

# Annual Report 2023

Year Ended March 31, 2023



## Mebuki Financial Group Philosophy

Together with local communities, we will continue to build a more prosperous future by providing high-quality, comprehensive financial services.

The ingenuity of the entire Group will be combined to contribute to sustainable growth in communities.

We will build a better future together with local communities, seeking solutions to challenges that affect these communities by providing high-quality, comprehensive financial services.

## Mebuki Financial Group Sustainability Policy

Based on the Mebuki Financial Group Philosophy “Together with local communities, we will continue to build a more prosperous future by providing high-quality comprehensive financial services,” Mebuki Financial Group and group companies will support solving issues in our regions, while contributing to the achievement of sustainable growth of local communities as well as the improvement of our corporate value.



The Japanese word mebuki, or “green shoots,” conveys an image of new leaves budding on tree branches. This word is used in the Group’s name to express its approach of drawing on the knowledge and creativity of each of its companies to create fresh ideas and new value. The name Mebuki expresses our wish to create new energy and value in local communities and pursue sustainable growth along with these communities.

## Contents

### About Mebuki Financial Group

Group Philosophy and Sustainability Policy .....	1
Developments of Mebuki Financial Group .....	3
Performance of Mebuki Financial Group .....	5
Strengths of Mebuki Financial Group .....	7

### Mebuki Financial Group's Value Creation

Value Creation Process of Mebuki Financial Group .....	9
A Message from the Management .....	11
Mebuki Financial Group's Sustainability Initiatives .....	17
Long-Term Vision 2030 .....	21
Third Medium-Term Group Business Plan .....	23
Management and Financial Strategies .....	25

### Management Strategies for Value Creation

Value Creation Initiatives of Mebuki Financial Group	
Revitalization of the Regional Economy and Local Communities .....	29
Response to Climate Change and Environment Conservation / Initiatives for TCFD Recommendations .....	41
Promotion of Digitalization and DX .....	49
Response to Aging Society .....	57
Promotion of Diversity / Human Resources Management .....	63
Roundtable Discussion on Diversity and Human Capital .....	73

### Management Base Supporting Value Creation

Governance of Mebuki Financial Group	
Corporate Governance .....	77
List of Directors .....	85
Roundtable Discussion of Outside Directors .....	87
Risk Management System .....	91
Cyber Security .....	93
Initiatives for Compliance .....	94
Internal Audit .....	96
Dialogue with Stakeholders .....	97

### Corporate Data

Group Non-financial Data .....	101
Group Structure and Corporate Data .....	103
Overseas Representative Offices .....	104
Organization / Stock Information .....	105
Financial Data .....	106

## Disclaimer regarding forward-looking statements

This Annual Report contains certain forward-looking statements, including estimates, forecasts, targets, and plans. Such forward-looking statements are based on the information available and the assumptions deemed reasonable by the management at the time of publication of the Annual Report, and do not represent any guarantee by the management of future performance.

We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

Details on ESG information are available on our website: <https://www.mebuki-fg.co.jp/eng/esg/esg.html>

Under the Mebuki Financial Group Philosophy “Together with local communities, we will continue to build a more prosperous future by providing high-quality comprehensive financial services,” the ingenuity of the entire Group will be combined to contribute to the achievement of sustainable growth of local communities as well as the improvement of our corporate value.

## 1935 Establishment of Joyo Bank



Establishment of Joyo Bank through the merger of the Tokiwa Bank and the Goju Bank

## 1974

Established Joyo Lease (currently Mebuki Lease)

## 1995

Established Joyo Industrial Research Institute in commemoration of the Bank's 60th anniversary

## 1996

Opened Shanghai Representative Office

## 1999

Established the “sound management, collaboration, and partnership with the home region” philosophy

## 2006

Started operating new branches in areas along the new Tsukuba Express line  
Opened Joyo Tsukuba Building in 2008

## 2007

Established Joyo Securities (currently Mebuki Securities)

## 2012

Launched Joyo's reconstruction project “Kizuna (bond)” in hopes of the regional recovery and growth after the Great East Japan Earthquake

## 2013

Opened Representative Office Registered in Singapore

## 2014

Opened New York Representative Office  
Launched “PLUS+” Project for the Collaborative Creation of the Region's Future

## 2015

Initiated study sessions and seminars for development of regional comprehensive strategies

## 1985

Established “Corporate Philosophy” in commemoration of its 90th anniversary  
Established the Ashigin International Exchange Foundation

## 2003

Decision made by the Japanese government to designate Ashikaga Bank a bank under special crisis management

## 2008

Established Ashikaga Holdings  
Special crisis management designation lifted

## 2009

Established Ashigin Research Institute

## 2014

Ashikaga Holdings listed on the first section of the Tokyo Stock Exchange

## 2015

Opened Hong Kong Representative Office  
Signed agreements with 9 local organizations as part of its efforts under the Comprehensive Strategy for Overcoming Population Decline and Vitalizing Local Economy

## 2016

Established Mebuki Financial Group



## 2017

Mebuki Lease and Mebuki Securities became directly and wholly-owned subsidiaries

## 2017

Opened Bangkok Representative Office

## 2018

Opened Hanoi Representative Office

## 2021

Joyo Credit and Ashigin Card were merged to establish Mebuki Card  
Declared support for TCFD Recommendations

## 2021

Established Joyo Capital Partners

## 2021

Established Wing Capital Partners  
Established Ashigin Money Design

## 2020

Completed the system integration of Joyo Bank and Ashikaga Bank  
Reorganized the system departments  
Mebuki Credit Guarantee became a directly and wholly-owned subsidiary

## 2022

Formulated Long-Term Vision 2030 and Sustainability Policy

## 2022

Established Joyo Green Energy

## 2022

Established regional trading company Colletochi

## 2023

Joyo Credit Guarantee became a wholly-owned subsidiary of Mebuki Credit Guarantee

## Long-Term Vision 2030

### Vision

A Value Creation Group  
Working Together with  
Local Communities

## Fifth Medium-Term Business Plan

(From FY2028 to FY2030)

Period for realizing long-term vision

## Fourth Medium-Term Business Plan

(From FY2025 to FY2027)

Period for accelerating evolution

From FY2022 to FY2024

## Third Medium-Term Business Plan

Period for taking on challenges  
for sustainable growth

From FY2019 to FY2021

## Second Medium-Term Business Plan

Period for producing solid results and  
upshifting for the next stage of growth

From 2H FY2016 to FY2018

## First Medium-Term Business Plan

Period for getting the new Group  
on track for success

Joyo Bank  
Ashikaga Bank

## 1895 Establishment of Ashikaga Bank



Established in Ashikaga town, Ashikaga county, Tochigi Prefecture

## 1897

Opened its first branch in Kiryu town, Yamada county, Gunma Prefecture

## 1967

Relocated the head office to Utsunomiya city in Tochigi Prefecture

## Social developments and history

## 1929

Start of the Great Depression

## 1985

Plaza Accord

## 1991

Collapse of bubble economy

## 1997

Japanese version of “Big Bang” financial reforms

Asian currency crisis

## 2005

Full implementation of pay-off system in Japan

## 2008

Global financial crisis following Lehman Brothers' bankruptcy

## 2010

European debt crisis

## 2016

BOJ's introduction of negative interest rate policy

## 2019

Japan's consumption tax rate hike to 10%

## 1945

End of the Pacific War

## 1964

Tokyo Olympic and Paralympic Games

## 1974

Completion of Tohoku Expressway within Tochigi Prefecture

## 1982

Opening of Tohoku Shinkansen

## 1985

Holding of Tsukuba EXPO

## 2005

Opening of the Tsukuba Express

## 2011

Great East Japan Earthquake

## 2015

SDGs adopted by the U.N.

## 2019

Suffered extensive damage by Typhoon Hagibis and other disasters

## 2020

Spread of COVID-19

## 2021

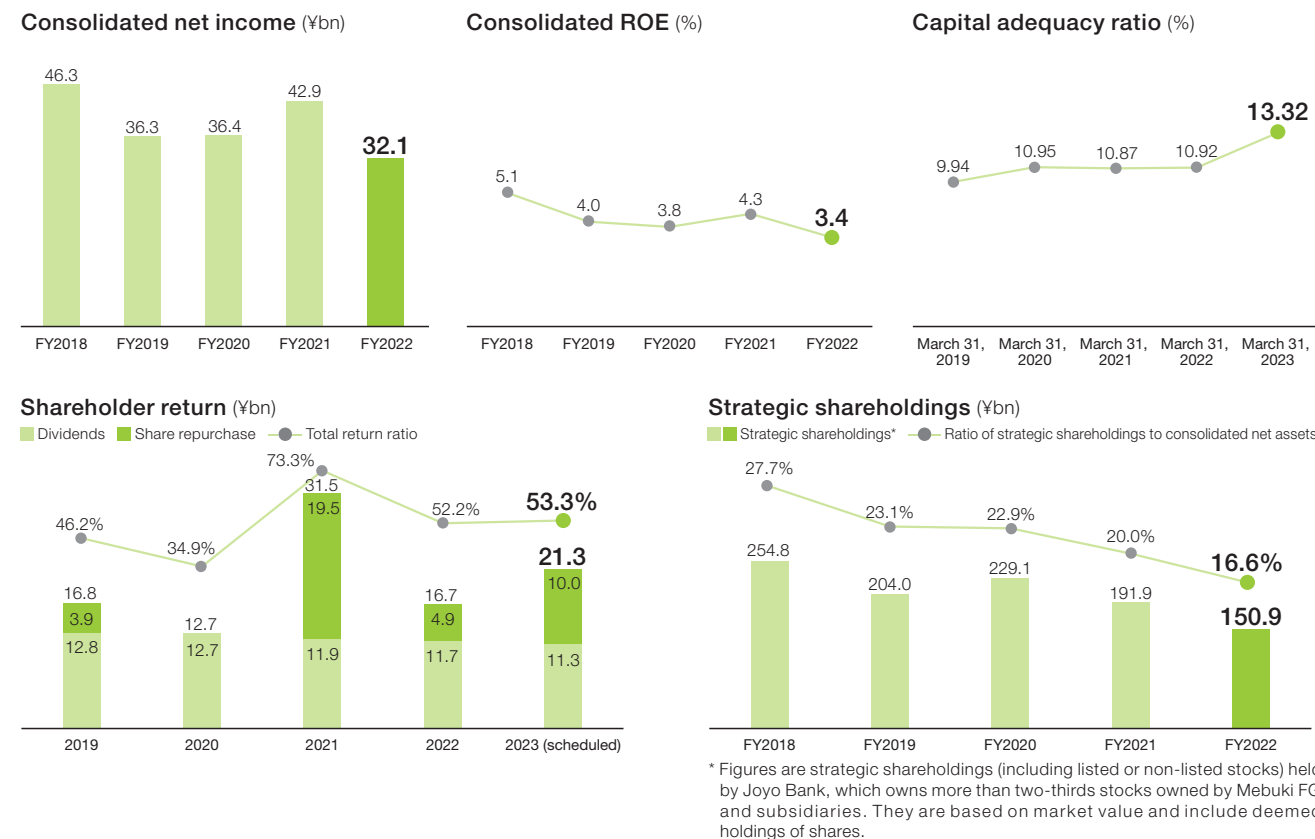
Tokyo Olympic and Paralympic Games

## 2022

Russia's invasion into Ukraine

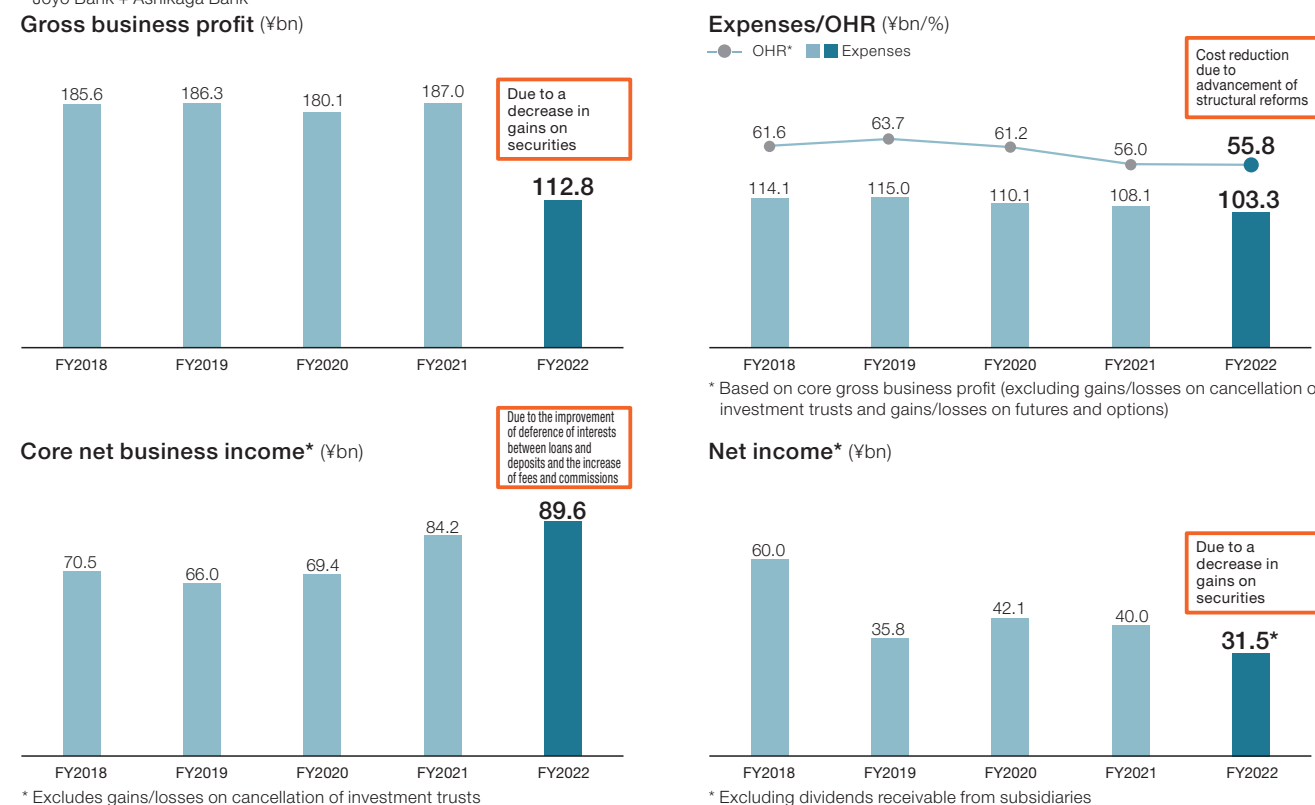
## Financial Highlights

### Mebuki FG (Consolidated)



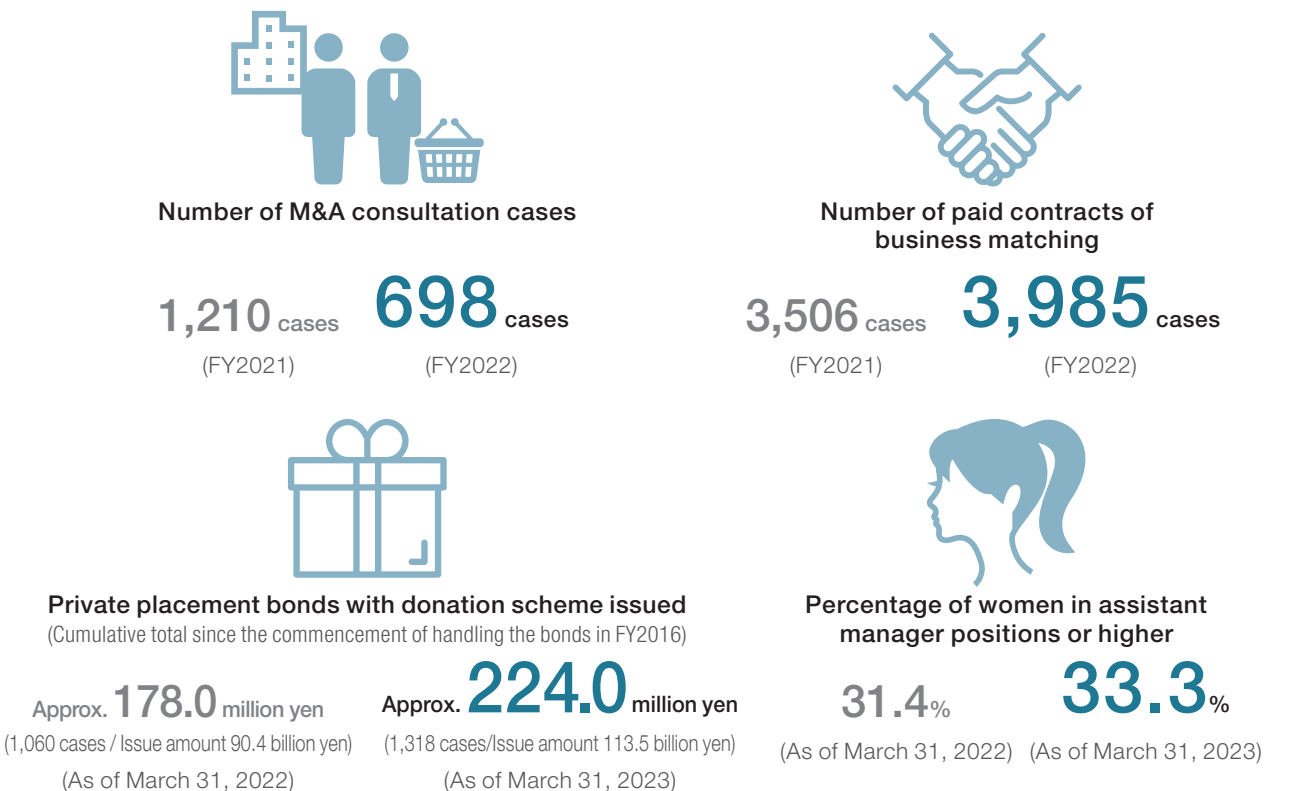
### Bank Total\*

\* Joyo Bank + Ashikaga Bank

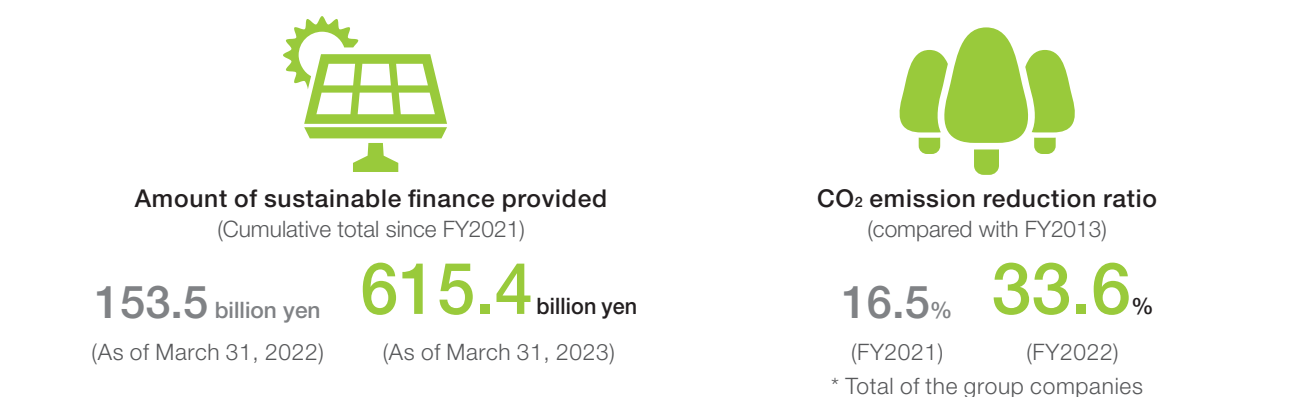


## ESG Highlights (Bank Total)

### Social

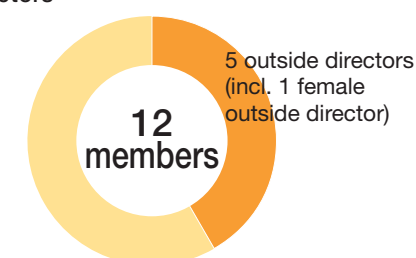


### Environment



### Governance

#### Board of Directors



### External evaluation



"Platinum Kurumin" certification was granted as a company that provides superior support for childcare to its employees based on the Act on Advancement of Measures to Support Raising Next-Generation Children.



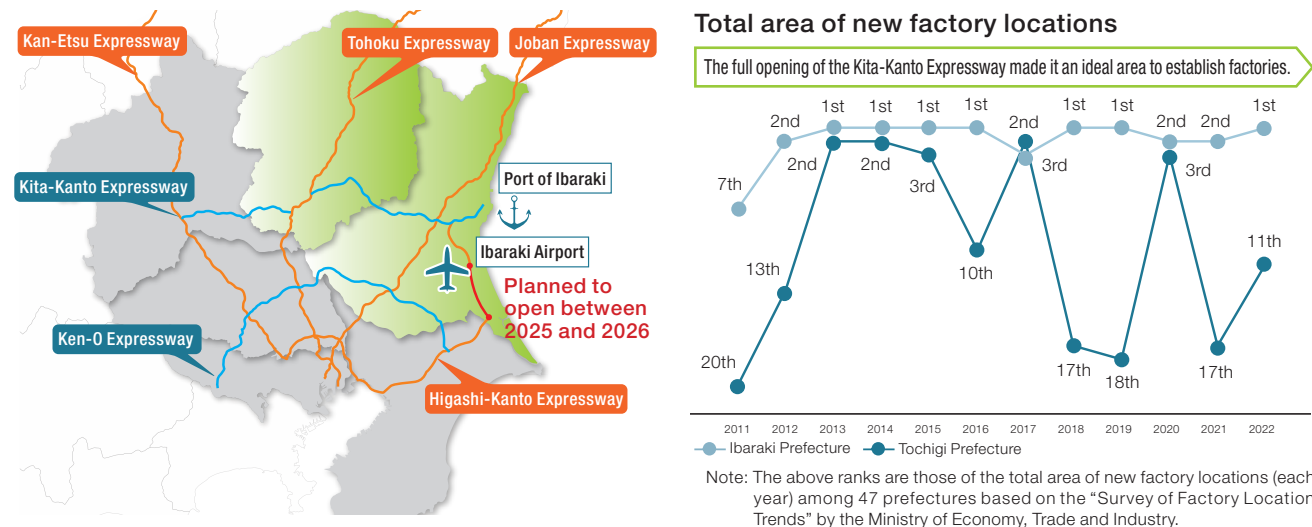
Recognized as an outstanding organization under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category)



## Market Potential of Ibaraki Prefecture and Tochigi Prefecture

### (1) Well-developed transportation network and high growth potential for establishing factories

Mebuki Financial Group's primary areas of business are Ibaraki Prefecture and Tochigi Prefecture, both adjacent to the Tokyo metropolitan area, and have been high concentration areas of manufacturers of industries including automobile and aircraft. In addition, the area has a well-developed transportation network of airports, seaports, and highways, making it an extremely attractive location to set up factories. The total area of factory locations is among the largest in Japan.



### (2) Thriving agriculture industry and a balanced industrial structure

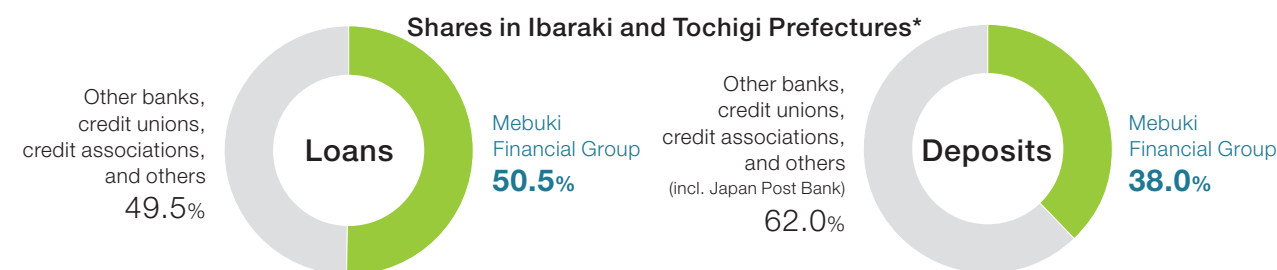
Being adjacent to the Tokyo metropolitan area, a major consumption center, and with the vast Kanto Plain as the backdrop, agriculture is a big industry in both Ibaraki Prefecture and Tochigi Prefecture. The two prefectures are among top 10 prefectures in Japan in terms of agricultural output.

	Economic data	Ibaraki Prefecture	Tochigi Prefecture
	Population*1	2.87 million people 11th	1.94 million people 19th
	Nominal prefectural gross product*1	14.0 trillion yen 11th	9.2 trillion yen 16th
	Prefectural income per capita*1	3.24 million yen 10th	3.35 million yen 4th
	Number of business establishments*2	128,000 establishments 13th	93,000 establishments 21st
	Manufactured goods shipped*3	12.1 trillion yen 7th	8.2 trillion yen 12th
	Agricultural output*4	441.7 billion yen 3rd	287.5 billion yen 9th

\*1 "Prefectural Accounts" by the Cabinet Office \*2 "2019 Economic Census for Business Frame" by Statistics Bureau, Ministry of Internal Affairs and Communications  
\*3 "2021 Economic Census for Business Activity" by Statistics Bureau, Ministry of Internal Affairs and Communications  
\*4 "2020 Agricultural Production Income Statistics" by the Ministry of Agriculture, Forestry and Fisheries

### (3) Large market share backed by a solid customer base

Joyo Bank and Ashikaga Bank are both leading banks in the region, and the Group's market share in Ibaraki and Tochigi Prefectures is over 50% in loans and nearly 40% in deposits.



\*The Company calculated the shares based on data from Kinyu Journal, Special Issue, December 2022.

## Provision of Comprehensive Financial Services through the Group's Network and Capabilities

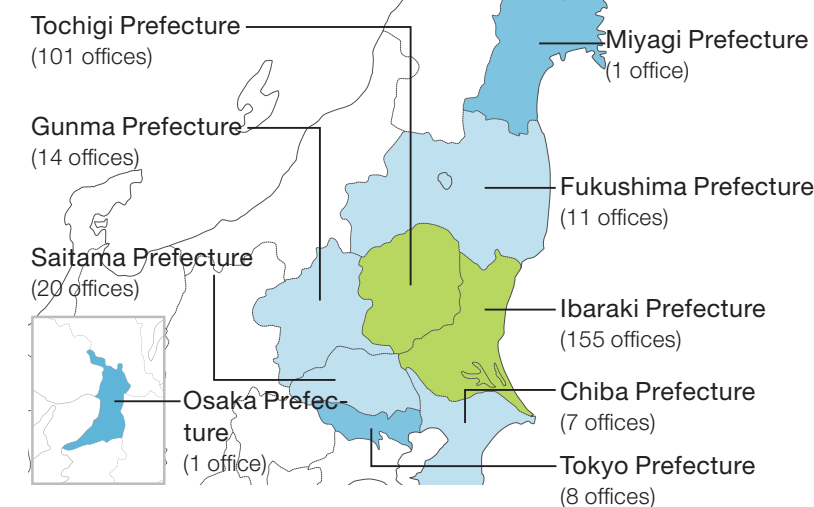
### (1) Wide-area network based in Ibaraki and Tochigi Prefectures

The Group has two main banks, Joyo Bank and Ashikaga Bank, both based in the region of high growth potential, and has also set up a wide network of 318 branch offices in 9 prefectures. In addition, the Group supports overseas business of its customers through 6 representative offices.

Domestic: **318 offices**

Overseas: **6 offices (Representative Offices)**

(As of March 31, 2023)  
(Joyo Bank + Ashikaga Bank)

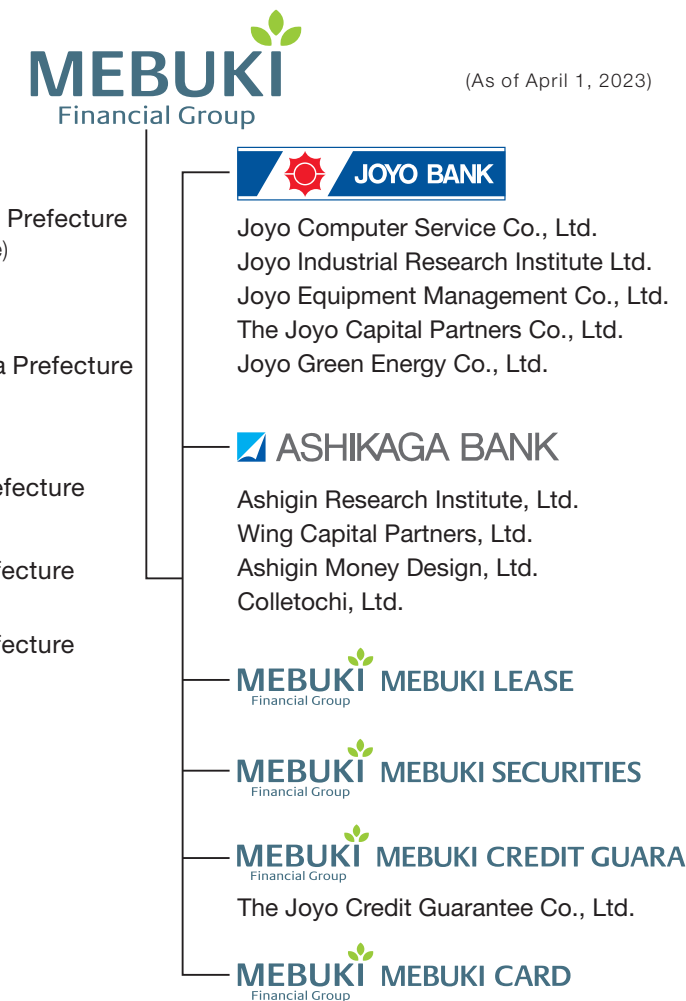


#### Overseas Representative Offices



### (2) Comprehensive financial services group

Under the Group umbrella, there are a wide variety of one-stop financial and non-financial services provided, including leasing and securities subsidiaries, think-tank functions, investment subsidiaries, and new business companies that support customers' decarbonization efforts and have local trading company functions.

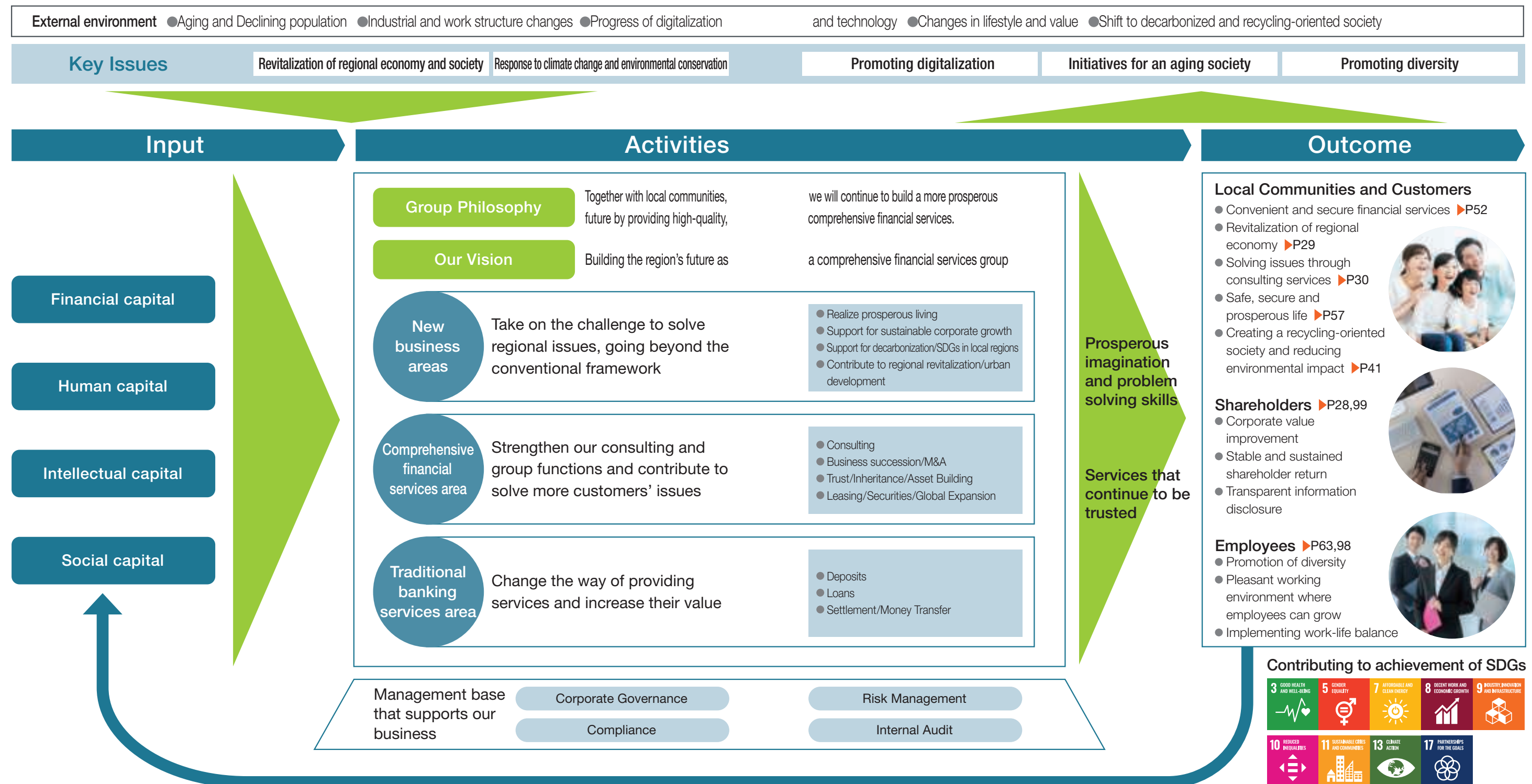


### (3) Collaboration with enterprises outside the Group

The Group not only provides high-quality comprehensive financial services but also addresses the challenges of communities and customers through collaborations with diverse partners both at home and abroad beyond the existing boundaries of industries and businesses.



Based on the corporate philosophy of the Group, Mebuki Financial Group will provide high-quality, comprehensive financial services by taking advantage of its wide-area network, solid customer base and other strengths, while contributing to the sustainable growth of local communities through improving the Group's corporate value and creating value for stakeholders.



## Explanation of each capital

### Financial capital ▶P25

- Sufficient capital
- Sound assets
- Stable funding

### Human capital ▶P63

- Diverse human resources
- Enhancing training programs and specialized human resources
- Human resources rooted in local communities

### Intellectual capital

- Brand strength and history ▶P3
- Comprehensive capabilities with know-how in the Group ▶P39,103
- Advanced risk management ▶P91

### Social capital

- Wide-area networks based in Ibaraki and Tochigi Prefectures ▶P7
- Solid customer base ▶P7
- Network with domestic and international partners ▶P8, 35, 38



# We are going beyond the financial services framework to help solve regional issues through consulting that integrates digital and face-to-face channels



**Tetsuya Akino**  
President and Director

**Kazuyuki Shimizu**  
Executive Vice President and Director

**Akino:** If I were to sum up the year since our new team of directors was appointed in June 2022, I would describe it as a non-stop series of challenges. The aftermath of Russia's invasion of Ukraine and other developments disrupted supply chains, leading to higher prices for resources and food, while the effects of the COVID-19 pandemic still persisted.

**Shimizu:** And the situation was compounded by the weak yen, which exacerbated the escalation in prices for imported goods, gradually damaging regional economies. However, despite the corporate goods price index increasing by around 9%, the consumer price index rose by only 3%. This disparity was largely due to efforts on the part of business operators, although in the case of regional SMEs, it proved impossible to pass the full extent of price rises on to consumers, which made the operating environment extremely challenging.

**Akino:** It was also a year in which interest rates in Europe and the United States rose more dramatically than we had expected. Even though the prevailing trend of the capital markets did change as a result, we regret that we ended up having to downgrade our full-year net income forecast for the fiscal year ended March 31, 2023 as a result of losses recorded on bond sales and decreased margins following bond-focused adjustments to our securities portfolio. We will draw on the lessons learned when managing risk in future.

**Shimizu:** Our efforts to control interest-rate risk by selling fixed-rate bonds during FY2022 were also intended to ensure investment capacity for when Japanese interest rates rise. Our policy is to resume investment in yen-denominated bonds when long-term interest rates go up as a result of the Bank of Japan raising the cap on 10-year government bond yields or eventually terminating its yield curve control.

## Profit from the core business of customer services is highest since our business integration

**Akino:** Meanwhile, efforts targeting enhancement of our consulting services are proceeding steadily. In addition, the structural reform we have been tackling since the Second Medium-Term Group Business Plan (FY2019–FY2021) contributed to enable sales activities to deliver a ¥11.0 billion year-on-year increase in profit from customer services,\* which is our core source of business profit.

\* Difference of interests between loans and deposits + Fees from Customers (Commissions) + Expenses (-)

**Shimizu:** Our achievement of the highest profit from customer services since our business integration in October 2016 bears testament to our success in steadily putting incremental efforts into practice during this period. In fact, the recent adjustments to our securities portfolio were possible only because we had made tangible progress in reinforcing our core business by improving our management structure through enhancement of our consulting services and structural reform.

**Akino:** As we work to enhance our consulting services, we are currently focusing particularly on the corporate loan business. In FY2022, loans to corporate entities in our operating regions from our two subsidiary banks, Joyo Bank and Ashikaga Bank combined, increased by ¥120.0 billion.

**Shimizu:** Corporate deposits—the foundation upon which banking depends—have also increased. And they are likely to increase further as a result of providing convenient services that help our customers to digitalize their operations, such as our corporate portal, a new online service providing support for corporate internet banking and digital transformation (DX).

## Renewable energy subsidiary and local trading company are invigorating customers in local communities

**Akino:** We are also investing effort in financing that supports our corporate customers' sustainability-related initiatives such as decarbonization, including sustainable finance and structured finance provided by a specialized department. In FY2022, loans of this type to corporate entities from our two subsidiary banks combined increased by ¥340.0 billion. We will continue to address the emerging demand for funds to meet sustainability-related aims by further stepping up our provision of this type of financing.

**Shimizu:** When we formulated our Third Medium-Term Group Business Plan, we also formulated our Group Sustainability Policy. The policy states that Mebuki Financial Group will support solving issues in our regions, while contributing to the achievement of sustainable growth of local communities as well as the improvement of our corporate value.

**Akino:** We are contributing to this effort through our core business by creating a roadmap for the Group's own decarbonization and supporting regional businesses in achieving carbon neutrality. Since FY2021, we have provided a cumulative total of ¥615.4 billion in sustainable finance promoting customers' sustainability initiatives. We are pulling together as an organization to step up the pace of our efforts in this regard, with a view to achieving our cumulative target for FY2030 of ¥3.0 trillion ahead of schedule.

**Shimizu:** Creating sustainable local communities requires the invigoration of our customers in those communities—our business support consulting services have much to do in this regard.

We are therefore actively providing not only the financial support that is the traditional strength of banks, but also non-financial support. We are doing so through investment companies (funds) and consulting that leverages Group companies' functions, as well as through collaboration with startups and other external businesses, primarily through business matching.

**Akino:** We also moved beyond the framework of conventional financial services to set up a renewable energy subsidiary and a local trading company. These





entities are not yet actually contributing to profits, but we believe that they are starting to generate new value, particularly as we are now receiving a large number of inquiries relating to regional issues.

### Pursuing three basic strategies to generate social and economic value

**Akino:** With the business environment changing substantially and uncertainties increasing, the Group formulated its medium- to long-term vision and target level in the form of Long-Term Vision 2030, in order to target sustainable growth together with local communities and customers. As part of the Long-Term Vision, we set a goal of increasing our consolidated fee income ratio to 50% or more, aiming to raise fee income from provision of value to customers to the same level as interest income from loans.

**Shimizu:** One of Mebuki Financial Group's strengths is the strong foundation of business relationships with customers that it has cultivated in its operating regions, and the importance of the traditional deposit- and loan-related services we provide to these customers remains unchanged. However, such customer relationships cannot be maintained by means of conventional services alone, and we are keenly aware of the threat this could pose to our business. Our goal of achieving a high level of fee-based income is intended to convey the message that we will be providing more diverse forms of value to customers going forward.

This provision of more diverse forms of value will require us to pursue a dual approach of expanding and improving our traditional deposit- and loan-based banking services in conjunction with our comprehensive financial services, while also taking on the challenge of new business areas. In order to do so, we will of course

continue improving our efforts to train personnel for work in the digital field and new business areas, while also generating new value by diversifying our human capital.

**Akino:** What we aspire to in Long-Term Vision 2030 is to be a value creation group working together with local communities. There are in fact two forms of value we aim to create: One is social value derived from solving regional issues such as the depopulation resulting from Japan's low birthrate and aging society; labor shortages; and changes affecting society and the structure of industry, most notably digitalization. The other is economic value derived from growth in the Group's own profits as regional economies regain their vitality.

Of course, we cannot succeed in creating these two forms of value entirely on our own. The words "working together with local communities" express our commitment to a cooperative approach, while the three basic strategies of the Third Medium-Term Group Business Plan are also founded on the principle of creating value in collaboration with a wide range of stakeholders including corporations and individuals in our operating regions. The three basic strategies are: (1) pursue a business model to support local communities, (2) build a sustainable management base, and (3) develop human resources and promote active participation.

**Shimizu:** We are implementing a range of measures in line with the three basic strategies in order to generate both social and economic value, thereby contributing to the sustainability of local communities.

One of our strengths is the many points of contact and relationships cultivated regionally over the years with customers including corporations we serve as a main bank and their employees, which account for around 30,000 customers



### Following the Groupwide roadmap for DX to make better use of data

**Akino:** We are pursuing the first of the three basic strategies—pursue a business model to support local communities—by proactively implementing several new initiatives.

In corporate business, our two subsidiary banks are taking the lead in increasing the services we offer, going beyond financial support such as facilitating business customers' cash flows, to offer the type of assistance relating to DX and sustainability that we mentioned earlier—that is to say, support that aims to solve regional social issues and create sustainable local communities, often following a dialogue-based approach.

**Shimizu:** In our business targeting individual customers, we added various new functions to our Banking App to provide greater convenience, and the number of users increased as a result, exceeding 850,000 two years after the app's release. In our asset management support services, we are pursuing initiatives such as revamping our sales setup to improve life plan consulting, extending the hours of our helpdesks, and launching online consultation services.

**Akino:** In addition to these initiatives, we are embarking on new measures that draw on insights from the field of financial gerontology to enable senior citizens in our operating regions to continue living their lives with peace of mind as Japan's society ages. To that end, we are offering comprehensive support to help eliminate the digital divide between seniors and the rest of society and enable them to engage more fully with the online world, while also expanding our products and services including non-financial offerings.

**Shimizu:** We are addressing our second basic strategy—build a sustainable management base—by pursuing a range of initiatives focused on the theme of

DX. Having formulated our Groupwide DX Strategy Roadmap, we have been implementing measures such as improving the convenience of our digital channel; cutting down on the use of personal seals, passbooks, and paper; and making better use of data.

**Akino:** For business customers in particular, we are implementing initiatives aimed at both improving convenience from their perspective and providing high-quality services, including offering DX-related consultation services and introducing digitalized loan agreement procedures.

**Shimizu:** We are also continuing to invest effort in ESG (Environmental, Social, and Governance)-related action. To respond to climate change and contribute in other ways to creating sustainable local communities, we created a roadmap for reducing Mebuki Financial Group's CO<sub>2</sub> (carbon dioxide) emissions to net-zero by 2030 and started using renewable energy at five large-scale business locations including our two subsidiary banks' head offices.

### Driving DX forward at regional SMEs through the efforts of 3,500 IT passport holders

**Akino:** For some time, I have believed that a bank's greatest business asset is its human resources, and have wanted to further improve the expertise of every single one of our employees. Given that we aspire to be a value creation group working together with local communities, we regard our third basic strategy—develop human resources and promote active participation—as indispensable to our survival as a business, and are pulling together as an organization to implement a range of related measures.

The Diversity Promotion Office set up in our two subsidiary banks have been leading the way in Group-



wide initiatives to create workplace environments where a diverse range of human resources can participate even more actively. We are also expediting arrangements to enhance job satisfaction: One such initiative is the introduction of a scheme enabling employees to take second jobs as a means of improving their skills, achieving personal growth, and contributing in various ways to local communities. In another initiative, we enhanced the existing scheme for supporting employees who undergo fertility treatment whilst continuing to work.

**Shimizu:** To give a concrete example of our human resources development, we are improving our training of personnel who will drive DX forward at SMEs by offering a training program based on the Japanese government's DX Certification initiative.

We believe that in order to address recent revisions to Japan's Act concerning Preservation of Electronic Books, as well as the Japanese National Tax Agency's introduction of a new invoice system for consumption tax, we need to first of all prepare employees for dialogue with customers by improving their digital literacy. We have therefore encouraged all employees to acquire IT Passport qualification. The IT Passport is Japan's national qualification for data processing specialists and acquiring it demands an appropriate amount of study. Our Third Medium-Term Group Business Plan target for FY2024 was 3,000 IT Passport holders, and we achieved this in the plan's first year. As of March 2023, a total of 3,500 employees had acquired this qualification.

**Akino:** In addition to improving digital literacy, we are seeking to secure highly skilled, diverse human resources by launching new recruitment schemes unfettered by conventional practices and ways of doing things. They include hiring based on referrals or

recommendations by our existing employees, and re-hiring of former employees who left and gained experience elsewhere.

**Shimizu:** Mebuki Financial Group also takes every opportunity to promote communication among our employees. About two years ago, Ashikaga Bank started holding meetings at which around 10 attendees comprising directors such as myself and young employees share their thoughts with each other. Similarly, Joyo Bank held a town hall meeting for employees when the medium-term business plan was launched, at which all directors were present and exchanged views with more than 2,000 employees.

The young employees give us feedback on what they are thinking as a result of their day-to-day work, and I tell our employees that I want them to always stop and think about the type of product or service best suited to solve each customer's issues. I say that, if they have trouble deciding, they should take a long-term perspective. To maintain a lasting relationship with a particular customer, I believe it is essential to avoid focusing only on the usual recommendations found in manuals, but also to think long-term about products and services that could take maybe three years or more to produce tangible results.

**Using digital means to enable quick, easy administration, while employing a face-to-face approach to provide conscientious consultation services**

**Akino:** There is no end to the worries business managers face: They are worried not only about

revisions to the Act concerning Preservation of Electronic Books and the new invoice system, but also all kinds of other issues including escalating raw material prices, business succession, labor shortages, and how to create new businesses. As a banking group rooted in local communities, our starting point is to align ourselves with business managers, listen carefully to what they have to say, and share in their concerns.

**Shimizu:** Creating sustainable local communities requires invigoration of the businesses in those communities. This requires us to provide solutions that avoid unnecessary reliance on collateral or personal guarantees, empowering SME operators to take a bold approach to developing their businesses, thereby promoting business vitality and the invigoration of regional economies.

Accordingly, in April 2023, we changed our policy so that in principle we no longer require personal guarantees by the managers of customer companies covered by our Guidelines on Managers' Guarantees. Meanwhile, we will continue to offer a variety of funding methods as a means of proactively supporting businesses in our operating regions.

**Akino:** Having taken steps to optimize our branch network during the Second Medium-Term Group Business Plan, which ended in FY2021, we are planning no significant changes to our branch network during the Third Medium-Term Group Business Plan currently under way. However, we will continue to improve convenience by providing expanded services through the digital channel, and enhance expertise in face-to-face services, combining the digital and face-to-face channels to offer financial and non-financial services that meet various customer needs, thereby delivering better experience value.

**Shimizu:** Our intention is to leverage both digital and face-to-face channels as appropriate, using digital means to enable quick, easy administration, while employing a face-to-face approach to provide conscientious consultation services. In this way, we can combine improved customer convenience with provision of high-quality services. Face-to-face service is one of our strengths; we have positioned our real branches as locations for consultation where customers can seek advice in a calm environment.

**Total Return Ratio projected to exceed 50% as a result of repurchasing own shares of up to ¥10.0 billion (maximum amount)**

**Akino:** During the Third Medium-Term Group Business Plan we are strengthening Group companies' functions and new business areas, but the importance of our banking services rooted in local communities remains unchanged.

Looking ahead, if our Group companies' functions and new business areas grow so that their operational scale is comparable to our banking services, we may need a next-generation governance framework. For the

time being, however, we are operating the parent company and two subsidiary banks in an integrated manner, which we believe enables prompt and efficient management of the Group. This is possible because the Group's customer base remains focused on Joyo Bank and Ashikaga Bank, which are its core business entities, and the two banks' presidents serve concurrently as representative executives of the parent company.

**Shimizu:** Mebuki Financial Group's shareholder return policy targets a total return ratio of 30% or more; with this in mind, we will continue to consider our dividend level from the three perspectives of growth investment, soundness, and shareholder return.

The Total Return Ratio for FY2022 is 52.2%, which includes the effects of share repurchase. During FY2023, we decided to repurchase own shares of up to ¥10.0 billion (maximum amount), and the Total Return Ratio is projected to exceed 50%.

**Akino:** In light of the Tokyo Stock Exchange's request that corporations respond to achieve cost of capital and stock price conscious management, we are now starting to analyze our current situation and consider concrete measures in order to increase the Group's corporate value. We believe that improving capital efficiency will be a key consideration in this regard.

**Shimizu:** Mebuki Financial Group's strengths include (1) many points of contact and relationships cultivated regionally over the years with local communities and customers including corporations we serve as a main bank and their employees, which account for around 30,000 customers, (2) physical and personal networks extending throughout our operating regions, (3) creditworthiness and financial resources unique to the banking business, and (4) accurate information and data.

In order for us to remain an essential presence for local communities and customers we need to offer uniqueness that cannot be replicated by any other financial institution or business. We will therefore continue working to create and deliver forms of value unique to Mebuki Financial Group going forward.

**Akino:** The Group's name "Mebuki" (meaning "green shoots") expresses its approach of drawing on the knowledge and creativity of each of its companies to create fresh ideas and new value. The Group's uniqueness lies in enabling Joyo Bank and Ashikaga Bank—which command advantages in Ibaraki and Tochigi prefectures respectively—to jointly mobilize their own knowledge and creativity in order to create forms of value that promote sustained growth of local communities. In doing so, the two banks seek to attain a level of quality and speed that would be impossible if they acted individually.

As we seek to fulfill this aim, we will cooperate more closely than ever with our shareholders and other stakeholders in our operating regions. We would like to thank you all for your continuing guidance and assistance.



## Aiming for a Sustainable Society

Based on the Mebuki Financial Group Philosophy “Together with local communities, we will continue to build a more prosperous future by providing high-quality comprehensive financial services,” Mebuki Financial Group will resolve a variety of issues with community members to create value for stakeholders, improve the Group's corporate value, and contribute to the sustainable growth of local communities.

## Sustainability Management

Recognizing issues about sustainability as important management agendas, Mebuki Financial Group has formulated and been proactively engaged in the Group Sustainability Policy with the aim of achieving both sustainable growth and corporate value enhancement of the Group while solving the issues of and realizing the sustainable growth of local communities.

In addition, to clarify our initiatives regarding Environment, Human Rights, and Diversity, the Group has formulated the Group Environmental Policy, Group Human Rights Policy, Group Diversity Policy, Environmentally and Socially Friendly Investments and Loans Policy, and Procurement and Purchasing Guidelines to operate its business based on these policies.



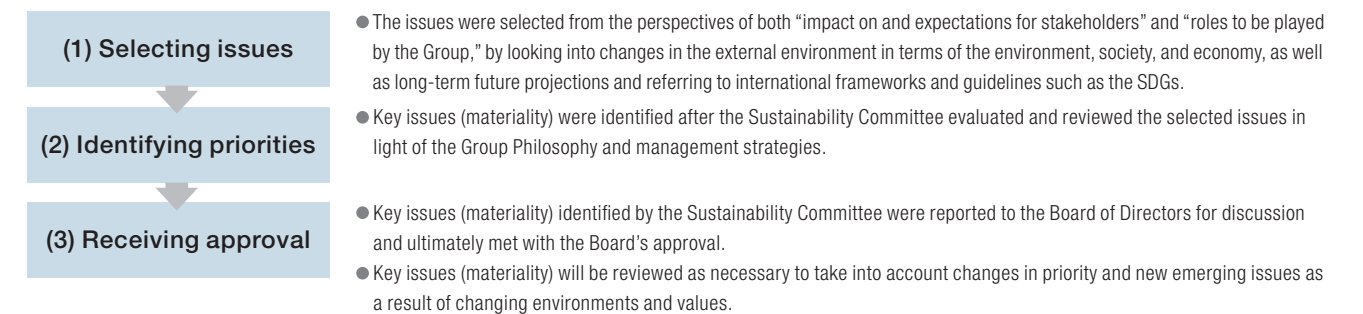
## Key Issues (Materiality)

In establishing the Group Sustainability Policy, Mebuki Financial Group has set five key issues (materiality) that it should focus on in order to maximize our contribution to the realization of sustainable local communities as a regional financial group and as a corporate citizen. Based on such key issues (materiality), we are engaged in various initiatives to solve issues in the region and achieve sustainable growth for the Group.

### Process of Identifying Key Issues (Materiality)

The external environment surrounding the Group's management is becoming increasingly complex, and future projections are becoming extremely difficult due to various factors such as industrial and work structure changes, shift to decarbonized and recycling-oriented society, progress of digitalization and technology, aging and declining population, as well as changes in lifestyles and value. Given these uncertain and unpredictable times, we have identified issues that need to be addressed and prioritized in order to achieve a sustainable society.

Key issues (materiality) were identified upon deliberation by the Sustainability Committee and approval of the Board of Directors. The process is as follows:



## Overview of Strategies and Promotion of Sustainability

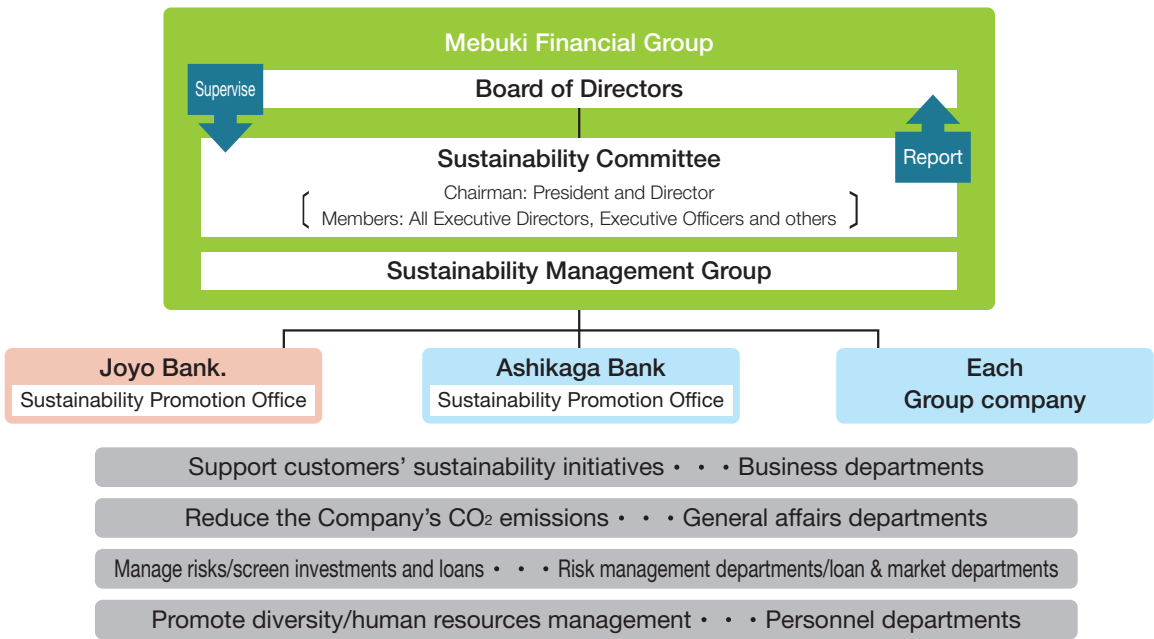
The following five key issues (materiality) for sustainability were established through the identification process. Based on such key issues (materiality), we are taking Group-wide initiatives for achieving both the sustainable growth of the Group and the resolution of environmental and social issues in local regions. In doing so, we have been working to organize issues and impacts so that they can be resolved through dialogue with our customers and to clarify the impacts, including sustainable finance.

Key Issues (Materiality)	Examples of issues to be solved together with the communities	Examples of impact	Targeted SDGs
Revitalization of the regional economy and local communities	<ul style="list-style-type: none"> <li>Declining population and working generation</li> <li>Lack of successors, aging of business owners</li> <li>Changes in industrial structure, sustainment and development of core industries</li> <li>Disaster response</li> <li>Promotion of agriculture, forestry, and fisheries</li> <li>Promotion of tourism</li> <li>Aging of public infrastructure</li> <li>Maintaining the transportation network</li> <li>SDGs and sustainability response</li> <li>Development of human resources to lead local communities and companies</li> </ul>	<ul style="list-style-type: none"> <li>Increase in the number of companies, population inflow, and job creation</li> <li>Continuing business, maintaining and expanding employment</li> <li>Continuing and developing business, maintaining and expanding employment</li> <li>Resilience enhancement</li> <li>Maintenance of the primary industry</li> <li>Expansion of consumption and employment in the region</li> <li>Conservation of a livable city</li> <li>Expanding the non-resident population, securing transportation for the elderly</li> <li>Promotion of initiatives for sustainability</li> <li>Securing working population and highly skilled human resources in the region</li> </ul>	
Response to climate change and environmental conservation	<ul style="list-style-type: none"> <li>Decarbonization</li> <li>Response to increasingly severe and frequent natural disasters</li> <li>Resource depletion and stable supply</li> <li>Changes in the ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> reduction</li> <li>Resilience enhancement</li> <li>Reduction of waste, recycling of resources, and conservation of water resources</li> <li>Conservation of biodiversity</li> </ul>	
Promotion of digitalization	<ul style="list-style-type: none"> <li>Enhance productivity</li> <li>Lack of IT human resources</li> </ul>	<ul style="list-style-type: none"> <li>Transforming business operations and improving competitiveness</li> <li>Promotion of IT adoption</li> </ul>	
Response to aging society	<ul style="list-style-type: none"> <li>Nursing care</li> <li>Enhancement of the medical care system, health and longevity</li> <li>Empowerment of the elderly</li> </ul>	<ul style="list-style-type: none"> <li>Balancing work and nursing care, improving accessibility</li> <li>Improvement of regional medical care, eliminating regional gaps and maldistribution, and securing doctors</li> <li>Passing down skills</li> </ul>	
Promotion of diversity	<ul style="list-style-type: none"> <li>Balancing childcare and work, gender equality, human rights</li> </ul>	<ul style="list-style-type: none"> <li>Empowerment of diverse human resource, revitalization of organizations and companies</li> </ul>	



Governance and Promotion Structure for Sustainability

Recognizing sustainability issues as important management issues, the Group has established a governance structure centered on the Sustainability Committee under the supervision of the Board of Directors, and also uniformly manages the development and progress of initiatives to promote sustainability.



Supervision by the Board of Directors

The Board of Directors supervises sustainability-related agenda items (policy and target setting, progress of initiatives, and other items). We have built a structure in which the Board of Directors can supervise the Group’s sustainability initiatives by discussing and reporting the details of deliberations at each meeting to the Board.

Roles of the management in sustainability

The President and Director is responsible for sustainability matters. As the chairman of the Sustainability Committee, the President and Director also assesses the impact of sustainability issues and responses on the business, develops countermeasures, sets targets, and controls the achievement management.

Sustainability Committee

To uniformly manage the development and progress of initiatives related to sustainability issues and further accelerate the sustainability initiatives, the Group has set up the Sustainability Committee and held committee meetings once every six months or more. The Sustainability Committee, chaired by the President and Director, comprises all Executive Directors and Executive Officers, as well as the General Managers of the Corporate Planning Department, Corporate Management Department, and Regional Revitalization Department. When necessary, the presidents of subsidiaries and general managers of departments in charge of subsidiary banks are invited to committee meetings to deliberate and report on environmental issues such as climate change and biodiversity, as well as human capital and other sustainability-related measures, policies, and progress of initiatives.

Sustainability-related sections

The Group has established organizations specializing in sustainability. The Sustainability Management Group has been set up within the Company, as have the Sustainability Promotion Offices at Joyo Bank and Ashikaga Bank, which are subsidiaries of the Company, to supervise and promote sustainability matters. The Sustainability Management Group acts as the secretariat of the Sustainability Committee, planning, formulating, and managing functions for sustainability strategies. It also makes suggestions to the Sustainability Committee on Company-wide sustainability matters.

Coordination and control within the Group

Joyo Bank and Ashikaga Bank, our core business companies, as well as other Group companies, utilize their respective functional meeting bodies to collaborate with the Sustainability Committee and Sustainability Management Group in order to ensure the overall control of the Group companies.

Risk management

The Group has positioned risk management as an important initiative to enhance corporate value and has established an ALM/Risk Management Committee. The ALM/Risk Management Committee and the Sustainability Committee work together with the Risk Management Departments of the subsidiary banks to address sustainability issues, monitor and reassess sustainability risks, and narrow down important risks, which are then reflected in the Group’s strategies.

Long-term KPI for Sustainability

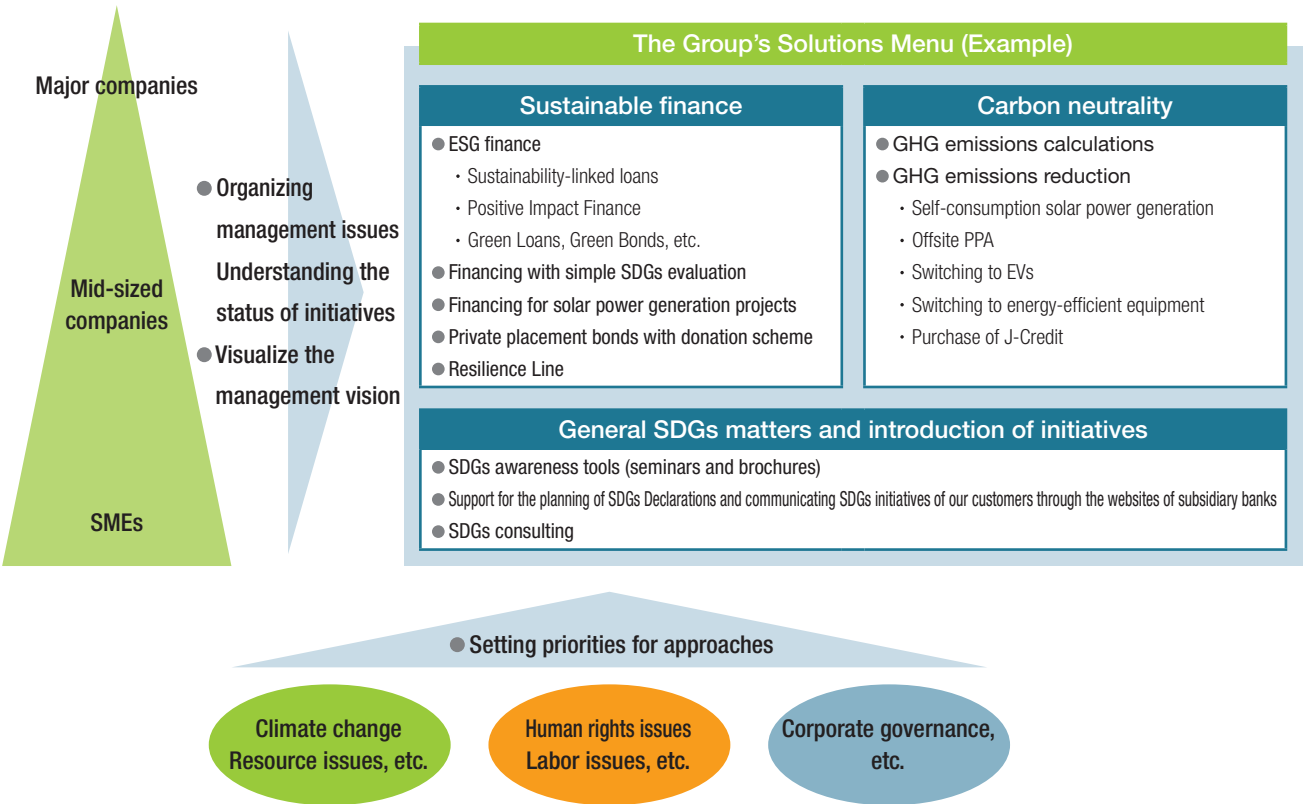
The Group aspires to realize sustainable local communities and enhance corporate value, and thus has set Long-term KPIs for sustainability in order to clearly define its basic stance and goals related to sustainability.

As the Group holding regional financial institutions, we will strengthen our efforts to solve the issues of local communities and contribute to realizing sustainable local communities by achieving the long-term KPIs.

Sustainable finance goals	Mebuki Financial Group will promote sustainable finance in order to contribute to the realization of sustainable local communities through the provision of financial services to our customers. Target amount: ¥3 trillion (of which, ¥2 trillion in environmental fields) Period : FY2021–2030
CO <sub>2</sub> emission reduction goal (Scope 1, 2)	Mebuki Financial Group will reduce its own CO <sub>2</sub> emissions through its business activities and accelerate its contribution to realizing a decarbonized society and regional sustainable growth. CO <sub>2</sub> emissions reduction target for FY2030: Net zero
Female employee ratio in positions equivalent to assistant manager position or higher	Mebuki Financial Group strives to improve organizational productivity and support employees' work-life balance in order to promote mutual understanding among employees and allow them to fully demonstrate their abilities. One particularly important theme is accelerating the active participation of women in the workforce. Target: Increase the female employee ratio in positions equivalent to assistant manager or higher to 35% or more by March 31, 2025

Support Customers’ Sustainability Initiatives

As a partner of its customers, Mebuki Financial Group is expanding its products and services and providing customer-oriented support to facilitate their sustainability initiatives.





## Long-Term Vision

In order to achieve sustainable growth together with local communities amidst a drastically changing business environment, we have formulated a long-term vision targeting the year 2030 as a major direction for the Group to aim for.

“Long-Term Vision 2030” is based on our desire to “continue to create new value by working together with local stakeholders to solve their various issues” and to “contribute to the realization of sustainable local communities through value creation, and remain an essential presence in local communities.”



(\*)1 Consolidated fee income ratio = Consolidated fee income<sup>(\*)2</sup> ÷ Income from customers<sup>(\*)3</sup>

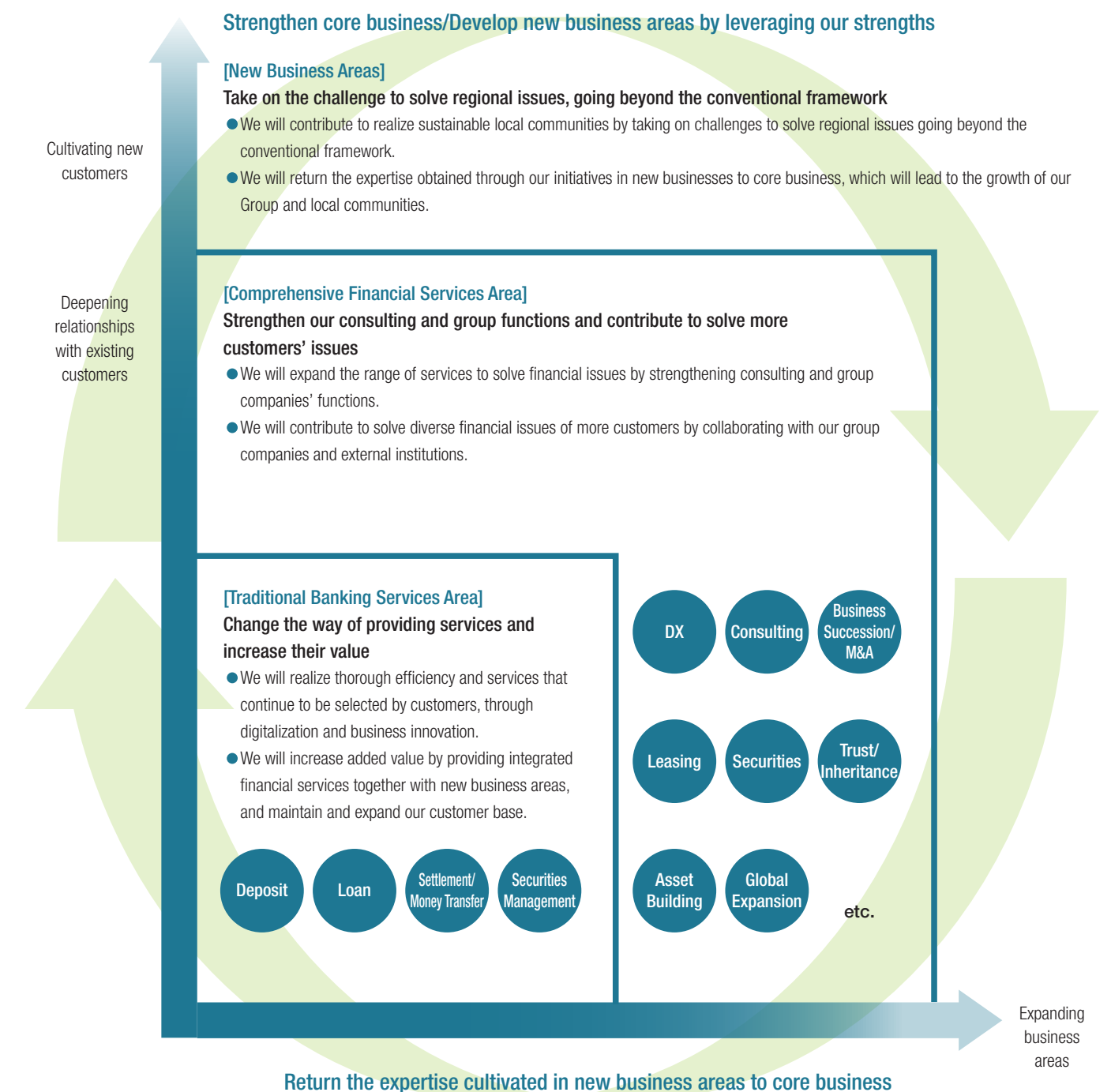
(\*)2 Consolidated fee income = Fee from customers of Banks + Gross profit from customers of other group companies

(\*)3 Income from customers = Difference of interests between loans and deposits + Consolidated fee income \* Excluding securities' income

## Approach to Realization of Long-Term Vision

To realize our long-term vision, we will strengthen our core business areas such as traditional banking and comprehensive financial services, and take effort to expand our business areas by leveraging our strengths.

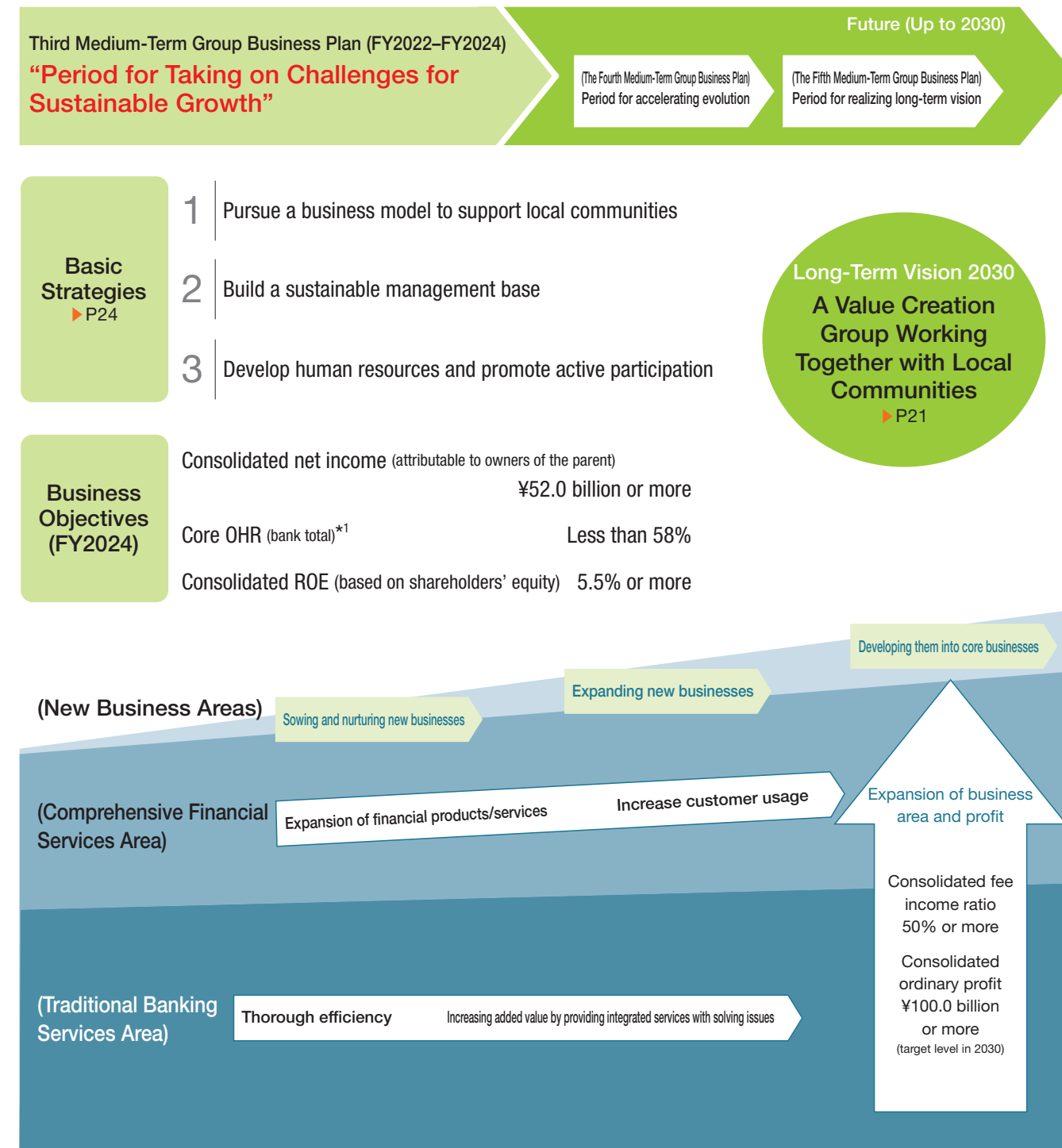
We will create new value by taking on challenges to solve regional issues beyond the framework of conventional financial services and returning the expertise obtained through these initiatives to our core business.



## Position of the Third Medium-Term Group Business Plan

The Third Medium-Term Group Business Plan is positioned to be a “Period for Taking on Challenges for Sustainable Growth.”

While strengthening our management structure by innovating traditional banking services and deepening comprehensive financial services, we will take effort to sow and nurture in “New Business Areas” and aim to contribute to local communities beyond the framework of conventional financial services.



\*1 Core OHR = Expenses ÷ Core gross business profit (Gross business profit\*2 – gain/losses on bond transactions)

\*2 Excluding gains/losses on cancellation of investment trusts and remuneration from “Special Deposit Facility to enhance the resilience of the regional financial system” and “Special Funds-applying Operations to facilitate financing in response to COVID-19” by Bank of Japan

## Basic Strategies

In the Third Medium-Term Group Business Plan, we will pursue a business model to supports local communities, aiming at contributing to them through new value creation.

Toward new value creation, we will work to build a sustainable management base by promoting Digital Transformation (DX), etc., and to develop human resources and promote their active participation.

	Basic Strategy 1 Pursue a business model to support local communities	Basic Strategy 2 Build a sustainable management base	Basic Strategy 3 Develop human resources and promote active participation
<b>New Business Areas</b>	<p>[Specific Strategy 1-3] <b>Challenges to expand business areas</b> ▶ P.39</p> <ul style="list-style-type: none"> <li>•Provide value beyond the conventional framework utilizing the strengths of our Group and investments</li> </ul>		
<b>Comprehensive Financial Services Area</b>	<p>[Specific Strategy 1-2] <b>Deepening comprehensive financial services</b> ▶ P.30</p> <ul style="list-style-type: none"> <li>•Strengthen consulting and group functions and contribute to solve more customers' issues</li> </ul>	<p>[Specific Strategy 2-1] <b>Promoting DX</b> ▶ P.49</p> <ul style="list-style-type: none"> <li>•Provide new services by utilizing digital technology and data, increase the added value of conventional services</li> <li>•Accumulate, analyze and utilize data obtained through digital channel and face-to-face channel</li> <li>•Accelerate business innovation</li> <li>•Expand non-face-to-face and remote procedures</li> </ul>	<p>[Specific Strategy 2-2] <b>Enhancing group management</b> ▶ P.41</p> <ul style="list-style-type: none"> <li>•Organizational development related to DX and sustainability</li> <li>•Business management responding to expansion of business areas</li> </ul> <p>Shifting human resources to focus area 200 people (3 year cumulative) New digitalization investments ¥7.0 billion (3 year cumulative)</p> <p>Developing and securing human resources who can create value ▶ P.63</p> <ul style="list-style-type: none"> <li>•Trainee dispatch About 120 people (3 year cumulative)</li> <li>•Developing employees' digital skills DX personnel: 400 people (end of Mar. 2025) Basis of DX personnel: 3,000 people (end of Mar. 2025) (Number as of March 31, 2023: Approx. 3,500 people)</li> </ul>
<b>Traditional Banking Services Area</b>	<p>[Specific Strategy 1-1] <b>Innovating traditional banking services</b> ▶ P.49</p> <ul style="list-style-type: none"> <li>•Enhance customers' convenience utilizing digital technology and non-face-to-face services</li> <li>•Increase the value of services by strengthening consulting function and providing integrated services for solving issues</li> </ul> <p>[Specific Strategy 1-4] <b>Diversification of securities management/investments and financing</b> ▶ P.27</p> <ul style="list-style-type: none"> <li>•Strengthen profitability with appropriate risk-taking</li> </ul>		<p><b>Implementing diversity/ Initiatives for job satisfaction</b> ▶ P.63</p> <ul style="list-style-type: none"> <li>•Expanding working opportunities for female employees Female employee ratio in assistant manager position or higher 35% or more (end of Mar. 2025) (As of March 31, 2023: 33.3%)</li> </ul>

## Financial Results for FY2022

In FY2022, in addition to increasing loans, we worked to strengthen consulting functions and reduce costs, and as a result, our main business of profit from customer services\*1 increased by ¥11.0 billion year on year to ¥44.3 billion, the highest since our business integration in FY2016.

Difference of interests between loans and deposits increased by ¥1.8 billion year on year due to higher yields on foreign currency denominated loans resulting from policy rate hikes overseas, and fees from customers increased by ¥4.3 billion year on year due to our efforts to provide adequate consulting service. Such efforts included providing core business support to corporate customers and asset management proposals to individual customers to meet their needs. In addition, expenses decreased by ¥4.8 billion year on year, mainly due to steadily incorporating the results of structural reforms in the previous Medium-Term Group Business Plan.

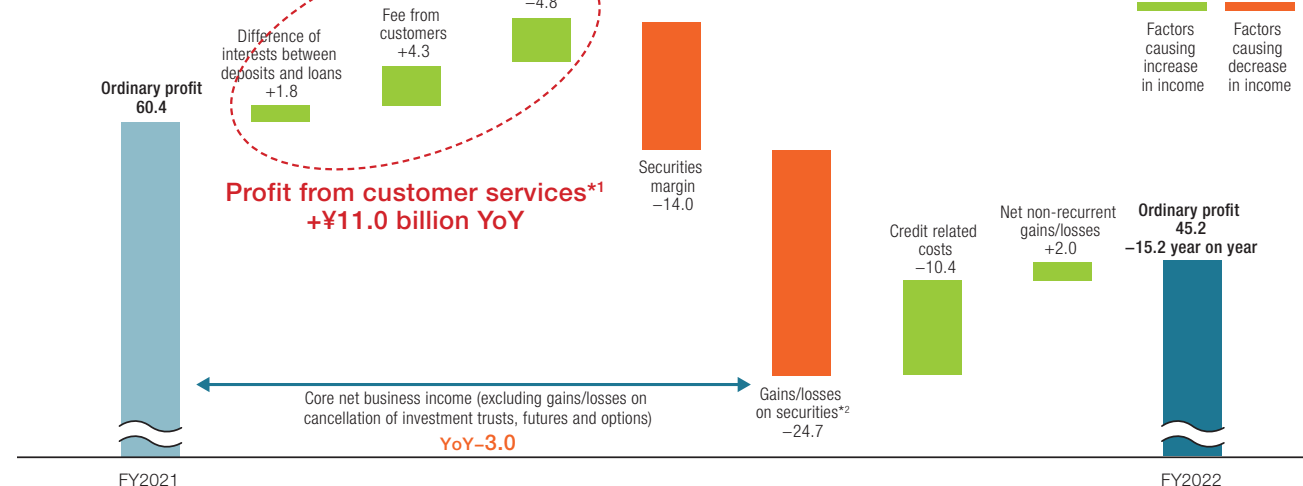
On the other hand, gains/losses on securities decreased by ¥24.7 billion from the previous year due to a ¥14.0 billion year-on-year decrease in security margin (securities income) resulting from a surge in foreign currency funding costs, as well as the sale of securities, mainly foreign and domestic bonds, for future periodic profit improvement and risk control.

Credit costs decreased by ¥10.4 billion year on year due to continued calm conditions, and ordinary profit decreased by ¥15.2 billion year on year to ¥45.2 billion.

As a result, consolidated net income attributable to owners of the parent of Mebuki Financial Group amounted to ¥32.1 billion, which is ¥10.7 billion lower than the results for the previous year.

\*1 Difference of interests between deposits and loans + Fees from customers + Expenses  
\*2 Gains/losses on bond transactions + Gains/losses related to stocks + Gains/losses on cancellation of investment trusts + Gains/losses on futures and options

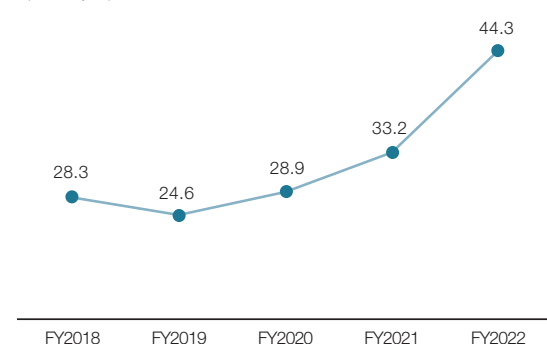
### Year-on-year change in ordinary profit (Bank total) (Billion yen)



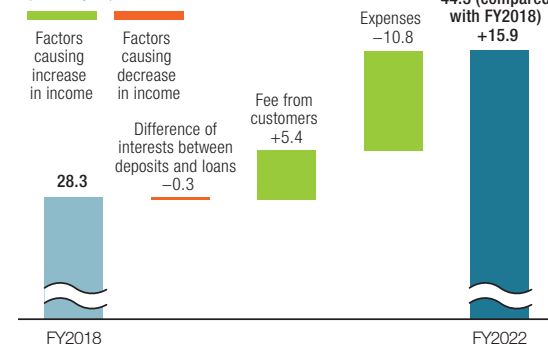
\*1 Difference of interests between deposits and loans + Fees from customers + Expenses

\*2 Gains/losses on bond transactions + Gains/losses related to stocks + Gains/losses on cancellation of investment trusts + Gains/losses on futures and options

### Profit from customer services (Bank total) (Billion yen)



### Change of Profit from customer services (Bank total) (Billion yen)

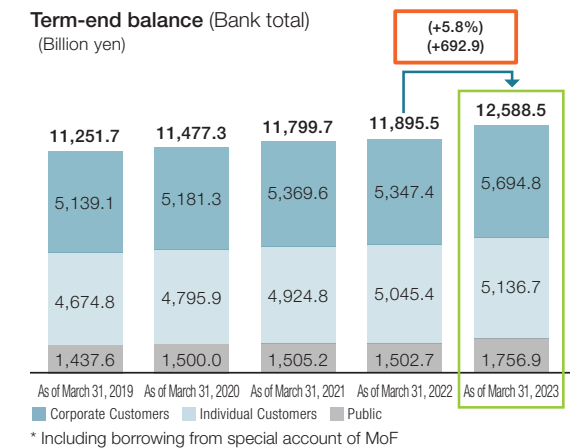


## Loans

The term-end balance for loans increased by ¥692.9 billion, or 5.8%, from the end of the previous fiscal year to ¥12,588.5 billion.

Loans to corporate customers began to increase due to higher demand for working capital against a backdrop of rising prices of resources and goods, as well as a recovery in demand for equipment financing. In addition, loans to individual customers remained strong, particularly for housing loans.

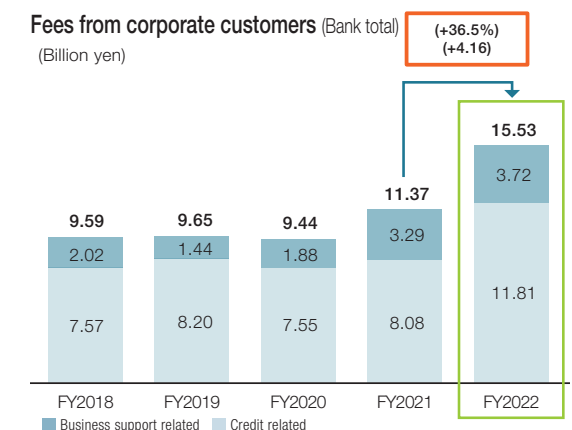
We will continue to accurately identify customer trends and promote loan growth to further enhance the profitability of our core business.



## Fees and Commissions

Fees from corporate customers increased ¥4.16 billion, or 36.5%, year on year to ¥15.53 billion, reflecting our focus on providing consulting functions that help solve the issues of customers.

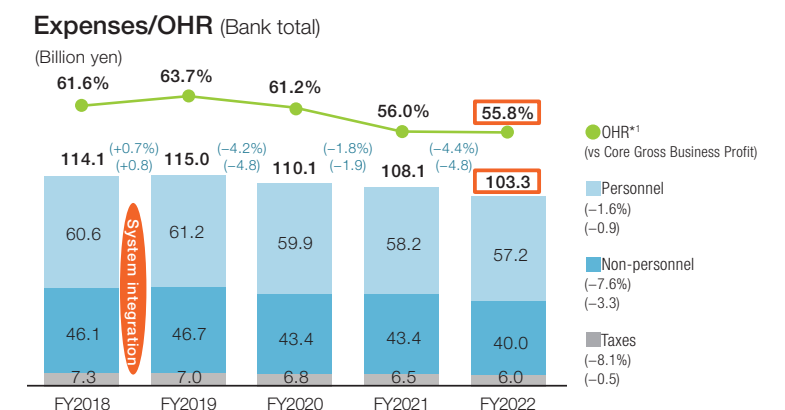
In particular, derivative transactions for hedging risks of interest rate and foreign exchange fluctuations grew significantly.



## Status of Expenses/OHR

Expenses decreased by ¥4.8 billion, or 4.4%, year on year to ¥103.3 billion due to steadily incorporating the effects of structural reforms under the Second Medium-Term Group Business Plan (from FY2019 to FY2021) and a reduction in deposit insurance premiums. In addition, OHR has similarly improved to a level of 55.8%.

We plan to make positive investments in DX and human capital and will work to control OHR by raising the top line through capturing the effects of investments and by continuing to promote structural reforms.

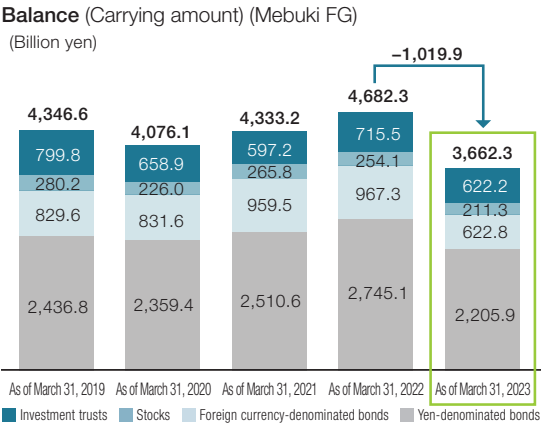


\*1 Based on core gross business profit (excluding gains/losses on cancellation of investment trusts and futures and options)



Securities

With regard to securities management, as a result of selling mainly foreign and domestic bonds for future periodic profit improvement and risk control, the balance of securities outstanding as of March 31, 2023 decreased by ¥539.2 billion for domestic bonds and ¥344.5 billion for foreign bonds year on year, resulting in an overall

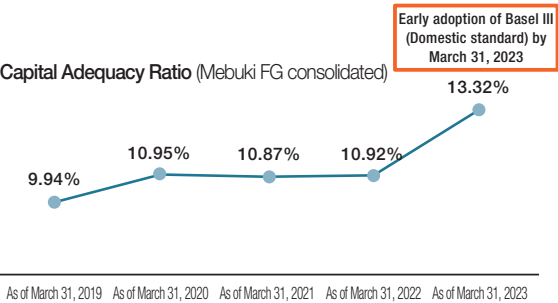
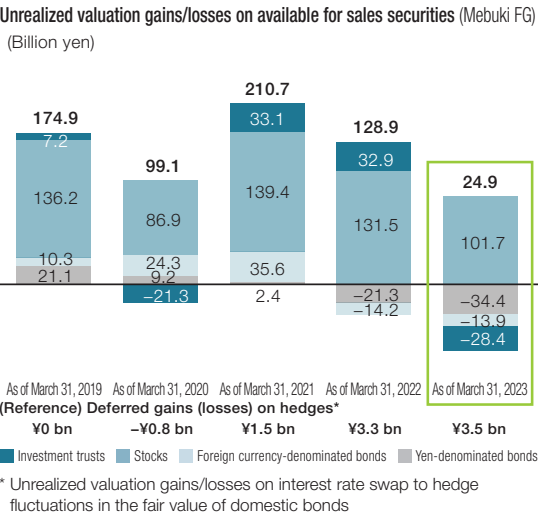


Capital adequacy ratio

The consolidated capital adequacy ratio increased by 2.40 percentage points year on year to 13.32% as of March 31, 2023, mainly due to the early adoption of Basel III finalization and control of risk-weighted assets with a focus on securities.

decrease of ¥1,019.9 billion year on year to ¥3,662.3 billion. Going forward, we will work to restructure our portfolio in light of the outlook for foreign and domestic interest rates and other factors.

In addition, the Group's valuation gains/losses were ¥24.9 billion as of March 31, 2023, remaining positive.



Forecast for FY2023 (earnings estimates)

We expect net income attributable to owners of the parent for FY2023 to increase by ¥7.8 billion year on year to ¥40.0 billion.

While the difference of interests between deposits and loans is expected to grow due to increased loans, profit from customer services is expected to decrease due to

**Forecast (Mebuki FG consolidated)**  
(Billion yen)

	Forecast for FY2023	YoY	FY2022 Results
Ordinary profit	57.5	+10.8	46.6
Net income attributable to owners of the parent	40.0	+7.8	32.1

lower income related to derivatives and investments for future growth such as human capital. However, both the Group's consolidated and subsidiary banks' non-consolidated total are expected to increase due to an improvement in gains/losses on securities.

**Forecast (Bank total)**  
(Billion yen)

	Forecast for FY2023	YoY	FY2022 Results
Ordinary profit	55.0	+9.7	45.2
Net Income*	38.5	+6.9	31.5

\* Excluding Joyo Bank's dividends receivable of ¥12.0 bn from Joyo Credit Guarantee in FY2022

Shareholder Returns and Capital Policy

We will target a total return ratio\* of 30% or more while taking into account both the maintenance of solid capital levels for our future growth and the appropriate distribution of profits to our shareholders.

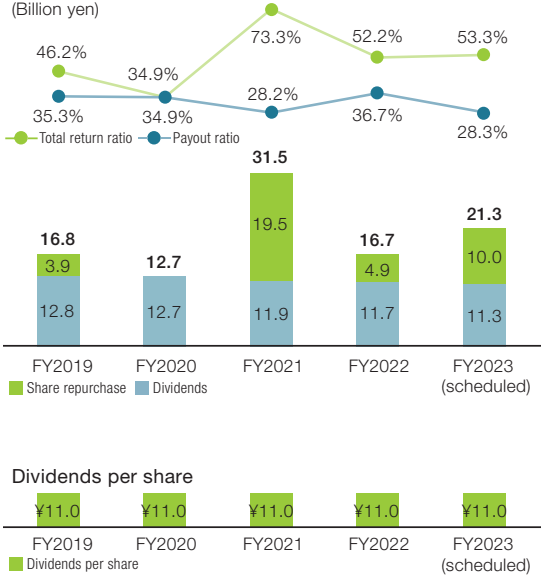
We will continue to consider the total return ratio including the dividend level in light of market trends and business forecasts.

We maintained stable dividends and paid out ¥11 per share in FY2022 (the same level as the previous year). We also repurchased own shares in a flexible manner, achieving a total return of 52.2%, above the target of 30%.

In FY2023, we plan to maintain a stable dividend of ¥11 per share (the same level as the previous year), and in May 2023, we announced a plan to purchase treasury stock with an upper limit of ¥10 billion, which is expected to result in a total return ratio of approximately 53.3%.

\* Total return ratio = (Total amount of dividends + Total amount of acquisition of own shares)/Net income attributable to owners of the parent

Dividends and Shareholder Returns



Reduction of Strategic Shareholdings

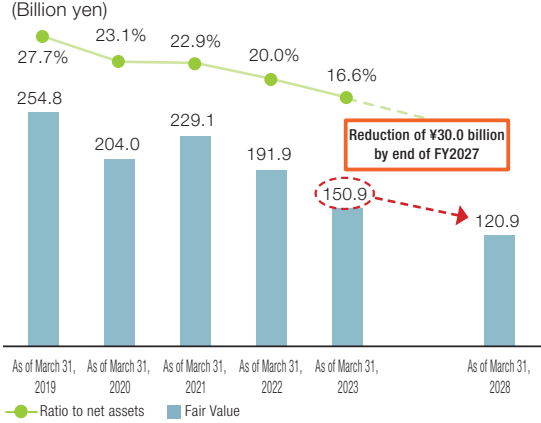
We are making efforts to reduce the balance of strategic shareholdings, taking into consideration risk reduction and capital efficiency based on its economic rationality.

The amount of reduction in FY2022 was approx. ¥41.0 billion. The resulting balance of strategic shareholdings\* amounted to ¥150.9 billion as of March 31, 2023. The ratio of the balance of strategic shareholdings to consolidated capital decreased from 20.0% to 16.6%.

In addition, in May 2023, we set a target to reduce strategic shareholdings in order to further increase ROE with the aim of achieving the sound development of the capital market and management that is conscious of stock prices. Going forward, we will maintain sufficient dialogue with our business partners as we continue to reduce strategic shareholdings.

\* Figures are fair value of strategic shareholdings (including listed or non-listed stocks) held by Joyo Bank, which owns more than two-thirds stocks owned by Mebuki FG and subsidiaries.

Fair Value of strategic shareholdings\*



Assessing the rationality of holding individual stock by the Board of Directors, etc.

Our basic policy for strategic shareholdings is based on medium- to long-term economic rationality on the basis of risk and returns and future outlook so we can secure sustainable growth, increase corporate value of the Group and issuing companies over the medium- to long-term, and build stable business relationships with those companies.

The economic rationality of strategic shareholdings is examined from the viewpoint of profitability, creditworthiness, regional characteristics (relevancy to principal base of operations), improvement of business relationship, etc., using their overall business RORA\* based on our ROE target.

As of March 31, 2023, the Board of Directors confirmed every strategic shareholding to be meaningful pursuant to the basic policy to secure sustainable growth, increase corporate value of the Group and issuing companies over the medium- to long-term, and build stable business relationships with those companies.

Regarding the profitability, we confirmed that their overall business RORA combining all listed companies of strategic shareholdings exceeded the target value.

\* RORA = (Net interest margin on loans and deposits - Expenses (including credit related costs) + Fees and commissions + Dividends) ÷ Risk-weighted assets (Loans and Stocks)

## Revitalization of the Regional Economy and Local Communities



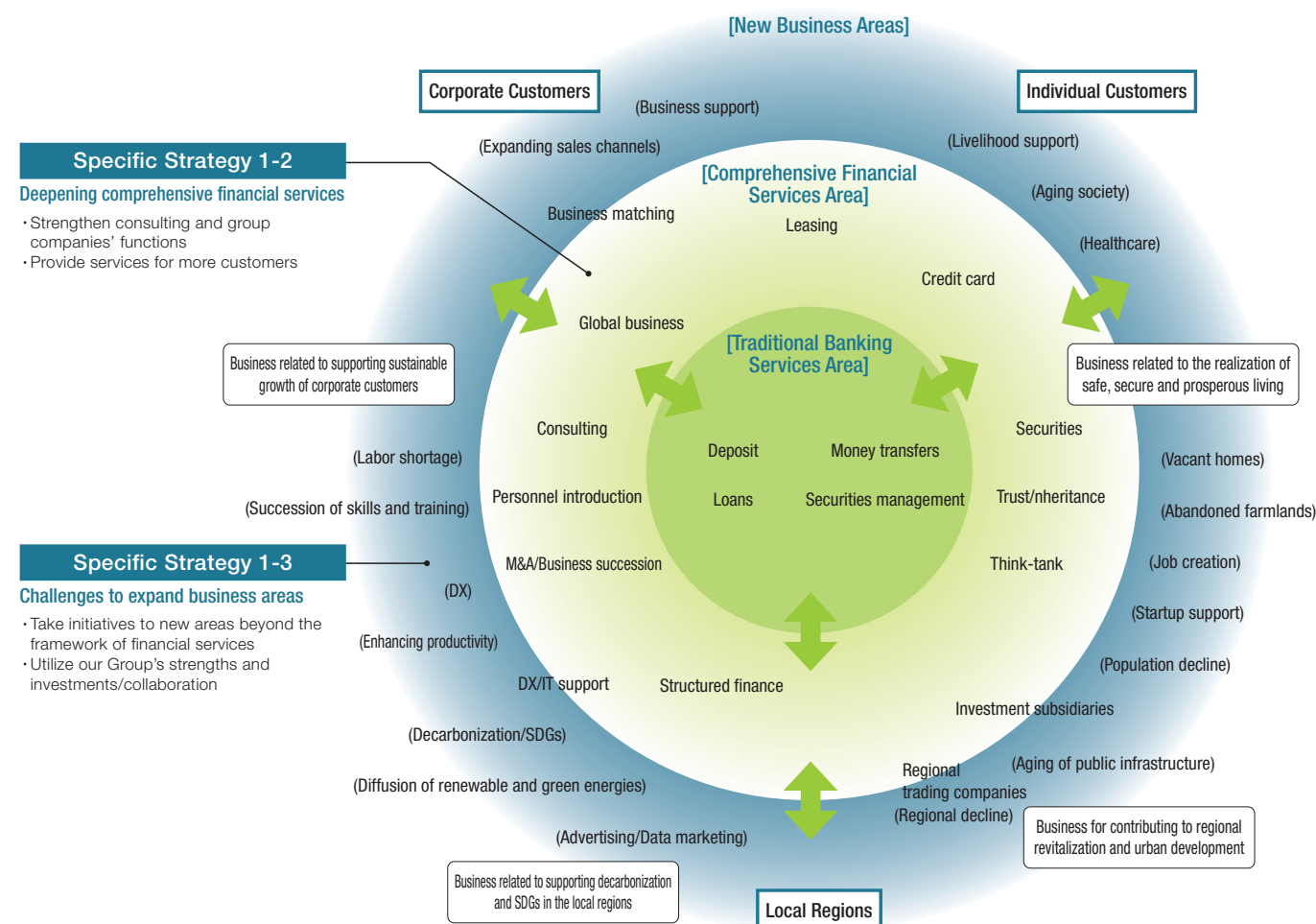
We are facing major trends such as a declining birthrate and aging population, changes in industrial and employment structures due to digitalization, and the transition to a decarbonized and recycling-oriented society. Furthermore, the prolonged COVID-19 crisis and the emergence of geopolitical risks have also intensified uncertainties. As a result, local customers are forced more than ever before to respond to the diversifying and mounting management challenges they have faced.

The Group will contribute to the realization of sustainable local communities by enhancing consulting services and expanding the Group's functions to improve the quality of services related to solving problems for local communities and customers and by taking advantage of the Group's strengths to develop into new business areas.

### Positioning in the Medium-Term Group Business Plan

► [Specific Strategy 1-2 Deepening comprehensive financial services] [Specific Strategy 1-3 Challenges to expand business areas]

We will enhance our consulting functions to solve customer concerns and business issues, including business continuity and expansion, technology succession, human resources development, and global expansion. Through collaboration between the Group's functions and external institutions, we will provide highly specialized and optimal solutions to strengthen our efforts to resolve issues that truly satisfy our customers.



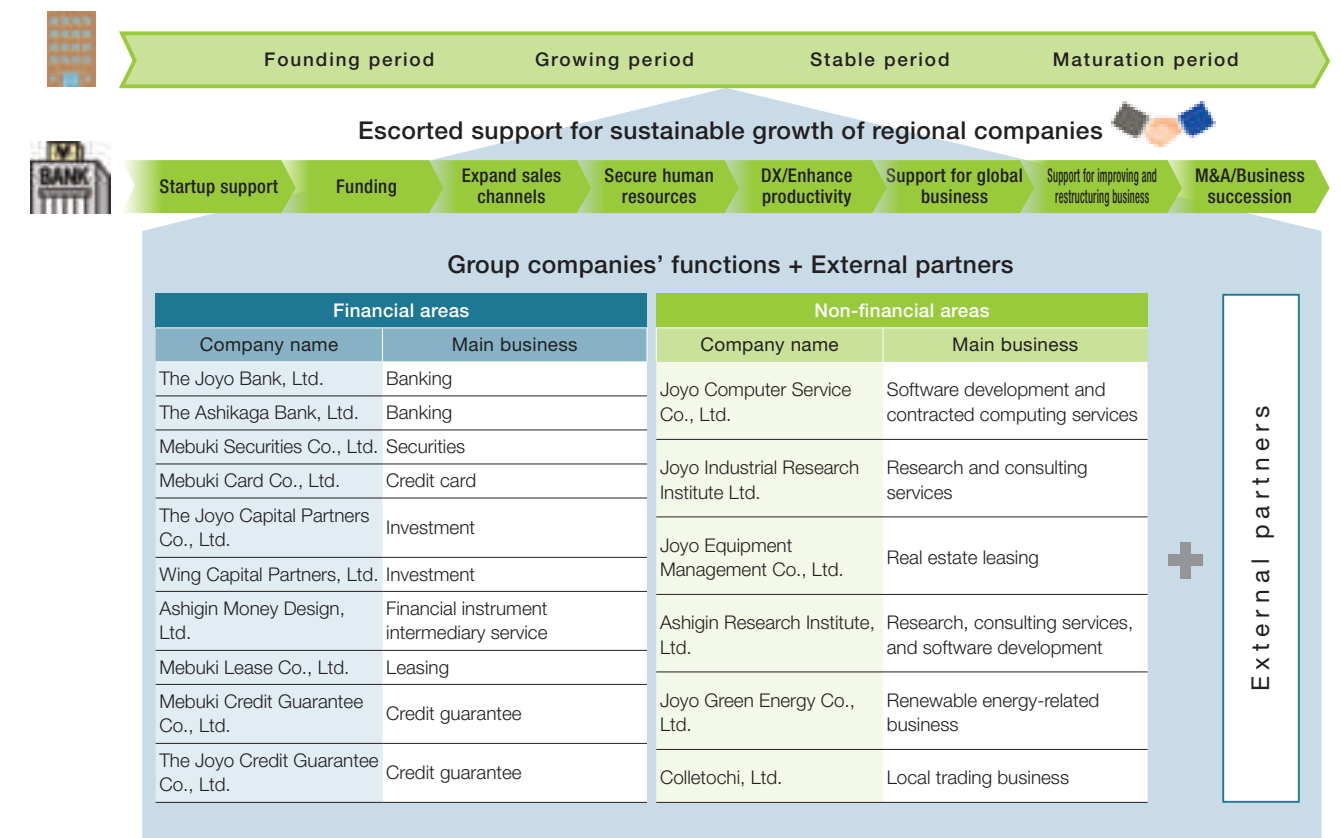
\* Regional issues and needs are shown in parentheses of the figure.

## Deepening comprehensive financial services

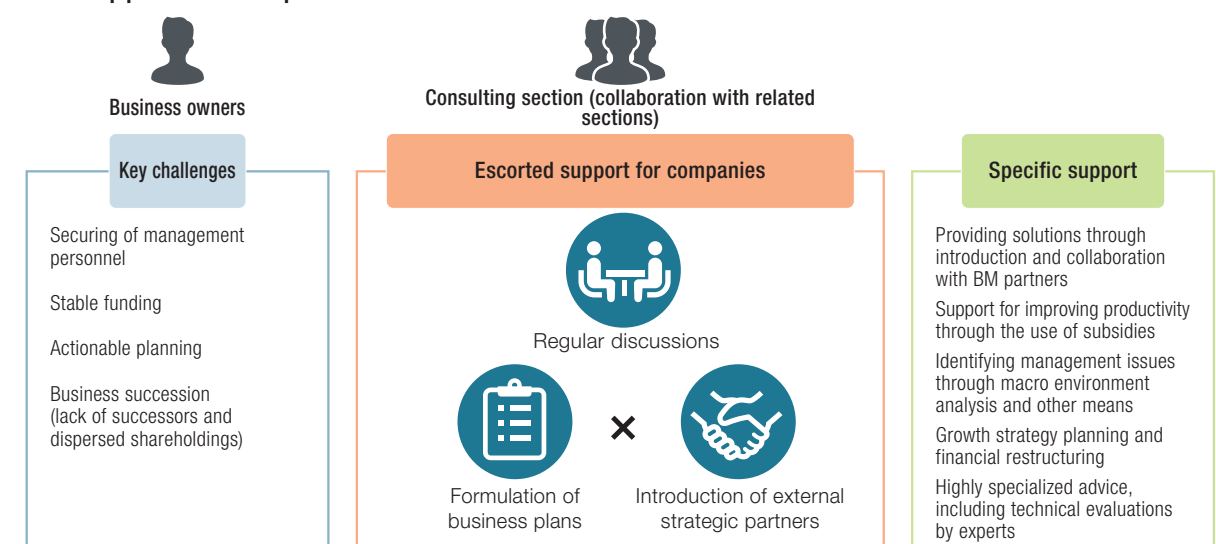
## Deepening Consulting Function for Business Companies

We are developing consulting business at all stages of our corporate customers. Our branches and consulting section work together to respond to customer issues and needs by providing highly specialized information and making proposals in cooperation with the Group's functions, business matching contractors, external experts, and public institutions.

### Considerate consulting support tailored to each business stage



### Escorted support for companies





Deepening comprehensive financial services

Promoting Industries by Deepening Consulting Function for Business Companies

Supporting our corporate customers in SDGs initiatives

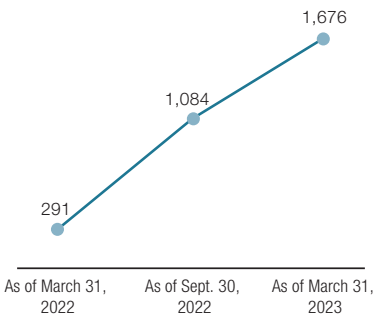
SDGs declaration support service (Supporting the preparation of written SDGs declarations)

People's sense of participation in SDGs initiatives has been growing worldwide. Japanese companies are also expected to contribute to the realization of a sustainable society through environmentally and socially friendly businesses. Promoting SDGs initiatives helps enhance corporate value and create business opportunities. We therefore work to support our corporate customers in SDGs initiatives.

At the Group, we support our corporate customers in participating in SDGs initiatives by giving feedback about the status of them being implemented by our corporate customers and assisting them in preparing written SDGs declarations.

\* Joyo Bank and Ashikaga Bank post their corporate customers' written SDGs declarations on their respective dedicated web pages to support the customers in their PR activities.

Number of cases of the SDGs declaration support service  
(Supporting the preparation of written SDGs declarations)



[Support for SDGs initiatives]

The Group endeavors to expand and enhance products and services that support its corporate customers in participating in SDGs initiatives to contribute to the realization of sustainable local communities.

The Group helps its corporate customers better understand the SDGs by holding seminars, conducting a simple evaluation, and using other means. The Group also provides practical support by, for example, assisting its corporate customers in preparing written SDGs declarations, providing SDGs consulting services, and offering sustainable finance. Furthermore, the Group is introducing examples of initiatives via media, for example, posting written SDGs declarations on web page. This will lead to collaboration for the SDGs among corporate customers.



Responding to changes in industrial structures and helping sustain and develop core industries

Responding to changes in the environment surrounding the manufacturing industry is an urgent task. Such changes in the field of manufacturing include the risk of supply chain disruptions due to instability in international affairs, growing global momentum toward the realization of a decarbonized society, a worsening labor shortage, and the increasing importance of reducing production costs and implementing appropriate cost pass-through to cover soaring raw material and energy prices.

We accurately understand these changes in the social structure and provide consulting services with high added value for our corporate customers, thereby helping them solve their regional issues and management issues.

[Initiatives in the automobile industry]

The Group has many corporate customers related to the automobile industry in the Kita-Kanto area, our primary operating base. The customers need constant information gathering and support in response to changes in the industrial structure, such as the shift to EVs.

With the shift to EVs, the number of parts is expected to decrease significantly, and engine parts will no longer be needed. While this requires the corporate customers to review their strategies, this is also an opportunity for the customers to create new business.

To maximize the opportunity to create new business in the automobile industry, the Group has formed an "Automobile Industry Team" and established a system to support its corporate customers. The team identifies trends in the automobile industry and understands technologies, products, and services owned by companies.

Consulting services for business restructuring

For small and medium-sized enterprises suffering from sluggish demand and sales caused by the COVID-19 pandemic, we are working with them to analyze their strengths and weaknesses and formulate business plans. We are also providing escorted support to the enterprises to change their business formats and sectors, develop into new domains, and restructure their businesses through the use of subsidies under the

subsidy program for sustaining businesses by the government with a view to the post-COVID-19 era.

We are holding individual sessions each year to provide our corporate customers with information and application support to receive subsidies, which includes explaining specific requirements and preparing application documents.

Number of subsidies granted under the subsidy program for sustaining businesses (since 2021)

Public call	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	Cumulative total
Total of two banking subsidiaries	73	53	91	83	106	78	75	74	49	682
Joyo Bank	44	30	49	46	67	50	48	44	25	403
Ashikaga Bank	29	23	42	37	39	28	27	30	24	279

Uncovering regional industries and supporting new business creation

We have the Regional Revitalization Department, and it works with Joyo Bank and Ashikaga Bank to promote regional industries.

The department and two banking subsidiaries jointly hold business conferences related to manufacturing and food for the purposes of offering our corporate customers an opportunity to have business conferences with major companies and promoting new business

matching between the corporate customers of the two banking subsidiaries. We also hold a Mebuki Business Award to discover innovative and creative business plans that are latent in regions and to promote the commercialization of such plans. Through the event, we uncover regional industries and support new business creation.

Manufacturing Business Forum

This forum offers an opportunity to have business conferences that may lead to finding new business partners through exhibition panels and appointments to have business meetings.

We make business conferences more effective by using technical propositions prepared with participating companies who submit an entry in advance (booklets summarizing the companies' distinctive technologies and products).



Mebuki Business Award

Mebuki Business Award is held to call for and award innovative and creative business plans in the regions.

We provide various types of support to winners to commercialize their award-winning plans, for example, assisting the winners in making technical propositions and expanding sales channels, and providing financial support using funds.



Initiatives for startup support

The Group makes full use of its internal and external networks composed of local governments, universities, business partners, experts, etc., to support its customers in commercialization and help them to solve issues and meet needs after the start of their business.

Outline of our main support

- Advice and seminars on starting and planning business
- Legal and tax advice
- Support for sales activities (e.g., introducing distributors and suppliers)
- Assistance in preparing application documents
- Fund support by various means such as start-up loans, various types of funds, and crowdfunding



Dealing with a lack of successors and aging of business owners

[Business succession/M&A]

Business owners of local small and medium-sized enterprises have been rapidly aging, and there has been uncertainty about the future due to the COVID-19 pandemic and soaring resource prices. These circumstances and other factors have heightened the sense of urgency more than ever before among business companies regarding business succession issues.

The Group considers business succession/M&A, which are major turning points for its corporate customers, to be the key timing of providing escorted support, and assists them with the smooth succession of their businesses to successors through the planned development of successors, transfer of company shares, consolidation of dispersed shareholdings, etc. The Group also provides support according to its corporate customers' circumstances and needs. For example, the Group can provide support for third-party succession such as M&A in cooperation with an external expert team and other organization. The Joyo Capital Partners Co., Ltd., an investment firm of the Group, and a fund managed by Wing Capital Partners, Ltd. can also temporarily hold all company shares.

(Number of companies)

	FY2018	FY2019	FY2020	FY2021	FY2022
Joyo Bank (support for business succession)	2,728	949	1,031	820	839
Joyo Bank (support for M&A)	285	306	427	520	373
Ashikaga Bank (support for business succession)	918	920	1,279	954	1,415
Ashikaga Bank (support for M&A)	408	395	570	690	325

[Personnel introduction]

Securing human resources is a common management issue for many companies. We are committed to meeting our corporate customers' human resource needs in a meticulous and prompt manner and strive to help solve a wide range of recruitment issues in a variety of industries and sectors including manufacturing, service, and retail.

We also help our corporate customers secure senior management members and specialized personnel needed to solve management issues by using our job database and directly introducing candidates for senior management members from our banks.



Having an online interview to introduce personnel

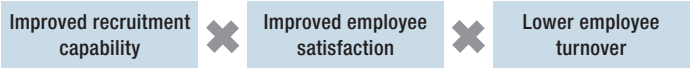
Cooperating with Tochigi Prefecture and Gunma Prefecture to have migration seminars

Securing a job is a major requirement for those who are moving to another place to live. We cooperate with local governments in promoting migration by introducing companies' human resource needs to those who want to move into the region.



Giving advice to individuals in a migration seminar

Offering "Benefit Support", Joyo Bank's welfare program



Benefit Support offers a wide variety of benefits to eligible employees of regional business companies and helps enhance their welfare programs. Eligible employees can access banks' unique financial products and services, regional perks that help revitalize the regions, and a wide range of perks that can be used nationwide. As options, eligible employees can also attend various types of seminars at discounted prices, such as a financial education seminar and an asset management seminar for employees.



Initiatives to promote business attraction

Ibaraki Prefecture and Tochigi Prefecture are adjacent to the Tokyo metropolitan area and have well-developed high-speed transportation networks, including railroads and highways, making the prefectures ranked among the top prefectures in Japan in terms of the number of new factory locations, the total area of factory locations, and the number of company locations from outside the prefectures. The prefectures are attractive to companies as it is very convenient for their employees to commute and for logistics. New business expansion into the prefectures is expected to create jobs and increase demand for local companies' products and services, thereby stimulating the local economy.

Ibaraki Prefecture has been working diligently to promote business attraction. The prefecture has been top-ranked in Japan for the past decade in terms of the total area of new company locations and the number of new company locations from outside the prefecture. Joyo Bank formed Bridge Business Team specialized in promoting business attraction within the Consulting Business Division. The team works with Ibaraki Prefecture and its municipalities to attract companies.

Specifically, the team and prefecture collect and provide information on supply chains, including factories and logistics facilities, and introduce suitable locations to companies. The team and prefecture also provide support and advice to solve various issues related to business expansion into the prefecture, for example, helping companies secure human resources, introducing potential local business partners, and securing housing for companies' employees.

Ashikaga Bank participates as a member in the Tochigi New Factory Locations Development Committee to promote business attraction and the retention of companies in Tochigi Prefecture. The bank introduces industrial parks and provides other information to its corporate customers located outside the prefecture. If a corporate customer shows interest, staff of the bank and local government together visit the customer. In this way, the bank and local government actively work together to promote business attraction. The bank also cooperates with Tochigi Prefecture by encouraging corporate customers to exhibit booths and participate in seminars at the seminar held by Tochigi Prefecture twice a year in Tokyo and Osaka to showcase how the prefecture is suitable for company locations and the prefecture's attractive features.

Tochigi Prefecture Ibaraki Prefecture

Number of new factory locations (in 2022)	35 (ranked 7th in Japan)	60 (ranked 2nd in Japan)
Total area of new factory locations (in 2022)	45 ha (ranked 11th in Japan)	115 ha (ranked 1st in Japan)
Number of new company locations from outside the prefecture (in 2022)	17 (ranked 4th in Japan)	40 (ranked 1st in Japan)

Source: the "Survey of Factory Location Trends" by the Ministry of Economy, Trade and Industry

Promoting food and agriculture

The agriculture and food sector, one of the core industries in Ibaraki Prefecture and Tochigi Prefecture, is expected to continue to grow. The Group shares know-how that its two banking subsidiaries have and uses its internal and external networks to provide optimal solutions for each of the production, processing and sales phases in the agriculture and food sector. The Group also provides more support to its corporate customers in terms of sales channel expansion and branding so that they can expand their business.

Mebuki Food Exhibition

We hold Mebuki Food Exhibition to help food-related business companies expand their sales channels and procure foods and to encourage interactions among participants.

A wide range of food-related business companies, including agricultural producers, food processors and wholesalers, retailers, and restaurant operators, take the opportunity to promote their products and have individual business meetings.



Regional Banks' Food Selection

We jointly hold Regional Banks' Food Selection, a food confab, with regional banks across Japan to widely distribute local foods and food products in the market.

The event offers a matching opportunity to directly promote the tastes and attractiveness of food products to buyers in the form of an exhibition-cum-business confab.



Example of local products sold by Colletochi, Ltd. (local trading company)

Colletochi, Ltd. disseminates and monetizes attractive local content and works to resolve local social issues. The company supports the nationwide distribution of local products by selling them to a hotel chain as described on the right.

Challenges for the hotel

- Collaborating with local companies
- Gathering information on best local products
- Strengthening sales of goods to guests
- Constantly accessing information

Initiatives

- Promoted the attractiveness of products through guided tours of production sites and product tastings
- Price negotiations led to the adoption of three products, including aged cheese

Additional proposals

- Continued making proposals
  - Proposed herbal tea was adopted at 13 of 25 locations nationwide
- ⇒ May expand to all locations



Deepening comprehensive financial services

Initiatives to Support Global Business

Doing business overseas requires know-how and information about the countries that companies plan to enter. The Group provides meticulous support to cater to its corporate customers' needs such as global business and expansion. Specifically, the Group holds seminars on global business and uses the overseas representative offices of the two banking subsidiaries, the financial institutions of its overseas business partners, and other related institutions and business alliance partners at home and abroad to provide local information and assistance in visiting countries, developing global sales channels, conducting trade transactions, etc.

Details of main support

Provision of local information and research	<ul style="list-style-type: none"><li>• Provide local information about the investment environment, local needs, taxation, infrastructure, logistics routes, employment environment, regulations, offices, industrial parks, etc.</li><li>• Regularly send reports prepared by our local representatives</li><li>• Research import regulations of countries, local markets, local competitors, buyers, etc.</li></ul>
Use of partner banks	<ul style="list-style-type: none"><li>• Help open an account, handle various financial services, overseas remittance, exchange money, etc.</li></ul>
Introduction of business partners and specialized institutions	<ul style="list-style-type: none"><li>• Introduce business partners (e.g., local financial institutions, Nippon Export and Investment Insurance [NEXI], insurance companies), local accounting and law firms (accountants and attorneys at law), local real estate companies, local temporary staffing agencies, etc.</li></ul>
Funding support	<ul style="list-style-type: none"><li>• Offer cross-border loans, standby letters of credit, parent-subsidiary loans, etc.</li></ul>
Other support	<ul style="list-style-type: none"><li>• Hold business conferences, seminars, and business networking meetings</li><li>• Provide various support in cooperation with Japan External Trade Organization (JETRO) and local governments such as Ibaraki Prefecture and Tochigi Prefecture</li><li>• Introduce distributors and suppliers on an individual basis, M&amp;A candidates, local buyers, and local import agencies, and provide assistance in developing cross-border e-commerce platforms, among others</li></ul>

Overseas network of Mebuki Financial Group

We are expanding our overseas network mainly in East and Southeast Asia in which more than 80% of the Group's corporate customers doing business abroad account for. We are also assisting our corporate customers with global expansion in cooperation with JETRO, Japan Bank for International Cooperation (JBIC), and Japan International Cooperation Agency (JICA).



Our six overseas representative offices cover the Americas, all of East Asia, and ASEAN + India, providing local information as well as accepting various research requests.

Country and region	Major business partners
China	Bank of China
	Bank of Communications
Taiwan	CTBC Bank
Thailand	Kasikorn Bank
	Bangkok Bank
Indonesia	Bank Negara Indonesia
	Bank CIMB Niaga

Country and region	Major business partners
Vietnam	VietinBank
	Vietcombank
Philippines	Foreign Investment Agency of Vietnam
	BDO Unibank
India	Metrobank
	State Bank of India
Mexico	Banamex
	Aguascalientes State Government, Jalisco State Government, etc.

[Support for global business]

Started providing collaborative support, “Global Business Support Package”

Joyo Bank and Ashikaga Bank each started providing collaborative support, namely Global Business Support Package, with Japan Finance Corporation, Organization for Small & Medium Enterprises and Regional Innovation, JAPAN, and NEXI in May 2023 and June 2023, respectively. Each of the banks and organizations will bring together support measures, ranging from global business matching support to financial support, which take advantage of their respective features and strengths, and will constantly provide appropriate support to respond to corporate customers' issues and needs in global expansion.

Initiatives to support food-related business companies in expanding their sales channels abroad

Joyo Bank worked with the Ibaraki Global Business Promotion Council (secretariat: Ibaraki Prefecture and others) in the previous fiscal year to assist food-related business companies in expanding their sales channels into Singapore as part of support to expand overseas sales channels. The concept is to allow the participating companies to collect real voices from local buyers and consumers in person and to offer the participating companies an opportunity to use the voices for their future activities. In November 2022, the bank and council held a business conference where participants met local buyers, a tasting event where general consumers were invited, and a live commerce event (a livestream spot sales). When food-related business companies do business abroad, the bank will ask for cooperation from the Organization for SME and Global Business Support, IBARAKI and JETRO Ibaraki and continue to work with the council to support the companies in expanding their sales channels abroad.



Initiatives for JICA's SMEs and SDGs business support projects

We are working to support our corporate customers in undertaking the SMEs and SDGs business support projects\* that JICA publicly calls for. In February 2023, a needs confirmation survey was adopted for selling and providing technical guidance to Nepalese farmers growing shiitake mushrooms on logs on fully colonized sawdust blocks on which low, medium and high-temperature resistant shiitake mushrooms grow using the technology our corporate customer has. In this project, Ashikaga Bank is providing support such as formulating a business plan, conducting market research, and carrying out marketing activities.



They are visiting Nepal.

\* Projects aimed at improving the feasibility of SDGs business that both helps Japanese companies expand their businesses abroad and provides solutions to issues faced by developing countries through researching and verifying the potential use of Japanese companies' products and technologies in developing countries

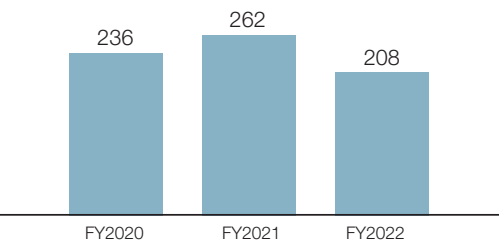


Support for improving business

Joyo Bank and Ashikaga Bank provide escorted support to corporate customers according to their circumstances. For example, the banks provide not only cash flow management support but also advice and assistance in formulating business improvement plans and improving financial conditions in cooperation with the head office and branches, external expert teams, government-owned financial institutions, etc.

The banks follow up on the progress of the business improvement plans as appropriate and provide long-term support for improving business in order for corporate customers to better manage their business.

Customers for which business improvement plans were formulated (Bank total)  
(Customers)



Initiatives to improve resilience of corporate customers

In recent years, natural disasters of unprecedented scale caused partly by extreme weather conditions have been increasing around the world, resulting in enormous damage. In addition, there are various threats to corporate management, such as major fires, infectious diseases, pandemics, system failures, and cyber attacks.

Preparing for these threats will minimize damage to business assets and other assets in the event of an emergency by reducing, avoiding or shifting damage and losses, and will enable the continuation or early recovery of core business operations. Defining the activities to be carried out in normal times and the methods and means to be used for business continuity in the event of an emergency will protect corporate activities and employees, and help enhance corporate value as a company resilient in times of emergency.

To support business companies in preparing for natural disasters and other emergencies, the Group is working to expand and enhance BCP-related services in cooperation with non-life insurance companies, etc.

Main consulting services

Risk consulting services for corporate customers	Assistance in formulating BCPs and conducting business continuity drills
Assistance in preparing earthquake first response manuals	Seismic vulnerability evaluation on facilities
Assistance in raising awareness among employees and providing education to them	Earthquake, flood and wind damage risk assessment

◀ Providing BCP-related loans to corporate customers ▶

Our BCP-related loan will enable corporate customers to hedge earthquake risk in a way different from an earthquake insurance, and has the advantage of increasing the effects of public relations as a company proactively preparing for disasters (earthquakes).

Loan with the covenant of exempting the borrower from repaying the loan principal when an earthquake hits

This loan exempts the borrower from repaying borrowing outstanding at a predetermined rate (100% or 50%), regardless of whether there are actual losses or not in the event of an earthquake of predetermined seismic intensity or greater, which is measured at a predetermined observation site.

Resilience Line

If an earthquake of predetermined seismic intensity or greater hits, which is measured at an observation site designated by a customer who uses a loan (Loan A), the customer will take out another loan (Loan B) at a rate of 20% of the initial borrowing amount of Loan A. The customer will be then exempted from repaying the principal of Loan B after a lapse of certain period of time. (Note that taking out Loan B and being exempted from repaying the principal of it will be allowed only once.)

Deepening comprehensive financial services

Partnerships with Local Communities

Collaborating with local governments

Joyo Bank and Ashikaga Bank aim to achieve the objectives of (1) enhancing the growth potential of local companies, (2) developing and supporting new industries and growth industries, and (3) promoting business attraction and retention, among others. To these ends, the banks have signed collaboration arrangements with many local governments to work together toward regional revitalization. To encourage people to move and settle in local places, the banks also provide housing loans to support their settlement in cooperation with local governments.

Main initiatives

- Assisting local governments with DX
- Assist local governments in drawing up DX promotion plans and reforming their internal operations
- Support for zero-carbon initiatives
- Sign a comprehensive collaborative agreement on decarbonization, provide application support to regions that work at decarbonization ahead of others, sign a corporate PPA, and use J-Credit
- PFI business
- Support for the use of public property
- Provide various types of support to encourage the utilization of closed schools

Collaborating with universities

Joyo Bank and Ibaraki University use AI and machine learning in securities management

Joyo Bank has been conducting joint research with Ibaraki University, a national university of Japan, on the use of machine learning and AI in securities management as an industry-academia collaborative initiative.

The bank and university have so far organized research topics, developed analysis tools, and implemented programming. The students received from the bank the research hypotheses and trading ideas that are based on past market conditions and empirical data, performed analyses using different approaches, and presented their results and findings at a meeting. Based on the presentation, the students and bank discussed how to upgrade and assess developed systems and a future policy, taking into account the bank's operational issues and interest.

As a result of these processes, the students are expected to develop new analysis tools that could be used for operations at Joyo Bank. In addition, the bank hired one graduate of the Master's Program of the Graduate School of Science and Engineering who participated in the joint research. Through the joint research and recruitment, the bank is putting more effort into DX.



Collaborating with other financial institutions

Tochimaruru Cooperation Agreement

Ashikaga Bank signed cooperation agreements with six credit unions and two credit associations located in Tochigi Prefecture to provide them with a wide range of its specialized functions, aiming to help more local customers solve their issues and to realize a sustainable regional society.

The bank held 26 workshops for staff of the credit unions and credit associations and four seminars for customers.

Details of cooperation

- HR introduction
- M&A/Business succession
- Business planning support
- Subsidy application support
- Testamentary trusts/Estate planning

Ryomo Area Revitalization Partnership

This is a framework for the purpose of industrial revitalization, problem solution, and improvement of services in the overlapping service areas of Ashikaga Bank and Gunma Bank, mainly in Ryomo area.

The banks combine their resources and know-how, seamlessly offer them to customers, and promote initiatives to solve regional issues, such as support for decarbonization, support for EV measures in the automotive industry, and support for business succession/M&A, thereby contributing to the revitalization of the area.



## Challenges to expand business areas

## Developing New Business Areas by Leveraging the Group's Strengths

In new business areas, we will take advantage of the Group's strengths and alliances with external organizations in areas that could not be addressed with conventional services to solve local and customer issues.

Based on the traditional banking services area, we will expand the range of comprehensive financial services, take on new challenges, and solve regional issues from financial and non-financial perspectives. We aim to achieve sustainable growth in local communities and enhance the Group's corporate value.

## Approach to New Businesses



## Developing new business areas and acquiring new customers by leveraging the Group's strengths

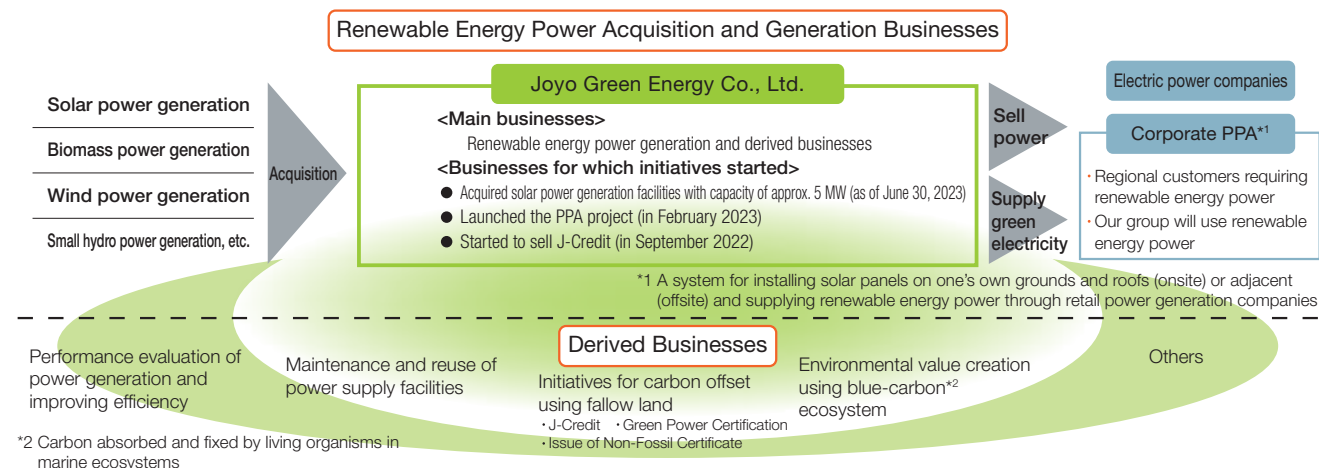
## Joyo Green Energy Co., Ltd. (established in July 2022)

Joyo Bank established Joyo Green Energy Co., Ltd. to contribute to the region's carbon neutrality by acquiring and generating renewable energy power and their derived businesses.

The company made progress on acquiring renewable energy power and acquired solar power generation facilities with capacity of approximately 5 MW, which is the equivalent amount of electricity consumed by 1,500 ordinary households (as of June 30, 2023).

The company also started to supply power to Yachiyo Town in Ibaraki Prefecture through a PPA as an initiative to promote renewable energy with additionality.

Furthermore, the company started to sell J-Credit based on the CO<sub>2</sub> absorption effect of forests in Ibaraki Prefecture to support the region's initiatives to achieve carbon neutrality and the SDGs.



## Colletochi, Ltd. (established in August 2022)

Ashikaga Bank established a regional trading company, Colletochi, Ltd., to revitalize the local economy by supporting businesses with their core businesses through sales of excellent local products, goods, and services. To achieve this objective, the company was established through joint investment with three companies: THE SHIMOTSUKE NEWSPAPERS CO., LTD, Suzuki Print Co., Ltd., and Caters inc. to cooperate with these local companies.

## [Main businesses]

- Sales of local products and support for new product development
- EC operation business
- Other businesses incidental or related to the above



## Business expansion utilizing strategic investments and collaboration

## Startup Co-creation Program 2022

This program is an open innovation initiative for startup companies and others to create new businesses by soliciting business ideas and collaborative partners based on themes that our Group expects to address.

As a result of soliciting the ideas and partners based on the themes of "Carbon neutrality" and "Responding to an aging society," we received entries from 39 startup companies and selected three startup companies as candidates for collaborative partners. We started demonstration tests and examinations to create new businesses and services.



## Strategic investments with corporate venture capital (CVC)

We made a total of five investments using CVC to consider collaboration for business expansion.

## Collaboration with the investees



(Investment execution in May 2022)

We collaborated with Trinity Technology Co., Ltd. that has strength in the area of family trusts\*1 and started to provide "Smart Family Trust," which allows families to easily manage trust assets with an app.

\*1 Family trust is a registered trademark of the Association for the Promotion of Family Trust and is designed to avoid the risk of asset freezing and cover the succession of inheritance by concluding a trust agreement between family members and transferring the right to manage assets to the children while the parents are still healthy.



(Investment execution in October 2022)

We collaborated with Digital Securities Preparatory Co., Ltd., which is preparing a real estate STO business\*2 with the aim of providing next-generation financial products, and provided non-recourse loans to professional real estate STO funds. We will diversify funding menu for businesses such as asset securitization and aim to provide new financial products for the digital generation.

\*2 Real estate STOs are digital securities whose underlying assets are real estate and related rights, and are attracting attention as a next-generation financial product that differs from conventional real estate securitized products.

## Initiatives to develop human resources for business expansion

## New Business Creation Training Program

We implemented a human resource development program\*1 using Sony Group Corporation's expertise to develop human resources who will be charged with business expansion, and to improve skill of dialogue with corporate customers who are working at business development, among other objectives.

Outline of the program  
(November 2022–March 2023)

- Improved understanding of new businesses
- Creation of new business ideas
- Training to turn ideas into business

In this training, 50 employees experienced business model building based on new business ideas in non-financial areas, such as the utilization of vacant houses and advertising business.



Employees in training session

\*1 This program is implemented with the support "Sony Startup Acceleration Program" ("SSAP") provided by Sony Group Corporation, which supports startup creation and business operations.

\*2 Sony Startup Acceleration Program <https://sony-startup-acceleration-program.com> (available in Japanese only)

## Response to Climate Change and Environment Conservation / Initiatives for TCFD Recommendations



Mebuki Financial Group, as a comprehensive financial services group working together with local communities, is engaged in environmental initiatives to maintain the bountiful and beautiful natural environment and pass on it in a healthy state to the future. Specifically, the Group supports businesses related to greening and environmental conservation, provides environmental related financial products, establishes environment-friendly branches, and makes donation to forest protection funds. Its employees also have participated in forest development activities.

### Enhancing group management

## Initiatives for Environment Conservation

Mebuki Financial Group shows its stance on initiatives to address environmental issues in its Corporate Ethics, the basic policy in conducting its business activities, and engages proactively in environmental conservation activities through its group companies.

**(Excerpt from Article 10 of Mebuki Financial Group's Corporate Ethics)**  
**The Group will act proactively to realize a sustainable environment and society that is highly resilient to changes in the global environment and social conditions, and other trends.**

### Group Environmental Policy

Mebuki Financial Group has a Group Environmental Policy based on the belief that enhancing the sustainability of society requires revitalizing economies through coexistence with nature while preserving the global environment such as efforts to address climate change and conserve and restore natural capital and

biodiversity. Recognizing that addressing climate change is a key issue for the global environment, we have worked to reduce environmental burden in our corporate activities and supported local communities in making efforts toward decarbonization.

#### «Establishment of Procurement and Purchasing Guidelines»

Mebuki Financial Group established the Group-wide Procurement and Purchasing Guidelines in January 2023 to engage in responsible purchasing activities in consideration of the environment and society when procuring and purchasing goods and services necessary for its business activities.

The Group also works together with suppliers to realize a sustainable society.

**3. Basic Policy on Procurement and Purchasing**  
The Group will give due consideration to the necessity of procurement and procure products and services that are environmentally friendly or that have as little environmental impact as possible, taking into consideration not only their quality and economic rationality, by preferentially choosing suppliers who are committed to reducing their environmental impact.

### Enhancing group management

## Response to Climate Change (Initiatives for TCFD Recommendations)

Mebuki Financial Group considers responding to global warming and climate change a key priority issue and declared support for the TCFD Recommendations in March 2021. The objective of the Paris Agreement is to realize a decarbonized society—to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. To this end, we will put more effort into responding to climate change, for example, reaching out to our supply chain, which includes the entities that we make investments in and

provide loans to, and implementing initiatives to achieve net-zero CO<sub>2</sub> emissions at the Group, thereby accelerating our contribution to realizing a decarbonized society and the sustainable growth of local communities.

We will also enhance our disclosures based on the Task Force's recommended disclosures, namely Governance, Strategy, Risk Management, and Metrics and Targets, and proactively disclose these thematic areas, thereby increasing stakeholder engagement.

## Governance

### Formulation of policies

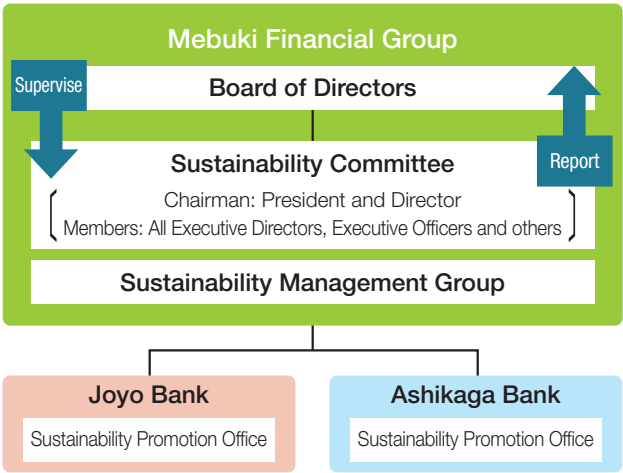
To further reinforce its initiatives for sustainability issues\* including climate change, Mebuki Financial Group has formulated Group Sustainability Policy, Group Environmental Policy, Environmentally and Socially Friendly Investments and Loans Policy, and Procurement and Purchasing Guidelines. Positioning the sustainability issues as important management agendas, the Group has operated its business based on these policies.

\* Initiatives for achieving both the sustainable growth of the Group and the resolution of environmental/social issues in local regions

### Supervision by the Board of Directors

To establish a structure that uniformly manages the development and progress of initiatives related to sustainability issues, including climate change, we have set up the Sustainability Committee chaired by the President and Director and have held committee meetings as frequently as once in six months or more.

We have also built a structure in which the Board of Directors can supervise the Group's sustainability initiatives by having the Sustainability Committee report the details of deliberations at each committee meeting to the Board of Directors and giving instructions to the committee as necessary. Key sustainability issues are proposed to discuss at meetings of the Board of Directors, and it makes decisions on them.



### Main matters related to climate change discussed by the Sustainability Committee and reported to the Board of Directors in FY2022

- Creation of a roadmap for reducing CO<sub>2</sub> emitted by the Group
  - Establishment of Procurement and Purchasing Guidelines
  - Reporting of the results of the scenario analysis of climate change
- \* The Sustainability Committee met 7 times in FY2022.

### Establishment of dedicated organizations

In April 2022, the Group newly established organizations dedicated to sustainability (Sustainability Management Group within Mebuki Financial Group, Inc.; and Sustainability Promotion Office within subsidiary banks, Joyo Bank and Ashikaga Bank). The Group will bring together its functions and knowledge to accelerate group-wide initiatives toward realizing sustainable local communities.

## Strategy

Economic development is dependent on social conditions such as livelihood and education, and society is supported by the natural environment. The maintenance and conservation of the environment is a prerequisite for realizing sustainable local communities and achieving the sustainable growth of both local communities and Mebuki Financial Group. For this reason, we recognize that addressing the issue of climate change is a significant challenge for the global environment and also an important issue for our

business strategies. We have therefore stipulated in the Group Environmental Policy that the Group is committed to realizing a decarbonized society.

Mebuki Financial Group has identified climate change-related opportunities and risks that are expected to impact its business activities as shown below, and assessed the financial impacts of the identified opportunities and risks. Based on the results of the assessment, the Group has been working to mitigate the risks and seize the opportunities.

### 1. Opportunities

#### (1) Awareness of opportunities

We are aware of climate change-related opportunities as follows:

	Details	Time frames
Increased business opportunities	• Increased demand for climate change-related businesses toward decarbonization (e.g., provision of consulting services, products, and services) Examples: support in measuring and drawing up plans for reducing CO <sub>2</sub> emissions, support in drawing up BCPs (including risk reduction using insurance and other means), ESG investing • Increased sustainable finance and related transactions, including renewable energy-related loans • Increased demand for funds to invest in infrastructure and make other capital investments, both of which aimed at minimizing damage from natural disasters triggered by abnormal weather (e.g., damage to offices and residences)	Short- to long-term
Cost reduction	• Reduced business costs at the Group through measures such as the saving of resources and energy	Short- to long-term
Enhanced social reputation	• Enhanced corporate value and social reputation through strengthened responses to climate change and proactive information disclosure	Medium- to long-term

\* Short-term: approx. 5 years; Medium-term: approx. 10 years; Long-term: approx. 30 years



(2) Efforts to seize the opportunities we are aware of

◀Provision of services that support climate change measures▶

Making efforts to achieve carbon neutrality is essential for business continuity and sustainable growth and has become an important management issue even for local small and medium-sized enterprises positioned in the supply chains of listed and large companies that actively engage in decarbonization management.

With global warming, disasters have become more severe and frequent. Preparing for such disasters is also essential for business continuity.

For these reasons, the Group actively supports its corporate customers in taking climate change measures by providing funds and consulting services.

List of primary services

	Non-financial services	Financial services
Awareness raising	• SDGs Declaration Support Service • Holding of SDGs and decarbonization forum	• Loan with SDGs simple evaluation
GHG emissions reduction	• Service to measure GHG emissions (introduction of external partners) • Carbon management consulting service • Introduction of net-zero CO <sub>2</sub> emissions electricity providers • Sale / purchase support of J-Credit	• ESG finance Positive Impact Finance Sustainability-linked loan, etc. • Loan to support solar power generation facilities • Electric car loan
Disaster prevention measures	• Consulting service for disaster prevention measures	• Loan with non-life insurance

◀Decarbonization and cost reduction through the promotion of energy saving▶

■ Establishment of environment-friendly new branch offices

We have been newly establishing environment-friendly branch offices by installing solar power generation systems and switching lighting to LED bulbs, for instance.

■ Adoption of environmentally friendly fuel-efficient cars

We have been gradually replacing our fleet used for sales activities with more fuel-efficient models, as well as promoting the adoption of electric and fuel cell vehicles.

Status of establishment of environment-friendly branch offices (as of March 31, 2023)

FY		Number of branch offices
2022	Joyo Bank	118
	Ashikaga Bank	109



◀Entry into renewable energy power generation business▶

Demand for renewable energy in local regions has been rapidly growing, and there has been a more apparent need for renewable energy among not only large companies but also local companies for their internal use. In July 2022, Joyo Green Energy Co., Ltd. was established to contribute to the region's carbon neutrality by acquiring and generating renewable energy (RE) power and their derived businesses. The company acquired approximately 5 MW from solar power generation facilities as of May 2023, which is the equivalent amount of electricity consumed by 1,500 ordinary households, and supplied power. The company also started to sell J-Credit and supply power in cooperation with local governments and through a PPA.

◀Support for and participation in initiatives▶

The Group considers cooperating with international organizations, the government, and other companies to be important for accelerating sustainability initiatives, including response to climate change. The Group therefore endeavors to actively participate in initiatives.



2. Risks

Using the scenario analysis approach, the Group has worked to better understand climate change-related risks through its loans portfolio. In the ongoing scenario analysis, the Group has pursued the sophistication of analytical methods and expanded the scope of analysis.

We expanded the scope of analysis to assess physical risks from Ibaraki Prefecture and Tochigi Prefecture in the previous fiscal year to nationwide. We added the Metals and Mining sector to the sectors subject to the analysis of transition risks. We also increased the sectors subject to the analysis of carbon-related assets from only the energy sector to four sectors.

(1) Awareness of risks

We are aware of climate change-related risks as follows:

	Risks	Details	Time frames
Physical risks	• Increased severity of extreme natural disasters such as typhoons and flooding and chronic changes to the climate such as increased rainfall, both of which are triggered by the progress of global warming	• Harmed customers' earnings and collateral properties, which result in increases in credit related costs of the Group • In the event of the Group's business locations hit by natural disasters, risk of being difficult to continue business and additional costs for continuing/restoring business operations	Short- to long-term
Transition risks	• Tightening of laws and regulations, such as the setting of stricter CO <sub>2</sub> emissions reduction targets and the introduction/hike of carbon taxes, and changes in the industrial structure • Deteriorated Group's reputation due to shortcomings, including the failure to sufficiently address climate change and disclose related information	• Deteriorated earnings at customers and increased credit related costs at the Group, which may lead the Group to review/revise its operational strategies, including the Investments and Loans Policy (a sector-specific policy) • Greater difficulty in funding for the Group	Medium- to long-term  Short- to long-term

\* Short-term: approx. 5 years; Medium-term: approx. 10 years; Long-term: approx. 30 years

(2) Scenario analysis

The Group has conducted the scenario analysis of physical risks and transition risks to assess the resilience of the Group's organizational strategy while taking into consideration climate change scenarios and enhance dialogue (engagement) with its corporate customers. Here is the overview of the scenario analysis in FY2022.

◀Physical risks▶

I. Qualitative analysis

We have analyzed the risks that customers could face from the perspective of physical risks.

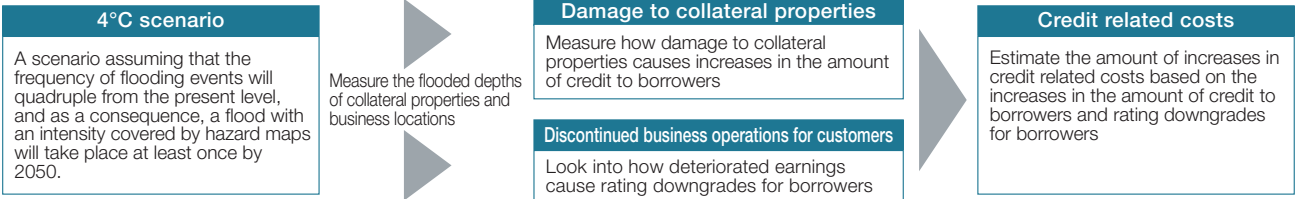
Evaluation items	Major risks
Increased severity of extreme weather events (acute risks)	• Damage to continued business operations as a consequence of increased severity of extreme weather events (a decrease in sales) • Strengthening of disaster prevention measures, and actual damage to property (an increase in operational costs)

II. Quantitative analysis

As to the impact of flooding damage caused by typhoons and other natural disasters, we conducted a quantitative analysis in the previous fiscal year through surveys on customers with their business locations in Ibaraki Prefecture and Tochigi Prefecture, the Group's core areas of business. In the current fiscal year, we expanded the scope of analysis to nationwide and conducted the same analysis.

Specifically, we have analyzed how damage to collateral properties and the deteriorated earnings due to the discontinued business operations by customers will affect the Group's credit related costs over time. We made the analysis based on materials published by the Ministry of Land, Infrastructure, Transport and Tourism and other information, assuming the 4°C scenario in which the level of flood falling under the natural disasters on hazard maps takes place.

[Procedures for analysis]





[Overview of analysis]

Risk events	Damage to collateral properties caused by flooding, and subsequent discontinuation of business and deterioration of financial conditions for customers
Scenarios	RCP8.5 scenario* (4°C scenario)
Subject of the analysis	Customers with their business locations in Japan
Period of analysis	Until 2050
Risk metrics	Credit related costs (credit costs) that will likely increase
Risk amount	Increase in credit related costs: Up to ¥14.6 bn

\* A scenario developed by Intergovernmental Panel on Climate Change (the "IPCC")

◀Transition risks▶

I. Selection of sectors subject to the analysis

In view of transition risks (Policy and Legal, Industry and Market, Technology, and Reputation), we picked out four sectors of Electricity, Petrochemical, Automobile, and Metals and Mining, which is the added sector from the previous fiscal year, from our investments and loans portfolio as the sectors that will be affected most by transition risks, and have analyzed the potential risks customers will face in these sectors.

\* The Oil, Gas, and Coal sector, which is included in carbon-related assets, were excluded from the scope of the analysis, as the Group's exposure to these sectors is limited (accounting for only about 0.6% of the total amount of credit as of March 31, 2022).

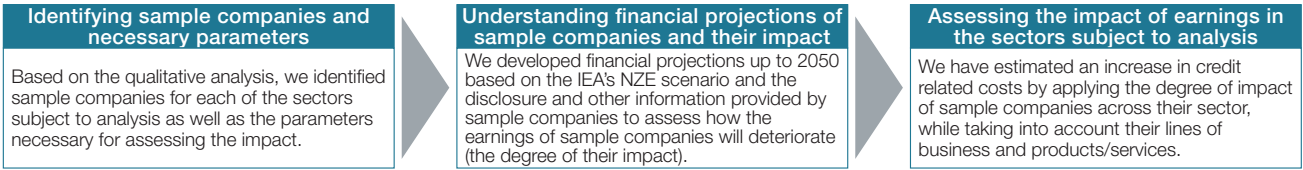
II. Qualitative analysis

Sectors subject to the analysis	Major evaluation items		Major risks
Electricity	Policy and Legal	Carbon tax/price, reinforcement of greenhouse gas (GHG) emissions control	• Introduction/hike of carbon tax (an increase in operational costs, a decrease in assets value, a decrease in sales) and reinforcement of GHG emissions control (an increase in operational costs, a decrease in assets value)
	Industry and Market	Energy mix, etc.	• Diffusion of renewable energy (a decrease in profits, an increase in operational costs)
	Technology	Diffusion of low-carbon technologies	• Transition to low-carbon technologies (a decrease in sales, an increase in R&D spending, an increase in operational costs)
	Reputation	Changing customer behavior	• Enhanced environmental awareness (a decrease in sales, an increase in operational costs)
Petrochemical	Policy and Legal	Carbon tax/price and response to regulations on plastics	• Introduction/hike of carbon tax (an increase in operational costs) • Adoption of regulations on plastics (an increase in operational costs)
	Industry and Market	Raw materials prices	• Rises in raw materials prices (an increase in operational costs)
	Technology	Diffusion of renewable energy	• Diffusion of renewable energy (an increase in operational costs)
	Reputation	Changing customer behavior	• Shifts in customer preferences (a decrease in sales)
Automobile	Policy and Legal	Carbon tax/price	• Introduction/hike of carbon tax (an increase in operational costs)
	Industry and Market	Evolution of electric vehicles (EV)	• A decrease in internal combustion engine vehicles (a decrease in sales)
	Technology	Diffusion of EV (a next-generation technology)	• Shift to EV (increases in capital investments)
	Reputation	Changing customer behavior	• Shifts in customer preferences (a decrease in sales)
Metals and Mining	Policy and Legal	Carbon tax/price	• Introduction/hike of carbon tax (an increase in operational costs)
	Industry and Market	Evolution of multi-materials	• Transition to lightweight materials (a decrease in sales, an increase in operational costs)
	Technology	Transition to low-carbon steels	• Transition to low-carbon steels (a decrease in sales, increases in R&D spending and capital investments, an increase in operational costs)
	Reputation	Changing customer behavior	• Enhanced environmental awareness (a decrease in sales, an increase in operational costs)

III. Quantitative analysis

We have conducted quantitative analyses on the impacts of the Introduction of Carbon Tax, Customers' Initiatives, Changes in the Markets, and others, which are all aimed at the transition to a decarbonized society. Specifically, we have analyzed how the deteriorated earnings of customers, as a consequence of the transition to a decarbonized society, will affect the Group's credit related costs over time based on the projections under the IEA's Net Zero by 2050 (NZE) scenario and the disclosure and other information provided by sample companies.

[Procedures for analysis]



[Overview of analysis]

Risk events	Deteriorated financial position for customers as a result of the transition to a decarbonized society
Scenarios	NZE scenario* <sup>1</sup> (1.5°C scenario), RCP2.6 scenario* <sup>2</sup> (2°C scenario)
Subject of the analysis	Electricity, Petrochemical, Automobile, and Metals and Mining sectors
Period of analysis	Until 2050
Risk indicators	Credit related costs (credit costs) that will likely increase
Risk amount	Increase in credit related costs: Up to 18.0 billion yen

\*<sup>1</sup> A scenario developed by International Energy Agency (the "IEA")

\*<sup>2</sup> A scenario developed by Intergovernmental Panel on Climate Change (the "IPCC")

IV. Status of carbon-related assets (as of March 31, 2023)

The amount of credit, which accounts for the total amount of credit\*<sup>1</sup>, and the percentage of loans in each of carbon-related sectors\*<sup>2</sup> are as follows:

	Energy	Transportation	Materials and Buildings	Agriculture, Food, and Forest Products	Total
Amount of credit	¥177.1 billion	¥465.1 billion	¥2,999.9 billion	¥271.1 billion	¥3,913.1 billion
Percentage	1.5%	3.9%	25.0%	2.3%	32.6%

\*<sup>1</sup> The sum of loans, acceptances and guarantees, foreign exchanges, private placement bonds, unused portions of commitment lines, etc., excluding the water supply and renewable energy power generation businesses

\*<sup>2</sup> The sectors suggested in the TCFD recommendations are the Global Industry Classification Standard (GICS) sectors; however, the Company used the Bank of Japan's sector classification to calculate the amounts and percentages. Therefore, there may be some differences between those calculated based on the GICS sectors and those calculated based on the BoJ's sector classification.

(3) Results of the scenario analysis

This analysis approach found that both physical risks and transition risks have limited impacts on the Group. We will continue to increase the sophistication of our analysis. We will use the results of the analysis for our customer engagement and support our customers in making efforts to address climate change and toward decarbonization, thereby maximizing opportunities and minimizing risks for the Group and customers.

Risk management

The Group has worked to have a more sophisticated risk management system based on the recognition that one of its most important management issues is to appropriately control risks according to the characteristics of business operations and risks in order to enhance its corporate value while ensuring its sound and safe corporate management. The Group considers climate change risks to be one type of the material risks that could have a significant impact on not only the environment but also the economy and society and to be an important issue for its business strategies. The Group has therefore stipulated in the Group Environmental Policy that the Group is committed to realizing a decarbonized society. To this end, the Group aims to have and develop proper climate change risk management.

The Group undertakes integrated risk management which quantitatively measures various types of risk including credit risk and market risk, using statistical methods, such as VaR, in order to individually manage increasingly diversified and complicated types of risk relevant to financial services, and at the same time, to comprehensively capture said risks.

Climate change risks could permeate and materially affect the Group's business operations, strategies, and financial planning by way of credit risks,

operational risks, and a broad range of complex pathways over a variety of time frames. Therefore, based on the results of the scenario analysis and qualitative analyses, we will deep-dive into how risks permeate in what time frame for each risk category, increase the sophistication of the scenario analysis, and manage risks in a comprehensive framework. We will also develop and offer optimal solutions, such as support for responses to climate change and the transition to decarbonization and support for business continuity measures, to solve the issues and needs identified through customer engagement, aiming to create business opportunities and reduce and avoid climate change risks.

Concerning investments and loans to sectors that could have a negative impact on the environment and society, we have established the Environmentally and Socially Friendly Investments and Loans Policy and sought to reduce and prevent their impact on the environment and society. Based on the policy, we have also monitored regularly if proper management is in place.

We will continue to deep-dive into how risks permeate in what time frame for each risk category and manage risks in a comprehensive framework.

1. Example of spreads of climate change risks

Physical risks		Transition risks
Credit risks	Increases in credit risk due to damage to customers' assets, caused by the increased severity of natural disasters and the subsequent impairment of collateral values, and to the slow-down/deteriorated earnings of customers' businesses.	Deterioration in earnings and subsequent increases in credit risks of customers for reasons including their insufficient responses to changes associated with the transition to a decarbonized society, such as the changes in policies/regulations, markets, and technological development
Market risks	Increase in market risks with the declining values of securities, etc., caused by the increased severity of natural disasters	Deterioration in earnings of investees on the back of the transition to a decarbonized society, increase in market risks coupled with a decline in the values of securities and other instruments caused by changes in investor behavior
Liquidity risks	Increase in liquidity risk coupled with increased outflow of funds due in part to the withdrawal of deposits by customers who were affected by the increased severity of natural disasters, and as a consequence, are cash-strapped	Increase in liquidity risk coupled with increased funding costs on the back of a rating downgrade of the Group due in part to its insufficient response to climate change risks and the outflow of deposits
Operational risks	Increase in tangible asset risk, discontinued business operations, and increase in disaster prevention costs as a consequence of damage to the Group's business locations by natural disasters	Increase in reputational risk due to insufficient responses to the transition to a decarbonized society (e.g., insufficient disclosure, holding of carbon-related assets)

2. Establishment and announcement of loans policy to particular sectors

Concerning investments and loans to particular sectors that could cause a negative impact on the environment and society, we have established the Environmentally and Socially Friendly Investments and Loans Policy and sought to reduce and prevent their impact on the environment and society. Since March 2021 when we established the investments and loans policy, we have not engaged in investments and loans in conflict with the policy.

Sector	Investments and loans policy	Results of monitoring in FY2022
Coal-fired power generation business	In principle, we do not engage in investments and loans for newly established coal-fired power plants. (However, exceptions may be considered after taking into account the background or characteristics of each project such as its overall power generation efficiency, its impacts on the environment and local communities, etc., based on international guidelines.*1)	We did not engage in investments and loans for newly established coal-fired power plants in FY2022. We will reduce the existing balance*2 to zero by FY2039.
Deforestation business	Investment decisions for deforestation operations will be made after careful consideration of the status of their acquisition of international certifications (FSC*3 or PEFC*4), environmental considerations, and their conflicts with local communities.	We did not engage in investments and loans for deforestation businesses.
Palm oil plantation development business	Investment decisions for palm oil plantation development will be made after careful consideration of the status of their acquisition of an international certification (RSPO*5), environmental considerations, and their conflicts with local communities.	We did not engage in investments and loans for palm oil plantation development businesses.
Cluster munitions manufacturing business	In view of the inhumane nature of cluster munitions, we prohibit investments and loans for businesses that manufacture cluster munitions, regardless of the use of the funds.	We did not engage in investments and loans for cluster munitions manufacturing businesses.
Human rights violations, forced labor, etc.	We prohibit investments and loans for businesses that violate the principles of international human rights standards*6 such as child labor and forced labor.	We did not engage in investments and loans for businesses that violate the principles of international human rights standards such as human rights violations and forced labor.

\*1 Including the Arrangement on Officially Supported Export Credits set forth by the Organisation for Economic Co-operation and Development (the "OECD")

\*2 The balance of existing investments and loans include only the projects in which the business operators had adopted the best technology available for the scale of power generation of each project (BAT: Best Available Technology) when the investments were made.

\*3 Forest Stewardship Council. A non-profit organization that operates an international forest certification system based on the principle of appropriate, socially beneficial, and economically sustainable forest management from the perspective of environmental protection

\*4 Forest certification program. An international umbrella organization that promotes examination of forest certification systems that have been individually developed in each country based on the Intergovernmental Process for Sustainable Forest Management, which covers 85% of the world's forests, and that promotes mutual recognition of these systems

\*5 Roundtable on Sustainable Palm Oil. An organization that develops globally trusted certification standards to promote sustainable palm oil production and use

\*6 Including Universal Declaration of Human Rights, and UN Guiding Principles on Business and Human Rights

Metrics and Targets

The Group has set the targets below and created a roadmap for aligning with the Paris Agreement, realizing a decarbonized society, and achieving net-zero CO<sub>2</sub> emissions, and monitored them with various metrics.

We regularly report the progress made toward the targets and the use of metrics to the Sustainability Committee and the Board of Directors, reflect them in the strategy, and receive supervision.

1. Sustainable finance

We have set targets to execute sustainable finance for a cumulative total of ¥3 trillion, of which the environment fields represent ¥2 trillion, over the period from FY2021 to FY2030.

During the period from FY2021 to FY2022, we executed ¥615.4 billion of sustainable finance, including ¥347.9 billion in environmental fields.

	Target (FY2021-FY2030)	Results (FY2021-FY2022)	Progress rate
Sustainable finance	¥3 trillion	¥615.4 billion	20.5%
Of which, the environmental related finance	¥2 trillion	¥347.9 billion	17.4%

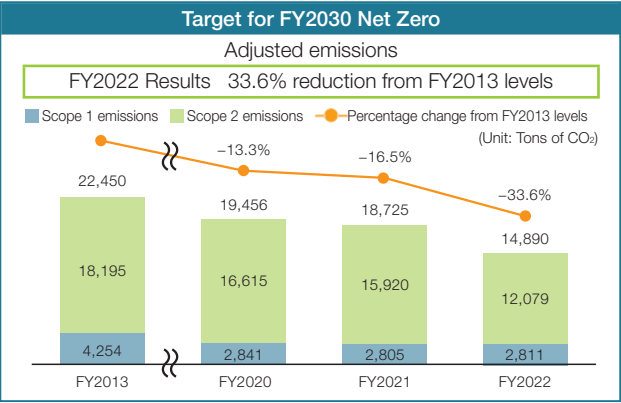
Definition of Sustainable Finance
“Finance to support customers' activities aiming to realize a sustainable society through solving environmental and social issues,” as referenced in related external standards (the Green Loan Principles, the Green Bond Principles, the Social Bond Principles, etc.)

	Target sectors of the sustainable finance
Environment related fields	Projects that help adapt to/mitigate climate change, such as renewable energy projects Capital investments that contribute to renewable energy, energy saving, and carbon neutrality
Social fields	Projects that contribute to regional revitalization and recreation Projects that contribute to fostering start-ups and job creation

2. CO<sub>2</sub> emissions

(1) CO<sub>2</sub> emissions reduction target (Scope 1 and Scope 2)

As part of the efforts to strengthen our response to climate change, we started this fiscal year to measure CO<sub>2</sub> emissions across the Group—all Group companies, in addition to Joyo Bank and Ashikaga Bank in the previous fiscal year. We will continue to work at achieving the target by reviewing and revising the roadmap, as needed, in light of factors such as technological trends and changes in environment.



Substantive adoption of renewable energy

Adoption timing	Buildings that adopted renewable energy	Estimated reduction effect
July 2022	Joyo Bank: • Head Office • Tsukuba Building • Hitachinaka Building • Business Administration Center Ashikaga Bank: • Head Office	4,293 tons of CO <sub>2</sub> per year*1
April 2023	Ashikaga Bank: • Utsunomiya Chuo Branch • Training Center (located within Utsunomiya Chuo Branch) • Computer Center	1,710 tons of CO <sub>2</sub> per year*2
Total	4 buildings	3 buildings 6,003 tons of CO <sub>2</sub> per year*3

\*1 Calculated based on the adjusted emission factors for FY2020 by TEPCO Energy Partner, Incorporated

\*2 Calculated based on the adjusted emission factors for FY2021 by TEPCO Energy Partner, Incorporated

\*3 Equivalent to approx. 32% of CO<sub>2</sub> emissions (adjusted emissions) at the Group in FY2021

(2) CO<sub>2</sub> emissions (Scope 3)

The sum of Scope 3 emissions of Joyo Bank and Ashikaga Bank is as follows: We started to measure Scope 3 emissions for categories 1 through 5 and 15 from this fiscal year.

Category		Emissions (Tons of CO <sub>2</sub> )
Category 1	Products and services purchased	6,267
Category 2	Capital goods	8,146
Category 3	Fuels and energy activities not included in Scope 1 and Scope 2	2,237
Category 4	Transportation and delivery (upstream)	534
Category 5	Waste generated through business	29
Category 6	Business trip	1,128
Category 7	Commuting of employees	3,398
Category 15	Investments and loans	20,498,197
Total		20,519,939

\* No emissions were measured for categories 8 through 14.

[Category 15 (investments and loans)]

- We measured Scope 3 emissions of all the businesses to which Joyo Bank and Ashikaga Bank provided loans, with reference to PCAF\*1 standard measurement methods.
- There are mainly two measurement processes. The bottom-up approach measures Scope 3 emissions from actual CO<sub>2</sub> emissions sourced from disclosed data and other information. The top-down approach estimates carbon emissions using sector-specific carbon intensity. We used the bottom-up approach for businesses whose disclosures were available to us and the top-down approach for the rest.
- We will use the measurement results for our customer engagement to contribute to realizing a decarbonized society.
- We will make our measurements more accurate and expand the scope of measurement.

[Emissions by sector (14 carbon-related sectors of TCFD)]

Sector	Carbon intensity*2 (tons of CO <sub>2</sub> / Million yen)	Emissions*3 (tons of CO <sub>2</sub> )	Sector	Carbon intensity*2 (tons of CO <sub>2</sub> / Million yen)	Emissions*3 (tons of CO <sub>2</sub> )
Agriculture	5.89	1,458,252	Automobile	4.64	596,757
Paper manufacturing and Forestry	8.70	695,192	Electricity	34.15	991,046
Beverages and Foods	2.75	17,463	Real estate management and development	0.71	284,740
Metals and Mining	9.96	1,743,079	Land transportation	3.80	930,120
Chemicals	9.19	1,046,476	Maritime transportation	20.03	130,289
Oil and Gas	12.89	813,025	Air transportation	9.73	12,430
Construction materials and Capital goods	3.50	5,047,827	Others	2.72	6,731,495
			Total	—	20,498,197

\*1 Partnership for Carbon Accounting Financials, an international initiative to develop methods for measuring and disclosing GHG emissions through financial institutions' investment and loan portfolios

\*2 Formula for calculating sector-specific carbon intensity:

Carbon intensity =  $\sum (\text{CO}_2 \text{ emissions from businesses to which the banks provided loans} / \text{Sales of the businesses}) / \text{Number of the businesses}$

\*3 Formula for calculating emissions (top-down approach):

Emissions =  $\sum (\text{Carbon intensity of each of the businesses to which the banks provided loans} \times \text{Sales of the business}) / \text{Degree of contribution of loans provided by Joyo Bank and Ashikaga Bank}$

Note: The above calculations used the outstanding balance of loans provided to customers as of March 31, 2023 and their latest financial results that Joyo Bank and Ashikaga Bank had as of March 31, 2022.



Promotion of Digitalization and DX



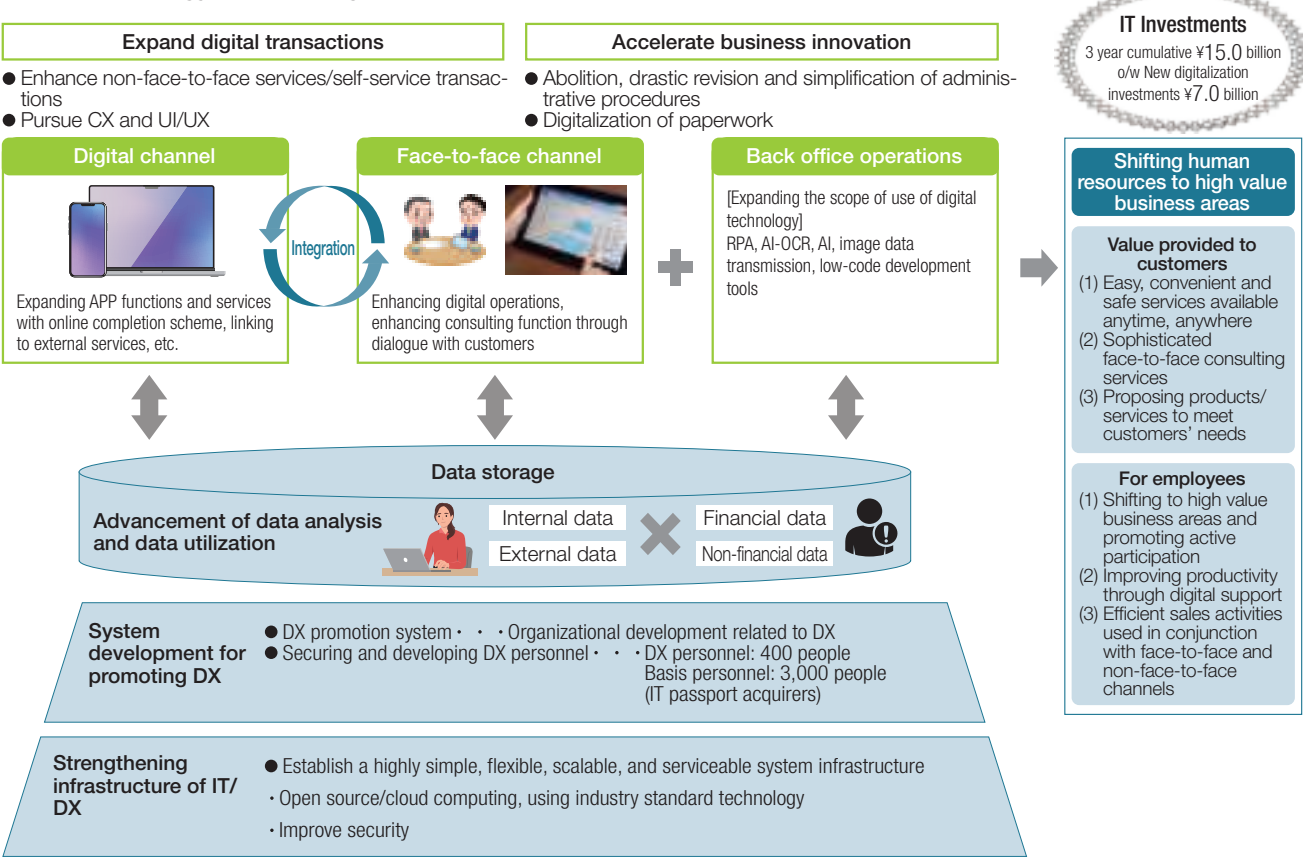
To promote digital transformation (DX), we have been working to improve the convenience of services for customers and increase the efficiency of internal operations by digitalizing operations and utilizing digital technology. We have leveraged know-how in promoting DX cultivated through our banking services and internal operations to make proposals on DX consulting to local communities and corporate customers. By doing so, we are accelerating our DX initiatives so that we, as a regional financial institution, can reinvest such know-how into local communities as good practice cases or services.

Positioning in the Medium-Term Group Business Plan

► [Specific Strategy 1-1: Innovating traditional banking services] [Specific Strategy 2-1: Promoting DX]

- Traditional banking services involve a lot of paper forms, manual process, and confirmation work relies on human attention, and an enormous volume of work has been done manually. We aim to remove the hassles for both customers and bank staff by increasing the efficiency of such work with digital technology. The hours and resources saved from increased efficiency will be utilized to strengthen contact points with customers as well as to create sales structure that allows customers to take their time to thoroughly consult with our bank staff, thereby driving operational structural reforms.
- Through the utilization of digital technology, we will make our banking services available regardless of time or place by providing various apps, online services, and digital contract services, among others. We will improve user interface and experience of these services so that anyone can access them easily with peace of mind.
- We will use data created through the digitalization of banking transactions in this way to better understand each individual customer. We are currently working to establish a data utilization infrastructure to provide optimized information and make appropriate and timely proposals to each customer.

Specific Strategy Promoting DX



DX strategy story that the Group aims to realize

To share a common definition and understanding of the term DX as the Group, we have established a DX strategy story as below and used it as a guide for our DX strategy.

- The DX will free customers, employees and staff from hassles (business innovation/digital channel) and provide easy access to information that will inspire them to take a next action (data utilization), so that people can continue to provide new value to the local communities through activities that are unique to them.
- To this end, we will work to strengthen our DX infrastructure, including developing a digitally connected environment (developing an environment for paperless, cloud, etc.) and utilizing and transforming digital skills and mindsets (management's commitment and human resources; shifting our focus on human resources from quantity to quality) and leverage various knowledge and open networks (collaborations with other companies and incorporation of technologies) accumulated in the Group to provide DX support to corporate customers and local regions.

Roadmap for DX

We have roughly broken down the DX strategy into five areas and defined what we aim for and main initiatives for each area. With these definitions as an overall direction that the Group is heading in, we apply them at the tactical level in consideration of the reality of each group company and set a semi-annual operational plan and short-term goals to promote the initiatives.

	What we aim for (To-Be)	Main initiatives
Digitalization/innovation in traditional banking business	Most operations will be digitized, freeing from complicated paperwork. Bank staff can focus on productive tasks that only humans can perform and AI and other technologies are being used to enhance and personalize business operations.	<ul style="list-style-type: none"><li>○ Development of paperless, seal-less, fax-less measures</li><li>○ Group-wide BPR, efficiency improvement of loan operation</li><li>○ Renovation of branch office system (slip-less/innovation in OTC operations)</li></ul>
Improvement of digital channels/expansion of contact points with customers	Customers can securely access various transactions and procedures anytime, anywhere through a high UX digital channel. These channels are in daily use by many customers and have broad penetration among various segments of customers.	<ul style="list-style-type: none"><li>○ Promoting Banking app, portal for corporate customers and digital contracts</li><li>○ Increasing digitalization penetration (percentage of digital channel usage)</li><li>○ Digitalization of identity authentication using eKYC</li></ul>
Strengthening data utilization	Various data is collected, aggregated, and accumulated in the DB, and data necessary for business management, planning, sales promotion, etc. can be utilized universally. This provides users with new insights and values.	<ul style="list-style-type: none"><li>○ Rebuilding database infrastructure</li><li>○ Cloud computing of main business channels</li><li>○ Implementation/utilization of MA (marketing automation)</li></ul>
Enhanced DX infrastructure	A large number of DX personnel have been trained, and their skills are regularly brushed up on. A main system infrastructure is flexible enough to cope with changes in the external environment and highly secure enough to support the diversification of working environment.	<ul style="list-style-type: none"><li>○ Developing DX personnel</li><li>○ Loosely coupled configuration of main system infrastructure, shift to cloud computing</li><li>○ Expansion of mobile PC and smartphone users for business use</li></ul>
DX support/collaboration with customers and local regions	To enhance DX support, we are ready to promote DX consulting in collaboration with group companies, business matching partners and external advanced companies. We also provide appropriate financial functions for regional DX projects.	<ul style="list-style-type: none"><li>○ Practice of DX consulting sales for customers</li><li>○ Expanding collaboration/alliances with DX service providers</li><li>○ Information gathering and providing financial function for regional DX</li></ul>

Certified as a DX Certified Business Operator by the Ministry of Economy, Trade and Industry

The Company was certified as a DX Certified Business Operator on November 1, 2022. The DX Certification System is a national certification system for businesses that meet the basic requirements of the Digital Governance Code\* established by the Ministry of Economy, Trade and Industry under the Act on Facilitation of Information Processing.



\* A document compiled by the Ministry of Economy, Trade and Industry that summarizes what actions business managers are required to take, such as formulation and disclosure of management vision, to accommodate social transformation driven by digital technology.



Innovating traditional banking services

Digitalization/Innovation in Traditional Banking Business

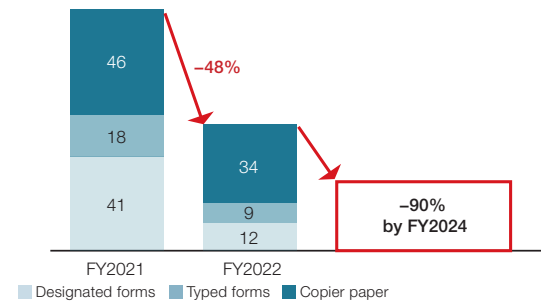
To streamline complicated operations caused by using paper forms or affixing seals, we are taking various measures such as paperless, seal-less, and fax-less measures.

Specifically, we first implemented the visualization of operations so that their status can be monitored as data. Then we have been promoting various improvement measures, including promoting digital completion processing, automating operations using RPA, AI-OCR, etc., and driving digital workplace reforms in the offices (creating an environment where operations can be completed without printing out paper copies) (listed in order of how much room they have for improvement).

Such initiatives are taken not only by subsidiary banks but also by group companies. For example, they are working on digitalization by building a local area network across companies and establishing a workflow between group companies.

Joyo Bank's progress in paperless operations

(Million sheets)



Development and utilization of apps for business smartphone

Joyo Bank has distributed smartphones for business use to all banks staff including part-timers. In order to increase the efficiency of internal operations, the bank utilizes its proprietary business apps for operations including over-the-counter operations and sales support.

The bank has already developed 10 types of business apps. Among others, the Receipt App used in the receipt of items from customers has been patented as a business model in recognition of its advantages of sophisticated UI/UX, a unique focus on using a single photo of the received item as an evidence, and a function capable of managing “when, from whom, to whom, and where the item was received” as digital data using GPS.

These business apps were jointly developed with Digital Serve Co., Ltd., an IT company based in Mito City, and are available for sale to external companies.

Receipt App

Thoroughly simplified functions

- Using a photo and an electronic signature of the customer as the minimum necessary evidence for the receipt of item
- Using an NFC chip for the transfer of received items between bank staff
- Uniformly managing the return of received items using a PC within the bank



**Patented** Obtained a business model patent in 2020

(JP Patent No. 2019-094482)

Automation of manual processes using AI

Ashikaga Bank has introduced an AI-OCR as a system to increase the efficiency of simple data entry work at its concentrated back-office departments and some of its branch offices.

In the past, staff manually input text and numbers on machine-printed and handwritten forms into systems.

To improve the operational efficiency substantially, the bank has replaced the manual process with an AI-OCR so that the only manual operation required is to check the recognized text.

Innovating traditional banking services

Improvement of Digital Channels/Expansion of Contact Points with Customers

Services for individual customers

With Banking App (Joyo Banking App and Ashikaga Bank App) positioned as a core channel that allows individual customers to do their banking in the most convenient way, we provide an environment where even customers who have found it difficult to visit a bank branch because they work during the day can access our banking services anytime, anywhere, and conveniently.

In addition, we have started accepting a smartphone payment app PayB App\*, through which users can complete the payment of taxes and public fees (local taxes and public utility bills) at home in March 2023.

\* A service provided by Billing System Corporation. The account linking service is available at both subsidiary banks.

Banking App that requires no application or manuals

Against a backdrop of a business alliance with Resona Holdings, Inc. in the digital field, the Banking App has been developed based on an app platform provided by the Resona Group, being partially customized for the Company.

Several new functions have been added to the app almost every three months through agile development. Collaborating with Resona Holdings, Inc. in the development and operation of the app allows us to develop functions with speed and flexibility. We are also collaborating in cyber security.

Staff from teamLab Inc., a company engaged in the app design, has participated in the agile development team. With speed and design that cannot be achieved by a regional bank alone, the app is more customer-oriented and easy to use, and it is so convenient that it requires no manuals.

This app is available for any customers who have an ordinary savings account at the Company's subsidiary banks without having to apply to the bank.

- Simple Procedures**
  - ✓ Not requiring contract like internet banking
  - ✓ Simplified setup procedures
- Ensuring security**
  - ✓ Terminal and biometrics authentication
  - ✓ Featuring other various security mechanisms
- Easy screen operations**
  - ✓ API connection between app and bank's accounting-related systems
  - ✓ System not depending on conventional internet banking
- Continuous improvement**
  - ✓ Agile development system with Resona HD
  - ✓ Responsive to the external environment and customer feedback



Services for corporate customers, self-employed customers, schools, and other customers

Providing corporate portal services

We have started to provide corporate portal services (“Joyo Bank *Mikatano* Cash Management” and “Ashigin BizLink”) to assist businesses in their cash management. The services allow the visually appealing display of cash flow status, which has been managed using passbook/statement, Excel, packaged software, etc.

We are also providing an online application service for bank account transfer for companies and municipal governments that collect payments via bank transfers, such as schools and gas companies. By allowing them to accept an application for bank account transfer on the website, the service helps collection companies substantially improve the efficiency of reception management and clearing operations (confirming the completion of the account transfer procedures), while making the application procedures much easier.

Promoting digital contracts

A major change we experienced in fiscal 2022 was the increasing prevalence of digital contracts. We provide services for unsecured loans (car loans, card loans, etc.) under an online contract, where all the procedures, from preliminary loan screening to final contract, can be completed online without visiting a branch, and the online contract ratio has reached 95.9%.

Besides that, we have also started to provide digital contract services for housing, apartment and business loans, expanding the scope of digitally available forms sequentially. The digital contract ratios as of March 31, 2023 for housing loans and business loans were approximately 95% and 90%, respectively. In particular, we have one of the highest digital contract ratio for business loans in financial institutions (according to our research based on information published by other financial institutions).

Branch transformation — Aiming for all branches to serve as consulting stations

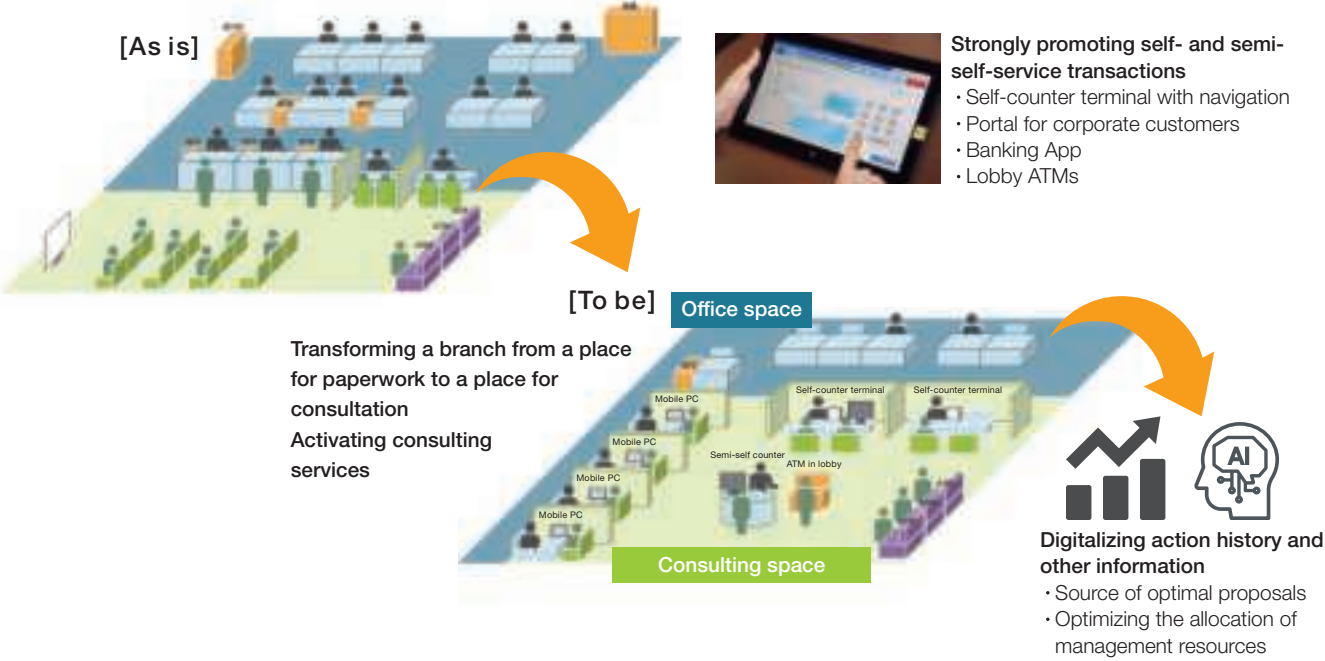
With an aim to transform our branches from a place for paperwork to a place for consultation through the digitalization of over-the-counter operations, our subsidiary banks are having cross-sectoral discussions on matters, including how the next-generation branch system should be and system requirements necessary to realize such a system.

We are already making progress in transforming into a branch format that does not handle cash transactions (transactions are completed via self-service). By

eventually expanding such a format to all branches, we will further increase the convenience for customers to consult with us.

While actively promoting digitalization, we will build sales structure that is rooted in local communities by placing much value on providing customers with confidence through thorough face-to-face consultation and ties with local communities that internet banking services and Fintech companies cannot provide.

Illustration of branch layout



Providing online consulting service by dedicated staff

In March 2023, we launched the online consulting service to provide advice to customers on life-plan consulting, such as asset building and asset succession, and on housing loans by connecting a customer's smartphone or PC to dedicated staff.

We have also employed a similar scheme "inheritance consulting service by specialized departments at the head offices" to meet the year-after-year increasing need of customers for inheritance-related

consulting backed by rapidly aging population. In doing so, as part of our financial gerontology initiatives, we are striving to respond to the diverse needs of customers that change with the times.

We are offering a new form of communication using digital technology by providing customers with confidence and value-added services that only humans can provide through face-to-face interactions without visiting a branch.

Promoting DX

Strengthening Data Utilization

We utilize various data accumulated through, among other things, the digitalization of internal operations and the provision of apps and portal services to customers as basic information and marketing data to better understand each individual customer and to highlight challenges lying in internal operations. To this end, we have set a goal to rebuild data utilization infrastructure in fiscal 2022 and repeatedly discussed the policy for building the data infrastructure and the direction of data utilization. While starting the development of individual systems and database that compose the data utilization infrastructure in fiscal 2023, we plan to launch various schemes based on the new infrastructure in fiscal 2024.

Meanwhile, we have continued to work on initiatives that can be undertaken with the current systems and database as well as on demonstration experiments for research and practical application of AI and other advanced technologies, and already utilized some of such technologies in the fields of demand forecast and credit screening, as well as at markets divisions.

Labor saving of housing loan screening using AI

Utilizing supervised learning, which is a way of AI utilization categorized as machine learning, we will automate the housing loan screening process, which has had to rely on experience and judgment skills of staff engaged in screening.

We will not fully automate the screening process for all deals but automate the process mainly for highly credible and highly doubtful deals through AI screening

by estimating the risk of each loan application using an enormous amount of historical data.

In parallel with such an initiative, we intend to review the screening criteria and paperwork for housing loans so as to provide customers with screening results expeditiously and offer attractive product plans.

\*We will launch the AI-based housing loan screening process in December 2023.

Joint research with a university

Joyo Bank has conducted joint research on the utilization of AI for market investment with Ibaraki University. The research findings have been published externally as appropriate and gained high acclaim.

Students (undergraduates and graduates) of Ibaraki University have conducted research on the application of AI technology directly linked to practical operations of the bank's markets divisions, while experiencing and understanding such operations. By sharing the research findings with bank staff engaged in market investment and exchanging opinions and mutually providing suggestions for improvement, the bank staff can understand AI and the students can know a lot about banking practice.

This initiative has helped students know about the bank better than usual internship, resulting in one of the students joining Joyo Bank.



Photo provided by Ibaraki University



Promoting DX

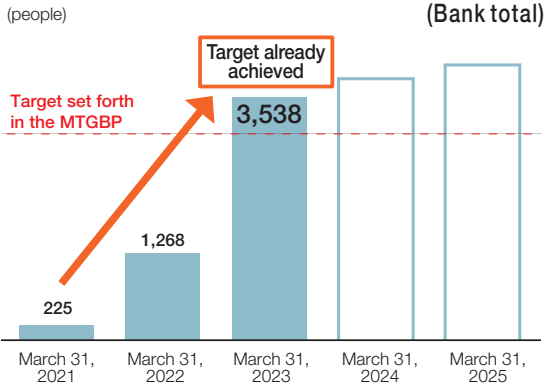
Enhanced DX Infrastructure

In order to advance DX systematically, it is necessary to renovate system infrastructure and develop human resources to support such advancement. The Group is considering the renovation of core system and the renewal of branch system from a long-term perspective. Meanwhile, from a medium-term perspective, the Group has been working to modernize individual systems set to expire for renewal in the near future (being updated to adapt to the current business environment).

We have set three-stage criteria for developing DX personnel according to the level of DX literacy (leader personnel, core personnel, and basis personnel). We have worked on a development target for each of the DX personnel set forth in the Medium-Term Group Business Plan.

For the development of DX basis personnel, we have extensively encouraged employees to acquire IT Passport to improve digital literacy across the organization and already achieved the target of training 3,000 DX basis personnel set forth in the Medium-Term Group Business Plan ahead of schedule in the first year of the plan. We have also already achieved the target of training 400 DX core personnel. Going forward, we will further strengthen personnel development and update knowledge among employees to adapt to the ever-changing and fast-evolving digital external environment.

Number of DX basis personnel (IT passport holders)



● Measures to develop DX personnel

- Dispatching trainees to IT companies to absorb up-to-date know-how
- Openly recruiting trainees from internal digital departments to find in-house talent
- Offering training on a variety of subjects, such as IT coordinators, data science, and low-code development
- Encouraging employees to acquire digital-related qualifications and continuously providing a learning environment

Positioning the IT coordinator case training as a core training program

Joyo Bank has positioned the IT coordinator case training\* organized by IT Coordinators Association (ITCA) as a core training program to train DX core personnel, and dozens of bank staff attend the training every year.

These measures have stimulated DX consulting sales for corporate customers, and as a result, the number

of suggestions made and the number of closed deals have increased substantially.

\* The case training is a training program required to attend to acquire the IT Coordinator Qualification, a recommended qualification by the Ministry of Economy, Trade and Industry. Attendees learn a systematic way of practicing IT management that aligns with actual consulting activities, using a virtual company as a case study.

Introducing practical training programs for DX personnel development

Ashikaga Bank provides practical training that incorporate group work and hands-on activities to develop DX personnel.

The bank offers practical programs, for example, statistics for learning basic data analysis skills, data preprocessing and data visualization as a basis for data science, and low-code app development, to improve operational productivity.



Promoting DX

DX Support/Collaboration with Customers and Local Regions

We offer various seminars to provide various information and introduce our solutions to corporate customers and municipal governments. Joyo Bank holds online briefing sessions to introduce best DX practices twice a month. As of March 2023, a total of 30 sessions have been held, attracting more than 8,000 attendees. Ashikaga Bank organizes industry-based seminars on themes that match the time, such as cyber security seminar for medical institutions.

In fiscal 2023, the bank will hold a seminar themed on problem solving through DX for the construction industry, to which the Workstyle Reform will be applied from 2024.

In fiscal 2022 in particular, in line with the enforcement of the Revised Electronic Books Preservation Act and the start of the consumption tax qualified invoice storage method (invoice system), we conducted a questionnaire survey with corporate customers and local communities to gain an understanding of their response to these regulatory changes at a regional level, and worked on activities to propose necessary solutions and provide support for digitalization to them.

We are also providing DX consulting services and escorted support closely following management challenges that individual corporate customers are facing. Such efforts made by Joyo Bank were published as a case study in the practical guidebook for Digital Governance Code 2.0 ([https://www.meti.go.jp/policy/it\\_policy/investment/dx-chushoguidebook/contents.html](https://www.meti.go.jp/policy/it_policy/investment/dx-chushoguidebook/contents.html) (available in Japanese only)) issued by the Ministry of Economy, Trade and Industry.

Making proposals on DX using a problem solving platform “busikul”

Joyo Bank has jointly developed and promoted a problem solving platform *busikul* (provided by BusinessTech Co., Ltd.) since the early days of the provider, and is utilizing the platform as a core DX support tool. The number of annually commissioned DX projects during fiscal 2022 amounted to more than 2,500.

We can operate the tool together with management of corporate customers to identify their management challenges in the form of navigation using its diagnosis function. By doing so, we can make proposals on optimum DX solutions provided by various companies based on the best DX practices by other companies in the form of business matching.

Understanding the need for digitalization by analyzing business challenges that customers face from various angles

Ashikaga Bank provides corporate customers with support for digitalization starting from the evaluation of their business feasibility by branch staff.

Using a predefined sheet to understand the challenges and needs of corporate customers, we are striving to visualize not only overt needs but also

potential needs through dialogue with their management.

We have confirmed that approximately 4,000 corporate customers have the need for digitalization and worked to address such needs.

Adoption of advanced technologies

We are working on the adoption of advanced technologies, such as ChatGPT, Web3.0 and metaverse, by comprehensively taking into account the benefits and challenges of each technology and their affinity to banking and related businesses.

While being quick off the mark in undertaking research and studies to understand an advanced technology, we are considering whether to adopt the technology by examining its benefits as a solution to customers’ needs and challenges, rather than considering the adoption for its own sake.



Response to Aging Society



Changes in the social situation, called “the 100-year life,” have diversified customers’ worries and concerns. We have proactively worked to expand our financial services leveraging our knowledge of gerontology and have also provided meticulous support to help solve problems and cater to diverse needs in financial transactions of customers. These activities are aimed at ultimately creating local communities in which people can continue to live their lives in comfort.

Deepening comprehensive financial services

Enhance Our Response to an Aging Society

**Positioning in the Medium-Term Group Business Plan**

► [Specific Strategy 1-2: Deepening comprehensive financial services]

Our specialized staff has worked to provide one-stop solutions to concerns of elderly customers and their families in a manner they can feel comfortable talking about such concerns. The Group will provide not only consulting on asset management and succession but also services to help enhance and maintain customers’ quality of life (QOL). Such services include support for living environment and housekeeping services in collaboration with players in other industries.

Enhance our system to provide various services related to gerontology

We will strengthen our connections with customers by developing systems, such as enriching specialized staff and setting up a consulting salon, so that elderly customers and their families can feel comfortable talking about their concerns. We will also work to enhance comfort and safety of customers in

collaboration with communities and external institutions, including watching over the elderly in collaboration with local governments and a security company and preventing damages from fraudulent phone calls in collaboration with the police.

One-stop services responding to problems of the elderly and their families

We will work to provide one-stop solutions at our banks to solve problems of elderly customers and their families, including not only financial services such as asset management and succession but also non-financial services such as support for living environment and housekeeping services in collaboration with players in other industries. We will provide consulting on any concerns at our bank

counters to increase revenues directly derived from our core business such as those related to customer assets under custody and asset succession, and take on challenges to non-financial service areas such as solving customers’ concerns about their housing and daily life issues, thereby expanding our business areas and improving our corporate value.



Deepening comprehensive financial services

Enhance Our System to Provide Various Services related to Gerontology

Strengthen connections with elderly families

To ease the anxiety of the elderly themselves and their families about the present and the future even a little, we have put in place a structure to provide comprehensive support for their financial and non-financial concerns by placing specialized staff at branches and setting up a specialized consulting salon to develop a system that allows customers to take their time to thoroughly consult with our bank staff.

**<Smileful Partner>**

We have enhanced the placement of specialized staff who responds to concerns of elderly customers and their families (Smileful Partner).

- Respond to current and future concerns
- Address a decline in cognitive function
- Support smooth asset succession to the next generation
- Cultivate measures to prevent financial crimes, etc.



**<Holiday Wealth Salon>**

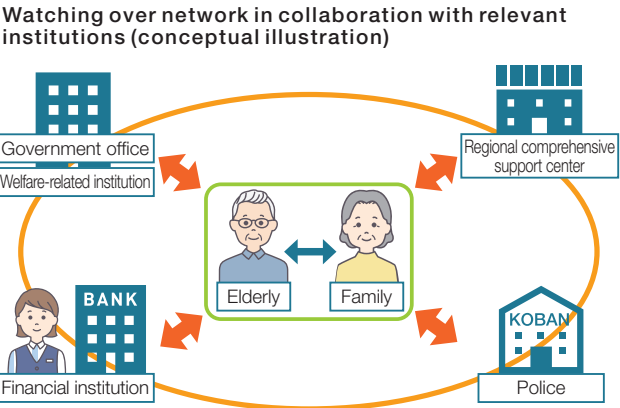
An appointment-only salon providing inheritance consulting services that are available only on Saturdays and Sundays in which specialized staff supports customers in an easy-to-understand and careful manner. The salon provides not only individual customers but also couples, and families living separately from the customers with opportunities to take time out to discuss families’ assets.



Strengthening collaboration with external institutions

In addition to developing in-house bank systems, we have put in place a more comprehensive support system that allows the elderly to be watched over by the entire community by collaborating with a security company and other external partners and with each municipality.

- Provision of a watching service for the elderly in collaboration with a security company
  - Implementation of measures to prevent damages from fraudulent phone calls in collaboration with the police
  - Placement of care-fitters at branches
  - Acquisition of qualifications as dementia supporter by executives and employees, etc.
  - Dementia supporters: Approx. 9,300 people (As of March 31, 2023)
  - Collaboration with each municipality and regional comprehensive support center
  - Watching over the elderly and other customers
- We have strengthened our collaboration with relevant institutions and watched over those who are in need of support so that the elderly can live in their communities in comfort.



Services offered when inheritance occurs

**<Remote reception of inheritance proceedings>**

In the event of death of a customer, Joyo Bank and Ashikaga Bank offer services not only at a branch counter but also through multiple channels, such as online, telephone, and mail, available at customers’ preference to improve their convenience. Specialized staff in the head offices offer meticulous services through online consultation.

**<Using a common inheritance notification form>**

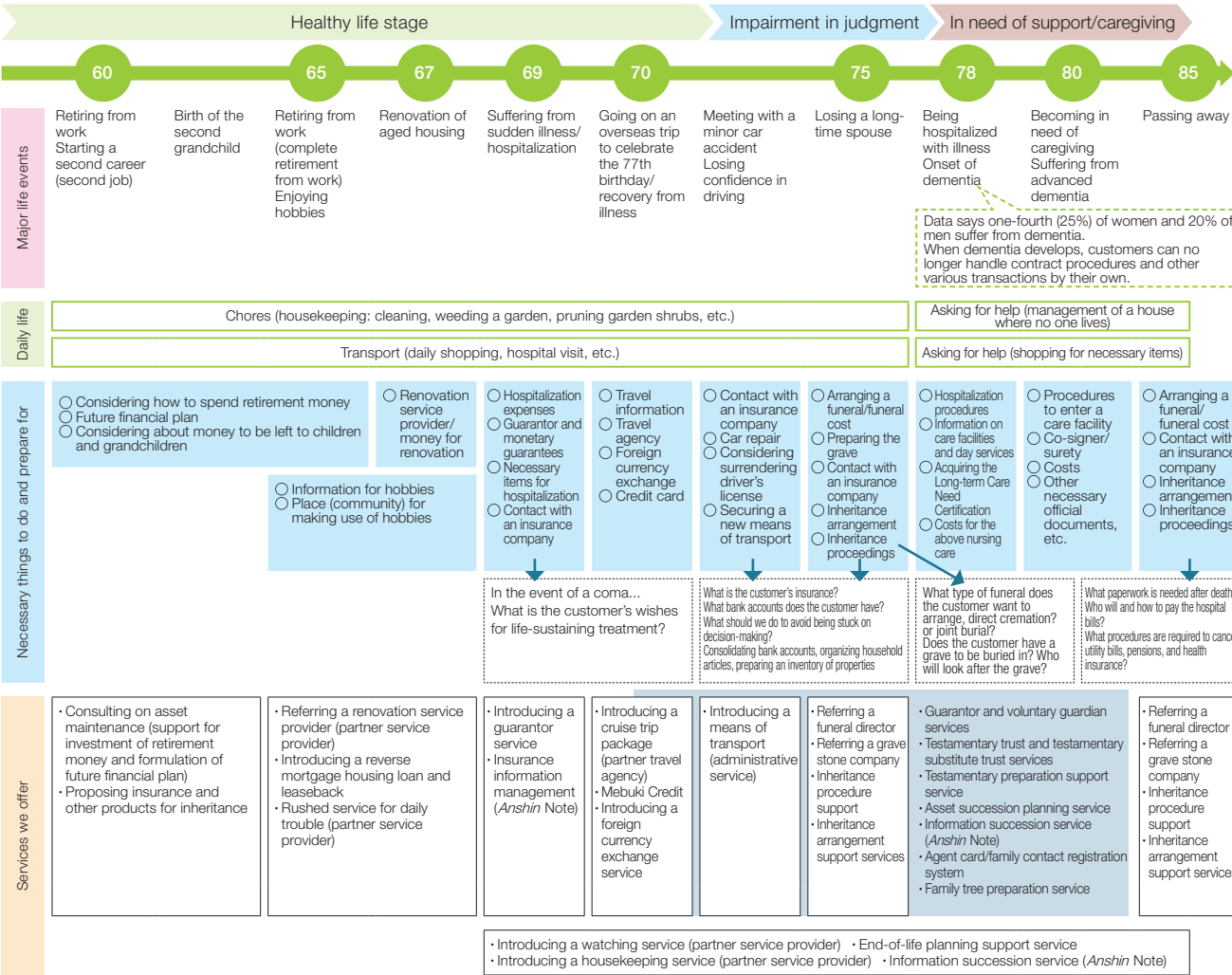
Joyo Bank and Ashikaga Bank have decided to use a common inheritance notification form required to be submitted by customers as part of the procedures for inheritance of deposits, etc. with other financial institutions in Ibaraki Prefecture (Tsukuba Bank, Mito Shinkin Bank, The Yuki Shinkin Bank, The Ibaraki-ken Credit Cooperative).

Deepening comprehensive financial services

One-Stop Services Responding to Problems of the Elderly and Their Families

Enhancing services/products for the elderly

To create local communities in which people can continue to live their lives in comfort, the Mebuki Financial Group has been working to provide financial products and services and enhance various services in collaboration with external institutions so as to prepare for the longer old age period associated with greater longevity.



Asset management

To be prepared for the worst, the Group provides support for customers to make an arrangement to allow their families to manage the customers' assets on behalf of them or to entrust their asset management to an expert while they are still in good health.

Family contact registration system

When we cannot get in touch with a customer, we will contact the pre-registered family member.

Agent card, agent notification

In case of difficulty in visiting a branch due to hospitalization or any other reason, customers can designate an agent to entrust with certain transactions.

Example of services

- Supporting transactions by family members or other agents
- Agent card
- Family contact registration system
- Guardianship support trust
- Family trust
- Asset succession planning
- Individual pension insurance

Family trust

In case of impairment in judgment, etc., customers can entrust their asset management to a trusted family member.

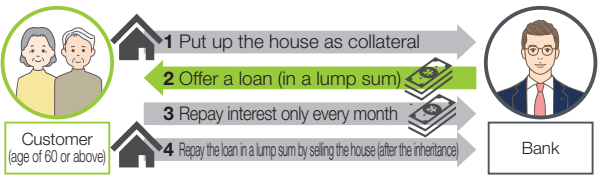
Voluntary guardian services

In case of impairment in judgement, etc., customers can entrust their asset management to an expert.

Support for living environment

To meet the needs of customers who want to make use of their house and other real estate properties, we handle loans and other products that can be used for rebuilding and renovation of their houses while keeping cash on hand.

<Reverse 60>



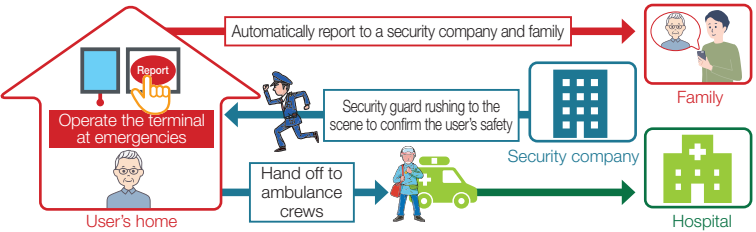
Life support

To provide support for customers to enjoy their daily lives and for their secure life, we provide referral to our partner service providers with whom customers can consult in comfort.

Our banks relieve customers from the trouble and anxiety of finding life support services by themselves by providing referral to the providers of a watching service in collaboration with a security company, a housekeeping service, a renovation service provider, and care facilities.

Watching service

The service includes those of a security company rushing to the scene when the emergency button is pressed, confirming the user's safety by phone or email, and checking the user's health.



Asset succession

To ensure smooth succession of customers' assets, staff with specialized expertise of Joyo Bank and Ashikaga Bank analyze the issues to be addressed and provide advice on the solutions. In collaboration with partner service providers, we also offer services including testamentary trust services that provide comprehensive support ranging from consulting on testamentary preparation to testamentary storage and execution as well as testamentary substitute trust services that allows families of customers to receive money speedily. The services we offer also include Digital Ending Note for succeeding financial, insurance and medical information of the parent generation to their family and the child generation via smartphone.

Effective use of real estates

- Handling of reverse mortgage housing loans
- Handling of leasebacks
- Advice on relocation and renovation

<Leaseback>



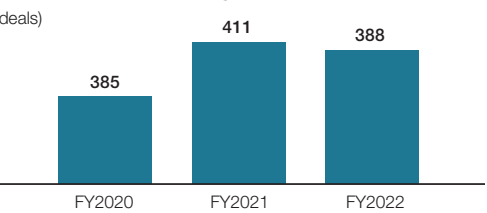
Services that we can refer to (introduce)

- Watching service
- Housekeeping service
- Rushed service for daily trouble
- Referral to a renovation service provider
- Referral to care facilities
- Family tree preparation service
- End-of-life consulting service
- Dementia support service
- Digital device support service

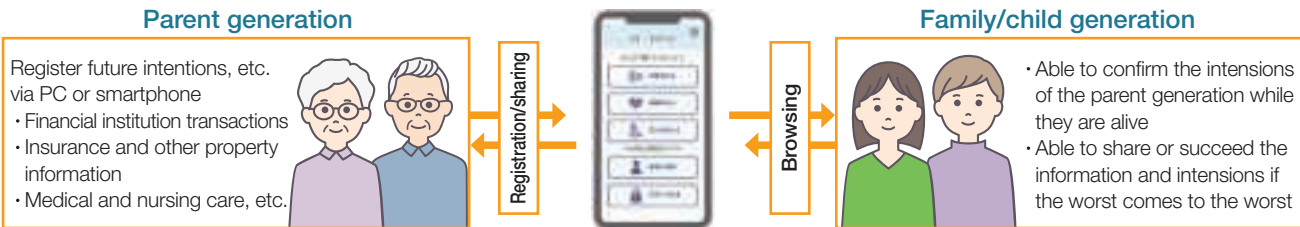
Examples of products and services

- Testamentary trust
- Testamentary substitute trust
- Life insurance (beneficiary designation function)
- Life insurance (gift during life)
- Asset succession planning service
- Information succession service (Anshin Note)
- Testamentary preparation support service

Closed testamentary trust deals (Bank total)



Information succession service ("Anshin Note")





Deepening comprehensive financial services

Initiatives for Maintaining and Enhancing Regional Medical and Nursing Care and Welfare

As the aging population grows, regional medical and nursing care and welfare have become increasingly important. The Group provides various supports for the enhancement of nursing and medical care delivery systems as well as the promotion of activities of the healthy and longer-living elderly so that the elderly in the community and their families can live their lives in comfort. Through the supports we offer from both financial and non-financial perspectives, we aim to enhance systems related to medical care, welfare, and nursing care, thereby improving the health and quality of life of people in the community, enhancing regional medical care, and creating a sustainable society.

Setting up dedicated teams for medical care

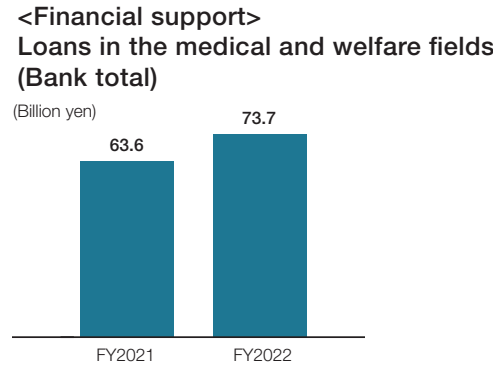
Joyo Bank and Ashikaga Bank have established dedicated teams for medical care to provide attentive consulting to business owners to solve their issues in the fields of medical and nursing care and welfare in collaboration between branches and the head offices as well as with the Group and external institutions.

Through dialogue with business owners, we provide comprehensive support for various management issues, including not only equipment funds and other cash flow management but also securing of human resources, business succession, and ICT utilization in the health and medical fields.

– Example of support menu –  
<Information provision>  
Medical and nursing care-related seminars held four times  
(Bank total in FY2023)

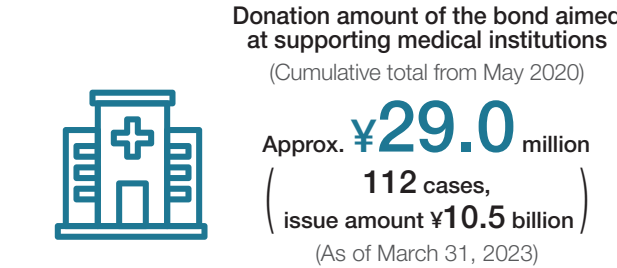
**Support for management and business succession**

- Startup support
- Support for building a business succession scheme
- Support for formulating a hospital reconstruction plan
- Support for market analysis for hospital relocation
- Support for entering into the nursing care business



Support for medical institutions

We provided financial support to medical institutions fighting against COVID-19 on the front line through “bond aimed at supporting medical institutions” from May 2020 to March 2023. We donated part of issue commission paid by customers as operating expenses. We have continued the support by handling the bond as a normal private placement bond with donation scheme since April 2023.



Initiatives for securing doctors

In collaboration with the Ibaraki Prefectural Government, we provide an educational loan that meets the requirements of the government’s interest subsidy program to support students who want to become doctors. The loan has an interest rate lower than normal and a maximum grace period of six years. The government’s interest subsidy program is

intended to reduce the financial burden borne by students who want to be doctors and their families by making the interest rate practically zero, thereby supporting the development of human resources who will be engaged in regional medical care in the future.

Deepening comprehensive financial services

Caring for the Elderly

Aiming to become banks providing secure and friendly services to many customers, including the elderly, the Group is continuing to work on the enhancement of facilities, such as barrier-free access of all branches, as well as the enrichment of services and the training of employees.

Aiming for easy-to-access branches

Initiatives for facilitating barrier-free access

With the aim of achieving barrier-free access at all branches, we are working to install and ready with various tools including slopes, parking spaces dedicated for wheelchair access, wheelchairs, as well as hearing aids, writing boards, reading glasses, “comuoon” speaker for the hearing impaired.

We also provide the Inquiry Desk Service Dedicated for Hearing- and Speech-Impaired Customers that accepts inquiries from hearing- and speech-impaired customers via email and fax and the Sign Language Interpreter Relay Service that receives notifications of the loss or theft of a passbook, seal or cash card.



Wheelchair



Writing board



Cane holder



“comuoon” speaker

Training of employees

We provide customer service training for customer service (CS) staff at each branch with a lecturer invited from the steering body of “Care-Fitter” so that they can serve elderly and disabled customers attentively and appropriately. We are also developing Dementia Supporters who can serve customers with dementia

and their families with the correct knowledge and understanding. We provide training to CS staff and all entry-level bank staff. So far, approximately 7,700 bank staff of Joyo Bank and approximately 1,500 bank staff of Ashikaga Bank have been certified as “Dementia Supporters,” respectively.

Initiatives for protecting financial assets of the elderly

There is no end to fraud cases scamming the elderly out of their assets and cash cards with smooth talk. We as financial institutions strive to prevent frauds in cooperation with the police from the standpoint of protecting customers’ assets. For instance, we call out to customers at bank counters and ATMs and ask for the details of bank

transfers. In addition, we set a limit on the maximum amount to be paid into or drawn out of a bank account using a cash card at an ATM for customers of a certain age and above. While apologizing for any inconvenience this may have caused customers, we ask for their cooperation and understanding by explaining the reasons in detail.

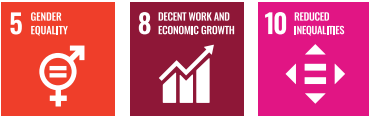
Response to digital divide

Smartphones and web services have become an inseparable part of our daily lives. However, many of the elderly customers are not used to using smartphones. Against this backdrop, we offer the Mini Lesson on Smartphone Utilization (how-to video service) available for customers to watch at our bank

counters while getting their business done. The videos are 15 to 20 minutes long and contain useful information ranging from the basic operation of smartphones like tapping and swiping to tips on how to deal with suspicious emails.



# Promotion of Diversity/ Human Resources Management



We have defined our vision in the Long-Term Vision 2030 as “A Value Creation Group Working Together with Local Communities.” We will strengthen our core business areas such as traditional banking and comprehensive financial services and take effort to expand our business areas by leveraging our strengths. At the same time, we will create new value by taking on challenges to solve regional issues beyond the framework of conventional financial services and reinvesting the expertise obtained through these initiatives to our core business.

In order to realize this goal, human resources are an important factor in the evolution of the Group’s business and the execution of these business strategies. Therefore, through increasing the engagement of each employee, developing and securing human resources capable of creating value, and enhancing job satisfaction, we will form a diverse and self-reliant group that can provide local communities and customers with new value and a peace of mind.

Develop human resources and promote active participation

## Initiatives for Human Resources Management

### System to promote human resources management (Governance)

We have developed human resources so that our employees are able to equitably build their careers irrespective of their age, gender, and other properties. In addition, we have made efforts to establish an environment that allows employees to continue working for many years. In fact, we have endeavored to empower women through a range of initiatives based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace and through the workstyle reform. In October 2021, we established “Diversity Promotion Office,” an organization supervising the initiatives for

promoting diversity, within the personnel division of the two subsidiary banks. Also, in April 2022, we established Group Diversity Policy to further strengthen and accelerate initiatives aimed at ensuring diversity across the Group. (For details of Governance, please refer to “Structure for Promoting Sustainability” on page 19.)  
In fiscal 2022, the Sustainability Committee deliberated and reported on matters including the approach to human resources development, approach to internal environment development, risk management, and indicators and targets.

### Practice of human resources management (Strategies)

#### Initiatives for human resources management

By embodying the Group Philosophy “Together with local communities, we will continue to build a more prosperous future by providing high-quality, comprehensive financial services,” we have been working to develop human resources and internal environment based on the concept of regarding human resources as the most important management resource to improve our corporate value.

#### Approach to the formulation of Human Resources Development Policy and Internal Environment Development Policy

With the Group’s vision set forth as “A Value Creation Group Working Together with Local Communities” (the Long-Term Vision 2030 formulated in April 2022), we intend to surely follow through on initiatives to realize this vision. To this end, the Group believes it is necessary to work on the development and enhancement of human resources not only with deep thoughts on and understanding of the community and financial knowledge but also capable of taking actions to identify and solve challenges faced by the local communities and customers from multiple angles.

#### Human capital for achieving the long-term vision

We will enhance our human capital to realize the Group’s long-term vision by developing and enhancing human resources with the following skills and by creating an internal environment where diverse human resources with such skills can work actively while fully demonstrating their abilities.

### Example of human skills required to realize our vision

Communication skills to elicit the needs and challenges of customers
Analytical skills to solve the needs and challenges of customers and conceptual skills such as digital and design thinking
Coordination skills and other specialized skills required to provide various consulting services
Creativity and planning ability to achieve innovation
Motivation and leadership to take on new challenges

### Providing opportunities to work actively while demonstrating individual skills

- Growth opportunities
- Active working opportunities for diverse human resources
- Drawing on and demonstrate experience
- Physical and mental health, etc.

#### [Human Resources Development Policy]

To improve problem-solving skills among employees to live up to the expectations and trust of customers, we will work to secure and develop human resources capable of creating new value by developing human resources with specialized skills and meeting the diversified needs of customers.

We will also enhance human resources capable of continuing to adapt to changes in the business environment in the future by enhancing opportunities for reskilling.

#### [Internal Environment Development Policy]

We will develop our internal environment based on the following policies so that each individual human resource with diverse knowledge and skills can fully demonstrate their abilities.

##### ■ Organizational culture to encourage autonomous growth

To promote autonomous growth and a motivation to take on challenges among employees, we will cultivate an organizational culture where employees have a sense that their performance and contributions are properly valued and can feel their own growth and where employees continue to create new value by autonomously carving out their careers. Furthermore, we will create an environment where motivated and skilled employees can work actively and shine in a higher field.

##### ■ Diversity and inclusion

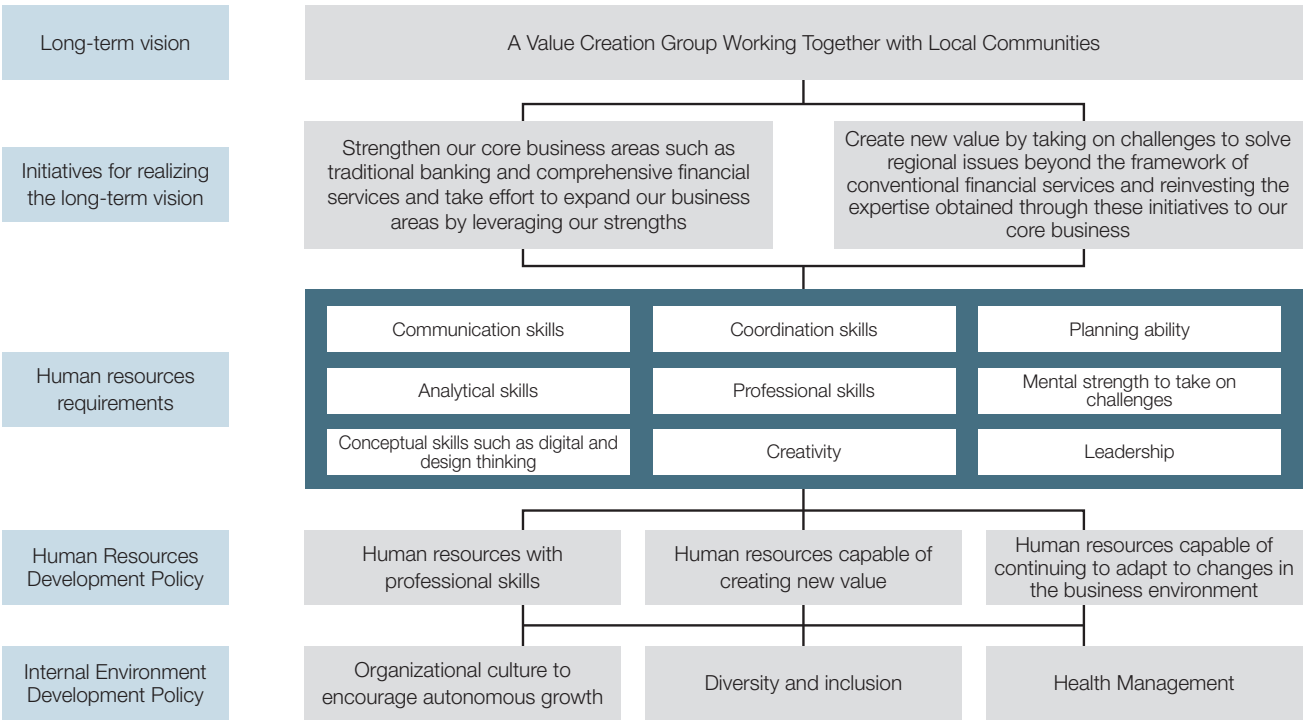
In order to remain a corporate group where each individual employee can work actively and grow sustainably, we will form a diverse and self-reliant group to strengthen our organizational power by leveraging diverse views and experience of individual employees irrespective of their age, gender, and other properties.

In order that diverse human resources can work actively in the long term in the Group, we will work to develop a pleasant working environment and develop related systems, while taking into account changes in lifestyles and attitude toward work.

##### ■ Health Management

We recognize that it is essential that employees are healthy both physically and mentally in order to contribute to the development of local communities and regional economy. Based on this recognition, we provide support for employees to maintain and improve their health so that every employee can work energetically in good health and thus can fully demonstrate their abilities.

### (Long-term vision and Human capital)



**[Current status of initiatives]****Main initiatives in the Medium-Term Group Business Plan  
[Basic Strategy 3: Develop human resources and promote active participation]**

We have endeavored to develop and secure human resources who live up to the expectations and trust of customers. Specifically, we have made efforts to establish an environment that allows diverse human resources to participate in workplace more actively, including the enhancement of training programs and reskilling opportunities.

In addition, we are aiming to develop our working environment. To this end, we will expand the opportunities for motivated human resources to actively participate in workplace by introducing a new personnel system, and will help them achieve a better work-life balance so we can provide support for the workstyle of each of our employees by enhancing related systems.

**1. Status of initiatives for human resources development**

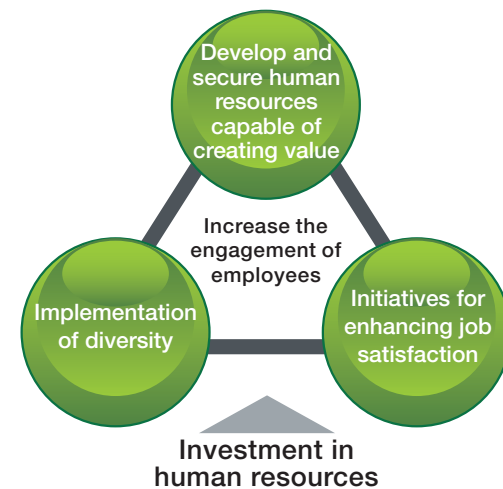
We are working to develop highly skilled human resources with problem-solving skills by enhancing opportunities for internal and external training and by dispatching trainees and accepting secondees from outside the Group. At the same time, we are striving to secure external work-ready human resources by such means as mid-career hiring. We are also working to undertake reskilling measures to cope with the advancement of digitalization and DX and provide common training programs at the Group's subsidiary banks.

To give an example of the progress that has been made in the "promoting digitalization" set as one of the key issues (materiality) for the Group Sustainability Policy, as a result of our efforts to encourage and train employees to acquire IT Passport with the target of achieving 3,000 acquirers by the end of March 2024 to early develop and secure DX basis personnel (IT Passport holders) who will act as the basis for providing support for local communities and customers with their DX and promoting the Group's DX, we have already achieved the target of 3,000 acquirers more than one year ahead of schedule at the end of December 2022.

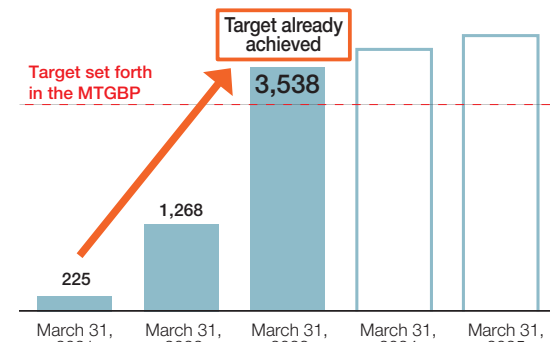
**2. Status of initiatives for internal environment development****(1) Organizational culture to encourage autonomous growth**

We are endeavoring to create an environment to provide employees with support for self-motivated career building and promote their motivation to take on challenges. Such initiatives include implementing a measure to clarify skills required to be acquired by employees in each field and department to evaluate and certify their acquired skills; introducing a program that allows employees to volunteer to serve as trainees dispatched to inside and outside the banks\* or participate in training; assigning to certain departments by open recruitment; holding various holiday lecturers and workshops; and enhancing e-learning programs.

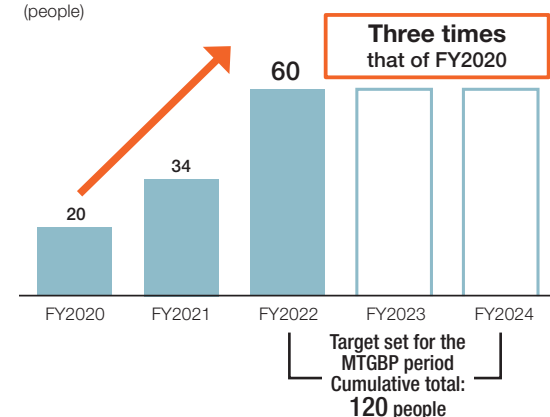
In addition to the above, we are seeking to cultivate an organizational culture where employees can feel enhanced job satisfaction by developing related systems to improve their work-life balance.



Number of DX basis personnel (IT passport holders)  
(people) (Bank total)



Number of newly dispatched trainees to inside and outside the banks  
(people)



\* Trainees dispatched to inside and outside the banks: trainees who are dispatched for a more than one month with the aim of developing human resources

**(2) Diversity and inclusion**

We have led the active participation of group-wide female employees and strengthened initiatives for enhancing opportunities for female employees to actively participate in workplace and for promoting them to higher managerial positions, including holding "Mebuki Women's Class," a class for fostering women leaders who serve as role models for young female employees. In addition, we have been working to develop related systems, such as paid holidays and leave systems and shorter working hours, and deepen company-wide understanding of these systems so that employees can select their workstyles in tune with life events and balance work and family.

Also, we are making efforts to encourage all employees to achieve early personal growth while giving utmost

consideration to diversifying individual lifestyles and sense of value and provide fair opportunities for career advancement. In the meantime, both of our subsidiary banks have revised their personnel systems designed to promote highly motivated and capable employees to higher positions irrespective of their age, gender, and nationality, etc. The systems have been put in place to realize a highly convincing and fair pay scheme to pay employees commensurate with the difficulty of and contributions made by their assigned tasks so that all employees can fully demonstrate their abilities.

In conjunction with the revisions to the personnel systems, we are also working to enhance opportunities for ever increasing senior human resources to actively participate in workplace, drawing on their skills and experience.



Mebuki Women's Class

**(3) Health Management**

In accordance with the Health Management Declaration, we have been making efforts to detect diseases at early stage and prevent disease aggravation and development of lifestyle diseases among employees by such means as offering complete medical checkup and periodic health checkup programs, from the perspective of maintaining and improving their physical health. Amid the COVID-19 pandemic, we have been taking various measures to prevent the spread of infection among employees. Such measures include speeding up vaccination by offering workplace vaccination to help as many applicants as possible get vaccinated early.

At the same time, we are also working to improve physical and mental health among employees by undertaking initiatives for mental health promotion, such as conducting a stress check and setting up counselling desks for all employees, as well as those for achieving a better work-life balance.

We believe that realizing a better life of employees in terms of asset building has a positive effect on their physical and mental health and is imperative for the Group and employees to grow together. Based on this belief, we are working to enhance our welfare program, including a shareholder association and defined contribution pension plan, to support their asset building.

**■ Our health promotion measures**

- Recognized as a Certified Health & Productivity Management Outstanding Organization
- Taking infection preventive measures
- Taking measures to prevent the development of lifestyle diseases
- Taking mental health promotion measures (conducting a stress check, setting up internal and external counselling desks, etc.)
- Supporting employees to return to work and helping them balance work and medical treatment
- Improving work-life balance, etc.

**External evaluation**

The Group was awarded the 3rd level "Eruboshi" certification as a general employer that conforms with the standards under the Act on the Promotion of Female Participation and Career Advancement in the Workplace.



"Platinum Kurumin" certification was granted as a company that provides superior support for childcare to its employees based on the Act on Advancement of Measures to Support Raising Next-Generation Children.



The Group was recognized as an outstanding organization under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category).

**[Systems employed to improve work-life balance/develop a pleasant and attractive working environment]**

<b>Flextime work system</b> We have introduced a flexible working system that permits employees to schedule when to start and leave work on working days on their own.	<b>Working from home</b> We have helped our employees work efficiently by leasing them mobile PCs so they can work from home.	<b>Childcare leave at birth system</b> Following the revision to the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, we have newly established a childcare leave at birth system to encourage male employees to take childcare leave.
<b>Fertility treatment leave system</b> We have newly established a system that allows employees to continue to work with a sense of security while receiving fertility treatments. Employees can take leave for two years at maximum.	<b>Second job system</b> We have introduced a second job system for all employees with the aim of improving their own skills, achieving their personal growth, and contributing to local communities in various aspects.	<b>Work in casual clothes</b> We have introduced a system that allows employees to work in casual clothes in the head offices on condition that they choose what to wear according to the time, the place, and the occasion as well as the business settings.

<b>For the Group's employees</b> <ul style="list-style-type: none"><li>• Property accumulation system (general property accumulation, property accumulation housing, property accumulation pension)</li><li>• Loan system (housing loan, general loan)</li><li>• Employee Shareholder Association</li><li>• Employee group insurance</li><li>• Corporate pension, defined contribution pension plan</li><li>• Various welfare menus</li><li>• Life planning training, etc.</li></ul>	<b>For corporate customers</b> <ul style="list-style-type: none"><li>• Property accumulation system (general property accumulation, property accumulation housing, property accumulation pension)</li><li>• Affiliated loans</li><li>• Asset building seminar/life planning seminar</li><li>• Financial seminars, etc.</li></ul>
--	--



Risks and opportunities associated with human resources management (risk management)

Regarding human resources as an important factor in the evolution of the Group's business and the execution of business strategies, we address risks associated with human capital based on our recognition that such risks can be either risks and opportunities depending on how we address them.

We acknowledge the need for strengthening our investment in human capital, while addressing risks and opportunities associated with human capital based on the recognition described below.

■ Direction of our response to risks and opportunities based on environmental awareness, etc.

(1) Rapid changes in the external environment and diversifying lifestyles and sense of value

Changes in social and economic trends and environmental awareness	The speed of environmental changes is becoming faster and the environment is likely to continue to change drastically. Also, there is an increasing awareness among individuals of social issues, such as sharing economy, increased experiential consumption, decarbonization, and SDGs. We recognize that, amid increasing uncertainty in our surrounding environment, our stakeholders expect the Group to contribute to realizing sustainable local communities and it is necessary for us to transform the Group's business by developing and securing human resources capable of creating value as well as through the radiance of our employees.
Risks	Delays in adaptation to changes in the external environment and a failure to meet the diversifying needs of customers due to the lack of securing and developing human resources will result in: <ul style="list-style-type: none"><li>Stagnation in the Group's overall growth</li><li>Decline in competitiveness within the industry</li><li>Intensifying competition with other industries</li><li>Customer defection (deterioration in business performance)</li><li>Decline in motivation among and increase in turnover of employees (collapse of management base)</li></ul>
Opportunities	Adapting to changes in the external environment and enhancing human resources capable of meeting the needs of customers will lead to: <ul style="list-style-type: none"><li>Growth of the Group</li><li>Expansion of business areas</li><li>Enhancement of revenue base</li><li>Improvement of customer satisfaction</li><li>Improvement and diversification of employees' skills (organizational activation)</li></ul>
Direction of initiatives	<b>Secure human resources</b> <ul style="list-style-type: none"><li>In addition to new graduate and semi-recent graduate hiring, we hire mid-career professionals throughout the year to secure work-ready human resources.</li><li>To secure highly skilled, diverse human resources, our subsidiary banks have been working to secure human resources capable of creating value by such means as referral hiring and comeback hiring of human resources who have once left the banks and built their careers outside, without being constrained by conventional practices or operations.</li><li>We have diversified our means of hiring, such as accepting human resources who work for us as their second jobs. By doing so, we will secure human resources necessary to execute our business strategies in accordance with progress in the strategies.</li></ul> <b>Develop human resources</b> <ul style="list-style-type: none"><li>In order to develop human resources capable of meeting the diversifying needs of customers, we are striving to improve skills of employees through an internal certification system and trainee dispatch to inside and outside the Group. We are also working to obtain new knowledge and know-how by accepting secondees from outside the Group.</li><li>To support self-motivated career building and promote a motivation to take on challenges among employees, we have increased opportunities for trainee dispatch by open recruitment. Going forward, we expect that the introduction of the second job system will lead employees to make self-motivated efforts to improve their skills by gaining experience and building a network that cannot be obtained through their main jobs.</li></ul>

(2) Diversity and changes in workstyles

Changes in social and economic trends and environmental awareness	The promotion of the active participation of not only women but also diverse human resources in workplace is attracting the attention of society. There is also a growing trend in corporate innovation through the mobilization of human resources, such as second job and mid-career hiring, and the utilization of human resources with different corporate cultures. Due also to the COVID-19 pandemic, various workstyles that do not require a commute to an office, including working from home and teleworking, have been spreading rapidly and become popular. These workstyles are expected to continue to be adopted and take root even after the COVID-19 pandemic is over.
Risks	Failing to enable diverse human resources to fully demonstrate their abilities and to adapt to changes in workstyles and attitude toward work will result in: <ul style="list-style-type: none"><li>Decline in competitiveness</li><li>Inferiority in competition to acquire human resources</li><li>Outflow of talented human resources/increase in turnover of employees</li><li>Decline in morale and performance of employees</li></ul>
Opportunities	Enhancing diversity measures, creating a workplace without gender disparities, and reviewing ways of working will lead to: <ul style="list-style-type: none"><li>Transformation of corporate culture and growth of the Group</li><li>Creation of innovations</li><li>Broadening of the scope of consulting services and improvement in quality</li><li>Securing and retention of talented human resources</li><li>Improvement in performance</li><li>Improvement of work-life balance and enhancement of motivation/engagement of employees</li></ul>
Direction of initiatives	<ul style="list-style-type: none"><li>We are working to further enhance opportunities for female employees to actively participate in workplace by undertaking various measures to promote their active participation. We have set and managed the ratio of female employees in assistant manager positions or higher as a KPI.</li><li>In addition to strengthening our initiatives for mid-career hiring, all group companies have introduced a second job system with the aim of improving employees' own skills, achieving their personal growth, and contributing to local communities in various aspects.</li><li>We have been developing related systems to realize more flexible workstyles by introducing the flextime work system and teleworking.</li><li>In order to activate our organization, including improvements in the vitality and productivity of employees, we will continue initiatives for Health Management, such as health investment and development of an environment where employees can work in good health mentally and physically.</li></ul>

(3) Declining birth rate and growing aging population

Changes in social and economic trends and environmental awareness	Amid concerns over the declining vitality of local communities resulting from the accelerating regional imbalance of population, we recognize that it is necessary for us to develop an environment where employees in the middle of child-rearing and those in the senior years can work with a sense of security and where employees and their families can lead a better life.
Risks	Declining working population will result in: <ul style="list-style-type: none"><li>Difficulty in securing the necessary number of human resources for business continuity</li><li>Increase in recruitment costs due to the staffing shortage</li></ul> An increasing need for nursing care of parents, etc. will result in: <ul style="list-style-type: none"><li>Increases in employees on administrative leave and turnover of employees</li></ul>
Opportunities	Securing diverse workers and ensuring diverse workstyles will lead to: <ul style="list-style-type: none"><li>Passing down of skills</li><li>Utilization of know-how of seniors</li><li>Improvement in work-life balance</li><li>Provision of personnel know-how to local communities</li></ul>
Direction of initiatives	<ul style="list-style-type: none"><li>We are working to promote the active participation of diverse human resources in workplace by developing young and female employees and utilizing senior employees through various opportunities. In particular, it will be more important for the Group to promote contributions from senior employees to our organization by utilizing their knowledge and experience as we expect the number of the Group's employees at age of 60 and above to increase in the future. We will take necessary measures to improve systems, such as extending retirement age and reviewing the treatment of senior employees, so that they can actively participate in workplace with enhanced motivation.</li><li>We are endeavoring to enhance support systems for better work-life balance by encouraging employees to take childcare and nursing care leave as well as paid leaves and to create an environment that allows employees to work flexibly according to their life stages.</li></ul>

(4) Advancement of DX and digitalization

Changes in social and economic trends and environmental awareness	The prolonged COVID-19 pandemic has further amplified and spurred the wave of digitalization. We recognize that it is necessary for the Group to promote DX by drastically reviewing how its business and operations should be and that the speed and methods of response to ever-accelerating digitalization are risks that affect the growth of the entire Group.
Risks	Delays in response to DX and digitalization due to the shortage of highly specialized human resources will result in: <ul style="list-style-type: none"><li>Stagnation in the Group's overall growth</li><li>Decline in competitiveness</li></ul>
Opportunities	Advancing DX and digitalization by enhancing highly specialized human resources will lead to: <ul style="list-style-type: none"><li>Improvement of customer experience (CX)</li><li>Expansion of business areas</li><li>Improvement in labor productivity and reduction in costs</li></ul>
Direction of initiatives	<ul style="list-style-type: none"><li>To create added value by leveraging the Group's strengths, we are promoting the utilization of digital technology to maximize the value of customer experience, enhance non-face-to-face channels, and improve their convenience. To this end, we are also working to develop human resources who will promote DX.</li><li>The advancement of digitalization is believed to increase the value of connecting with people more than ever. By enhancing human resources, we will sophisticate our communications and provide safety, security and added value through both face-to-face advisement/consulting and digital technology.</li></ul>

(5) Ensuring compliance

Changes in social and economic trends and environmental awareness	When it comes to compliance, it is much more important to make a judgment from the perspective of whether the action is socially acceptable than just comply with laws, regulations and other rules. We recognize that having such a perspective is an important theme to realize sustainable corporate activities, and expectations and demand for corporate social responsibility are expected to grow further.
Risks	A decline in moral among employees will result in: <ul style="list-style-type: none"><li>Loss of credibility and damage to brand image</li><li>Administrative penalty as a result of a legal violation</li></ul> The occurrence of mental health problems, harassments, long working hours will result in: <ul style="list-style-type: none"><li>Employee defection</li><li>Difficulty in securing human resources</li><li>Decline in public esteem</li></ul>
Opportunities	Raising the ethical standards and integrity of employees will lead to: <ul style="list-style-type: none"><li>Cultivation of a healthy corporate culture</li><li>Improvement in the trust of customers (corporate group that continues to be trusted by local communities)</li></ul>
Direction of initiatives	<ul style="list-style-type: none"><li>The Group is working to ensure compliance by providing rank-based training on issues including harassment and other human rights issues and prevention of corruption and other misconduct to foster compliance awareness and ensure employees act with top priority on compliance.</li><li>We will strive to instill corporate ethics, ensure the effectiveness of the whistle-blowing system, and comprehend the current state of compliance through such means as employee opinion survey and employee engagement, thereby raising ethical standards and integrity of individuals and the organization.</li></ul>

## Indicators and targets for human resources management

### 1. Indicators and targets for the approach to human resources development

#### (1) Human resources development

The Group regards the development and securing of consulting personnel capable of taking actions to identify and solve challenges faced by local communities and customers from multiple angles as an initiative that we should focus on for the time being.

We have set forth targets for developing DX personnel and DX basis personnel in the Third Medium-Term Group Business Plan and worked to achieve the targets from the perspective of urgently developing and securing personnel who will adapt to the recent advancement of DX and digitalization and act as the basis for reforming the Group's business model and providing support for customers with their DX and digitalization.

As the scope of consulting services is broad, non DX-related indicators could be an option. However, we have set the numbers of advanced qualification holders (total number of 1st grade Certified Skilled Workers of Financial Planning (1st grade FP), Small and Medium Enterprise Management Consultants (SME Management Consultants), and Securities Analysts) and 2nd grade Certified Skilled Workers of Financial Planning (2nd grade FP) as indicators as the Group's core business is finance. In addition, we are working on the development and securing of specialized human resources by encouraging employees to acquire qualifications specific to their areas of expertise.

#### Targets: Results of developing DX personnel and DX basis personnel

Target	Target date of achievement	March 31, 2021		March 31, 2022		March 31, 2023		Progress rate
		Number of people	Ratio to total employees	Number of people	Ratio to total employees	Number of people	Ratio to total employees	
<b>DX personnel</b>		—	—	—	—	<b>551</b>	<b>9.9%</b>	<b>137.8%</b>
o/w Joyo Bank	400 people	—	—	—	—	253	8.2%	—
o/w Ashikaga Bank		—	—	—	—	298	11.9%	—
<b>DX basis personnel (IT passport acquirers)</b>		<b>225</b>	<b>3.8%</b>	<b>1,268</b>	<b>21.7%</b>	<b>3,538</b>	<b>63.3%</b>	<b>117.9%</b>
o/w Joyo Bank	3,000 people	146	4.5%	1,057	32.9%	1,911	61.9%	—
o/w Ashikaga Bank		79	2.9%	211	8.1%	1,627	65.2%	—

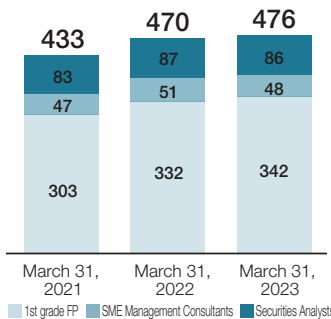
DX personnel: head office staff certified as personnel who plan and drive new business creation and business innovation using digital technology, and personnel who can provide DX support to customers under requirements set by each subsidiary bank

#### Indicators: Actual numbers of advanced qualification holders and 2nd grade FP

Indicator	March 31, 2021		March 31, 2022		March 31, 2023	
	Number of people	Ratio to total employees	Number of people	Ratio to total employees	Number of people	Ratio to total employees
Number of advanced qualification holders	433	7.3%	470	8.1%	476	8.5%
o/w Joyo Bank	246	7.5%	257	8.0%	263	8.5%
o/w Ashikaga Bank	187	6.9%	213	8.1%	213	8.5%
<b>Number of 2nd grade FP</b>	<b>3,359</b>	<b>56.3%</b>	<b>3,511</b>	<b>60.2%</b>	<b>3,638</b>	<b>65.1%</b>
o/w Joyo Bank	2,066	63.2%	2,144	66.7%	2,185	70.6%
o/w Ashikaga Bank	1,293	47.9%	1,367	52.2%	1,453	58.2%

Number of advanced qualification holders: total number of 1st grade FP, SME Management Consultants, and Securities Analysts

#### Breakdown of advanced qualification holders (people)



#### (2) Securing of human resources

We recognize that, in order to achieve sustainable growth, it is important to work not only on stable new graduate and semi-recent graduate hiring but also on securing human resources with skills necessary to execute our business strategies in accordance with the expansion of business areas, deepening of consulting functions, and progress in the business

strategies as there is an imbalance in the age structure of the Group's human resources portfolio.

As part of such efforts, we will strengthen the mid-career recruiting of highly skilled and specialized, work-ready human resources. Therefore, we have set the number of mid-career recruitment as an indicator.

#### Indicator: Actual number of mid-career recruitment

Indicator	FY2020		FY2021		FY2022	
	Number of people	Ratio of mid-career	Number of people	Ratio of mid-career	Number of people	Ratio of mid-career
<b>Number of mid-career</b>	<b>32</b>	<b>11.1%</b>	<b>23</b>	<b>8.8%</b>	<b>30</b>	<b>14.4%</b>
o/w Joyo Bank	13	8.3%	9	6.7%	12	11.7%
o/w Ashikaga Bank	19	14.6%	14	11.2%	18	17.0%

Ratio of mid-career: Number of mid-career ÷ Number of annual

### 2. Indicators and targets for the approach to internal environment development

#### (1) Organizational culture to encourage autonomous growth

The Group believes that self-motivated efforts made by individual employees to improve their skills and build their careers will lead to individual and organizational growth as well as organizational revitalization and building of a strong organization and therefore enable us to realize our management strategies. It is essential for the Group to provide continuous support for employees to acquire specialized skills and draw on their expertise in a variety of contexts and from multiple angles. We therefore set the number of trainees dispatched to inside and outside the Group to have an opportunity to grow by volunteering to absorb knowledge from inside and outside the Group as a target, and the numbers of applicants for open recruitment of trainees and the post challenge program and people

dispatched and assigned under these programs as indicators.

In addition, based on a recognition that it is necessary for employees to have a certain level of skills in a broad range of operations in order to be observant and draw on their expertise in a variety of contexts and from multiple angles, we have set the number of people attended training in multiple fields as an indicator.

In addition to efforts made for these indicators and targets, we are undertaking initiatives to create an environment to provide employees with support for self-motivated career building and promote their motivation to take on challenges, including holding various holiday lecturers and workshops and enhancing e-learning programs.

#### Target: Actual number of trainees dispatched to inside and outside the Group

Target	Implementation period	FY2020		FY2021		FY2022		Progress rate
		Number of people	Ratio to total employees	Number of people	Ratio to total employees	Number of people	Ratio to total employees	
Number of trainees dispatched to inside and outside the Group		20	0.3%	34	0.6%	60	1.1%	50.0%
o/w Joyo Bank	120 people	13	0.4%	23	0.7%	46	1.5%	—
o/w Ashikaga Bank		7	0.3%	11	0.4%	14	0.6%	—

#### Indicators: Actual numbers of applicants for open recruitment of trainees and the post challenge program, and people dispatched and assigned under these programs and the number of people attended training in multiple fields

Indicator	FY2020		FY2021		FY2022	
	Number of people	Ratio to total employees	Number of people	Ratio to total employees	Number of people	Ratio to total employees
<b>Number of applicants for open recruitment of trainees and the post challenge program*1</b>	<b>26</b>	<b>0.4%</b>	<b>49</b>	<b>0.8%</b>	<b>74</b>	<b>1.3%</b>
o/w Joyo Bank	25	0.8%	28	0.9%	52	1.7%
o/w Ashikaga Bank	1	0.0%	21	0.8%	22	0.9%
<b>Number of people dispatched and assigned under the open recruitment of trainees and the post challenge program*1</b>	<b>6</b>	<b>0.1%</b>	<b>10</b>	<b>0.2%</b>	<b>32</b>	<b>0.6%</b>
o/w Joyo Bank	6	0.2%	6	0.2%	28	0.9%
o/w Ashikaga Bank	0	0.0%	4	0.2%	4	0.2%
<b>Number of people attended training in multiple fields*2</b>	<b>720</b>	<b>12.1%</b>	<b>1,491</b>	<b>25.6%</b>	<b>1,593</b>	<b>28.5%</b>
o/w Joyo Bank	329	10.1%	779	24.2%	519	16.8%
o/w Ashikaga Bank	391	14.5%	712	27.2%	1,074	43.0%

\*1 Number and ratio to the total of employees who volunteered to apply for and be dispatched as trainees or assigned to certain positions

\*2 Number and ratio to the total of employees who attended training in a variety of categories (excluding part-timers and holiday lecturers)



## (2) Diversity and inclusion

Based on the Group's human resources portfolio, we recognized that, in order to embody the corporate philosophy and improve corporate value by adapting to rapid changes in the external environment and creating value, it is imperative for the Group to utilize diverse human resources, including women, seniors, and specialized mid-career hires with various experience and to continuously create an environment where they can fully demonstrate their characteristics and abilities.

As part of measures to leverage diverse views and experience and increase candidates for the positions responsible for organizational management and decision-making, we have strengthened initiatives for enhancing opportunities for female employees to actively participate in workplace and for promoting them to higher managerial positions. In addition, we have been working to develop and enhance related systems, such as paid holidays and leave systems

and shorter working hours, and deepen company-wide understanding of these systems so that employees can select their workstyles in tune with life events and balance work and family. We have set the ratio of female employees in assistant manager positions or higher as a target, while setting the number and ratio of female employees returned from childcare leave as an indicator for the state of securing the pool of future management candidates, in addition to the other two indicators set under the Act on the Promotion of Female Participation and Career Advancement in the Workplace, the ratio of female employees in manager positions or higher and gender wage gap.

We will create new value and innovations by building an organization that can leverage diverse views and experience, where diverse human resources can feel job satisfaction, thereby achieving sustainable growth.

### Target: Actual ratio of female employees in assistant manager positions or higher

Target		Target date of achievement	End of FY2020		End of FY2021		End of FY2022		Progress rate
			Number of people	Ratio of female employees	Number of people	Ratio of female employees	Number of people	Ratio of female employees	
Ratio of female employees in assistant manager positions or higher			1,132	30.0%	1,174	31.4%	1,238	33.3%	95.1%
o/w Joyo Bank	35% or higher	March 31, 2025	442	24.2%	490	26.5%	550	29.5%	—
o/w Ashikaga Bank			690	35.4%	684	36.1%	688	37.1%	—

### Indicators: Actual ratio of female employees in manager positions or higher and the number and ratio of female employees returned from childcare leave

Indicator	End of FY2020		End of FY2021		End of FY2022	
	Number of people	Ratio of female employees	Number of people	Ratio of female employees	Number of people	Ratio of female employees
<b>Ratio of female employees in manager positions or higher</b>	<b>390</b>	<b>15.2%</b>	<b>428</b>	<b>16.9%</b>	<b>492</b>	<b>19.3%</b>
o/w Joyo Bank	143	11.5%	170	13.6%	212	16.5%
o/w Ashikaga Bank	247	18.7%	258	20.1%	280	22.3%

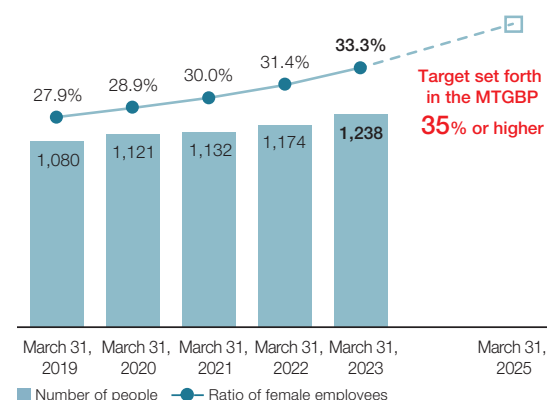
Indicator	FY2020		FY2021		FY2022	
	Number of people	Ratio of female employees returned to work	Number of people	Ratio of female employees returned to work	Number of people	Ratio of female employees returned to work
<b>Number<sup>(*)</sup> and ratio<sup>(*)</sup> of female employees returned from childcare leave</b>	<b>134</b>	<b>95.0%</b>	<b>151</b>	<b>95.5%</b>	<b>132</b>	<b>95.7%</b>
o/w Joyo Bank	91	96.8%	91	94.8%	78	96.3%
o/w Ashikaga Bank	43	91.5%	60	96.8%	54	94.7%

\*1 Number of female employees returned from maternity leave and childcare leave ("Childcare Leave, etc.")

\*2 Total number of female employees returned from Childcare Leave, etc. ÷ Total number of female employees supposed to have returned from Childcare Leave, etc. × 100

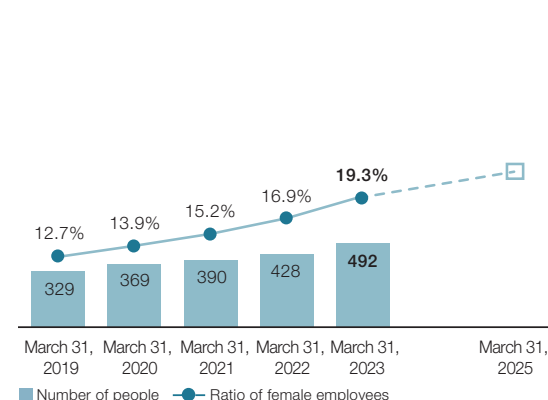
### Changes in the ratio and number of female employees in assistant manager positions or higher

(people)



### Changes in the ratio and number of female employees in manager positions or higher

(people)



There is no gender wage gap for employees in the same courses, the same positions, or the same lines of work.

As shown in the table below, there is a gender wage gap in the aggregate. The reasons behind the gender wage gap for different employment status are as follows.

- For regular workers, the gender wage gap is due to the personnel composition and age distribution of the Group's human resources portfolio as well as to a lower ratio of female employees in higher managerial positions.

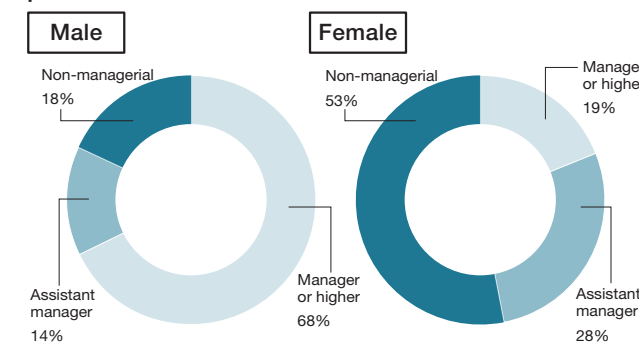
- For part-time and fixed-term workers, the gender wage gap is due to the fact that male employees make up more of the employment status with relatively high salary levels, such as contract bank staff, an employment status adopted for the re-employment of retired employees who used to be in managerial or higher positions.

Going forward, we will work to eliminate the gender wage gap by actively promoting female employees to higher managerial positions.

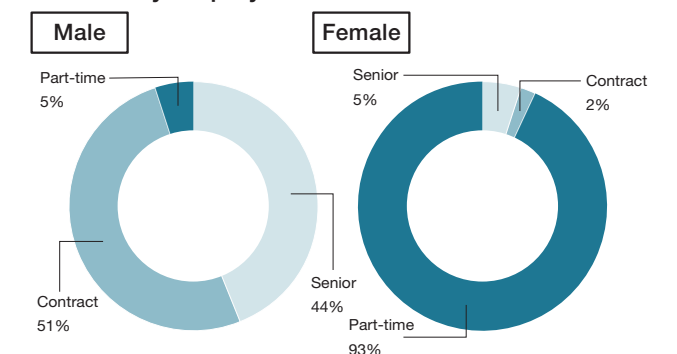
### Indicator: Actual gender wage gap

Indicator	FY2020	FY2021	FY2022
<b>Gender wage gap (regular workers)</b>	<b>51.6%</b>	<b>52.2%</b>	<b>54.8%</b>
o/w Joyo Bank	50.3%	52.1%	54.5%
o/w Ashikaga Bank	53.1%	52.3%	55.0%
<b>Gender wage gap (part-time/fixed-term workers)</b>	<b>36.5%</b>	<b>36.5%</b>	<b>34.7%</b>
o/w Joyo Bank	43.0%	43.2%	41.9%
o/w Ashikaga Bank	31.2%	32.0%	31.2%

### Personnel composition of regular workers by position



### Personnel composition of part-time/fixed-term workers by employment status



## (3) Health Management

The Group recognizes that, in order for a company to stay healthy, it is essential that each and every employee is healthy both physically and mentally. We provide employees with health guidance and consultation with an industrial physician to maintain and improve their health and offer a counselling service to address their mental health issues. Through such measures, we are striving to early detect employees

with physical and mental health issues, while providing them with health guidance.

We have set the average number of paid leave days taken, ratio of employees who had health checkups, and ratio of employees subject to specific health guidance, as indicators for the state of Health & Productivity Management.

### Indicators: Actual average number of paid leave days taken; ratio of employees who had health checkups; and ratio of employees subject to specific health guidance

Indicator	FY2020	FY2021	FY2022
<b>Average number of paid leave days taken</b>	<b>11.4 days</b>	<b>11.9 days</b>	<b>13.0 days</b>
o/w Joyo Bank	12.4 days	12.4 days	13.3 days
o/w Ashikaga Bank	10.2 days	11.4 days	12.6 days
<b>Ratio of employees who had health checkups (incl. people who had a complete medical checkup)</b>	<b>99.6%</b>	<b>99.9%</b>	<b>99.6%</b>
o/w Joyo Bank	99.5%	99.9%	99.5%
o/w Ashikaga Bank	99.6%	99.8%	99.8%
<b>Ratio of employees subject to specific health guidance</b>	<b>8.9%</b>	<b>8.6%</b>	<b>8.7%</b>
o/w Joyo Bank	8.5%	7.7%	8.7%
o/w Ashikaga Bank	9.4%	9.6%	8.7%



## Nobuhiro Doi

General Manager in charge of  
the Personnel Division  
General Manager, Diversity  
Promotion Office, Joyo Bank

## Masako Nagayama

General Manager of the Personnel Division,  
Joyo Bank  
General Manager in charge of the Personnel Group,  
Corporate Management Department, Mebuki FG

## Yoko Akiba

General Manager, Diversity  
Promotion Office  
Personnel Division, Ashikaga Bank

## Satoshi Hayakawa

Executive Officer and General Manager of  
the Personnel Division, Ashikaga Bank  
General Manager in charge of the Personnel  
Group, Corporate Management Department,  
Mebuki FG

## People are a company's capital: Creating organizational culture that breathe life into new value

One of the basic strategies of the medium-term business plan is to “develop human resources and promote active participation,” a goal that puts efforts to cultivate human capital at the core of the Group’s overall vision.

In this roundtable discussion, the general managers of the Personnel Divisions and general managers of the Diversity Promotion Offices at Joyo Bank and Ashikaga Bank—both at the forefront of Mebuki Financial Group’s efforts to promote human capital—sat down to talk about human-resource development, diversity, and pleasant workplace environments.

### Developing human resources to provide high-value-added services

— Why is “developing and securing human resources who create value” so important?

**Hayakawa** Population decline and an aging society are two of the many factors currently making it challenging for regional economies to maintain sustainable growth. That’s where we need to come in as a regional financial institution, filling a critical support position that goes beyond the traditional approach of financial

intermediation by aligning our offerings to the needs of our individual customers. To provide these kinds of high-value-added services, we have to help every one of our employees take their consulting capabilities to the next level and build an organization where personal development can thrive.

**Nagayama** Even before the term “human capital” came along, the banking industry knew that people were capital. It’s hard for banks, which all share the same basic business structure, to differentiate themselves from each other on the strength of their products alone—so what ultimately determines a bank’s value is its human-resource ability. At Mebuki Financial Group,

our value lies directly in human resources with the ability to help resolve local issues and be the people the community needs. Our medium-term business plan lays that idea out, too, by making efforts to foster human capital a pillar of the Group’s strategy. We work to ensure that the whole Mebuki family is aware of that.

— Could you tell us about some of the concrete steps you’re taking in the effort to create value?

**Hayakawa** One thing the Ashikaga Bank is doing is transitioning our consulting business for individual customers into a team setup. Up to this point, consultants at branch locations dealt with customers within the scope of their own individual abilities. But that wasn’t an optimal approach; having people develop their skills on a person-to-person basis made the growth process slower for not just the consultants themselves but also the organization as a whole. By switching over to a team approach, with a group of around seven employees at each location, we’ve created a system that allows consultants to share their experience with each other and, as a result, enables us to provide customers with higher-quality consulting.

**Nagayama** The Group is making serious, far-reaching efforts to cultivate DX personnel. One example is the IT Passport, which establishes a basis for employees’ knowledge of the digital realm. More than 3,000 employees from the banks have already obtained their IT Passports, pushing the Group closer to its acquisition targets. Taking steps like these to streamline operations through digital technologies and capabilities should make it easier for employees to put more emphasis on finding solutions to customers’ needs through face-to-



## Masako Nagayama

General Manager of the Personnel Division, Joyo Bank  
General Manager in charge of the Personnel Group,  
Corporate Management Department, Mebuki FG

Joined Joyo Bank in 1991. Served in positions at branch locations and the head office. After forging a long career on the management side at the head office, worked in the Audit Department and Corporate Planning Department. Became the inaugural general manager of the Diversity Promotion Office upon the organization’s founding in 2021 and assumed her current position in April 2023.

face interaction. The two banks have also collaborated on training programs geared toward creating new businesses as part of an effort to expand their domains. I’m looking forward to seeing how these initiatives formulate innovative ideas for addressing regional issues and needs.

**Hayakawa** Knowing how crucial it is to create new value, we recently accepted submissions of papers on the theme of “management strategies for driving sustainable growth in the local community and the Group.” Submissions came in from employees of all ages, ranging from new recruits to the ranks of branch general managers, and across regional lines. First prize went to a first-year employee—and seeing that definitely made me sit up and take notice. Embracing a diversity of values will be essential to the future of banking, I think. The ongoing reforms and improvements to the organizational culture will also soon take a new step forward with the “Project to Foster New Business,” a distinctive effort with the potential to propel change further.

**Nagayama** We’re also working to create an environment that opens easy pathways to enhancing skillsets through training workshops, a trainee system with job assignments both inside and outside the bank, and other programs to help individual employees expand their lines of work. At Joyo Bank, a female employee who started out in work areas like customer assets under custody took the next step in her career by joining a trainee program on the corporate side, accompanying corporate employees on customer visits, and learning the skills she needed to broaden her professional range. All our employees, regardless of gender, have great opportunities to gain practical expertise in DX and consulting through cooperative work with head-office bankers and outside partners.



## Satoshi Hayakawa

Executive Officer and General Manager of the Personnel Division,  
Ashikaga Bank  
General Manager in charge of the Personnel Group,  
Corporate Management Department, Mebuki FG

Joined Ashikaga Bank in 1992. Served in positions at branch locations and the head office. On the planning side, was involved in the bank’s temporary nationalization, relisting, and business integration with Joyo Bank. Also served on a temporary assignment to Joyo Bank, where he worked in the department overseeing sales of customer assets under custody for individual customers before taking his current position.



**Giving people opportunities to untangle their stereotypes and broaden their perspectives**

— The Group is driving efforts to take action on the diversity front.

**Nagayama** What we're trying to do by bringing people from different backgrounds together is help employees learn how to connect with customers from different points of view and perspectives. In that sense, the process of having employees from Ashikaga Bank and Joyo Bank meet and engage with each other is like a litmus test for diversity. Of course, that interaction does run the risk of certain value systems extending their reach. That's what makes it so vital for every employee to first respect their own identity and, at the same time, never reject or attack the values of others. Inclusion comes after that. While there are many issues we have to tackle, our first focus is on promoting the active participation of women—an area where banking is currently lagging considerably behind other industries.

**Akiba** One of the group's most distinctive efforts to promote active participation among female employees is the Mebuki Women's Class, a one-year training program for women approaching management-level positions. The Class gives participants with different perspectives and experiences to come together, exchange information on their jobs, and share their views. It's an environment that lets them come into contact with a variety of perspectives, gain exposure to different values, and untangle the stereotypes they've formed over the years—all in all, it opens their horizons. Having time to take inventory of their careers and reflect on where they've been so far can also inspire them to think about where they want to go in the future. The impact of the



**Yoko Akiba**  
General Manager, Diversity Promotion Office  
Personnel Division, Ashikaga Bank

Joined Ashikaga Bank in 1998. Has served in positions at branch locations, working as a life plan advisor, and the head office, dealing with individual customers as part of the Consulting Business Division. Has also been active in human-resource development on the personnel side. Assumed her position as the general manager of the Diversity Promotion Office upon the organization's founding in 2021.

program goes beyond just the program, too; when the participants go back to their respective organizations, the things they've gained also make a positive impact on their colleagues.

**Doi** Since the first Mebuki Women's Class in 2018, a total of around 100 employees have taken part in the program. It's a status marker, in a way, with an average yearly cohort of only eight women from each bank. In 2022, we doubled the enrollment slots to 16 participants from each bank and started choosing participants via open applications instead of the old nomination system. Some of the women who weren't selected are obviously disappointed that they didn't get into the program, so I'd like to find ways to offer as many opportunities as possible to try new things. Many of the women who completed their year in the Mebuki Women's Class maintain contact with each other, nurturing personal networks that transcend the boundaries between banks, communities, and cohorts. They're also earning reputations as mentors that others looking to take bigger leadership roles in the organization can rely on for help and support.

**Every employee needs their own personnel system**

— Having a fulfilling job must lead to a more rewarding career.

**Hayakawa** In addition to the job-oriented personnel systems they've installed, both banks are also experimenting with allowing individual branches to tailor-make and implement their own job-evaluation frameworks instead of using the head office's system. The way I see it, the transition isn't so much just an

operational adjustment to the evaluation framework but rather more of a step toward reforming the corporate culture in general. Ideally, employees who take stronger ownership of their own work put themselves on track to grow independently. Corporate culture doesn't change overnight, I know, but I think reviewing and revising the existing systems one by one will help drive progress.

**Nagayama** Work-life balance is an integral part of every personnel-system reform. Since no two people are the same, every employee theoretically needs their own personnel system. That's obviously not a realistic approach, but I think it's worth building the reform process around the effort to bring that ideal as close as possible to fruition. Coming back to the Personnel Division after 20 years away, I can't help but be amazed at how fast things move. We used to offer leave for fertility treatment on an employee-to-employee basis, for example. When more people started expressing interest in that kind of leave, the organization responded by turning it into a full-fledged system in just about three months. It's so inspiring to hear about women who've made use of the system and had children, the kinds of stories that make working in the Personnel Division so rewarding on a personal level.

— What do you focus on in developing systems that make it easier for employees to find a more fruitful work-life balance?

**Doi** One element we've received a lot of input on is our system defining work hours for people coming back from childcare leave. We used to have an hour-reduction system with only a handful of set patterns. Now, though, the framework allows for fine-tuning in 15-minute segments. The changes have helped establish a working environment where people have the flexibility to align their work activities with their home situations and their individual careers, but there's still room for improvement. We're currently looking into implementing a flextime system, for example, which has been gaining interest among employees.

**Akiba** Two important focus areas are giving people more workstyle options and creating a culture where systems can take root. As we've taken steps to gather input from female employees and give our systems a more lifestyle-focused emphasis, the reform process has shown me that systems that are good for women tend to be good for men, too. There are definitely men who want to be an active part of raising their children, and there are definitely times when women want to put a stronger priority on work. Everyone has a different ideal balance between work and life outside work. Everyone's ideal balance changes according to what life stage they're at, too. I'm excited to keep laying the roots for a corporate culture that both encourages a healthy work-life balance but also facilitates career advancement.

**Generating a virtuous cycle where people have a positive impact on each other**

— How do you want to see Mebuki Financial Group enhance its human capital?

**Hayakawa** Sustainable, long-term relationships with customers hinge on bonds where the two sides share their sense of purpose with each other. On top of that, a company also needs to share the individual visions of its employees. Every organization is a composite collection of its individual members' values systems, after all, so I want to help develop frameworks that create a virtuous cycle where people maximize their well-being and have a positive impact on each other.

**Nagayama** As career designs continue to diversify, especially among the younger generations, I've started to put a stronger focus on providing individual, independent career support. The importance of human resources isn't a new revelation in the banking industry, of course, and we know that better engagement is an extension of better organizational development. If we can solidify a culture that elevates ambition, creativity, and integrity, I know we'll be able to make the company one that people will be even prouder to work for.



**Nobuhiro Doi**  
General Manager in charge of the Personnel Division  
General Manager, Diversity Promotion Office, Joyo Bank

Joined Joyo Bank in 1995. After working at branches in Ibaraki and Fukushima Prefectures, transitioned to the Personnel Division, where he has served for roughly 19 years. Assumed his current position, where he helps lead efforts to establish and optimize measures to enhance work-life balance, in 2023.



## Corporate Governance

### Basic approach to corporate governance

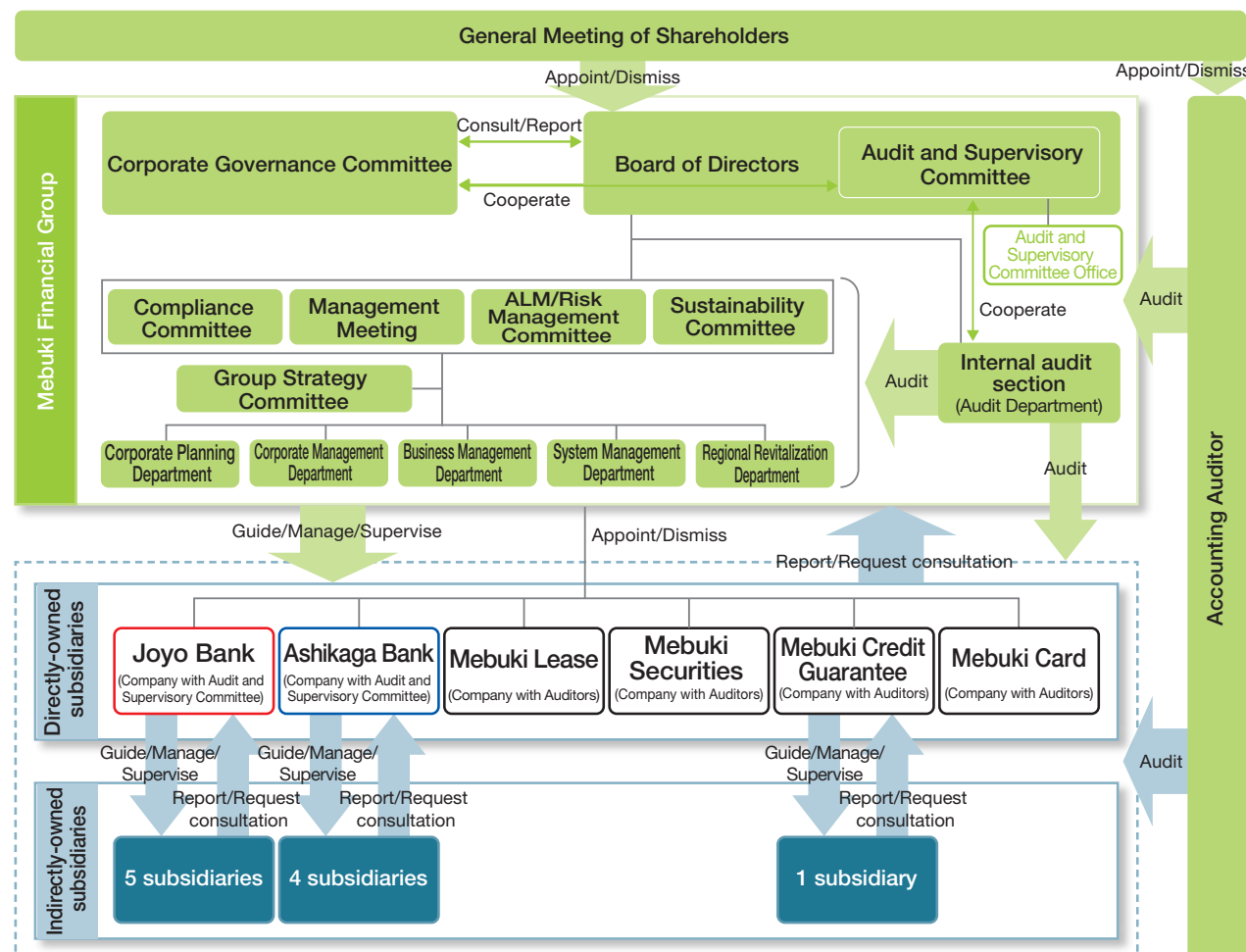
A commitment to management characterized by responsibility, and sound, appropriate business operations will earn greater trust for the Group from all stakeholders—customers, shareholders, local communities and employees—and boost corporate value. By following the approaches listed below, we are working to strengthen and improve corporate governance.

- We respect shareholders' rights and ensure equality.
- We consider the benefits of stakeholders, including shareholders, and cooperate appropriately with stakeholders.
- We disclose company information appropriately and ensure transparency.
- We ensure the effectiveness of a transparent, fair, prompt and decisive decision-making function and supervisory function of the Board of Directors on business operation by utilizing independent outside directors.
- We work to communicate with shareholders constructively about the continuous growth and improvement of medium-to-long term corporate values.

For the basic corporate governance policy, please refer to the Company's website at <https://www.mebuki-fg.co.jp/eng/company/governance/governance.html>.

### Corporate governance structure

The Company has adopted a company with an Audit and Supervisory Committee as a corporate governance system, which allows us to realize prompt and decisive decision-making and business execution by entrusting many of the decision-making authorities relevant to business execution to directors as constituent members of the Board of Directors in which the Group's knowledge and expertise are concentrated, while ensuring the transparent and fair decision-making function and the solid audit and supervisory function through the appointment of multiple outside directors.

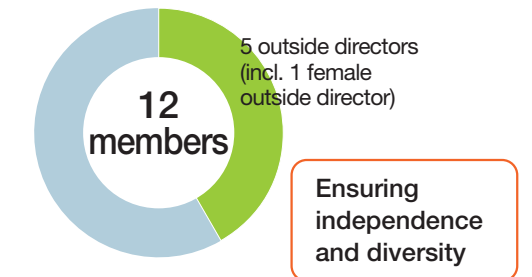


### Board of Directors

#### Composition of the Board of Directors

The Board of Directors decides basic corporate policies and important business matters and supervises the execution of duties by directors. We aim to realize prompt and decisive decision-making and business execution by entrusting most decision-making authorities relevant to business execution to directors as constituent members of the Board of Directors in which our Group's knowledge and expertise are concentrated, while ensuring a transparent and fair decision-making function and a solid supervisory function through the appointment of multiple outside directors that have experience as corporate managers, lawyers, and academic experts.

#### Composition of the Board of Directors



#### Activities of the Board of Directors and FY2022 Achievements

The Board of Directors meets monthly in principle.

In FY2022, the Board of Directors met twelve times (\*) and attendance of each director was as follows.

#### Directors (excluding Audit and Supervisory Committee Members)

Tetsuya Akino	attended all 12 meetings
Kazuyuki Shimizu	attended all 12 meetings
Kiyoshi Nozaki	attended all 12 meetings
Yoshihiro Naito	attended all 12 meetings
Toshihiko Ono	attended all 10 meetings after appointment
Hiromichi Ono (outside director)	attended all 12 meetings
Yoshimi Shu (outside director)	attended all 12 meetings

#### Directors (Audit and Supervisory Committee Members)

Eiji Murashima	attended all 12 meetings
Yoshinori Tasaki	attended all 10 meetings after appointment
Satoru Kawamata (outside director)	attended all 12 meetings
Toru Nagasawa (outside director)	attended all 12 meetings
Takashi Shimizu (outside director)	attended 11 meetings out of 12 meetings

(\*) Other than the above, the Company adopted three written resolutions, which were deemed to be adopted at meetings of the Board of Directors.

As part of our commitment to enhancing the activities and deliberations of the Board of Directors, we distribute materials and provide advance explanations of agenda items prior to each Board meeting.

The main matters deliberated on and reported by the Board of Directors in FY2022 were as follows:

#### Main matters deliberated on and reported

- Progress of the initiatives based on the Medium-Term Group Business Plan, comprehensive budget and business operation policy for FY2022
- Formulation of comprehensive budget for FY2023
- Establishment of a local trading company as a company to contribute to the advancement of banking business by a subsidiary bank
- Revision of the operating rules for executive compensation, etc.
- Reorganization of credit guarantee companies within the Group
- Revision of full-year earnings forecast for FY2022
- Evaluation of the effectiveness of the Board of Directors as a whole
- Response in the event of online system failures
- Details of deliberations and reporting at the decision-making bodies (Management Meeting, ALM/Risk Management Committee, Compliance Committee, and Sustainability Committee)



Evaluation of the Effectiveness of the Board of Directors

The Board of Directors of the Company conducts analysis and evaluation of its effectiveness as a whole each year, in order to utilize the results of such evaluation to improve the operations of the Board of Directors, by confirming the opinions of each director on such matters as the composition and operation of the Board of Directors.

Evaluation method

Regarding the FY2022 evaluation, opinions were exchanged on the evaluation method and the contents of the questionnaire at the executive session comprising all outside directors of the Company and its subsidiary banks, as was the case in the previous fiscal year.

Based on this discussion, questionnaires on the composition and operations of the Board of Directors and other matters were distributed to all directors, and replies and comments were obtained. With regard to the results of the evaluations based on these replies and comments, the Board of Directors of the Company, upon deliberation by the Corporate Governance Committee (with outside directors accounting for the majority of its members), finalized and determined the results of analysis and evaluation of the effectiveness of the Board of Directors as a whole.

Evaluation results

The Board of Directors of the Company has confirmed that directors with diverse knowledge and experience have been elected and the composition is well balanced; all directors, upon sharing the roles and responsibilities of the Board of Directors, have successfully fulfilled both decision-making and supervising functions while taking advantage of the perspective of independent outside directors; and thus the effectiveness of the Board of Directors as a whole has been mostly assured.

Future measures

The operation of the Board of Director throughout the year resulted in continued improvements in the issues identified by the previous evaluation, specifically in “Enhancement of exchange of opinions among directors” and “Further utilization of the perspectives of independent outside directors”. However, based on each director’s assessment and opinions, we recognized the necessity of continuous working on the following matters for further improvement.

By implementing necessary measures to ensure the sustainable growth of the Group and further increase its corporate value in the medium- to long-term, the Group will strive to enhance the effectiveness of its corporate governance structure.

Main items of questionnaire

1. Roles and responsibilities of the (Board of) directors
2. Composition or other qualities of the Board of Directors
3. Operation or other matters of the Board of Directors
4. Execution of functions of the Board of Directors

Matters to be addressed for continuous improvement

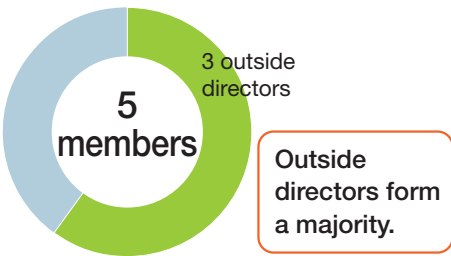
1. Enhancement of discussions regarding medium-to long-term management issues
  - Further enhancement of discussions regarding various medium-to long-term management issues and providing value to stakeholders
  - Enrichment of discussions for the advancement of business management
2. Strengthened efforts to share and solve issues among Group companies
  - Expansion of opportunities to share management information and issues of Group companies with outside directors

Audit and Supervisory Committee

The Audit and Supervisory Committee audits the execution of duties by directors and determines the details of proposals related to the appointment, dismissal, and non-reappointment of accounting auditors to be submitted to the General Meeting of Shareholders.

The Audit and Supervisory Committee meets monthly in principle. In FY2022, the Audit and Supervisory Committee met twelve times.

Composition of the Audit and Supervisory Committee



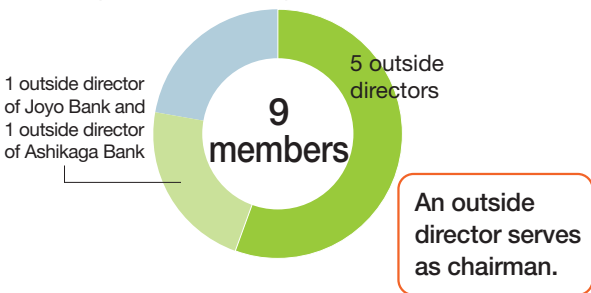
Corporate Governance Committee

We have established the Corporate Governance Committee as an advisory board to the Board of Directors to ensure the objectivity and transparency of matters regarding the compensation for and the appointment of directors. Matters regarding the nomination of director candidates and the compensation for directors are decided by the Board of Directors upon deliberation by the Corporate Governance Committee.

The Corporate Governance Committee is chaired by an outside director, and the majority of its members are also outside directors including the outside directors of subsidiary banks.

In FY2022, the Committee held five meetings, one of which was in writing, with the following main matters deliberated on and reported:

Composition of the Corporate Governance Committee



Decision-Making Bodies

We have established the Management Meeting, the ALM/Risk Management Committee, the Compliance Committee and the Sustainability Committee as bodies to discuss and decide important matters regarding business execution based on the decisions made by the Board of Directors. Each decision-making body reports the status of deliberation and decisions regarding business execution to the Board of Directors, and is supervised by the Board of Directors.

Decision-Making Bodies	Overview	Main matters deliberated on and reported
Management Meeting	The Management Meeting is responsible for making decisions on business execution to the extent of the authorities delegated by the Board of Directors, as well as discussion on important matters regarding business execution.	<ul style="list-style-type: none"><li>• Progress of the initiatives based on the Medium-Term Group Business Plan, comprehensive budget and business operation policy for FY2022</li><li>• Formulation of comprehensive budget for FY2023</li><li>• Status of consideration on the establishment of a local trading company to contribute to the advancement of banking business by a subsidiary bank</li><li>• Status of consideration on the next core system</li><li>• DX roadmap formulation and DX personnel development initiatives</li><li>• Measures concerning the sale of structured bonds at Mebuki Securities Co., Ltd., The Joyo Bank, Ltd. and The Ashikaga Bank, Ltd.</li><li>• Status of the customer-oriented business activities at directly-owned subsidiaries</li><li>• Formulation of system development projects and monitoring of IT investment projects</li></ul>
ALM/Risk Management Committee	The ALM/Risk Management Committee is responsible for making decisions on business execution relevant to group risk management and ALM to the extent of the authorities delegated by the Board of Directors and for considering and discussing important matters on business execution.	<ul style="list-style-type: none"><li>• Management of yen bonds and the exceeding of loss limits by the Company and its subsidiary banks</li><li>• Additional foreign bonds to the transactions subject to loss limits</li><li>• Action on finalization of Basel III</li><li>• Loan policy for customers who have exceeded credit limits</li><li>• Verification results of internal credit rating system</li></ul>
Compliance Committee	The Compliance Committee is responsible for making decisions on business execution regarding compliance to the extent of the authorities delegated by the Board of Directors, and considering and discussing important matters relevant to the practice of compliance.	<ul style="list-style-type: none"><li>• Status of AML/CFL system</li><li>• Status of management of compliance, complaints, etc.</li><li>• FY2023 Basic Policy on Group Compliance Program and Group's Basic Policy for Anti-Money Laundering</li><li>• Review of internal rules in light of legal revisions, etc.</li></ul>
Sustainability Committee	The Sustainability Committee is responsible for making decisions on business execution regarding promotion of sustainability to the extent of the authorities delegated by the Board of Directors, and considering and discussing important matters relevant to the promotion of sustainability.	<ul style="list-style-type: none"><li>• Formulation of roadmap to Net zero CO<sub>2</sub> emissions</li><li>• Establishment of procurement and purchasing guidelines</li><li>• Trial introduction of Internal Carbon Pricing (ICP) system</li><li>• Future actions based on TCFD recommendations</li><li>• Approach to human capital disclosure (human resources development policy, internal environment development, policy risk management, indicators and targets, etc.)</li></ul>

Attendance of members of bodies

	Board of Directors	Corporate Governance Committee	Management Meeting	ALM/Risk Management Committee	Compliance Committee	Sustainability Committee
Number of meetings held (FY2022)	12	4	12	12	11	6
Members (◎ represents Chairman)						
President and Director	◎	○	◎	◎	◎	◎
Executive Vice President and Director	○	○	○	○	○	○
Directors (Inside)	○		○	○	○	○
Outside Directors	○	◎				
Executive Officers			○	○	○	○
General Managers				○ (Corporate Planning Department, Corporate Management Department, Basel Unit)	○ (Corporate Planning Department, Corporate Management Department, Audit Department)	○ (Corporate Planning Department, Corporate Management Department, Regional Revitalization Department)
Outside Director, The Joyo Bank, Ltd.		○ (Audit and Supervisory Committee Member)				
Outside Director, The Ashikaga Bank, Ltd.		○ (Audit and Supervisory Committee Member)				
Attendance rate of all members	99%	89%	99%	100%	100%	100%
Attendance rate of outside directors	98%	85%	—	—	—	—

Main matters deliberated on and reported

- Matters regarding total amount of directors' bonuses, and indicators for calculating directors' bonuses for FY2022 and beyond
  - Matter regarding the amount of compensation for each director (excluding Audit and Supervisory Committee Members)
- Status of dialogue with shareholders and analysis of opinions of shareholders
  - Matter regarding election of director candidates
  - Matter regarding evaluation of the effectiveness of the Board of Directors as a whole

Directors

Appointment of Directors

In appointing directors, the Board of Directors ensures a balanced composition that provides a wealth of knowledge and expertise in wide range of fields and appoints two or more independent outside directors, and the Company has appointed five independent outside directors (Independent outside director ratio of all directors: 41.7%).

Furthermore, the Company has introduced an executive officer system to enhance the decision-making and supervisory functions of the Board of Directors and to reinforce the business execution function.

The selection criteria for directors are set forth in the Corporate Governance Policy as follows:

Selection criteria for directors	Selection criteria for outside directors
The Board of Directors selects candidates for directors who satisfy the selection criteria for directors based on the deliberation at the Corporate Governance Committee. (1) Shall have high knowledge and expertise about the Company's business activities. (2) Shall have superior ability of managerial decision-making and execution. (3) Shall have superior leadership, decisiveness, foresight and creativity. (4) Shall have high integrity and deep insight to be suitable for a director. (5) Shall have no health problems in performing the duties as a director.	The Board of Directors selects candidates for outside directors who meet the following selection criteria, in addition to meeting the legal requisites for outside directors. Two or more of such outside directors shall be the persons who fulfill the independence standards for outside directors of the Company. 1. Shall have extensive experience in overall management or be in positions as professionals in laws, accounting, finance, and others to be suitable as a supervisor that has high knowledge and experience similarly. 2. Shall have high integrity and deep insight as an outside director. 3. Shall have the sufficient time for performing his/her duties as a director. 4. Shall have no health or job-related problems in performing the duties as an outside director.

Reasons for Selection as Outside Directors

Reasons for being selected as an outside director, concurrent positions and other statuses for each outside director are as follows. The Group registered all of the five directors with the Tokyo Stock Exchange as independent directors who do not have conflicts of interest with general shareholders.

Name	Reasons for selection	Concurrent positions and other statuses
Hiromichi Ono	Mr. Hiromichi Ono has accumulated a broad range of insight and abundant experience as a manager of a major food company. He has been appointed as an Outside Director to provide appropriate guidance and advice for the overall business operation of the Company by utilizing his insight and experience as a corporate manager.	Outside Director, Tokyo Gas Co., Ltd.
Yoshimi Shu	Ms. Yoshimi Shu has accumulated abundant work experience as well as experience and achievements as a senior manager at a global financial institution. She also has insight and experience in various aspects towards the development corporate leaders. She has been appointed as an Outside Director to provide appropriate guidance and advice for the overall business operation of the Company from a professional perspective.	President & Representative Director, Core Value Management, Co., Ltd.
Hiromichi Yoshitake	Mr. Hiromichi Yoshitake has abundant work experience at a major company with achievements as a senior executive and also has academic expertise and management experience as well as a broad insight through his career at multiple universities. He has been appointed as an Outside Director who is an Audit and Supervisory Committee Member to provide appropriate guidance and advice for the overall business operation of the Company by utilizing his broad insight, academic expertise, and management experience at universities.	Chairperson of the Board of Trustees, Tokyo Kasei Gakuin University
Toru Nagasawa	Mr. Toru Nagasawa has specialized knowledge and experience in corporate legal affairs as an attorney. He has been appointed as an Outside Director who is an Audit and Supervisory Committee Member to provide appropriate guidance and advice from a specialist's perspective, especially corporate legal affairs in relation to the overall business management of the Company.	Representative Attorney, Nagasawa Law Offices Outside Corporate Auditor, LANCERS, INC. Outside Director, Weins Toyota Kanagawa Co., Ltd.
Takashi Shimizu	Mr. Takashi Shimizu has academic experience as well as specialized knowledge and extensive experience in accounting. He has been appointed as an Outside Director who is an Audit and Supervisory Committee Member to provide appropriate guidance and advice from a specialist's perspective, especially accounting in relation to the overall business management of the Company.	Professor, Graduate School of Accountancy, Waseda University

Areas in Which Directors Are Expected to Fulfill Their Roles

The expertise and experience the Company expects from its directors are Corporate Management/Strategy and Finance/Accounting, which are essential for corporate management; Market Investment/Global and IT/DX, which demand a high level of expertise to navigate changes in the business environment; and Sales/Marketing and Consulting, which are indispensable for promoting the Group's philosophy to deliver comprehensive financial services. The skills matrix, which contains a list of expertise and experience that each director and executive officer possesses, is presented below.

Expertise and Experience of Directors and Executive Officers (Skills Matrix)

	Name	Outside Director	Independent Officer	Expertise and Experience						
				Corporate Management/Strategy	Business Management/Law	Finance/Accounting	Sales/Marketing	Consulting	Market Investment/Global	IT/DX
Directors who are not Audit and Supervisory Committee Members	Tetsuya Akino			●	●	●	●	●		
	Kazuyuki Shimizu			●	●	●	●	●	●	
	Kiyoshi Nozaki			●		●	●	●	●	●
	Yoshihiro Naito			●	●	●		●	●	
	Toshihiko Ono			●		●	●	●		●
	Hiromichi Ono	○	○	●		●				
	Yoshimi Shu	○	○		●			●	●	
Directors who are Audit and Supervisory Committee Members	Eiji Murashima			●	●		●			
	Yoshinori Tasaki			●			●	●		
	Hiromichi Yoshitake	○	○	●	●	●	●			
	Toru Nagasawa	○	○	●	●	●		●	●	
	Takashi Shimizu	○	○			●		●		
Executive Officers	Yuji Gorai			●						●
	Koichi Yamakawa			●		●		●		●

Details of Expertise and Experience

Corporate Management/Strategy	Experience in corporate management, expertise in planning of corporate strategy and execution
Business Management/Law	Expertise in business management including personnel and labor management, risk management, etc. and law
Finance/Accounting	Expertise in finance and accounting
Sales/Marketing	Expertise in business planning, marketing and new business development
Consulting	Expertise in consulting business, SDGs/ESG, environmental field, regional revitalization and corporate restructuring/support
Market Investment/Global	Expertise in the field of market investment and global businesses
IT/DX	Expertise in IT and DX (digital transformation)

Succession Plan

In order for the Group to achieve sustainable growth and enhance corporate value over the medium to long term, the Corporate Governance Committee of the Company, chaired by an outside director and composed of a majority of outside directors, including those from subsidiary banks, deliberates on matters regarding the nomination of president and director candidates, reappointment and dismissal of directors, as well as succession plans and the development of director candidates.

The Corporate Governance Committee deliberates on the qualities, abilities, and career backgrounds required for corporate managers, as well as on an ideal candidate profile that aligns with the Group's management environment and future strategic direction. The election of president and director candidates follows a process where the Representative Director proposes candidates, the Corporate Governance Committee deliberates on their consistency with the desired candidate profile and other relevant factors, and subsequently, the Board of Directors approves them.



Compensation system for directors

Policy for Determining Directors’ Compensation

Under the Corporate Governance Policy set by the Board of Directors, the director's compensation amount is determined separately for “directors (excluding Audit and Supervisory Committee Members)” and “directors (who are Audit and Supervisory Committee Members)” as follows. Furthermore, the Company resolved the maximum amount of compensation for directors (excluding Audit

and Supervisory Committee Members) at 200 million yen per year (the number of eligible directors: 7 persons) and for Audit and Supervisory Committee Members at 80 million yen per year (the number of eligible directors: 5 persons), at the Ordinary General Meeting of the Shareholders held on June 28, 2016.

Directors (excluding Audit and Supervisory Committee Members)

- The compensation for directors (excluding Audit and Supervisory Committee Members) is determined appropriately in consideration to their transparency, fairness, objectivity and incentives toward improving results by enhancing the linkage of compensation with the Group's performance and shareholders' benefits.
- The amount for each director (excluding Audit and Supervisory Committee Members) is determined by the Board of Directors within the maximum amount of compensation per year resolved at the General Meeting of the Shareholders, while ensuring the objectivity and transparency after deliberation regarding their adequacy and validity in the Corporate Governance Committee.

Directors (Audit and Supervisory Committee Members)

- The compensation for directors (who are Audit and Supervisory Committee Members) is determined without the factor of incentive to ensure the transparency of their duties as auditor and supervisor.
- The amount for each director (the Audit and Supervisory Committee Member) is determined through discussion among all Audit Committee Members and within the maximum amount of compensation per year resolved at the General Meeting of the Shareholders.

Procedure for Determining Directors’ Compensation

In order to ensure the objectivity and transparency of directors' compensation, the compensation for directors (excluding Audit and Supervisory Committee Members) is determined by the Board of Directors, and the compensation for directors (who are Audit and Supervisory Committee Members) is determined by the Audit and Supervisory Committee upon deliberation by the Corporate Governance Committee.

In determining the details of compensation for each director, the decision of the specific amount for each director is delegated to the President and Director (Representative Director) by resolution of the Board of Directors. This authority is the decision regarding specific amount of bonuses distributed to each director. The

reason for the delegation is that he or she is in a position to judge the degree of contribution to the performance by each director from a company-wide perspective.

Regarding this decision, the Corporate Governance Committee shall deliberate including the confirmation of the integrity with the above policy and the validity. Therefore, the Board of Directors shall in general respect his proposal and judge it to be in line with policy.

In addition, as of June 24, 2022, the Company revised the directors' compensation system after it reviewed the indicators and ratios for calculating directors' bonuses, and revised the definition of consolidated ROE, in order to sustainably increase corporate value of the Group and to further share value with our shareholders.

Matters discussed by the Corporate Governance Committee and the Board of Directors in determining directors' compensation (FY2022)

(Corporate Governance Committee)	
April 25, 2022	Matters regarding total amount of directors' bonuses, and indicators for calculating directors' bonuses for FY2022 and beyond
May 10, 2022	Matter regarding the amount of compensation for each director (excluding Audit and Supervisory Committee Members)
(Board of Directors)	
May 13, 2022	Matter regarding directors' bonuses
June 24, 2022	Matters regarding determining monthly compensation amount, provision of monetary compensation claims and disposition of treasury shares for the restricted stock, and revising the operating rules for executive compensation, etc.
In addition, activities in FY2021 related to the revision of the directors' compensation system as of June 24, 2022, were as follows.	
(Corporate Governance Committee)	
July 26, 2021	Matter regarding directors' compensation
September 27, 2021	Considering directors' compensation
December 20, 2021	Revising directors' compensation system of the Company and subsidiary banks
(Board of Directors)	
February 21, 2022	Matter regarding revising directors' compensation system

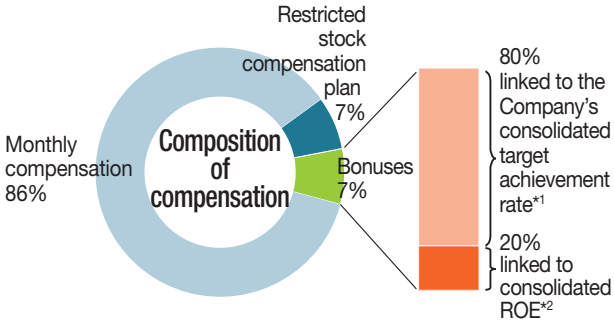
Details of revisions		
	Before revision	After revision
●Calculation index	Indicator based on ROE	Target achievement rate*1
●Consolidated ROE*2	Net income ÷ net assets	Net income ÷ total shareholders' equity

Directors’ Compensation System

Executive Directors among the Directors (excluding Audit and Supervisory Committee Members)

(1) Composition of compensation

The compensation comprises a monthly compensation as a basic compensation, bonuses as a performance-linked compensation and a restricted stock compensation plan as a non-monetary compensation. The compensation comprises 86% of base compensation, 7% of bonus and 7% of restricted stock compensation plan (if the standard amount of bonuses is paid).



(2) Details of each compensation

- Monthly compensation  
The basic amount of monthly compensation is determined by the director's position.
- Bonuses  
The basic amount of bonuses is determined in accordance with the director's position and the total amount of bonus payment is determined within a maximum amount which fluctuates each year in the range of 0% to 150% according to the Company's consolidated target achievement rate and consolidated ROE (net income ÷ total shareholders' equity). The amount for each executive director is determined based on the basic amount for the director's position, which is adjusted according to the degree of contribution to business performance by each executive director. The percentage of the total bonuses is composed of 80% linked to the Company's consolidated target achievement rate and 20% linked to consolidated ROE, each of which increases or decreases in the range of 0% to 150%, depending on the fiscal year's performance.
- Restricted stock compensation plan  
Under this plan, the Company's Directors (excluding Audit and Supervisory Committee members; the “Eligible Directors”) shall make payments in kind as contributed assets using all of the monetary compensation claims provided to them by the Company and receive the issuance or disposal of the Company's common shares and the Company and each of the Eligible Directors shall enter into a restricted stock allocation agreement. The compensation to be paid to the Eligible Directors for the granting of restricted stock is monetary compensation claims and the total amount of such claims is set at 20 million yen or less per year within the amount of compensation for the Company's Directors (excluding Audit and Supervisory Committee Members), and the total number of common shares newly issued by the Company is set at 200 thousand shares or less per year, as resolved at the Ordinary General Meeting of the Shareholders held on June 24, 2020. The allocation of payment to each Eligible Director is determined by the director's position.

Rationale for the indicators and results (FY2022)

- \*1 Target achievement rate  
This indicator has been adopted in order to give stronger incentives to achieve an annual business plan. In FY2022, the targets were set at 65.3 billion yen of ordinary profit and 45.0 billion yen of net income, and the achievement rates of each indicator, weighted by the ratio of ordinary profit: net income = 70% : 30%, was 71.4%.
- \*2 Consolidated ROE (Net income ÷ total shareholders' equity)  
The indicator has been adopted in order to give stronger incentives to the directors to improve the Group's corporate value. Under the Third Medium-Term Group Business Plan (period: April 1, 2022 to March 31, 2025), the Company's consolidated ROE (net income ÷ total shareholders' equity) of 5.5% or more was targeted, and in FY2022, the ROE of 3.7% was achieved.

Outside Directors among the Directors (excluding Audit and Supervisory Committee Members)

(1) Composition of compensation

- The compensation for outside directors (excluding Audit and Supervisory Committee Members) is comprised only of a monthly compensation, which is a basic compensation.

(2) Details of each compensation

- Monthly compensation  
The amount of monthly compensation as a basic compensation is fixed by the director's position.

Directors (Audit and Supervisory Committee Members)

(1) Composition of compensation

- The compensation for directors (who are Audit and Supervisory Committee Members) is comprised only of a monthly compensation, which is a basic compensation.

(2) Details of each compensation

- Monthly compensation  
The amount of monthly compensation is determined separately for full time and part time directors.

List of Directors

Director



President and Director (Representative Director)  
**Tetsuya Akino**

June 2016 Executive Officer and General Manager, Personnel Division, The Joyo Bank, Ltd.

October 2016 General Manager, Corporate Management Department, the Company

June 2017 General Manager, Corporate Planning Department, the Company

Executive Officer and General Manager, Corporate Planning Division, The Joyo Bank, Ltd.

June 2018 Director, in charge of Corporate Planning, the Company

Managing Director, The Joyo Bank, Ltd.

June 2020 Director and Managing Executive Officer, The Joyo Bank, Ltd.

April 2022 President, The Joyo Bank, Ltd. (current position)

June 2022 President, the Company (current position)



Executive Vice President and Director (Representative Director)  
**Kazuyuki Shimizu**

April 2012 Executive Officer, The Ashikaga Bank, Ltd.

April 2014 Executive Officer, Ashikaga Holdings Co., Ltd., Executive Officer, The Ashikaga Bank, Ltd.

April 2015 Managing Executive Officer, The Ashikaga Bank, Ltd.

June 2016 Managing Director, The Ashikaga Bank, Ltd.

October 2016 Director, the Company

June 2018 Senior Managing Director, The Ashikaga Bank, Ltd.

June 2019 Executive Officer, the Company

June 2020 Executive Vice President, the Company (current position)

President, The Ashikaga Bank, Ltd. (current position)



Director  
**Kiyoshi Nozaki**

June 2016 Executive Officer and General Manager, Corporate Planning Division, The Joyo Bank, Ltd.

October 2016 General Manager, Corporate Planning Department, the Company

June 2017 Executive Officer and General Manager, Business Promotion Division, The Joyo Bank, Ltd.

June 2018 Managing Executive Officer and General Manager, Business Promotion Division, The Joyo Bank, Ltd.

Director (part-time), The Ashikaga Bank, Ltd.

June 2020 Director, Managing Executive Officer, The Joyo Bank, Ltd. (current position)

June 2021 Director, the Company (current position)



Director  
**Yoshihiro Naito**

April 2016 Executive Officer, The Ashikaga Bank, Ltd.

June 2019 Managing Director, The Ashikaga Bank, Ltd.

June 2020 Director in charge of Corporate Management, Risk Management and Information Security, the Company (current position)

Director, Managing Executive Officer, The Ashikaga Bank, Ltd. (current position)



Director  
**Toshihiko Ono**

June 2016 Senior Deputy General Manager, Corporate Planning Division, The Joyo Bank, Ltd.

October 2016 General Manager, in charge of Corporate Planning Department, the Company

June 2018 General Manager, Corporate Planning Department, the Company

General Manager, Corporate Planning Division, The Joyo Bank, Ltd.

June 2020 Executive Officer and General Manager, Business Planning Division, The Joyo Bank, Ltd.

Director (part-time), The Ashikaga Bank, Ltd.

April 2022 Managing Executive Officer, The Joyo Bank, Ltd.

June 2022 Director, in charge of Corporate Planning, the Company (current position)

Director, Managing Executive Officer, The Joyo Bank, Ltd. (current position)



Outside Director  
**Hiromichi Ono**

April 1979 Joined Ajinomoto Co., Inc.

March 2004 General Manager, Finance Department

June 2007 Corporate Executive Officer

June 2011 Member of the Board & Corporate Vice President, in charge of finance and procurement

June 2017 Retired from Member of the Board & Corporate Vice President, Ajinomoto Co., Inc.

June 2019 Outside Director, the Company (current position)

June 2020 Outside Audit & Supervisory Board Member, Tokyo Gas Co., Ltd.

June 2021 Outside Director (current position)



Outside Director  
**Yoshimi Shu**

August 2000 Joined JPMorgan Securities Japan Co., Ltd.

June 2006 Head of Tokyo Control Room, Compliance Department

May 2012 Managing Director

October 2012 Head of Japan Controls & Oversight Department

January 2014 Resigned from JPMorgan Securities Japan Co., Ltd.

February 2014 Joined Core Value Management, Co., Ltd.

November 2016 Deputy President & Representative Director

June 2019 Outside Director, the Company (current position)

March 2022 President & Representative Director, Core Value Management, Co., Ltd. (current position)

(Audit and Supervisory Committee Member)



Director (Audit and Supervisory Committee Member)  
**Eiji Murashima**

June 2010 Executive Officer and General Manager, Business Administration Division, The Joyo Bank, Ltd.

June 2011 Executive Officer and General Manager, Business Promotion Division, The Joyo Bank, Ltd.

June 2012 Managing Executive Officer and Vice Director-General of Business Headquarters, The Joyo Bank, Ltd.

June 2013 Managing Director, The Joyo Bank, Ltd.

October 2016 Director in charge of Corporate Management (Base), the Company

June 2018 Senior Managing Director, The Joyo Bank, Ltd.

June 2020 Retired from the position as Senior Managing Director, The Joyo Bank, Ltd.

Director (Audit and Supervisory Committee Member), the Company (current position)

Auditor, Mebuki Securities Co., Ltd. (current position)

April 2021 Corporate Auditor, Mebuki Card Co., Ltd. (current position)



Director (Audit and Supervisory Committee Member)  
**Yoshinori Tasaki**

October 2012 General Manager, in charge of Business Planning Division, The Ashikaga Bank, Ltd.

April 2013 General Manager, Karasuyama Branch, The Ashikaga Bank, Ltd.

April 2015 General Manager, Kumagaya Branch, The Ashikaga Bank, Ltd.

October 2016 General Manager, Moka Branch, The Ashikaga Bank, Ltd.

June 2019 General Manager, Audit Department, the Company

Executive Officer, General Manager, Auditing Department, The Ashikaga Bank, Ltd.

June 2020 Executive Officer, Chief Officer, Saitama Area Hub, The Ashikaga Bank, Ltd.

April 2021 Executive Officer, Chief Officer, Ryomo/Gunma Area Hub, The Ashikaga Bank, Ltd.

April 2022 Executive Officer, attached to Audit and Supervisory Committee, The Ashikaga Bank, Ltd.

June 2022 Director (Audit and Supervisory Committee Member), the Company (current position)

Corporate Auditor, Mebuki Lease Co., Ltd. (current position)

Corporate Auditor, Mebuki Credit Guarantee Co., Ltd. (current position)



Outside Director (Audit and Supervisory Committee Member)  
**Hiromichi Yoshitake**

April 1977 Joined Nippon Steel Corporation

June 2000 General Manager, Administration Department, Hikari Works, Stainless Steel Division

April 2003 Professor and Researcher, Institute of Policy and Planning Sciences, University of Tsukuba

April 2006 Executive Director and Vice President

April 2009 Professor, Graduate School of Business Sciences, Director, Research Center for University Studies, University of Tsukuba (until Mar. 2015)

April 2017 Professor Emeritus (current position)

Trustee, Public University Corporation Tokyo Metropolitan University (Currently, Tokyo Metropolitan Public University Corporation) (until Mar. 2021)

July 2020 Chairperson of the Board of Trustees, Tokyo Kasei Gakuin University (current position)

June 2023 Outside Director (Audit and Supervisory Committee Member), the Company (current position)



Outside Director (Audit and Supervisory Committee Member)  
**Toru Nagasawa**

April 1984 Registered as an attorney

April 1995 Nagasawa Law Office (currently, Nagasawa Law Offices) opened, Representative Attorney (current position)

October 2014 Outside Corporate Auditor, LANCERS, INC. (current position)

June 2016 Outside Director, Ashikaga Holdings Co., Ltd.

October 2016 Outside Director (Audit and Supervisory Committee Member), the Company (current position)

June 2022 Outside Director, Weins Toyota Kanagawa Co., Ltd. (current position)



Outside Director (Audit and Supervisory Committee Member)  
**Takashi Shimizu**

April 1995 Lecturer, School of Commerce, Waseda University

April 1997 Associate Professor

September 2000 Received Ph.D. in Commerce (Waseda University)

April 2002 Professor, School of Commerce, Waseda University

August 2002 Visiting Researcher, University of California, Berkeley (until August 2003)

April 2005 Professor, Graduate School of Accountancy, Waseda University (current position)

October 2016 Outside Director (Audit and Supervisory Committee Member), the Company (current position)

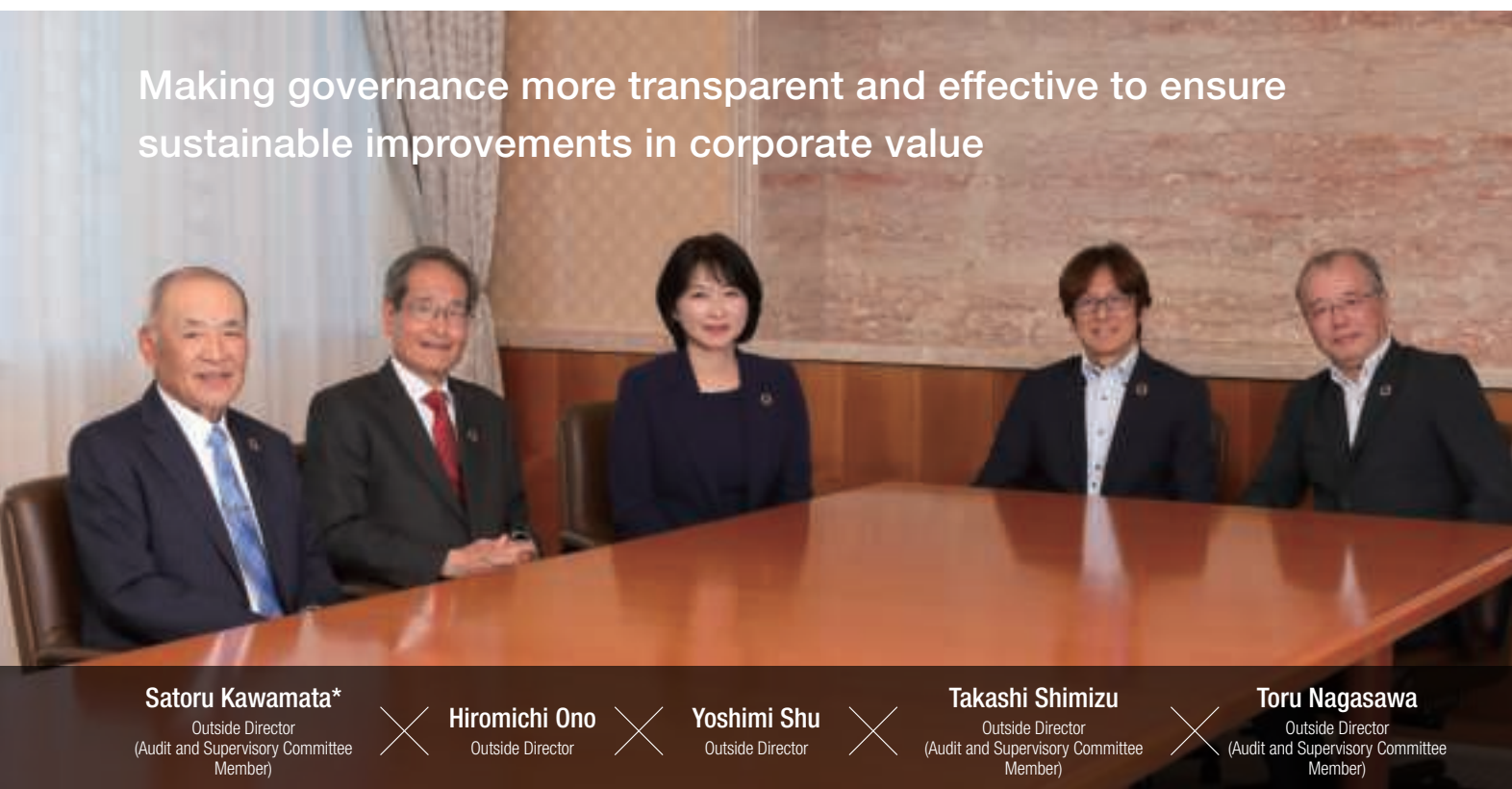
Executive Officers

Yuji Gorai (In charge of systems)

Koichi Yamakawa (In charge of administration)



## Making governance more transparent and effective to ensure sustainable improvements in corporate value



**Satoru Kawamata\***  
Outside Director  
(Audit and Supervisory Committee  
Member)

**Hiromichi Ono**  
Outside Director

**Yoshimi Shu**  
Outside Director

**Takashi Shimizu**  
Outside Director  
(Audit and Supervisory Committee  
Member)

**Toru Nagasawa**  
Outside Director  
(Audit and Supervisory Committee  
Member)

Mebuki Financial Group's outside directors, coming from a wide variety of backgrounds, draw on their individual experience and expertise to guide the Group's corporate governance. In this roundtable discussion, the outside directors exchanged their views on the operations of the Board of Directors and other topics.

\* Satoru Kawamata retired from his outside director post as of June 22, 2023.

### Business initiatives in new areas hinge on leveraging the Group's strengths and emphasizing speed

— It has now been just over a year since the current director structure took effect in June 2022. From an outside perspective, what are your thoughts on how the past year went?

**Ono** Inflation on a global scale and a flurry of interest-rate hikes in the US hurt the Group's foreign-bond holdings, but quick, decisive action enabled the Group to avoid significant losses. Another positive development over the last year was the Group's rapid progress in addressing climate change and taking other measures to enhance its sustainable management. We've now managed to catch up to the leaders of the regional bank mix.

**Shu** As Mr. Ono said, I think the Group did well in quickly moving to revise its securities portfolio. There was also good progress in efforts to bolster fee-based businesses, cut costs, and sell off strategic

shareholdings. In terms of sales of structured bonds, however, there are risk factors that the holding company will also need to keep an eye on—customer-oriented business operations on the sales front, for example. Diversity is another element that will need close attention. As the Group promotes diversity to enable a wider variety of human resources to thrive professionally, measures geared toward mid-career recruitment and initiatives along other lines are starting to take shape. The Group will have to work to keep that momentum going, I think.

**Nagasawa** I think the Group planted some good seeds this past year, even if the seeds do take some time to bear fruit. The establishment of a renewable energy subsidiary, creation of a regional trading company, and push to promote DX are three great examples. For me, the year was a reminder of how the networks and credit standing that both banks have cultivated over the years are vital strengths in pushing new efforts forward. There was also active, constructive discussion on issues like the dividend policy and share repurchasing.

**Shimizu** I would echo a lot of what Mr. Nagasawa said; I remember the discussions about share

repurchasing well, along with conversations about topics like the budget and sales of securities. We also talked about efforts to enhance human capital and contribute to the community, which both tie closely into my research area. Moving forward, I think one key will be finding ways to get more out of businesses in new fields. The Group's deep, extensive knowledge of Ibaraki and Tochigi Prefectures is definitely a strength, but the sheer scale of the deposits and loans business at the core of the banks' operations suggests plenty of profit potential that businesses in new fields have yet to tap.

**Kawamata** As a resident of Ibaraki Prefecture, I've used Joyo Bank for years and years. I feel like the bank is really part of the community; local people have a real, close connection with it. Given that attachment, I hope the bank makes sure not to let its DX initiatives, branch consolidation, and other projects come at the cost of convenience for its older clientele. The bank is embarking on plenty of new challenges, but from what I've seen across my background in manufacturing, I think it could accelerate progress even more.

### Robust information sharing and high-transparency discussions

— How would you assess the operations of Mebuki Financial Group's Board of Directors in terms of effectiveness?

**Nagasawa** It's great to have outside directors from a diverse mix of backgrounds enhancing discussions on the Board of Directors with unique perspectives. Questions that come up almost always get answers from people on the business-execution side by the time the meeting wraps up, which means that the overall responsiveness is solid. Still, the fact that the Board only meets once a month keeps the discussions from really probing the issues; the talks end up having a broad, sweeping scope. I think it would be good for the Board to have more opportunities to delve deeper into specific issues on an ongoing basis. I'd like to see the Board make more time to engage with long-term issues, like redefining what banking is and exploring how it wants to approach human resources in the coming years.

**Shimizu** The discussions on the Board aren't just formalities. They're lively, substantive exchanges of ideas, and I give the Board a lot of credit for that.

**Kawamata** I think the Board of Directors is even more active than it used to be, especially with not only the president and executive vice president taking part but also a variety of different directors making their voices heard. The Board also provides thorough, detailed lectures in advance for people from other industries, like me, so that we can understand the issues up for discussion. The materials we need to read can be long and technical, however, so understanding the information takes time. Since the number of outside



directors from other industries appointed to the Board is probably going to go up, it might be a good idea to rethink the approach to reference materials.

**Ono** The Board shares the necessary information in advance, and the discussions are highly transparent. While those are both obvious positives, I think Board meetings should be more open-ended and not simply follow a set agenda of items that the members have to reach conclusions on. Considering the diversity of the Board makeup, home to outside directors from so many divergent backgrounds, the members need to have opportunities for free exchanges of ideas. If meetings opened up the floor to everyone to touch on different themes, like diversity and changes in the local industrial structure, they might be able to get people's ideas going and generate more discussions that could benefit day-to-day business on the execution side.

**Shu** I agree. When informal, relaxed discussions pick up momentum, I think the people in the room feel more comfortable voicing their views—even on timely or urgent topics. This past year saw securities management and customer-oriented business operations emerge as significant topics for the Board, and the issues at hand had some fast-changing elements. From my standpoint, it was frustrating knowing that we had to talk about time-sensitive issues but could only gather for Board meetings once a month. To make sure we can take full advantage of the opportunities we have for constructive discussion, I think the agenda decisions need to put the focus on speed and also incorporate items that have yet to firm up internally.

### Paying careful, balanced attention to stakeholder needs

— What do you concentrate on to help make the Board of Directors a fair, transparent group?

**Shimizu** Our mission is to "develop and grow with local communities and contribute to them." That requires a two-way framework, one where we provide communities with opportunities for development and growth while the corresponding compensation enables us to develop and grow. We'll need to keep measuring that dynamic of



mutual interrelation in numerical terms. I'm looking forward to drawing on related existing research to give the Board helpful, informed advice.

**Shu** The key is to always say what needs to be said, holding true to the ideals of objectivity and integrity. Dialogues with shareholders and employees are valuable sources of primary information for reflecting the views of shareholders and customers, which makes every opportunity for conversation something I really value. I also learn a lot hearing what people are thinking and feeling when I take part in meetings with institutional investors and visits to branches.

**Ono** To me, that ideal of integrity means paying balanced attention not just to the shareholders, who appointed us to be in our roles, but also to other stakeholders across the board: customers, local communities, and society in the broad sense of the word.

**Kawamata** I work with the execution side to make sure that everyone is on the same page about how to handle any scandals that might come up: releasing information as quickly as possible without ever attempting to hide anything. I see myself as speaking for all the members of the local community. I want Mebuki Financial Group to be a kind of financial “primary-care doctor” for the area, and I think human-resources development is a core component of any corporation. As a member of the Audit and Supervisory Committee, I also visit branch locations to talk with as many people as I can—from the branch general manager to new employees. Everyone is so positive and enthusiastic, and seeing things firsthand makes me confident that women will be serving in more managerial-level positions going forward.

**Nagasawa** I think my fellow members have a better sense of balance than I do. To me, my job is to make my voice heard on the Board without hesitating or guessing at how other people might be feeling. The best way I can contribute is just saying exactly what I think.

**The Corporate Governance Committee,  
fulfilling its role whenever a crisis emerges**

— As outside directors, you’re also members of the Corporate Governance Committee. How would you assess the committee’s function within the Group?



**Nagasawa** The discussions on the Corporate Governance Committee are great, thanks to Mr. Kawamata’s excellent leadership as chair. Not only do the talks lead to concrete conclusions, but the process of getting there is full of opportunities for members to come forward with their thoughts.

**Ono** With outside directors forming a majority, the Corporate Governance Committee plays a crucial role in the event that a governance-related crisis emerges. That’s why it’s so important to sustain exchanges of views on governance issues on a constant, consistent basis.

**Shu** I feel the same as both of you. The best time to bolster the committee is when things are proceeding as normal, before something happens.

**Shimizu** It’s important to have a setup that facilitates ongoing, substantive discussions, and the committee has that. It’s also important for outside directors to listen as much as possible to the opinions of employees, who represent one segment of the Group’s stakeholders, just as it is for the Board of Directors. In FY2022, we got the opportunity to do just that through interviews with branch employees—and the insights we gleaned through those conversations have proven to be a basis for making decisions.

**Kawamata** I think the organization is effective in terms of director compensation and nomination. If I had to pick an area for improvement, I’d say that we could use more information on director candidates who aren’t up for top-level positions. Although the current directors can lead the way in assessing appointees for higher-echelon positions, outside directors need to be more involved in finding successors for directors who aren’t part of top management.

**Imagining potential risks**

— Could you tell us more about what you’re expecting out of Mebuki Financial Group and what kinds of roles you’re hoping to play?

**Kawamata** When I step down from my position in June 2023, my standpoint will change—my hopes for the

Group will be from the perspective of a community resident. Regional banks play a big role in energizing local communities, so I hope the Group drives growth by staying actively involved in new business endeavors and efforts to propel industry forward from an investor perspective.

**Ono** Coming from my previous position, where I worked in financial affairs, I’ll always remember how banks came to the rescue in major economic crises like the collapse of Japan’s asset-inflation economic bubble, the 1997 Asian financial crisis, and the 2008 financial crisis. I hope the Group continues to make contributions from the corporate-customer viewpoint. I also want to see the Group work together with industry, academia, and government to do whatever it can to help boost income levels across Ibaraki and Tochigi Prefectures, serving as a kind of “regional trading company,” which I think will boost the value of the Group in turn.

**Shimizu** I want the Group to dialogue with investors to get their candid, honest takes on how they honestly see the company rather than simply as a company talking with investors. Companies and investors are basically all in the same boat, and I want to do what I can do convey



that investor standpoint to the directors on the board as accurately as possible.

**Nagasawa** In my work as a lawyer, dealing considerably with corporate legal affairs, I often get looks at governance at other companies—and sometimes, I also work on revitalizing businesses from the debtor perspective as a trustee for companies that have gone bankrupt due to governance issues. I want to make a positive impact on governance from my standpoint outside the Group’s internal operations.

**Shu** There are two areas where I think I can contribute. One is diversity; I want to do what I can to help make women play even more active roles. The other is risk management. Corporate management and business models have inextricable connections with a management team’s basic approach and the culture shaping the organization as a whole. Since every company has its own distinct characteristics, it’s important to imagine what kinds of risks could emerge. In my supervisory role, I’m partly responsible for that. Keeping a watchful eye out for risks, I’m committed to working with other everybody in the Group to enhance management overall.

**A message from the Group’s newly appointed outside director**

Greetings! My name is Hiromichi Yoshitake. I was recently appointed a director and Audit and Supervisory Committee Member with the approval of Mebuki Financial Group’s shareholders at their General Meeting on June 22, 2023.

I began my career at Nippon Steel Corporation, where my work included management reforms, organization reforms, and other efforts, before then shifting my focus to the university sector. In addition to engaging in educational and research-related activities at the University of Tsukuba and Tokyo Metropolitan Public University Corporation, I also worked on a variety of reforms at the institutions. The need for universities to make meaningful contributions to society is more salient than ever before—and I have seen firsthand how making financial institutions a part of that process can lead to dramatic improvements in industry-academia partnerships and the effectiveness of initiatives to better the community.

With the financial environment undergoing dramatic shifts both at home and overseas, along with local communities facing the need to ensure sustainability for the future, regional banks are confronting important questions. What kinds of roles should they play? How should they enhance their management capabilities so that they can fulfill those roles? As a director, I’m looking forward to tackling these key questions and working to benefit the Group.



Outside Director (Audit and  
Supervisory Committee Member)  
**Hiromichi Yoshitake**



Risk Management System

The Group aims to enhance the risk management system by positioning it as an important management task from the perspective of the maintenance and improvement of sound corporate management.

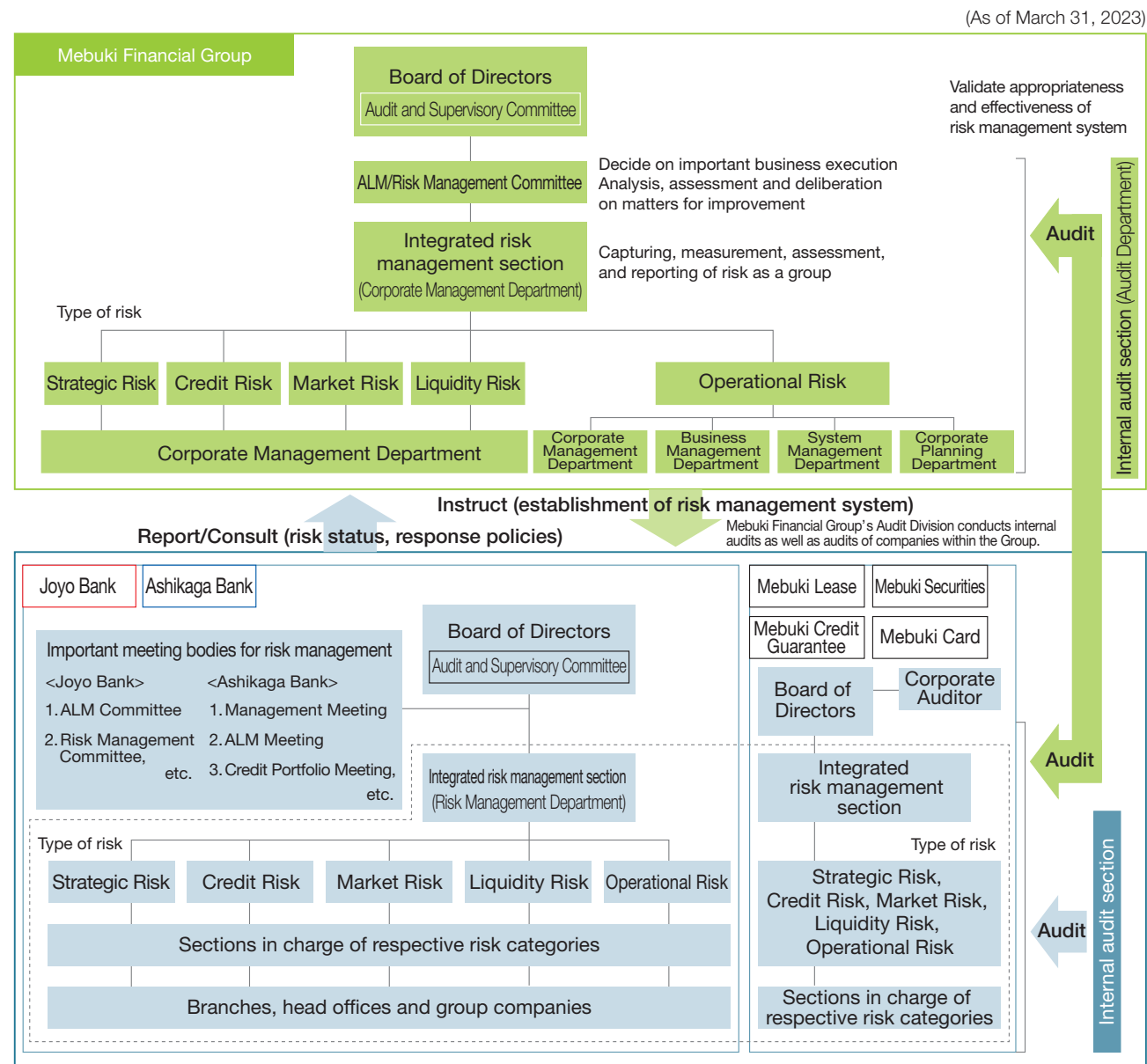
Risk Management System

The Group undertakes its risk management based on the Basic Rules on Group Risk Management determined by the Board of Directors of the Company.

In order to perform the matters set forth in the Basic Rules on Group Risk Management, the Company has established the ALM/Risk Management Committee, which makes decisions on important business execution regarding the Group's risk management and performs analysis, assessment and improvement of the matters relevant to the risk management of the overall Group. The said committee ensures corporate management emphasizing the risk and return relationship through consideration and discussion focused on closer

coordination between risk management and profit management while controlling risks appropriately, and facilitates prompt and efficient decision-making by management.

Furthermore, we have organized the integrated risk management section responsible for the supervision and integrated management of various risks, and at the same time, established the framework under which the audit section independent from business execution sections performs internal auditing and validates the appropriateness and effectiveness of the respective risk management status.



Integrated risk management

The Group undertakes "integrated risk management" which quantitatively measures various types of risk including credit risk and market risk, using statistical methods, such as VaR (value at risk), in order to individually manage increasingly diversified and complicated types of risk relevant to financial services, and at the same time, to comprehensively capture said risks. We aim at maintaining an appropriate level of our capital reserves by comparing and contrasting the total amount of risk with our financial soundness (our capital reserves).

Specifically, we allocate capital to each type of risk (credit risk, interest rate risk, price fluctuation risk and operational risk) in advance to the extent of our capital

reserves and monitor whether the amount of each risk quantified (risk capital used) stays within the extent of allocated capital. Upon the allocation of capital, we secure a risk buffer to cover losses larger than those expected in the statistical methods or risks unable to be captured by the statistical methods. We confirm the sufficiency of our capital reserves, including the capital to cover the aforementioned risks, by performing stress tests by which we capture the impact on our capital reserves under assumed scenarios such as a sudden economic downturn. Furthermore, we confirm the reasonableness and effectiveness of the statistical methods through back tests in which the risk amount calculated by VaR (value at risk) is compared with actual profit or loss.

Credit risk management

Credit risk refers to the risk of incurring losses as a result of customers becoming unable to pay the principal and interest of loans as promised primarily due to the deterioration of their financial conditions.

Recognizing credit risk as a material risk in our business operations, the Group aims to enhance the management system to prevent the emergence of new non-performing loans and to improve asset soundness.

• Credit risk management system

The Group has established the Group Guidelines for Credit Risk Management, which set forth, as our basic policy of credit risk management, the appropriate management of credit risk on individual loans and the management of the credit portfolio focusing on risk diversification.

The section in charge of credit risk management, which is organizationally and functionally independent from the business promotion sections, is responsible for the planning and operational management of the internal credit rating system, self-assessment systems, write-offs and provisions to the reserve for loan losses, as well as for the monitoring of loan assets as the specialized organization for the comprehensive supervision and management of the credit portfolio.

• Management of credit risk on individual loans

We separate the credit-screening sections of companies within the Group from the business promotion sections to ensure strict screening while also focusing on credit management during repayment to prevent the status of a claim from deteriorating.

• Internal credit ratings

We categorize our customers into 12-grade rating levels by adding qualitative assessment to the data on their financial condition and cash flow status. In addition to serving as the basis for self-assessment systems, internal credit ratings are used across the full range of credit risk management, including the capturing of credit risk exposure, the setting of lending rates and the allocation of lending authority.

• Asset self-assessment systems

Companies within the Group strictly implement asset self-assessment systems based on common standards and provide appropriate reserves or write down problem loans based on such assessment. In addition, the reasonableness of such assessment is validated and audited by the sections in charge of validation and auditing, respectively, and is also subject to external audits by accounting auditors.

• Quantification of credit risk

The quantification of credit risk refers to the statistical forecasting of future losses (amount of credit risk) that can be expected due to bankruptcies or the deterioration of financial conditions of customers. The Group calculates the amount of credit risk for each customer based on "internal credit ratings" with collateral and other factors taken into account.

• Credit portfolio management

We capture loan assets in their entirety as a single portfolio and conduct credit risk management from a macro perspective. Based on the quantification of credit risk, we carry out periodic monitoring such as whether the credit risk is concentrated in specific sectors or corporate groups, and analysis and evaluation of credit situations by rating and region, or based on composition by industry.

Market risk management

Market risk refers to the risk of incurring losses due to changes in the value of financial assets and liabilities of the Group caused by fluctuation in interest rates, foreign exchange rates, and stock prices.

Our subsidiaries are engaged in investment activities based on their understanding of risk supported by sufficient advance research and analysis of market transactions.

For the appropriate control of market risk, we also perform and report to the ALM/Risk Management Committee of the Company held periodically the quantitative management and measurement under the ALM (asset and liability management) framework to take action according to the situation.

Liquidity risk management

Liquidity risk refers to the risk of incurring losses primarily due to difficulty in securing necessary funds caused by an unexpected outflow of funds or similar events, or a sharp rise in funding costs.

The Group has established the Group Liquidity Risk Management Rules to set up the framework under which action plans according to respective situations ranging from a normal state to urgent cases are defined to promptly respond thereto.

Operational risk management

Operational risk refers to the risk of incurring losses caused by inappropriateness in the Group's business processes, activities of directors and employees or system operations, or by external events. The Group classifies and manages such risk according to the following six categories: administrative risk, system risk, compliance (legal) risk, personnel management risk, tangible asset risk, and reputational risk.

Furthermore, the Group designates the sections responsible for each of the aforementioned six categories, and also has the comprehensive risk management section manage overall operational risk.

• Administrative risk

Administrative risk refers to the risk of incurring losses due to directors, employees or external contractors neglecting precise administration, causing incidents, or committing acts of fraud.

In the Group, the sections responsible for administrative risk and the comprehensive risk management section responsible for operational risk gather information on and analyze the causes of administrative incidents occurring inside or outside the Group to establish or revise administrative rules or enhance the efficiency of administrative processes through the information system based on the results of such analysis. In addition, the Group has the internal audit section validate the effectiveness of the risk management system to establish the framework to detect or prevent administrative incidents.

• System risk

System risk is the risk of incurring losses primarily due to the failure of computer systems, erroneous computer operation, or inappropriate computer use.

The Group has taken necessary measures to ensure the safety and reliability of computer systems including failure

Specifically, under cash flow management in a normal situation, we manage indicators such as the trend of deposit/loan balances and funding limits in addition to primary indicators (funding gap and liquid asset balance) to avoid an increase of liquidity risk. Furthermore, we define and perform periodical drills for action plans upon a liquidity crisis to enhance the effectiveness in a crisis.

response exercises aiming to establish the framework for early recovery from system failure, in addition to sufficient advance testing upon the development or operation of systems, the continuous monitoring of operational status and duplexing facilities.

• Compliance (legal) risk, personnel management risk, tangible asset risk and reputational risk

We also identify and assess risk through methods in line with risk characteristics and take appropriate actions for: compliance (legal) risk, the risk of incurring losses mainly due to an illegal act committed by directors and employees; personnel management risk, the risk of incurring losses mainly due to an act in violation of laws, regulations or agreements relevant to employment, health or safety; tangible asset risk, the risk of incurring losses due to damage to tangible assets caused by disasters or defective management of buildings; and reputational risk, the risk of incurring losses due to the deterioration of credit worthiness mainly attributable to reputational damage caused by inappropriate actions taken by the Group or the circulation of unfounded rumors.

Crisis management and business continuity management

We have established the framework for the continuity or early recovery of important business operations including the repayment of deposits, fund transfer and remittance upon facing a crisis such as a natural disaster, system failure or pandemic, as well as limiting human and physical damage to the minimum extent possible.

Upon the occurrence of a crisis, we will establish emergency response headquarters at the Company and directly-owned subsidiaries to respond to such emergencies in cooperation with each other. Furthermore, we continuously perform crisis management exercises and review the business continuity plan to enhance the effectiveness thereof upon facing a crisis.

Cyber Security

The Group has been strengthening cyber security measures to protect customers from damage caused by increasingly advanced and sophisticated cyber attacks.

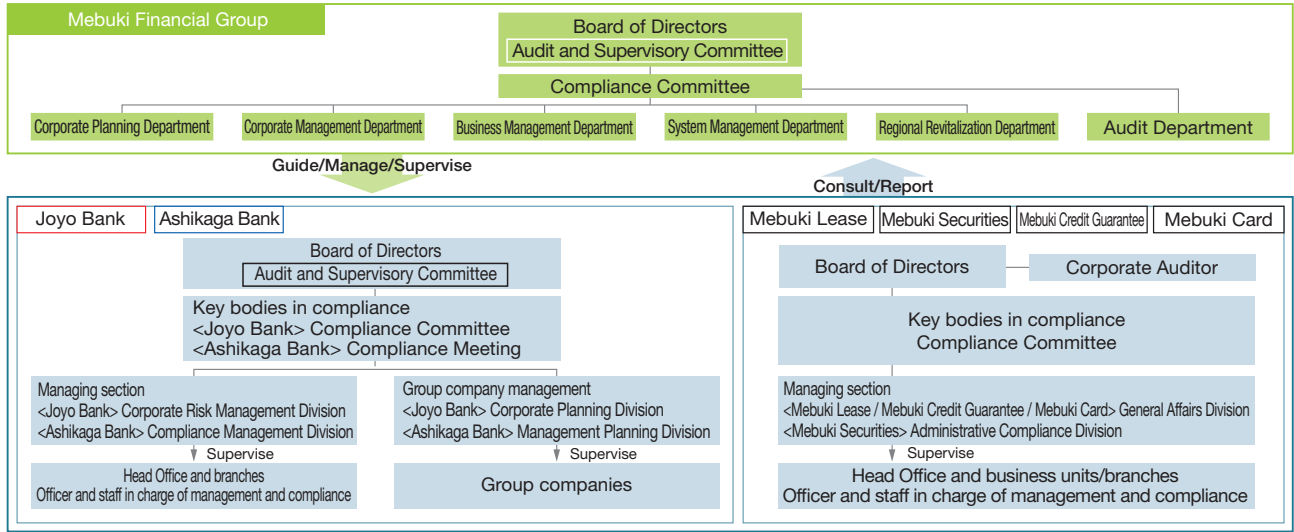
Both subsidiary banks have a dedicated team established for taking cyber security measures. The team collects cyber-related information and regularly conducts security training. To strengthen security controls for services provided for customers on the

internet, the team has implemented some measures including a system that detects early unauthorized access and a periodic diagnosis of vulnerabilities in the services.

In addition, we share precautionary information for customers on our website, such as methods of illegal remittance, spoofed emails or false social media posts impersonating financial institutions, and other frauds.

Initiatives for Compliance

(As of March 31, 2023)



The Company has established a management system aimed at group-wide comprehensive management which enables the Group to perform business operations under the appropriate compliance framework. We aim to enhance the compliance framework by positioning compliance as one of the most material management tasks.

Organization and structure

We have established the Basic Rules on Group Compliance as the Group's highest standards for compliance, and thereunder, other relevant rules and regulations systematically.

The Compliance Committee established within the Company is responsible for decisions on compliance-related important business execution of the Company and the Group, and for analysis, assessment and deliberation on matters for improvement relevant to group-wide compliance.

Furthermore, we put compliance into practice through, among other factors, the establishment of the Legal and

Compliance Group of the Corporate Management Department as the managing and supervising section in charge of group-wide compliance, the designation of the officer responsible for the Corporate Management Department, and the assignment of compliance staff at each management organization within the Group. Important matters regarding compliance at directly-owned subsidiaries are consulted on and reported to the Corporate Management Department, which is responsible for the guidance, management and supervision thereof, pursuant to the Rules for Management of Companies within the Group.

Compliance program

The Group establishes a compliance program as the action plan to realize compliance. The companies within the Group establish a program based on the Basic Policy on Group Compliance Program developed annually by the Company.

The status of the compliance program performed by companies within the Group is reported to and validated by the Compliance Committee quarterly, and is also subject to the annual overall assessment which is reflected in the next year's program.

Measures for anti-money laundering, etc.

The Group acknowledges anti-money laundering and combating the financing of terrorism (hereinafter "AML/CFT") as an important responsibility and one of the important management tasks based on calls made by the international communities. Thus, we formulated the "Anti-Money Laundering and Combating Financing of Terrorism Policy" to take measures for AML/CFT.

To ensure the effective implementation of AML/CFT for the companies within the Group, we appoint the director in charge of Corporate Management Department as the Group head AML/CFT officer. In addition, each of the

companies within the Group appoints, among the directors, the head AML/CFT officer who is in charge of risk management of AML/CFT.

The companies within the Group formulate "AML/CFT Programs" as an annual plan to enhance the risk management of AML/CFT, based on the "Group's Basic Policy for Anti-Money Laundering" formulated by the Company for each fiscal year. We verify the effectiveness and status of implementation of the programs to enhance the management system.



Severing connections with antisocial forces

The Group has established the basic policy against antisocial forces to stand firmly against and sever any connections with antisocial forces which threaten the order and safety of civil society and hinder sound economic and social development.

Regarding severing connections with antisocial forces

- Mebuki Financial Group, Inc. and its group companies will take the following initiatives to sever all connections with antisocial forces.
- 1. We will respond to antisocial forces as an organization with a strong recognition of our social responsibility.
  - 2. We will maintain close relationships with the police, the Center for Removal of Criminal Organizations and external expert organizations including lawyers.
  - 3. We will sever all connections with antisocial forces, including any transactions therewith.
  - 4. We will decisively reject any and all unreasonable demands from antisocial forces and take legal action from both civil and criminal perspectives.
  - 5. We will never provide any funding or benefits to antisocial forces.

Whistle-blowing system

For compliance-oriented management to be achieved by early detection and correction of violations of laws and regulations, the Group has established a whistle-blowing system that is compliant with the revised Whistleblower Protection Act. An internal contact office has been established in the Compliance Management Division of Joyo Bank and Ashikaga Bank. In addition, a whistle-blowing contact independent of management

has been established in the full-time Audit and Supervisory Committee of the Company, Joyo Bank, and Ashikaga Bank, and an external contact in an attorney's office. These contacts are available for the directors and employees in the Group even after they resign or retire. For accessibility to these contacts by eligible users, we will gather opinions from them and strive to improve the operation of the system.

Our customer protection management system (Measures for Customer Protection)

Our Group has established the Group Management Policy for Customer Protection to organize and ensure the appropriate management system for customer protection from the perspective of the protection and improvement of convenience for all existing and future customers of the Group, as well as for facilitating finance.

Joyo Bank and Ashikaga Bank have established a supervising section in charge of consultation, complaints and other communication from customers, and have also entered into a basic contract for the implementation of dispute resolution procedures with the Japanese Bankers Association, the designated dispute resolution organization under the Banking Act, and with the Trust Companies Association of Japan, the designated dispute resolution organization under the Trust Business Act and the Act on Engagement in Trust Business by Financial Institutions, to utilize the financial ADR system

for dispute resolution with customers through the involvement of third parties.

The Company has defined the Declaration on Personal Information Protection and various regulations with regard to handling of personal information, individual numbers and specific personal information received from customers ("Personal Information, etc.") and thereby takes proper measures for security control of Personal Information, etc. The Company, Joyo Bank and Ashikaga Bank have also set up customer inquiry windows for consultation and complaints regarding Personal Information, etc. in their custody. In addition, they are members of the All Banks Personal Data Protection Council, an authorized organization for the protection of personal information under the Act on the Protection of Personal Information. The Council also accepts complaints, and provides consultation on the handling of Personal Information, etc.

Internal Audit

Status of internal audit

The Company has established the Audit Department as the section in charge of internal audits under the Board of Directors, independent of the business execution and risk management departments.

The Audit Department supervises internal audit functions across the Group. In order to ensure the appropriateness of the Group's business operations and the health of assets, the Audit Department inspects the appropriateness and effectiveness of the internal audit system by conducting internal audits on the Group in accordance with the Internal Audit Rules and the Group's Audit Plans defined by the Board of Directors.

The audit results are reported to the Audit and Supervisory Committee and the Representative Director

monthly, and to the Board of Directors every three months. In order to conduct appropriate audits, the Group is making efforts to strengthen the cooperation among the Audit and Supervisory Committee (including corporate auditors of companies within the Group), the Internal Audit Section of the Company, and the accounting auditor through close exchanges of views.

The Group strives to further improve its audit methods by conducting risk-based audits in accordance with the international standards of internal audit (of IIA), improving the expertise of auditors by encouraging them to acquire an international qualification of internal audit, and undergoing quality assessment of audit by external institutions.

Status of cooperation among the internal audit section, the Audit and Supervisory Committee, and the accounting auditor

• **Cooperation between the internal audit section and the Audit and Supervisory Committee**

Full-time members of the Audit and Supervisory Committee are expected to exchange opinions with the Audit Department that functions as the internal audit section regarding the audit system and policy (internal audit plan). During the internal audit planning phase, the members express their views on behalf of the Audit and Supervisory Committee. The audit results, along with monthly reports from the business execution section, are directly reported from the Audit Department to the Audit and Supervisory Committee. Through this dual reporting system, the Committee aims to strengthen mutual cooperation.

• **Cooperation between the Audit and Supervisory Committee and the accounting auditor**

The Audit and Supervisory Committee receives the audit plan with explanation about significant matters, given by the accounting auditor. And also, the full-time members of the Committee hold opinion exchange sessions (several times a year together with the full-time members of the Audit and Supervisory Committees of subsidiary banks) and are reported on the status of audit regularly. By this, the Audit and Supervisory Committee exercises effective and efficient audit through a close cooperation with the accounting auditor.

Furthermore, the Committee discussed the rationality of debtor classification determination for debtors with significant unsecured amounts as a key audit matter (KAM) and received a briefing on the progress of the audit implementation.

Details of cooperation between the Audit and Supervisory Committee and the accounting auditor

Details of cooperation	Number of sessions held	Overview
Audit briefings (year-end, interim and quarterly review results)	5 times	Explanations of audit status, response to key audit matters, etc.
Audit plan briefings	2 times	Explanations of audit plan, timeline and compensation proposal
Opinion exchange sessions	6 times (including 2 three-pillar audits)	Sharing of audit activities, exchange of opinions, etc.

• **Cooperation between the internal audit section and the accounting auditor**

The Audit Department engages in exchanging opinions with the accounting auditor regarding audit policy (internal audit plan) and audit system as necessary, for securing the effectiveness of internal audit system.

Dialogue with Stakeholders

Dialogue with local communities

As a regional financial institution, we prioritize connecting with local communities in our business area, acknowledging the responsibility we have as a company. We are actively engaged in social contribution activities

Employees' efforts to contribute to local communities

We support community activities through volunteer activities including cleanup in the communities, participating in events such as sports meets and festivals, and collecting recyclable resources. In addition, we have conducted tree-planting and other activities in order to pass our communities' beautiful and sound forests on to the next generation. In our commitment to



Participation in community events



Local volunteer activities

that we believe our Group should fulfill, such as financial education initiatives, employee volunteer participation in community events, and support through donations.

protecting and nurturing the greenery, Joyo Bank actively engages in forest thinning and tree-planting activities in woodlands called Joyo Furusato no Mori in Naka City and at Mt. Tsukuba in Ibaraki Prefecture, whereas Ashikaga Bank focuses on the development of walkways and the removal of obstructive underbrush in Ashigin Forest situated in Yaita City, Tochigi Prefecture.



Tree-planting activities



Underbrush clearing

Empowering Local SDG Projects with ESG Funds

Through the Global ESG Balance Fund, an investment trust handled by Joyo Bank and Ashikaga Bank, part of the trust fees received by Nomura Asset Management Co., Ltd., the investment trust management company,

is contributed in the form of a corporate version of Hometown Tax Donations. The donations are utilized to support SDGs-related local businesses in Ibaraki Prefecture and Tochigi Prefecture.

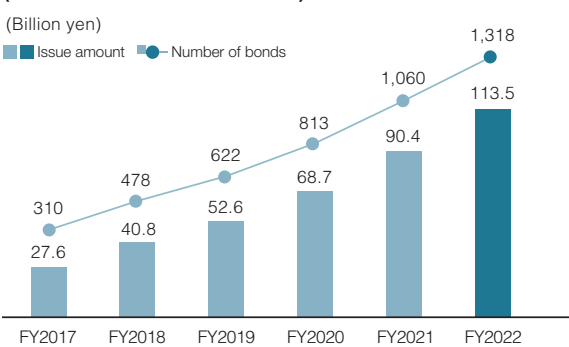
Dedication from the Donation Course of Shareholder Benefit Program

Funds from the Donation Course of the Shareholder Benefit Program are dedicated to environmental protection organizations. The donations support global environmental conservation activities, greening promotion in Ibaraki Prefecture, and environmental conservation projects in Tochigi Prefecture.

Donation through private placement bonds with donation scheme

A portion of the commission received when issuing private placement bonds for customers is used for donating goods to schools, organizations engaged in SDGs initiatives, or healthcare institutions of the customer's choice, amounting to more than 220 million yen.

Issuance of private placement bonds with donation scheme (Cumulative total: Bank Total)



Dialogue with customers

Our Group conducts regular customer surveys to assess customer satisfaction. Additionally, we collect valuable feedback from customers through phone calls and customer feedback postcards available at bank counters. Incorporating feedback from our

customers, we endeavor to enhance our products, services, and storefront environment, in order to make our group more comfortable and convenient for our customers.

<Examples of improvements guided by customer feedback>

- To better assist visually impaired customers in recognizing our bank's cash card, we have introduced Braille letters on the IC-mounted card, representing the abbreviation "JB" for JOYO BANK. (Joyo Bank)
- We have designated priority seats in the lobby to ensure that elderly customers, customers with disabilities, pregnant women, and other socially vulnerable individuals receive seating preference, especially during crowded lobby conditions (Joyo Bank)
- Free Wi-Fi has been installed in 70 branches for customer usage. Customers can now utilize their waiting time to set up the Ashigin app. (Ashikaga Bank)
- Considering customer feedback regarding the difficulty in hearing tellers at the counter due to COVID-19 protective measures, such as masks and acrylic boards, we have implemented a noteworthy change. Instead of a teller's physical voice, we have adopted a mechanical sound (EQ system) to call out customers once their paperwork is processed. (Ashikaga Bank)

[Basic Policy on Customer-Oriented Business Operations]

Our Group has formulated and announced the Basic Policy on Customer-Oriented Business Operations to realize the Group's philosophy, "Together with local communities, we will continue to build a more prosperous future by providing high-quality, comprehensive financial services."

Each Group company upholds this policy, dedicating itself to honest and fair business operations

to prioritize the best interests of our customers. We release the status of our Group's achievements in June of each year. We monitor the progress of initiatives aligned with this policy. Through regular reviews on the policy, we ensure the realization and strengthening of our customer-oriented business operations.

Dialogue with employees

Concurrent with the rollout of our Third Medium-Term Group Business Plan, we conducted meetings, facilitating open discussions between employees and directors to foster a deeper understanding of our long-term vision and the Medium-Term Business Plan.

At Joyo Bank, directors personally visited various locations and engaged in dialogues with a total of over 2,000 employees. During these face-to-face interactions, management communicated their goals, corresponding strategies and perspectives, as well as their expectations of employees. In return, employees shared their feedback on the challenges they encountered on the frontline while pursuing the strategies, support for our customers, and other specific matters. Meanwhile, Ashikaga Bank organized the "Wing Meeting," where directors and 10 young employees engaged in open dialogue, expressing their views. Over the course of two years, these meetings provided opportunities for interactions with approximately 1,000 employees.



Improvements driven by employee feedback

Our Group is always open to suggestions for operational improvements and business models from our employees, including part-timers, responsible for operations in their respective sections.

By collecting feedback from employees who directly interact with customers and engage in practical operations, we can identify a wide range of issues and improvements that might not be apparent to planning staff at the head office.

<Improvement examples>

- We have established a checklist of documents to be submitted by customers for the remote acceptance of application for inheritance procedures. The checklist not only aids inexperienced staff in remembering to request necessary documents but also facilitates the seamless transfer of information to successors in case of personnel changes or transfers. This, in turn, alleviates the burden on customers and enhances the business efficiency at the Bank.



Dialogue with shareholders and investors

We endeavor to disclose corporate information in a timely and appropriate manner. Our focus extends to ensuring highly transparent corporate management through proactive IR activities and constructive dialogues with shareholders and investors in Japan and overseas.

Specifically, in addition to disclosing corporate information in a timely, fair, and accurate manner, our top management actively holds briefings on our

**Information disclosure to shareholders and investors**

As a basic principle, we disseminate information to all shareholders in a fair and equal manner. Upon approval by the Board of Directors and other bodies, we promptly present details of our Medium-Term Business Plans and financial results on TDnet and the Company’s website.

business performance, conditions, strategies, and other pertinent factors to provide shareholders and investors with a deeper understanding of the Company.

Besides conducting face-to-face meetings, we have introduced web-based platforms and a hybrid dialogue format in our efforts to enhance convenience for shareholders and investors and to encourage active participation in dialogue.

Furthermore, we take a proactive approach to information disclosure through publishing integrated reports, conducting various briefings, and employing other means to foster a deeper understanding of our philosophy, long-term vision, sustainability initiatives, business activities and models, among other aspects.

**Measures for invigorating general meeting of shareholders and facilitating exercise of voting rights**

We send out the convocation notice of the ordinary general meeting of shareholders that is held in June every year as early as possible. Additionally, we post the convocation notice (including the English version) on the Tokyo Stock Exchange and the Company’s websites prior to the mailing of the convocation notice.

Furthermore, we are committed to enhancing the environment for shareholders to exercise their voting

rights through the internet and cell phones (including smartphones), as well as utilizing the electronic voting rights exercise platform.

After the conclusion of the meeting, we post a video of the meeting on our website for shareholders who could not attend the meeting. We also promptly announce the notice of resolutions and the results of the voting rights exercise on our website.

**Primary participants in dialogue with shareholders and investors**

Participants are selected based on the specific dialogue theme, to ensure appropriate individuals, such as Representative Director and Director in charge of Corporate Planning, participate accordingly.

The IR staff in the Corporate Planning Department serves as the contact point for dialogue with shareholders and investors.

Primary dialogues and participants (past engagements)

Primary participants	
Large meetings	Representative Director (President, Executive Vice President)
Small meetings	
Theme-based meetings	Representative Director (President, Executive Vice President), Outside Director (Attend meetings according to the theme)
Corporate information sessions for individual shareholders and investors	Director in charge of Corporate Planning
One-on-one meetings	General Manager in charge of Corporate Planning Department, Senior Manager, IR staff

\* Large meetings: Twice a year (May and November), Small meetings: Twice a year (August and February), One-on-one meetings: Quarterly

Overview of shareholders and investors in past dialogues

Dialogue partner	Dialogue meeting	FY2020	FY2021	FY2022
Individual investors Individual shareholders	Corporate information sessions for individual shareholders and investors	360 participants* <sup>1</sup>	86 participants* <sup>1</sup>	144 participants for one session* <sup>2</sup>
Institutional investors and analysts in Japan	Large meetings	176 participants for two sessions	172 participants for two sessions	232 participants for two sessions
	Small meetings	29 participants for two sessions	28 participants for two sessions	39 participants for two sessions
	Theme-based meetings	—	—	21 participants for one session
	One-on-one meetings	56 companies	52 companies	50 companies
Foreign investors and foreign shareholders	Conferences	1 company for one session	—	5 companies for one session
	One-on-one meetings	4 companies	7 companies	10 companies
Total	Individual investors and shareholders	360 participants	86 participants	144 participants
	Institutional investors and analysts in Japan	205 participants, 56 companies	200 participants, 52 companies	292 participants, 50 companies
	Foreign investors and shareholders	5 companies	7 companies	15 companies

\*1 Distribution of explanatory video (view count)  
\*2 Online live streaming (participants) + archived video distribution (view count)

Primary dialogue themes and details (April 2022 onward)

Category	Main contents
Management strategies	• Aiming for a consolidated fee income ratio of 50% or more as envisioned in the Long-Term Vision 2030 • Feasibility of achieving a consolidated net income of 52.0 billion yen or more, a key business objective in the Medium-Term Business Plan • Initiatives for new business areas • Background of the Company’s entry into the renewable energy business and future outlook • Review of branch networks and digitalization of branches
Financial and business results	• Factors behind the increase in loan balance for corporate customers and yield changes • Sustainability of loan demand for capital investment • The Bank of Japan’s monetary policy review and the potential impact of higher domestic interest rates • Impact of rising prices and other factors on credit related costs • Growth drivers in service revenues • Status and effectiveness of support for customers’ and suppliers’ digital transformation (DX) and sustainability initiatives • Changes in the number of the banking app users and its effectiveness • Target for reducing strategic shareholdings • Verification of the recording of losses on sale of securities in FY2022 • Securities portfolio restructuring • Projections for personnel and other expenses • Levels of earnings estimates for FY2023
Corporate value improvement	• Status of CO <sub>2</sub> Emission Reduction Initiatives • Human resources management
Capital policy and capital efficiency	• Request from Tokyo Stock Exchange, Inc., “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” • Approach to policy on dividends and shareholder returns • Capital adequacy ratio levels
Others	• Possibility of further business integration and other business agreements with neighboring banks

**Status of feedback to management and the Board of Directors on shareholder and investor opinions and insights from dialogues**

The status of dialogues with investors is regularly reported to the Management Meeting, the Board of Directors, and the Corporate Governance Committee.

We actively relay the opinions of shareholders and other stakeholders collected from each dialogue to directors and executive officers.

**Actions taken based on input and subsequent feedback from dialogue**

During dialogues with shareholders and other stakeholders in FY2022, we received requests for detailed information on earnings estimates, securities management and the portfolio. In response, we have made improvements, including providing a detailed and

easily understandable business forecasts and breakdown of securities portfolios in our financial results presentation materials for the three months ended June 30, 2022 onward.

Group Non-financial Data

Environment

Data on Energy Consumption (Joyo Bank + Ashikaga Bank)

Items (unit)		FY2020			FY2021			FY2022		
		Total of two banking subsidiaries	The Joyo Bank, Ltd.	The Ashikaga Bank, Ltd.	Total of two banking subsidiaries	The Joyo Bank, Ltd.	The Ashikaga Bank, Ltd.	Total of two banking subsidiaries	The Joyo Bank, Ltd.	The Ashikaga Bank, Ltd.
Target: Energy consumption per 1 square meter : Total energy consumption (KL)/Area (square meter)		0.0264	0.0257	0.0272	0.0266	0.0258	0.0277	0.0264	0.0263	0.0265
Energy consumption per 1 square meter: Total energy consumption (KL)/Area (square meter)		0.0269	0.0261	0.0280	0.0267	0.0266	0.0267	0.0250	0.0251	0.0249
Direct Energy Consumption	Kerosene (KL)	2	2	0	0	0	0	0	0	0
	Light Oil (KL)	0	0	0	0	0	0	0	0	0
	Heavy Oil (KL)	142	5	137	140	10	130	116	4	112
	LPG (t)	43	38	5	27	23	4	35	31	4
	City Gas (thousand cubic meter)	104	71	33	107	74	33	120	89	31
Indirect Energy Consumption	Electric Power (MWh)	36,478	20,793	15,685	34,733	19,979	14,754	32,005	18,446	13,559
	Steam (Gj)	1,921	1,921	0	2,050	2,050	0	2,074	2,074	0
	Hot Water (Gj)	0	0	0	0	0	0	0	0	0
	Cold Water (Gj)	0	0	0	0	0	0	0	0	0
Area (square meter: m²)		358,170	209,700	148,470	343,826	197,700	146,126	338,909	195,012	143,897
Total energy consumption (KL)		9,629	5,475	4,154	9,168	5,260	3,908	8,477	4,893	3,584

Greenhouse Gas (GHG) Emission (from the entire Group, but for Scope 3, total of two banking subsidiaries)

Items	Unit	FY2020	FY2021	FY2022
GHG emission Scope 1 (Direct emission)	t-CO <sub>2</sub>	2,841	2,805	2,811
GHG emission Scope 2 (Indirect emission)	t-CO <sub>2</sub>	16,615	15,920	12,079
GHG emission Scope 3 (Category 1 - 15)	t-CO <sub>2</sub>	Not measured	3,441	20,519,939
o/w Category 1 (products/services purchased)	t-CO <sub>2</sub>	Not measured	Not measured	6,267
o/w Category 2 (capital goods)	t-CO <sub>2</sub>	Not measured	Not measured	8,146
o/w Category 3 (fuels and energy-related activities not included in Scope 1 and 2)	t-CO <sub>2</sub>	Not measured	Not measured	2,237
o/w Category 4 (transportation, delivery/upstream)	t-CO <sub>2</sub>	Not measured	Not measured	534
o/w Category 5 (wastes generated through business)	t-CO <sub>2</sub>	Not measured	Not measured	29
o/w Category 6 (business trip)	t-CO <sub>2</sub>	Not measured	776	1,128
o/w Category 7 (commuting)	t-CO <sub>2</sub>	Not measured	2,665	3,398
o/w Category 8 (lease assets/upstream)	t-CO <sub>2</sub>	Not measured	Not measured	0
o/w Category 9 (transportation, delivery/downstream)	t-CO <sub>2</sub>	Not measured	Not measured	0
o/w Category 10 (processing of products sold)	t-CO <sub>2</sub>	Not measured	Not measured	0
o/w Category 11 (use of products sold)	t-CO <sub>2</sub>	Not measured	Not measured	0
o/w Category 12 (disposal of products sold)	t-CO <sub>2</sub>	Not measured	Not measured	0
o/w Category 13 (lease assets/downstream)	t-CO <sub>2</sub>	Not measured	Not measured	0
o/w Category 14 (franchise)	t-CO <sub>2</sub>	Not measured	Not measured	0
o/w Category 15 (investment and loan)	t-CO <sub>2</sub>	Not measured	Not measured	20,498,197
Total GHG emission (Scope 1 and 2)	t-CO <sub>2</sub>	19,456	18,725	14,890
Total GHG emission (Scope 1, 2, and 3)	t-CO <sub>2</sub>	Not measured	22,166*	20,534,830

\* For Scope 3, only Category 6 and 7

Social (Human Capital)

Category	Index	Unit	As of End of FY2020			As of End of FY2021			As of End of FY2022		
			Total of two banking subsidiaries	The Joyo Bank, Ltd.	The Ashikaga Bank, Ltd.	Total of two banking subsidiaries	The Joyo Bank, Ltd.	The Ashikaga Bank, Ltd.	Total of two banking subsidiaries	The Joyo Bank, Ltd.	The Ashikaga Bank, Ltd.
Basic Information	Number of employees	people	5,965	3,267	2,698	5,832	3,213	2,619	5,589	3,093	2,496
	Number of female employees	people	2,759	1,548	1,211	2,716	1,518	1,198	2,629	1,474	1,155
	(Ratio of female employees)	%	46.3	47.4	44.9	46.6	47.2	45.7	47.0	47.7	46.3
	Average age	years old	40.5	40.4	40.6	40.5	40.6	40.4	40.6	40.9	40.0
	(Average age of men)	years old	43.0	43.8	42.2	43.1	43.9	42.2	43.0	44.0	41.8
	(Average age of women)	years old	37.5	36.6	38.6	37.5	37.0	38.3	38.0	37.5	38.7
	Average service years	years	17.0	17.3	16.8	17.1	17.4	16.7	17.2	17.7	16.6
	(Average service years of men)	years	19.7	20.7	18.7	19.8	20.7	18.7	19.7	20.8	18.3
	(Average service years of women)	years	13.9	13.5	14.5	14.0	13.8	14.3	14.5	14.3	14.7
	New graduate recruitment	people	234	123	111	238	127	111	178	90	88
	o/w Number of women	people	139	76	63	145	73	72	88	49	39
	(Ratio of women)	%	59.4	61.8	56.8	60.9	57.5	64.9	49.4	54.4	44.3
	Mid-career recruitment	people	32	13	19	23	9	14	30	12	18
	o/w Number of women	people	25	8	17	14	6	8	19	9	10
	(Ratio of women)	%	78.1	61.5	89.5	60.9	66.7	57.1	63.3	75.0	55.6
Diversity	o/w Employees promoted from part-timer	people	19	5	14	10	3	7	10	2	8
	Number of foreign employees	people	8	7	1	6	5	1	5	4	1
	Employment rate for persons with disabilities	%	2.23	2.30	2.16	2.21	2.14	2.30	2.34	2.40	2.28
	Number of employees who took childcare leave	people	214	152	62	211	128	83	286	155	131
	o/w Number of men	people	57	53	4	75	51	24	146	69	77
	o/w Number of women	people	157	99	58	136	77	59	140	86	54
	Childcare leave taking ratio	%	76.7	98.1	50.0	85.4	94.8	74.1	112.6	110.0	115.9
	(The ratio for men)	%	46.0	85.5	6.5	64.1	91.1	39.3	130.4	130.2	130.5
	(The ratio for women)	%	101.3	106.5	93.5	104.6	97.5	115.7	98.6	97.7	100.0
	Retention rate* <sup>1</sup>	%	96.0	95.9	96.1	96.6	96.4	96.7	96.7	97.0	96.4
Engagement	(Retention rate for men)	%	97.2	97.5	96.9	97.7	97.7	97.8	97.7	97.8	97.7
	(Retention rate for women)	%	94.5	93.9	95.1	95.2	94.9	95.5	95.5	96.0	95.0
Health and Safety	Number of employees who had health checkups* <sup>2</sup>	people	9,369	5,022	4,347	9,128	4,888	4,240	8,650	4,731	3,919
	Rate of employees who had health checkups	%	99.6	99.5	99.6	99.9	99.9	99.8	99.6	99.5	99.8
	Number of employees subject to specific health guidance	people	839	427	412	784	376	408	754	414	340
	Rate of employees subject to specific health guidance	%	8.9	8.5	9.4	8.6	7.7	9.6	8.7	8.7	8.7

\*1 Retention Rate: (No. of employees at the beginning of fiscal year [Apr. 1] - No. of voluntary retired employees during fiscal year)/No. of employees as of Apr. 1  
The number of voluntary retired employees is the number of retired employees during a fiscal year from which retirement due to involuntary reasons such as mandatory retirement is excluded.

\*2 Number of employees who had health checkups: including people who had a complete medical checkup

Governance

Items	Unit	FY2020	FY2021	FY2022
Number of directors	people	12	12	12
o/w Number of outside directors	people	5	5	5
Number of female directors	people	1	1	1
Female ratio in the Board of Directors	%	8.3	8.3	8.3



Group Structure and Corporate Data

Mebuki Financial Group is committed to financial services-related businesses, including leases, securities, credit guarantees, and credit cards. The businesses are conducted primarily by The Joyo Bank, Ltd. and The Ashikaga Bank, Ltd., which are engaged in the banking business.

Making full use of a variety of expertise in our group, we provide comprehensive, quality financial services.



**MEBUKI**  
Financial Group

**Mebuki Financial Group, Inc.**

**Address** 2-1-1, Nihonbashi Muromachi, Chuo-ku, Tokyo

**Head Office address** (Mito Head Office) 5-5, Minami-machi 2-chome, Mito, Ibaraki Prefecture  
(Utsunomiya Head Office) 1-25, Sakura 4-chome, Utsunomiya, Tochigi Prefecture

**Paid in capital** 117.4 billion yen

**Establishment** April 1, 2008 (Change of tradename: October 1, 2016)

**Stock exchange listing** Tokyo Stock Exchange

**Credit ratings** A (R&I)

(as of March 31,2023)



**JOYO BANK**

**Founded** July 30, 1935

**Head Office** 5-5, Minami-machi 2-chome, Mito, Ibaraki Prefecture

**Paid in capital** 85.1 billion yen

**Network** Domestic: 184 offices (153 branches, 31 sub-branches)  
Overseas: 4 Representative Offices (Shanghai, Singapore, New York, Hanoi)

**Number of employees\*** 3,089

**Credit ratings** A+ (R&I)  
A3 (Moody's)



**ASHIKAGA BANK**

**Founded** October 1, 1895

**Head Office** 1-25, Sakura 4-chome, Utsunomiya, Tochigi Prefecture

**Paid in capital** 135 billion yen

**Network** Domestic: 134 offices (107 branches, 27 sub-branches)  
Overseas: 2 Representative Offices (Hong Kong, Bangkok)

**Number of employees\*** 2,497

**Credit ratings** A+ (R&I)



**MEBUKI MEBUKI LEASE**  
Financial Group

**Founded** September 25, 1974

**Head Office** 4-12, Minami-machi 3-chome, Mito, Ibaraki Prefecture

**Paid in capital** 100 million yen

**Network** 11 offices (Head Office, 10 branches)

**Number of employees** 62



**MEBUKI MEBUKI SECURITIES**  
Financial Group

**Founded** November 30, 2007

**Head Office** 4-12, Minami-machi 3-chome, Mito, Ibaraki Prefecture

**Paid in capital** 3 billion yen

**Network** 8 offices (Head Office, 3 branches, 4 resident offices)

**Number of employees** 70



**MEBUKI MEBUKI CREDIT GUARANTEE**  
Financial Group

**Founded** December 21, 1978

**Head Office** 1-25, Sakura 4-chome, Utsunomiya, Tochigi Prefecture

**Paid in capital** 50 million yen

**Network** 2 offices (Head Office and Mito Office)

**Number of employees** 20



**MEBUKI MEBUKI CARD**  
Financial Group

**Founded** August 30, 1982

**Head Office** 4-12, Minami-machi 3-chome, Mito, Ibaraki Prefecture

**Paid in capital** 100 million yen

**Network** 2 offices (Head Office, 1 branch)

**Number of employees** 43

Other businesses 10 consolidated subsidiaries (Research, consulting, investment, real estate leasing, renewable energy-related, and regional trading, etc.)

\*Number of employees excludes employees seconded.

Overseas Representative Offices

(as of March 31, 2023)




**Shanghai Representative Office,  
Joyo Bank**

**Address** Room 1901, Shanghai International Trade Centre, 2201 Yan An Road (West), Shanghai 200336  
P. R. China

**Phone** +86-21-6209-0258







**New York Representative Office,  
Joyo Bank**

**Address** 712 Fifth Avenue, 8th Floor  
New York, NY 10019  
U. S. A.

**Phone** +1-347-686-8420






**Hanoi Representative Office,  
Joyo Bank**

**Address** 5<sup>th</sup> Floor, Sun Red River, 23 Phan Chu Trinh Street, Hoan Kiem District, Hanoi Vietnam

**Phone** +84-24-3218-1668







**Representative Office Registered  
in Singapore, Joyo Bank**

**Address** 10 Collyer Quay, #09-07A, Ocean Financial Centre, Singapore, 049315

**Phone** +65-6225-6543





**Bangkok Representative Office,  
Ashikaga Bank**

**Address** 689, Bhira Tower at EmQuartier, 27<sup>th</sup> Floor, Room No.2714, Sukhumvit Road, Klongton-nue, Wattana, Bangkok 10110 Thailand

**Phone** +66-2-261-2852





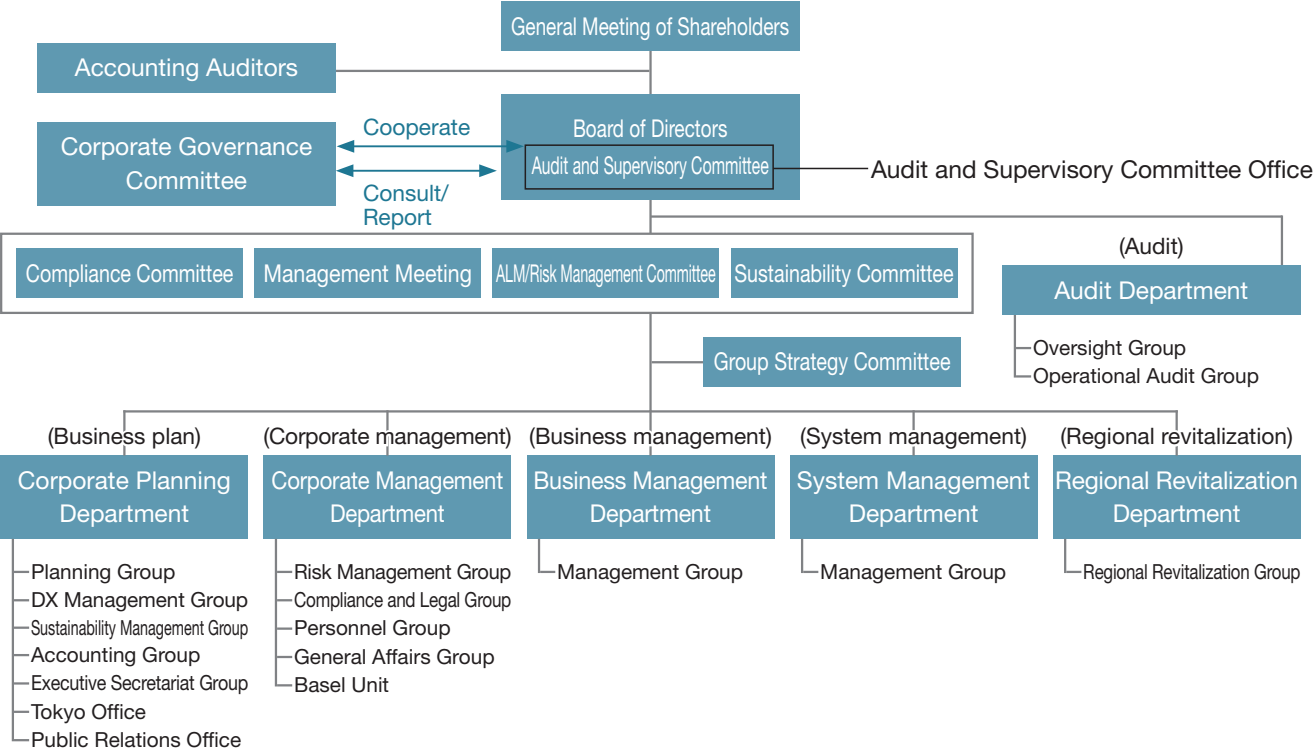
**Hong Kong Representative Office,  
Ashikaga Bank**

**Address** Suite 1601, 16th Floor, Tower2, The Gateway, Harbour City, Kowloon, Hong Kong

**Phone** +852-2251-9475



Organization (as of March 31, 2023)



Stock Information (as of March 31, 2023)

Capital and number of issued shares

Common stock	117,495,550,000 yen
Number of issued stock	1,089,055,218 shares
of which, common stock	1,089,055,218 shares

Major shareholders

Mebuki Financial Group

Name	Number of shares held (thousand shares)	Shareholding ratio to the total number of issued stock (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	144,051	13.53
Custody Bank of Japan, Ltd. (Trust Account)	70,702	6.64
STATE STREET BANK AND TRUST COMPANY 505223	37,692	3.54
Nomura Securities Co., Ltd.	28,608	2.68
Nippon Life Insurance Company	27,590	2.59
Sompo Japan Insurance Inc.	22,660	2.12
Sumitomo Life Insurance Company	21,659	2.03
JP MORGAN CHASE BANK 380055	18,420	1.73
THE BANK OF NEW YORK MELLON 140044	16,955	1.59
Meiji Yasuda Life Insurance Company	15,864	1.49
Total	404,204	37.97

Joyo Bank

Name	Number of shares held (thousand shares)	Shareholding ratio to the total number of issued stock (%)
Mebuki Financial Group, Inc.	722,910	100.00

Ashikaga Bank

Name	Number of shares held (thousand shares)	Shareholding ratio to the total number of issued stock (%)
Mebuki Financial Group, Inc.	1,340,520	100.00

Financial Data

Consolidated Balance Sheet

March 31, 2023    Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
<b>ASSETS</b>			
Cash and due from banks (Note 3).....	¥ 4,818,749	¥ 7,270,668	\$ 36,141,524
Call loans and bills bought .....	24,115	6,507	180,870
Monetary claims bought .....	10,341	10,611	77,562
Trading assets (Note 4) .....	3,962	4,589	29,716
Money held in trust (Note 5) .....	3,010	2,027	22,580
Securities (Notes 4, 10, 11, and 22) .....	3,662,309	4,682,301	27,468,011
Loans and bills discounted (Notes 7, 11, 22, and 26) .....	12,436,196	11,737,377	93,273,807
Foreign exchanges (Note 7) .....	17,216	17,220	129,123
Lease receivables and investments in lease (Note 21) .....	60,454	65,325	453,421
Other assets (Notes 11 and 23) .....	247,636	243,257	1,857,318
Tangible fixed assets (Note 8).....	101,567	102,802	761,773
Intangible fixed assets (Note 9) .....	13,523	15,896	101,427
Asset for retirement benefits (Note 13).....	40,791	32,462	305,943
Deferred tax assets (Note 20) .....	20,027	2,237	150,212
Customers' liabilities for acceptances and guarantees (Note 10).....	19,448	26,044	145,865
Allowance for loan losses .....	(91,859)	(93,800)	(688,961)
Allowance for investment losses .....	(8)	(8)	(66)
TOTAL .....	¥21,387,481	¥24,125,520	\$160,410,125
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Deposits (Notes 11 and 22) .....	¥17,137,285	¥16,825,736	\$128,532,855
Negotiable certificates of deposit (Note 22).....	371,289	310,724	2,784,739
Call money and bills sold .....	555,552	1,044,954	4,166,749
Payables under repurchase agreements (Note 11) .....	112,902	148,165	846,787
Payables under securities lending transactions (Note 11) .....	111,887	826,826	839,174
Trading liabilities.....	1,122	343	8,421
Borrowed money (Notes 11, 12, and 22).....	2,000,858	3,795,700	15,006,817
Foreign exchanges.....	8,350	4,390	62,632
Due to trust account .....	2,983	3,046	22,379
Other liabilities .....	147,695	154,855	1,107,746
Provision for bonuses for directors.....	183	281	1,379
Liability for retirement benefits (Note 13) .....	—	324	—
Provision for retirement benefits for directors.....	29	24	222
Provision for reimbursement of deposits.....	1,954	2,183	14,656
Provision for contingent losses .....	2,103	2,349	15,776
Provision for point card certificates .....	564	508	4,237
Provision for losses on interest repayments .....	4	8	34
Reserves under special laws.....	2	2	19
Deferred tax liabilities (Note 20) .....	0	11,339	2
Deferred tax liabilities for land revaluation (Note 8).....	7,929	7,936	59,469
Negative goodwill.....	553	711	4,148
Acceptances and guarantees (Note 10) .....	19,448	26,044	145,865
Total liabilities .....	20,482,702	23,166,457	153,624,107
<b>EQUITY (Notes 14 and 15):</b>			
Common stock .....	117,495	117,495	881,239
Capital surplus .....	125,705	125,692	942,813
Stock acquisition rights .....	62	130	467
Retained earnings.....	622,845	602,694	4,671,459
Treasury stock.....	(7,181)	(2,357)	(53,864)
Accumulated other comprehensive income:.....			
Unrealized gains on available-for-sale securities (Note 6) .....	18,692	91,550	140,198
Deferred gains on derivatives under hedge accounting (Note 23) .....	7,435	6,734	55,767
Land revaluation surplus (Note 8) .....	12,088	11,944	90,668
Defined retirement benefit plans (Note 13) .....	7,604	5,177	57,035
Total accumulated other comprehensive income .....	45,821	115,407	343,668
Non-controlling interests .....	31	—	236
Total equity.....	904,779	959,063	6,786,017
TOTAL.....	¥21,387,481	¥24,125,520	\$160,410,125

See notes to consolidated financial statements.



Consolidated Statement of Income

Year Ended March 31, 2023   Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
INCOME:			
Interest income:			
Interest on loans and discounts .....	¥110,018	¥106,411	\$ 825,162
Interest and dividends on securities .....	55,491	44,994	416,196
Interest on call loans and bills bought .....	397	8	2,982
Interest on deposits with banks .....	4,817	6,634	36,130
Other interest income .....	399	412	2,993
Trust fees.....	27	45	204
Fees and commissions.....	56,943	54,498	427,086
Trading income .....	1,890	4,532	14,182
Other operating income.....	16,456	3,190	123,426
Other income (Note 17).....	83,256	47,623	624,442
Total income.....	329,698	268,351	2,472,802
EXPENSES:			
Interest expenses:			
Interest on deposits .....	2,524	772	18,933
Interest on negotiable certificates of deposit.....	13	15	99
Interest on call money and bills sold .....	1,883	(192)	14,130
Interest on payables under repurchase agreements .....	3,591	(80)	26,940
Interest on payables under securities lending transactions .....	3,361	488	25,215
Interest on borrowing and rediscounts .....	1,601	173	12,011
Other interest expenses .....	9,233	2,235	69,254
Fees and commissions.....	14,266	14,235	107,005
Other operating expenses.....	91,616	8,517	687,142
General and administrative expenses (Note 18).....	107,016	114,624	802,646
Provision of allowance for loan losses .....	8,045	18,619	60,341
Other expenses (Note 19).....	40,587	48,189	304,412
Total expenses.....	283,743	207,597	2,128,129
INCOME BEFORE INCOME TAXES .....	45,955	60,754	344,673
INCOME TAXES (Note 20):.....			
Current .....	12,421	21,581	93,161
Deferred.....	1,357	(3,786)	10,185
Total income taxes .....	13,779	17,795	103,346
NET INCOME .....	32,176	42,958	241,326
NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS .....	(0)	—	(4)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT .....	¥ 32,176	¥ 42,958	\$ 241,330

	Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Note 16):		
Basic EPS.....	¥29.90	¥38.96
Diluted EPS .....	29.89	38.95
Cash dividends applicable to the year (Note 14) .....	11.00	11.00

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2023   Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET INCOME	¥ 32,176	¥ 42,958	\$ 241,326
OTHER COMPREHENSIVE INCOME (LOSS) (Note 24):			
Unrealized losses on available-for-sale securities.....	(72,857)	(56,463)	(546,447)
Deferred gains on derivatives under hedge accounting.....	700	6,346	5,254
Defined retirement benefit plans .....	2,426	(444)	18,200
Total other comprehensive loss .....	(69,730)	(50,561)	(522,992)
COMPREHENSIVE LOSS .....	¥(37,554)	¥ (7,603)	\$ (281,666)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the parent .....	¥(37,553)	¥ (7,603)	\$ (281,662)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Non-controlling interests .....	¥ (0)	—	\$ (4)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2023   Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen									
	Common Stock (Note 14)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for- Sale Securities	Deferred Gains on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total
BALANCE, APRIL 1, 2021.....	¥117,495	¥148,531	¥161	¥570,981	¥ (5,785)	¥148,013	¥ 388	¥13,497	¥5,622	¥167,522
Cumulative effects of changes in accounting policies .....				(366)						(366)
Restated balance .....	117,495	148,531	161	570,614	(5,785)	148,013	388	13,497	5,622	167,522
Cash dividends.....				(12,431)						(12,431)
Net income attributable to owners of the parent.....				42,958						42,958
Purchase of treasury stock.....					(19,520)					(19,520)
Disposal of treasury stock .....		(10)			121					110
Retirement of treasury stock.....		(22,828)			22,828					
Reversal of land revaluation surplus.....				1,553						1,553
Net changes during the fiscal year.....			(31)			(56,463)	6,346	(1,553)	(444)	(52,114)
Total changes during the fiscal year .....	—	(22,838)	(31)	32,079	3,428	(56,463)	6,346	(1,553)	(444)	(39,476)
BALANCE, MARCH 31, 2022 .....	¥117,495	¥125,692	¥130	¥602,694	¥ (2,357)	¥ 91,550	¥6,734	¥11,944	¥5,177	¥115,407

	Millions of Yen									
	Common Stock (Note 14)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for- Sale Securities	Deferred Gains on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total
BALANCE, APRIL 1, 2022.....	¥117,495	¥125,692	¥130	¥602,694	¥(2,357)	¥ 91,550	¥6,734	¥11,944	¥5,177	¥115,407
Cash dividends.....				(11,881)						(11,881)
Net income attributable to owners of the parent.....				32,176						32,176
Purchase of treasury stock.....					(5,000)					(5,000)
Disposal of treasury stock .....		13			176					189
Reversal of land revaluation surplus.....				(144)						(144)
Net changes during the fiscal year.....			(68)			(72,857)	700	144	2,426	(69,586)
Total changes during the fiscal year .....	—	13	(68)	20,151	(4,824)	(72,857)	700	144	2,426	(54,283)
BALANCE, MARCH 31, 2023 .....	¥117,495	¥125,705	¥ 62	¥622,845	¥(7,181)	¥ 18,692	¥7,435	¥12,088	¥7,604	¥ 45,821

	Thousands of U.S. Dollar									
	Common Stock (Note 14)	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for- Sale Securities	Deferred Gains on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total
BALANCE, APRIL 1, 2022.....	\$881,239	\$942,715	\$ 981	\$4,520,320	\$(17,680)	\$ 686,645	\$50,513	\$89,586	\$38,835	\$ 865,579
Cash dividends.....				(89,111)						(89,111)
Net income attributable to owners of the parent.....				241,330						241,330
Purchase of treasury stock.....					(37,507)					(37,507)
Disposal of treasury stock .....		99			1,323					1,421
Reversal of land revaluation surplus.....				(1,081)						(1,081)
Net changes during the fiscal year.....			(514)			(546,447)	5,254	1,081	18,200	(521,911)
Total changes during the fiscal year .....	—	99	(514)	151,138	(36,184)	(546,447)	5,254	1,081	18,200	(407,137)
BALANCE, MARCH 31, 2023 .....	\$881,239	\$942,813	\$ 467	\$4,671,459	\$(53,864)	\$ 140,198	\$55,767	\$90,668	\$57,035	\$ 343,668

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows
Year Ended March 31, 2023 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Income before income taxes .....	¥ 45,955	¥ 60,754	\$ 344,673
Adjustments for:			
Income taxes paid .....	(16,709)	(19,893)	(125,328)
Depreciation and amortization .....	9,113	9,531	68,350
Impairment loss .....	438	3,814	3,290
Amortization of negative goodwill .....	(158)	(158)	(1,185)
Increase (decrease) in allowance for loan losses .....	(1,941)	11,807	(14,563)
Decrease in allowance for investment loss .....	—	(0)	—
Increase (decrease) in provision for bonuses for directors .....	(97)	25	(729)
Increase in asset for retirement benefits .....	(4,245)	(1,082)	(31,839)
Decrease in liability for retirement benefits .....	(361)	(2,916)	(2,714)
Increase (decrease) in provision for retirement benefits for directors .....	5	(0)	40
Decrease in provision for reimbursement of deposits .....	(229)	(276)	(1,721)
Increase (decrease) in provision for contingent losses .....	(245)	354	(1,845)
Increase in provision for point card certificates .....	56	41	422
Decrease in provision for interest repayments .....	(3)	(2)	(30)
Gains on fund management .....	(171,124)	(158,462)	(1,283,462)
Financing expenses .....	22,210	3,412	166,582
Losses related to securities .....	45,446	10,122	340,854
Losses (gains) on money held in trust .....	18	(57)	140
Foreign exchange gains .....	(63,146)	(81,124)	(473,610)
Losses on disposal of fixed assets .....	237	423	1,785
Net decrease in trading assets .....	627	7,836	4,706
Net increase (decrease) in trading liabilities .....	779	(681)	5,848
Net increase in loans and bills discounted .....	(698,819)	(99,000)	(5,241,277)
Net increase in deposits .....	311,549	602,083	2,336,678
Net increase in negotiable certificates of deposit .....	60,564	19,306	454,247
Net increase (decrease) in borrowed money (excluding subordinated borrowings) .....	(1,794,841)	401,650	(13,461,647)
Net increase in due from banks (excluding cash equivalents) .....	(10,399)	(3,349)	(77,996)
Net decrease (increase) in call loans .....	(17,338)	1,340	(130,039)
Net increase (decrease) in call money .....	(524,665)	109,947	(3,935,086)
Net increase (decrease) in payables under securities lending transactions .....	(714,939)	206,076	(5,362,177)
Net decrease (increase) in foreign exchanges - assets .....	4	(7,626)	36
Net increase in foreign exchanges - liabilities .....	3,960	3,484	29,705
Net decrease in lease receivables and investments in lease .....	4,870	1,827	36,531
Net increase (decrease) in due to trust account .....	(63)	739	(473)
Proceeds from fund management .....	172,506	159,240	1,293,831
Payments for finance .....	(20,090)	(3,551)	(150,681)
Other-net .....	(7,023)	(3,498)	(52,678)
Total adjustments .....	(3,414,052)	1,171,384	(25,606,033)
Net cash provided by (used in) operating activities .....	¥(3,368,097)	¥1,232,138	\$ (25,261,361)
INVESTING ACTIVITIES:			
Purchases of securities .....	¥ (785,895)	¥(1,136,395)	\$ (5,894,363)
Proceeds from sales of securities .....	1,323,150	444,060	9,923,877
Proceeds from redemption of securities .....	392,058	340,041	2,940,515
Increase in money held in trust .....	(1,002)	—	(7,515)
Purchases of tangible fixed assets .....	(3,640)	(3,824)	(27,305)
Proceeds from sales of tangible fixed assets .....	426	672	3,197
Purchases of intangible fixed assets .....	(2,363)	(2,900)	(17,728)
Other-net .....	(303)	(162)	(2,276)
Net cash provided by (used in) investing activities .....	922,430	(358,507)	6,918,402
FINANCING ACTIVITIES:			
Purchase of treasury stocks .....	(5,000)	(19,520)	(37,507)
Proceeds from sales of treasury stocks .....	180	105	1,355
Cash dividends paid .....	(11,881)	(12,431)	(89,111)
Payments from non-controlling shareholders .....	32	—	240
Net cash used in financing activities .....	(16,669)	(31,846)	(125,023)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS .....	16	(220)	125
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....	(2,462,319)	841,563	(18,467,857)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR .....	7,264,647	6,423,084	54,486,222
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3) .....	¥ 4,802,328	¥ 7,264,647	\$ 36,018,365

NONCASH INVESTING AND FINANCING ACTIVITIES:  
Not applicable.

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Year Ended March 31, 2023 Mebuki Financial Group, Inc. and Consolidated Subsidiaries

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of Mebuki Financial Group, Inc. (the "Company") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, in accordance with the Enforcement Regulation for the Banking Act, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2022 consolidated financial statements to conform to the classifications used in 2023.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.33 to \$1, the approximate rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidatio — The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 16 significant subsidiaries.

Joyo Green Energy Co., Ltd. was included in the scope of consolidation since The Joyo Capital Partners Co., Ltd (wholly owned subsidiaries of The Joyo Bank,Ltd.) established the wholly owned subsidiary on July 28, 2022.

Colletochi, Ltd. was included in the scope of consolidation since The Ashikaga Bank, Ltd. established on August 2, 2022 through joint investment by companies in the Tochigi prefecture.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

All consolidated subsidiaries have a fiscal year ending on March 31, which is the same as the fiscal year of the Company.

The consolidated financial statements as of March 31, 2023, do not include the accounts of 10 subsidiaries because the total assets, total income, net income, retained earnings, and accumulated other comprehensive income of those entities would not have had a material effect on the consolidated financial statements.

The following Four companies are not treated as a subsidiary even though the Group owns more than 50% of its voting rights because the Company's unconsolidated subsidiary in the investment business held its shares for the purpose of growing the investee's business and not for the purpose of controlling the entity.

- Ibaraki Soko Co.,Ltd.
- Hitachiya Honpo Co., Ltd.
- Kamejirushi Seika Co.,Ltd.
- Miraie HD.,Ltd

The consolidated financial statements as of March 31, 2023, do not apply to the equity method of accounting of 10 unconsolidated subsidiaries and 4 associated companies because the net income, retained earnings, and accumulated other comprehensive income of those entities would not have had a material effect on the consolidated financial statements.

KIUCHI BREWERY 1823 Inc. is not treated as an associated company even though the Group owns 20% or more and less than 50% of its voting rights because the Company's unconsolidated subsidiary in the investment business held its shares for the purpose of growing the investee's business, and not for the purpose of controlling the entity.

All significant intercompany balances and transactions have been eliminated on consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

Negative goodwill represents the difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition. Negative goodwill incurred before March 31, 2010, is amortized using the straight-line method over 20 years.

b. Business Combinations — Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Trading Assets and Trading Liabilities — Transactions for "trading purposes" (seeking to capture gains arising from short-term changes in interest rates, currency exchange rates, market prices of securities, and other market-related indices or from arbitrage between markets) are valued at market or fair value and have been included in trading assets and trading liabilities on a trade-date basis. Gains or losses on such trading transactions are reflected as trading income or trading expenses in the consolidated statement of income.

Among the trading assets and liabilities, securities and monetary claims are carried at market value as of the consolidated balance sheet date. Derivatives, including swaps, futures, and options, are valued assuming settlement on the consolidated balance sheet date.

Trading income or trading expenses include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

d. Securities — Securities are classified and accounted for, depending on management's intent, as follows:

- (1) Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost using the straight-line method.
- (2) Investments in unconsolidated subsidiaries that are not accounted for by the equity method are stated at cost determined by the moving-average method.
- (3) Available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities without readily available market prices are stated at cost determined by the moving-average cost method.

For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.



**e. Tangible Fixed Assets** — Tangible fixed assets (except for leased assets) are stated at cost, less accumulated depreciation. Depreciation of tangible fixed assets owned by the consolidated banking subsidiaries is computed by the straight-line method.

The range of useful lives is from 3 to 50 years for buildings and from 3 to 20 years for other tangible fixed assets.

Depreciation of tangible fixed assets owned by other subsidiaries is mainly computed by the declining-balance method in estimated useful lives.

Depreciation of leased assets from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee is computed using the straight-line method over the respective lease periods. The residual value of leased assets is determined using the guaranteed residual value indicated on the lease contracts where provided; otherwise, they have a nil residual value.

**f. Intangible Fixed Assets** — Amortization of intangible fixed assets is computed by the straight-line method. The cost of computer software obtained for internal use is amortized principally using the straight-line method over the estimated useful lives of mainly five years.

**g. Long-Lived Assets** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**h. Allowance for Loan Losses** — The consolidated banking subsidiaries have provided an allowance for loan losses, which is determined based on management's judgment and assessment of future losses based on the write-offs and provisions standards. These systems reflect the past experience of credit losses; possible credit losses; business and economic conditions; the character, quality, and performance of the portfolio; the value of collateral or guarantees; and other pertinent indicators.

The quality of all loans performed by the business offices is reviewed by the credit-related divisions in the headquarters and then independently examined by the internal audit division based on the self-assessment of asset quality standards.

The classification of borrowers (six categories: normal borrowers; borrowers requiring caution excluding borrowers requiring monitoring; borrowers requiring monitoring; possible bankruptcy; virtual bankruptcy; and legal bankruptcy) is determined in accordance with self-assessment standards prescribed by the Group to evaluate the credit losses on loans.

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings, or similar legal proceedings ("legal bankruptcy"), or borrowers that are not legally or formally insolvent but are regarded as substantially in the same situation ("virtual bankruptcy"), an allowance is provided based on the amount of claims, after the write-offs as stated below, net of the expected amount of recoveries from collateral and guarantees.

For claims on borrowers that are not currently bankrupt, but are likely to become bankrupt in the future ("possible bankruptcy"), an allowance is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

For claims on borrowers whose loans are classified as "restructured loans" over a certain amount, for which future cash flows from the collection of principal and interest are reasonably estimated, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claims based on the discounted cash flow method.

For other claims, an allowance is provided, mainly based on expected loan losses for the next three years for claims requiring special caution ("requiring monitoring") in whole or in part among claims against borrowers requiring caution in future management, such as borrowers with unreasonable loan terms, borrowers with questionable performance, borrowers with weak or unstable business conditions, or borrowers with unfavorable financial conditions ("requiring caution"), and expected loan losses for the next one year for claims against borrowers other than requiring monitoring and claims against borrowers with good business conditions and no particular financial problems ("normal"). Expected loan losses are computed using the average historical loan loss ratio of the past one year to three years. Where necessary, the expected loan losses are modified for possible future scenarios.

For collateralized or guaranteed claims of borrowers who are in "virtual bankruptcy" or "legal bankruptcy," the amount exceeding the estimated value of collateral or guarantees has been deducted as deemed uncollectible directly from those claims. As of March 31, 2023 and 2022, the deducted amounts were ¥22,723 million (\$170,434 thousand) and ¥23,953 million, respectively.

Other consolidated subsidiaries determine allowances for loan losses that are provided for general claims at an amount based on the actual historical rate of loan losses and for specific claims (from potentially bankrupt customers and other) at an estimate of the amounts deemed uncollectible based on the respective assessments.

**i. Allowance for Investment Losses** — Allowance for investment losses is provided at the amount deemed necessary to cover estimated possible losses on certain type of nonmarketable investments.

**j. Provision for Bonuses for Directors** — Provision for bonuses for directors (including executive officers) is provided in the amount of the estimated bonuses that are attributable to each fiscal year.

**k. Retirement Benefits for Employees** — The Group accounts for the liability for retirement benefits based on the projected benefit obligations and the fair value of plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects and are recognized in profit or loss from the next year of incurrence and the year of incurrence, respectively, by the straight-line method over a period (mainly 10 years) no longer than the expected average remaining service period of the employees.

**l. Provision for Retirement Benefits for Directors** — Provision for retirement benefits for directors, which is provided for payments of retirement benefits to directors, is recorded in the amount deemed accrued at the fiscal year end date based on the estimated amount of benefits.

**m. Provision for Reimbursement of Deposits** — Provision for reimbursement of deposits, which were derecognized as liabilities under certain conditions, is provided for possible losses on future claims and is calculated based on the historical reimbursement experience.

**n. Provision for Contingent Losses** — Provision for contingent losses is provided for possible loan losses guaranteed by the credit guarantee corporations in an amount deemed necessary based on estimated losses in the future, calculated using historical default rates after exclusion of contingent losses covered by other reserves.

**o. Provision for Point Card Certificates** — Provision for point card certificates, which is provided for the future use of points granted to customers under the credit card points program, is calculated by converting the outstanding points into a monetary amount and rationally estimating and recognizing the amount that will be redeemed in the future.

**p. Provision for Losses on Interest Repayments** — Certain consolidated subsidiaries provide a provision for losses on interest repayments in an amount deemed necessary based on estimated amounts to be repaid, taking into account historical records of interest repayments on the portion of loans whose interest rates exceeded the maximum interest rate stipulated by the Interest Limitation Law.

**q. Reserves under Special Laws** — Reserves under special laws are provided for contingent liabilities incurred by an accident in relation to the sales and purchase or other transactions of securities, which amounted to ¥2 million (\$19 thousand) and ¥2 million as of March 31, 2023 and 2022, respectively, pursuant to Article 46-5-1 of the Financial Instruments and Exchange Act and Item 175 of the related cabinet order.

**r. Stock Options** — Compensation expense for employee stock options is recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

**s. Stock Issuance Costs** — Stock issuance costs are charged to income as incurred.

**t. Leases** — As a lessor, finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in leases.

Income and expenses are recognized when lease receivables are collected for finance lease transactions that do not transfer ownership of the property.

As for finance lease transactions that do not transfer ownership of the leased property and which commenced prior to April 1, 2008, in line with the stipulations of Item 81 of the Guidance on Accounting Standard for Lease Transactions (Accounting Standards Board of Japan(ASBJ) Guidance No. 16, March 25, 2011), book value (after deduction of accumulated depreciation) of lease assets included in tangible fixed assets and intangible assets as of the previous consolidated balance sheet date (March 31, 2008) was recorded as the initial balance of "Lease receivables and investments in lease."

**u. Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Group files a tax return under the group tax sharing system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned subsidiaries.

The Company and some subsidiaries transferred from the consolidated taxation system to the group tax-sharing system from the beginning of the year ended March 31, 2023. The Group adopted "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (ASBJ Guidance No. 42, August 12, 2021) regarding to the accounting treatment and disclosure of corporate tax and local corporate tax as well as tax-effect accounting. In accordance with Paragraph 32 (1) of ASBJ Guidance No. 42, The Group considered that changes in accounting policies to apply ASBJ Guidance No. 42 had no impact on consolidated financial statements.

**v. Translation of Foreign Currencies** — Assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing as of the consolidated balance sheet date.

**w. Derivatives and Hedging Activities** — Derivative financial instruments are classified and accounted for as follows: (a) all derivatives, except those entered into for hedging purposes, are recognized as either assets or liabilities and

measured at fair value, with gains or losses on derivative transactions recognized in the consolidated statement of income and the fair value is calculated on a group basis for the financial assets and financial liabilities on the net amount after offsetting the financial assets and financial liabilities, taking into account specific market risks or specific credit risks, or (b) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions (deferral hedge accounting).

The consolidated banking subsidiaries apply deferral hedge accounting based on the rules of the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 24, March 17, 2022, "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry," for interest rate derivatives to manage interest rate risk from various financial assets and liabilities, as a whole. Under these rules, the effectiveness of a fair value hedge is assessed by an identified group of hedge items, such as loans and by a corresponding group of hedging instruments, such as interest rate swaps in the same maturity category. Also, under these rules, the effectiveness of cash flow hedges is assessed based on the correlation between a base interest rate index of the hedged cash flow and that of the hedging instrument.

The consolidated banking subsidiaries apply deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25, October 8, 2020, "Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry," to currency swaps and funding swaps used for the purpose of currency exchange. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions, such as currency swap transactions and foreign exchange swaps, as hedging instruments. Effectiveness of derivative transactions, such as currency swap transactions and foreign exchange swap transactions, is reviewed by comparing the total foreign currency position of the hedged items and the hedging instrument by currency.

One consolidated banking subsidiary applies individual deferral hedge accounting to offset the price fluctuation of the strategic shares that are classified under available-for-sale securities, using stock forward contracts as hedged items. The hedge effectiveness of derivative transactions is reviewed by comparing the changes in the value of the hedged item and hedging instruments.

The consolidated banking subsidiaries apply individual deferral hedge accounting and exceptional accrual method for interest rate swap to some assets and liabilities.

**x. Cash and Cash Equivalents** — Cash and cash equivalents in the consolidated statement of cash flows represent cash and due from banks in the consolidated balance sheet, excluding deposits with banks other than the Bank of Japan, of the consolidated banking subsidiaries and exclude the time deposits of the Company and the other consolidated subsidiaries.

**y. Consumption Taxes** — Consumption tax is excluded from transactions reported by the Group. However, nondeductible consumption tax on tangible fixed assets is charged to income as incurred.

**z. Per Share Information** — Basic net earnings per share (EPS) of common stocks is computed by dividing net income attributable to common shareholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits.

Diluted EPS reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted EPS of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

Accounting Change

(Implementation Guidance on Accounting Standard for Fair Value Measurement) “Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) has been applied from the beginning of the year ended March31, 2023. In accordance with the transitional measures set forth in Paragraph 27-2 of Guidance on Accounting Standard for Fair Value Measurement, The Group applied new accounting policies prospectively from the beginning of the period. This change has no impact on the consolidated financial statements.

In accordance with the Paragraph 27-3, notes of investment trusts related to breakdown by level of the fair value hierarchy of financial instruments in “22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES” are not shown for the previous year.

Significant Accounting Estimates

Accounting estimates recorded in the consolidated financial statements for the current fiscal year that may have a material impact on the consolidated financial statements for the following fiscal year are as follows:

Allowance for loan losses

As the ratio of loans, etc. recorded by the consolidated banking subsidiaries is relatively high in the consolidated balance sheet, the accounting estimate of allowance for loan losses has a significant impact on the results of business performance and financial position.

(i) Amounts recorded in the consolidated financial statements as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Allowance for loan losses .....	<b>¥91,859</b>	¥93,800	<b>\$688,961</b>

(ii) Information on the consolidated financial statements with regard to the accounting estimates

(a) Calculating method

As the calculation method is stated on “h. Allowance for loan losses” in NOTE “2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,” the classification of borrowers (six categories: normal borrowers, borrowers requiring caution excluding borrowers requiring monitoring, borrowers requiring monitoring, possible bankruptcy; virtual bankruptcy; and legal bankruptcy) are determined in accordance with self-assessment standards prescribed by the Group to prepare for credit losses on loans. In determining the classification of borrowers, the Group considers the projections for changes in the performance of the borrowers that are expected to be affected by changes in the financial and economic environment, including resource prices, commodity prices, and foreign exchange rates, as well as the impact of COVID-19. Allowance for loan losses is estimated in accordance with the credit risk by estimating the expected loss amount based on the actual historical rate of loan losses for each classification of the borrowers determined as above.

(b) Significant assumptions

The classification of borrowers is determined by comprehensively considering various information such as the borrower’s past financial condition, repayment history, future forecasts, and other qualitative information of the borrowers.

Since the future forecast information includes changes in the financial and economic environment, including resource prices, commodity prices, and foreign exchange rates, as well as the impact of COVID-19 and they can be significantly affected by changes in the external environment, the Group evaluates the information based on certain assumptions.

(c) Impact on the consolidated financial statements for the following fiscal year:

The assumptions used in determining the classification of borrowers are uncertain, and changes in the financial and economic environment, including resource prices, commodity prices, and foreign exchange rates, as well as the external environment, including the impact of COVID-19 that may affect the borrower’s future performance, could increase or decrease the amount of loss and have a material impact on the consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

The reconciliation of “Cash and cash equivalents” in the consolidated statement of cash flows and “Cash and due from banks” in the consolidated balance sheet as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Cash and due from banks.....	<b>¥4,818,749</b>	¥7,270,668	<b>\$36,141,524</b>
Deposits with banks of the consolidated banking subsidiaries other than the Bank of Japan.....	<b>(16,420)</b>	(6,020)	<b>(123,159)</b>
Cash and cash equivalents .....	<b>¥4,802,328</b>	¥7,264,647	<b>\$36,018,365</b>

4. TRADING SECURITIES AND SECURITIES

The amounts shown in the following tables include “Securities,” trading securities in “Trading assets,” and negotiable certificates of deposit in “Cash and due from banks,” as described in the consolidated balance sheet.

Valuation differences recognized as income and expenses as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Trading securities.....	<b>¥3</b>	¥(14)	<b>\$27</b>

Securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Japanese national government bonds ....	<b>¥ 396,943</b>	¥ 811,822	<b>\$ 2,977,151</b>
Japanese local government bonds .....	<b>1,024,386</b>	1,066,241	<b>7,683,090</b>
Japanese corporate bonds.....	<b>784,578</b>	867,118	<b>5,884,484</b>
Japanese corporate stocks .....	<b>215,695</b>	258,262	<b>1,617,756</b>
Other securities .....	<b>1,240,706</b>	1,678,855	<b>9,305,530</b>
Total .....	<b>¥3,662,309</b>	¥4,682,301	<b>\$27,468,011</b>

The cost and aggregate fair value of available-for-sale securities and held-to-maturity securities as of March 31, 2023 and 2022, were as follows:

March 31, 2023	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: .....	<b>¥3,437,365</b>	<b>¥121,541</b>	<b>¥96,547</b>	<b>¥3,462,358</b>
Equity securities.....	<b>109,574</b>	<b>103,286</b>	<b>1,515</b>	<b>211,344</b>
Debt securities:.....	<b>2,078,460</b>	<b>1,870</b>	<b>36,284</b>	<b>2,044,046</b>
Japanese national government bonds .....	<b>353,287</b>	<b>758</b>	<b>13,893</b>	<b>340,152</b>
Japanese local government bonds .....	<b>1,031,448</b>	<b>466</b>	<b>8,127</b>	<b>1,023,786</b>
Japanese corporate bonds.....	<b>693,725</b>	<b>646</b>	<b>14,263</b>	<b>680,108</b>
Others: .....	<b>1,249,330</b>	<b>16,383</b>	<b>58,747</b>	<b>1,206,966</b>
Foreign bonds .....	<b>636,729</b>	<b>2,062</b>	<b>15,964</b>	<b>622,827</b>
Others.....	<b>612,601</b>	<b>14,321</b>	<b>42,783</b>	<b>584,139</b>
Held-to-maturity: .....	<b>161,861</b>	<b>148</b>	<b>966</b>	<b>161,043</b>
Japanese national government bonds.....	<b>56,791</b>	<b>—</b>	<b>518</b>	<b>56,272</b>
Japanese local government bonds.....	<b>599</b>	<b>0</b>	<b>0</b>	<b>599</b>
Japanese corporate bonds .....	<b>104,470</b>	<b>148</b>	<b>446</b>	<b>104,172</b>

March 31, 2022	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: .....	¥4,352,411	¥184,989	¥56,058	¥4,481,342
Equity securities.....	122,610	133,737	2,160	254,187
Debt securities:.....	2,607,580	2,917	24,229	2,586,268
Japanese national government bonds .....	768,689	683	15,366	754,006
Japanese local government bonds .....	1,067,204	1,286	2,849	1,065,641
Japanese corporate bonds.....	771,686	946	6,012	766,620
Others: .....	1,622,220	48,334	29,668	1,640,886
Foreign bonds .....	981,627	4,625	18,896	967,355
Others.....	640,593	43,709	10,771	673,530
Held-to-maturity: .....	158,914	191	695	158,410
Japanese national government bonds.....	57,816	—	366	57,450
Japanese local government bonds.....	599	0	0	599
Japanese corporate bonds .....	100,497	191	328	100,360

March 31, 2023	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as: .....				
Available-for-sale: .....	<b>\$25,780,886</b>	<b>\$911,581</b>	<b>\$724,127</b>	<b>\$25,968,340</b>
Equity securities.....	<b>821,828</b>	<b>774,668</b>	<b>11,370</b>	<b>1,585,126</b>
Debt securities:.....	<b>15,588,842</b>	<b>14,030</b>	<b>272,137</b>	<b>15,330,735</b>
Japanese national government bonds .....	<b>2,649,720</b>	<b>5,689</b>	<b>104,201</b>	<b>2,551,207</b>
Japanese local government bonds .....	<b>7,736,054</b>	<b>3,496</b>	<b>60,960</b>	<b>7,678,589</b>
Japanese corporate bonds.....	<b>5,203,069</b>	<b>4,846</b>	<b>106,976</b>	<b>5,100,939</b>
Others: .....	<b>9,370,216</b>	<b>122,882</b>	<b>440,620</b>	<b>9,052,478</b>
Foreign bonds .....	<b>4,775,587</b>	<b>15,471</b>	<b>119,735</b>	<b>4,671,324</b>
Others.....	<b>4,594,629</b>	<b>107,411</b>	<b>320,886</b>	<b>4,381,154</b>
Held-to-maturity: .....	<b>1,213,989</b>	<b>1,116</b>	<b>7,246</b>	<b>1,207,860</b>
Japanese national government bonds.....	<b>425,944</b>	<b>—</b>	<b>3,890</b>	<b>422,054</b>
Japanese local government bonds.....	<b>4,500</b>	<b>0</b>	<b>6</b>	<b>4,494</b>
Japanese corporate bonds .....	<b>783,545</b>	<b>1,116</b>	<b>3,350</b>	<b>781,311</b>

Information for available-for-sale securities, which were sold during the years ended March 31, 2023 and 2022, is as follows:

March 31, 2023	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities .....	<b>¥ 65,104</b>	<b>¥39,809</b>	<b>¥ 429</b>
Debt securities: .....	<b>511,566</b>	<b>57</b>	<b>36,228</b>
Japanese national government bonds ....	<b>509,481</b>	<b>51</b>	<b>36,228</b>
Japanese corporate bonds.....	<b>2,085</b>	<b>5</b>	<b>—</b>
Others: .....	<b>722,654</b>	<b>8,661</b>	<b>56,391</b>
Foreign bonds.....	<b>621,444</b>	<b>—</b>	<b>50,063</b>
Others.....	<b>101,210</b>	<b>8,661</b>	<b>6,327</b>
Total .....	<b>¥1,299,325</b>	<b>¥48,528</b>	<b>¥93,049</b>

March 31, 2022	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities .....	¥ 18,138	¥6,354	¥ 1,266
Debt securities: .....	144,027	609	1,275
Japanese national government bonds ....	143,623	607	1,275
Japanese corporate bonds.....	404	2	—
Others: .....	237,810	1,384	9,332
Foreign bonds.....	103,710	418	2,705
Others.....	134,099	966	6,626
Total .....	¥399,976	¥8,348	¥11,873

March 31, 2023	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities .....	<b>\$ 488,295</b>	<b>\$298,581</b>	<b>\$ 3,223</b>
Debt securities: .....	<b>3,836,847</b>	<b>428</b>	<b>271,724</b>
Japanese national government bonds ....	<b>3,821,207</b>	<b>388</b>	<b>271,724</b>
Japanese corporate bonds.....	<b>15,640</b>	<b>40</b>	<b>—</b>
Others: .....	<b>5,420,046</b>	<b>64,965</b>	<b>422,944</b>
Foreign bonds.....	<b>4,660,952</b>	<b>—</b>	<b>375,488</b>
Others.....	<b>759,094</b>	<b>64,965</b>	<b>47,456</b>
Total .....	<b>\$9,745,187</b>	<b>\$363,973</b>	<b>\$697,891</b>



Marketable available-for-sale securities, whose fair value significantly declined in comparison with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down and recognized as impairment losses.

The impairment losses on marketable available-for-sale securities for the years ended March 31, 2023 and 2022, were ¥172 million (\$1,292thousand) and ¥286 million, respectively.

Pursuant to “Practical Guidelines for Accounting for Financial Instruments” (JICPA Accounting Committee Report No. 14, April 14, 2015), the criteria for determining whether the fair value is “significantly declined” defined that securities whose fair value has declined by 30% or more of the acquisition cost are deemed to be impaired.

As of March 31, 2023 and 2022, securities included capital subscriptions of ¥5,912 million (\$44,342 thousand) and ¥4,630 million, respectively.

5. MONEY HELD IN TRUST

Money held in trust for trading purposes as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Amounts recorded in the consolidated balance sheet.....	<b>¥3,010</b>	¥2,027	<b>\$22,580</b>
Valuation gain (loss) included in the consolidated statement of income .....	<b>(17)</b>	57	<b>(132)</b>

6. UNREALIZED GAINS ON AVAILABLE-FOR-SALE SECURITIES

Unrealized gains on available-for-sale securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized gains: .....	<b>¥25,794</b>	¥130,642	<b>\$193,465</b>
Available-for-sale securities .....	<b>25,794</b>	130,642	<b>193,465</b>
Deferred tax liabilities:.....	<b>7,102</b>	39,091	<b>53,267</b>
Unrealized gains on available-for-sale securities before adjustments by ownership share.....	<b>18,692</b>	91,550	<b>140,198</b>
Noncontrolling interests .....	—	—	—
Unrealized gains on available-for-sale securities .....	<b>¥18,692</b>	¥ 91,550	<b>\$140,198</b>

As of March 31, 2023 and 2022, the total unrealized gains include an unrealized gain of ¥801 million (\$6,012 thousand) and ¥1,711 million, respectively, on available-for-sale securities contained in certain fund.

7. LOANS AND BILLS DISCOUNTED

Claims based on the Banking Act and the Act on Emergency Measures for the Revitalization of Financial Functions as of March 31, 2023 and 2022, are as follows:

The claims consist of those included in the accounts of bonds included in “Securities” (its principal’s redemption and interest payments are guaranteed, in whole or in part, and the corporate bonds issue is limited to a private placement of the securities (Article 2, Item 3 of the Financial Instruments and Exchange Act); “Loans,” “foreign exchanges assets,” accrued interest, and suspense payment in “Other assets” and “Customers’ liabilities for acceptances and guarantees” in the consolidated balance sheet, and securities in the notes (limited to those under a loan for use or lease agreement) that are in case of loan.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Bankrupt and substantially bankrupt claims.....	<b>¥ 12,577</b>	¥ 13,816	<b>\$ 94,334</b>
Doubtful claims.....	<b>153,013</b>	151,196	<b>1,147,633</b>
Claims past due for three months or more.....	<b>211</b>	83	<b>1,587</b>
Restructured claims .....	<b>31,311</b>	27,523	<b>234,844</b>
Total .....	<b>¥197,114</b>	¥192,619	<b>\$1,478,398</b>

The amounts above are stated before the deduction of the allowance for loan losses.

Bankrupt and substantially bankrupt claims” are claims against debtors in bankruptcy due to the commencement of bankruptcy procedures, the commencement of reorganization proceedings, the petition for the commencement of rehabilitation proceedings, and claims equivalent to these.

“Doubtful claims” are claims that the debtor is not yet in a state of bankruptcy, but its financial position and business performance have deteriorated, and it is highly probable that the principal’s collection and interest on claims in accordance with the terms of the contract will not be received. These claims do not fall under the category of “Bankrupt and substantially bankrupt claims.”

“Loans past due for three months or more” include accruing loans for which principal or interest is past due three months or more.

“Restructured loans” are loans to borrowers in financial difficulty to whom the Group has provided financial support through modification of the lending terms to be more favorable to the borrower, including reduction of interest rates, suspension of repayment of principal and interest, and debt forgiveness.

Contracts of overdraft facilities and loan commitment limits are contracts under which the consolidated banking subsidiaries and certain consolidated subsidiaries lend to customers up to the prescribed limits in response to customer applications for loans as long as there is no violation of any condition in the contracts. As of March 31, 2023 and 2022, the amounts of unused commitments were ¥2,836,748 million (\$21,276,147 thousand) and ¥2,894,178 million, respectively. As of March 31, 2023 and 2022, the amounts of unused commitments whose remaining contract terms were within one year were ¥1,896,251 million (\$14,222,244 thousand) and ¥1,935,400 million, respectively.

As many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions whereby the consolidated banking subsidiaries and certain consolidated subsidiaries can refuse customer applications for loans or decrease the contract limits for certain reasons (e.g., changes in a financial situation and deterioration in customers’ creditworthiness). At the inception of the contracts, the consolidated banking subsidiaries and certain consolidated subsidiaries obtain real estate, securities, or other assets as collateral if considered to be necessary. Subsequently, the consolidated banking subsidiaries and certain consolidated subsidiaries perform periodic reviews of the customers’ business results based on the internal rules and take necessary measures to reconsider conditions in the contracts and/or require additional collateral and guarantees.

Discounting bills are treated as secured lending transactions. As of March 31, 2023 and 2022, consolidated banking subsidiaries have the right to sell or repledge bills discounted and foreign exchange bills bought and their total face value was ¥25,645 million (\$192,342 thousand) and ¥27,118 million, respectively.

8. TANGIBLE FIXED ASSETS

Tangible fixed assets as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Buildings .....	<b>¥ 36,459</b>	¥ 37,076	<b>\$273,450</b>
Land .....	<b>52,657</b>	52,666	<b>394,941</b>
Leased assets.....	<b>31</b>	31	<b>238</b>
Construction in progress.....	<b>170</b>	622	<b>1,279</b>
Other .....	<b>12,248</b>	12,405	<b>91,864</b>
Total .....	<b>¥101,567</b>	¥102,802	<b>\$761,773</b>

The accumulated depreciation of tangible fixed assets as of March 31, 2023 and 2022, amounted to ¥123,603 million (\$927,049 thousand) and ¥124,260 million, respectively.

Under certain conditions, such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the Equity section. As of March 31, 2023 and 2022, such deferred profit amounted to ¥9,661 million (\$72,463 thousand) and ¥9,720 million, respectively, and the amount of the deferred profit recorded for the year ended March 31, 2023 was ¥95 million (\$715 thousand) .

Under the “Law of Land Revaluation,” one banking subsidiary elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1998. The resulting revaluation reserve for land represents an unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted, unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the revaluation reserve for land account and related deferred tax liabilities. As of March 31, 2023 and 2022, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥21,040 million (\$157,806 thousand) and ¥21,060 million, respectively.

9. INTANGIBLE FIXED ASSETS

Intangible fixed assets as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Software.....	<b>¥10,272</b>	¥12,628	<b>\$ 77,045</b>
Other .....	<b>3,250</b>	3,267	<b>24,381</b>
Total .....	<b>¥13,523</b>	¥15,896	<b>\$101,427</b>

10. CUSTOMERS’ LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees in the consolidated balance sheet. As a contra account, customers’ liabilities for acceptances and guarantees are presented as assets, representing the consolidated banking subsidiaries’ and certain consolidated subsidiaries’ rights of indemnity from the applicants.

Guarantee obligations for private placement bonds included in “Securities” (provided in accordance with Article 2-3 of the “Financial Instruments and Exchange Act”) as of March 31, 2023 and 2022, were ¥177,813 million (\$1,333,632 thousand) and ¥184,934 million, respectively.

11. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral and the related liabilities as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Assets pledged as collateral:			
Securities.....	<b>¥2,099,040</b>	¥2,818,331	<b>\$15,743,200</b>
Loans and bills discounted .....	<b>576,813</b>	2,632,593	<b>4,326,209</b>
Total .....	<b>¥2,675,854</b>	¥5,450,924	<b>\$20,069,410</b>
Related liabilities to above assets:			
Deposits .....	<b>¥ 186,281</b>	¥ 208,950	<b>\$ 1,397,144</b>
Payables under repurchase agreements .....	<b>112,902</b>	148,165	<b>846,787</b>
Payables under securities lending transactions.....	<b>111,887</b>	826,826	<b>839,174</b>
Borrowed money .....	<b>1,997,698</b>	3,789,901	<b>14,983,114</b>

Additionally, securities amounting to ¥5,328 million (\$39,962 thousand) and ¥5,380 million as of March 31, 2023 and 2022, respectively, were pledged as collateral for settlements of exchange or as substitute securities for margins on futures transactions.

Moreover, other assets included the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deposits for central counterparty.....	<b>¥102,611</b>	¥107,721	<b>\$769,607</b>
Cash collateral paid for financial instruments.....	<b>24,855</b>	26,935	<b>186,423</b>
Cash collateral paid for transactions involving public funds .....	<b>2,078</b>	2,101	<b>15,587</b>
Guarantee deposits .....	<b>1,378</b>	1,427	<b>10,339</b>

12. BORROWED MONEY

Borrowed money as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Borrowed money of which the weighted-average annual interest rates were 0.15%, due from April 2023 to June 2035 .....	<b>¥2,000,858</b>	¥3,795,700	<b>\$15,006,817</b>

Annual maturities of borrowed money as of March 31, 2023, for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024.....	<b>¥1,790,685</b>	<b>\$13,430,476</b>
2025.....	<b>30,350</b>	<b>227,638</b>
2026.....	<b>93,754</b>	<b>703,175</b>
2027.....	<b>86,052</b>	<b>645,410</b>
2028.....	<b>1</b>	<b>14</b>

13. RETIREMENT AND PENSION PLANS

(1) Outline of the adopted retirement benefit plans

The Company's banking subsidiary, The Joyo Bank, Ltd. ("Joyo"), and its consolidated subsidiaries have adopted defined employees' retirement benefit plans, i.e., the employees' welfare pension fund supplemented by the employees' public pension system and lump-sum retirement benefits.

In addition, extra benefits that are excluded from the projected benefit obligation in employees' retirement benefits accounting may be paid on a case-by-case basis. Joyo has established an employees' retirement benefit trust.

The Company's banking subsidiary, Ashikaga Bank, Ltd. ("Ashikaga"), and its consolidated subsidiaries have adopted funded and unfunded defined benefit plans, as well as defined contribution plans to provide for the employees' retirement benefits. All of the retirement benefit plans are managed in an integrated manner through retirement benefit points that are determined based on years of service and capabilities of employees, as well as employee performance evaluation. The determined points are then allocated to each plan.

The defined benefit pension plans (funded plans) have introduced pension plans similar to cash balance plan-type pension plans. Under the plan, each participant will set up a virtual individual account where pension or lump-sum payments will be made based on the accumulated retirement benefit points allocated. A retirement benefit trust is established for this defined benefit pension plan.

Under the lump-sum retirement benefit plans (unfunded plans that have become funded plans due to the establishment of a retirement benefit trust), lump-sum payments are made based on the accumulated retirement benefit points allocated. In some cases, premium severance payments may be made to employees in conjunction with the employees' retirement and other.

Under the defined contribution plans, the contribution amount is decided based on the accumulated retirement benefit points allocated.

The Company's consolidated subsidiaries are members of the defined benefit pension funds under the multiemployer plans, and as the amount of plan assets corresponding to the contribution of each subsidiary may be reasonably calculated, such information is included in the notes to defined benefit plans.

Regarding the lump-sum retirement benefit plans adopted by certain consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are calculated by the simplified method.

(2) Defined benefit plans

(a) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year.....	¥123,728	¥121,046	\$927,988
Current service cost.....	3,054	3,427	22,908
Interest cost.....	712	510	5,341
Actuarial gains (losses) .....	(5,086)	1,012	(38,151)
Benefits paid .....	(6,584)	(6,112)	(49,388)
Prior service cost.....	—	315	—
Others .....	765	3,530	5,740
Balance at end of year.....	¥116,588	¥123,728	\$874,438

\*Figures above exclude retirement and benefit plans calculated by the simplified method.

(b) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year.....	¥157,015	¥153,167	\$1,177,644
Expected return on plan assets.....	3,163	2,967	23,725
Actuarial gains (losses) .....	(1,204)	1,167	(9,032)
Contributions from the employer.....	3,238	3,335	24,291
Benefits paid .....	(3,736)	(3,657)	(28,027)
Others .....	32	34	245
Balance at end of year.....	¥158,508	¥157,015	\$1,188,846

\*Figures above exclude retirement and benefit plans calculated by the simplified method.

(c) The changes in liabilities for retirement benefits adopting the simplified method for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year.....	¥1,133	¥1,181	\$ 8,499
Retirement benefit expense.....	284	301	2,134
Benefits paid.....	(104)	(148)	(782)
Contribution to the defined benefit pension plan.....	(200)	(198)	(1,502)
Other .....	—	(3)	—
Balance at end of year.....	¥1,113	¥1,133	\$ 8,350

(d) Reconciliation between the liabilities recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation.....	¥ 120,134	¥ 127,315	\$ 901,031
Plan assets.....	(162,039)	(160,586)	(1,215,324)
Total .....	(41,904)	(33,271)	(314,293)
Unfunded defined benefit obligation ....	1,113	1,133	8,350
Net asset arising from defined benefit obligation .....	¥ (40,791)	¥ (32,137)	\$ (305,943)

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for retirement benefits.....	¥ —	¥ 324	\$ —
Asset for retirement benefits.....	(40,791)	(32,462)	(305,943)
Net asset arising from defined benefit obligation .....	¥(40,791)	¥(32,137)	\$ (305,943)

\*Figures above include retirement and benefit plans calculated by the simplified method.

(e) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost.....	¥ 3,054	¥ 3,427	\$ 22,908
Interest cost.....	712	510	5,341
Expected return on plan assets .....	(3,163)	(2,967)	(23,725)
Recognized actuarial losses.....	(428)	(487)	(3,212)
Amortization of prior service cost .....	31	23	236
Retirement benefit expense calculated by the simplified method.....	284	301	2,134
Others .....	718	3,476	5,387
Net periodic benefit costs .....	¥ 1,209	¥ 4,284	\$ 9,069

(f) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Prior service cost .....	¥(31)	¥291	\$(236)
Actuarial losses (gains) .....	(3,454)	350	(25,906)
Total .....	¥(3,485)	¥641	\$(26,142)

(g) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized prior service cost .....	¥260	¥291	\$1,951
Unrecognized actuarial gains .....	(11,199)	(7,745)	(83,997)
Total .....	¥(10,939)	¥(7,453)	\$(82,046)

(h) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
Debt investments .....	42.2%	40.7%
Equity investments .....	41.3%	41.7%
General accounts .....	9.4%	9.4%
Others.....	7.0%	8.2%
Total .....	100.0%	100.0%

\* As of March 31, 2023 and 2022, total plan assets that were set up on corporate pension plans include a retirement benefit trust of 34.3% and 33.2%, respectively.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

(i) Assumptions used for the years ended March 31, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rate .....	0.60% — 1.10%	0.30% — 0.60%
Expected rate of return on plan assets....	2.50%	2.50%
Expected rate of increase in salary .....	4. 29% — 9.00%	4. 36% — 9.00%

(3) Defined contribution plans

The amounts of the required contribution to the defined contribution plans of certain consolidated subsidiaries were ¥684 million (\$5,136 thousand) and ¥689 million as of March 31, 2023 and 2022, respectively.

14. EQUITY

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, appointment committee, compensation committee, and audit committee) or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.



(1) Capital Stock Changes during the Year

The changes in the number and class of issued stock and treasury stock for the year ended March 31, 2023, were as follows:

	Shares in Thousands			
	As of April 1, 2022	Changes During the Year		As of March 31, 2023
		Increase	Decrease	
Issued stock:				
Common stock	1,089,055	—	—	1,089,055
Total	1,089,055	—	—	1,089,055
Treasury stock:				
Common stock	9,299	16,017*1	695*2	24,621
Total	9,299	16,017	695	24,621

\*1 The number of shares of treasury stock increased by 16,015 thousand shares due to purchase of the Company's own shares and 2 thousand shares due to purchases of shares less than the trading unit.

\*2 The number of shares of treasury stock decreased by 0 thousand shares due to sales to shareholders in response to their demand to buy additional shares up to the trading unit, by 458 thousand shares due to the disposal of the Company's own shares as restricted stocks, and by 236 thousand shares due to exercise of the stock acquisition rights.

The changes in the number and class of issued stock and treasury stock for the year ended March 31, 2022, were as follows:

	Shares in Thousands			
	As of April 1, 2021	Changes During the Year		As of March 31, 2022
		Increase	Decrease	
Issued stock:				
Common stock	1,179,055	—	90,000*1	1,089,055
Total	1,179,055	—	90,000	1,089,055
Treasury stock:				
Common stock	19,143	80,609*2	90,453*3	9,299
Total	19,143	80,609	90,453	9,299

\*1 The number of issued stock decreased due to retirement of treasury stock in accordance with Article 178 of the Companies Act.

\*2 The number of shares of treasury stock increased by 80,601 thousand shares due to purchase of the Company's own shares, 2 thousand shares due to purchases of shares less than the trading unit, and 6 thousand shares due to acquisitions of restricted stocks without charge.

\*3 The number of shares of treasury stock decreased by 1 thousand shares due to sales to shareholders in response to their demand to buy additional shares up to the trading unit, 338 thousand shares due to the disposal of the Company's own shares as restricted stocks, 113 thousand shares due to exercise of the stock acquisition rights, and 90,000 thousand shares due to retirement of treasury stock.

(2) Cash Dividends Per Share

Cash dividends per share for the years ended March 31, 2023 and 2022, were as follows:

Year ended March 31, 2023

Dividends paid in the fiscal year ended March 31, 2023

	Total Amount (Millions of Yen/ Thousands of U.S. Dollars)	Per Share Amount (Yen /U.S. Dollars)	Dividend Record Date	Effective Date
Cash dividends approved at the Board of Directors' meeting held on May 13, 2022:				
Common stock	¥5,938 (\$44,541)	¥5.50 (\$0.04)	Mar. 31, 2022	Jun. 2, 2022
Cash dividends approved at the Board of Directors' meeting held on Nov. 11, 2022:				
Common stock	¥5,942 (\$44,570)	¥5.50 (\$0.04)	Sep. 30, 2022	Dec. 2, 2022

Dividends to be paid after March 31, 2023

	Total Amount (Millions of Yen /Thousands of U.S. Dollars)	Per Share Amount (Yen /U.S. Dollars)	Dividend Record Date	Effective Date
Cash dividends approved at the Board of Directors' meeting held on May 12, 2023:				
Common stock	¥5,854 (\$43,909)	¥5.50 (\$0.04)	Mar. 31, 2023	Jun. 2, 2023

Year ended March 31, 2022:

Dividends paid in the fiscal year ended March 31, 2022

	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Cash dividends approved at the Board of Directors' meeting held on May 12, 2021:				
Common stock	¥6,379	¥5.50	Mar. 31, 2021	Jun. 2, 2021
Cash dividends approved at the Board of Directors' meeting held on Nov. 12, 2021:				
Common stock	¥6,051	¥5.50	Sep. 30, 2021	Dec. 2, 2021

Dividends to be paid after March 31, 2022

	Total Amount (Millions of Yen)	Per Share Amount (Yen)	Dividend Record Date	Effective Date
Cash dividends approved at the Board of Directors' meeting held on May 13, 2022:				
Common stock	¥5,938	¥5.50	Mar. 31, 2022	Jun. 2, 2022

15. STOCK OPTIONS

The Company's stock option plans grant options to directors and others to purchase certain shares of the Company's common stock in the respective exercise periods.

The stock options outstanding as of March 31, 2023, were as follows:

Stock Options	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price	Exercise Period
Mebuki Financial Group, Inc. 1st Series of Stock Acquisition Rights*1	10 directors of Joyo*2	16,833	August 24, 2009*3	¥1	From October 1, 2016, to August 24, 2039
Mebuki Financial Group, Inc. 2nd Series of Stock Acquisition Rights*1	10 directors of Joyo*2	23,634	July 21, 2010*3	¥1	From October 1, 2016, to July 21, 2040
Mebuki Financial Group, Inc. 3rd Series of Stock Acquisition Rights*1	10 directors of Joyo*2	43,430	July 20, 2011*3	¥1	From October 1, 2016, to July 20, 2041
Mebuki Financial Group, Inc. 5th Series of Stock Acquisition Rights*1	10 directors of Joyo*2	42,024	July 19, 2012*3	¥1	From October 1, 2016, to July 19, 2042
Mebuki Financial Group, Inc. 7th Series of Stock Acquisition Rights*1	10 directors of Joyo*2	39,241	July 18, 2013*3	¥1	From October 1, 2016, to July 18, 2043
Mebuki Financial Group, Inc. 9th Series of Stock Acquisition Rights*1	10 directors of Joyo*2	40,656	July 18, 2014*3	¥1	From October 1, 2016, to July 18, 2044
Mebuki Financial Group, Inc. 11th Series of Stock Acquisition Rights*1	10 directors of Joyo*2	40,041	July 17, 2015*3	¥1	From October 1, 2016, to July 17, 2045
Mebuki Financial Group, Inc. 13th Series of Stock Acquisition Rights	29 directors of the Company, Joyo and Ashikaga	142,176	December 6, 2016	¥1	From December 7, 2016, to December 6, 2046
Mebuki Financial Group, Inc. 14th Series of Stock Acquisition Rights	16 executive officers of Joyo	63,910	December 6, 2016	¥1	From December 7, 2016, to December 6, 2046
Mebuki Financial Group, Inc. 15th Series of Stock Acquisition Rights	29 directors of the Company, Joyo and Ashikaga	135,990	August 9, 2017	¥1	From August 10, 2017, to August 9, 2047
Mebuki Financial Group, Inc. 16th Series of Stock Acquisition Rights	16 executive officers of Joyo	62,024	August 9, 2017	¥1	From August 10, 2017, to August 9, 2047
Mebuki Financial Group, Inc. 17th Series of Stock Acquisition Rights	24 directors of the Company, Joyo and Ashikaga	127,508	August 14, 2018	¥1	From August 15, 2018, to August 14, 2048
Mebuki Financial Group, Inc. 18th Series of Stock Acquisition Rights	34 executive officers of Joyo and Ashikaga	147,282	August 14, 2018	¥1	From August 15, 2018, to August 14, 2048
Mebuki Financial Group, Inc. 19th Series of Stock Acquisition Rights	23 executive officers of Joyo and Ashikaga	201,104	August 20, 2019	¥1	From August 21, 2019, to August 20, 2049
Mebuki Financial Group, Inc. 20th Series of Stock Acquisition Rights	29 executive officers of Joyo and Ashikaga	193,295	August 20, 2019	¥1	From August 21, 2019, to August 20, 2049

\*1 As a result of the share exchange conducted between the Company and Joyo on October 1, 2016, stock acquisition rights of the Company were allotted to the holders of stock acquisition rights of Joyo based on the share exchange ratio.

\*2 The number is initially granted by Joyo.

\*3 The date is initially granted by Joyo.

The stock option activity was as follows:

*Year ended March 31, 2023*

	Mebuki FG 1st	Mebuki FG 2nd	Mebuki FG 3rd	Mebuki FG 5th
Non-vested (shares):				
April 1, 2022 — Outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2023 — Outstanding	—	—	—	—
Vested (shares):				
April 1, 2022 — Outstanding	6,733	9,453	14,040	13,586
Vested	—	—	—	—
Exercised	6,733	9,453	14,040	13,586
Canceled	—	—	—	—
March 31, 2023 — Outstanding	—	—	—	—
Exercise price	¥1	¥1	¥1	¥1
(Yen/US Dollars)	\$0.01	\$0.01	\$0.01	\$0.01
Average stock price at exercise	¥262	¥262	¥262	¥262
(Yen/US Dollars)	\$1.97	\$1.97	\$1.97	\$1.97
Fair value price at grant date	¥417	¥297	¥300	¥310
(Yen/US Dollars)	\$3.13	\$2.23	\$2.25	\$2.33

	Mebuki FG 7th	Mebuki FG 9th	Mebuki FG 11th	Mebuki FG 13th
Non-vested (shares):				
April 1, 2022 — Outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2023 — Outstanding	—	—	—	—
Vested (shares):				
April 1, 2022 — Outstanding	12,466	12,916	9,495	27,440
Vested	—	—	—	—
Exercised	8,130	8,424	6,193	8,208
Canceled	—	—	—	—
March 31, 2023— Outstanding	4,336	4,492	3,302	19,232
Exercise price	¥1	¥1	¥1	¥1
(Yen/US Dollars)	\$0.01	\$0.01	\$0.01	\$0.01
Average stock price at exercise	¥262	¥262	¥262	¥262
(Yen/US Dollars)	\$1.97	\$1.97	\$1.97	\$1.97
Fair value price at grant date	¥518	¥500	¥680	¥345
(Yen/US Dollars)	\$3.89	\$3.75	\$5.10	\$2.59

	Mebuki FG 14th	Mebuki FG 15th	Mebuki FG 16th	Mebuki FG 17th
Non-vested (shares):				
April 1, 2022 — Outstanding	—	—	—	—
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2023 — Outstanding	—	—	—	—
Vested (shares):				
April 1, 2022 — Outstanding	7,700	32,964	14,768	58,226
Vested	—	—	—	—
Exercised	7,700	13,199	7,384	19,710
Canceled	—	—	—	—
March 31, 2023 — Outstanding	—	19,765	7,384	38,516
Exercise price	¥1	¥1	¥1	¥1
(Yen/US Dollars)	\$0.01	\$0.01	\$0.01	\$0.01
Average stock price at exercise	¥258	¥262	¥258	¥262
(Yen/US Dollars)	\$1.94	\$1.97	\$1.94	\$1.97
Fair value price at grant date	¥374	¥360	¥390	¥319
(Yen/US Dollars)	\$2.81	\$2.70	\$2.93	\$2.39

	Mebuki FG 18th	Mebuki FG 19th	Mebuki FG 20th
Non-vested (shares):			
April 1, 2022 — Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2023 — Outstanding	—	—	—
Vested (shares):			
April 1, 2022 — Outstanding	41,370	102,225	102,102
Vested	—	—	—
Exercised	24,822	32,998	56,287
Canceled	—	—	—
March 31, 2023 — Outstanding	16,548	69,227	45,815
Exercise price	¥1	¥1	¥1
(Yen/US Dollars)	\$0.01	\$0.01	\$0.01
Average stock price at exercise	¥259	¥262	¥259
(Yen/US Dollars)	\$1.94	\$1.97	\$1.94
Fair value price at grant date	¥348	¥179	¥206
(Yen/US Dollars)	\$2.61	\$1.34	\$1.55

**The Method Used to Estimate the Number of Stock Options Expected to Vest**

Since it is difficult to rationally estimate the number of unexercised options in the future, a method of only reflecting actual unexercised options is adopted.



16. PER SHARE OF COMMON STOCK

(1) EPS

Reconciliation of the differences between basic and diluted EPS for the years ended March 31, 2023 and 2022, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares		EPS
Year Ended March 31, 2023				
Basic EPS —				
Net income available to common shareholders.....	¥32,176	1,075,922	¥29.90	\$0.22
Effect of dilutive securities:				
Warrants .....	—	267	—	—
Diluted EPS —				
Net income for computation .....	¥32,176	1,076,190	¥29.89	\$0.22

Year Ended March 31, 2022				
Basic EPS —				
Net income available to common shareholders.....	¥42,958	1,102,355	¥38.96	
Effect of dilutive securities				
Warrants.....	—	466	—	
Diluted EPS —				
Net income for computation .....	¥42,958	1,102,822	¥38.95	

(2) Total equity per share

Total equity per share as of March 31, 2023 and 2022, was as follows:

	Yen		U.S. Dollars
	2023	2022	2023
Total equity per share.....	¥849.92	¥888.10	\$6.37

Total equity per share as of March 31, 2023 and 2022, is calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Total equity.....	¥904,779	¥959,063	\$6,786,017
Deductions from total equity .....	93	130	703
Stock acquisition rights .....	62	130	467
Non-controlling interests .....	31	—	236
Total equity attributable to common shareholders.....	¥904,685	¥958,932	\$6,785,314

	Number of Shares in Thousands	
	2023	2022
Number of shares of common stock used in computing total equity per share at year-end .....	1,064,433	1,079,755

17. OTHER INCOME

Other income for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Gain on sales of stock and other securities .....	¥45,495	¥ 7,320	\$341,227
Recoveries of write-off of claims .....	2,662	3,863	19,972
Gain on disposal of fixed assets .....	241	261	1,809
Other .....	34,856	36,177	261,433
Total .....	¥83,256	¥47,623	\$624,442

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Salaries and allowances .....	¥ 50,832	¥ 51,227	\$381,252
Periodic benefit costs .....	1,796	4,870	13,472
Other .....	54,388	58,526	407,922
Total.....	¥107,016	¥114,624	\$802,646

19. OTHER EXPENSES

Other expenses for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Loss on sales of stocks and other securities .....	¥ 1,445	¥ 3,474	\$ 10,843
Write-off of loans .....	4,296	5,368	32,221
Impairment on fixed assets* .....	438	3,814	3,290
Loss on disposal of fixed assets .....	479	684	3,594
Other .....	33,927	34,846	254,463
Total.....	¥40,587	¥48,189	\$304,412

\* Impairment losses on long-lived assets were recognized mainly on the properties of the Bank’s branches in the Tochigi and Ibaraki prefectures, whose operations were discontinued because the Company believed the investment would not be recoverable. The components of impairment losses on fixed assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Buildings.....	¥207	¥ 371	\$1,555
Land .....	51	2,757	384
Equipment .....	109	313	819
Software .....	17	372	129
Water supply subscription rights .....	0	0	0
Leasehold interests in land.....	53	—	402

As for the operating assets of the Company, consolidated banking subsidiaries and the others, business branches are grouped into a certain region based on the complementarity of cash flows. As for the idle assets, each asset is treated as separate units. In addition, headquarters, administrative centers, dormitories, corporate housings, and welfare facilities are treated as a corporate assets because they do not generate independent cash flows. The recoverable amount is mainly calculated based on the net sale value by deducting the estimated disposal cost from the real estate appraisal value, etc.

20. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 30.62% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards, which result in deferred tax assets and liabilities, as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Allowance for loan losses .....	¥ 32,987	¥ 33,750	\$ 247,410
Write-offs of securities .....	8,968	8,964	67,262
Unrealized losses on available-for-sale securities.....	3,250	—	24,378
Liability for retirement benefits .....	2,922	4,895	21,917
Provision for employee bonuses .....	1,879	1,904	14,100
Tax loss carryforwards .....	1,397	1,441	10,480
Depreciation.....	677	872	5,080
Provision for reimbursement of deposits .....	594	664	4,457
Other .....	9,826	10,596	73,702
Subtotal deferred tax assets.....	62,503	63,088	468,786
Less valuation allowance.....	(13,048)	(13,261)	(97,867)
Total deferred tax assets .....	49,454	49,827	370,919
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities.....	(15,218)	(45,139)	(114,141)
Retirement benefit trust .....	(3,937)	(4,467)	(29,533)
Other .....	(10,271)	(9,322)	(77,035)
Total deferred tax liabilities .....	(29,427)	(58,929)	(220,709)
Net deferred tax assets (liabilities) .....	¥ 20,027	¥ (9,102)	\$ 150,210

Since the difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting is equal to or less than 5% of the legally effective tax rate, a reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2023 and 2022, is omitted.

As the Company and some subsidiaries have adopted the group tax sharing system since the current fiscal year, the accounting treatment and disclosure of corporate tax and local corporate tax as well as tax-effect accounting relating to these taxes are in accordance with the “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (ASBJ Guidance No. 42, August 12, 2021).

21. LEASES

Future minimum payments under noncancelable operating leases as of March 31, 2023 and 2022, were as follows:

Lessee

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year .....	¥ 94	¥ 82	\$ 706
Due after one year .....	46	54	347
Total .....	¥140	¥137	\$1,053

Lessor

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year .....	¥ 7	¥ 8	\$ 53
Due after one year .....	8	12	63
Total .....	¥15	¥20	\$117

22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Matters Relating to the Conditions of Financial Instruments

(1) Group Policies for Financial Instruments

The Group provides comprehensive financial services, such as lease and securities centering on banking. As the central business operation of the Group, the consolidated banking subsidiaries raise funds by deposits as its basic function as a bank; the consolidated banking subsidiaries also procure funds by call money transactions from short-term markets to maintain an adequate degree of liquidity. The consolidated banking subsidiaries manage those funds through lending to corporate customers and individuals, such as housing loans; investing in securities, mainly bonds; and investing in money markets.

The Group utilizes Asset Liability Management (ALM) to avoid unfavorable floating interest rate fluctuation of the financial assets and liabilities it holds. As a part of ALM, the Group has entered into derivative transactions.

(2) Nature and Extent of Risks Arising from Financial Instruments

The Group’s financial assets are mainly loans made by the consolidated banking subsidiaries to domestic corporations and individuals in Japan, which are exposed not only to interest rate fluctuation risks but also to customers’ credit risks. Securities and investment securities, such as bonds, stocks, and investment trusts, are possessed to trade, to hold to maturity dates to generate stable interest income, and to promote business relationships with the issuers. These securities are exposed to the issuers’ credit risks, interest rate fluctuation risks, and market price fluctuation risks.

The Group’s main financial liabilities are deposits received by the consolidated banking subsidiaries, which are exposed to interest rate fluctuation risks and liquidity risks. Borrowed money and bonds are exposed to the risks that the Group may not be able to repay them on their maturity dates if, under certain circumstances, the Group is not able to access a capital market.

The consolidated banking subsidiaries utilize derivative transactions to hedge the customers’ interest and currency risks and to control the interest rate fluctuation risks in ALM. Derivatives transactions are utilized to hedge interest rate fluctuation risks, foreign currency exchange rate fluctuation risks, and market price fluctuation risks on the Group’s financial assets and liabilities. Derivatives mainly include interest rate swaps, currency swaps, and bond futures and are exposed to the interest rate fluctuation risks, market price fluctuation risks, foreign currency exchange rate fluctuation risks, and credit risks.

Hedge accounting is applied to certain derivatives.

In hedge transactions against foreign currency fluctuation risks, mainly currency swaps and foreign exchange swaps, the effectiveness of hedging is determined by confirming that the amount of the hedging instruments is generally consistent with that of the hedged items. Regarding an exceptional accounting treatment in interest rate swaps, post testing is conducted to confirm that requirements for the treatment are satisfied.

Derivatives transactions to which hedge accounting is not applied are exposed to interest rate fluctuation risks, foreign currency exchange rate fluctuation risks, price fluctuation risks, and credit risks.

(3) Risk Management for Financial Instruments

(a) Integrated Risk Management

The Group conducts integrated risk management to holistically control risks from various financial assets and liabilities and risks related to the banking business. More specifically, the periodically quantified risks of the Group are controlled so as to not exceed Tier 1 capital allocated by each risk category. The bank assesses unquantifiable risks using stress tests and other measures.

(b) Credit Risk Management

The Group has enacted “Group Guidelines for Credit Risk Management,” which provides for basic policies comprising appropriate credit exposure management on individual and portfolio bases. The portfolio-based credit exposure management involves diversification of risks.

Credit risk management divisions have been segregated from the divisions under business headquarters to achieve rigorous credit review and conduct monitoring of borrowers’ financial condition to prevent deterioration of loans.

In the self-assessments that evaluate the quality of assets, the Group designs and operates controls over self-assessment of the quality of assets which is performed in multiple steps. The assessment of the quality of assets performed by the business offices is reviewed by the credit-related divisions in the headquarters and then independently examined by the internal audit division.

As for credit risks of the issuers of securities and the counterparties of derivatives transactions, global markets and market operation divisions monitor credit information and market prices and give the issuers and counterparties credit ratings, as well as carry out assessments of the issuers and counterparties as general borrowers.

(c) Market Risk Management

① Market Risk Management Measures

The Group manages market risks by ALM. Risk management policies and procedures are prescribed in relevant ALM rules and manuals, and these policies decided in ALM/Risk Management Committee and so forth, are closely monitored and regularly discussed. Market risk is measured by using Value at Risk(VaR). In order not to exceed the limit, the ALM/Risk Management Committee monitors the status of conflicts and compliance with the limit on a monthly basis by setting the alarm points.

② Market Risk Quantitative information

(i) Banking Account

a. Interest Rate Risk

The Group adopts the variance-covariance method as the measurement method (a holding period of six months, a confidence interval of 99%, and an observation period of one year) for calculating VaR related to interest rate risk of loans and bills discounted, domestic bonds, deposits, borrowed money, corporate bonds, and derivatives, such as interest rate swaps. The Group uses the historical simulation method (a holding period of six months, a confidence interval of 99%, and an observation period of five years) for the calculation of VaR related to interest rate risk of foreign bonds, trust beneficiary right, market fund transaction, and derivatives like interest rate swaps and currency swaps.

As of March 31, 2023 and 2022, the Group’s VaR related to interest rate risks, which is a simple sum of its consolidated banking subsidiaries’ VaR, were ¥145,046 million (\$1,087,876 thousand) and ¥85,008 million, respectively.

b. Price Fluctuation Risk

The Group adopts the historical simulation method (a holding period of six months, a confidence interval of 99%, and an observation period of five years) for calculating VaR related to price fluctuation risk of listed equities and investment trust.

As of March 31, 2023 and 2022, the Group’s VaR related to price fluctuation risk, which is a simple sum of its consolidated banking subsidiaries’ VaR, were ¥146,050 million (\$1,095,404 thousand) and ¥142,684 million, respectively. Correlation between interest rate risk and price fluctuation risk has not been considered.

(ii) Trading Account

The Group adopts the historical simulation method (a holding period of 10 days, a confidence interval of 99%, and an observation period of five years) for calculating VaR related to trading securities; trading purpose foreign exchange transactions; and trading purpose derivatives, such as forward transactions and option transactions. As of March 31, 2023 and 2022, the Group’s VaR related to trading account, which is simple sum of its consolidated banking subsidiaries’ VaR, were ¥11 million (\$87 thousand) and ¥7 million, respectively.

(iii) Validity of VaR

The Group performs backtesting to compare VaR calculated by its internal measurement model with the actual profit and loss to confirm whether the model captures market risks with sufficient accuracy. However, there could be cases in which VaR cannot capture risks under sudden and dramatic changes in market conditions beyond normal circumstances since VaR is statistically calculated based on historical market fluctuation.

(d) Liquidity Risk Management

Under “Group Liquidity Risk Management Rules,” the Group conducts financing activities after fully analyzing its cash flows and strives to maintain the diversity and stability of funding sources while paying continuous attention to the consolidated balance sheet structure, lines of credit provided to the Group, collateral management, and costs to maintain the liquidity.

(4) Supplementary Explanation on Fair Values of Financial Instruments

The fair values of financial instruments are based on their market prices and, in cases where market prices are not readily available, reasonably calculated prices. Such prices have been calculated using certain assumptions and may differ if calculated based on different assumptions.

*Matters Relating to Fair Value of Financial Instruments and Others*

The carrying amounts in the consolidated balance sheet and the fair values of financial instruments, and unrealized gains or losses on them were as below as of March 31, 2023 and 2022. The table below does not include equity securities and other securities without readily available market prices or investments in partnerships and other investments. Notes to cash and due from banks, call loans and bills bought, foreign exchanges (assets and liabilities), call money and bills sold, payables under repurchase agreements, and payables under securities lending transactions are omitted because these are settled in the short term and their fair values approximate their carrying amounts. Immaterial line items are also omitted.

	Millions of Yen						Thousands of U.S. Dollars		
	2023			2022			2023		
	Carrying Amount	Fair Value	Unrealized Gains/Losses	Carrying Amount	Fair Value	Unrealized Gains/Losses	Carrying Amount	Fair Value	Unrealized Gains/Losses
(1) Securities:									
Held-to-maturity securities .....	¥ 161,861	¥ 161,043	¥ (817)	¥ 158,914	¥ 158,410	¥ (503)	\$ 1,213,989	\$ 1,207,860	\$ (6,129)
Available-for-sale securities.....	3,452,358	3,452,358	—	4,481,342	4,481,342	—	25,893,338	25,893,338	—
(2) Loans and bills discounted.....	12,436,196			11,737,377			93,273,807		
Allowance for loan losses*1 .....	(86,669)			(87,958)			(650,036)		
Net.....	12,349,527	12,356,898	7,371	11,649,418	11,707,670	58,252	92,623,770	92,679,055	55,284
Total assets .....	¥15,963,747	¥15,970,301	¥6,553	¥16,289,675	¥16,347,424	¥57,748	\$119,731,097	\$119,780,252	\$49,155
(1) Deposits .....	¥17,137,285	¥17,137,335	¥ (49)	¥16,825,736	¥16,825,818	¥ (82)	\$128,532,855	\$128,533,229	\$ (374)
(2) Negotiable certificates of deposit.....	371,289	371,289	—	310,724	310,724	—	2,784,739	2,784,739	—
(3) Borrowed money .....	2,000,858	2,000,857	1	3,795,700	3,795,696	3	15,006,817	15,006,808	9
Total liabilities .....	¥19,509,433	¥19,509,482	¥ (48)	¥20,932,161	¥20,932,239	¥ (78)	\$146,324,412	\$146,324,776	\$ (364)
Derivative instruments*2 :									
Hedge accounting is not applied .....	¥ 1,158	¥ 1,158	¥ —	¥ 2,020	¥ 2,020	¥ —	\$ 8,688	\$ 8,688	\$ —
Hedge accounting is applied*3 .....	(20,779)	(20,779)	—	(18,762)	(18,762)	—	(155,854)	(155,854)	—
Total derivative instruments .....	¥ (19,621)	¥ (19,621)	¥ —	¥ (16,741)	¥ (16,741)	¥ —	\$ (147,166)	\$ (147,166)	\$ —

\*1 Allowances for loan losses relevant to loans and bills discounted have been deducted.

\*2 Derivative instruments recorded as trading assets, trading liabilities, other assets, and other liabilities include derivative transactions. Derivative instruments are presented as net of assets and liabilities associated with derivative transactions.

\*3 Interest rate swaps, currency swaps, and other derivative contracts have been designated as hedging instruments to fix cash flows of financial assets, including loans and bills discounted and securities, and financial liabilities being hedged, offset changes in fair values, or reduce or eliminate foreign currency exchange rate fluctuation risks. Deferral hedge accounting and exceptional accrual method have been applied to these swaps. The “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (Practical Solution No. 40, March 17, 2022) has been applied to these hedging relationships.

(a) The table below shows the carrying amounts of equity securities and other securities without readily available market prices and investments in partnerships and other investments in the consolidated balance sheet. These line items are not included in “Available-for-sale securities” stated in information on fair values of financial instruments.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Equity securities without readily available market price*1*2 .....	¥ 4,350	¥ 4,075	\$ 32,631
Investments in partnerships*3 .....	43,739	37,968	328,053

\*1 Based on Item 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020), equity securities without readily available market prices are out of the scope of the fair value disclosure.

\*2 During the year ended March 31, 2023, impairment losses on equity securities without readily available market price of ¥20 million (\$152) were recognized.

\*3 Based on Item 24-16 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter the “Fair Value Measurement Guidance”), investments in partnerships and other investments are out of the scope of the fair value disclosure.

(b) The scheduled redemption amounts of monetary claims and securities with contractual maturities after the consolidated balance sheet date

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
March 31, 2023						
Securities:						
Held-to-maturity securities .....	¥ 27,941	¥ 45,295	¥ 26,581	¥ 54,113	¥ 151	¥ 1,000
Japanese national government bonds.....	—	—	—	50,000	—	—
Japanese local government bonds .....	150	300	150	—	—	—
Japanese corporate bonds.....	27,791	44,995	26,431	4,113	151	1,000
Available-for-sale securities with contractual maturities.....	253,270	472,169	551,095	271,345	565,854	1,038,765
Japanese national government bonds.....	—	35,228	—	41,150	—	267,243
Japanese local government bonds .....	156,207	272,824	288,539	100,629	125,672	79,802
Japanese corporate bonds.....	42,972	108,772	50,498	27,913	25,882	428,097
Foreign currency bonds .....	41,032	32,177	148,198	57,176	134,795	228,512
Other.....	13,057	23,166	63,858	44,476	279,504	35,109
Loans and bills discounted*1 .....	3,063,510	1,990,579	1,548,104	1,033,859	1,121,934	3,263,101
Total .....	¥3,344,722	¥2,508,044	¥2,125,780	¥1,359,319	¥1,687,939	¥4,302,866



Millions of Yen						
March 31, 2022	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Securities:						
Held-to-maturity securities .....	¥ 27,788	¥ 42,108	¥ 24,832	¥ 5,158	¥ 50,219	¥ 1,000
Japanese national government bonds.....	—	—	—	—	50,000	—
Japanese local government bonds .....	150	300	150	—	—	—
Japanese corporate bonds.....	27,638	41,808	24,682	5,158	219	1,000
Available-for-sale securities with contractual maturities.....	308,295	620,618	471,895	670,656	621,013	1,362,174
Japanese national government bonds.....	25,000	35,000	—	41,150	—	654,300
Japanese local government bonds .....	124,605	307,222	232,353	188,829	136,272	72,464
Japanese corporate bonds.....	114,339	103,425	59,399	23,087	44,260	420,639
Foreign currency bonds .....	42,767	126,839	129,035	348,916	178,659	149,867
Other.....	1,582	48,132	51,107	68,673	261,821	64,903
Loans and bills discounted*2 .....	2,774,168	1,892,049	1,458,429	990,559	1,074,932	3,156,713
Total .....	¥3,110,252	¥2,554,776	¥1,955,158	¥1,666,374	¥1,746,165	¥4,519,887

Thousands of U.S. Dollars						
March 31, 2023	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Securities:						
Held-to-maturity securities .....	\$ 209,568	\$ 339,723	\$ 199,363	\$ 405,863	\$ 1,133	\$ 7,500
Japanese national government bonds.....	—	—	—	375,009	—	—
Japanese local government bonds .....	1,125	2,250	1,125	—	—	—
Japanese corporate bonds.....	208,443	337,473	198,238	30,854	1,133	7,500
Available-for-sale securities with contractual maturities.....	1,899,575	3,541,362	4,133,317	2,035,144	4,244,016	7,790,933
Japanese national government bonds.....	—	264,217	—	308,633	—	2,004,373
Japanese local government bonds .....	1,171,589	2,046,236	2,164,099	754,741	942,564	598,532
Japanese corporate bonds.....	322,305	815,818	378,750	209,353	194,126	3,210,812
Foreign currency bonds .....	307,748	241,341	1,111,516	428,832	1,010,993	1,713,885
Other.....	97,933	173,751	478,952	333,585	2,096,333	263,331
Loans and bills discounted*1 .....	22,976,901	14,929,718	11,611,071	7,754,144	8,414,716	24,473,876
Total .....	\$25,086,043	\$18,810,803	\$15,943,751	\$10,195,150	\$12,659,865	\$32,272,309

\*1 As of March 31, 2023, loans and bills discounted with no contractual maturities amounting to ¥250,733 million (\$1,880,551 thousand) and loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥164,373 million (\$1,232,831 thousand) are not included.

\*2 As of March 31, 2022, loans and bills discounted with no contractual maturities amounting to ¥226,801 million and loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥163,722 million are not included.

(c) The scheduled repayment amounts of borrowed money and other interest-bearing liabilities after the consolidated balance sheet date

Millions of Yen						
March 31, 2023	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits *1 .....	¥16,146,991	¥829,824	¥112,391	¥22,463	¥25,615	¥—
Negotiable certificates of deposit.....	371,289	—	—	—	—	—
Borrowed money.....	1,790,685	124,105	86,054	3	5	4
Total .....	¥18,308,965	¥953,929	¥198,446	¥22,467	¥25,620	¥ 4

Millions of Yen						
March 31, 2022	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits *1 .....	¥15,818,465	¥879,596	¥ 96,758	¥6,050	¥24,863	¥—
Negotiable certificates of deposit.....	310,724	—	—	—	—	—
Borrowed money.....	3,584,657	117,123	93,903	3	5	6
Total .....	¥19,713,847	¥996,720	¥190,662	¥6,054	¥24,869	¥ 6

Thousands of U.S. Dollars						
March 31, 2023	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits *1 .....	\$121,105,461	\$6,223,838	\$ 842,959	\$168,479	\$192,117	\$—
Negotiable certificates of deposit.....	2,784,739	—	—	—	—	—
Borrowed money.....	13,430,476	930,813	645,424	28	42	35
Total .....	\$137,320,677	\$7,154,651	\$1,488,383	\$168,507	\$192,159	\$35

\*1 In deposits, the cash flow of demand deposits is included in "Due in one year or less."

#### Matters Relating to Breakdown by Level of the Fair Value Hierarchy of Financial Instruments

The fair values of financial instruments are classified into the following three levels according to the observability and significance of the inputs used for fair value measurement.

Level 1 fair value:	Fair value measured by quoted prices of the assets or liabilities being measured that are developed in active markets among the observable inputs for fair value measurement
Level 2 fair value:	Fair value measured by inputs for fair value measurement other than the Level 1 inputs among the observable inputs for fair value measurement
Level 3 fair value:	Fair value measured by unobservable inputs for fair value measurement

If multiple inputs that significantly impact the fair value measurement are used, the fair value is classified into the level with the lowest priority in the fair value measurement among the levels to which those inputs belong.

(1) Financial instruments recorded at fair value in the consolidated balance sheet

Millions of Yen				
Fair Value				
March 31, 2023	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities				
Japanese national government bonds.....	¥340,152	¥ —	¥ —	¥ 340,152
Japanese local government bonds.....	—	1,023,786	—	1,023,786
Japanese corporate bonds .....	—	599,546	80,561	680,108
Equity securities .....	194,286	17,057	—	211,344
Foreign currency bonds.....	55,370	447,829	119,627	622,827
Other .....	125,473	448,365	—	573,839
Derivative transactions:				
Interest rate-related .....	—	9,726	—	9,726
Currency-related .....	—	12,820	—	12,820
Other .....	—	—	59	59
Total assets .....	¥715,283	¥2,559,132	¥200,248	¥3,474,665
Derivative transactions:				
Interest rate-related .....	¥ —	¥ 4,273	¥ —	¥ 4,273
Currency-related .....	—	37,887	—	37,887
Bond-related .....	7	—	—	7
Other .....	—	—	59	59
Total liabilities .....	¥ 7	¥ 42,160	¥ 59	¥ 42,227

Thousands of U.S. Dollars				
Fair Value				
March 31, 2023	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities				
Japanese national government bonds.....	\$2,551,207	\$ —	\$ —	\$ 2,551,207
Japanese local government bonds.....	—	7,678,589	—	7,678,589
Japanese corporate bonds .....	—	4,496,714	604,225	5,100,939
Equity securities .....	1,457,189	127,938	—	1,585,126
Foreign currency bonds.....	415,289	3,358,804	897,230	4,671,324
Other .....	941,077	3,362,825	—	4,303,902
Derivative transactions:				
Interest rate-related .....	—	72,949	—	72,949
Currency-related .....	—	96,154	—	96,154
Other .....	—	—	448	448
Total assets .....	\$5,364,762	\$19,193,974	\$1,501,904	\$26,060,640
Derivative transactions:				
Interest rate-related .....	\$ —	\$ 32,049	\$ —	\$32,049
Currency-related .....	—	284,166	—	284,166
Bond-related .....	54	—	—	54
Other .....	—	—	449	449
Total liabilities .....	\$ 54	\$ 316,215	\$ 449	\$ 316,717

The table above does not include the investment trusts and other securities to which the measures of net asset value of investment trusts as fair value have been applied, which are set forth in Item 24-9 of the Fair Value Measurement Guidance. The amount of the investment trusts and other securities in the consolidated balance sheet is ¥300 million (\$2,250 thousand).

March 31, 2022	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Available-for-sale securities				
Japanese national government bonds .....	¥ 754,006	¥ —	¥ —	¥ 754,006
Japanese local government bonds.....	—	1,065,641	—	1,065,641
Japanese corporate bonds .....	—	676,378	90,242	766,620
Equity securities .....	240,860	13,326	—	254,187
Foreign currency bonds.....	100,105	803,878	63,371	967,355
Derivative transactions:				
Interest rate-related .....	—	6,988	—	6,988
Currency-related .....	—	7,475	—	7,475
Equity-related .....	—	1,136	—	1,136
Bond-related .....	2	—	—	2
Other .....	—	—	63	63
Total assets .....	¥1,094,975	¥2,574,826	¥153,676	¥3,823,478
Derivative transactions:				
Interest rate-related .....	¥ —	¥ 1,710	¥ —	¥ 1,710
Currency-related .....	—	30,635	—	30,635
Other .....	—	—	63	63
Total liabilities .....	¥ —	¥ 32,345	¥ 63	¥ 32,408

\*The table above does not include the investment trusts and other securities to which the transitional measures have been applied, which are set forth in Item 26 of the Fair Value Measurement Guidance. The amount of the investment trusts and other securities in the consolidated balance sheet is ¥673,530 million.

(2) Financial instruments other than those recorded at fair value in the consolidated balance sheet

March 31, 2023	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity securities				
Japanese national government bonds .....	¥56,272	¥ —	¥ —	¥ 56,272
Japanese local government bonds.....	—	599	—	599
Japanese corporate bonds .....	—	2,586	101,585	104,172
Loans and bills discounted .....	—	—	12,356,898	12,356,898
Total assets .....	¥56,272	¥ 3,185	¥12,458,484	¥12,517,942
Deposits				
Deposits .....	¥ —	¥17,137,335	¥ —	¥17,137,335
Negotiable certificates of deposit.....	—	371,289	—	371,289
Borrowed money .....	—	2,000,857	—	2,000,857
Total liabilities .....	¥ —	¥19,509,482	¥ —	¥19,509,482

March 31, 2023	Thousands of U.S. Dollars			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity securities				
Japanese national government bonds .....	\$422,054	\$ —	\$ —	\$ 422,054
Japanese local government bonds.....	—	4,494	—	4,494
Japanese corporate bonds .....	—	19,399	761,913	781,311
Loans and bills discounted .....	—	—	92,679,055	92,679,055
Total assets .....	\$422,054	\$ 23,893	\$93,440,967	\$ 93,886,914
Deposits				
Deposits .....	\$ —	\$128,533,229	\$ —	\$128,533,229
Negotiable certificates of deposit.....	—	2,784,739	—	2,784,739
Borrowed money .....	—	15,006,808	—	15,006,808
Total liabilities .....	\$ —	\$146,324,776	\$ —	\$146,324,776

March 31, 2022	Millions of Yen			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Securities:				
Held-to-maturity securities				
Japanese national government bonds.....	¥57,450	¥ —	¥ —	¥ 57,450
Japanese local government bonds.....	—	599	—	599
Japanese corporate bonds .....	—	997	99,363	100,360
Loans and bills discounted .....	—	—	11,707,670	11,707,670
Total assets .....	¥57,450	¥ 1,597	¥11,807,034	¥11,866,081
Deposits				
Deposits .....	¥ —	¥16,825,818	¥ —	¥16,825,818
Negotiable certificates of deposit .....	—	310,724	—	310,724
Borrowed money .....	—	3,795,696	—	3,795,696
Total liabilities .....	¥ —	¥20,932,239	¥ —	¥20,932,239

(a) Explanation of valuation techniques and inputs used for fair value measurement

Assets

Securities

The fair values of securities for which unadjusted quoted prices in active markets are available are classified as Level 1, which mainly includes listed equities and Japanese national government bonds.

In case the markets are inactive even if the quoted prices are available, the fair values are classified as Level 2, which mainly includes Japanese local government bonds and Japanese corporate bonds.

The fair values of investment trusts for which there are no market transaction price are classified as Level 2 based on the net asset values if there are no significant restrictions on the level at which market participants are required to pay for the risk in relation to cancellation or repurchase requests.

In case the quoted prices are not available, the fair values are the prices valued by an information vendor, a broker or other sources of market information, or the prices determined by valuation techniques such as the discounted cash flow method. In valuing these prices, observable inputs are used to the maximum, which include market rates, government bond yields, credit spreads, default rates, and recovery rates. When the fair values are measured by significant unobservable inputs, they are classified as Level 3.

The fair values of private placement bonds are measured by reflecting default rates and other credit risk factors in the discounted present value determined by a discount rate adjusted for a market rate. As the discount rate and default rates are unobservable, the fair values are classified as Level 3.

The fair values of securitized products are based on valuations obtained from an information vendor, a broker or other sources of market information. These fair values are classified as Level 3 when significant unobservable inputs are used and as Level 2 when other inputs are used.

Loans and bills discounted

The fair values of loans and bills discounted are determined by discounting the principal and interest amount at the discount rate reflecting credit risk and other risks in market rates by categories according to the types, internal ratings and terms of the loans and bills discounted. The carrying amounts of loans and bills discounted with floating-interest rates approximate fair value when customers' credit risks have not changed significantly after lending because the market rates are promptly reflected in the floating-interest rates. The carrying amounts of loans and bills discounted with maturity less than one year approximate fair value because of their short maturities.

For loans to obligors classified as “legal bankruptcy,” “virtual bankruptcy,” and “possible bankruptcy,” an allowance is provided based on the discounted cash flow method or based on amounts expected to be collected through the disposal of collateral or execution of guarantees. The carrying value, net of the allowance as of the consolidated balance sheet date, is a reasonable estimate of the fair values of those loans.

The carrying amounts of loans and bills discounted that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, approximate fair value due to their expected repayment periods and interest rate conditions. These fair values are classified as Level 3.

Liabilities

Deposits and negotiable certificates of deposit

The fair values of demand deposits are the amounts paid immediately according to the demands on the consolidated balance sheet date. The fair values of time deposits are determined by discounting the contractual cash flows grouped by the remaining duration at the rates that would be applied for similar new contracts.

The carrying amounts of time deposits whose deposit terms are one year or less approximate fair value because of their short deposit terms. These fair values are classified as Level 2.

Borrowed money

The fair value of borrowed money is determined by discounting the principal and interest amount of the borrowed money grouped by the remaining duration at the rate that would be applied for similar new contracts. The carrying amount of borrowed money with a floating-interest rate is considered to approximate fair value because the market rate is promptly reflected in the floating-interest rate and the credit risks of the Company and its consolidated subsidiaries have not changed significantly after lending. The carrying amount of borrowed money with maturity of one year or less approximates fair value because of its short maturity period. This fair value is classified as Level 2.

Derivatives

The fair values of derivatives for which unadjusted quoted prices in active markets are available are classified as Level 1, which mainly includes bond futures.

However, since most derivatives are over-the-counter transactions and there are no quoted prices, the fair values of derivatives are measured using valuation techniques, such as the discounted cash flow method and the Black-Scholes model, depending on the type of transaction and the maturity period. The main inputs used in those valuation techniques include interest rates, currency rates, stock prices, and volatility. Price adjustments are also made based on the credit risk of counterparties and the credit risk of the consolidated banking subsidiaries themselves. When unobservable inputs are not used or the impact of unobservable inputs is not material, the fair values are classified as Level 2, which includes such transactions as plain vanilla interest rate swaps and forward exchange contracts. When significant unobservable inputs are used, the fair values are classified as Level 3.



(b) Information on Level 3 fair value of financial instruments recorded at fair value in the consolidated balance sheet

(1) Quantitative information on significant unobservable inputs

March 31, 2023	Valuation Technique	Significant Unobservable Input	Input Range	Weighted-Average Input
Securities:				
Available-for-sale securities				
Japanese corporate bonds	Discounted cash flow method	Discount rate Default rate	0.445% — 0.852% 0.030% — 8.306%	0. 535% 0. 202%
March 31, 2022	Valuation Technique	Significant Unobservable Input	Input Range	Weighted-Average Input
Securities:				
Available-for-sale securities				
Japanese corporate bonds	Discounted cash flow method	Discount rate Default rate	0.206% — 0.332% 0.030% — 8.306%	0.230% 0.238%

(2) Changes from the beginning balance to the ending balance, and unrealized gains or losses recognized in income or loss

Millions of Yen								
March 31, 2023	Beginning Balance	Income/Loss or Other Comprehensive Income for the Year			Net of Purchase, Sale, Issuance and Settlement	Transfer to Level 3 Fair Value	Transfer from Level 3 Fair Value	Unrealized Gains/Losses on Financial Assets and Financial Liabilities Held as of the Consolidated Balance Sheet Date, Which are Recorded in Income/Loss for the Year
		Recorded in Income/Loss* <sup>1</sup>	Recorded in Other Comprehensive Income* <sup>2</sup>	Ending Balance				
Securities:								
Available-for-sale securities								
Japanese corporate bonds.....	¥90,242	¥ 1	¥(280)	¥ (9,401)	¥—	¥—	¥ 80,561	¥ —
Equity securities.....	63,371	4,958	(955)	52,253	—	—	119,627	4,987
Derivative transactions:.....								
Other.....	(0)	(0)	—	—	—	—	(0)	—
Millions of Yen								
March 31, 2022	Beginning Balance	Income/Loss or Other Comprehensive Income for the Year			Net of Purchase, Sale, Issuance and Settlement	Transfer to Level 3 Fair Value	Transfer from Level 3 Fair Value	Unrealized Gains/Losses on Financial Assets and Financial Liabilities Held as of the Consolidated Balance Sheet Date, Which are Recorded in Income/Loss for the Year
		Recorded in Income/Loss* <sup>1</sup>	Recorded in Other Comprehensive Income* <sup>2</sup>	Ending Balance				
Securities:								
Available-for-sale securities								
Japanese corporate bonds.....	¥93,499	¥ (0)	¥(418)	¥(2,838)	¥—	¥—	¥90,242	¥ —
Equity securities.....	56,484	6,155	(219)	951	—	—	63,371	6,205
Derivative transactions:.....								
Other.....	(0)	0	—	—	—	—	(0)	—
Thousands of U.S. Dollars								
March 31, 2023	Beginning Balance	Income/Loss or Other Comprehensive Income for the Year			Net of Purchase, Sale, Issuance and Settlement	Transfer to Level 3 Fair Value	Transfer from Level 3 Fair Value	Unrealized Gains/Losses on Financial Assets and Financial Liabilities Held as of the Consolidated Balance Sheet Date, Which are Recorded in Income/Loss for the Year
		Recorded in Income/Loss* <sup>1</sup>	Recorded in Other Comprehensive Income* <sup>2</sup>	Ending Balance				
Securities:								
Available-for-sale securities								
Japanese corporate bonds.....	\$676,834	\$ 8	\$(2,104)	\$ (70,513)	\$—	\$—	\$604,225	\$ —
Equity securities.....	475,299	37,188	(7,165)	391,908	—	—	897,230	37,404
Derivative transactions:.....								
Other.....	(0)	(0)	—	—	—	—	(0)	—

\*1 The amounts are included in "Interest and dividends on securities," "Other operating income," and "Other operating expenses" in the consolidated statement of income.

\*2 The amounts are included in "Unrealized gains (losses) on available-for-sale securities" in the consolidated statement of comprehensive income.

(3) Explanation of the fair value measurement process

In the Group, the middle and back offices at the consolidated banking subsidiaries have established a fair value measurement policy and procedures. The Group verifies the reasonableness of the valuation techniques and inputs used for fair value measurement and the appropriateness of the fair value-level classification for the measured fair values and level classification.

The Group uses valuation models that most appropriately reflect the nature, characteristics and risks of individual assets to measure their fair values. When using quoted prices obtained from third parties, the Group also verifies the reasonableness of the prices in an appropriate way; for example, examining valuation techniques and inputs used and comparing the prices with the fair values of similar financial instruments.

(4) Explanation of the impact on fair value when changing significant unobservable inputs

The significant unobservable inputs used to measure the fair values of private placement bonds are the discount rate and default rates. In general, a significant increase or decrease in these inputs causes a significant decrease or increase in these fair values.

23. DERIVATIVES

(1) Derivative Transactions to Which Hedge Accounting Is Not Applied as of March 31, 2023 and 2022

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value, and the related valuation gains (losses) at the fiscal year end date by transaction type and valuation method of fair value are described below. Note that contract amounts do not represent the market risk exposure associated with derivatives.

Consolidated banking subsidiaries had the following derivative contracts, which were quoted on listed exchanges, outstanding as of March 31, 2023 and 2022, as follows:

March 31, 2023	Millions of Yen				Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses
Bond-related transactions								
Bond futures:								
Sold .....	¥437	—	¥(7)	¥(7)	\$3,279	—	\$(54)	\$(54)
Bought .....	—	—	—	—	—	—	—	—
Total .....	—	—	¥(7)	¥(7)	—	—	\$(54)	\$(54)
March 31, 2022	Millions of Yen							
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gains/Losses				
Bond-related transactions								
Bond futures:								
Sold .....	¥601	—	¥2	¥2				
Bought .....	—	—	—	—				
Total .....	—	—	¥2	¥2				

Note: 1 The above transactions are stated at fair value, and the related valuation gains (losses) are reported in the consolidated statement of income.  
2 Fair values of above transactions are determined based on closing prices at the Osaka Exchange or other relevant exchanges.

Consolidated banking subsidiaries had the following derivative contracts, which were not quoted on listed exchanges, outstanding as of March 31, 2023 and 2022, are as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value*1*2	Unrealized Gains/Losses	Contract Amount	Contract Amount Due after One Year	Fair Value*1*2	Unrealized Gains/Losses
March 31, 2023								
Interest rate-related transactions								
Interest rate swaps:								
Receive fixed and pay floating .....	¥232,517	¥218,193	¥(2,348)	¥(2,348)	\$1,743,921	\$1,636,492	\$ (17,618)	\$ (17,618)
Receive floating and pay fixed .....	232,517	218,193	4,257	4,257	1,743,921	1,636,492	31,931	31,931
Cap transactions:								
Sold .....	1,633	958	(10)	17	12,249	7,192	(82)	133
Bought .....	1,633	958	11	(1)	12,249	7,192	84	(12)
Swaption:.....								
Sold .....	58,170	58,170	(512)	227	436,286	436,286	(3,841)	1,706
Bought .....	58,170	58,170	512	512	436,286	436,286	3,842	3,842
Total .....	—	—	¥ 1,908	¥2,664	—	—	\$ 14,316	\$ 19,982
Currency-related transactions								
Currency swaps.....	¥201,889	¥153,021	¥ 136	¥ 136	\$1,514,206	\$1,147,686	\$ 1,024	\$ 1,024
Forward exchange contracts:								
Sold .....	20,441	4,487	136	136	153,313	33,659	1,027	1,027
Bought .....	15,980	4,231	70	70	119,860	31,734	525	525
Currency option contracts:								
Sold .....	272,241	212,153	(9,824)	(3,772)	2,041,862	1,591,190	(73,683)	(28,296)
Bought .....	272,241	212,153	8,737	5,747	2,041,862	1,591,190	65,533	43,109
Total .....	—	—	¥ (743)	¥2,318	—	—	\$ (5,574)	\$ 17,389
Other transactions								
Earthquake derivatives: .....								
Sold .....	¥ 5,900	—	¥ (59)	—	\$ 44,251	—	\$ (449)	—
Bought .....	5,900	—	59	—	44,251	—	449	—
	—	—	¥ (0)	—	—	—	\$ (0)	—

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value*1*2	Unrealized Gains/Losses
March 31, 2022				
Interest rate-related transactions				
Interest rate swaps:				
Receive fixed and pay floating ....	¥189,153	¥182,728	¥ 708	¥ 708
Receive floating and pay fixed .....	189,153	182,728	1,254	1,254
Receive floating and pay floating ...	1,323	—	(2)	(2)
Cap transactions				
Sold .....	1,147	792	(3)	12
Bought .....	1,147	792	3	(3)
Swaption:				
Sold .....	26,220	26,220	(234)	(0)
Bought .....	26,220	26,220	234	234
Total .....	—	—	¥ 1,959	¥ 2,202
Currency-related transactions				
Currency swaps:.....	¥161,773	¥149,929	¥ 140	¥ 140
Forward exchange contracts:				
Sold .....	73,994	4,292	(3,545)	(3,545)
Bought .....	60,856	4,095	3,576	3,576
Currency option contracts:				
Sold .....	63,470	41,954	(1,456)	(184)
Bought .....	63,470	41,954	1,334	654
Total .....	—	—	¥49	¥ 642
Other transactions				
Earthquake derivatives:				
Sold .....	¥ 6,000	—	¥ (63)	—
Bought .....	6,000	—	63	—
	—	—	¥ (0)	—

Note: \*1 The above transactions are stated at fair value and the related valuation gains (losses) are reported in the consolidated statement of income.  
\*2 Fair values of above transactions are determined based on a discounted cash flow model, an option-pricing model, or other models as appropriate.  
\*3 Acquisition costs are regarded as fair value, as it is extremely difficult to determine the fair appraised value.

(2) Derivative Transactions to Which Hedge Accounting is Applied as of March 31, 2023 and 2022

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and fair value at the fiscal year end date by transaction type and hedge accounting method and valuation method of fair value are as follows. Note that contract amounts do not represent the market risk exposure associated with derivatives.

Consolidated banking subsidiaries had the following derivative contracts, which were accounted for based on the principle method, outstanding as of March 31, 2023 and 2022, as follows:

	Hedged Item	Millions of Yen			Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2023							
Interest rate-related transactions*1*4							
Interest rate swaps:							
Receive floating and pay fixed .....	Securities	¥119,999	¥119,999	¥ 3,544	\$ 900,019	\$900,019	\$ 26,584
Total .....		—	—	¥ 3,544	—	—	\$ 26,584
Currency-related transactions*2*5	Loans, securities, deposits, foreign exchanges, etc., which are denominated in foreign currencies						
Currency swaps.....		¥131,084	¥ 2,965	¥ (2,658)	\$ 983,155	\$ 22,241	\$ (19,942)
Forward exchange contracts .....		—	—	—	—	—	—
Foreign exchange swap .....		269,697	90,531	(21,665)	2,022,785	679,000	(162,496)
Total .....		—	—	¥(24,324)	—	—	\$(182,438)

	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2022				
Interest rate-related transactions*1*4				
Interest rate swaps:				
Receive floating and pay fixed .....		¥160,000	¥160,000	¥ 3,334
Receive floating and pay floating ....	Securities	30,000	—	(15)
Total .....		—	—	¥ 3,318
Currency-related transactions*2*5	Loans, securities, deposits, foreign exchanges, etc., which are denominated in foreign currencies			
Currency swaps.....		¥ 66,366	¥ 165	¥ (4,330)
Forward exchange contracts .....		—	—	—
Foreign exchange swap .....		231,309	125,726	(18,887)
Total .....		—	—	¥(23,218)
Equity-related transactions*3*6				
Stock forward contracts .....	Available-for-sale securities			
Sold .....		¥ 3,036	—	¥ 1,136
Total .....		—	—	¥ 1,136

Note: 1. Interest rate-related transactions are primarily accounted for using the deferral method in accordance with "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 24, February 13, 2002).  
2. Currency-related transactions are primarily accounted for using the deferral method in accordance with "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002).  
3. Equity-related transactions are accounted for using the deferral method.  
4. Fair values of exchange-traded transactions are determined based on closing prices at the Tokyo Financial Exchange or other relevant exchanges. Fair values of over-the-counter-traded transactions are determined based on a discounted cash flow model, an option-pricing model, or other models, as appropriate.  
5. Fair value is determined based on a discounted cash flow model.  
6. Fair value is determined based on prices provided by correspondent financial institutions.



Consolidated banking subsidiaries had the following derivative contracts, which were accounted for by the exceptional accrual method, outstanding as of March 31, 2023:

		Millions of Yen			Thousands of U.S. Dollars		
March 31, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate-related transactions							
Interest rate swaps:							
	Receive fixed and pay floating.....Loans and borrowed money	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
	Receive floating and pay fixed.....	5,199	5,199	456	39,000	39,000	3,421
	Total .....	—	—	¥456	—	—	\$3,421

		Millions of Yen		
March 31, 2022	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate-related transactions				
Interest rate swaps:				
	Receive fixed and pay floating.....Loans and borrowed money	¥ —	¥ —	¥ —
	Receive floating and pay fixed.....	11,489	4,772	182
	Total .....	—	—	¥182

The exceptional accrual method of hedge accounting, as specifically permitted for certain interest rate swaps, is valued with the hedged items as a whole so that the fair value is included in the fair value of borrowed money and loans and bills discounted ("Note 22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (5) Fair Values of Financial Instruments").

24. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized gains (losses) on available-for-sale securities:			
Losses arising during the year .....	¥(142,434)	¥(82,725)	\$ (1,068,288)
Reclassification adjustments to profit or loss.....	37,587	1,774	281,913
Amount before income tax effect.....	(104,847)	(80,950)	(786,375)
Income tax effect .....	31,989	24,487	239,928
Total .....	¥ (72,857)	¥(56,463)	\$ (546,447)
Deferred gains (losses) on derivatives under hedge:			
Gains arising during the year .....	¥ 3,472	¥ 9,106	\$ 26,042
Reclassification adjustments to profit or loss.....	(2,460)	14	(18,451)
Amount before income tax effect.....	1,012	9,121	7,591
Income tax effect .....	(311)	(2,774)	(2,336)
Total .....	¥ 700	¥ 6,346	\$ 5,254
Defined retirement benefit plans:			
Gains (Losses) arising during the year .....	¥ 3,882	¥ (154)	\$ 29,118
Reclassification adjustments to profit or loss.....	(396)	(487)	(2,976)
Amount before income tax effect.....	3,485	(641)	26,142
Income tax effect .....	(1,058)	197	(7,942)
Total .....	¥ 2,426	¥ (444)	\$ 18,200
Total other comprehensive loss.....	¥ (69,730)	¥(50,561)	\$ (522,992)

25. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

The Group engages in banking and other related activities, such as leasing, securities, and credit card services. Segment information is not disclosed as the operations other than banking are immaterial.

Other segment-related information:

(1) Information by services

March 31, 2023	Millions of Yen (Thousands of U.S. Dollars)			
	Lending Operations	Investment Operations	Other	Total
Total income from external customers.....	¥110,018 (\$825,162)	¥104,020 (\$780,172)	¥115,418 (\$865,658)	¥329,457 (\$2,470,992)

March 31, 2022	Millions of Yen			
	Lending Operations	Investment Operations	Other	Total
Total income from external customers.....	¥106,411	¥53,342	¥108,335	¥268,090

(2) Information by geographic region

Since the ordinary income and total tangible fixed assets attributable to the "Japan" segment account for more than 90% of the total of all geographic segments, geographical segment information has not been presented.

(3) Information by major customers

Since there has been no specific customer to whom the Group sells more than 10% of total ordinary income on the consolidated statement of income, information on major customers has not been presented.

(4) Information on loss on impairment of fixed assets by reportable segment  
Information on loss on impairment of fixed assets is not disclosed as it is immaterial, except for the banking business.

(5) Information on amortization and unamortized balance of goodwill by reportable segment  
Information on amortization and unamortized balance of goodwill is not disclosed as it is immaterial, except for the banking business.

(6) Information on gain on negative goodwill by reportable segment  
Information on gain on negative goodwill is not disclosed as it is immaterial, except for the banking business.

26. RELATED-PARTY TRANSACTIONS

Related-party transactions of consolidated subsidiaries of the Company with its directors or major individual shareholders for the years ended March 31, 2023 and 2022, were as follows:

Year ended March 31, 2023

There was none of material information to be stated.

Year ended March 31, 2022

There was none of material information to be stated.

27. SUBSEQUENT EVENTS

Acquisition of treasury stock

At the board of directors' meeting held on May 12, 2023, the Company resolved to acquire treasury stock for the purpose of enhancement of shareholder returns and improving capital efficiency, pursuant to the provisions of the Articles of Incorporation in accordance with the provision of Article 459, paragraph 1, of the Companies Act. Through the following acquisition, the acquisition of treasury stock was completed on the basis of the resolution of its board of directors at the meeting held on May 12, 2023.

Contents of acquisition of treasury stock

(1) Class of shares to be acquired:	Common stock
(2) Total number of shares to be acquired:	19,384,000 shares
(3) Total acquisition cost:	7,485,247,825 yen (\$56,140 thousand)
(4) Period of acquisition:	From May 15, 2023, to August 28, 2023
(5) Method of acquisition:	Market purchases on the Tokyo Stock Exchange

Deloitte.

Deloitte Touche Tohmatsu LLC  
Marunouchi Nijubashi Building  
3-2-3 Marunouchi  
Chiyoda-ku, Tokyo 100-8360  
Japan  
Tel: +81 (3) 6213 1000  
Fax: +81 (3) 6213 1005  
www2.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mebuki Financial Group, Inc.:

Opinion

We have audited the consolidated financial statements of Mebuki Financial Group, Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Member of  
Deloitte Touche Tohmatsu Limited



#### Determination of the allowance for loan losses

Mebuki Financial Group, Inc. has Joyo Bank, Ltd. and Ashikaga Bank, Ltd. as its banking subsidiaries. Joyo Bank, Ltd. and Ashikaga Bank, Ltd. perform lending operations focusing on the business feasibility evaluation of local companies, such as their potential growth and business sustainability mainly within their core markets, which are Ibaraki Prefecture, Tochigi Prefecture and adjacent areas. Lending operations have a potential risk that a credit loss may be incurred when all or part of a loan becomes uncollectible due to the borrower's bankruptcy and other adverse conditions. Joyo Bank, Ltd. and Ashikaga Bank, Ltd. record the allowance for loan losses to provide for such credit losses. As of March 31, 2023, the Group recorded the loans and bills discounted of ¥12,436.1 billion and the allowance for loan losses of ¥91.8 billion on the consolidated balance sheet. Accounting policies of Joyo Bank, Ltd. and Ashikaga Bank, Ltd. for the allowance for loan losses are disclosed in Note 2.h, Summary of Significant Accounting Policies—Allowance for Loan Losses, and the Note, Significant Accounting Estimate—Allowance for Loan Losses, included in the consolidated financial statements.

#### **Key audit matter description**

The allowance for loan losses is calculated in accordance with internal policies related to the self-assessment of asset quality standards and the write offs and provisions standards. The calculation process includes various estimates, such as the determination of the borrower's credit category, which is classified based on the evaluation of the borrower's debt service capacity, the assessment of the value of collateral provided by the borrower, and adjustments for future loss projections for the loss rate calculated based on historical credit loss experiences.

Among these estimates, the borrower's credit category, which is a significant factor in determining the allowance for loan losses, is highly dependent on the judgments about the expected future recovery of the borrower's business performance, in cases where the borrower is classified as a "borrower requiring caution excluding borrowers requiring monitoring" or "borrower requiring monitoring," based on an expectation that the borrower's business performance in the future will improve despite its unfavorable business performance and financial position.

The expected future recovery of the borrower's future business performance is highly uncertain and highly dependent on the significant judgments by management because it will be affected by changes in the financial and economic environment, such as resource prices, commodity prices and foreign exchange rates, and the external business environment, such as the impact of the COVID-19 pandemic.

Also, in cases where the amount of the total lending outstanding on these borrowers, less estimated recoveries from disposal of collaterals and execution of guarantees (hereinafter referred to as "unsecured amount") is quantitatively significant, the consolidated financial statements may be significantly impacted if Joyo Bank, Ltd. and Ashikaga Bank, Ltd. fail to correctly estimate the outlook for future improvement of the borrower's business performance and as a result incorrectly classify the borrower as a "borrower requiring caution excluding borrowers requiring monitoring" or "borrower requiring monitoring."

Therefore, we identified, as a key audit matter, the reasonableness of the determination of the borrowers' credit categories for those borrowers with a significant unsecured amount who are classified as "borrowers requiring caution excluding borrowers requiring monitoring" or "borrowers requiring monitoring" based on the expectation of the Group that their business performance will improve in the future despite their current unfavorable business performance and financial positions.

Joyo Bank, Ltd. and Ashikaga Bank, Ltd. design and operate controls over the self-assessment of the quality of assets which is performed in multiple steps. The assessment of the quality of assets performed by the business offices is reviewed by the credit related divisions in the headquarters, and then independently examined by the internal audit division.

#### **How the key audit matter was addressed in the audit**

We performed the following procedures, among others, to address the key audit matter:

We inquired of the personnel who performed the relevant control activities over the self-assessment and inspected relevant documents to corroborate the responses to evaluate the design and operating effectiveness of the internal controls, including the approval by the credit related divisions for the borrower's credit category judged by the business offices, and monitoring by the internal audit division.

We selected, among the borrowers subject to the self-assessment of the quality of assets performed by Joyo Bank, Ltd. and Ashikaga Bank, Ltd., the borrowers with a significant unsecured amount who are classified as "borrowers requiring caution excluding borrowers requiring monitoring" or "borrowers requiring monitoring" because the Group expects their business performance to improve in the future despite their current unfavorable business performance and financial positions and performed the following procedures, among others:

- In order to examine the reasonableness and feasibility of the expected future recovery of the borrower's business performance, we made inquiries to the credit related divisions about the evaluation of the Group regarding the expected future recovery of the borrower's business performance, etc.
- Regarding the impact on the expected future recovery of the borrower's business performance by the changes in the financial and economic environment, such as resource prices, commodity prices and foreign exchange rates, and the COVID-19 pandemic, we discussed with the credit related divisions as needed.
- In order to corroborate the response to inquiries and the information obtained during the discussion, we inspected related documents, evaluated the reasonableness of the borrower's credit category judgment results by evaluating the degree of achievement of major improvement measures in the borrower's management improvement plan, and comparing the results with available external information, such as trends in the industry to which the borrower belongs.

#### **Other Information**

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*Deloitte Touche Tohmatsu LLC*

September 19, 2023



Non-Consolidated Balance Sheet (Unaudited)

March 31, 2023    The Joyo Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
ASSETS			
Cash and due from banks .....	¥ 3,594,163	¥ 4,619,865	\$ 26,956,903
Call loans and bills bought .....	15,662	6,507	117,470
Monetary claims bought .....	4,104	4,994	30,781
Trading assets .....	2,853	2,405	21,404
Securities .....	2,343,178	3,267,322	17,574,279
Loans and bills discounted .....	7,222,981	6,767,416	54,173,714
Foreign exchanges .....	13,503	12,400	101,278
Other assets .....	99,534	109,050	746,528
Tangible fixed assets .....	66,389	67,502	497,937
Intangible fixed assets .....	6,796	7,287	50,973
Prepaid pension cost .....	5,818	4,775	43,642
Deferred tax assets .....	5,726	—	42,949
Customers' liabilities for acceptances and guarantees .....	10,972	17,726	82,297
Allowance for loan losses .....	(42,734)	(44,835)	(320,518)
Allowance for investment losses .....	(8)	(8)	(66)
TOTAL .....	¥13,348,942	¥14,842,410	\$100,119,570
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits .....	¥10,251,286	¥10,053,985	\$ 76,886,572
Negotiable certificates of deposit .....	202,733	170,107	1,520,541
Call money and bills sold .....	555,552	1,036,020	4,166,749
Payables under repurchase agreement .....	60,359	143,407	452,710
Payables under securities lending transactions .....	37,072	582,134	278,047
Trading liabilities .....	1,122	343	8,421
Borrowed money .....	1,569,130	2,120,602	11,768,776
Foreign exchanges .....	7,870	4,013	59,027
Due to trust account .....	1,508	1,525	11,314
Other liabilities .....	50,251	63,878	376,899
Provision for bonuses for directors .....	93	132	700
Provision for retirement benefits .....	4,116	5,644	30,871
Provision for reimbursement of deposits .....	1,251	1,404	9,388
Provision for point card certificates .....	207	173	1,555
Provision for contingent losses .....	1,128	1,421	8,464
Deferred tax liabilities .....	—	16,018	—
Deferred tax liabilities for land revaluation .....	7,249	7,256	54,370
Acceptances and guarantees .....	10,972	17,726	82,297
Total liabilities .....	¥12,761,907	¥14,225,796	\$ 95,716,700
EQUITY:			
Common stock .....	¥ 85,113	¥ 85,113	\$ 638,364
Capital surplus .....	58,574	58,574	439,316
Retained earnings .....	395,653	371,581	2,967,477
Valuation adjustments: .....	47,693	101,344	357,714
Unrealized gains on available-for-sale securities .....	36,569	86,506	274,278
Deferred losses on derivatives under hedge accounting .....	593	4,450	4,448
Land revaluation surplus .....	10,531	10,387	78,987
Total equity .....	587,034	616,613	4,402,870
TOTAL .....	¥13,348,942	¥14,842,410	\$100,119,570

Non-Consolidated Statement of Income (Unaudited)

Year Ended March 31, 2023    The Joyo Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
INCOME:			
Interest income:			
Interest on loans and bills discounted .....	¥ 62,210	¥ 58,436	\$ 466,591
Interest and dividends on securities .....	35,217	30,287	264,137
Interest on call loans and bills bought .....	334	8	2,506
Interest on deposits with banks .....	2,760	3,349	20,705
Other interest income .....	351	365	2,639
Trust Fees .....	22	31	171
Fees and commissions .....	28,977	28,074	217,339
Trading income .....	335	566	2,515
Other operating income .....	14,690	2,072	110,178
Other income .....	57,948	10,515	434,624
Total income .....	202,848	133,708	1,521,404
EXPENSES:			
Interest expenses:			
Interest on deposits .....	2,225	623	16,695
Interest on negotiable certificates of deposit .....	5	6	42
Interest on call money and bills sold .....	1,635	(99)	12,267
Interest on payables under repurchase agreements .....	1,036	(127)	7,776
Interest on payables under securities lending transactions .....	49	51	370
Interest on borrowed money .....	1,592	154	11,940
Interest on interest swap .....	4,069	485	30,520
Other interest expenses .....	1,508	612	11,314
Fees and commissions .....	8,856	8,873	66,429
Other operating expenses .....	75,437	5,655	565,799
General and administrative expenses .....	57,967	63,694	434,764
Provision of allowance for loan losses .....	4,269	9,996	32,025
Other expenses .....	3,044	9,500	22,838
Total expenses .....	161,699	99,425	1,212,778
INCOME BEFORE INCOME TAXES .....	41,149	34,282	308,626
INCOME TAXES:			
Current .....	6,559	11,943	49,198
Deferred .....	1,773	(2,273)	13,298
Total income taxes .....	8,332	9,669	62,497
NET INCOME .....	¥ 32,816	¥ 24,612	\$ 246,129

Non-Consolidated Balance Sheet (Unaudited)

March 31, 2023    The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
ASSETS			
Cash and due from banks .....	¥1,222,945	¥2,649,158	\$ 9,172,318
Call loans and bills bought .....	8,453	—	63,400
Monetary claims bought .....	6,237	5,616	46,780
Trading account securities .....	1,108	2,184	8,312
Money held in trust .....	3,010	2,027	22,580
Securities .....	1,312,722	1,408,803	9,845,662
Loans and bills discounted .....	5,365,536	5,128,137	40,242,528
Foreign exchanges .....	3,712	4,820	27,845
Other assets .....	100,961	84,366	757,229
Tangible fixed assets .....	27,370	28,146	205,286
Intangible fixed assets .....	6,200	8,098	46,508
Prepaid pension cost .....	30,151	27,736	226,143
Deferred tax assets .....	15,355	7,223	115,166
Customers' liabilities for acceptances and guarantees .....	8,475	8,318	63,568
Allowance for loan losses .....	(39,435)	(39,458)	(295,775)
TOTAL .....	¥8,072,804	¥9,325,179	\$60,547,549
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits .....	¥6,911,891	¥6,803,383	\$51,840,486
Negotiable certificates of deposit .....	209,555	189,666	1,571,706
Call money and bills sold .....	—	8,933	—
Payables under repurchase agreement .....	52,542	4,757	394,077
Payables under securities lending transactions .....	74,815	244,691	561,127
Borrowed money .....	428,800	1,669,600	3,216,080
Foreign exchanges .....	480	376	3,605
Due to trust account .....	1,475	1,521	11,065
Other liabilities .....	41,700	33,993	312,762
Provision for bonuses for directors .....	88	139	661
Provision for reimbursement of deposits .....	702	779	5,268
Provision for contingent losses .....	974	928	7,312
Provision for point card certificates .....	280	262	2,107
Acceptances and guarantees .....	8,475	8,318	63,568
Total liabilities .....	¥7,731,783	¥8,967,353	\$57,989,825
EQUITY:			
Common stock .....	¥ 135,000	¥ 135,000	\$ 1,012,525
Retained earnings .....	203,457	198,707	1,525,969
Valuation adjustments: .....	2,563	24,117	19,229
Unrealized gains on available-for-sale securities .....	(4,278)	21,833	(32,090)
Deferred losses on derivatives under hedge accounting .....	6,842	2,284	51,319
Total equity .....	341,021	357,825	2,557,724
TOTAL .....	¥8,072,804	¥9,325,179	\$60,547,549

Non-Consolidated Statement of Income (Unaudited)

Year Ended March 31, 2023    The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
INCOME:			
Interest income:			
Interest on loans and bills discounted .....	¥ 46,759	¥46,921	\$350,703
Interest and dividends on securities .....	23,334	18,440	175,013
Interest on call loans and bills bought .....	63	0	476
Interest on deposits with banks .....	2,056	3,285	15,426
Other interest income .....	72	71	542
Trust Fees .....	4	13	33
Fees and commissions .....	22,564	21,731	169,239
Other operating income .....	1,774	1,189	13,310
Other income .....	4,343	2,595	32,574
Total income .....	100,973	94,248	757,317
EXPENSES:			
Interest expenses:			
Interest on deposits .....	298	148	2,242
Interest on negotiable certificates of deposit .....	8	9	64
Interest on call money and bills sold .....	248	(92)	1,862
Interest on payables under repurchase agreements .....	2,555	47	19,164
Interest on payables under securities lending transactions .....	3,312	437	24,845
Interest on borrowed money .....	0	3	1
Interest on interest swap .....	532	24	3,996
Other interest expenses .....	3,117	1,106	23,379
Fees and commissions .....	7,218	7,186	54,139
Other operating expenses .....	14,952	2,703	112,147
General and administrative expenses .....	46,116	48,110	345,880
Provision of allowance for loan losses .....	3,053	7,717	22,900
Other expenses .....	4,095	4,851	30,718
Total expenses .....	85,509	72,254	641,339
INCOME BEFORE INCOME TAXES .....	15,463	21,993	115,979
INCOME TAXES:			
Current .....	3,497	6,910	26,229
Deferred .....	1,216	(351)	9,126
Total income taxes .....	4,713	6,558	35,355
NET INCOME .....	¥ 10,749	¥15,435	\$ 80,624