

Governance

Risk Management

Governance

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Governance

The NYK Group is working to further improve the effectiveness of its risk management system on both the execution side and the supervisory side. In addition to the ongoing risk management activities of the execution side, the Board of Directors has made risk management discussions an integral part of its agenda since FY2024. In conjunction with the transition to a company with an audit & supervisory committee in June 2023, the Group reexamined the state of risk management on both sides to look for ways to reshape the system to better address the growing uncertainties of the external environment and the changing needs of society. Under the current system, the Board of Directors focuses mainly on discussion of medium- and long-term risk management, and the execution side discusses short-term risks and handles the operational aspects of overall risk management, taking into consideration the opinions and insights provided by the Board of Directors.

Risk Management on the Execution Side

In accordance with its risk management policy and rules, the Group convenes twice yearly meetings of the Risk Management Committee, once in each half of the fiscal year. The outcome of the Risk Management Committee is reported to the Internal Control Committee and the Board of Directors. The Risk Management Committee is chaired by the president and consists of the chief executives. It strives to mitigate the risks of the Group as a whole by identifying major risks through the qualitative and quantitative assessments that each business division makes based on its thorough understanding of the nature of its operations, and by appointing for each critical risk a headquarters responsible for leading the countermeasures against that risk.

The committee meeting in the first half of the fiscal year focuses on monitoring of progress in risk management, and the meeting in the second half is used to prepare for the next fiscal year by identifying major risks that could significantly affect the Group's management and by designating as critical risks the ones that could seriously impact the Group's business continuity.

■ Risk Management Activities on the Execution Side

	First Half of Fiscal Year	Second Half of Fiscal Year
Secretariat	<ul style="list-style-type: none">• Sharing of information on risk trends• Confirmation of individual cases and emerging risks that should be reported to the Committee• Interviews with field employees with reference to the above	<ul style="list-style-type: none">• Sharing of information on risk trends• Confirmation of results of third-party validity assessment of risk responses• Interviews with field employees with reference to the above
Risk Management Committee	<ul style="list-style-type: none">• Monitoring of progress in risk management• Confirmation of presence of emerging risks and risks requiring Company-wide response	<ul style="list-style-type: none">• Report on progress in risk management during the fiscal year• Designation of critical risks & major risks for the next fiscal year
Secretariat	<ul style="list-style-type: none">• Feedback to field employees	<ul style="list-style-type: none">• Feedback to field employees

For more information, click on the link below

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Risk Management by the Board of Directors

The Board of Directors selects the topics for its risk management discussions according to three perspectives: supervision, approaches, and strategy. The discussion agenda and outputs are clearly defined for the topics of each perspective. The Board brings

in the insights of outside directors, takes a deep dive into the risks of specific regions, recognizes risks based on changes in the external environment, and utilizes top-down approaches. By combining these with the execution side's different, bottom-up approach, the NYK Group seeks to create a dual-perspective model of risk management.

■ Three perspectives used for Board of Directors discussions of risk management

	Examples of discussion topics
Supervision	Supervision of risk management operations by the execution side Validation of critical risks & major risks
Approaches	Development and redesign of risk management approaches (organizational structure, processes, and tools) on the execution side or in corporate governance as a whole Review of risk management approaches
Strategy	Incorporating into management strategy proper risk awareness that is based on an all-encompassing, medium-/long-term perspective and is mindful of changes in the external environment Policy for responding to geopolitical risks

Critical Risks and Major Risks

Each year, the Risk Management Committee identifies the critical risks among the major risks as risks that could have a significant impact on the continuity of the Group's businesses.

 For more information, please see below.
<https://www.nyk.com/english/ir/manage/risk/>

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Information Security

The NYK Group continuously reinforces multilayered defenses in readiness for cyberattacks, which are becoming more sophisticated and diverse. However, given that the perfect defense is infeasible, the Group is also developing countermeasures focused on cyber resilience, thereby enabling rapid recovery from damages. Moreover, the Group is putting in place “zero trust” countermeasures, which are not reliant upon the boundary defenses of the networks used when introducing cloud computing or telecommuting.

Specifically, the Group will introduce security functions such as a multi-factor authentication (MFA) system and an endpoint detection and response (EDR) system to the entire Group, while introducing cloud systems to reduce risks caused by malfunctions or disasters as well as a global security operation center (GSOC) to monitor IT equipment on land and at sea worldwide around the clock 365 days of the year. These systems are designed to minimize damages by rapidly detecting and countering hacks.

Further, in regions worldwide the Group has established computer security incident response teams (CSIRTs) that coordinate with each other globally. By promptly sharing and managing information not only with IT departments but also with other departments when an incident occurs, the teams underpin a system that enables the members of senior management to make decisions appropriately. On the governance front, the Group regularly updates its information security regulations to respond to new technologies such as AI and works to ensure security by sharing said regulations throughout the Group.

All of these initiatives rest upon the foundation of Group employees' security literacy. To increase this literacy generally, for Group companies in Japan and overseas, we are regularly

conducting (1) e-learning using an education platform, (2) cyberattack countermeasure drills, and (3) global security assessments.

Emergency Response

To fulfill its social role in supporting the supply chain, even in the event of a natural disaster (earthquake, flood, infectious disease, volcanic eruption of Mount Fuji etc.), the NYK Group has established a business continuity plan, or BCP.

In response to diversifying work styles in the wake of the novel coronavirus pandemic, we are building a system that enables employees to work from remote environments through the provision of IT equipment and other measures. We have also developed and distributed our own cell phone application for disaster preparedness to facilitate communication and speed up initial response in the event of an emergency, and have put in place systems and mechanisms to ensure a certain level of business continuity.

Since the establishment of the BCP document in 2006, we have been improving and expanding the content of the document every year, and will continue to improve the effectiveness of the BCP by regularly checking and revising its content, etc. We will also continue to conduct employee-participation drills and BCP lectures at training sessions for new employees in preparation for emergencies to ensure that all employees have a common understanding of the BCP and are able to implement a highly effective BCP.

● Continuing Serious Emergency Response Drills

NYK conducts serious accident response drills on vessels every year. The type and size of vessel, accidents, and troubles are changed during each drill so that we can take appropriate action in the event

of an actual accident. The drills are conducted with the cooperation of various stakeholders, including government agencies and customers, and include practical measures such as setting up a crisis management headquarters after an accident, notifying relevant parties, rescuing injured persons, and disclosing information through press releases as the situation develops. Through the drills, we reaffirm the importance of prompt and accurate information disclosure to society.