## (3) Operational risk

<table>
<thead>
<tr>
<th>Risk factors</th>
<th>Description of risk/opportunity</th>
<th>Impacts when risk occurs</th>
<th>Group's measures</th>
</tr>
</thead>
</table>
| 1) Occurrence of incidents [Priority risk] | - Occurrence of industrial accident, fire, vehicle or product accidents | - Compensation for losses caused by accidents or fire to products or the affected people, and payment of damage compensation to the affected people  
- Decrease in revenues and profit due to decline in customer and social trust | - Enhance disaster prevention/mitigation capabilities by providing education and trainings and installing equipment and systems  
- Maintain proper insurance for assets in custody (inventory)  
- Strengthen communications with employees  
- Actively use disaster prevention technology  
- Develop and implement a facility maintenance plan  
- Establish an initial response and reporting system in case of an accident, and conduct drills  
- Share lessons, insights, and good examples within the Company  
- Create safety workplaces by introducing technology (SSCV, etc.) | |
| 2) Compliance violations (violation of the labor law, bribery, infringement on human rights, etc.) [Priority risk] | - Violation of overtime regulations, etc.  
- Disagreement with the authority on the interpretation of equal pay for equal work  
- Violations of laws and regulations such as bribery and competition law  
- Deviation from social norms  
- Information leakage  
- Infringement on human rights including harassments, child labor, and low wage labor  
- Infringement on intellectual property rights | - Impairment of corporate value due to decline in social trust  
- Decrease in revenues and profit due to decline in customer and social trust | - Establish the HTS Group Code of Conduct and educate all employees  
- Introduce a whistle-blowing system  
- Conduct investigation and education by legal divisions in each region  
- Establish a structure to manage an attendance management system  
- Clarify wage calculation method  
- Establish a specialized IP division and educate all employees | |
- Deterioration in service quality and delays in delivery, etc. | - Decrease in revenues and profit due to decline in customer and social trust  
- Compensation for losses such as reimbursement due to the incidents | - Manage KPIs by quality control divisions  
- Quality control through process management  
- Conduct monitoring based on the internal control system, perform audit, and enhance support | |
| 4) System failure [Priority risk] | - Significant delay in work or suspension of operations due to power outage or system failure caused by natural disasters  
- Significant delay in work or suspension of operations due to system failure at external service providers  
- Delay in operations due to deterioration of system response | - Compensation or penalty for customers' opportunity loss due to delay in work  
- Impairment of corporate value due to decline in social trust  
- Decrease in revenues and profit due to decline in customer and social trust  
- Expenses related to recovery or renovation | - Introduce redundant system  
- Prepare alternative means in case of failure  
- Strengthen backup measures for system recovery and conduct off-site training  
- Implement measures for each service used and BCP | |