

Business Risks

We recognize that the following are risks that may affect the financial position and operating results of the Group, and that they may have a significant impact on the decisions of investors. We implement countermeasures based on the risk maps for each location and region.

Likelihood of occurrence	Impact
High: Probability of occurrence is deemed to be high	Significant: Impact is expected to be significant
Moderate: Probability of occurrence is deemed to be moderate	Moderate: Impact is expected to be moderate
Low: Probability of occurrence is deemed to be low	Minor: Impact is expected to be small

	Description of risk	Likelihood of occurrence		Impact	Response to risk
Changes in the market environment	Market recession and changes in the tax system dampen the appetite of consumers for purchasing, leading to lower sales of automobiles	High		Significant	• Establish a system to monitor market trends in the various countries around the world in which the Company operates its business, and to enable swift and appropriate responses in such areas as decisions about capital investment, proper assignment of employees, and management of expenses
Response to climate change/environmental regulation	Opportunity losses caused by such factors as diminished social standing due to insufficient response to changes in the environmental regulations of each country and requests from stakeholders for decarbonization	Moderate		Moderate	• Aim to achieve carbon neutrality by FY2050 through the use of energy-saving measures and electricity derived from renewable energy to reduce greenhouse gas emissions at the time of production • Switch to steel sheets manufactured using methods with fewer environmental impacts, and develop and establish production technology for aluminum products with outstanding recycle ability
Shift to EVs	Opportunity losses caused by such factors as loss of orders due to delays or deadlocks in research and development/factory reforms that address the shift to EVs	High		Significant	• Designate "Establishment of EV-related business" as a new business strategy, and promote factory automation to realize smart factories that are more productive and reliable than ever before • Leverage body in white analysis technology and production technology to build external alliances with the aim of becoming a system supplier in the vehicle body area to which customers can entrust all tasks from development onward (tier 0.5)
Technology development based on market needs	Reductions in future growth and profitability in cases where the failure to predict changes in market needs leads to the inability to provide attractive new products on a timely basis, or in cases where demand does not grow	High		Significant	• The G-TEKT Tokyo lab, which is the Group's core site for research and development and intellectual property management, brings together information from the sales & engineering locations in North America, Europe and China, and works to understand market needs, as well as collaborating with European ESPs (engineering service providers) to research and develop new technology
Spread of new materials and manufacturing methods	Losses arising from competition with new materials and manufacturing methods associated with the business of the Company	Moderate		Moderate	• Promote research and development of aluminum and other new materials, establish mass-production technology for press processing at European sites, and use in manufacturing • Research and develop new methods as part of collaboration and joint development with other companies
Intellectual property rights	Opportunity losses in the event of inferiority in obtaining rights for technologies under research and development	Low		Moderate	• Establish a department dedicated to the management of intellectual property to investigate, acquire, and manage intellectual property in accordance with the intellectual property strategy
Attracting talent	Economic fluctuations, the declining birth rate, and other issues result in a tight labor market and failures to build and operate personnel systems, etc., leading to difficulties in attracting talent or the exit of existing talent, with this shortage of human resources causing a general stagnation of business activities	High		Moderate	• In order to improve employee retention, revise and extend personnel systems to enhance welfare and employee benefits, and promote measures such as reducing the burden on employees through the automation of front-line work • Visualize the current state of the workplace through workplace evaluations and other initiatives, and formulate measures to create a comfortable working environment
Risk management system	Losses arising from insufficient response to the materialization of various anticipated risks in the countries and regions around the world in which the Company operates its business	Moderate		Moderate	• Promote risk countermeasures based on the risk maps created for each country in which the Group operates, conduct regular monitoring from the head office in Japan
Dependence on specific sales partners	Changes, etc. in the operation of the Company's business as a result of trends in production and sales, business strategy and purchasing policies, etc. at major customers in Japan and overseas	High		Significant	• Leverage close business relationships of long standing with major customers to share outlooks for production and sales, as well as the future direction of business strategy and purchasing policies, and utilize them in business decisions regarding Group investments and business strategy • Utilize price-competitive development proposals to roll out sales strategies designed to open up new customers and expand transactions, and reduce dependence on specific customers
Quality	The occurrence of quality problems that result in costs for remedial measures and loss of social credibility	Low		Significant	• Rigorous quality control • Practice predictive preventive management by visualizing and monitoring global quality information through the use of DX and of quality control achieved through camera footage and image processing technology
Supply chain	Shutdown of operations, etc. at the Company caused by difficulties in procuring key components and purchased goods due to shutdowns at our suppliers following a pandemic, flooding, or other events	Low		Significant	• Understand the risk of major suppliers suspending operations, based on hazard maps, and secure alternative sources of procurement • Reduce risk by shortening the time required for mold production and the dispersion of processes, and establish a system for early recovery
Foreign exchange	Foreign exchange gains (losses) arising as a result of changes in foreign currency translation differences due to significant exchange rate fluctuations against the domestic currency	Moderate		Moderate	• Mitigate the impact of exchange rate fluctuations through such measures as forward exchange contracts for products and parts to be exported
Compliance	Various kinds of litigation, or prosecution by regulatory authorities, following violations of laws and regulations, etc.	Low		Significant	• Under the leadership of the Compliance Sub-Committee, establish a system for ensuring adherence to laws and regulations, etc., such as formulating and publicizing policies on preventing unfair competition and bribery common to the Group, implementing self-assessments and training, and reviewing proposals for the improvement of corporate ethics
Cyber security	Increased sophistication of cyber attacks leading to difficulty in defending against incursions, as well as the interruption of important operations and the leakage of confidential data, etc. in the event of such an attack.	Moderate		Significant	• Revise rules related to cyber security, conduct inventories of front-line facilities, and introduce Endpoint Detection and Response (EDR) systems at Group companies
Outbreaks of infectious diseases	Stagnation of business activities due to demands for behavioral restrictions, etc. by the governments of various countries in the event of a new outbreak and global spread of an infectious disease	Low		Significant	• Head office in Japan and others to establish a system for ensuring liquidity on hand for all Group companies in relation to fixed costs such as labor • Minimize infection risks by automating production, revising the layout of factories and offices, using remote work, and utilizing online platforms and other technologies to deal with business partners
Natural disasters	Delay or suspension of the procurement, production, and sales of raw material or parts due to the occurrence of natural disasters such as major earthquakes, floods, tsunamis, and tornadoes	Moderate		Moderate	• Under the leadership of the Risk Management Subcommittee, with the highest priority on the safety employees, predict the damage caused by natural disasters at each location, put in place an initial response system based on these predict
Geopolitical risks	Restrictions on or impediments to business activities in the event of the materialization of geopolitical risks such as political instability, political tension between states, war, conflict, and terrorism	Low		Significant	• Share geopolitical risks for each country within the Group, and shift to autonomous procurement, etc. for each region