

# Investor Meeting

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May 23, 2023



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# Part I: Management Strategy

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## Three Focal Points

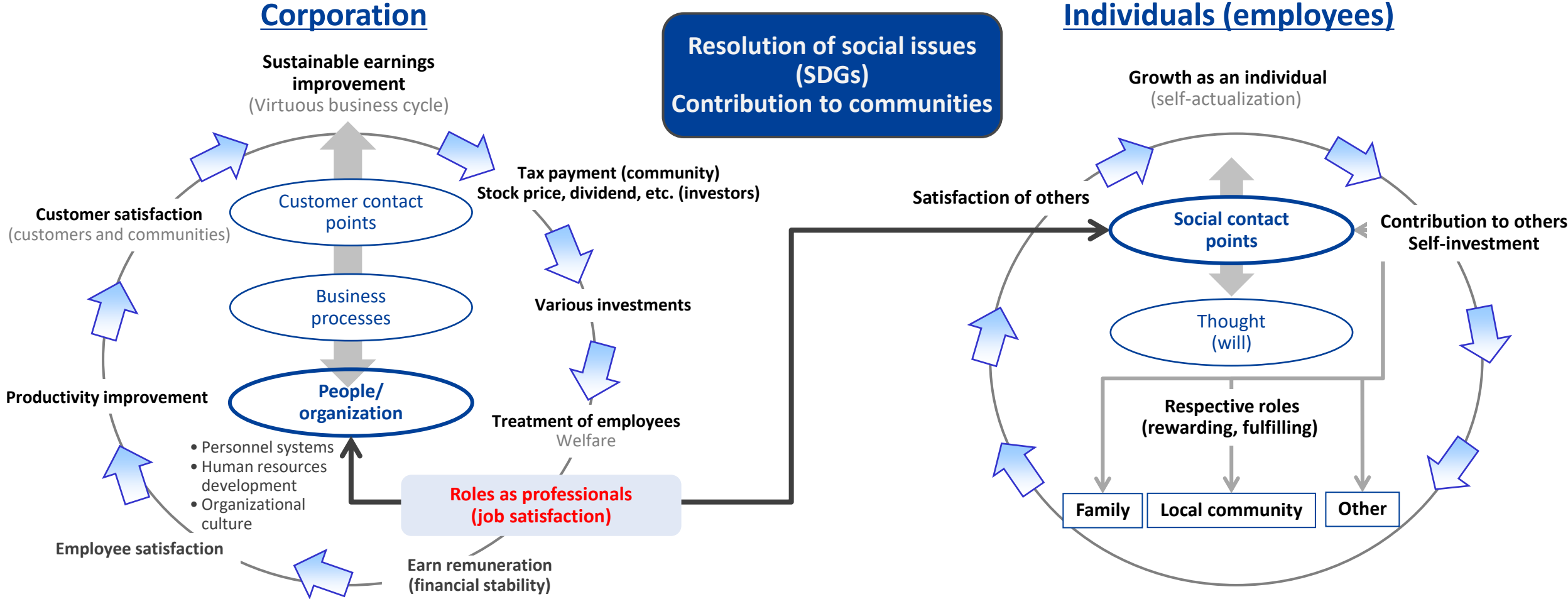
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1. Be thoroughly customer-focused
2. Bring out the vitality of people and the organization
3. Continue to increase profits

# Corporate and Individual (Employee) Sustainability

**Corporate purpose: Pursuit of raison d'être (virtuous business cycle)**  
 —Solving stakeholder issues while continuing to generate profits—

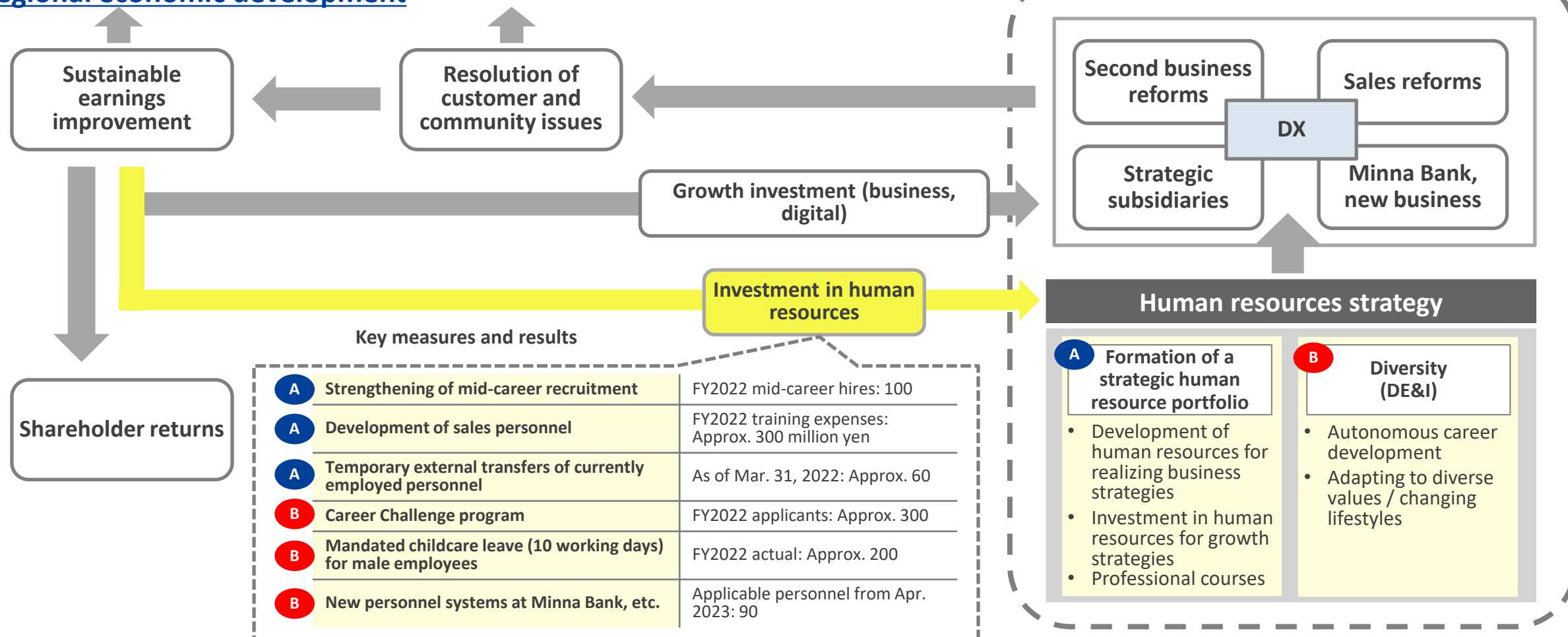
**Purpose of individuals (employees): Self-actualization**  
 —Contributing to others while growing as an individual—



# FFG's Human Capital Management

- Investment in various measures based on the human resources strategy (= investment in human resources) generates earnings through management strategies, which are channeled to shareholder returns, growth investment (business, digital, etc.), and further investment in human resources, creating a virtuous cycle.

Virtuous cycle of **improvement of FFG corporate value** and **contribution to regional economic development**



### Key measures and results

<b>A</b>	Strengthening of mid-career recruitment	FY2022 mid-career hires: 100
<b>A</b>	Development of sales personnel	FY2022 training expenses: Approx. 300 million yen
<b>A</b>	Temporary external transfers of currently employed personnel	As of Mar. 31, 2022: Approx. 60
<b>B</b>	Career Challenge program	FY2022 applicants: Approx. 300
<b>B</b>	Mandated childcare leave (10 working days) for male employees	FY2022 actual: Approx. 200
<b>B</b>	New personnel systems at Minna Bank, etc.	Applicable personnel from Apr. 2023: 90

## Business Environment Surrounding FFG\_Kyushu Economy

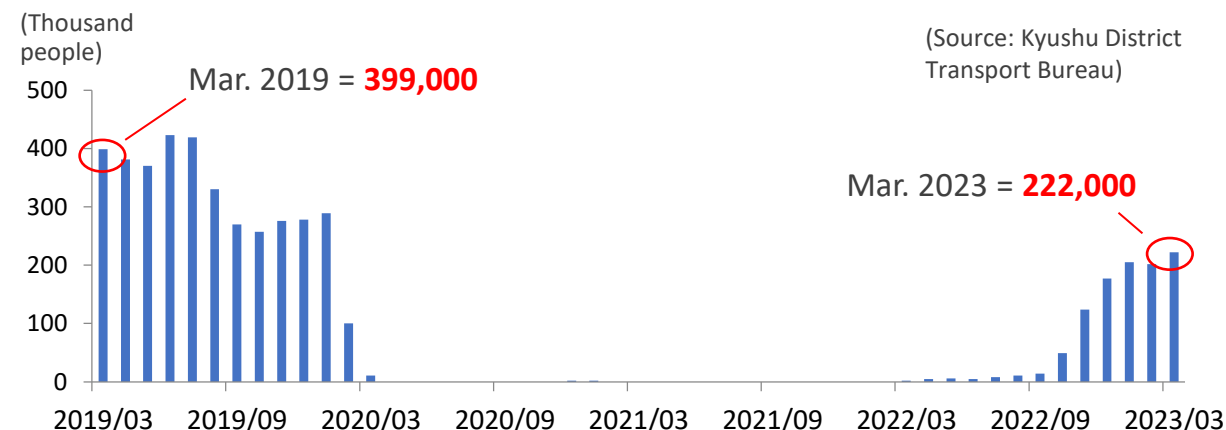
- In FY2023, the Kyushu economy is forecast to continue recovering, supported by pent-up demand for travel and healthy capital investment. This is despite the impact of soaring energy prices and rising commodity prices. On the other hand, new bankruptcies have begun to increase and need to be watched carefully.

### Financial and economic overview of Kyushu and Okinawa (Apr. 2023)

Component	Comparison to previous period	Economic assessment	Component	Comparison to previous period	Economic assessment
Overall economy	⇒	Picking up	Capital investment	↗	Increasing
Private consumption	⇒	Picking up steadily	Exports	⇒	More or less flat
Housing investment	⇒	More or less flat	Production	⇒	More or less flat
Public investment	⇒	At a high level	Employment and income	⇒	Improving moderately on the whole

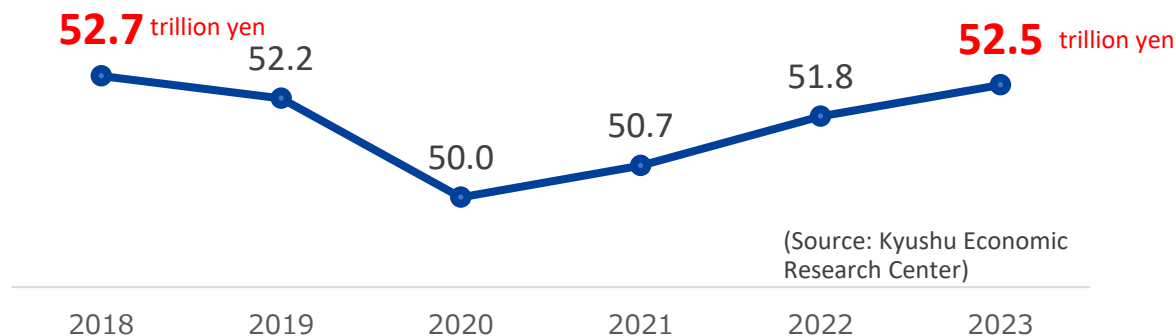
(Source: Bank of Japan Fukuoka Branch)

### Number of foreigners entering Kyushu



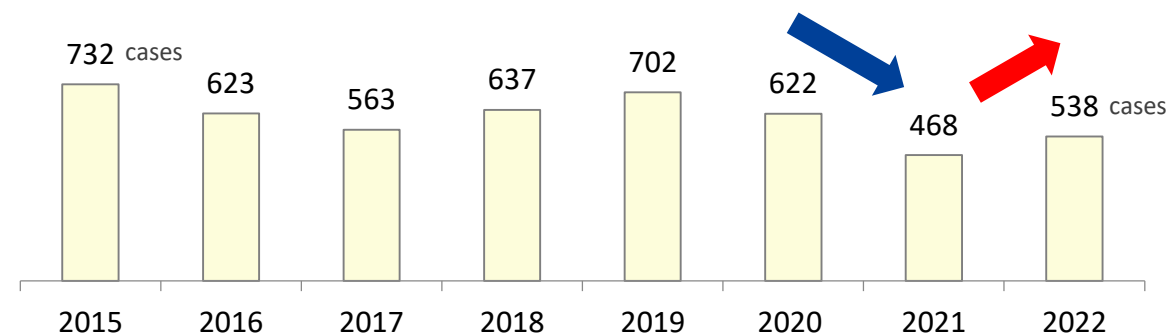
### Kyushu gross regional product (GRP) growth rate

- Kyushu's GRP has recovered to the same level as the previous peak in FY2018



### Bankruptcies in Kyushu and Okinawa

(Source: Tokyo Shoko Research)



# Business Environment Surrounding FFG\_Business Opportunities (Topics)

## Corporate business opportunities

Capital investment aimed at the revival of “Silicon Island Kyushu” is picking up pace

→ Capture of the capital demand from semiconductor-related

### ■ FFG’s promotion structure and business base

- **Business alliance with CTBC Financial Holding / collaboration with government**
  - In Dec. 2022, expanded the scope of alliance from the Bank of Fukuoka to the whole FFG
  - Aim is to revive “Silicon Island Kyushu” through collaboration of industry, government, academia, and finance
- **Strengthening of Kumamoto Bank’s promotion structure**
  - Established dedicated “New Regional Development Promotion Team” (10 members), designated 6 priority branches
- **FFG’s strong business base**
  - More than 40,000 companies use FFG as main bank, 23.6% share in Kyushu (Teikoku Databank Fukuoka Branch)

### ■ Related loans at Kumamoto Bank (as of Mar. 31, 2023)

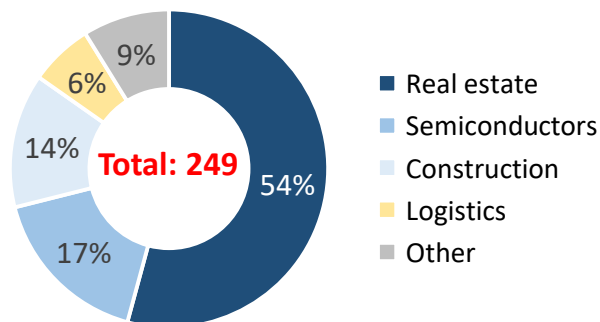
Number of loans

Loans executed in or before FY2022: **103**



Loan consultations scheduled for execution in or after FY2023

**146** (as of 2023/5/12)



## Consumer business opportunities

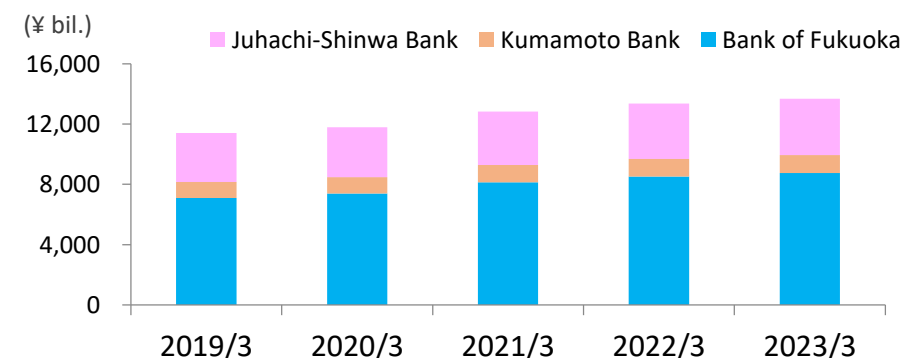
New NISA scheme has triggered momentum in asset building “from savings to investment”

→ Expansion of the business base and enhancement of transactions by revamping our sales system and products and services

### ■ FFG’s promotion structure and business base

- **Strengthening of comprehensive proposal service by integrating banking and securities (FFG Securities <strategic subsidiary>)**
- **New NISA strategy: Establish flow of “new NISA to FFG”**
  - Promotions / product expansion / revision of commission / strengthening of digital channels
- **FFG’s strong business base, market potential**
  - Number of NISA accounts opened at 3 banks (Fukuoka, Kumamoto, Juhachi-Shinwa): Approx. 300,000
  - 1.5 million people (estimated) in Fukuoka Prefecture are interested in investing

### ■ Balance of personal deposits (since COVID-19)



**+2.3 trillion yen** since Mar. 2019 (3 banks total)



# FY2022 Overview of Financial Results and FY2023 Earnings Projections

	FY22		FY23	
	Results	YoY chg.	Projected	YoY chg.
[Unit: \ bil.]				
Core gross business profit	215.2	2.2	222.0	6.9
Net interest income	186.4	1.6	194.9	8.5
Domestic	172.4	2.7	183.5	11.1
Interest on deposits and loans	139.8	0.9	142.9	3.1
Loans to SMEs	67.4	1.8	70.6	3.2
Interest on securities, etc.	32.6	1.8	40.6	8.0
International	14.0	-1.1	11.4	-2.6
Non-interest income (excl. bonds)	28.7	0.6	27.1	-1.6
Net fees and commissions	25.5	0.5	27.0	1.5
Investment trusts/insurance	13.5	0.7	15.1	1.6
Foreign exchange, derivatives, etc.	3.3	0.1	0.2	-3.1
Overhead expenses	-109.3	6.1	-112.0	-2.7
<b>Core business profit</b>	<b>105.9</b>	<b>8.3</b>	<b>110.0</b>	<b>4.1</b>
Consolidation adjustment	-19.5	-4.9	-19.9	-0.4
Adjustment related to Minna Bank	-11.2	-5.3	-8.8	2.4
<b>FFG consolidated net income</b>	<b>31.2</b>	<b>-23.0</b>	<b>61.0</b>	<b>29.8</b>
<b>Excluding impact of portfolio restructuring</b>	<b>57.3</b>	<b>3.1</b>	<b>61.0</b>	<b>3.8</b>
<b>Credit cost</b>	<b>-3.1</b>	<b>-1.6</b>	<b>-6.0</b>	<b>-2.9</b>
<b>Gains (losses) on securities</b>	<b>-34.8</b>	<b>-32.1</b>	<b>8.0</b>	<b>42.8</b>

## FY2022 financial results

- ▶ **Core business profit (3 banks total): YoY chg. +8.3 billion yen**
  - Both net interest income (increase in loans to SMEs) and non-interest income (increase in insurance sales) increased.
  - Overhead expenses decreased significantly, helped by a reduction in deposit insurance premium rates and synergies from the JSB merger.
- ▶ **FFG consolidated net income: YoY chg. -23.0 billion yen**
  - Consolidated net income decreased due to recording a loss on the sale of foreign bonds following the portfolio restructuring reflecting changes in the market environment. However, excluding this factor, consolidated net income is on par with the initial plan (57.0 billion yen).

## FY2023 earnings projections

- ▶ **Core business profit (3 banks total): YoY chg. +4.1 billion yen**
  - Core business profit will increase mainly due to net interest income, covering the decrease in non-interest income and increase in overhead expenses.
- ▶ **FFG consolidated net income: YoY chg. +29.8 billion yen**
  - FFG consolidated net income of 61.0 billion yen is projected due in part to an increase in core business profit and a turnaround of the previous year's factors (foreign bond portfolio restructuring).

## Growth of Core Business

- Steadily expanded business scope—the foundation for future earnings—through past efforts including the effects of measures in the 6th Medium-Term Management Plan.
- In FY2023, will steadily proceed with “transformation of the existing business model” centered on the DX strategy, paving the way for further growth in FY2024.

		(Unit: trillion yen)	FY21 results	FY22 results	FY23 planned
Base	Corporate	Average balance of corporate loans (annual rate)	8.2 (2.3%)	↑ 8.5 (2.9%)	↑ 8.8 (4.3%)
		Including loans to SMEs (annual rate)	6.3 (4.1%)	↑ 6.6 (3.5%)	↑ 6.9 (5.8%)
	Consumer	Balance of investment trusts	0.6	↑ 0.7	↑ 0.9
		Average balance of personal loans (annual rate)	3.6 (3.3%)	↑ 3.7 (3.6%)	↑ 3.8 (2.5%)
		(Unit: ¥ bil.)			
Earnings		3 banks total core business profit	97.5	↑ 105.9	↑ 110.0
(Reference) Efficiency		Consolidated OHR	64.6%	↓ 60.8% (*)	↓ 60.7%

### FY2023 key initiatives

- |           |  |
|-----------|--|
| Corporate | <ul style="list-style-type: none"> <li>Reinforce solutions sales strength such as by reorganizing headquarters front structure</li> <li>Expand business targeting semiconductor segment, with focus on Kumamoto</li> </ul> |
| Consumer  | <ul style="list-style-type: none"> <li>Strengthen comprehensive proposal service by integrating banking and securities</li> <li>Use new NISA and iDeco as hooks to attract asset-building customers</li> </ul>             |

### Responses in anticipation of interest rate fluctuations

- Practice “proper interest rate management” in preparation for future rises/falls in domestic interest rates
- Capture the demand for hedging against interest rate volatility risk

(\*) Excluding impact of foreign bond portfolio restructuring

## Response to Environmental Changes and Issues\_Market Operation

- In FY2022, reshuffled foreign bond portfolio. Yield on foreign bonds improved and unrealized gains (losses) after considering hedges turned positive.
- Although unrealized losses on domestic bonds have increased due to rising yen interest rates, given stable deposit funding, the risk of negative spread is small and overall unrealized gains (losses) on the yen interest rate portfolio has improved.

### Unrealized gains (losses) on mark-to-market securities

- Reshuffled foreign bond portfolio with a sale of 500 billion yen at a loss on sale of 50 billion yen

[Unit: ¥ bil.]	Mar. 2022	Sep. 2022		Mar. 2023	
			After considering hedges		After considering hedges
Domestic stocks	78.8	65.1	65.1	82.8	82.8
Domestic bonds	- 13.1	- 64.9	-43.5	- 64.4	- 57.8
Foreign bonds	- 14.4	- 79.9	-59.5	- 18.0	- 6.5
Other	18.7	- 17.1	-17.1	- 10.7	- 10.7
<b>Total</b>	<b>69.9</b>	<b>- 96.7</b>	<b>-54.9</b>	<b>- 10.2</b>	<b>7.8</b>

### Change in U.S. dollar denominated bond portfolio

- Raised ratio of floating-rate bonds while improving yield by replacing fixed-rate bonds

	Mar. 2022	Mar. 2023	Change
	A	B	B-A
Ratio of floating-rate bonds	47%	63%	+16%
10bpv (USD million)	- 16.4	- 17.7	-1.3
Average yield on fixed-rate bonds	Mid 2%	Upper 4%	Increase of more than 2%

### Future domestic bond investment policy and response to fluctuating interest rates

<b>Domestic bond investment policy</b>	<ul style="list-style-type: none"> <li>✓ Maintain cautious stance on long-term term investments with an eye on policy revisions</li> <li>✓ Increase investment in long-term bonds if YCC is revised, etc.</li> </ul>
<b>Response to rising interest rates</b>	<ul style="list-style-type: none"> <li>✓ Flexibly hedge interest rate risk for terms exceeding 10 years, mindful of unrealized losses increasing when interest rates rise</li> <li>✓ Vary short-term-zone procurement (through BOJ funds-supplying operations, etc.) (interest rate risk-taking)</li> </ul>

#### Interest rate risk in relation to yen interest rate portfolio

- Although unrealized losses on domestic bonds and other assets increase when interest rates rise, unrealized gains on deposits (which account for the majority of liabilities) also increase when interest rates rise.
- Impact of interest rate fluctuations on FFG is “assets (unrealized losses) < liabilities (unrealized gains)”; overall unrealized gains (losses) on yen interest rate portfolio improves when interest rates rise
- **Portfolio in which rising interest rates leads to increased earnings** because plenty of capacity to invest in fixed-rate bonds

## Response to Environmental Changes and Issues\_Minna Bank (Review of FY2022, Issues)

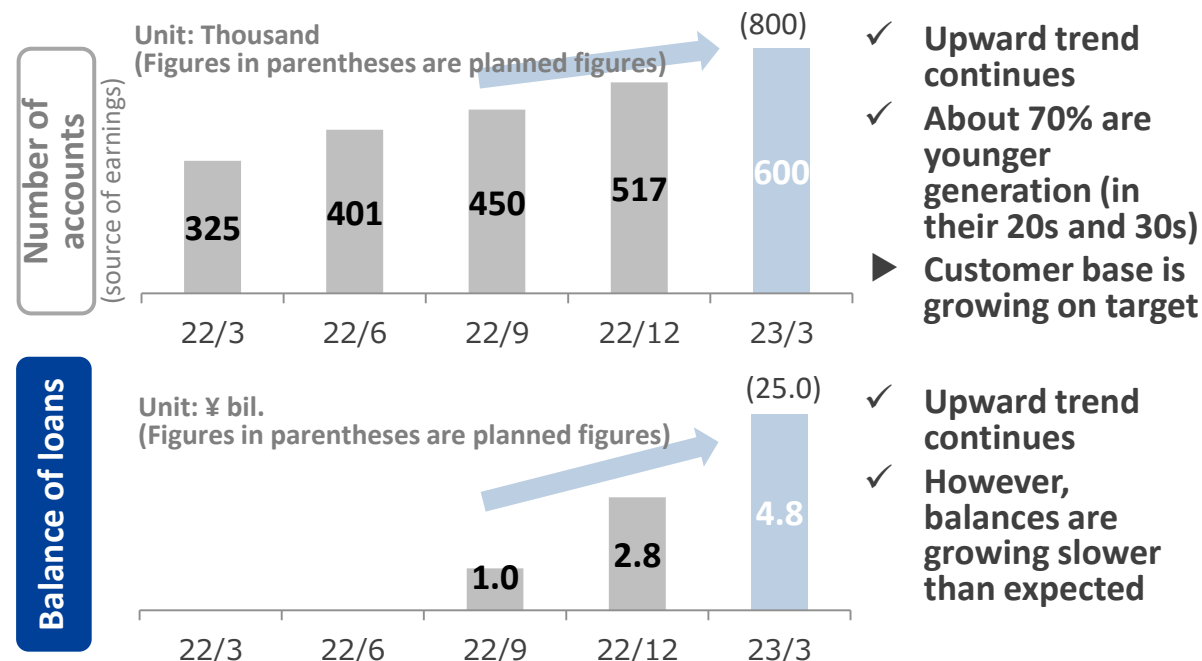
- In FY2022, Minna Bank's second year since opening, we made progress in building a foundation for profit generation. In terms of key figures, both the number of accounts and the balance of loans continued to trend upward.
- On the other hand, balances, especially loans, are growing slower than expected, and pace of profit generation is an issue.

### Review of FY2022

- **Began handling loans and expanded BaaS partners → Built foundation for profit generation**

Apr.		Received one of the world's top three design awards (iF Design Award)
Jul.	Loans	Began handling loans
Oct.	BaaS	Began API connection
	BaaS	Signed a basic agreement with U.S.M.H
Nov.	BaaS	Started external provision of a full-cloud banking system
Dec.	Account	Reached 500,000 accounts
	Deposits	Reached balance of 20 billion yen
Jan.	BaaS	Signed a basic agreement with E.design Insurance
Feb.		FFG subsidiary started bank agency service
Feb.	Loans	Reached balance of 4 billion yen
Mar.	BaaS	Signed a basic agreement with Mitsui Sumitomo Primary Life Insurance

### Key figures



### Current situation

- **Balances, especially loans, are growing slower than expected**  
 ⇒ **Pace of profit generation is an issue**

# Response to Environmental Changes and Issues\_Minna Bank (FY2023 Priority Initiatives (BaaS Business))

- In FY2023, we will expand our customer base driven by the BaaS business and proceed to build an earnings base aimed at making the business profitable.
- Leveraging the strengths of Minna Bank, we will accelerate the expansion of partnerships by providing APIs tailored to industry specifications and system packaging.

## FY2023 priority initiatives

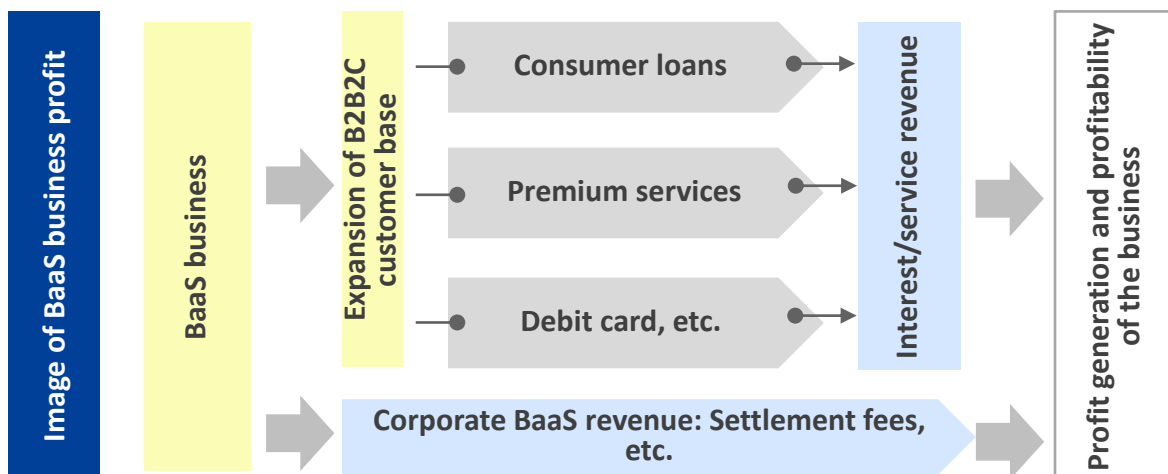
Recognition of current situation

- Recognition of profitability issue (balance of loans is growing slower than expected)

Response

- **Generate profit starting with the BaaS business (= strengthen acquisition of partners)** \*
- ▶ Earn profits mainly from loans with B2B2C customers \* Ahead of Medium-Term Management Plan
- ▶ Earn commissions from partner

Expand customer base → Build earnings base to make business profitable



## Promotion of BaaS business

### Strengths of Minna Bank

- Provide customized API tailored to customer's "true" needs (A2A payment)
  - ➔ Providing APIs tailored to industry specifications is Minna Bank's greatest strength in the BaaS business
- Provide value in using Minna Bank for B2B2C customers in collaboration with BaaS partners

### Promotion policy

- Promote alliances that benefit partners, B2B2C customers, and Minna Bank
  - ➔ Determine priorities based on speed to service release and size of partner customers
- Provide APIs tailored to industry specifications and expand horizontally through system packaging

### Progress (specific examples)

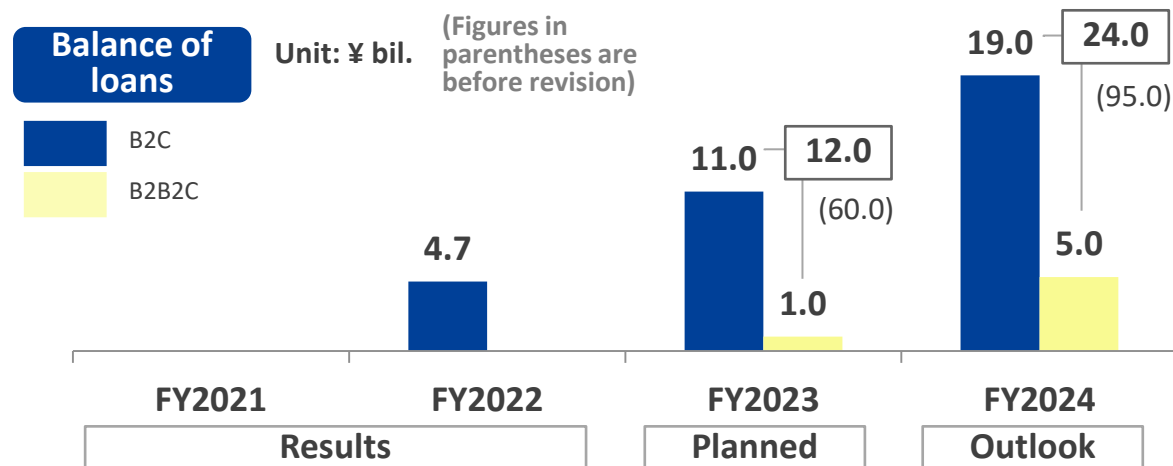
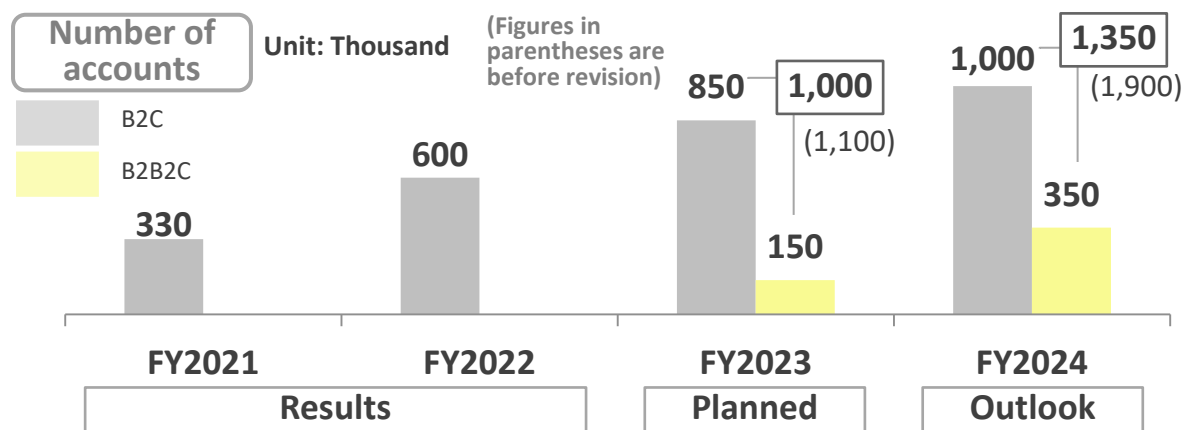
Specific services already announced
  Basic agreement concluded

Life insurance	Mitsui Sumitomo Primary Life Insurance Co. Ltd.	Retail	United Super Markets Holdings Inc.
Entertainment	pixiv Inc.	Nonlife insurance	E. design Insurance Co., Ltd.
Temporary staffing	PERSOL TEMPSTAFF CO., LTD.	Services with Mitsui Sumitomo Primary Life Insurance are scheduled to start before the end of May 2023	

## Response to Environmental Changes and Issues\_Minna Bank (Target Metrics and Future Outlook)

- Review figures based on current situation. Based on current results for B2C, in addition, strengthen acquisition of B2B2C customers by promoting BaaS.
- Overall business is expected to be profitable in FY2027. The business is an important challenge for FFG, and we will proceed with efforts to make it profitable as soon as possible.

### Number of accounts and balance of loans

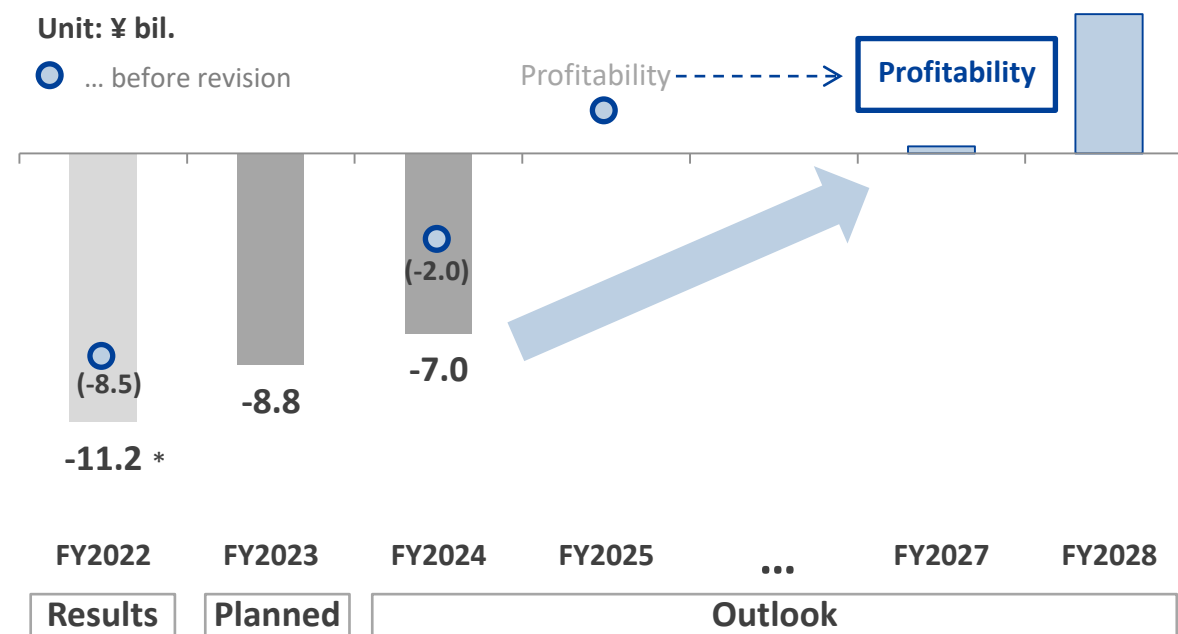


### Impact on FFG consolidated bottom line

- Based on current situation, delays expected in business becoming profitable
  - ▶ Profitability: FY2025 in MTMP → Now, FY2027
- Minna Bank business is an “important challenge for the future” for FFG
  - ▶ Use BaaS business as a driver to increase revenue, in order to secure stable profits

Unit: ¥ bil.

○ ... before revision



\* Includes ZDF software impairment of 3.3 billion yen, a temporary factor (on par with plan if excluded) 14

# Progress of the Medium-Term Management Plan, etc. Transformation of the Existing Business Model

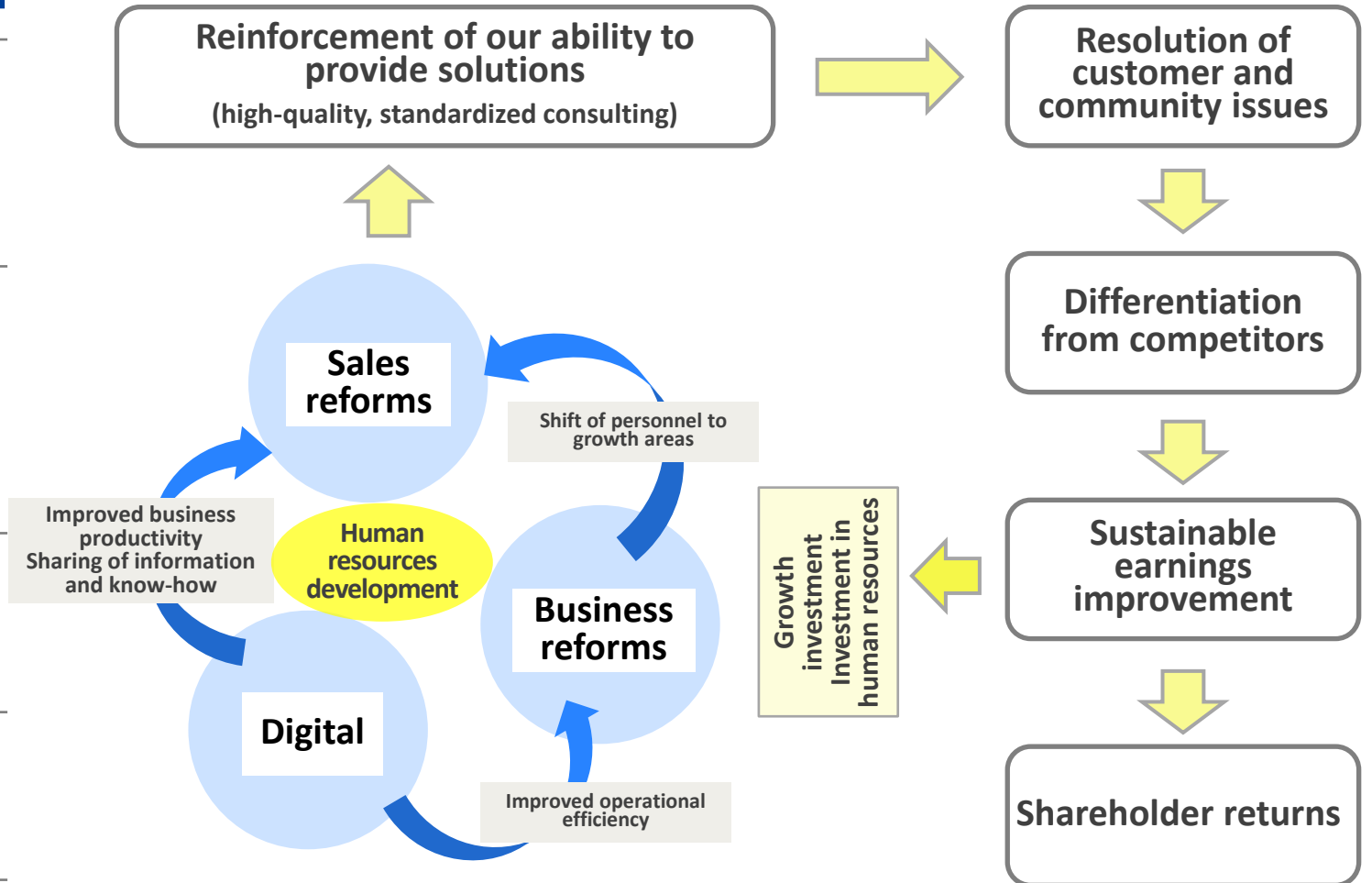
- We will enhance customer satisfaction and achieve **differentiation from competitors** by coordinating measures in order to **reinforce our ability to provide solutions**.

## 7th Medium-Term Management Plan measures

Digital	<ul style="list-style-type: none"> <li>● <b>Development of digital tools</b> <ul style="list-style-type: none"> <li>– Portal site for corporate customers</li> <li>– Banking app for retail customers</li> <li>– SFA</li> </ul> </li> <li>● <b>In-house development</b></li> </ul>	Improved operational efficiency Freeing up of personnel
Business reforms	<ul style="list-style-type: none"> <li>● <b>Expansion of streamlined OTC operations</b> <ul style="list-style-type: none"> <li>– New (smart) ATMs</li> <li>– Online services area</li> </ul> </li> <li>● <b>Improved administrative efficiency for customers</b> (digitization support)</li> <li>● <b>Shift to digital channels</b></li> </ul>	
Sales reforms	<ul style="list-style-type: none"> <li>● <b>Review of sales system</b> <ul style="list-style-type: none"> <li>– Reform of corporate business</li> <li>– Strategic sales activities based on local characteristics</li> </ul> </li> </ul>	Expertise
Strengthening strategic subsidiaries	<ul style="list-style-type: none"> <li>● Enhancement of solutions for communities/customers</li> <li>● Expansion of own business profit</li> </ul>	

## Effects from coordinating measures (story)

Earnings effect of **+4.5 billion yen** (FY2024) compared to the MTMP



# Progress of the Medium-Term Management Plan, etc. Digital (Banking Apps for Retail Customers and Portal Site for Corporate Customers)

- Banking app for retail customers: Scheduled for July 2023, Release 1 will implement basic functions, such as balance inquiries and fund transfer.
- Portal site for corporate customers: Will be released first at some Bank of Fukuoka branches as a “new digital channel” in April 2023.

## Banking app for retail customers

### Features of the banking app for retail customers



- Point 1 An app that anyone can use**
  - Available to anyone with a general deposit account
  - Register with simple authentication, no need to set up ID and password
- Point 2 Complete app for day-to-day transactions + some additional functions**
  - Deposit and withdrawal details are saved semi-permanently, includes an additional memo function
  - No need to enter one-time passwords for transfers
- Point 3 Immediate notification for any unauthorized use**
  - Use is limited to 1 smartphone = 1 app = 1 account
  - Immediate notification of any app registrations on another device

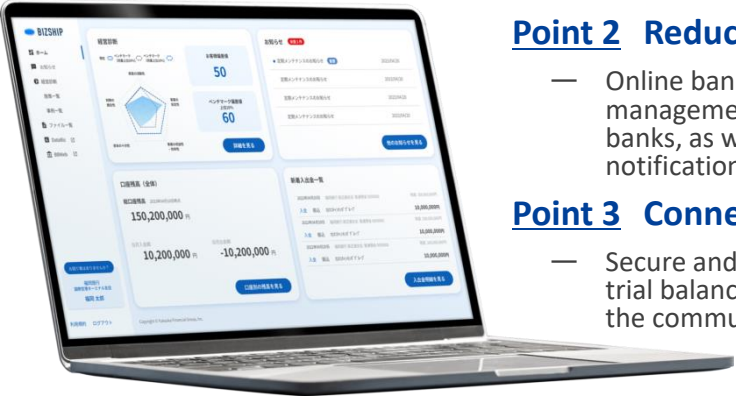
2023/7 Release 1  
“Implementation of basic functions”

2023/11 Release 2  
“Sophistication of app functions”

⇒ We will accelerate the shift to, and expansion of, customer contact points via digital channels, by progressively enabling all functions on the app, from day-to-day use to financial product transactions.

## Portal site for corporate customers

### Three basic functions of the portal site for corporate customers



- Point 1 Understand management issues and solutions**
  - Derive management issues using the business diagnosis function
  - Offer a complete package of problem-solving services
- Point 2 Reduce your accounting workload**
  - Online banking functions allow for the centralized management of accounts, including those at other banks, as well as balance and deposit/withdrawal notifications
- Point 3 Connect with the bank online**
  - Secure and easy coordination of financial statements, trial balances, etc. with bank representatives through the communication function

2023/4 Release 1  
“Establishment of a new digital channel”

2023/11 Release 2  
“Deepening of customer understanding”

⇒ We will realize a sales style that fuses human and digital, and a digital shift in customer relations.



# Progress of the Medium-Term Management Plan, etc. \_ Business Reforms / Sales Reforms

- In terms of business reforms, the Bank of Fukuoka is developing a “new branch format” that makes over-the-counter operations self-service and cashless.
- In terms of sales reforms, we offer sophisticated solutions with branches, headquarters, and affiliated companies working together, with a primary focus on client growth.

## Business reforms

### Streamlined OTC operations

- Narrow down the range of services offered and realize branch operations with limited staff by utilizing smart ATMs and online services.

Replacement of over-the-counter services by smart ATMs

Remote support at remote service booths

Procedural guidance at online services areas

- Effects of initiatives
  - Free up personnel by reducing labor requirements for OTC operations  
⇒ Relocation to growth areas
  - Reduce costs by reducing office equipment

Will be progressively expanded from FY2023 onward

#### Channel shift

- Development of the banking app for retail customers and online services (opening accounts, various notifications, bank transfers, etc.), and realization of electronic contracts for business loans

#### Administrative reforms

- Upgrade of UBTs and functional improvement of tablets in anticipation of channel shift
- Centralization of over-the-counter operations at headquarters

## Sales reforms

### Reform of corporate business

- Branches and headquarters work together to build relationships with clients as business partners.
- By creating business together with clients, assets and equity are mobilized and new business opportunities are generated.



- Support for growth strategies
  - Support clients in developing growth strategies, thereby contributing to the sustainable growth of local communities.
- Advanced solutions including capital support
  - Provide optimal solutions, including capital support, for the realization of growth strategies

#### [Initiatives for realization]

Mindset of banking personnel

Development of solutions personnel

Development and strengthening of headquarters front structure

Utilization of DX (sharing of information and know-how)

# Progress of the Medium-Term Management Plan, etc. \_Strengthening Strategic Subsidiaries / New Corporate Business

- We are improving the services of our strategic subsidiaries and enhancing solutions for communities/customers throughout FFG. At the same time, we are expanding our own business profit.
- We launched a trading company business (new business) in the manufacturing industry with a focus on metalworking. It provides support for the actual commercial transactions of enterprises.

## Strengthening strategic subsidiaries

Subsidiary	Key initiatives	Personnel
		Mar. 2023
FFG Securities	<ul style="list-style-type: none"> <li>● Integrated operation of banking and securities</li> <li>– Expansion of services triggered by the new NISA scheme</li> </ul>	253
iBank	<ul style="list-style-type: none"> <li>● Initiatives aimed at improving MAU</li> <li>● Strengthening of advertising/trading company business</li> </ul>	136
FFG Lease	<ul style="list-style-type: none"> <li>● Expansion of business area, strengthening of sales</li> <li>– Building of full sales system across 3 FFG prefectures</li> </ul>	76
FFG Business Consulting	Expansion of consulting area	66
Sustainable Scale	Sophistication of Sustainable Scale Index (SSI) evaluation, expansion of external sales	15
FFG Succession	Promotion of “strategic M&A” in collaboration with HL	21
FVP	Creation of innovation through collaboration with universities and strengthening CVC activities	29
FFG Growth Investment	Strengthening of collaboration with banks and affiliated companies	10

## New corporate business

### FFG Industries

Establishment of a general trading company aimed at productivity improvements in the local community

#### ◆ Resolving essential issues by supporting the actual commercial transactions of enterprises

Trading company business  
FFG Industries

- We provide not only indirect support, but also support for the core business (commercial transactions) of enterprises in order to resolve the client’s issues (centralization of ordering/supply, credit management, sales workload, etc.)

#### ◆ Overall management of regional supply and demand

- ▶ Leveraging FFG’s networks, we support productivity improvements by managing the overall supply capacity, inventory, etc. of local plants.
- ▶ We can also raise productivity at the regional level by FFG serving as the contact point for both inside and outside the Kyushu region and capturing demand.

⇒ From expanding the trading company business to providing various solutions, such as investment and loans, M&A, and business succession, implements “core business support.”

# Improvement of Corporate Value\_Capacity to Implement Strategies (Minna Bank × Transformation of the Existing Business Model)

- Minna Bank (searching for the future) and transformation of the existing business model (deepening) will complement each other and create synergies.
- We will continuously create synergies and enhance the feasibility of both. This is the “FFG advantage” that no other banks/industries have.

## Impact of Minna Bank on FFG Advantages that no other banks have

**Enhance 3 core strengths to realize the Long-term Vision 2030**

Service development capabilities

Solutions capability

Organizational strength

- **Know-how of digital human resources**  
Exchange of human resources among engineers, designers, and data scientists
- **Expertise in building cloud banking systems**  
Examination of architecture for building systems / utilization for upgrading mission critical systems
- **UI/UX improvement**  
Use in banking app for retail customers
- **Business processes, such as e-KYC, examination model, subscription model**  
Application to FFG’s business processes
- **Management that makes the most of diversity**  
Reference for HR systems, career planning, engagement surveys, etc.



## Impact of FFG on Minna Bank Advantages that no other industries have

<b>Past and current initiatives</b>	<ul style="list-style-type: none"> <li>➤ <b>Banking know-how</b> (deposits, foreign exchange, loans, etc.)</li> <li>➤ <b>Utilization of “customer trends” obtained from FFG’s real channels (branches)</b></li> <li>➤ <b>Development of BaaS business partners</b></li> <li>➤ <b>Strengthening of new-graduate and mid-career recruitment (FFG’s brand)</b></li> </ul>
<b>Future potential</b>	<ul style="list-style-type: none"> <li>➤ <b><u>In-house development human resources nurtured at FFG</u></b></li> <li>➤ <b>Development of services combining real channels</b></li> <li>➤ <b>Utilizing the solutions of strategic subsidiaries</b> (securities, leasing, business succession, venture investment, SDGs, etc.)</li> <li>➤ <b>Provision of real bank services via Minna Bank channels</b></li> </ul>

# Improvement of Corporate Value\_Outlook for Profit Growth

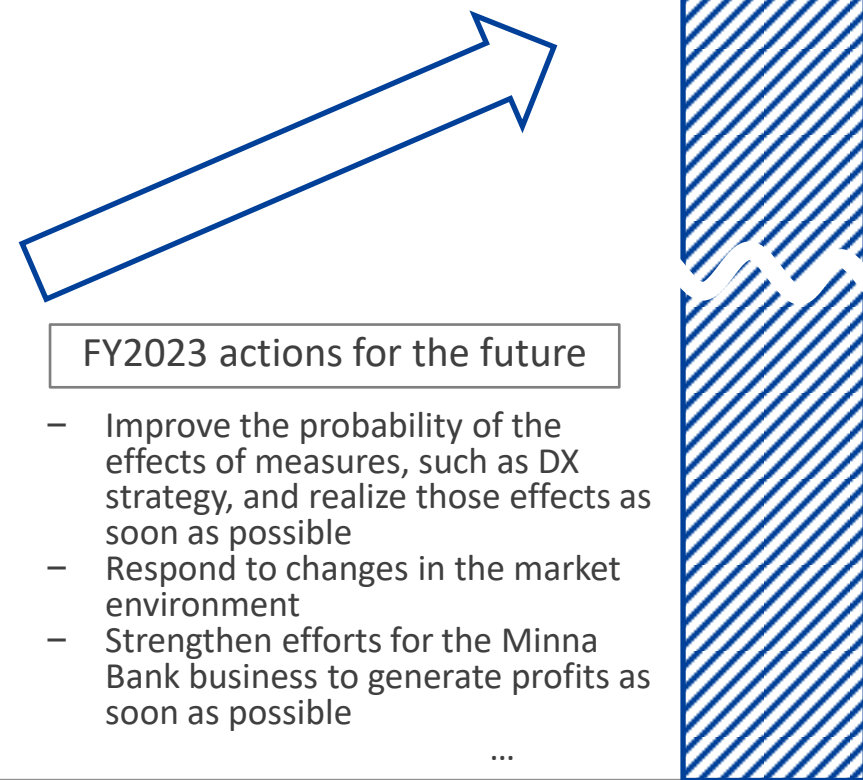
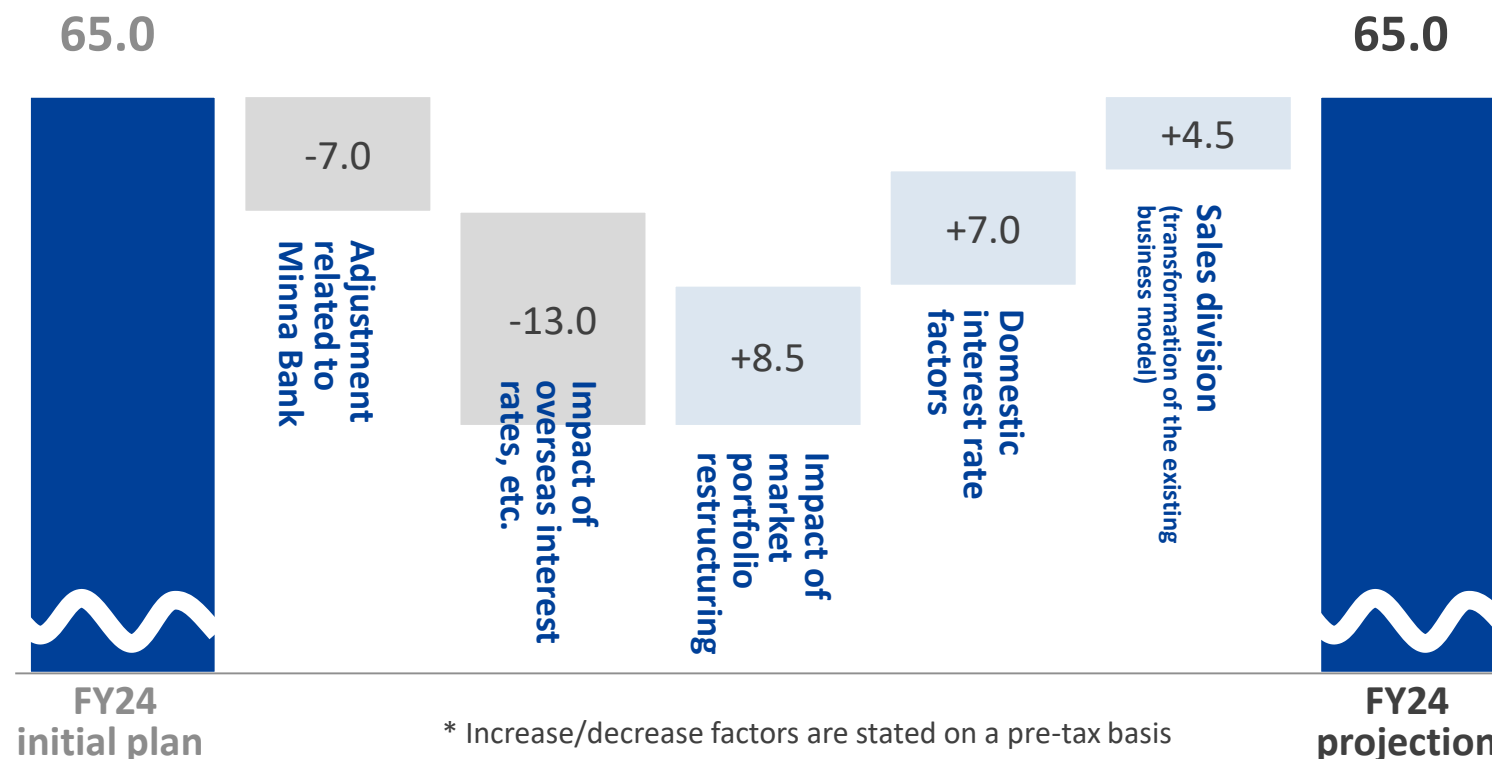
- Despite the downward impact on earnings associated with changes in the business environment, we expect to achieve our projections for the final year of the Medium-Term Management Plan by building up the sales division, including market portfolio restructuring and the DX effects (assuming the current environment).
- We will continue to focus on the early realization and further expansion of the effects of the priority initiatives under the medium-term management plan, while also keeping an eye on unforeseen changes in the environment and profit growth from the term of the next medium-term management plan onward.

## 7th Medium-Term Management Plan

Aiming for medium- to long-term profit growth

Unit: ¥ bil.

Current outlook

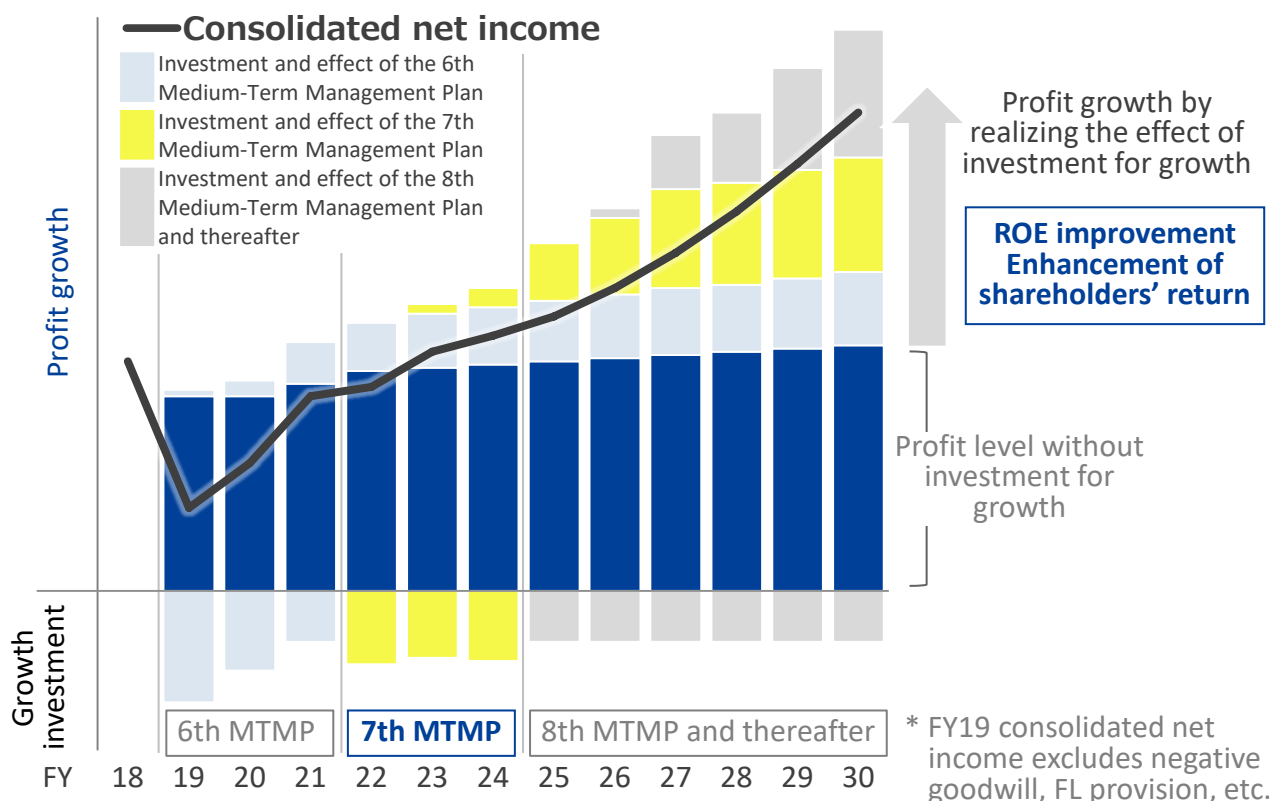


\* Increase/decrease factors are stated on a pre-tax basis

# Improvement of Corporate Value\_ROE and Cost of Shareholders' Equity

- Under the Long-term Vision, the target year of which is 2030, we aim to realize a ROE that exceeds the cost of shareholders' equity through further profit growth achieved by realizing the effects of the growth investments made since the 6th Medium-Term Management Plan.
- To improve corporate value in the medium to long term, in addition to improving ROE, we will deepen understanding for our human resources strategy, market potential, and other aspects of FFG, which will lead to a lower cost of shareholders' equity and a more appropriate evaluation from the market.

## Long-term Vision targeting 2030



## Initiatives aimed at improving corporate value over the medium to long term

**Growth of core business Realization of the effects of growth investment**

- Sales reforms
- Second business reforms
- Strengthening strategic subsidiaries
- Taking on the challenge of new businesses

**Appropriate disclosure and expansion of growth strategies and non-financial information**

- Human resources strategy
- Sustainability
- market potential
- Corporate governance

Improve return on capital ↑

Lower cost of capital ↓

ROE

>

Cost of shareholders' equity

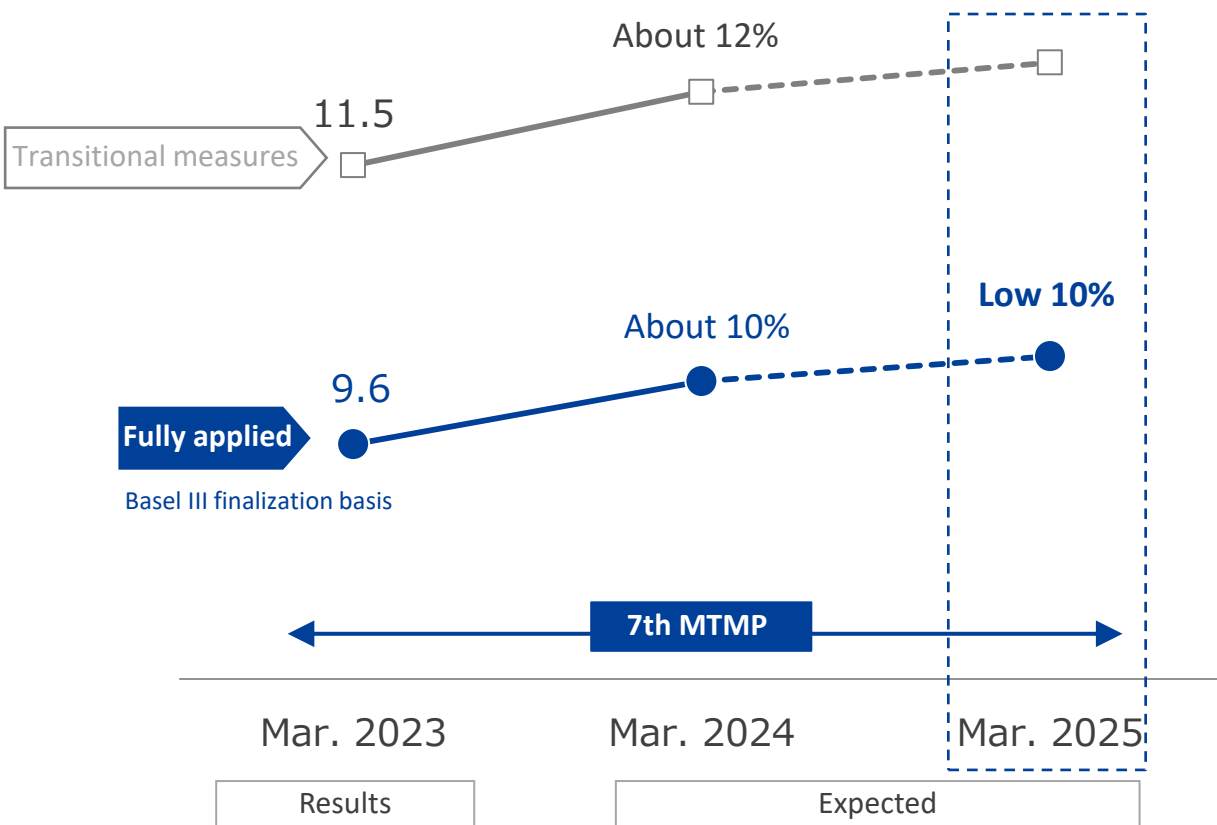
(Reference) FY2024 target: Approx. 6%

# Improvement of Corporate Value\_Capital Policy (Basic Policy)

- We will strive to manage capital in a way that balances shareholder returns with growth investments based on the premise of maintaining soundness.

## FFG consolidated capital adequacy ratio

- ▣ Capital adequacy ratio at the end of March 2025 expected to be **low 10%**  
(on basis of full application of Basel III finalization)



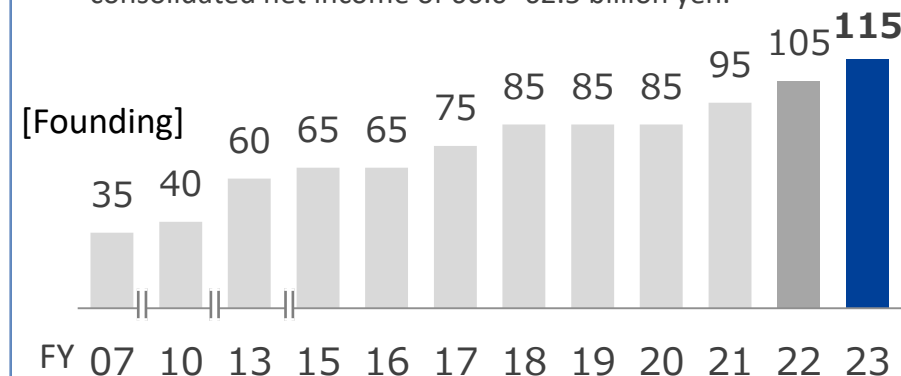
## Capital policy

### Basic policy

#### Return to shareholders

#### Dividend amount per share (Unit: ¥)

- ▣ While **maintaining soundness**, we aim to manage capital in a way that balances **investment in growth** and **shareholder returns** for the development of the local economy and the enhancement of FFG's corporate value.
- ▣ Stable (maintain or increase) dividend payment based on profit growth, and flexible share buybacks.
  - ✓ **Dividend payout ratio: About 35%**
  - ✓ **Share buybacks: We will consider flexibly executing share buybacks** after comprehensively considering business performance trends, capital conditions, growth investment opportunities, market environment, etc.
- ▣ We plan an annual dividend of 115 yen (an increase of 10 yen year-on-year) in line with our table of target dividends based on consolidated net income of 66.0–62.5 billion yen.



\* This information takes into account the effect of the reverse stock split of 5 shares of common stock into 1 share in October 2018.

## (Reference 1) Business Integration with the Fukuoka Chuo Bank

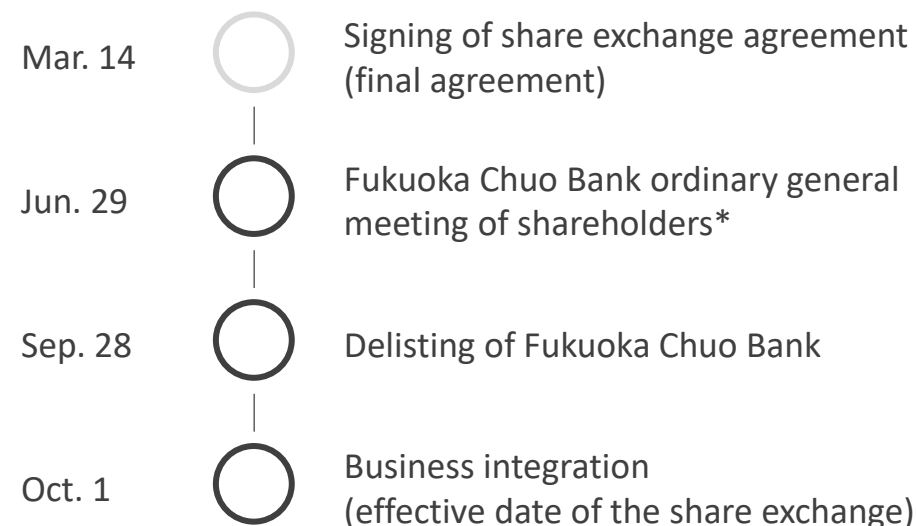
- A share exchange agreement (final agreement) was signed with Fukuoka Chuo Bank on March 14. We will step up preparations ahead of the business integration on October 1.

### Basic policy for business integration

<b>Purpose of business integration</b>	<b>Contribute to the sustainable development of the regional economy by further leveraging FFG's collective strengths and supporting all customer segments in the region</b>
<b>Strategy</b>	As a member of FFG, Fukuoka Chuo Bank will fulfil its role as a <b>financial institution specializing in small- and medium-sized enterprises (SMEs)</b> as stated in its management philosophy
<b>Infrastructure</b>	<b>While not merging with the Bank of Fukuoka, management philosophy, governance and other management infrastructure will be unified under FFG</b>
<b>Systems</b>	<b>Core systems will not be integrated.</b> However, <b>some subsystems will be integrated</b> to achieve Group-wide business operations.
<b>Administration</b>	<b>The administration of common operations</b> (foreign exchange, taxes and public funds, inheritance, collateral valuation, debt recovery, etc. ) <b>will be centralized, and operations will be entrusted to Group companies</b>
<b>Sales</b>	<b>An optimal sales system will be built through improved operational efficiency</b> (increase in sales personnel) and <b>FFG's management resources will be utilized in sales</b>

➔ **Aims to maximize synergies in terms of both revenue and costs**

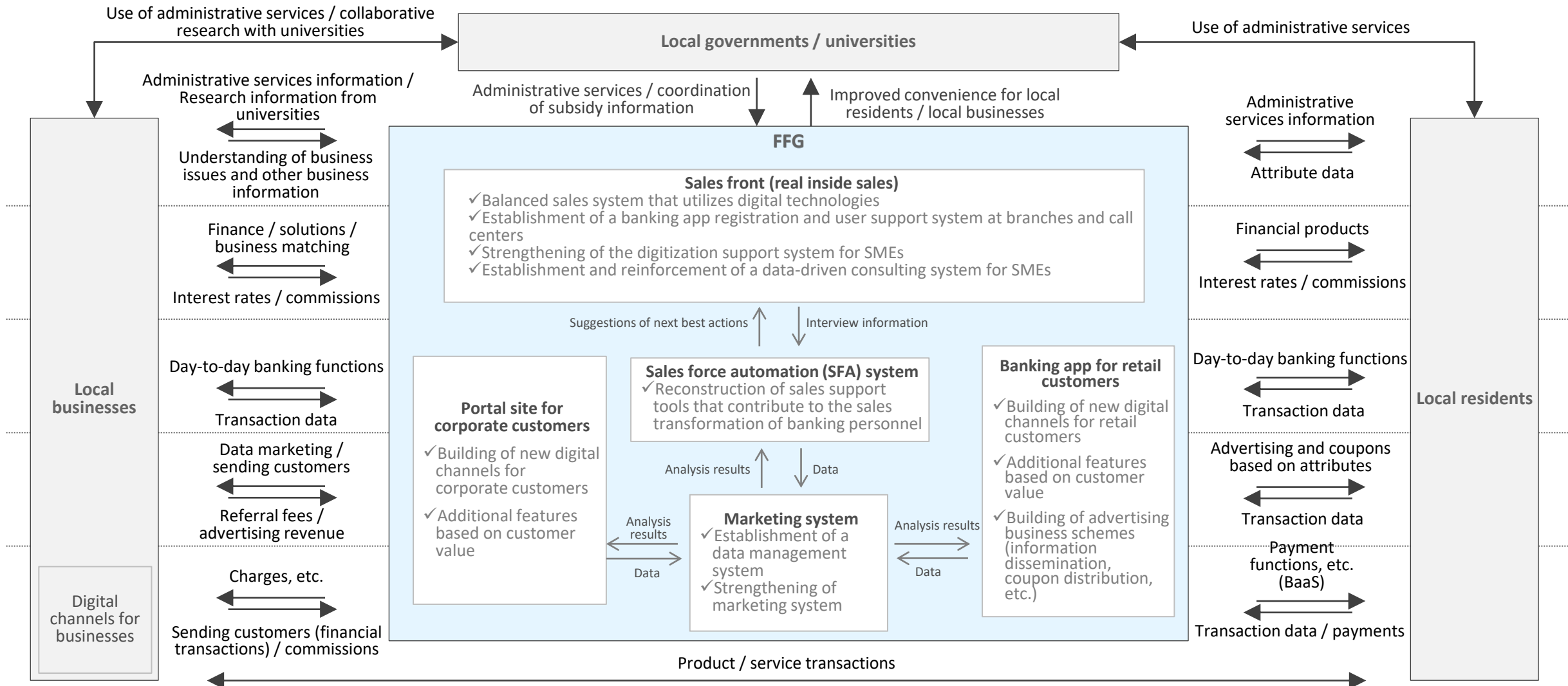
### Schedule



\* A resolution of FFG's general meeting of shareholders is omitted as the agreement falls under the category of a simple share exchange.

## (Reference 2) Future Vision for FFG through DX

- In the future, we will realize a business model of value co-creation in which local players are connected.





- Changes in policy, such as revision of the yield curve control (YCC) and lifting of negative interest rates, will have a positive impact on the net interest income of FFG's domestic divisions.

## FFG's balance sheet (image)

Yen portfolio: Approx. 27 trillion yen

<p><b>Loans</b> 14.0 trillion yen</p>	<p><b>Deposits</b></p>
<p>Loans to Government 2.5 trillion yen</p>	
<p>Current account at the Bank of Japan</p>	
<p><b>Securities</b></p>	
	<p>Market procurement</p>
	<p>Bank of Japan market operations</p>

## Breakdown of loans, deposits and securities

### Breakdown of loans \* Excluding loans to Government

		Type	Balance	Remaining years in fixed-rate period		Percentage
Corpo rate	Floating rate		4.3 trillion yen	3 years or less		50%
	Market-linked		2.0 trillion yen			
	Fixed rate		5.8 trillion yen	3-5 years		30%
Retail	Housing loans	Floating	2.6 trillion yen	More than 5 years		20%
		Fixed	0.8 trillion yen			
	Consumer loans	Fixed	0.5 trillion yen			

### Breakdown of securities

Type	Percentage
Fixed-rate bonds	70%
Floating-rate bonds	30%

### Breakdown of deposits

Type	Percentage
Floating deposits	70%
Fixed deposits	30%

# Part II: Financial Results and Earnings Projections (Reference)

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## Profit & loss (3 banks total)

(Unit: ¥ bil.)

	3 banks non-consolidated total		Bank of Fukuoka (non-consolidated)		Kumamoto Bank (non-consolidated)		Juhachi-Shinwa Bank (non-consolidated)	
	Results	YoY chg.	Results	YoY chg.	Results	YoY chg.	Results	YoY chg.
Gross business profit	177.0	-28.0	119.4	-18.6	20.5	+1.1	37.1	-10.4
Net interest income	186.4	+1.6	124.4	+2.7	18.8	+0.4	43.3	-1.5
Domestic	172.4	+2.7	112.0	+2.7	18.8	+0.3	41.7	-0.3
International	14.0	-1.1	12.4	+0.0	0.0	+0.0	1.6	-1.2
Non-interest income	-9.5	-29.6	-5.0	-21.3	1.7	+0.7	-6.2	-9.0
Net fees and commissions	25.5	+0.5	18.8	-0.1	1.7	+0.4	5.0	+0.2
Specified trade income	3.3	+0.1	3.4	+0.5	0.0	-0.0	-0.2	-0.3
Bond-related income	-38.2	-30.2	-27.2	-21.7	0.0	+0.4	-11.0	-8.9
Overhead expenses (-)	109.3	-6.1	64.9	-2.1	12.5	-0.6	31.9	-3.4
Actual business profit	67.7	-21.8	54.5	-16.5	8.0	+1.7	5.2	-7.0
Transfer to general reserve for possible loan losses (-)	-0.5	-1.4	-3.6	-4.7	1.2	+1.2	0.0	-1.1
<b>Core business profit</b>	<b>105.9</b>	<b>+8.3</b>	<b>81.7</b>	<b>+5.1</b>	<b>8.0</b>	<b>+1.3</b>	<b>16.2</b>	<b>+1.9</b>
Other operating profit (loss)	-1.2	-4.3	-5.2	-8.6	-1.2	-1.7	3.3	+2.8
Ordinary profit	67.1	-24.8	52.9	-20.4	5.6	-1.2	8.6	-3.2
Extraordinary profit (loss)	-0.6	+0.5	-0.2	+0.0	0.0	-0.0	-0.4	+0.5
Income (loss) before income taxes	66.5	-24.3	52.8	-20.4	5.5	-1.3	8.2	-2.7
<b>Net income</b>	<b>50.7</b>	<b>-18.1</b>	<b>39.0</b>	<b>-13.8</b>	<b>4.3</b>	<b>-0.8</b>	<b>7.4</b>	<b>-3.5</b>
Credit cost (-)	3.1	+1.6	4.3	+3.8	2.1	+3.0	-3.2	-5.2

## Profit & loss (FFG consolidated)

	FY22 results	YoY chg.
[Compared to the projection of Jan. 2023]		
Gross business profit	193.7	-27.4
Actual business profit	53.1	-25.2
Core business profit	93.4	+7.2
Ordinary profit	[+5.1] 50.1	-26.0
<b>Consolidated net income</b> [+0.7]	<b>31.2</b>	<b>-23.0</b>

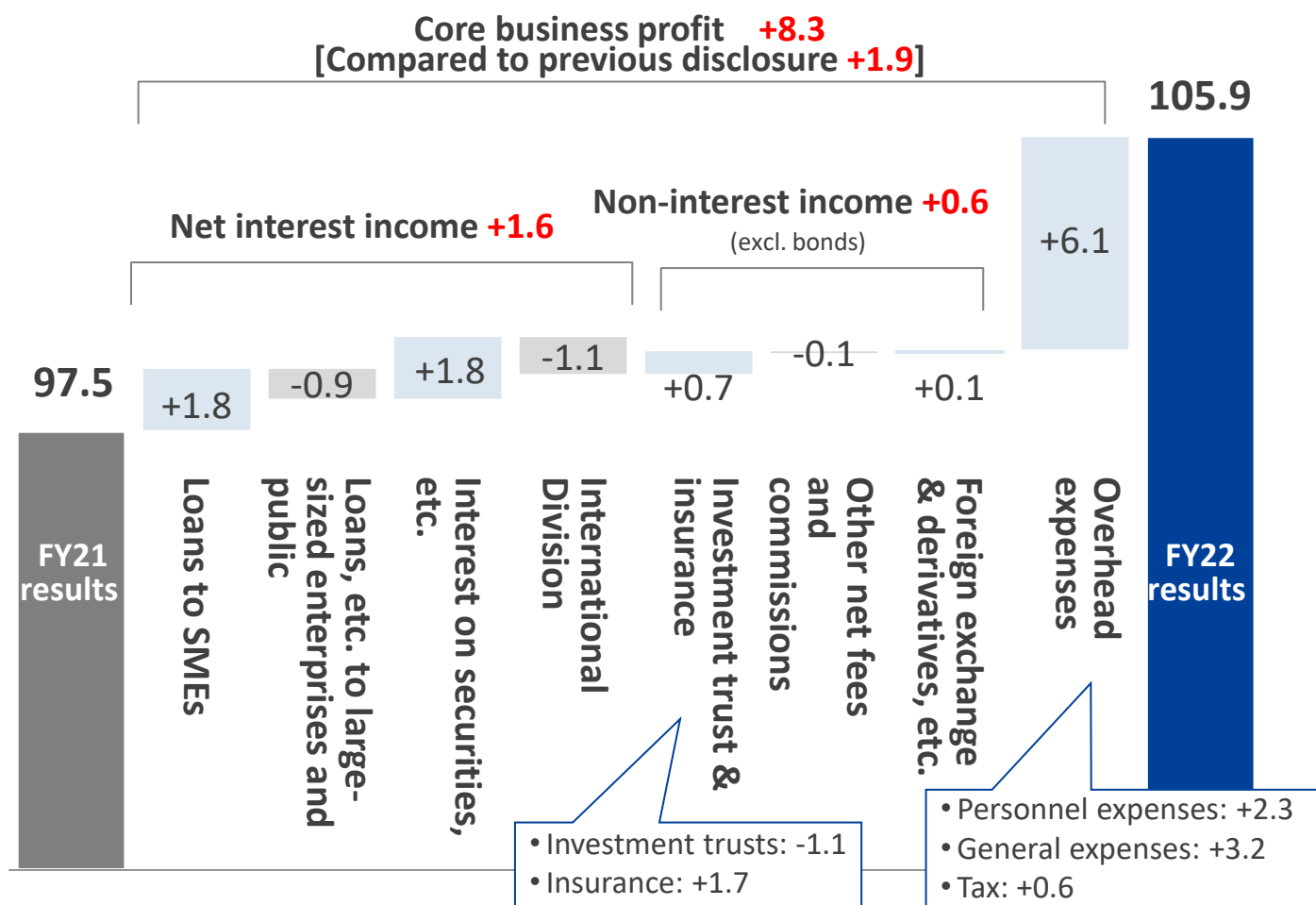
\* Net income attributable to owners of the parent



Net income (3 banks total)	50.7
FFG non-consolidated	-11.4
Adjustment related to Minna Bank	-11.2
Subsidiary income	5.0
Other consolidation adjustments	-1.9
<b>FFG consolidated net income</b>	<b>31.2</b>

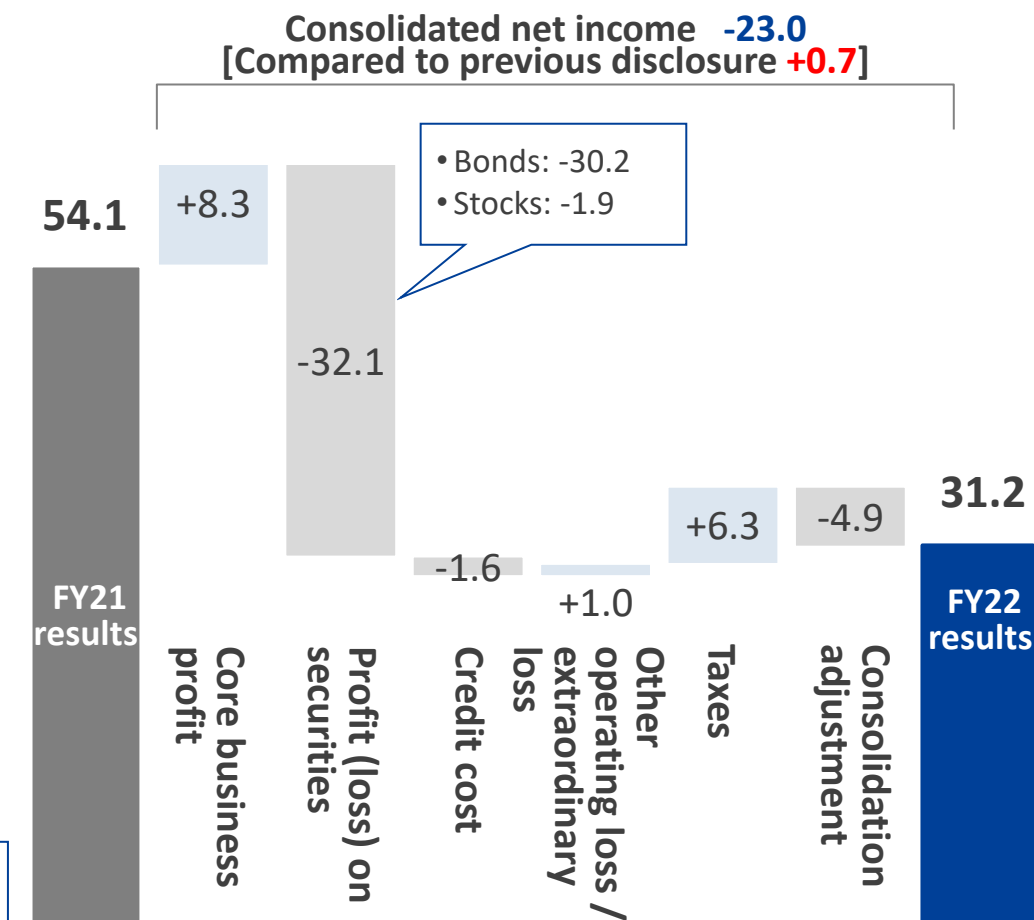
- Core business profit increased year-on-year due to an increase in profit from loans to SMEs and insurance, etc. and a decrease in overhead expenses due to the effects of the Juhachi-Shinwa Bank integration, etc.
- Consolidated net income decreased year-on-year due mainly to recording losses on sales following the restructuring of the market investment portfolio reflecting rising overseas interest rates.

## Transition of top line



## Transition of bottom line

(Unit: ¥ bil.)



## Profit & loss(3 banks total)

(Unit: ¥ bil.)

	3 banks non-consolidated total		Bank of Fukuoka (non-consolidated)		Kumamoto Bank (non-consolidated)		Juhachi-Shinwa Bank (non-consolidated)	
	Projected	YoY chg.	Projected	YoY chg.	Projected	YoY chg.	Projected	YoY chg.
Gross business profit	225.0	+48.1	152.9	+33.6	21.4	+0.9	50.7	+13.6
Net interest income	194.9	+8.5	130.5	+6.1	19.6	+0.8	44.9	+1.6
Domestic	183.5	+11.1	119.8	+7.8	19.5	+0.8	44.2	+2.6
International	11.4	-2.6	10.7	-1.7	0.0	+0.0	0.6	-1.0
Non-interest income	30.1	+39.6	22.5	+27.5	1.8	+0.1	5.8	+12.0
Net fees and commissions	27.0	+1.5	19.5	+0.7	1.6	-0.1	5.9	+0.8
Specified trade income	0.2	-3.1	0.8	-2.7	0.1	+0.0	-0.7	-0.5
Bond-related income	3.0	+41.2	2.2	+29.4	0.2	+0.2	0.6	+11.6
Overhead expenses (-)	112.0	+2.7	66.9	+2.0	12.9	+0.4	32.3	+0.4
Actual business profit	113.0	+45.3	86.1	+31.6	8.5	+0.5	18.4	+13.2
Core business profit	110.0	+4.1	83.9	+2.2	8.3	+0.3	17.8	+1.6
Ordinary profit	110.0	+43.0	86.3	+33.4	7.2	+1.7	16.4	+7.9
Net income	80.9	+30.2	62.6	+23.6	5.8	+1.5	12.5	+5.1
Credit cost (-)	6.0	+2.9	3.5	-0.8	0.8	-1.3	1.7	+4.9

## Profit & loss(FFG consolidated)

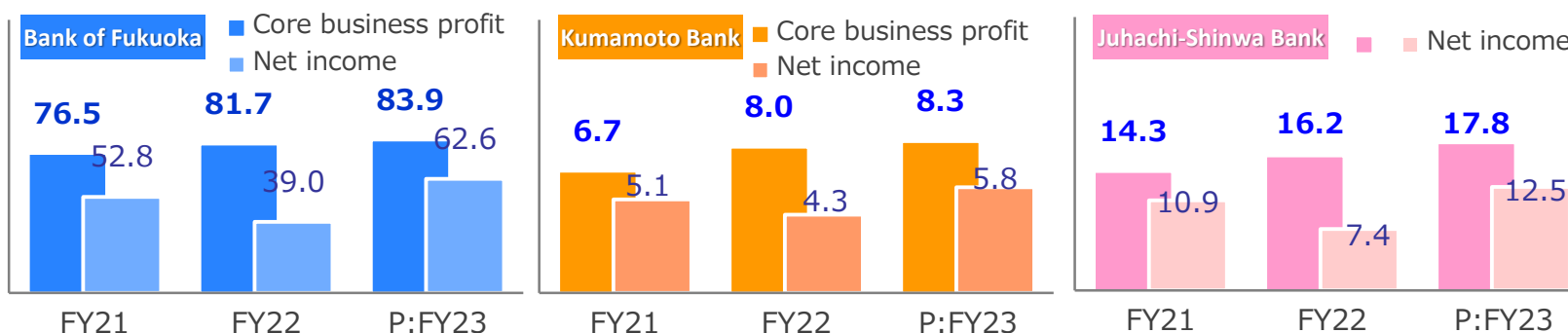
	P:FY23	YoY chg.
Gross business profit	245.0	+51.3
Actual business profit	96.2	+43.1
Core business profit	93.2	-0.2
Ordinary profit	90.0	+39.9
Consolidated net income	61.0	+29.8

\* Net income attributable to owners of the parent



Net income (3 banks total)	80.9
FFG non-consolidated	-14.2
Adjustment related to Minna Bank	-8.8
Subsidiary income	5.1
Other consolidation adjustments	-2.0
FFG consolidated net income	61.0

### Profit & loss [by bank]



# Top-Line and Bottom-Line Projections for FY2023

- Core business profit is projected to increase 4.1 billion yen year-on-year to 110.0 billion yen, driven by an increase in loans to SMEs and interest on securities.
- Consolidated net income is projected to increase 29.8 billion yen year-on-year to 61.0 billion yen due in part to an increase in core business profit and a turnaround of the special factors in the previous fiscal year.

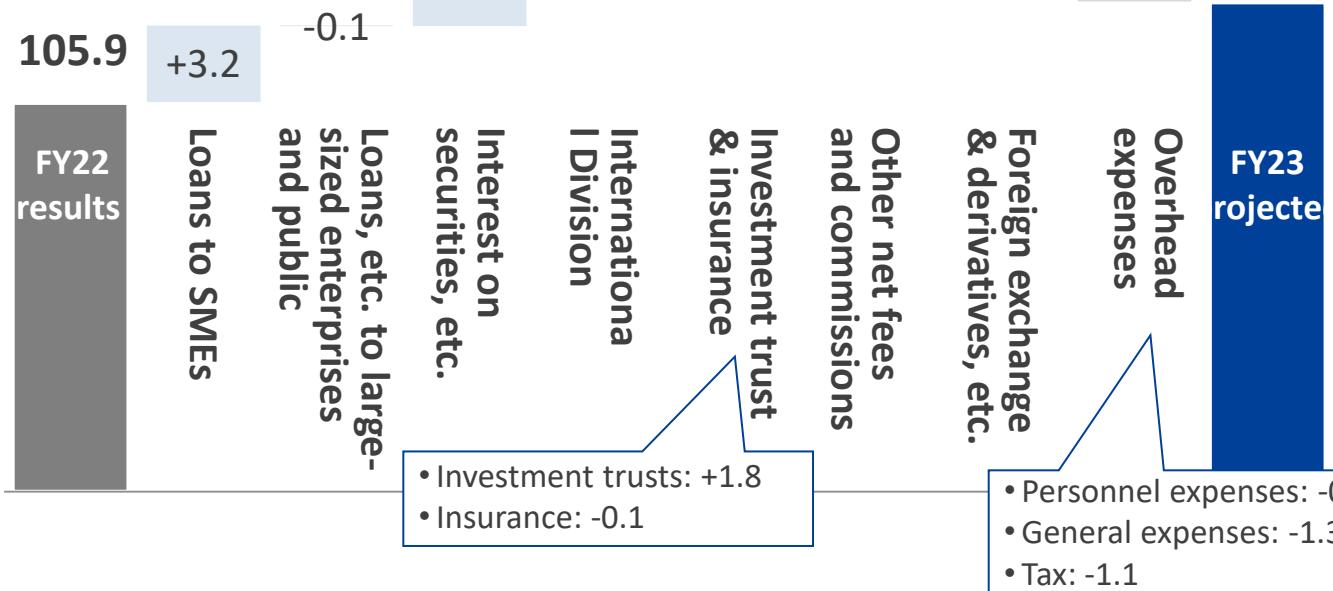
## Transition of top line

Core business profit **+4.1**

Net interest income **+8.5**

Non-interest income **-1.6**  
(excl. bonds)

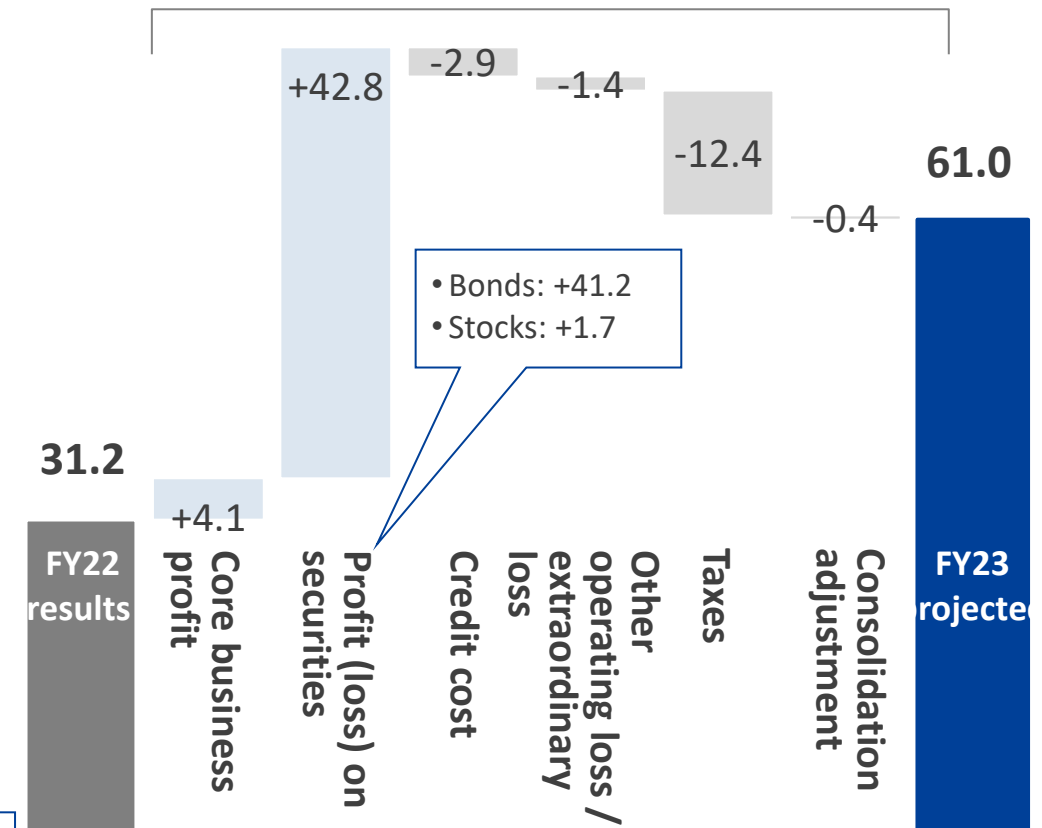
- Bonds, stocks, etc.: -3.3
- Funds: +4.0
- Fund transactions, etc.: +7.3



## Transition of bottom line

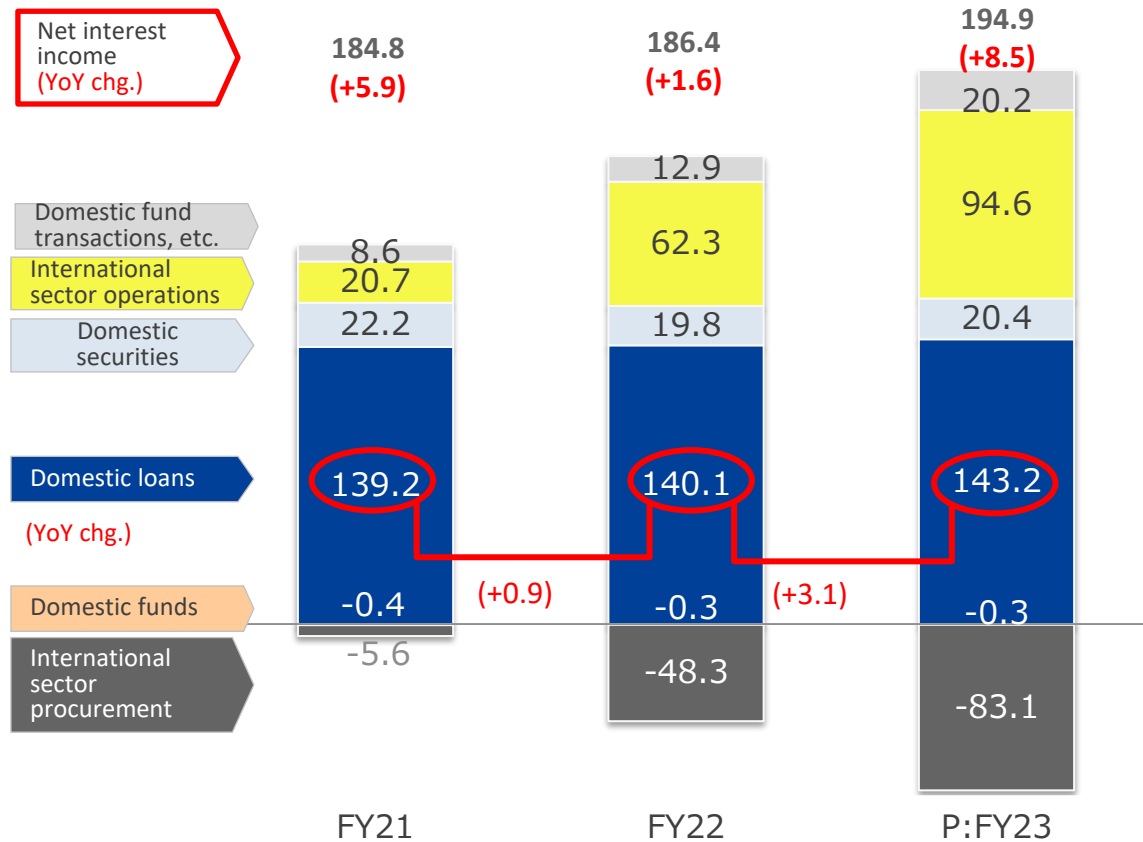
(Unit: ¥ bil.)

Consolidated net income **+29.8**



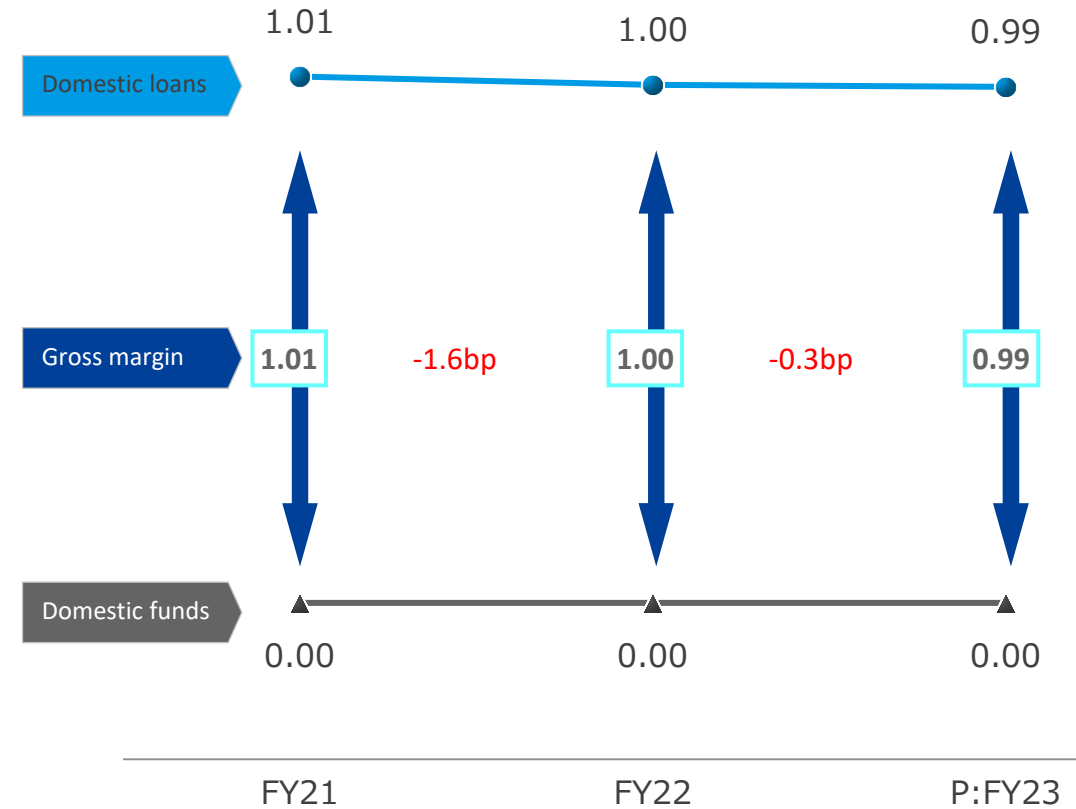
## Net interest income (3 banks total)

\* Domestic loans... Excluding loans to FFG and Government (¥ bil.)  
 \* Domestic funds... Domestic deposits + CDs

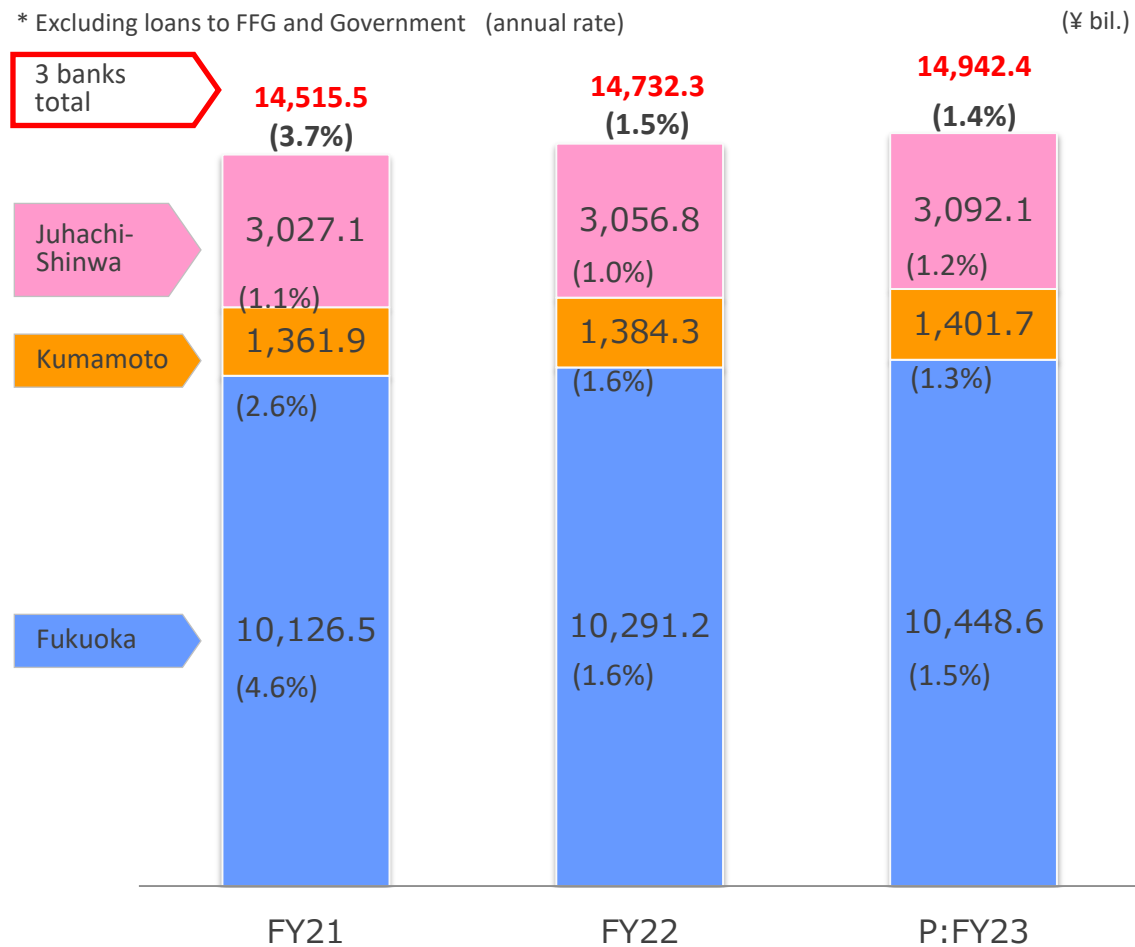


## Domestic deposit loan gross margin (3 banks total)

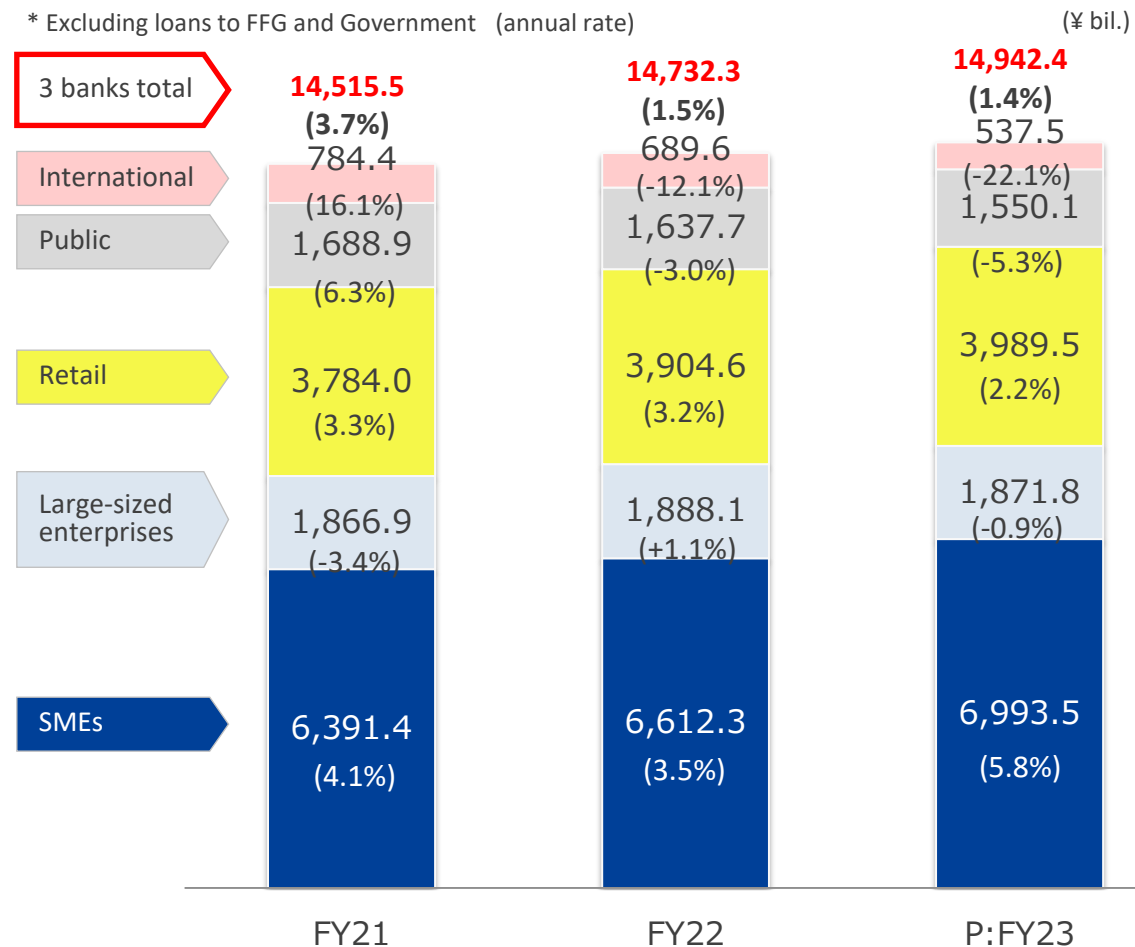
\* Domestic loans... Excluding loans to FFG and Government (%)  
 \* Domestic funds... Domestic deposits + CDs



## Loans (by bank)

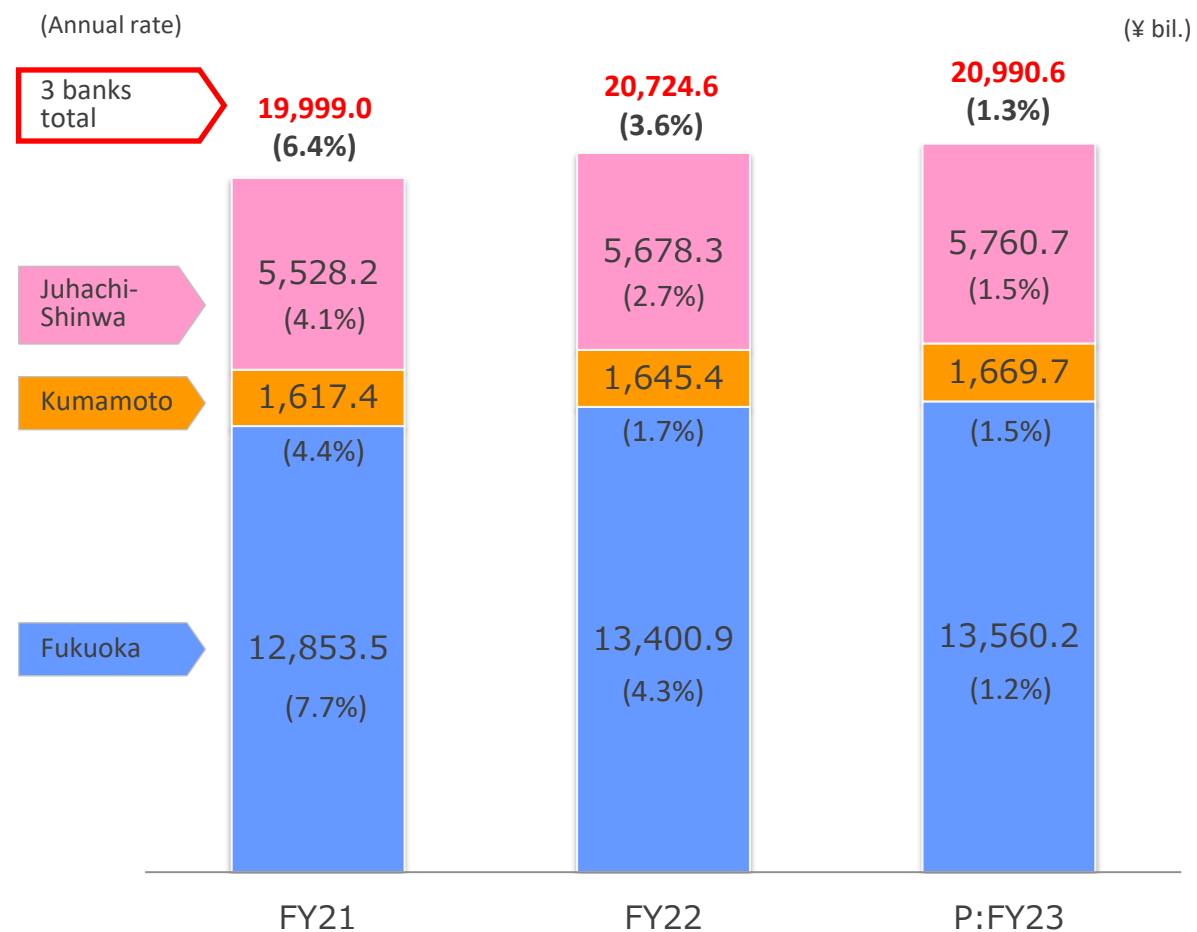


## Loans (by segment)

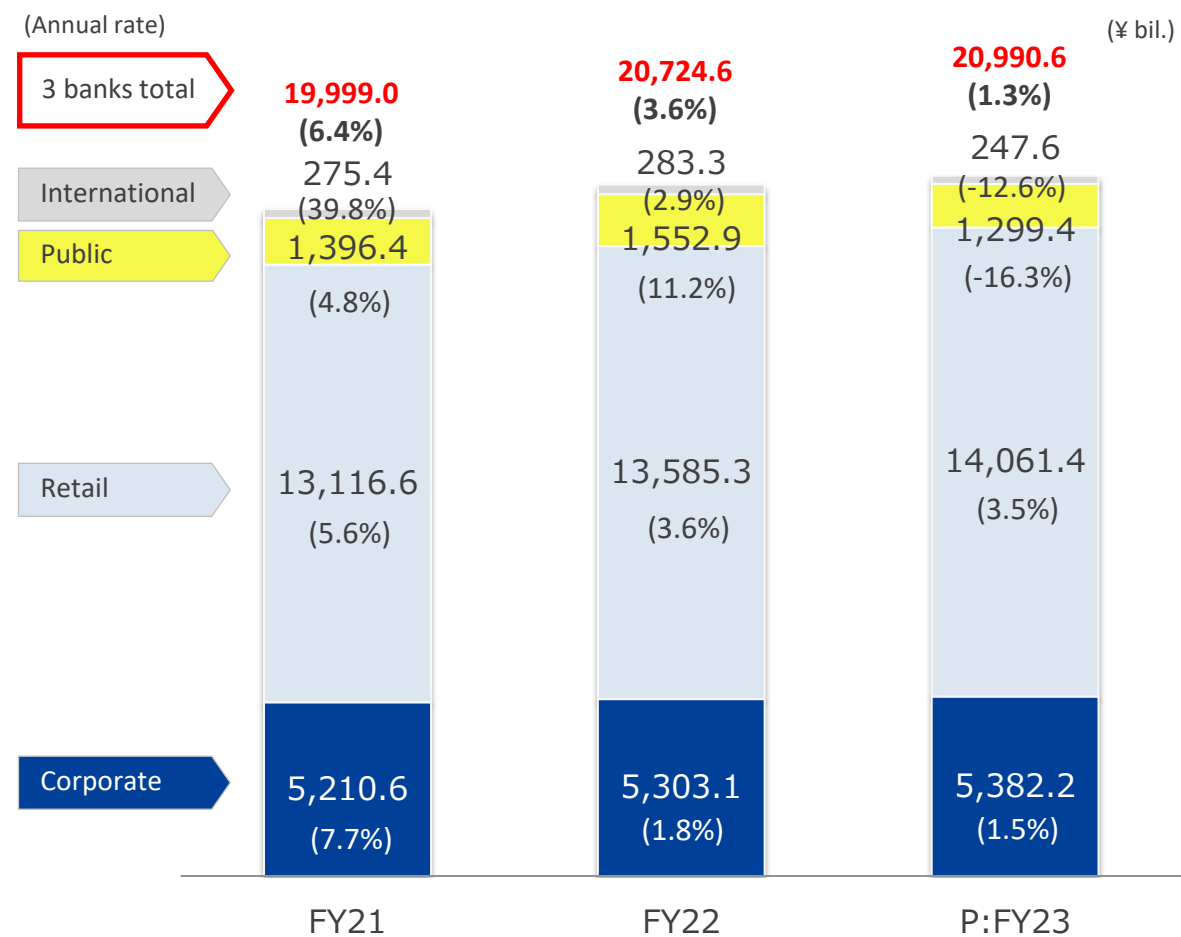




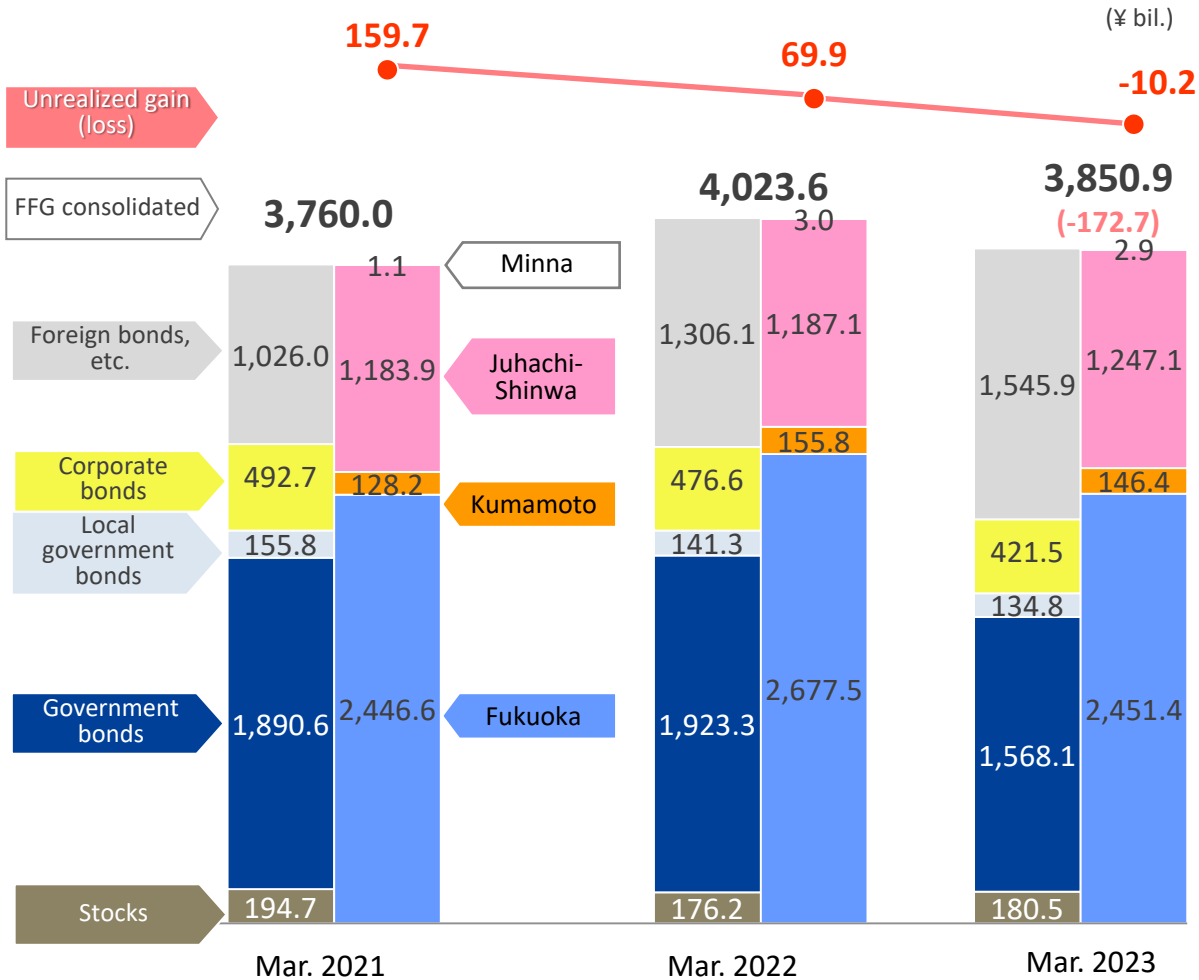
## Deposits and CDs (by bank)



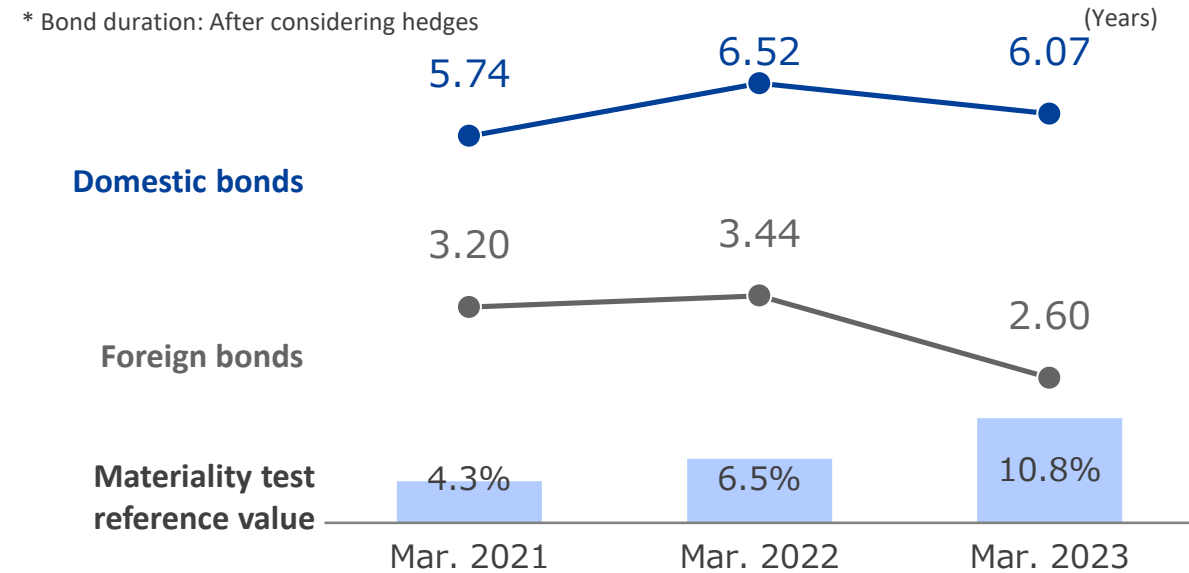
## Deposits and CDs (by segment)



## Securities portfolio (FFG consolidated)



## Bond duration & materiality test reference value

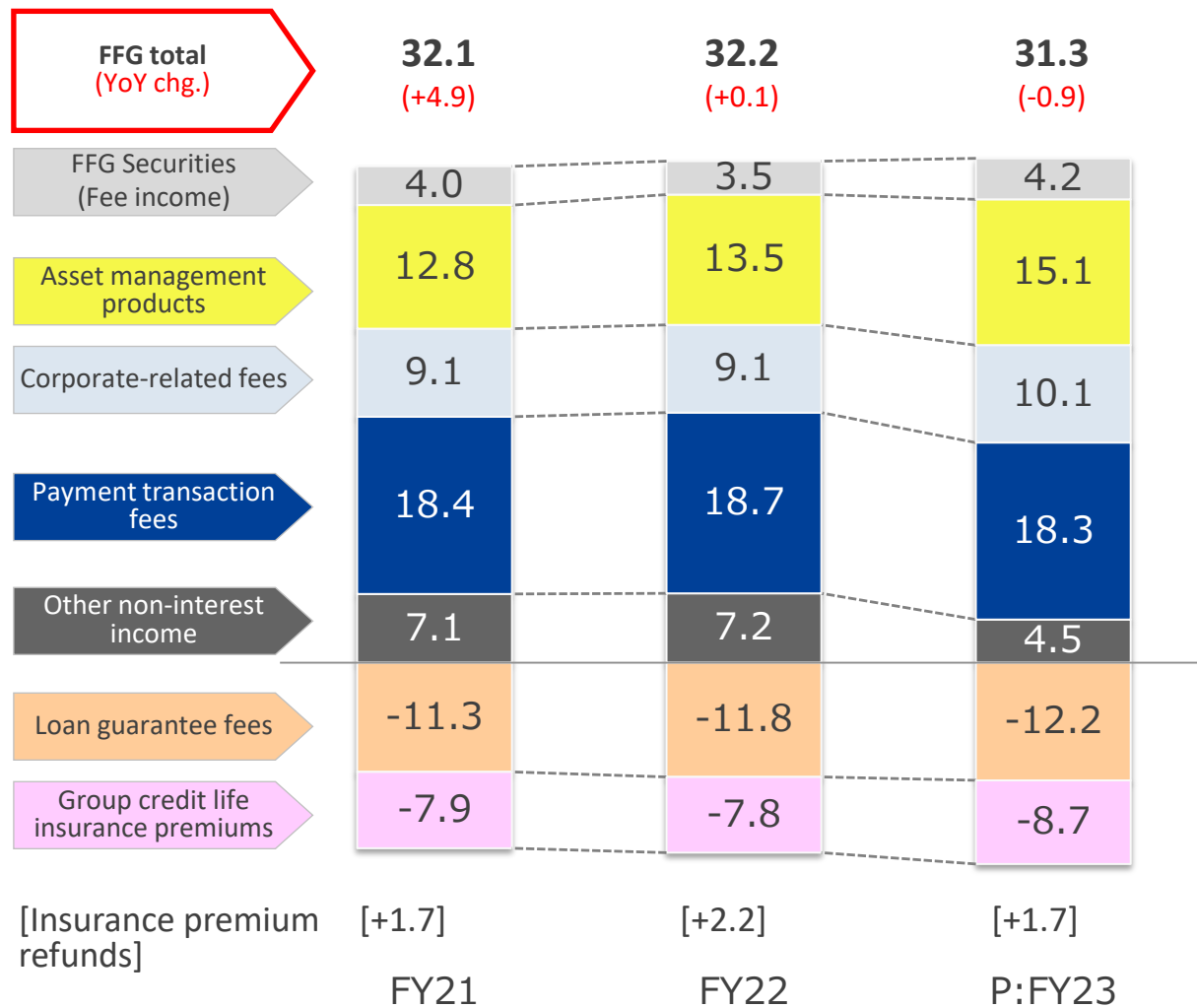


## Securities-related profit & loss (3 banks total)

[¥ bil.]	FY2020	FY2021	FY2022
Stocks	5.0	5.2	3.3
Bonds	0.5	-8.0	-38.2
<b>Total</b>	<b>5.5</b>	<b>-2.8</b>	<b>-34.8</b>

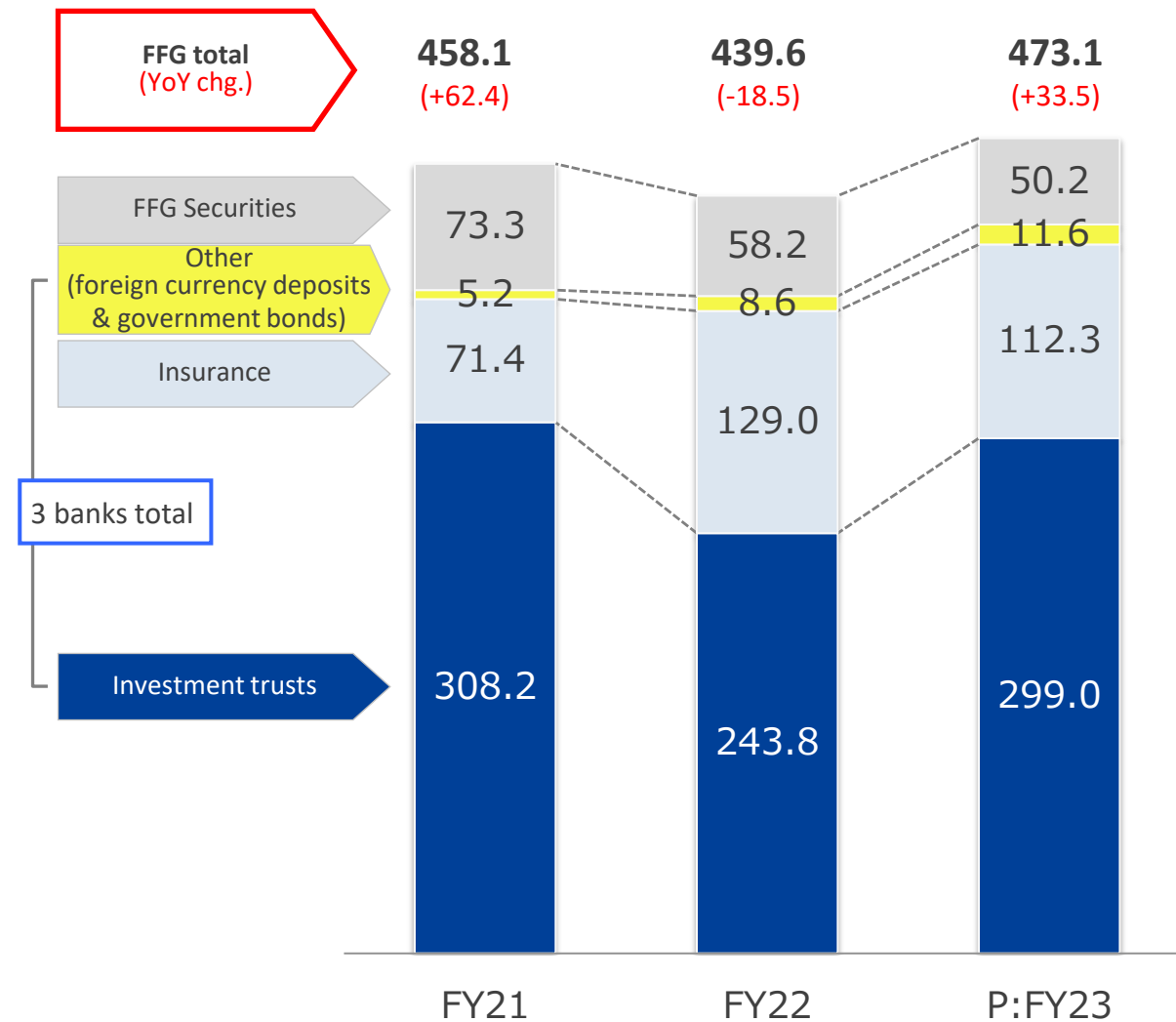
## Non-interest income (3 banks total +FFG Securities) (Unit: ¥ bil.)

\* Excluding gains (losses) on bonds



## Asset management product sales (Unit: ¥ bil.)

\* Figures for FFG Securities are the total sales of investment trusts and bonds



## By category / OHR\*

\* OHR = Overhead expenses / Gross business profit

Unit: ¥ bil.

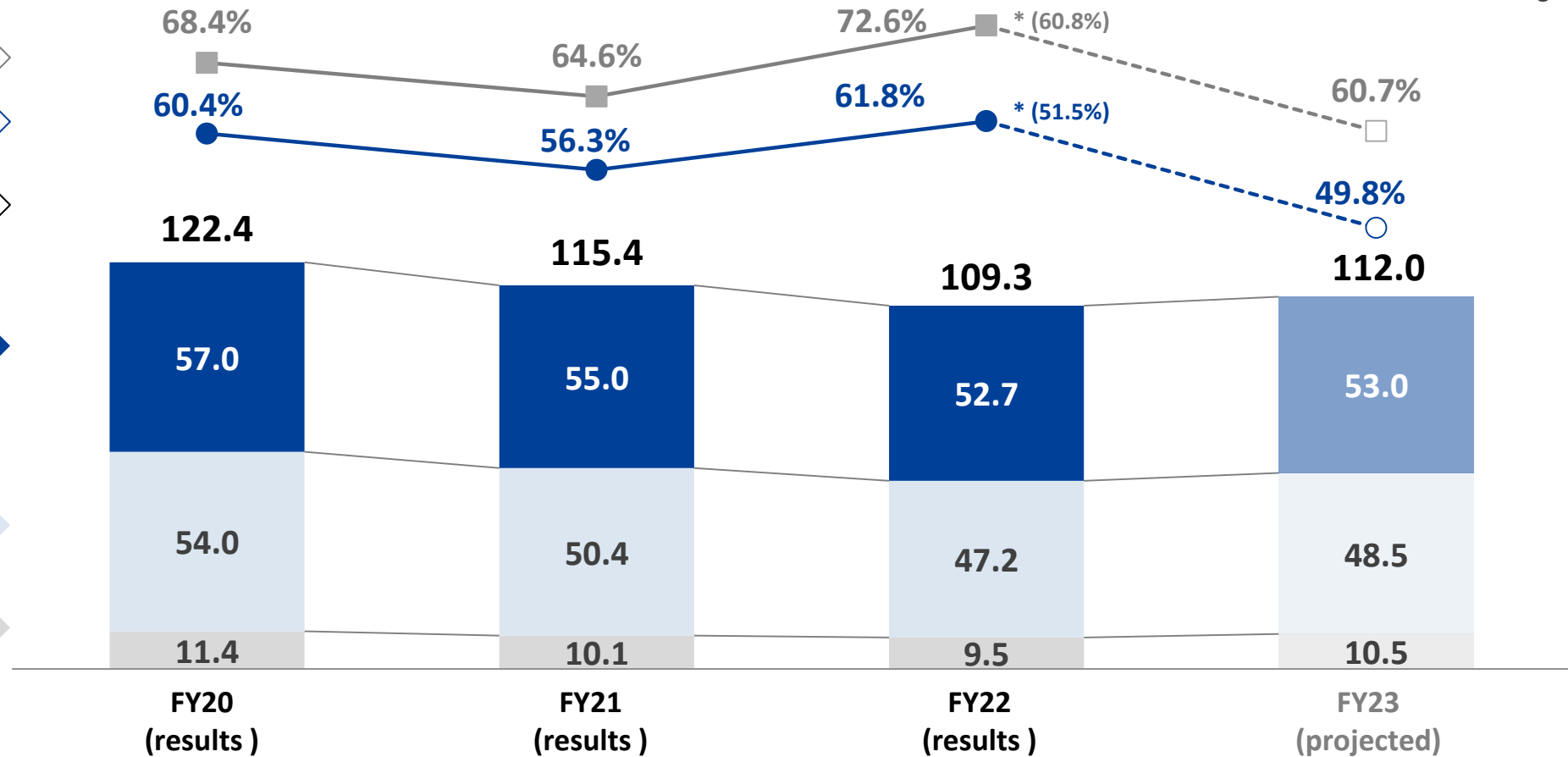
\* FY22 only: Figures in parentheses ( ) exclude cut losses on foreign bonds

- Consolidated OHR
- 3 banks total OHR
- 3 banks total

Personnel expenses

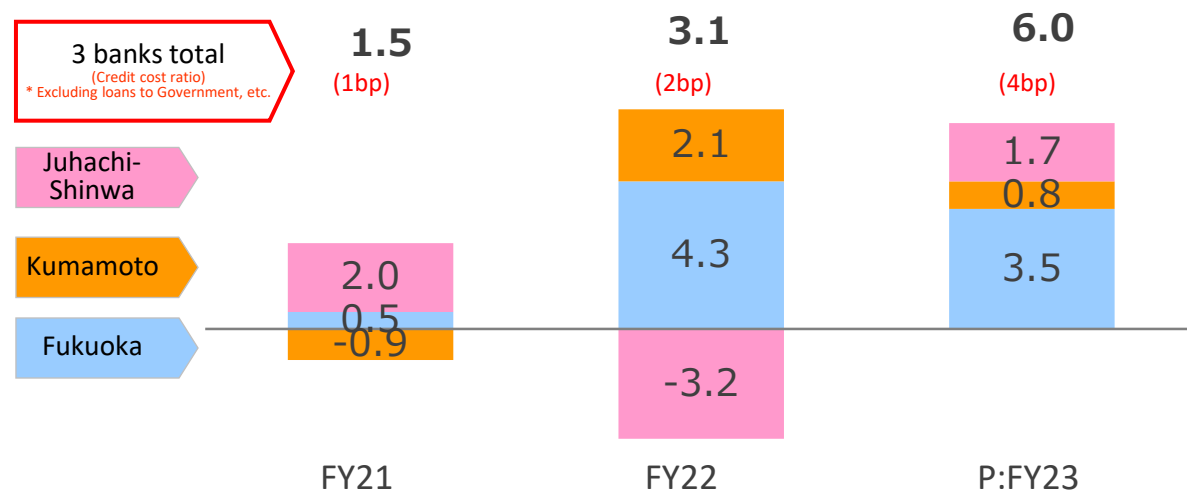
General expenses

Tax

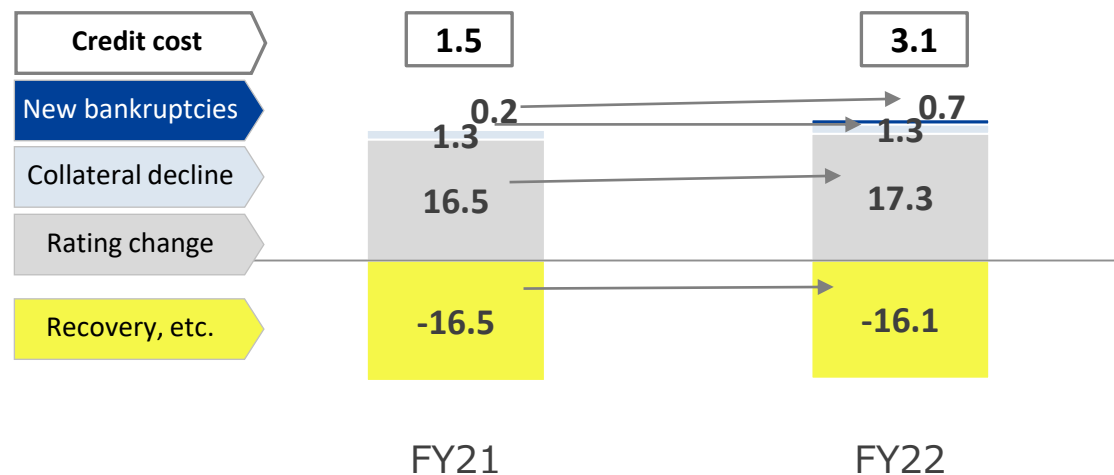


## Credit cost (3 banks total)

(Unit: ¥ bil.)

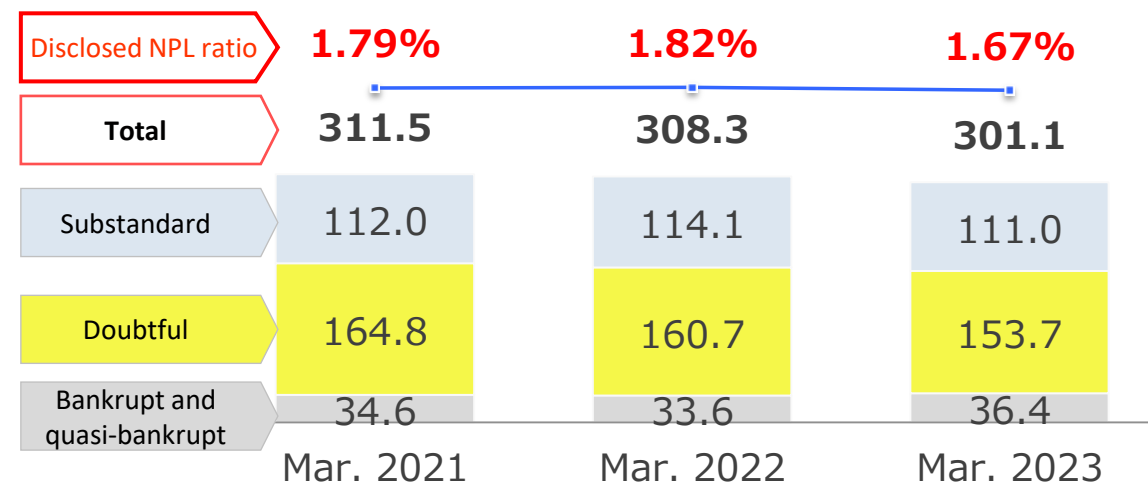


### ■ FY2022 Breakdown of credit cost

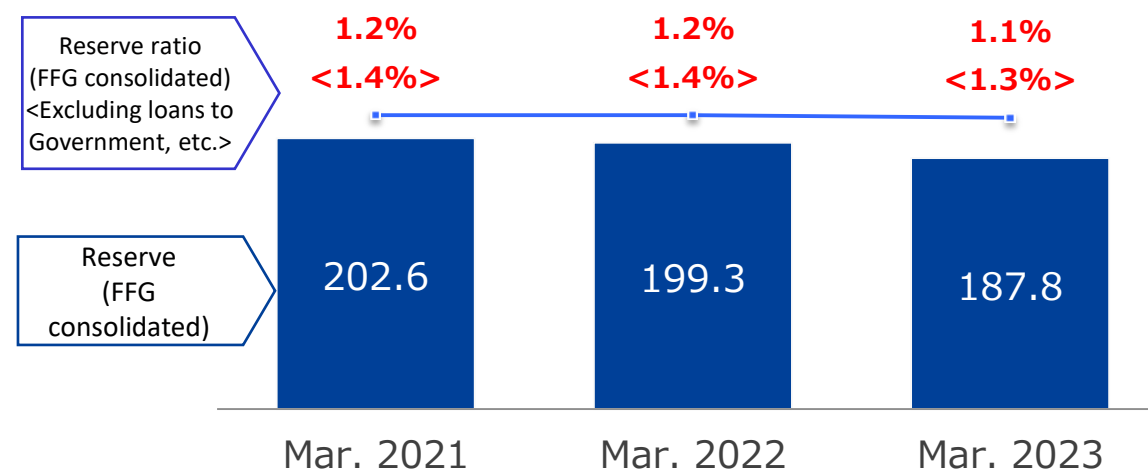


## Non-performing loans & ratio (3 banks total)

(Unit: ¥ bil.)



### Changes in reserve & reserve ratio



## Part III: Sustainability Initiatives (Reference)

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## Working Together to Achieve Sustainability for our Customers\_Support for SDGs

- We are actively developing support for SDGs that is provided to customers based on the Sustainable Scale Index.
- We began offering FFG main business support loans to support local companies in their main business and to help them realize sustainability management.

### Sustainable Scale Index

- **Benchmark and visualize** your own SDGs/ESG initiatives by answering about 200 evaluation items
- Since evaluations are industry-based, you can see where you stand by comparing your own figures against the industry average

▣ Provision of Sustainable Scale Index (SSI) (as of Mar. 31, 2023)

	Fukuoka	Kumamoto	Juhachi-Shinwa	Total
Applications received	361	162	158	681

### Awarded Bronze at the 4th ESG Finance Award Japan

- Received the **Bronze award** in the **Indirect Finance category** in recognition of our stance of encouraging clients to change their behavior as well as pursuing our own business opportunities based on non-financial information, and for our expectations for further outcomes in client engagement.

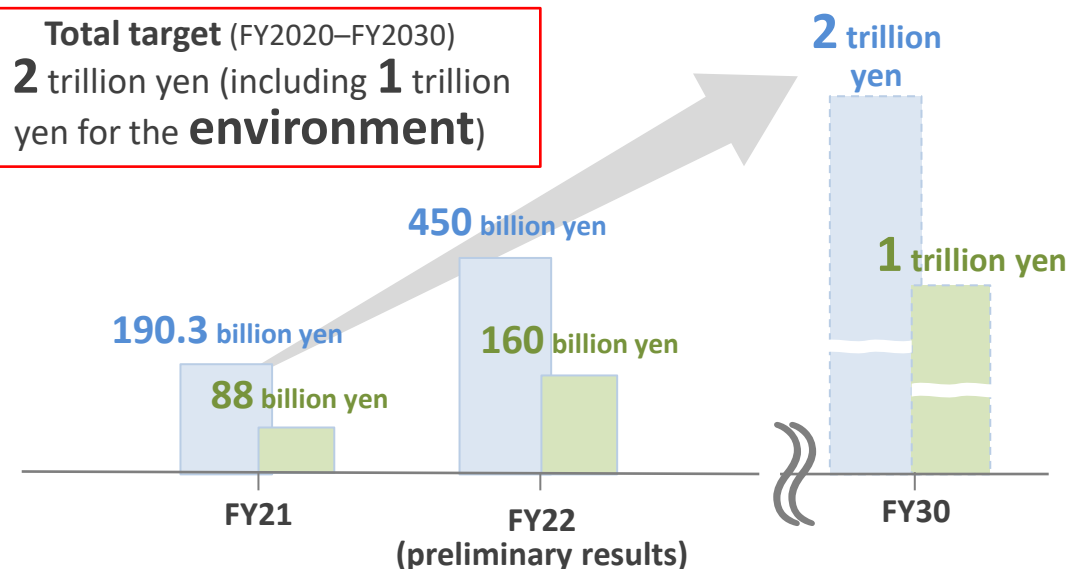
#### ESG Finance Award Japan

An awards program administered by the Ministry of the Environment, designed to promote and expand ESG and to improve the quality of ESG by recognizing investors, financial institutions, financial service providers and others for their initiatives having an impact on the environment, society, and the economy, and to share this recognition widely in society.



### Sustainable finance results

**Total target (FY2020–FY2030)**  
**2 trillion yen (including 1 trillion yen for the environment)**



### FFG business support loans

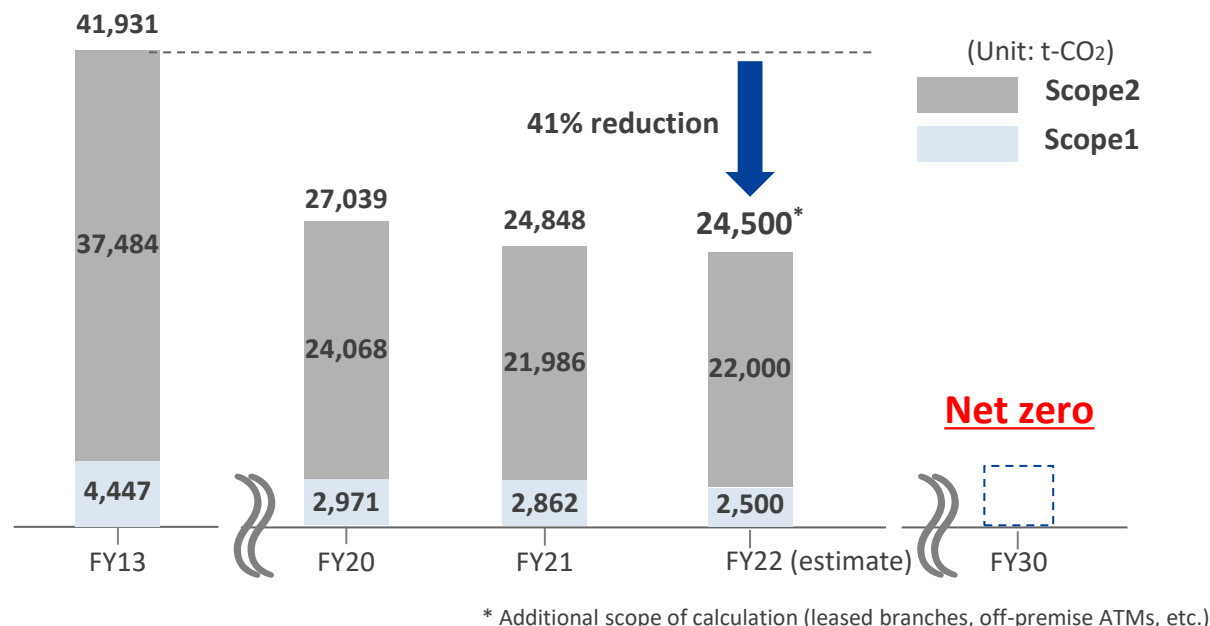
- In March 2023, began handling **FFG main business support loans** (sustainability linked loans and green loans).
- In order for customers to **achieve their vision**, we provide **partnered support over the medium to long term** to help them resolve the issues they face, setting and sharing **financial and non-financial goals** through a unique framework.

# Promoting Sustainability in FFG Addressing Climate Change

- We have positioned climate-related risks as particularly important risks for management at FFG. We are promoting reductions of our own CO<sub>2</sub> emissions, and we are strengthening disclosure in line with the disclosure framework in the TCFD recommendations.

## Reduction of our CO<sub>2</sub> emissions (Scope 1, 2)

- In order to accelerate our efforts for carbon neutrality, we have set our own CO<sub>2</sub> emissions (Scope 1, 2) reduction target at “net zero by FY2030”



## Participation in the GX League (GX: green transformation)

As part of our efforts to realize a decarbonized society, we participate in the Ministry of Economy, Trade and Industry’s GX League. We will accumulate knowledge and know-how for achieving carbon neutrality and contribute to realization of a decarbonized society.



## Scenario analysis

- We utilize scenario analysis to identify the impact of climate-related risks on FFG and establish strategic resilience. We will use the analysis results in engagement with corporate customers to create business opportunities and mitigate risks.

	Physical risk	Transition risk
Applicable portfolio	<ul style="list-style-type: none"> <li>• Borrowers with business feasibility in Japan</li> </ul>	<ul style="list-style-type: none"> <li>• Utility and energy sector*</li> <li>• Automotive sector</li> </ul>
Scenario	<ul style="list-style-type: none"> <li>• RCP 8.5 (4°C scenario) or RCP 2.6 (2°C scenario) in the IPCC** Assessment Report</li> </ul>	<ul style="list-style-type: none"> <li>• Net Zero 2050 (1.5°C scenario) and Current Policies (3°C scenario) by NGFS***</li> </ul>
Analysis results	<ul style="list-style-type: none"> <li>• Additional credit costs that could be incurred by 2050: <b>Up to 5.0 billion yen</b></li> </ul>	<ul style="list-style-type: none"> <li>• Additional credit costs that could be incurred by 2050: <b>Total 7.4–31.6 billion yen</b></li> </ul>

\* Excludes water suppliers and renewable energy generators

\*\* UN Intergovernmental Panel on Climate Change

\*\*\* Network of Central Banks and Supervisors for Greening the Financial System



# Contributing to the Sustainability of Local Communities\_Community Contribution Activities

- Community contribution activities beyond the framework of financial business and helping to improve financial literacy are important roles for regional financial institutions, and we are actively engaged in those roles.

## Community initiatives

- FFG has long-standing roots in the community, which is why we are able to develop community contribution activities beyond the framework of our financial business.

### KidZania Fukuoka

- The Bank of Fukuoka presents a pavilion as an official sponsor. Communicating the role of banks and the importance of money to children, who will lead the next generation, helps them grow healthy.



### SDGs Cosmetics Recycling Day

- The Kumamoto Bank set up special boxes at its branches to collect discarded cosmetics. Hands-on events were also held, including painting and slime making.



### Collaboration agreement with Saikai City, Nagasaki Prefecture

- The Juhachi-Shinwa Bank signed a collaboration agreement with nine other parties, including Saikai City in Nagasaki Prefecture, local businesses and the society of commerce and industry, to create a carbon-neutral community that is resilient to disasters.

## Financial and economic education

- We are actively working to help improve financial literacy in the local community, which ranks low compared to the nation as a whole

	FY2020–FY2022	FY2030 target
<b>Number of participants</b>	<b>39,000</b>	<b>100,000</b>



\* Visits to talk at elementary, junior high and high schools, work experience, number of internship participants, various seminars aimed at adults

\* Results of 2022 financial literacy survey

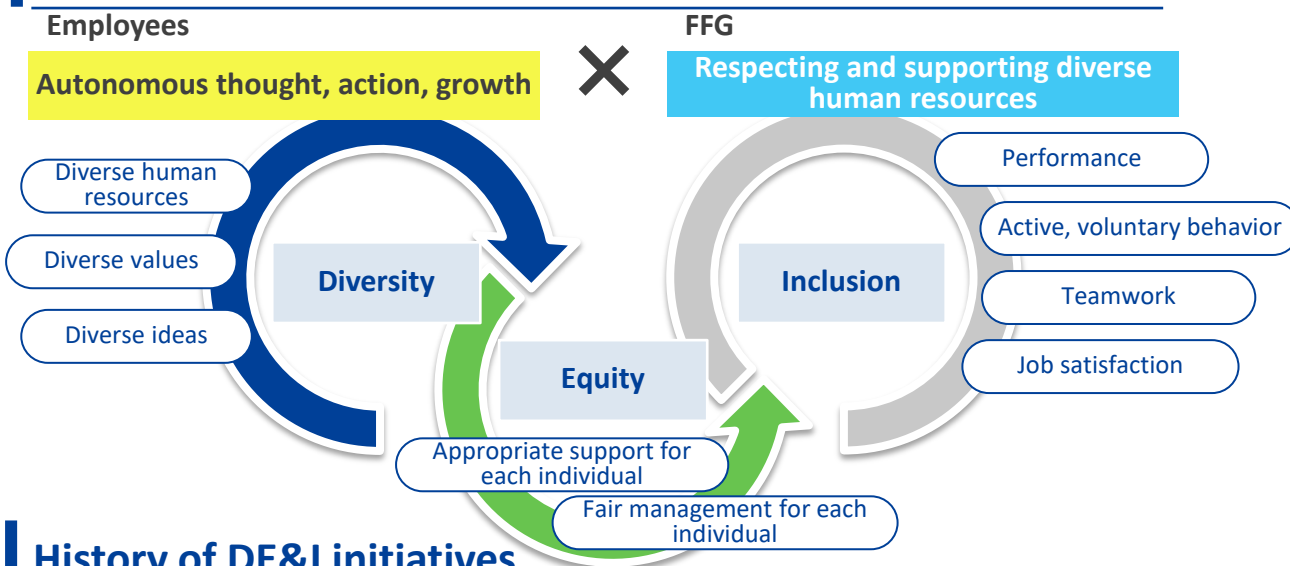
	Fukuoka Pref.	Kumamoto Pref.	Nagasaki Pref.	National average
<b>Percentage of correct answers</b>	53.5%	54.5%	52.5%	55.7%
<b>National ranking</b>	39th	31st	42nd	-
<b>Percentage who have received financial education</b>	8.3%	5.7%	5.5%	7.1%

\* Questionnaire conducted by the Central Council for Financial Services Information (secretariat: Bank of Japan) on 30,000 people aged 18–79, collected according to domestic demographics.

# Respect and Support for Diverse Human Resources\_Promotion of DE&I

- For employees to not only be diverse but also to play an active role by making the most of their individuality (inclusion), appropriate and fair management and support (equity) are needed which take into account their various backgrounds.
- We will respect and meld the diversity of “knowledge and experience” of our employees with various experiences and backgrounds, leading to growth of our organization.

## Image of DE&I promotion



## History of DE&I initiatives

- Oct. 2013: Launched “Support for Women Project: Fuwari”
- Oct. 2014: Announced targets for the promotion of women
- Apr. 2015: Established new Diversity Promotion Office
- Apr. 2018: Established new daycare center on the premises
- Feb. 2019: Began promotion of childcare leave for men
- Apr. 2022: Changed name to DE&I Promotion Group
- Oct. 2022: Mandated 10 working days of childcare leave for male employees / Established multi-purpose leave system

## Policy on improving workplace environment

- We will continue to develop systems not simply for ease of work, but that lead to higher productivity, increased job satisfaction, and greater engagement, by increasing the number of flexible work options based on the circumstances of individuals with various backgrounds, and by creating an environment that allows for fulfillment in both work and private life.

## Diverse initiatives

Mandated childcare leave for male employees	Flexible leave system
Paid leave able to be taken in 1-hour units	Various work-life balance support systems
Daycare center on the premises	Support program for returning to work
Engagement surveys	Management training

...

# Part IV: FY2022 Financial Results\_Figures (Reference)

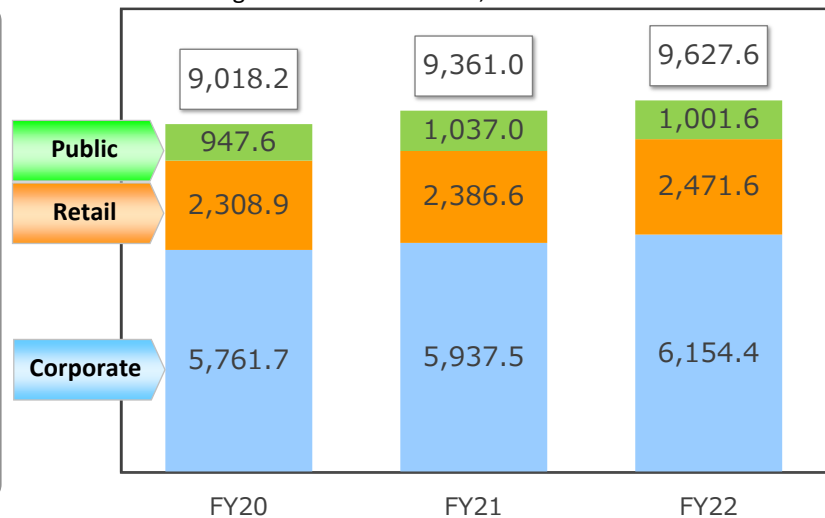
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# Average Balance of Loans (by Bank)

## Bank of Fukuoka (domestic, non-consolidated)

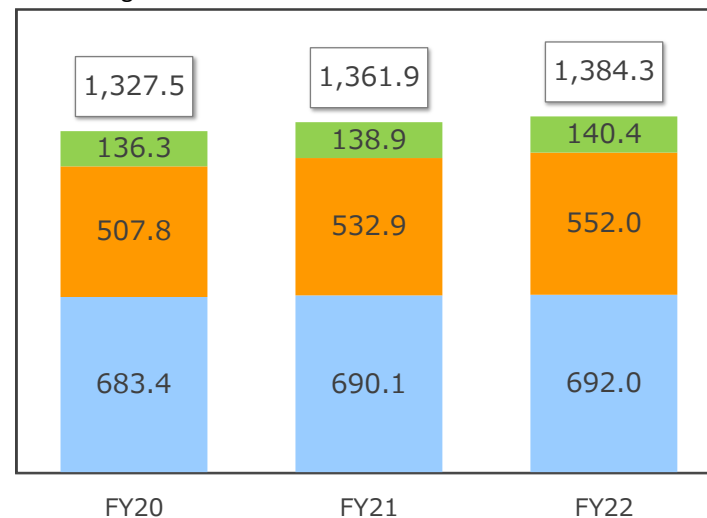
\* Excluding loans to Government, etc.

Average loan balance by segment (¥ bil.)



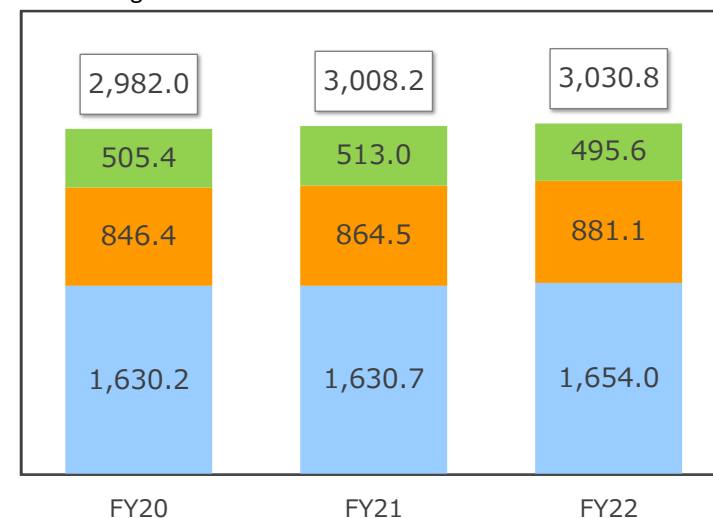
## Kumamoto Bank (domestic, non-consolidated)

\* Excluding loans to Government

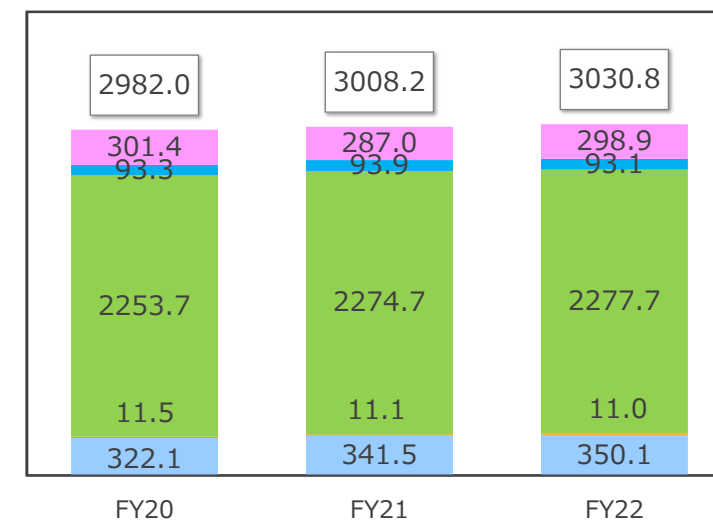
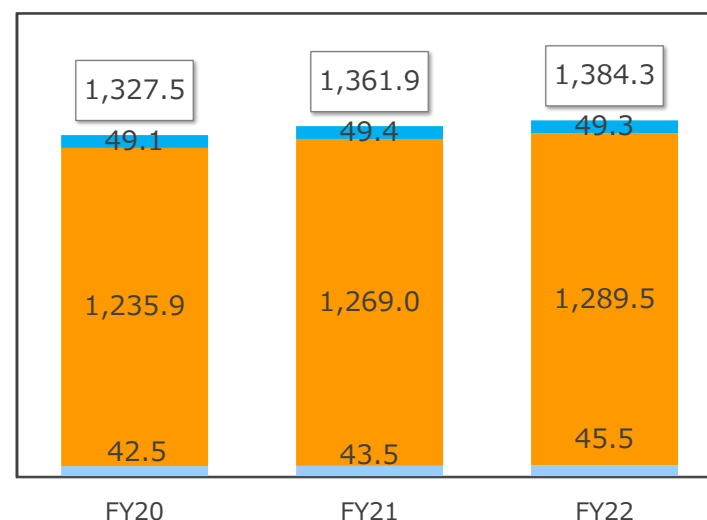
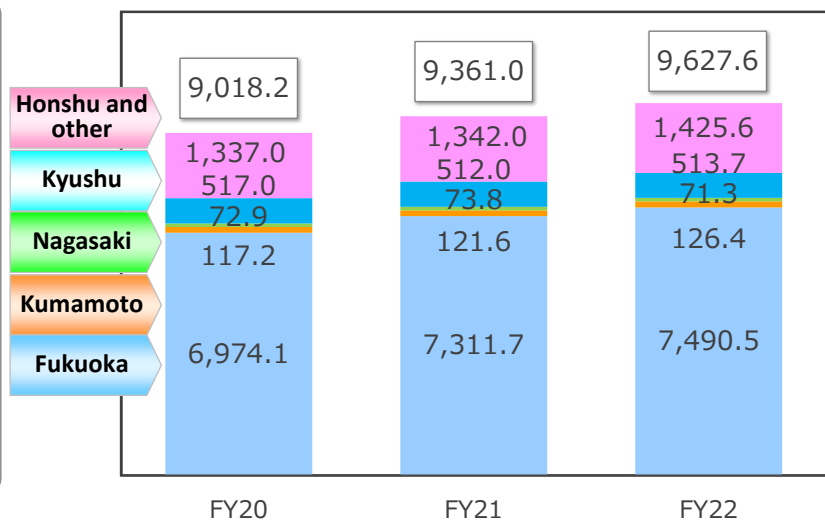


## Juhachi-Shinwa Bank (domestic, non-consolidated)

\* Excluding loans to Government



Average loan balance by region (¥ bil.)



# Average Balance of Loans (by Industry)

## Classification by industry

(¥ bil.)

	Mar. 31, 2023							
	3 banks total		Fukuoka		Kumamoto		Juhachi-Shinwa	
		%		%		%		%
Domestic loans (excluding the special international financial transactions account)	17,827.5	100.0%	11,635.3	100.0%	1,982.2	100.0%	4,209.8	100.0%
Manufacturing	820.4	4.6%	590.2	5.1%	53.8	2.7%	176.3	4.2%
Agriculture and forestry	46.8	0.3%	23.5	0.2%	10.6	0.5%	12.6	0.3%
Fishery	32.9	0.2%	14.7	0.1%	2.9	0.2%	15.3	0.4%
Mining, quarrying and gravel	16.5	0.1%	4.3	0.0%	0.5	0.0%	11.6	0.3%
Construction	412.2	2.3%	255.3	2.2%	60.5	3.1%	96.2	2.3%
Electricity, gas, heat supply and water	458.5	2.6%	355.5	3.0%	20.7	1.1%	82.2	1.9%
Information and communications	54.3	0.3%	35.4	0.3%	3.0	0.2%	15.9	0.4%
Transport and postal service	825.4	4.6%	682.8	5.9%	22.7	1.2%	119.8	2.8%
Wholesale and retail trade	1,374.9	7.7%	1,005.2	8.6%	99.5	5.0%	270.1	6.4%
Finance and insurance	870.4	4.9%	728.1	6.3%	4.7	0.2%	137.6	3.3%
Real estate and leasing	3,315.7	18.6%	2,555.7	22.0%	268.0	13.5%	492.0	11.7%
(Real estate)	2,956.0	16.6%	2,300.9	19.8%	258.6	13.1%	396.3	9.4%
Services	1,354.0	7.6%	859.5	7.4%	155.4	7.8%	339.0	8.0%
Government, local public sector	4,285.4	24.0%	2,013.5	17.3%	718.1	36.2%	1,553.7	36.9%
Others	3,959.4	22.2%	2,511.1	21.6%	561.3	28.3%	886.9	21.1%

Change from Mar. 31, 2022				
3 banks total	Fukuoka	Kumamoto	Juhachi-Shinwa	
978.0	-6.0	143.9	840.0	
-30.2	-29.5	2.7	-3.5	
3.7	2.7	0.3	0.7	
3.2	2.6	-0.1	0.8	
-4.6	-5.2	-0.2	0.8	
-9.4	-15.6	2.1	4.1	
-3.7	-2.1	-2.4	0.8	
3.1	2.6	-	0.6	
9.1	10.2	1.3	-2.4	
64.0	43.0	5.5	15.4	
199.7	130.1	-0.2	69.8	
125.8	93.4	13.0	19.5	
130.3	104.5	12.8	12.9	
-24.3	-13.4	-7.7	-3.3	
545.8	-292.2	112.4	725.6	
95.8	67.5	17.3	11.0	

## Loans based on the FRA, classified by industry

(¥ bil.)

	Mar. 31, 2023							
	3 banks total		Fukuoka		Kumamoto		Juhachi-Shinwa	
		%		%		%		%
Domestic loans (excluding the special international financial transactions account)	301.1	100.0%	186.3	100.0%	36.2	100.0%	78.6	100.0%
Manufacturing	37.5	12.5%	25.3	13.6%	3.3	9.2%	8.9	11.4%
Agriculture and forestry	2.9	1.0%	1.7	0.9%	0.8	2.3%	0.4	0.5%
Fishery	2.2	0.7%	0.2	0.1%	1.0	2.7%	1.1	1.4%
Mining, quarrying and gravel	0.6	0.2%	0.4	0.2%	-	0.1%	0.2	0.2%
Construction	12.4	4.1%	9.1	4.9%	1.8	5.0%	1.5	1.9%
Electricity, gas, heat supply and water	1.4	0.4%	1.3	0.7%	0.1	0.1%	-	0.0%
Information and communications	1.0	0.3%	0.2	0.1%	0.2	0.7%	0.6	0.7%
Transport and postal service	13.4	4.5%	6.2	3.3%	0.9	2.5%	6.3	8.0%
Wholesale and retail trade	67.2	22.3%	38.5	20.7%	7.1	19.7%	21.5	27.4%
Finance and insurance	2.9	1.0%	2.8	1.5%	-	0.1%	0.1	0.1%
Real estate and leasing	43.4	14.4%	32.7	17.5%	4.6	12.7%	6.1	7.8%
(Real estate)	42.7	14.2%	32.4	17.4%	4.2	11.7%	6.1	7.8%
Services	84.0	27.9%	47.6	25.5%	11.8	32.6%	24.6	31.3%
Government, local public sector	-	-	-	-	-	-	-	-
Others	32.2	10.7%	20.5	11.0%	4.5	12.3%	7.3	9.3%

Change from Mar. 31, 2022				
3 banks total	Fukuoka	Kumamoto	Juhachi-Shinwa	
-7.2	0.7	-2.0	-6.0	
5.1	4.6	0.1	0.4	
-0.2	-0.1	-	-0.1	
-0.2	-0.1	-0.1	0.1	
0.3	0.3	-	-	
2.0	2.9	0.1	-0.9	
-8.9	-8.0	-0.1	-0.9	
-0.1	-0.1	-0.1	0.1	
1.6	1.2	0.3	0.1	
-2.7	-0.1	-0.6	-2.1	
-3.9	-3.8	-0.1	-	
4.2	5.5	-0.3	-1.0	
3.9	5.4	-0.6	-0.9	
-5.5	-2.2	-1.5	-1.8	
-	-	-	-	
1.1	1.0	0.3	-0.1	

# Average Balance of Deposits & CDs (by Bank)

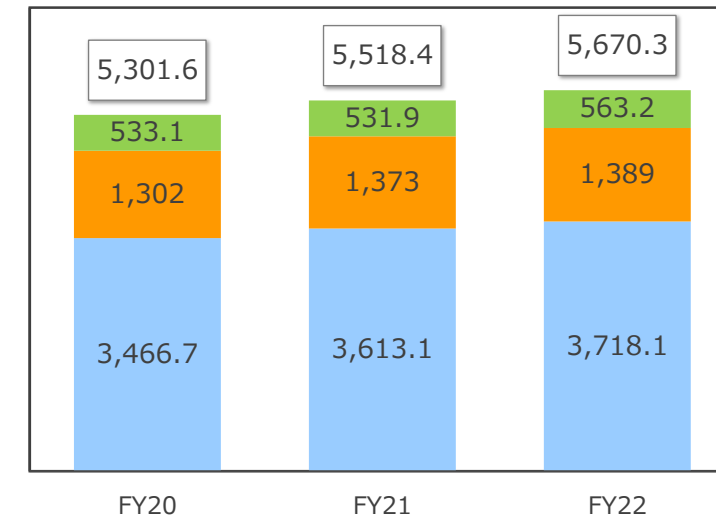
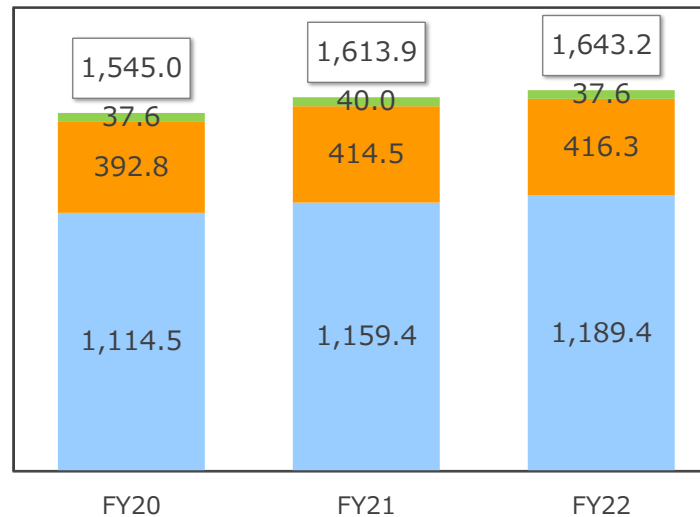
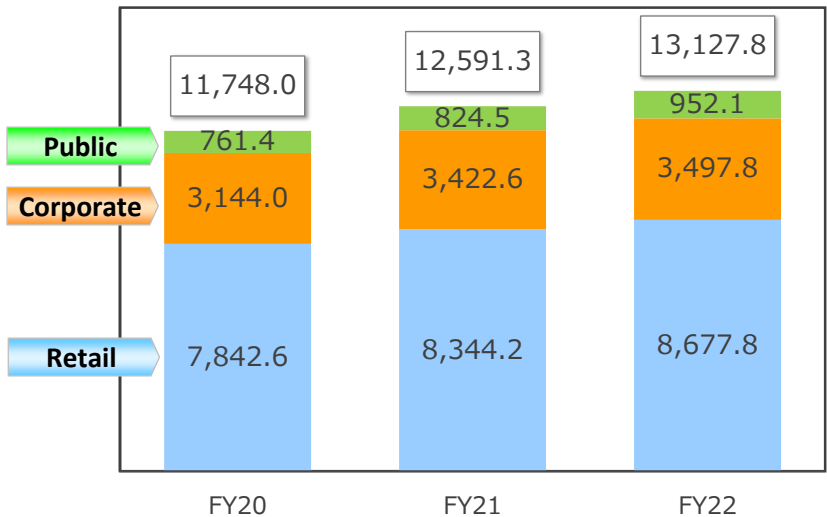
**Bank of Fukuoka** (domestic, non-consolidated)

**Kumamoto Bank** (domestic, non-consolidated)

**Juhachi-Shinwa Bank** (domestic, non-consolidated)

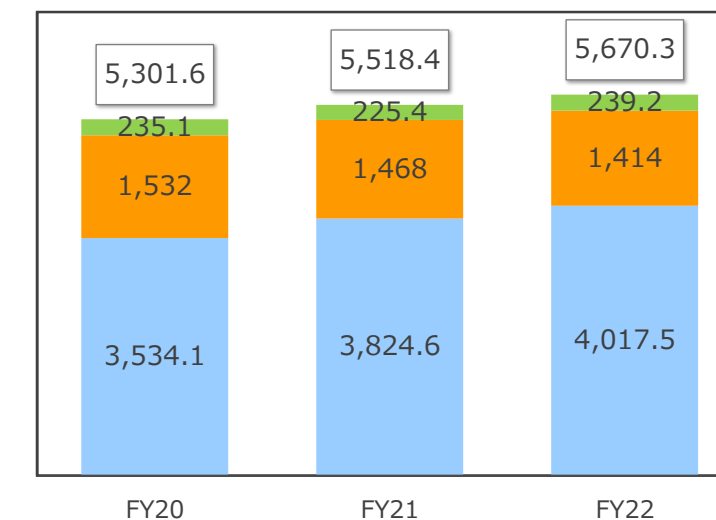
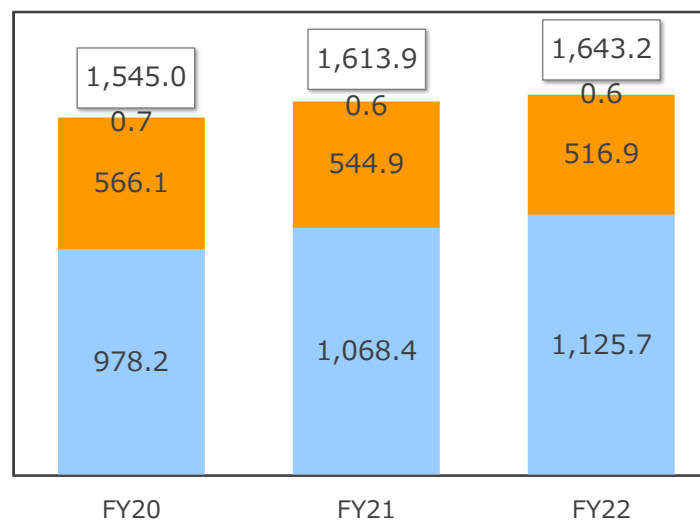
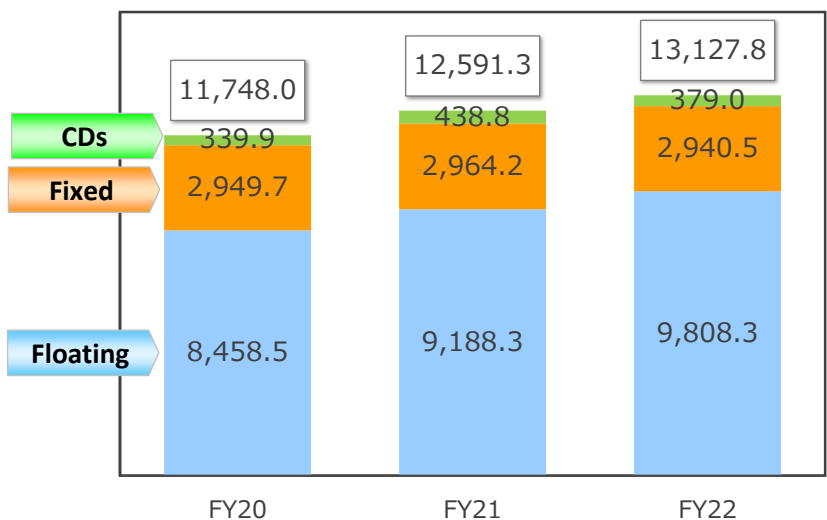
Average deposit balance by customer segment

(¥ bil.)



Average deposit balance by deposit type

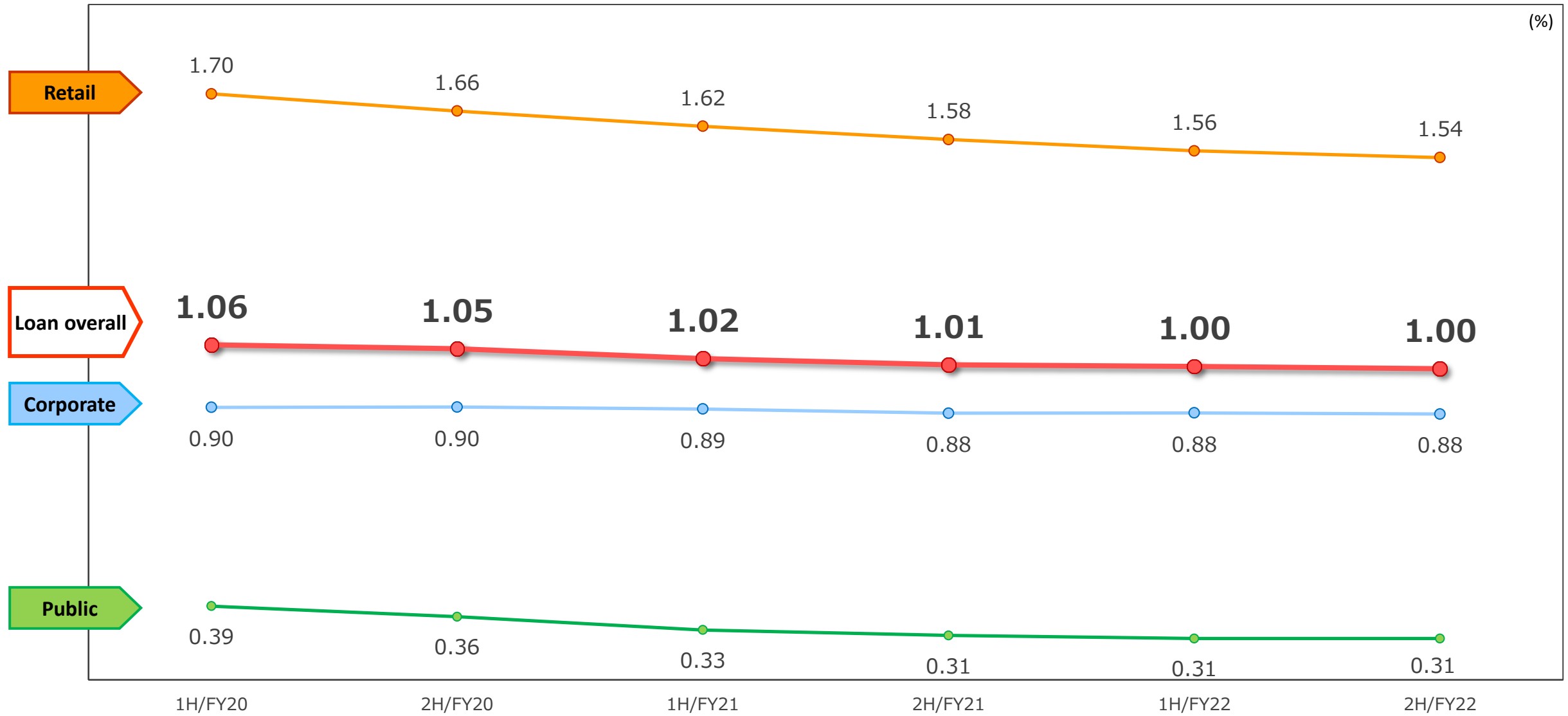
(¥ bil.)



# Interest Rates on Loans (by Segment)

3 banks total

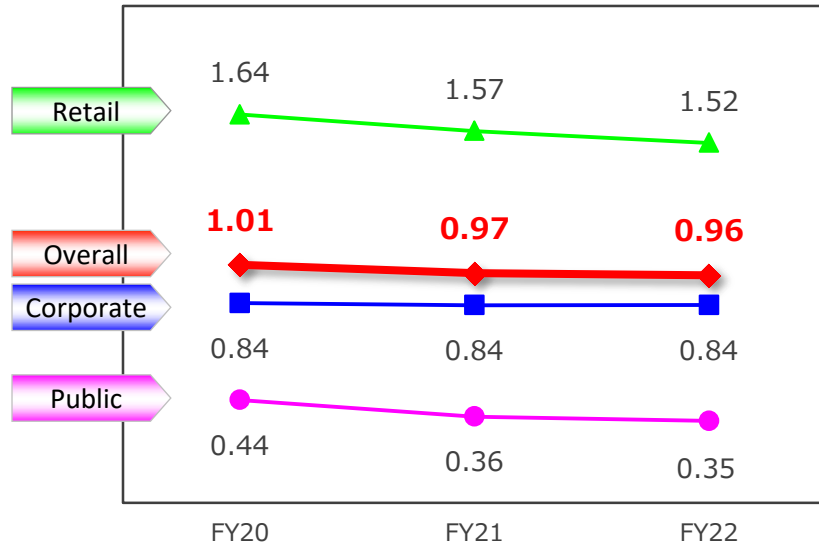
\* Excluding loans to Government, etc.



# Interest Rates on Loans and Deposits & CDs (by Bank)

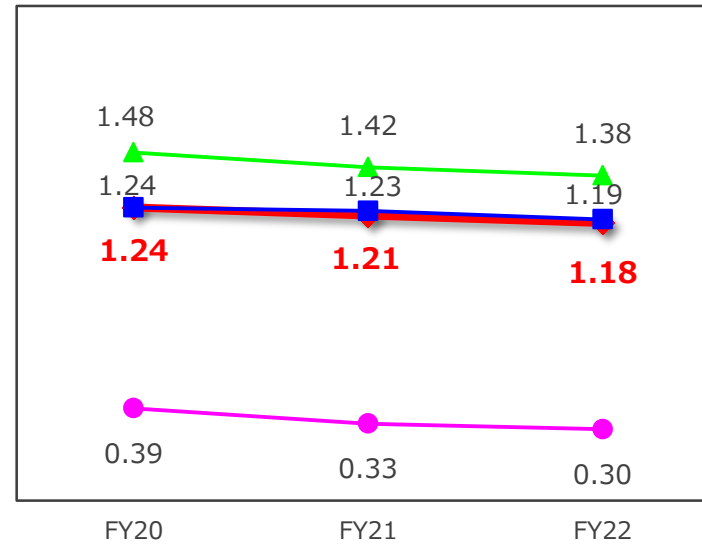
## Bank of Fukuoka (domestic, non-consolidated)

\* Excluding loans to Government, etc.



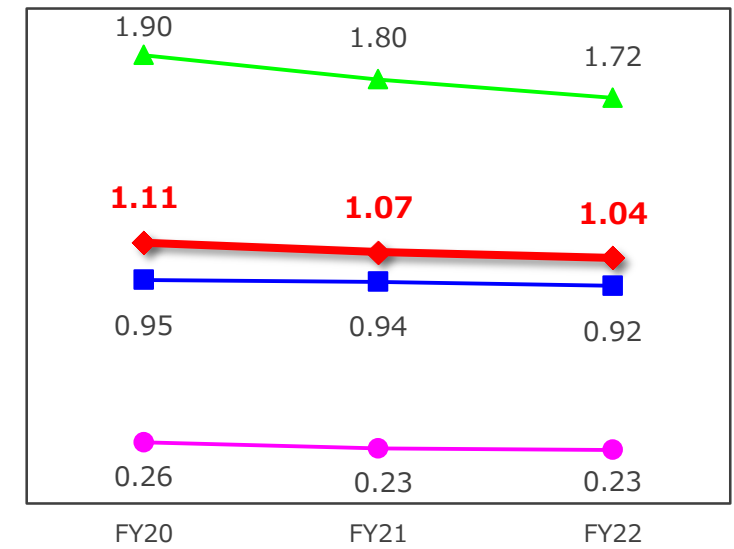
## Kumamoto Bank (domestic, non-consolidated)

\* Excluding loans to Government



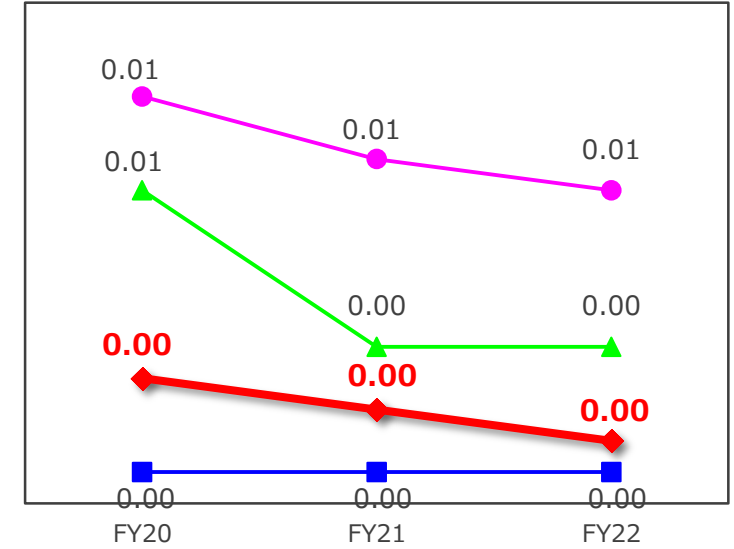
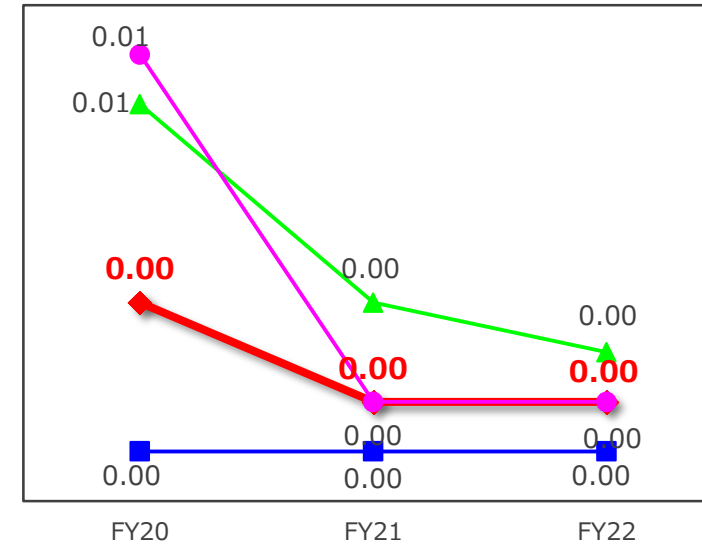
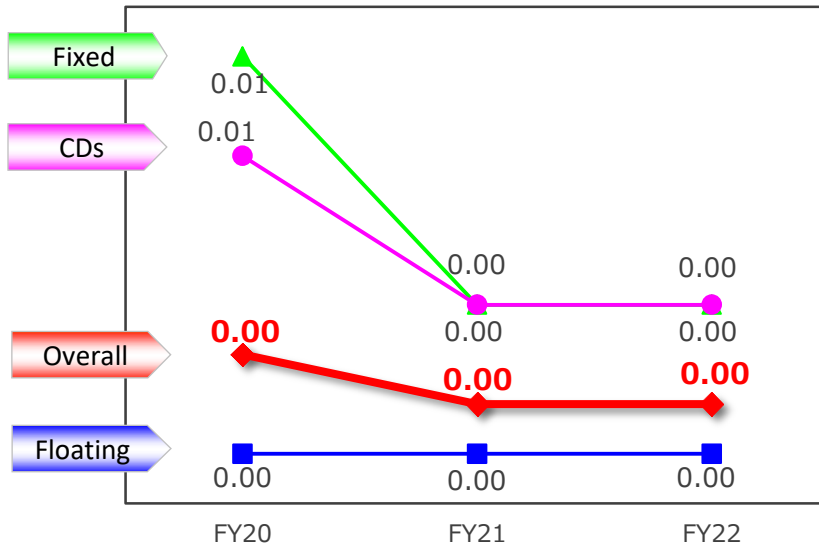
## Juhachi-Shinwa Bank (domestic, non-consolidated)

\* Excluding loans to Government



Interest rates on loans (%)

Interest rates on deposits, etc. (%)





## Domestic loans (as of Mar. 31, 2023)

		3 banks total	Fukuoka	Kumamoto	Juhachi-Shinwa
Short-term loan	Based on short-term prime rate	22.9%	16.7%	35.2%	33.2%
	Short-term spread	5.6%	7.0%	2.1%	3.6%
Short-term loan		28.5%	23.7%	37.3%	36.8%
Long-term loan	Based on flexible prime rate	26.3%	27.5%	33.2%	19.9%
	Money market rate	7.1%	9.3%	1.4%	4.2%
	Long-term flexible	33.5%	36.8%	34.5%	24.1%
	Fixed-rate mortgage loan	4.2%	4.0%	3.1%	5.3%
	Long-term fixed	38.1%	39.4%	28.2%	39.1%
Long-term loan		71.5%	76.3%	62.7%	63.2%
Total		100.0%	100.0%	100.0%	100.0%

### Portfolio by base rate

Short-term prime rate	49.2%	44.2%	68.4%	53.1%
Short-term money market rate	12.8%	16.3%	3.4%	7.8%
Fixed rate	38.1%	39.4%	28.2%	39.1%
Total	100.0%	100.0%	100.0%	100.0%

## Domestic funds (as of Mar. 31, 2023)

		3 banks total	Fukuoka	Kumamoto	Juhachi-Shinwa
Floating deposit	Interest	62.0%	62.5%	63.6%	60.1%
	Non-interest	12.9%	13.7%	6.5%	12.8%
Floating deposit		74.9%	76.3%	70.1%	72.9%
Time and saving deposit & CD	Core deposit	16.4%	16.0%	23.7%	15.0%
	Large deposit	6.5%	5.4%	6.2%	9.2%
	Time and savings deposit	22.9%	21.4%	29.8%	24.2%
	CD	2.3%	2.3%	0.1%	2.9%
Time and saving deposit & CD		25.1%	23.7%	29.9%	27.1%
Total		100.0%	100.0%	100.0%	100.0%

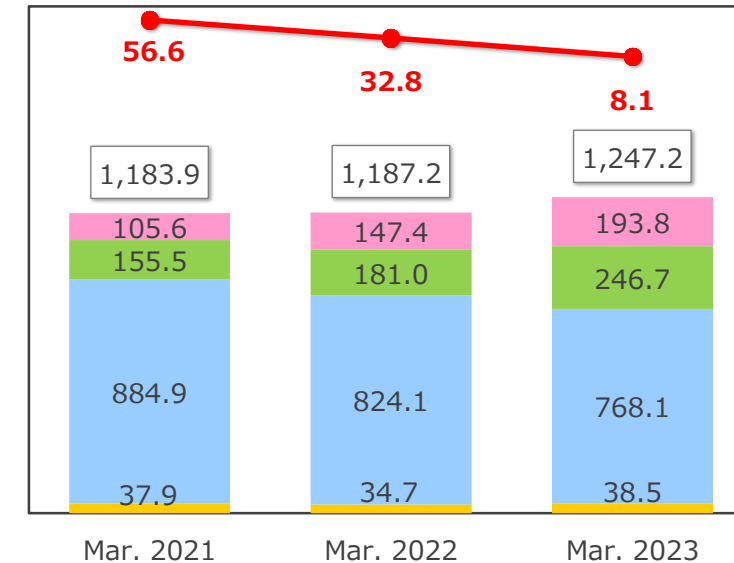
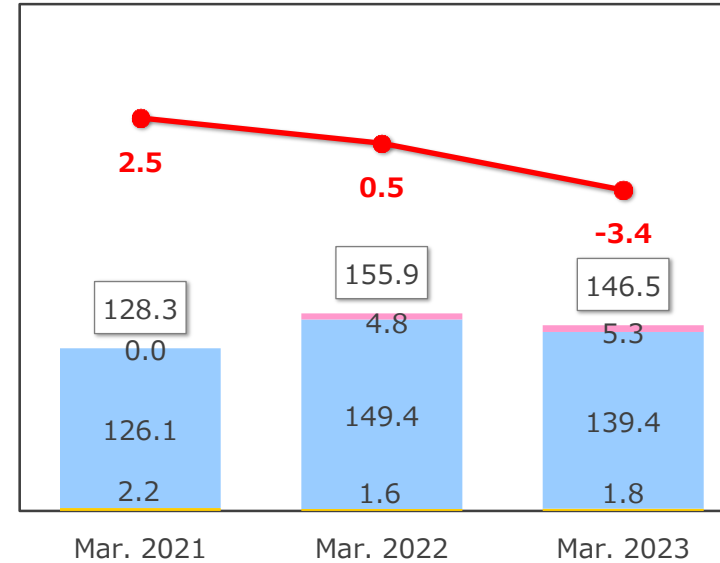
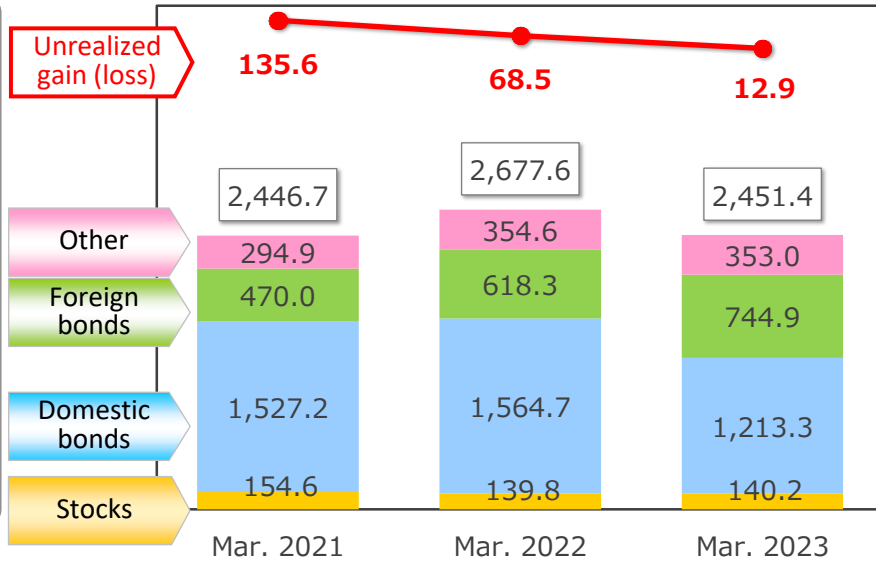
## Bank of Fukuoka (consolidated)

## Kumamoto Bank

## Juhachi-Shinwa Bank

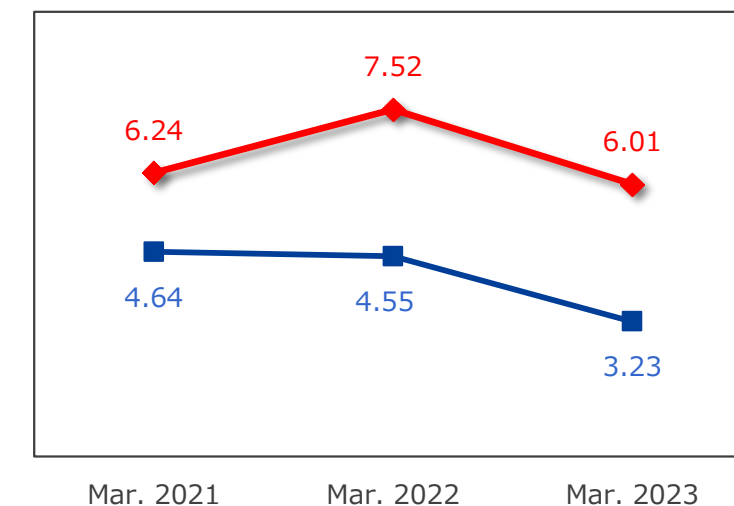
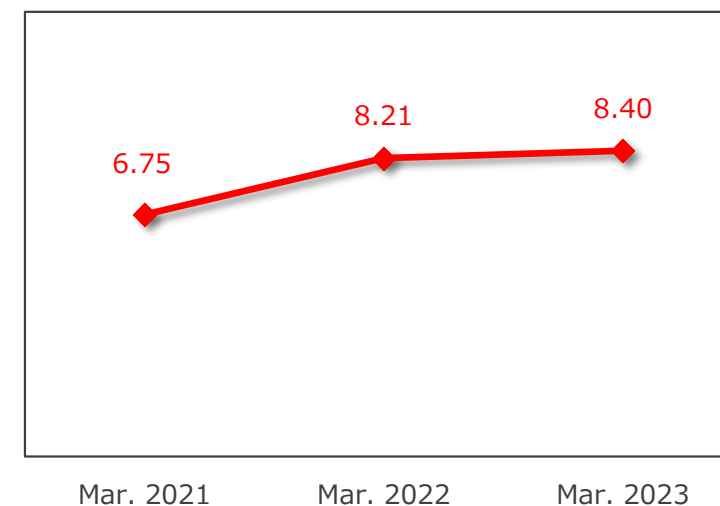
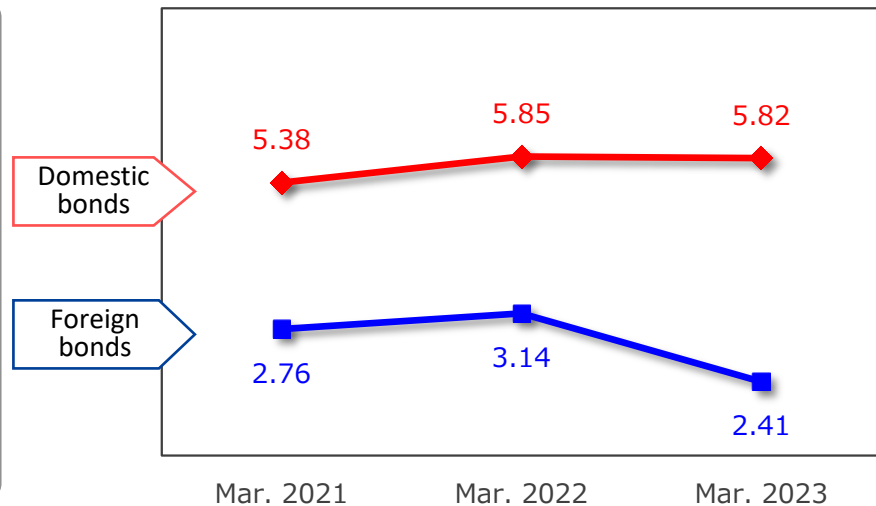
Securities balance

(¥ bil.)



Bond duration

(Years)



# Non-Interest Income / Asset Management Product Sales (by Bank)

## Bank of Fukuoka

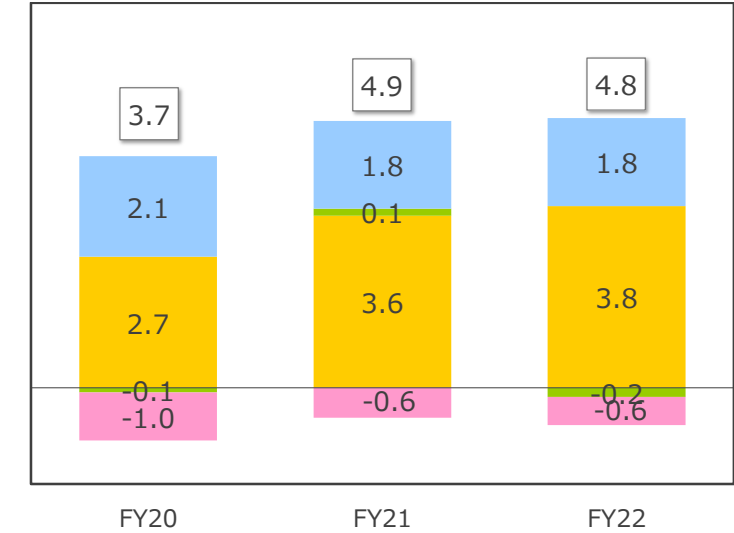
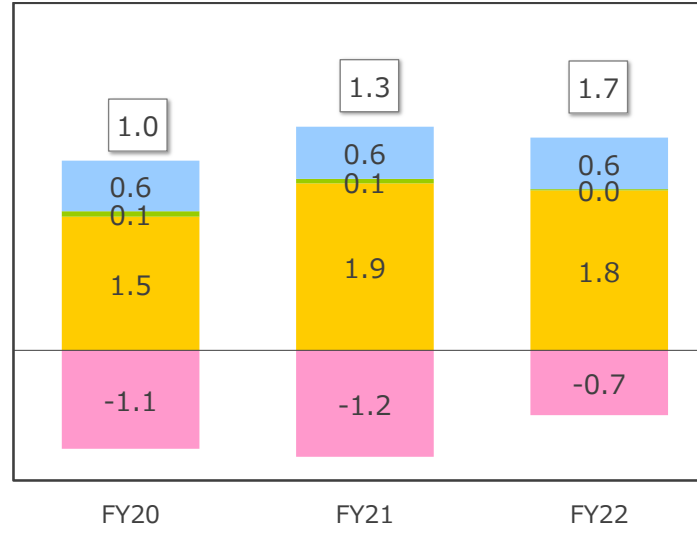
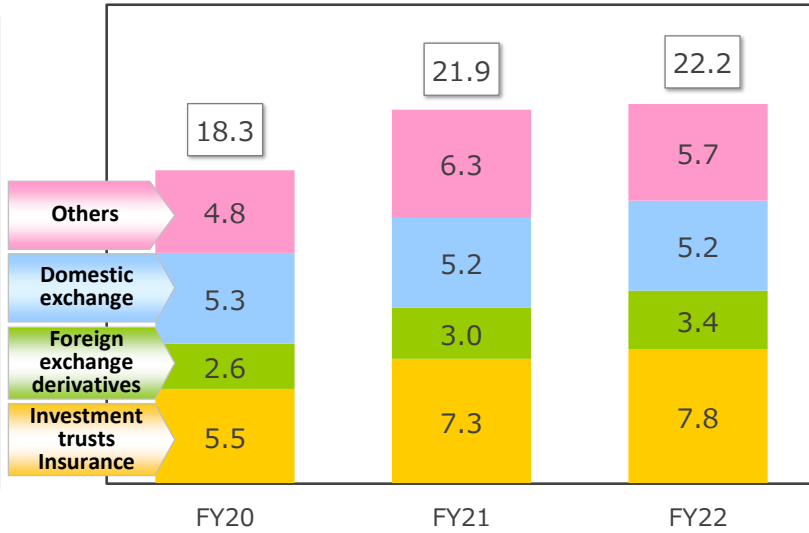
## Kumamoto Bank

## Juhachi-Shinwa Bank

\* For all 3 banks, excluding gains (losses) on bonds

Non-interest income

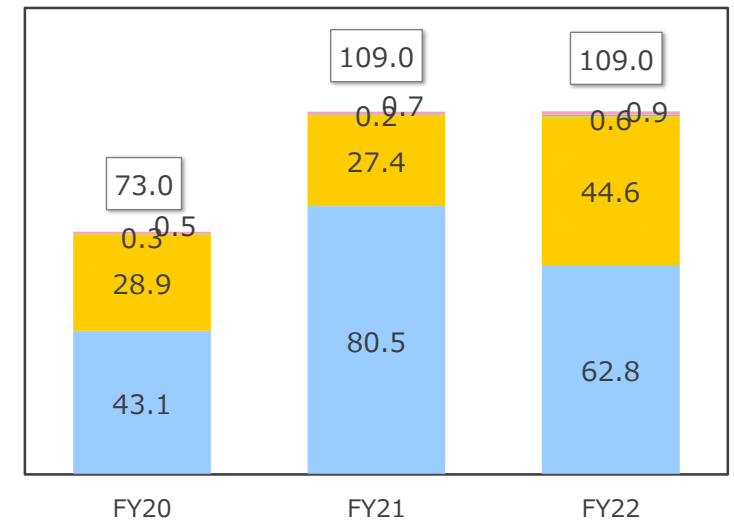
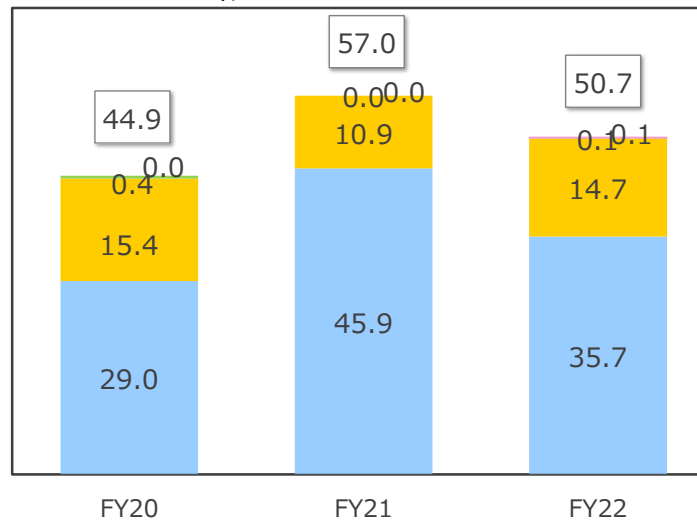
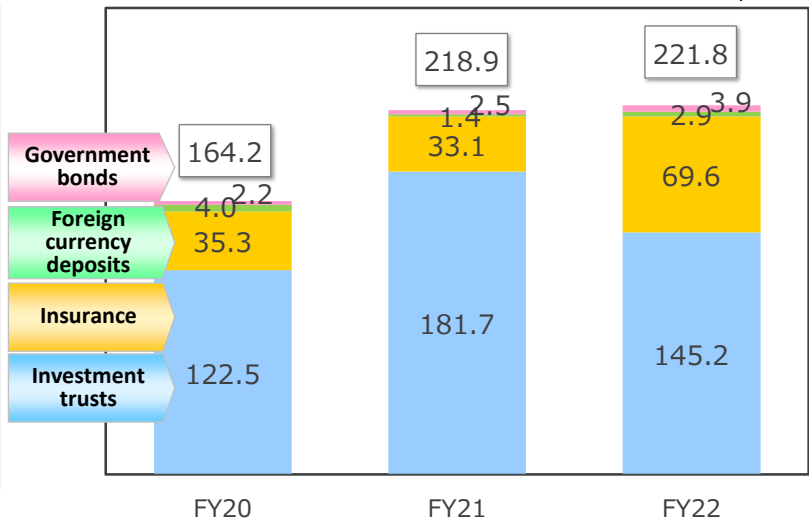
(¥ bil.)



\* For all 3 banks, sales of investment trusts include for corporations (others are for retail only)

Asset management product sales

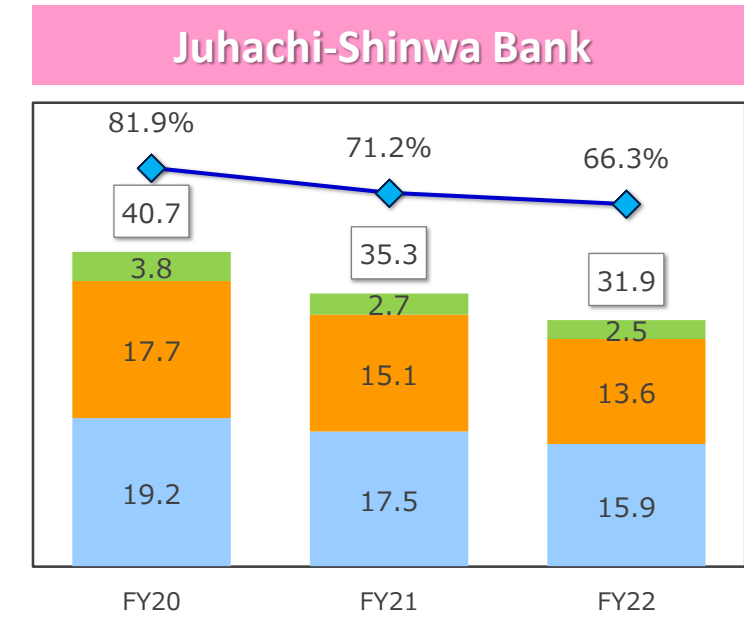
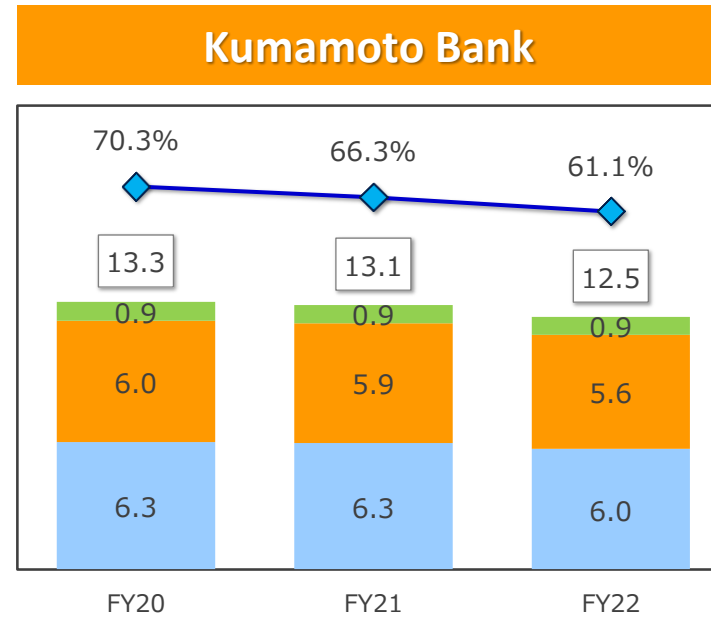
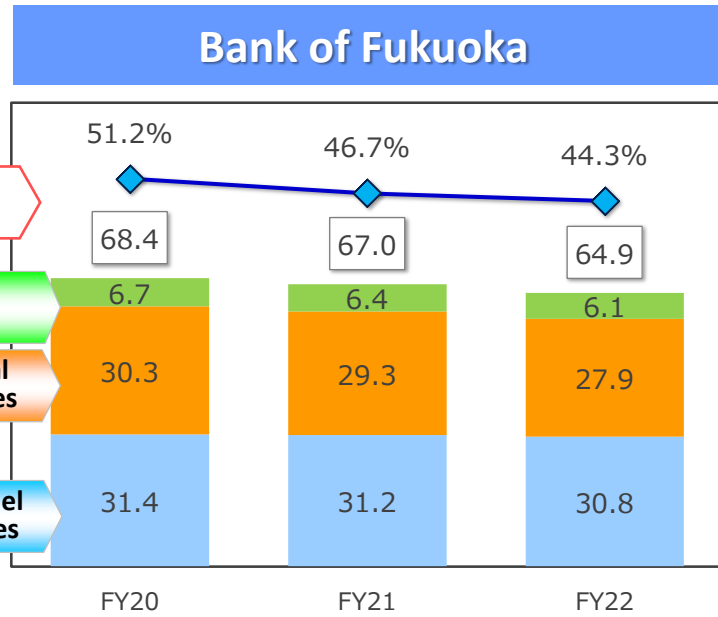
(¥ bil.)



# Overhead Expenses / Credit Cost (by Bank)

Overhead expenses & core OHR

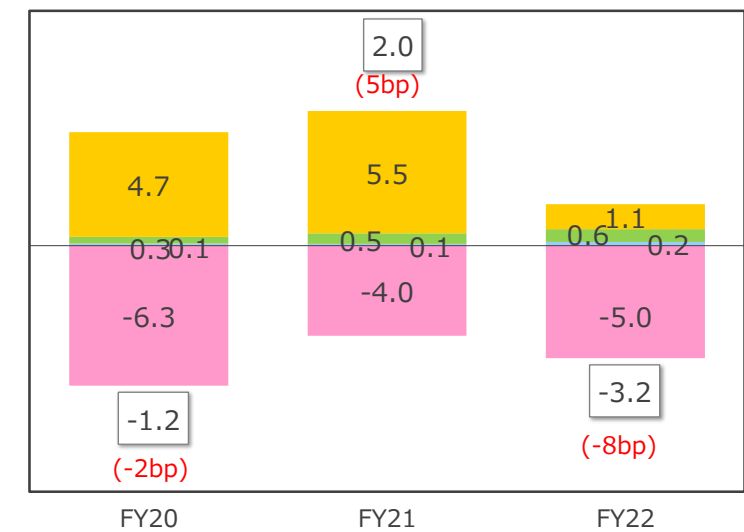
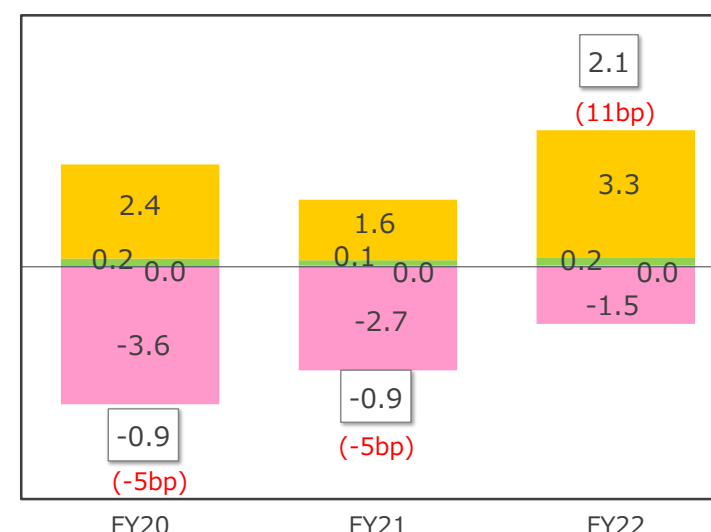
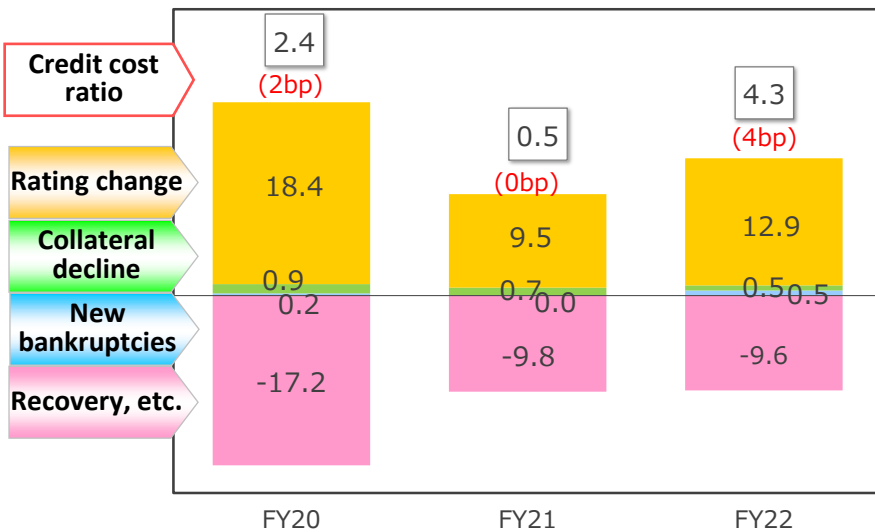
(¥ bil.)



\* Core OHR = Overhead expenses / (Gross business profit - Gains (losses) on bonds)

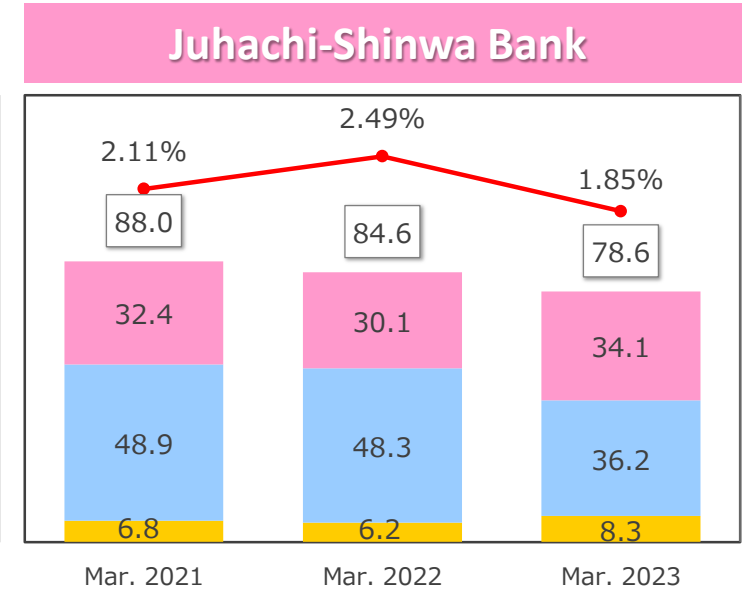
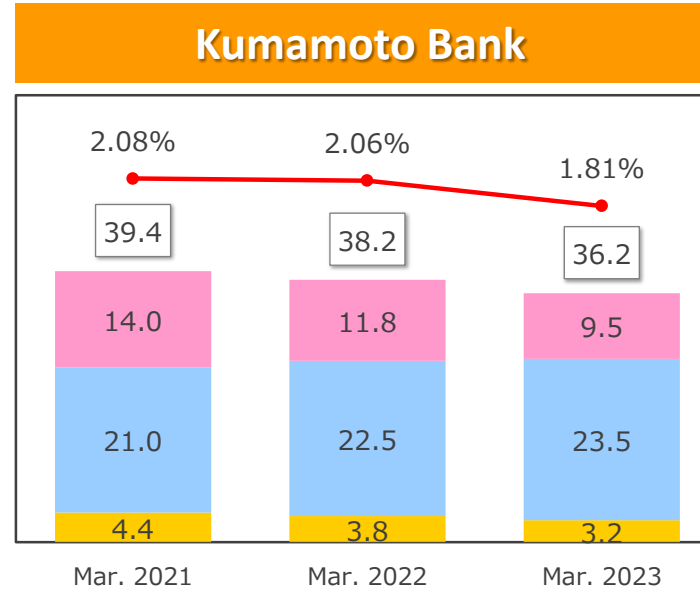
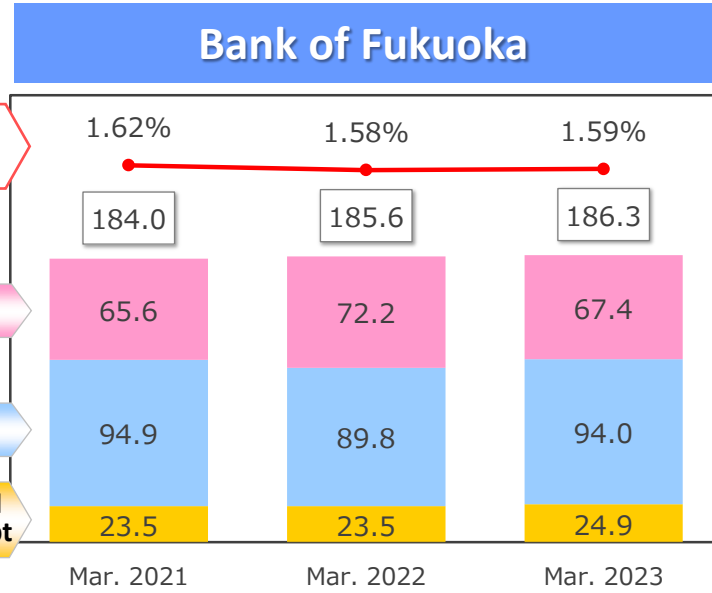
Credit cost

(¥ bil.)

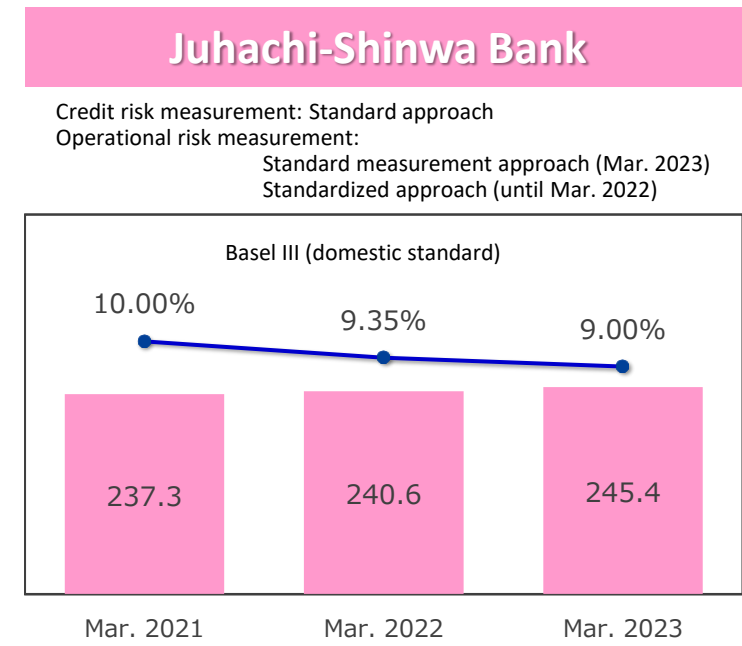
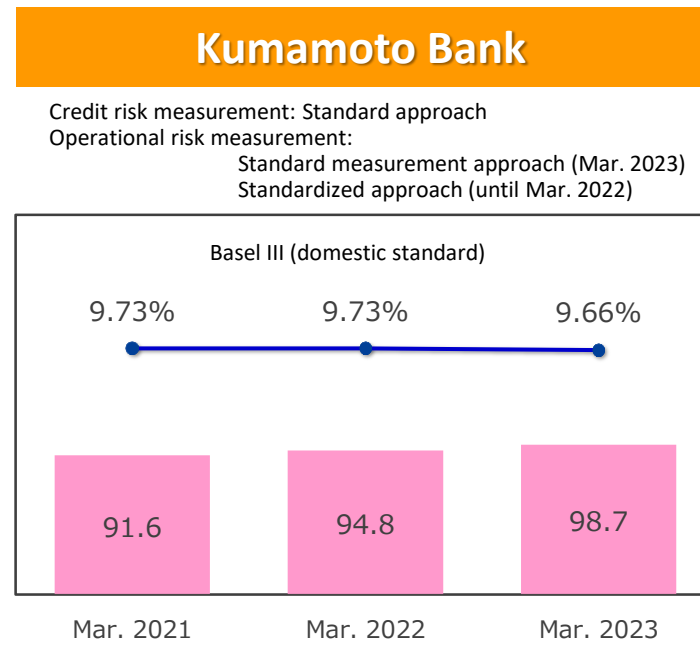
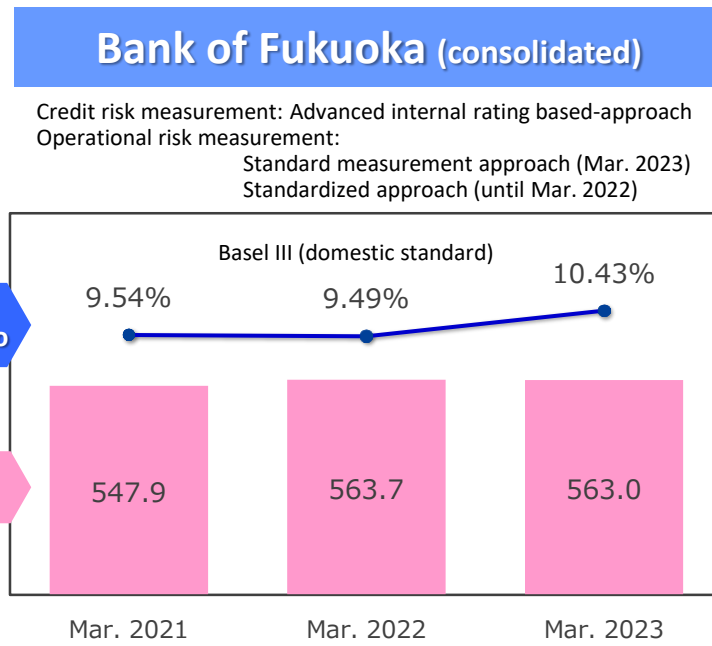


# Non-Performing Loans / Capital Adequacy Ratio (by Bank)

Non-performing loans & ratio  
(¥ bil.)

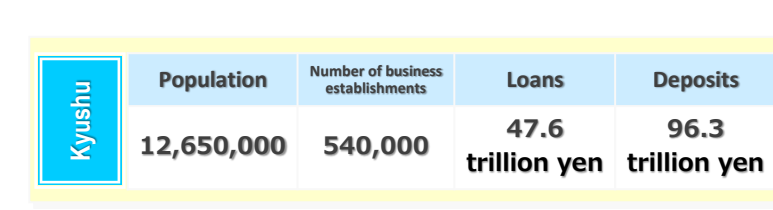
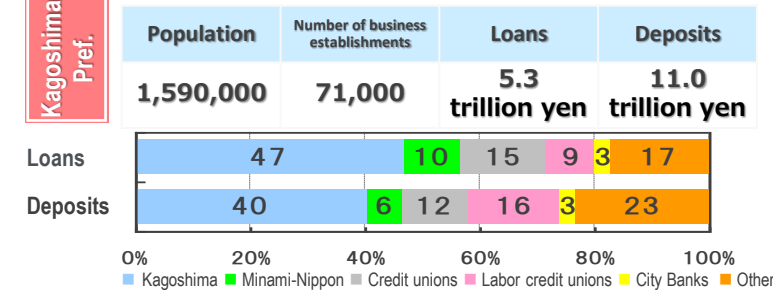
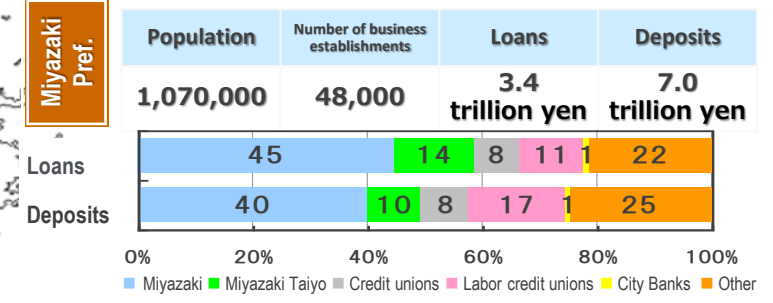
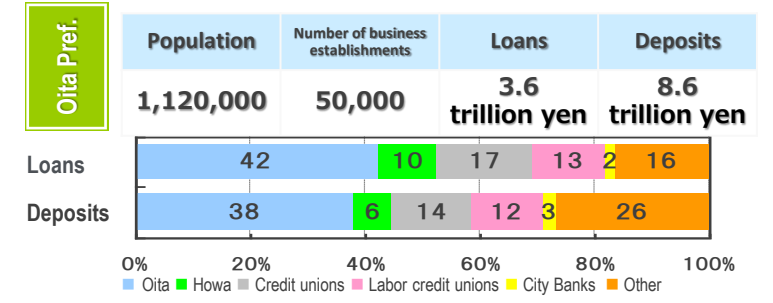
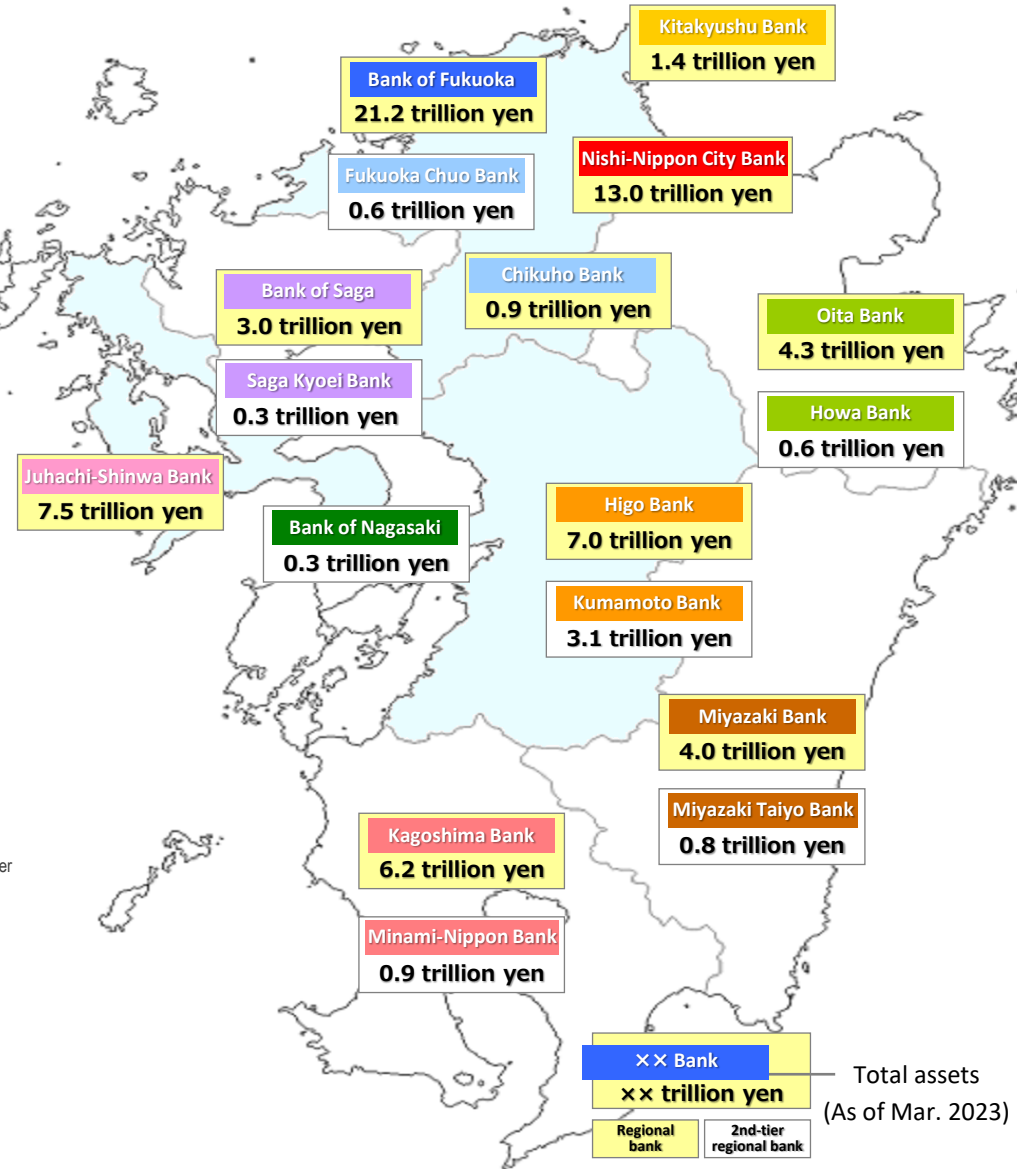
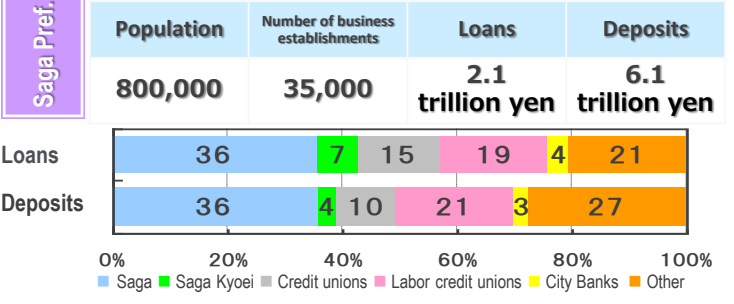
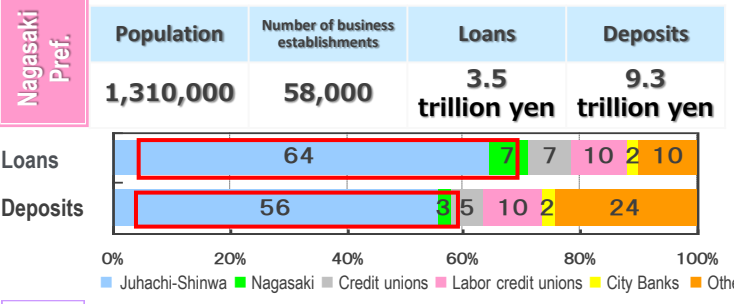
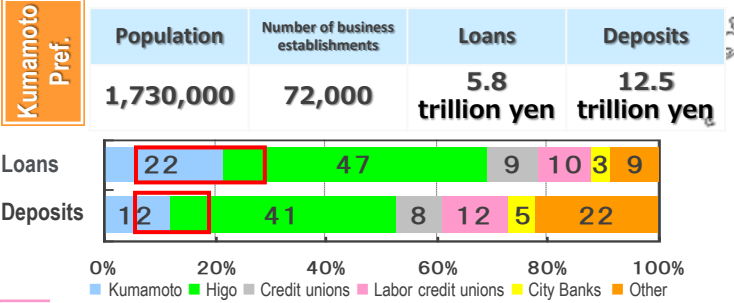
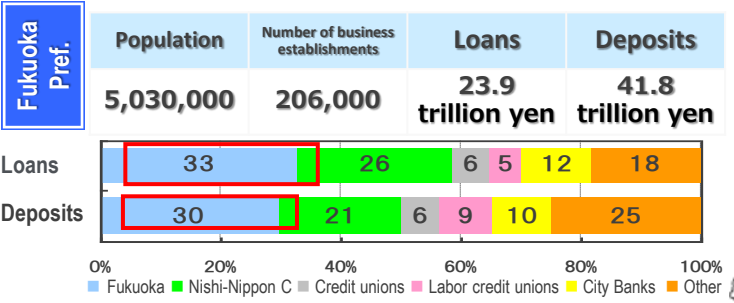


Capital adequacy ratio  
(¥ bil.)



# Part V: Kyushu Economy (Reference)

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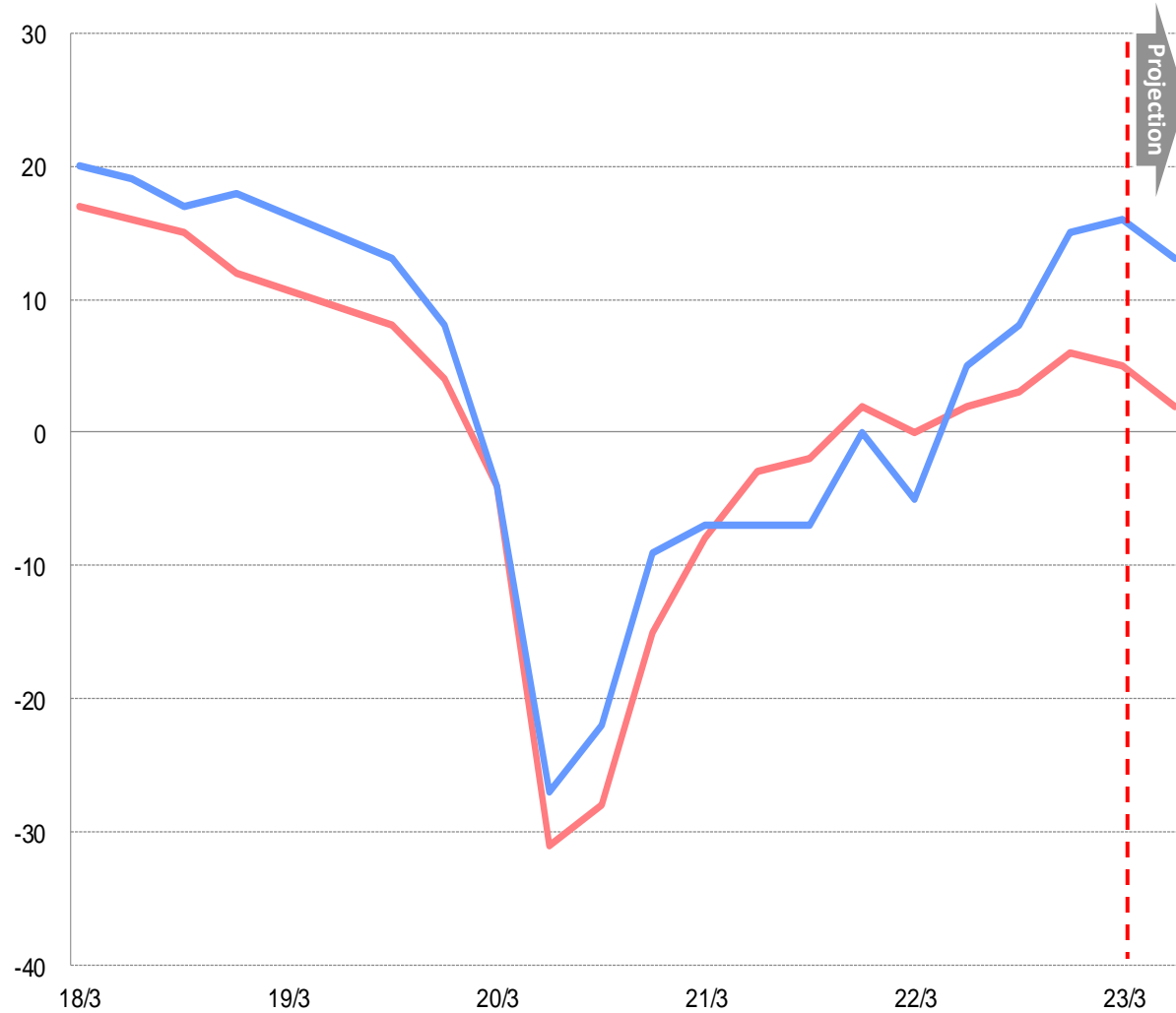


Source: Financial digests

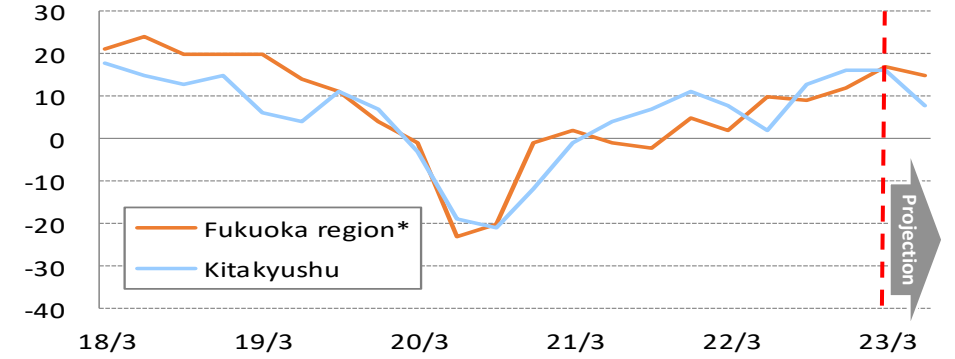
Sources: 2021 Economic Census for Business Activity, Ministry of Internal Affairs and Communications "Financial Map 2023," Monthly Kinu Journal

## Bank of Japan's Tankan Business conditions D.I.

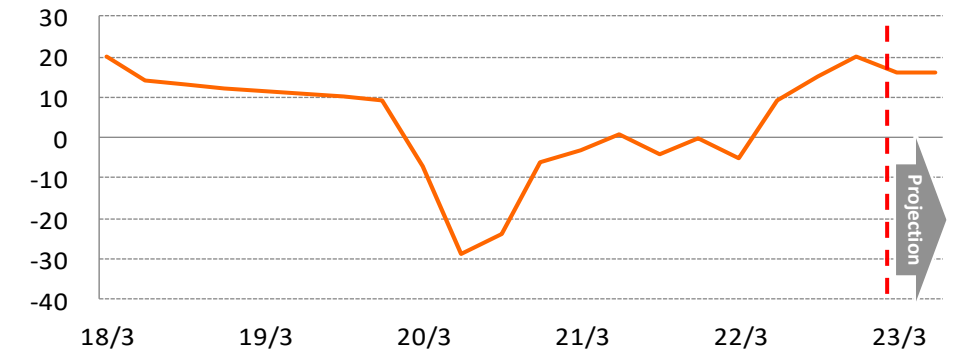
\* Fukuoka region: Fukuoka Prefecture plus Saga Prefecture, excluding Kitakyushu



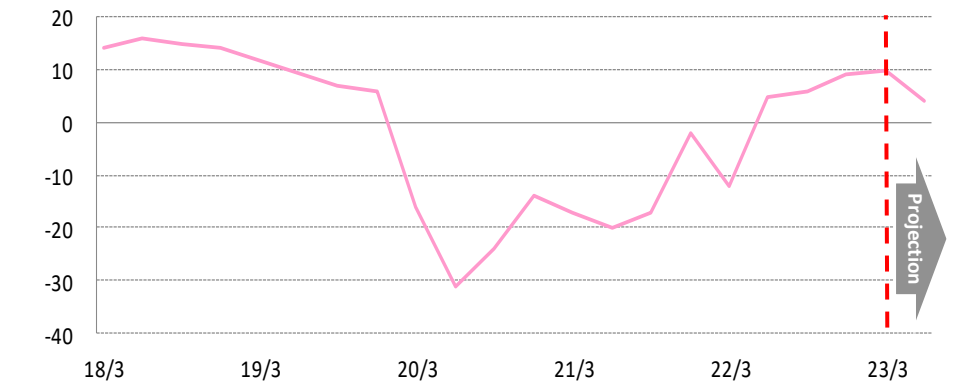
Fukuoka



Kumamoto

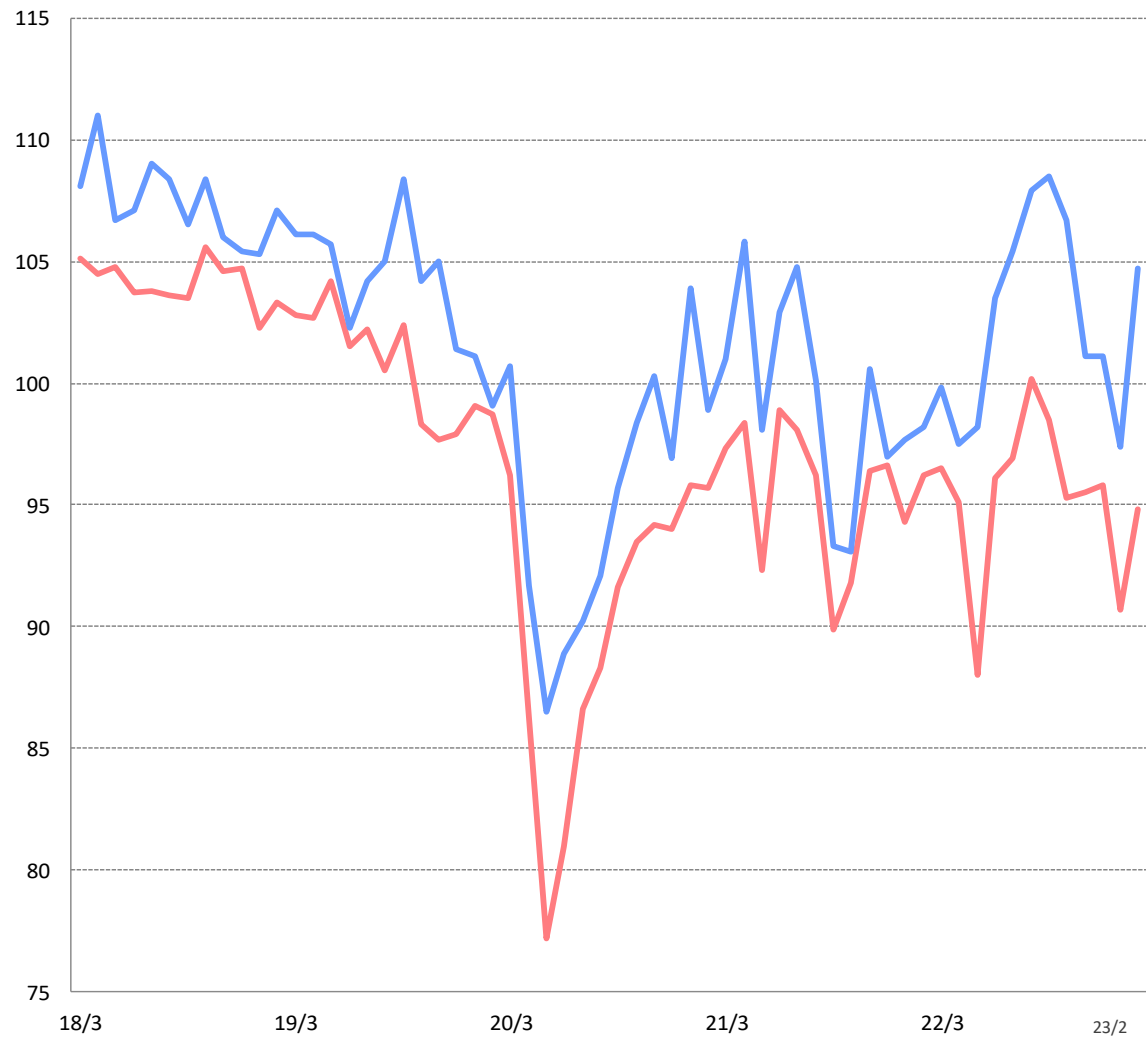


Nagasaki

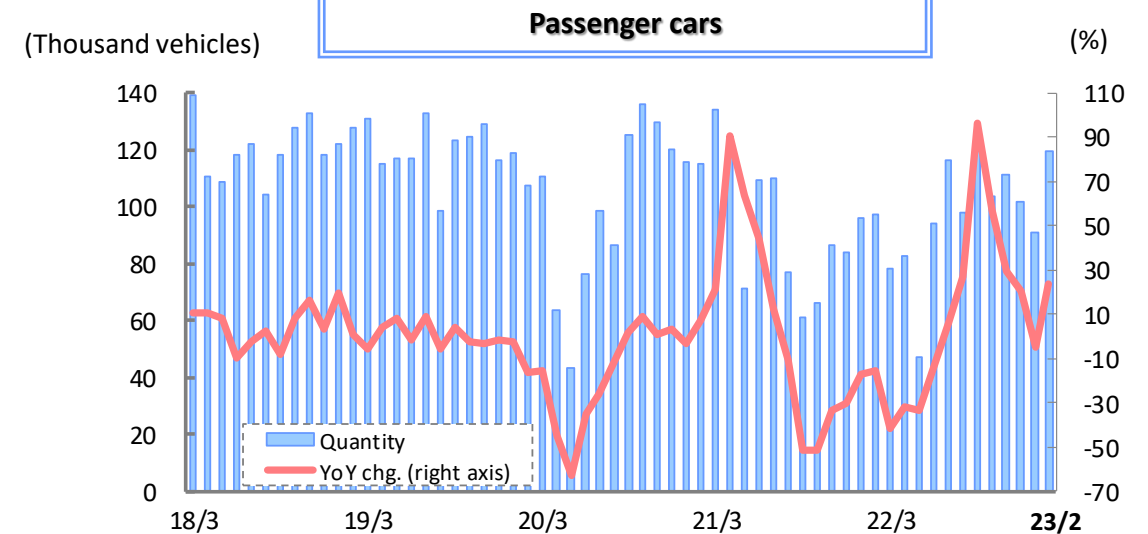
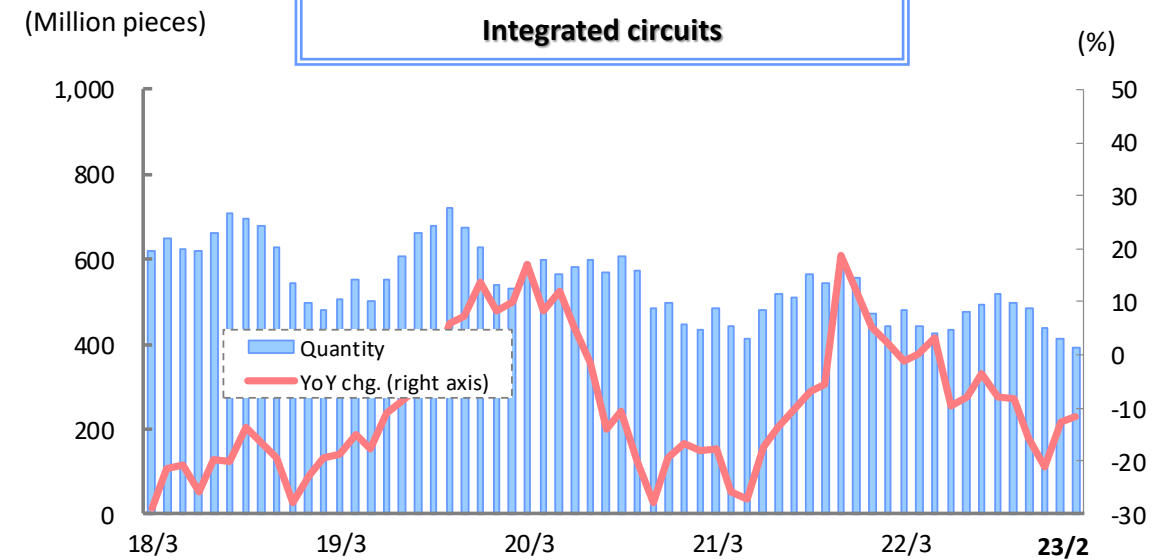




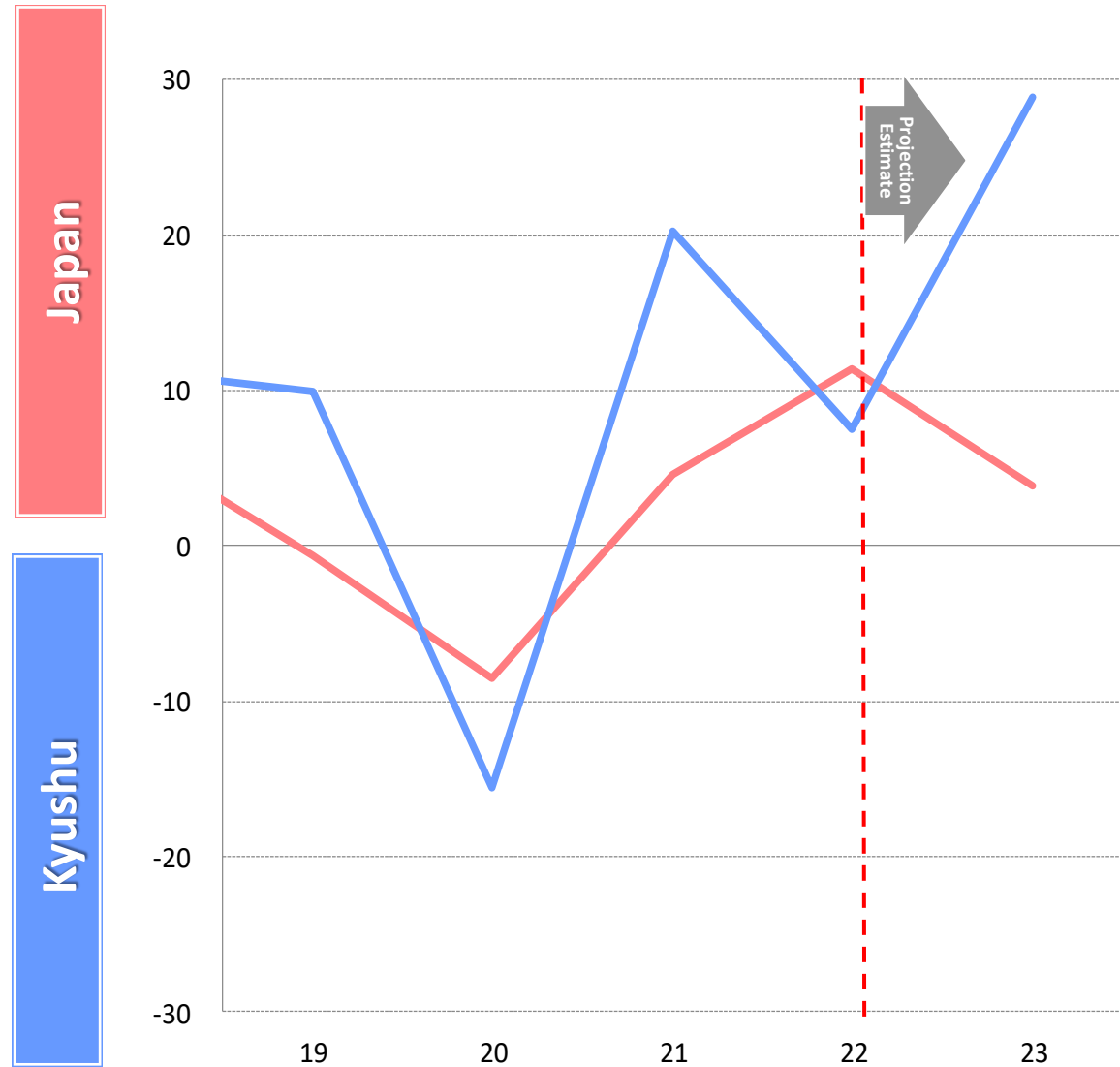
## Industrial production index (FY2015 = 100)



## [Kyushu] Main industry trends

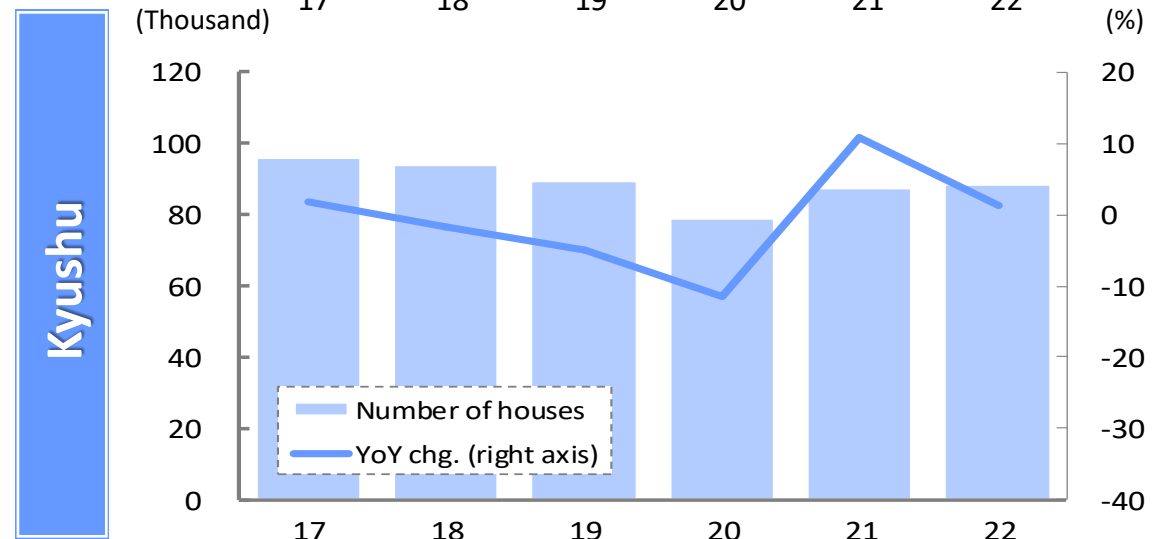
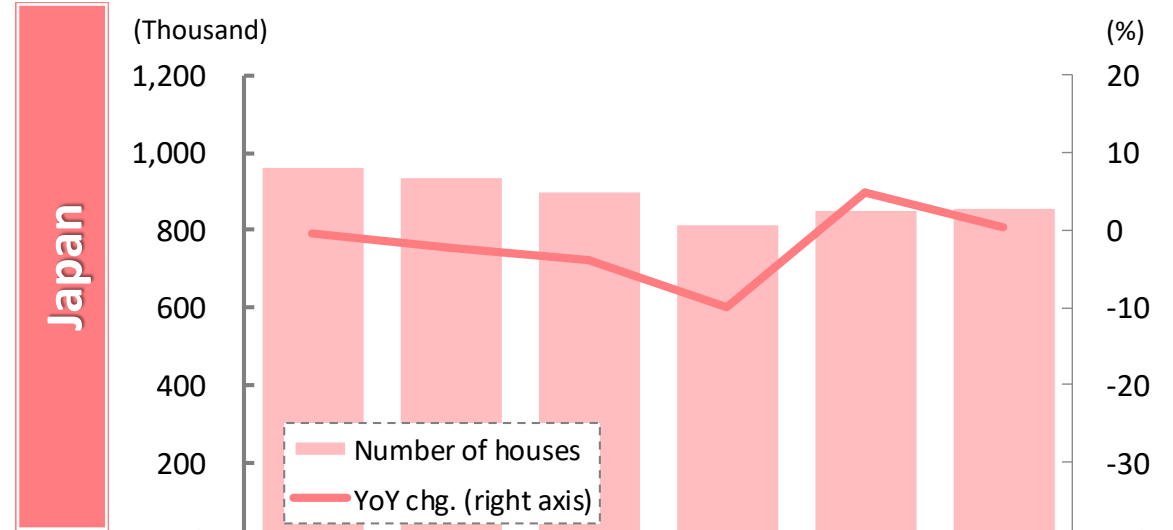


## Capital investment: Bank of Japan's Tankan (YoY change)



Source: Bank of Japan

## Housing starts



Source: Ministry of Land, Infrastructure and Transport

## Volatility of standard land prices

### <Ministry of Land, Infrastructure and Transport: 2022 Outline of Land Price Surveys Conducted by Prefectural Governments> (%)

- Japan: There have been increases for the first time in 2 years for the average of all uses, residential lands and commercial lands
- 3 major metropolitan areas: There have been increases for the first time in 2 years for the average of all uses, residential lands and commercial lands
- Other areas: There have been increases for the first time in 2 years for the average of all uses, residential lands and commercial lands
- As life with COVID-19 continues, the trend of recovery toward pre-COVID-19 conditions has become evident. For instance, prices continue to rise especially in urban areas, and in rural areas too, the extent of rising prices is expanding.

	Residential land			Commercial land		
	2022	2023	Change	2022	2023	Change
Japan	0.5	1.4	+0.9	0.4	1.8	+1.4
3 major metropolitan areas	0.5	1.7	+1.2	0.7	2.9	+2.2
Tokyo area	0.6	2.1	+1.5	0.7	3.0	+2.3
<b>Fukuoka</b>	<b>3.2</b>	<b>4.2</b>	<b>+1.0</b>	<b>4.1</b>	<b>5.3</b>	<b>+1.2</b>
Saga	0.9	1.2	+0.3	0.3	1.6	+1.3
Nagasaki	0.1	0.6	+0.5	0.4	0.8	+0.4
<b>Kumamoto</b>	<b>0.9</b>	<b>1.9</b>	<b>+1.0</b>	<b>0.8</b>	<b>1.9</b>	<b>+1.1</b>
Oita	1.0	1.4	+0.4	-0.2	0.3	+0.5
Miyazaki	-0.2	-0.1	+0.1	-0.8	-0.7	+0.1
Kagoshima	-1.0	-0.8	+0.2	-1.3	-1.1	+0.2
Yamaguchi	0.2	0.4	+0.2	-0.3	0.0	+0.3

### Major cities in Fukuoka Pref. (%)

	Residential land		Commercial land	
	2022	2023	2022	2023
Fukuoka City	6.1	8.0	9.4	10.6
Kitakyushu City	0.4	0.8	0.9	2.2

### Major cities in Kumamoto Pref.

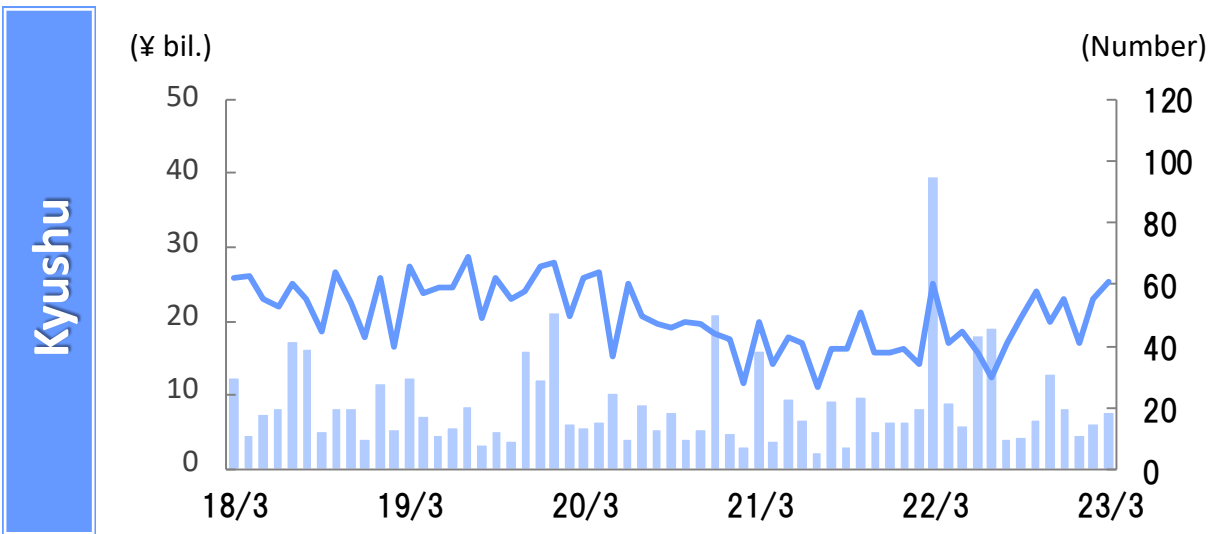
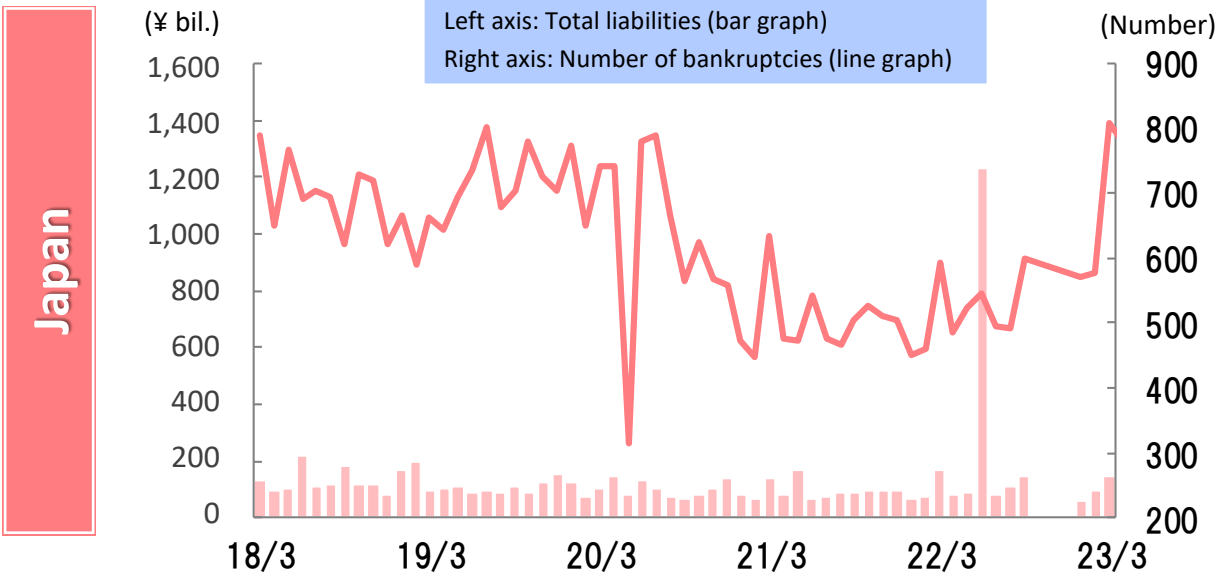
	Residential land		Commercial land	
	2022	2023	2022	2023
Kumamoto City	1.0	1.9	1.4	2.4
Yatsushiro City	-0.3	-0.3	-0.7	-0.3

### Major cities in Nagasaki Pref.

	Residential land		Commercial land	
	2022	2023	2022	2023
Nagasaki City	0.7	1.0	1.9	2.3
Sasebo City	0.4	1.1	0.7	1.4

Source: Ministry of Land, Infrastructure and Transport

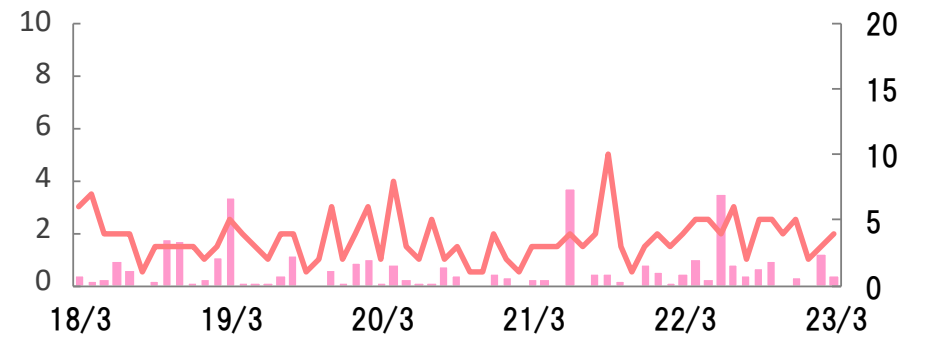
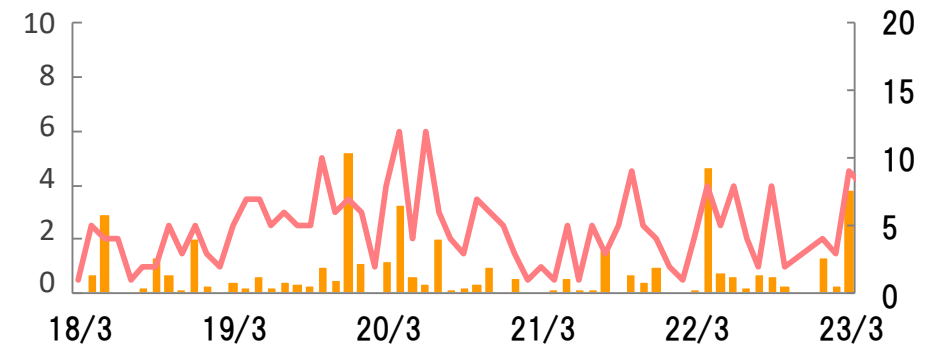
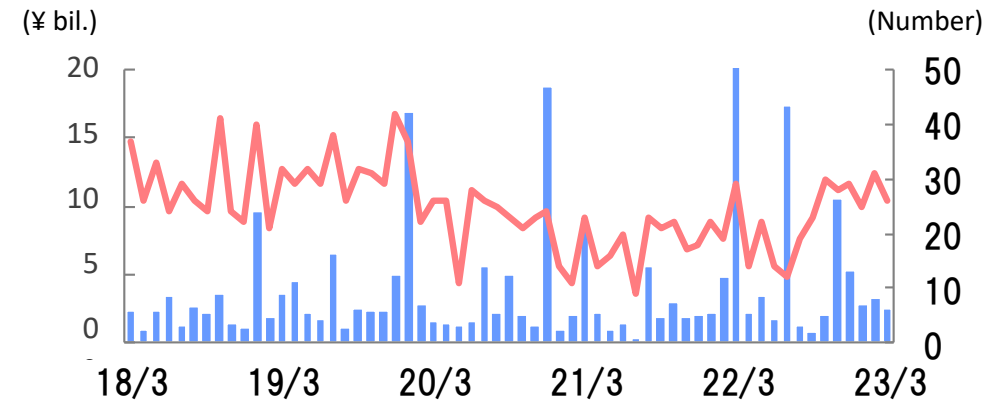
## Number of bankruptcies and total liabilities



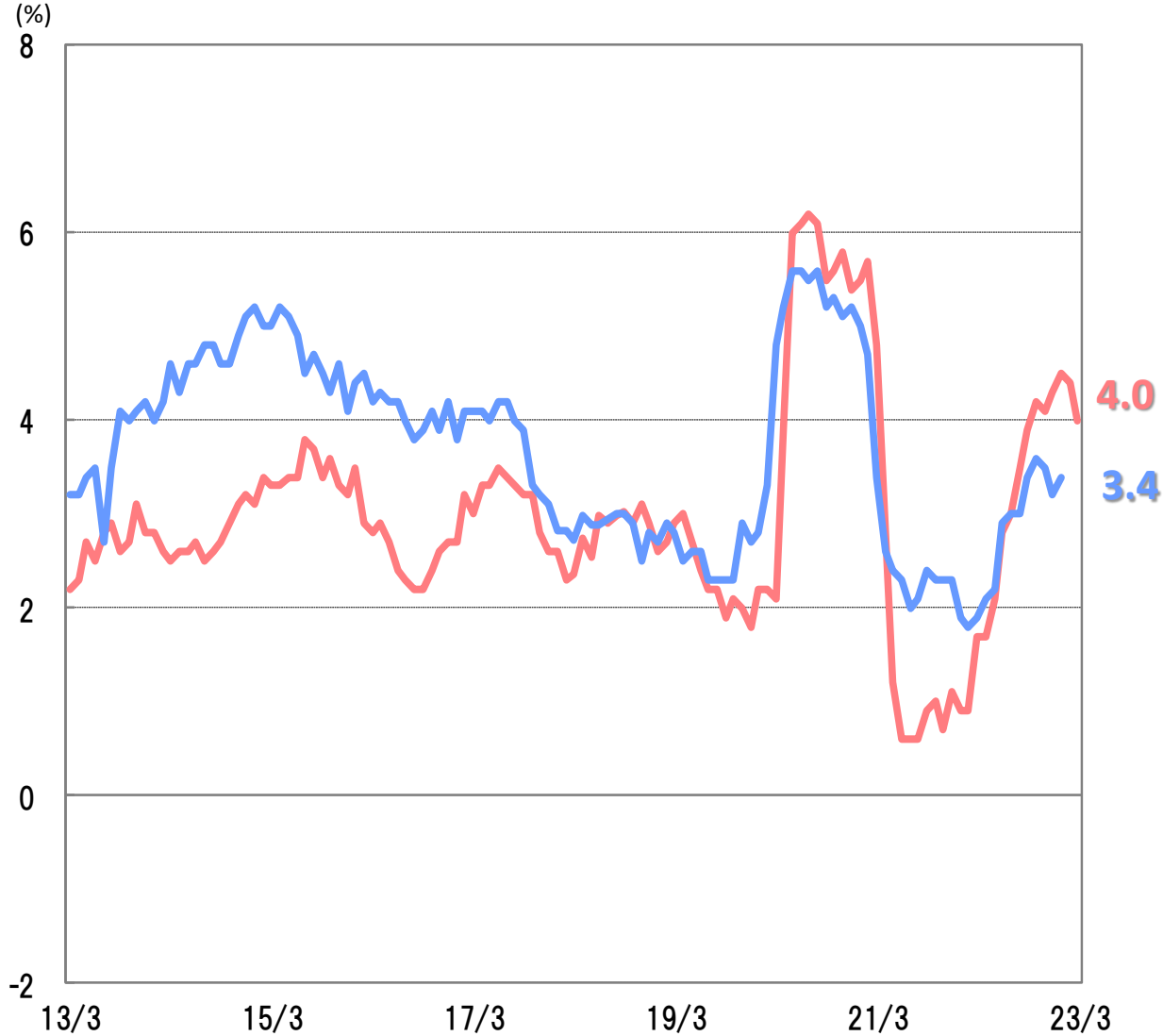
**Fukuoka**

**Kumamoto**

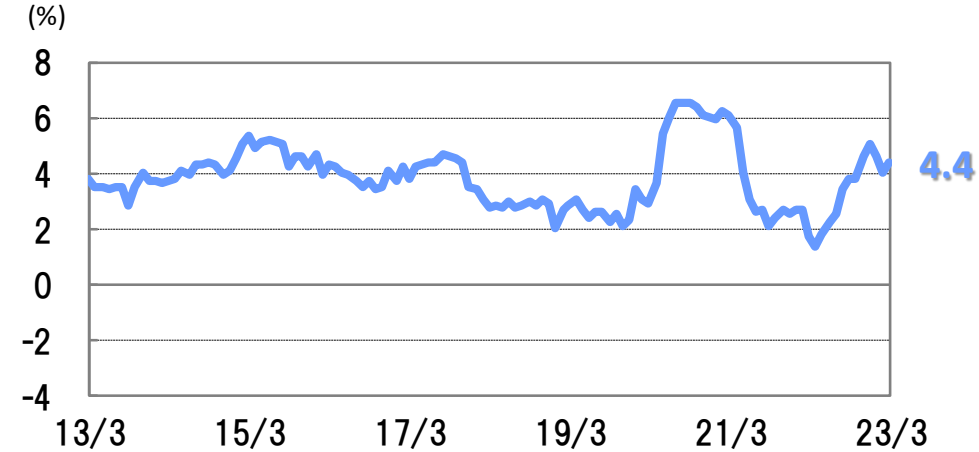
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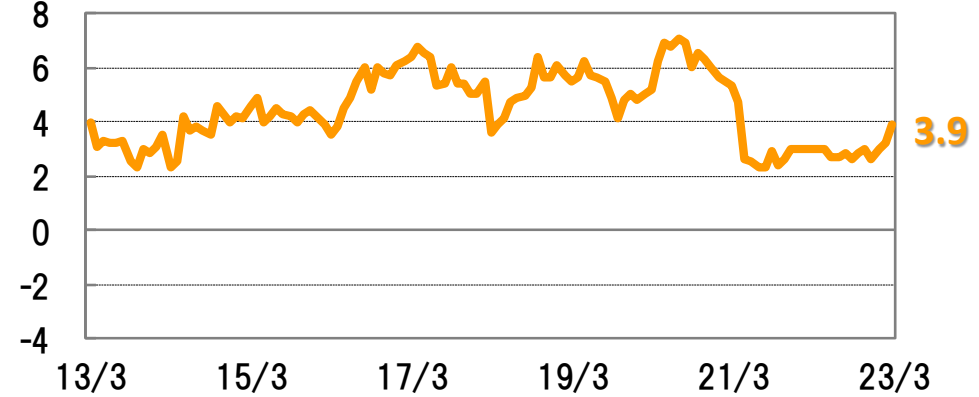
## Rate of increase of bank loans (YoY change, monthly)



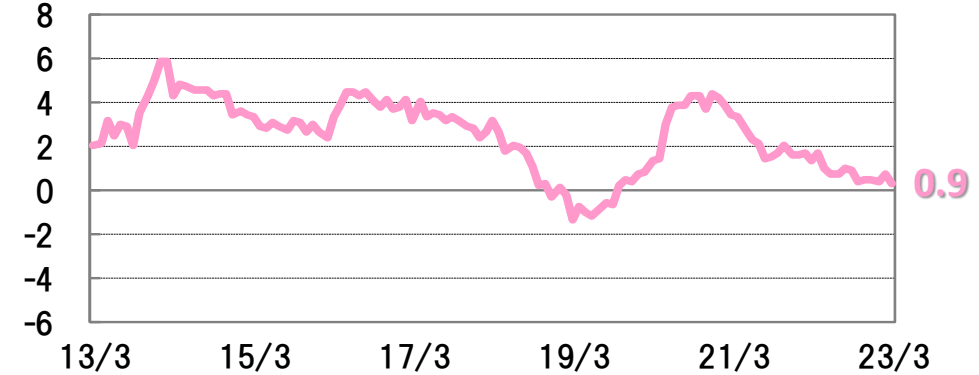
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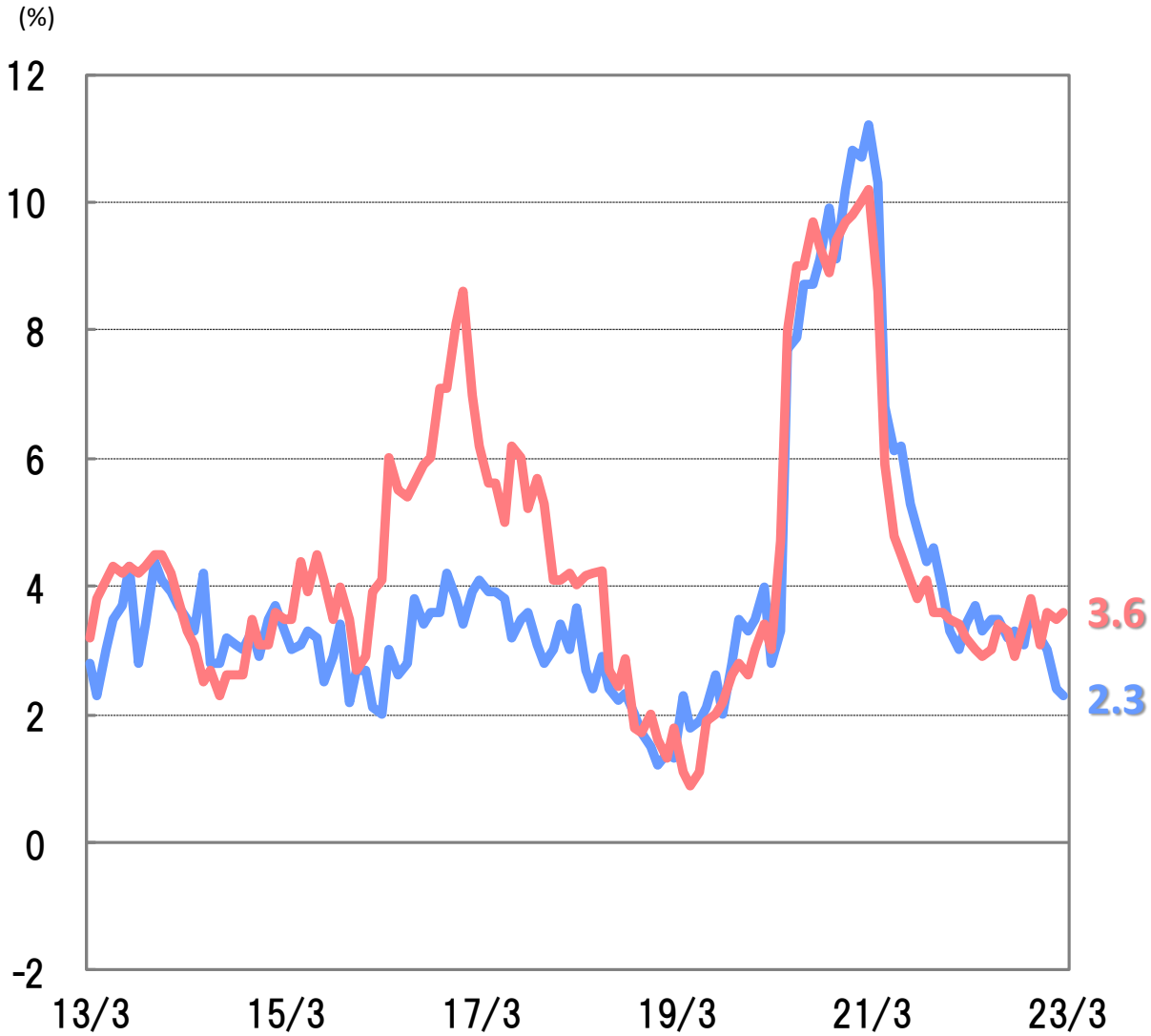
Kumamoto



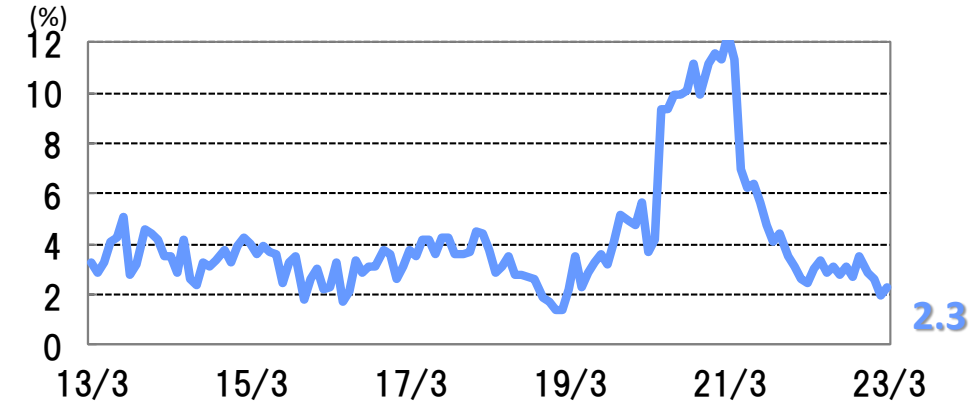
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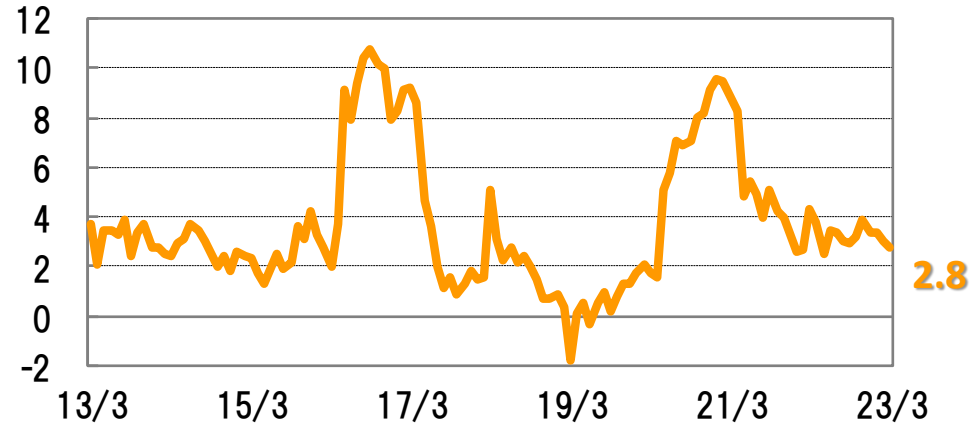
## Rate of increase of bank deposits (YoY change, monthly)



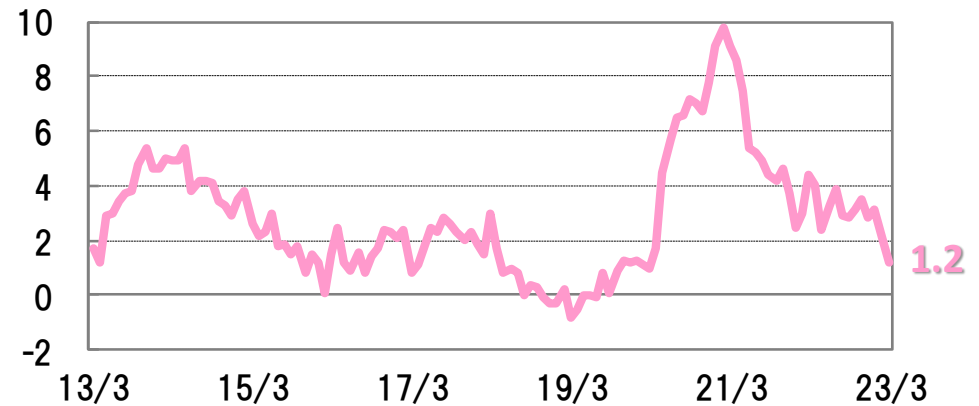
Fukuoka



Kumamoto



Nagasaki



## Contact for further inquiries:

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- ☐ **Email: [ffg-ir@fukuoka-fg.com](mailto:ffg-ir@fukuoka-fg.com)**
- ☐ **Website: <https://www.fukuoka-fg.com>**

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