

INTEGRATED REPORT 2022



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NNFH

Nishi-Nippon Financial Holdings, Inc.

Group Management Philosophy

Aiming high and motivated by pride in our services, we are committed to becoming a leading financial group through our ability to respond to change and to grow with our customers

Group Brand Slogan

Sincere Relationships, Best Solutions

Meaning behind Our Logo



Our logo uses the motif of the “Sun,” the energy which creates our future, and the vibrant image of “Wings.” The radiating wings symbolize the infinite future. And the color gradation from light to dark orange expresses the Nishi-Nippon Financial Holdings Group’s commitment to evolving and transforming itself toward the future.

Editorial Policy

The Nishi-Nippon Financial Holdings, Inc. (NNFH) has put together this Integrated Report 2022 in a bid to help investors and other stakeholders understand the initiatives by the NNFH Group to sustain business growth and create value. It has been compiled with reference to the International Integrated Reporting Framework released in December 2013 by the International Integrated Reporting Council (IIRC), bringing together financial and non-financial information, including management philosophy, management plans, and ESG (environmental, social, and governance) information.

Scope of Report

Period covered: April 2021 to March 2022 (Some subsequent information is also included.)
Organizations covered: The Nishi-Nippon Financial Holdings, Inc. and its subsidiaries and affiliates

Cautionary Statement Regarding Forward-Looking Statements

The Report contains statements about the NNFH Group’s future operating results. These forward-looking statements are not a guarantee of future performance but involve risks and uncertainty. Please note that actual results could differ from those indicated due to a variety of factors, including changes in the operating environment.

Notes

- 1. Amounts have been rounded down to the nearest unit in principle.
- 2. Conversion into U.S. dollars (solely for the convenience of readers outside Japan) has been made at the exchange rate of ¥122.39 to \$1.

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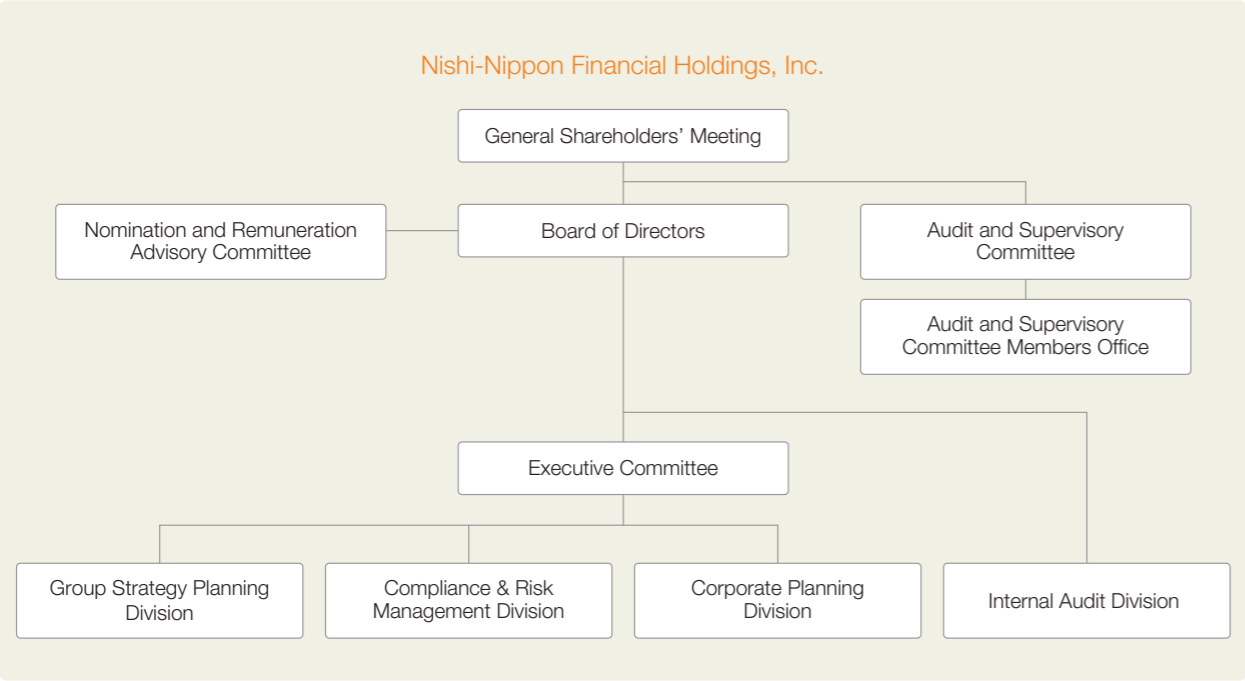
Profile of the Company (Joint Holding Company)

Name: Nishi-Nippon Financial Holdings, Inc.

Location	1-1, Hakata-ekimae 3-chome, Hakata-ku, Fukuoka, Japan
Business	Management and operation of banks and other companies that NNFH may have as subsidiaries under the Banking Act and any all businesses incidental or related thereto.
Capital	50 billion yen
Date of establishment	October 3, 2016
Fiscal year end	March 31
Stock exchange	Tokyo Stock Exchange Prime Market and Fukuoka Stock Exchange Main Board
Share-trading unit	100 shares
Credit Ratings	R&I: A (Stable) JCR: A (Positive)

(As of 30th June, 2022)

Organization Chart



(As of 30th June, 2022)

Board of Directors of Nishi-Nippon Financial Holdings



Chairman
Isao Kubota



Deputy Chairman
Hiromichi Tanigawa



President
Hideyuki Murakami

Chairman	Isao Kubota
Deputy Chairman	Hiromichi Tanigawa
President	Hideyuki Murakami
Directors	Kiyota Takata Takashige Honda
Directors (Audit and Supervisory Committee Members)	Kiyotaka Tomoike Toshio Sakemi (outside) Chiharu Kubo (outside) Sachiko Miyamoto (outside)

(As of 30th June, 2022)

* Directors/Audit and Supervisory Committee Members Toshio Sakemi, Chiharu Kubo, and Sachiko Miyamoto are Outside Directors as prescribed in Article 2 (xv) of the Companies Act of Japan.
* The name of Director (Audit and Supervisory Committee Member) Ms. Sachiko Miyamoto on the family register is Sachiko Miki.

Major Shareholders (Common Stock)

Name	Shares held (thousands) (Note 1)	(%) (Note 2)
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,501	12.81
Custody Bank of Japan, Ltd. (Trust Account)	11,936	8.27
Custody Bank of Japan, Ltd. (Trust Account No.4)	6,628	4.59
Nippon Life Insurance Company	2,780	1.92
Meiji Yasuda Life Insurance Company	2,765	1.91
The Nishi-Nippon City Bank Employee Shareholding Association	2,442	1.69
Aso Corporation	2,410	1.66
Resona Bank, Ltd.	2,200	1.52
JA Mitsui Leasing, Ltd.	2,017	1.39
Sumitomo Life Insurance Company	1,959	1.35
Total	53,642	37.16

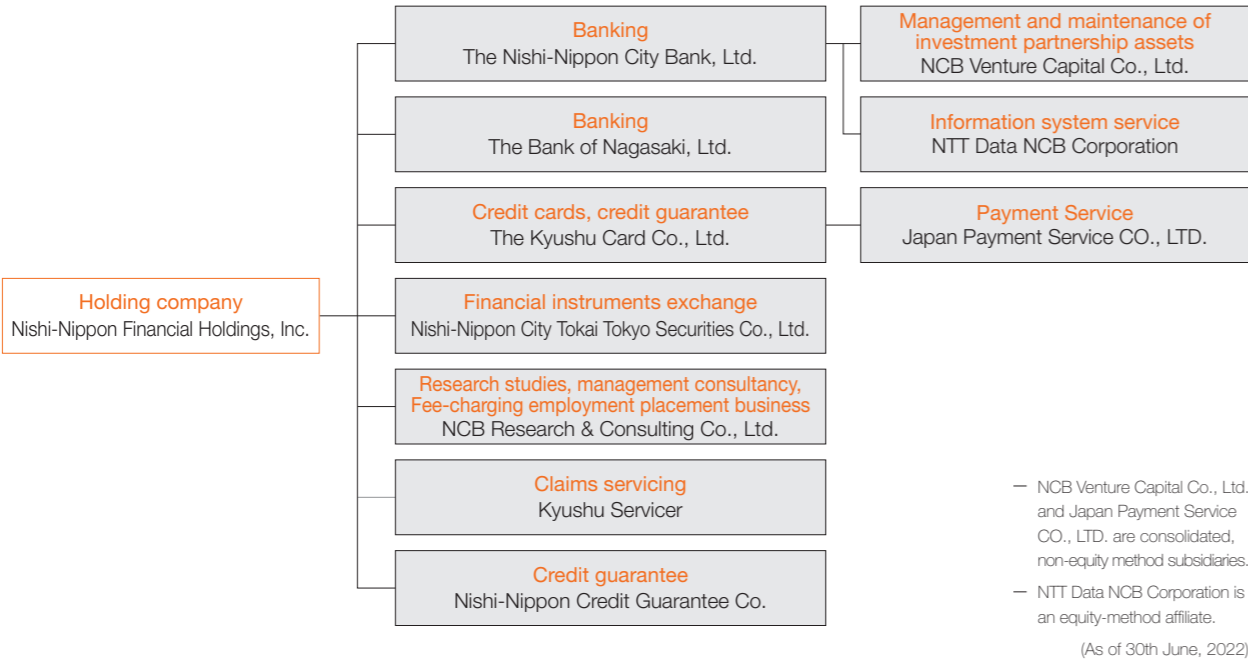
(As of 31st March, 2022)

Notes: 1. The figures are rounded down to the nearest thousand.
2. Shareholding ratio (excluding treasury Shares)

Outline of Nishi-Nippon Financial Holdings Group

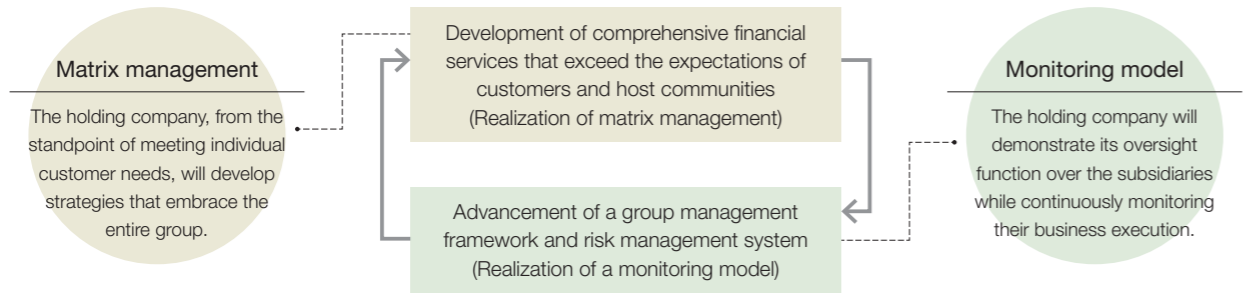
Strengths as a “Comprehensive Financial Group”

The NNFH Group has adopted a “parallel” structure whereby NNFH serves as a “control tower” to direct and guide each Group company whilst also assuming a birds-eye perspective in order to oversee them across the board, thereby building a management framework that allows this comprehensive financial group to best exploit its strengths.



Group Management Strategy

Under the holding company structure, we will promote two Group Management Strategies: “Development of comprehensive financial services that exceed the expectations of customers and host communities (Realization of matrix management)” and “Advancement of a group management framework and risk management system (Realization of a monitoring model).”



Providing Broader/Deeper Support for International Business

The NNFH Group supports local businesses by addressing their requirements for doing business in Asia and other parts of the world. To this end, the NNFH Group offers consulting services that go beyond the definition of financial support, together with advanced products/services, through alliances with local partners and specialists with experience in international business.

Multifaceted windows for international business support	
Nishi-Nippon City Bank	<ul style="list-style-type: none">International Business Support Office, International Business Div. Support for international business provided by personnel with professional skills and know-how“NCB Forex Super Direct”, “NCB Direct Forward Exchange Contracts” A broad range of forex transactions, including foreign remittance and application for/inquiry on import letters of credit via the internet.
NCB Research & Consulting	<ul style="list-style-type: none">International Consultation Office Finely tuned support for overseas expansion offered by personnel with extensive international experience through collaboration with international partner financial institutions, lawyers, insurance companies, etc.“Door to Asia” (website) Detailed information provisionAsia Business Seminars Sponsorship of seminars on international business
Kyushu Card	<ul style="list-style-type: none">A variety of credit cards Support for all major cards, including VISA, MasterCard, JCB, AMEX, and UnionPay

Broad area coverage by our overseas bases and partner institutions



(As of 30th June, 2022)

* Nishi-Nippon City Bank concluded Basic Agreement for Overseas Business Support Services with The Bank of Yokohama in September 2016.

Strengths of the Nishi-Nippon Financial Holdings Group

A Solid Customer Base Built upon Mutual Trust

Number of main customers (current as of 31st March, 2022)

Nishi-Nippon City Bank

22,773

Since its foundation in October 2004, the Nishi-Nippon City Bank, Ltd., the primary subsidiary of Nishi-Nippon Financial Holdings, Inc. (NNFH), has continuously expanded its scale of operations. It now boasts total assets of 12,821,700 million yen, a balance of deposits and negotiable certificates of deposit (NCD) of 9,591,900 million yen, a balance of loans of 8,236,000 million yen, and 22,773 main customers (current as of 31st March, 2022).

The Kyushu Card Co., Ltd., on the other hand, offers full brand settlement services to support all major international credit card brands, thus building one of the largest customer bases among bank-affiliated credit card issuers. It has 942,000 cardmembers, 60,000 merchants, and a transaction volume of 393,900 million yen (current as of 31st March, 2022, except the transaction volume, which is for fiscal year ended 31st March, 2022).

Financial Service for the Benefit of Local Communities

% of loans by prefecture

Kyushu Fukuoka Prefecture
Nishi-Nippon City Bank 87.8% 78.0%

% of loans to SMEs, etc.

Nishi-Nippon City Bank 78.7%

(current as of 31st March, 2022, excluding loans to the Ministry of Finance, Japan)

Under the belief that “Without regional development, there will be no growth of the Group,” the NNFH Group remains committed to developing and supporting local businesses and industries.

The Nishi-Nippon City Bank preferentially caters to its host region, with approximately 90% of its borrowers based in the Kyushu region and 80% in Fukuoka Prefecture, and approximately 80% of its borrowers are SMEs or individuals. The Nishi-Nippon City Bank makes a fair assessment of the feasibility of their businesses and growth potential and, if needed, suggests solutions and provides support.

DNA of Developing SMEs

Number/amount of loans support startups and second startups (fiscal 2021)

Nishi-Nippon City Bank 3,422 cases / ¥83.5 billion

Recipients of The Excellent Executive Award (current as of 30th April, 2022)

Total : 177 executives

Having started as a financial service catering exclusively to small- and medium-sized enterprises, the NNFH Group maintains the unaltered DNA of developing SMEs. The Nishi-Nippon City Bank remains committed to supporting business startups in a bid to create industries and jobs in the region; listening carefully to the needs of many SMEs, including fledgling businesses, they offer finely-tuned support. For fiscal 2021, their support was extended to 3,422 startups and second startups, with the total amount of loans reaching 83,500 million yen.

Since 1973, they have granted the Excellent Executive Award to outstanding business managers who have provided distinguished services to the development of the regional economy via the Prize of Excellent Executive. A total of 177 executives have been commended thus far.

Extensive Global Network

Japan

Nishi-Nippon City Bank 159 locations*

Bank of Nagasaki 23 locations

Nishi-Nippon City Tokai Tokyo Securities 13 outlets

*The number does not include online branches and in-store branches. (current as of 30th June, 2022)

Overseas

Nishi-Nippon City Bank's overseas operations 3 in Asia

Partner financial institutions 9 institutions

Partner institutions 2 institutions

The Nishi-Nippon City Bank app (current as of 31st March, 2022)

Total : 1,150,000 downloads

The NNFH Group has built an extensive network that spans domestic and international locations.

In Japan, we maintain a network of sales locations for banking and brokerage services in Fukuoka, Kyushu, to offer services with a “human touch” that can only be done through physical channels. Meanwhile, we are keen to enhance convenience for customers by strengthening the functions of our digital channels: the Nishi-Nippon City Bank app, a smartphone app for retail customers and the “NCB Business Station,” a platform for corporate customers.

Overseas, we meet customers’ needs for their business in Asia and elsewhere at the Nishi-Nippon City Bank’s three overseas operations in Shanghai, Hong Kong, and Singapore and through collaboration with our partner institutions and experts in respective regions.

A Group Capable of Offering Comprehensive Financial Services

In October 2016, the Nishi-Nippon City Bank and six other companies transformed themselves to establish a holding company (NNFH) to further bolster their collective strengths. With seven subsidiaries offering a diverse range of distinctive services in parallel, including banking, financial instruments exchange, and credit cards, under its umbrella, the NNFH Group offers comprehensive financial services. Implementing matrix management, which oversees business activities by each Group company in an integrated manner, the new Group structure makes it possible to offer a broad range of financial services.

On the premise of the relevant authorities’ approval, City Ascom Co., Ltd., a top-class ICT company in Kyushu, and Kyushu Leasing Service Co., Ltd., a leasing company with the largest business scale in Kyushu, will join the NNFH Group in October 2022. With the addition of two functions, digitalization/digital transformation (DX) solutions and leasing, we will evolve into a regional financial group that offers a diverse range of solutions beyond the scope of finance.

Collaboration with Partner Companies and External Organizations

The NNFH Group enjoys close ties with a group of influential companies with a diverse array of businesses, which allow us to respond to a broad spectrum of customer needs through alliances with such external partners, as well as our Group companies.

Among the partner companies are City Ascom Co., Ltd. and Kyushu Leasing Service Co., Ltd., mentioned on the left, and Nishi-Nippon Yuukoh shoji, Inc., one of the largest insurance agents for financial institutions in the Kyushu region.

We are also proactive in forming open and innovative partnerships and alliances with external companies, local governments, universities, and others, with a view toward providing diverse and advanced services and revitalizing the local economy.

A Brief Sketch of Our Operating Base

- An Unmatched Potential of Fukuoka, Kyushu -

Fukuoka and other areas in the Kyushu Region, the NNFH Group's main market, offer a number of favorable business opportunities, including a strong economy and series of large-scale urban redevelopment projects.

The Kyushu region accounts for 10% of Japan's economy.

A robust economy of a size (national share) smaller only than the three major metropolitan areas



Kyushu maintains close mutual relationships with fast-growing Asian countries.
Kyushu hosts a diverse range of industries.

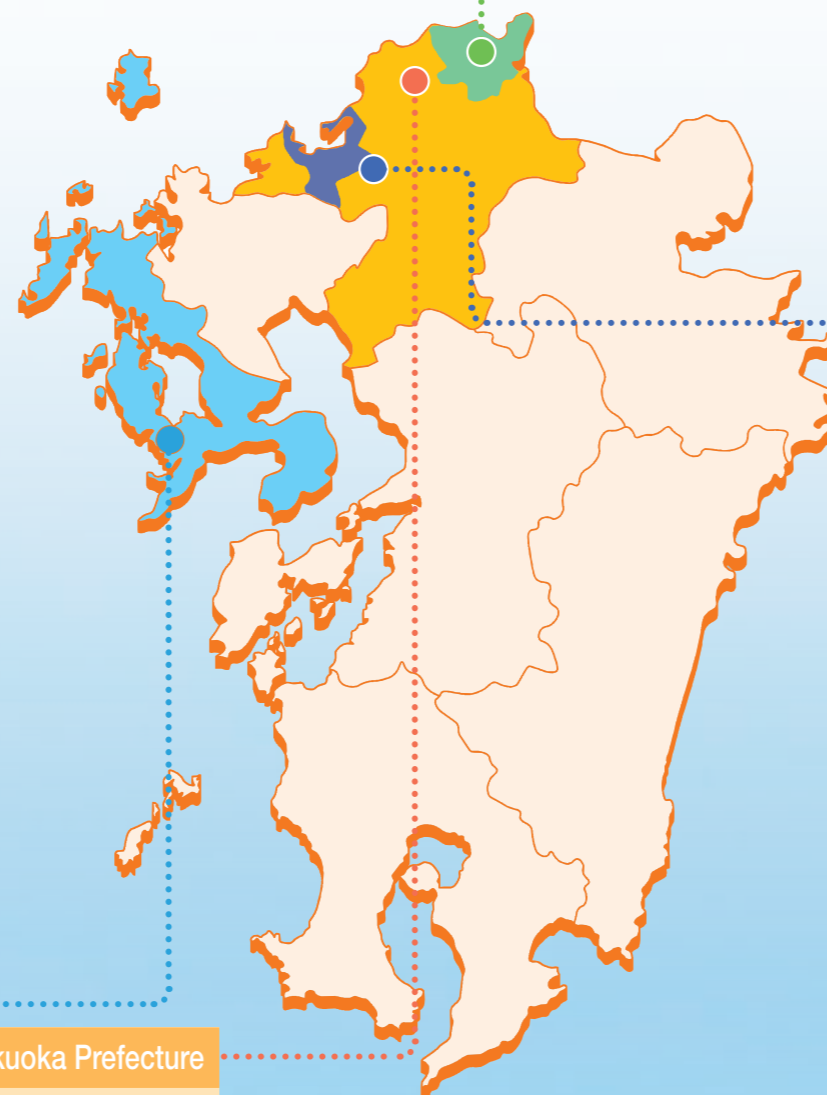


Source: Summary of Kyushu economy, Kyushu Bureau of Economy, Trade and Industry

Increasing capital expenditures for semiconductor-related facilities

Large-scale capital expenditures have been increasing in Kyushu to boost semiconductor production. Most notably, Taiwan Semiconductor Manufacturing Company Limited (TSMC), a global semiconductor manufacturer, established a subsidiary in Kumamoto Prefecture.

Kyushu



Nagasaki Prefecture has a wealth of tourism resources.

Registered as UNESCO's World Cultural Heritage
- Sites of Japan's Meiji Industrial Revolution (2015)
- Hidden Christian Sites in the Nagasaki Region (2018)

The Nishi-Kyushu Shinkansen (between Takeo-onsen and Nagasaki) will begin service in 2022

Fukuoka Prefecture accounts for 40+% of Kyushu's GDP.

Fukuoka Prefecture driving the Kyushu economy

Of 370,000 SMEs based in the Kyushu region, 130,000 are in Fukuoka (2016).

Source: 2022 White Paper on Small and Medium Enterprises in Japan, The Small and Medium Enterprise Agency

Fukuoka Prefecture

Kita-Kyushu City



Kita-Kyushu City's approach to create "harmony between industry and environment" has been met with great acclaim both in Japan and abroad.

Designated as an SDGs Model City by the OECD (2018)
Designated as an SDGs Future City and an Environmental Future City by the Japanese government (2018)
Became the sole winner of the Grand Prize (also a winner of digital human resource development section, administrative job/service reformation section, and the local industry digitalization promotion department) in the 1st Nikkei municipality DX award (2022)

Signed an agreement on cooperation for the achievement of the SDGs with Kita-Kyushu City

In January 2020, the Nishi-Nippon City Bank and Kita-Kyushu City agreed to support regional businesses' SDGs initiatives toward the shared target of achieving the SDGs.

Fukuoka City



Fukuoka City's population growth rate (4.8%) is the highest among government ordinance cities.

* Growth between 2015 and 2020

Source: 2020 Population Census, Statistics Bureau of Japan



Fukuoka City plays host to universities and other educational institutions

Fukuoka has the largest number of schools per 100,000 persons in Japan (2015)

* A comparison of the number of schools (universities, graduate schools, junior colleges, colleges of technology, and specialized training colleges) in the 21 large cities, including government ordinance cities and special wards of Tokyo

Source: Fukuoka Facts, Fukuoka City



Fukuoka City ranks highest among 21 large city areas in Japan at 7.2% in terms of the startup rate

* FY2020, National average: 5.1%

Source: Overview of Fukuoka City's Economy, Economy, Tourism & Culture Bureau, Fukuoka City

Fukuoka City plays host to many urban redevelopment projects.

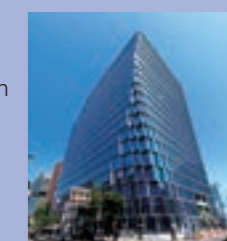
Project Names	Construction investment	Knock-on effect/year
Hakata Connected	¥260.0 billion	¥500.0 billion
Tenjin Big Bang	¥290.0 billion	¥850.0 billion

Source: Fukuoka City

Relocated to the Tenjin Business Center, the first project of Tenjin Big Bang

In November 2021, the NNFH Group relocated the following offices to the Tenjin Business Center, completed as the first project of Tenjin Big Bang deregulation initiative.

The Nishi-Nippon City Bank
Tenjin Branch, Tenjinkita Branch, NCB Alpha Tenjin Branch
Nishi-Nippon City Tokai Tokyo Securities
Headquarters, Tenjin Branch

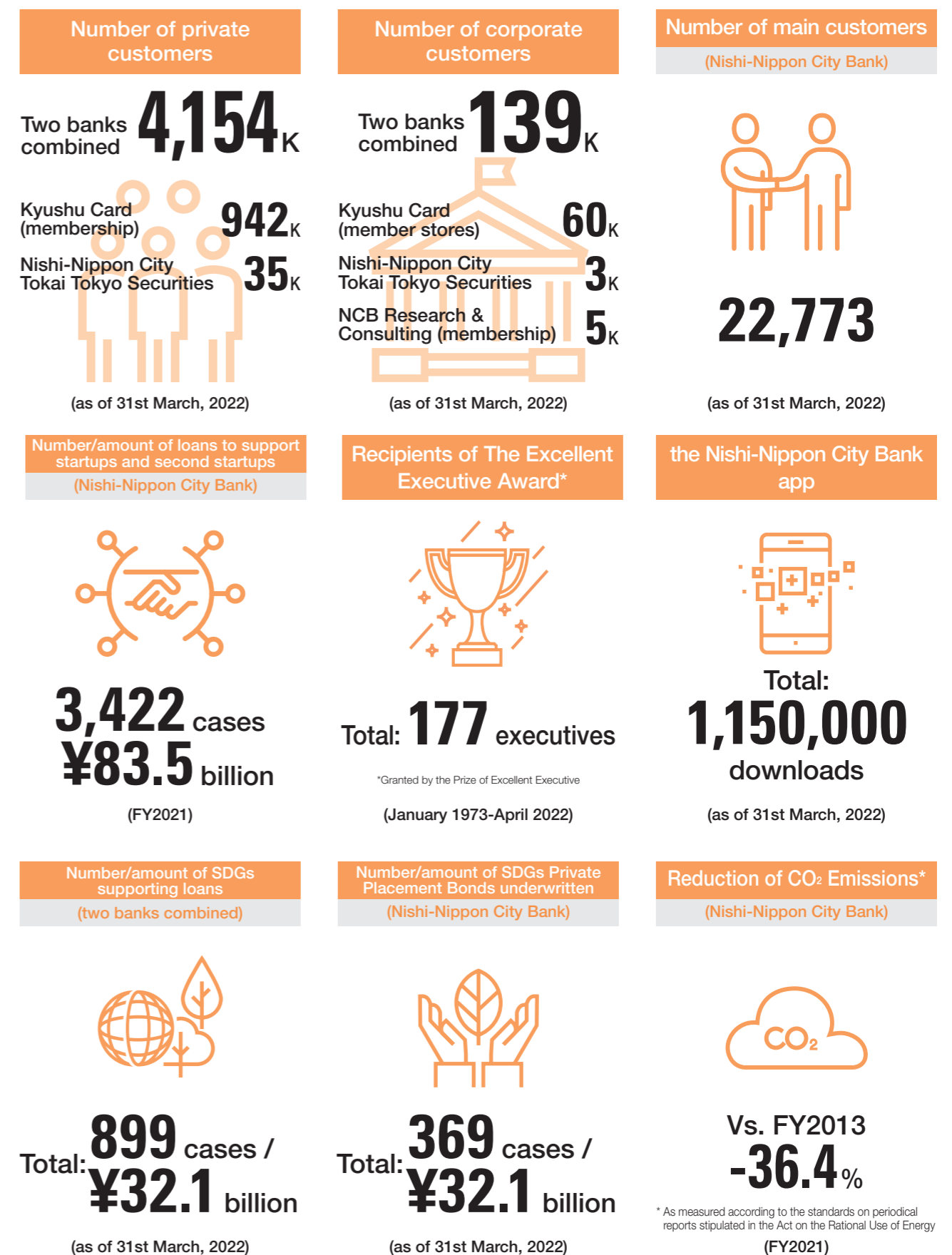


Financial/Non-Financial Highlights

Financial Highlights



Non-Financial Highlights



Demonstrate the Group's Collective Strength to Help Solve Regional Issues

Introduction

It gives me great pleasure to report on the business performance of Nishi-Nippon Financial Holdings, Inc. (NNFH) for the fiscal year ended 31st March, 2022.

I believe that currently the key concern for the NNFH Group (the Group) in terms of its management strategies is how we will address social challenges, including the Sustainable Development Goals (SDGs); Environmental, Social, and Governance (ESG) issues; and digital transformation (DX), given Japanese society's steadily declining and aging population, and low birthrate.

As a means of dealing with such major changes in society, we have made solid progress in strengthening the Group's management foundation by implementing the strategies and measures I describe hereafter. It is fair to say that we have now largely established the optimal setup for providing solutions to customers.

All Group companies will continue seeking solutions to social challenges and improving the Group's performance and enterprise value by striving to improve themselves, while collaborating ever more closely to enhance the quality of the solutions they provide to customers.

Overview of the Japanese Economy and the Kyushu Economy

During fiscal 2021 (the fiscal year ended 31st March, 2022), the prevailing trend of Japan's economy was toward recovery, although there was a stage during which growth in consumer spending and production weakened due to the effects of the novel coronavirus disease (COVID-19) and worldwide supply constraints, among other factors. Despite the progress toward recovery, however, around the end of the fiscal year, the mood of uncertainty regarding future prospects intensified as the situation in Ukraine grew increasingly tense.

The economy in our home territory of Kyushu demonstrated the same trends as the national economy.

The Second Year of the MTBP in Review

Fiscal 2021 was the second year of our Medium-Term Business Plan, "Leaping Forward 2023 -Creating Vibrancy to the Region and Beyond-"(the MTBP), which commenced in April 2020. During the year, we kept a close watch on changes in our external environment resulting from the COVID-19 pandemic

and maintained a sense of urgency as we focused on measures such as providing hands-on support for customers, reinforcing the collective strength of the Group, accelerating digital strategy and work reform, and strengthening initiatives for the SDGs and ESG.

If we look at the numbers for fiscal 2021, our net income increased by 6.1 billion yen year-on-year to 24.2 billion yen. Contributory factors included an increase in net business profits, primarily as a result of higher net interest income and net fee and commission income, as well as reduced credit costs.

Looking back on fiscal 2021, our business environment remained extremely opaque, as the COVID-19 pandemic persisted and Russia's invasion of Ukraine led to increased geopolitical risk, while negative interest rates continued adding downward pressure on our earnings.

The business environment we faced was extremely difficult to navigate, but we pushed ahead with efforts to implement measures under the MTBP, including provision of "One to One Solutions" to corporate and retail customers, strengthening management of securities, and accelerating work reform. And I think our fiscal 2021 financial results demonstrated the success of these strategies and measures. This being the case, I regard our financial performance for the year as positive evidence that the benefits of measures implemented in line with the MTBP led directly to actual results.

Reinforcement of the Collective Strength of the Group

The Group has strived to bolster its collective strength by strengthening its capabilities in a variety of ways in anticipation of future changes in the business environment. Efforts to that end include establishing Kyushu's first securities firm connected to a regional bank (Nishi-Nippon City Tokai Tokyo Securities Co., Ltd.), moving to a holding company structure with NNFH at its head, and establishing a payment services company (Japan Payment Service CO., LTD.).

In addition, NNFH plans to make City Ascom Co., Ltd. a consolidated subsidiary, and Kyushu Leasing Service Co., Ltd. an equity-method affiliate, aiming to do so in October 2022, assuming we can obtain the relevant authorities' approval.



Hideyuki Murakami

President

Nishi-Nippon Financial Holdings, Inc.

(Concurrently President of The Nishi-Nippon City Bank, Ltd.)

City Ascom operates an ICT business, and Kyushu Leasing Service operates a leasing business; both are among the largest companies of their kind in Kyushu. For us, it is extremely valuable to gain the two new capabilities of digitalization/DX solutions and leasing, as it will greatly increase the number of customer issues we can deal with inside the Group, dramatically enhancing the Group's collective strength.

We are determined to take maximum advantage of the know-how, customer bases, and networks of the Group and these two companies, thereby reinforcing the Group's collective strength and providing solutions beyond the scope of finance to support customers in solving their issues.

Human Resources Strategy

Since becoming president at NNFH, I have constantly reiterated that I want the NNFH Group to be a diverse and vibrant organization. In a time of change like this, for us to live up to our Group Management Philosophy and "respond to change and grow with our customers," it is indeed vital that ours is a diverse and vibrant organization.

For many years the Group has invested effort in development of human resources, promotion of diversity,

and other initiatives to enable talented personnel of all kinds to participate actively in the workplace.

The Group sought to increase customers' satisfaction and offer them inspiring experiences by setting provision of customer-oriented "One to One Solutions" as a basic strategy within the MTBP; we are using physical ("human touch") and digital solutions to conduct business activities committed to a customer-oriented approach.

As an initiative involving the human touch, during the current fiscal year we started a new program that supplements our existing human resource development for each job class by systematically developing strategic human resources in the form of consulting, DX, and planning personnel who will build the future of the Group. We are using the program for such systematic human resource development by supporting the acquisition of various challenging qualifications and providing on-the-job training (OJT) in specialized organizations within the bank, as well as dispatching employees to business schools, or to specialist companies outside the bank.

In recent years, we have aggressively recruited new graduates with natural science degrees, as well as a wide range of mid-career professionals.

For the Group to sustain its business growth, all employees must be given equal opportunities to shine, regardless of their gender. As a result of our efforts to that end, including expansion of the work-life balance program, I am pleased to report that the number of female managers has increased by around 130, from 69 to 200, over the last ten years. Furthermore, the ratio of women at the assistant manager level, who are future candidates for management, has increased to 55%, so I am sure that the ratio of female managers will continue to increase substantially.

Digital Strategy

Our initiatives in the digital sphere entail providing optimal "One to One" solutions to customers by focusing on the development of DX personnel, strategic system investments, and alliances with external partners as the foundation for strengthening the functions of digital channels and centrally managing customer information.

In fiscal 2022 we will commence our development of DX personnel in earnest, aiming to build a portfolio of DX personnel during the next MTBP, starting with 2,000 DX base members (employees who have acquired IT Passports qualifications).

Medium-Term Business Plan Leaping Forward 2023 - Creating Vibrancy to the Region and Beyond - Basic Strategies and Priority Measures

Basic strategy	1. Demonstrating the Group's collective strength with which to lead the regional development	[Revitalizing the regional economy]
Priority measures	(1) Supporting business startups to create industries and jobs in the region (2) Showing leadership in regional development (3) Building a support structure to address regional issues (4) Social services designed to enhance regional appeals	
Basic strategy	2. Providing customer-oriented "One to One Solutions"	[Increasing customer satisfaction]
Priority measures	(1) Building a structure for providing customer-oriented solutions (2) Providing solutions to corporate customers (3) Providing solutions to retail customers	
Basic strategy	3. Innovating resources for sustainable growth	[Solid management foundation]
Priority measures	(1) Accelerating work reform (2) Strategically re-allocating management resources (3) Strengthening management of securities (4) Reinforcing forward-looking strategic investments (5) Developing HRs who challenge themselves and reforming the corporate culture	

Target management indices (FY 2022)	
Consolidated net income ^{*1}	¥21.5 billion
% of non-interest-earnings ^{*2}	Approx. 22%
Consolidated OHR	60-69%
Consolidated adequacy ratio	Approx. 10%

^{*1} Net income attributable to owners of parent
^{*2} (Net fee and commission income + Net trading income + Net other operating income excluding net gains (losses) related to bonds and the cost of currency swaps) / Gross operating profit (all consolidated numbers)

Since the release of the Nishi-Nippon City Bank app as a service for retail customers in 2015, we have constantly added new functions, and by the end of March 2022, the cumulative number of downloads topped 1.15 million. As the number of app users steadily grows, the app usage rate for various transactions is also increasing. During fiscal 2022, we plan to add a function for opening investment trust accounts and conducting buying and selling transactions using those accounts. We intend to continue expanding the app's functions in order to both improve convenience for customers and increase our own operational efficiency and earnings.

We are also focused on adding functions to NCB Business Station, the digital platform we offer as a service for corporate customers. During fiscal 2022, we plan to add functions including transaction lending and account aggregation to NCB Business Station. These new functions will dramatically increase the convenience of this platform.

We are addressing the need to digitalize among corporate customers by leveraging the specialist knowledge of external partner businesses, having established the Digital Solutions Team in October 2020. We will continue to provide DX-related support that is customized for each individual customer, drawing on the development capabilities of prospective Group company City Ascom.

Work Reform

The work reform initiatives commenced by the Nishi-Nippon City Bank in April 2018 comprise three key pillars: "work flow innovation," "digital innovation," and "resource innovation." Measures such as thoroughly reviewing operations and reallocating resources are bringing about a massive qualitative change throughout the entire organization.

Specific measures involve thoroughly streamlining the work flow; digitalizing operations through the strategic use of tablet computers, RPA (Robotic Process Automation), and other techniques; and optimizing branch functions. In conjunction with this, we reallocate the personnel freed up by these measures to priority fields such as IT and digital, corporate solutions, and management of securities.

The roll-out of these initiatives across other Group companies is now fully under way.

The Nishi-Nippon City Bank's efforts to reduce paperwork at its Headquarters and branches and reallocate personnel to priority fields are proceeding faster than planned, and the MTBP's three-year target has been achieved ahead of time. What is more, these work reform initiatives have contributed substantially to raising productivity throughout the entire Group, as indicated especially by the remarkable improvement in consolidated OHR.

Going forward, we will continue reducing paperwork and reallocating personnel to priority fields by implementing measures to improve efficiency further, thereby raising productivity.

Initiatives for the SDGs and ESG

The Group prioritizes contributing to the realization of a sustainable society in its management strategies, and has committed to this in the Nishi-Nippon Financial Holdings Group Sustainability Declaration.

In fact, we have always believed that “Without regional development, there will be no growth of the Group,” and have remained committed to a diverse range of community services in addition to offering solutions addressing regional challenges, such as developing and supporting local businesses and industries, and funding environmental projects.

In March 2022, we started using the term “sustainable finance” to describe support for business startups, lending for environmental projects, and other financing that contributes to the realization of a sustainable society. We announced a target of providing a cumulative total of 2 trillion yen in sustainable finance during the period from fiscal 2021 to fiscal 2030. In conjunction with this, we launched our own initiative to address climate change as a Group, setting a CO₂ emissions reduction target with the aim of achieving carbon neutrality by fiscal 2030.

Looking ahead, the Group will continue contributing to the achievement of a sustainable society by addressing various environmental and social challenges, and working alongside customers and host communities to solve these challenges.

● Initiatives for the Environment and Climate Change

In August 2021, the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) affirmed that humans are the cause of global warming, stating “It is unequivocal that human influence has warmed the atmosphere, ocean and land,” and this statement was widely reported in the news.

In Kyushu, the damage caused as a result of torrential rains in July 2020 is still fresh in our minds: the downpours caused flooding of the Chikugo River, the Kuma River, and other rivers all over Kyushu.

Many countries, including Japan, have set carbon neutrality in 2050 as a long-term target, and Japan has also set a medium-term target of reducing its greenhouse gas emissions by 46% in fiscal 2030 from its fiscal 2013 levels, and continuing strenuous efforts in its challenge to meet the lofty goal of cutting its emission by 50%.

National and local governments, business enterprises, and individuals must continue making efforts to reduce

greenhouse gases (GHGs) and put a stop to global warming.

In April 2021, the Group expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and with our Integrated Report released last fiscal year, we started disclosing information in line with the recommendations.

We remain committed to pursuing our own initiatives to address climate change as a Group, and will strive to further enhance information disclosure. We will also actively support our customers in implementing measures that contribute to decarbonization.

● Supporting Corporate Customers’ SDGs/ESG Initiatives

For our corporate customers, we aim first to ascertain their business challenges and establish a shared understanding of these challenges, then to offer them the Group’s broad range of solutions (i.e., provide hands-on support for companies). In doing so, the key areas we address include not only their general needs, such as the need for cash flows, but also the societal trends and issues of the time, which for Japan at the moment include the SDGs and ESG, DX, and business succession.

We support customers’ own initiatives to address the SDGs and ESG issues through a diverse range of sustainable finance and solutions catering to their own individual operational scale and circumstances. Of particular note are the SDGs supporting loans we started offering in August 2021, which have been well received by many customers and have made significant gains in terms of both the number and value of loans extended.

Going forward, we will focus on supporting our customers’ decarbonization efforts in terms of both financing and consulting, addressing everything from monitoring their CO₂ emissions to measures to reduce those emissions.

● Supporting Retail Customers’ SDGs/ESG Initiatives

For retail customers, we are looking ahead to the coming era of 100-year lifespan and providing optimal solutions to meet their needs in relation to issues such as building and passing on their assets.

In May 2022, we undertook a major upgrade of the Nishi-Nippon City Bank’s automated recommendation system for investing assets on deposit, known as ASSET DIRECTION. This enables the bank to gain an overview of the customer’s financial assets as a whole before offering the optimal investment recommendations for that customer calculated by AI.

We will continue to provide meticulous service closely aligned with each individual customer’s specific



requirements regarding inheritance and the passing on of assets by offering a lineup of trust products to meet their diverse needs in terms of gifting, preparing, and dividing their assets, and leaving a bequest.

● Initiatives to Create Industries and Jobs in the Region

The Group’s founding business is a financial service provider exclusively for SMEs. Having inherited the “DNA of developing SMEs” from our former entities, we are contributing to the creation of industries and jobs in the region.

In May 2022, the Nishi-Nippon City Bank opened a coworking space, The Company DAIMYO, on the 5th and 6th floors of the Daimyo Branch building. The 7th and 8th floors of the same building already housed the NCB Startup Support Salons and NCB Venture Capital Co., Ltd., respectively. Through collaboration among these entities and their capabilities, we intend to provide better support than ever before to customers starting up their businesses.

With regard to the utilization of funds, in April 2022, the QB Fund No. 2, a vehicle formed in April 2021 to invest in university-launched venture businesses and the like, finished raising funds from investors with a total of around 7.0 billion yen. This makes it the largest venture fund for university-launched businesses in the entire region encompassing Kyushu, Chugoku, and Shikoku.

In April 2022, Nishi-Nippon City Tokai Tokyo Securities became Japan’s first securities firm connected to a regional bank to offer lead-managing service, with the aim of supporting companies seeking to list on the Fukuoka Stock Exchange.

In the same month, we also launched the NCB Open Accelerator@Fukuoka program, which provides full support for new businesses started by core enterprises in the region. The program is designed to create new businesses by matching the business resources of such core enterprises with startups’ resources including ideas and technologies.

We will remain committed to creating industries and jobs in the region through the provision of finely-tuned support for startups and the utilization of funds.

In Conclusion

The operating environment that regional financial institutions find themselves in is now more uncertain than ever. Japan’s declining, aging population and low birthrate, and the continuing low interest rate environment are now compounded by additional problems, such as the prolonged COVID-19 pandemic, accelerating price escalation following Russia’s invasion of Ukraine, increasingly serious supply constraints, and the impact of U.S. monetary policy on the real economy.

At the same time, the social environment is transforming at a dizzying pace, with changes in work styles and lifestyles, accelerating digitalization and DX, the SDGs and ESG issues, and in particular a heightened awareness of decarbonization. In regional economies, as elsewhere, a diverse range of measures is called for, including efforts to adapt to the “new normal,” and initiatives to achieve sustainability.

Under such circumstances, many of our corporate customers are facing various business challenges, including being forced to transform their business models. Among our retail customers, it is becoming more important than ever to build assets that will support their life plans.

We want to help revitalize the regional economy and realize a sustainable society by demonstrating the Group’s collective strength to support such customers in finding solutions to their challenges and achieving growth, thereby creating common value with our customers.

We will therefore continue working with others in the Kyushu region, placing value on partnerships, as we dedicate ourselves fully to these goals. I sincerely hope we can rely on your continued support for and guidance in our future endeavors.

Value Creation Process/Medium-Term Business Plan

Group Management Philosophy

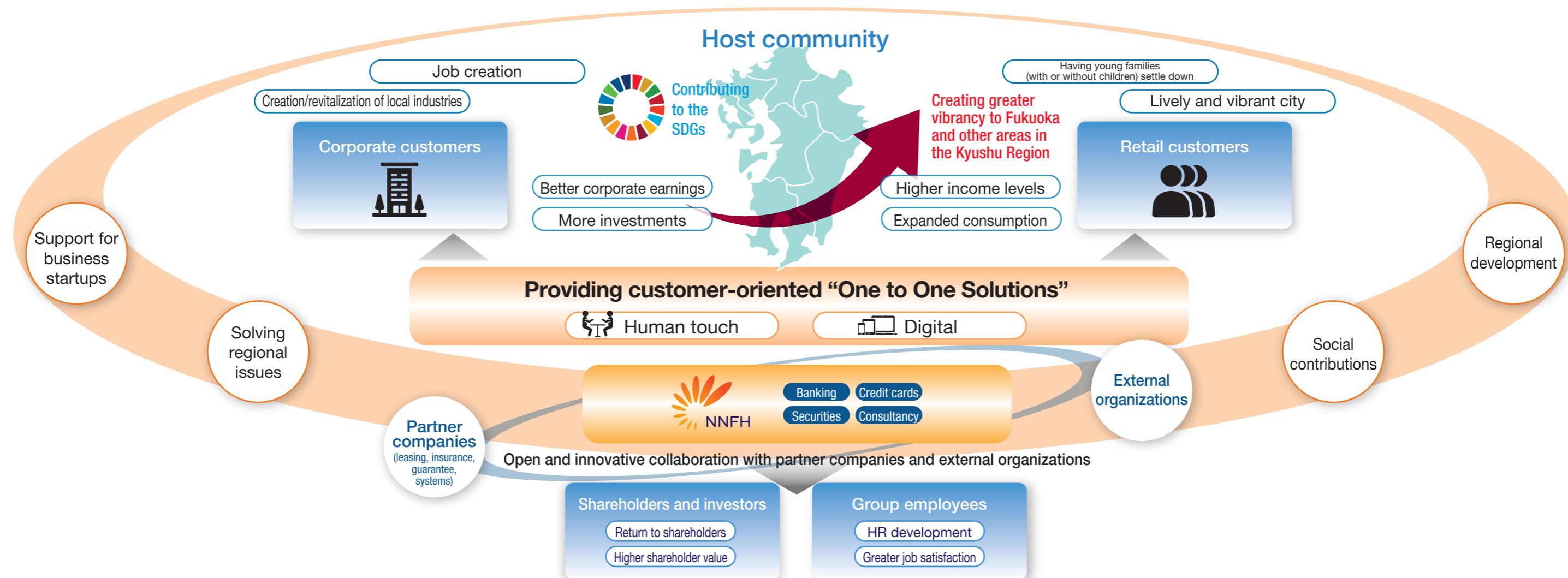
Aiming high and motivated by pride in our services, we are committed to becoming a leading financial group through our ability to respond to change and to grow with our customers.

– Creating Vibrancy to the Region and Beyond –

The NNFH Group will provide customer-oriented “One to One Solutions” via physical (“human touch”) and digital contributions to the development of the host community and customers.

One to One Solutions

Providing products and services that perfectly match the needs and problems of individual customers in order to enhance customer satisfaction (experience) and build long-lasting business relationships



The NNFH Group's Business Environment

Fukuoka and other areas in the Kyushu Region, the NNFH Group's main market, offer a number of favorable business opportunities, including a strong economy and series of large-scale urban redevelopment projects.

Meanwhile, the operating environment in which financial institutions find themselves is undergoing significant changes, including the increasingly diversified and advanced customer issues and needs against the backdrop of the ever-declining and aging population with a lower birth rate, changes in people's lifestyles, progress in digitalization, etc., and a prolonged low interest rate environment.

Key Social Challenges and Changes in the Business Environment

Declining, aging population and low birthrate | Changes in lifestyles | Progress in digitalization | Global warming, climate change, and natural disasters | Extension of low interest rate environment | ...etc.

Corporate Customers' Needs

Corporate executives have a wide range of management challenges to deal with, not only from a financial perspective, but also in terms of sales channel expansion, recruitment, business succession, and other concerns.

Founders	SMEs	Medium/Large enterprises
<ul style="list-style-type: none"> Expansion of sales channels Cash flows & fundraising Lack of financial, tax, and legal knowledge 		<ul style="list-style-type: none"> Recruitment and HR development Business succession Digitalization of operations ...etc.

Retail Customers' Needs

Customer needs are becoming increasingly diverse and advanced with regard to convenient services, asset building, inheritance planning, and other requirements.

Young customers, those building their assets	Retired customers	Elderly/wealthy customers
<ul style="list-style-type: none"> Convenient services Saving for old age Quality asset building 	<ul style="list-style-type: none"> Management of retirement benefits Passing on assets during lifetime Preparation for inheritance 	<ul style="list-style-type: none"> Preparing for dementia Personalized investment products ...etc.

Basic Strategies of the Medium-Term Business Plan, “Leaping Forward 2023 - Creating Vibrancy to the Region and Beyond -”

Basic strategies	1. Demonstrating the Group's collective strength with which to lead the regional development	[Revitalizing the regional economy]
	2. Providing customer-oriented “One to One Solutions”	[Increasing customer satisfaction]
	3. Innovating resources for sustainable growth	[Solid management foundation]

SUSTAINABLE DEVELOPMENT GOALS

NNFH's priority SDGs



	Target management indices			
	FY2019 results	FY2020 results	FY2021 results	FY2022 targets
Consolidated net income ¹	¥20.2 billion	¥18.0 billion	¥24.2 billion	¥21.5 billion
% of non-interest-earnings ²	20.2%	18.5%	19.3%	Approx. 22%
Consolidated OHR	69.8%	67.7%	64.2%	60–69%
Consolidated capital adequacy ratio	9.36%	9.49%	9.28%	Approx. 10%

¹ Net income attributable to owners of parent

² (Net fee and commission income + Net trading income + Net other operating income excluding net gains (losses) related to bonds and the cost of currency swaps) / Gross operating profit (all consolidated numbers)

Growth Strategy: (i) Reinforcement of the Collective Strength of the Group

In October 2016, the Nishi-Nippon City Bank, one of the largest regional banks in Japan, and six other companies transformed themselves to establish a holding company (NNFH). With the Nishi-Nippon City Bank at the core and subsidiaries offering a diverse range of distinctive services, including banking, credit cards, and financial instruments exchange, the NNFH Group offers comprehensive financial services.

Furthermore, City Ascom Co., Ltd. and Kyushu Leasing Service Co., Ltd., Kyushu's top-class ICT and leasing businesses respectively, will join the Group in October 2022.

With the addition of two functions, digitalization/DX solutions and leasing, we aim to evolve into a regional financial group that offers a diverse range of solutions beyond the scope of finance.

Initiatives to reinforce the collective strength of the Group

October 2004	Nishi-Nippon Bank and Fukuoka City Bank merged to establish the Nishi-Nippon City Bank
May 2010	Nishi-Nippon City Tokai Tokyo Securities was founded
October 2016	Holding company Nishi-Nippon Financial Holdings was established
July 2017	Japan Payment Service was established
May 2020	NCB Venture Capital was established
—Scheduled—	
October 2022	City Ascom becomes a consolidated subsidiary, and Kyushu Leasing Service becomes an equity-method affiliate



City Ascom Co., Ltd.

(becomes a consolidated subsidiary in October 2022)

City Ascom is a top-class ICT company in Kyushu, and has mainly developed systems and offered IT solutions since its foundation 50 years ago.

System development		[FY2021 consolidated financial results] (million yen)
Contracted development	System integration	
Provision of IT solutions		
DX support	Cloud services	
		Net sales 10,736
		Net income 686
		Total assets 9,475
		Number of employees 478

Kyushu Leasing Service Co., Ltd.

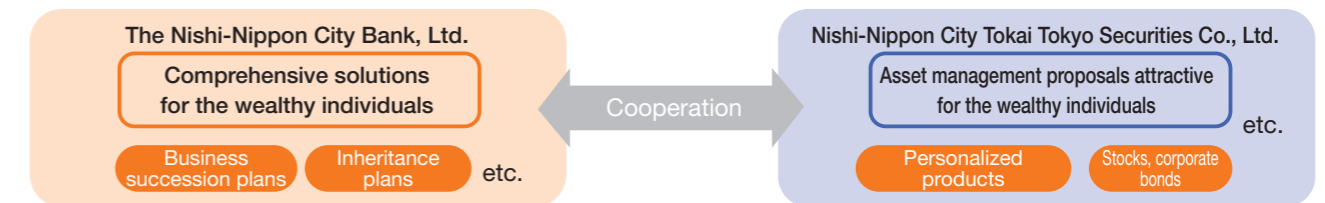
(becomes an equity-method affiliate in October 2022)

Kyushu Leasing Service is the largest leasing company in Kyushu, and engages in its mainstay leasing and installment business, as well as finance, real estate, environment-related, and other businesses.

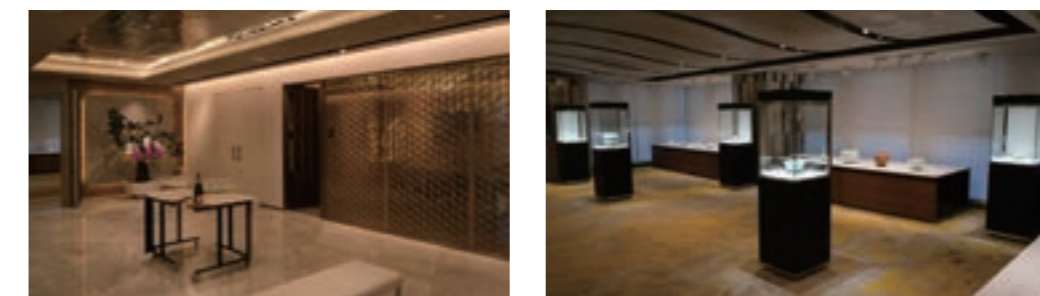
A variety of financing functions for capital expenditures			[FY2021 consolidated financial results] (million yen)
Leasing	Financing	Real estate	
Initiatives for environment-related fields			
Renewable energy	LED, etc.		
			Net sales 29,555
			Net income 2,127
			Total assets 169,417
			Number of employees 159

Bank-Securities Cooperation to Roll Out Strategies for the Wealthy Individuals

In November 2021, Nishi-Nippon City Tokai Tokyo Securities opened in the Tenjin Business Center a sales floor for wealthy individuals, starting full-fledged sales activities for them in cooperation with the Nishi-Nippon City Bank.



<SAINO MICRA exclusive salon for the wealthy>



Special services are offered and various events (painting exhibitions, etc.) are held at the exclusive salon to attract a wider range of customers.

Support for Going Cashless

By promoting the use of expense settlement systems and corporate cards, the Nishi-Nippon City Bank and the Kyushu Card help corporate customers adopt cashless expense settlements.

The Kyushu Card and Japan Payment Service help customers go cashless, by taking advantage of the full brand settlement services to find new merchants. They also offer bank cards with a credit card function, which are appealing to the young generation.

The Kyushu Card aims to further expand its business in line with the government's target of 40% cashless settlement rate in 2025.

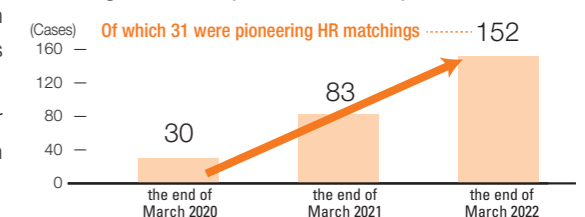
	FY2021 results	FY2025 targets
Card transaction volume	¥393.9 billion	¥500.0 billion
Cardmembers	942,000	1,000,000
Merchants	60,000	70,000

Offering Staffing Solutions

After gaining the license for a fee-charging employment placement business in April 2019, NCB Research & Consulting Co., Ltd. has been engaging in the staffing agency business for the NNFH Group's customers.

The January 2022 partnership agreement with a staffing agency for foreign caregivers has enhanced the ability to meet customers' human resources needs (see p.39).

Staffing contracts (cumulative total)



Increased Presence in the Nagasaki Area

The NNFH Group is working to increase its presence in the Nagasaki Area through group-wide promotional campaigns, the Bank of Nagasaki's 110th anniversary project, and other initiatives.

The Bank of Nagasaki is working to expand its customer base by enhancing the ability to offer solutions to corporate and retail customers. Specific initiatives include strengthening the structure of corporate sales, increasing staff dedicated to deposit asset sales, laying stronger emphasis on developing such staff, and taking other measures to strengthen sales capabilities.

Growth Strategy: (ii) Human Resource Strategy

The NNFH Group strives to foster financial professionals full of humanitarianism and expert knowledge by developing trustworthy human resources, enhancing organizational resilience, and fostering a corporate culture that supports the growth of its people.

In fiscal 2022, the final year of the current Medium-Term Business Plan, we will clearly define strategic human resources who build the future of the Group and support each employee's self-development toward the achievement of their career visions. We will thus strengthen initiatives to foster an organizational culture that supports growth.

HR Development

Development Programs for Each Job Class New Graduates (Special Training Program)

At the Nishi-Nippon City Bank, all new graduates undergo initial in-service training at Kokoro-kan, the HR development facility, to take their first step on their career path. As they ready themselves for their career and foster camaraderie with peers, they learn the fundamental knowledge required to take the lead in shaping the future of the bank.

After the initial in-service training, the trainees take both off-the-job training outside of their workplaces, including follow-up training sessions, and on-the-job training (OJT), including coaching at their branches, to establish themselves as full-fledged salespersons two years later.

For the OJT at branches, they are taken care of by "buddies" who assist them in acquiring the knowledge they need to pursue their career and give them advice on their private life, and by coaches, who provide them with professional guidance.

The trainees are also given numerous opportunities to self-study, such as holiday seminars and a home learning support system.

Younger Employees

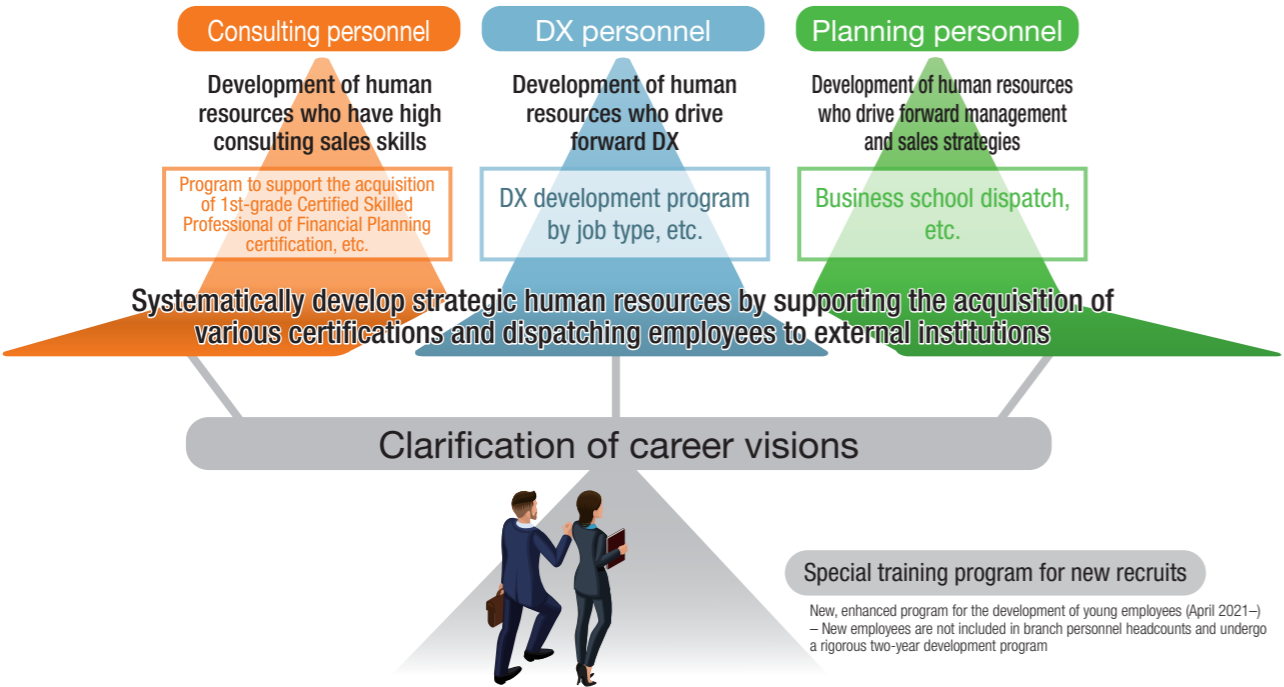
Employees will take more practical training sessions and follow-up training sessions from their third year on, alternating between OJT and classroom lectures.

They are also given opportunities to have dialogues with their supervisors to give shape to the career path they desire based on their vocational aptitude and preferences.

Systematic Development of Strategic Human Resources (April 2022-)

The NNFH Group defines consulting, DX, and planning personnel as strategic human resources who build the future of the Group. We help each employee clarify their career visions and achieve the career they envision, thereby systematically developing strategic human resources.

Development of Strategic Human Resources



Middle-Ranking Employees

At the midpoint in their career, they take follow-up training sessions or are put on temporary assignments to learn about advanced solutions that are required to provide products and services tailored to the needs of each customer.

Depending on their vocational aptitude and preferences, they may be assigned to the planning department or IT/digital department of any division, where they may gain greater job satisfaction, which also helps to enhance the organizational strength of the NNFH Group.

Managerial Candidates

Managerial candidates undergo the most rigorous assessments to determine if they have the aptitudes and skills required of managers.

Upon promotion, they are required to take periodical management seminars and training sessions for which outside experts are invited, so that they can continue to hone their skills as managers.

Experienced Employees

Amid the drastic changes in the environment that financial institutions find themselves in, experienced employees are encouraged to change their career for the purposes of maintaining/increasing job satisfaction for all employees, prompting a generational shift, and making better use of their plentiful knowledge and experiences.

Recruitment Activities

Recruitment of New Graduates

To hire talented and diverse human resources, the Nishi-Nippon City Bank posts job details, message from its employees, and other information on the recruitment website. In addition, the Bank actively conducts remote interviews to have contact with students in a wide range of areas.

In recent years, a stronger focus on DX has prompted the Bank to turn to students with natural science backgrounds.

Number of new recruits	FY2017	FY2018	FY2019	FY2020	FY2021
The Nishi-Nippon City Bank, Ltd.	190	190	149	154	158
Of which those with natural science backgrounds	11	14	2	18	21

Mid-Career Hiring

The Nishi-Nippon City Bank recruits a wide range of mid-career professionals, such as lawyers, certified public accountants, certified tax accountants, and DX personnel and assigns them to the Headquarters.

Diversity & Inclusion

Promotion of Women to Managerial Positions

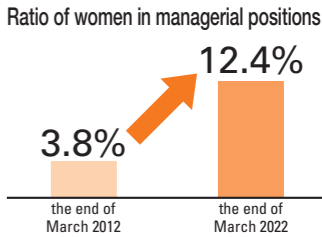
Over the last decade, the number of women in managerial positions at the NNFH Group has increased by roughly 130 (from 69 to 200).

In particular, the Nishi-Nippon City Bank has been working on the expansion of roles women play at workplace, having set personnel reform (active promotion of female employees) as a basic strategy in "New Stage 2008," the Medium-Term Business Plan started in 2008. Female employees currently account for 32% of sales positions and 55% of managerial candidates (assistant managers).

(current as of 31st March, 2022; numbers in the parentheses indicate changes from 31st March, 2012)

Number of women in managerial positions	Directors	Executive officers	General managers and positions equivalent to them	Other managerial positions	(Reference) Assistant manager-level positions
NNFH	1	—	—	—	—
The Nishi-Nippon City Bank	(*) —	3 (+3)	10 (+5)	163 (+112)	411 (+205)
The Bank of Nagasaki	—	—	6 (+6)	17 (+4)	21 (-6)

*One new female director was appointed in June 2022 (the first female director of the Nishi-Nippon City Bank promoted internally)



Programs for Good Work-Life Balance

The Nishi-Nippon City Bank supports employees in balancing work and family life, with programs more generous than statutory requirements.

	Short-hour shift	Childcare leave
The Nishi-Nippon City Bank's programs for good work-life balance	Until a child finishes third grade in elementary school	Until a child becomes 4 years of age
(Reference) Childcare and Caregiver Leave Act	Until a child becomes 3 years of age	Until a child becomes 2 years of age

Initiatives for Health and Productivity Management

The Nishi-Nippon Financial Holdings Group Health and Productivity Management Declaration

The NNFH Group promotes health and productivity management under the Nishi-Nippon Financial Holdings Group Health and Productivity Management Declaration. The declaration was formulated in June 2022 based on the understanding that promoting officers' and clerks' mental and physical health and creation of workplaces with greater job satisfaction will lead to better services for customers.

The Nishi-Nippon Financial Holdings Group Health and Productivity Management Declaration

To realize the Group Management Philosophy and the Nishi-Nippon Financial Holdings Group Sustainability Declaration, we the Nishi-Nippon Financial Holdings Group maintain and enhance the health of our officers and clerks, who are our customers' partners.

We actively help our officers and clerks, as well as their families, promote mental and physical health.

We create a workplace environment where each and every officer and clerk can work feeling empowered.

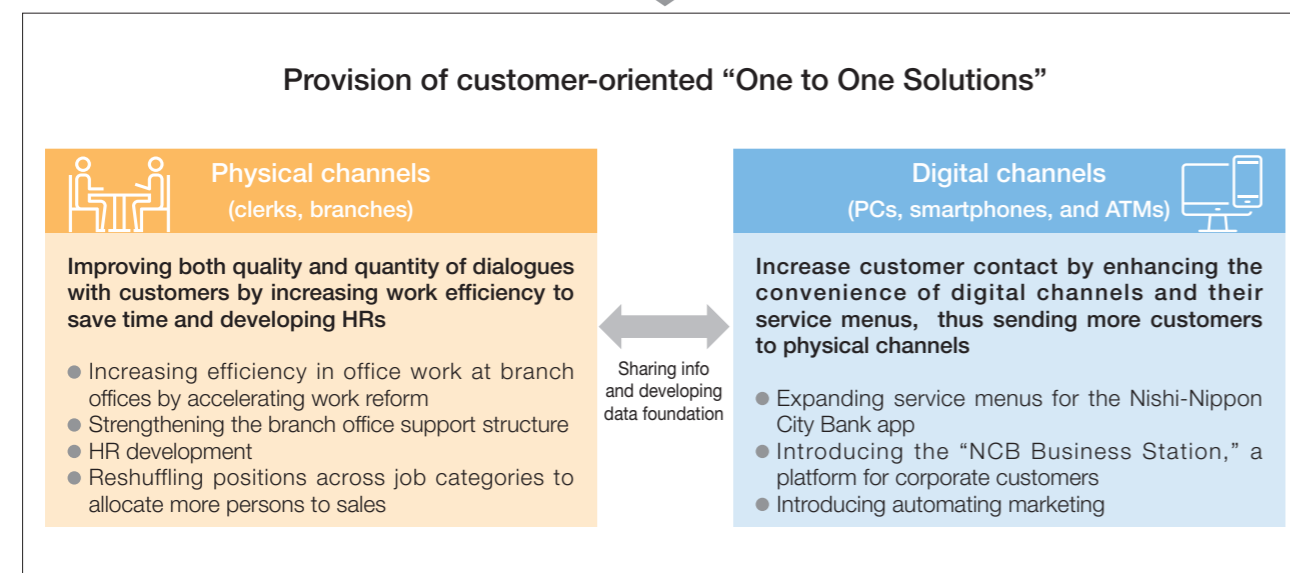
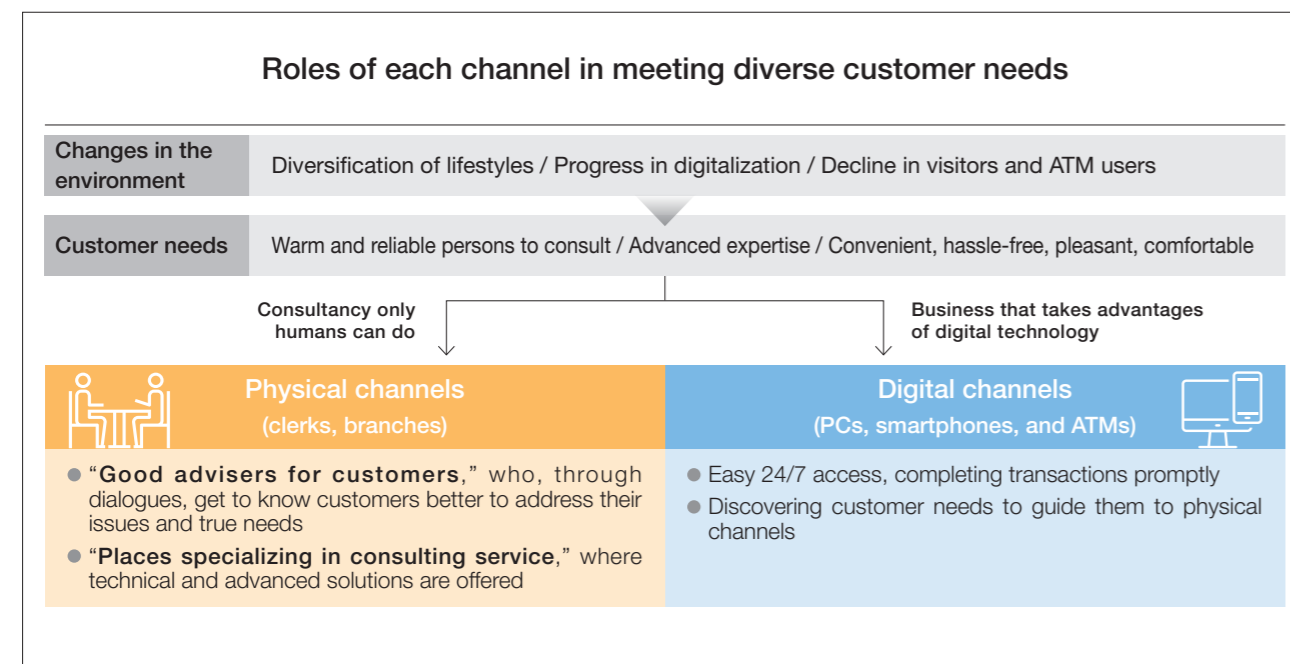
We contribute to the creation of healthy and lively communities through service provision and other business activities.

Growth Strategy: (iii) Digital Strategy

In an effort to meet increasingly diversified and advanced customer needs, the NNFH Group provides customer-oriented “One to One Solutions” in the forms of human touch and digital solutions, thus contributing to the development of customers and the regional community.

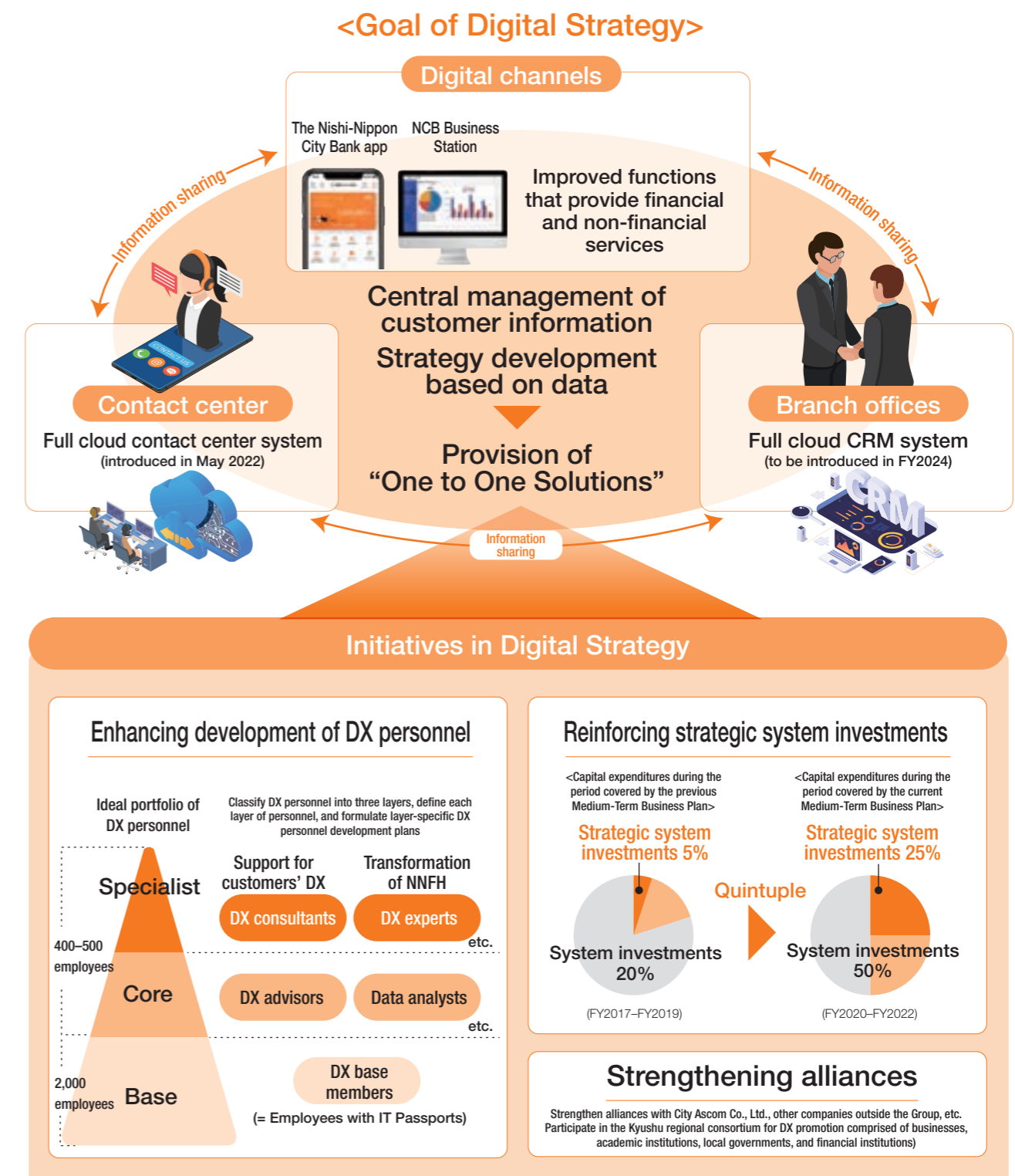
Providing Customer-Oriented “One to One Solutions”

Given the ongoing digitalization of banking and the resultant decline in customer traffic, we will expand contact with customers by enhancing the functions of digital channels (PCs, smartphones, etc.), while at the same time strengthening our consulting function (discovering customers’ issues and true needs and providing solutions) through physical channels (clerks, branches).



Overview of Digital Strategy

The NNFH Group will strengthen the functions of digital channels and centrally manage customer information by focusing on the development of DX personnel, strategic system investments, and alliances with external partners. We will thus provide optimal “One to One” solutions to customers.

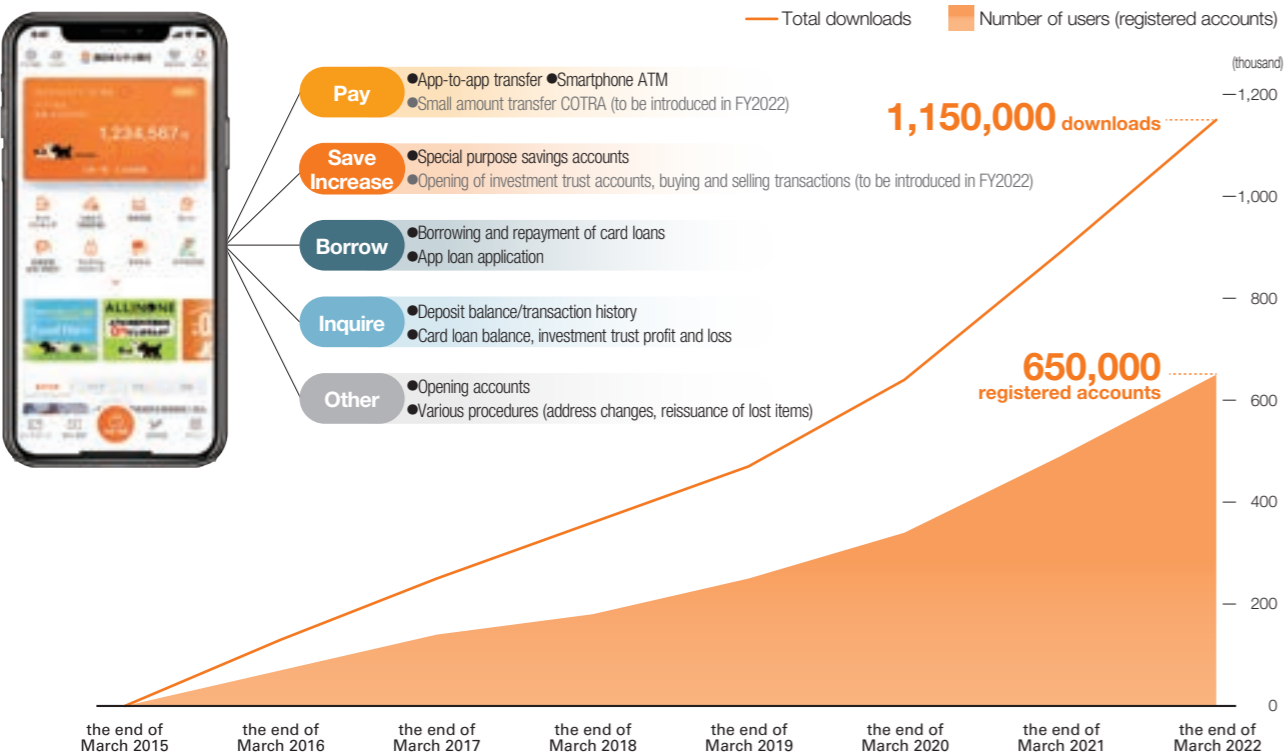


Services for Retail Customers

Expanding Functions of the Nishi-Nippon City Bank App

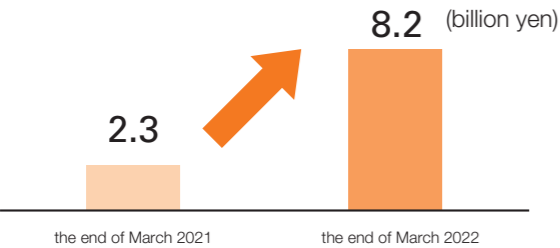
Since the March 2015 launch, the Nishi-Nippon City Bank app, a smartphone app offered by the Nishi-Nippon City Bank, has constantly expanded its functions and services that improve convenience for customers. The app started with the concept of “Have a bankbook in your smartphone!” The expansion of functions also expanded the scope of financial transactions and procedures that can be completed within the app. It can now be said that functions of the entire bank, except for cash handling, are in smartphones. The catchphrase has therefore been changed to “Have a bank in your smartphone!” We will continue to provide convenient services and expand contact points with retail customers.

Have a bank in your smartphone!



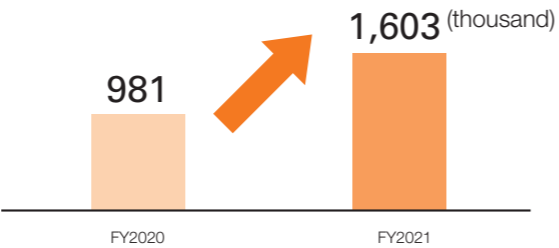
App loan balance

(Total balance of specific-purpose loans, multi-purpose loans, and card loans)



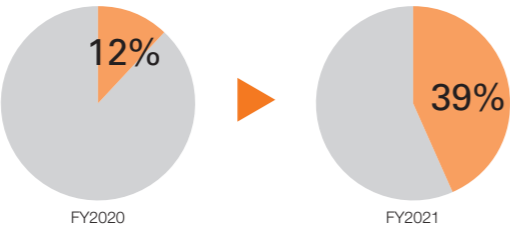
Number of transfers from app, etc.

(Number of retail internet banking transfers, including transfers from the app)



Ratio of app loan contracts

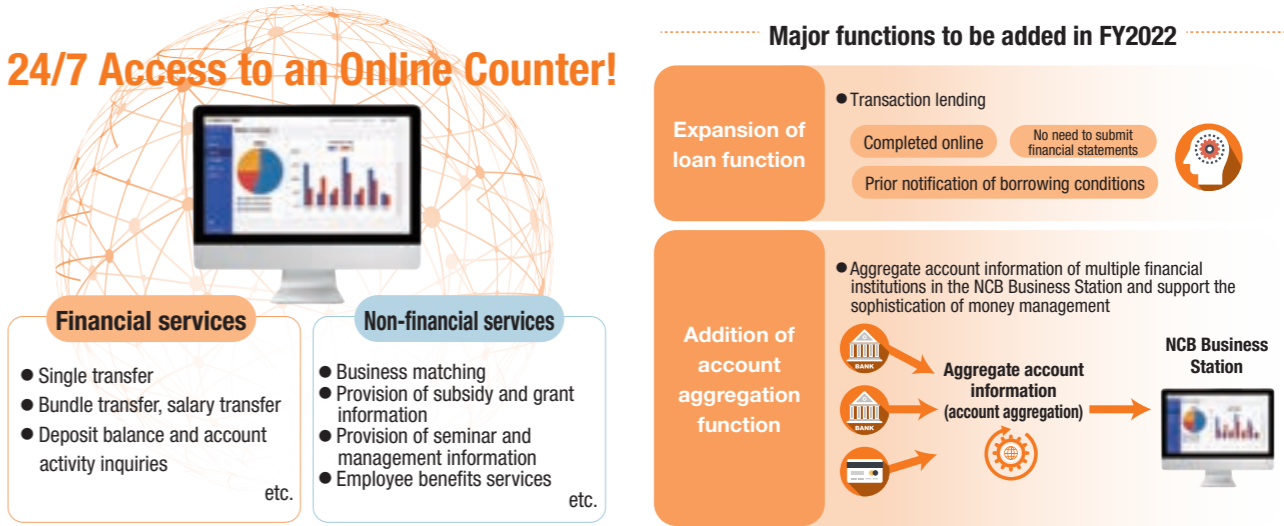
(Ratio of app products in new specific-purpose and multi-purpose loan contracts)



Services for Corporate Customers

Introducing the “NCB Business Station,” a Platform for Corporate Customers

In December 2020, the Nishi-Nippon City Bank opened the “NCB Business Station,” a platform for corporate customers. The online platform aims for a one-stop service providing financial and non-financial transactions, under the concept of “24/7 access to an online counter!” The unique system was jointly developed with NTT DATA Corporation and is the first of its kind launched by a regional bank in Kyushu.



Digital Solutions

The Nishi-Nippon City Bank established the Digital Solutions Team in October 2020. The team supports digitalization of customers to help them increase operational efficiency and sales, as well as works with external partners to support DX of customers’ businesses for reform.

DX Support

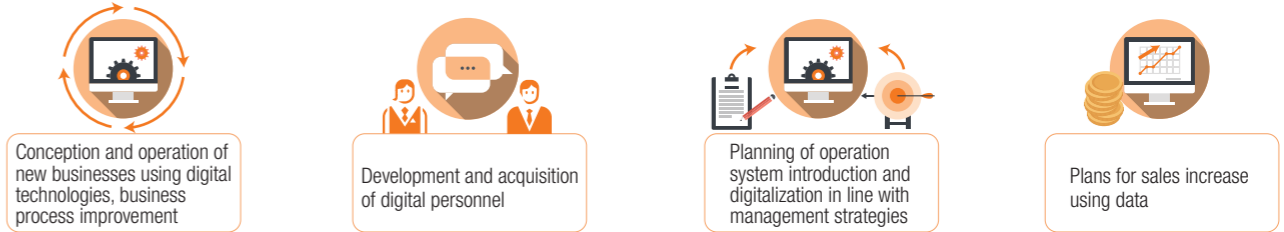
To implement DX, it is necessary not only to understand existing businesses from the employee, customer, and corporate perspectives but also to have knowledge and know-how of new digital technologies.

In cooperation with external partners with expertise and experience, the Nishi-Nippon City Bank offers hands-on support throughout the five steps necessary for the implementation of DX.



DX Solutions

We identify issues such as conception of new businesses using digital technologies and development of digital personnel, and provide solutions tailored to each customer.



Special Feature: Work Reform

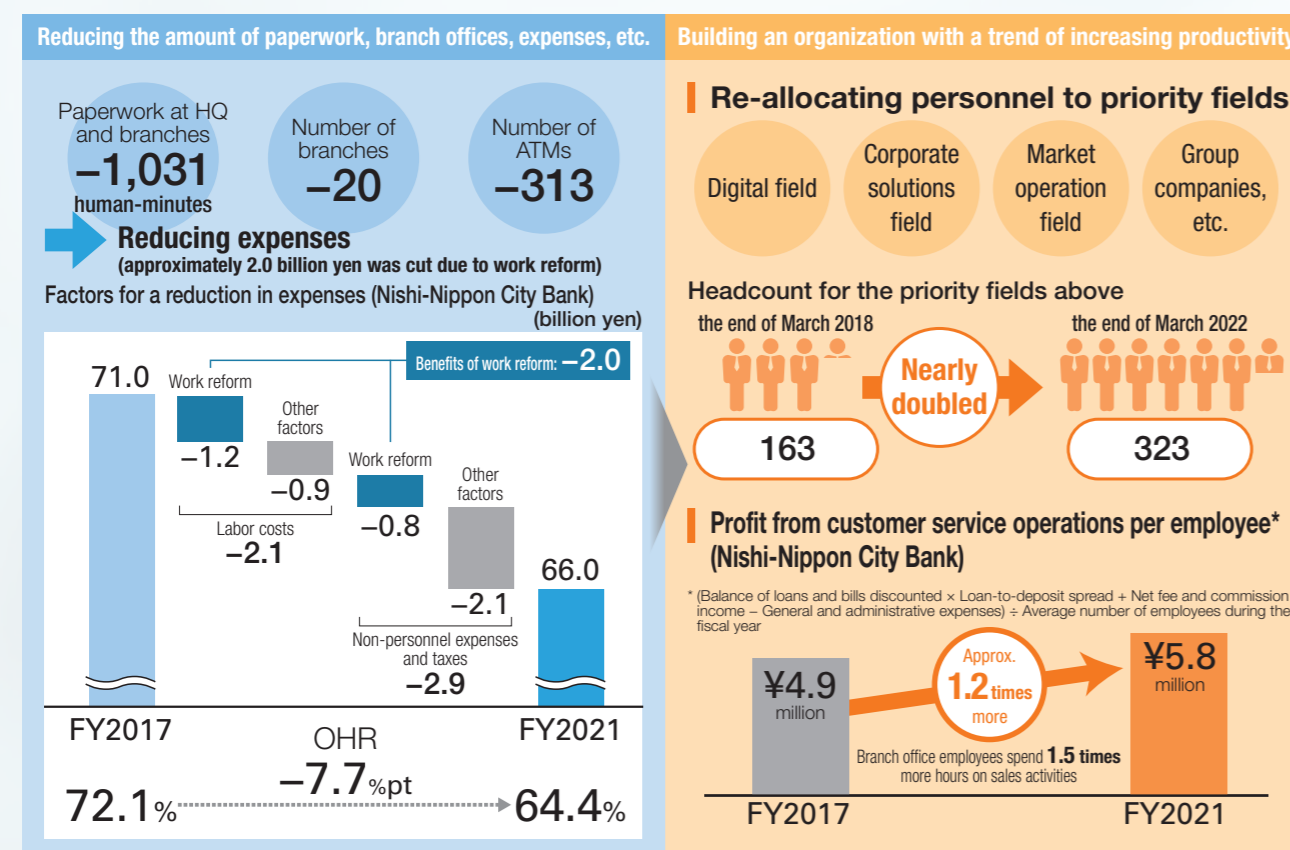
In April 2018, the Nishi-Nippon City Bank embarked on a series of work reforms, comprising the three pillars of work flow innovation, digital innovation, and resource innovation. These attempts to carry out work reform have helped reduce the amount of paperwork and expenses, and brought about qualitative changes in the entire organization on a scale that is arguably the largest in the company's history by a wide margin.

Since October 2021, the NNFH Group has been conducting group-wide work reform, rolling out the reform carried out by the Nishi-Nippon City Bank throughout the Group.

A General Picture of Work Reform



What we have achieved (April 2018–March 2022)



Our Goals

Rolling out work reform initiatives throughout the Group

Enhancing the earnings power and productivity of the NNFH Group

Making branch offices a hub for consulting services

Work Flow Innovation and Digital Innovation

By thoroughly streamlining the work flow, digitalizing operations through the strategic use of tablet computers, RPA, and other techniques, and restructuring the branch office network, we have drastically improved efficiency of operations at branch offices and the Headquarters.

	Overview	Key initiatives
FY2018	Centralized branch offices' office work Abolished excessive checking work Introduced work flow and electronic conferencing systems	Centralized rating tasks to the Headquarters, etc. Reviewed the bill checking and approval authority Digitized approval documents, meeting materials, etc.
FY2019	Standardized the counter reception structure Introduced in-store tablet computers Introduced multifunction machines with scanner functions	Reduced counter personnel by dividing duties and improving compatibility Reduced office work necessary for opening accounts Digitized centralized office work
FY2020	Introduced RPA for loan-related work Renewed salespersons' tablet computers Introduced tablet computers for online meetings	Significantly improved efficiency of preparing approval documents and providing loans Installed remote meeting and digital pamphlet functions Introduced remote training and meetings
FY2021	Connected in-store tablet computers to the account system Introduced RPA for information provision Introduced work smartphones	Digitalized account opening procedures, etc. Started automatic distribution of necessary information and materials to salespersons visiting customers Introduced smart workstyles for outside sales
FY2022 (Plan)	Introduce a loan-integrated screening system Store images of bills and other documents Introduce electronic contract services for business loans	Introduce paperless reception and screening and electronic contracts Reduce the time and burden related to checking and storing of bills and forms Introduce paperless contracts without seals

Resource Innovation

We have been optimizing branch functions and operations according to the scale and characteristics of the market. We are starting to see expected effects in such forms as decrease in the number of branches and fulfillment of roles according to the quality of each branch. Personnel created through work reform initiatives will be re-allocated to priority fields, such as digital and corporate solutions.

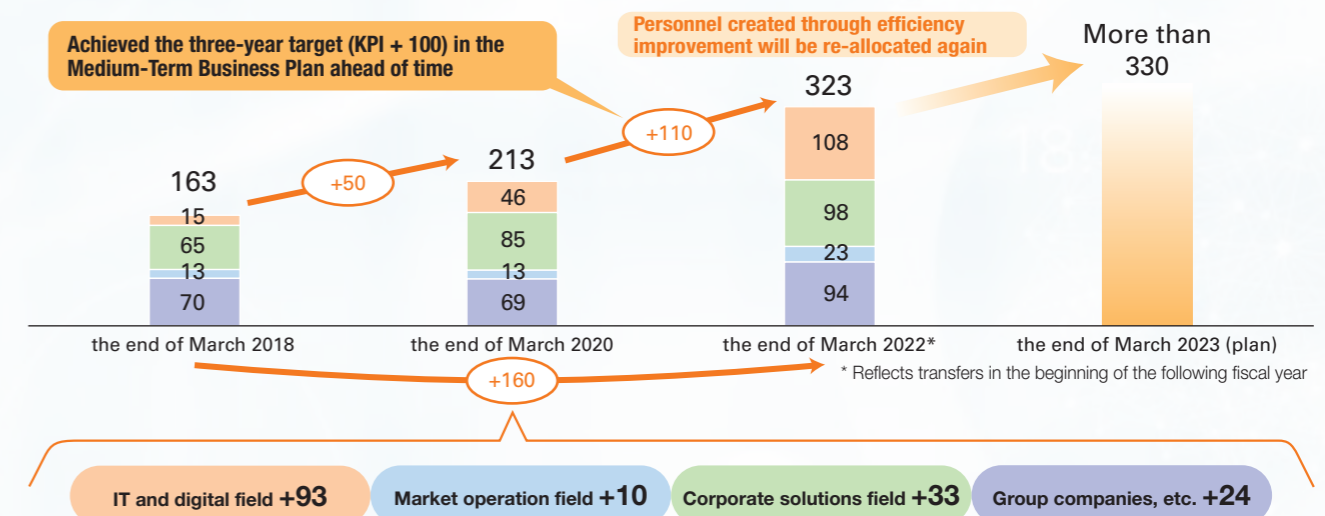
Optimizing branch functions and operations according to the market

- We have been drastically optimizing branch functions and personnel allocation. While selectively allocating personnel who have strengths in assets on deposit to retail-focused branches, we concentrate corporate sales specialists at corporate-focused branches.

Re-allocating personnel to priority fields

- Personnel created through work reform initiatives have been re-allocated to priority fields. During the four years from April 2018, approximately 160 employees were re-allocated in total.

Re-allocation of personnel to priority fields



Growth Strategy: (iv) Initiatives for the SDGs and ESG

With the firm belief that “Without regional development, there will be no growth of the Group,” the NNFH Group has dedicated itself to wide-ranging community activities as we offer solutions that address regional challenges through our primary services of support for startups and funding environmental projects.

In the current Medium-Term Business Plan, “Leaping Forward 2023 - Creating Vibrancy to the Region and Beyond -,” which was kicked off in April 2020, we prioritize the Sustainable Development Goals (SDGs) and Environmental, Social, and Governance (ESG) criteria in our management strategies. Meanwhile, we established the specialized organization to promote the SDGs and determined the NNFH's priority SDGs, in an effort to orchestrate diverse initiatives taken in this regard within the Group.

Going forward, the NNFH Group will continue to bolster its SDGs/ESG initiatives in ways exclusive to regional financial institutions.

Milestones in the NNFH Group's SDGs/ESG Initiatives



Group Management Philosophy

Aiming high and motivated by pride in our services, we are committed to becoming a leading financial group through our ability to respond to change and to grow with our customers.

The Nishi-Nippon Financial Holdings Group Sustainability Declaration

Guided by the Group Management Philosophy, we at the NNFH Group aim to develop the regional economy and enhance our enterprise value, while at the same time contributing to the realization of a sustainable society.

NNFH's priority SDGs



Target amount of sustainable finance

Total **¥2** trillion from FY2021 to FY2030

CO₂ emissions reduction target

Achieve **carbon neutrality** by FY2030

* Covers Scope 1 (direct emissions) and Scope 2 (indirect emissions generated from purchased electricity, etc.) emissions

Selected measures	Corresponding SDGs
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Initiatives for the Environment and Climate Change

- Fulfillment of the TCFD Recommendations
- Eco-Friendly Branches
- Investment in SDGs Bonds
- Participation in Environmental Initiatives



See p.32–p.35

Supporting Customers' SDGs/ESG Initiatives

- (For corporate customers)
- Provision of Solutions to Social Issues (Hands-on Support for Corporate Customers)
 - Initiatives for Sustainable Finance
- (For retail customers)
- Provision of Optimal Solutions to Customers' Needs for Asset Building and Business Succession
 - Sale of SDGs/ESG-related Investment Trust



See p.36–p.37

Efforts to Create Industries and Jobs in the Region

- Finely-Tuned Startup Support
- Business Support through Funds
- Solutions to Diverse Challenges Facing Local Companies



See p.38–p.39

Partnership with the Local Community

- Collaborating with Local Governments
- Collaborating with Universities



See p.40

Multifaceted Programs Benefitting the Local Community

- Commendation
- Provision of Economic/Financial Information and Finance Education
- Support for Customers' Efforts to Achieve the SDGs
- Regional Contributions by Employees
- Cultural/Artistic Activities



See p.41

Human Resource Strategy

- HR Development
- Recruitment Activities
- Diversity & Inclusion
- Initiatives for Health and Productivity Management



See p.22–p.23

Initiatives for the Environment and Climate Change

Recent years have seen frequent cases of serious damage throughout the world caused by abnormal weather patterns and other instances of climate change. In our main market of Fukuoka Prefecture, too, natural disasters are increasing in severity and frequency, as evidenced by the fact that heavy rain emergency warnings have been announced for five consecutive years since the Northern Kyushu floods in July 2017. As such, addressing climate change has become a major challenge for the realization of a sustainable society in the region.

Having included initiatives to address climate change in its priority issues in the management strategies, the NNFH Group declared its support for the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)* in April 2021, and has since disclosed relevant information, while supporting its customers in dealing with the challenges posed by climate change.

* A set of recommendations that the TCFD, created by the Financial Stability Board (FSB), published in June 2017 to help public companies and other organizations disclose the impact of climate-related risks and opportunities to investors and other stakeholders.

Fulfillment of the TCFD Recommendations

Governance

The NNFH Group discusses its policies and important matters concerning sustainability, including climate change, at its Sustainability Committee chaired by the President in order to monitor the status of relevant initiatives. Discussions at the Sustainability Committee are reflected in its management strategies and risk management measures and reported to the Board of Directors, after deliberations and decisions are made by the Executive Committee.

Day-to-day operations are left to central supervision by the specialized organization to promote the SDGs of the NNFH Corporate Planning Division, which monitors the status of the measures taken by the NNFH Group companies and follows up on such efforts.



Strategies

The NNFH Group has made it clear that it “aims to develop the regional economy and enhance its enterprise value while contributing to the realization of a sustainable society” in its Group Sustainability Declaration, which describes its policies on its initiatives for the SDGs and ESG. Furthermore, the Group has selected “Goal 13: Take urgent action to combat climate change and its impacts” as one of its priority SDGs, thus including initiatives to address climate change in its priority issues for its management strategies and deploying a variety of environment-related measures based on risks and opportunities associated with climate change.

● Risks Associated with Climate Change

The NNFH Group recognizes major risks associated with climate change as follows.

Climate change risks		Descriptions of risks	Timeline*	Risk category
Transition risks	Tightening of environmental regulations	Losses generated by changes in policies/ regulations, such as introduction of a carbon tax and tightening of greenhouse gas (GHG) emissions regulations, on the part of investees/borrowers	Medium to long term	Credit risk
	Development of innovative technologies	Degradation of asset value and/or loss generated on the part of investees/borrowers due to technological innovation and rapid structural changes associated with the transition to a carbon neutral society	Medium to long term	Credit risk
	Reputation changes	Loss of NNFH Group's enterprise value due to discrepancies between the Group's responses to climate change and stakeholders' expectations	Medium to long term	Operational risk (Reputation risk)
Physical risks	Wind and flood damage due to typhoons, torrential rains, etc.	Damage to the Group' sales offices	Short to long term	Operational risk (Tangible asset risk)
		Degradation of the value of assets pledged by investees/borrowers	Short to long term	Credit risk
		Loss generated by the shutdown of operations by investees/borrowers	Short to long term	Credit risk
		Confusion in the financial market due to serious/extensive damage	Short to long term	Market risk
	Temperature variation and rising sea levels	Impact on business activities, etc. of the NNFH Group and its investees/borrowers brought on by the chronic climate change such as temperature variation and changes in weather patterns	Long term	Credit risk Operational risk (Tangible asset risk)

* Short term: Less than 1 year, medium term: 1–3 years, long-term: more than 3 years

Scenario Analysis

NNFH analyzes multiple future scenarios by assuming certain factors for anticipated natural disasters and an object of analysis for the Nishi-Nippon City Bank, which is presumably most susceptible to the impacts of climate change risks once they emerge, and estimates the quantity of anticipated risks.

For the object of analysis chosen and under the assumed scenarios, transition risks are estimated at a total of approximately 7.0 billion yen up to 2050 and physical risks are estimated at up to 3.0 billion yen on a single-year basis up to 2050. It was concluded that the impact that transition risks and physical risks might have on our financial position is limited for the object of this scenario analysis.

	Transition risks	Physical risks
Object of analysis	The electricity sector, which is most susceptible to the transition to a carbon neutral society	Degradation of the value of collaterals by floods, whose frequency of occurrence is particularly high (of collaterals for business loans, buildings located within Fukuoka City)
Analysis methods	Analyze for each scenario the impact that a rise in carbon prices due to the introduction of a carbon tax, etc. and changes in the market environment, etc. might have on corporate earnings	Based on a hazard map, calculate the amount of damage due to floods for each collateral
Scenarios used	Multiple scenarios including the 1.5°C scenario published by NGFS	2°C and 4°C scenarios published by IPCC
Analysis results	Additional credit costs that may be incurred up to 2050: approximately 7.0 billion yen	Additional credit costs that may be incurred up to 2050: approximately 3.0 billion yen on a single-year basis

Carbon-related Assets

The ratio of the Nishi-Nippon City Bank’s carbon-related assets (credit extended to electricity, gas, energy, and other sectors, excluding that extended to the renewable energy sector) in its outstanding credit balance is limited at 1.9%.

● Opportunities concerning Climate Change

Under the belief that “Without regional development, there will be no growth of the Group,” the NNFH Group remains actively committed to solving regional challenges through its main businesses of funding environmental projects, supporting startups, etc. We set a target amount for investments in such sustainability initiatives that help to realize a sustainable society and are aggressively working to achieve the targets.

In addition, through the sale of investment trusts, etc., which invests in companies engaged in businesses related to the achievement of the SDGs, we provide customers with opportunities to invest in SDGs/ESG-related initiatives.

In support of customers in their attempts to deal with climate change, including a transition to a carbon neutral society, we will aggressively offer consulting services, which includes a tool to visualize the amount of CO₂ emissions.

Through these initiatives, the NNFH Group will work to realize a sustainable society together with local residents.

Products and services offered to customers	<div>● SDGs supporting loans</div> <div>● SDGs Private Placement Bonds (donation type, environment, CSR)</div> <div>● Sustainability Linked Loans</div> <div>● Financing renewable energy power generation business</div> <div>● Sale of SDGs/ESG-related investment trust</div> <div>● Provision of a tool to visualize the amount of CO₂ emissions</div> <div>etc.</div>	See p.36–p.37
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Risk Management

Through the results of scenario analysis, etc., NNFH is aware of the fact that physical risks and transition risks attributable to climate change will have an impact on the NNFH Group’s business administration and financial position. We will continue to expand the scope of sectors subject to scenario analysis and advance analytical methods, while at the same time building a framework for controlling such risks.

For investment in and lending to specific sectors, etc. that are highly likely to have a major impact on the environment and society, we appropriately deal with them in accordance with the following policies.

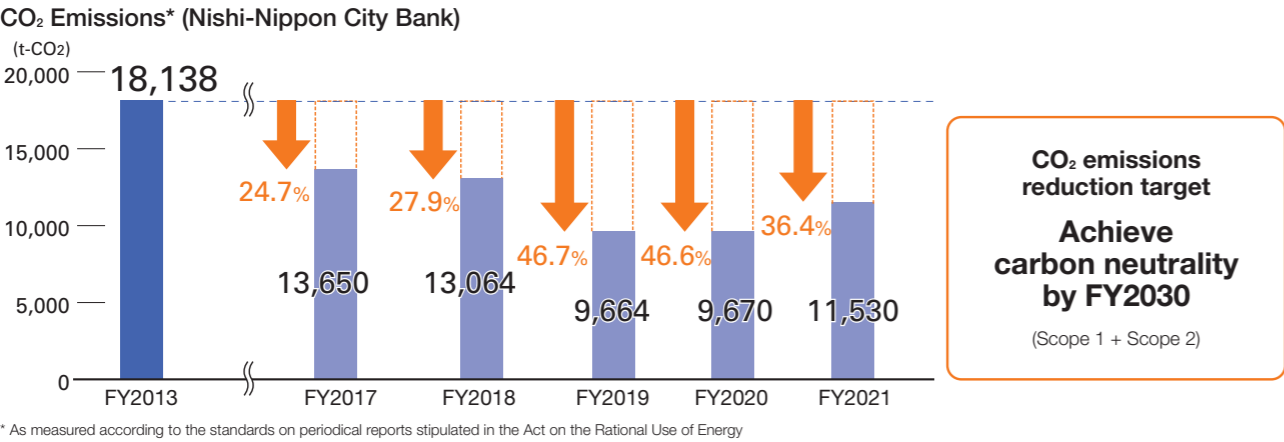
Policies on Investment in and Lending to Specific Sectors, Etc.

1. Coal-fired power generation	We will not, in principle, offer investments or funds whose application is the construction of new coal-fired power plants or the expansion of existing coal-fired power plants. Should we consider offering one as an exception, we will make the most careful decision for each proposed project individually after taking into account energy policies and situations of host countries, power generation efficiency, impacts on the environment and society, etc.
2. Deforestation business	When we consider offering investments or funds to projects that involve deforestation, we will make the most careful decision individually after taking into account the acquisition status of international certifications, impacts on biodiversity and ecosystem, environmental and societal considerations, etc.
3. Development of palm oil farms	When we consider offering investments or funds to projects that develop palm oil farms, we will make the most careful decision individually after taking into account the acquisition status of international certifications, impacts on biodiversity and ecosystem, environmental and societal considerations, etc.
4. Production of cluster bombs and other inhumane weapons	We will not offer investments or funds to projects whose involvement in production of cluster bombs and other weapons we consider to be inhumane, regardless of their intended purpose.
5. Infringement of human rights	We will not offer investments or funds to projects that involve human trafficking, child labor, forced labor, and other human rights violations, regardless of their intended purpose.

Metrics and Targets

CO₂ Emissions

In March 2022, the NNFH Group drew up its CO₂ emissions reduction target of “achieving carbon neutrality by fiscal 2030.” In order to achieve this target, we will monitor CO₂ emissions from business activities and launch concrete initiatives that reduce CO₂ emissions.



Environment-related Data

	Unit	FY2019	FY2020	FY2021
Scope 1 (Direct emissions)	t-CO ₂	742	605	599
Scope 2 (Indirect emissions)	t-CO ₂	8,921	9,064	10,931
Scope 1 + Scope 2	t-CO ₂	9,664	9,670	11,530
Energy consumption	GJ	263,505	249,497	236,814

Initiatives to Realize Carbon Neutrality

- STEP 1

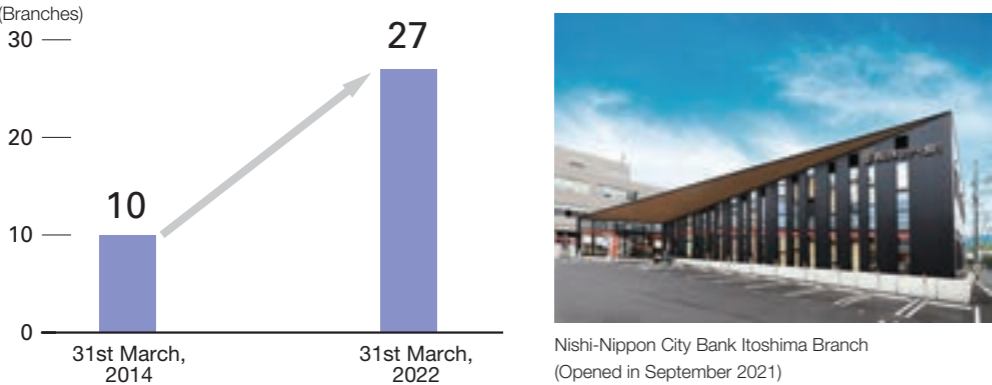
STEP 2

STEP 3
- Reduce energy consumption
 - Introduce LEDs, energy-saving air-conditioners
 - Renovate branches to fully equip them with eco-friendly features (The new HQ Building equipped with the latest environmental performance will be completed in fiscal 2025.), etc.
 - Reduce electricity-derived CO₂ emissions to zero
 - Switch to electricity derived from renewable energy, etc.
 - Reduce residual CO₂ emissions to zero
 - Conduct carbon offsetting by using the J-Credit Scheme, etc.

Eco-Friendly Branches

The Nishi-Nippon City Bank is renovating its branches to make them fully equipped with eco-friendly features, such as solar power generation, rainwater utilization, LED lighting, and energy-saving air-conditioning (27 branches renovated current as of 31st March, 2022). Opened in September 2021, the Itoshima Branch received a four-star rating under the Building-Housing Energy-efficiency Labeling System (“BELS”) for reducing design primary energy consumption by 30%.

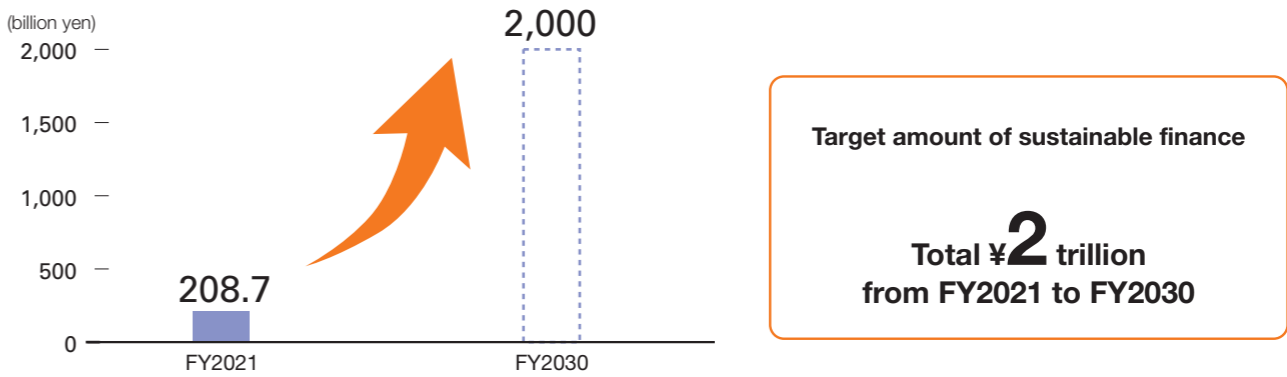
Eco-Friendly Branches (Nishi-Nippon City Bank)



The Amount of Sustainable Finance Extended

In March 2022, the NNFH Group set up “sustainable finance,” a new category of financing service designed to realize a sustainable society by way of funding environmental projects, supporting startups, etc., with its target amount being a total of two trillion yen from fiscal 2021 to fiscal 2030. Going forward, we aim to achieve the target by assisting customers in resolving their environmental and social challenges including addressing climate change.

Amount of Sustainable Finance Offered (Total of the two Group banks)



Investment in SDGs Bonds

As part of its investment activities designed to ameliorate environmental and social challenges, the Nishi-Nippon City Bank invests in various SDGs bonds, such as green bonds and social bonds.

Investment records

¥11.1 billion
(FY2021)

Participation in Environmental Initiatives



(Nishi-Nippon Financial Holdings)

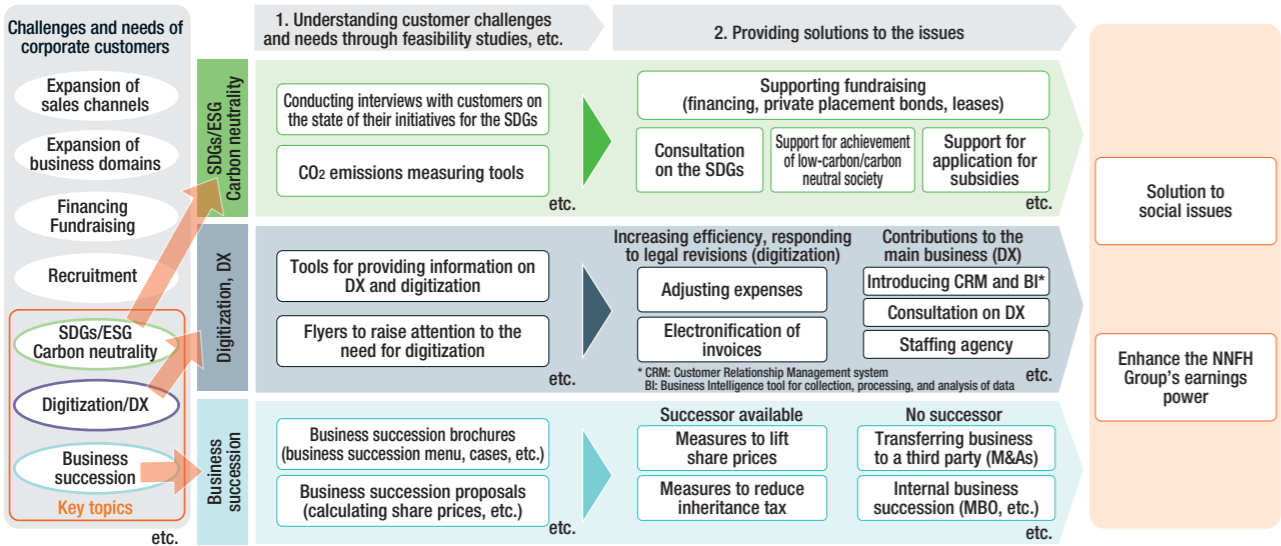


(The Nishi-Nippon City Bank)

Supporting Corporate Customers’ SDGs/ESG Initiatives

Provision of Solutions to Social Issues (Hands-on Support for Corporate Customers)

The NNFH Group picks up on key topics from among the social trends and issues of the time, some of the contemporary ones being carbon neutrality, digital transformation (DX), and business succession, to understand and share customers’ management issues. With a broad range of solutions, the NNFH Group aims to resolve customer issues and enhance its earnings power.



Initiatives for Sustainable Finance

The NNFH Group defines finance that helps to realize a sustainable society as “sustainable finance” and is accelerating related initiatives.

SDGs Supporting Loans (Made available from the Nishi-Nippon City Bank from August 2021 and the Bank of Nagasaki from February 2022)

The Nishi-Nippon City Bank and the Bank of Nagasaki offer SDGs supporting loans to corporations and sole proprietors who are interested in establishing SDGs but do not know where to start. In a bid to support their initiatives to achieve the SDGs, this loan instrument uses a dedicated check list to keep track of customers’ initiatives in this regard and shares the data with them. In addition, to support a customer’s external relations, a PR tool is provided to each customer and is uploaded on the respective bank’s website and elsewhere.

Loans offered thus far (two banks combined)
899 cases
¥32.1 billion
(current as of 31st March, 2022)

SDGs Private Placement Bonds

The Nishi-Nippon City Bank handles SDGs Private Placement Bonds in support of its customers’ initiatives to achieve their SDGs. Based on survey findings by a third-party organization (Kyushu Economic Research Center), the Nishi-Nippon City Bank grants an SDGs Certificate to issuers of the bonds.

Cumulative total underwritten
369 cases
¥32.1 billion
(current as of 31st March, 2022)

Financing Renewable Energy Power Generation Businesses

The Nishi-Nippon City Bank offers financing to renewable energy power generation businesses that help to reduce GHGs, including solar power generation and wind power generation.

Balance of loans outstanding
¥50.5 billion
(current as of 31st March, 2022)

Sustainability Linked Loans (the first loan extended in September 2021)

The Nishi-Nippon City Bank offers Sustainability Linked Loans, which allow borrowers (corporate customers) to set sustainability performance targets based on their SDGs/ESG strategies and lenders to offer incentives, such as changing interest rates, according to progress in their achievements.

Supporting Retail Customers’ SDGs/ESG Initiatives

Provision of Optimal Solutions to Customers’ Needs for Asset Building and Business Succession

In anticipation of the “era of the 100-year lifespan,” the NNFH Group offers one-stop solutions that are optimal to the customer needs of asset building and business succession.



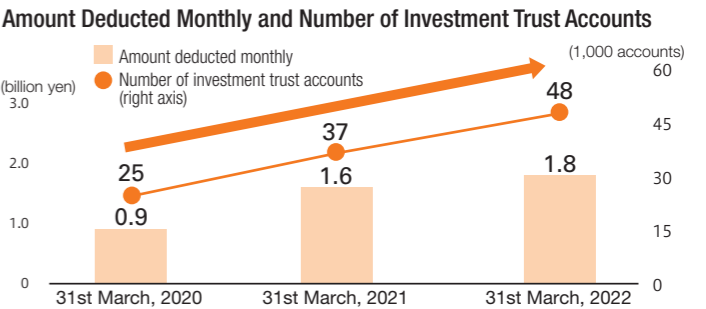
Enhancing the Functions of the Asset Management Suggestion System

In May 2022, the Nishi-Nippon City Bank significantly enhanced the functions of ASSET DIRECTION, its investment trust suggestion system. This allows us to make a suggestion on optimal asset management as we take a survey of the entire financial assets of a customer.



Supporting Asset Building via Installment-type Investment Trusts

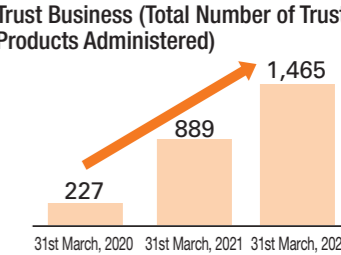
The Nishi-Nippon City Bank proactively offers suggestions on installment-type investment trusts for the customer’s stable building of assets.



Supporting Asset Hand-Over Using Trust Products

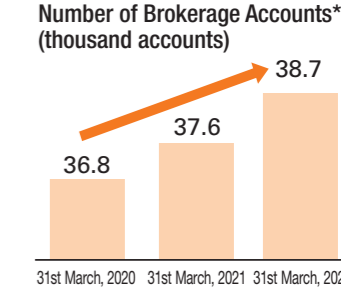
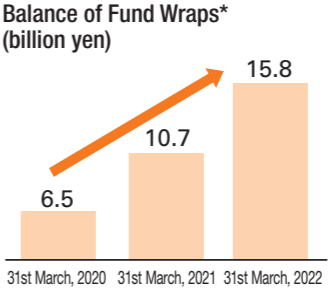
The Nishi-Nippon City Bank offers a variety of trust products that cater to the customer’s asset succession needs to “gift,” “prepare,” “leave a bequest,” and “divide.”

Trust Product Offerings	
Testamentary trusts	Arrangement of estates
Testamentary substitute trusts	
Annually levied gift tax trusts	
Senior support trusts	



Strengthening Bank-Securities Cooperation

The Nishi-Nippon City Bank and Nishi-Nippon City Tokai Tokyo Securities have strengthened cooperation in the securities brokerage business to make suggestions that are tailored to customers’ diverse asset management needs.



* Numbers at Nishi-Nippon City Tokai Tokyo Securities

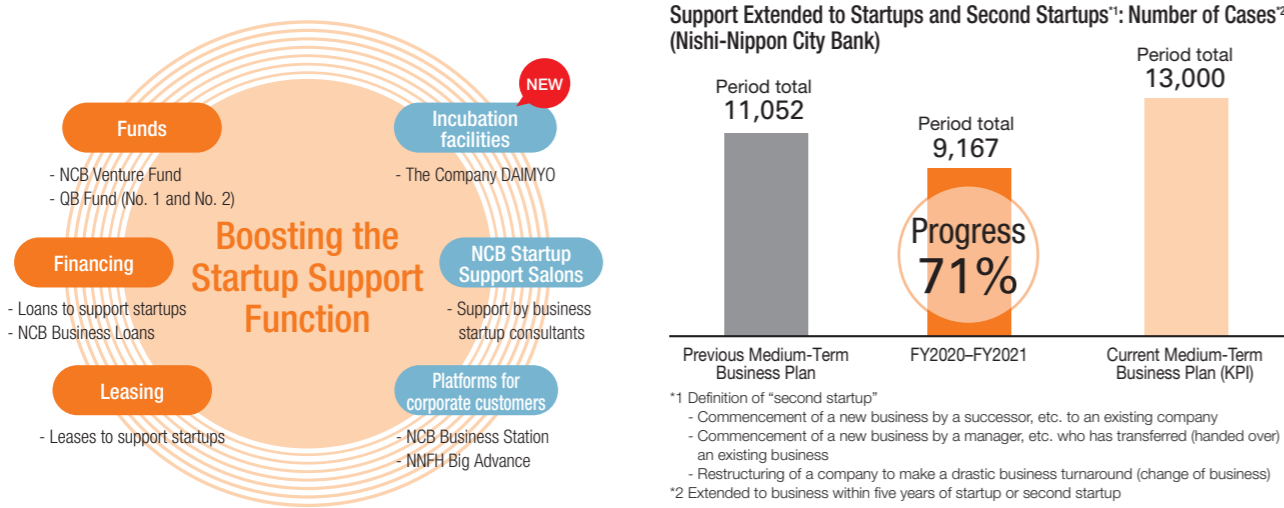
Sales of SDGs/ESG-related Investment Trust

The NNFH Group provides its customers with opportunities to make ESG investments through sales of SDGs/ESG-related investment trust.

Sales figures thus far (Group total)
¥32.8 billion
(FY2021)

Efforts to Create Industries and Jobs in the Region

The NNFH Group started as a financial institution specializing in financial services for SMEs. The Group is making active contributions to the creation of industries and jobs in the region by providing funds and consulting services to venture businesses before and after foundation by giving full play to the unaltered DNA of developing SMEs.



Finely-Tuned Startup Support

● NCB Startup Support Salons and Business Startup Consultants

At the NCB Startup Support Salons in Fukuoka City and Kita-Kyushu City (opened in February 2016 and November 2017, respectively), the Nishi-Nippon City Bank offers consultation services on everything to do with starting a business, including support for pre-startup business plan formulation, financing at the time of startup, post-startup management guidance/consultation, and organization of seminars. The salons also provide entrepreneurs with opportunities to network with their peers.

At these salons, consultants offer one-stop and finely-tuned consultations related to the startup. Given the spread of COVID-19, online consultation services are also available.

● Opening a Co-Working Facility, The Company DAIMYO

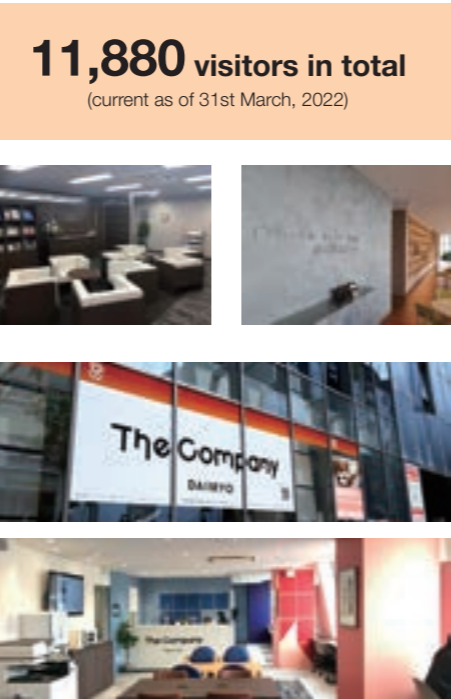
In May 2022, the Nishi-Nippon City Bank opened a brand new co-working facility, The Company DAIMYO, within its Daimyo Branch building.

There, our resident business startup consultants offer consultation services on a variety of issues that customers may encounter before and after starting a business. Also organized at the facility are periodic consultations by certified tax accountants and other specialists and gatherings designed to allow the tenants to build a network.

● NCB Business Loans, Bank of Nagasaki Business Loans

In August 2021, the Nishi-Nippon City Bank began offering NCB Business Loans, which are designed to financially support businesses run by sole proprietors. Everything from application to conclusion of a contract can be completed online anytime, anywhere without having to visit a physical branch.

Meanwhile, in June 2021 the Bank of Nagasaki started offering Bank of Nagasaki Business Loans. Some of their advantages include a simple application procedure that doesn't require applicants to submit income verification documents and speedy screening that an application may be filed via facsimile and responded to the following day.



● NNFH Business Competition 2021—OPEN INNOVATION HUB—

NNFH organized the second open innovation business competition for startups. In November 2021, a total of 57 entrants made an entry and a shortlist of ten contestants who survived the first two rounds of screening gave presentations at the final round in March 2022. The first and second most outstanding contestants were commended.

● NCB Open Accelerator@Fukuoka 2022

In cooperation with KPMG Japan, the Nishi-Nippon City Bank in April 2022 launched the NCB Open Accelerator@Fukuoka 2022 program (hereinafter the "Program"), which offers full support for the creation of new businesses by local companies.

Under the Program, the Nishi-Nippon City Bank teams up with startups and administrative/educational institutions to invite about five local companies every year for full-support consulting services in their new business creation process up to the commercialization of businesses thus created. The Program also aims to help participating companies to develop new business creation specialists.

Business Support through Funds

● QB Fund No. 2

In April 2021, the Nishi-Nippon City Bank, NCB Venture Capital Co., Ltd., and QB Capital, LLC jointly formed the QB No. 2 Investment Limited Partnership (a.k.a. QB Fund No. 2) in a bid to leverage universities' intellect to create innovations that originate from the region (total value: 3.2 billion yen).

In April 2022, this fund completed its solicitation of capital contributions at a total of approximately 7.0 billion yen, to become one of the largest venture support funds of university origin in Kyushu, Chugoku, and Shikoku.

Regional Contributions by Employees

● Staffing Agency

In January 2022, NCB Research & Consulting Co., Ltd. ("NCB R&C") signed an alliance agreement with ONODERA USER RUN Co., Ltd. ("OUR") to begin support local companies who find it hard to recruit staff for long-term care for the elderly by introducing foreign caregivers to them.

NCB R&C identifies the needs of medical and nursing-care service providers by organizing interviews and one-on-one consultations to inquire about their staffing-related managerial issues. In cooperation with OUR, NCB R&C assists customers in recruiting and developing foreign-national specified skilled workers in the nursing care field.

● Supporting Companies in Going Public

In April 2022, Nishi-Nippon City Tokai Tokyo Securities became the first regional-bank-affiliated securities house in Japan to offer lead-managing service in order to help local companies to be listed on the Fukuoka Stock Exchange.

Through this brand new service, Nishi-Nippon City Tokai Tokyo Securities help local companies with a variety of businesses including: 1) providing advice on preparatory work for the listing, such as the development of an internal control system and formulation of a business plan; 2) managing schedules leading up to listing and the preparation of documents to be submitted; and 3) supporting fundraising, investor relations, and other businesses after listing.

Partnering with the Local Community

Collaborating with Local Governments

The NNFH Group has signed the comprehensive agreement on regional revitalization with 14 local governments and an individual agreement on solutions to issues facing each region with nine local governments (the SDGs, promotion of immigration and settlement, tourism promotion, etc.) as part of its commitment to regional revitalization.

Comprehensive agreement partners (14 local governments)


● Fukuoka Prefecture ● Itoshima City ● Kurume City ● Tagawa City ● Nakagawa City ● Nakama City ● Fukutsu City ● Itoda Town ● Sue Town ● Fukuchi Town ● Miyako Town ● Karatsu City ● Tosu City ● Hita City

Individual agreement partners (9 local governments)

● Izuka City ● Itoshima City ● Ukiha City ● Kama City ● Kita-Kyushu City ● Munakata City ● Yanagawa City ● Keisen Town ● Beppu City


Comprehensive Agreement on Collaboration and Cooperation with Itoshima City

In October 2021, the Nishi-Nippon City Bank signed a comprehensive agreement on collaboration and cooperation with Itoshima City to jointly consider and implement businesses concerning regional revitalization. Under the agreement, the Nishi-Nippon City Bank has been instrumental in their community-building efforts in a broad range of fields, such as the realization of the Itoshima Science Village, startup support, tourism promotion, promotion of immigration and settlement, matching service, parenting support, and the achievement of the SDGs.



Cooperation with Fukuoka City's Well-Being&SDGs Registration System

In April 2022, in support of Fukuoka City's Well-Being&SDGs Registration System, the Nishi-Nippon City Bank became the first financial institution to handle NCB Loans in Support of the SDGs with Well-Being, a new loan product with incentives.



Collaborating with Universities

The NNFH Group concluded the agreement on industry-university collaboration and cooperation with ten local universities to organize various programs that contribute to the regional development and the advancement of learning. As part of its community service, in fiscal 2021 the Nishi-Nippon City Bank sent its officers and clerks to universities to provide students with opportunities to gain practical financial knowledge through lectures.

Industry-university collaboration agreement partners (ten universities)

● Kyushu University ● Kyushu Institute of Technology ● Kyushu Sangyo University ● Kurume Institute of Technology ● Seinan Gakuin University ● Nakamura Gakuen University, Nakamura Gakuen University Junior College ● Nishinippon Institute of Technology ● Fukuoka University ● Fukuoka Institute of Technology ● College of Healthcare Management

Industry-University Collaboration with Kyushu University

Based on the industry-university collaboration and cooperation agreement, which was concluded with Kyushu University in March 2014, the Nishi-Nippon City Bank has organized a networking event since October 2014 with the aim of providing opportunities to link the cutting-edge technologies developed at universities (seeds) to local companies' business needs, thus stimulating scientific research by universities and boosting local companies' staying power through industry-university cooperation. At the 22nd networking event, which was held online in July 2021, a case study on Kyushu University's joint research project with local SMEs was presented.

Multifaceted Programs Benefitting the Local Community

Commendation


The Excellent Executive Award

Since January 1973, the Prize of Excellent Executive (Chairman: Isao Kubota) has commended excellent executives who have made outstanding achievements in the management and/or technology of SMEs in the Kyushu region and Yamaguchi Prefecture, thus contributing to the development of the regional economy. A total of 177 executives have been commended current as of 30th April, 2022.



The Asian Contribution Award/The Asian Youth Award

In order to facilitate international mutual understanding, the Nishi-Nippon Foundation (Chairman: Isao Kubota) has annually commended groups, individuals, elementary and junior high schools, and regional groups of children who are working toward the development of Asian countries and the international exchange among them. Those to be commended are picked from the Kyushu region and Okinawa and Yamaguchi Prefectures, and the winners of the awards receive either The Asian Contribution Award (held 23 times current as of 31st March, 2022) or The Asian Youth Award (held 17 times current as of 31st March 2022).



Provision of Economic/Financial Information and Finance Education

Lectures on Economic Matters

Since January 2008, the Nishi-Nippon City Bank has hosted this popular annual talk by the NNFH's Chairman Isao Kubota, to share the latest financial and economic information that customers may find useful in steering their businesses or developing a business outlook for the New Year. A total of 15 sessions have been held current as of 31st March, 2022.


Finance Literacy Education

Since August 2007, the Nishi-Nippon City Bank has supported finance literacy education by, for example, organizing a series of workshops on the topic for young citizens, who will lead the next generation. A total of 16 sessions have been held current as of 31st March, 2022.



Providing Information to Schools, Etc.

Given the proposed expansion of the curriculum in finance and business for high school classes, the NNFH Group is offering support for those at educational institutions by organizing seminars for the faculty or otherwise. The Group also organizes informational seminars for new members of society to provide them with knowledge on finance.




Support for Customer's Efforts to Achieve the SDGs

colabora

The Nishi-Nippon City Bank runs "colabora," a website focusing on the SDGs for regional revitalization, which features articles on the Group's initiatives for achieving the SDGs, as well as relevant initiatives by local companies to achieve their SDGs and by local governments to revitalize the region. A total of 22 articles have been uploaded current as of 31st March 2022.

Workshop-style Consulting Service

The Nishi-Nippon City Bank and Kyushu Hakuhodo Inc. agreed on a business alliance, and in April 2021 launched a workshop-style consulting service. Up to 31st March, 2022, a total of 11 companies have availed themselves of this service, which supports companies who seek to create ideas for businesses that contribute to the achievement of the SDGs and regional revitalization and work out solutions to social issues.



Solutions to Diverse Challenges Facing Local Companies

Food Drives

In August 2021, the Nishi-Nippon City Bank commenced food drives to donate food that they could not consume at home to children's cafeterias, makeshift eateries for disadvantaged children, in an effort to support children in the region in leading a healthy and meaningful life. Up to 30th April, 2022, more than 50 locations, including the Headquarters and branch offices, have participated in this campaign.

Cultural/Artistic Activities

Music Festival

Since December 2014, the Nishi-Nippon City Bank and the Fukuoka Cultural Foundation (Chairman: Isao Kubota) have co-hosted the Music Festival, an annual event designed to empower people in Fukuoka and Hakata with music. This year-end music celebration has been held seven times current as of 31st March, 2022.

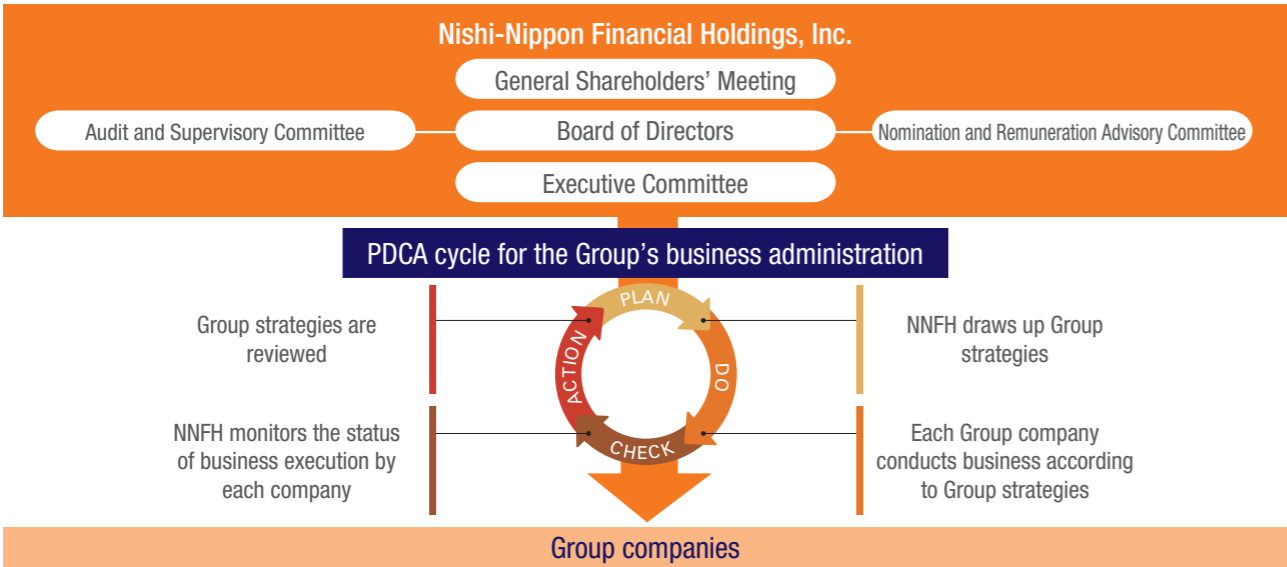


Corporate Governance

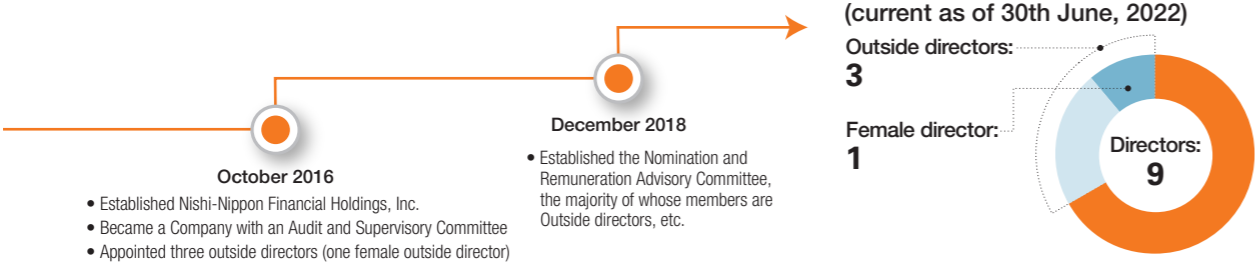
Basic Approaches

At the NNFH Group, enhancement of corporate governance is deemed to be a managerial issue of prime importance. Accordingly, every possible effort is being made to “enhance the soundness and transparency of management,” “accelerate decision-making,” and “perform duties smoothly.”

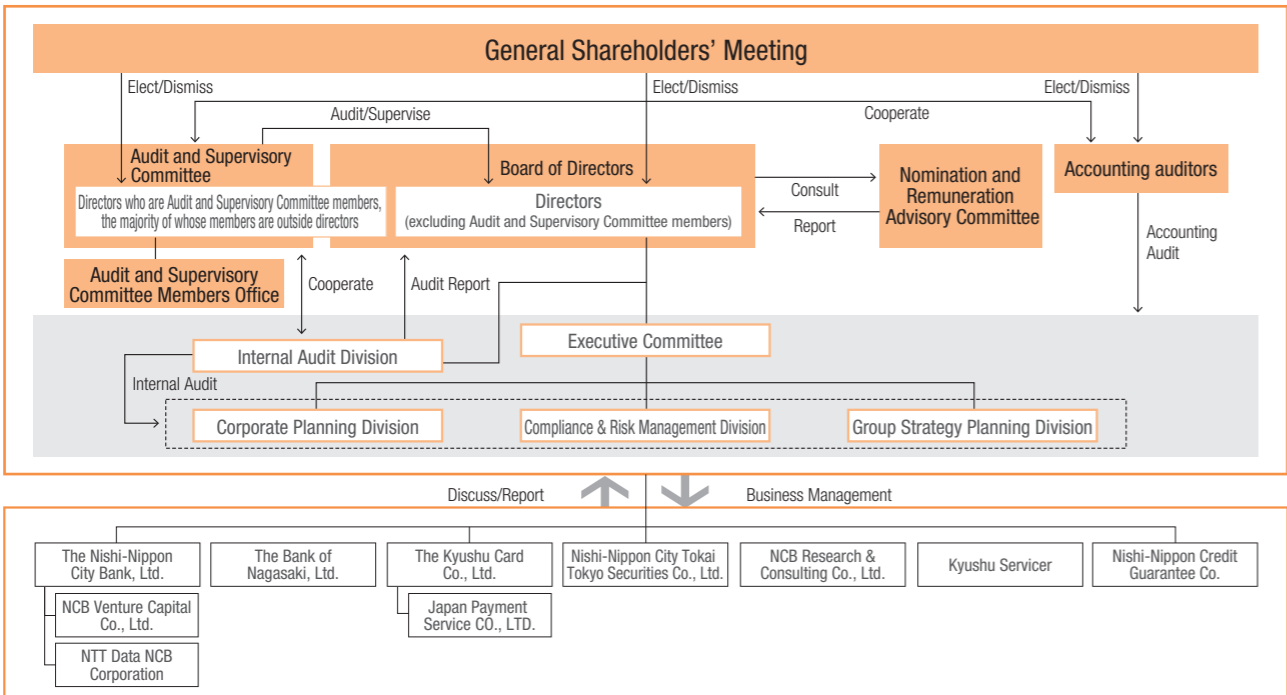
By establishing an Audit and Supervisory Committee under NNFH, we not only enhance corporate governance, but we have also built a system for prompt and efficient decision-making by delegating authority over performance of important duties. With NNFH specializing in management oversight and Group companies focusing on the performance of day-to-day duties, we maintain an advanced level of business administration for the Group.



Efforts to Strengthen Corporate Governance



Overview of the Corporate Governance Structure



Descriptions of the Organs of the Company

Board of Directors

Comprised of nine directors (including four directors who are Audit and Supervisory Committee members, as of 30th June, 2022), the Board of Directors of NNFH makes decisions about the performance of important duties concerning the Group's management and oversees the performance of the duties by directors.

NNFH has elected three independent outside directors (current as of 30th June, 2022) in order to ensure that independent and objective perspectives augment the highly effective management oversight function by the Board of Directors. To adapt to rapid changes in the operating environment and clearly determine responsibilities of directors in attaining business results for each fiscal year, the term of office for directors (excluding those who are Audit and Supervisory Committee members) shall be one year, thus keeping the Board of Directors actively engaged.

In addition, by introducing the executive officer system, we have separated management decision-making and oversight from the administration of business operations in order to enhance the oversight function and promote rapid decision-making. The Board of Directors meets once a month, in principle.

Audit and Supervisory Committee

Comprised of four directors who are Audit and Supervisory Committee members (including three outside directors, current as of 30th June, 2022), the Audit and Supervisory Committee audits the performance of the duties by directors and compiles audit reports. Audit and Supervisory Committee members shall, in accordance with an audit plan drawn up by the Audit and Supervisory Committee, attend important meetings, inspect important documents, and investigate the status of the operations and the financial status of NNFH, in order to audit the performance of the duties by directors.

The Audit and Supervisory Committee is also partially responsible for overseeing directors by electing directors (excluding those who are Audit and Supervisory Committee members) and stating opinions on the remunerations to directors. The Audit and Supervisory Committee meets at least once every three months, in principle.

Executive Committee

Comprised of the representative directors and five directors who are appointed by the President (current as of 30th June, 2022), the Executive Committee deliberates on and makes decisions on important matters concerning management in accordance with management policies or otherwise, determined by the Board of Directors. One full-time Audit and Supervisory Committee member is invited to the Executive Committee meeting to provide pertinent advice. The Executive Committee meets whenever necessary.

Nomination and Remuneration Advisory Committee

NNFH has established the Nomination and Remuneration Advisory Committee, the majority of whose members are outside directors, etc., with a view toward ensuring objectivity, timeliness, and transparency concerning the election and dismissal of a representative director and senior management members (directors with special titles), assuring objectivity and transparency concerning remunerations for directors, and developing successors in a systematic manner.

Status of Internal Audit, Audit by the Audit and Supervisory Committee, and Accounting Audit

Internal Audit

NNFH has established the Internal Audit Division, which conducts internal audits independent from all operations divisions and has 41 members as of 30th June, 2022. The Internal Audit Division, in accordance with the Internal Audit Regulations, verifies and assesses the adequacy and effectiveness of internal control systems of the Group, including a compliance structure and a risk management structure, suggests improvements to problems, etc. to audited divisions, and reports audit findings, etc. to the Board of Directors, Audit and Supervisory Committee (members), and the Executive Committee every month. By exchanging information with accounting auditors, the division ensures that internal audits are conducted both objectively and efficiently.

Audit by the Audit and Supervisory Committee

The Audit and Supervisory Committee comprises four members, including three outside directors and one full-time director. Every member of the Audit and Supervisory Committee has considerable knowledge on finance and accounting through many years' hands-on experience, etc.

The Audit and Supervisory Committee audits the performance of directors' duties by having directors and others report on the status of execution of their business, as well as their development and implementation of an internal control system, and by attending important meetings, consulting documents on important managerial decisions, and investigating the status of directors' business execution and properties, in accordance with the audit policy and division of business as stipulated by the Audit and Supervisory Committee. The Audit and Supervisory Committee also verifies the appropriateness of the methods and findings of audits conducted by accounting auditors by having them report on the status of business execution and by witnessing audits by accounting auditors.

Accounting Audit

The NNFH's accounting audit business is executed by certified accountants affiliated with Ernst & Young ShinNihon LLC.

Appointment of Directors

Policy and Procedures for Nomination of Candidates for Directors

For the Board of Directors to effectively fulfill its roles and responsibilities, we believe it important to ensure that its members have a diverse range of knowledge, experience, and skills, on top of knowledge of the business and challenges of the NNFH Group. Our basic policy is to ensure that the Board of Directors is well balanced overall by appointing those with diverse expertise and backgrounds as candidates for outside directors.

From this perspective, we appoint those well-versed in the NNFH Group’s business and challenges as candidates for directors. We also ensure the objectivity and transparency of the decision-making process of the Board of Directors by allowing each Audit and Supervisory Committee member to exercise his/her voting right held by the directors at the board meeting and the Audit and Supervisory Committee to exercise the statutory right to state its opinion at the general shareholders’ meeting in relation to appointment/dismissal and remuneration of directors who are not Audit and Supervisory Committee members.

Our articles of incorporation prescribe that the number of directors should be no more than twenty and that the number of directors who are Audit and Supervisory Committee members should be three or more. Accordingly, we have appointed nine directors, four of whom are Audit and Supervisory Committee members (current as of 30th June, 2022).

Independence Standards for Outside Directors

We determine the independence of our outside directors based on whether or not we can expect them to proactively offer suggestions and raise questions on the NNFH Group’s business challenges, assuming that the independence standards stipulated by the Tokyo Stock Exchange, Inc. are fulfilled.

For instance, we take special care to determine if the independence of a person who has any of the following relationships with the NNFH Group is compromised because of such relationships, and disclose to shareholders the relationships between the NNFH Group and said person to the extent necessary.

1	A person who was an executing person of NNFH or any of its subsidiaries
2	A person for whom NNFH or any of its subsidiaries is his/her major counterparty ^{*1} (If he/she belongs to a company, an executing person of said company now or in the past)
3	A major counterparty of NNFH or any of its subsidiaries ^{*2} (If he/she belongs to a company, an executing person of said company now or in the past)
4	A person who is a consultant, accounting professional or legal professional who has received a large amount of money or other compensation ^{*3} , excluding remuneration for directors from NNFH or any of its subsidiaries, within the last three years (If he/she belongs to a company or other form of organization, an executing person of said company or organization now or in the past)
5	A person who is a major shareholder ^{*4} of NNFH (If he/she belongs to a company, an executing person of said company)
6	A person who has kinship status with a person outlined in 1-5 above
7	An executing person of a company where an officer or a clerk of NNFH or any of its subsidiaries is an outside officer
8	An executing person of a company or other form of organization who has received a large sum of donations ^{*5} from NNFH or any of its subsidiaries within the last three years

^{*1} A counterparty that has received 2% or more of its consolidated net sales in the latest fiscal year from NNFH or any of its subsidiaries
^{*2} A counterparty from which NNFH or any of its subsidiaries have received 2% or more of their consolidated gross profit in the latest fiscal year
^{*3} A total of 30 million yen or more in cash or other compensations over the last three years
^{*4} A shareholder who holds 10% or more of the shares outstanding
^{*5} A donation of 15 million yen or more in total received over the past three years

Policy and Procedures for Appointment/Dismissal of Senior Management

Our Board of Directors appoints a representative director and senior managements (directors with special titles) after taking into consideration reports by the Nomination and Remuneration Advisory Committee and, in the event that the performance of any representative director or member of senior management (director with special titles) falls under the standards of removal as stipulated by the Board of Directors, deliberates on his/her removal, thereby ensuring objective, timely, and transparent procedures for appointment/removal of senior management.

● Skill Matrix

NNFH has identified corporate management, finance and economy, financial affairs and accounting, and legal affairs and risk management, as being the four areas of specialty for members of the Board of Directors. Shown on the matrix below are the areas of specialty we expect from each member of the Board of Directors.

Name	Position at the Company	Attribute	Specialty			
			Corporate management	Finance and economy	Financial affairs and accounting	Legal affairs and risk management
Isao Kubota	Chairman		●	●	●	●
Hiromichi Tanigawa	Deputy Chairman		●	●	●	●
Hideyuki Murakami	President		●	●	●	●
Kiyota Takata	Director		●	●	●	
Takashige Honda	Director			●	●	●
Kiyotaka Tomoike	Director, Audit and Supervisory Committee member			●	●	●
Toshio Sakemi	Director, Audit and Supervisory Committee member	Outside independent director	●		●	●
Chiharu Kubo	Director, Audit and Supervisory Committee member	Outside independent director	●		●	●
Sachiko Miyamoto	Director, Audit and Supervisory Committee member	Outside independent director		●	●	

^{*} The above areas of specialty do not represent all of the knowledge and experience that directors possess.

Analysis and Evaluation of Board Effectiveness

Every year, we analyze and evaluate the effectiveness of our Board of Directors at the board meeting.

At the board meeting held in June 2022, we analyzed and evaluated the effectiveness of our Board of Directors based on the findings of a self-evaluation questionnaire distributed to all directors to verify that effectiveness is largely ensured.

Going forward, we will seek every opportunity available to provide directors with pertinent information by, for example, making reference materials for board meetings clearer and to the point, in order to further stimulate discussions among directors.

Support for Outside Directors

We make it a rule to fully explain the business, financial position, organizations, and other matters of the NNFH Group to our outside directors upon the assumption of their position. We are also taking appropriate measures to develop an environment in which outside directors can fulfill their roles and responsibilities effectively by, for example, providing prior explanations of the agenda for the board meeting and briefings on their duties, and organizing on-site visits.

We also appoint full-time Audit and Supervisory Committee members, who support outside Audit and Supervisory Committee members, and we have established the Audit and Supervisory Committee Members Office, which is directly managed by the Audit and Supervisory Committee. Full-time members of the Office assist all Audit and Supervisory Committee members, including outside members, and the Audit and Supervisory Committee in performing their duties.

Directors’ Remuneration System

Policy and Procedures for Decisions on the Content of Remuneration, Etc. of Individual Directors

We established the Nomination and Remuneration Advisory Committee, the majority of whose members are outside directors of the NNFH Group, in order to enhance the objectivity and transparency of decisions on remuneration, etc. of directors (excluding directors who are Audit and Supervisory Committee members; the same applies hereinafter).

Remuneration of directors shall comprise the monthly fixed price remuneration, and the stock-based remuneration, which is provided with the aim of incentivizing directors to improve corporate value over the medium to long term, and the total amount of the remuneration, etc. shall be no more than 300 million yen per year, which was approved at the general shareholders’ meeting held on 29th June, 2022.

i) Fixed price remuneration (cash remuneration)

The amount of the remuneration, etc. for each individual director shall be determined according to the duty of the director by a resolution of the Board of Directors and in consideration of reports from the Nomination and Remuneration Advisory Committee, and shall be paid on a monthly basis.

ii) Stock-based remuneration (non-cash remuneration)

With respect to the stock-based remuneration, each individual director shall, at a designated time of each fiscal year, be granted points determined according to the duty of the director (with one point corresponding to one share) based on the Director Stock Benefit Regulations established by NNFH and shall, at the time of retirement, be provided with the number of shares of NNFH’s common stock (hereinafter “Company Shares”) that corresponds to the cumulative number of those points granted to the director (if the director retires at the expiration of his or her term of office, 30% of those Company Shares shall be replaced by the amount of cash that is equivalent to the market value of that 30% of those Company Shares). The stock-based remuneration shall be determined so as to account for approximately 10% of the total amount of the remuneration, etc., which is the sum of the fixed price remuneration (cash remuneration) and the stock-based remuneration.

The Nomination and Remuneration Advisory Committee met in February 2022 to deliberate on remuneration, etc. of directors (excluding directors who are Audit and Supervisory Committee members). Remuneration, etc. of directors who are Audit and Supervisory Committee members has been decided through consultation among Audit and Supervisory Committee members.

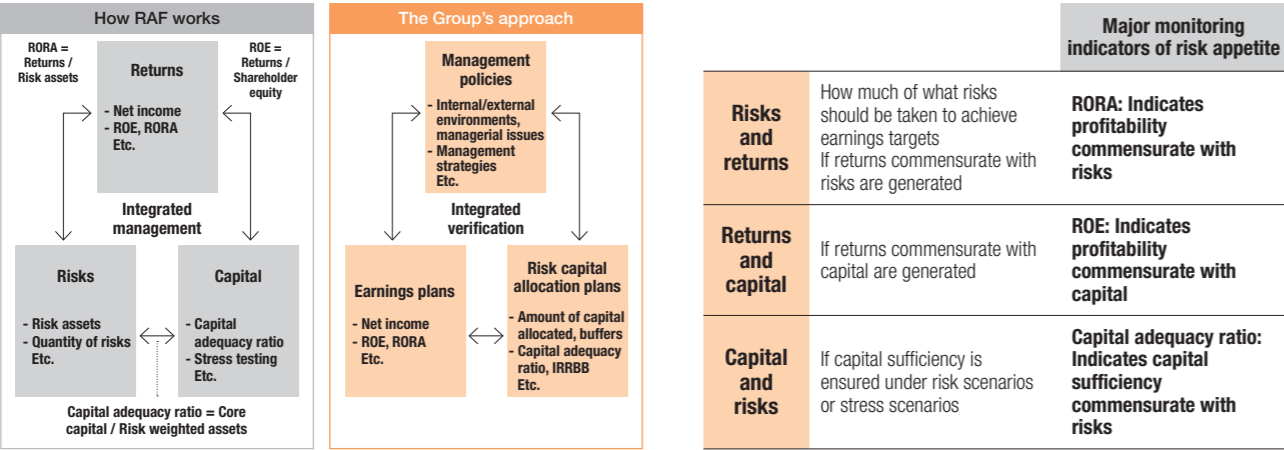
Risk Management

Risk Appetite Framework (RAF)

The NNFH Group has introduced a risk appetite framework (RAF), a tool for optimizing risks and returns through integrated management of strategies and risk management.

In drawing up a business plan (management plan and medium-term business plan), we verify management policies, earnings plans, and risk capital allocation in an integrated manner based on future forecasts of risks, returns, and available capital.

We also monitor indicators on risk appetite periodically to follow up on the progress of the plans.



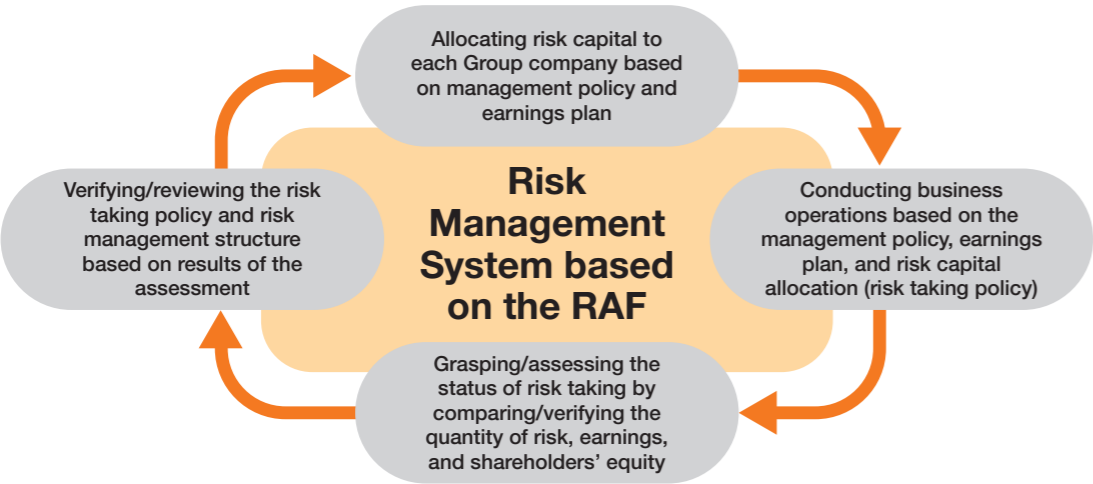
Initiatives for Risk Management

Risk management is one of the top priority issues in the management of the NNFH Group. Accordingly, we established the Basic Policy on Risk Management, which serves as a set of shared norms for the Group, and we make concerted efforts to advance our risk management structure to establish a sound management base and ensure stable earnings.

Risk Management System

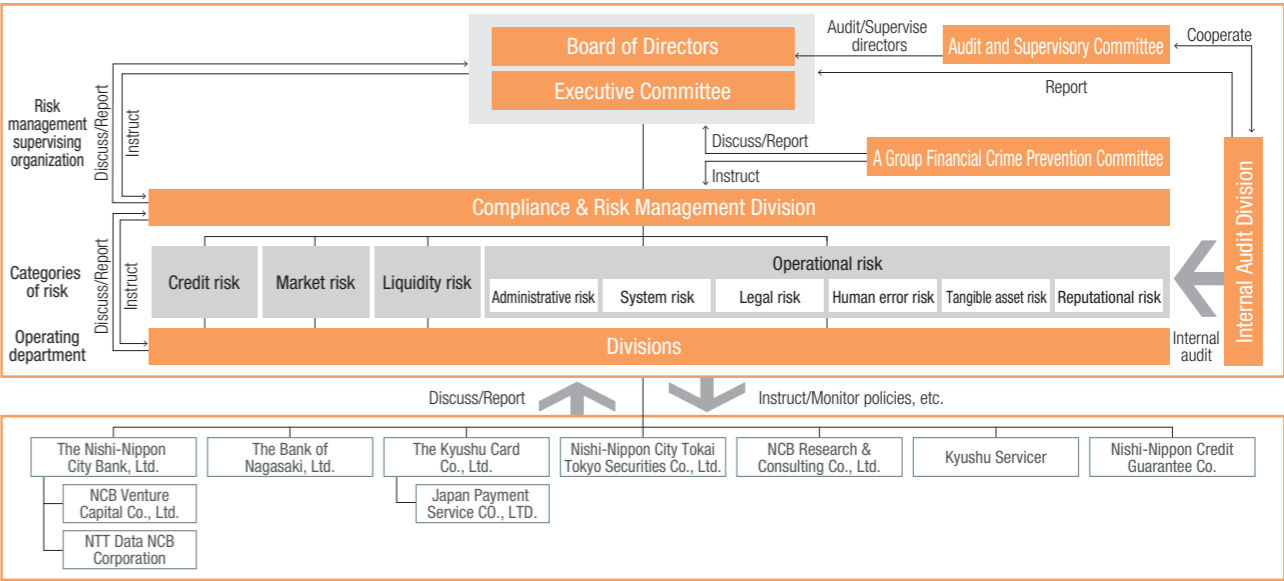
Centralized Management by the Risk Management Supervising Department

NNFH established a Compliance & Risk Management Division to manage all matters concerning risk management under one umbrella. This Division periodically monitors the status of risk management within the Group and issues directives for improvement as necessary, thereby ensuring that the risk management system is effective.



Committees

Each Group company establishes a consultative body, such as an ALM Committee and Operational Risk Committee, according to the characteristics of their operational risks, and deliberates on and assesses matters concerning risk management both periodically and cross-sectionally.



Integrated Risk Management

We evaluate and manage risks by comprehensively identifying potential risk situations that are inherent to a group organization and, thus, are difficult for individual Group companies to deal with, such as the statuses of risks, and the likelihood of them adversely affecting the Group, and then assessing them against the Group's financial resilience (equity capital).

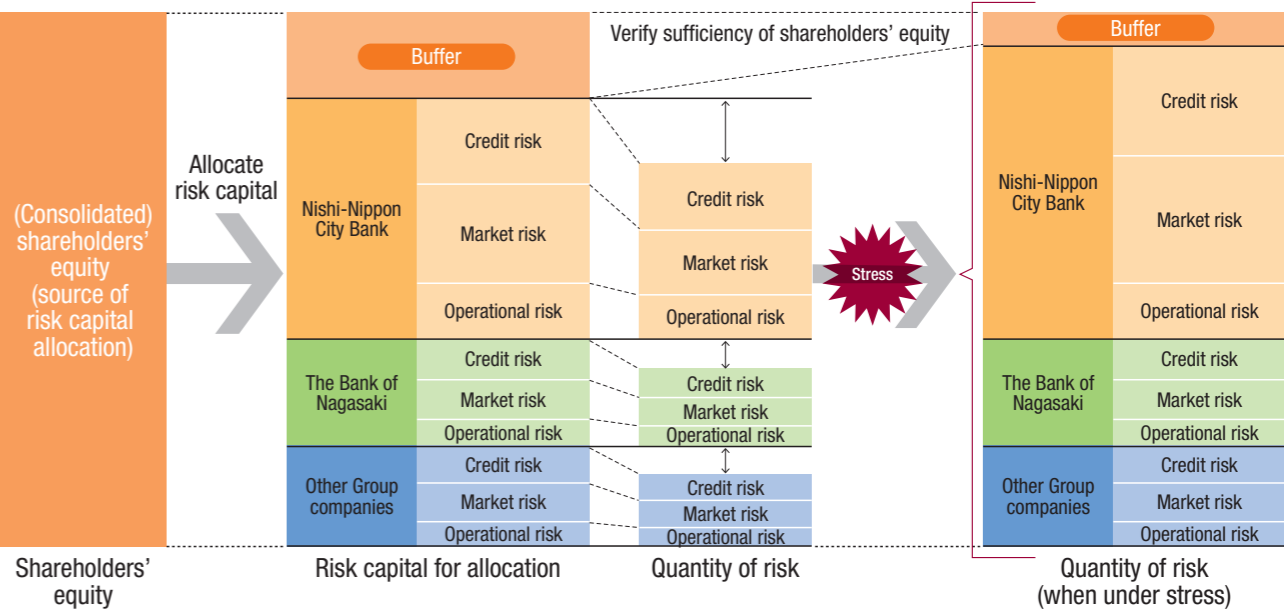
Allocating Risk Capital

NNFH allocates risk capital to each Group company under the framework of integrated risk management.

In more concrete terms, we use consolidated shareholders' equity to allocate risk capital to each Group company in each category of credit risk, market risk, and operational risk. We also monitor the quantity of risk and earnings results at each Group company to ensure that risk is taken appropriately within the scope of allocated risk capital.

Stress Tests

The NNFH Group conducts stress tests to verify the impact that deterioration of the economic environment or market environment may have on the capital adequacy ratio, sufficiency of shareholders' equity, and appropriateness of risk taking. We also set shared stress scenarios throughout the Group by taking into account cases of economic free fall from the past and risks that could occur in the future.



Risk Management Framework by Category

Credit Risk Management

Credit risk is the possibility of a loss resulting from a reduction or complete loss of the value of assets (including off-balance assets) due to such reasons as a deterioration in the financial situation of borrowers. Recognizing credit risk as the most important type of risk for the NNFH Group, NNFH established a Credit Risk Management Policy under its Risk Management Regulations, thereby reinforcing the credit risk management system. The Group objectively and quantitatively monitors the risks of individual borrowers and feeds any findings back to its credit portfolio management, thereby managing the entire Group in an integrated manner.

Also, in order to control the risk of a major loss occurring to the Group due to a concentration of credit to specific customers, we manage credit appropriately and ensure the soundness of management. To properly depreciate and provide allowances for assets, we set unified standards for strict self-assessment of assets.

Market Risk Management

Market risk is the possibility of a loss due to fluctuations in the value of assets/liabilities (including off-balance assets) in response to movements in interest rates, forex market, stock prices, and other parameters, and a loss due to fluctuations in earnings generated from such assets/liabilities. NNFH established a Market Risk Management Policy under its Risk Management Regulations to reinforce its market risk management system. The NNFH Group sets limits on market risks so as to enable adequate management of such risks and undertakes them within the limits, thus set to ensure stable earnings.

Liquidity Risk Management

Liquidity risk is the possibility of a loss due to a difficulty in securing necessary funds or being obliged to procure funds at an interest rate significantly higher than usual because of a timing mismatch between management and procurement or an unexpected outflow of funds (financing risk). It also refers to the possibility of a loss due to the inability to make transactions in the market on account of confusion in the market or other reasons or due to being forced to make transactions at prices significantly less favorable than usual (collectively, market liquidity risk). NNFH established a Liquidity Risk Management Policy under its Risk Management Regulations in an effort to reinforce the liquidity risk management system. In order to prevent tight finances, the NNFH Group maintains the soundness of its assets so that it can ensure market liquidity and stabilize cash flows.

Operational Risk Management

Operational risk is the possibility of a loss incurred by inappropriate business processes, behaviors of officers and clerks, or systems, or by exogenous events. NNFH established an Operational Risk Management Policy under its Risk Management Regulations, thereby strengthening its operational risk management system. Given that operational risks are so extensive, varied, and diverse that they concern every single operation and section and thus must be avoided as far as possible in business management, the NNFH Group has developed an organizational setup and system that properly manage such risks, in order to prevent them from becoming actualized and to minimize their impacts should any such risks occur.

We group operational risks into six categories: 1. Administrative risk, 2. System risk, 3. Legal risk, 4. Human error risk, 5. Tangible asset risk, and 6. Reputational risk, thus managing them according to the characteristics of risks each Group company is faced with. Meanwhile, our Compliance & Risk Management Division monitors and manages the operational risks faced by the NNFH Group as a whole.

Categories of Risk	Definitions of Risk
1. Administrative risk	Risk of losses being incurred as officers and/or clerks fail to perform their office work accurately or become involved in accidents, irregularities, etc.
2. System risk	Risk of losses being incurred due to system failures, such as computer system shutdowns and malfunctioning or unauthorized use of computers
3. Legal risk	Risk of losses/damage being incurred as a result of a breach of duty due to fault involving customers or inappropriate business/market practices
4. Human error risk	Risk of losses/damage being incurred due to unfair/unjust personnel practices (involving remuneration, allowance, dismissal, and other issues) and discriminatory behavior (sexual harassment, etc.)
5. Tangible asset risk	Risk of harm/damage to tangible assets being incurred due to wind and flood damage by typhoons, torrential rain, and other forms of natural disasters, as well as other events
6. Reputational risk	Risk of losses/damage being incurred due to lowering of credibility as a result of reputational damage, the spread of rumors, etc.

Crisis Management

NNFH has compiled the Business Continuity Regulations, which serve as a basic policy on the development of arrangements needed to continue with minimal operations required to maintain the functions of the financial system in the face of a large-scale disaster, system failure, or other unforeseen contingency. In compliance with this basic policy, each Group company has established a business continuity plan (BCP) and, by conducting various training, is working to improve the effectiveness of the business continuity arrangement.

● Our Response to COVID-19

The NNFH Group has established countermeasures headquarters and other organizations at each Group company to gather information on COVID-19, draw up anti-infection measures, and ensure business continuity arrangements when any employees are infected. Furthermore, we have established arrangements for information exchange and crisis management across Group companies to ensure the safety of our customers and employees so that customers may use our services without anxiety.

● Our Response to Natural Disasters

The NNFH Group assesses the potential risks of natural disasters such as earthquakes, tsunamis, typhoons, and floods, for each location and reinforces the equipment, stockpiles emergency food and other supplies, and conducts routine safety drills, etc., so as to ensure business continuity in the wake of a natural disaster.

● Our Response to System Failures, Etc.

The NNFH Group is actively working to enhance safety measures for its systems and its backup systems in an effort to ensure that every possible precaution has been taken toward safe and uninterrupted operations. In addition, we conduct safety drills on a regular basis to ensure business continuity in the event of a system failure, cyber attack, etc.

Initiatives for Compliance

Effective compliance is one of the overriding management issues for the NNFH Group. As such, we have established the Basic Policy for Compliance for the Group to follow and, based on the recognition that the compliance framework is a key infrastructure upon which to build a relationship of mutual trust with our local communities and business partners, and our management has announced to all employees the resolution to ensure compliance in an effort to foster a corporate culture that considers compliance to be of critical import.

Compliance Management Structure

● Unified Management by the Compliance Supervising Organization

Our Compliance & Risk Management Division is responsible for the unified management of matters related to compliance and periodically monitors the status of compliance initiatives within the NNFH Group. They also work to ensure the effectiveness of compliance efforts by issuing improvement orders when deemed necessary.

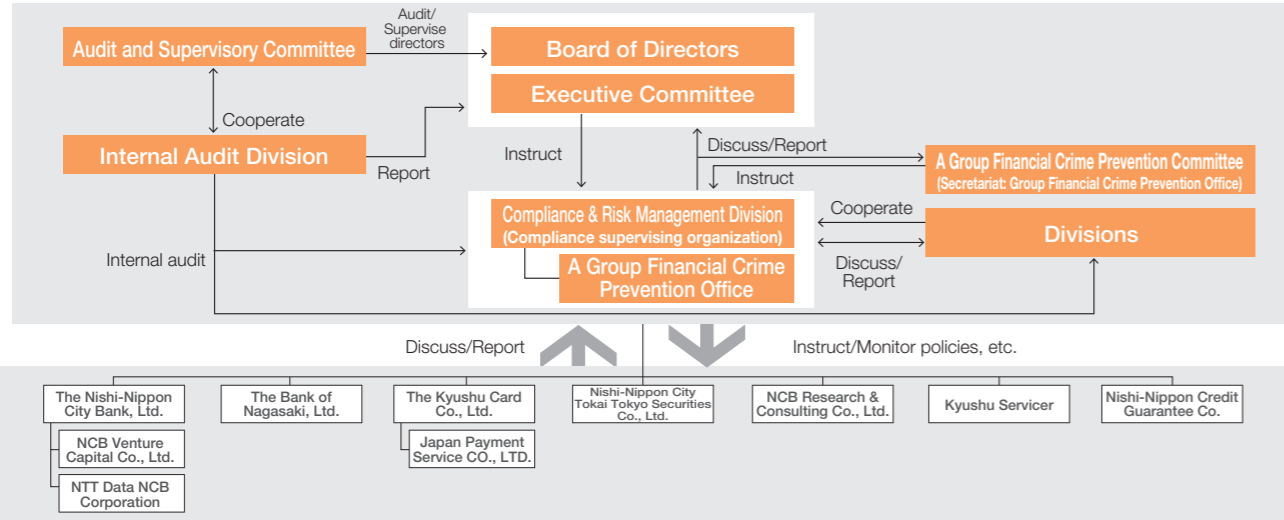
● Compliance Committee

Each Group company has established a Compliance Committee to conduct concrete and substantial discussions and assessments of matters regarding compliance that carry weight on their management on a regular basis.

● Compliance Program

Pursuant to the Basic Policy for Compliance of the NNFH Group, each Group company draws up a compliance program, an annual plan for practicing compliance, thus enhancing and reinforcing the compliance risk management framework.

The NNFH Group's Compliance Management Structure



Measures against Money Laundering and Terrorism Financing

As threats of proliferation of weapons of mass destruction and terrorism increase globally, Japan and the international community must come together to prevent funds from being distributed to criminals or terrorist organizations, making efforts to prevent money laundering and terrorism financing more important than ever.

The NNFH Group has established the Basic Policy for Measures against Money Laundering and Terrorism Financing, under which the entire Group commits itself to prevent money laundering and terrorism financing.

Basic Policy for Measures against Money Laundering and Terrorism Financing (Excerpts)

1. Organizational Structure

- The NNFH Group's management recognizes the importance of measures to prevent money laundering and other illegal financial transactions and is actively committed to the prevention of such activities by appointing an officer in charge of measures to prevent money laundering and other illegal financial transactions, while at the same time ensuring that all officers and clerks are dedicated to prevention in this regard, thus reinforcing a framework for their management.
- The NNFH Group establishes a framework for unified management of money laundering and other illegal financial transactions by appointing persons and departments responsible for preventing such illegal financial transactions and has them draw up and manage policies on our responses, so that we can deal with them cross-sectionally. The concrete content of such policies will be determined after taking into account specific circumstances, for example, whether or not a Group company falls under "specified business operators" as stipulated in Article 2, Paragraph 2, Act on Prevention of Transfer of Criminal Proceeds.
- The NNFH Group assesses risks that involve the entire Group and develops a framework needed to share information within the Group to ensure the effectiveness of the measures to prevent money laundering and other illegal financial transactions.
- The NNFH Group makes a confirmation at times of transaction or takes other measures appropriately pursuant to relevant laws and regulations of Japan and other countries and strives to make constant verifications and advance its responses in this regard, in order to prevent customers or officers and clerks of the Group from committing or being involved in money laundering and other illegal financial transactions.

2. Initiatives for Reducing Risks

- The NNFH Group identifies and assesses the risks that it faces in a timely and appropriate manner and takes measures to reduce such risks in accordance with the risk-based approach, in an effort to implement effective measures to prevent money laundering and other illegal financial transactions.
- In order to put these initiatives into practice, the NNFH Group identifies and assesses the risks associated with the products and services that it offers based on the content of the National Risk Assessment of Money Laundering and Terrorist Financing released by the National Public Safety Commission, and compiles its measures to reduce such risks in a Risk Assessment Report.

3. Transaction Policy

- The NNFH Group takes management measures commensurate with the risk with the customers or transactions in question, and implements continued management in order to keep their information updated.
- The NNFH Group takes appropriate measures as dictated by relevant laws and regulations with regard to declining/eliminating business relationships with financial criminals, those penalized for financial crimes, and the like, with whom developing or continuing a relationship is deemed inappropriate.

Severing Relations with Antisocial Forces

Strongly recognizing its social responsibility, the NNFH Group is working to block its relationships with antisocial forces that threaten the order and security of civil society.

In concrete terms, we designate a department that deals with antisocial forces and, through cooperation with police, lawyers, and other external professional bodies, firmly decline undue claims and interventions from antisocial forces, involving the entire organization in doing so. Also, we ensure that we include an article to the effect that organized crime groups and other antisocial forces should be eliminated in various application forms and contracts of the Group, in order to prevent transactions and relationships with such groups.

Whistle-Blowing System

In consideration of the purpose of the Whistleblower Protection Act, the NNFH Group has established the Whistle-Blowing Regulations and a whistle-blowing desk at each Group company, with a view toward the early discovery and correction of acts in violation of relevant laws and regulations by the Group and strengthening compliance-oriented management. We have also established a whistle-blowing desk where employees of each Group company may directly report to or seek consultation from without going through their company within NNFH and external law firms, in a bid to improve the effectiveness of the whistle-blowing system.

Initiatives to Prevent Bribery and Corruption

Offering and accepting entertainment against laws and regulations, other rules, or social customs and practices, as well as giving and receiving gifts, needs to be prevented. To this end, the NNFH Group sets out its stance and approaches in the Compliance Standards. The Group keeps its officers and clerks informed of the standards, thereby working to prevent bribery and corruption.

Framework for Customer Protection

For the sake of customer protection, enhanced convenience, and facilitation of financing, the NNFH Group makes constant efforts to establish a framework for customer protection by, for example, providing explanations to customers, responding to consultation and complaints from customers, managing customer information, supervising third-parties to whom it outsources part of its operations, and appropriately managing conflicts of interest that may arise from transactions with customers.

To develop a framework for the safe management of customer information, we have established the Privacy Policy for public announcements and put it to appropriate use pursuant to applicable laws and regulations.

Initiatives for the Financial ADR System

When a customer has a dispute with a financial institution that they find difficult to resolve, no matter how much they consult with each other, they can avail themselves of the financial alternative dispute resolution* (ADR) system. Upon application by a customer or a financial institution, a neutral dispute settlement organization designated by the national government attempts to solve complaints and problems.

* A procedure for bringing about a flexible solution to daily troubles through the involvement of a neutral and fair third-party, rather than by a court.

Initiatives for Improving Customer Satisfaction

Building a Framework for Customer-Oriented Business Conduct

Basic Policy for Management and Building of Customers’ Assets (Basic Policy on Fiduciary Duty)

Under the Group Management Philosophy, the NNFH Group rolls out comprehensive financial services that exceed the expectations of customers and host communities. To appropriately manage and build customers’ assets, the Group has built a framework for customer-oriented business conduct by establishing the Basic Policy for Management and Building of Customers’ Assets (Basic Policy on Fiduciary Duty).

The Group has set objective and specific KPIs to assess the status of customer-oriented business conduct based on the basic policy. The status is disclosed regularly and reviewed as needed.

● **Building a Framework for Customer-Oriented Business Conduct**

In accordance with the Group Management Philosophy, the NNFH Group strives to ensure thoroughly customer-oriented business conduct, aiming to be a comprehensive financial group chosen by customers. Each and every officer and employee works in a way sincere and fair for customers.

Learning from Customer Surveys

The Nishi-Nippon City Bank and Nishi-Nippon City Tokai Tokyo Securities conduct surveys (NPS®*) targeting customers who have asset management products, in order to take customer feedback seriously and offer better products and services. Based on the comments and requests in the NPS® surveys and customer feedback cards, we strive to improve products and services and take other measures to increase the level of customer satisfaction.

* NPS® stands for Net Promoter Score®, which represents how high level of interest customers have in a company's brand, product, or staff and how strongly customers would like to recommend them in charge to friends or family.

● **Offering Optimal Products and Services for Customers**

Through dialogue with customers, the NNFH Group accurately understands customer needs and strives to offer optimal products and services suited to customers’ asset status, experience, knowledge, and purpose of asset management.

Proposing Optimal Financial Products for Customers

According to customers’ investment policies and risk tolerance, the NNFH Group strives to propose asset management and building based on portfolios of financial products, such as investment trusts, insurance products, and deposits.

* We make efforts to offer more detailed explanations to customers with little financial knowledge or transaction experience, as well as to elderly customers.
* We ask elderly customers to listen to product explanations with a family member, etc. In addition, we ask them to sign the contract at a later day, allowing sufficient time for consideration.

● **Providing Information to Customers in a Better Way**

The NNFH Group strives to provide important information in a way easy to understand for customers, according to product and service characteristics, customers’ experience and financial knowledge, and other factors. This helps customers select products and services that meet their needs.

Making Information Easy to Understand

The NNFH Group strives to provide information to customers in a way easy to understand the characteristics, risks, commissions, and other aspects of products and services. To this end, materials with illustrations and graphs are used.

In September 2019, NCB Asset Management, an information provision tool by the Nishi-Nippon City Bank, won the Another Voice Award in the UCDA Awards 2019 organized by the Universal Communication Design Association (UCDA). The Another Voice Award is given to companies highly regarded especially by consumers.

The Nishi-Nippon City Bank



The Bank of Nagasaki



Nishi-Nippon City Tokai Tokyo Securities



Increasing Accessibility to Customers

Barrier-Free Facilities

We promote universal design and barrier-free facilities at our branches for our valued customers.

Services Friendly to Persons with Disabilities

The Nishi-Nippon City Bank and the Bank of Nagasaki have installed a total of 868 and 45 ATMs (including those outside branches) for visually-impaired persons, respectively, with at least one at every branch (current as of 31st March, 2022). Customers are also welcome to ask our staff to write/read for them.



Entrance with no steps (slope)



Accessible Toilet



Customers can write here while seated



Priority ATM for visually-impaired persons

Initiatives for Security

The Nishi-Nippon City Bank and the Bank of Nagasaki take measures to prevent financial crimes, such as illegal money transfer via internet banking and fake phone call fraud (bank transfer fraud).

Initiatives for Enhancing Security of Internet Banking

● **Measures Taken for the Nishi-Nippon City Bank’s Systems**

NCB Direct (for retail customers) requires additional secret phrase authentication when customers attempt to connect from unknown computers. In particular, we strongly recommend the use of one-time passwords. Customers who have conventional cellular phones or smartphones are provided with an app (soft token), and customers who do not with a keychain-type device to generate one-time passwords (hard token). Since 2021, one-time passwords have been required for transfers and other transactions.

NCB Business Direct (for corporate and sole proprietor customers) requires one-time passwords available from soft and hard tokens. In addition, users can connect from registered computers only.

● **Measures Taken for the Bank of Nagasaki’s Systems**

Nagasaki Internet Banking (for retail customers) aims to enhance security by requiring customers to use either one-time passwords or email notifications passwords.

Nagasaki Business Direct (for corporate and sole proprietor customers) has introduced a system to which users can connect from registered computers only. In addition, the system requires one-time passwords available from a keychain-type generator (hard token).

Measures Taken for Customers’ Computers

Free software to tackle illegal money transfer is distributed on the Nishi-Nippon City Bank’s and the Bank of Nagasaki’s websites. The software prevents users from being directed to fake websites (phishing) and having their passwords and other information stolen by viruses (spyware).

Initiatives for Preventing Fake Phone Call Fraud (Bank Transfer Fraud) and Other Financial Crimes

The Nishi-Nippon City Bank’s and the Bank of Nagasaki’s employees strive to prevent financial crimes by speaking to customers who are using cellular phones at an ATM or a counter.

Communication with Shareholders and Investors

NNFH is engaged in the following to promote constructive dialogue with shareholders and investors.

1	Appointing responsible persons	A director in charge of the Corporate Planning Division is responsible for ensuring that constructive dialogue occurs at financial results briefings and other opportunities to engage with shareholders and investors and for providing as many of such opportunities as possible.
2	A framework for promoting constructive dialogue	Through cooperation with each division and Group company, the Corporate Planning Division develops a framework under which varying management information is gathered, analyzed, and offered to shareholders and investors in an appropriate form.
3	Measures to promote opportunities for dialogue	As part of dialogues with shareholders and investors, financial results briefings and other events are organized.
4	Feeding back shareholders' opinions	Opinions presented in dialogues with shareholders and investors are appropriately fed back to the management team by persons participating in the dialogues.
5	Control of insider information	To manage important corporate information appropriately and prevent insider trading, we establish and keep everyone informed of relevant in-house regulations. We will not include matters that have yet to be made publicly available in handouts for investors or make any comment on issues that may be deemed material facts.

IR Calendar

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Financial results announcement Financial Results releases		● Third-quarter financial settlement			● Full-year financial settlement			● First-quarter financial settlement			● Second-quarter financial settlement	
Securities report and quarterly reports submission		● Third-quarter report				● Securities report		● First-quarter report			● Second-quarter report	
Disclosure materials issuance		● Interim Disclosure Report					● Integrated Report (Disclosure Report)	● Mini Disclosure Report			Interim Mini Disclosure Report ●	
General Meeting of Shareholders						● Annual General Meeting of Shareholders						
Briefing for institutional investors and analysts					● Full-year financial results briefing			Second-quarter financial results briefing ●				

General Shareholder's Meeting

At Annual General Meetings of Shareholders held every June, we report our business performance to shareholders in the most digestible way possible, using videos and other tools.

We held the 6th Annual General Meeting of Shareholders on 29th June, 2022, by taking appropriate measures to minimize the chance of infection with COVID-19, by placing shareholders' well-being and safety before everything else.

We make it a rule to send a convocation notice to shareholders well before the meeting and disclose the notice on our and stock exchanges' websites prior to the dispatch.

We also make it easy for our shareholders to exercise their voting rights by allowing them to vote on the internet or otherwise and participating in the electronic voting platform for institutional investors operated by ICJ, Inc.

For the convenience of international shareholders and other parties, we disclose an English version of the convocation notice alongside its Japanese original on the websites of stock exchanges and NNFH.

Investor Relations

For Institutional Investors and Analysts

We organize financial results briefings twice a year for institutional investors, analysts, and others, with the President making the presentation after announcing the full-year results and interim results.

In addition, we invite a director in charge of IR and others to do one-on-one meetings to explain the financial conditions, management strategies, and other information of the NNFH Group and gather opinions and comments.

For Private Investors

To help deepen understanding of the NNFH Group, we organize informational meetings for private investors in the host community as we see fit.

Shareholder Return Policy

In light of the public nature of a bank holding company and the importance of maintaining its sound management, we strive to strengthen our financial resilience by retaining an appropriate level of internal reserves and continue with stable dividend payments to our shareholders.

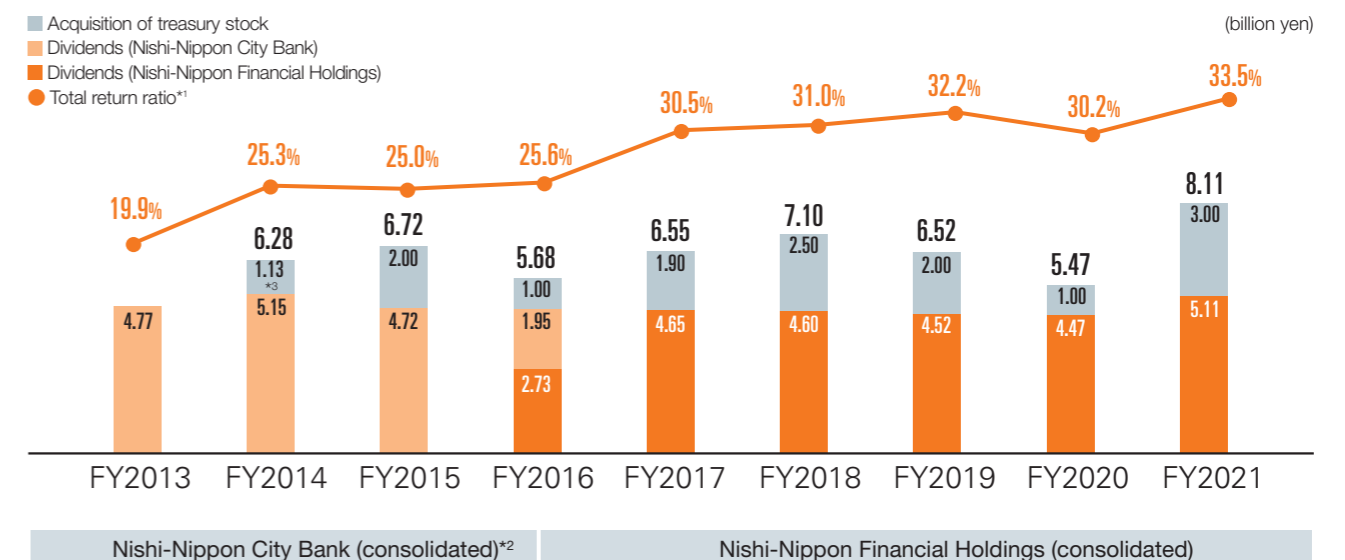
Our basic policy on shareholder returns is as follows:

1. With a stable annual dividend of 25 yen per share as the base,
2. Maintain around 30% of the ratio of total return to net income attributable to owners of parent

With the above as rough guidance for the time being, we will decide what and how much to each term by taking into account the current economic circumstances, financial conditions, earnings forecasts, and other parameters.

Return to shareholders

The Amount of Profit Distribution to Shareholders and Total Return Ratio



*1 Total return ratio: Amount of profit distributed to shareholders (dividends + acquisition of treasury stock) / Net income attributable to owners of parent × 100

*2 Consolidated with the Nishi-Nippon City Bank as the parent prior to FY2015

*3 4.99 billion yen earned during FY2014 minus 3.87 billion yen, which was used for the stock swap to acquire 100% ownership of two subsidiaries

Management of Securities and Status of Cross-Shareholdings

Management of Securities

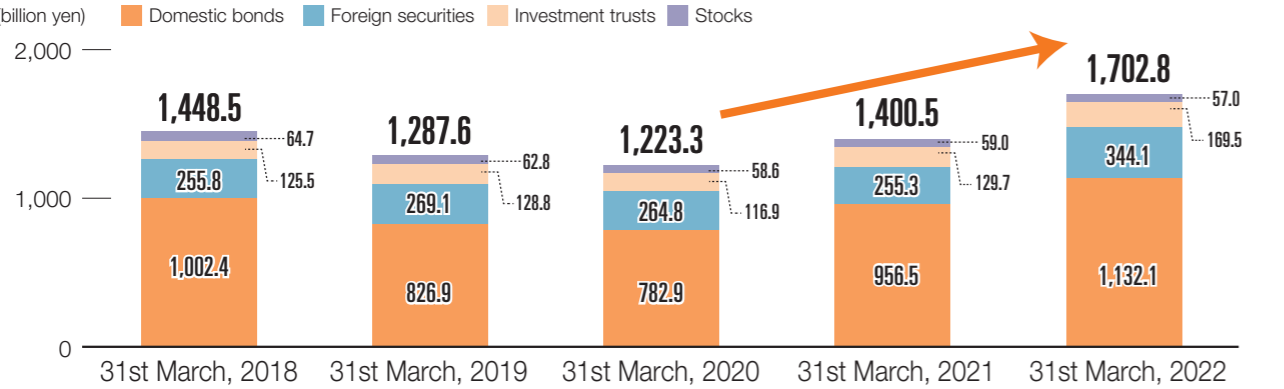
The Nishi-Nippon City Bank, Ltd. will continue to increase its balance while pursuing an asset allocation that achieves both profitability and resistance to market fluctuations, in order to strengthen its securities earnings power. At the same time, it will continue its efforts to strengthen the structure of the market divisions.

Initiatives for Strengthening Securities Earning Power

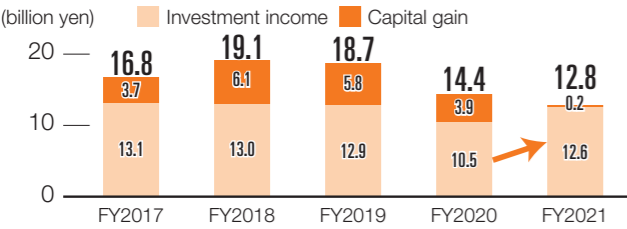
Strengthen Investment Income Earning Power by Increasing Balance and Bond Switching

We are increasing our balance at an annual pace of 200-300 billion yen in order to strengthen the securities earning power. While continuing to replace low-yield bonds, etc. through bond switching, we will work to increase the balance and improve yields.

Balance of Securities (book value)

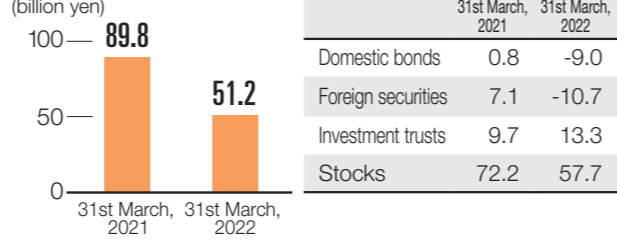


Securities-related returns



*Capital gains of FY2018 exclude the ¥13.7 billion gain on the sale of Nishi-Nippon Financial Holdings shares.

Valuation gains on securities



Interest Rate Risk

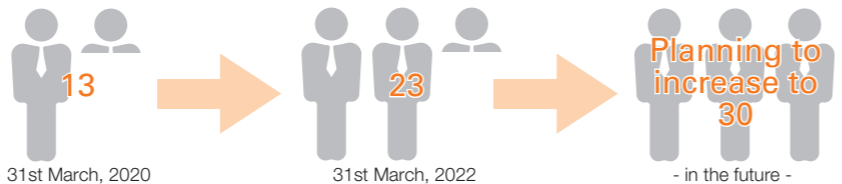
	FY2017	FY2018	FY2019	FY2020	FY2021
Duration of yen bonds (annual)	2.95	2.76	4.03	6.43	6.84
Duration of foreign bonds (annual)	4.25	4.25	3.69	4.11	4.48
IRRBB Importance Test Ratio (%)	—	8.9	11.3	5.0	6.6

Efforts to Strengthen the Structure of the Market Divisions

Increase Personnel

Some of the personnel freed from other tasks through work reform will be heavily re-allocated to the market divisions.

Number of personnel in the market divisions (front office)

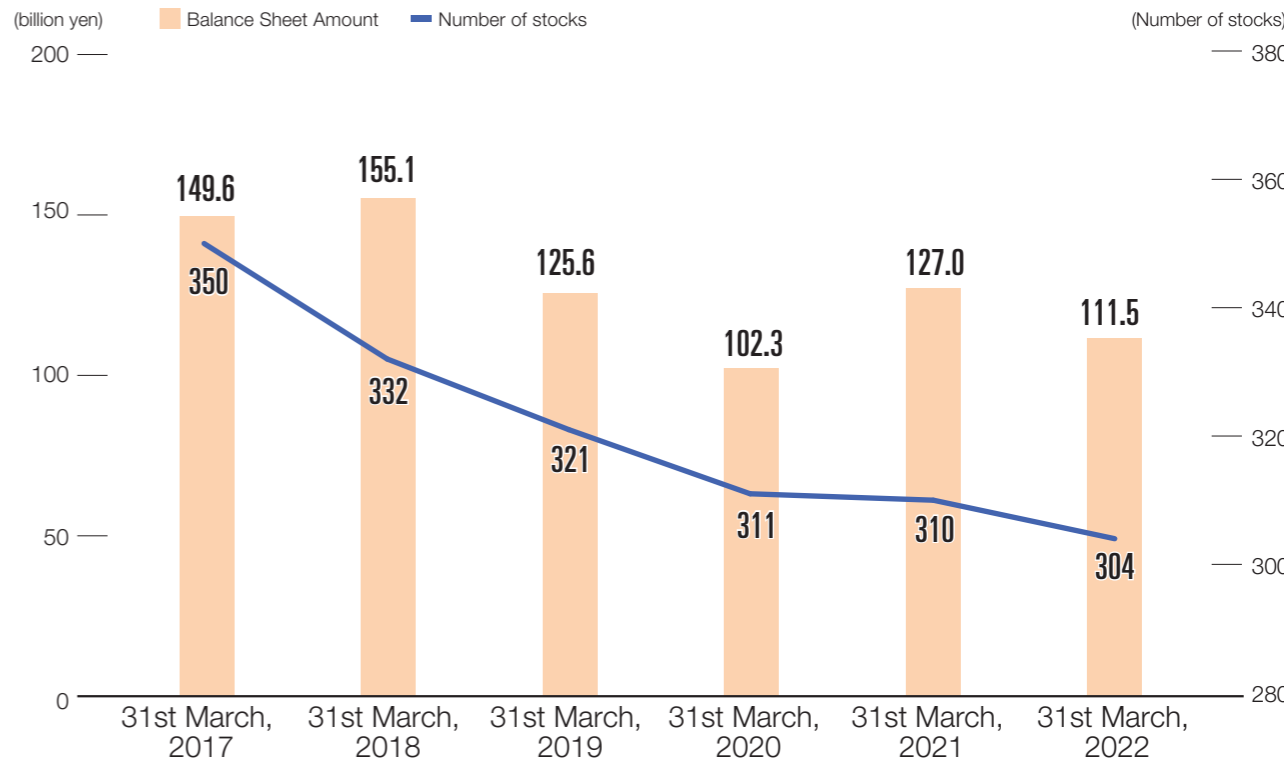


Status of Cross-Shareholdings

From the perspective of ensuring the stability of relationships with business partners, etc. of the Group, the Group has a policy of holding cross-shareholdings only to the extent that it is recognized as contributing to the realization of “maintaining and strengthening good business relationships and cooperative relationships with the Group”, “improving the medium- to long-term corporate value of the Group and issuing companies” and “contributing to the local economy by the issuing companies”.

The Board of Directors comprehensively verifies every year, with regard to cross-shareholdings, whether it is appropriate to continue holding them in accordance with the above policy and whether the risks and returns are economically rational. As a result, if it is determined that improvement is necessary, dialogue with the partner company shall be held. Nonetheless, if there is no signs of improvement, reducing the cross-shareholdings that do not show improvement shall be considered.

Changes in Cross-Shareholdings



*The figure shows changes in cross-shareholdings of The Nishi-Nippon City Bank, Ltd., and the company with the largest amount of investment shares on the balance sheet of the Group.

Financial Information

Nishi-Nippon Financial Holdings Consolidated Financial Settlement Summary

Results Summary

	(Million yen)				
	FY2017	FY2018	FY2019	FY2020	FY2021
Ordinary income	142,613	143,740	141,698	134,949	138,484
Gross operating profit	117,989	116,939	115,234	116,032	121,640
Net interest income	95,332	96,753	91,275	92,026	97,373
Net fee and commission income	21,074	20,844	20,264	19,046	20,932
Net trading income	2,489	1,433	1,382	1,842	1,919
Net other operating income	(907)	(2,092)	2,310	3,117	1,415
(of which net gains (losses) related to bonds)	(306)	(758)	(2,579)	(2,751)	(955)
Expenses	83,179	80,710	80,479	78,603	78,076
Net business profits	34,809	36,228	34,754	37,429	43,563
Gains (losses) on equity securities	2,650	3,650	2,205	1,946	(909)
Cost of credit	3,068	5,519	6,445	9,452	4,030
Other extraordinary gains (losses)	(454)	52	(1,797)	(3,160)	(754)
Ordinary profit	33,937	34,412	28,716	26,763	37,868
Extraordinary profit (loss)	(1,515)	(358)	431	(864)	(714)
Income taxes	10,155	10,910	8,771	7,272	12,342
Profit attributable to non-controlling interests	798	244	154	537	575
Profit attributable to owners of parent	21,467	22,899	20,222	18,088	24,236

Balance Sheet Summary

	(Million yen)				
	31st March, 2018	31st March, 2019	31st March, 2020	31st March, 2021	31st March, 2022
Assets					
Cash and due from banks	1,076,592	1,474,517	1,714,664	1,738,761	2,614,747
Loans and bills discounted	7,041,558	7,341,204	7,554,143	8,543,946	8,470,861
Securities	1,563,859	1,372,367	1,297,874	1,506,834	1,773,344
Total assets	9,961,663	10,449,051	10,822,765	12,075,567	13,127,906
Liabilities					
Deposits	7,866,674	8,092,534	8,481,571	9,295,489	9,570,343
Negotiable certificates of deposit	478,620	416,232	349,475	188,520	264,293
Total liabilities	9,426,768	9,939,317	10,314,007	11,524,660	12,597,181
Net assets					
Shareholders' equity	411,048	426,843	440,563	453,140	469,837
of which earned surplus	134,791	255,229	270,954	284,535	304,236
Accumulated other comprehensive income	116,426	75,400	60,650	89,651	52,332
Non-controlling interests	7,420	7,490	7,544	8,114	8,555
Total net assets	534,895	509,734	508,758	550,906	530,724
Total liabilities and net assets	9,961,663	10,449,051	10,822,765	12,075,567	13,127,906

Nishi-Nippon Financial Holdings Summary of Consolidated Financial Statements

Consolidated Balance Sheet Summary

	(Million yen)	
Assets	31st March, 2021	31st March, 2022
Cash and due from banks	1,738,761	2,614,747
Monetary claims bought	36,722	39,621
Trading account assets	131	–
Money held in trust	11,273	11,682
Securities	1,506,834	1,773,344
Loans and bills discounted	8,543,946	8,470,861
Foreign exchange assets	11,074	22,757
Other assets	115,565	90,311
Tangible fixed assets	117,551	116,172
Buildings	32,491	32,542
Land	74,282	74,273
Leased assets	391	324
Construction in progress	354	55
Other tangible fixed assets	10,031	8,977
Intangible fixed assets	3,542	4,160
Software	3,123	3,748
Other intangible fixed assets	419	411
Asset for retirement benefits	17,770	7,548
Deferred tax assets	473	2,109
Customers' liabilities for acceptances and guarantees	16,565	17,639
Reserve for possible loan losses	(44,068)	(42,473)
Reserve for devaluation of securities	(577)	(577)
Total assets	12,075,567	13,127,906
Liabilities and net assets	31st March, 2021	31st March, 2022
Deposits	9,295,489	9,570,343
Negotiable certificates of deposit	188,520	264,293
Call money and bills sold	208,128	510,000
Payables under repurchase agreements	194,294	251,120
Guarantee deposits received under securities lending transactions	41,135	87,188
Borrowed money	1,437,688	1,755,240
Foreign exchange liabilities	210	201
Borrowed money from trust account	3,205	4,794
Other liabilities	107,648	113,952
Liability for retirement benefit	477	4,773
Reserve for retirement benefits for directors and corporate auditors	256	201
Reserve for reimbursement of deposits	1,185	825
Reserve for other contingent losses	1,254	1,096
Reserves under the special laws	12	12
Deferred tax liabilities	13,841	844
Deferred tax liabilities on revaluation of premises	14,746	14,652
Acceptances and guarantees	16,565	17,639
Total liabilities	11,524,660	12,597,181
Capital stock	50,000	50,000
Capital surplus	127,202	121,123
Earned surplus	284,535	304,236
Treasury stock	(8,597)	(5,522)
(Total shareholders' equity)	453,140	469,837
Net unrealized gains on securities available for sale, net of taxes	65,238	38,616
Net deferred gains (losses) on hedging instruments, net of taxes	(1,428)	(8)
Revaluation of premises, net of taxes	29,592	29,438
Retirement benefits liability adjustments, net of taxes	(3,751)	(15,715)
Total accumulated other comprehensive income	89,651	52,332
Non-controlling interests	8,114	8,555
Total net assets	550,906	530,724
Total liabilities and net assets	12,075,567	13,127,906

Consolidated Statement of Income

	(Million yen)	
	FY2020	FY2021
Ordinary income	134,949	138,484
Interest and dividend income	94,090	98,228
Interest on loans and discounts	82,193	81,109
Interest and dividends on securities	9,985	12,893
Interest on call loans and bills bought	2	0
Interest on deposits with banks	546	2,852
Others	1,362	1,372
Trust fees	0	0
Fees and commissions	30,879	32,468
Trading income	1,842	1,919
Other operating income	4,972	3,069
Other income	3,164	2,799
Recoveries of written off claims	239	378
Others	2,925	2,421
Ordinary expenses	108,186	100,616
Interest expenses	2,064	855
Interest on deposits	659	416
Interest on negotiable certificates of deposit	39	26
Interest on call money and bills sold	(39)	(113)
Interest on payables under repurchase agreements	911	383
Interest on guarantee deposits received under securities lending transactions	44	13
Interest on borrowings	253	52
Interest on bonds	61	–
Others	133	75
Fees and commissions	11,832	11,536
Other operating income	1,855	1,654
General and administrative expenses	81,272	79,173
Other expenses	11,161	7,397
Provision of allowance for loan losses	6,218	1,939
Others	4,942	5,457
Ordinary profit	26,763	37,868
Extraordinary income	421	142
Gains on disposition of fixed assets	401	142
Others	20	–
Extraordinary losses	1,285	856
Losses on disposition of tangible fixed assets	436	390
Impairment losses	818	465
Others	30	–
Profit before income taxes	25,898	37,154
Current	6,719	10,824
Deferred	552	1,518
Total income taxes	7,272	12,342
Profit	18,626	24,811
Non-controlling interests	537	575
Owners of parent	18,088	24,236

Consolidated Statement of Comprehensive Income

	(Million yen)	
	FY2020	FY2021
Profit	18,626	24,811
Other comprehensive income	29,478	(37,104)
Net unrealized gains on securities available for sale	18,329	(26,560)
Net deferred gains (losses) on hedging instruments	413	1,419
Retirement benefits liability adjustments	10,735	(11,963)
Comprehensive income	48,104	(12,293)
Comprehensive income attributable to		
Owners of parent	47,443	(12,928)
Non-controlling interests	661	635

The Nishi-Nippon City Bank, Ltd. Summary of Financial Statements

Balance Sheet

(Million yen)		
Assets	31st March, 2021	31st March, 2022
Cash and due from banks	1,710,262	2,559,666
Call loans	30,000	40,000
Trading account assets	131	–
Money held in trust	11,273	11,682
Securities	1,489,922	1,753,670
Loans and bills discounted	8,318,793	8,236,035
Foreign exchange assets	11,074	22,757
Other assets	102,551	78,110
Tangible fixed assets	113,463	111,825
Buildings	31,843	31,591
Land	71,474	71,478
Leased assets	189	160
Construction in progress	354	55
Other tangible fixed assets	9,600	8,540
Intangible fixed assets	2,998	3,706
Software	2,618	3,341
Other intangible fixed assets	379	364
Prepaid pension cost	23,276	25,862
Customers' liabilities for acceptances and guarantees	14,600	15,849
Reserve for possible loan losses	(38,432)	(36,995)
Reserve for devaluation of securities	(458)	(458)
Total assets	11,789,458	12,821,711

Liabilities and net assets	31st March, 2021	31st March, 2022
Deposits	9,075,506	9,334,993
Negotiable certificates of deposit	187,250	256,964
Call money	208,128	510,000
Payables under repurchase agreements	194,294	251,120
Guarantee deposits received under securities lending transactions	41,135	87,188
Borrowed money	1,419,110	1,732,473
Foreign exchange liabilities	210	201
Borrowed money from trust account	3,205	4,794
Other liabilities	75,920	79,138
Reserve for employee retirement benefits	212	192
Reserve for reimbursement of deposits	1,129	775
Reserve for other contingent losses	1,220	1,082
Deferred tax liabilities	15,669	5,938
Deferred tax liabilities on revaluation of premises	14,476	14,381
Acceptances and guarantees	14,600	15,849
Total liabilities	11,252,071	12,295,093
Capital stock	85,745	85,745
Capital surplus	85,684	85,684
Earned surplus	275,068	289,932
(Total shareholders' equity)	446,498	461,362
Net unrealized gains on securities available for sale, net of taxes	62,724	35,824
Net deferred gains (losses) on hedging instruments, net of taxes	(1,428)	(8)
Revaluation of premises, net of taxes	29,592	29,438
(Total valuation and translation adjustments)	90,888	65,255
Total net assets	537,386	526,617
Total liabilities and net assets	11,789,458	12,821,711

Statement of Income

(Million yen)		
	FY2020	FY2021
Ordinary income	119,626	122,344
Interest and dividend income	88,382	92,468
Interest on loans and discounts	78,091	77,121
Interest and dividends on securities	9,761	12,546
Interest on call loans	(20)	(23)
Interest on deposits with banks	528	2,801
Others	21	21
Trust fees	0	0
Fees and commissions	23,727	24,817
Fees and commissions on domestic and foreign exchanges received	7,863	7,301
Others	15,863	17,515
Trading income	–	0
Gains on trading account securities transactions	–	0
Other operating income	4,614	2,373
Gains on foreign exchange transactions	589	674
Gains on sale of bonds	3,997	1,670
Gains on redemption of bonds	25	26
Others	2	2
Other income	2,902	2,685
Recoveries of written off claims	189	345
Gains on sale of stock and other securities	2,059	1,448
Gains on money held in trust	14	10
Others	639	880
Ordinary expenses	98,572	90,313
Interest expenses	2,127	859
Interest on deposits	736	432
Interest on negotiable certificates of deposit	37	23
Interest on call money	(39)	(113)
Interest on payables under repurchase agreements	911	383
Interest on guarantee deposits received under securities lending transactions	44	13
Interest on borrowings	241	47
Interest on bonds	61	–
Others	133	72
Fees and commissions	15,313	14,694
Fees and commissions on domestic and foreign exchanges	1,792	1,345
Others	13,520	13,349
Trading expenses	4	–
Expenses on trading account securities transactions	4	–
Other operating income	1,854	1,653
Losses on sale of bonds	846	417
Losses on redemption of bonds	335	272
Losses on devaluation of bonds	88	51
Expenses for derivatives other than trading derivatives	584	912
General and administrative expenses	69,366	67,084
Other expenses	9,906	6,021
Provision of allowance for loan losses	7,111	2,101
Losses on write-offs of claims	405	1,308
Losses on sale of stock and other securities	94	0
Losses on devaluation of stock and other securities	18	2,116
Losses on money held in trust	25	15
Others	2,250	478
Ordinary profit	21,053	32,031
Extraordinary income	401	142
Gains on disposition of fixed assets	401	142
Extraordinary losses	1,231	806
Losses on disposition of fixed assets	411	362
Impairment losses	817	443
Other	2	–
Profit before income taxes	20,223	31,367
Current	5,229	9,056
Deferred	155	1,267
Total income taxes	5,384	10,324
Profit	14,838	21,043

The Bank of Nagasaki, Ltd. Summary of Financial Statements

Balance Sheet

(Million yen)		
Assets	31st March, 2021	31st March, 2022
Cash and due from banks	38,703	52,921
Securities	6,758	9,029
Loans and bills discounted	263,067	275,993
Other assets	2,348	1,834
Tangible fixed assets	4,633	4,490
Buildings	600	543
Land	3,612	3,597
Leased assets	202	160
Other tangible fixed assets	218	189
Intangible fixed assets	358	285
Software	337	257
Other intangible fixed assets	21	28
Deferred tax assets	233	132
Customers' liabilities for acceptances and guarantees	18	12
Reserve for possible loan losses	(379)	(396)
Reserve for devaluation of securities	(43)	(43)
Total assets	315,699	344,261

Liabilities and net assets	31st March, 2021	31st March, 2022
Deposits	246,098	250,099
Negotiable certificates of deposit	6,820	12,878
Call money	30,000	40,000
Borrowed money	15,600	20,900
Other liabilities	1,207	1,184
Reserve for employee retirement benefits	118	14
Reserve for retirement benefits for directors and corporate auditors	98	100
Reserve for reimbursement of deposits	55	50
Reserve for other contingent losses	34	14
Deferred tax liabilities on revaluation of premises	509	509
Acceptances and guarantees	18	12
Total liabilities	300,559	325,763
Capital stock	6,121	7,621
Capital surplus	4,463	5,963
Earned surplus	3,412	3,590
(Total shareholders' equity)	13,997	17,176
Net unrealized gains on securities available for sale, net of taxes	44	169
Revaluation of premises, net of taxes	1,097	1,151
(Total valuation and translation adjustments)	1,141	1,321
Total net assets	15,139	18,497
Total liabilities and net assets	315,699	344,261

Statement of Income

(Million yen)		
	FY2020	FY2021
Ordinary income	4,711	4,638
Interest and dividend income	3,891	3,880
Interest on loans and discounts	3,576	3,525
Interest and dividends on securities	164	239
Interest on deposits with banks	150	115
Other interest income	0	0
Fees and commissions	631	700
Fees and commissions on domestic and foreign exchanges received	102	93
Others	528	607
Other income	188	57
Reversal of reserve for possible loan losses	114	–
Recoveries of written off claims	43	27
Others	29	29
Ordinary expenses	4,596	4,301
Interest expenses	40	35
Interest on deposits	57	51
Interest on negotiable certificates of deposit	2	3
Interest on call money	(22)	(23)
Interest on borrowings	0	0
Others	2	3
Fees and commissions	991	969
Fees and commissions on domestic and foreign exchanges	19	12
Others	972	957
Other operating income	0	0
Losses on redemption of bonds	0	0
General and administrative expenses	3,310	3,262
Other expenses	253	33
Provision of allowance for loan losses	–	17
Losses on write-offs of claims	173	0
Others	80	15
Ordinary profit	114	336
Extraordinary income	20	–
Others	20	–
Extraordinary losses	9	26
Losses on disposition of tangible fixed assets	7	1
Impairment losses	1	24
Profit before income taxes	125	310
Current	(18)	32
Deferred	64	45
Total income taxes	45	77
Profit	79	232

Outline of Banking Subsidiaries

As of 31st March, 2021, the Group has a nationwide network of 175 branches of Nishi-Nippon City Bank, and 23 branches of Bank of Nagasaki, and 3 overseas representative offices of Nishi-Nippon City Bank, in Hong Kong, Shanghai, and Singapore.

The Nishi-Nippon City Bank, Ltd.	
▶ Business	Banking
▶ Established	1st December, 1944
▶ Headquarters	1-1, Hakata-ekimae 3-chome, Hakata-ku, Fukuoka 812-0011, Japan
▶ Number of Employees	3,493
▶ Number of Domestic Offices	175
▶ Number of Correspondent Banks	71
▶ Parent Company	Nishi-Nippon Financial Holdings, Inc. (NNFH's share of voting rights 100%)

(As of 31st March, 2022)

Board of Directors	
Chairman	Hiromichi Tanigawa
President	Hideyuki Murakami
Deputy Presidents	Kiyota Takata Hiroyuki Irie Hiroyuki Takeo
Representative Exective Director	Shigeru Urayama
Exective Director	Masaru Ikeda
Managing Directors	Takashige Honda Kenichi Ozaki Kenji Morimoto Kazuhito Shigiyama Keitaro Yaji
Director	Isao Kubota
Directors (Audit and Supervisory Committee Members)	Tomoko Ito Michiaki Uriu (outside) Hiroshi Fujioka (outside)

(As of 30th June, 2022)

*Directors/Audit and Supervisory Committee Members Michiaki Uriu and Hiroshi Fujioka are Outside Directors as prescribed in Article 2 (xv) of the Companies Act of Japan.

The Bank of Nagasaki, Ltd.	
▶ Business	Banking
▶ Established	11th November, 1912
▶ Headquarters	3-14, Sakaemachi, Nagasaki 850-8666, Japan
▶ Number of Employees	202
▶ Number of Domestic Offices	23
▶ Parent Company	Nishi-Nippon Financial Holdings, Inc. (NNFH's share of voting rights 100%)

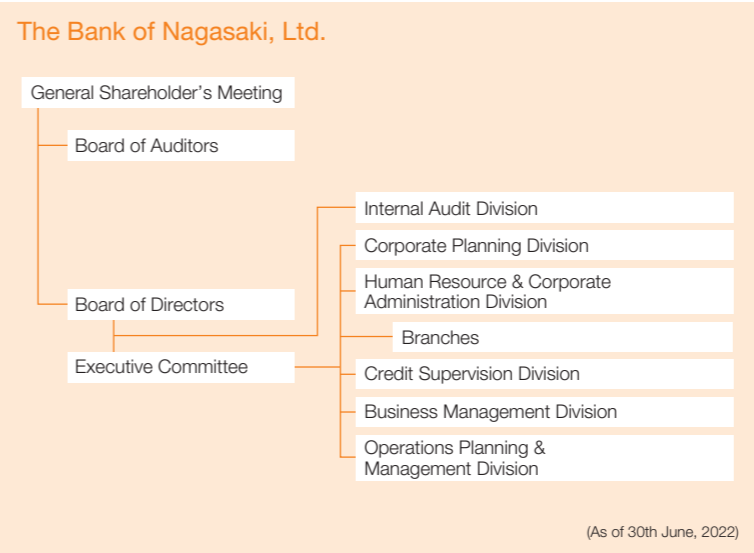
(As of 31st March, 2022)

Board of Directors and Audit and Supervisory Board Members	
President	Ryutaro Kaichi
Managing Directors	Yasuyuki Shigetomi Kiyotaka Imamura Hiroshi Akiyama
Directors	Hiroji Mochida Toshihiro Takaki Takashige Honda
Audit and Supervisory Board Members	Kenji Miyata Mitsuru Kawatani (outside) Junichi Sakaguchi (outside)

(As of 30th June, 2022)

*Audit and Supervisory Board Members Mitsuru Kawatani and Junichi Sakaguchi are Outside Audit and Supervisory Board Members as prescribed in Article 2 (xvi) of the Companies Act of Japan.

Organization Chart of Banking Subsidiaries



International Network of
The Nishi-Nippon City Bank, Ltd.

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Fax: +81-92-476-2488

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