



## **ONO PHARMACEUTICAL CO., LTD.**

ESG Briefing

March 28, 2022

**[Number of Speakers]**

2

Gyo Sagara

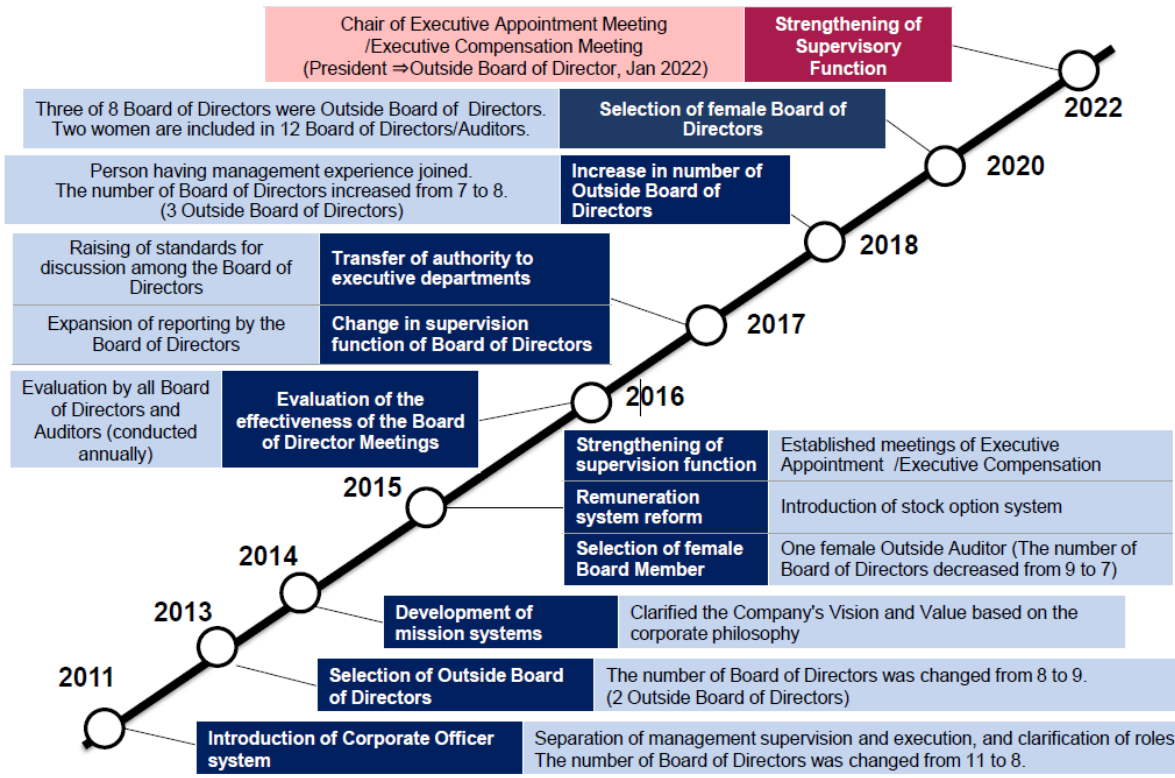
Yukio Tani

President and CEO

Corporate Executive Officer, Head of

Corporate Communications

## Efforts to Strengthen Governance



**Sagara:** First, I will explain about the strengthening of our corporate governance structure.

This slide shows the progress on the executive officer system made from the introduction in 2011 up to date.

In 2013, two outside board of directors were appointed, totaling nine board of directors. In 2014, we established a mission structure, and in 2015, we set up a committee to review executive personnel matters and executive compensation proposals. At the same time, we introduced stock option system and appointed a female officer as an outside auditor for the first time.

In 2016, we began evaluating the effectiveness of the Board of Director Meetings. In 2017, we changed the content of agenda items or reporting items at the Board of Director Meetings, where we reduced the number of resolution items as much as possible and were engaged in activating discussion based on various reporting items.

In 2018, we increased the number of outside board of directors to three. We appointed a female board of director as an outside board of director in 2020. From this year, 2022, we have asked an outside board of director as a chairman to proceed with the meeting to review executive personnel matters and the executive compensation proposals.

## Outside Board of Directors

Three out of 8 Board of Directors are Outside Board of Directors with the aim of strengthening the supervising function of the Board of Director Meetings, maintaining and improving management transparency and the accuracy of business execution.



As an experienced president of a listed company, he supervises the company's management based on his experience of making many complex business decisions.

She supervises the management of our company from the perspective of a business scholar with expertise in female labor and personnel evaluation systems.

As an experienced president and a chair of board of director meetings of a listed company, he supervises the company's management based on his experience leading corporate management and governance.

Currently, we have three outside board of directors: Mr. Nomura, the former President of Iwatani Corporation; Ms. Okuno, Professor of the Faculty of Business Administration, Konan University; and Mr. Nagae, the former Chairman of Panasonic Corporation.

Initially, we started with two academics, and now have appointed two outside board of directors with business and president experience, and one female outside board of director as an academic. I believe that the diversity of outside board of directors has also improved gradually.

In addition, there are currently two internal auditors and two outside auditors. As for the two outside auditors, one is a lawyer and the other is a certified public accountant, one of whom is a female auditor.

I believe that we have reached a certain level of diversity of supervisors in audit, including outside board of directors and outside auditors. There are still gender issues and the need for appointment of foreign outside board of directors, as well as the appointment of internal female board of directors, but I believe that we have made a certain progress.

# Skills Matrix for Board of Directors and Auditors

## Major Fields of Expertise and Experience of Members of the Board of Directors and Audit & Supervisory Board Members

- Subject persons Members of the Board of Directors and Audit & Supervisory Board Members who are required to attend the Board of Directors' meetings
- Skill recognition criteria In-house Members of the Board of Directors: Experiences in operations and management positions; Outside Members of the Board of Directors/Audit & Supervisory Board Members: Fields where supervision, auditing, and advice are expected.

	Name	Major fields of expertise and experience							
		Corporate management	Finance/Accounting	Legal/Risk management	Research and development	Corporate Development & Strategy/Marketing	Human resources/Human capital development	ESG/Sustainability	Global experience
Members of the Board of Directors	Gyo Sagara	●	●			●		●	
	Toshihiro Tsujinaka		●			●	●		
	Toichi Takino				●	●			●
	Isao Ono					●	●	●	
	Kiyooki Idemitsu				●	●			●
	Masao Nomura	●	●	●		●	●	●	
	Akiko Okuno						●	●	●
	Shusaku Nagae	●			●	●		●	●
Audit & Supervisory Board Members	Katsuyoshi Nishimura			●		●		●	
	Hironobu Tanisaka			●				●	
	Yasuo Hishiyama			●				●	
	Akiko Tanabe		●					●	

We have already prepared and published a skill matrix for board of directors and auditors. As you can see, we have listed their skill and experience. From the viewpoint of improvement of diversity, we will continue to appoint members considering the balance.

## Executive Appointment / Executive Compensation Meetings

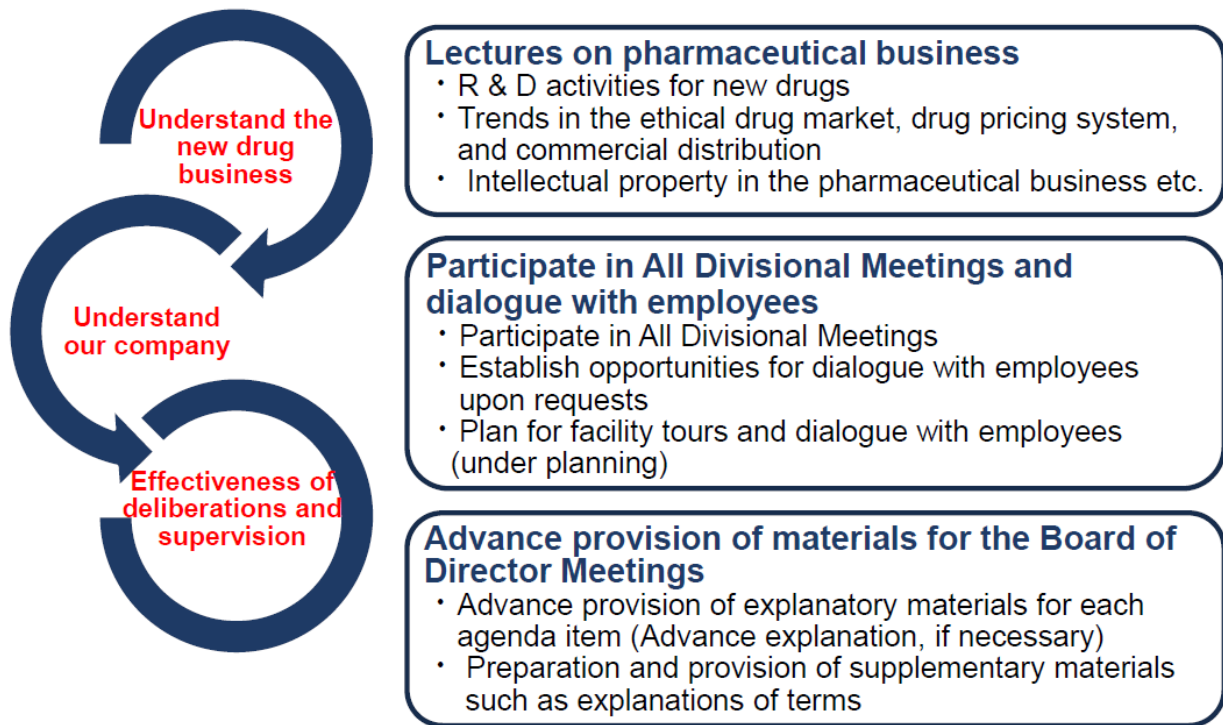
In order to ensure management transparency and objectivity, the executive appointment and executive compensation, both of which have governance-related importance are discussed at the meetings composed of highly independent Outside Board of Directors as key members.

	Independent Outside Board of Directors			Internal Board of Directors	
	Masao Nomura	Akiko Okuno	Shusaku Nagae	Gyo Sagara	Toshihiro Tsujinaka
Executive Appointment Meeting	Chairperson	○	○	○	○
Executive Compensation Meeting	Chairperson	○	○	○	—

Executive Appointment Meeting	Executive Compensation Meeting
<ul style="list-style-type: none"> <li>● Selection of candidates for Board of Directors and Auditors</li> <li>● Deliberation on successor plans</li> </ul>	<ul style="list-style-type: none"> <li>● Evaluation regarding fixed and performance-linked compensation and deliberation of compensation amounts</li> <li>● Supervision to ensure the compensation system function in a way that encourages sound growth</li> </ul>

As I mentioned earlier, we have been reviewing executive personnel matters and executive compensation proposals at the Executive Appointment Meeting and the Executive Compensation Meeting. After that, we consult with the board of directors to review the proposals. Until last year, I chaired these two meetings, but according to the demands of corporate governance, I feel it would be more objective and transparent to have an outside board of director chair these meetings. I have asked an outside board of director, Mr. Nomura, to chair these meetings.

## Supporting System for Outside Board of Directors



This is the support system to outside board of directors.

The new drug business is a bit special and characteristic one, so we have continuously made lectures to them for better understanding of business itself from the time of appointment and onwards.

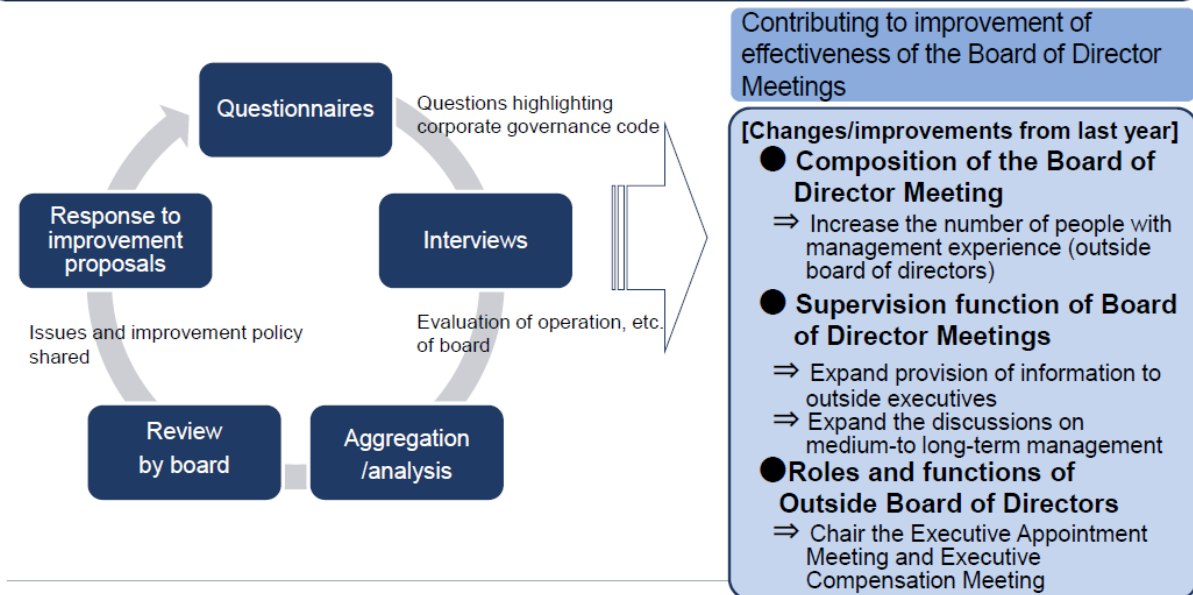
In order to gain a better understanding of the whole company, we ask outside board of directors to participate in All Divisional Meetings and to increase opportunities for individual dialogue, especially with employees. In this way, we hope that they can gain a better understanding of the company and draw on their own experience to provide appropriate supervision. We are also creating opportunities upon requests from outside board of directors to talk with employees in certain divisions.

As for auditors, they have visited various business locations to conduct audits. We are encouraging outside board of directors to participate in these kinds of activities.

In addition, as per common practice, in addition to providing a thorough explanation of the materials for the Board of Director Meeting, we also provide a monthly summary of major articles in the industry and general newspapers and share analysts' reports with them.

## Evaluation of Effectiveness in Board of Director Meetings

Effectiveness in Board of Director Meetings is evaluated every year by all of the Board of Directors and Auditors  
 Self-evaluation is conducted through questionnaires and interviews to improve the board



While there are several ways to evaluate the effectiveness of the Board of Director Meetings, either by conducting a thorough internal evaluation or by outsourcing the evaluation to an external party, we mainly conduct internal evaluations to evaluate the effectiveness of the Board of Director Meetings, and leverage the results to improve the Meetings.

When the evaluation is outsourced, it seems that many of the cases end up with just a questionnaire, and based on that, discussions tend to be lacking. On the other hand, when we make questionnaires internally, followed by interviews based on the questionnaire, we are in a situation where we can facilitate active discussions and make suggestions. Under such a situation, we are currently conducting internal evaluations. However, we would also like to consider occasional external questionnaires, interviews, and so on which we think may be effective, as well.



## Responses to the Issues Presented Last Year

### Roles and functions of the Board of Director Meetings

- Deepening discussions focusing on globalization
- ⇒ **Enhance discussions on medium- and long-term management issues looking at Opdivo Cliff**

### Role of Outside Board of Directors

- Role expansion in governance
- ⇒ **Chair the Executive Appointment / Compensation Meeting**

### Remuneration system

- Incentives appropriate for short-term/medium-to-long-term management issues
- ⇒ **Started reviewing of compensation system**

This is the status of our response to the issues presented last year, and we have divided it into three sections.

The first issue was regarding the role and function of the Board of Director Meetings, which was to make management decisions more boldly while remaining careful. The “boldly” was emphasized as a last-year issue. At present, medium- and long-term management issues are actively discussed at the Board of Director Meetings, taking into account the "Opdivo patent-cliff."

The second issue was to increase the involvement of outside board of directors in the executive personnel matters and executive compensation proposals. As I mentioned earlier, we have asked an outside board of director to chair the meetings.

The third issue was the compensation system. We need to make a little more adjustment with the perspectives of shareholders and investors, and have been attempting to create a compensation system that matches our medium- to long-term management issues. We are currently in the process of reviewing the compensation system.



## Results of Reduction of Cross-shareholdings (from Nov. 2018)

- Reduction plan (published on November 1, 2018)
  - Over the next 3 years, the company will reduce its cross-shareholdings by about 30% as of the end of March 2018 (111 brands, 167.1 billion yen).

### ➤ Results of reduction

- **Number of listed brands : 40 brands (36.0%)**
- **Amount (based on Market price at the end of March 2018) : ¥ 50.3bil (30.1%)**

	End of March 2018	End of September 2021	Reduction	Reduction rate
<b>Number of listed brands</b>	111	71	40	- 36.0 %
<b>Balance sheet accounting amount</b>	¥ 167.1 bil	¥ 141.8 bil	¥ 25.3 bil	-15.1 %
<b>Market price at the end of March 2018</b>	¥ 167.1 bil	¥ 116.8 bil	¥ 50.3 bil	-30.1 %

We continue to report on the reduction of strategic cross-shareholdings.

We worked for three and a half years with the goal of reducing strategic cross-shareholdings by 30% by the end of last September compared to the end of March 2018. We achieved this goal with a reduction of 30.1%. However, since stock prices rose during that period, the real decrease in terms of value was only JPY25.3 billion (balance sheet accounting amount). Although we reduced the amount by JPY50.3 billion (at market price) from the starting amount, we ended up with a real reduction of JPY25.3 billion.

## Future Plan for Reduction of Cross-shareholdings (from Oct. 2021)

### ➤ Next reduction plan

- Period: October 2021 to March 2025 (3 and a half years)
- Details of reduction plan:  
30% reduction from the end of September 2021 (141.8 billion yen)  
※The company plans to reduce its cross-shareholdings to less than 20% of its net assets by the end of March 2022.

	End of September 2021	Expected at the end of March 2025	Plan	
			Reduction	Reduction rate
Market price at the end of September 2021	¥ 141.8 bil	¥ 99.3 bil	¥ 42.5 bil	-30.0%

### ➤ Medium-to long-term plan

We aim for the ratio of strategic shareholdings to net assets (on a balance sheet basis) to be less than 10%.

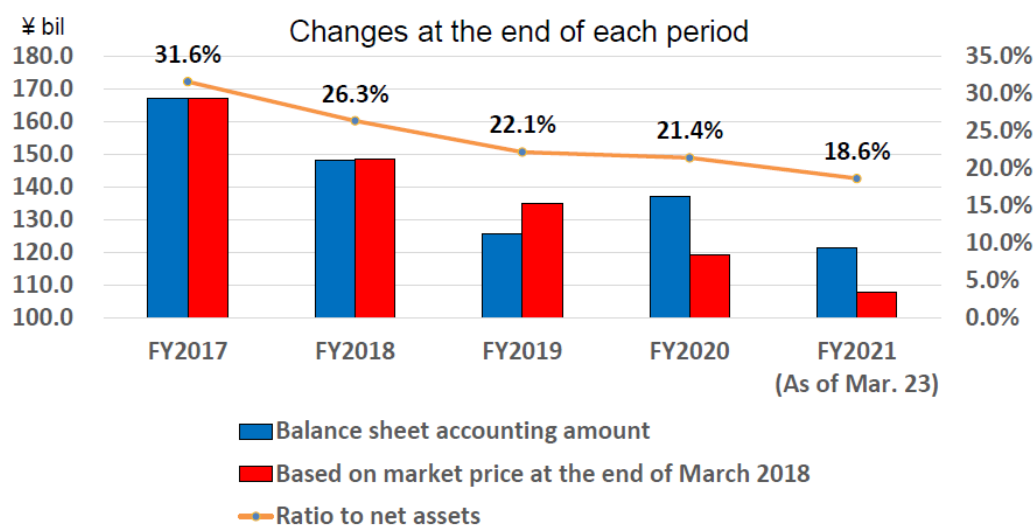
The second phase has already started and is underway with the goal of reducing the current level by another 30% by the end of March 2025. We started with JPY141.8 billion (at market price), and are moving forward with the goal of reducing this to JPY99.3 billion over the next three and a half years. We set a milestone to reduce our strategic cross-shareholdings to less than 20% of net assets by the end of this month. The remaining time is short, but we are very close to achieving this goal. If the Nikkei Stock Average were to rise far beyond JPY30,000, the calculation would be a little off, but even at this level, it is expected to be attainable. Since the level required by ISS is less than 20% of net assets, we set such milestone.

After that, we will continue to work for three years to achieve our current goal by March 2025. In the medium to long term, we would like to clear the target set by Glass Lewis, which is less than 10% of net assets.

## Changes in Reduction of Cross-shareholdings

- Reduce cross-shareholdings by less than 20% of net assets by the end of March 2022
- As of March 23, 2022, the ratio to net assets was 18.6%

### Results of reduction



This shows changes in reduction of strategic cross-shareholdings. As of March 23, we owned strategic cross-shareholdings 18.6% of net assets.

Next, we reviewed the materiality this time. We set up the materiality and have been conducting corporate activities in accordance with it so far. Although we have not disclosed publicly, we have prepared a medium-term management plan and will be moving forward with the new plan starting this April. Accordingly, we have made changes to the existing materiality in order to better align them with the goals and activities of the medium-term management plan.

# Sustainable Management Policy



For more than 300 years since our founding, we have walked hand in hand with society. To save people who are suffering from disease, we have created a series of innovative new medicines that were thought to be impossible.

We will continue to contribute to people's health by practicing our Corporate Philosophy and taking on the challenge of realizing a sustainable society through responsible business activities.

## Contributions to People's Health

- In addition to our own drug discovery, we will take on the challenge of drug research and development in collaboration with the world's top scientists, and bring more hope to patients and their families around the world by providing them with original and innovative medicines that are safe, secure, and appropriate.
- We will contribute to the realization of a society in which people can live healthier lives through our evidence-based, next-generation healthcare business.

### Preserving a rich global environment for future generations

We are deeply aware of our social responsibility to the environment, and will actively adopt eco-friendly technologies and work together with our suppliers and partners to pass on a prosperous global environment to future generations.

### Realization of a society where people can play active roles

Through our business activities, we will contribute to the realization of a society where the human rights and diversity of all people are respected, playing an active role.

### Establishment of highly transparent and robust management

We will build a strong foundation through corporate governance and conduct highly transparent business activities by strengthening compliance and risk management.

## Materiality

**Tani:** We are going to set and proceed with new materiality from this April. I will explain the background and some of the parts that are tied to materiality and related to ESG.

On our website, we post our top message "Contributing to sustainable social development through business activities.", and we have established a sustainable management policy in order to realize a sustainable society through our business activities.

In addition to contributing to people's health through the practice of our corporate philosophy, "Dedicated to the Fight against Disease and Pain", as responsible business activities, we want to take on the challenge of realizing a sustainable society by keeping a rich global environment for future generations, realizing a society where people can play active roles, and establishing highly transparent and robust management. Under this sustainable management policy, we have reviewed our materiality.

# New Materiality

## From CSR issues to management issues

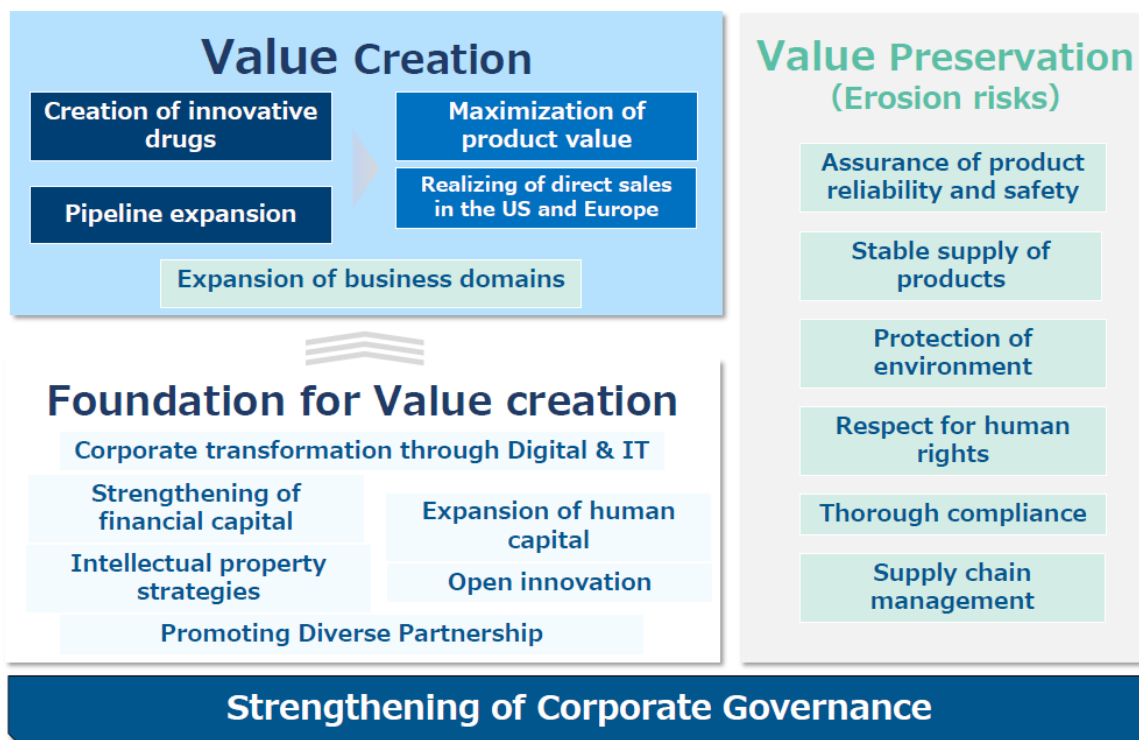
- We have promoted materiality as “important CSR issues” so far.
- We updated our materiality as “important management issues” to manage financial and non-financial issues in more integrated manner.
- Prior to updating, we established our sustainable management policy, which is the top policy for materiality.

⇒ Easier understanding of ESG disclosures and dialogue



Last year, we revised part of the materiality which was specifically selected in FY2018. We have proceeded with important CSR issues under the current materiality. However, in order to manage financial and non-financial management issues in a more integrated manner, we reorganized the materiality as important management issues integrating the medium-term management plan.

# New Materiality



This shows the new materiality. First of all, in order to create our corporate value, we need to develop the innovative drugs, extend our pipeline through licensing activities, and expand indications or combination treatment for maximizing product value. The other approach is to establish our own sales organization not only in Japan, Korea, and Taiwan, but also in the United States and Europe. We believe that by doing this, we will create value. At the same time, we are prioritizing the expansion our business domain in this materiality.

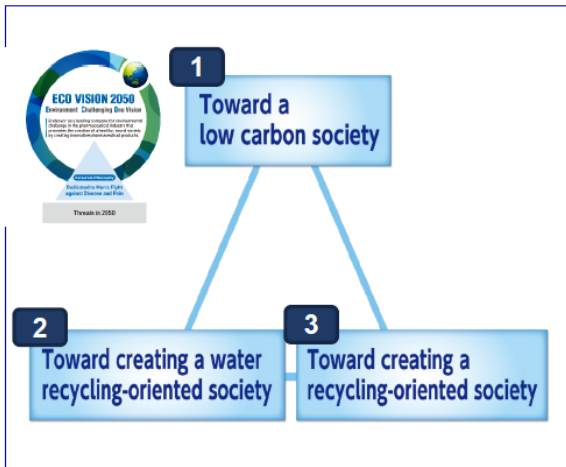
As a foundation for value creation, we would like to make firm efforts based on corporate transformation by digital and IT methods, strengthening of financial capital, expansion of talent, intellectual property strategies, open innovation, and promotion of diverse partnerships.

Value creation and its foundation I just described is corresponding to “opportunity”. On the other hand, in terms of risk management, we would like to protect value and mitigate the risk of value loss by ensuring product reliability and safety, stable product supply, protection of the global environment, respect of human rights, strict compliance with laws and regulations, and supply chain management.

We would like to work on to improve corporate governance that supports the overall effort. We will provide the individual details in our Corporate Report and other documents.

As part of this new materiality, we have today's ESG presentation. Since Mr. Sagara has already touched on governance, I will say a little about the E and S, the so-called environmental and social initiatives, with the progress made over the past year.

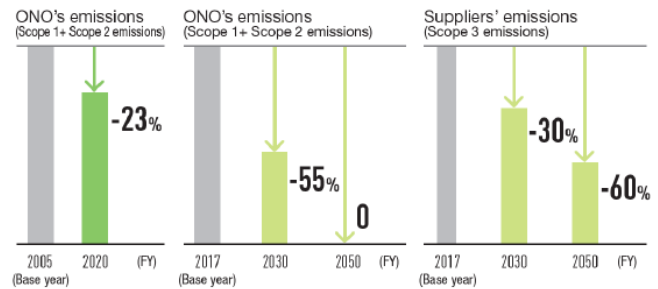
# Environmental VISION (Established in June 2019)



## 1 Greenhouse gas

Medium-term environmental target for reduction of greenhouse gas emission volume<sup>1</sup> (2020)

New medium- and long-term targets for reduction of greenhouse gas emission volume<sup>2</sup> (2030-2050)



## 2 Water consumption

Reduce water resource consumption (water intake) by 15% per production volume unit in FY2030 (compared to FY2017).

## 3 Waste

1. Maintain final disposal of industrial waste at 1% or less every year.

Our company's zero emissions standards are defined as a total percentage of waste not recycled is 1% or less of the total amount of waste.

2. Reduce industrial waste emissions by 15% per production volume unit in FY2030 (compared to FY2017).

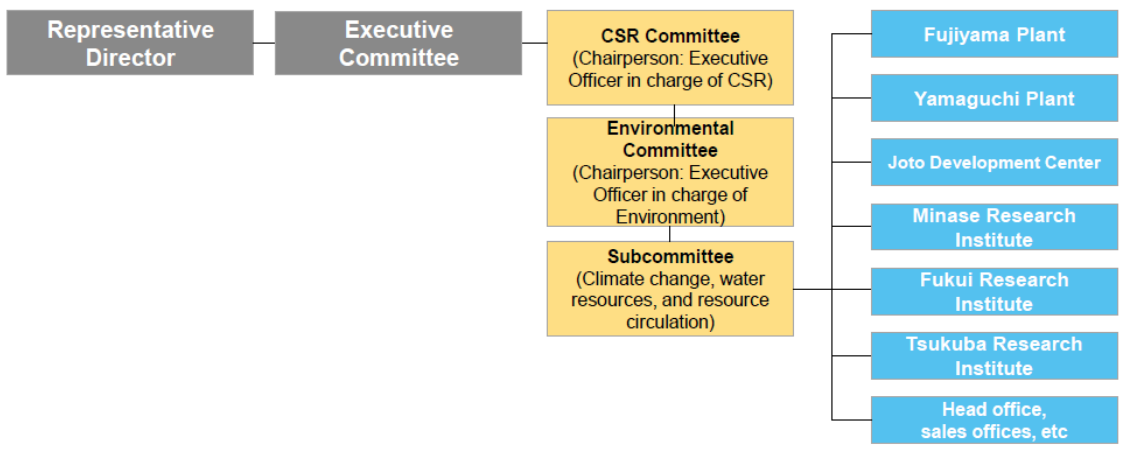
3. Promote reductions in the environmental burden in business activities.

First, I will talk about our efforts to protect the global environment.

In June 2019, we formulated our medium- to long-term environmental vision and set up our vision to realize a decarbonized society, a water recycling society, and a resource recycling society. Especially, we are working with the goal of reducing greenhouse gas emissions to zero by FY2050. Today, I would like to explain some of the progress that has been made since last year.



# Organization for Environmental Promotion



■ ISO 14001-compliant environmental management system (manufacturing sites)

Name of production site	Acquisition status
Fujiyama Plant	Acquired
Yamaguchi Plant	Acquired (FY2021)

Next is the organization for environmental promotion.

Although there has been no change to the structure itself, the Yamaguchi Plant, which began operations in the spring of 2020, has acquired ISO 14001, which is an international certification for environmental management.

# Realization of Decarbonized Society



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

- Our medium- to long-term greenhouse gas emission reduction targets (in-house emissions) are categorized to the most ambitious target "1.5°C" by SBTi.
- We will increase the use of renewable energy in line with RE100\* (joined in June 2020) for electric power using in our business activities.

Roadmap for achieving the ECO VISION 2050 (Green house gas)			
	Medium- to Long-term Targets		FY2021 Goal
	2030 (milestone)	2050 (ultimate goal)	
<b>Green house gas emissions</b> <small>ONO's emissions (Scope1+2)</small>	FY2017 comparison <b>55% reduction</b>	<b>0</b>	FY2017 comparison more than <b>16.8% reduction</b>
<b>Renewable energy usage rate</b> <small>Renewable energy usage / Total electricity usage</small>	more than <b>55%</b>	<b>100%</b>	more than <b>16.8%</b>

\*RE100 : the international initiative that aims to use 100% renewable energy to generate electricity for its business activities

As a milestone for FY2030 toward the realization of a decarbonized society, we have set up a goal to reduce greenhouse gas emissions by 55% and increase renewable energy usage rate by at least 55% compared to FY2017 levels, and are working to increase these targets by 4.2% per year. The targets for FY2021 are 16.8%, both of which are expected to be achieved.

# Financial Disclosures Related to Climate Change

- Announcement of supports for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD\*) recommendations in October 2019
- Disclosure of responses to “Governance”, “Strategy”, “Management of Risks & Opportunities” and “Indications & Targets” proposed by TCFD
- Promotion of integration of risks into Enterprise Risk Management and of annual updating

## Risks Related to Climate Change

Factor	Value chain	Risk and impact	Financial impact*	Management approach
Society aiming for below 1.5°C	Regulatory risk	ONO Increased carbon tax burden	¥1.9 billion	<b>Mitigation</b> <ul style="list-style-type: none"> <li>■ Achieve the greenhouse gas emissions reduction target (Scope 1+2) in line with the 1.5°C target</li> <li>■ Implement energy saving and green energy investment plans to achieve the target</li> </ul>
		Suppliers Carbon tax passed on to procurement prices	¥0.6 billion	<b>Mitigation</b> <ul style="list-style-type: none"> <li>■ Achieve greenhouse gas emissions reduction target (Scope 3)</li> <li>■ Strengthen engagement with suppliers to achieve the target</li> </ul>
If the temperature rises by 4°C	Physical risk	ONO, manufacturing contractors, suppliers Flood risk (acute)	¥3.4 billion	<b>Adaptation</b> <ul style="list-style-type: none"> <li>■ Introduce emergency power generators at main bases and conduct periodic maintenance</li> <li>■ Integrate climate risks into enterprise risk management (ERM)</li> <li>■ Maintain a cooperation system with business partners (review of waterproofing measures by product storage service provider and business partners, etc.)</li> <li>■ Secure multiple suppliers</li> <li>■ Consider the impact of flood due to climate change in the business partner selection process</li> </ul>
		Water shortage risk (chronic)	¥0 billion	<b>Adaptation</b> <ul style="list-style-type: none"> <li>■ Secure proper inventory to avoid loss of opportunities</li> <li>■ Maintain a cooperation system with business partners</li> </ul>

\* Financial impact: The maximum value during the period from 2020 to 2030 in the 1.5°C or 4°C scenario (showing cumulative value to regulatory risk)

■ Mitigation: Measures to reduce emissions of greenhouse gases that cause climate change

■ Adaptation: Measures to prevent or mitigate damage caused by the effects of climate change that have already occurred (or are expected to occur in the future)

## Opportunities Related to Climate Change

Factor	Value chain	Opportunity and impact	Financial impact*	Management approach
Society aiming for below 1.5°C	Opportunity from resource efficiency	ONO High-efficiency pharmaceutical manufacturing process	¥2.3 billion	<ul style="list-style-type: none"> <li>■ Define indicators for assessing resource efficiency</li> <li>■ Develop systems</li> </ul>
If the temperature rises by 4°C	Business opportunity	Customers Preventive/treatment products	¥0.5 billion	<ul style="list-style-type: none"> <li>■ Additional indications for existing pharmaceuticals</li> <li>■ Enhance the new compound library</li> <li>■ Maximize use of open innovation, etc.</li> </ul>
Society aiming for below 1.5°C	Reputation opportunity	Investors, customers, recruitment market Corporate value improvement	(Contributing to the creation of corporate value)	<ul style="list-style-type: none"> <li>■ Appropriately disclose the results of activities undertaken to the public</li> </ul>

\* Financial impact: The maximum value during the period from 2020 to 2030 in the 1.5°C or 4°C scenario (showing cumulative value to regulatory risk)

\*\* Green Sustainable Chemistry: A concept that aims to reduce environmental impacts throughout the life cycle of chemical substances in order to realize a sustainable society



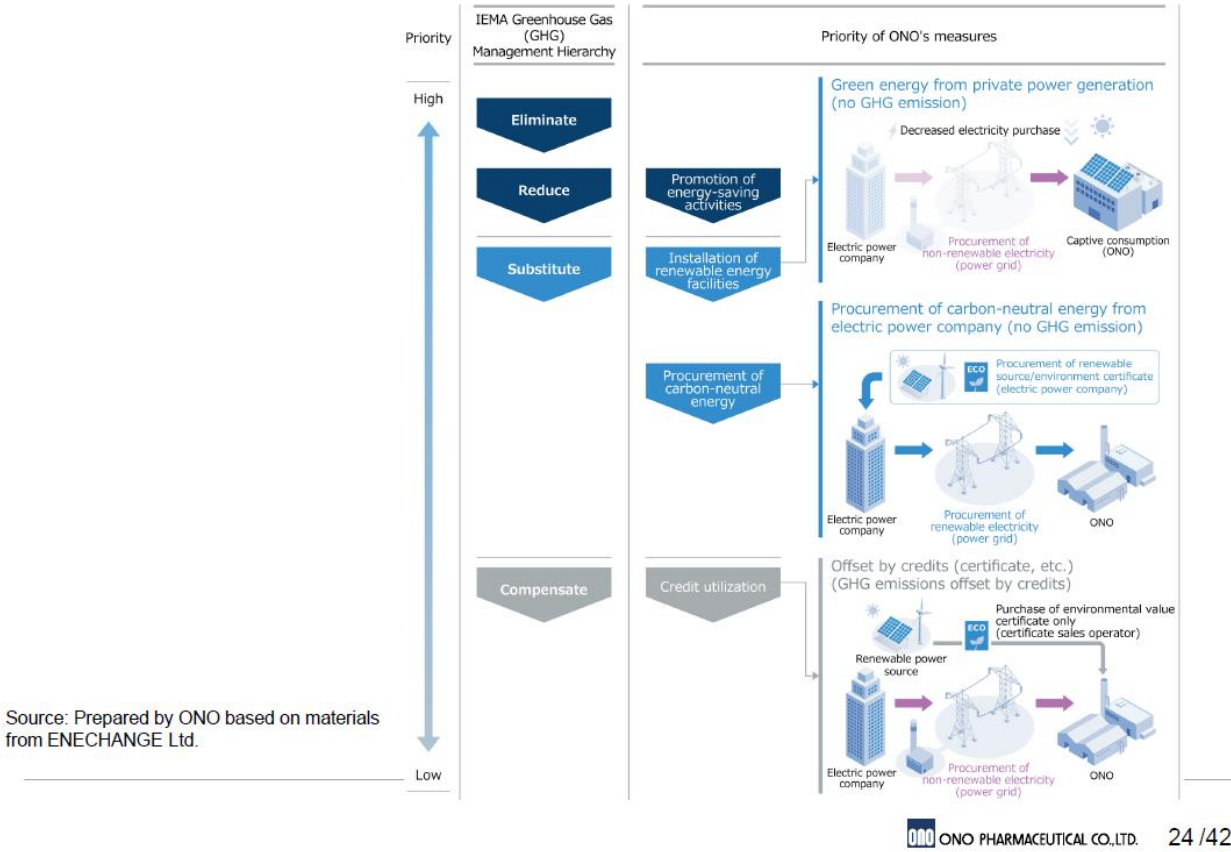
\*For more information on TCFD\*, see <https://www.fsb-tcdf.org/>

This covers financial disclosures related to climate change.

This information has already been disclosed in the Corporate Report, but some parts have changed from the last fiscal year. There are revisions on the financial impact of flood risk and water shortage risk.

First, with respect to flood risk, the anticipated financial impact was changed from JPY4.6 billion in the previous fiscal year to JPY3.4 billion after we reassessed the inventory damage risk at product inventory storage locations and opportunity loss risk. Regarding the risk of water shortages, since we have more than 30 days' worth of product in stock under the assumption of a 25% reduction in the amount of product we receive due to the 180-day water intake limit, we have changed the portion where the opportunity loss was recorded as JPY2.1 billion last time to “no loss opportunity”.






# Priority of GHG Emission Reduction Measures



Let me also explain a little about our efforts to reduce greenhouse gas emissions.

We have prioritized our efforts to reduce greenhouse gas emissions. The highest priority is elimination, or the creation of systems that do not use energy. Next is reduction and promotion of energy-saving activities, followed by substitution through the installation of renewable energy facilities, and so on. Finally, there is the option of offsetting through the use of credits.

# Emission Reduction Activities

<p><b>Eliminate</b></p> <p>◆ <b>“Green Sustainable Chemistry”</b></p> <p>Development of environment-friendly manufacturing process for drug substances</p> 	<p><b>Eliminate</b></p> <p>◆ <b>Leveling electricity demand (peak shift of daytime electricity use)</b></p> <p>Large-capacity electricity storage system (Yamaguchi Plant)</p>  <ul style="list-style-type: none"> <li>• Nighttime heat storage system</li> <li>• Cogeneration system</li> </ul>	
<p><b>Substitute</b></p> <p>◆ <b>Incorporate renewable energy</b></p> <p>Photovoltaic system (Minase Research Institute)</p> 	<p><b>Substitute</b></p> <p>◆ <b>Introducing carbon neutral city gas</b></p> <p>Reduction of Scope1 (Tsukuba Research Institute, Joto Pharmaceutical Product Development Center)</p>  <p>Carbon Neutral LNG buyers alliance</p>	<p><b>Energy saving</b></p> <p>◆ <b>Updating to energy saving facilities</b></p> <p>Updating heat source equipment (Minase Research Institute)</p>  <p>Module-type heat pump chillers</p>

Specifically, we are working on green sustainable chemistry and "avoidance" by leveling electricity demand.

As for the positioning of reduction, we are focusing on the changes to energy-saving facilities.

In terms of substitution, we are currently working to reduce greenhouse gas emissions by incorporating renewable energy and introducing carbon neutral city gas.

## Management/Global Talent Development Training

Management Talent	Purpose	Development of the next-generation management candidates in the future		
	Target	Talents capable of taking on the role of the next leader	Talents capable of taking on the role of the next Department Head	Talents capable of taking on the role of the next Executive Director
	Training	Selected General Employee Training (LIP)	Selected Manager Training I (MMD)	Selected Manager Training II (MSIP)
	Period	1 year	2 years	2 years

Global Talent	<b>GSIP: Global Skill Improvement Program</b>		1 year
	<p>GSIP aims to develop talents who can <u>demonstrate leadership</u> within a team and <u>work with others appropriately</u>, in any field, <b>whether domestic or global</b>, and influence the company as a whole (*Training is not primarily aimed at improving language skills)</p> <p><b>Intercultural communication</b> Ability to build trusting relationships even with different values and cultural backgrounds</p>		

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Next, I will talk about our talent initiative.

This includes training for development of management talent for the purpose of fostering future next-generation management candidates, and training for development of global talent who have the ability to build a trustworthy relationship with people having different values and cultural backgrounds.

Management talent development training is positioned as training for talent who can take on the role of next-generation leaders. Selected training is performed for general employees. This will be for a period of one year. We also perform training for managerial employees to select personnel who can take on the role of the next division director, and selected training for personnel who can take on the role of the next general manager and management level. All of this is done over a two-year period.

Another form of training is for development of global talent. The program aims to foster talent who can exercise leadership in a team and influence the whole company in any field, whether in Japan or overseas, while working appropriately with those around them.



## Talents who can Think and Act from Global and Company-wide Perspectives

Three universally required abilities



Three abilities needed to be globally competitive



**Strategic personnel transfers: positions contribute to cross-divisional development, overseas assignments, etc.**

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In the management development training, we will develop basic management skills, conceptual skills and ability to engage others. In the global talent development training, we are aiming not only to improve English skills but also to have a global perspective and cross-culture communication skill.

In addition to this, we are working to develop such talent through strategic personnel transfers.



## Open Recruitment System at ONO

To promote employees' career development and to enhance vitality and competitiveness through the exchange of Talents, we invite job offers from each department and match applicants with positions to achieve transfers.

Selection requirements for application	[1] Minimum of 3-year experience in the company [2] Minimum of 3-year experience in the same organization
Job opening	One person / department

	FY2019	FY2020	FY 2021
No. of departments with job offers	12	13	14
No. of applicants (over 3 years)	114 (49)	100 (48)	79 (37)
No. of successful candidates (transferred)	6	8	6

**Interviews were conducted with all employees transferred by open recruitment and their office managers (voices of the field)**

- All employees transferred by open recruitment carry out their duties with a sense of satisfaction and responsibility.
- Application requirements are too strict, and the number of job openings is too small (too competitive).
- The job posting alone does not provide an in-depth understanding of the department's work, members, etc.

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In addition, as one of ways to develop talent, we are now expanding our open recruitment system. We have already had an open recruitment system to promote employees' career development and to enhance vitality and competitiveness through the exchange of talents, we are working to invite job offers from each department and match applicants with positions to achieve transfers. However, the current selection requirements for application are subject to those who have been in the company for 3 years or more, and those who have been in the same organization for 3 years or more, and the number of openings is very small, one for each headquarters or one for each directly supervised department.

In FY2019, there were 49 qualified applicants in 12 departments while there were 114 applicants including those who did not meet the applicant's requirements. Finally, there were six who were able to be matched for FY2019. In FY2020, there were 100 applicants in 13 departments including those who did not meet the applicant's requirements. Finally, there were eight who were able to be matched. In FY2021, 6 applicants were matched among the whole 79 applicants from 14 departments.

When we conducted interviews with all employees transferred by open recruitment and their office managers, all employees transferred by open recruitment answered that they were "carrying out their duties with a sense of satisfaction and responsibility" while some answered that "the application requirements are too strict" and "the number of job openings is too small." In addition, there was a problem that "the job posting alone does not provide an in-depth understanding of the department's work and members"

# Key Points on FY2022 Revision of Open Recruitment System

Expansion

- [1] Abolished "Minimum of 3-year experience in the same organization" as an application requirement  
⇒ More than 80% of employees can apply (up to last year, about 30% of employees)
- [2] Abolished job opening criteria "One person per HQ; one person per directly supervising department"  
⇒ 34 departments/53 job offers (up to last year, max. of 14 departments/14 job offers)
- [3] Prepared introductory slides of the department offering job



**Expand opportunities for employees to take on challenges**

Therefore, we have decided to revise the open recruitment system.

By abolishing "minimum of 3-year experience in the same organization" from the application requirements, more than 80% of employees would be able to apply. Under the requirements that existed until last year, this would be about 30% of the employees. We have also abolished the "one person per headquarters and one person per directly supervising department" that was set in the recruitment quota.

We are also working to expand opportunities for employees to take on challenges by creating introductory slides on departments with job offer and describe what kind of department, slogan, members, training system, and appeal.

# Internal Challenge Job System

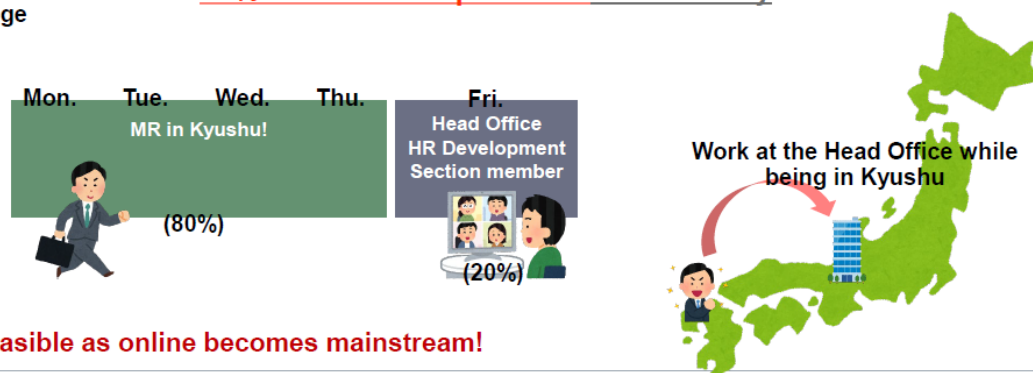
To be introduced from April 2022

## Voices of employees

- I like to try a job in a different field but am concerned about my aptitude for it.
- I am not considering a transfer right now, but would like to broaden my horizons by getting to know other divisions.
- I want to know about the operations in that department! I like to deepen exchanges further with other divisions!
- We seek opinions from different perspectives, but cannot increase staff right away (receiving department)

⇒ 80% of work is done in the current department; the remaining 20% in another department concurrently

### ■ Image



More feasible as online becomes mainstream!

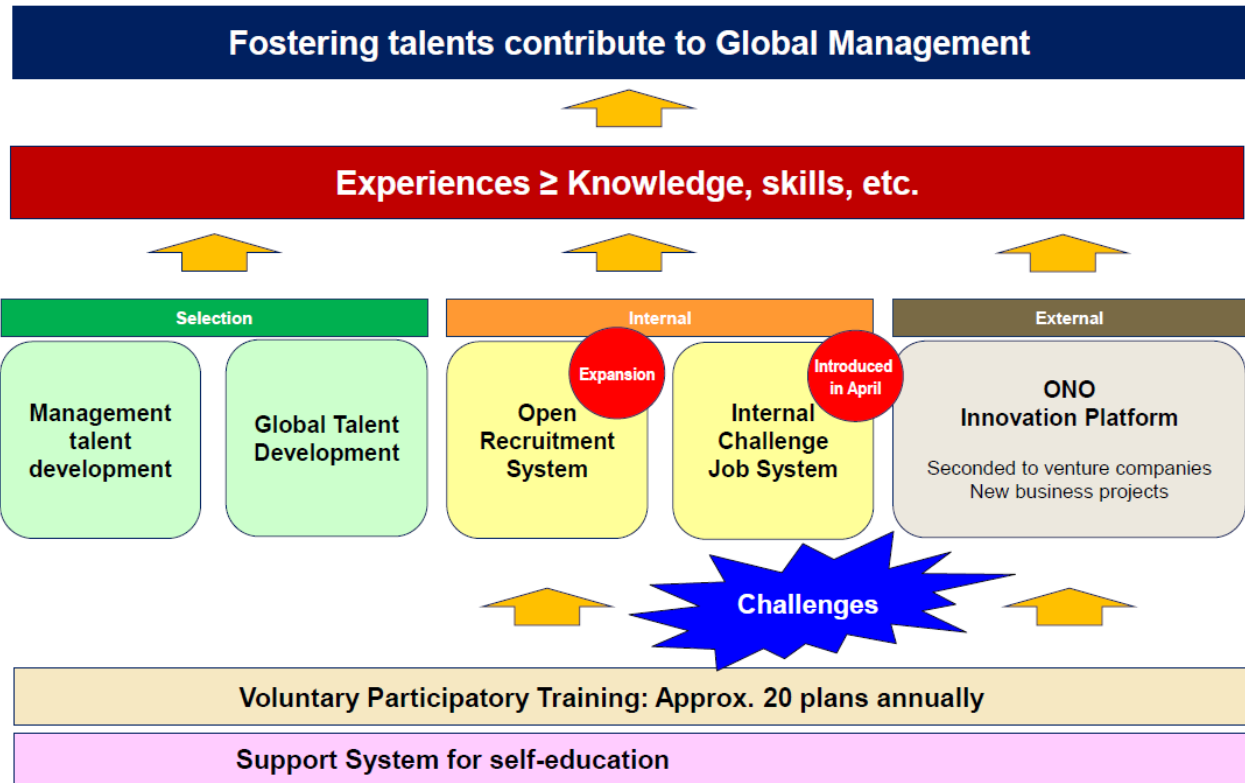
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There is one more thing we have been reviewing over the past year. This is the introduction of an internal challenge job system. This is scheduled to be introduced next month. This is also in response to the needs of the field.

There are voices of employees, for example, "I like to try a job in a different field but am concerned about my aptitude for it", "I'm not considering a transfer right now, but would like to broaden my horizons by getting to know other divisions", and "I want to know about the operations in that department and deepen exchanges further with other divisions", etc. On the other hand, there is a problem in the receiving department, that we seek opinions from different perspectives, but can't increase staff right away.

In response to these opinions, we decided to introduce an internal challenge job system, in which 80% of work is done in the current department, the remaining 20% in another department concurrently. For example, an employee could work 80% of the time in Kyushu as an MR, and 20% as a member of the Human Resource Development Section at the head office. This is partly due to the influence of the coronavirus pandemic, where the main stream of online business has increased the feasibility.

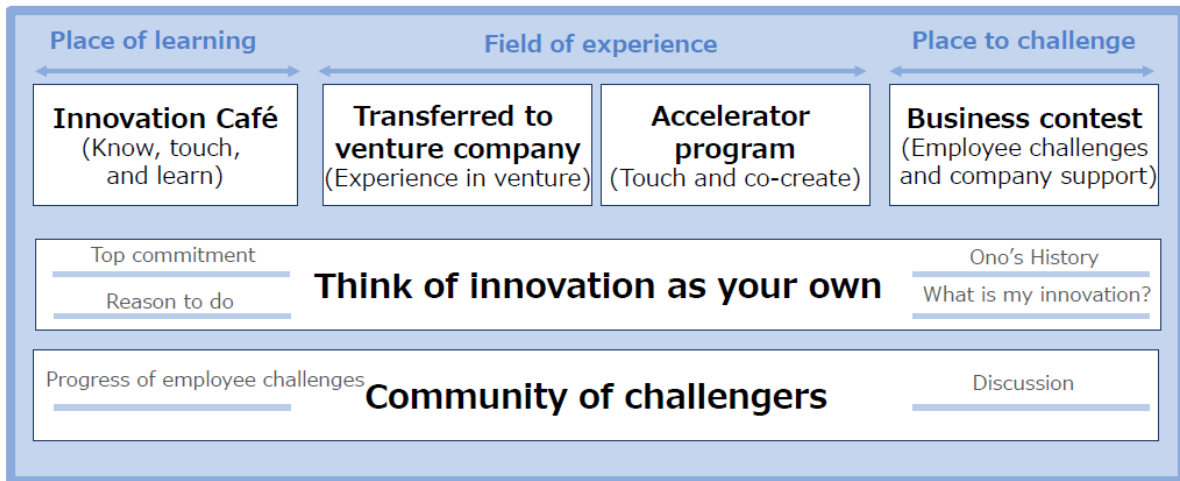
# Talent Development Program for Global Management



To summarize these aspects, we will continue to develop talents who will contribute to the next global management by accumulating experience while using "Talent Development Program for Global Management", "Management Talent Development", "Global Talent Development", "Open Recruitment System", and "Internal Challenge Job System", as well as "ONO Innovation Platform," which involves the outside company, I would like to introduce later.

In order to build such a foundation, we offer about 20 voluntary participatory training programs a year for all employees. These programs are free-participation form that everyone can join freely. We also have a support system of subsidies for self-education, while I cannot disclose the amount, it is a system we have established to support employees in taking on new challenges.

# Ono Innovation Platform



## Ono Innovation Platform



**A community of challengers, in which each employee has a strong will to achieve, and can change the presently "impossible" into "possible."**

Next, I would like to briefly introduce the “ONO Innovation Platform”.

The “ONO Innovation Platform” is designed to provide a place of learning, a field of experience, and a place to challenge, so that employees can think of innovation as their own and join a community of challengers.

# Innovation Cafe

Have the weapons to challenge

WILL	Viewpoint	Customer orientation
<p>June 23, 2021 "Touch"</p>  <p>2021/6/23 13:30-16:30 Zoom</p> <p>An opportunity to hear lectures and interviews on challenges by healthcare area entrepreneurs (ex-surgeon, ex-pharmacist)</p>	<p>June 7, 2021 "Know"</p>  <p>2021/6/7 17:30-19:30 Zoom</p> <p>An opportunity to hear a discussion by capitalists who have seen the success and failure of many ventures and an interview with Executive Director Takino</p>	<p>November 29, 2021 "Know"</p>  <p>2021/11/29 17:30-18:30 Zoom</p> <p>Lecture by Professor Schumpeter Tamada (Kwansei Gakuin University, author of "Innovator's Dilemma in Japan")</p>
<p>September 16, 2021 "Touch"</p>  <p>2021/9/16 17:30-18:30 Zoom開催</p> <p>An opportunity to hear the story of the business contest started by a nurse at Kansai Electric Power Hospital to sell cutlery for cancer patients</p>	<p>February 15, 2021 "Know"</p>  <p>2021/2/15 17:30-19:30 Zoom開催</p> <p>Trend analysis and innovation exploration of the latest technology and digital health</p>	<p>September 8, 2021 "Know"</p>  <p>2021/9/8 17:30-20:00 Zoom開催</p> <p>An opportunity to hear about the value of working on a new internal business, the mindset that a challenger should have, and how to proceed with business development</p>
		<p>July to October, 2021 "Experience"</p>  <p>2021/7-10 10:00-12:00 Zoom開催</p> <p>A workshop to learn design thinking and formulate and verify hypotheses on customer issues (half day x 5 times)</p>
		<p>March 1 / 15, 2022 Limited to HOPE</p>  <p>2022/3/15 10:00-12:00 Zoom開催</p> <p>Interview skills course essential for new business: In order to ascertain painful issues</p>

Regarding the "Innovation Cafe", we have been working on various projects over the past year.

In the "Touch" section, everyone had an opportunity to hear lectures and interviews on challenges by entrepreneurs in the healthcare area, an ex-surgeon, and an ex-pharmacist. As for "Viewpoint", we provide an opportunity to hear a discussion by capitalists who have seen the success and failure of many ventures and an interview with Dr. Takino, Executive Director, Discovery and Research. The program also featured a lecture by Professor Schumpeter Tamada of Kwansei Gakuin University, author of *Innovator's Dilemma in Japan*.

As for "Customer Orientation", we held five half-day workshops to learn design thinking and formulate and verify hypotheses on customers issues. We also held an interview skill course "In order to ascertain painful issues" that is essential for new businesses. Working on these projects, we set the opportunity to have an arsenal of challenges.



## Secondment to venture companies (V2V)

### Have the weapons to challenge

Leave Ono and think and act independently in an environment without correct answers

- Dig deep into **WILL** and go on secondment to a matching venture company
- Experience an overwhelming amount of decision-making and action, and elevate your **viewpoint**
- Face up to **customers** thoroughly, staking the life and death of the company

ONC Sales Department,  
Metropolitan Region

→ Children's Cafeteria Center  
Musubie (resolution of poverty  
and inequality through  
children's cafeterias)

Corporate Planning,  
Corporate Strategy &  
Planning

→ K-three Inc.  
(resolution of the problems of  
local municipalities)

DRA, Research Center of  
Oncology, Discovery &  
Research

→ Platform for Sustainable  
Education and Community  
(cross-border decision-making  
for regional high schools)

Clinical Pharmacology,  
Clinical Development

→ Lightblue Technology Co.,  
Ltd (human sensing-related AI  
technology development)

Corporate Development &  
Strategy  
Business Development

→ Camelove, Inc.  
(subscription business for  
camera equipment and  
experiences)

As for the secondment to venture company, five employees were temporarily seconded in October last year.

Specifically, from the Metropolitan Region Division of the Oncology Sales Department, one employee is temporarily seconded to Children's Cafeteria Center Musubie, an NPO that aims to resolve poverty and inequality through children's cafeterias.

From the Corporate Planning Division of the Corporate Strategy & Planning Department, one employee is temporarily seconded to K-Three Inc. resolving problems of local municipalities.

From the Research Center of Oncology Division of the Discovery & Research Department, one employee is temporarily seconded to Platform for Sustainable Education and Community, General Incorporated Foundation supporting cross-border decision-making for regional high schools.

From the Clinical Pharmacology Division of the Clinical Development Department, one employee is temporarily seconded to Lightblue Technology Co., Ltd. that develops human sensing-related AI technology.

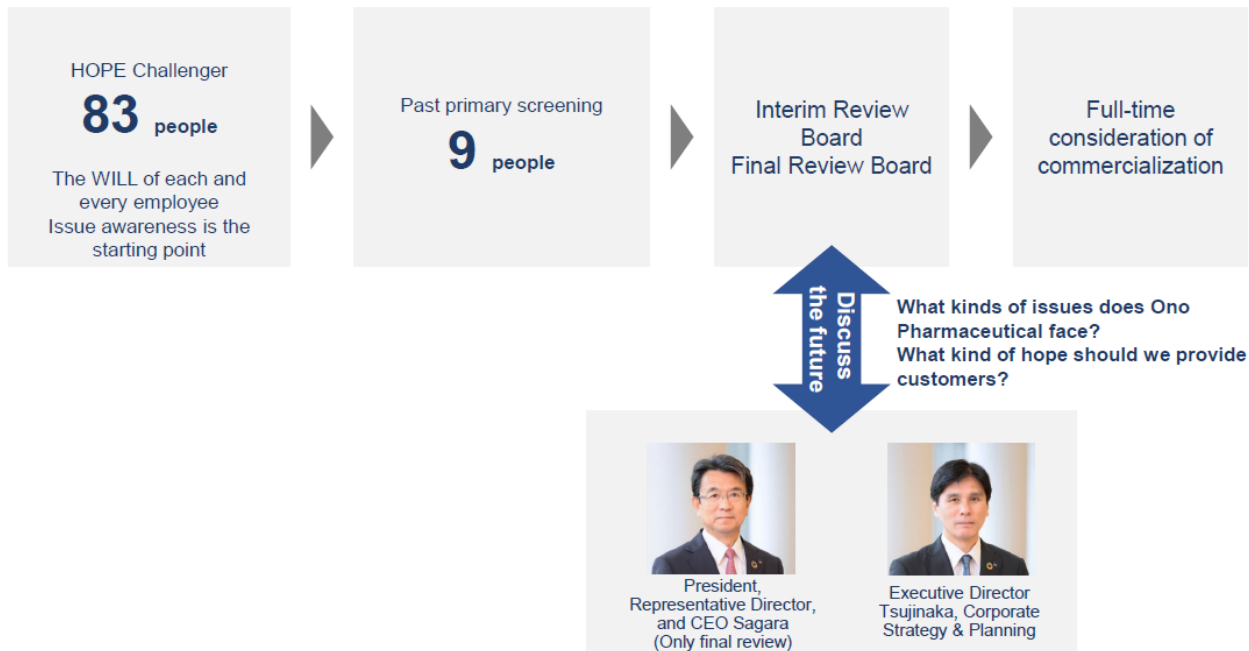
From the Business Development Division of the Corporate Development & Strategy Department, one employee is temporarily seconded for one year to Camelove, Inc., which is engaged in subscription business for camera equipment and experience. This is another way to bring experience back in-house.



# Business Contest



Creation of an environment where taking on challenges is rewarding



**Psychological safety: Able to take on the challenge of realizing WILL while belonging to the company**

One more thing is the business contest.

We hold a business contest under the name “HOPE”, and 83 employees applied the contest in the past year. Nine people were selected in the primary screening, and we plan to hold interim and final review board in the future. While discussing the future, such as the issues that our company faces, we are making efforts to consider commercialization on a full-time basis depending on the situation.

## Opinions of OIP participants

Elevation of viewpoint

“Now I want to try to change the world.”

“It was a trigger for me to want to help somebody.”

Increased sense of ownership

“I realized that my real job is to think and do things by myself.”

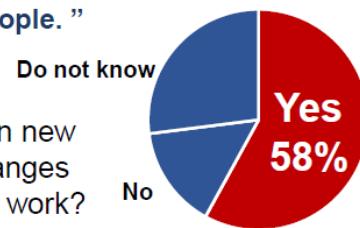
“I was able to experience thinking desperately and making all decisions on my own.”

Stimulation by colleagues

“I was stimulated by people who had the spirit of taking on a challenge.”

“I was able to connect with positive people. ”

Q. Have you come to take on new challenges that led to changes and improvement in your work?



(OIP participant questionnaire)

I would like to share with you the following comments from our personnel who participated in the ONO Innovation Platform:

As for the elevation of viewpoint, " Now I want to try to change the world," and " It was a trigger for me to want to help somebody."

As for the Increased sense of ownership, "I realized that my real job is to think and do things by myself," and "I was able to experience thinking desperately and making all decisions on my own."

As for a stimulation by colleagues, "I was stimulated by people who had the spirit of taking on a challenge," and "I was able to connect with positive people."

In the questionnaire to the participants, 58% of them answered "yes" to the question “Have you come to take on new challenges that led to changes and improvement in your work?” By continuing this activity, we want to firmly lead to talent development.

## Promotion of Women's Involvement

April 1, 2016, to March 31, 2021 (5 years)

### Goal

(1) Targeting 40% employment rate for women among newly graduated employees from FY 2017

	2017	2018	2019	2020	2021
Female rate	35.1%	<b>48.8%</b>	33.8%	<b>40.3%</b>	<b>40.2%</b>

Goal not achieved

(2) Targeting a female retention rate of at least 90% compared with the male retention rate among newly graduated employees who joined in the past 5 years

	2017	2018	2019	2020	2021
Gender difference in retention rate	<b>95.1%</b>	<b>95.6%</b>	<b>98.9%</b>	<b>96.7%</b>	<b>97.7%</b>

Goal achieved

I will talk a little about our progress regarding the promotion of women's involvement.

First, we have set a goal of 40% employment rate for women among newly graduated employees over a five-year period from April 1, 2016, to March 31, 2021. We were able to achieve this in three years, but unfortunately not achieved in FY2017 or FY2019. But overall, the figure is now over 40%.

Another point is that it is important for women who have joined the company to continue to stay in the company. So, we set a goal of aiming at a female retention rate of 90% compared to the male one. The goal has been achieved for five years with the rate of 96.7% and 97.7% in the last two years, which are almost the same retention rate as that of men. By continuing this process, we hope to increase the ratio of women and produce more female managers.

# Plan for Promotion of Women's Involvement

April 1, 2021, to March 31, 2023

**(1) The proportions of female managers and percentage of female in candidates for manager are low.**

**➡ Goal: At least 15% female candidates for management**

- Provide opportunities to consider careers, including management, regardless of gender, so that the employees can develop a concrete image of their future careers
- Provide a system for supporting the careers of subordinates to create a corporate culture for fostering the next generation of managers

**(2) Creating an employment environment that contributes to balancing work life and family life**

**➡ Goal: Increase the percentage of male employees taking childcare leave to at least 75%**

- After childbirth, send an e-mail to supervisors and employees recommending that they take childcare leave and childcare participation encouragement leave.
- Increase opportunities to disseminate the system
- Disseminate the existing system for balancing childcare

A new plan for the development of female managers was established last year. Here are the slides we showed during the ESG presentation last year.

The proportion of female managers and percentage of female in candidates for manager are low. So, we have set a goal of increasing this to at least 15% from April 1, 2021 to March 31, 2023.

In addition, we have set a goal of increasing the percentage of male employees taking childcare leave to 75% or more by creating an employment environment contributes to balancing work life and family life.

## Promotion of Women's Involvement (Results of FY2021)

(1) The proportions of female managers and percentage of female in candidates for manager are low.

➡ **Goal: At least 15% female candidates for management**

14% (as of the end of March 2022 )

- Provide opportunities to consider careers, including management, regardless of gender, so that the employees can develop a concrete image of their future careers
  - Started the career education for employees
  - Released 8 career-related educational video materials, and implemented voluntary training (5 times)
- Provide a system for supporting the careers of subordinates to create a corporate culture for fostering the next generation of managers
  - Conducted pilot one-on-one career interviews between supervisors and subordinates (108 general employees in 16 departments)

(2) Creating an employment environment that contributes to balancing work life and family life

➡ **Goal: Increase the percentage of male employees taking childcare leave to at least 75%**

79% (as of the end of March 2022 )

- After childbirth, send an e-mail to supervisors and employees recommending that they take childcare leave and childcare participation encouragement leave
  - A recommendation email has been sent to the individual since July 2021. Confirming the intention to take childcare leave ahead of the revision of the law
- Increase opportunities to disseminate the system
  - Have been notified using an in-house magazine. (Write about the childcare leave system and a round-table discussion on childcare leave among men)
- Disseminate the existing system for balancing childcare
  - Holding seminars "Support Balancing Work and Child-raising for Supervisors and Subordinates after Returning from Childcare Leave" in May and November since 2021

As a result of our efforts, the percentage of female in candidates for manager was 14% as of the end of March 2022. The efforts include the start of career education for employees, the release of eight career-related educational video materials, and the implementation of five voluntary training. All of these efforts are intended to increase the percentage. In addition, pilot one-on-one career interviews are conducted between supervisors and subordinates. This is offered for 108 general employees in 16 departments.

Against the other goal of increasing the percentage of male employees taking childcare leave to 75% or higher, it was 79% as of the end of March 2022. We have achieved this 75% goal, but we will continue to make further progress. We have started some specific efforts to encourage childcare leave since July 2021, by sending an e-mail to the employee and his/her supervisor after the childbirth, recommending childcare leave and childcare participation encouragement leave, and increasing opportunities to disseminate the existing childcare-related systems.

## External ESG Evaluation

Evaluation	FY2017	FY2018	FY2019	FY2020	FY2021
CDP	Climate Change:A- Water:B	Climate Change:A Water:B	Climate Change: A Water: A-	Climate Change: A Water: A-	Climate Change: A Water: A
FTSE	Score:2.8/5.0	Score:3.2/5.0	Score:3.4/5.0	Score:4.1/5.0	Score:4.2/5.0
MSCI	Score:BBB	Score:BBB	Score:A	Score:A	Score:A
DJSI	Score:16/100	Score:19/100	Score:60/100	World Index (Industry Mover)	World Index (Bronze Class)
Toyo Keizai CSR Ranking	Rank:254/1413 companies	Rank:180/1501 companies	Rank121/1593 companies	Rank126/1614 companies	Rank107/1631 companies
Nikkei Smart Work survey	—	★★★★☆	★★★★☆	★★★★☆	★★★★☆
Nikkei SDGs	—	—	★★★★☆	★★★★☆	★★★★☆
Survey on Health and Productivity Management	Top 60~70% /1239 companies	White 500	2020 Health & Productivity Stock White 500	White 500 (Top1~50)	White 500 (Top1~50)

Finally, I would like to talk about the external evaluation of our ESG activities.

As a result of our ongoing efforts over the past year, in CDP we received A grades for both climate change and water.

As for the FTSE, the score is 4.2 out of 5, a gradual improvement.

As for MSCI, we have achieved a score of A for the third consecutive year.

We are listed in the DJSI World Index for the second year in a row.

In the Toyo Keizai CSR ranking, we were ranked 107th out of 1,631 companies, a rank-up of 19 places from the previous year.

We have also been well evaluated in Nikkei Smart Work survey, Nikkei SDGs, and Health and Productivity Management survey. In the Health and Productivity Management survey, Ono has been ranked in the top 1 to 50 as well as selected as White 500.

## ESG-related Awards



**Headquarters received Special Prize, Osaka Climate Change Award in FY2021**

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**Bronze Class which is given to the top 51 to 100 companies in the "Comprehensive Categories" of SUSTAINA ESG AWARDS in 2021.**

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**3R**

**Reduce, Reuse, Recycle (3R) Promotion Council Chairman's Award in FY2020**

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**Environment Minister's Award for Global Warming Prevention Activity in the "Implementation and Dissemination of Countermeasures" Category in FY2019**

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Finally, ESG-related awards are listed here.



## Question & Answer

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**Questioner 1:** I would like to ask two questions. The first is that you mentioned the medium-term management plan is starting in April this year. I understand that the plan will not be disclosed, but I would like to know the level of achievement against previous medium-term management and how many years will the plan run for? I suppose the Opdivo patent cliff will be a theme in the new plan, but could you give us any idea of what specific policies it will contain, even in qualitative terms?

**Sagara:** I have said that we have made the medium-term management plan internally, but we have not disclosed it publicly. We are starting a new medium-term management plan from next month. This is a continuation of the current medium-term management plan that we started five years ago. The previous five-year plan formed part of a 15-year goal we have been working on, which extends to 10 years from now. This means that we are entering the second term of the medium-term management plan. The previous five-year plan has generally progressed well. We are now moving forward with a new theme of how we should proceed with looking ahead at Opdivo patent cliff starting after 10 years from now. We are aware that we are now in the most critical period of this medium-term management plan. Please forgive me for not giving specifics, but in short, we set up targets based on how much we should make an investment in R&D. The most important thing is to overcome the Opdivo patent cliff and grow further.

**Questioner 1:** Secondly, while a simple answer is fine, there are a lot of things relating to talent and R&D. The simplest answer would be to create another Opdivo, but Opdivo is a Nobel Prize-winning discovery, and I think it would be difficult to do so. On the other hand, I think there are some strategies that can be covered in total by launching some products globally. I have a feeling that your company is working on such a strategy, but I think it was important historically to be able to work with super scientists or super academia, or to put it another way, to be able to use them well. Although similar products of Opdivo are expected to be launched in 2030 or later, in the next five years, will it be a basic strategy to cover by continuously launching medium-sized products for global expansion one by one? I am sure you have excellent people within your company to introduce the product on the market, but will you also consider bringing in more from outside the company? I know this balance is quite difficult to achieve, but what would be a simple answer to the question of how to cover the Opdivo patent cliff?

**Sagara:** We want to cover or grow further by making several successes in the global development, but not to hit one home run like Opdivo. If a product sells JPY30 billion in Japan, it will probably sell about JPY150 billion in the US, because the US market is about five times larger. Likewise, Europe has double the sales, at JPY60 billion. The total product sales would be more than JPY200 billion. The key is to achieve several successes like this. We will make every effort to develop that in-house, but it may also be covered by in-licensed products.

One of the paths to success for our company is to be able to work together with people like Dr. Osamu Hayaishi or Dr. Honjo. We are working on collaboration with various organizations, and hope to see success among them in the near future. I believe that we will refine Ono-style open innovation in this direction.

**Questioner 2:** I have two questions. First, please tell us about the involvement of your outside board of directors. Looking back over the past year, there have been many major events in your company, such as the resolution of the Mie University issue and the patent lawsuit by Dr. Honjo. Please tell me what you discussed with outside board of directors to make the final decisions on these issues.

Secondly, regarding talent. Today you have presented your various ideas and investments in talent. I would like to know what kind of outputs and outcomes are now emerging among Ono's employees as a result of implementing these programs.

**Sagara:** First of all, I would like to answer the question about the Mie University case and the lawsuit by Dr. Honjo, and the role of outside board of directors in these matters.

As for Mie University case, we were not aware of the incident at the time it happened, and found out it after the investigation by the prosecutors started. Therefore, after the prosecution entered and the trial began, the outside board of directors participated in discussions and gave advice on the stance we should take as a manufacturer and as a company. Later, after it was finalized, the outside board of directors were involved in figuring out how the compliance system should be implemented in the future.

As for the trial with Dr. Honjo, we didn't think this resulted in a court case, but the trial took a year and a half. During the trial, the outside board of directors entered into many discussions and gave advice on how to respond, how to protect the company's reputation, how to protect its credibility, and so on.

As to your second question, "what kind of outcomes has been led by the various talent development programs", we have not yet reached the outcome stage. It has been a year or so since we started many of these projects, so I would say that we have expectations for the future. I feel that we can grow considerably through individuals really grappling with their current work. Therefore, on-the-job training is the basis, and in addition, I hope that some of these projects will help us to learn things that we cannot experience in the field of a pharmaceutical company alone.

We would like to focus on promising executive candidates. As it is not an escape window from the status quo, I believe that priority should be given to those who can do the job well in the current situation. I expect, in the near future, we will see great results in various departments.

**Questioner 2:** Just to follow up on your point, would it be correct to say that Ono's corporate culture is now changing from what it was a decade ago?

**Sagara:** It is "changed", but not "is changing". We are aware that the Company has many new things that we have been slow to incorporate, while retaining the good parts, and we would like to make sure that we incorporate them.