Link Risk to Strategy

The Group defines risk as "uncertainty that affects the achievement of business management goals and has both a positive and a negative side." We believe a company will grow in a sustainable way if the positive side and the negative side of risk are addressed properly.

For risk management, we have formed the Risk Management Committee, as an advisory body to the President and Representative Executive Officer, which is chaired by the President and Representative Executive Officer and comprises Executive Officers and others. The committee has a secretariat headed by an officer in charge of risk management. The secretariat shares important matters decided by the committee with operating companies to promote enterprise risk management (ERM).

Corporate risk matrix

<table>
<thead>
<tr>
<th>Category</th>
<th>Item</th>
<th>Impact</th>
<th>Outlook for next FY</th>
<th>Negative side</th>
<th>Positive side</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geopolitics</td>
<td>China-India geopolitical situation</td>
<td>Severe</td>
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<td>Global business environment</td>
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<tr>
<td>Economic factors</td>
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<tr>
<td>Business model</td>
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<td>Risk factors</td>
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<tr>
<td>Strategy risk</td>
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<td>Finance risk</td>
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<td>Risk factors</td>
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<td>Hazard risk</td>
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</tbody>
</table>

Impact of COVID-19

Long-term megatrends for 2030

Geopolitics
- China-India geopolitical situation
- Global business environment

Economic factors
- Supply chain disruption
- Demand for digital services
- Increased demand for sustainable technologies

Social trends
- Aging population
- Increased demand for digital services
- Increased demand for sustainable technologies

Technology
- AI and blockchain
- Internet of Things
- Cloud computing

Environment
- Climate change
- Resource depletion

We position risk as the starting point of strategy and link risk to strategy so that we can enhance corporate value through risk management. Extremely important risks in the Group's management over the medium term are reflected in the Medium-term Business Plan as "corporate risks."

We extracted a total of 14 "corporate risks" including strategy risks, finance risks and hazard risks by factoring in long-term megatrends forecasted for 2040 and the impact of COVID-19 and backcasting to avoid short-term thinking. (See page 73 for the list of 82 risks of the Group.)