

OPTEX GROUP CO., LTD. Risks and opportunities related to our business

Risk/ Opp.※	Transition/ Physical※	Category	Item	Phenomenon	Our Response Measures	Occurrence probability	Impact	Importance	Time frame	Related Businesses	
Risks	Transition	Policies and Regulations	Acceleration of carbon pricing	<ul style="list-style-type: none"> <li>1 Increase in indirect costs due to increased energy resource usage fees due to accelerated switch to renewable energy</li> <li>Deterioration in profitability due to this or deterioration in performance due to price revisions</li> </ul>	<ul style="list-style-type: none"> <li>Calculation of greenhouse gas emissions and promotion of reduction activities</li> <li>Conversion to non-fossil energy sources</li> <li>Switching some company vehicles to HV/PHEV/BEV</li> <li>Energy saving of office lighting</li> </ul>	B	C	Minor	Long-term	whole group	
				<ul style="list-style-type: none"> <li>2 Increased costs of components and raw materials due to introduction of carbon tax</li> </ul>	<ul style="list-style-type: none"> <li>Expand the ratio of renewable energy use throughout the supply chain through mutual cooperation with suppliers and customers</li> <li>Active procurement of low-carbon parts</li> <li>Reduce manufacturing costs through systematic design changes in preparation for rising costs of raw materials.</li> </ul>	A	C	Medium	Long-term	whole group	
		Reputation	Increased environmental awareness among stakeholders and the market	<ul style="list-style-type: none"> <li>3 Disapproval from stakeholders and consumers due to lack of environmental initiatives and appeal</li> </ul>	<ul style="list-style-type: none"> <li>Active promotion of climate change response and external communication (information disclosure based on TCFD recommendations, reflection of implementation details in CDP Climate Change Questionnaire, etc.)</li> <li>Establishment of CO2 reduction targets and promotion of initiatives</li> </ul>	A	A	Major	Short-term	whole group	
	Physical	Chronic	Chronic temperature increase	<ul style="list-style-type: none"> <li>4 Increased risk of heat stroke</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of air conditioning facilities in offices and production sites</li> <li>Installation of water supply units at environmental experience learning facilities</li> </ul>	A	C	Medium	Long-term	SS-Security · Automatic door · Others, IA-MVL, EMS, Others	
		Acute (abnormal weather)	Physical Risk Management for Extreme Weather	<ul style="list-style-type: none"> <li>5 Shutdown of the company's own plants due to natural disasters, disruption of employee access</li> </ul>	<ul style="list-style-type: none"> <li>Reinforcement of BCP measures, waterproofing</li> <li>Decentralization of production bases</li> </ul>	C	B	Minor	Short-term	whole group	
				<ul style="list-style-type: none"> <li>Increase in failures due to the effects of abnormal weather (storms, high temperatures)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen implementation of environmental resistance tests for products</li> <li>Development of high temperature resistant products</li> </ul>	B	B	Medium	Medium-term	SS-Security · Others, IA-IPC	
Opportunities	Transition	Products & Services	Acceleration of carbon pricing and ZEB/ZEH diffusion	<ul style="list-style-type: none"> <li>1 Growing demand for low carbon emission products</li> <li>Increasing demand for technologies and services that reduce power consumption (lighting, air conditioning) through labor-saving and automation</li> </ul>	<ul style="list-style-type: none"> <li>Promote development, sales, and services of environmentally friendly products (automatic door sensors that consider air conditioning efficiency, AI-based visual inspection solutions, industrial sensors that contribute to automation)</li> </ul>	A	B	Major	Medium-term	SS-Automatic door, IA-FA, IA-MVL	
		Technology/ Market	Increased environmental awareness among stakeholders and the market	<ul style="list-style-type: none"> <li>2 Accelerated demand for energy-saving products</li> </ul>	<ul style="list-style-type: none"> <li>Development and sales enhancement of products that are lighter in weight and consume less power</li> <li>Expand sales of high-performance products that lead to improved productivity</li> </ul>	B	B	Medium	Medium-term	SS-Security · Automatic door · Others, IA-FA	
				Progress towards electric vehicle shift	<ul style="list-style-type: none"> <li>3 Entering new markets through increased demand for EV batteries</li> </ul>	<ul style="list-style-type: none"> <li>Introduce new products to the EV market</li> <li>Expand sales of EV battery manufacturing equipment</li> </ul>	B	A	Major	Medium-term	IA-MECT
				Expanding the use of renewable energy	<ul style="list-style-type: none"> <li>4 Growing demand for high-accuracy inspections due to increased demand for renewable energy products (solar panels, EV batteries, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Expand sales of sensors for factory automation and LED lighting for image inspection</li> </ul>	B	B	Medium	Medium-term	IA-FA, IA-MVL
		Energy Sources	Utilizing low-emission energy sources	<ul style="list-style-type: none"> <li>Reduction of indirect costs by optimizing energy procurement</li> </ul>	<ul style="list-style-type: none"> <li>Installation of solar panels</li> <li>Switching the power menu</li> </ul>	B	C	Minor	Long-term	SS-Security · Automatic door · Others, IA-IPC	
		Resilience	Product development for abnormal weather	<ul style="list-style-type: none"> <li>5 Increased demand related to disaster prevention measures due to chronic heavy rainfall</li> </ul>	<ul style="list-style-type: none"> <li>Develop and expand sales of flood monitoring systems, predictive disaster maintenance systems, robots for disaster inspection, etc.</li> </ul>	B	B	Medium	Long-term	SS-Others, IA-IPC	

※Transition risks/opportunities: Business risks/opportunities arising from the transition to a decarbonized society, such as tightening of laws and regulations and expansion of renewable energy  
Physical risks: Risk of physical damage caused by climate change, such as a chronic rise in temperature and increased natural disasters

Probability of Occurrence	
A	Regularly occurs (more than once every 3 years)
B	Rarely occurs (more than once every 5 years)
C	Almost never occurs, has not occurred in the past

Time frame※	
Long-term	9 years or more
Medium-term	From 3 to 9 years
Short-term	From 1-3 years. For "Opportunities": Events where goals are thought to be achievable within the next few years

※Time needed to respond to risks and establish business activities that take advantage of opportunities.

Importance of Risks and Opportunities



Based on the probability of occurrence and impact of the event, we rated the importance of the event on a three-point scale of major, medium, and minor.

Impact		
	Risks (Financial Impact)	Opportunities (Financial Effect)
A	Damage to the extent that consolidated business results fall into the red	Increase sales through entry into new markets
B	Loss to the extent of 30% below consolidated performance forecasts	Increase sales in existing markets
C	Minor impact on business results	Improving management efficiency

