

Integrated Report 2024

Year Ended March 31, 2024

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

A Message from the Management describes the challenges and group-wide efforts to enhance economic and social values, our commitment to a stable and growing management base, and the direction we are heading.

This section highlights our efforts to enhance economic and social values, as described in the management message, as well as initiatives for human capital management, which are crucial for sustainable growth.

This section explains our organizational structure for consistently advancing management strategies such as sound governance, risk management, and compliance systems.

This section compiles basic data about the Group, such as the company profile.

About Mebuki Financial Group

- 1 Group Philosophy and Sustainability Policy
- 3 Developments of Mebuki Financial Group
- 5 Markets and Strengths of Mebuki Financial Group

Mebuki Financial Group's Value Creation

- 7 Value Creation Process of Mebuki Financial Group
- 9 A Message from the Management
- 15 Mebuki Financial Group's Sustainability Initiatives
- 21 Long-Term Vision 2030
- 23 Review and Progress of the Medium-Term Group Business Plan
- 25 Financial Results for FY2023
- 30 Approach to Enhancing Corporate Value

Management Strategies for Value Creation

Value Creation Initiatives of Mebuki Financial Group

- 33 Revitalization of the Regional Economy and Local Communities
- 47 Response to Climate Change and Environment Conservation
- 61 Promotion of Digitalization and DX
- 71 Response to Aging Society
- 79 Promotion of Diversity/Human Capital Management
- 91 Roundtable Discussion on Diversity and Human Capital

Management Base Supporting Value Creation

Governance of Mebuki Financial Group

- 95 Corporate Governance
- 103 List of Directors
- 105 Roundtable Discussion of Outside Directors
- 109 Risk Management System
- 112 Cyber Security Measures
- 114 Initiatives for Compliance
- 116 Internal Audit
- 117 Dialogue with Stakeholders
- 121 Status of the Group's Customer-oriented Business Operations

Corporate Data

- 123 Group Non-financial Data
- 125 Group Structure and Corporate Data
- 126 Overseas Representative Offices
- 127 Organization/Stock Information

Disclaimer regarding forward-looking statements

This Integrated 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 Integrated 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)

2011 Launched Joyo's reconstruction project “Kizuna (bond)” in hopes of regional recovery and growth after the Great East Japan Earthquake

2012 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 the development of regional comprehensive strategies

1895 Established “Corporate Philosophy” in commemoration of its 90th anniversary
Established the Ashigin International Exchange Foundation

2003 The 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

2013 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

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

2016 Established Mebuki Financial Group



2017 Mebuki Lease and Mebuki Securities became directly and wholly-owned subsidiaries

2018 Opened Hanoi Representative Office

2017 Opened Bangkok Representative Office

2021 Joyo Credit and Ashigin Card were merged to establish Mebuki Card
Declared support for TCFD Recommendations

2021 Established Joyo Capital Partners

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

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

Long-Term Vision 2030

Vision

A Value Creation Group Working Together with Local Communities

■ Banks' combined deposit balance
■ Banks' combined loan balance

As of the end of March 2016
13,327.9 billion yen

As of the end of March 2016
10,187.1 billion yen

As of the end of March 2020
14,786.5 billion yen

As of the end of March 2020
11,477.3 billion yen

As of the end of March 2024
17,705.2 billion yen

As of the end of March 2024
12,809.6 billion yen

Social developments and history 1895

2015

2016

2017

2018

2019

2020

2021

2022

2023

2024

Finance and the economy

1929 Start of the Great Depression

1985 Plaza Accord

1991 The collapse of a bubble economy

1997 The Japanese version of “Big Bang” financial reforms
Asian currency crisis
2005 Full implementation of the 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%

2024 Launch of the new Nippon Individual Savings Account (NISA) program
End of BOJ's negative interest rate policy

Historical events

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

2023 COVID-19 reclassified to Category V under the Infectious Diseases Control Law

Market and Strengths of Mebuki Financial Group

Market Potential of Mebuki Financial Group

Highly advantageous location

Ibaraki and Tochigi Prefectures, located in the northern Kanto region, have the advantage of being located close to the Tokyo metropolitan area. The prefectures therefore maintain strong connections with companies headquartered there, and as well as ranking highly in terms of numbers and area of factories, in terms of the agriculture, livestock, and fishery industries, they function as a food supply source for the major consumer market that the Tokyo metropolitan area represents.

Industrial locations in Ibaraki and Tochigi Prefectures

	Ibaraki Prefecture	Tochigi Prefecture
Number of new factory locations (in 2023)	75 (ranked 1st in Japan)	34 (ranked 5th in Japan)
Total area of new factory locations (in 2023)	165ha (ranked 2nd in Japan)	76ha (ranked 4th in Japan)
Number of new company locations from outside the prefecture (in 2023)	47 (ranked 1st in Japan)	20 (ranked 2nd in Japan)

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

Balanced industrial structure

While manufacturing accounts for a larger percentage of industry than the Japanese average, both prefectures rank highly in terms of production of many agricultural products, and fishing is also a major industry in Ibaraki Prefecture. Also, their advantageous location and convenient transport infrastructure have led to an increase in inbound tourism and tourism expenditures, highlighting the diverse regional resources that support the growth of primary to tertiary industries.

	Ibaraki Prefecture	Tochigi Prefecture
Manufactured goods shipped*1	12.1 trillion yen (ranked 7th in Japan)	8.2 trillion yen (ranked 12th in Japan)
Agricultural output*2	426.3 billion yen (ranked 3rd in Japan)	269.3 billion yen (ranked 9th in Japan)
Fishery catch*3	271,000 tons (ranked 2nd in Japan)	—

*1 "2021 Economic Census for Business Activity" by Statistics Bureau, Ministry of Internal Affairs and Communications (aggregate for business establishments)
*2 "2021 Agricultural Production Income Statistics" by the Ministry of Agriculture, Forestry and Fisheries
*3 "2022 Fishery and Aquaculture Production Statistics" by the Ministry of Agriculture, Forestry and Fisheries

Rich tourism resources

The rich natural environment of the sea, mountains, and rivers is not only an industrial resource, but the prefectures are also home to abundant hot springs and renowned Japanese tourist destinations such as Nikko and Nasu. The region also has historical sites like Kodokan (Mito) and Ashikaga Gakko (Ashikaga), showcasing excellent history and culture.

Tourist arrivals (cumulative numbers, thousand people)

	2022	2021	YoY
Ibaraki Prefecture*1	49,635	39,717	125.0%
Tochigi Prefecture*2	72,604	61,168	113.2%

*1 Taken from "Results of an Investigation into Tourist Dynamics" on the Ibaraki Prefecture website
*2 Taken from "Results of an Investigation into Expected Tourist Arrivals and Stays" on the Tochigi Prefecture website

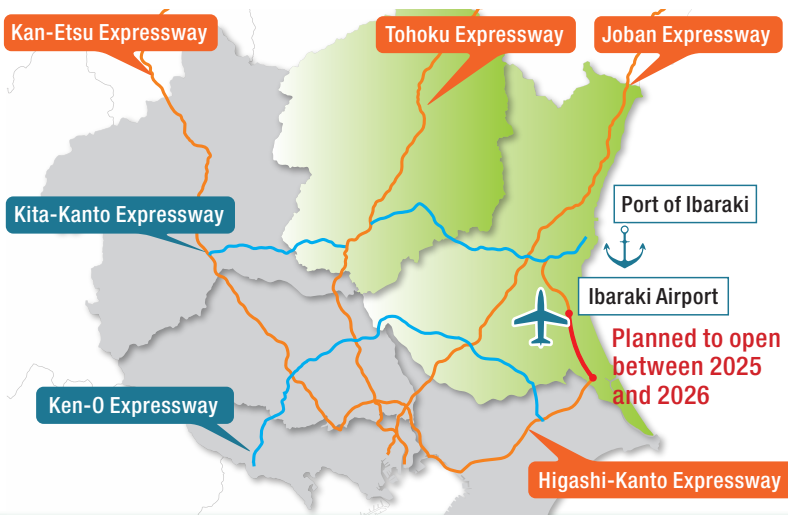


Hitachi Seaside Park and Ashikaga Flower Park are popular spots among foreign tourists.

Well-developed transportation infrastructure

The northern Kanto region, the core business area of Mebuki Financial Group, has well-developed transportation networks, including highways, railways, ports, and airports. Further road and rail development is expected to enhance the geographical advantages for industrial activities, human exchanges, and tourism attraction.

Extensive land, sea, and air transportation network



Rising growth expectations

Opening of the Utsunomiya Lightline (Next-Generation LRT)

The Utsunomiya Lightline, which opened in August 2023, is an effective means of achieving a low-environmental-impact transportation system. Switching from private car use is expected to facilitate smoother road traffic. The line has also shown positive effects such as improved convenience of commuting to work and school, and revitalization of the central city area by increasing the frequency of outings among residents.

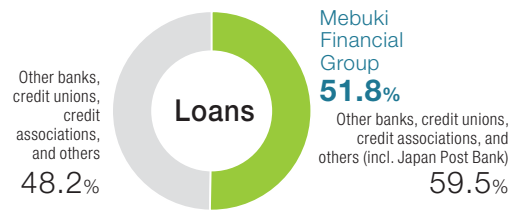


Strengths of Mebuki Financial Group

A large market share backed by a solid customer base Social and financial capital

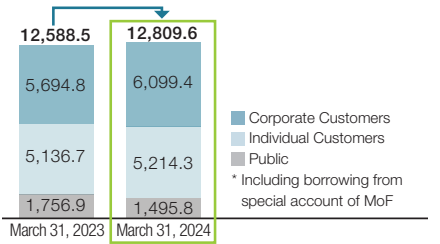
Joyo Bank and Ashikaga Bank are both leading banks in the region, and the Group's market share in Ibaraki and Tochigi Prefectures is over 50% in loans and over 40% in deposits.

Shares in Ibaraki and Tochigi Prefectures*



* The Company calculated the shares based on data from Kinyu Journal, Special Issue, November 2023, "Financial Map 2024."

Change in loans (Billion yen)



Diverse human resources Human capital

The Group believes it is necessary to work on the development and enhancement of human resources who not only with deep thoughts on and understanding of the community and financial knowledge but are also capable of taking actions to identify and solve challenges faced by the local communities and customers from multiple angles. In addition to enhancing training programs, dispatching trainees, and accepting secondments from external organizations, the Group is fostering a corporate culture that supports autonomous growth.

DX personnel	Number of advanced qualification holders*	Number of 2nd grade FP holders
663	490	3,756

* 1st grade FP, SME Management Consultants, and Securities Analysts

Wide-area networks based in Ibaraki and Tochigi Prefectures Social capital

The Group centered around Joyo Bank and Ashikaga Bank, both based in a region with high growth potential, has set up a wide network of 316 branch offices in 9 prefectures.

Total number of branches (locations) of Joyo Bank and Ashikaga Bank (as of March 31, 2024)

	Ibaraki	Tochigi	Saitama	Gunma	Fukushima	Tokyo	Chiba	Miyagi	Osaka	Total
Number of branches (number of locations)	153	101	20	14	11	8	7	1	1	316 branches
Population*1	287	192	738	193	181	1,384	631	225	878	Approx. 47 million people
Number of households*1	129	86	347	87	79	745	302	103	446	Approx. 23 million households
Number of companies*2	34,481	27,833	85,455	29,343	27,105	286,491	66,050	29,515	142,439	Approx. 0.73 million companies

*1 "Population, Demographics, and Number of Households Survey Based on the Basic Resident Register (as of January 1, 2023)" by Ministry of Internal Affairs and Communications, Local Administration Bureau
*2 "2021 Economic Census for Business Activity" by Statistics Bureau, Ministry of Internal Affairs and Communications (aggregate for companies)

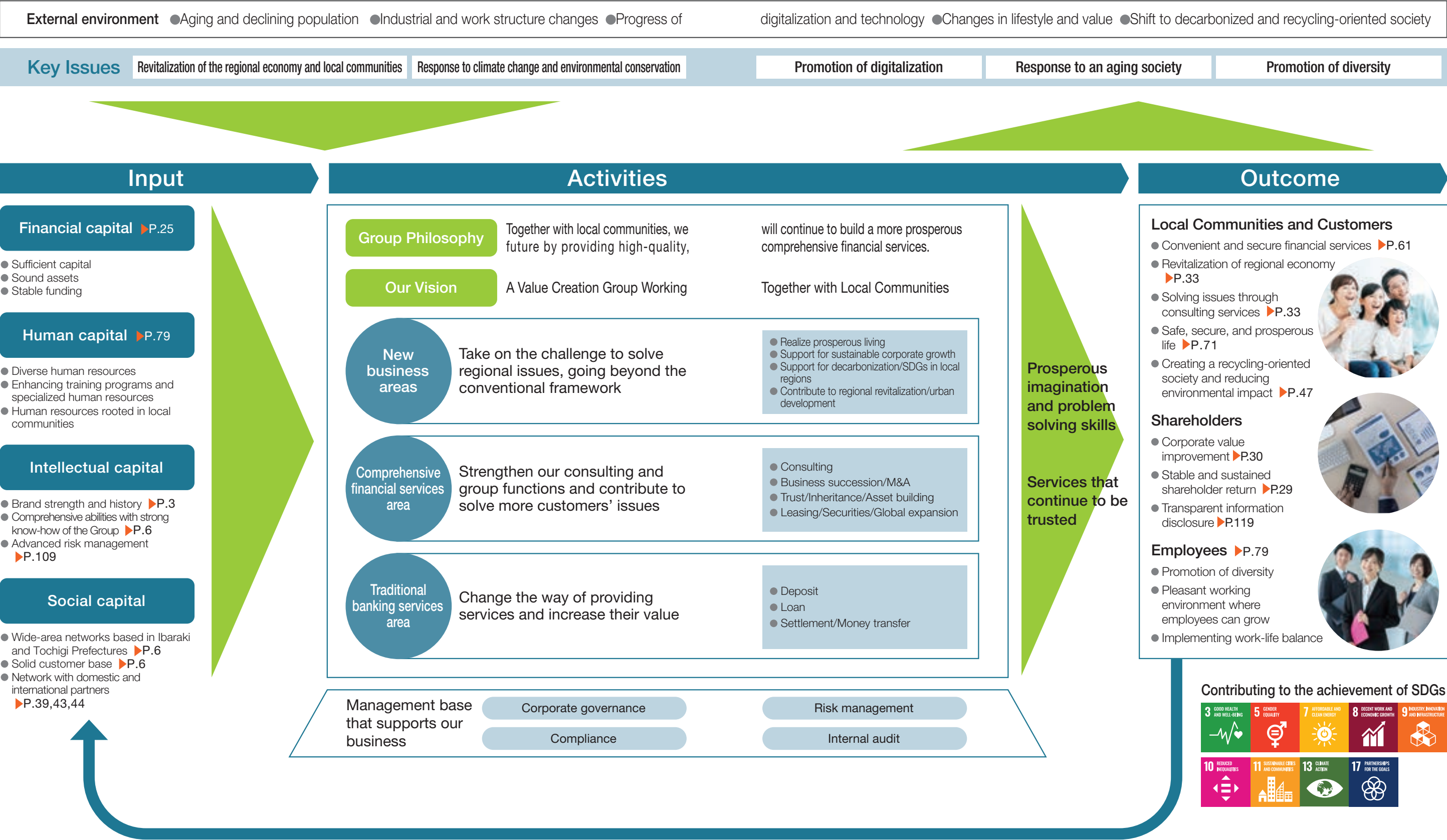
Comprehensive abilities with strong know-how of the Group Intellectual capital

In addition to the banks, the Group has subsidiaries in the leasing and securities businesses, as well as group companies with think-tank functions, subsidiaries specializing in investment, and new business companies that support customers' decarbonization efforts and have local trading company functions, providing a one-stop shop for a variety of financial and non-financial services.

Financial areas	
Main business	Company name
Banking	The Joyo Bank, Ltd.
Banking	The Ashikaga Bank, Ltd.
Leasing	Mebuki Lease Co., Ltd.
Securities	Mebuki Securities Co., Ltd.
Credit guarantee	Mebuki Credit Guarantee Co., Ltd.
Credit guarantee	The Joyo Credit Guarantee Co., Ltd.
Credit card	Mebuki Card Co., Ltd.
Investment	The Joyo Capital Partners Co., Ltd.
Investment	Wing Capital Partners, Ltd.
Financial instrument intermediary service	Ashigin Money Design, Ltd.

Non-financial areas	
Main business	Company name
Software development and contracted computing services	Joyo Computer Service Co., Ltd.
Research and consulting services	Joyo Industrial Research Institute Ltd.
Real estate leasing	Joyo Equipment Management Co., Ltd.
Renewable energy-related business	Joyo Green Energy Co., Ltd.
Research, consulting services, and software development	Ashigin Research Institute, Ltd.
Local trading business, renewable energy-related business	Colletochi, Ltd.

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.



The ongoing challenge to become a value creation group working together with local communities



Mebuki Financial Group will continue to create both social and economic value through its efforts to resolve issues faced by customers and local communities, and ultimately enhance the corporate value of the Group, based on the unchanged desire to contribute to local communities that the Joyo and Ashikaga Banks have forged over their long histories. We believe that this will lead to the realization of our Long-Term Vision of becoming a value creation group working together with local communities.

Tetsuya Akino
Mebuki Financial Group President and Director

Mebuki Financial Group operates over a wide area, and we believe that our Group's major role is to be a "hub of the entire regional economic ecosystem."

We also act with an eye toward the future. What we aspire to in our Long-Term Vision is not just to pile one year on top of the next, but to become a value creation group working together with local communities to create value for the far future. Step by step, we will move steadily toward that goal. We look forward to meeting your expectations.

Kazuyuki Shimizu
Mebuki Financial Group Executive Vice President and Director

Economic activity in the region is returning to normal after the COVID-19 pandemic

Akino: Looking at the environment facing our customers in Ibaraki and Tochigi Prefectures, which form Mebuki Financial Group's main business base, I feel that, with the reclassification of COVID-19 to a Class 5 infectious disease in May 2023, economic and social activities have returned to normal and are now picking up steam. An increasing number of forward-looking customers are planning capital investments, and interest in decarbonization measures, such as energy conservation and the adoption of renewable energy, is growing. Personal consumption is also gradually recovering, and we believe that overall, the business environment for our customers has taken a turn for the better.

On the other hand, due to factors such as the soaring prices of imported goods, a result of the weak yen, procurement costs have increased, driving up the cost of sales. When we interviewed our clients, only 50 to 60% of them answered that they are able to pass on price increases to their customers, and although this varies somewhat by industry and type of business, it appears that there has not been much progress in this regard. The Ministry of Economy, Trade and Industry (METI) and others are strengthening their guidance to prime contractors so that SMEs will be able to pass on prices to their customers, and it is expected that this will gradually become more widespread. This is an issue that needs to be addressed by the country as a whole, and regional financial institutions will need to provide a variety of support.

In addition, although this is not an issue limited to the area where we operate, the labor shortage due to the declining number of children and aging population has become more pronounced outside of Japan's urban areas, and the Group's customers are facing similar

challenges. In addition to the current labor shortage problem, some companies have nobody to take over as successors, so they face the major challenge of how to keep local industry alive in the medium to long term. Even though it may be difficult for individual companies to survive, we believe it is our role to create new core companies in the region by matching companies with companies and companies with human resources. Our Group also provides thorough business succession and capital support through the formation and operation of funds by our specialized investment subsidiaries, and we hope that you will take advantage of these services.

Significant improvement in ordinary profit in the fiscal year ended March 31, 2024

Akino: Mebuki Financial Group is currently implementing the "Third Medium-Term Group Business Plan" (for three years from FY2022 to FY2024, hereinafter the "Current Medium-Term Plan") in order to realize our goal of becoming a value creation group working together with local communities, as stated in our Long-Term Vision 2030. For the fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024), consolidated ordinary profit was ¥63.0 billion and consolidated net income attributable to owners of the parent was ¥43.3 billion. Although income from securities (interest margin) declined significantly due to an increase in foreign currency funding costs caused by the rise in U.S. interest rates, ordinary profit increased significantly due to the continued increase in profits from the core business of customer services and improvements in credit related costs and gains/losses on securities (trading gains/losses, etc.). We believe that during the recovery phase from the COVID-19 pandemic, our consulting functions enabled us to achieve the highest profit from customer services since the business integration. FY2024 is the final year of the Current Medium-Term Plan. With net income attributable to owners of the parent company of ¥52.0 billion (up ¥8.6 billion year-on-year), we believe that we are now in a position to achieve the profit target of the Current Medium-Term Plan and can conclude the plan on a strong note.

We are currently in the process of formulating the "Fourth Medium-Term Group Business Plan" (hereinafter the "Next Medium-Term Plan"), which will begin in FY2025. In the Next Medium-Term Plan, we will continue to pursue our long-term vision of becoming a value



creation group working together with local communities. I believe that the value we should create is both social and economic, but we have not been able to clearly demonstrate how much social value we are creating and how that social value is connected to economic value. Our Group has established a “Group Sustainability Policy” and is actively working to create social value, but for the Next Medium-Term Plan, we are beginning to consider and discuss how to incorporate a story that will allow us to explain to our stakeholders in an easy-to-understand manner what kind of social and economic value we will create and how this will lead to the enhancement of the Group’s corporate value. Specifically, we would like to make clear how our business activities will have a ripple effect for solving important regional issues such as revitalization of local economies and communities, addressing climate change, digitalization, coping with an aging society, and diversity, to set up convincing key performance indicators (KPIs) for these issues, and to tackle them accordingly.

New business opportunities arise as we move toward a “world with interest rates”

Akino: When, as a new graduate, I started my life as a banker, the interest margin, the difference between the interest rate on loans and the interest rate on deposits, was over 2%, and this was the source of income for the banking business. However, since the introduction of zero interest rates and then negative interest rates, the interest on loans has continued to decline. In response, we have strengthened in the comprehensive financial services area, such as the consulting business and Group company functions. If the domestic interest rate is to rise in the future, the interest margin will recover, which will serve as a tailwind for the financial industry. On the other hand, since a rise in the interest rate on borrowing will increase the interest burden for our customers, I believe it is important for us to support these companies. I want us to establish a cycle in which we work together with our customers to solve various problems they face, such as helping them expand their sales channels and reducing costs through digitalization, thereby allowing them to grow and us to earn returns as well.

The “Long-Term Vision 2030,” announced in May 2022, sets forth three areas for the realization of this cycle. The first is the “traditional banking services area,” which includes deposits, lending, settlement/money

transfer, and securities management. The second is the “comprehensive financial services area,” including DX, consulting, business succession, and M&As. The third is “new business areas,” going beyond conventional frameworks to take on the challenge of solving regional issues. When the Long-Term Vision was initially formulated, negative interest rates made it difficult for profits in the traditional banking services area to grow. Accordingly, we have focused on how to monetize the comprehensive financial services area, including consulting services. In order to develop this area, in addition to our traditional knowledge and expertise as bankers, we need to possess the coordination skills to understand the issues facing our clients and provide the appropriate solutions needed to resolve them, as well as knowledge of products and services outside of the banking group. The range of knowledge and expertise that employees who deal directly with customers need to acquire has expanded considerably, which is a challenge for them, but I believe that this has also provided more opportunities for them to experience personal growth. In recent years, such efforts by employees have become visible in our performance. Furthermore, our efforts to resolve issues faced by our customers through activities in the comprehensive financial services area have had a positive impact in increasing loan transactions, which are part of the traditional banking services area. With the prospect of moving toward a “world with interest rates,” I want to make sure that we incorporate into the Next Medium-Term Plan how we will control the bank’s balance sheet, including deposits and loans, and what kind of business development we will pursue.

Realizing synergies through a “one headquarters, multiple brands” approach

Akino: Mebuki Financial Group was established in October 2016. Since then, we have operated a “one headquarters, multiple brands” framework. The Joyo Bank and Ashikaga Bank brands were retained without merging, with a holding company, Mebuki Financial Group, responsible for business strategy and management of the two subsidiary banks. For the past eight years, we have been consolidating functions in the headquarters. One example is the integration of systems, including core systems. Sharing the same systems between the two subsidiary banks has greatly streamlined back office operations and reduced costs.

From the next fiscal year, the amortization of the core system integration will be complete, and we expect to see its effects even more clearly.

Joyo Bank and Ashikaga Bank both have long histories and enjoy a high degree of trust and confidence in the region. I believe that our role as a holding company is to create an environment in which we can focus on solving our customers’ issues by making the most of our brands and working hard within their respective bases of operation. Although some have suggested that a merger would be more effective, one of the goals of the integration for us was to maximize the brand value of Joyo Bank and Ashikaga Bank. Of course, this is still a work in progress, and a different future may await us, but for the time being we will continue with this “one headquarters, multiple brands” approach.

Ibaraki Prefecture, which is Joyo Bank’s main base of operations, and Tochigi Prefecture, which is Ashikaga Bank’s main base of operations, are different administrative districts, and thus the economic organizations involved differ as well. We have been working under the thinking that, while we have the same platform in both prefectures, our customers would be more receptive to each subsidiary bank’s respective style of conducting business, drawing on the relationships with communities and brands that have been cultivated over the years. However, having said that, we feel that the continuous exchange of information and sharing of successful measures and case studies between the two subsidiary banks has led to the expansion of the comprehensive financial services area. What is important is not so much sharing expertise as working together to create it. To achieve this, it is not enough for Joyo Bank and Ashikaga Bank to do all the same things. Rather, while respecting each other’s distinctive qualities, they approach things with a sense of speed from different perspectives, sharing both successes and failures. That is, within their respective identities, there is also a certain amount of creative competition. We believe that retaining this aspect of friendly rivalry will lead to the expansion of new business areas and further synergy effects.

Promoting management that is conscious of capital costs and stock price

Akino: The Tokyo Stock Exchange requested listed companies to manage their businesses with an awareness of capital costs and stock price, and has urged

companies with price to book ratios (PBRs) of less than one to take corrective action. I think PBR is an important point for a stock company. A PBR of less than one means that the stock price is cheaper than the breakup value, and thus in theory, it is more profitable to dissolve the company. If such a situation continues for a long period of time, it represents a failure of management. I believe that in order to meet shareholder expectations, the basic attitude on the part of management should be to aim for a PBR of at least one, or even higher.

It is not that there is no formula to this. I believe that a solution can be found by taking a variety of approaches. Our approach is not only to strengthen the management structure and increase short-term profitability, but also to ensure that the region achieves sustainable growth, which leads to our own sustainable growth in return. We are confident that when, as a result of encouraging the growth of the region, our Group’s sustainable story of growth becomes clear, both return on equity (ROE) and price earnings ratio (PER) will increase, and our PBR will surpass one.

Becoming a value creation group working together with local communities

Akino: We are in the service industry. We are not in the business of producing products with large pieces of equipment. That’s especially why the most important management capital for us is our employees, and I believe that motivating, empowering, and increasing employee engagement is the cornerstone of our business. We must develop employees who can create value together with our customers in order to realize our vision of being a value creation group working together with local communities.

I believe that business managers must speak of hope. I want to be a manager who can always firmly say, “If we do this, our business will surely grow, and if we do this, the region will improve.” I will be a manager who speaks of hope, and I will make the company a place where employees can shine. Achieve this, and we will surely remain the choice of the local community. This is my commitment, and I will continue to take on challenges for the sake of our customers, local communities, shareholders, and the employees who sustain our Group.

Strengthening our ability to make proposals that help resolve issues faced by local customers

Tetsuya Akino
President, The Joyo Bank, Ltd.



Activity in Ibaraki Prefecture returns to normal and picks up steam after the COVID-19 pandemic

Akino: Ibaraki Prefecture, which is Joyo Bank's main area of operation, is home to the Kashima Coastal Industrial Zone, and in addition to manufacturing industries such as materials, steel, and chemicals, appliance and machinery businesses are concentrated in the Hitachi area. Moreover, a number of national and private research facilities are concentrated in the Tsukuba area, where the Science City is located. In terms of transportation access, the Kita-Kanto Expressway and the Ken-O Expressway have been developed, and logistics companies and factories belonging to major corporations are moving into the area. On the other hand, Ibaraki Prefecture also has thriving agriculture and fishery industries, and its agricultural and fishery output is among the highest in Japan, partly due to its proximity to the Tokyo metropolitan area, a major consumption center.

As economic and social activities return to normal with the end of the COVID-19 pandemic, I feel that the regional economy is growing considerably more vibrant. In particular, there has been an uptick in the appetite for capital investment, and in addition to the resumption of investments that had been postponed due to the pandemic, there has also been investment in energy conservation and the use of renewable energy sources. Personal consumption is also recovering, and in general, I believe that the business environment for local companies has picked up substantially.

In Ibaraki Prefecture, the working-age population is declining, and a shortage of labor is becoming a major issue for our customers. I would like us to establish a cycle in which we analyze the situation facing each of our customers and work together with them to solve various problems, such as helping them make capital investments in digitalization and mechanization to improve productivity, thereby allowing them to grow and us to earn returns as well. There are also a certain number of companies that are going out of business, so another major issue is how to relocate the labor force. Skilled engineers are a valuable asset to the region, and therefore, I believe that we must serve as an intermediary for them to continue playing an active role, whether at other companies or in other industries.

Initiatives for Human Capital Management

Akino: The business environment facing regional financial institutions is also changing dramatically. We will be asked to determine how customers and local issues will change in a "world with interest rates," how we will operate our business, and what proposals we will make to our customers. For this reason, the human resources to carry out these strategies will be vital. Meanwhile, as a "value creation group working together with local communities," we also want to develop employees who can create new value together with our customers. The ability to reconcile the problems faced by customers with the solutions that are available in the world will also be required. With more and more jobs requiring advanced expertise in areas such as digital, data analysis, and risk management, we also need to cultivate these kinds of personnel. Since people are our greatest asset, we intend to continue investing a great deal of business resources in human resource development.

Another key consideration is the environment for the people who work here. It is important to create an organizational culture of taking on challenges, as well as diversity and inclusion. Most importantly, we want our employees to work in good physical and mental health. As a business manager, I believe that this is an area that requires firm support.

At Joyo Bank, directors, including myself, visit all branches and other locations to engage in ongoing dialogue with employees. During these face-to-face interactions, management communicate their goals, their strategies and thoughts on how to achieve them, as well as their expectations of employees. In return, employees share feedback face-to-face on the challenges they face in the field when implementing these strategies, how they deal with customers, and other specific matters. Through these and other measures, we will continue to improve our internal environment from the perspective of human capital management.

A bank where employees can actively and independently take on the challenge of value creation, working to realize CSV and a virtuous cycle

Kazuyuki Shimizu
President, The Ashikaga Bank, Ltd.



Tochigi Prefecture has convenient transport links and is home to a diverse range of industries. Its expectations for growth are also rising.

Shimizu: Ashikaga Bank's main business area, Tochigi Prefecture, is 100 km from Tokyo, and Utsunomiya, the prefectural capital, is only 48 minutes away by Shinkansen. The area is also a major transportation hub aside from the Shinkansen, with access to the Tohoku Expressway and Kita-Kanto Expressway. It is a very livable area with convenient transport links and a well-developed cultural environment.

In terms of economic activity, Tochigi Prefecture is home to a high concentration of manufacturing industries, but the value of its agricultural output is also among the highest in Japan, making it a region with a good balance between industry and agriculture. Another major feature of the area is that due to its solid ground, it is less prone to earthquakes and other natural disasters.

One of the challenges facing the prefecture's economy is the business succession problem, a result of a lack of people willing to take over businesses and the labor shortage brought on by the declining population. Our role in revitalizing the regional economy is to ensure that businesses can continue to operate in their hometowns into the future. If a good buyer cannot be found immediately, it is now possible for us to use our fund to temporarily take over management of the company, make improvements to the business, and then look for a good buyer. Using methods such as these, we are working to ensure that as many local firms as possible will continue operating.

In the midst of major changes in the surrounding environment, our customers are facing a variety of challenges. We believe that as a comprehensive financial services institution, we need to understand the issues facing communities and commit to solving each of them.

Developing a new human resource strategy with a view to human capital management

Shimizu: With the economy picking up, we expect business opportunities to expand as well. However, it is at times like these that risk management is crucial. This is because a bank can only take so much risk.

Ashikaga Bank went bankrupt in November 2003 and underwent temporary nationalization. I was the Deputy General Manager of the Management Planning Division at the time, and I believe that one of the reasons for the collapse was neglecting the importance of risk management. I have reflected on whether we had just been acting to improve the bank's or our own personal performance, without regard for our customers. Another thing that was lacking was a sense of ownership. In order for us to protect our organization on our own initiative, a sense of ownership is required as a self-cleansing mechanism. There are three things that are extremely important in running a bank: risk management, a customer-oriented mindset, and a sense of ownership. I believe it is important that guidelines for action be shared and refined not only by management but also by those on the front lines of the business.

Today, Ashikaga Bank's management policy is "Realizing CSV (Creating Shared Value)." We go about our daily activities based on the belief that the bank's profits and growth come from sharing our customers' issues and goals and working together to resolve and realize them.

The source of value creation at our bank is employees, i.e., human resources. In order to improve the value of our human resources and create a sustainable virtuous cycle of CSV, we have adopted "Becoming individuals and organizations that can take on the challenge of value creation actively and independently" as the basic policy of our human resource strategy.

In order for people to work actively in their own way, it is important to enhance the "wellbeing," or happiness, they feel in their own lives. There is the concept of "work-in-life," and work occupies a substantial place in our lives. It is my hope that our employees can work in a way that allows them to balance life and work, while enjoying both in the process.

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 all 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.



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 its 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.

Group Environmental Policy

Under the “Group Environmental Policy” to reduce the environmental impact of its own corporate activities, Mebuki Financial Group recognizes that environmental issues, including climate change, are so critical that we have been promoting decarbonization and various other environmental conservation initiatives.
For more information on the Group Environmental Policy, please visit:
https://www.mebuki-fg.co.jp/eng/esg/environment/pdf/group_environmental_policy.pdf

Group Human Rights Policy

Mebuki Financial Group has established the Group Human Rights Policy to respect the basic human rights of all stakeholders and has pushed forward with the initiatives to respect human rights by paying attention to how the corporate activities of our borrowers and suppliers (supply chain) negatively affect human rights.
For more information on the Group Human Rights Policy, please visit:
<https://www.mebuki-fg.co.jp/sustainability/sdgs/pdf/policy-human-rights.pdf> [in Japanese]

Group Diversity Policy

Mebuki Financial Group has established the Group Diversity Policy so that executives and employees with diverse abilities and personalities can maximize their ability to think and act flexibly, and we have been strengthening and accelerating our efforts to ensure diversity.
For more information on the Group Diversity Policy, please visit:
https://www.mebuki-fg.co.jp/eng/esg/diversity/pdf/group_diversity_policy.pdf

Environmentally and Socially Friendly Investments and Loans Policy

Concerning investments and loans to particular sectors that could have a negative impact on the environment and society, Mebuki Financial Group has established the Environmentally and Socially Friendly Investments and Loans Policy and sought to reduce and prevent their impact on the environment and society.
For more information on the Environmentally and Socially Friendly Investments and Loans Policy, please see page 57.

Procurement and Purchasing Guidelines

Aiming for a sustainable society, Mebuki Financial Group has established the Group-wide Procurement and Purchasing Guidelines to procure and purchase goods and services necessary for its business activities, and is engaged in responsible purchasing activities in consideration of the environment and society. We also make these guidelines publicly available and work with our suppliers on collaborative efforts.
For more information on the Procurement and Purchasing Guidelines, please visit:
https://www.mebuki-fg.co.jp/eng/esg/environment/pdf/procurement_and_purchasing_guidelines.pdf

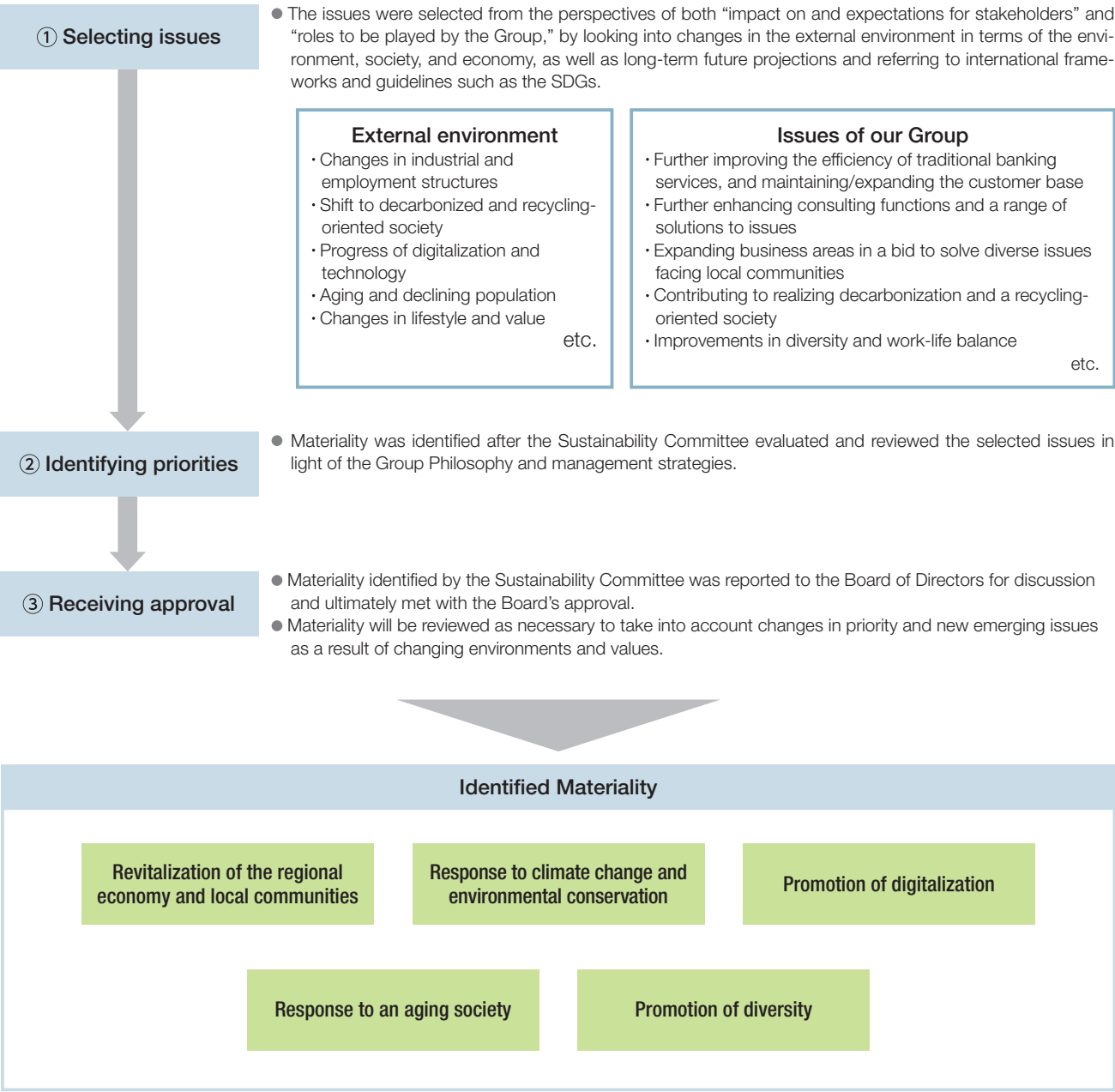
Materiality (Key Issues to Be Focused On)

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 these materiality issues, we are engaged in various initiatives to solve issues in the region and achieve sustainable growth for the Group.

Process of Identifying Materiality

The external environment in which the Group operates is becoming increasingly complex, making it very difficult to predict the future. Given these uncertain and unpredictable times, we have selected issues that need to be addressed in our efforts to achieve a sustainable society, identifying several as particular priorities.

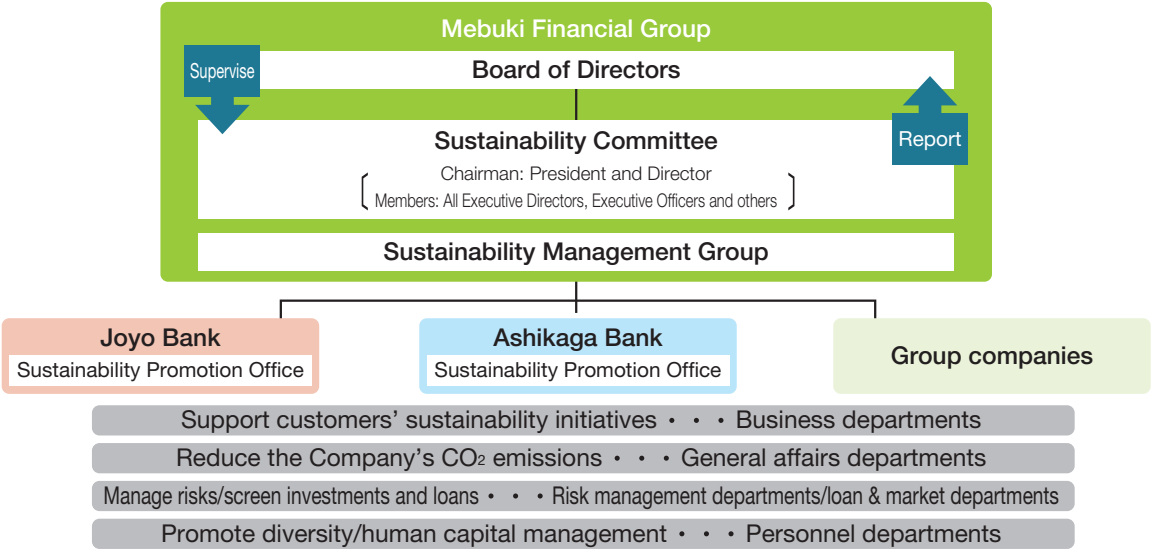
Materiality issues were identified upon deliberation by the Sustainability Committee and approval of the Board of Directors. The process is as follows:



Group			Philosophy				
“Together with local communities, we will continue to build a more			prosperous future by providing high-quality, comprehensive financial services.”				
Group Sustainability			Policy				
Based on the Mebuki Financial Group Philosophy “Together with local communities, we will continue to build a more its Group companies will support solving issues in our regions, while contributing to the achievement of			prosperous future by providing high-quality comprehensive financial services,” Mebuki Financial Group and sustainable growth of local communities as well as the improvement of our corporate value.				
Key issues to be addressed to achieve “sustainable growth of local communities as well as the improvement of our corporate value”			Impact of our business activities contributing to “sustainable growth of local communities as well as the improvement of our corporate value”				
Materiality	Risks and Opportunities		Main Themes in the Medium-Term Group Business Plan	Specific Initiatives	Main Indicators and Results	Examples of Outcomes	Examples of Impact
Revitalization of the regional economy and local communities	Risks	• Stagnant regional economy due to inability to respond to increasingly diverse and sophisticated customer needs • Deterioration in business performance due to an increase in business closures and bankruptcies caused by the stagnant regional economy	• <Deepening comprehensive financial services> • Deepening consulting function for business companies • Initiatives for regional revitalization/SDGs • <Challenges to expand business areas> • Developing new business areas by leveraging the Group's strengths • Making effective use of strategic investments, alliances, etc.	• Business matching • Business succession/M&A support • New business creation support, startup support • Business planning support • SDGs declaration support service (Supporting the preparation of written SDGs declarations) • Support for business improvement plan development • Personnel introduction service • Structured finance • Overseas business expansion support • Startup investment	• Number of successful business matching agreements → 4,784 cases (FY2023) • Number of business succession support cases → 2,331 cases (FY2023) • Number of M&A consultation cases → 799 cases (FY2023)	• Increased sales and profits for regional companies • Creation of business opportunities for regional companies • Increased number of businesses in the region and expanded employment opportunities • Expansion of consumption within the region and inflow of funds from outside the region • Expansion of the Group's business areas through alliances and collaborations	• Increased gross regional product • Increased number of workers and population in the region • Increased income in the region • Improved regional appeal
	Opportunities	• Increased opportunities to provide consulting services by deepening comprehensive financial services • Realization of sustainable local communities and growth of the Group by taking on the challenge of resolving issues beyond conventional frameworks • Increased opportunities to provide financial consulting due to growing demands for funding					
Response to climate change and environmental conservation	Risks	• Deterioration in business performance of customer companies due to natural disasters or policy changes/stricter regulations • Increased reputational risk and eroded trust due to lack of information disclosure and possession of carbon-related assets	• <Deepening comprehensive financial services> • Support for regional SDGs and decarbonization initiatives • Promoting environmental conservation activities in local communities • <Enhancing group management> • Responding to climate change risks • Effort to protect the environment and reduce environmental impact through business activities • Initiatives for TCFD/TNFD recommendations	• Sustainable finance • Reduction of Group CO ₂ emissions • Measuring GHG emissions and supporting reductions • Entry into renewable energy business • Establishment of policies for investment and financing in specific sectors • Introduction of an internal carbon pricing system • Forest conservation and tree planting activities	• Amount of sustainable finance provided → Result (cumulative total from FY2021 to FY2023): ¥1,157.4 billion (of which, ¥756.9 billion for environmental fields) • Reduction of Group CO ₂ emissions → FY2023 CO ₂ emissions: 10,294 tons of CO ₂ (reduction rate from FY2013: -54.1%)	• Progress in decarbonization efforts in the region and among customers • Reduction of greenhouse gas emissions • Local production and local consumption of renewable energy • Maintenance of ecosystem services and reduced environmental impact	• Carbon neutrality in the region achieved, reducing and mitigating global warming • Shift to a recycling-oriented society • Conservation of natural capital and biodiversity
	Opportunities	• Increased environment-related business opportunities • Enhanced corporate and social reputation through proactive information disclosure and dialogue with stakeholders					
Promotion of digitalization	Risks	• Deterioration in business performance of customer companies due to lower productivity and competitiveness resulting from slow digitalization • Smaller customer base due to less attractive services offered as a result of the Group's slow digitalization, and decreased competitiveness due to the relative decline in productivity	• <Promoting DX> • DX support for customers and local regions • Accelerate business innovation • <Innovating traditional banking services> • Enhance contact points with customers and non-face-to-face services through digitalization • Optimizing channel network and enhancing consulting function	• Banking app • Corporate internet banking services • Portal for corporate customers • Business matching for the IT and digital sectors • Data utilization infrastructure development • Utilization of machine learning and generative AI • Developing DX personnel	• Number of banking app users → 1.124 million people (end of Mar. 2024) • Number of DX personnel → 663 people (end of Mar. 2024) • Number of DX basis personnel → 3,924 people (end of Mar. 2024)	• Improved customer convenience and experience value • Improved productivity of customer companies • Improved operational efficiency in our Group and creation of new businesses	• Realization of a convenient and safe digital society • Revitalization of the regional economy through the resolution of labor shortages and enhanced competitiveness of local companies • Strengthened management structure and improved competitiveness at the Group
	Opportunities	• Increased business opportunities related to digitalization support for customers and communities • Enhanced customer contact points and experience value as a result of improving convenience through the use of digital technology, improved productivity from operational reforms					
Response to an aging society	Risks	• Fewer customers due to the aging of the population and reduced balance of financial assets • Stagnant regional economy due to a decrease in the labor force caused by people leaving work to perform nursing care as the aging of the population progresses	• <Deepening comprehensive financial services> • Enhance our response to an aging society • Deepening life plan consulting • Enhance our system to provide various services related to gerontology • Establish one-stop services responding to problems of the elderly and their families	• Provision of asset building and management services • Promotion of NISA use • Asset management and succession support • Financial education for younger generations and financial seminars at workplaces • Housing support (reverse mortgages, etc.) • Daily life support (watching service, housekeeping service, etc.)	• Number of NISA accounts (both subsidiary banks combined) → 200,000 accounts (end of Mar. 2024) • Closed testamentary trust deals → 503 cases (FY2023)	• Realization of customers' life plans • Smooth asset succession to the next generation • Improved financial literacy • Improved welfare for local communities	• Economic stability for local residents • Realization of communities where the elderly and their families can continue to live with peace of mind • Realization of communities where people can continue to live with peace of mind
	Opportunities	• Increased opportunities to provide new products and services for the era of the 100-year lifespan • Increased opportunities to secure contacts and business with elderly households					
Promotion of diversity	Risks	• Failure to respond to changes in work styles and attitudes, and failure to enable diverse human resources to fully demonstrate their abilities, leading to low employee morale, outflow of human resources, and lost opportunities to acquire human resources	• <Develop human resources and promote active participation> • Implementation of initiatives based on the Diversity Policy and improvement of the environment • Initiatives for senior human resources • Strengthen efforts to increase opportunities for women and promote them to higher positions • Strengthen initiatives for enhancing job satisfaction	• Strengthen efforts to increase opportunities for women and promote them to higher positions • Promote the use of childcare leave by men • Strengthen mid-career recruitment • Use of the flextime work system and working from home • Conduct engagement surveys • Use of open recruitment of trainees and the post challenge program • Use of the second job system	• Ratio of female employees in assistant manager positions or higher → 35.2% (end of Mar. 2024) • Rate of use of childcare leave by men → 105.5% (FY2023) • Number of mid-career hires → 68 people (FY2023)	• Increased employee diversity • Transformation of organizational culture • Revitalization of the organization • Improved problem-solving and innovation capabilities • Improved ability to respond to diverse needs	• Realization of employee wellbeing • Increased employee satisfaction and engagement • Creation of new businesses and services
	Opportunities	• Recruitment of human resources and transformation of corporate culture through enhanced efforts to accommodate diversity • Enhanced corporate value through promotion of human capital management					

Governance and Promotion Structure for Sustainability

Recognizing sustainability issues as important management issues, Mebuki Financial 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 promote its 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 Group companies 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.

Status of audit

The Audit and Supervisory Committee set "the status of various measures based on the Group Sustainability Policy" as a key audit item in the audit plan for FY2023 and carried out audit activities accordingly. The Sustainability Committee is attended by full-time Audit and Supervisory Committee Members in an auditing capacity, and discussions at the committee are reported by the full-time Audit and Supervisory Committee Members to part-time Audit and Supervisory Committee Members to share information prior to the reporting of business execution at the Board of Directors. In addition to discussions at Audit and Supervisory Committee meetings, part-time Audit and Supervisory Committee members express their opinions at meetings of the Board of Directors as necessary.

The Audit Department, which is in charge of internal audits, designated "status of sustainability initiatives" as a key audit target in the Group internal audit plan for FY2023, and conducted audits related to sustainability initiatives, reporting audit results to the Board of Directors, the Audit and Supervisory Committee, and the Representative Director.

Long-Term KPIs for Sustainability

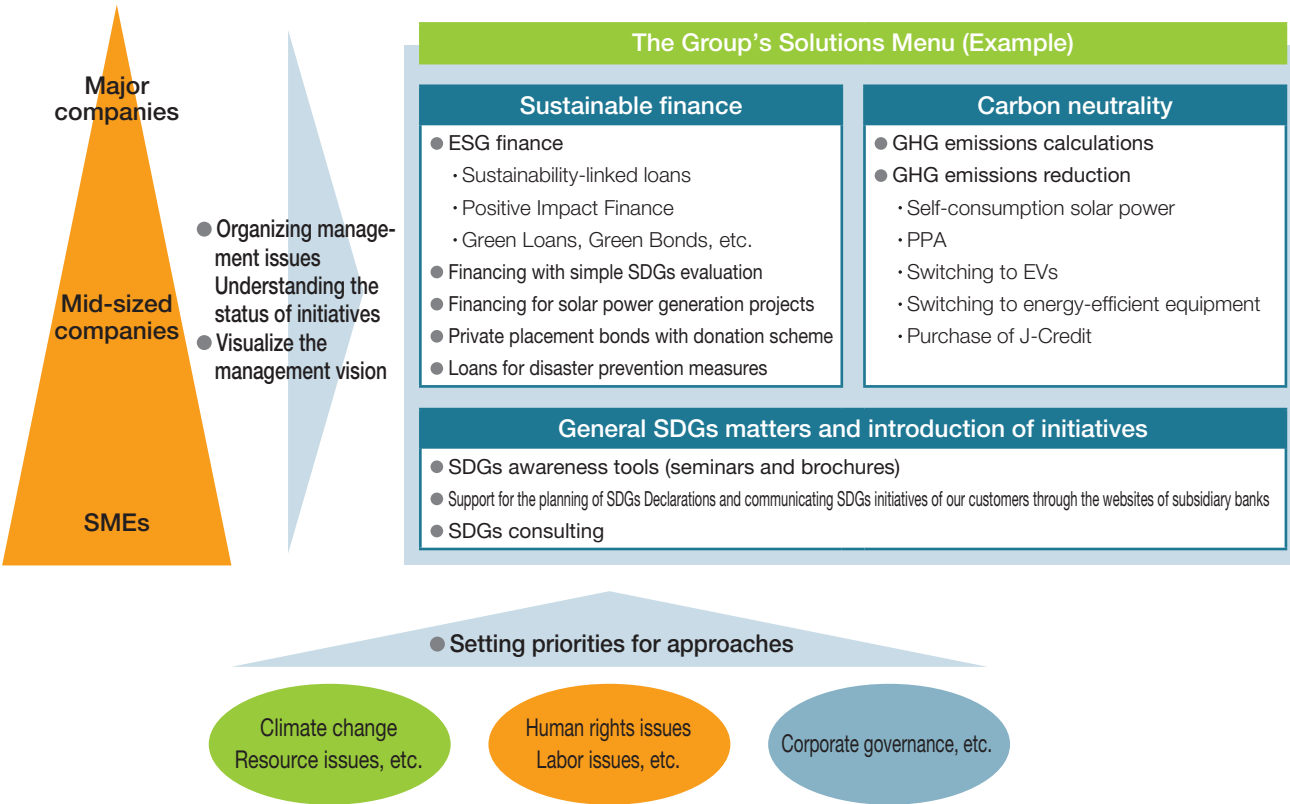
The Group aspires to realize sustainable local communities and enhance corporate value, and thus has set Long-term KPIs for sustainability in order to clearly define its basic stance and goals related to sustainability.

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–FY2030 Result (cumulative total from FY2021 to FY2023): ¥1,157.4 billion (of which, ¥756.9 billion in environmental fields)
CO₂ emission reduction target (Scope 1, 2)	Mebuki Financial Group will reduce its own CO ₂ emissions through its business activities and accelerate its contribution to realizing a decarbonized society and sustainable regional growth. CO₂ emissions reduction target for FY2030: Net zero FY2023 CO₂ emissions: 10,294 tons of CO₂ (reduction rate from FY2013: -54.1%)
Ratio of female employees in assistant manager positions 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: As of end of Mar. 2025, 35% or more Result: As of end of Mar. 2024, 35.2% (progress rate: 100.5%)

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.”

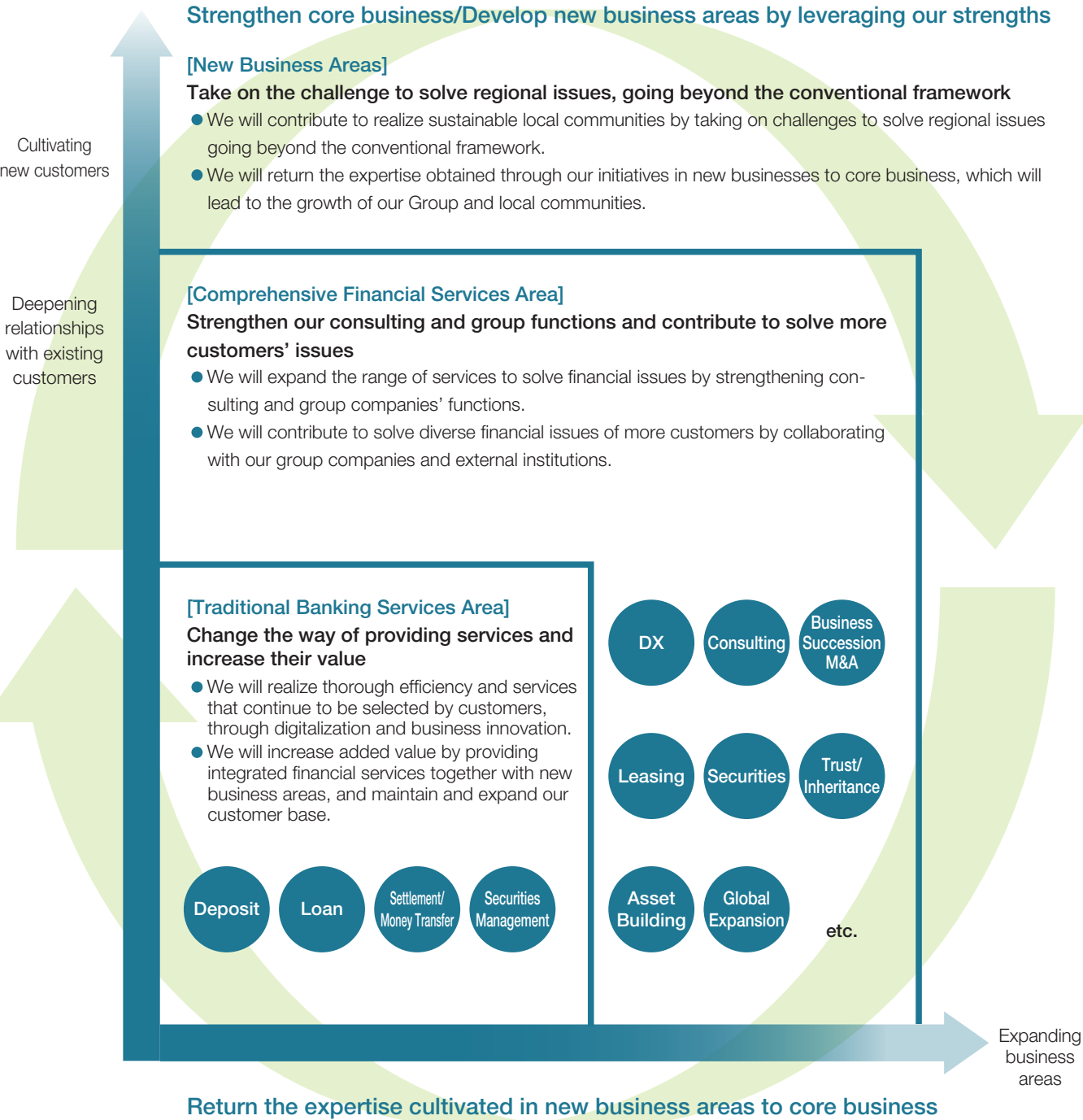


1 Consolidated fee income ratio = Consolidated fee income ^{()2} ÷ Income from customers ^{(*)3}
*2 Consolidated fee income = Fee from customers of Banks + Gross profit from customers of other Group companies
*3 Income from customers = Difference of interests between loans and deposits + Consolidated 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.

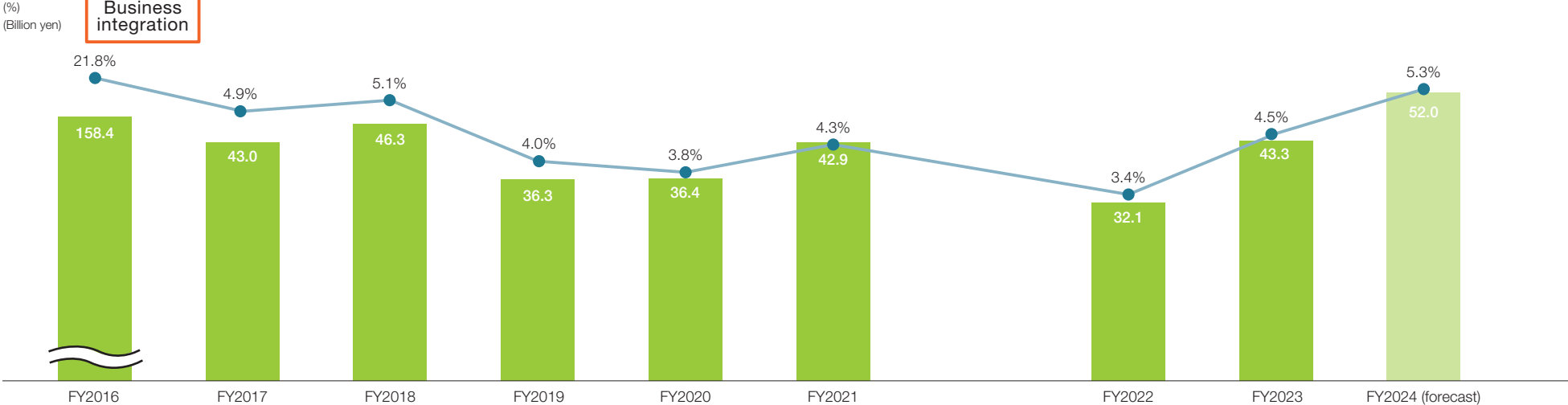


Review and Progress of the Medium-Term Group Business Plan

Change

● ROE

■ Net Income



From FY2016 to FY2018
First Medium-Term Group Business Plan
Period for getting the new Group on track for success

From FY2019 to FY2021
Second Medium-Term Group Business Plan
Period for producing solid results and upshifting for the next stage of growth

From FY2022 to FY2024
Third Medium-Term Group Business Plan
Period for Taking on Challenges for Sustainable Growth

Long-Term Vision 2030

A Value Creation
Group Working
Together with Local
Communities

From FY2028 to FY2030
Fifth Medium-Term Group Business Plan
Period for realizing long-term vision

From FY2025 to FY2027
Fourth Medium-Term Group Business Plan
Period for accelerating evolution

Medium-Term Group Business Plan

Overview

Vision

Basic Strategies

Building the region's future as a comprehensive financial services group

- 1 Combination of ingenuity for regional revitalization
- 2 Expansion of comprehensive financial services
- 3 Expansion of area and channels
- 4 Innovation of operations
- 5 Development of the new group's corporate management structure

Building the region's future as a comprehensive financial services group

- 1 Creating growth business models with local regions
 - Enhance consulting services
 - Proactively utilize IT/data and invest in IT
- 2 Structural reform for enhanced productivity
 - Establish common platforms
- 3 Developing human resources for value creation

Numerical targets	
Consolidated ROE	5.0% or more
Consolidated net income ^(*)	Approx. ¥47.0 billion
OHR (bank total) ^(*)	Approx. 60%

Numerical targets	
Consolidated ROE	5.0% or more
Consolidated net income ^(*)	Approx. ¥47.0 billion
Core OHR (bank total) ^(*)	Approx. 60%

Out-comes	• Reduced costs and strengthened securities management through knowledge sharing (Covered top-line shortfalls such as loan interest and fees) • Strengthened the provision system for comprehensive financial services (Subsidiarization of leasing and securities companies by Mebuki Financial Group)
Issues	• Development and expansion of business areas in response to the contraction of traditional banking operations • Enhancing service levels through digitalization and data utilization • Improving productivity through structural reforms

Out-comes	• Made progress in structural reforms • Strengthened IT service utilization • Strengthened consulting functions
Issues	• Further improving the efficiency of traditional banking services and maintaining/expanding the customer base • Further enhancing consulting functions and a range of solutions to issues • Expanding business areas in a bid to solve diverse issues of local communities • Contributing to realizing decarbonization and a recycling-oriented society

	FY2018	Numerical targets	Results
Consolidated ROE		5% or more	5.1%
Consolidated net income ^(*)		Approx. ¥47.0 billion	¥46.3 billion
Capital adequacy ratio		Mid-10% range	9.94%
OHR (bank total) ^(*)		Approx. 60%	58.1%

	FY2021	Numerical targets	Results
Consolidated ROE		5.0% or more	4.3%
Consolidated net income ^(*)		Approx. ¥47.0 billion	¥42.9 billion
Core OHR (bank total) ^(*)		Approx. 60%	54.5%
(Reference) Core net business income ^(*)		Approx. ¥65.0 billion	¥77.9 billion

(*) Net income attributable to owners of the parent
(*) Based on gross business profit

(*) Net income attributable to owners of the parent
(*) Based on core gross business profit (excluding gains/losses on cancellation of investment trusts and system integration expenses)
(*) 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

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.

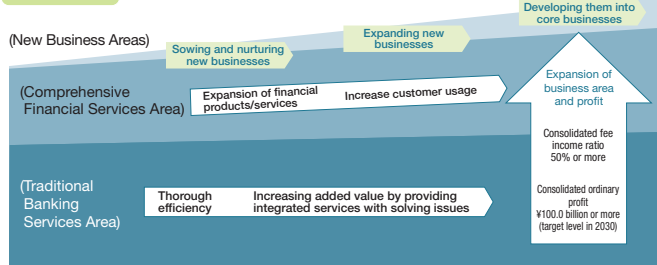
- Basic Strategies
- 1 Pursue a business model to support local communities
 - 2 Build a sustainable management base
 - 3 Develop human resources and promote active participation

Business Objectives (FY2024)

Consolidated net income (attributable to owners of the parent) ¥52.0 billion or more

Core OHR (bank total)^(*) Less than 58%

Consolidated ROE (based on shareholders' equity) 5.5% or more



1 Core OHR = Expenses ÷ Core gross business profit (Gross business profit^() – gains/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 support 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
New Business Areas	[Specific Strategy 1-3] Challenges to expand business areas ▶P45 •Provide value beyond the conventional framework utilizing the strengths of our Group and investments	[Specific Strategy 2-2] Enhancing group management ▶P19,68,109 •Organizational development related to DX and sustainability •Business management responding to expansion of business areas	[Specific Strategy 3-2] Developing and securing human resources who can create value ▶P79 •Trainee dispatch (About 120 people (3 year cumulative)) •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, 2024: Approx. 3,900 people
Comprehensive Financial Services Area	[Specific Strategy 1-2] Deepening comprehensive financial services ▶P33 •Strengthen consulting and group functions and contribute to solve more customers' issues	[Specific Strategy 2-1] Promoting DX ▶P66 •Provide new services by utilizing digital technology and data, increase the added value of conventional services •Accumulate, analyze and utilize data obtained through digital channel and face-to-face channel •Accelerate business innovation •Expand non-face-to-face and remote procedures	[Specific Strategy 3-1] Implementing diversity/Initiatives for job satisfaction ▶P79 •Expanding working opportunities for female employees Ratio of female employees in assistant manager positions or higher 35% or more (end of Mar. 2025) * Ratio as of March 31, 2024: 35.2%
Traditional Banking Services Area	[Specific Strategy 1-1] Innovating traditional banking services ▶P61 •Enhance customers' convenience utilizing digital technology and non-face-to-face services •Increase the value of services by strengthening consulting function and providing integrated services for solving issues	[Specific Strategy 2-4] Diversification of securities management/ investments and financing ▶P27 •Strengthen profitability with appropriate risk-taking	

Financial Results for FY2023

In FY2023, by strengthening consulting functions to boost fee income and enhancing loans to increase the difference of interests between loans and deposits, our main business of profit from customer services*¹ reached ¥47.9 billion, surpassing the previous fiscal year by ¥3.5 billion and continuing the growth trend for the highest profit since our business integration.

The difference of interests between loans and deposits increased by ¥5.7 billion year on year, due partly to domestic lending rates reversing to an increase primarily driven by an increase in loan balances, while fees from customers remained at the same level as the previous fiscal year as a result of our continuing provision of adequate consulting services, including support for corporate customers in creating business plans and asset management proposals tailored to the needs of individual customers. Expenses increased by ¥1.8 billion year on year due to enhanced proactive investments in human capital

and DX, while maintaining an overhead ratio (OHR) in the 50% range.

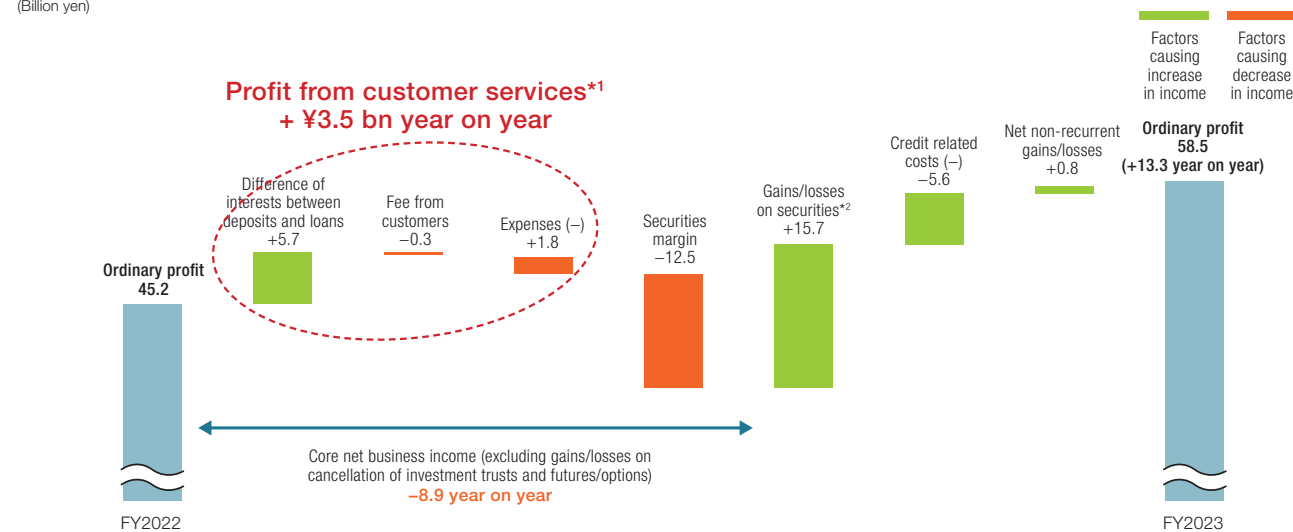
Despite a ¥12.5 billion decrease year on year in income from securities (interest margin) due to rising foreign currency funding costs, gains/losses on securities*² improved by ¥15.7 billion as a result of portfolio management in accordance with market trends, taking into account domestic and international financial policies and stock market trends.

Credit related costs decreased by ¥5.6 billion year on year due to continued calm conditions, and ordinary profit increased by ¥13.3 billion year on year to ¥58.5 billion.

As a result, consolidated net income attributable to owners of the parent of Mebuki Financial Group amounted to ¥43.3 billion, ¥11.1 billion higher 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

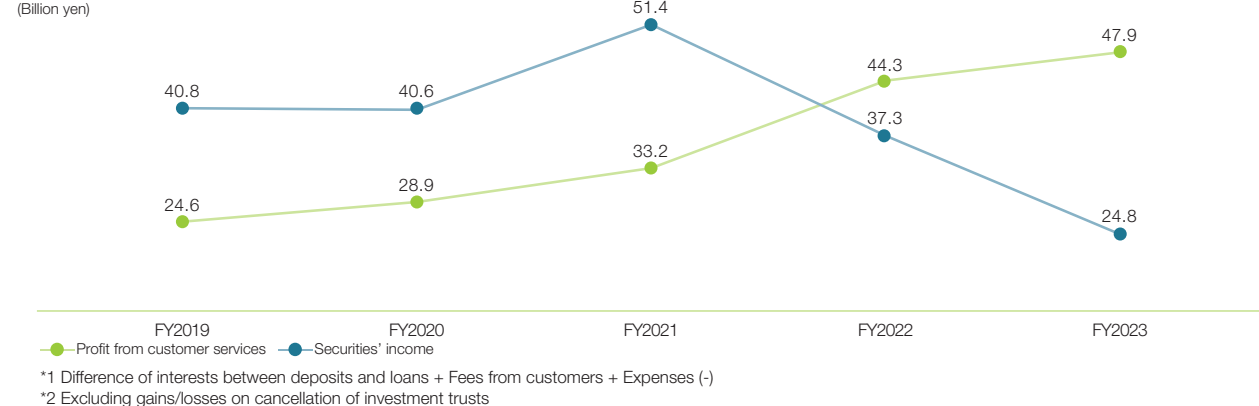
Year-on-year change in ordinary profit (Bank total)
(Billion yen)



*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*¹ and Securities' income*² (Bank total)
(Billion yen)



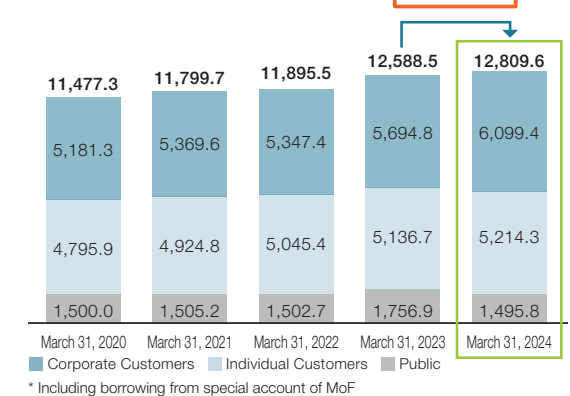
Loans

The term-end balance for loans increased by ¥221.1 billion, or 1.7%, from the end of the previous fiscal year to ¥12,809.6 billion.

Loans to corporate customers have continued 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.

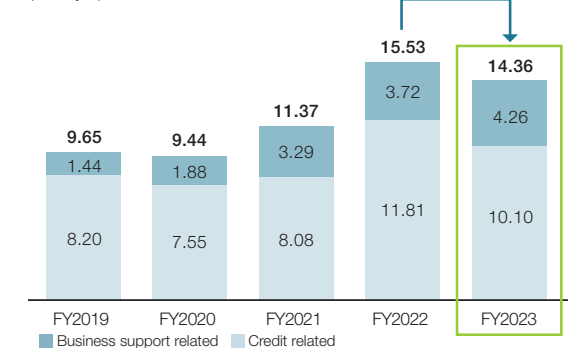
Term-end balance (Bank total)
(Billion yen)



Fees and commissions

Although we continued providing adequate consulting services that help solve the issues of customers, a downturn in fees from derivatives, which performed well last year, resulted in a decrease in fees from corporate customers by ¥1.16 billion from the previous fiscal year to ¥14.36 billion. We will continue supporting customer businesses through consulting proposals.

Fees from corporate customers
(Bank total)
(Billion yen)



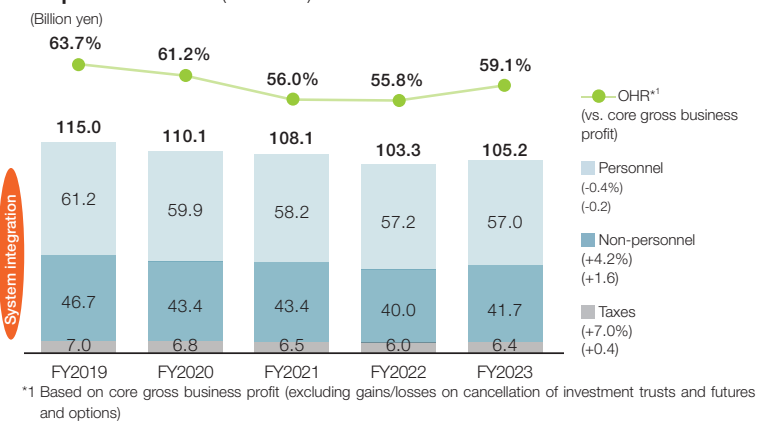
Status of expenses/OHR

Despite expenses related to human capital such as increased wages and raising starting salaries as well as proactive investment in DX, we have controlled total expenses by working on existing cost reductions.

As a result, expenses for FY2023 were ¥105.2 billion, a ¥1.8 billion increase over the previous fiscal year. We have maintained OHR, which indicates management efficiency, in the 50% range based on core gross business profit.

We will continue to advance structural reforms, reduce existing costs, and improve Group-wide efficiency through investments in human resources and DX investment aimed at expanding revenue.

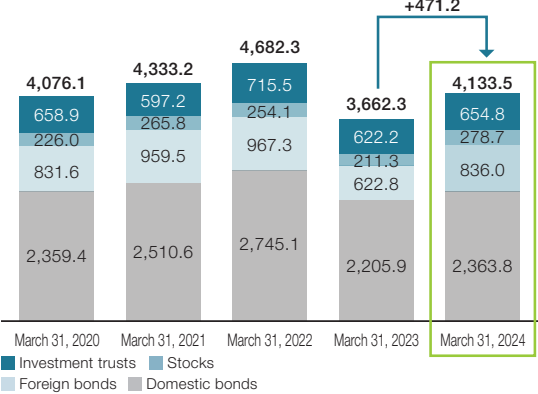
Expenses/OHR (Bank total)



Securities

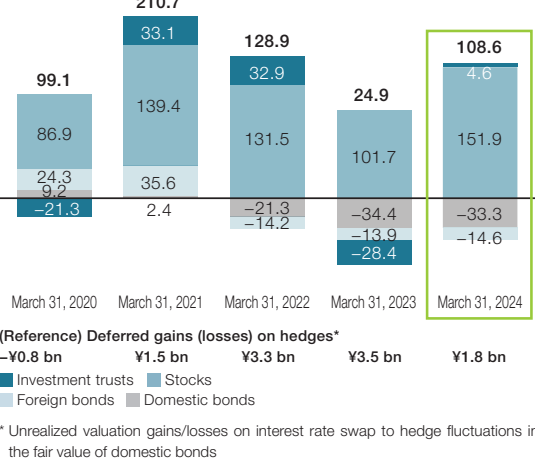
In securities management, our securities balance increased by ¥471.2 billion from the end of the previous fiscal year to ¥4,133.5 billion as of March 31, 2024 as a result of working to manage our portfolio in response to market trends while closely monitoring domestic and

Balance (Carrying amount) (Mebuki FG)
(Billion yen)



international financial policies. We will continue working to restructure our portfolio in light of financial policies in Japan and abroad.
The Group's consolidated valuation gains/losses were ¥108.6 billion as of March 31, 2024.

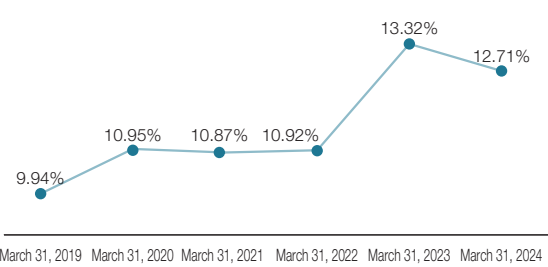
Unrealized valuation gains/losses on available for sales securities (Mebuki FG)
(Billion yen)



Capital adequacy ratio

Our policy as a regional financial group committed to providing stable funding to the community is to maintain an appropriate consolidated capital adequacy ratio. As of March 31, 2024, the ratio decreased by 0.61 points from the end of the previous fiscal year to 12.71% due to an increase in risk assets from loans and securities.

Capital adequacy ratio



Forecast for FY2024 (earnings estimates)

In the forecast for FY2024 (earnings estimates), we plan to increase net income attributable to owners of the parent by ¥8.6 billion year on year to ¥52.0 billion, with an ROE of about 5.3%. Over the medium to long term, we aim for an ROE exceeding 6 to 8%, the levels of the cost of shareholders' equity.
While we anticipate increases in yen-denominated loan interest due to rising Japanese interest rates

Forecast (Mebuki FG consolidated)
(Billion yen)

	Forecast for FY2024	YoY	FY2023 Results
Ordinary profit	75.0	+11.9	63.0
Net income attributable to owners of the parent	52.0	+8.6	43.3

Forecast (Bank total)
(Billion yen)

	Forecast for FY2024	YoY	FY2023 Results
Ordinary profit	69.0	+10.4	58.5
Net income	48.0	+7.4	40.5

Impact of Rising Interest Rates in Japan

If the policy interest rate is raised to 0.50% and replacement of loans progresses, a positive effect of more than ¥40 billion in net interest income and ROE in the high 2% range is expected.

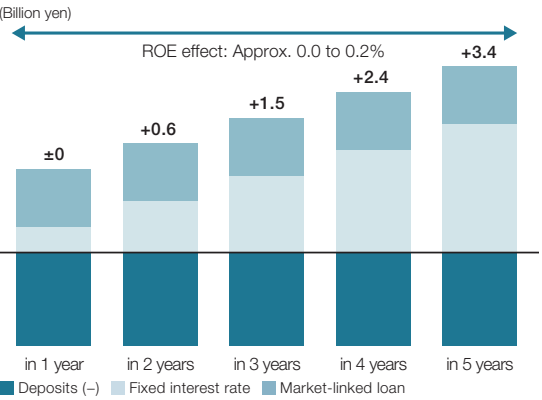
Impact on Net Interest Income (estimate)

Yen Balance Sheet (as of March 31, 2024)

1 Balance Sheet		(Trillion yen)		2 Interest Rate Structure		
Item	Balance	Item	Balance	All assets	Balance	Percentage
Loans	12.6	Deposit	17.8	Variable interest rate	12.3	61%
Short-term prime rate-linked loans	(5.5)	Liquid	(13.9)	Fixed interest rate	7.0	35%
Market interest rate-linked loans	(2.1)	Fixed-term	(3.9)	Other (investment trusts, etc.)	0.7	3%
For the Ministry of Finance	(0.5)	BOJ borrowings	1.9			
Fixed interest*	(4.6)	Market funding	0.5	Loans		
Securities	3.2	Total liabilities	20.2	Variable interest rate	8.1	64%
Yen-denominated bonds	(2.4)			Fixed interest rate	4.6	36%
Investment trusts, stocks, etc.	(0.7)					
Others	4.3					
BOJ current account	(4.2)					
Total assets	20.2					

* The remaining average life of fixed interest rate loans is 4.5 years.

Interest Rate Scenario (1): Level Planned for FY2024



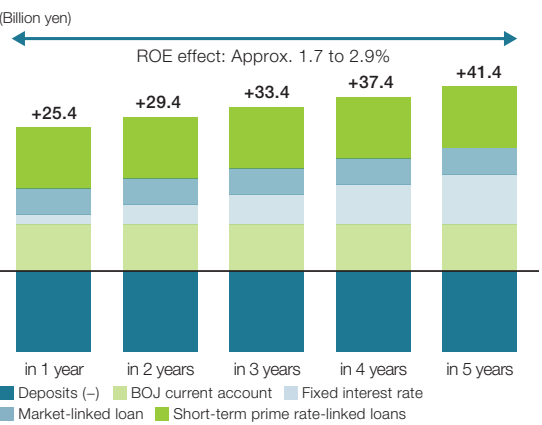
Interest rate scenarios

- Policy interest rate: 0.00%
- TIBOR: +0.10% after the lifting of negative interest rates
- No increase in short-term prime rate
- 5-year swap rate (fixed interest rate lending base rate): Approx. 0.3%

Assumptions

- Asset and liability balances to continue with the portfolio as of March 31, 2024
- ¥1 trillion of fixed-rate loans (primarily business loans) mature annually and are executed based on the 5-year swap rate for the scenario above. Interest pass-through rate: 70%
- Deposit interest rate: 0.02% (interest pass-through rate: 20%)

Interest Rate Scenario (2): Policy Interest Rate of 0.50%



Interest rate scenarios

- Policy interest rate: 0.50%
- TIBOR: +0.50% following the rate increase
- Short-term prime rate: 2.475% (+0.50%)
- 5-year swap rate (fixed interest rate lending base rate): Approx. 0.7%

Assumptions

- Asset and liability balances to continue with the portfolio as of March 31, 2024
- For short-term prime rate-linked loans, 100% short-term prime for housing loans and 70% interest pass-through rate for business loans
- ¥1 trillion of fixed-rate loans (primarily business loans) mature annually and are executed based on the 5-year swap rate for the scenario above. Interest pass-through rate: 70%
- Interest on BOJ current account after deducting capital costs involved in market funding
- Deposit interest rate: 0.20% (interest pass-through rate: 40%)

Shareholder Returns and Capital Policy

We will target a total return ratio* of 40% 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.

In FY2023, in addition to a buyback of treasury shares capped at ¥10.0 billion in May, we revised our shareholder return policy in November and raised the total return ratio from “30% or more” to “40% or more.” At the same time, we increased annual dividends per share by ¥1.0 to make dividends ¥12.0 per year and conducted a buyback of treasury shares capped at ¥10.0 billion. This resulted in the acquisition of ¥20.0 billion in treasury stock annually for FY2023, achieving a total return of 74.5%, above the target of 40%.

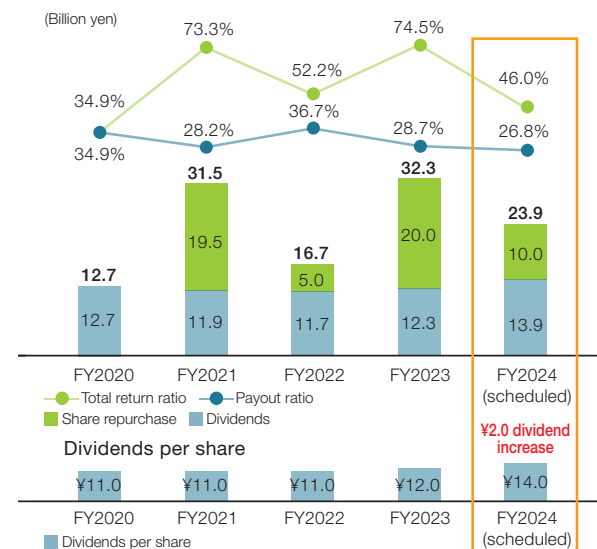
In FY2024, we plan to increase the annual dividend per share by ¥2.0 to ¥14.0 and improve shareholder returns with a buyback of treasury shares capped at ¥10.0 billion (announced May 2024). The total payout ratio for FY2024 is expected to be approximately 46.0% as a result of this.

* 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

Shareholder return policy

We will target a total return ratio of 40% 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.



Reduction of Strategic Shareholdings

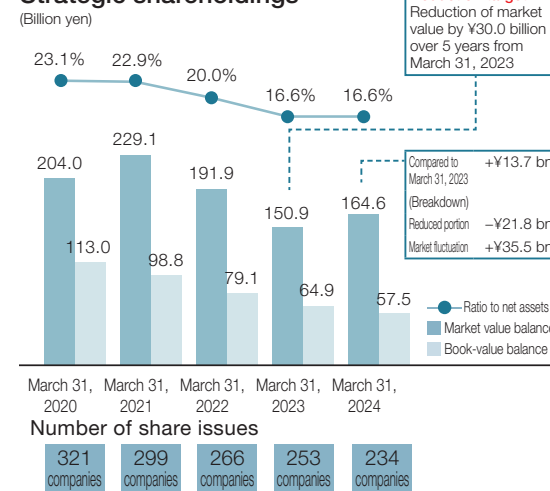
We are making efforts to reduce the balance of strategic shareholdings, taking into consideration risk reduction and capital efficiency based on economic rationality. We have held sufficient dialogues with issuing companies upon sales of such shares.

In FY2023, strategic shareholdings* increased by ¥13.7 billion from the previous fiscal year (the ratio within consolidated net assets was the same as the end of the previous fiscal year at 16.6%). This increase resulted from a reduction of 19 brands worth ¥21.8 billion over the year, while the market value increased ¥35.5 billion due to share price rises.

We will continue efforts to reduce holdings while engaging in sufficient dialogue with partners to achieve our reduction target of ¥30.0 billion by March 31, 2028 compared to March 31, 2023, as we announced in May 2023.

* Figures are strategic shareholdings (including listed or non-listed stocks) held by Jyoy Bank, which owns more than two-thirds stocks owned by Mebuki FG and subsidiaries. These are based on market value and include deemed holdings of shares.

Strategic shareholdings*2



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 relationships, etc., using their overall business RORA* based on our ROE target.

As of March 31, 2024, 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 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)

Approach to Enhancing Corporate Value

The Group has set forth (1) pursuing a business model to support local communities, (2) building a sustainable management base, and (3) developing human resources and promoting active participation as basic strategies in the current Third Medium-Term Group Business Plan (FY2022 to FY2024) based on our Long-Term Vision 2030 and is working to create new value to help create sustainable local communities.

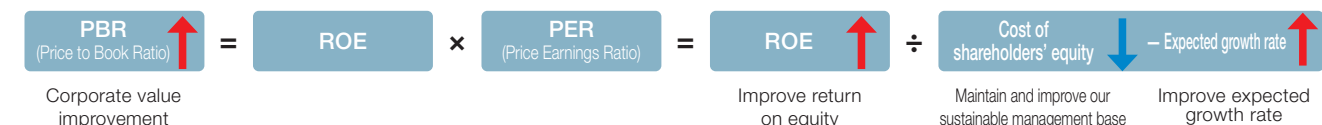
Jyoy Bank and Ashikaga Bank, the Group's core subsidiaries, are leading banks in their regions, and we believe that growing together with these regions will lead to an increase in corporate value.

Basic philosophy

The Group is advancing capital profitability through the pursuit of a business model to support local communities and help make them sustainable while maintaining and improving our own sustainable management base and expected growth rate, with improving corporate value (improving PBR) as our goal. We plan to raise the expected growth rate and suppress the cost of shareholders' equity while working to promote revitalization of

the home market and sustainable management, thereby improving ROE, which is directly linked to both social and economic value, in a unified manner.

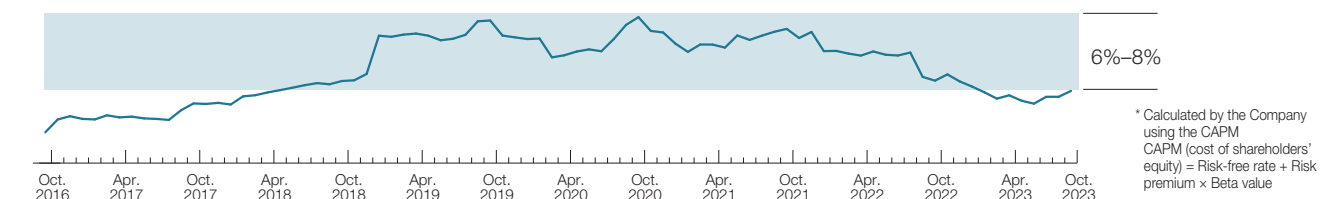
Jyoy Bank and Ashikaga Bank, the Group's core subsidiaries, are leading banks in their regions, and we believe that growing together with these regions will lead to an increase in corporate value.



Recognition of cost of shareholders' equity

We recognize cost of shareholders' equity to be between 6 and 8%*.

Changes in cost of shareholders' equity

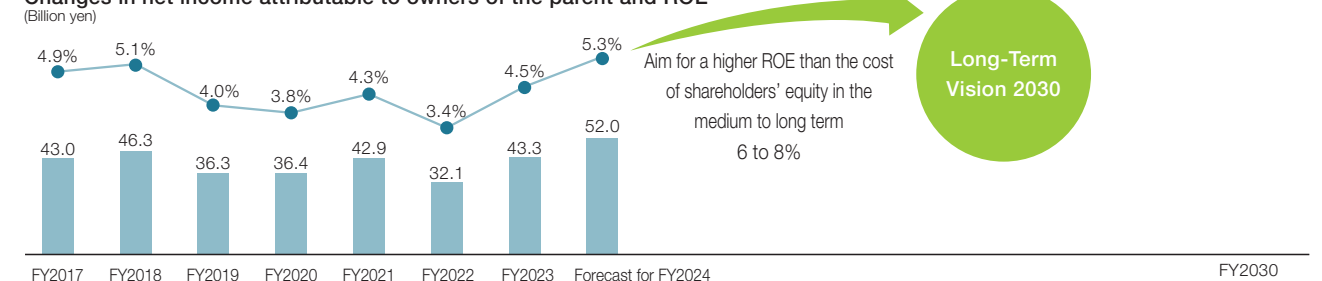


Net income bottomed out at ¥32.1 billion in FY2022, and is expected to increase by ¥20.0 billion for a net income of ¥52.0 billion.

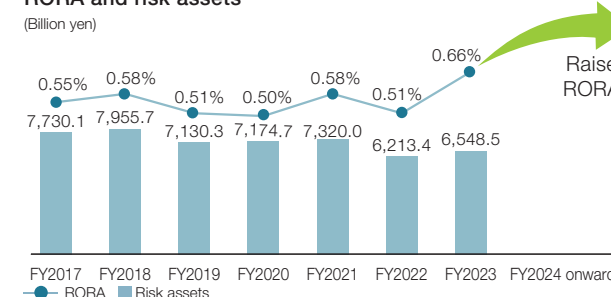
Through this, we plan to bring ROE back to the 5% range again in FY2024.

To raise net income and ROE, we will raise the RORA (return on risk assets) and work toward capital control, including increasing shareholder returns, with an ROE that exceeds the cost of shareholders' equity in the medium to long term as our goal.

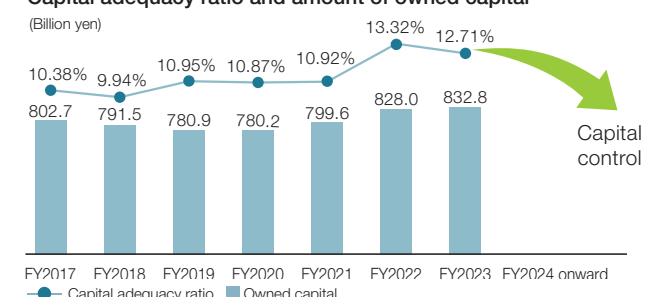
Changes in net income attributable to owners of the parent and ROE



RORA and risk assets



Capital adequacy ratio and amount of owned capital

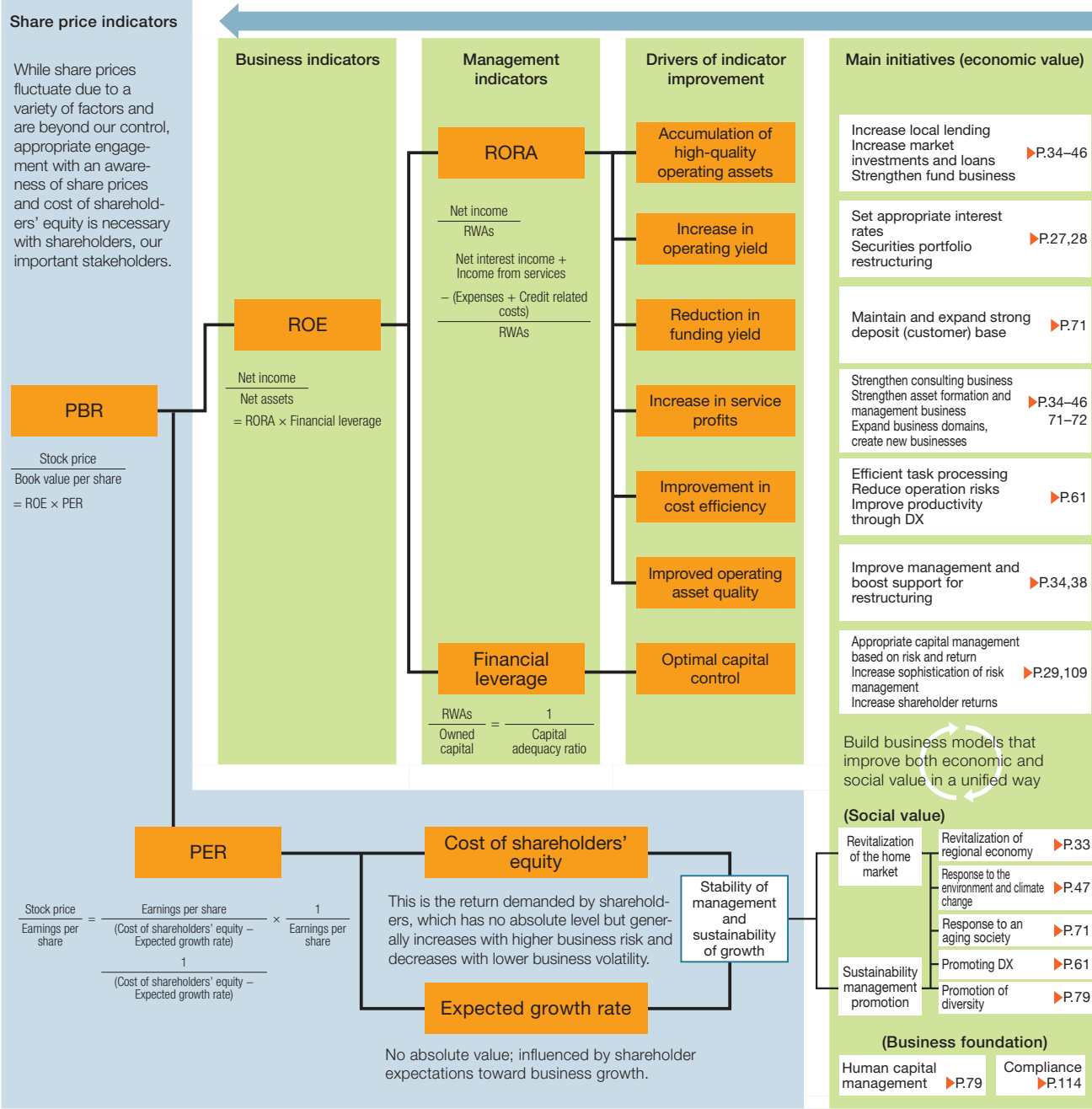


Regarding the issue of management conscious of cost of capital and stock price, we believe that growing our business through creating social value while taking economic value such as market capitalization into account will have a positive impact on our business performance and on economic value, namely, market capitalization. The diagram below illustrates the relationship between economic value, social value, share prices, and capital costs.

Promoting the initiatives shown on the right side of this diagram will create a cycle that leads to improved PBR, namely, enhanced corporate value.

Our Long-Term Vision 2030, Sustainability Policy, and the Third Medium-Term Group Business Plan are all interconnected, and it is under this unified management approach that we aim to achieve harmony with our customers, the community, employees, shareholders, and all stakeholders.

PBR and company management (big picture)

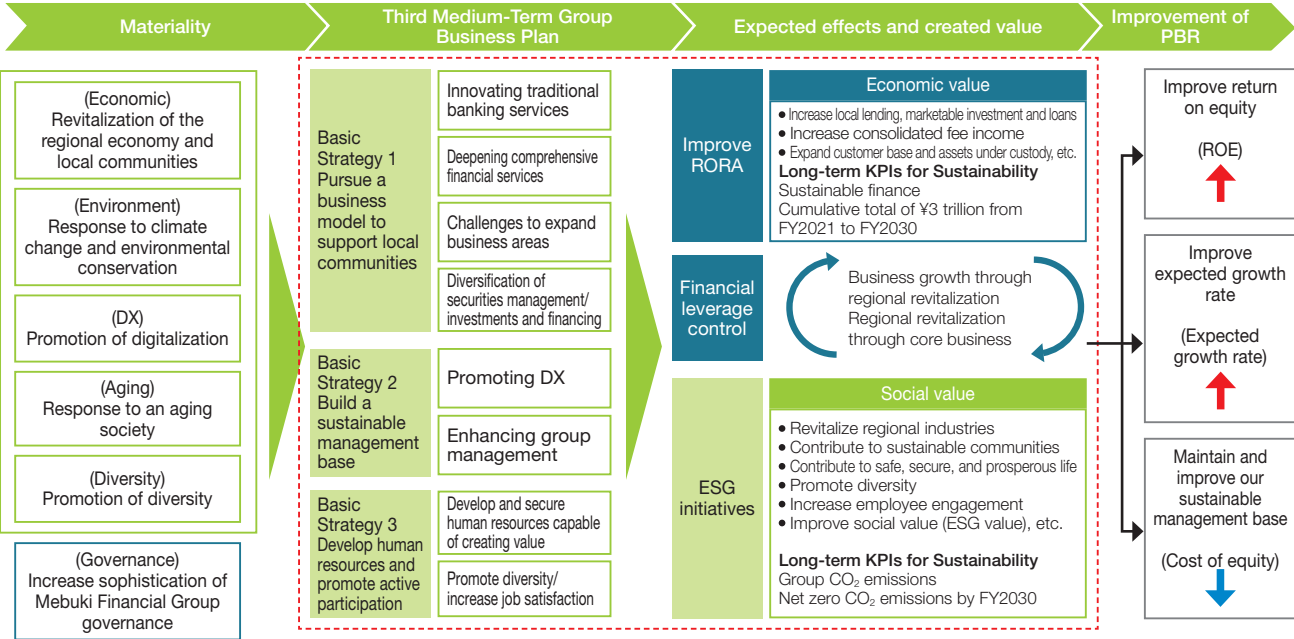


The relationship between our materiality, the Medium-Term Business Plan, and economic and social value

Long-Term Vision
2030

[Vision] A Value Creation Group Working Together with Local Communities

[Target Level] Consolidated fee income ratio: 50% or more, Consolidated ordinary profit: ¥100.0 billion or more



By promoting the following initiatives based on the Third Medium-Term Group Business Plan, we aim to improve the return on equity, increase the expected growth rate, and maintain and improve our sustainable management base.

The Third Medium-Term Group Business Plan: Develop Specific Measures		
Strengthen local core business		
● Support main business and work on initiatives toward business succession		P.33-34
● Life plan consulting		P.71-72
● Improve convenience through the expansion of digital and non-face-to-face channels		P.61-70
● Support for SDGs, strengthen sustainable finance		P.41, 58
Strengthen marketable investments and loans		
● Strengthen structured finance		P.27-28
● Securities portfolio restructuring		
Investment costs		
● Bolster strategic investments in DX and new business areas		P.61-70
● Improve productivity through digitalization and business innovation		P.79-94
● Create value by developing human capital management		
Capital management		
● Appropriate risk-taking by ensuring adequate levels of owned capital		P.27
● Increase shareholder returns		P.29-30
● Reduce strategic shareholdings (¥30.0 billion reduction by the end of FY2027)		
Environment		
● Group response to decarbonization and climate change risks		P.47-60
● Regional efforts toward carbon neutrality and environmental conservation		
Society		
● Promotion of local industries and efforts to adapt to structural changes in the industry		P.33-46
● Initiatives toward aging management, human resource shortages, and securing employment locally		P.71-78
● Improving the quality of life for the elderly and their families in response to an aging society		
● Efforts to improve financial literacy in the community		
Governance		
● Strengthen and enhance corporate governance		P.95-102
● Reducing information asymmetry through dialogue with stakeholders		P.117-120

Revitalization of the Regional Economy and Local Communities



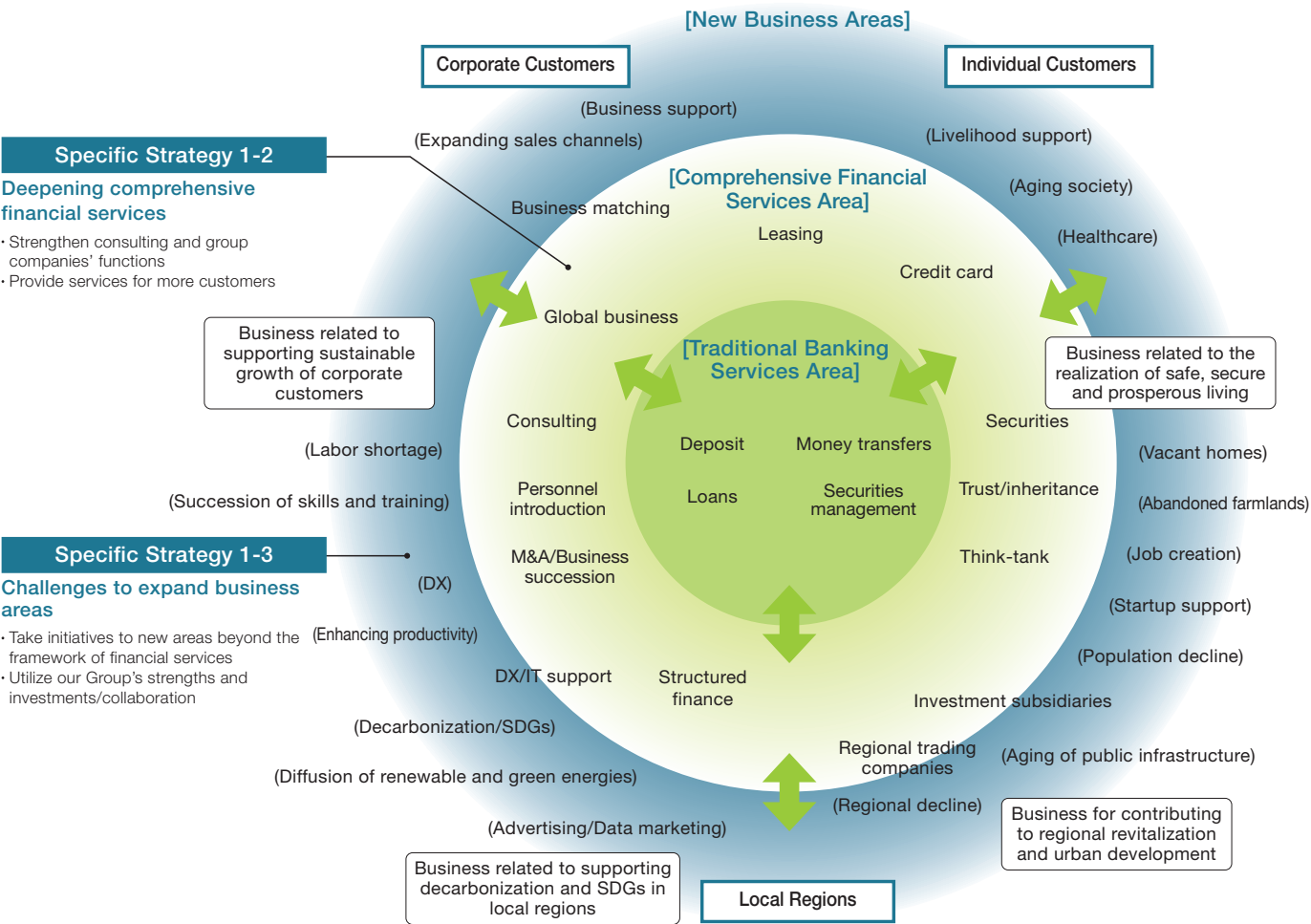
We are facing major trends such as a declining birthrate and aging population, changes in industrial and employment structures due to digitalization, and the transition to a decarbonized and recycling-oriented society. Furthermore, changes in lifestyles and social behavior, as well as the emergence of 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 for our customers.



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

Deepening comprehensive financial services

Deepening Consulting Functions for Business Companies

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.

Customer issues

Issues customers expect our Group to solve*1

Securing of human resources
Acquisition of new customers
Utilization of public support schemes

Customer capital investment plans*2
from FY2024 to FY2026
(cumulative total)
Approx. ¥850.0 billion

The percentage of customers with business owners aged 60 or older*3
Over 50%

*1 Based on answers to our customer-oriented business operations survey (proprietary to Joyo Bank and Ashikaga Bank)
*2 Based on interviews with approximately 7,000 Joyo Bank and Ashikaga Bank customers
*3 Taken from Teikoku Databank's TDB Business View analysis "Age of Presidents" in Ibaraki and Tochigi Prefectures

Labor shortage

Expand sales channels

Enhance productivity

Capital investment

Aging of business owners

Example of issue-solution support menu

Business support

- Business planning support (Support for expanding sales channels (business matching, business conferences))
- Startup support (New business promotion (business awards))
- Personnel introduction
- Support for decarbonization
- Application support for the subsidy program for business restructuring
- Support for DX
- Support for global business
- Support for improving business

Support leveraging partnerships with local communities

- Initiatives to promote business attraction
- Collaborating with universities

Finance

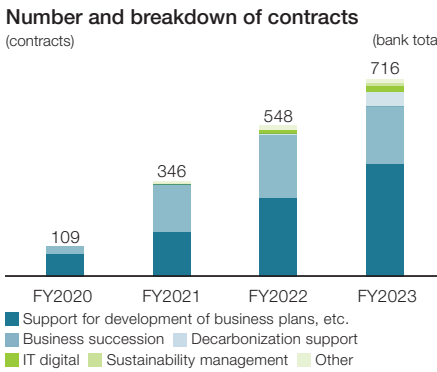
- Positive Impact Finance
- J-Credit private placement bonds
- Support through the Group company (Mebuki Lease)

Business succession consulting

- Support for business succession and M&A
- Comprehensive support in partnership with other regional financial institutions

Escorted corporate support (individual company consulting)

Group provides support for business succession, business planning, and other escorted corporate support services (individual company consulting) that start with the customer's issues.

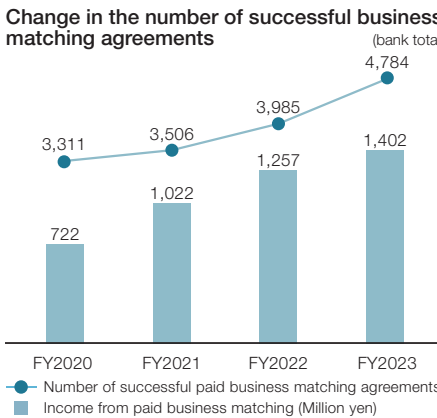


Business support

Business matching

Through escorted consulting, we help visualize customer issues and needs and provide optimal solutions as a Group.

We support our customers' sustainable growth by assisting them with the solution of management issues in line with company growth cycles, such as business succession and capital investment.



Support for expanding sales channels and creating businesses

Ibaraki and Tochigi Prefectures have an industrial structure dominated by agriculture and manufacturing. The development and growth of industries in these prefectures are expected to continue, driven by their strategic locations and technological innovation. We have the Regional Revitalization Department, and it works with Joyo Bank and Ashikaga Bank to promote regional industries.

By sharing the know-how cultivated by both our subsidiary banks and leveraging the internal and external networks of our Group, we provide optimal solutions to our customers and strengthen support for business expansion, including sales channel expansion and branding. To support the expansion of sales channels, we jointly hold confabs related to foods and manufacturing with the aim of providing our corporate customers with opportunities to meet with major companies and

promoting new business matching among the two banking subsidiaries' corporate customers. We also hold the Mebuki Business Awards to discover innovative and creative business plans that are latent in regions and to promote the commercialization of such plans. In addition, Joyo Bank supports the business expansion of venture companies in the Tsukuba area of Ibaraki Prefecture through the Tsukuba Exceed Fund, which is jointly operated with Joyo Capital Partners, a subsidiary specializing in investment that also supports the discovery of local industries and the creation of new businesses. Meanwhile, Ashikaga Bank, through its subsidiary, Colletochi, Ltd., a regional trading company, is engaged in the discovery and development of attractive regional products and other activities to uncover local industries and support new business creation.

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. discovers, develops, and expands sales channels for attractive local products and services. They strive to contribute to revitalizing local industries by creating new regional attractions and widely promoting them.

[Case studies of sales channel development]

We have facilitated the in-store sales of the local specialty confectionery "Kinuno Seiryu," centered around Kinugawa Onsen, at the convenience store Natural Lawson. After the successful limited-time sales of Azuki Red Bean Paste and Tochiotome Strawberry Paste flavors, we responded to the positive feedback by launching a second series featuring Chestnut Paste and Blueberry Paste flavors.



Manufacturing Business Forum

This forum offers an opportunity to have business meetings that may lead to finding new business partners through exhibition panels and appointment-based 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).



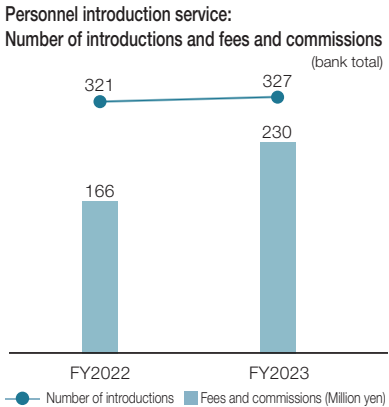
Mebuki Business Award

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.



One-stop solutions for human resource needs

Given the current situation where securing human resources and building an appropriate human resource portfolio have become key management issues, we are enhancing our consulting functions to address various human resource needs, including personnel introduction. In conjunction with our escorted support for companies (individualized company consulting), we clarify recruitment needs for executive management, management-level personnel, and specialist personnel based on the management issues shared with our clients. We provide one-stop solutions tailored to the necessary actions required by our clients at each stage of personnel recruitment, development, retention, and retirement.



Map of human resource solutions

Company actions	<ul style="list-style-type: none">Formulating recruitment plansCreating and posting recruitment advertisements and job descriptionsCreating and operating recruitment websites and social media pagesHolding information sessions and building relationships with schoolsHolding interviews and conducting screeningRecruitment proceduresNew employee training	<ul style="list-style-type: none">Planning and implementing trainingFormulating and implementing personnel evaluation systemsCreating work manualsImplementing OJT and job rotation	<ul style="list-style-type: none">Developing the work environmentAchieving work-life balanceImproving business efficiencySetting career paths and supporting career developmentPay increases and promotionsIncreasing employee engagementEnhancing welfare programsSupporting reskillingWorkstyle reform (supporting remote work, etc.)	<ul style="list-style-type: none">Formulating retirement benefit systems and carrying out paymentsInvestigation and data collection of reasons for resignation and consideration of improvement measuresKnowledge sharing (handover)Support for finding new employmentReemployment
	Recruitment	Development	Retention	Retirement
Our solutions	<ul style="list-style-type: none">Personnel introduction services (mid-career recruitment)Management strategy and business planning supportOrganizational assessmentNew employee trainingCreating recruitment website	<ul style="list-style-type: none">Organizational assessmentManual creation consultingVarious training programs and seminarsCreating personnel evaluation systems	<ul style="list-style-type: none">Organizational assessmentIT and digitalization consultingVarious training programs and seminarsCreating personnel systems and employment regulationsDeveloping various business systemsDigital tools for improving business efficiencyWelfare program benefits	<ul style="list-style-type: none">Organizational assessmentPersonnel introduction services (support for finding new employment)Creating and revising retirement benefit systemsDeveloping various business systemsDigital tools for improving business efficiency
	<ul style="list-style-type: none">Mid-career recruitmentHigh school graduate recruitment (liaison with schools)New graduate recruitmentDriver recruitmentCreating and operating recruitment websites and social media pagesCreating recruitment pamphlets	<ul style="list-style-type: none">Creating training systemsVarious training programs and seminarsCreating personnel evaluation systemsTools for creating work manualsLeveraging professionals (concurrent/second-job systems)	<ul style="list-style-type: none">Personnel management systemsVarious training programs and seminarsWelfare program productsLeveraging professionals (concurrent/second-job systems)	<ul style="list-style-type: none">Personnel introduction (support for finding new employment)Personnel management systemsLeveraging professionals (concurrent/second-job systems)

Support for decarbonization

Our Group is expanding and offering a variety of services to strengthen its support for customers' decarbonization efforts.

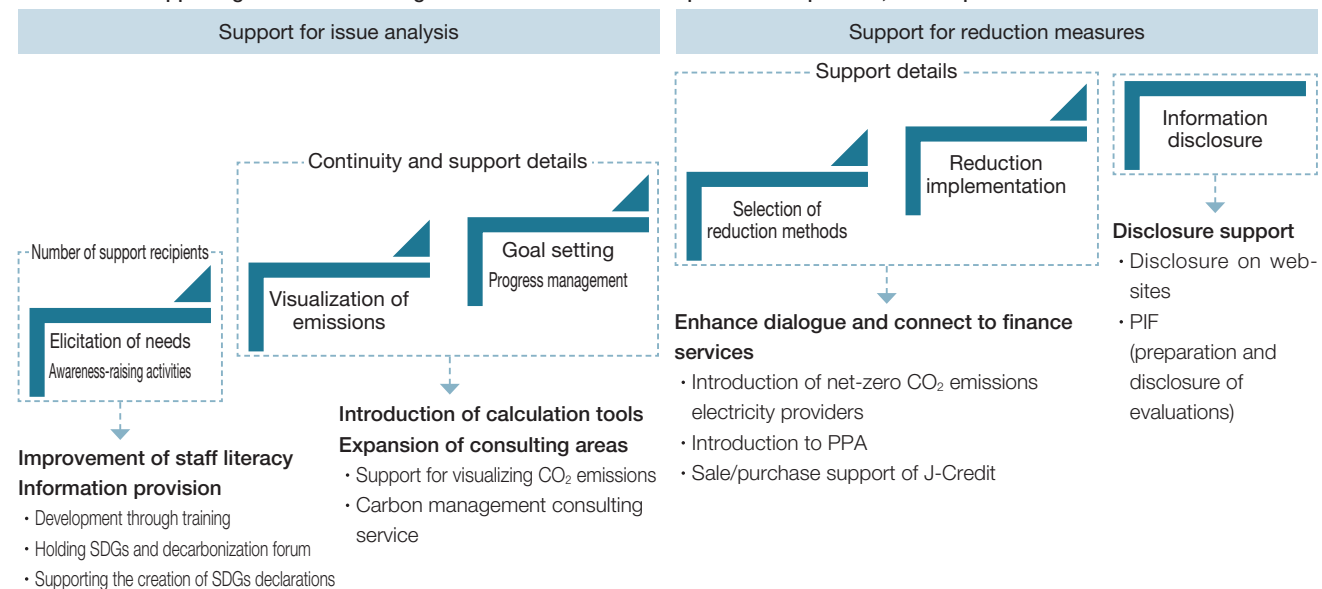
Joyo Bank and Ashikaga Bank provide financial support for the introduction of energy-saving equipment that contributes to GHG emission reductions and

specific reduction measures such as the use of carbon credits. Not only that, but they provide comprehensive support for decarbonization management by helping companies visualize their emissions and develop reduction targets and plans, which are the first necessary steps in decarbonization efforts.

The external environment surrounding the response to climate change

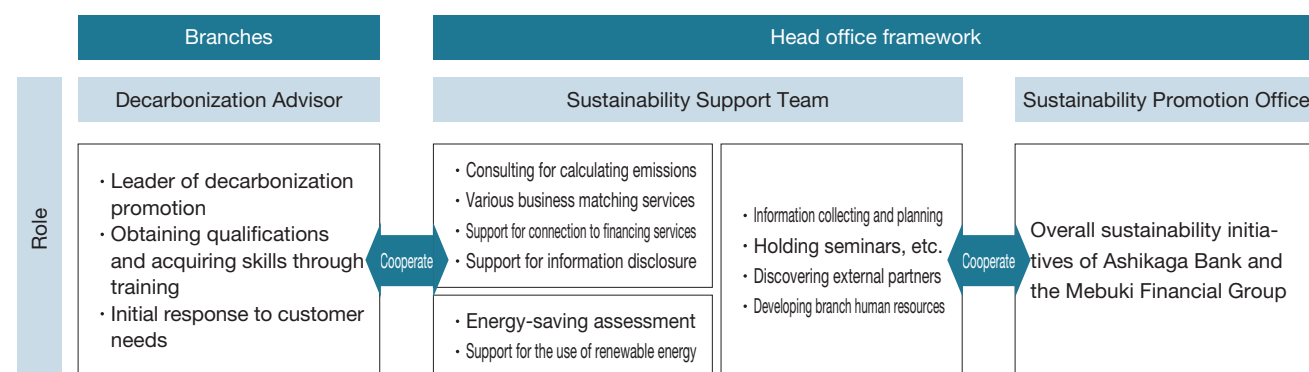
202220232024202520262027202820292030										
Regulations and systems	Apr. 2022 Revision of the Corporate Governance Code ⇒ Information disclosure based on the TCFD is mandated in the Prime Market. Scope 3 disclosure is also required. Apr. 2023 Financial Services Agency adds sustainability information and other items to the disclosure requirements in securities reports.									
	Promotion of decarbonization through the tightening of regulations and the development of various systems (Stricter standards and expanded scope of the laws such as the Energy Conservation Act, the Sophisticated Methods Act, and the Building Energy Efficiency Act)									
GX-ETS/ Carbon levy	Trial of GX-ETS (voluntary emissions trading scheme) Companies accounting for over 40% of Japan's emissions are participating.					Full-scale operation of the emissions trading market (from FY2026 onward) • Implementation of strategies to improve the participation rate • Stricter compliance (guidance and supervision, mandatory compliance, etc.)				
	Carbon levy (from FY2028 onward) • Introduction of a levy system for fossil fuel importers									

Measures for supporting customers working on decarbonization at each phase of the process, from implementation to information disclosure



Enhancing the decarbonization support system (establishing “Decarbonization Advisors” and the “Sustainability Support Team”)

Ashikaga Bank has appointed Decarbonization Advisors at each branch as promotion officers and established a Sustainability Support Team within its head office. The aim of this is to strengthen customer decarbonization and carbon neutrality efforts.



Consulting services for application for public support schemes

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 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.

Additionally, we provide application support for the Manufacturing, Commerce, and Service Productivity Improvement Promotion Subsidy (Monozukuri Subsidy), which aims to support capital investment for productivity improvement in SMEs. Also, for tax incentive utilization measures such as the installation plan for cutting-edge equipment, etc., and the plan for management capability enhancement, we assisted with 40 applications in FY2023, providing not only financing for business operators' capital investments but also consulting services by leveraging public support programs.

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

(subsidies)

	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	Cumulative total
Number of subsidies granted (bank total)	73	53	91	83	106	78	75	73	45	64	24	765

Number of subsidies granted under the subsidy program for manufacturing (since 2022)

(subsidies)

	13th	14th	15th	16th	17th	Cumulative total
Number of subsidies granted (bank total)	9	13	29	30	1	82

DX support ▶ P.61 Promoting digitalization and DX

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. In October 2022, we introduced the “busikul Consulting” function. Branch staff conduct the assessment together with the business managers of SMEs and recommend effective IT solutions and materials for facilitating dialogue beginning with the highest priority problem that needs attention.

The number of busikul Consulting projects amounts to 6,000 to date. The consultation data accumulated by the bank is aggregated according to the scale of business and industry and is useful in aiding understanding of problems faced by the region as a whole.



Launch of the DX Promotion Project Team

To promote DX for its customers, Ashikaga Bank has launched the DX Promotion Project Team with Caters Inc.,* a web production company.

Caters Inc. has expanded its business by producing web content for major companies. Simultaneously, it is working on digital transformation, primarily in Tochigi Prefecture, by developing and providing customized cloud-based business systems using ICT for SMEs in the region.

The Project Team, composed of Ashikaga Bank and Caters Inc., plans, promotes and manages specific measures related to DX promotion. The Team will address the DX needs of our customers and contribute to enhancing regional companies' sales capabilities and productivity through DX.



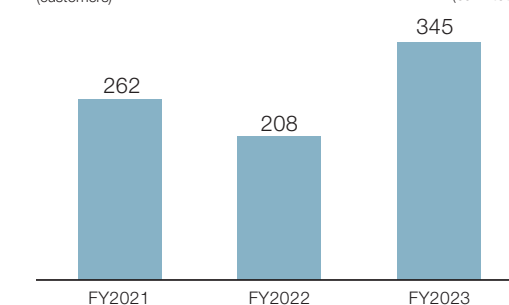
* In November 2023, all shares of Caters Inc. were acquired through Wing No. 1 Business Restructuring Limited Partnership, operated by Wing Capital Partners, Ltd., a wholly-owned subsidiary of Ashikaga Bank.

Support for improving business

Joyo Bank and Ashikaga Bank provide not only cash flow management support, but also escorted support tailored to the customer's circumstances, including advice and assistance in developing business improvement plans and improving financial conditions in cooperation with the head offices and branches, external expert organizations, government-owned financial institutions, etc.

The banks follow up on the progress of the business improvement plans as appropriate, providing long-lasting support for improving business in order for corporate customers to better manage their companies.

Number of customers for whom business improvement plans have been developed (customers)



Initiatives to Support Global Business

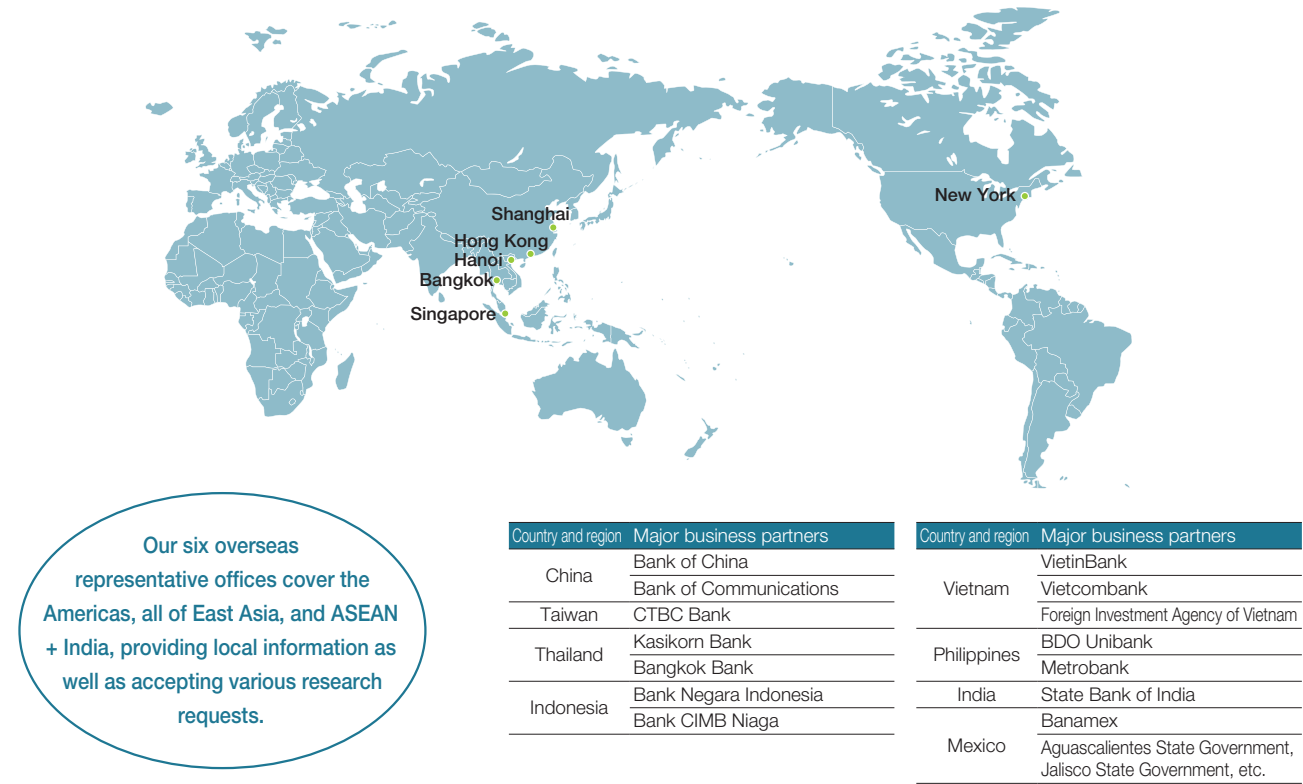
Mebuki Financial Group provides meticulous support to cater to its corporate customers’ needs such as global business and expansion. Specifically, the Group holds seminars on global business and uses the overseas representative offices of the two banking subsidiaries, the financial institutions of its 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">• Provide local information about the investment environment, local needs, taxation, infrastructure, logistics routes, employment environment, regulations, offices, industrial parks, etc.• Regularly send reports prepared by our local representatives• Research import regulations of countries, local markets, local competitors, buyers, etc.
Use of partner banks	<ul style="list-style-type: none">• Help open an account, handle various financial services, overseas remittance, etc.
Introduction of business partners and specialized institutions	<ul style="list-style-type: none">• 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.
Funding support	<ul style="list-style-type: none">• Offer cross-border loans, standby letters of credit, parent-subsidiary loans, etc.
Other support	<ul style="list-style-type: none">• Hold business conferences, seminars, and business networking meetings• Provide various support in cooperation with Japan External Trade Organization (JETRO) and local governments such as Ibaraki Prefecture and Tochigi Prefecture• Introduce distributors and suppliers on an individual basis, M&A candidates, local buyers, and local import agencies, and provide assistance in developing cross-border e-commerce platforms, etc.

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).



Sales channel development support for food-related businesses - Ibaraki Business Convention (Taiwan)

Hosted by Joyo Bank and Ibaraki Prefecture, the Ibaraki Business Convention, in which companies from Taiwan and the prefecture held business meetings to expand exports and tourism with one another, was held in an effort to help expand sales channels to Taiwan.

With creating an opportunity for participating companies to collect real opinions from local buyers and consumers in person and make use of them in their future activities as the concept, this event was joined by 25 food business companies (recruited by the bank), 8 tourism companies (recruited by the prefecture), and 11 online companies (recruited by the prefecture).



The Ibaraki Business Convention

MOU with Bank Negara Indonesia

- A partnership agreement on international business between banks

Ashikaga Bank has entered into a memorandum of understanding (MOU) with Bank Negara Indonesia*, a state-owned bank in Indonesia, on partnership in international business in order to provide support for customers expanding overseas.

East Asia and Southeast Asia are positioned as key areas in international business. Through this MOU, these banks will combine their resources and expertise not only to help customers establish and expand local businesses in Indonesia and provide seamless financing, but to provide even more comprehensive consulting services for international operations by customers.



The signing of the MOU between Bank Negara Indonesia and Ashikaga Bank

* PT. Bank Negara Indonesia (Persero) Tbk (English name) is a commercial bank that is 60% owned by the Indonesian government.

Finance

Private placement bonds with J-Credit purchase option *Sold out

In collaboration with a carbon offsetting initiative promoted by Joyo Bank, Joyo Green Energy Co., Ltd., Tsukubane Forest Association, and Ishioka City in Ibaraki

Product name	Private placement bonds with donation scheme (social contribution support bond)
Donation recipient	Tsukubane Forest Association (amount issued: ¥100 million or more, amount donated: ¥200,000 or more)
Types of J-Credits	Credits from proper forest management (forest carbon sink credits)
Customers able to purchase J-Credits	Corporate customers who issue private placement bonds with donation scheme (social contribution support bond) and designate "Tsukubane Forest Association" as the donation recipient
Vendor	Joyo Green Energy Co., Ltd.
Total volume sold	Approx. 630 tons
Quantity sold	Approximately 10 tons**1 per company *1 10 tons of J-Credits is equivalent to the annual emissions (primarily electricity costs) of a typical office (30 to 50 employees, total floor space of 300 to 600 m² or 90 to 180 tsubo) and is equivalent to using 5 air conditioners 8 hours a day for 1,000 days.
Amount sold	¥100,000 (excluding tax) per company (¥10,000 (excluding tax) per ton)

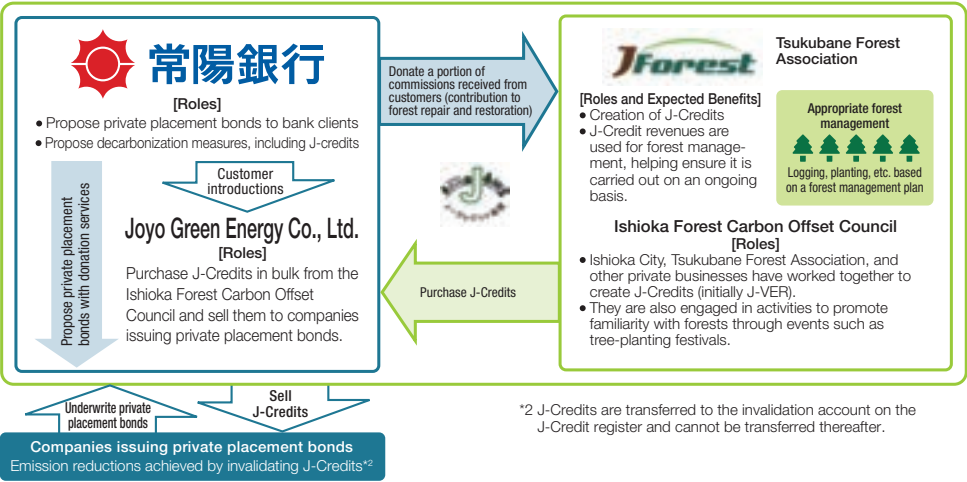
Prefecture, we have started handling private placement bonds with a J-Credit purchase option and promoted local carbon neutrality and SDGs initiatives.

(Reference) Overview of the Tsukubane Forest Association

Established in September 1957, the Tsukubane Forest Association manages forests in Ishioka, Tsukuba, Tsuchiura, and Kasumigaura. A forest association is a cooperative composed of forest owners and is based on the Forestry Cooperative Act.

The Association primarily conducts maintenance projects such as thinning on behalf of its members and assists in creating forest management plans. Ten years ago, the Association pioneered the J-Credit system (formerly J-VER) to leverage environmental value trading in forest management.

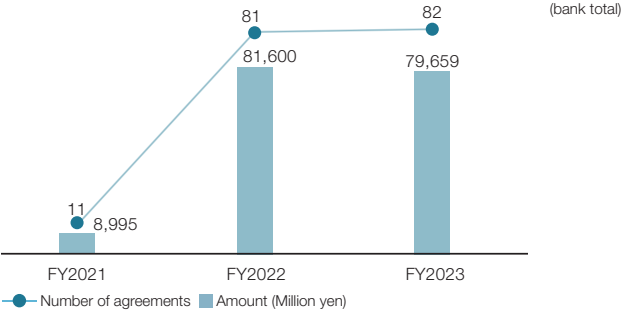
Forests possess a variety of public benefits such as recharging of water sources, landslide prevention, and climate change mitigation, and the Association focuses on improving these functions and boosting forest productivity. The Association aims to pass our forests down to future generations as valuable assets and help build a sustainable society through proper forest management.



ESG finance (business departments)

Joyo Bank and Ashikaga Bank are providing support for businesses to participate in achieving the SDGs through ESG finance, a type of sustainable finance.* They have also conducted the SDGs Initiative Support Seminar and

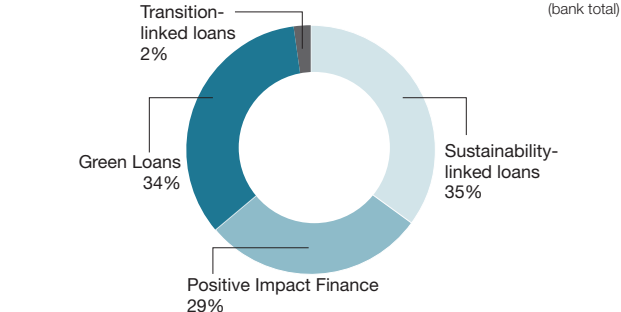
Changes in the number of ESG finance (business department) agreements and amount implemented



offer assistance in drafting SDGs Declarations, in an effort to achieve a sustainable society by solving environmental and social issues.

* Sustainable finance: Financing that supports customer activities aimed at achieving a sustainable society by solving environmental and social issues

Breakdown of ESG finance (business department) amount executed (FY2023)



Support for leases through the Group company (Mebuki Lease)

We help improve corporate value through support for vehicle leasing and decarbonization initiatives aimed at achieving carbon neutrality for corporate customers and local governments.

Mebuki Lease contract trends <small>(contracts)</small>					
	2019	2020	2021	2022	2023
Number of contracts	3,784	3,299	2,872	2,710	3,167

Business succession consulting

Business succession/M&A

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 funds managed by our Group's investment firms, The Joyo Capital Partners Co., Ltd. and Wing Capital Partners, Ltd., can also temporarily hold all company shares.

	<small>(Number of companies)</small>				
	FY2019	FY2020	FY2021	FY2022	FY2023
Business succession support customers (bank total)	1,869	2,310	1,774	2,254	2,331
M&A support customers (bank total)	701	997	1,210	698	809

Comprehensive support in partnership with other regional financial institutions

Ibaraki Regional Finance M&A Alliance

Joyo Bank has launched the Ibaraki Regional Finance M&A Alliance consisting of five Ibaraki-based financial institutions.

This alliance aims to facilitate business succession, an increasingly severe issue, through the collaboration of

five financial institutions in the prefecture to maintain regional employment and promote sustainable growth of companies, ultimately contributing to the revitalization of the regional economy.

Alliance Overview

Name	Ibaraki Regional Finance M&A Alliance
Launch date	March 1, 2024
Purpose	To provide support for solving issues of business succession among regional customers through partnership with participating financial institutions.
Content	<ul style="list-style-type: none">Share needs and information among partner financial institutions with the consent of customersProvide M&A services through mutual cooperation between partner financial institutionsShare information and knowledge on M&As between partner financial institutions
Participating financial institutions	The Joyo Bank, Ltd. Tsukuba Bank, Ltd. Mito Shinkin Bank The Yuki Shinkin Bank The Ibaraki-ken Credit Cooperative <small>* In order of financial institution code</small>

Image of collaboration within the alliance



Support leveraging 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.

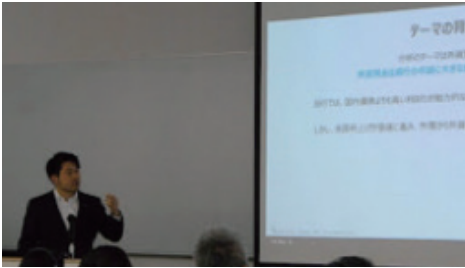
Main initiatives

- 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 to develop DX personnel

At Joyo Bank, in addition to ongoing joint research involving the bank's markets divisions and Ibaraki University, we have entered into a collaboration with IT Junior College (Ibaraki Prefectural Junior College of Industrial Technology) aimed at developing and retaining DX personnel. The ongoing collaboration mutually benefits both parties, with staff from the bank's system departments being assigned made-to-order training for acquiring technological skills by lecturers from IT Junior College, while students from IT Junior College visit the workplaces of the bank's system departments. Meanwhile, at Ashikaga Bank, five employees from head office acquired practical

data science skills by analyzing bank data and presenting their findings at Tohoku University Data Science College.



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 local employment and increase demand for local companies' products and services, thereby revitalizing the local economy.

Ibaraki Prefecture has been working diligently to promote business attraction. The prefecture has been ranked highly 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. In order to work with Ibaraki Prefecture and municipalities to attract companies, Joyo Bank has established a Bridge Business Team, which specializes in attracting business, within the Consulting Business Division.

The team and prefecture collect and provide information on supply chains, including factories and logistics facilities, and introduce suitable locations to companies and offer support and advice to solve various issues related to business expansion into the prefecture. This includes 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 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.

	Ibaraki Prefecture	Tochigi Prefecture
Number of new factory locations (in 2023)	75 (ranked 1st in Japan)	34 (ranked 5th in Japan)
Total area of new factory locations (in 2023)	165 ha (ranked 2nd in Japan)	76 ha (ranked 4th in Japan)
Number of new company locations from outside the prefecture (in 2023)	47 (ranked 1st in Japan)	20 (ranked 2nd in Japan)

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

Ryomo Area Revitalization Partnership

<<Overview of the Partnership Agreement>>

りょうもう
地域活性化
partnership

8 DESIRE WORK AND ECONOMIC GROWTH

9 PROMOTE PRODUCTION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

This is a framework for the purpose of industrial revitalization, problem solution, and improvement of customer services in the overlapping service areas of Ashikaga Bank and Gunma Bank, mainly in Ryomo area (southwest Tochigi and south-east Gunma).

Name	Ryomo Area Revitalization Partnership Official Name: Partnership Agreement on Regional Industrial Revitalization, Solutions, and Improvement of Customer Services
Partnering financial institutions	Ashikaga Bank Gunma Bank
Partnering region	The business areas of the banks that overlap primarily in the Ryomo area
Details of partnership	(1) Initiatives aimed at regional industrial revitalization and solutions (2) Initiatives aimed at improving customer service (3) Other matters agreed upon by the banks
Date signed	January 2022

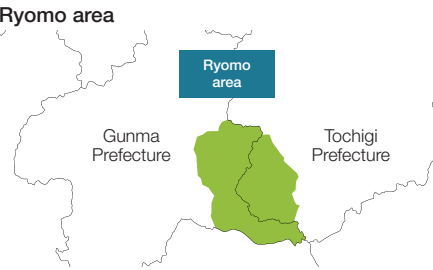
<<Reason for the Partnership Agreement>>

An abundant economic zone where the automotive industry has clustered has formed in this area, making it a major and vital business area for Ashikaga Bank and Gunma Bank. The need for the automotive industry to switch to electricity to achieve carbon neutrality is urgent, creating drastic environmental changes unprecedented for local customers.

<<Main initiatives>>

- Hosting of the ASEAN Automotive Seminar
- Seminar on PPP/PFI in Northern Kanto held by three major banks in Northern Kanto (Ashikaga, Gunma, Joyo), PFI Facility Tour held
- Joint investments through the specialized investment subsidiaries of both banks, among other initiatives.

The banks in this partnership will share their knowledge and work together to make a significant contribution to regional industrial revitalization and solutions, while maintaining an appropriately competitive relationship. This partnership agreement was signed because it was deemed to contribute to the improvement of corporate value and sustainable growth for both banks.



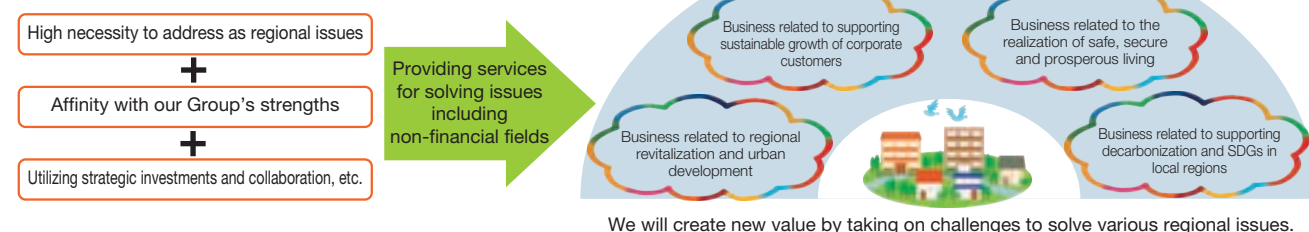
Challenges to expand business areas

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)

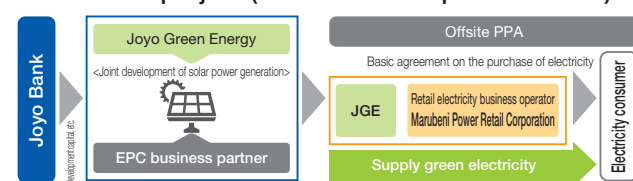
Joyo Bank established Joyo Green Energy Co., Ltd. to contribute to the region's carbon neutrality by acquiring and generating renewable energy power and their derived businesses.

The company made progress on acquiring renewable energy power and acquired solar power generation facilities with capacity of approximately 7 MW, which is the equivalent amount of electricity consumed by 2,100 ordinary households (as of March 31, 2024).

As part of our efforts to promote the spread of renewable energy with additionality, we commenced a partnership on offsite PPA agreements with an EPC (engineering, procurement, and construction) business partner and Marubeni Power Retail Corporation in September 2023. We are moving forward with efforts toward local production and local consumption of renewable energy, including signing an onsite PPA agreement with Japan Logistics Development Co., Ltd. in January 2024.

Renewable Energy Power Acquisition and Generation Businesses

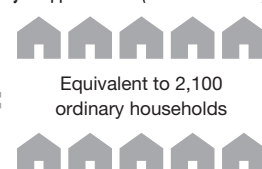
Offsite PPA project (commenced September 2023)



Acquired solar power generation facilities with capacity of approx. 7 MW (as of March 2024)



* Example of investees

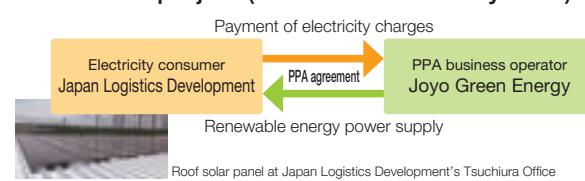


Colletochi, Ltd. (established in August 2022)

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 as a joint venture with three companies: The Shimotsuke Newspapers Co., Ltd., Suzuki Print Co., Ltd., and Caters Inc. to cooperate with these local companies.

Since August 2023, we have entered the power business to promote local production and consumption of renewable energy and support initiatives aimed at achieving carbon neutrality within the region.

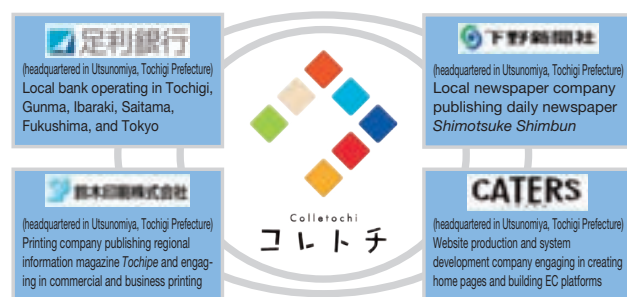
Onsite PPA project (commenced January 2024)



Derived Businesses

Carbon offsetting initiatives

- Awarded the 3rd Regional Revitalization SDGs Finance Award for the initiatives of private placement bonds with a J-Credit purchase option
- Partnership with BYWILL Inc. to support creation of local J-Credits



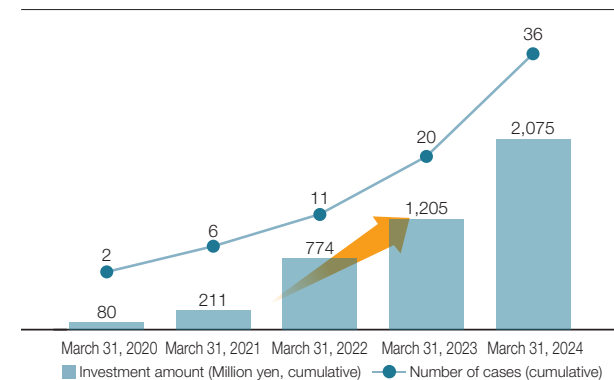
- [Main businesses]
- Sales of local products and support for new product development
 - Renewable energy business
 - E-commerce and other businesses incidental or related to the above

Business expansion utilizing strategic investments and collaboration

Strategic investments in startups

We are engaged in investments for startups through funds managed by our investment subsidiaries (Joyo Capital Partners and Wing Capital Partners) with the goal of exploring partnerships aimed at expanding our business areas.

Investment



Collaboration with the investees

In partnership with Trinity Technology Co., Ltd., known for its expertise in family trust funds, we have begun introducing services to support voluntary guardianship, monitoring, and property management for elderly customers living alone.
(Investment execution in May 2022)

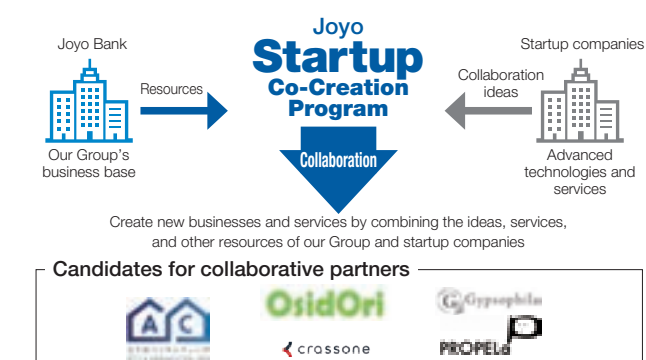
We have commenced an initiative to improve local customer sales capacity and productivity through DX and ICT integration in partnership with Caters Inc., which possesses system development capacity and digital technology.
(Investment execution in November 2023)

We have collaborated through demonstration experiments aimed at ensuring the stable operation of solar power generators owned by customers. We are working on partnerships aimed at achieving regional carbon neutrality through investment.
(Investment execution in February 2024)

Startup Co-Creation Program 2023

Since FY2022, we have started an open innovation initiative for startups and other companies to create new businesses by soliciting business ideas and collaborative partners based on themes for initiatives being considered by the Group.

In FY2023, we solicited ideas and partners based on the themes of "Welfare and Health Management" and "Addressing Vacant Houses," and received entries from 44 startup companies, from which we selected five as candidates for collaborative partners and started demonstration tests and examinations to create new businesses and services.



Initiatives to develop human resources for business expansion

New Business Creation Training Program

We implemented a new business creation training to develop human resources who will be charged with business expansion, and to improve skill of dialogue with corporate customers who are working on business development, among other objectives.

Employee participation in a business idea contest

In addition to training programs, we held a business idea contest for employees at both subsidiary banks.

Proposals submitted by employees were assessed by each bank, which has decided to continue exploring the commercialization of ideas such as a co-creation platform connecting local businesses and consumers, support for the growth of regional startups, an advertising business, and agricultural initiatives aimed at solving the issue of abandoned farmland. We plan to implement the creation of a concrete business plan and demonstration experiments for ideas under consideration through the appointment of the person who proposed the idea.



Response to Climate Change and Environmental Conservation



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 and provides services that support climate change measures. Its employees also have participated in forest development activities.

Enhancing group management

Initiatives for environmental 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.

For more details about the Group Environmental Policy, see https://www.mebuki-fg.co.jp/eng/esg/environment/pdf/group_environmental_policy.pdf.

Recognizing that initiatives for environment conservation, including addressing climate change, comprise a key issue for the global environment, we have worked to reduce the environmental burden in our corporate activities and supported efforts within local communities.

Introduction of Internal Carbon Pricing (ICP) system

In order to further strengthen its decarbonization efforts, the Group introduced and began operating an Internal Carbon Pricing (ICP)* system in October 2023.

*An initiative in which companies voluntarily assign a price to the amount of carbon dioxide they emit in the course of their business.

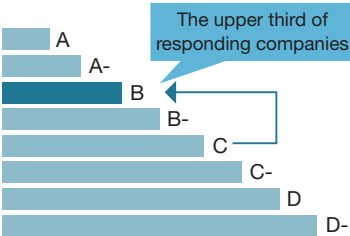
Support for and participation in initiatives

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



External evaluation

CDP, an international environmental non-profit organization, gave the Group a "B" rating for its efforts to reduce CO₂ emissions and combat climate change, two notches higher than the previous year in FY2023.



Enhancing group management

Initiatives for TCFD/TNFD Recommendations

Economic development is dependent on social conditions such as livelihood and education, and society is supported by the natural environment. Furthermore, 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 the Group.

We recognize that responding to climate change and environmental conservation is one of the key factors in our business strategy, and thus expressed our support for the TCFD Recommendations and the TNFD Recommendations, respectively, in March 2021 and January 2024.

Going forward, we will continue to strive to reduce the environmental burden of our corporate activities and strengthen our efforts for environmental conservation through our business activities, such as by providing services that contribute to environmental conservation and motivating the supply chain.

We will also proactively disclose information based on the TCFD/TNFD Recommendations, thereby enhancing stakeholder engagement.

Governance

Climate change-related (TCFD) Natural capital-related (TNFD)

Formulation of policies

As group-wide policies for initiatives for sustainability* issues including response to climate change and environmental conservation, Mebuki Financial Group has formulated Group Sustainability Policy, Group Environmental Policy, Group Human Rights Policy, Environmentally and Socially Friendly Investments and Loans Policy, and Procurement and Purchasing Guidelines. Positioning the sustainability issues as important management agendas, the Group operates 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 response to climate change and environmental conservation, 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.

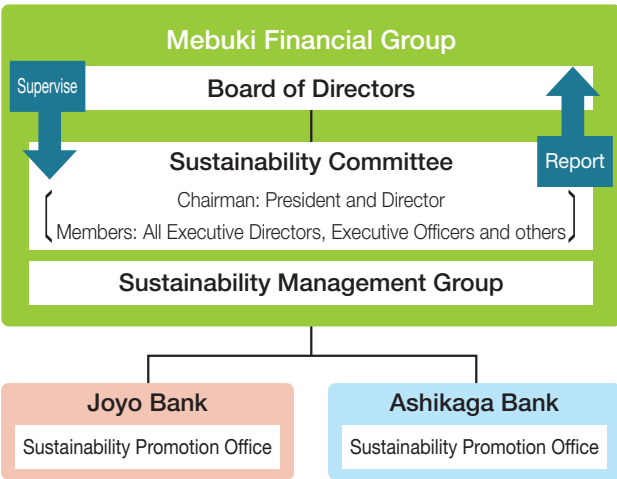
Establishment of dedicated organizations

The Group has established organizations dedicated to the management and promotion of sustainability (Sustainability Management Group within Mebuki Financial Group, Inc.; and Sustainability Promotion Office within subsidiary banks, Joyo Bank and Ashikaga Bank). Going forward, the Group will bring together its functions and knowledge to advance cross-functional group initiatives toward realizing sustainable local communities.

Human rights policy and engagement activities

In accordance with the Group Human Rights Policy, in order to respect the basic human rights of all stakeholders, we are committed to respecting human rights by paying attention to the negative impacts on human rights from the corporate activities of our borrowers and suppliers (supply chain).

For more details about the Group Human Rights Policy, see <https://www.mebuki-fg.co.jp/sustainability/sdgs/pdf/policy-human-rights.pdf> (in Japanese).



Main matters related to response to climate change and environmental conservation discussed by the Sustainability Committee and reported to the Board of Directors in FY2023

- Participation in the GX League
- Introduction of Internal Carbon Pricing (ICP) system
- Declaration of support for TNFD Recommendations, participation in the TNFD Forum, etc.

*The Sustainability Committee met 7 times in FY2023.

StrategyClimate change-related (TCFD)

The Group conducts financial impact assessments based on the identification of climate change risks and opportunities that are expected to impact its business activities. Based on the assessment results, we are taking actions to mitigate risks and capture opportunities, such as reducing CO₂ emissions from the Group's business activities, participating in renewable energy power businesses through group companies, and proactively supporting climate change measures by providing funds and consulting services to customers.

1. Risks

(1) Awareness of risks

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

Risks	Details	Time frames
Physical risks	<div>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</div> <div>Harmed customers' earnings and collateral properties, which result in increases in credit-related costs of the Group</div> <div>In the event of the Group's business locations being hit by natural disasters, risk of being difficult to continue business and additional costs for continuing/restoring business operations</div>	Short- to long-term
Transition risks	<div>Tightening of laws and regulations, such as the setting of stricter CO₂ emissions reduction targets and the introduction/hike of carbon taxes, and changes in the industrial structure</div> <div>Deteriorated earnings at customers and increased credit-related costs at the Group, which may lead the Group to review/revise its business strategies, including the Investments and Loans Policy (a sector-specific policy)</div> <div>Deteriorated Group's reputation due to shortcomings, including the failure to sufficiently address climate change and disclose related information</div>	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 conducts 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. In the ongoing scenario analysis, the Group pursues the sophistication of analytical methods and the expansion of the scope of analysis. Here is the overview of the scenario analysis in FY2023.

◀Physical risks▶

I. Qualitative analysis

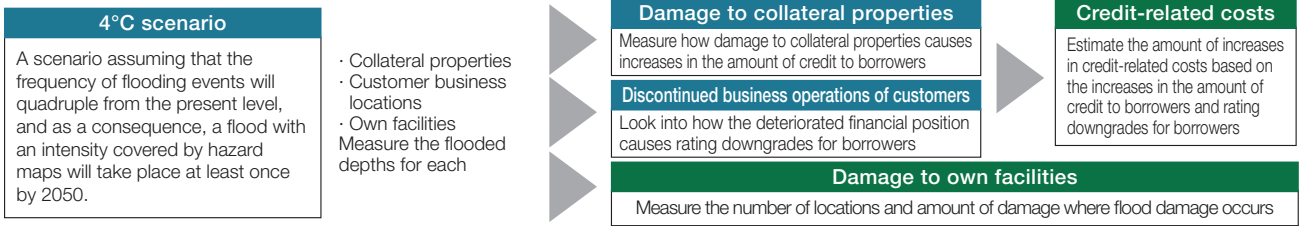
We have analyzed the risks that customers could face from the perspective of physical risks.

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

II. Quantitative analysis

We have analyzed how damage to collateral properties and the deteriorated financial position of customers due to the discontinued business operations 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. From this fiscal year, we have begun analyzing the damage to our own facilities within the Group in similar situations.

[Procedures for analysis]



[Overview of analysis]

From flooding		
Risk events	<div>Damage to collateral properties</div> <div>Deteriorated financial position of customers due to discontinued business operations</div>	<div>Damage to own facilities</div>
Scenarios	RCP8.5 scenario* (4°C scenario) by the IPCC	
Subject of the analysis	Customers with their business locations in Japan	All own buildings in Japan
Period of analysis	Until 2050	
Risk metrics	Credit-related costs (credit costs) that will likely increase	The number of locations and amount of damage where flood damage occurs
Amount of risk	Increase in credit-related costs: Up to ¥15.0 bn	The number of locations: 111 (16.6% of all locations) Amount of damage: Up to ¥1.5 bn

*A scenario developed by the Intergovernmental Panel on Climate Change (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 Electricity, Petrochemical, Automobile, and Metals and Mining from our investments and loans portfolio as the four 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, was excluded from the scope of the analysis, as the Group's exposure to this sector is limited (accounting for only about 0.4% of the total amount of credit as of March 31, 2023).

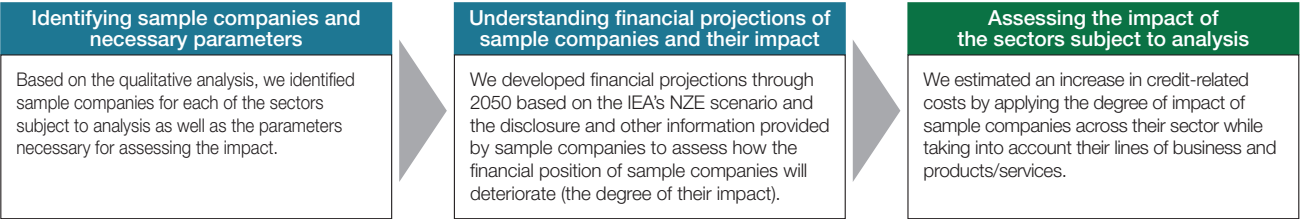
II. Qualitative analysis

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)
	Industry and Market	Raw materials prices	Adoption of regulations on plastics (an increase in operational costs)
	Technology	Diffusion of renewable energy	Rises in raw materials prices (an increase in operational costs)
	Reputation	Changing customer behavior	Diffusion of renewable energy (an increase in operational costs)
Automobile	Policy and Legal	Carbon tax/price	Shifts in customer preferences (a decrease in sales)
	Industry and Market	Evolution of electric vehicles (EV)	Introduction/hike of carbon tax (an increase in operational costs)
	Technology	Diffusion of EV (a next-generation technology)	A decrease in internal combustion engine vehicles (a decrease in sales)
	Reputation	Changing customer behavior	Shift to EV (increases in capital investments)
Metals and Mining	Policy and Legal	Carbon tax/price	Shifts in customer preferences (a decrease in sales)
	Industry and Market	Evolution of multi-materials	Introduction/hike of carbon tax (an increase in operational costs)
	Technology	Transition to low-carbon steels	Transition to lightweight materials (a decrease in sales, an increase in operational costs)
	Reputation	Changing customer behavior	Transition to low-carbon steels (a decrease in sales, increases in R&D spending and capital investments, 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 financial position 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 International Energy Agency (IEA)'s Net Zero Emissions 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 of customers as a result of the transition to a decarbonized society
Scenarios	NZE scenario*1 (1.5°C scenario), RCP2.6 scenario*2 (2°C scenario)
Subject of the analysis	Electricity, Petrochemical, Automobile, and Metals and Mining sectors
Period of analysis	Until 2050
Risk metrics	Credit-related costs (credit costs) that will likely increase
Amount of risk	Increase in credit-related costs: Up to ¥18.7 bn

*1 A scenario developed by IEA

*2 A scenario developed by IPCC

(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 use analysis results for our customer engagement and support our customers in making efforts to address climate change and toward decarbonization, thereby aiming to maximize opportunities and minimize risks for the Group and customers as we continue efforts to evolve our analysis.

(4) Status of carbon-related assets

As one of our efforts to understand climate change-related risks, the Group is working to understand the status of transactions with carbon-related sectors, which are considered to be more susceptible to financial impacts from climate change-related risks than other sectors. The amount of credit for carbon-related sectors*1 in the Company's total amount of credit*2 and the percentage of loans to these sectors of the Company's total loans are indicated below.

	Energy	Transportation	Materials and Buildings	Agriculture, Food, and Forest Products	Total
Amount of credit	¥182.6 bn	¥470.2 bn	¥3,122.8 bn	¥287.4 bn	¥4,062.9 bn
Percentage	1.5%	3.7%	24.9%	2.3%	32.4%

*1 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 differences between those calculated based on the GICS sectors and those calculated based on the BoJ's sector classification.

*2 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.

2. Opportunities

(1) Awareness of opportunities

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

	Details	Time frames
Increased business opportunities	<ul style="list-style-type: none">Increased demand for climate change-related businesses toward decarbonization (e.g., provision of consulting services, products, and services)Increased sustainable finance and related transactions, including renewable energy-related loansIncreased demand for funds to invest in infrastructure and make other capital investments, both of which are aimed at minimizing damage from natural disasters triggered by abnormal weather (e.g., damage to offices and residences)	Short- to long-term
Cost reduction	<ul style="list-style-type: none">Reduced business costs at the Group through measures such as saving resources and energy	Short- to long-term
Enhanced social reputation	<ul style="list-style-type: none">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.

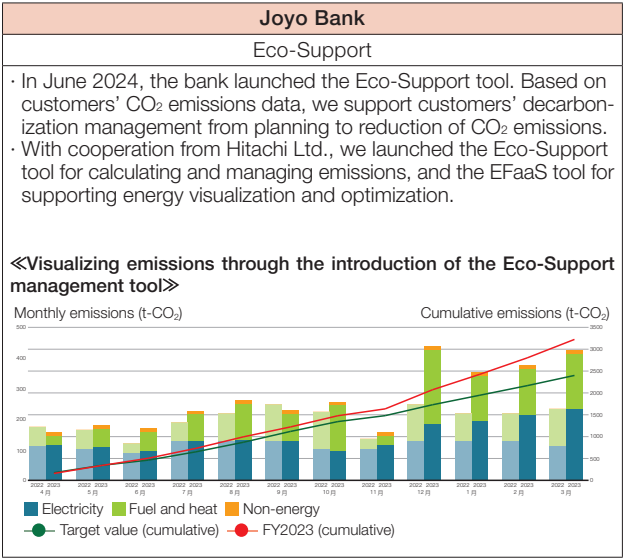
List of primary services

	Non-financial services	Financial services
Awareness raising	<ul style="list-style-type: none">SDGs declaration support serviceHolding of SDGs and decarbonization-related seminars	<ul style="list-style-type: none">Loan with SDGs simple evaluation
GHG emissions reduction	<ul style="list-style-type: none">Supporting the calculation and reduction of GHG emissionsSupply of renewable energySale/purchase support of J-Credit	<ul style="list-style-type: none">ESG financeLoan to support solar power generation facilitiesElectric car loan
Disaster prevention measures	<ul style="list-style-type: none">Consulting service for disaster prevention measures	<ul style="list-style-type: none">Loan with non-life insurance

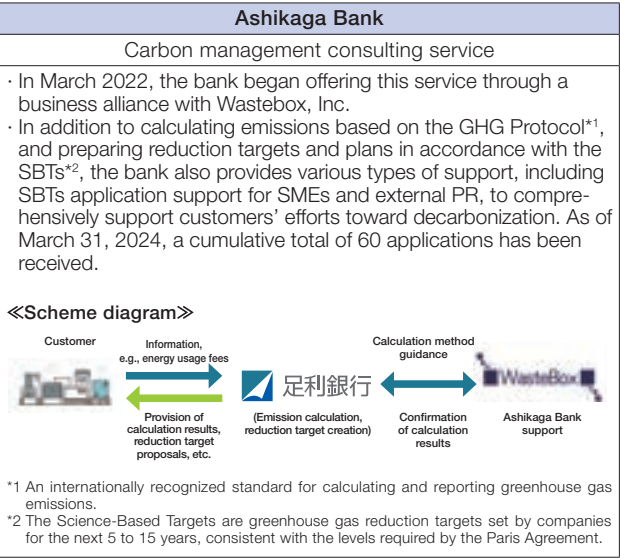
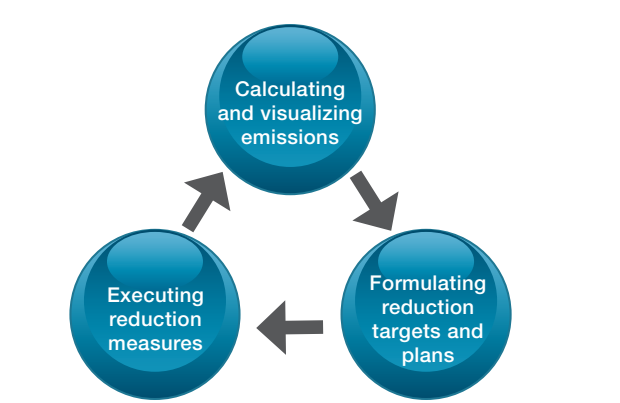
Supporting the calculation and reduction of GHG emissions

The Group is expanding and offering a variety of services to support customers' decarbonization efforts.

Joyo Bank and Ashikaga Bank provide financial support for the introduction of energy-saving equipment that contribute to GHG emission reductions and specific reduction measures such as the use of carbon credits. Not only that, but they provide comprehensive support to customers from the earliest stages of decarbonization management, such as by helping companies calculate/visualize their emissions and develop reduction targets and plans, which are the first key steps in decarbonization efforts.



«Steps for decarbonization»

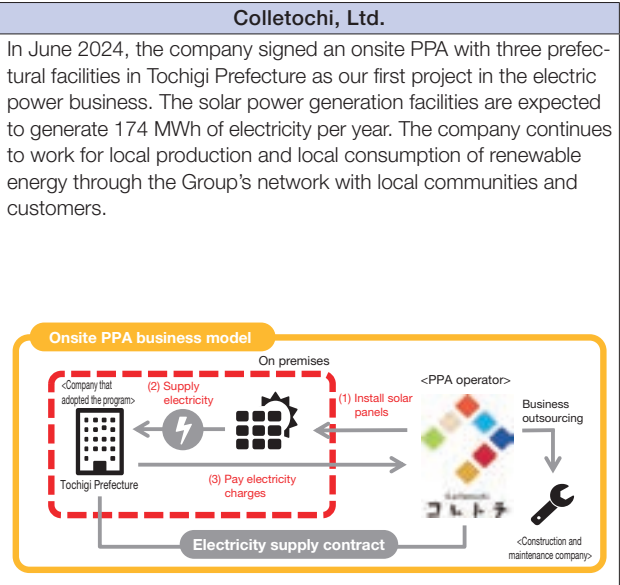
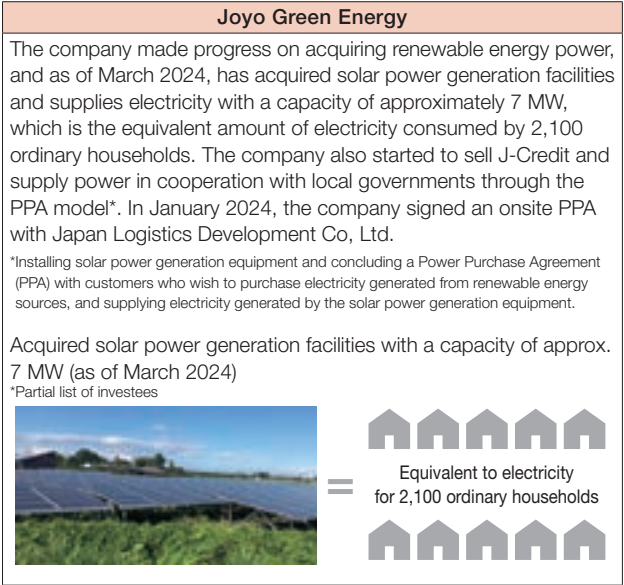


*1 An internationally recognized standard for calculating and reporting greenhouse gas emissions.

*2 The Science-Based Targets are greenhouse gas reduction targets set by companies for the next 5 to 15 years, consistent with the levels required by the Paris Agreement.

Entry into the renewable energy business

Demand for renewable energy in 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 decarbonization by acquiring and generating renewable energy power and their derived businesses. In August 2023, Colletochi, Ltd., a subsidiary of Ashikaga Bank, entered the electric power business.



Strategy

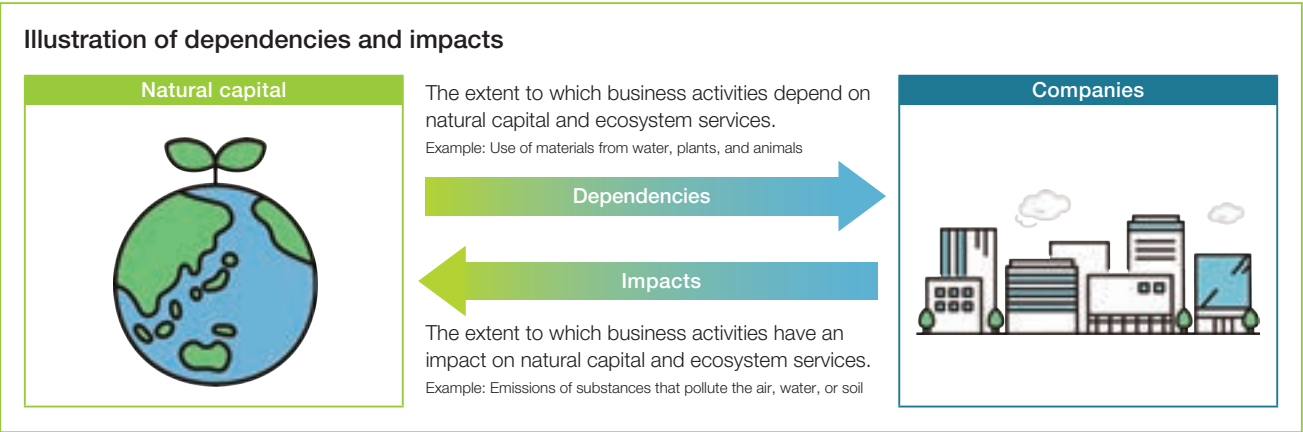
Natural capital-related (TNFD)

The Group has analyzed the dependence and impact of its business activities on nature, as well as risks and opportunities, with reference to the TNFD Recommendations version 1.0. However, at this point, we are still in the earliest processes of analysis and recognize the need to further improve the accuracy of the analysis and support communities' and customers' environmental initiatives. We will continue to conduct more surveys and research and work to increase the sophistication of our analysis.

1. Dependencies and impacts

Many companies, including those within the Group, conduct business in connection with nature. As a financial services company with the banking business at the core, the Group believes it is necessary to understand not only the direct dependencies and impacts of its business activities on nature but also the indirect dependencies and impacts on nature through its investment and loan activities. Therefore, we created a heat map for the top sectors of the Group in terms of investments and loans, utilizing ENCORE* data to analyze and organize the dependence and impact of each sector on nature.

*ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) is an analytical tool developed by the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) and the Natural Capital Finance Alliance (NCFA). It enables analysis of dependence on and impact on nature by sector.



(1) Results of analysis

«Dependencies»

We found that many sectors depend on surface water and groundwater of the supply services, and climate control (control of temperature, humidity, wind speed, etc.), flood and storm protection, and soil stability and erosion control (stabilization and erosion control of coastal, sand dunes, etc., and prevention of avalanches and landslides) from the vegetation of the regulation services.

«Impacts»

The largest impact on climate change due to GHG (greenhouse gas) emissions was found in the sector, followed by other sectors that have an impact on water and soil pollution.

(2) Response based on analysis results

Based on analysis results, the Group will continue to support customers' decarbonization efforts and actively engage in tree planting and other nature conservation activities, as well as expand the scope of analysis and enhance the sophistication of the analysis.

Heat map of dependencies

Sector	Ecosystem services	Supply services*1					Regulation services*2															
		Animal-derived energy	Fibers and other materials	Genetic material	Groundwater	Surface water	Decomposition function	Mass flow control	Climate regulation	Dilution function	Infectious disease control	Filtration function	Protection from floods and storms	Habitat maintenance	Soil stabilization and erosion control	Noise and light pollution control	Pest control	Pollinators	Soil quality	Air circulation function	Water circulation function	Water quality
Real estate management and development					M	H	VL					VL	VL		L	L						
Trading companies and logistics									H				M		M							
Specialty retail							VL								L							
Machinery					M	M			VL	L		VL	M		VL	M				VL	M	L
Healthcare					VL	VL	VL		VL				VL		L							
Construction and civil engineering							VL		L			VL	L		L	VL	VL		VL	VL	L	
Electricity					L	M	VL		M			VL	M		M						L	VL
Land transportation and railroads					M	M			L	VL		VL	M		M	L	VL			VL	L	VL
Foods		L	M	M	M	VH	M	H	H	M	M	M	H	L	H	VL	M	L	H	L	H	H

*1 Supply services: Services that provide primary raw materials (food, water, fuel, etc.)
*2 Regulating services: Services that regulate and stabilize the environment, such as climate regulation, water purification, and disaster mitigation

Heat map of impacts

Sector	Impact drivers	Business inputs*1					Business outputs*2				
		Use/ storage of resources	Changes due to land, freshwater, and seawater use	Climate change	Contamination/ decontamination		Use of water	Use of other resources	Use of land ecosystems	Use of freshwater ecosystems	Use of marine ecosystems
Real estate management and development											
Trading companies and logistics											
Specialty retail											
Machinery											
Healthcare											
Construction and civil engineering											
Electricity											
Land transportation and railroads											
Foods											

*1 Business inputs: Items that affect the use of natural capital in the course of business activities
*2 Business outputs: Items that have an impact by being discharged in the course of business activities

Very High
High
Middle
Low
Very Low

2. Risks and opportunities

(1) Awareness of risks

The TNFD classifies nature-related risks as potential threats to the organization arising from its dependencies on and impacts on nature into three categories: physical risks, transition risks, and systemic risks.

The risks that the Group is currently aware of are as follows:

Risk categories		Example events	Example social and economic impacts	Risks associated with the Group's business activities	Time frames	Major measures taken by the Group (risk mitigation measures)
Physical risks	Acute	<ul style="list-style-type: none">· Increase in natural disasters· Weather changes such as low rainfall and drought· Outbreak of disease and insect damage	<ul style="list-style-type: none">· Discontinued business operations and increased administrative costs due to increased damage from natural disasters· Decline in agricultural, forestry, and fishery product yields· Outbreak of infectious diseases	<ul style="list-style-type: none">· Increase in credit costs due to deteriorating business performance of customers· Deterioration of reputation in the event of natural capital damage by investees	Short-term	<ul style="list-style-type: none">· Provision of information, raising awareness, and consulting with customers· Enhancement of solution menu through expansion of business partners, etc.
	Chronic	<ul style="list-style-type: none">· Changes in land and marine use· Degradation of wetlands and forests· Changes in the ecosystem· Pollution· Depletion of agriculture, forestry, and fishery resources· Decrease in water and other resource supplies· Changes in habitats for infectious disease vectors· Increase in invasive alien species	<ul style="list-style-type: none">· Damage to production processes and value chains· Suspension of operations due to drought· Relocation and adjustment of businesses· Increase in procurement costs of raw materials, etc.· Decline in ecosystem services such as pollination and water resource recharge		Medium- to long-term	
Transition risks	Policy and legal	<ul style="list-style-type: none">· Introduction and strengthening of regulations and standards· Changes in production volume regulations· Increase in litigation	<ul style="list-style-type: none">· Incurred/increased costs of complying with regulations and standards· Decrease in procurement volume and increase in costs due to higher prices· Increase in litigation response costs	<ul style="list-style-type: none">· Increase in credit costs due to deteriorating business performance of customers· Loss of revenue opportunities due to failure to adapt to change· Decline in competitiveness	Medium-term	<ul style="list-style-type: none">· Formulation of response measures based on continuous information gathering and trend identification· Provision of information, raising awareness, and consulting with customers· Enhancement of solution menu through expansion of business partners, etc.
	Market and industry	<ul style="list-style-type: none">· Changes in consumer behavior· Changes in demand for and supply of goods and services· Expansion in requirements from the supply chain (traceability, certification, etc.)	<ul style="list-style-type: none">· Loss of sales opportunities and customers· Increase in response costs (ex: certification acquisition expenses)· Increase in costs associated with procurement in consideration of natural capital and biodiversity· Changes in industry power structure		Short- to medium-term	
	Technology	<ul style="list-style-type: none">· Development and diffusion of technologies in consideration of natural capital and biodiversity	<ul style="list-style-type: none">· Changes in industrial structure and business competitiveness· Increase in technology development and introduction costs		Medium- to long-term	
	Reputation	<ul style="list-style-type: none">· Criticism and decline in valuations for delayed or inadequate involvement in and/or response to damage to natural capital	<ul style="list-style-type: none">· Damage to brand value, protests, and boycotts· Difficulty in raising funds due to declining valuations from investors and financial institutions· Decrease in employee engagement	<ul style="list-style-type: none">· Deterioration in reputation· Customer churn and deterioration of corporate image and ESG reputation	Medium- to long-term	<ul style="list-style-type: none">· Appropriate information disclosure and dialogue with stakeholders
	Litigation and liability	<ul style="list-style-type: none">· Liability arising from developments in legislation and case law· Liability and administrative penalties due to strengthening of existing laws and regulations or introduction of new laws and regulations· Liability for ecological impacts due to opposition actions	<ul style="list-style-type: none">· The emergence of a challenge in securing skilled human resources to respond to a wider range of tasks in corporate activities due to increased awareness of natural capital and biodiversity	<ul style="list-style-type: none">· Securing human resources with knowledge of natural capital and biodiversity· Deterioration of reputation in the event of natural capital damage by investees	Short- to medium-term	<ul style="list-style-type: none">· Formulation of response measures based on continuous information gathering and trend identification
	Ecosystem stability risks	<ul style="list-style-type: none">· Cascading destruction of nature due to loss of nature's ability to provide important ecosystem services· Outbreak of zoonotic diseases (ex: COVID-19)	<ul style="list-style-type: none">· Enormous simultaneous financial losses in multiple industries (ex: the collapse of the fishing industry due to overfishing, making it more difficult to procure raw materials)· Outbreak of pandemics causing stagnation of social and economic activities	<ul style="list-style-type: none">· Increase in credit costs due to deteriorating business performance of customers· Loss of revenue opportunities due to stagnation of sales activities	Short- to long-term	<ul style="list-style-type: none">· Evolution of scenario analysis· Regulation revision of contingency plans
Systemic risks	Financial stability risks	<ul style="list-style-type: none">· Simultaneous occurrence of multiple policy, legal, technological, and social responses	<ul style="list-style-type: none">· Occurrence of financial and social impacts on many sectors and individual lives			

*Short-term: approx. 5 years; medium-term: approx. 10 years; long-term: approx. 30 years

(2) Awareness of opportunities

The TNFD divides nature-related opportunities into those related to business performance and those related to sustainability performance and states that the two categories are not mutually exclusive.

The opportunities that the Group is currently aware of are as follows:

Nature-related opportunity categories		Example events	Opportunities associated with the Group's business activities	Time frames
Opportunities related to business performance	Products and services	<ul style="list-style-type: none">· Development and expansion of products and services with positive or negative impact mitigation effects on nature· Development and diffusion of new technologies that promote the conservation and sustainable use of biodiversity· Establishing competitive advantage	<ul style="list-style-type: none">· Increase in consulting opportunities to support analysis of nature-related risks and opportunities and development of business strategies· Increase in new investment and loan opportunities	Short- to medium-term
	Market	<ul style="list-style-type: none">· Expansion of new and emerging markets· Change in consumer behaviors (increase in demand for sustainability-conscious products and services)	<ul style="list-style-type: none">· Development of nature-related businesses, products, and services	Medium- to long-term
	Resource efficiency	<ul style="list-style-type: none">· Shift in production processes, such as switching to raw materials with lower environmental impact· Spread of certification programs for nature-conscious raw materials· Spread of the utilization of recycled materials and recycling· Reduction of water use and consumption· Utilization of diverse raw materials (utilization of unused resources)· Prevention of pollution and reduction of waste	<ul style="list-style-type: none">· Increase in consulting and business matching opportunities· Increase in new investment and loan opportunities	Medium- to long-term
	Funding flow and procurement	<ul style="list-style-type: none">· Spread of nature-related green finance· Protection of the environment through public incentives	<ul style="list-style-type: none">· Increase in new investment and loan opportunities	Short- to medium-term
Opportunities related to sustainability performance	Reputation	<ul style="list-style-type: none">· Promoting understanding and strengthening relationships with stakeholders and spreading collaboration· Improving brand image and differentiating from competitors	<ul style="list-style-type: none">· Improving reputation by addressing nature-related risks and developing solutions· Improvement in reputation and corporate value through nature-positive contributions	Medium- to long-term
	Sustainable use of natural resources	(Same as resource efficiency)	(Same as resource efficiency)	Medium- to long-term
	Protection, restoration, and regeneration of ecosystems	<ul style="list-style-type: none">· Nature conservation and restoration activities· Implementation of local green infrastructure· Protection of rare species	<ul style="list-style-type: none">· Increase in consulting needs and investment and loan opportunities	Medium- to long-term

*Short-term: approx. 5 years; medium-term: approx. 10 years; long-term: approx. 30 years

(3) Efforts to address the risks and seize the opportunities we are aware of

Although the qualitative analysis has organized the Group's relationship with nature, we believe that we need to further evolve our analysis in order to implement specific strategies.

Going forward, we will strive to evolve our analysis, including quantitative analysis that takes into account geographical characteristics and the characteristics of each sector, in order to minimize risk and maximize opportunities for the Group, local communities, and our customers.

Mebuki Financial Group's initiatives to conserve and restore natural capital

Forest conservation and tree planting activities

In addition to subsidizing groups working to conserve the environment and planting trees in the mountains of Ashio, we are also engaged in forest maintenance through regular forest thinning and tree planting activities in the Joyo Furusato no Mori and Ashigin Forest, managed by our subsidiary banks. We will continue our efforts to aid the maintenance and restoration of lush forests.

Environmental beautification and extermination of invasive alien species

In addition to beautification activities around each location, the Group actively participates in local beautification activities and extermination of invasive alien species, contributing to the conservation of local natural capital and biodiversity.

We will continue to work with local communities to create a rich environment.



Joyo Furusato no Mori



Ashigin Forest



Beautification activities



Extermination of invasive alien species

Risk management

Climate change-related (TCFD) Natural capital-related (TNFD)

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.

1. 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, 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.

2. Establishment and announcement of a policy for investments and loans to particular sectors

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. Furthermore, we perform regular monitoring to check if our investment and loan activities are in line with the policy. Since March 2021 when the policy was established, we have not engaged in investments and loans in conflict with the policy.

Sector	Investments and loans policy	Results of monitoring in FY2023
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 FY2023. We will reduce the existing balance*2 to zero by FY2039.
Deforestation business	Investment decisions for deforestation businesses 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 businesses 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 involve 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 (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.

3. Spread of climate change risks

Given the results of the scenario analysis and qualitative analyses, we recognize that 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.

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

	Physical risks	Transition risks
Credit risks	Increase 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 of customers and subsequent increase in credit risk 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 risk 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 risk 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)

4. Natural capital-related risk and impact management

While we have begun qualitative analysis and the creation of a heat map of dependencies and impacts using ENCORE in our efforts for information disclosure of this fiscal year, we have yet to identify priority areas and priority sectors and conduct quantitative analysis. We recognize that we need to evolve our analysis in order to manage risks and impacts.

Going forward, we will work to build a management system by upgrading our analysis of natural capital-related risks and impacts, taking into account geographical characteristics and other factors.

Metrics and targets

Climate change-related (TCFD) Natural capital-related (TNFD)

The Group has set the targets and created a roadmap for the realization of a decarbonized society and nature positivity, and monitors them with various metrics. We regularly report the progress made toward the targets

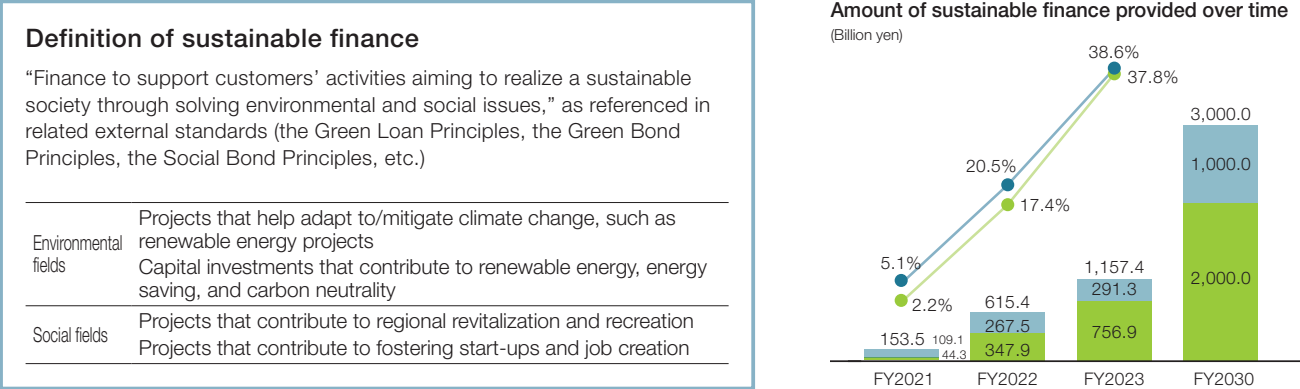
and the use of metrics to the Sustainability Committee and the Board of Directors, reflect them in the strategy, and receive supervision.

1. Sustainable finance

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

During the period from FY2021 to FY2023, we executed ¥1,157.4 billion of sustainable finance, including ¥756.9 billion in environmental fields.

By providing sustainable finance, we will continue to support our customers' activities aiming to realize a sustainable society through solving environmental and social issues.



Framework-type sustainability-linked loans

Subsidiary banks Joyo Bank and Ashikaga Bank have started offering framework-type sustainability-linked loans*. In these products, customers are asked to select one KPI that is highly relevant to their sustainability improvement efforts from among multiple pre-defined KPIs, and the loan interest rate is reduced according to the achievement of the Sustainability Performance Target (SPT). Customers only need to select a KPI/SPT to use the product, enabling funding over a shorter period and at a lower cost than a regular sustainability-linked loan.

We believe that this product will serve as a catalyst for many of our customers to launch sustainability initiatives.

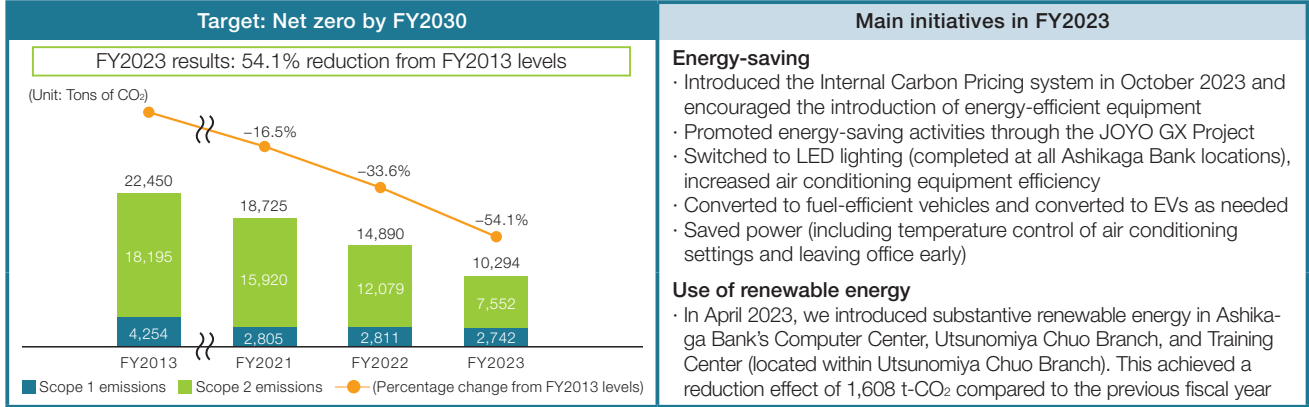
Examples of KPIs/SPTs		
	KPI	SPT
Joyo Bank	CO ₂ emissions (Scope 1 and 2)	Achievement of the reduction target in the target year indicated on the left
	Recognized as a Certified Health & Productivity Management Outstanding Organization	Acquired certification
Ashikaga Bank	SBT for SMEs	Acquired certification
	Eruboshi Certification	Acquired certification

*Names of products at each subsidiary bank
Joyo Bank: Sustainability-Linked Loan/Joyo Framework (<https://pdf.irpocket.com/C8333/KKJE/raKk/L04W.pdf>)
Ashikaga Bank: Ashigin Sustainability-Linked Loan (Target Selection Type) (<https://pdf.irpocket.com/C0060/PTSX/x4Py/YScG.pdf>)

2. CO₂ emissions

We have set a target of achieving net zero CO₂ emissions (Scope 1 and Scope 2) across the entire Group by FY2030, and we are working to reduce CO₂ emissions in order to achieve this goal.

(1) CO₂ emissions reduction targets (Scope 1 and Scope 2)



(2) Scope 3 emissions

The sum of Scope 3 emissions of Joyo Bank and Ashikaga Bank is as follows:

[Emission by category]

Category		Emissions (t-CO ₂)
Category 1	Products and services purchased	8,147
Category 2	Capital goods	13,833
Category 3	Fuels and energy activities not included in Scope 1 and Scope 2	2,106
Category 4	Transportation and delivery (upstream)	542
Category 5	Waste generated through business	26
Category 6	Business trips	1,089
Category 7	Commuting of employees	3,264
Category 15	Investments and loans	19,337,643
Total		19,366,652

*No emissions were measured for Categories 8 through 14.

[Category 15 (investments and loans)]

Sector	Carbon intensity* ¹ (t-CO ₂ /million yen)	Emissions* ² (t-CO ₂)
Agriculture	5.21	1,529,772
Paper manufacturing and forestry	7.34	664,658
Beverages and foods	2.55	18,613
Metals and mining	8.41	1,928,204
Chemicals	7.26	887,127
Oil and gas	11.01	328,653
Construction materials and capital goods	3.09	4,680,049
Automobile	3.93	574,426
Electricity	31.69	1,178,225
Real estate management and development	0.69	262,572
Land transportation	3.48	874,840
Maritime transportation	17.00	75,616
Air transportation	10.91	14,641
Others	2.28	6,320,243
Total	-	19,337,643

*¹ Carbon intensity: CO₂ emissions per million yen of net sales of investees/borrower
Sector-specific carbon intensity = $\sum (\text{Carbon intensity by a borrower of each sector}) / \text{Number of the borrowers of each sector}$

*² The formula for calculating emissions: Emissions = $\sum (\text{Borrower emissions (Carbon intensity} \times \text{Net sales)} \times \text{Attribution coefficient (Amount of loans from Joyo Bank and Ashikaga Bank / Total amount of funds raised by borrowers)})$

*³ Partnership for Carbon Accounting Financials, an international initiative to develop methods for measuring and disclosing GHG emissions through financial institutions' investment and loan portfolios

Note: The above calculations used the outstanding balance of loans provided to customers as of September 30, 2023 and their latest financial results that Joyo Bank and Ashikaga Bank had as of September 30, 2023.

■ We measured Scope 3 emissions of all the businesses to which Joyo Bank and Ashikaga Bank provided loans, with reference to PCAF*³ standard measurement methods.

■ There are mainly two measurement processes. The bottom-up approach measures Scope 3 emissions from actual CO₂ 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.

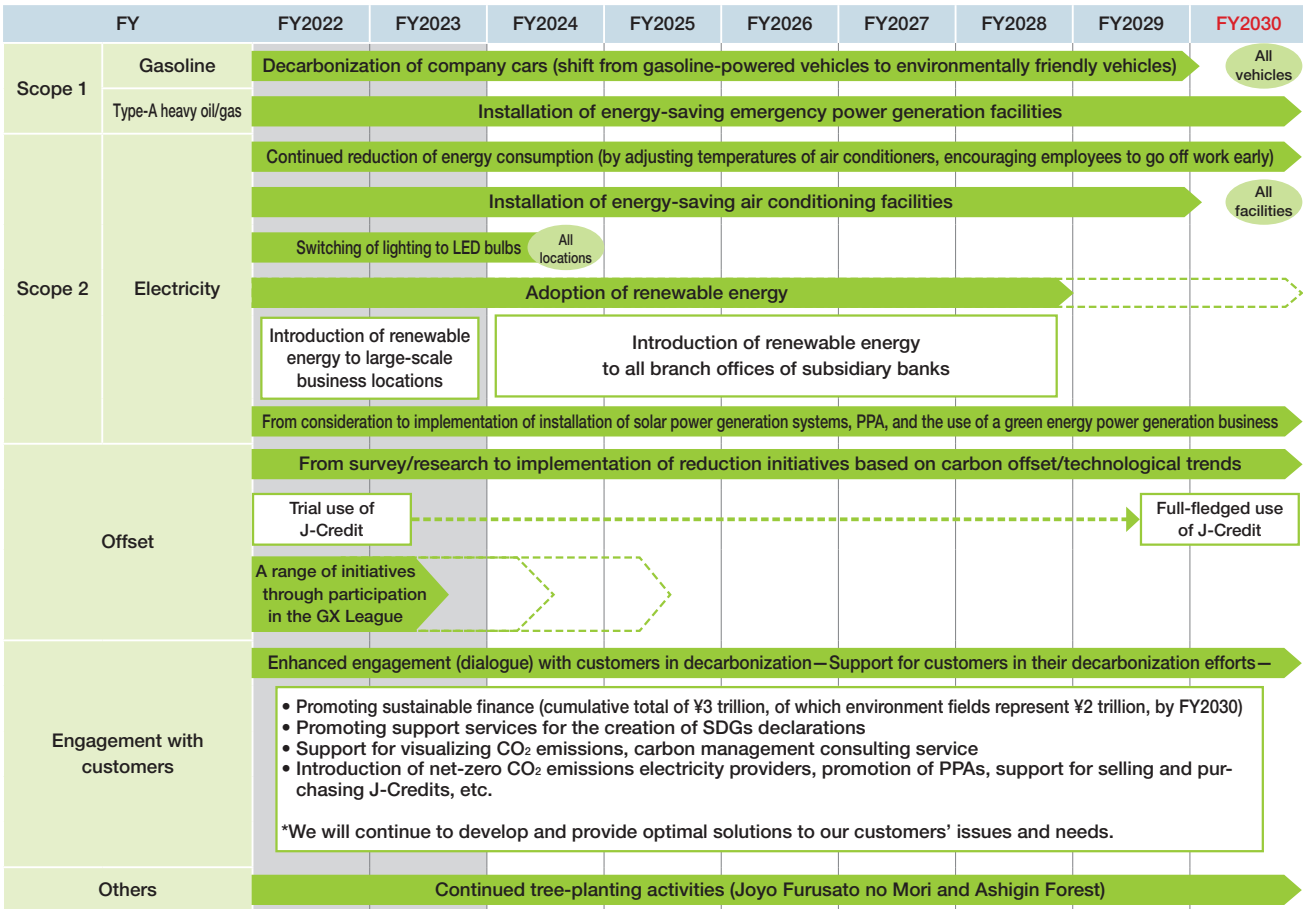
■ In February 2024, we began the analysis by using Persefoni, a PCAF-approved carbon accounting platform, for evolution of future calculations. (Calculation for the current fiscal year is based on the conventional method.)

■ We will make our measurements more accurate and expand the scope of measurement.

(3) Roadmap for reducing CO₂ emissions

In order to achieve the Group's long-term sustainability KPI of net zero CO₂ emissions by FY2030 (Scope 1 and Scope 2), we are working to reduce emissions from the Group's business activities based on the roadmap (created in June 2022), and we also support our customers' decarbonization efforts through engagement activities.

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.



Based on our roadmap, through the introduction of renewable energy to large sites implemented by the end of FY2023, 39.6% of the electricity used by the Group was converted to renewable energy (based on FY2023 usage).

3. Internal Carbon Pricing (ICP) system

In order to further strengthen its decarbonization efforts, the Group introduced and began operating an Internal Carbon Pricing (ICP)* system in October 2023.

Currently, when considering the introduction of equipment, we calculate the CO₂ emissions from that equipment in monetary terms and incorporate them into investment decisions, which is used to reduce CO₂ emissions and raise awareness within the Group.

The price was set with reference to the NZE Scenario (assuming the achievement of net zero CO₂ emissions by 2050) by IEA, a public organization that publishes long-term carbon price forecasts. We will continue to monitor trends and review as appropriate.

*An initiative in which companies voluntarily assign a price to the amount of carbon dioxide they emit in the course of their business.

JOYO GX Project

Joyo Bank is implementing the JOYO GX Project to reduce the environmental impact of its business activities.

This initiative aims to promote sustainability initiatives at all Joyo Bank branches and Head Office by setting targets for reducing electricity, paper consumption, etc. in business activities.

In FY2024 (April 2024 to March 2025), we will continue to share examples of effective initiatives, improve operational efficiency through the use of digital technology, and work to reduce CO₂ emissions.



The commendation ceremony for excellent branch efforts in 2H FY2023

Promotion of Digitalization and DX



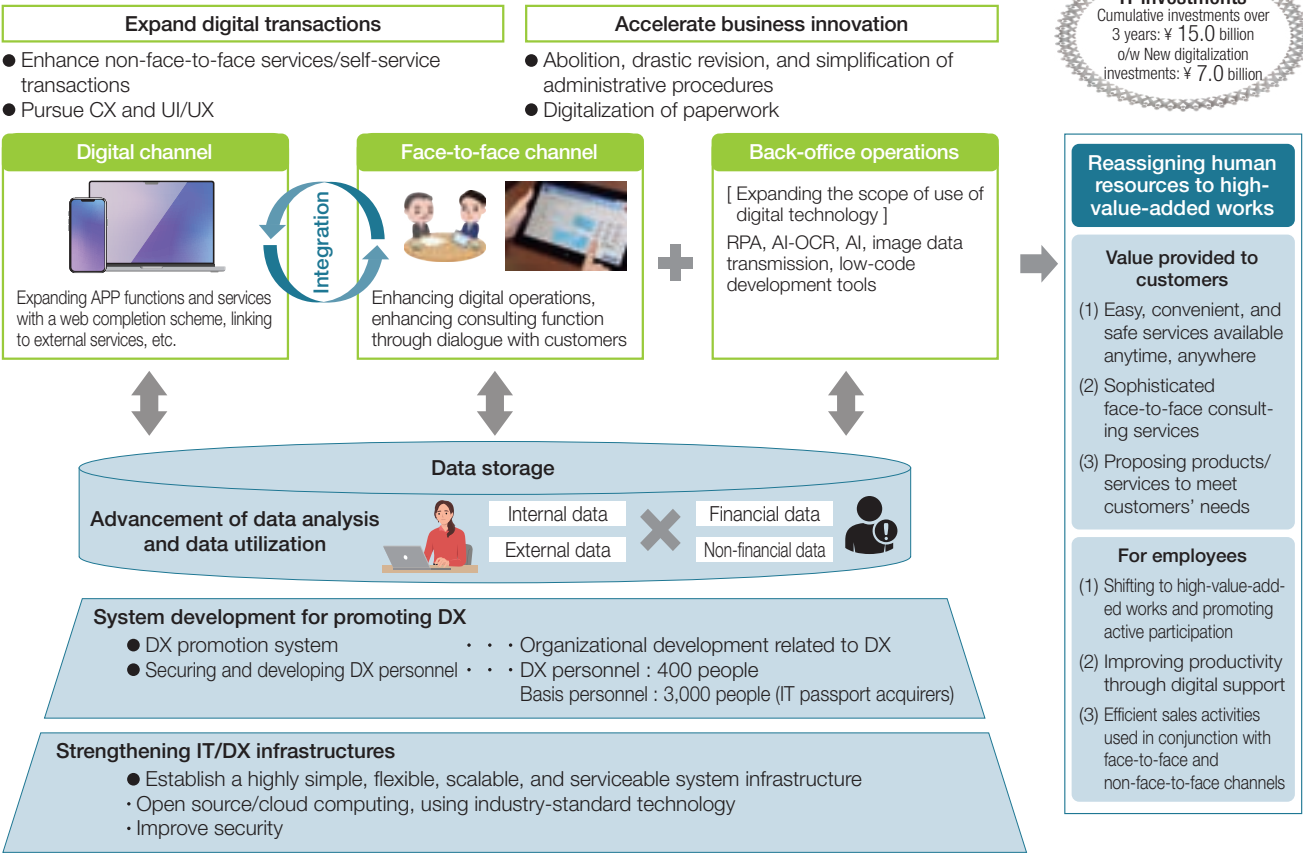
Mebuki Financial Group is engaged in a range of initiatives that are targeted at creating change (transformation) by utilizing digital technology, to achieve sustainable growth and raising competitiveness. Specific outcomes of DX include better customer service, more efficient internal operations, and more prompt decision-making by management. In addition to facilitating our own growth and securing a strong competitive position, we contribute to DX of the whole region by reinvesting our experience, know-how, and business networks into the local communities.

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 processes, and confirmation work that relies on human attention, and an enormous volume of work has been done manually. We aim to remove the hassles for both our customers and employees by using digital technology to increase the efficiency of such work. We will utilize the hours and resources saved from increased efficiency to strengthen contact points with customers as well as to build a 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 channels, we will make our banking services available without being constrained by time or place, providing various apps, online services, and digital contract services, among others. We will pay particular attention to achieving a user interface and user experience that anybody can interact with easily and with peace of mind, so as to make each of these services more convenient.
- We will use the various kinds of data created through the digitalization of banking transactions to understand each individual customer more deeply. We are working to establish a data utilization infrastructure to provide optimized information and proposals to each customer in an appropriate and timely manner. We are also moving ahead with the adoption of data-driven management to ensure that the database we build contributes to swifter and more accurate decision-making by management.

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 the 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 broken down the DX strategy into five areas and clearly defined what we aim for and key measures for each area. With an understanding of this overall direction that the Group is heading in, we are proceeding with the roadmap, setting defined implementation timelines in the annual business plan taking into consideration each group company's status and circumstances.

	What we aim for (To-Be)	Key measures
Digitalization/innovation in traditional banking business	Most operations will be digitized, freeing from complicated paperwork. Employees can focus on productive tasks that only humans can perform, and AI and other technologies are used to enhance and personalize business operations.	○ Development of paperless, seal-less, fax-less measures ○ Group-wide BPR, efficiency improvement of loan operation ○ Renovation of branch office system (slip-less/innovation in OTC operations)
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.	○ Promoting banking apps, the portal for corporate customers, and digital contracts ○ Increasing digitalization penetration (percentage of digital channel usage) ○ Digitalization of identity authentication using eKYC
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.	○ Rebuilding database infrastructure ○ Cloud computing of main business channels ○ Implementation/utilization of MA (marketing automation)
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 the working environment.	○ Developing DX personnel ○ Loosely coupled configuration of main system infrastructure, shift to cloud computing ○ Expansion of mobile PC and smartphone users for business use
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.	○ Practice of DX consulting sales for customers ○ Expanding collaboration/alliances with DX service providers ○ Information gathering and providing financial function for regional DX

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.



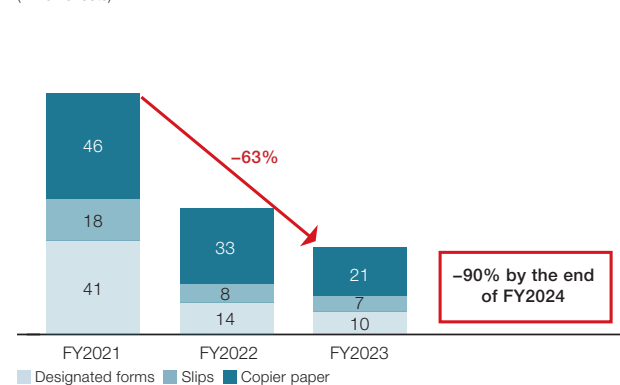
Innovating traditional banking services

Digitalization/innovation in traditional banking business

To streamline complicated operations attributable to 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 implementing digital completion processing, automating operations using RPA, AI-OCR, etc., and driving digital workplace reforms to facilitate the completion of operations without printing out paper copies, beginning with areas that have room for improvement. Such initiatives are taken not only by subsidiary banks but also by all the group companies. For example, they are making progress 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 bank staff including part-timers. With the goal of increasing 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 ten types of business apps. Among these, the Receipt App used in the receipt of items from customers has been patented as a business model in recognition of its advantages in its UI/UX design, its groundbreaking approach of using a single photo of the received multiple items as evidence, and a function capable of managing information of “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 items
- 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



Obtained a business model patent in 2020

(Patent Application No. 2019-094482)

*Ashikaga Bank is also studying the introduction of business apps and is planning to start the operation of several business apps within FY2024.



Automation of manual input tasks using digital technology (AI-OCR, RPA, and image transmission)

Joyo Bank and Ashikaga Bank have 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 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.

At Ashikaga Bank, which was the first to adopt AI-OCR, as of March 2024, a reduction of 25,000 hours of work has been achieved by digitizing 6 million items annually.

The utilization of RPA has generated operational efficiencies by automating simple manual tasks, such as device registration, preparation of forms, transcription, validation, and data creation.

In total, Joyo Bank and Ashikaga Bank have achieved operational efficiencies in 277 operations, of 86,926 hours per year (Joyo Bank: 106 operations, 37,065 hours; Ashikaga Bank: 171 operations, 49,861 hours).

An image transmission system is utilized in operations still requiring paper forms. This system uses a scanner and QR code to deliver documents between departments and branches by transmitting them in PDF format instead of paper. Recipients can complete the tasks by filling in the forms in PDF format.

Innovating traditional banking services

Improvement of digital channels/expansion of contact points with customers

Services for individual customers

With our banking apps (Joyo Banking App and Ashikaga Bank App) positioned as a core channel for transacting with individual customers, we provide an environment where they can access our banking services conveniently anytime, anywhere.

In FY2023, we introduced new features such as an investment trust transactions function, an application function for switching to an Internet bank account, and a card loan application function. The apps have garnered over one million users.

(Unit: Cumulative users (thousands))



Banking app that requires no application or manuals

With a business alliance with Resona Holdings, Inc. in the digital field, we partially customized the Resona Group's app to develop our banking apps. They have been in service since March 2021. These apps have over a hundred APIs working in the backend, and a high level of operability and convenience has been achieved by maximizing API technology.

We cooperate with Resona Holdings using agile methods to develop new functionalities for the apps, releasing new features and UI updates approximately every three months. The development team members include staff from teamLab Inc., a company engaged in app design, and with this speed and design capabilities that cannot be achieved by a regional bank alone, these user-friendly apps' convenience of no need for manuals has been achieved.

These apps are available for any customers who have an ordinary savings account at the Company's subsidiary

banks without having to apply to the bank. They simply have to install the app from the app stores. Users without a bank account may try out a demo version of the app to test out its operations for themselves.

- Simple procedures**
 - ✓ Not requiring contracts like Internet banking
 - ✓ Simplified setup procedures
- Ensuring security**
 - ✓ Terminal and biometrics authentication
 - ✓ Featuring other various security mechanisms
- Easy screen operations**
 - ✓ API connection between the app and the 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

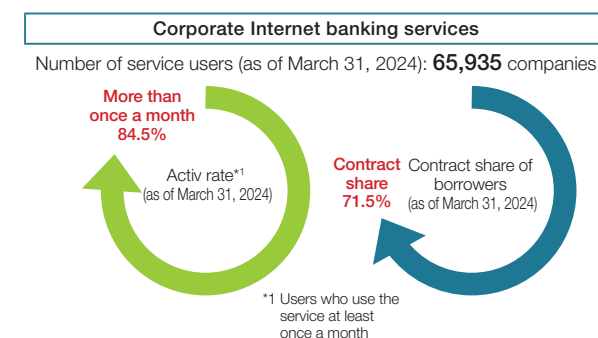


Services for corporate customers and businesses

We promote the adoption of corporate Internet banking and provide corporate portal services (Joyo Bank's Mikatano series and Ashigin BizLink) to assist businesses in their cash management and support their efforts to improve the efficiency of their internal operations.

In FY2023, we focused on promoting the use of “densai,” electronically recorded monetary claims, to discontinue the

use of traditional bills and notes. In the second half of 2023, Joyo Bank was awarded the Debtor Usage Rate Prize from densai.net Co., Ltd., an organization that manages densai. The prize is provided to financial institutions with a significant increase in customers paying with densai. (The bank was recognized as an excellent bank in this initiative for three consecutive periods.)



Portal for corporate customers		
Providing Mikatano series, DX support services, and Ashigin BizLink		
Main functions	Centralized management of multiple accounts and their deposit and withdrawal details	Cumulative users 15,723 companies (bank total as of March 31, 2024)
	Schedule management, attendance management, business communication, etc.	
	Response to the Invoice System and invoice storage compliant with the Act on Book and Record Keeping through Electronic Methods	
Merits	Customers	<ul style="list-style-type: none"> ● Improved efficiency of accounting work ● Paperless operations
	Mebuki FG	<ul style="list-style-type: none"> ● Accumulation of transaction data
		Tool as advanced sales activities including marketing and forecasting funding needs

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

In order 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), with around half of Joyo Bank's branches having been transformed into cashless branches. In FY2023, we decided to add multiple features to the Self-counter Navigation, a tablet for performing transactions, and began working on the development.

We will also shift to using tablets to carry out bank transfers instead of accepting the traditional hand-written OCR forms and aim to digitalize all such transactions (Joyo Bank is expected to achieve full digitalization by August 2024).

Digitalization of over-the-counter operations

In order to digitalize over-the-counter operations, we have introduced the Self-counter Navigation tablets at all our branches and achieved a significant reduction in operational processes by adopting Straight-Through Processing (STP: front-end administrative processing that does not require subsequent processing). We are already close to achieving the 50% reduction target (see the chart on the right) set forth in the Medium-Term Business Plan, one year ahead of schedule.

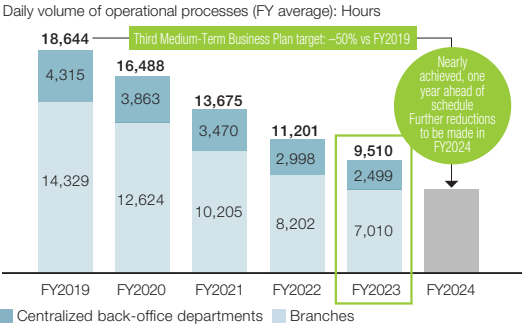
We are also promoting cashless payment of various taxes. In June 2024, Joyo Bank received an appreciation award from the Kantoshinetsu Regional Taxation Bureau for our contribution to the promotion of cashless tax payments. Specifically, the number of tax payments made from Joyo Bank accounts using the national e-Tax system has increased by approximately 2.3 times compared to FY2020.

In May 2024, as a collaborative initiative among six financial institutions in Ibaraki prefecture, we started to prepare and distribute brochures promoting cashless tax payments. We are working to provide customers across the region with more convenience by promoting various payment options.

Providing online consulting services by dedicated staff

We offer online services for providing life plan consultation on asset building, asset succession, housing loans, etc. by connecting a customer's smartphone or PC to dedicated staff. We also adopt the same system for consulting services through a specialized department at the Head Office to address customer needs for advice on inheritance matters driven by the aging society.

While actively promoting digitalization, we will strengthen our 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 banks and Fintech companies cannot provide.



Promoting DX

Strengthening data utilization

The Group actively utilizes the data accumulated from the digitalization of internal operations, the apps made available to customers, and their use of our web-based services and other sources.

These data are utilized as marketing data to understand each customer more deeply and offer optimized solutions. In addition, we have begun to incorporate these data into our management dashboard to facilitate swift and appropriate decision-making by our management.

Moreover, we are actively working on the use of AI. Such efforts include the introduction of ChatGPT (Azure Open AI), the use of AI for loan screening process for individual customers, and the use of an AI statistical modeling tool to improve sales efficiency and marketing accuracy. We are also promoting trials continuously to acquire knowledge across the entire organization with a view to applying AI to various operations regardless of field.

Development of data utilization infrastructure

We positioned FY2023 as a year for building infrastructure for data utilization and developed and built an integrated cloud-based data warehouse (DWH*) for aggregating internal bank data.

To effectively utilize the DWH, Tableau as a BI tool*2 and Salesforce Marketing Cloud as an MA tool*3 were introduced. These tools are seamlessly interconnected and together create a unified data infrastructure.

*1 DWH (data warehouse)
A specialized database for storing large amounts of data and efficiently aggregating and analyzing the data. It unifies the management of data acquired from various systems and data sources and organizes and stores it in a format that facilitates easy utilization, serving as a source for data on which to base various business and operational analyses and decisions.

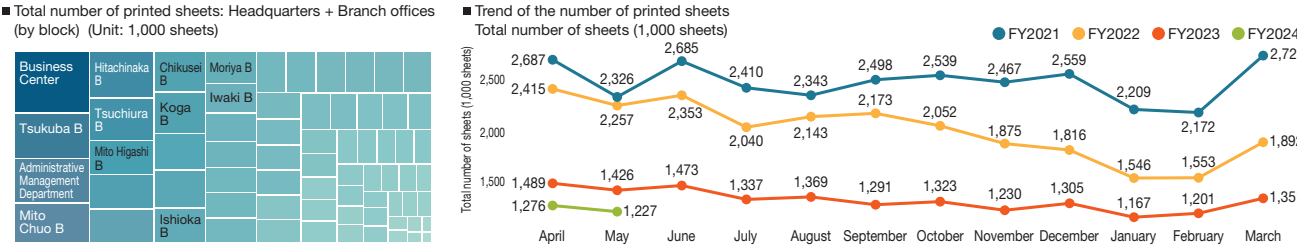
*2 BI tool (business intelligence tool)
Software for collecting, analyzing, and visualizing various data from within and outside the company. It extracts data from data warehouses and other data sources and presents the data in the form of dashboards, reports, and the like. It also has an automation function for highly labor-intensive preprocessing tasks.

In addition, we are expanding the utilization of the Tealium CDP*4, which simultaneously collects and manages permissions for data relating to customers' internet activities.

With these efforts, the development of data utilization infrastructure set out in the DX Strategy Roadmap is nearly completed. We will utilize these tools in FY2024 to continue our shift to data-driven management and raise our level of marketing.

*3 MA tool (marketing automation tool)
Software for automating and optimizing marketing activities (using emails, push notifications, etc.). It automates tasks that are difficult to achieve with human labor. For example, it delivers customized content to meet individual customers' preferences and automatically delivers timely content when triggered by a customer's action.

*4 CDP (customer data platform)
A software platform for collecting and integrating customer data for unified management. It collects customer data (mainly transaction logs) from various panels and devices, allowing a more granular view of customer behaviors and transaction needs.



Utilizing machine learning and generative AI (1) Sales division for individual customers

In the sales division for individual customers, we are working on automating the screening process and optimizing the identification of sales promotion priorities (increasing sales efficiency).

Concerning AI adoption in the screening process, AI was introduced in the loan screening process for individual customers (housing and unsecured loans) in December 2023. Previously, screening was an entirely manual process; now, with AI, in approximately 60-70% of all cases, screening results are automatically provided to customers. The ability to respond to screening requests within the same day contributes to the increased attractiveness of our loan products. The efficiencies generated amount to the work of around nine screening staff.

As for prioritizing products and services for promotion, this is performed based on statistical AI scoring by machine learning using a range of exploratory variables. With this, we are able to carry out promotional activities in an efficient manner. As a degree of statistics skills and data handling skills are required to utilize these tools, we are developing our DX human resources in parallel through training and support for their acquisition of qualifications that contribute to data utilization.

Specific areas of application of machine learning are wide-ranging including loan promotion for individual customers, asset management activities such as NISA, identification of digital marketing audience, and DM mailing list extraction.

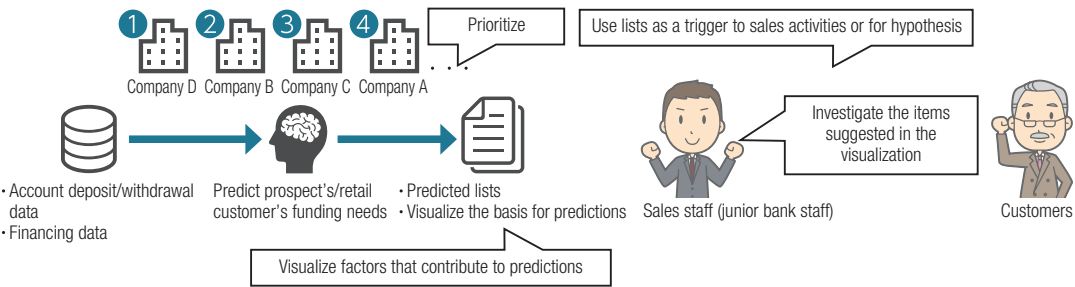
Utilizing machine learning and generative AI (2) Sales division for corporate customers

In the sales division for corporate customers, AI-generated lists that predict corporate funding needs are distributed to our branches. This system is operated as Funding Needs AI.

After undergoing a two-year PoC phase, Joyo Bank formally began using it in operations in FY2024. This AI uses data on deposits and withdrawals or corporate customers as the main explanatory variables for AI modeling, and by entering the latest data, it will predict their funding needs. At branches, the AI score, the main

factors contributing to the score, and examples of action plans created based on the degree to which these factors influence the score are presented. This AI model is utilized primarily among junior staff with less experience and receives positive feedback from bank branch staff.

In addition, we are currently implementing trials for AI utilization to identify customers for whom we can provide business improvement support. We intend to adopt AI to read signs of worsening business conditions and provide support for improving their business.



Utilizing machine learning and generative AI (3) Increasing the efficiency of internal operations, etc.

Our initiatives relating to raising the efficiency of staff operations at Joyo Bank and Ashikaga Bank include the introduction of ChatGPT (Azure Open AI) to all employees, the use of AI chatbots, and efficient preparation of minutes using an AI voice recorder.

In using ChatGPT, we have built a closed network to prevent the input data from being used for retraining by OpenAI. The screen UI displays 12 templates (examples of prompts) by default so that even bank staff who are unfamiliar with entering prompts can utilize the tool. When introducing ChatGPT, all bank staff underwent mandatory e-learning on how to use ChatGPT with a completion test, as part of our efforts to raise employees' skill level.

We are using AI chatbots for both customer service and internal operations. We continuously pre-train the chatbots by adding FAQs (anticipated questions and answers) mainly in areas where numerous inquiries are received.

In order to avoid LLM*1 hallucinations*2, the Group has adopted the FAQ list input type chatbots, using AI to discern between different types of questions and select appropriate answers while ensuring the accuracy of answers provided. This enables us to keep track of the contents of inquiries quantitatively, thus helping us identify areas where understanding of customers or explanation for services by the Group is insufficient and improve our operations.

*1 LLM (large language model)
A type of machine learning model that is used in the area of natural language processing. Using a large volume of training data, such as information on the Internet, an LLM's AI is trained to understand natural language and generate sentences from scratch. ChatGPT is a prime example of an LLM.

*2 Hallucinations
Hallucinations are false information generated by AI. Although AI can generate text and images from scratch by learning a large volume of data, as AI-generated content is probabilistic, it may not be true and accurate. The phenomenon where AI-generated content is mistakenly treated as true is called hallucination.



Promoting DX

Enhanced DX infrastructure/developing DX personnel

In order to promote DX systematically, it is necessary to renovate system infrastructure and develop human resources. From a long-term perspective, we are considering the renewal of our core systems and branch systems and shifting on-premises servers to the cloud on a group-wide basis. From a medium-term perspective, we are in the process of modernizing our individual systems one at a time.

We have set criteria for developing DX personnel according to the level of DX literacy (DX leader/core personnel, and DX basis personnel) and have established training goals for each level which we are working towards achieving. For the development of DX basis personnel, we have extensively encouraged employees to acquire IT Passport with the goal of improving digital literacy across the organization, and have already achieved the target of training 3,000 DX basis personnel set forth in the Medium-Term 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. In order to respond to the rapid advancements in the changing external digital environment, not only will we further strengthen our efforts to train and update our employees' knowledge but we will continue to enhance our DX leader personnel through measures to recruit mid-career personnel and dispatch our trainees to external leading IT companies.

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

	As of March 31, 2024	Target	vs Target
DX personnel	663	400 (by March 31, 2025)	+263
DX basis personnel	3,924	3,000 (by March 31, 2024)	+924

Measures to develop DX personnel

- Recruiting mid-career personnel from different industries and dispatching trainees to leading IT companies to absorb up-to-date know-how
- Openly recruiting trainees for 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 (IT passport renewal exams, etc.)

Positioning the IT coordinator case training as a core training program

In 2020, we entered into a comprehensive partnership agreement with the IT Coordinators Association (ITCA) and positioned the IT coordinator case training* as a core training program to develop DX core personnel. Several employees attend the training every year and are trained as "bridge resources," who can offer proposals that combine management and digital considerations.

Joyo Bank has an internal certification system focusing on DX support/consulting for corporate customers. To acquire the most advanced Senior DX Advisor certification, employees pursuing it need to pass an IT coordinator test and complete the corresponding case training. In addition, their actual performance record of business matching through DX-related solutions, among others, will be evaluated. Currently, ten bank staff have acquired this certification.

As a result of these measures, DX consulting sales for corporate customers have been stimulated, and the number of proposals and closed deals has risen substantially.

*The case training is a training program required 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.



Collaborating with universities to develop DX personnel

At Joyo Bank, in addition to ongoing joint research between the bank's market departments and Ibaraki University, we have launched collaborative initiatives with the IT Junior College (the Ibaraki Prefectural Junior College of Industrial Technology) aiming for developing and securing DX personnel. The ongoing collaboration mutually benefits both parties, with staff from the bank's system departments being assigned made-to-order training for acquiring technological skills by lecturers from the IT Junior College, while students from the junior college visit the workplaces of the bank's system departments. As for Ashikaga Bank, five employees from the Head Office presented their analysis and research findings based on bank data at Tohoku University Data Science College, learning practical data science skills.



Initiatives for collaborating with investees

Ashikaga Bank is cooperating with Caters Inc. (in which the bank's wholly-owned subsidiary, Wing Capital Partners, Ltd., is an investor) and has together established a DX Promotion Project Team to promote DX to customers, drawing on the synergy between the bank's customer base and Caters' system development capability and digital technology. In addition, by leveraging Cater's expertise, a training program was provided to bank staff to raise their DX customer support abilities.

Joyo Bank is collaborating with Digital Securities Preparatory Co., Ltd., one of its fund investees, to advance into the field of STO (Security Token Offering) which is a type of fund-raising method using blockchain technology. To date, the bank has provided non-recourse loans to STO funds. Going forward, the bank intends to offer more STO-related services to meet customers' diverse fund-raising and asset management needs.



Participation in DX Personnel Development Workshop by Joyo Bank and Ashikaga Bank

Bank staff from both banks participated in the DX Personnel Development Workshop to acquire skills required for DX promotion such as design thinking, data analysis, idea creation, and project management.

In this workshop, group-wide personnel exchange was promoted through group work beyond the boundaries of their banks, resulting in the creation of new ideas.

We plan to continue holding this workshop.



Promoting DX

DX support/collaboration with customers and local regions

We offer various seminars to provide 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 April 2024, a total of 51 sessions have been held, attracting more than 12,000 attendees. Ashikaga Bank organizes industry-based seminars on themes that match the time as well. We are also providing DX consulting services and escorted support closely following management challenges that individual corporate customers are facing, both of which have been positively received.

A series of 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/dxchushoguidebook/contents.html) (available in Japanese only) issued by the Ministry of Economy, Trade and Industry (METI). The bank also participated as a speaker in the 2nd Study Group on Supporting DX in SME by Supporting Institutions held by METI, and its presentation material has been published on METI's website (https://www.meti.go.jp/shingikai/mono_info_service/dx_support/002.html) (available in Japanese only).

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. In October 2022, we introduced busikul's diagnosis function. Using this function, branch staff execute a diagnosis with an SME customer to identify problems, thereby recommending effective IT solutions or creating dialogue material for the identified problem based on the priority order.

The number of busikul diagnoses conducted has amounted to 6,000 to date. At the bank, trends by the scale of business and industry have been compiled based on the diagnosis data accumulated to help the bank understand problems faced by corporate customers across the region.



Adoption of advanced technologies (utilizing the metaverse and future challenging areas)

Ashikaga Bank is conducting trials and studying the operational applications of metaverse technology. As the first phase of such efforts, the bank collaborated with Utsunomiya City in holding a seminar in the metaverse to convey the attractiveness and brand strategy of the city to the bank's prospective employees. Based on the outcomes of this demonstration trial, the bank continues with its studies on various types of training programs and the application of metaverse technology to customers, among others.



We are working on the adoption of other advanced technologies 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.

● Key challenging areas/planned PoC, etc.

- Utilization of no-code and promptless generative AI (partial automation of preparation of requests for loan approval and screening processes, etc.)
- Utilization of AI, etc. to improve internal operational efficiency in structured finance operations
- Introduction of the web completion scheme to loan operations for individual customers (digital completion for front, middle, and back-end operations)

Response to an Aging Society



The advent of “the 100-year life” has 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.

Positioning in the Medium-Term Group Business Plan

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

- Changes in the social situation, called “the 100-year life,” have diversified customers’ worries and concerns. We are working to provide a system that enables us to provide prompt and appropriate proposals and advice to our customers and channels that are easily accessible to all generations of customers, including the digital generation.
- 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.

Deepening comprehensive financial services

Deepening Life Plan Consulting

■ Providing services tailored to life events

Asset building and management

We provide financial products and services tailored to our customers’ plans so that they can secure the funds they need at various stages of their lives by considering their life plans from a young age to lead a fulfilling life.

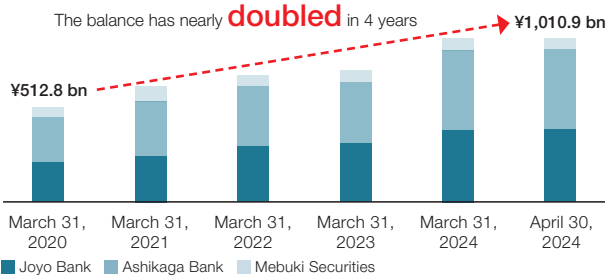
[Practice of customer-oriented consulting]

We strive to offer optimal products and services that proactively use the respective functions of banks and securities firms based on needs and life plans in light of customer knowledge, investment experience, financial circumstances, and investment goal.

The total balance of investment trusts offered by our subsidiaries of Joyo Bank, Ashikaga Bank, and Mebuki Securities surpassed ¥1 trillion as of April 30, 2024.

Investment trust balances within the Mebuki Financial Group
(Joyo Bank, Ashikaga Bank, and Mebuki Securities)

(Billion yen)



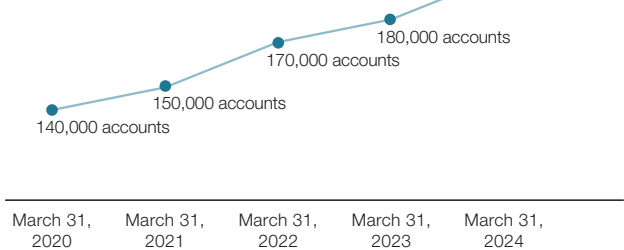
[Achieving life plans through the new NISA]

With the new NISA system starting from January 2024, momentum toward investing in the Doubling Asset-Based Income Plan is higher than ever, not only among financial institutions but among customers as well.

We provide guidance focused on “regular investment portion” and “growth investment portion” to ensure customers have the necessary funds at the various stages of life.

Number of NISA accounts in the Mebuki Financial Group
(two subsidiary banks combined)

(accounts)



Consumption (Loans)

Housing, education, and retirement funds are the three significant funds in life. In addition to these funds, some expenses are inevitably necessary for daily life, such as marriage funds and car purchase expenses. We meet customers financial needs with well-managed loans with explicit usage.

Asset management and succession

We have established a system capable of meeting the diverse needs of customers to support customers’ asset management and smooth asset succession to the next generation. Specifically, we have launched a dedicated inheritance consulting service on Saturdays and Sundays and assigned specialized staff in offices to address the general troubles of elderly customers.

■ Efforts to improve financial literacy in the community

Joyo Bank and Ashikaga Bank are committed to financial education for all age groups, from students in elementary school, middle school, and high school to university students, working adults, and retirees, as a way of contributing to sustainable growth in local communities.

[Financial education for the next generation]

Joyo Bank has a financial education officer who conducts financial education at schools and, in response to the lowering of the age of majority, has created educational videos on money, credit cards, and financial products to use in schools.

Ashikaga Bank conducts financial education for high school students and hosts the “Economics Koshien Tochigi Tournament” to provide opportunities to study financial economics.

Security and insurance

We also offer products that are prepared for life risks, such as medical treatment expenses and reduced income due to illness or injury, death of the head of the household, and living expenses in old age for longer average life expectancy.

[Financial seminars in the workplace]

In an effort to improve financial wellness among workers, we proactively host free financial seminars primarily for customer companies.

In partnership with the Mito Local Finance Office, Joyo Bank has also launched asset formation seminars for general affairs personnel at local governments and companies.

Deepening comprehensive financial services

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.

■ Strengthen connections with elderly customers and their families

To ease the anxiety of the elderly customers and their families about the present and the future, we have put in place a structure of specialized staff at offices and special consultation booths that let customers take time to consult thoroughly, providing comprehensive support for financial and non-financial concerns.

<Smileful Partner>

Joyo Bank has enhanced the placement of specialized staff who can respond to the 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.



Seiko Noma,
Assistant Manager
Hitachi Branch, Joyo Bank
Smileful Partner

For a future full of smiles for all customers.

In addition to helping with asset management, asset succession, and lifestyle support tailored to the concerns of elderly customers and their families, we are working to raise awareness of financial crime prevention.

In our daily activities, we sometimes find it difficult to interact with customers, in part because many do not answer the phone due to heightened awareness of recent telephone scams in everyday life as well as decreased physical ability.

Still, nothing brings us greater joy than when we are able to help customers solve their concerns and bring smiles to their faces as a result of hearing them out and responding carefully. It also brings us great joy when a customer remembers our faces or calls us by our names.

In an era where humans can live past 100, we want to put out customers' minds at ease and help them enjoy a future full of smiles. That is why we strive to build relationships of trust in which customers can consult us on anything as well as spread the bank's gerontology initiatives so we can serve everyone in the community.

<Holiday Wealth Salon>

Ashikaga Bank has 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.



Marie Morishima,
Assistant Manager
Ashikaga Bank
Individual Consulting Division
Private Banking Office
Property Consultant

Support to make asset inheritance smoother for customers and their families

As a property consultant specialist, I listen attentively to customers and their families' concerns about inheritance and work with them to find solutions to the issues they share with us to provide support for smoother asset succession.

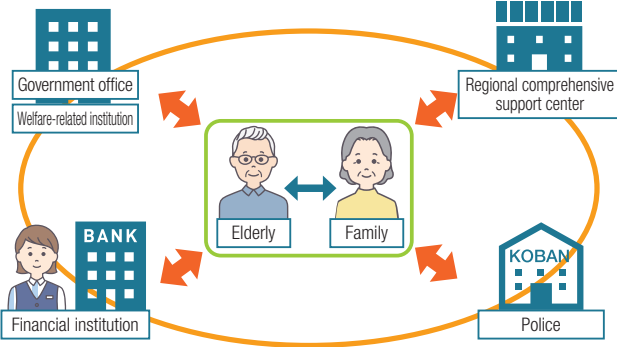
Family circumstances, properties, and sentiments vary by customer, and inheritance concerns can be diverse. Although providing good consulting requires extensive knowledge of laws and taxes, making it a complex and specialized field, the gratitude expressed by customers makes this occupation rewarding.

Many people have vague anxieties about inheritance and often do not know where to start or who to consult. I'd like to make it easier for customers to discuss their inheritance concerns and alleviate as many of their anxieties and concerns as possible.

Strengthening collaboration with external institutions

- 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.
 - 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.

Watching over network in collaboration with relevant institutions (conceptual illustration)



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'

<Using a common inheritance notification form>

To alleviate the burden on customers arising from having different inheritance notification forms that are filled out differently depending on the financial institution, Joyo Bank and Ashikaga Bank have standardized inheritance notifications to be submitted by customers during inheritance proceedings within Ibaraki and Tochigi Prefectures in partnership with local financial institutions.

preference to improve their convenience. Specialized staff in the head offices offer meticulous services through online consultation.

Ibaraki Prefecture

Tsukuba Bank, Mito Shinkin Bank, The Yuki Shinkin Bank, The Ibaraki-ken Credit Cooperative

Tochigi Prefecture

The Tochigi Bank, Ashikaga Oyama Shinkin Bank, Tochigi Shinkin Bank, Kanumasogo Shinkin Bank, Sano Shinkin Bank, Ohtawara Shinkin Bank, Karasuyama Shinkin Bank, Moka Credit Union, Nasu Shinkumi Bank

Joined the Japan Financial Gerontology Institute

Joyo Bank and Ashikaga Bank have joined the Japan Financial Gerontology Institute (JFGI) to promote understanding of financial gerontology among bank employees. By recommending employees take part in training courses conducted by the JFGI and obtain

qualifications, we are working to develop human resources knowledgeable in financial gerontology and striving to offer various financial products and improve our services as we enter an era in which people live to be over 100 years old.

Deepening comprehensive financial services

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

Enhancing services/products for elderly customers

Individualized services related to financial gerontology span a wide variety of products and services, so we sort customer issues (types of support) by category and provide solutions. After consulting with customers with whom we are dealing, we propose the optimal solution and introduce partner companies specialized in a particular area.

Support for asset management

From asset management to inheritance planning through effective real estate use, we provide support for solving a wide range of concerns about asset management.

Lifestyle support

Through watching services, home security, housekeeping, house cleaning, and nursing home referrals, we provide support for everything from solving concerns about lifestyle to proposing leisure activities.

Support for putting your affairs in order

From pre-departure cleaning and inheritance arrangements to funerals and graves, we offer support for solving a variety of concerns about putting your affairs in order and end-of-life planning.

Support for inheritance arrangements

From surveying inheritance property and partitioning estates, we offer support for solving different concerns about inheritance arrangements.

Support for succession

We offer support for solving various concerns about succession, such as creating a will just in case.

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.

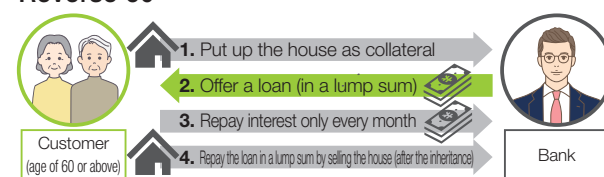
Agent card, agent notification

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.

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



Leaseback



Example of services

- Supporting transactions by family members or other agents
- Agent card
- Family contact registration system
- Provision of voluntary guardianship services
- 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

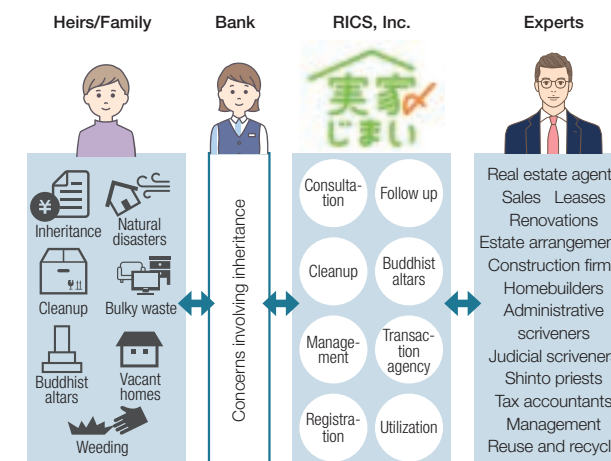
In case of impairment in judgment, etc., customers can entrust their asset management to an expert.

Effective use of real estates

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

Initiatives for issues involving vacant homes

As part of our efforts to meet diverse customer needs involving inheritance proceedings and address the vacant home problem, which has become a social issue, we have entered into partnerships with a startup that runs a DX platform for demolition work that connects demolition companies with owners as well as a startup that has developed consulting services for unused homes (vacant homes) and provide these as our succession-related service menu.



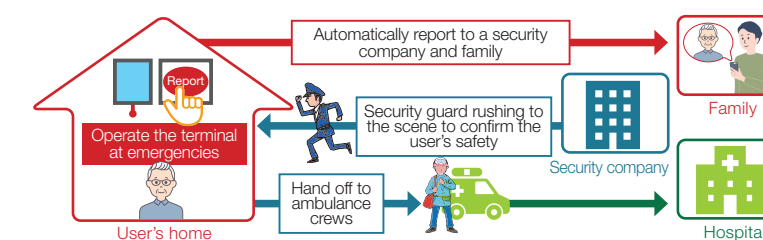
Life support

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 a security guard from 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 allow 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.

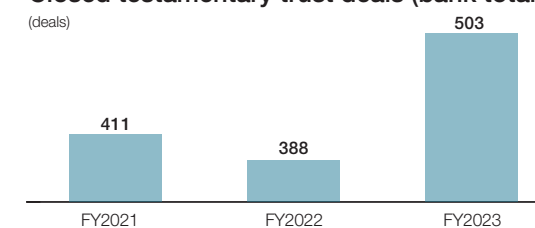
Services that we can refer to (introduce)

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

Closed testamentary trust deals (bank total)



Provision of Joyo Anshin Smile+, a membership-based ancillary service

At Joyo Bank, we offer Joyo Anshin Smile+, a membership-based ancillary service to meet the diverse needs of our customers in an aging society. Designed on the concept of “providing extra peace of mind” to elderly customers who deal with the bank and their families, this service is a package that includes the three services of (1) a family contact registration system, (2) the Anshin Note (Digital Ending Note) information succession service, and (3) the Mimamori Battery elderly watching service, which may be used free of charge by members, who can also receive valuable life planning information through newsletters and more.



Information succession service (“Anshin Note”)



Providing information and raising awareness

Hosting 100-Year Life Era Seminars

To address issues faced by the elderly and their families in the era of the 100-year life, including second life planning, end-of-life preparation, dementia strategies, asset management, and succession, we continually host “100-Year Life Era Seminars” in collaboration with external partners. Through these initiatives, we provide information and raise awareness among local customers while also improving consultation and consulting for customers who visit our branches.



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 3,000 members of the staff at Joyo Bank and 1,500 members of the staff at Ashikaga Bank have been certified as Dementia Supporters.

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 fraud 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

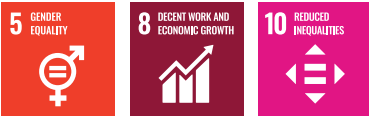
transfers and set limits on the maximum amount to be paid into or drawn out of a bank account using a cash card at an ATM for customers of a certain age and above. While apologizing for any inconvenience this may have caused customers, we ask for their cooperation and understanding by explaining the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

At Ashikaga Bank, the Haga, Ichikai, and Motegi branches hosted Smartphone Workshops, created and planned by members of staff who interact with customers daily, in cooperation with local governments and police stations. During the workshops, explanations on the basics of smartphones were provided by a mobile phone company, while cases of crimes involving smartphones were explained by the local police and the features of the convenient Ashikaga Bank App were explained by the bank.

Promotion of Diversity/ Human Capital Management



At the Mebuki Financial Group, 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 make efforts to expand our business areas by leveraging our strengths. At the same time, we will strive to 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 are working to form a diverse and self-reliant group that can provide local communities and customers with new value and a peace of mind, an essential task for the Group.

Develop human resources and promote active participation

Initiatives for Human Capital Management

System to promote human capital management (Governance)

We have developed human resources so that all 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 with a sense of job satisfaction, among other initiatives. 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 workstyle reforms. In addition, we have established the “Diversity Promotion Office,” an organization supervising the

initiatives for promoting diversity, within the personnel division of the two subsidiary banks. Also, we have established the Group Diversity Policy to deploy initiatives aimed at ensuring diversity horizontally across the Group. (For details of Governance, please refer to “Structure for Promoting Sustainability” on page 19.) In fiscal 2023, 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, as well as future actions by the Group given trends among our peer companies, etc.

Practice of human capital management (Strategies)

Initiatives for human capital 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 demonstrating experience
• Physical and mental health, etc.

[Human Resources Development Policy]

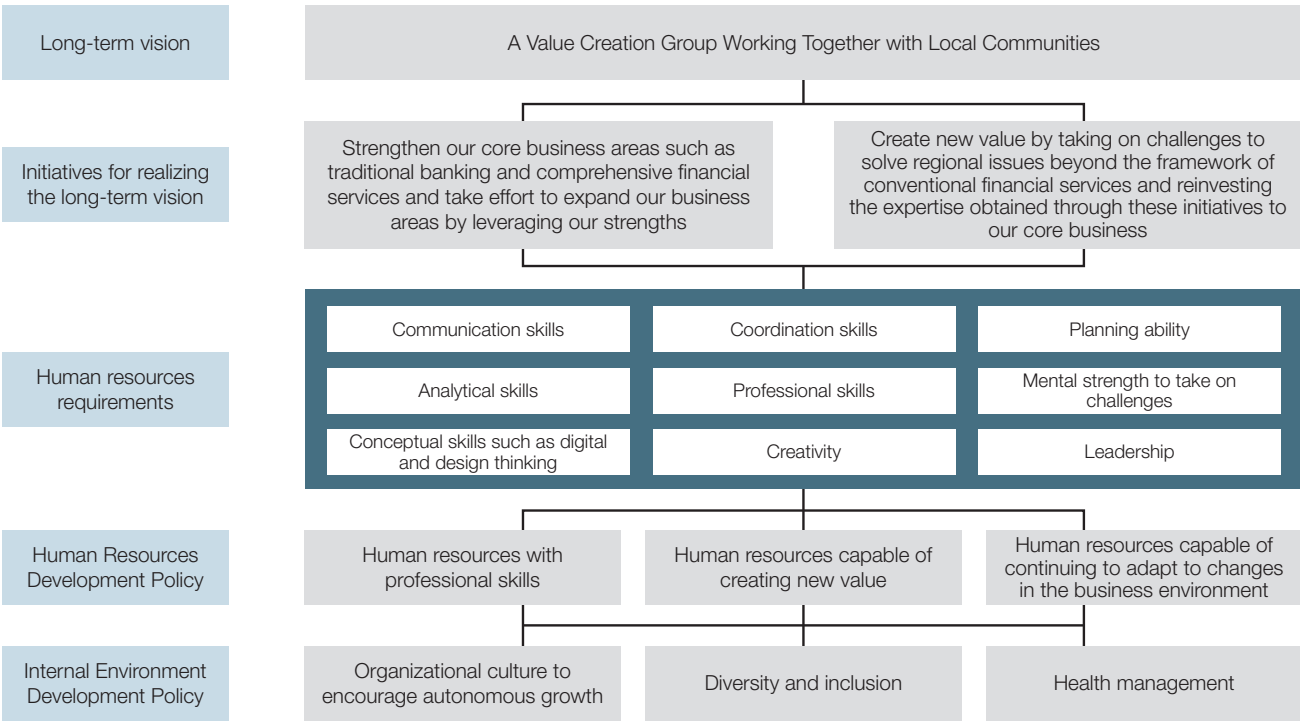
To improve problem-solving skills among employees to live up to the expectations and trust of customers, we will work to secure and develop human resources capable of creating new value by developing human resources with specialized skills and meeting the diversified needs of customers.
We will also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

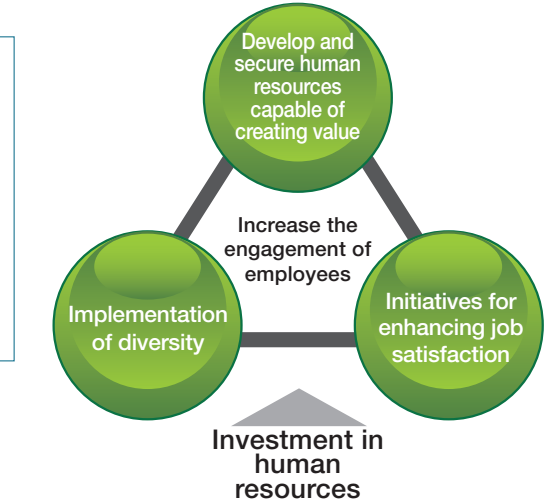
To give an example of the progress that has been made in the “promoting digitalization” set as one issue within materiality for the Group Sustainability Policy, as a result of our efforts to encourage and train employees to acquire IT Passport with the target of achieving 3,000 acquirers by the end of 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. As of the end of March 2024, the number has reached 3,924.

2. Status of initiatives for internal environment development

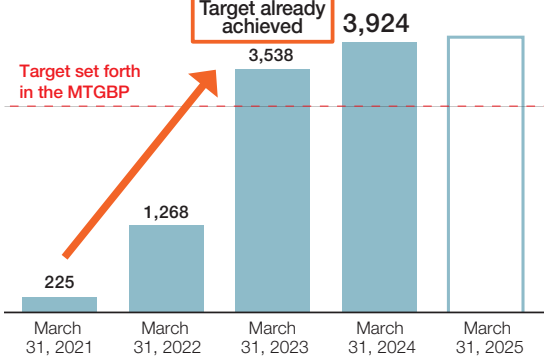
(1) Organizational culture to encourage autonomous growth

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 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.

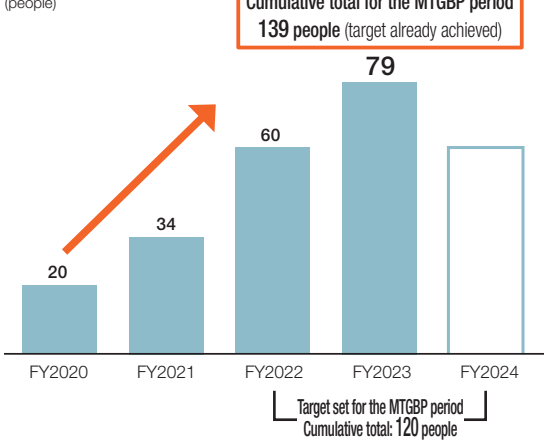
In addition to the above, we are seeking to cultivate an organizational culture where employees can feel job satisfaction by developing related systems to improve their work-life balance.



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 adopted 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.

Furthermore, we are 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.


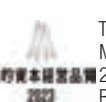
At the same time, we are also working to improve physical and mental health among employees by undertaking initiatives for mental health promotion, such as conducting a stress check and setting up counselling desks for all employees, as well as those for achieving a better work-life balance.

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 counseling 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 by the Ministry of Health, Labour and Welfare, as a general employer that conforms with the standards under the Act on the Promotion of Female Participation and Career Advancement in the Workplace. (Joyo Bank and Ashikaga Bank)
-  The Group was recognized as an outstanding organization under the 2024 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category) by the Ministry of Economy, Trade and Industry. (Joyo Bank and Ashikaga Bank)

-  The Group has received “Platinum Kurumin” certification from the Ministry of Health, Labour and Welfare 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. (Joyo Bank)
-  The Group was awarded the status of “Human Capital Management Quality 2023 (Silver)” in the Human Capital Survey 2023 jointly conducted by the HR Technology Consortium, HR Research Institute, and MS&AD InterRisk Research & Consulting, Inc., as a company practicing excellent human capital management. (Joyo Bank)

[Initiatives for financial wellness]

The Group offers various systems designed to support asset building of our employees. Meantime, we provide various menus and financial education also from the perspective of supporting asset building of corporate customers’ employees.

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

Flextime work system We have introduced a flexible working system that permits employees to schedule when to start and leave work on working days on their own.	Working from home We have helped our employees work efficiently by lending them mobile PCs so they can work from home.	Childcare leave at birth system 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.
Fertility treatment leave system The system allows employees to continue to work with a sense of security while receiving fertility treatments. Employees can take leave for two years at maximum.	Second job system 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.	Work in casual clothes 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.

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

We address risks associated with human capital based on our recognition that such risks can be either risks or 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: • Stagnation in the Group's overall growth • Decline in competitiveness within the industry • Intensifying competition with other industries • Customer defection (deterioration in business performance) • Decline in motivation among and increase in turnover of employees (collapse of management base)
Opportunities	Adapting to changes in the external environment and enhancing human resources capable of meeting the needs of customers will lead to: • Growth of the Group • Expansion of business areas • Enhancement of revenue base • Improvement of customer satisfaction • Improvement and diversification of employees' skills (organizational activation)
Direction of initiatives	[Secure human resources] • In addition to new graduate and semi-recent graduate hiring, we hire mid-career professionals throughout the year to secure work-ready human resources. • 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. • 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. [Develop human resources] • 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. • 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.

(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. In the wake of 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, and these workstyles are expected to continue and become entrenched.
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: • Decline in competitiveness • Inferiority in competition to acquire human resources • Outflow of talented human resources/increase in turnover of employees • Decline in morale and performance of employees
Opportunities	Enhancing diversity measures, creating a workplace without gender disparities, and reviewing ways of working will lead to: • Transformation of corporate culture and growth of the Group • Creation of innovations • Broadening of the scope of consulting services and improvement in quality • Securing and retention of talented human resources • Improvement in performance • Improvement of work-life balance and enhancement of motivation/engagement of employees
Direction of initiatives	• 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. • 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. • We have been developing related systems to realize more flexible workstyles by introducing the flextime work system and teleworking. • 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.

(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: • Difficulty in securing the necessary number of human resources for business continuity • Increase in recruitment costs due to the staffing shortage An increasing need for nursing care of parents, etc. will result in: • Increases in employees on administrative leave and turnover of employees
Opportunities	Securing diverse workers and ensuring diverse workstyles will lead to: • Passing down of skills • Utilization of know-how of seniors • Improvement in work-life balance • Provision of personnel know-how to local communities
Direction of initiatives	• 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. • 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.

(4) Advancement of DX and digitalization

Changes in social and economic trends and environmental awareness	The 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: • Stagnation in the Group's overall growth • Decline in competitiveness
Opportunities	Advancing DX and digitalization by enhancing highly specialized human resources will lead to: • Improvement of customer experience (CX) • Expansion of business areas • Improvement in labor productivity and reduction in costs
Direction of initiatives	• 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. • 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.

(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: • Loss of credibility and damage to brand image • Administrative penalty as a result of a legal violation The occurrence of mental health problems, harassments, long working hours will result in: • Employee defection • Difficulty in securing human resources • Decline in public esteem
Opportunities	Raising the ethical standards and integrity of employees will lead to: • Cultivation of a healthy corporate culture • Improvement in the trust of customers (corporate group that continues to be trusted by local communities)
Direction of initiatives	• 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. • 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.

Indicators and targets for human capital 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, 2022		March 31, 2023		March 31, 2024		Progress rate
		Number of people	Ratio to total employees	Number of people	Ratio to total employees	Number of people	Ratio to total employees	
DX personnel		—	—	551	9.9%	663	12.1%	165.8%
o/w Joyo Bank	400 people	—	—	253	8.2%	307	10.2%	—
o/w Ashikaga Bank		—	—	298	11.9%	356	14.5%	—
DX basis personnel (IT passport acquirers)		1,268	21.7%	3,538	63.3%	3,924	71.7%	130.8%
o/w Joyo Bank	3,000 people	1,057	32.9%	1,911	61.9%	2,092	69.2%	—
o/w Ashikaga Bank		211	8.1%	1,627	65.2%	1,832	74.7%	—

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, 2022		March 31, 2023		March 31, 2024	
	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	470	8.1%	476	8.5%	490	9.0%
o/w Joyo Bank	257	8.0%	263	8.5%	274	9.1%
o/w Ashikaga Bank	213	8.1%	213	8.5%	216	8.8%
Number of 2nd grade FP	3,511	60.2%	3,638	65.1%	3,756	68.6%
o/w Joyo Bank	2,144	66.7%	2,185	70.6%	2,226	73.6%
o/w Ashikaga Bank	1,367	52.2%	1,453	58.2%	1,530	62.4%

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

The Group is strengthening its investment in human capital to improve the capabilities and skills of its employees, and the cumulative amount of investment during the current medium-term business plan period (FY2022 to FY2024) is expected to exceed 2 billion yen, approximately 1.5 times the cumulative amount during the previous medium-term business plan period (FY2019 to FY2021). We will continue to support the autonomous growth of our employees and actively develop human resources capable of creating new value.

In addition, Joyo Bank is participating in the Human Capital and Corporate Value* and has begun efforts to visualize employee skills through the creation of skill maps and other means. Going forward, we will accumulate and analyze data over time to visualize the degree to which human resource investments have an impact on our finances.

*A study group that aims to verify the extent to which human capital contributes to corporate value and performance using quantitative data (33 member companies as of December 31, 2023)

[Indicator] “Human capital investment”

Indicator	FY2021	FY2022	FY2023
Human capital investment	445	703	795
o/w Internal training-related expenses*1	81	84	115
o/w External training/trainee-related*2	289	459	499
o/w Other human resource development expenses*3	75	160	181

*1 External lecturer expenses/educational materials expenses

*2 Personnel expenses for external training and trainee dispatchers and payments to trainee destinations

*3 Training expenses other than the above (home study system, core learning course fees, qualification incentives, sales qualification examination fees, etc.)

(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	FY2021		FY2022		FY2023	
	Number of people	Ratio of mid-career	Number of people	Ratio of mid-career	Number of people	Ratio of mid-career
Number of mid-career recruitment	23	8.8%	30	14.4%	68	24.2%
o/w Joyo Bank	9	6.7%	12	11.7%	12	9.0%
o/w Ashikaga Bank	14	11.2%	18	17.0%	56	38.1%

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

Aiming to utilize big data by taking full advantage of my skills

I chose Joyo Bank because I felt that I could contribute to Ibaraki Prefecture, where I was born and raised, while making use of my experience from my previous job, and because of its strong ties to the community. In my work, I try to be thorough and flexible in my approach, while expressing a different point of view not colored by banking experience.

Currently, I am in charge of promoting the use of business intelligence (BI) tools within the bank for the purpose of data utilization, planning the use of RPA to counter a shrinking labor force and improve productivity, and planning and executing the introduction of the latest tools (AI chatbots, AI voice recorders).

I enjoy positive inspiration thanks to the many ambitious people around me and an environment that encourages skill development. I used to think that banks were rigid, but Joyo Bank is flexible enough to accept new technologies and is increasingly utilizing digital technology, including the introduction of the latest tools.

On the other hand, there are still issues regarding the use of big data held by banks. I would like to contribute to the improvement of corporate value by taking the initiative in organizing big data scattered throughout the bank and creating an environment that enables prompt management decisions using BI tools, while making use of my existing skills.



Aki Tsutsumi
Assistant Manager
Joyo Bank
Corporate Planning Department,
DX Strategy Office



Tomohiro Nono
Manager
Ashikaga Bank
Retail Sales Branch of Oyama Area

Working with Ashikaga Bank to practice comprehensive consulting beloved by the community

After graduating from university, I started working for a securities firm, but I wanted to gain a variety of experience outside of finance, so I worked in real estate and M&A consulting. I chose Ashikaga Bank because I could contribute to Tochigi Prefecture, which I found attractive when I was assigned there in my role at the securities firm, and also because I could make use of my past experience.

The bank's strength lies not only in its deposits and loans, but also in its ability to provide one-stop services for a variety of needs, including asset succession, real estate, and investment management. Another appealing aspect is that as a company, Ashikaga Bank is actively taking on new challenges and seeking to evolve from the traditional image of a financial institution.

Although the Block Retail Business Department specializes in individual consulting services, I mainly work with corporate owners and provide management consulting services as well. Many local companies have been particularly welcoming of Ashikaga Bank, and I feel that this is one of Ashikaga Bank's unique strengths, that it is rooted in the community.

Going forward, I would like to further improve my consulting skills for both individuals and corporations to benefit as many customers as possible, and I would like to actively share my experiences within the bank to learn and grow with Ashikaga Bank every day.

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 various angles. We have 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 these efforts, 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	FY2021		FY2022		FY2023		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		34	0.6%	60	1.1%	79	1.4%	115.8%
o/w Joyo Bank	120 people April 2022 to March 2025	23	0.7%	46	1.5%	54	1.8%	—
o/w Ashikaga Bank		11	0.4%	14	0.6%	25	1.0%	—

[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	FY2021		FY2022		FY2023	
	Number of people	Ratio to total employees	Number of people	Ratio to total employees	Number of people	Ratio to total employees
Number of applicants for open recruitment of trainees and the post challenge program*1	49	0.8%	74	1.3%	101	1.8%
o/w Joyo Bank	28	0.9%	52	1.7%	70	2.3%
o/w Ashikaga Bank	21	0.8%	22	0.9%	31	1.3%
Number of people dispatched and assigned under the open recruitment of trainees and the post challenge program*1	10	0.2%	32	0.6%	32	0.6%
o/w Joyo Bank	6	0.2%	28	0.9%	25	0.8%
o/w Ashikaga Bank	4	0.2%	4	0.2%	7	0.3%
Number of people attended training in multiple fields*2	1,491	25.6%	1,593	28.5%	2,361	43.1%
o/w Joyo Bank	779	24.2%	519	16.8%	1,312	43.4%
o/w Ashikaga Bank	712	27.2%	1,074	43.0%	1,049	42.8%

*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)



Takashi Arakawa
Principal Investigator
Joyo Bank
Consulting Business Division

Proposing solutions tailored to each customer using skills I developed as a trainee

As a specialist in consulting sales in my area of responsibility, I work with branches to support traditional banking operations such as funding schemes, including the establishment of loan schemes and the proposal of risk hedging measures. Furthermore, I work with customers to select management issues and consider future growth strategies for their sustainable growth as a management partner, providing solutions from a medium- to long-term perspective.

I participated in the headquarters trainee program, where I spent about three months visiting and working with each line of business, including the main business consulting team, to develop skills in identifying true issues and providing solutions to those issues using the bank’s wide range of know-how and offerings.

I feel that by utilizing these skills, I am able to engage in solid dialogue with customers and propose appropriate solutions that are tailored to their needs. I will work to be an employee who can solve the problems of our customers and communities, and to make Joyo Bank known as one with value.



Akiko Joho
Manager
Ashikaga Bank
Management Planning Department,
Accounting Group

Building on knowledge acquired at university to further improve skills

I am currently engaged in the accounting and closing services for the bank and Mebuki FG. Feeling the need for more specialized accounting knowledge in my work, I started studying several years ago with the goal of obtaining a bookkeeping 1st grade certification. However, it was difficult to study on my own, and I had nearly given up when I heard about the Support Program for University and Junior College Graduation Qualifications* and decided to enroll, thinking that I wanted to take this opportunity to absorb the knowledge I lacked. After earning a junior college diploma while engaged in my banking work, I transferred to be a third-year university student to study accounting and taxation, where I also earned a university diploma.

Though I was anxious about balancing work and study, the interaction with students of various ages and occupations that I met during my study broadened my perspective, and I feel that I was able to have an enjoyable and meaningful time. I am also very grateful for the support I received from colleagues at my workplace in terms of their consideration for my studies and helping me with my work.

These studies as a working adult helped me more eagerly approach things because my studies were directly related to my work. Going forward, I would like to continue learning so that I can apply what I have learned at junior college and university to my work in the future, and also so that I can obtain a bookkeeping 1st grade qualification.

*The bank subsidizes 75% of the total cost up to 300,000 yen for junior college and 600,000 yen for university for employees below the rank of Assistant Manager who have been with the bank for at least 1 year and less than 15 years.

Both banks conduct engagement surveys to maximize the potential of each employee, create a workplace environment where employees can work with motivation and fulfillment, and improve organizational capabilities.

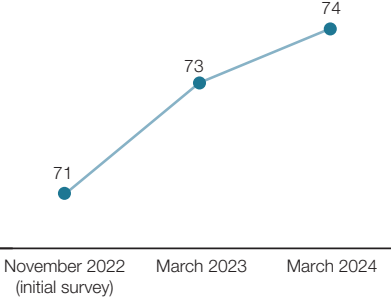
[Joyo Bank] (Tool used: Wevox)

In October 2022, we started engagement improvement initiatives, conducting a survey of employees at sales branches every two months using the Wevox* tool.

These surveys are carried out regularly, and team meetings are held based on the analysis results of the surveys to identify workplace issues and enhance communication. This helps in the dissemination of initiatives to increase employee engagement, evidenced by the increasing survey score from the beginning of this initiative.

We will continue our efforts to create a fulfilling workplace and improve organizational capabilities by increasing the number of employees who proactively tackle problem-solving.

*An organizational capability improvement platform provided by Atræ, Inc.
The benchmark (average for financial institutions of similar size) is 68 points, and our performance compares favorably.



[Ashikaga Bank] (Tool used: Qualtrics EmployeeXM)

In November 2023, we began a survey of all employees using Qualtrics EmployeeXM*1 to visualize the state of employee engagement, organize issues, and reflect them in various measures aimed at increasing engagement. (One survey implemented as of March 31, 2024)

The results are shared with all employees, including management, and from FY2024, action plans tailored to the actual conditions of each department and branch are formulated and implemented to encourage the creation of a workplace environment in which each and every employee can work with a sense of motivation.

Going forward, we will continue to develop measures to improve engagement based on the issues identified in the survey, as well as to make continuous improvements through fixed-point observation of employee conditions.

(Reference) Initial engagement score*2: 52%

*1 An employee experience (EX) data analysis platform provided by Qualtrics Japan, LLC.

*2 Percentage of positive responses to engagement questions (percentage of respondents answering 4 or 5 on a scale of 1 to 5)

(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 female 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, gender wage gap, and the rate of use of childcare leave by men.

As for the ratio of female employees in assistant manager positions or higher, the target was achieved at the end of FY2023, one year ahead of schedule, as a result of the above efforts for promotion. Going forward, in order to promote the development and promotion of women who can assume positions closer to management, we will strengthen our efforts by setting the ratio of female employees in senior management positions as a new indicator.

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”

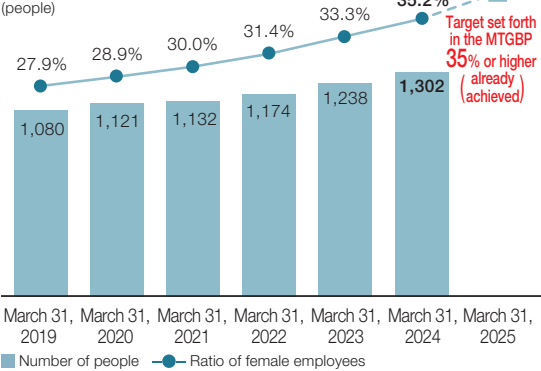
Target	Target date of achievement	March 31, 2022		March 31, 2023		March 31, 2024		Progress rate
		Number of people	Ratio of female employees	Number of people	Ratio of female employees	Number of people	Ratio of female employees	
Ratio of female employees in assistant manager positions or higher		1,174	31.4%	1,238	33.3%	1,302	35.2%	100.5%
o/w Joyo Bank		490	26.5%	550	29.5%	603	32.4%	—
o/w Ashikaga Bank		684	36.1%	688	37.1%	699	37.9%	—

[Indicators] Actual “ratio of female employees in manager positions or higher” and “the ratio of female employees in senior management positions”

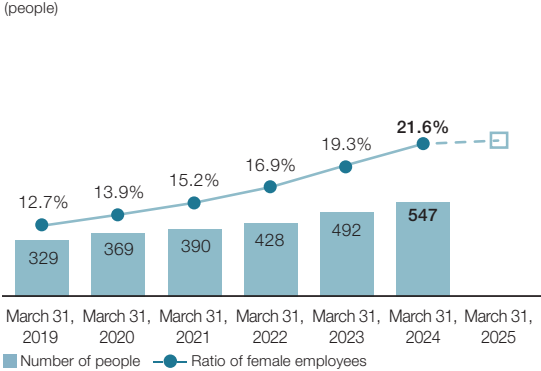
Indicator	March 31, 2022		March 31, 2023		March 31, 2024	
	Number of people	Ratio of female employees	Number of people	Ratio of female employees	Number of people	Ratio of female employees
Ratio of female employees in manager positions or higher	428	16.9%	492	19.3%	547	21.6%
o/w Joyo Bank	170	13.6%	212	16.5%	240	18.7%
o/w Ashikaga Bank	258	20.1%	280	22.3%	307	24.6%
Ratio of female employees in senior management positions*	43	5.3%	45	5.7%	67	8.5%
o/w Joyo Bank	21	5.7%	24	6.3%	35	8.9%
o/w Ashikaga Bank	22	5.0%	21	5.1%	32	8.2%

*Supervisors

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



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



[Indicators] Actual “rate of use of childcare leave by men” and “the number and ratio of female employees returned from childcare leave”

Indicator	FY2021	FY2022	FY2023
Rate of use of childcare leave by men*1,2	64.1%	130.4%	105.5%
o/w Joyo Bank	91.1%	130.2%	89.8%
o/w Ashikaga Bank	39.3%	130.5%	118.3%

*1 In accordance with laws and regulations, this figure is calculated by dividing the number of employees who took childcare leave, etc. during a given fiscal year by the number of employees who gave birth (or whose spouses gave birth) during the same fiscal year. Therefore, the figure may exceed 100% if childcare leave, etc. extend to the next fiscal year.

*2 We will strive to maintain a 100% rate of use of childcare leave by men.

Indicator	FY2021		FY2022		FY2023	
	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
Number*3 and ratio*4 of female employees returned from childcare leave	151	95.5%	132	95.7%	124	92.5%
o/w Joyo Bank	91	94.8%	78	96.3%	69	89.6%
o/w Ashikaga Bank	60	96.8%	54	94.7%	55	96.5%

*3 Number of female employees returned from maternity leave and childcare leave (“Childcare Leave, etc.”)

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

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.

In order to make the disclosure more in line with actual conditions, the calculation method was revised, including past results.

[Indicator] Actual “gender wage gap”

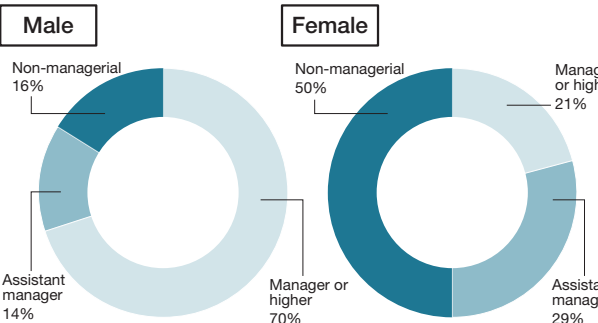
Indicator	FY2021	FY2022	FY2023
Gender wage gap (regular workers)	55.5%	58.2%	60.4%
o/w Joyo Bank	55.1%	58.2%	60.8%
o/w Ashikaga Bank	55.8%	57.6%	59.5%
Gender wage gap (part-time/fixed-term workers)	65.2%	61.5%	62.1%
o/w Joyo Bank	68.6%	68.7%	64.9%
o/w Ashikaga Bank	61.7%	54.8%	59.5%

*Calculation method: Seconded workers and workers on unpaid leave are excluded

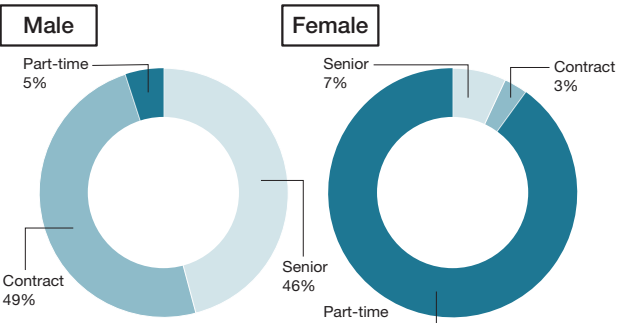
Regular workers: Regular bank employees and employees in roles similar to regular bank employees

Part-time and fixed-term workers: Contract employees, senior employees (rehired after retirement), and part-timers (part-time and fixed-term workers are calculated based on the number of regular employees at each company in terms of their scheduled working hours)

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	FY2021	FY2022	FY2023
Average number of paid leave days taken	11.9 days	13.0 days	13.1 days
o/w Joyo Bank	12.4 days	13.3 days	13.3 days
o/w Ashikaga Bank	11.4 days	12.6 days	12.8 days
Ratio of employees who had health checkups (incl. people who had a complete medical checkup)	99.9%	99.6%	99.9%
o/w Joyo Bank	99.9%	99.5%	99.9%
o/w Ashikaga Bank	99.8%	99.8%	99.9%
Ratio of employees subject to specific health guidance	8.6%	8.7%	7.9%
o/w Joyo Bank	7.7%	8.7%	7.8%
o/w Ashikaga Bank	9.6%	8.7%	8.1%

Changed attitude toward work and family after six months of childcare leave

With a wife pregnant with twins, I decided to take six-month childcare leave to take care of our two-year-old son and to support my wife and child after the twins were born.

Though some around me were surprised, my colleagues at work, including my branch general manager, supported me, calling it a positive choice. Since there were only a limited number of medical facilities in Ibaraki Prefecture that support multiple births, the branch general manager approached the personnel division to coordinate personnel assignments, which was very helpful.

While handling my own day-to-day assignments, I worked to hand off clients and tasks to ensure no impediments after starting to take leave. In addition, I made an effort to keep my immediate supervisor informed of my wife’s condition through daily reports, since there was a possibility of taking a sudden day off or leave earlier than expected depending on her condition.

During my childcare leave, I was anxious about being cut off from society, so I always tried to stay in touch with information so that I could be abreast of what was going on in the world. Since returning to work, I have been more conscious of my work efficiency than ever before and actively participate in childcare and household chores.

It was very meaningful to be able to share with my wife the growth of our children and to experience and understand that everything can be done regardless of gender, except for breastfeeding. I would like to apply my experience to my current recruiting activities and to the creation of a workplace environment that facilitates the use of childcare leave regardless of gender.



Shori Sakurada
Assistant Manager
Joyo Bank
Personnel Division

Roundtable Discussion on Diversity and Human Capital



Tomoko Ogura
Joyo Bank
Outside Director (Audit and
Supervisory Committee Member)

Masako Nagayama
Joyo Bank
Executive Officer, General Manager,
Audit Department

Kumiko Nakajima
Ashikaga Bank
Executive Officer, General Manager,
Personal Loan Business Division

Yoko Nameki
Ashikaga Bank
Outside Director (Audit and
Supervisory Committee Member)

Achieving sustainable growth through human capital that enables the active participation of various human resources

The first two female executive officers appointed at Joyo Bank and Ashikaga Bank in April 2024, along with an outside director supporting the promotion of active participation of women, discussed the current state and issue of diversity at Mebuki Financial Group and the future vision.

The current state of diversity at the Mebuki Financial Group

—As individuals in a position to drive female careers, how do you perceive the importance of diversity and the significance of promoting the active participation of women?

Nagayama Previously, banks were male-dominated, and women were mainly responsible for counter services. When I joined the bank, the hiring of women for career-track positions had just begun, something which was unusual at the time. However, today, in addition to equal recruitment practices, we support

female careers and provide workstyles and leave systems tailored to different life stages, striving to eliminate gender bias. As a result, new graduates and mid-career hires who join the Group will perceive both men and women working in all departments as normal. This is extremely important because this sense that diverse careers are possible and that individuals can aim for them eventually leads to the healthy growth of the organization.

Nakajima During my time as a branch general manager, some corporate customers I visited were surprised to see a female branch general manager. However, many of our customers' businesses are run by

married couples, and when I said, "Hasn't it been the president's wife who has been supporting the company all along?" they readily agreed. Although some people have certain preconceptions, a business is built upon the balance between men and women.

—From the perspective of an outside director, how do you view the current state of diversity at the Group?

Ogura As an Audit and Supervisory Committee Member at Joyo Bank, I've held regular interviews with people in management positions for the past four years. In recent years, there has been an increase in the number of female general managers, such as Ms. Nagayama, and I do feel the impact of the Group's continued efforts to promote the active participation of women. Everyone I meet demonstrates a high level of responsibility, clearly explaining their duties and answering questions accurately.

Nameki Achieving diversity is a key issue directly related to the sustainability of management. In Japan, there is a tendency to establish a diversity promotion office and leave everything to them. Management must recognize the business contributions made possible by having employees who ensure diversity, and they need to work together with the diversity promotion office. In this regard, in addition to diversity, the Bank's management also earnestly discusses engagement survey results related to job satisfaction and workplace friendliness, following up on these results to make improvements.



Masako Nagayama
Executive Officer, General Manager, Audit Department, Joyo Bank

Joined Joyo Bank in 1991. Worked at six branches and three departments at the headquarters. Forged a long career in the management division at the head office. After working in the Audit Department and the Corporate Planning Department, appointed as the inaugural general manager of the Diversity Promotion Office upon the organization's founding in 2021. Appointed General Manager of the Personnel Department in April 2023 and assumed her current position in April 2024.



Kumiko Nakajima
Executive Officer, General Manager, Personal Loan Business Division, Ashikaga Bank

Joined Ashikaga Bank in 1986. Assumed her current position in April 2024, after working at branches and managing four of them. Oversees a total of 256 employees in the loan product planning and screening divisions, the customer consultation counter "Living Support Office," and 13 loan centers.

The issue of "equity" that will bring about sustainable diversity

—What are your thoughts on the concerns and pressures women face in advancing their careers?

Nagayama I felt more pressure when I was first promoted to general manager than when I became an executive officer. There are several deputy general managers within a department, but only one general manager. The weight of responsibility is different. Additionally, I couldn't avoid being aware that I was in the spotlight as a "female general manager." What saved me at the time was that Joyo Bank promoted another woman to general manager at the same time as I was promoted. Having someone in the same position helped reduce the mental pressure.

Ogura More accurately speaking, diversity refers to DEI (Diversity, Equity, and Inclusion), and I believe the issue of "equity" is crucial. In a male-dominated society, simply providing women with "equal" career advancement will lead to disadvantages and friction that men wouldn't face. I believe that sustainable diversity will be difficult to achieve without the company's support for equity.

Nameki As one of the countermeasures, cross-organizational communities can play a vital role. In my previous job at an IT company, I was a community leader for female engineers. In male-dominated organizations, women may have concerns or issues they find difficult to discuss. However, connections beyond departments enable cooperation and consultation, which can also lead to the development of solutions. Also, there was a

system that provided staff with mentors from overseas or the US headquarters who provided advice that wasn't bound by Japanese norms, which helped change peoples' perceptions. Our Group has the Mebuki Women's Class, a community for women aiming to advance to management positions. We also need to consider how we can continue to provide support after promotions. Also, in terms of providing advice from different perspectives, it may be good to introduce mentoring between Joyo Bank and Ashikaga Bank.

Understanding by management and issues with communication

—Career advancement often involves conflicts with childbirth and parenting.

Nakajima In my case, I was able to advance my career while raising children, largely thanks to the understanding and support of my superiors and colleagues. My superiors encouraged me to take a promotion exam when I was hesitant and provided follow-up support when I was unsure about taking on a position with responsibility. I was blessed with supportive colleagues and superiors. Although hard work and ingenuity are important, I believe that understanding and support from those around you are more important than systems in the active participation of women and minorities.

Nagayama That is precisely the challenge for diversity in the future. Even if systems are well developed, their sound operation depends on the awareness of



Tomoko Ogura,
Outside Director (Audit and Supervisory Committee Member), Joyo Bank
After working at a foreign financial institution, appointed as an Outside Director (Audit and Supervisory Committee Member) at Joyo Bank in June 2020. During her tenure, she represented network initiatives for female employees and was involved in planning and managing events to promote the active participation of women.

management and colleagues. Some time ago, despite the presence of childcare leave systems, there were cases where it was difficult for employees to use the system because senior employees didn't use it.
Nameki Moreover, a superior's consideration can sometimes deprive subordinates of career advancement opportunities. For example, a woman returning from maternity or childcare leave might be passed over for a project to avoid burdening her, with the opportunity given to someone else. While this may seem like an appropriate consideration in terms of social norms, it may not be the case for her. In reality, she might have already had a system in place to balance childcare and work and might have been eager to take on the challenge. Despite this, being excluded without consultation may lead her to believe that she is no longer expected to perform, which could result in a drop in motivation. This is a problem that can be resolved by mutual understanding through communication.

—It's essential to provide equitable opportunities for further career advancement, along with mutual understanding and support through communication.

Nagayama Regardless of a person's characteristics, considering making assumptions without listening to them as a virtue can lead to misunderstandings. Recognizing that there are diverse values, ways of thinking, and circumstances and listening to what each person has to say is crucial. As I mentioned earlier, promoting the active participation of women has shown some results, so the next phase is to address individual differences rather than gender differences. Career advancement can be a "mountain climbing" type, where one actively aims higher with goals, or a "river rafting" type, where one focuses on the tasks at hand and fulfills responsibilities. An individual does not necessarily fit the "mountain climbing" type just because they are male, and promoting the active participation of women shouldn't create pressure to conform to that model. Respecting the preferred working styles of individual employees is crucial.

Nakajima Regarding the paternity leave system, the headquarters actively informs eligible employees, and the company encourages its active use. However, there is still an atmosphere where it's difficult for men to use the system freely. Beyond parental leave, we also encourage employees by saying things like, "Your child's school entrance ceremony is coming up. Please make sure to attend." We want them to cherish the time spent with their families.

Nagayama Although awareness is steadily changing, I think there are still differences in flexibility between supervisors when it comes to working styles and taking leave. Supervisors may think they are listening to and being considerate of their subordinates. Still, the subordinates often don't feel the same way. Even if the words are there, the way they are expressed or the lack of accompanying actions can make it seem like a mere performance.

Nameki Supervisors need to build an organizational culture with a full awareness of this point. It won't work well if the organizational culture doesn't allow subordinates to express doubts or concerns when given instructions. While establishing systems is important, fostering an open organizational culture where diverse human resources can thrive is crucial.

Ogura In the future, as gender roles gradually disappear and career advancement styles diversify at the individual level, it may be necessary to re-educate supervisors responsible for human resources development on understanding diversity and communication skills. Also, it is essential to foster a corporate culture where subordinates can freely say what they think to supervisors. Precisely because some progress has been made, instead of thinking, "Let's wait and see for a while," I want to continue supporting management as an outside director to keep the discussions ongoing.

Supporting the challenges of diverse employees through communication

—Based on the issues you've identified, what actions do you make sure to take as managers and outside directors?

Nakajima In my interviews with subordinates, including managers, I always ask, "What kind of work do you want to do?" and "What do you want to become in the future?" I want subordinates to value expressing these thoughts and thinking about them, even if they don't have an answer right now. I've always prioritized the customers in front of me, but I didn't think about "what I want to become." Having that vision allows you to build the necessary expertise and confidently develop your career. I want to focus on an approach that draws out their aspirations, considering their personal goals and social contributions outside their careers.



Yoko Nameki,
Outside Director (Audit and Supervisory Committee Member), Ashikaga Bank
Led AI technology-driven work style reforms and DX initiatives as a technical director at a foreign IT company. Currently works as a specially appointed professor at Chuo University and promotes the active participation of women in STEM fields. Appointed as an Outside Director (Audit and Supervisory Committee Member) at Ashikaga Bank in June 2022.

Nagayama In the course of a career path, there are times when you are assigned to a department with tasks you've never experienced before and feel discouraged because you cannot navigate it well. In such times, focusing on what you can do rather than what you can't do is essential. Work is a team effort, so if you do your best in what you can do, your colleagues will help with what you can't. That's how it was for me, so I believe there are ways to support your colleagues even in tasks you're inexperienced in. I want to foster a corporate culture with active communication and mutual support. While words can hurt, they can also be a source of comfort. I want to understand others and offer words that can support them.

Nameki Supporting employees' challenges through communication is key. Growth and progress always come from stepping out of one's comfort zone. However, there are times when we fail. I want to provide advice as an outside director to help create an organization that views failures as valuable experiences and offers multiple opportunities to try again.

Ogura Many people feel anxious or lack confidence about getting promoted. Despite this, they work diligently and earnestly. Our Group's employees are no exception and are highly professional. However, they often don't recognize their own high potential. While ensuring that both employees with a "mountain climbing" ambition and those with a "river rafting" approach to their work are adequately evaluated, I want to offer support to help make this company one where everyone can contribute to the community with confidence.

Corporate Governance

Basic approach to corporate governance

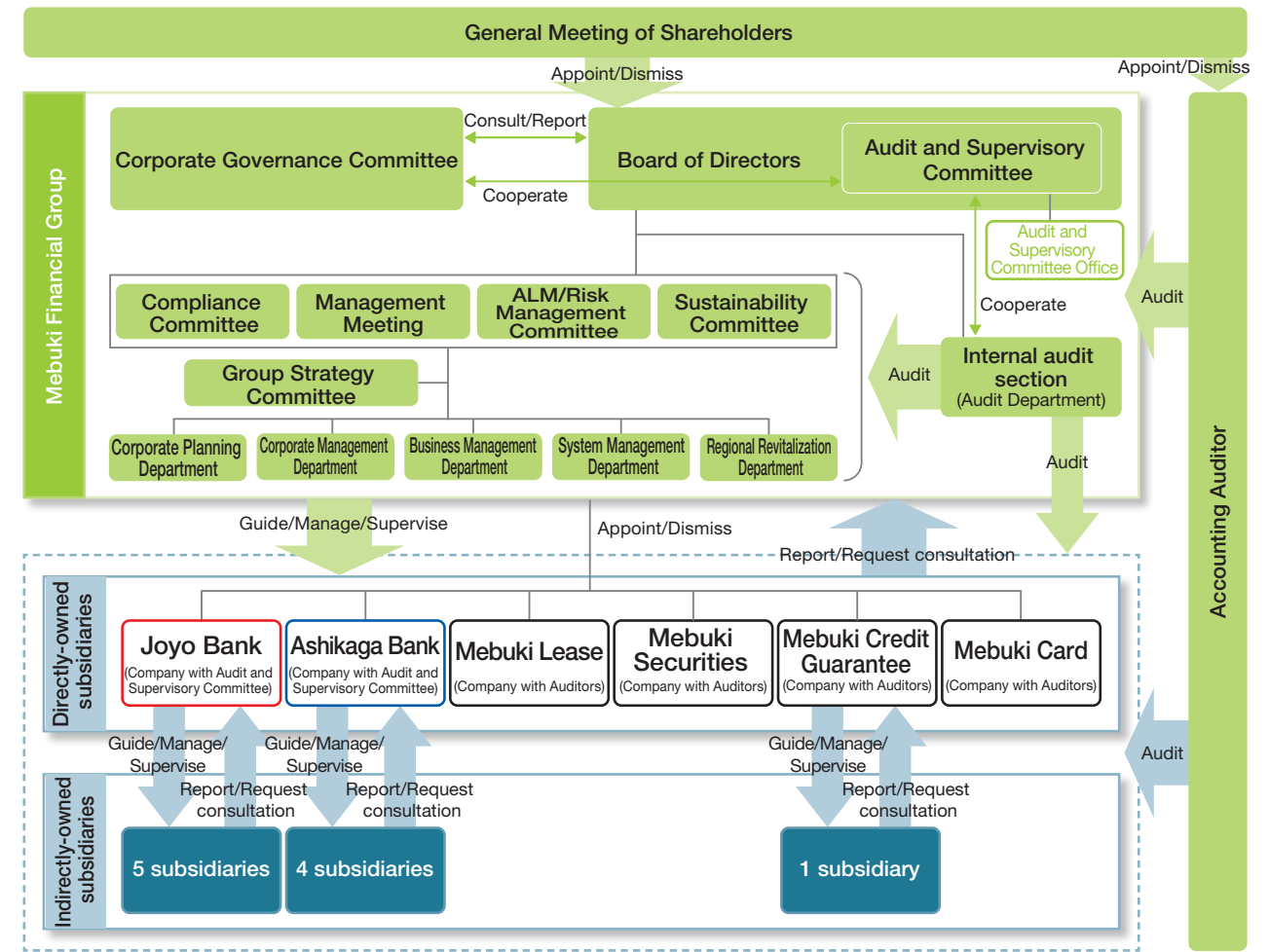
A commitment to management characterized by responsibility, and sound, appropriate business operations will earn greater trust for the Group from all stakeholders—customers, shareholders, local communities, and employees—and boost corporate value. By following the approaches listed below, we are working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

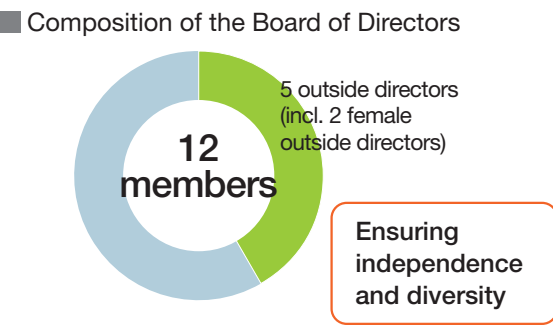
The Company has adopted a company with an Audit and Supervisory Committee as a corporate governance system, which allows us to realize prompt and decisive decision-making and business execution by entrusting many of the decision-making authorities relevant to business execution to directors as constituent 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.



Activities of the Board of Directors and FY2023 achievements

The Board of Directors meets monthly in principle. In FY2023, the Board of Directors met twelve times, and the attendance record of each director was as follows.

Directors (excluding Audit and Supervisory Committee Members)		Directors (Audit and Supervisory Committee Members)	
Tetsuya Akino	Attended all 12 meetings	Eiji Murashima	Attended all 12 meetings
Kazuyuki Shimizu	Attended all 12 meetings	Yoshinori Tasaki	Attended all 12 meetings
Kiyoshi Nozaki	Attended all 12 meetings	Hiromichi Yoshitake (outside director)	Attended all 10 meetings after the appointment
Yoshihiro Naito	Attended all 12 meetings	Toru Nagasawa (outside director)	Attended all 12 meetings
Toshihiko Ono	Attended all 12 meetings	Takashi Shimizu (outside director)	Attended 11 meetings out of 12 meetings
Hiromichi Ono (outside director)	Attended all 12 meetings		
Yoshimi Shu (outside director)	Attended all 12 meetings		

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 FY2023 were as follows:

- Main matters deliberated on and reported
- Progress of the initiatives based on the Medium-Term Group Business Plan and comprehensive budget and business operation policy for FY2023
 - Formulation of comprehensive budget for FY2024
 - Action to implement management that is conscious of the cost of capital and stock price
 - Status of the next core system and the renewal of the current host system
 - Revision to the annual dividend forecast
 - Measures to address the changing environment for Mebuki Securities
 - Evaluation results of the effectiveness of the Board of Directors as a whole
 - 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 FY2023 evaluation, opinions were exchanged on the evaluation method and the contents of a 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, the questionnaire on the composition and operations of the Board of Directors and other matters was 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.

The issues identified in the previous evaluation and main efforts for improvement are as follows:

(1) Enhancement of discussions regarding medium- to long-term management issues

- Discussions were held on action to implement management that is conscious of the cost of capital and stock price, and Initiatives for Enhancing Corporate Value were summarized and disclosed.

(2) Strengthening of efforts to share and solve issues among Group companies

- Sharing the status of important meetings of directly-owned subsidiaries and providing opportunities for outside directors to conduct on-site inspections

Based on each director's evaluation and opinions, we also recognized the need to continue our efforts for further improvement concerning the matters listed on the right in FY2024.

Main items of the questionnaire

- Roles and responsibilities of the (Board of) directors
- Composition or other qualities of the Board of Directors
- Operation or other matters of the Board of Directors
- 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 and strengthening external communications

- Further enhancement of discussions regarding medium- to long-term management issues for enhancing corporate value
- Enhancing information disclosure and dialogue with stakeholders including shareholders

2. Strengthening of efforts to share and solve issues among Group companies

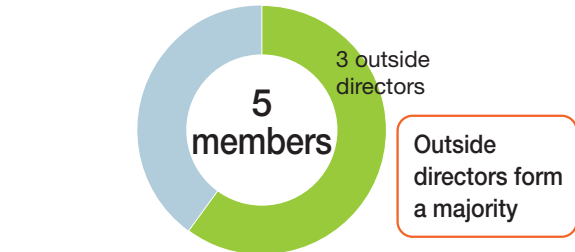
- Further enhancement of opportunities for sharing management information among Group companies

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 FY2023, 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 FY2023, the Committee held four meetings, with the following main matters deliberated on and reported:

Main matters deliberated on and reported

- 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 the evaluation of the effectiveness of the Board of Directors as a whole

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">Progress of the initiatives based on the Medium-Term Group Business Plan and comprehensive budget and business operation policy for FY2023Formulation of comprehensive budget for FY2024Revision of the basic policy on customer-oriented business operationsResults of the third-party evaluation of the next core systemProgress of efforts in new businessesSolicitation and sale of structured bonds and the status of internal control systems in the GroupEntry into the electric power business through an indirectly-owned subsidiaryStatus of the next core system and the renewal of the current host systemConsolidation of business and effects of restructuring following the reorganization of credit guarantee companies within the GroupFuture direction of our Banking AppStatus of the customer-oriented business operations at directly-owned subsidiariesFormulation of system development projects and monitoring of IT investment projects
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">Reduction of loss limit alert thresholds for yen-denominated and foreign currency-denominated bondsChange in yen interest rate risk managementSetting loss limits for investment trustsRevision of Information Security Management Rules (Security Standard)Identification of top risksChange in yen interest rate risk measurement methodChanges to the risk measurement methods defined in the Group's Rules for the Operation of the Internal Credit Risk Model
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">Status of AML/CFT systemStatus of management of compliance, complaints, etc.FY2024 Basic Policy on Group Compliance Program and Group's Basic Policy for Anti-Money LaunderingReview of internal rules in light of legal revisions, etc.Deliberations and discussions in the committees of directly-owned subsidiaries
Sustainability Committee	The Sustainability Committee is responsible for making decisions on business execution regarding the 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">Approach to human capital disclosureParticipation in GX LeagueIntroduction of Internal Carbon Pricing systemTrends in natural capital and biodiversity, and future actionsDeclaration of support for TNFD Recommendations and participation in the TNFD ForumStatus of climate change-related risksStatus of investments and loans under the Environmentally and Socially Friendly Investments and Loans Policy

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 (FY2023)	12	4	12	12	6	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%	91%	100%	100%	100%	100%
Attendance rate of outside directors	98%	88%	—	—	—	—

Directors

Appointment of Directors

In appointing directors, the Board of Directors ensures a balanced composition that provides a wealth of knowledge and expertise in a 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
<p>The Board of Directors selects candidates for directors who satisfy the selection criteria for directors based on the deliberation at the Corporate Governance Committee.</p> <p>(1) Shall have high knowledge and expertise about the Company's business activities.</p> <p>(2) Shall have superior ability in managerial decision-making and execution.</p> <p>(3) Shall have superior leadership, decisiveness, foresight, and creativity.</p> <p>(4) Shall have high integrity and deep insight to be suitable for a director.</p> <p>(5) Shall have no health problems in performing the duties as a director.</p>	<p>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.</p> <p>Two or more of such outside directors shall be the persons who fulfill the independence standards for outside directors of the Company.</p> <p>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.</p> <p>2. Shall have high integrity and deep insight as an outside director.</p> <p>3. Shall have sufficient time for performing his/her duties as a director.</p> <p>4. Shall have no health or job-related problems in performing the duties as an outside director.</p>

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 of 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.
Tomomi Nakano	Ms. Tomomi Nakano has experience as an outside officer of listed companies and listed group companies and has specialized knowledge and experience as a certified public accountant and tax accountant. She 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 in relation to the overall business management of the Company.	Representative, Nakano Tomomi Certified Public Accountant and Tax Accountant Office

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			●	●	●	●	●	●	
	Yoshitsugu Toba			●	●	●	●	●	●	
	Yoshihiro Naito			●	●	●		●	●	●
	Toshihiko Ono			●		●	●	●		●
	Hiromichi Ono	○	○	●		●				
	Yoshimi Shu	○	○		●			●	●	
Directors who are Audit and Supervisory Committee Members	Hitoshi Takenouchi			●	●			●		
	Yoshinori Tasaki			●			●	●		
	Hiromichi Yoshitake	○	○	●	●	●	●			
	Toru Nagasawa	○	○	●	●	●		●	●	
	Tomomi Nakano	○	○			●		●		
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 a 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 and Supervisory 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 the 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 of 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 or her 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 the 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 (FY2023)

(Corporate Governance Committee)	
• April 27, 2023	Matters regarding directors' bonuses and the amount of compensation for each director (excluding Audit and Supervisory Committee Members)
(Board of Directors)	
• May 12, 2023	Matter regarding directors' bonuses
• June 22, 2023	Matters regarding determining monthly compensation amount and provision of monetary compensation claims and disposition of treasury shares for the restricted stock

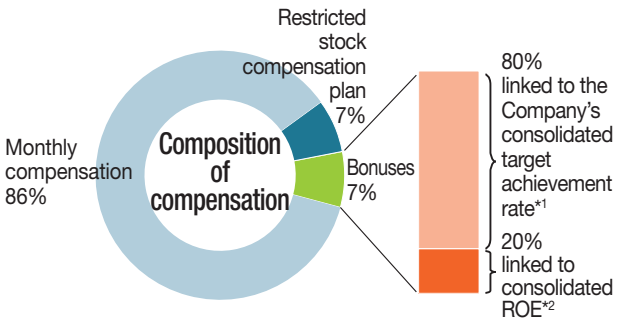
Directors' compensation system

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 monthly 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 maximum 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 (the number of eligible directors : 5 persons) 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.

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

(1) Composition of compensation

- The compensation for directors (excluding Audit and Supervisory Committee Members) is comprised only of 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.

Rationale for the indicators and results (FY2023)

*1 Target achievement rate

This indicator has been adopted in order to give stronger incentives to achieve an annual business plan. In FY2023, the targets were set at 57.7 billion yen of ordinary profit and 40.1 billion yen of net income, and the achievement rates of each indicator, weighted by the ratio of ordinary profit: net income = 70% : 30%, was 108.9%.

*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 FY2023, the ROE of 5.0% was achieved.

Directors (Audit and Supervisory Committee Members)

(1) Composition of compensation

- The compensation for directors (excluding Audit and Supervisory Committee Members) is comprised only of 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
Yoshitsugu Toba

June 2018 Executive Officer and General Manager, Treasury and Securities Division, The Joyo Bank, Ltd.

June 2019 Executive Officer and General Manager, Business Planning Division, The Joyo Bank, Ltd.

June 2020 Managing Executive Officer and Chief Officer, Kennan/Rokko Area Hub, The Joyo Bank, Ltd.

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

June 2022 Director and Managing Executive Officer, The Joyo Bank, Ltd. (current position)

June 2024 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.

April 2023 Director, Senior 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

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)
Hitoshi Takenouchi

June 2013 Executive Officer and General Manager, Credit Examination Division, The Joyo Bank, Ltd.

June 2016 Managing Executive Officer and General Manager, Credit Examination Division, The Joyo Bank, Ltd.

June 2017 Managing Director, The Joyo Bank, Ltd.

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

June 2022 Director (Audit and Supervisory Committee Member), The Joyo Bank, Ltd.

June 2024 Retired from Director (Audit and Supervisory Committee Member), The Joyo Bank, Ltd.

Director (Audit and Supervisory Committee Member), the Company (current position)

Corporate Auditor, Mebuki Securities Co., Ltd. (current position)

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)

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)
Tomomi Nakano

April 1992 Joined Chuo Trust & Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank Ltd.)

March 1996 Resigned from Chuo Trust & Banking Co., Ltd.

March 2003 Registered as a Certified Public Accountant

August 2013 Registered as a Certified Public Tax Accountant

Nakano Tomomi Certified Public Accountant and Tax Accountant Office opened, Representative (current position)

August 2023 Auditor, Northern Territories Issue Association (current position)

June 2024 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)

Roundtable Discussion of Outside Directors



Hiromichi Ono
Outside Director

Yoshimi Shu
Outside Director

Hiromichi Yoshitake
Outside Director (Audit and
Supervisory Committee Member)

Toru Nagasawa
Outside Director (Audit and
Supervisory Committee Member)

Takashi Shimizu*
Outside Director (Audit and
Supervisory Committee Member)

Becoming a central part of communities and charting a new trajectory toward growth

Mebuki Financial Group's outside directors, coming from a wide variety of backgrounds, draw on their expertise as they play key roles in the Group's corporate governance. The five outside directors engaged in an exchange of opinions on the effects of the integration and corporate value enhancement endeavors as eight years have passed since the establishment of Mebuki Financial Group.

*Takashi Shimizu retired from his outside director post on June 26, 2024.

The effects of the integration, which include structural reform and improvements to management efficiency, have been achieved as planned

— Mebuki Financial Group was established eight years ago, in October 2016. How would you assess the effectiveness of the integration and the internal collaboration?

Ono Despite negative factors such as high interest rates in the U.S., net income for the fiscal year ended March 31, 2024, was up 35% year on year. We believe we have set a challenging budget figure for the fiscal year ending March 31, 2025, and that the effects of the integration are becoming evident. As one of the non-numerical integration effects, operational efficiency has significantly improved through the integration of Group companies, bank branch consolidation, and core system integration.

Shu Our assessment is that the effects of the integration through structural reform have been achieved as planned. Meanwhile, we think that top-line synergies have not been realized to the extent originally intended. However, the Regional Revitalization Department is planning new measures, for which we have high hopes. In the Mebuki Women's Class, female management candidates or managers chosen from our subsidiary banks are steadily forming a network of personal contacts, and from the standpoint of integration effects, we expect to see more of this going forward.

Nagasawa We recognize that we still have a ways to go with regard to integration effects and group line collaboration. The long-term vision for 2030 is to become "A Value Creation Group Working Together with Local Communities." To realize this vision, it is important to interconnect regions, to connect their respective strengths, and to then connect them to the next generation. As the

seeds have been planted, we feel that we need to nurture them so they will sprout and bear fruit.

Shimizu Cost reductions from the integration are progressing according to plan. Meanwhile, concerning top-line synergies mentioned by Ms. Shu, employees of our subsidiary banks share information on practices and customer trends. It is challenging to quantify the extent of the impact this has had on revenue, but we understand that it has resulted in numerous positive effects. The sprouts are clearly emerging, so my view is that it is best to wait until it is time to harvest.

Yoshitake I was originally in the corporate world and have experienced business integrations and mergers where the expected benefits were not realized. In contrast, I feel that there is a strong relationship of trust between the President and the Executive Vice President in the Group, and integration—including that of subsidiaries—is moving forward, which is having a positive impact in terms of cost reduction. At the same time, regional economies are undergoing significant structural changes, and it is incumbent upon regional financial institutions to take the lead in charting a new trajectory toward growth.

Economic and social values must reinforce one another

— Listed companies have a mandate to manage their businesses while being conscious of their cost of capital and stock price. In terms of both economic and social value, what initiatives do you think will be required to enhance corporate value?

Ono From an investor's viewpoint, it is significant that the Company was able to clearly state its cost of capital for improving PBR, the ROE level it should aspire to, and the process for bringing these to fruition. Our next challenge will be to put effective measures into practice in the workplace to achieve the desired ROE. I would like to clarify this when discussing the next Medium-Term Business Plan.



Shu Achieving ROE exceeding the cost of capital is the most vital issue in boosting economic value. In improving ROE, it is necessary to have the idea of asset replacement, to streamline costs whenever possible, and to tackle the upgrading and expansion of consulting services. The Group's mission is to continue to serve as a central player in leading sustainable development by resolving issues at the local level. This should result in the creation of social value. While lifting human and organizational capacity and further deepening financial services are urgent issues, we should also look to grow our business in non-financial areas in response to regional conditions and challenges.

Nagasawa There are two aspects to improving corporate value: making objective improvements and achieving people's understanding of the improved corporate value. The value of the Group lies in its ability to contribute to and advance the communities, and our contribution to solving local issues represents both economic and social value. Meanwhile, it is also important for the communities and investors to understand what we are doing, and we need to be aware of how to strike a balance between the two.

Shimizu Although we have made sufficient regional contributions in terms of social value, I believe that we have not explained our social value well enough to the outside world. Now, talk of impact accounting is progressing, and I believe that explaining both our social value and the kind of economic impact our contributions have had on the communities will help facilitate understanding of our social value on the part of the communities and investors.

Yoshitake To heighten corporate value, we must manage with investors in mind, and the Board of Directors discusses this in depth. The next thing that must happen is for all Group employees to understand that, in the long term, boosting a company's social value will lead to increased economic value.

Sustainability initiatives are highly regarded

— Amidst the growing importance of sustainability management, how would you assess the Group's efforts toward sustainability?

Ono I feel that we are quickly catching up with respect to various regulations such as those related to decarbonization and biodiversity. There tends to be, however, a lockstep mentality among financial institutions. The Group is a financial institution with a presence in both Ibaraki and Tochigi prefectures, which together are represented by a host of industries. Going forward, we need to develop a distinct policy based on an understanding of the industrial structure and regional features of both prefectures. The world of sustainability is an international environment in which the rules change frequently, so we must respond accordingly. I hope that the Group will adopt a flexible approach, and I myself intend to show that same flexibility.

Shu I feel we have made both qualitative and quantitative progress. I also appreciate the increased disclosure regarding CO₂ emissions and the response to the aging population. Management must provide sufficient educational opportunities to enable those in charge of practical affairs to proceed properly. I hope that the Group will also continue to focus on providing support for its clients in their sustainability management.

Nagasawa To encourage sustainability management, it is important to combine the business activities of Group companies with regional firms. In any event, human resources are crucial, and a major challenge is to develop personnel to promote this endeavor.

Shimizu The Group's efforts are regarded highly. Meanwhile, at companies that are advocates for sustainability management, while management may understand the concept, that same awareness may not be shared in the workplace. When the social impact of products and services and the financial impact they have on the company are combined, top management's thinking then leads to action at the workplace level. The



challenge is how to filter this awareness down to mid-level employees.

Yoshitake Change occurs swiftly, and I am not sure if our efforts to date have been sufficient. After evaluating our current efforts, we believe it is our role to figure out how to narrow the gap in change.

Transparency of discussions is high and ensuring effectiveness is also considered

— Please tell us, in terms of the effectiveness of Mebuki Financial Group's Board of Directors, what you appreciate and what you think improvement is needed, if any.

Ono I feel that outside directors' opinions are taken seriously, discussions are robust, and transparency is high. As Joyo Bank and Ashikaga Bank are also companies with the Audit and Supervisory Committees, their operations are smart. For example, when their agendas are sent up to us, we can see that they are well organized. I hope we will have more time to deliberate long-term prospects at the Board of Directors.

Shu We receive explanations in advance of Board of Directors meetings, and opportunities are provided for free discussion, which, in terms of ensuring effectiveness, is greatly appreciated. If the opportunities to share Group company management information are enhanced, effectiveness will be further strengthened.

Nagasawa I feel that the atmosphere of the Board of Directors is very open, with robust discussions taking place. In addition to resolutions and reports, we have a forum in the form of subjects of discussion to enable deliberation on what the Group should aim for. I would be grateful if the initiatives of individual banks and subsidiaries could be shared from a perspective closer to the workplace.

Shimizu I think that, though outside directors' opinions may sometimes be difficult to hear, it is wonderful that the Board responds seriously to them. However, as Mr. Ono noted, I get the impression that

there is a strong lockstep mentality. As a company whose primary operating base is located in the northern Kanto region, I think it would be a good idea for the Group to approach management in a slightly bolder manner ahead of other regional banks.

Yoshitake I sense that the President and the Executive Vice President are more than willing to take the opinions of outside directors. Meanwhile, what directors need to be aware of is what is happening in the workplace. It is essential that a system be in place to ensure we clearly understand the voices from the workplace so that we can undertake strategic initiatives.

Communicate efforts to make regional contributions, leading to human resource development

— Please tell us what you would like to contribute to boosting Mebuki Financial Group's corporate value and enhancing corporate governance, as well as what your expectations are for the Group moving forward.

Ono In addition to offering input from a corporate customer's point of view, I also believe my role is to be involved from the perspective of local residents. I have lived in the northern Kanto area for over three decades. I would like to see the Group strongly present its regional contributions to achieve sustainable regional development and recruit motivated people.

Shu From my experience with global firms, I have realized that the way to promote the improvement of corporate value is to consistently take action based on the values embodied by our vision for the company. Mebuki Financial Group has the potential to grow into a major organization that provides intellectual capital for regional sustainability. I look forward to forming a culture in which talented people maintain high ideals and discipline and can enjoy the fruits of their efforts along with regions, groups, and individuals.



Nagasawa There are times when I will speak from my viewpoint as an attorney who handles corporate legal matters. Beyond that, however, I would like to play a role in stimulating discussion by daring to disagree based solely on my own stance. I would like to embody our vision of being a value creation group working together with local communities and recommend measures to revitalize our human resources.

Shimizu Banks provide their employees not only with financial knowledge but also the fundamental education working adults require. I believe that the know-how related to the cultivation of human resources can serve as the seeds for a business. Many of these seeds may lie dormant within the Group, and I expect the Group to uncover them and link them to business.

Yoshitake I have been involved in organizational reform for companies and universities and would like to offer a bit of advice from the viewpoint of the form such organizations should take. Going forward, industry-academia-finance collaboration will be a major force in bolstering regions. As someone who has worked for both universities and industry, I hope to contribute to communities by promoting this type of collaboration. Since I have served as chairperson of a national project to support the success of female researchers, I intend to exert effort in the promotion of diversity.

A message from the Group's newly appointed outside director

I am Tomomi Nakano, and I have been appointed as an outside director and member of the Audit and Supervisory Committee.

After having worked for a bank, I passed the CPA exam and have been engaged in auditing services at auditing firms for a number of years. I then launched my own business, a regional accounting firm based in Shinagawa, Tokyo. I have further been involved from an independent perspective as an outside director for a public interest corporation, regional bank, and publicly traded company.

The Group is required as a regional financial institution to make social contributions to local businesses and individual customers. At the same time, shareholders and institutional investors expect us to boost corporate value, and various stakeholders—including employees and communities—also expect a lot from us. As an independent outside director, I will always be cognizant of these different perspectives and work to contribute. Furthermore, as a female outside director, I am aware that I am also expected to serve the role of offering opinions from the standpoints of diversity and human capital, and I will make every effort to do just that.



Outside Director (Audit and Supervisory Committee Member)

Tomomi Nakano

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.

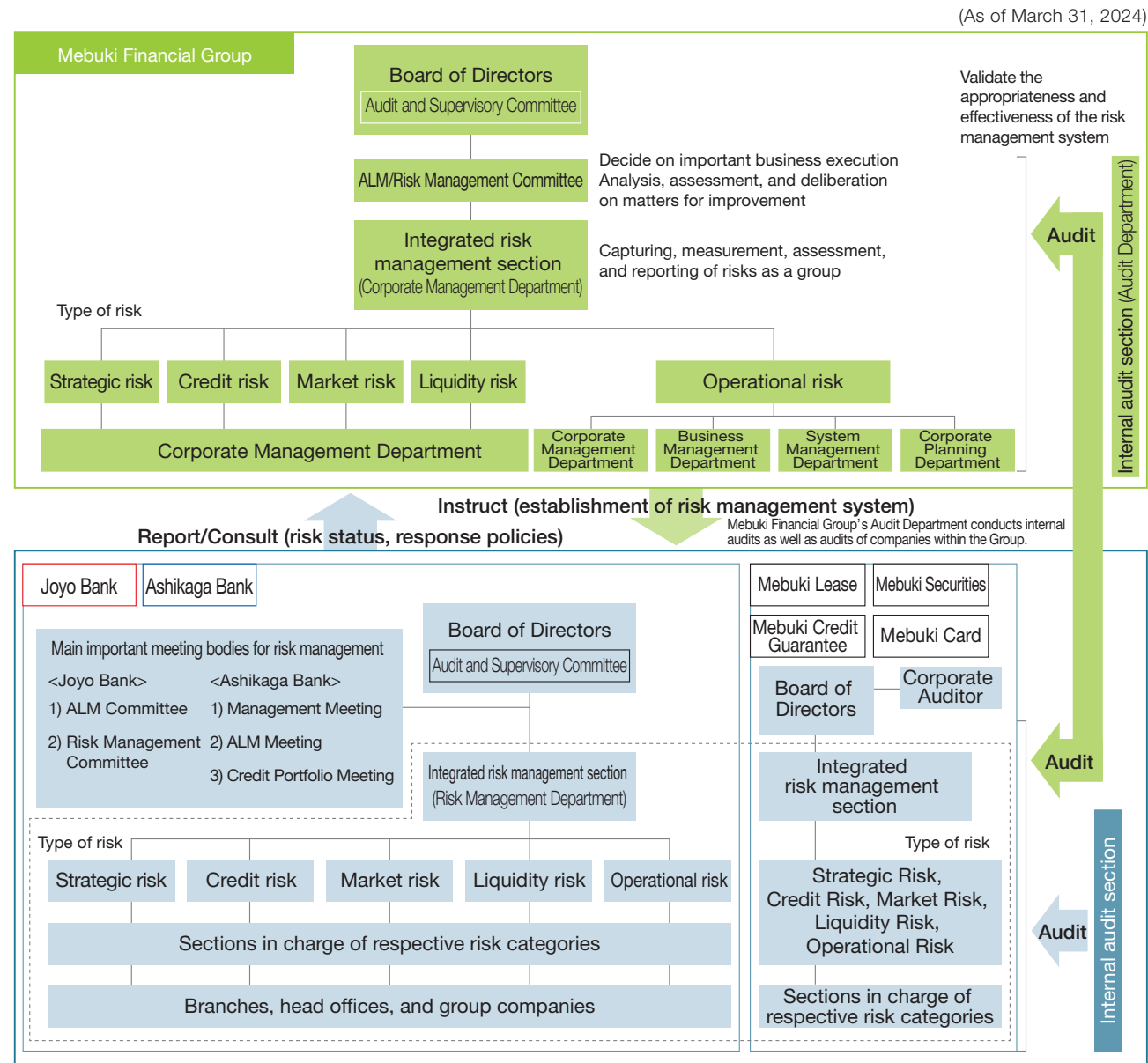
Risk management system

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 strive to maintain 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 backtests 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 for 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 capturing credit risk exposure, setting lending rates, and the allocation of lending authority.

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 fluctuations 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,

• 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 established the framework to detect or prevent administrative incidents through validation of the effectiveness conducted by the internal audit section.

• 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

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 in liquidity risk. Furthermore, we define and perform periodical drills for action plans upon a liquidity crisis to enhance the effectiveness in a crisis.

compliance (legal) risk, personnel management risk, tangible asset risk, and reputational risk.

Furthermore, the Group designates the sections responsible for each risk of these six categories and has a comprehensive risk management section that manages overall operational risk.

safety and reliability of computer systems including failure 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 creditworthiness mainly attributable to reputational damage caused by inappropriate actions taken by the Group or the circulation of unfounded rumors.

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.

■ 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.

Cyber Security Measures

■ Internal system for cyber security

We have been strengthening cyber security measures to respond to the threat of cyber attacks, which become increasingly advanced and sophisticated day by day. Our subsidiary banks have established specialized cyber security teams—the Joyo Computer Security Incident Response Team (CSIRT) and the Ashigin CSIRT—, and they work closely together to collect, analyze, and investigate cyber attack-related threat information.

Under our system for cyber security, in the event of a serious incident, a task force will be established with management involvement to minimize damage and achieve an early recovery through rapid response. Moreover, to ensure that the appropriate control by management is implemented, we regularly report cyber security status to management.

■ Management of external contractors

Upon the outsourcing of new work to an external contractor, we evaluate the security measures taken by the contractor or subcontractor in line with our Rules for Management of External Contractors. We conduct

evaluations not only at the time of consignment but also regularly in cycles according to the importance of the outsourced work.

■ Information leak countermeasures

We implement the following multi-layered defenses against cyber attacks to protect important information provided by our customers.

- (1) The internal network and the Internet are separated to prevent unauthorized external access to the former.
- (2) Anti-virus software is installed to prevent penetration by computer viruses and other unauthorized programs.
- (3) Firewalls, the Intrusion Detection System (IDS), the Intrusion Prevention System (IPS), and the Web Application Firewall (WAF), a tool to protect against attacks that target web app vulnerabilities, are installed for the prevention and monitoring of unauthorized access.

■ Measures to protect customer assets

The Group undertakes the following measures to protect our customers' assets from fraud and unauthorized use.

- (1) To combat phishing scams, which have been rapidly increasing in recent years, we have introduced a phishing site detection and closure service. When a phishing site is detected, we take immediate action to shut it down and prevent damage from spreading to our customers.
- (2) We have installed a system that periodically conducts vulnerability assessments to detect and block unauthorized access with the aim of preventing unauthorized use of Internet banking and related apps. To ensure safer Internet banking for our customers, we also provide security software at no charge.
- (3) We regularly alert customers via e-mail newsletters, banking app notification functions, and other means to enable customers to gain a deeper understanding of fraud and unauthorized use that have become increasingly sophisticated. Moreover, we post information including fraud and unauthorized use techniques, suspicious e-mails, and short messages claiming to be from financial institutions on our website.

Education and training for officers and employees of the Group

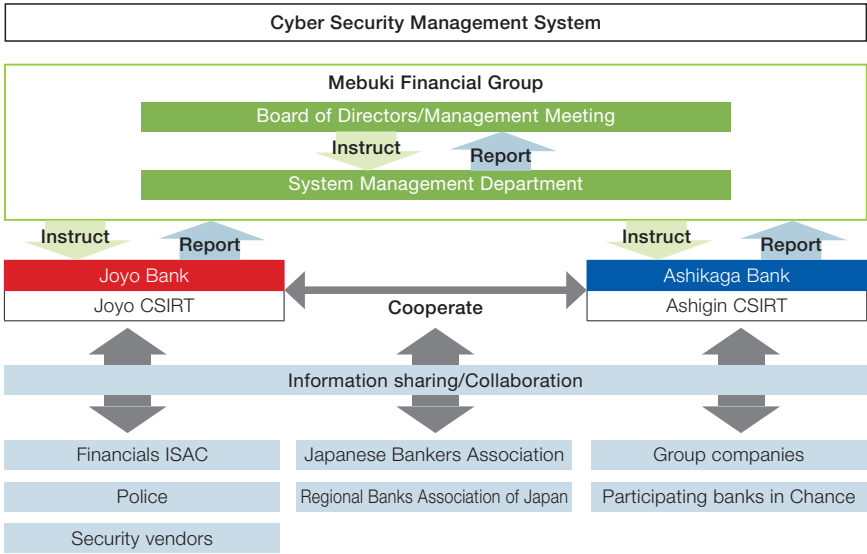
We are implementing the following measures to maintain and enhance the cyber security literacy of all Group officers and employees.

- (1) For training purposes, simulated suspicious e-mails are sent to all internet e-mail address holders on an irregular basis to check whether the recipients can respond appropriately.
- (2) Tests are conducted periodically to gauge the level of cyber security knowledge and understanding.
- (3) News concerning security is regularly distributed to enhance cyber security knowledge.
- (4) Cyber security training is provided for new bank employees to ensure swift acquisition of cyber security knowledge bank employees must have.

Bolstering collaboration with external institutions

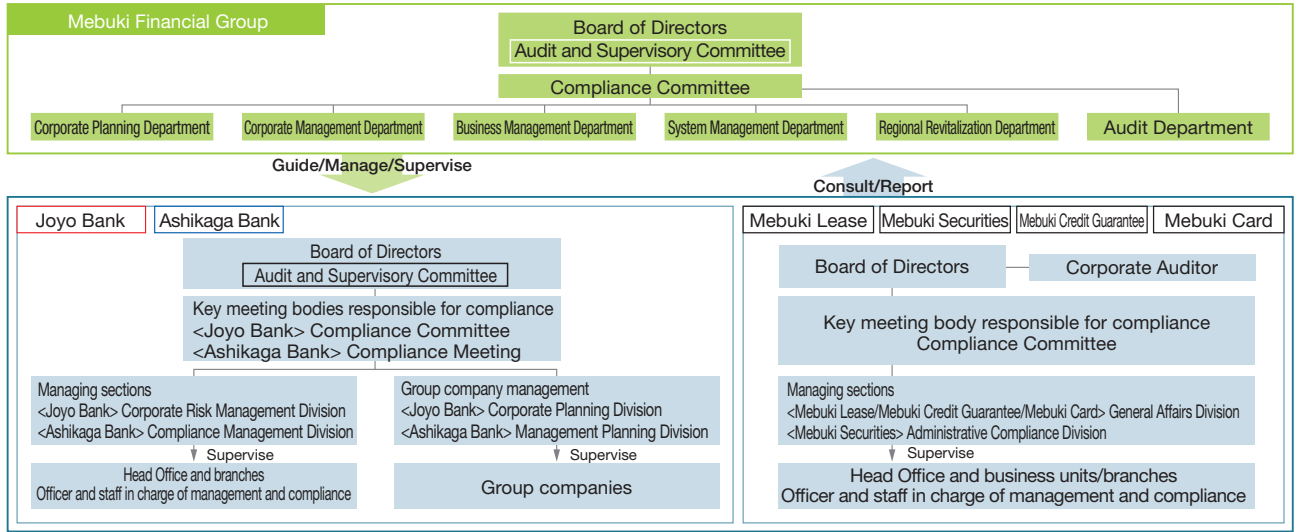
We jointly operate Chance-CSIRT with banks participating in the Regional Banks' Partnership System "Chance," which utilizes a common banking system. In this organization, we regularly exchange information, participate in seminars, and collaborate in dealing with incidents. The Group is also a member of the Financials Information Sharing and Analysis Center (ISAC) Japan—a cyber security information

collaboration organization for financial institutions—and conducts information gathering activities. Moreover, we actively participate in training sessions organized by Japan's Financial Services Agency (FSA), Financials ISAC Japan, and the National center of Incident readiness and Strategy for Cybersecurity (NISC) to reinforce our ability to respond in the event of an incident.



Initiatives for Compliance

(As of March 31, 2024)



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, combating the financing of terrorism (AML/CFT), and preventing violations of sanctions as its key responsibility based on requests from the international community and one of the important tasks in its management strategy. Thus, we formulated the Policy for Anti-Money Laundering, Combating the Financing of Terrorism, and Preventing Violations of Sanctions to take measures for anti-money laundering, etc.

To ensure the effective implementation of AML/CFT for the companies within the Group, we appoint the director in charge of the 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 the 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 each Compliance Management Division of Joyo Bank and Ashikaga Bank. In addition, full-time members of the Audit and Supervisory Committee at the Company, Joyo Bank,

and Ashikaga Bank serve as whistle-blowing contact points independent of management. Moreover, an external contact point has been established in an attorney's office, which is available for the officers and employees in the Group even after their resignation or retirement. For accessibility to these contacts by eligible users, we will gather opinions from them and strive to operate and improve the whistle-blowing system.

Customer protection management system (measures for customer protection)

The 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 the 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 established by the Institute of Internal Auditors (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 an 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. In addition, 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 the audit regularly. By this, the Audit and Supervisory Committee exercises effective and efficient audit through 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 KAMs, etc.
Audit plan briefings	2 times	Explanations of the 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 an audit policy (internal audit plan) and the audit system as necessary, for securing the effectiveness of the 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

Efforts to improve financial literacy

Joyo Bank and Ashikaga Bank are committed to financial education for all age groups, from elementary school, middle school, and high school to university students, working adults, and retirees, to contribute to sustainable growth in local communities.

For the next generation, in response to the lowering of the age of majority, we conduct financial education at schools and have created educational videos on money, credit cards, and financial products to use in schools. Also, the Ashikaga Bank hosts the “Economics Koshien Tochigi Tournament” to provide opportunities to study financial economics.

contribution activities that we believe our Group should fulfill, such as financial education initiatives, employee volunteer participation in community events, and support through donations.

For working adults, we hold free financial seminars for corporate customers and asset-building seminars targeted at local government and corporate general affairs managers.



Seminar for high school students

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 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.



Participation in community events



Local volunteer activities



Tree-planting activities



Underbrush clearing

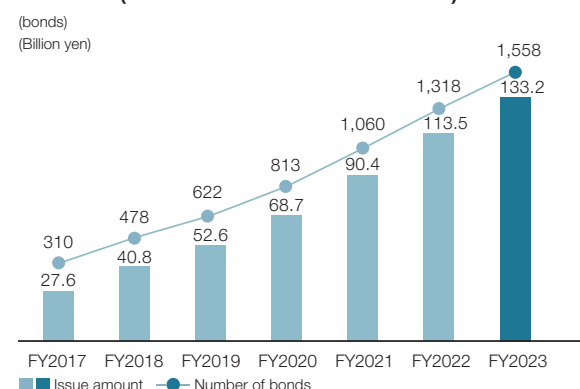
Dedication from the Donation Course of Shareholder Benefit Program

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 ¥250 million.

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.

Dialogue with employees

Our Group provides opportunities for employees and executives to exchange opinions.

At the start of the Third Medium-Term Group Business Plan, directors from Joyo Bank and Ashikaga Bank visited various locations and held meetings aimed at deepening understanding of the Long-Term Vision, the Medium-Term Business Plan, and strategy dissemination. 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 strategies, support for our customers, and other specific matters.

Additionally, the presidents personally visited branches, engaging directly with approximately 1,000 employees at Joyo Bank and about 1,400 employees at Ashikaga Bank over two years. During these interactions, and they exchanged opinions on various matters related to management and work from their respective perspectives.

Good suggestions from these discussions were adopted, and efforts were made to address any identified issues.

Both banks conduct engagement surveys to maximize the potential of each employee, create a workplace environment where employees can work with motivation and fulfillment, and improve organizational capabilities.

These surveys are carried out regularly using tools, and meetings are held based on the analysis of the surveys to identify workplace issues and enhance communication. This helps in the dissemination of initiatives to increase employee engagement. We will continue our efforts to create a fulfilling workplace and improve organizational capabilities by increasing the number of employees who proactively tackle problem-solving.



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.

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

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.

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.

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.

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	FY2021	FY2022	FY2023
Individual investors and individual shareholders	Corporate information sessions for individual shareholders and investors	86 participants* ¹	144 participants for one session* ²	525 participants for two sessions* ³
Institutional investors and analysts in Japan	Large meetings	172 participants for two sessions	232 participants for two sessions	234 participants for two sessions
	Small meetings	28 participants for two sessions	39 participants for two sessions	44 participants for two sessions
	Theme-based meetings	—	21 participants for one session	15 participants for two sessions
	One-on-one meetings	52 companies	50 companies	62 companies
Foreign investors and foreign shareholders	On-site visits	—	—	3 companies for one session
	Conferences in Japan	—	5 companies for one session	—
	One-on-one meetings	7 companies	10 companies	13 companies
Total	Individual investors and shareholders	86 participants	144 participants	525 participants
	Institutional investors and analysts in Japan	200 participants, 52 companies	292 participants, 50 companies	293 participants, 62 companies
	Foreign investors and shareholders	7 companies	15 companies	16 companies

*1 The number of participants represents the view count of the explanatory video.
*2 The number of participants represents the number of participants in the online live streaming plus the view count of the archived video.
*3 The number of participants represents the number of participants in the online live-streaming.

Primary dialogue themes and details (April 2023 onward)

Category	Main contents
Management strategies	<ul style="list-style-type: none">• Potential impact of higher domestic policy interest rate on management strategies• Feasibility of achieving a consolidated net income of ¥52.0 billion or more, a key business objective in the Medium-Term Business Plan• Review of branch networks and digitalization of branches• Future approach to human resource strategy and current efforts to promote women's participation• Future sales strategy of Mebuki Securities
Financial and business results	<ul style="list-style-type: none">• Factors behind the increase in loan balance (borrower type, industry, purpose, etc.) and yield changes• Status of loan demand for capital investment for local SMEs• Future potential for expanding fees and commissions and awareness of issues• Investment targets in new business areas• Evaluation of sustainable finance support performance and status of competition with other banks• Future prospects for retail sales with the dissemination of banking apps• Purpose of maintenance of securities portfolio conducted in FY2023• Securities management policy for FY2024• Progress in the target for reducing strategic shareholdings• Future expense outlook considering the increase in personnel expenses due to initial salary raises and base pay increases• Repayment status of “zero-zero loans” and future credit related costs• Impact of higher domestic policy interest rate on credit related costs
Corporate value improvement	<ul style="list-style-type: none">• Status of internal discussions regarding the request from Tokyo Stock Exchange, Inc., “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”• The Company's perception of current ROE, PBR, and share price
Capital policy and capital efficiency	<ul style="list-style-type: none">• Context behind the revision of the targeted total return ratio to 40% or more from 30% or more• Our approach to the balance between dividend increases and share repurchase• Impact on the capital adequacy ratio due to early application of Basel III finalization
Others	<ul style="list-style-type: none">• Synergies from the business integration of Joyo Bank and Ashikaga Bank• Views on the necessity of regional bank reorganization in the region and the potential for further management integration with neighboring regional banks

Actions taken based on input and subsequent feedback from dialogue

In response to a request for opportunities to exchange opinions with outside directors during the dialogue with shareholders in FY2023, a Roundtable Discussion of Outside Directors was held in February 2024 to enhance IR activities.

Following the request for disclosure of the impact of higher domestic policy interest rates, efforts were

made to improve disclosure by clearly presenting the status of our balance sheet and the impact on net interest income during interest rate hikes in the financial results presentation materials from June FY2023 onward.

Status of Our Group's Customer-Oriented Business Operations Initiatives

[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 regularly release the status of our Group's achievements. We monitor the progress of initiatives aligned with this policy and conduct regular reviews of the policy to realize and entrench our customer-oriented business operations.

Basic Policy on Customer-Oriented Business Operations

1. Pursuit of the customer's best interests

2. Appropriate management of conflicts of interest

3. Clarification of fees
4. Customer-oriented information provision

5. Practice of customer-oriented consulting

6. Establishment of customer-oriented sales systems

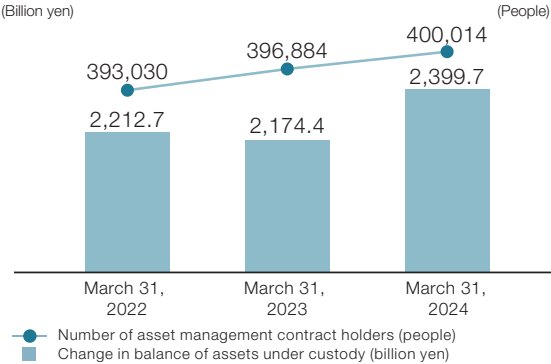
For more information on the Basic Policy on Customer-Oriented Business Operations, please visit <https://www.mebuki-fg.co.jp/company/fd/> [in Japanese].

Current status of FY2023 initiatives

For the Group as a whole, the balance of assets under custody and the number of asset management contract holders, primarily focusing on investment trusts, have increased compared to the previous fiscal year.

Change in balance of assets under custody and number of asset management contract holders

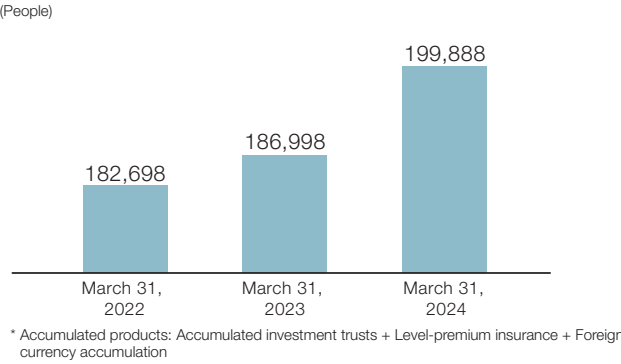
3 companies (Joyo Bank + Ashikaga Bank + Mebuki Securities)



* Balance of assets under custody
Joyo Bank and Ashikaga Bank: Investment trusts + Insurance + Foreign currency deposits + Foreign currency-denominated bonds + Public bonds
Mebuki Securities: Investment trusts + Domestic and foreign bonds + Foreign currency MMF + MRF

Change in the number of contract holders of accumulated products

2 banks (Joyo Bank + Ashikaga Bank)



Customer-oriented information provision

To provide clear information about product characteristics, risks, fees, and other important information, we use "Important Information Sheets" to explain information thoroughly according to the customer's level of understanding.

Important information about financial products and services, such as content, fees, risks, and transaction conditions, are carefully explained to customers according to their level of understanding using legally required documents containing the information.

In addition to the Important Information Sheet (for Financial Business Operators), we formulate and utilize the Important Information Sheet (for Individual Products) for financial products that we believe need to be explained in more detail to customers.

Important Information Sheets For Financial Business Operators



We provide sufficient information on economic environments and market trends.



Comparison Sheet for Overviews of Investment Products

The Comparison Sheet enhances the provision of information on product comparisons and supports product selection.



Money Reference Book for the 100-Year Life Era

The Money Reference Book for the 100-Year Life Era consists of 5 parts (4 books + a simple flyer), covering comprehensive information about money throughout the customer's life.



Wealth Advisor

Wealth Advisor offers simulations for life planning and investment trust replacements, performance comparisons of investment trusts, and transaction fee simulations.



Establishment of customer-oriented sales systems and human resource development

We are committed to developing professional human resources to meet our customers' increasingly diverse and sophisticated needs.

Our Group conducts various training sessions and promotes the acquisition of external qualifications to cultivate professional talent.



(People)

	March 2022	March 2023	March 2024
1st grade FP	172	177	187
2nd grade FP	2,144	2,185	2,226



(People)

	March 2022	March 2023	March 2024
1st grade FP	160	165	170
2nd grade FP	1,367	1,453	1,530



(People)

	March 2022	March 2023	March 2024
1st grade FP	8	6	6
2nd grade FP	23	27	29

3 companies

(People)

	March 2022	March 2023	March 2024
1st grade FP	340	348	363
2nd grade FP	3,534	3,665	3,785

We are establishing a governance system to ensure customer-oriented business operations.

The Basic Policy on Customer-Oriented Business Operations is communicated to employees at each Group company through internal notices and other means. Additionally, we conduct semi-annual monitoring of the implementation status to confirm the execution and entrenchment of these initiatives.

Group Non-financial Data

Environment

Data on Energy Consumption (Joyo Bank + Ashikaga Bank)

Items (unit)		FY2021			FY2022			FY2023		
		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)		0.0266	0.0258	0.0277	0.0264	0.0263	0.0265	0.0247	0.0248	0.0247
Energy consumption per 1 square meter: Total energy consumption (KL)/Area (square meter)		0.0267	0.0266	0.0267	0.0250	0.0251	0.0249	0.0207	0.0209	0.0206
Direct Energy Consumption	Kerosene (KL)	0	0	0	0	0	0	0	0	0
	Light Oil (KL)	0	0	0	0	0	0	1	1	0
	Heavy Oil (KL)	140	10	130	116	4	112	119	8	111
	LPG (t)	27	23	4	35	31	4	36	31	4
	City Gas (thousand cubic meter)	107	74	33	120	89	31	99	70	29
Indirect Energy Consumption	Electric Power (MWh)	34,733	19,979	14,754	32,005	18,446	13,559	29,864	17,320	12,543
	Steam (Gj)	2,050	2,050	0	2,074	2,074	0	2,111	2,111	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)		343,826	197,700	146,126	338,909	195,012	143,897	337,658	194,358	143,300
Total energy consumption (KL)		9,168	5,260	3,908	8,477	4,893	3,584	6,998	4,053	2,945

Greenhouse Gas (GHG) Emission (from the entire Group, but for Scope 3, total of two banking subsidiaries)

Items	Unit	FY2021	FY2022	FY2023
GHG emission Scope 1 (Direct emission)	t-CO ₂	2,805	2,811	2,742
GHG emission Scope 2 (Indirect emission)	t-CO ₂	15,920	12,079	7,552
GHG emission Scope 3 (Category 1 - 15)	t-CO ₂	3,441	20,519,939	19,366,652
o/w Category 1 (products/services purchased)	t-CO ₂	Not measured	6,267	8,147
o/w Category 2 (capital goods)	t-CO ₂	Not measured	8,146	13,833
o/w Category 3 (fuels and energy-related activities not included in Scope 1 and 2)	t-CO ₂	Not measured	2,237	2,106
o/w Category 4 (transportation, delivery/upstream)	t-CO ₂	Not measured	534	542
o/w Category 5 (wastes generated through business)	t-CO ₂	Not measured	29	26
o/w Category 6 (business trip)	t-CO ₂	776	1,128	1,089
o/w Category 7 (commuting)	t-CO ₂	2,665	3,398	3,264
o/w Category 8 (lease assets/upstream)	t-CO ₂	Not measured	0	0
o/w Category 9 (transportation, delivery/downstream)	t-CO ₂	Not measured	0	0
o/w Category 10 (processing of products sold)	t-CO ₂	Not measured	0	0
o/w Category 11 (use of products sold)	t-CO ₂	Not measured	0	0
o/w Category 12 (disposal of products sold)	t-CO ₂	Not measured	0	0
o/w Category 13 (lease assets/downstream)	t-CO ₂	Not measured	0	0
o/w Category 14 (franchise)	t-CO ₂	Not measured	0	0
o/w Category 15 (investment and loan)	t-CO ₂	Not measured	20,498,197	19,337,643
Total GHG emission (Scope 1 and 2)	t-CO ₂	18,725	14,890	10,294
Total GHG emission (Scope 1, 2, and 3)	t-CO ₂	22,166	20,534,830	19,376,946

Social (Human Capital)

Category	Index	Unit	As of End of FY2021			As of End of FY2022			As of End of FY2023		
			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	5,832	3,213	2,619	5,589	3,093	2,496	5,474	3,023	2,451
	Number of female employees	people	2,716	1,518	1,198	2,629	1,474	1,155	2,631	1,466	1,165
	(Ratio of female employees)	%	46.6	47.2	45.7	47.0	47.7	46.3	48.1	48.5	47.5
	Average age	years old	40.5	40.6	40.4	40.6	40.9	40.0	40.6	40.9	40.2
	(Average age of men)	years old	43.1	43.9	42.2	43.0	44.0	41.8	42.8	43.8	41.4
	(Average age of women)	years old	37.5	37.0	38.3	38.0	37.5	38.7	38.3	37.8	38.8
	Average service years	years	17.1	17.4	16.7	17.2	17.7	16.6	17.0	17.7	16.2
	(Average service years of men)	years	19.8	20.7	18.7	19.7	20.8	18.3	19.3	20.6	17.7
	(Average service years of women)	years	14.0	13.8	14.3	14.5	14.3	14.7	14.6	14.6	14.6
	New graduate recruitment	people	238	127	111	178	90	88	213	122	91
	o/w Number of women	people	145	73	72	88	49	39	106	59	47
	(Ratio of women)	%	60.9	57.5	64.9	49.4	54.4	44.3	49.8	48.4	51.6
	Mid-career recruitment	people	23	9	14	30	12	18	68	12	56
	o/w Number of women	people	14	6	8	19	9	10	39	8	31
	(Ratio of women)	%	60.9	66.7	57.1	63.3	75.0	55.6	57.4	66.7	55.4
Diversity	o/w Employees promoted from part-timer	people	10	3	7	10	2	8	21	2	19
	Number of foreign employees	people	6	5	1	5	4	1	5	4	1
	Employment rate for persons with disabilities	%	2.21	2.14	2.30	2.34	2.40	2.28	2.55	2.56	2.52
	Number of employees who took childcare leave	people	211	128	83	286	155	131	262	138	124
	o/w Number of men	people	75	51	24	146	69	77	115	44	71
	o/w Number of women	people	136	77	59	140	86	54	147	94	53
	Childcare leave taking ratio	%	85.4	94.8	74.1	112.6	110.0	115.9	103.6	100.7	106.9
	(The ratio for men)	%	64.1	91.1	39.3	130.4	130.2	130.5	105.5	89.8	118.3
Engagement	(The ratio for women)	%	104.6	97.5	115.7	98.6	97.7	100.0	102.1	106.8	94.6
	Retention rate*1	%	96.6	96.4	96.7	96.7	97.0	96.4	96.5	96.5	96.6
	(Retention rate for men)	%	97.7	97.7	97.8	97.7	97.8	97.7	96.9	97.2	96.5
	(Retention rate for women)	%	95.2	94.9	95.5	95.5	96.0	95.0	96.1	95.6	96.6
Health and Safety	Number of employees who had health checkups*2	people	9,128	4,888	4,240	8,650	4,731	3,919	8,627	4,703	3,924
	Rate of employees who had health checkups	%	99.9	99.9	99.8	99.6	99.5	99.8	99.9	99.9	99.9
	Number of employees subject to specific health guidance	people	784	376	408	754	414	340	684	366	318
	Rate of employees subject to specific health guidance	%	8.6	7.7	9.6	8.7	8.7	8.7	7.9	7.8	8.1

*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	FY2021	FY2022	FY2023
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

(as of March 31, 2024)

(as of March 31, 2024)



Hong Kong Representative Office, Ashikaga Bank


Address

Suite 1601, 16th Floor, Tower2,
The Gateway, Harbour City, Kowloon,
Hong Kong

Phone

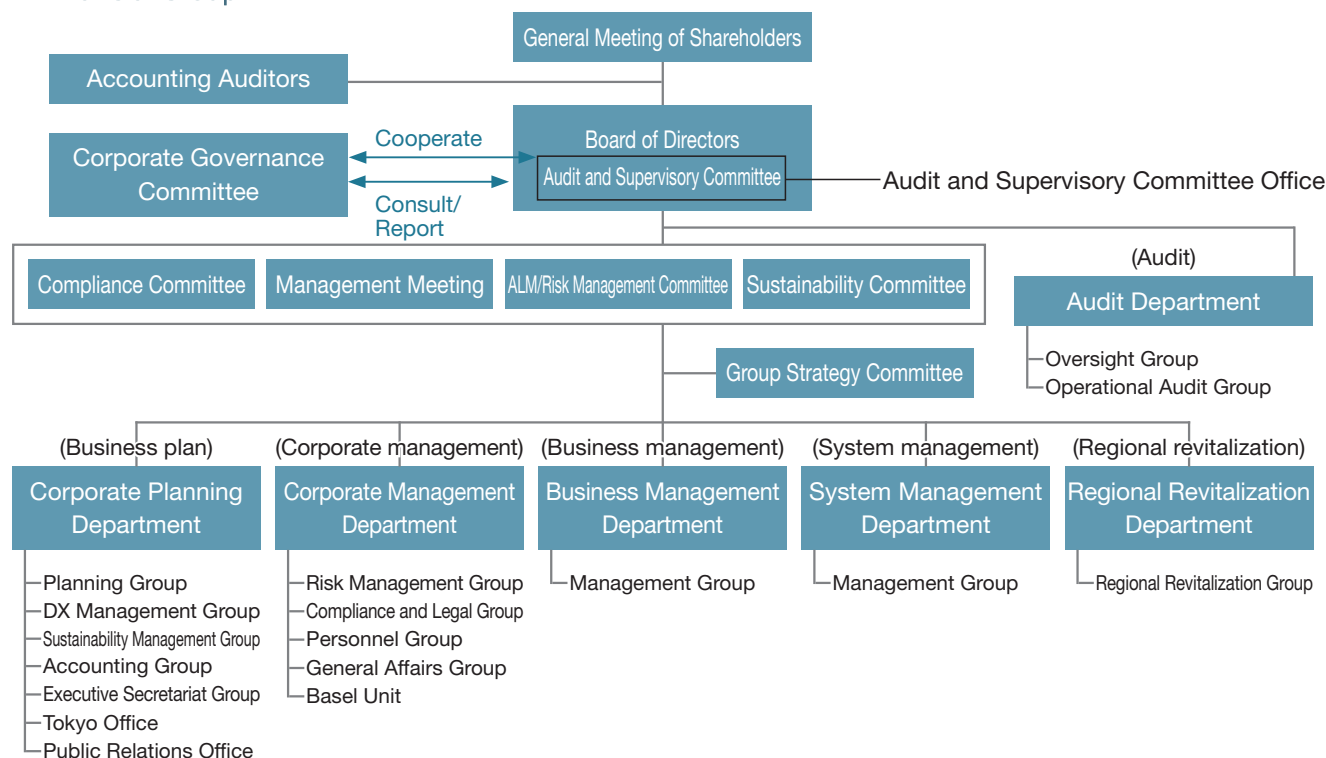
+852-2251-9475





THE ASHIKAGA BANK LTD
HONG KONG REPRESENTATIVE OFFICE

Organization (as of March 31, 2024)



Stock Information (as of March 31, 2024)

Capital and number of issued shares

Common stock	117,495,550,000 yen
Number of issued stock	1,017,055,218 shares
of which, common stock	1,017,055,218 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)	140,561	13.83
Custody Bank of Japan, Ltd. (Trust Account)	64,207	6.31
STATE STREET BANK AND TRUST COMPANY 505223	38,677	3.8
Nippon Life Insurance Company	27,590	2.71
Sompo Japan Insurance Inc.	22,660	2.22
JP MORGAN CHASE BANK 380055	22,078	2.17
Sumitomo Life Insurance Company	21,659	2.13
Meiji Yasuda Life Insurance Company	15,864	1.56
THE BANK OF NEW YORK MELLON 140044	15,485	1.52
JP MORGAN CHASE BANK 385781	13,311	1.3
Total	382,095	37.6

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