

# FUKUOKA FINANCIAL GROUP

FFG ANNUAL REPORT 2023



# FUKUOKA FINANCIAL GROUP


## Our Principles

Group Management Principles

Brand Slogan Core Value

Sustainability Policy

Long-term Vision 2030



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

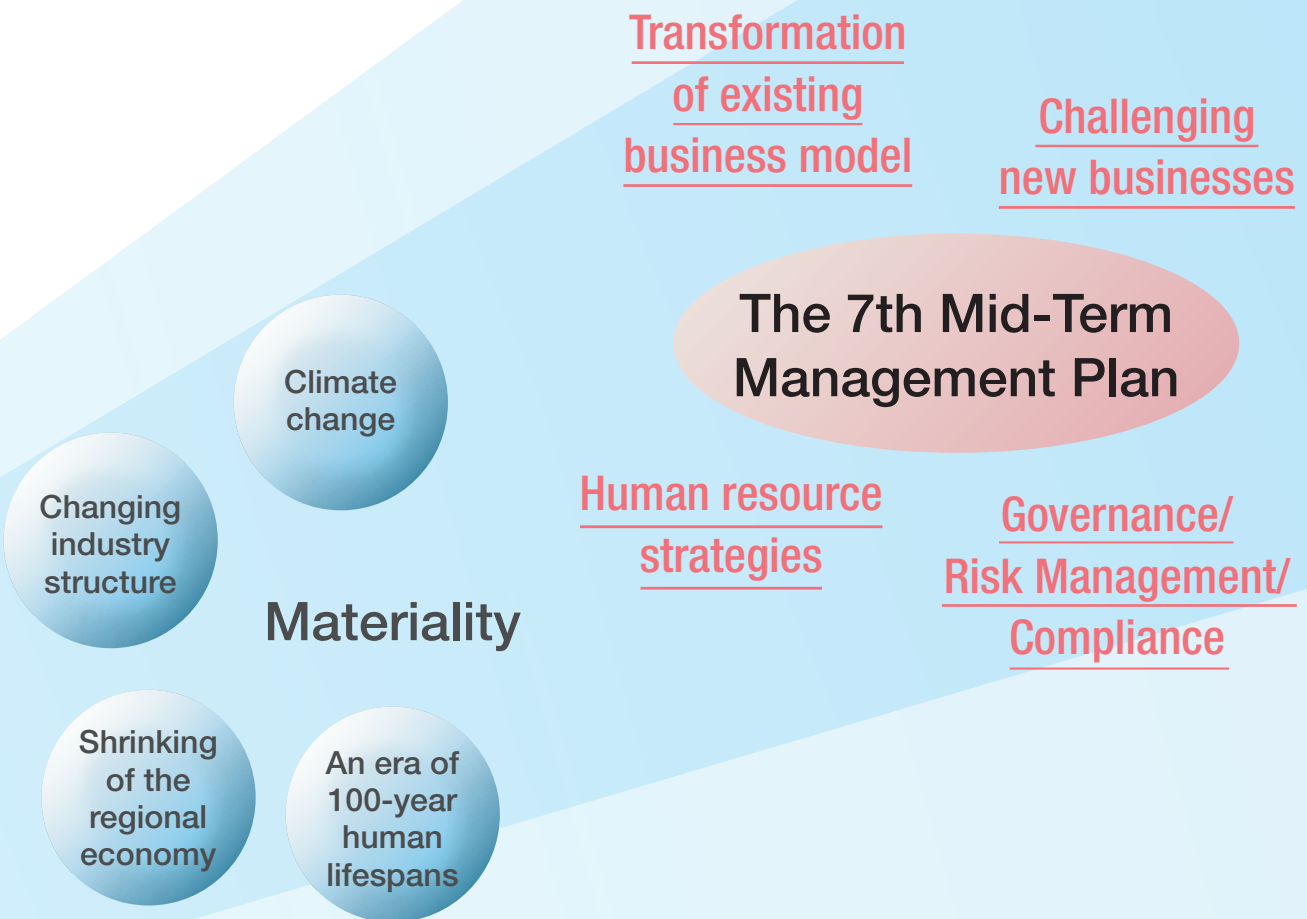
## The Future We Aim to Realize

The future we aim to realize is a society of local communities that are economically, materially, and spiritually richer.

FFG believes that in the midst of various environmental changes, the social issues the Company must address (materiality issues) in order to realize such a society are the shrinking of the regional economy, the changing industry structure, an era of 100-year human lifespans, and climate change.

Through “transformation of our existing business model,” “taking on the challenge of new business,” and other measures set out in the 7th Mid-Term Management Plan, we will contribute to solving these social issues and aim to achieve our Long-term Vision 2030 while getting closer to achieving the sustainable society we aim to create.

“The Best Regional Bank” envisioned in our Long-term Vision 2030 is a financial group that contributes to the growth of all stakeholders through finance and consulting.



## Our mission and promise

Group Management Principles (mission)

Brand Slogan (promise)

The sustainable society  
we aim to create

A society of local  
communities that are  
economically, materially,  
and spiritually richer

Providing  
social  
value

Improving  
economic  
value

## Long-term Vision 2030

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

To bring about “the future we aim to realize,” all officers and employees execute their daily duties guided by the shared values in the “Group Management Principles” that have remained unchanged since the founding of FFG, and in our promise to all stakeholders that captures this philosophy in a single phrase, “to be your Bank of choice.”

By creating a virtuous cycle of solving social issues, or “providing social value,” and “improving FFG’s value in economic terms” as a result of society’s support, FFG aims to realize a prosperous society together with all stakeholders.

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. On October 1, 2023, FFG was integrated with the Fukuoka Chuo Bank, Ltd.

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.

**FFG** Fukuoka Financial Group, Inc.

Within Kyushu	460
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

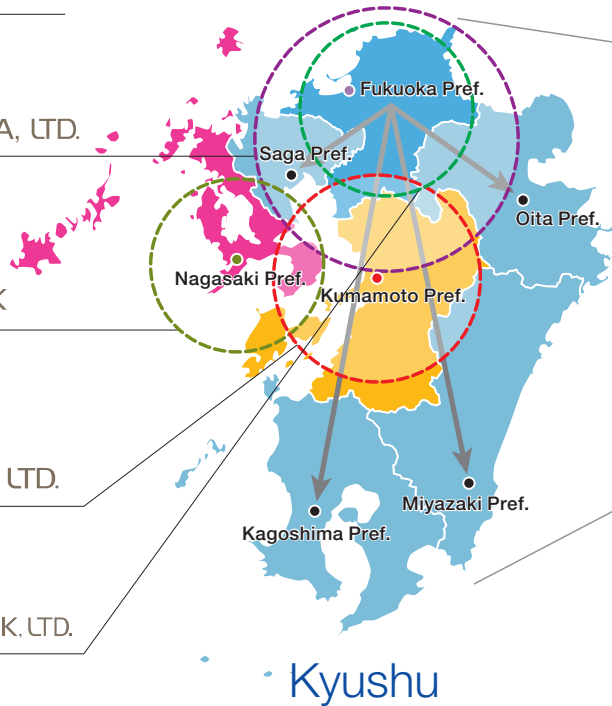
**THE KUMAMOTO BANK, LTD.**

Kumamoto Prefecture	63
Within Kyushu	7

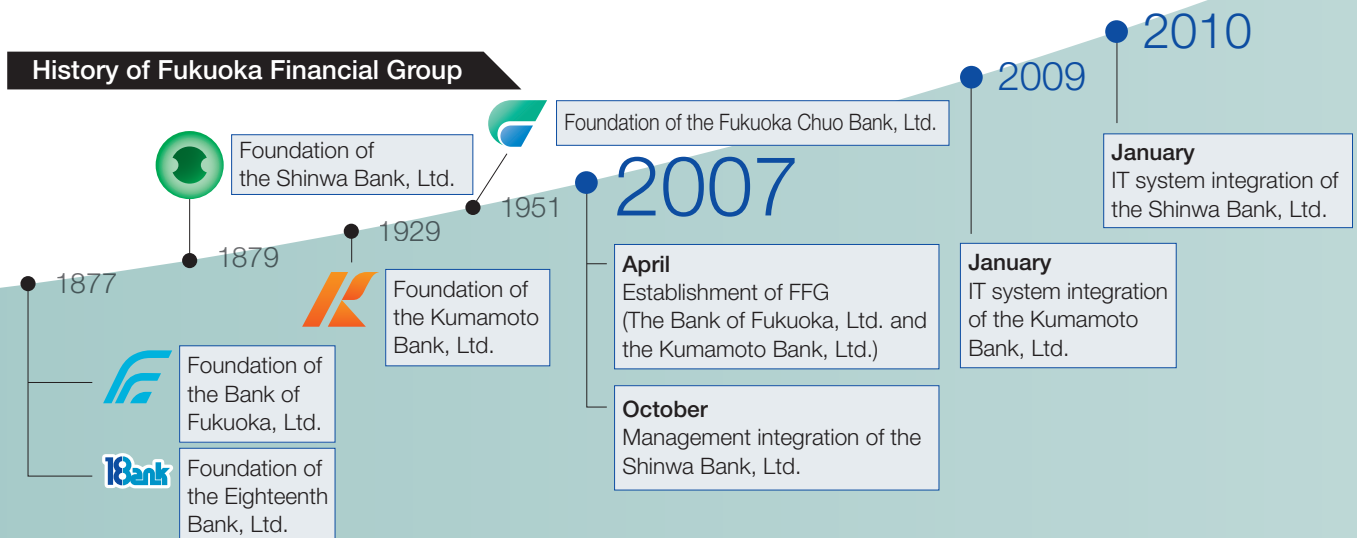
**THE FUKUOKA CHUO BANK, LTD.**

Fukuoka Prefecture	41
--------------------	----

(As of September 30, 2023)



## 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



**2023**

**October**  
Business Integration with the Fukuoka Chuo Bank, Ltd.

**2021**

**—Loans: ¥17.8 trillion**  
**—Deposits: ¥21.0 trillion**  
(as of March 31)

**2020**

**May**  
Launch of commercial operations of Minna Bank, Ltd.

**2019**

**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.)

**2016**

**April**  
Launch of iBank Business

**July**  
Opening of representative office in Ho Chi Minh City

**2015**

**December**  
Opening of representative office in Taipei

**2012**

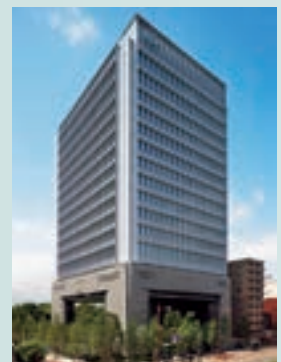
**March**  
Opening of representative office in Bangkok

**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.



Fukuoka Financial Group, Inc.

- The Bank of Fukuoka, Ltd.
- The Kumamoto Bank, Ltd.
- The Juhachi-Shinwa Bank, Ltd.
- The Fukuoka Chuo Bank, Ltd.
- Minna Bank, Ltd.



FFG Head Office (Fukuoka City)





## Message from the President

# To be the Best Regional Bank that creates a virtuous cycle of providing social value and improving economic value

## Hisashi Goto

Director & President  
Fukuoka Financial Group, Inc.

On October 1, FFG completed a business integration with the Fukuoka Chuo Bank. Since its founding, the Fukuoka Chuo Bank has been focusing on sound management as a “financial institution specializing in SMEs” and building close relationships with regional customers. As a result of this integration, we are well-equipped with systems to support customers with a wide range of backgrounds, from large corporations to SMEs including individual business owners.

Going forward, our aim is to achieve “the growth of FFG” while contributing to the “creation of prosperous local communities,” leveraging the strengths of the Fukuoka Chuo Bank as well as FFG’s sophisticated menu of solutions and expansive network.

## Introduction –FFG’s business base, Kyushu

I will first talk about Kyushu, our business base.

As you might know, Kyushu continues to be a leading growth region in Japan. The Fukuoka region is busy with the sounds of construction of new buildings and bustles with visitors from Japan and other parts of the world till late at night. Hearing the potpourri of foreign languages being spoken, one might momentarily forget that this is Fukuoka. Nagasaki prefecture has seen stabilization in employment and the recovery of the tourism industry, which was badly hit by the COVID-19 pandemic, in addition to a change in the flow of people to and from the region with the operational launch of the Nishi Kyushu Shinkansen. In Kumamoto prefecture, the entry of TSMC into the region has spurred strong demand for capital

investment across a wide range of related industries, accompanied by a rapid acceleration in the development of infrastructure in the surrounding area.

The main reason why I chose to work for the Bank of Fukuoka is the region’s potential for growth. At the time, Fukuoka already seemed like a huge city to me, having grown up in the small city of Isa in Kagoshima prefecture. The Fukuoka of today has grown dramatically compared to what it was back then. Although I cannot claim to have predicted the Bank of Fukuoka’s growth in tandem with the region, I intuitively felt that it would happen. Today, this intuition spreads to the Kyushu area, continuing into the future.

[See P11: TOPICS FFG × Kyushu’s Past, Present, and Future ▶](#)

## The Last Year in Retrospect

It has been one and a half years since I assumed the position of President in April last year. At the time, I announced that I would focus on three efforts: “being thoroughly customer-focused,” “bringing out the vitality of people and the organization,” and “continuing to increase profits.” We assess the status of each of these three efforts every year. I will explain this past year’s assessment with reference to the progress of the 7th MTMP and upcoming developments.

### <Being thoroughly customer-focused>

Our business is built upon the continuous support of our customers. Accordingly, the attitude behind our work is being “customer-focused.” The highest priority is to always have “the customer” at the forefront of our minds as we carry out our work, for not only our sales representatives but all employees including those in planning and administration as well as clerical divisions. To this end, our brand slogan, “To be your Bank of

choice,” is a philosophy we share with our employees every day.

Led by this philosophy, we have set forth a “goal-based sales” initiative in the sales policy of the 7th MTMP.

We share customers’ goals (targets and dreams) and provide solutions geared at problem-solving to achieve these goals. This sales style has been disseminated across the company through initiatives over the past year.

Currently, measures to achieve “digitalization,” “business reforms,” and “sales reforms” are being steadily implemented and with the resulting synergies, we will solve the problems faced by our customers and the region (society) and differentiate FFG from competitors (Willing To Pay).

[See P27-28: CDO’s Message — Customer-focused Self-transformation ▶](#)

[See P29-30: Message from GM, Sales Administration Division  
Strengthening our ability to provide solutions using “Humans × Digital Technology” ▶](#)

## <Bringing out the vitality of people and the organization>

Being “customer-focused” is the responsibility of each and every employee. Specifically, it involves employees striving to improve their capabilities while bearing “the customer” in mind in the course of their daily duties. It is a way to challenge themselves and achieve self-actualization through their work.

It is imperative that we raise the know-how and skills of sales representatives and increase the number of human resources capable of delivering sophisticated solutions in order to carry out the goal-based sales policy laid out in the mid-term plan. Further, specialist human resources are also needed in planning and administration as well as in the clerical, digital and markets divisions. In order to secure such human capital, we have moved ahead with various initiatives through the employee hiring, development, placement, and treatment processes.

Face-to-face communications were severely restricted during the three years of the COVID-19 pandemic. In the wake of the lifting of these restrictions, subsidies were made available to all employees for the purpose of stimulating communication between workplace colleagues outside of work. Each workplace had their own unique initiatives, and the positive impacts on business operations can be felt.

Personally, while on business trips to see customers I sought out opportunities to visit nearby branches, continuously seeking to exchange opinions with branch employees. We have begun to implement regular employee engagement surveys to measure the effects of these policies.

[See P37-38: Building a Human Resource Portfolio to Achieve FFG's Business Strategy](#)

[See P39-40: Improving Employee Engagement](#)

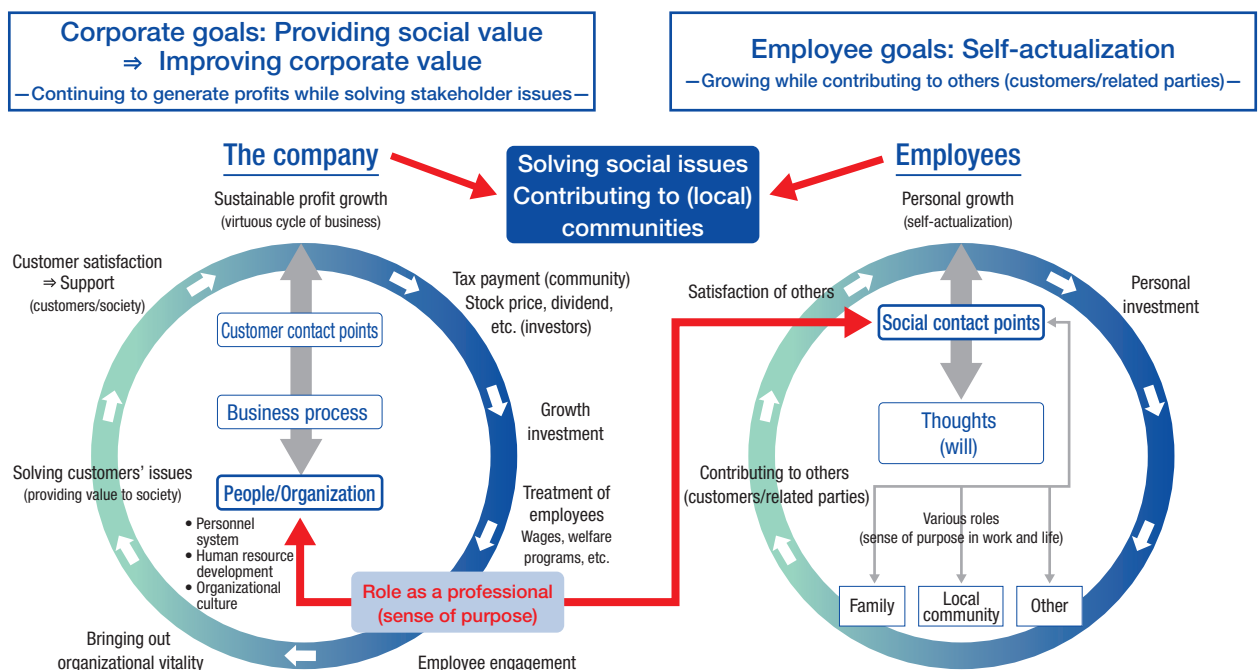
## <Continuing to increase profits>

In FY2022, apart from a recording a significant loss on sale of bonds due to the restructuring of our foreign bond portfolio affected by rising U.S. interest rates, performance is in line with initial plans. As a result, we have succeeded in paving the way to achieving the 65.0 billion yen profit target set for the final year of the mid-term plan, including growth investments and human capital investments.

[See P17-20: Message from Officer in Charge of Corporate Planning and Finance](#)

In our assessment, it has been a year where we successfully initiated the virtuous cycle for sustainable growth depicted in the Corporate Sustainability diagram below, with solid initiatives in the three efforts as described above.

## Corporate Sustainability (the Virtuous Cycle)



**TOPICS** FFG × Kyushu’s Past, Present, and Future —Kyushu’s “Innovativeness,” a Legacy for the Future—

“Innovativeness” is a key word that cannot be omitted when talking about FFG’s corporate DNA. These roots can be traced back to Kyushu’s enterprising history.

It is this history of Kyushu that FFG has continuously grown with. With Kyushu as our home ground, we will continue to contribute to creating a prosperous society by solving customers’ and community’s issues drawing on our fundamental strengths of “financial functions (settlement, intermediation, and credit creation)” and the region’s “trust and reliance” in us.

Past

**It all began in Dejima, Nagasaki**

Nagasaki’s Dejima. During the Edo period, Nagasaki, where the Juhachi-Shinwa Bank is headquartered, was Japan’s only connection to the rest of the world, and as such was early to receive Western science and technology, medicine, and culture.

It was from Dejima where Japan exported its gold, silver, copper and other materials, and also where it imported raw silk, sugar, medicines, and the like. Sugar and other exotic foreign imported goods of all kinds would pass through Nagasaki and make their way all over Japan via Nagasaki Kaido trade route, also known as Sugar Road.

Today, “Dejima,” which is currently undergoing restoration, is right next to the headquarters of the Juhachi-Shinwa Bank. One might say that Kyushu’s eminently international industrial history began at Nagasaki.



Present

**Yawata Steel Works—“Silicon Island” Kyushu —Expansion of TSMC into Kumamoto**

TSMC’s Kumamoto facility is currently a hot point of interest in Japan. The head office of the Kumamoto Bank is a 30- to 40-minute car ride away.

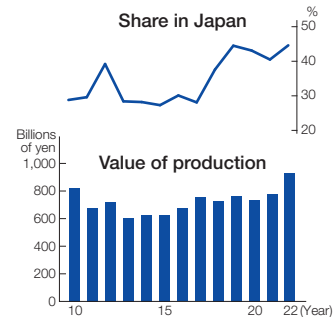
The history of Kyushu’s industrial clusters is undoubtedly a background factor in TSMC’s expansion. The Imperial Yawata Steel Works first began operations in 1901. The production of steel using coal from the Chikuho coal field and iron ore imported from China transformed Kitakyushu from a fishing village into a large industrial zone that contributed to the modernization of Japan’s industry.

The 1960s saw a string of semiconductor and related companies make their way into Kyushu, including those that manufactured materials and production equipment for semiconductor parts. Kyushu’s large semiconductor industrial cluster led to it being known as “Silicon Island Kyushu.”

Today, Kyushu’s share of domestic production value is approximately 40% for integrated circuit (IC) production and 20% for semiconductor production equipment.

After TSMC announced the construction of its new facility in Kumamoto prefecture’s Kikuyo-cho in October 2021, major semiconductor-related companies have been building new plants and upgrading facilities in the Kyushu region.

Following TSMC’s entry, the Kumamoto Bank’s business base of Kumamoto prefecture is experiencing a rapid rise in demand, spanning across various aspects including infrastructure and other public works and employment-related UIJ turns.



**Kyushu’s IC production value and national share**

Source: Adapted from Kyushu Bureau of Economy, Trade and Industry, “Kyushu Keizai no Genjo” (“The Current Status of the Kyushu Economy”), 2022 Edition.

Future

**Fukuoka, Brimming With Future Potential**

The city of Fukuoka where the head offices of FFG and the Bank of Fukuoka are located is a comfortable city to live in with a rich variety of commercial facilities and excellent airport connections to attract customers, making it an attractive hub and gateway to Asia. A city that young people find attractive, Fukuoka has been ranked first in residential city rankings for four consecutive years and is the leading city in Japan in terms of population growth rate and proportion of young generation.

Since Fukuoka Mayor Soichiro Takashima announced the “Startup City” project in 2012, numerous start-ups have sprung up from Fukuoka. Today, venture capital investment value is on the rise, with over 40 emerging, unlisted companies with a total corporate value of over 1.0 billion yen. The city ranked first in “business start rate” for the fourth year running, and is also number one in Japan for proportion of prospective entrepreneurs.

Further, the city is in the midst of ongoing redevelopment projects such as “Tenjin Big Bang” and “Hakata Connected.” The “Tenjin Big Bang” development is projected to exceed 70 stories by 2026, and together with “Hakata Connect,” is expected to contribute 1.3 trillion yen to the economy annually. Fukuoka brims with future potential and is becoming more attractive than ever.



**Fukuoka City ranked first in Japan**

- Most desirable city to live in (by local government)<sup>1</sup>
- Population growth rate (among government-designated cities)<sup>2</sup>
- Proportion of young generation (among government-designated cities)<sup>3</sup>
- Business start rate (among 21 major cities)<sup>4</sup>
- Proportion of prospective entrepreneurs (among government-designated cities)<sup>5</sup>

Sources:  
<sup>1</sup>: Dai-Itokai Construction Co., Ltd.’s “If Haya Net Sumitai Machi Ranking 2023” (“Good Housing Desirable City Ranking 2023”)  
<sup>2</sup>: The Statistics Bureau of Japan’s “2020 Population Census”  
<sup>3, 4, 5</sup>: Fukuoka City’s “Fukuoka Facts” website

## FFG's Materiality

---

Aspiring toward a “society of local communities that are economically, materially, and spiritually richer” was one of the decisions laid out by FFG in our 7th Mid-Term Management Plan. That is to say, a “society where everyone can do what they really want to do, without anxiety regarding the future,” and a “society where everyone’s individuality works together and everyone feels like a member of society.”

However, there are obvious barriers to the “prosperous society” we hope for, such as more frequent natural disasters, heightening geopolitical risk, shrinking regional populations and an aging population coupled with a declining birth rate.

Furthermore, this “prosperous society” is not something FFG can create on our own. It is something that will be achieved by our business together with our customers and other stakeholders.

What social issues must be resolved to achieve this?

We have identified four materiality issues—social issues that we must address—considering the various changes in the external environment and their importance.

- (1) The “shrinking of the regional economy” due to the shrinking population is an important issue that requires urgent action as it is a shared problem that affects all who reside and do business in the region.
- (2) The use of digital technology is essential to realizing a “society where everyone can do what they really want to do.” Further, we have identified the “changing

industry structure (as a result of digitalization)” as an important challenge. This is because even as the innovative services made possible by advances in digital technology pose a competitive threat to businesses, the use of digital technology is accompanied by a wealth of opportunities.

- (3) Lifespans are becoming longer as a result of advancements in medical technology. This brings with it additional financial and other anxieties about the future. Supporting “customers’ rich lives” with our financial functions and consulting service is an important challenge in “an era of 100-year human lifespans.”
- (4) Natural disasters are an annual affair in Kyushu, with drastic consequences on the region. Responding to “climate change” so as to achieve a carbon neutral society, among other things, is also an important issue, as business activities are built upon coexistence with society and the environment, from a sustainability perspective.

These four materiality issues are challenges that point us toward a prosperous society, and the measures in the 7th MTMP aim to realize the society we wish to achieve by addressing these issues, which will also serve to accelerate FFG’s growth. Having defined the four materiality issues as the social issues that we must address, “FFG’s story of value creation” become visible.

## FFG's Purposes

---

In the current era where importance is attached to a company’s social role and sustainability as encapsulated by SDGs and ESG, a company’s purposes are “providing value to society” and “improving its own economic value.”

“Providing value to society” means using the company’s strengths to provide products and services that respond to society’s challenges and needs, and “improving its own economic value” means raising the company’s competitive power and profitability to secure growth capabilities so that the business becomes more able to sustain itself.

From this perspective, FFG’s purposes are therefore to utilize its strengths, that is to say, our “financial functions (settlement, intermediation, and credit creation)” and the “trust and reliance built up over 150 years,” to squarely

address the challenges faced by our customers and the community (society), contributing to solving them and improving our corporate value as a result of these activities.

However, the way we address and solve problems is somewhat different from that of a non-financial company. While a non-financial company solves problems with the goods and services it supplies, a bank provides products and services to customers, whose actions and business activities then contribute to solving the problems. In other words, we indirectly engage with challenges across the community (society) through our customers’ businesses and other activities.

As an example, raising productivity is essential to revitalize the regional economy in the midst of a shrinking

population and manpower scarcity. The management integrations we have implemented to date serve to boost banking productivity and contribute to sustaining and revitalizing regional employment. In addition, the revitalization of local businesses and improvements to regional productivity resulting from M&As and business succession may also be considered a contribution to counteracting the shrinking population.

The “GROWTH I” (“Growth One”) facility supporting start-ups launched in August and the “regional projects” carried out in coordination with the local government are among collective initiatives undertaken by industry, academia, and the government for solving social issues such as creating industry and revitalizing the region.

We can contribute to the achievement of region-wide (social) targets of Kyushu’s “GRP\* improvement” and “achieving carbon neutrality” by solving the problems of our 6.6 million private customers and 300,000 business customers.

\*GRP: Gross regional product

While creating a virtuous cycle of “providing social value” and “improving economic value” and enhancing

FFG’s capital through the initiatives in the 7th MTMP, we will invest the financial resources in future growth and human capital, once again providing even greater social value and improving economic value, and so on. This is FFG’s “story of value creation” that will achieve the “society of local communities that are economically, materially, and spiritually richer” we aspire toward.

[See P25-26: Value Creation Process](#)



The opening of the GROWTH I facility (August 31, 2023)

## Human Capital Management

It is “each and every one of our employees” whose actions bring FFG closer to its goals. We link our management strategy with our human resource strategy in accordance with our philosophy that investing proactively in human capital is the “source of improvement of corporate value.”

The pillars of our human resource strategy are “building a strategic human resource portfolio” and “improving employee engagement,” the foundation of which are “DE&I” and “organizational culture.”

### <Building a strategic human resource portfolio>

In order to build a human resource portfolio that can execute our business strategies, our planning, operational, and human resources divisions coordinate with each other to achieve the optimal placement of human resources by considering: “When and how many personnel will be needed, and what kinds of skills are required of them? How do we develop them?”

Given our current business strategies, it is particularly important that we have a strong team of “digital human resources” and “solution-focused human resources.”

At present, we have around 450 digital human resources, but this is far from enough in view of the speed of technological innovation in this field and the expanding

scope of business. We will continue to hire mid-career workers and develop our human resources. However, apart from in-house resources, we also see those joining us from system vendors and partner companies, among others, as valuable strategic forces. Investing in human resources from partner companies in this way is an investment in bringing service development in-house.

In order to achieve “transformation of our existing business model,” it is necessary to increase the number of “solution-focused human resources” who can provide high-quality consulting. Currently, our corporate business employs specialist human resources in structured finance, M&A, business succession, and the retail banking business has specialist asset managers known as TACs (top asset coordinators) at the headquarters. In line with the restructuring of our sales system, these specialist human resources will be integrated with staff in charge of sales branches in each area. Then, through daily OJT, we will develop the staff in charge of sales branches into “solution-focused human resources” with specialist expertise.

We seek to maximize organizational performance by optimizing our desired human resource portfolio to align with our external environment and business strategy.

[See P37-38: Building a Human Resource Portfolio to Achieve FFG’s Business Strategy](#)

## <Improving employee engagement>

The elements of improving employee engagement are “affinity with FFG,” “treatment and content of work” and “work style.”

Firstly, the management team, including myself, actively communicate with employees to work toward achieving “unity in thinking,” in order that employees feel like participants in our “story of value creation.”

As for “treatment and content of work” and “work style,” we will enhance the personnel system and its operation, such as by ensuring fair assessment and treatment, providing promotion opportunities for young workers and female employees, and introducing the “career challenge program” and the “internal concurrent role system” designed for self-directed career development, the “specialist course” for pursuing specialization in defined fields, and the “paid hours-off system” and “flexible leave system” that support a flexible work style.

In addition, we will enhance leadership and management training by increasing the opportunities for senior level employees who are in charge of vitalizing the organization to directly engage in discussions with the management team.

[See P39-40: Improving Employee Engagement ▶](#)



## TOPICS Brand Book

To instill in employees our philosophy of our brand slogan declared on the day FFG was established, “To be your Bank of choice,” we developed and distributed the “Brand Book” booklet.

Despite the passing of 15 years, the booklet’s message to employees remains unchanged. It is always on my desk for me to re-read.

I would like to share what I read out to the attendees at the recent Fukuoka Chuo Bank integration commemoration ceremony.

“May we work with pride and motivation every day. May we provide services that satisfy our customers.”

The management team steers the direction of management so that employees and their families can work with peace of mind; division and store managers give guidance on the way forward and encourage employees; bosses and colleagues strive to mutually understand each other and support each other in their duties.

Each of us in our individual roles, cherishing the persons closest to us—our FFG Group colleagues—as we consider what we must do and take action day by day, is nourishment for the FFG group’s massive growth.

Each of us, as employees of FFG, communicating heart-to-heart to achieve mutual understanding. Thinking of what we ourselves can do, and taking action right now on the things we must do.

It is not a difficult thing. But it is not something that can be done by one person. Let each of us officers and employees come together and open the way to FFG’s future with our collective strength.

To achieve our aspiration, ‘To be your Bank of choice.’”



Brand Book



The commemoration ceremony of the Fukuoka Chuo Bank integration (October 1, 2023)

## <DE&I (Diversity, Equity & Inclusion) and organizational culture>

It is said that “an organization where diverse human resources work will be full of lively discussion and is more likely to generate new ideas than a homogeneous organization.” Fostering diverse human resources (DE&I) and an organizational culture that is transparent and open is essential to a company’s growth.

DE&I promotion can be approached from many angles. I would like to talk about current efforts in “mid-career recruitment” and “active participation of women.”

As regards “mid-career recruitment,” we are accelerating such efforts in iBank marketing, Minna Bank, the DX Promotion Headquarters and other areas involving digital technology. Digital technology related departments are diverse groups, with around half of employees being mid-career hires, as well as having staff from partner companies coming to work together. We plan to extend this form of organizational management to other non-digital related departments as well.

As for “active participation of women,” we have achieved our current target ratio of 15% women in

management positions through proactive efforts made until now. We will continue with initiatives to provide promotion opportunities and increase their capabilities, so as to raise this ratio to 25%. We expect many women leaders to emerge as a result of these initiatives.

In order for diverse individuals to let their capabilities fully flourish, it is necessary to cultivate an organizational culture that provides “psychological safety,” in that employees are comfortable to speak their minds without feeling at risk or afraid. In my day-to-day duties, I am committed to active communication, and in a third-party assessment performed by a law office this fiscal year, we received an assessment that our “organizational culture generally provides psychological safety.”

We will continue with these and other initiatives to build an organization where diverse individuals work with autonomy and self-motivation.

[See P41-42: DE&I/Organizational Culture ▶](#)

## Initiatives to Address Climate Change

Every year, Japan experiences “once-a-decade” heavy rains and other natural disasters. The heavy rains that hit northern Kyushu in July affected many of our customers badly and severely impacted the regional economy. The Bank of Fukuoka’s branch stores were also damaged and had to suspend operations for some time.

Amidst such climate shifts, we have prioritized “sustainability” initiatives as a major management issue, and are working on group-wide initiatives to bring us closer to a decarbonized society. In particular, in addition to in-house decarbonization initiatives, we are leveraging our scoring service Sustainable Scale Index that quantifies the status of ESG and SDG initiatives, to engage in dialogue with customers. We are also adding to our track record of action by undertaking positive impact finance that contributes to solving environmental and social issues, and other activities.

In addition, we are strengthening our coordination with local industries. The Bank of Fukuoka, together with nine retailers in the Kyushu area including AEON KYUSHU Co., Ltd., established the “*Kyushu Ryutsu Sustainability Salon*” (“Kyushu Distribution Sustainability Salon”). Their activities include empirical experiments aimed at achieving decarbonization in the distribution industry. As a bank,

we are in a unique position to create value by contributing to these kinds of industry-wide “sustainability” efforts.

In this edition of the Integrated Report, we are disclosing CO<sub>2</sub> emissions attributable to our portfolio of investments and loans (Scope 3) for the first time. Going forward, we will create an action plan for engaging with customers to reduce the amount of emissions and develop a roadmap for achieving decarbonization.

[See P47-52: Achieving Sustainability Transformation \(SX\) at FFG ▶](#)



Launch of the Kyushu Ryutsu Sustainability Salon (May 29, 2023)



## Sustainably Improving Corporate Value

As a result of the hike in interest rates due to the revision of the Bank of Japan's policy and the expected rise in activity in the Kyushu economy due to TSMC's expansion, FFG's stock price has risen by about 60% since I assumed the position of President in April 2022. However, the price book-value ratio (PBR) remains below 1 and we take this very seriously.

We acknowledge that return on equity (ROE) and price earnings ratio (PER) must improve in order to enhance corporate value (improve PBR). As regards ROE, we will achieve concrete results for the various current measures under way and are aiming to increase each business portfolio's profitability, return on risk-weighted assets (RORA), to a level that exceeds cost of shareholders' equity in the medium- to long-term.

As for PER, we regard your shared understanding of FFG's business direction and growth direction—that is to say your affinity with FFG's story of value creation toward generating a virtuous cycle of “providing social value” and “improving economic value”—as something we cannot do without. To achieve this, we will work to proactively engage in dialogue with all our investors and other stakeholders, as well as making disclosures that include specific non-financial targets.

In addition, as the Chairperson of the Regional Banks Association of Japan, I am working to improve the brand strength of regional banks as a whole by contributing to the region through the promotion of joint businesses and coordination among member banks.

[See P17-20: Message from Officer in Charge of Corporate Planning and Finance](#)

## Toward the Next Mid-Term Management Plan

This summer, we held an “officers' training retreat” at a hotel in the city involving key officers. During the retreat, we exchanged our personal ideas on fundamental management questions such as: “What is FFG's purpose?” “What kind of value can only FFG create?” “What future does FFG wish to achieve?” This was an activity I was determined to make happen since I assumed the position of President, and it served as a space for participants to understand each other better and share their thoughts.

Moving forward, we plan to include a wider range of participants in these discussions and bring new clarity to our “purpose” and “long term vision.” We will communicate these in a clear and understandable way and set specific financial and non-financial KPIs, so as to achieve shared understanding with our customers, the community, employees, shareholders, and other stakeholders. I would like these sentiments to be reflected in the next mid-term plan as “FFG's story of value creation” that

employees can actively participate in with a sense of purpose.

In closing...

“In order to refine your mind, treat the present moment with utmost seriousness.” This is a teaching of Kazuo Inamori, the founder of Kyocera and a person whom I admire deeply. In a speech to commemorate their company's 100th anniversary, a customer recently said, “I will work earnestly every day in preparation for the next 100 years.” Both sayings resonate strongly with a will to apply the Zen teaching of “*nikon*” (living fully in the present moment). Feeling like every day is a battle for existence is something that people in management are accustomed to.

I will keep these words close to heart in my daily duties. I will steer FFG with the utmost perseverance.

I humbly ask for your continued support as FFG strives to meet your expectations as the “closest, most reliable, and most sophisticated” bank.



五島 久

Director & President  
Fukuoka Financial Group, Inc.



## Teppei Mizoe

Executive Officer, FFG and  
General Manager of Corporate  
Planning Division, FFG

## Message from Officer in Charge of Corporate Planning and Finance

### Toward Improving Corporate Value

Aiming to improve ROE by repeatedly  
making investments based on growth  
strategies and realizing investment effects

## Reviewing Business Performance for FY2022

In FY2022, despite significant changes in the market environment in Japan and overseas, the core business profit for the three banks of FFG reached a record high largely because of the strong performance of loans and bills discounted to small- and medium-size enterprises.

On the other hand, in order to eliminate concerns over a decline in future earnings due to a sharp rise in overseas interest rates, we restructured our securities portfolio (recording a loss on sales), with a focus on foreign bonds, and strengthened our resistance to future interest rate hikes.

In addition, Minna Bank began handling consumer loans in July; however, we revised our future outlook since results were significantly lower than planned. Although this is a new business and therefore involves some uncertainties, making Minna Bank profitable is regarded as an issue.

As a result, consolidated net income decreased from the previous fiscal year to 31.2 billion yen. However, excluding the impact from the restructuring of the

securities portfolio, the situation generally progressed in line with the initial plan, and I am confident that this will lead to sustainable growth in the future.

	FY2021	FY2022	
(Billions of yen)	Actual results	Actual results	YoY comparison
Gross business profit	204.9	177.0	(28.0)
Net interest income	184.8	186.4	+1.6
Non-interest income	20.1	(9.5)	(29.6)
including bond-related income	(8.0)	(38.2)	(30.2)
Expenses	(115.4)	(109.3)	+6.1
<b>Core business profit (3 banks total)</b>	<b>97.5</b>	<b>105.9</b>	<b>+8.3</b>
Consolidated adjustments	(14.7)	(19.5)	(4.9)
Minna Bank, Ltd.	(5.9)	(11.2)	(5.3)
<b>Parent company shareholder net income</b>	<b>54.1</b>	<b>31.2</b>	<b>(23.0)</b>
<u>Excluding impact from portfolio restructuring</u>	-	<u>57.3</u>	<u>+3.1</u>

## Progress of the Mid-Term Management Plan

The 7th Mid-term Management Plan, which started in FY2022, is positioned as “the 3-year period during which we aim to quickly realize new growth investments (transformation of the existing business model starting with DX, and taking on the challenge of new businesses) based on profit growth in existing businesses by realizing the investment effects of the main measures (operational reforms, integration with the Eighteenth Bank, etc.) in the

previous mid-term management plan.” As management indicators under the plan for FY2024, we are targeting consolidated net income of 65.0 billion yen (an increase of 10.9 billion yen compared with FY2021) and an ROE of about 6% (an increase of about 0.5%).

### (First year initiatives)

Until now, iBank marketing and Minna Bank have been driving DX as a form of open innovation, but in order to

advance the DX of existing businesses, which has been an issue, in FY2022, we developed new digital tools as a starting point (“banking apps for individual customers,” “portal site for corporate customers,” and “SFA (sales force automation)”). In line with this, we are working on initiatives such as considering new branch formats based on the concept of self-service and cashless operations, and introducing high-performance ATMs aimed at improving customer convenience and operational efficiency.

In addition, as well as instilling an awareness throughout the company of a “goal-based sales approach” as a marketing style common to the Group, we worked on expanding our solution functions to resolve issues faced by customers and local communities, including by expanding the sales area of FFG Lease Co., Ltd. and establishing a subsidiary specializing in M&A advisory.

**(Initiatives from FY2023 onward)**

In FY2023, we will gradually roll out the digital tools we have been developing. Using digital tools as a starting point, we will move forward with a channel shift (the digitization of banking transactions) and the introduction of a new branch format (streamlined branches), with the aim of securing adequate sales staff. At the same time, we plan to refine our human skills by reviewing our sales structure (integration of sales staff) and utilizing SFA, and will significantly raise our solution capabilities by strengthening the functions of our strategic subsidiaries. By linking and connecting each measure in this way, we will move forward with a sense of speed with the “transformation of the existing business model,” in other words, strengthening our competitiveness and profitability.

In addition, we conducted a business integration with the Fukuoka Chuo Bank, Ltd. in October 2023. By leveraging the management resources and strengths of both banks, we will support the problem-solving and growth of all customers in Fukuoka prefecture.

**(Initiatives by Minna Bank)**

Minna Bank continues to be an important challenge from the perspective of addressing our top risks, including the “rapid progress of the digital society” and the “depopulation, shrinking birthrate, and aging of communities.”

Many companies have expressed interest in our BaaS business, which is a focus of early monetization, and we have so far started providing services through API collaboration with three companies. By continuing to increase our partner companies and approach the customer bases of those companies, we will deliver the banking services of Minna Bank to an even greater number of users, thereby generating revenue.

In addition, the know-how acquired by Minna Bank, including the advanced UX favored by young people, the cloud banking system built from scratch, and organizational management provided by diverse human resources, is an advantage that FFG has over other

financial institutions. By leveraging this know-how, we aim to maximize synergies across the entire Group.

**(Response to environmental changes)**

Domestic interest rates have been rising recently on the back of the Bank of Japan’s monetary policy revisions. In addition to more appropriate interest rate management than in the past, the sales division will thoroughly implement a goal-based sales approach by understanding customer needs and issues when interest rates rise. In market operations, we will take appropriate interest rate risks while paying attention to bond valuation losses. Changes associated with interest rate hikes are a major opportunity, and we will respond resolutely.

We are also seeing significant changes in our business areas, including the expansion of TSMC into Kumamoto, the Hakata Connected and Tenjin Big Bang redevelopment projects in Fukuoka, and the Nishi Kyushu Shinkansen and station redevelopment projects in Nagasaki. We will fulfill our role as a local financial institution, revitalize the economy, and increase our corporate value.

Moreover, the environment is constantly changing, as evidenced by global trends such as rapid technological advances, including generative AI, and rising awareness of SDGs, as well as an increase in corporate bankruptcies due to the weak yen, high prices, and labor shortages (= signs of credit risk). We believe that to achieve sustainable growth, it is essential to adequately understand these changes, identify risks and opportunities, and respond appropriately.

**(Future outlook)**

In FY2023, we are planning net income of 61.5 billion yen (an increase of 30.3 billion yen from the previous fiscal year). We aim to achieve targets by steadily implementing each measure in the Mid-Term Management Plan, while responding to issues and environmental changes aimed at making Minna Bank profitable.

As we approach the final year of the Mid-Term Management Plan, we are making steady progress in improving productivity and strengthening solution capabilities through transformation of the existing business model, and are also restructuring our securities portfolio and taking advantage of the rising yen interest rate. We believe that the probability of achieving the plan is increasing.

7th Mid-Term Management Plan target management indicators		FY23 plan	FY24 targets
Profitability	Net income	61.5 billion yen	65.0 billion yen
	ROE	About 6%	About 6%
Soundness	Capital adequacy ratio	About 10%	About 10%
Efficiency	Consolidated OHR	About 60%	About 60%

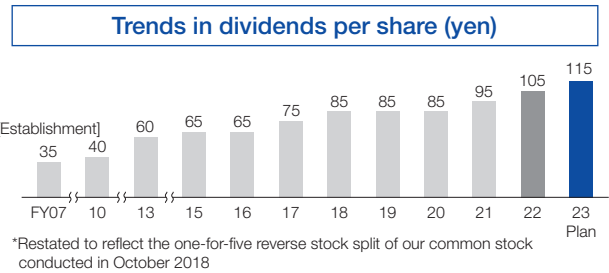
# Message from Officer in Charge of Corporate Planning and Finance

## Capital Strategy and Shareholder Returns

Our basic policy for our capital strategy is “capital management that achieves a balance between growth investment and shareholder returns based on the premise of maintaining soundness of the company.” We consider the target range for the capital adequacy ratio, which is the premise for soundness, to be around 10% to 11%.

FFG’s basic policy for shareholder returns is to pay out stable dividends (either maintained or increased) through profit growth. Since our establishment in 2007, we have either maintained or increased dividend payouts through steady profit growth. We conducted the first acquisition of our own shares in FY2022. Going forward, we will continue to flexibly consider acquisition of our own shares,

taking into account performance trends, our capital situation, growth investment opportunities, the market environment, and so on.



## Toward Improving Corporate Value

Investors’ evaluations of corporate value are expressed in terms of stock price and market capitalization. FFG’s stock price in terms of PBR has remained below 1 since our establishment in 2007, partly because of the collapse of Lehman Brothers and the introduction of negative interest rates, and is currently at the low level of around 0.7 (as of August 2023).

We recognize that the cost of shareholders’ equity based on CAPM calculations is around 7% to 8%, and we believe that the main reason for the low PBR is the fact that ROE is below this level. The Company recognizes that this is a harsh market evaluation, and will work to improve it.

In order to improve the PBR, we will work on “improving ROE,” “raising the growth rate,” and “reducing the cost of shareholders’ equity.” Of these, we regard “improving ROE” as a priority theme, and while maintaining the profit base of our existing core businesses, we will improve efficiency with DX as the starting point and improve our current profitability based on RORA, i.e., working on the transformation of FFG’s existing business model. Additionally, by creating a cycle of earning profits through investments based on growth strategies and the achievement of investment effects, we will further improve ROE while increasing our growth rate.

Our ROE target for FY2024, which is the final year of the 7th Mid-Term Management Plan, is approximately 6%, but this will still remain below the cost of shareholders’ equity, even if we achieve it. Firstly, we will work on current measures to ensure that we achieve the goals of the 7th Mid-Term Management Plan. However, in the next Mid-Term Management Plan, we aim to achieve an ROE of 8%, which would satisfy the cost of shareholders’ equity, and in the future we would like to aim for an ROE of 10%.

### (Dialogue with shareholders and other stakeholders)

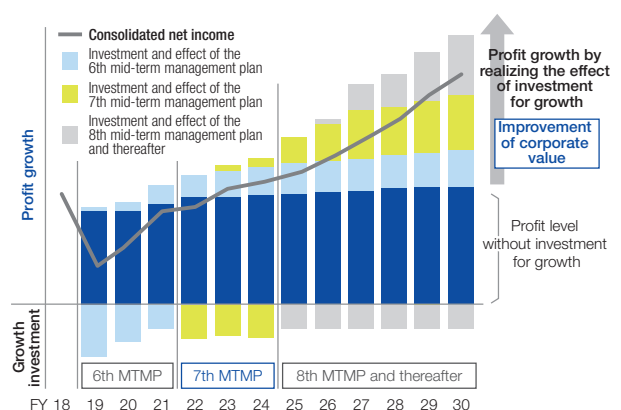
We focus on information dissemination, including non-financial information, and IR activities in order to help investors and other stakeholders understand our approach to business strategies, human resource strategies, and capital strategies, aimed at improving ROE.

In addition, we will utilize opinions obtained through constructive dialogue with our stakeholders as a reference for business management and capital policy, among other things.

Through these initiatives, we aim to “reduce the cost of shareholders’ equity” and thereby improve corporate value by reducing information asymmetry with our stakeholders and helping them understand the Company’s value creation story, which creates a virtuous cycle of “providing social value” and “improving economic value.”

We sincerely appreciate the continued understanding and support of all our stakeholders.

### Profit increase projection



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

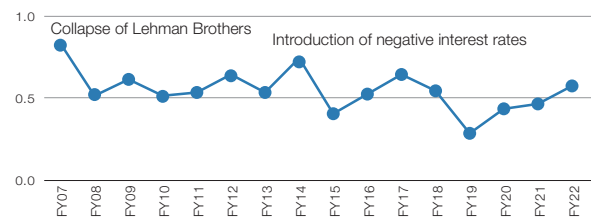
## — Initiatives to improve corporate value —

We consider the cost of shareholders' equity to be approximately 7% to 8% on the basis of CAPM calculations. As part of our initiatives to improve corporate value, we will further strengthen efforts to improve ROE, reduce the cost of shareholders' equity, and raise growth rates. Specifically, the initial goal is to achieve an ROE of 6% by 2024, the final year of the 7th Mid-Term Management Plan, through initiatives covered in the Plan, with the next goal being to achieve an ROE of 8%, which would fulfill the cost of shareholders' equity during the period of the next Mid-Term Management Plan, followed by an ROE of 10% as our future goal.

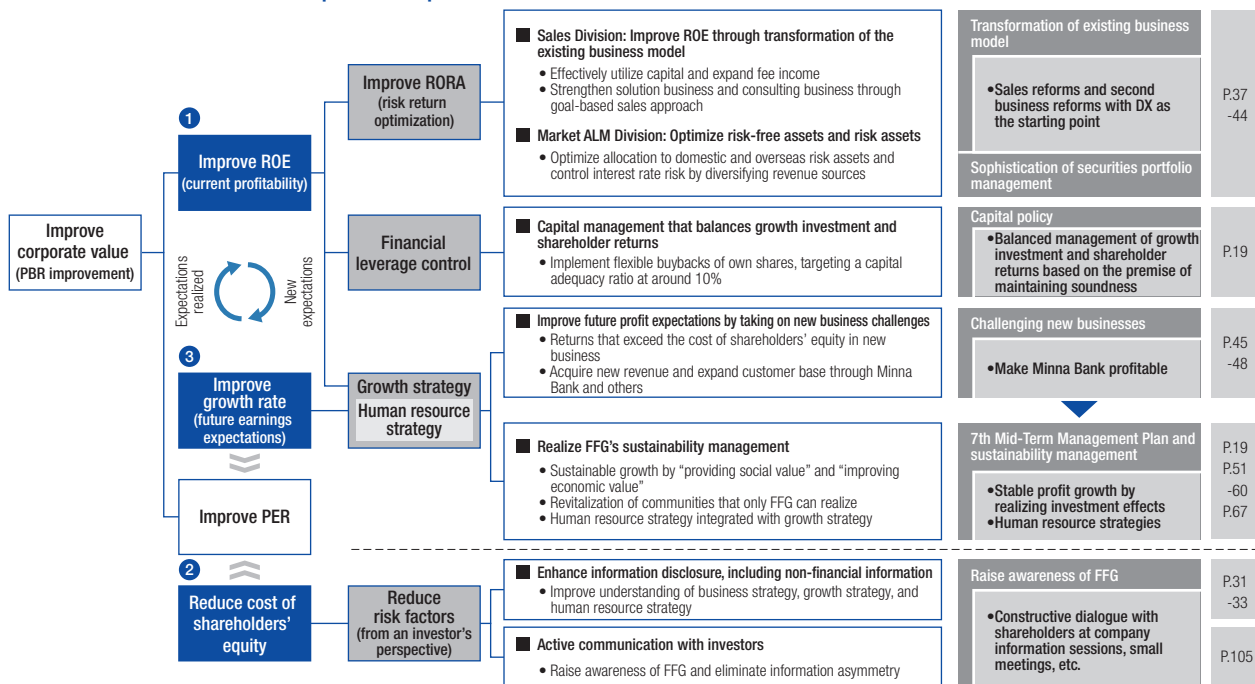
### ■ Cost of shareholders' equity and target ROE

$\text{PBR} = \text{① ROE} \times \frac{1}{\text{② Cost of shareholders' equity} - \text{③ Growth rate}}$	
Cost of shareholders' equity based on CAPM	About 7-8%
Target ROE in the 7th Mid-Term Management Plan	About 6%
Target ROE in the next Mid-Term Management Plan (level fulfilling cost of shareholders' equity)	About 8%
Future target ROE	About 10%

### (Trends in PBR)



### ■ Outline of initiatives to improve corporate value

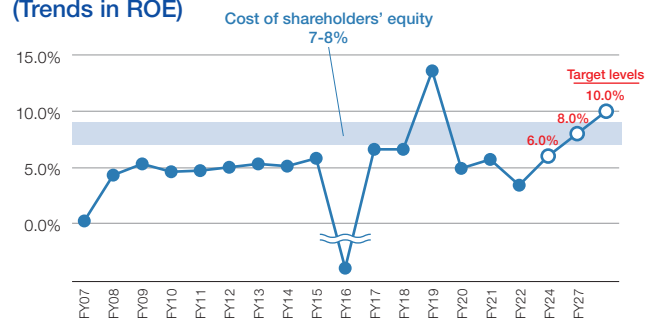


### ① Improve ROE

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

$\frac{\text{RORA}}{\text{Risk assets}} = \frac{\text{Capital adequacy ratio}}{\text{Equity}} \times \frac{\text{ROE}}{\text{Equity}}$
--

### (Trends in ROE)



### ②/③ Reduce cost of shareholders' equity and improve growth rate (= improve PER)

By reducing information asymmetry with the market through information disclosure, including non-financial information, and engaging in IR activities, as well as helping investors identify with FFG's value creation story, we aim to reduce the cost of shareholders' equity and improve the growth rate with the aim of improving PER.

# Kyushu Figures

## 10% of Japan's Economy

**Population** **10.2%**

10.2% of total population of Japan lives in Kyushu.

**Scale of Production** **4<sup>th</sup>**

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 2023, Kyushu Bureau of Economy, Trade and Industry

## Data Analysis for Kyushu

### Gross Prefectural Production\*1 (FY2019)

Kyushu Total **48.3** trillion yen



### Population\*1 (2022)

Kyushu Total **12.8** million



Legend: Fukuoka (Blue), Kumamoto (Orange), Nagasaki (Green), Other prefectures of Kyushu (Grey)

### Number of Businesses\*1 (2021)

Kyushu Total **539,921**



### Commercial Sales\*3 (2014)

Kyushu Total **34.4** trillion yen



### Loans\*2 (March 31, 2023)

Kyushu Total **41.0** trillion yen



### Deposits\*2 (March 31, 2023)

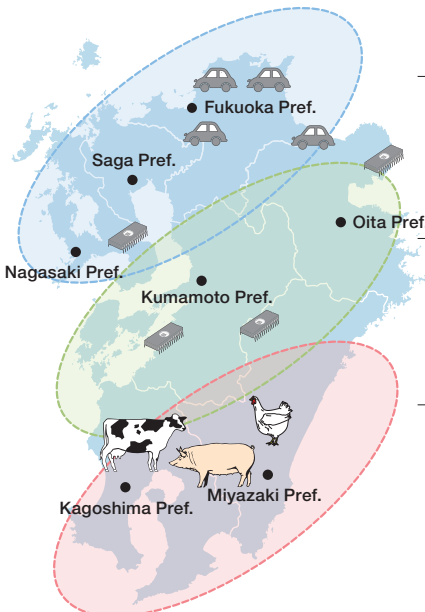
Kyushu Total **59.8** trillion yen



Sources: \*1 Summary of Kyushu economy 2022, 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

## 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”

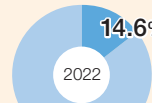
is home to a flourishing semiconductor industry, facilitated by its high-quality water sources, abundant workforce and well-developed infrastructure of roads and ports.

### 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



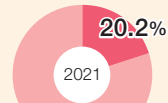
1.14 million

Amount of IC Production



930.1 billion yen

Amount of Agricultural Production



1.79 trillion

Sources: Summary of Kyushu 2022, 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 was 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

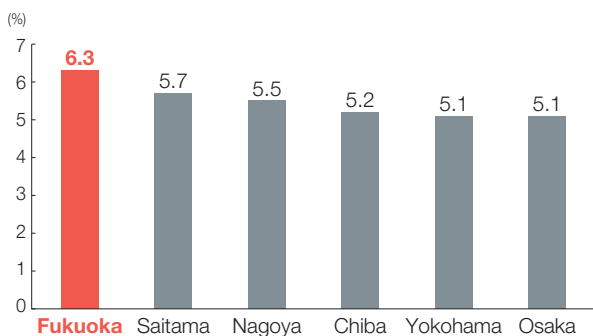
---

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

## Kyushu University Ranked 3rd in Japan

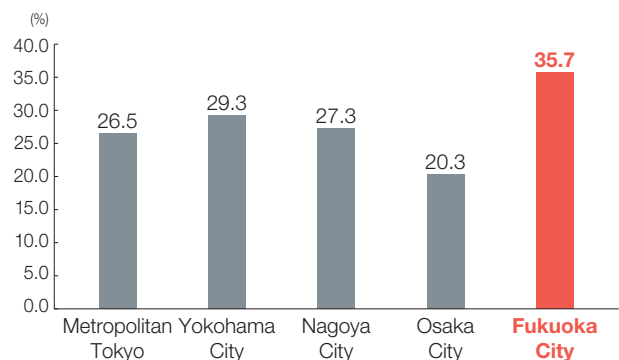
Source:  
 \*1 Statistics Bureau of Japan, "2020 Population Census"  
 \*2 Fukuoka City, "Vision for Global Start-up City Fukuoka"  
 \*3 Fukuoka City, "Fukuoka Facts"  
 \*4 INITIAL, Inc., "2021 1H Japan Startup Finance"

**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
- **Business integration**  
 April 2007 The Kumamoto Family Bank (now the Kumamoto Bank)  
 October 2007 The Shinwa Bank } 2020.10 Merger (The  
 April 2019 The Eighteenth Bank } Juhachi-Shinwa Bank  
 October 2023 The Fukuoka Chuo Bank
- **New initiatives**  
 April 2016 iBank business (participated in by 12 regional banks across Japan)  
 May 2021 Launch of commercial operations of Minna Bank

## Sophisticated and diverse human resources

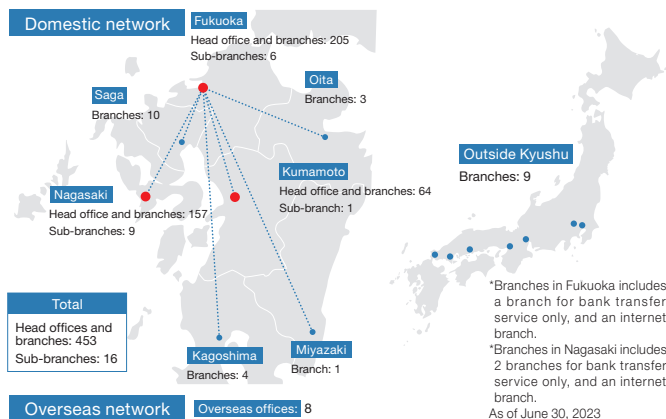
We have developed human resources with high levels of expertise and diverse skills through the execution of various strategic options. Above all, the source of FFG's competitiveness is its assessment and problem-solving abilities for the industry cultivated through business revitalization.

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.

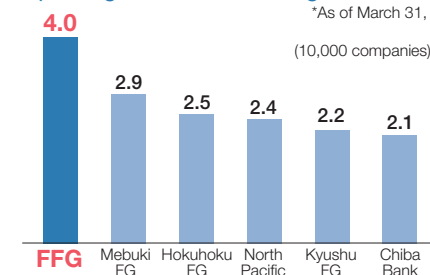
- **Development and recruitment of specialist personnel**  
 Financial Planners who is equivalent to 1st grade Certified Skilled: 446 (As of March 31, 2023)  
 Number of mid-career recruitment: 221 (FY2020-FY2022)  
 Number of digital human resources: 448 (as of March 31, 2023)
- **Development of autonomous human resources**  
 Number of Career Challenge applicants: 294 (FY2022)  
 Next-generation leader development program
- **Promotion of DE & I**  
 Ratio of women in management positions (as of March 31, 2023)  
 Bank of Fukuoka: 15.6%, Kumamoto Bank: 25.4%, Juhachi-Shinwa Bank: 15.8%

## Solid business base and a close-knit network

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



- **Retail banking customers: Approximately 6.62 million (approx. 50% of Kyushu's population)**
  - **Corporate banking customers: Approximately 280,000 (approx. 50% of business offices in Kyushu)**
  - **Companies using FFG as main bank: 40,000 (the largest number of all regional banks)**
- \*As of March 31, 2023

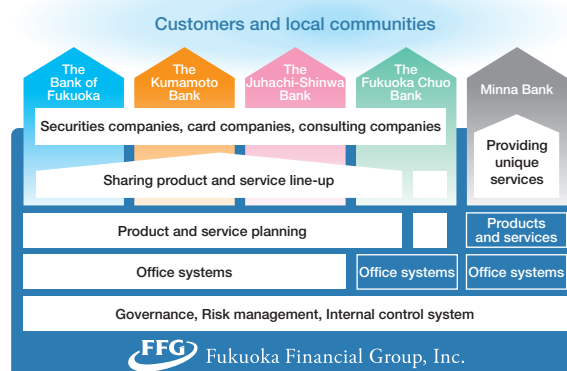


\*Source: Data provided by TEIKOKU DATABANK, LTD.



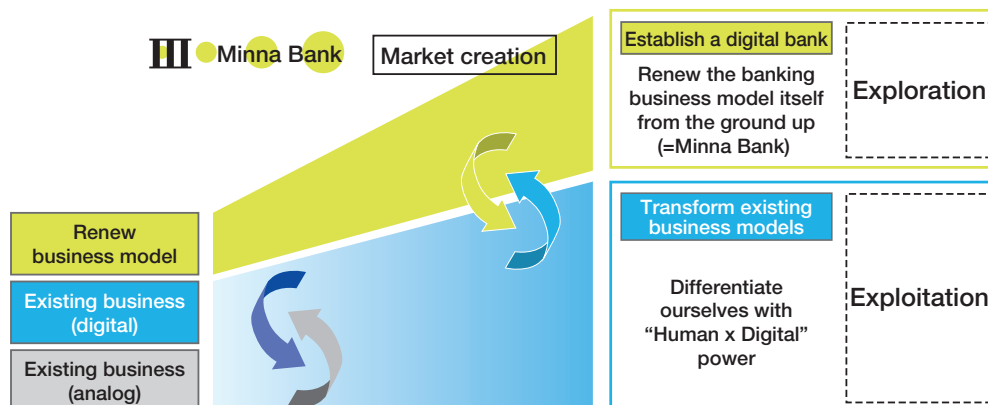
## Single Platform/Multiple Brands

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.



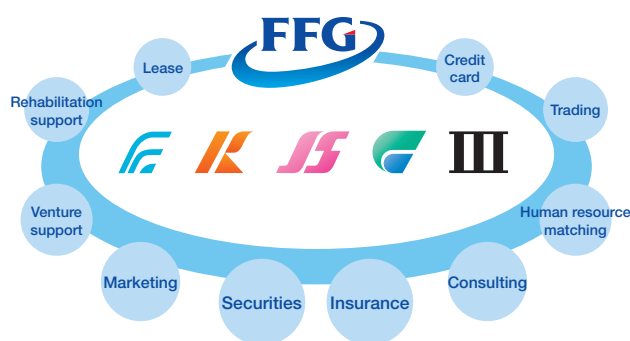
## FFG’s two-way approach (ambidextrous management)

FFG has adopted a two-way approach of “challenge to Minna Bank (exploration)” and “the transformation of existing business models (exploitation),” which generate sustainable synergies while complementing each other, creating an advantage unique to FFG that differentiates it from other sectors and banks as it pursues the two at the same time.

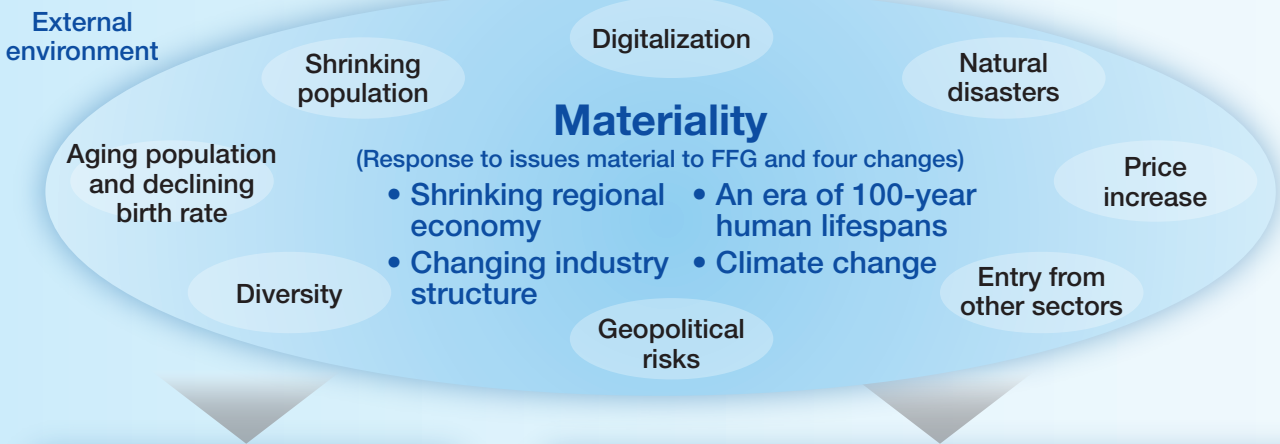


## Group total power

FFG is a comprehensive financial service group with 23 affiliated companies in total. We are capable of addressing all the needs of our customers, from securities, insurance, and consulting, to marketing, lease and 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



## INPUT

(Source of value)

### Human capital

- Number of employees: 7,546  
Including 221 mid-career recruitment  
Including 448 digital human resources
- Engagement score: 59 A

### Intellectual capital

- Management integration/PMI know-how
- Service/System development capabilities  
Minna Bank, DX Promotion Headquarters
- Group total power  
Twenty three affiliated companies with a variety of functions
- Sustainable Scale Index (ESG/SDGs Scoring Model Service)

### Financial capital

- Total deposits: 20.9 trillion yen
- Total loans: 17.6 trillion yen
- Capital adequacy ratio: 9.6%
- Allowance for loan losses: 187.8 billion yen

### Social/related capital

- High brand loyalty in the community
- Corporate banking customers: Approximately 280,000
- Retail banking customers: Approximately 6.62 million
- Wallet+ affiliated banks: 12 banks
- Minna Bank accounts: 820,000
- BaaS partners: 3

## ACTIVITY

(The 7th Mid-Term Management Plan)

Transforming existing business models with DX as the starting point

Strengthening our ability to provide solutions

➔ See pages 27-32 for details



Taking on the challenge of new business

- Minna Bank
- FFG Industries (trading company)

➔ See pages 33-36 for details

The Fukuoka Chuo Bank

Human resource strategies

➔ See pages 37-42 for details

Strategic human resource portfolio

Employee engagement

Governance, Risk Management, Compliance

➔ See pages 53-70 for details

# IMPACT

(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

[Referential indicators]

General Incorporated Associations  
Kyushu Economic Federation's  
Kyushu Future Vision 2030  
(Vision shared with FFG)

Economic vision: Per-capita GRP<sup>\*1</sup> of 5 million yen  
Material vision: Achieving carbon neutrality  
Spiritual vision: Improving happy community indicator<sup>\*2</sup>

\*1 Gross Regional Product

\*2 An indicator comprising two indicators (Kou and Fuku)

Kou: happiness given by chance, fortune brought from some external force

Fuku: happiness resulting from one's act, blessing earned on one's own

## OUTPUT

(to be gained from business activities)

**For customers** Optimum solutions provided through goal-based marketing

Yardsticks for measuring outputs

Corporate banking business	<ul style="list-style-type: none"> <li>Growth in the number of customers using FFG as a main bank</li> <li>Increase in the balance of loans to SMEs, etc.</li> <li>Increase in the number of customers with improved management indicators</li> <li>Increase in the number of users of the BIZSHIP web portal for corporate customers</li> <li>Sustainable finance: 2 trillion yen</li> </ul>
Retail banking business	<ul style="list-style-type: none"> <li>Increase in customer assets under management</li> <li>Increase in the number of NISAs</li> <li>Increase in the number of digital channel users</li> </ul>
Community and industry-government-academia collaboration	<ul style="list-style-type: none"> <li>Creation of open innovation</li> <li>Increase in the number of community projects (community development support)</li> <li>Financial and economic education participants: 100,000</li> </ul>

See pages 43-46 for details

**For employees** An environment that helps every employee maximize their potentials

Yardsticks for measuring outputs

Human resource portfolio	<ul style="list-style-type: none"> <li>Increase in digital human resources</li> <li>Increase in solution-focused human resources</li> </ul>
DE & I	<ul style="list-style-type: none"> <li>Ratio of personnel in management positions with diverse backgrounds: 35%</li> <li>Percentage of childcare leave taken by men: 100%</li> </ul>
Organizational culture	<ul style="list-style-type: none"> <li>Assurance of psychological safety</li> </ul>

## OUTCOME

(Providing social value and improving economic value)

### Social value

- Productivity improvement in local SMEs
- Maintaining and creating industries and employment
- Stress-free access to financial services
- Resolving financial concerns
- Higher financial literacy
- Transition to a decarbonized society (Net zero in-house CO<sub>2</sub> emissions)



### Economic value

- Increase in net income
- Improvement of ROE
- Reduction of consolidated OHR
- Maintaining soundness
- Enhancing shareholder returns

**Corporate value** See page 18 for details

- Improvement of PBR
- Improvement of employee engagement
- Improvement of the brand image

# Transformation of Existing Business Model

## Customer-focused Self Transformation

Building a “regional platform” for circulating people, goods, money, and information

### Masahiro Fuji

Executive Officer, CDO, FFG and General Manager of DX Promotion Headquarters, FFG



## Developing services from a customer perspective

To remain a bank of choice in the midst of advancements in digital technology that bring about major changes in customer behavior and social structures, we must develop services from the customer’s perspective and transform our business processes more quickly than ever. FFG’s “digital transformation (DX)” goes beyond digitalization and efficiency improvements. We understand DX to be “customer-focused self-transformation” where we challenge ourselves with various initiatives to explore the future of banking.

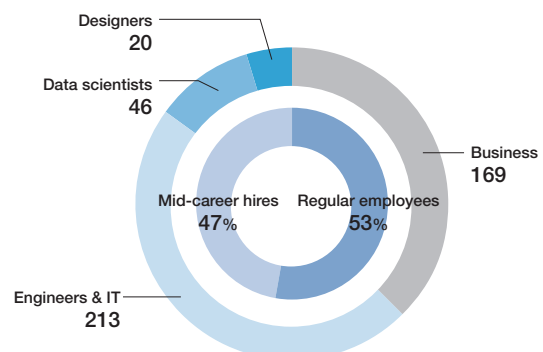
Specific current initiatives are the revamp of the banking apps for individual customers and ongoing development of the portal site for corporate customers. The banking apps for individual customers were initially released as an intuitive, safe, and secure application that anyone could easily start using, with basic banking functions such as balance inquiry and funds transfer. While non-face-to-face transaction needs are on the rise, there are customers who are uneasy or uncomfortable with a digital environment. Therefore, FFG provides banking apps that address customers’ unfamiliarity and concerns about money and digital technology based on the concept of “a banking app that is by your side.” As for the portal site for corporate customers, a new website has been established to provide a new digital channel as a banking contact point for customers who we regularly meet and speak with in person. The portal includes a feature that analyzes management challenges based on

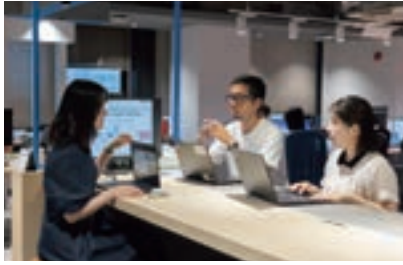
financial data and proposes suitable integrated solutions, supporting customers in growing their businesses using digital technology.

In developing these services, we interviewed customers while they interacted with the portal and continuously refined the features until they received a positive response from our customers. The process is a true application of developing services from a customer perspective. We will continue to quickly improve service features and develop new features based on customers’ views, with the unwavering aspiration of “providing the best for our customers” as our guiding principles.

### ■ Digital human resources active in FFG

(as of March 31, 2023)





## Revitalization of communities through the creation of regional economic zones

In the digital world, our services must compete not only with traditional banks but also with digital platform operators and other industries. In addition to providing unique and convenient services that anyone can easily use, nationwide platform operators are also incorporating banking, securities, and other financial feature and accumulating a formidable number of customers as they build a digital economic zone.

Meanwhile, the challenges faced by regional businesses and residents cannot be overcome solely with these nationwide services. The need for services tailored to the realities of the various regions we have been active in will continue to exist. I believe that the path to developing FFG and regional economies lies in the question of how we can continue to provide high-quality services focusing on regional communities.

FFG is a regional financial group with a wide area of presence that seamlessly covers the entire Kyushu region, and has a dense physical channel network in Kyushu. Further, each of our banks has deep, trusting relationships with regional businesses built up over our long history. In addition, we have been progressively “enhancing our service development system” in the digital domain since the Digital Strategy Division was established in 2017.

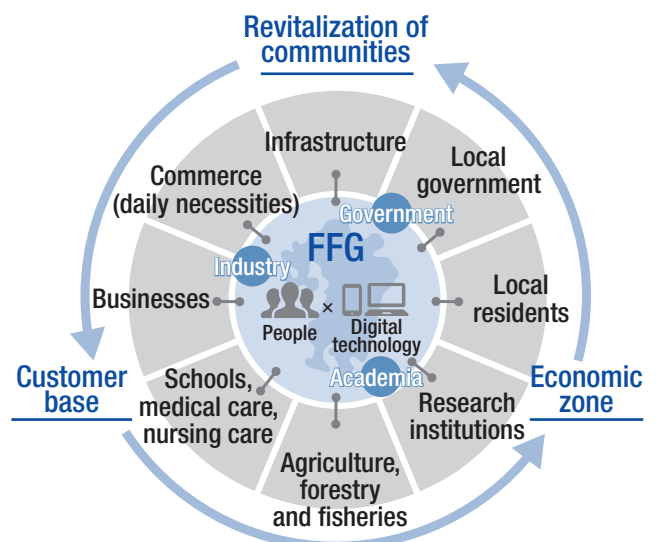
The future vision that FFG aims to achieve through DX is the revitalization of the regional economy while leveraging these strengths that we have cultivated till now, while applying our experience and knowledge acquired through new businesses such as iBank marketing and Minna Bank.

## Building a localized regional platform

In addition to continuing to provide customers with convenient, valuable financial services via our existing sales office network and digital channels, FFG will provide a wide range of non-financial services through in-person and digital channels by engaging in digital and other collaborations with regional businesses with whom FFG has built trusting relationships over many years. This way, we will resolve regional business challenges and local residents’ concerns within the region, and facilitate the circulation of people, goods, money, and information within the region.

Building a localized regional platform by cooperating with local businesses and providing a broad range of services beyond financial services will not only maintain and expand FFG’s customer base; it will also create a regional economic zone where a wide variety of people will gather. This will lead to revitalization of the regional economy, further strengthening FFG’s customer base. FFG will continue to make use of digital technology to achieve the “realization of a prosperous society” through a virtuous cycle of “providing social value” and “improving economic value.”

DX at FFG is a self-transformation initiative in which our people, the key agents of our transformation, stay even closer to our customers than before as they help solve their problems, and continually take on challenges to achieve this while focusing completely on the customer. It is a challenge to embody our brand slogan by being the “closest,” “reliable,” and “sophisticated” bank of choice.



## Transformation of Existing Business Model

Strengthening our ability to provide solutions using “Humans × Digital Technology”



### Tomomasa Yamamoto

General Manager,  
Sales Administration Division

#### FFG's sales strategy

As a regional financial organization that grows together with the region, the social issues we are facing include the decline of the regional economy due to depopulation, shrinking birthrate, and aging population, and the question of how to counteract the shrinking of the regional economy. Further, what society expects of a regional financial organization is certainly changing, due to the evolution of technology like ChatGPT, rapid transformation of how people work as a result of the COVID-19 pandemic, and the diversification of individuals' values.

In the midst of this, FFG must continue to be chosen by customers in order to provide value to, and grow together with, the regional community in the future. The 7th Mid-Term Management Plan seeks to achieve this through “transformation of our existing business model.”

The diagram to the right presents an overview of the transformation of our existing business model.

#### (1) A fusion of humans and digital technology

The newly released banking apps for individual customers and portal site for corporate customers allow for easy access to banking transactions via smart phones and computers, giving customers more convenience. At the same time, the introduction of the SFA (sales force automation) system enables seamless coordination of all types of information and know-how, thereby “improving sales productivity.” (See P31-32 for details)

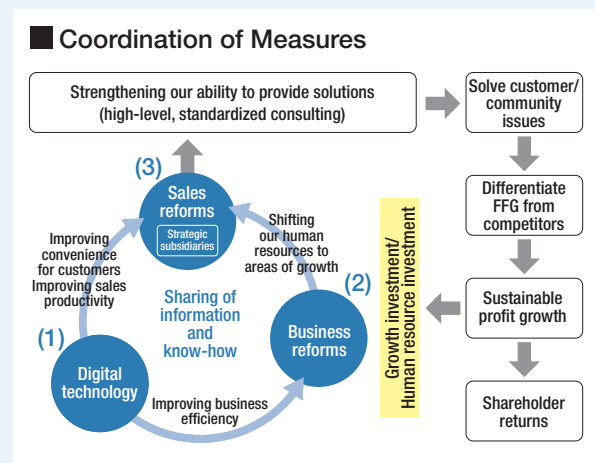
#### (2) Business reforms

We have introduced ATMs with advanced features, an internet-based service corner and other services that increase the level of convenience for customers, while

having also started to shift to a new store operations model that reduces in-store operations. By improving the efficiency of our operations through such initiatives, we are “shifting our human resources to areas of growth” and are building a system that allows us to focus through consulting. (See P32 for details)

#### (3) Sales reforms

In addition to the effect of “improving sales productivity” and “shifting our human resources to areas of growth” through digitalization and business reforms, we will provide high-level, standardized consulting by reorganizing our sales offices, starting with gathering sales personnel and nurturing solution-focused human resources, and expanding and making active use of our strategic subsidiaries.



## Goal-based sales

The 7th Mid-Term Management Plan sets out a “goal-based sales” approach as FFG’s sales style, in which we focus on thoroughly knowing and understanding customers so they will share their mid- to long-term goals and needs as well as challenges and concerns, and providing the solutions required to resolve or achieve them.

Efforts over the past year have been focused on spreading understanding and awareness of goal-based sales throughout the company. Going forward, we will embark on improving skills specific to providing solutions and consulting services, achieving standardization, and commencing the provision of such services to customers.

In the corporate businesses, while we will firmly continue to provide for customers’ financial needs (loans), we will focus efforts on providing solutions centered around “raising corporate value” for our customers.

Further, as a regional financial organization with deep ties to the region, as a group, we will provide possible support and work to create new, related businesses in Kyushu, “Silicon Island,” where needs continue to grow with the entry of Taiwanese semiconductor contract manufacturer, TSMC, into Kumamoto prefecture. (See P45-46 for details)

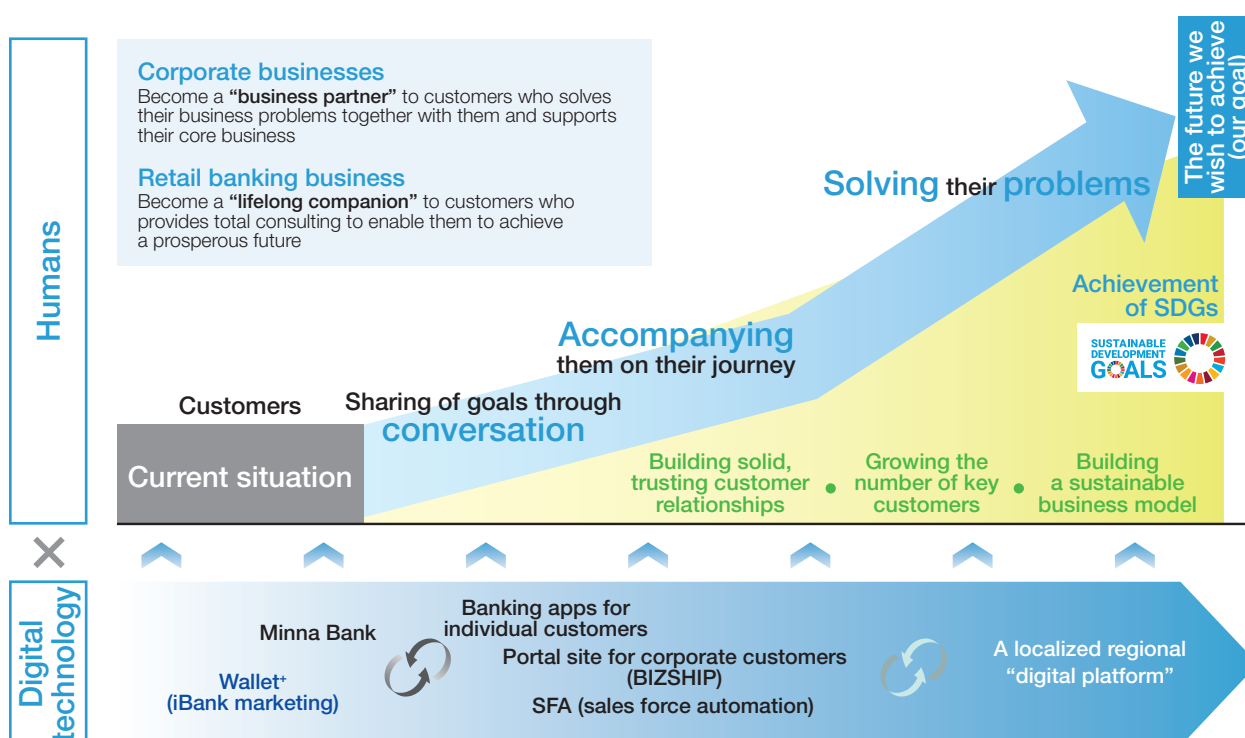
In the retail banking business, we will focus on being a lifelong companion to customers by providing total life

consulting with a particular focus on encouraging the shift from savings to investment.

In an era of 100-year human lifespans, in order to support our customers in doubling asset-based income under plans such as NISA and iDeCo, the Group’s securities subsidiaries and banks will work in unison to provide high-quality consulting on classifying sources of money, optimal asset allocation, and after-sales follow up service.

In both the corporate and retail banking businesses, we will leverage the power of technology while sharing information and know-how across the organization. It is important for the Group to apply its collective capabilities and fully leverage the solutions provided by strategic subsidiaries, be it through M&A, business succession, or support for SDGs. We aim to establish a competitive advantage in the region by solving customers’ challenges with seamless coordination between sales offices, specialists at the headquarters and staff of strategic subsidiaries.

FFG will continue to contribute to the realization of both customers’ and organizational “goals” by listening with a caring ear to customers, having conversations with them, and walking by their side.



## Transformation of existing business model

### Leveraging digital technology –Improving convenience for customers–

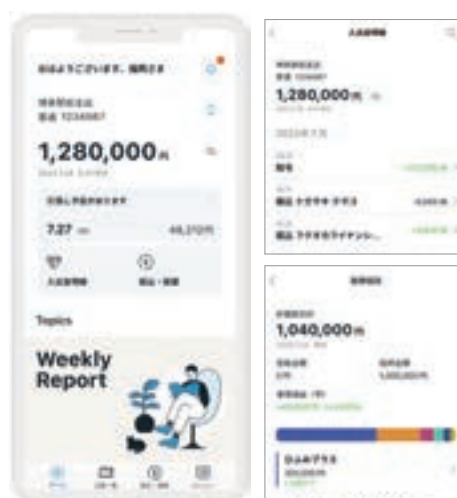
#### Banking apps for individual customers

While the need for non-in person services has risen in recent years due to lifestyles being affected by the COVID-19 pandemic and advances in digitalization, the Bank of Fukuoka released a new banking app in July 2023 based on the concept of “by your side” that can be used by customers who are uncomfortable or uneasy with the digital environment.

Various banking features were enhanced, giving customers even more convenience. In addition to full implementation of the basic banking functions of balance inquiry and funds transfer, improvements included the ability to record notes for deposits and withdrawals and a one-time password autofill feature at the point of making a money transfer. Newly added functions include pre-withdrawal notifications and visualization of investment trust and card loan status using graphs.

In October 2023, we added the ability to set up periodic money transfers and a feature for paying invoices and payment notices via smart phone. The Kumamoto Bank and the Juhachi-Shinwa Bank also released the app.

We will continue to provide greater convenience to customers by staying by their side to address their “questions” and “hesitations” about money and digital technology and continuously adding and improving app features, while also working to achieve a shift of bank employees to digital channels and improve sales productivity.



#### Portal site for corporate customers

In October 2023, we launched the “BIZSHIP” portal site for corporate customers, a new digital channel targeted at corporates and individual business owners.

Going beyond digitalization of basic banking transactions, this portal site has a collection of features to address the challenges our customers face on a daily basis, and also serves as an enhanced point of contact for customers.

First, basic features that form the core of the service are implemented, such as bulk management for multiple bank accounts, deposit and withdrawal notifications, submitting and receiving documents online, and management diagnosis from a financial perspective. Then, we

conduct customer verification by repeatedly collecting customer use cases and feedback, and speedily execute feature upgrades and develop new functions to serve diverse customer needs.

We aspire to create a new customer experience and business model fusing digital technology and human capability and befitting a regional financial organization, combining FFG’s trusting relationships with regional businesses—a strength built up over years—and this service.



Digital passbook



Online banking procedures



Management diagnostic tools



## Leveraging digital technology – Improving sales productivity –

### SFA (sales force automation)

We are in the process of rebuilding a sales support system focusing on introducing SFA in order to achieve differentiation of FFG's sales from that of other banks.

We are centralizing customer and project information, visualizing information and sharing it to shift mindsets to be more customer-focused and improve the sophistication and uniformity of our services.

#### Customer-first view

We will add depth to the Group's understanding of customers by aggregating information about customers' businesses and life events, needs and projects, and relationships with our bank and other banks in the form of long-term trends.

Identified customer needs and proposed solutions are displayed in a unified interface, resulting in a system that sales representatives find intuitive to use.



#### NEXT Best Action

The system recommends specific actions to sales representatives based on sales scenarios generated by analyzing high performers and identifying apparent and latent customer needs on a per-product basis.

Further, together with this information, the system suggests pamphlets of recommended products, positive case studies, explanatory videos, and other sales content.

The more our sales representatives use both the corporate portal and personal apps, the more data and information are captured, improving the accuracy of the system's recommendations, which will raise sales productivity.



## Business reforms – New branch format –

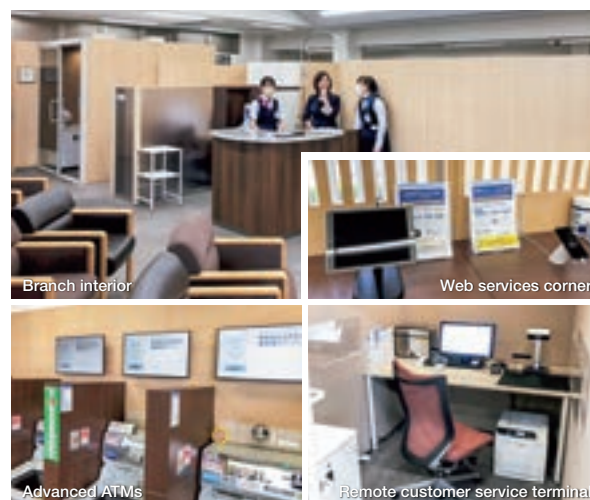
In September 2023, the Bank of Fukuoka introduced a new store format to two branches (Keyakidori branch and Chidori branch) in Fukuoka prefecture, designed around the concept of self-service and cashless store operations.

FFG is expanding its range of non-in person services including via banking apps for individual customers and web-based account opening services. In combination with this expansion of digital channels, initiatives are under way to roll out the new branch format to equip branch stores with facilities such as advanced ATMs that can handle an expanded range of transactions, remote customer service terminals, and web services corners.

At new branch stores, cash transactions, withdrawals and deposits, and other ordinary transactions will be primarily carried out using ATMs.

Other facilities installed at branches include remote customer service terminals that connect customers with specialists at headquarters to provide services such as account opening and changing of address, and self-service web services corners where customers may complete procedures on their own.

This digitalization and adoption of a self-service format shifts store employees to a consultation-based operational role and transforms our branches into “consulting spaces.”



## Minna Bank



### Kenichi Nagayoshi

President, Minna Bank

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



### Creating a new customer base for FFG

Minna Bank celebrated its second anniversary this year, having launched its services on May 28, 2021. Currently (as of the three months ended March 31, 2023), our application has been downloaded 2.09 million times and 720,000 bank accounts have been opened, increasing the size of our customer base. Initially, we were often introduced as “the first regional online bank,” but today we are being recognized as a “digital bank,” the first in Japan, and one of the few worldwide.

Compared to the customer base of existing banks, of which around 70% is aged 40 and up, Minna Bank’s customer base is focused on customers aged 30 and younger. Our strategy of providing smartphone-based, user-friendly services to capture digital natives has paid off, as our reach expands beyond the region and across all 47 prefectures of Japan. This has created a new customer base for FFG and is thus also a significant contribution to the group’s strategy.

### Looking ten years into the future to create the ideal bank

This project began in 2014 with the mission given by Takashige Shibato (current Chairman of FFG), “to discover a non-linear growth strategy that departs from precedent by looking ahead to envision the ideal bank of a future ten years from now.”

Minna Bank is the result of a determination to push beyond persistent innovation to achieve rapid, ground-breaking innovation, spurred by an existential awareness

of the speed at which the world was changing and the increased competition from non-financial businesses.

At present, we have had to delay our forecasted profitability date due to not being able to obtain loans as anticipated, but we continue with all kinds of initiatives to achieve growth that will position us to become a strong pillar of profits for FFG in future.

### B2C business and the road to BaaS business

Our initial business was “B2C,” providing financial services to individuals focusing on the kind of financial experience digital natives desired. We have designated the year ahead as the first year of BaaS and will start our “BaaS business (B2B2X business)” in earnest. We will make Minna Bank’s financial functions available to partner companies through an API, creating new value.



## Past achievements

### Users & attributes

**820,000**  
accounts  
in 2.5 years

73% of users are

digital  
natives

Demographic reach

**Japan-wide**



Note: Data is for the six months ended September 30, 2023

### Services launched

July 2022



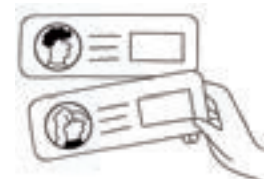
**Minna Bank Loan  
Debut!**



February 2023

New service

**Launch of  
Links**



April 2023

Personal funds transfers with no remittance fees

**Launch of COTRA Remittance!**



August 2023

Second level loan feature development

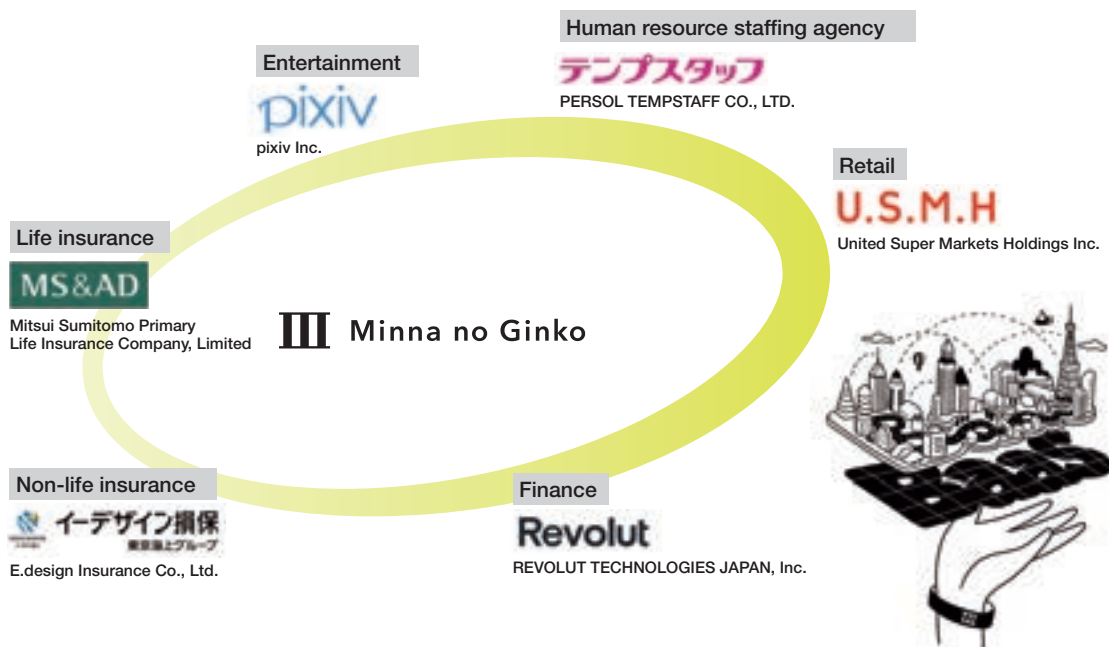
Minna Bank loans  
now repayable by

**Fixed-rate  
repayments**



## Minna Bank

### “Banking as a Service,” a new form of finance



#### ■ Creating new value by combining financial × non-financial business

Minna Bank, with one of its service concepts being “integrating into everyone’s ‘living’,” will provide new services that seamlessly link consumption and purchasing activities integral to daily life to financial functions, creating new value by combining financial × non-financial business.

Our BaaS business will allow business partners (businesses) to provide the financial functions and services of the “Minna Bank app” to their own customers via their smartphone applications and website. Business partners can select the required functions and services they wish to utilize individually. BaaS is a new structure in which our business customers’ users (their customers) can use Minna Bank services through the provision of Minna Bank services to our business customers by way of an API.

#### ■ Commencing external provision of read and write APIs

In FY2022, development was completed of a read API that allows individual users to perform identity verification

at the point of transaction, balance inquiry, and deposit and withdrawal details display as well as a write API that allows them to make payments by bank transfer, among others. These actions can be performed by the user through the application or website provided by our business customers. In FY2023, we began providing these APIs to other external parties as well.

#### ■ A new customer experience through “+Finance”

Providing frictionless, new experiential value to our customer base of digital natives with diverse values and lifestyles for whom finance is integrated in every area of life will also create new valuable experiences for our business partners.

Minna Bank will continue to enhance the APIs available and promote the expansion of business alliances so as to develop the BaaS businesses even further.

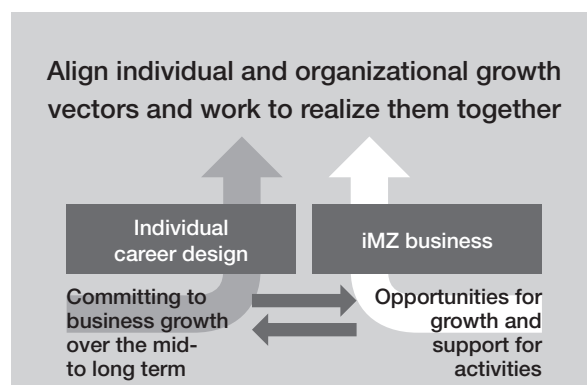


## Human resource strategies

### Minna Bank aspires to a mission of making “connections that are valuable to everyone”

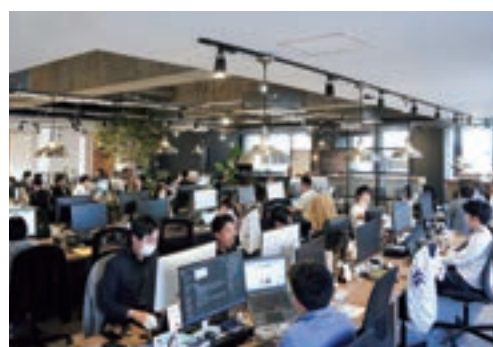
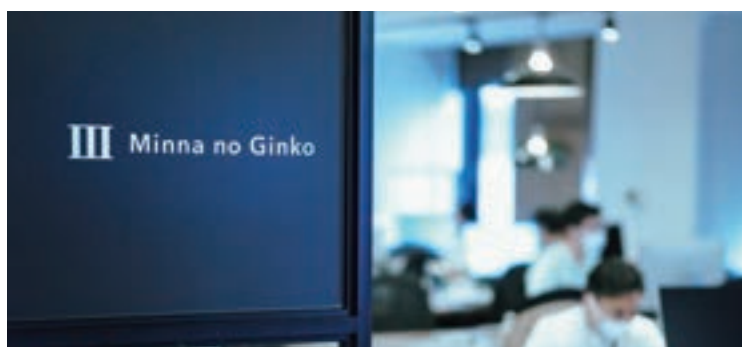
Believing that in order to achieve and realize our Mission and Vision, “dynamic growth as an organization in the business of financial innovation” also applies to the organizational and human resource aspects of the business, Minna Bank is putting in place various measures. Part of this strategy is having a human resource management structure that was uniquely designed.

Minna Bank’s design concept for its personnel system is a “system for the company (business) and individual (employee) to grow together.” This system was constructed from the ground up based on the idea that it should enable Minna Bank’s professional human resources with diverse backgrounds and strengths to “become a team that trusts each other and takes on every challenge, maximizing their strengths for Minna Bank’s growth and financial innovation,” while also “having Minna Bank serve as a space for them to autonomously mold their own careers and achieve growth.” The assessment, job grades (promotions) and wage aspects of the system,



among others, are very different from what you might find in traditional banks.

Minna Bank’s personnel system was fully rolled out this fiscal year. Operationalization is of the utmost priority, in order to see the full effects of the system as one that supports organizational and human resource activities. We will work together with our employees to operationalize it as “a system for everyone, by everyone.”



## Building a Human Resource Portfolio to Achieve FFG's Business Strategy

### Human Resource Strategy and Human Resource Development Policy

FFG is committed to maximizing the strength of its human resources as a management strategy to realize its long-term vision, and hopes to build a vibrant organization in which diverse individuals can maximize their potentials as autonomous and self-driven members to achieve sustainable growth of the organization.

Our 7th Mid-Term Management Plan sets “building a strategic human resource portfolio by acquiring and developing human resources who can realize our business strategy” as the pillar of our human capital strategy, and we are working on various measures.

To achieve our business strategy speedily, we need to recruit diverse human resources who can respond to rapid changes in the business environment and develop such skills in our people. Accordingly, we will build a strategic portfolio while diversifying our recruitment, enhancing training and self-development menus, building a foundation for autonomous career development, and developing specialized human resources in addition to conventional recruitment and human resource development activities.

### Current Situation and Issues Recognized

We believe that our current challenges are to speedily carry out the optimal and flexible allocation of human resources to achieve our business strategy, taking into account of experience, skills, evaluation, and aptitudes of individuals, to meet the changes in sales style and information management driven by DX, as well as creating a system that allows employees to design various career plans for autonomous career development regardless of age.

To link our management strategies and human resource policies more solidly, we need to further clarify the “essential qualities of desired human resources” for realizing our business strategies.

The key for future human resource strategies will be to continue dialogues with employees to ensure that every individual can maximize their performance, toward building a strategic portfolio and improving labor productivity.



## input

### (1) Recruitment of diverse human resources

- **Recruitment of new graduates for specific departments**

We are hiring people who will grow as professionals in specialized sections of the Bank's headquarters (investment banking department / digital IT department).

- **Strengthening mid-career recruitment**

We focus on acquiring ready-to-work human resources skilled in banking operations as well as those with a high level of expertise in the digital and IT fields.

### (2) Development of human resources to achieve our strategies

- **Secondment of younger employees (for training)**

We regularly send about 40 to 50 young employees on secondment to companies in various sectors such as healthcare, real estate, and IT for gaining knowledge in specialized fields.

- **Self-development incentive program**

Financial assistance for self-development activities is offered to encourage employees to work autonomously for personal growth and career fulfillment.

**55** million yen  
(FY2022)

- **Employees with IT Passport certification**

**902**

(As of March 31, 2023)

- **Employees with 1st grade financial planner certification**

**446**

(As of March 31, 2023)

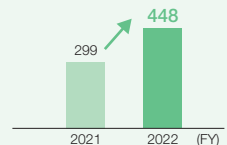
### (3) Optimal and flexible allocation of human resources

- **Strengthening solution-focused human resources**

To review our sales organization, we will group together specialized human resources from the headquarters and branch staff by area to provide high-quality on-the-job training. We will strengthen the skills of branch staff and develop solution-focused human resources through both "real" on-the-job training and "digital" sharing of information and know-how using our systems.

- **Recruitment and development of digital human resources**

With the rapid pace of technological innovation and the expansion of our business areas, we are strengthening our recruitment and training of digital human resources. We also regard people from our partner companies as valuable human resources to help in-house development.



## output

Survey of most popular companies among job seekers in Kyushu and Okinawa  
(Source: Career tasu)

Ranked the **1**st for five consecutive years

Customer-oriented investment trust sales

Bank of Fukuoka  
Highest rating "S"



Increase in mid-career recruitment

**46** → **100**  
(FY2021) (FY2022)

Selected as a DX Stock for two consecutive years



# Improving Employee Engagement



## Maximizing Employee Performance

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

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

### (1) Affinity with FFG

To help employees recognize what their work means to society and increase their motivation, we are working to promote the understanding of FFG's management philosophy and deepen their affinity with its vision.

### (2) Satisfaction with treatment and job

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

### (3) Diversity of work styles

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

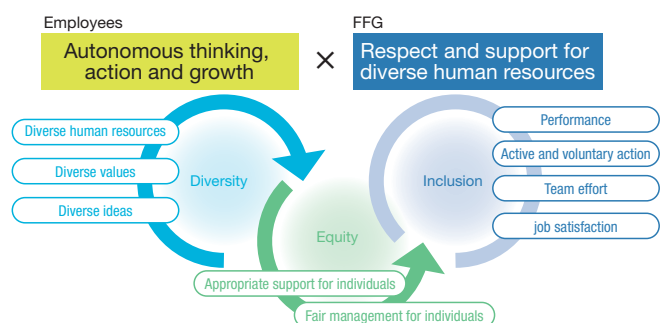
By introducing various human resource measures and operating them appropriately, we aim to increase the feeling of consent and satisfaction, which will lead to higher engagement.

In the first engagement survey conducted in February 2023, FFG earned a score of 59.0 and a rating of A, which are reasonably high results as a whole.

On the other hand, the results vary by attribute, such as age, job, and position. Based on the issues and causes identified from these analyses, we will plan and take actions to address the issues in repeated cycles to maintain and increase employee engagement.

## Policy for the Improvement of the Internal Environment

By increasing flexible work style options to suit the circumstances of individuals with various backgrounds and creating an environment that allows for fulfillment in both work and private lives, we will work to create systems that are not only employee-friendly, but also increase productivity and satisfaction, leading to higher engagement.





## input

### (1) Affinity with FFG

#### • Distributing Brand Books

To realize our brand slogan, "To be your bank of choice," all employees are given a copy of our Brand Book which describes the values to serve as the code of conduct for employees, what we promise to our stakeholders, and what expectations we are to meet. Reviewing these from time to time helps us reconfirm the direction we should aim for.

#### • Branch forum / Head office forum

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

Many employees who attended the event said that it improved their motivation.

#### • Projects by young employees

Young employees of each bank communicate with colleagues across organizational boundaries to plan and manage various events. This is aimed to create an organization where everyone can work comfortably and wants to continue to work with pride.

- (The Bank of Fukuoka) **Furatto**
- (The Kumamoto Bank) **O.K.com**
- (The Juhachi-Shinwa Bank) **"Young Member Subcommittee," Job Satisfaction Improvement Project**

### (2) Satisfaction with treatment and job

#### • One-on-one meetings

These meetings are intended as opportunities for supervisors to support the growth of their subordinates and to encourage autonomy and independent growth of individual employees. By listening attentively to subordinates to understand what they feel inside, supervisors can ensure the psychological safety of their subordinates, which helps day-to-day operations to be carried out smoothly.

#### • Career Challenge system

This system enables employees to choose their own jobs to encourage self-driven career development.



#### ◆ Diverse career paths

##### • Specialist course

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

**12 employees**  
(As of March 31, 2023)

##### • Customer Service course

Employees on this career path will accumulate skills as specialists in back office operations and play active roles as the faces of FFG, responding to the diversifying needs of its customers.

### (3) Diversification of work styles

#### ◆ Realizing diverse work styles

- **Flexible leave system** ..... A multipurpose leave system that allows employees to focus on their career development or personal circumstances, to help them build a better career after returning to work.
- **Paid hours off system** ..... A flexible leave system that allows employees to take hours off to suit their lifestyles or individual circumstances
- **Partner co-location system** ..... An employee whose spouse is to be transferred to a different location can be transferred to an area where the couple can live together.
- **Reinstatement system** ..... A system that provides reemployment opportunities for employees who resigned due to marriage, childbirth, childcare, nursing care, or the transfer of a spouse.



## Engagement survey

Score: **59** Rating: **A**

The engagement survey measures employee engagement in terms of "expectations" and "satisfaction" with the company, job, workplace, and superiors, and visualize the effects of various human resource measures.

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

[Reference] Engagement score and ratings

Score	33	39	42	45	48	52	55	58	61	67	
Rating	DD	DDD	C	CC	CCC	B	BB	BBB	A	AA	AAA

\*Scores are represented as deviations from the national average of B50.

## DE&I/Organizational Culture

### Working to enrich employees’ individual lives

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

\*The “flexible leave system” (which was known as the spouse transfer leave system at the time her spouse was transferred overseas)

#### Asumi Noda

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

#### FFG’s policy aims

FFG’s initiative policy for DE&I is “to respect and integrate the diversity of knowledge and experience of our human resources with various experiences and backgrounds, and to connect this to the growth of the organization.”

As a regional financial organization, we will continue to provide an environment where every individual in FFG can let their capabilities shine to the fullest with DE&I as the foundation of our management strategies, in order to provide for our customers’ diverse and sophisticated needs and grow sustainably alongside the regional community.

Needless to say, people are of different nationality, gender, and age, and each of us also has different career histories, values, and reasons to work. In addition, each of us is facing our own unique set of circumstances.

This is precisely why FFG aims to build an organization that can adapt to the rapidly changing environment to achieve continued growth, by initiatives that involve everyone so as to create a workplace in which each individual’s differences are respected and supported and where anyone can grow while cherishing their personal as well as professional lives.

FFG’s goal is the creation of a virtuous cycle in which employees achieve self-actualization and growth and deliver high-value added products and services to customers in their work, leading to the growth of FFG along with the regional community.

#### Steps to achieve policy aims

FFG has implemented a range of initiatives to achieve DE&I. From an early stage, steps have been taken to establish an environment where employees can take active roles regardless of gender. As a result, the proportion of women in management has risen steadily, as has the fields in which they are active.

On the other hand, diversity issues are yet to be resolved for decision-makers, and we wish to develop more diverse role models to heighten employees’ sense of purpose. We must push on with the work of creating an environment where appropriate management and support are given to each individual, in addition to working on the company’s systems. On gender as a DE&I issue, around half of our employees are women. To achieve DE&I in FFG, it is essential that these employees are given an environment where they can apply their abilities to the fullest possible extent.

That said, the environment is gradually becoming more diverse as many veteran specialists enter the digital and financial industries as mid-career hires. Achieving DE&I will increasingly come within reach if we can integrate these experienced hires with diverse backgrounds and know-how, needless to say operational skills.

FFG has over 10,000 employees. Each one of them has their individual lives and personal priorities. We will keep promoting initiatives that will enrich each of these individual lives.

## An organizational culture that assures psychological safety

It is necessary for the company's sustained growth to foster an organizational culture in which "psychological safety" is assured and people of diverse backgrounds may engage in the open-minded expression of their views.

Accordingly, FFG is working diligently to spread awareness of the concept of psychological safety through continuous training and a specially-created guidebook.

If employees can engage daily in fruitful communications and voice their views frankly regardless of their job titles, this enhances our risk management and may prevent or quickly identify inappropriate incidents. Not only would this increase our "reliability," but it may also bring about positive effects such as the creation of new businesses and a stronger sense of purpose.



As a form of organizational culture "peacetime health check," FFG has implemented "third-party assessments" twice, once in FY2011 and once in FY2017, in which an independent evaluation and review was conducted by an external law office (Nagashima Ohno and Tsunematsu).

In FY2022, we implemented a third-party assessment for the third time, with the objectives of surfacing organizational issues across FFG and assessing the extent to which an "organizational culture without fear of failure" has been established in FFG, with psychological safety as one of the key words. We are in the process of studying and implementing measures to address the issues uncovered from the feedback received.

### Input

#### Initiatives for demonstrating diversity

##### ◆ Various forms of support for achieving balance (childcare/caregiving x work)

- Pre- and post-natal leave/childcare leave, caregiving leave
- Support program for returning to work
- Mandatory childcare leave for men
- Handbook on achieving balance (childcare x work, caregiving x work)
- Maintaining a daycare center inside the company
- Subsidy scheme for childcare service fees
- Shortened working hours scheme, etc.

##### ◆ Supporting women in shaping their careers

- Training workshops and study groups for female employees
- Mentor system

##### ◆ Enhancing understanding of DE&I

- Management training  
Coaching; DE&I promotion training, etc.
- Training sessions and seminars targeted at employees  
Caregiving/LGBTQ/unconscious bias, etc.
- Initiatives achieved through "flexibility"  
Furthering DE&I promotion by acting as a bridge between our workplaces and headquarters



Loan workshops for women



The petit petit daycare center within the company

#### Initiatives for fostering organizational culture

##### ◆ Measures to revitalize communication

- In-house company SNS
- Subsidy for workplace communication-related events
- Family day
- The "Say thank you more" movement (an initiative for expressing day-to-day gratitude using cards)

##### ◆ KaTaRi-Ba (inside FFG headquarters building)

The eighth floor of FFG's headquarters was renovated with the awareness that an environment that could bring a wide variety of people together to create new ideas was more necessary than ever. As we say in Fukuoka, "kataru"—to become one of the group. We hope this will be a space for all to come and "talk about and be part of various projects," regardless of one's position and job.

### Output

#### Ratio of personnel with titled positions having diverse backgrounds

Results for FY2022      Target for FY2030  
**23.8%**      **35% or more**

#### Male employees who took childcare leave (FY2022)

The Bank of Fukuoka    The Kumamoto Bank    The Juhachi-Shinwa Bank  
**97%**      **100%**      **108%**

#### Proportion of women in management\*

Results for FY2022      Target for FY2028  
**17.6%**      **25.0%**

#### Foreigners in employment (as of March 31, 2023)

**13**

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

## Regional Revitalization

### Contribution to Regional Growth That Only FFG Can Achieve

#### Regional revitalization as considered by FFG

At FFG, we are working on regional revitalization by providing the Group's "diverse solutions" based on the "trust and reliance from customers" that bank of Fukuoka, Kumamoto Bank, and Juhachi-Shinwa Bank have built up throughout our long history.

FFG's concept of regional revitalization is to work proactively to resolve regional issues in collaboration with local governments and business partners, and to further enhance the attractiveness of local communities. By connecting people and land through the networks that we have as a bank that is deeply rooted in the region, we aim to contribute to regional growth in a way that only FFG can do.

The Bank of Fukuoka is a designated financial institution in approximately three-quarters of the 61 municipalities in Fukuoka prefecture. We have deep business relationships with local governments, and in addition to providing consulting services in the areas of finance, accounting, tax revenue matters, and financing, etc., in recent years, we have also seen an increase in consulting in the areas of agriculture and regional promotion. In addition, at sales sites, we have started to hear from local business partners that they "want to preserve the local communities where they were born and raised, and where they conduct business as sustainable local communities."

Under these circumstances, in 2019, we established the Regional Co-creation Division at the Bank of Fukuoka based on the concept of "creating together with local communities." At present, we are proceeding with two initiatives: the Public Finance Corporation Department, which is a front office department that works mainly with the public sector and helps local governments with monetary matters and administrative DX, and the Regional Revitalization Promotion Department, which proposes



#### Tokuichi Yamauchi

General Manager of Sales Administration Division, FFG and General Manager of Regional Co-creation Division, the Bank of Fukuoka, Ltd.

commercialization related to regional revitalization, collaborates with industry, government, academia, and finance, and collects information and conducts sourcing on private sector utilization projects, etc.

In addition, the Sales Promotion Division and Solution Sales Division at Kumamoto Bank, and the Regional Promotion Division at Juhachi-Shinwa Bank play similar roles, and by working closely together, the three banks are working on regional revitalization while creating Group synergies.

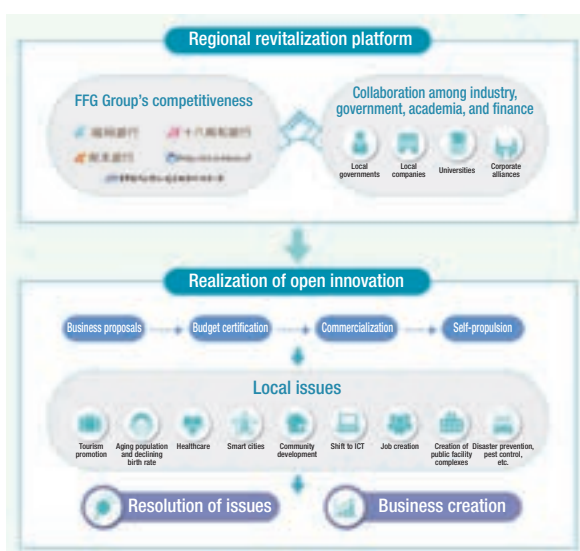
#### Creation of sustainable business

FFG's specific efforts in regional revitalization are based on two concepts: "regional projects" and "expanding sales channels for local products."

"Regional projects" is an initiative to form a consortium with local governments, local companies, universities, and others to create business opportunities while solving issues using national and local subsidies and corporate funds. In FY2022, we implemented 32 projects. (P. 68: Mt. Hiko Temple Lodging Revitalization Project)

"Expansion of sales channels for local products" involves supporting the expansion of sales channels by rebranding local products and crafts, etc., and using digital channels such as EC and crowdfunding as well as real-time events at commercial facilities and other complexes in conjunction with iBank marketing. In FY2022, we implemented 34 such initiatives. (P. 68: Supporting the expansion of sales channels for specialty products from Minamishimabara, Nagasaki prefecture, etc.)

All these initiatives are based on FFG's goal-based sales approach, in which we empathize with the goals of the region and our business partners and the stories that lead to them, and they are also aware of profitability in order to become sustainable businesses for FFG, our business partners, and the region.



## Creating the future together with local communities

As awareness of regional revitalization grows across a wide range of generations, we believe that our *raison d'être*, which is to “contribute to regional growth,” is once again being questioned.

As the region continues to grow in the future, FFG must of course provide support using digital technology, but we believe that “building connections and relationships between people,” in other words, communication is even more important.

We are focusing on disseminating information and spreading awareness within the company in order to proceed with regional revitalization on a company-wide basis, while sharing issues with branch staff who are closely connected to local communities and have front-office contact with customers.

As an entity that creates the future together with local communities, we will continue to take the approach of considering what only FFG can do, and continue to evolve as a Group.

### Regional project –Mt. Hiko Temple Lodging Restoration Project in Soeda, Tagawa District, Fukuoka Prefecture–

The town of Soeda, which was severely impacted by the torrential rains in northern Kyushu, including experiencing the suspension of public transportation, the destruction of natural forests, and damage to shrines, aims to increase the immigrant and exchange population by promoting tourism leveraging the appeal of Mt. Hiko, which is one of Japan's three sacred mountains and the symbol of the town. As part of these efforts, we utilized the Japan Tourism Agency's business project to conduct Shugendo (Japanese mountain asceticism) experience tours (creation of tourism contents and human resource development) and conduct surveys of temple lodgings. Our aim is to renovate the lodgings and open a high-value-added hotel that will serve as a tourist exchange base along the entranceway to the shrine, with a view to future commercialization.



### Expansion of sales channels for local products –Supporting sales channel expansion using digital technology–

#### ● Supporting increased consumption of wild game from Fukuoka prefecture

In Fukuoka prefecture, where the damage to agricultural, forestry and fisheries products by wild birds and animals is an issue, wild game is viewed as a local resource, and efforts are being made to use it effectively. As part of these efforts, we developed sales channels and provided promotional support for “Fukuoka Wild Game,” with the aim of expanding consumption and disseminating information about wild game. In addition to holding gourmet events under the name of “Fukuoka Wild Game Fair,” we supported these initiatives through a hybrid of real-time and online methods, including by selling discount meal tickets to certified wild game restaurants through FFG's CF website, “Ennichi Funding.” This was a sustainable initiative that created a virtuous cycle of pest control and contributing to sales to restaurants by increasing awareness of wild game from Fukuoka prefecture.



#### ● Supporting the expansion of sales channels for specialty products from Minamishimabara, Nagasaki prefecture

As part of the “Minamishimabara City Promotion Project” aimed at disseminating the appeal of Minamishimabara's food, nature, history, and tourism, etc., we held a special feature on the specialty products of Minamishimabara through FFG's EC website, “Ennichi,” in collaboration with Nagasaki Culture Telecasting Corporation, with the theme of “Delicious Minamishimabara.”

We used the special feature to disseminate information about Minamishimabara's specialty products, and worked on planning so that people could order these products despite the difficulties of visiting the area due to the COVID-19 pandemic.

Taking advantage of this project, we will continue to support each business operator's initiatives to disseminate information through SNS and expand sales channels through EC websites.



## Regional Revitalization

# The Potential of Kyushu

### —Silicon Island Kyushu—

#### TSMC expands into Kumamoto

In November 2021, TSMC (Taiwan Semiconductor Manufacturing Company Limited), a leading semiconductor manufacturer in Taiwan, announced that it planned to build a new plant in Kikuyo, Kumamoto prefecture.

Since then, major semiconductor-related companies have been steadily expanding their facilities in the Kyushu area. In addition, local governments in the area and FFG's business partners have been increasingly active in taking measures to accommodate new plants and support the semiconductor industry.

#### Interviews with FFG's business partners

Kyushu is home to many plants and offices that not only manufacture semiconductors but also produce semiconductor manufacturing equipment and materials. There are approximately 1,000 such businesses, ranging from major companies to small- and medium-sized enterprises, and approximately 70% of them are located in FFG's business bases of Fukuoka, Kumamoto, and Nagasaki.

In July 2023, we conducted interviews with approximately 250 FFG business partners associated with the semiconductor industry. As a result, approximately 60% of our business partners responded that the expansion by semiconductor-related companies such as TSMC would have a "positive impact."

Meanwhile, the interviews revealed issues faced by business partners, including "dealing with a shortage of human resources," "how to increase sales (expand sales channels)," and "dealing with aging equipment."

#### Strengthening FFG's related business

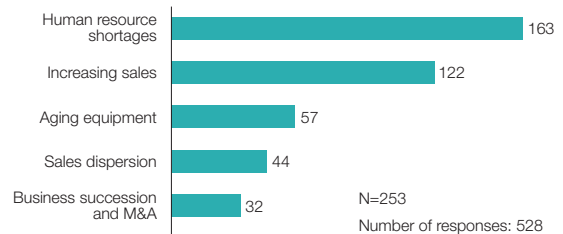
The Kumamoto Bank is strengthening its support system through personnel exchanges, collaboration agreements, and the formation of project teams with local governments, and universities, etc. In addition to demand for capital investment due to public works such as infrastructure development and the construction and expansion of plants in related supply chains, employment-related needs associated with UIJ turns and real estate demand associated with securing housing are expected to increase, and we are providing active support from the perspectives of financing, business matching, and community development.

In addition, in December 2022, FFG entered into a business alliance with CTBC Financial Holding Co., Ltd., a leading Taiwanese financial company. Approximately 1,400 people participated in the seminar held in Kuma-

Since the 1960s, Kyushu has been known as "Silicon Island" due to the concentration of semiconductor-related industries, partly as a result of its abundance of water required for semiconductor production and the relatively low-priced and stable supply of electricity. Kyushu's national market share of semiconductor devices hit a record high in 2019 of 44.5%. Now, with TSMC's expansion into Kyushu, the area's semiconductor-related industry is ramping up even more.

Additionally, there are many urbanization control areas in the vicinity of Kikuyo, making the securing of business sites a major issue, and some companies have given up on expanding into Kikuyo. For this reason, the construction of industrial parks in Kumamoto prefecture is proceeding at a rapid pace.

#### Management issues faced by related business partners



moto prefecture in March 2023 with the themes of "Taiwan" and "Semiconductors," both at the venue and online. Going forward, we will continue to strengthen collaboration in areas such as providing financial services and business matching, with a view to the revitalization of industries, including the semiconductor industry, in both Kyushu and Taiwan.



## Interview

# Interviews with the Kumamoto Bank “New Regional Development Promotion Team”

### About the system

The “New Regional Development Promotion Team” was established in April 2022 as a specialized unit for projects related to TSMC’s expansion. Currently, twelve people are working on the team, four of whom are permanently stationed at four sales offices (reinforced offices) located around TSMC plants.

### Changes we are now seeing, and business opportunities for FFG

The topics for which we often receive inquiries from business partners including real estate, human resources, and company introductions. The need for housing is increasing significantly, and large-scale subdivisions that have never been seen before are being created in surrounding areas. Meanwhile, land prices are soaring, and since there are many individual customers who have sold their land, we are also holding seminars on taxes in collaboration with external instructors.



Kumamoto Bank New Regional Development Promotion Team

In addition, many local governments with which we have collaborative agreements introduce us to companies from outside the prefecture, thereby creating new business opportunities.

### Future outlook

Going forward, we would like to collaborate with each department of FFG and strengthen our approach to large companies. We would also like to actively promote business with companies expanding outside of Taiwan.

The strength of the “New Regional Development Promotion Team” is the speed of its response to customer needs. We would like to continue to stimulate Kyushu and Kumamoto together with our customers.

## <Case studies of the New Regional Development Promotion Team>

### Case 1: Introducing office relocation sites to companies within the prefecture

#### Background

We were consulted by a business partner engaged in the sale and maintenance of semiconductor equipment that was considering the relocation of the offices of its affiliated companies due to the expected increase in demand as a result of the expansion by TSMC.

#### Providing solutions

We worked with real estate agents on the same day, and on the next day we provided real estate information not yet available to the public. The property had been used by a semiconductor-related business, and matched the needs of the business partner, thereby leading to business matching. The same company is also raising the number of its employees in order to increase orders in the future. Since the business of our business partners is in a growth phase, we would like to continue supporting them in solving issues by providing a variety of solutions that meet their needs.

### Case 2: Contributing to attracting leading temporary staffing companies from outside the prefecture

#### Background

A major manufacturing-related outsourcing company headquartered in the Tokyo metropolitan area consulted us through a local government with which we have a collaborative agreement, regarding a site for the construction of a business office and training facility.

#### Providing solutions

We provided property information received from a local real estate company, which led to the conclusion of a rental contract for the property as a training facility. Additionally, since special electrical work was required, we introduced a business operator who was a business partner of the Kumamoto Bank and could undertake the work. As many of our business partners face the issue of dealing with human resource shortages, we believe that our contribution to attracting a leading temporary staffing company will lead to the future growth of local companies.

### Case 3: Starting business with Taiwanese companies expanding into the prefecture

#### Background

A Taiwanese company that does business with TSMC established a local subsidiary in the prefecture. When we visited the company for new sales purposes, we were asked to introduce a company that can design and build clean rooms, which are essential for semiconductor manufacturing.

#### Providing solutions

When we requested information at a team meeting, we found a company among our business partners that has a proven track record in building clean rooms. When we brought the two companies together, their needs matched and led to business matching. In September, we visited the company’s headquarters in Taiwan and were introduced to related business partners.

Although we are seeing many Taiwanese companies with business dealings with TSMC expanding into Kumamoto, it would appear that finding new business partners in Kumamoto is a major challenge for them. By collaborating with FFG’s representative office in Taiwan, we hope to connect companies in Taiwan and Kumamoto and contribute to both their development.

## Achieving Sustainability Transformation (SX) at FFG

### Initiatives to address climate change

#### 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\*.

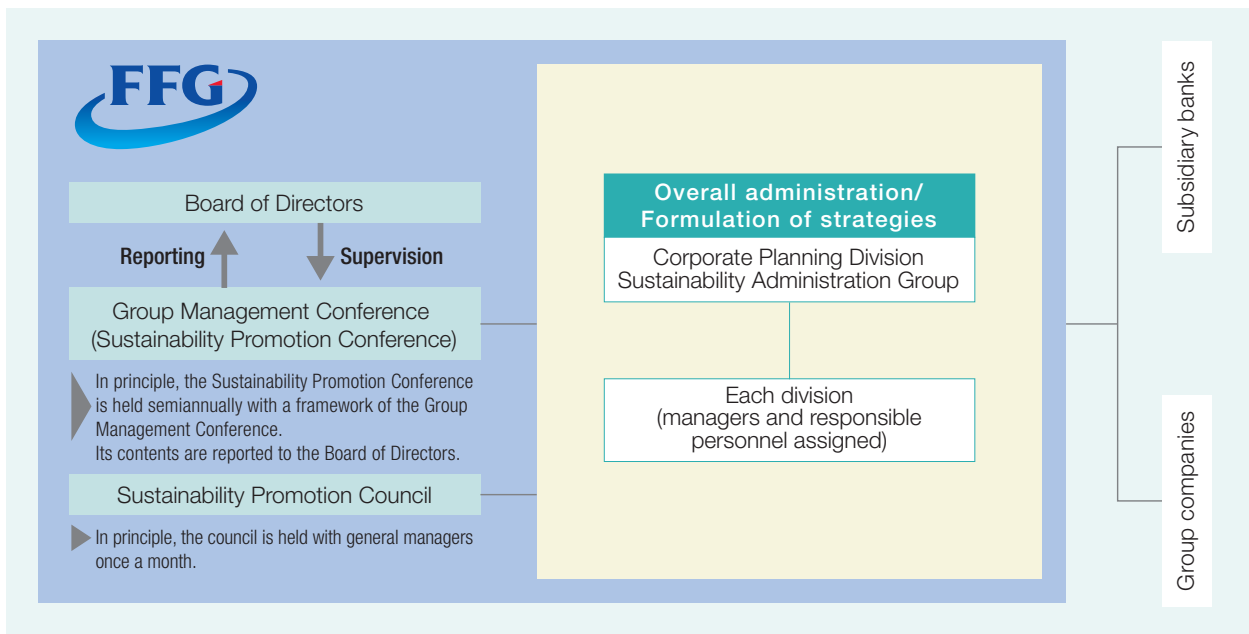
We will continue to expand the content of disclosure in line with the recommendations.

\*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



- 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.



## Strategies

### <Climate-related risks and opportunities>

- 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 <sup>(*)</sup>
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

#### ■ Opportunities

Type		Details	Time axis <sup>(*)</sup>
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	Short to long term
		Increased sustainable financing that supports the business of customers to solve environmental issues	Long term
		Increased consulting services such as GHG emission measurement and reduction plan execution support	Short to long term
		Realization of a sustainable business that supports the sustainability management of customers through dialogue based on the SS Index <sup>(*)</sup>	Short to long term

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

(\*) Sustainable Scale Index: A unique ESG/SDGs scoring model service developed jointly by FFG subsidiary Sustainable Scale and Kyushu University.

### <Scenario analysis>

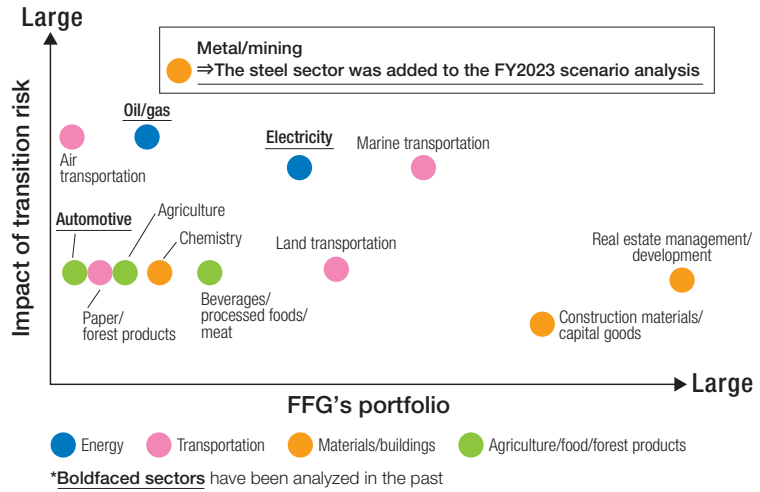
- FFG utilizes scenario analysis to identify the impact of climate-related risks on the Group and establish strategic resilience.
- Based on the results of the scenario analysis, we will create business opportunities and mitigate risks for corporate customers by enhancing engagement with them to ensure 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 analysis.

# Achieving Sustainability Transformation (SX) at FFG

## <Scenario analysis>

### ■ Selection of sectors subject to analysis

- With an eye toward the transition to a decarbonized society, we conduct risk assessment to inform the selection of sectors subject to scenario analysis of transition risks. The risk assessment is carried out based on how large the impact of policy and legal, technology, market, and reputation changes would be on each sector, as well as the size of FFG's portfolio.
- Based on the risk assessment by sector, we added the steel sector to the conventional utility, energy and automotive sectors for the FY2023 analysis.
- We will enhance risk recognition by constantly reviewing the assessment results of each sector, in accordance with changes in climate-related policy, technology, and market environments.



### ■ Analysis results

\*Changes from the last time are underlined

	Physical risk	Transition risk
Risk analyzed	<ul style="list-style-type: none"> <li>● Damage to collateral properties from storms and floods</li> <li>● Deterioration of financial conditions due to the suspension of obligors' businesses</li> </ul>	<ul style="list-style-type: none"> <li>● Deterioration of financial conditions of obligors from decreased net sales and increased costs that come with transitioning to a decarbonized society</li> </ul>
Applicable portfolio	<ul style="list-style-type: none"> <li>● Borrowers with business feasibility in Japan</li> </ul>	<ul style="list-style-type: none"> <li>● Utility and energy sector<sup>(*1)</sup></li> <li>● Automotive sector</li> <li>● <u>Steel sector</u></li> </ul>
Scenario	<ul style="list-style-type: none"> <li>● RCP 8.5 (4°C scenario) or RCP 2.6 (2°C scenario) in the IPCC<sup>(*2)</sup> Assessment Report</li> </ul>	<ul style="list-style-type: none"> <li>● Net Zero 2050 (1.5°C scenario) and Current Policies (3°C scenario) by NGFS<sup>(*3)</sup></li> </ul>
Analysis method	<ul style="list-style-type: none"> <li>● Use a storm and flood model to estimate the level of impact on locations and structures such as obligors' collateral properties and business offices</li> </ul>	<ul style="list-style-type: none"> <li>● Forecast changes in future performance in the target sector based on the transition scenario, and estimate the impact on ratings and credit costs</li> </ul>
Analysis results	<ul style="list-style-type: none"> <li>● Additional credit costs that could be incurred by 2050: <b>Up to 5.0 billion yen<sup>(*4)</sup></b></li> </ul>	<ul style="list-style-type: none"> <li>● Additional credit costs that could be incurred by 2050: <b><u>Total 12.9–28.6 billion yen<sup>(*4)</sup></u></b></li> </ul>

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

## <Carbon-related assets>

- The percentage of carbon-related assets is 30.47%.

Energy	Transportation	Materials	Agriculture/food/forest products	Total carbon-related assets <sup>(*5)</sup>
1.92%	4.82%	22.24%	1.49%	30.47%

(\*5) 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. See page 64 of this report for details.
- Should Climate-related risks manifest, there would be ripple effects across every risk category including credit, market, liquidity, and operational risks. Our Board of Directors is actively involved in the development and establishment of proper risk management systems based on such characteristics of the climate-related risk.
- Climate-related risks that are deemed important are managed and addressed within a comprehensive risk management framework by risk category depending on how a risk is likely to manifest itself.  
For example, we assess the physical risk of damage to FFG branches from storms and floods within the operational risk management framework, and appropriately address the risk by taking necessary measures such as reevaluating insurance policies.  
For more information on FFG’s comprehensive risk management, see page 25 of FFG Disclosure 2023 “Financial Data” (Japanese only) on our website.

### <Environment and Society-Conscious Loan Policy>

- In order to make consideration for the environment and society in our loan services, the Bank of Fukuoka, the Kumamoto Bank, the Juhachi-Shinwa Bank, and the Fukuoka Chuo Bank have stipulated prohibited loans and loan activities that require special attention in our “Environment and Society-Conscious Loan Policy\*.”
- The balance of loans in project finance for construction of coal-fired thermal power plants in the Group was 2.3 billion yen as of March 31, 2023, 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 realization of a decarbonized society as “sustainable finance.” We have set the total execution amount target as “2 trillion yen from FY2020 to FY2030 (including 1 trillion yen for the environment).” Going forward, we aim to achieve targets by helping our customers resolve their issues.
- As of the end of March 2023, the total amount executed by the Bank of Fukuoka, the Kumamoto Bank, and the Juhachi-Shinwa Bank is 449.2 billion yen, of which 162.9 billion yen is for environmental finance.

Sustainable Finance Targets	Achievement (FY2020–FY2022)	
FY2020–FY2030 <b>Total execution amount</b> <b>2 trillion yen</b> (including 1 trillion yen for the environment)	Sustainable Finance	449.2 billion yen
	Of which, environment related	162.9 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

## Achieving Sustainability Transformation (SX) at FFG

### <Efforts to achieve in-house carbon neutrality>

- In May 2022, we set the Group's CO<sub>2</sub> 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.

In-house CO <sub>2</sub> emissions reduction target	FY2022 emissions results
<b>Net zero by FY2030</b>	<b>24,596 tons</b> (Down 41% from FY2013)

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

### ■ Environmentally friendly branches

- 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 CO<sub>2</sub> emissions.
- In February 2023, Kumamoto Bank Koshi Loan Center opened. In addition, Juhachi-Shinwa Bank Hasami Branch and Bank of Fukuoka Minamikokura Branch opened in June and September of the same year, respectively.

\* 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.



Kumamoto Bank Koshi Loan Center



Juhachi-Shinwa Bank Hasami Branch



Bank of Fukuoka Minamikokura Branch

### ■ CO<sub>2</sub> emissions

(Unit: t-CO<sub>2</sub>)

Measurement items	FY2013	FY2021	FY2022
Scope 1 (direct emissions associated with the use of gas and gasoline)	4,447	2,862	2,834
Scope 2 (indirect emissions associated with the use of electricity, heat, and steam supplied by other companies)	37,484	21,986	21,762
Scope 1, 2	41,931	24,848	24,596

## ■ About Scope 3

- Scope 3 in the GHG Protocol refers to emissions other than those covered by Scope 1 and 2. While scope 1 and 2 covers greenhouse gases (CO<sub>2</sub>, etc.) emitted by the reporting company itself, Scope 3 covers other companies' greenhouse gases related to the reporting company's business activities.
- From FY2022, the Group has calculated Scope 3, including category 15.

(Unit: t-CO<sub>2</sub>)

Measurement items		FY2022
Category 1:	Purchased products and services	41,974
Category 2:	Capital goods	29,887
Category 3:	Fuel and energy-related activities not included in Scope 1 and 2	2,600
Category 4:	Transport, delivery (upstream)	1,428
Category 5:	Waste generated from operations	40
Category 6:	Business trips	981
Category 7	Employee commutes	3,402
Category 15:	Investments and loans	20,077,259

\* The figures represent the total of Bank of Fukuoka, Kumamoto Bank, and Juhachi-Shinwa Bank as of March 31, 2023

\* Scope 3 calculation methods, emissions figures, etc. are based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.5 (Ministry of the Environment and Ministry of Economy, Trade and Industry, Government of Japan, March 2023)" and "Emissions Unit Value Database for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain Ver. 3.3 (Ministry of the Environment and Ministry of Economy, Trade and Industry, Government of Japan, March 2023)" (categories 8 to 14 have calculated values of zero).

## ■ About category 15 (investments and loans)

- The emissions were calculated for borrowers of the Bank of Fukuoka, the Kumamoto Bank, and the Juhachi-Shinwa Bank with business feasibility (corporations and sole proprietors), taking into account the measurement method of the PCAF<sup>(\*)</sup> Standard.
- We used both the bottom-up approach, where emissions are calculated from GHG emissions data disclosed by companies, and the top-down approach, where emissions are estimated based on carbon intensity of each industry.
- We will contribute to the realization of a decarbonized society by expanding and refining the scope of calculation, as well as utilizing the calculation results to engage with business partners and in turn reducing emissions.

(Unit: t-CO<sub>2</sub>)

Industry		Carbon intensity <sup>(*)2</sup>	Emissions <sup>(*)3</sup>
Energy	Oil/gas	2.26	355,133
	Power	26.93	2,687,555
Transportation	Automotive	4.94	212,079
	Land transportation	3.20	800,492
	Marine transportation	6.55	758,583
	Air transportation	12.14	53,356
Materials/ buildings	Metal/mining	10.87	1,742,040
	Chemistry	7.67	473,689
	Construction materials/capital goods	4.70	4,440,226
	Real estate management/ development	1.17	573,734
Agriculture/ beverages/ forest products	Agriculture	8.08	269,413
	Beverages/processed foods/meat	5.17	1,060,460
	Paper/forest products	3.67	158,928
Other		1.87	6,491,572
Total <sup>(*)4</sup>			<b>20,077,259</b>

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

(\*)2 Carbon intensity =  $\Sigma$  (Carbon intensity of each borrower)/Number of borrowers

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

(\*)4 Excluding business partners that have not closed their fiscal year or do not have the data necessary for calculation for other reasons (87% of investments and loans outstanding are covered)  
The calculation results may change significantly in the future due to expanded disclosure of customers' GHG emissions or changes in calculation standards and methods and industry classifications.

## Corporate Governance

### Basic Views on Corporate Governance

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

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

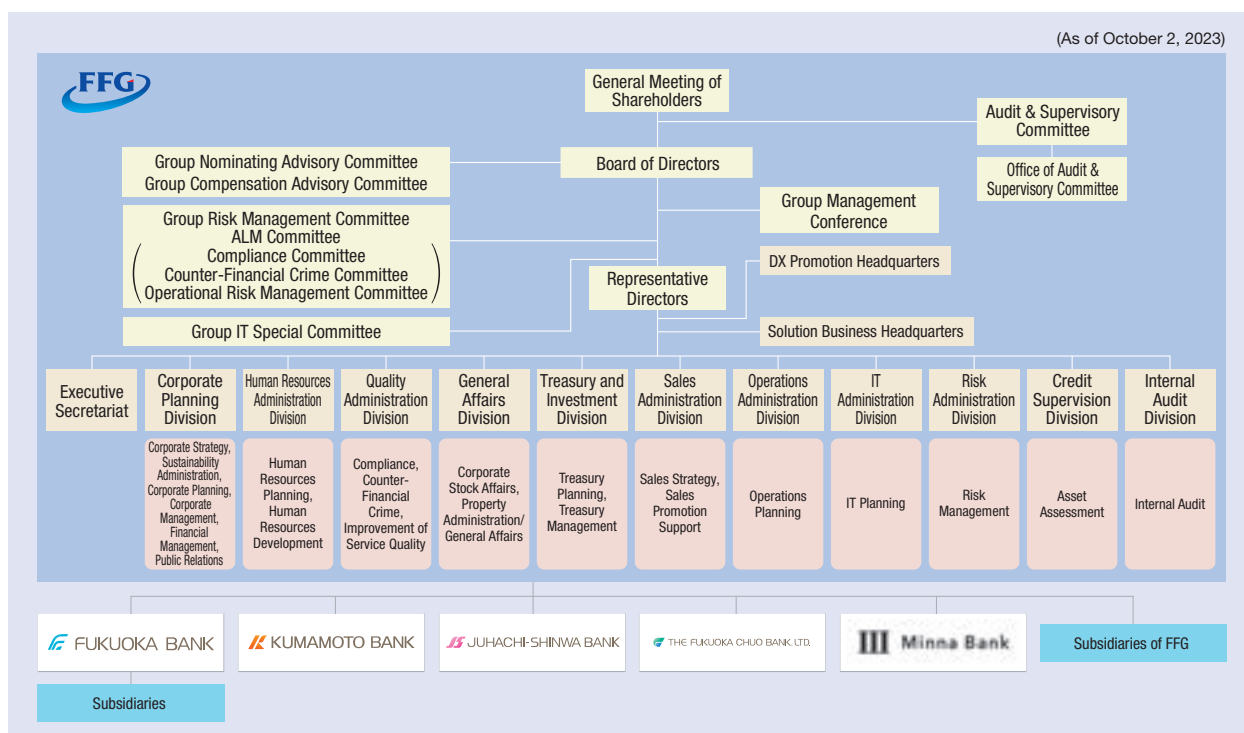
In addition, we have formulated the Fukuoka Financial Group Corporate Governance Guidelines\*<sup>1</sup> as our basic approach to corporate governance and its operational guidelines.

\*1 Please refer to our Group website for details.

### Corporate Governance System

#### Overview and Reasons for Adoption of Current Corporate Governance System

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



#### ● Board of Directors (held 11 meetings in FY2022)

The Board of Directors consists of 11 Directors (including 4 External Directors), and shall discuss and make decision on basic guidelines related to Group management, as well as matters stipulated by laws, ordinances and the Articles of Incorporation. The Board shall also make decisions on important matters concerning business management of subsidiary banks, business and affairs of the Group, while overseeing the job performance of Directors and Executive Officers.

#### ● Audit & Supervisory Committee (held 12 meetings in FY2022)

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

#### ● Office of Audit & Supervisory Committee

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

● **Group Nominating Advisory Committee, Group Compensation Advisory Committee**

To enhance transparency and fairness of our group management, the Group Nominating Advisory Committee and Group Compensation Advisory Committee, 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 6 Executive Directors (chaired by the President) (also attended by full-time Audit & Supervisory Committee Members), and based on basic guidelines stipulated and matters entrusted by the Board of Directors, shall discuss important matters related to business and affairs of the Group, including group management and operational planning.

● **Group Risk Management Committee**

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

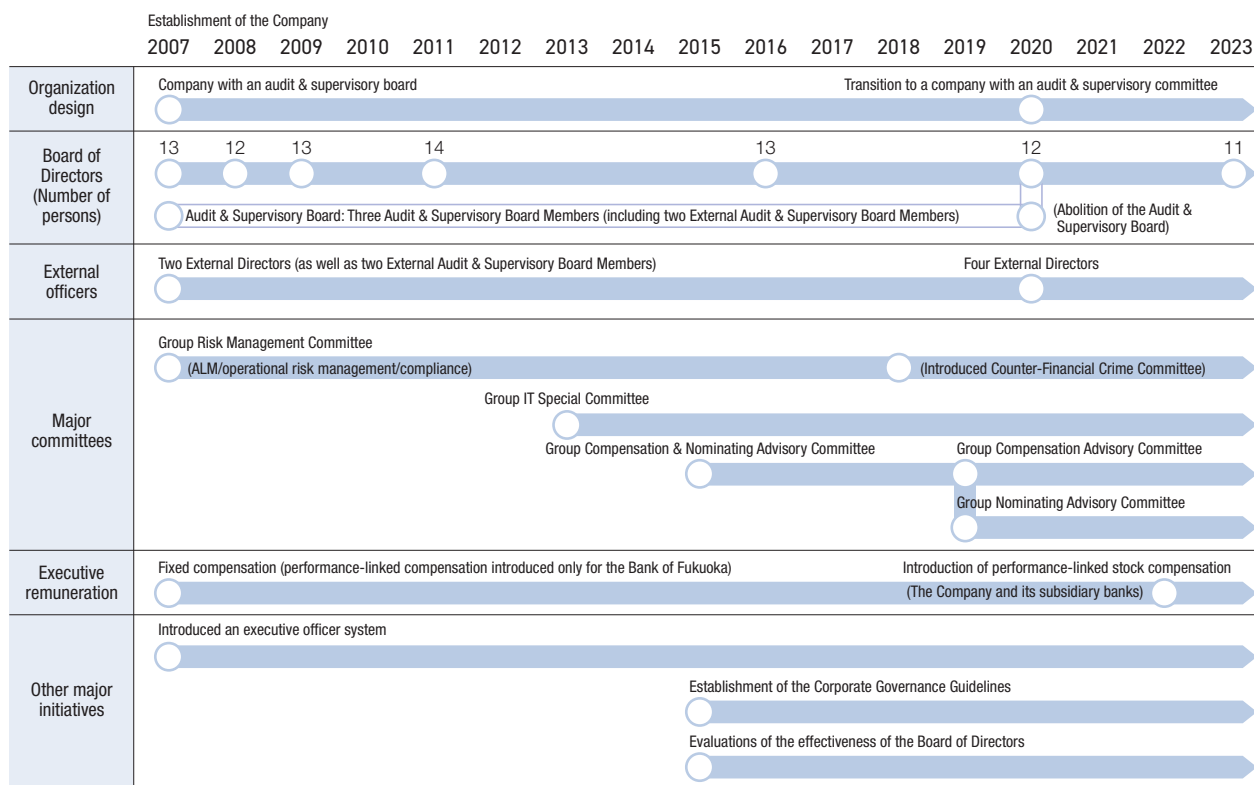
● **Group IT Special Committee**

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

● **Executive Officers**

For quick decision-making of the Board of Directors and strengthening business execution functions, 21 Executive Officers (including 6 serving concurrently as Director) are elected and delegated the execution of business by a resolution of the Board of Directors.

**History of Strengthening Corporate Governance**



# Corporate Governance

## Board of Directors

### Directors



**Takashige Shibato**

**Director & Chairman**  
(Representative Director)

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



**Hisashi Goto**

**Director & President**  
(Representative Director)

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



**Hiroshi Miyoshi**

**Director & Deputy President**  
(Representative Director)

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



**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)



**Nobuhiko Yamakawa**

**Director & Executive Officer**

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

### Skills Matrix of the Board of Directors

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

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 Directors:

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

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





**Masahiko Fukasawa**

External Director

AlixPartners Asia LLC;  
Senior Advisor



**Toshiya Kosugi**

External Director

Truth, Human Science and  
Management Organization  
Laboratory LLC;  
Representative



**Tetsuya Maruta**

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



**Hideo Yamada**

External Director  
(Audit & Supervisory  
Committee Member)

Graduate School of Business  
and Finance, Waseda  
University; Professor

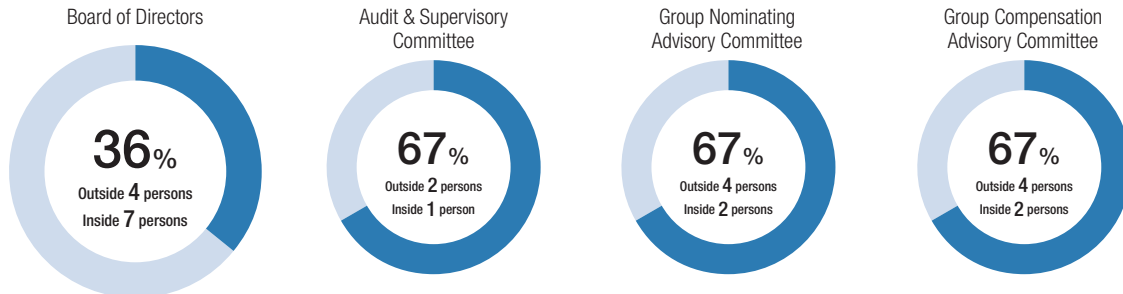


**Nobuko Ishibashi**

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 FY2022
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, Managing Director from January 2021, and Senior Advisor of AlixPartners Asia, LLC from June 2023. 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 11/11 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 11/11 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 11/11 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 11/11 meetings Audit & Supervisory Committee 12/12 meetings

## Corporate Governance

### Director Remuneration

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

#### Policy on Determining Remuneration Amounts and Calculation Methods

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

##### [Basic policies]

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

—Policies on Determining Compensation for Directors, etc.—

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

##### [Specific policies based on basic policies]

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

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

· The Group Compensation Advisory Committee shall, in response to the consultation from the Board of Directors, deliberate on the details of individual compensation, etc. for Directors, based on the “Policies on Determining Compensation for Directors, etc.” The Board of Directors shall respect the Committee’s deliberation and determine the officer compensation system, and the details of individual compensation, etc. for Directors based on the system.

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

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

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

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

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

### Evaluation of Effectiveness of the Board of Directors in FY2022 (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 FY2022 are as follows.

[Evaluation method]

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

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

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

# Corporate Governance

[Evaluation results (summary)]

1. Overall evaluation

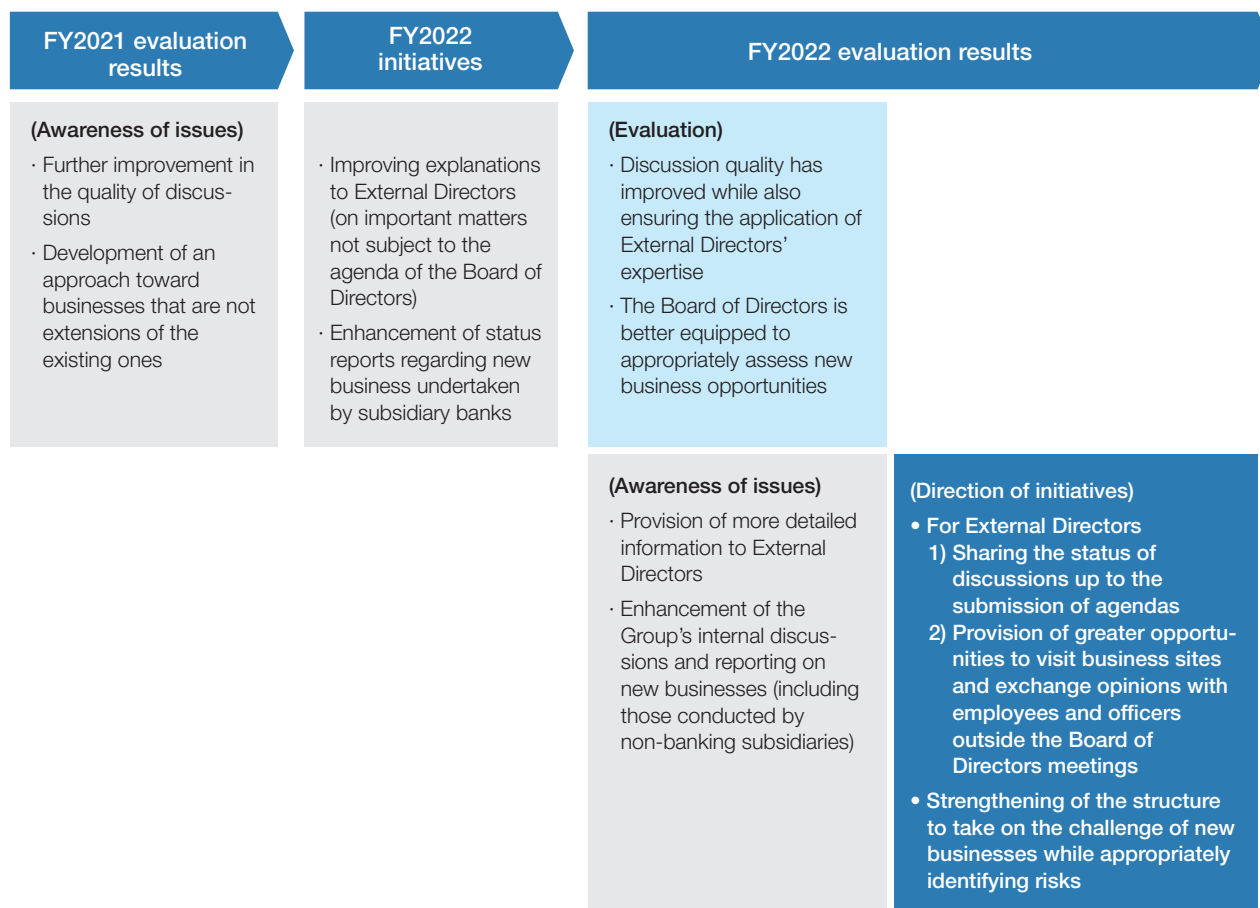
- We verified that the Board of Directors was properly operated pursuant to the Corporate Governance Guidelines and that the effectiveness of the Board of Directors as a whole is ensured.

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

- Through the previous year's evaluation, participants shared their perspectives regarding efforts targeting further improvements in discussion quality, and the development of an approach toward non-traditional business initiatives.
- In accordance with the above, the Company has introduced a number of measures, including the explanations of important matters not subject to the agenda of the Board of Directors to External Directors and efforts targeting the enhancement of status reports regarding new businesses undertaken by subsidiary banks.

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

- Through this evaluation, the Company confirmed that as a result of its implementation of the initiatives described in 2 above, discussion quality has improved while also ensuring the application of External Directors' expertise. The evaluation also revealed that through these initiatives, the Board of Directors is now in a position to appropriately assess new business opportunities.
- Participants also shared awareness of the need to facilitate further improvement of corporate governance by providing more detailed information to External Directors. Specifically, the Company confirmed that the details of internal discussions held prior to meetings of the Board of Directors should be shared with External Directors and verified that External Directors should have greater opportunities to visit business sites and exchange opinions with employees and officers outside the Board of Directors meetings.
- The Company also confirmed the need to enhance the Group's internal discussions and reporting on new businesses, including those conducted by non-bank subsidiaries. Moving forward, the Company will enhance the Group's medium- and long-term corporate value by strengthening its ability to proactively tackle new areas of business while appropriately identifying risks.



## Specific Issues Considered by the Board of Directors (FY2022)

### ○ Matters related to the Board of Directors, etc.

- Selection of Representative Directors and Managing Directors
- Selection of Executive Officers and selection of Managing Executive Officers
- Election of members of the Group Compensation Advisory Committee and the Group Nominating Advisory Committee
- Introduction of performance-linked compensation plan including stock compensation
- Evaluations of the effectiveness of the Board of Directors

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

- Formulation of the 7th Mid-Term Management Plan
- Formulation of business plans
- Progress of business plans
- Matters related to acquisition of own shares
- Matters related to business integration with the Fukuoka Chuo Bank, Ltd.
- Status of business at Minna Bank
- Status of initiatives of digital transformation (DX) strategy
- Progress of initiatives to revitalize the economy of Nagasaki prefecture
- Regular reviewing of retention of shares for cross-shareholding investments

### ○ Matters related to the Group's financial results

- Finalization of financial results, payment of dividends

### ○ Matters related to the Group's internal audit

- Formulation of audit plans
- Status of implementation of audits

### ○ Matters related to the Group's risk management

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

### ○ Matters related to the Group's compliance

- Formulation of Compliance Program
- Progress of Compliance Program
- Responses to money laundering, etc.
- Strengthening of management system for the whistleblowing system



For more information on the Group's corporate governance, please refer to the Corporate Governance Report available on the Company's website.

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

# Risk Management

## Basic Views

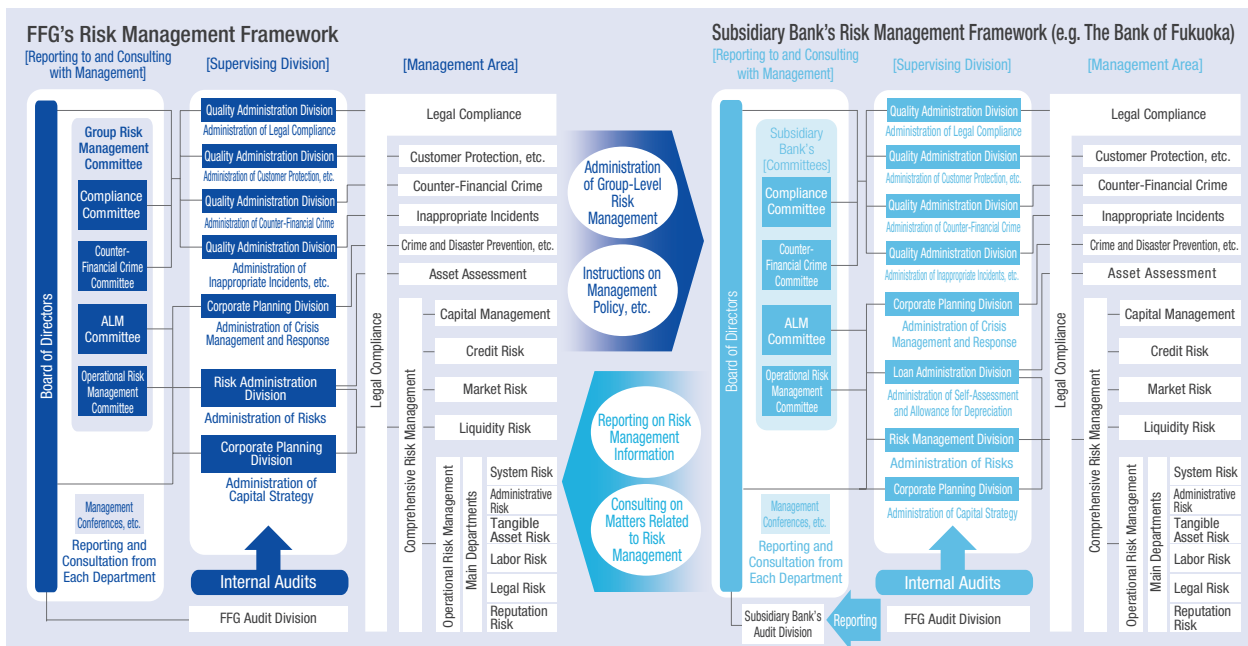
While business opportunities expanded for banks due to changes in society such as evolution of technology and growing awareness of SDGs, they have caused the risks that banks face to become more diverse and complex. In this environment, risk management, which identifies risks, understands and analyses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

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

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

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

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



Yuki Umezu  
FFG Risk Administration Division

Amid a rapidly changing social environment and increasing complexity of risks, we need to not only engage in preventive risk management but also strengthen resilience to respond flexibly to unexpected risks. Through appropriate risk management, we, the Risk Administration Division hopes to support each department and branch in taking on challenges and facilitate further growth of FFG.

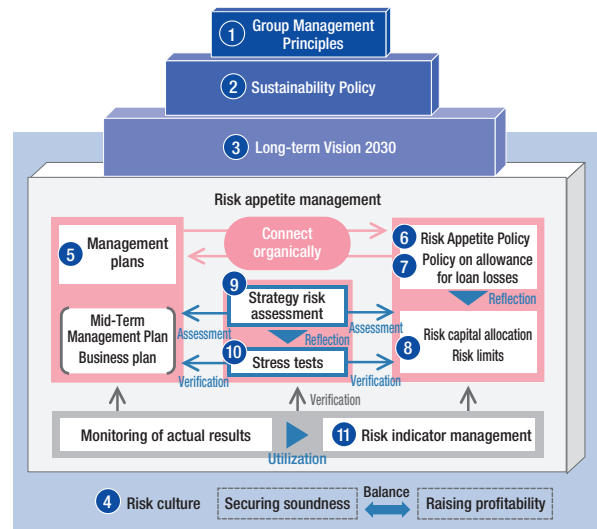


## Risk Appetite Framework

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.

### 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

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.

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

## Risk Management

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

### 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

### 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

### 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.

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.

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.

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.

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





## Top Risks

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

Top Risks	Examples of risk events
Deterioration of our credit portfolio	<ul style="list-style-type: none"> <li>• Credit cost increase that exceeds forecasts, due to the deterioration of business performance of customers caused by prolonged resource price rises and depreciation of yen, labor shortages, and the start of full-fledged repayment of effectively no-interest loans</li> </ul>
Rapid development of digital society	<ul style="list-style-type: none"> <li>• Damage to our existing earnings base due to the advancement of technology or the emergence of innovative financial services run by platformers and other industries</li> </ul>
System failure and cyber security	<ul style="list-style-type: none"> <li>• Loss of credibility due to large-scale system failures which disadvantage business partners</li> <li>• Loss of credibility due to customer information being leaked or continuity of operations being hindered because of a cyberattack</li> </ul>
Risks associated with growth strategies	<ul style="list-style-type: none"> <li>• Difficulty in securing the quality and quantity of human resources required to carry out growth strategies and advanced/specialized operations</li> <li>• Increase in losses due to errors assessing the success or failure of business investment in new strategies and the decision to continue investment</li> </ul>
Destabilization of Japanese and international financial markets	<ul style="list-style-type: none"> <li>• Decline of net interest income due to the continued low interest policy in Japan</li> <li>• Increased valuation losses due to extreme market fluctuations, and contraction of portfolio size and future earnings associated with the treatment of losses</li> </ul>
Risks related to climate change	<ul style="list-style-type: none"> <li>• Decrease in corporate value of the Company and customers due to the delay in climate change-related disclosure and decarbonization support for customers</li> <li>• Damage to the Company, officers and employees, and business partners due to natural disasters such as heavy rains.</li> </ul>
Acceleration of depopulation, shrinking birthrate, and aging of society in provincial areas	<ul style="list-style-type: none"> <li>• 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</li> </ul>
Compliance risks	<ul style="list-style-type: none"> <li>• Loss of credibility due to acts that violate laws and regulations or deviate from social norms</li> <li>• Loss of credibility resulting from the Group’s products being misused for financial crimes due to an inadequate management system for money laundering, etc.</li> </ul>
External risks that can change assumptions regarding the social environment	<ul style="list-style-type: none"> <li>• Significant impact on management strategy resulting from significant changes in the social environment and business assumptions due to the division of the international community associated with the emergence of geopolitical risks</li> </ul>
Liquidity risk in Japan and overseas	<ul style="list-style-type: none"> <li>• Tight yen-based cash flows due to an outflow of deposits larger and happening in shorter period of time than expected</li> <li>• Tight foreign-currency-based cash flows due to a decline of net interest income and a decrease in procurement resulting from elevated overseas interest rates and increased procurement premiums</li> </ul>

## Risk Management

### Business Continuity Structure

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

FFG has established the Crisis Management Regulations, which set forth the structure, response

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

### Cyber Security Initiatives

#### Cyber Security Management Structure

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

With regard to system risk management, which is the foundation for cyber security management, we are administering and controlling the risk appropriately by building an adequate risk management structure within the framework of operational risk management. For more information, see pages 28 to 30 of FFG Disclosure 2023 “Financial Data” (in Japanese) on our website.

To address cyberattack risks that are intensifying in recent years, we have set up the Cyber Security Group, which specializes in cyber security, in the IT Administration Division. The Group collects information

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

#### Response to Incidents

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

Our plans for FY2023 include rolling out zero trust\* security infrastructure at all branches, strengthening

security measures against cyberattacks that infiltrate us, and continuing to conduct practical incident response drills (TLPT).

\*Zero trust

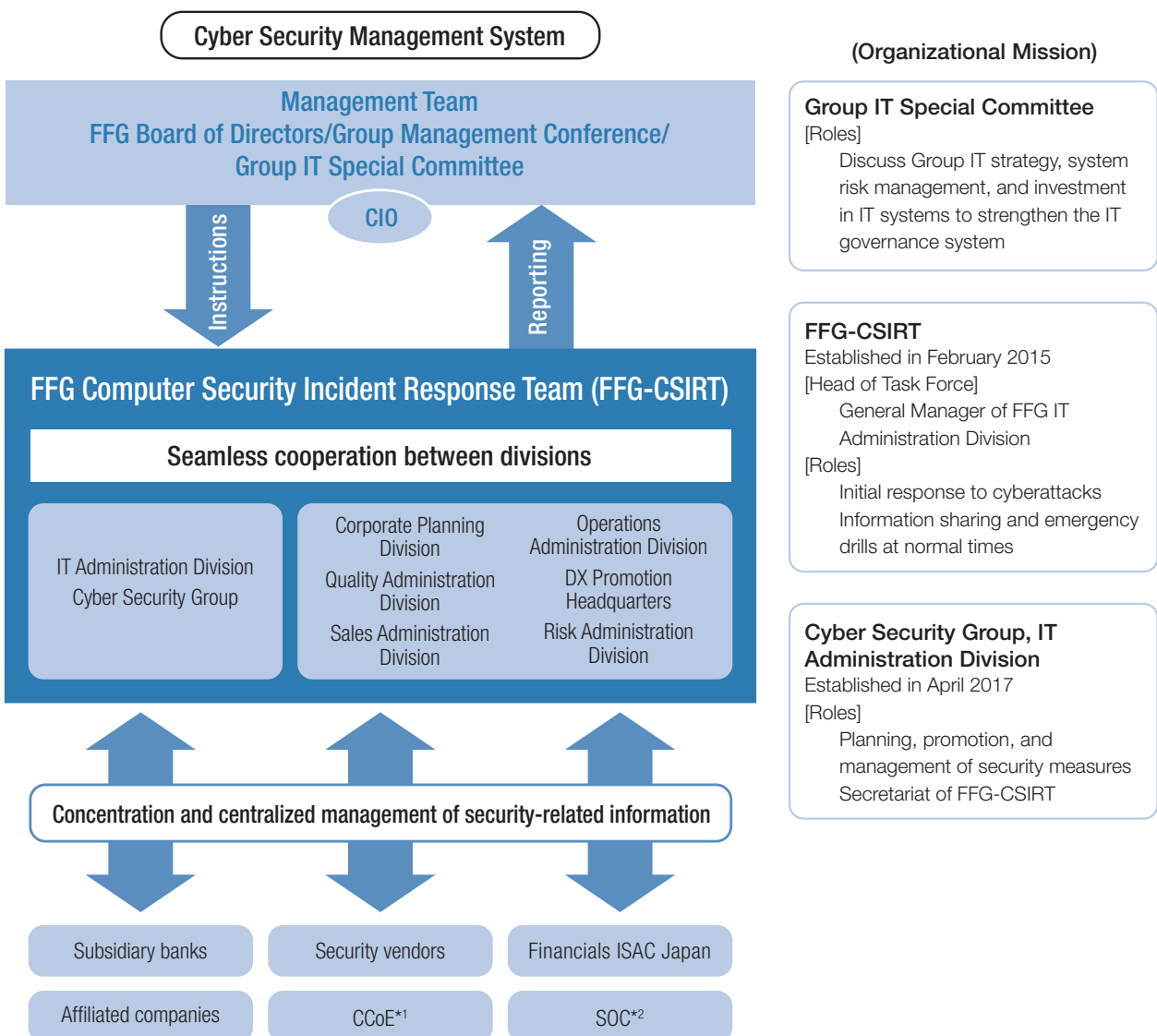
A system where communications are never trusted implicitly and all of them are authenticated and authorized each time



## Education and Training

To enhance the overall cyber security literacy of officers and employees, FFG engages in education and training activities constantly, targeting all officers, employees, and staff including those of affiliated companies. Such activities include information security training sessions at workplace, distribution of security handbooks, suspicious email drills, and sharing of the latest security incidents.

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



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

\*2 SOC(Security Operation Center)  
An organization that monitors information systems, detects and analyzes cyberattacks, and advises on countermeasures

# Compliance Measures

## Basic Views

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

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

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

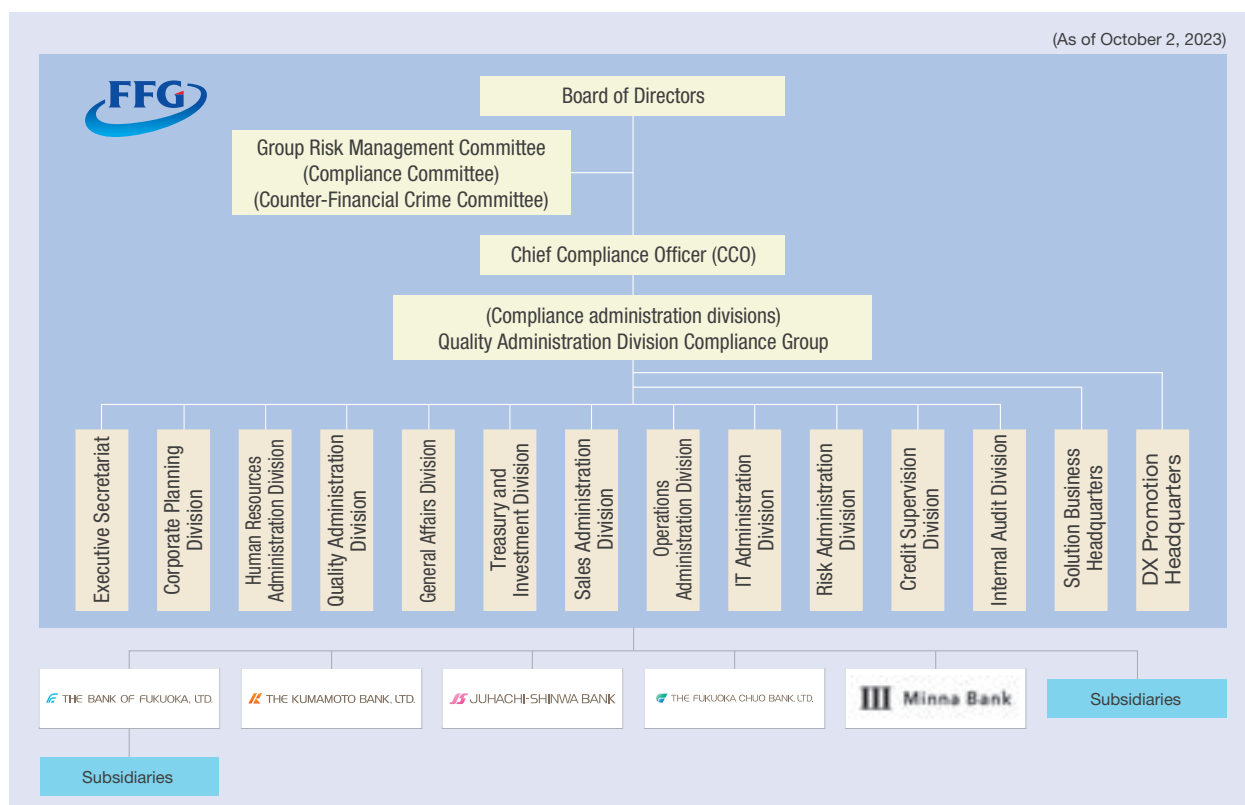
## Compliance Framework

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.



We embrace changes in the social environment, looking for issues FFG should address as an organization. What we notice are shared within the Group to improve internal systems and take necessary measures. For example, guidelines have been established for the use of generative AI, in light of the spread of its use by businesses.

Kaho Hashimoto  
Compliance Group  
FFG Quality Administration  
Division



## Initiatives to Enhance and Strengthen Our Compliance System

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

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

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

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

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

### Anti-bribery and Anti-corruption Initiatives

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.



#### FFG's Main Initiatives

##### ● Establishment of the Management System

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

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

##### ● Revision of the Risk Assessment Report

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

##### ● Employee Training

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

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

### Efforts to Cut Off Relationships with Anti-Social Forces

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

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

# Internal Audit

## Basic Views

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

## Implementation Systems for Internal Audits

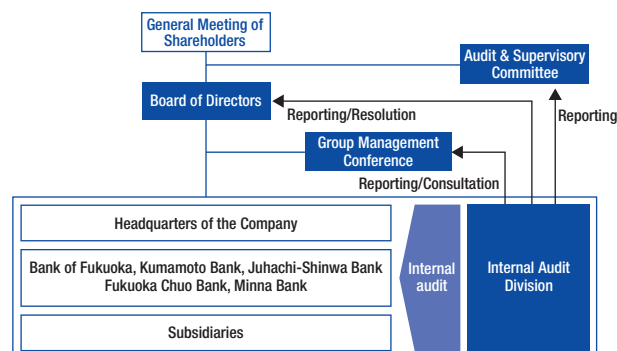
As part of its management and administration, FFG's Internal Audit Division standardizes audit criteria and methods across the board, and audits FFG and its subsidiaries, including Group banks.

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

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

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

### Internal Audit Structure



## Streamlining and Improving Internal Audits

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

To maintain and improve audit quality, regular internal assessment takes place each fiscal year, and external third-party assessment takes place every five years. We thus constantly work toward more advanced internal audits. To raise personal capable of auditing, we work to enhance their skills and knowledge by offering internal training sessions and opportunities to attend external seminars, as well as encouraging them to acquire specialized qualifications.

## Interviews about Organizational Culture

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

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

# Shareholder Communication

## Dialogue with Shareholders and Investors

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

### Dialogists from FFG

The management team engaged in dialogue with shareholders and investors mainly on the occasions listed on the right. In addition, the management team or employees in charge of IR engaged in dialogue individually with Japanese and overseas shareholders and investors whenever requested (a cumulative total of 135 companies).

	Overview	Dialogist from FFG	Attendees (including online)
May 23, 2022	Briefing for institutional investors	Director & President	104
June 29, 2022	General Meeting of Shareholders	Director & President	178
August 26, 2022	Small meeting for institutional investors	Director & President	16
October 12, 2022	Briefing for individual investors	Officer in charge of Corporate Planning Division	402
November 22, 2022	Briefing for institutional investors	Director & President	96

### Overview of Counterparties

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

### Main Focuses of Dialogue

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

### Learning from the Feedback

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

## Shareholder Returns

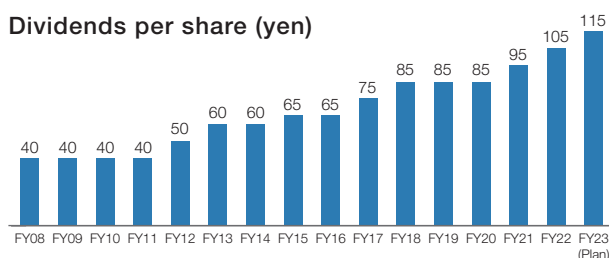
FFG's basic policy for shareholder returns is to pay out stable dividends (either maintained or increased) through profit growth. Since our establishment in 2007, we have either maintained or increased dividend payouts through steady profit growth.

In the 7th Mid-Term Management Plan started in FY2022, we adopt a performance-based dividend table with a target payout ratio (consolidated) of about 35% and aim to pay stable dividends, in consideration of the

balance between maintenance of soundness and growth investment.

In FY2022, we acquired our own shares for the first time. 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.

### Dividends per share (yen)



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

### Target dividend table

Consolidated net income level*	Full-year dividend per share	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



## Company Outline (as of September 29, 2023)

### 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	7,765 (Consolidated)(as of September 29, 2023)
Telephone Number	+81-92-723-2500
Website	<a href="https://www.fukuoka-fg.com/">https://www.fukuoka-fg.com/</a>

### 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	3,572 (as of September 29, 2023)
Telephone Number	+81-92-723-2131
Website	<a href="https://www.fukuokabank.co.jp/">https://www.fukuokabank.co.jp/</a>

### 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

#### Representative Office Registered in Singapore

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

#### Taipei Representative Office

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

#### Shanghai Representative Office

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

#### Bangkok Representative Office

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

#### 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

#### Dalian Representative Office

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

#### New York Representative Office

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

### 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	795 (as of September 29, 2023)
Telephone Number	+81-96-385-1111
Website	<a href="https://www.kumamotobank.co.jp/">https://www.kumamotobank.co.jp/</a>

### The Juhachi-Shinwa Bank, Ltd.

Head Office	1-11, Douzacho, Nagasaki 850-0841, Japan
Date of Establishment	September 1, 1939
Paid-in Capital	¥36.8 billion
Number of Employees	1,977 (as of September 29, 2023)
Telephone Number	+81-95-824-1818
Website	<a href="https://www.18shinwabank.co.jp/">https://www.18shinwabank.co.jp/</a>

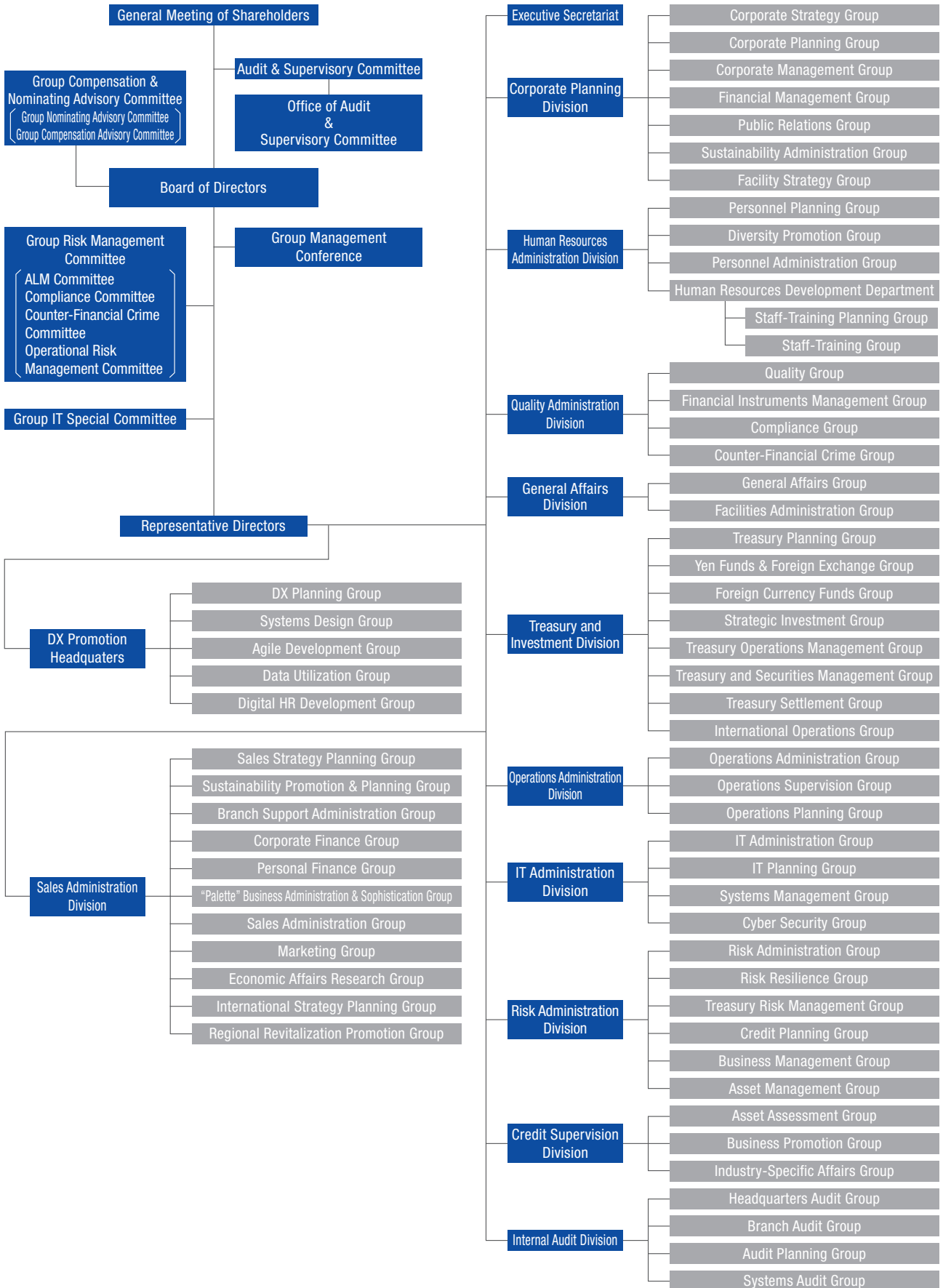
### The Fukuoka Chuo Bank, Ltd. \* Business integration on October 1, 2023

Head Office	2-12-1, Daimyo, Chuo-ku, Fukuoka 810-0041, Japan
Date of Establishment	June 5, 1951
Paid-in Capital	¥4.0 billion
Number of Employees	441 (as of September 29, 2023)
Telephone Number	+81-92-751-4433
Website	<a href="https://www.fukuokachuo-bank.co.jp/">https://www.fukuokachuo-bank.co.jp/</a>

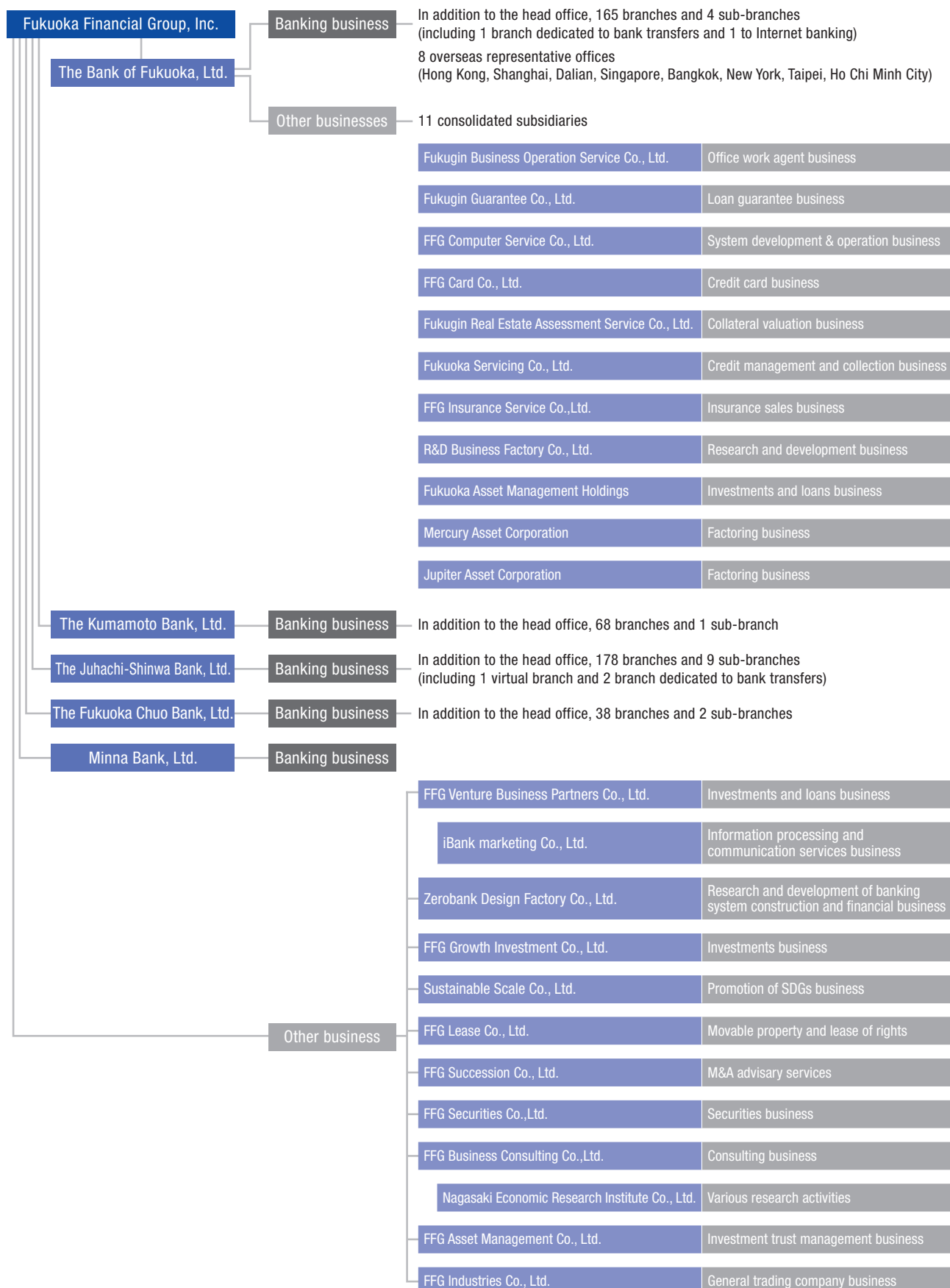
### Minna Bank, Ltd.

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	123
Telephone Number	+81-92-791-9231
Website	<a href="https://www.minna-no-ginko.com/">https://www.minna-no-ginko.com/</a>

**Organizational Chart** (as of September 29, 2023)



## Group Company Chart (as of October 2, 2023)



## Share Information (as of March 31, 2023)

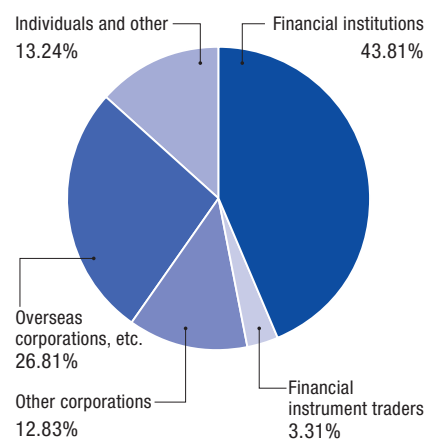
### Investor Information

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

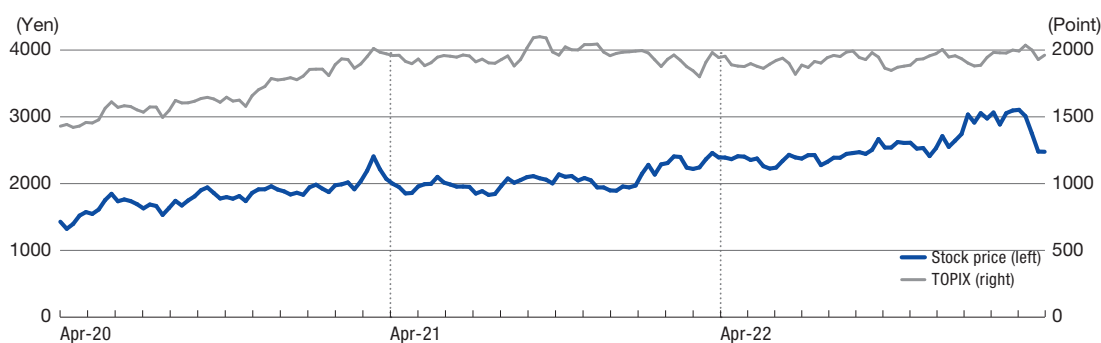
### Major Shareholders

	(Thousands of shares, %)	
	Shares held	Ratio of shares held to issued number of shares
The Master Trust Bank of Japan, Ltd. (Trust account)	30,381	16.16
Custody Bank of Japan, Ltd. (Trust account)	14,247	7.58
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Custody Services Division of the Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch)	9,131	4.85
Nippon Life Insurance Company	4,271	2.27
Meiji Yasuda Life Insurance Company	4,103	2.18
Sumitomo Life Insurance Company	3,790	2.01
JP MORGAN CHASE BANK 385632 (Standing proxy: Settlement & Clearing Services Department of the Mizuho Bank Ltd.)	3,071	1.63
The Dai-ichi Life Insurance Company, Limited	2,936	1.56
The Kagoshima Bank, Ltd.	2,297	1.22
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Settlement & Clearing Services Department of the Mizuho Bank Ltd.)	2,214	1.17

### Common Stock Distribution by Type of Shareholder



### Stock Price

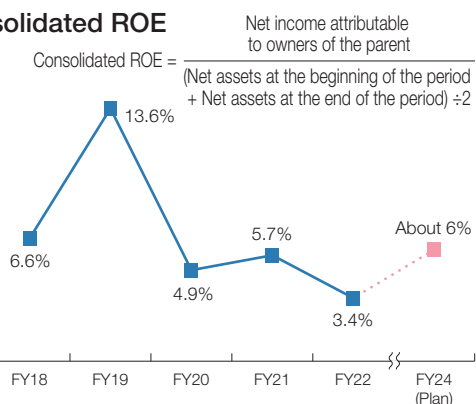


	FY2020	FY2021	FY2022
High (Yen)	2,422	2,497	4,164
Low (Yen)	1,286	1,805	2,467
Closing price as of March 31 (Yen)	2,070	2,392	2,549

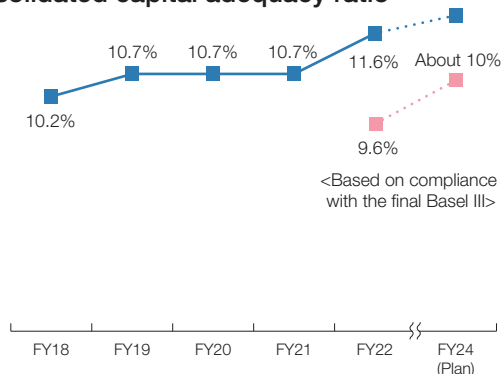
\* A one-for-five reverse stock split of our common stock was conducted on October 1, 2018 as the effective date. The above stock prices are calculated by multiplying prices before October 2018 by five.

## Financial Data

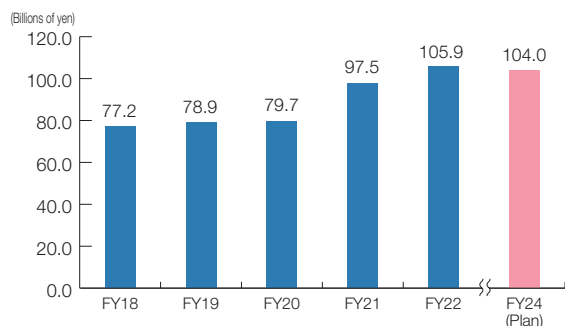
### Consolidated ROE



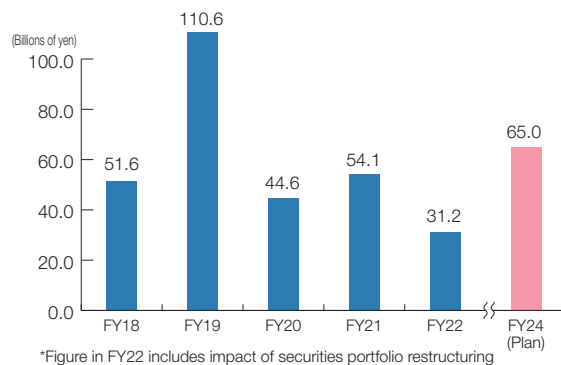
### Consolidated capital adequacy ratio



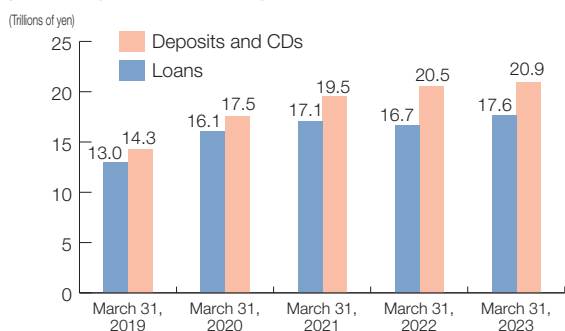
### Core business profit (3 banks total)



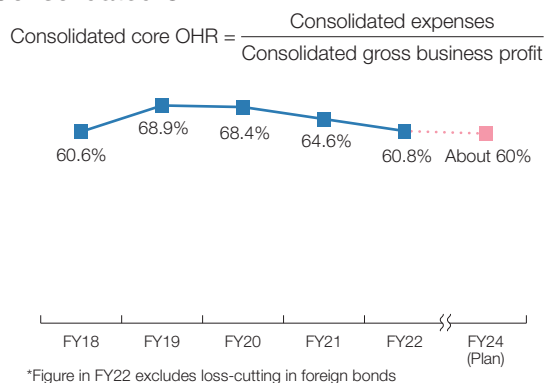
### Consolidated net income



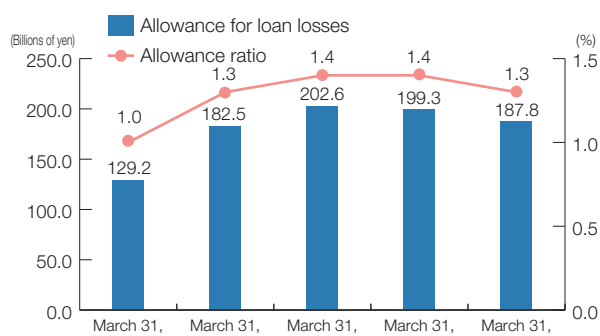
### Balance of deposits and loans at the end of the period (consolidated)



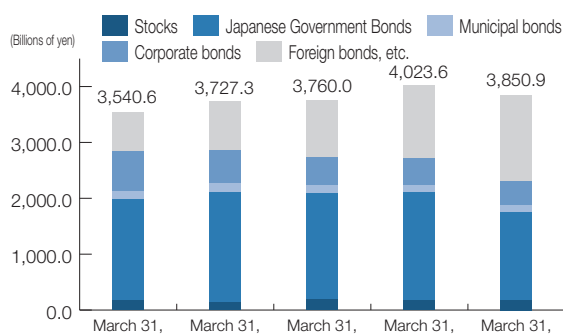
### Consolidated OHR



### Allowance for loan losses and allowance ratio trends



### Balance of securities



To be your bank of choice

