RISK MANAGEMENT AND COMPLIANCE

Risk Management/ Compliance

▶ Basic Approach

Businesses face conditions that change day to day: climate change, natural disasters growing in frequency and intensity, growing geopolitical risks, increasing digitalization, and diversifying values. Under these circumstances, we must accurately identify the wide range of potential future risks and respond appropriately if we are to sustainably increase our corporate value.

The Meiden Group has created an ERM (Enterprise Risk Management) system designed to identify all types of major business risks to the Group as a whole so that management can discuss them and control them in an integrated manner.

In addition to everyday risk management, we also have an organization-wide BCM (Business Continuity Management) system for managing and responding to business continuity risks caused by accidents or disasters. Through this, we aim to be able to respond to constantly changing risks during both regular operation and emergencies.

Risk Management Structure

The Meiden Group is building a risk management system using the following three-line model.

Risk Management Structure
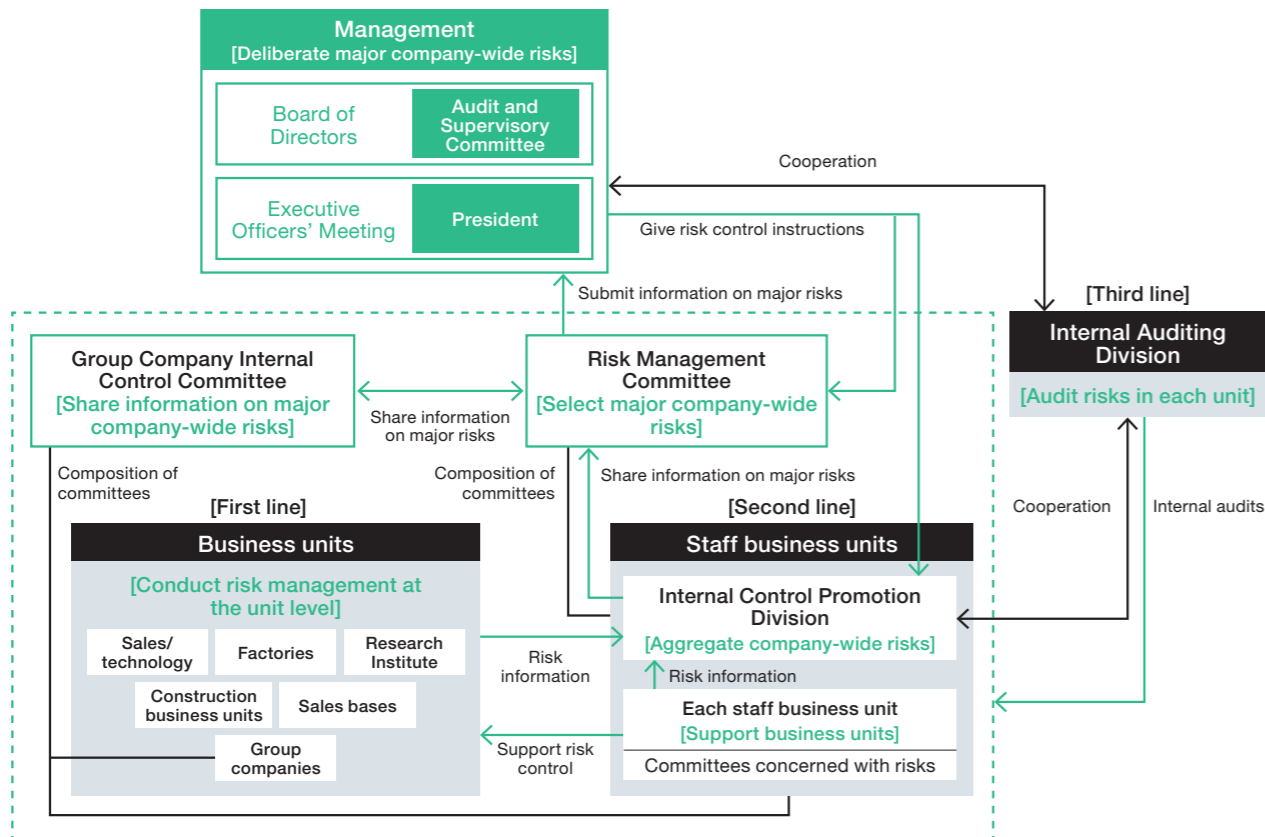
▶ Compliance Initiatives

Meidensha has enhanced and constructed a compliance promotion framework that is an important pillar of risk management, by integrating the Legal Affairs Division and the Enterprise Risk Management Division into the Governance Headquarters in April 2022. The Legal Affairs Division is the office responsible for the Compliance Committee, which is chaired by the member responsible for compliance, and convenes twice each year to determine compliance action plans.

Based on these action plans, the staff business units, led by the Legal Affairs Division, conduct compliance training for all Group companies on observing antitrust laws, preventing corruption and harassment, and other issues. In addition, the Compliance Committee secretariat handles matters related to compliance reporting and works to resolve any legal issues that arise. These compliance-related activities are reported during regular meetings of the Compliance Committee and at meetings of the Board of Directors.

Each Japanese company in the Meiden Group has a similar compliance committee and compliance manager system to Meidensha. Moreover, we take a survey of overseas Group companies that helps us continually develop our internal control system such as promoting understanding of on-the-ground conditions of compliance systems at each company.

▶ Operations of the Risk Management Committee

The Risk Management Committee consists of the heads of Headquarters staff business units. Twice a year, it deliberates on the important business risks of the Meiden Group as identified by the Internal Control Promotion Division, then selects major company-wide risks. The committee determines which units have jurisdiction over each risk and discusses policies for dealing with the risks. Management holds discussions on the business risks previously discussed by the Risk Management Committee and further debates them in meetings of the Executive Officers' Meeting and Board of Directors to determine the important business risks of the Meiden Group and policies for dealing with them.
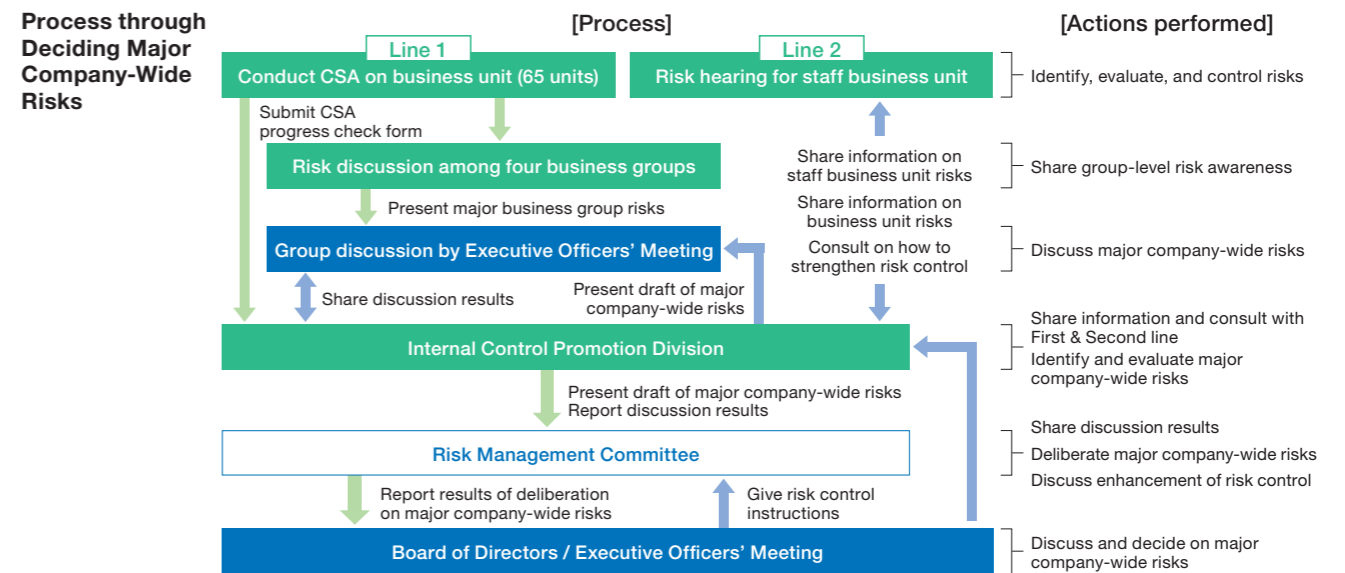
Major Risks Facing the Group

The Meiden Group stipulates major business risks to the entire Meiden Group through regular discussion among management according to systems such as those listed above. Risks that the Group considers could have a serious impact on its operations are as follows (as of March 31, 2024).

Note: Risk assessment is an independent analysis of the various risks faced by the Group rather than a general risk assessment.

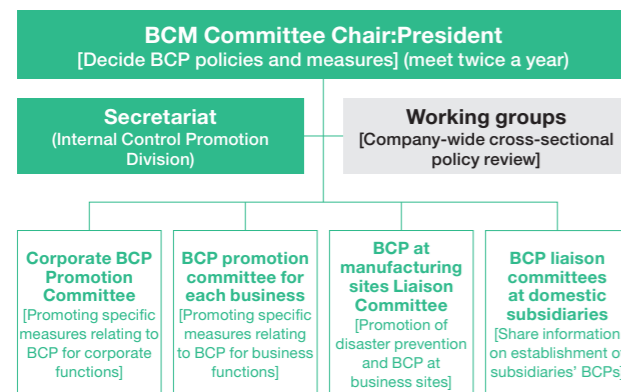| No.	Risk	Impact	Likelihood	Speed of materialization	Likelihood of harm to brand
1	Climate change	Large	High	Somewhat slow	High
2	Reduced quality	Large	High	Normal	Somewhat high
3	Geopolitical risks	Large	Medium	Extremely fast	Somewhat high
4	Occurrence of industrial accidents	Large	Medium	Extremely fast	Somewhat high
5	Human rights violations	Large	Medium	Somewhat slow	High
6	Inadequate labor management	Large	Medium	Normal	Somewhat high
7	Insufficient awareness or responsiveness to change in market conditions	Large	High	Somewhat slow	Normal
8	Occurrence of a natural disaster	Large	Medium	Extremely fast	Normal
9	Insufficient personnel	Large	High	Extremely slow	Normal
10	Inadequate cyber measures	Large	Medium	Extremely fast	Normal
11	Insufficient internal information management	Large	Medium	Somewhat fast	Normal
12	Inadequate procurement management	Large	Medium	Somewhat fast	Normal
13	Breach of Antimonopoly Act or bribery	Large	Low	Extremely fast	High
14	Quality fraud/inspection fraud	Large	Low	Normal	High
15	Losses due to fluctuations in exchange rates, interest rates, stock prices, and land prices	Medium	High	Normal	Normal
16	Breach of Construction Business Act	Medium	Medium	Normal	Somewhat high
17	Incomplete control of overseas subsidiaries	Large	Low	Normal	Somewhat high
18	Misconduct by an individual	Large	Low	Normal	Somewhat high
19	Insufficient or poor internal communication	Medium	High	Extremely slow	Normal
20	Environmental regulations	Large	Low	Somewhat fast	Somewhat high

RISK MANAGEMENT AND COMPLIANCE

▶ Basic BCP (Business Continuity Plan) Policy

The Meiden Group Basic BCP Policy stipulates the Meiden Group's basic policy on business continuity, business continuity targets, and response in the event of a disaster, etc., and is applied at each business unit and subsidiary.

> **1** In the event of a disaster, it is our utmost priority to ensure the safety of all employees, their family members, and customers.
> **2** We contribute to swift reconstruction and recovery from disasters, considering our corporate social responsibility as a company that supports social infrastructure.
> **3** Limit impact on customers and Meidensha's businesses as much as possible.

▶ BCM (Business Continuity Management) Promotion System

Under the BCM Committee, which determines the Meiden Group's BCP policy and measures, the Meiden Group established the Corporate BCP Promotion Committee, BCP promotion committees for each business, BCP liaison committees at domestic subsidiaries, the Working Group to discuss company-wide issues and promotes BCP throughout the Group.

BCM Committee Chair:President
[Decide BCP policies and measures] (meet twice a year)

Secretariat
(Internal Control Promotion Division)

Working groups
[Company-wide cross-sectional policy review]

Corporate BCP Promotion Committee
[Promoting specific measures relating to BCP for corporate functions]

BCP promotion committee for each business
[Promoting specific measures relating to BCP for business functions]

BCP at manufacturing sites Liaison Committee
[Promotion of disaster prevention and BCP at business sites]

BCP liaison committees at domestic subsidiaries
[Share information on establishment of subsidiaries' BCPs]

▶ Medium-term Management Plan 2024 Initiatives

We will promote the Medium-term Management Plan 2024, paying particular attention to the following items relating to disaster-prevention and BCP.

Ongoing BCP initiatives

▶ Moving from an earthquake-based BCP to an "all-hazard" BCP that applies to a range of risks
▶ Establishing a BCP and creating systems to maintain, evaluate, and confirm its effectiveness
▶ Continuing education and training, and ensuring that each employee is involved with BCP initiatives
▶ Extending the BCP to overseas subsidiaries, and creating a BCP with a global perspective

Improving corporate and organizational resilience

▶ Encouraging independent promotion of BCPs by business units, and work to improve Disaster responsiveness by company organization
▶ Considering alternative production sites for important operations

Contributing to society and communities

▶ Contributing to disaster-resilient community development by supplying Meidensha's BCP products and corporate BCP initiatives to communities and society

▶ BCM Activities

Works Prevention and BCPs Workshop

The activities implemented in affected areas are of particular importance in the early stages of disaster response. Meidensha has been conducting workshops on disaster prevention and BCP at its business sites since FY 2022. In FY 2023, we held workshops at the Ohta Works and for the Tokyo area. Participants reconfirmed hazardous areas on the premises of their site as well as disaster supply storage locations, and discussed evacuation methods as well as what to do in the event of a need to stay on-site.

Since all divisions, including subsidiaries at the same production site, had not previously come together under the theme of disaster prevention and BCP, the sharing of information held by the area disaster response headquarters as well as measures implemented at each workplace helped to deepen understanding of disaster prevention and disaster management trends within the area.

The content of the workshops was reflected in BCPs and disaster prevention plans, helping the participating sites to prepare for a disaster.

The workshop at the Ohta Works

Establishing BCPs at Overseas Subsidiaries

Meiden Group subsidiaries outside Japan have also begun establishing BCPs. Japanese and local staff work together to design the optimal BCP for each company. This effort is starting with the ASEAN region, India, and China. Subsidiaries in these regions aim to complete their BCP manuals by the end of FY2023. We are committed to advancing this initiative to ensure business continuity for the entire Meiden Group, including overseas subsidiaries.

Employee Education on Disaster Prevention and BCP

Disaster prevention and BCP training is included in the curriculum of personnel education for each level of employment and is provided continually. In FY2023, we again gave training for new employees and mid-career hires. We have also conducted extensive awareness-raising initiatives, including disaster prevention and BCP training for employees working at domestic sites and training for BCP staff of Meiden Group companies.

In addition, we created a training video to further spread the word about our disaster prevention and BCP efforts. The video was released in May of 2023 and we have worked to ensure that all Group employees view it.

▶ Strengthening Information Security Management

The Meiden Group understands that ensuring the security of the information we handle is a most critical issue. We therefore protect information assets from disasters, accidents, criminal acts, errors, and other threats. We also maintain and enhance information management to prevent leaks, tampering, theft, or loss. Further, through information security management, we maintain the safety of the products and services we provide to our customers.

Information Security Control System

Taking into consideration the risks posed by increasingly sophisticated cyber attacks in recent years, Meidensha has undertaken a company-wide system review to strengthen its information security control system.

To enhance our information security measures for the products and services we provide to customers, we established the new PSIRT.[1] To enhance internal information security, we established the FSIRT[3] to oversee factories under the CSIRT.[2] In addition, we established the PrSIRT,[4] which aims to reduce supply chain risks. These specialized teams will take the lead in routine countermeasures and incident response.
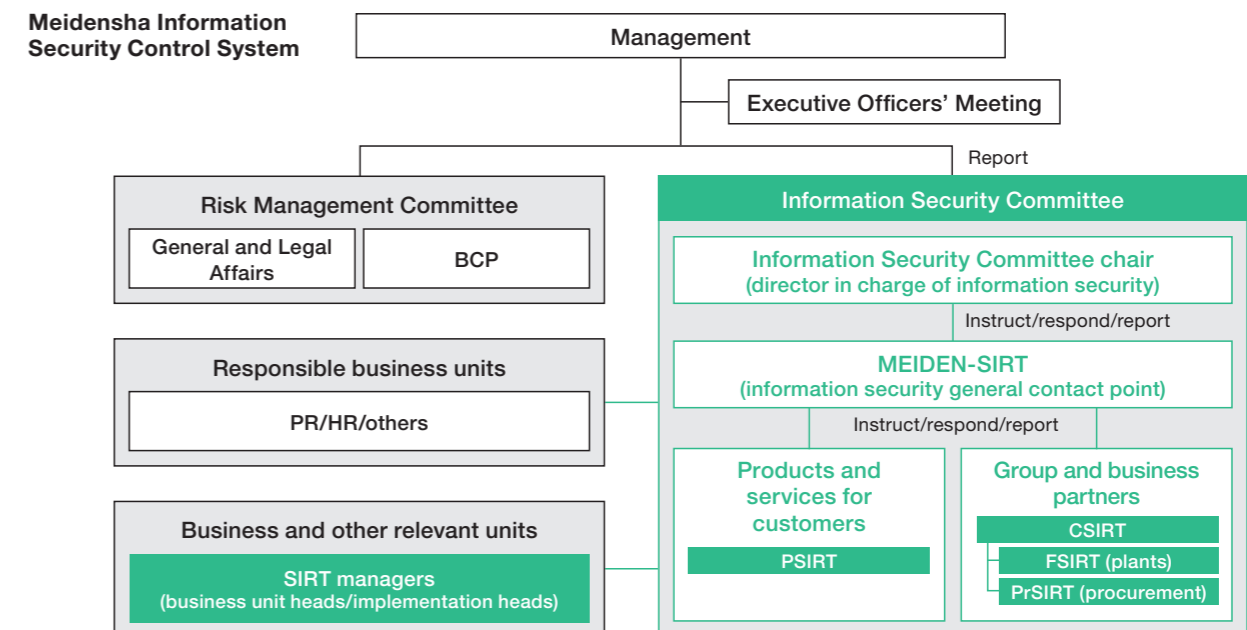
Further, we have assigned a SIRT manager in charge of information security to each unit to ensure that employees throughout the unit are familiar with relevant rules, provide education, and scrutinize and improve information security implementation on an ongoing basis. In addition, we have established a general contact point (MEIDEN-SIRT) to facilitate cooperation with each unit and to provide rapid response to information security risks and incidents.

The Information Security Committee is chaired by the director in charge of information systems and deliberates on the drafting, evaluation, and improvement of information security measures, as well as investigations into the causes of incidents and the prevention of recurrences. The status of information security operations is regularly explained to and approved by the president and management.

Analysis of Incidents and Countermeasures for Each Cause

Meiden Group strives to implement sustainable security measures within the framework of "prediction/protection/detection/response/restoration." We analyze and implement both hardware and software measures to protect data from unauthorized logins, etc., and virus infections from suspicious emails, such as targeted attacks, as well as measures mainly aimed at combatting human factors such as theft, loss, or mishandling of information devices.

Further, to strengthen our ability to respond to increasingly sophisticated cyberattacks in recent years, alongside our existing multi-layer defense measures, we have implemented various additional measures with a "zero trust" approach in mind. In terms of systems, we have initiated efforts to strengthen externally facing information security measures (concerning products and services) and have developed internal systems to speed up incident response.

Meidensha Information Security Control System

Management

Executive Officers' Meeting

Report

Risk Management Committee
- General and Legal Affairs
- BCP

Responsible business units
- PR/HR/others

Business and other relevant units
- SIRT managers (business unit heads/implementation heads)

Information Security Committee
- **Information Security Committee chair** (director in charge of information security)
  - Instruct/respond/report
- **MEIDEN-SIRT** (information security general contact point)
  - Instruct/respond/report
- **Products and services for customers**
  - PSIRT
- **Group and business partners**
  - CSIRT
  - FSIRT (plants)
  - PrSIRT (procurement)

*1 PSIRT: Product Security Incident Response Team *2 CSIRT: Computer Security Incident Response Team *3 FSIRT: Factory Security Incident Response Team *4 PrSIRT: Procurement Security Incident Response Team