Materiality

1 Definition of materiality and history

In light of the balanced creation of both social value and economic value, we identify the medium- to long-term high-priority issues (i.e., items of materiality) and they are set at the Board of Directors, taking matters like changes in economic and social conditions and requests from stakeholders into account.

We identified 14 items of materiality for the first time in fiscal 2015 and revised them to 17 items of materiality in fiscal 2019. However, the economic and social conditions have changed significantly over the past three years, including increasing social demand to address climate change, the spread of COVID-19 and the emergence of geopolitical conflicts. In order to achieve the balanced creation of both social value and economic value in a sustained manner amid these major changes in a short period of time, it is necessary to identify materiality in a way that ensures completeness

regarding events that may occur in the medium to long term. On the other hand, in order to enhance the effectiveness of materiality by applying it to management systems, such as management strategies and risk management, and by spreading it to employees, we recognized that the number of 17 items was large, and that it was necessary to better match the Group's unique strengths and issues in terms of management strategies, risk management, and other areas.

Based on this recognition of issues, in preparation for the formulation of a new Medium-Term Management Plan beginning in fiscal 2023, we have narrowed down the number of items in order to improve completeness, reflect them in our management strategy and risk management system, and improve their effectiveness in reaching employees. We have also revised our materiality to enhance their suitability for the Group's unique strengths and issues.

■ Identifying materiality from common metrics

(1) Extracted materiality themes based on common metrics themes (2) Set materiality themes by taking our management strategy and internal awareness into account

Impact Materiality

	Common Metrics		Materiality theme	
Planet	Climate change		Super-aging society issues Financial inclusion Climate change Biodiversity Recycling of resources/circular economy Air, water and soil pollution ESG Management (parties to whom we extend investments and loans)	
	Nature loss			
	Fresh water availability			
	Air pollution			
	Water pollution		Regional and local revitalization	
	Solid waste (e.g., plastics)		Financial Inclusion Public sector partnerships	
	Resource availability		Creation of new technologies and businesses Financial inclusion Digital innovation	
People	Dignity and equality			
	Health and well-being		Corporate governance	
	Skills for the future		Safety of financial instruments and operational quality Client-oriented approach/FD	
Prosperity	Employment and wealth generation		Securing and promoting diverse human resources	
	Innovation of better products		Employee Well-being	
	and services		Risk management Resilience Spread of infectious disease epidemic Financial system stability Geopolitical conflicts Human rights issues	
	Community and social vitality			
Principles of Governance	Purpose			
	Quality of governing body		Compliance and conduct	
	Stakeholder engagement		Systems maintenance and combatting cyber-attacks	
	Ethical behavior		Protecting personal information and client data	
	Integrating risk and opportunity		Preserving financial capital Securing sustained earnings	

Metrics and Consistent Reporting of Sustainable Value Creation" compiled mainly by the world's four largest accounting firms. This materiality theme was organized from our Purpose and management strategy themes into items related creation. to the society and values that we want to realize. After discussions with the Executive Committee, various advisory committees, and top management, the Board of Directors resolved to identify 11 materiality items in three categories, with completeness and uniqueness of the Company. Materiality Providing products and services that support a prosperous life by preparing for changes in social systems such as pensions and social security in a super-aging society and social issues such as extending healthy life expectancy. Age of 100-year life Create conditions in which customers can use beneficial and affordable financial products and services that meet their requirements.

2 Revision in FY2022

In the review of materiality in fiscal 2022, we reviewed 17 items that had previously been identified as materiality based on 18 issues classified into the common metrics of Planet, People, Prosperity, and Governance. And we identified 27 Materiality Themes, based on the common indicators ("common metrics") in the "Toward Common

Under the Group's Purpose, as for the businesses that harness the power of trust to solve social issues, we aim to provide value to stakeholders in three areas of value creation that promote a virtuous circulation, with the key phrase "virtuous circulation of funds, assets and capital."

By reflecting this in the identification of materiality, among the impact items of materiality of the new materiality, "age of 100-year life," "ESG/sustainable management," and "Regional ecosystems and the global investment chain (Networking)" are aligned with the three areas of value

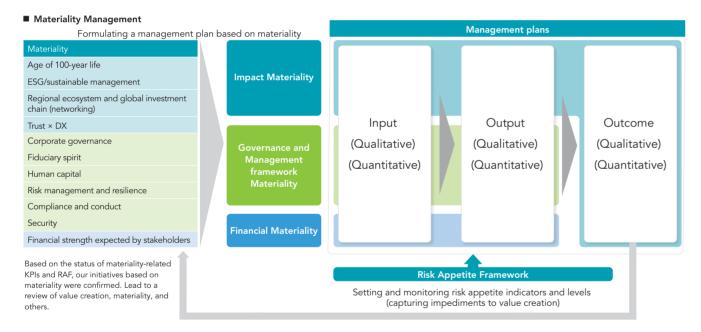
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Items in which our corporate activities have an impact (both positive and negative impacts) on the economy, society, and the environment. Items that	ESG/sustainable management	Responding to climate change, biodiversity, resource recycling and the circular economy, air, water and soil pollution, and providing support and means for environmental, social and governance-friendly management for the companies to whom we extend investments and loans.	
are in a phase where we can take concrete steps toward achieving both social value and economic value.	Regional ecosystems and global investment chain (networking)	Build mutually complementary relationships among agents in the region and establish relationships with economic agents outside the region to promote multifaceted collaboration and co-creation. Provide investment opportunities by strengthening the investment chain through collaboration with advanced overseas players.	
	Trust × Digital Transformation	Create a virtuous circulation of funds, assets and capital through integrating IT and management strategies, the power of trust, and the power of digital transformation.	
	Corporate governance	Establish a management framework that achieve balanced creation of both social value and economic value.	
	Fiduciary spirit	Fulfill the trustee's responsibilities and act faithfully on behalf of clients (beneficiaries) with the due care of a prudent manager.	
Governance and Management framework Materiality Items where environmental and social	Human capital	Recruit and promote human resources with diverse values, and build a group of them. Create a situation in which employees can utilize their values and strengths based on sound human relations where diversity is recognized while employees being physically and mentally healthy and sympathizing with our "Purpose".	
issues affect our corporate value enhancement process. Non-financial items that do not immediately affect	Risk management and resilience	Accurately assess risks and take necessary countermeasures to secure earnings and support sustainable growth by ensuring sound management and taking risks based on management strategy.	
finances but are likely to affect finances over the long term, so they are highly defensive.	Compliance and conduct	Comply with laws and regulations, market rules, internal rules and regulations, as well as social norms in general. Ensure that the conduct of directors, executive officers, and employees, which violates professional ethics or fails to live up to the expectations and trust of stakeholders, does not result in adverse effect.	
	Security	Prevent cyber-attacks against core infrastructure providers and address incidents when they occur. Continuously review and improve system risk management structure. Acquire and use client information in accordance with rules and regulations, and manage it strictly.	
Financial Materiality Items where environmental and social issues affect our financials	Financial strength expected by stakeholders	Secure sound finances, sustainable growth, and sustained earnings.	

into business processes

By incorporating materiality as a common concept in various management systems, such as management strategies, internal controls, and Risk Appetite Framework (RAF) that implement our value creation process, and by increasing the interconnectedness of each function, we can further improve our value creation capabilities. We have formulated a Medium-Term Management Plan for fiscal 2023 and beyond based on newly identified materiality. In the future, we will confirm the status of the measures and KPIs set out in the Medium-Term Management Plan from a materiality perspective, report them to the Sustainability Committee, an advisory body to the Executive Committee, and utilize them in communication with stakeholders to create a virtuous circulation in the value creation process.

In addition, in order to incorporate the perspectives of stakeholders into management based on such materiality, we have implemented an "internal engagement" system described below, and the status of the internal engagement is reported to the Board of Directors as materiality-related matters after discussion by the executive side, including the Sustainability Committee and the Executive Committee.

Based on the concept of "dynamic materiality," in which social conditions and values change and these changes affect corporate value, we will examine the necessity of reviewing materiality in accordance with the situation at the Sustainability Committee based on the aforementioned confirmation and report and internal engagement. At that time, the Risk Committee responds to questions from the Board of Directors about matters concerning materiality, deliberates on the appropriateness and other aspects of such matters from a professional point of view, and then reports its findings to the Board of Directors.



■ Stakeholder engagement



The Group's stakeholder engagement is divided into three approaches: (1) direct engagement by relevant departments at each company of the Group according to the theme, (2) direct participation in domestic and international initiatives, and (3) internal engagement by the Sustainability Management Department with relevant departments at each company of the Group based on dialogue with its own stakeholders and information gathering from ESG assessment organizations. These approaches are used to diversify dialogue channels and enhance the quality and quantity of inputs.

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Enhance Corporate Value and Management Base

Messages from subsidiary management

Business Strategy

Financial information
Corporate information

4 Internal engagement

(1) Basic philosophy

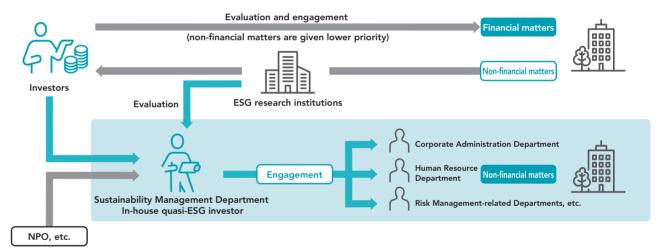
Our Sustainability Management Department engages in dialogue with relevant departments with respect to non-financial materiality items in the finance sector that ESG investors are most interested in and for which the Group's initiatives may face challenges in order to improve our approaches and enhance information disclosure. We refer to this initiative as internal engagement and consider it as a check and balance function based on an external perspective on day-to-day operations, different from the supervisory function of the Board of Directors from a management perspective.

The main purpose of internal engagement is to improve the internal management system of the executive side, but the overall activities are reported to the Board of Directors and issues are shared.

(2) Internal engagement process

The Sustainability Management Department selects topics for internal engagement mainly based on items pointed out by ESG assessment organizations, dialogue with domestic and overseas ESG investors, standards for voting advisory companies, communication with NGOs (letters and dialogue), and high-profile issues related to corporate governance codes, ESG, and SDGs. The theme for fiscal 2022 was reported to the Executive Committee in November 2022, and related executives recognized the issues. The results of the ongoing efforts of the Sustainability Management Department together with related departments were reported at the Board of Directors' meeting in March 2023 as a recognition of issues in materiality management. We recognize the opinions raised by supervisory bodies and executive bodies as issues for fiscal 2023.

■ Internal Engagement



■ FY2022 Achievements and challenges (Example)

Theme	Remarks from investors and evaluation agencies	Achievements in FY2022	Challenges for FY2023
Corporate governance	Ensuring the independence, diversity and expertise of the Board of Directors	Disclosed breakdown of "creation" of external directors in the skills matrix	Improving the skills matrix, addressing continued demands of investors for disclosures
	Advancement of executive compensation disclosure	Earned a certain degree of recognition from investors for disclosing the integrated report	Addressing demands of investors for ESG-related indicators including KPIs
Human capital	Review of easy-to-understand information disclosure	Reviewed three indicators disclosed in the financial	Supplementary explanation in the integrated report
		statement	Group-based data
Human capital Human rights	Disclosure and elimination of the gender wage gap	Reviewed matters for disclosing the financial statement	Supplementary explanation on disparities (Initiative Policy)
	Strengthening of human rights due diligence and system development, including monitoring of human rights compliance by third parties	Revised human rights policy,identified key human rights risks	Begin monitoring human rights compliance of parties to whom we extend investments and loans
		Hold the Human Rights Due Diligence Liaison Committee meeting and reviewed human rights awareness training programs	Human rights awareness training program
Climate change and investment and loan policies	Making investment and loan portfolio carbon neutral and continuing to enhance policies for specific sectors	Incorporated carbon neutrality initiatives into investment portfolio Enhanced TCFD Report Upgraded CDP rating (from C to B) Advanced policies for specific sectors	Continue compliance with NZBA and NZAMI Continue advancing policies for specific sectors