

## Details of Recognized Risks

Risk categories		Example events	Example social and economic impacts	Risks associated with the Group's business activities	Time frames	Major measures taken by the Group (risk mitigation measures)
Physical risks	Acute	<ul style="list-style-type: none"> <li>- Increase in natural disasters</li> <li>- Weather changes such as low rainfall and drought</li> <li>- Outbreak of disease and insect damage</li> </ul>	<ul style="list-style-type: none"> <li>- Discontinued business operations and increased administrative costs due to increased damage from natural disasters</li> <li>- Decline in agricultural, forestry, and fishery product yields</li> <li>- Outbreak of infectious diseases</li> </ul>	<ul style="list-style-type: none"> <li>- Increase in credit costs due to deteriorating business performance of customers</li> <li>- Deterioration of reputation in the event of natural capital damage by investees</li> </ul>	Short-term	<ul style="list-style-type: none"> <li>- Provision of information, raising awareness, and consulting with customers</li> <li>- Enhancement of solution menu through expansion of business partners, etc.</li> </ul>
	Chronic	<ul style="list-style-type: none"> <li>- Changes in land and marine use</li> <li>- Degradation of wetlands and forests</li> <li>- Changes in the ecosystem</li> <li>- Pollution</li> <li>- Depletion of agriculture, forestry, and fishery resources</li> <li>- Decrease in water and other resource supplies</li> <li>- Changes in habitats for infectious disease vectors</li> <li>- Increase in invasive alien species</li> </ul>	<ul style="list-style-type: none"> <li>- Damage to production processes and value chains</li> <li>- Suspension of operations due to drought</li> <li>- Relocation and adjustment of businesses</li> <li>- Increase in procurement costs of raw materials, etc.</li> <li>- Decline in ecosystem services such as pollination and water resource recharge</li> </ul>		Medium- to long-term	
Transition risks	Policy and legal	<ul style="list-style-type: none"> <li>- Introduction and strengthening of regulations and standards</li> <li>- Changes in production volume regulations</li> <li>- Increase in litigation</li> </ul>	<ul style="list-style-type: none"> <li>- Incurred/increased costs of complying with regulations and standards</li> <li>- Decrease in procurement volume and increase in costs due to higher prices</li> <li>- Increase in litigation response costs</li> </ul>	<ul style="list-style-type: none"> <li>- Increase in credit costs due to deteriorating business performance of customers</li> <li>- Loss of revenue opportunities due to failure to adapt to change</li> <li>- Decline in competitiveness</li> </ul>	Medium-term	<ul style="list-style-type: none"> <li>- Formulation of response measures based on continuous information gathering and trend identification</li> <li>- Provision of information, raising awareness, and consulting with customers</li> <li>- Enhancement of solution menu through expansion of business partners, etc.</li> </ul>
	Market and industry	<ul style="list-style-type: none"> <li>- Changes in consumer behavior</li> <li>- Changes in demand for and supply of goods and services</li> <li>- Expansion in requirements from the supply chain (traceability, certification, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of sales opportunities and customers</li> <li>- Increase in response costs (ex: certification acquisition expenses)</li> <li>- Increase in costs associated with procurement in consideration of natural capital and biodiversity</li> <li>- Changes in industry power structure</li> </ul>		Short- to medium-term	
	Technology	<ul style="list-style-type: none"> <li>- Development and diffusion of technologies in consideration of natural capital and biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>- Changes in industrial structure and business competitiveness</li> <li>- Increase in technology development and introduction costs</li> </ul>		Medium- to long-term	
	Reputation	<ul style="list-style-type: none"> <li>- Criticism and decline in valuations for delayed or inadequate involvement in and/or response to damage to natural capital</li> </ul>	<ul style="list-style-type: none"> <li>- Damage to brand value, protests, and boycotts</li> <li>- Difficulty in raising funds due to declining valuations from investors and financial institutions</li> <li>- Decrease in employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>- Deterioration in reputation</li> <li>- Customer churn and deterioration of corporate image and ESG reputation</li> </ul>	Medium- to long-term	
	Litigation and liability	<ul style="list-style-type: none"> <li>- Liability arising from developments in legislation and case law</li> <li>- Liability and administrative penalties due to strengthening of existing laws and regulations or introduction of new laws and regulations</li> <li>- Liability for damages caused by opposition actions against ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>- There is an increasing awareness of natural capital and biodiversity, the scope of what constitutes corporate activities has broadened, and the securing of skilled human resources is becoming a problem.</li> </ul>	<ul style="list-style-type: none"> <li>- Securing human resources with knowledge of natural capital and biodiversity</li> <li>- Deterioration of reputation in the event of natural capital damage by investees</li> </ul>	Short- to medium-term	
Systemic risks	Ecosystem stability risks	<ul style="list-style-type: none"> <li>- Cascading destruction of nature due to loss of nature's ability to provide important ecosystem services</li> <li>- Outbreak of zoonotic diseases (ex: COVID-19)</li> </ul>	<ul style="list-style-type: none"> <li>- Enormous simultaneous financial losses in multiple industries (ex: the collapse of the fishing industry due to overfishing, making it more difficult to procure raw materials)</li> <li>- Outbreak of pandemics causing stagnation of social and economic activities</li> </ul>	<ul style="list-style-type: none"> <li>- Increase in credit costs due to deteriorating business performance of customers</li> <li>- Loss of revenue opportunities due to stagnation of sales activities</li> </ul>	Short- to long-term	<ul style="list-style-type: none"> <li>- Evolution of scenario analysis</li> <li>- Regulation revision of contingency plans</li> </ul>
	Financial stability risks	<ul style="list-style-type: none"> <li>- Simultaneous occurrence of multiple policy, legal, technological, and social responses</li> </ul>	<ul style="list-style-type: none"> <li>- Occurrence of financial and social impacts on many sectors and individual lives</li> </ul>			

\*Short-term: approx. 5 years; medium-term: approx. 10 years; long-term: approx. 30 years