

(3) Operational risk

Risk factors	Description of risk/opportunity	Impacts when risk occurs	Group's measures
1) Occurrence of incidents [Priority risk]	<p><Risk></p> <ul style="list-style-type: none"> • Occurrence of industrial accident, fire, vehicle or product accidents 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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]	<p><Risk></p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Impairment of corporate value due to decline in social trust • Decrease in revenues and profit due to decline in customer and social trust 	<ul style="list-style-type: none"> • 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
3) Deterioration in service quality [Priority risk]	<p><Risk></p> <ul style="list-style-type: none"> • Loss of customer trust • Deterioration in service quality and delays in delivery, etc. 	<ul style="list-style-type: none"> • Decrease in revenues and profit due to decline in customer and social trust • Compensation for losses such as reimbursement due to the incidents 	<ul style="list-style-type: none"> • 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]	<p><Risk></p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Introduce redundant system • Prepare alternative means in case of failure • Strengthen backup measures for system recovery and conduct on-site training • Implement measures for each service used and BCP