

# Corporate Governance

## Basic Concept

The Company and its subsidiaries (hereinafter the “Group”) shall, under the “group management philosophy” representing the Group’s fundamental spirit that guides all officers and employees, serve our customers and local communities as an entity essential to their welfare based on our hitherto earned tradition and trust, thereby contributing to materializing sustainable growth and affluent future. Meanwhile, we have formulated our long-term vision as guidance for the future group management in the belief that it is essential to envision the desirable shape of our future based on such management philosophy and to proactively reform ourselves toward materializing such future.

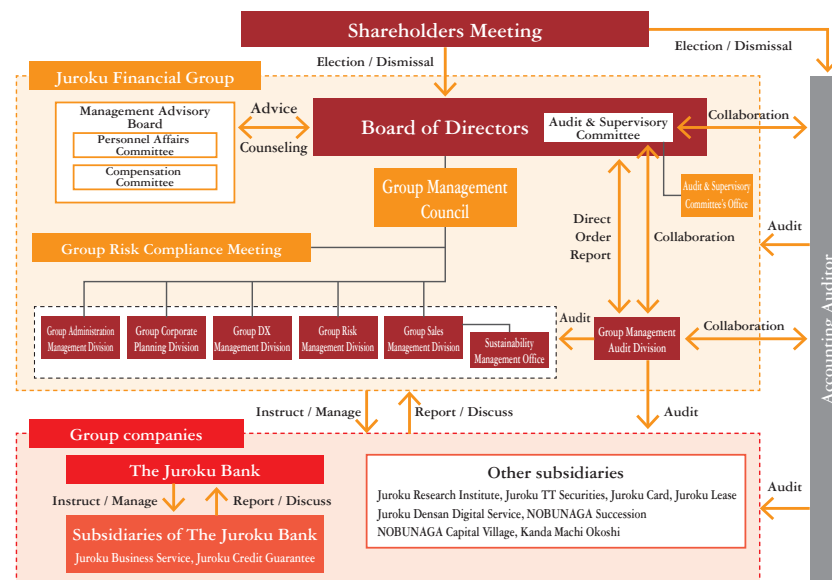
## Corporate Governance System

Juroku Financial Group is a company with an Audit & Supervisory Committee, and the functions of the Board of Directors are strengthened not only in its decision-making functions but also in its auditing and supervisory functions.

By separately electing Executive Directors and Directors who are Members of the Audit & Supervisory Committee, we have enhanced the audit system of Group-wide business management and the supervision system of Executive Directors by Members of the Audit & Supervisory Committee.

In addition, we are working to further enhance our corporate governance system by monitoring the status of business execution, the status of risk management, and the compliance system of group companies, and striving to build a Group-wide business management system.

Group companies are striving for efficient business operations by preparing business plans based on Group-wide management policies, and by making prompt management decisions and speeding up business execution.



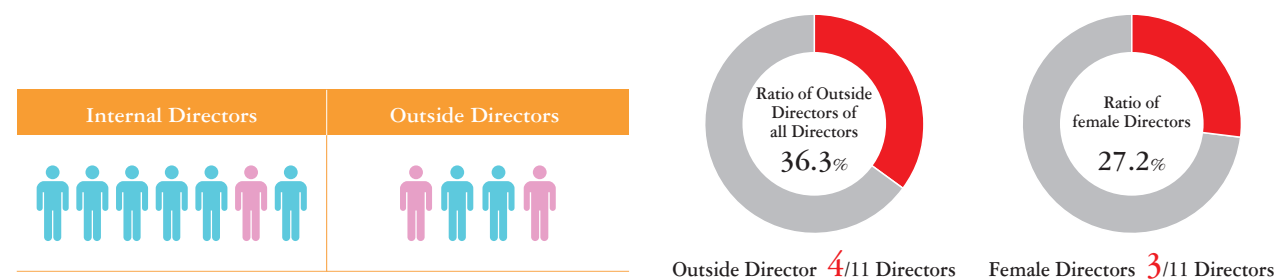
## Composition of the Board of Directors

The Group strives to ensure that the Board of Directors has a well-balanced structure with diverse knowledge and expertise.

In order to enhance the objectivity and rationality of decision-making by the Board of Directors in addition to supervising management, we appoint Independent Outside Directors so that they consist of more than one-third of the total number of Directors.

Incidentally, the Company appointed in June 2024 the first female internal Director in its history.

(as of June 30, 2024)



## Activities and Composition of the Board of Directors

The Board of Directors deliberates and decides on the matters as required by laws and regulations as well as important management-related matters, while Executive Directors report to the Board of Directors regarding the status of execution of their duties at least once in three months pursuant to Article 363, Paragraph 2 of the Companies Act, ensuring the Board’s supervision of execution of Directors’ duties.

The meetings of the Board of Directors held in FY2023 (11 meetings) debated and deliberated in particular on the subjects concerning capital policy and shareholder return policy (at the meetings held in May, June, October, December 2023 and March 2024), the initiatives for sustainability (at the meetings held in July 2023 and March 2024), and the financial results as well as the progress in achieving budget (at the meetings held in April, July, November 2023 and January 2024).

Attendance of each Director in FY2023 is as indicated on the right.

Name	No. of meetings held	No. of meetings attended (attendance ratio)
Yukio Murase	11	11 (100%)
Naoki Ikeda	11	11 (100%)
Akihide Ishiguro	11	11 (100%)
Yukiyasu Shiraki	11	11 (100%)
Yoshiaki Bito	11	11 (100%)
Hiroyuki Ota	11	11 (100%)
Satoko Ito	11	11 (100%)
Yasushi Ueda	9	9 (100%)
Naohiko Ishikawa	11	11 (100%)
Shinji Ishihara	11	11 (100%)
Satoe Tsuge	11	11 (100%)

## Management Advisory Board

In order to further ensure transparency and fairness of the Board of Directors’ decision-making activities, we have established the Management Advisory Board, which consists of two committees, the Personnel Affairs Committee and the Compensation Committee, as an advisory body to the Board of Directors.

Management Advisory Board consists of the Personnel Affairs Committee and the Compensation Committee that provide advice on the matters shown in the table on the right.

In FY2023, the Personnel Affairs Committee and the Compensation Committee held two meetings each. In reference to attendance of each committee member, all members attended all meetings registering 100% attendance ratio.

Personnel Affairs Committee	
1	Matters concerning the determination of candidates for Director
2	Matters concerning selection and dismissal of Executive Directors, etc.
Compensation Committee	
1	Matters concerning compensation for Directors
2	Matters concerning the evaluation of the effectiveness of the Board of Directors
3	Other important matters related to management

## Evaluation of the Effectiveness of the Board of Directors

The Company annually conducts self-evaluations and analysis of the effectiveness of the Board of Directors, as a measure for improving the administration of the Board of Directors. In FY2023, we carried out self-evaluations with the advice from an external institution, results of which were submitted for a consultation to the Management Advisory Board, an advisory body to the Board of Directors, and then deliberated at the Board of Directors.

### <Method for evaluating the effectiveness of the Board of Directors for FY2023, and the summary of the results of evaluation>

#### (1) Method for evaluating the Board effectiveness

- Anonymous questionnaire was conducted for all (11) Directors in March 2024.
- The questionnaire was comprised comprehensively of 31 multiple-choice questions for five grade evaluation as well as nine written-type questions on the composition, administration and other matters regarding the Board of Directors.

#### (2) Results of analysis

As a result of the analysis and evaluation of the questionnaire, the Company confirmed that the Board of Directors was appropriately administered and that the overall effectiveness of the Board of Directors has been secured.

All parties concerned shared the determination that the Board of Directors shall, with a view to further strengthening the Board’s function and reinvigorating its debate, be engaged in continuous efforts for reviewing the contents and quantity of the reference materials for the Board meetings, and enhancing the opportunities for communication between Internal/Outside Directors and the executive departments.

We will continue with our efforts to enhance discussions on important management issues for the sustainable growth of the Group and the enhancement of corporate value over the medium to long term. Furthermore, we will further enhance the effectiveness of the Board of Directors by continuously reviewing the operation of the Board of Directors with Outside Officers.

Status of Audit by the Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three Members of the Audit & Supervisory Committee (one of the three is a full-time Member of the Audit & Supervisory Committee, as of June 20, 2024), including two Members of the Audit & Supervisory Committee who are Outside Directors, and meets once a month in principle. In addition, the Audit & Supervisory Committee's Office has been established to assist Members of the Audit & Supervisory Committee in their duties, thereby ensuring the objective monitoring and auditing functions of the management's business execution.

In accordance with the audit policy, audit plan, and allocation of duties established by the Audit & Supervisory Committee, the full-time Member of the Audit & Supervisory Committee audits the execution of duties by Directors by attending important meetings such as those of the Board of Directors, Group Management Council, Group Risk Compliance Meeting, and Sustainability Council, inspecting important documents, and interviewing Representative Directors and other Directors. Part-time Outside Members of the Audit & Supervisory Committee communicate and collaborate with the full-time Member of the Audit & Supervisory Committee to conduct audits based on discussions at Audit & Supervisory Committee meetings and other meetings. Satoe Tsuge, an Outside Member of the Audit & Supervisory Committee, is qualified as certified public accountant holding financial and accounting expertise.

The Audit & Supervisory Committee also reviews the status of the development and operation of the internal control system, the decision on the appointment of Directors other than Members of the Audit & Supervisory Committee, the decision on the compensation of Directors other than Members of the Audit & Supervisory Committee, the suitability for reappointment of the Accounting Auditor, the agreement on the amount of compensation for the Accounting Auditor, and prior approval of the non-assurance services by the Accounting Auditor, and exchanges opinions with the internal audit department and the Accounting Auditor in order to enhance the effectiveness of audits.

In FY2023, the Company held 11 meetings of the Audit & Supervisory Committee, and the attendance of individual Members of the Audit & Supervisory Committee is shown in the above table.

Name	Position	No. of meetings held	No. of meetings attended	Attendance ratio
Naohiko Ishikawa	Member of the Audit & Supervisory Committee (Full-time)	11	11	100%
Shinji Ishihara	Member of the Audit & Supervisory Committee (Outside)	11	11	100%
Satoe Tsuge	Member of the Audit & Supervisory Committee (Outside)	11	11	100%

Remuneration for Officers

Remuneration, etc. for Directors of the Company comprises three components that are fixed remuneration, performance-linked remuneration and stock-type remuneration, based on the resolution at the 1st Annual General Meeting of Shareholders held on June 17, 2022. Meanwhile, remuneration for Outside Directors and Directors who are Members of the Audit & Supervisory Committee consists solely of fixed remuneration with a view to enhancing their neutrality and independence.

Fixed remuneration			
The aggregate amount of fixed remuneration for Directors (excluding Directors who are Members of the Audit & Supervisory Committee) payable commensurate with their roles and responsibilities shall not exceed ¥330 million per year, while the aggregate amount of fixed remuneration for Directors who are Members of the Audit & Supervisory Committee shall not exceed ¥80 million per year.			
Performance-linked remuneration			
Performance-linked remuneration is intended to provide incentive for contributing to improving the Group's business performance for each fiscal year, and is geared to the Group's bottom line performance criterion, namely, net income attributable to owners of the parent (consolidated). The aggregate amount of performance-linked remuneration for Directors (excluding Outside Directors and Directors who are Members of the Audit & Supervisory Committee) shall be paid within the ceilings in the table below, apart from the fixed remuneration.			
Performance-linked remuneration			
Net income attributable to owners of the parent (consolidated)	Ceiling of remuneration	Net income attributable to owners of the parent (consolidated)	Ceiling of remuneration
¥4.0 billion or less	—	More than ¥12.0 billion but not exceeding ¥14.0 billion	¥70 million
More than ¥4.0 billion but not exceeding ¥6.0 billion	¥30 million	More than ¥14.0 billion but not exceeding ¥16.0 billion	¥80 million
More than ¥6.0 billion but not exceeding ¥8.0 billion	¥40 million	More than ¥16.0 billion but not exceeding ¥18.0 billion	¥90 million
More than ¥8.0 billion but not exceeding ¥10.0 billion	¥50 million	More than ¥18.0 billion but not exceeding ¥20.0 billion	¥100 million
More than ¥10.0 billion but not exceeding ¥12.0 billion	¥60 million	More than ¥20.0 billion	¥110 million
Stock-type remuneration			
Restricted stock-type remuneration is intended to provide incentive for continuously enhancing the Company's corporate value while further promoting value-sharing between Directors and shareholders, which once a year in principle delivers to Directors restricted shares with transfer restriction period. Remuneration to be used for delivering restricted shares shall be monetary claims, which shall, in the aggregate but apart from the fixed remuneration and performance-linked remuneration, not exceed ¥80 million per year while the total number of shares to be allotted in a year shall not exceed 40,000 shares.			

The guidelines for the distribution ratio of these three types of remuneration for Directors (excluding Outside Directors and Directors who are Members of the Audit & Supervisory Committee) shall be 100, 50, and 15 between fixed remuneration, performance-linked remuneration, and stock-type remuneration, respectively (if fully paid as scheduled, and including remuneration from consolidated subsidiaries if involving concurrent service as Directors at consolidated subsidiaries).

Reason for nominating Outside Officers (function and role of Outside Directors in the corporate governance of the Company)

Outside Director Satoko Ito

Ms. Satoko Ito has extensive experience and knowledge in a wide range of domains such as environment, energy, regional revitalization, ESG and sustainability gained through her career as an anchorperson for news and information programs and a university professor. Although she has not been involved in corporate management other than through serving as Outside Director or External Corporate Auditor, the Company believes that, by utilizing her extensive experience and a wide range of knowledge, she will contribute to further ensuring transparency and fairness of the decision-making function and further strengthening the supervising function of the Board of Directors from an objective standpoint independent from the management team in order to promote the Group's sustainable growth and improve its medium- to long-term corporate value, and has nominated her.

Outside Director Yasushi Ueda

Mr. Yasushi Ueda has been engaged in corporate management as Senior Managing Executive Officer and Group CRO of Meiji Yasuda Life Insurance, and has gained extensive experience and a wide range of insight in the financial sector, including risk management. The Company believes that, by utilizing his extensive operational experience and a wide range of knowledge, he will contribute to further ensuring transparency and fairness of the decision-making function and further strengthening the supervising function of the Board of Directors from an objective standpoint independent from the management team in order to promote the Group's sustainable growth and improve its medium- to long-term corporate value, and has nominated him.

Outside Director (Audit & Supervisory Committee Member) Shinji Ishihara

As a lawyer, Mr. Shinji Ishihara has a wealth of experience and specialized knowledge of legal affairs in general, and has been serving as the managing partner of Ishihara Law Office since 2011. The Company believes that, by utilizing his extensive experience and a wide range of knowledge, he will contribute to further ensuring transparency and fairness of the decision-making function and further strengthening the supervising function of the Board of Directors from an objective standpoint independent from the management team in order to promote the Group's sustainable growth and improve its medium- to long-term corporate value, and has nominated him.

Outside Director (Audit & Supervisory Committee Member) Satoe Tsuge

As a certified public accountant, Ms. Satoe Tsuge has expertise in finance and accounting, and is the representative of Tsuge CPA Office, which was established in 1999, and the representative director of La Vida Planning Co., Ltd., which was established in 2007. The Company believes that, by utilizing her extensive experience and a wide range of knowledge, she will contribute to further ensuring transparency and fairness of the decision-making function and further strengthening the supervising function of the Board of Directors from an objective standpoint independent from the management team in order to promote the Group's sustainable growth and improve its medium- to long-term corporate value, and has nominated her.

Major skills and experience, etc. of Directors of the Company

(including Directors who are Members of the Audit & Supervisory Committee) (skill matrix)

(as of June 30, 2024)

	Name	Current position at the Company	Major skills and experience, etc. of Directors						
			Corporate management	Financing	Finance / Accounting	Legal affairs / Risk management	Human resources	Local revitalizatio	ESG / Sustainability
Directors who are not Members of the Audit & Supervisory Committee	Yukio Murase	Chairperson (Representative Director)	●	●	●	●	●	●	
	Naoki Ikeda	President (Representative Director)	●	●	●	●	●		●
	Akhide Ishiguro	Deputy President	●	●	●		●		
	Yukiyasu Shiraki	Director and Senior Managing Executive Officer	●	●				●	●
	Yoshiaki Bito	Director and Managing Executive Officer	●	●		●			
	Tomoko Shiozaki	Director and Executive Officer	●	●				●	●
	Satoko Ito	Director <span>Outside</span>						●	●
	Yasushi Ueda	Director <span>Outside</span>	●	●		●			
Directors who are Members of the Audit & Supervisory Committee	Akito Yamashita	Director	●	●	●				
	Shinji Ishihara	Director <span>Outside</span>				●	●		
	Satoe Tsuge	Director <span>Outside</span>			●				●

\*The table does not represent all expertise and experience possessed by each person.