

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, while 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, Audit and Supervisory Board Members and the Board of Audit and Supervisory Board Members, 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) Audit and Supervisory Board Members 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 Business Strategy Meeting and Executive Officer Liaison Council, etc.

The Company has meeting bodies including the Business Strategy Meeting and Executive Officer Liaison Council. 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, Representative Director by Operating Officers and the general managers of business execution departments, deliberated and discussed preliminarily. In addition, Outside Directors and Audit and Supervisory Board Members 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.

3 Audit and Supervisory Board Members and the Board of Audit and Supervisory Board Members

The Board of Audit and Supervisory Board Members is made up of four members including three External Audit and Supervisory Board Members. Audit and Supervisory Board Members 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, Audit and Supervisory Board Members 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 Audit and Supervisory Board Members.

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, which is composed of three Outside Directors and three internal Directors. Its purpose is to list candidates for Directors and Audit and Supervisory Board Members 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 Group has stipulated the Sustainability Policy and has a Sustainability Committee in place under the Board of Directors for tracking the progress of specific initiatives and continually reviewing them. In principle, the Committee meets quarterly, and the contents of deliberation are reported to the Board of Directors each time.

Internal audit and Audit and Supervisory Board Members' 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 Audit and Supervisory Board Members.

Audit and Supervisory Board Members' audit

Audit and Supervisory Board Members work with the Audit Division and Accounting Auditors and exchange information on audit plans and contents of accounting audits to perform appropriate auditing tasks. Audit and Supervisory Board Members 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. Audit and Supervisory Board Members also receive the results of fiscal year-end audits from Accounting Auditors in statutory documents along with verbal reviews. Furthermore, Audit and Supervisory Board Members are in principle required to be present at inventory taking or on-site inspection at subsidiaries by Accounting Auditors.

Outside Directors and External Audit and Supervisory Board Members

The Company's Outside Executives currently include three Outside Directors and three External Audit and Supervisory Board Members 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. Taizo Makari, Director (Outside Executive, Member of the Nomination and Compensation Advisory Committee)

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, Member of the Nomination and Compensation Advisory Committee)

Ms. Yuko Machida is a qualified lawyer, and leverages her deep understanding of labor law, in particular, to provide her advice and suggestions on how to ensure the legality and appropriateness of decision-making of the Company's Board of Directors and on the Company's HR and labor challenges.

Mr. Yasuaki Sugizaki, Director (Outside Executive, Member of the Nomination and Compensation Advisory Committee)

Mr. Yasuaki Sugizaki possesses excellent managerial abilities, including serving as Representative Director, Member of the Board & President of OSAKA Titanium Technologies Co., Ltd., and based on his experience, he gives valuable advice and makes proposals for the decision-making of the Board of Directors of the Company.

Mr. Hitoshi Kobayashi, Audit and Supervisory Board Member

Mr. Hitoshi Kobayashi provides useful advice, drawing on his wealth of experience and knowledge as an Audit and Supervisory Board Member to contribute to auditing activities.

Mr. Koichi Abe, Audit and Supervisory Board Member

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, Audit and Supervisory Board Member (Outside Executive)

While concurrently serving as Professor for Waseda University's Faculty of Commerce, Mr. Keiichi Hasegawa utilizes his extensive knowledge in corporate finance and accounting to provide helpful advice on maintaining the soundness of financial and accounting practices and on business management in general.

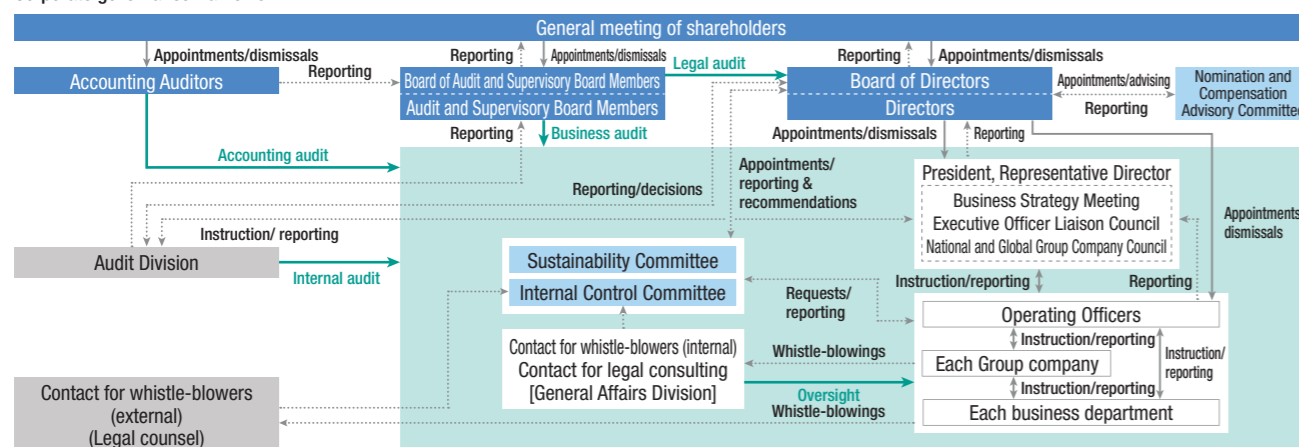
Executive Remuneration

Directors

Basic policy for determining remuneration, etc., and decision-making bodies

Remuneration category	Monetary remuneration		Non-monetary remuneration
	Basic remuneration	Performance-linked remuneration	Restricted stock compensation
Director excluding Outside Directors	○	○	○
Outside Director	○		
Remuneration limit (annual)	Within 240 million yen		Within 32 million yen
Decision-making body for individual remuneration	Nomination and Compensation Advisory Committee		Board of Directors

Corporate governance framework



Remuneration for Directors of the Company consists of basic remuneration, performance-linked remuneration linked to progress on business plans for a single fiscal year and medium-term management plans, and restricted stock compensation introduced to provide an incentive to strive for sustainable improvement in the Company's corporate value and to promote further value sharing with shareholders. Remuneration for Outside Directors consists only of basic remuneration, from the perspective of ensuring independence.

Based on the "policy for determining remuneration for Directors" resolved by the Board of Directors, amounts of individual remuneration are deliberated and determined by the

"Nomination and Compensation Advisory Committee" established under the Board of Directors for basic remuneration and performance-linked remuneration, and determined by the Board of Directors after deliberation by this committee for restricted stock compensation.

Audit and Supervisory Board Members

Remuneration for the Company's Audit and Supervisory Board Members is determined through discussion among Audit and Supervisory Board Members within the maximum total remuneration, which was fixed at the Annual General Meeting of Shareholders held in August 2006.

Executive Profiles (as of August 27, 2025)

Directors

						
President, Representative Director Akira Watanabe	Chairman, Director Kenzo Terashima	Director, Senior Executive Officer Kenji Tanimoto	Director, Senior Executive Officer Jun Nukina	Director (Outside) Taizo Makari	Director (Outside) Yukiko Machida	Director (Outside) Yasuaki Sugizaki

Audit and Supervisory Board Members

			
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 Kenji Tanimoto	Jun Nukina
Executive Officers Naoki Okuyama	Toshihito Nakanishi
Takuya Hatakeyama	Chiaki Nakano
Akihiro Otsuka	
Operating Officers Takatoshi Otsuka	Toshinori Yamai
Eiji Okawa	Seiichiro Yabui
Tadashi Kakinuma	Toshiaki Asakura
Masaru Hamada	Masayuki Tamura
Norifumi Iida	Mamoru Kuwahara
Norimitsu Kawabata	

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		●	●	●	●	●			
Kenji Tanimoto		●	●				●	●	●
Jun Nukina		●	●			●		●	
Taizo Makari	●	●		●	●	●			
Yukiko Machida	●						●		●
Yasuaki Sugizaki	●	●	●	●	●				

Message from Outside Executive



Yasuaki Sugizaki
Director (Outside)

I was elected as an Outside Director at the 164th Annual General Meeting of Shareholders, and since August of this year, I have been attending meetings of the Board of Directors, and other bodies such as the Business Strategy Meeting and Executive Officer Liaison Council, from an independent perspective as Outside Director. Outside Directors also actively participate in discussions related to management strategy and business issues, ensuring objective and multi-faceted points of view. On the other hand, we also maintain the effectiveness of the Company's governance through passionate discussions with each Operating Officer in charge.

At present, the Company is earnestly promoting the Medium-Term Management Plan 2026, and is tackling a broad range of management issues with the aim of improving business performance and increasing corporate value. Sustainability management is at the core of these activities. The Company is making thorough efforts to reduce environmental impact while efficiently producing excellent products, and it is pursuing the realization of a society where sustainable development is possible through the provision of these products and services. The Company has superior motor drive technology that it has accumulated since its founding in 1918, and it has a track record of continuously providing high-quality products and services that act as the backbone of social and industrial infrastructure for over a hundred years. As a result of this track record, the Company has secured a high level of trust across various fields. Going forward, the Company will continue to foster a spirit of encouraging creativity and enterprising spirit to meet the challenges of the future, which is part of its corporate philosophy, while also developing manufacturing human resources, and promoting technical innovation to meet increasingly complex and diverse social needs. I also intend to contribute to the Company's achievement of sustainable growth and increases in corporate value.

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.

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 conduct guidelines. 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 contact for whistleblowers 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 officers and employees working at the Company and Group companies in order to enhance knowledge of compliance and foster awareness to respect corporate ethics.

Contact for whistle-blowers

The Group has established a contact for whistle-blowers 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.

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.

DX Promotion

In December 2024, the Company established the new Digital Strategy Division, creating a system for promoting DX across the Company as a whole. We aim to sustainably increase corporate value and strengthen market competitiveness by promoting operational process reform and data utilization, and incorporating cutting-edge technologies such as AI and the IoT, with a foundation of stronger information security and increased IT literacy.

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 appropriately manage and use these information assets.

We also have the Information Security Committee in place to deliberate on relevant matters and take appropriate measures as needed.

Information security training

The Company is conducting various types of education, training, and drills, in order to enhance information security awareness among all employees.

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 Business Strategy Meeting, which is generally held twice a month.

Risks concerning day-to-day business operations are reported to the President, Representative Director at the Executive Officer Liaison Council, 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 Council.

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 a summary of 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 2025.

Risk item name	Risks & scenarios	Countermeasures
<p>1</p> <p>Risks related to quality and stable supply</p>	<ul style="list-style-type: none"> Fatal/life-threatening accidents and large-scale failures in railways or other social/public infrastructure occur as a result of products from the Group or our supply chain <ul style="list-style-type: none"> → Very serious impact on operation Defects in quality and production delays prevent the Group from fulfilling its responsibility and mission of stably supplying products <ul style="list-style-type: none"> → Causes loss of trust and adversely affects earnings 	<ul style="list-style-type: none"> Creation and operation of quality management systems at production bases (acquisition of ISO 9001 certification) Information is shared with upper management at monthly meetings, 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, insurance policies are in place so that the impact on earnings can be minimized
<p>2</p> <p>Risks related to human resources</p>	<ul style="list-style-type: none"> Retirement by experienced technicians, exodus of talent, slowdowns in hiring activities and human resource development, or other such issues make it impossible to secure and develop the human resources needed <ul style="list-style-type: none"> → Quality declines due to the resulting difficulty in transferring technical expertise, and the creation of new business areas and development of new products is hindered. This makes it impossible to maintain our competitiveness in the industry, and thus adversely affects our earnings 	<ul style="list-style-type: none"> We have established a Technical Staff Development Committee and implement measures for transferring advanced technical expertise for each specialized field We are reviewing 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>3</p> <p>Risks related to compliance and human rights</p>	<ul style="list-style-type: none"> Violations of domestic/international laws and regulations <ul style="list-style-type: none"> → Results in a loss of public trust and leads to a suspension of trading and other serious impacts on our business activities The Company fails to properly prevent or deal with harassment of employees <ul style="list-style-type: none"> → This reduces employee motivation, prompts employees to quit, causes a loss of trust, and reduces competitiveness The Company fails to appropriately deal with issues surrounding conflict minerals and forced labor <ul style="list-style-type: none"> → This results in a loss of trust and thus leads to reduced trade and exclusion from supply chains 	<ul style="list-style-type: none"> The Group provides every executive and employee with training and a copy of the business principles and the Compliance Manual, which lays out our code of conduct and basic rules on business operations We have established contacts for whistle-blowers 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 issues of conflict minerals and forced labor, we assess the state of compliance through supplier surveys, and carry out appropriate measures for ensuring respect for human rights
<p>4</p> <p>Risks related to changes in business environment</p>	<ul style="list-style-type: none"> The business environment surrounding the Group is undergoing a rapid transformation, as seen in the decline in railway ridership due to a shrinking population and the establishment of teleworking and online conference calls; transformation in the automobile industry; the advancement of DX in products, services, and production equipment; and the transition to a low-carbon society, and the Group's response to these changes is delayed <ul style="list-style-type: none"> → We experience a decline in our competitiveness, orders received, sales, and profitability 	<ul style="list-style-type: none"> We are exploring alliance and M&A opportunities, developing technologies and products that contribute to decarbonization and the realization of a sustainable society, incorporating electrification and renewable energy use in automobiles, and leveraging ICT We are engaging in the company-wide development of new business fields, mainly through the Development Center With regard to trends among our competition, we work to maintain and further strengthen our competitiveness by gathering information on tenders and markets, and by utilizing the Group's extensive supplier network to collect client information

Risk item name	Risks & scenarios	Countermeasures
<p>5</p> <p>Risks related to technology/product development</p>	<ul style="list-style-type: none"> We are unable to launch products incorporating advanced technologies with the right timing or are slow to respond to the decarbonization movement → Our product competitiveness declines The adoption of new technologies for manufacturing processes is slow → This impairs efforts to improve productivity and reduce costs, thereby leading to a deterioration in our competitiveness 	<ul style="list-style-type: none"> We work to identify customers' needs and incorporate new technologies into the products we develop In addition to enhancing existing products and services, to expand new business and products, we seek to strengthen and accelerate company-wide development of new business domains, particularly by utilizing the Development Center We have formed project teams that address challenges in new business development, and we are focusing our internal resources on these efforts We take action to maintain and further strengthen our technical expertise and product development capabilities, including by pursuing R&D in collaboration with other businesses and academia and by exploring M&A opportunities
<p>6</p> <p>Risks related to procurement of raw materials, etc.</p>	<ul style="list-style-type: none"> The supply of materials is delayed or interrupted by export controls on rare earths in China, additional U.S. tariffs, and other shifts in the global economy, market trends, or natural disasters Suppliers of raw materials go bankrupt or suspend operation and it is hard to find substitutes → This results in slowdowns in our production and shipment, among other issues Manufacturing costs increase owing to raw material price hikes driven by soaring energy prices and rising personnel expenses → Impact on the Group's earnings 	<ul style="list-style-type: none"> Stable access to raw materials through approaches such as bulk purchasing and multivendor procurement We continue to have measures in place, such as using our closely connected network of suppliers to establish multiple supply chains, and by switching the raw materials used to other alternatives Collecting information on risks for suppliers and securing access to alternative suppliers We are seeking to lower cost prices by improving the operational efficiency of equipment, together with measures for reducing energy costs and energy-saving through the use of solar energy and others
<p>7</p> <p>Risks related to intellectual property</p>	<ul style="list-style-type: none"> Technological innovation and business globalization accelerate → The possibility of violation of the Group's intellectual property rights by other parties grows The Group is found to have violated the intellectual property rights of other parties → We are subjected to expense damage claims or other responses that adversely affect our earnings 	<ul style="list-style-type: none"> Our R&D units are collaborating on strategic patent applications and other efforts The Group swiftly takes appropriate action in response to violations of our intellectual property rights We take appropriate measures to avoid violating the intellectual property rights of other parties
<p>8</p> <p>Risks related to environmental and climate change</p>	<ul style="list-style-type: none"> Violation of environmental laws and regulations or noncompliance with environmental regulations → This leads to a loss of trust among our suppliers, local communities, and society as a whole We fail to make progress in climate change actions, such as decarbonization of our products and measures for reducing our environmental impact → This reduces our competitiveness and thus causes orders received and sales to fall, and harms our reputation among stakeholders as a whole 	<ul style="list-style-type: none"> We properly manage this area of risk by constantly monitoring compliance with environmental laws and regulations and conformity with environmental regulations We discuss climate change actions at meetings of the Sustainability Committee, and 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 the Group's Sustainability Policy In March 2025, the TOYO DENKI Group formulated the "Sustainable Procurement Guidelines" and the "Green Procurement Guidelines," with the aim of ensuring sustainable and environmentally friendly procurement across the supply chain as a whole
<p>9</p> <p>Risks related to natural disasters and infectious diseases</p>	<ul style="list-style-type: none"> Large-scale disasters, the outbreak of infectious diseases, or other events occur in the Kanto or Kansai area, where the Group's production bases are concentrated → This severely affects production capacity Large-scale disasters and the outbreak of infectious diseases disrupt logistics and cause raw material prices to rise Defects in products and services occur as a result of the increase in temperature, etc. → This impacts order trends, production, and earnings 	<ul style="list-style-type: none"> 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 emergency systems for when such disasters occur We implement disaster countermeasures and training at each production base We work to strengthen company-wide business continuity planning through ongoing review and increase resilience across our supply chains We work to strengthen change management, including the impact of temperature increases on products and services

Risk item name	Risks & scenarios	Countermeasures
<p>10</p> <p>Risks related to work-related disasters and accidents</p>	<ul style="list-style-type: none"> Occupational accidents (including those stemming from excessive working hours), fires, or equipment failures lead to employee injuries/fatalities or production stoppages → This causes a loss of public trust and adversely affects earnings 	<ul style="list-style-type: none"> 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 office establishes and implements concrete measures, which are also shared at quarterly meetings of the Company-Wide Safety and Hygiene Committee, contributing to enhancing the level of health and safety through the Company as a whole The Time Management Optimization Committee of each workplace monitors the overtime work situation, compliance with rules for rest periods between shifts, and other such matters
<p>11</p> <p>Risks related to information security</p>	<ul style="list-style-type: none"> There is a leakage of customers' personal information or corporate secrets related to business partners → This not only harms the public's trust in us, but also leads to damage claims, termination of trading relationships, and other impacts that adversely affect our earnings Important data is destroyed/altered, systems are stopped, and other impacts occur from external cyberattacks or computer viruses → There are serious impacts on our production and sales activities 	<ul style="list-style-type: none"> Formulation of the Information Security Declaration We recognize the safeguarding of information to be a major social responsibility, comply with related laws and regulations, and implement appropriate measures to protect the information assets we possess from threats We have formed an Information Security Committee that is tasked with providing training, auditing, and other responsibilities This committee reports to the Internal Control Committee on matters such as the state of information security maintenance/management, and the occurrence of accidents and problems In order to further strengthen information security and our DX promotion system, we established the Digital Strategy Division in December 2024
<p>12</p> <p>Risks related to overseas businesses</p>	<ul style="list-style-type: none"> Country risks such as political or economic changes and the outbreak of disasters in China, Thailand, and the United States, where the Group operates production bases and sales offices → Adverse impact on business activities and employee safety Unforeseeable changes in laws or tax systems → Adverse impact on business operations, earnings, and assets 	<ul style="list-style-type: none"> We have established a formation for communication and cooperation between the head office and the overseas affiliates, and we strive to remain aware of the situation in each location When necessary, we seek the counsel of lawyers and other experts who are well-versed in local legal systems and business practices to properly manage country risk
<p>13</p> <p>Risks related to finance and accounting</p>	<ul style="list-style-type: none"> Foreign currency-based transactions increase → Foreign exchange risk Rising interest rates → This drives up the amount of interest we need to pay Finance markets become unstable or the Group's creditworthiness declines → This makes it difficult to acquire financing at the levels we seek The market value of the fixed assets we own, such as shares, land, buildings, production equipment, etc., or the profitability of our businesses declines → The risk of impairment The credit situation of trading partner(s) significantly falters → It becomes difficult to collect trade notes and accounts receivable 	<ul style="list-style-type: none"> We monitor foreign exchange sensitivity and impacts on our earnings, and downsize foreign currency-based assets We optimize methods of financing We shrink our working capital by reviewing the turnover period of trade notes and accounts receivable, inventories, and trade notes and accounts payable We 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 and reported to the Board of Directors, and we are in the process of reducing our holdings based on these reviews We regularly monitor the progress of business plans and endeavor to detect early warning signs of impairment We manage collection risk through efforts that strengthen credit management, including surveying of long-term accounts receivable and monitoring of trading partners' performance