

Risk Management

To avert business continuity crises and prepare for unforeseen circumstances, the Sanyo Chemical Group has established internal regulations to cope with each possible risk. We conduct risk management by raising the risk awareness of employees by providing training and holding drills.

In May 2025, we formulated the following basic policy on risk management.

Basic policy on risk management

The Sanyo Chemical Group aims to achieve its management goals by carrying out company-wide risk management activities to comprehensively and exhaustively ascertain, and respond appropriately to, internal and external risks that could affect its management strategies.

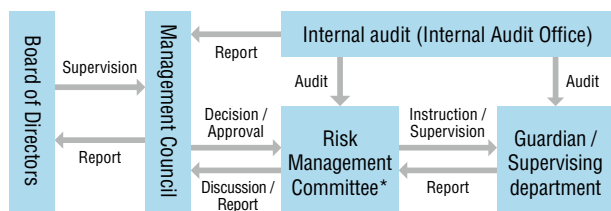
Risk management system

Risk Management Committee

As a meeting body linked to the Management Council, the Risk Management Committee comprehensively assesses company-wide risks, identifies significant risks, and decides on countermeasures. It also reviews the results of internal control verifications and monitors the whistleblowing status. The Committee members include those in charge of each function and section, who act as guardians to prevent risks in their respective areas of responsibility, ensuring that risks are appropriately addressed. Also positioned as the body that oversees the development, establishment, and operation of the internal control system, the Committee receives annual internal control evaluation results and instructs the relevant departments on countermeasures as necessary.

It reports the status of its initiatives to the Board of Directors at least once a year, and reports important agenda items to the Board of Directors each time after resolutions are made at the Management Council.

► Risk management structure



* In April 2025, the Compliance Committee, the Internal Control Committee, and the Export Administration Committee were merged and reorganized into the Risk Management Committee.

Internal Audit Office

The Internal Audit Office comprises an internal control section and an internal audit section, each of which operates independently.

Internal control section

The internal control section evaluates internal controls and reports to the Risk Management Committee, and, if necessary, proposes changes to the basic policy for the internal control system and provides guidance to the departments responsible for building the internal control system.

Regarding internal controls related to the Companies Act, the Board of Directors resolved and published a basic policy for the internal control system in 2006, in accordance with the Companies Act and its Enforcement Regulations, and has since reviewed it as necessary.

As for internal controls related to financial reporting, the internal control section evaluates company-wide internal controls, business processing controls from sales to financial reporting processes, and general IT controls. The results are compiled into an internal control report, which is reported to the Risk Management Committee and submitted to the Kanto Local Finance Bureau, along with an internal control audit report prepared by the accounting auditor. With regard to internal controls related to risks other than financial reporting, a series of documents, including procedure manuals for risk mitigation measures for anticipated risks and self-check sheets, are prepared and posted on the intranet for employees to view at any time.

Internal audit section

As an independent internal audit section, it comprehensively audits the operational status of each department within the company, including the important risks identified by the Risk Management Committee, and reports the results to the President and the full-time auditors as well as to the Management Council and the Board of Directors as necessary.

Risk-based audit

The Internal Audit Office creates an audit map based on the risks involved in business and operational execution, sets audit themes for each fiscal year with priorities taken into account, and conducts internal audits across the organization.

Business continuity plan (BCP)

The Group draws up and operates BCPs that prepare for response in the event of a massive earthquake or a pandemic. The BCP Secretariat takes the initiative in conducting a review every year to make the BCP further effective. We also continuously hold practical drills in each region.