

(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>&lt;Risk&gt;</p> <ul style="list-style-type: none"> <li>• Impact on business results and continued employment by losing projects</li> <li>• Impact on the Group business of customers' performance fluctuations and business reorganizations</li> <li>• Impact on the Group business due to the changes in customers' business environment including drastic changes in the industrial structure and increasing supply chain vulnerability</li> </ul> <p>&lt;Opportunity&gt;</p> <ul style="list-style-type: none"> <li>• Efficient business expansion and able to take advantage of scale</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Downsizing of the business base</li> </ul>	<ul style="list-style-type: none"> <li>• Account management through enhanced collaboration among group companies and divisions</li> <li>• Monitor customers' business condition</li> <li>• Monitor the movements of peer companies</li> <li>• Establish and monitor credit limit</li> <li>• Perform periodic review of customer dependency</li> <li>• Allocate management resources to non-core businesses</li> <li>• Develop/provide services beyond conventional logistics domain</li> <li>• Promote diversity through new customer development</li> </ul>
<p>2)Securing human resources [Priority risk]</p>	<p>&lt;Risk&gt;</p> <ul style="list-style-type: none"> <li>• Labor shortage due to tighter regulation on drivers' overtime work by the Work Style Reform Act</li> <li>• Difficulty in securing human resources due to aging population combined with a declining birth rate and intensifying competition in the labor market</li> <li>• Loss of momentum for promotion of diversity management which enables diverse employees to participate in the workplace</li> </ul> <p>&lt;Opportunity&gt;</p> <ul style="list-style-type: none"> <li>• Acquisition of new expertise and creation of new businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Stagnation of the business</li> <li>• Decrease in market competitiveness</li> <li>• Slowdown in corporate growth</li> </ul>	<ul style="list-style-type: none"> <li>• Expand network of partner companies and secure workforce by enhancing recruitment of in-house drivers (increase personal vehicles) including reviewing drivers' benefit</li> <li>• Monitoring the bankruptcy risk of partner transport companies</li> <li>• Visualize human resource skills using the HR management system and make full use of skills</li> <li>• Secure human resources with site management, global, digital, and business management capabilities according to the business strategy (Enhance recruiting and establish a compensation system)</li> <li>• Enhance in-house training programs to foster and educate human resources</li> <li>• Perform human resource retention control (Create a pleasant working environment, conduct regular employee surveys)</li> <li>• Improve work efficiency through implementation of automation and RPA</li> </ul>
<p>3)Changes in a business model (technological innovation, etc.) [Priority risk]</p>	<p>&lt;Risk&gt;</p> <ul style="list-style-type: none"> <li>• Obsolescence of existing services and business models due to rapid development of IT and other digital technologies</li> <li>• Obsolescence of existing technologies due to failure to promptly deal with digitalization and introduce new technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of competitive advantages in the logistics industry</li> <li>• Decrease in competitiveness due to delayed response to digitalization</li> </ul>	<ul style="list-style-type: none"> <li>• Increase competitiveness by developing new services and unique business models through collaborative innovation with business partners</li> <li>• Protection through acquiring industrial property rights, including patents, for new service solutions</li> </ul>

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	<ul style="list-style-type: none"> <li>• Decrease in market share due to entry of competitors from different industries (e.g. IT, equipment)</li> </ul> <p>&lt;Opportunity&gt;</p> <ul style="list-style-type: none"> <li>• Acquisition of growth opportunities through the development of revolutionary technology</li> </ul>		<ul style="list-style-type: none"> <li>• Collect information on new business models including new technologies and different industries as well as benchmark other companies</li> <li>• Promote cooperation among industry, government, and academia as well as open Innovation</li> <li>• Develop systems and solutions that differentiate us from competitors, such as integrated control systems for reinforcement of IT/DX human resources and labor-saving (WCS, RCS)</li> <li>• Execute strategic investments in new solutions</li> </ul>
4) Decrease in new orders received and failure to acquire orders in existing projects [Priority risk]	<p>Decrease in new orders received</p> <p>&lt;Risk&gt;</p> <ul style="list-style-type: none"> <li>• Difficulty in acquiring new orders and slowdown in growth due to intensifying competition and market shrinkage</li> <li>• Failure to launch a new project</li> </ul> <p>&lt;Opportunity&gt;</p> <ul style="list-style-type: none"> <li>• Business expansion with new orders, and acquisition of new expertise</li> </ul> <hr/> <p>Failure to acquire orders in existing projects</p> <p>&lt;Risk&gt;</p> <ul style="list-style-type: none"> <li>• Failure to acquire orders in existing projects due to a bidding system, etc.</li> <li>• Misjudgments in business planning</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease in market competitiveness</li> <li>• Growth slowdown due to a decline in customer trust</li> <li>• Decline in profit margin due to unprofitable businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance monitoring through wider use of the phase-gate process management</li> <li>• Visualize and share information on orders received and not received</li> <li>• Set priority targets for new customers</li> <li>• Enhance sales activities for acquiring new customers (expansion of sales channel and network)</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Visualize and share customers' risk information</li> <li>• Understand trend, analyze potential impact on businesses, and develop/implement responsive plans</li> <li>• Strengthen communications with existing customers/develop untapped areas requiring business model innovation</li> </ul>
5) Promotion of M&As (including capital and business alliance) [Priority risk]	<p>&lt;Risk&gt;</p> <ul style="list-style-type: none"> <li>• Drop in performance of the acquiree, investee or alliance partner</li> <li>• Fall of governance in the acquiree</li> </ul> <p>&lt;Opportunity&gt;</p> <ul style="list-style-type: none"> <li>• Establishment of growth platforms through acquisition of new management resources and creation/expansion of an ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease in earnings and recognition of impairment loss</li> <li>• Loss of customers due to scandals or violation of rules</li> </ul> <p>(Reference)</p> <ul style="list-style-type: none"> <li>• Goodwill in FY2023: 299.0 billion yen</li> <li>• Customer-related intangible assets in FY2023: 138.5 billion yen</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen due diligence before M&amp;A or alliance</li> <li>• Develop and implement a PMI plan by the head office and relevant business divisions</li> <li>• Create synergies through collaboration with existing businesses and integration with existing entities</li> </ul>
6) Concentration of assets in specific areas	<p>&lt;Risk&gt;</p> <ul style="list-style-type: none"> <li>• Changes in economic conditions/environment in the specific regions</li> </ul> <p>&lt;Opportunity&gt;</p> <ul style="list-style-type: none"> <li>• Achievement of economies of scale</li> </ul>	<ul style="list-style-type: none"> <li>• Suffering severer damage when a risk emerges</li> <li>• Impact on business continuity</li> </ul>	<ul style="list-style-type: none"> <li>• Diversify investment in assets</li> <li>• Implement phase-gate process management according to the investment decision criteria</li> <li>• Recognize hazards in the investment area and make decision from a geopolitical perspective</li> </ul>
7) Promotion of investments in own assets	<p>&lt;Risk&gt;</p> <ul style="list-style-type: none"> <li>• Decline in asset values</li> </ul> <p>&lt;Opportunity&gt;</p> <ul style="list-style-type: none"> <li>• Increase in asset values, business expansion, and accumulation of expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Loss on sale of assets due to a decline in asset values</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen monitoring through the phase-gate process management</li> <li>• Asset management through periodic appraisal of warehouses and facilities</li> <li>• Liquidation of facilities</li> <li>• Improve capital efficiency through the execution of an asset-light strategy</li> </ul>