


Supplementary Materials for ESG Related Information (3)

(July 4, 2024)

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CHUGAI PHARMACEUTICAL CO., LTD.

 A member of the Roche group

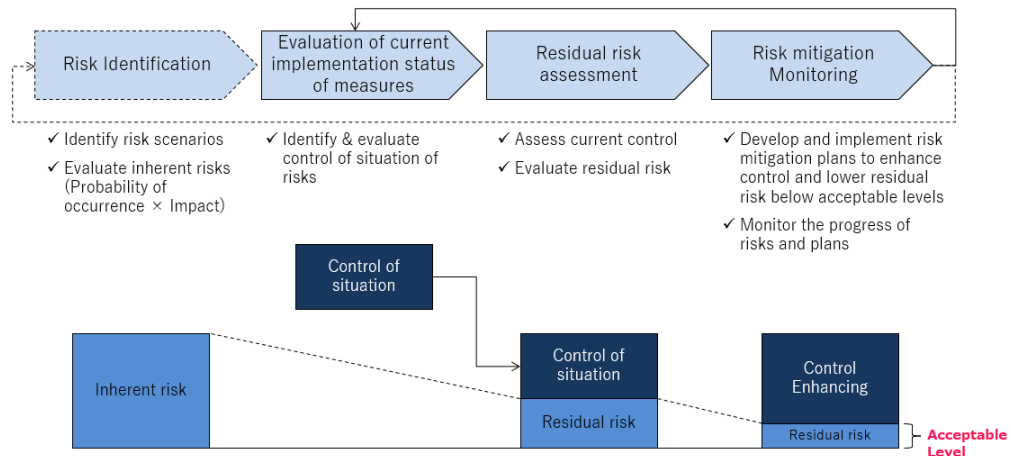
Risk Management

Risk Management Processes (DJSI 1.4.2)

1. Risk Management Process

- Each division (headquarters, units, and subsidiaries) identifies its operational risks, compliance risks, GxP risks, external environmental risks, etc., creates a risk map, registers the map in the IT system, and manages it as a database.
- "Risk Scenarios" are registered in the Risk Map for each of the assumed cause and effect events. The degree of impact (financial loss, customer impact, employee impact, regulatory impact, reputation impact, impact on critical business processes) and the probability of occurrence (frequency of occurrence within and outside the company) are each rated on a five-point scale, and a quantitative evaluation of these factors is performed. The resulting overall score is the level of "Inherent Risk."
- Control measures (Classified as: separation of responsibilities, process standardization, documentation, automation, verification, education and training, contractor management, emergency response, material management, access management, and employment practices) are described for the identified risk scenario and its inherent risk assessment. The effectiveness of each control measure is evaluated on a five-point scale, and the overall score is the level of control.
- For each risk scenario, the residual risk is quantitatively evaluated by subtracting the control score from the inherent risk score. For risk scenarios with large residual risk, the Company considers whether the risk can be tolerated or if additional control measures are necessary, taking into account factors including Chugai's risk appetite policy. If additional measures are judged to be necessary, the Division Risk Compliance Committee (chaired by the general managers of each division/unit or the presidents of subsidiaries and attended by the general managers under them) drafts the necessary measures ("Division Risk Compliance Action Plan"). The annual status of implementation of control measures is registered in the IT system every three months and monitored by the Division Risk Management Committee Secretariat.
- Division risk maps and plans for implementing control measures are reviewed annually for each division when preparing business plans and budget plans for the next fiscal year. Additional risk scenarios, control measures, and related costs are reflected in plans for the next fiscal year.

Risk Management - Risk Management in Normal Situations (PDCA) -
PDCA Cycle for Risk Management Division Risk Issues



2. Examples of Risk evaluations and mitigation plans for Critical Risks

Identified Risk	Business interruption due to a large-scale earthquake	Business interruption due to cyber attack
Risk scenarios, Probability, and Impact	<ul style="list-style-type: none"> • Scenario: A seismic intensity of upper 6 at the plant location • Probability of occurrence: High • Impact level: High (production stops for up to 3 months) 	<ul style="list-style-type: none"> • Scenario: External cyber-attack infects company PCs and systems with malware • Probability of occurrence: High • Impact level: High (14~45 days)
Risk Appetite	<ul style="list-style-type: none"> • Classified as a risk that impedes the efficacy, safety, quality assurance, and stable supply of products according to the Risk Appetite Statement • Implement measures to avoid and reduce risks related to stable supply of products while considering productivity and economic efficiency 	<ul style="list-style-type: none"> • Classified as a risk that impedes the efficacy, safety, quality assurance, and stable supply of products according to the Risk Appetite Statement • Implement measures to avoid and reduce risks related to the provision of services to customers while considering productivity and economic efficiency
Mitigation Plans	<ul style="list-style-type: none"> • Enhancements for buildings and facilities to resist effects of seismic intensity of upper 6 earthquakes • Accumulation and decentralized storage of safety stocks • Dual-site production lines • Earthquake BCP (Emergency response system, safety confirmation system, and emergency communication tools; annual on-site BCP training) 	<ul style="list-style-type: none"> • Implementation of cyber security measures (e.g. Error detection/monitoring, data backup, CSIRT installation) • Cyber BCP (Identify critical IT systems, understand business impact, consider alternatives, develop early system recovery plans, conduct annual cyber BCP training)

3. Risk Culture and Promotion Measures [*] [*]

- Inclusion of risk management criteria in the HR review process:
Competency evaluation items for manager performance include strategic thinking and integrity, and daily Risk Management and Compliance activities are evaluated in the items. Compliance activities and Risk Management are included in the evaluation of Compliance Officers, Risk Compliance Officers, and risk management personnel.
- Management Training: The General Manager of the Risk & Compliance Department provides education on risk management and compliance to newly appointed board directors and corporate auditors.
- Employee Training: The risk of providing patients with unsafe drugs needs to be avoided. We educate all employees through an e-learning system to promote the principles of reporting side effects. Compliance training on topics such as information management and healthcare compliance are also conducted through the e-learning system. Each division conducts annual training regarding the earthquake Business Continuity Plan (BCP). Training drills to confirm employee safety are also conducted twice per year to promote risk awareness. Training for the cyber-attack BCP is conducted by related departments, including the IT Solution Dept., Legal Dept., Corporate Communications Dept., and the Risk & Compliance Dept.
- Incorporating risk criteria in product and service development: When developing new products or adding new indications, business feasibility is evaluated by multiplying the probability of success against multifaceted risks such as the appearance of competition and the occurrence of serious side effects. The evaluation of business feasibility includes approval process and its probability of success based on several risks.

Emerging Risks (DJSI 1.4.3)

	Emerging Risk 1	Emerging Risk 2
Name of the emerging risk	Restrictions on business due to increase in geopolitical risk	Impediment to DX promotion
Category	Geopolitical	Technological
Description	As a member of the Roche Group, Chugai conducts its business globally. Suppliers exist not only in Japan but also around the world. Both domestic and overseas partners play important roles in research and development. Our business activities have been affected significantly by heightened geopolitical risks. For example, some countries are	Chugai is transforming its own business to provide healthcare solutions that will change society by combining unique scientific and technological capabilities through cutting-edge digital technology such as generative AI. For example, we are working on the following: strengthening the digital platform, optimization of all value chains, and leveraging AI in drug discovery. While

	strengthening economic security legislation, which leads to tightening restrictions on human rights, high-tech resources, data, and strategic goods due to rising tensions among countries and in the impact of international conflicts on logistics.	we are accelerating digital investment, there are various risks, such as a slowdown in DX due to the lack of progress on digital technology.
Impact	The rapid changes in international conditions and the occurrence of armed confrontations could give rise to risks such as business restrictions or withdrawals in affected regions (the loss of production, R&D, and sales sites; reduced profits; and the loss of future opportunities), stagnation in the supply chain, or supply delays in affected regions.	Potential impacts may include delays in executing strategies such as increasing human predictability or clinical study efficiency (caused by lack of progress with digital technologies, delayed digital transformation due to insufficient capabilities or lack of understanding of digital compliance). In addition, a delay in utilization of generative AI may have the effect of reducing competitiveness.
Mitigating actions	Chugai obtains information on trends in legislation and policies in different countries and other types of external information in a timely manner and works to reinforce internal systems. Specifically, we analyzed and visualized the impact on geopolitical and economic security-related risks of our business, and organized the issues that we need to address, including legal systems in each country. In addition, we are working on the following: reorganization of our safety-management system in preparation for contingencies, fortifying our business continuity plan (BCP) and back-up supply system (dual-site operations), visualization of the entire supply	We are working to enhance our ability to detect and ascertain technological trends, fortify capabilities through the strengthening of specialized sections and the proactive use of outside experts, promote the company-wide use of generative AI, and enhance compliance risk assessment system.

	chain and risk identification, and establishment of an intelligence system for analyzing legal and policy trends in each country.	
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