

# Risk Management

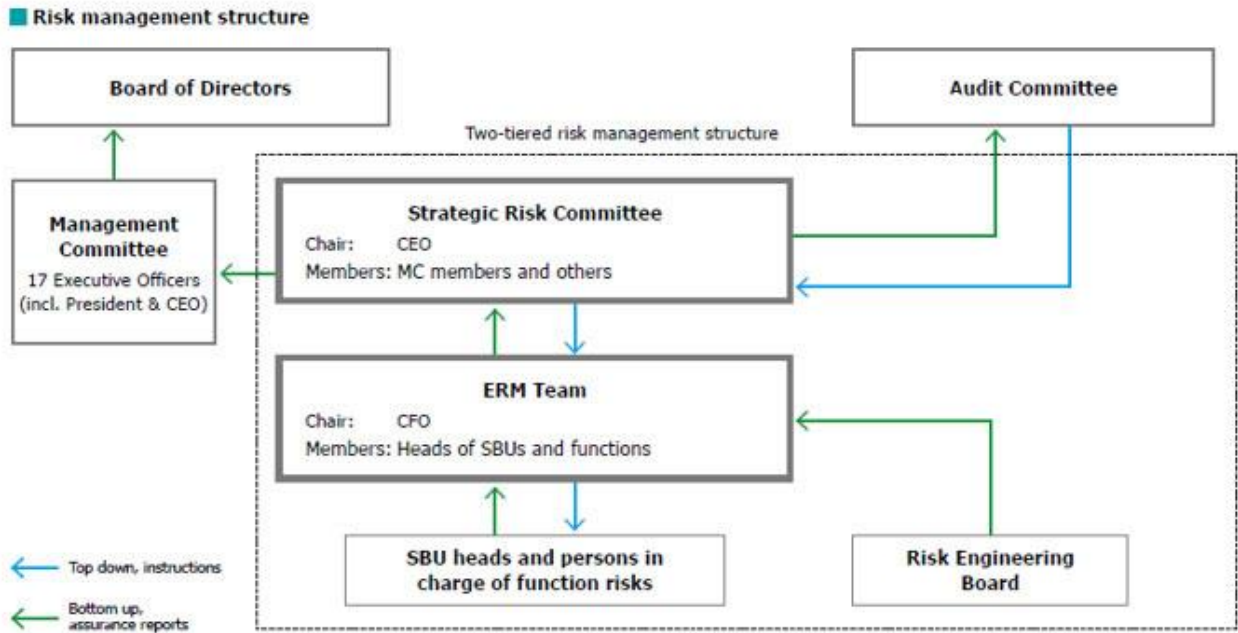
## Basic Policy

Consistent with the "Our Vision" management principles, NSG Group aims to enhance corporate value by way of sustained growth in line with MTP Phase 2. That said, the business environment enveloping the Group is becoming increasingly complex and showing signs of a dynamic transformation. We see risks in the uncertainties that stem from internal and external factors and affect the Group's ability to achieve its business targets. We therefore position risk management, which is tasked with identifying, assessing, and properly managing major risks, as an important part of our management foundation in order to minimize the negative effects and maximize positive results. And by systematically and methodically implementing appropriate risk management across the entire Group, we can not only achieve our business targets, but also reliably execute business strategies.

NSG Group's risk management is carried out in accordance with our Basic Policy on Internal Control Systems, which was resolved by the Board of Directors pursuant to the provisions of the Companies Act. Specific measures for addressing risks that arise in connection with our corporate activities are prescribed in our NSG Group Risk Management Policy and are consistent with ISO 31000 (principles and guidelines on risk management).

## Framework

NSG Group employs a two-tiered risk management framework comprising the Strategic Risk Committee (SRC) and the Enterprise Risk Management (ERM) Team, both of which are under the supervision of the Management Committee.



The SRC's members are mostly executive officers, while the CEO serves as Chairman. One of the executive officers is appointed Chief Risk Officer (CRO).

The SRC determines the companywide risk management framework, based on which it classifies high-level risks thought to have a serious impact on the Group and risks that ought to be managed by SBUs or Group functions. It then monitors how those risks are being addressed and requests that measures be taken if required. For high-level risks, the SRC appoints "risk owners" to manage the collection of risk information and the progress of countermeasures.

The CRO presides over all SRC meetings and as representative of the committee, periodically reports to and receives feedback from the Management Committee and the Audit Committee mainly regarding the effectiveness of the Group's basic internal control system and risk management structure. In FY2020, the SRC convened three meetings and reported once each to the Management Committee and the Audit Committee.

The ERM Team is chaired by the CFO and its members comprise SBU general managers and heads of functions such as accounting, finance, and human resources. Every year this team identifies, assesses, and prioritizes risks pertaining to business execution and endeavors to improve the effectiveness of risk management by formulating necessary measures to mitigate risks. The ERM Team periodically, or whenever requested, reports on its activities to the SRC.

The Internal Audit Department's role is to provide assurance from an independent standpoint regarding companywide efficiency of risk management.

As for the sharing of risks, we established the NSG Group Insurance Policy. We identify risks such as losses caused by natural disasters. Every year under the supervision of the SRC, we implement, or review, the Group's comprehensive insurance coverage under our global insurance program.

### Major Risks for NSG Group

The SRC identified, assessed, and listed in order of priority the following risks from among the major risks it monitored in FY2020. Risk owners for each type of risk are appointed from among the executive officers to take responsibility for appropriately dealing with risks.

Risk
1. Business continuity risk
2. Non-performance of shipping contract by supplier
3. Cyber risk
4. Loss of competitiveness to key customers
5. Economic risk
6. Financial risk
7. Labor/talent shortage
8. Compliance risk
9. Ascertaining and responding to technological innovation
10. Business strategy risk
11. Product quality risk
12. Risk pertaining to new or amended laws and regulations
13. Intellectual property risk
14. Organizational culture capable of swiftly responding to changes

### Business Continuity Risk

In preparation for the occurrence of a serious accident or large-scale disaster and as part of its business continuity management, NSG Group has organized teams and formulated plans at each business site so serious incidents can be managed in accordance with NSG Group Business Continuity Policy and Serious Accident Management Guidelines. Since 2013, we have prioritized our main business sites in drafting and rehearsing comprehensive business continuity plans.