

(2) Environmental change risk

Risk factors	Description of risk/opportunity	Impacts when risk occurs	Group's measures
1) Sharp increase in cost [Priority risk]	<p><Risk></p> <ul style="list-style-type: none"> • Increase in procurement costs (fuel, car allocation expenses, labor costs, warehouse rent, and utility costs, etc.) <p><Opportunity></p> <ul style="list-style-type: none"> • Decrease in procurement costs 	<ul style="list-style-type: none"> • Deterioration in profitability due to failure to collect adequate fee corresponding to the increase in cost • Negative impact on business continuity due to shortage of human resources and vehicles, etc. <p>(Reference)</p> <p>Outsourcing costs/labor costs in FY2023</p> <ul style="list-style-type: none"> • Outsourcing costs: 384.3 billion yen • Labor costs: 191.9 billion yen 	<ul style="list-style-type: none"> • Promote streamlining of relay transport and joint delivery in addition to building close relationships with partner companies • Optimize fees and contract form based on the movements of peer companies • Efficient management by promoting digitalization, in-house manufacturing, and joint procurement • Reduce impact on business continuity by monitoring management of major partner companies • Curbing procurement costs by changing and consolidating suppliers, canceling unnecessary contracts, reviewing contract periods, and taking other measures, and appropriately passing on costs to customers
2) Sharp fluctuation of exchange rates [Priority risk]	<p><Risk></p> <ul style="list-style-type: none"> • Exchange loss • Negative impact of translation of business results of overseas subsidiaries into Japanese yen <p><Opportunity></p> <ul style="list-style-type: none"> • Exchange gain • Positive impact of translation of business results of overseas subsidiaries into Japanese yen 	<ul style="list-style-type: none"> • Decrease in profit due to exchange loss (items below EBIT in the income statement) • Decrease in revenues and profit due to negative impact of translation of business results of overseas subsidiaries into Japanese yen <p>(Reference)</p> <p>Ratio of global business in revenues and adjusted operating income in FY2023: Revenues: 45% Adjusted operating income: 43%</p>	<ul style="list-style-type: none"> • Concentrate exchange risks (centralize transactions such as forward exchange contracts and currency options in the head office) • Enter into hedge transactions including forward exchange contracts with financial institutions • Maintain a balance of foreign currencies and continue investment in time deposits
3) Climate change [Priority risk]	<p><Risk></p> <ul style="list-style-type: none"> • Impact on realization of sustainable society • Rise in greenhouse gas emissions price • Impact of extreme weather and natural disasters • Increase in the average temperature <p><Opportunity></p> <ul style="list-style-type: none"> • Use of more efficient transportation modes and production and distribution processes • Ability to diversify business activities • Alternative/diversified resources 	<ul style="list-style-type: none"> • Increase in tax burden related to climate change and cost increase due to tightening or introduction of regulations on greenhouse gas emissions • Stagnation of the logistics business due to intensifying extreme weather 	<ul style="list-style-type: none"> • Establish an environmental management system and promote relevant activities • Strengthen alliance with collaborative innovation partners to achieve the medium-to-long-term environmental targets (procurement of renewable energy, introduction of advanced eco-friendly vehicles, energy-saving buildings and facilities, and recycling) • Develop decarbonizing solutions (visualization of CO₂ emissions) and promote green logistics • Enhance risk management by purchasing appropriate insurance • Promote BCP measures (business continuity, quick recovery) • Confirmation of environmental burden reduction initiatives at phase gates, confirmation of the status of BCP measures • Improvement in the workplace environment such as with the introduction of air conditioning

Risk factors	Description of risk/opportunity	Impacts when risk occurs	Group's measures
4) Loss of human resources and diversified working-style [Priority risk]	<p><Risk></p> <ul style="list-style-type: none"> • Loss of human resources due to a mismatch between the personnel measures and employees' desire • Decline in labor productivity and increase in turnover rate due to health concerns and problems • Loss of human resources due to delayed response to diversified working-style, and difficulty in securing human resources • Increase in turnover due to the mobilization of human resources • Interruption in transfer of skills and expertise due to an increase in turnover. Delay in development of new services/business models <p><Opportunity></p> <ul style="list-style-type: none"> • Secure diversified human resources including highly-skilled personnel and those from different industries, etc. 	<ul style="list-style-type: none"> • Fall of governance and business operation ability due to loss of human resources • Decrease in market competitiveness and slowdown of corporate growth due to loss of human resources 	<ul style="list-style-type: none"> • Realize diversity and inclusion and a work-life balance through use of a broad range of human resources • Appoint human resources and provide career education based on a succession plan • Promote visualization of employee engagement and mental health countermeasures using the employee engagement survey and stress check • Improve moral/motivation through periodic interviews at workplace • Support active participation of female, elderly, or disabled employees in the workplace • Conduct employee surveys and strengthen employee engagement • Secure excellent human resources by implementing group common in-house training programs • Further promote teleworking • Offer opportunities and occasions for growth (talent management and education) • Introduce a job-oriented compensation system that reflects "roles/responsibilities" and "achievements"
5) Strengthening of policies and public regulations [Priority risk]	<p><Risk></p> <ul style="list-style-type: none"> • Response to changes in policies and regulations (such as limits on overtime work, environmental assessment, acquisition of permission/approval, SDGs, etc.) <p><Opportunity></p> <ul style="list-style-type: none"> • Improvement of competitive advantage • Development of new businesses and services 	<ul style="list-style-type: none"> • Additional expenses due to prolonged response efforts • Loss of business opportunities due to a decline in customer trust • Decreases in revenues and profit due to partial restriction on our businesses, etc. by public regulations 	<ul style="list-style-type: none"> • Strengthening efforts to set and achieve CO₂ emission reduction targets in medium-to-long-term environmental targets • Understanding information and establishing /implementing specific measures for compliance with environmental regulations and systems • Obtaining external certifications and ensuring rigorous management through third-party assessments in businesses and departments closely related to environmental issues • Practicing ESG management • Addressing the 2024 issue in logistics (reviewing transport conditions and fees, reducing waiting and handling times)
6) Changes in funding environment	<p><Risk></p> <ul style="list-style-type: none"> • Deterioration in funding environment due to financial market turmoil • Integration, reorganization or bankruptcy of financial institutions due to increased financial volatility (Increase in interest payments due to interest-rate hike when financing is needed) <p><Opportunity></p> <ul style="list-style-type: none"> • Diversification of funding measures (e.g. supply chain finance and crowdfunding) 	<ul style="list-style-type: none"> • Increase in interest payments due to a rise in interest rates at the time of funding <p>(Reference)</p> <ul style="list-style-type: none"> • Interest bearing debt in FY2023: 706.6 billion yen (Detail of interest-bearing liabilities) • Corporate bonds + Borrowings 266.7 billion yen • Lease liabilities 439.9 billion yen 	<ul style="list-style-type: none"> • Optimum capital level (optimize debt/equity finance) • Adjust the ratio of fixed- and floating-rate borrowings • Improve cash flow projection, use leases (reduce cash outflow), carefully select investments

Risk factors	Description of risk/opportunity	Impacts when risk occurs	Group's measures
7) Normalization of U.S.-China economic conflict	<p><Risk></p> <ul style="list-style-type: none"> • Stagnation of international cargo transport due to protection or preferential treatment of the domestic industries (e.g. subsidy, tax reduction, and increased tariff on imported goods) <p><Opportunity></p> <ul style="list-style-type: none"> • Increase in business opportunities within the regions 	<ul style="list-style-type: none"> • Downsizing of businesses in the relevant regions 	<ul style="list-style-type: none"> • Enhance information collection system/communication with customers and analyze the impacts • Monitor macroeconomic indicators and security information in major countries where the Group operates • Review business regions • Acquire new customers within the regions
8) Retirement benefit obligations	<p><Risk></p> <ul style="list-style-type: none"> • Decline in rates of return due to unexpected market fluctuations • Changes in actuarial assumptions including discount rates and mortality rates <p><Opportunity></p> <ul style="list-style-type: none"> • Increase in rates of return due to unexpected market fluctuations 	<ul style="list-style-type: none"> • Increase in the Company's payments due to increases in contributions and Reserves <p>(Reference) Retirement and severance benefits at the end of FY2023: 33.4 billion yen</p>	<ul style="list-style-type: none"> • Periodic review of asset management based on the future projections of retirement benefit obligations • Expand introduction of the defined contribution pension scheme