

YMfg

YMfg



Yamaguchi Financial Group, Inc. (the "Company") and its subsidiaries and associates (collectively the "Group") have formulated the "Mission and meaning of existence (Purpose)" and "What the Group should become in the future (Vision)" in order to combine the abilities of the Group's employees, and to increase corporate value. The management policy that we have adhered to since our founding in order to realize our purpose is "a sound and proactive enterprising spirit." At the root of it all are three thoughts that we have always cherished: "future-oriented," "coexistence-oriented," and "region-oriented." These thoughts have been passed down throughout the Group's history.

Purpose and vision



Management policy

A sound and proactive enterprising spirit

The thoughts that we cherish

Future-oriented

We exist to create a future, for the future

Coexistence-oriented

We cannot survive alone, we must always co-exist and work together with our stakeholders

Region-oriented

We always exist for our region

Brand slogan

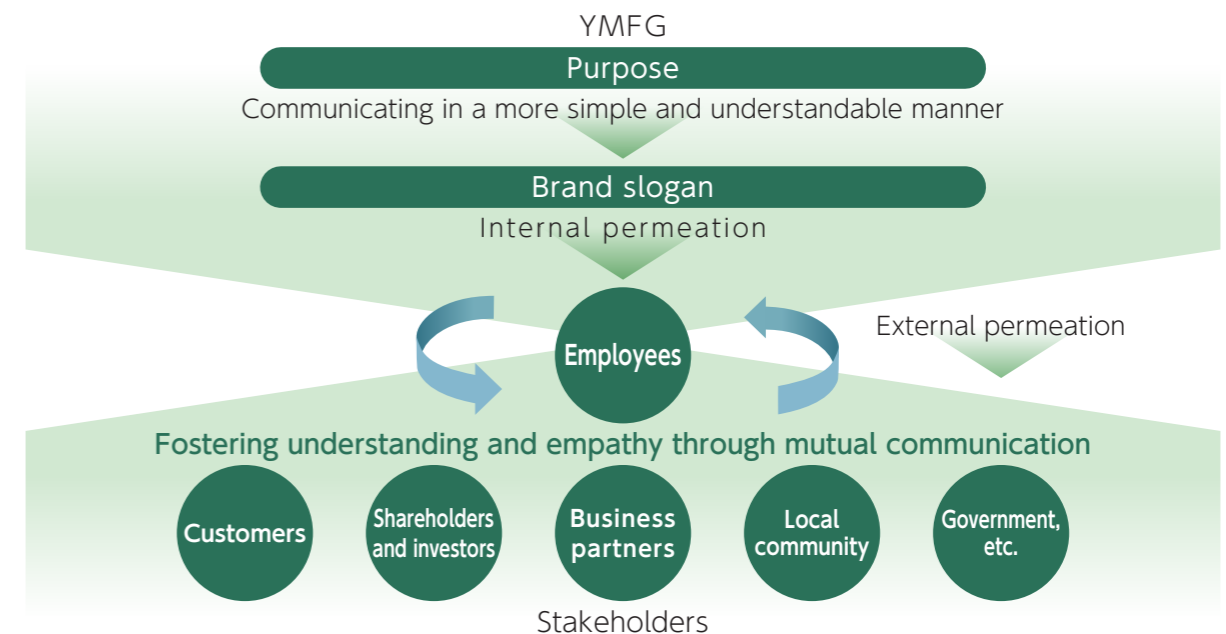
This world.
This town.
And me.

The thoughts behind our brand slogan

We believe that the word "region" is not limited to jobs or the future, but rather holds infinite possibilities. In the modern age where we can instantly connect to the rest of the world, when we think about "me in this town" from the perspective of "me in this world," we can see how the lives of each individual in the region have an impact on Japan and the world. Our brand slogan expresses our desire to move forward alongside everyone with this mindset and sense of pride.

Background to the formulation of our brand slogan

The Group's purpose, which includes the word "co-creation," can only be realized with the understanding and empathy of all stakeholders. In order to communicate our purpose's philosophy in an easy-to-understand manner, we developed a brand slogan that each individual can relate to using "me" as the subject.



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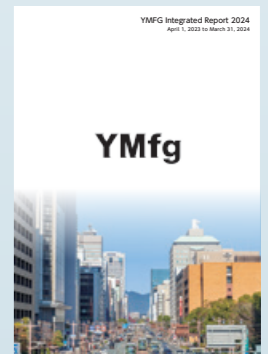
About the cover

The design features the cityscape of Hiroshima City, the Group's sales area. With a population of 1.18 million people, it is the largest core city in Chugoku and Shikoku, with many major companies based in Hiroshima City.

The G7 summit was held here in May last year, and the forum attracted a great deal of attention.

The economic effect was estimated to be approximately ¥121.7 billion.

For more details on the Hiroshima area, please refer to pages 27 to 28.



Glossary

YMFG: Yamaguchi Financial Group, Inc. and group companies consisting of subsidiaries and associates

Key points in the Integrated Report 2024

Yamaguchi Financial Group, Inc. has issued the "Integrated Report" since 2022, in order to help our stakeholders gain an understanding of the Group's efforts towards sustainable value creation.

In 2024, the President and CEO has discussed the overall picture of the Group in his CEO Message, including YMFG's philosophy, management strategies, thoughts and initiatives for the current fiscal year, which is the final fiscal year of the Medium-Term Management Plan 2022, and challenges for the future. The details are explained by group general managers and general managers, focusing on their areas of responsibility. In addition, based on issues identified through dialogue with stakeholders, we have reorganized the relationship between business model, materiality, Medium-Term Management Plan 2022, output, etc. in the value creation process, and have enhanced the disclosure of non-financial information in the areas of the environment, human assets, and governance. We will continue to strive to improve our disclosure through proactive dialogue, therefore we appreciate everyone's honest opinions.

Editorial Policy

In the compilation of the "Integrated Report 2024," we have referred to the "International Integrated Reporting Framework" of the IFRS Foundation, which is an international framework for integrated reporting, and the "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation" published by the Ministry of Economy, Trade and Industry, etc.



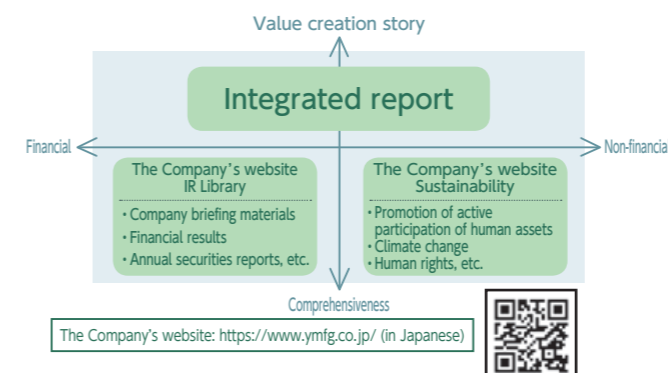
Reporting period and target organizations

Reporting period: April 1, 2023 to March 31, 2024
(Certain statements include information after April 2024)

Target organizations
Yamaguchi Financial Group, Inc. and subsidiaries and associates

Information disclosure system

The Integrated Report summarizes important information to help everyone understand the Group. For more detailed information, please visit our website.



Notes on forward-looking statement

The performance forecasts and other forward-looking statements contained in this Integrated Report are based on information available as of the publication date of this Integrated Report. Actual performance may differ significantly from the stated forecasts due to various factors. Therefore, please refrain from relying entirely on these forward-looking statements. Furthermore, the Group has no obligation to update these forward-looking statements as a result of new information, future events, etc.

CEO Message



Even in a highly uncertain economic environment, we will keep our feet on the ground and steadily implement measures to create new value for the future, based on the Purpose (Mission and meaning of existence) of “co-creating a bountiful future for all regions,” thereby leading YMFG onto a sustainable growth trajectory.

The fiscal year ended March 31, 2024 was the second year of the Medium-Term Management Plan 2022 (hereinafter, the “current Medium-Term Plan”), and we surpassed the plan targets for the second consecutive year. Under the plan, which seeks to keep our promises to stakeholders and earn their trust, we have solidified our foothold for the fiscal year ending March 31, 2025.

In the fiscal year ending March 31, 2025, the final fiscal year of the current Medium-Term Plan, we will steadily produce results even in a highly uncertain environment and set a direction for our growth trajectory for the future.

Yamaguchi Financial Group, Inc. President,
Representative Director and CEO

Keisuke Mukunashi

YMFG and the growth of our region and business partners

I have spent nearly 20 years of my career working in corporate sales, directly interacting with customers. In the fiscal year ended March 31, 2024, I was honored to be invited to the 30th Anniversary Ceremony of a business partner I had worked with in the past, and to the 40th Anniversary and Presidential Inauguration Celebration of another. Both companies had not only expanded their business scale since my time in charge, but also significantly increased the number of employees, and had developed into companies that drive the regional economy. While seeing their growth brought me great joy, I also felt a renewed sense of responsibility in knowing that these companies had chosen YMFG as an important business partner throughout the years, expanding their business into areas other than financing.

I lead the Group with a strong belief that “YMFG cannot grow without the growth of our region and business partners.” As a broad-area financial group, we are based in Yamaguchi, Hiroshima, and Fukuoka, where the regional GDP is ¥37 trillion, boasting an economic scale equivalent to that of countries such as Hungary and Qatar. Meanwhile, this region is at the forefront in terms of common regional issues in Japan, such as a declining birthrate and an aging and shrinking population, and our business partners also face numerous management challenges, including a lack of successors and human resources, as well as decarbonization and digital transformation.

Solving these, in other words, social issues, cannot be achieved through financial services centered on loans alone, and YMFG must take action to expand its scope of response and link the resolution of social issues to increased economic value.

This means that as we move forward with our purpose of “co-creating a bountiful future for all regions” at our core, it will be vital for us to expand our scope of operations beyond our role in the financial sector centered on banking to become a platformer for solving social issues.

“Co-creation” in our purpose has the following meaning: Each and every Group employee will be aligned in the same direction based on our purpose, striding forth together, and we will work not only within the Group but also with various stakeholders, including regional communities, to create greater social and economic value.

A business that only cares for making a profit for itself will not last long, and its sustainability is questionable. I am convinced that building win-win relationships with all parties involved in our business and bringing joy to not only our customers but also society at large will be the source of sustainable improvement of corporate value.

In other words, it is important that all our employees are always guided by our purpose when making decisions and taking action, striding together as one. Each and every one of these actions will shape the YMFG brand and become a source of



40th Anniversary and Presidential Inauguration Celebration at a business partner



CEO Message

pride of our employees.

As in the case of the two companies discussed earlier, the growth of the regional economy is an extension of the growth of YMFG's business partners and the happiness of their employees, and the growth of the regional economy leads to the improvement of YMFG's corporate value. YMFG's main sales areas may appear to be areas

with numerous social issues if you look at them locally. Meanwhile, geographically, they are also areas with easy access to Southeast Asia, which is experiencing remarkable growth. I believe that YMFG's future also lies in its ability to grow by solving social issues together with local companies from a global perspective, while creating economic value.

Becoming an organization that "walks the talk"

What has remained a constant in my mind since being appointed President and CEO is that we must work together as a Group to "walk the talk" and faithfully keep our promises to all of our stakeholders. The current Medium-Term Plan is positioned as a period in which we will create a financial foundation that can respond to the new competitive environment and advance while steadily producing results. Following the first fiscal year, we surpassed our targets for both ordinary profits and net income in the fiscal year ended March 31, 2024, the second year of the plan. As we continue to "walk the talk" in the fiscal year ending March 31, 2025, the final fiscal year of the current Medium-Term Plan, we will work together as one united Group to achieve our goal of record-high net income according to the initial plan. In the next Medium-Term Management Plan (hereinafter, the "next

Medium-Term Plan"), which begins next fiscal year, we will aim to achieve an ROE level above capital costs (around 7%).

In the fiscal year ended March 31, 2022, before the start of the current Medium-Term Plan, we sold off assets of concern that were carrying unrealized losses in the market investment department, resulting in a net loss. Meanwhile, under the current Medium-Term Plan, we have taken swift action, including making partial changes to our department structure and establishing a Risk Committee, in order to restructure our securities portfolio in a way that will enable us to secure stable income gain. Based in part on the recommendations of the Risk Committee, which includes external experts, we have sincerely worked on restructuring our portfolio, and have been able to steadily improve our valuation gains and losses and raise our yields.

With the Bank of Japan lifting its negative interest rate policy and abolishing the yield curve control, Japan is now changing its course toward a so-called "country with interest rates." We will not resign ourselves to these changes in the external environment, but will continue to provide greater value to our regional customers in order to achieve sustainable growth. As a prerequisite for this, in the final fiscal year of the current Medium-Term Plan, we will make further progress in making the organization leaner and build a structure that will enable us to steadily increase revenue throughout the Group. I believe that the key to this will not only be to review our branch structure, but also to thoroughly streamline our banking department by advancing DX in our corporate and retail sales structures, as well as to put into practice the reorganization of our Group subsidiaries.



Selection and concentration

As I discussed earlier, YMFG's main sales areas are at the forefront of various regional issues, and many of our business partners are faced with numerous management challenges. Without turning a blind eye to the situation, we must help resolve the issues facing the region and our business partners and lead them to approaches that will help them overcome these difficult situations.

I also think it is important that we elevate our issue resolution into a competitive advantage of YMFG. In addition, we must analyze and evaluate opportunities and risks in our external environment, identify strengths and weaknesses in our internal environment, and leverage YMFG's strengths to the fullest. In other words, we must look at the external environment, such as industry structure and trends, and the internal

environment, such as our capabilities and resources, from a broad and multifaceted perspective when creating our strategies. This will allow us to identify the areas where we will be most effective and concentrate all our efforts there.

We will conduct thorough investigation and analysis, and concentrate all our efforts where they will be most effective for YMFG. To achieve this, we will focus on planned resource allocation and capability development in line with our strategies, and build a system capable of solving future challenges.

Based on this management stance, we intend to steer YMFG in a direction that will enable us to continue creating new value five, ten years in the future, putting us on a growth trajectory.

Solving social issues to enhance economic value

However, no matter how impressive a strategy we come up with, if it is not effective and does not contribute to value creation, it will be nothing but pie in the sky. The concept of "co-creation" embodied in our purpose is essential to value creation.

Based on that belief, in June 2024, YMFG held the Shimonoseki Add-venture Summit, a regional revitalization summit in Shimonoseki, where the head office of YMFG is located. This event, which YMFG

started last year with the aim of building a bridge between the "region" and "startups" and generating new innovation in the region to solve social issues, marks its second time this year. On the day of the event, roughly 1,000 participants, such as local companies, experts, and representatives from startups, gathered at the venue, and the overflowing sense of expectation and excitement for the region was palpable.



"Shimonoseki Add-venture Summit," a regional revitalization summit



Business negotiations at the regional revitalization summit

CEO Message

There were also numerous business negotiations between local companies and regional governments and startup companies, making it an event that truly embodied the idea of “co-creation” that combines the strengths of all parties involved in the region to create a prosperous future.

We are also gradually seeing movement toward improving regional value through solving social issues. In Sanyo-Onoda City, Yamaguchi Prefecture, the A-SQUARE opened as the base facility for Japan’s first urban development project using the Local Asset Backed Vehicle (LABV) approach through public-private partnership. This is an initiative in which local stakeholders with regional management perspectives work together to successively develop four potential business sites. As the first project of this initiative, the Chamber of Commerce and Industry, banks, government agencies, student dormitories, etc. were relocated in central Sanyo-Onoda City to create a hub for interaction. By leveraging private sector financing, the project aims to significantly reduce the financial burden on the public administration while revitalizing the area. YMFG ZONE PLANNING CO.,

LTD. has been involved in the project from the very beginning, collaborating with Sanyo-Onoda City and the Chamber of Commerce and Industry.

In Nagato Yumoto Onsen, Nagato City, Yamaguchi Prefecture, a revitalization project has begun to renovate a hot spring inn that has been struggling with business succession issues, aiming to open in the spring of 2025. In collaboration with local businesses and others, the project will further accelerate the revitalization of the hot spring town as a whole, which is seeing an increase in number of tourists.

In this manner, YMFG does not only solve issues faced by its customers, but also takes on social issues such as establishment of social infrastructure and urban development, and continues its efforts to solve social issues and create economic value through “co-creation” with various players, including members of local communities. As a regional financial group, we are working toward regional economic growth by taking on the challenge of solving issues and creating value from a bird’s-eye view of the area as a “surface” rather than a “point.”

Employee happiness and improvement of corporate value

The brand slogan we formulated in 2022, “This world. This town. And me.,” embodies our belief that “it is in the region that infinite possibilities lie.” It is each and every YMFG employee, serving in the role of “And me.,” who will expand the infinite possibilities of the

region. Each employee will create the future of the region and YMFG by treating the customers who make up the regional economy as their “own concern” and taking action accordingly. The source of all activities to improve regional value and corporate value of YMFG are our “human assets,” our employees.

I mentioned earlier that the growth of the regional economy is an extension of the growth of YMFG’s business partners and the happiness of their employees, and that the growth of the regional economy leads to the improvement of YMFG’s corporate value. I am engaged in management with a firm conviction that only when the YMFG employees who face and interact with customers are themselves happy can they have valuable, positive communication with customers and establish deep relationships of trust.

Recently, there has been much talk about diversity and inclusion, and I believe that having a diverse range of employees, who are our “human assets,” actively working in the most appropriate



Our brand slogan, emblazoned on the entrance to the YMFG head office

positions, demonstrating their individuality and abilities, and living fulfilling lives, will provide new value to our local customers, create innovation for our company and the region, and ultimately improve YMFG’s corporate value.

From this perspective, diversity encompasses various attributes such as age, gender, and values. I believe that without the active participation of women, who account for roughly 40% of YMFG’s employees, improving corporate value would be impossible. I also believe that by taking the lead as a regional financial group, we can lead the promotion of women’s active participation throughout the entire region. Over the past two years, we have undertaken various initiatives to contribute to women’s participation in the workforce, and the ratio of female managers has increased from 1.2% at the end of March 2022 to 6.2% at the end of March 2024.

In addition, the number of female candidates for management positions as part of our pipeline is steadily increasing. However, all this is still not enough. We will continue to accelerate our efforts until the advancement of women will no longer be a goal but a present-day reality.

From the perspective of organizational diversity, we revised our promotion requirements in April last year, allowing for more flexible personnel allocation based on competencies. We are accelerating the advancement of young and mid-career employees, with Group subsidiaries in our regional co-creation department now having Presidents in their 30s and 40s, and a 42-year-old General Manager of the

Corporate Planning Dept., a core department of our Group management. In April this year, we revised our human resource system to promote the advancement of senior and experienced employees, and we intend to continue these efforts in the future.

The relationship between companies and employees has changed significantly since I joined YMFG. We are no longer in an era where employees design their careers to fit the company. Instead, we must first consider what the company can do to support the growth and career development of each and every employee. As the labor shortage becomes more severe due to the declining birthrate and aging population, I want us to break away from a uniform approach to training and compensation, and instead, stand face-to-face with our employees, who are the source of our value, to support their further growth.



“Women’s Day,” an event where female employees and management discuss career development

Toward improvement of corporate value

As the head of a holding company, without any concurrent position as a President of a bank, I see my main mission as the sustainable improvement of YMFG’s corporate value. At company briefings, I always share this commitment with investors and analysts.

Since the start of the current Medium-Term Plan, we have set out strategic capital utilization, taken risks through organic and inorganic investments based on a target total equity ratio of around 12%, and worked to enhance shareholder

returns. Furthermore, by steadily achieving our plans, our share price in May 2024 reached a new high since YMFG was established in October 2006. I think that this should have been achieved a little sooner, so we will not be resting on our laurels, but instead continue to strive to improve our corporate value.

To further link employee compensation with our share price and business performance and share the economic benefits with our shareholders, in May 2023, we introduced an incentive plan, the

CEO Message

"Employee Stock Ownership Plan (J-ESOP)," which grants the Company's shares to employees. Then, in October 2023, we increased the incentive pay rate for the employee shareholding association's contributions from 5% to 10%.

Through these efforts, our employees are steadily feeling more enthusiastic about improving corporate value.

YMFG's PBR has improved from 0.26 times at the start of the current Medium-Term Plan to 0.61 times as of the end of March 2024. However, it is still below 1, and further improvement is required.



The bi-annual Group management meeting

To improve PBR, we plan to raise ROE and to lower the cost of shareholder equity. I explain this approach directly to participants at Group management meetings, which are attended by general managers of sales branches of the Group's three banks and Presidents of associates, to make sure it is instilled in our front-line sales sites.

To raise our ROE, investment in growth areas is also necessary. In March 2024, we entered into a capital and business alliance with Dream Incubator Inc., as an inorganic investment in growth areas through strategic capital utilization. Dream Incubator Inc. is a listed company on the Tokyo Stock Exchange Prime Market that excels at business production that creates industries and new businesses by solving social issues based on strategic consulting. In October 2021, we concluded a comprehensive partnership agreement to promote the use of social impact bonds (SIBs) for solving social issues, and have been working to solve regional social issues and increase regional value.

By combining the regional financial functions and diverse network that YMFG has cultivated with industrial production capabilities of Dream Incubator Inc., we will contribute to new regional revitalization using SIBs, further reinforce the region's industrial development functions, and establish a new, sustainable regional banking business model.

important year for formulating the next Medium-Term Plan to advance YMFG to a new stage that leads to a growth trajectory. Last fiscal year, we held 20 town hall meetings with employees, totaling about 700 people, on the theme of "thinking about the future of our region and YMFG." Many employees actively expressed their opinions such as "this is how I want the region to be" and "this is how YMFG should go forward." I am pleased that we have transformed into a more open organization where employees can think and share their ideas independently, and I hope to apply as many of their ambitious ideas as possible in the next Medium-Term Plan.

It is often said that we live in an age of dramatic change. However, there are never times without change, and it is vital that we always face these changes and take on new challenges. The time is fast approaching when a regional financial group will not be able to survive unless it can take on the challenge of transforming to a unique, sustainable

business model that leverages the group's strengths and characteristics in order to connect the resolution of regional issues and the management issues of local companies to economic value.

To that end, we will further advance initiatives that YMFG is taking the lead in, such as the previously mentioned "urban development through LABV" and "revitalization of a hot spring town as a whole through public-private partnership." We will further refine our business model to improve the sustainability of the region by working together with all local players, including public-private partnerships, to solve social issues in the region, incorporating advanced problem-solving methods and linking them to economic value, thereby revitalizing the region not in terms of points, but in terms of surfaces.

In addition, we will further leverage our regional corporate network, one of YMFG's strengths, to solve the management issues faced by local companies. On that basis, by being "on the same boat" as local companies, working closely with them to solve their issues, and leveraging YMFG's comprehensive strengths to support their business growth, we will steer our course toward building a business model as a platformer for solving social issues, which grows together with its local community.

The entire Group will work as one to make steady progress toward achieving the current Medium-Term Plan. By formulating the next Medium-Term Plan that will contribute to the further development and growth of the region and YMFG, we will work to clearly demonstrate to stakeholders the future direction YMFG should take. Please look forward to the YMFG's further growth going forward.

Becoming an organization that takes on challenges

Out of my desire to liven up the region, I participated in marathons in three of YMFG's main sales areas: Yamaguchi, Hiroshima, and Fukuoka (Kitakyushu City). As it was my first full marathon in four years, I had concerns about my physical abilities, but I was encouraged by many warm cheers from the sidelines, saying "Go, YMFG!" I felt the history and the trust we had established as a regional financial institution nurtured in the region, and a renewed passion to "co-create a bountiful future for all regions" welled up in my heart.

This fiscal year is the final fiscal year of the current Medium-Term Plan and represents an



After completing the Shimonoseki Kaikyo Marathon, held in Shimonoseki City, Yamaguchi Prefecture



Town hall meetings to exchange opinions directly with employees

Round-table Discussion with the President and CEO, the Outside Directors, and the Expert



—Human capital management that creates sustainable corporate value—

We invited Keisuke Mukunashi, YMFG President and CEO, two outside Directors, Minako Suematsu and Tomoko Mikami, and Professor Shoichi Tsumuraya from Hitotsubashi University Graduate School, who specializes in corporate governance and information disclosure, to hold a round-table discussion on YMFG's human capital management issues and initiatives, and how they can be linked to the enhancement of corporate value.

Efforts to become an organization where employees play a leading role

Tsumuraya: When you assumed the position of CEO, what type of issues did you face in terms of "employee value" and "human capital" ?

Mukunashi: When I first assumed the position of CEO, I felt as though there was a strong hierarchical atmosphere, little initiative, and that the organization was rigid. In order to be an organization that flexibly adapts to a rapidly changing environment, I believe it is important to be an organization in which each employee, with their diverse ways of thinking, experiences, and skills, can speak up and act independently while ensuring their psychological safety. To this end, we are sincerely carrying out as many initiatives as possible.

The concept of diversity around the world and the

diversity required of companies are evolving at an astonishing speed. Under these circumstances, I would say that in our current position, we have not even progressed 30% toward our vision. While we are only partway through this journey, I believe that we, as management, must work together to promote organizational diversity while being fully aware of our current position.

Tsumuraya: Could you give us a specific example of what you mean by acting independently?

Mukunashi: I think the "delegation of authority" is a prime example. Although there are benefits to centralized authority, in these times of uncertainty and rapid change, it is the people and organizations facing the issues at hand that are able to make the most informed decisions quickly and optimally, in my opinion. It is these decisions that give rise to independence. Of course, I, as the President, will ultimately be the one to make decisions on important matters. Even so,

I delegate authority as much as possible for the process prior to the final decision in order to maintain independence.

Tsumuraya: "Human assets" have been positioned as a priority item in the Medium-Term Management Plan 2022 (hereinafter, the "current Medium-Term Plan"), which incorporates a variety of measures on this front. Is there anything you are particularly focused on?

Mukunashi: As we are a regional financial group, the most important capital for management is "human assets," that is, "our employees." The values and lifestyles of our employees are truly diversifying, especially among young employees. At the same time, we intend to create an organization where all employees can fulfill their dreams under the Group's purpose of "co-creating a bountiful future for all regions." To this end, we are committed to nurturing not only our management team but also each and every employee, so that they can understand the importance of diversity, accept diversity, and fully utilize their capabilities. Furthermore, at the management level, we will break away from the stereotypical mindset of our industry to devise management strategies that fully utilize regional characteristics. Under a human asset strategy to realize these management strategies, we will engage with employees with insight and support their growth. I believe that we need to create a system in which everything is connected seamlessly.



Tsumuraya: Scores for many items in the employee awareness survey are improving year by year. Is this a sign that efforts are steadily producing results?

Mukunashi: I believe that the employee awareness survey is a system in which employees evaluate the

Company, and we take the results as a message from the employees to the Company. We sincerely accept the positive feedback, confirm the factors behind the negative feedback, and utilize these results for future endeavors. This is not the end of the process. I want to foster a good relationship between employees and the Company by constantly implementing the PDCA cycle.

Tsumuraya: As outside Directors, how did you feel about the atmosphere of the employees?

Suematsu: When I was first appointed as an outside Director, I sometimes felt that the materials prepared for the Board of Directors meetings could apply to any area of Japan, or conversely, that they did not convey the characteristics of the region. At that time, since we were using external support for a variety of projects, I do not think information was conveyed to represent the views of individual employees.

Now, there is growing momentum for "change" across the entire organization. Employees express their thoughts in their own words, and respond to our questions in their own words. Since we are a regional financial institution, our employees understand the characteristics of the region better, and they have confidence in their explanations. My honest impression is that the Company is made up of many highly skilled employees.

Tsumuraya: That means that independence has started to emerge. How do you feel, Ms. Mikami?

Mikami: I also feel that things have changed significantly. Those who have served as outside Directors longer than I have, are surprised to see what the employees have managed to achieve by putting their mind to it.

Some time ago, I participated in several sessions, which were primarily attended by younger employees, on the themes of "What will the Group's business look like in 10 to 20 years' time," and "How to utilize technology going forward." These sessions also generated very lively exchanges of opinions. When I asked employees, "What kind of bank would your children want to work in?" There was an abundance of creative ideas. This type of corporate climate cannot be created overnight, so it is very important. Those employees who will create the next generation were very reliable. If we can utilize the elements that emerged during those sessions in the next Medium-Term Management Plan (hereinafter, the "next Medium-Term Plan"), I believe we can formulate a

Round-table Discussion with the President and CEO, the Outside Directors, and the Expert —Human capital management that creates sustainable corporate value—

good medium-term management plan that incorporates the ideas and thoughts of the next generation.

Further promoting a virtuous cycle in which the independent actions of employees lead to financial impact

Tsumuraya: What type of financial impact do you think will come from employees and the organization becoming more vibrant?

Mukunashi: We have promised all of our stakeholders that we will definitely achieve the targets for each fiscal year of the current Medium-Term Plan. We were able to fulfill this commitment in the fiscal year ended March 31, 2024, the second year of the plan. In the fiscal year ending March 31, 2025, the final fiscal year of the current Medium-Term Plan, our net income target is the highest yet. When we first announced the current Medium-Term Plan, we received comments from some institutional investors suggesting that we should lower our targets for the final fiscal year of the plan. However, we are making solid progress as we work toward achieving these targets. I think that the change in our employees is a major factor behind why we are making good headway toward the performance targets, which seemed difficult to attain two years ago.

Changes are also emerging on the non-financial side. In the first year of the current Medium-Term Plan, we established a business improvement proposal system called “My Improvement.” In the past two years, we have received over 4,000 proposals, and honestly, I am surprised by this myself.

Employees who had said they had no idea what to do even if they were told to “transform” are becoming aware of the problems and inconveniences around them, and are now more willing to speak up. We believe that these changes are having an impact on our financial side and are translating into numerical results.

Tsumuraya: Is it also starting to have a positive impact on sales, costs, and even the bottom line?

Mukunashi: Gradually but definitely, the impact is being made. Based on the trust of our stakeholders that “YMFG is a company that keeps its promises,” over the three-year period of the current Medium-Term Plan, we intend to draw up a growth strategy for the creation of new value that also takes into account the non-financial aspects of the next Medium-Term Plan.

Tsumuraya: From your perspectives as outside

Directors, do you feel that the positive and independent approach of employees is beginning to show in financial aspects as well?

Suematsu: First of all, we have worked diligently to rebuild relationships of trust with our shareholders, including for the growth of business performance under the current Medium-Term Plan. It is our major responsibility to lead the region toward sustainability, and we have been making investments and taking on new challenges to achieve this. Going forward, I believe that we will enter a phase where we will produce results, both on the financial and non-financial side. I believe that if we can deliver results that shareholders are satisfied with, we should be able to further increase the Group’s corporate value.

We are taking on various challenges in fields outside our core banking business. There is no doubt that the courage of our employees to jump into areas they have no experience in for the sake of the region, and experience a series of trials and errors is a great source of fulfillment and an asset to them. At the same time, I look forward to seeing how these challenges will take shape in the next Medium-Term Plan. I strongly hope that regional financial institutions rooted in regional areas will be able to convey to stakeholders more clearly that they can achieve sustainable growth by caring about the local community and forging their own path toward a future that exists together with the community.



Mikami: The current Medium-Term Plan was formulated based on the idea of making a down-to-earth plan in order to ensure that we earn the trust of our stakeholders, and we have been steadily producing results. At the Annual General Meeting of Shareholders held in June 2024, we received many compliments from our shareholders. This made me

really happy. At the same time, I felt a sense of responsibility that we could not betray the expectations of our shareholders who continue to support us.

Trust must be earned through stock price and business performance as the end result of various initiatives. In that sense, we recognize the importance of this fiscal year. I think that stock price and business performance will also positively affect employee confidence and engagement. For example, positive information about the company one works for, such as news coverage of a new initiative, a rise in stock price due to gaining recognition for that initiative, or announcement of good business performance, can make employees feel a sense of accomplishment in their day-to-day work. This sense of accomplishment turns into confidence, which is then converted into motivation and reflected in their actions, thereby creating a virtuous cycle. I believe that a virtuous cycle is definitely beginning to take hold among Group employees.

Now, I want to emphasize that the next Medium-Term Plan is truly important. What I am concerned about is that in a world where the pace of change is extremely fast, simply working steadily will result in a collapse of our foundation. Always think outside the box, and consider the degree of risk you are willing to take on when attempting something new. The question is whether all our Group employees can accept many diverse values and ways of thinking that are different from before, and carry out initiatives with even greater speed than before. I believe that not only we, management team, but also our employees will be tested under the next Medium-Term Plan. Now that regional issues such as the aging and declining population become highlighted, we can better demonstrate our commitment to delivering the results expected by our stakeholders with regard to the future of our region while not fearing change and tackling issues with strong resolve. This is by no means an easy task. However, I believe that employees of the Group can do it, and I think it might be a good idea to add this as a challenge for the next Medium-Term Plan.

Tsumuraya: That is a pretty outspoken opinion.

Is that the type of discussions being held at regular Board of Directors meetings as well?

Suematsu: I believe that the value generated by outside Directors utilizing their experience and knowledge at Board of Directors meetings plays a

large role. I always feel that it is a great atmosphere when matters are ultimately decided with everyone, myself included, bringing all of their skills to the table.

Mukunashi: I am very grateful for the way you all clearly express your opinions.

Tsumuraya: That means that the independence of each outside Director is conveyed to Directors at the executive side, which is then passed through the entire Group.

Suematsu: I truly feel the seriousness of our responsibilities to our shareholders, as well as to our employees on the front-line sites.

Boosting employee interest in stock price and improving our services for customers with a view to enhancing corporate value

Tsumuraya: What do you think about the level of the Company’s stock price?



Mukunashi: With regard to enhancing corporate value, I have clearly communicated to our stakeholders our goal of achieving a PBR of 1 fold. PBR levels in the regional banking industry are generally low. However, as long as we are listed on the Tokyo Stock Exchange’s Prime Market, we need to have a PBR of over 1 fold as well as an ROE level, or profitability, capable of achieving this PBR target. That is our “responsibility” to our shareholders. We will remain strongly committed to achieving ROE that exceeds the capital cost and implementing various measures aimed at this goal. The key to enhancing ROE is utilizing RORA.

Since the fiscal year ended March 31, 2024, the entire Group has been carrying out initiatives to incorporate

Round-table Discussion with the President and CEO, the Outside Directors, and the Expert —Human capital management that creates sustainable corporate value—

RORA as a management indicator and control assets.

[Details of PBR and RORA ▶ P.23](#)

Another point I am particular about is that reaching a PBR of 1 fold is merely a milestone. We will never be satisfied by achieving a PBR of 1 fold. Instead, we will aim even higher and continuously endeavor to improve our corporate value.

Tsumuraya: I feel that positive changes are already taking place within the Company. On the other hand, do you feel that these positive changes and positive effects have not yet been fully communicated to shareholders?

Mukunashi: We disseminate information about the Group on a case-by-case basis, such as the city center redevelopment project implemented through a public-private partnership aimed at revitalizing a hot spring town in the region, and activities to create businesses opportunities, through which we brought together roughly 1,000 people, including those from start-up companies based in the Tokyo metropolitan area and regional stakeholders. I think that these initiatives and activities themselves are conveyed both inside and outside the Group. Going forward, the challenge will be that we must be able to show how these efforts are leading to the enhancement of corporate value by demonstrating both financial and non-financial results. Therefore, we are now trying out the Impact-Weighted Accounts, which enable us to quantify the “non-financial impact” of our operations. This year marks the second year of this initiative. When the impact on the region becomes visible in numerical terms, I think people both inside and outside the Company will be able to recognize the significance of the Group’s existence and, ultimately, our corporate value.

Tsumuraya: In May 2023, the Company introduced an Employee Stock Ownership Plan (J-ESOP), as a share-based compensation system for employees. What was the intention behind this?

Mukunashi: While there are many companies that have introduced share-based compensation systems as part of compensation for officers, we recognize that there are still few regional banks that have introduced such systems for their employees. This system serves an incentive plan in which points are granted to employees based on their contributions to organizational performance, with shares equivalent to these points granted upon retirement. The system is designed such that the higher the contribution to the

organizational performance, the more points will be awarded.

Our intention in introducing this system is to encourage employees to take an interest in stock price, which is an indicator of corporate value. When employees are interested in stock price, they become interested in the direction the Company is heading and what it is doing, and they become aware of where their work fits into the larger picture of the Company. In doing so, they will be able to view company performance as their own concern, such as how they can act to make a positive impact and ultimately provide a better service to our customers. This is the awareness and action we hope the incentive plan will lead to.

Deeper discussions at Board of Directors meetings lead to improved employee capabilities and new insights

Tsumuraya: I feel that the Board of Directors is one step ahead of last year. Is there a positive integration being made, as well as a good level of pressure?

Suematsu: I think the significance of the Board of Directors has been greatly enhanced by having the Presidents of the three Group banks sit at the same table at its meetings, since we can listen directly to what they have learned from the front-line sites. In addition, Mr. Ogi, who was newly appointed as Director last year, not only has a track record as a corporate manager, but also possesses deep knowledge of regional issues and approaches to tackling them. I am heartened to welcome such a suitable person to our Board of Directors as we take on further challenges to move into the next phase.

Mikami: I was able to speak directly with the Presidents of the three banks, which enabled me to gain a better understanding of the business. Moreover, there is always a clear distinction between the responsibilities of the executive side and the responsibilities of the Board of Directors, which has made the respective roles more defined. I feel that the clarification of roles has a positive impact on the executive team’s momentum and has increased trust in the executive side. As Mr. Ogi is a person full of energy with a new perspective. We are also inspired by him, and are feeling constantly rejuvenated.

Suematsu: At the Board of Directors meetings, outside Directors ask questions from various viewpoints.



Employees who report on agenda items are also required to answer questions from an outside perspective, which I think has helped greatly improve their thinking and explanation skills.

Tsumuraya: You mean that the high ability of outside Directors to ask questions has led to the improvement of the reporting capabilities of the executive side, as well as to new insights and perspectives.

Mukunashi: That is right. When discussing generalities or superficial matters, the question, “Is that really true?” is almost always raised. Through open and clear communication, even of their honest opinion, I believe that the supervisory side and executive side can gain a common understanding, upon which they can also build a relationship of trust.

Striving to be a company that can provide various knowledge from the regions to the rest of Japan

Tsumuraya: Finally, please give a message to shareholders and investors.

Suematsu: Many regional companies must take on the challenge of transition while protecting local employment. While we are still figuring out how we can support such major reforms, the Group is taking on this issue seriously. I believe that achieving results through these initiatives will enable us to provide a wide range of knowledge from this region to the rest of Japan. I also feel that the Group is making considerable progress on this front, so please look forward to it.

Mikami: As the YMFG sales area has an abundance of nature and tourist resources, I think it is an area with great potential. As we are not constrained by time and

place any more due to technology, leveraging the strengths of our sales area to connect with other regions in multiple ways will bring forth even greater possibilities.

I feel that many of our shareholders have a passion toward regional areas, and one of the responses to this passion lies in how to bring out the potential of these regions.

Furthermore, it is our employees who are able to unleash the potential of the region. Banks do not make “things.” That is why “people,” employees, are everything for banks. Fortunately, I think many of our Group employees share the same purpose as the Company thanks to an environment where employees feel more motivated to work. Employees will grow even more if they feel motivated to work and can think and act accordingly. Ultimately, I want to make YMFG a company that current employees want their children to work at in the future. Myself and other members of the management team will work hard to achieve this.

Mukunashi: With a GDP of approximately ¥37 trillion, the regions that serve as YMFG’s main sales areas have high economic potential. Industries include manufacturing such as shipbuilding, automotive, and chemicals, which are concentrated in Setouchi industrial complexes, as well as ships related to shipbuilding. Tourism is also thriving as a service industry. We will continue our efforts to support the growth of these unique local industries and work to bring happiness to people working at regional companies.

This is how a regional financial group should be. I want to further evolve and deepen this essence.

The premise is that without the growth of its employees, a company cannot grow. We will develop human assets who consider our customers’ needs as their own and can work alongside them. As our customers grow, the local economy develops and regional value increases. As a result, this trend will enhance the Group’s corporate value and maximize shareholder value. We aim to be a corporate group in which this cycle occurs surely and steadily.

Tsumuraya: This discussion clearly conveyed how the changes in employees are steadily leading to the enhancement of YMFG’s corporate value. I look forward to the further evolution of YMFG’s human capital management.

Message from General Manager of the Corporate Planning Administration Group

We will achieve ROE of 5.0% in the fiscal year ending March 31, 2025, linking this to our growth strategy in the next medium-term management plan

Executive Officer and General Manager of the Corporate Planning Administration Group

Tatsuya Furudo

Joined The Yamaguchi Bank, Ltd. in 1999. In October 2016, he was appointed as General Manager of Tenjin Branch, The Kitakyushu Bank, Ltd. Since November 2017, he served as General Manager of the Frontier Business Office of the Corporate Planning Dept., Yamaguchi Financial Group, Inc., where he began working on developing new businesses and finding alliances with startups. After serving as General Manager of the Industrial Growth Management Dept., in June 2021, he was appointed as Representative Director of YAMAGUCHI CAPITAL Co., Ltd., which engages in the investment business. He became General Manager of the Corporate Planning Dept. in April 2023, and took the current position of Executive Officer and General Manager of the Corporate Planning Administration Group in April 2024.



Performance for the fiscal year ended March 31, 2024

In the fiscal year ended March 31, 2024, we achieved ordinary profits of ¥37.2 billion, net income of ¥25.2 billion, and ROE of 4.0%. These management indicators surpassed our plans and marked the second consecutive year of profit growth. Ordinary profits rose by ¥11.5 billion from the previous fiscal year. This was due to higher loan balances, improved

yields, and increased income gain from rebuilding the securities portfolio. In terms of business, such as the Corporate Banking Business and Retail Banking Business, key indicators such as gross profits are up year-on-year. This shows steady growth across all businesses.

Toward the final fiscal year of the Medium-Term Management Plan 2022

The external environment in the fiscal year ending March 31, 2025 is expected to see signs of an overall economic recovery. While it has been impacted by rising prices due to high resource costs and a weak yen, it is also expected to see steady consumer spending, driven by wage increases at large corporations and inbound tourism. Against this backdrop, in the fiscal year ending March 31, 2025, the final fiscal year of the Medium-Term Management Plan 2022, we plan to bring about the culmination of our efforts over the past two years. We are targeting ordinary profits of ¥47.5 billion, net income of ¥33.0 billion, and ROE of 5.0%. In particular, we are targeting record-high net income this fiscal year, making it a challenging plan for us.

Over the past two years, we have seen steady progress overall. However, while we have met our plans in some areas, in other areas we have lagged behind. For example, the review of our sales structure following the introduction of a block sales system and the rebuilding of our securities portfolio are on track. On the other hand, we recognize challenges in our retail and DX strategies. Where things are progressing smoothly, we will pick up the pace. At the same time,

we will closely analyze and understand any challenges, and correct course as necessary. We are committed to achieving this fiscal year's plan. This will give us momentum as we start our next medium-term management plan from the next fiscal year.

Results of major management indicators (consolidated)

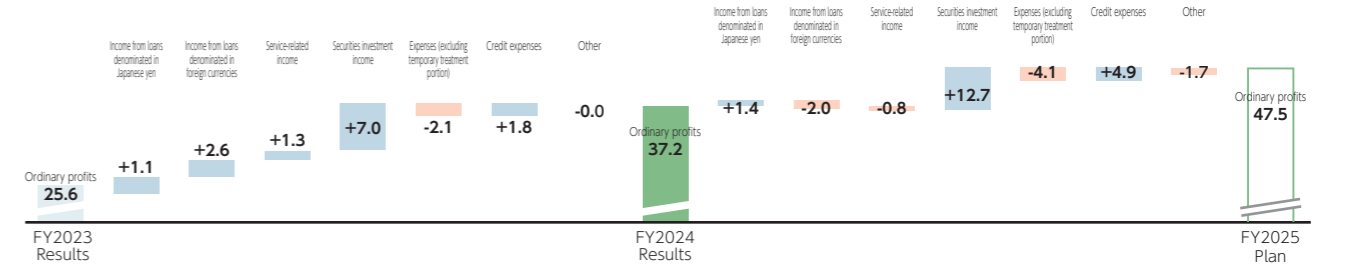
(Unit: Billions of yen)	FY2023 Results		FY2024 Results		FY2025 Plan		
	Actual	Compared to the plan	Actual	Compared to the plan	Actual	Compared to the plan	
Ordinary profits	25.6	0.6	37.2	11.5	2.2	47.5	10.3
Net income ^{*1}	17.8	0.8	25.2	7.4	1.2	33.0	7.8
ROE	2.9%	0.2%	4.0%	1.1%	0.3%	5.0%	1.0%

*1 Net income attributable to owners of the parent

Overview of financial results by business (consolidated)

(Unit: Billions of yen)	FY2023 Results		FY2024 Results		FY2025 Plan	
	Actual	Year-on-year	Actual	Year-on-year	Actual	Year-on-year
Gross profits, etc.	93.2	18.1	105.2	11.9	115.0	9.8
Core business areas	81.2	19.6	93.7	12.4	105.1	11.4
Corporate Banking Business	56.3	2.5	60.4	4.1	60.7	0.2
Retail Banking Business	22.0	(0.4)	23.3	1.2	21.8	(1.5)
Securities investment business	3.1	17.3	10.2	7.0	22.9	12.7
Investment business	(0.2)	0.1	(0.2)	0.1	(0.2)	(0.0)
New business areas	0.7	(0.0)	0.8	0.1	1.1	0.3

Causes of changes in ordinary profits

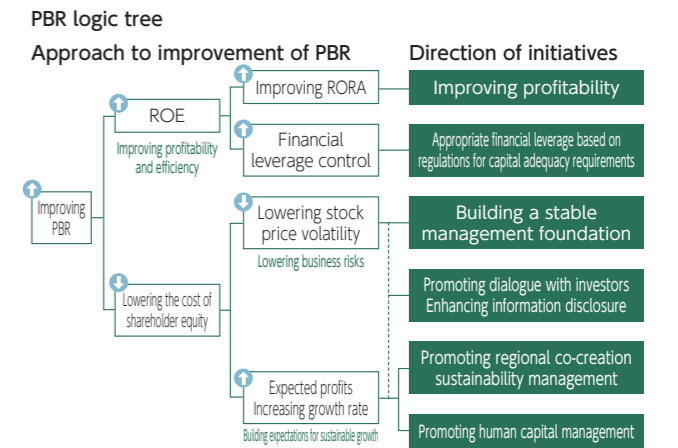


Improving ROE to raise PBR

The Group uses a logic tree to outline our approach to improving PBR. Raising PBR requires improving ROE and lowering the cost of shareholder equity. In the fiscal year ending March 31, 2025, we will particularly focus on improving ROE.

The Group's PBR has recently improved to 0.61 times.^{*2} We attribute this to our successful achievement of indicator targets such as ROE in the current medium-term management plan.

For the fiscal year ending March 31, 2025, we will remain committed to achieving our ROE target of 5.0%, aiming to improve our PBR.



*2 Net assets and number of shares: As of March 31, 2024, excluding treasury shares
Stock price: Closing price as of June 30, 2024

Maximizing profits through appropriate capital allocation

To improve ROE, it is important to maximize profits while ensuring the bank's soundness. We will do this by maintaining our total equity ratio target of around 12%, and balancing capital allocation between shareholder returns [▶P.23](#) and growth investments, both organic and inorganic.

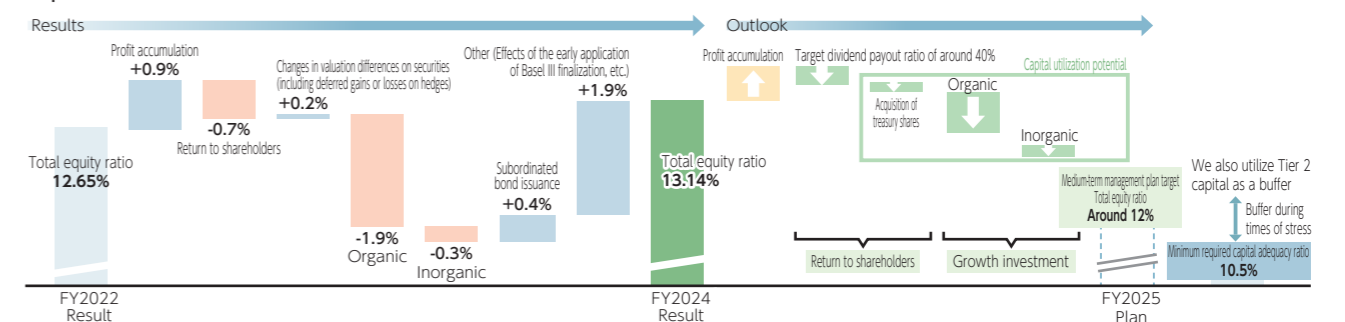
Organic investments focus on loans and pure investment securities management mainly for local businesses. Rather than simply accumulating the assets that traditionally serve as revenue sources for banking, we need to examine and select assets based on their profitability. That is why we run our business with a strong focus on RORA.^{*3}

We see inorganic investment as a strategic move to expand our business areas and improve profitability.

Examples include capital alliances and other strategic investments, investments in startups, and structured finance.^{*4} When considering strategic investments in particular, we aim to actively explore alliances with external corporations, while factoring in potential synergies.

*3 RORA shows how much profit is generated from risk-weighted assets such as loans and securities. It is calculated as profit divided by risk-weighted assets.
*4 Structured finance refers to project finance, LBO loans and other financing methods that do not rely on the company's creditworthiness or collateral value.

Capital allocation chart



Message from General Manager of the Corporate Planning Administration Group

Initiatives to improve profitability

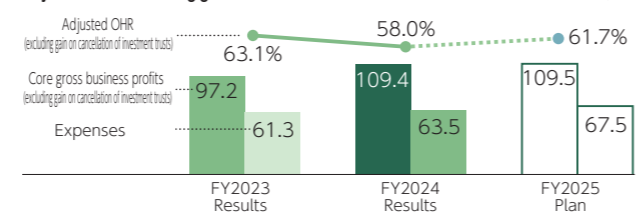
As outlined above, improving ROE requires maximizing profitability. As part of the effort, we are running our operations with a strong focus on RORA.

Specifically, at our headquarters, we analyze and visualize the RORA of loans by asset class and region, and use this information to optimize our portfolio. ▶P.39 In our business operations, we calculate RORA (total Return on Risk Asset) for each corporate client, considering overall transactions such as service income, interest on deposits, and loans and discounts. By visualizing the profitability of corporate transactions, we use this information as we decide on setting our credit and interest rates.

We also hold briefings and study sessions on RORA for each bank and location, as we work to change the mindset within the Company. As a result of these efforts, our employees have begun to gain a deeper understanding of RORA. However, the concept has not yet fully taken hold within the Company. Rather than simply competing on interest rates or chasing after higher volume, we need each employee to focus on RORA in their duties. We believe that if we can achieve that, it will directly improve our profitability, and ultimately, our ROE. Therefore, we will strengthen and continue these efforts.

On the other hand, it is also important to keep costs down. In the fiscal year ended March 31, 2024, core gross business profits (excluding gain on cancellation of investment trusts)⁵ grew. This led to a year-on-year improvement in adjusted OHR (excluding gain on cancellation of investment trusts)⁶ to 58.0%. However, costs are rising due to system investments for efficiency and also due to higher personnel expenses from salary raises. We will strive to keep costs down by investing appropriately where costs are necessary while reviewing areas that need to be reviewed.

Adjusted OHR (excluding gain on cancellation of investment trusts) (Unit: Billions of yen)



⁵ "Gross business profits" is the sum of "net interest income" from deposits and loans, and securities, "net fees and commissions" from various fees, and "other business profits" from gains on bonds. It excludes temporary factors such as profits and losses on government bonds and gain on cancellation of investment trusts.
⁶ One indicator of banking efficiency is the expense ratio, which compares expenses to gross profits. It is calculated by dividing expenses by core gross business profits (excluding gain on cancellation of investment trusts).

Capital and business alliance with Dream Incubator Inc.

As part of our strategic investments for expanding business areas and improving profitability, we formed a capital and business alliance with Dream Incubator Inc. in March 2024, and acquired appropriately 20% of its shares. Dream Incubator Inc. has a strong record in partnering with the Group to promote social impact bonds and in creating businesses to tackle social issues in Japan.

Dream Incubator Inc. has capabilities that the Group lacks, such as idea conception and implementation of new ventures. By working together to solve regional issues, we believe that we can provide new added value to the community. That is why we formed this alliance.

We will share updates on our specific efforts with Dream Incubator Inc., as necessary. We hope that you will watch these developments with interest. We will

continue to actively make strategic investments, including alliances with other companies, to enhance YMFG's growth and regional value.

Formed capital and business alliance with Dream Incubator Inc. to establish a new regional banking business



Reduction of cross-shareholdings

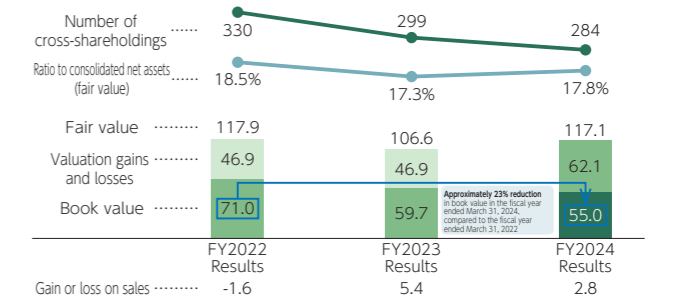
In regard to cross-shareholdings, we will not take out new holdings unless there is a valid reason for such holding from multiple perspectives such as the appropriateness of the holding purpose and whether the benefits and risks associated with the holding are

worth compared to our capital cost. Based on this policy, we periodically verify the rationale for holding. At the Meeting for the Reduction of Cross-Shareholdings, which is consisted of the Company's CEO and the Presidents of the banks in the Group, we

have discussed the reduction policy and conducted sales. For the fiscal year ended March 31, 2024, approximately 23% reduction was realized on a book value basis, compared to the fiscal year ended March 31, 2022. We aim to reduce holdings by about 10% on a book value basis in the fiscal year ending March 31, 2025. We will continue to reduce holdings while considering our investment goals.

We will use the capital freed up from reducing cross-shareholdings for shareholder returns and growth investments.

Trends in reduction of cross-shareholdings (Unit: Billions of yen)



Toward the next medium-term management plan

The fiscal year ending March 31, 2025 is the final fiscal year of the current medium-term management plan and represents a crucial stepping stone for the next medium-term management plan. To ensure a smooth start for the next medium-term management plan, we are now working on optimizing our group functions.

The Company has many group companies. While they bring forth solutions to local issues, the scattered nature of their functions poses a challenge. We will maintain the quality of our solutions while

optimizing our functions to streamline the Group's structure. The resources spared through this effort will be allocated toward our next growth strategy, thereby forming a path toward sustainable growth.

In the next medium-term management plan, we have focused on further speeding up the Group's growth by improving profitability and executing growth strategies. We also believe that maximizing the value YMFG provides to our region is a key factor. We aim to boost the Group's problem-solving capabilities and grow together with the local community.

In the next medium-term management plan, our main focus will be outlining our path for achieving an ROE above our capital cost (around 7%). We are drafting a highly feasible plan to ensure that our investors can support.



Ever-evolving YMFG

There is a saying that I like. It shows up in our YMFG brand commercials and posters: "Was there ever a time that was not an era of change?" I have observed many companies, particularly in our fast-paced, changing world. It is clear to me that companies that can adapt are powerful.

Even though banking is our main and stable business, we have a sense of urgency. We know that if we rest on our laurels and do nothing, we will eventually decline. This phrase reminds us that we must always keep evolving to keep up with the times.

Following past examples might be easy. However, if we keep doing the same thing while everything around us changes, we fall behind. We embrace change and diversity with flexibility and foster a culture that welcomes challenges. We are raising the question "Was there ever a time that was not an era of change?" How can we say something so bold and ambitious if we ourselves do not change? That is

what I ask everyone. Each YMFG employee must not be afraid of change and strive to create new value. I believe these efforts will help us achieve the Group's purpose of "co-creating a bountiful future for all regions."

変化の時代じゃない時代なんてありましたか？

人の一生は 変化の連続だ。まず 期限が 入れ替わる。毎年必ず 年齢が変わる。生きてるって そういうこと。

人が 集まって できている社会も、変わるは 当たり前。健全。真っ当。

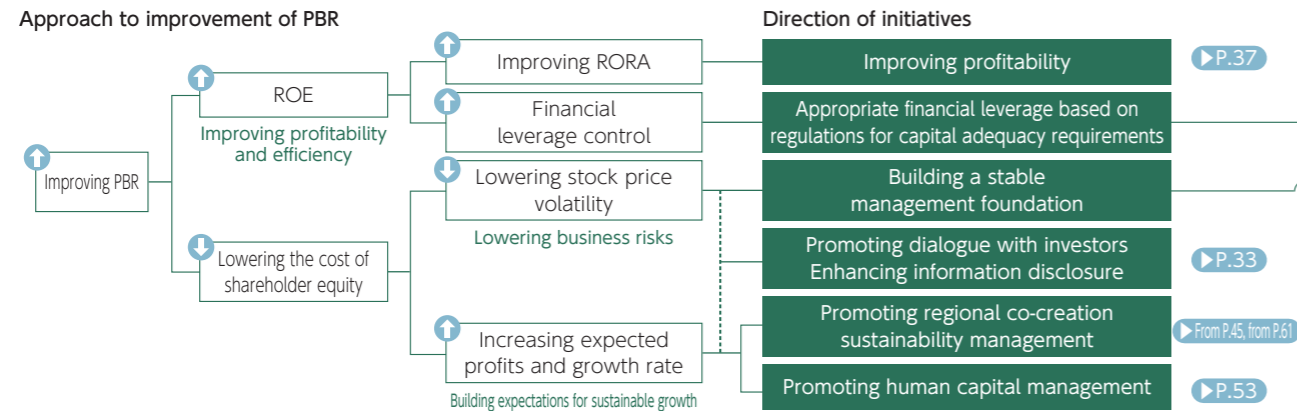
いま、日本は 世界は 変化のときだと 岸原に語られるが、だが、いつだって 変化の時代、ですとよ 涼しい顔で いきたいものだ。

DXがもう 茶飲み話になり、AIも 当たり前 AGIに、ゆく川の 流れは 替えずして、しかも、もとの水に あらず、と、方丈記。令和の川を 生きてゆけ。

この世界で、この中で、この日本人、

山口銀行 ちみり銀行 北九州銀行 **YMfg**

Logic Tree for Improving PBR



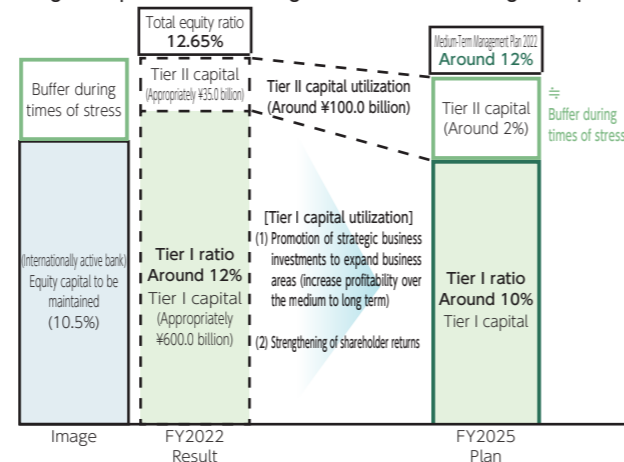
Appropriate financial leverage based on regulations for capital adequacy requirements

■ Issuance of green bonds

In October 2022, the Group issued a total of ¥22.4 billion in subordinated bonds classified as Tier II capital (green bonds). In July 2024, we also announced the issuance of subordinated bonds worth up to ¥25.0 billion.

With regards to total equity, we aim to increase the weighting of Tier II capital, which has low procurement costs, and allocate Tier I capital to shareholder returns and strategic business investments to expand business areas, thereby enhancing capital efficiency and increasing profitability over the medium to long term.

Image of capital structure during the medium-term management plan



■ Policy on return to shareholders

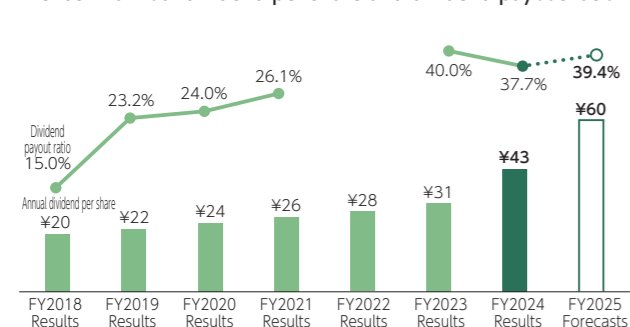
The Group has established the following shareholder return policy.

- Dividend payout ratio of around 40%
- Flexible and prompt acquisition of treasury shares, considering market trends, earnings forecasts, etc.

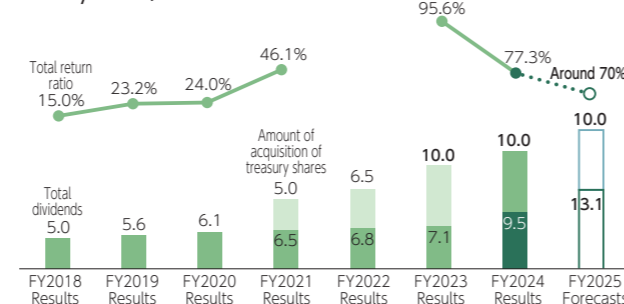
In accordance with this policy, in the fiscal year ended March 31, 2024, we paid an annual dividend

of ¥43 per share (dividend payout ratio of 38%) and acquired ¥10.0 billion of treasury shares. For the fiscal year ending March 31, 2025, we forecast an annual dividend of ¥60 per share, an increase of ¥17 per share, and have announced the acquisition of a total of ¥10.0 billion of treasury shares for the third consecutive year.

Trends in annual dividend per share and dividend payout ratio



Trends in total dividends, amount of acquisition of treasury shares, and total return ratio (Unit: Billions of yen)



Building a stable management foundation

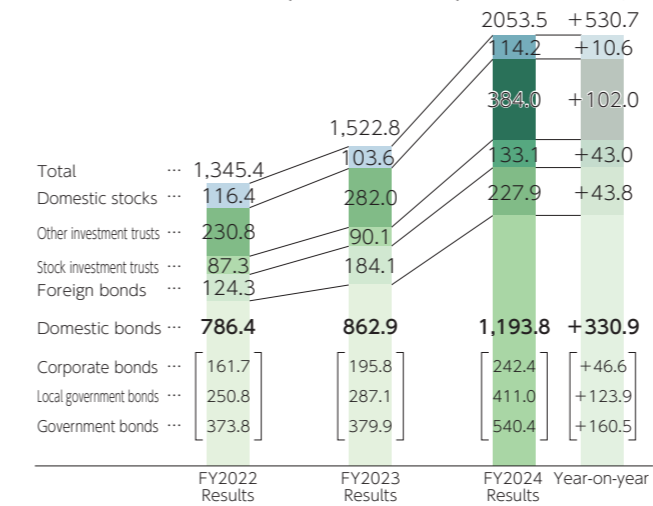
■ Rebuilding the securities portfolio

Since the fiscal year ended March 31, 2023, the Group has been rebuilding its securities portfolio in order to secure stable profits through securities investment. Specifically, we have drastically cut our losses, mainly for negative-yielding foreign bonds and securities with unrealized losses, and replaced them with assets with higher yields. In addition, as profits from capital-focused market investments are swayed heavily by market trends, we have shifted our policy to income-focused market investments and converted to a profit structure that ensures income gain.

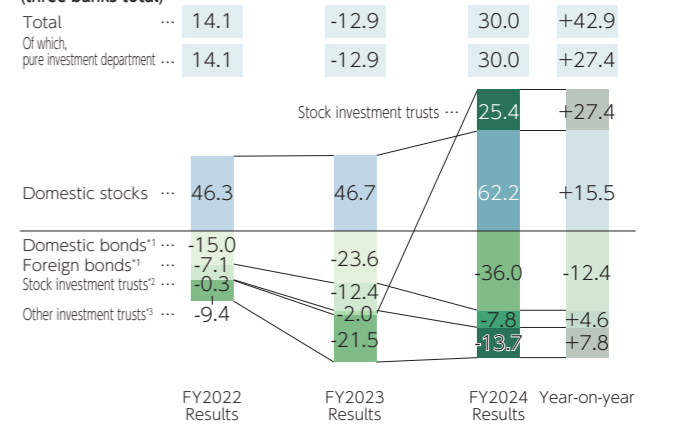
In accordance with this policy, we rebuilt our portfolio in the fiscal year ended March 31, 2024 by accumulating assets such as domestic bonds and domestic and foreign stock investment trusts, in addition to cutting losses of securities with unrealized losses. As a result, valuation gains and losses improved and book yield rose.

In the fiscal year ending March 31, 2025, we will continue to optimize our portfolio and aim for income gain of ¥15.0 billion and a book yield of 0.82%.

Market value of securities (three banks total) (Unit: Billions of yen)

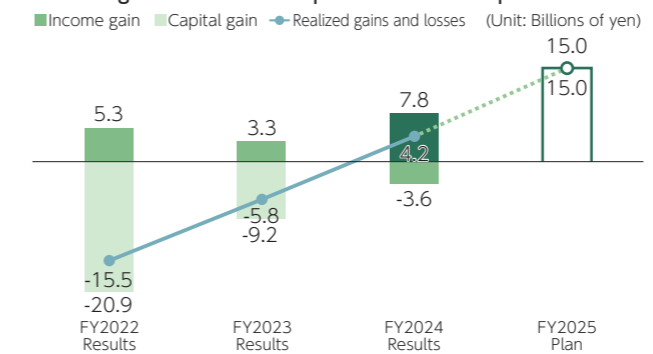


Valuation gains and losses on available-for-sale securities (three banks total) (Unit: Billions of yen)

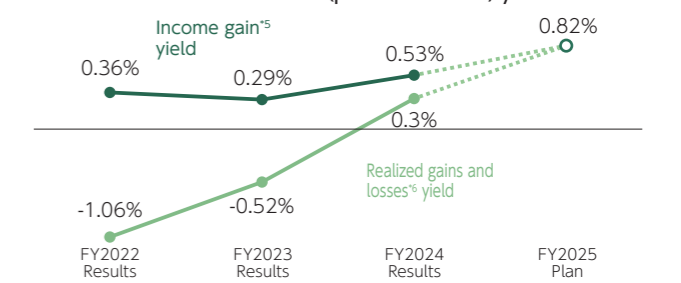


* The above graph includes available-for-sale securities and held-to-maturity securities

Realized gains and losses for pure investment department (Unit: Billions of yen)



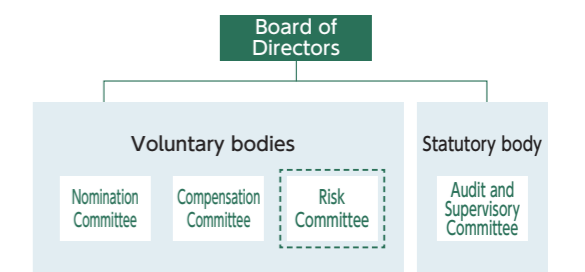
Securities investment business (pure investment) yield



*5 Domestic and foreign bond interests (after taking hedging into account) + investment trust dividends + funding costs (-)
*6 (Income gain + capital gain) / Average balance of pure investment (internal management basis including derivatives, etc.)

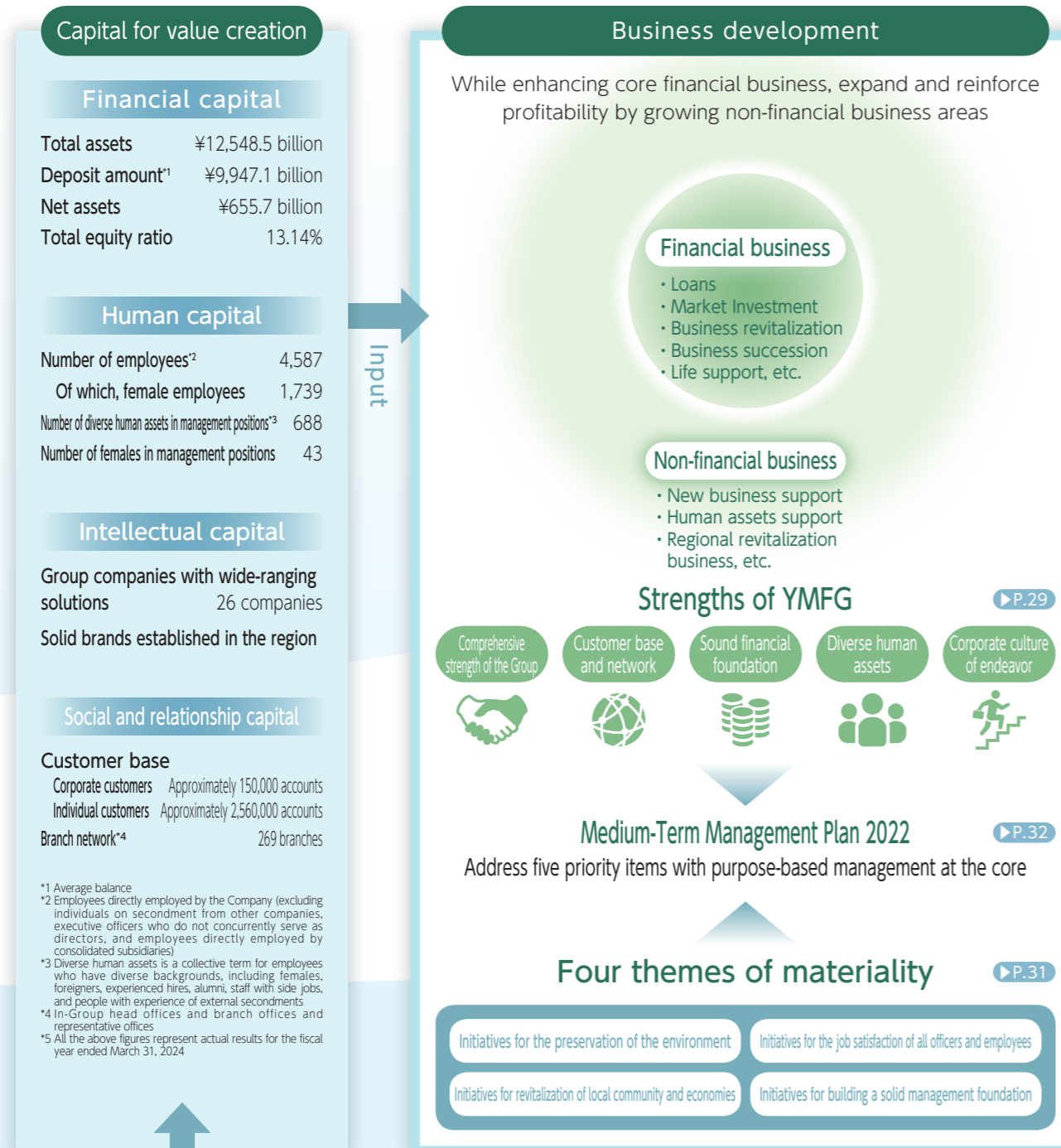
■ Building a risk management system of market investment departments by the Risk Committee

In July 2022, we established the Risk Committee as a voluntary advisory body to the Board of Directors, with the aim of strengthening the supervisory function for risk management. The Committee consists of outside Directors and external experts, and reflects outside expertise in risk management. First of all, we aim to curb excessive risk-taking and ensure stable market investments by focusing on issues related to market investment departments, which is an urgent task.



Value Creation Process

The Group's management policy, "a sound and proactive enterprising spirit," has been continuously passed down and maintained throughout its approximately 140-year history. Based on this spirit, by comprehensively utilizing our financial capital, human capital, and other non-financial capital, we will generate steady output and outcomes, while achieving the Group's purpose and vision.

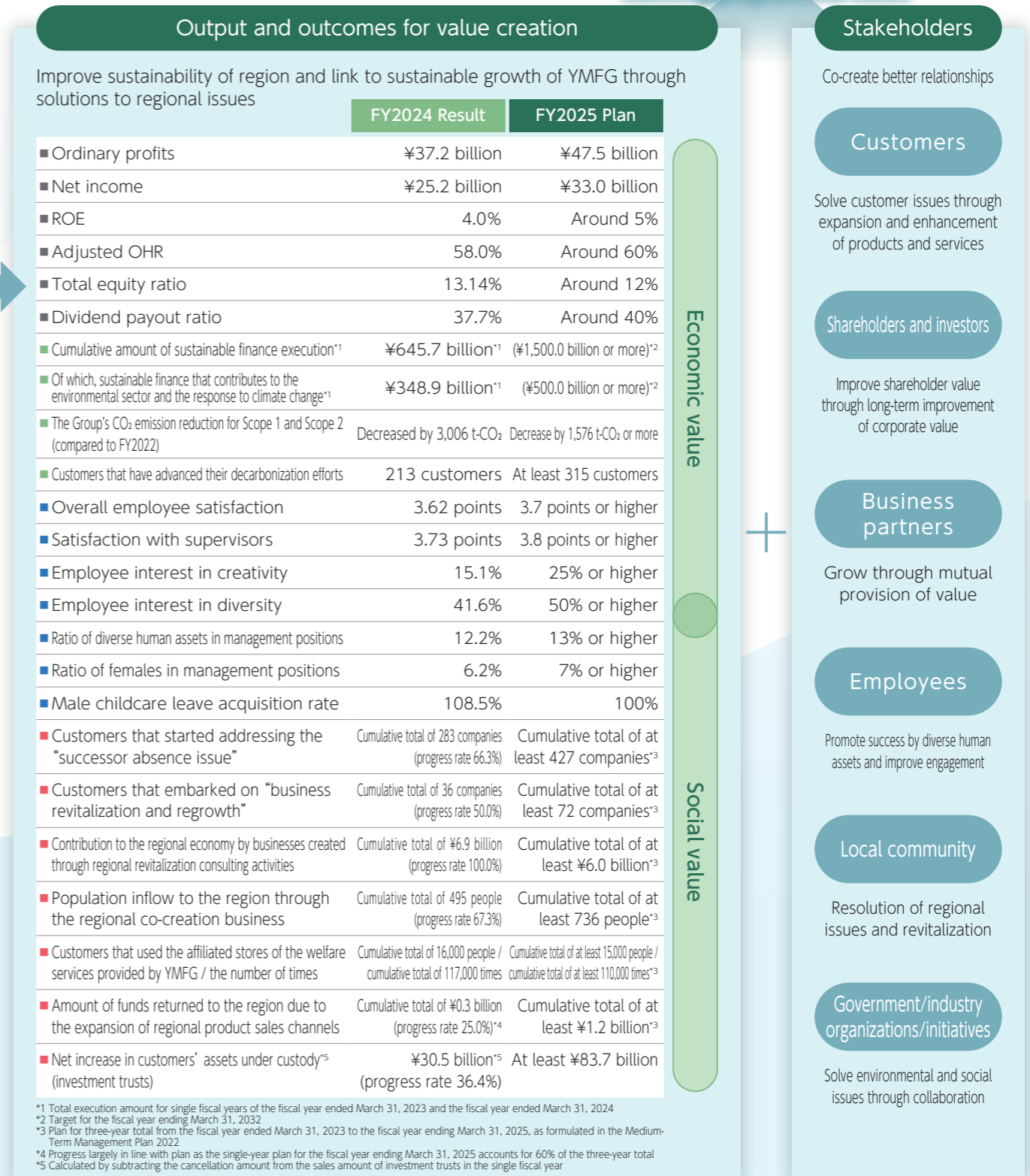


Changes in external environment

- Low growth in domestic economy
- Slowdown in creation of industries
- Lack of successors
- Declining population
- Declining birthrate and aging population
- Advancement in digitalization
- Diversification of values
- Rising awareness of environmental and social issues

Purpose Co-creating a bountiful future for all regions
Vision A regional value-up corporate group that is chosen by all regions and responds to the trust of all regions

Realizing purpose and vision

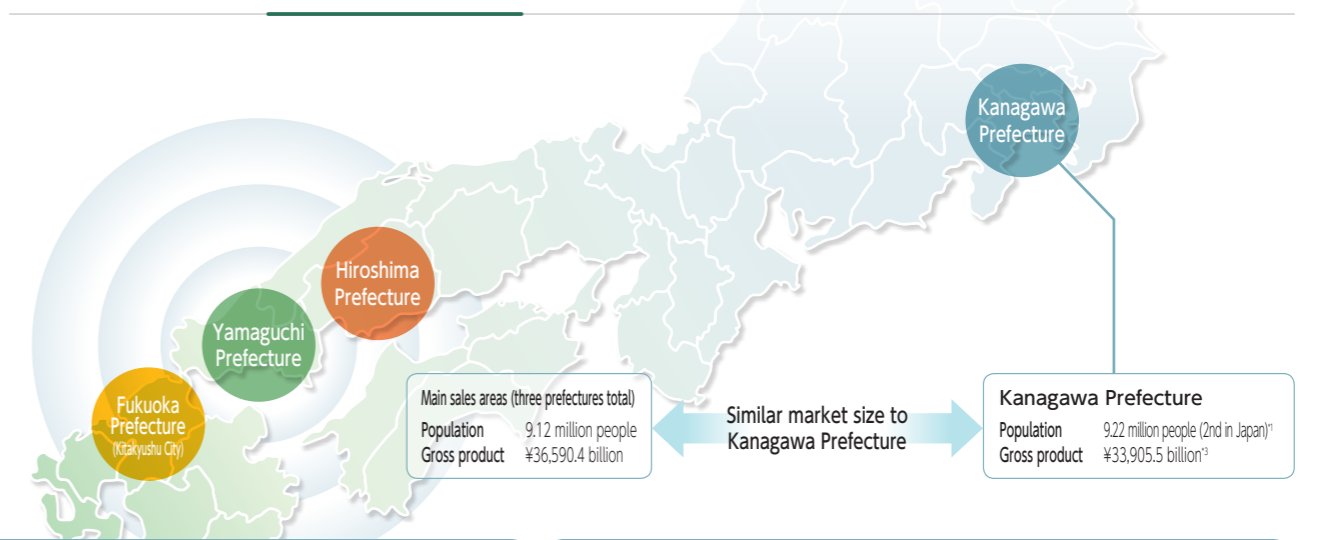


¹ Total execution amount for single fiscal years of the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2024
² Target for the fiscal year ending March 31, 2032
³ Plan for three-year total from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2025, as formulated in the Medium-Term Management Plan 2022
⁴ Progress largely in line with plan as the single-year plan for the fiscal year ending March 31, 2025 accounts for 60% of the three-year total
⁵ Calculated by subtracting the cancellation amount from the sales amount of investment trusts in the single fiscal year

Characteristics of the Main Sales Area

Yamaguchi Prefecture, Hiroshima Prefecture, and Fukuoka Prefecture (Kitakyushu City), the Group's main sales areas, have developed industrial infrastructure and are blessed with an abundance of tourism resources. Geographically, they are located close to China, Korea, and Southeast Asia, and have potential to become industrial zones that have an eye towards the future. On the other hand, one of the issues facing the region is the aging and declining population, which is progressing at a level above the national average, and thus regional growth is moderate. In addition, there is also an issue of high CO₂ emissions due to the industrial structure where the manufacturing industry is concentrated.

We contribute to the sustainable development of the region by earnestly facing these regional issues and aiming to resolve them together with companies and customers in the region.



Structure

Population	1.29 million people (27th in Japan) ¹
Gross area	6,112 km ² (23rd in Japan) ²
Gross prefectural domestic product	¥6,148.1 billion (24th in Japan) ³
Prefectural income	¥3,973.1 billion (25th in Japan) ³
Per capita income	¥2.96 million (14th in Japan) ³
Value of product shipments, etc.	¥6,553.5 billion (17th in Japan) ⁴
Industrial structure	<ul style="list-style-type: none"> The primary industries are basic material industries such as steel, oil and chemical products Value of manufactured goods shipments per establishment is the highest in Japan

Location and infrastructure

- Convenient transportation with urban areas to both the east and west**
Located between the cities of Fukuoka in the west and Hiroshima in the east, both can be accessed in about 30 minutes by Shinkansen (bullet train) from the center of the prefecture. Moreover, the prefecture boasts an excellent road network and was ranked first in Japan in the "road user satisfaction survey"⁵.
- Well-developed shipping infrastructure**
Surrounded by the sea on three sides, it has among the best shipping infrastructure in Japan, including two international hub ports and four other important ports



Regional issues

- Successor absence rate⁶**
60.3% (12th in Japan / national average: 53.9%)
- Average annual growth rate of population (2015 to 2023)⁷**
-1.0% (38th in Japan / national average: -0.3%)
- Average annual growth rate of gross prefectural domestic product (2011 to 2020)⁸**
0.45% (34th in Japan / national average: 0.74%)
- The proportion of securities in the financial asset balance per household⁹**
10.6% (33rd in Japan / national average: 16.0%)
- CO₂ emissions / CO₂ emissions per population¹⁰**
27,007,000 t-CO₂ (13th in Japan) / 20,337,000 t-CO₂ (2nd in Japan)
- Aging rate (population of 65 and over)¹¹**
35.4% (4th in Japan / national average: 29.1%)

TOPICS

- Economic diffusion index in June 2024: 44.4% (13th in Japan)¹⁴
- Capital investment in the fiscal year ended March 31, 2024: 4.9% year-on-year increase. Capital investment plan for the fiscal year ending March 31, 2025: Forecast of 21.8% year-on-year increase¹⁵
- Planned construction of new plant in Kudamatsu City by a semiconductor equipment manufacturer, Hitachi High-Tech Corporation, scheduled for completion in April 2025 (planned investment: ¥24.0 billion)¹⁶
- Invested record-high amount of approximately ¥122.9 billion in attracting companies to the area¹⁷
- Yamaguchi City has been selected for The New York Times' list of "52 Places to Go in 2024"; economic effect of approximately ¥9.0 billion (calculated by Yamaguchi University)¹⁸

Population	2.73 million people (12th in Japan) ¹
Gross area	8,478 km ² (11th in Japan) ²
Gross prefectural domestic product	¥11,555.4 billion (12th in Japan) ³
Prefectural income	¥8,312.2 billion (12th in Japan) ³
Per capita income	¥2.97 million (12th in Japan) ³
Value of product shipments, etc.	¥9,741.5 billion (11th in Japan) ⁴
Industrial structure	<ul style="list-style-type: none"> Shipbuilding, transportation machinery such as automobiles, steel, and production machinery are the main industries The Nishiseto region, which includes Hiroshima Prefecture, is one of the leading concentrations of maritime industry businesses in Japan

- Hiroshima City, the core city of Chugoku and Shikoku**
With a population of 1.18 million people, it is the largest city in Chugoku and Shikoku, and it is a core city with many major companies based in Hiroshima City
- Abundant tourist resources**
It boasts two World Heritage sites, the Hiroshima Peace Memorial (Genbaku Dome) and Itsukushima Shinto Shrine, making it rich in tourism and inbound resources.



- Average annual growth rate of gross prefectural domestic product (2011 to 2020)⁸**
0.27% (42nd in Japan / national average: 0.74%)
- The proportion of securities in the financial asset balance per household⁹**
9.8% (35th in Japan / national average: 16.0%)
- CO₂ emissions / CO₂ emissions per population¹⁰**
40,870,000 t-CO₂ (7th in Japan) / 14,701,000 t-CO₂ (4th in Japan)
- Number of excess transfers out of population¹²**
Decrease by 11,409 people (1st in Japan)

- Economic diffusion index in June 2024: 42.0% (23rd in Japan)¹⁴
- Capital investment in the fiscal year ended March 31, 2024: 9.1% year-on-year increase. Capital investment plan for the fiscal year ending March 31, 2025: Forecast of 30.6% year-on-year increase¹⁵
- Estimated economic ripple effect of ¥83.17 billion from new stadium park comprising new football stadium and surrounding open space, which opened in February 2024¹⁹
- New Hiroshima Station building, "minamoa," scheduled for opening in spring 2025
- Estimated economic ripple effect of approximately ¥121.7 billion from the G7 Hiroshima Summit held in May 2023²⁰

Population	5.10 million people (8th in Japan) ¹
Gross area	4,987 km ² (29th in Japan) ²
Gross prefectural domestic product	¥18,886.9 billion (9th in Japan) ³ (Of which, Kitakyushu City: ¥3,669.6 billion)
Prefectural income	¥13,504.9 billion (9th in Japan) ³
Per capita income	¥2.63 million (35th in Japan) ³
Value of product shipments, etc.	¥9,912.2 billion (10th in Japan) ⁴
Industrial structure	<ul style="list-style-type: none"> Kitakyushu is the city where modern iron manufacturing in Japan began, and in addition to material industries, processing-related industries, including non-metallic and metallic products, general machinery and other products, are the main industries

- Kitakyushu City, the "Gateway to Kyushu"**
As one of the cities designated by ordinance, it plays a role as the "gateway to Kyushu" with its well-developed land, sea and air transportation infrastructure
- Became the first city in Asia to be designated a "global model city for promoting SDGs" in 2018**



- Successor absence rate⁶**
57.9% (18th in Japan / national average: 53.9%)
- CO₂ emissions / CO₂ emissions per population¹⁰**
34,513,000 t-CO₂ (11th in Japan) / 6,736,000 t-CO₂ (32nd in Japan) (Of which, Kitakyushu City: 8,021,000 t-CO₂)¹³

- Economic diffusion index in June 2024: 46.2% (5th in Japan)¹⁴
- Capital investment in the fiscal year ended March 31, 2024: 16.0% year-on-year increase. Capital investment plan for the fiscal year ending March 31, 2025: Forecast of 6.9% year-on-year increase¹⁵
- 88 new companies attracted to Kitakyushu City in 2023, invested record-high amount of ¥256.5 billion²¹
- In collaboration with the industrial, academic, government, and financial sectors, Kitakyushu City established the Kitakyushu GX Promotion Consortium to link GX initiatives to regional economic growth. More than 200 companies have joined the consortium. (Target is to attract investment of ¥5 trillion to ¥10 trillion over the next 10 years)²²
- Large-scale development project is underway in central Fukuoka City. (Economic ripple effect: Tenjin Big Bang: ¥850.0 billion/year²³; Hakata Connected: ¥500.0 billion/year²⁴) Construction of CONNECT SQUARE HAKATA, which is a 12-floor building with restaurants and offices appropriately a two-minute walk from Hakata Station, was completed in March 2024.

¹ Current Population Estimates as of October 1, 2023* by the Ministry of Internal Affairs and Communications
² The Report of Statistical Reports on the Land Area by Prefectures and Municipalities in Japan (as of April 1) by the Geospatial Information Authority of Japan, Ministry of Land, Infrastructure, Transport and Tourism
³ Gross prefectural domestic product, prefectural income, and per capita income: according to "Prefectural Accounts 2020" by the Cabinet Office *at current prices
⁴ Statistical Table by Region, "Census of Manufacture 2020" by the Ministry of Economy, Trade and Industry
⁵ Implemented by the Ministry of Land, Infrastructure, Transport and Tourism in 2005, not implemented since 2006
⁶ 2023/ "Successor Absence Rate Trends Survey" by TEIKOKU DATABANK, Ltd. (TDB)

⁷ Prepared by the Company based on "Population Estimates" on e-Stat
⁸ "Prefectural Accounts 2011 to 2020 (current prices)" by the Cabinet Office
⁹ 2019/ "National Survey of Family Income, Consumption and Wealth" by the Ministry of Internal Affairs and Communications
¹⁰ Estimates by the Company based on "Estimates of CO₂ Emissions by Sector (2021)" by the Ministry of the Environment and "Statistics of Japan 2021" by the Ministry of Internal Affairs and Communications
¹¹ Annual Report on the Aging Society FY2024 by the Cabinet Office
¹² 2023 results, Annual report on the internal migration in Japan derived from the basic resident registers by the Statistics Bureau of Japan, Ministry of Internal Affairs and Communications

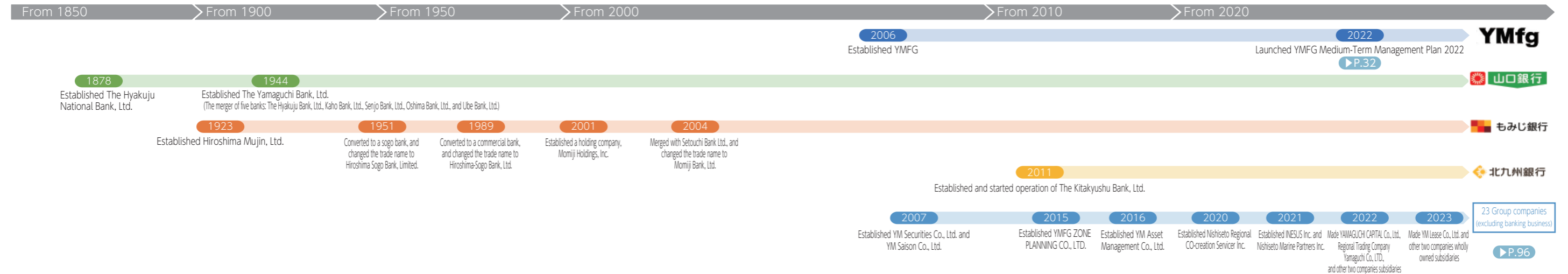
¹³ "Estimates of CO₂ Emissions by Sector (2021)" by the Ministry of the Environment
¹⁴ TDB Trends Research
¹⁵ Tankan (Short-Term Economic Survey of Enterprises in Japan) by Bank of Japan (Yamaguchi, Hiroshima, and Kitakyushu)
¹⁶ Release on April 18, 2023 on the website of Hitachi High-Tech Corporation
¹⁷ 2024 Industry and Labor Department Business Overview by the Yamaguchi Prefecture Industry and Labor Department
¹⁸ Release on May 10, 2024 on the website of Yamaguchi University
¹⁹ Material on June 16, 2023, "Economic ripple effects of revitalization projects making effective use of national land" by the Economic Survey Division, Chugoku Local Finance Bureau

²⁰ Website of the Citizens Council for the Hiroshima Summit
²¹ Records of individual mayor conferences on February 20, 2024 on the website of Kitakyushu City
²² Website of the Kitakyushu GX Promotion Consortium
²³ Release on February 24, 2015 on the website of Fukuoka City
²⁴ Release on May 29, 2019 on the website of Fukuoka City

History and Strengths of YMFG

History

We are a regional financial group with approximately 140-year history. To create a richer future for our region and customers, we are expanding our lines of business while continuing to reform in line with social trends.



Foundation to 1900s
In the Group's core banking business, the predecessor to The Yamaguchi Bank, Ltd., The Hyakujū National Bank, Ltd., was established in 1878, and the predecessor to Momiji Bank, Ltd., Hiroshima Mujin, Ltd., was established in 1923. From then until today, we have built a solid business foundation as a regional banking group.

2000s
In 2006, The Yamaguchi Bank, Ltd. and Momiji Holdings, Inc. completed a management integration ahead of the industry, resulting in the establishment of Yamaguchi Financial Group, Inc. In 2011, we established The Kitakyushu Bank, Ltd., creating a stronger business structure for the Yamaguchi, Hiroshima, and Kitakyushu areas.

2010s
Since establishing YM Securities Co., Ltd. in 2007, we have proactively established financial and non-financial associates. Today, there are 23 non-banking Group companies. We are evolving into a regional financial group that can provide various solutions to customer issues.

2020s
We launched "YMFG Medium-Term Management Plan 2022" in 2022. We have positioned the plan as a three year period to push forward with regional and customer-oriented business activities as "Team YMFG," towards the improved sustainability of our region and YMFG, while striving to achieve the management plan.

Strengths

To ensure that we are always trusted and relied on by our region and customers, the Group has continued to enhance its strengths throughout its long history.

1 Comprehensive strength of the Group

Centered on its banking business, the Group owns multiple Group companies offering various financial services to enable it to respond to customers' wide-ranging needs. We also own companies offering various non-financial services, allowing us to provide solutions beyond finance.



2 Solid customer base and physical branch network

Supported by strong relationships of trust with customers that we have built up over many years, we boast the highest share of loans and deposits in Yamaguchi Prefecture and the second highest in Hiroshima Prefecture. Moreover, we have a solid customer base in Kitakyushu City as the only regional bank with its head office in the city.

In addition, we have a network of physical branches covering various business types (banking, securities, and insurance), mainly in Yamaguchi Prefecture and Hiroshima Prefecture. These physical channels are helping to improve convenience for our customers while strengthening the Group's creditworthiness.

Loan and deposit share

	Loan share	Deposit share
Yamaguchi Prefecture	39.8%	45.3%
Hiroshima Prefecture	21.7%	21.3%
Kitakyushu City	14.1%	10.2%

* Calculated based on clearinghouse exchange figures on March 31, 2024

Branch network (unit: branches)

Banking (in Japan)	Banking (overseas)	Securities	Insurance	Total
265	4	9	52	330

* As of March 31, 2024

So that we can transform in line with social trends in a flexible manner, in addition to enhancing our current strengths, we will strive to create new strengths.

3 Sound financial foundation

We boast a sound financial foundation that is backed by a top-class asset size among regional banks, an appropriate total equity ratio, and non-performing loan ratio. It is thanks to this sound financial foundation that we can meet customers' financing needs as a regional financial institution. We aim to grow alongside our region through proactive investments and loans that support the growth of regional companies.

Financial indicators

Total equity ratio	13.1%
Total assets	¥12,548.5 billion
Non-performing loan ratio	1.6%

* As of March 31, 2024

Issuer rating

Yamaguchi Financial Group, Inc.	A+ (Stable)
The Yamaguchi Bank, Ltd.	A+ (Stable)
Momiji Bank, Ltd.	A+ (Stable)
The Kitakyushu Bank, Ltd.	A+ (Stable)

* As of July 17, 2024

4 Diverse human assets

We believe that mutual stimulation among our diverse human assets can lead to new concepts and ideas, and in turn we can provide new value for our customers. For this reason, we are actively promoting experienced hires and active participation of women. In addition, due to the special nature of our businesses and the high importance of specialist human assets, we also focus on the hiring of experienced specialists and their development.

Diverse human assets indicators

Number of employees	4,587
Of which, ratio of females	37.9%
Of which, ratio of experienced hires	4.1%
Ratio of diverse human assets in management positions	12.2%
Ratio of females in management positions	6.2%

* As of March 31, 2024

5 Corporate culture of endeavor

"A sound and proactive enterprising spirit" is the Group's management policy. It means "a sound attitude is one in which you tackle everything proactively, boldly, and with an enterprising spirit. In addition, sound management content, management system and management attitude will naturally result in a constitution and strength that allows for the aggressive and resolute taking in of risks." This mindset has been carried down to the Group's employees and has been incorporated into the development of even better products and services with new value to respond to customers' apparent and latent needs.

Materiality and YMFG Medium-Term Management Plan 2022

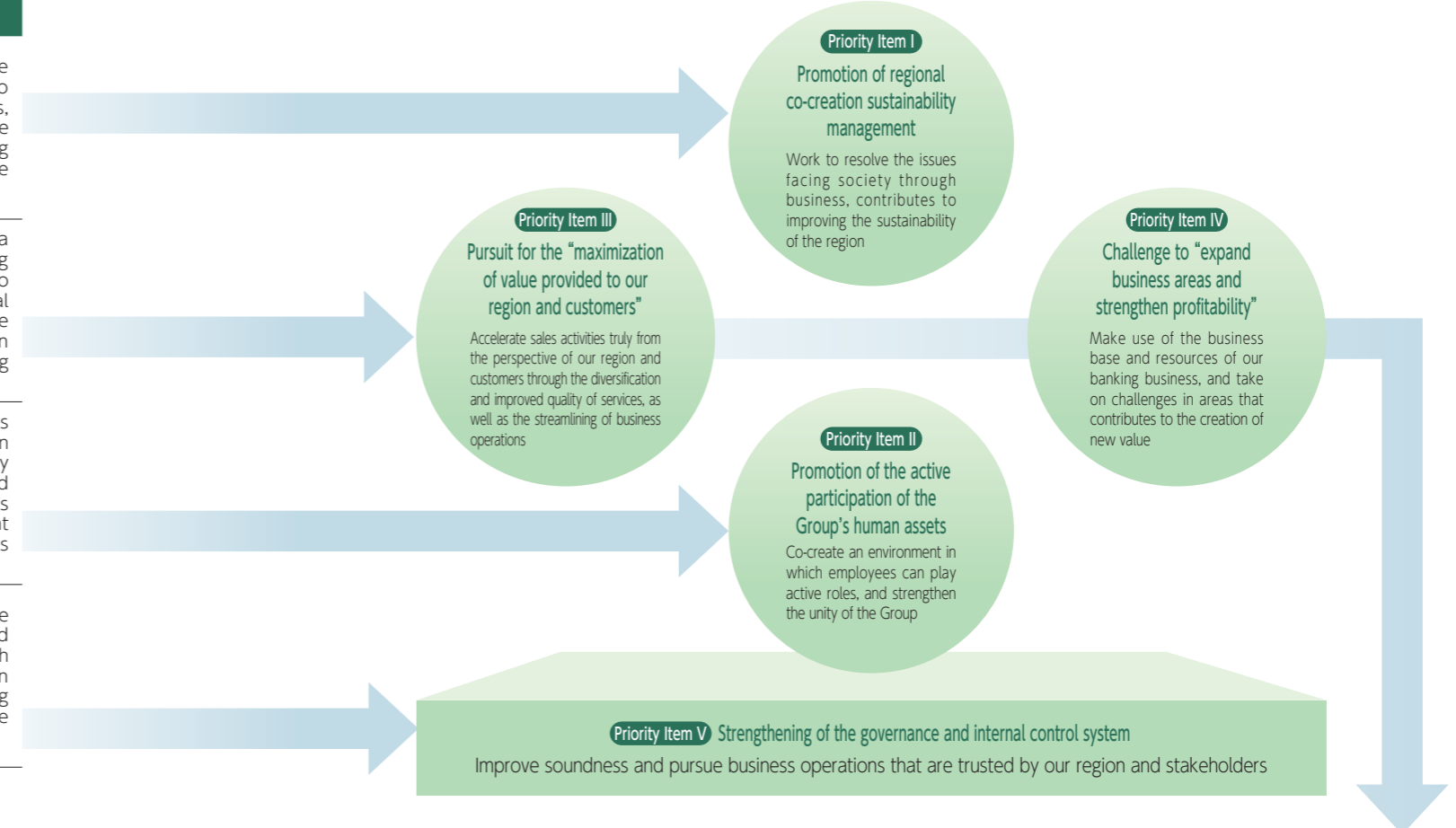
Materiality

To promote the continuous co-creation of social and economic value, we have set four themes as priority ESG issues to be addressed in particular, and identified 12 items of materiality. We began identifying these items of materiality at the same time as our formulation of the Medium-Term Management Plan 2022 and made our final decisions in November 2021. Going forward, we will continue to review these items in line with changes in our management environment and other factors.

Themes	12 items of materiality	Reasons for selection
Initiatives for the preservation of the environment	(1) Respond to the conservation of resources, and energy saving and creation (2) Respond to air pollution and climate change (3) Develop environmentally friendly products and services	Environmental conservation efforts such as resource conservation and the utilization of new energy, responding to climate change, and realizing carbon neutrality are global issues, and are also critical in the Group's main sales areas where secondary industry bases are concentrated. As a leading company in the region, we need to take the initiative and involve our customers in these efforts.
Initiatives for revitalization of local community and economies	(4) Respond to the declining population, declining birthrate, and aging population (5) Create innovation in the region and support the growth of local industries (6) Strengthen cooperation with the local community (7) Improve the safety and quality of products and services	Solving various regional issues is one of the roles required of a leading regional company. In order to respond to the declining population, declining birthrate and aging population, and to revitalize the regional economy through the growth of regional industries, it is necessary to innovate within the region, utilize the network of the Group's main sales areas as a hub function among regional communities, and work towards enhancing regional value.
Initiatives for the job satisfaction of all employees	(8) Cultivate human assets and create training opportunities (9) Create a safe and secure work environment (10) Active participation of diverse human assets (diversity and inclusion)	The driving force and source of efforts of the Group's main sales areas are all "people" and "employees," and creating an environment and opportunities where employees can actively participate is essential for the "maximization of value provided to our region and customers" and "creation of new value." It is necessary to develop employees and improve the environment to promote the active participation of diverse human assets regardless of gender, age, background, etc.
Initiatives for building a solid management foundation	(11) Strengthen the governance and internal control system (12) Improve transparency and accountability of management	Based on "a sound and proactive enterprising spirit" as the management policy, in order to achieve sustainable growth and improve the medium- to long-term corporate value through transparent, fair, swift and decisive decision-making in management, it is necessary to continuously work on enhancing corporate governance, such as establishing an effective corporate governance system.

YMFG Medium-Term Management Plan 2022

In the "YMFG Medium-Term Management Plan 2022," with the cornerstone of management being based on the Group's purpose, we have positioned the plan period (from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2025) as a "three year period to push forward with regional and customer-oriented business activities as 'Team YMFG,' towards the improved sustainability of our region and YMFG." By implementing the five priority items, we will improve the sustainability of our region and build a sustainable business model for YMFG, with the aim of realizing "a regional value-up corporate group that is chosen by all regions and responds to the trust of all regions," which is the vision of the Group.



Materiality identification process

In the identification process for the items of materiality, we incorporated internal and external stakeholders' expectations for the Group.



Communication with Stakeholders

Communication with our shareholders and investors

The Group endeavors to enhance information disclosures in order to improve the soundness and transparency of management and to increase the trust and reputation from all stakeholders, including customers, shareholders and the local community. In terms of dialogue with shareholders and institutional investors, we are aiming to improve opportunities and the quality while promoting constructive dialogue. In addition, we actively disseminate information about financial results and the Group's initiatives through IR tools, including the regular corporate briefings, briefings for investors and integrated reports.

Investor relations activities (fiscal year ended March 31, 2024)

Activity details	Frequency and details of implementation
Briefings for analysts and institutional investors	Two times per year (May and November), held in a hybrid manner with in-person attendance (Tokyo) and online attendance, a total of 153 participants * Materials and videos are posted on the Company's website after the briefings
Individual investor relations for institutional investors	22 companies / 39 times (Including participation by the President and CEO: 9 companies / 10 times)
Corporate briefings for individual investors	Once per year (March), participated in live online briefing hosted by a securities company, 708 viewers * Materials and videos are posted on the Company's website after streaming

Main dialog items

- Matters related to the status of human capital management initiatives
- Matters related to the disclosure policy through the integrated report, etc.
- Matters related to the status of cross-shareholding reduction initiatives
- Matters related to the status of strategic capital utilization initiatives
- Matters related to PBR improvement initiatives
- Matters related to initiatives for the TCFD recommendations

Incorporating opinions from investors

We regularly report to the Board of Directors on the investor opinions that we gain through the above activities, and proactively incorporate them into the improvement of our management strategies. We were selected as one of the companies with the "most-improved integrated reports" by the domestic equity investment managers of the Government Pension Investment Fund (GPIF) for the fiscal year ended March 31, 2024, in recognition of our work to improve information disclosure based on opinions from meetings with institutional investors.

Communication with customers

The Group strives to link customer feedback to operational improvements and the development and review of products and services. We provide various opportunities for customers to present their opinions and requests, such as through branch counters and Customer Opinion Cards available at our branches, call centers, website, and regular surveys. Going forward, we will continue to communicate with our customers to further improve our operations.

Improvement of UI/UX and functions of the smartphone app

In addition to moving forward with the digitalization of various procedures, to further improve convenience, we are gathering feedback from customers using our smartphone app to improve UI/UX and its functionality and in turn enhance its simplicity and clarity.

- ▶ Examples of actual functions incorporated into app based on customer feedback (partial)

Displays of remaining number of free convenience store ATM transactions



PDFs of income and expenses statements

項目	摘要	お支払金額(円)	お預り金額(円)	お取引残高(円)	メモ
2024/03/31	1月*2月*3月*4月*5月	25,600	979,300		

Communication with the local community

Using its management resources and networks, the Group is engaged in various regional contribution activities. In addition to visiting regional schools to improve financial literacy in the region, we also host programming classes to enhance DX-related skills. Co-existence with our region—that is, developing and growing together with the region—is our mission as a regional financial institution and an essential factor in the achievement of our purpose. Going forward, we will proactively promote regional development by supporting collaboration between the industrial, academic, and public sectors and engaging in social contribution activities.



Proactive participation in and sponsorship of regional events



Programming class



Support for sport promotion Partner of J2 League, "RENOFA YAMAGUCHI FC"

Issuance of a brand communication book

With the brand slogan as a foundation, the Group has developed new brand communication initiatives. As part of these initiatives, we have issued a brand communication book, an area magazine themed around the three main sales areas of the Group: Yamaguchi, Hiroshima and Fukuoka. From the unique perspective of YMFG, we introduce engaging content for these three areas and present the future that the Group aims for in an easy-to-understand and easy-to-image manner. We will continue to issue this brand communication book so that we can help people discover and communicate the new attractions of these three areas.



Communication with employees

The Group proactively provides opportunities for dialogue between management and employees to further improve employee engagement and reflect employees' feedback into management. We are also working to revitalize communication between our employees.

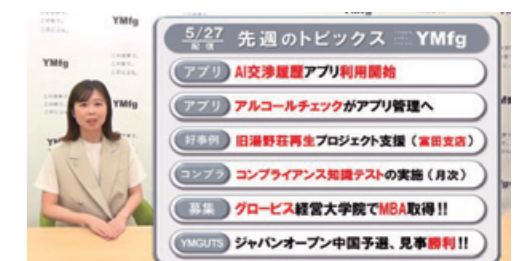
Holding town hall meetings

We have held YMFG town hall meetings since the fiscal year ended March 31, 2024. We held 20 town hall meetings for each business entity and region, all of which were attended by the President and CEO. More than 700 employees attended the meetings, where they had the opportunity to discuss directly with management on the theme of "thinking about the future of our region and YMFG." Based on requests and ideas from employees at these meetings, we are planning and hosting new events, such as the "YMFG Women's Day." ▶P.57



Internal communication: One Week Review of In-house News

Based on feedback from sales branches about missing out on important information due to the sheer volume of in-house documents and about their desire to find out about initiatives at the headquarters and other branches, we have begun providing weekly summaries of important news and examples of good work in easy-to-understand videos and posting them on our intranet. By leveraging the advantages of the video format, such as by conducting interviews at branches and filming explanations by persons in charge in the headquarters regarding aspects that are difficult to communicate in writing, we are working to enhance mutual understanding between the headquarters and sales branches and revitalize internal communication. We also receive suggestions from employees on examples of good work they wish to showcase to others, showing that the videos are becoming an increasingly popular form of communication.

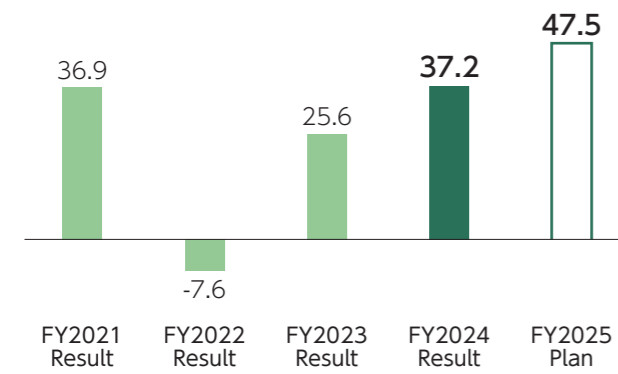


Financial and Non-financial Highlights * All figures on a consolidated basis

Financial

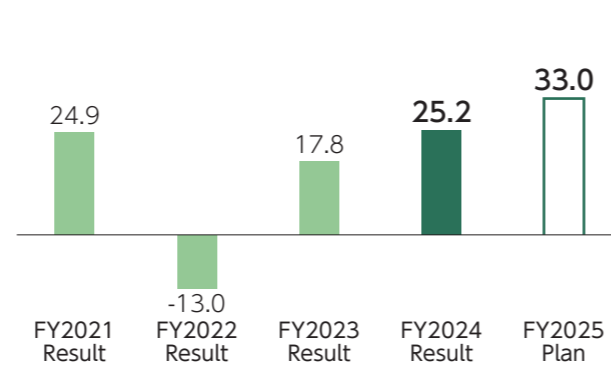
● Ordinary profits

(Unit: Billions of yen)

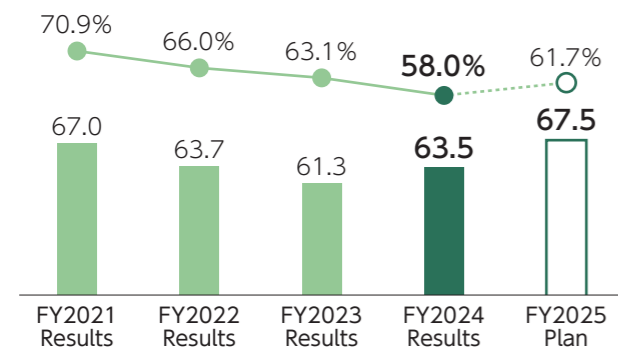


● Net income attributable to owners of the parent

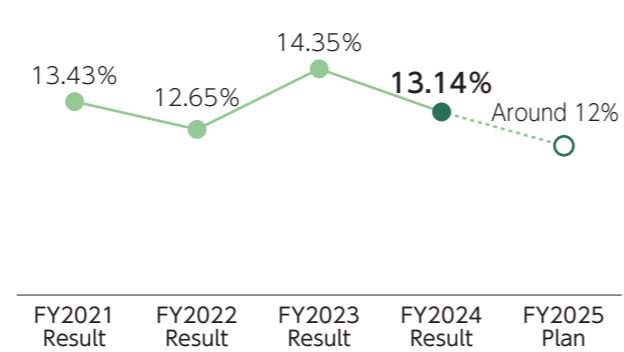
(Unit: Billions of yen)



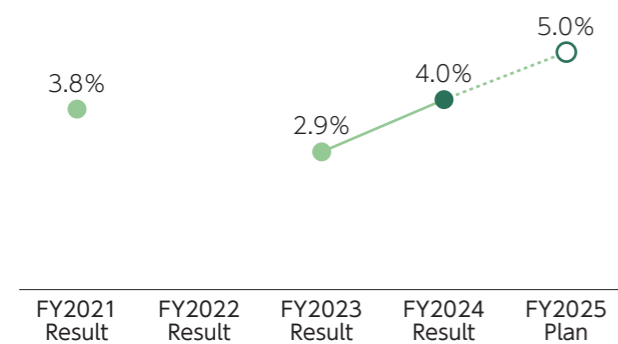
● Expenses ^{*1} / Adjusted OHR ^{*2}



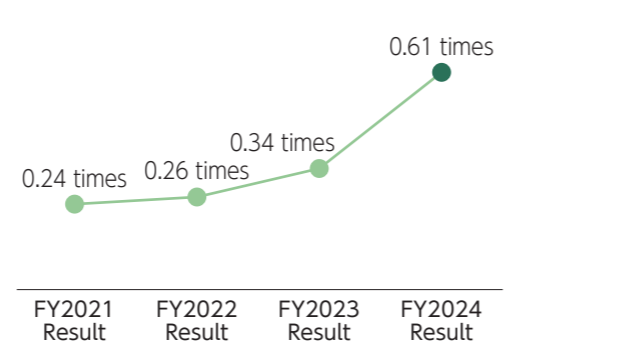
● Total equity ratio ^{*3}



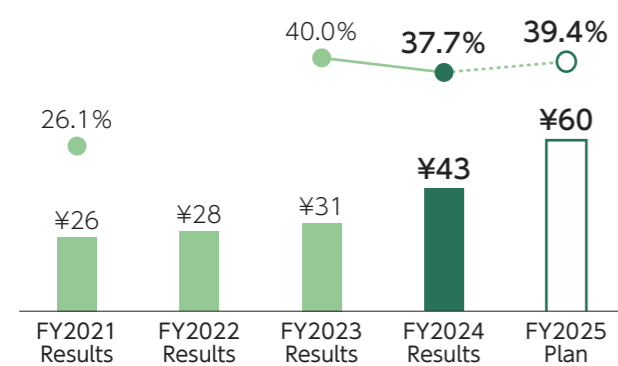
● ROE ^{*4}



● PBR ^{*5}



● Dividend per share ^{*6} / Dividend payout ratio

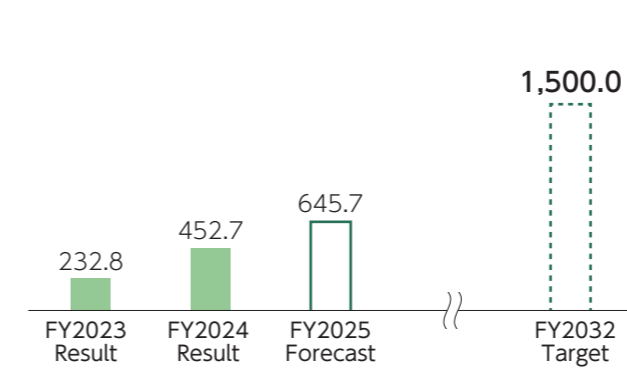


^{*1} Expenses exclude temporary treatment portion
^{*2} Adjusted OHR has been calculated based on core gross business profits (excluding gain and loss on cancellation of investment trusts) and expenses (excluding temporary treatment portion)
^{*3} Total equity ratio has been calculated based on the uniform international standard
^{*4} Calculated by dividing net income attributable to owners of the parent by net assets
^{*5} Net assets per share exclude treasury shares, stock price has been calculated based on the day after the announcement of financial results
^{*6} Dividend per share is the annual dividend
^{*7} Diverse human assets is a collective term for employees who have diverse backgrounds, including females, foreigners, experienced hires, alumni, staff with side jobs, and people with experience of external secondments
^{*8} Single fiscal year results and forecasts

Non-financial

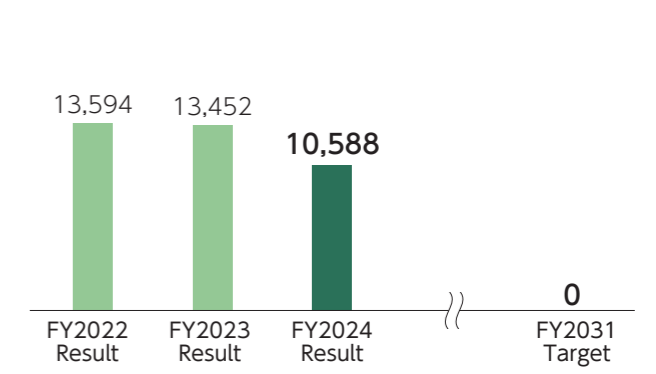
● Cumulative amount of sustainable finance execution

(Unit: Billions of yen)

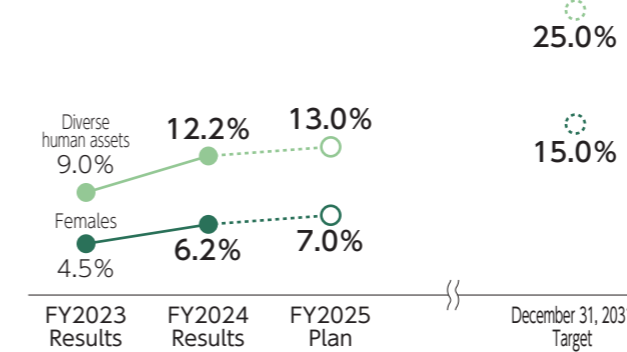


● CO₂ emissions

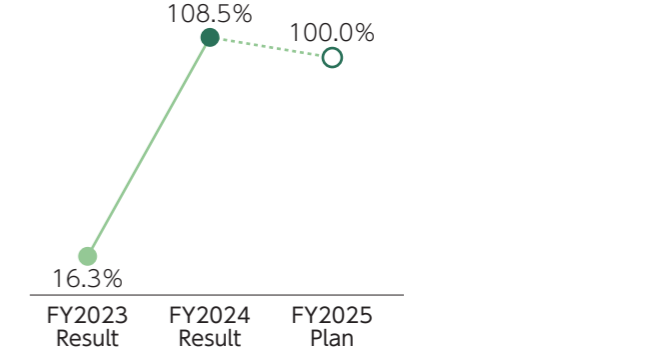
(Unit: t-CO₂)



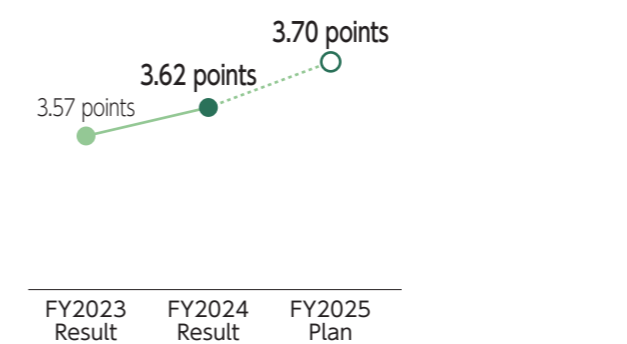
● Ratio of diverse human assets and females in management positions ^{*7}



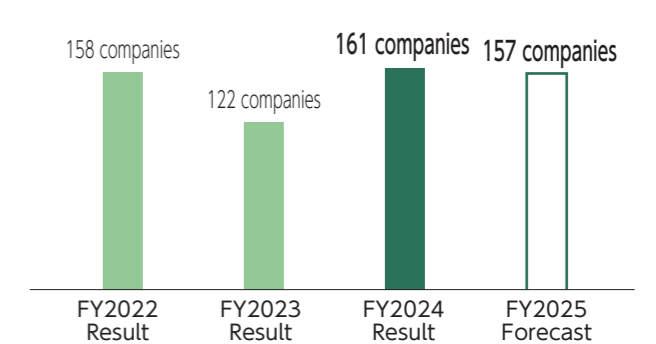
● Male childcare leave acquisition rate



● Overall employee satisfaction



● Customers that started addressing the successor absence issue ^{*8}



■ External assessments

● 2024 Certified Health & Productivity Management Outstanding Organization



● DX Certification



● Rating information As of July 17, 2024

Yamaguchi Financial Group, Inc., The Yamaguchi Bank, Ltd., Momiji Bank, Ltd., and The Kitakyushu Bank, Ltd. have acquired the following issuer ratings from Rating and Information, Inc.

Company	Issuer rating	Direction
Yamaguchi Financial Group, Inc.	A+	Stable
The Yamaguchi Bank, Ltd.	A+	Stable
Momiji Bank, Ltd.	A+	Stable
The Kitakyushu Bank, Ltd.	A+	Stable

Business strategy Message from General Manager of the Business Strategy Planning Dept.

Becoming even more closely attuned to customers and supporting their growth through optimized solutions

General Manager of the Business Strategy Planning Dept., Financial Business Group

Kikuji Okamoto

Joined The Yamaguchi Bank, Ltd. in 1996. After working in several sales branches, he became in charge of sales planning at the headquarters. In January 2016, he was appointed as General Manager of Ozu Branch, The Yamaguchi Bank, Ltd. From June 2018, he served as General Manager of the Next Generation Business Dept., Yamaguchi Financial Group, Inc., General Manager of the Sales Management Dept., The Yamaguchi Bank, Ltd., and General Manager of the Retail Banking Promotion Office, The Yamaguchi Bank, Ltd. In April 2022, he took the current position of General Manager of the Business Strategy Planning Dept., Yamaguchi Financial Group, Inc.



Progress of the Medium-Term Management Plan 2022 and toward the final fiscal year of the plan

In the fiscal year ended March 31, 2024, gross profits in the Corporate Banking Business rose by ¥4.1 billion year on year to ¥60.4 billion, primarily due to an increase in income from loans. In the Retail Banking Business, gross profits rose by ¥1.2 billion year on year to ¥23.3 billion, primarily due to growth in income from Group securities subsidiaries. Business results for both the Corporate Banking Business and Retail Banking Business rose year on year.

With respect to progress over the two years of the Medium-Term Management Plan 2022 (hereinafter, the “current Medium-Term Plan”), the Corporate Banking Business performed steadily. We focused our efforts on initiatives needed by regional companies and the community, such as establishing a system in the business revitalization area, establishing a Structured Finance Office, and expanding our financing and solutions offerings while taking into consideration sustainable finance and other aspects of the environment. In the Retail Banking Business, while we strove to increase the number of contact points with customers, such as by setting up an outbound call center, we recognize that there are still issues that must be addressed with regard to our operations.

In the fiscal year ending March 31, 2025, the final fiscal year of the current Medium-Term Plan, the revenue environment for regional companies is expected to become more severe due to factors such as soaring prices and rising labor costs. For the Corporate Banking Business, in addition to financing, we will also offer deeper support to clients and carry out business revitalization and regrowth initiatives for client companies. With respect to financing, we will take RORA

into consideration and perform pricing that appropriately reflects interest trends.

One of the major moves in the Retail Banking Business is that we will launch the cloud-based banking operation integration platform service offered by nCino, Inc. for housing loan operations in November 2024. This service will make it possible for the entire housing loan process, from applying for a loan to screening and concluding a loan contract, to be performed entirely online. The service’s greatest feature is that customers, housing business operators, and the bank will all be able to share information in real time via a single platform, providing customers with a higher level of convenience. By making it possible to increase operational efficiency in the Group, we aim to expand our capabilities for consultation and support closely aligned with our customers. [▶P.43](#)

Gross profits by business (Unit: Billions of yen)

	FY2023	FY2024	
	Result	Result	Year-on-year
Corporate Banking Business	56.3	60.4	4.1
Income from loans ^{*1}	46.9	50.9	4.0
Income from loans denominated in Japanese yen	40.9	42.4	1.4
Income from loans denominated in foreign currencies	5.9	8.6	2.6
Service-related income ^{*2}	9.3	9.5	0.1
Retail Banking Business	22.0	23.3	1.2
Income from loans ^{*3}	16.3	16.4	0.0
Service-related income	5.7	6.9	1.2
Assets under custody related (banks total)	1.9	1.9	0.0
YM Securities Co., Ltd. ^{*4}	3.4	4.3	0.9
Other	0.4	0.7	0.3

^{*1} Interest on loans and discounts + funding cost (+) + gains or losses of overseas branches

^{*2} Other than income from loans (including income other than net fees and commissions)

^{*3} Interest on loans and discounts + funding cost (-)

^{*4} Including bank return fees

Supporting the business revitalization and regrowth and solving the successor absence issue for regional companies

The initiatives the Group must focus on with respect to regional companies include the “business revitalization and regrowth” and “business succession support.” I believe that dedicating ourselves to initiatives that contribute to the business revitalization and regrowth of regional companies will assist the regional economy to achieve further growth. As I mentioned earlier, with respect to establishing a system in the business revitalization area, we have created a Business Revitalization Review Committee (consultative body) as a cross-group organizational entity consisting of group banks, YAMAGUCHI CAPITAL Co., Ltd., YM CONSULTING CORPORATION, Nishisetō Regional CO-creation Servicer Inc., and other Group companies. Leveraging this foundation, we will further advance our

business revitalization and regrowth initiatives for regional companies.

Another problem faced by companies in the Group’s sales area is the high rate of successor absence. Since YMFG’s Group companies have diverse functions, we are able to offer a wide range of business succession support proposals. For example, YM CONSULTING CORPORATION offers business succession consulting services, and YAMAGUCHI CAPITAL Co., Ltd. develops the Search Fund that helps solve business succession issues for regional companies. The ability to offer these various proposals is one of the strengths of YMFG, and we will continue to support regional companies by demonstrating group synergy.

Promoting the shift from savings to investment in regional areas and improving financial literacy

Two of the important roles of a regional financial institution are to promote the shift from savings to investment and to improve the financial literacy, which is a foundation for this shift. The Group has established a system that meets the wide-ranging operation needs of our customers. With respect to the shift from savings to investment, we will continue to provide wealthy and senior customers with portfolio consulting services, expand our range of products that contribute to asset formation for young and working customers, and reinforce our digital channels, such as by improving the functionality of our smartphone portal app. Our smartphone portal app has been downloaded over 680,000 times, and usage is gradually increasing, year by year. In the midst of the tide of digitalization, physical branches are valuable spaces for face-to-face consultation. Therefore, we will meet the needs of individual customers along the two axes of physical and digital operations.

To increase financial literacy in the region, our Group employees visit educational institutions and

workplaces to offer on-site financial classes to members of the community. In the fiscal year ending March 31, 2025, Momiji Bank, Ltd. is conducting financial education classes that provide university credits, and Yamaguchi Bank, Ltd. is also conducting financial education classes in a university. For our broad customer base, which includes local students, we will offer classes on topics that are interesting and important for the people of each generation. By improving regional financial literacy, we will accelerate the shift from savings to investment.

Financial class being conducted in Hiroshima Jogakuin University



Becoming even more closely aligned with our customers

Japan is changing its course toward a country with interest rates, as the Bank of Japan is lifting its negative interest rate policy and abolishing the yield curve control. What we need to do now is to be more closely aligned with our customers than ever. In the future world with interest rates, customers will increasingly find themselves struggling with difficult decisions. Aligning ourselves with our customers and providing optimal solutions by looking at situations

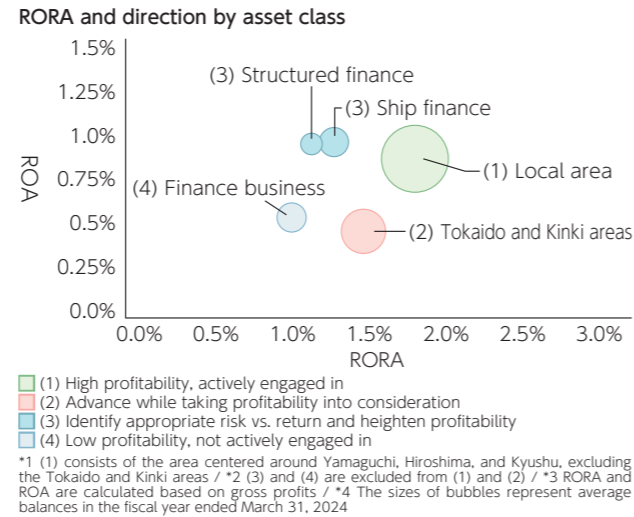
from their perspectives will help our customers grow, which will also contribute to the growth of our region and the Group. This is an embodiment of the Group’s purpose, “co-creating a bountiful future for all regions.” By becoming even more closely aligned with our customers to demonstrate even greater group synergy, YMFG will support the growth of regional companies and customers.

Business Strategy (Corporate Banking Business)

Review and revision of loan portfolio with an eye toward RORA

As one of our efforts to achieve a PBR of 1 fold, we are focusing on improving RORA. As part of those efforts, we are striving to optimize revenue by visualizing each asset class of our loan portfolio.

Specifically, we are dividing our loan portfolio into multiple asset classes and evaluating them using the two axes of RORA and ROA. This visualization enables us to understand the characteristics of each asset class and to deliberate our future direction. Under our current medium-term management plan, we are reinforcing our structured finance and ship finance with an eye on the external environment and their future potential. Since there was room for RORA improvement for both structured finance and ship finance for the fiscal year ended March 31, 2024, we will strive to make improvements by setting appropriate levels for individual projects.

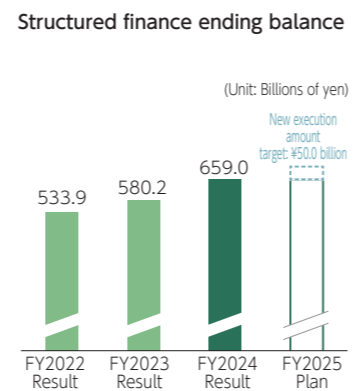
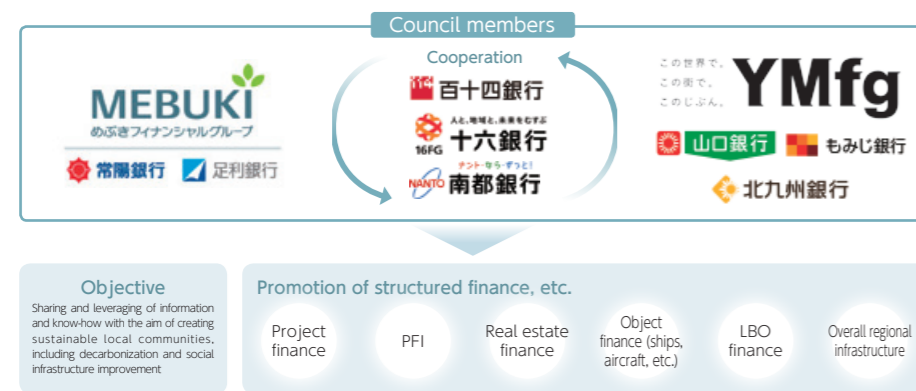


Structured finance initiatives

The Structured Finance Office is a new office opened in June 2023 in Tokyo, where structured finance projects are concentrated. We are striving to accrue experience and know-how by building up a track record of projects. Our medium- and long-term aim is to apply this know-how, network, and specialized human assets in our local area.

In December 2023, we established the "Structured Finance Promotion Council" in collaboration with The

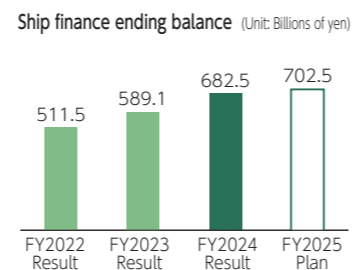
Ashikaga Bank, Ltd., The Juroku Bank, Ltd., The Joyo Bank, Ltd., The Nanto Bank, Ltd., and The Hyakujushi Bank, Ltd., participants in the "Chance Regional Bank Partnership." We are mutually cooperating to research infrastructure and finance methods for creating sustainable local communities and working together on structured finance projects. We are also formulating projects that take advantage of the council's framework.



Ship finance initiatives

Since the relocation of the Ship Finance Office to Ehime Prefecture's Imabari City, one of Japan's leading maritime industry hubs, in March 2022, we have steadily increased our financing balance while also building up our know-how.

We are actively establishing relationships with maritime industry operators who do business on a global scale. In March 2024, we conducted a Maritime Industry Exchange Meeting with The Ehime Bank, Ltd., with which we have entered a partnership agreement through the Nishiseto partnership. Over 500 people from the maritime industry operators, both domestic and international, assembled in what was one of Japan's largest maritime industry events.



Leveraging the Group's comprehensive strengths to provide solutions

Initiatives to address the successor absence issue

Utilization of the Search Fund

The Search Fund has the objectives of inviting searchers (talented human assets for business management) to the region, solving diverse social issues, including the business succession for regional companies, the depopulation of the region, and the lack of young human resources, and realizing corporate growth and transformation.

Since 2019, the Group has pioneered the Search Fund business in Japan, achieving business succession for nine companies.

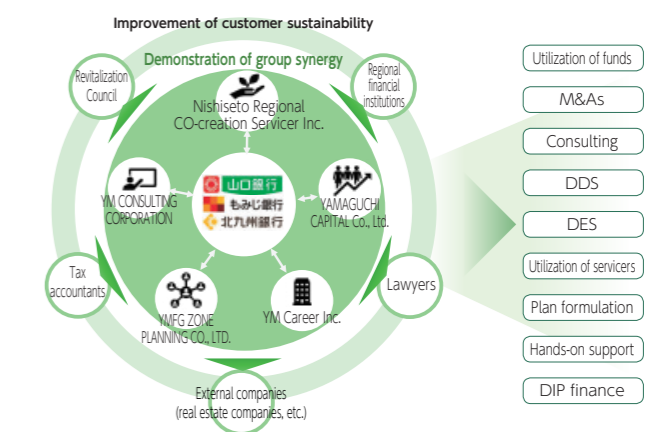


Support for companies aiming for "business revitalization" and "regrowth"

Provision of solutions to issues by leveraging the Group's comprehensive strengths

We are creating an organization structure that leverages group synergy, such as through the establishment in July 2022 of a Business Revitalization Review Committee (a consultative body) that is a cross-organizational entity comprising of the Group's banks and companies.

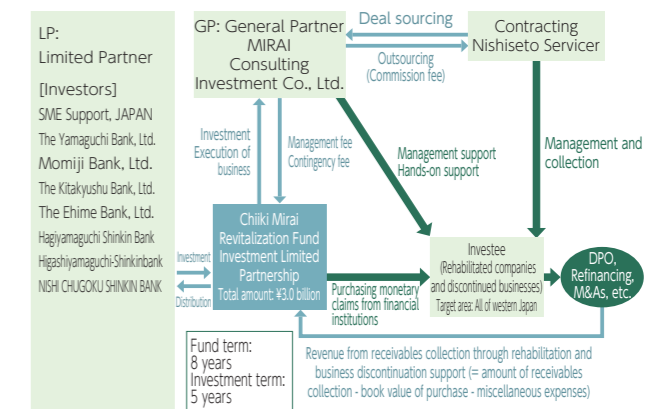
In the fiscal year ending March 31, 2025, we will continue our efforts in the fiscal year ended March 31, 2024 to provide powerful support to regional business operators grappling with issues, helping solve their issues and increase regional value through measures such as drastic business revitalization.



Business revitalization using Nishiseto Servicer

Utilizing the receivables purchase function of Nishiseto Regional CO-creation Servicer Inc. (hereinafter, "Nishiseto Servicer"), we provide support for business revitalization and regrowth of customers struggling with issues such as excessive debt. Furthermore, as part of our banking business, we have been advancing our business revitalization support services and, in collaboration with group companies, are providing comprehensive management consulting services.

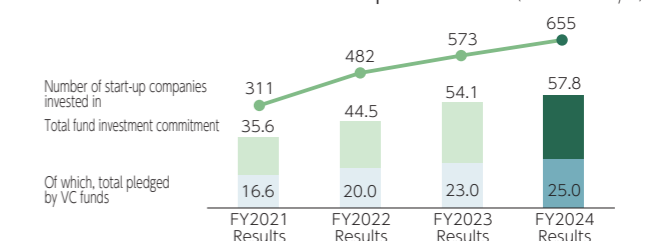
In 2023, the "Chiiki Mirai Revitalization Fund" was established as the first wide area fund in which Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (hereinafter, "SME Support, JAPAN") invested a majority, targeting western Japan.



Support structure for start-up companies

We are actively investing in promising start-up companies through YAMAGUCHI CAPITAL Co., Ltd. and external venture capital (VC) funds. We will apply the expertise and services of start-up companies to solve regional issues in order to create local innovation and revitalize the region.

Fund investment commitment and number of companies invested in (Unit: Billions of yen)

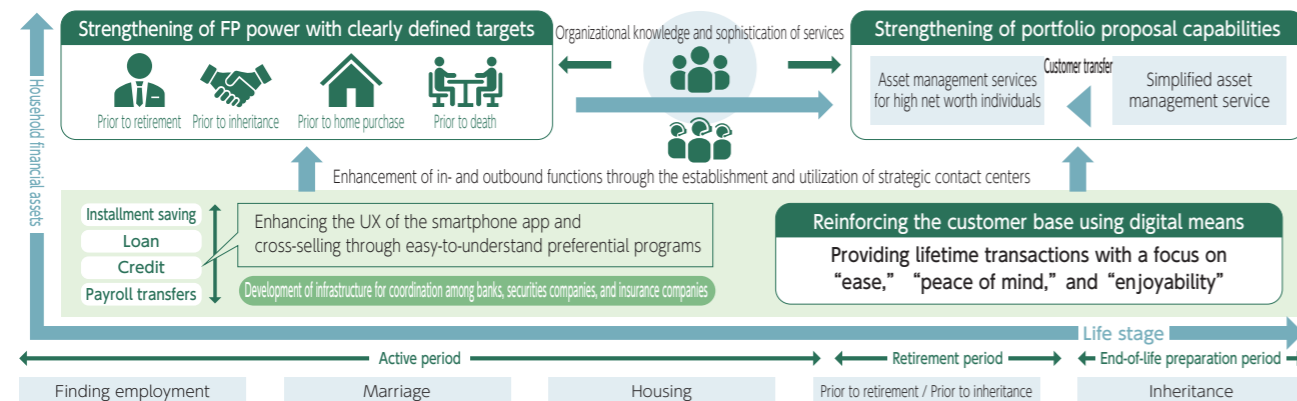


Business Strategy (Retail Banking Business)

Proposal of appropriate financial products according to life stages

Under the background of the diversification of lifestyles, such as in terms of people's perceptions of life and working styles, customer needs as well as thoughts and methods for selecting financial services are also changing. The Group helps customers to form assets and alleviate

their concerns about financial uncertainty, through mainly a digital approach for younger- and working-age customers, and face-to-face consulting for high net worth and senior customers, thereby supporting them in enriching their lives.

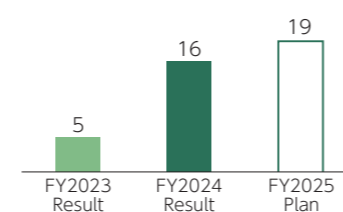


Approach towards the younger and working-age customers

Improving financial literacy through holding financial education classes and seminars

The Group is working to improve financial literacy in the region by conducting "financial seminars" for employees of companies, as well as "financial education classes" for elementary, junior-high, high school and university students. The importance of students having correct financial knowledge has increased, especially since the legal age of adulthood has been lowered to 18. By improving financial literacy in the region, we aim to promote a shift "from savings to investment," and to provide support to protect valuable assets.

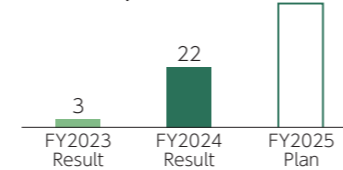
Total number of participants in financial courses (Unit: 1,000 people)



Expanding the investment environment with the launch of the new NISA

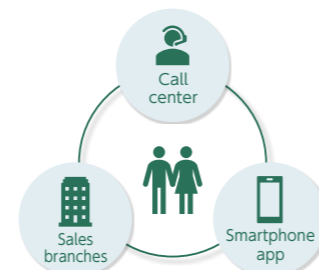
The new NISA system was put into effect in January 2024, greatly expanding the non-taxable limit for investments. As a result, the Group is also increasing the number of NISA accounts it operates. We listen attentively to customer asset management approaches and needs and propose appropriate financial products, helping them create optimal asset portfolios.

Total number of NISA accounts opened (Unit: 1,000 accounts)



Promoting omni channel

In addition to approaches through enhancing smartphone app functions, by increasing call center staff, we aim to strengthen contact points with customers and promote omni-channel adoption. By dividing the call center into the loan department and the asset management department, we aim to enhance the quality of customer service, and we will strive to increase the balances of housing loans and investment trusts through implementing efficient and appropriate customer transfer to apps and sales branches using the call center as a starting point.

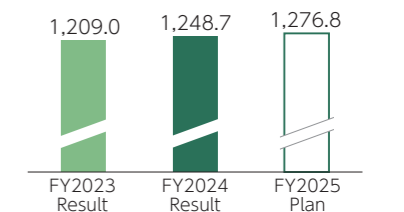


Approaching working-age customers through housing loan initiatives

Buying a new home is a major event that presents customers with an opportunity to review their own life plans and home finances. Therefore, the Group is dedicated to creating points of contact with home buyers. Furthermore, we will launch "nCino," which is a system that allows all housing loan procedures to be conducted completely online, in November 2024. This integrated platform provides customers with greater convenience by simplifying housing loan procedures.

We will continue to create contact points with customers and provide them with even greater convenience, while increasing our housing loan balance.

Secured loan average balance (Unit: Billions of yen)



Asset management and smooth succession measures from the retirement period to the end-of-life preparation period

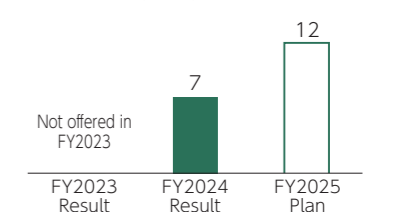
In the era of a 100-year life span, we support customers to lead an abundant second life by proposing the management of retirement savings and smooth inheritance measures during their end-of-life preparations.

Creation of a long-term money plan for retirement savings

For pre-senior customers around their retirement age (aged 50 to 69 years), we design a "long-term money plan for retirement savings," providing detailed consulting tailored to individuals' life plans and asset status.

Specifically, we examine the allocation of financial assets such as retirement allowances, pensions, and savings and, together with customers, design plans for increasing assets while paying necessary expenses, or reducing the speed with which those assets are used.

Number of long-term money plans for retirement savings designed¹ (Unit: 1,000 plans)

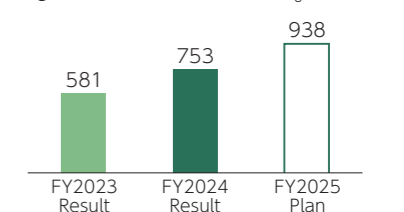


Expansion of trust products and services

In April 2018, the Group began offering "private trust support services." Ever since then, we have taken the lead in trying to spread awareness and expand the use of private trusts through initiatives such as our "family trust seminars." These efforts have borne fruit, and in the fiscal year ended March 31, 2024, we concluded 172 private trust agreements, making us one of the top private trust operators in Japan.

Going forward, we will expand trust products and services to build a lineup to meet a wide range of inheritance needs.

Cumulative number of private trust agreements concluded² (Unit: Agreements)



What is a private trust?

Private trusts are asset management mechanisms that enable those with property (consignors) to delegate authority for managing and handling their property to people they can trust (trustees), such as family members.

In the past, systems such as adult guardian systems have allowed people to entrust third parties with the management of their property while they are still alive. However, in many cases, the guardians were specialists such as lawyers, and the intentions of consignors were not always completely reflected.

With private trusts, in general, issues can be resolved within families, so attention is being turned to this new trust approach.

¹ The number of plans is the total for the fiscal years ended March 31, 2023 and 2024
² Cumulative figures are for total number of agreements since our services were launched

DX Initiatives Supporting Business Strategy

The evolution of technology is advancing rapidly, and there are substantial changes in our lifestyles and business styles. Against this backdrop, the Group is implementing measures to solve DX issues faced by customers.

We will work to promote DX and develop DX human assets to help enhance the productivity and convenience for communities, customers, and the Group, thereby fostering sustainable, mutual growth.

Adoption of a new integrated platform to transform housing loan operations

The Group was the first regional financial institution to decide on the adoption of the cloud-based banking operation integration platform provided by nCino, Inc.* We plan to start operation of the platform in November 2024. Reducing paperwork, improving the efficiency of operation processes, providing customers and housing business operators with digital experiences, and increasing employee productivity have been critical challenges in the housing loan operations.

Through the use of this integrated platform, all of the procedures involved in housing loans, from loan application reception to approval screening and mortgage agreement signing, will be integrated. This will make the process more convenient for customers and housing business operators and boosts the efficiency of employees, thereby enabling us to provide an even higher quality of service.

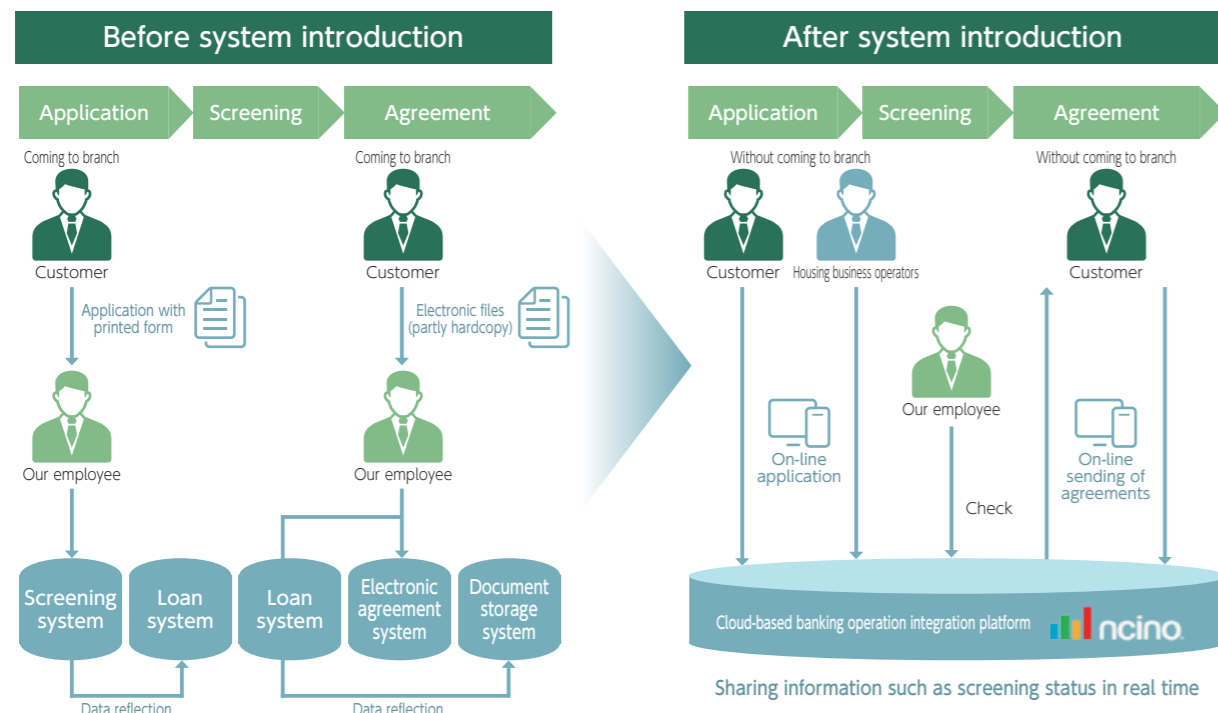
We will verify the status of operation of this integrated platform in our housing loan operations and investigate the potential to deploy it in the corporate loan segment in

the future.

This integrated platform makes the following possible.

- (1) Customers can apply for housing loans online, 24 hours a day, from their smartphone or computer.
- (2) In addition to submitting the documentation required for housing loans in conventional printed form, customers will also be able to submit them online, providing them with a more diverse range of options. The procedure from application to agreement can be completed online.
- (3) Through the system, customers, housing business operators, and the Company will all be able to mutually communicate. The platform will also enable all three parties to verify progress on housing loan approval screening in real time.
- (4) Everything from applying for a loan to signing a mortgage agreement is handled online. This improves the efficiency of our housing loan operations and enables us to focus on consultations and solution sales that are even more closely aligned with our customers.

* nCino, Inc.: The Japanese branch of nCino, a U.S.-based company listed on the NASDAQ. The nCino Group supplies clients such as major U.S. banks with the cloud-based banking operation integration platform. This platform is an integrated platform for a wide range of banking operations, including personal loans and corporate loans, and they are highly extensible. The platform assists in providing better experiences for employees, who are involved in new customer acquisition, loans, account opening, and the like in a broad range of bank business divisions, better experiences for customers, revenue improvements, cost reductions, operational efficiency improvements, and risk reduction. The nCino Group provides services to over 1,850 financial institutions around the world.

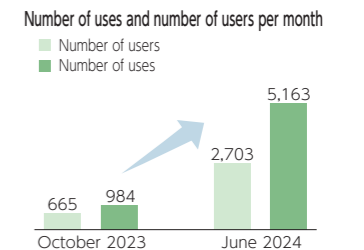


Introduction of ChatGPT

We have developed a Yamaguchi Financial Group AI chat tool that leverages generative AI (ChatGPT) and made it available for use by all Group employees in September 2023.

Employees are using this chat tool for writing and summarization work, organizing key points and identifying issues during planning, and gathering information for creating new ideas, thereby improving the efficiency and productivity of their existing work. Furthermore, by using this chat tool, they are also improving their generative AI usage skills (prompt engineering skills).

We are also actively promoting the use of AI, such as by having outside AI evangelists come to give presentations. Employee mindsets regarding the need to use generative AI and regarding productivity improvements are changing, and the number of users and frequency of use are on the rise.



Introduction of AI-based customer meeting recording app

The Company, ExaWizards Inc., and SoftBank Corp. have jointly developed an AI-based smartphone app that automatically creates meeting records from audio recordings of meetings with customers. In May 2024, corporate sales personnel in our group banks began using this app.

We have been creating meeting records for our meetings with customers to help centralize customer information and improve the level of customer service. However, we have faced challenges in improving the quality of these records and reducing the amount of time spent

creating them. This new app will enable us to achieve the following three objectives.

Objectives

- (1) Make it possible to address needs and problems which were previously overlooked and to share information on issues within the Company in a timely manner
- (2) Increase the amount of contact time with customers
- (3) Turn responsive sales discussions into organizational knowledge (knowledge-sharing)



Development of DX human assets (DX skill assessment)

To develop human assets capable of creating new value digitally, we gain an understanding of and analyze the current status of digital skills of all employees through a DX skill assessment. In addition, to boost company-wide

DX literacy, we have defined roles expected based on skill levels, set personnel development targets for each level, and are working on improving the skills of all employees through training tailored to each level, etc.

Image of DX human assets			Current status		
	Type of human assets	Expected role	FY2023	FY2024	Year-on-year
LV4	Digital leader	Leading the company-wide DX strategy with high expertise	0.2%	0.5%	+0.3%
LV3	Digital core human assets	Planning, proposal, and implementation of new business, etc. using digital data	0.2%	0.3%	+0.1%
LV2	Human assets utilizing digital data (advanced)	Utilizing digital and data in daily operations (sales using digital data, etc.)	0.3%	1.4%	+1.1%
LV1	Human assets utilizing digital data (basic)		23.8%	31.4%	+7.6%
LV0	Digital novice		75.4%	66.4%	-9.0%

Examples of training

(Lv. 1 or higher) DX promotion leadership program, data utilization and application course, operation improvement ideathons/hackathons, etc.

(Lv. 0 or higher) DX mindset cultivation training, customer DX issue solution proposals, data utilization fundamentals course, ChatGPT utilization training, etc.

Regional Co-creation Strategy Special Feature: Round-table Discussion with Group Company Presidents



Hiroshi Matsuura
President and Representative Director, YM Career Inc.

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President and Representative Director, YMFG ZONE PLANNING CO., LTD.

Naoki Murata
Executive Officer, General Manager of the Regional Co-Creation Business Group, Yamaguchi Financial Group, Inc.

Tomonori Ueki
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—Focusing on Yamaguchi, Hiroshima, and Fukuoka, we will make regional revitalization into a business—

YMFG has led the regional banking industry by developing regional co-creation businesses. How are the Group companies' efforts based on the purpose of "co-creating a bountiful future for all regions" accelerating synergies to enhance local value and corporate value? The General Manager of the Business Group who is responsible for the regional co-creation business department and the Presidents of four Group companies had an open discussion.

Regional co-creation strategy in the Medium-Term Management Plan 2022



Regional Co-Creation Business Group of Yamaguchi Financial Group, Inc.

- Further growth in regional co-creation business**
 - Leverage our strengths in pioneering the regional co-creation business to pursue sustainable growth that reflects each company's unique business characteristics
 - Build alliances to scale within the same industry and demonstrate synergies through cross-industry collaboration, including within the Group
 - Expand regional problem-solving know-how, which was successful in our main areas, beyond such areas, thereby capitalizing on our first-mover advantage
- Creation of new businesses**
 - YMFG ZONE PLANNING CO., LTD. is developing demonstration projects in the region in line with national initiatives through policy proposals and business contracts with central government ministries
 - Create new businesses in main areas (Yamaguchi, Hiroshima, and northern Kyushu) by engaging local stakeholders to solve regional issues

—Please tell us about the regional co-creation business department, as well as an overview of each company and its initiatives.

Murata: Local social issues are becoming more diverse and complex. Going forward, local governments will find it even harder to tackle these issues on their own. Regional financial institutions are naturally rooted in the area. Therefore, the state of the regional economy heavily influences our business. Our sustainability hinges on how we tackle social issues in the region and help maintain and grow the regional economy. Our existence is truly intertwined with the region. To address these challenges, we founded YMFG ZONE PLANNING CO., LTD. (hereinafter, "YM-ZOP"), as a first subsidiary of the regional co-creation business department. Its aim is to solve diverse and complex regional social issues based on needs and challenges identified through the Group's local network. YM-ZOP materializes regional issues and customer needs, creates pathways to solutions, and turns them into business opportunities. In this way, we are working on our initiatives in the regional co-creation field ahead of the regional banking industry.

Kurashige: It has been nine years since YM-ZOP was established in July 2015 as a consulting company focused on regional revitalization. Our mission is to envision the future of the region and customers and support their execution, under the business concept of "designing the future with the region." We focus on two main initiatives. The first is consulting based on aspects.

We aim to boost the area's overall economic and regional value by working on initiatives in key sectors such as public-private partnerships, support for entrepreneurship and startups, tourism, human resource education, and industrial promotion. Naturally, we cannot do this alone. We collaborate with the government, regional companies, and companies from outside the area to strive to revitalize the region. The second focus is on creating new businesses.

YM-ZOP's designing has led to the creation of new companies. Through these efforts, we are contributing to regional revitalization by fostering new businesses. Our

consulting business has delivered solid results over the past nine years. We are also engaging in entirely new efforts, such as working with the government to develop human resources in growth areas such as semiconductors and storage batteries. In this context, we see our employees learning and growing well, with know-how building up within the organization. For example, our initiatives in Yamaguchi Prefecture have started to attract interest from other regions, leading to inquiries.

In March last year, we opened an office in Tokyo. We also have offices in Shimonoseki, Hiroshima, and Kitakyushu, which serve as our operational teams. The Tokyo office functions as a hub for gathering and analyzing the latest trends in regional revitalization. Once this office is running smoothly, we will be able to quickly conduct demonstration in the region based on information we gathered, enabling us to take on even more exciting challenges. Our approach is to implement new projects promoted or strengthened by the government at the regional level.



Ueki: Regional Trading Company Yamaguchi Co., LTD. was founded in 2017, after being demonstrated as a business by YM-ZOP. Its business concept is "developing new sales channels and supporting product development to ensure sustainable growth with the region." It has been around seven years since the company's founding, and sales have increased steadily. However, there are limits to adding value to existing products. We are now working to raise the value of local producers and manufacturers by assisting with upstream processes

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such as purchasing raw materials, and by forming alliances with business operators.

Matsuura: YM Career Inc. operates a personnel recruitment business. We offer personnel solutions that not only match employers with candidates but also address the growing trend of workers with side jobs and dual jobs. Unlike typical placement agencies, we aim to provide personnel solutions that contribute to solving management issues for client companies of the banks in the Group. We provide placement services for mid- to high-level personnel with expertise in each area who can contribute immediately. We work closely with client companies to help change internal systems by utilizing these human resources and increase corporate value.

Since our goal is to help companies solve issues, we do not stop at referrals. We meet regularly with the management of the client company and the person who has changed jobs, offering ongoing support so that the person can fully contribute. When YM Career Inc. was launched, some questioned whether a banking group could succeed as a latecomer to the mature recruitment industry.

In reality, many small and medium-sized companies in rural areas have never used personnel solutions. They often struggle with hiring because of low name recognition despite their own recruitment activities. Since we are a personnel recruitment company of the banking group with which client companies have transactions, they are usually interested. Data shows hiring rates are higher when a banking group refers personnel compared to referrals from typical placement agencies. We see clear value in offering personnel support as a banking group. We also match people for side jobs and dual jobs. We will continue to expand our personnel solutions, boosting our support power for human resources, a key business asset. This leads to company growth and ultimately to regional revitalization.

Yoshimura: INESUS Inc. was founded in 2021 and provides welfare services. Welfare is in high demand due to the spread of human capital management. However, small and medium-sized companies find it difficult to offer enhanced benefits on their own. We help those companies by providing welfare as a

service on their behalf. Our service allows local restaurants and other service businesses to join as affiliated stores, offering special benefits as free coupons on the INESUS app. We offer these welfare services for a fee to companies that wish to adopt them. More than 500 companies have adopted the service, bringing the number of users to over 20,000 people.

We are currently working to expand the platform.

—Could you share any memorable examples or customer feedback from your projects or initiatives?

Matsuura: Small and medium-sized companies are delighted when they can hire talent they could not have found on their own. We have had cases where customers who were satisfied with our service referred us to other business owners, allowing us to provide our solutions to other companies. Word-of-mouth is an extremely effective form of promotion, so we aim to generate more success stories like this.

The Group's strength lies in offering various functions, including management consulting, digital transformation support, and welfare services. Providing timely solution proposals through a variety of options adds value for our customers. For example, customers can draft a business plan using the Group's consulting company. To execute that plan, they can hire specialized personnel in certain areas through our service. In one case, we helped a company with financial management issues by introducing personnel with financial skills. Then, this company found out that it had to stabilize its cash flows in the medium to long term and utilized private



bonds from a bank in the Group. The strength of the Group, which has many functions, is in quickly understanding needs and providing timely solutions. By expanding our offerings, we can add even more value.

Kurashige: There are several examples. I will share two with you today. The first is the redevelopment project in Sanyo-Onoda City. This was a high-profile project that used an advanced scheme originating in the U.K. called a Local Asset Backed Vehicle (LABV). Officials involved in regional revitalization efforts across Japan visited to observe it. In addition to the clear cost benefits, the project also helped revitalize the region, earning high praise from those involved in Sanyo-Onoda City.

See example on ▶ P.51

The second example is the revitalization of a traditional inn at Nagato Yumoto Onsen. The long-established traditional inn was facing business succession issues. The Group partnered with a hotel operator to form a joint venture, taking over the inn's facilities and business. The facilities are currently being renovated and are scheduled to reopen next spring. This initiative was well received, not only by the inn owner but also by many people in the hot spring town, as it contributes to the revitalization of the region as a whole. See example on ▶ P.52

Both cases highlight how the banks in the Group understood local and customer needs well. This understanding was key, as it allowed the Group's various functions to be used effectively. They are excellent examples of group synergy.

—Please tell us any challenges you face as you advance the business.

Ueki: Regional Trading Company Yamaguchi Co., LTD. has been around for about seven years. We have achieved some success by adding value to Yamaguchi Prefecture's specialty products and selling them in the Tokyo metropolitan area. However, the challenge is that the products we currently handle are limited, focusing mainly on sake and meat. We have yet to truly put hidden specialty products on the market. There are also issues regarding places we sell our products. While our current focus is on the Tokyo metropolitan area, we are also considering

how to circulate specialty products within the Group's sales areas. We aim to gather more specialty products from Hiroshima and Fukuoka and sell them widely in areas outside their production regions. In addition, we also need to explore opportunities overseas. We have already begun supporting producers in upstream processes, such as procuring sake rice for making sake and livestock feed. We call this raw material finance business. By expanding business in this manner, we aim to offer support as an integrated Group, such as by supporting specialty products through regional trading companies, and by using our financial functions of group banks, etc. when financing is needed. We believe there is still much that Regional Trading Company Yamaguchi Co., LTD. can do to revitalize the Group's sales areas. If any functions are lacking, we plan to strengthen them by forming alliances with other local business operators. Our goal is to realize growth alongside the region as a regional general trading company.



Yoshimura: The challenge is expanding both the quality and quantity of our welfare platform. The more affiliated stores we add, the more valuable our service becomes to those who use it as employee welfare. We started gathering both affiliated stores and users when the company launched. Initially, there were complaints that too few stores accepted our coupons through our service. Now, we are shifting our strategy to investing money to a certain extent for gathering affiliated stores. In terms of quality, as this is a BtoC service, app UI/UX is crucial. We are working to improve this through trial and

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error to boost the user utilization rate. Expanding the service's functionality is also a priority. For example, we are thinking of offering financial services unique to a banking group and introducing a point system to enhance user retention. Since our service operates on a subscription model, long-term customer usage is crucial. That is why we are focusing on user satisfaction as we develop our products and grow our business. Our strength lies in being part of a banking group. Currently, we are concentrating on Yamaguchi Prefecture, where we are actively investing resources to acquire client companies. We plan to expand into Hiroshima and Fukuoka, while continuing to demonstrate strong synergies with the banks in the Group as we grow.

Murata: All four companies run businesses that contribute to the region and provide value to it. However, the challenge is that the earning power of the regional co-creation business department still has only a small impact on the overall Group, compared to the financial department. That is why we are trying to quantify the non-financial social impact of our companies using the Impact-Weighted Accounts Framework based on the outcomes we create. We aim to quantify social impact to understand how much each company's efforts influence society. We felt we needed to include this as we reassess the value of our businesses. We have learned from this endeavor that business profits and social impact are not always equal. The degree of social impact that a business has depends on how many stakeholders benefit from its products or services. Therefore, the framework we used along cannot fully explain future social impacts of each company. By providing value to many stakeholders, we increase both regional outcomes and our contribution to the community. It might seem obvious, but we have recognized again that business size and regional contribution are linked, and expanding our business leads to regional revitalization. While short-term profit growth should not be the goal for each company's business, businesses must remain profitable to be sustainable. We need to balance profitability with increasing sustainability as we work on solving regional issues.

In the past, CSR activities tended to be vague. It was kind of assumed that if you just put money into it that would improve your reputation. I think that is why that approach did not gain much momentum. While steadily maintaining our business, we must bring about a movement of creating new services that contribute to the region. While our efforts are not immediately reflected in financial value, we will keep working on quantifying our non-financial social impact so that we can continue our efforts to add lasting value for our region. While the profits of each of our companies are still small, we have been building unique networks and cultivating unique capabilities as we grow our businesses. Last fiscal year, the Group formed a capital and business alliance with Dream Incubator Inc. Through initiatives such as social impact bonds (SIBs) [See example on ▶ P.51](#), tourism, and new business development, each of our companies will strive to gain new capabilities in the future. We also believe that we must realign each company's functions to effectively use the Group's resources and enhance group synergy.



—Please share your aspirations for the future.

Kurashige: I want to create various leading examples of regional revitalization. Specific efforts will likely be centered around community development. Since the private sector cannot handle the community development alone, public-private partnerships will be key. We will continue to focus on community development through public-private partnerships in Yamaguchi, Hiroshima, and Fukuoka.

From a regional management perspective, boosting the top-line and improving efficiency are necessary. We will focus on both of these aspects as we work on our efforts. To achieve this, we need a range of information, ideas, and know-how. We aim to effectively use our Tokyo office to broaden our network with various parties, including central government ministries and business operators, thereby building a strong team that can drive regional revitalization. We believe many people want to change the region. We will carry out our activities so that they recognize the Group's sales area as an area that is full of potential, and join us in creating leading examples of regional revitalization. We also aim to recruit more experienced team members with the drive and skills to take on a wider range of challenges.

Matsuura: I think people working at regional financial institutions do so because they want to help regional companies and local people. Our personnel solutions directly benefit regional companies by providing "people" and "money" among key resources in business management: "people," "things," and "money." This is what I find fulfilling about our work, and I believe our employees feel the same way. Few companies are without challenges related to "people." We see plenty of room for growth and want to expand our business. While many financial institutions across the country are entering the personnel recruitment business, we are at the forefront and have a strong track record. We aim to expand our existing personnel solutions and develop new services based on customer feedback to enhance our value to the region.

Ueki: We aim to be a general trading company, and as mentioned earlier, there are many ways a regional trading company can revitalize the Group's areas. A crucial part of that is keeping our employees motivated. It is important to carry out our business in line with our purpose while increasing employee satisfaction. To do this, we need employees to feel that their work benefits the community. By maintaining this focus, we aim to increase local value while expanding our business.

Yoshimura: Our goal is to expand both the quality and quantity of our welfare platform. We plan to offer financial products unique to a banking group. However, we want to create a lineup that sets us apart from other companies, as a way to differentiate ourselves. We currently run our business by monetizing transactions through companies that adopt our services. In the future, we aim to create a business model that also adds value to affiliated stores. We plan to pursue a range of opportunities based on these two strategies. Our team is young, with an average age in the early 30s. This allows us to think and act outside the traditional banking mindset. We aim to build a model that can generate steady profits over the medium to long term.



Murata: YM-ZOP was founded in 2015, a year referred to as the "year one of regional revitalization." It was established in the same month the comprehensive strategy was announced. We believe the regional co-creation business department is the very purpose of YMFG. It is our identity and lifeline. Members of the regional co-creation business department are, on average, five to six years younger than the Group average. These younger members are taking the lead in launching new businesses and enhancing regional value. Improving YMFG's corporate value depends on boosting the value of the region. In that sense, our regional co-creation business department plays a crucial role. We will continue demonstrating group synergy to work steadily toward achieving a bountiful future for all regions.

Initiatives to Realize Regional Co-creation

Revitalizing the region through regional revitalization consulting

Initiatives in Sanyo-Onoda City using a Local Asset Backed Vehicle (LABV)

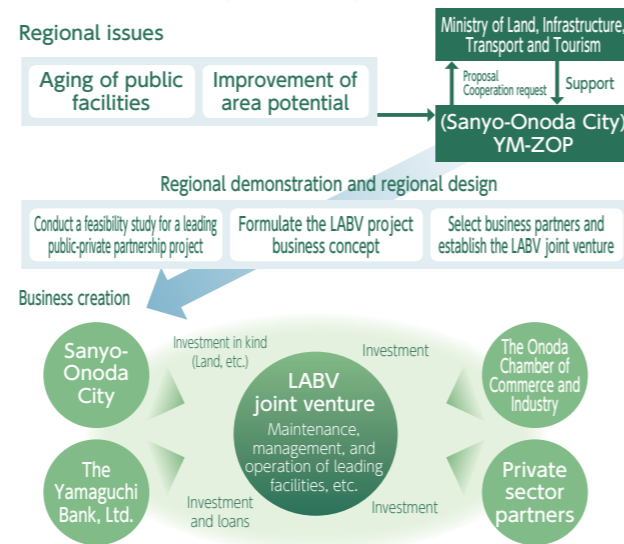
LABV is a method of public-private collaboration implemented by the LABV joint venture formed by combining the in-kind investment of land owned by local governments and the investment from private business operators, etc.

Currently, an urban development project is underway in Sanyo-Onoda City, Yamaguchi Prefecture, with our Group companies, including YMFG ZONE PLANNING CO., LTD. (hereinafter, "YM-ZOP"), leading the sequential development of multiple areas of municipal land. The A-SQUARE complex, which is at the center of the project, opened in April 2024.

This project using LABV is the first of its kind in Japan, and in February 2023, it received the "Award from Secretary General of Secretariat for Promotion of Regional Revitalization, Cabinet Office" the highest award in the "2022 Public-Private Partnership Initiative Cases Aimed at Achieving Regional Revitalization SDGs." In addition, in March 2023, it received recognition from the Minister of State for Regional Revitalization of the Cabinet Office in the "Distinctive Initiative Cases" of financial institutions, etc. contributing to regional revitalization."

Going forward, we aim to spread such initiatives to local governments throughout Japan, contributing to the broader revitalization of regions.

LABV structure in Sanyo-Onoda City

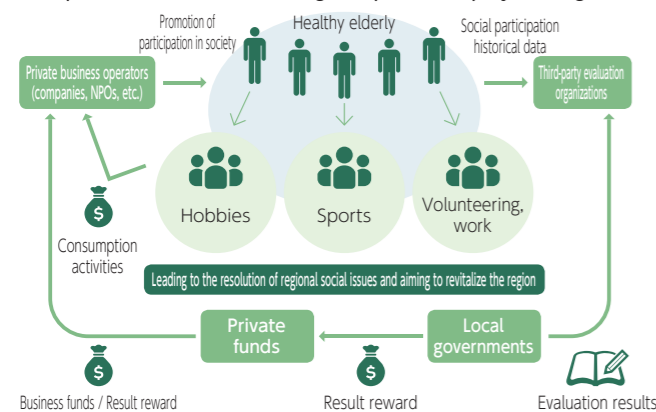


Initiatives to promote the use of social impact bonds (SIBs)

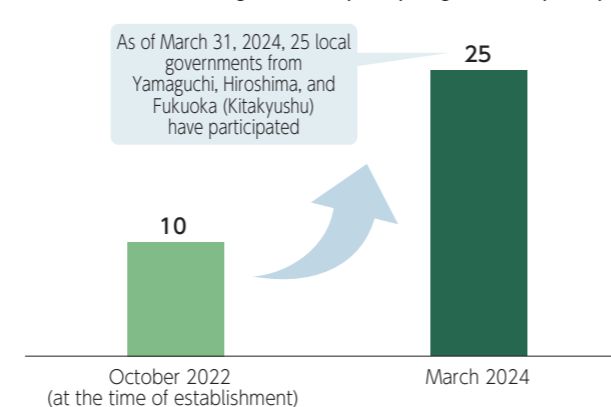
In order to revitalize the region using social impact bonds (SIBs), which are garnering attention as a new public-private partnership method, the Group signed a comprehensive partnership agreement on SIBs with Dream Incubator Inc. (DI) in October 2021 and concluded an investment agreement with Japan's largest SIB fund managed by DI in September 2022. In addition, in October 2022, with YM-ZOP as the operating entity, the Group established the SIB Study Group, the first of its kind among regional financial institutions. The purpose of the group is

to bring together local governments to contribute to the formation of specific projects through SIB business know-how acquisition and information exchange, and the group regularly holds study sessions, etc. with case studies. Further, in December 2022, the Group signed a cooperative agreement with Fukuyama City, Hiroshima Prefecture, and DI regarding investigation and research on the use of SIBs, and is working to further resolve regional issues.

Example of an SIB initiative (nursing care prevention project using SIB)



Trends in number of local governments participating in SIB Study Group



Start of regional co-creation projects using group synergy

Inn restoration and town development project at Nagato Yumoto Onsen

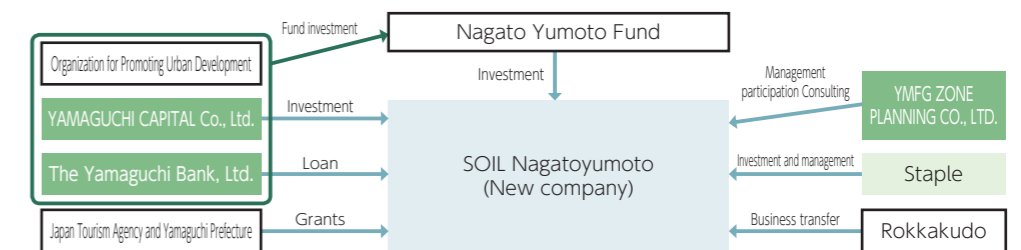
Rokkakudo is a long-standing inn in Nagato Yumoto Onsen, a hot spring village in Yamaguchi Prefecture with a history of around 600 years. Facing issues with the succession of its business, we worked with Staple Inc. (Onomichi City, Hiroshima Prefecture) to jointly invest in K.K. SOIL Nagatoyumoto using the Nagato Yumoto Onsen Town Development Fund Investment Limited Partnership (Nagato Yumoto Fund) to take over the Rokkakudo business.

This project was made possible through the collaboration of three Group companies, The Yamaguchi Bank, Ltd., YM-ZOP, and YAMAGUCHI CAPITAL Co., Ltd. Making full use of the expertise and resources we have accumulated to date, we are working as a Group to engage in urban development projects, beginning with the restoration of this hot spring inn.

Image of the completed project at SOIL Nagatoyumoto



Project structure



Initiatives to promote attractive local specialty products both within and outside the prefecture

Regional Trading Company Yamaguchi Co., LTD. operates its own original brand, the YAMAGUCHI 3 stars SELECTION, and is using the brand to sell food ingredients and existing products produced in Yamaguchi Prefecture. Recently, the brand's "Kenran Beef Coarse-Ground Hamburger Steak" was featured in the NIKKEI Plus 1 Anything Ranking, ranking third nationwide. Regional Trading Company Yamaguchi Co., LTD., Hagi City, and a local livestock company worked together on this product from planning to sales. As a result of this ranking, orders from the website, Jimotto, which sells the company's products, have increased, which in turn is contributing to the local industry.

YAMAGUCHI 3 stars SELECTION logo



Moving forward, the company will continue creating brands of prefecture products and support local producers and businesses.

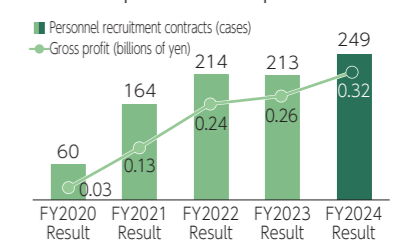
Resolving management issues of regional companies through human resources

YM Career Inc. offers "personnel recruitment," focusing on management- and mid-level personnel, as well as "Skill Sharing" and "YM Pro Sharing," which allow companies to utilize specialist personnel who wish to take on side jobs or dual employment, when and as much as they need. Through these services, personnel recruitment performance of YM Career Inc. is progressing smoothly.

One company that hired an internal manager through YM Career Inc. to build in-house systems has said, "Hiring an excellent talent helped to stimulate our existing employees and a positive chemical reaction was created."

YM Career Inc. will continue to work on personnel recruitment services that contribute to the growth of regional companies.

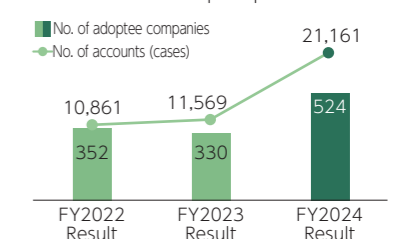
YM Career Inc. personnel recruitment performance trends



Regional revitalization through welfare agency services

INESUS Inc.'s strength is its ability to leverage the Group network to approach regional independent shops, and the number of companies adopting the service has steadily increased, reaching 524 as of March 31, 2024. We have heard from adoptee companies that they are using the service as a new communication opportunity within their companies, such as through conversations about using coupons to have lunch. Moving forward, we will continue to provide services that create synergy for all three parties: the companies adopting our service, their employees, and local affiliated stores.

Trends in the number of INESUS-adoptee companies and number of users



Human Asset Strategy Message from General Manager of the Corporate Administration Group

Promoting human capital management that leads to providing new value for our region and customers

Executive Officer General Manager of the Corporate Administration Group

Kenichiro Okuda

Joined The Yamaguchi Bank, Ltd. in 1993. From 2011, he served as Deputy General Manager and Vice General Manager of the Corporate Administration Dept. (currently the Human Capital Management Dept.) for five years, where he was involved in unifying the Group's personnel systems. Since then, he has served as General Manager of the retail department and President of a Group company, among other roles. In April 2023, he was appointed Executive Officer and General Manager of the Corporate Administration Group.



Human capital management at YMFG

The source of all activities to realize YMFG's purpose of "co-creating a bountiful future for all regions" and enhancing corporate value are our employees, our "human assets." I believe that our employees independently pursuing growth and taking action based on our purpose leads to enhanced value for our region and, ultimately, YMFG's corporate value.

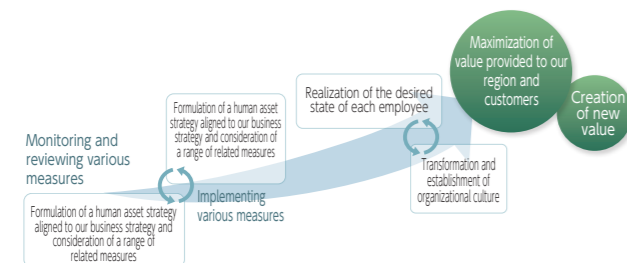
As a regional financial institution, it is our natural responsibility to contribute to a "bountiful future for all regions," but the fact that we have chosen the term "co-create" for this is of great significance. The environment surrounding the Group has changed significantly in recent years due to the decline in population, the progression of a declining birthrate

and aging society, and advances in digitalization and globalization. In this context, in order to contribute to the growth and development of our region and our customers, we need to evolve from a lending-based business with a strong focus on "support" to a business that takes the situation and position of our customers as our own and runs parallel with them, "creating value together and growing together." To achieve this, I believe it is crucial to develop human assets with areas of expertise that match their individual personalities and to become a bottom-up organization where such diverse assets set their own goals and play an active role.

Human asset strategy and progress in the Medium-term Management Plan 2022

In the Medium-Term Management Plan 2022 (hereinafter, the "current Medium-Term Plan"), the Group is united in aiming for "maximization of value provided to our region and customers" and "creation of new value" based on our purpose that underpins all our business activities. To that end, we are promoting efforts centered on three important perspectives as part of our human asset strategy, which is aligned with our business strategy.

The first is the "promotion of the active participation



of diverse human assets."

By actively recruiting and promoting diverse talent and accelerating diversity and inclusion, we will create an organization where diverse human assets can inspire each other and achieve more than their individual capabilities. Currently, we are particularly focusing on promoting women's participation in the workforce, and in the fiscal year ended March 31, 2024, we held unconscious bias training to help male managers become aware of their own preconceptions, as well as holding our first event to foster awareness of women's career development and provide opportunities for women to develop their skills together, in an effort to reform the mindset of all employees. Though YMFG's efforts to promote women's participation are still in the early stages, the ratio of females in management roles has increased from 1.2% as of March 31, 2022, to 6.2% as of March 31, 2024. ▶P.56

The second is the "active participation of human assets embodying regional co-creation." By bringing talent back to regional companies, we aim to revitalize the regional economy while also focusing on developing hands-on human assets. This initiative supports the growth of regional companies from within by dispatching our Group employees to companies that are struggling with a lack of ideas or knowledge for business creation, and the employees bring back new skills and know-how to the Company upon their return. We plan to dispatch 30 such employees during the current Medium-Term Plan. We believe that these efforts will revitalize the regional economy through the growth of regional companies while driving sustainable growth for the Group. Furthermore, under our current Medium-Term Plan, we will more than double the amount of investment in employee training compared to the fiscal year ended March 31, 2022 and are working to significantly enhance our human assets development and various training programs. ▶P.58

The third is a "system in which every employee is properly rewarded." We are creating an internal environment that boosts employee motivation and enables diverse and flexible working styles. One of the recent major steps we took was to revise our personnel system in April 2024.

We implemented measures such as the establishment

of new specialized courses to develop and appropriately reward employees with high abilities in specialized fields, a review of the qualification grading system to promote the advancement of young employees and the active involvement of senior employees, and a revision of the evaluation system to improve fairness and satisfaction.

We regularly check the progress and effectiveness of various measures like these and strive to improve them. Specifically, we conduct an employee awareness survey once a year to understand the current awareness of employees and state of organizational culture, and reflect the results to refine our measures and systems. We also aim to foster an open organizational culture that allows employees to work with a sense of satisfaction by increasing opportunities for communication between frontline employees and management/headquarters and reflecting the actual feedback from employees in our personnel system. As a result, the Group's "overall satisfaction score" was 3.62 points (up 0.05 points from the previous fiscal year), and all components of the score exceeded the previous fiscal year. Of the components, "satisfaction with human assets development" in particular has improved, and I see this as a sign that our increased investment in development and enhanced training programs is having an impact, which has started to show in the numbers. ▶P.60

Promoting greater diversity

From the fiscal year ending March 31, 2025, we will further step up our efforts to support the active participation of women. Up until now, we have been working to change people's awareness to eliminate the fixed division of gender roles through training and other means, but it is not easy to immediately shift deeply ingrained subconscious biases, making progress inevitably slow. To address this, starting in the fiscal year ending March 31, 2025, new hires will be accompanied by a senior corporate sales staff, regardless of gender, to provide equal opportunities

for growth and to drive a shift in the mindset of existing employees.

We will also improve the management skills of supervisors. Starting this fiscal year, we have made it a rule that supervisors will have monthly discussions with each of their subordinates to work toward achieving their semi-annual goals. We have also started a pulse survey where employees voluntarily report their physical and mental condition, raising awareness among supervisors to create a comfortable working environment.

What never changes

In any business strategy, the HR department should aim to align the vectors of "employee happiness" and "company growth." I believe that two elements are key to this.

The first is for employees to continue to have the ambition to "become their best selves" that they had when they joined the company, and for the company to support them along the way. Employees who choose YMFG as their place of work should have joined the company because they see it as a place where they can become their "best selves." YMFG supports each employee's vision of their "best self," and I want the Group to be an organization with a diverse team of the "best" people.

The second is for employees to value the health

and growth of their own "mind, skills, and body" for the sake of their own happiness and for the company to support the health and growth of their employees' "mind, skills, and body." Companies tend to focus on the "skills" of their employees, but only when the "mind and body" are healthy can "skills" grow in a lasting way.

YMFG has an organizational culture that encourages employees to take on new challenges. It is a stage where you can grow through each setback. Each and every employee strives to become their "best selves" building on a foundation of healthy "mind, skills, and body." I believe that YMFG being such a stage will create a virtuous cycle of "employee happiness" and "company growth," and we will continue our efforts to realize this.

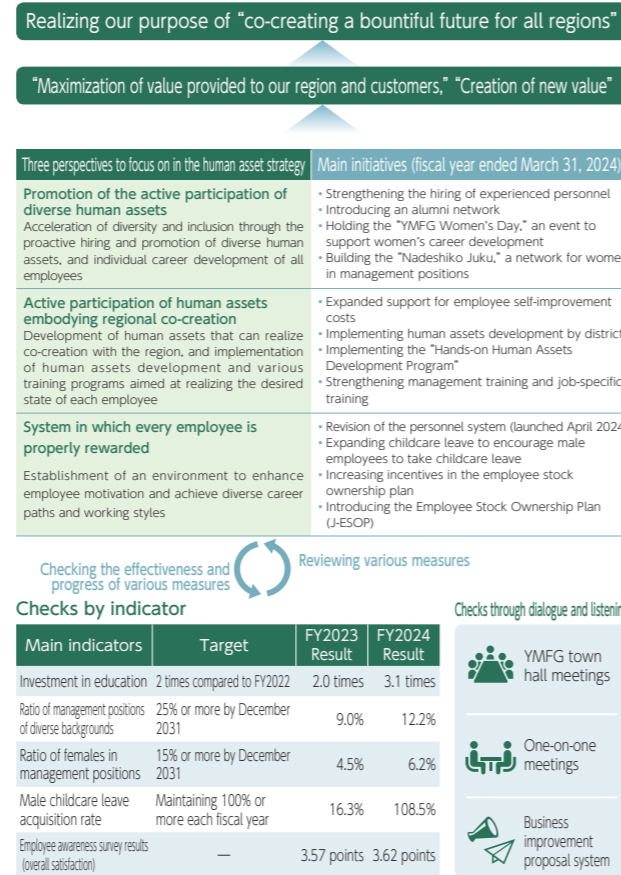
Promotion of the Active Participation of the Group's Human Assets

Human capital management toward the achievement of our purpose

The Group has set the purpose, which is a foundation for all of its business activities. We are working together to create an environment and opportunities that will allow for each employee to play an active role, and by transforming the organizational culture by having employees grow in a manner that gives him/her satisfaction, we aim as a group to "maximization of value provided to our region and customers" and "create new value." In the current medium-term management plan, we are promoting efforts centered on three important perspectives as part of our human asset strategy, which is aligned with our business strategy. In order to keep track of progress in various measures, we regularly and continuously review our measures by using indicators that align closely with our specific initiatives.

Furthermore, we are identifying issues and promoting improvement activities by understanding the gap between the Group's desired state and the current situation. We gain this understanding from employee feedback gathered through the "employee awareness survey, ▶P.60" which assesses employee awareness and the state of organizational culture within the Group, and from "YMFG town hall meetings, ▶P.34" which facilitate communication between employees in the field and the management and the headquarters.

We will continue using the PDCA cycle to enhance our organizational capability and increase corporate value as we work toward achieving our purpose.



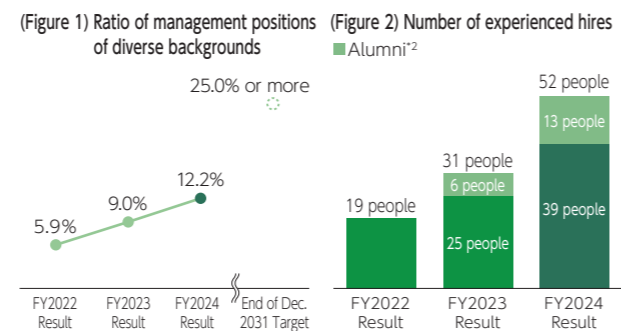
Promotion of the active participation of diverse human assets

We will accelerate diversity and inclusion by actively hiring and promoting diverse human assets and supporting individual career development of all employees.

Diversity and inclusion

To become an organization that can always create business with speed, the Group is actively hiring and promoting diverse human assets¹, and at the same time, by advancing their development, we aim to achieve a ratio of management positions of diverse backgrounds of at least 25% by the end of December 2031, and as of the end of March 2024, it stands at 12.2% (Figure 1).

In order to ensure diversity, we recognize the need for cultivating an organizational culture that embraces diversity. Therefore, we have implemented unconscious bias training primarily at the management level to eradicate unintentional preconceptions and prejudices. Through these efforts, we aim to ensure that employees have high motivation and are working towards realizing diverse career paths and working styles.



¹ Diverse human assets is a collective term for employees who have diverse backgrounds, including females, foreigners, experienced hires, alumni, staff with side jobs, and people with experience of external secondments
² Alumni hiring began in December 2021

Strengthening the hiring of experienced personnel

Sustainable growth for an organization naturally requires the steady hiring of new graduates. In addition, we also recognize that it is important to secure human assets with diverse backgrounds, who have necessary skills to execute our strategies. As part of that effort, we are focusing on hiring experienced personnel who are highly skilled and specialized, and ready to work right away.

As a result, the number of experienced hires in the fiscal year ended March 31, 2024 was 52, an increase of 21 from the previous fiscal year (Figure 2). Some employees are using the skills and experience gained outside the Group to play active roles and take on management positions.

Interview with an experienced hire



Mitsuhiro Kida (joined the Company in March 2023)

In my previous job, I mainly worked on offering financial service proposals, including loans and leases to corporate customers. I wanted to work at a company where I could use my expertise in the financial field to contribute to the region. I was lucky enough to join YMFG.

I am currently involved in planning and developing sales strategies for our group company, YM Lease Co., Ltd. We only have few lease specialists in the Group. So I can take the lead to plan and implement a plan using my previous job's experience and skills. I find my day-to-day work fulfilling.

Before I joined the Company, I worried the atmosphere would be uptight, as you might expect of a

My Return system, alumni network

Since December 2021, we have introduced the My Return system to rehire former employees who had left the Group. This program aims to enable alumni to use their knowledge and skills gained in other companies, etc. to boost innovation in the Group. By the end of the fiscal year ended March 31, 2024, the number of people who joined us through this system was 13, which was an increase of seven from the previous fiscal year (Figure 2).

From October 2023, we introduced an alumni network. By regularly sharing the Group's latest news and job openings, and providing opportunities for community building and networking, we aim to strengthen our alumni hiring.

bank. However, it turned out to be the complete opposite, in a good way. Everyone comes across as being flexible in how they work and handle tasks. They embrace challenges in their area of expertise. I am able to take on various challenges on my own, which I find rewarding and interesting.

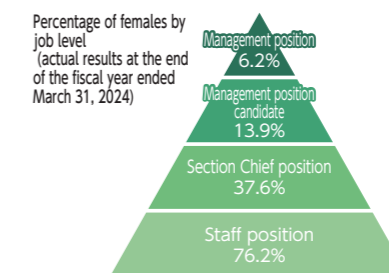
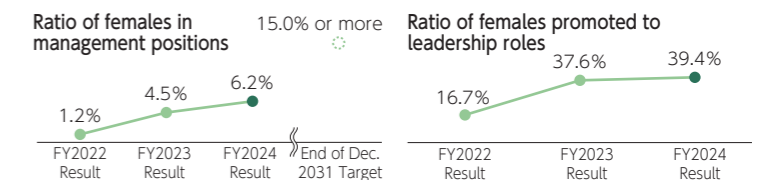
My goal is to keep providing financial services that will make our local customers happy. I also think it is important for all employees to work together and continue to communicate with not only customers, but also our organization, society, and all our shareholders. With that in mind, I always want to be aware of what my role is and what I should do as I carry out my work.

Promotion of active participation of women

We position further expanding roles for our female employees, who make up about 40% of the Group employees, as a key business strategy.

Specifically, we have set a medium- to long-term goal of raising the ratio of females in management positions to 15% or more by the end of December 2031. To achieve this goal, we are focusing on measures to support women's career development.

Last fiscal year, we held, for the first time, unconscious bias training along with an event for motivating female employees to develop their careers and helping them network with each other.



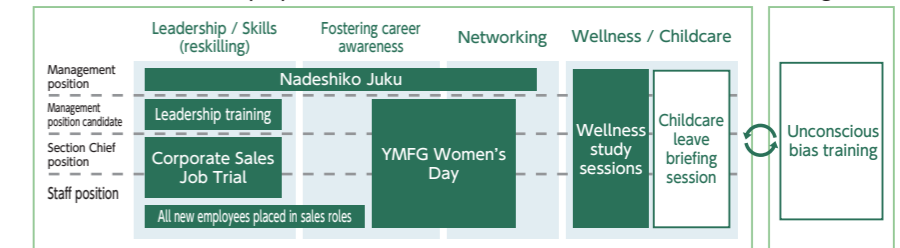
* Ratio of females promoted to leadership roles = number of females promoted (section chiefs and above)/number of people promoted (section chiefs and above)

* Definition of positions
 Management position: "managerial personnel and supervisors" under the Labor Standards Act and those with equivalent authority (General Manager, Deputy General Manager)
 Management position candidate: Subordinate personnel by one level to management position (Section Manager, Assistant General Manager)
 Section Chief: Subordinate personnel by one level to management position candidate

Overview of level-specific initiatives

We consider the unique characteristics and challenges of female employees by generation, and implement various measures by level and purpose. Our goal is to reach a state in the future where "women's advancement" no longer even needs to be talked about.

Content for female employees



Content for managers



■ : Women □ : Both men and women

■ Main initiatives for the fiscal year ended March 31, 2024

YMFG Women's Day

In December 2023, the Group held its first YMFG Women's Day. At the event, female employees had an opportunity to think about their career aspirations and make friends who share their goals. Approximately 100 female employees took part in the event.

The President and CEO and 20 Group executives and general managers also joined the event. They had lively discussions such as exchanges of opinions and advice on career plans with our female employees. As a result, about 80% of the participants

felt they could positively consider their career development, which gave them a sense of empowerment.



"Nadeshiko Juku," a network for women in management positions

We have set up the Nadeshiko Juku, a network for women in management positions, with the aim of strengthening ties between female managers, and creating opportunities for them to support and learn from each other. We mainly conduct regular member interactions and mentoring to strengthen management skills.



As the first female Director of YMFG



Director and Executive Officer, Momiji Bank, Ltd.
Yuko Ogawa

Career summary: In 1994, joined Hiroshima-Sogo Bank, Ltd. (currently Momiji Bank, Ltd.) In 2018, she served as General Manager of Hiroshima Ekimae Branch, Momiji Bank, Ltd. and went on to become the President of a Group company. After becoming an Executive Officer in April 2021, she served as General Manager of the Retail Banking Business Group and General Manager of Kaita Branch, Momiji Bank, Ltd., before becoming a Director in June 2024.

I have been appointed as the first female Director (internal) in the Group. Rather than seeing myself as somehow special simply because I am a woman, I want to focus on carrying out my role as an officer at a regional financial institution, for our customers and for a bountiful future for all regions. That said, I believe there are certain things only I can do as a Director. I aim to shake things up in various areas such as our organizational culture, working style, and mindset. I hope to help bring out the individuality and abilities in each employee, regardless of gender.

Looking at the numbers and percentages, we are behind in empowering women in the Group. Even compared to the industry, we need to ramp up our efforts, but we are looking one step beyond that. In other words, the goal is not simply to eliminate gender differences. I believe we should create a

Female Corporate Sales Job Trial

Since February 2022, we have been implementing the "Female Corporate Sales Job Trial" to support female employees with no prior experience in corporate sales shift their careers to this area. We openly recruit female employees who are interested in working in corporate sales. We offer training in gaining knowledge such as assessing business viability (see photo) with multifaceted support including on-the-job training, career development, and mentoring. This encourages them to take on new challenges in an area where they lack experience. In the fiscal year ended March 31, 2024, 51 employees took part.



Active participation of human assets embodying regional co-creation

We develop human assets that can realize co-creation with the region, and implement human assets development and various training programs aimed at realizing the desired state of each employee.

■ Development of human assets for realization of the purpose

At the Group, we believe that creating opportunities that will allow for each employee to play an active role and providing support for growth in a manner that gives him/her satisfaction is essential for realizing the purpose.

In the fiscal year ended March 31, 2024, we focused on two main types of personnel development. One focuses on the vision for each organizational level. The other fosters self-directed learning tailored to each employee's desired state. We continue to offer training for improving management and digital skills. We have also conducted

various job-specific training programs to boost operational skills. Compared to the fiscal year ended March 31, 2022, we have almost tripled our investment in human assets development, spending ¥220 million.

Return on investment in education

	FY2022	FY2023	FY2024
Investment in education	¥70 million	¥143 million	¥220 million
Total annual training hours	Approx. 35,900 hours	Approx. 36,900 hours	Approx. 55,900 hours
Total number of trainees	Approx. 4,200 people	Approx. 5,500 people	Approx. 8,700 people

■ "Junior Board Program," the human assets development for next generation management

The "Junior Board Program" aims to train human assets for next-generation management, foster young and mid-level employees' awareness of being involved in management, and enhance decision-making abilities needed for next-generation leaders. Members chosen through public selection or nomination (serving for one year) discuss issues planned to be brought up as agenda items at the Group

Executive Management Meeting. The Junior Board makes mock decisions, a process that helps members build up strategic thinking and decision-making abilities. Through this training program to strengthen decision-making abilities, which also provides broader education and specialized knowledge, we are expanding our pool of potential succession candidates and managing their advancement.

Participating in the Junior Board Program



Section Manager, YM Career Inc.
Shinya Oga
(joined the company in 2013)

Fifth term member
(Term: December 2023 to end of November 2024)

I was nominated and became a member of the Junior Board. Some people who have joined us before have gone on to lead the organization as general managers and Presidents of associates. This made me worry about whether I would be able to handle it. However, not everyone gets a chance to take on such a challenge, so I am tackling it with a strong sense of responsibility.

In our activities, we first get proposals and explanations from departments raising the issues, which are planned to be submitted as agenda items at the Group Executive Management Meeting. We then discuss these issues in-depth with our members. Finally, we draw a conclusion as the Junior Board. Having to make decisions with limited time and information is training in the true sense of the word. The agenda items span many areas, so without the

right knowledge, you cannot deliver outputs. I have reaffirmed the importance of input. Each day, I keep my eyes open for information, not only about finance but also about various events both in Japan and overseas. I feel that through this program our thinking and discussions have reached a higher level perspective. In day-to-day work, we tend to focus on matters closest to hand. However, I try to think about larger subjects such as our region and the Group, to plan for the medium to long term. The Junior Board is made up of members with different job titles, years of experience, and duties. This not only expands my network but also exposes me to a variety of viewpoints. Through this experience, I want to broaden my knowledge and thinking and contribute to our region and customers through my work.

■ Creating opportunities for challenges

The Group supports and encourages employees to embrace challenges, fostering an organizational culture that is not afraid of change.

Initiatives	Overview
Job postings	To facilitate diverse career paths and working styles, headquarters departments and Group associates invite applications from employees who are willing to take on new challenges through an internal job posting system — Creating opportunities for employees to advance their careers and take on challenges in new areas
YMFG Growth	A program that allows employees to try out new business ideas they have created, with thorough support from outside experts — We aim to foster an organizational culture of nurturing creative employees and continuous value creation by encouraging them to take on new business challenges. Last fiscal year, about 110 employees (a total of 56 projects) participated.
YMFG Nomination Contest	A contest held as part of measures under the medium-term management plan to recognize employees who set an example for others with their outstanding efforts — We aim to create a teamwork mindset to achieve our medium-term management plan by sharing among employees best practices from different areas of work. This also boosts the Group's overall performance. The management team attends the results presentation to personally recognize employees who took on challenges and those who achieved notable results.

System in which every employee is properly rewarded

Establishment of an internal environment to enhance employee motivation and achieve diverse career paths and working styles

Realization of diverse career paths and working styles

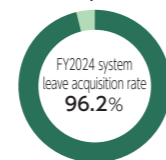
The Group is continuously working to improve corporate value over the medium to long term and create a work environment where employees can shine by leveraging their individuality. Specifically, we carry out initiatives related to working styles such as a return to work system, short-time work system, opening of on-site childcare centers, introduction of side job and flextime systems, and implementation of teleworking.

We continued promoting the use of paid leave, with the uptake rate reaching 96.2% in the fiscal year ended March 31, 2024, a 23% increase from the previous fiscal year.

We also encouraged more male employees to take childcare leave. Through our analysis of the current situation and issues based on interviews with employees, we introduced special leave, held informational sessions on

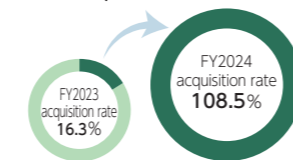
childcare leave, and distributed guidebooks to managers. As a result, the uptake rate for male employees, including childcare leave, reached 108.5% in the fiscal year ended March 31, 2024. In addition to maintaining 100% levels, we will continue to explore and promote activities to increase the number of days taken off.

Achievements in promoting system leave acquisition



* A total of 15 days of paid leave consisting of consecutive leave (5 days), split consecutive leave (5 days), and refresh leave (5 days)

Achievements in male childcare leave* acquisition



* Childcare leave, postnatal male childcare leave, company childcare leave

Support for balancing work and childcare


The Group is working on setting up systems to support all employees, regardless of gender, balance work and childcare, and creating a supportive culture for those with young children. We will continue working to create an

environment where every employee can balance work and self-realization.

Systems and initiatives	Period	While pregnant	After childbirth	After returning to work
Childcare leave briefing session	Three months before birth	■		
President's letter to department head	Three months before birth	■		
Maternity leave	Six weeks before childbirth	■		
Postnatal leave	Eight weeks after childbirth		■	
Company childcare leave	Up to 10 days (within eight weeks after birth)		■	
President's congratulatory letter to employees	After birth		■	
Postnatal male childcare leave	Up to four weeks (within eight weeks after birth)		■	
Childcare leave	One year after birth (*)		■	
Short-time work	Employees with children in third grade or younger in elementary school		■	■
On-site childcare centers	Only in some areas		■	■
Leave to care for a sick child	For each child not yet in school, employees can take five days off per year (can be taken in one-hour increments)		■	■

* Under the Child Care and Family Care Leave Act, leave can be extended until the day before the child turns two years old.


Interview with an employee who took childcare leave



Kazuto Okada
(joined the company in 2012)

I took about six months of childcare leave starting September 2023. When our first child was born, I was working away from home. I regretted putting so much burden on my wife. I was determined to take leave when our second child was born. When the time came to apply, the whole Group was encouraging childcare leave. No one in the entire branch had a negative opinion about it, which made it very easy for me to take leave. When people hear "childcare leave," they might think it is just a break, but it is nothing like a break at all. Every day was a constant battle. At the same time, it was a very good opportunity for me to realize a feeling of gratitude to my wife.

Interview with the employee's supervisor



Hiroki Murakami
(joined the company in 2010)

I had heard from Mr. Okada in a one-on-one meeting that he planned to take childcare leave. Because of this, we were able to share information with supervisors early on. That gave us plenty of time to set up a structure for after he went on leave. We reassigned Mr. Okada's tasks to others. At the same time, we also made sure to keep in touch with him regularly during his childcare leave so that he did not feel left out.

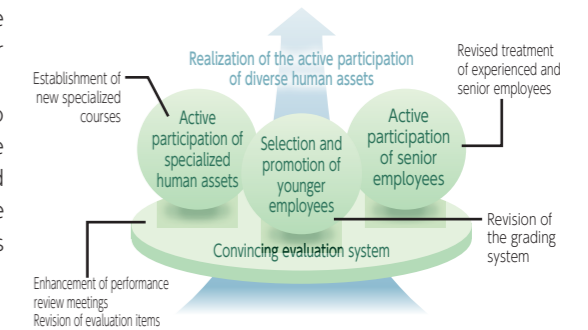
I feel Mr. Okada's example has helped create an atmosphere in the Ube area where employees will feel it is easier to take childcare leave. I plan to keep actively recommending it to my team through one-on-one meetings and other means.

Main initiatives for the fiscal year ended March 31, 2024

Revision of personnel system

Starting in April 2024, we revised our personnel system to promote the active participation of diverse human assets, regardless of age or gender.

Specific revisions included launching new specialized courses to develop human assets in specialized fields and ensure they are treated appropriately, reviewing the grading system to select and promote young employees and boost senior employees' active participation, and revising the evaluation system to increase fairness and satisfaction.



Introduced an Employee Stock Ownership Plan (J-ESOP) and raised incentives in the employee stock ownership plan

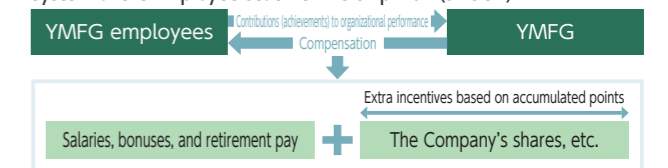
We are working to more closely align how we treat our employees with our stock price and business performance, while sharing financial benefits with our shareholders. Through these efforts, we are creating a system to boost our employees' motivation and morale with a view to improving our stock price and business performance.

In May 2023, we introduced an incentive plan, the "Employee Stock Ownership Plan (J-ESOP)," which grants the Company's shares to employees. This plan gives points based on business performance and personal achievements. When someone retires, they receive the Company's shares equivalent to their accumulated points.

This program is the first of its kind to be introduced by a financial institution in western Japan.

In October 2023, we raised the incentive pay rate for the employee shareholding association's contributions from 5% to 10%.

System of the Employee Stock Ownership Plan (J-ESOP)



Measuring employee engagement through employee awareness surveys

The Group has been conducting employee awareness surveys since the fiscal year ended March 31, 2022 to understand the employee awareness and the state of organizational culture. Through this survey, we understand the gap between the Group's desired state and the current situation, which helps us identify issues and promote improvement activities.

In the employee awareness survey for the fiscal year ended March 31, 2024, about 4,300 employees of the Group as a whole (including contract and temporary hires, with a response rate of 89.3%) responded, and the overall satisfaction level was 3.62 points, up 0.05 points year-on-year. (* This survey is evaluated up to a maximum of 5.00 points)

Understanding results for the fiscal year ended March 31, 2024 through employee engagement

In the "loyalty to the company" category, which showed the biggest increase from the previous fiscal year, satisfaction significantly improved in "human assets development (+0.13 points year-on-year)" and "welfare (+0.16 points year-on-year)."

In "human assets development," we have increased our investment in education and improved our training programs. In "welfare," we have revised the employee stock ownership plan and introduced special leave to support male employees in childcare. We believe these changes have each contributed to higher satisfaction levels.

Satisfaction by item in "loyalty to the company"

YMFG's challenges and direction for the fiscal year ending March 31, 2025 through employee engagement

In the "loyalty to the company" category, some items showed increased satisfaction. However, in "evaluation and treatment (+0.05% year-on-year)" and "organizational structure (+0.04% year-on-year)," the increases were small and satisfaction levels remained low compared to other items.

In April 2024, we revised our personnel system. We aim to improve satisfaction in "evaluation and treatment" by carefully implementing and establishing this system. We also aim to boost satisfaction in "organizational structure" by placing the right people in the right positions.

Message from General Manager of the Sustainability Promotion Office

Aiming to be a sustainable company to create a sustainable local community

General Manager of the Sustainability Promotion Office
Corporate Planning Dept. Corporate Planning Administration Group

Hiroki Takase

Joined Yamaguchi Financial Group, Inc. (The Yamaguchi Bank, Ltd.) in 2016. Prior to joining, he worked for 18 years at another company, mainly in corporate sales. After joining, he worked in the Customers' Business Potentials Evaluation Dept. and the Corporate Business Strategy Planning Dept. (currently the Business Strategy Planning Dept.), where he was involved in risk consulting and the launch and promotion of corporate insurance services. After serving as a member of the team for formulating the Medium-Term Management Plan 2022, he assumed the role of General Manager of the Sustainability Promotion Office in 2024.



The significance of sustainability for regional financial institutions

Since I first started working in sustainability, I have always believed that sustainability management is the essence of corporate management. I believe that a company can only become sustainable by enriching people's lives through solving environmental and social issues. We have always stood by the regional community, working with them to solve regional issues. However, in recent years, the accumulation of longstanding external diseconomies has erupted, and environmental and human rights issues in particular have become more severe worldwide, so we recognize that we need to push our efforts forward more firmly.

Banks are in the business of highly public-oriented businesses such as lending and payment systems. I feel that regional banks in particular are expected to play a role in leading the regions where they operate, while also supporting local companies. The same goes for sustainability. We first have to actively engage in sustainability management and then spread that mindset and initiatives to local companies. That is why we are now actively practicing sustainability management by, for example, hosting environmental seminars with local governments and offering consulting services through subsidies.

What we are aiming for

When we drew up the Medium-Term Management Plan 2022, we put in place the Group Sustainability Policy and identified materiality. In the Management Plan for the fiscal year ended March 31, 2024, we set output and outcomes centered on regional issues and goals for those issues. Although sustainability initiatives are unlikely to boost earnings in the short term, I believe they will definitely lead to future profits. There were many difficult aspects to setting outcomes, but we pushed ahead because we wanted to accelerate our initiatives by making short-term results visible, and because we wanted to create synergy by visualizing how our actions benefit customers and the region and promoting them as a Group. In addition, we also

wanted to convey to employees that there is nothing extraordinary about sustainability initiatives. Which is to



say, our business activities themselves are linked to sustainability.

What we want to achieve beyond the outcome is, of course, our Purpose, "co-creating a bountiful future for all regions." Advancing our sustainability initiatives is a key part of ensuring both local companies, and the Group will continue to be considered as companies that the world needs in the future.

One challenge that lies ahead is setting long-term outcomes toward fulfilling our purpose and drawing up a roadmap to achieve them, with our long-term vision

being 2050 rather than 2030. However, we are still in the early stages of our sustainability initiatives in areas such as the environment and human rights. To ensure our initiatives are sustainable, we must aim for steady, step-by-step progress.



Initiatives for the future

It was around 2021 that we started organizing our activities as a Group around environmental and social issues and accelerating our initiatives. We started by formulating the Group Sustainability Policy and laying a solid foundation, such as identifying materiality. From the following year, we introduced various types of sustainable finance and "CO₂ emissions calculation support consulting," and set sustainability-related goals, such as "cumulative amount of sustainable finance execution" and "net-zero CO₂ emissions by 2030," and have been taking steps to create and sustain positive impacts. In the fiscal year ended March 31, 2024, in addition to introducing a new "CO₂ reduction roadmap formulation support consulting," we focused on internal communication, releasing explanatory videos on output and outcomes, and holding town hall meetings to promote communication between the President and CEO and employees.

We see the fiscal year ending March 31, 2025 as a year to "go on the offensive." In terms of the environment, we will work to refine our financed emissions calculations by tracking our customers' CO₂ emissions. In addition, by proactively offering sustainability-related products and services, we hope to create a movement toward turning the resolution of environmental issues into opportunities by supporting our customers in their decarbonization efforts. Regarding human rights, we formulated our Human Rights Policy in the previous fiscal year, so this fiscal year we will raise awareness among our employees

and begin identifying human rights risks within the Group. For D&I, this year will be a year in which we will shift our focus from building systems to actually implementing them and fostering a supportive culture. We will work closely with each department in charge to drive these initiatives with a firm hand.

As a first step in our "offensive" approach this fiscal year, we have set up the Advisory Board to serve as an advisory body to the Sustainability Promotion Committee and invited Kenji Fuma, an expert in sustainability management, to join the board. We reached out to him with a spirit of "nothing ventured, nothing gained," and he readily accepted, which has been very encouraging. With his overwhelming knowledge and experience, broad network across industry, government, and academia both domestically and internationally, and most importantly, his sympathetic views on sustainability management, I am confident that by discussing our sustainability strategies with him, we can advance the Group's initiatives to the next level.

Sustainability targets

Sustainable finance ^{*1}	Carbon neutrality
¥1.5 trillion	Net-zero by 2030^{*2}
Ratio of diverse human assets in management positions ^{*3,4}	Ratio of females in management positions ^{*5}
25% or more	15% or more
	Investment in education
	Double compared to FY2022

^{*1} Cumulative execution amount from FY2023 to FY2032 / ^{*2} Covers Scope 1 and 2
^{*3} Diverse human assets: women, foreigners, experienced hires, alumni, staff with side jobs, and people with experience of external secondments
^{*4} By December 31, 2031 / ^{*5} By December 31, 2031

For the region and our employees

I love working at a regional bank. It is a job where you get to help local customers. I am genuinely content when customers thank us from the bottom of their hearts. That is why I want our current young employees to have many similar experiences. I want them to realize that our efforts are

actually helping the local community and our customers, and to be proud to work for the Group. To achieve this, we will continue driving sustainability efforts and building the foundations for a sustainable company.

Sustainability Promotion System

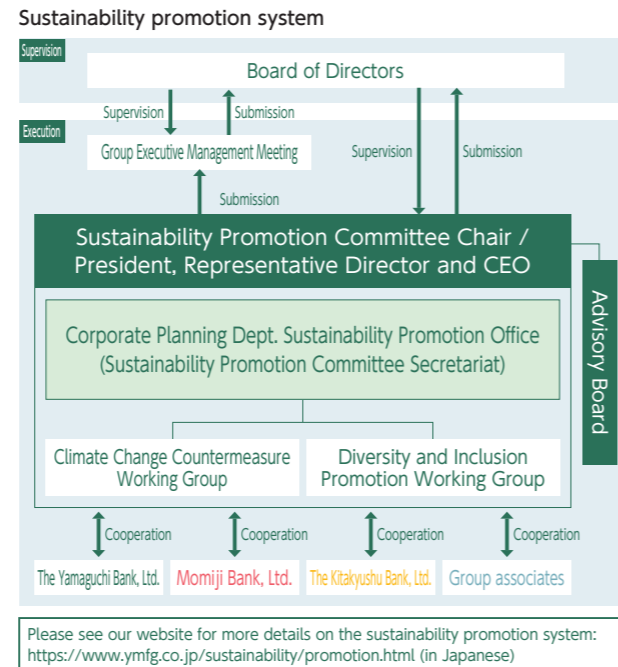
The Group holds regular meetings of the "Sustainability Promotion Committee" which is chaired by the President, Representative Director and CEO, and coordinates deliberation and progress management centrally for matters relating to sustainability.

The contents of deliberations at the Sustainability Promotion Committee are submitted to the Board of Directors as appropriate, upon discussion at the Group Executive Management Meeting, and the Board of Directors supervises sustainability initiatives. Moreover, working groups for each field have been established under the Committee, and a cross-organizational promotion system has been constructed.

In April 2024, we established the Sustainability Promotion Office within the Corporate Planning Dept. of the Corporate Planning Administration Group as a dedicated organization in charge of planning and supervising sustainability promotion activities. Under the supervision of the Sustainability Promotion Office, we will aim to sophisticate the Group's sustainability strategies and reinforce our sustainability initiatives.

Further, in the same month, we also established the Advisory Board as an advisory body to the Sustainability Promotion Committee, aiming to use the wide-ranging

expertise of external experts to sophisticate the Group's sustainability strategies. We will consult and exchange opinions through the Advisory Board regularly on important sustainability management themes.



Response to Climate Change (Initiatives for the TCFD Recommendations)

In December 2021, we announced our support for the Taskforce on Climate-related Financial Disclosures (TCFD*). We are part of the TCFD Consortium and ensure information disclosure in line with TCFD recommendations.

* TCFD (Task Force on Climate-related Financial Disclosures) is a private-sector-led task force established by the Financial Stability Board (FSB) in 2015 at the request of the G20 to encourage companies and other organizations to disclose climate-related financial information.

Governance

The Group has identified "response to air pollution and climate change" as one of its materiality and regards responding to climate change as an important management issue.

Governance related to our response to climate change is incorporated into our governance of all sustainability matters. The Board of Directors is responsible for supervising the identification and management of climate-related risks and opportunities, as well as initiatives led by the "Climate Change Countermeasure Working Group," which has been established under the control of the Sustainability Promotion Committee.

Sustainability Promotion System ▶ P.63

Main matters resolved by and reported to the Board of Directors (fiscal year ended March 31, 2024)

- ▶ Details of FY2024 sustainability-related information disclosure
- ▶ Course of action for the reduction of CO₂ emissions (Scope 1 and Scope 2)
- ▶ Progress of sustainability promotion activities
- ▶ Review of the sustainability promotion system
- ▶ Results of the Ministry of the Environment "2023 Portfolio Carbon Analysis Support Project for Financial Institutions"
- ▶ FY2025 plans from the Climate Change Countermeasure Working Group
- ▶ FY2025 plans from the Diversity and Inclusion Promotion Working Group
- ▶ FY2025 plans for response to human rights issues

Strategy

1. Risks

(1) Risks associated with climate change

Our main sales area, which covers Yamaguchi Prefecture, Hiroshima Prefecture, and Fukuoka Prefecture, is home to industrial complexes along the Seto Inland Sea coast and in the Kitakyushu region. Due to the industrial structure in which factories in GHG-intensive industries are concentrated, mainly for major listed companies and their supply chains,

the CO₂ emissions levels in the area are higher than the national average. With these regional characteristics in mind, we have identified the short-, medium-, and long-term risks associated with climate change as below.

Main evaluation items	Main risks to the Group	Time frame		
Transition risks Government policy / law Market / Technology	<ul style="list-style-type: none"> Carbon tax and carbon pricing Response to GHG emissions regulations, etc. 	<ul style="list-style-type: none"> The risk of deterioration in the financial condition by increased operating costs, decreased operating rate, large capital investments, etc. 	<ul style="list-style-type: none"> The risk of increases in credit costs due to deterioration in the financial condition of customers by increased operating costs and manufacturing/construction costs, decreased asset values, brand value damage, etc. 	Medium- to long-term
	<ul style="list-style-type: none"> Change in consumer and other customer behavior Energy prices Energy mix and other items 	<ul style="list-style-type: none"> The risk of brand value damage due to inadequate measures towards realizing carbon neutrality 	<ul style="list-style-type: none"> The risk of deterioration of the Group's reputation due to inappropriate responses to climate change or inadequate information disclosure 	Short- to long-term
Physical risks Intensification of abnormal weather	<ul style="list-style-type: none"> The risk of deterioration in business continuity and financial condition due to the occurrence of property damage and business interruptions 	<ul style="list-style-type: none"> The risk of increases in credit costs due to an impact on businesses and financial condition of customers by the stagnation of business activities and property damage caused by the occurrence of natural disasters such as floods and storms 	<ul style="list-style-type: none"> The risk that makes business continuity difficult due to the Group's head offices and branch offices being affected by the occurrence of natural disasters such as floods and storms 	Short- to long-term

*Short term: less than 3 years, medium term: 3 to 10 years, long term: over 10 years

Advisory Board Message



Kenji Fuma

Present Positions
CEO of Neural Inc.
Adjunct Professor at Green Social Co-Creation Institute, Shinshu University
Editor-in-Chief of News Site "Sustainable Japan"

Academic background
Master of Liberal Arts (Sustainability), Harvard Extension School
MBA, Thunderbird School of Global Management
Graduated from The University of Tokyo, College of Arts and Sciences (Majoring in International Relations)

Career summary
Kenji Fuma is the head of a sustainability management/ESG finance advisory company that he founded in 2013. He has served as an outside director and advisor to companies listed on the Tokyo Stock Exchange Prime Market and major financial institutions and also serves as an advisor to numerous startups and venture capital firms. He is a member of ESG expert committees for the Ministry of the Environment; Ministry of Agriculture, Forestry and Fisheries; Ministry of Health, Labour and Welfare; Ministry of Economy, Trade and Industry; and Japan Sports Agency. He has given lectures at the World Bank, the United Nations University, and other organizations, and has provided commentary for domestic and international media outlets.

With declining populations, climate change, natural capital issues, DX, and other significant external changes associated with the environment and society, there is more demand for companies to make unprecedented large-scale changes in their management and business. This applies not only to large companies but also to SMEs. Regional financial institutions are expected to play a major role in implementing these reforms across regional economies.

While proactively resolving the mountain of regional issues, these institutions are also being asked to carry out initiatives that will lead to the revitalization of regional economies, and whether they can build new businesses while utilizing the extensive know-how they have gained in financial and non-financial businesses. At the same time, they must take the lead in collaborating with regional companies and local governments.

In particular, the themes of carbon neutrality and a nature-positive world, which have been internationally agreed upon, are completely changing the way various industries have been operating since the 20th century, and are forcing them to undergo a complete,

once-in-a-century transformation. Yamaguchi Prefecture, Hiroshima Prefecture, and Fukuoka Prefecture, which are the main sales areas of Yamaguchi Financial Group, Inc. (YMFG), are regions with chemical, metal, automotive, food, agriculture, and other active industries, and are home to many companies that will experience large-scale transformation.

Regional financial institutions and regional economies face a common destiny. If the regional economy deteriorates, the institutions' revenues will also stagnate, and conversely, if they can revitalize the regional economy, their financial situation will improve and high-quality employment opportunities in the region will increase.

This ESG-based approach to regional finance has been spreading rapidly among regional financial institutions in Japan in recent years. As a member of the YMFG Advisory Board, I hope that by engaging in discussions with the Group's employees, I can help to produce a series of major developments that will drive the entire regional economy. I have great expectations for the Group moving forward.

(2) Scenario analysis

The Group conducted a scenario analysis on transition risks and physical risks based on the TCFD recommendations using multiple scenarios.

For transition risks, considering the large GHG emissions and the vulnerability to the effects of climate change, and taking into account its lending portfolio, in the fiscal year ended March 31, 2024, the Group has added the shipping sector to the scope of analysis of the power and automotive sectors from the previous fiscal year. For physical risks, given

the location in the region prone to weather conditions such as typhoons and heavy rains, the Group has targeted flood damage for analysis, as in the previous fiscal year.

Based on the results of the analyses, the Group has assessed that the impact of both transition risks and physical risks on its credit portfolio is limited, but we will continue to work on expanding the target sectors and sophisticating the analyses to utilize the results in various considerations aimed at reducing climate-related risks.

	Transition risks	Physical risks
Risk events	<ul style="list-style-type: none"> Deterioration of the financial condition of borrowers due to increased costs associated with the introduction of carbon tax Deterioration in the financial condition of borrowers due to increased capital investments, etc. associated with transitioning to a decarbonized society 	<ul style="list-style-type: none"> Damage to collateral property due to flood damage Deterioration of financial condition of borrowers due to suspension of business caused by flood damage
Scenario	<ul style="list-style-type: none"> IEA 1.5 °C (NZE) IEA 2.0 °C (STEPS) 	<ul style="list-style-type: none"> IPCC RCP 2.6 (2° C scenario) IPCC RCP 8.5 (4° C scenario)
Analysis method	<ul style="list-style-type: none"> Based on the IEA scenarios and public information, etc., financial statements of sample companies up to 2050 were prepared to understand the impact on their financial condition The degree of the impact on sample companies was applied to the entire target sector to calculate the increase in credit-related expenses 	<ul style="list-style-type: none"> After the impact on collateral property at the time of occurrence of floods and the financial impact on business partners were calculated based on hazard map data, the increase in credit-related expenses was calculated
Subject of analysis	<ul style="list-style-type: none"> Power sector, automotive sector, shipping sector 	<ul style="list-style-type: none"> Borrowers of business loans in Japan
Period of analysis	<ul style="list-style-type: none"> Until 2050 	<ul style="list-style-type: none"> Until 2050
Results of analysis	<ul style="list-style-type: none"> Increase in credit-related expenses: approximately ¥3.5 billion to ¥35.0 billion 	<ul style="list-style-type: none"> Increase in credit-related expenses: up to approximately ¥6.0 billion

2. Opportunities

(1) Opportunities related to climate change

We have identified the short-, medium-, and long-term opportunities related to climate change as below.

Main evaluation items	Main opportunities for the Group	Time frame
Opportunities: Products / Services	Increase financial and non-financial business opportunities in conjunction with the growth of industries related to the regional environment towards the transition to a carbon free society	Short- to long-term
	Increase financial and non-financial business opportunities to support our customers' response to climate change and efforts to achieve carbon neutrality	Short- to long-term
	Increase financial and non-financial business opportunities to support the strengthening of the disaster prevention system and the expansion of facilities of customers in response to the intensification of natural disasters	Short- to long-term

*Short term: less than 3 years, medium term: 3 to 10 years, long term: over 10 years

(2) Financial and non-financial solutions

The Group views social responses to climate change as an opportunity and supports its customers' efforts towards carbon neutrality by offering various financial and non-financial solutions aimed at GHG emissions reduction.

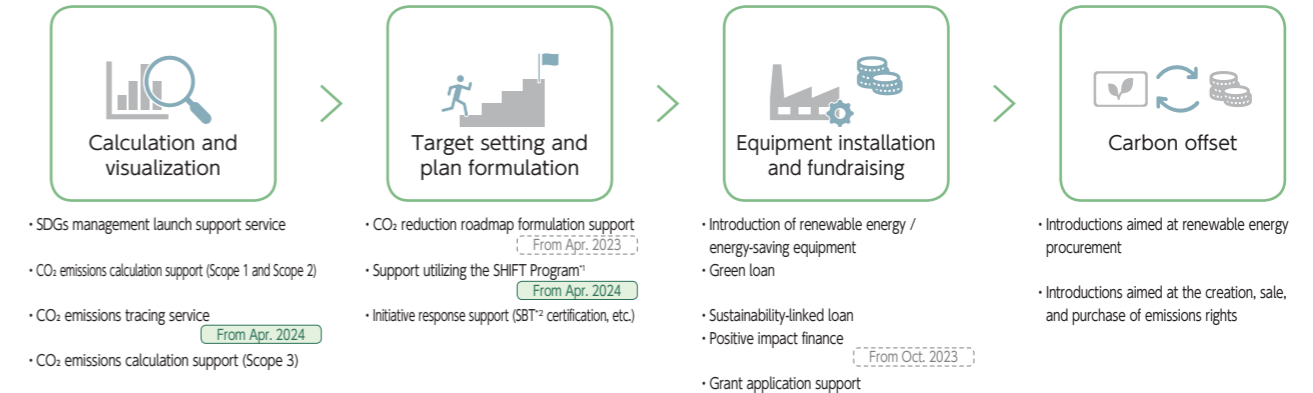
In financial solutions, we offer a package product* of green loans and sustainability-linked loans to provide a range of financing methods that are easily accessible not only for large corporations but also SMEs, and in October 2023, we also began offering positive impact finance. In non-financial solutions, we provide support such as "CO₂ emissions calculation support" for customers with issues in the calculation and visualization process, and "CO₂ reduction roadmap formulation support" that contributes to the

selection of initiatives toward carbon neutrality and investment decision-making for customers with issues in the target setting and plan formulation process. In addition, in April 2024, we began offering new solutions that allow us to provide support tailored to our customers' issues.

Cooperation with local governments for regional carbon neutrality ▶P.69

* A package product that includes an external evaluation certification concerning the alignment with various loan principles and guidelines

Financial and non-financial solutions for regional carbon neutrality



*1 A program set up by the Ministry of the Environment to support model decarbonization initiatives (reduction target setting, reduction plan formulation, equipment upgrades, electrification, fuel conversions, operational improvements) by factories and business sites aimed at achieving GHG reduction targets by the fiscal year ending March 31, 2031 and carbon neutrality by 2050.

*2 Science Based Targets: GHG emissions reduction targets based on science

Risk management

Risks associated with climate change are characteristic in that they are risk drivers, manifesting as risks in the different risk categories they spread to, such as credit risk, market risk, liquidity risk, operational risk, and reputational risk. Considering this characteristic, the Group has incorporated climate-related risks into its integrated risk management

framework and is establishing a management system for each risk category according to the manifested risks.

The Group identifies the short-, medium-, and long-term climate-related risks (transition risk and physical risk) that manifest in each risk category as below.

Spread of risks associated with climate change

Risk category	Description of transition risks	Time frame	Description of physical risks	Time frame
Credit risk	The risk of increases in credit costs due to deterioration in the business performance of business partners resulting from changes in the business environment accompanying the transition to a decarbonized society	Medium- to long-term	The risk of increases in credit costs due to the degradation of collateral value and deterioration in the business performance of business partners caused by the occurrence of natural disasters such as floods and storms	Short- to long-term
Market risk	The risk of a decline in the market value of securities held by the Group due to the deterioration in the business performance of business partners and others resulting from changes in the business environment accompanying the transition to a decarbonized society	Short- to long-term	The risk of a decline in the market value of securities held by the Group due to the deterioration in the business performance of business partners and others caused by the occurrence of natural disasters such as floods and storms	Short- to long-term
Liquidity risk	The risks of a worsening fundraising environment and deposit outflows due to the deterioration in the Group's performance and reputation resulting from changes in the business environment accompanying the transition to a decarbonized society	Short- to long-term	The risk of deposit outflows due to increased funding demands from business partners caused by the occurrence of natural disasters such as floods and storms The risk of a worsening fundraising environment due to financial market disruptions caused by the occurrence of natural disasters such as floods and storms	Short- to long-term
Operational risk	The risk of increases in response costs and potential losses from fines and litigation, etc. due to regulatory changes accompanying the transition to a decarbonized society	Short- to long-term	The risk that makes business continuity difficult due to the head offices and branch offices being affected by the occurrence of natural disasters such as floods and storms, and the risk that incurs recovery costs	Short- to long-term
Reputational risk	The risk of deterioration of the reputation due to inappropriate responses to climate change or inadequate information disclosure	Short- to long-term	The risk of deterioration of the reputation due to inadequate recovery efforts from natural disasters such as floods and storms or insufficient support to affected business partners	Short- to long-term

*Short term: less than 3 years, medium term: 3 to 10 years, long term: over 10 years

In addition, the Group has established an "Investment and Loan Policy Considering Environment and Society" for investments and loans to specific sectors that may have a negative impact on the environment and society, and it strives to reduce and avoid impacts on the environment and society.

Since the establishment of the investment and loan policy in May 2022, the Group has not made any investments or loans that violate the policy.

Investment and Loan Policy Considering Environment and Society: <https://www.ymfg.co.jp/sustainability/policy.html> (in Japanese)

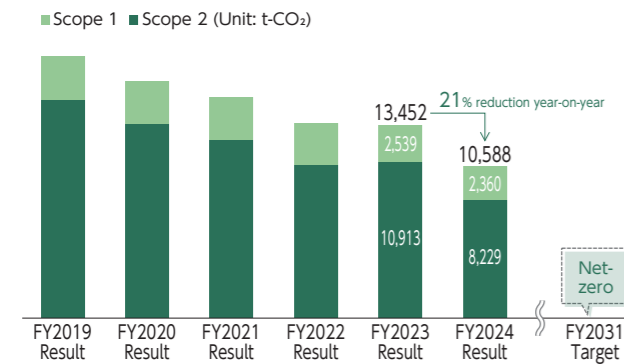
Metrics and targets

1. GHG emissions

Aiming for the achievement of our own carbon neutrality, the Group announced in November 2022 its medium- to long-term target of "net-zero CO₂ emissions (Scope 1 and Scope 2) by the fiscal year ending March 31, 2031" and is working to reduce CO₂ emissions.

(1) Scope 1 and Scope 2 emissions

The Group's CO₂ emissions from its business activities in the fiscal year ended March 31, 2024 was 10,588t-CO₂ (a 21% reduction year-on-year). To further reduce CO₂ emissions, we will strengthen our efforts aimed at transitioning to renewable energy for electricity, switching to environmentally friendly vehicles for company vehicles, and converting lighting fixtures to LEDs.



*Scope of calculation: The Company, consolidated subsidiaries, and non-consolidated subsidiaries
 *Calculated based on emission coefficient as of June 30, 2024, in the Ministry of the Environment's Mandatory Greenhouse Gas Accounting and Reporting System

(3) Scope 3 Category 15

Due to the nature of financial institutions' business, the majority of CO₂ emissions in their supply chains are from Scope 3 Category 15 (Investments and loans). As such, as a Group with three banks, we understand the importance of continuing to gauge our Category 15 emissions.

In the fiscal year ended March 31, 2024, the scope of calculation was limited to corporate loans by the Group banks. Moving forward, we will consider expanding the scope of calculation. To calculate emissions for each individual company, two accounting methods, bottom-up analysis and top-down analysis, are used in combination. Emissions from a top-down analysis (*2) are included only when emissions from a bottom-up analysis (*1) are not recognized. Note that the balance of loans is as of March 31, 2024.

*1 Bottom-up analysis: Method of calculating emissions that reflect actual business conditions by acquiring disclosure information from each company
 *2 Top-down analysis: Method of estimating emissions using the average carbon intensity (emissions per unit of sales) by industry to which investment or loan recipient belongs

Participation in programs by the Ministry of the Environment ▶P.70

(2) Scope 3 emissions

The Group has begun calculating Scope 3 emissions, including Category 15, from the fiscal year ended March 31, 2024.

In the fiscal year ended March 31, 2024, the scope of our calculations was limited to the Company and the Group banks (The Yamaguchi Bank, Ltd., Momiji Bank, Ltd., The Kitakyushu Bank, Ltd.). Moving forward, we will work to expand the scope of calculations and refine our calculations.

Measurement item	FY2024
Category 1 Purchased goods and services	36,745
Category 2 Capital goods	13,285
Category 3 Fuel and energy-related activities not included in Scope 1 or 2	1,502
Category 4 Transportation and delivery (upstream)	349
Category 5 Waste generated in operations	342
Category 6 Business travel	534
Category 7 Employee commute	1,416
Category 15 Investments and loans	18,340,964
Total	18,395,136

*Scope of calculation: The Company and the banks in the Group
 *Calculated based on per-unit emissions in the Ministry of the Environment and the Ministry of Economy, Trade and Industry's Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.6); and the Ministry of the Environment's Emissions Intensity Database for Calculating GHG Emissions in Supply Chains (Ver. 3.4) and IDEAv2 (for calculating supply chain GHG emissions)
 *Zero emissions activities in Categories 8, 9, 10, 11, 12, 13, and 14

TCFD 18 sectors	Emissions (Unit: t-CO ₂)
Electric utilities	3,636,394
Capital goods	2,975,539
Metals and mining	2,124,843
Construction materials	1,626,055
Maritime transportation	1,568,579
Chemicals	1,262,102
Processed food and processed meats	588,426
Oil and gas	584,852
Trucking services	483,519
Automobiles and components	264,945
Paper and forest products	254,173
Real estate management and development	101,244
Passenger air transportation	74,011
Agriculture	40,527
Rail transportation	18,914
Beverages	15,279
Air freight	1,164
Coal	—
Other	2,720,399
Total	18,340,964

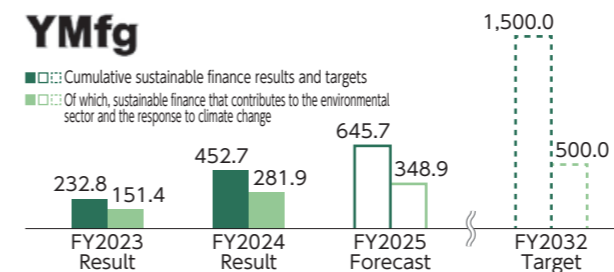
2. Sustainable finance

The Group has set a long-term target for the cumulative amount of sustainable finance execution from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2032 at ¥1,500.0 billion (of which, ¥500.0 billion is sustainable finance that contributes to the environmental

sector or the response to climate change).

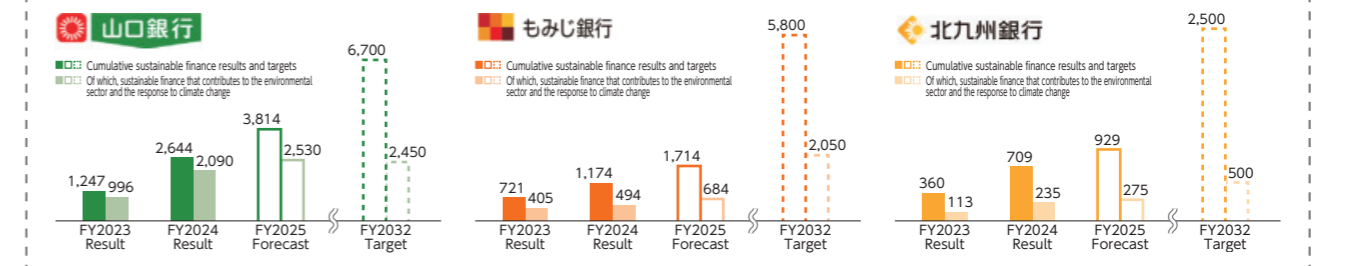
The execution amount in the fiscal year ended March 31, 2024, was ¥452.7 billion (of which, ¥281.9 billion is sustainable finance that contributes to the environmental sector or the response to climate change).

Cumulative amount of sustainable finance execution (Unit: Billions of yen)



<Definition of sustainable finance>
 The Group defines sustainable finance as investment and loan that will contribute to the resolution of environmental issues and social issues, and investment and loan that will support efforts towards improved sustainability of customers. Specifically, if any one of the following conditions applies, it is a target for this finance.
 Products : private placement bond (donation type, with BCP formulation support service, etc.), sustainability-linked loan, green loan, social loan, positive impact finance, etc.
 Use of funds : renewable energy introduction, start-up related, business succession funds, etc.
 Industry : medical care, nursing care and welfare, education-related

Figures for each Group bank



3. Carbon-related assets

In line with TCFD recommendations, as a means to understand risks associated with climate change, we calculate the percentage of carbon-related assets in the Group's loans, etc. As of March 31, 2024, carbon-related assets account for 50.7% of the Group's loans, etc.

Sector	Balance of receivables	Ratio
Energy	¥495.7 billion	5.7%
Transportation	¥485.3 billion	5.6%
Materials and buildings	¥3,259.1 billion	37.4%
Agriculture, food and forestry products	¥178.8 billion	2.1%
Total of above sectors (carbon-related assets)	¥4,419.1 billion	50.7%
Total for all sectors	¥8,708.1 billion	100.0%

*Following revisions to TCFD recommendations in October 2021, carbon-related assets are defined as assets associated with the energy; transportation; materials and buildings; and agriculture, food, and forestry products sectors.
 *Balance of receivables: The total amount of loans, payment approvals, foreign exchange, private placement bonds, etc.
 * "Electricity" included in the "energy" sector excludes renewable energy business operators such as solar power generation, biomass power generation, and wind power generation (Reference: For renewable energy business operators: ¥200.1 billion)
 *Reorganized industry types in the fiscal year ended March 31, 2024 based on the 18 TCFD sectors

Please see our website for more details on our response to climate change (Initiatives for the TCFD Recommendations): <https://www.ymfg.co.jp/sustainability/policy.html> (in Japanese)

Initiatives

The Group strives to promote initiatives towards carbon neutrality and enhance information disclosure through its endorsement of the following initiatives.



Initiatives for the Preservation of the Environment

Start of positive impact finance

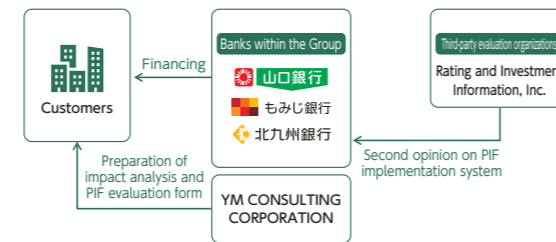
In October 2023, The Yamaguchi Bank, Ltd., Momiji Bank, Ltd., and The Kitakyushu Bank, Ltd. began offering "positive impact finance*."

Positive impact finance is a loan product that comprehensively identifies and evaluates the impact (both positive and negative) of our customers' corporate activities on society, the environment, and the economy, and aims to support the creation and continuation of positive impacts through our customers' corporate activities, as well as the prevention and mitigation of negative impacts.

We will continue to strive to provide solutions tailored to our customers' needs.

*Compliant with the "Principles for Positive Impact Finance" announced by the United Nations Environment Programme Finance Initiative (UNEP FI)

Positive impact finance scheme



The Group's lineup of sustainable loans

Use of funds	Type	Characteristics
Limited use of funds	Green loan	Limited to green projects
	Social loan	Limited to social projects
	Sustainability loan	Limited to green projects and social projects
Unlimited use of funds	Sustainability-linked loan	Incentivization of interest rates in line with level of achievement of preset ESG targets (SPTs)
	Positive impact finance	Comprehensive identification and evaluation of social, environmental, and economic impact of corporate activities

Cooperation with local governments for regional carbon neutrality

We recognize that cooperation with local governments is essential to promoting carbon neutrality in the region, and as such, have worked with local governments to support customers in our region through decarbonization-related support projects and other initiatives, leveraging the

comprehensive strengths of the Group. In the fiscal year ended March 31, 2024, YM CONSULTING CORPORATION and YMFG ZONE PLANNING CO., LTD. led the way in collaborating with each local government to provide the following support.

Cooperation with Yamaguchi Prefecture Supporting SMEs through "CO₂ emissions calculation support and decarbonization consulting support services"

Support process

Seminars
YM CONSULTING CORPORATION

- Through industry-specific seminars*, improve understanding among SMEs of the overall picture of decarbonization, related industry trends, energy-saving measures, etc.
- *A total of 10 seminars held for five industry types: food manufacturing, construction, printing, automobile, and machine parts manufacturing

Support for decarbonization initiatives
YM CONSULTING CORPORATION

- Provide individual support for decarbonization management (CO₂ emissions calculation support, CO₂ reduction roadmap formulation support) to 10 SMEs that attended seminars

Cooperation with Hiroshima Prefecture Supporting SMEs through the "Energy-saving equipment introduction support service for SMEs"

Support process

Record preparation
YMFG ZONE PLANNING CO., LTD.
YM CONSULTING CORPORATION

- Records prepared through interviews with target companies to visualize business characteristics and issues (29 companies)

Accompanying support
YMFG ZONE PLANNING CO., LTD.
YM CONSULTING CORPORATION

- Create capital investment plans etc. that lead to reduced CO₂ emissions
- Provide businesses with information on available grants, etc.

Precedent creation
YMFG ZONE PLANNING CO., LTD.

- Accelerate regional initiatives by sharing model examples from accompanying support with other businesses in the prefecture

Cooperation with Kure City, Hiroshima Prefecture Promoting decarbonization management by utilizing the "Kure City Decarbonization Equipment Introduction Grant"

The "Kure City Decarbonization Equipment Introduction Grant," newly implemented by Kure City in 2023, is a grant geared toward SMEs and small-scale business operators that are formulating equipment introduction plans related to decarbonization management. Through this grant, YM CONSULTING CORPORATION is supporting multiple businesses with its carbon-neutral solution, "CO₂ reduction roadmap formulation support."

The first bank-affiliated consulting company* to be certified as the Ministry of the Environment's SHIFT Program supporting institution

YM CONSULTING CORPORATION has been certified as a supporting institution for the "CO₂ Reduction Plan Formulation Support" program as part of the "2024 Support for High-efficiency Installations for Facilities with Targets (SHIFT) Program" promoted by the Ministry of the Environment. As a supporting institution, our role is to examine and analyze customers' factories and business sites, investigate and assess a wide range of effective operational improvement and capital investment measures to reduce CO₂ emissions, and support the formulation of CO₂ reduction plans.

<SHIFT Program>
A program set up by the Ministry of the Environment to support model decarbonization initiatives (reduction target setting, reduction plan formulation, equipment upgrades, electrification, fuel conversions, operational improvements) by factories and business sites aimed at achieving GHG reduction targets by the fiscal year ending March 31, 2031 and carbon neutrality by 2050. The subsidy programs include "CO₂ reduction plan formulation support" and "low-CO₂ equipment upgrade support."

*Based on a survey by the Group (bank-affiliated consulting company refers to think tanks or consulting firms that are wholly owned by banks or banking groups)

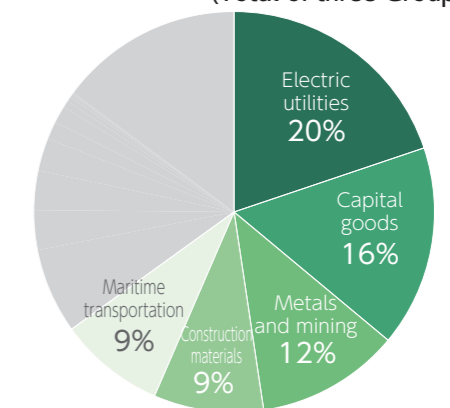
Participation in the Ministry of the Environment's public project "2023 Portfolio Carbon Analysis Support Project for Financial Institutions"

As a leading company in the region, we recognize the need to involve our customers and take the initiative to address regional issues, including the realization of a decarbonized society. As such, through participation* in the Ministry of the Environment's public project, "2023 Portfolio Carbon Analysis Support Project for Financial Institutions," we were able to get an overview of the financed emissions of our loan portfolio and conduct more effective analysis, thereby considering priorities for engagement, formulation of our Group strategies, verification of existing solutions, and approach to local governments.

In the future, we will continue with these considerations, utilizing the expertise we have gained from support projects.

*The Ministry of the Environment issued a public call for financial institutions willing to promote carbon neutrality by examining transition strategies and engaging in dialogue with investment and loan recipients through portfolio carbon analysis, etc. Four financial institutions and financial groups, including the Company, were selected to participate in the 2023 project.

Financed emissions in business loans to corporations (Total of three Group banks)



Figures for each Group bank

Total CO₂ emissions by TCFD 18 sectors for the three banks in the Group ▶ P.67

山口銀行

TCFD 18 sectors (Top 5 sectors)	Emissions (t-CO ₂)
1 Electric utilities	2,865,343
2 Metals and mining	1,685,765
3 Maritime transportation	1,435,922
4 Capital goods	1,271,331
5 Construction materials	1,251,997

もみじ銀行

TCFD 18 sectors (Top 5 sectors)	Emissions (t-CO ₂)
1 Capital goods	936,386
2 Electric utilities	329,688
3 Metals and mining	232,158
4 Trucking services	208,847
5 Processed food and processed meats	141,172

北九州銀行

TCFD 18 sectors (Top 5 sectors)	Emissions (t-CO ₂)
1 Capital goods	767,822
2 Electric utilities	441,362
3 Construction materials	341,237
4 Metals and mining	206,920
5 Processed food and processed meats	140,698

Initiatives for Revitalization of Local Communities

Startup support

Creating innovation in the region and startups

In June 2024, YMFG, YAMAGUCHI CAPITAL Co., Ltd., and YMFG ZONE PLANNING CO., LTD. (YM-ZOP) co-hosted the Shimonoseki Add-venture Summit (commonly known as "SAS"), a regional revitalization summit in Shimonoseki City, Yamaguchi Prefecture, where the region and start-ups can seriously think about and take action to revitalize local industries. This marked the second time the event has been held, following last year. On the day, 26 start-up companies aiming for regional revitalization presented pitches and set up booths, and made pitches about their products and services that contribute to regional revitalization, and experts also hosted discussions on the theme of regional revitalization.

The number of participants, including local companies and representatives from startups, reached about 1,000 people, making it a lively event.

Going forward, we will continue to actively engage with local stakeholders (companies, government agencies, universities, etc.) and representatives from startups (startup companies, experts in various fields, etc.) to promote the creation of innovation in the region and enhance regional value.



Startup support award from the Cabinet Office

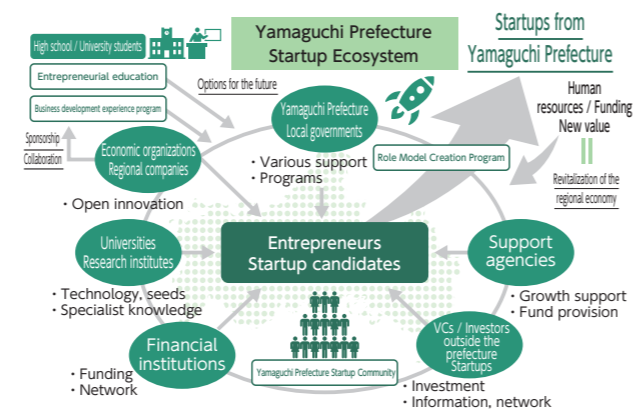
YMFG, The Yamaguchi Bank, Ltd., and YM-ZOP are continuously providing startup support through industry-academia-government-finance collaboration to build a startup ecosystem in Yamaguchi Prefecture. In recognition of these initiatives, in March 2024, we were awarded by the Minister of State for Regional Revitalization of the Cabinet Office for the second consecutive year* in the 2023 "Distinctive Initiative Cases" of financial institutions, etc. contributing to regional revitalization, selected by the Secretariat of the Council for the Realization of the Vision for a Digital Garden City Nation, Cabinet Secretariat.

Specific initiatives include a start-up support program to create entrepreneurs from Yamaguchi Prefecture who will spread their wings across Japan and around the world, a new business development experience program that supports the verification of business plans devised by students, and an entrepreneurial education support project to provide entrepreneurial education together with teachers and staff at seven high schools in the prefecture. These initiatives have produced more than 10 entrepreneurs, with some of their companies growing to become benchmarks for startups in

the region.

By continuing these activities, we will endeavor to contribute to the creation of innovation in the region going forward.

* Initiatives for the Sanyo-Onoda City LABV project were awarded last year.



Development of regional co-creation human assets

Human assets development beyond organizational boundaries

For six months from July 2023, we conducted "Regional Co-Creation Human Assets Development Training" in collaboration with Shimonoseki City, Yamaguchi Prefecture, and the Hitachi Group. 29 people selected from three companies were divided into five teams and worked on developing plans to solve regional issues through lectures, workshops, and site visits outside the prefecture. This project was made possible by calling on companies which the Group had prior connections with, and it is a rare case nationwide where a local government, a bank, and a major company work together on a project.

The purpose of this training is to develop human assets who can create value in the business world by exposing them to diverse perspectives and values that go beyond the organization and letting them experience the difficulties of formulating highly implementable plans and the trial and error required to find solutions. Final presentations were

held in January 2024, and plans with potential for social implementation are being considered for implementation, including budgeting.

We plan to conduct the training again this fiscal year and will continue to pursue the possibilities of human assets development that goes beyond organizational boundaries.



External collaboration

Strengthening collaboration for regional revitalization

In June 2024, YM-ZOP concluded an agreement with SOCIALX, INC. on collaboration and cooperation for regional revitalization to actively promote new policies and projects related to regional revitalization as part of efforts to realize a sustainable society.

Going forward, the two companies will work together

to identify regional issues, consider solutions through public-private collaboration, and put them into action, striving to build a sustainable regional community.

* SOCIALX, INC. is committed to "providing the best experience in public-private co-creation," and supports the development of new businesses that solve social issues utilizing the public-private co-creation business development platform called "Reverse Proposal" (a co-creation service in which companies present social issues and local governments propose plans and ideas to solve them).

Partnership agreement between Kitakyushu City and YAMAGUCHI CAPITAL Co., Ltd.

YAMAGUCHI CAPITAL Co., Ltd. concluded a "partnership agreement on promoting business succession for SMEs" with Kitakyushu City, which is struggling with a lack of successors for SMEs in the city. This is the first case of a partnership agreement in the country between a local government and a search fund operator.

In addition to promoting business succession using YAMAGUCHI CAPITAL Co., Ltd.'s search fund, this agreement will help resolve business succession issues faced by local companies and support their sustainable growth by holding seminars on business succession targeting SMEs in the city, sharing information on companies without successors held by both parties, and supporting medium- to long-term growth via collaboration

with The Kitakyushu Bank, Ltd, among other measures.

Through these efforts, we will contribute to the creation of new jobs in Kitakyushu City and the revitalization of the regional economy.



Regional revitalization through sports support

The Yamaguchi Bank, Ltd. women's handball team, "YMGUTS"

In April 2018, YMGUTS was formed with the wish to contribute to regional revitalization through sports, making use of the regional characteristics of eastern Yamaguchi Prefecture, where handball has traditionally been popular. All team members are full-time employees of The Yamaguchi Bank, Ltd., and train hard after work. In August 2022, they won the "Japan Open Tournament" for the

first time, a competition determining the best club team in Japan, which had been their goal since the team's formation, and in June 2023, they ranked 6th in the All-Japan Amateur Championship, surpassing teams in the top Japanese league, indicating their steadily improving competitive level.

Aim of YMGUTS

- Establish a team that is loved by the local community, and serve as a model for achieving a balance between sports and work and the ways in which women work.
- Build a local community through handball, and develop multi-generational interactions and the younger generation
- Contribute to improved competitiveness in handball and the promotion of regional sports, and to the establishment of healthy lifestyles with "YMGUTSxx."

Main initiatives

- Contribute to the promotion of sports through the management of a team
- Develop activities that will convey to children and students awareness of working hard towards their dreams, while having a professional awareness of both handball and work
 - Visiting GUTS (visiting classes at local elementary and junior high schools)
- Develop activities to enliven regional events and content together with the region
 - Appointed as tourism ambassador for Yuno-onsen, Shunan City, Yamaguchi Prefecture, and engaged in initiatives in partnership with regional business operators in order to conduct PR for the onsen

YMGUTS performance for the fiscal year ended March 31, 2024

- June 2023 : 6th in the Takamatsunomiya Memorial Trophy 11th All Japan Amateur Championship
- August 2023 : Participation in the 28th Japan Open Handball Tournament (canceled due to typhoon)
- August 2023 : Runner-up in the Special National Sports Festival, Chugoku Block Tournament
- October 2023 : Participation in the Special National Sports Festival, "Fervent Passion Kagoshima Tournament"
- December 2023 : Best 16 in the 75th Japan Handball Championship



YMGUTS Cup Elementary School Handball Tournament (September 2023)



Regional contribution event (September 2023)



Home games (February 2024)



Corporate Governance

Basic concepts of corporate governance

The Group has formulated the "Mission and the meaning of its existence (Purpose)," which is the basis of all business activities of the Group, and "What the Group should become in the future (Vision)," as what the Group should become when pursuing the mission and the meaning of its existence, in order to combine the abilities of the Group's employees and to increase corporate value.

[Mission and the meaning of its existence (Purpose)]

Co-creating a bountiful future for all regions

[What the Group should become in the future (Vision)]

A regional value-up corporate group that is chosen by all regions and responds to the trust of all regions

Based on "a sound and proactive enterprising spirit" as the basic stance (management policy) for the engagement in business activities with the mission and meaning of its existence (Purpose) as a basis, the Group aims for management transparency and fair, swift and bold decision-making that will lead to sustainable growth and increases in corporate value over the medium to long term. To this end, positioning that creating an effective corporate governance system is an important management priority, and we continue to pursue the initiatives described below to enhance our corporate governance.

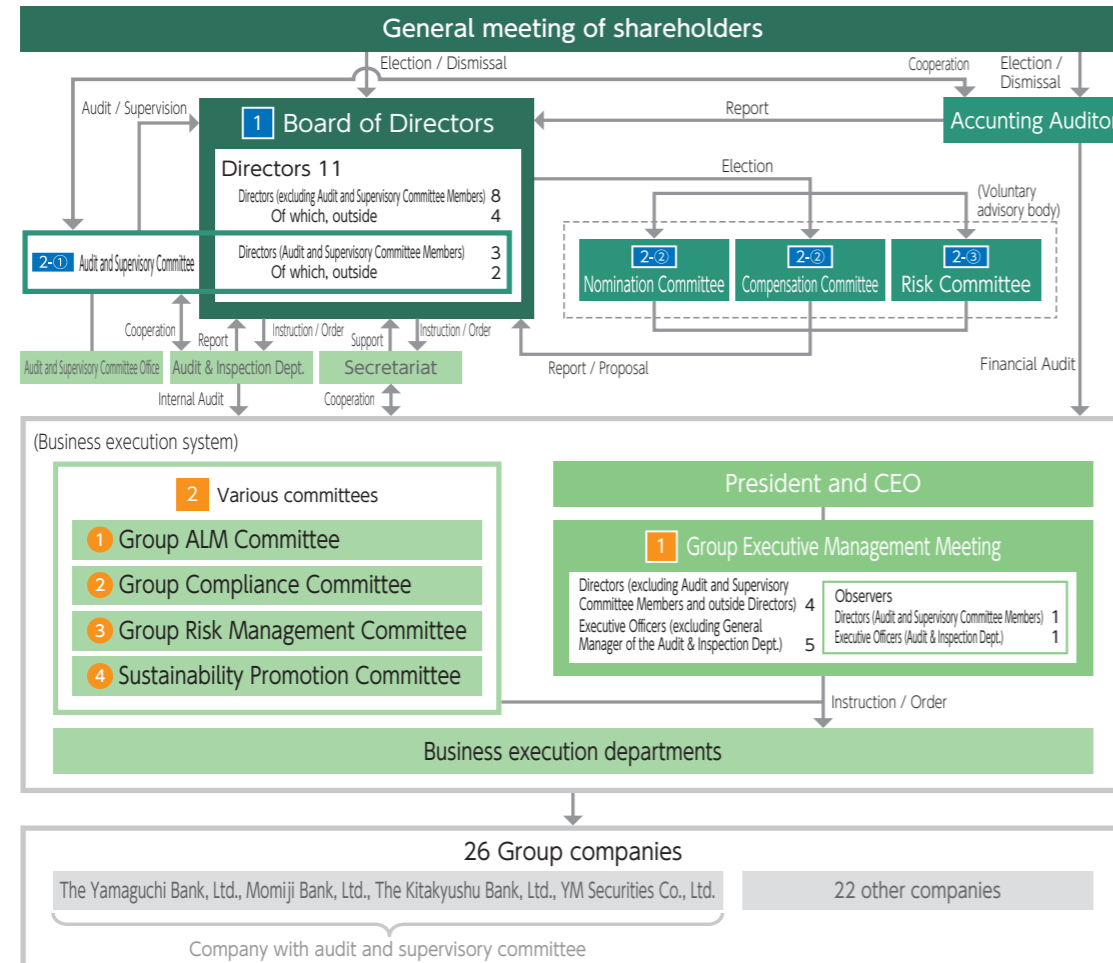
- (1) The Company strives to substantially secure the shareholder rights, to create an environment where shareholders can exercise their rights appropriately, and to secure effective equal treatment of shareholders.
- (2) The Company appropriately cooperates with our principal stakeholders, including customers, the local community, shareholders and employees.
- (3) The Company appropriately discloses important management information to principal stakeholders.
- (4) The Company endeavors to ensure the effectiveness of the supervisory and auditing functions of the business execution through the establishment of various bodies, including the Board of Directors.
- (5) The Company creates systems to promote construction dialog in order to build long-term relationships with shareholders.

Corporate governance system

An overview of the corporate governance system at the Group is provided below.

Corporate governance system structure

(As of June 27, 2024)



Supervision

1 Board of Directors and Directors

The main role of the Board of Directors is to make decisions on important matters relating to the operation of the Group, such as matters relating to management planning and governance and the basic policy on the internal control system, and in addition, to supervise the execution of the duties of Directors and Executive Officers. In principle, meetings are held once a month and are chaired by the President and CEO.

The Board of Directors is composed of 11 Directors with a fine balance of knowledge, experience and abilities for the effective performance of their roles and responsibilities. In particular, outside Directors, who make up the majority of the Board of Directors, have been arranged with a focus on diversity, based on the perspectives of gender, career history, age, etc., in order to activate multifaceted and objective discussions (three out of the six outside Directors are female).

2 Various committees

In addition to the "Audit and Supervisory Committee" prescribed in the Companies Act, the "Nomination Committee," "Compensation Committee" and "Risk Committee" have been established.

1 Audit and Supervisory Committee and Audit and Supervisory Committee Members

The Audit and Supervisory Committee is composed of three Directors who are Audit and Supervisory Committee Members (including two outside Directors), and holds meetings once a month, in principle. It audits the execution of duties of the Directors, builds the internal control system of the Company and the Group, supervises and examines the operation status of the system, and prepares audit reports.

In addition, through the exercising of voting rights at meetings of the Board of Directors by Audit and Supervisory Committee Members, who are mainly outside Directors, it is aimed to enhance the function of auditing and supervising the Board of Directors, and to improve the transparency and speed of the decision-making process.

In order to prepare for cases where there is a shortage of Directors who are Audit and Supervisory Committee Members as prescribed by law, one substitute Director who is an Audit and Supervisory Committee Member has been elected.

2 Nomination Committee and Compensation Committee

The Company has established the Nomination Committee and the Compensation Committee as voluntary advisory bodies to the Board of Directors in order to ensure the validity of the proposals relating to the appointment and dismissal of Directors and Executive Officers and their compensation, as well as the objectivity and transparency of the decision-making process, and has put a system in place to make decisions at the Board of Directors based on the details reported from the respective committee regarding the proposal.

Based on the objective of its establishment, it is prescribed in the internal rules that each committee is composed of three or more committee members, and the majority of members are independent outside Directors, in order to ensure independence.

3 Risk Committee

From the perspective of strengthening the supervisory function of the Board of Directors for risk management, in July 2022, the "Risk Committee" was established under the Board of Directors to strengthen the risk management system by reflecting the objective opinions of outside Directors and third party (an external expert) in risk management.

The Risk Committee deliberates on various matters relating to the risk management of the market department and reports to the Board of Directors. It will consider reviewing matters subject to deliberation, as necessary.

Execution of business

1 Group Executive Management Meeting

The Group Executive Management Meeting has been established as a decision-making body for business execution departments. The Group Executive Management Meeting is composed of Directors (excluding outside Directors and Audit and Supervisory Committee Members), Executive Officers (excluding the General Manager of the Audit & Inspection Dept.) and the Presidents of the banks in the Group, and discusses and makes decisions on important matters relating to the management of the Group based on the basic policy, etc., determined by the Board of Directors.

2 Various committees

Various committees have been established for each management theme as bodies for the deliberation of important matters relating to the execution of business.

1 Group ALM Committee

In principle, Group ALM Committee meetings are held once a month. After assessing the status of risks and earnings, the Committee examines the status of capital against risks in line with management policies and strategic targets, and deliberates over policies and strategies to ensure flexible risk control, mainly in market transactions. Moreover, by monitoring the management system of various risks (credit risk, market risk, liquidity risk) and the comprehensive risk management system, the Committee deliberates appropriate responses to these risks and reflects its findings in business operations.

2 Group Compliance Committee

In principle, Group Compliance Committee meetings are held once a month. By monitoring the compliance system, the Committee deliberates appropriate responses to compliance and reflects its findings in business operations.

3 Group Risk Management Committee

In principle, Group Risk Management Committee meetings are held once a month. By monitoring approaches to the management of operational risks and reputational risks, the Committee deliberates the appropriate responses to these risks and reflects its findings in business operations.

4 Sustainability Promotion Committee

In principle, Sustainability Promotion Committee meetings are held once every three months. The Committee examines yearly plans and measures for the promotion of sustainability management and monitors activities to ensure a comprehensive understanding of sustainability management promotion. The committee deliberates the appropriate response and reflects its findings in business operations.

3 Executive Officers

The Group has introduced the executive officer system, under which the executive officers appointed by resolution of the Board of Directors are assigned the positions of heads of the respective departments (General Managers of the Business Groups, General Managers of the Administration Groups and General Manager of the Audit & Inspection Dept.), and engage in the execution of the designated business.

Improvement measures

The Company sincerely accepted the facts recognized in the "investigation reports" by the Investigative Committee established in May 2021 in response to an internal whistle-blower against the former CEO, and the Internal Investigation Group established in August 2021 with the objective of investigating how to proceed with projects related to the establishment of a new bank, etc., as well as the indicated issues and recommendations for improvement. Therefore, we identified the issues and analyzed the causes of such issues in four items in total, consisting three items of "governance," "internal control" and "corporate culture," which form the management foundation for the sound operation of businesses by the Group, adding the perspective of "regional revitalization," which is one of our major roles as a regional financial institution, and formulated improvement measures for 35 items in total on November 30, 2021.

To achieve sound business operations, which are the foundation of unwavering trust from all our stakeholders, including shareholders and customers, and to contribute to the revitalization of the local communities and economies, as well as the growth of the Group, the entire company has been working together to implement improvement measures. As a result, we have completed addressing all items as of March 31, 2024, and have now moved on to the continued operations stage.

	FY2022	FY2023	FY2024	Main measures
1. Initiatives toward reinforcement of governance				
(1) Reconstruction of operational management system	Completed	—	—	<ul style="list-style-type: none"> Resignation of previous CEO (Dec. 2021) External announcement of new structure (Mar. 2022) Transition to new structure following approval at General Meeting of Shareholders (Jun. 2022)
(2) Enhancement of in-Group dialogue (dialogue between officers)	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Meetings between the President and officers of the FG^{*1} and Group banks Establishment of a forum for informal dialogue with outside Directors Diversification of locations for Board of Directors meetings (Shimonoseki, Hiroshima, Kitakyushu, Tokyo) Group Officer Retreats including outside Directors (twice a year), etc.
(3) Establishment of a system for the appropriate provision of information to Directors	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Earlier provision of convocation notices and materials for the Board of Directors Expansion of advance briefing sessions Timely updates and thorough communication of annual schedule
(4) Reinforcement of support system for Directors' duties	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Secretariat placed under direct control of Board of Directors (Oct. 2021 onwards) Study sessions for outside Directors (regional bank management environment, etc.) Implementation of various measures through information exchange with Board of Directors secretariats at external companies (Board of Director effectiveness evaluations using external institutions, etc.)
(5) Establishment of outside Director meetings	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Establishment of outside Director meetings (Aug. 2021 onwards) Individual discussions between outside Directors, etc.
(6) Review of evaluation method toward improving the effectiveness (hereinafter, "effectiveness evaluation") of the Board of Directors	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Review of effectiveness evaluation methods (Nov. 2021) Evaluation cycle changed from annual to semi-annual Individual interviews conducted in addition to surveys Further review of effectiveness evaluation methods (Dec. 2022) Survey items reviewed based on CG^{*2} Code Evaluation cycle changed from semi-annual to annual Implementation of effectiveness evaluation surveys utilizing external institutions (Apr. 2024)
(7) Reinforcement of collaborative / cooperative structure between the Audit and Supervisory Committee and internal audit departments	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Attendance of General Manager of Audit & Inspection Dept. at FG and Group bank Audit and Supervisory Committee meetings Reinforce collaborative structure by reporting on internal audit plans and results and maintaining close cooperation
(8) Review of Nomination Committee system	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Review of contents of discussion and composition of committee members (Dec. 2021) Review of process for the appointment and dismissal of Directors, Executive Officers, etc. of FG and Group banks (ongoing since FY2023) Review of committee member composition based on opinions from external advisors (Jun. 2023)
(9) Creation of skills matrix	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Directors' skills matrix disclosed from the Extraordinary General Meeting of Shareholders in Dec. 2021 onwards Formulate skills matrix that provides an overview of Directors and Executive Officers (including candidates) of FG and Group banks, and use it for Group officer personnel decisions
(10) Appropriate information provision to stakeholders and reinforcement of dialogue with shareholders	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Enhancement of meeting opportunities with various stakeholders Financial briefings for institutional investors and briefings for individual investors held every fiscal year Enhancement of various announcement materials Medium-term management plan materials, financial briefing materials, etc. Publication of integrated report and brand communication book
2. Initiatives toward reinforcement of internal controls				
(1) Optimization of decision-making authority system	In progress	Completed	Ongoing	<ul style="list-style-type: none"> Review of authority system in conjunction with Group reorganization (Apr. 2022) Authority delegated from higher to lower authorities within executive departments Handling of unspecified matters clarified Regular review of authority system (once a year)
(2) Formulation of guidelines for internal project team management	In progress	Completed	Ongoing	
(3) Formulation of guidelines for handling important cases that fall under the category of undisclosed important facts under insider trading regulations	In progress	Completed	Ongoing	<ul style="list-style-type: none"> Establishment and implementation of each guideline (Apr. 2022 onwards) Monitoring by Audit & Inspection Dept. (Apr. 2022 onwards) Regular publication of internal documents to ensure thorough implementation (Oct. 2022 onwards)

*1 Abbreviation for Yamaguchi Financial Group, Inc. *2 Abbreviation for corporate governance

	FY2022	FY2023	FY2024	Main measures
2. Initiatives toward reinforcement of internal controls				
(4) Review of succession plan	In progress	In progress	Completed	<ul style="list-style-type: none"> Formulation of guidelines for the appointment of officers and key management personnel candidates (Jun. 2022) Enhancement of officer and key management personnel candidate pools through improved various training and development programs
(5) Reinforcement of human assets in key management and management positions	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Human assets development through experience of management-level discussions Advance Board of Director briefings held by business execution managers Group Officer Retreats held (twice a year)
(6) Review of CxO system	In progress	Completed	—	<ul style="list-style-type: none"> Abolition of CxO system (Apr. 2022) Establishment of officer-related regulation systems (Jun. 2022)
(7) Abolition of the CEO Office	Completed	—	—	<ul style="list-style-type: none"> Abolition of the CEO Office (Oct. 2021)
(8) Establishment of information communication system	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Revisions in line with Group organizational structure (Oct. 2021, Apr. 2022) Regular reviews in conjunction with authority system reviews (once a year)
(9) Review of internal control of the Group (review of sales branch system)	In progress	Completed	Ongoing	<ul style="list-style-type: none"> Review of Group bank sales branch system (Apr. 2022) Transition to a block sales system (Oct. 2022 onwards) Group bank blocks reorganized as necessary
(10) Clarification of the measures implementation process and verification system	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Regular publication of in-house documents related to thorough operation (Dec. 2021 onwards) Monitoring by Audit & Inspection Dept. (Jan. 2022 onwards)
(11) Reinforcement of human assets development in specialized fields	Under examination	Under examination	Completed	<ul style="list-style-type: none"> Determination of core operations and necessary skills for Group headquarters operations (Apr. 2023) Implementation of external training, etc. to improve and pass on core operation skills
(12) Implementation of audits focused on the achievement of the management plan	Under examination	Completed	Ongoing	<ul style="list-style-type: none"> [Verification of management plan PDCA cycle] Implementation of themed audits by the Audit & Inspection Dept. (Aug. - Sep. 2022) Various proposals aimed at establishment of an effective PDCA cycle [Verification of organizational culture] Implementation of "culture audits" by the Audit & Inspection Dept. (Feb. - Jun. 2022) Recommendations to audited departments and continuous follow-ups of improvement activities through daily monitoring (Sep. 2022 onwards)
3. Initiatives toward improvement of corporate culture				
(1) Guarantee of objectivity in human assets promotion	Under examination	Under examination	Completed	<ul style="list-style-type: none"> Formulation of guidelines for promotion to key Group positions (Aug. 2023) Personnel promotion meetings based on guidelines held as required
(2) Integrated review of personnel system and operation system	Under examination	Under examination	Completed	<ul style="list-style-type: none"> Integrated review of personnel system and operation system (Mar. 2024) System reformed to promote participation of specialized human assets Operation of convincing evaluation systems, etc.
(3) Introduction of evaluation systems from diverse perspectives	Under examination	Completed	Ongoing	<ul style="list-style-type: none"> 360-degree evaluation and feedback for general managers (Feb. 2022 onwards) Expansion of scope of evaluation (Dec. 2023 onwards)
(4) Development of an environment where diversity can be secured and utilized	Under examination	Completed	Ongoing	<ul style="list-style-type: none"> Implementation of measures related to women's active participation Female Corporate Sales Job Trials (Mar. 2022 onwards) Proactive promotion of women to managerial positions, etc. (Apr. 2022 onwards) Reinforcement of experienced personnel hiring and start of operation of an alumni network
(5) Implementation of measures that lead to awareness reform and organizational culture reform	Under examination	Under examination	Completed	<ul style="list-style-type: none"> Meetings with the President and CEO and bank Presidents and lectures from middle- and back-office headquarters departments (internal control, CS, etc.) when appointing Group General Managers
(6) Implementation of regular employee awareness surveys	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Regular implementation of employee awareness surveys (My Check) (Dec. 2021 onwards)
(7) Promotion of "dialogue" within the Group	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Introduction of direct channel to the President and CEO (My Voice) and continued response to feedback (Oct. 2021 onwards) Continued one-on-one meetings at each workplace (Dec. 2021 onwards)
(8) Announcement of response to whistleblowing system and specific examples	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Change of external contact point from corporate lawyer to external lawyer (Apr. 2022) Continued implementation of internal surveys for system improvements (Jul. 2022 onwards) Addition of female lawyer to external contact points (Oct. 2023)
(9) Establishment of whistleblowing contact points, including external lawyers	Completed	Ongoing	Ongoing	
4. Initiatives toward regional revitalization				
(1) Utilization of regional revitalization business companies	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> New establishment of investment subsidiary and consolidation of regional revitalization business company (Apr. 2022)
(2) New establishment of new internal business proposal system	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> New establishment and annual operation of internal entrepreneur program "YMFG Growth"
(3) Resolution of business succession issues through use of funds	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Establishment of "Regional Future co-creation Search Fund" (Feb. 2022)
(4) Initiatives to resolve social issues through use of the SIB scheme	Completed	Ongoing	Ongoing	<ul style="list-style-type: none"> Establishment of study group and continued proposals to and discussions with local governments

List of Directors (As of June 27, 2024)

Keisuke Mukunashi

President, Representative Director and CEO



Years of service as a Director: 4 years

April 1995 Joined The Yamaguchi Bank, Ltd.
 January 2012 General Manager, Akasakamon Branch of The Kitakyushu Bank, Ltd.
 September 2013 General Manager, Ogori Branch of The Yamaguchi Bank, Ltd.
 January 2016 General Manager, Customers' Business Potentials Evaluation Department of the said bank
 June 2017 Representative Director of YMFG ZONE PLANNING CO., LTD.
 June 2019 Executive Officer of the Company
 July 2019 Representative Director of YM Career Inc.
 June 2020 President, Representative Director, and Group COO of the Company
 June 2021 President, Representative Director and CEO of the Company (present position)
 March 2022 Outside Director, Audit and Supervisory Committee Member of Chofu Seisakusho Co., Ltd. (present position)

Narumasa Soga

Director



Years of service as a Director: 2 years 6 months

April 1987 Joined The Yamaguchi Bank, Ltd.
 April 2006 General Manager, Hatsukaichi Branch of the said bank
 May 2008 General Manager, Kobe Branch of the said bank
 April 2010 General Manager, Business Strategy Planning Department of the Company
 April 2014 General Manager, Tokyo Branch of The Yamaguchi Bank, Ltd.
 June 2015 Director and General Manager, Tokyo Branch of the said bank
 June 2017 Director and General Manager, Ube Branch of the said bank
 June 2019 Managing Executive Officer, General Manager, Corporate Banking Business Group, and General Manager, Regional Business Development Group of the Company
 June 2019 Senior Managing Director of Momiji Bank, Ltd.
 November 2019 Executive Officer and General Manager, Corporate Banking Business Group of the Company
 June 2020 President and Representative Director of YM CONSULTING CORPORATION
 June 2021 Senior Managing Executive Officer and General Manager, Financial Unit of the Company
 December 2021 Director, Senior Managing Executive Officer, and General Manager, Financial Unit of the Company
 April 2022 Director of the Company (present position)
 April 2022 Senior Executive Officer of The Yamaguchi Bank, Ltd.
 June 2022 President and Director of the said bank (present position)

Tomoko Mikami

Director



Years of service as a Director: 3 years

April 1997 Joined FUJI KEIZAI CO., LTD.
 August 2001 Joined Dell Co., Ltd.
 July 2005 Joined Microsoft Japan Co., Ltd.
 March 2007 Joined Microsoft Corporation of U.S.
 September 2009 General Manager, Corporate Planning Department of Microsoft Japan Co., Ltd.
 August 2012 Regional Account Director of the said company
 September 2014 Windows & Device Business Group Lead of the said company
 January 2016 Senior Director, Windows & Device Business Group Lead of the said company (subsequently, Microsoft365 Business Group Lead, due to Group reorganization)
 September 2019 Senior Director, Corporate Cloud Sales Management Group Lead of the said company
 February 2020 Executive Officer, Corporate Cloud Sales Management Group Lead of the said company
 May 2020 Executive Officer, Corporate Solution Business Group Lead of the said company
 June 2021 Outside Director of the Company (present position)
 January 2022 Managing Executive Officer, Corporate Solutions Business Group Lead, and Digital Sales Business Group Lead of Microsoft Japan Co., Ltd.
 January 2024 Managing Executive Officer, Enterprise Service Business Lead of the said company (present position)

Takehiko Ogi

Director



Years of service as a Director: 1 year

April 1984 Joined the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry)
 June 1999 Director of Culture Convenience Club Co., Ltd.
 June 2002 Representative Director and Managing Director of the said company
 July 2004 Managing Director of Industrial Revitalization Corporation of Japan
 November 2004 President and Representative Executive Officer (seconded) of Kanebo Ltd.
 April 2007 President and Representative Director of Maruzen Co., Ltd. (currently Maruzen CHI Holdings Co., Ltd.)
 June 2013 Outside Director of Seibu Holdings
 June 2015 Outside Director of Misumi Group Inc.
 August 2015 President and Representative Director of Japan Human Resource Network
 March 2016 Graduated from the doctoral program in Economics, Graduate School of Economics, University of Tokyo (PhD in Economics)
 April 2016 Senior Advisor of Financial Services Agency
 August 2018 Director of Ministry of Economy, Trade and Industry
 October 2020 Professor, Department of Industrial Management, Faculty of Economics, Kyushu University (present position)
 December 2020 Outside Director of Japan Platform of Industrial Transformation, Inc. (present position)
 June 2023 Outside Director of the Company (present position)
 June 2023 Outside Director of ICMG Co., Ltd. (present position)

Hirofumi Hiranaka

Director



Years of service as a Director: —

April 1991 Joined The Yamaguchi Bank, Ltd.
 July 2010 General Manager, Chofu East Branch of the said bank
 November 2011 General Manager, Shingu Branch of The Kitakyushu Bank, Ltd.
 July 2013 General Manager, Kurume Branch of the said bank
 September 2014 General Manager, Customer Communication Department of The Yamaguchi Bank, Ltd.
 January 2016 General Manager, Corporate Administration Department of the Company
 January 2017 General Manager, Business Strategy Planning Department of the Company
 May 2017 General Manager, Corporate Business Strategy Planning Department of the Company
 June 2017 Executive Officer and General Manager, Corporate Banking Business Group of the Company
 June 2018 Executive Officer and General Manager, Retail Banking Business Group of the Company
 January 2019 General Manager, Ogori Branch of The Yamaguchi Bank, Ltd.
 June 2020 Executive Officer and General Manager, Fukuoka Branch of The Kitakyushu Bank, Ltd.
 August 2021 Executive Officer of the Company
 October 2021 Executive Officer and General Manager, Corporate Planning Administration Group and Human Resource & General Affairs Administration Group of the Company
 April 2022 Managing Executive Officer and General Manager, Financial Business Group of the Company
 June 2023 Director and Senior Managing Executive Officer of Momiji Bank, Ltd.
 April 2024 Director and President of the said bank (present position)
 June 2024 Director of the Company (present position)

Mitsuru Kato

Director



Years of service as a Director: 2 years

April 1984 Joined The Yamaguchi Bank, Ltd.
 October 2008 General Manager, Moji Branch of the said bank
 July 2011 Deputy General Manager, Corporate Planning Department of the said bank
 October 2011 General Manager, Corporate Administration Department of The Kitakyushu Bank, Ltd.
 October 2011 Deputy General Manager, Corporate Administration Department of the Company
 June 2016 Director of the Company
 June 2018 Senior Managing Director of The Kitakyushu Bank, Ltd.
 June 2019 Managing Director of the Company
 June 2019 Director and President of The Kitakyushu Bank, Ltd. (present position)
 June 2020 Retired as the Managing Director of the Company
 June 2022 Appointed as Director of the Company (present position)
 May 2023 External Auditor & Supervisory Board Member of Izutsuya Co., Ltd. (present position)

Takeki Kaneko

Director



Years of service as a Director: —

April 1989 Joined The Yamaguchi Bank, Ltd.
 March 2013 General Manager, Imabari Branch of the said bank
 June 2015 General Manager, Shinshimonoseki Ekimae Branch of the said bank
 October 2016 General Manager, Regional Development Department of the said bank
 May 2017 General Manager, Risk Administration Department of the Company
 June 2018 General Manager, Compliance Administration Department of the Company
 April 2021 Executive Officer of the Company
 June 2021 Executive Officer and General Manager, Regional Co-Creation Unit of the Company
 April 2022 Executive Officer and General Manager, Compliance & Risk Administration Group of the Company
 June 2024 Director, Audit and Supervisory Committee Member of the Company (present position)

Yumiko Nagasawa

Director



Years of service as a Director: 4 years¹

April 1984 Joined The Nikko Securities Co., Ltd.
 July 1997 Vice President, Retail Investment Department of Citibank N.A. (Tokyo)
 June 2000 Vice President, SSB Citi Asset Management Co., Ltd.
 December 2004 Secretary General of Foster Forum (Forum for Fostering High-quality Financial Instruments)
 August 2008 Representative Director of Nagasawa Building Co., Ltd. (present position)
 January 2016 Deputy Director-General of Financial Services Agency (present position)
 June 2018 Facilitator of Foster Forum (Forum for Fostering High-quality Financial Instruments) (present position)
 June 2018 Representative Commissioner and Deputy Chairman of Nippon Association of Consumer Specialists
 June 2018 Director of Japan Industrial Association (present position)
 June 2018 Outside Director of The Yamaguchi Bank, Ltd.
 June 2020 Outside Director of the Company
 June 2021 Outside Director of Yakult Honsha Co., Ltd. (present position)
 June 2021 Outside Director, Audit and Supervisory Committee Member of GL Sciences Inc. (present position)
 June 2023 Outside Director, Audit and Supervisory Committee Member of the Company (present position)
 July 2023 Councilor of Meiji Yasuda Life Insurance Company (present position)

Minako Suematsu

Director



Years of service as a Director: 4 years

March 1993 Established Kaps, Co., Ltd. Representative Director
 March 2001 Established News2u Co., Ltd. (currently News2u Holdings Corporation) Representative Director (present position)
 January 2014 Director of TSUNEISHI HOLDINGS CORPORATION
 June 2017 Representative Director, Chairman of The Japan Times, Ltd.
 January 2020 President of JINSEKI KOGEN GAKUEN INSTITUTION (present position)
 March 2020 Representative Director, Chairman, and President of The Japan Times, Ltd. (present position)
 June 2020 Outside Director of the Company (present position)

Yuzuru Yamamoto

Director



Years of service as a Director: 3 years

April 1977 Joined Uber Industries, Ltd. (currently UBE Corporation)
 June 2003 Executive Officer of the said company
 June 2003 President and Representative Director of Ube Machinery Corporation, Ltd.
 April 2007 Managing Executive Officer of Ube Industries, Ltd.
 April 2010 Senior Managing Executive Officer of the said company
 June 2010 Director & Chairman of the Board of Ube Machinery Corporation, Ltd.
 April 2013 Assistant to President, and Group CCO of Ube Industries, Ltd.
 June 2013 Representative Director of the said company
 April 2015 President & Representative Director and Group CEO of the said company
 April 2019 Chairman of the Board of Directors & Representative Director of the said company
 June 2019 Chairman of the Board of Directors & Director of the said company (present position)
 June 2020 Outside Director of The Yamaguchi Bank, Ltd.
 June 2021 Outside Director of the Company (present position)

Kenko Shikichi

Director



Years of service as a Director: 1 year

April 1998 Registered with Osaka Bar Association, joined Kitahama Law Office
 April 2006 Transferred registration to Fukuoka Prefecture Bar Association
 January 2007 Partner, Attorney at Law of Kitahama Partners L.P.C. (present position)
 July 2012 Outside Auditor of Vega Corporation Co., Ltd.
 July 2015 Outside Director, Audit and Supervisory Committee Member of the said company (present position)
 July 2015 Outside Auditor of JTC Inc.
 May 2019 Outside Director, Audit and Supervisory Committee Member of the said company (present position)
 June 2023 Outside Director, Audit and Supervisory Committee Member of the Company (present position)

¹ Yumiko Nagasawa was appointed as a Director of the Company in June 2020 and has therefore served as a Director for four years. As she was appointed as a Director who is an Audit and Supervisory Committee Member in June 2023, she is considered a "New appointment."
² Kenko Shikichi was appointed as a Director of the Company in June 2023

Role and Skills of Directors

	Position Committee Appointment	Gender	Attendance at Board of Directors / Committee Meetings in FY2024 (Attendance/Number of Meetings)					Skill Matrix (Expected Priority Areas of Expertise)						
			Board of Directors (13 times) *1	Audit and Supervisory Committee (12 times)	Nomination Committee (3 times)	Compensation Committee (4 times)	Risk Committee (4 times) *2	Corporate Governance	Corporate Strategy	Business Strategy / Regional Revitalization	Market Investment	Human Assets Development	DX / Systems	Compliance / Risk Management
Internal Directors	Keisuke Mukunashi	President, Representative Director and CEO	13 out of 13	—	—	—	—	○	○	○				
	Narumasa Soga	Director	13 out of 13	—	—	—	—	○		○				
	Hirofumi Hiranaka	Director	New appointment	—	—	—	—	○			○			
	Mitsuru Kato	Director	13 out of 13	—	—	—	—	○		○		○		
	Takeki Kaneko	Director Audit and Supervisory Committee Member	New appointment	New appointment	—	—	—	○			○			○
								Corporate Governance	Sustainability	Regional Economy / Administration	Macroeconomics	Finance	DX	Corporate Legal Affairs
Outside Directors	Minako Suematsu	Independent Outside Director Chair of Compensation Committee	12 out of 13	—	3 out of 3	1 out of 1 *5	—	○		○			○	
	Yuzuru Yamamoto	Independent Outside Director Chair of Nomination Committee Compensation Committee Member	13 out of 13	—	3 out of 3	1 out of 1 *5	—	○	○	○				
	Tomoko Mikami	Independent Outside Director Nomination Committee Member Compensation Committee Member	10 out of 13	—	2 out of 2 *4	4 out of 4	—	○		○			○	
	Takehiko Ogi	Independent Outside Director Nomination Committee Member Compensation Committee Member	10 out of 10	—	2 out of 2 *4	1 out of 1 *5	—	○	○		○			
	Yumiko Nagasawa	Independent Outside Director Audit and Supervisory Committee Member	13 out of 13	10 out of 10 *3	—	—	3 out of 4	○	○			○		
	Kenko Shikichi	Independent Outside Director Audit and Supervisory Committee Member	10 out of 10	10 out of 10 *3	—	—	—	○						○

● Definition of Expected Priority Areas of Expertise

Categories for internal Directors have been selected based on priority measures for the YMFG Medium-Term Management Plan 2022, etc. And, categories for outside Directors have been selected with a focus on diverse knowledge, experience, and expertise.

Corporate Governance

- Establish a Group management structure with a system where the banks proactively engage in business execution by expanding the executive authority and responsibilities of the banks, and enable them to demonstrate front-line initiatives.

Corporate Strategy

- Strengthen the link between the Group's sustainable growth and increase in regional value by promoting sustainable management.
- Effectively utilize capital as a new growth driver, including by investing in areas that contribute to the expansion of areas of business and improve profitability for the Group.

Business Strategy / Regional Revitalization

- Strengthen support for corporate rehabilitation and business succession with equity, hands-on and corporate business succession support to assist the local economy in recovering and returning to growth following the COVID-19 pandemic and to improve sustainability.
- Clearly identify life events that require consulting, and provide sincere financial planning and asset management services to each customer leveraging on skills assimilated throughout the organization.
- Review the customer touchpoints and provide "easy" and "convenient" services.
- Achieve both higher quality solutions for customers and efficient branch operation through the slimming of sales branches by expanding centralized processing at the headquarters, making changes to the sales systems, etc.
- Deepen the understanding of customers by using data analysis, and improve the quality of feasibility studies and financial planning activities.
- Support business reform by building digital hubs available for use by regional corporations, etc.

Market Investment

- Rebuild the securities portfolio with appropriate risk-taking and risk management and convert to a stable profit structure.

DX / Systems

- Promote DX across the Group through the development of next-generation financial businesses using the latest technology, the formation of alliances with DX players, etc.

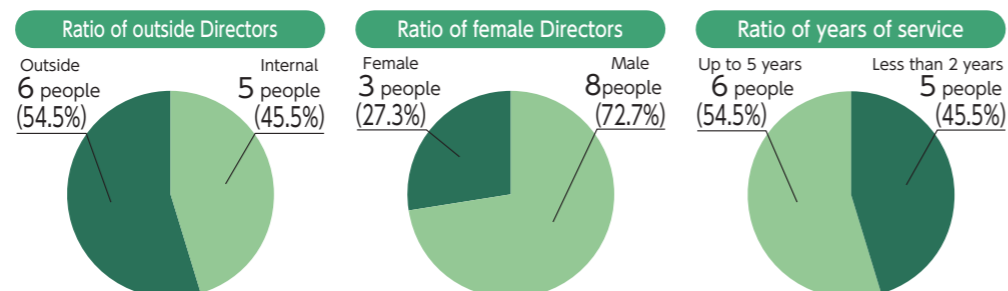
Human Assets Development

- Jointly create an environment and opportunities for each employee to thrive and grow with good job satisfaction, thereby transforming the organizational culture (behavior). The Group as a whole is to engage in the "maximization of value provided to our region and customers" and the "creation of new value."

Compliance / Risk Management

- Build a compliance system that covers risks of damage to the interests and expectations of customers and local communities. Strengthen the establishment and operation of the RAF management structure using stress tests and scenario analysis.
- Build a forward-looking credit risk management framework and strengthen the risk management framework of each group company.

Composition of the Board of Directors



*1 Figure in parentheses indicates the frequency of meetings

*2 In addition to Yumiko Nagasawa, the Risk Committee is composed of four members: two Yamaguchi Bank Directors and one outside expert.

*3 Yumiko Nagasawa and Kenko Shikichi have attended a total of 10 meetings

*4 Tomoko Mikami and Takehiko Ogi have attended a total of 2 meetings

*5 Minako Suematsu, Yuzuru Yamamoto, and Takehiko Ogi have attended a total of 1 meeting

Policy and process relating to the appointment of the Board of Directors

The Board of Directors of the Company ensures balance of the knowledge, experience and ability as required as the Board of Directors as a whole, and diversity in order to effectively fulfill its role and responsibilities, and maintains an appropriate number of members so that the functions of the Board of Directors may be demonstrated most effectively and efficiently in terms of promptness of decision making. Based on this basic concept, the Board of Directors nominates those who are familiar with the Company's businesses and have exceptional ability and an abundance of experience as candidates for internal Director, nominates those who have diverse knowledge and backgrounds as candidates for outside Director in order to ensure the independence and objectivity of the Board of Directors, and maintains a number of members of the Board of Directors within 13 members.

Reason for election of Directors

The reasons for the election of the directors elected at the General Meetings of Shareholders in June 2023 and June 2024 are as follows:

Name	Reason for election
Keisuke Mukunashi	He has supervised the overall management of the Group as President, Representative Director, and CEO of the Company, and possesses the knowledge and experience required to carry out the sound and appropriate operation of the Group, and the Company has judged that he can continue to appropriately execute the duties of Director of the Company.
Narumasa Soga	He has supervised the overall management of the Group and The Yamaguchi Bank, Ltd. as a Director of the Company and President and Director of The Yamaguchi Bank, Ltd., one of the three banks in the Group, and possesses the knowledge and experience required to carry out the sound and appropriate operation of the Group, and the Company has judged that he can continue to appropriately execute the duties of Director of the Company. In addition, the Company has determined that the focused monitoring of the business execution of the said bank by the Board of Directors of the Company, with the appointment of Mr. Soga thereto, would constitute an appropriate governance system for the Group.
Hirofumi Hiranaka	He has supervised the overall management of the Group and the Momiji Bank, Ltd., one of the three banks in the Group, as Director and President of the said bank, and possesses the knowledge and experience required to carry out the sound and appropriate operation of the Group, and the Company has judged that he can appropriately execute the duties of Director of the Company. In addition, the Company has determined that the focused monitoring of the business execution of the said bank by the Board of Directors of the Company, with the appointment of Mr. Hiranaka thereto, would constitute an appropriate governance system for the Group.
Mitsuru Kato	He has supervised the overall management of the Group and The Kitakyushu Bank, Ltd., one of the three banks in the Group, as Director and President of the said bank, and possesses the knowledge and experience required to carry out the sound and appropriate operation of the Group, and the Company has judged that he can continue to appropriately execute the duties of Director of the Company. In addition, the Company has determined that the focused monitoring of the business execution of the said bank by the Board of Directors of the Company, with the appointment of Mr. Kato thereto, would constitute an appropriate governance system for the Group.
Takeki Kaneko	He has experience serving as Executive Officer and General Manager of the Compliance & Risk Administration Group and other divisions of the Company and General Manager of Group bank branches. He possesses the knowledge and experience required to carry out the sound and appropriate operation of the Group, and the Company has determined that he can appropriately execute the duties of an Audit and Supervisory Committee Member.
Minako Suematsu	She has been conducting corporate management supervision of the Company from a fair and objective standpoint as an Outside Director. She has offered information on the present conditions of Japan and global trends on a daily basis as Representative Director, Chairman, and President of The Japan Times, Ltd. She also has advanced knowledge of online business development, evidenced by matters such as her establishment of an internet-related business, and is actively working to increase the brand value of her hometown, the Setouchi area. The Company expects that she will continue to strengthen the effectiveness of the decision-making functions and supervisory functions of the Board of Directors of the Company and also further strengthen the corporate governance of the Group by providing pertinent recommendations on the Company's current initiatives to increase the value of regional communities.
Yuzuru Yamamoto	He has been conducting corporate management supervision of the Company from a fair and objective standpoint as an Outside Director. Based on his advanced insight and wealth of experience as a corporate manager, having served as President & Representative Director of UBE Corporation and in other executive positions, the Company expects that he will strengthen the effectiveness of the decision-making functions and supervisory functions of the Board of Directors of the Company and also further strengthen corporate governance of the Group by providing pertinent recommendations toward overall management taking into account local economic conditions, etc.
Tomoko Mikami	She has been conducting corporate management supervision of the Company from a fair and objective standpoint as an Outside Director. She has been engaged in the promotion of digital transformation (DX) utilizing IT as Managing Executive Officer of Microsoft Japan Co., Ltd., particularly in the DX promotion of local enterprises. The Company expects that she will strengthen the effectiveness of the decision-making functions and supervisory functions of the Board of Directors of the Company and also further strengthen corporate governance of the Group by providing pertinent recommendations on the Company's current initiatives to provide DX support to client corporations as well as DX within the Company.
Takehiko Ogi	He has been conducting corporate management supervision of the Company from a fair and objective standpoint as an Outside Director. He has served as Representative Director of Kanebo Ltd., Maruzen CHI Holdings Co., Ltd., and Japan Human Resource Network following his retirement from the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry), and currently specializes in organizational theory and corporate governance as Professor in the Department of Industrial Management, Faculty of Economics, Kyushu University. The Company expects that Mr. Ogi will provide pertinent recommendations on management, including the maintenance and improvement of corporate governance, his strength, as well as support for the banks in the Group using his knowledge of corporate revitalization.
Yumiko Nagasawa	She possesses a wealth of experience regarding financial instruments such as establishing a citizen group "Foster Forum (Forum for Fostering High-quality Financial Instruments)" after serving at financial institutions. The Company expects that she will continue to strengthen the effectiveness of the decision-making functions and supervisory functions of the Board of Directors of the Company and also further strengthen corporate governance of the Group by providing pertinent recommendations toward overall management based on her professional insight as well as the perspective of a citizen.
Kenko Shikichi	He has conducted mainly community-based attorney activities in Fukuoka City as a partner of Kitahama Law Office and is registered as a certified tax accountant with the Kyushu-hokubu Certified Public Tax Accountants' Association. The Company expects that he will further strengthen the evaluation of the effectiveness of the decision-making functions and supervisory functions of the Board of Directors of the Company as well as the corporate governance of the Company by providing his pertinent recommendations based on his wealth of experience and professional knowledge as a legal expert.

Criteria for determining the independence of independent outside Directors

The Company designates as independent officers all outside officers who meet the qualifications for independent officers. The criteria for determining independence determined by the Company are as shown below.

<Criteria for determining independence>

In principle, outside Directors of the Company are persons who at present or in the recent past^{*1} have not fallen under any of the following requirements.

- (1) A person whose major business partner is the Company and its subsidiaries, or in the case of such a person being a corporation, etc., a person who executes business
- (2) A person who is a major business partner of the Company and its subsidiaries, or in the case of such a person being a corporation, etc., a person who executes business
- (3) A consultant, an accounting professional, or legal professional, etc., who receives a large sum^{*2} of money or other property from the Company and its subsidiaries other than compensation for officers (in the case of the person receiving such property is a body such as a corporation or organization, etc., a person affiliated with such a body)
- (4) A major shareholder of the Company, or in the case of such a person being a corporation, etc., a person who executes business
- (5) A close relative^{*4} of the following person (excluding those who are not important^{*3})

A. A person who falls under (1) to (4) above

B. A Director, an Audit and Supervisory Board Member, or an important employee, etc., of the Company and its subsidiaries

*1 Definition of "recent past" : refers to cases that may be regarded as being substantially identical to the present, for example, this includes such cases as when the candidate fell under the condition at the time the content was determined for the proposal for the General Meeting of Shareholders electing him or her as outside Director

*2 Definition of "large sum" : an amount of ¥10 million or more per year on average over the last three years

*3 Definition of "important" : an important person refers to the officer and general manager in the case of a person who executes business, and to certified public accountants and lawyers in the case of a person affiliated with an accounting firm or law firm

*4 Definition of "close relative" : a relative within the second degree of kinship

Support for outside Directors

The Secretariat, which is the administrative office of the Board of Directors, and the Audit and Supervisory Committee Office, which is the secretarial office of the Audit and Supervisory Committee, provide support as appropriate for the execution of duties of outside Directors (including the Audit and Supervisory Committee Members), and endeavor to activate and facilitate cooperation with the execution departments.

Early issuance of meeting schedules and materials

The annual schedule for the convocation of meetings of the Board of Directors and various meetings are shared one-and-a-half to two years ahead of schedule. In addition, materials on important agenda items for the Board of Directors meetings are shared approximately one week prior to the date of the Board of Directors meeting and advance briefing sessions are held.

Improved information provision and dialogue with executive members

Two advance briefing sessions are held for Outside Directors on agenda items to be discussed at the Board of Directors meetings, where the persons in charge of relevant departments explain each agenda item directly to Outside Directors, ensuring that they fully understand each agenda item before participating in the Board of Directors meetings.

The advance briefing sessions also provide an opportunity for direct dialogue between executive members and Outside Directors and play a role in smoothly executing management's succession plan. In addition, the Board of Directors meets at least once a year at the head office of each of the three Group banks, in an effort to gain a better understanding of the regional business environment.

Promoting understanding of the business and business environment

We regularly provide study sessions on topics such as financial business and the management environment of regional banks, which are necessary for Directors of the Company. In the fiscal year ended March 31, 2024, the Group deepened Directors' knowledge of industries related to the Group by holding briefings on each business group and Group companies at the Group Officer Retreat and advance briefing sessions, holding study sessions with external organizations, and having Outside Directors participate in study sessions for held by outside organizations.

Evaluation of the effectiveness of the Board of Directors

In order to further deepen and substantiate discussions at the Board of Directors, at the effectiveness evaluation meetings whose discussions are to be based on the survey for evaluation of the effectiveness of the Board of Directors and individual interviews conducted once a year, we clarify the matters that the Board of Directors should focus particularly on, and throughout the year, we implement a PDCA cycle to improve the effectiveness of the Board of Directors.

In the fiscal year ended March 31, 2024, to ensure objectivity in surveys and to solve current issues and utilize external expertise ahead of the formulation of our next Medium-Term Management Plan, a survey to evaluate the effectiveness of the Board of Directors was held by a third-party institution. Surveys and individual interviews in the fiscal year ended March 31, 2024 confirmed that the Board of Directors is generally effective. We believe this is a result of our continued efforts to improve Board of Director effectiveness.

In particular, it was confirmed that certain improvements had been made in the areas of existing issues, such as "expanded delegation to the

P FY2023 evaluation and identified issues		D FY2024 initiatives (Results)
Evaluation	Overall evaluation • The Board of Directors is generally effective	
	Provision of information to the Board of Directors and enhancement of opportunities for communication and knowledge acquisition • Confirmed certain improvements through implementation of various measures	
Priority themes	Expanded delegation to the management team	<ul style="list-style-type: none"> Starting FY2023, began regular transfer and delegation to execution departments based on status of agenda submissions In FY2024, two matters (11 items in total) were transferred and delegated
	Utilization of the knowledge of outside Directors	<ul style="list-style-type: none"> Reflect outside Director opinions from Board of Director meetings, Group Officer Retreats, outside Director meetings, various committee meetings (nomination, compensation, risk), etc. into various measures as necessary
	Enhancement of discussions on medium-term management strategies	<ul style="list-style-type: none"> For medium- to long-term management strategies, in addition to Board of Directors meetings, host Group Officer Retreats and set up non-official settings to facilitate opinions exchange between Directors and execution departments
	Approach to Group governance	<ul style="list-style-type: none"> Hold discussions related to the optimal way for Group companies to exist at Board of Director meetings and Group Officer Retreats
Evaluation method for Board of Director effectiveness in FY2024 (1) Conducted a comprehensive survey of all Directors via a third-party institution (2) Conducted individual interviews with outside Directors based on results of the survey (3) Based on results of the survey and individual interviews, the Board of Directors effectiveness evaluation meeting, which is comprised of all Directors, discussed evaluations for the fiscal year and set priority themes and initiatives linked to those themes for FY2025		<Main survey items> <ul style="list-style-type: none"> ● Composition and operation of Board of Directors, etc. ● Management strategy and business strategy ● Corporate philosophy and risk management ● Evaluation of and compensation for management ● Dialogue with shareholders, etc.

management team" and "utilization of the knowledge of outside Directors."

On the other hand, through effectiveness evaluation meetings, Directors shared the recognition that "enhancement of discussions on medium- to long-term management strategies," "approach to Group governance," "review of the officer compensation system," and "monitoring of management human assets development" are themes that require particular focus moving forward.

Going forward, we will maintain a Board of Directors system and operation that can maximize the supervisory function as a monitoring board towards realizing the Company's purpose and vision, and continue to examine the improvement status of the Company's governance through regular surveys, informal individual interviews, the effectiveness evaluation meetings and other activities, leading to the sustainable improvement of the effectiveness of the Board of Directors.

C FY2024 evaluation and identified issues		A FY2025 initiatives (Plan)
Evaluation	Overall evaluation • The Board of Directors is generally effective	
Priority themes	Clarify delegation process to management and continue to expand delegation in a timely and appropriate manner	<ul style="list-style-type: none"> Continue to address and exclude from scope of priority themes
	Revitalized discussions, including with outside Directors, at Board of Director meetings and in non-official settings Opinions have been reflected in specific measures by the execution department. Continue to enhance dialogue between Directors and execution departments	<ul style="list-style-type: none"> Continue to address and exclude from scope of priority themes
	Enhancement of discussions on medium-term management strategies • Issues remain in comprehensive, multifaceted discussions of strategy, as well as discussions of business portfolio and human asset strategy	<ul style="list-style-type: none"> Revitalize discussions on strategies and governance from a Group-wide perspective and formulate the next Medium-Term Management Plan that will contribute to realizing the Purpose
	Approach to Group governance • Issues remain with discussions on Group governance, including latent Group company risks, management efficiency, and issues in non-financial areas	<ul style="list-style-type: none"> Discuss approach to Group governance, which is important in formulating medium- to long-term strategies, with a view to restructuring Group companies Conduct well-balanced supervision according to level of importance
	Review of the officer compensation system • Issues remain in further clarification of financial evaluations and evaluations in non-financial areas	<ul style="list-style-type: none"> Utilizing the expertise of external institutions, hold discussions on approaches to target setting and evaluation in line with the Company business model and governance style, including the introduction of non-financial performance indicators (KPI)
Monitoring of management human assets development • Issues remain with the involvement and monitoring by the Board of Directors in development of management human assets and the implementation of successor plans by upper management, etc.	<ul style="list-style-type: none"> For management successor plans, enhance outside Director involvement in candidate pool formation process mainly for key positions while considering the necessary skillsets to achieve medium- to long-term management targets 	

Succession plan

The "Group Officer Personnel Guidelines" and the "Management Personnel Firm Operation Guidelines" prescribe the following in regard to

Development of candidates for the Group officers

Individual development plans are formulated by the human resource department for key management personnel candidates that are selected internally, and they are promoted to important positions (General Manager of a branch of a Group bank, General Manager of a division, etc.) at the appropriate time, based on the activity status and performance of each candidate.

A group of human assets holding important positions is designated as the pool of candidates for officer. The President and CEO selects candidates for the Group officers from human assets in the pool of candidates for officer based on each candidate's activity

status and performance, recommendation of the Group officer, etc., and then submits the list of candidates to the Nomination Committee. Promotion to important positions is determined and executed upon deliberation at internal meetings (personnel promotion meetings), comprising of internal Directors and the human resource department, and the system ensures the objectivity and validity of the promotion.

the Group's development process for candidates for the Group officers and the monitoring system for development status.

Monitoring system for development status

The activity status and performance of human assets who are candidates for key management personnel and who are in important positions are regularly monitored by the President and CEO, and the human resource department.

The Nomination Committee also considers the development status of candidates for the Group officer to be an important monitoring matter, and has adopted a system to monitor whether the development of candidates for the Group officer is conducted as planned through reporting from the President and CEO as appropriate about the development status to the Nomination Committee and the Board of Directors.

Initiatives for development of officer candidates

We conduct a Junior Board Program aimed at developing young human assets, external secondments to different industries, the human assets development project for next-generation management targeting those in the pool of candidates for officer, and dispatch to external training.

Moreover, we systematically implement personnel changes in line with our human assets development plans and promote personnel based on the management candidate recommendation process defined in our internal guidelines. Moving forward, we will continue working to improve the effectiveness of our officer candidate development within the Group.

Compensation, etc. for officers

We have established, by resolution of the Board of Directors, the determination policy for the content of compensation, etc. for individual Directors, as follows: This policy was determined following deliberations by the Compensation Committee.

● **Method for determining the determination policy for the content of compensation, etc. for individual Directors**
In order to create a compensation structure that functions sufficiently as an incentive to achieve sustainable improvement of corporate value, is linked to shareholder interests, and takes into account our Medium-Term Management Plan, we consulted the Compensation Committee on the determination policy for the content of compensation, etc. for individual Directors (hereinafter, the "determination policy") and, respecting the Committee's report, resolved on the determination policy at the Board of Directors meeting held on January 25, 2021. Since then, the Compensation Committee and the Board of Directors have continued to review the officer compensation system and policy as necessary to ensure their contribution to the improvement of corporate value.

■ Overview of the content of the determination policy

1. Basic policy

Compensation for Directors of the Company (excluding Directors who are Audit and Supervisory Committee Members; the same applies hereinafter) shall be based on a compensation structure linked to shareholder interests so as to function sufficiently as an incentive to achieve sustainable improvement of corporate value, and the basic policy for determining compensation for individual Directors shall be to ensure an appropriate level of compensation based on their respective responsibilities. Specifically, Director compensation shall comprise fixed-amount basic compensation, performance-linked compensation, and share-based compensation, and outside Directors in charge of supervisory functions shall be paid only basic compensation in consideration of their duties.

Director compensation structure

Basic compensation (fixed-amount compensation)	Performance-linked compensation	Share-based compensation
--	---------------------------------	--------------------------

2. Policy for determining the amount of individual basic compensation

The Company's basic compensation shall be a fixed monthly amount compensation and shall be determined based on a comprehensive consideration of each Director's position, role and responsibilities, etc., taking into account the compensation levels at other companies, the Company's performance, and employee salary levels, within the compensation limit for Directors resolved at the General Meeting of Shareholders, and shall be reviewed as appropriate in response to changes in the environment.

3. Policy for determining the content and calculation method for the amount of performance-linked compensation

Performance-linked compensation is cash compensation that reflects key performance indicators (KPIs) to heighten awareness of the need to improve business performance each fiscal year. Performance-linked compensation is calculated according to the degree of achievement of the Medium-Term Management Plan formulated by the Company, as well as each individual's position and evaluation, and is paid at a specific time each year, within the performance-linked compensation limit for Directors (excluding Directors who are Audit and Supervisory Committee Members, part-time Directors, and outside Directors) as resolved at the General Meeting of Shareholders.

The total amount of performance-linked compensation is determined in consideration of the level of business performance, and shall be reviewed as appropriate in response to changes in the environment.

4. Policy for determining the content and calculation method for the number of share-based compensation

Share-based compensation shall be provided by the Board Benefit Trust (BBT), up to the total number of points (one point equals one share of the Yamaguchi Financial Group, Inc.) granted per fiscal year to Directors (excluding Directors who are Audit and Supervisory Committee Members, part-time Directors, and outside Directors) by resolution of the General Meeting of Shareholders. Points shall be granted based on the degree of achievement of the Medium-Term Management Plan formulated by the Company, and the number of shares calculated based on the points or an amount calculated by multiplying the fair market value of one share on the day of retirement shall be paid at the time of retirement. The points to be granted for share-based compensation are determined in consideration of performance levels, and shall be reviewed as appropriate in response to changes in the environment.

5. Policy for determining the ratio of the amounts of basic, performance-linked, and share-based compensations to the amount of compensation for each individual Director

With regard to the ratio of compensation by type for each Director, in light of the importance of addressing management from a medium- to long-term perspective, the basic principle shall be to prioritize the level and stability of basic compensation, while ensuring an appropriate ratio to maintain a balance of performance-linked compensation and share-based compensation, which serve as incentives for the sustainable improvement of corporate value.

6. Compensation determination process

The policy for determining the amount and calculation method for Director compensation shall be determined by the Board of Directors following deliberation by the Compensation Committee, which is chaired by an outside Director, within the compensation limits resolved at the General Meeting of Shareholders. The amount of performance-linked compensation for individual Directors is determined by a resolution of the Board of Directors, and the Board of Directors consults and obtains a report from the Compensation Committee on the compensation limit and allocation amount. Basic compensation is determined for each Director by the Board of Directors based on the report from the Compensation Committee. In addition, in regard to the share-based compensation, the number of points to be granted to each Director is calculated based on the Officer Share Delivery Rules that have been prescribed by the Board of Directors based on the report from the Compensation Committee.

The following limit for Director compensation has been resolved by the General Meeting of Shareholders.

- (1) Directors (excluding Audit and Supervisory Committee Members)
 - Basic compensation (fixed-amount compensation): up to ¥25 million per month
 - Performance-linked compensation: up to a total of ¥70 million per year
 - Share-based compensation: total number of points per fiscal year limited to 80,000 points
- (2) Directors, Audit and Supervisory Committee Members
 - Basic compensation (fixed-amount compensation): up to ¥5 million per month

■ Total amount, etc. of compensation, etc. for Directors for the fiscal year ended March 31, 2024

(Unit: Millions of yen)

Classification	No. of Directors to be paid	Compensation, etc.	Total amount by type of compensation, etc.		
			Basic compensation	Performance-linked compensation etc.	Non-monetary compensation, etc.
Directors (excluding Audit and Supervisory Committee Members)	6	91	60	18	12
Directors (Audit and Supervisory Committee Members)	5	42	42	—	—

(Notes)

1. The above includes two Directors (Audit and Supervisory Committee Members) who retired at the conclusion of the Annual General Meeting of Shareholders held on June 28, 2023.
2. Performance-linked compensation is cash compensation that reflects key performance indicators (KPIs) to heighten awareness of the need to improve business performance each fiscal year. Performance-linked compensation is calculated according to the degree of achievement of the Medium-Term Management Plan formulated by the Company and is paid at a specific time each year, within the performance-linked compensation limit for Directors (excluding Directors who are Audit and Supervisory Committee Members, part-time Directors, and outside Directors). The KPI used is net income attributable to owners of the parent, which currently stands at ¥25,216 million.
3. Compensation for Directors (excluding Audit and Supervisory Committee Members) comprises basic compensation (fixed-amount compensation), performance-linked bonuses, and non-monetary compensation (Board Benefit Trust: BBT), etc.
 - (1) The upper limit for fixed-amount compensation for Directors (excluding Audit and Supervisory Committee Members) is ¥25 million per month. (There were six Directors (excluding Audit and Supervisory Committee Members; including one outside Director) as of the conclusion of the Annual General Meeting of Shareholders held on June 26, 2015)
 - (2) The upper limit for performance-linked bonuses for Directors (excluding Audit and Supervisory Committee Members) is set at a total of ¥70 million per year. (There were seven Directors (excluding Audit and Supervisory Committee Members; including one outside Director) as of the conclusion of the Annual General Meeting of Shareholders held on June 27, 2017)
 - (3) The total number of points per fiscal year to be granted to Directors (excluding Audit and Supervisory Committee Members) through the BBT scheme has been set at up to 80,000 points (one point equals one share of the Yamaguchi Financial Group, Inc.). (There were seven Directors (excluding Audit and Supervisory Committee Members; including one outside Director) as of the conclusion of the Annual General Meeting of Shareholders held on June 27, 2017)
 - (4) The upper compensation limit for Directors who are Audit and Supervisory Committee Members is ¥5 million per month. (There were three Directors who are Audit and Supervisory Committee Members (including two outside Directors) as of the conclusion of the Annual General Meeting of Shareholders held on June 26, 2015)
5. The specific content of performance-linked compensation in each fiscal year is resolved by the Board of Directors following consultation and reports by the Compensation Committee. The Board of Directors resolves the amount of basic compensation for individual Directors following a report from the Compensation Committee. For share-based compensation (BBT), the number of points to be granted to individual Directors is calculated based on the Officer Share Delivery Rules that have been prescribed by the Board of Directors based on a report from the Compensation Committee.

Cross-shareholdings

■ Policy related to cross-shareholdings

In regard to cross-shareholdings*, we will not take out new holdings unless there is a reasonable reason for such holding. Decisions are made from the perspective of the appropriateness of the holding purpose and whether the benefits and risks associated with the holding are commensurate with our capital cost.

We regularly verify the rationality of existing shareholdings from the perspective of the appropriateness of the holding purpose and whether the benefits and risks associated with the holding are commensurate with our capital cost, and cross-shareholdings will be reduced if no rational reason is identified.

If a company (cross-shareholder) who holds the Company's shares as cross-shareholdings express a desire to sell these shares, we will not take any action to hinder the sale, such as by suggesting a reduction in transactions.

Moreover, we will not engage in any transactions that are harmful to the interests of companies or shareholders, such as by continuing with transactions with cross-shareholders without properly verifying their economic rationality.

*Shares held by the Company and the Group that are not for pure investment (includes deemed held shares; excludes shares of subsidiaries and associates). Depending on the purpose of holding, shares are classified into "policy investment purposes," "business/strategic alliances, etc.," and "business revitalization support purposes," with the majority being held for "policy investment purposes" to maintain and strengthen business relationships.

■ Verification process for listed shares

We verify the rationality of holding based on the purpose of transactions, profitability of overall transactions, etc. with each individual company.

Specifically, we have set a RORA hurdle rate for overall transactions in consideration of our equity ratio and capital cost, which must be maintained for regulatory purposes. Following examinations by the Meeting for the Reduction of Cross-Shareholdings, comprising the President and CEO and Presidents of Group banks, the Board of Directors determines the appropriateness of holdings and response policies for each individual company (where to continue holdings, where to negotiate profitability improvements, and where to negotiate a reduction in holdings) based on quantitative judgments such as whether the RORA for overall transactions of the policy investee exceeds the hurdle rate, as well as the status of transactions. If an agreement is met in negotiations to reduce shareholdings, in principle, holdings are reduced during the fiscal year in which the verification process was conducted while considering impacts on the market and other factors that should be taken into account.

■ Status of cross-shareholdings in the fiscal year ended March 31, 2024

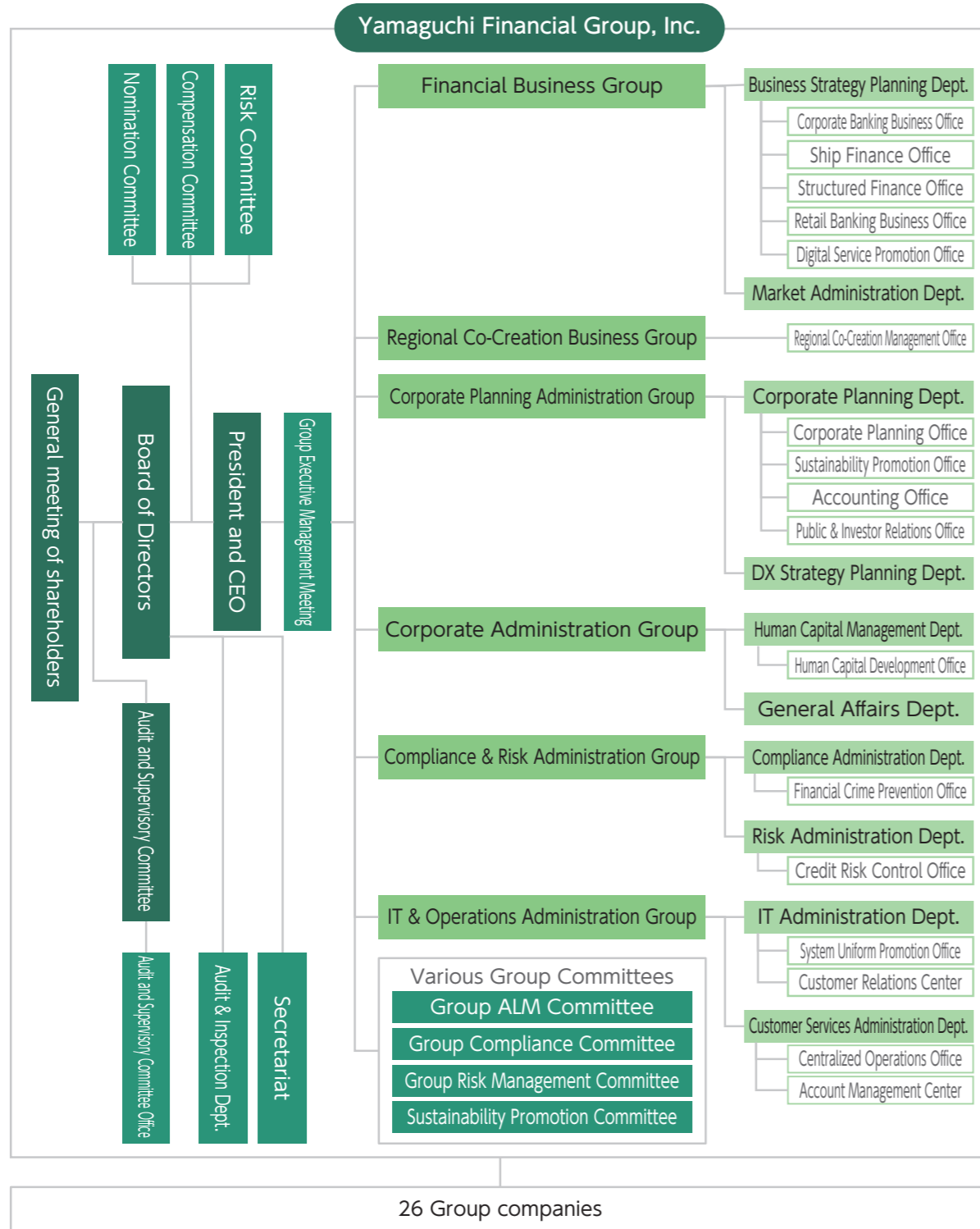
In the fiscal year ended March 31, 2024, cross-shareholdings were reduced by around ¥4.7 billion on a book value basis. However, on a market value basis, cross-shareholdings increased by ¥10.5 billion compared to the end of the previous fiscal year mainly due to a rise in profit accrued from revised valuation caused by an increase in stock price. (FG consolidated; includes non-listed shares)

Moving forward, we will continue with the reduction of cross-shareholdings to improve our capital efficiency.

Trends in cross-shareholding (billions of yen)

	End of FY2022	End of FY2023	End of FY2024		
				(Year-on-year)	
Balance of cross-shareholdings (Book value)	71.0	59.7	55.0	(-)	(47)
	(Fair value)	117.9	106.6	117.1	(+)
Ratio to consolidated net assets (Fair value)	18.5%	17.35%	17.86%	(+)	(0.51%)
Number of cross-shareholdings	330	299	284	(-)	(15)

Organizational chart of Yamaguchi Financial Group, Inc.



Executive Officers

Senior Managing Executive Officer and General Manager of the Audit & Inspection Dept. Managing Executive Officer and General Manager of the Financial Business Group Executive Officer, General Manager of the Corporate Administration Group and General Manager of the IT & Operations Administration Group	Shuji Tanabe Hideyuki Fujimura Kenichiro Okuda	Executive Officer and General Manager of the Compliance & Risk Administration Group Executive Officer and General Manager of the Regional Co-Creation Business Group Executive Officer and General Manager of the Corporate Planning Administration Group	Hajime Nishino Naoki Murata Tatsuya Furudo
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List of Bank Officers

The Yamaguchi Bank, Ltd.

Narumasa Soga Director and President Representative Director		Ichinari Koda Chairman and Director		Yasuhiro Watanabe Director and Managing Executive Officer	
Takeo Katayama Director and Executive Officer		Hideyuki Taga Director, Audit and Supervisory Committee Member (Full-time)		Munefusa Saito Director, Audit and Supervisory Committee Member (Part-time)	
Tadashi Onishi Director, Audit and Supervisory Committee Member (Part-time)		Kuniko Usagawa Director, Audit and Supervisory Committee Member (Part-time)		<small>Senior Managing Executive Officer and General Manager of Yamaguchi Branch Managing Executive Officer and General Manager of Tokyo Branch Executive Officer and General Manager of Iwakuni Branch Executive Officer and General Manager of Head Office Sales Department Executive Officer and General Manager of Ube Branch Executive Officer and General Manager of Hiroshima Branch</small>	<small>Masahiro Koike Noritsugu Hanaeki Yoji Nakashima Makoto Murakami Rie Omoto Katsuhiko Sogi</small>

Momiji Bank, Ltd.

Hirofumi Hiranaka Director and President Representative Director		Koji Oda Chairman and Director		Koji Kanayama Director and Managing Executive Officer	
Yuko Ogawa Director and Executive Officer		Shigeo Takao Director and Executive Officer		Satoshi Inoue Director, Audit and Supervisory Committee Member (Full-time)	
Yoji Ohshimo Director, Audit and Supervisory Committee Member (Part-time)		Shinichiro Nagai Director, Audit and Supervisory Committee Member (Part-time)		<small>Executive Officer and General Manager of Kure Sales Department Executive Officer and General Manager of Kaite Branch Executive Officer and General Manager of Fukuyama Branch</small>	<small>Shogo Katsusaka Hisao Tsubouchi Yoshiaki Sugita</small>

The Kitakyushu Bank, Ltd.

Mitsuru Kato Director and President Representative Director		Hiroyuki Nakano Director and Senior Managing Executive Officer		Michinari Kawanaka Director and Executive Officer	
Akihisa Uchida Director, Audit and Supervisory Committee Member (Full-time)		Hayato Morita Director, Audit and Supervisory Committee Member (Part-time)		Noriaki Ayukawa Director, Audit and Supervisory Committee Member (Part-time)	

Senior Managing Executive Officer and General Manager of Head Office Sales Department
Executive Officer and General Manager of Yahata Branch **Hiroaki Kahta**
Masahiko Nagamo

Risk Management

Basic concepts of risk management

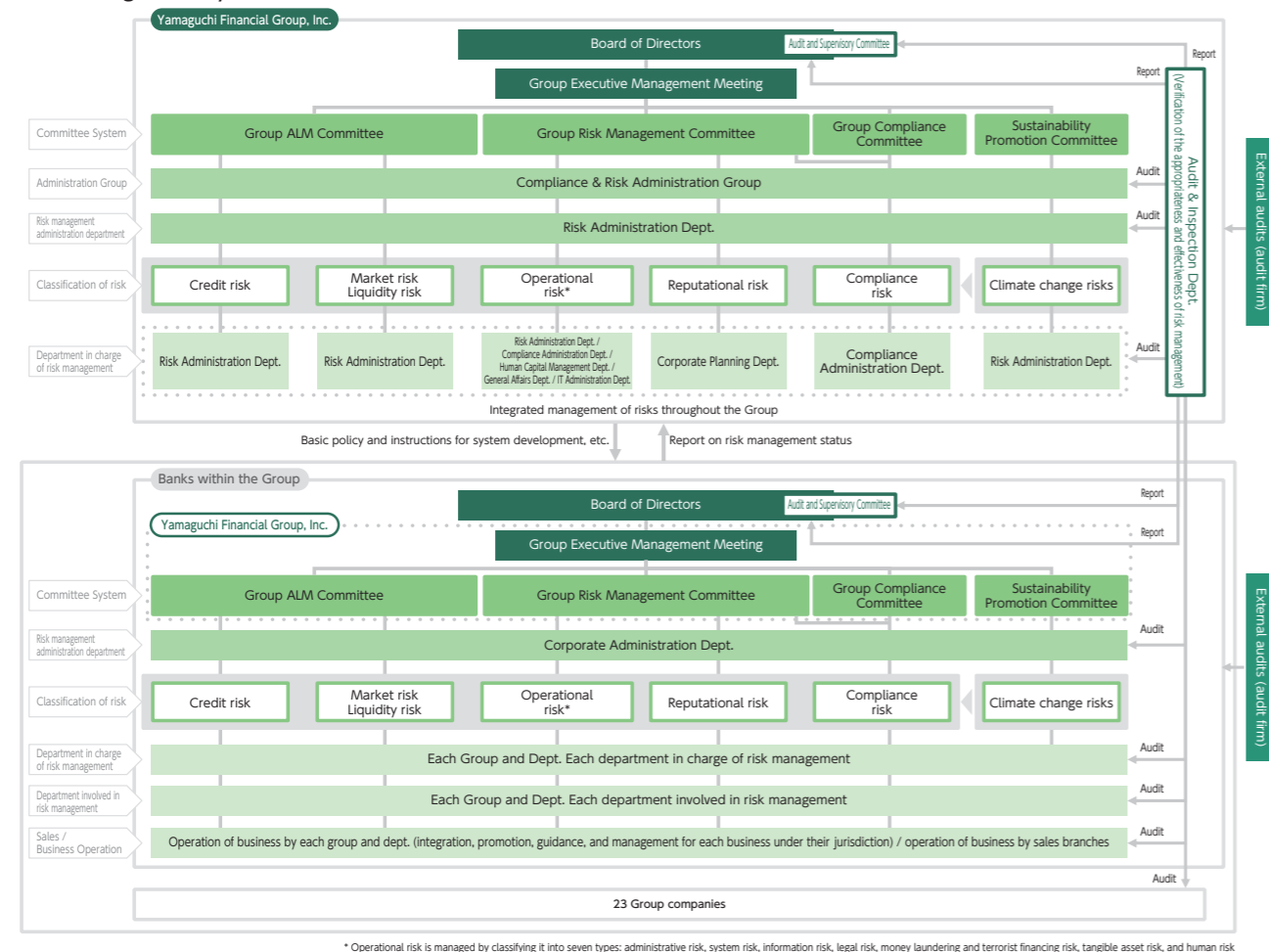
- The Group has formulated the Risk Management Regulations and outlined the following basic policy on risk management.
1. We will maintain an appropriate approach to risk control by, in addition to thoroughly recognizing the importance of risk management, ensuring business management that is based on appropriate operational processes in line with our management policies and strategic targets.
 2. In terms of risk control, we will continuously engage in initiatives to improve and enhance profitability while making effective use of our limited management resources and maintaining sufficient equity capital in both quality and quantity in light of the overall level of risk.
 3. For risks recognized as sources of income, we will aim to secure a level of income commensurate with the risks, and for other risks, we will properly evaluate the circumstances, etc. and take appropriate action to address the risks.
 4. Even in the event of a crisis that cannot be dealt with through normal risk management alone, we will continue to take action, such as determining which operations to prioritize and securing management resources, to ensure business continuity.

Risk management system

The Group has established the "Risk Management Rules" which define the management systems, etc., for each type of risk. Specifically, we have defined the departments in charge of managing each type of risk and established the Risk Administration Dept. to manage each type of risk in an integrated manner. Discussions on risk response measures, etc. are held at management-level meeting bodies, which are the "Group ALM Committee," the "Group Risk Management Committee," the "Group Compliance Committee," the "Sustainability Promotion Committee," and the "Group Executive Management Meeting."

Additionally, the Audit & Inspection Dept., which is independent of the operation departments, conducts internal audits and promotes improvements to verify the appropriateness and effectiveness of risk management.

Risk management system



Risk management at the Group

We quantify each type of risk based on unified scales of measurement such as VAR (Value at Risk: maximum potential losses expected during certain holding periods and within specific probability levels) to calculate total risk amounts, and we have positioned risk capital allocation, which keeps risk within the scope of our equity capital, at the core of our integrated risk management framework. In our risk capital management, we allocate risk capital within the limits of our core equity capital to ensure the soundness of management if risks arise within the Group's departments in the execution of our business plans. In addition to allocating capital to each risk category—credit risk, market risk, operational risk—and associated transactions, we have secured a capital buffer in preparation for risks that are difficult to quantify.

Integrated risk management

Our integrated risk management covers risks that can be quantitatively assessed: credit risk, market risk, and operational risk. Risks subject to integrated risk management are measured using a unified methodology, and capital (risk capital) according to the amount of risk is allocated to each risk category and each business department within the limits of equity capital. In addition, by ensuring appropriate management so that the amount of risk does not exceed risk capital, the overall amount of risk is always controlled within the range that can be covered by management strength (equity capital), thereby ensuring the stability and soundness of management.

By engaging in return (risk-adjusted return) management through performance evaluations of business departments, etc., we will make effective use of our limited capital and aim for the improvement of management efficiency and profitability.

Risk definition and management methodology

Major risks	Definition	Management methodology and countermeasures
Credit risk	The risk of incurring losses due to a decline or loss in the value of assets held (including off-balance sheet assets) as a result of a deterioration in the financial conditions, etc. of customers granted credit.	<ul style="list-style-type: none"> ● Improve accuracy of creditworthiness evaluations through appropriate operation of the credit rating system (Endeavor to ascertain actual status of business partners and conduct accurate credit risk evaluations, and review ratings in a timely and appropriate manner as business partners reach fiscal year-end, their credit status change, etc.) ● For individual management, introduce a screening system corresponding to the size and characteristics of each Group bank, and provide meticulous support and optimal solutions that take into account the business characteristics, etc. of each customer. ● For major borrowers, endeavor to control credit concentration through continuous monitoring ● For companies with management issues, the "Customers' Business Potentials Evaluation Dept." and the "Customers' Management Support Dept." established in the Group banks take the lead in examining management improvement measures and supporting the preparation and execution of reconstruction plans, and endeavor to engage in initiatives to improve ratings and prevent downgrades ● In terms of portfolio management, endeavor to sophisticate risk management by analyzing risk conditions by rating, industry, region, etc. based on credit risk quantification.
Market risk	The risk of incurring losses due to the fluctuating values of owned assets, liabilities, and off-balance transactions resulting from fluctuations in various market risk factors including interest rates, the price of securities, and exchange rates	<ul style="list-style-type: none"> ● Construct a management process for market risk to identify inherent market risk and conduct quantitative measurements ● To control market risk to tolerable levels, take appropriate measures according to the situation, such as introducing the Asset and Liability Management (ALM) system and holding regular meetings of the Group ALM Committee ● For market risk, conduct regular evaluations and verify appropriateness, etc., of risk controls.
Liquidity risk	The risk, etc., of incurring losses due to fund management problems or being forced to raise funds at a significantly higher interest rate than usual as a result of difficulties in securing necessary funds due to deterioration, etc. in a bank's financial condition.	<ul style="list-style-type: none"> ● As the majority of funds are raised through deposits, conduct fund management based on precise forecasts with a stable funding base, and manage funds through fund controls mainly in the financial markets ● In fund management, secure stability by suppressing liquidity risk, and prepare highly liquid assets in preparation for unpredictable events, etc.
Operational risk	The risk that the Group may suffer losses due to problematic events occurring in business operations, such as internal fraud, external fraud, inappropriate responses in the working environment (acts that violate laws and regulations, etc.), inappropriate responses in transactions with customers (violations of obligations, problems in product design, etc.), natural disasters, accidents, system failures, relationships with business partners, inappropriate transaction processing, and inadequate process management, etc.	<ul style="list-style-type: none"> ● Managed by classifying into seven types: (1) administrative risk, (2) system risk, (3) information risk, (4) legal risk, (5) money laundering and terrorist financing risk, (6) tangible asset risk, and (7) human risk (See notes on P. 91 for details on the seven classifications) ● Establish the "Operational Risk Management Standards" to appropriately manage operational risks ● The department in charge of overseeing operational risk management centrally ascertains and manages operational risks, and each department in charge of risk management manages each risk from a technical standpoint ● Toward preventing the occurrence of risks and minimizing their impact when they do, implement CSA (risk and control self-assessment) to independently improve risk management and endeavor to establish a PDCA cycle to improve the effectiveness of risk management ● As a means for identifying risks and developing countermeasures, establish a reporting system for operational risk information, collect information and report it to the management level, and work to sophisticate risk management, such as by controlling, transferring and avoiding risks through the formulation of recurrence-preventative measures based on factor analysis

Major risks	Definition	Management methodology and countermeasures
Compliance risk	Compliance risk is the risk of the Group's reputation being damaged and corporate value being impaired due to actions that go against laws, regulations, various internal rules, as well as corporate ethics and management philosophies	<ul style="list-style-type: none"> Share a common understanding that it is an extremely important responsibility as a financial group to fulfill the public mission and corporate social responsibilities, and accord thorough compliance as the topmost management priority. To maintain and improve the compliance system, strengthen ongoing initiatives and response, thoroughly prevent illegal activities, integrally manage management plans, etc. and compliance, and implement measures based on risk, formulate the compliance program as a concrete action plan every fiscal year and put it into practice
Reputational risk	Reputational risk is the risk of incurring losses due to the occurrence of rumors about the Group's management in the market, etc.	<ul style="list-style-type: none"> Construct a system for early detection of reputational information, and endeavor to minimize risk by formulating preventative measures against the occurrence of reputational information, including information disclosure, and crisis response measures in case of risk occurrence
Climate change risks	The risk of incurring losses from risks caused by changes in regulations, technologies, market environments, etc. (transition risks) in line with the transition to a decarbonized society, and from risks caused by the increasing severity of natural disasters, changes in climate and rainfall volumes, sea level rises, etc. (physical risks)	<ul style="list-style-type: none"> For climate change risks, due to their characteristics as risk drivers that spread and drive risk and loss throughout each risk category, aim to reduce any risk by implementing countermeasures in line with the impact of climate change risks in each risk category As climate change risks come with a high level of future uncertainty, aim to reduce risk by using scenario analysis to predict and understand future impacts and implementing long-term countermeasures, including strategies.

Note: Definitions for the seven classifications of operational risks are as below.

7 types	Definition	Management methodology and countermeasures
(1) Administrative risk	The risk of incurring losses as a result of negligence in the performance of accurate administrative work, or due to occurrence of an accident or fraud	Prescribe basic policy for administrative risk management in the "Risk Management Rules" and conduct appropriate risk management toward the reduction of administrative risk
(2) System risk	"System risk" is the risk of incurring loss due to system failures, including a computer system outage or malfunction, a cyber security incident, or the unauthorized use of computers, etc.	Prescribe basic policy for system risk management in the "Risk Management Rules," establish the "Information Asset Management Rules," which prescribe the basic matters, etc., relating to the protection and use of information systems, and the conduct appropriate system risk management
(3) Information risk	The risk of incurring losses due to leak, loss, tampering, or inappropriate handling, etc., of information.	Prescribe basic policy for information management in the "Risk Management Rules," establish the "Information Asset Management Rules," which prescribe the basic matters, etc., relating to the protection and use of information systems, and conduct appropriate information management
(4) Legal risk	The risk of incurring losses due to an incomplete legal relationship in a transaction, etc., or due to an inadequate response to an amendment, etc., of laws and regulations	The Group prescribes its basic policy for legal risk management in the "Risk Management Rules," performs legal checks and works with specialists toward the mitigation of legal risk, and conducts appropriate risk management
(5) Money laundering and terrorism funding risk	The risk that the Group suffers losses, due to inadequate countermeasures against money laundering and the provision of funds for terrorist activities, resulting in significant financial penalties and requests for cancellation of correspondent contracts, etc., which may not only negatively affect business operations but also cause damage to society and undermine the Group's credibility both domestically and internationally	Prescribe basic policy for money laundering and terrorism funding risk management in the "Risk Management Rules," establish the "Money Laundering, etc., Prevention Standards," and conduct appropriate money laundering and terrorism funding risk management with a risk-based approach
(6) Tangible asset risk	The risk of incurring losses due to damage to tangible assets or a deterioration in the quality of the work environment, etc. as a result of fire, crime, or defect, etc. in asset management	The Group clarifies the department in charge of management in the "Operational Risk Management Standards" based on the "Risk Management Rules," and conducts appropriate risk management in response to the wide-ranging risks that surround tangible assets
(7) Human risk	The risk of incurring tangible and intangible losses due to inappropriate employment, workplace, and safety environments, insufficient development of human assets, traffic accidents, etc.	Clarify department in charge of management in the "Operational Risk Management Standards" based on the "Risk Management Rules" and conduct appropriate risk management in accordance with characteristics of risk

Cybersecurity

Basic concept

As digitalization progresses and the environment surrounding financial services undergoes change, cybersecurity is becoming increasingly important. Aiming to provide customers with even safer, more secure services, we have established a cybersecurity management system and are reinforcing our security measures.

Cybersecurity management structure

The Group's system for ensuring cybersecurity is based on the "Standards for System Risk Crisis Management and Countermeasures," which clarify responsibilities and roles, and countermeasures are implemented under the leadership of management. Specifically, we have set up the "Cybersecurity Response Team," a dedicated, cross-organizational team

comprising security managers from each Group company, which works as a Group to implement necessary measures. The team provides quarterly reports on its activities to the "Group Risk Management Committee."

We determine the Group's policy on cybersecurity countermeasures through deliberation by the "Group Risk Management Committee." Based on the policy determined by the Committee, the "Cybersecurity Response Team" is working to improve its response to emergencies and its understanding of security levels in times of normality, both of which are essential for cybersecurity countermeasures.

Initiatives related to cybersecurity

In terms of our cybersecurity initiatives, we have formulated a cybersecurity roadmap and are engaging in relevant initiatives. To protect customers from cyberattacks that are becoming increasingly sophisticated and ingenious each year, we hold management-level discussions at the Group Risk Management Committee and update our cybersecurity roadmap each year to take appropriate action.

We are working to reinforce security measures for the services used by our customers by introducing systems to detect any unauthorized external access and conducting vulnerability assessments of our services.

Moreover, to create an effective organizational structure, we host study groups for management inviting external experts every year, and conduct drills that simulate cybersecurity incidents. Further, we have formulated a cybersecurity human assets development plan and are engaging in personnel development to continuously develop human assets with expertise and skills in cybersecurity.

We create curricula based on individual skill levels, and alongside learning the Company's operations, we dispatch trainees to Mitsubishi UFJ Financial Group, Inc., as part of the Chance System Uniform Promotion project, to improve their expertise and skills.

Internal audit

Basic policy of internal audits

The Group defines an internal audit as a series of processes for objectively and fairly verifying the appropriateness and effectiveness of internal controls, including risk management, and making recommendations for necessary improvements.

Based on this definition, the Company has established "Internal Audit Rules" as the Group's basic audit policy, and the internal audit departments of the Company and each group company conduct internal audits in accordance with this basic policy.

In addition, the medium-term internal audit plan is based on the management policy and internal and external conditions as a uniform plan for the Group. The internal audit departments of the Company and each group company endeavor to ensure the effectiveness of internal audits through the conduct of internal audits based on this plan.

Internal audit operation system

The Audit & Inspection Dept., the internal audit department of the Company, leads the planning and drafting of group-wide internal audits, and in addition to conducting internal audits, ascertains and manages the implementation status of internal audits at each group company.

Specifically, it formulates the various rules concerning the internal audits of the Group and the medium-term internal audit plan mentioned earlier, conducts internal audits on the compliance administration departments, the risk management departments, etc., of the Group, and conducts internal audits on the accuracy of financial reports, including the accuracy of the Group's capital adequacy ratio.

Internal audits of front-line sales sites and outlets are conducted with a focus on verifying the status of functions of compliance and risk management and the effectiveness of the mutual checks.

In addition, it monitors the internal audit department of each group company based on the reporting on the internal audit results and improvement status, etc., received from each group company, gives necessary guidance and advice to each group company, and reports the status of internal audits of the Group to the Board of Directors and the Audit and Supervisory Committee.

Furthermore, exchanges of information and opinions are conducted by the Presidents, Directors who are Audit and Supervisory Committee Members, and the General Manager of the Audit & Inspection Dept., and it receives instructions and advice on improvement activities of the responsible departments, as well as management needs related to audit themes, reflecting them on audits.

Compliance

Basic concepts of compliance

The Group has established the "Compliance Regulations" and has set out the following basic policy regarding compliance.

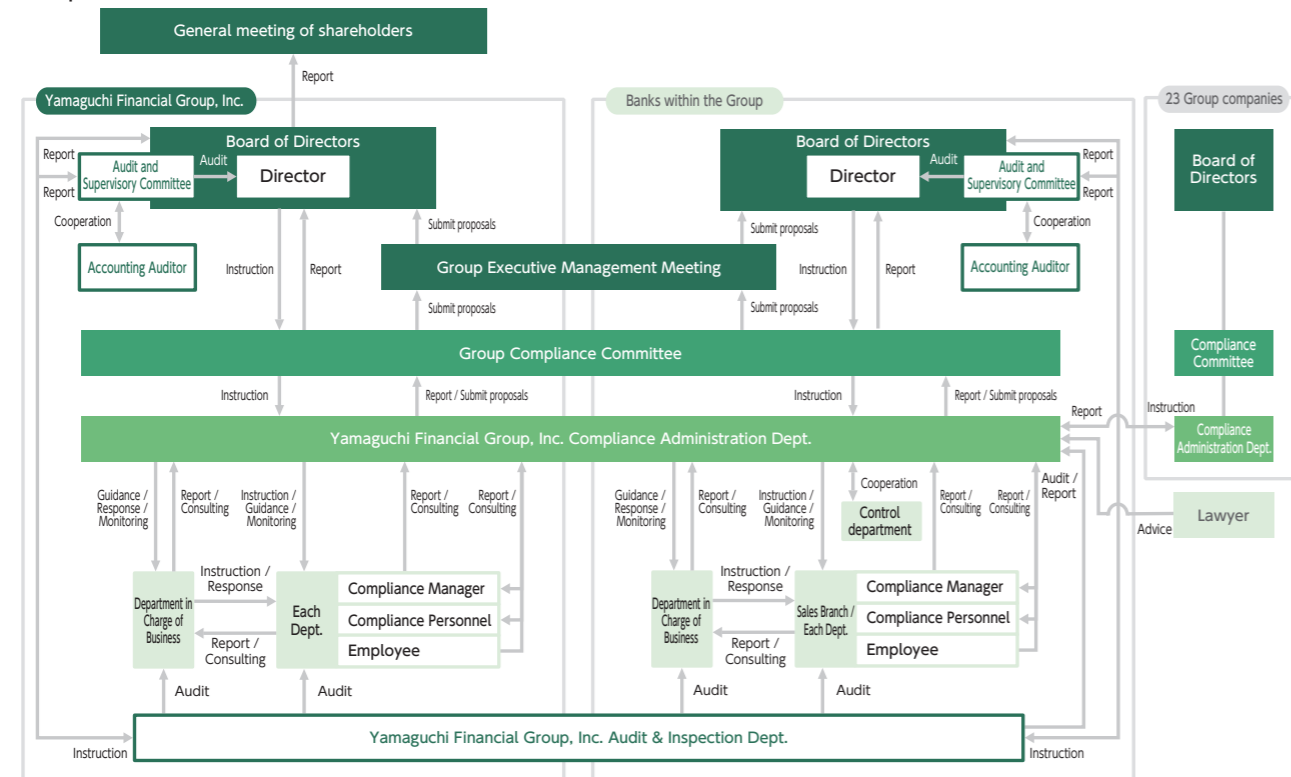
The Group shares a common understanding of its responsibilities to fulfill its public mission and corporate social responsibilities as a financial group. Accordingly, we accord topmost management priority to thorough compliance, take the seriousness of effective compliance and consider earning the trust of a broad-based society as the basic policy.

Compliance system

To ensure appropriate compliance, the Group has established the compliance administration department, and conducts the development of compliance-related system and training for officers and employees. The Compliance Administration Dept. liaises with the compliance administration department of each group company, and centrally manages compliance matters throughout the Group.

In addition, the Group has established the Group Compliance Committee. It also formulates compliance programs for each fiscal year, which equates to specific execution plans, and monitors the status of program implementation.

Compliance structure



Compliance program

To maintain and improve the compliance system, strengthen ongoing efforts and responses, thoroughly prevent illegal activities, integrally manage management plans, etc. and compliance, and implement measures based on risk, the Group formulates the compliance program as a concrete action plan every fiscal year and has it approved by the Board of Directors. The progress of the compliance program is regularly reported to the Board of Directors.

In the fiscal year ending March 31, 2025, we have established and are promoting the following initiative policy and priority items.

Initiatives policy	Establishment of a compliance system by practicing highly ethical standards and integrity				
Priority items	(1) Create a workplace environment where employees can work with peace of mind (including preventing harassment)	(2) Implement actions that pursue the best interests of customers and local communities (including customer-oriented business operations)	(3) Establish a system to prevent fraud and misconduct	(4) Establish a system to prevent serious information accidents	(5) Strengthen the prevention of money laundering and other financial crimes

Whistleblowing system

In order to prevent scandals caused by compliance violations and harassment, etc., to detect risks at an early stage, and to strengthen self-cleaning function as a company, the Group has established a Group-wide whistleblowing help desk (compliance hotline). Two compliance hotlines have been established an internal hotline and an external hotline. Callers can choose between consulting with a male or female attorney when calling the external hotline.

In addition, for cases of compliance-related concerns and issues including acts that may be connected to a violation of internal rules and social rules, harassment, etc., we have established the "Any Compliance Issue Help Desk," which receives a broad range of consultations and questions, and have developed a system to receive reports and consultations broadly.

This information is designed to be immediately accessible from the Compliance Hotline, which can be accessed directly via the Company's intranet.

Basic policy on responding to antisocial forces

The Group fully recognizes the importance of social responsibility and public mission, and in order to ensure the sound performance of business operations, based on the following basic policy, promotes efforts to cut off all relationships with antisocial forces.

1. We respond as an organization to unreasonable demands that are made by antisocial forces and resolutely reject such demands. In addition, we take legal measures from both civil and criminal perspectives.
2. In preparation for unreasonable demands from antisocial forces, we always work to strengthen our close cooperation with the police, the Center for the Elimination of Violence, the Corporate Defense Council, and Lawyer, etc.
3. We do not provide funds to antisocial forces.

Financial Instruments Solicitation Policy

The banks in the Group comply with the following matters and solicit financial instruments for customers appropriately.

1. We recommend financial instruments that are appropriate in consideration of the customer's investment objective, knowledge, experience and asset standing.
2. In order to ensure that customers select and buy financial instruments at their own judgment, we endeavor to explain important matters, including the product content and risks.
3. We always pay close attention to soliciting in a sincere and fair manner, and in the case of anything that is uncertain, we do not provide fragmentary judgments, intentionally misrepresent the facts, or conduct misleading solicitation.
4. In the case of solicitation made by telephone or in person, we always take care to ensure that the time and location do not cause inconvenience for the customer.
5. We always endeavor to gain extensive product knowledge so that we can meet the trust and expectations of customers.

* We also comply with the solicitation policy described above in relation to the "Operational Management of Corporate Pensions in Relation to Investment Method Selection and Presentation to Members, Etc.," and the "Designation or Changing of Investment Management Organization for Personal Pensions" under the Defined Contribution Pension Act.

Handling of personal information

The Group complies with relevant laws and regulations, including the Act on the Protection of Personal Information and the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures, and in order to ensure the accuracy and confidentiality of information, as well as safety, the Group has established a department in charge of information management, provides education for officers and employees on an ongoing basis, and endeavors to improve its effectiveness.

In addition, we have formulated and published the "Personal Information Protection Policy" concerning the appropriate protection and use of personal information.

Protection of personal information: <https://www.ymfg.co.jp/policy/> (in Japanese)

Financial ADR system (Alternative Dispute Resolution system in the financial sector)

In order to resolve complaints and disputes that are filed by customers in a fair and neutral manner, the banks in the Group have entered into a master agreement on the performance of procedures with the following designated dispute resolution organization for banking services.

Contracted designated dispute resolution organization for banking services under the Banking Act

Japanese Bankers Association

Contact Information: JBA Customer Relations Center

Telephone: 0570-017109 or 03-5252-3772

Company Data

Overview of Yamaguchi Financial Group, Inc. (as of March 31, 2024)

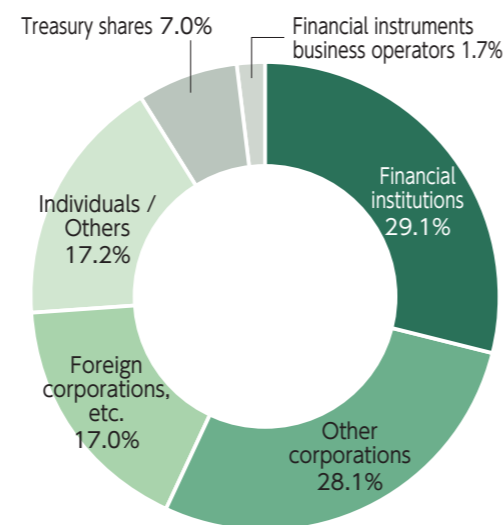
Trade Name	Yamaguchi Financial Group, Inc.
Business Description	Management and administration of banks and other companies that may be made subsidiaries under the Banking Act of Japan, and services incidental thereto
Head Office Address	2-36, 4-chome Takezaki-cho, Shimonoseki, Yamaguchi
Established	October 2, 2006
Capital	¥50.0 billion
Accounting Auditor	KPMG AZSA LLC
Company Website	https://www.ymfg.co.jp/ (in Japanese)

Stock and Shareholder Information (as of March 31, 2024)

Basic Stock Information

Stock Exchange Listing	Tokyo Stock Exchange (Prime Market)
Stock Code	8418
Number of Shares per Unit	100 shares (effective July 1, 2018, the number of shares per unit changed from 1,000 to 100)
Accounting Period	March 31 each year
Record Date for Annual General Meeting of Shareholders	March 31 each year
Annual General Meeting of Shareholders	Late June each year
Dividend Receipt Dates	Year-end dividend: March 31 Interim dividend: September 30
Number of Shares Issued	234,767,616
Number of Shareholders	33,705
Shareholder Register Administrator	Mitsubishi UFJ Trust and Banking Corporation

Distribution of shares by shareholder



Major Shareholders

Name	Number of shares	Ownership ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,916,500	11.86%
Custody Bank of Japan, Ltd. (Trust Account)	9,303,400	4.25%
Meiji Yasuda Life Insurance Company	5,747,876	2.63%
Yamada Office Co., Ltd.	5,512,000	2.52%
Tokuyama Corporation	5,165,666	2.36%
SUMITOMO LIFE INSURANCE COMPANY	4,041,000	1.84%
The Master Trust Bank of Japan, Ltd. (UBE Corporation Retirement Benefit Trust Account)	4,000,000	1.83%
Yamaguchi Financial Group, Inc. Employee Shareholding Association	3,902,485	1.78%
Maruha Nichiro Corporation	3,810,000	1.74%
Nippon Life Insurance Company	3,150,072	1.44%

List of Group Companies 26 Companies (as of March 31, 2024)

Company Name	Company Profile
The Yamaguchi Bank, Ltd. <i>Core business areas (financial business)</i>	Business description: Banking Address: Shimonoseki, Yamaguchi Capital: ¥10,005 million Percentage of voting rights exercised: 100.0%
Momiji Bank, Ltd. <i>Core business areas (financial business)</i>	Business description: Banking Address: Naka-ku, Hiroshima, Hiroshima Capital: ¥10,000 million Percentage of voting rights exercised: 100.0%
The Kitakyushu Bank, Ltd. <i>Core business areas (financial business)</i>	Business description: Banking Address: Kita-ku, Kokura, Kitakyushu, Fukuoka Capital: ¥10,000 million Percentage of voting rights exercised: 100.0%
YM Securities Co., Ltd. <i>Core business areas (financial business)</i>	Business description: Securities business Address: Shimonoseki, Yamaguchi Capital: ¥1,270 million Percentage of voting rights exercised: 60.0%
Izutsuya Withcard Company Limited <i>Core business areas (financial business)</i>	Business description: Credit card business Address: Kita-ku, Kokura, Kitakyushu, Fukuoka Capital: ¥100 million Percentage of voting rights exercised: 100.0%
YM CONSULTING CORPORATION <i>Core business areas (financial business)</i>	Business description: Various consulting businesses Address: Shimonoseki, Yamaguchi Capital: ¥85 million Percentage of voting rights exercised: 100.0%
Sanyu Co., Ltd. <i>Core business areas (financial business)</i>	Business description: Real estate leasing business Address: Shimonoseki, Yamaguchi Capital: ¥50 million Percentage of voting rights exercised: 100.0%
YM Credit Guarantee Co., Ltd. <i>Core business areas (financial business)</i>	Business description: Credit guarantee business Address: Shimonoseki, Yamaguchi Capital: ¥62 million Percentage of voting rights exercised: 100.0%
YM Asset Management Co., Ltd. <i>Core business areas (financial business)</i>	Business description: Investment management business Address: Shimonoseki, Yamaguchi Capital: ¥200 million Percentage of voting rights exercised: 90.0%
YM Lease Co., Ltd. <i>Core business areas (financial business)</i>	Business description: Lease business Address: Shimonoseki, Yamaguchi Capital: ¥30 million Percentage of voting rights exercised: 100.0%
YAMAGINCARD CO., LTD. <i>Core business areas (financial business)</i>	Business description: Credit card business Address: Shimonoseki, Yamaguchi Capital: ¥30 million Percentage of voting rights exercised: 100.0%
Momiji Estate <i>Core business areas (financial business)</i>	Business description: Real estate leasing business, etc. Address: Naka-ku, Hiroshima, Hiroshima Capital: ¥80 million Percentage of voting rights exercised: 100.0%
YM Life Planning Co., Ltd. <i>Core business areas (financial business)</i>	Business description: Management and asset consulting services Address: Shimonoseki, Yamaguchi Capital: ¥100 million Percentage of voting rights exercised: 100.0%
HOKEN HIROBA, LTD. <i>Core business areas (financial business)</i>	Business description: Insurance agent and bank agent business Address: Shunan, Yamaguchi Capital: ¥40 million Percentage of voting rights exercised: 90.0%
Nishisetō Regional CO-creation Servicer Inc. <i>Core business areas (financial business)</i>	Business description: Specific monetary receivables management and collection business Address: Shimonoseki, Yamaguchi Capital: ¥500 million Percentage of voting rights exercised: 90.0%
YAMAGUCHI CAPITAL Co., Ltd. <i>Core business areas (financial business)</i>	Business description: Venture capital business Address: Shimonoseki, Yamaguchi Capital: ¥96 million Percentage of voting rights exercised: 100.0%
Momiji Card, Inc. <i>Core business areas (financial business)</i>	Business description: Credit card business Address: Naka-ku, Hiroshima, Hiroshima Capital: ¥50 million Percentage of voting rights exercised: 100.0%
YM Saison Co., Ltd. <i>Core business areas (financial business)</i>	Business description: Product planning and development of credit cards, etc. Address: Shimonoseki, Yamaguchi Capital: ¥25 million Percentage of voting rights exercised: 50.0%
Nishisetō Marine Partners Inc. <i>Core business areas (financial business)</i>	Business description: Support for the development of the ship finance business Address: Imabari, Ehime Capital: ¥20 million Percentage of voting rights exercised: 49.0%
YMFG ZONE PLANNING CO., LTD. <i>New business areas (non-financial business)</i>	Business description: Research on regional issues and consulting business Address: Shimonoseki, Yamaguchi Capital: ¥30 million Percentage of voting rights exercised: 100.0%
Data Qvic Inc. <i>New business areas (non-financial business)</i>	Business description: Data consulting business Address: Shimonoseki, Yamaguchi Capital: ¥50 million Percentage of voting rights exercised: 100.0%
YM Career Inc. <i>New business areas (non-financial business)</i>	Business description: Paid employment referral business Address: Shimonoseki, Yamaguchi Capital: ¥30 million Percentage of voting rights exercised: 100.0%
INESUS Inc. <i>New business areas (non-financial business)</i>	Business description: Welfare agency business Address: Shimonoseki, Yamaguchi Capital: ¥50 million Percentage of voting rights exercised: 100.0%
Regional Trading Company Yamaguchi Co., LTD. <i>New business areas (non-financial business)</i>	Business description: Wholesale and retail of agricultural, forestry and fishery products Address: Shimonoseki, Yamaguchi Capital: ¥50 million Percentage of voting rights exercised: 80.8%
Bankers Farm Inc. <i>New business areas (non-financial business)</i>	Business description: Business relating to agricultural management Address: Shimonoseki, Yamaguchi Capital: ¥30 million Percentage of voting rights exercised: 100.0%
KAIKA Corporation <i>New business areas (non-financial business)</i>	Business description: Crowdfunding Address: Shimonoseki, Yamaguchi Capital: ¥51 million Percentage of voting rights exercised: 69.4%