Risk Management and Materiality Management

1. Basic Policy on Risk Management

In order to ensure sound management, secure revenue through risk taking based on management strategies, and achieve sustainable growth, the Group follows a basic policy of accurately assessing risk conditions and implementing necessary risk-related measures through a series of risk management activities, including risk identification, evaluation, monitoring, control and mitigation, validation for advancement, and review, based on the Group's management policy and basic policy on the internal control system.

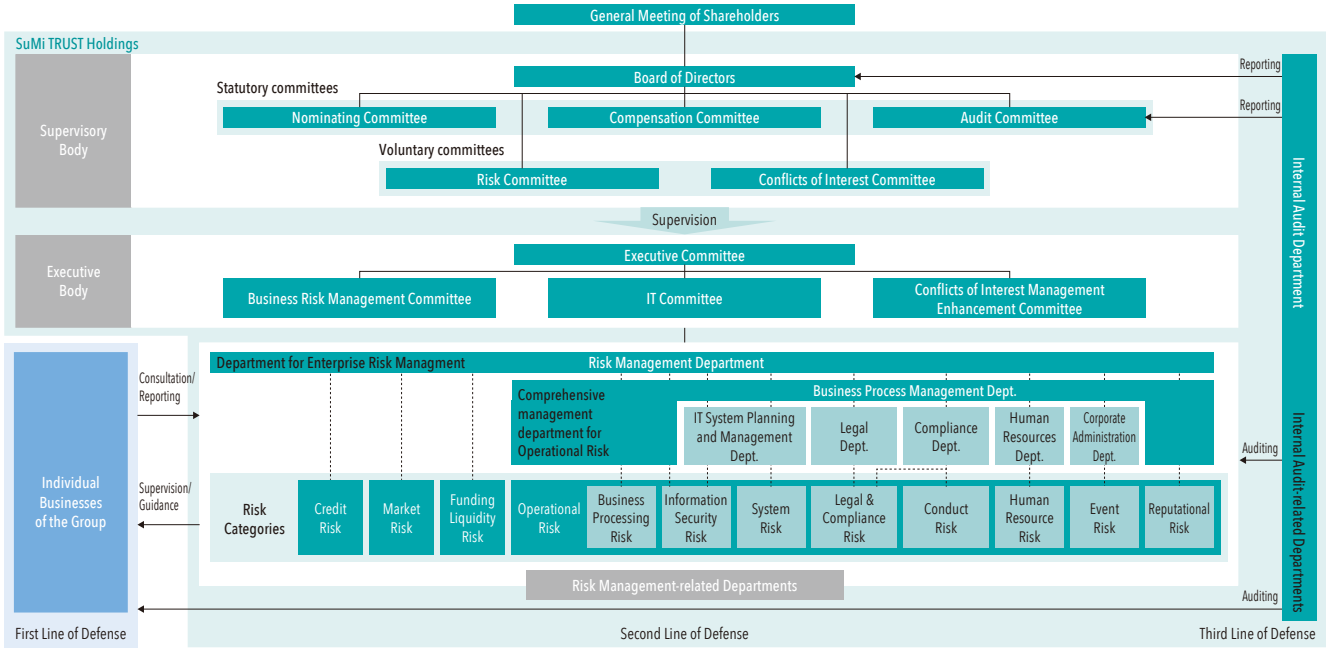
The Group's risk management framework encompasses the Risk Appetite Framework (RAF)*, and integrates it to function organically within the Group.

*The Risk Appetite Framework (RAF) is a group-wide corporate management framework consisting of the process for determining risk appetite (the type and amount of risk to be willingly taken to achieve the management plan) within the Group's risk capacity, in order to achieve management strategies formulated based on the Group's reason for existence ("Purpose") and management principles, together with an internal control system that monitors the process and ensures its appropriateness and sufficiency.

2. Risk Governance System

For the group-wide risk governance system, the Group has developed a Three Lines of Defense system under the Risk Appetite Framework consisting of risk management by individual businesses (first line of defense), risk management by the Risk Management Department and individual risk management-related departments (second line of defense), and validation by the Internal Audit Department (third line of defense).

Risk Governance System



(1) First Line of Defense

Each Group business identifies and gains an understanding of the risk characteristics involved in carrying out its own business, based on knowledge of the services and products in that business. Each business takes risks within the scope of its risk appetite in accordance with its risk-taking policy, evaluates risks, and swiftly implements risk control at the on-site level when risks materialize. In addition, the status of risk management is reported to the second line of defense in a timely manner.

(2) Second Line of Defense

The Risk Management Department and risk management-related departments act as control departments responsible for the management of each risk category. In accordance with the Group-wide basic policy on risk management approved by the Board of Directors, the Risk Management Department and risk management-related departments act as a check-and-balance function for the risk taking of the first line of defense, and supervise and provide guidance regarding the risk governance system from an independent standpoint.

The Risk Management Department, as an Enterprise Risk Management Department, performs overall risk management, identifies and evaluates group-wide risks, creates a risk management process, and sets risk limits in accordance with the group-wide risk management policy determined by the Board of Directors. In addition, it formulates group-wide recovery strategies, in advance, to prepare for cases when risks materialize. Furthermore, it shares information with risk management-related departments appropriately, monitors the overall status of risks and risk management in an integrated manner, and reports the status to the Executive Committee and the Board of Directors.

(3) Third Line of Defense

The Internal Audit Department verifies the effectiveness and appropriateness of the Group-wide risk governance system and processes from a standpoint independent of the first and second lines of defense.

(4) Executive Committee

The Executive Committee is composed of representative executive officers and executive officers designated by the President. It makes decisions on matters concerning risk management and undertakes preliminary discussions regarding matters to be resolved by and reported to the Board of Directors.

(5) Board of Directors

The Board of Directors is composed of all of the directors. It decides on the Group's management policy and strategic goals for risk taking, formulates a risk management policy, etc. that reflects these strategic goals based on a solid understanding of the location and nature of risks, and develops an appropriate risk governance system and supervises its implementation. The Board of Directors has voluntarily established the Risk Committee and the Conflicts of Interest Committee, as advisory bodies, based on the business strategies and risk characteristics of the Group.

Risk Committee

The Risk Committee receives requests for consultation from the Board of Directors on matters concerning the business circumstances surrounding the Group and the effectiveness of its risk management, etc., reviews their appropriateness, and reports its findings.

Conflicts of Interest Committee

The Conflicts of Interest Committee receives requests for consultation from the Board of Directors on matters concerning the Group's fiduciary duties and conflict of interest management, which are the foundation on which the Group seeks to become the "Best Partner" of its clients based on a fiduciary spirit, reviews their appropriateness, and reports its findings.

3. Risk Management Process

In the Group, the Risk Management Department and individual risk management-related departments act as the second line of defense, performing risk management using the following procedure. This risk management process, along with its associated systems, undergoes regular auditing by the Internal Audit Department, which acts as the third line of defense.

(1) Risk Identification

The risks faced by the Group are comprehensively identified, while ensuring the comprehensiveness of the Group's operations, and the risks to be managed are identified based on the scale and characteristics of the identified risks. Of note, risks that are particularly important are managed as material risks.

(2) Risk Evaluation

The risks identified as requiring management undergo analysis, assessment, and measurement in a manner appropriate for the business scale, characteristics, and risk profiles. We periodically evaluate material risks in terms of frequency of occurrence, degree of impact, and severity to determine whether they can be classified as "top risks" (risks that could have a material impact on the Group's business capabilities and earnings targets within one year) or "emerging risks" (risks that could have a material impact in the medium to long term).

(3) Risk Monitoring

Risk conditions are monitored with appropriate frequency, given the conditions of the Group's internal environment (risk profiles, allocated capital usage status, etc.) and external environment (economy, markets, etc.). Recommendations, guidance, and advice are given to each of the Group's businesses based on the risk conditions. Monitoring contents are reported and submitted to the Board of Directors, the Executive Committee, and other bodies regularly or as needed.

(4) Risk Control and Mitigation

If any incidents that could have a significant impact on the soundness of management occur, such as the risk amounts exceeding the risk limits, or the existence of concerns that it might do so, appropriate reports are presented to the Board of Directors, the Executive Committee, and other bodies, and the necessary countermeasures are implemented according to the severity of the risk.

4. The Group's Risk Characteristics

Based on a fiduciary spirit, and leveraging its significant expertise and comprehensive capabilities, the Group, as a trust banking group, strives to create distinct value through a total solution business model that combines its banking, asset management and administration, real estate businesses and others.

The Group faces various risks, including credit risk, market risk, funding liquidity risk, and operational risk, which vary depending on the business characteristics of each of the Group's businesses.

In this context, as a basis for improving management of risks related to trust business operations, we have established Group-wide Trust Business Guidelines to provide information about basic matters that warrant caution. SuMi TRUST Bank primarily manages these risks in the operational risk category, particularly in terms of its duty of due care as a prudent manager, duty of loyalty, and duty to segregate property as a trustee. In addition, SuMi TRUST Bank regularly assesses the status of major conduct risks and strives to reduce and manage risks and prevent risks from materializing by instilling and fostering awareness among executives and employees through internal training and other means.

From a forward-looking perspective, the Group's top management regularly identifies top risks and emerging risks, monitors and controls these risks, implements countermeasures, and reports to the Board of Directors and other relevant parties. The Group's main top and emerging risks related to ESG and the countermeasures taken to address them are listed below.

Risks related to the global COVID-19 pandemic

[Risk Details]

A prolonged global COVID-19 pandemic could have a negative impact on the global economy. For the Group, this may have a negative impact on our business strategy, or lead to the deterioration of the quality of our credit portfolio and an increase in total credit costs resulting from the negative impact on the business and other activities of obligors. In addition, a rise in infections among our Group employees and related parties may pose a threat to our business continuation. These factors could have a negative impact on our business operations and performance.

[Countermeasures]

- The Group conducts periodic stress tests of its credit portfolio based on macroeconomic scenarios and formulates action plans in preparation for times of stress. Based on the economic environment and changes in internal credit ratings, and in accordance with the degree of impact of the spread of COVID-19 on business performance and the degree of recovery expected after its containment, we make assumptions regarding the degree of future deterioration in credit risk for each industry and re-estimate the credit losses expected to occur in the future for a portion of credit in these industries and record additional allowance for doubtful accounts.
- To address risks related to business continuity, we established an emergency task force and set our basic stance of "ensuring the health and safety of our employees and their families," "maintaining business continuity as a key piece of social infrastructure," and "preventing the spread of infection in population (including activities that make the population less vulnerable)." In accordance to our stance, we have flexibly implemented measures while taking into account the COVID-19 infection situation in Japan and overseas, government requests, client trends, etc. In addition, we have implemented various business continuity measures as stipulated in our BCP and actively utilize teleworking in order to balance the maintenance of services with safety considerations.

Risks related to cyberattacks

(See pages 43-45 for details)

Legal & compliance risk

[Risk Details]

The Group strictly complies with the Banking Act, the Financial Instruments and Exchange Act, the Act on Engagement in Trust Business by a Financial Institution, and other laws and regulations. However, any failure by executives and employees to comply with these laws and regulations could result in penalties or administrative action against the Group, or loss of reputation in the market. In addition, there is a possibility that the products and services provided by the Group may not meet client expectations, and that the Group may be sued for damages due to various problems and claims that arise in the course of conducting its business. These factors could adversely affect the Group's business operations, performance, and financial condition.

[Countermeasures]

- The Group has formulated a compliance program and manages the state of progress and achievement of the program in order to maintain an appropriate compliance framework in line with the business characteristics of each Group company.

- The Group is improving training on compliance throughout the entire Group to help foster an awareness of compliance matters. Specifically, we provide training materials used in e-learning programs and discussion-based study sessions to Group companies on themes that span the whole Group. Each Group company conducts training and study sessions tailored to the characteristics of business and products at each company and the aspects of their clients, as well as e-learning programs on specific themes.
- The Group will continue to confirm that the process of improving and enhancing service quality has truly taken root in all of its businesses, starting with the voting rights exercise form aggregation service.

Risks related to data management

[Risk Details]

The Group uses many systems to provide various services to clients and for external reporting, etc., and these systems contain various types of information, including personal information. With respect to managing such management information, it is necessary to expand and upgrade the scope of operations to apply the data governance system established in accordance with the Basel Committee on Banking Supervision's Principles for Effective Risk Data Aggregation and Risk Reporting (BCBS 239). Inadequacies in the data management process for such management information and other data could result in erroneous management decisions, etc., which could reduce the Group's corporate value and cause a loss of trust in the Group. This may negatively impact the Group's business operations and performance.

[Countermeasures]

- The Group has established rules for the management of personal and management information, and is continuously enhancing data management processes and upgrading data governance in line with BCBS 239.
- The Group has established policies and administrative procedures for information management, and ensures that all employees are fully aware of the importance of information management through education and training programs.

Risks related to climate change

[Risk Details]

Medium- to long-term climate change could potentially have a negative impact on the Group's performance and financial condition owing to greater risk of physical damage to, for example, the natural environment, social infrastructure, and client assets (physical risks), as well as the risk of a rapid transition to a low-carbon society owing mainly to policy changes, changes in social norms, financial market preferences regarding climate change, and technological innovation (transition risks).

More specifically, there is the risk that natural disasters impair the credit standing of obligors and the value of their pledged assets and thereby negatively impact the Group's credit portfolio (physical risk), and the risk that the value of the Group held assets, such as securities issued by companies with large amounts of CO_2 emissions and loans to those companies, could be dragged down due to a rapid transition to a low-carbon society (transition risk).

[Countermeasures]

- In October 2021, the Group announced its carbon neutrality declaration and joined the Net-Zero Banking Alliance (NZBA) in order to steadily advance its commitment.
- The Group will manage climate change-related risks within an enterprise-wide risk management framework in accordance with the final recommendations (June 2017) of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD).
- As part of our credit risk management, we have established a sector policy that in principle prohibits new loans to coal-fired power plants, which emit large amounts of greenhouse gases, and we monitor related indicators on a regular basis.
- We conduct simulations to measure the impact of transition and physical risks on the Group over the medium to long term.

Risks related to innovation

[Risk Details]

The advancement of fintech and other technologies related to the financial business is progressing beyond the boundaries of the industry and changing the behavior of clients. If the Group is unable to adapt to these changes, our competitiveness may decline or the scale of our business may shrink, which may adversely affect our business performance and financial condition.

[Countermeasures]

- We will work to improve the efficiency of existing business operations by utilizing digital technology and create new platforms in areas unique to trust banks.

Risks related to Japan's declining birthrate and aging population

[Risk Details]

The demographic changes in Japan will result in changes in age composition of the Group's clients over the medium to long term. The number of clients for the Group's individual

consulting and mortgage loan services may decline over the medium to long term, which may adversely affect the Group's performance and financial condition.

[Countermeasures]

- As we enter an age of 100-year life, there is growing interest in asset formation due to concerns over retirement savings, and we are working to evolve and upgrade our business model to one unique to our Group, utilizing the diverse functions of a trust bank.

5. Enterprise Risk Management

(1) Enterprise Risk Management System

We manage risks by comprehensively grasping the risks faced by the Group, which are evaluated on an individual risk category basis, and comparing and contrasting them against our corporate strength (enterprise risk management).

We evaluate the effectiveness of our risk management and risk control annually, and when the need arises due to changes in the business environment or other circumstances, we will consider revisions to our risk category system, risk management system, and other policies.

Among the risks we manage through our enterprise risk management, we combine the risk values for risks that can be quantitatively measured using a single standard, such as VaR*, and compare the combined value against our corporate strength (capital position), thereby managing risks (integrated risk management).

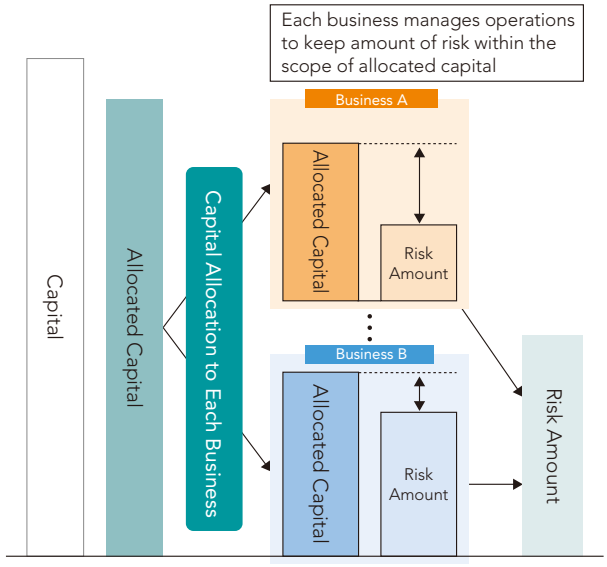
*VaR = Value at Risk

(2) Capital Allocation Operations

For the purpose of the Group's capital allocation operations, SuMi TRUST Holdings allocates capital to each business, including the Group companies, based on each risk category (credit risk, market risk, and operational risk) in consideration of the external environment, risk-return performance status, scenario analysis, and the results of assessments of capital adequacy levels. The capital allocation plan is subject to the approval of the Board of Directors. Capital allocation levels are determined based on the Group's risk appetite.

Each business is operated within both the allocated amount of risk capital and its risk appetite. The Risk Management Department measures the risk amount on a monthly basis, and reports regularly on the risk conditions, compared to the allocated capital and risk appetite, to the Board of Directors, and others.

Capital Allocation Scheme



(3) Stress Tests and Assessment of Capital Adequacy Level

The Risk Management Department performs three types of stress tests (hypothetical scenario stress testing, historical scenario stress testing, and examination of probability of occurrence) each time a capital allocation plan is formulated or reviewed, with the aim of ensuring capital adequacy from the standpoint of depositor protection. Based on the results of these stress tests, it assesses the level of capital adequacy, and reports to the Board of Directors, and others.

Hypothetical Scenario Stress Testing

We assess capital adequacy level by formulating stress scenario that has a sufficiently strong impact and a realistic probability of occurrence and then estimating capital adequacy ratio, etc. in times of stress.

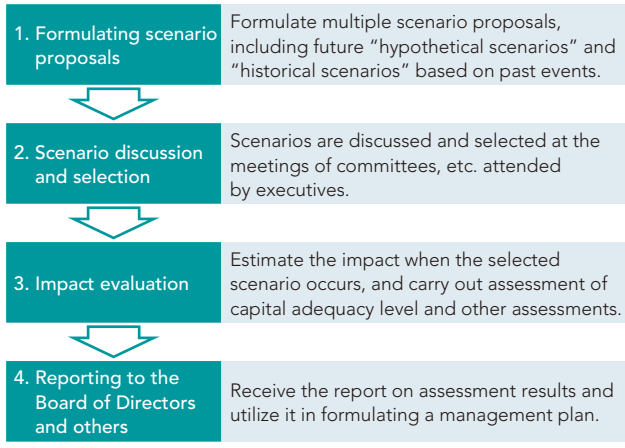
Historical Scenario Stress Testing

We also assess capital adequacy level through estimation of capital adequacy ratio, etc. in times of stress using parameters from stress times that had occurred in the past.

Examination of Probability of Occurrence

We further assess capital adequacy level by comparing the risk with 99.9% confidence interval with total capital defined under capital adequacy requirements.

Stress Test Framework



6. Developing Positive Risk Culture

The Group defines risk culture as a basic philosophy that prescribes the codes, attitudes, and conduct of the Group, as well as its executives and employees, that flexibly excute risk taking, risk management, and risk control based on an appropriate assessment of risks, guided by a high degree of self-discipline based on the fiduciary spirit.

In order to foster a risk culture so that it will take root across the Group, we define risk-taking policies for each business when formulating its management plan, and encourage appropriate risk-taking by all officers and employees. In this way, the Group aims to build sustainable business models that contribute to increasing corporate and stakeholder value. In addition, we have formulated a Risk Appetite Statement (RAS) clearly stating our RAF, which is used as a common language in lively discussions concerning risk appetite within the Group.

7. Crisis Management and Business Continuity Plan (BCP) in Disasters

(1) The Group's Initiatives

SuMi TRUST Holdings and SuMi TRUST Bank have developed contingency plans in order to quickly implement emergency response measures in the event of emergencies, such as natural disasters, computer system breakdowns and outbreaks of new infectious diseases.

Moreover, regarding important business operations, such as financial settlement, SuMi TRUST Holdings and SuMi TRUST Bank have developed systems to continue business, including BCPs (business continuity plans) and backup offices. In order to ensure the effectiveness of such systems, they periodically conduct exercises and revise BCPs.

When the crisis is serious and its impact is extensive, causing serious disruptions to the normal business operations of SuMi TRUST Bank and the Group and making it necessary to urgently make comprehensive and high-level management judgment, the Group will establish an emergency task force as a company-wide response organization and will quickly implement emergency response measures.

In particular, in preparation for the possible occurrence of a major earthquake, SuMi TRUST Bank, which has branches across Japan, periodically conducts exercises in order to make a response that gives consideration to the safety of clients and employees and to business continuity and ensure the effectiveness of the response.

As for company-wide response, in order to enhance the effectiveness of the functions of the emergency task force, the Group is strengthening systems for information gathering and information coordination, in addition to periodically conducting exercises, and it is also promoting the enhancement of emergency response systems in the Osaka area on the assumption of a disaster in the Tokyo area.

Meanwhile, branches are striving to strengthen response capability through periodic exercises and are promoting disaster countermeasures in light of individual branches' specific circumstances such as the location condition and the status of principal facilities. Branches are also developing a system for mutual support among them.

(2) Response to Threat of Cyberattack

SuMi TRUST Holdings has implemented various measures in order to protect its clients' precious assets from the ever-increasing threat of cyberattack in Japan and overseas (see pages 43-45 for details).

Code of Conduct for Executives and Employees

1. Executives and employees must fully recognize and understand the importance of crisis management and prepare for emergencies. At the same time, they must strive to develop their knowledge in normal times so that they can quickly and appropriately respond in the event of an emergency.
2. In the event of an emergency, executives and employees must make judgments and take actions based on the following principles:

(1) Securing the Safety of Life
In the event of an emergency, the top priority must be placed on securing the safety of customers, executives and employees, and their families. Executives and employees must also always give priority to humanitarian considerations when taking various emergency response measures.

(2) Protection of Sumitomo Mitsui Trust Bank's Corporate Assets
By taking disaster prevention and mitigation measures in preparation for the possible occurrence of emergencies, executives and employees must protect Sumitomo Mitsui Trust Bank's corporate assets in the event of an emergency. They must also do their utmost to take risk mitigation measures to guard against adverse effects that may disrupt business activities.

(3) Business Continuity and Early Restoration
In the event of an emergency, executives and employees must strive to quickly restore and continue priority business operations.

(4) Cooperation with Local Communities
In the event of an emergency, executives and employees must strive to cooperate with local communities in rescue and other local activities.

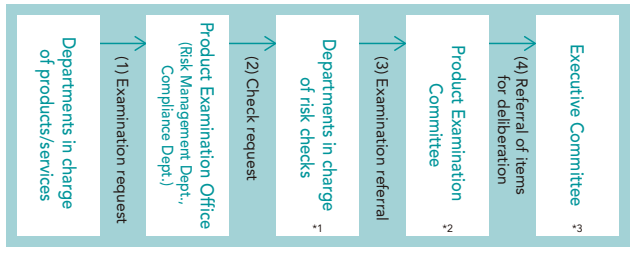
8. New Product and Service Examination System and Post-Introduction Management System

When introducing a new product or service, it is necessary to develop various systems in order to continue offering the product or running the operation, including making an advance determination regarding the existence of any inherent risks and identifying their types, evaluating and managing such risks, and providing explanatory materials and methods to clients. To that end, we have developed a new product and service examination system.

In the examination process, multiple departments carry out verification from various angles, with an emphasis on introducing products and services that will earn the trust of clients.

For products and services that have been examined by the Product Examination Committee, after they are introduced, we regularly monitor the status of our post-introduction initiatives, including from a risk management perspective. Regular monitoring is also carried out from the viewpoint of providing clients with appropriate explanations for products and services that are expected to be affected due to changes in the environment and so on, regardless of whether or not they have been deliberated by the Product Examination Committee. The results of these verifications are reported to the Product Examination Committee, and in the event that a situation arises that differs from the assumptions at the time of review, we discuss how to address and report the details to the officers in charge of the Risk Management Department and the Compliance Department.

Product Examination Process (SuMi TRUST Bank)



*1 Risk Management Dept., Compliance Dept., Legal Dept., Planning and Coordination Dept., Fiduciary Duties & Customer Satisfaction Planning and Promotion Dept., Financial Planning Dept., Business Process Management Dept., etc.
*2 Held jointly with the Conflicts of Interest Management Enhancement Committee as necessary to consider merchantability and the perspective of conflicts of interest.
*3 When new products and services that may have a significant impact on the Group's management are referred to SuMi TRUST Bank's Executive Committee, discussions are held with SuMi TRUST Holdings, and a framework is provided for bringing up matters at the Executive Committee and reporting to the Board of Directors.

9. Information Security Risks and Cybersecurity Measures

Information Security Risk Management Framework

The SuMi TRUST Group considers information assets to be one of the most important managerial resources, and has set the protection of personal information and customer data as one of the management foundation materialities. In addition, the Group also identifies information security risk as "Risk that the Group may incur losses due to the improper management or maintenance of information assets, including through information leaks, information errors, and misuse of information, as well as an inability to use the information system," and positions it as one of the risk subcategories under operational risk. It has assigned an officer in charge and established a control department to properly manage customer information and implement cybersecurity measures.

In addition, we have established and announced our Declaration for the Protection of Personal Information, which is a set of policies designed to ensure the protection of the personal information of our clients and shareholders, and have declared to abide by them.

We will establish internal rules regarding the management framework and handling of information in accordance with the Personal Information Protection Act, related laws and regulations, and the "Guidelines for Personal Information Protection in the Financial Field" established by the Financial Services Agency. We will also hold regular training sessions for all employees twice a year to ensure that they are fully acquainted with the points of concern regarding the handling of information in their daily operations and to promote a principles-based understanding of information security.

Regulation related to information security risk management

Regulations	Declaration for the Protection of Personal Information, Risk Management Rules
Rules	Risk Management Rules, Operational Risk Management Rules, Information Security Risk Management Rules, System Risk Management Rules
Guidelines	Information security risk management guidelines, system risk management guidelines, personal information handling guidelines, personal data management administrative guidelines, CSIRT operation guidelines, internal OA management guidelines, guidelines for taking client information outside the company, etc.

Organizational structure, etc.

Matters related to information security risk, as a risk subcategory within operational risk, are deliberated comprehensively by the Business Risk Management Committee at SuMi TRUST Holdings and by the Operational Risk Management Committee at SuMi TRUST Bank, covering a series of processes such as the development of a management framework, formulation of plans, and the identification, evaluation, monitoring, and control of risks. In addition, policies and plans are decided by the Board of Directors after deliberation by the Executive Committee. Based on the rules regarding authority, the series of processes are executed by the Business Process Management Department, the IT System Planning and Management Department, and other control departments responsible for information security risk management. The officer in charge of the Business Process Management Department and the officer in charge of the IT System Planning and Management Department are responsible for overall information security risk management.

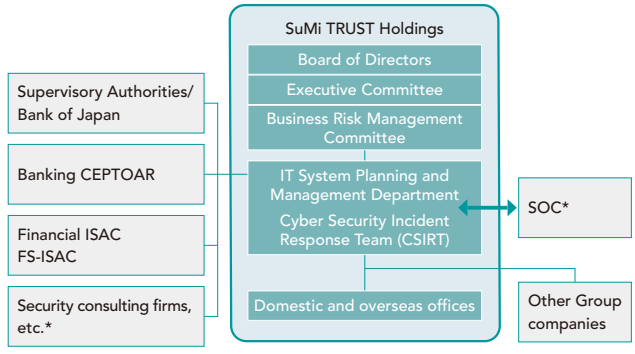
Organizational structure	Board of Directors, Executive Committee Business Risk Management Committee (SuMi TRUST Holdings) Operational Risk Management Committee (SuMi TRUST Bank)
Officer in charge	Officer in charge of Business Process Management Department or officer in charge of IT System Planning and Management Department
Control departments	Business Process Management Department and IT System Planning and Management Department

Cybersecurity Management Framework

The Group has designated cyber-attacks as one of the governance and management framework materiality as well as a top risk, and has formulated the "Cybersecurity Management Declaration" to plan and promote cybersecurity measures under the leadership of our management team.

- We have established SuMiTRUST-CSIRT*1 as a specialized organization for cybersecurity measures, and have built a management framework that collects and analyzes threat and vulnerability information from within and outside the Group, plans and implements security measures, and reports to management. We are also promoting the advancement of security measures through security review meetings and our IT Committee, as well as by utilizing outside expertise.
- The Group has established internal rules and regulations based on US security standards, and has developed processes for responding to cyberattacks both in normal times and in emergency situations.
- In addition to conducting cybersecurity risk assessments and system vulnerability assessments on a regular basis for the SuMi TRUST Group and its subsidiaries and affiliates, we are promoting the standardization of cybersecurity rules and regulations to enhance and standardize the cybersecurity framework for the Group as a whole.

Cybersecurity Management System



*SOC: Abbreviation for Security Operation Center. The SOC monitors networks to detects and analyzes cyberattacks.

Monitoring System

The Group has built a common infrastructure for internet communications, and the Security Operation Center (SOC) monitors the common infrastructure network 24 hours a day, 365 days a year and detects threats by conducting correlation analysis of various types of data. This information is consolidated in SuMiTRUST-CSIRT, and we have established a monitoring system centered on the CSIRT.

Enhancing Cybersecurity Measures

We have established perimeter defense measures (multi-layered defense consisting of entry, exit, and internal measures) as a technical countermeasure against cyberattacks, and are

working to reduce risk by implementing various measures to counter DDoS attacks, detect and block phishing websites, and handle other threats.

In addition, we periodically conduct risk analysis using cybersecurity heat maps and third-party assessments using international cybersecurity assessment tools such as FFIEC-CAT*2. We also participate in cyber exercises organized by the Financial ISAC*3 and the Cabinet Cybersecurity Center, running through the PDCA cycle to enhance our countermeasures and cyber resilience. Furthermore, we are also prepared for emergencies through our cyber insurance.

Key technical measures	
Entry measures Exit measures	• Detect and block malicious traffic (including countermeasures to DDoS) • Stop viruses and malware (suspicious applications) from intruding • Restrict suspicious traffic through behavior detection • Assess and enhance the internet route through vulnerability assessment through vulnerability assessment
Internal measures	• Detect of malware behavior that has infiltrated endpoints (internal office automation terminals and servers)
Integrated monitoring	• Improve detection accuracy through integrated analysis of multiple access logs obtained from firewalls, proxy servers, etc. • Expand scope of detection by decrypting encrypted communications (e.g., HTTPS) before analysis

Responding to the New Normal

In response to the COVID-19 pandemic, work from home and telework environments are rapidly expanding in the Group. For cybersecurity risks related to teleworking, we implement thorough security measures and information management for remote terminals and other equipment, and confirm safety through risk assessments and penetration tests.

Security Personnel Development

To develop personnel with advanced expertise in cybersecurity, CSIRT collaborates with external experts in internal review meetings, participates in external communities such as Financial ISAC and FS-ISAC*4, provides external training and certification support, and sends employees to graduate schools.

We also make ongoing efforts to educate employees through information security training for all employees, phishing e-mail drills, and cyber exercises in cooperation with external organizations.

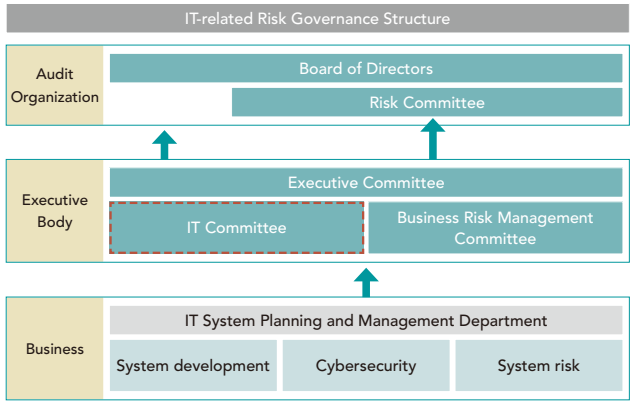
System Risk Management Framework

In order to minimize the impact of large-scale failures and disasters on our information systems and prepare for early recovery and business continuity, we are working to strengthen our resilience by specifying the Group's communication and response systems in detail, developing workarounds and recovery procedures, and conducting education and training in operations.

In addition, to address the risk of delays and cost increases resulting from system development over a certain scale, we monitor the progress and quality management of large-scale system development projects and report them to the IT Committee for discussion in an effort to ensure appropriate management of system development.

IT Committee

The IT Committee is composed of the Officers and general managers in charge of each business management department, including the IT System Planning and Management Department, as well as external members, and examines and discusses important system investments and system technology from a multifaceted perspective. In terms of risk management, the IT Committee shares and discusses risks arising from system development, cybersecurity, and system risks, etc., and as an advisory body to the Board of Directors, actively utilizes the knowledge of external committee members, who are experts from outside the company, to enhance discussions and improve management.



*1 CSIRT (Computer Security Incident Response Team): In-house organization that collects, analyzes, and responds to early warning information about attacks
*2 FFIEC-CAT (Cybersecurity Assessment Tool): A cybersecurity risk assessment tool published by FFIEC (Federal Financial Institutions Examination Council) for financial institutions
*3 Financial ISAC (Information Sharing and Analysis Center): Information sharing organization for Japanese financial institutions
*4 FS-ISAC (Financial Services Information Sharing and Analysis Center): Information sharing organization for financial institutions, mainly in the United States