Identifying materialities and initiatives to address them

The Nanto Bank Group identifies materialities—challenging issues to address in conjunction with our management strategy, based on discussions by the Board of Directors, in order to both enhance corporate value over the medium-to-long term and realize a sustainable society.

These materialities serve as cornerstones linking value creation through our business activities to the resolution of social issues. Our aim is to remain our customers' banking group of choice by implementing measures founded on this principle, while periodically reviewing our approach in light of our ongoing efforts to address the issues concerned, the challenges that have emerged during the process, changes in the business environment, and emerging social issues.

Risks (● Most threatening risks; ○ Threatening risks)
Opportunities (●: Most promising opportunities, ○: Promising opportunities)

External environment (Nara Prefecture's surrounding environment)	Risks	Opportunities
E Environment Global warming Abundant forest resources	●**Deterioration of customers' business performance due to damage to their business infrastructure resulting from natural disasters spawned in large part by climate change** ○Higher credit costs due to impacts on customers' business and financial conditions of regulatory tightening, technological innovation, and market changes in support of decarbonization ○Higher credit costs due to damages that have reduced the value of customers' real estate collateral	●**Increased demand for environment-related businesses and other activities aimed at decarbonization** ●**Cultivation of regional environmental awareness through proactive environmental conservation efforts** ○Increased demand for funds for investment in disaster prevention infrastructure ○Growing need for protection against wind and/or flood disasters and other environmental changes, and resulting opportunities to provide insurance and other financial products and services to support environmental protection measures in preparation for disasters
S Society Slow economic growth Active business establishment Accelerated transition to digital operations Declining working-age population, falling birthrate and aging population Diversified lifestyles Substantial personal wealth High educational standards Wealth of tourism resources Shortage of overnight lodging facilities and sluggish visitor traffic Increased job mobility Employment structure dependent on workers from other prefectures Dissemination of work-style changes Progress in diversification	●**Increased numbers of non-performing loans and credit-related expenses due to deterioration of customers' business conditions induced by domestic and international economic trends, foreign exchange rates and related factors** ●**Increased numbers of business closures precipitated by a lack of successors and a resulting decline in demand for funds** ○Changes in existing business and industrial structures	●**Increased customer demand for non-financial services, including M&A, asset succession, and employee placement services** ●**Increased number of business opportunities benefiting from the region's wealth of tourism resources** ○Increased number of business opportunities stemming from new job creation in cooperation with local governments and other external organizations ○Increased demand for funds to support customers' cash management and core businesses, and greater number of opportunities to provide new services
	●**Changes in banking transactions in response to lifestyle changes and diversification and expansion of the digital native population** ○Growing concern about retirement savings accompanying the contraction of the working-age population and aging of the population	●**Growing demand for asset-building services from members of the younger generation** ●**Increased opportunities to provide services that meet customers' need for inheritance services and diversifying bequest and donation needs** ●**Growing demand for asset management driven by substantial personal wealth** ○Increased opportunities for provision of new products and services employing digital technologies
	●**Declining organizational strength due to a lack of diverse values and opinions, and a failure to implement proactive challenges leading to transformation** ○Insufficient staff motivation and outflow of human capital due to delayed development of career paths that match individual staff members' work styles.	●**Expansion of the business territory through acquisition of highly specialized IT, risk management, and other human capital** ●**Augmenting organizational strength and creating new value by promoting the active participation of a diversified workforce** ○Accessing diverse perspectives and values by expanding opportunities for women
G Governance Changes in laws and regulations Increased geopolitical risks	●**Loss of public trust due to leakage of customer information and system failures caused by increasingly sophisticated and stealthy cyberattacks** ●**Increased difficulty of risk management due to a highly uncertain business environment** ○Decreased asset value attributable to deterioration of loan customers' financial condition, etc. ○Decreased asset value attributable to fluctuations in interest rates, exchange rates, stock prices, etc.	●**Improved awareness of investors' needs obtained by creating more opportunities for constructive dialogue with shareholders and investors** ○Increased earnings opportunities due to rising interest rates

Materiality determination process

STEP 1 Identification of issues

Besides such international frameworks as the United Nations Global Compact and the Global Reporting Initiative (GRI), we referred to the Global Top 10 Risks announced by the World Economic Forum and the Japanese government's SDGs Action Plan and extracted the risks in consideration of the external and internal environments surrounding the Nanto Bank Group as well as of issues specific to the Bank.

STEP 2 Analysis and evaluation of identified issues

Among the foregoing, we identified issues that are of particular relevance to the Nanto Bank Group and analyzed and evaluated their importance from two perspectives: their impact on our stakeholders and their financial impact on our Group.

STEP 3 Identification of most significant issues

Based on the results of Step 2, the Management Meeting and Board of Directors identified the materialities after discussing the opportunities, risks, and matters to be prioritized.

Review in response to changes in the external environment

Materialities (initiatives, challenges, action plan)

Materialities (Priority Issues) Responding to the Effects of Accelerating Climate Change

Past Initiatives We are working to reduce our environmental impact by employing renewable energy, promoting energy-saving measures, and providing sustainable finance.

Challenges Achieving carbon neutrality in our local communities will require advancing the decarbonization of our Bank Group, while further strengthening our support for customers' decarbonization efforts.

FY2026 Action Plan
- Initiatives to address climate change ≫P50-53

Materialities (Priority Issues) Realizing Sustainable Growth of Our Regional Economy

Past Initiatives We are working to revitalize our regional economy by helping local businesses solve their challenges, providing support for business succession and M&A, and offering real estate solutions.

Challenges With such regional challenges as economic contraction becoming increasingly diverse, we are committed to proactively solving these challenges by strengthening our ties with clients, creating new business opportunities, and stimulating the flow of people into the region.

FY2026 Action Plan
- Expanding our customer base through area-based sales approach, the Osaka Strategy, and real estate market revitalization
- Establishing new investment and financing models, and creating new business opportunities in the region ≫P32-49

Materialities (Priority Issues) Realizing a Convenient, Prosperous Society

Past Initiatives We are promoting initiatives to create an environment in which a diversified workforce can make optimal use of their abilities, provide career development support, and enhance employee engagement, while also working to build a diverse talent portfolio and enhance our training programs.

Challenges To remain our customers' banking group of choice in an increasingly cashless and digital society, we must improve customer convenience and redouble our efforts to provide services that optimize a mix of interpersonal and digital experiences while streamlining our operations.

FY2026 Action Plan
- Investment in growth (enhancing customer convenience, optimizing the Group's productivity, and improving OHR)

Materialities (Priority Issues) Cultivating a Healthy Corporate Culture with Participation of Diverse Human Resources

Past Initiatives We are promoting initiatives to create an environment in which a diversified workforce can make full use of their abilities, to provide career development support, and to enhance human capital engagement, while also building a diverse talent portfolio and upgrading our training programs.

Challenges As the challenges faced by our local communities and individual customers become increasingly complex, we must redouble our efforts both to cultivate human capital who think and act independently and to foster an organizational culture in which a diversified workforce can thrive.

FY2026 Action Plan
- Human capital development, implementation of management policies, and empowerment of a diversified workfo ≫P20-31

Materialities (Priority Issues) Preparing for Increasingly Varied and Complex Risks

Past Initiatives We are working to reinforce our risk management structures by enhancing our compliance system, implementing cybersecurity measures, combating financial crime, and improving our business continuity plan (BCP).

Challenges As risks grow increasingly diverse and complex, we must redouble our efforts to strengthen our cybersecurity, upgrade our risk management structures, and raise awareness of compliance and human rights.

Initiatives to Address Challenges
- Reinforcing our risk management structures and fostering a culture of compliance ≫P68-73

Value Creation Process