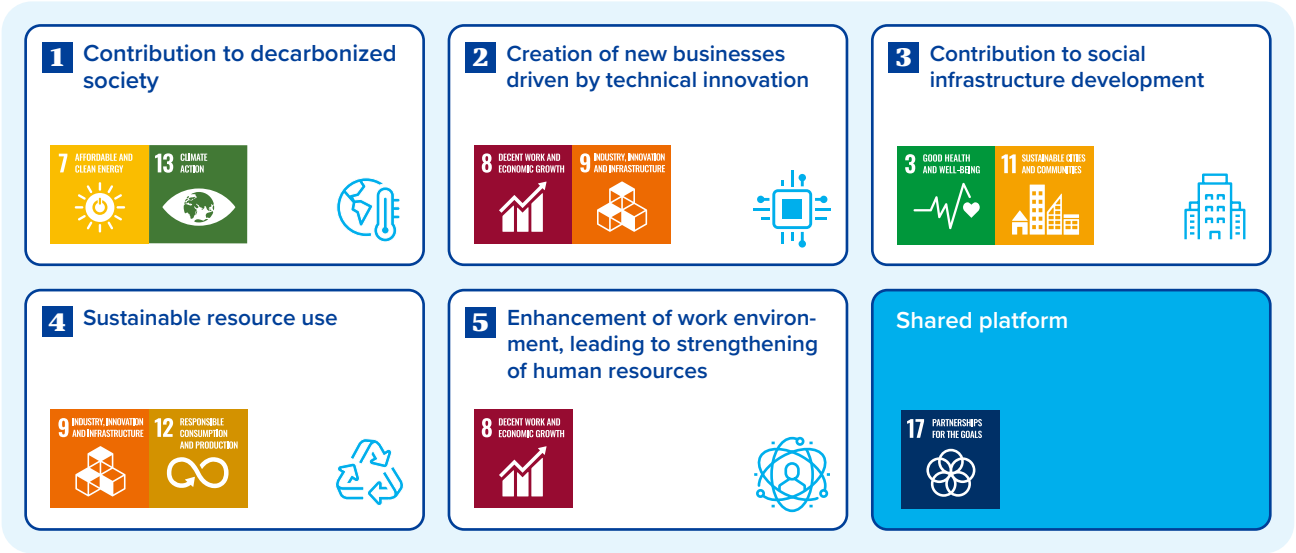


Process for Identifying Materiality (Key Issues)

Tokyo Century’s Materiality (Key Issues)

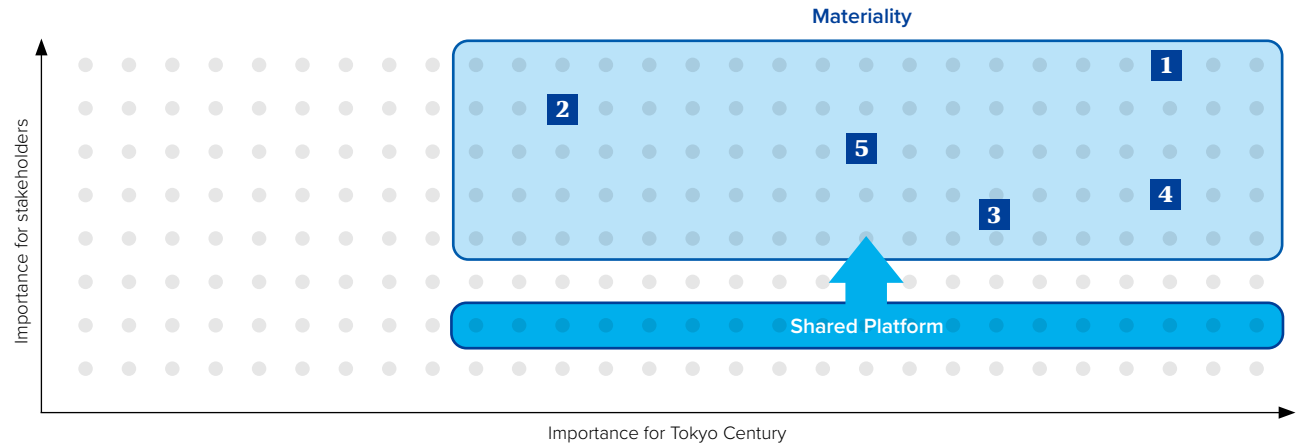


Materiality Identified to Support Sustainability Management

Tokyo Century’s Materiality (Key Issues)

- ➔ Based on the United Nations Sustainable Development Goals (SDGs), Tokyo Century has created a materiality map that considers the degree of priority for its stakeholders (indicated on the vertical axis) as well as the degree of priority for the Company itself (indicated on the horizontal axis). Priority issues for the Company include the development of diverse businesses (such as aviation and solar power generation) that take advantage of its highly free operating environment and business characteristics grounded in the value of its assets.
- ➔ The process of creating this map involved first assessing the importance of issues for stakeholders based on major environmental, social, and governance (ESG) evaluation and non-financial information disclosure standards as well as on the 169 targets for the 17 SDGs. We then proceeded to identify the issues of importance for the Company by looking at the connection between the SDGs and our Management Philosophy and financial information. The important issues defined in these two categories formed the axes used when preparing our materiality map, and this map was used to identify the five materiality items indicated above, based on meetings with relevant personnel and discussions by the Sustainability Committee, the Management Meeting, and the Board of Directors.
- ➔ In addition, protocols have been introduced regarding materiality notifications in agendas for meetings of the Transaction Evaluation Meeting, Management Meeting, and the Board of Directors. The Company also offers incentives as part of its sales promotion measures for initiatives that contribute to the accomplishment of the SDGs through our business activities. These measures are meant to help improve awareness regarding materiality initiatives among employees. Moreover, we have defined key performance indicators (KPIs) along with a PDCA (plan–do–check–act) cycle for our materiality (key issues).

Identification of Materiality Using Materiality Map



Major ESG standards referenced: Dow Jones Sustainability World Index, FTSE4Good Index Series, MSCI indexes, and SASB Standards

Enhancement of Materiality Effectiveness

Introduction of New KPI




New

Definition of Transaction Volume as New KPI

Medium-Term Management Plan 2027 puts forth the focus areas of decarbonization, social infrastructure, and a circular economy. To measure progress toward addressing materiality items in a manner that coincides with these focus areas, Tokyo Century has defined the new KPI of transaction volume*1 (leases, financing, investments, etc.).

Prior KPIs only tracked transactions in certain businesses. The new KPI of transaction volume, however, covers transactions in all businesses and is thus able to better illustrate how Tokyo Century’s business activities are tied to its contributions to society. Moreover, the new KPI also corresponds with the management indicators used to monitor the sales performance of Tokyo Century Group employees and thereby incentivizes them to advance business activities for addressing materiality items. At the moment, around 80% of Tokyo Century’s overall transaction volume is applicable to the Company’s materiality items. We have not yet formulated medium- to long-term targets for the new KPI, but we intend to examine the possibility of setting specific targets as necessary going forward.

Businesses Applicable under New KPI of Transaction Volume and Results Thereof






Materiality (Key Issues)	Applicable Businesses	KPI: Transaction Volume	
		FY2022	FY2023
1 Contribution to decarbonized society Contribute to widespread use of clean energy through climate change response and environmental efforts 	<ul style="list-style-type: none">Renewable energy businesses (amount of investment in solar power and biomass power generation businesses, corporate power purchase agreements, and storage battery businesses)Introduction of electric vehicles in Automobility segmentIntroduction of fuel-efficient aircraft in aircraft leasing businessesJoint crediting mechanism (JCM) business, etc.	¥296.2 billion	¥344.7 billion
3 Contribution to social infrastructure development Respond to advances in global mobility services and cooperate with local communities to contribute to social infrastructure development 	<ul style="list-style-type: none">Mobility (auto leasing,*2 aircraft, shipping, etc.)Real estate (offices, logistics facilities, data centers, hotels, etc.)Transactions pertaining to public facilities (government agencies, schools, hospitals, etc.) and infrastructure (power distribution equipment, public broadcast equipment, etc.), etc.	¥479.7 billion	¥641.2 billion
4 Sustainable resource use Contribute to development of a circular economy focused on the value of assets 	<ul style="list-style-type: none">Lease transactions that do not apply to other materiality itemsLeasing by CSI Leasing, Inc.Secondhand vehicle sales, etc.	¥396.5 billion	¥473.0 billion
Total		¥1,172.4 billion	¥1,458.9 billion

*1 Calculated using amounts of lease and rental transactions, financing, investments, and sales based on internal sales management figures
Scope: Tokyo Century Corporation and 15 major subsidiaries (FLCS Co., Ltd.; EPC Japan K.K.; Nippon Car Solutions Co., Ltd.; Nippon Rent-A-Car Service, Inc.; Kyocera TCL Solar LLC; Aviation Capital Group LLC; CSI Leasing, Inc.; Allegiant Partners Inc.; Tokyo Century (USA) Inc.; Tokyo Century Leasing (Singapore) Pte. Ltd.; Tokyo Century Capital (Malaysia) Sdn. Bhd.; TISCO Tokyo Leasing Co., Ltd.; HTC Leasing Co., Ltd.; TC Car Solutions (Thailand) Co., Ltd.; and BPI Century Tokyo Lease & Finance Corporation)

*2 Mobility business transactions pertaining to the introduction of electric vehicles are excluded from the transaction amount for “contribution to social infrastructure development” as these transactions are included in the transaction amount for “contribution to decarbonized society.”

Relationship between Materiality and Medium- to Long-Term Value Creation Strategies

Note: For more information regarding KPIs, please refer to Tokyo Century's latest sustainability data book.

Materiality (Key Issues)	Major Opportunities and Risks for Tokyo Century	Major KPIs	Results (Fiscal 2023)	Major Initiatives for Contributing to Materiality (Key Issues)
<div>1 Contribution to decarbonized society</div> <div></div>	<div>+ Opportunities</div> <div>Expansion of scope of renewable energy and other environment-related businesses</div> <div>- Risks</div> <div>Emergence of stranded assets with high greenhouse gas emissions</div>	<div>Contributions to reductions in CO₂ emissions through solar power generation businesses of consolidated subsidiaries*¹ (fiscal 2024)</div> <div>Annual generation volume: More than 549,700 MWh</div> <div>Reductions in CO₂ emissions: More than 215,757 t-CO₂</div> <div>New Transaction volume (leases, financing, investments, etc.)</div>	<div>Contributions to reductions in CO₂ emissions through solar power generation businesses of consolidated subsidiaries</div> <div>Annual generation volume: 560,575 MWh</div> <div>Reductions in CO₂ emissions: 218,344 t-CO₂</div> <div>Transaction volume: ¥344.7 billion</div>	<div>➡ Investment in Forestry Fund</div> <div>Tokyo Century has invested in a forestry fund organized and operated by the Sumitomo Forestry Group with the aim of utilizing the quality carbon credits obtained through the fund to create new services and businesses that contribute to reductions in emissions.</div>
<div>2 Creation of new businesses driven by technical innovation</div> <div></div>	<div>+ Opportunities</div> <div>Improvement of customer value propositions using digital technologies</div> <div>- Risks</div> <div>Diminishment of customer value propositions due to obsolescence of existing business model</div>	<div>Certification under METI's DX Certification system*²</div>	<div>Certification under METI's DX Certification system</div> <div>Inclusion among Noteworthy DX Companies 2024 in May 2024</div>	<div>➡ Investment in IT Service Provider MEEQ Inc.</div> <div>With the goal of co-creating new services, Tokyo Century has commenced investment in MEEQ Inc., provider of MEEQ, an Internet of Things (IoT) platform offering one-stop services for various communication, hardware, software, AI, and other functions crucial for digital transformation and the adoption of the IoT.</div>
<div>3 Contribution to social infrastructure development</div> <div></div>	<div>+ Opportunities</div> <div>Expansion of customer value propositions through utilization of social infrastructure assets indispensable to everyday life</div> <div>- Risks</div> <div>Emergence of stranded assets due to deterioration of social infrastructure</div>	<div>Number of vehicles equipped with telematics services*³</div> <div>Number of safe driving lessons conducted using telematics services*⁴</div> <div>Ratio of rental cars equipped with safety features (automated brakes, etc.)*⁵</div> <div>New Transaction volume (leases, financing, investments, etc.)</div>	<div>Number of vehicles equipped with telematics services: 88,359</div> <div>Number of safe driving lessons conducted using telematics services (number of participants therein): 1,049 (14,149)</div> <div>Ratio of rental cars equipped with safety features (automated brakes, etc.): 97.4%</div> <div>Transaction volume: ¥641.2 billion</div>	<div>➡ Investment in U.S. Data Center Business</div> <div>Investment has been conducted in data centers located in Chicago and operated by the NTT Group. These data centers are supporting the popularization of generative AI and other technologies and are expected to benefit from growing demand among major IT companies and other hyperscalers as infrastructure indispensable to our everyday lives.</div>
<div>4 Sustainable resource use</div> <div></div>	<div>+ Opportunities</div> <div>Increased range of business opportunities related to a circular economy focused on the value of assets</div> <div>- Risks</div> <div>Higher costs related to waste processing Damage to reputation due to environmental pollution</div>	<div>Number of secondhand computers sold (fiscal 2026): More than 301,000</div> <div>Number of units processed with ITAD services*⁶ (fiscal 2025): 2,000,000</div> <div>Number of rental cars owned*⁵</div> <div>New Transaction volume (leases, financing, investments, etc.)</div>	<div>Number of secondhand computers sold: 350,813</div> <div>Number of units processed with ITAD services: 1,694,606</div> <div>Number of rental cars owned: 35,158</div> <div>Transaction volume: ¥473.0 billion</div>	<div>➡ Promotion of ITAD Service Business through Joint Investment in EPC Japan with CSI Leasing</div> <div>Through EPC Japan K.K., CSI Leasing, Inc. and Tokyo Century are jointly enhancing their end-of-lease computer disposal, data erasure, and refurbishment operations and promoting eco-friendly IT life cycle management services.</div>
<div>5 Enhancement of work environment, leading to strengthening of human resources</div> <div></div>	<div>+ Opportunities</div> <div>Recruitment of diverse human resources Invigoration of human resources through increased employee engagement</div> <div>- Risks</div> <div>Loss of talented human resources Inability to secure talented human resources due to unappealing workplace environment Failure to innovate</div>	<div>Ratio of women among new-graduate hires (2027): Maintain at least 40%</div> <div>Ratio of female managers among all managers (2030): At least 30%</div> <div>Rate of childcare leave acquisition by male employees: Maintain 100%</div> <div>Improvement of employee engagement index*⁷</div>	<div>Ratio of women among new-graduate hires: 53.2%</div> <div>Ratio of female managers among all managers: 12.0%</div> <div>Rate of childcare leave acquisition by male employees: 100%</div> <div>Employee engagement index: 53.2 (deviation value)</div>	<div>➡ Improvement of Ratio of Female Managers among All Managers</div> <div>Seminars are organized on themes related to women's career development and workshops are arranged through which volunteer participants are able to explore relevant themes and are encouraged to reflect their findings in their actions.</div> <div>➡ Promotion of Childcare Leave Acquisition by Male Employees</div> <div>Interviews with male employees who have taken long-term childcare leave are published in owned media outlets, and lunch meet-ups for working parents are organized.</div>

*1 Solar power generation company Kyocera TCL Solar LLC and nine other subsidiaries

*2 Program to certify business operators based on the revision to Act on Facilitation of Information Processing implemented on May 15, 2020; companies must apply for certification and the Ministry of Economy, Trade and Industry selects for certification those companies implementing superior initiatives.

*3 Nippon Car Solutions Co., Ltd., and Nippon Rent-A-Car Service, Inc.

*4 Nippon Car Solutions Co., Ltd.

*5 Nippon Rent-A-Car Service, Inc.

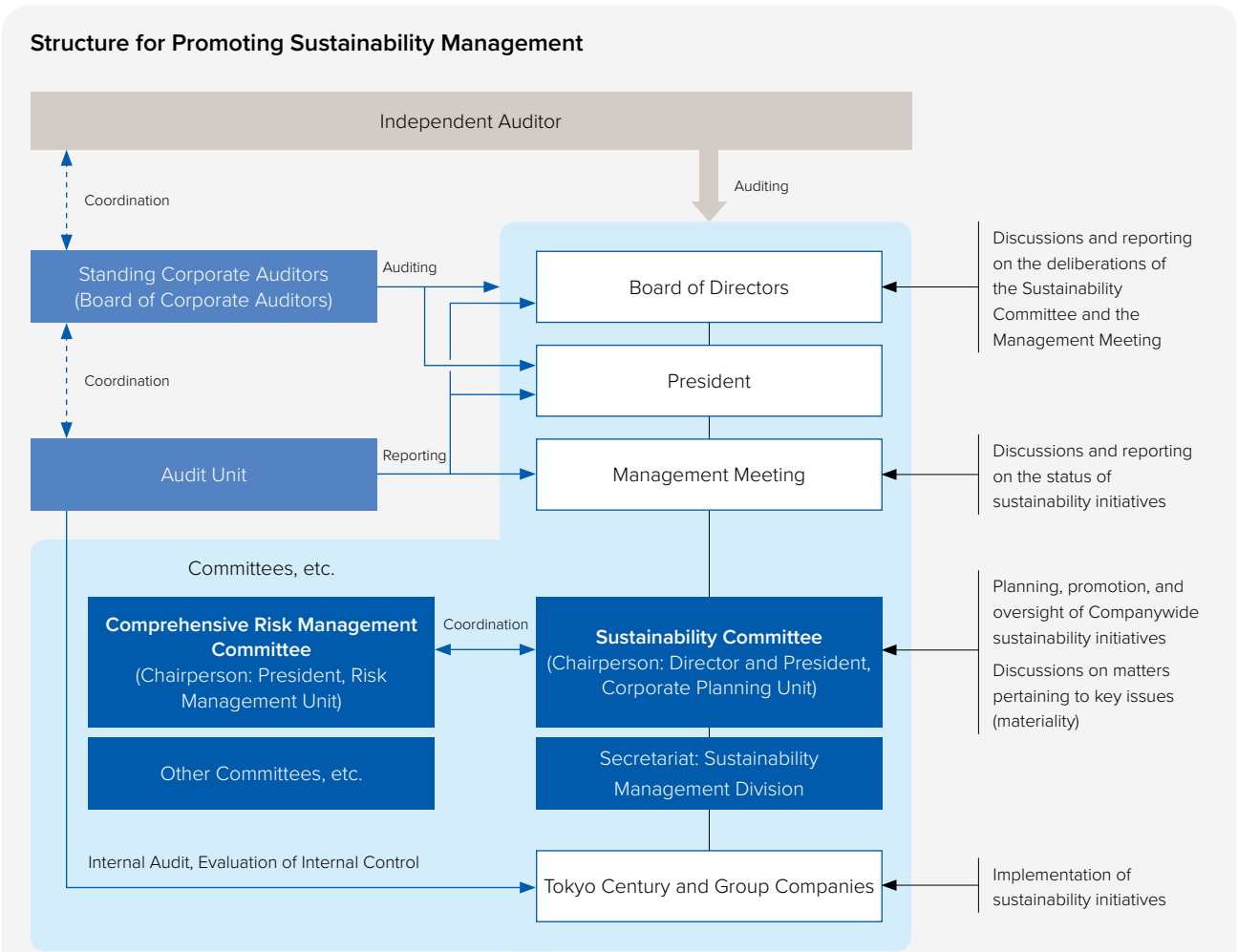
*6 Services for disposing of IT assets safely and appropriately

*7 Measured using Motivation Cloud service provided by Link and Motivation Inc. since fiscal 2024; represented as deviation value from nationwide average of 50

Sustainability Governance

Sustainability Management Monitoring System

In its pursuit of sustainable growth through sustainability management, Tokyo Century has instituted a monitoring system to confirm progress of management strategies based on its defined five key issues (materiality) and to provide advice for improvements. Moreover, appropriate governance is practiced and a PDCA (plan–do–check–act) cycle is implemented to improve the effectiveness of sustainability management.

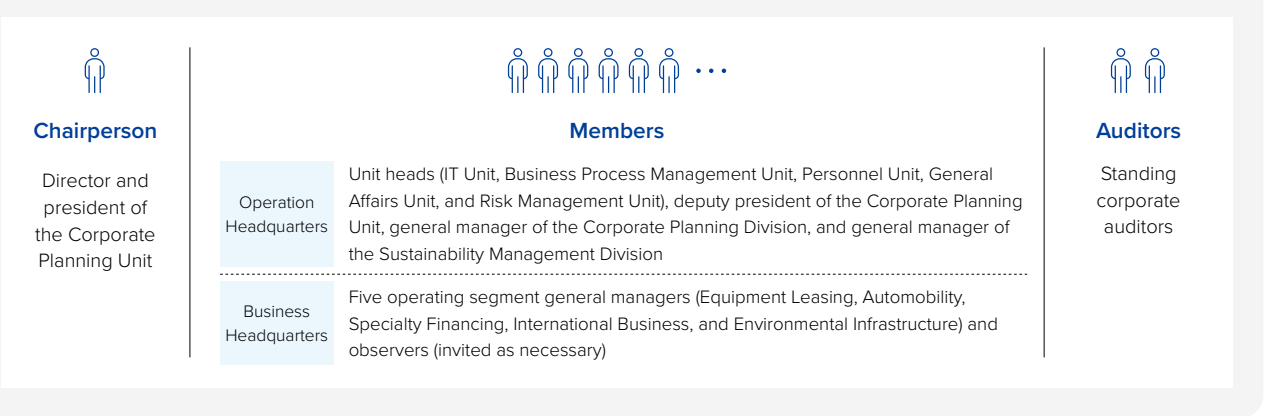


Role of the Sustainability Committee

Established in April 2018, the Sustainability Committee is responsible for deliberations related to sustainability management at Tokyo Century. This committee meets twice a year, in principle. Important matters deliberated on by the Sustainability Committee are reported to and discussed by the Management Meeting and the Board of Directors to allow for oversight by the latter. The Sustainability Committee is chaired by the director and president of the Corporate Planning Unit, and this committee promotes initiatives for addressing materiality items that position sustainability as an important management issue along with various other initiatives.

The Audit Unit has been established as an independent organization under the direct control of the president and is tasked with performing internal audits of Tokyo Century and Group companies that investigate matters including those pertaining to sustainability. Standing corporate auditors meet with the Audit Unit once a month, in principle, to exchange information, and important findings are then reported to external corporate auditors at meetings of the Board of Corporate Auditors.

Members of the Sustainability Committee



Implementation of PDCA Cycle

In February 2020, Tokyo Century formulated its Sustainability Road Map. This road map was approved following discussions by the Sustainability Committee before being reported to the Management Meeting and the Board of Directors.

The Sustainability Committee manages the progress of initiatives in accordance with the Sustainability Road Map and submits reports on said progress to the Management Meeting and the Board of Directors. Based on these progress reports, instructions are issued to the Sustainability Management Division and other relevant divisions by the Sustainability Committee, the Management Meeting, or the Board of Directors as deemed necessary. The above divisions then carry out these instructions to improve the effectiveness of Tokyo Century’s sustainability management and to enhance its environmental, social, and governance (ESG) strategies.

Major Sustainability Committee Agenda Items and Reports and Responses

Major Agenda Items	Fiscal 2022	Fiscal 2023
Information disclosure	➡ Scenario analysis of automobility business (corporate and individual auto leasing) and discussion and approval of related disclosure proposal	➡ Disclosure based on Corporate Sustainability Reporting Directive (CSRD)
	Response Disclosure of results of scenario analysis of automobility business (corporate and individual auto leasing) in May 2023	Response Identification of applicable Group companies and analysis of disparities between current disclosure materials and CSRD standards as parent company is located outside of the European Union
Carbon-neutrality initiatives	➡ Discussion and approval of carbon-neutrality policies and action plans	➡ Carbon-neutrality action plan and progress report
	Response Announcement of Carbon-Neutrality Policy for fiscal 2040 and transition road map in September 2022	Response Expansion of scope of disclosure for Scope 1 and Scope 2 emissions (fiscal 2022: 90 companies ➡ fiscal 2023: 93 companies) Ongoing acquisition of third-party verification for CO ₂ emissions and contributions to emissions reductions
Materiality items	—	➡ Introduction of new KPI for materiality items
		Response Definition of transaction volume as new KPI for materiality items of “contribution to decarbonized society,” “contribution to social infrastructure development,” and “sustainable resource use”
Progress of medium- to long-term sustainability management initiatives (Sustainability Road Map)	➡ Confirmation of fiscal 2022 progress of medium- to long-term sustainability management initiatives (Sustainability Road Map)	➡ Establishment of road map (37 progress items) for Medium-Term Management Plan 2027
		Response Reporting on progress in fiscal 2023 and on plans for fiscal 2024 and fiscal 2025
Others	Response Human rights due diligence activities centered on domestic Group companies based on Tokyo Century Group Human Rights Policy	➡ Formulation of Tokyo Century Group Environmental and Social Management Policy for Financing and Investment Activity
		Response Clear definition of Tokyo Century Group’s policies of prohibiting financing or investment to establish new coal-fired power generation plants, expand existing plants, etc.