

(1) Growth risk

Risk factors	Description of risk/opportunity	Impacts when risk occurs	Group's measures
<p>1)Concentration/dependence on specific customers [Priority risk]</p>	<p><Risk></p> <ul style="list-style-type: none"> •Impact on business results and continued employment by losing projects •Impact on the HTS Group business of customers' performance fluctuations and business reorganizations •Impact on the HTS Group business due to the changes in customers' business environment including drastic changes in the industrial structure and increasing supply chain vulnerability <p><Opportunity></p> <ul style="list-style-type: none"> •Efficient business expansion and able to take advantage of scale 	<ul style="list-style-type: none"> •Sharp drop of revenues and profit due to poor performance or bankruptcy of customers and a significant increase in liabilities due to uncollectible accounts receivable •Downsizing of the business base 	<ul style="list-style-type: none"> •Account management through enhanced collaboration among group companies and divisions •Monitor customers' business condition •Monitor the movements of peer companies •Establish and monitor credit limit •Perform periodic review of customer dependency •Allocate management resources to non-core businesses •Develop/provide services beyond conventional logistics domain
<p>2)Changes in a business model (technological innovation, etc.) [Priority risk]</p>	<p><Risk></p> <ul style="list-style-type: none"> •Obsolescence of existing services and business models due to rapid development of IT and other digital technologies •Obsolescence of existing technologies due to failure to promptly deal with digitalization and introduce new technologies <p><Opportunity></p> <ul style="list-style-type: none"> •Acquisition of growth opportunities through the development of revolutionary technology 	<ul style="list-style-type: none"> •Loss of competitive advantages in the logistics industry •Decrease in competitiveness due to delayed response to digitalization 	<ul style="list-style-type: none"> •Develop new services and unique business models through collaborative innovation with business partners •Collect information on new business models including new technologies and different industries as well as benchmark other companies •Promote cooperation among industry, government, and academia as well as open innovation •Reinforce human resources with IT/digital skills
<p>3)Securing human resources [Priority risk]</p>	<p><Risk></p> <ul style="list-style-type: none"> •Labor shortage due to tighter regulation on drivers' overtime work by the Work Style Reform Act •Difficulty in securing excellent human resources due to aging population combined with a declining birth rate and intensifying competition in the labor market •Loss of momentum for promotion of diversity management which enables diverse employees to participate in the workplace <p><Opportunity></p> <ul style="list-style-type: none"> •Acquisition of new know-how and creation of new businesses 	<ul style="list-style-type: none"> •Stagnation of the business •Decrease in market competitiveness •Slowdown in corporate growth 	<ul style="list-style-type: none"> •Expand network of partner companies and secure workforce by enhancing recruitment of in-house drivers (increase personal vehicles) including reviewing drivers' benefit •Visualize human resource skills using the HR management system and make full use of skills •Secure human resources with site management, global, digital, and business management capabilities according to the business strategy (Enhance recruiting and establish a compensation system) •Enhance in-house training programs to foster and educate human resources •Perform human resource retention control (Create a pleasant working environment)
<p>4)Decrease in new orders received and failure to acquire orders in existing projects [Priority risk]</p>	<p>Decrease in new orders received</p> <p><Risk></p> <ul style="list-style-type: none"> •Difficulty in acquiring new orders due to intensifying competition and market shrinkage •Failure to launch a new project <p><Opportunity></p>	<ul style="list-style-type: none"> •Decrease in market competitiveness •Growth slowdown due to a decline in customer trust •Decline in profit margin due to unprofitable businesses 	<ul style="list-style-type: none"> •Enhance monitoring through wider use of the phase-gate process management •Visualize and share information on orders received and not received •Set priority targets for new customers

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	<ul style="list-style-type: none"> • Business expansion with new orders, and acquisition of new know-how 		<ul style="list-style-type: none"> • Strengthen contact with new customers
	<ul style="list-style-type: none"> • Failure to acquire orders in existing projects <Risk> • Failure to acquire orders in existing projects due to a bidding system, etc. • Business plan mistakes 		<ul style="list-style-type: none"> • Visualize and share customers' risk information • Understand trend, analyze potential impact on businesses, and develop/implement responsive plans • Strengthen communications with existing customers
5)Promotion of M&As (including capital and business alliance)	<ul style="list-style-type: none"> <Risk> • Drop in performance of the acquiree, investee or alliance partner • Fall of governance in the acquiree <Opportunity> • Establishment of growth platforms through acquisition of new management resources and creation/expansion of an ecosystem 	<ul style="list-style-type: none"> • Decrease in earnings and recognition of impairment loss • Loss of customers due to scandals or violation of rules (Reference) <ul style="list-style-type: none"> • Goodwill in FY2021: 25.9 billion yen • Customer-related intangible assets in FY2021:12.1 billion yen 	<ul style="list-style-type: none"> • Strengthen due diligence before M&A or alliance • Develop and implement a PMI plan by the head office and relevant business divisions
6)Concentration of assets in specific areas	<ul style="list-style-type: none"> <Risk> • Changes in economic conditions/environment in the specific regions <Opportunity> • Achievement of economies of scale 	<ul style="list-style-type: none"> • Suffering severer damage when a risk emerges • Impact on business continuity 	<ul style="list-style-type: none"> • Diversify investment in assets • Implement phase-gate process management according to the investment decision criteria • Recognize hazards in the investment area and make decision from a geopolitical perspective
7)Promotion of investments in own assets	<ul style="list-style-type: none"> <Risk> • Decline in asset values <Opportunity> • Increase in asset values, business expansion, and accumulation of know-how 	<ul style="list-style-type: none"> • Loss on sale of assets due to a decline in asset values 	<ul style="list-style-type: none"> • Asset management through periodic appraisal of warehouses and facilities • Liquidation of facilities