Fukuoka Financial Group, Inc.

FUKUOKA FINANCIAL GROUP

FFG ANNUAL REPORT 2024

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*Each section was prepared to specially target the interests of readers among the stakeholders shown.

Reporting period	April 2023 to September 2024
Scope of report	Fukuoka Financial Group, Inc. and its subsidiaries, in principle.
Detailed data	For more detailed financial data, see FFG Disclosure 2024 "Financial Data" (in Japanese) on our website.


Create diverse forms of abundance with our communities, through advanced ideas.

Message from the President

Hisashi Goto

Director & President
Fukuoka Financial Group, Inc.

Message from the President

1. Introduction — Revising our principles

Since taking office as President in 2022, I have stated, within the Group and externally, that I aim for sustainable growth for FFG and, at the same time, growth (self-actualization) for our employees. As President, I believe it is my responsibility to link together the aims of FFG and our employees. This is because I believe that the actions (endeavors) of each of our employees are the driving force that will lead to sustainable growth for FFG.

I spent 12 years of my four-decade career as a bank employee in the human resources department. This period spanned the period from the collapse of Japan's economic bubble to the emergence of its deflationary economy. It was an era when restoring financial health was banks' top priority. I seem to recall that, at the time, I was constantly trying to find a way, through trial and error, to encourage employees to work with a sense of strong motivation, despite the adverse environment.

FFG has since proceeded to take on a range of challenges, such as business integration and mergers, the establishment of strategic subsidiaries, and the launch of a digital bank. With the expansion of our business domain, we have continued to evolve into a diverse organization that fosters human resources with a wide variety of experience and skills.

Turning to the external environment, with population decline forecast in our business bases of Fukuoka, Kumamoto, and Nagasaki, we are facing an increasingly difficult competitive environment. This includes the rising presence of online banks and online securities companies, in addition to megabanks and regional banks, and the successive entry into finance of companies from other industries.

With the amplitude of social change growing ever larger, including these trends and technological innovations, we face an uncertain outlook.

Amid these changes in the internal and external environment, the question of how to encourage each of our diverse human resources to work with vitality and accelerate FFG's growth continues to be one of my main themes.

In my day-to-day duties, I endeavor to take any opportunity I can to make time for dialogue with employees. The employees I talk with often ask me, "Where is FFG heading? What should I be aiming for?" I answer by telling them my aspirations for the kind of corporate group I would like FFG to become. This response seems to kindle a new light in everyone's eyes. I have come to think that perhaps this is one answer to the problem that I have pondered for all these years.

I believe that our employees want to move forward with a vision of FFG's future that overlaps with their own. If that is the case, and our employees empathize with the vision of FFG's future that I propose, then they will strive in the same direction as FFG, seeing its vision as their own. To go one step further, couldn't we encourage our customers, local communities, and investors to share our aspirations as well, so that we can create a future for the region together? That vision that has already started taking form.

To communicate FFG's future and win the empathy of all our stakeholders, it is essential that we put our "guiding star" — our purpose — into clear words that address the question asked by so many employees: "Where is FFG heading?" With this thought in mind, we began to work on revising our principles last fall.

2. FFG's purpose

— FFG's uniqueness

Back when FFG was established in 2007, we established the brand slogan **"To be your Bank of choice"** as the core value that we would firmly uphold and pass on through changing times.

Today, 17 years on from its establishment, the value "To be your Bank of choice" has become deeply embedded within the Group as our strong aspiration to be the "closest, most reliable, and most sophisticated bank" for our customers, local communities, shareholders, investors, and the people we work together with.

The value **"To be your Bank of choice"** is the universal basis upon which we define FFG's purpose.

At the same time, our history of taking challenges is engraved in our corporate DNA. Looking back over this history, we have continued to take a wide range of challenges without fear of failure while contributing to the stability and growth of the regional economy, ever since the birth of the 17th National Bank (Jushichi Bank), Kyushu's first bank and the predecessor of the Bank of Fukuoka. We continue to take challenges today, such as business integration and mergers, the establishment of Japan's first digital bank, more sophisticated risk management, and collaboration with overseas and regional financial institutions and other organizations.

These initiatives are born of ideas focused on the future yet incorporating our awareness of the past. They are founded on the relationships of trust we have built with customers over many years and our untiring emphasis on human resource development.

Our strength, and the greatest source of FFG's uniqueness, lie in our strong aspiration **"To be your Bank of choice"** and **"ideas that are one step ahead,"** born of the countless challenges engraved in FFG's DNA and our deep dialogue with customers, based on enduring relationships of trust.

— The value FFG provides

Through the relationships of trust and reliance built on the efforts of our predecessors, we have grown together with the region, taking on the role of part of the infrastructure that supports the local community and people's everyday lives.

Our business solves the various problems and issues faced by our customers and achieves "enrichment" for each individual and company. From our customers' lives and business activities, this enrichment expands through our broad network spanning industry, academia, government, and finance to encompass the entire region.

Together with stakeholders, we aim beyond the resolution of issues facing local communities: this is the value we hope to provide through FFG's businesses. Our value is not only economic but also reverberates in people's hearts, bringing **"true enrichment to the local region"** into the future.

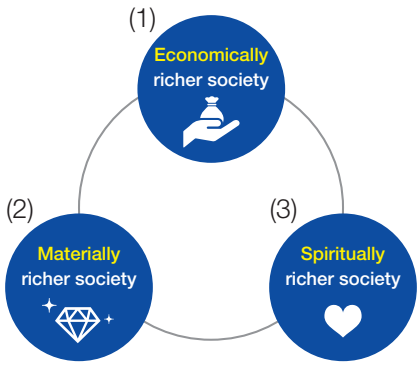
— The society FFG hopes to create

"I want to live every day with a sense of security. I want to spend my days in happiness." I think that deep down, this is the desire of all of us. We hope to create a society where people in the region can feel this sense of security and happiness — in other words, **"local communities that are economically, materially, and spiritually richer."**

The following are some specific examples of this.

(1) Economic enrichment: the growth of local companies and increases in personal income and assets
→ Increase in gross regional product, increase in personal disposable income, financial assets, etc.

(2) Material enrichment: secure, safe, convenient, and pleasant living
→ Enhancement of the production, distribution, and supply of the necessities of life (food, clothing, and shelter) and social infrastructure (transport, communication, energy, education, medical care, welfare), etc.



(3) Spiritual enrichment: a daily sense of fulfillment and satisfaction and a feeling of happiness
→ Peace of mind, positive human relationships, inspiration and happiness, self-actualization, etc.

The "social value" we provide to the region lies in achieving local communities like these. In return, we receive revenue to enhance FFG's "economic value."

FFG's purpose
"Create diverse forms of abundance with our communities, through advanced ideas."

Our employees work with you to bring **"true enrichment to the local region"** through FFG's unique **"ideas that are one step ahead,"** each with a strong aspiration **"To be your Bank of choice,"** regardless of the time or situation.

Message from the President

NEW FFG's Principles (From April 1, 2025)

FFG's principles are the basis for the values and behavior of each employee.
We see these principles as the foundation of Group management.

Our values	FFG's purpose
To be your Bank of choice	Create diverse forms of abundance with our communities, through advanced ideas.

Our employees work with you to bring "true enrichment to the local region" through FFG's unique "ideas that are one step ahead," each with a strong aspiration "To be your Bank of choice."

The society we hope to create	Economically, materially, and spiritually enriched society

COLUMN Defining "To be your Bank of choice" and the "local region"

Over the past year, we have reviewed our 150-year history, our corporate DNA, and the strengths we have developed, and engaged in thorough internal discussions on the role we should fulfill in the future. These discussions covered a diverse range of content, but here, I would like to introduce two topics unique to FFG.

1. "To be your Bank of choice"

Companies generally present their purpose, vision, and values, in that order, as a hierarchy of concepts, but many people in the Group felt uncomfortable with the idea of positioning our brand slogan "To be your Bank of choice," representing our values, at the bottom of this hierarchy.

"Our purpose is defined by our actions, which are based on our values." "For us, our values and purpose should work in tandem." Based on opinions such as these, we determined to establish FFG's unique set of principles, positioning our values and purpose, together, as our highest-order concepts.

2. The "local region"

Through business integration, we have expanded our business base from Fukuoka into Kumamoto and Nagasaki. We also provide services to customers across Japan through Minna Bank. What, then, is the "local region" we talk about, with an eye on the future? Through discussions with diverse employees, including those of Minna Bank, we have decided to define it as follows.

The "local region" refers to both a "place" — Fukuoka, Kumamoto, and Nagasaki — and a "community" where people gather. The connections between regions and users across Japan also constitute a "local region (community)." The concept of the "local region" does not represent a constraint on FFG's future business scope; rather, the scope of our "local region" will continue to expand in line with the evolution and growth of our businesses.

3. Direction of our long-term strategy

Looking ahead to the future, some of the anticipated changes in the environment lie along a different vector to the society that FFG hopes to create.

- With the regional population shrinking at an ever faster rate due to the declining birth rate and the concentration of the population in metropolitan areas, there are concerns over the decline of regional economies. People are also becoming more anxious about their economic futures due to longer healthy lifespans.
- While new services utilizing digital technology and generative AI will make life more convenient for people in the local region, they will also eliminate the barriers between regions. This will force regional companies to compete with platformers, making it necessary to enhance productivity to toughen their businesses.
- With the progress of decarbonization across various industries such as steel, automotive, chemical, and electricity, it is essential that all related supply chain companies achieve a smooth transition to decarbonization in order to preserve regional industries and employment.

We have identified four materiality issues that FFG must actively engage in resolving to address the risks that these environmental changes will have on the local region: (1) Revitalizing local industry, (2) Responding to the era of 100-year human lifespans, (3) Responding to the digital society, and (4) Responding to climate change.

How can we contribute to resolving these materiality issues and realizing the society we hope to create? Our long-term strategy is FFG's growth story for the next decade.

We will present the details of this strategy together with the next mid-term management plan, which begins next fiscal year. Here, I would like to describe the discussions we have undertaken so far and the direction of the long-term strategy.

FFG's corporate officers have held numerous discussions of the following matters since the fall of last year.

- Looking ahead, the increase in the movement of the population to metropolitan areas will lead to an accelerating population decline in Kyushu. At the same time, society, including the elderly, will become more digital-literate. As digital banks and non-finance businesses utilizing BaaS provide customers across Japan with highly useful and convenient services, regional barriers in the finance industry will disappear. Amid a greater range of choices for customers, FFG should expand its businesses based on the added value it provides through contact with a human touch, in addition to providing useful and convenient services utilizing digital technology.
- Even in an increasingly intense competitive environment, we can continue to leverage FFG's unique strengths, including the strong relationships of trust with local companies and the networks with local governments, universities, and other organizations (industry, government, academia, and finance) that we have built so far to differentiate FFG from its competitors in the future.
- Our numerous and extensive business relationships with midsized companies and SMEs, in particular, represent a major strength. We will be able to expand our support for these customers in areas such as business succession, M&A, finance for transition and consulting, which face growing needs.

Message from the President

- Looking ahead, this will lead to greater productivity for midsized companies and SMEs while simultaneously increasing the wages of the employees who work there, giving rise to a positive cycle for retail banking customers as well. We hope to enable local mid-sized companies and SMEs to grow even stronger and larger.
- To achieve this, it is essential that we begin by aiming to further grow FFG itself. To this end, it is crucial that we strengthen market operations and actively expand our businesses in growth regions and fields across Japan and overseas, such as overseas business and fund investments, earning revenue while contributing to the growth of these fields.

Although still in the discussion stage, we are actively considering building our long-term strategy on the following three pillars.

(1) Leverage digital technology and AI to gain a deep understanding of our customers and provide attentive services through digital technology and people.
(2) Engage proactively in revitalizing local industry by actively taking risks in GX, startups, and other growth fields in Kyushu.
(3) Expand our businesses in growth regions and fields to accelerate success in (1) and (2).

In April next year, the principles outlined above, together with the long-term strategy and next mid-term management plan currently being formulated, will link together in the launch of a new story: the story of FFG's growth for the future.

4. Completing the 7th Mid-Term Management Plan and looking toward the next mid-term management plan

We are using two approaches to formulate our long-term strategy: backcasting from FFG's purpose and the society we hope to create, together with forecasting towards our aims as an extension of the 7th Mid-Term Management Plan. Therefore, the completion of the 7th Mid-Term Management Plan this fiscal year will represent our first step in achieving our long-term strategy.

Under the 7th Mid-Term Management Plan, we are engaged in initiatives starting from the utilization of digital tools such as a banking app for individual customers, the BIZSHIP portal site for corporate customers, and the SFA sales support system. These initiatives include sales reforms through the restructuring of our sales system and the sharing of information and know-how, business reforms such as administrative reforms and digital channel shift, and the strengthening of strategic subsidiaries to resolve a diverse range of issues for our customers, not limited to the deposits and loans business. By generating synergies between these initiatives, we are striving to transform our existing business model to strengthen our ability to provide solutions.

We have steadily implemented these initiatives since FY2022, while simultaneously undertaking efforts aimed at securing future revenue and controlling risks, such as rebuilding our securities portfolio, including loss-cutting for domestic and foreign bonds, business integration with the Fukuoka Chuo Bank, and reinforcing the allowance for loan losses.

In FY2024, the final fiscal year of the 7th Mid-Term Management Plan, we plan to achieve consolidated net income of 72.0 billion yen, exceeding the initial Mid-Term Management Plan target of 68.5 billion yen, due to an expected increase in the volume of loans and income from investment trusts owing to the effects of measures implemented thus far. This is on top of more active investment in future growth, such as human resource investment and DX investment. We plan to increase dividends to shareholders and investors to 135 yen per share (an increase of 20 yen per share from the previous fiscal year).

I should note that the end of negative interest rates and rate increases by the Bank of Japan will have only a limited effect on profits in FY2024, as the increase in interest on deposits and other funding costs will precede the increase in income.

However, our yen-based portfolio, amounting to approximately 30 trillion yen, will enjoy an improvement in yield which, with appropriate management based on risk and return, will have a substantial impact on profits from the next fiscal year onward. Therefore, our sales division will focus on securing appropriate interest income in line with the increase in the short-term prime rate, capturing highly stable deposits, and embedding RORA in front-line sales (boosting profit-awareness). Our markets division will engage in yen-denominated investment, primarily in the medium- and short-term zones, aimed at restoring the interest rate exposure that we had been reducing until last fiscal year.

While we expect to be able to achieve all of the 7th Mid-Term Management Plan target management indicators, profitability in the Minna Bank business is behind the schedule set forth in the initial plan, which we recognize as a serious issue.

— Profitability for Minna Bank

Our business environment is undergoing a significant transformation due to changes in the social environment, such as the shrinking and aging of the population and declining birth rate, as well as resulting changes in the industry and finance environments. Digital businesses in Japan and overseas, which have already penetrated to the core of our lifestyles, are also expected to generate technological innovation at an ever faster speed.

In this context, Minna Bank is a challenging initiative aimed at incorporating this technological innovation to create a new business pillar for FFG's future, in anticipation of changes in the social environment.

The acquisition of accounts, deposits, loans, etc. has generally progressed according to the plan in FY2024, but the Minna Bank business has made a loss of 9.5 billion yen. We still have a long way to go to achieve our target of turning a profit by FY2027.

We regard the rapid expansion of the customer base through the BaaS business as a key initiative to raise the probability of achieving profitability.

To this end, in FY2024, we focused on finding "joint business partners," which we see as a key component of Minna Bank's financial functions, in the context of business growth for our partner companies.

At present, we are in the process of establishing a business framework to enable partner companies with businesses extending across Japan and around the world to actively utilize Minna Bank's financial functions for their own business growth and new business creation, which will naturally result in an increase in Minna Bank's own customer base.

We also feel that the unique system structure and services we have developed for Minna Bank are eliciting a degree of response, with an increasing number of companies expressing their approval.

However, it is vital that we steadily demonstrate these achievements in our financial results. I will lead from the front as we continue to strive to raise the probability of profitability for Minna Bank.

5. Stories of value creation DASHBOARD

On pages 13 and 14, we present our "Stories of Value Creation DASHBOARD." This is a visual representation of the virtuous cycle of corporate value improvement that we aim for at FFG.

Creating this virtuous cycle together with our customers, shareholders, investors, employees, and all our other stakeholders: these are the stories of value creation we envisage.

FFG will provide value to society by solving four materiality issues: "Revitalizing local industry," "Responding to the era of 100-year human lifespans," "Responding to the digital society," and "Responding to climate change."

Our pursuit of business activities to address these issues will progressively transform our human resources and business portfolios. This, in turn, will boost FFG's economic value by improving its RORA and growth rate (expected future profits).

We will direct the revenue we gain in return for providing social value toward investment in FFG's further growth. At the same time, we will provide returns to the local region in the form of taxes, to shareholders and investors in the form of shareholder returns, and to employees in the form of human resource investment.

In addition to actively investing in human resources, recruiting and developing diverse human resources, and striving to improve employee engagement, we will actualize the benefits of FFG's human resource investment and growth investment to evolve into an organization that contributes to solving more sophisticated materiality issues.

To help our stakeholders understand our idea of the story for this virtuous cycle in a more concrete way, we plan to establish separate KGIs and KPIs for the provision of social value (the improvement in Kyushu's GDP and Inclusive Wealth Index), the increase in economic value (the increase in FFG's revenue and net income), the return and investment of economic value (improvement in FFG's ROE), and human capital management (the increase in the value of FFG's human capital).

We will continue to advance towards these goals, sharing our progress with our customers, shareholders, investors, employees, and all our other stakeholders, to enable everyone to feel the "true enrichment to the local region" that we uphold as part of our purpose.

6. The FFG Principles Co-Creation Project
— A story for the future, spun by all —

This October, we launched the internal "FFG Principles Co-Creation Project —A story for the future, spun by all—" to encourage all of our employees to see FFG's new principles as their own.

Through dialogue with employees, we hope to expand the circle of empathy, reflect these principles in our everyday actions, and thus foster FFG's corporate culture. With this hope in mind, we will carefully communicate through the project the need for FFG's new principles, our vision for the future, and the connections between this vision and the work of each individual employee. As the first step in this process, I have sent a letter and video message to all of our employees.

Lastly, I would like to explain my sentiments regarding the project's subtitle: "—A story for the future, spun by all—"

Spinning "a story for the future" refers to the idea of creating FFG's path forward as a single storyline. Just as a thread is spun and woven into a cloth, we will build on each individual event and decision to weave the beautiful pattern that is the future of the local region and FFG. The thread that we spin combines the values we will continue to uphold — To be your Bank of choice — together with the inspiration, engraved in FFG's corporate DNA, for "ideas that are one step ahead," and the aspirations and actions of each employee. The beautiful pattern woven from this thread is composed of "true enrichment to the local region" and "growth for FFG and each individual employee."

Together with all FFG's employees, we will spin a story for the future.

Expect to see great things from FFG.

Hisashi Goto

Director & President
Fukuoka Financial Group, Inc.

Stories of Value Creation DASHBOARD

This dashboard presents FFG's stories of value creation in the form of a single cyclical diagram.

Bringing true enrichment to the local region through the creation of this virtuous cycle is FFG's purpose.

Transformation of the human resource and business portfolios

- Increase specialized human resources (solutions and digital technology)
- Expand the investment banking and new business portfolios

Business activities

- Transformation of existing business model Provide solutions using digital technology and AI + humans
- Strengthen the investment banking business Support GX, M&A activities, and startups
- Minna Bank

Materiality

1. Revitalizing local industry
2. Responding to the era of 100-year human lifespans
3. Responding to the digital society
4. Responding to climate change

Improving employee engagement

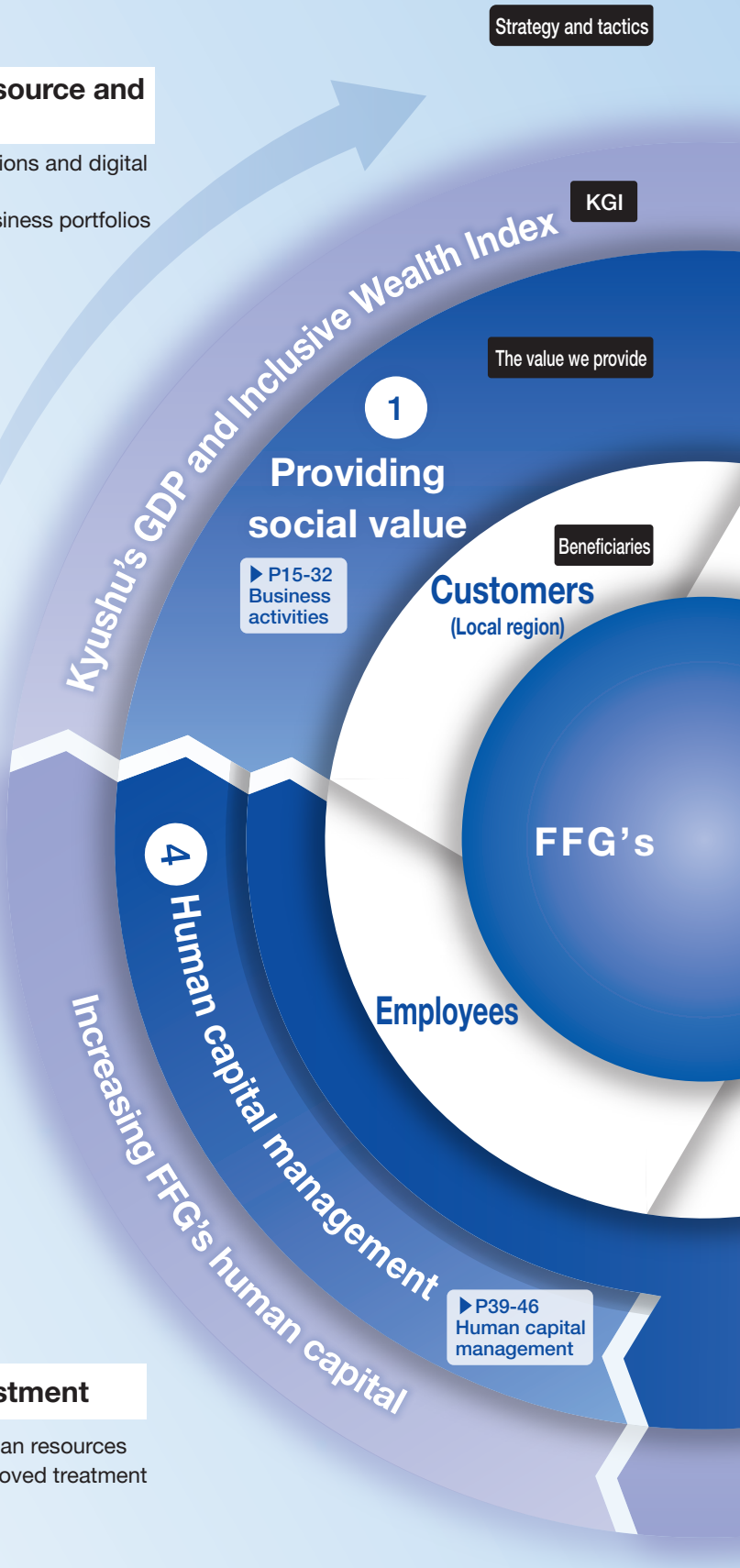
- Affinity with FFG (spread of principles, shared vision)
- Satisfaction with treatment and job
- Diversification of work styles

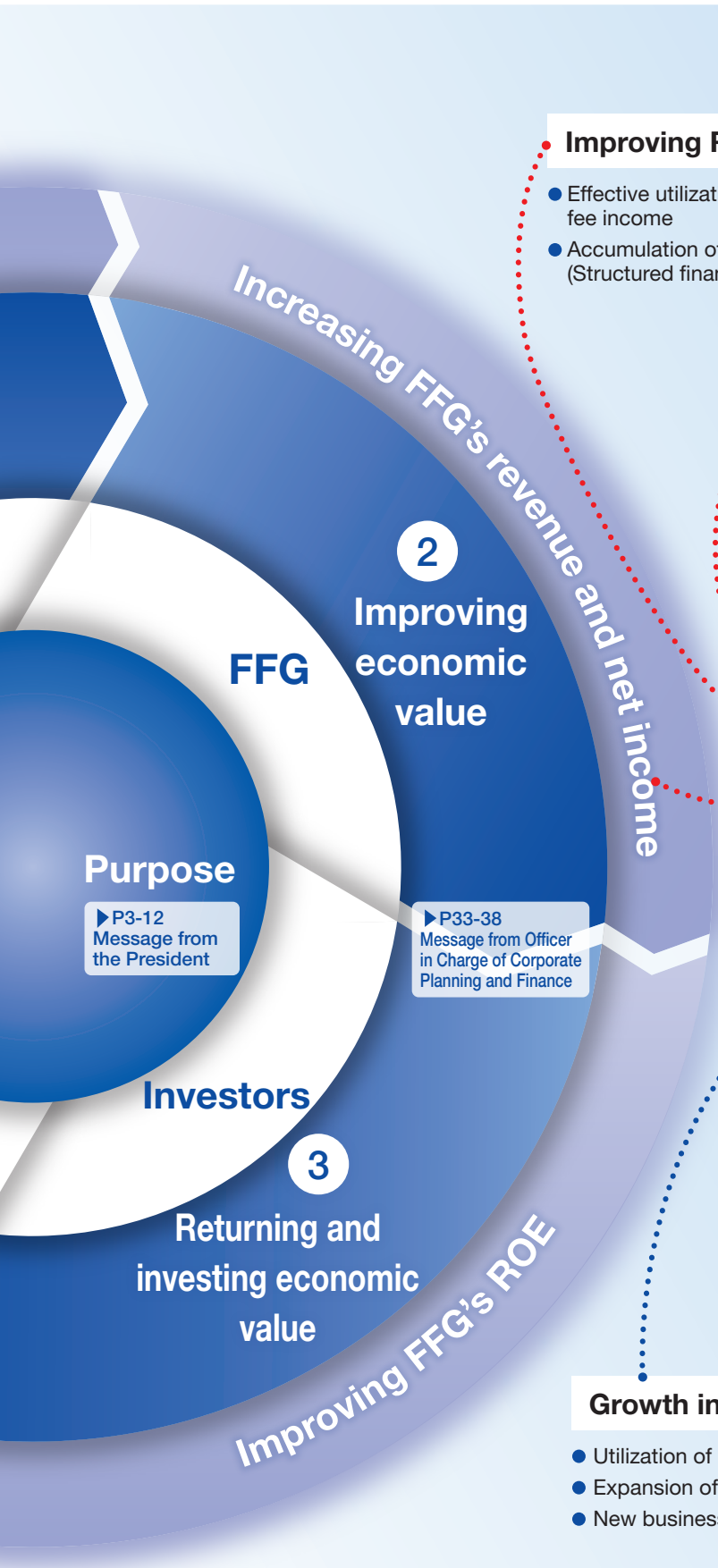
DE&I and organizational culture

- Promotion of DE&I
- Unique organizational culture that is open to challenges
- Assurance of psychological safety

Human capital investment

- Recruitment of diverse human resources
- Stronger reskilling and improved treatment





Improving RORA

- Effective utilization of capital and expansion of fee income
- Accumulation of high-profit assets (Structured finance and diversified investment)

Higher growth rate

- Achieving returns that exceed the cost of shareholders' equity in new business

Maintaining soundness

- Capital adequacy ratio of around 10%
- Maintenance of a high level of allowance for loan losses

Improvement of PBR

Capital allocation

Reducing the cost of shareholders' equity

- Enhanced information disclosure, including non-financial information
- Higher ESG score
- Active communication with investors

Shareholder returns

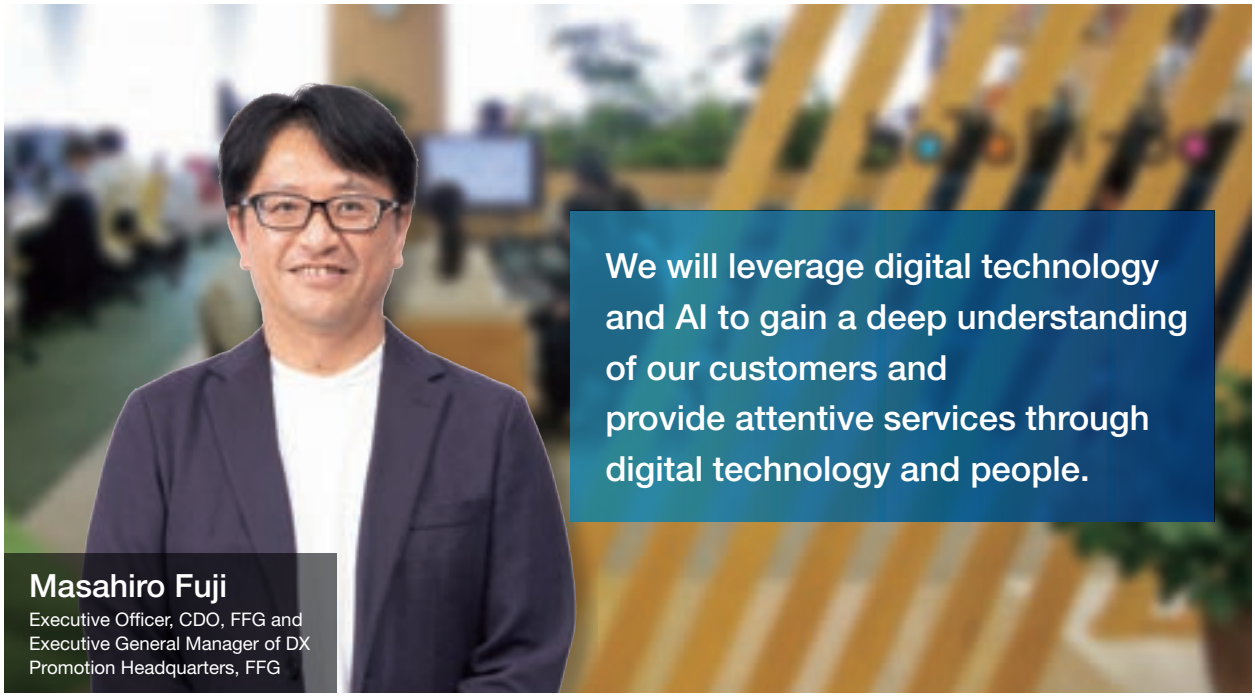
- Maintaining and increasing dividends
- Flexible acquisition of own shares

Growth investment

- Utilization of digital technology and AI
- Expansion of businesses in growth regions and fields
- New businesses, M&A, and business investment

① Providing Social Value

Transformation of Existing Business Model



A deeper understanding of the customer

Amid the rapid advance of the digital society, what kind of services should we provide to ensure that FFG continues to be chosen by customers into the future? We believe that the most important thing is to deeply understand our customers. For this reason, we have defined FFG's DX as "customer-focused self-transformation."

In FY2023, we launched a banking app for individual customers and the "BIZSHIP" portal site for corporate customers, boosting customer convenience while also deepening our understanding of our customers through digital contact points. We have also introduced the SFA sales support system for sales representatives and we are building a store of information gained through our dialogue with customers.

By effectively utilizing the accumulated information and data as an organization, we are able to provide higher quality, more homogeneous solutions.

Our banking app for individual customers has been downloaded by a million customers during the year since it was released. Our BIZSHIP portal site for corporate customers is also used by over 20,000 companies. Our accumulation of information and data is progressing with the increase in opportunities for customers to use digital channels, and we are gaining a deeper understanding of our customers day by day.

On the other hand, there is a limit to how deeply we can understand customers through the data available from banking transactions alone. Moreover, banking products such as deposits and loans can be imitated, making it difficult for banks to differentiate their services on a stand-alone basis. For this reason, we recognize that creating new customer experiences more closely aligned with individual customers' everyday lives and companies' business activities is a long-term issue that we must address to continue to be chosen by our customers.

Regional platform: a new business model leveraging FFG's strengths

AT FFG, we have built solid relationships of trust with customers in the local region over our long history. We hope to leverage this network to create a "localized regional platform" to facilitate the circulation not only of money but also of people, goods, and information within the region.

We aim to create a mechanism that will provide convenience and value to individual customers living in the region, while also bringing about business growth for the customers who run local businesses.

Through this platform, we will provide a broad range of services not limited to finance, enabling local companies to cooperate in reciprocal customer referrals. We will also use it to improve the quality of services we provide in the local region by linking together the data held by each company and sharing continuous data.

In this way, we aim to promote the local production and local consumption of information in the region, establishing a localized regional economic zone to create customer experiences that are unique to the local region. This will enable us to compete against digital platformers with nationwide customer bases.

At FFG, we will implement a business model leveraging our strengths to "revitalize the regional economy" and simultaneously "enhance the value of local companies," contributing to true enrichment for the local region.

Banking app for individual customers

The banking app for individual customers is an intuitive, safe, and secure application that anyone can easily start using. It enables customers to complete banking procedures anywhere, any time.

These services are aimed at addressing customers' unfamiliarity and concerns about money and digital technology based on the concept of "a banking app that is by your side." It is designed to be accessible to all customers, even those uncomfortable with a digital environment.

It was a recipient of the GOOD DESIGN AWARD 2023 in recognition of features such as its function layout, which enables intuitive operation, and its simple design, which prevents customer confusion.

When it was first released, it mainly featured basic banking functions such as balance inquiry and funds transfer. Since then, we have progressively added and improved functions, such as those to address customers' financial concerns and resolve the issues they face.

We have also progressively internalized app development to achieve updates and functional improvements at a faster rate than the apps provided by other banks.

In the future, we hope to evolve it into an app closely connected to local communities that is capable of providing a range of services, including non-financial services, through cooperation between Group companies and collaboration with companies in the local region.

*Users with registered accounts

GOOD DESIGN AWARD
2023年度受賞

"BIZSHIP" portal site for corporate customers

The "BIZSHIP" portal site utilizes digital technology to create a new contact point with customers. In addition to making customers' banking transactions more efficient, BIZSHIP provides customers with fully integrated access to a range of information, from management issues to their solutions.

Launched in 2023, it features a "digital passbook" function that enables the centralized management of multiple accounts and provides email notifications of any deposits or withdrawals, an "online procedures" function that enables operations such as the electronic receipt of balance certificates, and "management diagnostic tools" that utilize FFG's unique analytical know-how. BIZSHIP is used by approximately 20,000 companies as of September 30, 2024.

Since its launch, we have continued to strengthen the site's support features based on customers' usage status and feedback. This includes the addition of diagnostic tools for subsidies and grants.

By using the data acquired through sources such as management diagnostic tools and portal access records, we will be able to gain a deeper understanding of our customers. Through coordination with SFA, we will be able to accurately ascertain customer needs across all aspects of their business activities, not just loans, enabling us to provide high-quality solutions.

BIZSHIP

01 Customers who have trouble managing multiple accounts
Digital passbook

02 Customers who are busy with business operations
Online banking procedures

03 Customers who want support in their business activities
Management diagnostic tools

① Providing Social Value

Transformation of Existing Business Model

SFA (sales force automation)

The SFA sales support tool for employees, introduced in FY2023, features a function that integrates customer data and sales data obtained from both digital and physical contact points, utilizing AI and other new technologies to provide sales representatives with recommendations on the next action they should take.

By transforming know-how from within the Group into formal knowledge and providing sales representatives with the recommendations they need in different situations, such as the solutions they should propose and the timing of customer approaches, we aim to achieve higher quality, more homogeneous sales activities.

Customer 1st View

All customer information, needs, and solutions are integrated into a unified interface, boosting sales productivity

NEXT Best Action

SFA suggests recommended actions, personalized for each customer and sales representative. These recommendations are made more sophisticated day by day through the accumulation of data and the use of AI.

Internalization of development

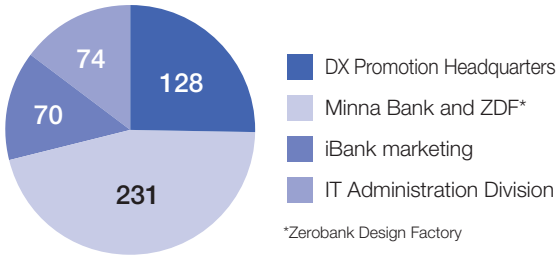
At FFG, we are engaging internal human resources in system development for tools such as the banking app for individual customers and the “BIZSHIP” portal site for corporate customers. Previously, we outsourced all of this work to external system development companies. However, in addition to inflating costs with each system upgrade, outsourcing makes us unable to respond speedily to changes in customer needs and advances in digital technology.

FFG’s human resources are now engaged in system development in collaboration with external partner companies in the fields of business planning, data utilization, system design and development, operation, and maintenance, so that we can deliver tools of true value to customers swiftly and inexpensively. We believe that this internal development structure, in cooperation with our external partners, is a strength that differentiates FFG from its competitors.

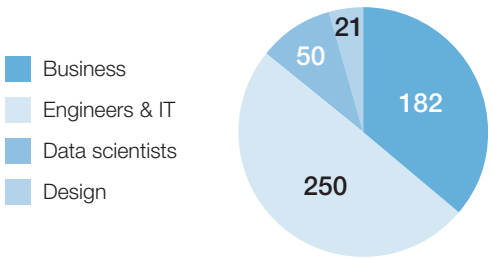
At the same time, it is essential that we implement fundamental digital training for each of the employees who will utilize the tools we develop. At FFG, we are also engaged in a company-wide effort to improve digital literacy and reform the internal and organizational culture.

■ Digital human resources active in FFG:

503 as of March 31, 2024 (including 289 mid-career recruits)



*Zerobank Design Factory



AI strategy

Taro Takeshige

Deputy Executive General Manager of DX Promotion Headquarters, FFG and Executive Officer, The Bank of Fukuoka, Ltd.

At FFG, we have explored the potential utilization of AI with a high degree of interest, right up to the management level, ever since the emergence of the generative AI chatbot ChatGPT. In April 2024, we established the AI Strategy Group within the DX Promotion Headquarters.

The AI Strategy Group is tasked with missions such as improving the efficiency of existing business operations and leading new value offerings for customers through the use of AI. Banking staff familiar with banking operations collaborate with engineers with a detailed knowledge of technology to undertake these missions.

AI technology can be applied to all aspects of banking operations, including front, middle, and back-office operations, as well as marketing and other fields. To begin with, we are promoting its utilization in internal operations, where we can expect to achieve results at an early stage.

One example of these internal operations is the preparation of loan approval documents.

At FFG, we have automated the preparation of approval documents, previously undertaken by bank staff, by providing the AI tool with information such as financial results data, negotiation records, and past approval documents. As a result, we have been able to make this process approximately 35% more efficient.

Loans are at the core of banking operations. Through the use of AI, we are able to expedite the return of results from the credit screening process. Moreover, we have been able to use the time saved through greater efficiency to communicate more fully with our customers, gaining a deeper understanding of their issues and needs.

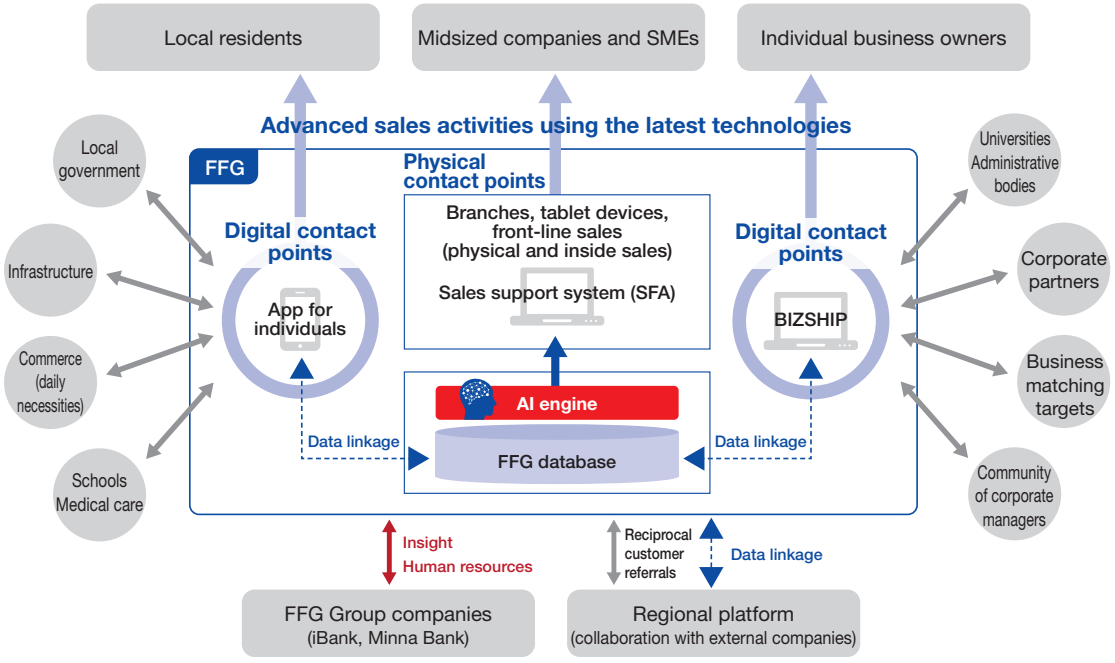
Looking to the future, we aim to go beyond efficiency improvements premised on existing business processes. By leveraging AI to transform our business processes themselves, we aim for greater advances in productivity.

We will redeploy the employees and time freed up by these efficiency improvements to undertake initiatives aimed at resolving our customers' issues, thus bringing about sustainable growth for local communities and FFG.

FFG's world view

Understanding customers through digital technology and AI and responding to their needs through the attentiveness of humans

We will strengthen cooperation with Group companies and local companies and engage in advanced sales activities using the latest technologies such as AI, aiming to achieve hyper-personalized, overwhelmingly superior customer experiences.



① Providing Social Value

Transformation of Existing Business Model

Our unwavering commitment to “goal-based sales”

Even as customer behavior evolves with technological innovation and the spread of new services, the power of “people” and the contact points between customers and employees still remain FFG’s strength: a strength that we hope to develop into the future.

Looking ahead, the use of data will enable the visualization of customer needs, to a certain extent; for example, “I want to begin asset management” or “I’m thinking of buying a home” in the case of individual customers, and “I’m looking for a successor” or “I have to decarbonize the supply chain” in the case of businesses. However, not all of these needs can be determined and solved by customers alone. In addition to comparisons using digital technology and advice from AI, we believe that obtaining “human” advice will expand customers’ scope for problem-solving.

By providing services combining the power of people and digital technology, FFG has always worked — and will continue to — together with customers to uncover their increasingly diverse needs and resolve their issues, helping them achieve their targets and goals for the future.

Even in a decade, whenever our customers want to consult with us directly or talk with a sales representative, our people will provide an attentive response to meet their needs, whether they desire face-to-face or remote communication. This is what sets FFG apart from M&A boutiques and other competitors.

At the same time, digital services will continue to progress, for elderly customers too, and it will become the norm to complete banking transactions online. Customers themselves will be able to easily access all kinds of information and data. This is expected to drastically raise the level of solution and consulting capabilities demanded of us.

To adapt to these changes, we are currently focusing on the “sharing of information and know-how” through the use of the SFA sales support system and the introduction of an area/unit system.

Utilizing SFA and introducing an area/unit system

Despite the launch of new contact points in the form of digital channels, including our banking app for individual customers and the “BIZSHIP” portal site for corporate customers, human contact points — our sales representatives — will remain an essential link with customers.

By utilizing the SFA sales support system introduced in FY2023 to transform information and know-how from within the Group into formal knowledge and sharing it within the organization, we aim to achieve higher quality, more homogeneous sales activities.

We are also progressively transforming our branch management structure to achieve more efficient and effective sales while addressing the increasingly diverse needs of our customers.

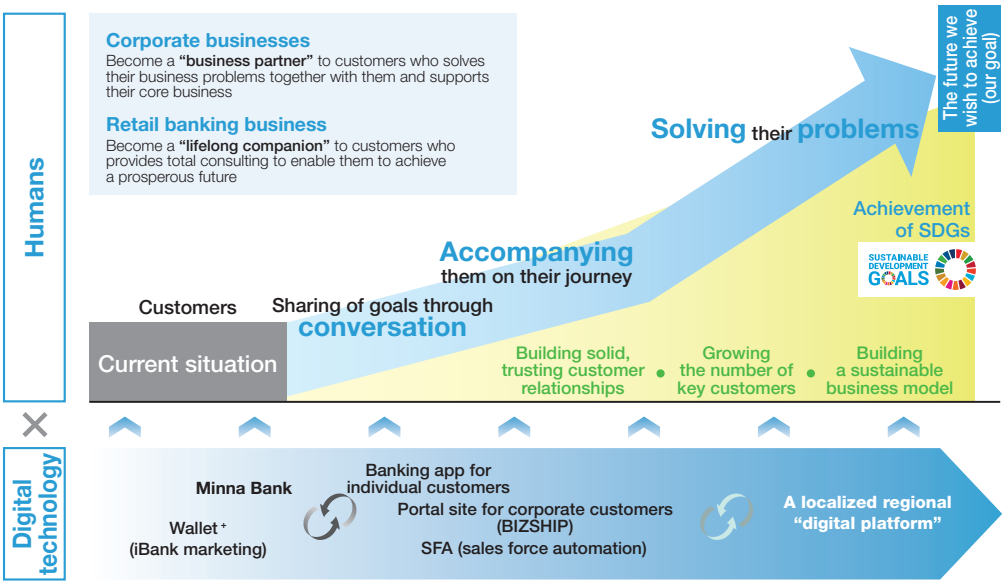
Specifically, in FY2023, we began a trial of the area/unit system at the Bank of Fukuoka. This new sales system, which integrates the operation of multiple branches, is designed to deliver services across the entire sales area through sales representatives with a high level of skills and know-how, without compromising customer convenience.

Under the area/unit system, sales representatives are centralized at a branch that acts as the nucleus of the local region, eliminating any overlap between sales activities in the same business area and enhancing sales productivity. This enables the flexible deployment of the optimal sales representatives to match local characteristics and customer scale and needs. Sales representatives centralized at the branch utilize SFA, mutually sharing knowledge and know-how and pursuing human resource development daily through OJT to boost their sales capabilities across the board.

Furthermore, the system will enable the seamless provision of expert knowledge from the headquarters Solution Business Division and Structured finance Division, together with diverse solutions from strategic subsidiaries.

We aim to continue to help our customers achieve their targets and goals by making maximum use of the power of digital technology, together with the power of our "people," to solve the issues faced by each individual and each company, thus helping to enrich the local region.

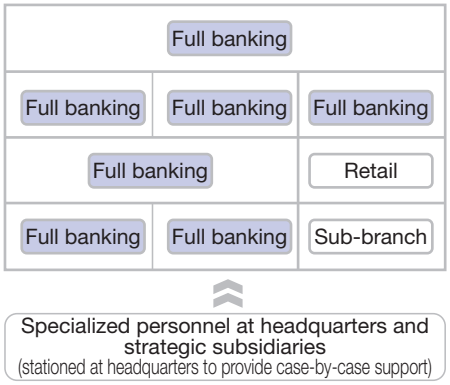
Goal-based sales



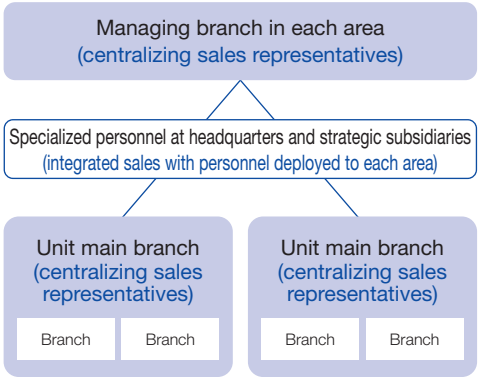
Area/unit system

— Several branches unite to engage in joint operations, with corporate sales representatives centralized at the managing branch in each area and the unit main branch.
— Areas are reorganized based on factors such as local characteristics and government administrative divisions. By facilitating efficient and effective sales activities, it is designed to improve the quality of the services provided to customers.

[Current status] Independent operations at each branch



[Future] Toward area/unit operations



*Full banking: Branches with corporate sales representatives, retail sales representatives, and branch sales representatives
*Retail: Branches with retail sales representatives and branch sales representatives *Sub-branch: Branches with only branch sales representatives

From savings to investment

NISA

At FFG, we have been actively engaged in promoting the spread of the NISA system for some time, and we are ranked No.1 among regional banking groups in terms of the number of NISAs (Nippon Individual Savings Accounts).

Many customers use NISAs for investing in stocks. As a regional banking group with branches firmly rooted in local communities, we work as one with FFG Securities to provide customers with a secure sense that they will be able to access face-to-face support when they need it.

We have also introduced services that enable customers to complete the procedures for opening investment accounts and NISAs online, as well as FFG Securities' stock trading app. By providing wealth-building support tailored to customers' needs through both physical and online services, we aim to use NISAs as a starting point to develop long-term relationships and expand business transactions, thus increasing the number of customers who use FFG as their main bank and main securities company.

*This figure includes the Bank of Fukuoka, the Kumamoto Bank, the Juhachi-Shinwa Bank, the Fukuoka Chuo Bank, and FFG Securities.

Investment Trusts Palette

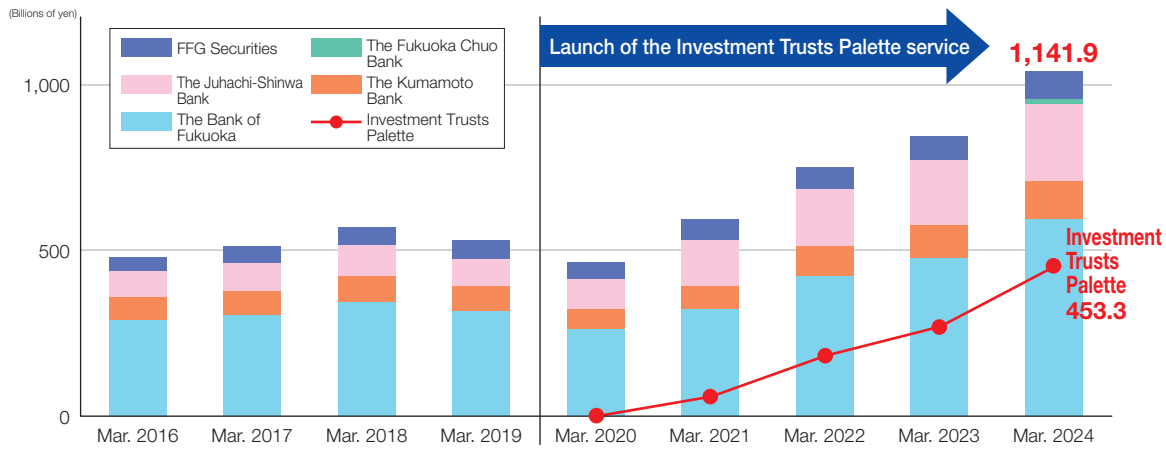
We launched the Investment Trusts Palette service in 2020. Through this service, we propose the optimal combination of investment trusts premised on long-term globally diversified investment to support our customers in building long-term wealth.

The Investment Trusts Palette service uses an investment trust analysis and evaluation system independently developed by FFG. By providing a fair and neutral evaluation of virtually all investment trusts in Japan and creating combinations of the finest investment trusts, it enables us to propose optimal asset management plans tailored for each individual customer.

We also offer a function called the "fixed-amount cash conversion service," which allows customers to automatically convert a fixed amount of their investment to cash each month and receive it while operating the Investment Trusts Palette service. In the era of 100-year human lifespans, this function enables us to meet the needs of customers who wish to withdraw a little from their investments each month, providing a fixed monthly income to supplement their pension, etc., while continuing to manage their investments so that they can enjoy a rich and stable lifestyle in old age.

The Investment Trusts Palette service matches the needs of customers, with a sales style that provides support for them to build long-term wealth. As a result, the balance of investment trusts, which has trended upward since launching the service, exceeded one trillion yen in March 2024.

■ FFG's balance of investment trusts



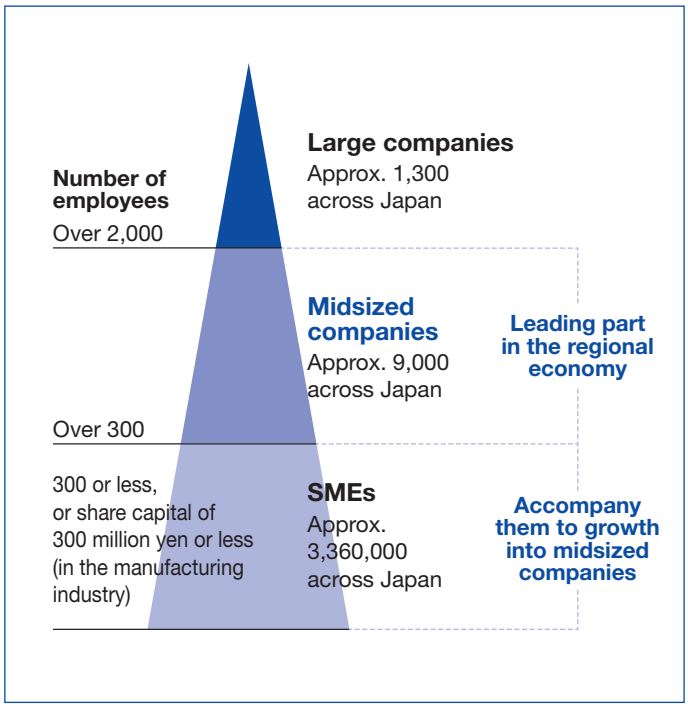
Strengthening support for the midsized companies that lead the local region

Midsized companies are extending their businesses through initiatives such as more sophisticated management, broader geographical spread, and business diversification. They are expanding their business investment within Japan. At the same time, they also make a significant contribution to raising wages in the local region.

In this context, the Japanese government formulated the Leading Medium Enterprises Growth Promotion Package in March 2024, aimed at expanding support for the midsized companies that lead the regional economy and strengthening their growth potential.

We hope to contribute to enhancing the corporate value of midsized companies by fully utilizing FFG's networks and solutions to restructure local industry and support growth investment and M&A activities. Accompanying SMEs on their journey of growth into midsized companies is precisely what we mean by "goal-based sales," FFG's main business domain.

Through our support for local midsized companies and SMEs, we aim to enrich the local region.

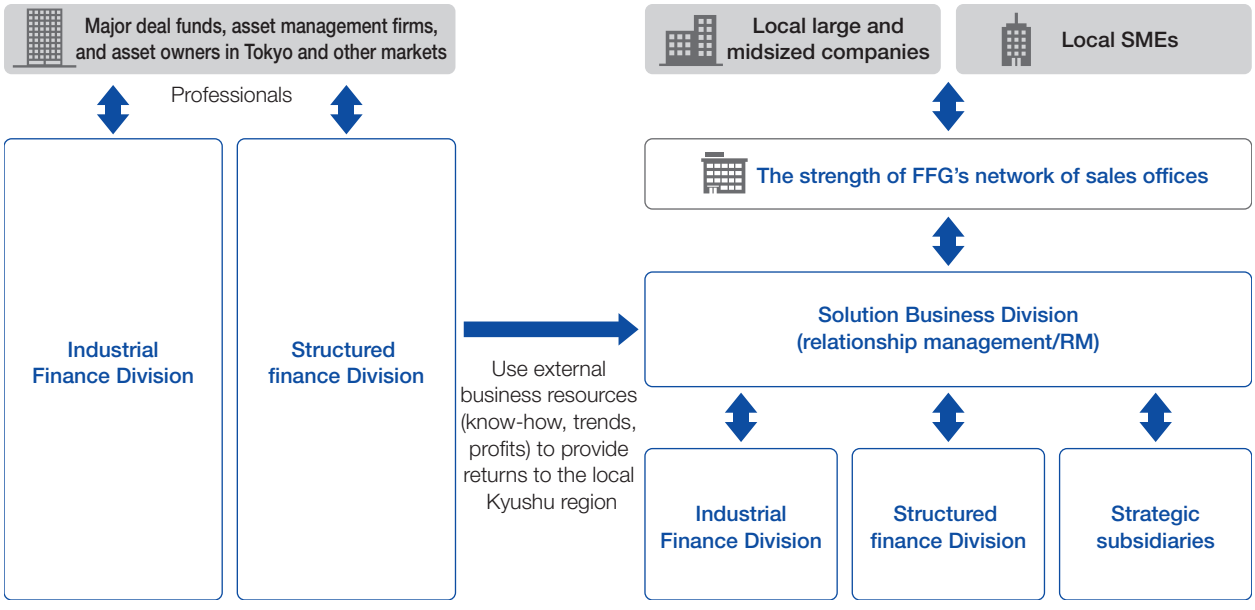


Source: Ministry of Economy, Trade and Industry

Strengthening FFG's solution - providing capabilities Relationship management

We will leverage FFG's know-how in areas such as structured finance, equity investments, and M&A, to engage in upgrading and refining the way we provide solutions through sales.

Using our relationships with customers in Kyushu as a starting point, we will actively create projects that have an impact on the regional economy, aiming to contribute to sustainable growth for the local region.



① Providing Social Value

Transformation of Existing Business Model

Supporting sustainability management

Policy on sustainable business

The importance of sustainability and decarbonization initiatives for local companies is increasing, from various perspectives such as supply chain demands and the need to secure human resources. In these circumstances, at FFG, we are engaged in supporting sustainability management, beginning with the visualization of customers' issues using the Sustainable Scale Index, our unique ESG/SDGs scoring model service.

We are also strengthening our support structure in collaboration with local governments and research institutions. By expanding our businesses to achieve "multi-faceted corporate support," understanding the local region in terms of facets, we will promote region-wide SX (sustainability transformation) to contribute to the sustainable development of local companies and communities.

The Sustainable Scale Index ESG/SDGs scoring model service

FFG's Sustainable Scale Index (SSI) is a unique ESG/SDGs scoring model service developed jointly by the FFG subsidiary and ESG/SDGs support provider Sustainable Scale, Co., Ltd. and Kyushu University.

SSI enables companies to index and visualize their own ESG/SDGs initiatives and evaluate their position relative to the rest of the industry by responding to questions on approximately 200 scoring questions.

We will increase the opportunities for dialogue between our sales representatives and customers based on the reports generated by SSI, and undertake tandem support (goal-based sales) aimed at achieving each customer's vision for the future from a non-financial perspective as well.

■ Example of solutions corresponding to Sustainable Scale Index questions

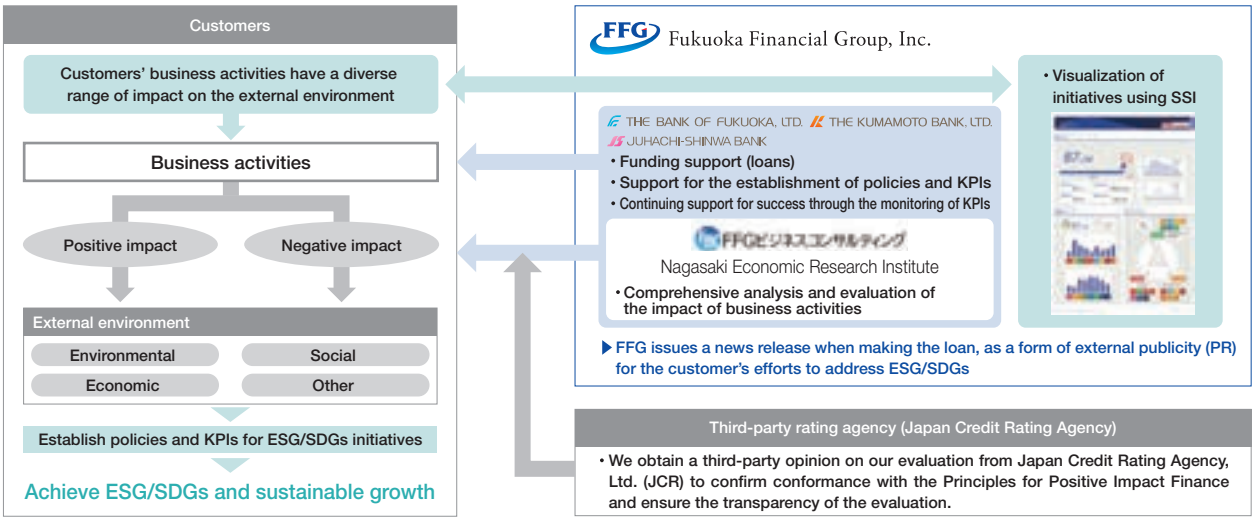
Category	Example solutions (including business matching)
Environment: Emissions	Provision of solar power generation systems and systems/services related to energy conservation
Society: Local community	Recruitment services, career support, and utilization of personnel through sideline and concurrent employment
Society: Employees	Support for ESG/SDGs training and outsourcing of the establishment/operation of internal childcare facilities
Governance: Management	Support for BCP formulation and the establishment of business succession plans

etc…

FFG's Positive Impact Finance (PIF)

Based on the results of evaluation using the Sustainable Scale Index (SSI) and internationally recognized impact assessment tools, we engage in extensive dialogue with customers to analyze and identify the positive and negative impact of their business activities on the environment, society, and the economy. FFG's Positive Impact Finance (PIF) is a loan product through which FFG provides medium- and long-term tandem support to help customers achieve sustainable growth by mitigating negative effects and increasing positive effects (setting KPIs).

Overview of FFG's Positive Impact Finance



Process for pursuing PIF projects

(1) We use SSI to complete a comprehensive and concise overview of our customers' business activities from environmental (E), social (S), and governance (G) perspectives, highlighting the initiatives that can be used to differentiate them from their peers and the issues that they are yet to address. Based on this, we identify hitherto unrecognized strengths and issues.
(2) We comprehensively analyze customers' corporate policies, business sector and scale, and value chain (supply chain) using FFG's evaluation criteria, which are based on the Impact Radar published by the United Nations Environment Programme Finance Initiative (UNEP FI).
(3) Our sales representatives work with customers to establish KPIs through extensive dialogue based on the analysis results from (1) and (2) above.
(4) We obtain an opinion from a third-party rating agency on the evaluation report completed through this dialogue, before executing the loan.
(5) We proceed to implement continuing support in tandem with customers to help them achieve their KPIs, based on the monitoring framework we have established.

Example of initiatives achieved through local collaboration

● Launch of the Kyushu Ryutsu Sustainability Salon

In May 2023, the Bank of Fukuoka, together with AEON KYUSHU Co., Ltd. and TOPPAN Inc., established the "Kyushu Ryutsu Sustainability Salon" ("Kyushu Distribution Sustainability Salon") to promote sustainability in the retail and distribution industries in the Kyushu area. Since its establishment, the salon has continued to facilitate the exchange of information between its member companies. It is now proceeding with discussions aimed at taking concrete action.

● Sustainability seminar

In August 2024, FFG held the "Sustainability Commercialization Seminar —How to Approach Sustainability and Business—" for customers. We welcomed Mr. Kazunari Taguchi, President of Borderless Japan Corporation, and Mr. Shunsuke Managi, Distinguished Professor of Kyushu University (and representative of the United Nations Inclusive Wealth Report), to lecture on business and the resolution of social issues.

● Launch of a sustainability program on FFG's official YouTube channel

We have launched the new program "Kyushu CEO dinner" as a forum for communication by our customers. The program invites the presidents of our corporate customers engaged in sustainability to a restaurant, where they talk about their sustainability initiatives.

① Providing Social Value

Strengthening the Investment Banking Business

Toward the revitalization of local industry

Kyushu, FFG's business base, is a region with a lot of potential. For example, the entry of TSMC is expected to create an economic ripple effect equivalent to an estimated 20 trillion yen over the next ten years. At the same time, there are also causes for concern, such as the decline in SMEs due to a shortage of business successors and the exit of production bases for core industries such as automotive, steel, and chemical.

Kyushu is therefore expected to face a risk scenario that could lead to a decline in the regional economy, unless it achieves an increase in productivity and a transition, including the transformation of business formats, among the midsized companies and SMEs that support the local region.

FFG's growth is premised on sustainable growth for the local region. We hope to advance one step further from our current stance in our effort to actively contribute to the revitalization of local industry in Kyushu. We have therefore established "Revitalizing local industry" as one of our materiality issues, aiming to achieve continuing growth for the local region and FFG.

Amid the shrinking population, we are focused on "GX," "M&A and business succession," "semiconductors," and "startups" as the themes that will drive Kyushu's growth over the next decade. By actively taking on risks in these growth fields and various roles as a key player supporting industry revitalization, we will proactively engage in the revitalization of local industry. We hope to use the profits and know-how gained from these efforts to bring even more "enrichment" to Kyushu.

GX investment and transition

Large companies in Japan are moving ahead to progressively reduce the carbon emissions from their supply chains, aiming to achieve carbon neutrality by 2050.

In this environment, we have an advantage in attracting industry here in Kyushu, with conditions ideally suited to renewable energy such as solar power and wind power, abundant natural resources, and our proximity to Asia. It is estimated that the Kyushu area will see vigorous GX investment totaling approximately 150 trillion yen during the next 10 years, leveraging these advantages. We expect an increasing concentration of industries here, primarily advanced industries, continuing on from the entry of TSMC.

At FFG, we will actively engage in transition finance as a priority for high-emissions sectors and project finance for renewable energy, including new products outside the Kyushu area, to proactively contribute to the coming revitalization of business in Kyushu.

Then, by utilizing the new know-how and capabilities we acquire, we hope to become a leader in GX investment and transition for midsized companies and SMEs in Kyushu.

FFG's potential strength: "the experience value of structured finance"

Today, FFG has a "corporate culture without fear of failure." The starting point for this culture was our initiatives for the disposal of non-performing loans and business turnarounds during the 2000s. At the time, many banks held large amounts of non-performing loans, which they were struggling to dispose of. In this context, the Bank of Fukuoka recorded 175.0 billion yen in allowance for loan losses in the fiscal year ended March 31, 2001 (leading to a net loss of 76.8 billion yen), bidding farewell to its non-performing loans in advance of other banks and setting a course toward the revitalization of the regional economy. By achieving business turnarounds for the core companies that supported the local region, we not only fostered a "corporate culture without fear of failure" but also learned new financing methods such as real estate securitization, fund investment, and non-recourse loans.

The Bank of Fukuoka's structured finance services began as a derivative of these business turnaround initiatives. Our projects progressively increased in scale, beginning with real estate non-recourse loans and expanded to include ships, renewable energy, LBOs, and aircraft, with the balance exceeding 1 trillion yen as of March 31, 2024. FFG's strength lies in the know-how we have accumulated over more than 20 years in the structured finance business, together with our presence and relationships within the industry.

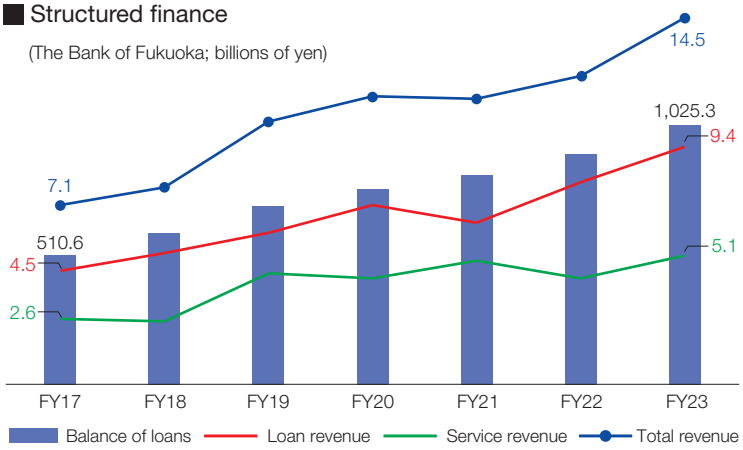
We will strive to further strengthen our structured finance services to drive an improvement in ROE to enhance corporate value, as well as to return to Kyushu the advanced know-how we have acquired in Tokyo and other markets. To raise RORA as we increase the balance, we will establish an integrated framework for providing services from project sourcing to credit screening, distribution, and risk management, striving to expand both quality and quantity.

The structured finance field is also popular with job-seekers, and we receive several hundred applications for FFG's one-week structured finance internship. Last fiscal year, around 30 students were eventually accepted as interns. Three of these interns were directly recruited into the Solution Business Headquarters, of which the Structured finance Division is a part.

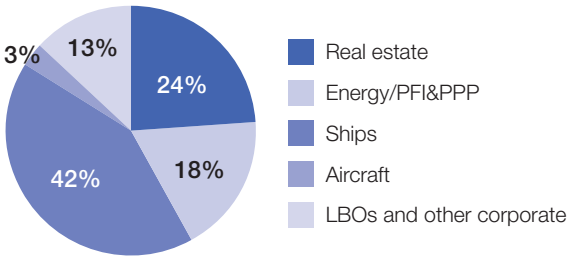
These three recruits began their careers in a different way to conventional bank HR systems, starting work in specialized domains immediately after they graduated from university, without serving at sales offices. After accumulating experience in these domains, they aim to become specialists in the field. We will continue to focus on developing and acquiring human resources in close communication with our human resources division, aiming to build a human resources portfolio capable of achieving our business strategy.

■ Structured finance

(The Bank of Fukuoka; billions of yen)



Breakdown by product as of March 31, 2024



① Providing Social Value

Strengthening the Investment Banking Business

M&A and business succession

As SMEs find their profits squeezed due to rising prices, wages, and interest rates, together with an increasingly serious shortage of workers and business successors, the local region is facing an increasing need for M&A and business succession services. Both M&A and business succession are difficult to replace with AI or complete using just digital technology. We believe that they are fields where we can leverage the power of people, FFG's strength.

At FFG, we have provided full-scale support for M&A and business succession since 2006. Our branch managers on the front line are responsible for sourcing, while a specialized team at headquarters provides backup for execution. Business succession and the sale of a company are extremely sensitive issues, and customers are very careful to choose who they consult about these matters. Therefore, at FFG, we believe that the branch manager of a company's main bank, who knows the characteristics of the region and deals earnestly with each individual business owner, should be responsible for relationship management.

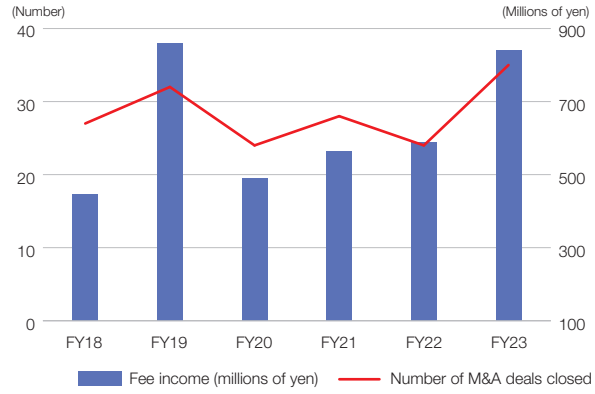
At the same time, we are facing increasingly intense competition from specialized M&A boutiques and others. We understand that a passive sales style, where we wait patiently for customer inquiries, would result in us missing opportunities to undertake medium- and large-scale projects. For this reason, in April 2022, we established FFG Succession, Japan's first dedicated M&A firm operated by a regional bank, aiming to transition to a more aggressive business model. We also entered into a comprehensive business alliance with HL Succession, part of the Houlihan Lokey Group, to strengthen our M&A capabilities and enhance our information network.

FFG Succession leverages its sales office relationships to actively present deal proposals to potential customers and collaborates on sourcing with entities such as PE funds and strong buyers to build a pipeline of medium- and large-scale projects.

Meanwhile, FFG Growth Investment, an affiliated company of FFG, is a dedicated investment subsidiary capable of temporarily holding 100% of the shares of a target company. Through equity investment and hands-on management support, we help to improve corporate value. Through M&A deals with industry peers and MBOs by the management team, we support business succession.

With the shrinking population and GX necessitating the transformation of business formats and productivity improvements required for midsized companies and SMEs, we hope to lead the restructuring of local industry through these M&A deals and equity investments.

■ Number of M&A deals closed and fee income



Kyushu-Okinawa Banking Alliance Semiconductor Solution (Q-BASS)

Under the "Strategy for Semiconductors and the Digital Industry" compiled by the Ministry of Economy, Trade and Industry, Kyushu is identified as a global production hub for industrial semiconductors.

In this context, we formed the Kyushu-Okinawa Banking Alliance in January 2024, aiming to contribute in a more concrete and proactive way to Kyushu's economic growth as a regional financial institution, beginning with semiconductor-related industries. (The Yamaguchi Bank and the Kitakyushu Bank joined the alliance in October 2024, in addition to its 11 regional bank members from Kyushu and Okinawa, and its name was changed to Q-BASS.)

We will engage in the revitalization of local industry not as a solitary initiative by FFG but through a variety of collaborations with industry, government, academia, and finance partners, aiming to enlarge the overall economic pie in Kyushu and Okinawa.

Q-BASS

1. Initiatives to improve supply chain resilience
2. Sustainability promotion
3. Revitalization of Kyushu and Okinawa
4. Industry surveys and analysis in Kyushu and Okinawa

Building an ecosystem for startups

Through our collaboration with various players such as startups, venture capital firms, accelerators, local companies, local governments, and universities, we hope to lend our weight to the establishment of an ecosystem that generates virtuous cycles in the startup field, an area where future growth is expected in Kyushu.

At FFG, we have strived to support startups. Using the "creation of new industries utilizing university knowledge" as a starting point, we established FFG Venture Business Partners (FVP) in 2016. As of March 31, 2024, the total amount managed by FVP has grown to 37.0 billion yen. Some of FVP's investments are already approaching exit. For example, Institute for Q-shu Pioneers of Space (a developer of high-definition small radar satellites), which FVP has invested in since its early days of fund management, was listed on the Tokyo Stock Exchange Growth Market in December 2023.

Back in 2017, venture capital was almost nonexistent in Fukuoka, but today we are seeing an increase in financial players, including venture capital enterprises linked to regional banks. However, the shortage of accelerators and mentors with experience of startup success still makes it difficult to establish an ecosystem for startups.

While Fukuoka boasts one of the highest numbers of startup companies in Japan, the fact that few companies manage to scale-up their businesses represents a challenge. We believe that if successful startup entrepreneurs become angel investors and mentors, supporting new startups, this ecosystem will begin to function smoothly to accelerate startup growth.

At FFG, we act as a bridge between the technologies developed by startups and companies in the local region. By operating the GROWTH I facility, which supports the development of new businesses by local companies, and organizing X-Tech Match Up business matching events, we work to support the growth of both startups and local companies.

We are also collaborating with universities to create the PARKS startup ecosystem. Moreover, in addition to equity support, we began offering venture debt (loans with share acquisition rights) last year.

We will continue to collaborate with various players to generate virtuous cycles in the startup ecosystem. In the context of our contribution to industry revitalization in Kyushu, we hope to grow our support for startups into a new pillar of revenue.

Building an ecosystem for startups <highlights of our activities>

Fund management
(as of March 31, 2024)

FVP's investments in individual companies
106 companies

Total amount managed by FVP
37.0 billion yen

Bridge between startups and local companies

GROWTH I

- Held 180 events during the 12 months after opening
- Built networks with approximately 1,200 people in organizations such as startups and local companies

X-Tech Match Up

- Held a total of four times in FY2023, in Fukuoka, Kitakyushu, and Kumamoto
- Attended by approx. 40 startups and approx. 130 local companies

Collaboration with universities

Platform for All Regions of Kyushu & Okinawa for Startup-ecosystem (PARKS)

- Established by FVP and 18 universities in Kyushu and Okinawa
- Engaged in support for obtaining research funding, development of human resources to support business startup activities, entrepreneurship training and human resources development, etc.

① Providing Social Value

Minna Bank

Kenichi Nagayoshi
President, Minna Bank
Established iBank marketing in 2016
Assumed the position of President, Minna Bank in April 2022

Our challenge to create a digital bank

It was back in 2014, exactly ten years ago now, when I was working in the Corporate Planning Division. I was faced with questions: "How will the finance and banking industry change over the next decade? What should FFG aim for?"

iBank marketing (iBank), which I established in 2016 with a global vision for the integration of financial and non-financial services on smartphones, was one answer to these questions. As Japan's first neo-bank, iBank launched the Wallet+ service, the bank's official money app.

While it was very rewarding for us to give form, through the iBank initiative, to features that no bank had previously provided, I had a strong sense of impending competition from fintech firms and other non-bank enterprises from other industries, which would enter the industry with an even greater sense of speed in the near future.

I believed we had to seize the initiative in creating a bank that would be chosen by customers from the current digital natives, the major customers of banks in ten years' time. This led me to consider a digital bank.

I held extensive and wide-ranging discussions with the management team at the time as we went through this process. "Can FFG take on competitors nationwide from its base in Kyushu?" "What will we do if it doesn't go to plan? Can we change our business model?" At the same time, we were aware of the risk of losing even FFG's existing customer base if we were unable to offer functions and customer experiences to compete with disruptors. This sense of danger matched our desire to advance FFG's services one step further.

Looking back over its history, FFG has always been at the front of the banking industry in areas such as the disposal of non-performing loans after the collapse of Japan's economic bubble, the rehabilitation of local businesses, and business integration with the Kumamoto Family Bank and the Shinwa Bank. It has continued to be resolute in its pursuit of challenges.

I feel that this new challenge to create Japan's first digital bank was boosted by the corporate DNA passed down through FFG's history and its corporate culture, which advocates action without fear of failure.

There are fears that regional financial institutions will face a shrinking customer base in the future due to rapid population decline resulting from an aging population and declining birth rate. It is also predicted that digital banks will become the norm in the coming era, and existing banks will be forced to change the way they operate. To prepare for these dramatic social changes and changes in consumer behavior, at Minna Bank, we focus on acquiring future customers "today," so that we can utilize FFG's strengths and turn them into our advantage in the coming era.

Minna Bank's current stats and future challenges

It has been three years since Minna Bank launched commercial operations. Our customer base has grown steadily, with over one million accounts*1 at present and a balance of loans totaling 11.8 billion yen.*2 Around 70% of our customers are in their 20s and 30s, in line with our concept of creating the bank of the future "today." The age composition of our customers is therefore just the opposite of conventional banks. We believe that as time passes, the generational spread of our customer base will increase and steadily increase in profitability through the progressive accumulation of assets.

In FY2024, we will leverage the combined strength of FFG, focusing on the creation of alliances with enterprises that possess large customer bases, in addition to our existing initiatives, to achieve profitability by FY2027.

*1 As of May 2024 *2 As of March 2024

B2C business: providing financial services to individuals

Celebrating three years in business through the support of *minna* (everyone).

Thanks to your support, Minna Bank celebrated its third anniversary on May 28, 2024.

Stage 1 (May 2021 to March 2022)

Received awards in ten categories over six types of design, technology, and other awards programs in Japan and overseas. Established two partner branches as part of our Banking as a Service (BaaS) alliance.

Stage 2 (April 2022 to March 2023)

Launched the loan service as our main pillar of revenue for the time being. Became the first Japanese bank to develop a BaaS platform that meets the global best-practice FAPI security standard*3 and began to provide a read API to external users.

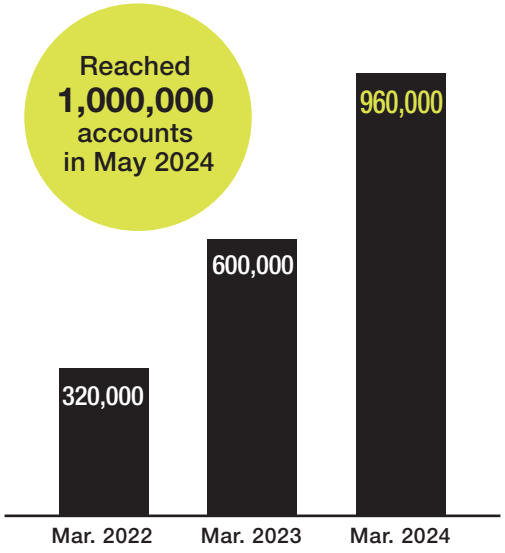
Stage 3 (April 2023 to March 2024)

Added compatibility with COTRA Remittance and functions such as fixed loan repayments. Began to provide a write API (bank transfer API) externally to our BaaS partner companies in May, connecting five companies in FY2023.

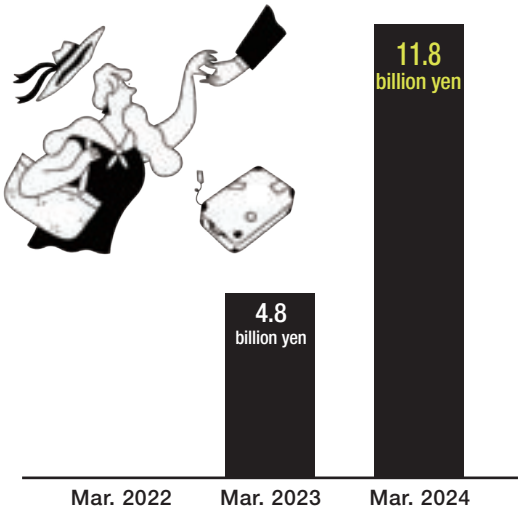
3 Technical specifications established by the OpenID Foundation's Financial-grade API Working Group. It defines the technical requirements needed for compatibility with the demands of industries that require a high level of security, such as the finance industry. Satisfying these specifications enables safe API linkage.
*API: An abbreviation of "application programming interface," a mechanism that enables data linkage between banks and external businesses.

Three years of achievements

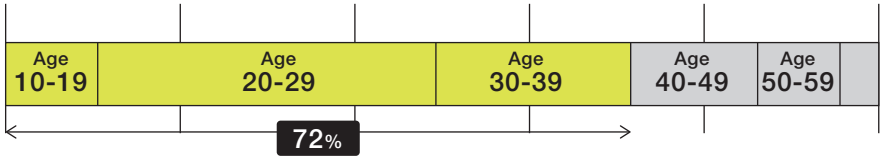
Number of accounts



Total loan balance



User portfolio
As of March 2024



BaaS business: taking the challenge with a new form of finance

FY2024 is the year when we launch full-scale BaaS

In the BaaS business, where we provide banking functions as a service in addition to financial services for individuals, we aim to co-create new value through the seamless integration of financial and non-financial customer experiences.

FY2023 marked the inaugural year of our BaaS business. We began offering our write API (bank transfer API) to external partners in May, and we have so far begun API linkage with five BaaS partner companies (Mitsui Sumitomo Primary Life Insurance Company, pixiv, United Super Markets Holdings, Daiwa Connect Securities, and SU-PAY). We are also pursuing discussions aimed at collaboration with five companies with which we have signed MOUs (Revolut, Moomoo Securities Japan, BitTrade, ZIPAIR Tokyo, and Gaitame.com) in the BaaS business. Through efforts such as these, we aim to strengthen our offerings to make a full-scale start in the BaaS business in FY2024.

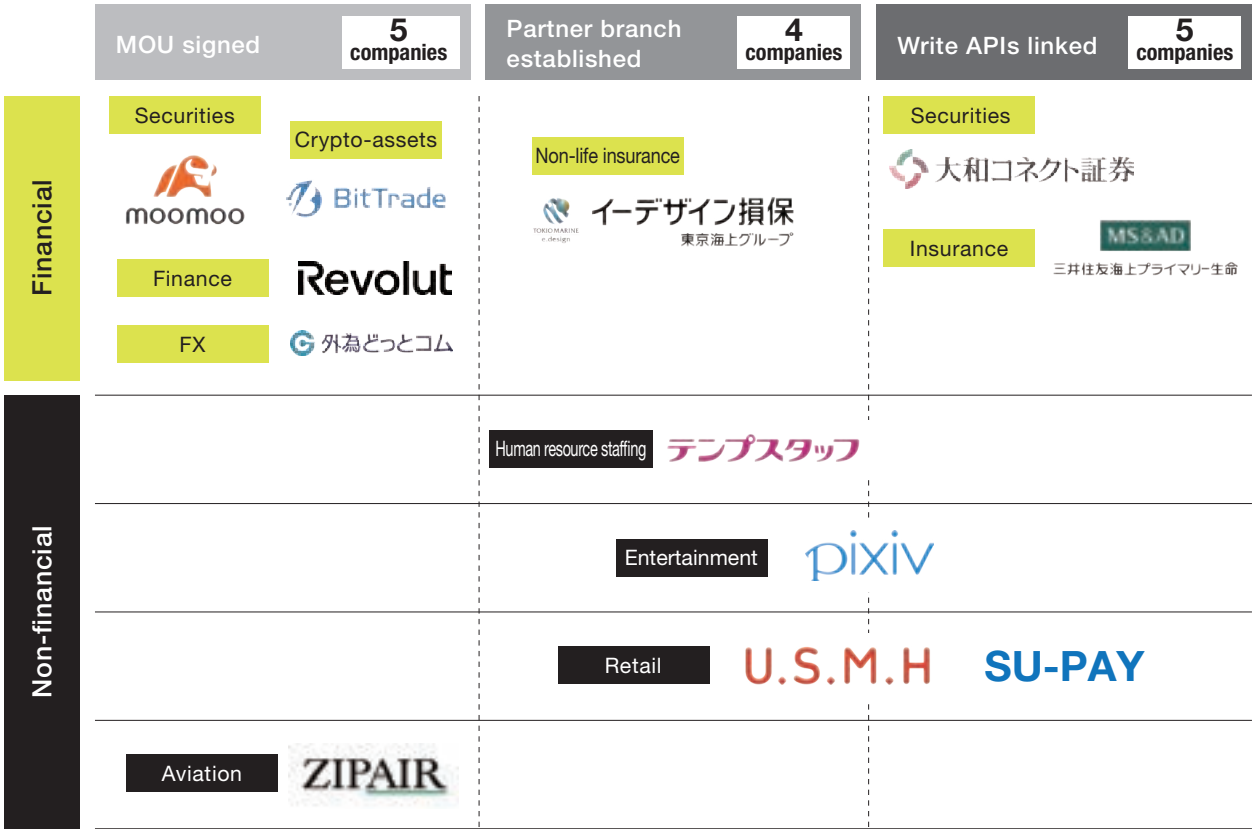
We partner with companies in a diverse range of industries, from financial to non-financial sectors. The ability to provide them with the functions they require on an individual API basis is one of the strengths of Minna Bank. We will continue to leverage this strength to ensure that our partner companies incorporate Minna Bank's financial functions into their apps for individuals, creating new customer experiences through the provision of services that are so seamlessly integrated that users can enjoy our partners' apps without even being conscious of the existence of a bank behind the scenes.

Expanding our business domain from retail to corporate banking

Until now, our BaaS business has provided APIs to our partner companies, through which we offer financial services to the individuals who use their services (B2B2C). Going forward, we will not only strengthen our retail banking functions but also look into expanding into the corporate BaaS business to capture expanding needs related to corporate BaaS. Specifically, we will consider enhancing functions such as corporate account and commercial feasibility services (B2B) and developing commercial feasibility services through our partner companies (B2B2B/B2B2X).

Through these initiatives, we aim to simultaneously acquire both new customers and an earnings base, expanding our BaaS business together with our current and future partner companies.

As of September, 2024



Interview

Mizuki Tanaka

Marketing Group,
Minna Bank

Profile

Ms. Tanaka worked in the marketing division of a mail-order company before joining Minna Bank in 2022. She is currently engaged in duties such as planning, directing production, and managing the operation of the website.

The attraction of working at Minna Bank

I decided to join Minna Bank because I was attracted by its "un-bank-like" culture, where all employees are encouraged to take challenges and give form to their ideas. Employees enjoy familiar contact with corporate executives and the open corporate atmosphere enables us to exchange views as equals, regardless of department or position, resulting in an overwhelming sense of speed from proposals to execution. This is another attraction of Minna Bank. There are many employees who fully embrace the challenge to "create a new bank," and every day is stimulating, as we mutually hone our abilities within an atmosphere of free and open communication transcending individual departments.

Characteristics of Minna Bank's marketing

Our position as a marketing group in close proximity to customers and with a variety of contact points, such as websites and social media, means that we value playful marketing approaches that will help the bank feel familiar to younger customers. Minna Bank provides an environment where we can actively take challenges with innovative initiatives that are "un-bank-like" in a positive sense, such as collaboration projects with popular social media influencers and web content that users can enjoy in a gaming style. I am thrilled to work in such an environment each day.

The systems specialists and engineers who support Minna Bank

Looking to the future, to proceed with service development and upgrades at the speed we envisage, it will be vital to internalize operations in the systems field.

Because personnel in the systems field tend to see the completion of each project as an achievement that will help them move on to their next challenge, in addition to the high demand for engineers across all industries due to the advent of the DX society, human resources in this occupation continue to be extremely mobile.

Recruiting systems specialists and engineers is no simple matter, but FFG is raising its profile in the industry, including the initiatives by iBank and the DX Promotion Headquarters. Moreover, the members of Minna Bank have joined with a joint sense of its mission to create a new bank over a span of five to ten years, and they have planned their medium- to long-term careers accordingly. This is another of our strengths.

At Minna Bank, we launched a new personnel system last year, distinct from conventional banks in terms of factors such as personnel evaluation and wages, to make it easier to work for the systems personnel who support the evolution of our services.

Minna Bank's vision for the future

Various enterprises are utilizing digital banking and BaaS to enter the financial domain, providing attractive services that appeal to consumers through new customer experiences. Meanwhile, it has become normal for customers to download numerous financial apps onto their smartphones to use for different purposes every day. However, this situation is a little different from Minna Bank's vision for the future.

Our goal is a world where, through BaaS, any customer with an account at Minna Bank can instantly connect with all of our partners on an API basis. We are adding new partners every day, providing customers with access to an ever-growing range of new services. We envisage an ecosystem where all services, settlements, and accounts are connected together into an indivisible whole.

The market is still taking shape for the BaaS business we aim to pursue, but if we can expand its scope through a three-way winning structure where our partner businesses, their customers, and Minna Bank all benefit, I believe that we can achieve exponential growth.

Our business operations are proving successful, thanks to the numerous insights and networks we have established in the digital field through iBank, and today, we are feeling a firm response in terms of Minna Bank's future growth.

Minna Bank will continue to take on challenges, aiming to grow into a pillar of FFG's revenue and contribute to local communities across Japan in ten years' time.

(Kenichi Nagayoshi, Minna Bank)

② Improving Economic Value ▶ ③ Returning and Investing Economic Value

Message from Officer in Charge of Corporate Planning and Finance

Completion of the 7th Mid-Term Management Plan
Outlook for FY2024 full-year financial results

In the first half of FY2024, we began to see the results of our efforts under the 7th Mid-Term Management Plan to strengthen FFG's ability to provide solutions pivoting on the use of digital technology (transform the existing business model), in terms of the growth of the balance of loans and an increase in investment income. Meanwhile, the investment banking business, which we have identified as a future growth field, also performed strongly in areas such as M&A and fund investment.

As a result, consolidated net income for the first half increased by 8.9 billion yen from the previous fiscal year to 39.2 billion yen.

Based on progress during the first half, we have revised our full-year consolidated net income forecast for FY2024 upward to 72.0 billion yen, 3.5 billion yen higher than the initial forecast (and 7.0 billion yen higher than the initial target under the Mid-Term Management Plan). The end of negative interest rates and rate increases will have only a limited effect on profits in FY2024, as the increase in funding costs will precede the increase in income. We expect a positive effect on profits to emerge from FY2025 onward, together with an improvement in loan yield.

Regarding dividends, we have established a new target dividend table corresponding to consolidated net income of 72.0 billion yen and we plan to pay a dividend of 135 yen per share, up 20 yen per share from the previous fiscal year (and 10 yen per share higher than the initial target under the Mid-Term Management Plan).

We therefore expect to achieve all of the target management indicators set forth in the 7th Mid-Term Management Plan.

(Billions of yen)	First half results	YoY comparison	Revised full-year forecast	YoY comparison
Consolidated core gross business profit	137.1	+13.1	269.5	+18.8
4 banks total	127.3	+12.1	250.2	+18.6
Interest on deposits and loans	74.9	+3.9	148.6	+2.4
Loans	77.7	+6.5	160.2	+13.7
Deposits	(2.8)	(2.6)	(11.6)	(11.3)
Interest, etc. on securities	36.6	+6.4	70.0	+13.5
Non-interest income*	15.9	+1.9	31.6	+2.7
Subsidiaries, etc.	9.7	+1.0	19.3	+0.2
Consolidated expenses	(78.4)	(5.5)	(159.9)	(9.7)
Consolidated core business profit	**58.7**	**+7.5**	**109.6**	**+9.1**
Consolidated securities-related gains and losses	(3.5)	(6.1)	0.5	+17.7
Consolidated credit cost	(0.3)	+8.5	(6.4)	+17.7
Gain on negative goodwill	–	–	–	(21.5)
FFG consolidated net income	**39.2**	**+8.9**	**72.0**	**+10.8**

*After elimination of CVA for intra-group transactions

7th Mid-Term Management Plan target management indicators		FY24 targets	FY24 plan	Vs. targets
Profitability	Net income	65.0 billion yen	72.0 billion yen	+7.0 billion yen
	ROE	About 6%	About 7%	+1%
Soundness	Capital adequacy ratio	About 10%	About 10%	–
Efficiency	Consolidated OHR	About 60%	About 60%	–
Shareholder returns	Dividends per share	125 yen	135 yen	+10 yen

Basic approach to improving corporate value

FFG aims to improve corporate value by making growth investments and achieving their investment effects to create a cycle of earning profits, thus improving ROE while sustainably increasing net income.

Since its establishment in 2007, FFG has undertaken wide-ranging growth strategies such as business integration with the Shinwa Bank, the Eighteenth Bank, and the Fukuoka Chuo Bank, as well as the establishment of nine strategic subsidiaries offering diverse solutions and our new challenge with Minna Bank.

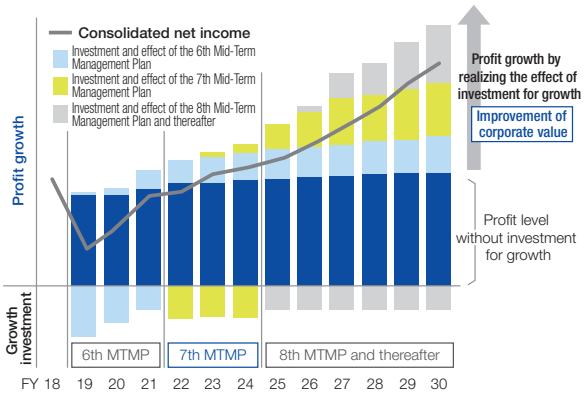
As a result, we have maintained a growth trend in net income throughout our history, using this income to make growth investments with a consciousness of capital efficiency, as well as steadily increasing dividends.

At the same time, our ROE forecast for FY2024 is still only around 7%, below our estimated cost of shareholders' equity (around 8%), and the price book-value ratio (PBR) remains below 1.

Given the present interest rate environment, we are still a long way from achieving our future target ROE of 10% if we rely solely on growth from our current business portfolio, which is centered on commercial banks.

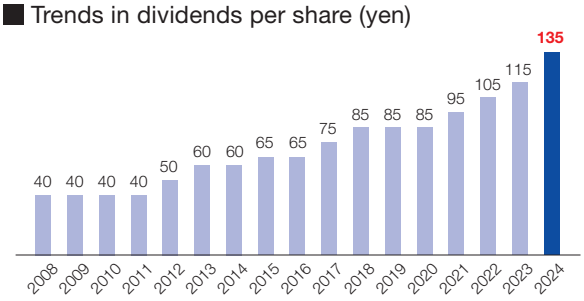
We are therefore progressively considering a long-term strategy to resolve our materiality issues, transform into a high-profitability business portfolio, and achieve an ROE of 10% or more.

■ Profit increase projection



*Consolidated net income (FY19, FY22) excludes the effects of negative goodwill, FL provision, portfolio restructuring, etc.

■ Trends in dividends per share (yen)



Aiming to achieve an ROE of 8% under the next mid-term management plan, beginning from next fiscal year

Together with the consideration of our long-term strategy, we are currently in the process of formulating our next mid-term management plan (for the three years from FY2025 to FY2027), which will be the first stage in this strategy.

Under the next mid-term management plan, we believe we can see the overall path forward to ROE 8% through the initiatives outlined below, after giving consideration to issues such as the decrease in interest income due to the end of the Bank of Japan's special deposit facility during the term of the plan and the increase in capital required for the further accumulation of risk assets (to maintain a capital adequacy ratio of around 10%). We will provide specific figures for the impact of each initiative when we announce the next mid-term management plan, after thoroughly determining the details.

Transform the existing business model

Last fiscal year, we launched digital tools including a banking app for individual customers, the "BIZSHIP" portal site for corporate customers, and the SFA sales support system, which will be our starting points in transforming the existing business model.

The use of these digital tools will facilitate more sophisticated marketing through a deeper understanding of our customers and the reduction of administrative workload through entirely digital transactions, as well as enabling us to strengthen our sales capabilities by freeing up resources and revising our sales system. The associated synergies will enable us to boost sales productivity.

As a result, we plan to expand our basic business, including corporate loans based on business viability, housing loans, and asset management balance, to increase core business profit toward FY2027.

We have also launched an initiative for the AI-driven, future-oriented transformation of our business processes themselves, with the establishment of the new AI Strategy Group within the DX Promotion Headquarters in April 2024.

Through the use of AI and the construction of platforms in collaboration with local companies, we will provide services closely connected with our customers' daily lives and businesses, aiming to further strengthen our existing business model.

Message from Officer in Charge of Corporate Planning and Finance

Strengthen the investment banking business

At FFG, we have been a pioneer in structured finance. The know-how that enables us to engage in a diverse range of projects and the networks we have built in the industry, based on these achievements, have become one of our strengths.

Under the next mid-term management plan, we will leverage our strengths to add to our track record of outstanding projects, while also strengthening our structured finance risk management and distribution function to improve investment efficiency.

Moreover, we will actively take risks in GX, startups, and other fields that will drive growth in Kyushu and strengthen our M&A and business succession initiatives. We will also invest more actively in regions outside Kyushu to gain the capital (profit) and capabilities needed to achieve these initiatives.

Through these efforts, we aim to grow our investment banking division revenue even more, while actively contributing to industry revitalization in Kyushu.

Make Minna Bank profitable

We originally planned to achieve profitability in the Minna Bank business (total profits from Minna Bank and Zerobank Design Factory) in FY2025, but at the start of FY2023, we determined to move back our forecast for profitability to FY2027 based on our progress on the launch of commercial operations.

In FY2024, we will focus on developing the Minna Bank business through the establishment and expansion of the loan business and collaboration with major corporations that have nationwide customer bases. We will leverage the combined strength of FFG as we strive to achieve profitability by FY2027.

We will strive for the further growth of Minna Bank to prepare for dramatic social changes, as digital banks become the norm amid accelerating technological innovation and the transformation of consumer behavior, and to turn these changes to FFG's advantage.

Leverage interest rate merits

The financial environmental is anticipated to change as Japan enters the "world of positive interest rates," with the end of minus interest rates in March 2024 and the interest rate increase in July. We aim to capture the merits of rising interest rates by making maximum use of the yen-denominated assets we have accumulated through business integration and our DX initiatives so far.

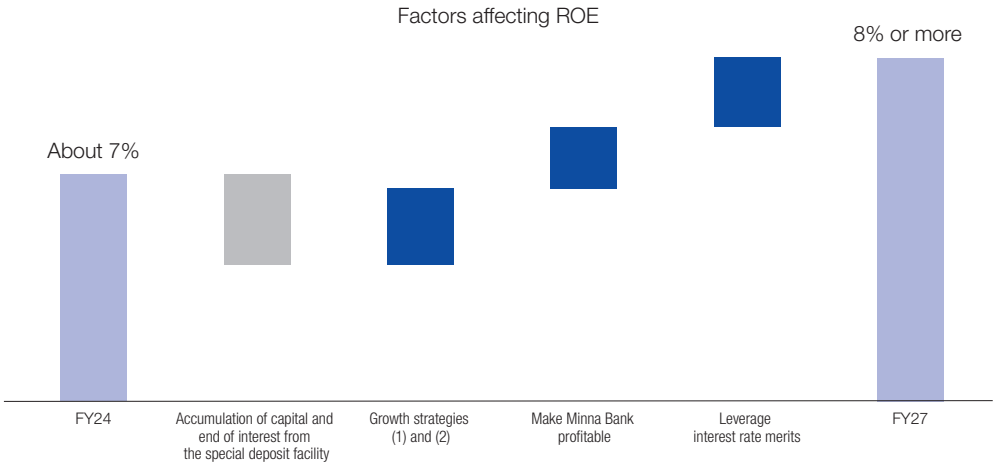
In our sales division, we will strive to acquire highly stable deposits linked to bank transfers, payments, loans, etc. and secure appropriate loan margins in return for our support for our customers' business growth.

We will also engage in boosting RORA across the board by encouraging all employees to understand the connections between their own work and the improvement of corporate value and ROE, raising awareness of RORA-focused management.

In the markets division, the rise in bond yields will have a positive impact on net interest income. At the same time, however, it will also give rise to unrealized losses through the fall in bond prices. We will endeavor to optimize our risk-return balance while controlling valuation gains and losses on securities across the entire balance sheet.

Through our initiatives under the next mid-term management plan ((1) Transform the existing business model, (2) Strengthen the investment banking business, Make Minna Bank profitable, and Leverage interest rate merits), we aim to raise ROE to 8% or more by FY2027 and clearly demonstrate the benefits of our growth investments, to raise investors' future profit expectations for FFG.

■ Path to ROE 8%



Financial leverage control

Our basic policy for our capital strategy is “capital management that achieves a balance between growth investment and shareholder returns based on the premise of maintaining soundness of the company.” We target a capital adequacy ratio, which is the premise for soundness, of around 10% (based on full compliance with Basel III).

In this context, our basic policy for shareholder returns is to pay out stable dividends (either maintained or increased) through profit growth. We have currently set our target dividend payout ratio (consolidated) at around 35% in consideration of the balance between dividend payment and growth investment aimed at strengthening future shareholder returns. We flexibly consider the acquisition of our own shares while taking into account performance trends, our capital situation, growth investment opportunities, the market environment, and so on.

We have successfully maintained and increased dividends through steady profit growth ever since FFG’s establishment in 2007. In FY2024, we plan to pay a dividend of 135 yen per share, an increase of 20 yen per share from the previous fiscal year.

We will consider and discuss aspects of FFG’s shareholder returns for next fiscal year onward, such as the form and rate of returns, upon consideration of factors such as the appropriate level of capital in our business portfolio targeted under our long-term strategy, growth investment opportunities, and the level of profits, in accordance with our basic policy to pay out stable dividends (either maintained or increased) through profit growth.

We will engage in appropriate capital management to improve capital efficiency (achieving ROE of 8% by FY2027 and 10% in the future) while striving to grow profits to improve corporate value.

Reducing the cost of shareholders’ equity

We are endeavoring to enhance our disclosure of non-financial information and actively undertake IR activities in order to help investors and other stakeholders deepen their understanding of FFG’s approach to business strategies, human resource strategies, and capital strategies, aimed at improving ROE.

We have included fuller disclosure of non-financial information in this fiscal year’s Annual Report to assist in a deeper understanding of the connections between FFG’s business activities and the “local communities that are economically, materially, and spiritually richer” that we hope to create.

In terms of IR activities, we organized an IR Day on the themes of “A Roundtable Discussion with External Directors” and “The Initiatives of the DX Promotion Headquarters,” in addition to holding a large meeting in May and November. We plan to hold IR Days with various themes regularly in the future, around twice each year. We also create opportunities for communication at appropriate times, as necessary, when any topic or event arises of interest to investors.

We will strive to reduce the cost of shareholders’ equity by eliminating information asymmetry to mitigate investors’ perceived risk factors.

On the next page, we present an “Outline of Initiatives to Improve Corporate Value.” By improving ROE through the implementation of our growth strategies and improving PER through our efforts to raise FFG’s growth rate and reduce the cost of shareholders’ equity, we will strive to improve FFG’s corporate value and PBR.

I hope for a deeper understanding of FFG among investors and all our other stakeholders. I look forward to your continued support.

② Improving Economic Value ▶ ③ Returning and Investing Economic Value

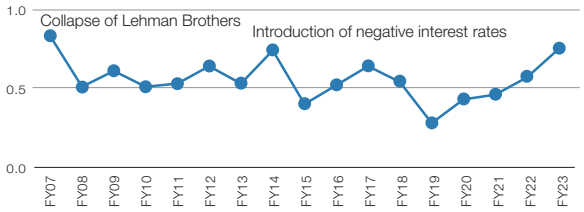
Outline of Initiatives to Improve Corporate Value

Cost of shareholders' equity and target ROE

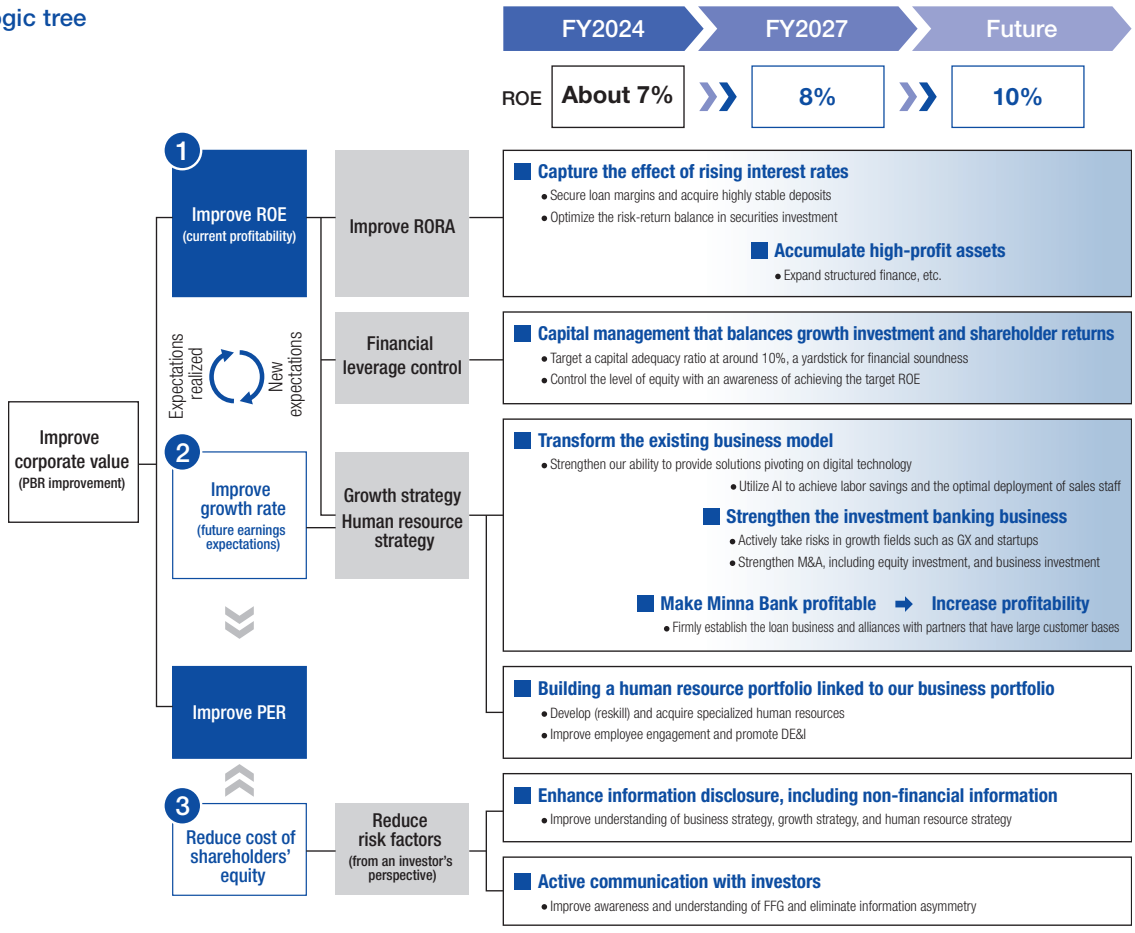
$$PBR = \text{①ROE} \times \frac{1}{\text{③Cost of shareholders' equity} - \text{②Growth rate}}$$

Cost of shareholders' equity based on CAPM	About 8%
Target ROE in the 7th Mid-Term Management Plan	About 6%
Target ROE in the next Mid-Term Management Plan (level fulfilling cost of shareholders' equity)	8% or more
Future target ROE	10% or more

(Trends in PBR)



Logic tree



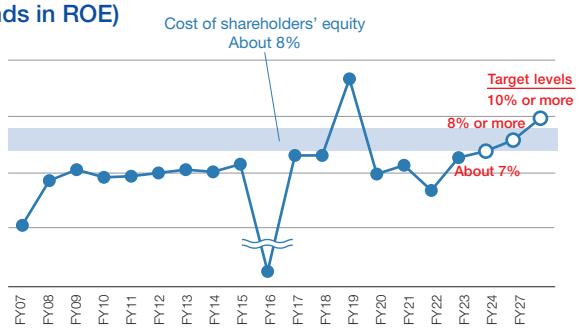
① Improve ROE

With regard to the optimization of risk returns, we need to increase profitability while maintaining awareness of capital adequacy requirements specific to the banking industry. We will work to improve ROE based on RORA.

$$\text{RORA} = \frac{\text{Profit}}{\text{Risk assets}} \quad \text{Capital adequacy ratio} = \frac{\text{Equity}}{\text{Risk assets}} \quad \text{ROE} = \frac{\text{Profit}}{\text{Equity}}$$

$$\text{RORA} = \text{Capital adequacy ratio} \times \text{ROE}$$

(Trends in ROE)



② Improve growth rate and ③ reduce cost of shareholders' equity to improve PER

In addition to improving ROE, we will clearly demonstrate the benefits of our growth investments to raise investors' expectations for FFG's future profits (growth rate). We will also aim to improve PER by reducing information asymmetry with the market through information disclosure, including non-financial information, and engaging in IR activities.

Dialogue with shareholders and investors

To improve corporate value, FFG actively engages in constructive dialogue with shareholders and investors.

Dialogists from FFG

The management team engaged in dialogue with shareholders and investors mainly on the occasions listed on the right. In addition, the management team or employees in charge of IR engaged in dialogue individually with Japanese and overseas shareholders and investors whenever requested.

	Overview	Dialogist from FFG	Attendees (including online)
May 23, 2023	Briefing for institutional investors	Director & President	115
June 29, 2023	General Meeting of Shareholders	Director & President	229
September 14, 2023	Small meeting for institutional investors	Director & President	11
November 29, 2023	Briefing for institutional investors	Director & President	114
January 12, 2024	Seminar for institutional investors	Director & President	18
May 28, 2024	Briefing for institutional investors	Director & President	108

Overview of counterparties

We held dialogue mainly with fund managers, analysts, persons in charge of ESG, and sell-side analysts of Japanese and overseas institutional investors (for both active and passive investment).

Main focuses of dialogue

Hot topics of our dialogue mainly involved overview and progress of the 7th Mid-Term Management Plan; views on capital strategy; Minna Bank; and Sustainability.

Learning from the feedback

Comments and other feedback raised in dialogue from shareholders and investors were reported to Directors and other personnel as needed. In addition, we shared such feedback with the management team and relevant divisions to improve management strategies.

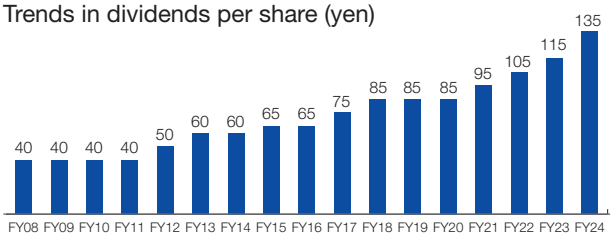
Shareholder returns

FFG's basic policy on shareholder returns is to pay out stable dividends (either maintained or increased) through profit growth. Since our establishment in 2007, we have either maintained or increased dividend payouts.

In the 7th Mid-Term Management Plan started in FY2022, we adopt a performance-based dividend table with a target payout ratio (consolidated) of about 35% and aim to pay stable dividends, in consideration of the balance between growth investment and shareholder returns, premised on the maintenance of financial soundness.

We will continue to flexibly consider acquisition of our own shares while taking into account performance trends, our capital situation, growth investment opportunities, the market environment, and so on.

Trends in dividends per share (yen)



*A one-for-five reverse stock split of our common stock was conducted on October 1, 2018 as the effective date. The above figures are calculated by recalculating dividends before September 2018 on a post reverse stock split basis.

Target dividend table

Consolidated net income level	Full-year dividend per share target
70 billion yen or more	135 yen
67.5–70 billion yen	130 yen
65–67.5 billion yen	125 yen
62.5–65 billion yen	120 yen
60–62.5 billion yen	115 yen
57.5–60 billion yen	110 yen
55–57.5 billion yen	105 yen
52.5–55 billion yen	100 yen
50–52.5 billion yen	95 yen
Below 50 billion yen	Payout ratio of about 35%

④ Human Capital Management

Message from Officer in Charge of Human Resources

Towards becoming a vibrant organization with autonomous and self-reliant individuals

Customer needs are changing day by day due to the diversification of individual values and advances in digital technology.

In order to grasp these changes and continue to be chosen by customers in the future, FFG has expanded the scope of its services and enhanced its expertise. As a result, FFG has grown into an organization with approximately 12,000 employees who possess a wide range of skills and experience across four banks, one digital bank, and 23 affiliated companies.

As FFG has grown, we have added members from fields that differ from traditional banking, such as engineers and data scientists, and we have seen an increase in opportunities to work with employees from external partner companies. Throughout this process, each employee's work values, desired careers, and work styles have become more diverse.

FFG's greatest strength is the power of its "people," and people are the source of improved corporate value. By respecting diverse values and encouraging each employee to be autonomous and self-reliant, FFG aims to become a vibrant organization that performs to the best of its ability.

Linking the business strategy and human resource strategy

We are formulating a long-term strategy for next fiscal year, and are considering the following three major pillars: (1) leverage digital technology and AI to gain a deep understanding of our customers and provide attentive services through both digital and human means; (2) contribute to regional industrial development by proactively taking risks in growth fields in Kyushu, including GX and startups; and (3) accelerate (1) and (2) by expanding business in growth regions and fields.

In conjunction with discussions on the long-term strategy, we are also holding discussions on how to build a human resource portfolio to achieve our business strategy.

Specifically, we plan to promote the reskilling of human resources freed up due improved operational efficiency caused by the use of digital technology and AI, as well as further strengthen mid-career recruitment of specialists in each field. In doing so, we plan to increase the proportion of highly specialized human resources within our total workforce.

It is people who support and execute FFG's business, and improving employee engagement is essential to maximizing each individual's performance.

From the perspective of human capital management, we have adopted a policy of proactively investing in improving the power of our people, with the hope that this will lead to sustainable growth for both our employees and the organization.

Highly convenient services that make use of digital technology and AI are a countermeasure against competitors, including those from other industries, as well as a prerequisite to doing business. By adding added value through the power of our people, which is FFG's greatest strength, we aim to continue to be chosen by customers who believe that "FFG is the best."

Expanding the fields in which employees can actively participate

With the diversification of customer needs, FFG's business domains have expanded, and this has broadened the fields in which employees can actively participate. While respecting the desired careers of each employee, we will work to develop and acquire human resources in order to build the human resource portfolio necessary for the realization of our long-term strategy.

With the number of jobs requiring specialized skills increasing and career plans becoming more diverse, we are considering the need to revise our current uniform human resource (evaluation and treatment) system and transform it into a system that allows for more diverse employee choices and flexible human resource allocation.

Improving employee engagement

In order to enhance employee engagement, it is important to have employees feel an affinity with FFG's principles and vision. In light of the diversification of FFG's organization and human resources as well as the strengthening of the centrifugal force towards growth, we have redefined our purpose, which serves as a guiding point for all employees. We have also restructured FFG's principles by clarifying their connection with the value that FFG employees have always held dear: "To be your Bank of choice."

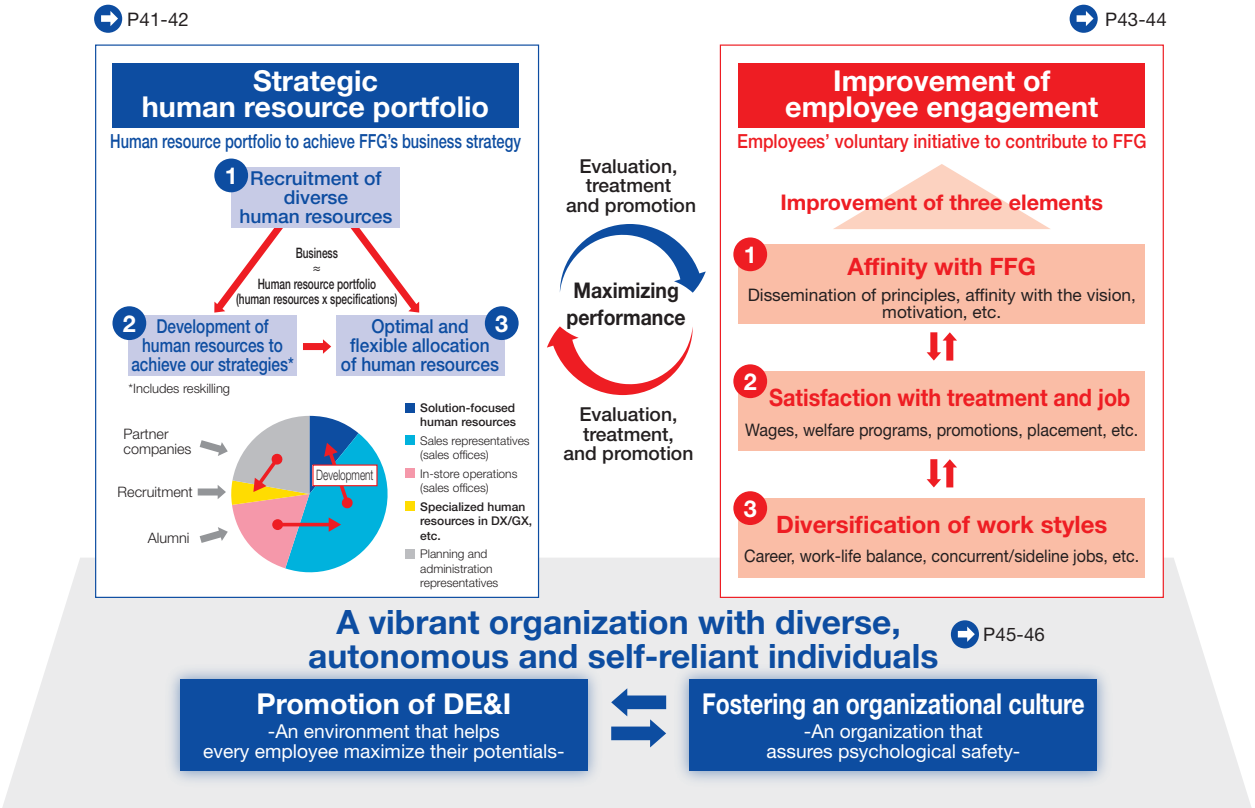
[FFG's Purpose]
"Create diverse forms of abundance with our communities, through advanced ideas."

- All employees working in our various workplaces approach their daily tasks with the value and passion of being "your Bank of choice," and, with the power of the FFG organization, create "ideas that are one step ahead."
- All employees work to solve the issues faced by "you," the customer, which brings "true enrichment to the local region."

Many new graduates and mid-career recruits say that their motivation for wanting to work at FFG is a desire to "contribute to local communities and Kyushu." We believe that if the newly formulated FFG purpose is instilled among employees and if they can see for themselves how their daily work contributes to the enrichment of local communities, then employee engagement will increase, leading to a virtuous cycle of increased corporate value.

We will work on our human resource strategy so that even ten years down the road, FFG will continue to be chosen by employees who believe that "FFG is the best."

■ FFG's human resource strategy



④ Human Capital Management

Building a Strategic Human Resource Portfolio

In building a human resource portfolio to achieve our business strategy, we will work on (1) the recruitment of diverse human resources, (2) the development of human resources to achieve our strategies, and (3) the optimal and flexible allocation of human resources.

Going forward, in the process of incorporating key initiatives for the growth of FFG and local communities—such as digital technology/AI, GX, and startups—into the mid-term management plan, we will work with business divisions to determine the specific specifications and numbers of human resources needed in each field and create a roadmap for how to close the gap between the current situation and our desired state.

We recognize that in order to build a strategic human resource portfolio and improve employee engagement, we need to reform the personnel system, and this is being discussed at the management level.

In addition to changes in the business environment, the social environment surrounding each employee is also changing rapidly, with changes in employment attitudes and diverse forms of work-life balance. Thus, in order to enhance the power of our people, which is FFG's strength, we will work rapidly to reform the personnel system.

Direction of the personnel system

Pillars of the human resource strategy

Building a strategic human resource portfolio — **Maximizing performance** — **Improving employee engagement**

Recruitment of diverse human resources

Development of human resources to achieve our strategies

Optimal and flexible allocation of human resources

Personnel system reform

Point 1: Improving employee autonomy
Fostering an environment where human resources can demonstrate their skills and expertise and proactively carry out their work

Point 2: Treatment based on roles and performance
Clarifying roles, assigning the right people to the right jobs, and rewarding employees based on their roles and performance

Point 3: Strengthening the acquisition and training of specialized human resources
Specifying the duties and skills required in each field and evaluating and measuring expertise

Affinity with FFG

Satisfaction with treatment and job

Diversification of work styles

Data related to human capital

(1) Recruitment of diverse human resources

FFG is actively recruiting in order to secure the human resources necessary to staff its growth divisions.

In FY2023, we introduced recruitment for specific departments, in addition to regular new graduate recruitment, in order to assign people to specialized sections of the bank and enable them to thrive as professionals in their respective fields.

*As of FY2023, combined total with the Fukuoka Chuo Bank

	FY2022	FY2023
New graduates	337	454
Of which, recruitment for specific departments	—	14
Mid-career recruits	100	122

Topic **Establishment of FFG Alumni Community**

We view alumni (former employees) who have gained new experiences and developed careers outside of FFG as human capital, and in order to build lasting relationships with our alumni, we established the FFG Alumni Community in August 2024.

This community will share information regarding FFG's new businesses and initiatives to foster an organizational culture in which human resources can thrive. The community will also provide a space for alumni to exchange information and interact with one another, as well as create opportunities for re-employment and collaborations as business partners, thereby strengthening organizational strength.

(2) Development of human resources to achieve our strategies

In order to develop diverse human resources who can respond to rapid changes in the business environment, in addition to strengthening conventional training, we are expanding our self-development options as well as enhancing our training options, including systematic training programs for each skill and job, and custom-made programs for the development of specialized human resources.

Investment in human resource development (FY2023)		Expansion of training programs (number of participants in FY2023)		
Annual training cost	Qualification exam self-development incentive	Digital human resource development program	Solution-focused human resource development program	Next-generation leader program
324 million yen	**68 million yen**	**20**	**48**	**6**

(3) Optimal and flexible allocation of human resources

■ Area/unit system

This is a new sales system that groups together branch staff by area and strengthens the skills of branch staff through both "real" on-the-job training and "digital" sharing of information and know-how using our systems, which results in flexible and efficient sales. (→See page 20 for details)

■ Recruitment and development of digital human resources

We are strengthening the recruitment and development of digital human resources in order to provide new added value that is unique to FFG.

Number of digital human resources

FY22: **448** → FY23: **503**

Mayumi Kiyama

Human Resources Administration Division, FFG and Recruitment Officer, Human Resources Department, The Bank of Fukuoka, Ltd.

Why choose FFG, and what is the appeal of working at FFG?

The most common reason given by both new graduates and mid-career recruits when applying to work for FFG is "I want to work locally and contribute to my hometown." The strong sense of local pride held by the people of Kyushu is an advantage when it comes to FFG's recruitment activities.

Another appealing aspect of FFG is its cutting-edge and challenging initiatives, such as iBank and Minna Bank. FFG's brand image is different from that of a typical regional bank in a positive sense, as I feel it allows us to reach a wide range of people, including those from other industries. Moreover, because we have been a pioneer in structured finance, the investment banking division attracts many applicants from megabanks and securities companies.

I think the appeal of working at FFG lies in the fact that you can contribute to the local community while also working on specialized work similar to that of a megabank or tech company. Going forward, I will strive to recruit people who share an affinity with FFG's purpose and vision, and who are capable of demonstrating their full potential.

④ Human Capital Management

Improving Employee Engagement

Increasing employee engagement is essential for each FFG employee to act voluntarily and maximize his or her performance to achieve our business strategy.

We believe that the main factors that increase employee engagement are: (1) affinity with FFG, (2) satisfaction with treatment and job, and (3) diversification of work styles.

(1) Affinity with FFG

To help employees recognize what their work means to society and increase their motivation, we are working to promote the understanding of FFG's purpose and long-term vision and deepen their affinity with said purpose and vision.

(2) Satisfaction with treatment and job

We will enhance the career path options we offer to enable every employee's self-fulfillment, and review treatment including wages and promotions, to create an environment that allows our employees to work with a high level of satisfaction.

(3) Diversification of work styles

We respect the diverse backgrounds of each of our employees and strive to enhance their wellbeing by helping them balance their work and private lives.

Conducting engagement surveys

FFG has been conducting engagement surveys since FY2022. We aim to maintain and improve engagement by visualizing employee engagement and continuously working to resolve issues identified from the results (The Fukuoka Chuo Bank began conducting engagement surveys as of FY2023).

The FY2022 engagement survey revealed issues such as a lack of fulfillment in the work environment and a lack of communication. In response to these issues, we took steps to improve the situation, such as by creating opportunities for officers and employees to engage in interactive dialogue to deepen their affinity with FFG's future, implementing communication measures such as workplace get-togethers, and improving treatment through pay raises, etc.

As a result, the FY2023 engagement survey showed improved satisfaction with company-wide collaboration and solidarity, as well as improved satisfaction with the work environment compared to FY2022, and the overall score continued to be positive.

After conducting the FY2023 survey, we held feedback training for supervisors at all workplaces, as well as workshops at each workplace. At the workplace workshops, supervisors acted as facilitators to help employees deepen their understanding of engagement and develop action plans to improve the workplace. By updating our action plans and working to improve the workplace, we will improve engagement.

Results of FY2023 Engagement Survey

- The engagement survey measures employee engagement in terms of "expectations" and "satisfaction" with the company, job, workplace, and superiors, and visualizes the effects of various human resource measures.
- Based on our FY2022 score (59.0 A), FFG was awarded 6th place nationwide in the large company category at the "Best Motivation Company Award 2024" organized by Link and Motivation Inc., an engagement survey company.

Score: 59.1 **Rating: A**

*The average of the scores of about 10,000 companies using this survey is 50
*The third highest rating on a scale from AAA to DD

2024 BEST MOTIVATION COMPANY AWARD 大手企業部門 (2,000名以上)

Data related to human capital

(1) Affinity with FFG





■ Conducting workshops to consider our new principles

In reviewing our principles, we held discussions with employees who have a wide range of duties and positions regarding how our brand slogan, "To be your Bank of choice," has resonated with each of them, and what words should be used to express FFG's purpose and the value it provides to society. For the employees who participated, this was an opportunity to re-examine their own purpose and goals in working at FFG.

■ Branch forum/Head office forum

We organize a session for the management to communicate FFG's vision and initiatives to focus on directly to employees for each location and region at the beginning of every fiscal year.

From the second half of FY2024 onward, we will be communicating information regarding "FFG's purpose," "the society we aim to create," and the "long-term strategy," and we will work to disseminate this information to employees.

■ FFG Principles Co-Creation Project

In preparation for the implementation of our new principles on April 1, 2025, we have designated the period up to the end of March 2025 as the internal dissemination period, during which various measures will be implemented to promote awareness.

With the aim of helping employees understand and empathize with our new principles, as well as make them their own and incorporate them into daily work, we plan to hold principle dissemination sessions, involve employees in creating a Brand Book, and hold workshops aimed at making the principles their own.

(2) Satisfaction with treatment and job

Improving treatment

■ Increased starting salaries (as of July 2024)

We increased starting salaries in order to acquire talented human resources who will lead FFG in the future, secure diverse human resources, and improve employee engagement.

The Bank of Fukuoka, the Kumamoto Bank, the Juhachi-Shinwa Bank	**260,000 yen**
The Fukuoka Chuo Bank	**230,000 yen**

■ Implemented pay raises for the second consecutive year

We implemented pay raises for the second consecutive year, taking into account price trends and the business environment outlook, as well as societal expectations for the "creation of a virtuous cycle in the economy through wage increases."

FY2023 wage increase rate (including regular salary increases)	**About 6.0%**
FY2024 wage increase rate (including regular salary increases)	**About 6.4%**

Satisfaction with job

■ Career Challenge system

A system that allows employees working at FFG to apply for positions (jobs) of their choice regardless of their affiliation. We are mainly recruiting for highly specialized jobs in new business areas that FFG is taking on.

Number of applicants in FY2022	**294**	Number of applicants in FY2023	**263**

■ Specialist course

Under this system, employees who are experienced in front-line sales to corporate and retail customers, IT, markets, risk management, and other specialized operations can choose their own career paths. It is intended to foster specialized human resources and to offer more diverse career paths.

Number of employees registered in FY2022	**12**	Number of employees registered in FY2023	**17**

(3) Diversification of work styles

■ Internal concurrent role system

A system that provides support for employees working at sales offices to realize diverse work styles and career paths by providing them with the opportunity to try their hand at headquarters work while continuing their current jobs.

■ Flexible leave system

A multipurpose leave system that allows employees to focus on their career development or personal circumstances, to help them build a better career after returning to work.

■ Reinstatement system

A system that provides reemployment opportunities for employees who resigned due to marriage, childbirth, childcare, nursing care, or the transfer of a spouse.

④ Human Capital Management

DE&I

Asumi Noda
DE&I Promotion Group Lead,
FFG; General Manager,
DE&I Promotion Department,
The Bank of Fukuoka, Ltd.

Asumi Noda joined a megabank after graduating from a Tokyo university. She joined the Bank of Fukuoka, Ltd. in 2010 as mid-career hire when her spouse changed career. Thereafter, she worked on structured finance and overseas finance projects and in FY2022, she joined the Human Resources Department. Since April 2023, she has served concurrently as FFG's DE&I Promotion Group Lead and General Manager of the Bank of Fukuoka's DE&I Promotion Department. As a mother of two, she has utilized the maternity leave, childcare leave, special leave* and similar systems. *The "flexible leave system" (which was known as the spouse transfer leave system at the time her spouse was transferred overseas)

How do you feel about the changes in the organization through this year's efforts?

In last year's Integrated Report, I stated that I wanted to work to create a workplace where anyone can grow while cherishing their personal as well as professional lives. While we still have a long way to go in terms of our vision, I do feel that employees are making a variety of choices based on their own values, and that this is creating a change in the homogeneity of the organization.

For example, when it comes to childcare leave for men, in addition to those who take the mandatory 10 business days, there are some who take three months, six months, or even a year's leave. This has resulted in more diverse work styles and ways of thinking, and I feel that the range of choices is expanding.

In terms of promoting the understanding of DE&I and putting it into practice, efforts are not limited to the Human Resources Department. Each workplace also holds its own workshops and puts DE&I into practice in daily operations and training, and I feel that the entire organization is changing for the better.

Please tell us the current challenges regarding DE&I.

At FFG, we have set KPIs for the proportion of women and mid-career recruits in management positions. This is because we believe that in order to realize our business strategy, we need people with diverse backgrounds playing active roles.

I believe there are two major challenges in promoting gender diversity.

The first challenge involves producing top leaders and expanding the pool of candidates. Currently, the proportion of women at the supervisor level (equivalent to sales office Deputy General Manager or above) is low, at about 8.6%. Diversifying the decision-making level is essential to increasing FFG's corporate value, and I hope that we will continue to produce female leaders by taking an individual approach to each candidate and building momentum within the company.

The second challenge is establishing gender diversity as an organization-wide initiative. The ratio of women in management positions in FY2023 was 18.7%, and the ratio is gradually increasing as the fields in which women can play active roles are expanding. However, considering the male-to-female ratio at FFG, I believe there is still a lot of room for growth. We need to break away from the notion of gender-based role division and create an environment that provides fair growth opportunities from an equity perspective.

From the perspective of creating an organization that can realize diverse and flexible work styles, I believe there are two major challenges.

The first challenge involves promoting support for work-life balance regardless of gender. In order to enable employees to proactively pursue their careers without being affected by life events, we need to further expand systems and improve organizational culture so that diverse work styles can be realized.

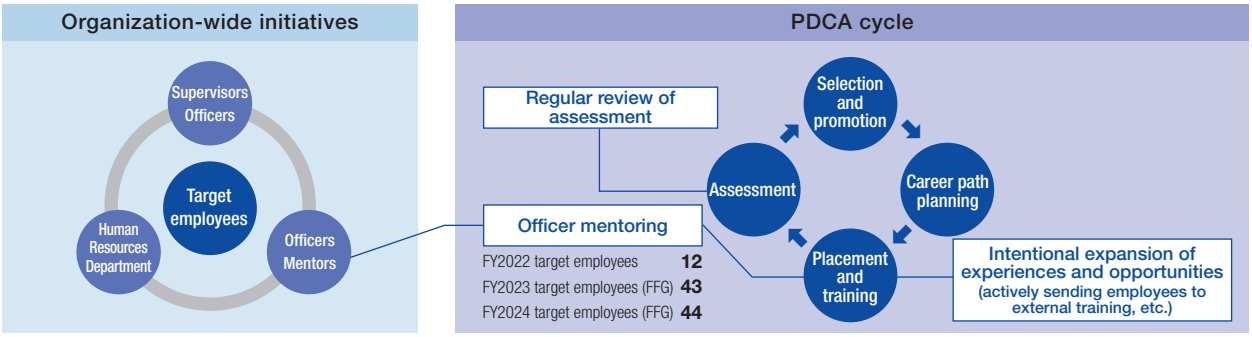
The second challenge has to do with respecting and supporting human resources with diverse backgrounds. Specifically, I think the challenge we face is how to incorporate the diverse experience and know-how of mid-career recruits into the organization and use it to increase FFG's corporate value.

What message would you like to give FFG's employees regarding the realization of DE&I?

With employees' work values, work styles, and career plans becoming more diverse, we need to move away from uniform organizational structures and change the environment while recognizing and respecting the differences of each individual. At the same time, in order for employees to actively develop their careers, it is necessary for them to grow while imagining the person they want to become in the medium- to long-term, and to have the mindset of "making their own choices" without being affected by life events. The promotion of DE&I is not just for a select few, but for all employees, as we aim to be "your Bank of choice." I hope that all employees will take this issue to heart and work on it as one.

Career development support to foster top leaders

- For female employees at the Deputy General Manager level or above, we are strengthening support for career development through collaboration between departments, officers, and the Human Resources Department. This includes planned placement and training that take the medium- to long-term career paths of each employee into consideration, and the implementation of mentoring programs with officers.
- While implementing the PDCA cycle, we will also actively promote employees by assigning them to positions and encouraging their development.



Examples of initiatives to diversify career paths -The Bank of Fukuoka: Woman Job Trial-

- In order to diversify career paths for women, we hold voluntary loan workshops on Saturdays (held annually since 2021, with a total of 176 participants over the past three years).

Lecture

- After the workshop, we aim to expand the career paths of participants based on their wishes, such as by assigning them to loan operations (a total of 38 participants have changed their duties over the past three years).

Session

Data related to human capital

Strengthening diversity at the management level and above

In addition to expanding training measures for women, we are implementing appropriate and fair management and support, including for mid-career recruits.

■ Ratio of personnel in management positions with diverse backgrounds

Results for FY2023	Target for FY2030
24.7%	**35.0% or more**

■ Proportion of women in management*

Results for FY2023	Target for FY2028
18.7%	**25.0%**

*Equivalent in meaning to the definition of managerial positions in the regulations of the "Act on Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).

Expanding various forms of support for achieving balance

At FFG, we respect and support each individual's differences, and strive to create a workplace where anyone can grow while cherishing their personal as well as professional lives.

■ Mandatory childcare leave for men

In order to actively promote men's participation in childcare, we have made it mandatory for male employees to take 10 business days of childcare leave. With men's childcare leave as a starting point, we are promoting the revision of our work styles.

		The Bank of Fukuoka	The Kumamoto Bank	The Juhachi-Shinwa Bank	The Fukuoka Chuo Bank
Percentage of childcare leave taken by men (FY2023)		100%	108%	102%	108%
Average number of days taken	FY2022	12.1 days	6.6 days	9.7 days	—
	FY2023	15.6 days	13.4 days	16.1 days	4.8 days

■ Acquiring certification related to support for work-life balance

FFG obtained "Kurumin" certification as a company that supports childcare as well as "Eruboshi" certification as a company that promotes women's active participation in the workplace (examples of work-life balance support systems: support program for returning to work, maintenance of a daycare center inside the company, shortened working hours scheme, subsidy scheme for childcare service fees, etc.)

Kurumin certification
The Minister of Health, Labour and Welfare recognizes companies that take on high-level initiatives as "childcare support companies"
"Kurumin Plus": Acquired by the Bank of Fukuoka
"Kurumin": Acquired by the Juhachi-Shinwa Bank and the Fukuoka Chuo Bank

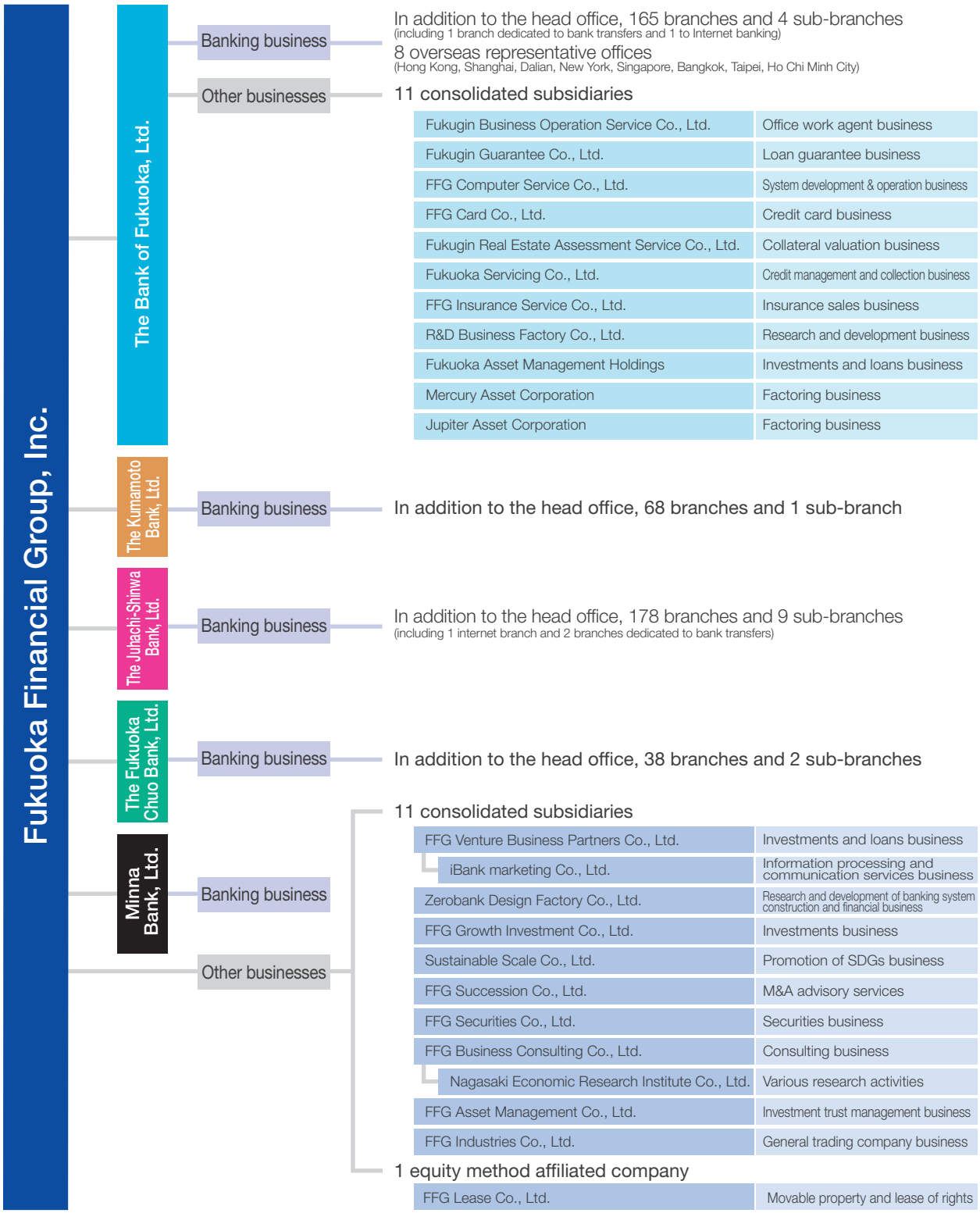
Eruboshi certification
The Minister of Health, Labour and Welfare recognizes companies that implement excellent initiatives to promote women's active participation in the workplace
"Eruboshi (level 3)": Acquired by the Bank of Fukuoka, the Kumamoto Bank, and the Juhachi-Shinwa Bank

Overview of FFG's Organization

FFG consists of 28 companies, including the Company and various subsidiaries. With Fukuoka, Kumamoto and Nagasaki as its main markets, and banking at its core, FFG brings together diverse functions to contribute to the realization of a sustainable society.

FFG Company Chart

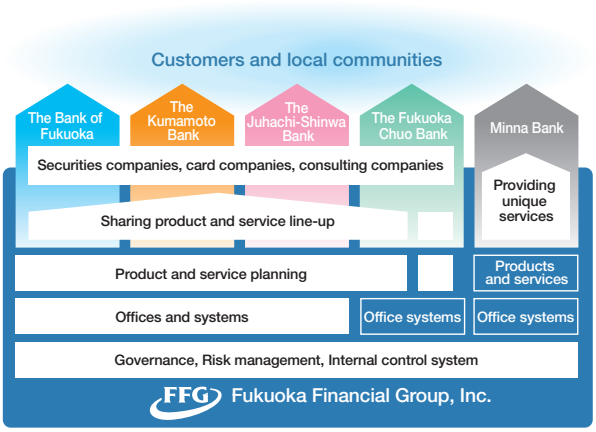
As of July 1, 2024



Strengths of FFG

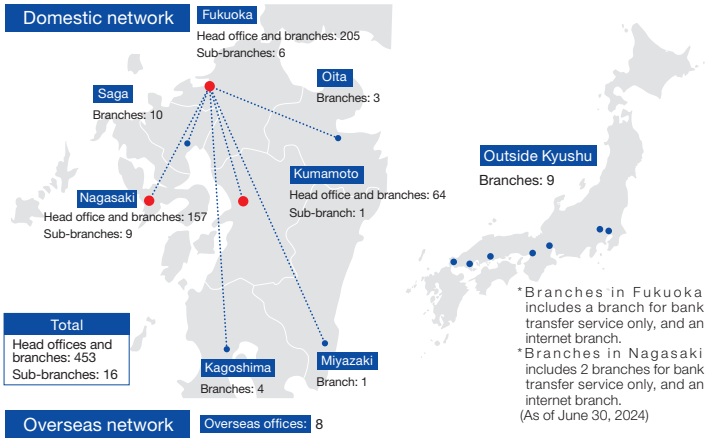
Single Platform/Multiple Brands

We maintain the brands of each bank that have been well-loved and trusted by local communities throughout their long history, and at the same time, we have established a “Single Platform/Multiple Brands” that standardizes the business administration and IT systems as well as products and services. Our unique management style is optimally suited to business integration between regional banks to facilitate the pursuit of economies of scale and efficiency. Minna Bank, the first digital bank in Japan, provides unique services nationwide under the governance and risk management of FFG.



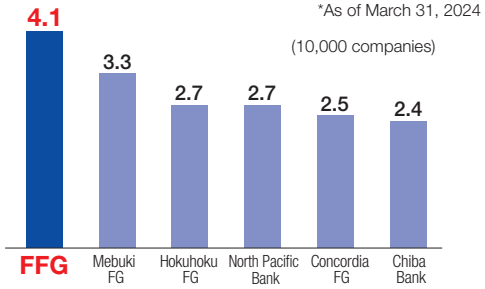
Solid business base and a close-knit network

FFG is a regional financial group with a wide area of presence that seamlessly covers the entire Kyushu region which it sees as a single economic zone, centered around its mother markets of Fukuoka, Kumamoto, and Nagasaki. Building on the trust each bank has built up, we have earned strong support from both corporate and retail customers, with a sales base that is top class among regional bank groups.



- Retail banking customers: Approximately 6.65 million (approx. 50% of Kyushu’s population)
- Corporate banking customers: Approximately 280,000 (approx. 50% of businesses in Kyushu)
- Companies using FFG as main bank: 40,000 (the largest number of all regional banks)

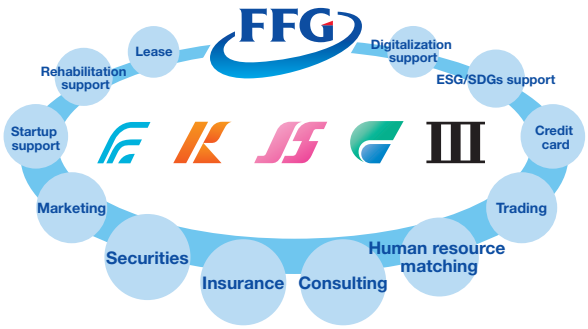
*As of March 31, 2024



*Source: Data provided by TOKYO SHOKO RESEARCH, LTD.

Group total power

FFG is a comprehensive financial service group with 23 affiliated companies in total. We are capable of addressing all the needs of our customers, from securities, insurance, and consulting, to marketing, lease and startup support. Few financial groups are capable of performing this many functions, and our ability to provide advanced solutions that make the most of the power of our organization is one of FFG’s unique strengths. Strengthening subsidiaries is a pillar of our strategy, and we have established several new companies in the past few years. We are building a Group-wide operating system that includes banks and affiliated companies.



The Kumamoto Bank

Aiming to become a bank that contributes to the growth of the region and achieves even further prosperity for Kumamoto prefecture.

Toshihiro Sakamoto
Director & President
The Kumamoto Bank

The Current and Future Environment of Kumamoto Prefecture

Kumamoto prefecture, our sales area, boasts the second largest economy and population in Kyushu. The prefecture possesses a variety of characteristics and strengths, including a manufacturing industry centered on semiconductor-related industries, agriculture that ranks fifth in the nation in terms of production, abundant natural beauty in places like Aso and Amakusa, and tourist attractions such as hot springs.

In recent years, with the entry of TSMC (JASM) into the region, capital investment by semiconductor-related companies has intensified, and as the center of the new Silicon Island Kyushu, Kumamoto is expected to see particularly rapid growth within Japan.

On the other hand, we are also faced with a variety of issues that need to be addressed, including labor shortages caused by the aging population and declining birth rate, problems with business succession due to a lack of successors, the promotion of SDGs and digital transformation, further revitalization of local industries, and the development of next-generation industries.

As part of the financial infrastructure that supports the economy of Kumamoto prefecture, in addition to working on initiatives related to the semiconductor industry, the Kumamoto Bank hopes to address the various issues faced by the region and actively contribute to the prosperity of Kumamoto prefecture.

Contributing to the Prosperity of Kumamoto Prefecture

<Initiatives in semiconductor-related industries>

In order to contribute to the prosperity of Kumamoto prefecture, we believe it is important to first undertake initiatives in semiconductor-related industries, which will drive the future economy of Kumamoto and Kyushu.

TSMC's Kumamoto plant

In the area surrounding TSMC's Kumamoto plant, which is scheduled to begin mass production within the year, the environment has been undergoing major changes with capital investment by semiconductor-related companies and progress in the development of basic infrastructure.

Large-scale investments are expected to continue going forward, and we are looking ahead to the possibility of new industrial cities being born, similar to Hsinchu City in Taiwan (where TSMC's head office is located). We would like to actively participate in the development of these new cities.

We also believe it is important to support local companies through business matching and other means to allow them to participate in the supply chain centered on TSMC, and to create a cycle in which economic benefits flow throughout the entire prefecture and spread to all industries.

With ideas that are one step ahead, we strive to provide local companies and people with optimal solutions that meet their individual needs.

<Implementing goal-based sales>

The business environment surrounding local companies is changing rapidly due to labor shortages, a lack of successors, the advancement of digitalization, and an increasing focus on sustainability.

Viewing these changes as opportunities, we implement FFG's sales style of "goal-based sales" to address the needs and issues faced by our customers and help them achieve their business goals. We also support our customers by providing solutions that go beyond finance, such as business succession and sustainability management support.

Moreover, in order to achieve prosperity for Kumamoto prefecture, we believe it is also important to contribute to the prosperity of individual customers, such as by increasing employment and income through economic growth, and by meeting the asset formation needs of customers in the era of 100-year human lifespans.

By combining cutting-edge technology that uses digital technology and AI with the power of our people, we will provide attentive, personalized services while also working to improve financial literacy through financial and economic education.

Aiming to be a bank that contributes to the growth of the region

I believe that the Kumamoto Bank's strength lies in its close relationships with local customers built over our 95-year history, as well as in our human touch, which combines friendliness and attention to detail in a way that makes customers feel comfortable coming to us for advice.

Since the establishment of FFG, we have developed our business model by providing customer-oriented services that combine digital technology with FFG's network and comprehensive capabilities, based on the strengths that the Kumamoto Bank has cultivated over the years.

In order to achieve even further prosperity for Kumamoto prefecture going forward, in addition to working on initiatives in semiconductor-related industries, we need to revitalize local industries such as agriculture, forestry, fisheries, and tourism, and foster next-generation industries such as by attracting advanced industries. To realize this, we will work as one with FFG to strengthen collaboration with relevant organizations in industry, government, academia, and finance in order for us to provide even more in-depth support than ever before.

By accompanying each of our customers in their pursuit of true prosperity and further strengthening the trust-based relationships we have built with local customers, we aim to be a bank that contributes to the growth of the region.

I humbly ask for your continued support of the Kumamoto Bank.

Thoughts of a sales representative

Yuika Tanaka

Solution Business Division, the Kumamoto Bank
(PB Business Manager/Manager)

I am in charge of the PB (private banking) business, which involves responding to the various concerns of business owners who do business with the Kumamoto Bank. These concerns include business expansion, asset management, business succession, and inheritance.

In my daily sales activities, I strive to build long-term relationships of trust with customers so that I can quickly notice various changes in their environment, including their business situation, health, family life events, and the resulting changes in their feelings due to these events.

It has been five years since I took charge of the PB business, and one of the things that customers appreciate is the way I have been able to accompany them in achieving their goals over a long period of time. It sometimes takes four to five years from my first meeting with a customer to arrive at a proposal, but I think this is natural when the proposal involves once-in-a-lifetime events such as business succession or inheritance.

With land prices currently soaring due to the entry of TSMC into the region, there has been an increase in concerns about asset utilization and inheritance in the Kikuyo-cho area. Accordingly, I am working with experts both inside and outside the Company to provide support.

The Kumamoto Bank is a compact bank, therefore it is very easy to coordinate between departments at headquarters as well as between headquarters and sales offices, and we work in close proximity to officers. By making use of the close relationships that the Kumamoto Bank has built with its customers over the years, and FFG's specialized knowledge in addition to the seamless collaboration within the Bank, I believe that we can provide added value here in Kumamoto that cannot be found at other companies.

I find PB business very rewarding, and because I believe it to be something that is necessary to customers, I want to make the Kumamoto Bank's PB business sustainable. Accordingly, I am focusing on human resources development. We have created a one-year training curriculum for newly appointed staff and are conducting on-the-job training through trial and error. Because each person has different strengths, I find it both challenging and rewarding to develop training that takes each individual's characteristics into account.

Going forward, I will continue to leverage the strengths of the Kumamoto Bank as well as FFG's specialized knowledge and network to contribute to the growth of the region by helping myself and my colleagues grow every single day.

The Juhachi-Shinwa Bank

For the Prosperity of Nagasaki Prefecture and the Sustainable Growth of the Regional Economy.

-Towards becoming a leading company in resolving regional issues-

Nobuhiko Yamakawa
Director & President
The Juhachi-Shinwa Bank

The Current and Future Environment of Nagasaki Prefecture

Nagasaki prefecture, our business base, is rich in both history and culture, and is blessed with abundant tourism attractions. The prefecture has many charming features as well as significant potential for growth, including being a suitable location for offshore wind power generation, which is expected to grow in the future. Moreover, redevelopment is underway in what is said to be a once-in-a-century transformation, and this is further enhancing the prefecture's appeal.

On the other hand, the prefecture is facing issues including population decline and an aging population, that are progressing faster in Nagasaki than in the rest of Japan, as well as labor productivity that is lower than other prefectures in Kyushu.

In this environment, we recognize that we have a responsibility to contribute to the sustainable growth of Nagasaki as a bank that does business with many individuals, corporations, local governments, and other customers within the prefecture.

In addition to resolving the issues faced by each customer and company, we view solving the problems faced by the region as part of our core business, and we would like to commit ourselves to the prosperity of Nagasaki prefecture.

The Juhachi-Shinwa Bank's growth strategy

In order to achieve sustainable growth in Nagasaki prefecture, we will work on three strategic pillars: (1) support for industrial development, (2) support for the revitalization of economic activity, and (3) support for social infrastructure.

We also aim to bring prosperity to the people of Nagasaki prefecture through these efforts, such as by improving their income and quality of life.

(1) Support for industrial development

Nagasaki has many labor-intensive industries, such as medical care and welfare. In order to maintain these industries amidst significant population decline, we need to take steps to improve productivity with an eye to the future.

We will further promote digitalization support for our customers using the power of IT, which we have focused on since the merger of the Eighteenth Bank and the Shinwa Bank, as well as face-to-face problem-solving support that can only be provided by real people, thereby improving the productivity of companies and, ultimately, local industries. At the same time, we will use the collective strength of the Group to focus on the development of industries that are expected to grow in the future, such as marine energy, semiconductors, and aviation.

By developing Nagasaki prefecture into a region where these industries congregate, we aim to maintain and create local jobs and contribute to improving the income of people who work in the region.

(2) Support for the revitalization of economic activity

One of the challenges facing Nagasaki prefecture relates to the fact that a large amount of added value generated within the prefecture flows outside of the prefecture, resulting in a low economic circulation rate.

In order to create a system in which money circulates within the region, we will work to establish frameworks in collaboration with industry, government, academia, financial institutions and industry associations, promote the appeal and branding of local companies (sixth industrialization), and create appealing jobs in collaboration with administrative bodies.

By supporting the revitalization of economic activity, we aim to create a local community where industries grow, jobs are created, and the added value generated creates a virtuous cycle.

(3) Support for social infrastructure

It is essential to have a sustainable social life infrastructure for the foundation to take on various issues in this era of great change.

We will continuously strive to provide convenient, high-quality financial services by leveraging the information accumulated through the trust we have gained from local residents.

Moreover, to ensure that large-scale redevelopment projects have more than just a temporary economic effect, we aim to contribute to the creation of economically and culturally appealing towns that people can gather in and take pride in.

Towards Becoming a Leading Company in Resolving Regional Issues

As Nagasaki is a prefecture at the forefront in terms of population decline, the Juhachi-Shinwa Bank needs to address this priority issue ahead of other regions.

We will treat the resolution of regional issues as a core business, find value in solving said issues, and work with all our might, which will in turn lead to the sustainable growth of Nagasaki prefecture, and by extension, Kyushu as a whole.

These efforts cannot be achieved by the Juhachi-Shinwa Bank alone. We will utilize the deep relationships built with customers and administrative bodies within the prefecture, which is one of our strengths, to work as one towards the realization of prosperity in Nagasaki prefecture.

As a leading company in Nagasaki prefecture, we will proactively fulfill our responsibilities to ensure that all stakeholders can experience the prosperity and growth of Nagasaki, and that as many people as possible can live prosperous lives without worry.

I humbly ask for your continued support as the Juhachi-Shinwa Bank strives to meet your expectations.

Thoughts of a sales representative

Arisa Shimada

Hasami Branch, the Juhachi-Shinwa Bank
(Branch Sales/Assistant Manager)

Since the business integration, I have once again realized that we are relied upon by many customers as a regional bank with a large market share in the region, and I have become quite conscious of the “growth of Nagasaki prefecture” in my daily sales activities.

I am in charge of store sales at the Hasami Branch, and I speak with many customers every day. In this context, I believe that one of the important roles of our bank in contributing to the growth of Nagasaki prefecture is not only to carry out procedures requested by customers, but to view bank branches as “places for communication with local business representatives and local residents,” and to turn a variety of ideas into reality while gathering information that will lead to the revitalization of the region.

As a concrete initiative, the Hasami Branch considered ways to address issues in Hasami Town, namely, a decline in shipment value of ceramics, the town’s main industry, and the expansion of the tourism business. All members of the branch brainstormed ideas and proposed to Hasami Town that they use a tourism-focused MaaS app to expand the tourism business, and this proposal is being positively considered.

I believe that by implementing a variety of similar initiatives at various branches across Nagasaki prefecture and expanding regional revitalization throughout the prefecture, we can earn the trust and meet the expectations of our customers.

As an employee of a leading company in resolving regional issues, I will contribute to the prosperity of Nagasaki prefecture starting from right here in Hasami Town.

The Fukuoka Chuo Bank

As a financial institution specializing in SMEs, we aim to be a bank that works closely with local business owners and evolves alongside the region.

Eiji Araki
Director & President
The Fukuoka Chuo Bank

The Situation of SMEs in Fukuoka Prefecture

Fukuoka City, where the Fukuoka Chuo Bank's head office is located, is a vibrant city with the highest population growth rate, proportion of young people, and business start-up rate of all ordinance-designated cities in Japan.

Moreover, in recent years, the number of tourists from Asian countries has increased and the semiconductor industry has boomed throughout Kyushu, making the city an attractive market with many business opportunities for small and medium-sized enterprises and small business owners (hereinafter referred to as "SMEs").

On the other hand, in the current climate of rising prices and interest rates, SMEs are concerned that their business performance may deteriorate due to difficulties faced in passing on prices. In addition, issues with labor shortages are becoming more severe, and many SMEs are missing out on opportunities to capitalize on growing inbound demand.

The Fukuoka Chuo Bank originated from Shokusan Mujin, which provided financial services to the general public, and to date has been focused on supporting SMEs as a financial institution specializing in SMEs in Fukuoka prefecture.

This basic stance has not changed even after our business integration with FFG, and we will continuously strive to be chosen as a bank that is indispensable to the region.

The Fukuoka Chuo Bank's Vision

The challenges faced by our customers differ depending on their industry, size, as well as other factors, and optimal solutions can vary widely.

Going forward, with the evolution of technologies such as generative AI, it is expected that more and more problems will be solved digitally. However, this does not mean that all problems will be able to be solved digitally. When faced with difficult situations or decisions, there are customers who want human advice, support, and guidance in making their choices.

The Fukuoka Chuo Bank places great importance on the proactiveness of its sales representatives, and has always been committed to deepening its understanding of customers by visiting them in person and speaking with them directly. The face-to-face relationships we have cultivated in this way are one of our strengths.

Going forward, we will continue to improve customer convenience while utilizing digital technology. We will also deepen our understanding of customers and offer attentive services provided by real people.

In addition to the support skills we have cultivated for SMEs over the years, we will also utilize FFG's know-how, network, and the solutions of its strategic subsidiaries as we aim to maximize the growth potential of our customers.

Evolution of the Management Base

Going forward, through collaboration with FFG, we will further improve business efficiency, prepare human resources, and significantly increase points of contact with customers.

At the same time, we aim to provide customers with truly valuable services that have a human touch, such as by realizing speedy loan responses and developing sales human resources who can make optimal proposals to meet the various needs necessary for the maintenance and growth of customers' businesses.

The Fukuoka Chuo Bank specializes in providing services to SMEs, and we want to continue being a financial institution specializing in SMEs that builds close relationships with management and their employees and works harder than anyone else to solve customers' problems.

I humbly ask for your continued support as the Fukuoka Chuo Bank strives to meet your expectations.

Thoughts of a sales representative

Chikako Tsuruhisa

Yame Branch, the Fukuoka Chuo Bank
(Deposit Asset Operation/Assistant Manager)

I am in charge of the deposit asset operation at the Yame Branch of the Fukuoka Chuo Bank. In order to make our customers feel closer to the bank, I value direct dialogue and actively visit customers' companies and homes. I would like to communicate to customers the appeal of the Fukuoka Chuo Bank, and its positive differences from the Bank of Fukuoka.

Since joining the Fukuoka Chuo Bank, I have felt that the bank's greatest appeal is its people. I believe that the strong bonds and active communication amongst employees, as well as our commitment to facing each and every one of our customers head on, are what allow us to build close relationships with customers. Going forward, our collaboration with FFG will help streamline various aspects of business, and I hope to use the time saved to further enhance the appeal of our people and become a bank that is indispensable to the region.

Expectations Regarding Business Integration with FFG

A year has now passed since the business integration, and I have had more opportunities to interact with FFG and the Bank of Fukuoka. As a result, I have become aware of products, services, and businesses that the Fukuoka Chuo Bank does not currently offer, and I am excited to see future on-site changes, especially in terms of making better proposals to customers.

In addition, FFG has departments with specialized knowledge and know-how, such as the DX Promotion Headquarters, the Solution Business Headquarters, and strategic subsidiaries, and I have high hopes that the career plans of the Fukuoka Chuo Bank's employees will be expanded through career challenges and other opportunities. I aim to enhance human resources exchanges between FFG and the Fukuoka Chuo Bank with the hope of creating a virtuous cycle for both companies and promoting growth for FFG, the Fukuoka Chuo Bank, the region, and our customers.

Sustainability Policy

In order to achieve sustainable growth for the company and local communities, FFG has established a Sustainability Policy and is strengthening its initiatives to address environmental and social issues based on this policy.

FFG creates a virtuous cycle of
"contribution to regional economic development" and
"improvement of FFG corporate value"
through business activities based on the Group Management Principles
in order to help develop a sustainable society.

Initiatives to Address Environmental Issues

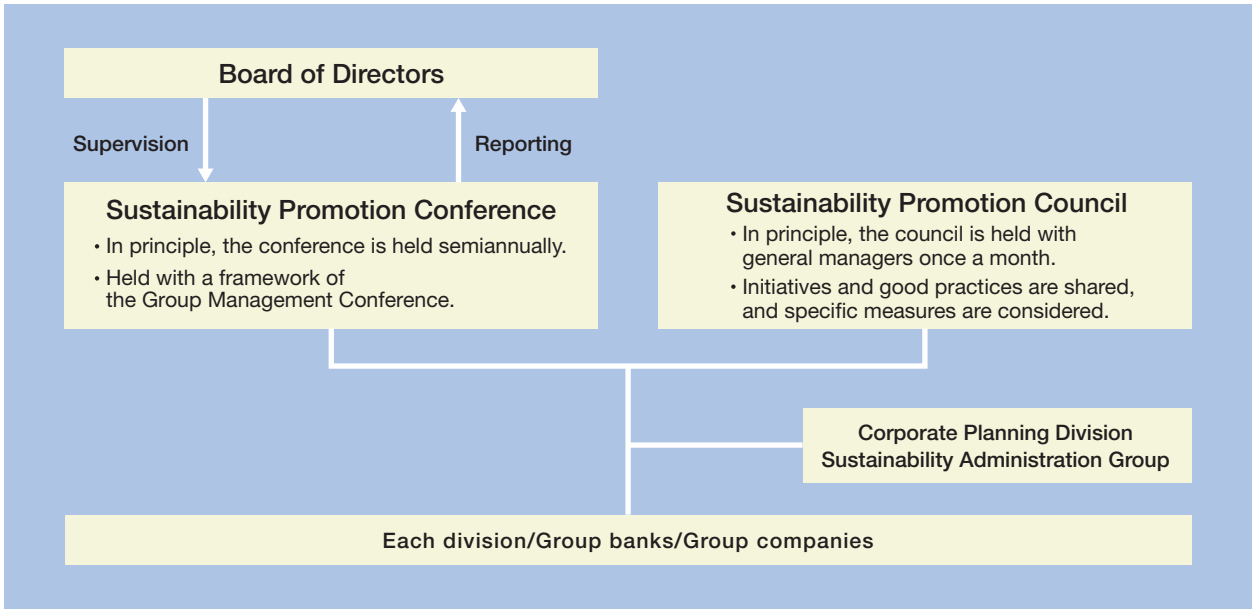
Responding to Climate Change

FFG has positioned efforts for addressing climate change as an important element of its management. Aiming to share easy-to-understand and useful information with its stakeholders, the Group declared in August 2020 that it supports the recommendations of the TCFD*, and it has been disclosing information in accordance with said framework.

*Task Force on Climate-related Disclosures

Governance

Under the direction and advice of the Board of Directors, FFG has built an organizational structure to promote sustainability measures in cooperation with each FFG division, Group banks, and Group companies, with the Corporate Planning Division as an administration division.



In order to clarify FFG's roles and responsibilities regarding the risks and opportunities of climate change, our Risk Management Policy stipulates that the Board of Directors is responsible for developing and establishing various risk management systems based on the characteristics of the climate-related risk, and action plans and other related matters are discussed by the Board of Directors or the Group Risk Management Committee, depending on the nature of the climate-related risk.

With regard to investments and loans, our Environment and Society-Conscious Loan Policy, which takes into consideration the demands of the international community for the prevention of global warming and our expectations for the realization of sustainable local communities, is clearly stated in the Credit Policies, and decisions are made by Board of Directors.

We will review our governance structure in order to further strengthen our sustainability initiatives going forward.

Strategies

<Risks and opportunities>

FFG has recognized the following climate change–related risks and opportunities based on the Group's asset structure, business model, and possible future changes in the external environment.

■ Risks

	Details	Risk type	Time axis*
Physical risk	Increased damage to customers due to an increase in heavy rains, typhoons, and other natural disasters in the Kyushu region, FFG's business base	Credit risk	Short to long term
	Increased damage to own branches and data centers due to an increase in heavy rains, typhoons, and other natural disasters in the Kyushu region, FFG's business base	Tangible asset risk	Short to long term
Transition risk	Manifestation of negative impacts that comes with transitioning to a decarbonized society on finances and business continuity of mainly SME customers with limited resources to respond to the transition	Credit risk	Medium to long term
	Decrease in value of loans for businesses such as coal-fired thermal power plants due to strengthened restrictions on businesses that could negatively impact the environment and society		Medium to long term
	Decline in corporate value due to gap between FFG's climate change initiatives and stakeholders' expectations	Reputation risk	Short to long term

■ Opportunities

	Details	Time axis*
Products and services	In preparation for an increase in storms, floods, and other disasters, providing customers with risk reduction schemes that utilize insurance, and services such as BCP formulation and diagnosis support	Short to long term
	Increased sustainable financing that supports the business of customers to solve environmental issues	Long term
	Increased consulting services such as GHG emission measurement and reduction plan execution support	Short to long term
	Realization of a sustainable business that supports the sustainability management of customers through dialogue based on the SSI**	Short to long term

*Short term (0 to 3 years), medium term (3 to 10 years), long term (more than 10 years)

**Sustainable Scale Index: A unique ESG/SDGs scoring model service developed jointly by FFG subsidiary Sustainable Scale and Kyushu University.
See page 23 for details.

<Scenario analysis>

FFG utilizes scenario analysis to identify the impact of climate-related risks on FFG and establish strategic resilience.

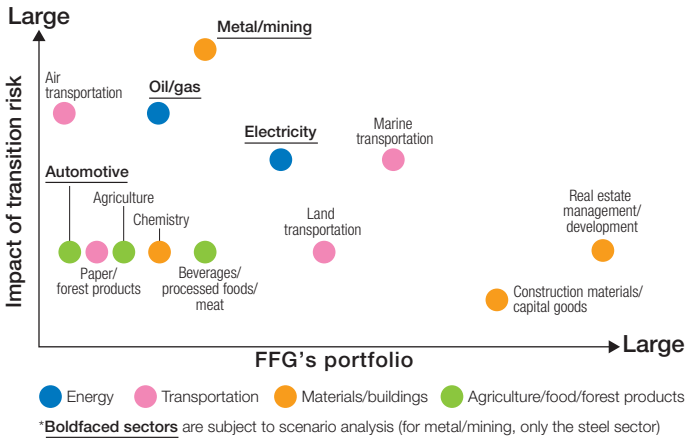
Based on the results of the scenario analysis, we will create business opportunities and mitigate risks for corporate customers by enhancing engagement with them to ensure they can adapt to climate change and transition to a decarbonized society.

Scenario analysis methods have not yet been established in many areas, and are still in the process of development. Accordingly, FFG continues to work to refine and enhance the analysis.

■ Selection of sectors subject to scenario analysis

With an eye toward the transition to a decarbonized society, we conduct risk assessment to inform the selection of sectors subject to scenario analysis of transition risks. The risk assessment is carried out based on how large the impact of policy and legal, technology, market, and reputation changes would be on each sector, as well as the size of FFG's portfolio.

We will enhance risk recognition by constantly reviewing the assessment results of each sector, in accordance with changes in climate-related policy, technology, and market environments.



*Boldfaced sectors are subject to scenario analysis (for metal/mining, only the steel sector)

■ Analysis results

	Physical risk	Transition risk
Risk analyzed	• Damage to collateral properties from storms and floods • Deterioration of financial conditions due to the suspension of obligors' businesses	• Deterioration of financial conditions of obligors from decreased net sales and increased costs that come with transitioning to a decarbonized society
Applicable portfolio	• Borrowers with business feasibility in Japan	• Utility and energy sector(*1) • Automotive sector • Steel sector
Scenario	• RCP 8.5 (4℃ scenario) or RCP 2.6 (2℃ scenario) in the IPCC(*2) Assessment Report	• Net Zero 2050 (1.5℃ scenario) and Current Policies (3℃ scenario) by NGFS(*3)
Analysis method	• Use a storm and flood model to estimate the level of impact on locations and structures such as obligors' collateral properties and business offices	• Forecast changes in future performance in the target sector based on the transition scenario, and estimate the impact on ratings and credit costs
Analysis results	• Additional credit costs that could be incurred by 2050: **Up to 5.0 billion yen**(*4)	• Additional credit costs that could be incurred by 2050: **Total 12.0~40.0 billion yen**(*4)

(*1) Excludes water suppliers and renewable energy generators
(*2) IPCC: UN Intergovernmental Panel on Climate Change
(*3) NGFS: Network of Central Banks and Supervisors for Greening the Financial System
(*4) Total of Bank of Fukuoka, Kumamoto Bank, and Juhachi-Shinwa Bank

<Carbon-related assets>

The percentage of carbon-related assets is 30.46%.

Energy	Transportation	Materials	Agriculture/food/forest products	Total carbon-related assets(*)
1.86%	4.67%	22.52%	1.40%	30.46%

(*) Aggregated based on the Bank of Japan industry classification. Includes loans and acceptances and guarantees, but does not include unexecuted balance of commitment lines. Total of the Bank of Fukuoka, the Kumamoto Bank, and the Juhachi-Shinwa Bank

Risk Management

FFG positions risks that are particularly important for management as top risks, and has selected “risks related to climate change” as one of them. See page 98 of this report for details.

Should Climate-related risks manifest, there would be ripple effects across every risk category including credit, market, liquidity, and operational risks. Our Board of Directors is actively involved in the development and establishment of proper risk management systems based on such characteristics of the climate-related risk.

Climate-related risks that are deemed important are managed and addressed within a comprehensive risk management framework by risk category depending on how a risk is likely to manifest itself.

For example, we assess the physical risk of damage to FFG branches from storms and floods within the operational risk management framework, and appropriately address the risk by taking necessary measures such as reevaluating insurance policies.

For more information on FFG’s comprehensive risk management, see page 27 of FFG Disclosure 2024 “Financial Data” (Japanese only) on our website.

<Environment and Society-Conscious Loan Policy>

In order to make consideration for the environment and society in our loan services, the Bank of Fukuoka, the Kumamoto Bank, the Juhachi-Shinwa Bank, and the Fukuoka Chuo Bank have stipulated prohibited loans and loan activities that require special attention in our “Environment and Society-Conscious Loan Policy*.”

The balance of loans in project finance for construction of coal-fired thermal power plants in the Group was 2.1 billion yen as of March 31, 2024, which is scheduled to become zero by FY2035.

*Please refer to the FFG website for details.

Indicators and Targets

In order to further promote its efforts against climate change, FFG has set targets for a “sustainable finance total execution amount” and “net-zero in-house CO_2 emissions by FY2030,” and is conducting monitoring.

■ Sustainable Finance

In October 2021, FFG positioned finance which contributes to the resolution of environmental and social issues of our customers and the realization of a decarbonized society as “sustainable finance.” We have set the total execution amount target as “2 trillion yen from FY2020 to FY2030 (including 1 trillion yen for the environment).” Going forward, we aim to achieve targets by helping our customers resolve their issues.

As of the end of March 2024, the total amount executed by the Bank of Fukuoka, the Kumamoto Bank, the Juhachi-Shinwa Bank, and the Fukuoka Chuo Bank* is 673.7 billion yen, of which 289.5 billion yen is for environmental finance.

*As for the Fukuoka Chuo Bank, Ltd., The total amount executed on and after October 2023 when we conducted a business integration was added.

Sustainable Finance Targets	
FY2020–FY2030 Total execution amount	**2 trillion yen** (including 1 trillion yen for the environment)

	Achievement (FY2020–FY2023)
Sustainable Finance	673.7 billion yen
Of which, environment related	289.5 billion yen

Eligible finance

Finance that contributes to solving environmental and social issues such as climate change

Finance that supports and promotes customers’ ESG and SDGs

Net zero in-house CO_2 emissions

In May 2022, FFG sets its CO_2 emissions (Scope 1,2) reduction target as “net zero by FY2030” in order to accelerate its local decarbonization efforts.

In-house CO_2 emissions reduction target	
Net zero by FY2030	*Applies to Scope 1 and Scope 2 of the GHG Protocol.

(Unit: t-CO_2)

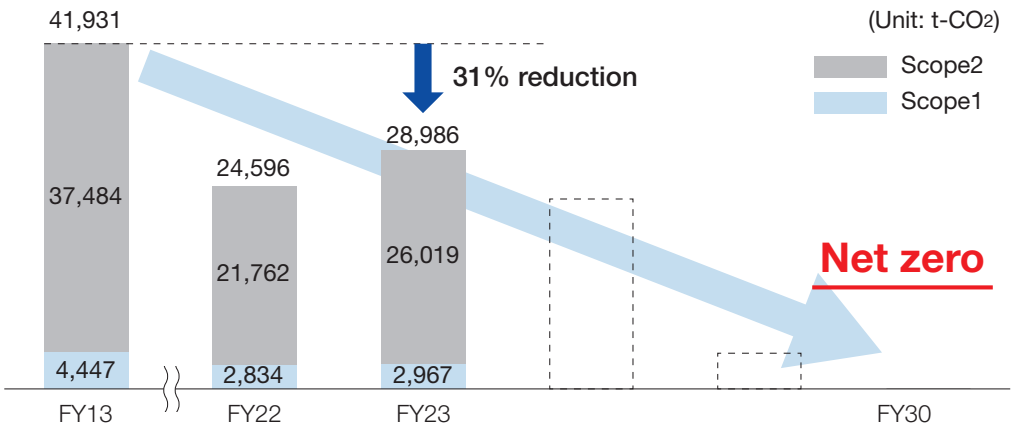
Measurement items	FY2013	FY2022	FY2023
Scope 1 (direct emissions associated with the use of gas and gasoline)	4,447	2,834	2,967
Scope 2 (indirect emissions associated with the use of electricity, heat, and steam supplied by other companies)	37,484	21,762	26,019
Scope 1, 2	41,931	24,596	28,986

*The Fukuoka Chuo Bank's emissions are included from FY2023 onward.

We are promoting the reduction of energy consumption by implementing energy-saving measures such as shifting to eco-friendly stores when rebuilding stores, switching to highly efficient air conditioning, and adopting LED lighting.

Going forward, we will focus on reducing Scope 2 emissions, which account for the majority of our in-house CO_2 emissions, and in addition to conventional reduction measures, we will consider switching to power sources derived from renewable energy. As a long-term initiative, we will also consider in-house power generation, such as solar generation, as well as corporate PPAs and emissions trading.

We will create a roadmap that breaks down each of these measures on a timeline in order to steadily reduce emissions.



About Scope 3

Scope 3 in the GHG Protocol refers to emissions other than those covered by Scope 1 and 2. While Scope 1 and 2 covers greenhouse gases (CO_2, etc.) emitted by the reporting company itself, Scope 3 covers other companies' greenhouse gases related to the reporting company's business activities.

(Unit: t-CO_2)

Measurement items		FY2023
Category 1:	Purchased products and services	46,051
Category 2:	Capital goods	57,130
Category 3:	Fuel and energy-related activities not included in Scope 1 and 2	2,727
Category 4:	Transport, delivery (upstream)	1,449
Category 5:	Waste generated from operations	38
Category 6:	Business trips	1,039
Category 7:	Employee commutes	3,604
Category 15:	Investments and loans	19,600,350

*The figures represent the total of the Bank of Fukuoka, the Kumamoto Bank, and the Juhachi-Shinwa Bank as of March 31, 2024
*Scope 3 calculation methods, emissions figures, etc. are based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.5 (Ministry of the Environment and Ministry of Economy, Trade and Industry, Government of Japan, March 2023)" and "Emissions Unit Value Database for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain Ver. 3.4 (Ministry of the Environment and Ministry of Economy, Trade and Industry, Government of Japan, March 2024)" (categories 8 to 14 have calculated values of zero).

About category 15 (investments and loans)

The emissions were calculated for business partners of the Bank of Fukuoka, the Kumamoto Bank, and the Juhachi-Shinwa Bank with business feasibility (corporations and sole proprietors), taking into account the measurement method of the PCAF*1 Standard.

We used both the bottom-up approach, where emissions are calculated from GHG emissions data disclosed by companies, and the top-down approach, where emissions are estimated based on carbon intensity of each industry.

We will contribute to the realization of a decarbonized society by expanding and refining the scope of calculation, as well as utilizing the calculation results to engage with business partners and in turn reducing emissions.

(Unit: t-CO_2)

Industry		Carbon intensity*2	Emissions*3
Energy	Oil/gas	3.13	246,077
	Coal	1.24	5,842
	Power	29.08	2,838,207
Transportation	Air cargo transportation	0.00	0
	Air passenger transportation	12.14	54,646
	Marine transportation	6.89	758,887
	Rail transportation	3.02	43,784
	Truck services	3.55	684,995
	Automotive/parts	4.98	210,605
Materials/buildings	Metal/mining	10.11	1,214,380
	Chemicals	6.80	352,173
	Construction materials	25.75	1,529,653
	Capital goods (buildings, etc.)	4.07	2,990,640
	Real estate management/ development	1.18	581,550
Agriculture/beverages/ forest products	Beverages	2.65	13,826
	Agriculture	8.09	274,500
	Packaged foods/meat	5.39	1,065,635
	Paper/forest products	4.21	133,899
Other		1.87	6,601,050
Total*4			**19,600,350**

(*1) Partnership for Carbon Accounting Financials: An international initiative for developing methods to measure and disclose greenhouse gas emissions in financial institutions' investment and loan portfolios

(*2) Carbon intensity = Σ (Carbon intensity of each borrower)/Number of borrowers

(*3) Calculated emissions (top-down approach) = Σ (Carbon intensity of each borrower × Borrower net sales) × Attribution coefficient (Financial institution's investments and loans outstanding/Total shareholders' equity and liabilities)

(*4) Excluding business partners that have not closed their fiscal year or do not have the data necessary for calculation for other reasons (90% of investments and loans outstanding are covered) The calculation results may change significantly in the future due to expanded disclosure of customers' GHG emissions or changes in calculation standards and methods and industry classifications.

Corporate Governance

Basic Views on Corporate Governance

The Group's management principles state the Group's goal to become a financial group that creates value for all stakeholders, including shareholders, customers, local communities and our employees, and the Group's basic management policy is based on the same view.

Under these Group management principles, the Company, as a holding company to govern the Group, mainly consists of the core subsidiary banks, is working toward the realization of highly effective corporate governance for the purpose of optimizing the management resources of the Group and administering the Group as a whole in a sound and appropriate manner.

In addition, we have formulated the Fukuoka Financial Group Corporate Governance Guidelines*1 as our basic approach to corporate governance and its operational guidelines.

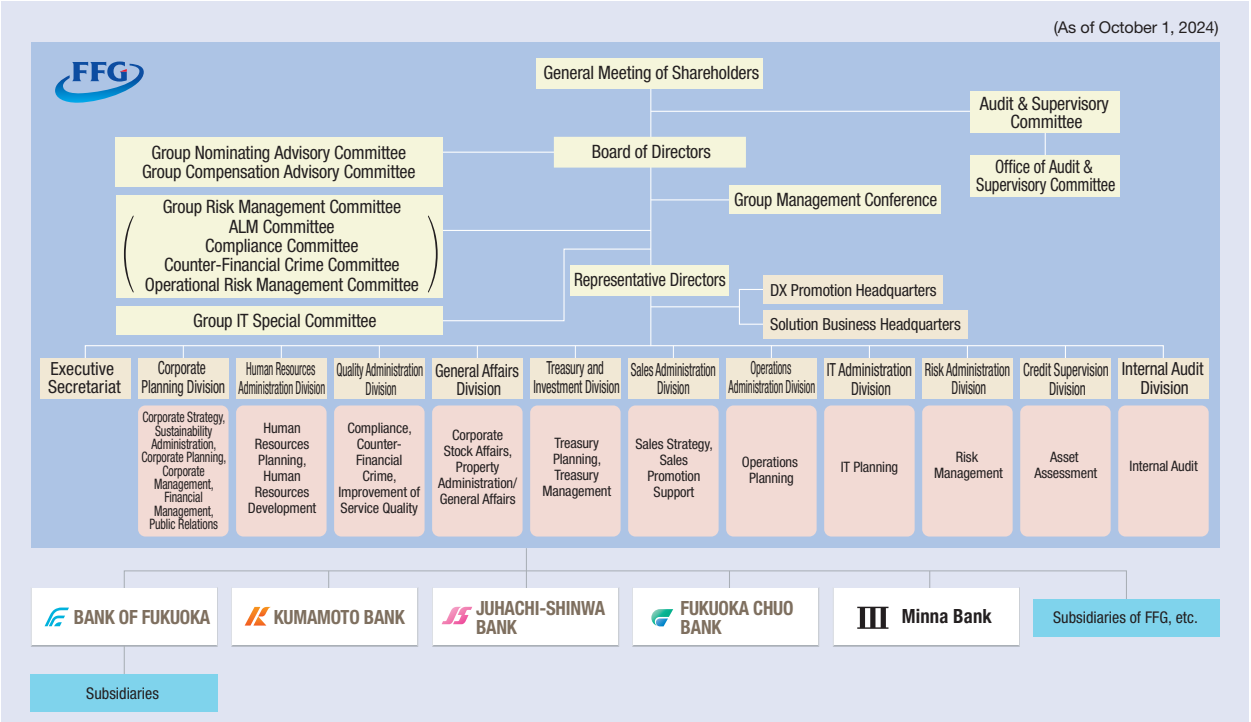
*1 Please refer to our Group website for details.

Corporate Governance System

Overview and Reasons for Adoption of Current Corporate Governance System

The Company has appointed four highly independent External Directors to fully perform supervisory functions within the Board of Directors, while the Audit & Supervisory Committee, composed of three Audit & Supervisory Committee Members, audits the status of the Directors' job performance appropriately. In this way, a sufficiently effective governance system has been established, and therefore the current organizational design of a company with an audit & supervisory committee has been adopted.

(As of October 1, 2024)



● Board of Directors (held 14 meetings in FY2023)

The Board of Directors consists of 11 Directors (including four External Directors), and shall discuss and make decision on basic guidelines related to Group management, as well as matters stipulated by laws, ordinances and the Articles of Incorporation. The Board shall also make decisions on important matters concerning business management of subsidiary banks, business and affairs of the Group, while overseeing the job performance of Directors and Executive Officers.

● Audit & Supervisory Committee (held 11 meetings in FY2023)

The Audit & Supervisory Committee consists of three Audit & Supervisory Committee Members (including two External Directors), and based on the basic policies and audit plan for the Group-wide audit, shall audit Directors' job performance and examine the status, etc., of business conditions and assets of the Group as a whole.

● Office of Audit & Supervisory Committee

To fully perform the audit functions of the Audit & Supervisory Committee, staff (multiple members) are exclusively designated to support the Audit & Supervisory Committee.

Group Nominating Advisory Committee, Group Compensation Advisory Committee

To enhance transparency and fairness of our group management, the Group Nominating Advisory Committee and Group Compensation Advisory Committee, advisory bodies to the Board of Directors, shall discuss matters related to the election/dismissal and the compensation of Directors.

Group Nominating Advisory Committee
Chairperson: Takashige Shibato (Director & Chairman)
Members: Hisashi Goto (Director & President)
Masahiko Fukasawa (External Director)
Toshiya Kosugi (External Director)
Hideo Yamada (External Director)
Nobuko Ishibashi (External Director)

Group Compensation Advisory Committee
Chairperson: Masahiko Fukasawa (External Director)
Members: Takashige Shibato (Director & Chairman)
Hisashi Goto (Director & President)
Toshiya Kosugi (External Director)
Hideo Yamada (External Director)
Nobuko Ishibashi (External Director)

Group Management Conference

The Group Management Conference consists of 6 Executive Directors (chaired by the President) (also attended by full-time Audit & Supervisory Committee Members), and based on basic guidelines stipulated and matters entrusted by the Board of Directors, shall discuss important matters related to business and affairs of the Group, including group management and operational planning.

Group IT Special Committee

The Group IT Special Committee consists of 6 Executive Directors and general managers of departments/offices in charge (chaired by the President) (also attended by full-time Audit & Supervisory Committee Members), and to strengthen the IT governance system of the group as a whole, shall discuss matters related to IT strategy, system risk management, and investment in IT systems.

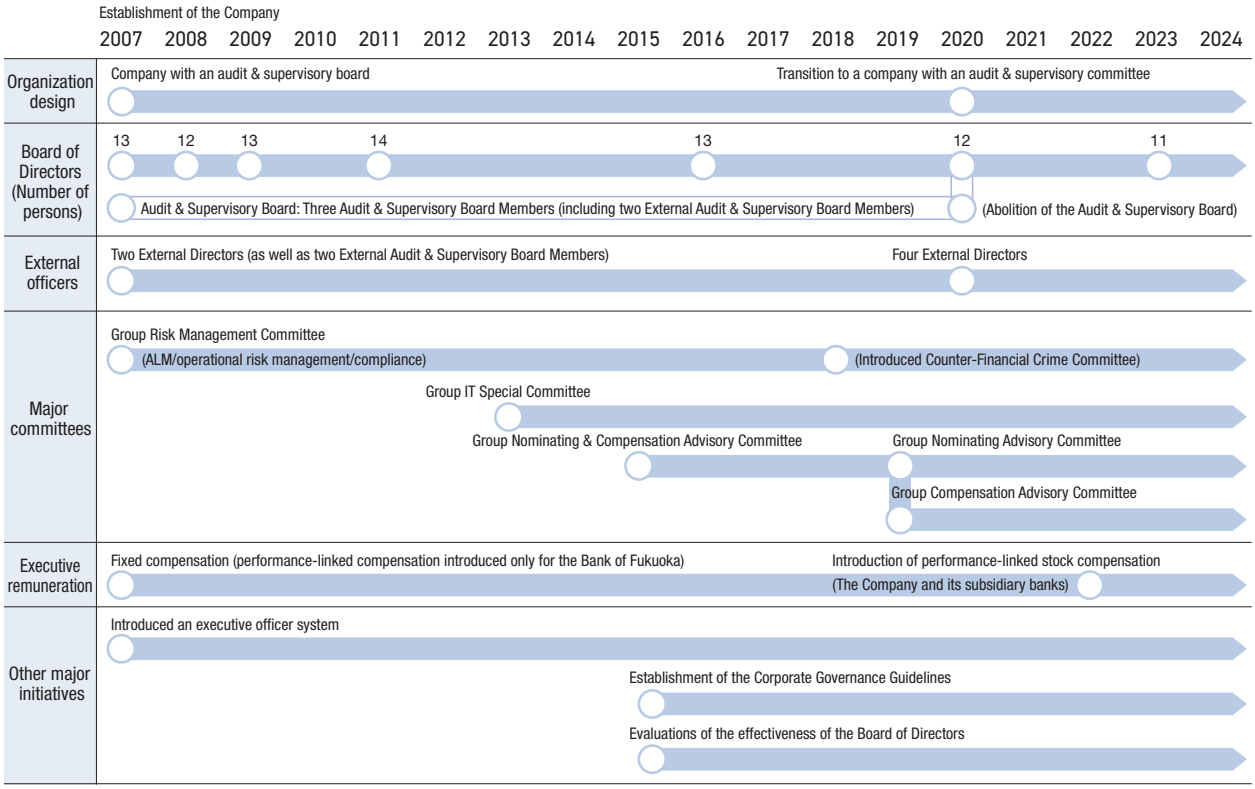
Group Risk Management Committee

The Group Risk Management Committee consists of 6 Executive Directors and general managers of departments/offices in charge (chaired by the President) (also attended by full-time Audit & Supervisory Committee Members), and shall discuss and report on matters related to asset portfolio management, compliance, and counter-financial crime management, in addition to carrying out discussions concerning each of the risk management systems of the Group as a whole.

Executive Officers

For quick decision-making of the Board of Directors and strengthening business execution functions, 20 Executive Officers (including 6 serving concurrently as Director) are elected and delegated the execution of business by a resolution of the Board of Directors.

History of Strengthening Corporate Governance



Corporate Governance

Board of Directors

Directors

Takashige Shibato

Director & Chairman (Representative Director)

The Bank of Fukuoka, Ltd.; Director & Chairman (Representative Director)

Hisashi Goto

Director & President (Representative Director)

The Bank of Fukuoka, Ltd.; Director & President (Representative Director)

Hiroshi Miyoshi

Director & Deputy President (Representative Director)

The Bank of Fukuoka, Ltd.; Director & Deputy President (Representative Director)

Hiroshi Takada

Director & Executive Officer

The Bank of Fukuoka, Ltd.; Director & Senior Managing Executive Officer

Toshihiro Sakamoto

Director & Executive Officer

The Kumamoto Bank, Ltd.; Director & President (Representative Director)

Nobuhiko Yamakawa

Director & Executive Officer

The Juhachi-Shinwa Bank, Ltd.; Director & President (Representative Director)

● Skills Matrix of the Board of Directors

The Company's basic stance is to compose its Board of Directors so that their overall knowledge, experience, capabilities, and other qualities are well-balanced in order to realize sustainable growth and medium- to long-term improvement in corporate value of the Company.

The following matrix indicates the knowledge, experience, capabilities, and other qualities that the Company believes its Board of Directors should possess, and the knowledge, experience, capabilities, and other qualities possessed by the Directors:

Organization	Name	Gender	Position	Member of each Committee*1		Skills which the Company believes its Board of Directors should possess							
				Group Nominating Advisory Committee	Group Compensation Advisory Committee	Corporate management	Financial accounting	Legal/ Compliance	Risk Management	Consulting/ Marketing	Market operation or management	Human capital/ Diversity	IT/Digital
Board of Directors	Takashige Shibato	Male	Chairman	◎	○	●	●	●	●		●	●	●
	Hisashi Goto	Male	President	○	○	●		●	●	●		●	
	Hiroshi Miyoshi	Male	Deputy President			●	●			●			●
	Hiroshi Takada	Male	Director			●				●		●	
	Toshihiro Sakamoto	Male	Director			●				●		●	●
	Nobuhiko Yamakawa	Male	Director			●			●	●	●		
	Masahiko Fukasawa	Male	Director (External)	○	◎	●	●			●			
	Toshiya Kosugi	Male	Director (External)	○	○	●				●		●	
Audit & Supervisory Committee	Tetsuya Maruta	Male	Audit & Supervisory Committee Member							●		●	
	Hideo Yamada	Male	Audit & Supervisory Committee Member (External)	○	○		●			●			
	Nobuko Ishibashi	Female	Audit & Supervisory Committee Member (External)	○	○			●				●	

*1 ◎ and ○ denote the chairperson of each committee and its members, respectively.

Masahiko Fukasawa

External Director

Managing Director & Head of Global Portfolio Solutions Japan of Carlyle Japan Equity Management LLC

Toshiya Kosugi

External Director

Truth, Human Science and Management Organization Laboratory LLC; Representative

Tetsuya Maruta

Directors (Audit & Supervisory Committee Member, full-time)

Hideo Yamada

External Director (Audit & Supervisory Committee Member)

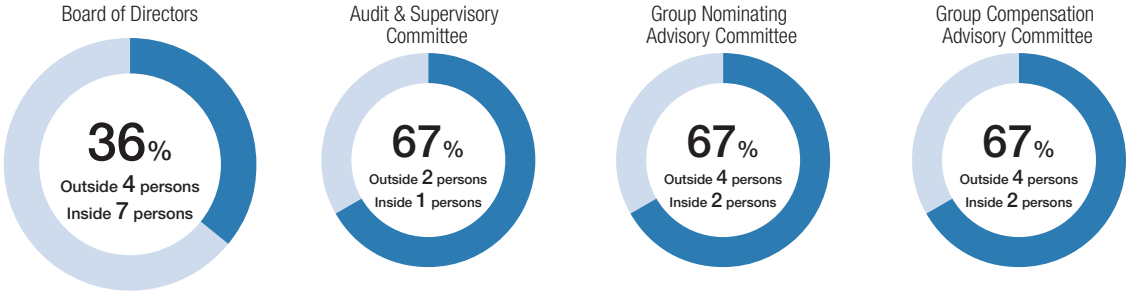
Graduate School of Business and Finance, Waseda University; Professor

Nobuko Ishibashi

External Director (Audit & Supervisory Committee Member)

Kobe City Law Office; Representative partner lawyer

Ratio of External Directors



Reasons for Electing External Directors

Name	Independent Director	Reason for election, expected roles	Attendance in FY2023
Masahiko Fukasawa	●	Mr. Masahiko Fukasawa has held positions as the Japan Representative (concurrently served as Chairman of Korea Office) and the Chairman of China Office of A.T. Kearney. He has also served as the Joint Representative of Asian Region and the Joint Representative of Japan, Managing Director, and Senior Advisor of Alix-Partners Asia, LLC. He has served as Managing Director & Head of Global Portfolio Solutions Japan of Carlyle Japan Equity Management LLC from April 2024. As such, he possesses extensive practical experience and specialized knowledge in consulting on management strategy and business revitalization of a wide variety of companies. He has been elected as External Director in the expectation that he will supervise Directors and management of the Company from an independent and objective standpoint while utilizing his extensive practical experience and insight accumulated so far to provide opinions, guidance, and advice to our top management in a timely and appropriate manner, thereby contributing to the medium- to long-term improvement of the corporate value of the Group.	Board of Directors 14/14 meetings
Toshiya Kosugi	●	Mr. Toshiya Kosugi has held managerial positions of personnel and general affairs divisions at Uniden Corp. and Apple Inc. and other major domestic and foreign companies. He currently serves as Representative Partner of Truth, Human Science & Management Organization Laboratory LLC. He also serves as professor at a graduate school. As such, he possesses extensive practical experience and specialized knowledge in organizational reform, development, and management of human resources. He has been elected as External Director in the expectation that he will supervise Directors and management of the Company from an independent and objective standpoint while utilizing his extensive practical experience and insight accumulated so far to provide opinions, guidance, and advice to our top management in a timely and appropriate manner, thereby contributing to the medium- to long-term improvement of the corporate value of the Group.	Board of Directors 14/14 meetings
Hideo Yamada	●	Although Mr. Hideo Yamada has never been directly involved in the management of a corporation, he possesses extensive practical experience and advanced capabilities and insight in the corporate management strategies, finance and accounting fields gained through his extensive career including Professor of Graduate School of Business and Finance of Waseda University. He has been elected as External Director serving as an Audit & Supervisory Committee Member in the expectation that he is able to provide valuable advice to the Board of Directors and conduct objective and neutral audits of the Company to ensure legal compliance and appropriateness of business executions of the Company by utilizing his extensive practical experience and professional insight, thereby contributing to the establishment of a quality corporate governance structure that responds to social trust.	Board of Directors 14/14 meetings Audit & Supervisory Committee 11/11 meetings
Nobuko Ishibashi	●	Although Ms. Nobuko Ishibashi has never been directly involved in the management of a corporation, she possesses extensive practical experience and advanced capabilities and insight in legal affairs in general as an attorney. She has been elected as External Director serving as an Audit & Supervisory Committee Member in the expectation that she is able to provide valuable advice to the Board of Directors and conduct objective and neutral audits of the Company to ensure legal compliance and appropriateness of business executions of the Company by utilizing her extensive practical experience and professional insight, thereby contributing to the establishment of a quality corporate governance structure that responds to social trust.	Board of Directors 14/14 meetings Audit & Supervisory Committee 11/11 meetings

Corporate Governance

Director Remuneration

The Company has introduced a performance-linked compensation plan for its Directors (excluding Directors serving as Audit & Supervisory Committee Members, External Directors, and Directors who are non-residents in Japan). The plan seeks to clarify the link between Directors' remuneration and the Group's performance and shareholder value, raise the motivation of Directors to contribute to the medium- to long-term improvement of business performance and the growth of corporate value, and have Directors share with all shareholders the risks and returns of share price fluctuations.

Policy on Determining Remuneration Amounts and Calculation Methods

(resolution at the Board of Directors Meeting held on June, 2022)

[Basic policies]

Compensation for Directors (excluding Directors serving as Audit & Supervisory Committee Members) of the Company shall be determined based on the "Policies on Determining Compensation for Directors, etc." set forth in Article 10 of the Corporate Governance Guidelines within the scope of the total annual compensation for all Directors resolved at the Annual Shareholders Meeting.

—Policies on Determining Compensation for Directors, etc.—

(1) A system of Compensation for Directors shall be set appropriately so that it serves as a healthy incentive for Directors and Executive Officers, which would eventually lead to the sustainable growth of the Group.

(2) Compensation for Directors shall be determined in overall consideration of the roles and responsibilities of each Director and Executive Officer, in addition to considering the Company's mid- to long-term business performance and economic and social conditions.

(3) The Group Compensation Advisory Committee shall, in response to the consultation from the Board of Directors, deliberate on Compensation for Directors based on the policies set forth in this Article, and the Board of Directors shall make final decisions with full respect for the Committee's deliberation.

[Specific policies based on basic policies]

(1) Policy on determining amounts of individual compensation, etc. (excluding performance-linked compensation, etc. and non-monetary compensation, etc.), and calculation methods (including policy on determining the timing or conditions for granting compensation)

- Individual base compensation shall be paid monthly with a fixed amount.
- The Group Compensation Advisory Committee shall, in response to the consultation from the Board of Directors, deliberate on the base compensation, based on the "Policies on Determining Compensation for Directors, etc." The Board of Directors shall respect the Committee's deliberation and determine the officer compensation system based on the Policies on Determining Compensation for Directors, etc., and the base compensation is paid pursuant to the system.

(2) Policy on determining the details of performance-linked compensation, etc. and non-monetary compensation, etc. and calculation methods of their amounts and number of units (including policy on determining the timing or conditions for granting compensation)

- From the standpoint of clarifying management responsibility and providing an incentive to improve corporate value, the Company has decided to pay its Directors (excluding External Directors) stock compensation, which is a performance-linked compensation, in addition to base compensation. At a certain time each year, eligible Directors shall be granted points whose amounts are linked to the level of net income attributable to owners of parent posted by the Company. The Directors shall be delivered Company shares, etc. upon retiring from the positions of both the Company's Director (including Director serving as an Audit & Supervisory Committee Member) and Executive Officer, and the number of shares to be delivered shall be determined based on the cumulative number of points granted during their terms in office. *1
- The Group Compensation Advisory Committee shall, in response to the consultation from the Board of Directors, deliberate on the non-monetary compensation, which is the subject performance-linked compensation, based on the "Policies on Determining Compensation for Directors, etc." The Board of Directors shall pay the compensation in accordance with the officer compensation system decided with full respect for the Committee's deliberation.

(3) Policy on determining the ratio of amounts of fixed compensation, performance-linked compensation, etc., and non-monetary compensation, etc. to amounts of individual compensation, etc.

- Individual compensation paid to the Directors shall be the sum of base compensation and stock compensation, which is a performance-linked compensation. The compensation system including provision on the ratio of base compensation to stock compensation, a performance-linked compensation, in individual compensation, etc. shall be set appropriately based on the "Policies on Determining Compensation for Directors, etc." so that the system functions as a healthy incentive toward sustainable growth.

(4) Methods for determining the details of individual compensation, etc., for Directors (when delegating Directors all or part of the determination of the details of individual compensation, etc., their names, positions, responsibilities, and the details of the authority to be delegated shall be included)

- The Group Compensation Advisory Committee shall, in response to the consultation from the Board of Directors, deliberate on the details of individual compensation, etc. for Directors, based on the "Policies on Determining Compensation for Directors, etc." The Board of Directors shall respect the Committee's deliberation and determine the officer compensation system, and the details of individual compensation, etc. for Directors based on the system.
- Of the individual compensation, etc. for Directors, the base compensation for External Directors shall also be deliberated by the Group Compensation Advisory Committee in response to the consultation from the Board of Directors, and based on the "Policies on Determining Compensation for Directors, etc." However, the Board of Directors shall delegate to the Chairman the responsibility to make final decisions on the specific details of the individual compensation, etc. with full respect for the Committee's deliberation, and the Chairman who has received such delegation shall make final decisions.

*1 In the event that certain conditions (such as misconduct) stipulated by the Company are met, or in similar cases, the Company will not deliver shares, etc. of the Company, or will require the return of the amount equivalent to the delivery of shares, etc. already delivered (malus clause and clawback clause).

In terms of compensation for the Company's Directors (excluding Directors serving as Audit & Supervisory Committee Members), the maximum amount of total annual remuneration for all Directors is set based on resolution by a shareholders meeting. At the 15th Annual Shareholders Meeting held on June 29, 2022, it was resolved that (1) the total annual remuneration be within 220 million yen in monetary compensation (including up to 24 million yen annually for External Directors), and (2) the amount of money to be contributed to the stock compensation program be within 80 million yen per fiscal year.

In terms of compensation for the Company's Directors serving as Audit & Supervisory Committee Members, the maximum amount of total monthly remuneration for all such Directors is set based on resolution by a shareholders meeting. At the 13th Annual Shareholders Meeting held on June 26, 2020, it was resolved that the total monthly remuneration be within 6 million yen (within 72 million yen annualized).

The Group Compensation Advisory Committee, in response to the consultation from the Board of Directors, deliberates on individual compensation for Directors (excluding Directors serving as Audit & Supervisory Committee Members) based on the "Policies on Determining Compensation for Directors, etc.," and the Board of Directors makes the final decision with full respect for the Committee's deliberation. The individual compensation for Directors serving as Audit & Supervisory Committee Members is determined based on discussions by the Audit & Supervisory Committee.

Evaluation of Effectiveness of the Board of Directors in FY2023 (Summary)

The Board of Directors of the Company analyzes and evaluates the effectiveness of the Board as a whole on an annual basis, and regularly discloses the summary of the evaluation.

The method and results of evaluation of the effectiveness of the Board of Directors as a whole for FY2023 are as follows.

[Evaluation method]

The evaluation of the Board of Directors was implemented by following the method (procedures) described below.

i) Conducted a questionnaire to evaluate the effectiveness of the Board of Directors with Directors and Executive Officers;
ii) In addition to i), conducted interviews with External Directors to collect a wider range of opinions; and
iii) Based on the results of i) and ii), analyzed and evaluated the effectiveness of the Board of Directors as a whole, and implemented sharing of awareness on issues, discussions on improvement measures, etc.

The evaluation method in general and the details of the questionnaire were decided based on a review from the objective perspective of external experts.

Corporate Governance

[Evaluation results (summary)]

1. Overall evaluation

- We verified that the Board of Directors was properly operated pursuant to the Corporate Governance Guidelines and that the effectiveness of the Board of Directors as a whole is ensured.

2. Results of previous year's evaluation and subsequent actions

- Through the previous year's evaluation, participants shared their perspectives regarding issues such as the improvement of information provision to External Directors and the enhancement of discussions and reporting on new businesses, including those conducted by non-banking subsidiaries.
- In accordance with the above, the Company has introduced a number of measures, including the enhancement of opportunities for External Directors to receive explanations directly from relevant divisions outside of Board of Directors meetings, and the provision of opportunities for on-site inspections of sales offices and other locations. In addition, the Company worked to establish a system that allows the Board of Directors to monitor the businesses of non-banking subsidiaries in a timely and appropriate manner by having them regularly report on business activities according to level of importance.

3. Awareness of issues shared through the evaluation and the trajectory of future response

- Through this evaluation, the Company confirmed that as a result of the initiatives described in 2 above, comments from External Directors broadened discussions, which led to more lively discussions overall. The evaluation also revealed that through these initiatives, the Company has been able to strengthen oversight of businesses that have an impact within the Group.
- On the other hand, in order to further enhance effectiveness, the Company confirmed the need to grasp the status of the business portfolio in light of the uncertain and rapidly changing business environment, as well as the need to have deeper and more extensive discussions on the medium- to long-term vision and direction.
- In order to address these issues, the Company will further strengthen monitoring to understand the profit and loss status of each business and the progress of new businesses, which will lead to a review of the business portfolio and consideration of appropriate resource allocation. The Company will also proactively create opportunities for information sharing and discussion to consider the direction of medium- to long-term management plans in order to strengthen corporate governance and deepen discussions, which will lead to an increase in the Group's corporate value over the medium to long term.

FY2022 evaluation results	FY2023 initiatives	FY2023 evaluation results	
(Awareness of issues)		(Evaluation)	
・Provision of more detailed information to External Directors	・For External Directors ① Enhancement of opportunities for External Directors to receive explanations directly from relevant divisions outside of Board of Directors meetings ② Provision of opportunities for on-site inspections of sales offices and other locations	・Comments from External Directors broadened discussions, which led to more lively discussions overall	
・Enhancement of the Group's internal discussions and reporting on new businesses (including those conducted by non-banking subsidiaries)	・Implementation of regular reporting on the business activities of non-banking subsidiaries according to level of importance	・The Company was able to strengthen oversight of businesses that have an impact within the Group	
		(Awareness of issues)	(Direction of initiatives)
		・Need to grasp the status of the business portfolio in light of the uncertain and rapidly changing business environment	・Further strengthening monitoring of the profit and loss status of each business and the progress of new businesses, leading to a review of the business portfolio and consideration of appropriate resource allocation
		・Need to have deeper and more extensive discussions on the medium- to long-term vision and direction	・Proactive creation of opportunities for information sharing and discussion to consider the direction of medium- to long-term management plans in order to strengthen corporate governance and deepen discussions

Specific Issues Considered by the Board of Directors (April 2023 to September 2024)

○ Matters related to the Board of Directors, etc.

- Selection of Representative Directors and Managing Directors
- Selection of Executive Officers and selection of Managing Executive Officers
- Election of members of the Group Nominating Advisory Committee and the Group Compensation Advisory Committee
- Evaluations of the effectiveness of the Board of Directors

○ Matters related to the Group's management strategies and business execution

- Our new principles and direction of the long-term strategy
- Matters related to the creation of the Annual Report
- Formulation of business plans
- Progress of business plans
- Matters related to acquisition of own shares
- Status of business at Minna Bank
- Status of initiatives of digital transformation (DX) strategy
- Progress of initiatives to revitalize the economy of Nagasaki prefecture
- Regular reviewing of retention of shares for cross-shareholding investments
- Formulation of human rights policy
- Matters related to the establishment of strategic subsidiaries

○ Matters related to the Group's financial results

- Finalization of financial results, payment of dividends

○ Matters related to the Group's internal audit

- Formulation of audit plans
- Status of implementation of audits

○ Matters related to the Group's risk management

- Selection of top risks
- Formulation of risk management programs
- Status of risk management
- Status of self-assessments, results of amortization/ allowance for loan losses, and nonperforming loans disclosed under the Financial Reconstruction Law

○ Matters related to the Group's compliance

- Formulation of Compliance Program
- Progress of Compliance Program
- Responses to money laundering, etc.

For more information on the Group's corporate governance, please refer to the Corporate Governance Report available on the Company's website.
https://www.fukuoka-fg.com/en/company/governance.html

Risk Management

Basic Views

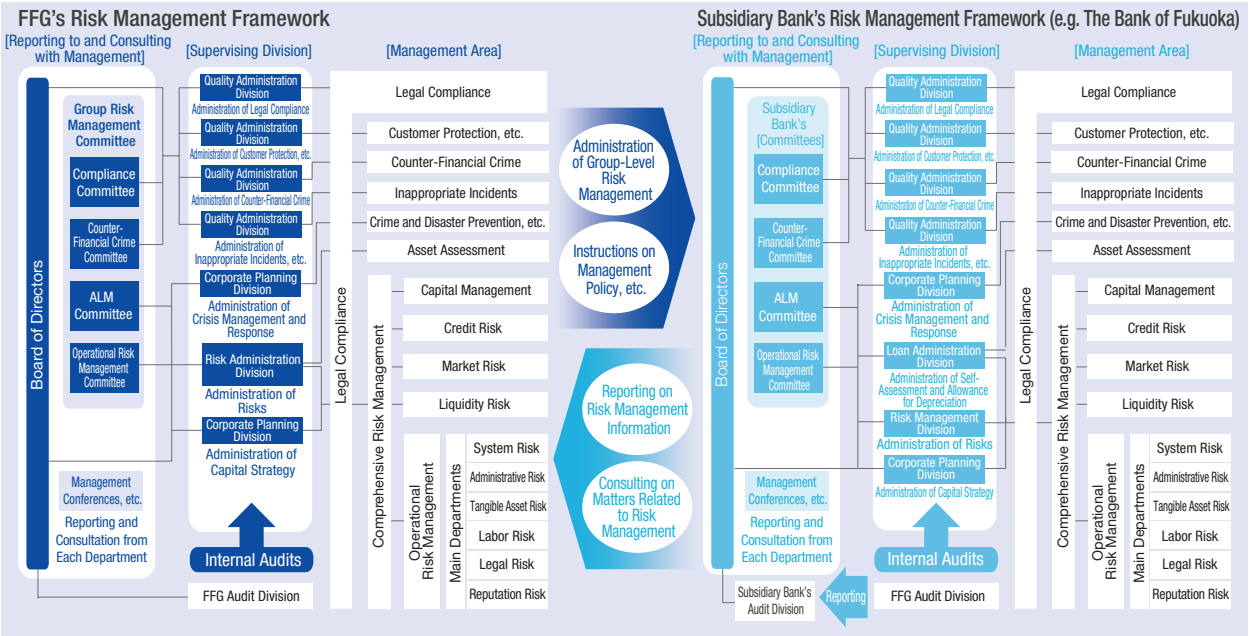
While business opportunities expanded for banks due to changes in society such as evolution of technology and growing awareness of SDGs, they have caused the risks that banks face to become more diverse and complex. In this environment, risk management, which identifies risks, understands and analyses them, and implements appropriate control measures, has become increasingly important.

FFG, in so far as is possible, applies a uniform yardstick to quantify the diverse risks that arise in the pursuit of its business and, based on comprehensive understanding, aims for management that strikes a balance between maintaining soundness and raising profitability. This is implemented groupwide through the FFG's risk management measures.

The Risk Management System for FFG and the Group's Banks

FFG has established the Group Risk Management Committee, comprising the holding company and Group banks, to monitor the various risks that the Group faces and to deliberate on risk management measures and policies attuned to changes in the internal and external environments.

In addition, Group banks have founded similar risk management systems that carry out comprehensive risk management for the Group in close cooperation with FFG.



Tomofusa Ehara
FFG Risk Administration Division

The business environment surrounding financial institutions is rapidly changing due to the spread of generative AI and shifts in monetary policies. We, the Risk Administration Division, aim to appropriately control increasingly diverse and complex risks and support each department, branch, and affiliated company in taking on challenges from a risk management perspective. In doing so, we hope to improve FFG's corporate value and achieve sustainable growth.

Risk Appetite Framework

Financial institutions receive profits in exchange for taking on various risks that arise from businesses, etc., including credit risk on loans and market risk on securities investment.

FFG defines the types and amount of risk taken on voluntarily with the aim of achieving management goals as “Risk appetite.” With this risk appetite as the starting point, we introduced the “Risk Appetite Framework” to conduct business management and risk management.

Through establishing the Risk Appetite Framework, our stance towards risk-taking is clarified, which enables FFG to pursue more opportunities for profit, and to conduct more appropriate risk control.

Risk Appetite Policy

FFG specifies strategies regarding risk-taking in the risk appetite policy and defines “risks to take and risks to avoid.”

The risk appetite policy consists of “Fundamental principle,” which specifies the fundamental principle for risk-taking in each risk category, and “Risk Appetite (qualitative and quantitative),” which specifies specific risk-taking methods and the quantitative levels thereof.

There are eight risk categories in the risk appetite policy comprising “Compliance risk,” “ESG risk” and “AI risk” added to the five* comprehensive risk management categories.

*Refers to: 1) Comprehensive risk, 2) Market risk, 3) Credit risk, 4) Liquidity risk, 5) Operational risk
For more information on the comprehensive risk management framework and each risk category, please refer to “Risk Management” section of this report.

Policy on Allowance for Loan Losses

FFG takes out allowances in a forward-looking manner (“forward-looking allowances”) by quantifying future risks using wide range of information on the current and future circumstances and reflecting this on our allowance for loan losses while taking our loan policies and portfolio into account.

A “forward-looking allowance” strengthens our preparedness for future uncertainty by calculating allowances based on economic predictions, which allows FFG to operate loans without being too impacted by economic fluctuations, and leads to stable and appropriate financial intermediary functions including cash management support.

FFG specifically estimates “forward-looking allowances” by considering the need to group allowances based on criteria such as industry types and company size while taking the analysis of our credit portfolio into consideration. Next, FFG analyzes the possibility of risk events that might aggravate the domestic or international economic environment, and considers the future economic scenario. Under the “Policy on Allowance for Loan Losses,” FFG reviews the necessity for grouping and the economic scenario every half year, in principle.

The “Policy on Allowance for Loan Losses” has been formulated within the Risk Appetite Framework, and FFG has established a structure to maintain the soundness of capital and allowance together to cover latent credit risks that may actualize in the event of future economic deterioration.

Risk Management

Stress Tests

Amid drastic changes in the external environment surrounding financial institutions, FFG positions stress tests as an effective method of evaluating the sustainability of its business model.

FFG conducts multiple types of stress tests, striving to strengthen its responsiveness to each type of risk. Specifically, through multiple stress scenarios that reflect deteriorating risks including credit risk and market risk that may arise in the future, FFG verifies the appropriateness of its management plans and risk appetite. Through scenarios that refer to extremely large market fluctuations, etc. in the past, FFG verifies the adequacy of regulatory capital and economic capital under stress situations.

Strategy Risk Assessment

In the business environment surrounding financial institutions changing acceleratingly due to the declining birthrate and aging population, and new entrants from other sectors fueled by digitalization, FFG is expanding new initiatives such as digital transformation (DX) as well, therefore strategy risks are rising in importance.

FFG defines strategy risk as a "risk of business misjudgments and lack of adaptability to environmental changes affecting financial and business stability," and assesses strategy risks under the Risk Appetite Framework. Specifically, strategy risks are classified and assessed taking a certain method, and in particular, those that are quantifiable are reflected in the capital adequacy assessment.

Risk Indicator Management

Among potentially significant risks identified, FFG conducts risk indicator management on risks for which quantitative analysis is possible and that have a material impact on FFG. Specifically, utilizing risk heat maps, etc. which comprise various quantitative indicators such as production and employment-related indices and expected inflation rate, FFG conducts initiatives to capture indicators of risk actualization in the future.

The aims of risk indicator management are: "to swiftly recognize a heightened level of a potentially significant risk for FFG" and "to discuss and implement specific countermeasures at an early stage for risks where the possibility of actualization is high and the impact is large, so as to keep the impact on FFG to a minimum."

Top Risks

The Group defines risks that are particularly important for management as “top risks,” which are selected by the Board of Directors. We share awareness regarding top risks within the Group, and take measures to reduce their probability and impact. By doing so, we are working to strengthen risk governance.

Top Risks	Examples of risk events
Deterioration of our credit portfolio	• Credit cost increase that exceeds forecasts, due to the deterioration of business performance of customers caused by rising prices and wages, labor shortages, etc.
Reduced competitiveness due to the rapid development of digital society	• Damage to our existing earnings base due to the advancement of technology or the emergence of innovative financial services run by platformers and other industries
System failure and cyber security	• Loss of credibility due to large-scale system failures which disadvantage business partners • Loss of credibility due to customer information being leaked or continuity of operations being hindered because of a cyberattack
Risks associated with growth strategies	• Difficulty in securing the quality and quantity of human resources required to carry out growth strategies and advanced/specialized operations • Increase in losses due to errors assessing the success or failure of business investment in new strategies and the decision to continue investment
Destabilization of Japanese and international financial markets	• Increased valuation losses due to extreme market fluctuations, and contraction of portfolio size and future earnings associated with the treatment of losses
Risks related to climate change	• Decrease in corporate value of the Company and customers due to the delay in climate change-related disclosure and decarbonization support for customers
Shrinking customer bases due to the shrinking regional economy	• Decreased business scale due to the decline of the regional economy and the increase in closure of customers’ businesses as population decline and aging progress at a faster pace than expected in business areas
Compliance risks	• Loss of credibility due to acts that violate laws and regulations or deviate from social norms • Loss of credibility resulting from the Group’s products being misused for financial crimes due to an inadequate management system for money laundering, etc.
External risks that can change assumptions regarding the social environment	• Significant impact on management strategy resulting from significant changes in the social environment and business assumptions due to the division of the international community associated with the emergence of geopolitical risks • Damage to the Company, officers and employees, and business partners due to natural disasters such as heavy rains
Liquidity risk in Japan and overseas	• Tight yen-based cash flows due to an outflow of deposits larger and happening in shorter period of time than expected • Tight foreign-currency-based cash flows due to a decline of net interest income and a decrease in procurement resulting from elevated overseas interest rates and increased procurement premiums

Risk Management

Business Continuity Structure

Amid increases in natural disasters, large-scale cyberattacks, and other incidents that are difficult to predict and have a significant impact on the business continuity of financial institutions, FFG has been working to strengthen and enhance its business continuity structure as a company charged with the mission of providing stable financial services.

FFG has established the Crisis Management Regulations, which set forth the structure, response policies, and other matters to minimize the impact of disasters and accidents and enable recovery from a state of crisis. In case of an emergency, the General Response Headquarters, headed by the officer in charge of Corporate Planning Division, will be set up to take necessary measures. Based on the Crisis Management Regulations, emergency drills are conducted regularly, at least once a year.

Cyber Security Initiatives

Cyber Security Management System

In light of the rising materiality of cyber security as digital transformation (DX) overhauls business models and remote work and other workstyle reforms progress, FFG has selected cyber security as one of the top risks and has been working to strengthen its cyber security management system.

With regard to system risk management, which is the foundation for cyber security management, we are administering and controlling the risk appropriately by building an adequate risk management structure within the framework of operational risk management. For more information, see pages 38 to 40 of FFG Disclosure 2024 “Financial Data” (in Japanese) on our website.

To address cyberattack risks that are intensifying in recent years, we have set up the Cyber Security Group, which specializes in cyber security, in the IT Administration Division. The Group collects information on trends in cyberattack methods, vulnerability, and other security-related matters from security vendors and external institutions, and appropriately manages how countermeasures are taken. We also operate the cross-divisional FFG Computer Security Incident Response Team (FFG-CSIRT), with the Cyber Security Group serving as the secretariat. This leads to seamless cooperation between divisions when a cyberattack occurs, and in turn enables an appropriate initial response and recovery efforts from the user’s perspective. At normal times, we share security information and regularly conduct emergency drills. Activities that enhance the effectiveness of security measures are escalated to the Group IT Special Committee, where reports are made to the management team each year.

Response to Incidents

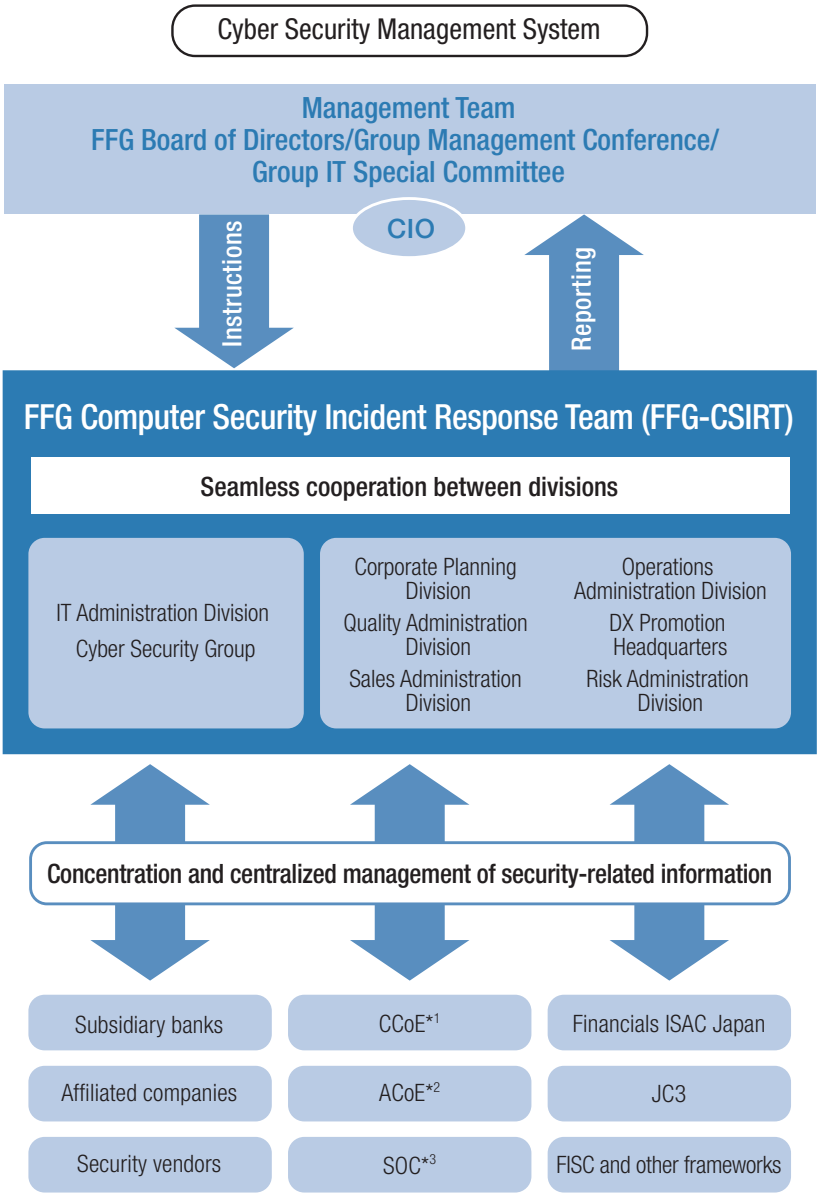
Through self-analysis and third-party assessment based on the cyber security framework, we discuss security measures necessary for minimizing damage and improve resilience (the ability to recover quickly), thereby strengthening the capability to respond to incidents from various angles.

In FY2024, we have been appropriately addressing new challenges through the Financial Services Agency’s “Guidelines on Cybersecurity in the Financial Sector” and “Cybersecurity Self-Assessment,” as well as through practical incident response drills (TLPT).

Education and Training

To enhance the overall cyber security literacy of officers and employees, FFG engages in education and training activities constantly, targeting all officers, employees, and staff including those of affiliated companies. Such activities include information security training sessions at workplace, suspicious email drills, and sharing of the latest security incidents. We are also committed to providing security education based on responsibilities, positions, and literacy, such as by holding training sessions for the management team and security training for IT-related divisions.

In addition, we, especially FFG-CSIRT members, actively participate in various other activities, such as drills and exercises organized by the National center of Incident readiness and Strategy for Cybersecurity and the Financial Services Agency.



(Organizational Mission)

Group IT Special Committee

[Roles]
Discuss Group IT strategy, system risk management, and investment in IT systems to strengthen the IT governance system

FFG-CSIRT

Established in February 2015

[Head of Task Force]
General Manager of FFG IT Administration Division

[Roles]
Initial response to cyberattacks
Information sharing and emergency drills at normal times

Cyber Security Group, IT Administration Division

Established in April 2017

[Roles]
Planning, promotion, and management of security measures
Secretariat of FFG-CSIRT

*1 CCoE (Cloud Center of Excellence)
An organization that has knowledge on cloud systems and supports safe cloud use

*2 ACoE (Architecture Center of Excellence)
An organization that promotes the formulation, implementation, and optimization of system architectures that adapt to changes in the business environment

*3 SOC (Security Operation Center)
An organization that monitors information systems, detects and analyzes cyberattacks, and advises on countermeasures

Compliance Measures

Basic Views

The Group believes that “compliance” is one of the most important management issues for financial institutions, for which trust is the greatest asset. We are working to establish corporate ethics and enhance and strengthen our compliance system.

The Group and all officers and employees shall comply with the letter and the spirit of our Compliance Charter*, which shows the compliance-related basic values, spirit, and code of conduct in common among Group companies, and conduct daily business with high ethical standards.

*Our Compliance Charter is posted on our company website.
https://www.fukuoka-fg.com/en/company/compliance.html

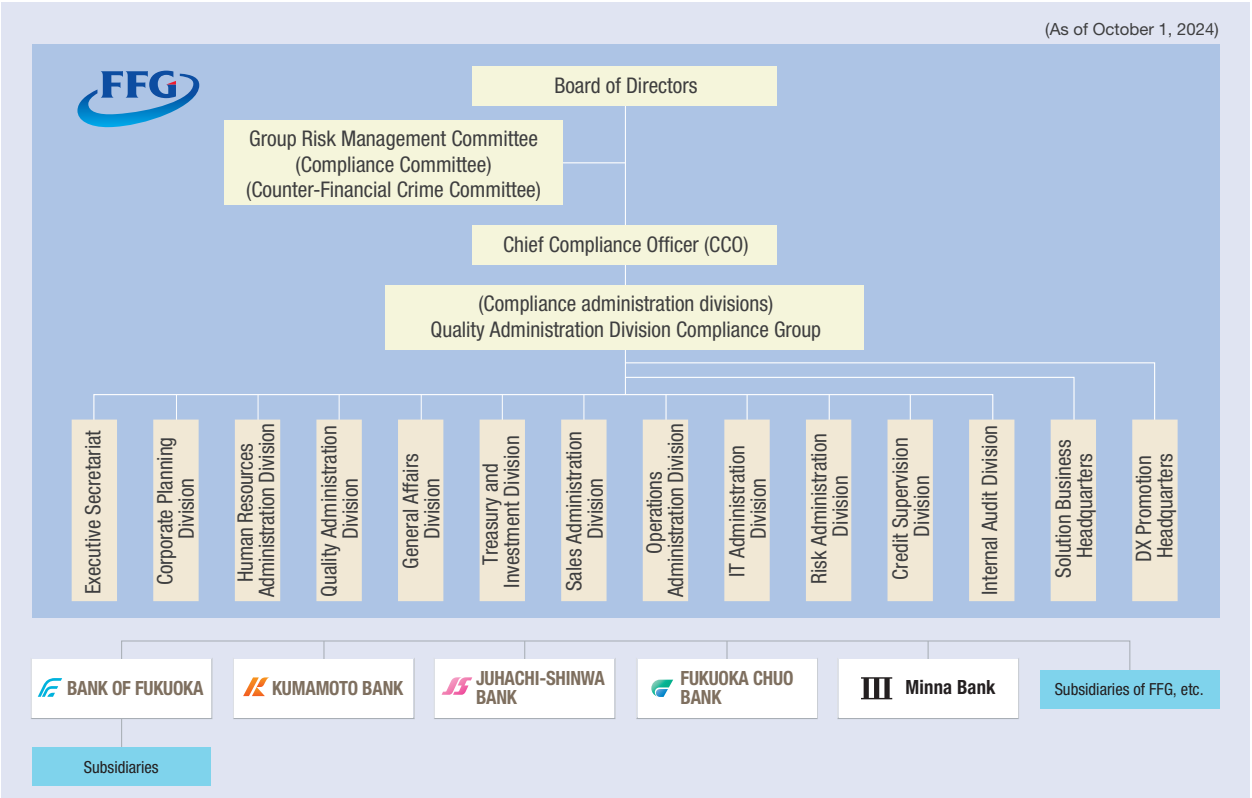
Compliance System

We have established the position of Chief Compliance Officer (CCO) as the officer in charge of building and operating compliance systems for the entire Group, as well as the Quality Administration Division Compliance Group as the department that oversees compliance.

Furthermore, we have established the Compliance Committee, comprised of the President, Directors, and other members, who discuss and report on important matters related to compliance, and periodically evaluate and check the progress of the Compliance Program.

Each company in the Group has also established a compliance administration division, and they are working together with the Company to enhance and strengthen the compliance system throughout the Group.

(As of October 1, 2024)



Tomomi Tada
FFG Quality Administration Division Compliance Group

Compliance is becoming increasingly important in terms of maintaining companies' "credibility" and "trust" while also enabling them to achieve "sustainable growth." In response to changes in the social environment, we continue to undertake initiatives to ensure thorough awareness of "correct behavior as a member of society" and promote the practical identification of risks from the perspective of ensuring "psychological safety." In ways such as these, we aim to ensure that all of FFG's officers and employees act in accordance with the values and ethical norms expected of us by society.

Initiatives to Enhance and Strengthen Our Compliance System

The Group has established a Compliance Charter, as well as a Compliance Manual that compiles our ethical provisions, in-house regulations, and laws and other pertinent ordinances. We also establish a Compliance Program for each fiscal year as a practical plan for priority issues and action plans related to compliance.

For the current fiscal year, we aim to raise the level of our organizational culture that emphasizes compliance, as well as to enhance the anti-money laundering management system and the customer protection management structure. We are implementing various initiatives such as sending out messages from management and holding regular workplace training sessions. In addition, we are committed to measures to facilitate communication and initiatives related to psychological safety, so that employees can express their frank opinions freely and openly.

Whistleblowing System and Other Initiatives for the Early Discovery and Correction of Misconduct

FFG has set up a whistleblowing system called the Whistleblowing Hotline for the early detection and correction of acts such as violations of laws and ordinances, or violations of employment rules. Not only an internal contact point but also an external contact point in a law office has been established in order to ensure confidentiality.

In addition, we have established a variety of systems that allow employees to report and consult with the Human Resources department or supervisors about anything so that troubles, concerns, etc. can be gathered more broadly and addressed early. In order to promote awareness of these systems, we have placed posters with a focus on the user's perspective throughout the company. Also, by making it possible for officers and employees to check contact information from their smartphones, we convey the sense of security and the convenience of our reporting and consultation systems.

Anti-bribery and Anti-corruption Initiatives

We have clearly stated FFG's basic views, including the honest and fair execution of business and our zero tolerance as an organization towards any form of bribery or corruption in the Compliance Manual, together with specific measures such as not providing, accepting, soliciting, or promising any monetary or other benefits in our dealings with public officials and the like. We are thoroughly spreading this knowledge to all officers and employees.

Compliance Measures

Anti-Money Laundering and Countering the Financing of Terrorism

In recent years, a variety of financial crimes such as fraud, illegal cash withdrawal, money laundering and financing of terrorism have occurred, and their schemes and techniques have become more complex and sophisticated. FFG and its Group companies have established the Policy on Anti-Money Laundering and Countering the Financing of Terrorism to fight such financial crimes, and are taking various measures to protect customers' assets.

<Outline of FFG's Measures for Anti-Money Laundering and Countering the Financing of Terrorism>

FFG's Main Initiatives

● Establishment of the Management System

Positioning the prevention of money laundering and other financial crimes as one of the most critical issues for business management, FFG has established the Counter-Financial Crime Group under the Quality Administration Division as an administration department and works to ensure uncompromising verification and sophistication of the management system to maintain and improve public trust.

FFG regularly holds Counter-Financial Crime Committee meetings attended by the management and heads of each department in order to discuss and report measures and cases. Understanding that financial crimes such as money laundering can pose a material risk to the business, the management and heads of each department proactively take the initiative and require all employees to fully understand the countermeasures.

● Revision of the Risk Assessment Report

FFG identifies and assesses the risks associated with products and services that FFG and its Group companies offer, and in order to reduce such risks, we have established a written Risk Assessment Report by a Specified Business Operator, etc. (Risk Assessment Report), which is revised at least once a year.

● Employee Training

In order to build a system that prevents use by criminal organizations, we conduct training and comprehension tests. We are also striving to improve the awareness and sensitivity of all employees to financial crimes, such as by regularly disseminating methods and points to be aware of regarding financial crimes, which are becoming more sophisticated and complex.

The Group reviews the status of compliance with measures to prevent money laundering and other financial crimes, and based on the results, continuously improves the system.

Efforts to Cut Off Relationships with Anti-Social Forces

In order to maintain public trust in financial institutions and fulfill our social responsibilities, the Group is mobilizing its entire organization to cut off all relationships with anti-social forces that threaten the order and safety of civil society.

Specifically, we are working to prevent transactions with anti-social forces by introducing criminal organization exclusion clauses into our contracts and transaction agreements. In addition, if the other party is found to be an anti-social force after the start of a transaction, we will cooperate with external specialized agencies such as the police and lawyers to take measures to eliminate transactions and cut off relationships.

Internal Audit

Basic Views

To address risks surrounding the Group in a timely and appropriate manner and sustainably improve corporate value, FFG works to enhance and strengthen the internal control system. To this end, the Internal Audit Division, which is independent of business execution departments, conducts effective internal audits in accordance with the scale and characteristics of the business, applicable laws and regulations, and risks.

Implementation Systems for Internal Audits

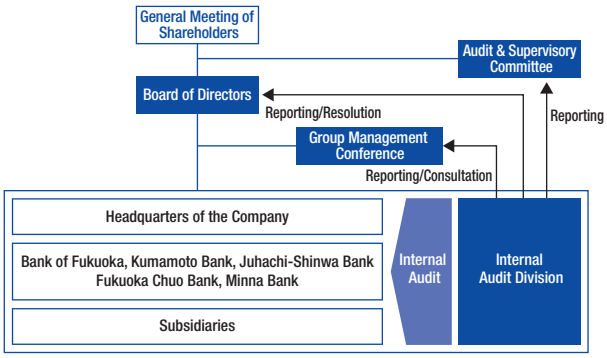
As part of its management and administration, FFG's Internal Audit Division standardizes audit criteria and methods across the board and audits FFG and its subsidiaries, including Group banks.

As the Internal Audit Division consists of secondees from Group banks, FFG has a system in place where it exercises control as a holding company and conducts audits based on the situation and changes in each company.

The Internal Audit Division conducts audits based on internal audit policies as well as audit plans for each fiscal year which are approved by the Board of Directors. Important matters, such as key audit results, are reported regularly to the Board of Directors and the Audit & Supervisory Committee of FFG and subsidiary banks, as well as to the Group Management Conference.

For more effective internal audits, the Internal Audit Division also exchanges information regularly and cooperates closely with Representative Directors, Audit & Supervisory Committee Members, the Accounting Auditor, and departments in charge of internal control and risk management.

Internal Audit Structure



Streamlining and Improving Internal Audits

The Internal Audit Division conducts risk-based audits so audit resources may be allocated effectively and efficiently to risks associated with changes in the internal and external environments or the transformation of business models. In addition, we take advantage of external institutions for audits that involve issues that are cutting-edge or require high levels of expertise.

Through regular internal assessments aimed at maintaining and improving audit quality, as well as external assessments and training for audit personnel, we thus constantly work toward more advanced internal audits.

Initiatives to Verify Individual Measures

Of the key measures implemented by the Group, the Internal Audit Division verifies those considered to have an especially large impact on transactions with customers by using feedback from sales offices, which have the most contact with customers, as a mirror reflecting the effect of the measures. Through recommendations to the management team and each responsible business section, we strive to improve these measures.

Interviews about Organizational Culture

The Internal Audit Division interviews each sales office and department about organizational culture to verify whether a sound organizational culture is developed.

The interviews about organizational culture are held not only to prevent misconduct and scandals but also to review whether the culture encourages a future-oriented mindset and motivates employees to take on challenges. By feeding back the findings and best practices to management, the Division takes part in achieving the Group Management Principles as the internal audit wing of the Group.

Company Outline (as of September 30,2024)

Fukuoka Financial Group, Inc.

Head Office	1-8-3, Otemon, Chuo-ku, Fukuoka 810-8693, Japan
Date of Establishment	April 2, 2007
Paid-in Capital	¥124.7 billion
Security Code	8354
Stock Listings	Tokyo Stock Exchange, Fukuoka Stock Exchange
Number of Employees	8,254 (Consolidated)(as of September 30,2024)
Telephone Number	+81-92-723-2500
Website	https://www.fukuoka-fg.com/

The Bank of Fukuoka, Ltd.

Head Office	2-13-1, Tenjin, Chuo-ku, Fukuoka 810-8727, Japan
Date of Establishment	March 31, 1945
Paid-in Capital	¥82.3 billion
Number of Employees	3,658 (as of September 30,2024)
Telephone Number	+81-92-723-2131
Website	https://www.fukuokabank.co.jp/

The Bank of Fukuoka's Overseas Network

Hong Kong Representative Office
Room 404, 4/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
+852-2524-2169

Shanghai Representative Office
Room 2010, Shanghai International Trade Centre, 2201 Yan An Xi Road, Shanghai, China
+86-21-6219-4570

Dalian Representative Office
Room 622, Furama Hotel, No. 60 Ren Min Road, Dalian, China
+86-411-8282-3643

Representative Office Registered in Singapore
65 Chulia Street #27-03 OCBC Centre Singapore 049513
+65-6438-4913

Bangkok Representative Office
16th Floor Unit 1606A, Park Ventures Ecoplex, 57 Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Thailand
+66-2-256-0695

New York Representative Office
One Rockefeller Plaza, Suite 1201, New York, NY 10020-2003 U.S.A.
+1-212-247-2966

Taipei Representative Office
Fabulous International Commercial Building 6F-1, No.126, Songjiang Rd., Zhongshan Dist., Taipei City 10457, Taiwan
+886-2-2523-8887

Ho Chi Minh City Representative Office
Suite 1108, Saigon Tower, 29 Le Duan Street, District 1, Ho Chi Minh City, Vietnam
+84-28-3822-2802

The Kumamoto Bank, Ltd.

Head Office	6-29-20, Suizenji, Chuo-ku, Kumamoto 862-8601, Japan
Date of Establishment	January 19, 1929
Paid-in Capital	¥10 billion
Number of Employees	831 (as of September 30,2024)
Telephone Number	+81-96-385-1111
Website	https://www.kumamotobank.co.jp/

The Juhachi-Shinwa Bank, Ltd.

Head Office	1-11, Douzacho, Nagasaki 850-0841, Japan
Date of Establishment	September 1, 1939
Paid-in Capital	¥36.8 billion
Number of Employees	1,952 (as of September 30,2024)
Telephone Number	+81-95-824-1818
Website	https://www.18shinwabank.co.jp/

The Fukuoka Chuo Bank, Ltd.

Head Office	2-12-1, Daimyo, Chuo-ku, Fukuoka 810-0041, Japan
Date of Establishment	June 5, 1951
Paid-in Capital	¥4.0 billion
Number of Employees	436 (as of September 30,2024)
Telephone Number	+81-92-751-4433
Website	https://www.fukuokachuo-bank.co.jp/

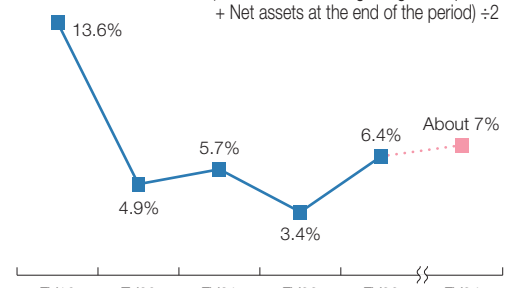
Minna Bank, Ltd.

Head Office	6-27, Nishinakasu, Chuo-ku, Fukuoka 810-0002, Japan
Date of Establishment	August 15, 2019
Paid-in Capital	¥12.75 billion
Number of Employees	165 (as of September 30,2024)
Telephone Number	+81-92-791-9231
Website	https://www.minna-no-ginko.com/

Financial Data

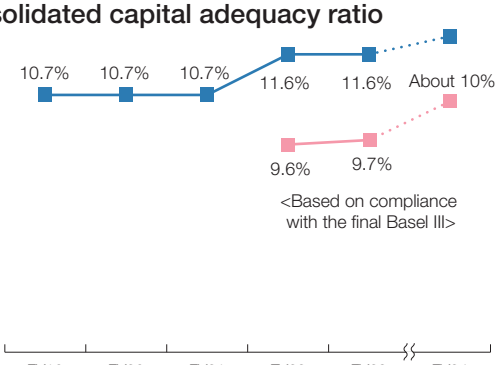
Consolidated ROE

$$\text{Consolidated ROE} = \frac{\text{Net income attributable to owners of the parent}}{(\text{Net assets at the beginning of the period} + \text{Net assets at the end of the period}) \div 2}$$



*Figures up to FY22 do not include Fukuoka Chuo Bank, Ltd.

Consolidated capital adequacy ratio



*Figures up to FY22 do not include Fukuoka Chuo Bank, Ltd.

Core business profit (4 banks total)

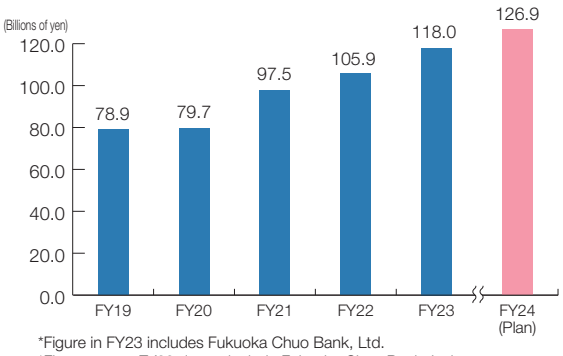
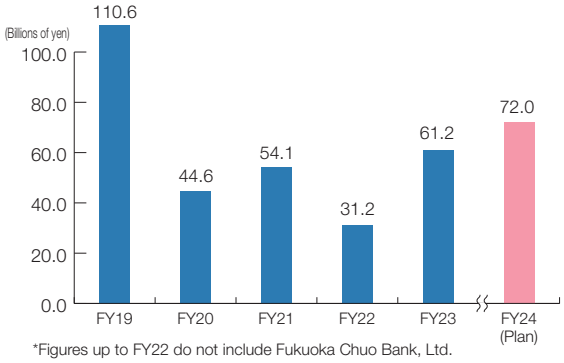


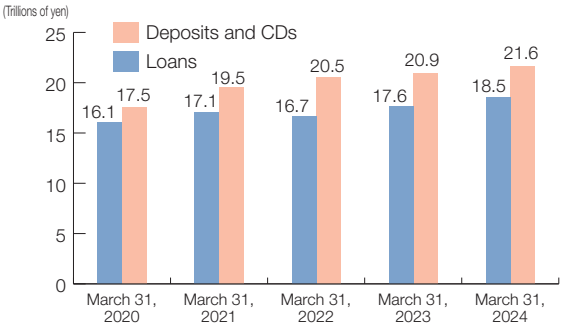
*Figure in FY23 includes Fukuoka Chuo Bank, Ltd.
*Figures up to FY22 do not include Fukuoka Chuo Bank, Ltd.

Consolidated net income



*Figures up to FY22 do not include Fukuoka Chuo Bank, Ltd.

Balance of deposits and loans at the end of the period (consolidated)



*Figures up to March 31, 2023 do not include Fukuoka Chuo Bank, Ltd.

Consolidated OHR

$$\text{Consolidated OHR} = \frac{\text{Consolidated expenses}}{\text{Consolidated gross business profit}}$$

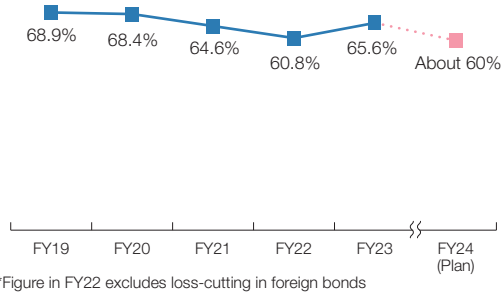
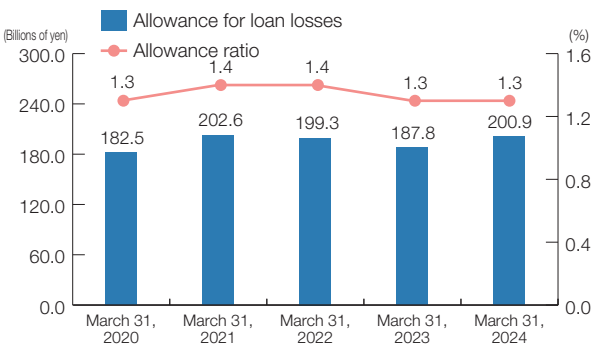
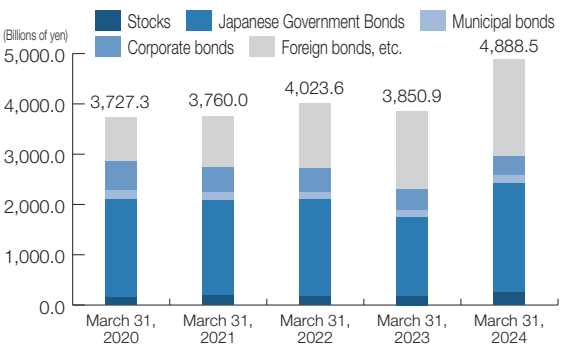


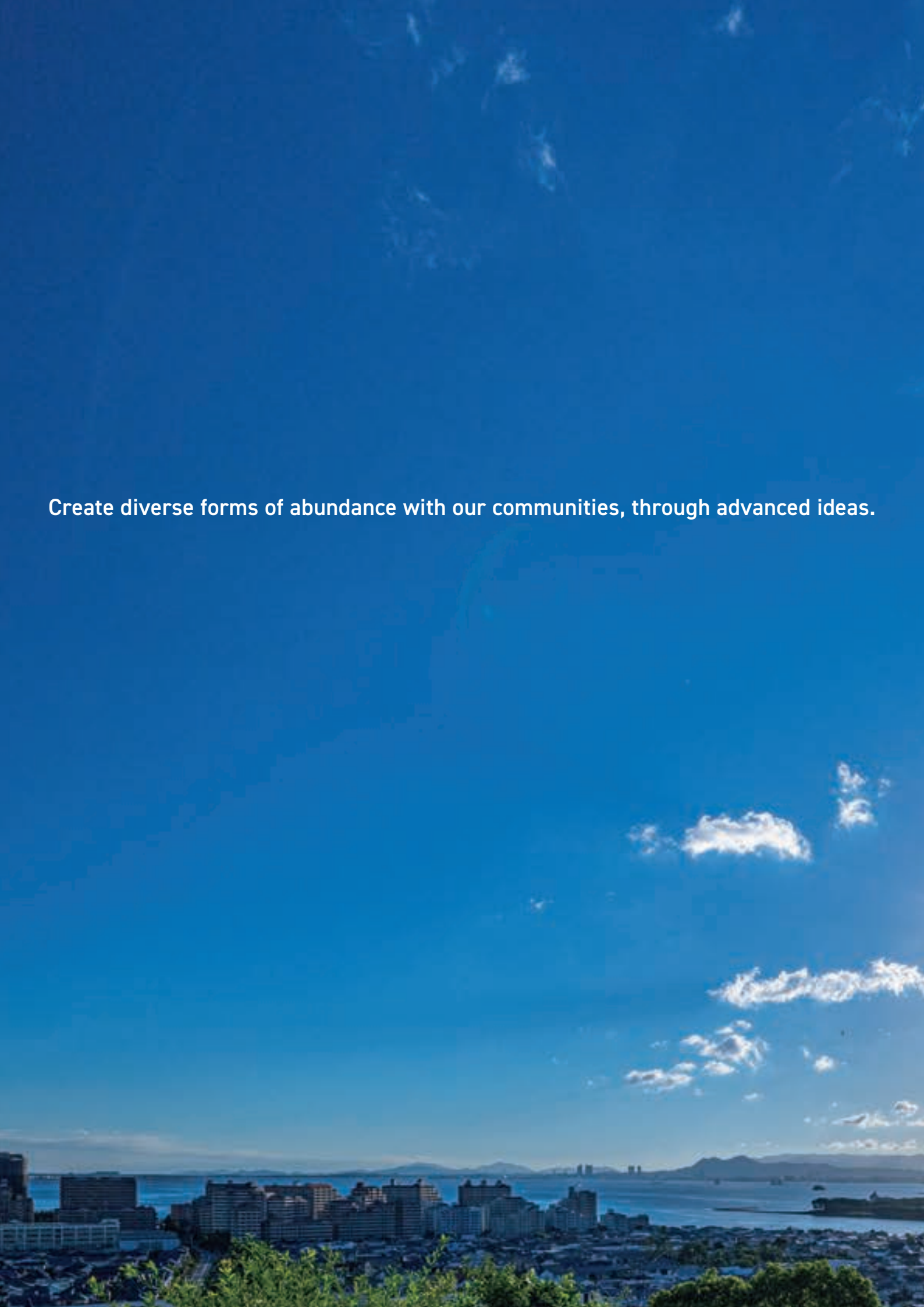
*Figure in FY22 excludes loss-cutting in foreign bonds

Allowance for loan losses and allowance ratio trends



Balance of securities




Create diverse forms of abundance with our communities, through advanced ideas.