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YMFG Formulates Medium-Term Management Plan (Fiscal 2025–Fiscal 2029)

Yamaguchi Financial Group, Inc. (the “Company”) has formulated YMFG Medium-Term Management Plan (Fiscal 2025–Fiscal 2029) (hereafter, the “New Medium-Term Management Plan”) covering the five years from the fiscal year ending March 31, 2026, through the fiscal year ending March 31, 2030, and provides a summary of the plan below.

1. Positioning of New Medium-Term Management Plan

The Company took a backcasting approach to formulate the New Medium-Term Management Plan, based on a picture of the Group’s future (vision) of what the Group should strive to be “A regional value-up corporate group that is chosen by all regions and responds to the trust of all regions,” driven by the mission and meaning of its existence (purpose) of “Co-creating a bountiful future for all regions.”

The five years of the New Medium-Term Management Plan will be positioned as a time for the Company to evolve as a composite platformer — a platform provider — for regional issue solutions^{*1} through a business model based on the “all in the same boat” metaphor^{*1}. Additionally, over these five years, the Company aims to achieve return on equity (ROE) exceeding cost of capital through a process of selection and concentration centering on a review and restructuring of growth domains. Transition to this desired business model is of the highest priority, and a duration of five years was set for the New Medium-Term Management Plan, given the time management deems necessary to achieve such a transition.

The Company and the corporate group it leads will co-create a bountiful future for all regions by evolving into a regional problem-solving platformer in the same boat as the local communities and customers served and working hard to address shared issues.

^{*1} Platformer for regional issue solutions under business model based on “all in the same boat” metaphor:
A corporate entity that develops businesses and services offering maximum value to customers through far-reaching support — comprehensive combination of financing, equity and solutions — to resolve complex management issues under a business model based on the “all in the same boat” metaphor.

2. Target management indicators

Management Indicators	Fiscal 2029 (Final Year) Targets
Profit attributable to owners of parent	¥60.0 billion
ROE (net assets basis)	Around 8.0%
ROE (shareholders' equity basis)	Around 8.5%
RORA ^{*2}	Over 1.0%
OHR ^{*3}	Around 50%

*2 Net income basis

*3 OHR = Expenses ÷ Core gross business profit (excluding gains on cancellation of investment trusts and gains (losses) on cancellation of interest rate swaps)

3. Basic objectives

The new Medium-Term Management Plan sets out basic objectives that will drive progress toward the Company's evolution into a composite platformer for regional issue solutions: 1) Establish a business model based on the "all in the same boat" metaphor; 2) Enhance financial business; and 3) Deepen multi-bank, single-platform^{*4} structure.

The Company will increase the Group's corporate value by linking these three basic objectives.

Basic Objective 1): Establish a business model based on the "all in the same boat" metaphor
- Contribute to the business growth of local companies by establishing a business model in which "comprehensive support" through the sharing of business risks with local companies generates a source of revenue
Basic Objective 2): Enhance financial business
- Implement RORA management with an emphasis on capital efficiency to help corporate clients achieve business growth while also increasing the economic value of the Group
Basic Objective 3): Deepen multi-bank, single-platform ^{*4} structure
- Leverage digital transformation investments and integration of accounting systems to reinforce efficiency while building a talent portfolio to underpin growth of the Group's business pursuits

*4 Multi-bank, single-platform structure: A management structure built by a company with multiple banks in its group to realize integrated, efficient group management of respective personnel systems and systems at each bank, and the consolidation and centralization of various headquarters functions under a holding company.

4. Capital management policy

1) Adequate level of capital

Set the target Common Equity Tier 1 Ratio (CET1 Ratio) around 11.5% from the perspective of “soundness” while balancing “shareholder returns” and “growth investments.”

2) Return to shareholders

The Company will adhere to a basic policy of maintaining or increasing dividends per share (progressive dividend policy) and raising the dividend payout ratio to around 50% by fiscal 2029. In addition, the Company will take a flexible and expeditious approach to treasury stock buybacks, taking into account such factors as the business environment and capital status.

3) Reduction of strategic investment in shares

The Company aims to reduce book value to less than ¥35 billion by the end of March 2030, for a consolidated net assets ratio (market value basis) of less than 10%.