

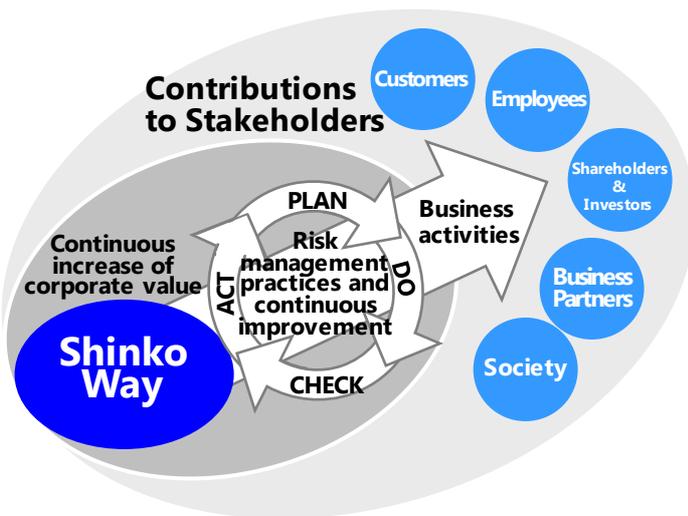
# Risk Management

The Shinko Group’s goal is to enhance corporate value by means of our business operations and, in doing so, make contributions to all our stakeholders, including customers and local communities. We believe that one of the most important issues facing management is to properly understand risks that could influence our ability to achieve this goal, take preventive measures against them, minimize their impact when they occur and prevent recurrence. Accordingly, we are building risk management systems for the entire Group, grounded in the Shinko Way, and will run the systems and continually improve them.

## Promoting Risk Management

We established a Risk Management Committee to promote risk management in every division and company of the Shinko Group. The company-wide risk manager is appointed as chairman of this committee and assumes all responsibility and authority for risk management throughout the Shinko Group, while each division is assigned its own division risk manager. Working as one—from the twin angles of preventing the occurrence of potential risk and dealing with risks that have arisen—we are building a system to encourage risk management.

### Our Concept of Risk Management



### Risk Management System Chart



### ◆ Risk Assessment throughout Business Operations

To properly understand and deal with the risks that affect the Shinko Group, a survey of potential risks is conducted annually. The potential risk survey identifies, analyzes, and assesses the risks that could occur within each division and group company. Then we seek countermeasures to avoid or mitigate their influence, while enabling a prompt response if risks arise.

### Risk of Business, etc.\*

1. Abnormal fluctuations in financial position, operating results or cash flows
2. Dependence on specific business partners, products or technologies, etc.
3. Occurrence of unique legal restrictions, trade practices or important cases of litigation
4. Disasters such as earthquakes, occurrence of accidents, or infectious diseases such as new strains of influenza
5. Leaks of confidential or personal information

\* The items listed in risk of business, etc., do not include all risks faced by the Shinko Group.

## Business Continuity Initiatives

In times of unexpected disaster or serious accident, the Shinko Group makes protecting the lives of employees, employees' families, and people in the surrounding area and preventing secondary disasters its highest priorities. While bearing in mind contributions to the public good, the Shinko Group will take the actions necessary to preserve the continuity of customers' important businesses.

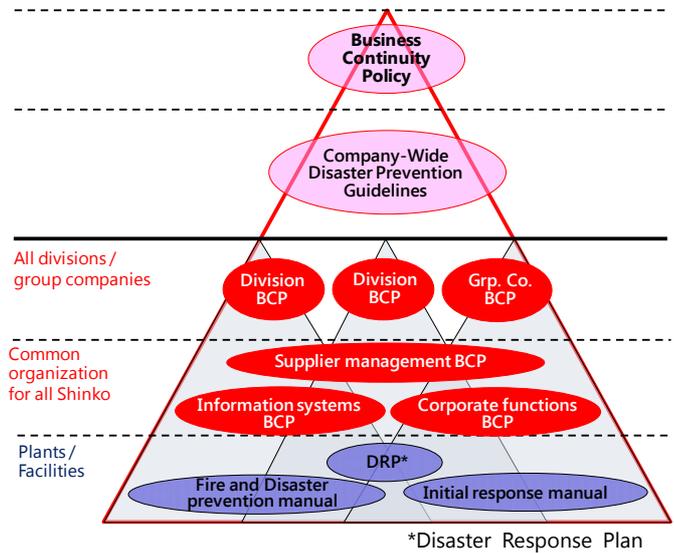
### ◆ Business Continuity Management (BCM)

To promote business continuity management (BCM), the Shinko Group has established the Shinko Group Business Continuity Policy as the basic policy for the Shinko Group. Based on Shinko-Wide Disaster Prevention Guidelines, each division has drawn up a business continuity plan (BCP) to determine the initial response necessary to restart and continue, within the required time, operations that are important to the organization even after unexpected situations have occurred, and to provide necessary proactive measures and training.

Furthermore, in FY2017 we carried out mock disaster exercises, based on the scenario of a large earthquake with a maximum intensity of 6 on the Japanese scale of 0–7, to division risk managers and plant managers. We also conducted disaster response plan-based simulation exercises for the in-house fire brigade organizations at each plant to increase the effectiveness of the disaster response plan (DRP).

Going forward, we will continuously take actions, such as implementation of the countermeasures, education, training, assessments, improvements, and review by the management, for the BCP to be practical in each workplace.

### Promotion System for BCM



DRP-based simulation exercise

## Shinko Group Business Continuity Policy

### ■ Basic philosophy

The Shinko Group works continually on initiatives to improve its ability to respond to and recover from any kind of risk, so that even in the event of unexpected natural disasters or serious accidents we can continue important operations, execute our social responsibility as a company, and achieve a stable supply of high-performance, high-quality products and services to meet customer demand.

### Guiding principles (normal conditions)

- Each division decides which important operations should continue even after unexpected events as well as a recovery time objective, and systematically puts in place measures to achieve this.
- Procedure manuals are created for recovery and continuation of business in case of an unexpected event, and systematic training is carried out.
- Changes in the business environment and the outcomes of training are reviewed at regular intervals, and based on the results the countermeasure plan and recovery procedure manuals are revised and improved.

### Guiding principles (in unforeseen circumstances)

- Protecting the lives of employees, employees' families and people in the surrounding area and preventing secondary disasters are made the highest priorities.
- While bearing in mind contributions to the public good, we will take the actions necessary to preserve the continuity of customers' important businesses.
- We will establish emergency communications with stakeholders as quickly as possible and work to provide appropriate information.

## Company-Wide Disaster Prevention

Shinko has drawn up Company-Wide Disaster Prevention Guidelines that determine the basic thinking for a company-wide disaster prevention system in preparation for an unforeseen large-scale disaster. Based on the guidelines, each plant has drawn up a plant fire and disaster prevention manual and a disaster response plan that take into account the special characteristics of the location and the facility, and we are moving ahead to build a system that enables effective action during the initial stages of a disaster.

### ◆ Initiatives to Strengthen the Disaster Prevention System and Response Capability

To prevent accidents and minimize damage to human life and property in the event of a disaster, the fire and disaster prevention manuals, disaster response plans, disaster prevention organization operations, and maintenance conditions of disaster prevention supplies and facilities at each of Shinko's plants are inspected as part of a disaster prevention self-inspection according to a prescribed checklist of items.

We have also reviewed and strengthened our disaster prevention stockpiles. In FY2017, we installed an antenna for satellite phones and introduced IP radios as measures to enhance the means of communication in an emergency. Furthermore, we improved our safety confirmation system and drilled all employees on its use in conjunction with disaster prevention drills, to quickly and assuredly confirm the safety of employees.

### ◆ Implementation of Company-Wide Disaster Prevention Drills

In addition to the disaster-prevention drills conducted simultaneously at all plants, each year we run simulations and drills that assume a variety of disasters and accidents (explosions, leaks, etc.) and also conduct regular training for the in-house fire brigade, and education to verify the efficacy of the disaster prevention system and strengthen our response capability.

We also conduct disaster prevention drills every year at each production site outside Japan in an effort to strengthen our response capability, so that every employee can quickly take precise initial responses in an emergency.

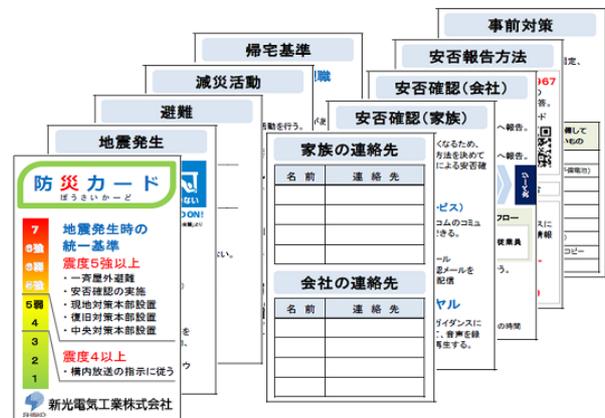


Disaster prevention drill at SHINKO ELECTRONICS (MALAYSIA) SDN. BHD.

## Topic

### ◆ Production of Disaster Prevention Cards

In FY2017, we produced and distributed to all employees Disaster Prevention Cards to ensure that every employee can act calmly and secure his or her safety during a disaster. The cards contain important disaster-prevention information such as rules of conduct immediately following the occurrence of a disaster and how to report safety, as well as a list for checking preparations on a routine basis. Employees always carry the cards, which are also designed for talking with their families about what to do in a disaster or other emergency.



## Information Security

Due to advances in ICT, in recent years there is a growing risk of leaks of personal information and confidential information, and it is the duty of companies to implement thorough information security measures.

At the Shinko Group, we regard the appropriate handling of many types of business information as fundamental to our corporate activity. In FY2017, we established an Information Security Policy as a company-wide policy based on the Shinko Way. We also developed related regulations including the Information Management Regulations and are working to ensure and improve information security.

### Information Security Policy

#### 1. Purpose

With deep recognition that information is the foundation for conducting business and of the risks in handling information, the Shinko Group addresses information security with the following purposes, to achieve its corporate values of “seeking to be a valued and trusted partner for our customers, and building mutually beneficial relationships with our business partners,” as expressed in the Shinko Way, and to ensure the “confidentiality” stipulated in our Code of Conduct as an important aspect of our social responsibility.

- (1) The Shinko Group will appropriately handle information received from individuals and organizations in its customers and business partners in the course of its business and will protect the rights and interests of those individuals and organizations.
- (2) The Shinko Group will appropriately handle trade secrets, technical information, and other valuable information in the course of its business and will protect the rights and interests of the Shinko Group.
- (3) The Shinko Group will appropriately manage information in the course of its business and will maintain its social function by providing a timely and stable supply of products and services.

#### 2. Principles of Initiatives

The Shinko Group will take the items below as the principles of its initiatives for information security.

- (1) The purpose of our information security will be to maintain the confidentiality, integrity, and availability of information handled, and we will devise information security measures to achieve this purpose.
- (2) We will clarify systems and responsibility, to implement information security measures appropriately and reliably.
- (3) To maintain our information security measures, we will develop processes at each stage in the cycle of planning, implementation, evaluation, and improvement to maintain and raise the level of our information security.
- (4) To implement information security measures appropriately and reliably, we will provide officers and employees with awareness building and training on information security to impress its importance and make sure that people take action.
- (5) To implement information security measures appropriately, we will consider the risks involved in handling information and the investments required for countermeasures.

#### 3. The Shinko Group’s Measures

To implement information security measures reliably based on the above purposes and principles of initiatives, the Shinko Group will develop and implement pertinent regulations.

### Information Security-Related Regulations System



## ◆ Handling of Many Types of Information

### ■ Handling Internal Information

During the execution of its business, a variety of confidential information routinely flows through and is stored within the Shinko Group. This information is given appropriate handling in accordance with prescribed rules and procedures on accessing, using, and disclosing it externally.

### ■ Handling of Customer and Third-party Information

With regard to the confidential information obtained from third parties such as customers and suppliers, the Shinko Group fulfills its duty of confidentiality by respecting the conditions prescribed in its contracts with such third parties pertaining to the use of the information, how it is managed and the period of retention.

### ■ Handling of Personal Information

The Shinko Group appropriately manages and uses the personal information that it gathers and accumulates during the course of its business in accordance with the relevant laws and regulations of each country.

## ◆ Information Security Education

To prevent information leaks, we believe it is important for every employee to be fully aware that neglecting information security rules is a risk that could lead to serious security incidents. We therefore see to it that the rules are followed without exception and work to increase awareness of security. As part of our measures to raise employee awareness, we provide information security training through rank-specific training, e-Learning, and workplace training. In FY2017, we provided information management training to all employees of the Shinko Group in Japan (about 4,300 people) and achieved a 100% completion rate.

Going forward, we will continually implement education and instruction to encourage behavior that is routinely and strongly aware of the need for information security and to raise awareness among employees.