

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.

2 Revision in FY2022

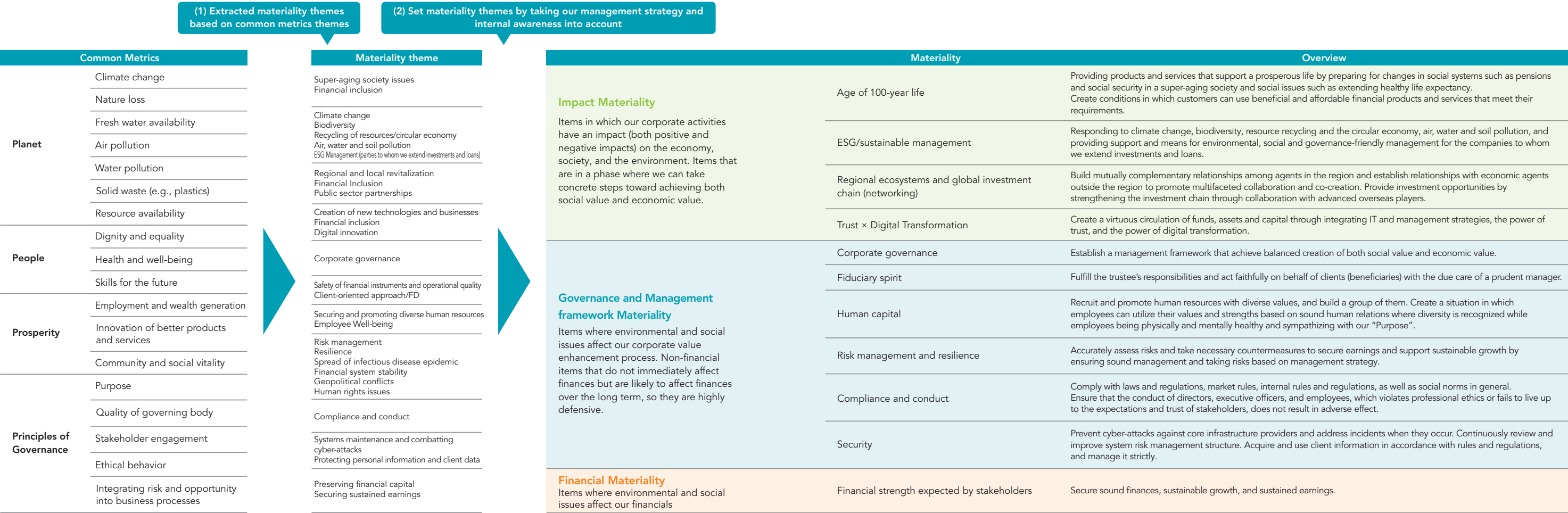
In the review of materiality in fiscal 2022, we reviewed 17 items that had previously been identified as materiality based on 18 issues classified into the common metrics of Planet, People, Prosperity, and Governance. And we identified 27 Materiality Themes, based on the common indicators (“common metrics”)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

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 creation.

Identifying materiality from common metrics



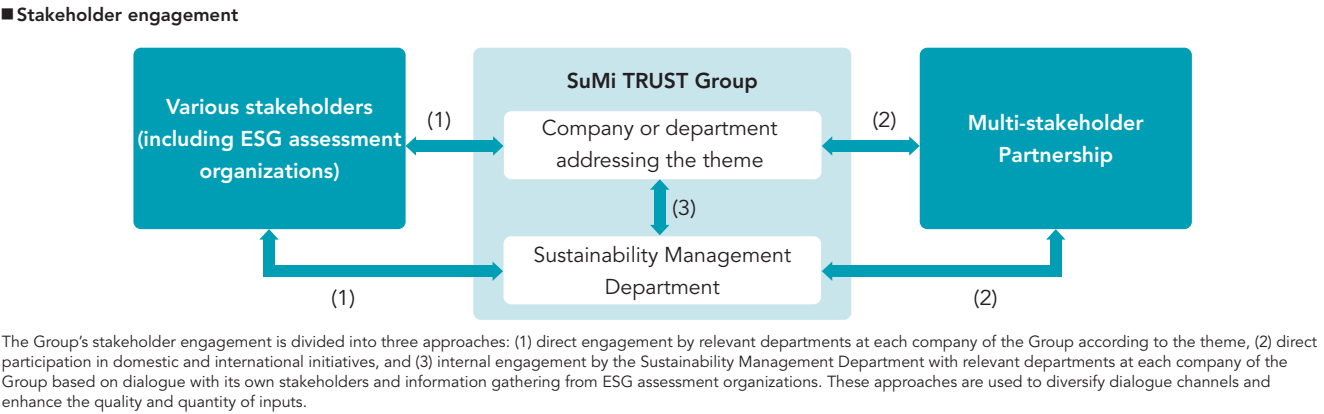
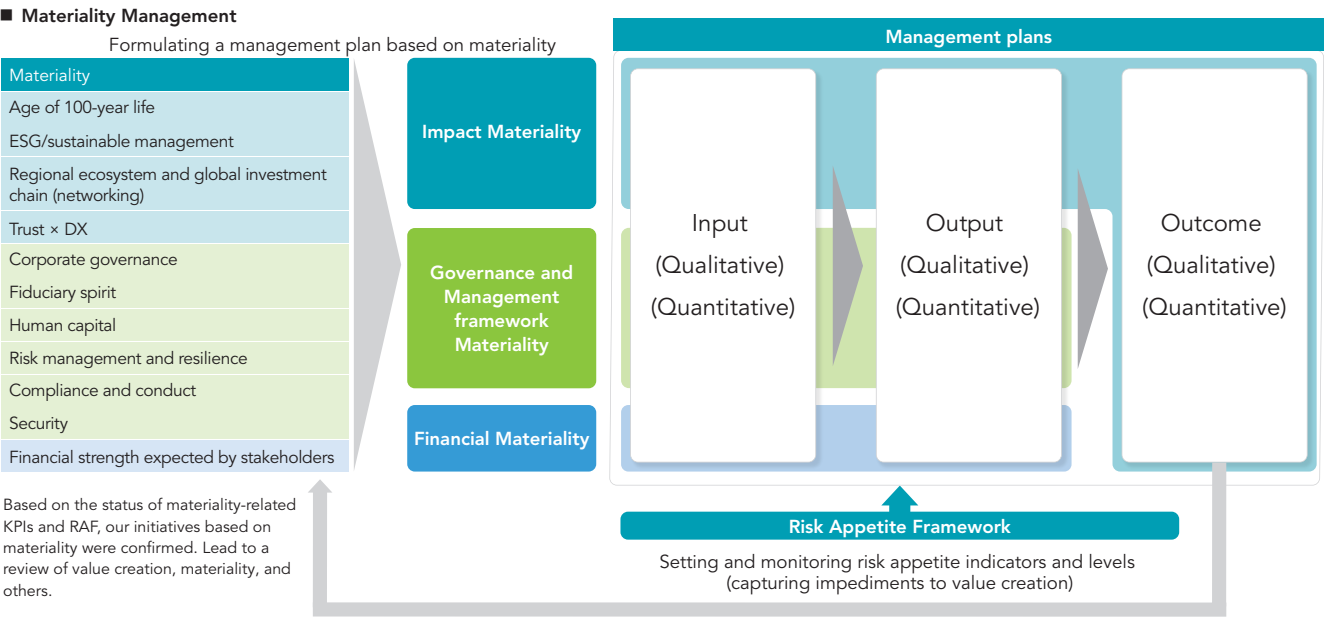
3 Reflecting in the value creation process (materiality management)

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.



4 Internal engagement

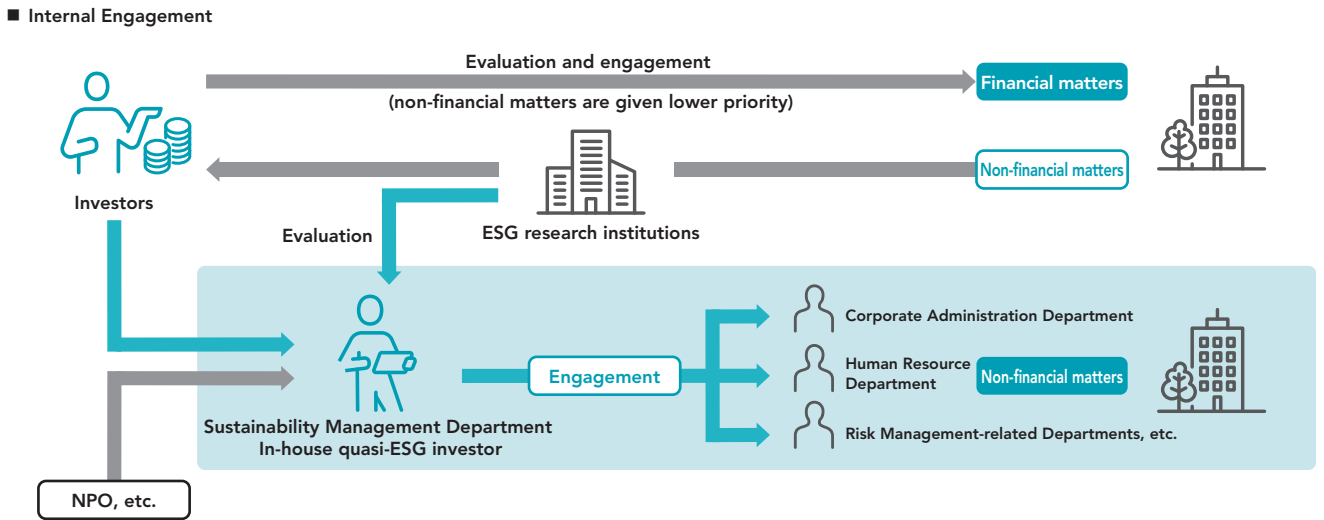
(1) Basic philosophy

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.



■ 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 statement	Supplementary explanation in the integrated report 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 Hold the Human Rights Due Diligence Liaison Committee meeting and reviewed human rights awareness training programs	Begin monitoring human rights compliance of parties to whom we extend investments and loans 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