

INTEGRATED REPORT 2023



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NNFH

Nishi-Nippon Financial Holdings, Inc.

Group Management Philosophy

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

Group Brand Slogan

Sincere Relationships, Best Solutions

Meaning behind Our Logo



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

Editorial Policy

Nishi-Nippon Financial Holdings, Inc. (NNFH) has put together this Integrated Report 2023 in a bid to help investors and other stakeholders understand the initiatives by the NNFH Group to sustain business growth and create value. It has been compiled with reference to the International Integrated Reporting Framework released in December 2013 by the International Integrated Reporting Council (IIRC), bringing together financial and non-financial information, including management philosophy, management plans, and ESG (environmental, social, and governance) information.

Scope of Report

Period covered: April 2022 to March 2023 (Some subsequent information is also included.)
Organizations covered: Nishi-Nippon Financial Holdings, Inc. and its subsidiaries and affiliates

Cautionary Statement Regarding Forward-Looking Statements

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

Notes

1. Amounts have been rounded down to the nearest unit in principle.
2. Conversion into U.S. dollars (solely for the convenience of readers outside Japan) has been made at the exchange rate of ¥133.53 to \$1.

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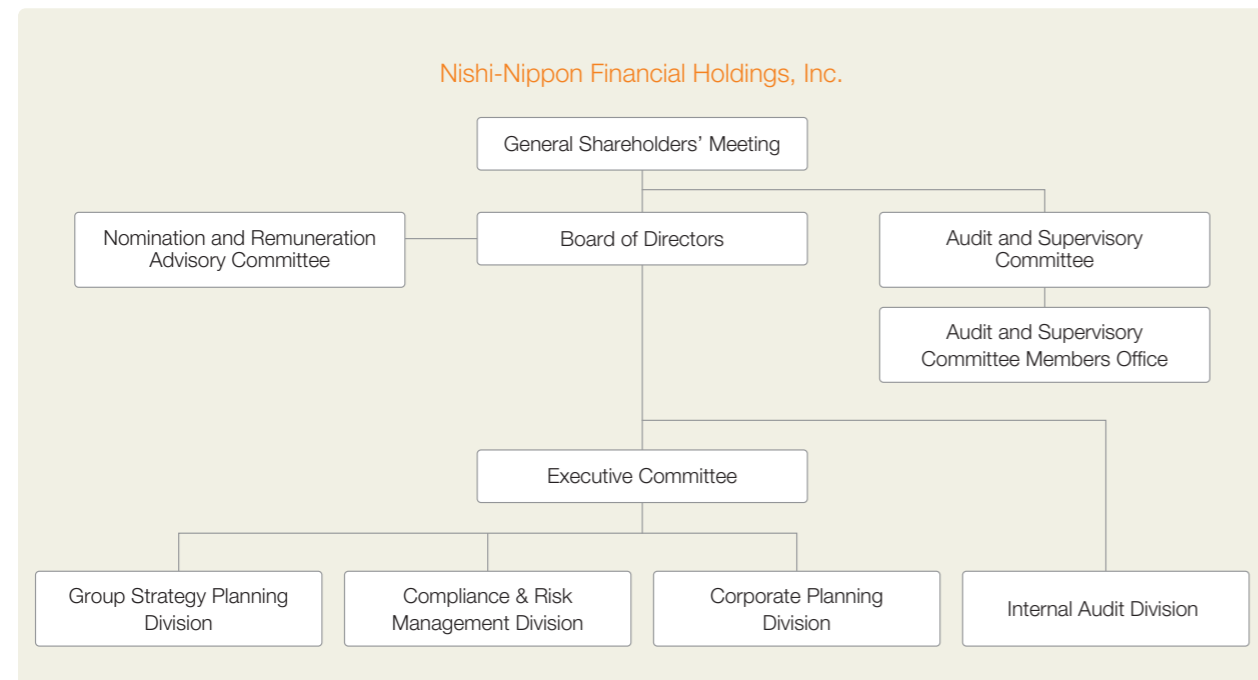
Profile of the Company (Joint Holding Company)

Name: Nishi-Nippon Financial Holdings, Inc.

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

(As of June 30th, 2023)

Organization Chart



(As of June 30th, 2023)

Board of Directors of Nishi-Nippon Financial Holdings



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

(As of June 30th, 2023)

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

Major Shareholders (Common Stock)

Name	Number of shares held (Unit: 1,000 shares) (Note 1)	Ratio of shares held to total number of shares issued (excluding treasury stock) (%) (Note 2)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,809	11.86
Custody Bank of Japan, Ltd. (Trust Account)	12,976	9.16
Custody Bank of Japan, Ltd. (Trust Account No.4)	3,767	2.65
Aso Corporation	2,860	2.01
Nippon Life Insurance Company	2,780	1.96
Meiji Yasuda Life Insurance Company	2,765	1.95
The Nishi-Nippon City Bank Employee Shareholding Association	2,338	1.65
Resona Bank, Ltd.	2,200	1.55
JA Mitsui Leasing, Ltd.	2,017	1.42
Sumitomo Life Insurance Company	1,959	1.38
Total	50,474	35.63

(As of March 31st, 2023)

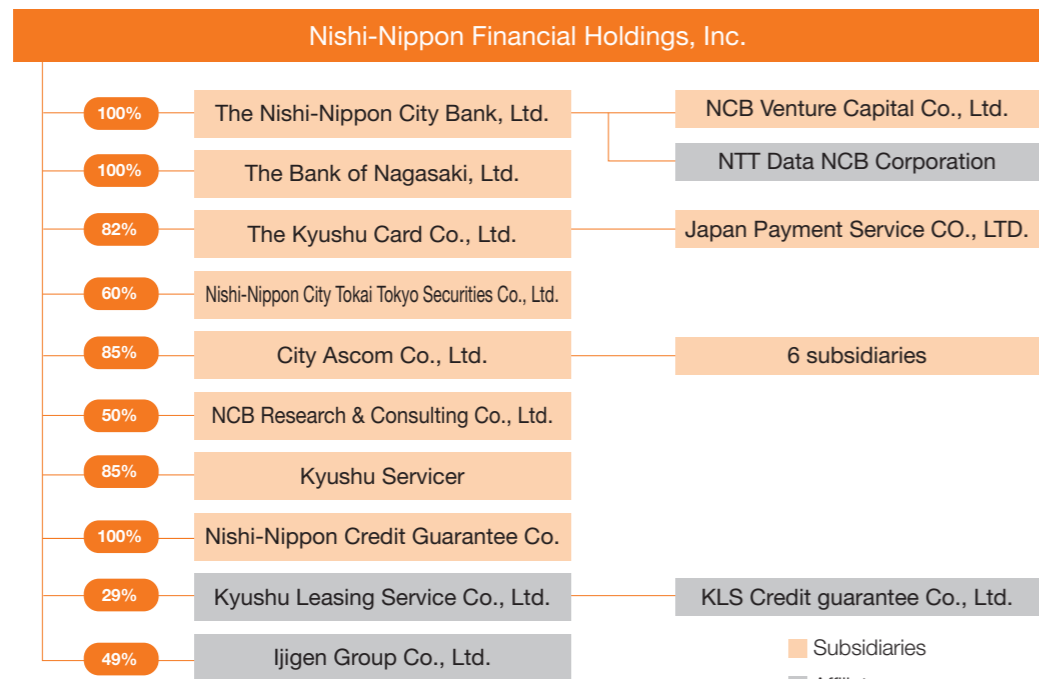
Notes: 1. In addition to the above, there are 6,960 thousand shares of treasury stock (4.68% of the total number of shares issued) in the name of Nishi-Nippon Financial Holdings, Inc.
2. Treasury stock not counted within the total number of issued shares does not include the 121 thousand shares in NNFH held in trust accounts related to the Board Benefit Trust (BBT).

Outline of the Nishi-Nippon Financial Holdings Group

Strengths of the Nishi-Nippon Financial Holdings Group

Group Structure

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



* The percentage indicates the percentage of voting rights held (including indirect ownership by subsidiaries)

(As of March 31st, 2023)

Group Management Strategy

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



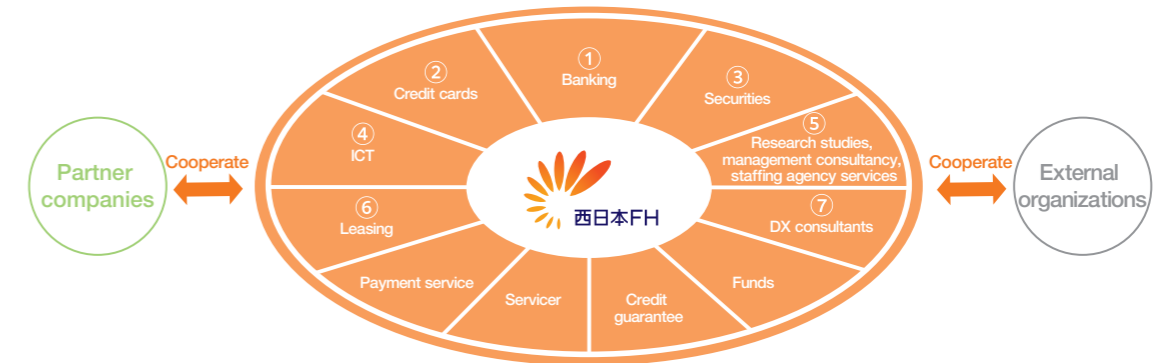
The Group's Collective Strengths

In October 2016, the NNFH Group shifted to a holding company structure consisting of seven subsidiaries offering a diverse range of distinctive services in parallel, including banking, financial instruments exchange, and credit cards under its umbrella.

To further boost the Group's collective strengths, City Ascom Co., Ltd., a top-class ICT company in Kyushu, and Kyushu Leasing Service Co., Ltd., a leasing company with the largest business scale in Kyushu, joined the NNFH Group in October 2022, and Ijigen Group Co., Ltd., which has expertise in DX consulting and service development using digital technologies, joined in December 2022.

The Group is evolving into a regional financial group that offers a diverse range of solutions beyond the scope of finance by implementing matrix management, which oversees business activities by each Group company in an integrated manner.

The Group enjoys close ties with a group of influential companies with a diverse array of businesses, which allow us to respond to a broad spectrum of customer needs through alliances with such external partners, as well as our Group companies. We are also proactive in forming open and innovative partnerships and alliances with external companies, local governments, universities, and others, with a view toward providing diverse and advanced services and revitalizing the local economy.



① Banking	The Nishi-Nippon City Bank, Ltd. We are ranked the top fifth regional bank in terms of loans, and the core of the NNFH Group. Aiming high and motivated by pride in our services, we are committed to becoming the leading bank in Kyushu through our ability to respond to the changing times and to grow together with our customers, with the firm belief that “without our customers and regional development, there will be no growth for the Nishi-Nippon City Bank.” Total loans (billion yen) March 31st, 2021: 7,716.4 March 31st, 2022: 7,855.6 March 31st, 2023: 8,100.0 <small>*Excluding loans to the Ministry of Finance</small>	④ ICT	City Ascom Co., Ltd. We are one of the top-class ICT companies in Kyushu in terms of sales scale and number of engineers, and we joined the NNFH Group in October 2022. Based on our philosophy of being “an ICT partner that creates the future with our customers,” each and every employee aims to earn the trust of our customers and contribute to the development of local communities by providing high-quality technologies and services. Net sales (billion yen) FY2020: 9.3 FY2021: 9.6 FY2022: 9.9
	The Bank of Nagasaki, Ltd. We are based in Nagasaki and ranked as the second regional bank. We celebrated our 110th anniversary in November 2022. As a regional financial institution, we are committed to being closely tied to the community and contributing to the development of the local community, and we work hard to be worthy of community support. Total loans (billion yen) March 31st, 2021: 263.0 March 31st, 2022: 268.2 March 31st, 2023: 267.3 <small>*Excluding loans to the Ministry of Finance</small>		NCB Research & Consulting Co., Ltd. In addition to providing economic and financial information, our company's main services include support for resolving human resource issues such as employee training, recruitment and retention, and establishing personnel systems, as well as overseas business consulting services such as establishing overseas offices, developing business in the local area, developing overseas sales channels, and supporting the use of foreign nationals. We aim to be the best partner to our member companies and other local corporate executives. Number of members (accounts) March 31st, 2021: 5,209 March 31st, 2022: 5,710 March 31st, 2023: 5,585
② Credit cards	The Kyushu Card Co., Ltd. We are the top regional bank-affiliated credit card company in terms of transaction volume. Since our establishment in 1980, we have been working to popularize credit card services and provide local customers with affluence, comfort, and peace of mind. Credit card transaction volume (billion yen) FY2020: 363.1 FY2021: 398.3 FY2022: 451.2	⑥ Leasing	Kyushu Leasing Service Co., Ltd. We are the leasing company with the largest business scale in Kyushu. We are listed on the Tokyo Stock Exchange Standard Market and the Fukuoka Stock Exchange Main Market, and we joined the NNFH Group in October 2022. Our strengths are in community-based sales and comprehensive financial services, and we offer a broad range of value-added solutions tailored to the needs each customer. Net sales (consolidated) (billion yen) FY2020: 28.3 FY2021: 29.6 FY2022: 36.8
	Nishi-Nippon City Tokai Tokyo Securities Co., Ltd. We are a securities company established in 2010 as a joint venture with Tokai Tokyo Financial Holdings, Inc. We aim to be the securities company most chosen by customers by providing consulting proposals and solutions that meet the investment needs of each individual customer. In April 2022, we became the first regional bank-affiliated securities company in Japan to participate in the lead-managing service business. Management of client assets (billion yen) March 31st, 2021: 291.3 March 31st, 2022: 312.6 March 31st, 2023: 327.5		Ijigen Group Co., Ltd. We are a one-stop digital transformation (DX) support company, and we joined the NNFH Group in December 2022. We work to develop new businesses and solve management issues for companies by leveraging our technological and consulting capabilities. Our strengths are in providing one-stop support in the areas of business, technology, and creativity. Number of DX support cases (cases) FY2020: 10 FY2021: 37 FY2022: 63
③ Securities		⑦ DX consultants	

A Solid Customer Base Built upon Mutual Trust

Number of main customers (as of March 31st, 2023)

The Nishi-Nippon City Bank

24,705

Since its foundation in October 2004, the Nishi-Nippon City Bank, the primary subsidiary of NNFH, has continuously expanded its scale of operations. It now boasts total assets of 12,676,700 million yen, a balance of deposits and negotiable certificates of deposit (NCD) of 9,722,300 million yen, a balance of loans of 8,737,800 million yen, and 24,705 main customers (as of March 31st, 2023).

The Kyushu Card, on the other hand, offers full brand settlement services to support all major international credit card brands, thus building one of the largest customer bases among regional bank-affiliated credit card issuers. It has 953,000 cardmembers, 65,000 merchants, and a transaction volume of 451,200 million yen (as of March 31st, 2023, except the transaction volume, which is fiscal 2022).

Financial Service for the Benefit of Local Communities

% of loans by prefecture

Kyushu Fukuoka Prefecture
The Nishi-Nippon City Bank **87.1%** **77.2%**

% of loans to SMEs, etc.

The Nishi-Nippon City Bank **78.7%**

(as of March 31st, 2023, excluding loans to the Ministry of Finance, Japan)

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

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

DNA of Developing SMEs

Number/amount of loans support startups and second startups (FY2022)

The Nishi-Nippon City Bank **3,567 cases / ¥117.0 billion**

Recipients of the Excellent Executive Award (as of April 30th, 2023)

Total: **180 executives**

Having started as a financial service catering exclusively to small- and medium-sized enterprises, the NNFH Group maintains the unaltered DNA of developing SMEs. The Nishi-Nippon City Bank remains committed to supporting business startups in a bid to create industries and jobs in the region; listening carefully to the needs of many SMEs, including fledgling businesses, they offer finely-tuned support. For fiscal 2022, their support was extended to 3,567 startups and second startups, with the total amount of loans reaching 117,000 million yen.

Since 1973, they have granted the Excellent Executive Award to outstanding business managers who have provided distinguished services to the development of the regional economy via the Prize of Excellent Executive. A total of 180 executives have been commended thus far.

Extensive Global Network

Japan	Overseas
The Nishi-Nippon City Bank 158 locations*	The Nishi-Nippon City Bank's overseas operations 3 in Asia
The Bank of Nagasaki 23 locations	Partner financial institutions 9 institutions
Nishi-Nippon City Tokai Tokyo Securities 12 outlets	Partner institutions 2 institutions

* The number does not include online branches and in-store branches. (as of June 30th, 2023)

The Nishi-Nippon City Bank app (as of March 31st, 2023) Total: **840,000 registered accounts**

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

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

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

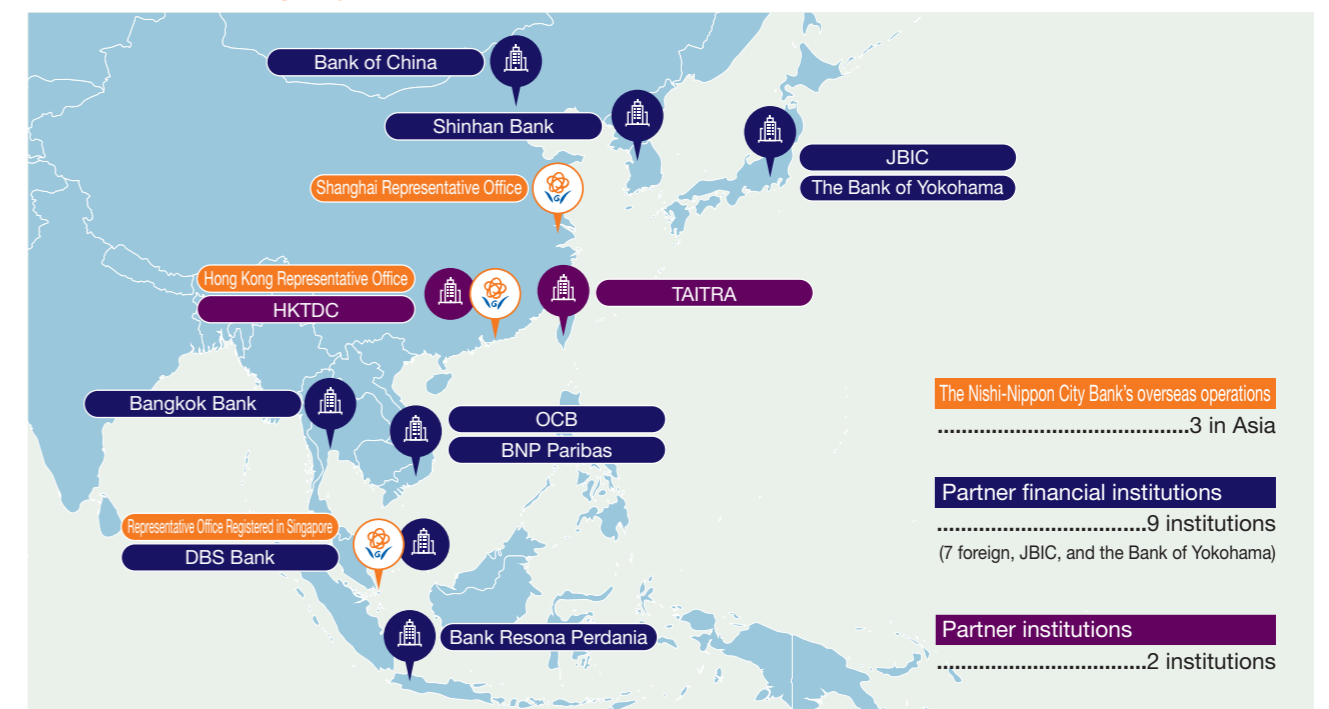
Providing Broader/Deeper Support for International Business

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

Multifaceted windows for international business support

The Nishi-Nippon City Bank	<ul style="list-style-type: none"> International Business Support Office, International Business Div. Support for international business provided by personnel with professional skills and know-how "NCB Forex Super Direct", "NCB Direct Forward Exchange Contracts" A broad range of forex transactions, including foreign remittance and application for/inquiry on import letters of credit via the internet
NCB Research & Consulting	<ul style="list-style-type: none"> International Consultation Office → International business support by staff members with extensive international experience in coordination with legal, accounting, and other experts in Japan and overseas "Door to Asia" (website) → Provision of international business information for each country/region and area of support Asia Business Seminars → Sponsorship of various seminars on international business
The Kyushu Card	<ul style="list-style-type: none"> A variety of credit cards Support for all major cards, including VISA, MasterCard, JCB, AMEX, and UnionPay

Broad area coverage by our overseas bases and partner institutions



(As of June 30th, 2023)

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

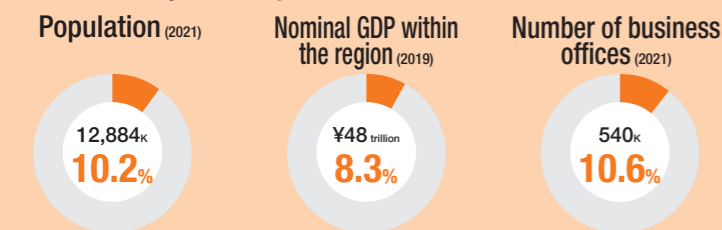
A Brief Sketch of Our Operating Base

- An Unmatched Potential of Fukuoka and Other Areas in the Kyushu Region -

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

Kyushu accounts for 10% of Japan's economy.

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



Kyushu maintains close mutual relationships with fast-growing Asian countries.

Kyushu hosts a diverse range of industries.



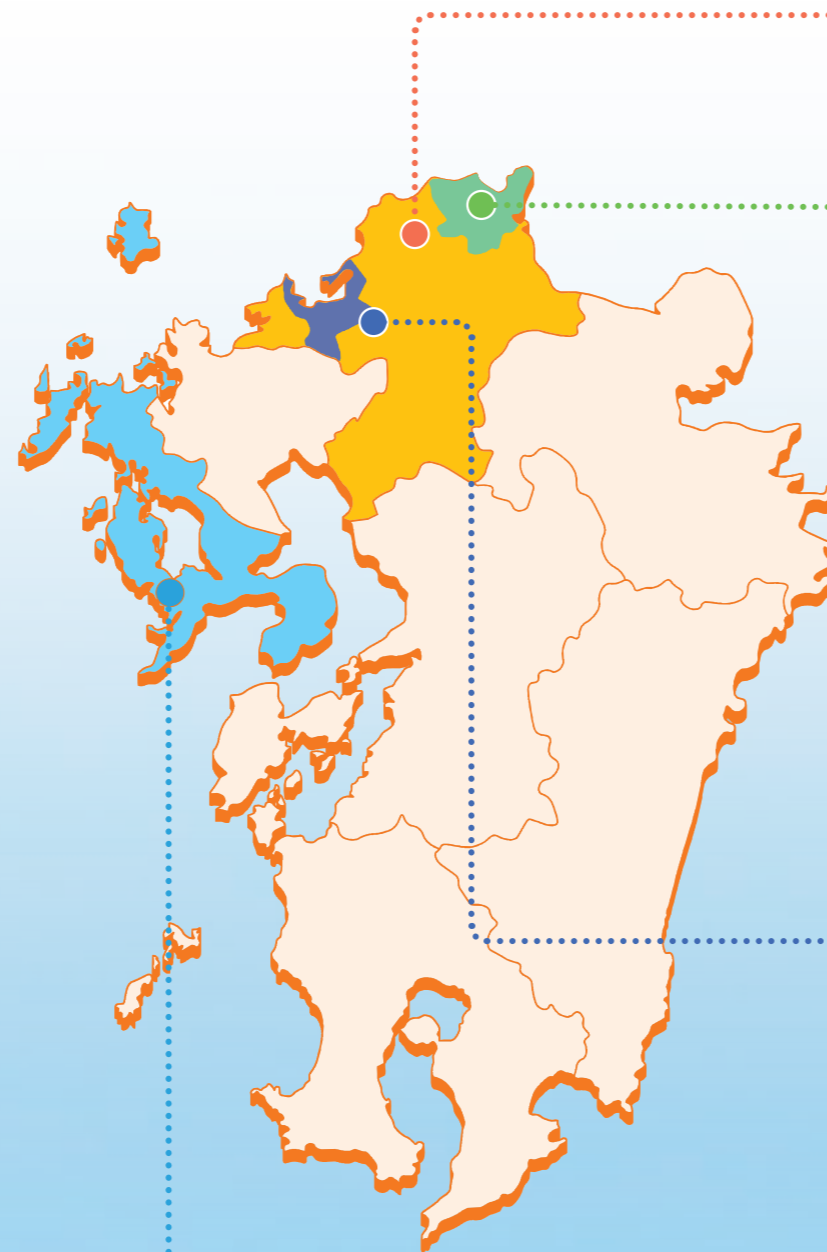
Increasing capital expenditures for semiconductor-related facilities

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



Source: Kyushu Bureau of Economy, Trade and Industry

Kyushu



Fukuoka Prefecture

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

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

Source: The Small and Medium Enterprise Agency

Kita-Kyushu City



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

Designated as an SDGs Model City by the OECD (2018)
 Designated as an SDGs Future City and an Environmental Future City by the Japanese government (2018)
 18 cities and towns in the Kitakyushu metropolitan area have been selected as "Decarbonization Leading Area" (2022)

A high concentration of energy-related facilities, including renewable energy and liquefied natural gas bases

One of Japan's largest offshore wind farms is scheduled to begin operations in fiscal 2025 off the coast of Hibiki-nada.

Fukuoka City



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

Growth between 2015 and 2020 Source: Statistics Bureau of Japan

Population growth is expected to continue for Fukuoka City up to around 2035.

	Japan	Fukuoka Pref.	Fukuoka City
Projected population (change between 2020 and 2035 [%])	-8.1%	-5.7%	+4.0%

Source: Ministry of Internal Affairs and Communications, National Institute of Population and Social Security Research



Fukuoka City ranks highest among 21 large city areas in Japan at 6.3% in terms of the startup rate.

* FY2021. National average: 4.4% Source: Economy, Tourism & Culture Bureau, Fukuoka City

Fukuoka City plays host to many urban redevelopment projects.

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

Source: Fukuoka City

Nagasaki Prefecture

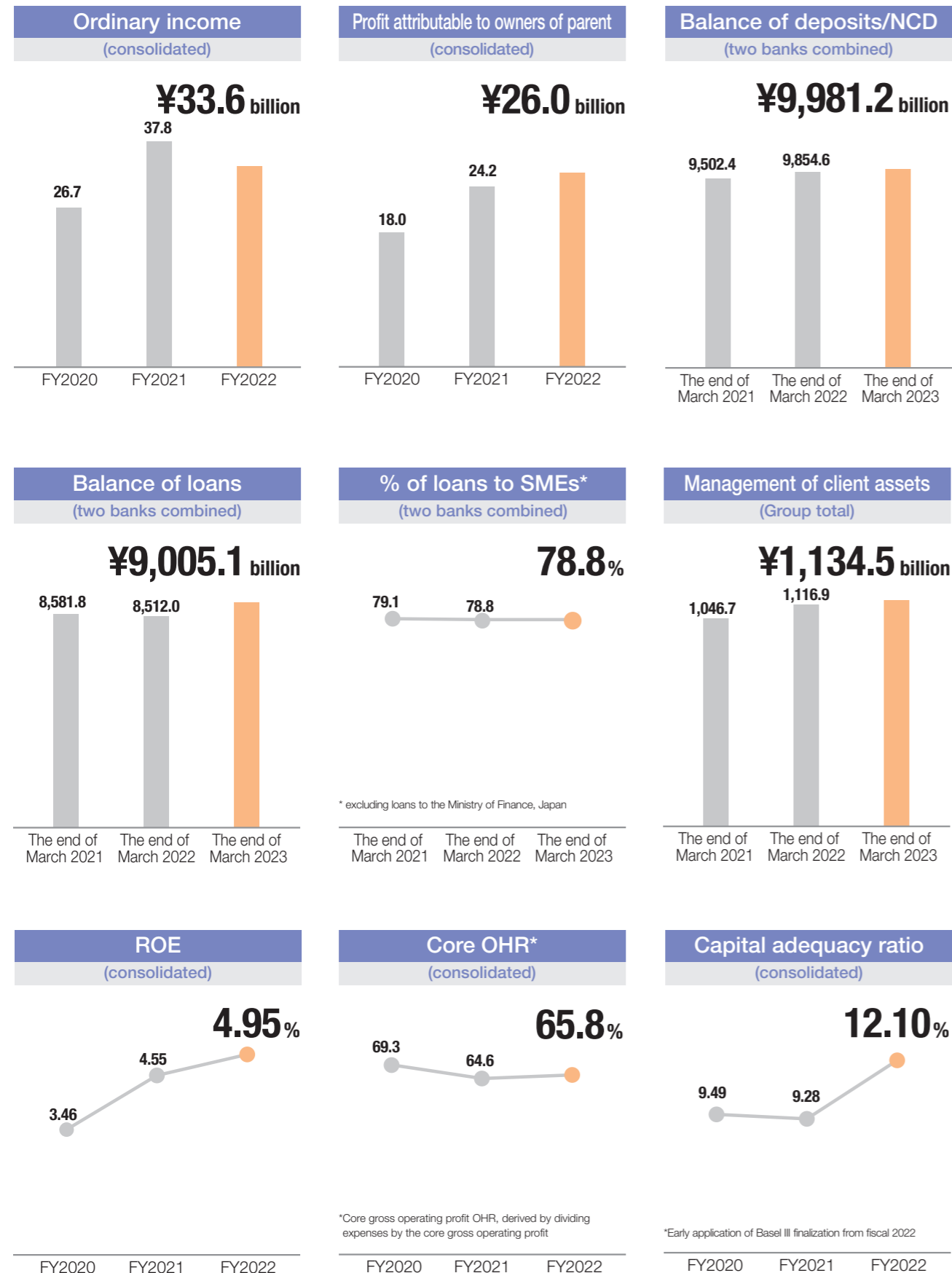
Nagasaki Prefecture has a wealth of tourism resources.

Nagasaki City is undergoing large-scale redevelopment near Nagasaki Station and beyond.

The Nishi-Kyushu Shinkansen (between Takeo-onsen and Nagasaki) began service in 2022.

Financial/Non-Financial Highlights

Financial Highlights



Non-Financial Highlights





Hideyuki Murakami

President

Nishi-Nippon Financial Holdings, Inc.

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

We Will Continue to Value Connections as We Grow Together with You

Introduction

It gives me great pleasure to report on the business performance of Nishi-Nippon Financial Holdings, Inc. (NNFH) for the fiscal year ended March 31st, 2023.

The business environment surrounding the NNFH Group (hereinafter “the Group”) continues to undergo significant changes as customer needs increase in diversity and sophistication against a backdrop of social issues, including Japanese society’s low birth rate; the nation’s steadily declining and aging population; developments in Sustainable Development Goals (SDGs) and Environmental, Social, and Governance (ESG) issues; and acceleration of digital transformation (DX). At the same time, Fukuoka and other areas in the Kyushu Region, the Group’s main market, offer a number of favorable business opportunities, including a strong economy, large-scale redevelopment projects in urban areas, and a growing concentration of industries with a focus on semiconductors.

Against this backdrop, the Group has launched a new Medium-Term Business Plan, “Leaping Forward 2026 - Connecting with Sincerity, Connecting the Future -” (covering the period from April 2023 to March 2026; hereinafter, “the MTBP”).

By dynamically implementing the strategies and measures I describe hereafter, we will work to enhance our management of relationships to enable us to fully leverage the Group’s wide range of capabilities in providing solutions to our customers, thereby resolving social issues and enhancing the Group’s enterprise value.

Overview of the Japanese Economy and the Kyushu Economy

During fiscal 2022, Japan’s economy showed weakness in exports and production around the end of the fiscal year due to soaring resource prices and concerns about the global economic slowdown. However, the economy also showed a moderate recovery as capital expenditures increased due to a recovery in corporate earnings, and consumer spending also increased thanks to gradual improvements in employment and income conditions.

The economy in our home territory of Kyushu recovered as semiconductor-related capital expenditures and personal consumption increased.

The Previous MTBP in Review

Roughly three years ago, when we launched our previous Medium-Term Business Plan, “Leaping Forward 2023 - Creating Vibrancy to the Region and Beyond -” (covering the period from April 2020 to March 2023; hereinafter “the previous MTBP”), COVID-19 infections had just begun to spread, and the entire Group unified in addressing the financing needs of our customers. In addition, awareness of SDGs and ESG was on the rise around the world, and interest in the importance of promoting DX was also skyrocketing at the time. In terms of monetary policies, these three years were in many ways a period of significant and comprehensive changes, such as the U.S. and Europe changing their conventional interest rate policies to curb inflation.

Despite the difficulties in navigating this business environment, the previous MTBP led to three major achievements. It reinforced the collective strength of the Group, accelerated work reform, and accelerated our digital strategy. In terms of reinforcing the collective strength of the Group, we have achieved a dramatic boost, especially over the previous fiscal year, with the addition of three new companies to the Group: City Ascom Co., Ltd., a leading ICT company in Kyushu; JGN Group Co., Ltd., which excels in DX consulting services; and Kyushu Leasing Service Co., Ltd., one of the largest leasing companies in Kyushu. In terms of accelerating work reform, we significantly improved productivity at the Nishi-Nippon City Bank over these three years, reducing the workloads of more than 600 employees and achieving a 1.4-fold increase in operating income* from services for customer per employee. In terms of accelerating our digital strategy, we significantly increased the amount of contact we have with customers through digital channels by promoting the Nishi-Nippon City Bank app and the NCB Business Station. These measures enabled us to achieve all of our target management indices.

* $(\text{Balance of loans and bills discounted} \times \text{Loan-to-deposit spread} + \text{Net fee and commission income} - \text{General and administrative expenses}) \div \text{Average number of employees during the fiscal year}$

■ Performance compared to the management indices targeted under the previous MTBP

	FY2019 results	1st year of the previous MTBP FY2020 results	2nd year of the previous MTBP FY2021 results	3rd year of the previous MTBP FY2022 results	KPI in the final year of the previous MTBP
Consolidated net income	¥20.2 billion	¥18.0 billion	¥24.2 billion	¥26.0 billion	¥21.5 billion
% of non-interest-earnings	20.2%	18.5%	19.3%	23.0%	Approx. 22%
Consolidated OHR	69.8%	67.7%	64.2%	(Core OHR) 65.8% ^{*1}	60–69%
Consolidated capital adequacy ratio	9.36%	9.49%	9.28%	12.10% ^{*2}	Approx. 10%

^{*1} Core base excluding net gains (losses) related to bonds
^{*2} Early adoption of Basel III finalization

Medium-Term Business Plan, “Leaping Forward 2026 - Connecting with Sincerity, Connecting the Future -”

In light of both internal and external circumstances, including enhancements to the Group’s management foundation, the diversification and sophistication of customer needs, and the booming markets of Fukuoka and elsewhere in Kyushu, we recognize the potential of diverse business opportunities emerging in a broad range of financial and non-financial domains.

Most of the basic strategies in the new MTBP are closely linked with those of the previous MTBP. We aim to make these three years a period of “leaping forward” by further reinforcing the collective strength of the Group, which was enhanced through initiatives under our previous MTBP, and significantly improving the quality of the solutions we provide to customers



in terms of both physical solutions (“human touch”) and digitization, in a manner that leads to solutions to social challenges and improves the Group’s performance and enterprise value.

To achieve this, we are prioritizing efforts to enhance management of relationships in order to firmly link customer needs together with the Group’s capacity to provide solutions, and as specific measures to achieve this, the entire organization is working toward “strengthening our sales structure” and “strengthening our human capital.”

In addition, under the new MTBP, our belief that “without regional development, there will be no growth for the Group” will remain unchanged, and we will continue to strive to improve the sustainability of our host communities as well as ourselves by increasing investments for future growth and enhancing shareholder returns, while also working to overcome the challenges faced by host communities and customers, and engaging in a wide range of community contribution activities.

In addition, we have subtitled the MTBP “Connecting with Sincerity, Connecting the Future” in recognition of the fact that “connections” and “connecting” are common, important keywords within each strategy, including in regard to interacting with customers, enhancing Group cooperation, and sustainability.

The MTBP consists of four basic strategies and nine priority measures. Through the course of deploying these basic strategies and priority measures, we aim to achieve the targets set for each management index: profitability, efficiency, and soundness.

Basic Strategy I. Providing Customer-Oriented “One to One Solutions” (See pages 22 to 31)

“Customer-oriented One to One Solutions” refers to providing products and services that perfectly match the needs and problems of individual customers in order to enhance customer satisfaction and build long-lasting business relationships.

Inheriting this concept from the previous MTBP, the new MTBP aims to fully utilize and enhance the optimized setup that we have established.

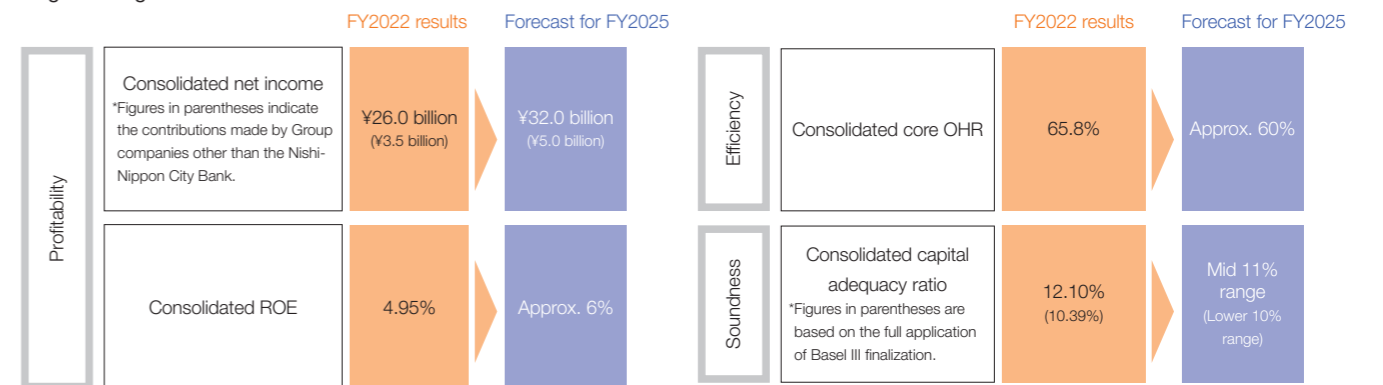
● **Providing Solutions to Corporate Customers** (See pages 22 to 25)

Against the backdrop of accelerating environmental changes, companies are facing a widening range of management challenges, from a financial perspective as well as in terms of business succession, securing human resources, and addressing digitalization and decarbonization. We will work to provide hands-on support for each of our corporate customers by fully leveraging the now-enhanced collective strength of the Group to provide financial and non-financial solutions to overcome their management challenges.

Deployment of four basic strategies to realize a leading financial group

Basic strategy	I. Providing customer-oriented “One to One Solutions”	[Strengthening solution capabilities]
Priority measures	(i) Providing solutions to corporate customers (ii) Providing solutions to retail customers	
Basic strategy	II. Sales reform	[Strengthening contact with customers]
Priority measures	(i) Strengthening the sales system (ii) Digital strategy (iii) Work reform	
Basic strategy	III. Human resource reform	[Strengthening human capital]
Priority measures	(i) Human resource development (ii) Greater job satisfaction	
Basic strategy	IV. Sustainability initiatives	[Strengthening sustainability]
Priority measures	(i) Contributions to a sustainable local community (ii) Efforts for sustainable growth of the NNFH Group	

Target management indices



The MTBP also focuses on the field of structured finance, in addition to provision of solutions related to business succession, SDGs, ESG, decarbonization, digitalization, DX, the transition to cashless transactions, and human resource-related issues, which are all important and high-priority management challenges that companies now face.

● **Providing Solutions to Retail Customers** (See pages 28 to 29)

While working to ensure thoroughly customer-oriented business conduct, we will implement consulting sales for a wide range of customers in a manner that considers their assets and liabilities as a whole, and support stable asset formation as well as advanced asset management and succession in accordance with each individual customer’s stage in life.

In particular, in regard to consulting services for customers seeking to form assets, the new NISA system will launch in January 2024, and the scope of asset formation activities is expected to significantly expand to include customers who have to this point been relatively uninterested in investing. Under the MTBP, NISA will serve as a starting point to raise customer awareness of the need to form assets, and we will focus on long-term diversification proposals tailored to each individual customer.

Basic Strategy II. Sales Reform (See pages 32 to 37)

A key concept we pursued under the previous MTBP was an optimal mix of human touch and digital solutions. We intend to carry on this concept under the new MTBP and to further enhance the functions of digital channels, while this time placing particular emphasis on the human touch elements as we review the sales structure of the HQ and branches to strengthen relationship management, and work to enhance Group cooperation.

● **Digital Strategy** (See pages 33 to 35)

Our efforts to date in expanding the functions of digital channels for both corporate and retail customers have significantly increased the amount of interaction we have with customers through digital channels.

The number of transactions conducted through the Nishi-Nippon City Bank app, a digital channel for retail customers, is increasing year by year, and as of March 31st, 2023, there are now a total of 840,000 registered accounts. In addition, we see NCB Business Station, a digital channel for corporate customers, as a digital platform for all types of businesses, and we are working to enhance its functionality and increase the size of its user base.

Under the MTBP, we will continue to enhance the functions of our digital channels and improve UI and UX, while at the same time building a framework to centralize and utilize customer information, including introducing our next CRM/SFA system (a customer relationship management and sales support system) scheduled for fiscal 2025, and providing each customer with optimal solutions through both physical and digital channels.

● **Work Reform** (See pages 36 to 37)

We recognize that the work reform activities launched in 2018 have made a significant contribution to improving Group productivity. We intend to continue these work reform activities under the new MTBP as well.

In the 2nd year of the MTBP, we plan to upgrade to a new sales branch system at the Nishi-Nippon City Bank. We expect this to drastically reduce and simplify office work at branch offices. The focus of the staff's duties will switch to face-to-face consultations, resulting in a fundamental change in the role that branches play, from offices for processing paperwork to consultation-focused venues.

Through these efforts, we aim to further improve productivity and to increase the profit from customer service operations per employee to 1.6 times that of the fiscal year ended March 31st, 2023 by the final year of this MTBP.

Basic Strategy III. Human Resource Reform
(See pages 38 to 43)

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

The role played by the personnel who directly interact with customers is extremely important in providing access to the Group's collective strength and solution functions in a way that meets increasingly diverse and sophisticated customer needs.

Under the MTBP, we will further strengthen our HR development efforts to enhance our staff's level of expertise and skills, while also increasing the degree to which we invest in personnel, the source of our business competitiveness, to enable our diverse human resources to engage in their duties with a sense of satisfaction and pride.

● **Human Resource Development** (See pages 38 to 41)

We use the term “strategic human resources” (personnel in charge of consulting, DX, and planning, as well as other specialized personnel) to describe highly specialized human resources in each field that

are essential in realizing the Group's management strategies, and we work to systematically develop such human resources.

The Group operates an HR development facility named Kokoro-Kan (photograph of the building on page 12). Kokoro-Kan is a large-scale facility with 12 floors above ground and one below. It contains a training center, a dormitory for single employees, and a gymnasium, and it stands as a symbol of the Group's commitment to investing in human capital and developing the personnel who will build the future of the Group. We make full use of the facility, and support the growth of each and every employee through training programs categorized by job class and duties, as well as by expanding training programs for reskilling.

● **Greater Job Satisfaction** (See pages 42 to 43)

By reconstructing the Nishi-Nippon City Bank head office main building (hereinafter “the new head office building”), renovating branch locations, reviewing employee compensation, and promoting diversity and inclusion, we are working to create work environments where each and every employee can work with a sense of empowerment and to build an organizational culture in which a diverse range of human resources can thrive.

In March 2023, upon approval from Fukuoka City of our request for the reconstruction of the new head office building to be covered under the Hakata Connected Bonus (a relaxation of regulations regarding the ratio of total floor area to site area), we announced an outline of our plan. The new head office building, scheduled for completion in January 2026, is designed to provide spacious office environments that enable a high degree of freedom in working styles. We are also actively renovating our other aging business locations.

In terms of improving employee compensation, in fiscal 2023, we raised wage levels at the Nishi-Nippon City Bank by an average of roughly 5%, when converted into annual wages.

In our efforts to promote diversity and inclusion, the Group has continued to focus on promoting women's empowerment and mid-career recruitment. This has resulted in a year-by-year increase in the ratio of women in management positions, and the number of mid-career recruits has also increased considerably. We will continue these efforts under the new MTBP as well.

Basic Strategy IV. Sustainability Initiatives
(See pages 44 to 55)

● **Contributions to a Sustainable Local Community**
(See pages 44 to 53)

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

Under the previous MTBP, we worked to establish a foundation for sustainability management, including formulating the aforementioned declaration, establishing the Sustainability Committee, expressing support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), disclosing climate-related information in line with the TCFD recommendations, as well as setting the target amount of sustainable finance and the CO₂ emissions reduction target.

Under this MTBP, the Group will continue to make sincere efforts to address various environmental and social challenges, and contribute to the achievement of a sustainable society by working alongside customers and host communities to solve these challenges.

● **Efforts for Sustainable Growth of the NNFH Group** (See pages 54 to 55)

Under the MTBP, we will strive to achieve sustainable growth for the Group and improve our enterprise value by allocating capital in a manner that strikes a balance between securing a sufficient level of capital level, investing for future growth, and enhancing returns to shareholders and investors.

In terms of ensuring a sufficient level of capital, we aim to maintain a capital adequacy ratio in the low 10% range in the final fiscal year of this MTBP, even when based on full application, excluding Basel III transitional measures.

In terms of investing in growth, we will focus on expanding strategic investments and strengthening management of securities, in addition to the aforementioned investments in human capital. To expand strategic investments, we intend to expand strategic system investments, which contribute to improving productivity, efficiency, and customer convenience, beyond the scope of similar investments under the previous MTBP. To strengthen management of securities, we will enhance the income earning capacity of our securities portfolio, while also improving its operational framework through focused allocation of human resources to market divisions and systematic training.

In addition, in order to enhance returns, we revised our Shareholder Return Policy in fiscal 2023 to raise the total return ratio standard from “roughly 30%” to “roughly 40%” of the profit attributable to the owners of the parent company, in light of the Group's strengthened management foundation and the earnings forecast for the term of this MTBP.

In Conclusion

Amidst these drastically changing times, the management challenges and needs of our customers continue to increase in diversity and sophistication. To realize our Group Management Philosophy of “aiming high and motivated by pride in our services, we are committed to becoming a

leading financial group through our ability to respond to change and to grow with our customers,” all of our officers and employees will continue to share this unchanging conviction as we deploy the four basic strategies set forth in the MTBP and strive to achieve the sustainable development of our host communities and improve our enterprise value.

I sincerely hope we can rely on your continued support for and guidance in our future endeavors.



Review of the Previous Medium-Term Business Plan “Leaping Forward 2023”

Through enacting measures under the previous Medium-Term Business Plan, “Leaping Forward 2023 -Creating Vibrancy to the Region and Beyond-” (the MTBP), NNFH has steadily firmed up the Group’s management foundation, including developing digital strategies and business innovation measures, and strengthening Group functions. In addition, all of the target management indices set forth in the previous MTBP were achieved.

Key results of the measures under the previous MTBP

Reinforcement of the collective strength of the Group	Accelerating work reform	Accelerating digital strategy
<p>The collective strength of the Group improved drastically with the addition of two new functions, i.e., ICT / DX solutions and leasing.</p> <ul style="list-style-type: none"> City Ascom became a subsidiary; Kyushu Leasing Service and Ijigen Group became affiliated companies 	<p>Productivity improved substantially for the entire Group through efforts including downsizing operations and reallocation of human resources to priority fields.</p> <ul style="list-style-type: none"> Reduced the work of more than 600 people in three years Operating income from services for customer per employee increased to 1.4X 	<p>Contact with customers through digital channels expanded significantly with the expansion of app functions for retail customers and introduction of a platform for corporate customers.</p> <ul style="list-style-type: none"> Registered accounts of the Nishi-Nippon City Bank app: 840,000 Number of the NCB Business Station customers: 14,000

The NNFH Group’s management foundation is being steadily enhanced (the optimized setup)

Progress with target management indices

	FY2019 results	1st year of the previous MTBP FY2020 results	2nd year of the previous MTBP FY2021 results	3rd year of the previous MTBP FY2022 results	KPI in the final year of the previous MTBP
Consolidated net income	¥20.2 billion	¥18.0 billion	¥24.2 billion	¥26.0 billion	¥21.5 billion
% of non-interest-earnings	20.2%	18.5%	19.3%	23.0%	Approx. 22%
Consolidated OHR	69.8%	67.7%	64.2%	(Core OHR) 65.8% ^{*1}	60% range
Consolidated capital adequacy ratio	9.36%	9.49%	9.28%	12.10% ^{*2}	Approx. 10%

*1: Core basis excluding net gains (losses) related to bonds
*2: Early adoption of Basel III finalization

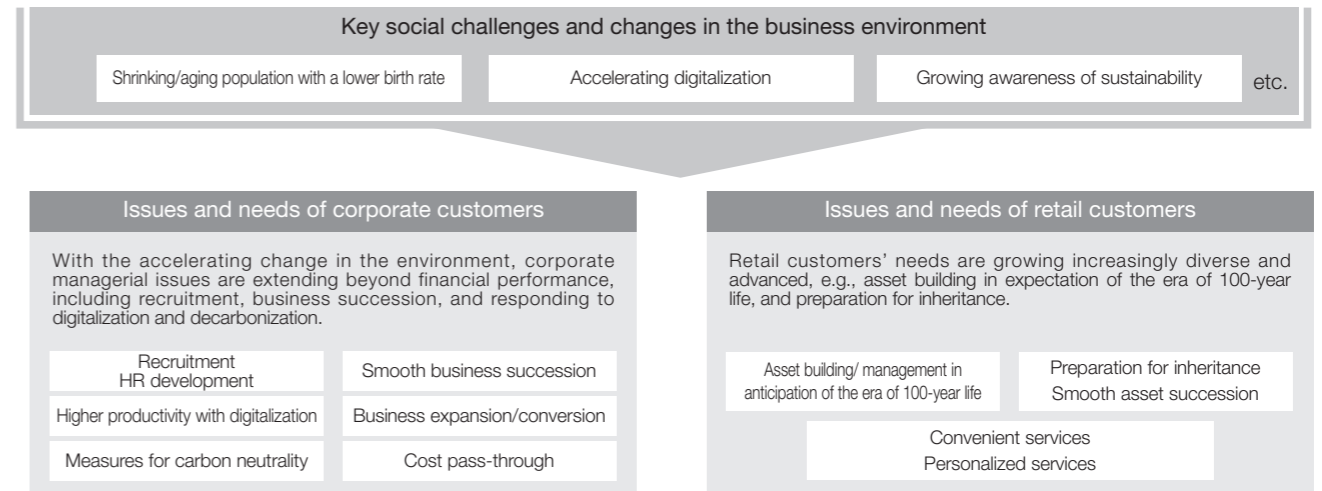
Column Overview of Financial Results for FY2022

Profit and Loss (Consolidated)	(Million yen)		
	FY2022	YoY	FY2021
Gross operating profit	108,159	(13,481)	121,640
(Core gross operating profit)	118,590	(2,094)	120,684
Net interest income	93,741	(3,632)	97,373
Fees and commissions	21,114	182	20,932
Trading income	1,369	(550)	1,919
Other operating income	(8,066)	(9,481)	1,415
(of which net gains (losses) related to bonds)	(10,431)	(11,386)	955
Expenses	78,039	(37)	78,076
Net business profits	30,119	(13,444)	43,563
(Core net business profits)	40,551	(2,057)	42,608
Gains (losses) on equity securities	2,235	3,144	(909)
Cost of credit	3,949	(81)	4,030
Other extraordinary gains (losses)	5,270	6,024	(754)
Ordinary profit	33,677	(4,191)	37,868
Extraordinary profit (loss)	434	1,148	(714)
Income taxes	7,678	(4,664)	12,342
Profit attributable to non-controlling interests	368	(207)	575
Profit attributable to owners of parent	26,064	1,828	24,236

Medium-Term Business Plan, “Leaping Forward 2026 - Connecting with Sincerity, Connecting the Future -”

The NNFH Group’s Business Environment

With the combined effect of population decline, an aging population with a lower birth rate, accelerating digitalization, growing awareness of sustainability, etc., the issues and needs of customers, both retail and corporate, are growing increasingly diverse and advanced.



Strategic Direction Considering the Internal and External Environment

- Considering the improvement/expansion of the Group’s management foundation along with the environment in Japan and abroad, from the diversification/sophistication of customer needs to the favorable market environments in Fukuoka and other areas in the Kyushu Region, diverse business opportunities can be expected in various financial and non-financial areas.
- Under the MTBP, we aim to boost the earning power of the NNFH Group while increasing support from customers by continuously improving the Group’s enhanced collective strength and providing optimal physical (“human touch”) and digital solutions to our customers.
- The key theme for achieving this goal will be enhancing relationship management to align the Group’s solution functions with customer needs. This will involve prioritizing specific measures such as strengthening the sales structure and human capital.
- Under the belief that “without regional development, there will be no growth of the Group,” we remain committed to providing solutions for the community and customers and engaging in diverse activities to contribute to the local community, and we will strive to improve sustainability of the community and the NNFH Group by reinforcing forward-looking growth investments and enhancing return to shareholders, etc.

1. Boosting earning power by providing solutions corresponding to social issues

Increase support from customers and boost the earning power of the NNFH Group by further enhancing the Group’s collective strength and providing solutions that address the increasingly diverse and sophisticated issues and needs of customers.

Strengthening relationship management

2. Strengthening the sales structure

Promote customer-oriented sales activity with a review of the sales system for HQ and branches, etc. along with enhancing digital channel functions and building a structure for centralization and effective utilization of information.

3. Strengthening human capital

Build a corporate culture that promotes advancement of diverse human resources through efforts to strengthen HR development for enhancing the expertise and skill sets of employees and establishing an environment that improves job satisfaction.

4. Improving sustainability of the community and the NNFH Group

Under the belief that “without regional development, there will be no growth of the Group,” provide solutions to local issues through core business and actively contribute to the local community in a variety of ways along with aiming to improve sustainable growth and increase corporate value of the NNFH Group by reinforcing forward-looking growth investments and enhancing return to shareholders, etc.

Value Creation Process/Medium-Term Business Plan

The NNFH Group focuses on relationships with diverse stakeholders and provides customer-oriented “One to One Solutions” via physical (“human touch”) and digital contributions to the development of the host community and customers.

Management Philosophy

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

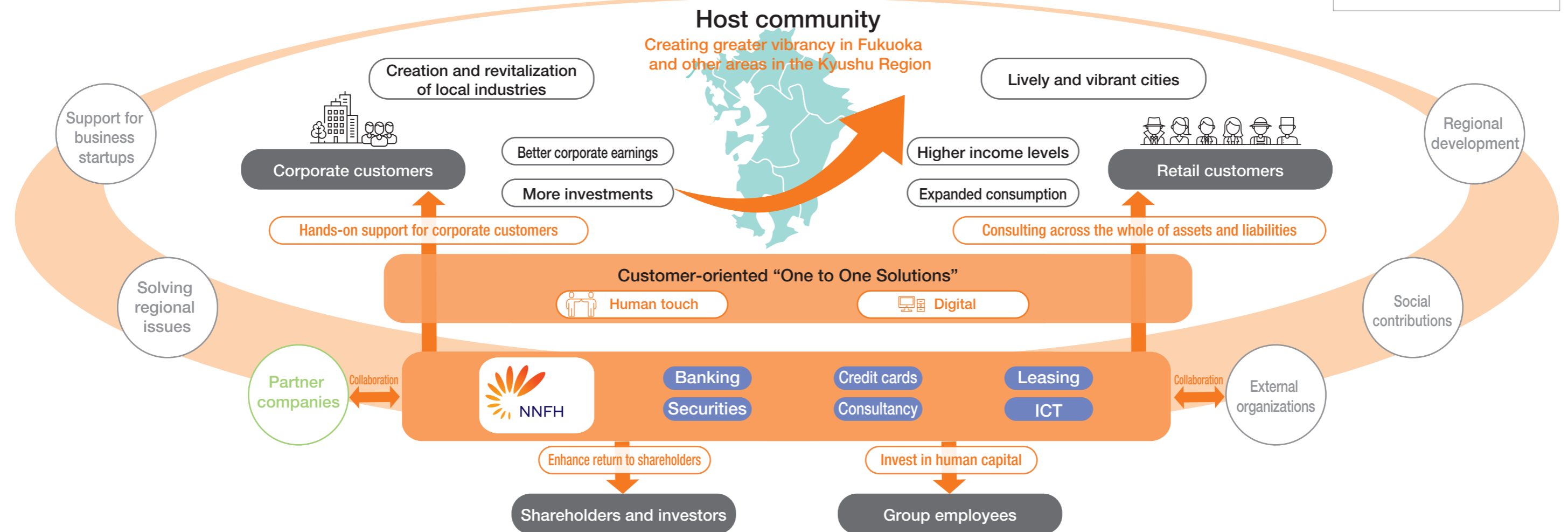
I. Be closest to the customer

II. Contribute to the community

III. Create human resources that meet expectations

Leaping Forward 2026 -Connecting with Sincerity, Connecting the Future-

“Connecting” is the essential common theme for each strategy, such as contact with customers and enhancement of Group collaboration



Basic strategy and priority measures

Basic strategy	I. Providing customer-oriented “One to One Solutions”	[Strengthening solution capabilities]
Priority measures	(i) Providing solutions to corporate customers (ii) Providing solutions to retail customers	
Basic strategy	II. Sales reform	[Strengthening contact with customers]
Priority measures	(i) Strengthening the sales system (ii) Digital strategy (iii) Work reform	
Basic strategy	III. Human resource reform	[Strengthening human capital]
Priority measures	(i) Human resource development (ii) Greater job satisfaction	
Basic strategy	IV. Sustainability Initiatives	[Strengthening sustainability]
Priority measures	(i) Contributions to a sustainable local community (ii) Efforts for sustainable growth of the NNFH Group	

Target management indices

		FY2022 results	Forecast for FY2025		FY2022 results	Forecast for FY2025
Profitability	Consolidated net income <small>*Figures in parentheses indicate the contributions made by Group companies other than the Nishi-Nippon City Bank.</small>	¥26.0 billion (¥3.5 billion)	¥32.0 billion (¥5.0 billion)	Efficiency	Consolidated Core OHR	65.8% → Approx. 60%
	Consolidated ROE	4.95%	Approx. 6%		Soundness	Consolidated capital adequacy ratio <small>*Figures in parentheses are based on the full application of Basel III finalization.</small>

Basic Strategy I. Providing Customer-Oriented “One to One Solutions”

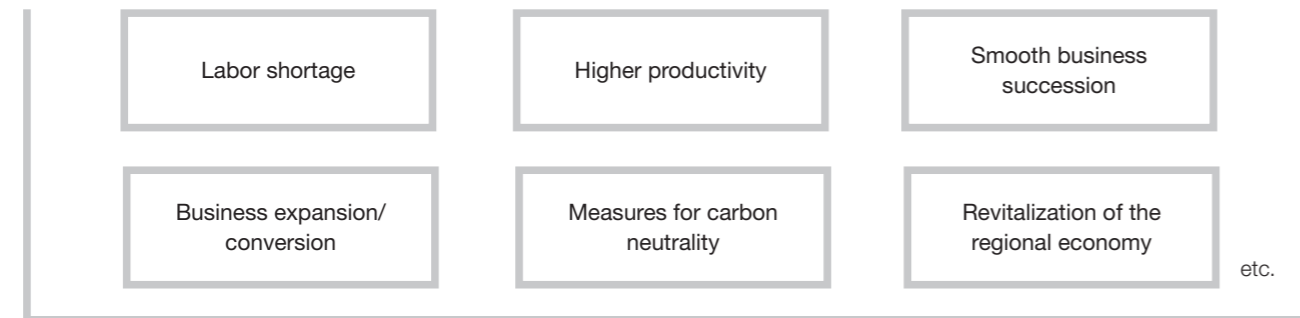
In an effort to meet increasingly diversified and advanced customer needs, the NNFH Group provides customer-oriented “One to One Solutions” in the forms of human touch and digital solutions, thus contributing to the development of customers and the regional community.

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

Priority Measures (i) Providing Solutions to Corporate Customers

The NNFH Group provides financial and non-financial solutions tailored to each corporate customer’s needs, which are becoming increasingly diverse and sophisticated against the backdrop of social changes such as labor/successor shortage, DX, and carbon neutrality, by fully applying the NNFH Group’s collective strength (hands-on support for corporate customers).

Increasingly diverse and advanced issues and needs of corporate customers



Providing financial and non-financial solutions (hands-on support for corporate customers)

Banking
Credit cards
Leasing
Securities
Consultancy
ICT

Support for business succession/M&As

Support for digitalization/DX

Human resources-related support

Regional development/support for business startups

Support for SDGs/ESG, decarbonization

Support for cashless payment

Providing diverse fundraising methods

etc.

Increase business loan balance

Period	Balance
The end of March 2020	¥4.3T
The end of March 2023	¥4.9T
The end of March 2026	¥5.3T

Increase corporate customer-related fee income

(The Nishi-Nippon City Bank)

Fiscal Year	Income
FY2019	¥4.4B
FY2022	¥6.2B
FY2025	¥7.5B

Support for Business Succession/M&As

Support Business Succession for a Broad Range of Customers

The NNFH Group supports business succession for a broad range of customers using more specialized and sophisticated methods including the use of MLBO schemes and funds.

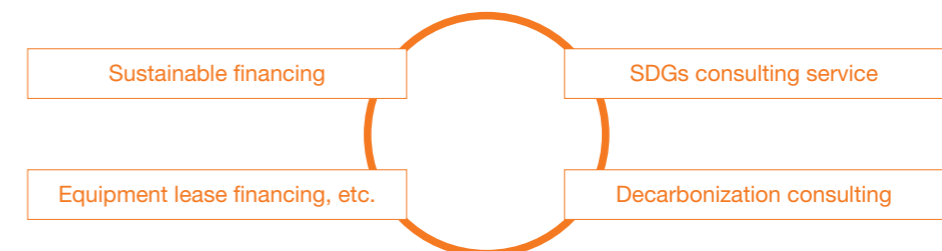


Support for SDGs/ESG, Decarbonization

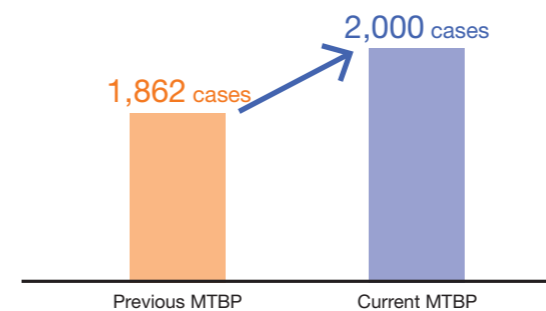
Provide Solutions that Match the Issues/Needs of Customers

The NNFH Group provides financial and non-financial solutions such as support for fundraising with sustainable financing and leasing, along with the establishment of action plans for SDGs management.

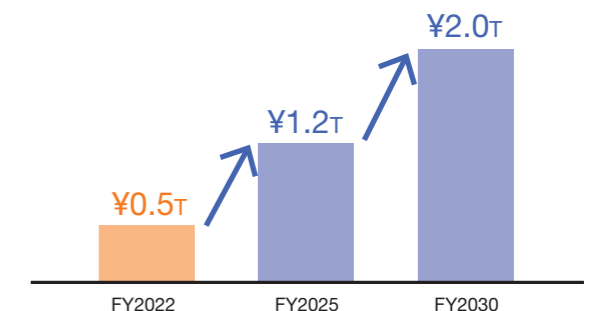
Providing financial and non-financial solutions



Number of SDGs management support projects



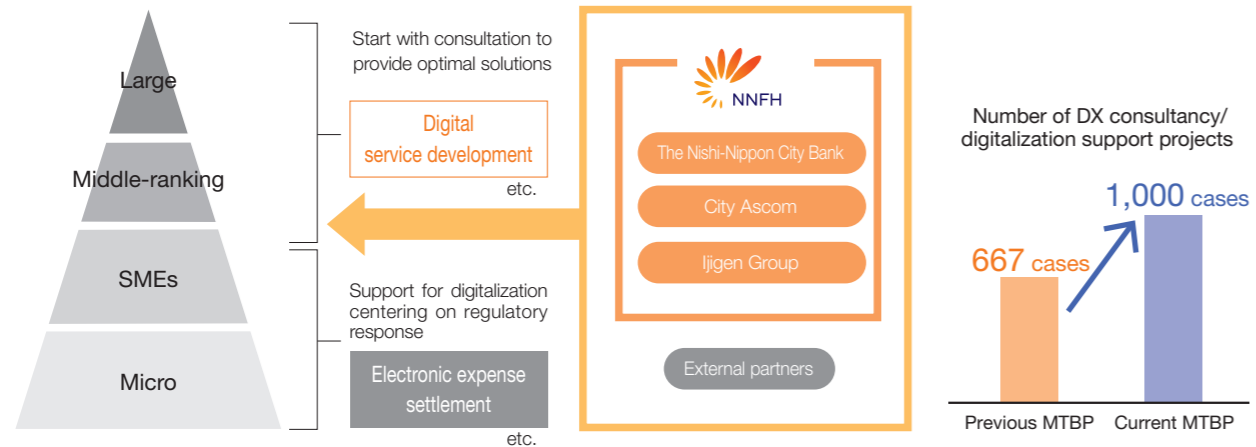
Total sustainable financing amount



Support for Digitalization/DX

Optimal Support for Digitalization / DX for Each Customer

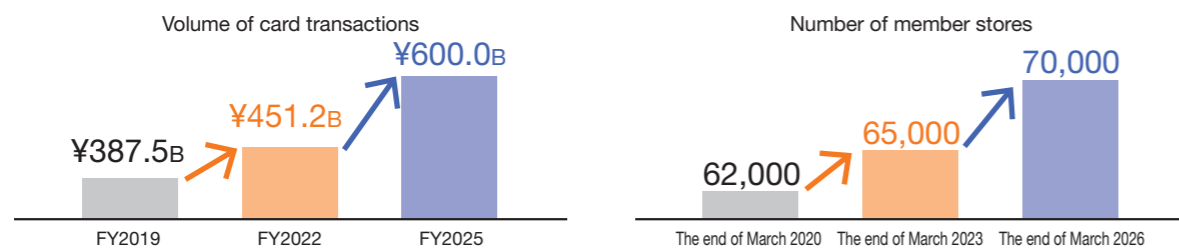
The Nishi-Nippon City Bank, City Ascom, and Ijigen Group work in union to provide optimal solutions corresponding to the size and issues of customers.



Support for Cashless Payment

Support for Corporate Customers to Go Cashless with Payments

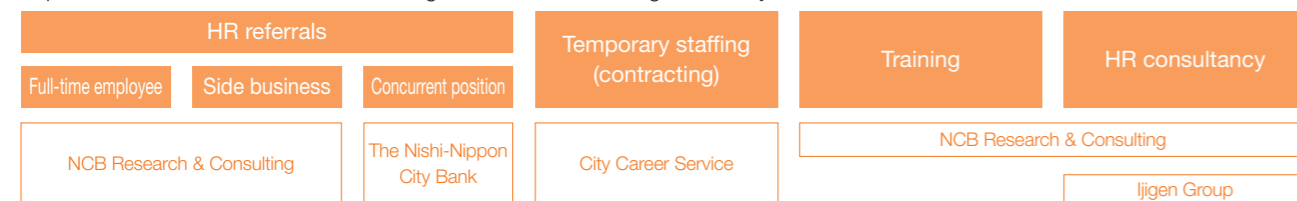
The Kyushu Card will leverage its strengths as the No. 1 regional-bank-affiliated credit card company to aid corporate customers in going cashless by providing corporate cards and terminals compatible with multiple means of settlement.



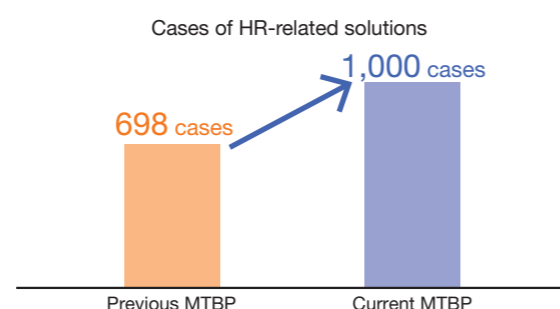
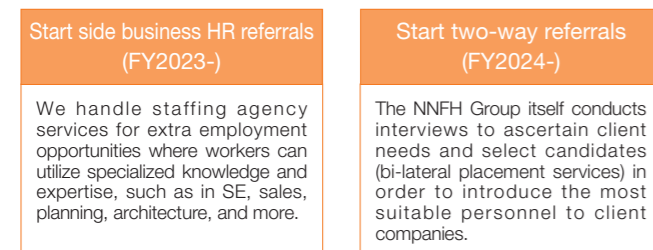
Human Resources-Related Support

Providing Group-Based HR-Related Solutions

By coordinating and utilizing the diverse human resource-related solution functions of each Group company, the NNFH Group continues to provide solutions to meet the diverse range of needs and challenges faced by individual customers.



Strengthen HR referral function

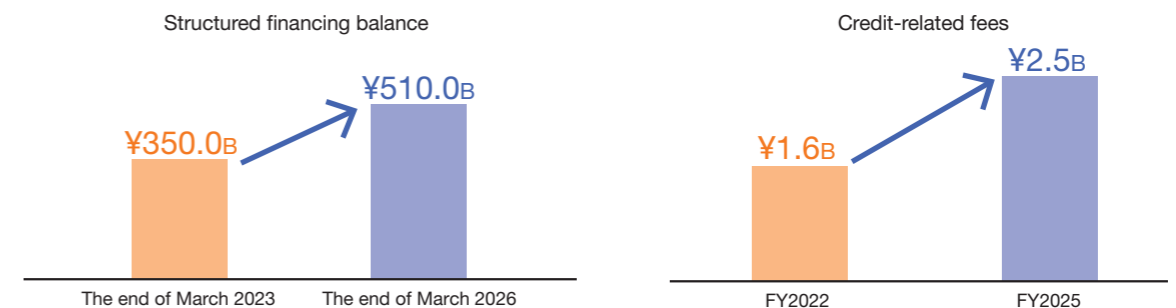


Providing Diverse Fundraising Methods

Enhance Structured Finance

The NNFH Group enhances structured finance to meet customers' diverse financing needs.

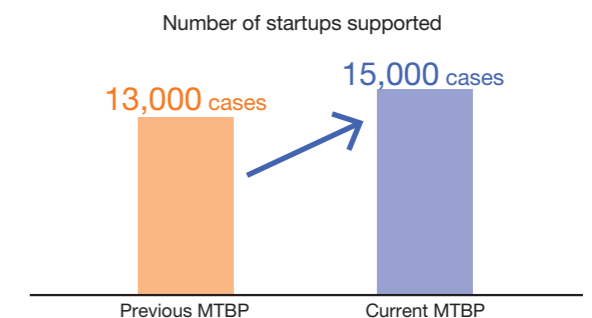
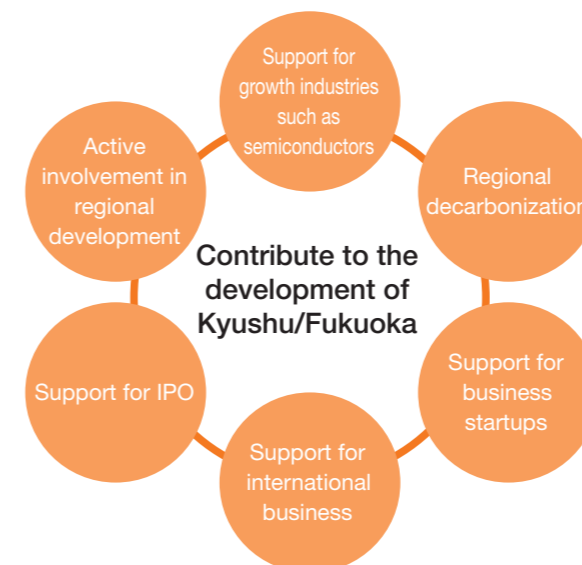
Real estate-related financing	In addition to an increase in the number of projects in Kyushu such as the large development in Fukuoka, the number of projects outside Kyushu is increasing reasonably.
Project financing (Renewable energy, etc.)	Offshore wind projects in Kyushu are in Hibikinada, Nagasaki, and Karatsu. The number of projects is increasing with the decarbonization trend.
MLBO financing	Market expansion with the delisting and carving out of listed corporations, etc. Can be used for business succession.
Sustainable financing	New products such as transition financing in addition to increased demand for positive impact finance and sustainability-linked loans.
Ship and aircraft financing	Capital expenditure for decarbonization is accelerating.



Regional Development/Support for Business Startups

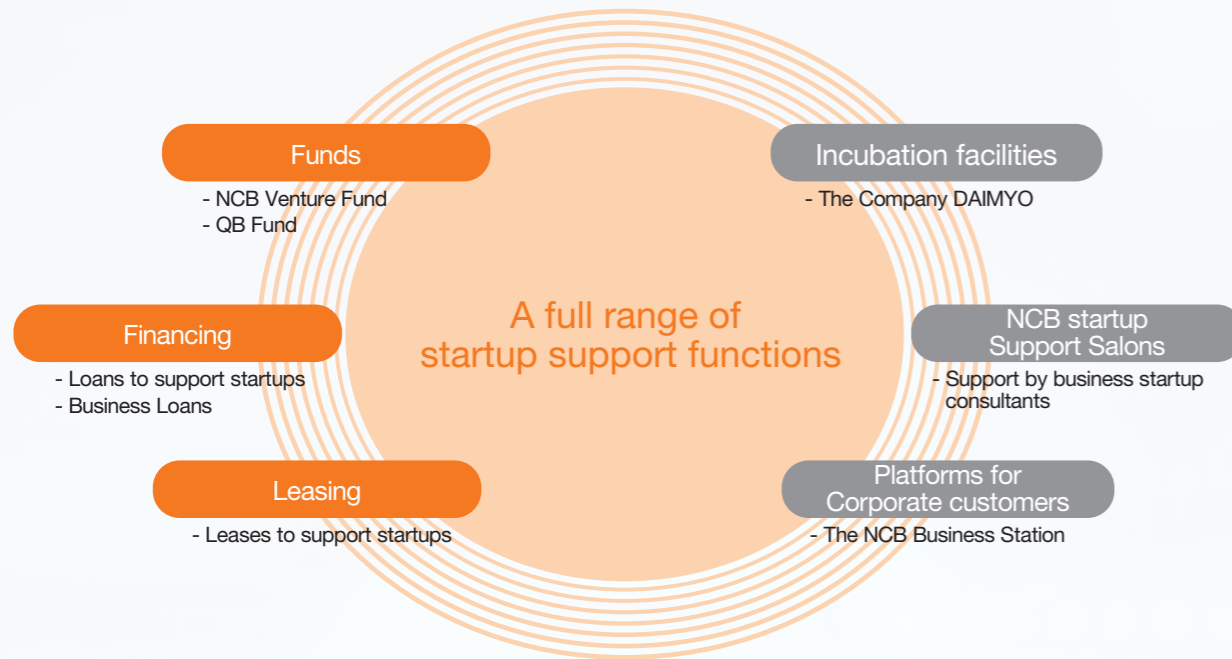
Active Involvement in Development of the Regional Economy/Industries

The NNFH Group contributes to further development of Fukuoka and other areas in the Kyushu Region through active involvement in support for business startups, regional development, and growth industries such as semiconductors.



Special Features: Efforts to Create Industries and Jobs in the Region

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



Finely-Tuned Startup Support

NCB Startup Support Salons and Business Startup Consultants

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

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

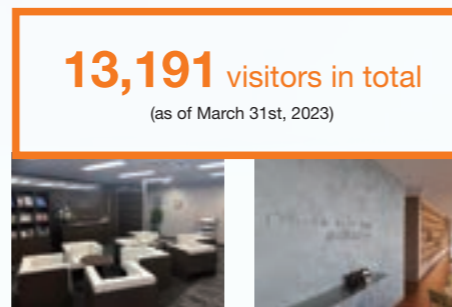
A Co-working Facility, The Company DAIMYO

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

There, our resident business startup consultants address a variety of issues that customers may encounter before and after starting a business. Since its establishment, the facility has handled a total of 107 consultation cases, as of March 31st, 2023. Also organized at the facility are periodic consultations by certified tax accountants and other specialists and gatherings designed to allow the tenants to build a network.

Startup Support through Funds

The Nishi-Nippon City Bank makes capital commitments to a variety of funds for businesses in various stages, including support for startups and new businesses, business growth, business succession, shift to “sixth-order industrialization,” and commercialization of business seeds.



NCB Business Loans, Bank of Nagasaki Business Loans

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

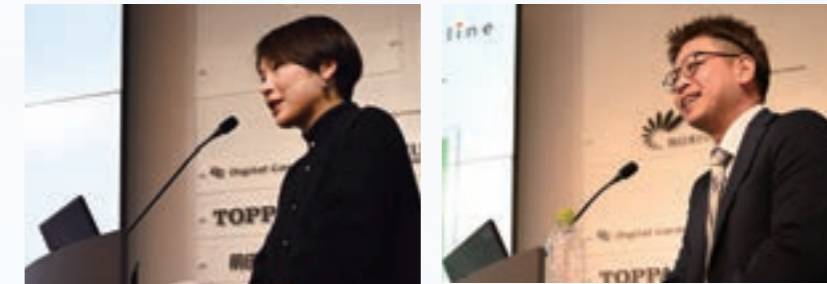
Meanwhile, the Bank of Nagasaki offers Bank of Nagasaki Business Loans. Some of their advantages include a simple application procedure that doesn't require applicants to submit income verification documents and speedy screening that an application may be filed via facsimile and responded to the following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

NCB Leasing Support for Business Startups and Nagasaki Leasing Support for Business Startups

The Nishi-Nippon City Bank and the Bank of Nagasaki, in cooperation with Kyushu Leasing Service, provide individual business owners who are considering installing startup-related equipment with business startup leasing support.

NNFH Business Competition —OPEN INNOVATION HUB—

The NNFH Group organized the third open innovation business competition for startups. In February 2023, a final selection committee meeting was held for the seven companies that passed the first and second rounds of screening from among the 100 companies that entered, and the first and second most outstanding contestants, as determined by the committee, were commended.



NCB Open Accelerator

In cooperation with KPMG Japan, the Nishi-Nippon City Bank in 2022 launched the NCB Open Accelerator* program, which supports the creation of new businesses by local organizations and companies, and contributes to the revitalization of local economies.

*The program aims to create new businesses by combining the technologies, expertise, sales channels, and other resources owned by participating companies with the innovative business models, advanced technologies, and expertise of startup companies.

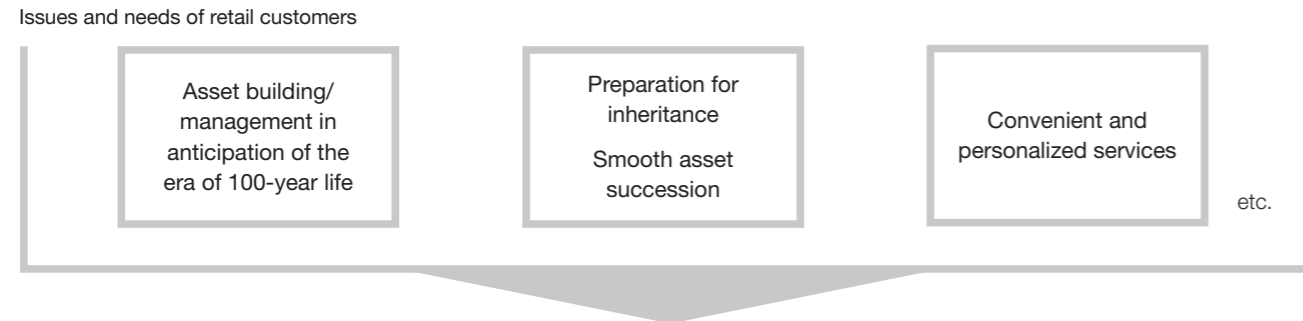
The final meeting to report the results of the NCB Open Accelerator@Fukuoka 2022 program was held in January 2023. At the meeting, five of the companies that participated in fiscal 2022 reported on the results of their efforts to create new business in collaboration with startup companies, based on their respective themes.

In addition, the NCB Open Accelerator@Fukuoka 2023 program was launched in June 2023, as a continuation from the previous fiscal year. In fiscal 2023, four participating companies will spend roughly eight months creating new business in collaboration with startup companies.

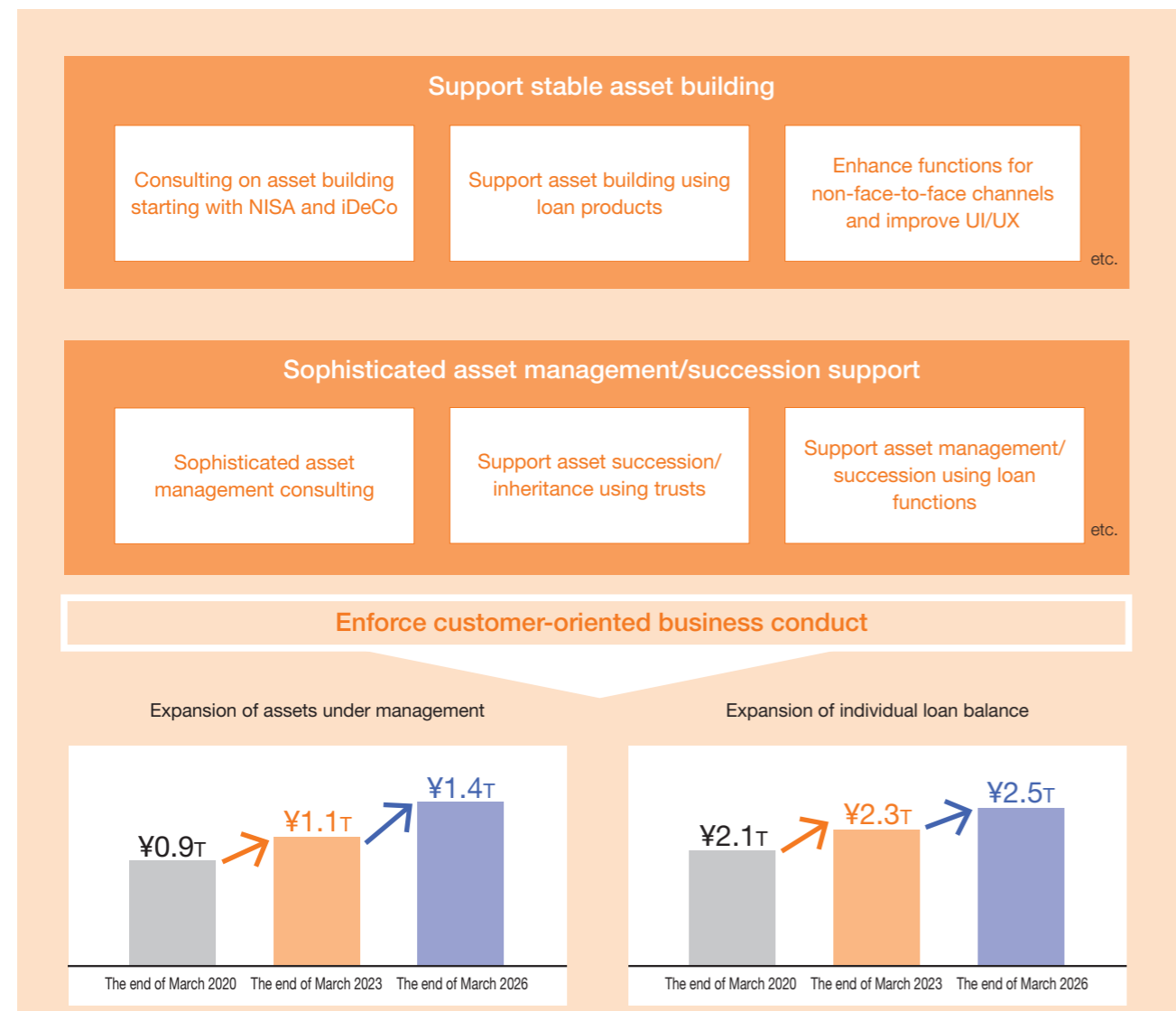


Priority Measures (jj) Providing Solutions to Retail Customers

The NNFH Group provides optimal solutions for each customer by enforcing customer-oriented business conduct and consulting on all assets and liabilities for a broad range of customers.



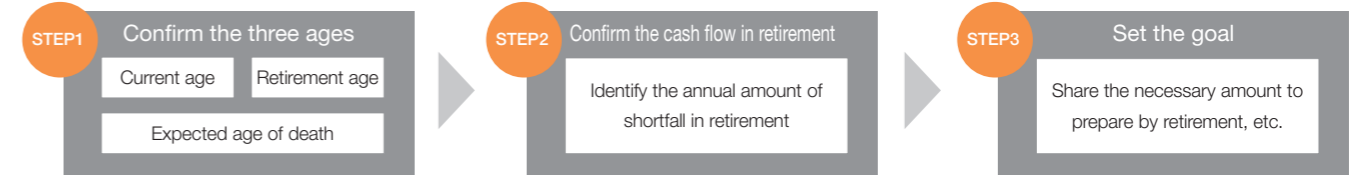
Consulting on full range of assets and liabilities of customers



Consulting on Asset Building

Asset Management Proposals with Clear Goals

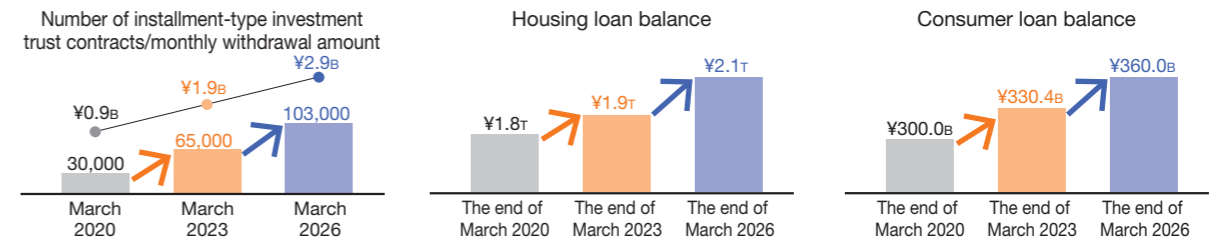
The NNFH Group proposes optimal asset management for each customer with interviews/reviews of the amount of assets to be reserved by retirement and the period of withdrawal, etc.



Long-term diversified investment proposals matching each customer

Enhance Lending Capacities Corresponding to the Life Stage of the Customer

The NNFH Group strengthens lending capacity by improving consulting capacities for retail customers, expanding the dedicated loan site system, strengthening non-face-to-face channel functions, etc.



Providing Solutions for Wealthy Individuals

Provide Sophisticated Solutions with Bank and Securities Collaboration

The NNFH Group provides sophisticated solutions with mutual customer referral/collaboration between banks and securities corresponding to the needs of each customer.



Asset Succession/Inheritance Initiatives

Asset Succession/Inheritance Initiatives Using Trust Functions

The NNFH Group supports smooth asset succession/inheritance for customers by enhancing trust business initiatives in preparation for the “Great Inheritance Era.”

Support asset succession/inheritance using the Group trust functions



Special Feature: Initiatives for Improving Customer Satisfaction

Building a Framework for Customer-Oriented Business Conduct

Basic Policy for Management and Building of Customers' Assets

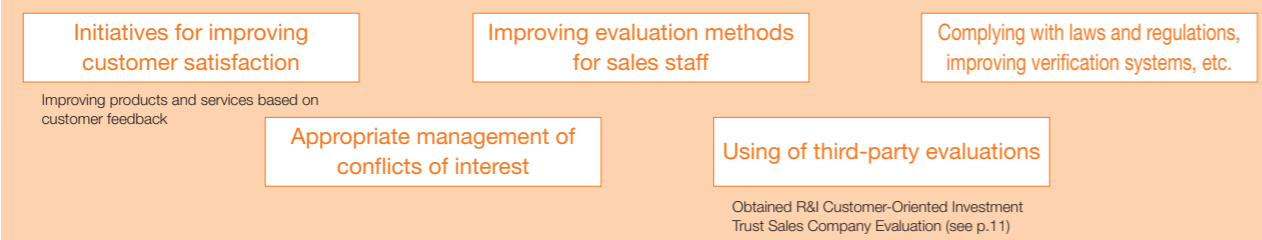
Under the Group Management Philosophy, the NNFH Group rolls out comprehensive financial services that exceed the expectations of customers and host communities. To appropriately manage and build customers' assets, the NNFH Group has built a framework for customer-oriented business conduct by establishing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

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

<https://www.nnfh.co.jp/fiduciaryduty.html>

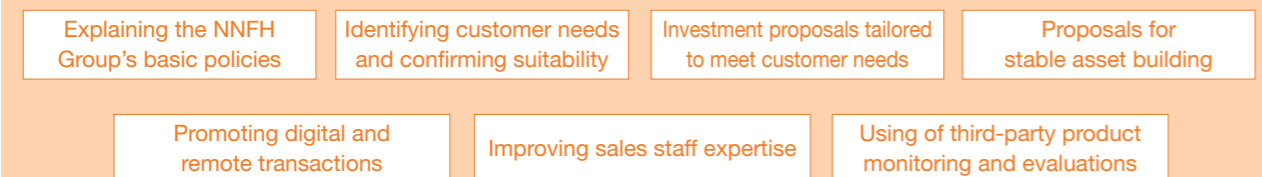
Basic Policy 1. Building a Framework for Customer-Oriented Business Conduct

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



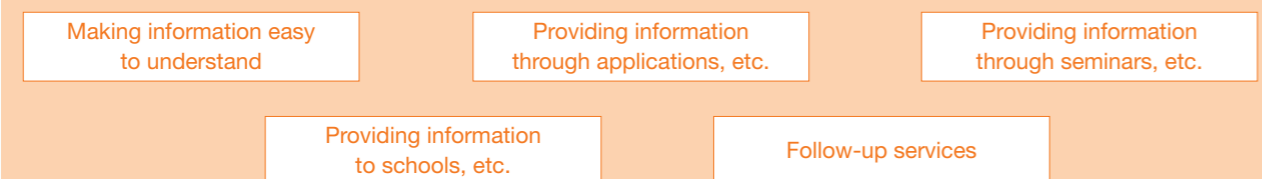
Basic Policy 2. Offering Optimal Products and Services for Customers

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



Basic Policy 3. Providing Information to Customers in a Better Way

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



Efforts with Consideration for Elderly People and Customers with Disabilities

Barrier-Free Facilities

The NNFH Group promotes universal design and barrier-free facilities at branches for valued customers.

Services Friendly to Persons with Disabilities

The Nishi-Nippon City Bank and the Bank of Nagasaki have installed a total of 916 and 45 ATMs (including those outside branches) for visually-impaired persons, respectively, with at least one at every branch (as of March 31st, 2023). Customers are also welcome to ask our staff to write/read for them.

Support for Telephone Relay Services

The Nishi-Nippon City Bank supports telephone relay services as a form of public infrastructure aimed at improving convenience for customers with hearing or speech difficulties.



Initiatives for Security

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

Initiatives for Enhancing Security of Internet Banking

Measures Taken for the Nishi-Nippon City Bank's Systems

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

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

Measures Taken for the Bank of Nagasaki's Systems

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

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

Measures Taken for Customers' Computers

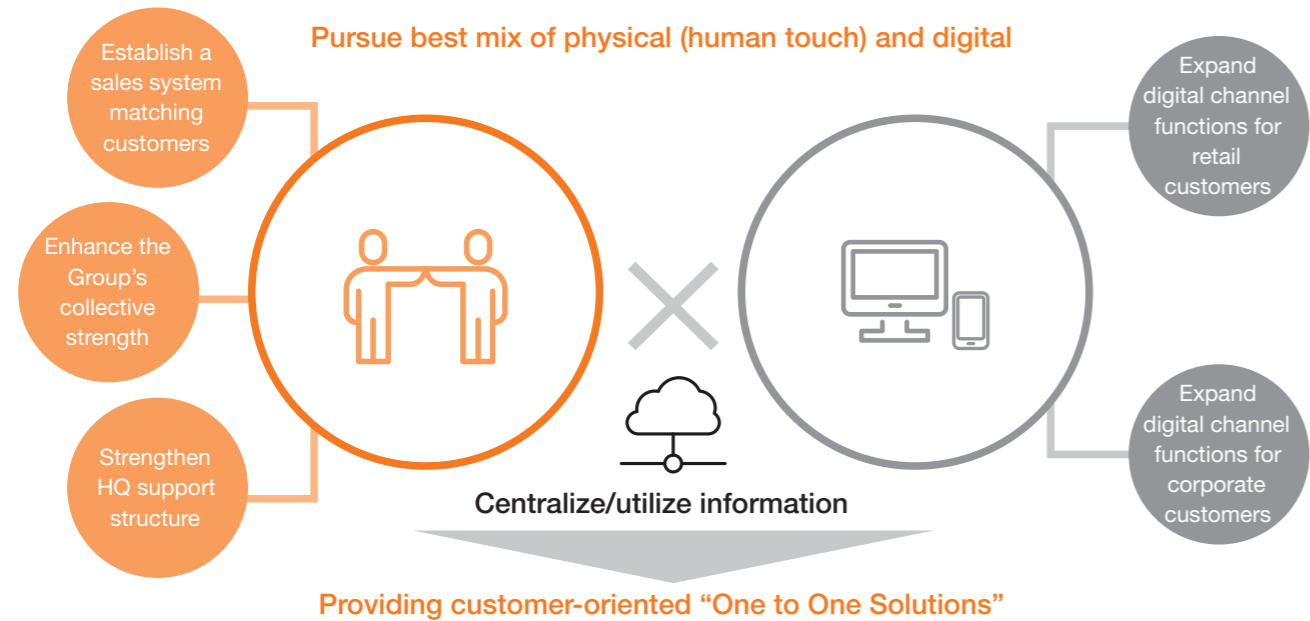
Free software to tackle illegal money transfer is distributed on the Nishi-Nippon City Bank's and the Bank of Nagasaki's websites. The software prevents users from being directed to fake websites (phishing) and having their passwords and other information stolen by viruses (spyware).

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

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

Basic Strategy I. Sales Reform

The NNFH Group will carry on the concept of 'pursuing the best mix of physical (human touch) and digital solutions,' as set forth in the previous MTBP, and further enhance the functions of digital channels, while this time placing particular emphasis on the human touch elements as we work to strengthen relationship management.

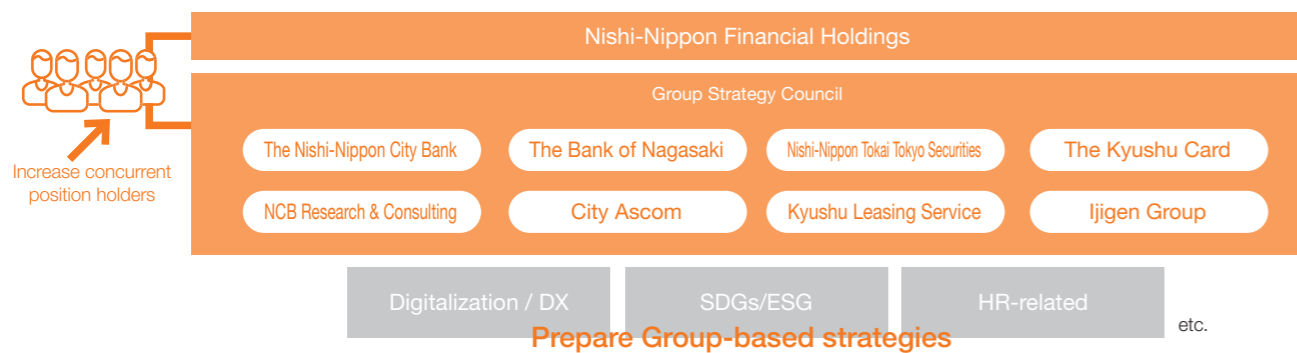


Priority Measures (j) Strengthening the Sales System

Enhance the Group Collaboration System

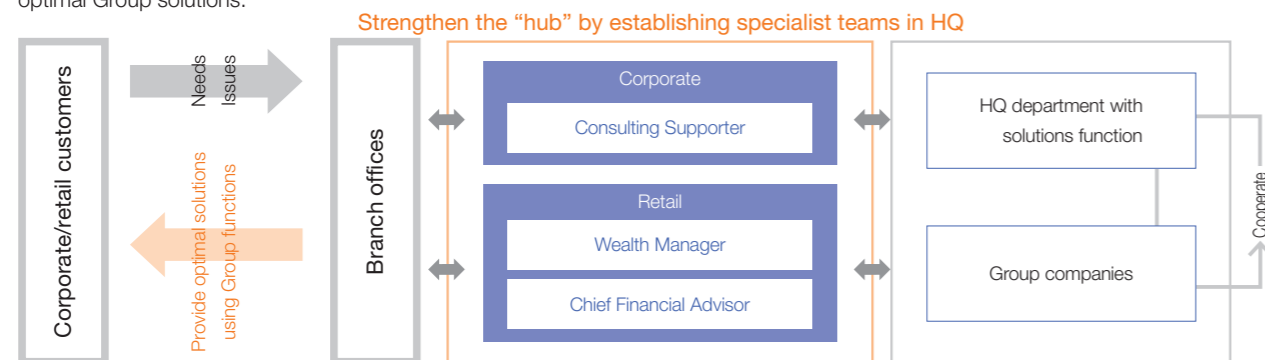
The NNFH Group practices matrix management, in which NNFH (the holding company) develops group-wide strategies based on the needs of each customer.

Under the current MTBP, we aim to increase the number of officers who hold concurrent positions at NNFH and other companies, and establish a system that enables the formulation of Group strategies with a more cross-functional perspective through the Group Strategy Council, comprised of eight Group companies.



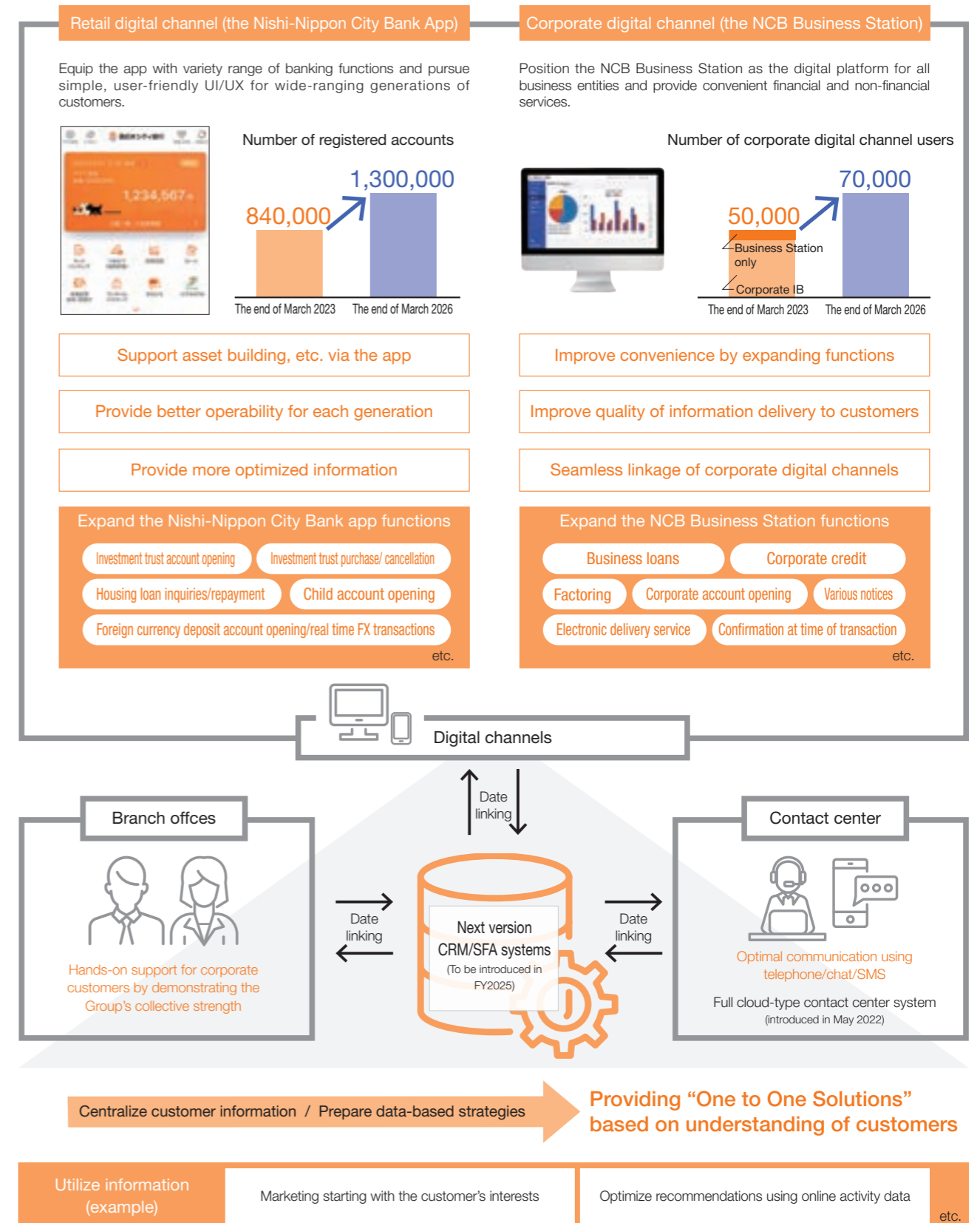
Strengthen the HQ Support System

In order to strengthen the nexus connecting our customers' challenges/needs with the Group's solution functions, the NNFH Group has set up specialized HQ units for both corporate and retail customers to establish a system capable of providing each customers with optimal Group solutions.



Priority Measures (ii) Digital Strategy

The Nishi-Nippon City Bank expands digital channel functions for corporate and retail customers and improve UI/UX in addition to building a system for centralizing/utilizing customer information. Provide optimal solutions for each customer in physical and digital channels.



Services for Retail Customers

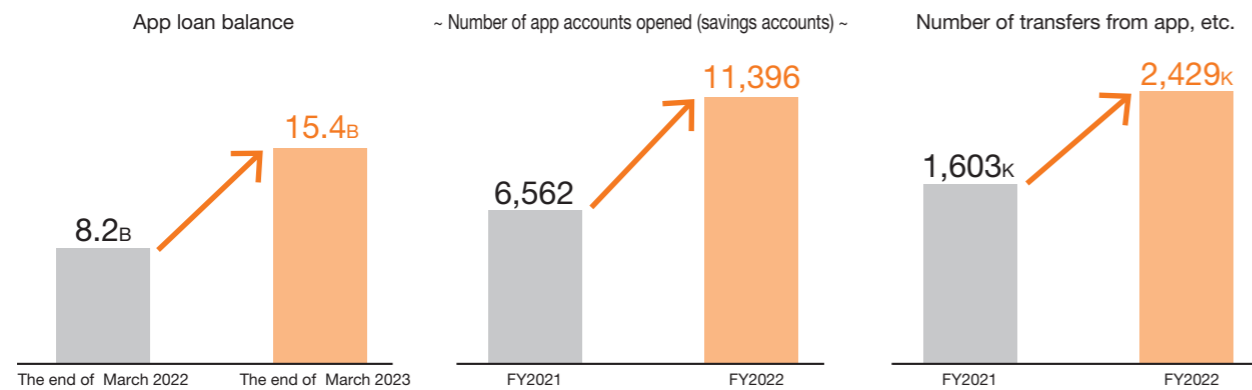
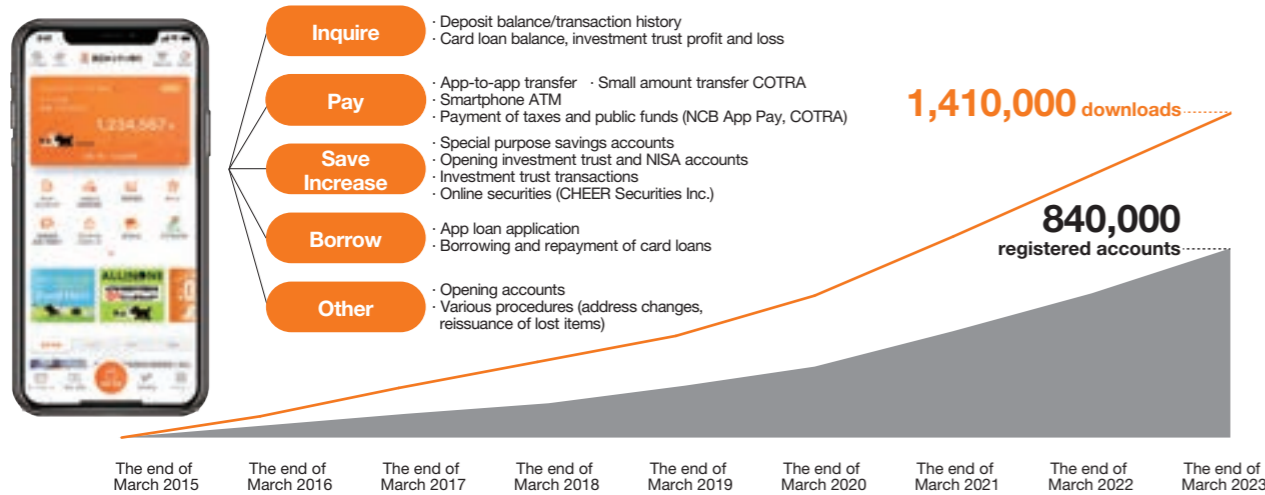
Expanding Functions of the Nishi-Nippon City Bank App

Since its March 2015 launch, the Nishi-Nippon City Bank app, a smartphone app offered by the Nishi-Nippon City Bank, has continued to expand its functions and the number of service procedures that can be completed through the app, such as opening savings accounts, conducting card loan and mutual fund transactions, and using smartphone ATM.

The app is popular among customers, evidenced by a total of 1.41 million downloads with 840,000 account registrations as of March 31st, 2023.

Going forward, we will continue to provide convenient services and expand contact points with retail customers under the concept of "Have a bank in your smartphone!"

Have a bank in your smartphone!



Asset Building Services via the Nishi-Nippon City Bank App

- Renewal of investment trust functionality
- Coordination with an online securities company (CHEER Securities Inc.)

Additional functions for opening investment trust and NISA accounts

The ability to complete investment trust purchases and cancellations, as well as applications for installment-type investment trusts

Investment profit/loss screen that displays details

Investments in Japanese and U.S. stocks from as little as 500 yen

The ability to make deposits and withdrawals in real-time

Seamless login from the Nishi-Nippon City Bank app

Services for Corporate Customers

Introducing the "NCB Business Station," a Platform for Corporate Customers

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

24/7 Access to an Online Counter!

Financial service

- Single transfer
- Bundle transfer, salary transfer
- Deposit balance and account activity inquiries
- Other banks online inquiry services
- Online loan functions etc.

Non-financial service

- Business matching
- Provision of subsidy and grant information
- Provision of seminar and management information
- Employee benefits services
- Electronic form issuance services etc.

Major functions to be added in FY2023

Provision began in May 2023

Electronic form issuance services

- Services that enable customers to view and obtain various documents in electronic form (PDF format)
- Paperless
- Viewable at any time
- Secure information management and security

*Provision began of 19 electronic forms, including reconciliation statements for current accounts and repayment schedules, with even more forms planned for the future.

Integration with online corporate banking

- Unification of corporate IB login screen with NCB Business Station
- Graphical fund management
- Consolidated display of balances for multiple accounts
- Access to various services and information on Group company services

Digital Solutions

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

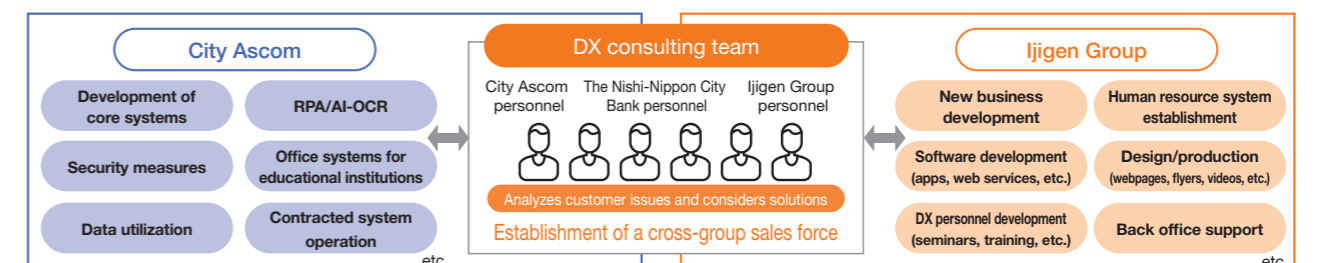
DX Support

In cooperation with Group companies and external partners with specialized knowledge, the Nishi-Nippon City Bank offers hands-on support throughout the five steps necessary for the implementation of DX, as well as for the acquisition and development of the personnel that serve as the foundation.



DX Support System

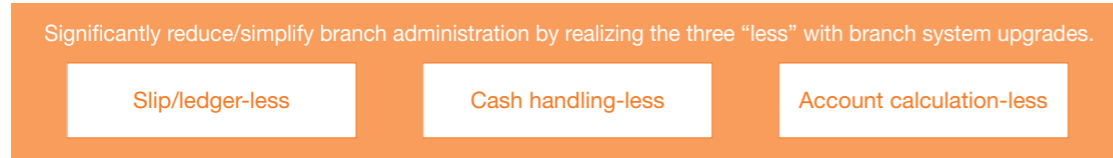
The Nishi-Nippon City Bank, City Ascom, and the Ijigen Group have established a cross-group sales force to provide appropriate solutions to the various issues faced by our customers in implementing digital transformation.



Priority Measures (iii) Work Reform

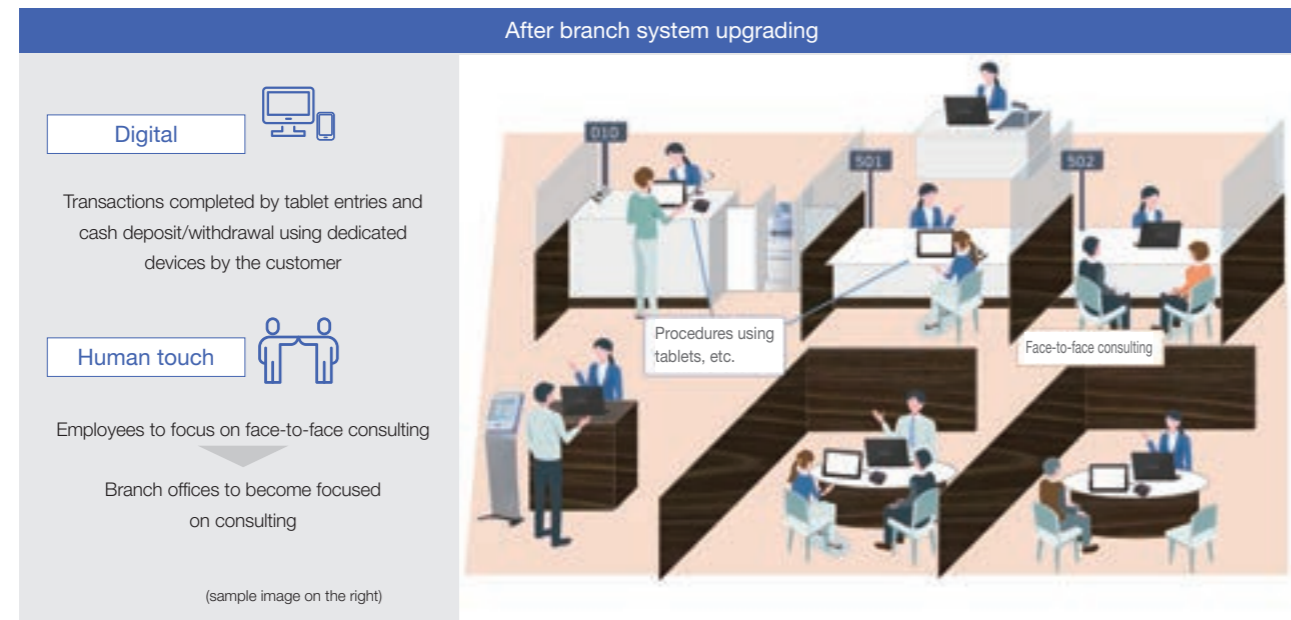
The Nishi-Nippon City Bank redefines branch offices as “business locations focused on consulting” considering the progress in digitalization and fundamental reduction of branch administration with the branch system upgrades. We aim to improve productivity by reallocating personnel selected based on improved efficiency, etc. to focus areas such as front office, etc.

Redefine the Role of Branch Offices

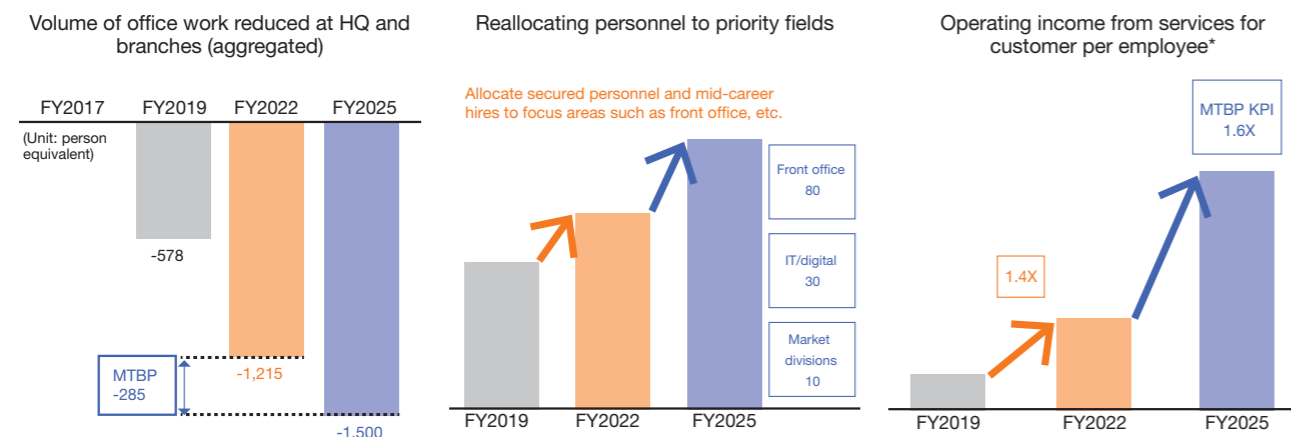


Branch administration will be mainly handled by part-time staff, with full-time employees shifting to face-to-face consulting operations.

Branch offices to become focused on consulting



Secure Personnel by Improving HQ Operation Efficiency



* (Balance of loans and bills discounted × Loan-to-deposit spread + Net fee and commission income – General and administrative expenses) ÷ Average number of employees during the fiscal year

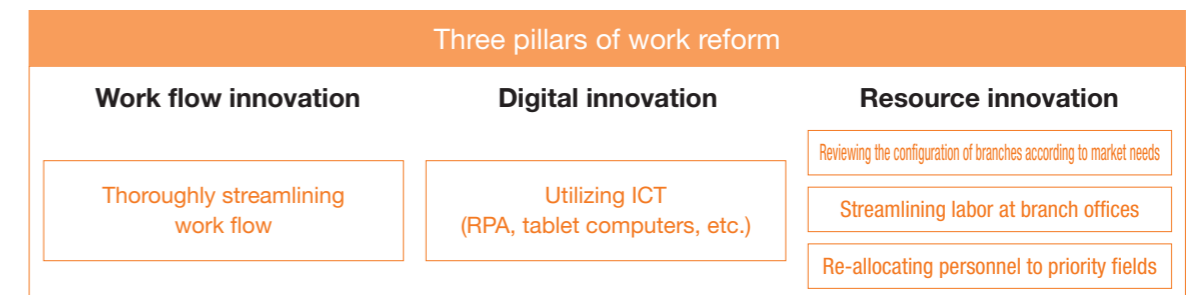
Column Review of the Last Five Years of Business Innovation

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

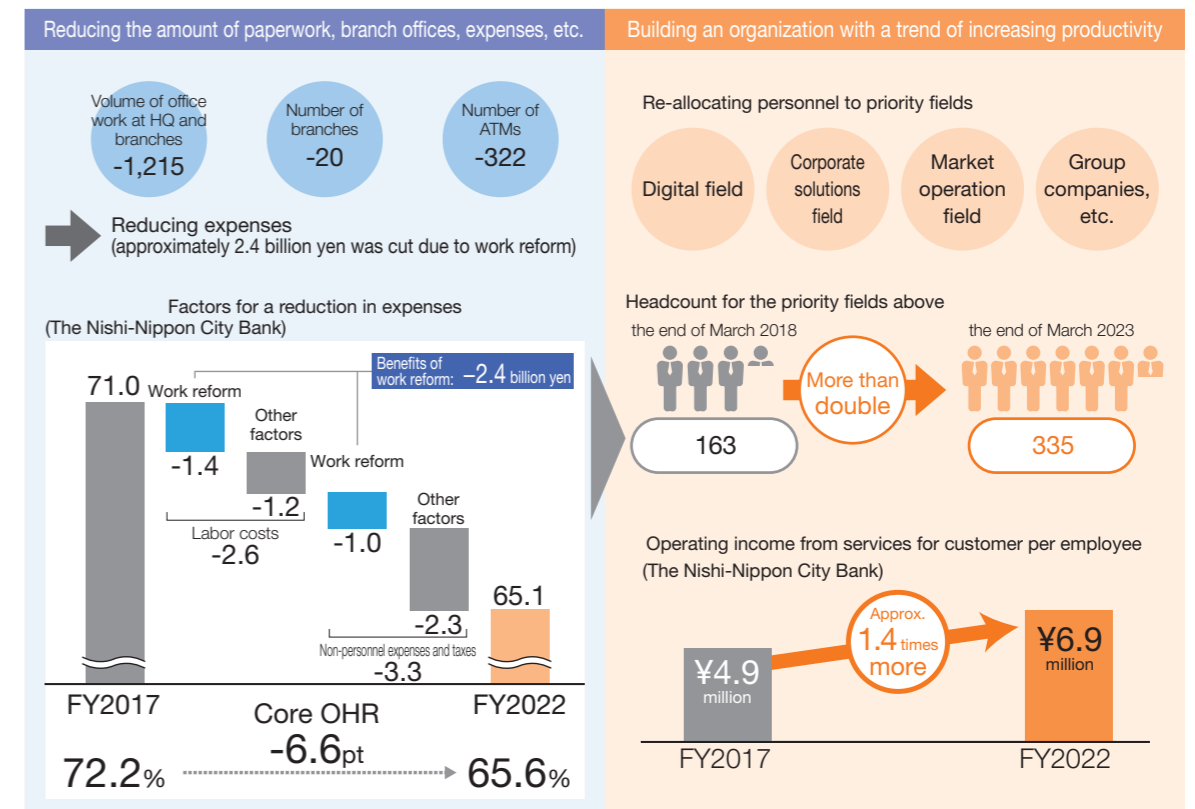
Recognition of Issues



A General Picture of Work Reform

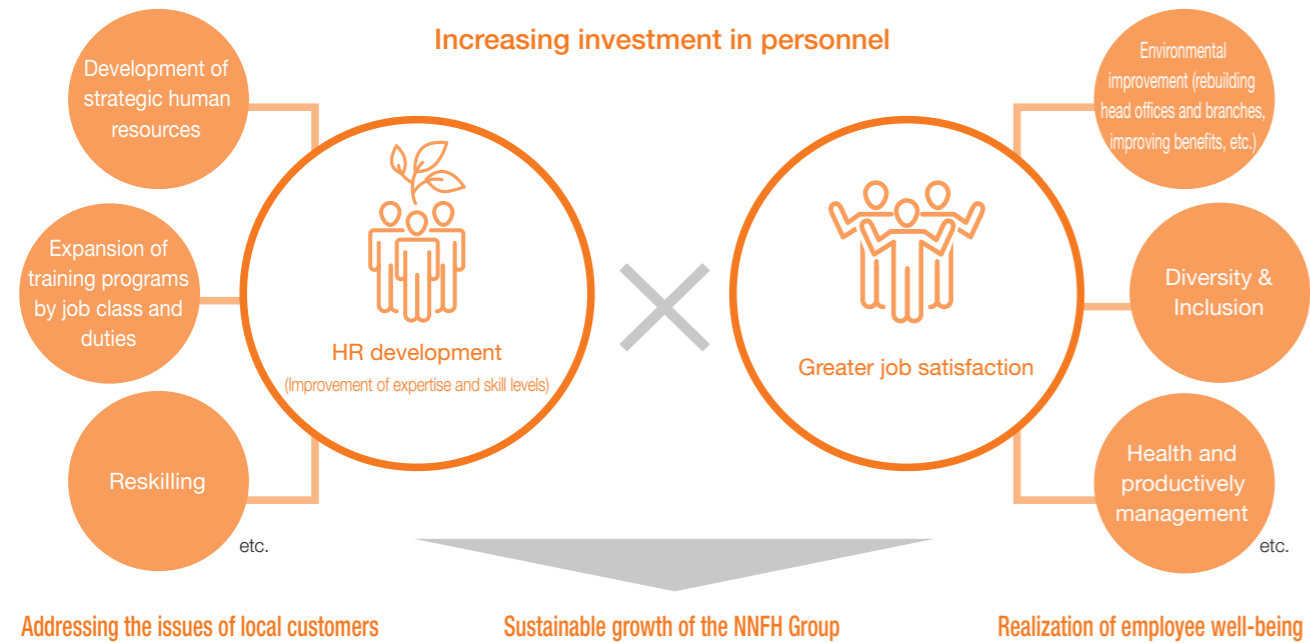


Major achievements from five years of business innovation (April 2018 to March 2023)

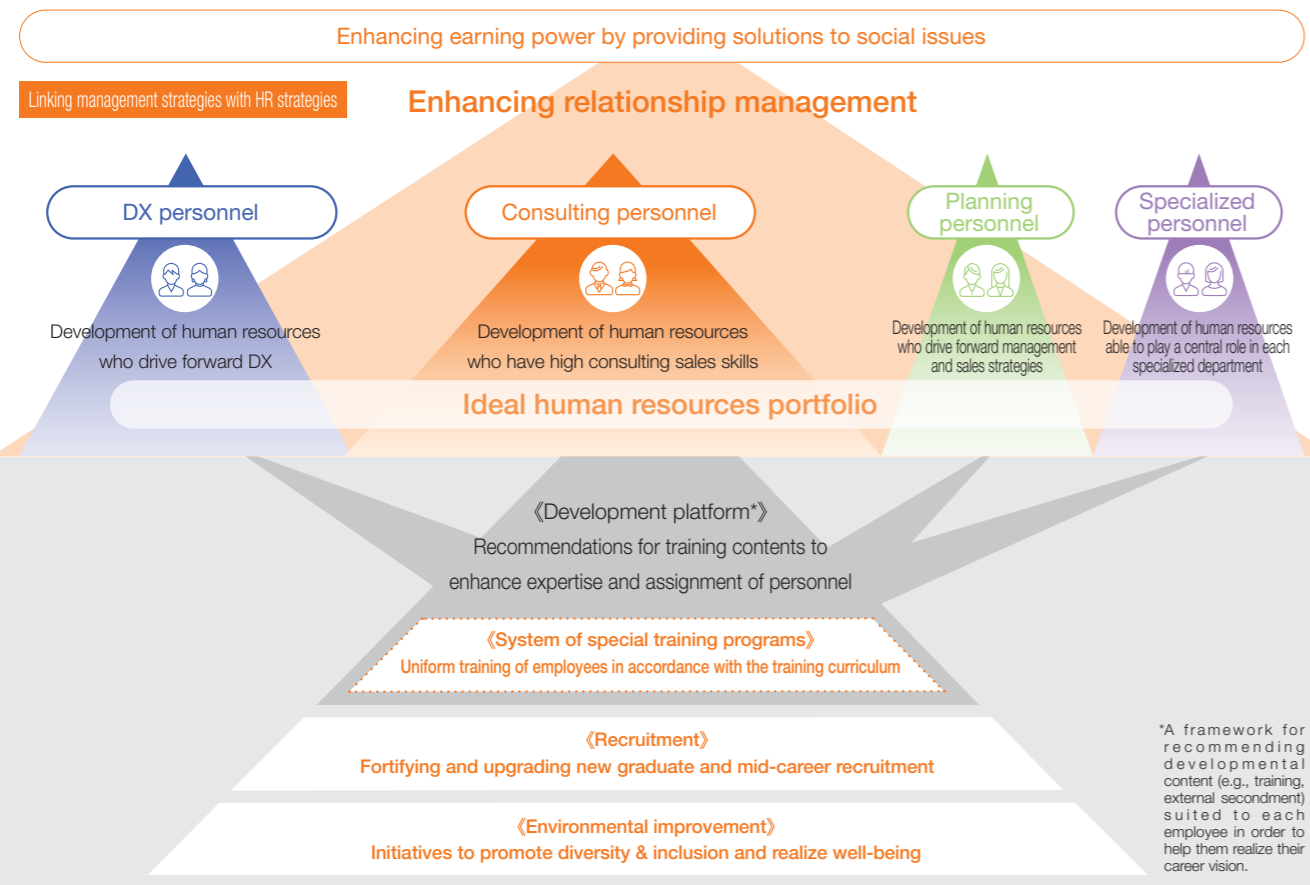


Basic Strategy III. Human Resource Reform

We at the NNFH Group will further strengthen our HR development efforts to enhance our staff's level of expertise and skills, while also increasing the degree to which we invest in personnel, the source of our business competitiveness, such as working to create rewarding workplaces, in order to enable our diverse human resources to engage in their duties with a sense of satisfaction and pride.



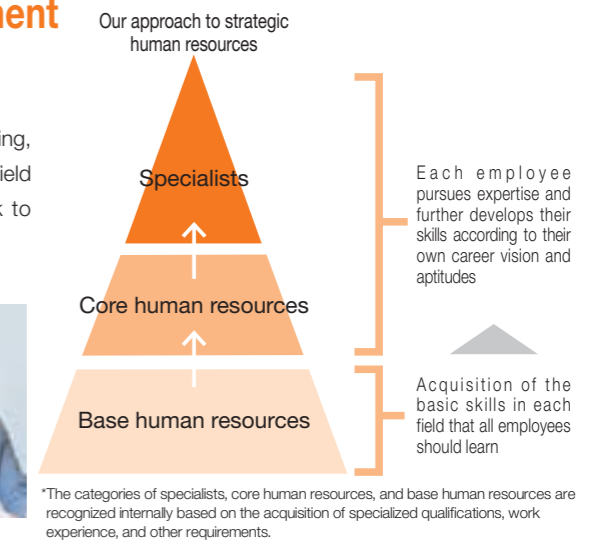
HR Strategy Framework



Priority Measure (j) Human Resource Development

Development of Strategic Human Resources

The NNFH Group uses the term “strategic human resources” (consulting, DX, planning, and specialized personnel) to describe highly specialized human resources in each field that are essential in realizing the Group’s management strategies, and we work to systematically develop such human resources.

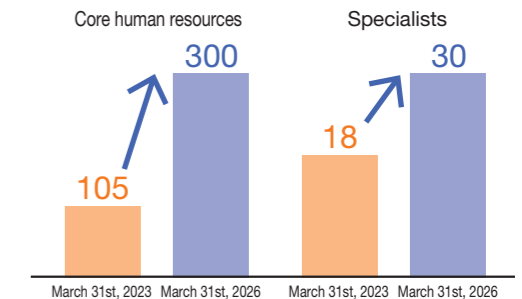


Consulting personnel

Human resources with knowledge of tax planning, business succession, asset management, real estate, etc., and who are able to propose solutions (one to one solutions) to a diverse range of client issues in line with their respective needs

Expansion of the program to support the acquisition of various advanced qualifications

- Program to support acquisition of the Small and Medium Enterprise Management Consultant certification
- Program to support acquisition of 1st-grade Certified Skilled Professional of Financial Planning certification etc.



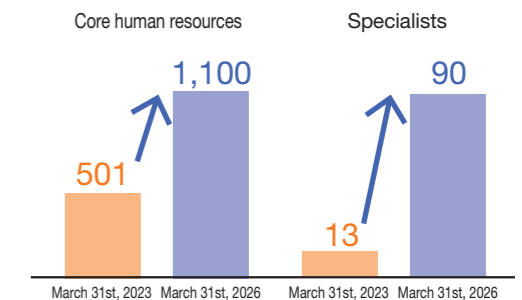
DX personnel

Human resources who are able to respond to changes in the business environment and take charge of in-house organizational and business transformation through the use of advanced data and the introduction of digital technologies

Development through collaboration between three Group companies with strengths in the DX field

The Nishi-Nippon City Bank × Ijigen Group × City Ascom

To a group-wide scale of 2,800 employees (including base human resources)



Planning personnel

Human resources who are able to perceive the external environment and the issues facing the NNFH Group from a bird's eye view based on objective data, and able to formulate and implement cross-organizational plans that transcend the boundaries between departments in order for the NNFH Group to achieve further growth

Dispatch to business schools, and expansion of qualification examinations, self-development contents, etc.

Specialized personnel

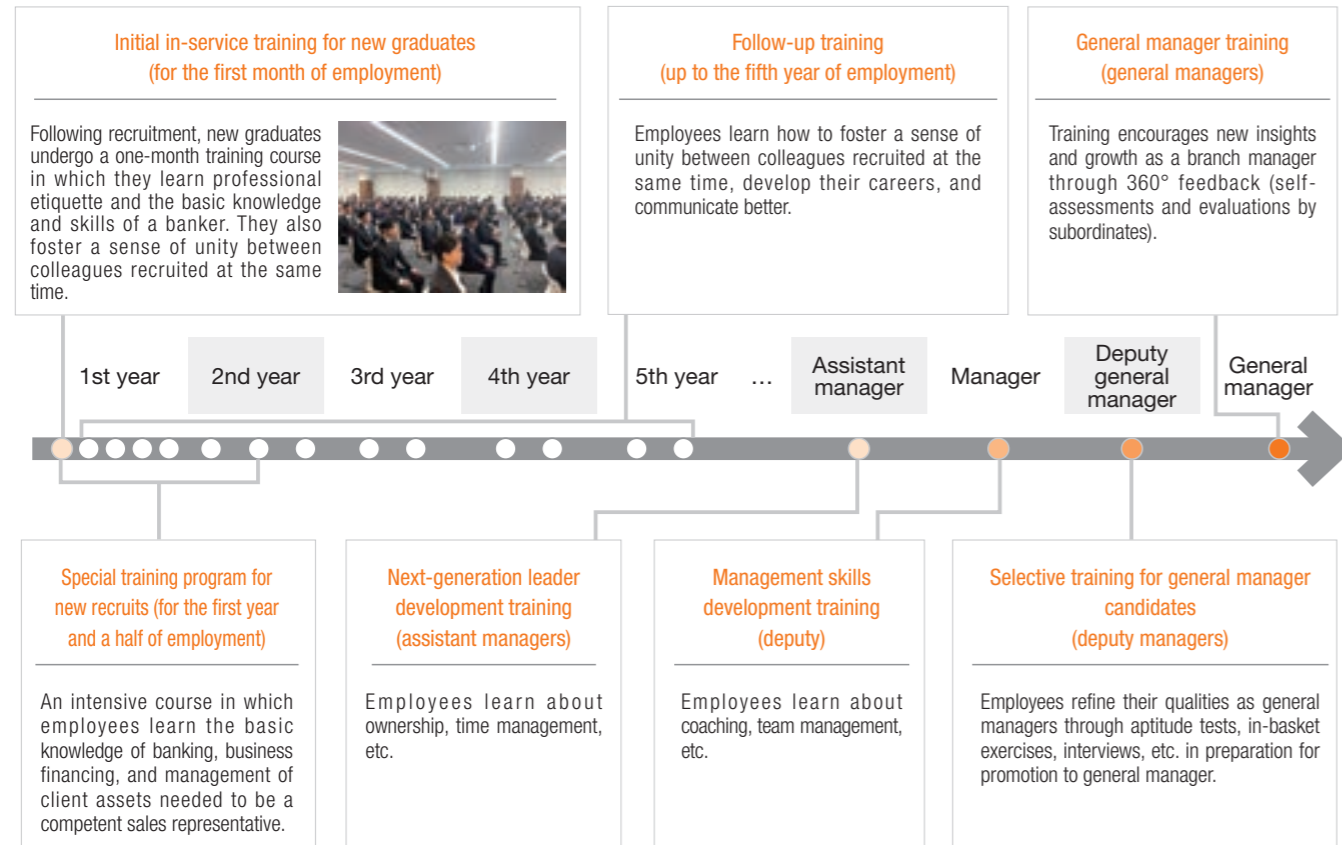
Human resources who play core roles in highly specialized departments

Development through on-the-job training in specialized departments in the IT, market, and international sectors, etc.

Training by Job Class and Duties

Training System by Job Class

The Nishi-Nippon City Bank provides seamless training by job class in accordance with the roles required in each position, from new graduates to general managers.

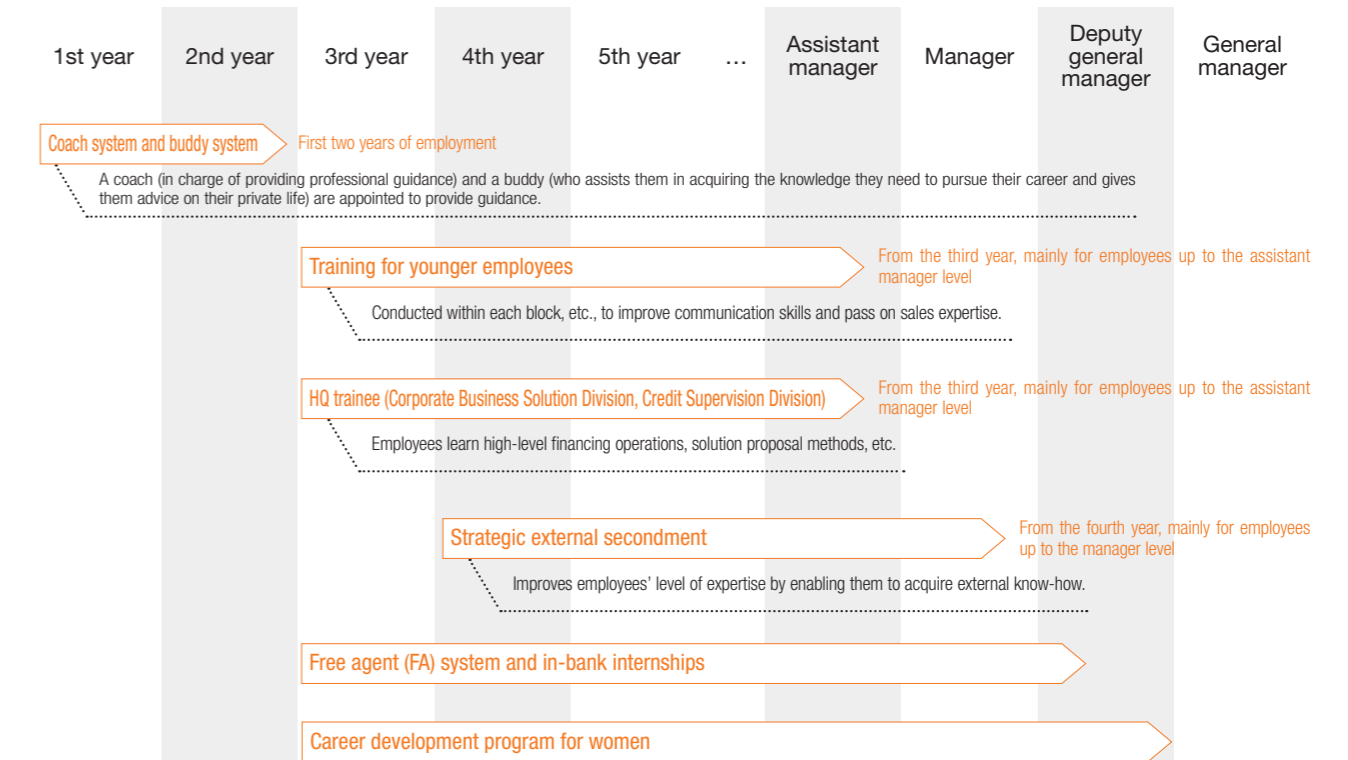


Training System by Duties

Outside sales representatives	Sales representatives for retail customers and over-the-counter service clerks
In addition to the methods of proposing loans and business succession that are necessary in corporate consulting, employees also learn how to provide DX support along with a broad range of other methods to be able to respond to various customer challenges.	Employees learn the asset formation and asset proposal methods necessary in providing retail customers with consulting services.

Career Support Contents

The Nishi-Nippon City Bank has established systems and provides opportunities to help each employee clarify and realize their career vision.



Reskilling

The Nishi-Nippon City Bank is expanding its sales and HQ reskill training programs in order to keep experienced employees motivated and boost activity. To assist employees seeking advanced qualifications, the bank has introduced a special program to support the acquisition of specialized qualifications, under which the bank pays technical school entrance and tuition fees.



Priority Measures (ij) Greater Job Satisfaction

Maintenance of Work Environment


The NNFH Group builds a corporate culture that promotes advancement of diverse human resources by establishing an environment that improves job satisfaction through head office main building revamp/branch office renovations, review of treatment for employees, promotion of diversity and inclusion, etc.

Head office main building revamp/branch office renovations

Provide an office environment that allows free workstyles with the new head office main building revamp and accelerate renovation of aging branch offices



Improve treatment of employees (The Nishi-Nippon City Bank)



Increase salary levels
Average of roughly 5.0% (based on annual wage conversion)



Introduction of Senior Professionals System



Consolidate part-time staff employment system

Diversity & Inclusion

The NNFH Group is committed to creating a diverse and dynamic organization.

In particular, in addition to recruiting professional human resources (mid-career recruitment) as well as training and promoting female managers, the Nishi-Nippon City Bank actively encourages male employees to take childcare leave as part of a work-life balance support system.

Number of mid-career hires (under the previous MTBP)

43

The target under the current MTBP is more than double

Examples of recruitment

- Lawyers
- DX personnel
- Certified public accountants etc.

Number of female officers (as of June 30th, 2023)

NNFH	
Director	1 (Outside)
Executive officers	1 (In-house)
The Nishi-Nippon City Bank	
Director	2 (In-house)
Executive officers	1 (In-house)

Ratio of women in managerial positions (as of March 31st, 2023)

The Nishi-Nippon City Bank	14.2%
The Bank of Nagasaki	27.1%

Percentage of male employees that took childcare leave (FY2022)

96.0%

The Nishi-Nippon City Bank

Health and Productively Management

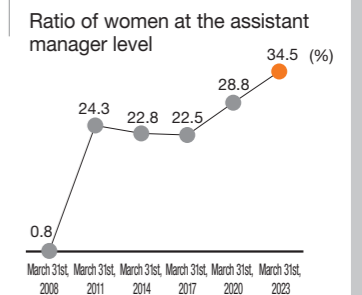
The NNFH Group promotes health and productivity management based on the understanding that promoting officers' and employees' mental and physical health and creation of workplaces with greater job satisfaction will lead to better services for customers.

In addition, under the leadership of the president and the officers in charge of the Human Resources Division, the Nishi-Nippon City Bank has established a Health Management Promotion Council in cooperation with the Human Resources Division, Health Insurance Union, Employee Union, industrial physicians, and public health nurses, to formulate, implement, evaluate, and improve measures to maintain and promote the health of employees.



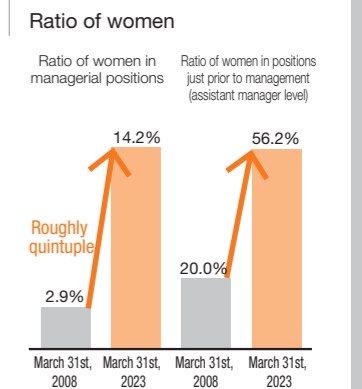
Column History of Diversity & Inclusion Initiatives at the Nishi-Nippon City Bank

- April 2008
Assigned dedicated personnel to the Human Resources Division and began actively promoting women in the head office's planning and administration department and sales department
- FY2008
Newly established training programs for female employees, including women's management training and holiday seminars
- April 2009
Significant expansion of work-life balance support system
 - Expansion of childcare leave period (from up until one year of age to up until four years of age)
 - Establishment of a new system for shorter working hours to aid in childcare (enabling working time to be shortened by up to two hours)
 - Expansion of measures to facilitate parenting (significant extension of restrictions on overtime work and the staggered working hours system to apply until the child starts school)
 - Expanded provision of information during childcare leave (pre-leave interviews, establishment of a new information support desk)
 - Creation of a work-life balance support guidebook
- Establishment of new regional career-track positions
 - Enabled promotion to the position of branch manager without having to relocate
- Establishment of a new reemployment system
 - Rehiring of employees who retired due to marriage, childbirth, childcare, etc.
- November 2013
Formation of a project team to promote women's empowerment
- April 2014
Establishment of a new NCB women's training program
 - Opportunities for female employees to consider their careers and deepen exchange (held five times between 2014 and 2020, with a total of 286 participants)
- October 2016
Encourage for male employees to take childcare leave
Expansion of work-life balance support system
 - The first five days of childcare and the entire period of maternity leave (eight weeks) deemed to be paid leave, and extension of the period of access to the work-life balance support system (from before starting school up to the second grade of elementary school)
- October 2018
Extension of the period of access to the work-life balance support system
 - From up until the second grade of elementary school to up until the fourth grade
- Seminars held for employees on childcare leave
 - Testimonials from employees who are experienced mothers, mini-study sessions, and lunch gatherings
- April 2020
Abolition of region-specific clerical positions
 - Conversion to regional career-track positions with no restrictions on job descriptions and job class to expand the scope of activities of female employees
- December 2021
Expansion of work-life balance support system
 - Introduction of a leave system that enables leave to be taken in one-hour increments (nursing care leave and nursing care leave for children)
- Launch of the Nishi-Nippon City Women's Initiatives Network
 - A network of female employees at the assistant manager and manager level who work to build awareness of career advancement, foster a leadership mindset, acquire problem-solving skills, and build networks (13 members in fiscal 2021 and 12 in fiscal 2022, for total of 25 members)
- May 2022
Acquired Tomonin certification, which symbolizes workplace environments that enable employees to balance work and nursing care, as stipulated by the Ministry of Health, Labour and Welfare
- July 2022
Acquired (Kurumin) certification from the Minister of Health, Labour and Welfare as a company that supports childcare, based on the Act on Advancement of Measures to Support Raising Next-Generation Children
- October 2022
Expansion of paid leave period at the start of childcare leave
 - From 5 business days to 10 business days



September 2009
Received the Equal Opportunity and Work-Life Balance Promotion Company Award (Equal Opportunity Promotion Company Category) Fukuoka Labor Bureau Director's Award for Excellence from the Ministry of Health, Labor and Welfare

January 2016
Received the 2014 Governor's Award for Companies and Offices Declaring Support for Childcare from Fukuoka Prefecture



Expansion of career development program for women



Basic Strategy IV. Sustainability Initiatives

Priority Measures (j) Contributions to a Sustainable Local Community

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

The NNFH Group considers addressing sustainability issues to be an important part of our management strategy, and under the current MTBP as well, we will continue to contribute to the realization of a sustainable society by bolstering our SDGs/ESG initiatives via means only available to a regional financial group.

Milestones in the NNFH Group's SDGs/ESG Initiatives



Group Management Philosophy

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

The Nishi-Nippon Financial Holdings Group Sustainability Declaration

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

NNFH's priority SDGs



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

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

Target amount of sustainable finance

Total ¥2 trillion from FY2021 to FY2030

CO₂ emissions reduction target

Achieve **carbon neutrality** by FY2030

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

Priority theme	Selected measures
Initiatives for the Environment and Climate Change 	<ul style="list-style-type: none"> ● Fulfillment of the TCFD recommendations ● Eco-friendly branches ● Switch to eco-friendly vehicles ● Participation in external initiatives
Supporting Customers' SDGs/ESG Initiatives 	<p>〈 For corporate customers 〉</p> <ul style="list-style-type: none"> ● Provision of solutions to social issues (hands-on support for corporate customers) ● Initiatives for sustainable finance <p>〈 For retail customers 〉</p> <ul style="list-style-type: none"> ● Consulting on asset building ● Asset succession/inheritance initiatives
Efforts to Create Industries and Jobs in the Region 	<ul style="list-style-type: none"> ● Finely-tuned startup support ● Business support through funds ● NNFH business competition for startups ● Creation of new business by local companies
Partnership with the Local Community 	<ul style="list-style-type: none"> ● Active involvement in regional development ● Collaborating with local governments ● Collaborating with universities
Multifaceted Programs Benefiting the Local Community 	<ul style="list-style-type: none"> ● Commendation ● Provision of economic/financial information and finance education ● Support for customers' efforts to achieve the SDGs ● Regional contributions by employees ● Cultural/artistic activities
Human Resource Strategy 	<ul style="list-style-type: none"> ● Development of strategic human resources ● Training by job class and duties ● Environmental improvement ● Diversity & Inclusion ● Health and productively management

Participation in Environmental Initiatives



Initiatives for the Environment and Climate Change

In recent years, the effects of climate change (defined as long-term changes in temperature and weather patterns) have frequently caused enormous amounts of damage around the world, including rising temperatures, droughts, and rising sea levels. Fukuoka and other areas in the Kyushu Region as well, our main markets, have experienced a series of record-breaking rainfall disasters, and addressing climate change has become a major challenge in realizing sustainable local communities.

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

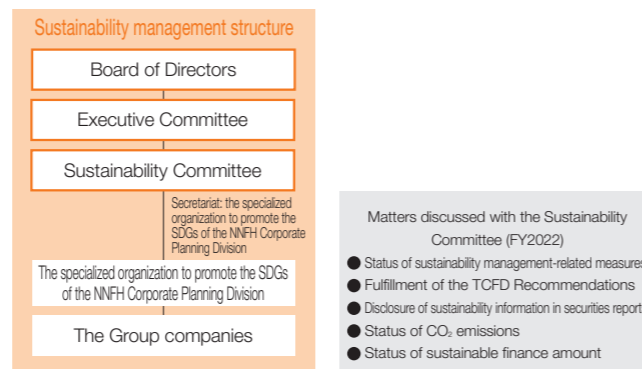
* A set of recommendations that the TCFD, created by the Financial Stability Board (FSB), published in June 2017 to help public companies and other organizations disclose the impact of climate-related risks and opportunities to investors and other stakeholders.

Fulfillment of the TCFD Recommendations

Governance

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

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



Strategies

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

● Risks Associated with Climate Change

NNFH recognizes major risks associated with climate change as follows.

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

* Short term: Less than 3 years, medium term: 3-10 years, long-term: more than 10 years

Scenario Analysis

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

For the object of analysis chosen and under the assumed scenarios, in terms of the additional credit costs that could be incurred by 2050, transition risks are estimated to cumulatively total approximately 22.0 billion yen and physical risks are estimated to come to a maximum of around 4.0 billion yen on a single-year basis. We assessed that the impact that transition risks and physical risks might have on our financial position is limited for the object of this scenario analysis.

	Transition risks	Physical risks
Object of Analysis	The electricity, oil & gas, coal, railway transportation, trucking services, automobiles & parts sectors	Degradation of the value of collaterals by floods (of collaterals for business loans, buildings located within Fukuoka City, Kitakyushu City, and Kurume City)
Analysis methods	Analyze for each scenario the impact that a rise in carbon prices due to the introduction of a carbon tax, etc. and changes in the market environment, etc. might have on corporate earnings	Based on a hazard map, calculate the amount of damage due to floods for each collateral
Scenarios used	International Energy Agency (IEA) 1.5°C scenario	UN Intergovernmental Panel on Climate Change (IPCC) 2°C and 4°C scenarios
Analysis results	Additional credit costs that may be incurred up to 2050: approximately 22.0 billion yen	Additional credit costs that may be incurred up to 2050: approximately 4.0 billion yen on a single-year basis

Carbon-related Assets

The ratio of carbon-related assets, based on the definition in the TCFD Recommendations Annex (revised 2021), to the total credit balance of the Nishi-Nippon City Bank is 34.02%.

Energy	Transportation	Materials & building products	Agriculture, food, and forestry products	Total
2.34%	3.16%	26.81%	1.71%	34.02%

*Selected and compiled based on the Bank of Japan's industry classifications.

*The term "energy" excludes renewable energy power generation projects.

*Calculated based on the total value of loans and bills discounted as well as acceptances and guarantees (excluding open commitment lines) as of March 31st, 2023.

● Opportunities Concerning Climate Changes

NNFH recognizes the following key opportunities related to climate change, and provides both financial and non-financial solutions to aid our customers in addressing climate change, including the transition to a decarbonized society.

Descriptions of opportunities	Timeline*
An increase in sustainable finance accompanying the transition to a decarbonized society	Short to long term
An increase in consulting services related to supporting the visualization and reduction of CO ₂ emissions accompanying the transition to a decarbonized society	Short to long term
An increase in demand for financing for infrastructure investments to prepare against intensifying natural disasters	Short to long term

* Short term: Less than 3 years, medium term: 3-10 years, long-term: more than 10 years

Risk Management

NNFH is aware of the fact that physical risks and transition risks attributable to climate change will have an impact on the NNFH Group's business administration and financial position, and we will continue to expand the scope of sectors subject to scenario analysis and upgrade our analytical methods. In addition, we will strive to build a framework for controlling climate change-related risks within the framework of integrated risk management.

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

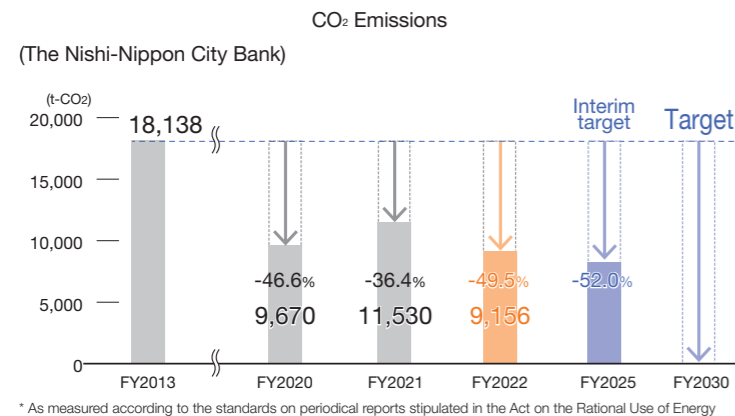
Policies on Investment in and Lending to Specific Sectors, Etc.

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

Metrics and Targets

CO₂ Emissions

The NNFH Group drew up its CO₂ emissions reduction target of "achieving carbon neutrality by FY2030." In order to achieve this target, we will monitor CO₂ emissions from business activities and launch concrete initiatives that reduce CO₂ emissions.



Environment-related Data

	Unit	FY2020	FY2021	FY2022
Scope1 (Direct emissions)	t-CO ₂	605	599	563
Scope2 (Indirect emissions)	t-CO ₂	9,064	10,931	8,592
Scope1+Scope2	t-CO ₂	9,670	11,530	9,156
Energy consumption	GJ	249,497	236,814	226,582

Column Efforts to Calculate Scope 3 Category 15

NNFH is working to calculate Scope 3 (indirect emissions other than Scope 1 and 2). In collaboration with an outside consulting firm, we have begun trial calculations to determine Category 15 (investments and loans), which accounts for the majority of our Scope 3 emissions due to the nature of the banking business. We will continue to work on expanding and refining the scope of our calculations to make use of them in dialog with our customers and to aid in reducing emissions.

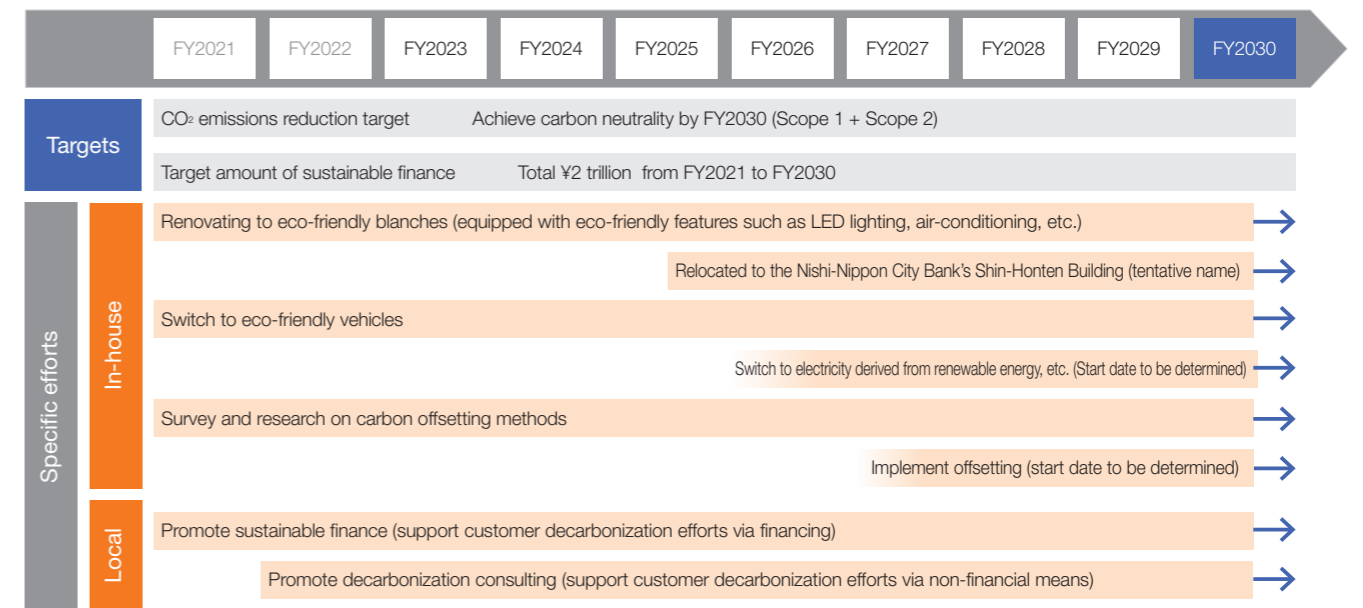
<Target and methods of trial calculation>

- The calculations are based on business loans (group credit of 300 million yen or more) at the Nishi-Nippon City Bank.
- Trial calculations are conducted in accordance with the PCAF Global GHG Accounting and Reporting Standard, using data publicly released under the calculation, reporting, and publication system based on the Act on Promotion of Global Warming Countermeasures.

Number of applicable accounts (%)	Amount loaned to applicable accounts (%)	GHG emissions by applicable accounts
Approx. 5,000 accounts (11.3%)	Approx. 3,700 billion yen (59.5%)	Approx. 1.7 million t-CO ₂

*The percentage represents the ratio to the total amount of business loans at the Nishi-Nippon City Bank.
*The GHG emissions by applicable accounts represents the total of Scope 1 and 2.

Roadmap toward carbon neutrality (including those to be determined)



Eco-Friendly Branches

The Nishi-Nippon City Bank is renovating its branches to make them fully equipped with eco-friendly features, such as solar power generation, rainwater utilization, LED lighting, and energy-saving air-conditioning (27 branches renovated as of March 31st, 2023).

The Ito Branch, which is scheduled to open in October 2023 as the bank's first new branch, is scheduled to acquire Nearly ZEB and BELS (max rating of five stars), environmental certification for buildings, by introducing 'horizontal eaves' to increase solar radiation shielding, solar panels, and highly efficient energy-saving equipment.



Switch to Eco-friendly Vehicles

The Nishi-Nippon City Bank has been switching its business vehicles to hybrids and EVs (a total of 111 hybrids and EVs as of March 31st, 2023). We have also been working with Ubiden, Inc. to install chargers that are accessible 24 hours a day in the customer parking lots of our sales offices in order to support the proliferation of EVs in the region (five offices as of March 31st, 2023).



Column The Nishi-Nippon City Bank Head Office Building Reconstruction Project

The Nishi-Nippon City Bank's Shin-Honten Building (tentative name), currently under construction, incorporates a sophisticated design befitting its status as a landmark facing Hakata Station, and aims to acquire ZEB Ready certification through the adoption of superior eco-friendly technologies. It will also be a high-grade office building that is BCP and infectious disease compliant.

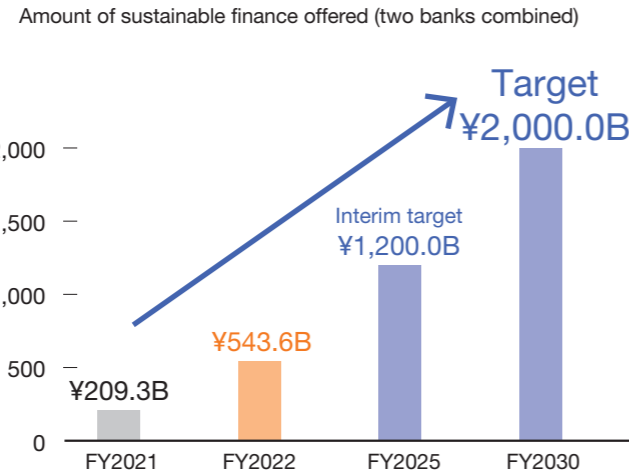
The building entrance area will feature Connected Core, a large-scale multi-story plaza capable of accommodating a broad range of events and that will make the Hakata Station area easier to get around in. The area around the building will also feature a continuous verdant space filled with flowers and greenery. In addition, the basement will contain meeting halls that can be used for a variety of purposes by local residents.

Construction of the Shin-Honten Building is scheduled to complete around January 2026.



● The Amount of Sustainable Finance Extended

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



Expansion of a Lineup of Sustainable Finance Offering

The Nishi-Nippon City Bank has launched the following products to meet the increasingly diversified business challenges faced by our customers.

<p>Positive impact finance (First account financed in December 2022)</p>	<p>Financing to set and support the achievement of KPIs through the monitoring by a financial institution through comprehensive analyses of the environmental, social, and economic impact of the customer's corporate activities in order to improve the identified positive impact (positive contribution) and mitigate or reduce the identified negative impact (negative influence)</p>
<p>Private placement bonds to support next-generation workstyles “Mirai eno Michi” (First bond underwritten in October 2022)</p>	<p>Corporate bonds for which the Nishi-Nippon City Bank and the Fukuoka Labor and Social Security Attorney's Association support the issuing company's KPIs targeting efforts to reform work styles from the formulation stage, with a three-year follow-up mechanism to ensure that the KPIs are achieved</p>

Financing records
12 cases / ¥4.3 billion
(as of March 31st, 2023)

Underwriting records
25 cases / ¥1.7 billion
(as of March 31st, 2023)

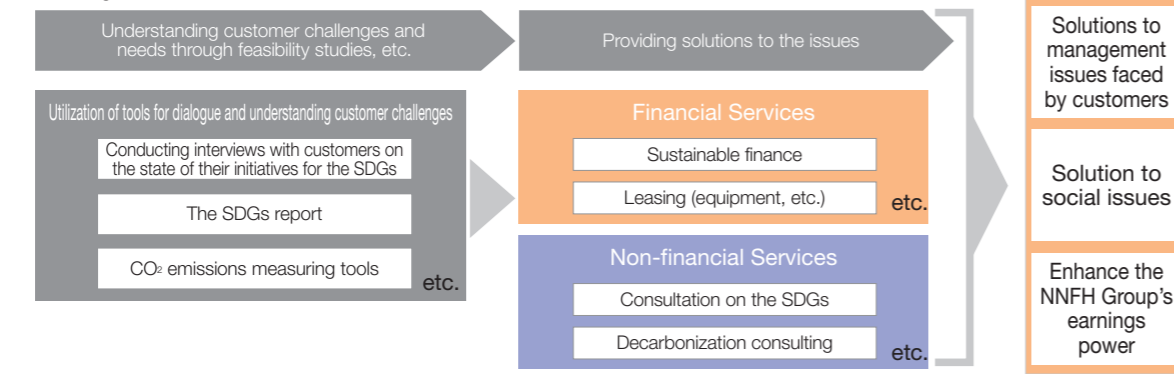
Investment records
¥68.2 billion
(FY2022)

Investment in SDGs Bonds

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

Column Provision of Solutions to Customer's Business Challenges (Hands-on Support for Corporate Customers)

The NNFH Group collects and shares information on SDGs/ESG issues and initiatives through dialog with customers, and provides a wide range of both financial and non-financial solutions in line with our customers' management challenges and needs.



Partnering with the Local Community

Active involvement in Regional Development

The NNFH Group is actively involved in redevelopment projects throughout Kyushu, including Tenjin Big Bang and Hakata Connected in central Fukuoka City. In addition to proactive involvement, the Group contributes to the revitalization of the local economy through multifaceted support for companies expanding into the region, including financial assistance, various forms of collaboration in business development, and support for employee asset formation.

Tenjin Big Bang
Provision of development funds for the first project, Tenjin Business Center (construction to be completed in September 2021), as well as relocation and opening of NNFH Group company offices*
*The Nishi-Nippon City Bank: Tenjin Branch, Tenjinkita Branch, NCB Alpha Tenjin Branch; Nishi-Nippon City Tokai Tokyo Securities: Headquarters and Tenjin Branch

Hakata Connected
Reconstruction of the head office main building as the first step in a series of redevelopment of buildings owned by the Nishi-Nippon City Bank (scheduled to be completed in January 2026)

Redevelopment project around JR Kyudai Gakkentoshi Station
Opening of the Nishi-Nippon City Bank's Ito Branch (scheduled for October 2023)

Collaborating with Local Governments

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

Comprehensive agreement partners (14 local governments)

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

Individual agreement partners (9 local governments)

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

Collaboration to attract international financial functions (Fukuoka City, Fukuoka Prefecture)

In November 2022, the Nishi-Nippon City Bank, in collaboration with Fukuoka City, Fukuoka Prefecture, and Deloitte Tohmatsu Venture Support Co., Ltd., held “F CUBE Innovation Fukuoka×Finance×Future,” an event to assist in matching local companies with Fin-Tech companies in Japan and overseas in order to accelerate the efforts of TEAM FUKUOKA*.

*An industry-academia-government organization established in September 2020 to attract international financial functions to Fukuoka. Taking advantage of Fukuoka's proximity to other major Asian cities as well as its rich living environment, the organization aims to attract international asset management companies, financial ventures, and other foreign companies and promote the migration and settlement of foreign human resources.

Collaborating with Universities

The NNFH Group concluded the agreement on industry-university collaboration and cooperation with ten local universities to organize various programs that contribute to the regional development and the advancement of learning.

Industry-university collaboration agreement partners (10 universities)

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

Publication of a 'collection of patent business seeds' in collaboration with universities and local companies

In January 2023, the Nishi-Nippon City Bank published The Nishi-Nippon City Bank's Collection of Patent Business Seeds, which compiles intellectual property and patent information from six universities (Kyushu University, Kyushu Institute of Technology, Kyushu Sangyo University, Fukuoka University, Fukuoka Institute of Technology, and Kurume University) and 21 local companies.

Organization of seminars in collaboration with Kyushu University

In February 2023, the Nishi-Nippon City Bank held an Intellectual Property Open Innovation Seminar in collaboration with Kyushu University. On the day of the seminar, individual consultation meetings also were held between the visiting companies and Kyushu University.

Multifaceted Programs Benefitting the Local Community

Commendation

The Excellent Executive Award

Since January 1973, the Prize of Excellent Executive (Chairman: Isao Kubota) has commended excellent executives who have made outstanding achievements in the management and/or technology of SMEs in the Kyushu region and Yamaguchi Prefecture, thus contributing to the development of the regional economy. A total of 180 executives have been commended as of April 30th, 2023.



The Asian Contribution Award/The Asian Youth Award

In order to facilitate international mutual understanding, the Nishi-Nippon Foundation (Chairman: Isao Kubota) has annually commended groups, individuals, elementary and junior high schools, and regional groups of children who are working toward the development of Asian countries and the international exchange among them. Those to be commended are picked from the Kyushu region and Okinawa and Yamaguchi Prefectures, and the winners of the awards receive either The Asian Contribution Award (held 24 times as of March 31st, 2023) or The Asian Youth Award (held 18 times as of March 31st, 2023).



Provision of Economic/Financial Information and Finance Education

Lectures on Economic Matters

Since January 2008, the Nishi-Nippon City Bank has hosted this popular annual talk by the NNFH's Chairman Isao Kubota, to share the latest financial and economic information that customers may find useful in steering their businesses or developing a business outlook for the new year. A total of 16 sessions have been held as of March 31st, 2023.



Finance Literacy Education

Since August 2006, the Nishi-Nippon City Bank has supported finance literacy education by, for example, organizing a series of workshops on the topic for young citizens, who will lead the next generation. A total of 18 sessions have been held as of March 31st, 2023.

Providing Information to Schools, etc.

Given the proposed expansion of the curriculum on finance and economics in high schools, the NNFH Group works to provide information on financial knowledge by holding seminars for faculty and staff members. We also send our officers and employees to universities to provide students with opportunities to gain practical financial knowledge through lectures.

Support for Customer's Efforts to Achieve the SDGs

colabora

The Nishi-Nippon City Bank runs "colabora," a website focusing on the SDGs for regional revitalization, which features articles on the initiatives by local companies to achieve their SDGs and by local governments to revitalize the region. A total of 27 articles have been uploaded of March 31st, 2023.



Workshop-style Consulting Service

The Nishi-Nippon City Bank and Kyushu Hakuodo Inc. agreed on a business alliance, and in April 2021 launched a workshop-style consulting service. Up to March 31st, 2023, a total of 16 companies have availed themselves of this service, which supports companies who seek to create ideas for businesses that contribute to the achievement of the SDGs and regional revitalization and work out solutions to social issues.

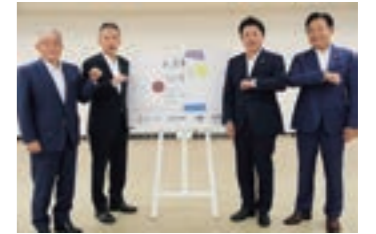
Machi-1 Grand Prix

The Nishi-Nippon City Bank and the Bank of Nagasaki hold Machi-1 Grand Prix, an event to raise awareness of the SDGs among 3rd to 6th graders in elementary schools. The event provides students with opportunities to learn about the SDGs in a fun way and to generate ideas using an original card game (held twice in Fukuoka and once in Nagasaki as of March 31st, 2023).

Make Fukuoka SDGs

In September 2022, the Nishi-Nippon City Bank, together with the Nishinippon Shimbun Co., Ltd., RKB Mainichi Broadcasting Corporation, and Dentsu Kyushu Inc., launched a project to support activities to publicize the SDGs initiatives of local companies, with the aim of increasing the momentum of local Fukuoka SDGs initiatives.

The project aims to create opportunities for local Fukuoka children and companies to interact in a manner that leads both to mid-to-long-term growth for businesses as well as to the further development of children, who will play leading roles in the future.



Sales of Original Character Goods and Donation Activities

In June 2022, the Nishi-Nippon City Bank released original goods featuring its mascot Onek sold at general retail stores and via the Onek Shop website as a for-profit business, and a portion of the proceeds are donated to social welfare organizations. This marks the first time in Japan that a bank has sold character goods as a for-profit business.

*In commemoration, January 19th was registered as Onek Day.



Solutions to Diverse Challenges Facing Local Companies

Food Drives

The Nishi-Nippon City Bank (in August 2021) and the Bank of Nagasaki (in August 2022) commenced food drives to donate food that they could not consume at home to children's cafeterias, in an effort to support children in the region in leading a healthy and meaningful life (provision of a cumulative total of approx. 2.5 tons of food at roughly 100 locations, including headquarters and sales branches, as of March 31st, 2023).



Cultural/Artistic Activities

Japanese Traditional Culture "Kagura and Kamimai"

Since November 2015, the Nishi-Nippon City Bank and the Fukuoka Cultural Foundation (Chairman: Isao Kubota) have co-hosted "Kagura and Kamimai," an annual event based on local Shinto music and dances (held eight times as of March 31st, 2023).

Music Festival

Since December 2014, the Nishi-Nippon City Bank and the Fukuoka Cultural Foundation (Chairman: Isao Kubota) have co-hosted the Music Festival, an annual event designed to empower people in Fukuoka and Hakata with music. This year-end music celebration has been held eight times as of March 31st, 2023.

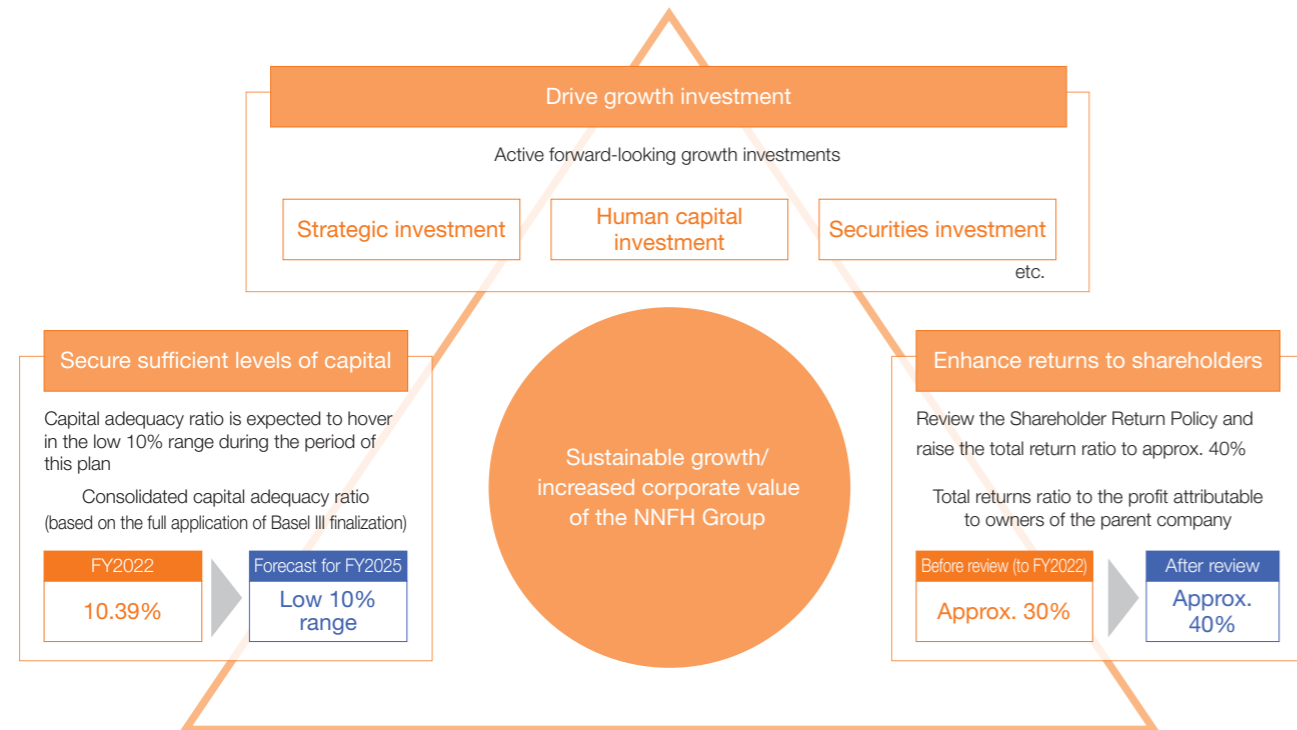


Promenade Concerts

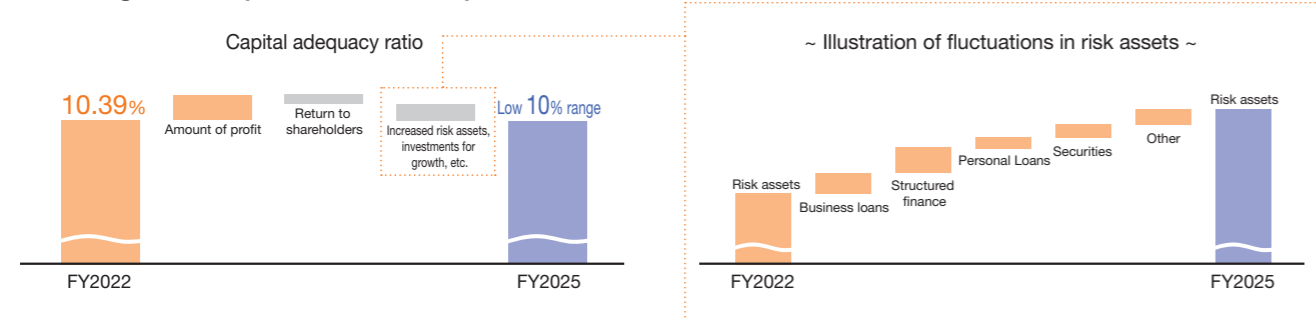
In May 2020, the Nishi-Nippon City Bank began co-hosting the monthly Fukuoka Renaissance NCB Promenade Concerts together with the Fukuoka Cultural Foundation (Chairman: Isao Kubota) to provide customers with program featuring local musicians spanning a variety of genres (43 concerts held as of March 31st, 2023).

Priority Measures (ii) Efforts for Sustainable Growth of the NNFH Group

NNFH actively makes forward-looking growth investments while securing sufficient levels of capital for sustainable growth and improving the corporate value of the Group, and also increases returns of profits to shareholders and investors.



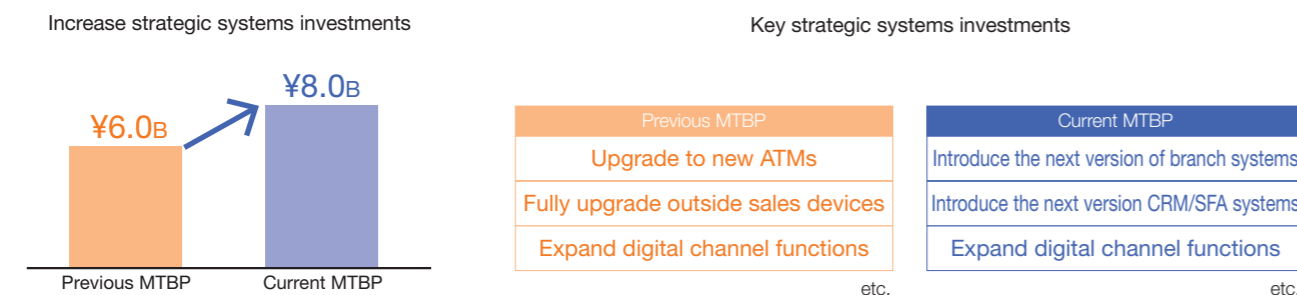
Ensuring an Adequate Level of Capital



Expand Strategic Investment

Expand Strategic Systems Investments

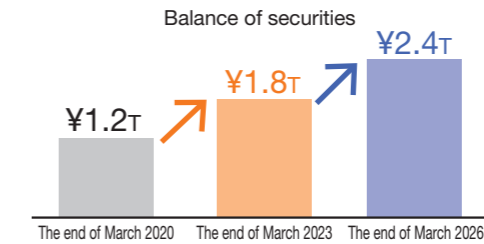
The NNFH Group expands strategic investments in systems that improve productivity and efficiency and maximize customers' convenience.



Strengthen Management of Securities

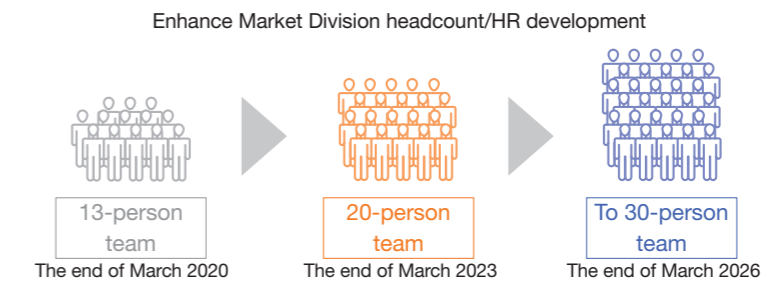
Increasing Securities Portfolio Earning Power

The NNFH Group enhances investment-income earning power by increasing balances and improving portfolio returns with rebalancing transactions.



Strengthen the Investment System of the Market Divisions

The NNFH Group continues to prioritize focus allocation of HR to market divisions and systematically develop specialist personnel with external assignments, etc.



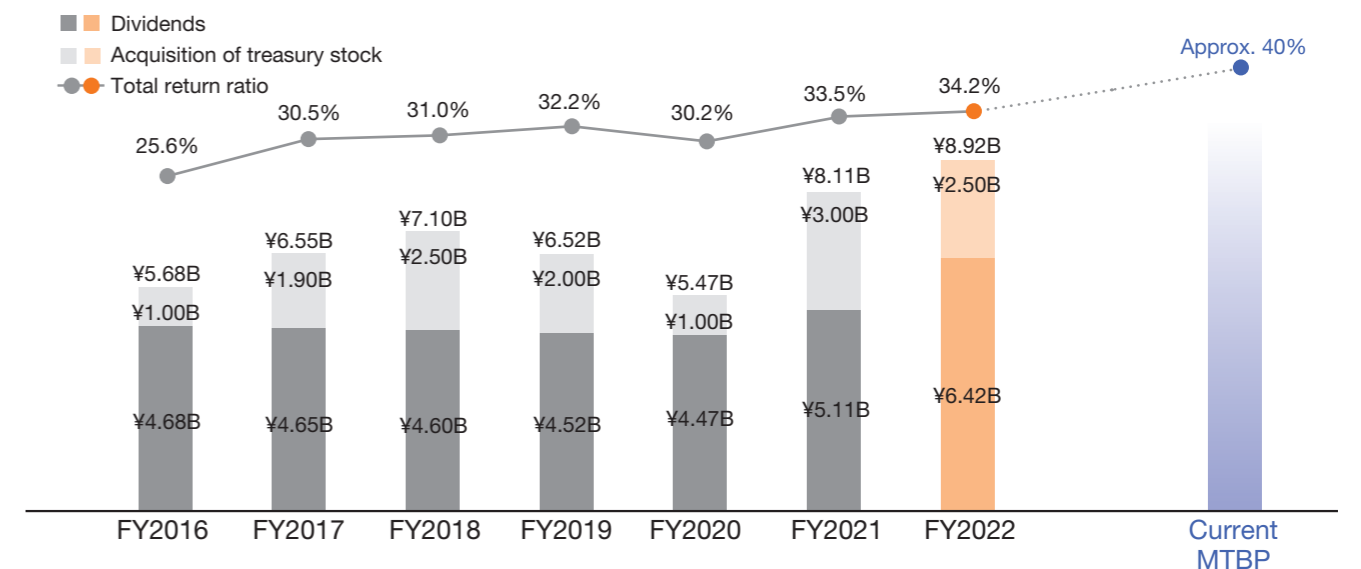
Basic Policy on Shareholder Returns

Considering the enhancement of the Group's management foundation and the earnings forecasts for the period of the MTBP, NNFH increased the ratio of total return from "around 30%" to "around 40%."

Shareholder Return Policy

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

Specifically, with roughly 40% of the ratio of total return to profit attributable to owners of parent as rough guidance for the time being, we decide what and how much to each term by taking into account the current economic circumstances, financial conditions, earnings forecasts, and other parameters.

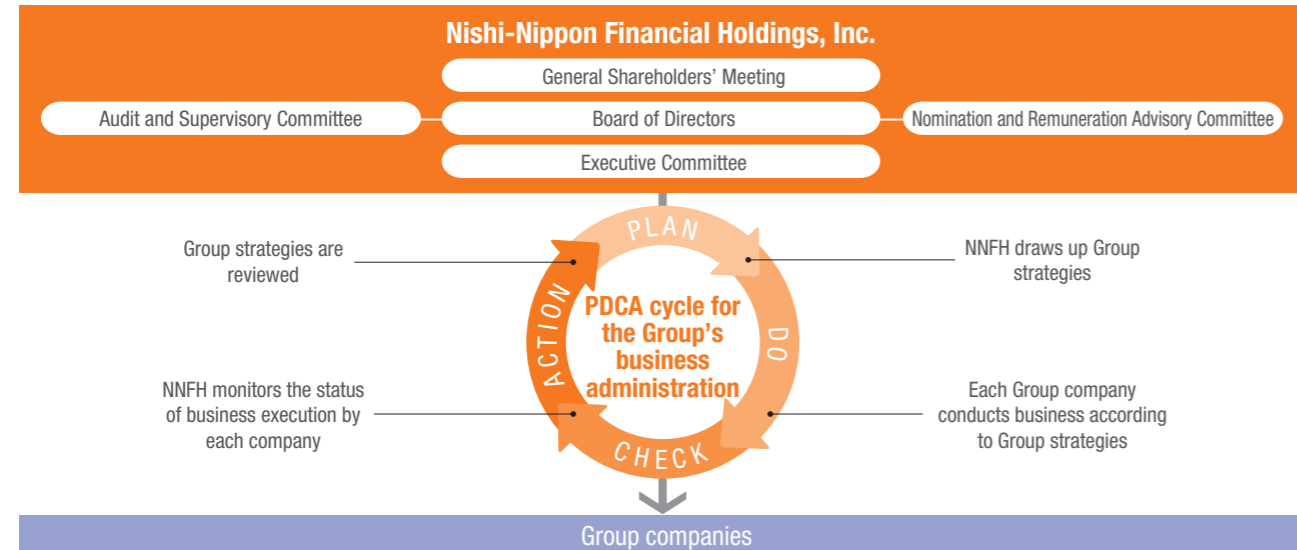


Corporate Governance

Basic Approaches

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

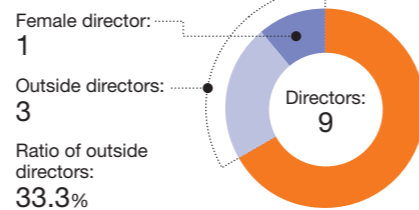
By establishing an Audit and Supervisory Committee under NNFH, we not only enhance corporate governance, but we have also built a system for prompt and efficient decision-making by delegating authority over performance of important duties. With NNFH specializing in management oversight and Group companies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



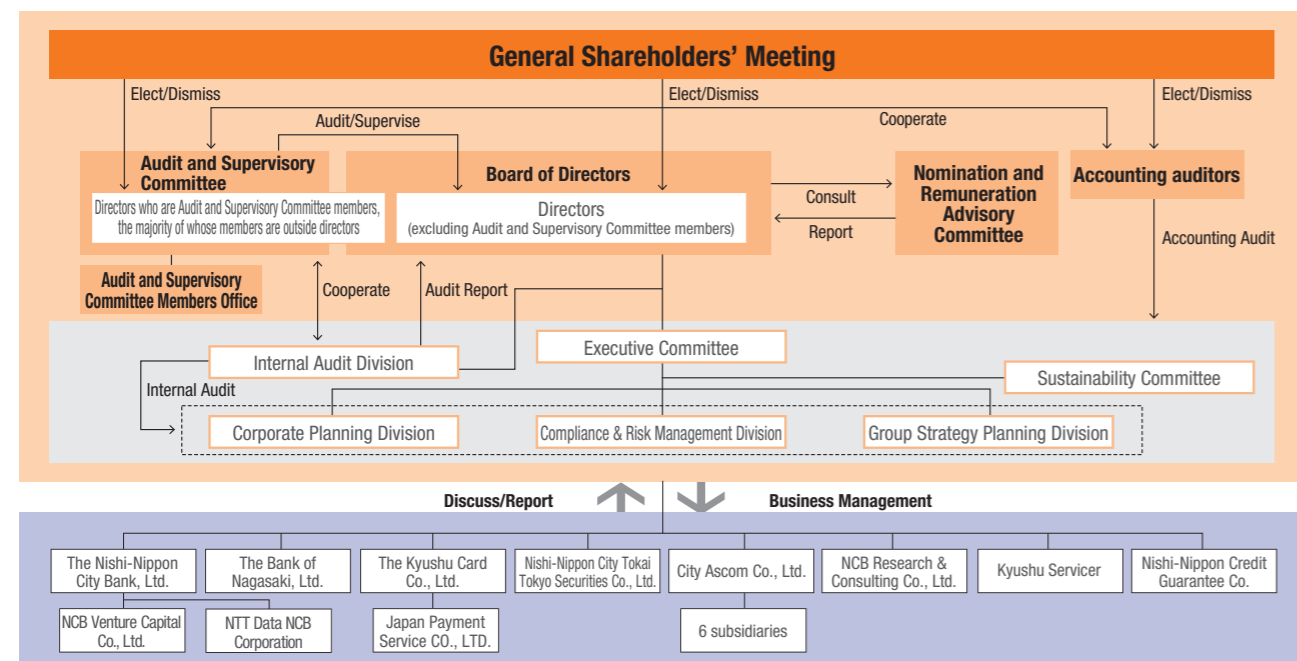
Efforts to Strengthen Corporate Governance



Composition of directors (as of June 30th, 2023)



Overview of the Corporate Governance Structure



Descriptions of the Organs of the Company

Board of Directors

Comprised of nine directors (including four directors who are Audit and Supervisory Committee members, as of June 30th, 2023), the Board of Directors of NNFH makes decisions about the performance of important duties concerning the Group's management and oversees the performance of the duties by directors.

NNFH has elected three independent outside directors (as of June 30th, 2023) in order to ensure that independent and objective perspectives augment the highly effective management oversight function by the Board of Directors. To adapt to rapid changes in the operating environment and clearly determine responsibilities of directors in attaining business results for each fiscal year, the term of office for directors (excluding those who are Audit and Supervisory Committee members) shall be one year, thus keeping the Board of Directors actively engaged.

In addition, by introducing the executive officer system, we have separated management decision-making and oversight from the administration of business operations in order to enhance the oversight function and promote rapid decision-making. The Board of Directors meets once a month, in principle. The Board of Directors held a total of 13 meetings in fiscal 2022.

In fiscal 2022, the Board of Directors mainly discussed the MTBP, annual policies, the operational status of internal control systems, capital policy (the Shareholder Return Policy, acquisition of treasury stock, etc.), and the status of business execution.

Audit and Supervisory Committee

Comprised of four directors who are Audit and Supervisory Committee members (including three outside directors, as of June 30th, 2023), the Audit and Supervisory Committee audits the performance of the duties by directors and compiles audit reports. Audit and Supervisory Committee members shall, in accordance with an audit plan drawn up by the Audit and Supervisory Committee, attend important meetings, inspect important documents, and investigate the status of the operations and the financial status of NNFH, in order to audit the performance of the duties by directors.

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

The Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee consists of four directors (including two outside directors) and one outside expert (as of June 30th, 2023), ensuring independence as the majority are outside directors, etc. The committee was established with a view toward ensuring objectivity, timeliness, and transparency concerning the election and dismissal of a representative director and senior management members (directors with special titles), assuring objectivity and transparency concerning remunerations for directors, and developing successors in a systematic manner. The committee meets at least once each year.

Most recently, the committee held a meeting in February 2023, at which the members discussed matters relating to the election and dismissal of the president and senior management members (directors with special titles), executive compensation, and potential successors to the position of CEO.

Members of the Nomination and Remuneration Advisory Committee (as of June 30th, 2023)

Name	Position, etc.	Remarks
Isao Kubota	Chairman (Representative Director)	Committee Chairman
Hideyuki Murakami	President (Representative Director)	
Hiroshi Fujioka	Outside Expert	Outside Director of the Nishi-Nippon City Bank
Chiharu Kubo	Director (Audit and Supervisory Committee Member)	Independent Outside Director
Sachiko Miyamoto	Director (Audit and Supervisory Committee Member)	Independent Outside Director

The Executive Committee

Comprised of the president, two directors and nine executive officers appointed by the president (as of June 30th, 2023), the Executive Committee deliberates on and makes decisions on important matters concerning management in accordance with management policies determined by the Board of Directors. One full-time Audit and Supervisory Committee member is invited to the Executive Committee meeting to provide pertinent advice. The Executive Committee meets whenever necessary.

Sustainability Committee

Comprised of the president, two directors and nine executive officers appointed by the president (as of June 30th, 2023), the Sustainability Committee discusses policies and other important matters pertaining to the Group's sustainability, collects information on the status of initiatives, and provides advice. In principle, the Sustainability Committee meets once every six months.

Group Financial Crime Prevention Committee

Comprised of the president, two directors and nine executive officers appointed by the president (as of June 30th, 2023), the Group Financial Crime Prevention Committee discusses policies relating to group-wide anti-money laundering and countermeasures against financing terrorism (hereinafter, "AML/CFT"), collects information on the status of AML/CFT initiatives by Group companies, and provides advice. In principle, the Group Financial Crime Prevention Committee meets once every six months.

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

Internal Audit

NNFH has established the Internal Audit Division, which conducts internal audits independent from all operations divisions and has 39 members as of June 30th, 2023. The Internal Audit Division, in accordance with the Internal Audit Regulations, verifies and assesses the adequacy and effectiveness of internal control systems of the NNTH Group, including a compliance structure and a risk management structure, suggests improvements to problems, etc. to audited divisions, and reports audit findings, etc. to the Board of Directors and Audit and Supervisory Committee (members) every month. By exchanging information with accounting auditors, the division ensures that internal audits are conducted both objectively and efficiently.

Audit by the Audit and Supervisory Committee

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

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

Accounting Audit

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

Appointment of Directors

Policy and Procedures for Nomination of Candidates for Directors

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

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

Our articles of incorporation prescribe that the number of directors should be no more than twenty and that the number of directors who are Audit and Supervisory Committee members should be three or more. Accordingly, we have appointed nine directors, four of whom are Audit and Supervisory Committee members (as of June 30th, 2023).

Policy and Procedures for Appointment/Dismissal of Senior Management

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

Skill Matrix

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

Name	Position	Attribute	Specialty			
			Corporate management	Finance and economy	Financial affairs and accounting	Legal affairs and risk management
Isao Kubota	Chairman (Representative Director)		●	●	●	●
Hironichi Tanigawa	Deputy Chairman (Representative Director)		●	●	●	●
Hideyuki Murakami	President (Representative Director)		●	●	●	●
Hiroyuki Irie	Director		●	●	●	
Takashige Honda	Director			●	●	●
Kiyotaka Tomoike	Director (Audit and Supervisory Committee Member)			●	●	●
Toshio Sakemi	Director (Audit and Supervisory Committee Member)	Outside Independent	●		●	●
Chiharu Kubo	Director (Audit and Supervisory Committee Member)	Outside Independent	●		●	●
Sachiko Miyamoto	Director (Audit and Supervisory Committee Member)	Outside Independent		●	●	

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

Independence Standards for Outside Directors

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

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

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

¹ A counterparty that has received 2% or more of its consolidated net sales in the latest fiscal year from NNFH or any of its subsidiaries

² A counterparty from which NNFH or any of its subsidiaries have received 2% or more of their consolidated gross profit in the latest fiscal year

³ A total of 30 million yen or more in cash or other compensations over the last three years

⁴ A shareholder who holds 10% or more of the shares outstanding

⁵ A donation of 15 million yen or more in total received over the past three years

Analysis and Evaluation of Board Effectiveness

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

At the board meeting held in June 2023, we analyzed and evaluated the effectiveness of our Board of Directors based on the findings of a self-evaluation questionnaire distributed to all directors to verify that effectiveness is largely ensured.

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

Support for Outside Directors

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

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

Directors' Remuneration System

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

We established the Nomination and Remuneration Advisory Committee, the majority of whose members are outside directors of the company and its consolidated subsidiaries, in order to enhance the objectivity and transparency of decisions on remuneration, etc. of directors (excluding directors who are Audit and Supervisory Committee members).

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

i) Fixed price remuneration (cash remuneration)

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

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

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

Risk Management

Basic Approaches

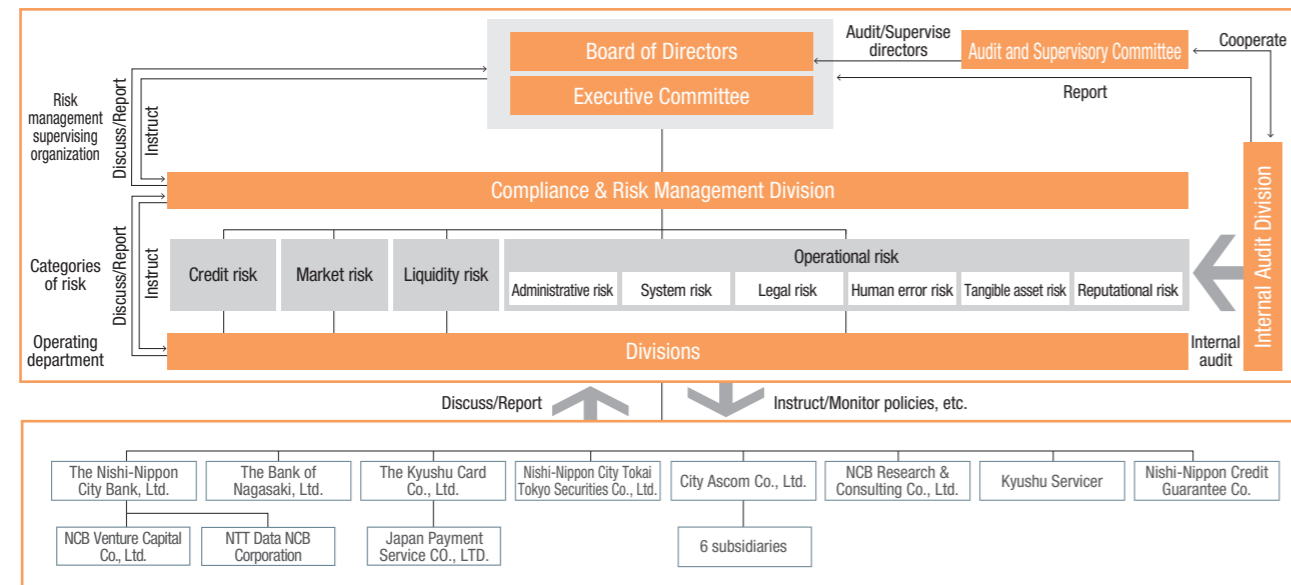
The NNFH Group's business environment continues to undergo significant changes against a backdrop of increasingly diversified and advanced customer needs due to factors such as accelerated digitization and a heightened awareness of sustainability. Under these circumstances, risk management is becoming increasingly important in ensuring stable earnings and a sound management foundation as a regional financial group.

The Group places risk management as one of its top priority issues in the management. Accordingly, we make concerted efforts to advance our risk management structure in accordance with our Basic Policy on Risk Management, which serves as a set of shared norms for the Group.

Risk Management System

At NNFH, the Compliance & Risk Management Division manages risk for the entire Group under one umbrella, and the officers in charge issue reports to the Board of Directors on the status of risks so that the management team can discuss and provide instructions on improvement. In addition, the Internal Audit Division, which conducts internal audits independent from all operations divisions, assesses the adequacy and effectiveness of Group companies' risk management structures through internal audits.

Each Group company establishes a consultative body, such as an ALM Committee and Operational Risk Committee, and deliberates on and periodically assesses matters concerning risk management.



Risk Management by Category

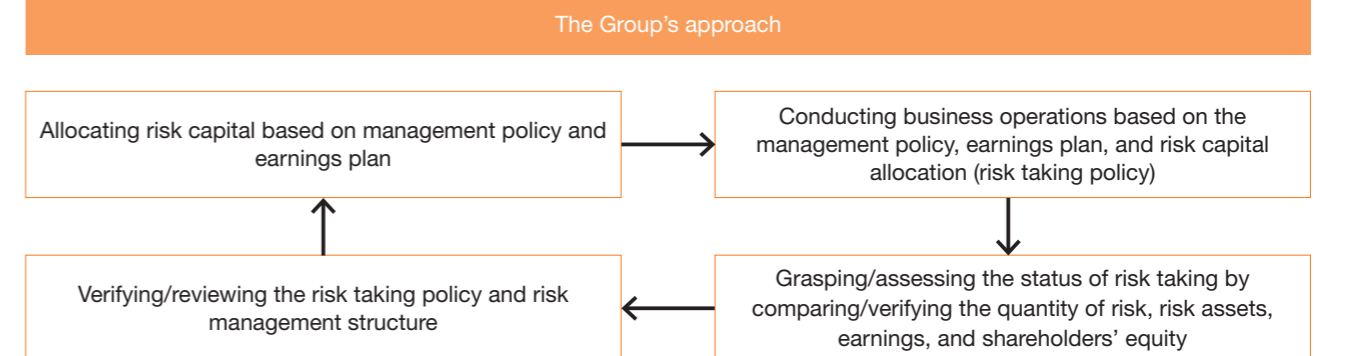
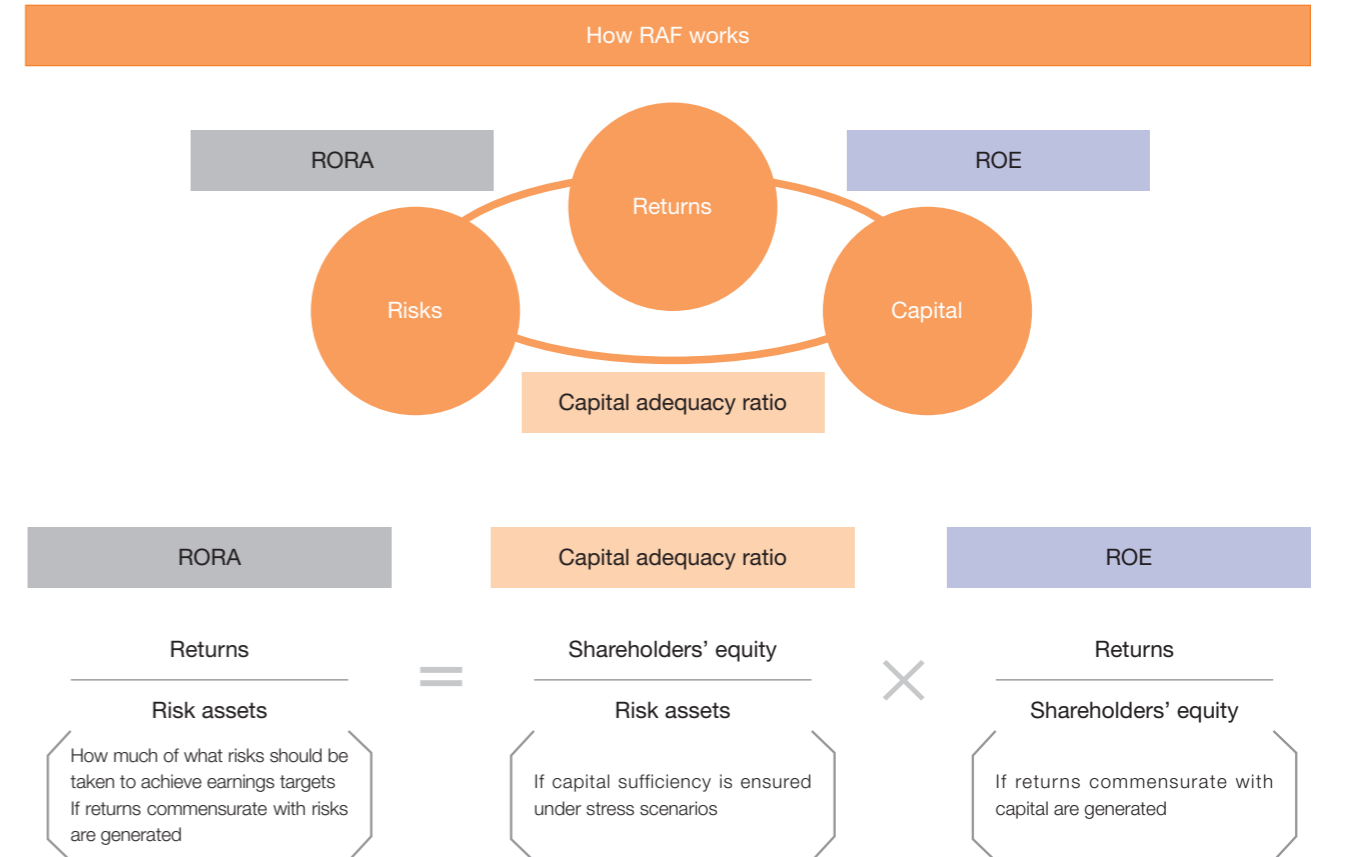
The NNFH Group categorizes the risks we face into credit risks, market risks, liquidity risks, and operational risks, and has established management policies for each category as a means of strengthening our management framework.

Credit risk	The risk of loss resulting from a reduction or complete loss of the value of assets due to a deterioration in the financial situation of borrowers or other factors. The Group quantitatively assesses and manages credit risk on a group-wide basis.
Market risk	The risk of loss due to fluctuations in the value of assets/liabilities in response to movements in interest rates, forex market, stock prices, and other parameters, and a loss due to fluctuations in earnings generated from such assets/liabilities. The Group works to secure stable earnings while controlling risk through setting limits and other measures.
Liquidity risk	The risk of loss due to a difficulty in securing necessary funds or being obliged to procure funds at an interest rate significantly higher than usual because of a timing mismatch between management and procurement or an unexpected outflow of funds. The Group maintains the soundness of its assets so that it can ensure market liquidity and stabilize cash flows.
Operational risk	The risk of loss due to inappropriate administrative operations, systemic deficiencies, legal violations, natural disasters, or other factors. We classify operational risks into six categories: 1. Administrative risk, 2. System risk, 3. Legal risk, 4. Human error risk, 5. Tangible asset risk, and 6. Reputational risk, and our Compliance & Risk Management Division monitors and manages the operational risks faced by the Group as a whole, while working to preventively manage risk and minimize the impact of any risks that emerge.

Risk Appetite Framework

The NNFH Group works to optimize risks and returns through integrated management of business strategies and risk management in accordance with the risk appetite framework (RAF).

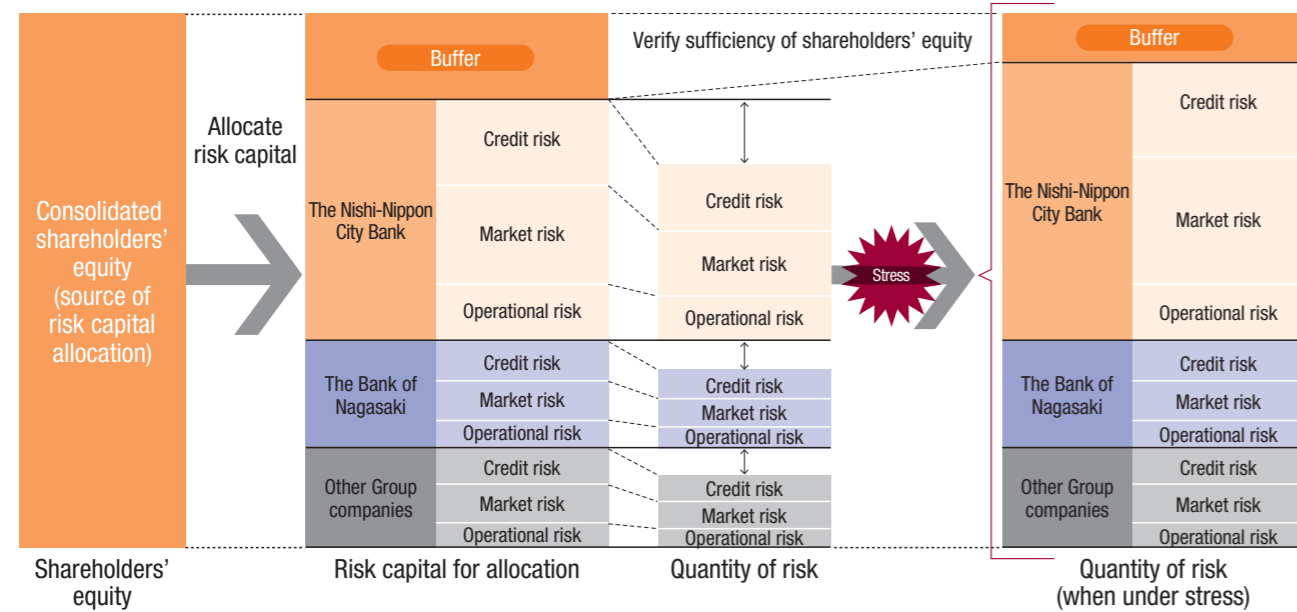
Specifically, in drawing up business plans (management plans and mid-term business plans), we verify management policies, earnings plans, and risk capital allocation in an integrated manner to ensure appropriate risk-taking aimed at improving profitability (e.g., ROE) while maintaining a certain level of soundness (capital adequacy ratio). In addition, we check on the degree of progress by regularly monitoring the status of earnings relative to risk and other factors.



Risk Management

Allocating Risk Capital

Based on the RAF framework, we use consolidated shareholders' equity to allocate risk capital to each Group company in each category of credit risk, market risk, and operational risk. We also monitor the quantity of risk and earnings results at each Group company to ensure that risk is taken appropriately through the use of the allocated risk capital.



Stress Tests

As the economic and market environments continue to change dramatically, the NNFH Group makes use of stress tests in drawing up business plans and allocating risk capital.

When conducting stress tests, we set stress scenarios shared throughout the Group, taking into account past rapid economic downturns and potential future risks, and estimate the quantity of risk and earnings in the event that the risk emerges to identify the impact of stress events on our capital adequacy ratio, the sufficiency of shareholder equity, and the appropriateness of risk-taking.

Crisis Management

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

Our Response to Natural Disasters

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

Our Response to System Failures, Etc.

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

Cyber Security Efforts

Cyber Security Management Structure

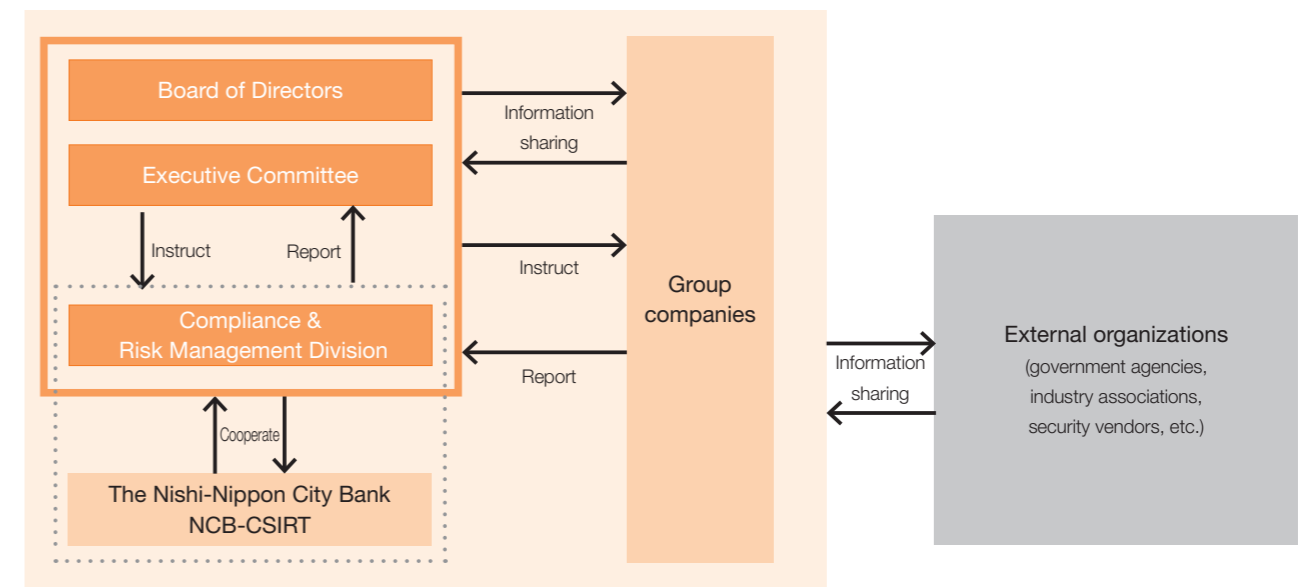
The NNFH Group fully recognizes that the proper and smooth operation of computer systems is extremely important for the stability of financial systems, which are critical elements of infrastructure, and for providing customers with high quality services, and we work to fortify our cyber security management structure.

In order to respond to increasingly sophisticated and grievous cyber-attacks, the Compliance & Risk Management Division and the Nishi-Nippon City Bank Cyber Security Incident Response Team (NCB-CSIRT) work together to collect, analyze, and investigate threat intelligence related to cyber-attacks. Once threat intelligence has been obtained or identified, the personnel in charge promptly coordinate with Group companies to prevent or minimize damage through early responses.

The Group has also established a 24-hour-a-day, 365-day-a-year monitoring system that incorporates multilayered technical measures, including detection systems and intrusion prevention in a manner that makes full use of external experts as well as an SOC* (an organization that monitors networks and servers to detect cyber-attacks and conduct correlation analyses), and we prepared to take action at a moment's notice.

In response to the threat of cyber-attacks, which are becoming more sophisticated with each passing day, we will continue to implement these types of initiatives under the leadership of senior management in order to enhance our cyber-security management structure.

*SOC: Security Operations Center



Incident Response

In the event of a cyber-attack with the NNFH Group, the Compliance & Risk Management Division and NCB-CSIRT take the lead in promptly sharing information, and depending on the circumstances and under the guidance of senior management, a countermeasures headquarters will be established to take emergency action against cyber-attacks.

In addition to collecting threat intelligence on a daily basis, and investigating and responding to attacks when detected, the Compliance & Risk Management Division and NCB-CSIRT actively participate in training sessions organized by the Financial Services Agency, the Financials ISAC Japan, and the National Center of Incident Readiness and Strategy for Cybersecurity (NISC), and regularly conduct management-led cyber-attack response training in order to continuously improve the effectiveness of our incident response system in preparation for emergencies.

Education and Awareness Raising

To improve overall cyber security literacy among officers and employees, the NNFH Group provides ongoing educational and awareness-raising activities, including e-learning-style cyber security training, warnings based on domestic and international cyber-attacks, training on handling suspicious emails, and sharing information on the latest security incidents.

Compliance

Initiatives for Compliance

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

Compliance Management Structure

Unified Management by the Compliance Supervising Organization

Officers in charge of the Compliance & Risk Management Division are responsible for compliance, and supervise matters pertaining to the Group's compliance with laws and regulations.

In addition, the Compliance & Risk Management Division, which centrally manages compliance-related matters, regularly monitors the status of compliance initiatives within the NNFH Group, and strives to ensure effectiveness by issuing instructions for improvement when necessary.

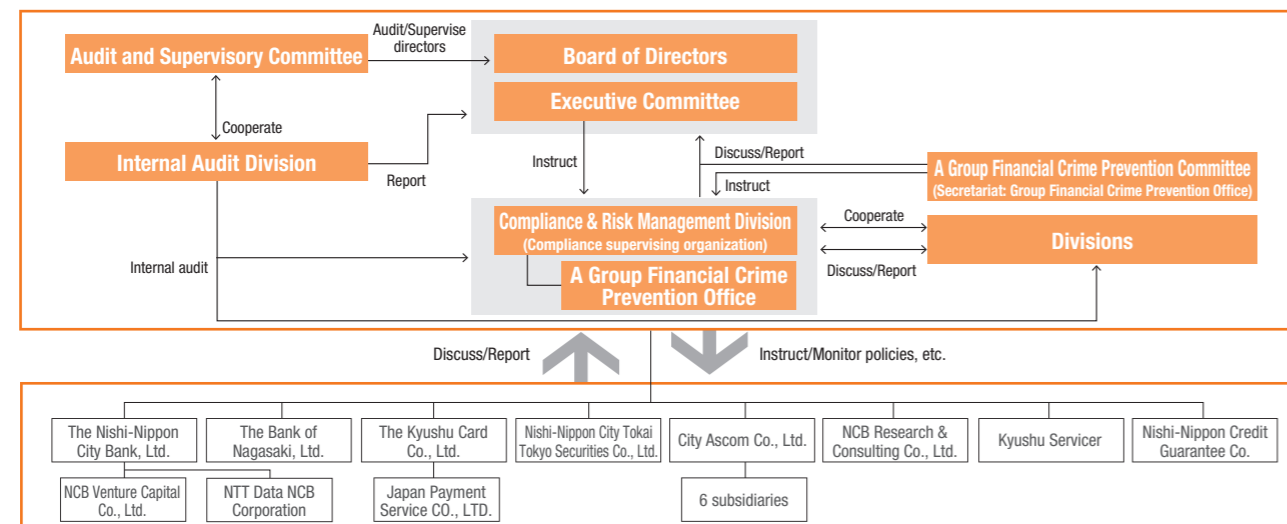
Compliance Committee

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

Compliance Program

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

The NNFH Group's Compliance Management Structure



Measures against Money Laundering and Terrorism Financing

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

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

https://www.nnfh.co.jp/money_laundering.html

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

1. Organizational Structure

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

*An officer in charge of the Compliance & Risk Management Division is appointed to supervise all measures to prevent money laundering, etc.

2. Initiatives for Reducing Risks

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

3. Transaction Policy

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

Severing Relations with Antisocial Forces

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

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

Whistle-Blowing System

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

Initiatives to Prevent Bribery and Corruption

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

Framework for Customer Protection

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

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

Initiatives for the Financial ADR System

When a customer has a dispute with a financial institution that they find difficult to resolve, no matter how much they consult with each other, they can avail themselves of the financial alternative dispute resolution* (ADR) system. Upon application by a customer or a financial institution, banking business dispute resolution organizations and dispute resolution organizations that have been designated by the government for ensuring neutrality will attempt to solve complaints and problems.

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

Communication with Shareholders and Investors



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

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

IR Calendar

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

General Shareholder's Meeting

At Annual General Meetings of Shareholders held every June, we report our business performance to shareholders in the most digestible way possible, using videos and other tools. In addition, video recordings of General Meetings of Shareholders are available for later viewing by shareholders.

We make it a rule to send a convocation notice to shareholders well before the meeting and disclose the notice on our and stock exchanges' websites prior to the dispatch. For the convenience of international shareholders and other parties, we disclose an English version of the convocation notice alongside its Japanese original on the websites of stock exchanges and NNFH.

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

The 7th Annual General Meeting of Shareholders held on June 29th, 2023 was attended by 106 shareholders.

Investor Relations

For Institutional Investors and Analysts

We organize financial results briefings for institutional investors, analysts, and others, with the president making the presentation after announcing the full-year results and interim results. In addition, the officers in charge of the Corporate Planning Division and others actively hold one-on-one meetings to explain the Group's financial status and forecast, management strategies, and capital policies, and to collect opinions and comments from institutional investors, analysts, and other stakeholders.

<https://www.nnfh.co.jp/shareholder/ir/presentation.html>

For Private Investors

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

https://www.nnfh.co.jp/shareholder/ir/presentation_for_individual_investors.html

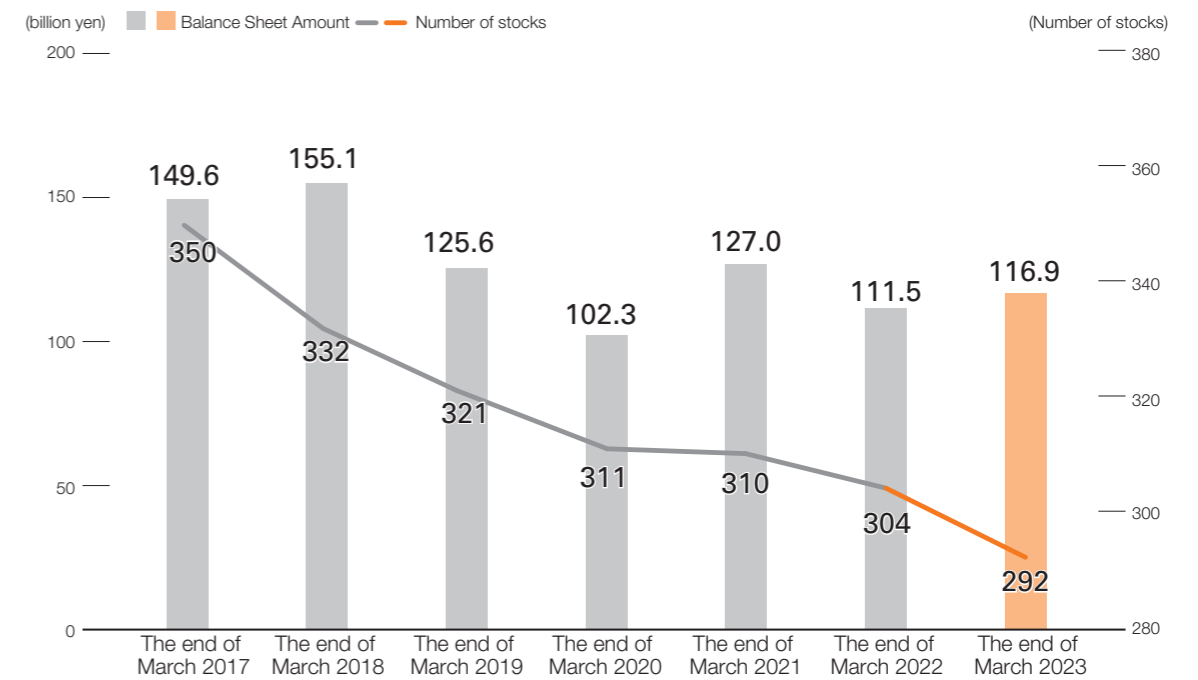
FY2022 Results

Full-year financial results briefings for institutional investors and analysts	One-on-one meetings for institutional investors and analysts	Company briefings for individual investors
2 sessions (hybrid) May 2022 Participants: 79 November 2022 Participants: 73	39 sessions	1 session (online) March 2023 Participants: 69

Status of Cross-Shareholdings

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

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



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

Financial Information

Nishi-Nippon Financial Holdings Consolidated Financial Settlement Summary

Results Summary

(Million yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
Ordinary income	143,740	141,698	134,949	138,484	160,448
Gross operating profit	116,939	115,234	116,032	121,640	108,159
Net interest income	96,753	91,275	92,026	97,373	93,741
Fees and commissions	20,844	20,264	19,046	20,932	21,114
Trading income	1,433	1,382	1,842	1,919	1,369
Other operating income	(2,092)	2,310	3,117	1,415	(8,066)
of which net gains (losses) related to bonds	(758)	2,579	2,751	955	(10,431)
Expenses	80,710	80,479	78,603	78,076	78,039
Net business profits	36,228	34,754	37,429	43,563	30,119
Gains (losses) on equity securities	3,650	2,205	1,946	(909)	2,235
Cost of credit	5,519	6,445	9,452	4,030	3,949
Other extraordinary gains (losses)	52	(1,797)	(3,160)	(754)	5,270
Ordinary profit	34,412	28,716	26,763	37,868	33,677
Extraordinary profit (loss)	(358)	431	(864)	(714)	434
Income taxes	10,910	8,771	7,272	12,342	7,678
Profit attributable to non-controlling interests	244	154	537	575	368
Profit attributable to owners of parent	22,899	20,222	18,088	24,236	26,064

Balance Sheet Summary

(Million yen)

	March 31st, 2019	March 31st, 2020	March 31st, 2021	March 31st, 2022	March 31st, 2023
Assets					
Cash and due from banks	1,474,517	1,714,664	1,738,761	2,614,747	1,946,575
Loans and bills discounted	7,341,204	7,554,143	8,543,946	8,470,861	8,955,399
Securities	1,372,367	1,297,874	1,506,834	1,773,344	1,792,650
Total assets	10,449,051	10,822,765	12,075,567	13,127,906	12,985,181
Liabilities					
Deposits	8,092,534	8,481,571	9,295,489	9,570,343	9,791,772
Negotiable certificates of deposit	416,232	349,475	188,520	264,293	167,423
Total liabilities	9,939,317	10,314,007	11,524,660	12,597,181	12,445,737
Net assets					
Shareholders' equity	426,843	440,563	453,140	469,837	488,468
of which retained earnings	255,229	270,954	284,535	304,236	325,460
Accumulated other comprehensive income	75,400	60,650	89,651	52,332	41,355
Non-controlling interests	7,490	7,544	8,114	8,555	9,620
Total net assets	509,734	508,758	550,906	530,724	539,444
Total liabilities and net assets	10,449,051	10,822,765	12,075,567	13,127,906	12,985,181

Nishi-Nippon Financial Holdings Summary of Consolidated Financial Statements

Consolidated Balance Sheet Summary

(Million yen)

	March 31st, 2022	March 31st, 2023
Assets		
Cash and due from banks	2,614,747	1,946,575
Call loans and bills bought	–	8,011
Monetary claims bought	39,621	42,733
Money held in trust	11,682	11,609
Securities	1,773,344	1,792,650
Loans and bills discounted	8,470,861	8,955,399
Foreign exchanges	22,757	17,311
Other assets	90,311	99,071
Tangible fixed assets	116,172	116,854
Buildings, net	32,542	31,622
Land	74,273	75,659
Leased assets, net	324	361
Construction in progress	55	530
Other tangible fixed assets	8,977	8,680
Intangible fixed assets	4,160	5,204
Software	3,748	4,787
Other intangible fixed assets	411	416
Retirement benefit assets	7,548	8,038
Deferred tax assets	2,109	6,367
Customers' liabilities for acceptances and guarantees	17,639	16,372
Allowance for loan losses	(42,473)	(40,455)
Allowance for investment losses	(577)	(562)
Total assets	13,127,906	12,985,181
Liabilities and net assets		
Deposits	9,570,343	9,791,772
Negotiable certificates of deposit	264,293	167,423
Call money and bills sold	510,000	512,491
Payables under repurchase agreements	251,120	265,881
Cash collateral received for securities lent	87,188	293,853
Borrowed money	1,755,240	1,249,709
Foreign exchanges	201	504
Borrowed money from trust account	4,794	5,233
Other liabilities	113,952	120,171
Provision for share-based remuneration for directors	–	4
Retirement benefit liability	4,773	4,647
Provision for retirement benefits for directors (and other officers)	201	200
Provision for reimbursement of deposits	825	545
Provision for contingent losses	1,096	1,194
Reserves under special laws	12	12
Deferred tax liabilities	844	1,070
Deferred tax liabilities for land revaluation	14,652	14,646
Acceptances and guarantees	17,639	16,372
Total liabilities	12,597,181	12,445,737
Capital stock	50,000	50,000
Capital surplus	121,123	118,706
Retained earnings	304,236	325,460
Treasury stock	(5,522)	(5,698)
Total shareholders' equity	469,837	488,468
Valuation difference on available-for-sale securities	38,616	25,757
Deferred gains or losses on hedges	(8)	1,015
Revaluation reserve for land	29,438	29,425
Remeasurements of defined benefit plans	(15,715)	(14,843)
Total accumulated other comprehensive income	52,332	41,355
Non-controlling interests	8,555	9,620
Total net assets	530,724	539,444
Total liabilities and net assets	13,127,906	12,985,181

Consolidated Statement of Income

(Million yen)

	FY2021	FY2022
Ordinary income	138,484	160,448
Interest income	98,228	106,142
Interest on loans and discounts	81,109	81,242
Interest and dividends on securities	12,893	21,012
Interest on call loans and bills bought	0	28
Interest on deposits with banks	2,852	2,398
Other interest income	1,372	1,459
Trust fees	0	0
Fees and commissions	32,468	33,136
Trading income	1,919	1,369
Other operating income	3,069	8,064
Other ordinary income	2,799	11,735
Recoveries of written-off claims	378	251
Other	2,421	11,483
Ordinary expenses	100,616	126,770
Interest expenses	855	12,401
Interest on deposits	416	432
Interest on negotiable certificates of deposit	26	19
Interest on call money and bills sold	(113)	319
Interest expenses on securities sold under repurchase agreements	383	7,627
Interest expenses on cash collateral received for securities lent	13	22
Interest on borrowings	52	589
Other interest expenses	75	3,390
Fees and commissions payments	11,536	12,021
Other operating expenses	1,654	16,130
General and administrative expenses	79,173	80,634
Other ordinary expenses	7,397	5,583
Provision of allowance for loan losses	1,939	1,984
Other	5,457	3,598
Ordinary profit	37,868	33,677
Extraordinary income	142	869
Gains on disposition of fixed assets	142	32
Gain on negative goodwill	–	564
Gain on step acquisition	–	272
Extraordinary losses	856	435
Losses on disposition of tangible fixed assets	390	36.8
Impairment losses	465	66
Profit before income taxes	37,154	34,111
Income taxes - current	10,824	6,513
Income taxes - deferred	1,518	1,164
Total income taxes	12,342	7,678
Profit	24,811	26,433
Profit attributable to non-controlling interests	575	368
Profit attributable to owners of parent	24,236	26,064

Consolidated Statement of Comprehensive Income

(Million yen)

	FY2021	FY2022
Profit	24,811	26,433
Other comprehensive income	(37,104)	(11,009)
Valuation difference on available-for-sale securities	(26,560)	(12,962)
Deferred gains or losses on hedges	1,419	1,023
Retirement benefits liability adjustments	(11,963)	872
Share of other comprehensive income of affiliates accounted for by the equity method	–	56
Comprehensive income	(12,293)	15,423
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(12,928)	15,087
Comprehensive income attributable to non-controlling interests	635	336

Financial Information

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

Balance Sheet

Assets	(Million yen)	
	March 31st, 2022	March 31st, 2023
Cash and due from banks	2,559,666	1,911,245
Call loans and bills bought	40,000	39,011
Money held in trust	11,682	11,609
Securities	1,753,670	1,757,285
Loans and bills discounted	8,236,035	8,737,883
Foreign exchanges	22,757	17,311
Other assets	78,110	81,623
Tangible fixed assets	111,825	110,891
Buildings, net	31,591	30,227
Land	71,478	71,782
Leased assets, net	160	131
Construction in progress	55	530
Other tangible fixed assets	8,540	8,219
Intangible fixed assets	3,706	4,646
Software	3,341	4,295
Other intangible fixed assets	364	350
Prepaid pension cost	25,862	26,730
Customers' liabilities for acceptances and guarantees	15,849	14,737
Allowance for loan losses	(36,995)	(35,799)
Allowance for investment losses	(458)	(440)
Total assets	12,821,711	12,676,735
Liabilities and net assets	March 31st, 2022	March 31st, 2023
Deposits	9,334,993	9,555,156
Negotiable certificates of deposit	256,964	167,176
Call money and bills sold	510,000	512,491
Payables under repurchase agreements	251,120	265,881
Cash collateral received for securities lent	87,188	293,853
Borrowed money	1,732,473	1,242,152
Foreign exchanges	201	504
Borrowed money from trust account	4,794	5,233
Other liabilities	79,138	80,485
Reserve for employee retirement benefits	192	214
Provision for reimbursement of deposits	775	531
Provision for contingent losses	1,082	1,172
Deferred tax liabilities	5,938	1,600
Deferred tax liabilities for land revaluation	14,381	14,376
Acceptances and guarantees	15,849	14,737
Total liabilities	12,295,093	12,155,568
Capital stock	85,745	85,745
Capital surplus	85,684	85,684
Retained earnings	289,932	296,420
Total shareholders' equity	461,362	467,849
Valuation difference on available-for-sale securities	35,824	22,874
Deferred gains or losses on hedges	(8)	1,015
Revaluation reserve for land	29,438	29,427
Total valuation and translation adjustments	65,255	53,317
Total net assets	526,617	521,167
Total liabilities and net assets	12,821,711	12,676,735

Non-Consolidated Statement of Income

	(Million yen)	
	FY2021	FY2022
Ordinary income	122,344	132,094
Interest income	92,468	100,250
Interest on loans and discounts	77,121	77,310
Interest and dividends on securities	12,546	20,517
Interest on call loans	(23)	9
Interest on deposits with banks	2,801	2,368
Other interest income	21	43
Trust fees	0	0
Fees and commissions	24,817	25,384
Fees and commissions on domestic and foreign exchanges received	7,301	6,967
Other	17,515	18,416
Trading income	0	3
Gains on trading account securities transactions	0	3
Other operating income	2,373	2,811
Gains on foreign exchange transactions	674	1,260
Gains on sale of bonds	1,670	1,482
Gains on redemption of bonds	26	37
Other	2	31
Other ordinary income	2,685	3,644
Recoveries of written-off claims	345	236
Gains on sale of stock and other securities	1,448	2,554
Gains on money held in trust	10	14
Other	880	838
Ordinary expenses	90,313	111,726
Interest expenses	859	12,350
Interest on deposits	432	389
Interest on negotiable certificates of deposit	23	18
Interest on call money and bills sold	(113)	319
Interest expenses on securities sold under repurchase agreements	383	7,627
Interest expenses on cash collateral received for securities lent	13	22
Interest on borrowings	47	585
Other interest expenses	72	3,386
Fees and commissions payments	14,694	15,135
Fees and commissions on domestic and foreign exchanges	1,345	925
Other	13,349	14,209
Other ordinary expenses	1,653	12,155
Losses on sale of bonds	417	11,737
Losses on redemption of bonds	272	213
Losses on devaluation of bonds	51	-
Expenses for derivatives other than trading derivatives	912	205
General and administrative expenses	67,084	67,648
Other ordinary expenses	6,021	4,436
Provision of allowance for loan losses	2,101	2,587
Losses on write-offs of claims	1,308	299
Losses on sale of stock and other securities	0	64
Losses on devaluation of stock and other securities	2,116	10
Losses on money held in trust	15	89
Other	478	1,385
Ordinary profit	32,031	20,367
Extraordinary income	142	32
Gains on disposition of fixed assets	142	32
Extraordinary losses	806	385
Losses on disposition of fixed assets	362	345
Impairment losses	443	40
Profit before income taxes	31,367	20,014
Income taxes - current	9,056	4,570
Income taxes - deferred	1,267	949
Total income taxes	10,324	5,520
Profit	21,043	14,493

The Bank of Nagasaki, Ltd. Summary of Financial Statements

Balance Sheet

Assets	(Million yen)	
	March 31st, 2022	March 31st, 2023
Cash and due from banks	52,921	32,095
Securities	9,029	11,560
Loans and bills discounted	275,993	267,312
Other assets	1,834	1,837
Tangible fixed assets	4,490	4,364
Buildings, net	543	471
Land	3,597	3,597
Leased assets, net	160	122
Other tangible fixed assets	189	173
Intangible fixed assets	285	174
Software	257	155
Other intangible fixed assets	28	18
Prepaid pension cost	-	86
Deferred tax assets	132	-
Customers' liabilities for acceptances and guarantees	12	10
Allowance for loan losses	(396)	(318)
Allowance for investment losses	(43)	(43)
Total assets	344,261	317,080
Liabilities and net assets	March 31st, 2022	March 31st, 2023
Deposits	250,099	253,271
Negotiable certificates of deposit	12,878	5,797
Call money and bills sold	40,000	31,000
Borrowed money	20,900	6,200
Other liabilities	1,184	1,313
Reserve for employee retirement benefits	14	9
Provision for retirement benefits for directors (and other officers)	100	76
Provision for reimbursement of deposits	50	14
Provision for contingent losses	14	21
Deferred tax liabilities	-	11
Deferred tax liabilities for land revaluation	509	508
Acceptances and guarantees	12	10
Total liabilities	325,763	298,235
Capital stock	7,621	7,621
Capital surplus	5,963	5,963
Retained earnings	3,590	3,772
Total shareholders' equity	17,176	17,357
Valuation difference on available-for-sale securities	169	337
Revaluation reserve for land	1,151	1,150
Total valuation and translation adjustments	1,321	1,487
Total net assets	18,497	18,845
Total liabilities and net assets	344,261	317,080

Non-Consolidated Statement of Income

	(Million yen)	
	FY2021	FY2022
Ordinary income	4,638	4,648
Interest income	3,880	3,853
Interest on loans and discounts	3,525	3,492
Interest and dividends on securities	239	332
Interest on deposits with banks	115	28
Other interest income	0	-
Fees and commissions	700	676
Fees and commissions on domestic and foreign exchanges received	93	84
Other	607	591
Other ordinary income	57	118
Reversal of reserve for possible loan losses	-	75
Recoveries of written-off claims	27	14
Other	29	28
Ordinary expenses	4,301	4,242
Interest expenses	35	27
Interest on deposits	51	43
Interest on negotiable certificates of deposit	3	0
Interest on call money and bills sold	(23)	(18)
Interest on borrowings	0	-
Other interest expenses	3	1
Fees and commissions payments	969	975
Fees and commissions on domestic and foreign exchanges	12	6
Other	957	968
Other ordinary expenses	0	0
Losses on redemption of bonds	0	0
General and administrative expenses	3,262	3,184
Other ordinary expenses	33	54
Provision of allowance for loan losses	17	-
Losses on write-offs of claims	0	15
Other	15	38
Ordinary profit	336	406
Extraordinary losses	26	36
Losses on disposition of fixed assets	1	14
Impairment losses	24	21
Profit before income taxes	310	369
Income taxes - current	32	49
Income taxes - deferred	45	70
Total income taxes	77	119
Profit	232	249

Outline of Banking Subsidiaries

Organization Chart of Banking Subsidiaries

The Nishi-Nippon City Bank, Ltd.	
▶ Business	Banking
▶ Established	December 1st, 1944
▶ Headquarters	1-1, Hakata-ekimae 3-chome, Hakata-ku, Fukuoka 812-0011, Japan
▶ Number of Employees	3,380
▶ Number of Domestic Offices	175
▶ Number of Correspondent Banks	71
▶ Parent Company	Nishi-Nippon Financial Holdings, Inc. (NNFH's share of voting rights 100%)

(As of March 31st, 2023)

Board of Directors

Chairman	Hiromichi Tanigawa
President	Hideyuki Murakami
Deputy Presidents	Hiroyuki Irie Hiroyuki Takeo
Executive Director	Takeshi Kurihara Masaru Ikeda
Managing Directors	Takashige Honda Kenichi Ozaki Kenji Morimoto Kazuhito Shigiyama Keitaro Yaji Hiroyuki Izumihara Yasuhiko Togawa Mami Kominato
Directors (Audit and Supervisory Committee Members)	Tomoko Ito Michiaki Uriu (outside) Hiroshi Fujioka (outside)

(As of June 30th, 2023)

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

The Bank of Nagasaki, Ltd.	
▶ Business	Banking
▶ Established	November 11th, 1912
▶ Headquarters	3-14, Sakaemachi, Nagasaki 850-8666, Japan
▶ Number of Employees	199
▶ Number of Domestic Offices	23
▶ Parent Company	Nishi-Nippon Financial Holdings, Inc. (NNFH's share of voting rights 100%)

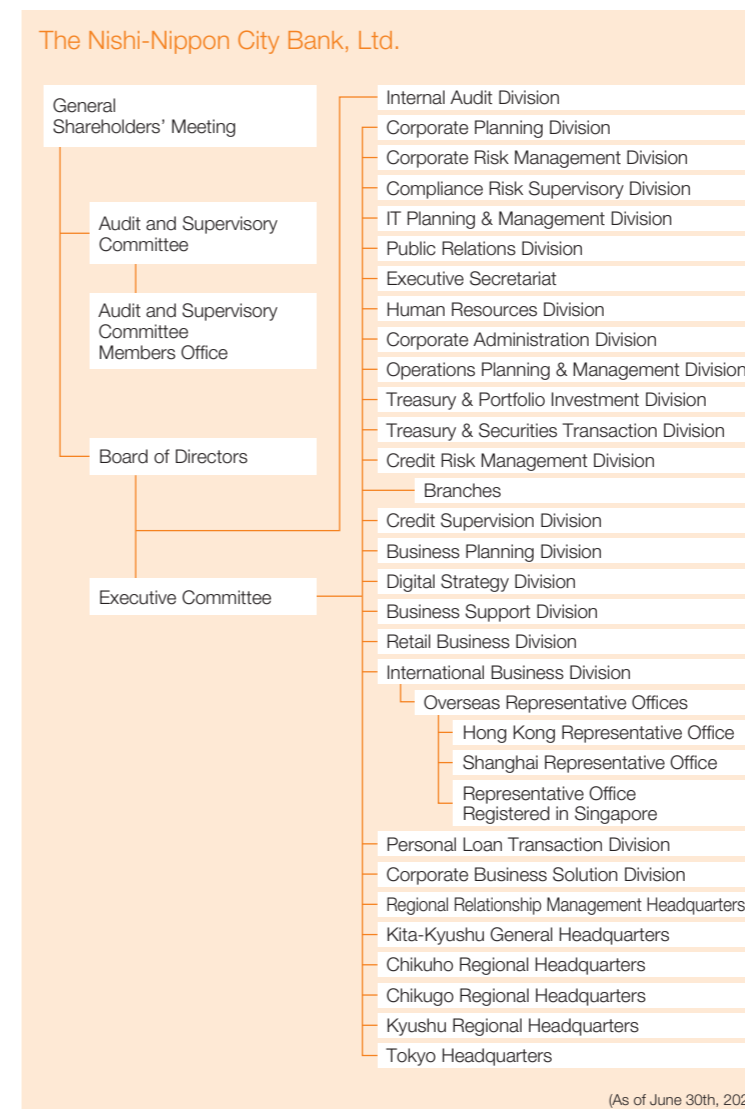
(As of March 31st, 2023)

Board of Directors and Audit and Supervisory Board Members

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

(As of June 30th, 2023)

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



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