

FUKUOKA FINANCIAL GROUP

Toward 2030
Together with Local Community

FFG ANNUAL REPORT 2022

Our Principles

Group Management Principles

(Unchanging mission)

Brand Slogan

Core Value

Sustainability Policy

Long-term Vision 2030



FUKUOKA FINANCIAL GROUP

FFG aims to become a financial group that creates values for all stakeholders by:
Enhancing perception and taking actions without fear of failure, Pursuing high
quality for future progress, and Bolstering people's optimum choice.

To be your Bank of choice

Your closest bank Your reliable bank Your sophisticated bank

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

The Best Regional Bank that contributes to the growth of all stakeholders
through finance and consulting



CONTENTS

FFG Overview

- ▶ 04 The Story of Fukuoka Financial Group
- ▶ 06 Message from the President
- ▶ 14 Kyushu Figures
- ▶ 16 Strengths of FFG
- ▶ 18 Value Creation Process
- ▶ 20 FFG At a Glance

Management Strategies

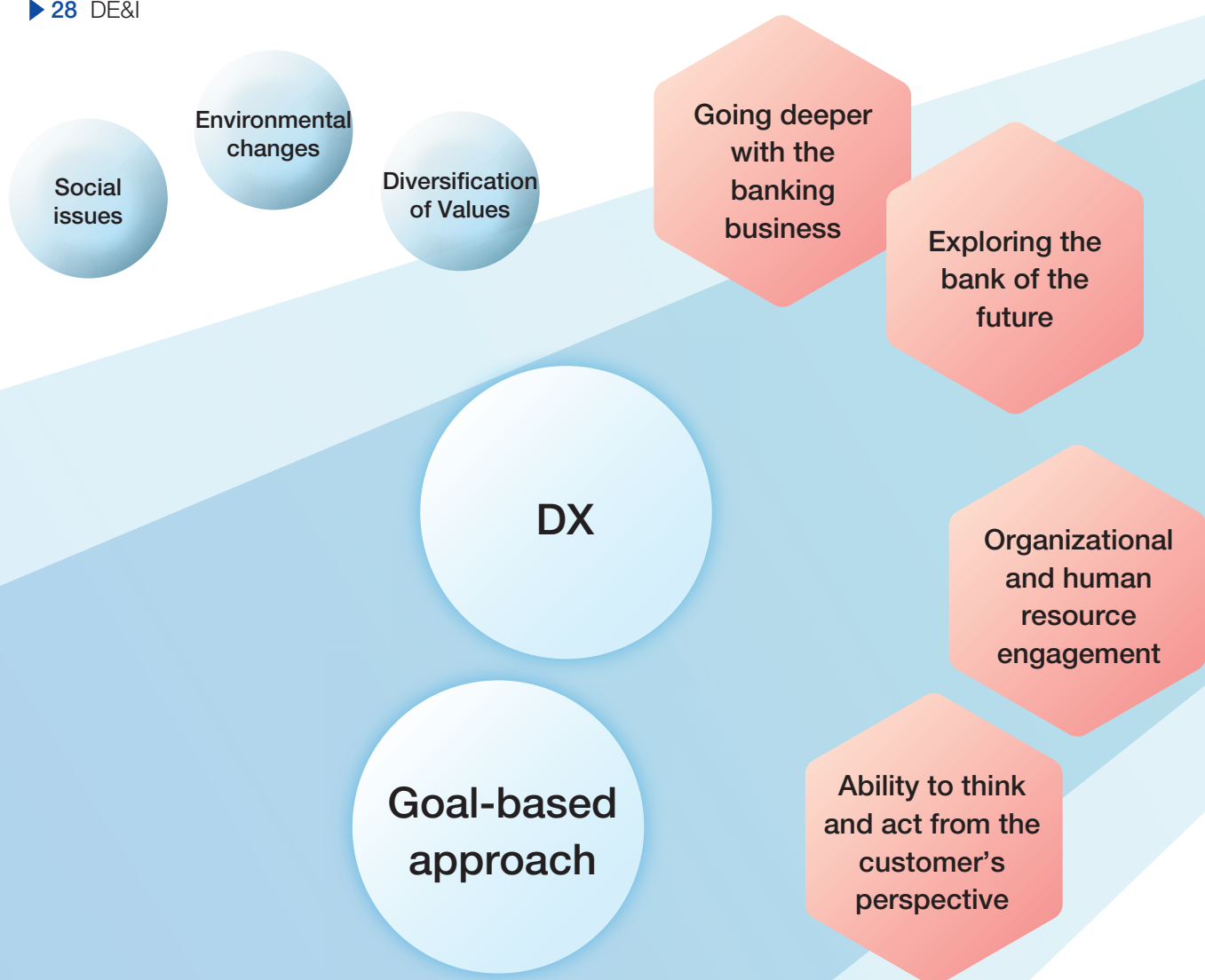
- ▶ 22 Risks to Achievement of Long-term Vision and Action Plans
- ▶ 24 The 7th Mid-Term Management Plan
- ▶ 25 Priority Initiatives
- ▶ 28 DE&I

Sustainability

- ▶ 30 Sustainability

Management Base

- ▶ 42 Corporate Governance
- ▶ 48 Interview with External Director
- ▶ 50 Risk Appetite Framework
- ▶ 53 Risk Management
- ▶ 58 Compliance Measures
- ▶ 61 Shareholder Communication
- ▶ 62 Corporate Data



Our mission and promise

Group Management Principles

Brand Slogan

The society we aim to create

Economically, materially, and
spiritually enriched society

FFG's Long-term Vision 2030

The Best Regional Bank that
contributes to the growth of all
stakeholders
through finance and consulting

Regional economic
Development
Improvement of
FFG Corporate Value

A financial group that bolsters people's optimum choice

To be your bank of choice

The Story of Fukuoka Financial Group

Fukuoka Financial Group, Inc. (FFG), was established as a financial holding company through the joint share transfer of the Bank of Fukuoka and the Kumamoto Bank on April 2, 2007. The Shinwa Bank joined into the Group in the same year and the Eighteenth Bank also integrated in 2019. Since those two banks merged on October 1, 2020, The Juhachi-Shinwa Bank was newly established.

With its headquarters in Fukuoka, the largest

city in Kyushu, FFG's network extends across the Kyushu region through bases in the three prefectures of Fukuoka, Kumamoto and Nagasaki.

All officers and employees of the Fukuoka Financial Group are united in their efforts to fulfill the promise to stakeholders to make FFG "your Bank of choice." We look forward to your continued support in our drive to upgrade our services as a broad area-based regional financial group that spans local and global levels.

Fukuoka Financial Group, Inc.

Within Kyushu	419
Other	9

THE BANK OF FUKUOKA, LTD.

Fukuoka Prefecture	152
Within Kyushu	12
Other	6

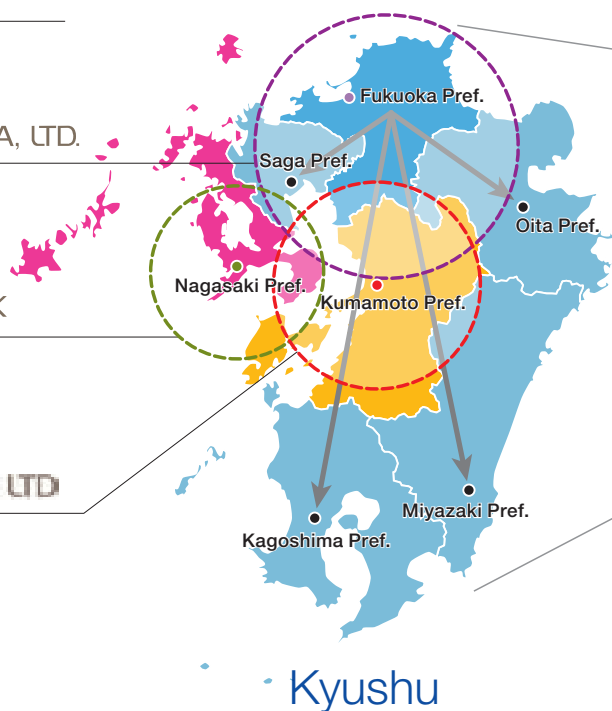
JUHACHI-SHINWA BANK

Nagasaki Prefecture	164
Within Kyushu	21
Other	3

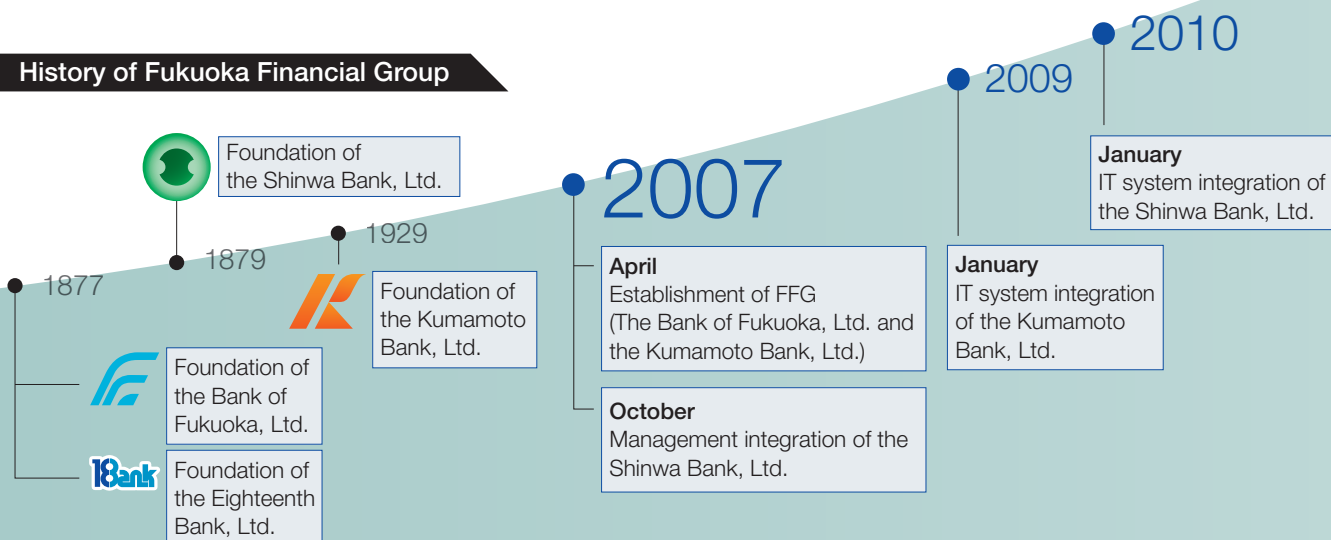
THE KUMAMOTO BANK, LTD.

Kumamoto Prefecture	63
Within Kyushu	7

(As of September 30, 2022)



History of Fukuoka Financial Group



FFG's Overseas Network

Kyushu has strong relationships with Asian countries and is a market with enormous potential. We are supporting our customers by broadly strengthening our contact points throughout Japan and overseas.

Japan

FFG Overview

China

U.S.A.

2022

2021

2020

2019

2016

2015

2012

March
Opening of representative office in Bangkok

April
Maeda Securities Co., Ltd. becomes a wholly owned subsidiary, and begins operations as Fukuoka Securities Co., Ltd. (now FFG securities Co., Ltd.)
—Group-wide balance of deposits exceeds ¥11 trillion.

December
Opening of representative office in Taipei

April
Launch of iBank Business

July
Opening of representative office in Ho Chi Minh City

April
Business Integration with the Eighteenth Bank, Ltd.

October
Merger of the Shinwa Bank, Ltd. and the Eighteenth Bank, Ltd. (The Juhachi-Shinwa Bank, Ltd. was established.)

May
Launch of commercial operations of Minna Bank, Ltd.

—Loans: ¥16.8 trillion
—Deposits: ¥20.5 trillion
(as of March 31)



Fukuoka Financial Group, Inc.

The Bank of Fukuoka, Ltd.

The Kumamoto Bank, Ltd.

The Juhachi-Shinwa Bank, Ltd.

Minna Bank, Ltd.



FFG Head Office (Fukuoka City)



Hisashi Goto

Director & President
Fukuoka Financial Group, Inc.

Message from the President

Realizing a Prosperous Society by Working Together with our Local Community

My name is Hisashi Goto. I assumed the position of President of Fukuoka Financial Group, Inc. (FFG) and President of the Bank of Fukuoka, Ltd. in April 2022.

I was born and raised in Isa City, Kagoshima Prefecture, a town in the northernmost tip of the prefecture with abundant natural scenery. After graduating from high school, I came to Fukuoka, and I've been here for 42 years now.

In 1985, I joined the Bank of Fukuoka because of the potential for growth of Fukuoka, where I spent my university days. After joining the bank, I gained experience in four different branches and handled head office operations such as human resources, planning, and sales. When I first joined, I struggled to learn how to do my job. Since then, I have experienced various challenges

as well as failures and setbacks, but I have been blessed with outstanding superiors, subordinates, and colleagues who have supported me throughout. Of course, I learned much from our customers. I would have to say that, overall, I learned more hard lessons than easy ones, but those are the sustenance of life.

My favorite book is Saburo Shiroyama's *Sukoshi-dake muri wo shite ikiru* (Living life a little harder). I feel sympathy for how historical leaders who appear in that book lived their lives. There is one passage that says "Putting yourself in a situation where you live through some hardship can bring forth incredible results." I hope to always have such an attitude as my vision, my guide to life.

Roles to be Played by Top Management

Upon assuming the position of the President, I declared three efforts inside and outside the company that I want to focus on: “being thoroughly customer-focused,” “bringing out the vitality of people and the organization,” and “continuing to increase profits.” I aim to maintain this virtuous cycle and achieve sustainable growth for FFG.

The *raison d’être* of a corporation is to “do good for the world.” For us, that means solving problems of our customers in the local community and contributing to the creation of a prosperous society. Of course, profits are essential to sustain such activities.

The profits that enable us to continue our business depend on the support of our customers. In order to ensure that our services satisfy our customers, we give priority to “being thoroughly customer-focused” in all aspects of our business, including sales, administration, and development of products and services.

“Being customer-focused” is the responsibility of not only our sales representatives, but of all employees, including those in charge of internal business processes and system development. It is important that each employee works energetically and that the organization is dynamically linked together, meaning it is important to “bring out the vitality of people and the organization.”

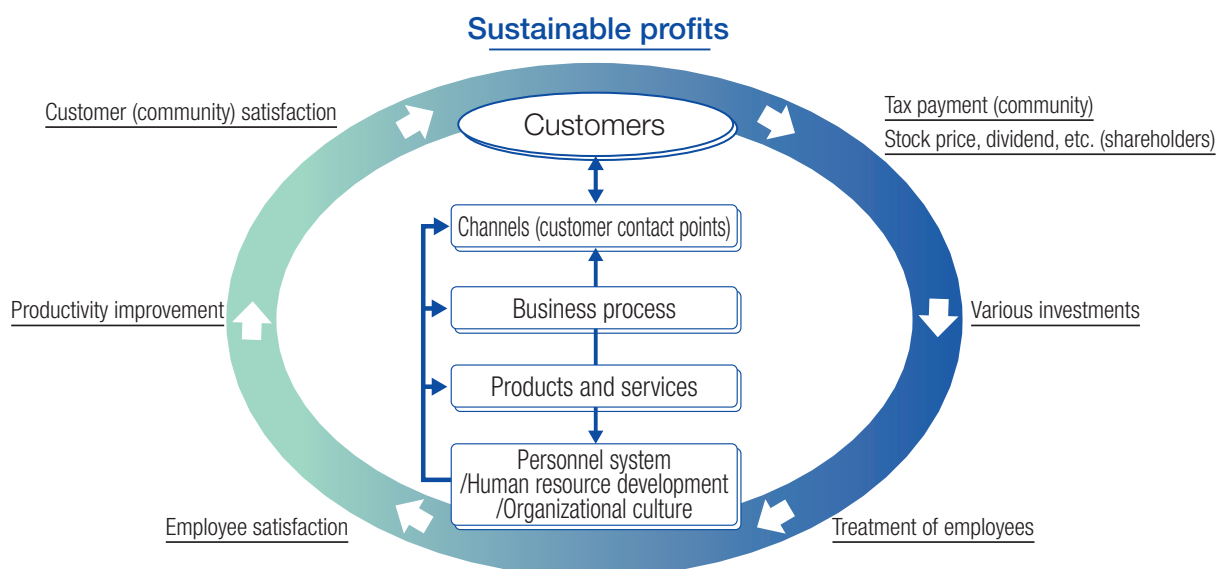
We will use the profits thus obtained to give back to local communities and shareholders, invest in new businesses, and improve the working conditions of our employees. It will create a virtuous cycle that will lead to improved productivity, customer satisfaction, and higher profits.

In addition, we will strengthen management leadership to connect the Group and employees’ goals, so that each employee can achieve self-actualization while feeling worthwhile and fulfilled by “being of assistance to others” (contributing to others).



Corporate Sustainability

—Solving stakeholder issues while continuing to generate profits—



Environmental Awareness

Since our establishment in 2007, we at FFG have taken on challenges ahead of other companies, such as management integration and the launch of Minna Bank, to expand our customer base and business scope, as well as to strengthen our management base including profitability and soundness. We believe that the strength of our company is that through these efforts, we have increased our presence in Kyushu, a region that has strong potential in many fields.

Over the past few years, social changes such as progress in technological innovation and increased awareness of the SDGs have been accelerated by the COVID-19 pandemic. In addition to structural issues such as population decline and aging, geopolitical risks are affecting local economies, increasing uncertainty about the future.

From now on, our major theme will be to respond to these risks and to turn them into opportunities to drive growth, in other words, to take on new challenges.

The Bank of Fukuoka, FFG's oldest bank, celebrated its 145th anniversary this year. While facing numerous crises, we have established our own identity in the region and overcome great difficulties. The same is true for the Kumamoto Bank and the Juhachi-Shinwa Bank. Both have long histories, and their resilience has been passed down to the current FFG. As I mentioned at the beginning, by being aware of our *raison d'être* and pushing ourselves a little harder, I believe we will be able to overcome rough seas the likes of which we have never seen before, and this will become an opportunity for our growth.

 The Story of Fukuoka Financial Group P. 4

Long-term Vision 2030

When it was established in 2007, FFG adopted the Group Management Principles, our unchanging mission even in times of change, and the brand slogan "To be your Bank of choice" that sums up these principles. One of the Group Management Principles is "bolstering people's optimum choice," and this can be rephrased as "FFG exists to think and deliberate with our customers and partners to support them in making the best choices," which is FFG's *raison d'être*, our purpose.

Since the establishment of FFG, our business environment has changed significantly. Our *raison d'être*, however, is unchangingly to "bolster people's optimum choice" and contribute to the creation of prosperous society.

Based on these management principles, we formulated our "Long-term Vision 2030: To be the

best regional bank that contributes to the growth of all stakeholders through finance and consulting" looking toward the year 2030.

The future we aim to realize by 2030 is a society that is economically, materially, and spiritually richer. This is also the goal of the SDGs, which is intended to harmonize the environment, society, and economy. Aiming to achieve such a society, we help solve various problems while improving our service development capabilities, solution capabilities, and organizational capabilities. We practice "FFG sustainability management," which will lead to the creation of a virtuous cycle of contribution to the local community, FFG's growth, and the growth of our employees.

 Value Creation Process P. 18

FFG's Growth Strategy

< The 7th Mid-Term Management Plan and business growth >

2030, the target year of our long-term vision, is seven and a half years away. In our 7th Mid-Term Management Plan, which started in FY2022 as a successor to our 6th Mid-Term Management Plan, we are focusing on four priority initiatives based on profit growth through core businesses: sales reforms, second business reforms, strengthening strategic subsidiaries, and taking on the challenge of new businesses.

The measures implemented in the 6th Mid-Term Management Plan, along with their results, will be utilized in the measures of the 7th Mid-Term Management Plan. "Business reforms" will lead to "second business reforms," which aims for the digitalization of procedures and promotion of administrative reform. Likewise, the system and training of specialists cultivated through the "Investment Trusts Palette" will lead to "sales reforms," and the various know-how acquired in advance by "Minna Bank" will lead to "digital transformation (DX)" for the entire FFG.

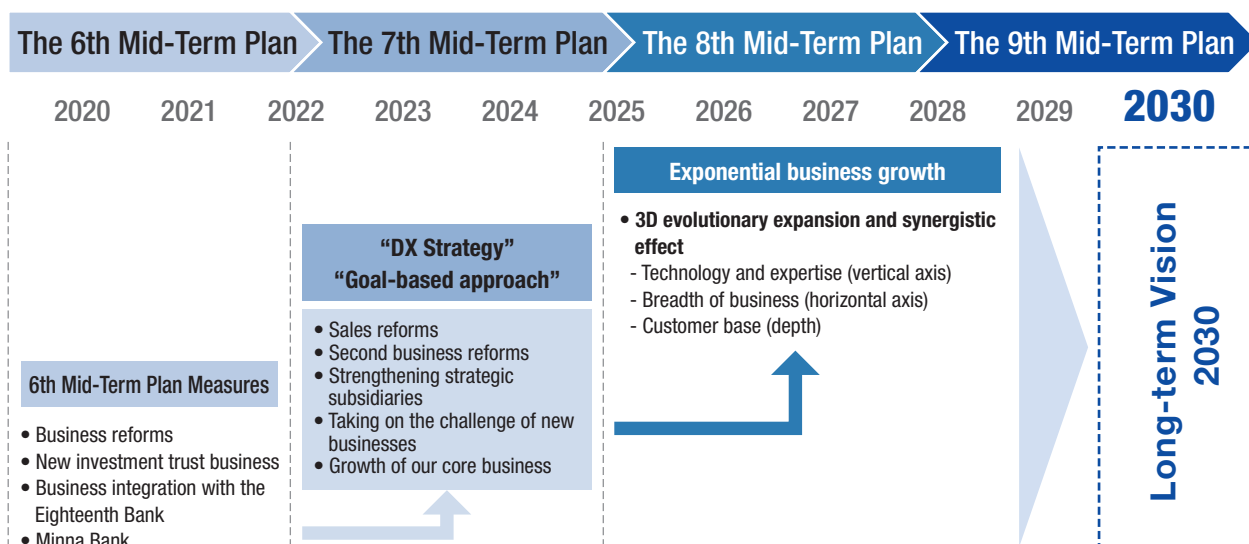
In the 7th Mid-Term Management Plan, we will link these measures with "DX" as the starting point to create synergy. Through a "goal-based

approach," in which we work side by side with each customer toward their goals (company management principles and goals, personal dreams), we will establish a truly customer-focused business and pass it on to the 8th Mid-Term Management Plan and beyond, which cover the next five-year period.

We will enhance our business expertise through "DX" and the "goal-based approach" in the 7th Mid-Term Management Plan and expand the scope of our operations by growing new businesses, forming alliances with companies in other industries, and strengthening strategic subsidiaries. By enhancing our expertise and expanding our scope of business, expansion of our customer base can be expected.

Working toward 2030, we will advance and expand the three dimensions of "technology and expertise" ("vertical axis"), "breadth of business" ("horizontal axis"), and "customer base" ("depth"). We also aim to realize our long-term vision by dramatically growing our business through those synergies.

📖 The 7th Mid-Term Management Plan P. 24



< Collaborating on measures based on DX >

FFG aims to be a new model of the ideal bank that seamlessly connects digital and human services and is closer to customers than ever before. However, we believe that digital technology is a

prerequisite for bank operations, as well as customers' businesses and lifestyles, and that the ultimate point of contact with customers should be the human touch.

By transforming our people, organizations, and business processes using digital technology, we will change the behavior of our staff and provide value that exceeds customer expectations. This is a true “customer-focused” approach, which leads to sustainable growth through improved earnings. It creates a virtuous cycle that contributes to the creation of a prosperous society for both our customers and communities. The process leading up to realization of this cycle is FFG’s “DX.”

Using the smartphone app that we currently have in development, customers will be able to smoothly complete general transactions such as opening accounts or changing their addresses, anytime, anywhere. We will digitalize not only customer transaction channels, but also many business processes, such as product and service development, in order to improve productivity.

In addition, we will build an SFA (sales force automation) system in order to use data accumulated from both real and digital channels for sales activities and guidance to customers. We will work toward reforming our sales style so that

we can use this SFA to help solve latent problems that customers may not have noticed.

The new SFA system also converts the personal knowledge, know-how, and sensibilities of the staff in charge into explicit knowledge and shares it within the organization. This develops and homogenizes the skills of sales representatives and makes it possible to do more specialized and custom-made consulting.

The shift to digital channels for day-to-day transactions will improve operational efficiency, allowing employees to shift to more specialized and productive work. Along with reviewing the way our branches should be operated and our sales system, we will also increase the frequency and duration of contact with customers, which will make for deeper relationships with customers.

In addition, by utilizing digital technology, we will facilitate communication within FFG and create an environment where each employee can work efficiently and actively.

 DX Strategy P. 26

 Sales Strategy P. 25

FFG Organizational Culture Building and Human Resource Strategy

In brief, the 7th Mid-Term Management Plan is “transformation of the FFG’s business model, starting with DX.” To that end, we will promote the creation of an organization in which each individual employee can share their goals and objectives, and feel that they are of assistance to customers and local communities, contributing to FFG’s growth.

In the age of VUCA (volatility, uncertainty, complexity, and ambiguity), our leaders should play the role of “servant leadership,” which indicates the direction the organization aims to take, draws out the capabilities of individuals, and supports proactive activities. From this perspective, we place importance on an organizational culture that fosters “psychological safety.”* It is important for everyone to express their opinion, not only in risk management but also when taking on new challenges. This enables us to avoid various business risks. Furthermore, it increases our chances of sharing fresh ideas that will lead to business growth and innovation.

In addition, we promote diversity, equity, and inclusion (DE&I) initiatives that aim for “employee autonomy and self-reliance.” In order to make our way forward in an era of uncertainty, it is required for us to bring out the strengths of individuals with diverse backgrounds. While advancing the active participation of women and strengthen mid-career recruitment, we are also developing a variety of career paths, such as a specialist course and a challenge system to develop next-generation managers.

We will actively invest in human resources through recruitment, development, placement, evaluation, and treatment of the diverse human resources who will support our future business and build a “strategic human resource portfolio.”

* “A climate in which people are comfortable expressing and being themselves” (excerpt from *The Fearless Organization* by Amy C. Edmondson)

 DE & I P. 28

Response to Environmental Issues

In order to contribute to realizing a sustainable society, FFG has established a “Sustainability Policy” in 2020 and has set “environmental protection” as one of its focus items (materiality). We recognize that responding to climate change is an important management strategy issue, and we are actively responding by setting goals for sustainable finance (an accumulated amount of 2 trillion yen by FY2030 (including 1 trillion yen in environmental finance)), and conducting scenario analysis of climate-related risks such as “transition risk” and “physical risk.”

As for our carbon-neutral goal, in May of this year we set a goal of net zero CO₂ emissions from FFG by FY2030. By committing ourselves to

carbon neutrality, we will work together as a group to support the efforts of local customers to transition to a decarbonized society and to support innovative technologies.

In our efforts, we will maximize the use of the functions of Sustainable Scale, Inc., our SDGs support subsidiary established in April 2021. Specifically, we visualize the issues of our customers through dialogue using the “Sustainable Scale Index,” an index that measures ESG/SDGs initiatives, and provides various solutions for issues such as finance and business matching, helping to improve the region’s sustainability.

 Sustainability P. 30

Capital Strategy and Shareholder Returns

FFG conducts capital management while taking into account the balance between shareholder returns and growth investments aimed at the development of local communities and the enhancement of FFG’s corporate value, based on the premise of maintaining soundness of the company.

In our current Mid-Term Management Plan, we have set a capital adequacy ratio target at around 15% (on a regulation-finalized, fully applied basis) as our guideline for capital management. Our current ratio is around 10%, so during the period of the current Mid-Term Management Plan, we plan to allocate profits in a well-balanced manner between growth investments and shareholder returns over the next three years.

With regard to shareholder returns, our basic policy for stable dividends (either maintained or increased) through profit growth remains unchanged. Our basic dividend payout ratio will continue to be around 35%. In FY2022, we plan to increase the dividend by 10 yen from the previous fiscal year to 105 yen (an increase of 70 yen compared to when FFG was established).

In FY2022, we acquired our own shares for the first time since the establishment of FFG. Going forward, we will continue to flexibly consider acquisition of our own shares while taking into account performance trends, our capital situation, growth investment opportunities, the market environment, and so on.

We have set a target for ROE in the current Mid-Term Management Plan at around 6%. We will strive to improve ROE over the medium to long term by making growth investments that will lead to improved profitability, such as investments in the priority initiatives of the current Mid-Term Management Plan, and steadily capturing the effects of those investments. Although the current business environment is becoming increasingly severe due to various risk factors, we will continue to aim for sustainable growth and increased corporate value through quality and constructive dialogue with our stakeholders and proactive disclosure of financial and non-financial information.

 Communication with Stakeholders P. 61

“Our Shape and Way May Change, But Not Our Commitment.”

As a financial group rooted in the local community, FFG has provided the original functions of a bank, such as financial intermediation, credit creation, and settlement. At the same time, we have boldly taken on the challenge of new businesses in anticipation of changes in the times and customer needs. The trust and credibility that we have built up in this way from the local community are our greatest assets.

Today, the banking industry is facing a harsh competitive environment as various players enter the business along with advances in technological innovation. On the other hand, the robust nature of Japan’s uniquely evolved banking system and the Japanese mentality of placing importance on trust and credibility will not change significantly. Therefore, I believe that the enhancement of our

expertise through expansion of our banking functions (scope of business), including cooperation with companies in other industries, is a rational move for our customers as well. Of course, this assumes that we continue to evolve.

What is necessary for that is to always feel the flow of the world, incorporate new things, and not be afraid of change for the sake of our customers. The desire to “be of assistance to others” is universal among all FFG employees. I myself intend to lead FFG and pave the way forward in this era with an uncertain future, following FFG’s unwavering “ambition” and the brand slogan, “To be your Bank of choice.”

I humbly request your continued support as we aim to create a better future in 2030.



Hisashi Goto

Director & President
Fukuoka Financial Group, Inc.

The true face of top management

My hobbies are listening to music (including a wide range of Japanese and foreign music) and playing a musical instrument (drums). I started playing the drums when I was a university student. I am taking a break now, but would like to play again if I have the opportunity. I also enjoy novels because they offer vicarious experiences of life, so I read books by various authors. I enjoy stories by Jiro Asada, who is known for the novel *Poppoya (The Stationmaster)*, and I am impressed by the ways of life of historical leaders who always took on new challenges.



Kyushu Figures

10% of Japan's Economy

Population **10.2 %**

10.2% of total population of Japan lives in Kyushu.

Scale of Production **4th**

The Kyushu region represents the fourth-largest economy in Japan, following Tokyo (Kanto), Osaka (Kinki) and Nagoya (Chubu) regions.

Time to Airport **5 minutes**

Fukuoka Airport is only 5–10 minutes by subway from central Fukuoka.

Kyushu is referred to as “the 10% of Japan's Economy” because it accounts for approximately 10% of Japan's total population, GDP, number of businesses, etc.

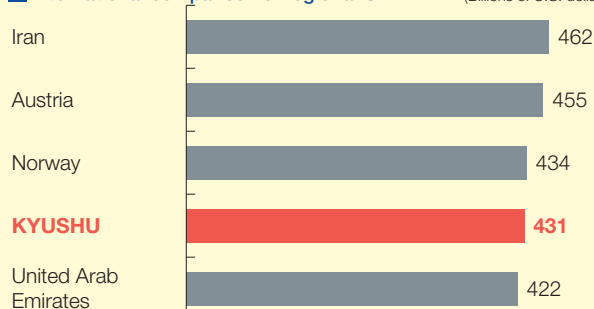
In terms of GDP, Kyushu is the fourth largest economy following the three major metropolitan areas of Kanto, Kinki, and Chubu, and is an important domestic production base for key industries including the cars, IC-related, agricultural, and food product industries.

In addition, as high-speed transport networks with Fukuoka Prefecture at its center have been developed, Kyushu not only offers convenience, but as a gateway to Asia has high potential for expanded transactions with the Asian region.

Kyushu's Place in the World

International comparison of regional GDP

(Billions of U.S. dollars)



Source: Profile of Kyushu 2022, Kyushu Bureau of Economy, Trade and Industry

Data Analysis for Kyushu

Gross Prefectural Production*¹ (FY2018)

Kyushu Total **45.9** trillion yen



Population*¹ (2021)

Kyushu Total **13.0** million



■ Fukuoka ■ Kumamoto
■ Nagasaki ■ Other prefectures of Kyushu

Number of Businesses*¹ (2021)

Kyushu Total **539,921**



Commercial Sales*³ (2014)

Kyushu Total **34.4** trillion yen



Sources *¹ Summary of Kyushu economy 2021, Kyushu Bureau of Economy, Trade and Industry
*² Deposits, Vault Cash, and Loans and Bills Discounted by Prefecture, Bank of Japan
*³ Census of Commerce in 2014 (confirmed report), Ministry of Economy, Trade and Industry

Loans*² (March 31, 2022)

Kyushu Total **39.7** trillion yen



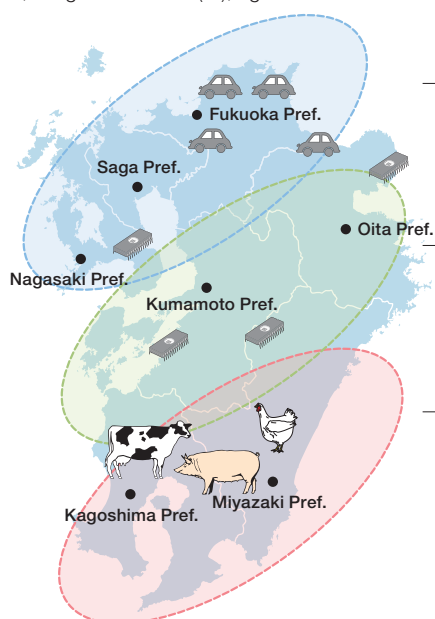
Deposits*² (March 31, 2022)

Kyushu Total **58.4** trillion yen



Well-Balanced Industry Grouping

Kyushu is an important base of production in Japan for the cars, integrated circuits (IC), agriculture and food industries.



Northern Kyushu, a center of “Car Island”

is an important car-producing region with accumulated factory base of domestic manufacturers such as Toyota, Nissan and Daihatsu.

Middle Kyushu, contributes to “Silicon Island”

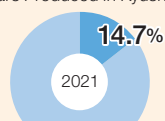
is home to a flourishing semiconductor industry, facilitated by its high-quality water sources, abundant workforce and well-developed infrastructure of roads and ports.

Southern Kyushu, a center of “Food Island”

produces foods with brand power such as Miyazaki beef and Kagoshima black pork.

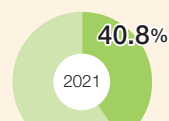
Share in Japan

Number of Passenger Cars Produced in Kyushu



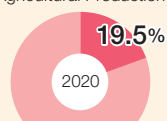
1.15 million

Amount of IC Production



7,733 billion yen

Amount of Agricultural Production

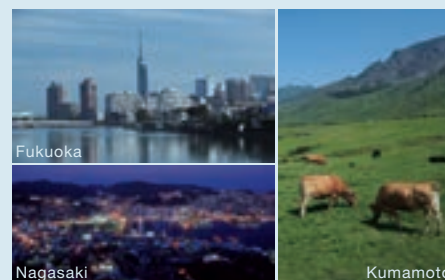


1.74 trillion

Sources: Summary of Kyushu 2021, Kyushu Bureau of Economy, Trade and Industry

What is Kyushu?

Kyushu is located in the south westernmost area of Japan. It is bordered by the East China Sea to the west and the Pacific Ocean to the east. The climate is slightly warmer and more tropical than Honshu, mainland of Japan. The region has rich nature, multiple World Heritage sites, and a robust tourism industry. In Fukuoka Prefecture, where the headquarters of FFG is located, new seeds for growth are sprouting, characterized by large-scale redevelopment that takes advantage of the National Strategic Special Zone and active start-up support through public-private collaboration.



Convenient Transport Hub

Since various means of transportation of land, sea, and air are concentrated in central Fukuoka, it has taken the role of a hub which connects the flow of people, goods, money and information with each prefecture in Kyushu.



Fukuoka Airport

The flight time to most of Asian countries is more than an hour shorter than that from Tokyo.



Port

In the number of foreign cruise ship nationwide, Hakata (2nd), Nagasaki (4th), Kagoshima (8th), and Sasebo (10th) are ranked with in the 10th.



Shinkansen (high-speed railway)

Its network connects mainland to the city of Kagoshima in the South of Kyushu. In 2022, the route to Nagasaki has newly opened for service.

A New Wave in the Regional Economy

Fukuoka, a Global Start up City

Fukuoka City offers substantial support, including preferential tax treatment and subsidies, to start-up companies. At Fukuoka Growth Next, a next-generation start-up support facility, Fukuoka City and local companies work together to offer development programs, collaborate with global accelerators, and create financing opportunities.

As part of the Startup Hub City Project, Fukuoka City has been selected as a Global Startup City and Kitakyushu City as a Startup City, which indicates an accelerating trend to support start-ups in various areas.

Impact on expansion of TSMC in Kumamoto

TSMC, the world's largest commissioned production, built a new factory in Kikuyo-cho, Kumamoto prefecture. Demand for funds has increased across a wide range of industries, including real estate, semiconductors, logistics, and commercial facilities.

Fukuoka City Ranked 1st in Japan

Population growth rate
(among designated cities)*1

Proportion of young generation
(among designated cities)*2

Business start rate
(among 21 major cities)*3

Proportion of prospective entrepreneurs
(among designated cities)*3

Amount of funds raised
by university-based start-ups*4

Kyushu University Ranked 3rd in Japan

Source:

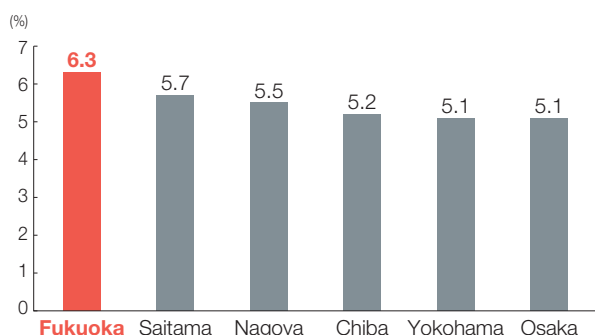
*1 Statistics Bureau of Japan, "2020 Population Census"

*2 Fukuoka City, "Vision for Global Start-up City Fukuoka"

*3 Fukuoka City, "Fukuoka Facts"

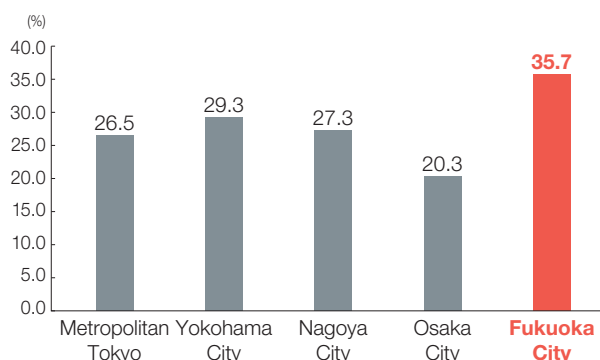
*4 INITIAL, Inc., "2021 1H Japan Startup Finance"

Business Start Rate among 21 major cities of Japan (FY2021)



Source: Fukuoka City

The rate of increase of foreign residents in Fukuoka city is at the top level for major cities. Growth rate of foreign residents (2015-2020)



Source: Created by the Kyushu Bureau of Economy, Ministry of Justice, "Statistics on Foreign Residents"

Strengths of FFG

Corporate culture without fear of failure

FFG's strengths are its creative and challenging corporate culture and its ability to make decisions that allows such culture. FFG has been one of the first banks to take action in several areas, such as parting with non-performing loans after the bursting of the asset bubble, management integration utilizing such know-how, and initiatives in new fields with an eye on the future. By actively taking on the challenge of unprecedented strategic options, we have developed a sound awareness of risk, enhanced perception, and the ability to take action without fear of failure.

- Disposal of non-performing loans
 - March 2001 The Bank of Fukuoka recorded an allowance for loan losses of 175.0 billion yen (a loss of 76.8 billion yen); V-shaped recovery from the following year
 - February 2009 Company split Improvement in ratio of non-performing loans (5-6% level to 2-3% level)
- Business integration
 - ✓ April 2007 The Kumamoto Family Bank (now the Kumamoto Bank)
 - ✓ October 2007 The Shinwa Bank
 - ✓ April 2019 The Eighteenth Bank

2020.10 Merger (The Juhachi-Shinwa Bank)
- New initiatives
 - April 2016 iBank business (participated in by 9 regional banks across Japan)
 - May 2021 Launch of commercial operations of Minna Bank

Sophisticated and diverse human resources

We have developed human resources with high levels of expertise and diverse skills through the execution of various strategic options. Above all, the source of FFG's competitiveness is its assessment and problem-solving abilities for the industry cultivated through business revitalization.

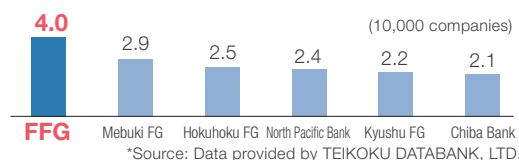
Through human resource exchanges beyond boundaries of banks and fields, we have worked to integrate cultures and sophisticate skills. We are also actively investing in the development of specialist human resources in order to meet the changing needs of our customers. We have established a system and an environment in which diverse human resources can play active roles regardless of gender or age.

- Development and recruitment of specialist personnel
 - Financial Planners who is equivalent to 1st grade Certified Skilled: 448
 - Number of mid-career recruitment: 46 (FY2021)
 - Number of digital human resources: 299
- Promotion of DE & I
 - Women in management positions: 427
 - Number of foreign employees: 11
 - Percentage of childcare leave taken by men 70.7% (FY2021)

Solid business base

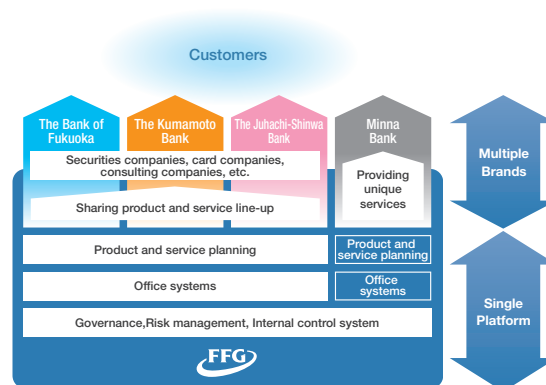
For the three years after the establishment of the Group, we worked on customer-centered sales after developing the management infrastructure and improving our balance sheet. We focus on understanding the needs and solving problems of our corporate customers. For retail customers, we offer a strong lineup of products and highly convenient services. In this manner, we have earned strong support from our customers, thereby dramatically expanding our sales base. Today, our sales base is top class among regional banks.

- Retail banking customers: Approximately 6.55 million (approx 50% of Kyushu's population)
- Corporate banking customers: Approximately 280,000 (approx 40% of business offices in Kyushu)
- Companies using FFG as main bank: 40,000 (the largest number of all regional banks)



Single Platform/Multiple Brands

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



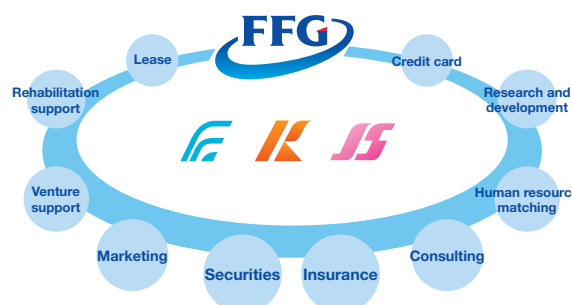
Broad yet close-knit network

FFG's mother markets are Fukuoka, Kumamoto, and Nagasaki, which together account for roughly 60% of Kyushu's economy. We are a “broad-area based regional financial group” that seamlessly covers the entire area with three regional banks, and we also have a network outside of Kyushu. We have established eight overseas offices, mainly in Asia, which is geographically close and has active economic exchange with Japan. We have also built a support system that can respond to the needs of customers overseas.

- Domestic branches: 428
(Average for top ten regional banks in terms of total assets: 200-300 branches)
- Overseas offices: 8
- Number of ATMs: approximately 2,200 units

Group total power

FFG is a comprehensive financial service group with 22 affiliated companies in total. We are capable of addressing all the needs of our customers, from securities, insurance, and consulting, to marketing, lease and venture support. Few financial groups are capable of performing this many functions, and our ability to provide advanced solutions that make the most of the power of our organization is one of FFG's unique strengths. Strengthening subsidiaries is a pillar of our strategy, and we have established several new companies in the past few years. We are building a Group-wide operating system that includes banks and affiliated companies.

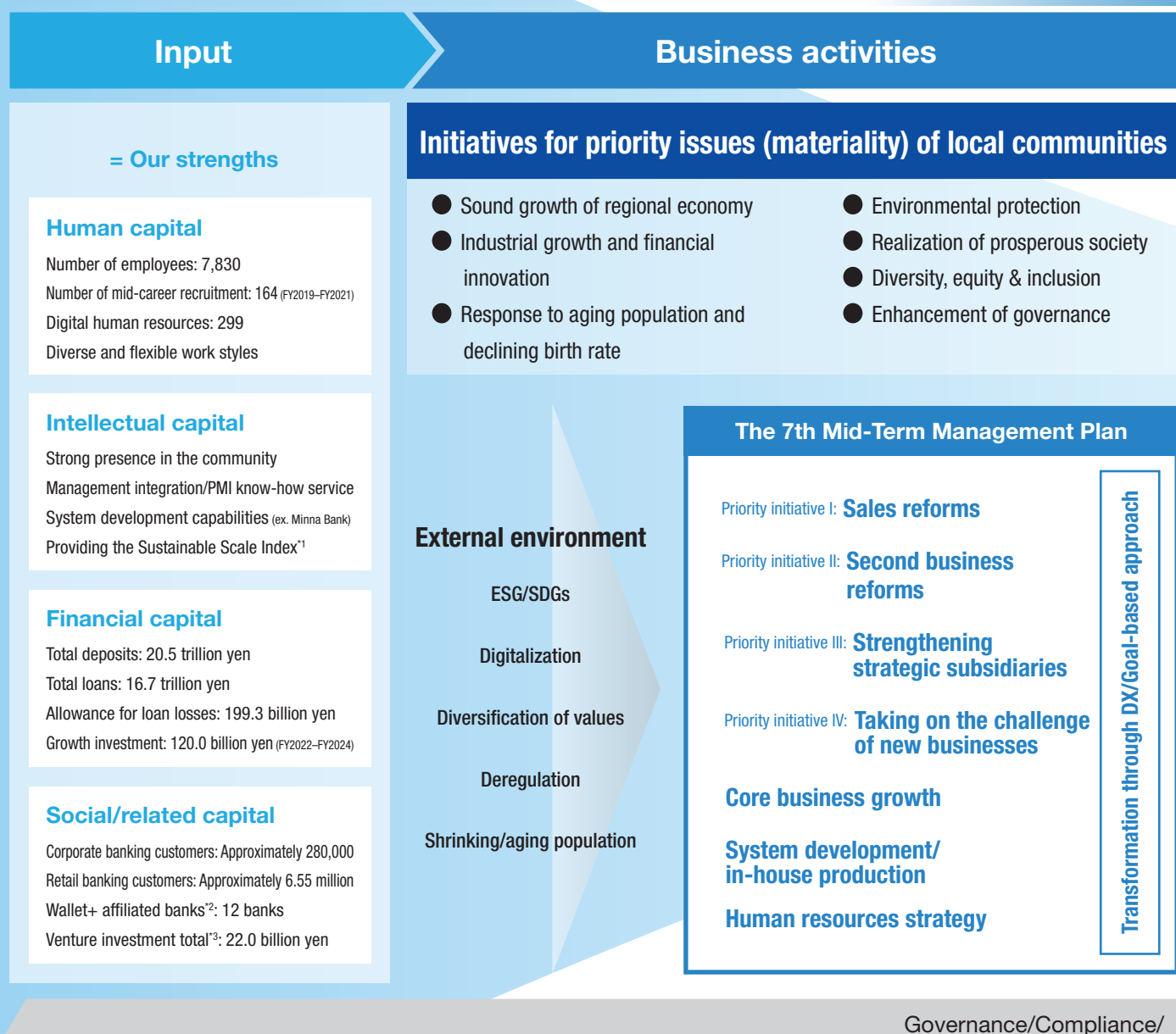


Value Creation Process

Following our Sustainability Policy, FFG will utilize the strengths (financial capital and non-financial capital) and technological innovation that we have cultivated so far to conduct business activities (providing value to stakeholders). We believe it will contribute to the realization of economically, materially, and spiritually rich and

Long-term Vision 2030

The best regional bank contributing to the growth of all stakeholders



Sustainability Policy: Creating a virtuous cycle of “contribution to regional economic development”

^{*1} An indicator that measures the status of customers' initiatives related to ESG/SDGs

^{*2} The banks which concluded formal agreement on participation in the iBank business

sustainable local communities. FFG's sustainability management is to create a virtuous cycle of "contribution to community growth," "growth of FFG," and "individual (employee) growth," aimed at the realization of a prosperous society as targeted in Long-term Vision 2030.

Group Management Principles **Bolstering people's optimum choice**

Outcome

The sustainable society we aim to create

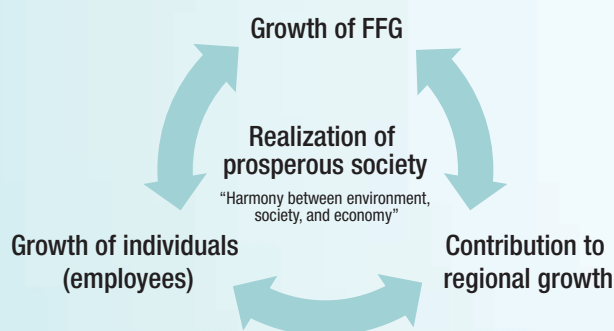
Economically, materially, and spiritually enriched society

A society where everyone can do what they really want to do, without anxiety regarding the future

A society where everyone's individuality works together and everyone feels like a member of society

Long-term Vision 2030

FFG sustainability management



Social value (by FY2030)	<ul style="list-style-type: none"> ✓ Cumulative executed amount of sustainable financing: 2 trillion yen ✓ Financial and economic education participants: 100,000
Environmental value (by FY2030)	<ul style="list-style-type: none"> ✓ Net zero in-house CO₂ emissions
Economic value (FY2024)	<ul style="list-style-type: none"> ✓ Net income: 65.0 billion yen ✓ ROE: Around 6% ✓ Capital adequacy ratio: Around 15 % ✓ OHR: Around 60%

Risk Management

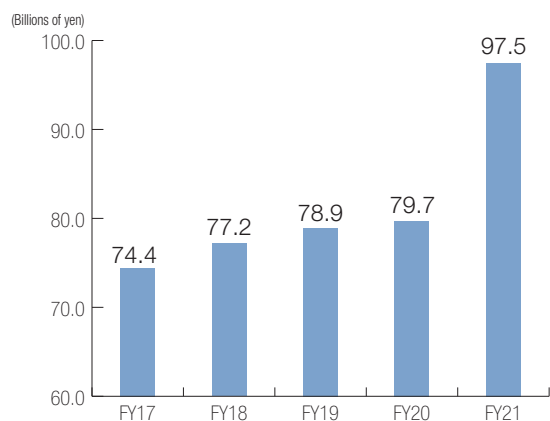
and "improvement of FFG corporate value" in order to help develop a sustainable society

*3 Total amount managed by FFG Venture Business Partners, as of September 30, 2022

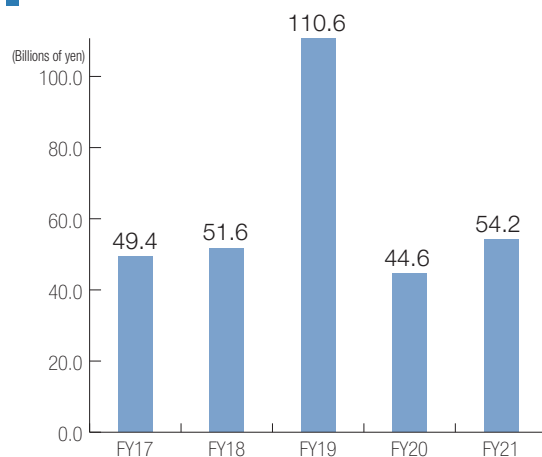
FFG At a Glance

Financial Data

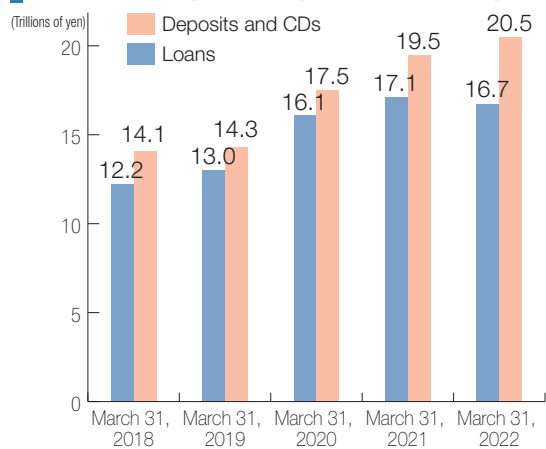
Core business profit (3 banks total)



Consolidated net income

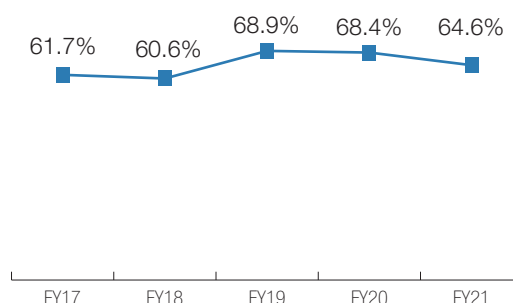


Balance of deposits and loans at the end of the period (consolidated)

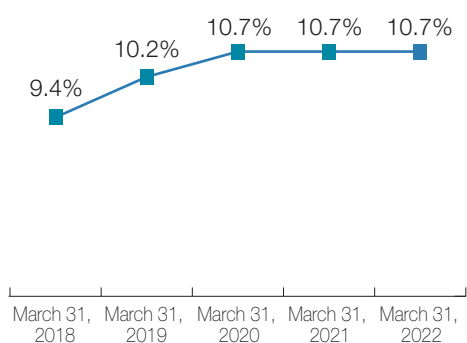


Consolidated OHR

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

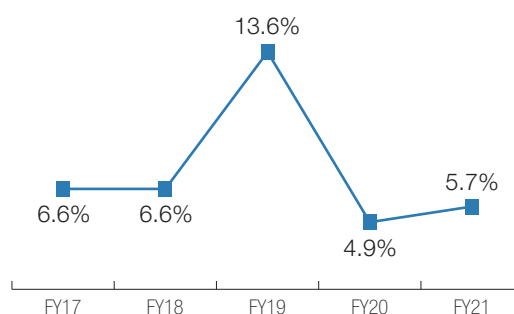


Consolidated capital adequacy ratio



Consolidated ROE

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



Non-financial Data

FTSE Russell ESG Rating

2.4



FTSE Blossom
Japan Sector
Relative Index

MSCI ESG RATINGS

BBB

CDP Score

CDP
Climate Change Questionnaire 2020
FFG's CDP Score



DX Stock



Minna Bank

Winner of the iF Design Award 2022
•Apps/Software category
•Product and Service Branding category



Money app “Wallet+”

(As of October 31, 2022)

Adopted as an
official bank app by **12**
domestic regional banks

Customer-Oriented Investment Trust Sales Company

Bank of Fukuoka
Highest rating
“S+”



Financial and economic education participants (FY2020–FY2021)

12,067
FY2030 cumulative target
100,000

Sustainable finance (FY2020–FY2021)

190 billion yen
FY2030 cumulative target
2 trillion yen

Human Capital

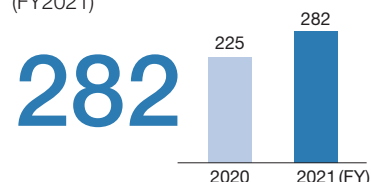
Number of mid-career recruitment (FY2021)

46

Number of digital human resources (As of March 31, 2022)

299

Number of Career Challenge applicants (FY2021)



Appointment of women with titled positions

	As of March 31, 2022 [Actual results]	As of March 31, 2023 [Targets]
Bank of Fukuoka	13.1%	15.0%
Kumamoto Bank	23.2%	21.0%
Juhachi-Shinwa Bank	14.6%	15.0%

Women with titled positions = Women with managerial positions + women with titled positions who have her subordinates

Ratio of personnel with titled positions having diverse backgrounds

Target for FY2030
35% or more

Risks to Achievement of Long-term Vision

Risks and Opportunities to Achievement of Long-term Vision

Risks (impediments)

Rapid progress of digital society

Damage to our existing earnings base due to the advancement of technology, emergence of platformers, and rise of financial service providers from other industries

Declining competitiveness

Intensified competition with competitors
Failure to solve real issues and concerns of customers

Destabilization of Japanese and international financial markets

Decline of net interest income due to the continued low interest policy
Deterioration of gains/losses from securities due to the global economic recession

Acceleration of depopulation, shrinking birthrate, and aging of society in provincial areas

Decreased business scale due to the decline of the regional economy and the closure of customers

Weakening financial base

Decline in corporate value of customers due to climate change, disaster, pandemic, etc.
Increase in credit risk due to bankruptcies

Deterioration of our credit portfolio

Deterioration of the business performance of customers due to rising resource prices and a weakened yen
Increased credit costs due to the prolonged impact of COVID-19

Outflow of talented personnel

Difficulty in securing human resources of adequate quality and quantity to execute growth strategies and advanced or specialized operations

Decrease in attractiveness for workers

Uncertainties over the banking industry
Declining engagement due to a lack of management with respect for diversity

System failure and cyber security

Loss of credibility due to large-scale system failures
Loss of credibility due to customer information being leaked because of a cyberattack, etc.

Compliance risks

Loss of credibility due to violations of laws and ordinances
Loss of credibility due to an inadequate management system for money laundering, etc.

Opportunities (FFG's stance)

Maintain and expand customer base

Improve customers' convenience and experience by effectively combining our network of branches and non-face-to-face channels using digital technologies.

Differentiate FFG from competitors

Expand customer contact points and achieve an unrivaled level of competitiveness by securing a competitive edge leveraging our human resources and organization.

Create new growth from a long-term perspective

Create new business opportunities utilizing FFG's network and knowledge and information about the industry
Contribute to creating the future of local communities

Increase forward-looking reserves

Enhance management efficiency and create synergy

Utilize diverse and sophisticated human resources

Improve employee engagement
Foster an open organization and culture
Secure diverse human resources by promoting diversity

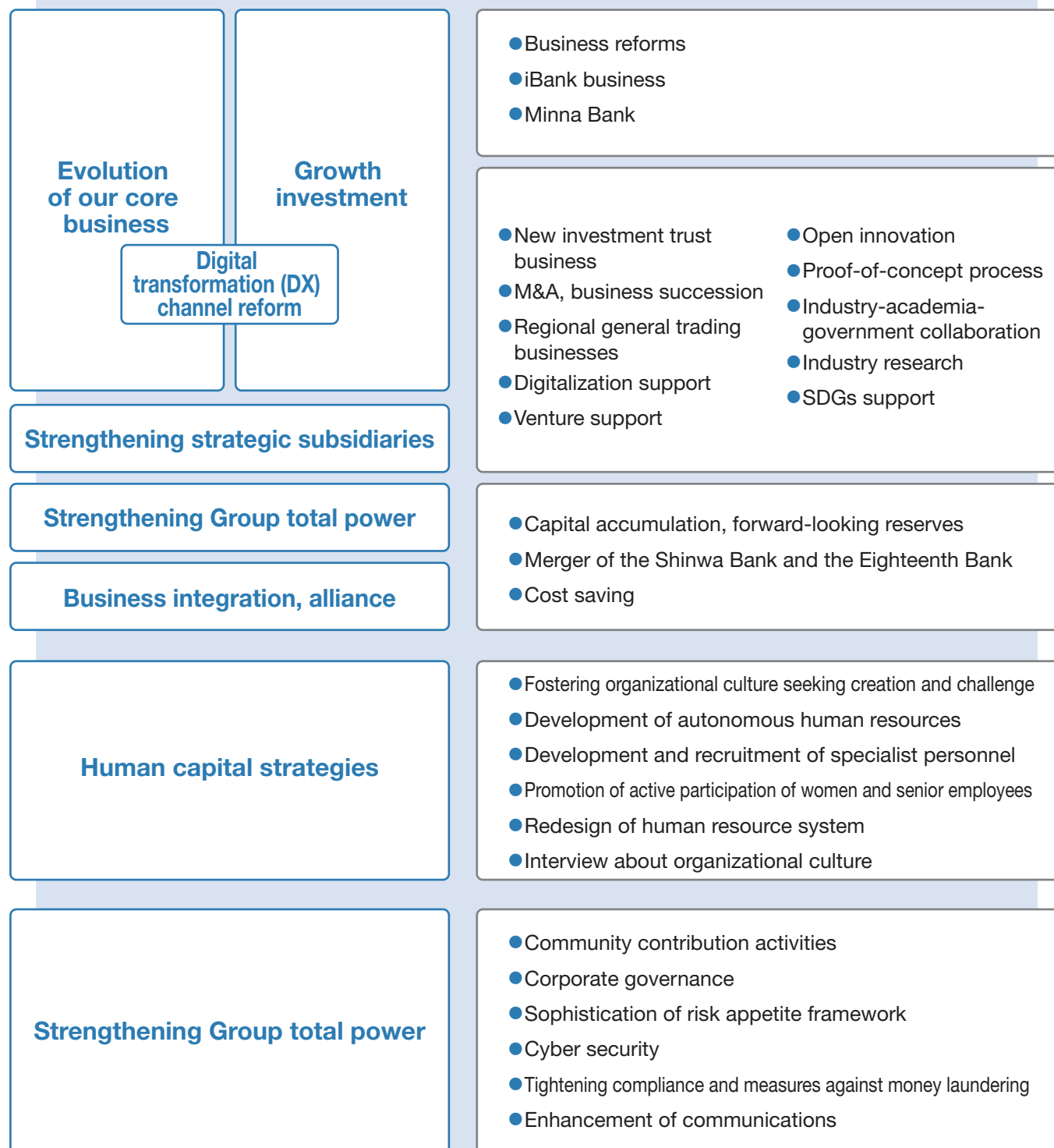
Enhance brand loyalty (presence)

Sophistication of risk appetite management

Ensure effectiveness of governance

and Action Plans

Strategies and major measures/indicators



The 7th Mid-Term Management Plan

Under the 6th Mid-Term Management Plan, which started in 2019, we worked on business reforms, the merger of Juhachi-Shinwa Bank, and the reform of the investment trust business. At the same time, we also started business in new areas such as the opening of Minna Bank and SDGs support.

From April 2022, we started the Long-Term Vision 2030 and the 7th Mid-Term Management Plan. Using the initiatives of the previous Mid-term Management Plan, we will further strengthen and grow our core businesses such as the corporate and retail sales departments and the market department. Furthermore, based on the earnings and know-how obtained from such growth, we will steadily accomplish four initiatives as priority initiatives (growth investments) for the future: sales reforms, second business reforms, strengthening strategic subsidiaries, which is to enhance the solution capabilities of FFG as a whole, and taking on the challenge of new businesses, such as Minna Bank.

In order to execute these initiatives, we will further accelerate our DX strategy and efficiently and effectively utilize data obtained by expanding customer contact points.

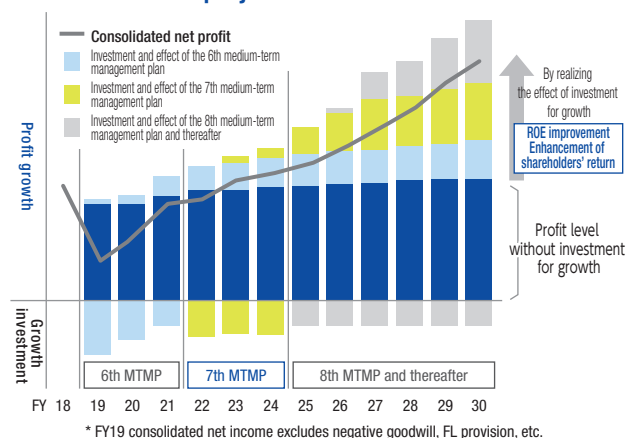
Long-term Vision 2030	The Best Regional Bank that contributes to the growth of all stakeholders through finance and consulting
3 core strengths	(1) Service development capabilities to respond to diversifying customer needs without stress based on trust (2) Solutions capability to solve corporate and social issues (3) Organizational strength to flexibly respond to drastically changing environmental and social issues and work styles

7th Medium-Term Management Plan

Period of the plan	April 2022 to March 2025		
Basic strategy	Based on the profit growth of existing businesses, the three-year period will be used to quickly realize the effects of new growth investments (priority initiatives) by realizing the effects of the Sixth Medium-Term Management Plan's projects.		
Growth of existing businesses	Sales Division (main business support, asset management pallet, etc.) Markets Division (continuation of risk-taking diversification)	Business process improvement (improvement of productivity / relocation of resources) Integration of Juhachi-Shinwa Bank (Maximization of Synergies)	
Priority Initiatives	I Reform in Sales Division III Strengthening of strategic subsidiaries	DX Strategy Apps for individual Portal site for corporate  	II Business process improvement - Phase 2 IV Challenges to new businesses

Target management indicators		
Metric	FY2024	Compared to FY2021
Profitability	Consolidated net income for the period	65.0 billion yen +10.9 billion yen
	ROE	About 6% About +0.5%
Soundness	Capital adequacy ratio (Final complete conformity base)	Mid 10% More or less flat
Efficiency	Consolidated OHR	About 60% About -5.0%
[For reference]		
Average balance of loans outstanding	(Excluding FFG and Government)	15.2 trillion yen +0.7 trillion yen
Average balance of total fund		22.2 trillion yen +2.2 trillion yen
Balance of investment trusts	(Including FFG Securities)	1.2 trillion yen +0.5 trillion yen

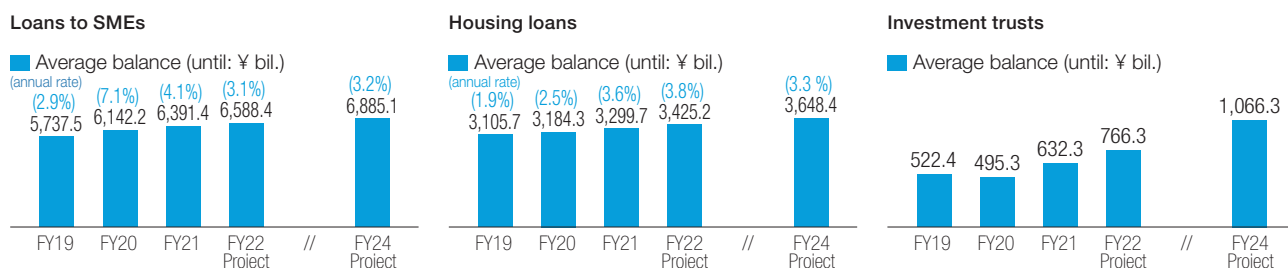
Profit increase projection



Priority Initiatives

Sales Division

We strive to build a business model centered on fees, that does not focus on loans, through consulting that brings together the collective strengths of the Group. What the group has been focusing on is the growth of profits from existing businesses by embodying the Project effect of the 6th Medium-Term Management Plan (increasing corporate / individual fees, improving operational efficiency).



Corporate businesses

Goal-based marketing approach to support the main businesses of **“Corporate customers”**

- Implementation of the main business support (providing complex solutions)
 - Business succession, SDGs (decarbonization), digitization support
- Development of district strategies
 - Expanding transactions with core regional companies
- Diversification of risk-taking in investment banking businesses
 - M&A and mezzanine/equity finance

Consumer businesses

“Life-time companion” who realizes a prosperous future with goal-based total life consulting

- Ongoing approach of age group specific marketing and accompanying marketing.
 - Strengthening of proposals centered on “asset management Palette” and “FFG Accumulation Plan”
 - Strengthening of proposals centered on security insurance
- Restructuring of marketing organization
 - To build an efficient system for a small number of elites to improve profitability

Strengthening of strategic subsidiaries

We work on expanding the business domain of our strategic subsidiaries in order to enhance the group's solution capabilities and organizational strength. Through the utilization of the bank's customer base, FFG's network and alliances, we will expand the customer base and business profits of our strategic subsidiaries.



Changes in contact points through channel reform

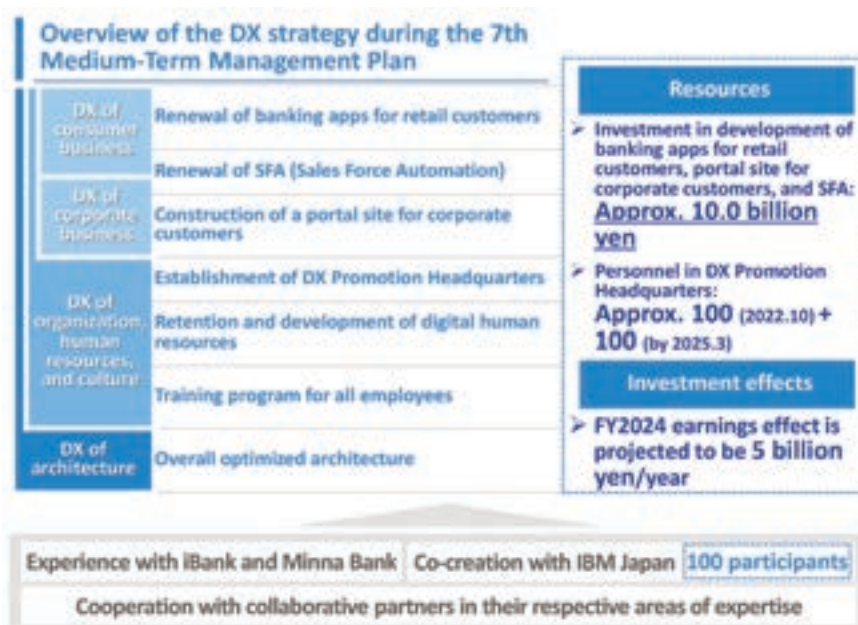
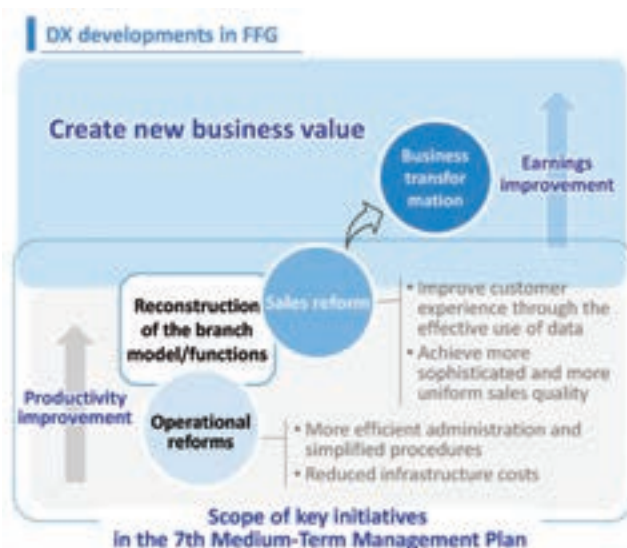
We aim at reduction of OTC business volume by establishing a core digital channel, making “all the transactions other than the physical transactions available through the digital channel” while promoting digitization of transactions and administrative reforms at the same time.

Outline of Measures	Expansion of digital channels	Development and introduction of digital channels such as banking apps for individual customers and a portal site for corporate customers.
	Administrative Process improvement	Transactions that cannot be transferred to digital channels for the time being, such as physical transactions, will be streamlined by consolidating the administrative operations.
Effect (reduction of work volume)		FY2024: OTC business volume -50%

Priority Initiatives

DX Strategy

FFG's DX strategy aims to transform the very way of doing banking business and create new business value. In the 7th Medium-Term Management Plan, we will set operational reforms and sales reforms as the main scope of initiatives, and promote the DX of consumer/corporate businesses. We will also promote the DX of the organization, human resources, and culture in order to realize these transformations. We will work on constructing an overall optimized architecture that supports these transformations from a systems aspect.



consumer business

We will renew our banking apps for retail customers and transform ourselves to also be the Bank of choice in the digital world.



corporate business

We will develop a portal site for corporate customers and review the SFA to deepen customer understanding through digital and human resources and strengthen sales.



Minna Bank

Minna Bank, which began providing services on May 28, 2021, exceeded 1,080 thousand app downloads and 400 thousand number of accounts in a year. Approximately 70% of all our customers are in their teens to thirties, and the coverage area is spreading nationwide, as we are proceeding in the direction that matches the target. As Japan's first digital bank, we stably operate our bank accounting system on a public cloud, and have succeeded at in-house production from service development to maintenance and operation. As a result, we are experimenting with various new marketing techniques. The member composition combined with system subsidiary Zero Bank Design Factory is 35% seconded from FFG subsidiary banks and 65% specialist mid-career hires.

Overview of Minna Bank

Mission	Deliver valuable connections to everyone
Target	<ul style="list-style-type: none"> To provide minimalist financial services that cater to the sensibilities, behaviors, and needs of digital natives (a collective term for Millennials and Generation Z) who have grown up with the internet and smartphones since childhood.
Service concepts	<ol style="list-style-type: none"> Transform everyone's voice into reality <ul style="list-style-type: none"> New financial services aligned with evolving customer behaviors Deliver the best to everyone <ul style="list-style-type: none"> Comprehensive financial concierge based on customer understanding Integrate into everyone's lives <ul style="list-style-type: none"> Banking as a Service (BaaS) business
Business domains	<ol style="list-style-type: none"> B2C services: Providing financial services to Japan's digital natives with a next-generation banking system B2B2X services: Providing the financial functions of a digital bank to partner companies via an API IP monetization: continue to develop banking functionality and license the IP externally

The results (as of December 31, 2022)

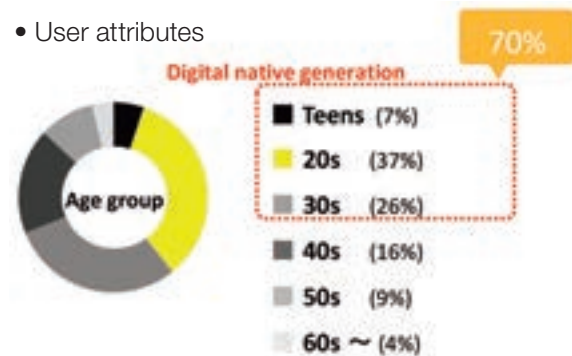
- Cumulative downloads

880 thousand downloads

- Number of accounts

330 thousand accounts

- User attributes



Re-Design phase and Re-Define phase

Minna Bank has positioned the three years from April 2022 as its 1st Mid-Term Management Plan. The bank will further refine UI and UX, with which they have been taking the initiative on, and will start a full-fledged phase of redefining finance to create new services. In July 2022, the bank released a frictionless and personalized loan product as its pillar of revenue. Minna Bank will create the services that meet the next needs of people and develop them as a BaaS business in the future. By doing so, the bank will take challenges to engage in business with corporate customers nationwide in addition to retail customers, so that our corporate customers can also experience its new financial services.



DE&I

We at FFG are working to promote Diversity, Equity & Inclusion (DE&I) in order to bring out the vitality of people and the organization.

Initiative Policy

In order to capitalize on the individuality of our employees (inclusion) and go beyond just having diverse employees (diversity), we must do appropriate and fair management and support that takes into account the various backgrounds of our employees (equity). In particular, for female employees who are greatly affected by life events such as marriage and childbirth, FFG declared its own targets for the promotion of women to management positions of its own accord, even before the Act on Promotion of Women's Participation and Advancement in the Workplace was enacted. We have been focusing our efforts on supporting women in advancing their career and establishing an environment to allow them to balance work and life. As a result, the percentage of women in

management positions is gradually growing, and their field of activity is expanding.

We will continue to treat DE&I as “a way of thinking that forms the basis of all management strategies,” and will create environments where each individual can achieve their desired career, keeping in mind that “each employee is their own person.” In addition, we will further promote the active participation of women with a view to cultivating women as top leaders. FFG's initiative policy for DE&I is to respect and integrate the diversity of “knowledge and experience” of employees with various experiences and backgrounds, and to connect this to the growth of the organization.

Promotion of DE&I

“Equity” connects diversity with inclusion. This means “giving each employee appropriate management and support individually (= equally),” based on the premise that not everyone is standing on the same starting line, so that everyone can play an active role. It is a way of thinking that draws a line from “equality,” which merely gives everyone the same support uniformly.

Equity is based on the ability to imagine the difficulties that people with diverse backgrounds may have, and the compassion for those who are in a different position than oneself. In order to know “what is appropriate” for each person, it is important to hold “dialogues” by facing each person resolutely and searching for answers together, while gaining a deeper understanding of each other.

FFG is implementing dynamic measures such as training next-generation leaders and highly specialized human resources. At the same time, we have continued steady efforts centered on the idea of DE&I, such as “one-on-one meetings” between superiors and subordinates, and “round-table discussions for young bank employees” in each region through the “Fuwari” project. By fostering a culture of caring for others and promoting mutual communication among employees, we will strive to foster an organizational culture of respecting and utilizing individual differences, as well as supporting and uplifting each other.

History of diversity promotion

Supporting women's careers

October 2013

Launch of “Support for Women Project: Fuwari”

This project was launched by a team of 13 female employees in different positions conducting different operations. The team proposes reforms from the perspectives of systems and awareness, reflecting feedback and ideas obtained from workplaces. It also plans and runs a variety of events. “Sub-Fuwari” members are also appointed to the different sales areas to look after activities in those areas. These members serve as a bridge between workplaces and headquarters by gathering feedback from workplaces and conveying policies and messages from headquarters to the workplaces in accessible ways. Since the project was first launched, old members have moved on and new members have taken their place, carrying on the initiatives and intentions of their predecessors and continuing the project's activities. Even while their activities were curtailed during the COVID-19 pandemic, they have made effective use of social media and online meetings to keep up their efforts.

•As of September 30, 2022, a total of 372 members (total for three banks) have participated.

FY2013

Began various training workshops for female employees

•Loan workshops for women (held 59 times for a total of 1352 attendees)
•Career workshops for women (held 28 times for a total of 682 attendees)



A Fuwari meeting



Fuwari members reporting to FFG's officers

October 2014

Announcement of targets for promotion of women

April 2015

Establishment of new Diversity Promotion Office

Restructured into the FFG Diversity Promotion Group in April 2016 to cover the entire group

FY2016

Strengthening of work-life balance support systems

(childcare service fees subsidies system, partner co-location system, reinstatement system, etc.)

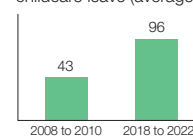
• Support program for returning to work

This is FFG's original program to support the smooth return to work of female employees after childbirth or childcare leave. Interviews and training corresponding to all stages, from pregnancy discovery to returning to work, are consistently conducted by the Diversity Promotion Group. A work-life balance hotline to respond to questions and concerns has also been established.



Pre-return workshop

Number of female employees who returned to work after taking childcare leave (average per year)



*Figures are rounded off

Strengthening of management development

• Joined Ikuboss Corporate Alliance



• Joint Ikuboss Seminars by the three banks

FFG is concentrating its efforts on the improvement of supervisors' management capabilities to ensure that each and every employee can make the most of their individuality and realize their full potential. Over the past 7 years, 11 seminars have been held, targeting not only people currently in management positions, but also younger employees who will be managers in the future.



Panel discussion attended by officers responsible for human resources at all three banks

April 2018

Established daycare center inside the company

October 2018

Launch of "Men's Fuwari"

Male employees who are close to promotion to managerial positions were invited to join this project, with the expectation of proposals from the male perspective and the strengthening of future management. So far, 58 employees from the three banks have participated in the project. They have deepened their understanding of female employees, who have to change the way they work in accordance with life events, and thought about the creation of workplaces in which anybody can experience job satisfaction.



February 2019

Began promotion of childcare leave for men

To extend support for work-life balance beyond women to include men, FFG has made up to 10 working days of paid childcare leave available to male employees within eight weeks after their partners have given birth. At the same time, FFG is working to promote men's participation in childcare by such means as thoroughly explaining this system to supervisors of male employees whose partners are expecting and striving to create an environment that is conducive to men taking such leave.

FY2019

Full-fledged recruitment of digital specialists at FFG

July 2020

Creation of Diversity (Fuwari) website on Intratop

The creation of this new website provides easier access to necessary information, by posting the work-life balance support handbook to help employees balance work and childcare or nursing and articles about role models who are actively participating.



Loan workshops for women

FY2021

Upgrading loan workshops for women

In order to diversify career paths for women, we hold voluntary workshops on Saturdays and after work to support women's learning for their careers.

June 2021

Launch of mentor system

Each woman in a managerial position is assigned a female executive as a mentor. Through one-on-one meetings held at least once a month, these women are given the opportunity to think about their own careers while learning directly from their mentors about the work, roles, and mindset of higher positions. We are continuously expanding the scope of targeted employees, such as by asking executives to serve as mentors.

November 2021

Launch of LGBTQ seminars for all employees

April 2022

Changed name to DE&I Promotion Group

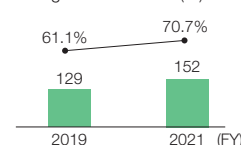
FFG changed the name of the Diversity Promotion Group to the "DE&I Promotion Group," with the aim of implementing measures that focus on individual differences.

October 2022

Mandated childcare leave of 10 working days for male employees / Established multi-purpose leave system Setting long-term KPIs

FFG set the ratio of human resources with diverse backgrounds (women, mid-career hires, etc.) in personnel with titled positions to 35% or more by the end of FY2030

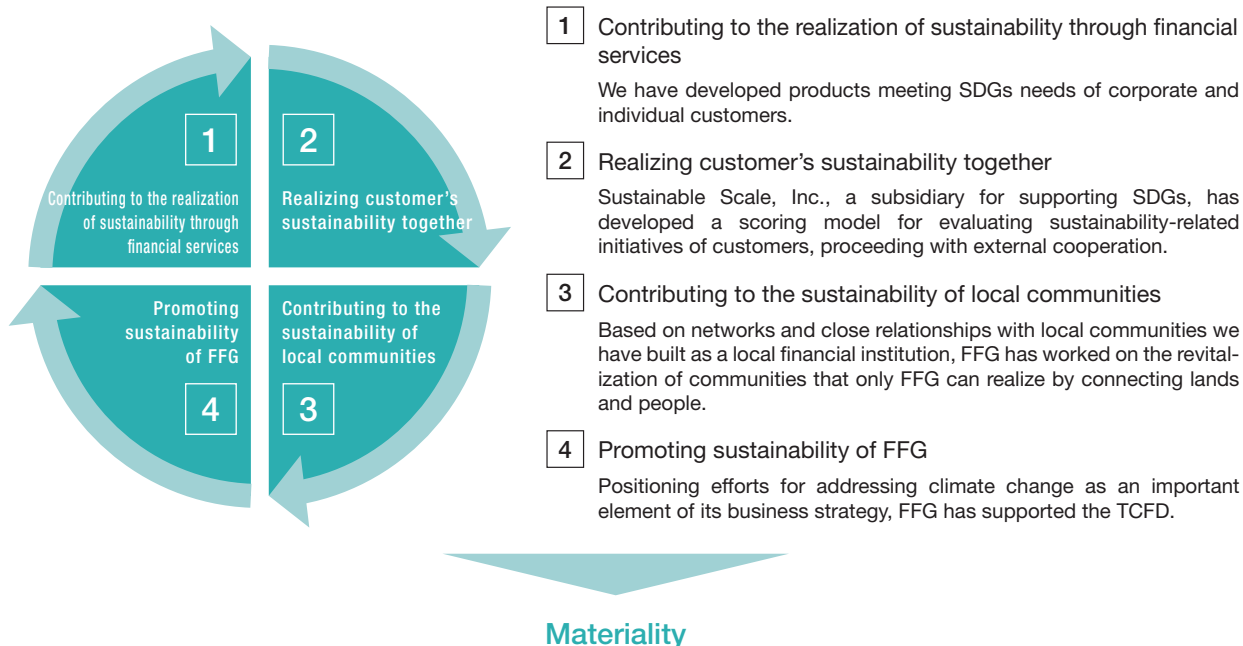
Number of male employees taking childcare leave (individuals) and percentage of male employees taking childcare leave (%)



Sustainability

Sustainability Policy

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



Focus Items

- Sound growth of regional economy •Industrial growth and financial innovation
- Response to aging population and declining birth rate •Environmental protection
- Realization of prosperous local communities •DE&I •Enhancement of governance

FFG has identified its focus items to contribute to the achievement of SDGs, considering their impact on the achievement of the Long-term Vision and the opinions of its stakeholders.

Timeline of Initiatives for Sustainability

2019	Oct	Started handling SDGs private-placement bonds	2022	Jan	Signed “Collaboration Agreement on the Creation of a Disaster-Resistant, Carbon-Neutral Community centered on Electric Vehicles and Renewable Energy” with Saikai City, Nagasaki Prefecture
2020	Aug	Established Sustainability Policy, and identified seven focus items		Mar	Invested in Fukuoka City Green Bonds
		Expressed support for and signed the recommendations of the TCFD		Mar	Endorsed Ministry of Economy, Trade and Industry's GX League
	Oct	Announced the “Environment and Society-Conscious Loan Policy”		Apr	Started streaming of FFG x Sustainability on YouTube
2021	Apr	Newly established Sustainability Promotion Group in the Industrial Finance Division of the Fukuoka Bank		May	Announced internal target of net zero CO ₂ emissions by FY2030
		Established Sustainable Scale, Inc., a SDGs support subsidiary		Jul	Signed cooperation agreement with Zeroboard Inc.
	Aug	Started handling LGBT housing loan		Aug	Held SDGs Cosmetic Recycling Day
	Sep	Held the 1st Sustainability Promotion Conference			Started handling green loans and sustainability linked loans
		Started SDGs Idea Generation Project		Sep	Entrusted with corporate evaluation of Kitakyushu City's SDGs subsidies
	Oct	Newly established Sustainability Administration Group in FFG Corporate Planning Division			Set a target of 100,000 participants in financial and economic education by FY2030
		Newly established Sustainability Promotion & Planning Group in FFG Sales Administration Division			Set a target of at least 35% ratio of personnel with titled positions having diverse backgrounds by FY2030
		Held 1st Sustainability Promotion Council (held monthly thereafter)			Invested in Kitakyushu City Sustainability Bonds
		Total amount of sustainable finance to be executed by FY2030			Started handling ZEH housing loan interest rate incentive program
		Announced target of 2 trillion yen (including 1 trillion yen for the environment)		Oct	Invested in Japan Green Investment Corp. for Carbon Neutrality (JICN)
	Nov	Started handling Sustainable Scale Index (SSI)			
	Dec	Rated “B” in the CDP score and introduced SASB Index			

1 Contributing to the realization of sustainability through financial services

FFG's sustainability-related products

With an eye to contributing to the creation of sustainable society as a local financial group, FFG offers sustainability-related products and services focusing on “long-term asset building” in the era of the 100-year lifespan and “respect for diversity,” which would allow anybody to live with peace of mind as being themselves.

The Group has handled SDGs private placement bonds at each group bank since 2019 in order to provide companies and organizations working on SDGs opportunities to have a contact point with each other. From the fiscal year ending March 31, 2022, FFG also started handling new donation-type foreign currency time deposits, investment trusts in the ESG field, and

prepaid cards exclusively for foreign residents, and introduced housing loans responding to the needs of LGBT to help develop comfortable communities.

In November 2021, the Group started handling the “Sustainable Scale Index,” an ESG and SDGs scoring model, for the purpose of supporting corporate customers’ activities to achieve SDGs (for more details, please see P. 32). Furthermore, in August 2022, we added two new types of sustainable finance products for corporate customers to our product lineup. Taking this service and financing as the starting point, we are aiming to increase opportunities to talk with customers and lead them to deeper understanding also from the viewpoint of SDGs.

[Foreign currency time deposit] FFG SDGs Foreign Currency Time Deposit (US dollar)[July 1, 2021 - March 31, 2022]

Summary	<p>Offer a 50% discount on the foreign-exchange fee for the foreign currency time deposit (from 1 yen to 0.5 yen) and donate all the amounts to organizations that contribute to the achievement of SDGs.</p> <p>[Organizations to be donated] ○Japan International Cooperation Agency (JICA), ○Japan Association for the World Food Programme, ○The Nippon Foundation's support for disaster recovery, ○Japanese Red Cross Society, ○Japan Committee for UNICEF, ○Fukuoka Prefecture, Kumamoto Prefecture and Nagasaki Prefecture (donating to measures against COVID-19, disaster restoration, and other measures that contribute to the sustainable development)</p> <p>* Organizations to be donated as of the beginning of handling the deposit may be subject to change.</p>
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[Investment trust] Alliance Bernstein Global Growth Opportunities (GGO)

Summary	An active fund, which invests in issues that contribute to the achievement of SDGs, evaluating companies and selecting issues in light of ESG (“Environment,” “Society,” and “Corporate Governance”)
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[Housing loan] Housing Loan responding to needs of LGBT

Summary	Added same-sex partners to a joint and several obligor and guarantor of housing loan for which only relatives such as parent and child, and a legally married couple were accepted, in principle.
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[Housing loan] ZEH mortgage loan interest rate incentive program

Summary	Preferential interest rates for loans for acquisition of homes that meet ZEH standards or homes certified as LCCM homes
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[Sustainable finance] Green loans/sustainability linked loans

Summary	<p>A green loan is a form of financing that enables borrowers to use the proceeds to exclusively fund projects that contribute to solving environmental issues such as climate change (green projects).</p> <p>A sustainability linked loan is a form of financing under which customers set sustainability performance targets (SPTs) for corporate SDG/ESG activities to solve environmental and social issues, and the borrowing conditions vary depending on the degree of achievement of SPTs.</p> <p>* Customers are required to obtain an evaluation from a third-party rating agency for both products.</p>
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Sustainability

2 Realizing customer's sustainability together

Sustainable Scale, Inc., a subsidiary for supporting SDGs

FFG develops “Sustainable Scale, Inc.,” a subsidiary for supporting SDGs. Its purpose is to encourage the creation and growth of local communities, which sustainably grow through SDGs activities and companies that support such communities as a bridge between them. With an eye to contributing to the sound growth of local communities, we promote initiatives toward the realization of management transformation focusing on the sustainability of local communities and companies, so-called “Sustainability Transformation (SX).”

Sustainable Scale evaluates activities for the achievement of SDGs by local communities and companies, and makes them quantitatively visible, with Dr. Shunsuke Managi, Distinguished Professor at Kyushu University and representative of UN’s Inclusive Wealth Report assigned to a position of director.

With FFG and Kyushu University as axes, it provides advice and expertise toward “Sustainability Transformation (SX),” in cooperation with experts with knowledge in various fields.

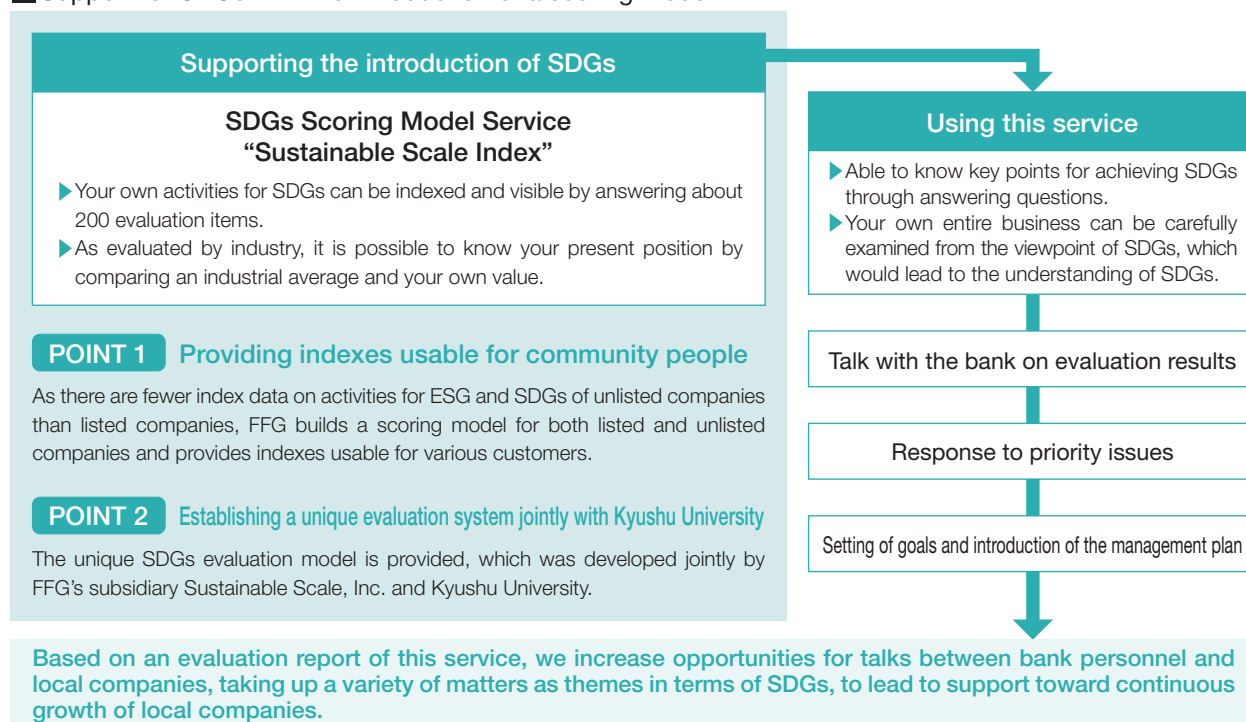
SDGsに新しい“ものさし”を



Business Structure



Support for SDGs with the introduction of a scoring model



**We offer a step-by-step support menu
to assist our customers in their sustainability activities**

1	Understanding SDGs	Holding in-house workshops and interactive workshops
2	Determination of priority issues	Selection of materiality (focus items) using SSI
3	Target setting	Setting internal sustainability targets
4	Integration into management	Support for formulating a sustainability policy
5	Reporting and communication	Implementation support for internal and external communication of SDG initiatives

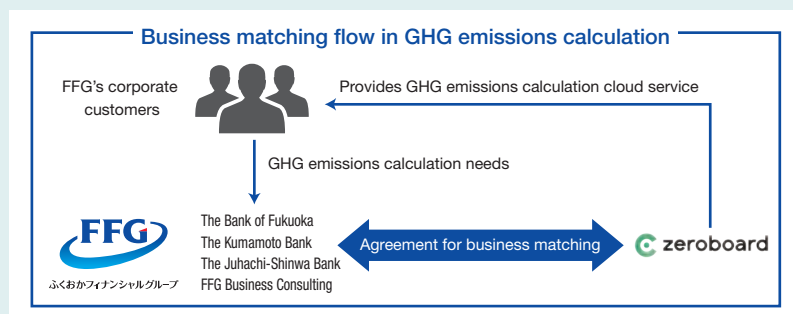
SSI is being utilized!

Support for company evaluation under the Kitakyushu City SDG-X Leading Project Subsidy

The Fukuoka Bank has signed an outsourcing contract for the public solicitation of the Kitakyushu City SDG-X Leading Project. The Sustainable Scale Index is used as a tool to index and visualize the company's sustainability activities in the evaluation of SDGs management, one of the criteria for the adoption of this project. In order to revitalize the local economy through efforts driven by the SDGs, this initiative provides financial support to companies that practice excellent SDGs management and make progressive efforts to simultaneously achieve the growth of local companies and solutions to social issues.

Supporting corporate customers in their decarbonization initiatives -Collaboration agreement with Zeroboard Inc.-

The results of the Sustainable Scale Index indicate growing interest in environmental issues, particularly those related to decarbonization. In response to increasing requests from upstream companies in the supply chain to disclose GHG (greenhouse gas) emissions, FFG has concluded a business matching agreement with Zeroboard Inc. and introduced a GHG emissions calculation service. We support corporate customers in their efforts to decarbonize their businesses, starting with the visualization of emissions.



Sustainability

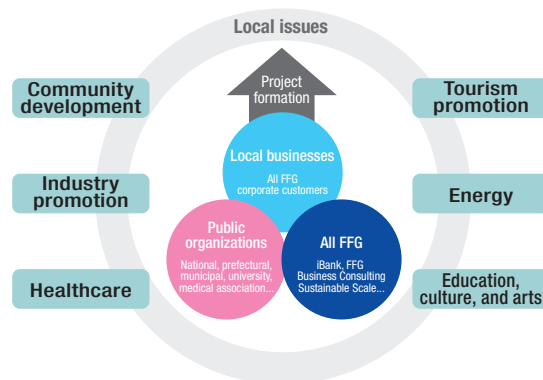
3 Contributing to the Sustainability of Local Communities

The Fukuoka Financial Group will strive to address the needs and challenges faced by local governments, companies, schools, entrepreneurs, and producers in Kyushu and fulfill the role expected of us as a leader to activate the community. By combining the strengths of our broad yet close-knit network and solid customer base, we will be able to bring about new innovations. We are working to activate the local economy with a mid- to long-term perspective that transcends the category of financial business, and we are confident that we can accomplish it thanks to our long-standing roots in the community.

FFG's integrated group strengths for regional revitalization

FFG is strengthening its support structure to ensure that the Group as a whole can fulfill the role expected of a regional financial institution.

Currently, based on Japan's Vision for a Digital Garden City Nation, each local government is constructing the regional image it should aim for, and revising its local version of the comprehensive strategy to implementing specific initiatives to solve local social issues by leveraging the power of digital technology. FFG is currently working to support the core business of local companies by supporting the formation of consortiums, in which local communities can take the initiative based on their own characteristics and circumstances.



● Creation of a flow of people to local regions

In the field of tourism, in Itoshima City, Fukuoka Prefecture, we supported the implementation of a health tourism monitoring tour in cooperation with a local university and the trial operation of a bus tour, with the aim of increasing the time spent in the city and expanding secondary transportation, which are the challenges faced by the city.

In Iki City, Nagasaki Prefecture, we implemented the Iki SDGs Co-creation Camp as an initiative to create a flow of people from urban areas to the local regions. We communicated the acceptance infrastructure of the region as an advanced teleworking and workcation location, the advanced nature of the SDGs, and the attractiveness of living in the local area, leading to the expansion of local exchange and the creation of a connected mind.



● Support for expansion of sales channels for local products

The online store en-nichi held the Midsummer Day of the Ox Special Orders 2022 featuring eight famous eel stores in Fukuoka and Kumamoto. We supported the core businesses of corporate customers by offering a wide variety of early discount products and limited-time-only sets, such as kabayaki, shirayaki, and seiromushi.

We also continue to hold our conventional business meetings even during the COVID-19 pandemic. In FY2021, we held online product business meetings in cooperation with Kumamoto City, providing a venue and opportunity for product PR to raise the profile of processed food products and products that utilize local ingredients.



● Support for development of Nagasaki MICE facilities

At Dejima Messe Nagasaki, which is being promoted by Nagasaki City as a public-private partnership, we are involved not only in supporting the overall development of the venue, but also in boosting MICE in Nagasaki through events such as the Nagasaki MICE School and Nagasaki MICE EXPO, which create new connections and opportunities. We provide support for promoting the industrialization of exchange as a market that can create business opportunities for local companies in a wide range of service industries, including tourism, lodging, food and beverage, and merchandise sales.

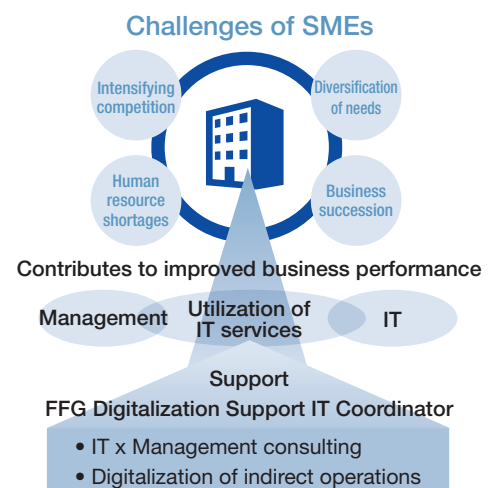


■ Leveraging digital technologies to connect local businesses to the future

● Digitalization support

The challenges faced by SME customers are becoming increasingly serious, such as labor shortages due to a shrinking population, lack of successors, and the need to meet diversifying customer needs. FFG launched Digitalization Support Consulting in 2019, based on the idea that it is the wish of FFG, as a presence closest to the customer, to accompany the customer and support customers' core business. Together with our customers, we are working to solve their issues by proposing business efficiency and productivity improvement mainly through the introduction of cloud tools.

First, we focused on supporting customers who have not yet digitalized their indirect operations such as financial accounting, time and attendance management, and information sharing. In the past year, we have provided over 900 consultations at three FFG banks. We work with customers to sort out and analyze their current situation, help them formulate plans for business improvement, and work with them to resolve issues. From the second half of FY2022, we consolidated the digital solution functions that have been handled by each department into a single department to create a one-stop system that can respond to customer needs.



Number of consultations from October 2021
(FFG three banks combined)

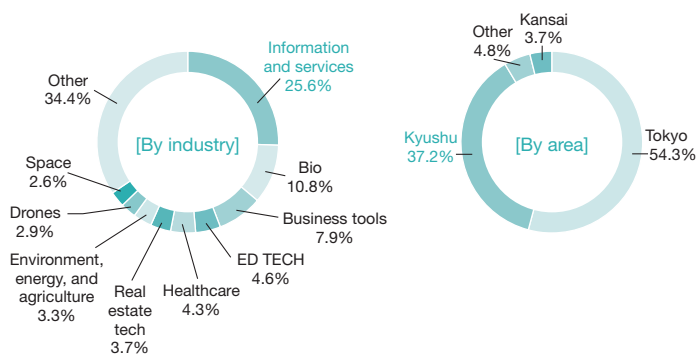
Approximately 900 cases

Sustainability

Contribute to the development and revitalization of new industries

Developing and supporting ventures

FPG Venture Business Partners (hereinafter “FVP”), the Group’s venture capital, invests in and supports mainly companies that aim to solve social issues with the latest technologies. In addition to supporting the creation of new industries that will spread from local communities to Japan and the world, we aim to accelerate open innovation that will lead to regional revitalization through matching of corporate customers and venture companies.



Total amount of funds under management: 22 billion yen
(as of September 30, 2022)

Collaboration with local universities

Recently we have been focusing efforts on utilizing the intellectual property of universities to help people start businesses. Through a joint research agreement with Kyushu University, we launched the FPG Incubation Program, where Kyushu University Business School students collaborate with researchers to turn business seeds into actual businesses. We also started the FPG Entrepreneurship Center, a talent development course for Nagasaki University students.

This fiscal year, 15 universities in Kyushu and Okinawa and FVP established PARKS to accelerate the creation of a startup ecosystem that strengthens the relationship between Asia and all regions of Kyushu and Okinawa.

- As a track record of Kyushu University venture support, we have invested a total of more than 900 million yen in seven companies in the space, medical surgeries equipment, and other fields.

Collaboration with local universities

FPG Incubation Program

Developed an educational program for founding venture companies based on the results of academic research in collaboration with Kyushu University



FPG Entrepreneurship Center

An endowed course primarily for students of Nagasaki University for nurturing the next generation of entrepreneurs established in October 2019



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



Matching business partners with venture companies

Since 2019, FVP has held the X-Tech Match Up event to match up corporate customers with venture companies, which has connected many corporate customers with venture companies. The use of venture company services has led to new business considerations and solutions to management issues for our corporate customers. In order to provide such opportunities not only at events but also on a daily basis, FVP has set up a new department this fiscal year to introduce venture companies that can help solve issues faced by our corporate customers, in constant collaboration with branch staff.



4 Promoting sustainability of FFG

Climate change: Initiatives addressing TCFD* recommendations

FFG has positioned efforts for addressing climate change as an important element of its business strategy. Aiming to share easy-to-understand and useful information with its stakeholders, the Group declared in August 2020 that it supports the recommendations of the TCFD. We have also selected “risks related to climate change” as one of our top risks.

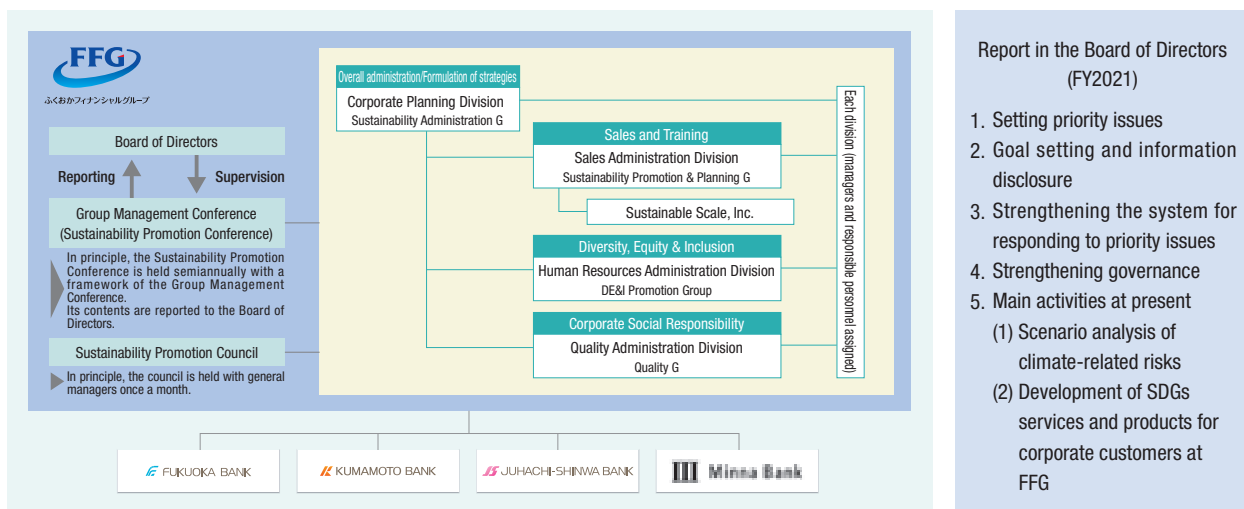
We will continue to expand the content of disclosure in line with the recommendations.

* TCFD: Task Force on Climate-related Financial Disclosures

Governance

- Under the direction and advice of the Board of Directors, the FFG head office has built an organizational structure to promote sustainability measures across the entire Group with the Corporate Planning Division as an administration division.

Sustainability Promotion Structure



- Under the above-mentioned sustainability promotion structure, we prioritize addressing climate change as a pillar of FFG’s SDGs-based focus item of “environmental protection.”
- In order to clarify FFG’s roles and responsibilities regarding the risks and opportunities of climate change, our Risk Management Policy stipulates that the Board of Directors is responsible for developing and establishing various risk management systems based on the characteristics of the climate-related risk, and action plans and other related matters are discussed by the Board of Directors or the Group Risk Management Committee, depending on the nature of the climate-related risk.
- With regard to investments and loans, our Environment and Society-Conscious Loan Policy, which takes into consideration the demands of the international community for the prevention of global warming and our expectations for the realization of sustainable local communities, is clearly stated in the Credit Policies, and decisions are made by Board of Directors.

Sustainability

Strategies

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

<Risks>

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

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

<Opportunities>

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

* Sustainable Scale Index: A unique SDGs scoring model service developed jointly by FFG subsidiary Sustainable Scale and Kyushu University.
See page 32 of this report for details.

<Scenario analysis>

- FFG utilizes scenario analysis to identify the impact of climate-related risks on the Group and establish strategic resilience.
- Based on the results of the scenario analysis, we will create business opportunities and mitigate risks for corporate customers by enhancing engagement with them to ensure they can adapt to climate change and transition to a decarbonized society.
- Scenario analysis methods have not yet been established in many areas, and are still in the process of development. Accordingly, FFG continues to work to refine and enhance the scenario analysis.

* Changes from the last time are underlined

	Physical risk	Transition risk
Risk analyzed	<ul style="list-style-type: none"> • Damage to collateral properties from storms and floods • Deterioration of financial conditions due to the suspension of obligors' businesses 	<ul style="list-style-type: none"> • Deterioration of financial conditions of obligors from decreased net sales and increased costs that come with transitioning to a decarbonized society
Applicable portfolio	<ul style="list-style-type: none"> • Borrowers with business feasibility in Japan 	<ul style="list-style-type: none"> • Utility and energy sector^{*1} • Automotive sector
Scenario	<ul style="list-style-type: none"> • RCP 8.5 (4°C scenario) or RCP 2.6 (2°C scenario) in the IPCC^{*2} Assessment Report 	<ul style="list-style-type: none"> • Net Zero 2050 (1.5°C scenario) and Current Policies (3°C scenario) by NGFS^{*3}
Analysis method	<ul style="list-style-type: none"> • Use a storm and flood model to estimate the level of impact on locations and structures such as obligors' collateral properties and business offices 	<ul style="list-style-type: none"> • Forecast changes in future performance in the target sector based on the transition scenario, and estimate the impact on ratings and credit costs
Analysis results	<ul style="list-style-type: none"> • Additional credit costs that could be incurred by 2050: Up to 5.0 billion yen 	<ul style="list-style-type: none"> • Additional credit costs that could be incurred by 2050: Total 7.4–31.6 billion yen

^{*1} Excludes water suppliers and renewable energy generators^{*2} IPCC: UN Intergovernmental Panel on Climate Change^{*3} NGFS: Network of Central Banks and Supervisors for Greening the Financial System**<Carbon-related assets>**

- The percentage of new carbon-related assets based on the revised TCFD recommendations is 30.56%. (*Newly added sectors)

Energy	Transportation*	Materials*	Agriculture/food/forest products*	Total carbon-related assets ^{*4}
2.17%	5.12%	21.85%	1.42%	30.56%

^{*4} Aggregated based on the Bank of Japan industry classification. Includes loans and acceptances and guarantees, but does not include unexecuted balance of commitment lines. Total of Bank of Fukuoka, Kumamoto Bank, and Juhachi-Shinwa Bank

Risk Management

- The Group positions risks that are particularly important for management as top risks, and has selected “risks related to climate change” as one of them. For details, see page 52 of this report.
- Should Climate-related risks manifest, there would be ripple effects across every risk category including credit, market, liquidity, and operational risks. Our Board of Directors is actively involved in the development and establishment of proper risk management systems based on such characteristics of the climate-related risk.
- Climate-related risks that are deemed important are managed and addressed within a comprehensive risk management framework by risk category depending on how a risk is likely to manifest itself.

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

For more information on FFG's comprehensive risk management, see FFG Disclosure 2022“Financial Data”(Japanese only) on our website.

website https://www.fukuoka-fg.com/investorimage/ir_pdf/202207_zaimu/202207_zaimu_all.pdf

Sustainability

<Environment and Society-Conscious Loan Policy>

- In order to make consideration for the environment and society in our loan services, the Bank of Fukuoka, the Kumamoto Bank, and the Juhachi-Shinwa Bank have stipulated prohibited loans and loan activities that require special attention in our “Environment and Society-Conscious Loan Policy*.”
- In 2022, we have made the following three revisions regarding the “coal mining” sector.
 - i. Expanding the scope of the policy for coal mining business (carefully judging loans for new mining businesses) to include existing businesses
 - ii. Expanding the scope of our policy on mountaintop removal mining (MTR) (prohibition of loans for new mining projects) to include existing projects
 - iii. Prohibition of loans for new mining projects of fuel coal (thermal coal) for power generation projects
- The balance of loans in project finance for construction of coal-fired thermal power plants in the Group was 13.2 billion yen as of March 31, 2022, which is scheduled to become zero by FY2035.

* Please refer to our Group website for details.

Indicators and Targets

<Sustainable finance>

- In October 2021, the Group positioned finance which contributes to the resolution of environmental and social issues of our customers and the creation of a decarbonized society as “sustainable finance.” We have set the total execution amount target as “2 trillion yen from FY2020 to FY2030 (including 1 trillion yen for the environment).” Going forward, we aim to achieve targets by helping our customers resolve their issues.
- As of the end of March 2022, the total amount executed is 190 billion yen, of which 90 billion yen is for environmental finance.

Sustainable Finance Targets	Achievement (FY2020–FY2021)
FY2020–FY2030 Total execution amount 2 trillion yen (including 1 trillion yen for the environment)	Sustainable Finance 190 billion yen
	Of which, environment related 90 billion yen

Eligible finance

- Finance that contributes to solving environmental and social issues such as climate change
- Finance that supports and promotes customers’ ESG* and SDGs

* Acronym for Environment, Social, and Governance

<Efforts to achieve in-house carbon neutrality>

- In May 2022, we have set the Group’s CO₂ emissions (Scope 1, 2) reduction target as “net zero by FY2030” in order to accelerate our local decarbonization efforts.
- In order to achieve our target, we will implement energy-saving measures such as shifting to eco-friendly stores when rebuilding stores, switching to highly efficient air conditioning, and adopting LED lighting. In addition, we will consider switching the power we are currently using to power sources derived from renewable energy.
- As one of our long-term initiatives, we will examine in-house power generation such as solar power generation, and corporate PPA.

In-house CO ₂ emissions reduction target	FY2021 emissions results
Net zero by FY2030	24,848 tons (Down 41% from FY2013)

*Applies to Scope 1 and Scope 2 of the GHG Protocol.

CO₂ emissions

(Unit: t-CO₂)

Measurement items	FY2013	FY2020	FY2021
Scope 1 (direct emissions associated with the use of gas and gasoline)	4,447	2,971	2,862
Scope 2 (indirect emissions associated with the use of electricity, heat, and steam supplied by other companies)	37,484	24,068	21,986
Scope1, 2	41,931	27,039	24,848

About Scope 3

(Unit: t-CO₂)

- Scope 3 in the GHG Protocol refers to emissions other than those covered by Scope 1 and 2. While scope 1 and 2 covers greenhouse gases (CO₂, etc.) emitted by the reporting company itself, Scope 3 covers other companies' greenhouse gases related to the reporting company's business activities.
- From FY2021, the Group has calculated Scope 3 (Categories 1 to 14).
- Regarding Category 15 (investments and loans), we will consider priority sectors and efforts to reduce GHG emissions, and prepare for disclosure.

Measurement items	FY2021
Category 1: Purchased products and services	41,326
Category 2: Capital goods	22,065
Category 3: Fuel and energy-related activities not included in Scope 1 and 2	2,413
Category 4: Transport, delivery (upstream)	1,462
Category 5: Waste generated from operations	41
Category 6: Business trips	1,018
Category 7: Employee commutes	3,515
Category 15: Investments and loans	-

* Scope 3 calculation methods, emissions figures, etc. are based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.4 (Ministry of the Environment and Ministry of Economy, Trade and Industry, Government of Japan, March 2022)" and "Emissions Unit Value Database for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain Ver. 3.2 (Ministry of the Environment and Ministry of Economy, Trade and Industry, Government of Japan, March 2022)" (categories 8 to 14 have calculated values of zero).

Environmentally friendly branches

- So far, we have been developing environmentally friendly branches, such as installing solar panels and LED lighting, mainly in new branches. In order to further accelerate this trend, we will actively consider shifting to ZEB* design branches when considering future branch rebuilding. ZEB-designed buildings can significantly reduce electricity consumption, leading to a reduction in CO₂ emissions.
- Juhachi-Shinwa Bank Hasami Branch, the first ZEB-designed store, is scheduled to open in April 2023.



Appearance image of Hasami Branch

● ZEB (Net Zero Energy Building)

A building that aims to realize a comfortable indoor environment while achieving zero annual balance of primary energy consumption in the building.

Corporate Governance

Basic Views on Corporate Governance

The Group's management principles state the Group's goal to become a financial group that creates value for all stakeholders, including shareholders, customers, local communities and our employees, and the Group's basic management policy is based on the same view. Under these Group management principles, the Company, as a holding company to govern the Group, mainly consists of the core subsidiary banks, is working toward the realization of highly effective corporate governance for the purpose of optimizing the management resources of the Group and administering the Group as a whole in a sound and appropriate manner.

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

^{*1} Please refer to our website for the Fukuoka Financial Group Corporate Governance Guidelines.
https://www.fukuoka-fg.com/en/companyimg/img/governance/en_governance_guidelines.pdf

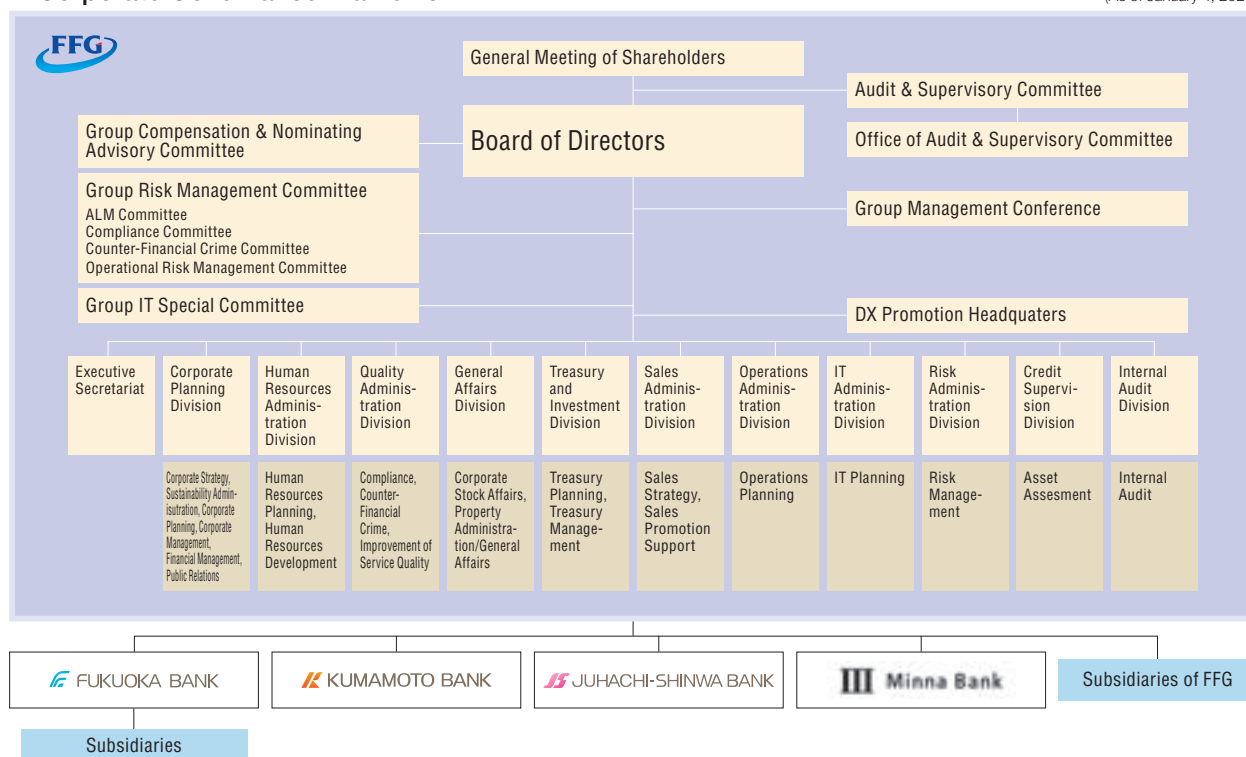
Corporate Governance System

Overview and Reasons for Adoption of Current Corporate Governance System

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

Corporate Governance Framework

(As of January 4, 2023)



● Board of Directors, Directors (held 13 meetings in FY2021)

The Board of Directors consists of 12 Directors (including 4 External Directors), and shall make decision on basic guidelines related to Group management, as well as matters stipulated by laws, ordinances and the Articles of Incorporation. The Board shall also make decisions on important matters concerning business management of subsidiary banks, business and affairs of the Group, while overseeing the job performance of Directors and Executive Officers.

● Office of Audit & Supervisory Committee

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

● Audit & Supervisory Committee, Audit & Supervisory Committee Members (held 12 meetings in FY2021)

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

●Group Nominating Advisory Committee, Group Compensation Advisory Committee

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

Group Nominating Advisory Committee

Chairperson: Takashige Shibato (Director & Chairman)

Members: Hisashi Goto (Director & President)

Masahiko Fukasawa (External Director)

Toshiya Kosugi (External Director)

Hideo Yamada (External Director)

Nobuko Ishibashi (External Director)

Group Compensation Advisory Committee

Chairperson: Masahiko Fukasawa (External Director)

Members: Takashige Shibato (Director & Chairman)

Hisashi Goto (Director & President)

Toshiya Kosugi (External Director)

Hideo Yamada (External Director)

Nobuko Ishibashi (External Director)

●Group Management Conference

The Group Management Conference consists of 7 Executive Directors (chaired by the President) (also attended by full-time Audit & Supervisory Committee Members), and based on basic guidelines stipulated and matters entrusted by the Board of Directors, shall discuss important matters related to business and affairs of the Group, including group management and operational planning.

●Group IT Special Committee

The Group IT Special Committee consists of 7 Executive Directors and general managers of departments/offices in charge (chaired by the President) (also attended by full-time Audit & Supervisory Committee Members), and to strengthen the IT governance system of the group as a whole, shall discuss matters related to IT strategy, system risk management, and investment in IT systems.

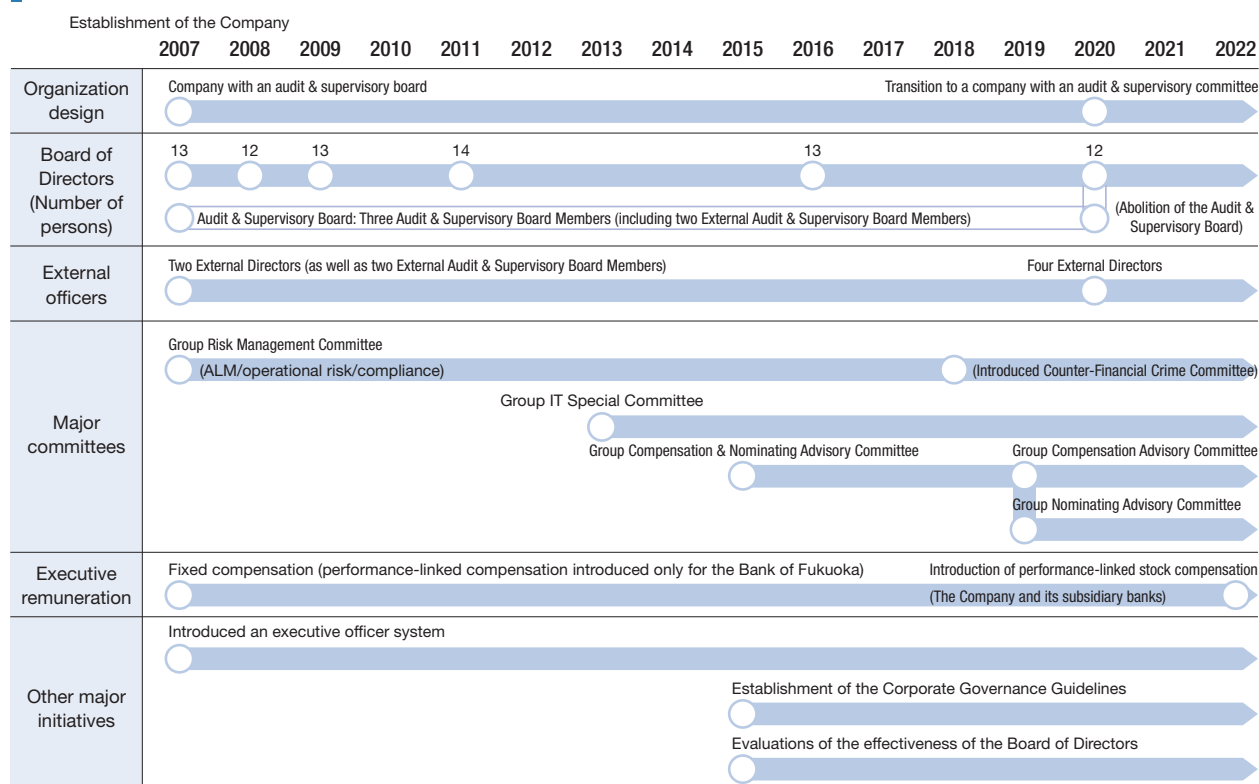
●Group Risk Management Committee

The Group Risk Management Committee consists of 7 Executive Directors and general managers of departments/offices in charge (chaired by the President) (also attended by full-time Audit & Supervisory Committee Members), and shall discuss and report on matters related to asset portfolio management, compliance, and counter-financial crime management, in addition to carrying out discussions concerning each of the risk management systems of the Group as a whole.

●Executive Officers

For quick decision-making of the Board of Directors and strengthening business execution functions, 20 Executive Officers (including 7 serving concurrently as Director) are elected and delegated the execution of business by a resolution of the Board of Directors.

History of strengthening corporate governance



Corporate Governance

Board of Directors

Directors



Takashige Shibato

Director & Chairman
(Representative Director)

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



Hisashi Goto

Director & President
(Representative Director)

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



Hiroshi Miyoshi

Director & Deputy President
(Representative Director)

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



Satoru Kobayashi

Director & Executive Officer

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



Hiroyasu Hayashi

Director & Executive Officer

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



Toshimi Nomura

Director & Executive Officer

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

Skills Matrix of the Board of Directors

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

Based on the long-term vision of being "the best regional bank contributing to growth for all stakeholders through finance and consulting", the following matrix indicates the knowledge, experience, capabilities, and other qualities that the Company believes its Board of Directors should possess, and the knowledge, experience, capabilities, and other qualities possessed by the candidates for Directors proposed for election as Directors at this Annual Shareholders Meeting:

Organization	Name	Position	Member of each Committee ^{*1}		Skills which the Company believes its Board of Directors should possess							
			Group Compensation Advisory Committee	Group Nominating Advisory Committee	Corporate management	Financial accounting	Legal/ Compliance	Risk management	Consulting/ Marketing	Market operation or management	Human capital/ Diversity	IT/ Digital
Board of Directors	Takashige Shibato	Chairman	○	◎	●	●	●	●		●	●	●
	Hisashi Goto	President	○	○	●		●	●	●		●	
	Hiroshi Miyoshi	Deputy President			●	●			●			●
	Satoru Kobayashi	Director			●			●	●			
	Hiroyasu Hayashi	Director			●			●				●
	Toshimi Nomura	Director			●		●		●		●	
	Nobuhiko Yamakawa	Director			●			●	●	●		
	Masahiko Fukasawa	Director (External)	◎	○	●	●			●			
	Toshiya Kosugi	Director (External)	○	○	●				●		●	
Audit & Supervisory Committee	Kazunori Tanaka	Audit & Supervisory Committee Member						●		●		
	Hideo Yamada	Audit & Supervisory Committee Member (External)	○	○		●			●			
	Nobuko Ishibashi	Audit & Supervisory Committee Member (External)	○	○			●				●	

*1 ◎は各委員会の委員長、○は委員


Nobuhiko Yamakawa
**Director &
Executive Officer**

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

Masahiko Fukasawa
External Director

AlixPartners Asia LLC;
Managing Director

Toshiya Kosugi
External Director

Truth, Human Science and
Management Organization
Laboratory LLC; Representative

Kazunori Tanaka
**Director
(Audit & Supervisory
Committee Member,
full-time)**

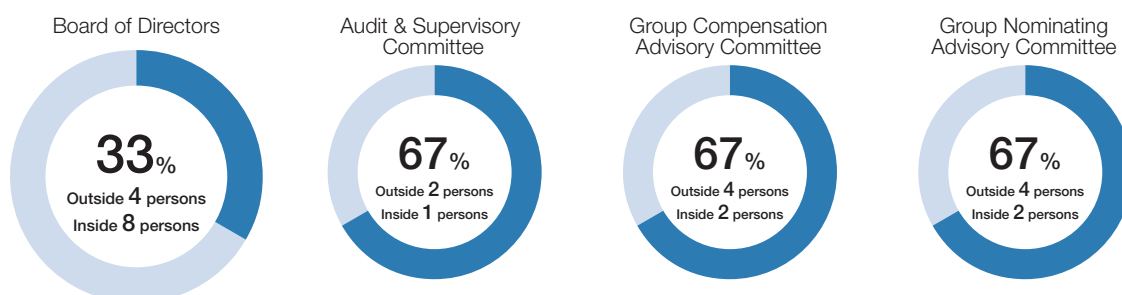
Hideo Yamada
**External Director
(Audit & Supervisory
Committee Member)**

Graduate School of Business
and Finance, Waseda
University; Professor

Nobuko Ishibashi
**External Director
(Audit & Supervisory
Committee Member)**

Kobe City Law Office;
Representative partner lawyer

● Ratio of External Directors



● Reasons for Electing External Directors

Name	Independent Director	Reason for election, expected roles	Attendance in FY2021
Masahiko Fukasawa	●	Mr. Masahiko Fukasawa has held positions as the Japan Representative (concurrently served as Chairman of Korea Office) and the Chairman of China Office of A.T. Kearney. He has served as the Joint Representative of Asian Region and the Joint Representative of Japan from February 2014 and Managing Director of AlixPartners Asia, LLC from January 2021. As such, he possesses extensive practical experience and specialized knowledge in consulting on management strategy and business revitalization of a wide variety of companies. He has been elected as External Director in the expectation that he will supervise Directors and management of the Company from an independent and objective standpoint while utilizing his extensive practical experience and insight accumulated so far to provide opinions, guidance, and advice to our top management in a timely and appropriate manner, thereby contributing to the medium- to long-term improvement of the corporate value of the Group.	Board of Directors 13/13 meetings
Toshiya Kosugi	●	Mr. Toshiya Kosugi has held managerial positions of personnel and general affairs divisions at Uniden Corp. and Apple Inc. and other major domestic and foreign companies. He currently serves as Representative Partner of Truth, Human Science & Management Organization Laboratory LLC. He also serves as professor at a graduate school. As such, he possesses extensive practical experience and specialized knowledge in organizational reform, development, and management of human resources. He has been elected as External Director in the expectation that he will supervise Directors and management of the Company from an independent and objective standpoint while utilizing his extensive practical experience and insight accumulated so far to provide opinions, guidance, and advice to our top management in a timely and appropriate manner, thereby contributing to the medium- to long-term improvement of the corporate value of the Group.	Board of Directors 13/13 meetings
Hideo Yamada	●	Although Mr. Hideo Yamada has never been directly involved in the management of a corporation, he possesses extensive practical experience and advanced capabilities and insight in the corporate management strategies, finance and accounting fields gained through his extensive career including Professor of Graduate School of Business and Finance of Waseda University. He has been elected as External Director serving as an Audit & Supervisory Committee Member in the expectation that he is able to provide valuable advice to the Board of Directors and conduct objective and neutral audits of the Company to ensure legal compliance and appropriateness of business executions of the Company by utilizing his extensive practical experience and professional insight, thereby contributing to the establishment of a quality corporate governance structure that responds to social trust.	Board of Directors 13/13 meetings Audit & Supervisory Committee 12/12 meetings
Nobuko Ishibashi	●	Although Ms. Nobuko Ishibashi has never been directly involved in the management of a corporation, she possesses extensive practical experience and advanced capabilities and insight in legal affairs in general as an attorney. She has been elected as External Director serving as an Audit & Supervisory Committee Member in the expectation that she is able to provide valuable advice to the Board of Directors and conduct objective and neutral audits of the Company to ensure legal compliance and appropriateness of business executions of the Company by utilizing her extensive practical experience and professional insight, thereby contributing to the establishment of a quality corporate governance structure that responds to social trust.	Board of Directors 13/13 meetings Audit & Supervisory Committee 12/12 meetings

Director Remuneration

The introduction of a performance-lined compensation plan for the Company's Directors (excluding Directors serving as Audit & Supervisory Committee Members, External Directors, and Directors who are non-residents in Japan) was approved at the 15th Annual Shareholders Meeting held on June 29, 2022, following resolution at the Board of Directors Meeting held on May 13, 2022. The plan seeks to clarify the link between Directors' remuneration and the Group's performance and shareholder value, raise the motivation of Directors to contribute to the medium- to long-term improvement of business performance and the growth of corporate value, and have Directors share with all shareholders the risks and returns of share price fluctuations.

Policy on Determining Remuneration Amounts and Calculation Methods

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

[Basic policies]

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

—Policies on Determining Compensation for Directors, etc.—

- (1) A system of Compensation for Directors shall be set appropriately so that it serves as a healthy incentive for Directors and Executive Officers, which would eventually lead to the sustainable growth of the Group.
- (2) Compensation for Directors shall be determined in overall consideration of the roles and responsibilities of each Director and Executive Officer, in addition to considering the Company's mid to long-term business performance and economic and social conditions.
- (3) The Group Compensation Advisory Committee shall, in response to the consultation from the Board of Directors, deliberate on Compensation for Directors based on the policies set forth in this Article, and the Board of Directors shall make final decisions with full respect for the Committee's deliberation.

[Specific policies based on basic policies]

- (1) Policy on determining amounts of individual compensation, etc. (excluding performance-linked compensation, etc. and non-monetary compensation, etc.), and calculation methods (including policy on determining the timing or conditions for granting compensation)
 - Individual base compensation shall be paid monthly with a fixed amount.
 - The Group Compensation Advisory Committee shall, in response to the consultation from the Board of Directors, deliberate on the base compensation, based on the "Policies on Determining Compensation for Directors, etc." The Board of Directors shall respect the Committee's deliberation and determine the officer compensation system based on the Policies on Determining Compensation for Directors, etc., and the base compensation is paid pursuant to the system.
- (2) Policy on determining the details of performance-linked compensation, etc. and non-monetary compensation, etc. and calculation methods of their amounts and number of units (including policy on determining the timing or conditions for granting compensation)
 - From the standpoint of clarifying management responsibility and providing an incentive to improve corporate value, the Company has decided to pay its Directors (excluding External Directors) stock compensation, which is a performance-linked compensation, in addition to base compensation. At a certain time each year, eligible Directors shall be granted points whose amounts are linked to the level of net income attributable to owners of parent posted by the Company. The Directors shall be delivered Company shares, etc. upon retiring from the positions of both the Company's Director (including Director serving as an Audit & Supervisory Committee Member) and Executive Officer, and the number of shares to be delivered shall be determined based on the cumulative number of points granted during their terms in office.
 - The Group Compensation Advisory Committee shall, in response to the consultation from the Board of Directors, deliberate on the non-monetary compensation, which is the subject performance-linked compensation, based on the "Policies on Determining Compensation for Directors, etc." The Board of Directors shall pay the compensation in accordance with the officer compensation system decided with full respect for the Committee's deliberation.
- (3) Policy on determining the ratio of amounts of fixed compensation, performance-linked compensation, etc., and non-monetary compensation, etc. to amounts of individual compensation, etc.
 - Individual compensation paid to the Directors shall be the sum of base compensation and stock compensation, which is a performance-linked compensation. The compensation system including provision on the ratio of base compensation to stock compensation, a performance-linked compensation, in individual compensation, etc. shall be set appropriately based on the "Policies on Determining Compensation for Directors, etc." so that the system functions as a healthy incentive toward sustainable growth.
- (4) Methods for determining the details of individual compensation, etc., for Directors (when delegating Directors all or part of the determination of the details of individual compensation, etc., their names, positions, responsibilities, and the details of the authority to be delegated shall be included)
 - The Group Compensation Advisory Committee shall, in response to the consultation from the Board of Directors, deliberate on the details of individual compensation, etc. for Directors, based on the "Policies on Determining Compensation for Directors, etc." The Board of Directors shall respect the Committee's deliberation and determine the officer compensation system, and the details of individual compensation, etc. for Directors based on the system.
 - Of the individual compensation, etc. for Directors, the base compensation for External Directors shall also be deliberated by the Group Compensation Advisory Committee in response to the consultation from the Board of Directors, and based on the "Policies on Determining Compensation for Directors, etc." However, the Board of Directors shall delegate to the Chairman the responsibility to make final decisions on the specific details of the individual compensation, etc. with full respect for the Committee's deliberation, and the Chairman who has received such delegation shall make final decisions.

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

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

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

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

Evaluation of Effectiveness of the Board of Directors in FY2021 (Summary)

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

The method and results of evaluation of the effectiveness of the Board of Directors as a whole for FY2021 are as follows.

[Evaluation method]

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

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

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

[Evaluation results (summary)]

1. Overall evaluation
 - We verified that the Board of Directors was properly operated pursuant to the Corporate Governance Guidelines and that the effectiveness of the Board of Directors as a whole is ensured.
2. Update on improvement measures on issues pointed out in the evaluations in the prior years
 - Based on the issues pointed out in previous effectiveness evaluations, and in light of the rapidly changing business environment driven by technological evolution and heightening awareness regarding SDGs, the Board of Directors sought to engage in thorough discussions on the Company's medium- to long-term risks and business opportunities. With regard to such discussions, numerous opportunities for official and unofficial exchange of opinions have been provided with a view to making better use of the insight of Executive Directors. The divisions tasked with business execution have also worked to better provide explanation and information so as to encourage active discussions among the Directors.
 - Following these discussions, we have set forth a new long-term vision toward the year 2030, which embodies our aim to become "the Best Regional Bank that contributes to the growth of all stakeholders through finance and consulting." The current fiscal year marks the start of our Seventh Mid-Term Management Plan positioned as the first medium-term plan toward fulfilling this vision.
3. Sharing of awareness on issues and improvement measures
 - We have shared an awareness on the need to work on improving the quality of discussions more than ever to accomplish corporate value enhancement in the medium to long term. From the standpoint of allowing the Executive Directors to share their insight even further, we confirmed that we will work on clarifying the points at issue in the discussions as well as improving the quality of information and explanation being provided.
 - In new areas that are not extensions of the existing businesses, we confirmed the need to consider the risks in advance and be prepared to respond flexibly to rapid changes in the environment.



For more information on our corporate governance, please refer to the Corporate Governance Report available at the following website.

<https://www.fukuoka-fg.com/en/company/governance.html>

Interview with External Director

I hope to hold deeper discussions for the future by raising a wide range of issues and making proposals, while working together to pave the way for FFG to aim for further growth in this era of change.

External Director

Masahiko Fukasawa

Managing Director,
AlixPartners Asia LLC



Reform of Management System and Evolution of Corporate Governance

Since FY2022, we have welcomed a new president and started a new management system. In the process of appointing the new president, we gave priority to objectivity and transparency, exchanged opinions with the management team and External Directors, invited evaluation from outside the company, and took a start in a full-scale manner while taking into consideration past achievements.

FFG is a company with an open atmosphere. When an External Director points out an issue, it is immediately shared widely within the company. In addition, when major changes are expected, the Board of Directors evaluates their impact as opportunities and risks and then discusses the appropriateness of strategies. As External Directors, we communicate our candid opinions so that discussions do not turn inward, therefore I feel that the company has strong insights and responds in a timely manner.

During my six years serving as an External Director, I have felt that FFG's corporate governance has evolved. At first, discussions at Board of Directors meetings were totally about "things that must be discussed." But now I have the impression that the scope of discussion has expanded to include "things we want to discuss for the future or just in case," and discussions are becoming more active.

Looking to the future, one of the things I would like to discuss at the Board of Directors meetings is the "necessity of business portfolio management." Until now, FFG has focused on three banks, namely Fukuoka, Kumamoto, and Juhachi-Shinwa, when disseminating information. Now, in addition to the traditional banking business of these three

banks, we are strategically expanding our business areas by establishing Minna Bank and other subsidiaries. Will these businesses be considered as part of the banking business, or will they be developed as separate businesses by FFG in the future? I believe that we will be able to find the direction to guide FFG through business portfolio management, which visualizes the businesses through profit and growth management, human resource planning, risk management, and investment planning according to the stage and characteristics of the businesses. This is an important issue to consider for FFG, which has become a group with multiple businesses. As I have carefully explained the necessity of this two or three times, I feel I am gradually gaining understanding. Examination by the Board of Directors has just started, so I would like to engage in deeper discussions going forward.

"Long-term Vision 2030" and Challenges to Achieve

FFG has formulated the "Long-term Vision 2030" with FY2022 as the starting year. The long-term vision incorporates FFG's raison d'être and the thoughts of management as discussed at the Board of Directors meetings.

I think that setting 2030 as the target year secures a sufficiently effective time frame for taking on various challenges. This is a time frame conscious of quick execution while looking ahead to the challenges that require time to achieve, such as strengthening our management capabilities and foundations, reforming our organizational culture, developing next-generation leaders, and bringing new businesses and alliances to fruition.

FFG is an organization with an extremely strong ability to accomplish whatever it has decided to do. On the other hand, it is true that there is a gap between the organization we want to be and the organization we actually are. We need to take this fact seriously and implement measures to fill the gap, while at the same time strengthening our ability to overcome rough seas and always do what we say we will do. Specifically, I see the following four challenges.

(1) Changing our organizational culture

It is important to align our organization's vision (what we say) with our day-to-day operations (what we do), so that employees can understand why we are doing what we are doing. In addition, I think there is room for improvement in terms of whether the FFG workplace is an aspirational option for those who are thinking about finding a job or changing jobs, and whether the environment is optimal and attractive for employees to develop their careers.

(2) Human resource development

Our stable growth to date has been achieved thanks to our outstanding leaders. If we can develop the next generation of leaders from among those employees who matured in such an environment to move forward with the next challenge, and show Group employees how these leaders shine, it will lead to further growth. To achieve FFG's goal of "developing autonomous human resources," it is important that those who are in management and higher positions practice and embody this idea, even more than the younger generation. Measures are also being taken to raise

awareness among people of all ages, and I hope that they will serve as a driving force for reforms affecting people and organizations.

(3) Grow through learning outside the company

FFG has grown successfully by incorporating external knowledge, as practiced by iBank Marketing, Minna Bank, Sustainable Scale, and FFG Succession. In the future, we expect that there will be more situations in which we will work closely with external parties. We must feedback the know-how and work styles that will be newly established through this collaboration to conventional banks in order to change them.

(4) Preparing for the stormy waves of unpredictable environmental changes

The greatest difficulty in executing our strategies is that we have entered an era in which unpredictable environmental changes constantly occur. Even for FFG, which has a very strong ability to achieve its goals, it will be more difficult than ever to continue growing while coping with the turmoil. Through digital transformation and human resource strategies, we have been working to create an organization that responds flexibly and quickly, but this is an important issue that requires a dramatic increase in crisis awareness and response speed.

As an External Director, I would like to work with FFG to pave the way for growth, even in this era of accelerating environmental change, by conveying objective opinions and raising important issues.

To achieve the "Long-term Vision 2030" through FFG's sustainable growth, we will resolutely face the four issues that have been pointed out and make steady progress. To that end, I want each and every employee to feel the meaning of working at FFG and the satisfaction of their work. Also, I want all employees to be able to state their opinions in various situations. I aim to make FFG an organization where employees can play active roles. I myself will actively communicate the significance of our efforts and my own thoughts, practice bilateral communication, and act toward our goals. As for "business portfolio management" which should accompany the expansion of business domains, as it is a major theme, I would like to continue holding deeper discussions with all members of the Board of Directors.



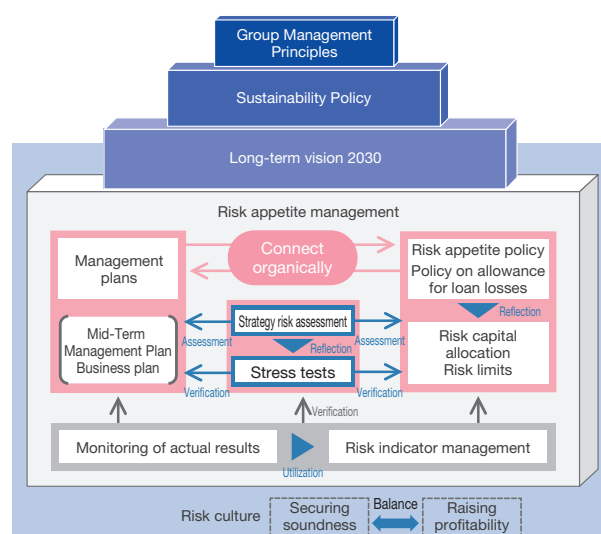
Hisashi Goto
Director & President
(Representative Director)

Risk Appetite Framework

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

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

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



Risk Appetite Policy

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

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

There are seven risk categories in the risk appetite policy comprising “Compliance risk” and “ESG risk” added to the five^(*) comprehensive risk management categories.

*Refers to: 1) Comprehensive risk, 2) Market risk, 3) Credit risk, 4) Liquidity risk, 5) Operational risk

For more information on the comprehensive risk management framework and each risk category, please refer to “Risk Management” section of this report.

Policy on Allowance for Loan Losses

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

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

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

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

Stress Tests

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

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

Strategy Risk Assessment

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

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

Risk Indicator Management

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

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

Risk Appetite Framework

Top Risks

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

Top Risks	Examples of risk events
Deterioration of our credit portfolio	<ul style="list-style-type: none"> • Increase in credit costs which exceed forecasts, due to the deterioration of business performance of customers due to rising resource prices and a weakened yen, as well as the prolonged impact of COVID-19
Rapid development of digital society	<ul style="list-style-type: none"> • Damage to our existing earnings base due to the advancement of technology such as WEB3.0, or the emergence of innovative financial services run by platformers and other industries
System failure and cyber security	<ul style="list-style-type: none"> • Loss of credibility due to large-scale system failures which disadvantage business partners • Loss of credibility due to customer information being leaked or continuity of operations being hindered because of a cyberattack
Risks associated with growth strategies	<ul style="list-style-type: none"> • Difficulty in securing the quality and quantity of human resources required to carry out growth strategies and advanced/specialized operations • Increase in losses due to errors assessing the success or failure of business investment in new strategies and the decision to continue investment
Destabilization of Japanese and international financial markets	<ul style="list-style-type: none"> • Decline of net interest income due to the continued low interest policy in Japan • Deterioration of gains/losses from securities due to the prolonged monetary tightening in the U.S. and the global economic recession
Risks related to climate change	<ul style="list-style-type: none"> • Decrease in corporate value of the Company and customers due to the delay in climate change-related disclosure and decarbonization support for customers • Damage to the Company, officers and employees, and business partners due to natural disasters such as earthquakes and heavy rains.
Acceleration of depopulation, shrinking birthrate, and aging of society in provincial areas	<ul style="list-style-type: none"> • Decreased business scale due to the decline of the regional economy and the increase in closure of customers' businesses as population decline and aging progress at a faster pace than expected in business areas of the Group
Compliance risks	<ul style="list-style-type: none"> • Loss of credibility due to acts that violate laws and regulations or deviate from social norms • Loss of credibility resulting from the Group's products being misused for financial crimes due to an inadequate management system for money laundering, etc.
External risks that can change assumptions regarding the social environment	<ul style="list-style-type: none"> • Significant impact on management strategy resulting from significant changes in the social environment and business assumptions due to a serious epidemic of an infectious disease or the division of the international community due to the emergence of geopolitical risks

Risk Management

Approach to Risk Management

Due to changes in society such as evolution of technology and growing awareness of SDGs have expanded business opportunities for banks, they have caused the risks that these institutions face to become more diverse and complex. In this environment, risk management has become increasingly important, embracing recognition, comprehension and analysis of risks and the implementation of appropriate control measures.

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

Furthermore, FFG aims for horizontal coverage, leveraging the brands of each Group bank, with an efficient single-platform business administration system in the implementation of its groupwide management.

With regard to risk management, we employ a variety of advanced risk management procedures and infrastructure, which we deploy groupwide through a common risk management platform.

FFG institutes a Risk Management Policy as a common standard applied within the Group and formulates an annual Risk Management Program, which serves as an action plan. Through this stance, we are reinforcing and upgrading risk management groupwide.

Risk Classifications and Definitions

In so far as is possible, FFG exhaustively deals with risks arising in the execution of its business activities. We differentiate these risks into the following classifications, which we manage in accordance with their respective risk characteristics.

Furthermore, for more effective implementation we carry out ongoing revisions to each risk management method in tune with advances in risk quantification technologies and other developments.

Risk Classifications Targeted for Management

Risk categories	Definitions	Methods
Credit Risk	Risk of losses arising from asset values that have fallen or been erased (including off-balance-sheet assets) by the worsening financial position of obligors	Management by VaR Integrated risk management
Market Risk	Risk of losses arising from variation in the value of held assets and liabilities (including off-balance-sheet assets and liabilities) as a result of fluctuations in market risk factors, such as interest rates, exchange rates and stock prices, or from variation in profits generated by assets and liabilities	
Interest-Rate Risk	Risk of losses arising from declining profits caused by interest-rate fluctuations in the event of mismatched periods for interest rates applicable to assets and liabilities	
Volatility Risk	Risk of losses arising from fluctuations in prices of securities and other instruments	
Exchange-Rate Risk	Risk of losses arising from currency rate fluctuations in the event of a position of excessive assets or liabilities on a net basis for foreign-currency-denominated assets and liabilities	
Operational Risk	Risk of losses arising from inappropriate business mechanisms, activities by executives and employees or systems, or from the impact of external events The following are risk management subcategories	Management using a fixed quantitative scale Comprehensive risk management
System Risk	Risk of losses arising from computer system down time or system deficiencies, from illegal use of computers, or from other similar risks (including risks arising from disasters, social infrastructure accidents and other such mishaps)	
Administrative Risk	Risk of losses arising from failure by executives and employees or other organizational staff (such as part-time and dispatched workers) to perform their duties, from accidents or fraud, or from other similar risks	
Tangible Asset Risk	Risk of losses arising from damage to tangible assets as a result of accidents, disasters, criminal acts or asset management defects	
Labor Risk	Risk of losses arising from problems with labor practices (problems with treatment of personnel, management of employee duties and union activities), from workplace health and safety environment issues, or risk from employer liabilities caused by claims arising from illegal conduct of executives and employees	
Legal Risk	Risk of losses arising from violations of laws or contracts, forming of improper contracts, and other legal causes	
Reputation Risk	Risk of losses arising from unsubstantiated or untrue rumors among customers or in the market that detract from the Group's reputation, or from risks arising from loss of confidence or obstruction to business operations as a result of public disclosure of improper business administration	
Liquidity Risk		Management by qualitative assessment
Cash Management Risk	Risk of losses arising from difficulties in securing necessary funds as a result of mismatching the period of cash management and procurement or unforeseen cash outflows, or from fund procurement unavoidably carried out at interest rates significantly higher than usual	
Market Liquidity Risk	Risk of losses arising from the inability to carry out transactions due to market disruptions and other factors, or from transactions unavoidably conducted at prices significantly less favorable than usual	

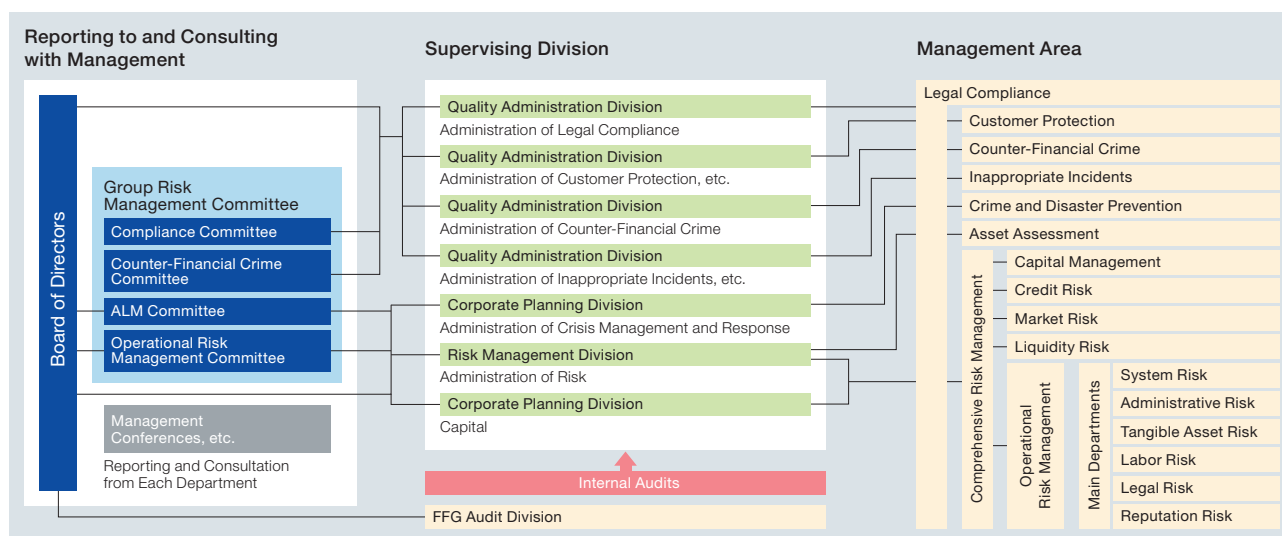
Risk Management

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

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

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

FFG's Risk Management Framework



Comprehensive Risk Management

About Comprehensive Risk Management

Comprehensive risk management makes an integrated assessment of risks that financial institutions face, evaluated for each risk category, by comparison with that financial institution's capital. Categories include credit risk, market risk and operational risk, as well as credit-concentration risk and interest rate risk on bank accounts, which are not considered in the calculation of the regulatory capital adequacy ratio.

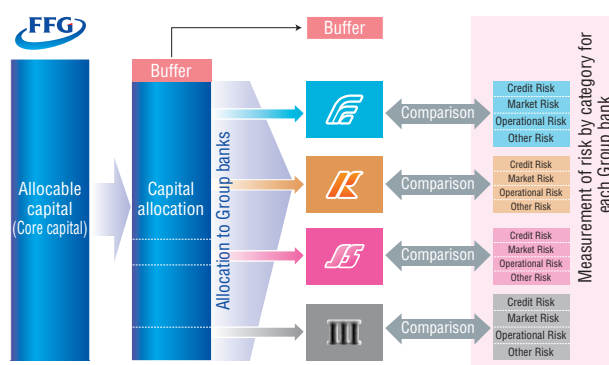
FFG operates a policy of “establishing and upgrading appropriate comprehensive risk management frameworks

that grasp the risk profiles of banks, as the business of financial institutions becomes more diverse and complex, in order to raise efficiency and profitability through the effective use of capital, while maintaining the soundness and appropriateness of banks.” Based on this policy, FFG is deploying such universal yardsticks as VaR to measure various risks and, after calculating a total value, carries out comprehensive risk management by comparison with FFG’s consolidated capital.

Risk Capital Allocation System

FFG has introduced a risk capital allocation system within the framework of its comprehensive risk management. Specifically, FFG assesses its capital allocation on the basis of FFG consolidated capital (Core capital), maintaining the remainder as a buffer against risks that are difficult to measure. Capital allocation is applied to each Group bank and the usage is monitored and managed on a monthly basis.

Framework of the Group Risk Capital Allocation System



Credit Risk Management

Credit risk is the risk of losses arising from asset values (including off-balance-sheet assets) that have fallen or been erased by the worsening financial position of obligors.

This is the main risk category incurred by the Group. In order to post appropriate profits and maintain soundness of assets, credit risk management is one of the most important issues in bank management.

With regard to credit risk management, FFG is developing its management along the lines of a multi-brand single platform while employing the same common rating systems,

screening procedures and credit portfolio management procedures across FFG.

FFG's basic policy on groupwide credit risk management is set out in its Risk Management Policy, which forms the basis for a Credit Policy for each Group bank. This policy indicates a basic approach covering the judgment and behavior for the appropriate operation of credit businesses.

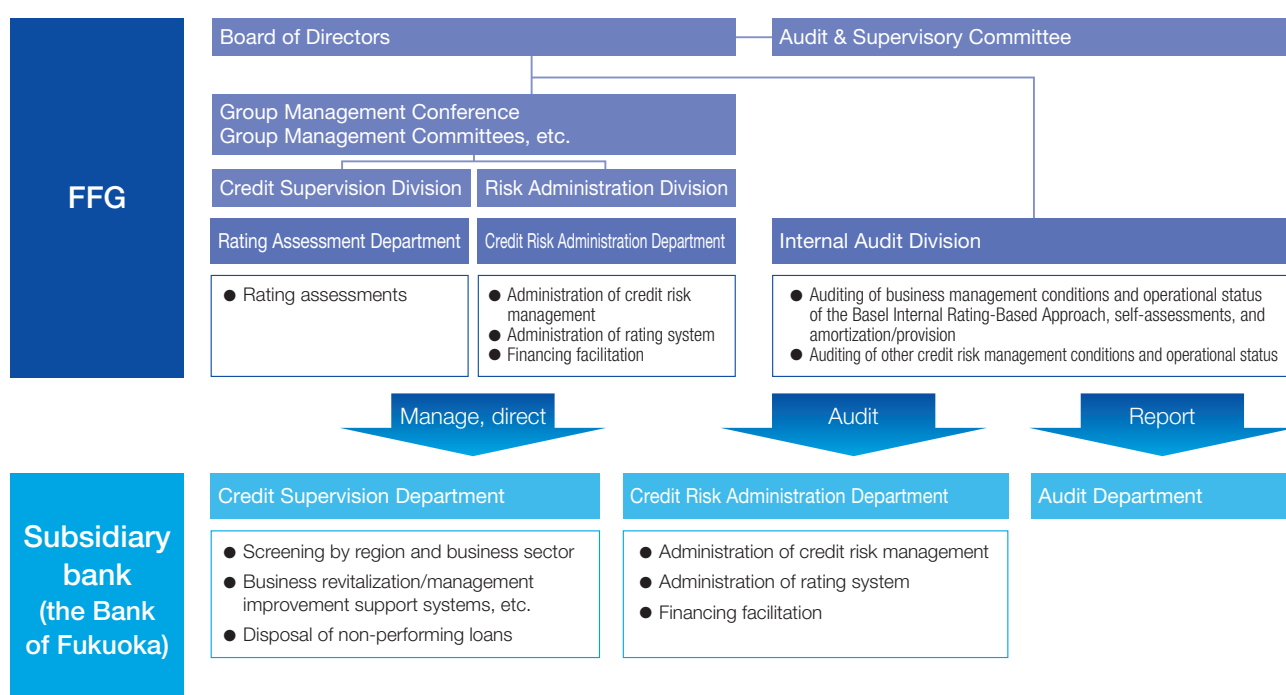
FFG has also created the Credit Risk Management Program as an action plan for enhancing the groupwide credit risk management framework and strengthening groupwide credit portfolio operations.

Credit Risk Management System

The Credit Risk Management System is centered on the Risk Management Division, which administers the formulation of credit risk management policy and manages the rating systems and credit risk for the Group.

Screening for individual loan applications is conducted by the credit supervision departments of each Group bank and rating assessments based on the credit ratings system are chiefly conducted by the Credit Supervision Division, FFG's rating assessment department, in conjunction with business offices of each Group bank. FFG's Risk Administration Division handles Group-level management of obligors' dealings with banks within the Group.

FFG's Internal Audit Division audits the soundness of asset content, and the appropriateness of credit risk management conditions from a standpoint independent from each Group bank. The division reports its findings to FFG's Board of Directors. The audit departments of each Group bank receive audit reports from the FFG's Internal Audit Division and report the audit results to the respective boards of directors.



Risk Management

Obligor Ratings

Obligor ratings express the certainty that an obligor will fulfill its obligations, so are assigned to business corporations based on the scoring of their financial condition and qualitative assessments by bankers who have undergone specialized training. The ratings are reviewed periodically—at least once a year and whenever an obligor's credit status changes—to enable the timely ascertainment of the conditions of individual

obligors and portfolios.

In addition, obligor ratings are linked to obligor and loan categories based on laws and regulations and are also used in self-assessments, write-offs and loan loss provisions. Accordingly, obligor ratings are ranked as the core of credit risk management.

Correlation among Obligor Rating and Category, Loan Category and Default Category According to the Basel Internal Rating-Based Approach

Obligor Rating			Obligor Category	Loan Category	Default category	
Rating Rank	Risk Level	Definition			Amortization/provision	Basel Internal Rating-Based Approach
1	No risk	Highest level of certainty of debt redemption, and stable	Normal	Normal	Non-default	Non-default
2	Slight risk	Extremely high level of certainty of debt redemption, and stable				
3	Small risk	High level of certainty of debt redemption, and stable				
4	Above average	Adequate level of certainty of debt redemption, but might decline going forward				
5	Average	No problem with certainty of debt redemption in the immediate future, but may decline going forward				
6	Permissible	No problem with certainty of debt redemption in the immediate future, but likely to decline going forward				
7	Below average	No current problem with certainty of debt redemption, but substantial concerns about future declines				
8	Needs attention 1	Apparent problem with debt redemption, and will require care in management	Needs attention		Non-default	
9	Needs attention 2	Apparent serious problem with debt redemption, and will require detailed care in management Applies to one of the following: • Obligors with loans past due for three months or more • Obligors with restructured loans		Substandard		
10	In danger of bankruptcy	Experiencing financial difficulties, with a substantial chance of business failure going forward	In danger of bankruptcy	Doubtful	Default	Default
11	Effectively bankrupt	Not yet in legal or formal bankruptcy, but experiencing business failure in substance	Effectively bankrupt	In bankruptcy or rehabilitation, or in quasi-bankruptcy or rehabilitation		
12	Bankrupt	In legal and/or formal bankruptcy	Bankrupt			

Quantification of Credit Risk

FFG quantifies credit risk based on an internal rating system centered on obligor ratings to rationally ascertain credit risk and ensure efficient application of the capital policy and

credit criteria. We allocate risk capital and manage our credit portfolio on the basis of the results of these calculations.

Framework for Individual Credit Management

In adopting individual loan applications, FFG conducts analysis and assessment from a broad perspective and strives to make precise, rigorous credit judgments by verifying the reasonableness of credit preservation through collateral.

Even after extending credit, we engage in preventive management before loans become delinquent and

work to swiftly and appropriately respond at such time, through follow-up management that includes periodically reviewing the obligor's business situation, re-assessing its collateral and strengthening management of overdue accounts.

Market Risk Management

FFG's Board of Directors has established a basic policy on market risk management. In light of this basic policy, the Group Risk Management Committee has determined a management policy for market risk, including ALM, as a system for controlling risk groupwide by monitoring the status of policy implementation and risk.

Moreover, FFG's Risk Management Division ascertains and analyzes the market risk conditions and status of market risk management of the Group, based on reporting from the market risk administration divisions of the Group banks. The Group's Risk Management Division provides a framework for

advising the market risk administration divisions of the Group banks on risk management arrangements and periodically reporting to the Board of Directors.

Specifically, the division manages market risk by considering the risk profiles of the Group banks and monitoring the implementation status of various risk limits set by aligning them with risk capital apportioned to the banks. The trading and banking divisions use the common yardstick of VaR for setting such limits on risk.

Note: VaR is the largest loss likely to be suffered on a portfolio position with a given probability.

Liquidity Risk Management

The Board of Directors of the Group has instituted a basic policy on liquidity risk management in the recognition that downplaying liquidity risk could lead to serious problems of business failure and, in turn, the systemic risk of a chain reaction of defaults by financial institutions. In light of this basic policy, the Group's Risk Management Committee has determined a liquidity risk management policy following consultations with the ALM committees of the Group banks, which forms a framework for controlling risk across the Group by monitoring the status of policy implementation and risk conditions.

Furthermore, the Group's Risk Administration Division

ascertains and analyzes the Group's liquidity risk situation and the status of liquidity risk management, based on reporting from the liquidity risk administration divisions of the Group banks. The Group's Risk Administration Division forms a framework for advising the liquidity risk administration divisions of the Group banks on risk management arrangements and periodically reports to the Board of Directors.

Specifically, the division manages liquidity risk by determining management categories according to the status of cash flow at the Group banks, actions to be taken for each category and limits for each type of risk associated with cash flow in consideration of the banks' risk profiles.

Operational Risk Management

Operational risk refers to risks associated with inadequacies in the Group's internal business processes, mistakes by officers or regular employees, and system failures, as well as losses attributable to such external factors as disasters. Operational risk is managed by classification into administrative risk, system risk, tangible assets risk, labor risk, legal risk and reputational risk.

There are drastic changes in the operating environment surrounding FFG such as products and services diversifying due to the expansion of business domains and the progress of digitalization, rising importance of cyber security and information management, etc., and the frequent occurrence of natural disasters. Operational risk management is becoming increasingly important in responding to such changes and building a framework for preventive risk management.

The Board of Directors of the Group maintains organizational frameworks and mechanisms for appropriate

management of operational risk. By establishing Operational Risk Management Rules, which stipulate basic regulations for forestalling the manifestation of risks and minimizing the impact in the event of occurrence, and the Operational Risk Management Program, which specifies priority action items for each fiscal year, the Group comprehensively manages operational risk.

In addition, to appropriately designate, assess, understand, manage, and reduce operational risk, we collect and analyze related loss information for realized risks, and for potential risks we use risk and control self-assessments (RCSA: self-assessment on risk and the effectiveness of risk control) to implement appropriate countermeasures. The Group also monitors and controls operational risk in an appropriate and timely manner through the Board of Directors and the Operational Risk Management Committee.

Compliance Measures

Basic Views

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

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

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

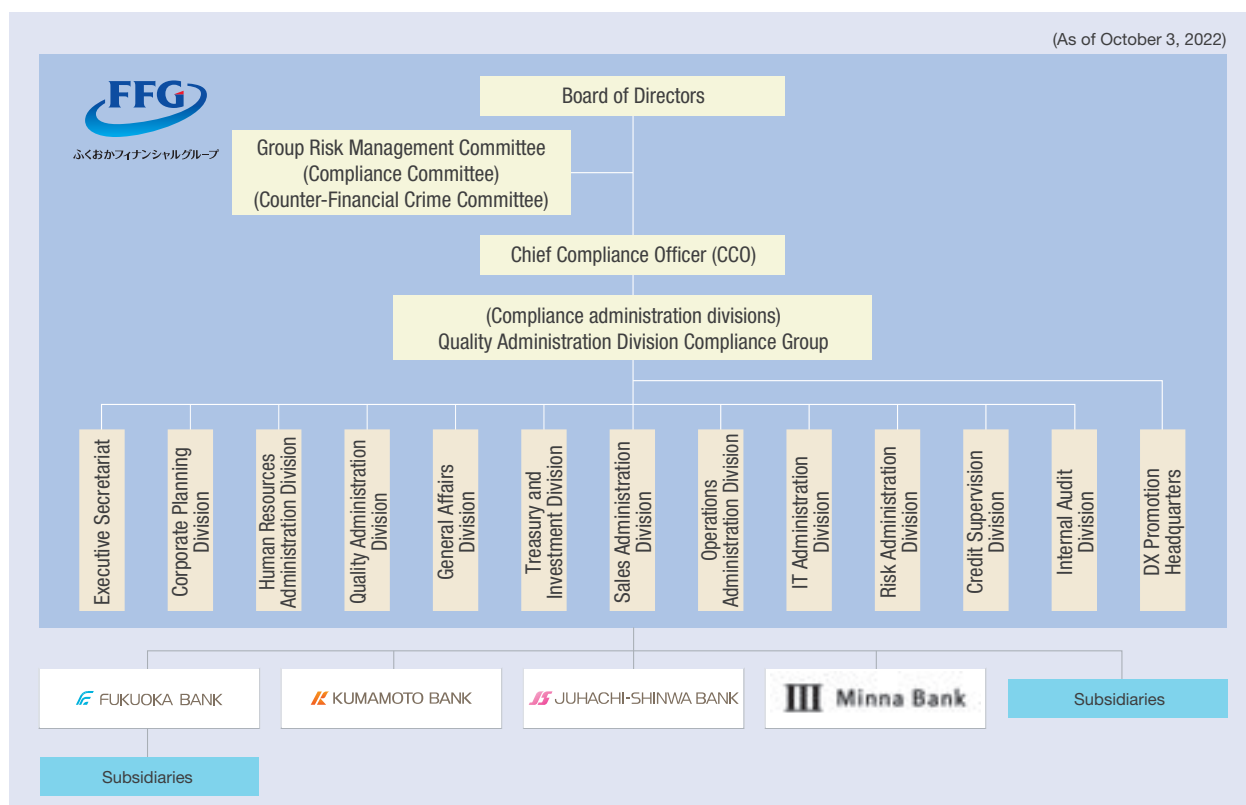
Compliance Framework

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

Furthermore, we have established the Compliance Committee, comprised of the President, Directors, and other members, who discuss and report on important

matters related to compliance, and periodically evaluate and check the progress of the Compliance Program.

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



In order to quickly grasp the expectations of a changing society and take sincere action towards that society, it is important to maintain the perspective of asking “Are there any discrepancies between the common sense of society and the common sense of FFG?” and “Are we thinking from the customer’s perspective?” We place great importance on this perspective when planning in-house training sessions and responding to consultations from departments and sales offices.

Kaho Hashimoto
FFG Quality Administration Division
Compliance Group



Initiatives to Enhance and Strengthen Our Compliance System

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

Our main measures for the current fiscal year are to further raise the level of our corporate culture that emphasizes compliance, enhance the anti-money laundering management system, and strengthen the customer protection management structure. We are implementing various initiatives such as sending messages from management, holding regular workplace training sessions, and checking compliance on an individual and workplace basis.

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

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

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

Anti-bribery and Anti-corruption Initiatives

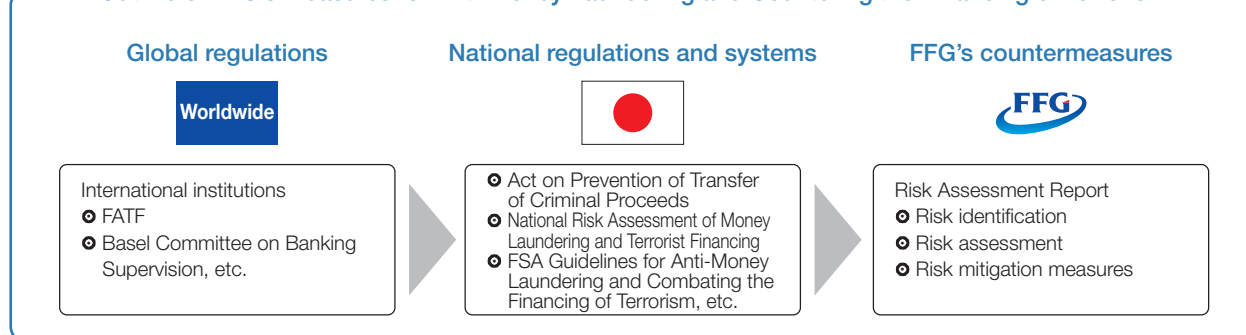
With regard to our efforts to prevent bribery and corruption, we have clearly stated FFG’s approach and specific responses in the Compliance Manual, and we are thoroughly spreading this knowledge to all officers and employees.

Compliance Measures

Anti-Money Laundering and Countering the Financing of Terrorism

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

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



FFG's Main Initiatives

● Establishment of the Management System

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

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

● Revision of the Risk Assessment Report

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

● Employee Training

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

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

Efforts to Cut Off Relationships with Anti-Social Forces

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

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

Shareholder Communication

Dialogue with Shareholders and Investors

FFG has defined “become a financial group that creates value for all stakeholders” as one of its Management Principles, and is actively engaged in communication with shareholders and investors.

The Group is providing explanation on FFG’s growth strategy and financial data in an easy-to-understand manner through annual shareholders meetings, briefings for investors, and other opportunities. We are also focusing on the disclosure of non-financial information in the Integrated Report.

Going forward, FFG will continue to enhance its communication with shareholders and investors, disseminate more information on FFG’s activities, and use the

opinions and requests expressed in the dialogue to improve management, thus pursuing sustainable improvement of corporate value.

Results for FY2021	
Annual shareholders meeting	Shareholders in attendance: 106
Briefings for institutional investors and analysts	May 2021 (105 in attendance) November 2021 (118 in attendance)
Briefings for individual investors	Total 4 sessions (total 276 in attendance)
Individual meetings with institutional investors and analysts	110 sessions

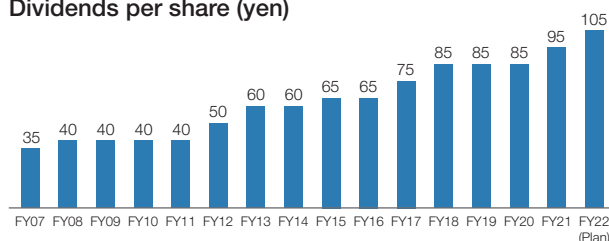
FFG’s Corporate Communication (IR) Calendar

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Financial results announcement		● Year-end results			● Q1 results			● Interim results			● Q3 results	
Annual shareholders meeting			●									
Company information session		●						●				
Securities reports (quarterly reports)			●		●			●			●	
Disclosure publication			● To Be Your Bank of Choice		● Financial Data			● Integrated Report	● To Be Your Bank of Choice	● Financial Data		
Annual Report											●	

Enhancing Shareholder Returns

With regard to returning profits to shareholders, the Group adopts a performance-based dividend policy (dividend table) based on its aim of increasing shareholder value by enhancing corporate value. In consideration of the balance between maintenance of soundness and growth investment, we have set the target payout ratio (consolidated) of about 35% in the dividend table, and aim to pay stable dividends.

Dividends per share (yen)



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

Starting in FY2022, we have changed the profit range of the dividend table from 5 billion yen to 2.5 billion yen and the dividend amount per share to 5 yen. By doing so, we have revised the system so that our profit growth can easily lead to increased dividends for investors.

Target dividend table

FFG consolidated net income level*	Full-year dividend per share	Payout ratio
65 billion yen or more	125 yen	Up to 37%
62.5–65 billion yen	120 yen	35 to 36%
60–62.5 billion yen	115 yen	35 to 36%
57.5–60 billion yen	110 yen	35 to 36%
55–57.5 billion yen	105 yen	35 to 36%
52.5–55 billion yen	100 yen	35 to 36%
50–52.5 billion yen	95 yen	34 to 36%
Below 50 billion yen	Dividends with a target dividend ratio of 35%	

*Indicates net income attributable to owners of the parent

Corporate Data

Company Outline (as of September 30, 2022)

Fukuoka Financial Group, Inc.

Head Office	1-8-3, Otemon, Chuo-ku, Fukuoka 810-8693, Japan
Date of Establishment	April 2, 2007
Paid-in Capital	¥124.7 billion
Security Code	8354
Stock Listings	Tokyo Stock Exchange, Fukuoka Stock Exchange
Number of Employees	7,850 (Consolidated)(as of September 30, 2022)
Telephone Number	+81-92-723-2500
Website	https://www.fukuoka-fg.com/

The Bank of Fukuoka, Ltd.

Head Office	2-13-1, Tenjin, Chuo-ku, Fukuoka 810-8727, Japan
Date of Establishment	March 31, 1945
Paid-in Capital	¥82.3 billion
Number of Employees	3,587 (as of September 30, 2022)
Telephone Number	+81-92-723-2131
Website	https://www.fukuokabank.co.jp/

The Bank of Fukuoka's Overseas Network

Hong Kong Representative Office

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

Shanghai Representative Office

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

Dalian Representative Office

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

Representative Office Registered in Singapore

65 Chulia Street #27-03 OCBC Centre
Singapore 049513
+65-6438-4913

Bangkok Representative Office

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

New York Representative Office

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

Taipei Representative Office

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

Ho Chi Minh City Representative Office

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

The Kumamoto Bank, Ltd.

Head Office	6-29-20, Suizenji, Chuo-ku, Kumamoto 862-8601, Japan
Date of Establishment	January 19, 1929
Paid-in Capital	¥10 billion
Number of Employees	818 (as of September 30, 2022)
Telephone Number	+81-96-385-1111
Website	https://www.kumamotobank.co.jp/

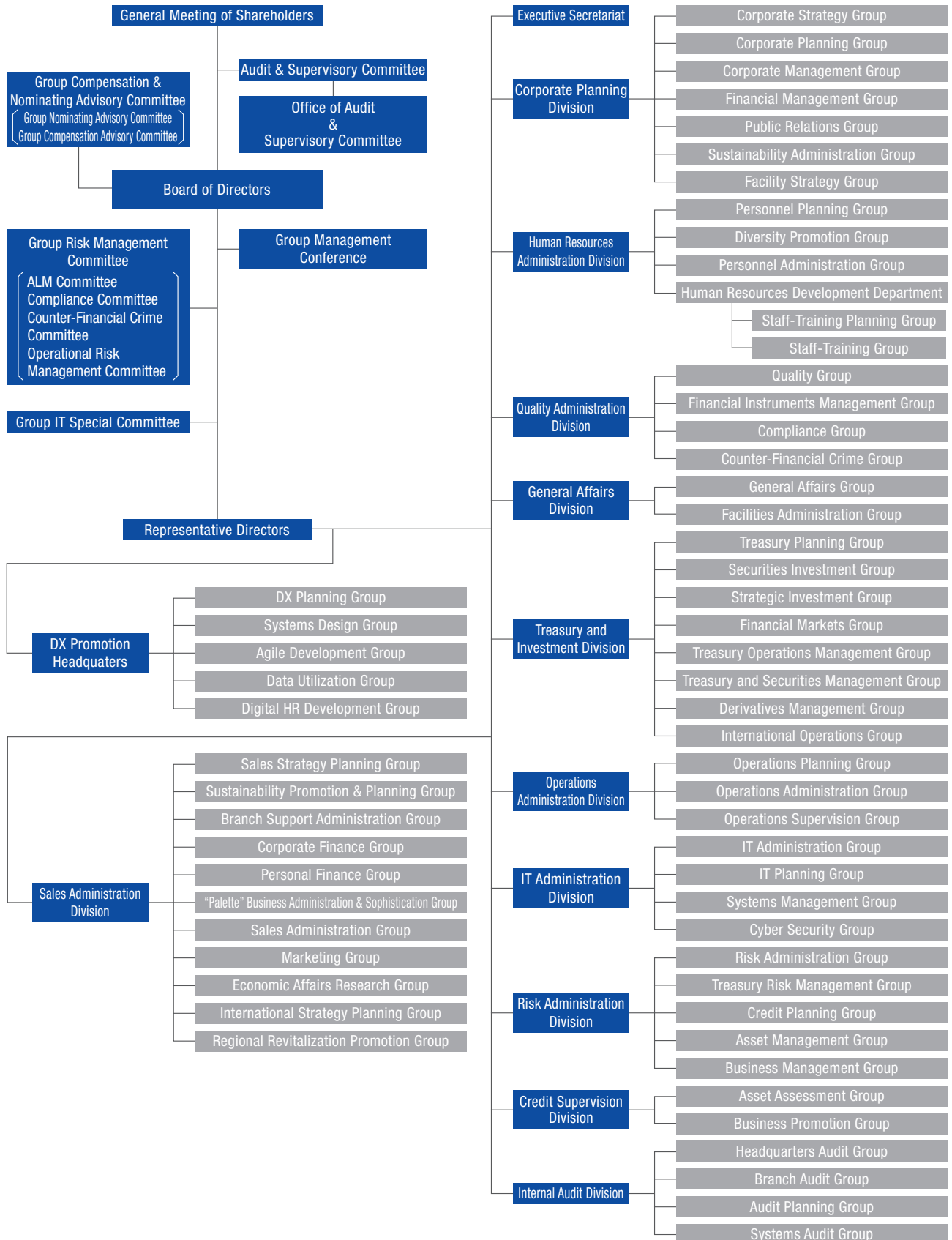
The Juhachi-Shinwa Bank, Ltd.

Head Office	1-11, Douzacho, Nagasaki 850-0841, Japan
Date of Establishment	September 1, 1939
Paid-in Capital	¥36.8 billion
Number of Employees	2,035 (as of September 30, 2022)
Telephone Number	+81-95-824-1818
Website	https://www.18shinwabank.co.jp/

Minna Bank, Ltd.

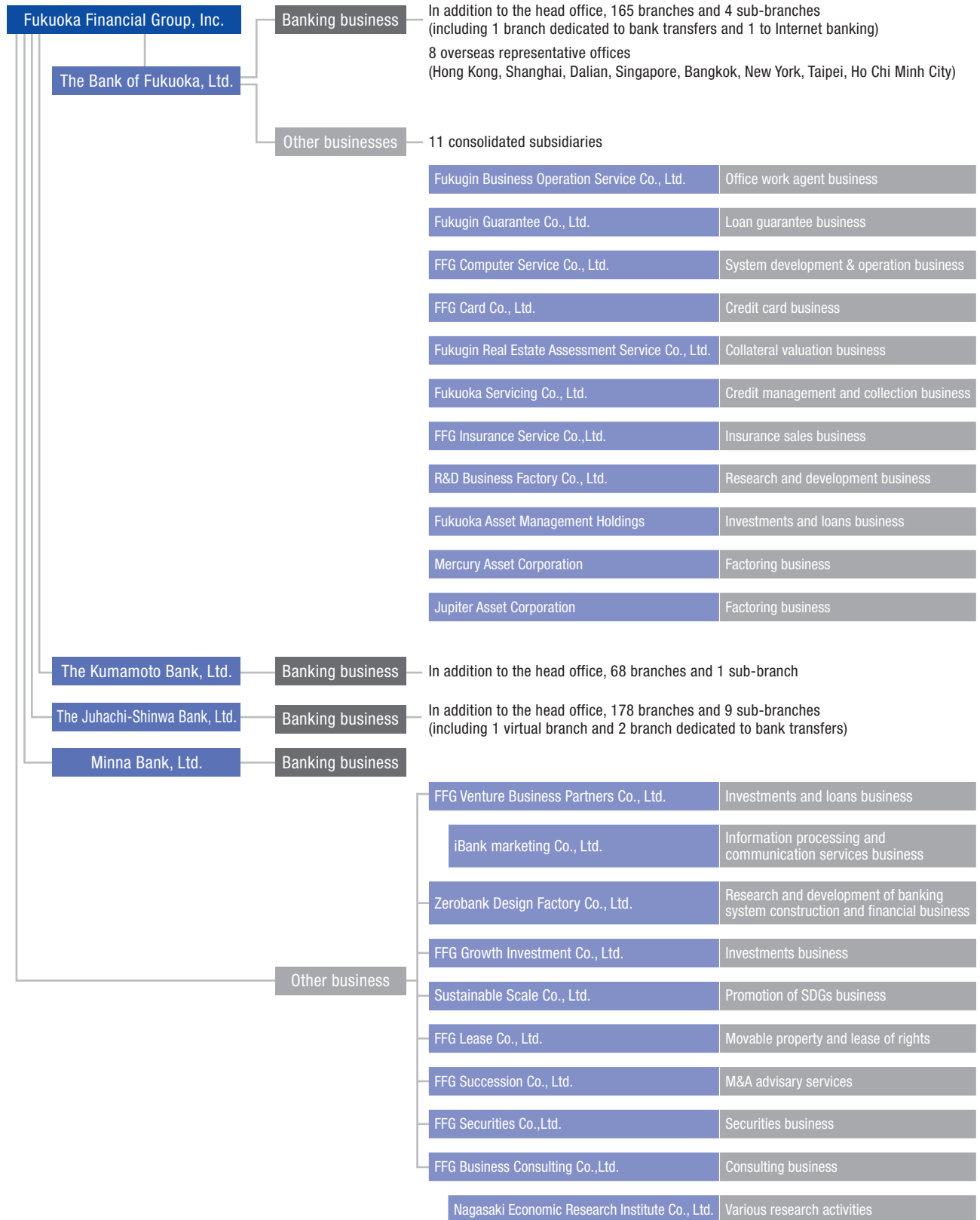
Head Office	6-27, Nishinakasu, Chuo-ku, Fukuoka 810-0002, Japan
Date of Establishment	August 15, 2019
Paid-in Capital	¥8.25 billion
Number of Employees	105
Telephone Number	+81-92-791-9231
Website	https://www.minna-no-ginko.com/

Organizational Chart (as of January 4, 2023)



Corporate Data

Group Company Chart (as of September 30, 2022)



Share Information (as of March 31, 2022)

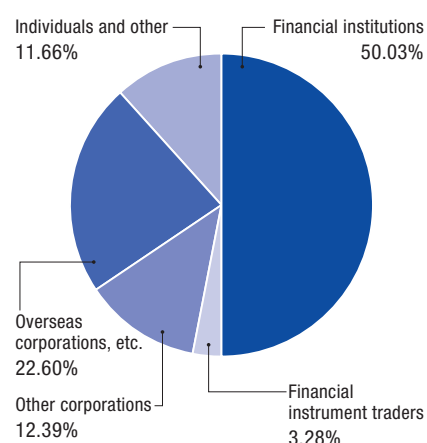
Investor Information

	Common stock
Number of authorized shares	360,000,000
Number of shares Issued	191,138,265

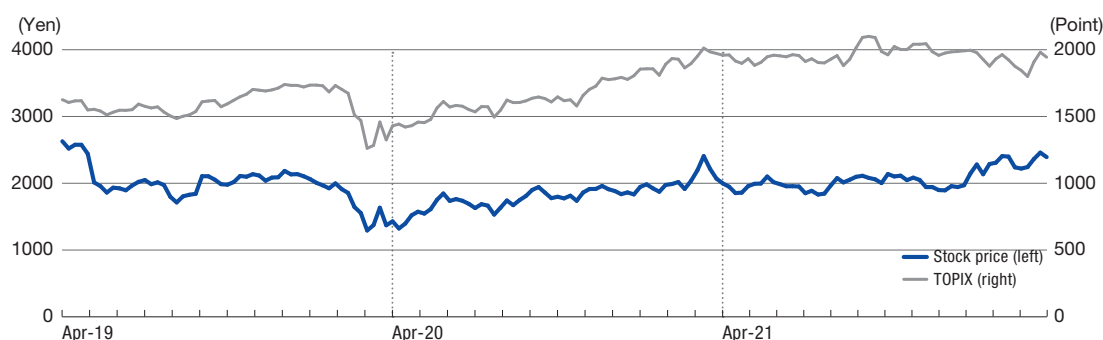
Major Shareholders

	(Thousands of shares, %)	
	Shares held	Ratio of shares held to issued number of shares
The Master Trust Bank of Japan, Ltd. (Trust account)	34,513	18.15
Custody Bank of Japan, Ltd. (Trust account)	15,072	7.92
Nippon Life Insurance Company	4,271	2.24
Meiji Yasuda Life Insurance Company	4,103	2.15
Sumitomo Life Insurance Company	3,790	1.99
The Dai-ichi Life Insurance Company, Limited	3,523	1.85
STATE STREET BANK AND TRUST COMPANY 505103	2,700	1.42
Custody Bank of Japan, Ltd. (Trust account 4)	2,310	1.21
The Kagoshima Bank, Ltd.	2,297	1.20
JP Morgan Securities Japan Co., Ltd	2,253	1.18

Common Stock Distribution by Type of Shareholder



Stock Price



	FY2019	FY2020	FY2021
High (Yen)	2,677	2,422	2,497
Low (Yen)	1,223	1,286	1,805
Closing price as of March 31 (Yen)	1,371	2,070	2,392

* A one-for-five reverse stock split of our common stock was conducted on October 1, 2018 as the effective date.
The above stock prices are calculated by multiplying prices before October 2018 by five.

To be your bank of choice

