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 and Operations of the Risk Management Committee

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

The Risk Management Committee consists of the heads of Headquarters staff business units, with the head governance officer as chairperson. 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.

Risk Management Structure
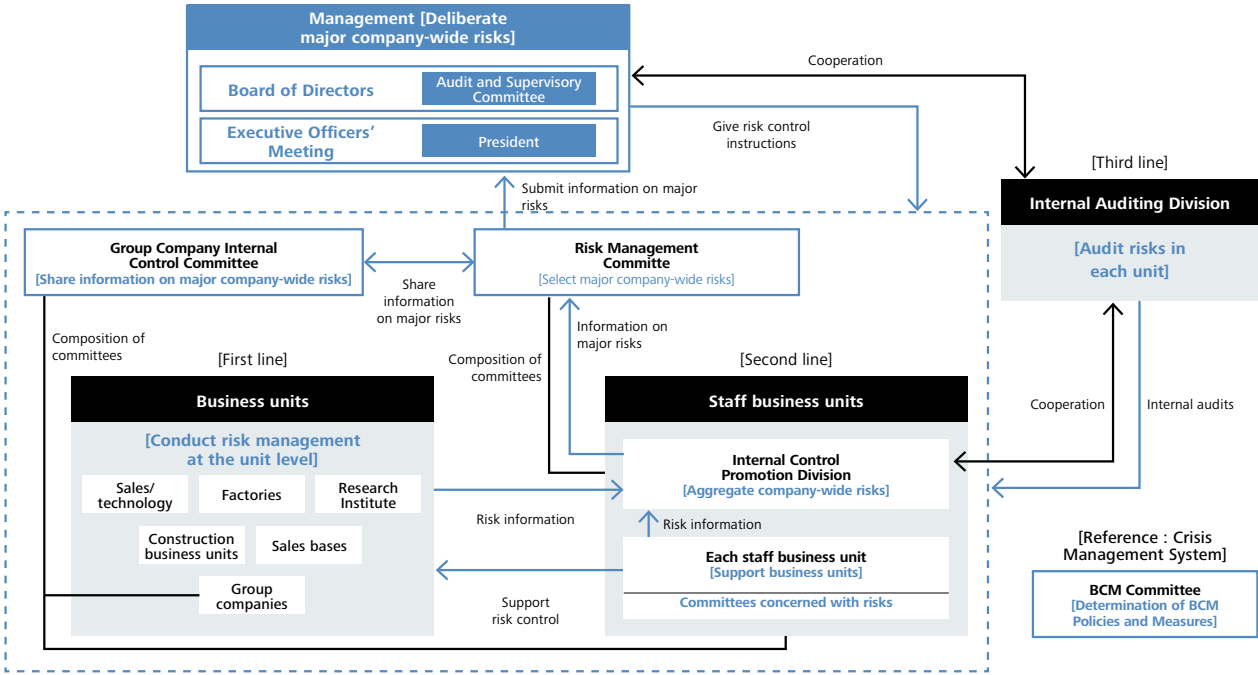
Process through Deciding Major Company-Wide Risks
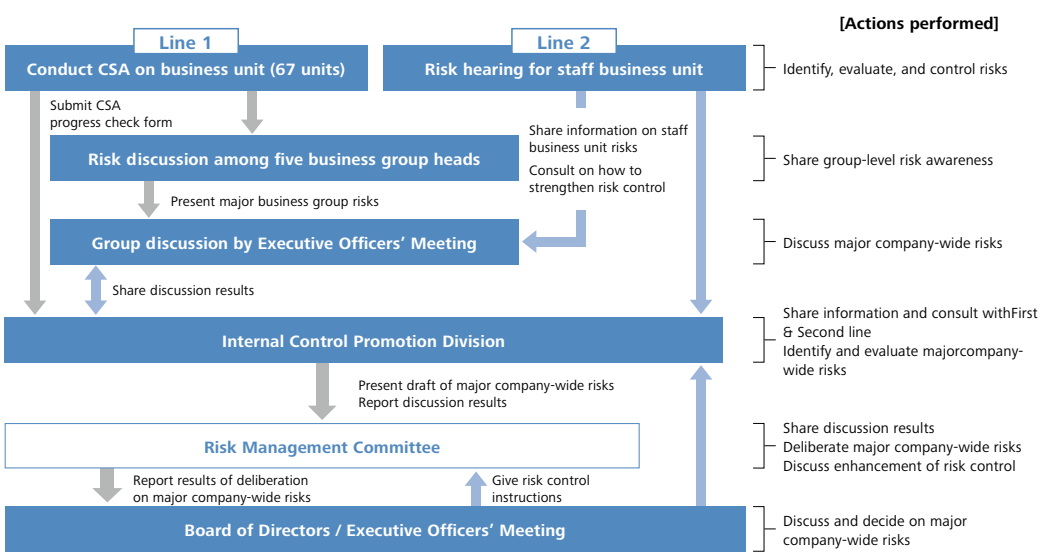
Major Risks from Business Activities

The Meiden Group stipulates major business risks to the entire Meiden Group through regular discussion among management according to systems such as those listed on the right table. Risks that the Group considers could have a serious impact on its operations are as follows (as of March 31, 2025).

No.		Risk name	Impact	Possibility of occurrence	Rate at which risk materializes	Period of impact when risk occurs
1 External environmental risks	1-1	Insufficient understanding and responses to changes in the market environment	Large	High	Average	Short
	1-2	Natural disaster	Large	Medium	Fast	Short
	1-3	Climate change	Medium	High	Average	Average
	1-4	Geopolitical risk	Medium	Low	Fast	Average
	1-5	Loss from fluctuations in exchange rates, interest rates, etc.	Medium	High	Average	Short
2 Strategic risks	2-1	Lack of personnel	Large	High	Average	Long
	2-2	Strategic R&D risks	Medium	Medium	Average	Short
3 Operational risks	3-1	Reduced quality	Large	Medium	Average	Average
	3-2	Labor management and working environment risks	Medium	High	Fast	Long
	3-3	Workplace accident	Large	Medium	Fast	Average
	3-4	Cyberattack	Large	Medium	Fast	Short
	3-5	Information management	Large	Medium	Fast	Short
	3-6	Insufficient procurement management	Large	Medium	Average	Short
4 Compliance risks	4-1	Quality misrepresentation and false inspection	Large	Low	Average	Long
	4-2	Human rights violation	Medium	High	Average	Long
	4-3	Building code violation	Large	Medium	Average	Average
	4-4	Environmental regulations	Large	High	Fast	Average
	4-5	Antitrust violation and bribes	Large	Low	Fast	Long

(Note) Risk valuations are determined independently for multiple risk targets for the company Group.

Compliance Initiatives

In an effort to promote compliance within the Meiden Group, Meidensha has established the Compliance Committee, chaired by the Head of Compliance, to determine compliance activity policies.

Based on these activity policies, Staff Business units, led by the Legal Affairs Division that is the secretariat, conduct compliance training for all Group companies. In addition, the Compliance Committee Secretariat handles matters related to compliance reporting and works to resolve any legal issues that arise. The statuses of these activities are reported during regular meetings of the Compliance Committee and at meetings of the Board of Directors.

Domestic group companies in the Meiden Group have also established Compliance Committees. We maintain a system where Compliance Managers assigned to each workplace report consultations and issues to the Committee Secretariat, while information from the committee is also shared throughout the organization. We also work continuously to establish internal control systems at overseas Group companies by understanding the actual conditions of each company's compliance system and more.

▰ Quality Control

Basic Approach

At the Meiden Group, which is involved with social infrastructure, each employee is not only aware of social responsibility in relation to the Meiden Group's products and services, as well as the scale of the impact that defects could have on society, but engage in quality control activities from the perspective of "no defective unit accepted," "no defective unit made in our factory," and "no defective unit shall leave our factory," satisfying customers and improving profitability by reducing unnecessary costs.

Quality Assurance System

Under the direction of the President—our chief executive officer—and the Executive Officers' Meeting, the head of the Quality Control Management Unit oversees quality management for the whole Meiden Group. The quality assurance (QA) promotion system comprises the General Manager of the Quality Control Management Division, and members including the quality assurance managers of each business unit. We engage in activities such as sharing quality information and roll-out of policies to other business units at Company-Wide QA Promotion Committee and each business unit's QA Promotion Committee, etc.

QA: Quality Assurance

Strengthening Quality Control

To improve quality, the Meiden Group determines what points to control and carries out its activities under our policy of not making defective goods nor allowing them to come in or go out.

(1) Reducing defects in outsourced and purchased products
(2) Reducing defects from insufficient consideration and inattention
(3) Reducing internal defects
(4) Preventing outflow of defects
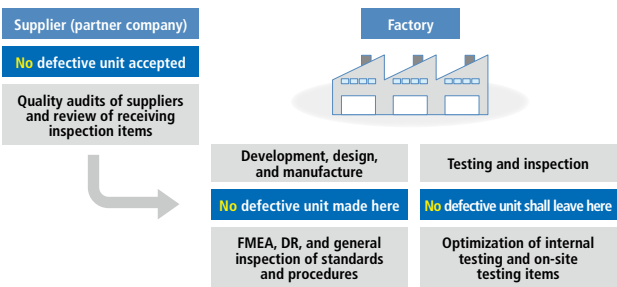
Meiden Customer Center

The Meiden Customer Center is the point of contact for inquiries and troubleshooting involving all Meiden Group products. It responds promptly to customer requests and works closely with sales and engineering departments, factories, and nationwide service centers. A minimum of two Meiden Customer Center operators are on duty 24 hours a day through the year to monitor customer facilities and support their stable and optimal operation.

We also analyze the customer comments that come into the Meiden Customer Center and apply the feedback to our craftsmanship and the services we offer to increase customer satisfaction.
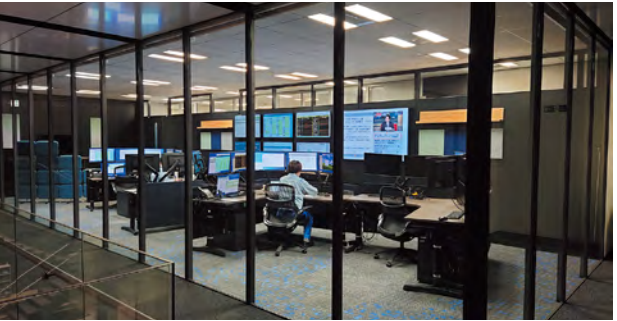
Meiden Customer Center offers 24-hour support all year.

Developing Human Resources to Support the Supply of High-quality Products ~Transmission of Skills Using Eye Tracking~

We introduced the line-of-sight analysis tools called "Eye Tracking" and began an initiative to visualize the hand and eye movements of skilled worker who has "good intuition" and "knacks" for the purpose of transferring the skills and knowhow of skilled worker to the next generation.

The line-of-sight analysis tools, "Eye Tracking" is glasses with built-in small cameras. When worker wears this glasses, the central camera records the field of view and captures the movement of the hand. By having skilled worker wear these glasses, it is possible to visualize fine hand and eye movements that were previously in tacit knowledge domain. Furthermore, having a skilled worker explain what is happening on the recorded video makes it possible to elicit their criteria and other aspects of the work and include them in manuals. This helps prevent skills from becoming overly dependent on individuals and contributes to maintaining stable product quality.

The line-of-sight analysis by Eye Tracking

▰ 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.

We will promote the Medium-term Management Plan2027, 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

▰ Strengthening Information Security Management

The Meiden Group understands that ensuring the security of the information we handle is a most critical management 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. We carry out comprehensive information security management and maintain the safety of the products and services we provide to our customers.
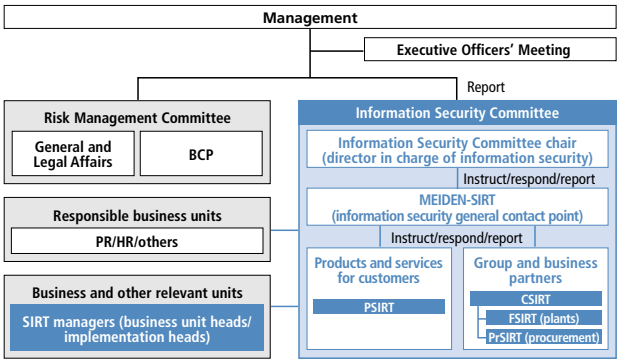
Information Security Control System

Considering the increased sophistication of cyber attacks in recent years, we have established and currently operate a company-wide security system to comprehensively respond to the ever-changing risks.

We established PSIRT[1] to enhance our information security measures for the products and services we provide to customers and FSIRT[2] to oversee factories under CSIRT[3], which enhances internal information security. We also 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 continually inspect and improve the state of implementation, the degree of training, and the implementation of rules within the organization. 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.

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

Meidensha Information Security Control System

Information Security Countermeasures

We continually conduct activities to enhance information security throughout the entire supply chain.

● Analysis of Incidents and Countermeasures for Each Cause
We implement security measures within the framework of "prediction/protection/detection/response/restoration." We analyze both technological and human-based countermeasures, and in addition to introducing multiple defensive layers and a zero trust approach, we fortify our external countermeasures and maintain an incident response system.
● Information Security Education and Training
All officers and employees undergo information security education. We continuously hold comprehensive information security education that combines hard, soft, and human-based countermeasures.
● Enhancement of Supply Chain Information Security
We work to strengthen information security among our business partners. By using the SECURITY ACTION program's four actions of awareness, group education and information sessions, on-site diagnostic visits, and sharing information through a supplier portal, we comprehensively support information security countermeasures for our business partners.