# Risks and Opportunities

| Materiality | Risks | Opportunities | Key Initiatives |
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| Diversity & Inclusion | ◆ Reduced ability to adapt to environmental changes owing to the lack of diversity and flexibility, and subsequent competitive disadvantage from an HR strategy perspective<br>◆ Increasing difficulty in securing human resources and maintaining our customer base due to growing inequality and the severity of poverty issues | ◆ Improved productivity through efforts aimed at enhancing employee engagement<br>◆ Attract and retain talented employees and strengthen organizational capabilities through human resources measures and health management | ◆ Visualize organizational issues using engagement surveys and continuously implement improvement actions<br>◆ Optimize the skills and placement of human resources through the implementation of a talent management system<br>◆ Promote flexible work styles by expanding return-to-work support programs and flextime systems to accommodate childcare and caregiving needs<br>◆ Implement such measures as the establishment of a special incentive program to help employees acquire and hold the Company's shares more easily and raising salary levels |
| 100 years of life | ◆ Contraction of capital markets and deterioration of the earnings environment due to geopolitical and fiscal risks, as well as sluggish market conditions<br>◆ Shrinking customer base due to widening income disparities and a deterioration in regional economies | ◆ Upswing in demand for asset management and succession planning due to an increase in the elderly population<br>◆ Long-term asset management needs and improved financial literacy<br>◆ Growing momentum toward regional revitalization | ◆ Optimize the overall balance sheets of customers' assets and liabilities through the use of loans by strengthening banking functions<br>◆ Diversify investment opportunities by upgrading and expanding alternative investment products (private equity, real estate, aircraft, etc.)<br>◆ Expand the customer base through business alliances with regional banks and a capital and business alliance with Aozora Bank<br>◆ Strengthen asset management capabilities through the Emerging Manager Program (EMP) and external partnerships aimed at enhancing operations<br>◆ Contribute to efforts aimed at increasing the efficiency of the industry through various measures, including the development of a data sharing platform between asset management companies and trust banks<br>◆ Roll out measures to improve financial literacy tailored to the needs of all generations, including on-site classes, seminars, and hands-on learning experiences |
| Innovation | ◆ Competitive disadvantage due to delays in addressing changing customer needs and insufficient service and product development capabilities<br>◆ Deterioration in the earnings environment and decline in relative market position due to the influx of new entrants and ongoing industry realignment | ◆ Growing demand for corporate financing and M&As to realize innovation<br>◆ Growth in services and products through the use of AI and digital technologies<br>◆ Greater productivity and the creation of business development opportunities through the training of digital IT personnel | ◆ Improve customer service through digital technologies, including efforts to upgrade and expand AI operator services<br>◆ Improve asset management capabilities through the asset visualization app (D-Port)<br>◆ Upgrade and expand cryptocurrency-related services and provide new investment products<br>◆ Invest in and partner with leading startups (including those with unlisted shares) to provide high-quality financial services |
| Green & Social | ◆ Decline in business opportunities in industries that are subject to stricter regulations<br>◆ Decline in the value of held assets due to the deteriorating performance of investee companies affected by worsening social issues | ◆ Mounting demand for finance and investment opportunities aimed at solving social issues<br>◆ Develop financial products and services that balance economic viability and social value | ◆ Structure and underwrite symbolic sustainability finance instruments, such as orange bonds<br>◆ Expand the market and contribute to the resolution of social issues through investments in impact investment funds<br>◆ Promote direct investment in renewable energy (wind, solar, etc.)<br>◆ Participate in next-generation energy sectors (energy storage technologies, etc.) |
| Foundation of sustainable management | ◆ Damage to the Group's reputation and the leakage of information owing to a variety of factors, including scandals or cyberattacks<br>◆ Decline in trust and erosion of corporate value stemming from delays in addressing sustainability issues and responding to regulatory compliance requirements | ◆ Enhance corporate value by acquiring high ESG evaluations<br>◆ Strengthen the value chain and deepen dialogue with stakeholders | ◆ Increase the sophistication of unfair trading practice monitoring and risk management through the use of AI<br>◆ Implement an automated recording system for customer interactions and improve transparency through generative AI and voice recognition<br>◆ Launch next-generation personal information management services<br>◆ Strengthen governance through various measures, including maintaining the ratio of female directors<br>◆ Strengthen the screening of investment and lending destinations with respect to human rights risks, including child labor<br>◆ Upgrade and expand the disclosure of sustainability-related information, including information on natural capital, biodiversity, and climate-related matters |