

## Governance

In an effort to continuously enhance its corporate value, the Company is striving to ensure transparency of management and compliance, along with the maintenance and operation of an adequate governance framework while reinforcing its risk management framework.

### Corporate Governance

#### ► Our basic policy on corporate governance

The Group's business activities are based on the business principles that "prioritize ethics and contribute to the prosperity of customers and society as a whole." We therefore strive to attain sound corporate management through strengthening and reinforcing corporate governance, fully appreciating the significance of compliance based on corporate ethics. At the same time, we review as appropriate our management monitoring system to ensure its conformity to the changes in the business environment including social environment and relevant legislation.

#### ► Overview of corporate governance structure and reasons for its adoption

We have corporate bodies established in accordance with laws and regulations as well as the Articles of Incorporation, including the General Meeting of Shareholders, Directors and the Board of Directors, Statutory Auditors and the Board of Statutory Auditors, and Accounting Auditors. To strengthen corporate governance, the supervision and execution functions of the Board of Directors are separated, through the adoption of a structure where the Board of Directors is mainly in charge of governance, and Operating Officers are primarily in charge of business execution.

The Company strives to ensure that both the supervision function of the Board of Directors and the audit function of (the Board of) Statutory Auditors work effectively and believes that the current system is sufficiently running.

Specifically, each of the following bodies and meeting bodies is in place to function effectively.

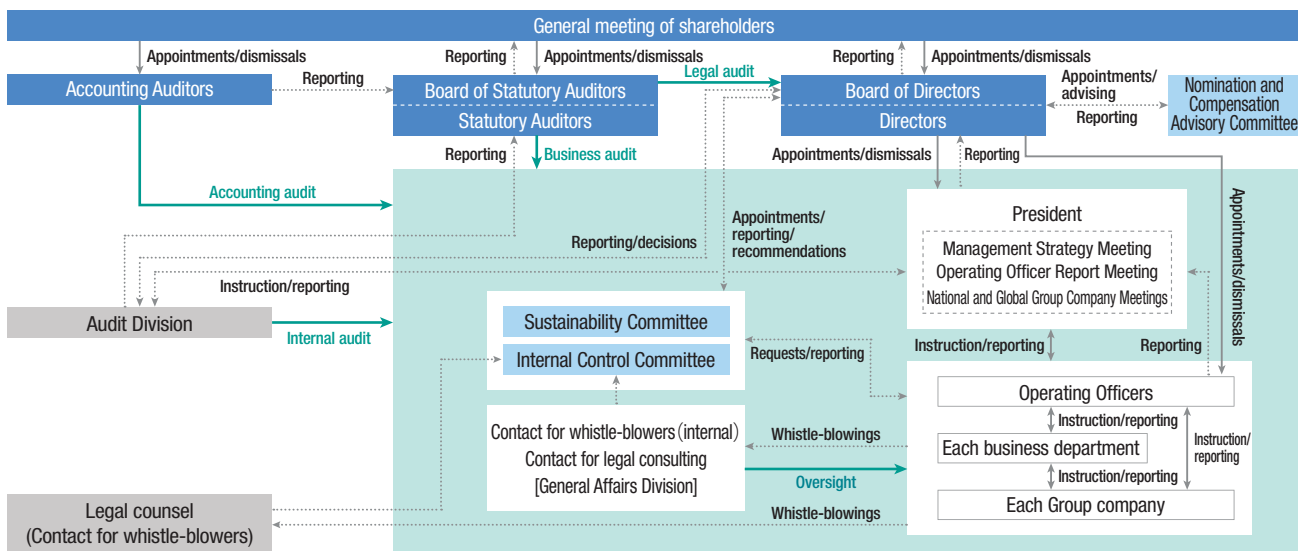
#### ① Directors and the Board of Directors

At its regular monthly meetings as well as extraordinary meetings held when appropriate, the Board of Directors, which is composed of seven Directors including three Outside Directors, discusses and decides on important management matters such as reports on Operating Officers' business execution and matters to be decided solely at the discretion of the Board of Directors, while supervising the execution of duties by Directors and Operating Officers.

#### ② Management Strategy Meeting and Operating Officer Report Meeting, etc.

The Company has meeting bodies including the Management Strategy Meeting and Operating Officer Report Meeting. Through these bodies, specific matters related to their execution of duties and critical management matters including those subject to the deliberation of the Board of Directors are reported to the President by Operating Officers and the general managers of business execution departments, deliberated and discussed preliminarily. In addition, Outside Directors and Statutory Auditors attend these meeting bodies, as necessary. As for the matters discussed at meetings, matters subject to the deliberation of the Board of Directors are decided by the Board of Directors and other matters are decided by employees with business execution authority through means such as circulars based on the Management Authority Rules.

#### ● Corporate governance framework



**3 Statutory Auditors and the Board of Statutory Auditors**

The Board of Statutory Auditors is made up of four members including three External Statutory Auditors. Statutory Auditors oversee management by attending the Board of Directors' meetings, etc. and expressing appropriate opinions in the process of deliberating business execution reports from Operating Officers and matters to be decided solely at the discretion of the Board of Directors. In addition, Statutory Auditors examine the business activities and assets of the Company and Group companies in accordance with audit policies and division of duties set by the Board of Statutory Auditors.

**4 Voluntary committees**

**a. Nomination and Compensation Advisory Committee**

Under the Board of Directors, the Company has in place the Nomination and Compensation Advisory Committee, whose members include Outside Directors. Its purpose is to list candidates for Directors and Statutory Auditors and nominate Operating Officers, and to ensure transparency and objectivity regarding decisions on compensation for Directors and Operating Officers.

**b. Internal Control Committee**

The Internal Control Committee is in place under the Board of Directors to develop a system stipulated in the basic policy of internal control systems, check the operation status, and conduct constant reviews. In principle, the Committee meets quarterly, and the contents of deliberation are reported to the Board of Directors each time.

**c. Sustainability Committee**

The Company has a Sustainability Committee in place under the Board of Directors for tracking the progress of specific SDG initiatives and continually reviewing them. In principle, the Committee meets quarterly, and the contents of its deliberations are reported to the Board of Directors each time.

**Internal audit and Statutory Auditor's audit**

**Internal audit**

Internal audits of the Company are carried out by the Audit Division based on internal audit plans decided by the Board of Directors. The Audit Division has staff with qualifications such as the Certified Information Systems Auditor (CISA). It reports its action plans and internal audit results to the Board of Directors and the Board of Statutory Auditors.

**Statutory Auditors' audit**

Statutory Auditors work with the Audit Division and Accounting Auditors and exchange information on audit plans and contents of accounting audits to perform appropriate auditing tasks. Statutory Auditors receive the results of quarterly reviews from Accounting

Auditors both verbally and in writing, and confirm their action plans to be taken at a fiscal year-end audit. Statutory Auditors also receive the results of fiscal year-end audits from Accounting Auditors in statutory documents along with verbal reviews. Furthermore, Statutory Auditors are in principle required to be present at inventory taking or on-site inspection at subsidiaries by Accounting Auditors.

**Outside Directors and External Statutory Auditors**

The Company's Outside Executives currently include three Outside Directors and three External Statutory Auditors as shown below. Each Outside Executive has excellent insight in each expertise and satisfies the independence guidelines for Outside Executives defined by the Company.

**Mr. Koji Mizumoto, Director (Outside Executive)**

Mr. Koji Mizumoto provides useful advice on management in general, drawing on his wealth of corporate management experience at a predecessor firm to NIPPON STEEL CORPORATION and his knowledge of financial accounting as CFO.

**Mr. Taizo Makari, Director (Outside Executive)**

Mr. Taizo Makari provides useful advice on the Company's management in general, drawing on his extensive insight and global perspectives developed throughout his career at Teijin Group.

**Ms. Yukiko Machida, Director (Outside Executive)**

Ms. Yukiko Machida was newly appointed as Director at the 162nd Annual General Meeting of Shareholders on August 29, 2023. She is a qualified lawyer and has a deep understanding of labor law gained through extensive experience, including her role as a Vice-Chairperson of the Daini Tokyo Bar Association's Labor Issue Committee. She leverages her experience to provide her advice and suggestions on how to ensure the legality and appropriateness of the Board of Directors' decision-making and on HR and labor challenges.

**Mr. Hitoshi Kobayashi, Statutory Auditor**

Mr. Hitoshi Kobayashi provides useful advice, drawing on his wealth of experience and knowledge as a statutory auditor to contribute to auditing activities.

**Mr. Koichi Abe, Statutory Auditor**

Mr. Koichi Abe provides useful advice, drawing on his wealth of experience at financial institutions and extensive knowledge regarding corporate management to contribute to auditing activities.

**Mr. Keiichi Hasegawa, Statutory Auditor (Outside Executive)**

Mr. Keiichi Hasegawa was newly appointed as Statutory Auditor at the 162nd Annual General Meeting of Shareholders on August 29, 2023. While concurrently serving as Professor for Waseda University's Faculty of Commerce, he utilizes his voluminous experience in corporate finance and accounting to provide helpful advice on maintaining the soundness of financial and accounting practices and on business management in general.

**Executive Remuneration**

**Directors**

Remuneration for the Company's Directors is determined within the maximum remuneration amount resolved at the Annual General Meeting of Shareholders held in August 2006, with reference to the policy for determining remuneration for Directors resolved by the Board of Directors. To ensure the independence of Outside Directors, the Company provides no bonuses to them. Decisions on remuneration for Directors are made at the Nomination and Compensation Advisory Committee set up under the Board of

Directors, with the participation of Outside Directors, in order to enhance objectivity and transparency of the decision process for executive remuneration.

**Statutory Auditors**

Remuneration for the Company's Statutory Auditors is determined through discussion among Statutory Auditors within the maximum total remuneration, which was fixed at the Ordinary General Meeting of Shareholders held in August 2006. It takes form of fixed remuneration for each standing and part-time position. There are no bonuses for Statutory Auditors.

**Executive Profiles** (as of December 1, 2023)

**Directors**



President, Representative Director **Akira Watanabe**; Chairman, Director **Kenzo Terashima**; Director, Senior Executive Officer **Yoshifumi Otsubo**; Director, Senior Executive Officer **Kenji Tanimoto**; Director (Outside) **Koji Mizumoto**; Director (Outside) **Taizo Makari**; Director (Outside) **Yukiko Machida**

**Statutory Auditors**



Full-time Audit and Supervisory Board Member (Outside) **Hitoshi Kobayashi**; Full-time Audit and Supervisory Board Member **Toshiharu Takaki**; Audit and Supervisory Board Member (Outside) **Koichi Abe**; Audit and Supervisory Board Member (Outside) **Keiichi Hasegawa**

**Operating Officers**

Director, Senior Executive Officer **Yoshifumi Otsubo**; Executive Officers **Shuji Horie**, **Naoki Okuyama**, **Toshihito Nakanishi**, **Jun Nukina**; Operating Officers **Takuya Hatakeyama**, **Chiaki Nakano**, **Hiroyuki Imaizumi**, **Takatoshi Otsuka**, **Toshinori Yamai**, **Akihiro Otsuka**

**Director Skill Matrix**

Name	Outside Directors	Areas of expertise and experience							
		Corporate management	Sales/Marketing	Research and development/Technology	Manufacturing/Quality control	Global business	Personnel/Labor	Accounting/Finance	Legal affairs
Akira Watanabe		●	●	●	●	●			
Kenzo Terashima		●	●	●	●	●			
Yoshifumi Otsubo		●	●			●		●	●
Kenji Tanimoto		●	●				●	●	●
Koji Mizumoto	●	●	●			●	●	●	
Taizo Makari	●	●		●	●	●			
Yukiko Machida	●						●		●

Messages from Outside Executives

**Yukiko Machida**  
Director (Outside)



Labor law, my area of expertise, has typically followed a regulatory approach—laws are written to clearly define the dos and don'ts for employers, and administrative agencies provide guidance and supervision to prevent violations and, when violations do occur, penalize the offenders. A classic example of this is the Labor Standards Act.

However, the enactment of the Act on the Promotion of Women's Active Engagement in Professional Life in August 2015 marked a pivot from that traditional approach. This law enjoins employers to analyze their company's response to various legal requirements and to disclose their findings, but it does not regulate the content of what is reported (for example, it does not specify a minimum percentage for female representation in management). At first glance, this approach may seem considerably looser than the traditional regulatory model, but is that actually the case?

The world of labor law is now being swept with a growing call for companies to (just) disclose certain information such as the percentage of male employees who take childcare leave. And, looking outside the realm of labor law, items such as human capital and diversity have been added to the list of disclosures expected for annual securities reports. This trend has made it easier to compare companies by creating a uniform measuring stick for evaluating them. More than ever, businesses need to seriously envision what it will take for them to remain companies that attract talent and shareholders on into the future, and to constantly strive to achieve that vision. Those that just keep looking at the rear-view mirror may end up getting left behind by the market. Compliance is more than just not doing illegal things; it means taking action aligned with the spirit of the law, with "law" here including soft law. I would like for Toyo Denki to remain mindful of the importance of staying abreast of the times and taking action with a forward-looking perspective.

**Koichi Abe**  
Audit and Supervisory Board Member (Outside)



It has been over a year since I was appointed Audit and Supervisory Board Member (Outside) for Toyo Denki. The Company has laid out a medium-term management plan toward the fiscal year ending May 2026 and is pursuing corporate activities for drastically strengthening its management foundations. I believe that Toyo Denki's strength lies in its commitment to sincerely addressing the needs of customers while honestly striving to improve quality with the power of trust backed by more than 100 years of history.

The Japanese economy has been gradually recovering following the lifting of the COVID-19 pandemic restrictions, with many positive signs being seen, including growth in both wages and stock prices. As for the latter, the Nikkei average as of end-August had climbed roughly 25% since January—likely buoyed in part by the management reforms that businesses implemented in response to the Tokyo Stock Exchange's call for improvement of lackluster price-book ratios—and average PBR on the TSE stood at 1.3 for the Prime Market index and at 0.99 for the Standard Market index. While Toyo Denki's share price has likewise grown by around 23%, PBR nevertheless stands at 0.4. I believe that the share price can at least double if the Company leverages its potential.

Across its over 100-year history, Toyo Denki has cultivated to a high standard many different artisanal skills, know-how, technical expertise, and development capabilities in manufacturing processes. However, there are challenges that need to be addressed. Namely, the Company needs to drastically strengthen its management foundations and ability to do business, so as to realize the aims of the Medium-Term Management Plan's basic policies and to raise ROE to 8% or higher. Statutory Auditors are tasked with helping to ensure the soundness of corporate management. I think that effective utilization of corporate resources and improvement of profitability are the cornerstones of governance. I hope to see the Company work as a team to tackle management challenges under the leadership of the senior management.

Internal Control and Compliance

▶ Internal Control

The Company views the development and operation of an internal control system to be an important management issue, and it has developed an efficient, legal and appropriate business execution system pursuant to Article 362 of the Companies Act and Article 100 of the Ordinance for Enforcement of the Companies Act. The Internal Control Committee established under the Board of Directors reviews the operational status of the internal control system and will revise it as necessary.

▶ Principles of compliance

The Company has set "1. adherence to rules," "2. observance of confidentiality," "3. distinction between private and public matters," "4. strictness with money," "5. prohibition of side jobs," and "6. prohibition of discriminatory and sexually suggestive statements or behavior" as principles of compliance.

▶ Compliance promotion framework

To focus on business principles and fulfill its social responsibility, the Company has provided all officers and employees with a copy of the Compliance Manual (Toyo Denki Seizo Ethical Standards) that stipulates its code of conduct. The move is part of an effort to have the code and the basic rules of work fully known.

The Company has also introduced a whistle-blowing system that allows employees to provide information directly to the management. The system is aimed at ensuring that any illegal or inappropriate conduct within the Company is detected at the earliest possible stage and that adequate measures are taken promptly and as needed so that such conduct is rectified.

▶ Compliance education

We conduct compliance training every year for all employees of the Group in order to enhance knowledge of compliance and foster awareness to respect corporate ethics.

▶ Proper export controls

The Export Control Department at General Affairs Division is responsible for export management as the export management control department. We have created a system for the proper management of exports in order to ensure compliance with the laws and regulations concerning export management in the

countries and regions where we engage in business activities as well as to avoid involvement in transactions that could hinder the maintenance of international peace and safety.

The Export Control Department handles cargo and technology parameters used in determining whether or not export permits are required, as well as investigation of transactions. In addition, the Department carries out employee education and guidance and support for Group companies.

▶ Whistle-blowing system

The Group has established a whistle-blowing system that aims to ensure that any illegal, inappropriate, or unethical conduct by an individual or an organization is detected at the earliest possible stage and that risks are minimized, and to promote ethical and legal compliance. In addition, the number of whistle-blowing reports received is disclosed annually in the Business Report.

Risk Management

▶ Risk management framework

The Group's risk management framework is as follows.

Risks pertaining to management strategy challenges such as business strategies and new business development are discussed at the Management Strategy Meeting, which is generally held twice a month.

Risks concerning day-to-day business operations are reported to the President at the Operating Officer Report Meeting, which generally convenes at least three times a month, for three subjects: orders received, sales, inquiries, and other business activities; procurement, manufacturing, shipments, and other production activities; and quality control, R&D and other technical matters, production reforms, and adoption of IT. The progress of business plans and the status of business execution are checked on a monthly basis.

For Group company-related risks, the progress of each company's business plan and the status of business execution are examined at semiannual national and global Group company meetings.

Of these various risks, matters deemed to be especially important are discussed by the Internal Control Committee under the Board of Directors, with the participation of the legal counsel. Reports and recommendations based on those discussions are made to the Board of Directors. Risks pertaining to climate change, human capital, and other sustainability issues are discussed by the Sustainability Committee under the Board of Directors, and are reported to the Board of Directors.

► Risks and countermeasures

This section presents risks that may affect the Group's earnings and financial position, and countermeasures for them.

Forward-looking statements below are based on the judgment of the Group as of the end of the consolidated fiscal year ended May 2023.

<p><b>1</b></p> <p>Risks related to quality and stable supply</p>	<p><b>Risks &amp; scenarios:</b> Fatal/life-threatening accidents and large-scale failures in railways or other social/public infrastructure that stem from the Group's products could have a very serious impact on the Group's operation. Also, defects in quality and production delays that prevent the Group from fulfilling its responsibility and mission of stably supplying products could cause a loss of trust and adversely affect our earnings.</p> <p><b>Countermeasures:</b> The Group's business principles include a commitment to build trust by focusing on quality first. The production bases Yokohama Plant and Shiga Ryuo Plant have constructed and operate quality management systems, and have acquired ISO 9001 certification. As part of the monthly sessions of the Operating Officer Report Meeting, information on quality control and production management is shared with upper management, risks are identified, and countermeasures are discussed and promptly implemented, so as to ensure quality standards and stably supply products. In preparation for the potential occurrence of product liability issues or recalls, the necessary insurance policies are in place so that the impact of quality issues on earnings can be minimized.</p>
<p><b>2</b></p> <p>Risks related to human resource</p>	<p><b>Risks &amp; scenarios:</b> We consider human resources to be the most important management asset supporting the Group's growth. If retirement by experienced technicians, exodus of talent, slowdowns in human resource development, or other such issues make it impossible to secure and develop the human resources needed, quality could decline due to the resulting difficulty in transferring technical expertise, and the creation of new business areas and development of new products could be hindered. This could make it impossible to maintain our competitiveness in the industry, and thus adversely affect our earnings.</p> <p><b>Countermeasures:</b> In line with the basic policy of our rules on human resource development, we pursue human resource development approaches aimed at continually increasing our corporate value. To support efforts for maintaining, improving, and transferring our unique technologies, we have established a Technical Staff Development Committee and implement measures for transferring advanced technical expertise for each high-priority specialized field. In addition, as a specific initiative of Medium-Term Management Plan 2026 we have begun to review the design and operation of our human resource systems to promote employee and organizational vitality. To further improve employee engagement, we have clearly defined our expectations for human resources and have started to re-examine our systems for fair evaluation and treatment and to implement various measures, including for talent/organizational development.</p>
<p><b>3</b></p> <p>Risks related to compliance and human rights</p>	<p><b>Risks &amp; scenarios:</b> Violations of domestic/international laws and regulations in the Group's conduct of business could result in a loss of public trust and lead to suspension of trading and other serious impacts on our business activities. Also, failure to properly prevent or deal with harassment of employees could reduce employee motivation, prompt employees to quit, cause a loss of trust, and reduce our competitiveness. In addition, failure to appropriately deal with issues surrounding conflict minerals and forced labor could result in a loss of trust and thus lead to reduced trade and exclusion from supply chains.</p> <p><b>Countermeasures:</b> The Group has included in its business principles a commitment to prioritize ethics and contribute to the prosperity of customers and society as a whole, and recognizes the importance of compliance aligned with the business principles. As a concrete action for this, the Group provides every officer and employee with training and a copy of the business principles and the Compliance Manual (Toyo Denki Seizo Ethical Standards), which lays out our code of conduct and basic rules on business operations, in order to ensure that everyone familiar with what constitutes compliant conduct. We have also established contacts for whistle-blowing and consultation on harassment and implemented other measures to construct the framework needed to detect and take action on issues at an early stage. With regard to conflict minerals and forced labor in supply chains, we will continue to assess the state of compliance through supplier surveys and other means, and carry out appropriate measures for ensuring respect for human rights.</p>

<p><b>4</b></p> <p>Risks related to changes in business environment</p>	<p><b>Risks &amp; scenarios:</b> Our Group provides products and services that broadly support social/industrial infrastructure in Japan and abroad in all of our business segments—transportation, industry, and ICT solutions. Our business environment is undergoing a drastic transformation, as seen in the decline in railway ridership due to population shrinking and the spread of new lifestyle changes such as teleworking; the CASE* transformation in the automobile industry; the advancement of DX in products, services, and production equipment; and the transition to a decarbonized society. If we fall behind in our efforts to adapt to these changes, we could experience a decline in our competitiveness, orders received, sales, and profitability.</p> <p><small>*CASE: A concept expressing the mobility transformation in terms of four features, Connected, Automated/Autonomous, Shared &amp; Service, and Electrification</small></p> <p><b>Countermeasures:</b> Guided by the basic policies of Medium-Term Management Plan 2026 to expand new businesses and products and thoroughly improve the earnings structures of existing businesses, the Group is endeavoring to maintain and further strengthen its competitiveness through efforts such as developing new products and improving existing products and services. Key actions include exploring alliance and M&amp;A opportunities, developing technologies and products that contribute to decarbonization and the realization of a sustainable society, incorporating automation and renewable energy use in automobiles, and leveraging ICT. We opened the Development Center in June 2022 to strengthen company-wide development of new business fields. With regard to trends among our competition, we are working to maintain and further strengthen our competitiveness by gathering information on tenders and markets, and by utilizing our extensive supplier network to collect client information.</p>
<p><b>5</b></p> <p>Risks related to technology/product development</p>	<p><b>Risks &amp; scenarios:</b> If we are unable launch products incorporating advanced technologies with the right timing or are slow to respond to the decarbonization movement, our product competitiveness could decline. Also, slowdowns in our adoption of new technologies for manufacturing processes could impair efforts to improve productivity and reduce costs, and thereby lead to a deterioration in our competitiveness.</p> <p><b>Countermeasures:</b> We are working to supply customers with products that appeal to them by identifying their needs and incorporating new technologies in the products we develop. In addition to enhancing existing products and services, to expand new business and products, we are seeking to strengthen and accelerate company-wide development of new business domains, particularly by utilizing the Development Center that we opened in June 2022. To address the technical challenges standing in the way of new business development, we have formed project teams at the Development Center and are focusing our internal resources on these efforts. In addition, we are taking action to maintain and further strengthen our technical expertise and product development capabilities, including by pursuing R&amp;D in collaboration with other businesses and academia and by exploring M&amp;A opportunities.</p>
<p><b>6</b></p> <p>Risks related to procurement of raw materials, etc.</p>	<p><b>Risks &amp; scenarios:</b> Our Group's products and services use many different types of raw materials. If supply of those materials is delayed or interrupted by shifts in the global economy, market trends, or natural disasters, or if suppliers of raw materials that are hard to substitute go bankrupt or suspend operation, we could experience slowdowns in our production and shipment, among other issues. Also, increases in our manufacturing costs due to raw material price hikes driven by rising energy prices could adversely affect the Group's earnings.</p> <p><b>Countermeasures:</b> The Group is striving to ensure stable access to raw materials through approaches such as bulk purchasing and multivendor procurement. While there recently have been global shortages, price hikes, and longer delivery times for certain products such as semiconductors, our Group is implementing measures to mitigate the impact of those challenges, including by using our closely connected network of suppliers to establish multiple supply chains, and by switching the raw materials used to other alternatives. We also endeavor to regularly collect information on the risk for suppliers to fail or stop operating, and pursue permanent measures such as securing access to alternative suppliers. To address the risk of manufacturing costs being driven up by rising raw material prices, we are seeking to lower cost prices by improving the operational efficiency of our manufacturing equipment, and by reducing energy costs through energy-saving measures, including the use of solar energy.</p>
<p><b>7</b></p> <p>Risks related to intellectual property</p>	<p><b>Risks &amp; scenarios:</b> The risk of violation of the Group's intellectual property rights by other parties is growing with the acceleration of technological innovation and business globalization. Conversely, if the Group is found to have violated the intellectual property rights of other parties, it could be subjected to expensive damage claims or other responses that adversely affect its earnings.</p> <p><b>Countermeasures:</b> The Group recognizes the importance of intellectual property rights and carefully strives to protect those rights. Our R&amp;D units are collaborating to acquire rights on our intellectual property through strategic patent applications and other means. We are committed to swiftly taking appropriate action in response to violations of our intellectual property, and to take appropriate measures to avoid violating the intellectual property rights of other parties.</p>

<p><b>8</b> Risks related to environmental and climate change</p>	<p><b>Risks &amp; scenarios:</b> Any violation of environmental laws and regulations or noncompliance with environmental regulations could lead to a loss of trust among our suppliers, local communities, and society as a whole. Also, our failure to make progress in climate change actions, such as decarbonization of our products and measures for reducing our environmental impact, could reduce the competitiveness of our products and thus cause orders received and sales to fall, and could harm our reputation among stakeholders as a whole.</p> <p><b>Countermeasures:</b> The Group properly manages this area of risk by constantly monitoring our business operations' compliance with environmental laws and regulations and conformity with environmental regulations. In addition, senior management regularly discusses climate change actions at Sustainability Committee meetings, and we set targets, develop and implement measures, and monitor progress for our initiatives in products and services, in production activities, and in valuing people and communities in accordance with our Sustainability Policy.</p>
<p><b>9</b> Risks related to natural disaster and infectious diseases</p>	<p><b>Risks &amp; scenarios:</b> The great majority of the Group's production bases for the Transportation Systems segment are located in the Kanto area and those for the Industrial Systems segment are in the Kansai area. Production capacity may be severely affected by large-scale disasters and the outbreak of infectious diseases in either of these areas. Furthermore, large-scale disasters and the outbreak of infectious diseases may hinder the entire supply chain and impact order trends, thus affecting the Company's production and earnings.</p> <p><b>Countermeasures:</b> Our Internal Control Committee under the Board of Directors discusses and makes decisions on the policies and courses of action for developing preventive measures against large-scale disasters and building the emergency response formation for disasters that occur. We implement disaster mitigation measures and training at each production base, and will work to further strengthen company-wide business continuity planning and to increase resilience across our supply chains. In the event of a large-scale infectious disease outbreak occurs, we will apply the lessons learned from our response to the COVID-19 pandemic, which began in January 2020, and take action to prevent the spread of infection with an approach that prioritizes employee safety and health with measures such as staggered commuting and working from home, while aggressively minimizing hindrances to production.</p>
<p><b>10</b> Risks related to work-related disasters and accidents</p>	<p><b>Risks &amp; scenarios:</b> Occupational accidents (including those stemming from excessive working hours), fires, or equipment failures that lead to employee injuries/fatalities or production stoppages could harm our public trust and a deterioration of business performance.</p> <p><b>Countermeasures:</b> In order to ensure a safe working environment and completely eliminate occupational accidents, the Group has instituted a Company-Wide Safety and Hygiene Management Policy, and the local Safety and Hygiene Committee of each workplace establishes and implements concrete measures. Information on these initiatives is shared at the quarterly meetings of the Company-Wide Safety and Hygiene Committee, with the aim of further raising the level of health and safety across the entire organization. Also, each workplace has a Time Management Optimization Committee that monitors the overtime work situation, compliance with rules for rest periods between shifts, and other such matters.</p>
<p><b>11</b> Risks related to information security</p>	<p><b>Risks &amp; scenarios:</b> In the event of a leakage of customers' personal information or corporate secrets related to business partners could not only harm our public trust, but also lead to damage claims, termination of trading relationships, and other impacts that could adversely affect our earnings. Moreover, destruction/alteration of important data and system stoppages caused by external cyberattacks or computer viruses could have serious impacts on our production and sales activities.</p> <p><b>Countermeasures:</b> The Group has included information security among its key management challenges and has formulated an Information Security Declaration as a guideline. We recognize the safeguarding of information to be a major social responsibility, comply with related laws and regulations, and implement measures to protect the information assets we possess from destruction, tampering, leaks, and other threats. In order to increase the level of information security and strengthen the system of management, we have formed an Information Security Committee that is tasked with studying measures, providing training, auditing, and other responsibilities. The Information Security Committee regularly reports to the Internal Control Committee on matters such as the state of information security maintenance/management, and the occurrence of accidents and problems.</p>

<p><b>12</b> Risks related to overseas businesses</p>	<p><b>Risks &amp; scenarios:</b> The Group operates production bases and sales offices in China, Thailand, and the United States, and country risks such as political or economic changes and the outbreak of disasters could adversely affect our business activities and employee safety. Also, unforeseeable changes in laws or tax systems could negatively impact our overseas affiliates' business operations and by extension our earnings and assets.</p> <p><b>Countermeasures:</b> We have established a formation for communication and cooperation between the head office and the overseas affiliates, and we strive to constantly remain aware of the situation in each location. We properly manage country risk in order to minimize the impact of risks that emerge, and when necessary, we seek the counsel of lawyers and other experts who are well-versed in the local legal system and business practices.</p>
<p><b>13</b> Risks related to finance and accounting</p>	<p><b>Risks &amp; scenarios:</b> Given that the Group is proactively expanding its business in overseas markets, we are exposed to the foreign exchange risk that comes with the increase in foreign currency-based transactions. Also, since we secure financing for our business operations through bank loans and other such sources, we face the risk that interest rate hikes will drive up the amount of interest we need to pay. There is also the risk that finance market instability or a decline in the Group's creditworthiness will make it difficult to acquire financing at the levels we seek. The fixed assets we own, such as shares, land, buildings, production equipment, etc., are subject to the risk of impairment due to a decline in their market value or the profitability of our businesses. Trade notes and accounts receivable entail the risk of becoming difficult to collect if the trading partner's credit situation significantly falters.</p> <p><b>Countermeasures:</b> With regard to foreign exchange risks, we monitor foreign exchange sensitivity and impacts on our earnings, and implement risk management measures such as downsizing of our foreign currency-based assets. To manage interest rate and liquidity risks, we are working to optimize our methods of financing and to shrink our working capital by reviewing the turnover period of trade notes and accounts receivable, inventories, and trade notes and accounts payable. At the same time, we are striving to maintain an optimum level of liquidity on hand through monthly management of cash flows. The purpose and benefits of our share holdings are examined annually at the Management Strategy Meeting are reported to the Board of Directors, and we are in the process of reducing our holdings based on those reviews. As for business-related fixed assets, we regularly monitor the progress of business plans and endeavor to detect early warning signs of impairment. We manage the collection risk of trade notes and accounts receivable through efforts that strengthen credit management, including surveying of long-term debt and monitoring of trading partners' performance.</p>

Information Security

► Basic policy

The Company holds a vast amount of information assets including information presented by customers related to its business execution and confidential information concerning the Group's proprietary technologies and its trade. Each Group company is taking various measures in this respect based on an awareness of shared security under the Group's Information Security

Guidelines, which have been established to adequately manage and use these information assets.

► Information security training

The Company is conducting educational activities to develop information security awareness among all employees including various training sessions, some involving the use of educational DVDs.