

# Risk Management

We are promoting risk management under the supervision of the Chief Risk Management Officer (CRO) with the aim of contributing to the achievement of our management strategic goals through recognizing the various risks involved in the Nissan Chemical Group, preventing the occurrence of loss risk and minimizing the impact of their occurrence.

## Risk Management Basic Policy

1. We place top priority on the safety of the lives of officers and employees of the Nissan Chemical Group.
2. We consider risk management as an important management issue, and engage in the activities from a company-wide perspective.
3. All officers and employees of the Group shall be sufficiently aware of risk management, strive to improve their abilities, and endeavor to prevent the occurrence of loss risk.
4. We promptly share the information on risk throughout the Group.
5. We make efforts to respond promptly and accurately to the occurrence of loss risk and to minimize losses.

## System

The Risk Management & Compliance Office under the Corporate Planning Department has been established as a specialized organization to promote continuous improvement in all of our risk management activities.

In addition, the Risk Management & Compliance Committee, which is held twice a year, has been established as an organization to enhance the effectiveness of risk management, and to maintain and promote compliance. The committee is chaired by the Chief Risk Management Officer (CRO), who is appointed at the Board of Directors, and is composed of the Risk & Compliance Managers of each division/department, plant/laboratory, and domestic consolidated subsidiary appointed by the CRO.

The Risk & Compliance Managers periodically conduct risk identification and assessment, formulate countermeasure plans, conduct self-assessment for status of implementation of the countermeasure plan and subject, formulate improvement plan, and regularly perform education and training at each division/

department, plant/laboratory and domestic consolidated subsidiary.

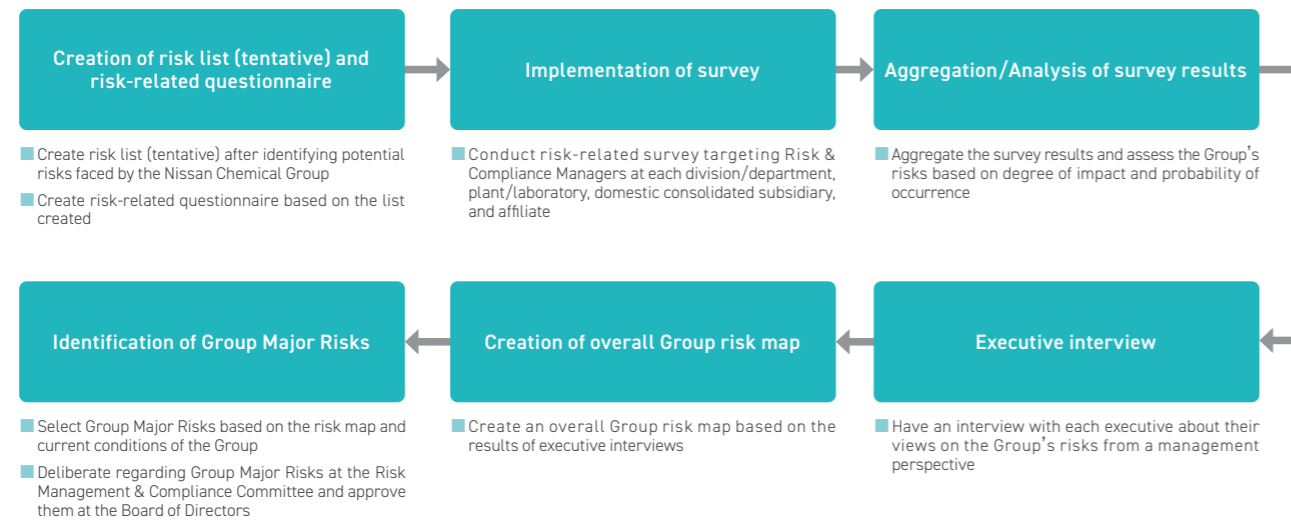
The important matters related to risk management and countermeasure plans, etc. are approved at the Board of Directors after discussion at the committee.

## Overall Risk Assessment Process

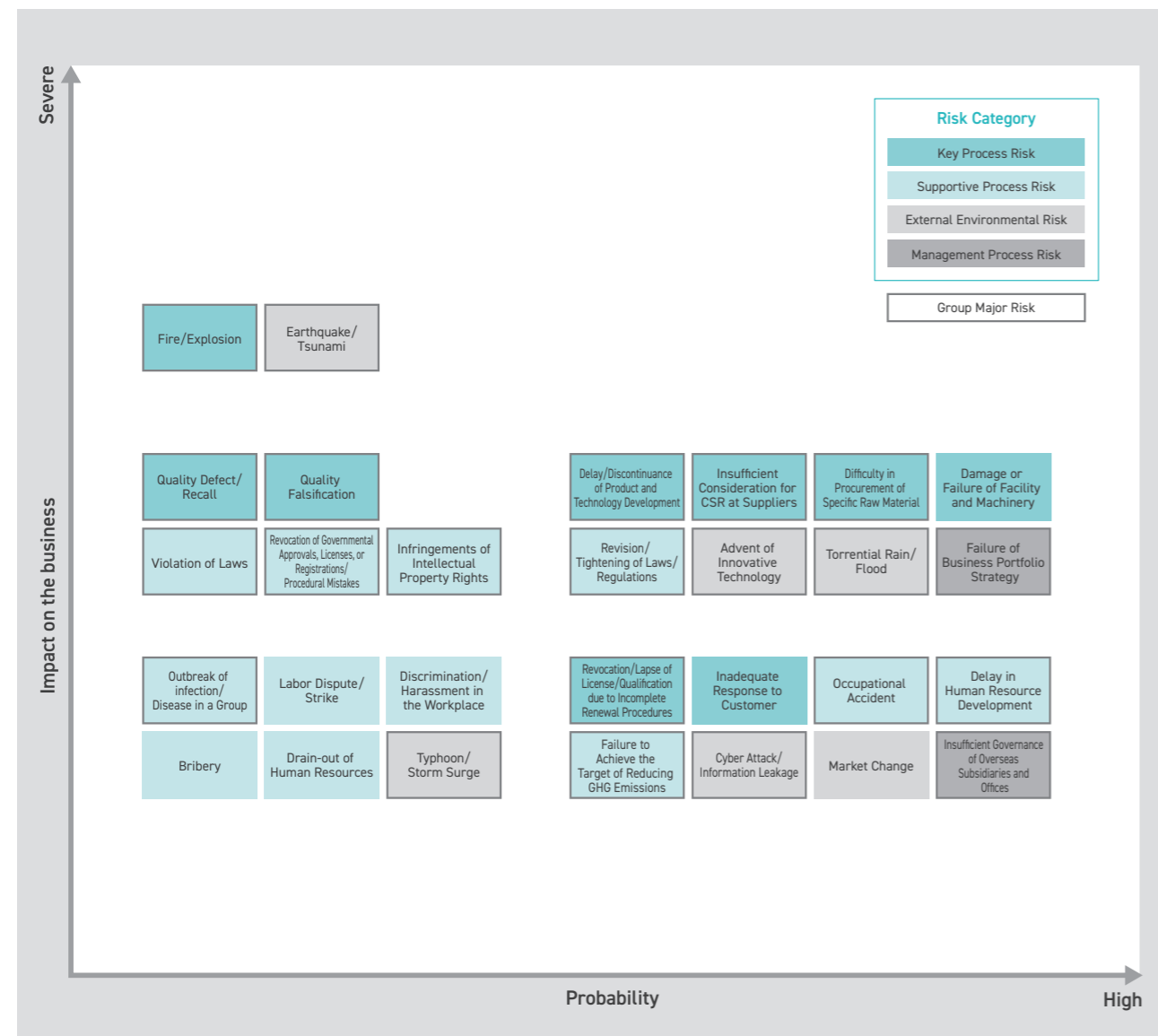
We clarified risks taking into account the business characteristics of each division and the surrounding businesses, including global political, economic and social conditions. Subsequently, risk assessment was conducted from the viewpoint of probability and impact on the business. By following the assessment, a risk map was created and Group Major Risks were identified. The contents of major risks were deliberated at the Risk Management & Compliance committee and approved at the Board of Directors.



## Overall Risk Assessment Process



## Risk Map



## Group Major Risks and Countermeasures

Group Major Risk	Summary of Risk	Countermeasures against Risk
Delay/Discontinuance of Product and Technology Development Advent of Innovative Technology	Risk of the failure of payback of invested capital to R&D Risk of losing competitive power of our products	Expanding/reviewing existing businesses and products evaluating periodically the degree of achievements of strategies established in the mid-term business plan for new businesses and products, and making correction
Failure of Business Portfolio Strategy	Risk of decline in business performance due to the failure of the business portfolio strategy	Taking countermeasures to stabilize procurements based on the nature of the businesses
Difficulty in Procurement of Specific Raw Material	Risk of being unable to supply the product to customer due to the discontinuance of specific raw material	Establishing and operating a safety and disaster prevention management system
Fire/Explosion	Risk of suspension of business activities and the death or injury of many employees, and being sued by neighborhood resident for the damage by fire/explosion at plant	Preventing troubles/misconducts about quality through thorough governance
Quality Defect/Recall Quality Falsification	Risk of reimbursement for large expenses by customers and discontinuance of transactions when a product liability-related accident or examination data fraudulent occurs involving a product containing materials provided by our company	Making continuous improvements of "IP verification process" to reduce the risk of infringing on other companies' patents, and promoting education with and prevailing the process
Infringements of Intellectual Property Rights	Risk of being subjected to a large amount of damages and product injunction claims from other company due to infringement on other company's patent	Establishing and promoting an occupational safety management system
Occupational Accident	Risk of being subjected to a damage claim due to serious accidental deaths and injuries involving employees	Optimizing the operation of managements of legal regulations and enhancing education to improve all employees' mind and knowledge
Violation of Laws Revision/Tightening of Laws/Regulations Revocation of Governmental Approvals, Licenses, or Registrations/Procedural Mistakes Revocation/Lapse of License/Qualification due to Incomplete Renewal Procedures	Risk of administrative disposition or sanction, such as suspension of business or payment of surcharges, due to violation of laws or regulations, and, along with this, risk of unwilling discontinuance of sales of product, or unwilling change in business or capital investment plan	Reviewing and strengthening countermeasures to enable early recovery/business continuity
Torrential Rain/Flood Earthquake/Tsunami Typhoon/Storm Surge	Risk of damage of facilities, death or injury of many employees, and suspension of business activities due to a massive earthquake or a large typhoon	Considering and promoting countermeasures from the prospective of "prevention", "damage minimization" and "education"
Cyber Attack/Information Leakage	Risk of shut-down of operations for a long period of time, and losing credibility of customer and society because of leak of customer's or the Company's confidential information by cyber attack	Establishing rules and systems to strengthen governance of the corporate group
Insufficient Governance of Overseas Subsidiaries and Offices	Risk of losing credibility due to detection of fraud at overseas subsidiary and office caused by inadequate control	Making CSR evaluations of and feedbacks to suppliers and supporting their improvements
Insufficient Consideration for CSR at Suppliers	Risk of deterioration of reputation and decline in business performance due to environmental destruction and violations of social ethics by suppliers where we procure raw materials	Establishing a company-wide organization, promoting initiatives and managing the progress
Failure to Achieve the Target of Reducing GHG Emissions	Risk of deterioration of reputation from our stakeholders due to delay in efforts to reduce GHG emissions	Enhancing programs to strengthen recruiting and education for realizing the ideal organizational state/human resource image
Delay in Human Resource Development (Cultivation of Diverse Human Resources)	Risk of personnel shortage which occurs in each division due to delay in the human resource development	Continuously promoting countermeasures to prevent being infected and the spread of the infection
Outbreak of infection/Disease in a Group	Risk of being affected to the business continuity due to a large number of employees contracting the disease and their inability to work	

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 Web: [https://www.nissanchem.co.jp/eng/csr\\_info/risk\\_management/policy.html](https://www.nissanchem.co.jp/eng/csr_info/risk_management/policy.html)