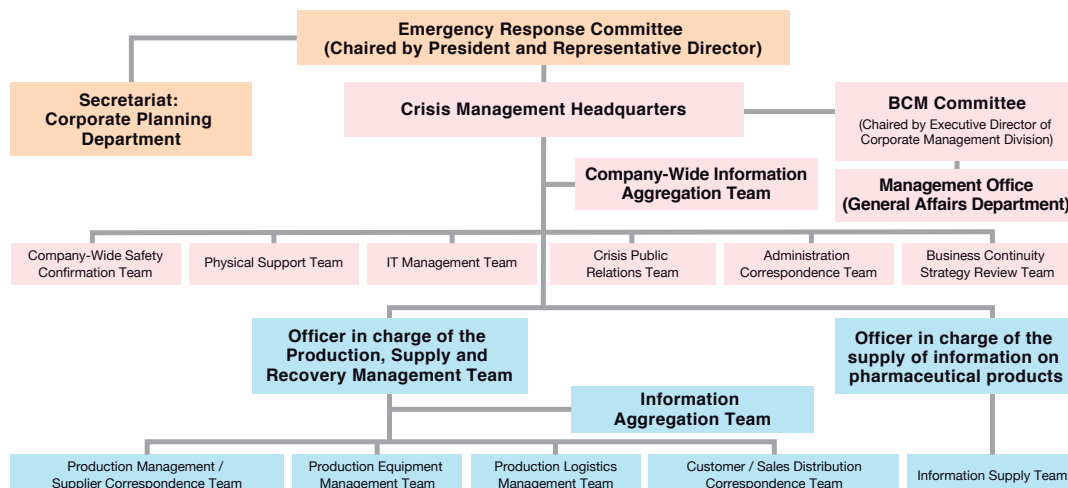
● System to ensure proper business operations of the corporate group composed of ONO and its subsidiaries

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 consults with us on important business issues in advance.

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 system designed to minimize the impact of an emergency on mission-critical operations even in the case where an emergency occurs such as a natural disaster or serious accident, so that we can continue business activities or recover promptly and resume them if they are suspended. The BCM Committee, which is chaired by the senior executive officer / executive director (executive director of Corporate Management Division) and in charge of business continuity management (BCM), and the Management Office 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.

We have installed systems prepared for disasters such as emergency generators and duplicate power service in our head office building, the Tokyo Building, and all of our plants and research institutions, and we also have introduced seismic isolation systems to prepare for earthquakes in our head office building, the Tokyo Building, and the Minase Research Institute. As we have transferred some of the Osaka Head Office's functions to the Tokyo Building, we can use resources such as internal systems and inventories at either base in the event of natural disasters in one area. The development of our two-base system prevents us from having to stop our business activities and improves our ability to continue our business operations.



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, promptness, fairness, and impartiality.

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 a financial results briefing or a conference call at the time of each quarterly statement, having held 250 meetings in total in FY 2017. 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 an 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 corporate reports. We will disclose the information more accurately and promptly.

Innovative Pharmaceutical Products

"Dedicated to Man's Fight against Disease and Pain" is our corporate philosophy as a pharmaceutical company dedicated to the development of new drugs. In line with this philosophy, we work to bring world-class innovative drugs as soon as possible to patients across the globe through collaboration between all our divisions including research, development, business strategy, manufacturing, safety/quality assurance, and marketing, as well as through the dedication of all employees to the efforts with passion and conviction.



Research

ONO's mission, policy, and structure regarding research and development are introduced.

Drug development policy <http://www.ono.co.jp/eng/rd/philosophy.html>
Research structure http://www.ono.co.jp/eng/rd/research_organization.html

Business Strategy

ONO's licensing activities and major partners are introduced.

Drug discovery alliances
http://www.ono.co.jp/eng/alliances/business_development.html
Global business and licensing activities
<http://www.ono.co.jp/eng/alliances/licensing.html>
Partners <http://www.ono.co.jp/eng/alliances/licensing.html>

Development

ONO's development structure and progress on new drugs being developed are introduced.

Development structure <http://www.ono.co.jp/eng/rd/development.html>
IR library http://www.ono.co.jp/eng/investor/ir_library.html
* Please refer to the status of development pipeline.

Manufacturing and Safety / Quality Assurance

ONO's manufacturing and safety/quality assurance initiatives are introduced

Manufacturing and safety/quality assurance
<http://www.ono.co.jp/eng/about/manufacturing.html>

Marketing

ONO's marketing initiatives and main products are introduced.

Marketing (scientific information) <http://www.ono.co.jp/eng/about/marketing.html>
Main products http://www.ono.co.jp/eng/about/our_products.html

Efforts Made for Improving Medical Access

Basic Policy

Even today as we see remarkable development in the medical field, there are many diseases against which no effective treatment exists. Also, in low- and lower middle-income countries, there are many people who have difficulty receiving necessary medical care due to various reasons such as inadequate medical infrastructure and poverty. Under the corporate philosophy “Dedicated to Man’s Fight against Disease and Pain,” we aim to improve the degree of medical access with the following goals: development of innovative pharmaceutical products, improvement of medical infrastructure and the establishment of partnerships with outside parties.

The Direction of our efforts

- Promotion of research and development for measures against diseases for which patients’ medical needs are not yet met, rare diseases, and intractable diseases
- Local medical education, training of medical personnel, improvement of medical supplies in countries and regions where medical infrastructure is not fully developed
- Establishment of partnerships with outside parties as necessary to deal with issues

Promotion Management System

The management team oversees the directions for the improvement of medical access and the details of the efforts. New efforts associated with medical access will be deliberated on and approved by the CSR Committee, chaired by the Senior Executive Officer. Its activities are periodically reported to the Management Strategy Meeting which is chaired by the CEO.

Examples of Efforts

Working on the treatment of rare diseases is important so as to improve medical access. We make the following efforts to develop and provide pharmaceuticals for rare diseases.

Product name	Therapeutic indication	Date designated as an orphan drug	Status
OPDIVO intravenous infusion	Malignant melanoma that has no possibility of radical resection	2013.06.17	Approved
	Recurrent or intractable classical Hodgkin lymphoma	2016.03.16	Approved
	Progressing or metastatic malignant pleural mesothelioma that has no possibility of radical resection	2017.12.01	Approved
Metyrosine (generic name)	Improvement of pheochromocytoma symptoms in a state of excess catecholamine release and associated improvement of other symptoms	2015.05.25	Under developmen
Kyprolis for intravenous infusion	Recurrent or intractable multiple myeloma	2015.08.20	Approved
Onoact for intravenous infusion	The kinds of life-threatening cardiac arrhythmia in intractable and urgent cases: ventricular fibrillation and hemodynamically unstable ventricular tachycardia	2016.08.24	Under developmen
Binimetinib (generic name)	Malignant melanoma due to BRAF mutations that has no possibility of radical resection	2018.03.30	Under developmen
Encorafenib (generic name)	Malignant melanoma due to BRAF mutations that has no possibility of radical resection	2018.03.30	Under developmen

In addition, Opdivo is designated as a target item under the Priority Assessment Designation System, specified by the Ministry of Health, Labour and Welfare, that targets bile duct cancer.

Efforts Made for Flexible Approval for Children

Medication evaluated appropriately for children should be used for pediatric patients. Aiming to improve pediatric patients' access to pharmaceuticals, we are working on the flexible approval for children as follows.

Product name	Pharmaceutical indication	Status
Prostandin for injection	Patency of ductus arteriosus in ductus arteriosus-dependent congenital heart disease	Approved
Onon® Dry Syrup	Bronchial asthma and allergic rhinitis	Approved
EMEND® Capsules	Digestive symptoms (nausea, vomiting) resulting from the administration of antineoplastic agents (cisplatin, etc.) (including the delayed phase)	Approved
PROEMEND® for intravenous injection.	Digestive symptoms (nausea, vomiting) resulting from the administration of antineoplastic agents (cisplatin, etc.) (including the delayed phase)	Approved
Orencia for intravenous infusion	Active polyarticular juvenile idiopathic arthritis	Approved
Onoact for intravenous infusion	Tachyarrhythmia in cases of cardiac function failure	Under development

Efforts Made against Intractable Diseases

Together with Keio University, Kochi University, the National Institute of Biomedical Innovation, Health and Nutrition, Mitsubishi Tanabe Pharma Corporation, and Daiichi Sankyo Co., Ltd., we established the Immune-mediated Inflammatory Diseases Consortium for Drug Development for the purpose of drug development research targeting intractable immunoinflammatory diseases in May 2018. It is expected that the achievements of this consortium will lead to the creation of next-generation pharmaceuticals with high utility against intractable immunoinflammatory diseases and also enable the provision of new treatment options for patients and healthcare professionals.

Project ONO SWITCH

As an effort made to promote both Work Style Reform and activities to contribute to society, we started Project ONO SWITCH in August 2018. This effort is an effort to make donations to NPOs/NGOs related to medical care using the money saved through the reduction of overtime work through the promotion of Work Style Reform, aiming to further promote the embodiment of the corporate philosophy "Dedicated to Man's Fight against Disease and Pain" by contributing to the promotion of working style reform and healthcare and people's health around the world.

The project was named by abbreviating Save the World by our work style Improvement and CHange (meaning saving the world through improvement and reform of our ways of working). The project name also expresses switching work methods to new ones, switching the funds obtained through working style reform to donation, and switching on the process of reexamining how to work.

Recipients: We donated to the following NPOs based on responses to questionnaires targeting all our employees.

	Partner	Description of efforts made	Area of operation
1	Nanbyo no Kodomo Shien Zenkoku Network (Nation-wide Network to Support Children with Intractable Disease)	(1) To hold symposia aiming to provide information on intractable diseases. (2) To support camping and other events, which provide opportunities for families with children with intractable disease to interact each other.	Japan
2	Vaccines for the World's Children	(1) To provide mixed diphtheria/pertussis/tetanus vaccines and hepatitis B vaccines used in Bhutan throughout the year. (2) To provide Ice Line coolers for refrigerating the vaccine. Providing the coolers will lead to support for a medium- to long-term vaccine supply.	Bhutan
3	Japan Heart	(1) To strengthen the local medical infrastructure in the medium- to long-term by developing medical professionals through multiple-year support for high school students who are from rural regions in Cambodia that aim to become doctors or nurses. (2) To provide local doctors with education about primary life-saving measures by conducting training programs on initial responses to a sudden deterioration in a patient's condition, mainly about cardiopulmonary resuscitation, for Cambodian doctors whose knowledge is not sufficient.	Cambodia

In this project, we will work on improving access to pharmaceutical products and improving medical infrastructure through partnerships with outside parties.

Human Resources and Human Rights

ONO PHARMACEUTICAL believes that “People make the company,” and actively supports the development of individual abilities and positive action taken without fear of failure. We promote efforts to improve safety and health conditions, and to create a working environment where the company and its employees can live in harmony and individual abilities blossom to their full extent. We also respect everyone’s human rights in all business activities and aim to establish a company with no discrimination either inside or outside the company due to race, nationality, ethnicity, gender, age, religion, belief or philosophy, academic background, disability or illness.

Development of Human Resources

● Concept of Human Resource Development

We aim to develop human resources who become source for us to grow to be a global R&D oriented pharmaceutical enterprise as well as act in an ethical manner with a strong sense of responsibility as a member of a pharmaceutical enterprise involved in pharmaceutical products, which are closely related to the lives of people.

Desired characteristics for our human resources

Those who make bold efforts and independently act based on their self-discipline

- 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.

Having over 300 years of history since our foundation, we desire human resources who will be the fountainhead for us to continue to make bold efforts for the future.

● Provision of Growth Opportunities

We organize a wide range of training programs to provide employees with growth opportunities. Besides collective training given in each phase of their career growth, we have introduced company-wide joint training for new employees from all divisions, departmental introductory training, and annual training for young employees. We also organize training programs to cultivate global human resources who can work actively under any circumstances, and send employees to overseas affiliates. For management staff, we provide training focusing on management skills required for their respective roles and managerial positions and for the growth of the organization, and we continuously enhance the training programs.

As for the efforts made mainly by MRs, training is also conducted at medical institutions so that our employees have opportunities to listen to the opinions of patients and medical staff directly and know in depth the needs in the medical field.

In addition, we have a system to assist employees in self-learning with an aim to encourage employees to engage in personal development and grow independently.

Summary of common education and training programs for all divisions in FY 2017

Position		Training by hierarchy	Training for selected employees	Self-development	Other
Management staff	Manager	Manager training	Training for selected employees	Correspondence courses / on-line English conversation classes / support for qualification tests	Diversity management training Career planning training Coaching training Workshop for understanding/spreading our mission statement
	Manager class	Training for new managers			
Individual contributor	Manager candidate	Training for new core employees	English training		Training for volunteers Training for understanding/spreading our mission statement
		Training for individual contributors promoted to the highest level			
	Mid-level employee	Fifth-year employee training			
		Third-year employee training			
	Newly hired employee	Follow-up training for newly hired employees			
		Orientation for newly hired employees			

Workshop for understanding / spreading our mission statement

At the workshop, by listening to the background to mission statement, the history of bold efforts and experiences of the top management and managers, participants enrich their understanding to the mission statement so they are able to practice the idea voluntarily.

* Mission Statement <https://www.ono.co.jp/eng/about/mission.html>

Orientation for newly hired employees, follow-up training for newly hired employees, third-year employee training, and fifth-year employee training

The orientation for newly hired employees is a two-week course provided for all newly hired employees to get together, learn basic business manners and rules, along with roles, responsibilities, and cooperation in a team, and acquire consciousness as members of society. After that, they undergo education specialized for the divisions they're assigned to. In addition, after 10 months of being employees, follow-up training for newly hired employees is provided for them to take time to review events in the first year as members of society, to refresh their minds for the second year.

The goal of the third-year employee training is for employees to learn that it is necessary to radically change their minds—moving one step ahead from independence to self-discipline—and to make efforts for voluntary proposals, proactive actions, and the promotion of the development of younger employees. The training includes learning communication skills required for achieving goals, and contents that lead to good on-site practices.

The goal of the five-year employee training is to further raise motivation for work by having employees view their work in a multifaceted manner and review it from creative perspectives. The training includes experiential learning cycles for them to grow themselves while achieving outcomes, and contents that help the participants digest tacit knowledge to establish their cherished opinions, leading to effective practices and outward development.

Training for promoted employees

The highest level individual contributors training makes participants understand the roles required for a manager, and develop awareness and attitudes concerning proactive team management. In addition, the training helps participants acquire the skills to identify problems and understand what is necessary to become an influencer. The training for new management staff is provided to understand the personnel evaluation system, and to acquire the management skills required for being the next candidates for managers, which improves their abilities to build relationships of trust with others and to get things done. At the training for employees who are appointed as managers from among the core employees, participants learn about reaffirming the personnel evaluation system, understanding labor management, the roles expected for managers, team building, and team management.

Manager training

The manager training provides a program that incorporates understanding and practicing the mission statement and human resource development. Various kinds of training are held every year. For example, management skill training at which managers from all departments get together for the purpose of intensifying interactions between departments, training for evaluators aiming to effectively use a goal-setting interview system and evaluate employees in a fair and accurate manner, and training regarding compliance and efforts for mental health care conducted by managers for employees, aiming to establish a working environment where it is easier to work.

Coaching training

In coaching training, trainees take training through online classes once a week with other trainees from different industries, in addition to receiving directions every two to three weeks from a professional coach for managers to learn about coaching. In parallel, coaching for the subordinates and employees is carried out over the course of about a year.

Training for selected employees

The executive candidate development training targets senior managers nominated by officers, and it takes two to four years to develop the next generation of executives. Trainees re-acquire the theory and principles of management and develop self-awareness and self-discipline as managers by having deep discussions on future visions and changes in organizations/businesses with other trainees.

The next-generation leader development training targets employees who are nominated as future global leaders by department managers. The purpose of the training is to develop human resources that will influence the entire company while demonstrating leadership within the team at all sites, whether in Japan or overseas, in cooperation with others in an appropriate manner. Trainees spend about a year acquiring environmental adaptability, leadership, logical thinking, and global business skills.

English training

This is training to acquire English skills essential for global business. In addition, in order to strengthen the capability of performing English-related work, we have three programs: a one-week camp-style English conversation training program in Japan, a three-month study abroad language training program, and weekly lectures by dispatched English instructors (two-year course).

Diversity management training

We are always pursuing innovation to continuously create the world's first pharmaceuticals. As a source of ideas leading to creation of innovation, broad diversity regardless of specialized fields, gender, and nationality is increasingly required in the future. In this seminar, we not only understand the significance of diversity, but also improve the skills of interviewing to make better use of it, and acquire management capabilities.

Voluntary training

We provide voluntary training for young employees who desire to proactively learn. This includes training to develop managers' perspectives in the early stages of their careers such as management simulation games that allow participants to learn accounting and finance, which are not familiar to those who work at some departments, and training to help participants raise awareness on cooperation between departments.

Career planning training

We provide opportunities for employees to review their individual careers and think positively about career afterwards as a form of training. They learn various career theories and participate in a group work format for them to develop their future career plans, leading to better results by discovering their unnoticed qualities and strengths, along with what personally feels rewarding to them.

Self-development learning

We provide employees who desire to proactively learn with opportunities for self-development learning. Through correspondence education, we have over 140 courses such as leadership and management, accounting, finance, and English conversation, and we arrange an environment on a steady basis for those proactive learners with wide range of fields. In addition, we promote self-development learning by aiding online English conversation classes and qualification tests.

Implementation status of common education and training programs for all divisions in FY 2017

Name	Participants × hours	Participants
Workshop for understanding/spreading our mission statement	943	145
Orientation for newly hired employees Follow-up training for newly hired employees	9408	98
Third-year employee training Fifth-year employee training	3040	190
Training for individual contributors promoted to the highest level Training for new managers Training for new core employees Manager training	11968	748
Coaching training	1950	78
Training for selected employees	5063	61
English training	11988	111
Diversity management training	108	27
Career planning training	1362	190
Training for volunteers (Correspondence courses / on-line English conversation classes)	2604	217

Besides the training courses listed above, each division conducts its own training for specialized skills required at the division. E-learning is used for basic training such as phytotoxicity education, which is essential for employees of pharmaceutical companies, collecting safety information, handling personal information, and the prevention of bribery.

Respect for Human Rights

ONO will respect everyone's human rights in all business activities.

Based on this principle, we promote establishment and operation of the personnel system in line with the policy that "no discrimination should be allowed either inside or outside the Company due to race, nationality, ethnicity, gender, age, religion, belief/philosophy, academic background, disability or illness."

We also prohibit any forms of harassment and provide compliance training.

Furthermore, ONO supports international norms and codes regarding human rights, including the Universal Declaration of Human Rights, the core labor standards of the ILO (International Labor Organization), and the Voluntary Principles on Security and Human Rights.

Diversity Promotion Initiatives

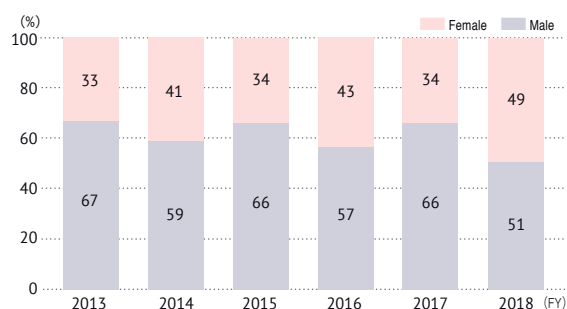
ONO considers that it is important to diversify the characteristics, values, and behavioral features of the members of the organization and accept their individuality for prompt and flexible responses to environmental changes and improvement of the corporate value. In line with this idea, we promote various initiatives.

● Efforts made for promoting women's participation and advancement

A priority in this area is a commitment to the development of a system under which women can realize their full potential. As a result of our efforts to aggressively hire women and discourage female workers from quitting after major life events, the number of female employees has been steadily increasing, and the employment rate of female employees as of March 2018 rose by 3.5% compared that as of March 2013. Other initiatives to create an environment in which women can play more active roles include the introduction of programs aimed at improving diversity and inclusion into management staff training and seniority-/hierarchy- based training.

We have participated in the "Diversity Western Japan Study Group," which is operated voluntarily by about 60 companies from western Japan and other parts of the country since 2015 to share information on know-how and initiatives for the improvement of diversity through participation in seminars held beyond the boundaries of companies and other activities. We continuously work to increase the number of female employees and build a system that helps them develop their career in line with our five-year action plan (from April 1, 2016 to March 31, 2021) formulated in response to the Japanese government's enactment in FY2015 of a law to promote women's roles in the workplace (Act on Promotion of Women's Participation and Advancement in the Workplace).

The male-to-female ratio of new employees



Medirabi-san

ONO's mascot promoting diversity initiatives

Features in ONO's booklet on systems for balancing work and child-raising. Promotes initiatives to improve diversity.

Overview of Action Plan Based on the Act on Promotion of Women’s Participation and Advancement in the Workplace (Targets, Efforts)

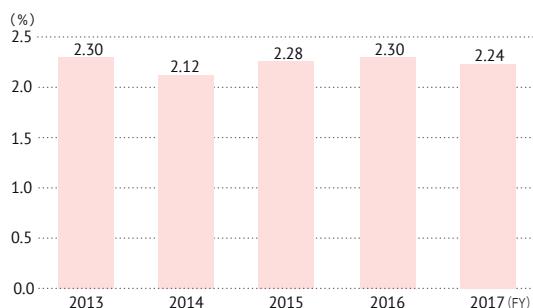
Targets	Efforts
Have women account for 40% of newly hired university graduates in career-track positions starting in fiscal 2017	<ul style="list-style-type: none"> • Improve systems and strengthen training aimed at developing human resources • Introduce a recruiter system • Provide wide range of information to job applicants • Create an environment in which young employees can more easily plan their careers
Have the retention rate of women in career-track positions who joined ONO in the last five years be at least 90% that of men	<ul style="list-style-type: none"> • Ensure employees can continue working at ONO after various life events • Create an environment where employees can balance work, childcare, and nursing care • Create a corporate climate where women utilize their talents • Promote career-building support measures • Assist employees in achieving work-life balance • Expand support systems for women taking maternity leave and employees raising children • Help employees return to work at the earliest possible date • Introduce childcare support services of external service providers

● Effort made for promoting active participations of persons with disabilities and employing mid-career persons

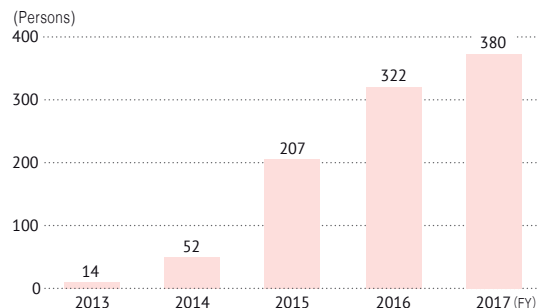
As part of its commitment to improving diversity, ONO has been actively recruiting persons with disabilities, who account for an employment rate of 2.24% as of March 31, 2018. This exceeds the legally stipulated rate (2.2%) amended in 2018. Approximately 50 employees with disabilities are currently playing an active role in their respective divisions.

We have also been expanding mid-career employment to quickly obtain human resources with the skills, knowledge, and experiences that are needed immediately. Especially since FY2014, when we started to actively promote such employment in consideration of the business environment, the number of mid-career employees has been increasing substantially in broad range of jobs such as MRs, development personnel, staff in the safety information management department, and administration staff. A total of about 70 new employees joined ONO in FY2017. Many mid-career employees are working to play their respective parts using their experience and expertise.

Employment rate of persons with disabilities



Mid-career employment results



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 Review of Working Styles

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 improve operational efficiency and take paid holidays. We have also improved the system by making use of IT and introduced a flexible time system and telecommuting system. Through these initiatives, we achieved positive results such as a year-on-year decrease in work 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.

●Employee satisfaction survey

We regularly conduct employee satisfaction surveys to highlight the organizational issues and improve employee satisfaction. The satisfaction survey results lead to planning of measures to create a workplace where all employees can find what personally feels rewarding to them and they can enjoy their jobs.

●Childcare Support Activities

Based on an idea that support of families raising children as part of the efforts of the whole society and creation of a better environment for having and raising children is one of the issues to which companies should be committed, we set up an action plan in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children established by the Japanese government, and have proceeded with the plan since 2005. ONO was certified as a general business operator meeting the criteria in 2008, 2012, and 2014, obtaining “Kurumin,” the mark accredited to such business operators.

Our past efforts were rewarded as ONO received two Osaka Labor Bureau Director’s Prizes in the 2015 Equal Employment/Work-Life Balance Corporation Awards, sponsored by Japan’s Minister of Health, Labor and Welfare. One was in the category of companies promoting gender equality, and the other was in the category of family-friendly companies.

In the 5th phase of the action plan, which started in April 2017, we promote initiatives to build an environment in which men can actively take part in child-raising, such as the introduction of new child-raising support systems including holidays to encourage employees to take part in child-raising, as well as strengthening of the delivery of a message that child-raising is a life event to be shared by men and women in order to ensure that the male employees who wish to participate in child-raising by taking childcare leave can obtain consent from people around them.



	Period	
1st phase of action plan	April 1, 2005 to March 31, 2008	<ul style="list-style-type: none"> • Introduction of shortened work hour programs for employees raising preschool children • Introduction of a leave program for nursing care of children • Encouragement of employees to take annual paid holidays
2nd phase of action plan	April 1, 2008 to March 31, 2012	<ul style="list-style-type: none"> • Expansion of the shortened work hour programs for employees raising children • Implementation of measures to reduce overtime work
3rd phase of action plan	April 1, 2012 to March 31, 2014	<ul style="list-style-type: none"> • Provision of information to encourage male employees to take childcare leave • Introduction of a re-employment scheme for employees who have left their jobs due to childcare and other reasons
4th phase of action plan	April 1, 2014 to March 31, 2017	<ul style="list-style-type: none"> • Examination of a new program to support female employees to continue their careers, and introduction and dissemination of the program • Implementation of measures to reduce overtime work • Survey of the current situation on annual paid holidays taken by employees and implementation of measures to encourage employees to take the holidays
5th phase of action plan	April 1, 2017 to March 31, 2019	<ul style="list-style-type: none"> • Introduction of support systems that encourage men to take childcare leave and participate in child-raising and dissemination of them • Encouragement of employees to take annual paid holidays to achieve their work-life balance

● Support for Employees with Cancer

Employees diagnosed with cancer face various problems during work such as regular hospital visits, side effects of various treatment, and economic issues. To assist employees with cancer who wish to continue working while being treated, ONO provides a system to prolong the period of absence from work, an income security program to help them avoid a period with no income, a system to allow the use of accumulated holidays on a half-day basis, and a system to offer shortened working hours for the treatment of cancer.

We also provide support from other perspectives such as the promotion of understanding among other people in the workplace by establishing a system to encourage such people to support employees with cancer and enhancing the dissemination of it, as well as efforts to review their working styles.

● Other Support Systems

ONO has in place various systems aimed at creating a pleasant working environment in addition to the programs required by law. We have listened to the voices of employees and developed systems that meet their actual needs. When introducing a program for which legal standards are specified, we set up the program in a way to exceed the standards. Thus, we continuously work to develop support systems so that employees have many options for working styles.

We also prepare and post a booklet on our intranet that summarizes the systems to inform employees about the contents and how to use them.

【Systems that exceed the standards specified by labor related laws】

•Childcare leave

Japanese law stipulates that childcare leave can be taken until the time the child turns one year old. However, employees at ONO can take childcare leave until the end of the month when the child turns three years old.

•Shortened work hours for childcare

Japanese law stipulates that shortened work hours for childcare leave can be utilized until the child turns three years old. But employees at ONO can shorten their working hours by up to two hours per day until March 31 of the year that their child is in third grade of elementary school.

•Nursing care leave

While companies are legally required to provide nursing care leave for up to 93 days in total per family member in need of care, ONO provides the leave for up to a year in total.

【Legally required systems】

•Shortened work hours for nursing care

When an employee works while providing care to family members in need of care, the working time can be shortened by up to two hours per day for up to three years aside from the period of nursing care leave.

•Family care leave

Employees who have to provide care to preschool children and other family members in need of care can take family care leave without pay. The prescribed number of days is five per year for employees with one person in need of care, and 10 days for those with two or more such persons.

【Systems that promote flexible working styles】

•Flexible working hours

As an initiative that provides employees with more options for working styles to thereby help them improve their work efficiency and achieve a work-life balance in which they give equal priority to their jobs, family, childcare, and nursing care, the entire company has a flexible working hours system with some exceptions.

•Telecommuting system

All employees are eligible to use the telecommuting system aiming to support employees who are working while taking childcare and nursing care in balancing work and such care. The system was designed so that employees can establish their individual working styles and work in a flexible and efficient manner.

[Various leave and subsidy systems] (extract)

While employees may take leave when they cannot come to work due to attendance to weddings, funerals, and other ceremonies of their own or their family members, moving for job transfer, and accidents, disasters, and other events of force majeure, we also have systems in which special paid holidays can be taken under other circumstances.

•Accumulated holidays

Expired annual paid holidays can be accumulated under certain conditions and used for the treatment of the disease or injury of the employee, nursing care of family members, fertility treatment, and other purposes. For example, an employee can take a paid holiday using this system in case of sudden illness of their children.

•Holidays to encourage employees to take part in child-raising

Employees at ONO can take up to two days off for child-raising until the child reaches the age of 1. This system can be used in a wide range of situations such as regular health checkups and immunization.

•Maternity protection leave

A pregnant employee or an employee within one year from delivery can take leave up to the days specified according to the time of pregnancy to receive a health instruction or health checkup. Other than leave for checkups, up to five days off in total can be taken for the duration of each pregnancy when the employee cannot come to work due to morning sickness or suspicion of threatened premature labor.

•Support of employee volunteer activities

ONO has introduced a volunteer vacation program, which provides a five-day special paid vacation to support employees involved in volunteer activities. We also have a bone-marrow donor leave scheme to give special paid vacation during the period when employees need to take days off for bone-marrow donation.

•Subsidies for day-care centers and baby-sitting

For employees raising preschool children and whose spouses are also working, ONO provides subsidies to help pay for day-care centers or baby sitters when they need such services and make an application for the subsidies. These subsidies are also available if an ONO employee's spouse (working or not working) is ill or cannot care for the child for some other reason.

•Subsidies for sick child care

A subsidy will be paid by the company upon application when it is necessary for a double-income family with a child under two years old to use sick child care facilities / services. Also, subsidies will be also paid to non double-income family if a spouse uses such facilities/services because of his/her sickness, etc.

[Other systems]

•Use of company cars to pick up and drop off children

MRs are allowed to use company cars for the purpose of picking up or dropping off their children before or after work.

•Day-care Center Concierge (day-care center enrollment support system)

In order to support smooth returning of employees who took a childcare leave, we have a third party provide information for such employees to have their children enroll a day-care center.

•Accompanying spouses transferred overseas

For an ONO employee who wishes to accompany his/her spouse transferred by the company of the spouse to another country, ONO allows the employee to take up to three years off work.

•Re-employment for employees who have quit ONO

The employees who have retired due to problems balancing work and family duties after major life events such as marriage, childbirth, and child-raising, or nursing care of family members can be re-employed when certain conditions are met.

•Non-regular re-employment

The employees who have reached the mandatory retirement age and retired can be re-employed as part-time employees when certain conditions are met until they reach the age of 65.

●Efforts made regarding wages

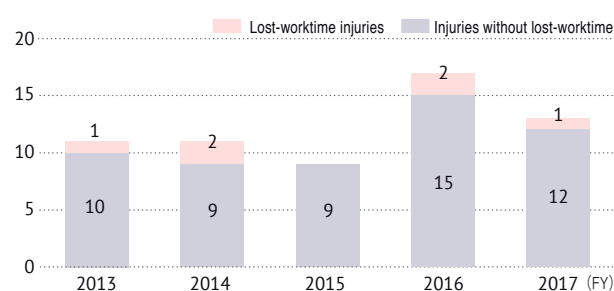
We strictly comply with the Minimum Wage Act, safeguard the daily lives of our employees, and work hard to create a workplace environment that is easy to work in.

●Safety and Health

For safety and health, ONO holds the regular meetings of the safety and health committee to continuously improve the work environment. Our production sites and research institutes conduct safety and health inspections, report the problems identified during the inspections to the committee, and make proposals for improvement to disseminate information and take proper actions. The inspections are carried out in all ONO workplaces every year to check the items including measures and equipment for the prevention of fires and other disasters, safe handling of machinery, the level of safety in daily work, transport work, and the level of neatness, tidiness, and cleanliness in workplaces.

At the ONO Head Office and other company sites where a Health Committee is established, the Committee discusses health issues based on results of workplace environmental measurements. In addition, the Central Safety and Health Committee is held to provide opportunities for sharing information and exchanging opinions between all Safety and Health Committees and Health Committees and considering policies and measures that contribute to sanitation as a whole company.

Numbers of industrial accidents



● Relationship with the Unions

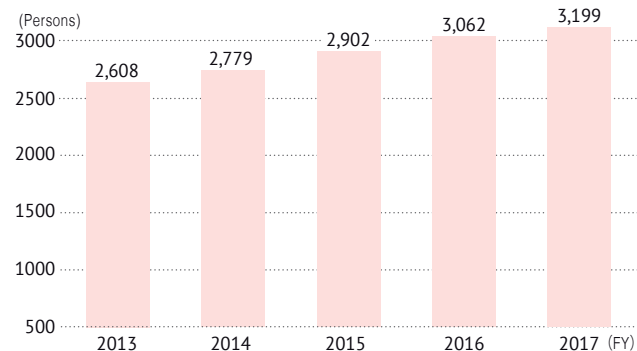
ONO has two labor unions, namely the nationwide union of ONO workers and the industrial union (chemical & general) of ONO workers in Joto Plant. As of March 31, 2018, the nationwide union of ONO workers has 2,123 members while the industrial union (chemical & general) of ONO workers has 15 members. Both unions have good relationships with the company.

● Composition of the Employees (Non-consolidated data)

The table below shows the number, average age, and average service years of employees in ONO as of March 31, 2018.

	No. of employees	Average age	Average service years
Total	3,199	41.4	15.3
Male	2,629	42.1	16.0
Female	570	37.9	11.8

No. of employees (Non-consolidated data)



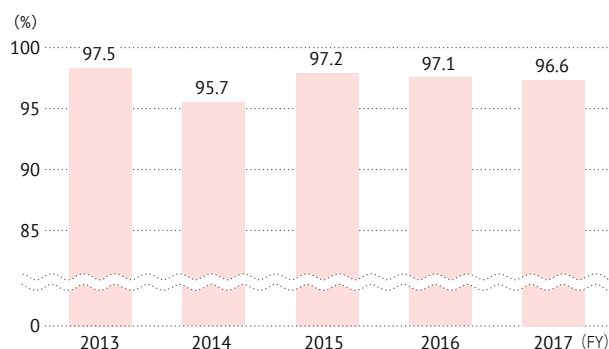
As of the end of March 2018, the percentage of contract workers is 0.3%, and the percentage of temporary staff is 8.8%.

● Full-time employee turnover

The voluntary turnover rate for full-time employees in each year, as of the end of March, is as follows.

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Voluntary resignation rate	1.3%	1.3%	1.1%	1.0%	1.3%
Mandatory retirement rate, etc.	0.6%	1.0%	1.0%	0.9%	0.7%
Total turnover rate	1.9%	2.3%	2.1%	1.9%	2.0%

● Retention rate for female employees (by fiscal year of entering the company)



Efforts made to promote employees' health

Health Up Declaration 2018

Based on our corporate philosophy, Dedicated to Man's Fight against Disease and Pain, we desire to contribute to society through the creation of innovative medicines. In order to continue to make bold efforts toward the realization of our corporate philosophy, it is important to ensure that all employees are both mentally and physically healthy, that their workplaces allow them to fully demonstrate their abilities, and that the daily lives of employees and their families are fulfilling. We declare that employees, companies, labor unions, occupational health staff, and health insurance society will actively engage as a single team in maintaining and improving the health of employees and their families.

April 2018

Gyo Sagara

President, Representative Director, and CEO
ONO PHARMACEUTICAL Co., Ltd.

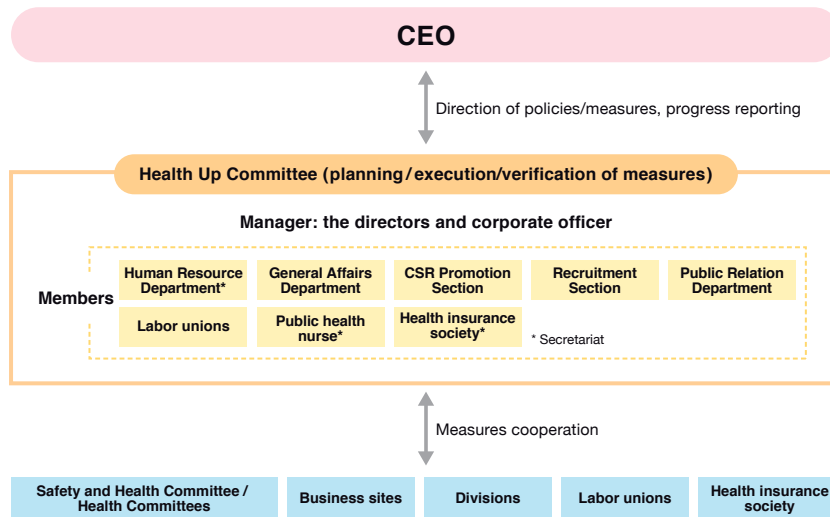
Basic policy

1. We will promote the maintenance and improvement of the health of employees and their families through the Health Up Committee, consisting of representatives from the company, labor unions, occupational health staff, and health insurance society.
2. Employees will actively engage in health management for themselves and their families.

Major efforts being made:

- (1) To realize completely non-smoking premises according to passive smoking countermeasures.
- (2) To proactively support measures from disease prevention and early detection and treatment to reinstatement.
- (3) To promote support for measures from the prevention of mental disorders, early detection, and prompt responses, to reinstatement and the prevention of recurrence.
- (4) To develop an environment where employees proactively work on health maintenance/improvement.

Organizational structure to promote health management



● Supporting disease prevention, early detection and early treatment

- Employees are obliged to conduct a medical examination once a year, and employees aged 35 and older are supposed to undergo a medical checkup instead of legal medical examinations. The medical checkup rate has continued to be about 99% excluding those who have unavoidable reasons such as taking administrative leave. Our target is 100% of medical checkup rate.
- We have contract facilities for undergoing medical checkups in prefectures nationwide. As of April 2018, the number of contract facilities is 178, and we take care to make it easier for employees and their families to undergo checkups.
- We support the examination cost of various cancer screenings, and many employees undergo optional cancer-related screenings at the time of a medical checkup. We provide female employees under 35 years old with mail delivery cervical cancer screening.

Cancer screening rate (as of February 2018)

(Target: cervical cancer screening for employees aged 20 and older, other cancer screening for employees aged 40 and older)

	Medical examination rate	Target
Stomach cancer screening	97.2%	100%
Lung cancer screening	99.3%	100%
Colorectal cancer screening	93.9%	100%
Breast cancer screening	90.0%	100%
Cervical cancer screening	43.4%	70%

- When necessary after the medical examination, industrial health staff encourages those who need some treatment to see a doctor at medical institutions, provides health guidance, and encourage employees and families with high lifestyle-related disease risks to participate in specific health guidance.

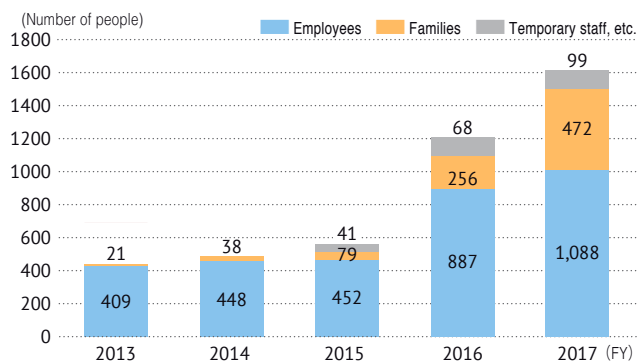
●Mental health measures

- We conduct in-house training on mental health and individual interview by industrial health staff for prevention, early detection and early treatment of mental health issues, and we also work in collaboration with industrial physicians.
- We carry out stress checks for all employees once a year, and the participation rate is about 95%. We continually promote workplace improvement based on the results of organizational analysis. Our target is 100% of participation rate.
- We have a contract consultation counter that can be used free of charge, and in addition to meetings, we have established a system that allows employees to consult with experts via telephone and e-mail.

●Passive smoking countermeasures and health promotions

- We are working to raise awareness about efforts for smoking cessation through measures such as setting up Non-smoking Day, implementing in-house questionnaires on tobacco and announcing the results in order to make the entire site smoke-free in April 2019. In addition, we systematically promote educational activities such as creating and posting original posters using illustrations drawn by employees.
- In order to support the employees who try to quit smoking, we implement an in-house smoking cessation contest, whose goal is to "quit smoking in six weeks in a wise and enjoyable manner." We support employees' health promotion activities through supports such as subsidies for seeing a doctor at smoking cessation clinic and provision of online programs for smoking cessation.
- We conduct a walking campaign every year in the company. The event targets temporary staff and outsources in addition to all the employees. The event is designed to encourage voluntary participation by allowing not only individual employees but also their families to participate as a team. The participants who reach a certain criterion receive specialties in the areas stricken by the earthquake as a prize of achievement. The number of participants has increased year by year, and it is expected to encourage employees to walk regularly and frequently. The participants of the walking campaign in FY 2017 accounted for 34% of all employees. We aim to have 50% of participation rate in FY 2018.
- A session to measure body composition, blood vessel age, bone density, and the like is held annually at major plants. The session allows the participants to check the conditions of muscle and bone which cannot be understood only by physical examination, and to receive individual advice on meals and exercise from medical staff, which has increased participants year by year.

Number of participants in walking campaign



●Health management support

- We started running a portal site that allows employees to check the results of their own medical examination and medical checkup at any time. We are enhancing the contents for improving awareness of importance of health such as information for employees to correctly understand the results and improving lifestyle habits and advices on lifestyle according to individual situations.

The Environment

Recent years have witnessed the increasing impact of global warming, and battling this threat has become one of our most important collective challenges in the international society. The Paris Agreement from COP 21 sets out a global action plan to limit global warming to less than 2°C compared to temperatures before the Industrial Revolution, with the target, for all intents and purposes, of completely halting the increase in human-generated greenhouse gases. Based on our ONO Pharmaceutical Environmental Guidelines, we have formulated a voluntary action plan under 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 a sustainable 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, conservation of water resources, recycling, reducing waste, and preventing pollution.
- We will endeavor to do “Monozukuri” 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.

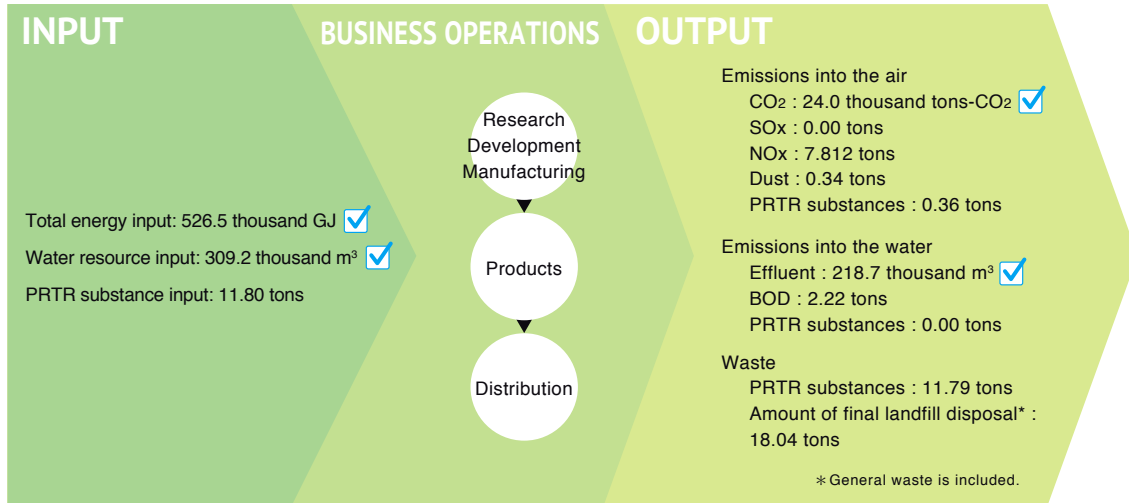
Environmental Management

In recent years, commitment to the prevention of global warming has become one of our most important collective challenges. We endeavor to fulfill our corporate social responsibility for the environment by prioritizing the environment in all business areas and by contributing to the realization of a sustainable global environment. We have formulated a voluntary environmental action plan in accordance with our Environmental Guidelines and specified the activities and numerical targets to be achieved under the plan as mentioned below. We work to achieve them and review the results (or progress) of the work toward the targets every year.

Item	Target	Activities in FY2017
Commitment to a low-carbon society	Reduce CO ₂ emissions by 23% from the FY2005 level in FY2020. Note: CO ₂ emissions from energy sources at production and research sites	CO ₂ emissions in FY2017 were 24.0 thousand tons, a decrease of 10.1% from FY2005's 26.7 thousand tons.
Chemical substances	Reduce the amount of PRTR Class I designated chemical substances released into the environment.	The release and transfer volume of the registered chemical substances was 11.95 tons, which we have kept at an extremely low volume.
Waste reduction	Reduce the amount of waste landfilled in FY2020 to a level below the amount landfilled in FY2015.	The amount of waste landfilled in FY2017 was 18.04 tons, increasing by 44.4% from the 12.49 tons landfilled in FY2015.
Measures to control air and water pollution	Thoroughly comply with emission standards, and continue to make efforts to prevent any environmental accidents or complaints from local communities.	All analyses of air and water pollution revealed that we complied with emission standards. Also, there were no environmentally related complaints from local communities.
Environmental efficiency	Comply with guidelines issued by the Ministry of the Environment of Japan.	<ul style="list-style-type: none"> • Disclosed data on environmental cost, capital investment, economic effect, and environmental conservation effect. • Evaluated environmental efficiency. • Environmental efficiency was up by 45.0 points over FY2005.
Engagement with local communities and employees	<ul style="list-style-type: none"> • Actively support local communities through cleanup activities. • Help employees maintain good mental health. • Prevent any workplace accidents involving employee injury. 	<ul style="list-style-type: none"> • Participated in community cleanups and firefighting activities. • Took part in a local government project to prevent workplace accidents causing injury • Conducted awareness and education activities on safety and health.

●Overall Picture of Environmental Impact (ONO's Involvement in Environmental Protection)

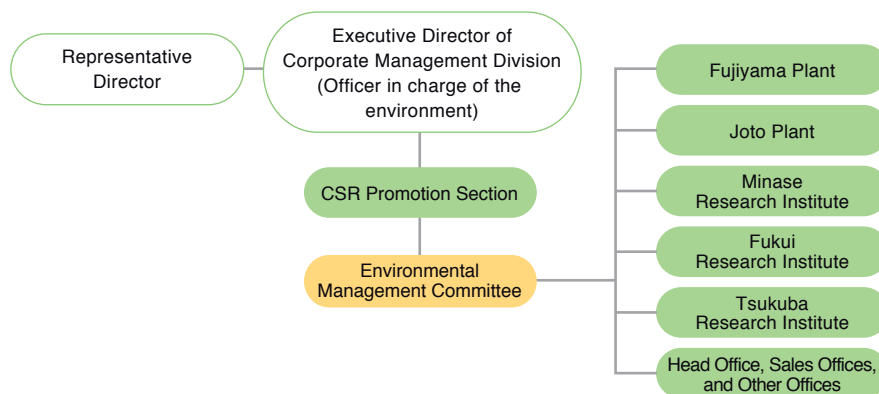
Annual inputs and outputs are grasped on a regular basis to use as reference data for our efforts to reduce environmental impact. (Scope: production and research sites, FY2017)



●Promotion of Environmental Management

Our environmental management promotion structure consists of the Executive Director of the Corporate Management Division, the CSR Promotion Section, and the Environmental Management Committee. The Senior Executive Officer supervises company-wide environmental management, and the CSR Promotion Section manages the Committee. Members of the Committee are chosen from relevant departments and are responsible for specific on-site monitoring and promoting environmental management. Each production and research sites with a major environmental 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.

To reduce environmental risks, employees involved in operations that could have an impact on the environment receive necessary training on environmental management. We also have a structure to minimize environmental impact arising from emergencies by providing training and on-site education and formulating emergency-preparedness manuals.



Ongoing Environmental Protection Activities

Climate Change and Energy Consumption

We consider climate change our most critical environmental issue, have the Environmental Management Committee analyze and evaluate the risks and opportunities for our business due to climate change, and make pertinent efforts.

●Analysis/Evaluation of Risks/Opportunities regarding Climate Change

Risk factor		Term	Description	Impact	Management approach
Regulatory risk	Emissions reporting system	Short-term	Additional cost incurred to achieve energy consumption reduction mandated by laws and regulations.	Increase in operating costs	Formulation and implementation of a capital investment plan including high-efficiency equipment to replace current equipment
	Uncertainty due to new regulations	Long-term	Increasing cost of raw materials in the case that new regulations on climate change are introduced and suppliers of raw materials follow them.	Increase in operating costs	Indirect involvement in revisions to laws concerning the mitigation of climate change as a member of the Japan Pharmaceutical Manufacturers Association, an industry association. Investigation of modifications or other measures regarding purchasing procedures in case of procurement cost changes
Risk due to physical repercussions	Changes in highest/lowest temperatures	Medium-term	Delay in research and development activities and negative impacts on product shipments in case of failure of temperature control caused by changes in the highest and lowest temperatures.	Increase in operating costs	Pursuit of high efficiency, for example, by spraying water onto outdoor units of cooling equipment
	Changes in precipitation patterns	Medium-term	Necessity of taking measures against possible shutdown of our operations caused by abnormal local weather such as strong wind and heavy rain.	Increase in operating costs	Introduction of emergency power generators at main bases and periodic maintenance for them
Other risk	Reputation risk	Short-term	Adverse effects on our stock price in case of negative external evaluations of our efforts made against climate change	Decline in stock price	Appropriate disclosure of the results of actual activities to the public

Opportunity factor		Term	Description	Impact	Management approach
Opportunity due to regulations	Emissions reporting system	Short-term	Reduction of energy costs with measures implemented to achieve energy consumption reduction mandated by laws and regulations	Reduction in operating costs	Formulation and implementation of a capital investment plan including high-efficiency equipment to replace current equipment
Opportunity due to physical effects	Changes in average temperature	Medium-to long-term	In case of changes in prevalent diseases due to an increase in average temperature, an increase in demand for existing pharmaceuticals against such diseases, or favorable effects on our profits from developing and selling new drugs	Increase in demand for existing products/services New products/services	Increase in efficacy of existing pharmaceuticals Enhancement of new compound library
Other opportunity	Reputation opportunity	Short-term	Positive impact on stock price in case of more positive external evaluation of our responses to climate change	Rising stock price	Appropriate disclosure of the results of actual activities to the public

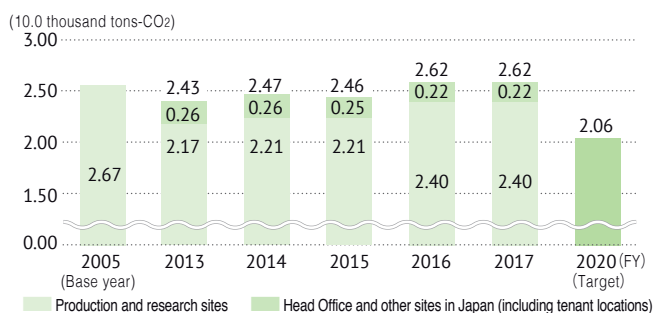
* We respond to the CDP climate change survey on the risks, opportunities, etc. from climate change.

● Energy Saving and Global Warming Prevention

Working on energy conservation and power-saving measures at all our sites, we are making various efforts to control the greenhouse gas emissions generated by our business activities, aiming to achieve two goals: our medium-term environmental target, “to reduce CO₂ emissions in FY2020 by 23% or more from that in FY2005 (the target is energy-derived CO₂ emissions released from production and research sites),” and our short-term target, “to reduce the energy consumption factor at production and research sites by 1% from the previous fiscal year (the number of boxes produced is used as a denominator for calculating the factor).” In FY2017, CO₂ emissions from our production and research sites were 24,000 tons and decreased by 10.1% compared to 26,700 tons in FY2005.

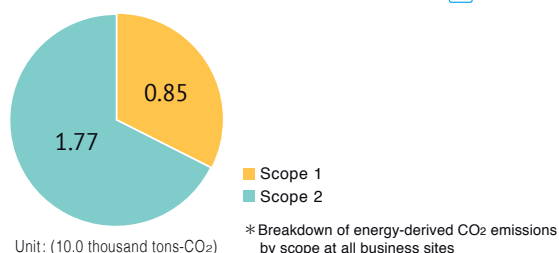
* We have been designated as a specified business stipulated in the Act on Rationalizing Energy Use (Energy Saving Act) and annually report on our energy consumption and mid- to long-term consumption reduction plan to the Ministry of Economy, Trade and Industry and the Ministry of Health, Labour and Welfare. In FY2016, the Business Classification Evaluation System was enacted pursuant to the Energy Saving Act, and Ono Pharmaceutical received a rating of S, which is the highest ranking, for two consecutive years, as a high-quality business with progress in energy-saving efforts.

Energy-derived CO₂ Emissions

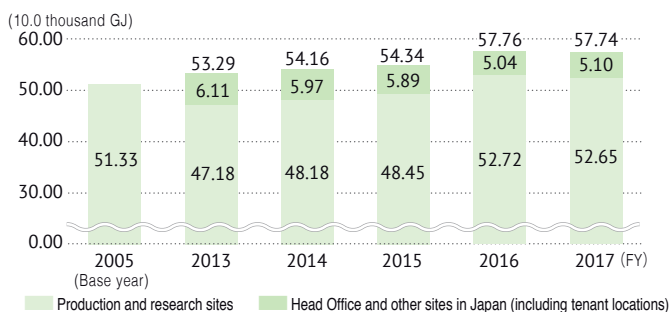


Note: Sites where CO₂ emission data were collected: Fujiyama Plant, Joto Plant, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, sales offices, etc. CO₂ emissions are calculated according to the methods below.
 CO₂ emissions = Purchased electricity (10,000 kWh) × the Federation of Pharmaceutical Manufacturers' Associations of Japan tracking indicator (1.152 tons-C/10,000 kWh) × 44 / 12 + Σ (Fuel consumption × Unit calorific value × Carbon emission indicator × 44 / 12)
 We use the value of the Warming Countermeasures Act as the calorific power unit and carbon emission indicator. However, we use the Federation of Pharmaceutical Manufacturers' Associations of Japan tracking indicator (FY2005 values) as the electricity CO₂ emissions volume calculation. This is to enable proper evaluation of ONO's initiatives, after removing the effect of external factors such as nuclear power plant operation status.
 The figures in the base year and the target value are those in the production and research sites.

Break down of energy-derived CO₂ emissions by scope



Energy Consumption



Note: Sites where energy consumption data were collected: Fujiyama Plant, Joto Plant, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, Tokyo Building, sales offices, etc.

1) Various efforts made for energy conservation and reducing greenhouse gas emissions

As efforts for energy conservation and reducing greenhouse gas emissions, we took proactive measures in FY2017 such as updating our lighting from fluorescent lights to LEDs, updating heat source equipment to module-type heat pump chillers, and acquired a rating of S under CASBEE[®] with the New Tokyo Building built in March 2018 by introducing the latest energy-saving equipment.

Meanwhile, we are promoting efforts in both tangible and intangible ways, such as reviewing / adjusting the operating hours of facilities and implementing Cool Biz and Warm Biz.

We will continue our efforts for energy conservation and reducing greenhouse gas emissions through measures such as adopting Top Runner Equipment and considering the introduction of renewable energy when updating old equipment.



*CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a method for evaluating and rating the environmental performance of buildings. It is a system that comprehensively evaluates the quality of buildings including not only environmental consciousness, such as energy conservation and the use of environmentally friendly materials, but also the consideration of indoor comfort and the building's influence on the landscape.

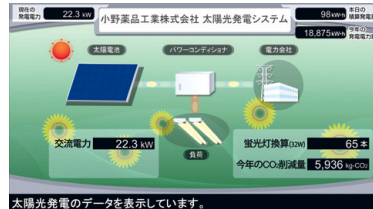
• Incorporating Renewable Energy

Solar power, a form of renewable energy, is an effective way to reduce greenhouse gas emissions, since it does not need to release any when generating electricity.

We introduced solar power generation facilities in our headquarters building in FY2003, the Minase Research Institute in FY2015, and the New Tokyo Building in FY2017.



Solar panels at the Minase Research Institute



Solar power monitoring system at the Minase Research Institute

• Fuel-Related Initiatives

By switching from fuels such as heavy oil and kerosene to utility gas and natural gas (LNG), the same amount of energy can be obtained but with fewer CO₂ emissions. Therefore, switching to these cleaner fuels results in fewer greenhouse gas emissions.

In our plants and research institutes, we are trying to reduce CO₂ emissions by replacing heavy oil / kerosene with city gas and LNG. All fuels were converted to city gas or LNG at other bases that used to use heavy oil and kerosene by the end of FY2013.

• Power Load Leveling

In Japan, due to stoppages of nuclear power plants, the revised Energy Saving Act, which went into effect in FY2014, included provisions for cutting peak electricity usage in the summer and winter—a process known as power load leveling.

We have been promoting electricity demand leveling by implementing a peak shift from daytime electricity use with a nighttime heat storage system at major bases and modifying the method of heating water for air conditioning (switching from air-cooled chillers to steam boilers), in addition to implementing seasonal energy-saving measures (suspension of use of hot-water toilet seats, water heaters, and some lighting) across the company.

The Fujiyama Plant uses a cogeneration system (CGS) to generate power for its daily needs, thus easing the amount it needs to obtain from the electric power utility.

• Energy Management

In order to successfully carry out measures to achieve energy efficiency and power load leveling and to reduce CO₂ emissions, it is helpful to gather data on energy usage from various facilities, analyze them, and use them to reduce and adjust the load. Through a monitoring system, graphs and flow charts are used to put data into an easy-to-grasp form so that the data can be used in the most effective way.

While the production sites and the research institutes have conventionally measured energy use, we are gradually moving ahead with upgrading our energy management systems, which includes the possible adoption of a comprehensive FEMS (factory energy management system) and a BEMS (building energy management system).

2) CO₂ Emissions in the Value Chain (Scope 3)

ONO divides CO₂ emissions in the value chain (Scope 3) into 15 categories under the Ministry of the Environment's guidelines, and since FY2014 it has been calculating them for sites in Japan. Based on the identification of Scope 3 emissions, we will consider concrete measures to realize a low-carbon society.

Category	FY2016 emissions (10.0 thousand tons-CO ₂)	FY2017 emissions (10.0 thousand tons-CO ₂)	Calculation method	Notes
Purchased goods and services	9.71	10.56	Purchase cost of raw materials, materials, etc., multiplied by emission factor*	Covers production and research sites
Capital goods	2.70	5.26	Amount of capital investment, multiplied by emission factor*	—
Fuel- and energy-related activities not included in scope 1 or scope 2	0.15	0.15	Amount of electricity purchased, multiplied by emission factor*	—
Upstream transportation and distribution	0.01	0.01	Transport data on deliveries from ONO factories and distribution centers to destinations, multiplied by emission factor*	—
Waste generated in operations	0.03	0.03	Weight of each type of industrial waste generated, multiplied by emission factor*	—
Business travel	0.22	0.25	Business trip allowances, multiplied by emission factor*	Covers travels by airplane or Shinkansen bullet train
Employee commuting	0.03	0.04	Employees' commuting costs, multiplied by emission factor*	—
Upstream leased assets	0.35	0.35	Cost of gasoline for leased company cars, multiplied by emission factor*	—
Downstream transportation and distribution	0.62	—**	CO ₂ emissions stated in ONO's CSR report on major wholesale pharmaceuticals, multiplied by percentage of ONO net sales included in all net sales of major wholesale pharmaceuticals	**No calculations made for FY2017, because at the time of calculation ONO's major wholesale pharmaceuticals CSR report had not been released
Processing of sold products	Not calculated	Not calculated	—	ONO makes only finished products

Category	FY2016 emissions (10.0 thousand tons-CO ₂)	FY2017 emissions (10.0 thousand tons-CO ₂)	Calculation method	Notes
Use of sold products	Not calculated	Not calculated	—	No energy is consumed during the use of ONO products
End-of-life treatment of sold products	0.02	0.01	Weight of each type of ONO product container or packaging disposed of as waste, multiplied by emission factor*	—
Downstream leased assets	0.03	0.03	Floor space of asset (building) owned and rented out categorized by use, multiplied by emission factor*	—
Franchises	Not calculated	Not calculated	—	ONO does not operate franchises
Investments	Not calculated	Not calculated	—	—

* Figures stated in the "Emission Factor Database on Accounting for Greenhouse Gas Emissions throughout the Supply Chain (ver. 2.4)," published by the Ministry of the Environment, Government of Japan.

Water Resources

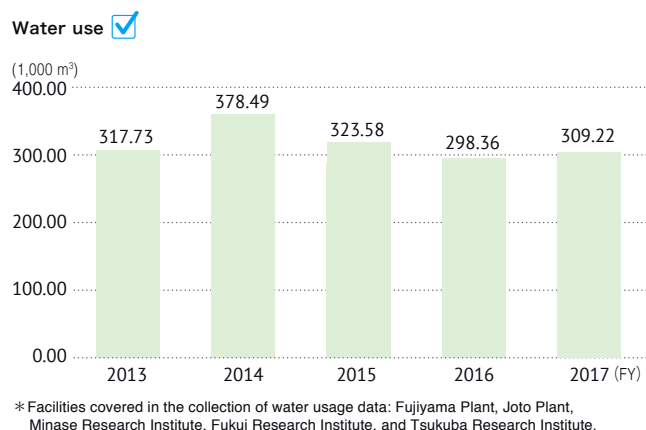
Availability of high-quality fresh water is one of the important factors for us in conducting business activities. The Environmental Management Committee leads and conducts surveys on risks, and identifies/analyzes/evaluates the business risks.

Although our plants and research institutes in Japan have never experienced restrictions on using good-quality fresh water so far and the risk of trouble related to using such water is considered low under the current circumstances, we identify and evaluate potential impacts and consider countermeasures, in case water quality deterioration or a water shortage occurs due to global environmental changes caused by climate change in the future or the regulations on drainage are reinforced.

Major water risk factors	Potential impacts of the risks
Restrictions on use of good-quality fresh water / water shortage	Making us unable to use good-quality fresh water, leading to restrictions on activities for production and research
Water quality deterioration	Increasing costs for installing purification equipment to improve water quality
Flooding / disasters such as heavy rainfall	Flooding the facilities due to the overflow of rivers near business sites and torrential rains

●Efforts Made for Reducing Water Use

In newly constructed facilities at office buildings, research sites, plants, and other sites, we use water-saving sanitary equipment. For existing buildings, we are also making efforts for reducing water use, such as installing water-saving washers in faucets. In addition, a recycled water system has been installed at the Fukui Research Institute, and the annual water use there is 18,167 m³, which is 5.9% of our total water use.



We respond to the CDP water survey on the details of water risks, impact, usage, wastewater volume, etc.

Waste

●Waste Management

We promote company-wide initiatives to reduce the amount of industrial waste landfilled.

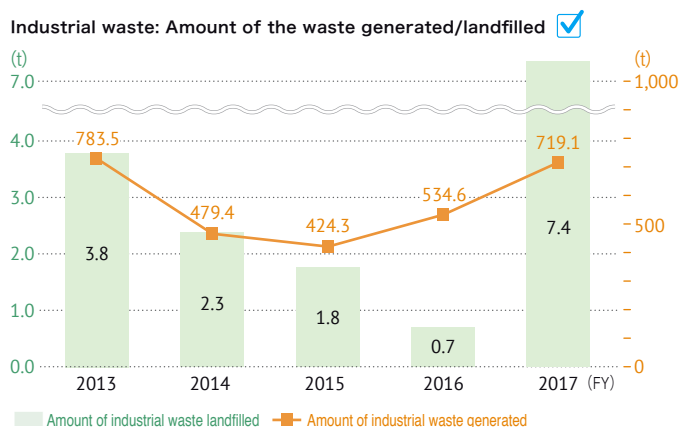
The final landfill disposal amount for industrial waste in FY2017 was 7.4 tons, 1,055.7% of that in the previous fiscal year. This was a temporary increase due to renovation work on the investigational drug-related facilities carried out at the Joto Plant.

We will promote the reduction of landfill waste.

• Efforts made for reducing waste

We are endeavoring to reduce the amount of waste generated by separating and recycling waste based on our waste management regulations and waste separation rules. Observation at the intermediate waste treatment facilities and landfill sites run by waste treatment subcontractors are also conducted periodically to ensure our company's waste is being disposed of appropriately.

To meet the target of recycling all industrial waste, we also conduct thermal recycling with certified heat recovery operators and use landfill sites where material recycling is performed. We achieved zero emissions* again in FY2017 and will make efforts to continue to achieve zero emissions.



* Sites where data on industrial waste (amount of waste generated/landfilled) was collected: Fujiyama Plant, Joto Plant, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute

Notes:

* Zero emissions means a final disposal rate (percentage of waste that is landfilled) of less than 1.0%, because industrial waste generated is recycled (calculation of final disposal rate: final landfill disposal amount / amount of waste generated × 100).

Note that we have not achieved zero emissions for certain materials, such as some hazardous substances and reagent waste, because their safe disposal is a higher priority.

● Recycling containers and product packaging

Pursuant to the Containers and Packaging Recycling Law, some of the containers and packaging materials for the products we sell are recycled. In addition, we are working to reduce our environmental impact by changing the materials in our containers and changing the designs of our packaging.

FY2017

(Unit: tons)

	Container and packaging usage	Obligatory recycling amount
Plastic	164.7	34.7
Paper	192.0	1.6
Glass (colorless)	0	0
Glass (brown)	0.3	0
Commissioning fee paid for recycling: 1,723 thousand yen		

● Prevention of Air Pollution and Water Pollution

The production sites comply with the Japanese Air Pollution Control Act, the PRTR Law, agreements on pollution prevention with local governments, and other related laws and regulations in order to reduce environmental impact. They periodically measure the concentration of exhaust gas and noise from boilers and CGSs as well as wastewater from the plants, in accordance with related laws and other regulations, in order to ensure that levels are within regulatory limits. They also strive to reduce environmental risk. The PDCA cycle is followed in the plants, and employees are provided with the necessary environmental management training in operations in which there is a risk of environmental impact. Emergency drills are also conducted regularly. These drills use scenarios such as high concentrations of soot due to faulty equipment and leakages of oil into the ground, giving employees

practice in the necessary preventative and responsive measures for such situations.

In recent years, extreme weather events are occurring as a result of global warming. We have formulated manuals to prepare for accidents and emergency situations caused by such weather, and we organize training sessions to minimize environmental impacts. In particular, to address any accidents and emergency situations that may cause water or soil pollution, we systematically review and implement the backup and reinforcement of relevant equipment.

● Management of Chemicals

ONO is committed to reducing chemical emissions to the lowest possible level not only in compliance with laws and regulations but also in recognition that these emissions may impact human health and the ecosystem.

• Compliance with the PRTR Law

In FY2017, the Minase Research Institute and the Joto Plant made reports on Class I designated chemical substances. These chemicals are managed in appropriate amounts and in compliance with the PRTR Law.

Due to the suspension of the use of the incinerator at the Fukui Research Institute, dioxin emissions and transfers in FY2017 were zero.

Compliance with the PRTR Law

Substance	Amount handled by the notifying facilities			Notified release						Notified transfer						Total of notified release amounts/notified transfer amounts		
	FY 2016*	FY 2017*	FY 2016* comparison (%)	into the air			into public waters			Contained in waste			Into public sewage			FY 2016*	FY 2017*	FY 2016* comparison (%)
				FY 2016*	FY 2017*	FY 2016* comparison (%)	FY 2016*	FY 2017*	FY 2016* comparison (%)	FY 2016*	FY 2017*	FY 2016* comparison (%)	FY 2016*	FY 2017*	FY 2016* comparison (%)			
Acetonitrile	8.29	8.98	108.36	0.20	0.36	178.95	0.00	0.00	—	8.09	8.82	109.06	0.00	0.00	—	8.29	8.98	108.36
Normal-hexane	2.95	2.97	100.72	0.00	0.00	—	0.00	0.00	—	2.85	2.97	104.25	0.00	0.00	—	2.95	2.97	100.72
Total	11.24	11.95	106.35	0.20	0.36	178.95	0.00	0.00	—	10.94	11.79	107.81	0.00	0.00	—	11.24	11.95	106.35
Dioxins	—	—	—	0.27	0.00	0.00	0.00	0.00	—	16.75	0.00	0.00	0.00	0.00	—	17.02	0.00	0.00

(Unit: tons; for dioxins: mg-TEQ)

• Amount of Chemical Substances Handled

In FY2017, as in FY2016, the volume of Class I designated chemical substances under the PRTR Law that we handled remained extremely low, at just 11.95 tons. This is partly because ONO does not conduct any synthesis of pharmaceutical substances. We will continue to make every possible effort to reduce the amount that we handle and to keep down the amount released.

• Handling of PCBs

ONO manages waste polychlorinated biphenyls (PCBs) properly in accordance with the Law Concerning Special Measures for Promotion of Proper Treatment of PCB Waste in Japan. The company submits a report on the storage and disposal of waste PCBs to the Osaka municipal government every year.

Site	Status	Type	Number of units
Joto Plant	Stored	Fluorescent lamp	552
	Disposed*	Condenser	6
Minase Research Institute	Disposed*	Condenser	2

*The Joto Plant in FY2007 and the Minase Research Institute in FY2014 delivered PCBs to the Japan Environmental Storage and Safety Corporation, a PCB waste treatment service provider.

•Fluorocarbon Management

In April 2015, amendments to the Act on Rational Use and Proper Management of Fluorocarbons came into force, and the reporting of leakage from and inspection of air conditioning equipment and refrigerators/freezers for business use became obligatory. Therefore, we conduct activities such as the identification of such equipment, simple inspections / periodic inspections, generation of records, and calculations of leakage. In FY2017, the calculated leakage of fluorocarbons was 197.9 tons-CO₂. We will continue to prevent leakage and promote the introduction of non-CFC (chlorofluorocarbon) and low-GWP (global-warming potential) equipment when updating equipment.

Green Purchasing

In December 2004, we started purchasing on a company wide basis-from @office, an online office supply purchasing service provided by Kokuyo Co., Ltd. This service offers a wide range of environmentally friendly office supplies, including Green Mark and Eco Mark certified products, and we use this service to promote green procurement. In FY2017, 80% of the office supplies purchased by ONO were environmentally friendly products.



Independent Practitioner's Assurance

As for the categories of environmental information listed below, indicated with for the year ended March 31, 2018 included in our CSR Report 2018, we have received independent assurance so as to bolster the reliability of the information. The Independent Assurance Report is reprinted on page 65.

On page 37

In the section Overall Picture of Environmental Impact (ONO's Involvement in Environmental Protection).

Under INPUT

Total energy input

Water resource input

Under OUTPUT

CO₂ emissions into the air

Effluent emissions into the water

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Energy-derived CO₂ emissions

Break down of energy-derived CO₂ emissions by scope

Energy consumption

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CO₂ emissions in the value chain (Scope 3)

On page 44

Water use

On page 45

Industrial waste: Amount of waste generated/landfilled

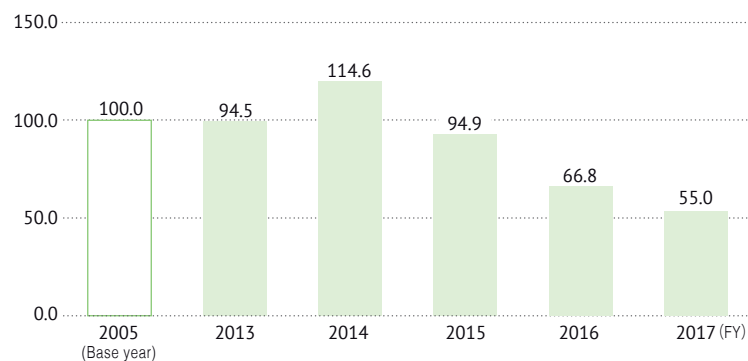
Environmental Efficiency / Environmental Accounting

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.

●Assessment of Environmental Efficiency

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 the net sales 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. Although our waste temporarily increased from the previous year due to renovation work on the investigational drug-related facilities carried out at the Joto Plant, the environmental efficiency indicator improved by 45.0 points due to the increase in sales in FY2017. 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 2005)



●Environmental Costs and Effects in FY2017

The environmental investment at our production and research sites during FY2017 was for global warming countermeasures and other environmental measures.

Environmental Costs (Including Depreciation Costs)

(Thousands of Yen)

Category	Environmental costs		Amount of investment in environmental equipment	
	FY2016	FY2017	FY2016	FY2017
1: Pollution prevention costs (prevention of air pollution, water pollution, soil pollution, groundwater pollution, hazardous chemicals, noise, vibration and offensive odors)	92,158	88,855	5,798	117,421
2: Global environment conservation costs (prevention of global warming and environmental conservation)	351,425	375,738	532,328	543,660
3: Resource circulation costs (reduction of waste, proper treatment of waste, and efficient use of resources)	93,809	97,111	0	0
4: Administration activity costs (time and costs spent for relevant committees, ISO activities, and environmental management)	8,706	7,766	—	—
5: Research and development costs	159,912	193,194	—	—
6: Community activity costs (cleanup and tree-planting activities on business sites and in surrounding areas, etc.)	1,114	767	—	—
Total	707,124	763,431	538,126	661,081

Environmental Conservation Effects

Environmental performance indicators		Change in the amount of environmental impact		Environmental impact	
		FY2016	FY2017	FY2016	FY2017
Effects related to business area costs	SOx emissions (tons)	0.00	0.00	0.00	0.00
	NOx emissions (tons)	2.07	5.99	13.80	7.81
	Water use (10.0 thousand m ³)	0.30	1.08	29.84	30.92
	BOD load (tons)	0.46	-0.16	2.38	2.22
	CO ₂ emissions (tons-CO ₂)	1,868	-38	24,005	23,967
	Energy use (10.0 thousand GJ)	4.27	-0.07	52.72	52.65
	Total waste discharge (tons)	99.93	218.15	765.74	983.89
	Final landfill disposal (tons)	-1.83	7.38	10.66	18.04

Economic Effects Associated with Environmental Conservation Activities

(Thousands of Yen)

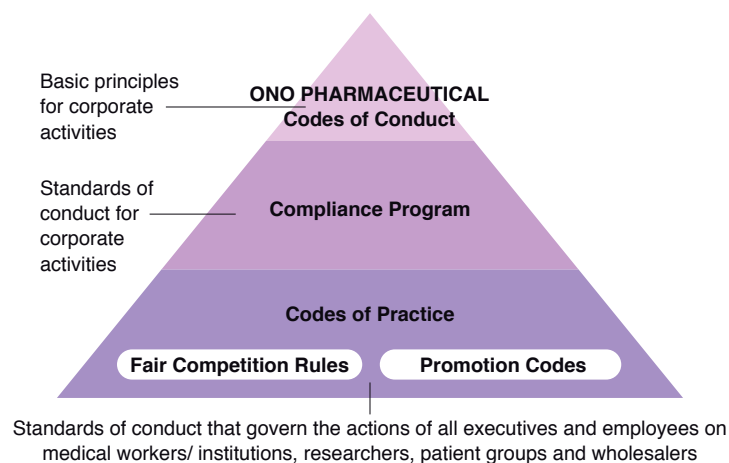
Details of effects	Total	
	FY2016	FY2017
1: Reduction in costs through energy-saving activities	4,384	7,364
2: Reduction in waste costs through recycling activities	0	0
3: Profit on sales from waste recycling	5,569	436
Annual total	9,953	7,800

Fair Operating Practices

Being aware of responsibilities as a pharmaceutical company dealing in pharmaceuticals upon which human lives depend, ONO PHARMACEUTICAL has the Ono Pharmaceutical Code of Conduct to ensure that it acts in compliance with laws and regulations and that it meets high ethical standards. We thoroughly train all employees to ensure compliance and promote proper procurement activities in cooperation with suppliers.

ONO PHARMACEUTICAL's Compliance System

Our compliance system consists of the Ono Pharmaceutical Code of Conduct as basic guidelines for corporate activities, the Compliance Program as a behavioral standard for its activities, and the Code of Practice based on pharmaceutical industry standards related to promotional activities. In practicing the compliance system, we are repeatedly informing our employees about ensuring transparency, preventing fraud and corruption, constantly being conscious of domestic and international social conditions. We will continue to recognize our ethical philosophy as a pharmaceutical company and will make every effort to further improve compliance in line with our compliance system.

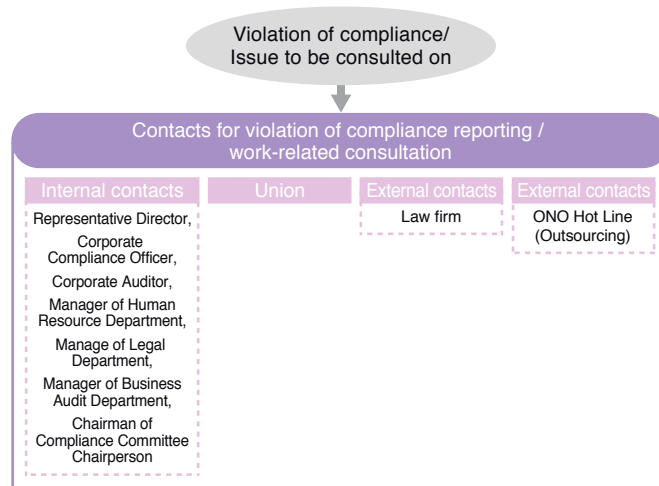


Compliance Promotion Initiatives

● Compliance Promotion System

To promote compliance, we have appointed a Corporate Compliance Officer and set up a Corporate Committee. The Corporate Committee examines and deliberates on compliance-related issues, plans and promotes relevant training programs, and checks to what extent such compliant related matters are shared and understood within the company in cooperation with the internal auditing department. We have internal and external contacts (refer to the chart below) including a 24-hour external contact service named the ONO Hot Line, which was set up in 2015 for compliance issues as well as a system to ensure that informants can directly report to or consult with top management—that is, the Representative Director, the Corporate Compliance Officer, and the Corporate Auditors. Under this system, compliance violations including harassment can be prevented, appropriate work environment can be ensured, and necessary measures can be taken to minimize any loss of credibility in the event of a compliance violation. We ensure that the matters including reporting person’s name, reported content, and his/her privacy are strictly kept confidential to other than those involved in the survey, and support anonymous reporting. In addition, we will never bring detriment to such a reporting person solely because of use of the system.

We provide guidance to associated group companies in creating systems and rules to prevent the occurrence of noncompliance, and we strongly urge our affiliates and suppliers to do the same. We also continue enhancing the system to make the contacts available in the entire group so that employees can report or consult without hesitation.



● Ethical Considerations

ONO always gives consideration to ethical treatment in various stages of research and development.

We conduct research using human specimens (blood, tissue, cells, genes, etc.) after strict deliberations on ethical and scientific acceptability. To this end, we have established internal ethical codes based on the basic guidelines specified by the Japanese government and set up the Research Using Human Specimens Ethics Committee composed of internal and external members as an advisory board.

To ensure that the lives of the animals are respected and proper consideration is made to animal welfare in research using laboratory animals, we have established the Institutional Animal Care and Use Committee that reviews whether all animal experimental protocols are prepared based on the principles of the 3Rs—Replacement (active use of alternative methods of experiment), Reduction (reducing the number of test animals), and Refinement (alleviation of pain)—in advance. The committee also implements self-inspections and assessments of the animal experiment processes. In recognition of these initiatives, Ono has earned the Center for Accreditation of Laboratory Animal Care and Use (CALAC) in the Japan Health Sciences Foundation (JHSF) accreditation as an animal testing facility.

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 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 the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices of Japan (Pharmaceutical and Medical Device Act) and other related legislation, as well as the global standards based on the spirit of the Declaration of Helsinki.

For more information, see the web pages below:

Considerations to ensure human rights during research http://www.ono.co.jp/eng/rd/human_rights.html

Ethical considerations in animal experiments http://www.ono.co.jp/eng/rd/animal_ethics.html

●Fair and Transparent Business Activities

We conduct fair and transparent business activities, and provide training programs to repeatedly familiarize employees with their duties to prevent fraud and corruption.

We aim to contribute to healthcare all around the world and people's health through continuous R&D activities and the stable supply of new drugs. To this end, we need to engage in collaborative activities-for example, providing support for patient organizations-and cooperate with research and medical institutions to help patients overcome disease and pain. To enhance the fairness and transparency of such collaborations and cooperation, it is important to ensure transparent relationships with our partners. We therefore disclose information on the costs of our assistance to medical institutions and patient organizations in accordance with our transparency guidelines, which are formulated in line with the relevant guidelines of the Japan Pharmaceutical Manufacturers Association (JPMA).

While compliance with laws related to fraud and corruption is attracting increasing attention on a global scale, we always act in consideration of the social situation in Japan and overseas. To this end, we established ONO PHARMACEUTICAL Bribery Prevention Global Policy and the Regulations on Bribery Prevention in 2017 to clarify our bribery prevention system in a written form, and work to operate them in a strict manner.

To ensure that publicly funded research is conducted in compliance with the relevant guidelines established by the Japanese government, we have formulated the Action Guidelines for Publicly Funded Research and the Regulations on Publicly Funded Research, and apply them for even more appropriate use and management of public research funds.

For the details of our system for preventing bribery and corruption, refer to the Ono Pharmaceutical Global Anti-Bribery and Corruption Policy (hereinafter the "Global Policy") below.

Ono Pharmaceutical Global Anti-Bribery and Corruption Policy (147 KB)

<http://ono.m2-lab.com/eng/csr/pdf/anti-bribery-global-policy201704.pdf>

No facilitation payment defined the Global Policy was exercised in FY 2017.

For more information, see the web pages below:

Operation and management system of public research funds, and procurement policy

<http://www.ono.co.jp/eng/rd/management.html>

Responsible Promotion Activities

●Basic approach

We have formulated the Pharmaceutical Promotion Code in the ONO Codes of Practice (hereinafter referred to as the “Code”) compliant with the JPMA Code of Practice as our action guidelines and are conducting responsible promotion activities through collaboration between the Sales and Marketing Division, the Compliance Promotion Department, and the Safety and Quality Assurance Division, in order to realize optimal and patient-centered healthcare.

●Engagement in fair promotion activities

ONO PHARMACEUTICAL defines “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 promotions proactively carry out promotion activities, while always examining whether they are acting in accordance with the spirit of the Code regardless of whether there are specific provisions or descriptions in the Code. Also, we comply with the Code and adhere to the Promotion Code for Prescription Drugs defined by JPMA (Japan Pharmaceutical Manufacturers Association), 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.

●Training to thoroughly inform fair promotion activities

We provide the following training courses for employees to enhance their awareness of compliance. Every year we schedule a three-month period of intensive training during which we organize lectures given by the leaders of various departments, as well as training courses using an e-learning system, to improve employees’ familiarity with and understanding of compliance in general. In the event of a certain type of noncompliance, we also provide ad hoc training sessions to prevent the occurrence or recurrence of such noncompliance on a company-wide scale.

In particular, with regard to harassment, not only do we provide training courses for management staff, but we also include harassment and other issues in the sessions conducted by external lecturers, thereby enhancing awareness of compliance.

As for fair promotion activities, compliance promotion staff members visit sales branches in various places twice a year to provide MRs with compliance training sessions, aiming to disseminate and teach the Code. Also, in the Compliance Promotion Department and the Sales and Marketing Division, joint meetings at the section chief level are held through collaboration with trade practice committees established under the Fair Trade Council of the Ethical Pharmaceutical Drugs Marketing Industry to share information and provide training. Furthermore, at meetings attended by leaders in the Sales and Marketing Division, systems to improve familiarity with the aforementioned standards within the Division are developed.

Proper Procurement Activities

We have established a basic policy for procurement activities in terms of fairness, economic rationality, and environmental protection, and our procurement personnel are required to act in accordance with the policy. In addition, ONO clearly separates its purchase organization from other parts of the company and carries out regular internal audits of the purchase organization to confirm its transparency.

● Basic policy for procurement activities

ONO has established its policy for procurement activities based on the six CSR priority areas* according to the three basic ideas.

* Corporate governance, innovative pharmaceutical products, human resources and human rights, the environment, fair operating practices, and society

Basic Ideas on Purchase Transactions

1. Purchase transactions involve selecting and purchasing favorable goods and services on the basis of economic rationality.
2. Purchase transactions are open to suppliers both at home and abroad and are conducted in a fair and transparent manner through a simple and easy-to-understand procedure.
3. Purchase transactions play a key role in the activities of companies as part of their contribution to society as good citizens. Companies also give consideration to resource savings and environmental conservation in purchase transactions.

Basic Policy for Procurement Activities

(1) Compliance with relevant laws and regulations

We will comply with relevant laws and regulations in Japan and other countries, and we will conduct fair transactions based on high ethical standards.

(2) Respect for human rights

We will respect fundamental human rights and perform our duties without unjust discrimination.

(3) Economic rationality

We will perform sufficient evaluations of the quality of goods and services and the management stability of suppliers, and we will select suppliers based on proper standards.

(4) Fair distribution of opportunities

We will provide opportunities for all suppliers to compete in a fair and transparent manner.

(5) Consideration of the environment

We will be conscious of the protection of resources and the conservation of the environment in our procurement activities.

(6) CSR procurement

We will promote CSR activities in all of our procurement activities as part of our efforts to promote CSR activities throughout the ONO PHARMACEUTICAL Group.

We strive to support patients and their families by sending information on diseases, treatment, and other issues. Also, we are actively committed to various activities that contribute to local communities at our business bases around the world.

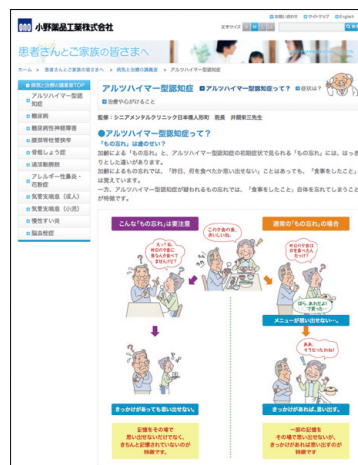
Various Corporate Social Responsibility (CSR) Activities

●Web-Based Information Dissemination

Our corporate website contains a section for patients and their families that provides information for the proper use of our key products. This section also explains common diseases including diabetes, allergic rhinitis, and Alzheimer's dementia as well as symptoms of osteoporosis and overactive bladder, the patients of which are increasing as the population ages, and therapeutic methods and things that the patients and their families should do in their daily lives in an easy-to-understand manner with diagrams and illustrations, all of which are easy for patients and their families to use.

We also have other web sources to disseminate useful information widely. We run a website specializing in dementia titled "Treating Dementia with Positivity which provides comments and messages from a wide range of healthcare professionals involved in the treatment and care of people with dementia. We operate ONO Oncology (information for public and patients)," a website we created with the cooperation of supervising doctors so that people can learn difficult cancer immunity concept in an easy-to-understand matter and offer a free smartphone application that provides support to patients suffering from diabetes and other lifestyle diseases.

As for the operation of the website Treating Dementia with Positivity in FY2017, we newly interviewed the representatives at 37 medical institutions and published an article that introduced their initiatives on the website. We have posted contents concerning such as rare cancer with high unmet medical needs (malignant melanoma, Hodgkin's Lymphoma, and multiple myeloma) as well as lung cancer, renal cell carcinoma, head and neck cancer, and stomach cancer.



●Initiatives for Medical Advancement

We are making efforts to meet unmet medical needs and contribute to medical advancement. 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 contribute to the health and welfare of the public. The Foundation has provided research grants and scholarships every year since its establishment and gave an Osamu Hayaishi Memorial Award to one researcher, research grants to 12 researchers, and scholarships (for researches under 40 years old) to 16 researchers respectively in FY2017. In FY2017, we newly funded or continued to fund approximately 40 courses across Japan mainly on cancer, diabetes, neurological diseases, bone and motor organ diseases and other disease areas the patients of which are likely to increase rapidly as the population ages. In addition, we have supported the Japanese Biochemical Society's Osamu Hayaishi Memorial Scholarship for Study Abroad, which assists researchers who are willing to research biochemistry-related life sciences in general in studying abroad, for 10 years from FY2017, and we made a decision to support eight researchers in March 2017 and another decision to support other eight researchers in March 2018.

●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 the families of patients. We also cooperate in holding seminars for citizens to raise awareness and provide correct information about diseases. In addition, we have been participated in Relay for Life as a part of CSR activities since FY2014. Relay for Life is a charity activity project conducted by the Japan Cancer Society and the National Action Council of Relay of Life aiming to deal with and overcome cancer. We have been actively participating in the Relay of Life events mainly at the locations where our research institutes, plants, and sales offices reside.

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 411 works from various parts of Japan for the ninth exhibition held in FY2017 and sent comments handwritten by the selection committee members as well as a certificate of commendation to each applicant.

In March 2018, we held the Operation Slimmer and Healthier program in Soma City, Fukushima Prefecture, as held previously in Aizu Misato Town, Fukushima Prefecture in March 2015, in Ishinomaki City, Miyagi Prefecture in March 2016, and in Ofunato City, Iwate Prefecture in April 2017 as a Great East Japan Earthquake reconstruction assistance activity. With the cooperation of top athletes and specialists in lifestyle disease, the program 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. We will continue being involved in activities that help people keep healthy.



●Efforts made for children's education

We are proactively engaged in activities to support the development of children, who will be responsible for the future. The classes we have continued to provide at schools (targeting junior high school students and high school students) focusing on dementia are the effort we make to have children consider dementia as common matter and acquire correct knowledge through viewing of the dementia awareness short movie titled *Grandma's World* we created and lectures by specialists. We started the event in May 2014, and more than 1,400 junior high school students and high school students have participated by the end of March 2018.

In FY2017, we continued the activities we had done in FY2016, aiming to raise the children's interest in learning science with the theme of medicine, our researchers visited Shimamoto Municipal No. 3 Elementary School (in the town where the Minase Research Institute resides) to give the sixth graders a lecture and co-sponsored an experiential learning event called *Water Wonder Expedition Part 4* (sponsored by the municipalities in the vicinity of Fujiyama Plant and targeting elementary school students) aiming to have children think about the global environments, particularly the water environment.

In FY2018, we started sponsoring the performance *Kokoro no Gekijo* (Theater of the Heart), which was performed in Kansai and sponsored by Shiki Theater Company / *Butai Geijyutu* (Performing Arts) Center as a new activity. Theater of

the Heart is a project to invite children (mainly elementary sixth grade students) from various regions in Japan to theaters for free and demonstrate the excitement of theater aiming to bring the most important things for people to live, such as the importance of life, the heart to consider a person, the joy to believe each other to children's heart through the performance. We understand such philosophy and support activities.

We also donated to the project *Kodomo Hon no Mori Nakanoshima* (Woods of Children's Book in Nakanoshima) (tentative name) that aimed to stop children being away from reading. *Kodomo Hon no Mori Nakanoshima* (tentative name) is a project to build a library designed by an architect Tadao Ando in the Nakanoshima Park to encourage children to develop rich creativity through books and arts/culture.



Maho wo Suteta Majorion (Majorion who Quite from Being a Witch), a family musical performed by Shiki Theater Company

Photo by Ken Arai



Water Wonder Expedition Part 4

Relationships with communities

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

● Initiatives in the Production Division

The Fujiyama Plant's recent activities for improving the environment involved planting trees in a nature park near the base of Mt. Fuji in May 2017 and cleaning up the areas surrounding the plant in March 2018. These events aim to boost children's awareness of water and the natural environment around Mt. Fuji and to get children thinking about how they can contribute to preserving the environment.



Growing trees at the foot of Mt. Fuji



The Osaka Marathon Cleanup campaign

At the Joto Plant in November 2017, staff took part in the cleanup of the periphery of the plant site and the area around a neighboring elementary school as well as parks and other places as part of the Osaka Marathon Cleanup campaign organized by the Osaka Municipal Government. In January 2018, the private fire brigade of the plant joined the New Year's parade of private fire brigades in Higashinari Ward Osaka. It took on the role of rescuing people from collapsed houses and delivering them to the emergency team. A fair to sell bread and cookies made at work centers that support the independence of persons with disabilities is held on the second Wednesday of every month. Staff in the production division will continue to actively participate in such useful community-based social contribution activities.

●Initiatives in the Discovery and Research Division

The Minase Research Institute joined the Rikyu no Mizu Conservation Society to protect the famous water source found on the premises of Minase Jingu Shrine which has been selected as one of the 100 best springs in Japan. Staff members took part in the joint cleanup activities which are organized twice a year. In addition, the private fire brigade members at the institute participated in firefighting training in a fire-prevention festival in Shimamoto-cho which is held to raise awareness of fire prevention among local residents every November as well as in the New Year parade of the firefighting brigade of Shimamoto-cho, which is organized on the second Sunday of January every year.

At the Fukui Research Institute staff took part in cleanup activities including picking up of litter around the boundary of the site on a regular basis. The private fire brigade members at the institute joined a volunteer fire brigade competition which is held every year to raise awareness of fire prevention and improve firefighting skills and conducted firefighting training. And, the gymnasium and tennis courts on the premises are opened to the public as places for communication. At the Tsukuba Research Institute employees regularly pick up litter in its neighborhood in an effort to maintain the beauty of the area.

●Initiatives in Other Divisions

On the fourth Wednesday of every month, the Head Office holds events at which bread and cookies made by the disabled members of a social welfare organization are sold.

●Eco-Cap Activities

The Minase Research Institute (from June 2014) and the Head Office (from July 2014) have been taking part in an "Eco-cap" campaign. The caps of plastic bottles are disposed of in special garbage containers near vending machines and are recycled. The proceeds from this recycling are used, for example, to buy vaccines for children in developing countries and help communities recover from earthquakes.



● Blood Donation

Employees at the Head Office, plants, and research institutes actively donate their blood to the Japanese Red Cross Society.

● Contribution to the Local Community in Shimamoto-cho

In an effort to promote sustainable development in harmony with local communities ONO donated dental goods to children in Shimamoto-cho Mishima-gun June 4 to 10 <Osaka Prefecture—the home of the Minase Research Institute. During Dental Health Week> 2,800 tooth-brushing kits and 400 toothbrushes produced by Bee Brand Medico Dental Co. Ltd.

which is one of our affiliates were provided for four elementary schools and five kindergartens/nursery schools in the town with the hope to help realize a world without dental cavities. This initiative is implemented as an annual program with an aim to realize coexistence of the local community with the company and achieve sustainable development.

Medium-term Targets and Progress Status

Corporate Governance

Evaluation criteria ○: Achieved, △: Mostly achieved ×: Not achieved

Medium-term targets	Plan for FY2017	Results in FY2017	Evaluation	Action plan for FY2018
Strengthen corporate governance	Evaluate the measures that have been newly taken, and continue to step up corporate governance	Made progress in the efforts for enhancing the corporate governance, for example, reviewed the operation of the Board of Directors from the viewpoint of improvement of the board's efficiency.	○	Further enhance the corporate governance by, for example, leveraging the new viewpoints of outside directors who have experience of running companies

Innovative Pharmaceutical Products

Evaluation criteria ○: Achieved, △: Mostly achieved ×: Not achieved

Medium-term targets	Plan for FY2017	Results in FY2017	Evaluation	Action plan for FY2018
Research and develop innovative pharmaceutical products	Develop drugs through unique methods, carry out speedy clinical development, and conduct aggressive licensing	Signed four drug discovery partnership agreements aiming to create innovative new drugs, and received approval of additional indications for two products, and introduced five compounds and derived one compound	○	Continue to develop drugs through unique methods, carry out speedy clinical development, and conduct aggressive licensing
Conduct appropriate marketing	Use the latest data in providing information mainly on safety and other issues in appropriate ways	Sped up process for gathering and conveying information on safety and proper usage, provided online information on treatment and pharmaceuticals	○	Promote the provision of appropriate information and safety information according to the medical system of each medical district
Supply products to global markets	Step up the production of the ONO brand products aimed at Asian markets to strengthen the system for stable supply	Stepped up the production of the ONO brand products aimed at Asian markets	○	Step up the production by adding a production base of pharmaceutical substance for the ONO brand products aimed at Asian markets
Ensure stable supply of antibody products	Add a domestic storage site for pharmaceutical substances of antibody products to strengthen the system for stable supply	Added a domestic storage site for pharmaceutical substances of antibody products in the Osaka area	○	Add one more plant to produce antibody products in Japan.

Human Resources and Human Rights

Evaluation criteria ○: Achieved, △: Mostly achieved ×: Not achieved

Medium-term targets	Plan for FY2017	Results in FY2017	Evaluation	Action plan for FY2018
Strengthen the human resource development system	[Hiring] Continuously hire diverse human resources in response to changes in the social environment	Revised the hiring process to effectively secure new graduates and mid-career recruits	○	Continue to hire diverse human resources in response to changes in the social environment
	[Education / Training] Provide employees with opportunities for their growth and work to improve education and training programs to make them more effective	Provided employees with opportunities for their growth, and conducted training that was useful in fostering human resources	○	Continue to provide employees with opportunities for their growth, work to improve education and training programs to make them more effective, and develop a system to support such improvement
	[Self-learning] Work to enrich the correspondence courses and promote self-learning	Enriched correspondence courses and established the system to encourage self-learning	○	Continue to work to enrich the correspondence courses and promote self-learning
Respect human rights	Operate the personnel system based on current human resource policy, and verify this system	Established and operated the system based on current human resource policy	○	Continue to operate and review the personnel system based on current human resource policy
	Hold compliance training to help prevent harassment and other noncompliance	We prohibited harassment and held compliance training aimed at preventing harassment.	○	Continue to hold compliance training to help prevent harassment and other noncompliance

The Environment

Evaluation criteria ○: Achieved, △: Mostly achieved ×: Not achieved

Medium-term targets	Plan for FY2017	Results in FY2017	Evaluation	Action plan for FY2018
Reduce CO ₂ emissions by 23% from the FY2005 level in FY2020 Note: Covers production and research sites	Incorporate highly energy-efficient equipment when upgrading equipment, and continue strict air conditioner control in order to improve energy efficiency and reduce CO ₂ emissions	As a result of introduction of energy-efficient equipment and thorough energy management, CO ₂ emissions decreased by 10.1% over FY2005	△	Incorporate highly energy-efficient equipment when introducing new equipment and upgrading equipment, and continue strict air conditioner control in order to improve energy efficiency and reduce CO ₂ emissions
Reduce the amount of PRTR Class I designated chemical substances released into the environment	Maintain the volume of chemicals handled at the current level, and continue to work to reduce their discharge into the atmosphere	Periodic replacement of exhaust air filters reduced chemicals discharged into the atmosphere.	○	Maintain the volume of chemicals handled at the current level, and continue to work to reduce their discharge into the atmosphere
Maintain FY2020 waste landfilled at the FY2015 level. Note: Covers production and research sites	Set a new target of maintaining FY2020 waste landfilled at the FY2015 level, and work to maintain and continue proper management of waste	Increased the amount of waste landfilled by 44.4% in FY2017 compared to that in FY2015 because of a temporary increase due to renovation work on the investigational drug-related facilities carried out at the Joto Plant.	×	Reduce FY2020 waste landfilled to or below the FY2015 level.
Prevent environmental accidents and complaints from local communities on an ongoing basis	Continue proper management of pollutants with the goal of maintaining our record of zero complaints from local communities	There were neither violations of emission standards nor complaints from local communities	○	Continue proper management of pollutants with the goal of maintaining our record of zero complaints from local communities
Comply with guidelines issued by the Ministry of the Environment of Japan	Continue to reduce environmental impact in order to improve environmental efficiency	The environmental efficiency indicator improved by 45.0 points compared to that in FY2005 due to the increase in sales although our waste temporarily increased from the previous year due to renovation work on the investigational drug-related facilities carried out at the Joto Plant.	○	Continue to reduce environmental impact in order to improve environmental efficiency
Beautify local communities, prevent workplace accidents involving employee injury	Take part in environmental protection activities and community action programs. Continue to educate employees	Major bases such as production sites and research institutes took part in community clean-ups and firefighting activities. Took part in the city's programs and educated employees on workplace safety	○	Implement various social contribution activities including participation in environmental protection activities and programs of local communities Also, continue education and other activities to raise awareness of employees to give first priority to the safety and health of employees

Fair Operating Practices

Evaluation criteria ○: Achieved, △: Mostly achieved x: Not achieved

Medium-term targets	Plan for FY2017	Results in FY2017	Evaluation	Action plan for FY2018
Promote CSR procurement	Obtain consent to our new conditions for transactions from suppliers and have them conclude contracts under the conditions	Obtained consent to our new conditions for transactions from suppliers and had them conclude contracts under the conditions	○	Continue to obtain consent to our conditions for transactions from suppliers and to have them conclude contracts under the conditions
Conduct activities to eliminate noncompliance	Promote understanding and raise awareness among employees through training and other measures, and continue organizational promotion activities to prevent occurrence or recurrence of noncompliance	Set up the months to enhance the promotion of compliance (from October to December) and the month to promote the understanding of the codes (November), and tried to improve employees' familiarity with and understanding thorough lectures by leaders, etc.	○	Continue to promote understanding and raise awareness among employees through training and other measures, and continue organizational promotion activities to prevent occurrence or recurrence of noncompliance

Society

Evaluation criteria ○: Achieved, △: Mostly achieved x: Not achieved

Medium-term targets	Plan for FY2017	Results in FY2017	Evaluation	Action plan for FY2018
Actively promote community involvement as a corporate citizen	Step up the medical treatment and health initiative and projects to contribute locally	Continued the medical treatment and health initiative and projects to contribute locally including cleanup activities, disaster prevention activities, and class at neighboring schools.	○	Continue to step up the medical treatment and health initiative and projects to contribute locally
	Continue academic support activities through endowed courses	Provided academic support through approximately 40 endowed courses nationwide	○	Continue academic support activities through endowed courses
Support patients and their families	Support lectures and other events sponsored by patient organizations	Supported events such as lectures on topics such as diabetes, dementia, and cancer	○	Continue to support lectures and other events sponsored by patient organizations
	Continue to provide medical information online, and renew the pages for medical professionals on the ONO Oncology website	Expanded the contents on sites including ONO Medical Navi and a website specializing in dementia, and renewed the pages for medical professionals on the ONO Oncology website	○	Continue to provide medical information online, and enhance the contents
	Enrich the content to educate patients about diseases such as cancer, and renew the pages for the public on the ONO Oncology website	Renewed online content to introduce diseases such as diabetes, dementia, urinary organs, and cancer to raise awareness of the diseases. And, renewed the pages for the public on the ONO Oncology website.	○	Continue to enrich the content to educate patients about diseases such as cancer; and complete the renewal of the pages for the public on the ONO Oncology website

Deloitte.

デロイトトーマツ

(TRANSLATION)

Independent Practitioner's Assurance Report

August 23, 2018

Mr. Gyo Sagara,
President, Representative Director, and Chief Executive Officer,
ONO PHARMACEUTICAL CO., LTD.

Masahiko Sugiyama
Representative Director
Deloitte Tohmatsu Sustainability Co., Ltd.
3-3-1, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the environmental quantitative information indicated with for the year ended March 31, 2018 (the "Environmental Quantitative Information") included in the "CSR Report 2018(PDF version)" (the "Report") of ONO PHARMACEUTICAL CO., LTD. (the "Company") created for the Company's webpage.

The Company's Responsibility

The Company is responsible for the preparation of the Environmental Quantitative Information in accordance with the calculation and reporting standard adopted by the Company (indicated with the Environmental Quantitative Information). Greenhouse gas quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data needed to combine emissions of different gases.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Environmental Quantitative Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and *the Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

• Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.

• Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Environmental Quantitative Information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of
Deloitte Touche Tohmatsu Limited

