

Mebuki Financial Group, Inc.

# IR Presentation

## ~Fourth Medium-Term Group Business Plan~

(Plan Period: April 1, 2025 to March 31, 2028)

April 14, 2025

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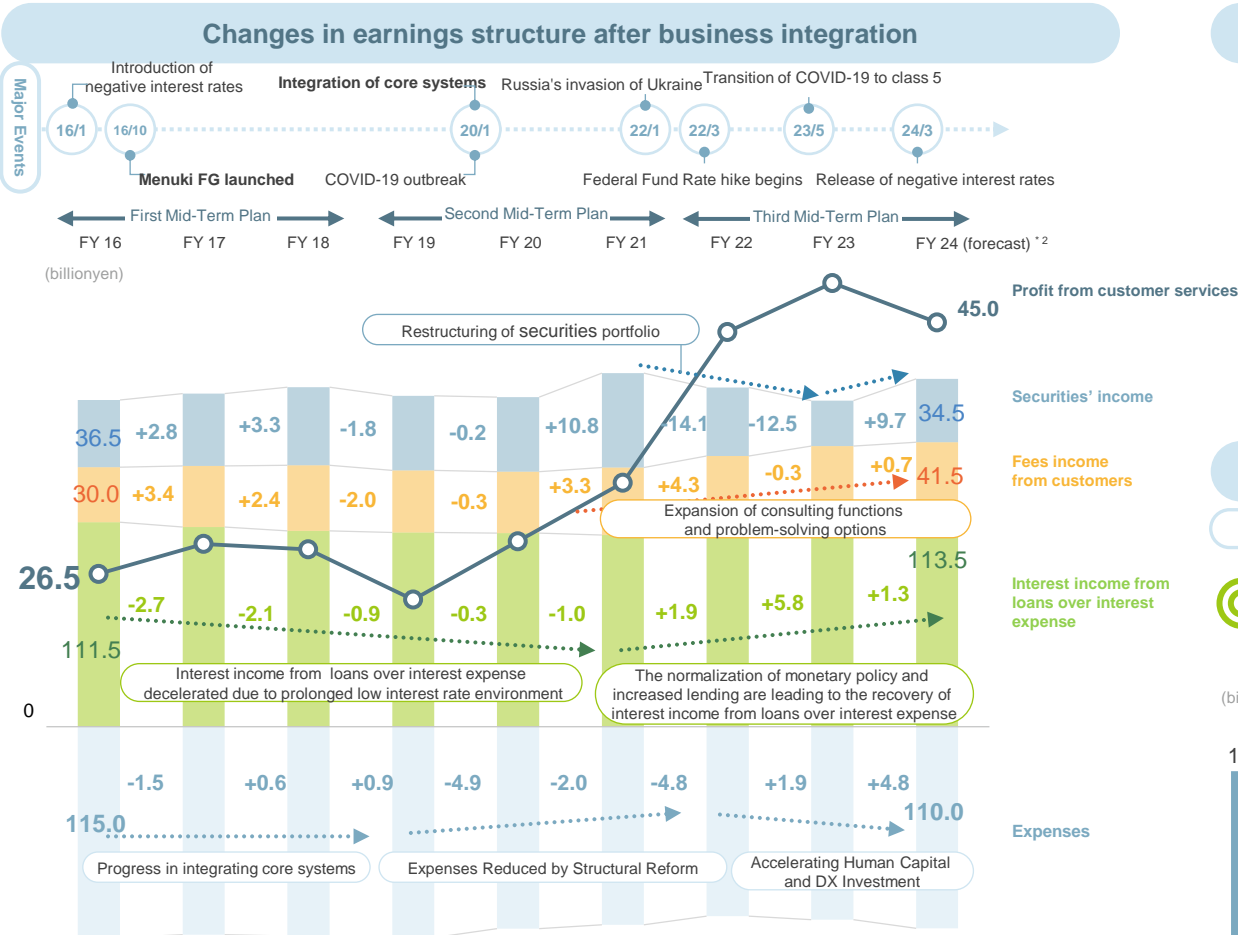
# 1

## **Review of Mebuki Financial Group's Past Performance**

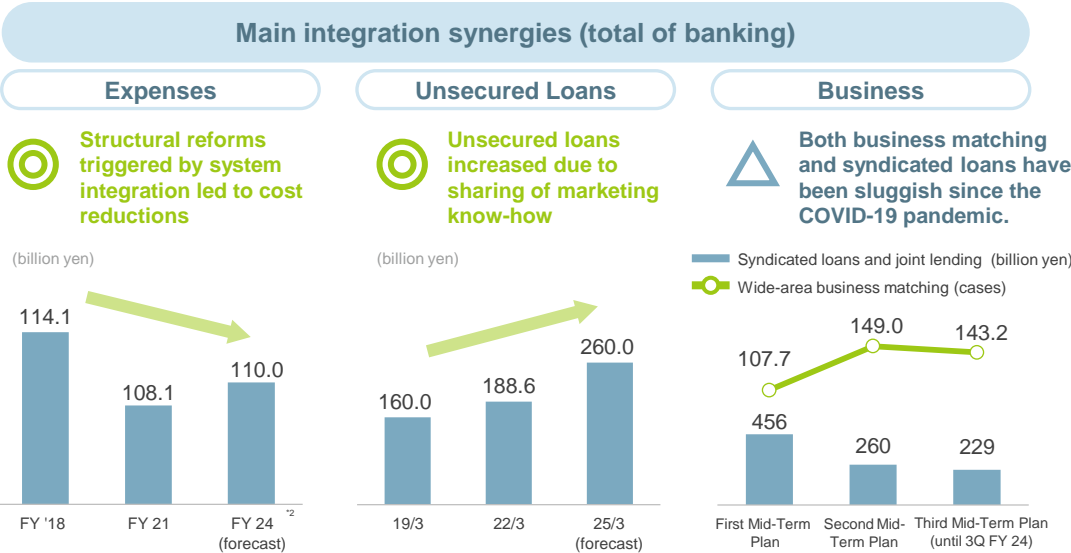
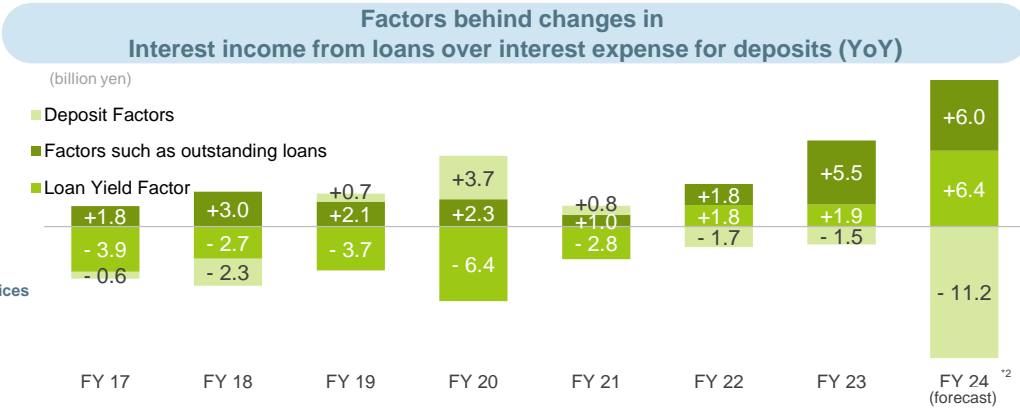
# 1 (1) Review of the Business Integration

- Since the business integration in October 2016, due in part to the progress of structural reforms, profit from customer services\*1 has increased even in the low interest rate environment in Japan.
- Integration synergies have been steadily effective, but the effects have reduced in the business area since the COVID-19 pandemic.

\*1 Profit from customer services = Interest income from loans over interest expense for deposits + Fees income from customers - Expenses

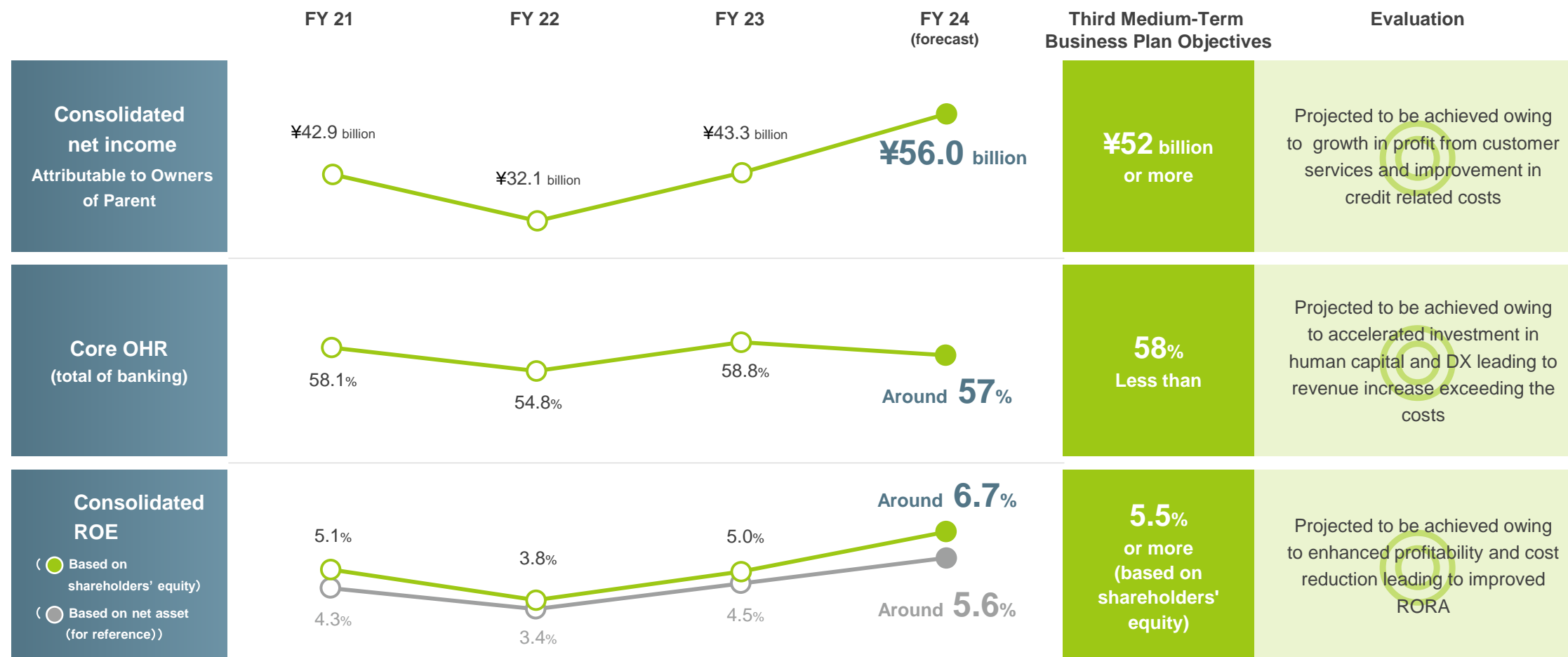


\*2 Among the figures for FY 24 (forecast), the figures announced at the FY 2024 Mid-Term Financial Results Briefing are the published figures. (the same applies from the following page).



# 1 (2) Results of the Third Medium-Term Group Business Plan – Business Objectives –

- Although the net income decreased in FY 22 due to losses on securities related to rising interest rates in Japan and overseas, the net income has been on an increasing trend since then. We expect to achieve the targets of the Third Medium-Term Group Business Plan.



# 1 (2) Results of the Third Medium-Term Group Business Plan – Basic Strategy –

\*Comparison to Medium-Term Plan Target

## Pursue a business model to support local communities

### [Traditional Banking Services Area]

- Enhanced loan execution through strengthening consulting sales and structured finance
- Creating contact points with customers by expanding non-face-to-face services

### [Comprehensive Financial Services Area]

- Increased fees income from customers by expanding consulting options for business support
- Asset building support through increased systematic investments and NISA transactions
- Expanded support for asset management, inheritance, and asset succession

### [New Business Areas]

- Planting and cultivating for expansion of business areas through establishment of new companies
  - Establishment of renewable energy companies and regional trading companies
- Initiatives for alliance and investments to solve social issues
  - Alliance with regional financial institutions and investment in startups

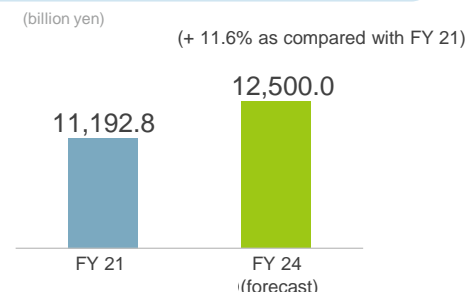
## Build a sustainable management base

- DX initiatives to improve productivity and generate management resource
  - Shifting human resources to focus area: approximately 260 (+ 60 people)
  - DX Strategic investment: approximately ¥7.0 billion (¥± 0.0 billion)
  - Digitalization and innovation to advance operational efficiency
- Ensure thorough management of risk and profit appropriately responding to environmental changes and regulations

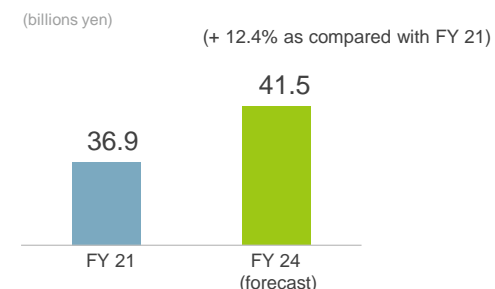
## Develop human resources and promote active participation

- Expanding Opportunities for Diverse Human Resources
  - Female employees account for around 36.6% employees in positions equivalent to assistant manager or higher (+ 5.2% points comparison to '22/3)
- Training and securing human resources with high skills and problem-solving abilities
  - Around 850 DX personnel (+ 450 people)
  - Around 4,200 DX personnel (IT passport holders) (+ 1,200 people)

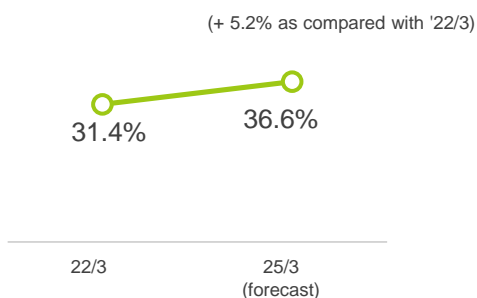
### Loans balance (average balance)



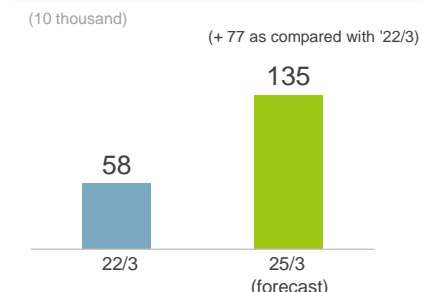
### Fees income from customers



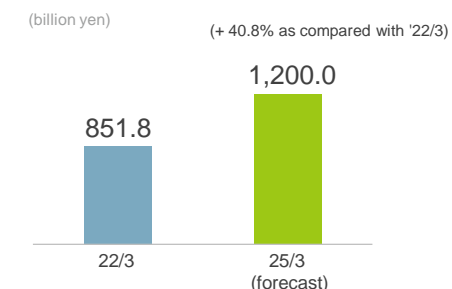
### Female employee ratio in positions equivalent to assistant manager or higher



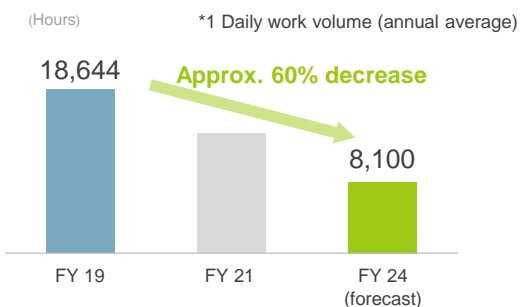
### Banking app users



### Investment trust balance (total of banking and Mebuki Securities)



### Clerical work reduction \*1



# 1 (3) Evaluation of Issues

- Based on the issues that have been recognized since the business integration and through the review of the Third Medium-Term Group Business Plan, the Fourth Medium-Term Group Business Plan will promote initiatives to resolve these identified issues.

## Issues identified since the business integration and through the review of the Third Medium-Term Group Business Plan

Strengthen initiative for sustainable regional growth	Beyond conventional support for individual business operators, further efforts are needed to resolve local social issues in regional communities .
Demonstrate group synergies	Although the system integration has resulted in effective synergy in terms of costs, it is necessary to strengthen group collaboration to further create opportunities to provide customer services, particularly in the area of business sector.
Scalable new businesses	Efforts to expand business areas need to progress from the “planting and cultivating” phase to the “expansion” phase.
Appropriate asset allocation for profit growth following normalization of interest rates	Need to strategically allocate tangible and intangible resources to risk-taking in relatively high-RORA segments and to providing consulting functions for sustainable regional growth.
Further increase in productivity across the entire group	While initiatives to reduce recurring expenses such as rationalization continue, efforts must be made to advance marketing and accelerate investment in human capital and digital transformation to to achieve further improvement in productivity.

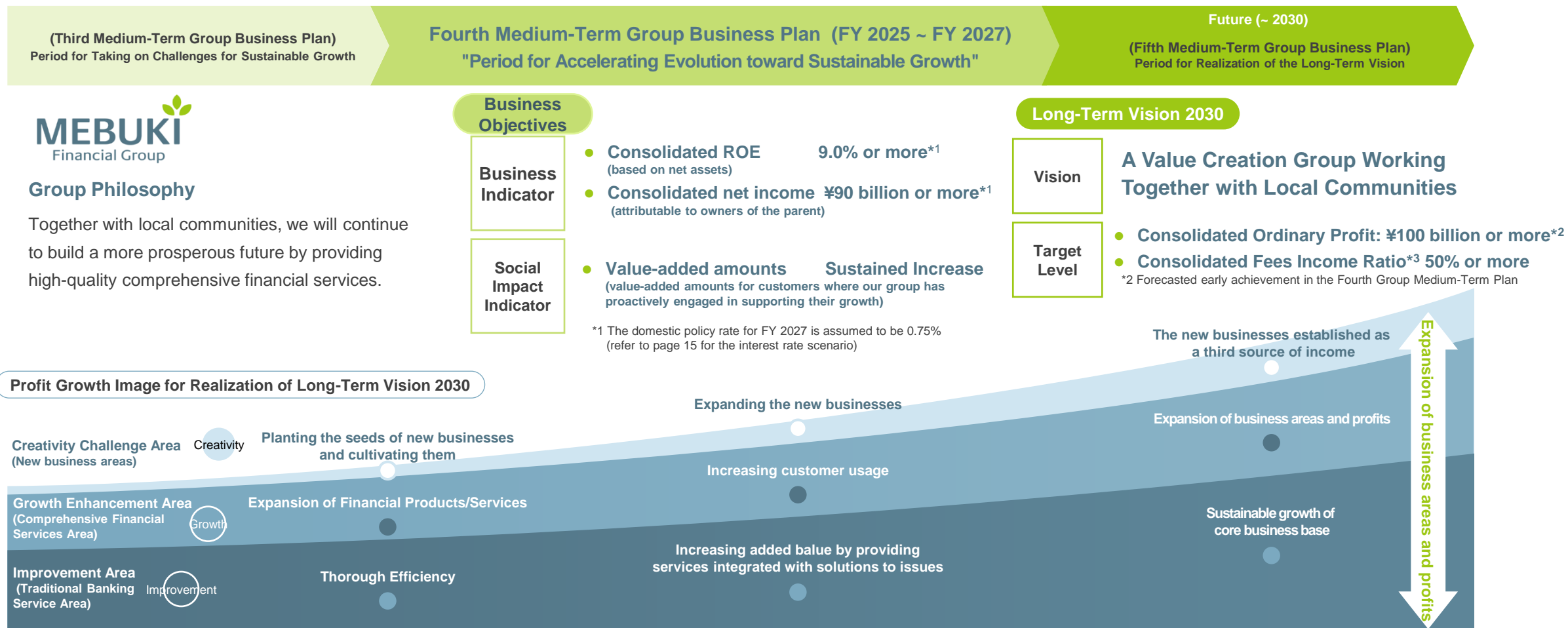
# 2

## **Summary of the Fourth Medium-Term Group Business Plan**



## 2 (1) Positioning of the Fourth Medium-Term Group Business Plan

- Based on our evaluation of challenges we face, the Fourth Medium-Term Group Business Plan aims to achieve a substantial increase in consolidated net income and build a sustainable profit structure by addressing the following issues: "Enhancing fees income from customers by advancing group-wide initiatives to provide solutions to issues of local communities and customers", "Appropriate asset allocation for profit growth following the monetary policy normalization in Japan", and "Further enhancement of productivity across the Group".



\*<sup>3</sup> Consolidated Fees Income Ratio = Consolidated fees income (\*<sup>4</sup>) ÷ Income from customers (\*<sup>5</sup>) \*<sup>4</sup> Consolidated fees income = Fees income from customers of Banks + Gross profit from customers of other Group companies

\*<sup>5</sup> Income from customers = Interest income from loans over interest expense for deposits + Consolidated fees income \*Excluding securities' income

- Our group has established a strong operating foundation in Ibaraki Prefecture and Tochigi Prefecture, which have high market potential.



## Economic indicators

## Tochigi Prefecture

## Transportation

## Agriculture

## Industry

**Number of factories located at the top level in Japan**  
Ibaraki: **1st**, Tochigi: **5th** (2023)

## Share of Loans and Deposits



The diagram illustrates the business model of MEBUKI Financial Group, centered around a hub-and-spoke structure. The central hub features the MEBUKI Financial Group logo, with the JOYO BANK and ASHIKAGA BANK logos positioned below it. Twelve spokes radiate from the center, each representing a distinct business segment. The segments are arranged in a circular fashion, starting from the top and moving clockwise. Each segment is represented by a green oval containing the segment name, with specific business units or services listed below it. The segments include: Leasing (Mebuki lease), Financial Instruments Intermediation (Ashizan Money Design), Regional Trading Companies and Renewable Energy (Colletochi), Renewable Energy Related (Joyo Green Energy), Investments (Joyo Capital Partners, Wing Capital Partners), Real estate leasing and management (Joyo Facilities Management), Research and Consulting (Ashiqin Research Institute), Software development (Joyo Industrial Research Institute), Credit Cards (Mebuki Card), Credit Guarantees (Mebuki Credit Guarantee, Joyo Credit Guarantee), Securities (Mebuki Securities), and Leasing (Mebuki lease).

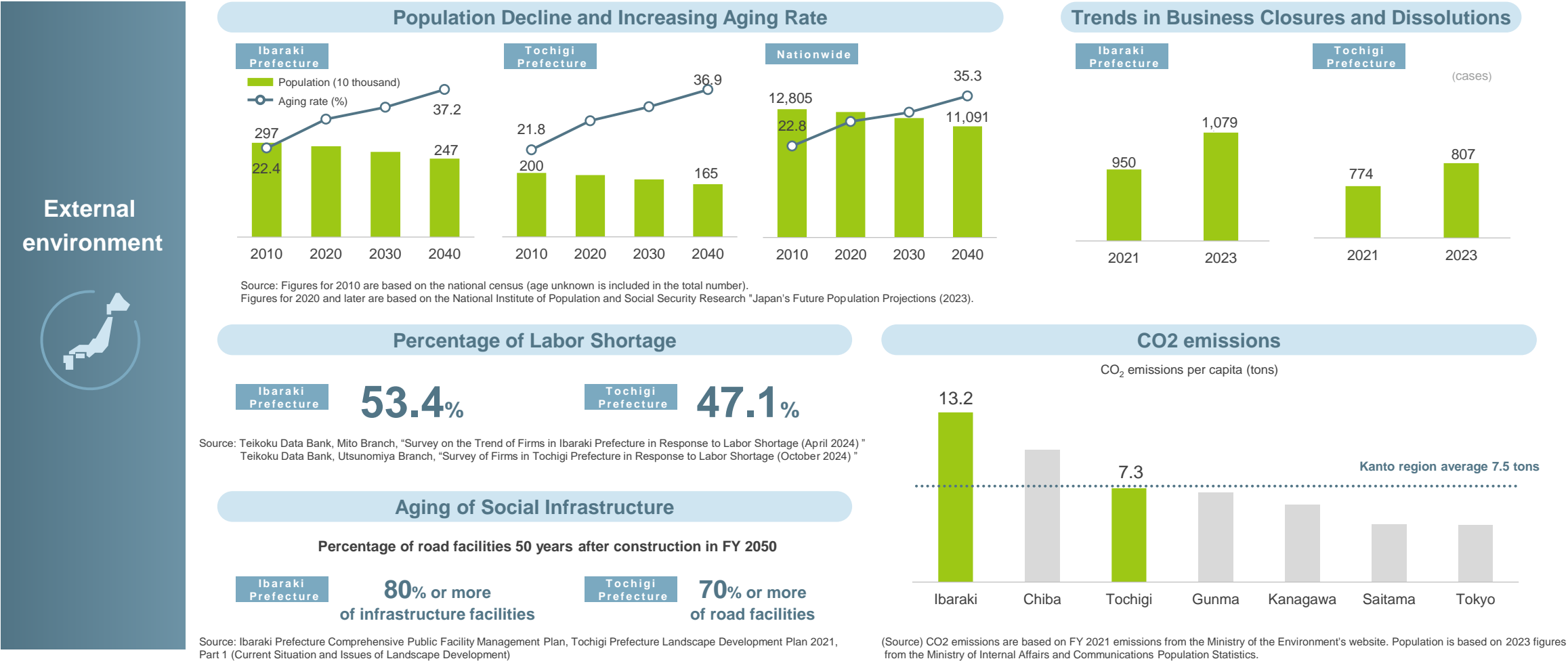
Business Segment	Associated Entities/Services
Leasing	Mebuki lease
Financial Instruments Intermediation	Ashizan Money Design
Regional Trading Companies and Renewable Energy	Colletochi
Renewable Energy Related	Joyo Green Energy
Investments	Joyo Capital Partners, Wing Capital Partners
Real estate leasing and management	Joyo Facilities Management
Research and Consulting	Ashiqin Research Institute
Software development	Joyo Industrial Research Institute
Credit Cards	Mebuki Card
Credit Guarantees	Mebuki Credit Guarantee, Joyo Credit Guarantee
Securities	Mebuki Securities
Leasing	Mebuki lease

Number of branches in Japan : **316**  
Overseas offices (representative offices) : **6**

Establishment of Joyo Green Energy Co., Ltd.  
(renewable energy) and Colletochi, Ltd. (regional  
trading compay and renewable energy)

# 2 (2) Environmental Analysis – External Environment –

- Ibaraki and Tochigi prefectures, which are our main business bases, face a variety of challenges, including shrinking local economies due to declining population from low birthrate and aging, labor shortages and aging of social infrastructure, and climate change and environmental conservation.



Source: Ibaraki Prefecture Comprehensive Public Facility Management Plan, Tochigi Prefecture Landscape Development Plan 2021, Part 1 (Current Situation and Issues of Landscape Development)

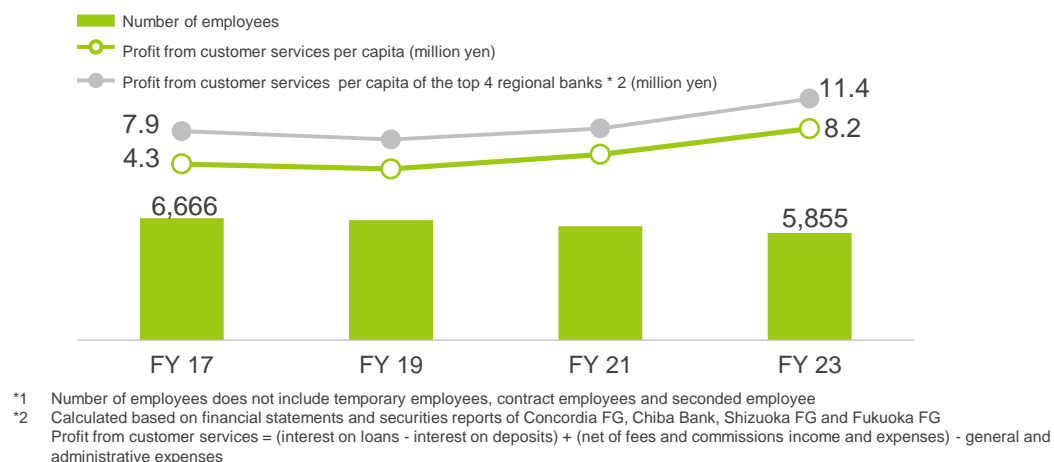
## 2 (2) Environmental Analysis – Internal Environment –

- Our group also faces labor shortage, and we need to improve productivity by strengthening human capital investment and new investment in digitalization that improve and maintain the quality and convenience of services to customers while controlling the total number of employees.
- We also recognize that effective use of capital, such as growth investment and shareholder returns, is essential to raise ROE to enhance corporate value and achieve higher ROE.

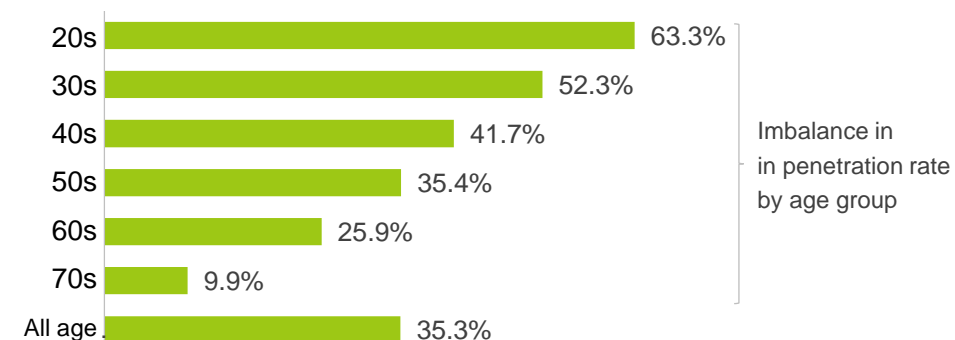
### Internal environment



#### Number of Employees<sup>\*1</sup>/ Profit from Customer Services per Employee

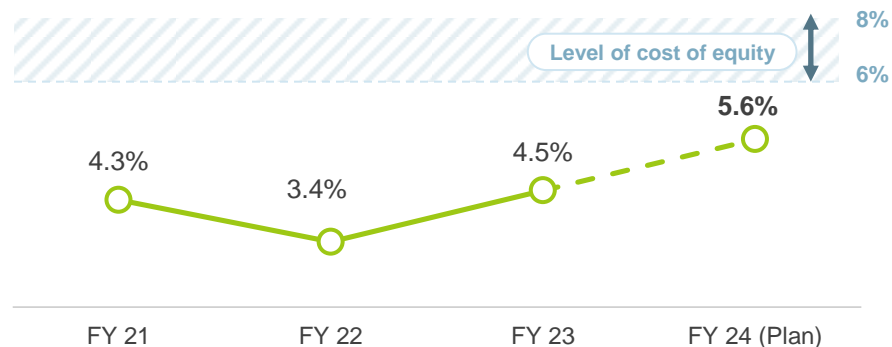


#### Banking App Penetration <sup>\* 3</sup>

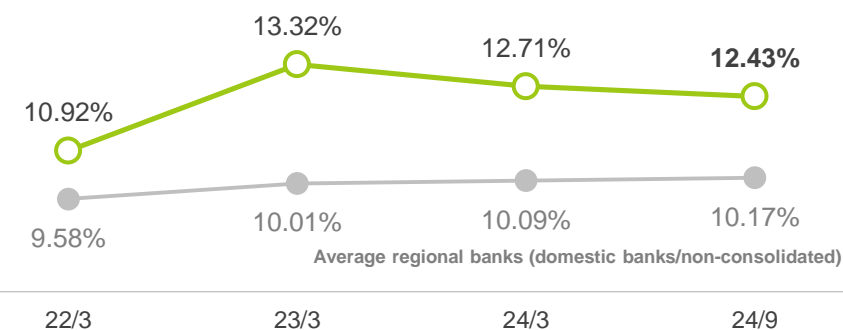


<sup>\*3</sup> As of the end of '24/12

#### ROE (Consolidated / Net Assets Basis)



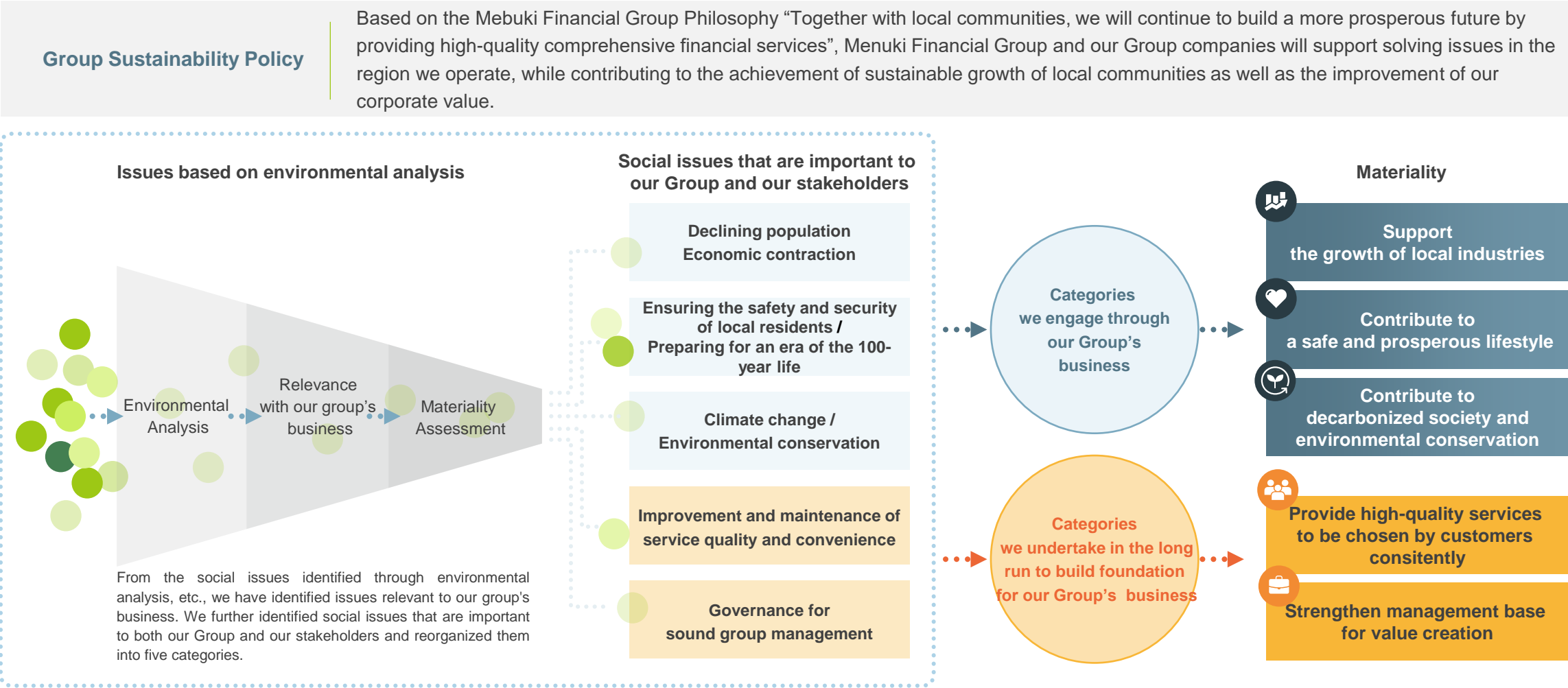
#### Capital Adequacy Ratio (Consolidated)



Source: Regional bank averages are based on the "Financial Results of Regional Banks" from the website of the Japan Association of Regional Banks.

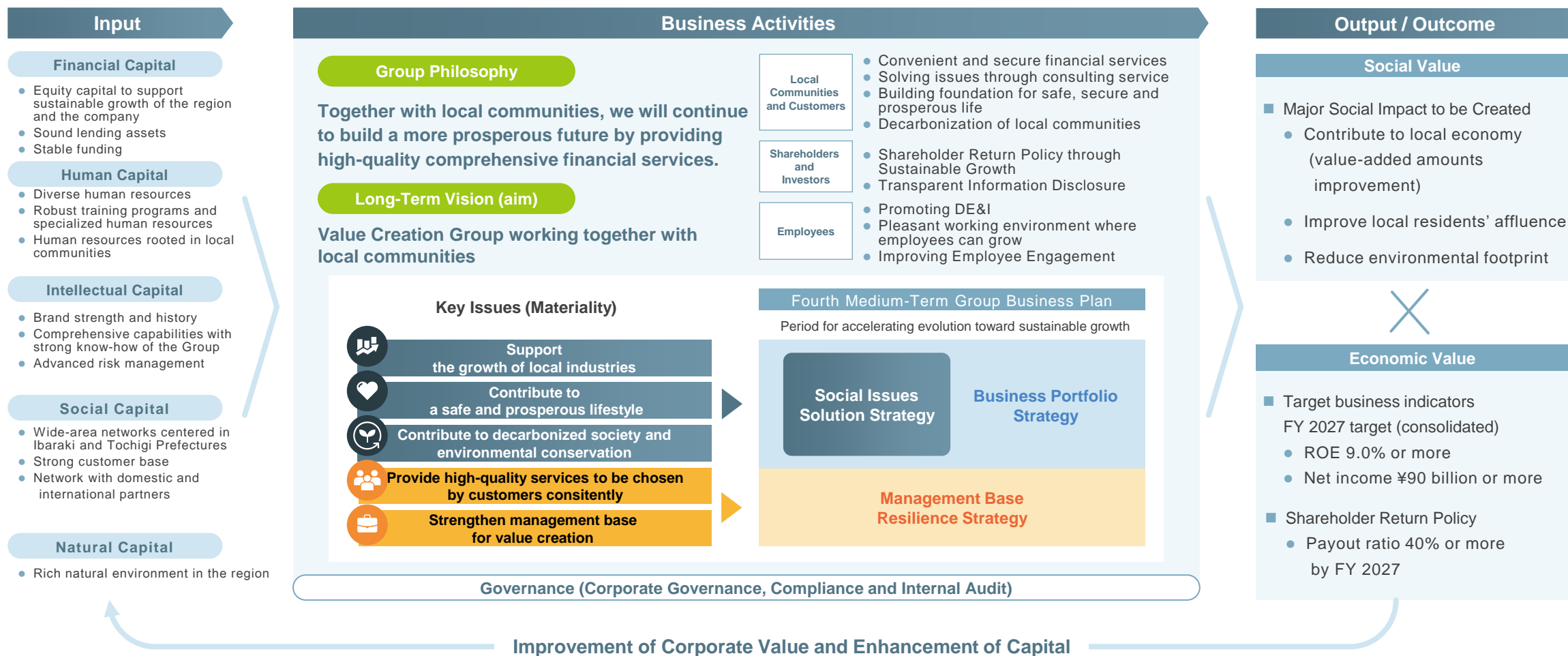
# 2 (3) Reorganization of Materiality

- Based on environmental analysis and in accordance with our Group Sustainability Policy, we have reorganized the key issues (“Materiality”) that our Group will prioritize.



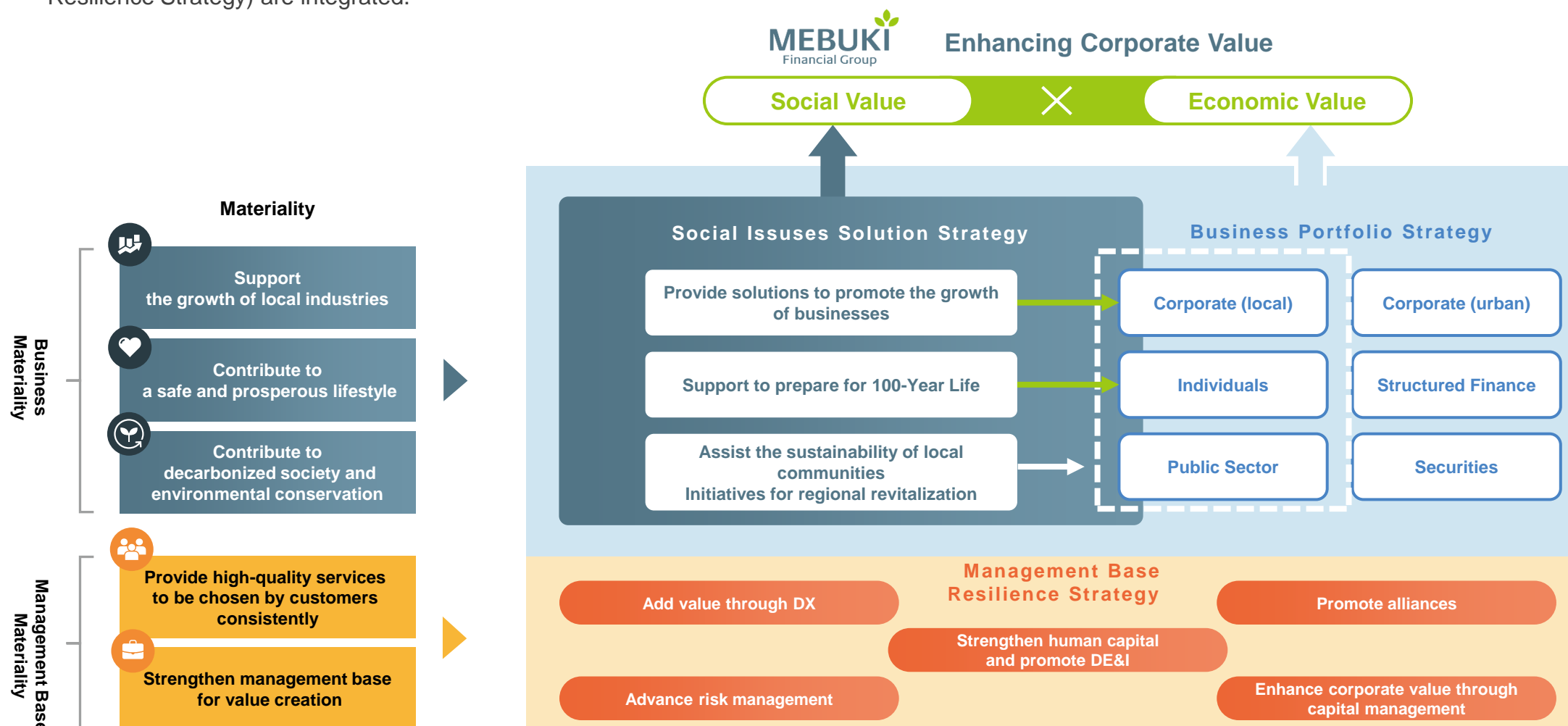
## 2 (4) Value Creation Process

- Based on the Group Philosophy, our group will create value for its stakeholders and enhance its own corporate value, thereby contributing to the sustainable development of the local communities by leveraging our group's strengths such as its wide-area network and strong customer base to solve various issues together with the local communities.

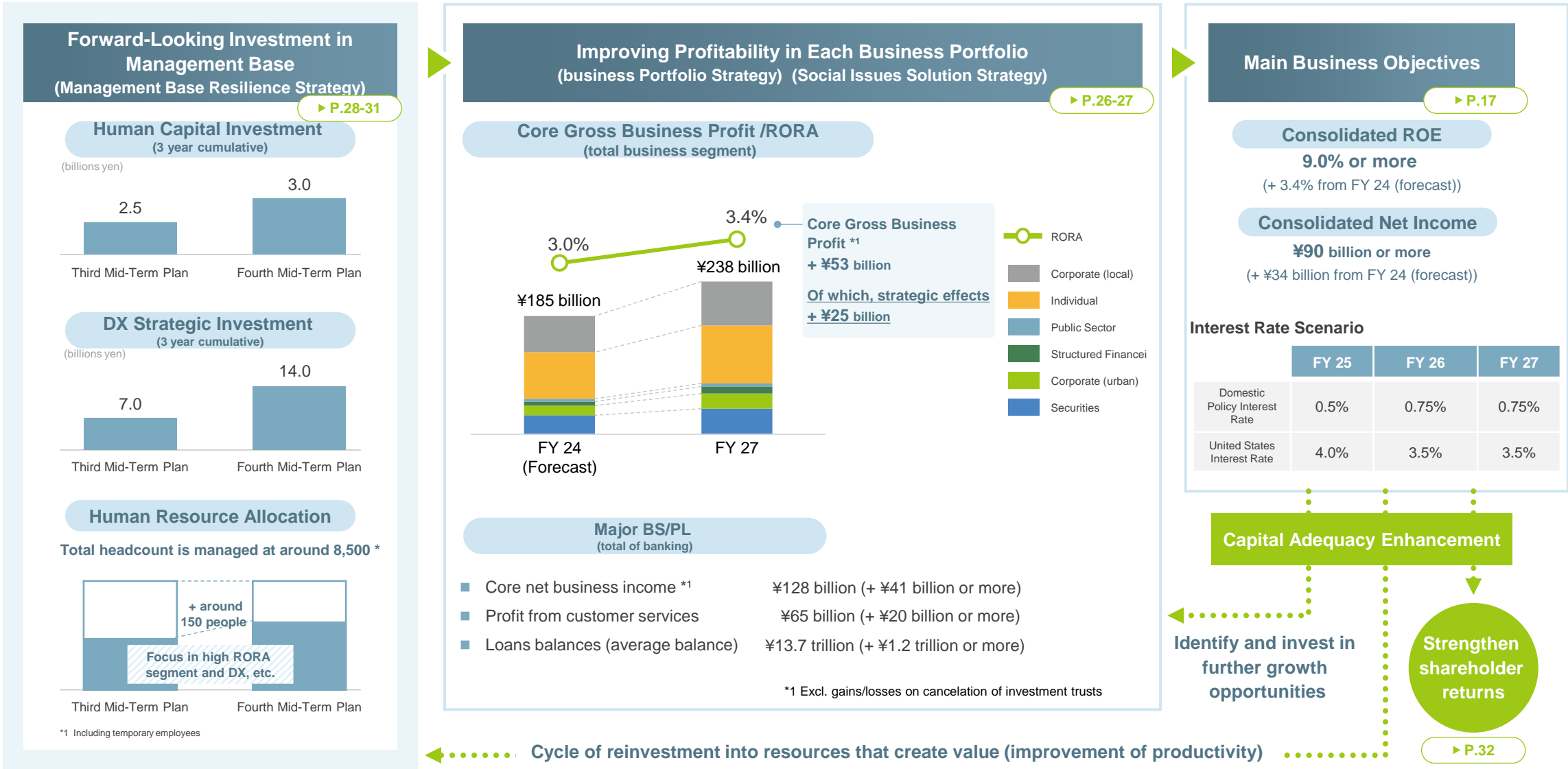


## 2 (5) Overview and Strategic Structure of the Fourth Medium-Term Group Business Plan

- The Fourth Medium-Term Group Business Plan aims to enhance corporate value by creating both social and economic value. In this plan, we will advance initiatives in which the reorganized materiality and business strategies (Social Issues Solution Strategy, Business Portfolio Strategy, and Management Base Resilience Strategy) are integrated.



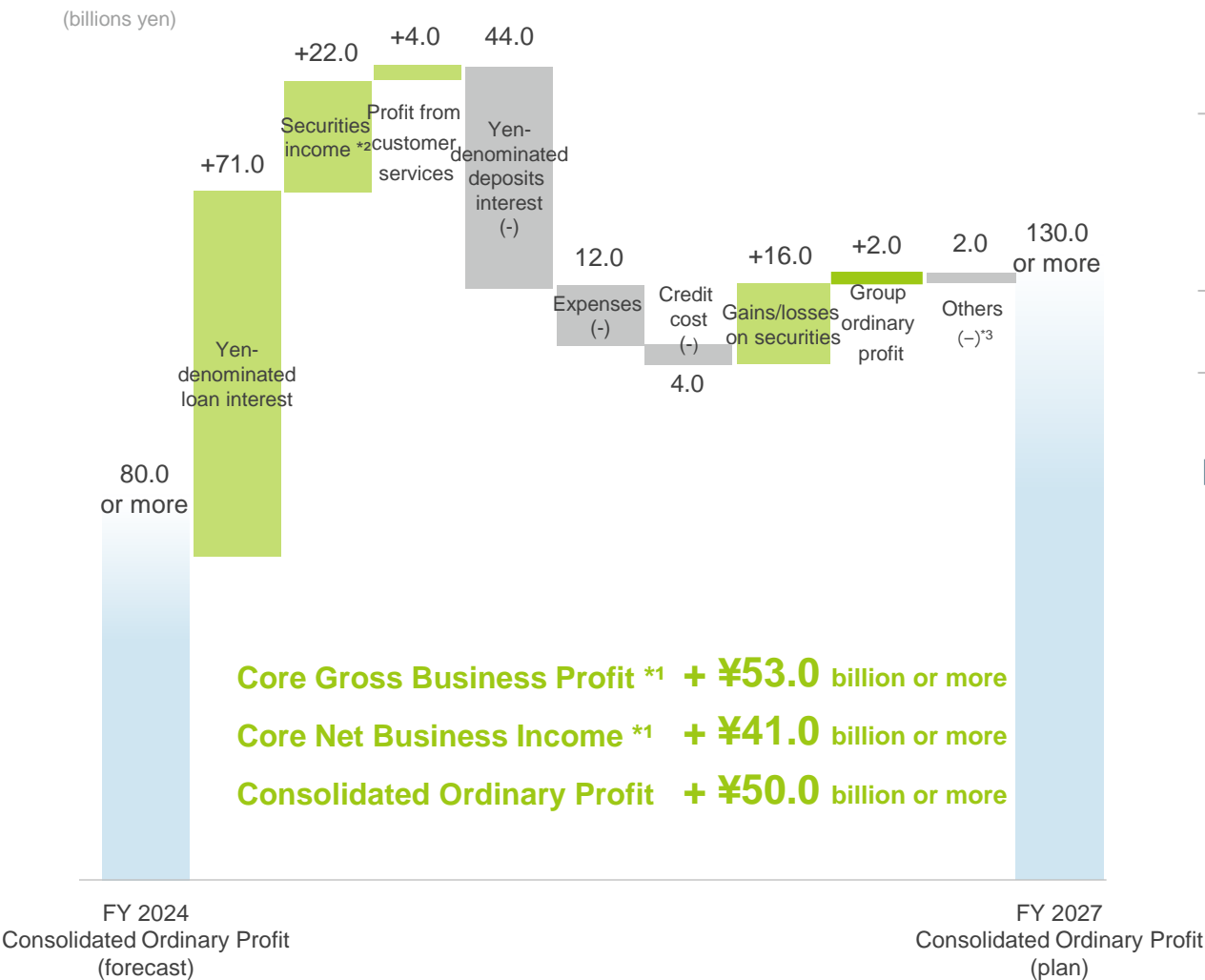
# 2 (6) Performance Targets – Overview –





## 2 (6) Performance Targets – Profit Planning –

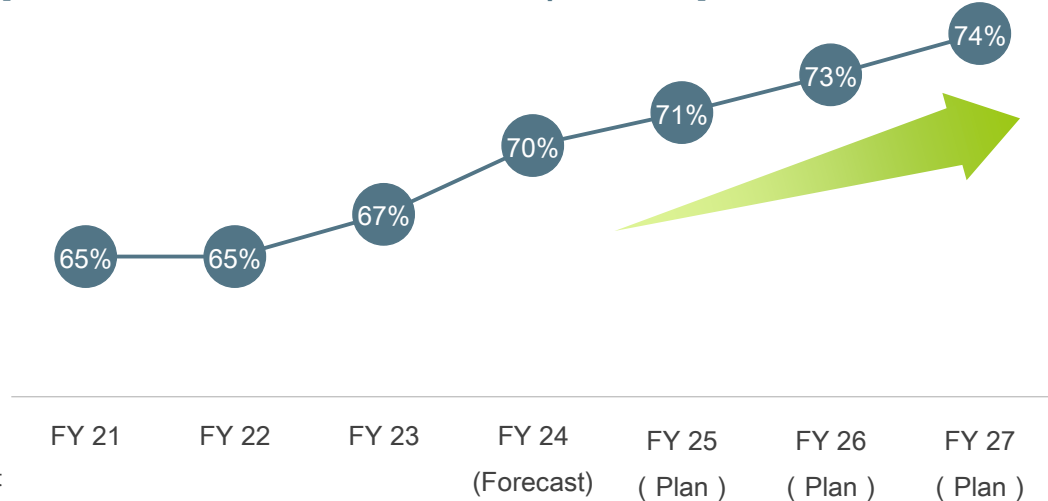
### ■ Breakdown of Changes in Consolidated Ordinary Profit



### ■ Yen-denominated Deposits and Loans (average balance)

Item	FY 2024 Actual (forecast)	FY 2027 Plan	Change
Deposits	¥17.6 trillion	¥18.2 trillion	+ ¥0.6 trillion
Loans (including individuals and local corporations)	¥12.3 trillion (¥8.61 trillion)	¥13.5 trillion (¥9.29 trillion)	+ ¥1.2 trillion (+ ¥0.68 trillion)
Loan-to-deposit ratio	Approx. 70%	Approx. 74%	+4%pt

### [Trend of Yen-denominated Loan-to-Deposit Ratio]



\*1 Excl. gains/losses on cancellation of investment trusts    \*2 Includes interest on current deposits at the Bank of Japan

\*3 Includes a gain compared to FY 24 in which reversal of allowance for doubtful accounts by subsidiaries(The Ashikaga Bank, Ltd. and The Jojo Bank, Ltd.) was recognized

## 2 (6) Performance Targets – Business Objectives and Long-Term Vision 2030 –

### ■ Business Objectives

In addition to consolidated ROE (based on net asset) and consolidated net income as performance indicators for economic value, we set our business objectives for value-added amounts as performance indicators for social value. We strive to achieve these target performance indicators presented in the table below by carrying out the respective strategies.

		FY 2024 Actual (forecast)	FY 2027 Plan	Change
Business Indicators (Economic Value)	Consolidated ROE (based on Net assets)	5.6%	9.0% or more	+3.4%pt
	Consolidated net income (attributable to owners of the parent)	¥56 billion	¥90 billion or more	+ ¥34 billion
Social Impact Indicator (Social Value)	Value-added amounts <sup>*1</sup> (value-added amounts for customers where our group has proactively engaged in supporting their growth)	Approx. ¥2 trillion (fY 2023 results)	Sustained increase	-

### ■ Long-Term Vision 2030 (formulated in March 2022)

We plan to achieve the target consolidated ordinary profit in the long-term vision ahead of the schedule considering the changes in economic and market landscape such as change in monetary policy. We continue to strengthen consolidated fees income, leveraging our core business base.

	FY 2024 Actual (forecast)	FY 2027 Plan	Change	(Reference) Long-term Vision (fY 2030)
Consolidated Ordinary Profit	¥80 billion	¥130 billion or more	+¥50 billion	¥100 billion or more
Consolidated Fees Income Ratio (amount of Fees Income)	Around 40% (¥70 billion)	Around 40% (around ¥75 billion)	±0%pt (+¥5 billion)	50% or more

<sup>\*1</sup> Value-added amounts are calculated with the following methodology presented by the Bank of Japan (value-added amount = Ordinary profit + Personnel expenses + Rent expenses + Depreciation expenses + Financial expenses + Taxes and duties).

## 2 (6) Performance Targets – Main KPIs for Each Strategy –

### ■ Summary of Main KPIs for Each Strategy

	Individual Strategy	Main KPIs	FY 2024 Actual (forecast)	FY 2027 Plan	Change
Social Issues Solution Strategy	Provide solutions to promote the growth of businesses	Local corporate loan balance (average)	¥3.36 trillion	¥3.69 trillion	+ ¥0.33 trillion
		Fees from corporate customers (total of banking business)	¥16.0 billion	¥17.5 billion	+ ¥1.5 billion
	Support to prepare for 100-Year Life	The balance of assets under custody (total of banking and mebuki securities)	¥2.565 trillion	¥3.200 trillion	+ ¥0.635 trillion
		Individuals' loan balance (average)	¥5.25 trillion	¥5.60 trillion	+ ¥0.35 trillion
	Assist the sustainability of local communities - Enhancing Initiatives for regional revitalization -	Amount of sustainable finance executed (cumulative total since FY 2021)	¥1.7 trillion	¥3.2 trillion	+ ¥1.5 trillion
		Of which, Social sector Of which, Environmental sector	¥0.5 trillion ¥1.2 trillion	¥1.0 trillion ¥2.2 trillion	+ ¥0.5 trillion + ¥1.0 trillion
Business Portfolio Strategy		RWA (risk asset) *1 RORA*2	¥6.13 trillion 3.0%	¥6.94 trillion 3.4%	+ ¥0.81 trillion +0.4%pt
Management Base Resilience Strategy	Add value through DX	Strategic DX investment (cumulative 3 years)	¥7 billion 1.35 million users (around 40% of individual customers)	¥14 billion 2.2 million users (around 60% of individual customers)	+ ¥7 billion + 850,000 users (20% increase)
		Number of users - banking application			
		Reduce clerical work at branches	- 57.9% (as compared to FY 2019 Q4)	- 30.0%*3 (as compared to FY 2024 Q4)	-
	Strengthen human capital and promote DE&I	Human capital investment (cumulative 3 years)	¥2.5 billion	¥3.0 billion	+ ¥0.5 billion
		Percentage of female employees in manager positions or higher	23.0%	27.0%	+4.0%pt

\*1 The total value of business segments (combined with banks) is shown.

\*2 RORA is calculated by (core gross business profit / RWA).

\*3 As compared to 4Q of FY 2019, RORA is expected to decrease by about 70%.


# 2 (7) Creating Social Impact

- The Impact Pathway visualizes the impact of our Group's business activities on stakeholders and society. Going forward, we will promote initiatives to solve social issues by setting the social impact indicators as one of our business objectives.

**What is the Impact Pathway?**



The Impact Pathway is a visualization of what results (output) our group's business activities bring to our group and what changes and impacts (outcomes / social impact) they cause on stakeholders and society.

## Creating Social Impact for Each Business Materiality (1/2)

	Main Business Activities	Output - Direct results of activities -	Outcomes - Impact on stakeholders -		Social Impact - Social change -
			Stakeholders	Impact	
<div><div>Support the growth of local industries</div></div>	Supporting local businesses with our Group's active involvement		Corporate customers	Improving profitability and productivity Strengthening management base Expanding business	<div>Expansion of quantified contribution (value-added amounts) to the local economy</div> <div>▼</div> <div>Set as Business Objectives (Social Impact Indicators)</div>
	Seamless funding for sustainable growth	Number of financial support Loans balances		Job retention Business continuity Expanding business	
	Support for smooth generational transition to strengthen business continuity	Number of support for business succession and M&A Fees and commissions		Business continuity Productivity improvement	
	Support for managing chronic labor shortages from population decline	Provide human resource services Number of DX support Fees and commissions		Improving profitability Strengthening management base Creating new business opportunities and jobs	
	Support the solution of diversifying management issues and demonstrating consulting functions	Number of various consulting solution support Fees and commissions		Improving profitability business continuity Job retention	
	Support for management improvement to strengthen business continuity	Number of borrowers with improved credit standing Amount of debt			

## 2 (7) Creating Social Impact

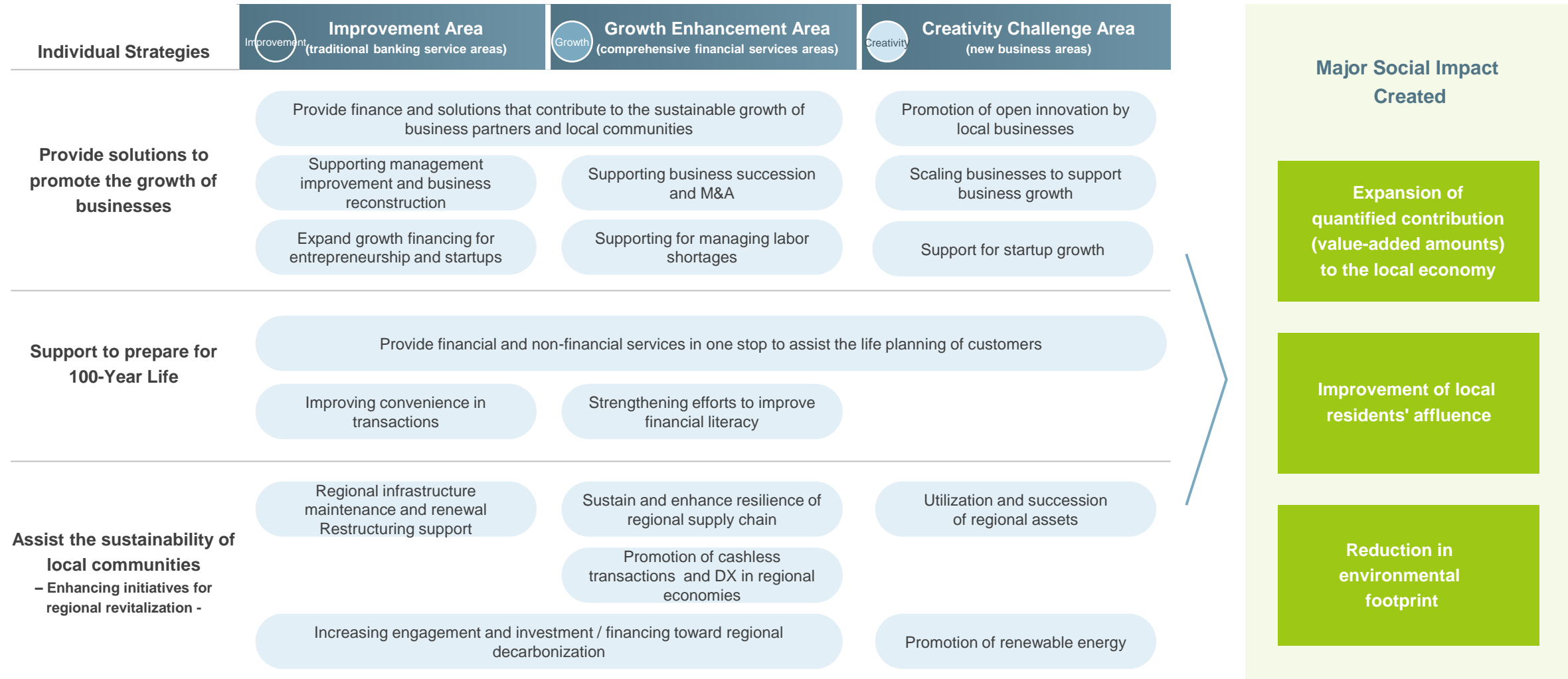
### Creating Social Impact for Each Business Materiality (2/2)

Main Business Activities			Output - Direct results of activities -	Outcomes - Impact on stakeholders -		Social Impact - Social change -	
				Stakeholders	Impact		
<div></div> <div>Contribute to a safe and prosperous lifestyle</div>	Support for an one hundred year life	Support asset building of customers to enable them to realize their goals and dreams	Number of financial education programs conducted Balance of assets under custody Fees and commissions	Individual customers	Improving financial literacy Achievement of asset building	Improvement of local residents' affluence	
		Support smooth asset succession to the next generation	Number of inheritance and asset succession supports provided, Fees and commissions		Improving satisfaction on successor generations and households		
	Contributing to building a base for living with safe, secure and prosperous	Support for sustainable provision of medical and nursing care services	Number of sustainable finance (social field) supports provided and their amount	Corporate customers Local residents Municipals	Maintenance of local healthcare Reduction of medical and nursing care refugees		
		Contributing to the maintenance of public infrastructure to support safe and secure living		Municipals Local residents	Resolution of aging public infrastructure issues		
		Contributing to building safe and comfortable living infrastructure	Number of home purchase supports, Amount of housing loans executed	Individual customers	Improvement in a sense of well-being with home ownership		
		Contributing to building a secure and prosperous future	Number of educational funding recipients Amount of education loans executed		More opportunities for further education		
	<div></div> <div>Contribute to decarbonized society - environmental conservation</div>	Supporting the transition to a decarbonized society Contributing to solving energy problems	Support for businesses to quantify and reduce CO2 emissions	Number of decarbonization consulting support Fees and commissions	Individual and corporate customers Local residents Municipals Natural capital	Reducing CO <sub>2</sub> emissions on customer	Reduction in environmental footprint
			Environmentally conscious investment and lending activities	Number of sustainable finance (social field) supports provided and their amount		Promotion of initiatives for environmental conservation	
Support for the creation of GX-related businesses			Expansion of GX-related businesses				
Promotion of renewable energy			Renewable energy generation through electric power business	Increasing opportunities to use renewable energy			

# 3

## Initiatives under Each Strategy

### 3 (1) Social Issues Solution Strategy – Overview –



# 3 (1) Social Issues Solution Strategy

## Provide solutions to promote the growth of businesses

We will contribute to the sustainable growth of local businesses by leveraging Group sales synergies from the Group and providing multiple and comprehensive solutions through collaboration with organizations within and outside the Group.

Corporate (local)

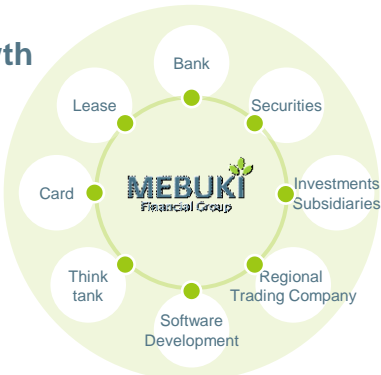
### Main KPIs

※The figures in parentheses are changes as compared to 'FY 24 Actual (forecast)

Local corporate loan balance (average balance)  
**¥3.69 trillion** (+ ¥0.33 trillion)  
Fees from corporate (total of banking)  
**¥17.5 billion** (+ ¥1.5 billion)

## Major Initiatives

Growth



- Expansion of the supply of growth funding through **investment subsidiaries and venture debts**
- Promotion of **open innovation** by local businesses

### Support for start-ups and founding

Improve  
ment  
Creativity

- Establishment of an accompanying support system for effective and efficient businesses
- Responding to diverse procurement needs (leasing, etc.)
- Expanding sales channels through wide-area business matching
- Expanding sales channels through overseas business expansion and

### Advertising and Regional Trading Company Business

### Support for market expansion and funding

Improve  
ment  
Growth  
Creativity

### Support for business restructuring and management Improvement

- Supporting sustainable corporate management to overcome environmental changes

Improve  
ment

### Support for labor shortages

Growth

- Establishment and provision of one-stop service for human resources (recruitment, retention and training, DE & I support, etc.)
- DX for local businesses (digitization, cashless payment, etc.)

### Support for business succession and M&A

Growth

- Support to select and implement appropriate means of succession, enhancement of consulting options
- Enhancing initiatives for M&A that provides strategies and contribute to the growth of local businesses

Foundation period

Growing period

Maturing period

Re-launching period

Stage

Creating Value

- Increase profitability and productivity of local businesses
- Maintain and create local jobs
- Create new local business opportunities

Major Social Impact

Expansion of quantified contribution (value-added amounts) to the local economy



# 3 (1) Social Issues Solution Strategy (Cont.)

## Support to prepare for 100-Year Life

By providing customers with financial and non-financial services that support their life planning in one stop, we contribute to the realization of a secure and prosperous life over a lifetime.

Individual

### Main KPIs

※The figures in parentheses are changes as compared to 'FY 24 Actual (forecast)

The balance of assets under custody (total of banking and mebuki securities)  
**¥3.2 trillion** (+ ¥0.635 trillion)  
Individuals' loan balance (average)  
**¥5.6 trillion** (+ ¥0.35 trillion)

## Major Initiatives

### Banking Services for the First Time

- Improve satisfaction of (convenience to) customers by enhancing banking applications and web services
- Strengthen the acquisition of payroll and settlement accounts by building strong customer relationships through engagements with employees of corporate customers

Customers as students and new hires

Bank Card

Customers as parents and planning for asset building

Bank Securities Card Lease

### Purchasing a House and Automobile, Entering Schools, and Wealth Building & Management

- Strengthen the acquisition of customers with needs for housing loans by enhancing online application capability through the Web
- Support customers' asset building and asset management by combining face-to-face × non-face-to-face channels and securities functions
- Enhance service offerings to meet needs of customers and provide financial education in local communities

Creating Value

- Contributing to the realization of asset formation that enables customers to achieve their goals and dreams
- Contribution to the improvement of the quality of life by expanding opportunities for purchases of house, etc.
- Contribution to the improvement of financial literacy of local communities and the expansion of opportunities for further education

### Well-being of Second Life

- Enhance supports for asset building and asset management to enable customers to live their second life with peace of mind
- Provide matching for working seniors through recruitment services

Customers planning for retirement

Bank Securities

To the next generation

### Asset Utilization and Succession to the Next Generation

- ▶ Enhance offering of financial and **non-financial services** in cooperation with external businesses to provide solutions for day-to-day challenges
- ▶ Enhance offering of **services for smooth succession of assets** through the utilization of assets held by customers and the assistance in setting up will trusts, distributing estate, etc.

Major Social Impact

Improvement of local residents' affluence

▶ Areas in green are areas that are mainly Creativity Challenge Area (new business areas)

# 3 (1) Social Issues Solution Strategy (Cont.)

## Assist the sustainability of local communities

– Enhancing initiatives for regional revitalization –

Our group will contribute to regional sustainability by acting as a hub for regional revitalization and decarbonization.

Corporate (local)

Individuals

Public Sector

### Main KPIs

※The figures in parentheses are changes as compared to 'FY 24 Actual (forecast)

Amount of sustainable finance executed (cumulative total since FY 2021)

**¥3.2 trillion** (+ ¥1.5 trillion)

Of which, Social sector

**¥1.0 trillion** (+ ¥0.5 trillion)

Of which, Environmental sector

**¥2.2 trillion** (+ ¥1.0 trillion)

## Major Initiatives

### Regional Revitalization

#### Maintenance and strengthening of regional supply chains

- Strategically attract businesses in cooperation with municipals and large companies in the Tokyo area
- Closely support core companies that drive regional economies

#### Promotion of cashless transaction and DX in regional economies

- Promotion of cashless transactions and DX in cooperation with municipals to improve regional convenience and productivity

#### Support for maintenance, renewal and reconstruction of regional infrastructure

- Closely support maintenance and enhancement of local medical and nursing care functions
- Provide further support for solving the issues of aging public infrastructure

#### Utilization and ensuring successful of local assets

- ▶ Creating new business opportunities by utilizing local assets** such as farmland, abandoned farmland and vacant houses
- ▶ Contributing to the enhancement of regional brand power by invigorating the discovery and dissemination of local resources (tourism resources, history and culture) and local products**

Creating Value

- Safety and security of local communities and life of well-being with convenience
- Transition to a decarbonized society  
Contribution to solving energy problems

Major Social Impact

Improvement of local residents' affluence

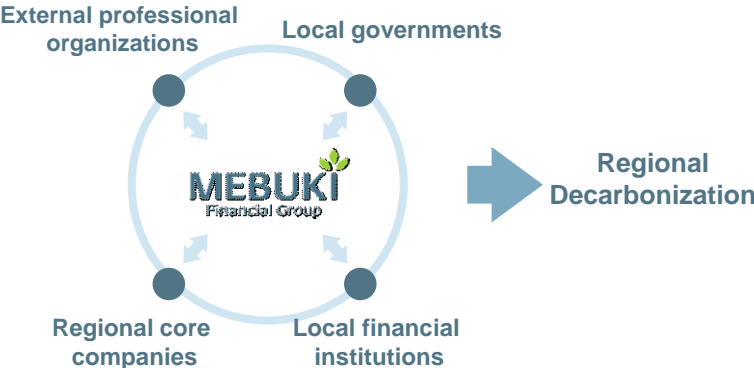
Reduction in environmental footprint

▶ Areas in green are areas that are mainly Creativity Challenge Area (new business areas)

### Regional Decarbonization

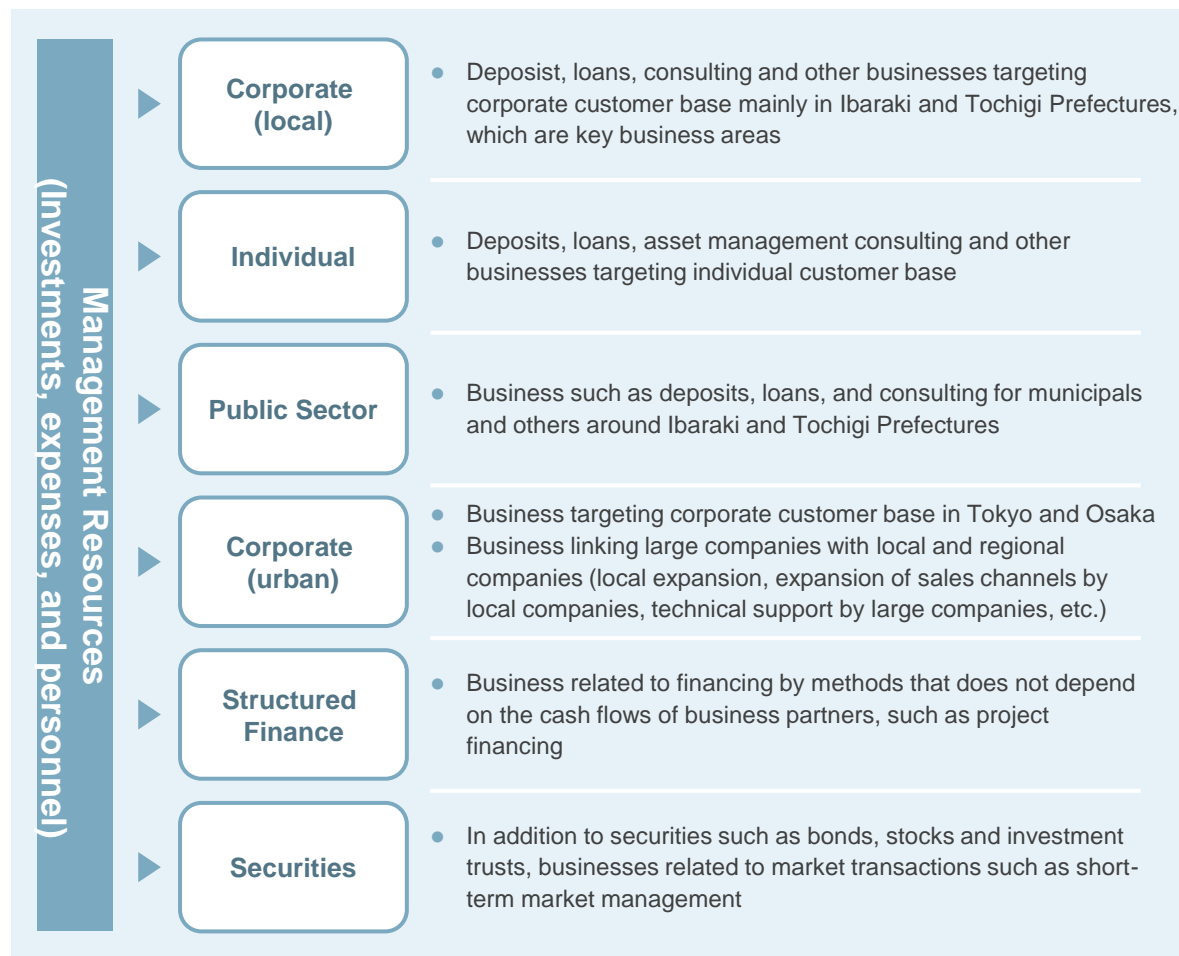
- Expansion of investments and loans through engagement activities with local businesses to reduce environmental footprint
- Building a coordinated structure with external specialized institutions to promote regional decarbonization with our group as the hub

▶ **Promoting the expansion of renewable energy**

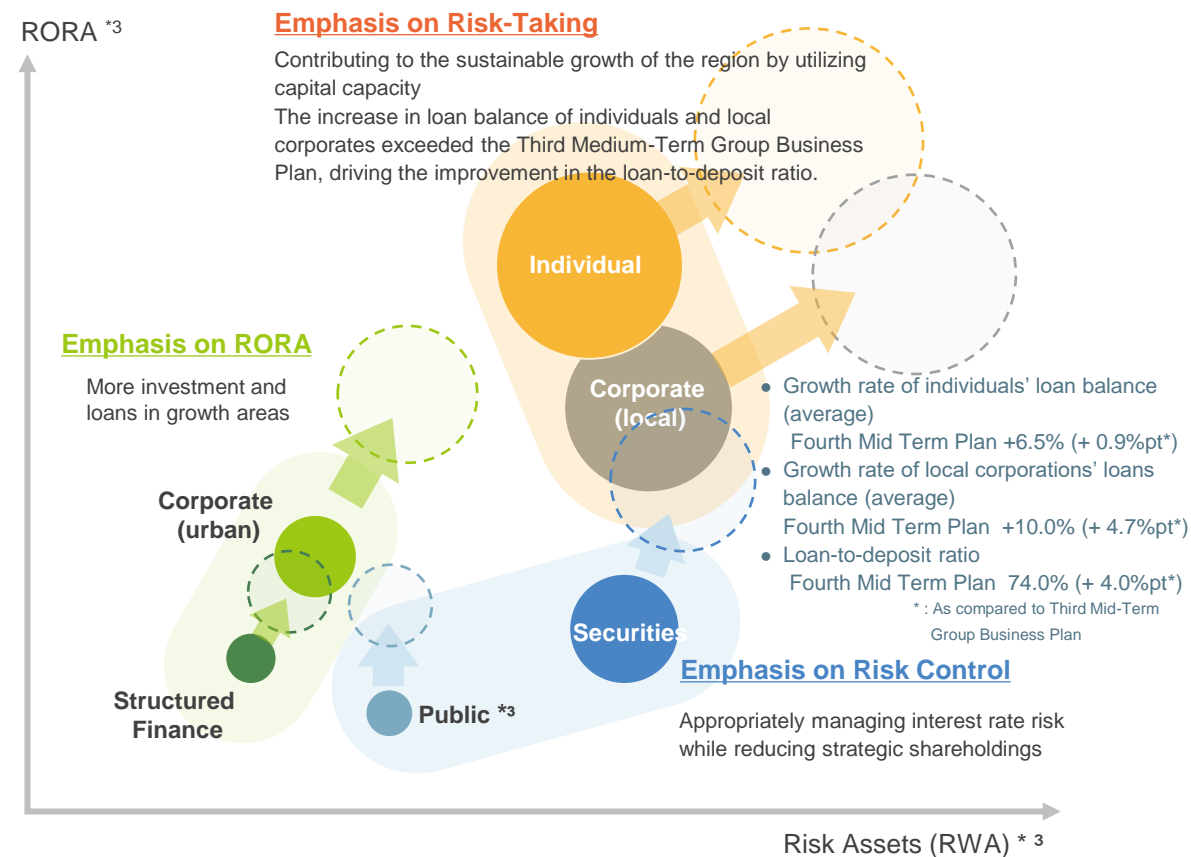


## 3 (2) Business Portfolio Strategy

- We will achieve business growth (increase in core gross business profit) and increase in RORA by classifying our businesses into six segments, and focus on risk-taking, RORA, risk control, and developing strategies for each segment.



### Direction of Risk-Taking by Business \*1 \*2



\*1 The size of the circle indicates the size of the business (core business gross profit).

\*2 Loans and securities are recorded by the formula: "balance x (nominal yield - average yield on deposits)".

\*3 Since risk assets are not calculated for the public sector, the horizontal axis represents loans balances and the vertical axis represents ROA (core business gross profit/loans balances).

## 3 (2) Business Portfolio Strategy (Cont')

- We aim for business growth by strategically allocating tangible and intangible resources (personnel input, internal and external networks, marketing functions and data, capital surplus, etc.) to risk-taking in the relatively high RORA segments and providing consulting functions to realize sustainable local communities.
- In the relatively low RORA segments, we will focus on enhancing RORA and work to improve it by diversifying the types and methods of risk-taking.

### Strategic Direction in Each Business Segment

Direction of initiatives for growth of each business segment and improvement of RORA		FY 27		
		*The figures in parentheses are changes as compared with 'FY 24 Actual (forecast)		
		RWA (¥billion)	Core business gross profit *1 (billion yen)	RORA*2
Corporate (local)	<ul style="list-style-type: none"> <li>Contributing to the sustainability of local communities and improvement of local market share and transaction profitability</li> </ul>	1,910.0 (+170.0)	69.0 (+12.0)	3.6%
Individuals	<ul style="list-style-type: none"> <li>Acquiring lifetime main accounts, providing convenient products through face-to-face and non-face-to-face channels, and supporting asset management and formation</li> </ul>	1,650.0 (+90.0)	90.0 (+18.0)	5.5%
Public Sector	<ul style="list-style-type: none"> <li>Strengthening involvement in regional projects</li> </ul>	- <sup>*3</sup>	5.0 (±0.0)	-
Structured Finance	<ul style="list-style-type: none"> <li>Provision of risk money for high-quality projects and acquisition of financing arrangements</li> </ul>	630.0 (+190.0)	11.0 (+4.0)	1.7%
Corporate (urban)	<ul style="list-style-type: none"> <li>Inviting Investments to local communities and contributing to regional revitalization through relationship building and business expansion</li> <li>Securing profit opportunities by taking appropriate interest rate risk</li> </ul>	910.0 (+150.0)	23.0 (+8.0)	2.5%
Securities	<ul style="list-style-type: none"> <li>Expansion of core portfolio to secure stable carry trade</li> <li>Accumulation of risk assets in growth areas</li> </ul>	1,840.0 (+210.0)	40.0 (+11.0) <sup>*4</sup>	2.2%
Total business segments		6,940.0 (+810.0)	238.0 (+53.0)	3.4% (+0.4%pt)

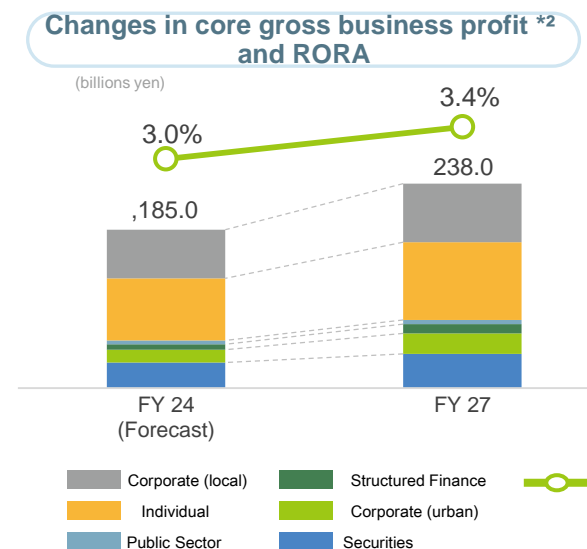
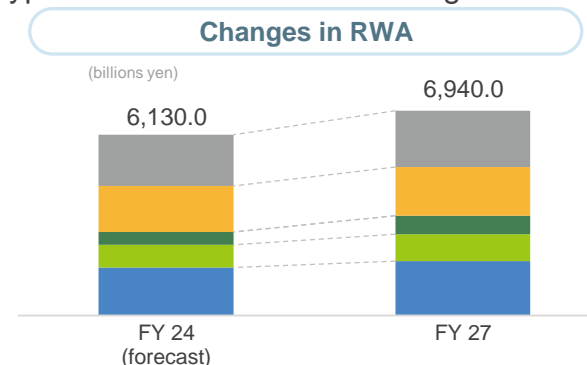
\*1 Gross profit from core operations of each business segment is calculated based on cash income from loans and securities as "balances × (nomina yield – average yield on deposits)".

It also includes fees income from customers and excludes gain or loss on cancellation of investment trusts.

\*2 RORA is calculated as (core Gross Business profit / RWA)

\*3 Public loans are indicated as "-" because their risk weight is "0." The balance (average balance) is planned to be ¥940 billion in FY 27 (± 0 from FY 24 (forecast)).

\*4 Only income from bond, stock and fund management is included. Profit and loss on trading and interest on deposits with the Bank of Japan are not included.



# 3 (3) Management Base Resilience Strategy

## Add value through DX

We will continue to provide services that customers choose by creating value addedness through the promotion of DX, including the strategic use of data and AI.

### Key KPIs

※The figures in parentheses are changes as compared to 'FY 24 Actual (forecast)

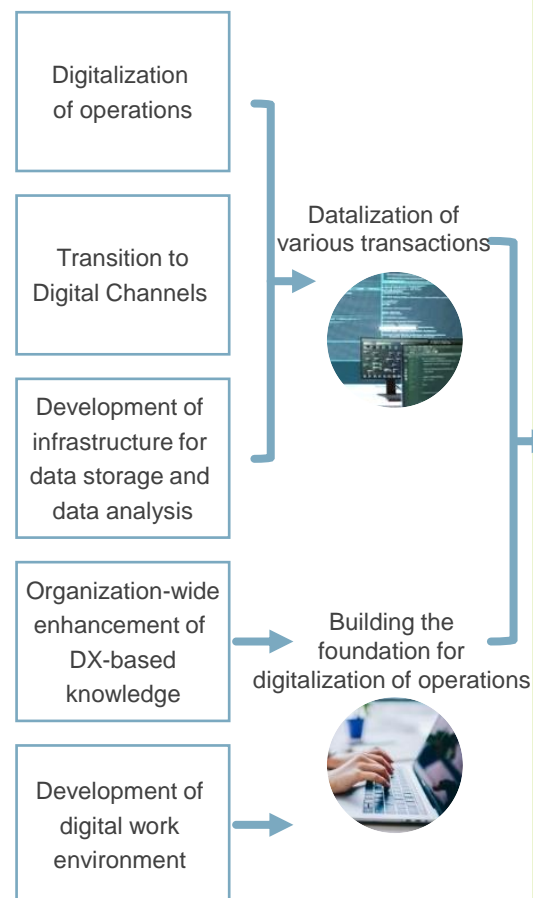
Strategic DX investment (cumulative 3 years)  
**¥14 billion** (+7 billion)

Number of users - banking application  
**2.2 million users** (+ 850,000)  
(approximately 60% of individual customers  
(+ 20%) )

Reducing clerical work at branches  
**- 30.0% from FY24 Q4**  
(approximately 70% as compared with FY19 Q4)

## Major Initiatives

### Third Medium-Term Group Business Plan Initiatives



### Fourth Medium-Term Group Business Plan Initiatives



### Improving Productivity through Strategic Use of Data and AI

- Addressing customer needs timely with the use of accumulated data
- Expanding domains for AI usage, promoting the use of AI, and incorporating generative AI into daily operations

### High-value-added Channels and Improving Convenience

- Increasing the added value of staffed branches as consultation bases
- Expansion of non-face-to-face inquiry channels for stress-free communication

### Transformation of Branches to be "Workless"

- Improving productivity by minimizing clerical work over-the-counter and at back office to the bare minimum

### 3 (3) Management Base Resilience Strategy (Cont')

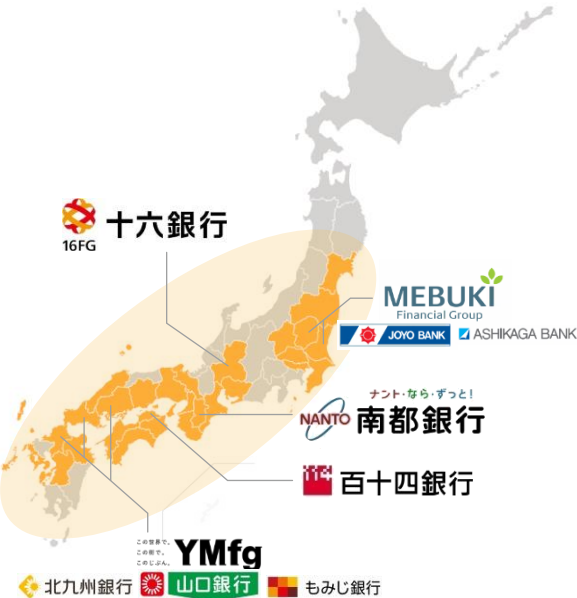
#### Promote alliances

We will further strengthen our efforts to expand our business areas and improve productivity through alliances and collaborations with external businesses to provide services that continue to be chosen by customers.

#### Major Initiatives

##### Wide-area Collaboration

- Collaboration with banks participating in the Regional Banks' Partnership System "Chance"



- Promotion of structured finance that contributes to the realization of sustainable local communities
- Support for business succession and M&A using a wide-area platform for M&A operations
- Cooperation in the field of cybersecurity
- Further discovery of areas where synergies can be realized

##### Regional Collaboration

- Ryomo Area Revitalization Partnership



- Support for revitalization of local industries through the collaboration with Gunma Bank

- Collaboration with local financial institutions

- Creation of new business opportunities through cooperation in non-competitive fields, such as contracting tax and public funds services
- Support for lack of human resources at regional businesses
- Cooperation on supporting overseas business development
- Cooperation on financial education for local residents and support for the elderly

- Industry-academia-government collaboration

- Strengthening efforts for regional revitalization through public-private partnerships
- Development of next-generation financial solutions and realization of AI utilization in operations through collaboration with local universities
- Creation of university-based ventures

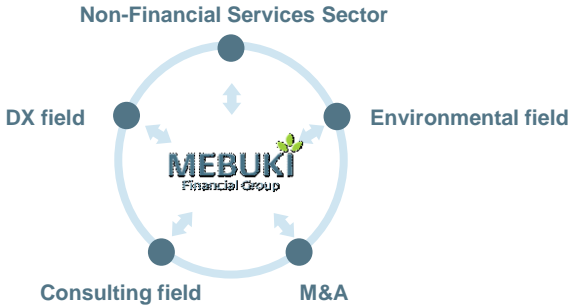
##### External Business Collaboration / Capital Utilization

- Collaboration with Resona Holdings

- Improvement of banking app functions
- Collaboration in the digital field and sharing and improvement of know-how through personnel exchange

- Cross-industry collaboration including business matching and use of external capital

- Collaborative creation of new businesses with domestic and foreign start-ups and operating companies
- Strengthening one-stop provision of financial and non-financial services that contribute to the growth of local businesses, a secure and prosperous life for customers, and reduction of environmental impact
- Utilization of external capital through in-organic investment





# 3 (3) Management Base Resilience Strategy (Cont')

## Strengthen human capital and promote DE&I

By creating an environment where people who are responsible for creating value can make the most of their individuality and strengths, we will build a human resources portfolio that will enhance our Group's corporate value.

### Key KPIs

※The figures in parentheses are changes as compared with 'FY 24 Actual (forecast)

Human capital investment (cumulative 3 years)  
**¥3.0 billion** (+ ¥0.5 billion)

Percentage of female employees in manager positions or higher  
**27.0%** (+4.0%pt)

## Major Initiatives

### Developing and Securing Human Resources for Value Creation

- Enhancement of measures to support autonomous career development and development of specialized human resources
- Implementation of human resources management through visualization of skills based on analysis of employee data
- Securing human resources through career recruitment, referral recruitment, and construction and utilization of the alumni network
- Utilization of human resources for internal and external side jobs

### Promoting DE&I

- Strengthening training for the promotion of female employees to higher positions
- Expanding opportunities for senior employees
- Enhancing the reskilling Support Menu

### Developing and Securing Human Resources

Optimizing HR portfolio and create comfortable working environment

Strengthening the Management base

Employees Engagement

Well-being

### Creating a Workplace Environment that Ensures Well-being\*1

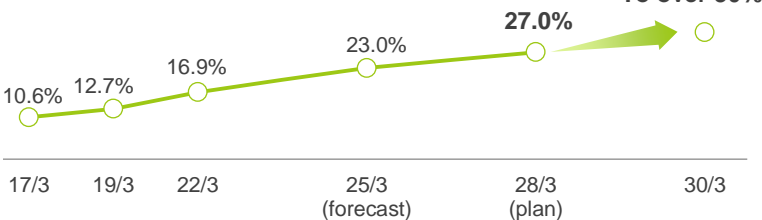
- Expansion of work-life balance system
- Enhancement of enlightenment and training to encourage male employees to take childcare leave
- Strengthening health management initiatives
- Strengthening initiatives to improve financial wellness

\*1 Being in good physical and mental condition

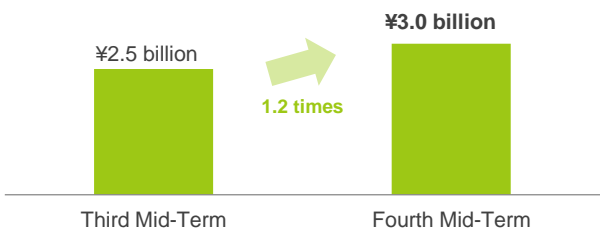
### Improving Employee Engagement

- Activating autonomous activities to resolve issues at workplace
- Enhancing dialogues between management and employees
- Reforming department and branch management to be self-managed

Percentage of female employees in manager positions or higher



Human capital investment (cumulative 3 years) \* 2



\*2 Expenses related to internal training, external training, trainees, etc.

# 3 (3) Management Base Resilience Strategy (Cont')

## Advance risk management

We will strengthen the management base that supports value creation by enhancing risk management in response to environmental changes.

### Major Initiatives

#### Advancement of RAF Management

- Use of risk appetite indicators (RORA, RWA, etc.) in business portfolio strategies
- Strengthening the management base by improving risk management and ALM management in response to rising interest rates

#### Enhancement of Group Risk Management

- Strengthening cross-sectoral Information security and cybersecurity management systems
- Development of systems to ensure operational resilience
- Enhancement of measures against money laundering and terrorist financing
- Strengthening responses to financial crime
- Addressing opportunities and risks related to climate change and natural capital (TCFD, TNFD, etc.)



#### Enhancement of Transparency in Business Plan

- Visualization of risk appetite for achieving management plans
- Utilization for communication with stakeholders

#### Enhancement of Risk/Return Management

- Enhancement of PDCA process for business strategies and performance targets
- Improvement of effectiveness of Business Portfolio Strategy

#### Realization of long-term vision

- Realization of sustainable community through value creation
- Balancing profitability and financial soundness



# 3 (3) Management Base Resilience Strategy (Cont')

## Enhance corporate value through capital management

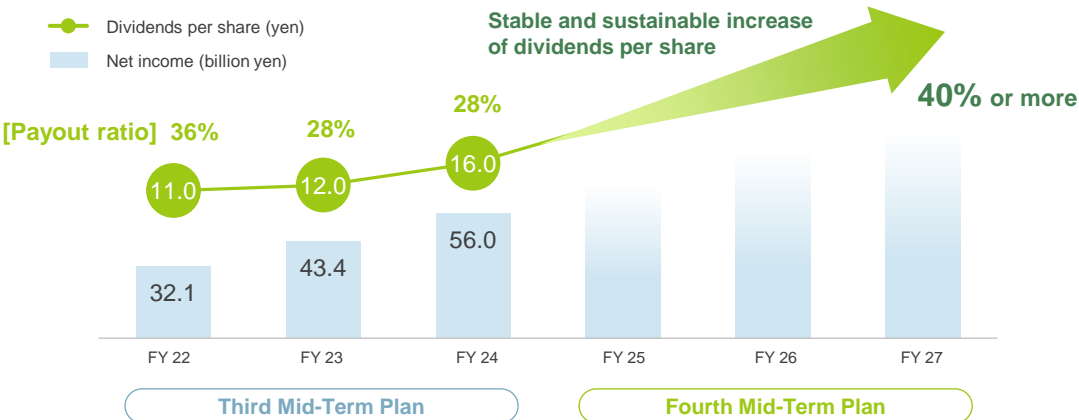
While accumulating risk assets based on our Business Portfolio Strategy, we will appropriately manage capital that exceeds the capital level to support sustainable growth in the region and our Company. Through the strategic development of the Fourth Medium-Term Group Business Plan, we will raise ROE to a level that exceeds the cost of equity and improve PBR.

### Major Initiatives

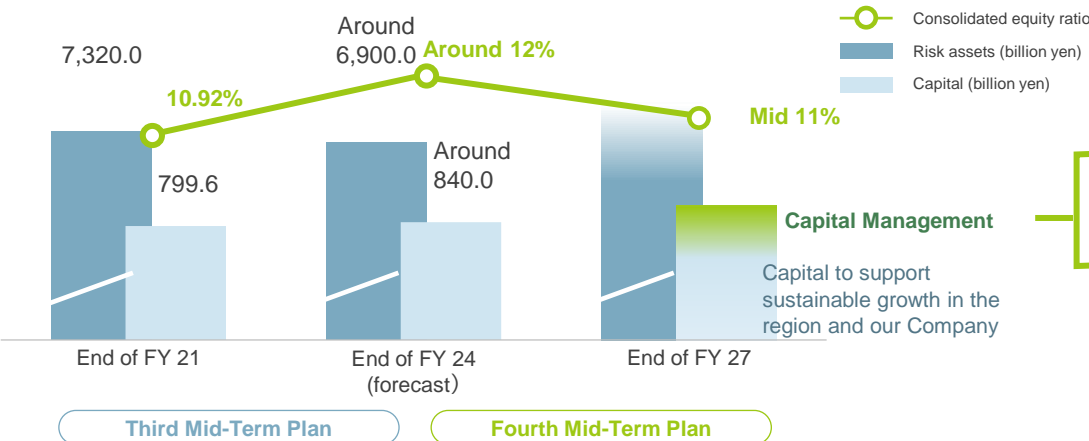
#### Shareholder Return Policy

- Based on the policy of stable and sustainable increase in dividends per share through profit growth, the Group aims to achieve a dividend payout ratio of 40% or more during the period of the Fourth Medium-Term Group Business Plan.
- In addition, the Company will respond flexibly to repurchases of treasury stock based on capital management that takes into account market trends, business forecasts, and other factors, as well as capital utilization to enable the Company to capture growth opportunities flexibly.

#### Dividends per Share and Net Income



#### Capital Management



#### Identifying Investment and Loan Opportunities for Growth

- Accumulation of risk assets
- Discovery of new investment and loan areas

#### Additional Shareholder Returns

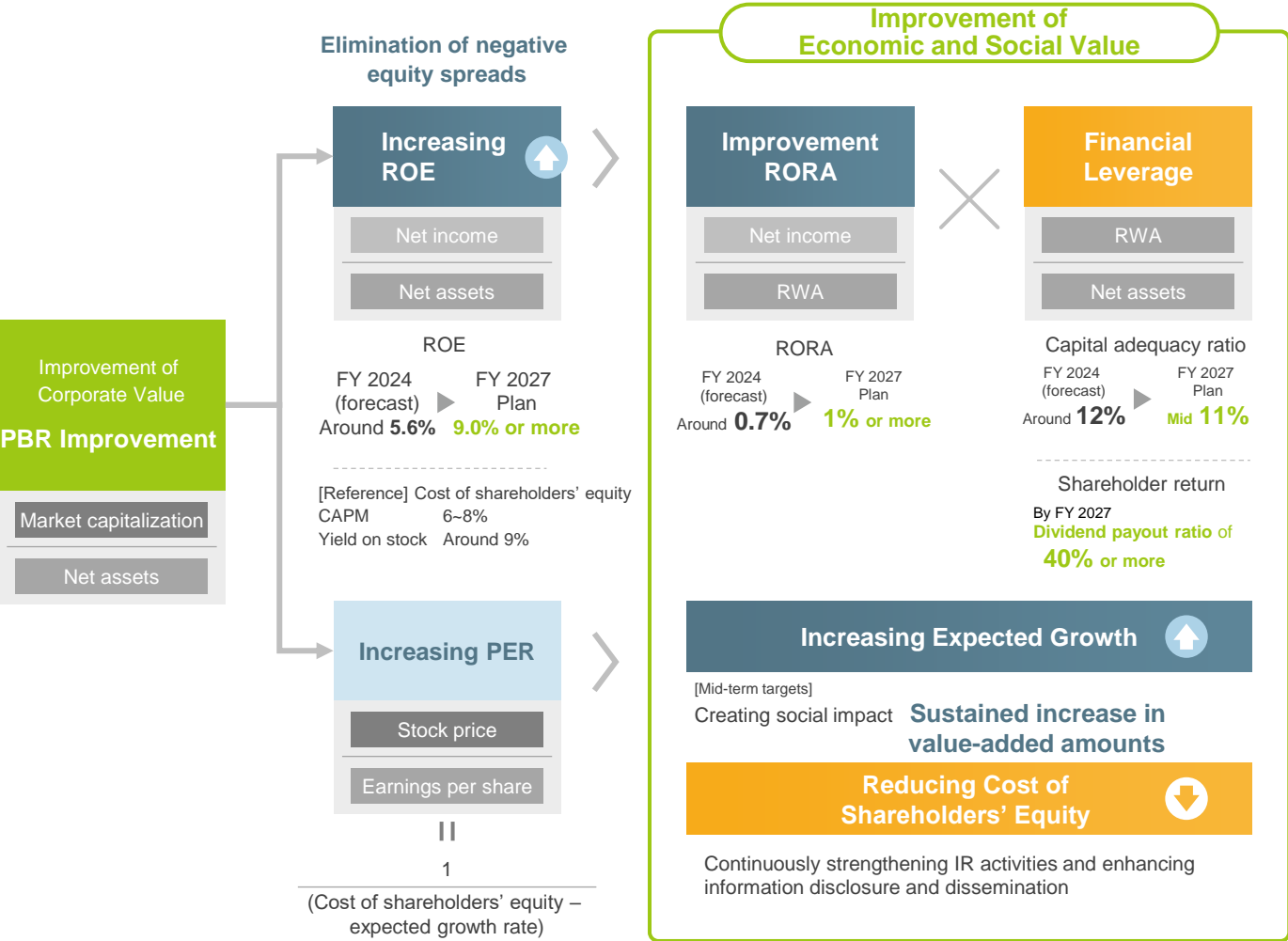
Consolidated capital adequacy ratio Controls in the mid 11% range

# 4

## **Developing Strategies to Improve Corporate Value (PBR)**

# Developing strategies to improve corporate value (PBR)

- Through the strategic development of the Fourth Medium-Term Group Business Plan, we aim to increase economic value and social value, eliminate negative equity spreads, and improve PBR.



## Fourth Medium-Term Group Business Plan

### Business Portfolio Strategy (strengthening high RORA areas and improving RORA)

- Strengthening individual and local corporate loans (focusing on risk taking in high RORA areas)
- Continuing to expand fees income from customers
- Improving profitability of urban corporations and structured finance (focusing on RORA)
- Securing stable securities carry trades through the core portfolio (risk control)
- Appropriate cost control with increased gross business profit (OHR reduction)

### Enhancing Shareholder Returns and Capital Management

- Review of shareholder return policy (stable and sustainable increase in dividends per share)
- Identifying further growth opportunities and implementing capital management aiming at target capital adequacy ratio
- Steady reduction of strategic shareholdings (¥30 billion reduction from FY 2022 level by the end of FY 2027)

### Social Issues Solution Strategy

- Support for the growth of local industries (accompanying support to local businesses)
- Contribution to secure and affluent lifestyles (support for 100-year life)
- Contribution to a decarbonized society and environmental conservation (supporting the transition to a decarbonized society and contributing to solving energy problems)

### Management Base Resilience Strategy

- Add value through DX (strategic use of data and AI)
- Promote alliances (wide-area cooperation, regional cooperation, external business cooperation and utilization of capital)
- Strengthen human capital and promote DE&I (increase human capital investment)
- Advance risk management (advancement of RAF)

Strategic DX investment	Fourth Mid-Term Plan (cumulative)	¥14.0 billion (+ ¥7.0 billion*)
Human capital investment	Fourth Mid-Term Plan (cumulative)	¥3.0 billion (+ ¥0.5 billion*)
Percentage of female employees in manager positions or higher	(medium-term target)	27.0% (+ 4.0%*)

\*1 : As compared with Third Mid-term Group Business Plan (cumulative)

\*2 : As compared with FY24 (forecast)

**5**

## **Reference**

## 5 Reference

### ■ Overview of Roadmap for DX Strategy (FY2025- ) and KSF

DX Strategic Investment Areas	Categories	Major Initiatives for FY2025 - FY2027	What We Aim for (To Be) at the end of FY2027
	Digitalization / Innovation in Traditional Banking Business	<ul style="list-style-type: none"><li>● <u>Strategic use of generative AI in traditional banking business</u></li><li>● Introduction of the next-generation branch system (improving UI/UX in transaction processing)</li><li>● Multi-functionalization of the front desk reception navigation system (paperless transactions), realization of front desk operation innovation</li><li>● Transformation of sales styles and strengthening of customer data accumulation through CRM/SFA upgrades</li></ul>	<ul style="list-style-type: none"><li>● Strategic use of AI is advancing, and several highly effective best practices have been published.</li><li>● CRM/SFA systems have been revamped, leading to improvements in sales activities.</li></ul>
	Improvement of Digital Channels / Expansion of Contact Points with Customers	<ul style="list-style-type: none"><li>● Enhancement and increased adoption of digital channels through improved UI/UX</li><li>● Shift to non-face-to-face transactions for tax payments and inter-corporate settlements</li><li>● Adaptation to changes in identity verification environments (JPKI, DID/VC, etc.)</li><li>● Research and practical application aimed at utilizing remote sales and virtual spaces for business</li></ul>	<ul style="list-style-type: none"><li>● The UI/UX of each digital channel has been improved, resulting in higher customer satisfaction.</li><li>● Many tax and public payments, as well as inter-corporate settlements, have shifted to self-service transactions.</li></ul>
	Strengthening Data Utilization	<ul style="list-style-type: none"><li>● <u>Expansion of integrated data base and evolution of statistical AI utilization</u></li><li>● Increased personalized marketing scenarios using MA and CDP</li><li>● Strengthening of data governance through BI and data catalogs</li><li>● Improved return on advertising investment through advanced web marketing</li></ul>	<ul style="list-style-type: none"><li>● The frequency and scope of use of statistical AI tools have expanded and penetrated the organization.</li><li>● Marketing scenarios using MA have been enriched, and the proportion of in-house production of web advertisements has increased(leading to improved cost-effectiveness).</li></ul>
	Enhanced DX Infrastructure	<ul style="list-style-type: none"><li>● Measures for a transition to the next core system and decentralization from system center</li><li>● Development of DX human resources in line with actual practice and portfolio management</li><li>● Creation of a comfortable working environment such as by reviewing groupware</li><li>● Enhancement of security capabilities to defend against increasingly complex cybercrimes</li></ul>	<ul style="list-style-type: none"><li>● The digital working environment is in a state of high employee satisfaction.</li><li>● The necessary number of DX personnel required for practical tasks has been secured.</li></ul>
	DX Support / Collaboration with Customers and Local Regions	<ul style="list-style-type: none"><li>● Evolution into DX consulting that deeply supports core businesses</li><li>● Expansion of support systems for customers through collaboration with external entities</li><li>● Development of accompanying support and DX support projects that contribute to regional revitalization and municipal DX</li><li>● Human resources development aimed at enhancing the level of DX support sales and consulting</li></ul>	<ul style="list-style-type: none"><li>● DX support sales are leading to core business support that goes beyond one-off BM.</li><li>● Collaboration with external parties has progressed, and support for customers' DX, including implementation and establishment, is being carried out and operated effectively.</li></ul>

# Inquiries

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