

# Risk Management

## Basic Philosophy

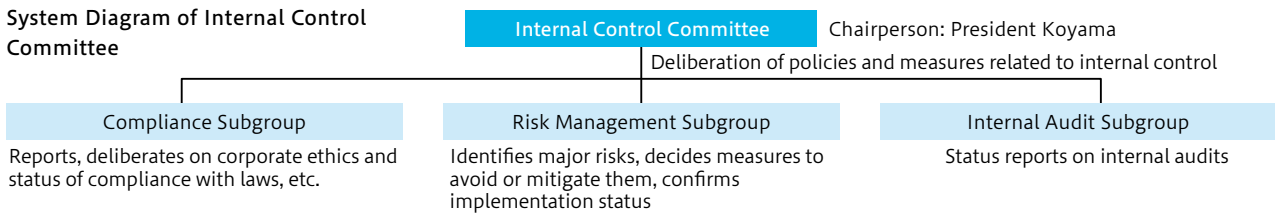
We are working to prevent risks that could have grave consequences for management and to minimize damage in adverse events. For these purposes, we identify risks in each function and make decisions on how to respond in Board of Directors, Internal Control Committee and general meetings throughout the company.

An Internal Control Committee headed by the company president identifies key risks, determines measures to counter them, and checks on the progress in executing these measures. In this way, these measures are made more effective.

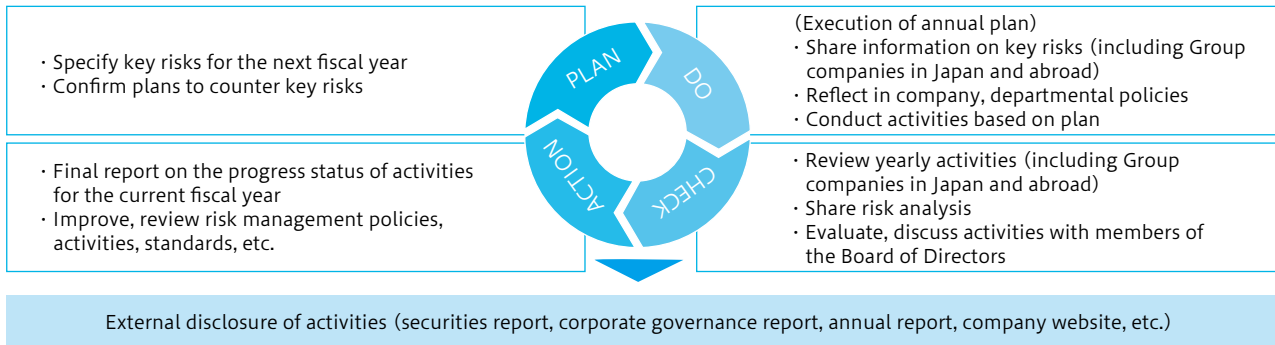
In addition, initiatives to deal with key risks or unexpected business risks due to political instability or other external factors are discussed regularly by the Board of Directors, and continuous improvements are made.

Moreover, Risk Management and Response Guidelines have been established. These guidelines show the behaviors to adopt to prevent potential risks and to respond to problems appropriately and quickly. Parts of the BCP plan are discussed by the Board of Directors with respect to COVID-19. With consideration of the status of infection spread, actions taken to minimize the impact of COVID-19 include (1) preventing infection by promoting work from home, regulating business trips and visitors, and cancelling company internal events, (2) implementing measures for the event that an infection occurs in an employee, (3) maintaining our production network by monitoring issues, including at our suppliers, and (4) introducing profit improvement measures.

System Diagram of Internal Control Committee



Principal risk management activities



## Response to Key Risks

Operating foundation risks and business strategy risks based on the business environment are assessed from the perspective of impact on operations (financial impact, etc.) and possibility of occurrence (frequency),

and key risks are identified.

Key risks are reflected in company policy as important action items, and initiatives are made to mitigate or prevent risks.

Examples of Key Risks

Classification		Main key risks
Size of risk Impact on operations (financial impact, etc.) × Possibility of occurrence (frequency)	Large	<ul style="list-style-type: none"> <li>Large-scale disaster (earthquakes, storm and flood damage, etc.)</li> <li>COVID-19 (infection prevention, production system maintenance)</li> <li>Risk/opportunity and handling based on TCFD</li> <li>DX handling</li> <li>Recall due to serious quality problem</li> <li>Carbon neutrality handling</li> <li>Impact of Russia/Ukraine situation</li> <li>Cyberattacks/scam email</li> <li>Human injury, operation shutdown due to serious labor accident</li> </ul>
	Medium	<ul style="list-style-type: none"> <li>Leakage of confidential information</li> <li>Occurrence of harassment</li> <li>Traffic accidents (causing serious damage/injury)</li> </ul>
	Small	<ul style="list-style-type: none"> <li>Anti-trust law violations</li> <li>Interruption of business activities due to fire or explosion accidents</li> <li>Business operations of partner companies</li> </ul>