

# Risks and Opportunities

## Mindset on Risk

Our Company defines risks as uncertain events that may affect our business through changes in the external or internal environment. In our aim to become a Total FA Worldwide Supplier and expand our business globally, we view the appropriate management of risk as a vital management issue and have established a committee under the direct control of the Board of Directors to conduct risk management.

Political conditions and market environments change day by day. Natural disasters, the COVID-19 pandemic, and other risks that affect corporate activities become more global and diversified every year. We categorize risks that may affect our business in terms of materiality, organize systems that allow us to respond to each, and review selected risks as necessary. Risks are not always negative factors; some may harbor opportunities for further growth of the Company. We will continue to capture such risks as opportunities and take bold action when appropriate. As we conduct risk management and improve our corporate value through business initiatives, we will work to help bring about a sustainable society.

	Risk Factors	Risks	Responses and Opportunities
Business	Changes in market environment due to political factors	<ul style="list-style-type: none"> <li>Import/export or business restrictions in the semiconductor industry due to the US-China trade friction or Japan-Korea issues that would affect the Company's business, due to our high ratio of semiconductor industry sales</li> </ul>	<b>Responses</b> <ul style="list-style-type: none"> <li>Prompt action to address changes in the market environment</li> <li>Expansion of new core businesses</li> <li>Local procurement overseas and production at multiple bases to comply with import/export restrictions</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Increased demand for new capital investment due to decentralized siting of semiconductor production bases</li> </ul>
	Product and service quality and liability	<ul style="list-style-type: none"> <li>Burden of compensation for damages and loss of customer trust in the event of personal or property damage due to a product</li> </ul>	<b>Responses</b> <ul style="list-style-type: none"> <li>Reinforcement of the quality assurance structure at all stages, from substances contained in raw materials to shipping inspections</li> <li>Development of IoT-compatible components, preventive maintenance, and long service life products</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Increased demand for high value-added products due to an increase in customers who place importance on quality</li> </ul>
	Decrease in market prices	<ul style="list-style-type: none"> <li>Decreased profits due to commodification of some products and intensified competitive pricing with competitors in emerging economies</li> </ul>	<b>Responses</b> <ul style="list-style-type: none"> <li>Development of high value-added products that stay ahead of competitors in emerging economies</li> <li>Roll-out of price-competitive products through alliances with other companies</li> </ul>
Environment	Climate change and other environment-related risks	<ul style="list-style-type: none"> <li>The impact on business activities due to regulation on the use and emission of greenhouse gases due to increased global environmental issues and from the strengthening of regulations on energy conservation laws</li> <li>Impact on the continuity of the Company's packaging machinery business in the event of delayed response to major transformations in the packaging business due to the global trend away from plastics</li> </ul>	<b>Responses</b> <ul style="list-style-type: none"> <li>Prompt response to new regulations and to the demands placed on companies</li> <li>Prompt switch away from materials containing regulated substances</li> <li>Development of packaging machinery adapted to plastic-free packaging materials</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>Expansion of business in packaging machinery adapted to plastic-free packaging materials</li> </ul>

	Risk Factors	Risks	Responses and Opportunities
Foundation	Compliance	<ul style="list-style-type: none"> <li>• Deterioration of corporate image and loss of trust caused by surcharges, fines, other sanctions, suspension of business, etc., due to exposure of graft or violations of competition law or other laws and regulations</li> <li>• Loss of social trust due to negligence stemming from insufficient information on overseas laws and regulations at overseas bases with insufficient understanding of legal matters</li> </ul>	<p><b>Responses</b></p> <ul style="list-style-type: none"> <li>• Enforcement of standards of conduct, and education on compliance for employees</li> <li>• Confirmation of information on countries' laws and regulations, and provision of such legal information to Group companies</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Improvement of corporate image through reform of mindset and corporate culture to enact improvements without overlooking misconduct</li> </ul>
	Information security	<ul style="list-style-type: none"> <li>• Dysfunction in internal systems or information leaks due to computer viruses, cyber attacks and associated loss of social credibility</li> <li>• Impact on deliveries to business partners caused by suspension of production lines and distribution systems</li> </ul>	<p><b>Responses</b></p> <ul style="list-style-type: none"> <li>• Thorough security education to combat computer viruses and cyber attacks</li> <li>• Strengthening of information security systems</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Increased opportunities for dealings with customers by improving social credibility through strengthening of information security systems</li> </ul>
	Risks related to overseas bases	<ul style="list-style-type: none"> <li>• Impact on financial capital such as impairment when the performance of overseas bases deteriorates due to an unexpected change in business environment</li> <li>• Unexpected losses that can arise from inadequacy of management at bases with short history or small-scale locations</li> </ul>	<p><b>Responses</b></p> <ul style="list-style-type: none"> <li>• Support for overseas group companies to strengthen governance</li> <li>• Human resource strategy that has strengthened the development plan for global human resources</li> </ul>
	Explosive spread of contagious diseases	<ul style="list-style-type: none"> <li>• Impact on deliveries to business partners caused by suspension of operations at domestic and overseas factories or at key supplier factories due to lockdowns, etc.</li> <li>• Stagnation of business conditions in key customers' industries due to the prolonged economic downturn, affecting business performance</li> <li>• Impact on business performance due to a decrease in conventional face-to-face sales activities</li> </ul>	<p><b>Responses</b></p> <ul style="list-style-type: none"> <li>• Established a Crisis Management Committee to ensure employees' safety and continuity of business, and to implement measures to prevent infection in collaboration with overseas group companies</li> <li>• Strengthening of non-contact support including remote sales and services</li> <li>• Strengthened development of sensors and image processing technology for remote control and reduction of labor</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Increased demand for automation and labor reduction such as production equipment that does not rely on humans and remote diagnosis and operation of equipment as a measure against the COVID-19 pandemic</li> </ul>
	Natural disasters	<ul style="list-style-type: none"> <li>• Impact on production activities from earthquakes in the Tokai, Tonankai, and Nankai regions where key production bases are located (Aichi Prefecture and Mie Prefecture)</li> <li>• Impact on production activities including suspension of operations by production plants or by business partners due to heavy rain, flood, or other natural disasters</li> </ul>	<p><b>Responses</b></p> <ul style="list-style-type: none"> <li>• Established a system enabling local procurement at production bases, and decentralization of production bases including expansion of production at the Tohoku Plant</li> <li>• Strengthened response capabilities through Business Continuity Plan (BCP)</li> </ul>
Society	Securing and training human resources	<ul style="list-style-type: none"> <li>• Impact on production activities under a declining birthrate, due to the difficulty of securing labor in Japan for the many production processes that rely on manpower</li> <li>• Impact on material procurement due to business succession issues affecting suppliers</li> <li>• Impact on new businesses and global activities due to shortages of global human resources and human resources capable of project planning</li> </ul>	<p><b>Responses</b></p> <ul style="list-style-type: none"> <li>• Promotion of automation at domestic plants and construction of production systems that do not rely on manpower</li> <li>• Identification of business partners at risk through supplier evaluations, monitoring of business conditions, and implementation of transaction improvements</li> <li>• Human resources strategy incorporating strengthened in-house education, including implementation of a global human resources development plan</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Increased demand for automation and reduction of labor on production lines, due to the difficulty of securing labor in Japan</li> </ul>