

Risk Management

Basic Approach

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 they occur. In addition, we have a company-wide risk management system with the President and Representative Director as the chief risk management officer and the Executive Director of Corporate Strategy & Planning (a member of the Board of Directors and a Senior Executive Officer) as the risk management director in charge. In this way, we tackle issues related to risk management, recognizing them as important issues for management strategy. Furthermore, we have an Audit & Supervisory Board and an Business Audit Department working to increase the effectiveness of audits in risk management.

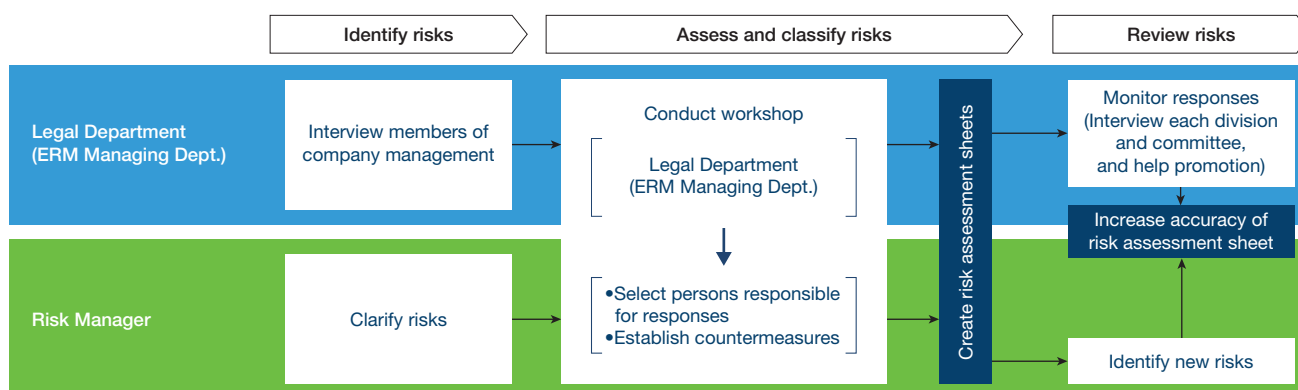
Establishment of an Enterprise Risk Management (ERM) System

We introduced Enterprise Risk Management (ERM) in FY2019, aiming for total, rather than partial, optimization of risk management. For implementation, we have appointed a Chief Risk Management Officer (President, Representative Director, and Chief Executive Officer) and a Head Risk Management Officer (member of the Board of Directors). In addition, we made the Legal Department the managing department for risk management, and established risk management regulations to promote ERM.

Basic Policy on ERM

1. With the aim of ensuring stable business continuity and achieving our business objectives, we have an enterprise risk management system to minimize losses to our company and its stakeholders, including customers, while fulfilling our accountability to society.
2. Each division assesses its risks using risk assessment sheets, and autonomously promotes risk management.
3. We identify the most important and urgent risks that could have a considerable impact on business management, and promote company-wide risk management activities.
4. In the event a risk materializes, we will take measures to minimize the damage and ensure prompt recovery in order to solve problems as quickly as possible.

Flow of ERM Promotion



ERM Promotion System

Basic Approach

1. Each Division Head uses the division's Risk Management Promotion Meeting to supervise the division's risk management.
2. Office Managers conduct daily risk management.
3. The Legal Department periodically monitors the risk management status of each division from the viewpoint of ERM. The results of monitoring are reported to the Management Committee (composed of directors, executive officers, division managers, etc.), the Board of Directors, and the Audit & Supervisory Board.

Risk Management Promotion Meeting

The Risk Management Promotion Meeting in each division assesses the division's risks and extracts issues using a risk assessment sheet, and develops prevention measures for identified risks according to their materiality and urgency, as well as risk responses. Thus, each division autonomously promotes risk management by considering, developing and implementing appropriate risk measures. The risk assessment sheet covers a wide range of risks, not only business risks, but also risks related to the environment, major disasters, human rights, pharmaceutical affairs laws and regulations, bribery, etc. In FY2021, each division extracted risks in a bottom-up fashion (bottom-up interviews) primarily by the division's risk manager, to see if there were any unidentified risks.

Risk Management System for Environmental Issues

Business risks related to environmental issues are also managed within ERM. In terms of climate change in particular, associated risks and opportunities are identified and evaluated by the TCFD Working Group under the Environment Committee. The head of the Legal Department also participates in this working group, and progress is reported to the Company-Wide Risk Management Committee to ensure coordination with ERM. (See pp. 68)

Strengthening of Corporate Governance

• Response to Major Risks

The Management Meeting identifies important and urgent risks as major risks every fiscal year, and considers, develops, and implements measures to control the identified risks, while monitoring the identified risks on a company-wide scale. In the event a risk occurs, we will take action in accordance with the response plan to minimize the damage and ensure prompt recovery, thereby solving problems as quickly as possible.

• Crisis Management

In the event a major risk occurs, the President will establish an Emergency Response Committee as necessary, to take measures to minimize damage and facilitate speedy recovery.

• Risk Management Education

We provide education on risk management for all employees to raise their awareness and sensitivity toward risks.

Training for all employees:

We had e-learning education on the basics of risk management and practical risk management skills (e.g., true cause analysis of risk issues and management techniques). (FY2020-2021)

Training for risk managers and management:

We conducted workshops on risk management techniques for internal directors, risk managers in each division, and leadership in some divisions. (FY2019-2020)

Business Continuity Plan (BCP)

We have set up a BCP Management Headquarters under the Emergency Response Committee, chaired by the President and Representative Director, and established a system designed to minimize the impact on operations even if a natural disaster or serious accident occurs, so that we can continue business activities, and even if they are suspended, recover promptly and resume them. And for management during normal times, we have a Business Continuity Management (BCM) Committee, which is chaired by the Executive Director of Corporate Strategy & Planning and is in charge of business continuity management, and a Management Office to maintain and strengthen our abilities to respond to crisis and continue our business operations, and promote relevant management activities.

We have prepared for disasters by installing systems such as emergency generators and duplicate power service in our Headquarters, the Tokyo Building, and all of our plants and research institutes, and we have also introduced seismic isolation systems to prepare for earthquakes in our Headquarters, the Tokyo Building, Minase Research Institute, and the Yamaguchi Plant. Also, because we have transferred some of the functions of the Headquarters in Osaka to the Tokyo Building, the development of a two-base system, improves our ability to continue our business operations. The BCM Committee conducts drills under the assumption of a large-scale disaster, identifies issues, and redoes plans to improve BCP response capabilities.

[Web](#) BCP System

<https://sustainability.ono-pharma.com/en/themes/82#916>

ONO Group's Risk Management

To promote risk management activities across the Group, we provide our subsidiaries with guidance and advice on risk management, while respecting their autonomy. We provide such guidance and advice through various opportunities including regular discussions where we receive reports from subsidiaries regarding their business operations and discuss important matters. We began to expand our ERM system to our subsidiaries in Japan and overseas in FY2020 to further enhance the risk management of the entire Group. In FY2021 we conducted risk assessments with risk assessment sheets.

■ Risk Management System

