


Fiscal year ended March 31, 2024



Company Briefing Material

Aichi Financial Group, Inc.
June 6, 2024




Table of contents

I. Financial results for the fiscal year ended March 31, 2024: Outline	P2	III. Progress of the FG 1st Medium-Term Business Plan	P27
Consolidated financial results and dividends	P3	Positioning of the FG 1st Medium-Term Business Plan: Integration schedule	P28
Financial results for the fiscal year ended March 31, 2024: Outline	P4	Positioning of the FG 1st Medium-Term Business Plan: Plan themes	P29
Core business profit	P5	The goals of the FG 1st Medium-Term Business Plan: Things to be done by the founding of Aichi Bank	P30
Status of Deposits	P6	Four key strategies toward the goals of the FG 1st Medium-Term Business Plan	P31
Status of Loans and discounts	P7	Prepare for a full transition to a consulting solution based business model	P32
Status of Deposits and loans by region	P8	Large scale shift of employees to the human capital required for a new business model	P33
Status of Interest on loans	P9	FG 1st Medium-Term Business Plan KPIs and integration synergies	P34
Status of Fees and commissions related to solutions and client assets	P10	Targets and results of the FG 1st Medium-Term Business Plan	P35
Status of Balance on securities	P11		
Status of Securities	P12	IV. Sustainability initiatives	P36
Status of Expenses	P13	Sustainability policy	P37
Status of Credit cost	P14	Materiality (significant issues)	P38
Status of Credit management	P15	Materiality KPIs and progress	P39
Status of Capital adequacy ratio	P16	Initiatives on the TCFD recommendations: Governance	P40
Earnings forecast	P17	Initiatives on the TCFD recommendations: Strategy	P41
Non-consolidated bank (Aichi Bank) profit / loss for the fiscal year ending March 31, 2025	P18	Initiatives on the TCFD recommendations: Risk management	P43
Interest on loans and fees and commissions projected for the current fiscal year	P19	Initiatives on the TCFD recommendations: Indicators and targets	P45
Impact of increasing interest rates	P20	Materiality (1): Contribute to the prosperity of local communities	P46
		Materiality (2): Advancement of financial services	P50
II. Initiatives to enhance medium- to long-term corporate value	P21	Materiality (3): Environmental conservation response	P51
Capital policy: Basic approach (capital allocation)	P22	Materiality (4): Enhancing employee engagement and promoting diverse human capital	P52
Toward improving PBR	P23	Materiality (5): Strengthen governance	P53
Efforts intended for improving RORA	P24		
Reduce listed strategic shareholdings	P25	V. Reference material	P54
Enhance group strategies	P26	Outline of the Aichi Financial Group	P55
		Business foundation	P56
		Management philosophy	P57
		Corporate slogan and group message	P58
		Merger of subsidiary banks and change of corporate name	P59
		Market share of main bank, deposit, loan in Aichi prefecture	P60
		Economic environment of Aichi Prefecture	P61



I. Financial results for the fiscal year ended March 31, 2024: Outline

Consolidated financial results and dividends

- Ordinary income increased by 7.3 billion yen year on year. Net income attributable to owners of parent company decreased by 73.5 billion yen year on year as 80.4 billion yen had been recorded under "Gain on negative goodwill" in the previous fiscal year resulting from the business integration.

Aichi FG consolidated financial results

(In billions of yen)	FY2023	YoY
Ordinary revenue	88.6	15.8
Ordinary income	12.5	7.3
Net income attributable to owners of parent	8.2	(73.5)

Dividends

- ◆ Fiscal year ended March 31, 2024
Q2 50 yen and year end 50 yen: 100 yen in total
(Consolidated payout ratio 59.0%)
- ◆ Fiscal year ending March 31, 2025 (forecast)
Q2 50 yen and year end 50 yen: 100 yen in total

Shareholder return policy (dividend policy)

In order to improve capital efficiency by giving returns to shareholders while securing internal reserves to strengthen the earnings base, we will pay as our basic policy a minimum annual dividend of **100 yen per share** and acquire treasury shares flexibly.

Specifically, we will deliver **a total return ratio of 30%**, which will be the sum of dividends and treasury shares acquired.

* Excludes gain on negative goodwill

Aichi FG consolidated profit / loss

(In billions of yen)			
		FY2023	YoY
1	Consolidated gross profit	56.4	17.3
2	Net interest income	52.9	10.6
3	Fees and commissions	11.8	2.5
4	Net other operating income	(8.3)	4.2
5	Operating expenses	43.7	9.6
6	Write-off cost for provision for loan losses	1.4	(3.5)
7	Of which general provision for loan losses	(0.9)	(4.7)
8	Of which specific provision for loan losses	2.0	0.9
9	Gain (loss) on stocks	6.4	(0.2)
10	Ordinary income	12.5	7.3
11	Extraordinary income (loss)	(0.5)	(77.6)
12	Of which gain on negative goodwill	-	(80.4)
13	Of which loss on system cancellations	0.2	(2.1)
14	Income before income taxes and minority interests	12.0	(70.3)
15	Total income taxes	3.6	3.2
16	Net income	8.3	(73.5)
17	Net income attributable to owners of parent	8.2	(73.5)

Financial results for the fiscal year ended March 31, 2024: Outline

- Real net business profit, ordinary income and net income as computed on a two-bank-combined basis increased greatly year on year as net interest income and net fees and commissions increased while provision for loss on bonds such as Japanese government bonds and general provision for loan losses decreased. This was despite recording 6.8 billion yen in integration related costs (recorded under property costs, temporary loss and extraordinary loss).

(In billions of yen)		Combined for the two banks		Aichi Bank, non-consolidated		Chukyo Bank, non-consolidated	
			YoY		YoY		YoY
1	Gross profit	51.5	6.7	35.2	8.6	16.2	(1.9)
2	Core gross profit	60.9	1.5	40.5	2.2	20.4	(0.7)
3	Net interest income	51.6	1.0	34.8	2.0	16.8	(0.9)
4	Fees and commissions	10.4	0.4	6.8	0.4	3.6	(0)
5	Net other operating income	(10.6)	5.2	(6.4)	6.1	(4.2)	(0.9)
6	Expenses	42.3	2.1	27.3	2.1	15.0	0
7	Personnel expenses	19.8	(0.6)	12.9	0	6.9	(0.6)
8	Non-personnel expenses	18.9	2.3	12.2	1.7	6.7	0.6
9	Real net business profit	9.1	4.5	7.9	6.5	1.1	(1.9)
10	Core business profit	18.5	(0.6)	13.2	0.1	5.3	(0.8)
11	Core business profit (excl. net gains on investment trust cancellations)	16.6	0.3	12.3	0.8	4.3	(0.5)
12	General provision for loan losses	(0.9)	(4.8)	(0.6)	(3.8)	(0.3)	(1.0)
13	Business profit	10.0	9.4	8.6	10.4	1.4	(0.9)
14	Temporary gain (loss)	(0.8)	(3.9)	1.0	(4.0)	(1.9)	0.1
15	Of which gain (loss) on stocks	6.3	(0.7)	4.5	(1.9)	1.7	1.2
16	Of which disposal of non-performing loans	2.2	0.5	0.9	0.2	1.3	0.2
17	Ordinary income	9.2	5.5	9.7	6.4	(0.4)	(0.8)
18	Extraordinary income (loss)	(0.4)	2.7	(0)	0.6	(0.3)	2.1
19	Net income	6.4	5.8	6.9	4.7	(0.4)	1.1

Core business profit

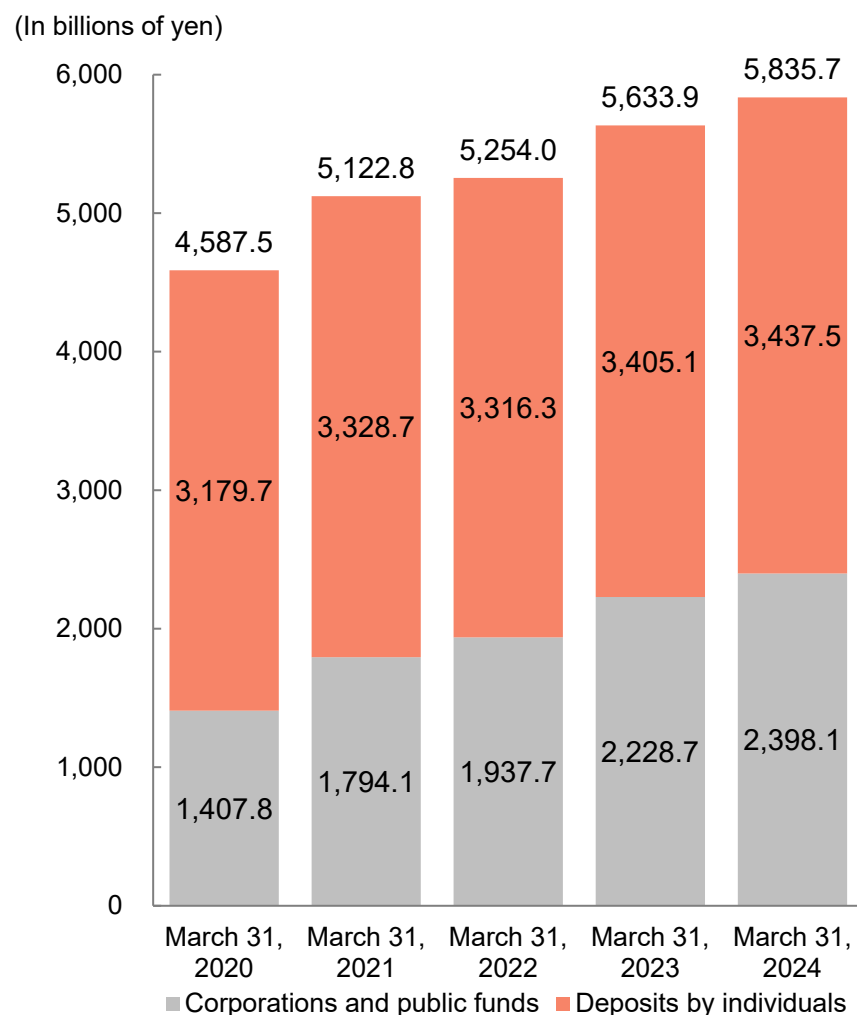
- The two banks' combined core business profit, excluding 2.5 billion yen of integration-related costs included in property and equipment costs, was 0.5 billion yen higher than the previous year due to increases in interest on loans, interest and dividends on securities, and net fees and commissions.

(In billions of yen)		Combined for the two banks		Aichi Bank, non-consolidated		Chukyo Bank, non-consolidated	
			YoY		YoY		YoY
1	Gross profit	51.5	6.7	35.2	8.6	16.2	(1.9)
2	Core gross profit	60.9	1.5	40.5	2.2	20.4	(0.7)
3	Net interest income	51.6	1.0	34.8	2.0	16.8	(0.9)
4	Of which interest on loans and bills discounted	36.0	0.7	23.3	1.0	12.7	(0.3)
5	Of which interest and dividends on securities	18.4	1.3	12.7	1.3	5.6	0
6	Fees and commissions	10.4	0.4	6.8	0.4	3.6	(0)
7	Net other operating income	(10.6)	5.2	(6.4)	6.1	(4.2)	(0.9)
8	Of which 5 bond accounts	(9.4)	5.2	(5.2)	6.3	(4.1)	(1.1)
9	Expenses	42.3	2.1	27.3	2.1	15.0	0
10	Personnel expenses	19.8	(0.6)	12.9	0	6.9	(0.6)
11	Property expenses	18.9	2.3	12.2	1.7	6.7	0.6
12	Of which integration-related expenses	2.5	1.2	1.7	0.8	0.7	0.4
13	Real net business profit	9.1	4.5	7.9	6.5	1.1	(1.9)
14	Core business profit	18.5	(0.6)	13.2	0.1	5.3	(0.8)
15	Core business profit (excl. net gains on investment trust cancellations)	16.6	0.3	12.3	0.8	4.3	(0.5)
16	Core business profit after deducting integration-related costs	21.1	0.5	15.0	1.0	6.0	(0.4)

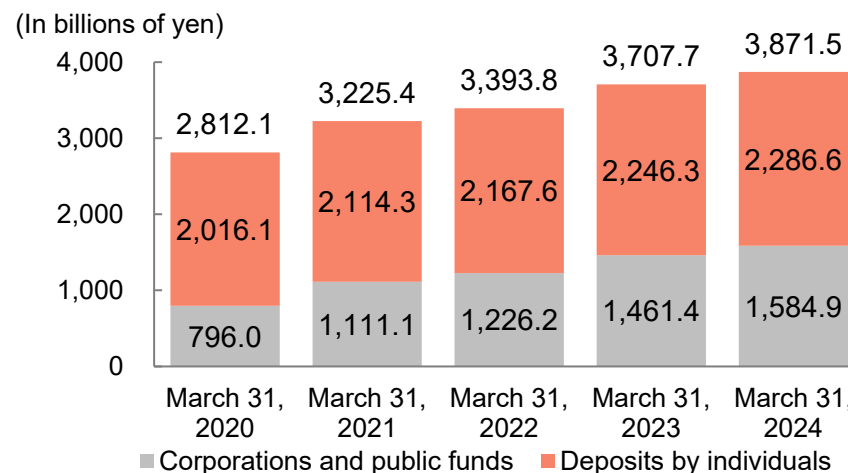
Status of Deposits

- The two banks' combined deposits increased 201.8 billion yen year on year to 5,835.7 billion yen. Of which individual deposits increased by 32.4 billion yen year on year.

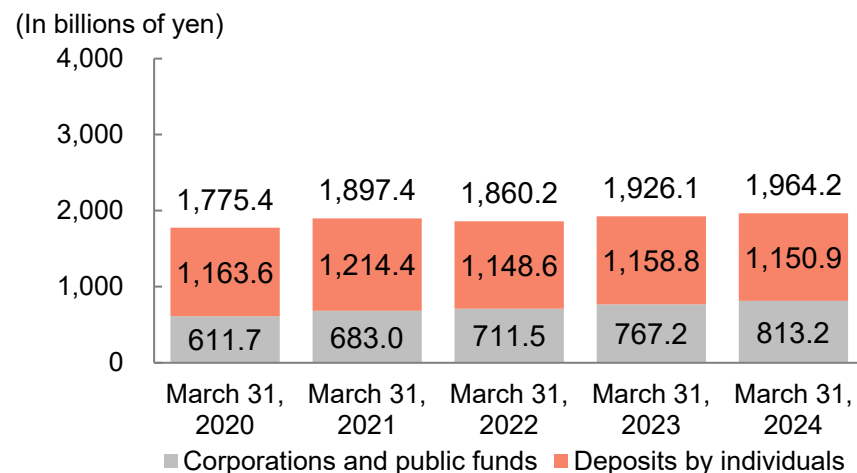
Two banks combined



Aichi Bank



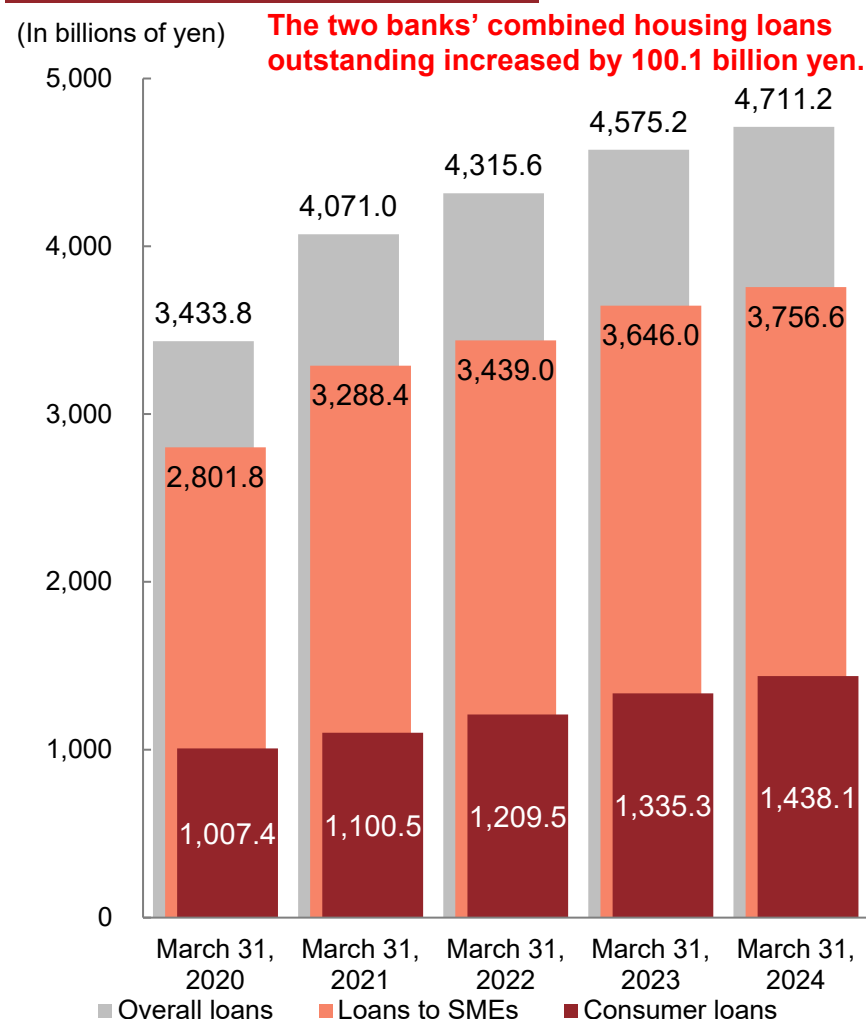
Chukyo Bank



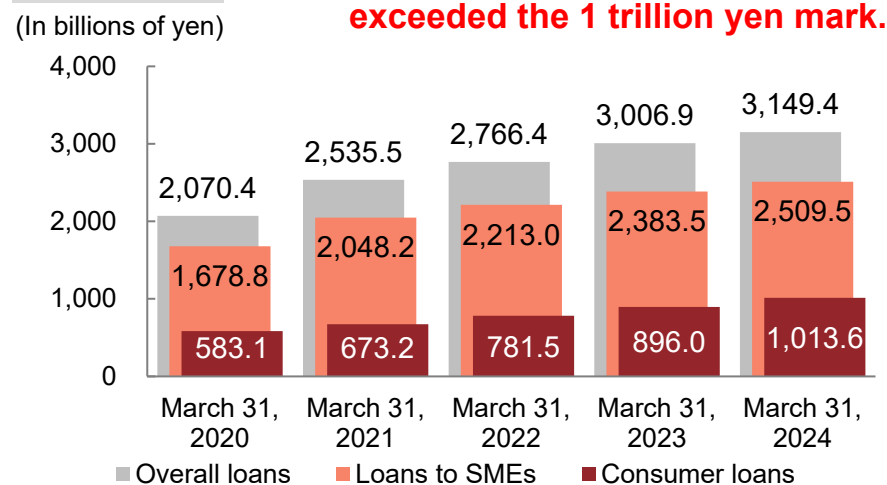
Status of Loans and discounts

- Loans outstanding for the two banks combined increased 135.9 billion yen year on year to 4,711.2 billion yen.
- The two banks' combined loans and deposits outstanding totaled 10,570.1 billion yen due to the augmentation of SME loans and housing loans.

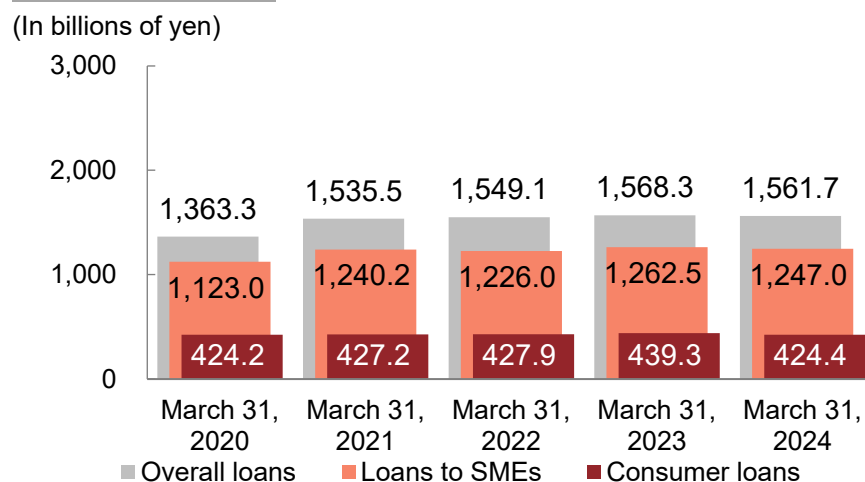
Two banks combined



Aichi Bank



Chukyo Bank



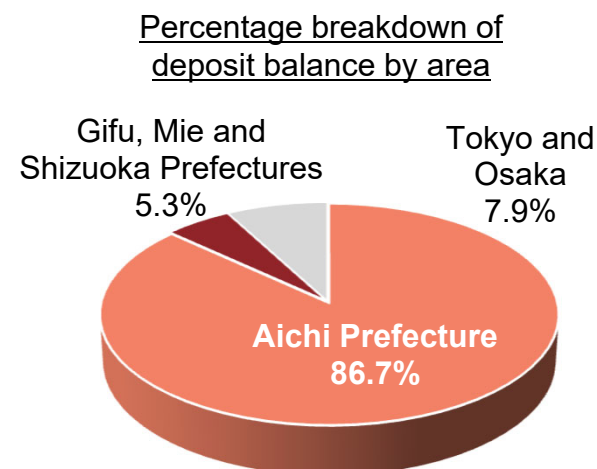
Status of Deposits and loans by region

- Deposits and loans by region for Aichi Prefecture with two banks operations; the deposits accounted for approx. 87% of the total, and the loans accounted approx. 84% of the total.

Deposits

(In billions of yen)

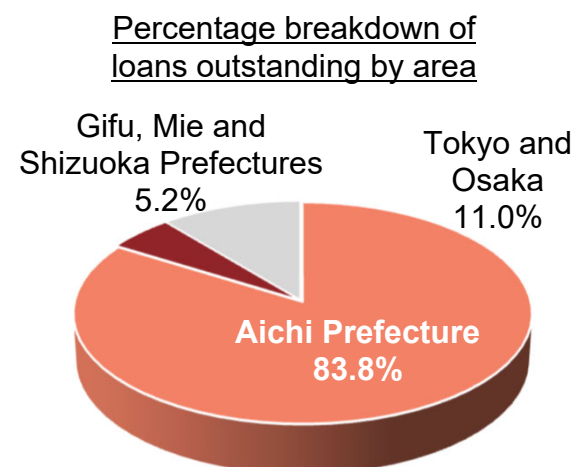
	Two banks combined	Aichi Bank	Chukyo Bank
1 Aichi Prefecture	5,061.3	3,423.5	1,637.7
2 Gifu, Mie and Shizuoka Prefectures	311.5	145.2	166.3
3 Tokyo and Osaka	462.8	302.7	160.1
4 Total	5,835.7	3,871.5	1,964.2



Loans

(In billions of yen)

	Two banks combined	Aichi Bank	Chukyo Bank
1 Aichi Prefecture	3,947.6	2,829.6	1,118.0
2 Gifu, Mie and Shizuoka Prefectures	247.1	126.9	120.2
3 Tokyo and Osaka	516.4	192.9	323.4
4 Total	4,711.2	3,149.4	1,561.7

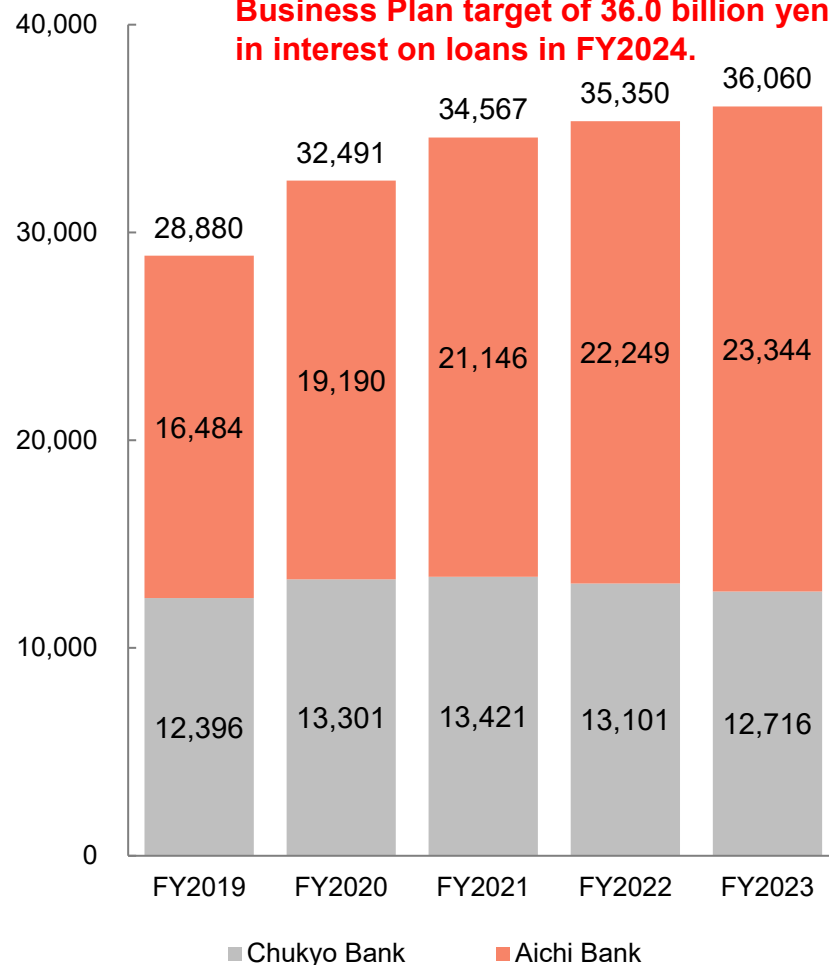


Status of Interest on loans

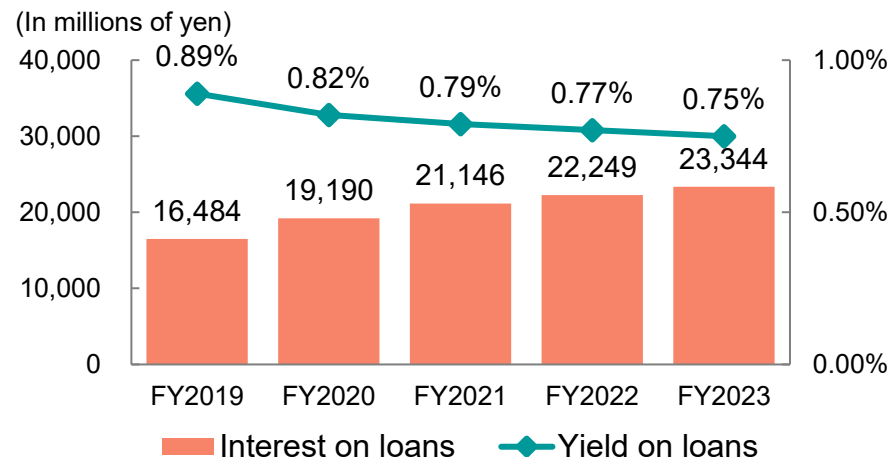
- Although both banks loans yields declined, the two banks' combined interest on loans increased by 0.7 billion yen year on year to 36.0 billion yen due to an increase in the loan balance.

Two banks combined

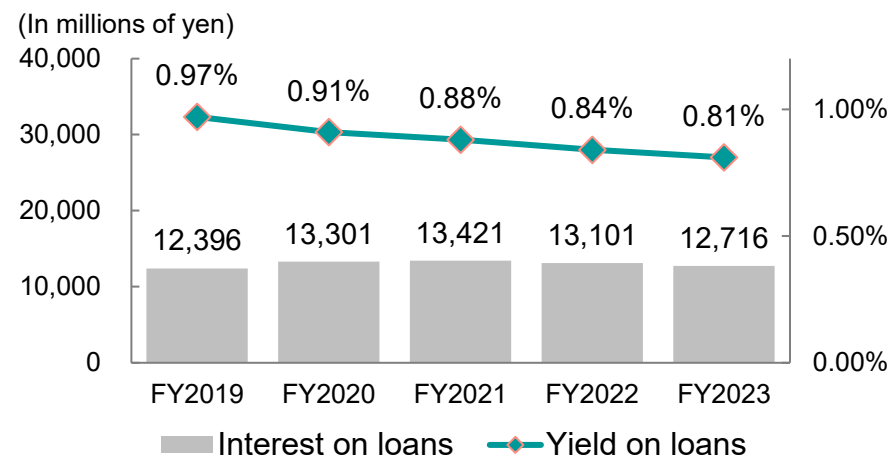
(In millions of yen) **Reached the FG 1st Medium-Term Business Plan target of 36.0 billion yen in interest on loans in FY2024.**



Aichi Bank

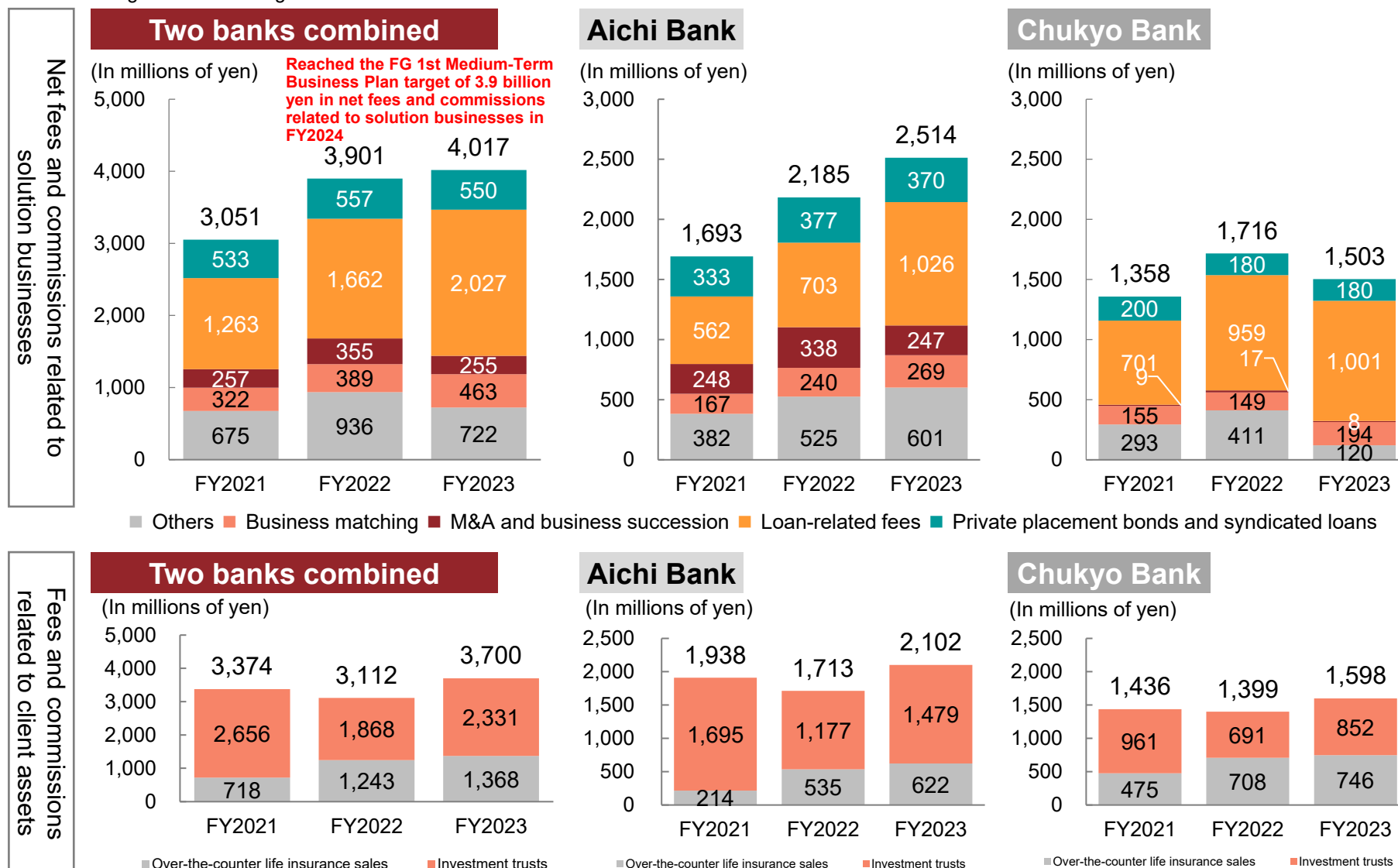


Chukyo Bank



Status of Fees and commissions related to solutions and client assets

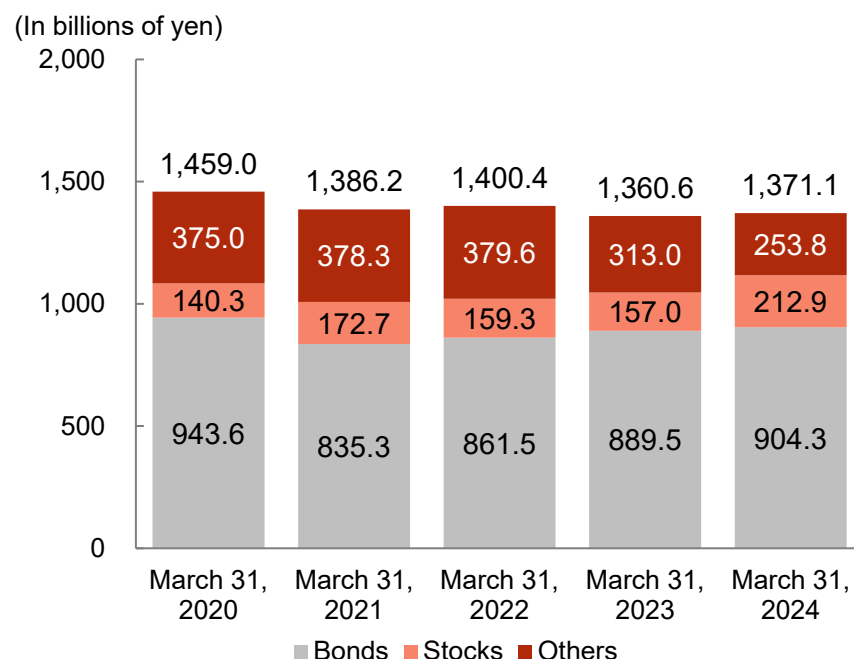
- Solution-related fees and commissions as computed on a two banks combined increased by 100 million yen year on year, including business matching and loan-related fees.
- Net fees and commissions from client assets increased for both investment trusts and life insurance as computed on a two banks combined, with the background of a strong market environment.



Status of Balance on securities

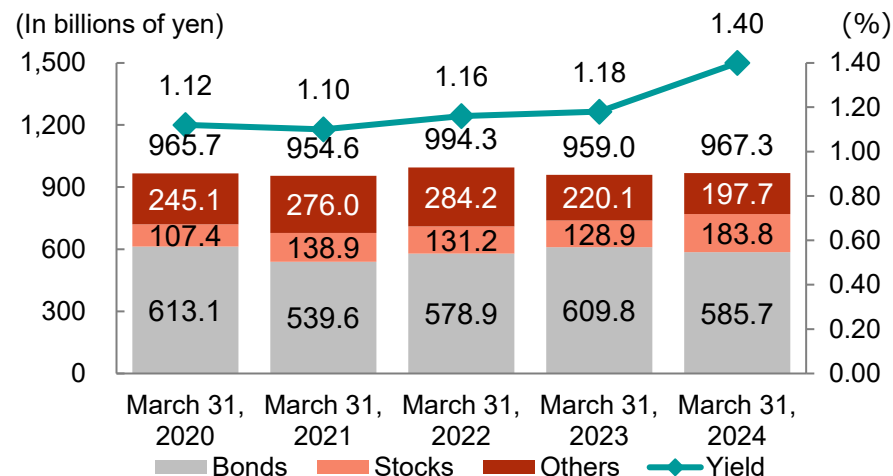
- We continued to restructure our securities portfolios, shortening duration.
- While focusing on investments in yen-denominated bonds, we aimed to secure stable income by buying assets expected to offer proper market liquidity and generate high yields.

Two banks combined

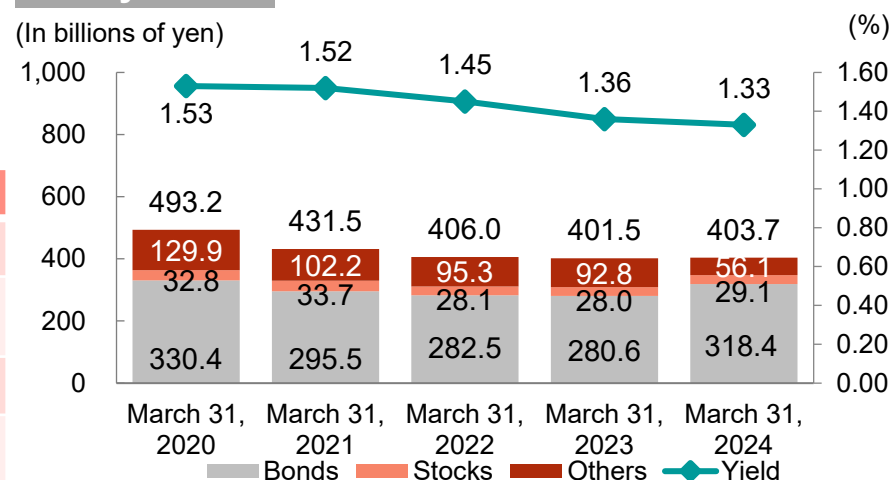


Duration (years)		2020/3	2021/3	2022/3	2023/3	2024/3
Aichi Bank	Yen-denominated bonds	4.51	6.07	6.74	7.04	6.82
	Foreign currency-denominated bonds	1.77	2.13	2.57	1.85	1.77
Chukyo Bank	Yen-denominated bonds	5.00	5.98	5.21	4.85	4.77
	Foreign currency-denominated bonds	5.75	4.05	5.74	2.98	1.34

Aichi Bank



Chukyo Bank



Status of Securities

- The two banks' combined losses on JGBs and other bonds were 9.4 billion yen, a decrease of 5.2 billion yen year on year, as a result of securities portfolio restructuring efforts made since the previous year. Gains on valuation of securities totaled 117.0 billion yen for the two banks combined, an increase of 70.4 billion yen from the previous year.

Gain (loss) on securities

(In billions of yen)

		Two banks combined		Aichi Bank		Chukyo Bank	
			YoY		YoY		YoY
1	Interest and dividends on securities	18.4	1.3	12.7	1.3	5.6	0
2	Net gain (loss) on investment trust cancellations	1.8	(1.0)	0.9	(0.6)	0.9	(0.3)
3	Gain (loss) on securities	(3.1)	4.5	(0.7)	4.4	(2.4)	0
4	Net gain (loss) on JGBs and bonds	(9.4)	5.2	(5.2)	6.3	(4.1)	(1.1)
5	Gain (loss) on stocks	6.3	(0.7)	4.5	(1.9)	1.7	1.2
6	Gain (loss) on securities	15.2	5.9	12.0	5.8	3.2	0.1

Net unrealized gain (loss) on securities

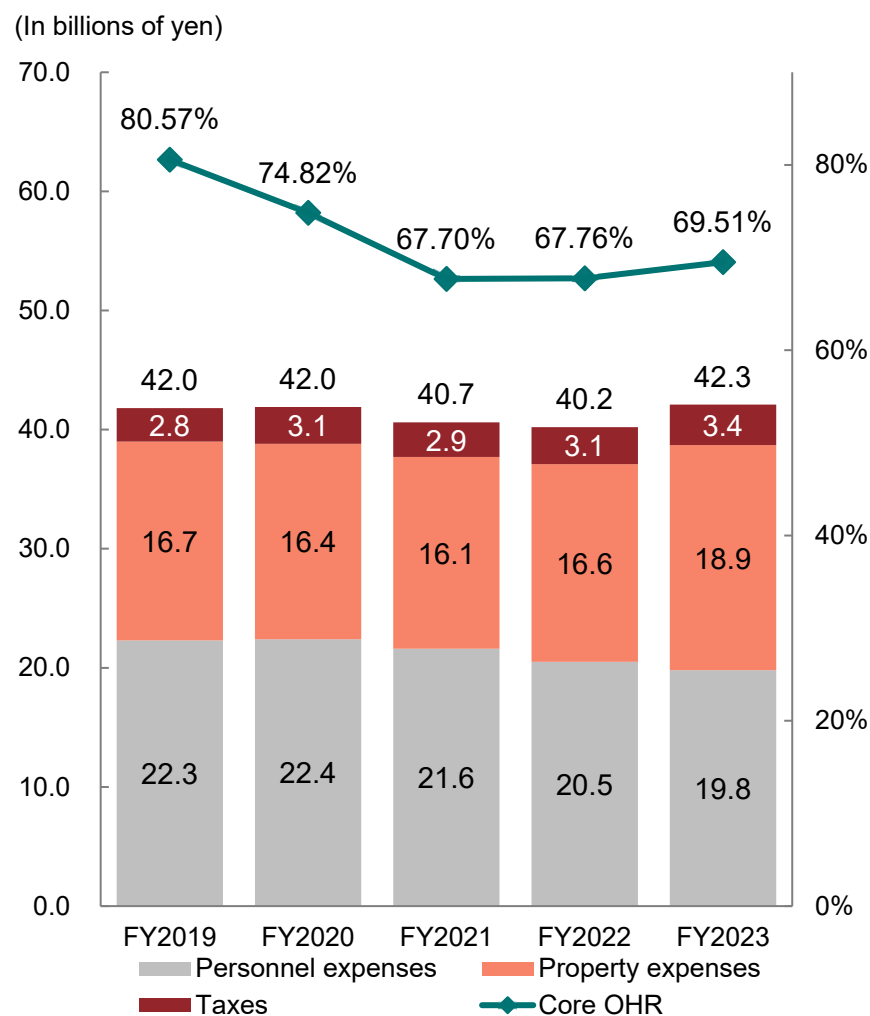
(In billions of yen)

		Two banks combined		Aichi Bank		Chukyo Bank	
			YoY		YoY		YoY
1	Net unrealized gain (loss) on securities	117.0	70.4	105.0	63.7	11.9	6.7
2	Stocks	118.1	51.9	102.2	47.1	15.9	4.8
3	Bonds	(18.7)	(7.8)	(15.4)	(5.6)	(3.2)	(2.1)
4	Foreign bonds and others	17.5	26.3	18.3	22.2	(0.7)	4.0
5	Net unrealized gain	142.0	68.2	125.1	63.5	16.8	4.6
6	Net unrealized loss	25.0	(2.2)	20.0	(0.1)	4.9	(2.0)

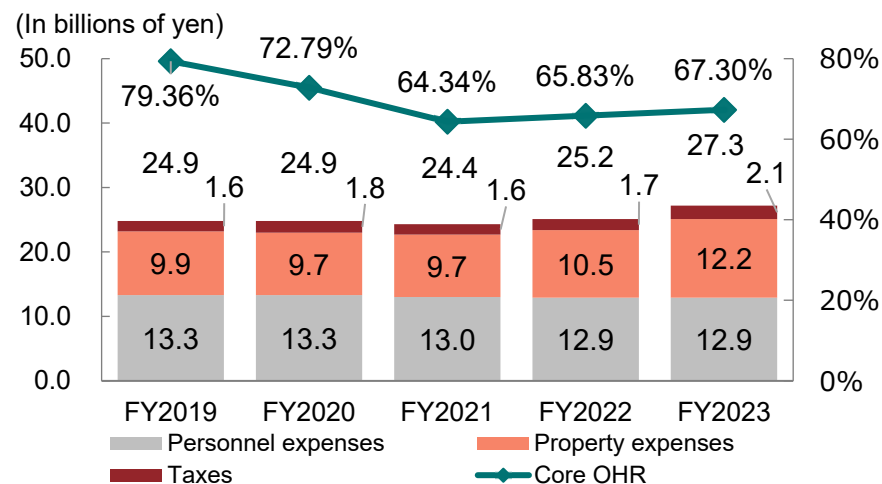
Status of Expenses

- Two banks combined expenses totaled 42.3 billion yen, up 2.1 billion yen year on year, and core OHR increased 1.75 points. The main reason of this increase: 2.5 billion yen of integration-related costs was recorded on property expenses by the two banks.

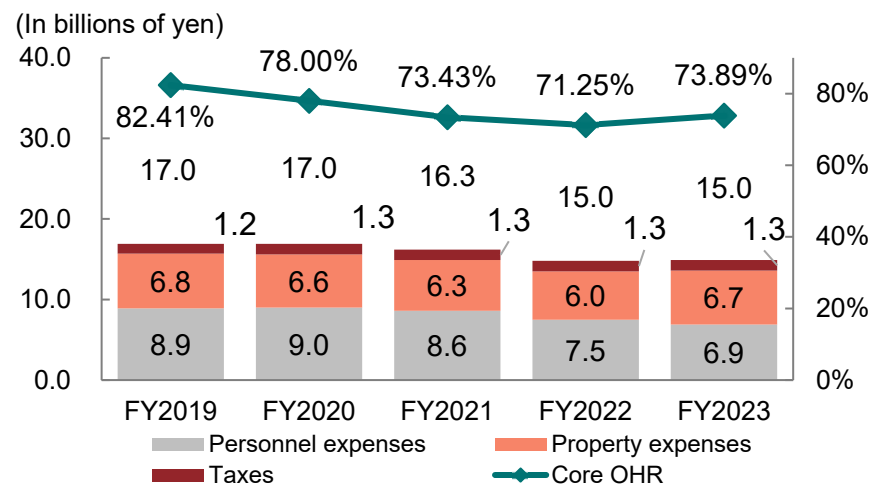
Two banks combined



Aichi Bank



Chukyo Bank

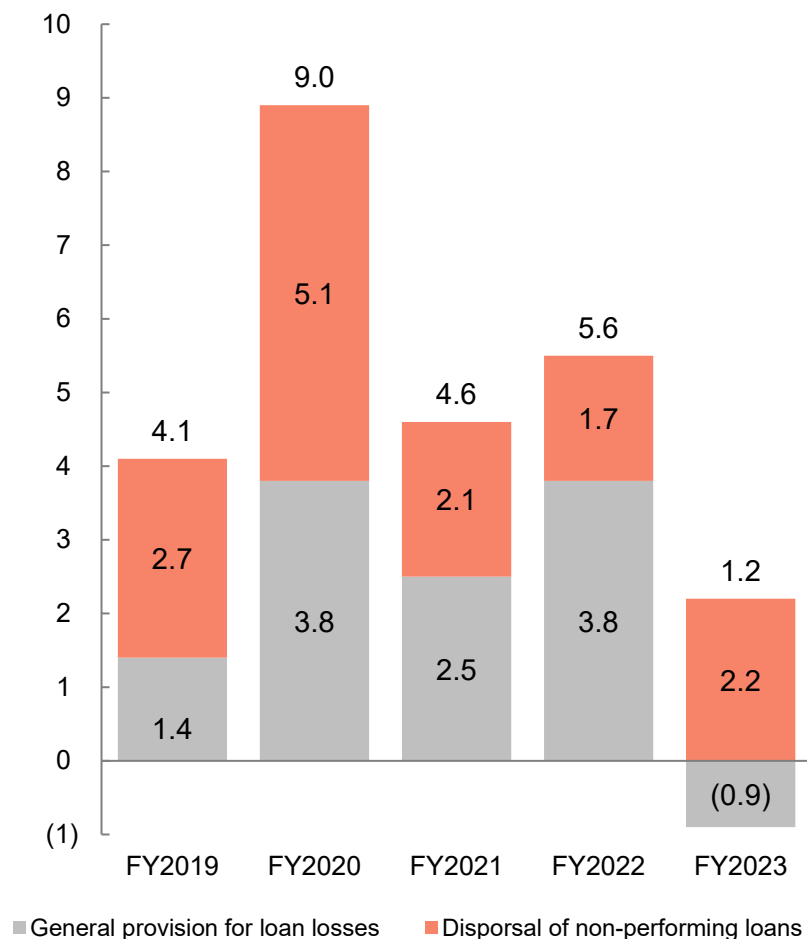


Status of Credit cost

- Credit cost for the two banks combined totaled to 1.2 billion yen, a decrease of 4.4 billion yen year on year. This was mainly due to a reversal of general provision for loan losses owing to a decrease in actual loan loss ratio at Aichi Bank and a decrease in expected loan loss ratio at Chukyo Bank.

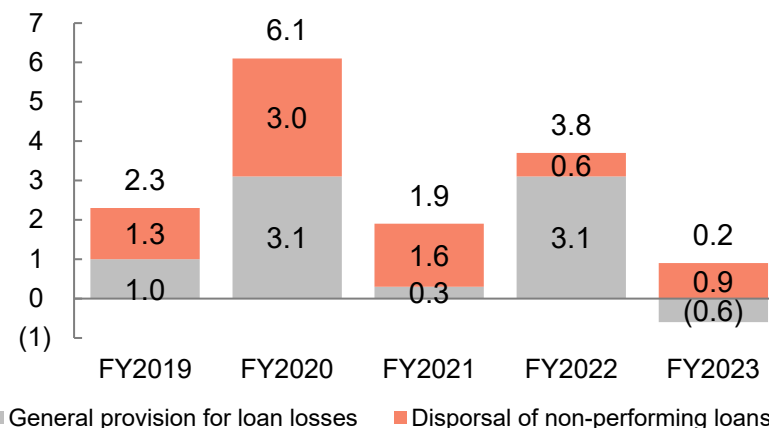
Two banks combined

(In billions of yen)



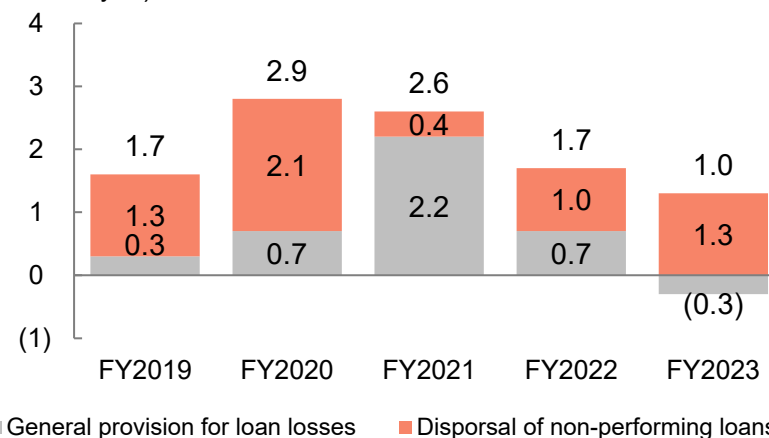
Aichi Bank

(In billions of yen)



Chukyo Bank

(In billions of yen)

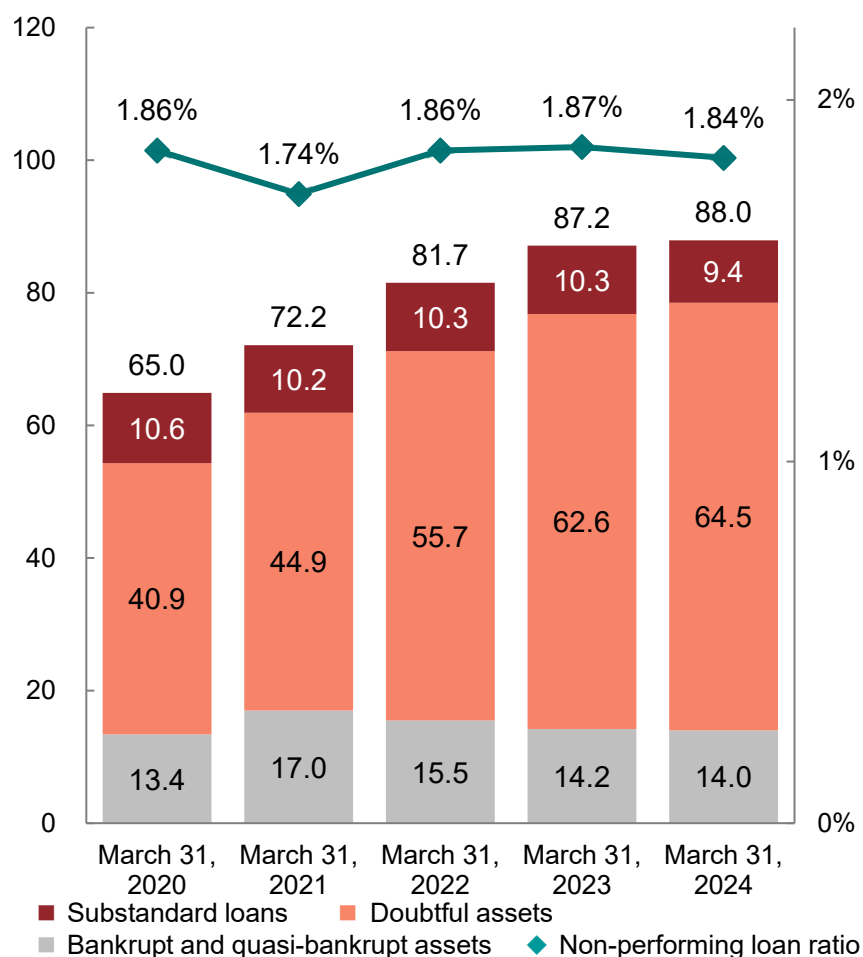


Status of Credit management

- The two banks combined non-performing loans totaled 88.0 billion yen, up 0.7 billion yen year on year, but non-performing loan ratio declined 0.03 percentage points year on year to 1.84%, a level not problematic.

Two banks combined

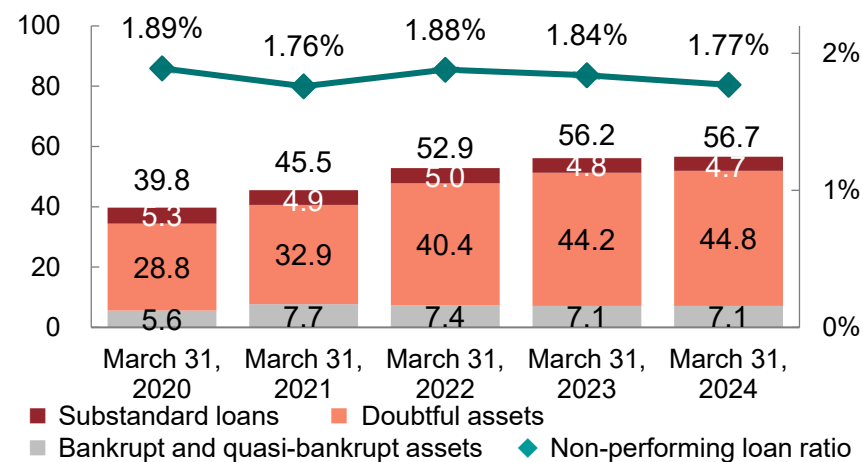
(In billions of yen)



Aichi Financial Group, Inc.

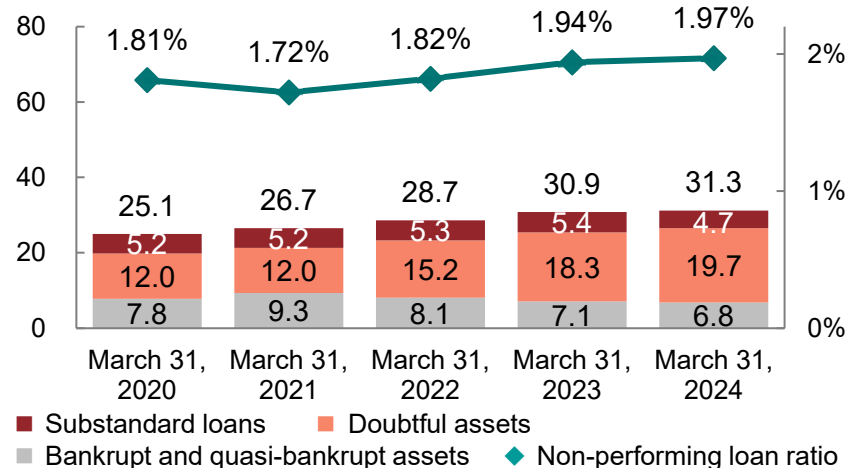
Aichi Bank

(In billions of yen)



Chukyo Bank

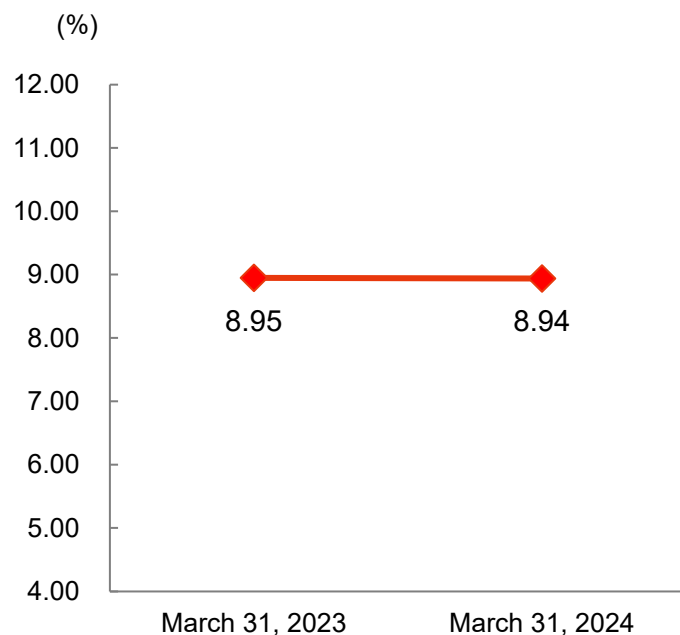
(In billions of yen)



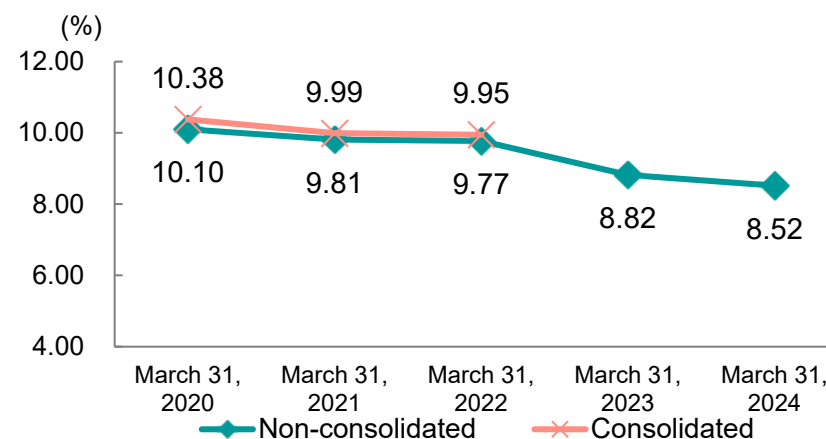
Status of Capital adequacy ratio

- FG consolidated capital adequacy ratio was 8.94%.
- At Aichi Bank on a non-consolidated basis, capital adequacy ratio declined by 0.30 points due to an increase in risk-weighted assets. At Chukyo Bank on a non-consolidated basis, capital adequacy ratio rose by 0.08 points.

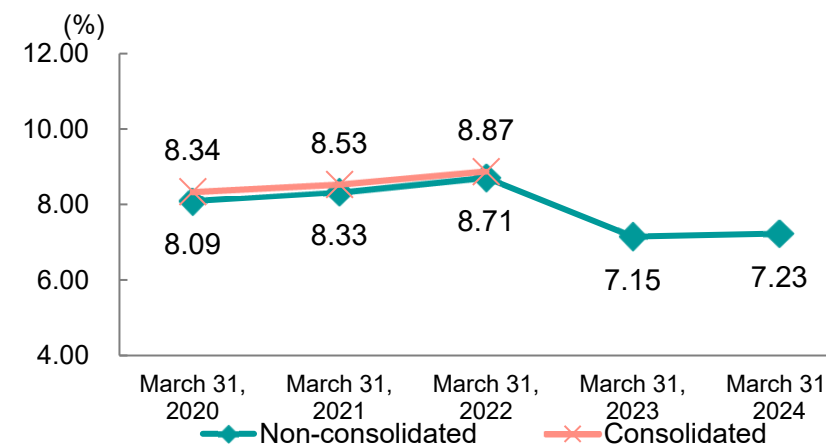
FG, consolidated



Aichi Bank



Chukyo Bank



Earnings forecast

- FG forecasts consolidated ordinary income of 4.5 billion yen, down 8.0 billion yen year on year, and net income of 1.0 billion yen, down 7.2 billion yen year on year.
- On a two banks combined basis, we forecast core business profit of 7.8 billion yen, down 10.7 billion yen year on year, ordinary income of 3.2 billion yen, down 6 billion yen year on year, and net income of 30 million yen, down 6.4 billion yen year on year.
- **Profits are forecast to decline significantly as integration-related costs will likely peak at approx. 11.0 billion yen for this fiscal year** in the run-up to the two-bank merger slated for January 2025.

FG, consolidated

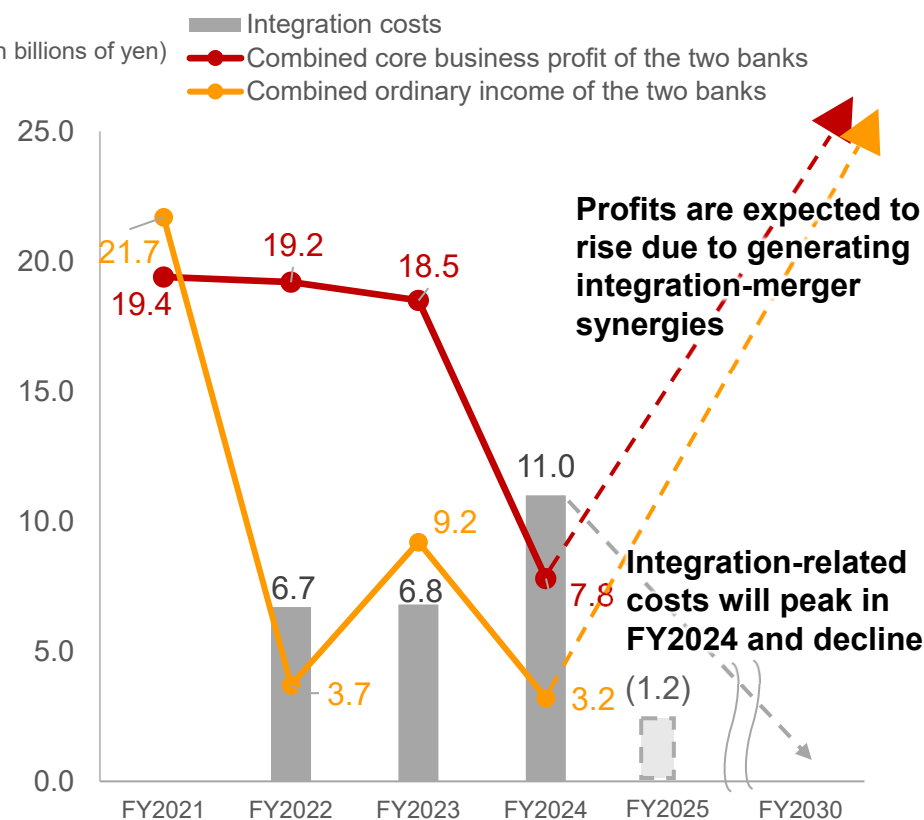
(In billions of yen)

	FY2023 Full year	FY2024 interim period forecast	FY2024 full- year forecast	Compared to FY2023
1 Ordinary income	12.5	4.0	4.5	(8.0)
2 Net income (interim)	8.2	2.5	1.0	(7.2)

Two banks combined

(In billions of yen)

	FY2023 Full year	FY2024 interim period forecast	FY2024 full- year forecast	Compared to FY2023
1 Core business profit	18.5	5.1	7.8	(10.7)
2 Ordinary income	9.2	3.6	3.2	(6.0)
3 Net income (interim)	6.4	2.1	0	(6.4)



* Integration-related costs are expected to total approx. 2.5 billion yen in the FG 2nd Medium-Term Business Plan (three years from FY2025 to FY2027) (approx. 1.2 billion yen in FY2025).

Non-consolidated bank (Aichi Bank) profit / loss for the fiscal year ending March 31, 2025

- Although net gains (losses) on bond transactions are expected to improve significantly, the company plans to post a significant decrease in profits as integration-related costs will peak of in the run-up to the bank merger slated for January 2025.

(In billions of yen)		Fiscal year ended March 31, 2024 Actual		Fiscal year ending March 31, 2025 Forecast	
			YoY		YoY
1	Gross profit	51.5	6.7	53.3	1.8
2	Core gross profit	60.9	1.5	55.1	(5.8)
3	Net interest income	51.6	1.0	46.4	(5.2)
4	Of which interest on loans and bills discounted	36.0	0.7	36.4	0.3
5	Fees and commissions	10.4	0.4	10.0	(0.4)
6	Fees and commissions	15.6	0.6	16.0	0.3
7	Service cost	5.1	0.2	5.9	0.7
8	Net other operating income	(10.6)	(5.2)	(3.0)	7.6
9	Expenses	42.3	2.1	47.3	5.0
10	Personnel expenses	19.8	(0.6)	21.4	1.6
11	Property expenses	18.9	2.3	22.2	3.3
12	Real net business profit	9.1	4.5	6.0	(3.1)
13	Core business profit	18.5	(0.6)	7.8	(10.7)
14	General provision for loan losses	(0.9)	(4.8)	1.0	1.9
15	Business profit	10.0	9.4	5.0	(5.0)
16	Temporary gain (loss)	(0.8)	(3.9)	(1.8)	(1.0)
17	Of which gain (loss) on stocks	6.3	(0.7)	6.0	(0.3)
18	Of which disposal of non-performing loans	2.2	0.5	3.2	1.0
19	(Credit cost (14+18))	1.2	(4.3)	4.2	3.0
20	Ordinary income	9.2	5.5	3.2	(6.0)
21	Net income	6.4	5.8	0	(6.4)

* **Interest on loans will likely increase due to a growth in loan balance**

* Interest and dividends on securities are expected to decrease due to a revision of securities portfolios such as for foreign bonds.

* Net interest income as a whole is expected to decrease due to lower gains on investment trust cancellations and higher deposit interest.

* **Fees and commissions are expected to increase due to a steady growth of those from solutions business and client assets**

* Fees and commissions as a whole are expected to decrease due to higher service cost.

Significant improvement due to reduced loss on bonds such as JGBs

Great increase due to recording of **integration-related costs**

Negative factors will include **integration-related costs**, not to be recorded under property cost, that will consist mainly of system integration costs

A projected level lower than 4.9 billion yen, an average of past five fiscal years, despite being much higher than the previous fiscal year in which a reversal of general provisions for loan losses was recorded

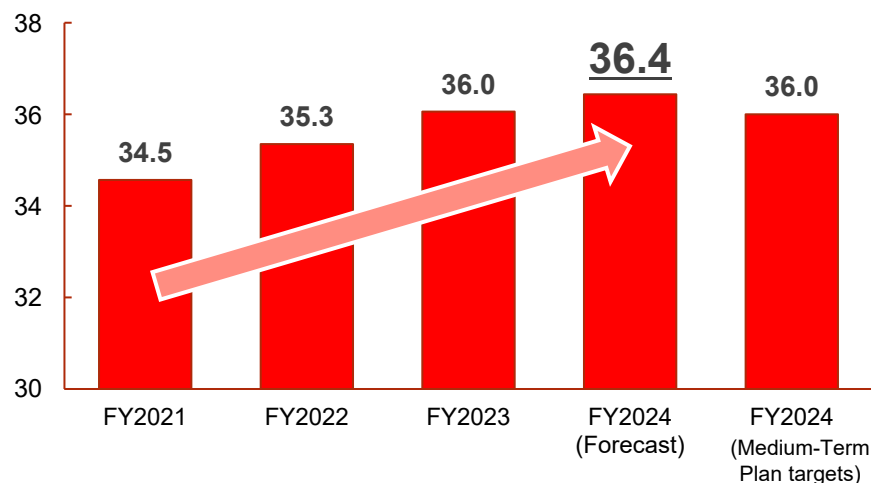
Profits are projected to decline significantly **as we predict that integration-related costs (a combined total of property costs, temporary expenses, and extraordinary losses) will be approx. 11 billion yen for FY2024 on a two-bank combined basis.**

Interest on loans and fees and commissions projected for the current fiscal year

- Even amid the peaking of integration-related costs, we will seek to strengthen profitability by achieving integration synergies early. In particular, we will strive to increase interest on loans and bills discounted and fees and commissions composed mainly of solution-related fees.
- Potentially beneficial would be the positive effect of rising market interest rates and the realization of unrealized gains stemming from the reduction of strategic share holdings.

(In billions of yen)

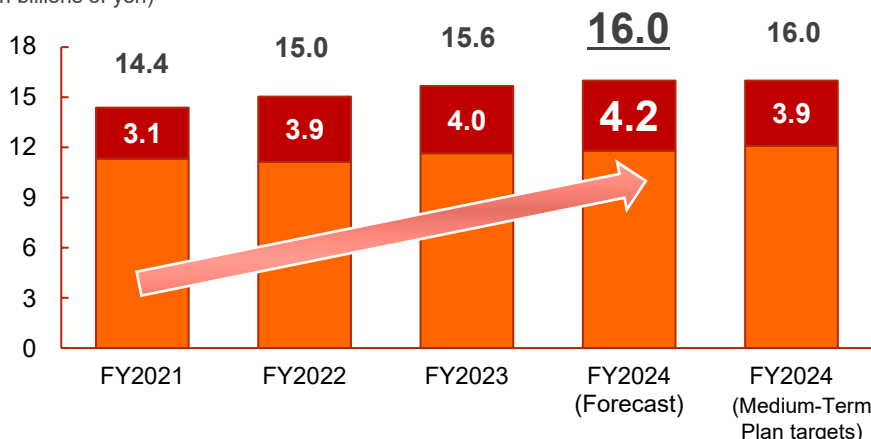
Interest on loans and bills discounted



- We worked to increase loans outstanding in consideration of risk weighting with the result that interest on loans and bills discounted increased steadily during the FG 1st Medium-Term Business Plan period.
- Likely to far exceed the final year target of the Medium-Term Business Plan given that the target of 36 billion yen for FY2024 was reached in FY2023
- Could potentially increase further due to the current rise in market interest rates.

(In billions of yen)

Fees and commissions



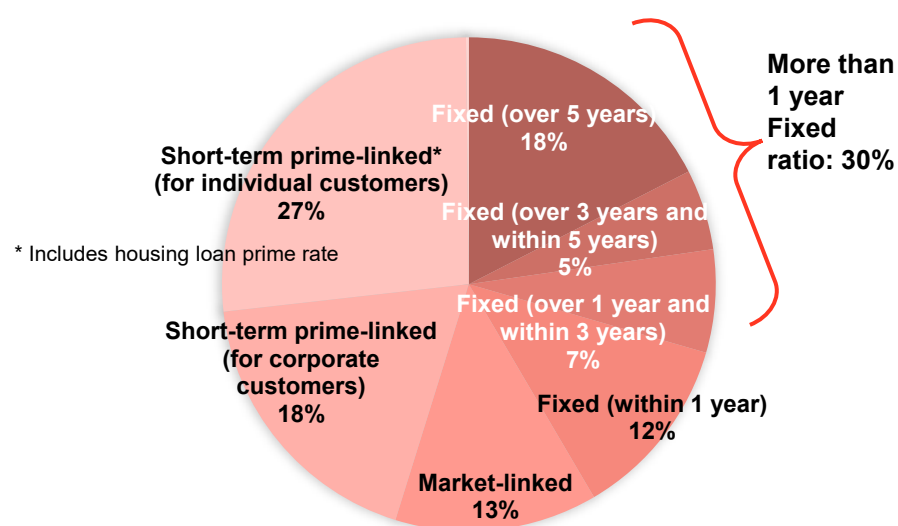
- In FY2022, we reached the target on solution-related fees under the fees and commissions account for the FG 1st Medium-Term Business Plan as a result of our efforts to strengthen the structure and develop human capital toward fully shifting to a consulting- and solution-oriented business model while working to promote main transition partner status.
- Unify the sales structure before the bank merger and further strengthen it by sharing expertise

■ Of which fees and commissions related to solutions

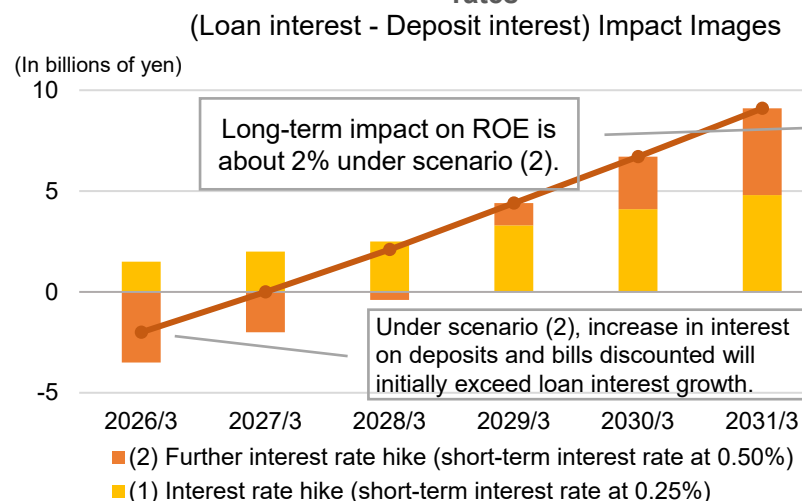
Impact of increasing interest rates

- Fixed-rate loans and variable-rate loans that are each payable within one year accounted for about 70% of the two banks combined total loans. While returning to a world with positive interest rates, loans spreads will likely improve over the long term, but deposit interest rates rising earlier.
- Short-term prime rate-linked loans (including housing loans) accounted for approx. 45% of total loans, so upcoming hikes in short-term prime rate will be a positive factor for earnings.

LOANS (TWO BANKS COMBINED) BY INTEREST RATE TYPE



Net interest income at the time of rising interest rates



Simulation conditions

- (1) Interest rate hike (0.25% in the short term)
September 2024: Short-term interest rate at 0.25% and long-term interest rate at 1.0%
- (2) Further interest rate hike (0.50% in the short term)
In addition to (1), short-term interest rate at 0.5% and long-term interest rate at 1.25% in March 2025

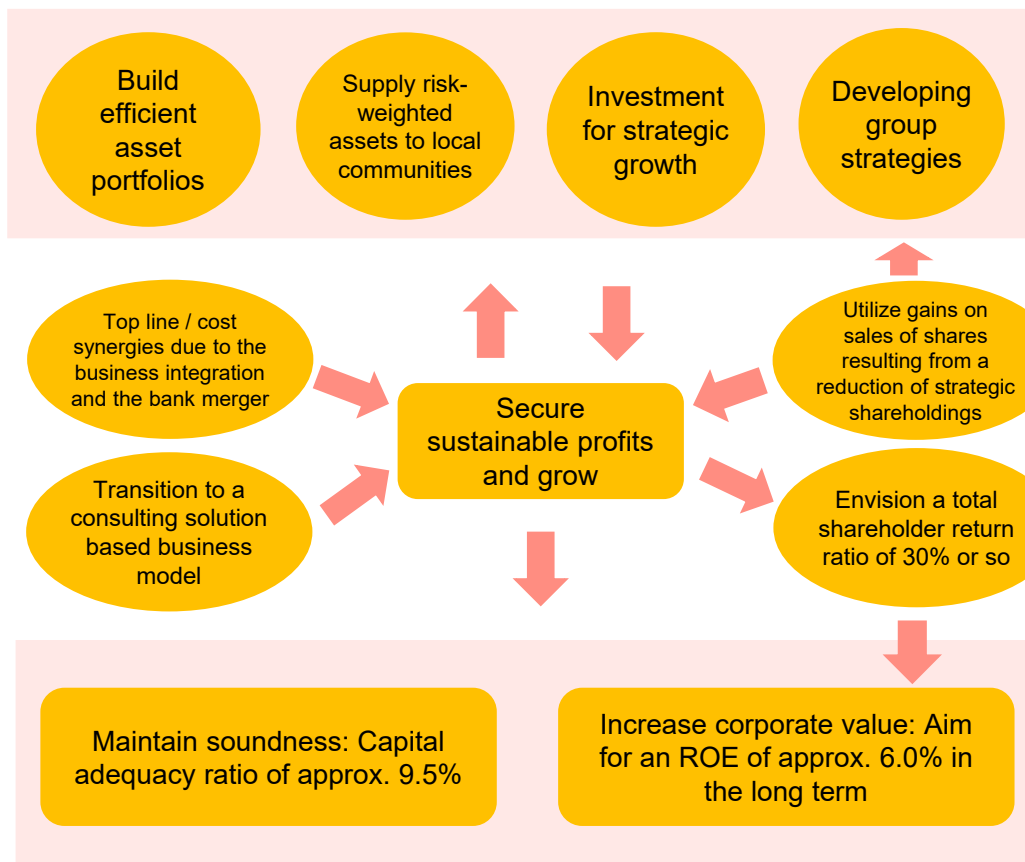
* Interest rate increases will be reflected in market-linked loans immediately, in short-term prime rate-linked loans gradually until March 2031, and in fixed-rate loans each time repaid cash is reinvested. They are all expected to fully slide in the long term.



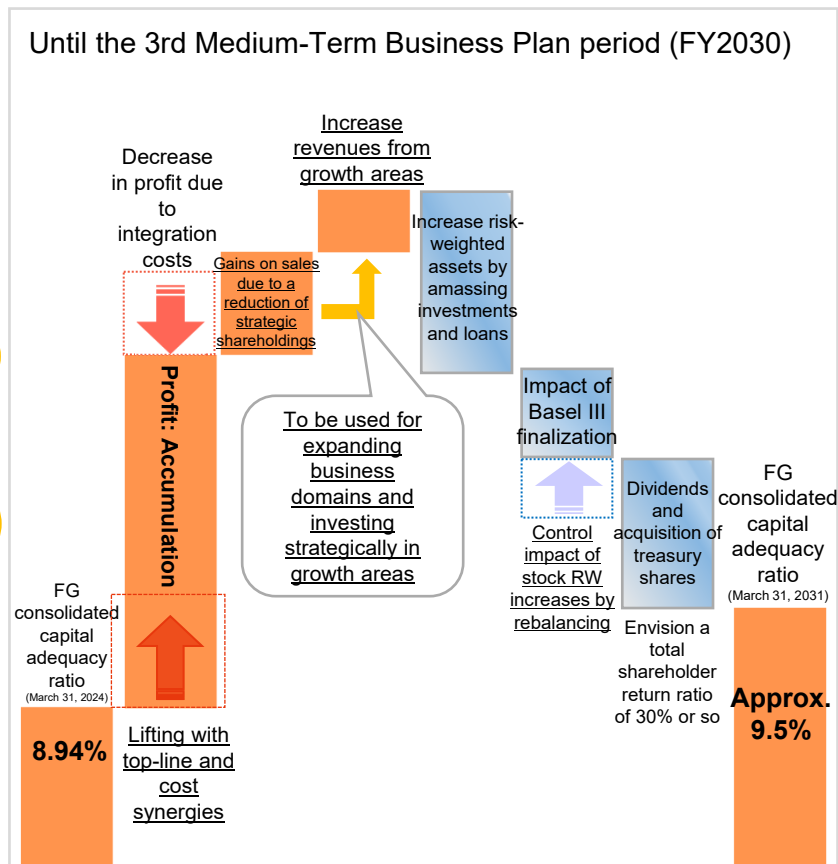
II. Initiatives to enhance corporate value medium- to long-term

Capital policy: Basic approach (capital allocation)

Emphasize the balance between investment for profit growth, returning profits appropriately and maintaining soundness

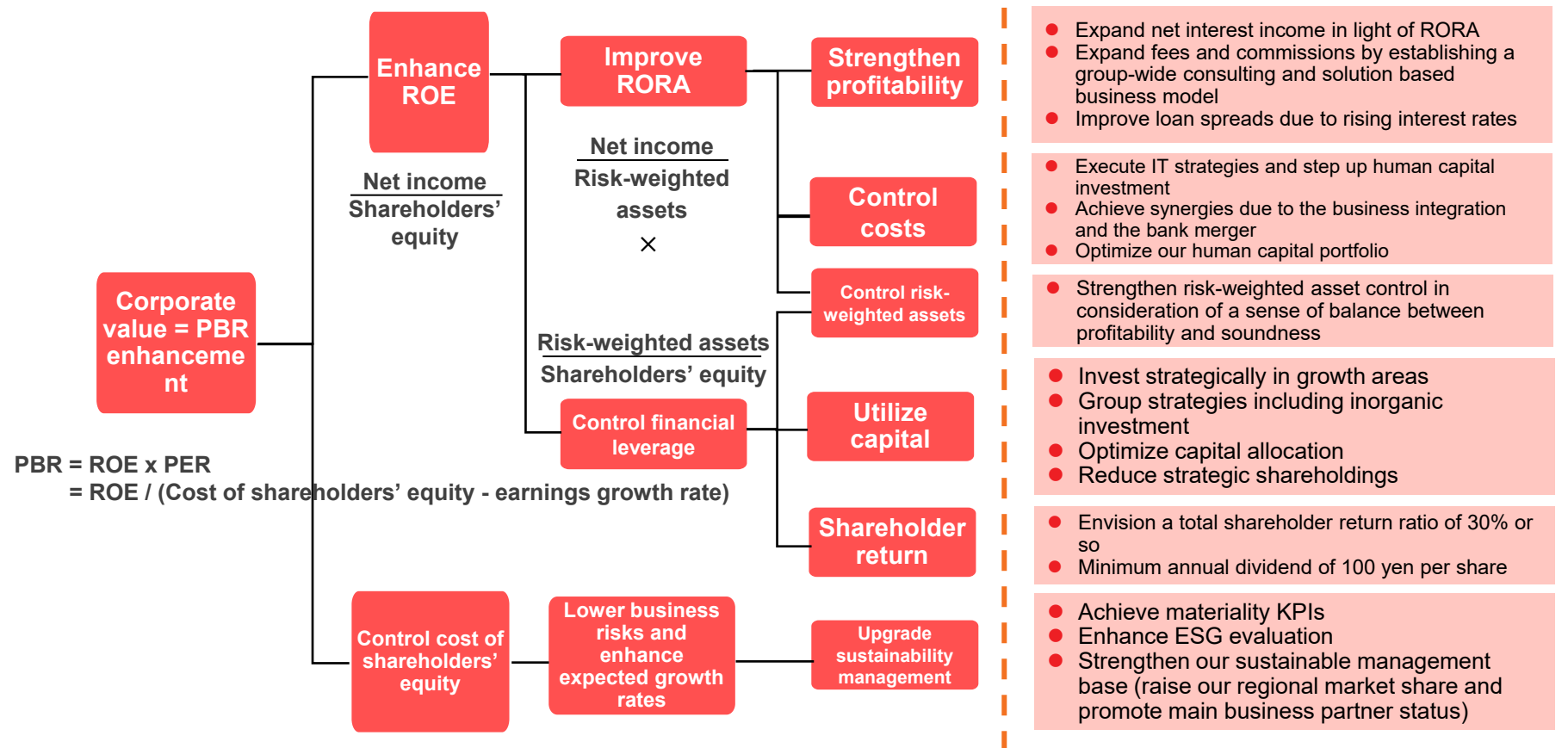


Capital allocation diagram imagined



Toward improving PBR

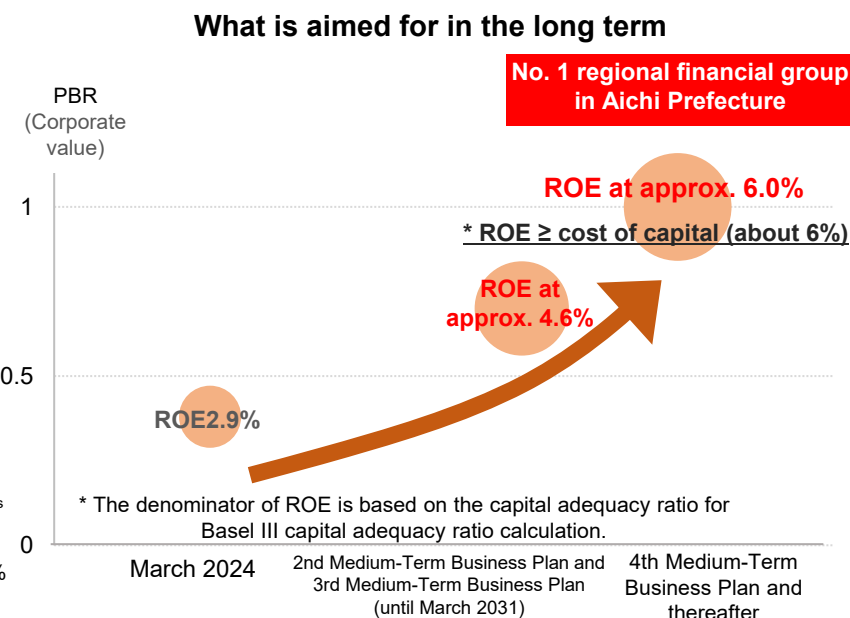
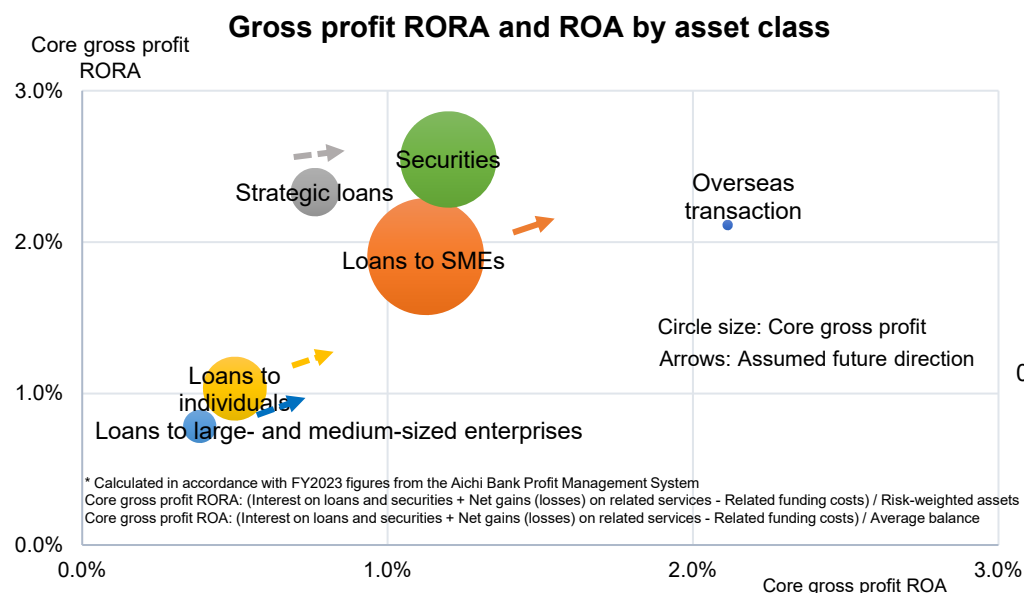
- To raise the level of PBR, we aim to increase ROE and control the cost of shareholders' equity.
- We will raise ROE by strengthen profitability through topline-based synergies, achieving cost synergies from the business integration and merger, and steadily executing measures set forth in the FG Medium-Term Business Plan. In addition, we will strive to rein in the cost of shareholders' equity by upgrading our sustainability-oriented management.



Efforts intended for improving RORA

- In order to achieve an ROE of 4.6% or more (approximately 6.0% in the long term) and a capital adequacy ratio of approximately 9.5%, the goals of the FG 3rd Medium-Term Business Plan, it is necessary to secure earnings with an eye on 0.67% in RORA (before taxes).
- The Group will place the highest priority on supplying risk-weighted assets for loans to local SMEs and individuals, and will aim to improve RORA with an eye on overall profitability by strengthening its customer base and establishing a consulting- and solution-oriented business model.

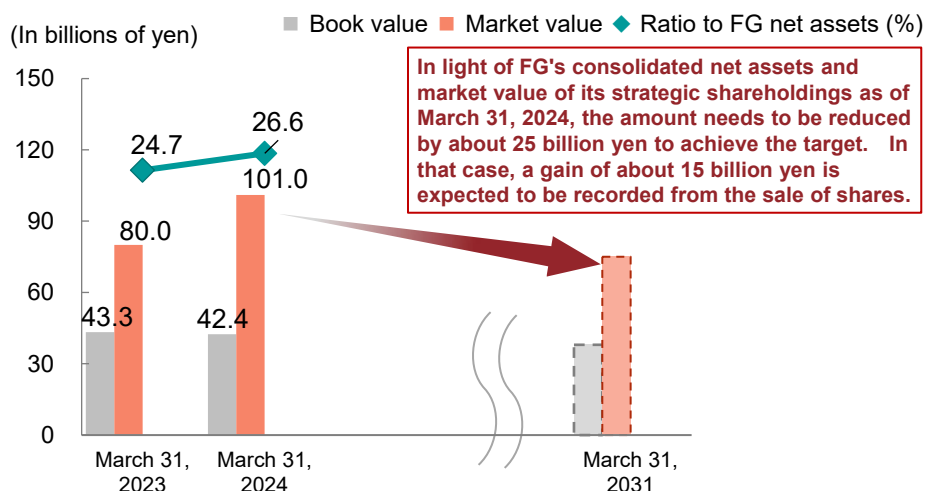
ROE $\frac{\text{Net income}}{\text{Shareholders' equity}}$	=	RORA $\frac{\text{Net income}}{\text{Risk-weighted assets}}$	÷	Capital adequacy ratio $\frac{\text{Shareholders' equity}}{\text{Risk-weighted assets}}$
ROE target for the final year of the FG 3rd Medium-Term Business Plan (FY2030): 4.6% or more * Aim for approx. 6.0% in the long term		RORA after required taxes: 0.47% or more RORA before required taxes: 0.67% or more * An effective tax rate of 30% is assumed		Capital adequacy ratio target for the final year of the FG 3rd Medium-Term Business Plan (FY2030): Approx. 9.5%



Reduce listed strategic shareholdings

- We will change the reduction target and accelerate our efforts
Before : We aim to reduce the shareholdings by 20% (approx. 8.6 billion yen) on a book-value basis by the end of FY2030 compared to the end of FY2022
After : We aim to reduce the shareholdings to **approx. 20% of consolidated net assets** by the end of FY2030 **on a market-value basis**
- Cash generated by the planned reduction will be used for growth investment, enhancement equity of capital, and shareholder returns.

State of reduction (on an FG basis)

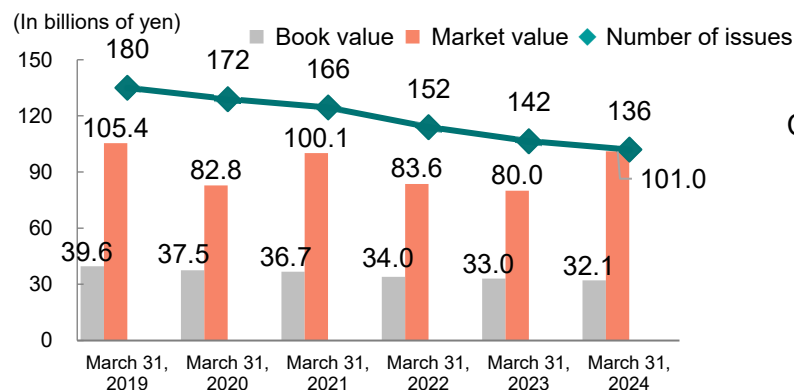


Total market value of shares reduced in FY2023 as of March 31, 2024: 3.8 billion yen

	March 31, 2023	March 31, 2024	YoY
Number of issues (A)	117	112	(5)
Book value (B)	43.3 billion yen	42.4 billion yen	(0.9 billion yen)
Market value (C)	80.0 billion yen	101.0 billion yen	+20.9 billion yen
Nikkei Stock Average (D)	27,986 yen	40,369 yen	+12,383 yen
FG net assets (E)	323.4 billion yen	379.5 billion yen	+56.0 billion yen
Percentage of FG net assets (C/E)	24.7%	26.6%	+ 1.8%

* The simple sum for the two banks differs from the simple aggregation of their strategic shareholdings because, for accounting purposes at the time of the business integration, Aichi Financial Group, Inc. acquired from Chukyo Bank, Ltd. its listed shares at the market values on September 30, 2022 (on an FG basis, the book value of Chukyo Bank's strategic shareholdings was revalued in accordance with the market values on September 30, 2022).

State of reduction (simple sum for the two banks)



Enhance group strategies

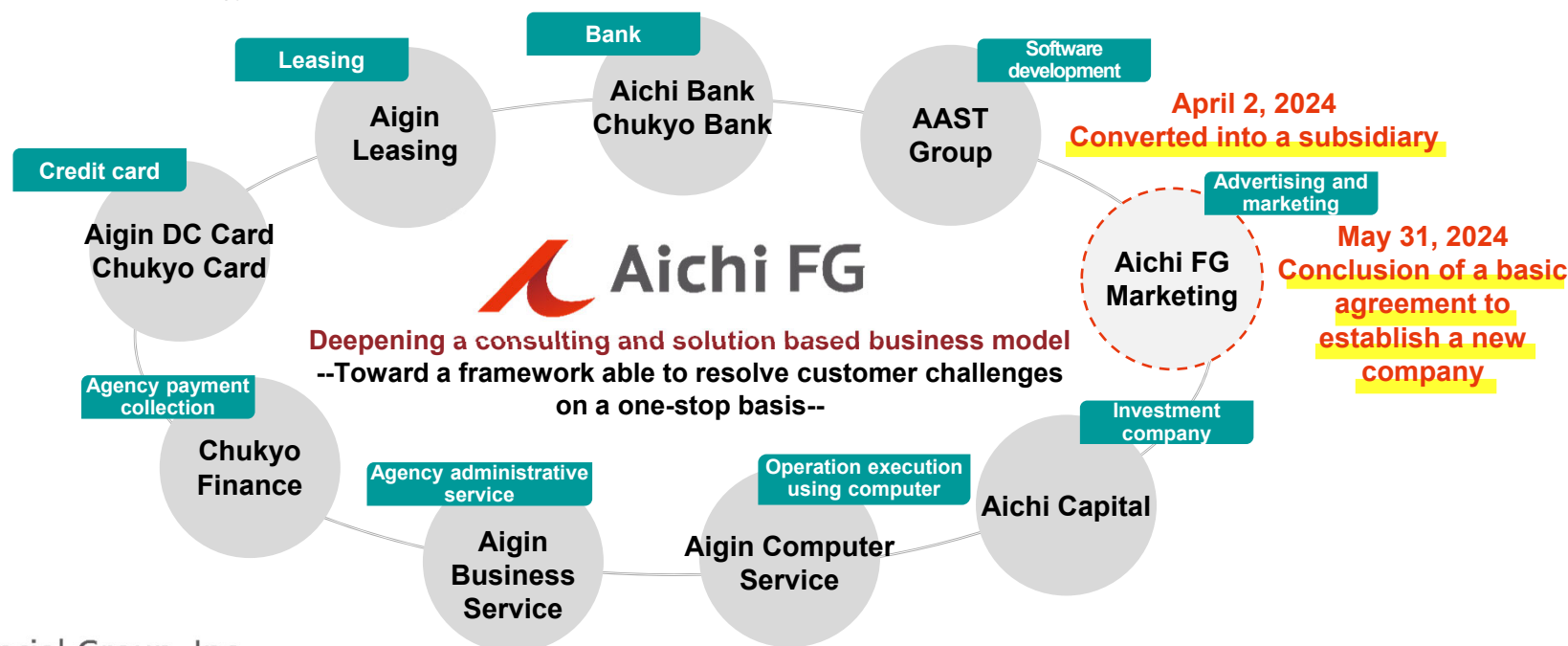
- We established the Group Strategy Department on April 1, 2024, to optimize the allocation of capital such as human capital and knowledge, and strengthen the operational management system for our group strategies.
- We will enhance Aichi FG's consolidated earnings by expanding our investment in growth areas and the business domains.

Outline of the Group Strategy Department

- ◆ Function
 - * Strategic function: Provides support and operational control for business planning and sales strategy formulation at affiliates
 - * Management function: Supervision of the business management and internal control of affiliates
- ◆ Framework
 - * Five members composed of one manager and other staff members are exclusively in charge of the Group Strategy Department.
 - * Director, Group Strategy Department: Yukinori Ito, President

Group affiliates (excluding banking business operators)

- ◆ Leasing business: Aigin Leasing
- ◆ Credit card business: Aigin DC Card and Chukyo Card
- ◆ Investment company: Aichi Capital
- ◆ Agency payment collection: Chukyo Finance
- ◆ Agency administrative service: Aigin Business Service
- ◆ Computer-based operation: Aigin Computer Service
- ◆ Software development: AAST and 3 other companies (AAST Group)
- ◆ Advertising and marketing: Aichi FG Marketing



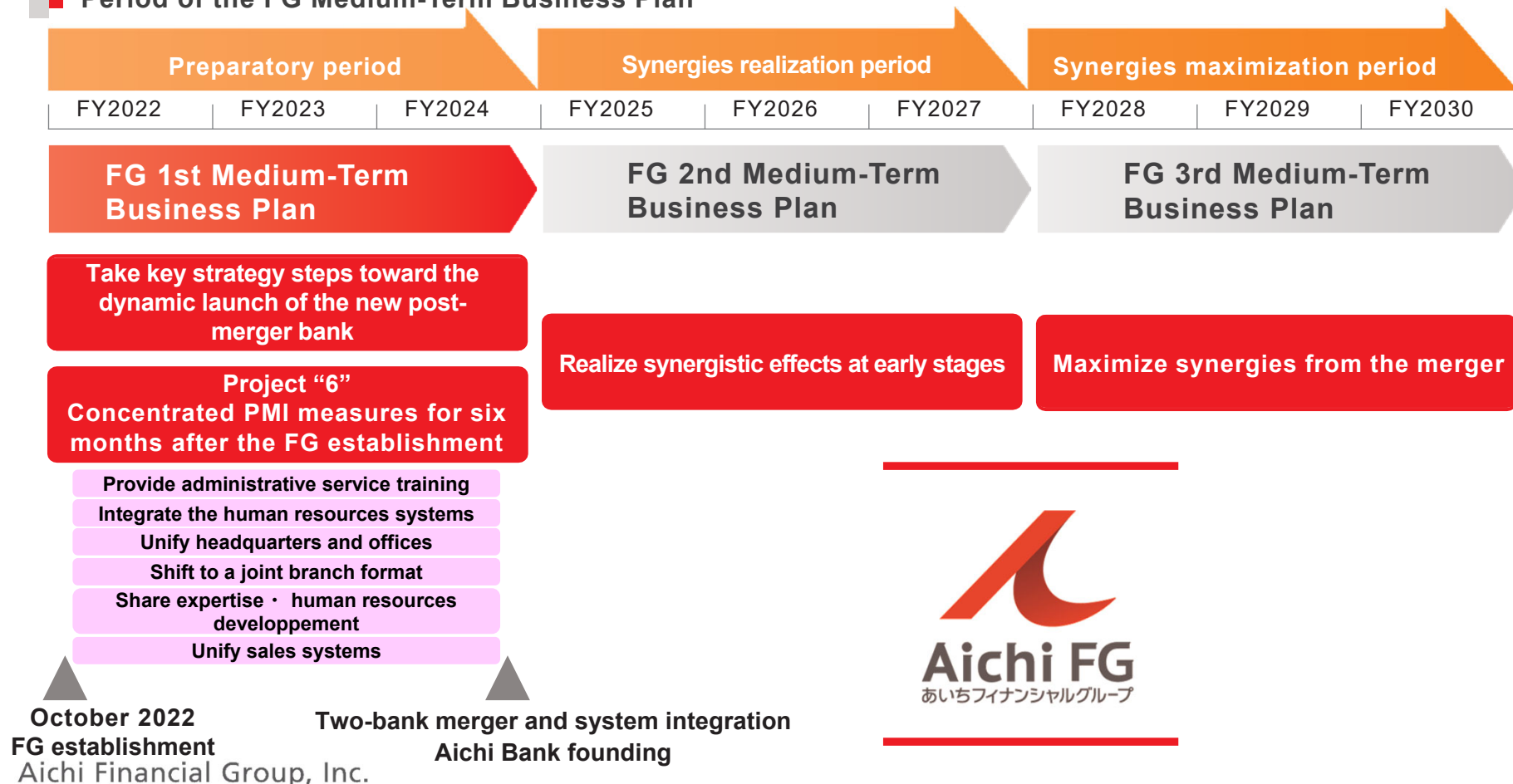


III. Progress of the 1st Medium-Term Business Plan

Positioning of the FG 1st Medium-Term Business Plan: Integration schedule

- In January 2025, the two banks under the umbrella of the Group will be merged and their systems will be integrated, giving birth to Aichi Bank, Ltd.
- Costs such as for system integration, system-related matters, and branch reorganization at the two banks will likely occur early, and these costs will grow in stages until FY2024 before declining thereafter.
- After the integration, synergies are expected to be maximized by: i) creating large scale of strategic human capital through a coupling of the two banks' functions; ii) sharing various consulting expertise in their strengths; and iii) enjoying cost reduction effects from a post-merger reorganization of branches.

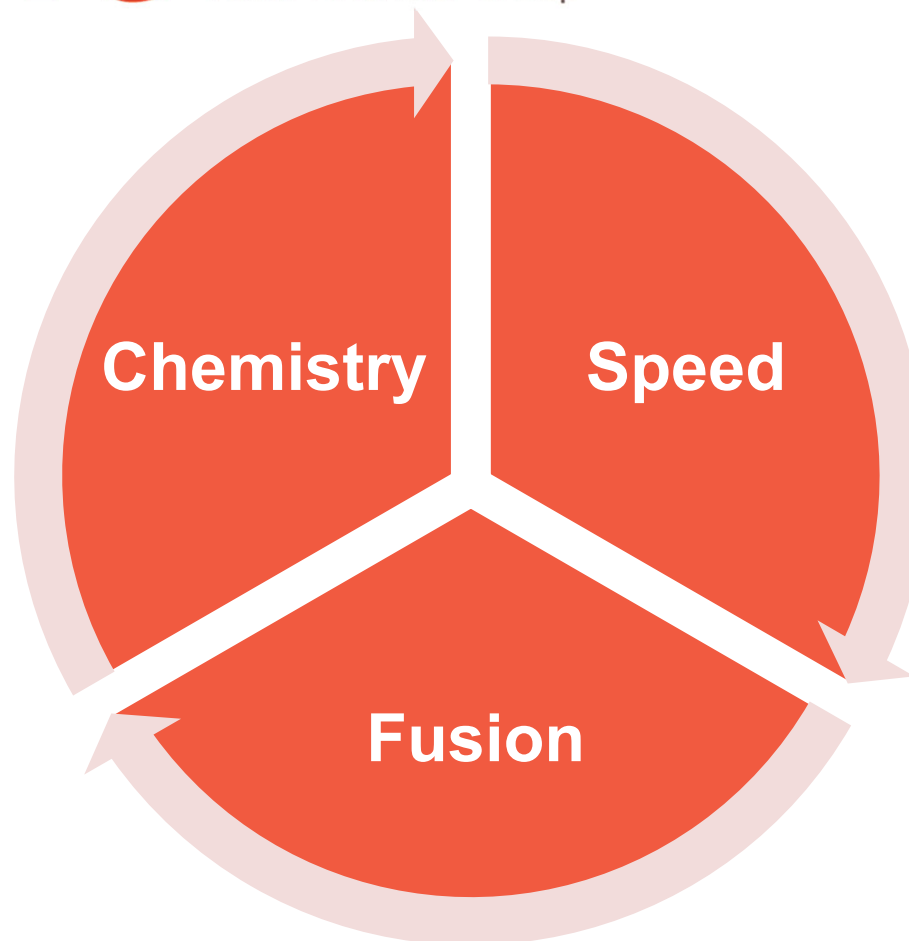
Period of the FG Medium-Term Business Plan



Positioning of the FG 1st Medium-Term Business Plan: Plan themes



- Realize synergistic effects from **"chemical reactions"** through active discussions and expertise sharing among subsidiary banks and FG employees, something that cannot be produced independently
- Set as a goal **achievement of more than the sum of individual abilities** in the new business model
- Evolve to a **"challengeable corporate culture"**






- Promote the fastest possible **merger process** in both systems / institutional infrastructures
- Set clear goals to **create integration synergies immediately after the merger**
- Create customer peace of mind and **expectations** through a speedy integration process

- Facilitate the integration of the two subsidiary banks during the **intensive PMI*** period of 6 months after the establishment of the FG
- Early realization of **"substantial integration"** of through personnel exchange and joint measures before the merger

* PMI (Post-Merger Integration): An integration process designed to maximize integration effects

The goals of the FG 1st Medium-Term Business Plan: Things to be done by the founding of Aichi Bank

Viewpoint	The goals of the FG 1st Medium-Term Business Plan: Things to be done by the founding of Aichi Bank	
<p>Customers and local communities</p> 	<p>A Prepare for a consulting solution based business model that allows customers to experience dynamic evolution</p>	<ul style="list-style-type: none"> ■ A system that <u>allows customers to experience dynamic evolution</u> through a shift to a "consulting solution based business model" immediately from after the merger ■ Prepare a framework for customers to clearly feel the "difference from the past" and "different from other banks"
<p>Employees</p> 	<p>B Establishing a new ideal employee profile for the consulting solution based business model • creation of required number of human capital and completion of training</p>	<ul style="list-style-type: none"> ■ <u>Share and sympathize with the new ideal employee profile on a company-wide basis</u> ■ <u>Develop and create</u> strategic human resource by the time of the merger ■ <u>Optimally finishing to allocate strategic human capital at the time of the merger</u>
<p>Shareholders</p> 	<p>C Firmly achieve key KPIs toward realizing post-merger synergies</p>	<ul style="list-style-type: none"> ■ <u>Achievement of 1st Medium-Term Business Plan KPIs</u> as preparation indicators for realizing synergies at the start of the FG 2nd Medium-Term Business Plan ■ <u>To substantial growth stemming from achieving the KPIs</u>

Four key strategies toward the goals of the FG 1st Medium-Term Business Plan

1



Prepare for a full transition to a consulting solution based business model

- Establish a consulting and solution based business model and implement it at subsidiary banks in advance
- Establish a branch and headquarters structure that enables customers to feel a product/service lineup, a sense of speed, a new bank ethos and a corporate culture that were previously absent, starting from immediately after the merger

2



Large scale shift of employees to the human capital required for a new business model

- Establish a new human capital profile able to greatly change the value of customer experiences starting from immediately after the merger, and share it with all employees
- Complete extensively developing and creating strategic human capital by the time of the merger
- Promote fusion and chemistry among employees

3



Realize synergies early by enhancing management efficiency

- Speedy system / System infrastructure integration plan
- Create strategic human capital on a large scale by streamlining management through the merger
- Pre-merger promotion of intra-bank branch co-running

Completed in March 2023

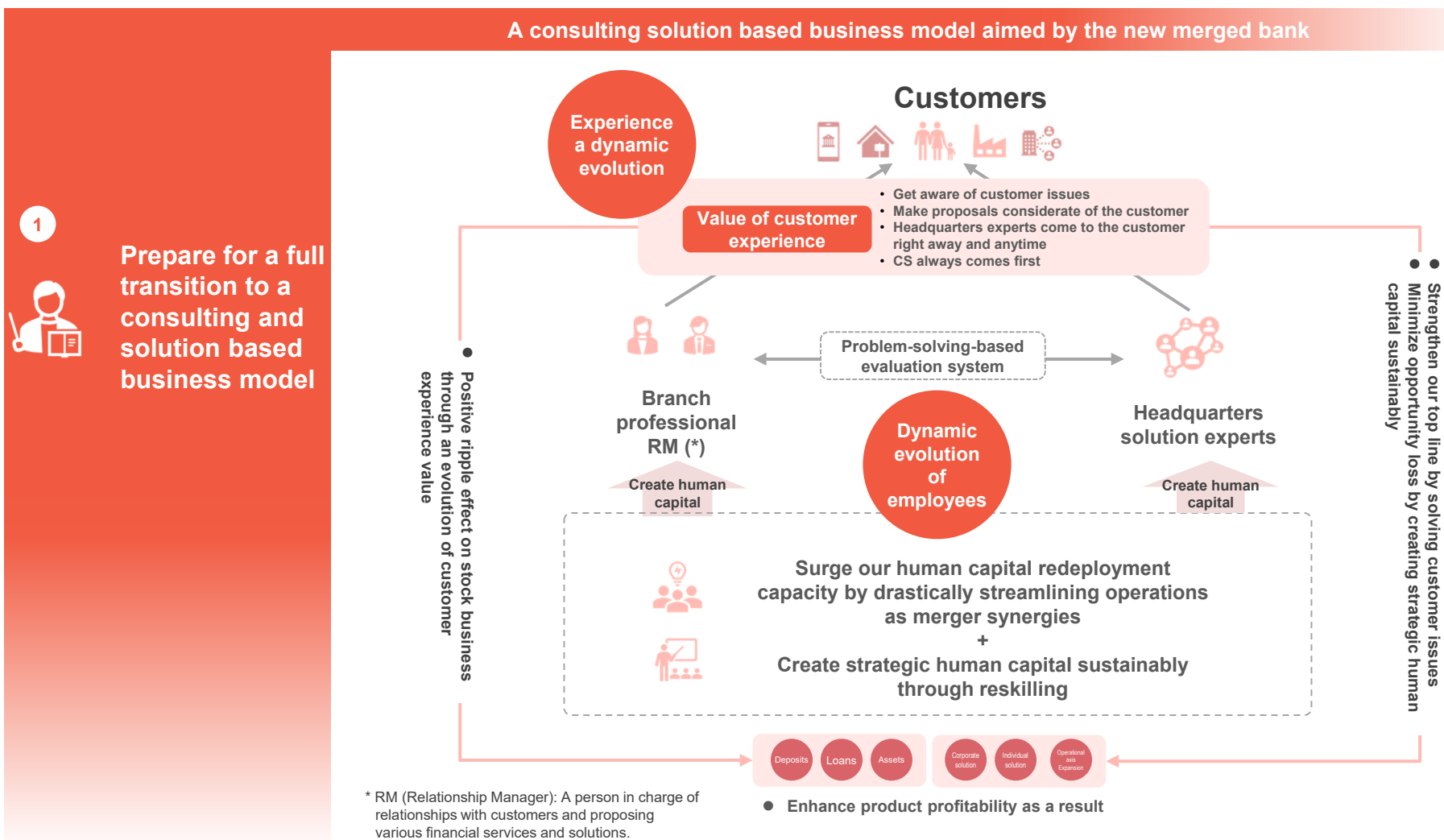
4



Project "6" Six intensive PMI measures during the first 6 months after the establishment of the FG

- With the first six months after the establishment of FG (from October 2022 to March 2023) as a top-priority period, we focused on the six key initiatives in order to provide services meeting customers' expectations, by quickly generating synergies and integrating the staff of both banks.

Prepare for a full transition to a consulting solution based business model



Large scale shift of employees to the human capital required for a new business model

2



Large scale shift of employees to the human capital required for a new business model

A new human capital profile required for consulting solution based business model at Aichi Bank

Employee profile A



Branch professional RM

- ✓ Ability to understand customers
- ✓ Hypothesis setting and issue finding skills
- ✓ Ability to collect and analyze data
- ✓ FP Level 1 / Small and Medium Enterprise Management Consultant / IT-related qualifications, etc.

Number of employees required to be created and developed by January 2025

200

March 31, 2024, actual

173

Employee profile B



Headquarters solution expert

- ✓ Field expertise and problem-solving skills
- ✓ External networking capabilities
- ✓ Headquarters sales capabilities
- ✓ Market value that can be used in other companies and industries
- ✓ Utilize external human capital (mid-career recruitment)

100
(Combined total for corporations and individuals)

76
(Combined total for corporations and individuals)

Employee profile C



Internal consulting staff for operational reform

- ✓ Ability to identify inefficiencies in operations in front desk support operations and middle and back office operations
- ✓ Ability to define internal problems
- ✓ Ability to implement productivity improvement measures internally
- ✓ DX Skills

50

58

Employee profile D



Strategic reskilling human capital

- ✓ Master skills apt for the times in a flexible manner so that re-deployable human resources created by operational efficiency can be used not only for solutions business but also as strategic human capital in new business axes that are expanded in response to changes in the business environment

100 / year

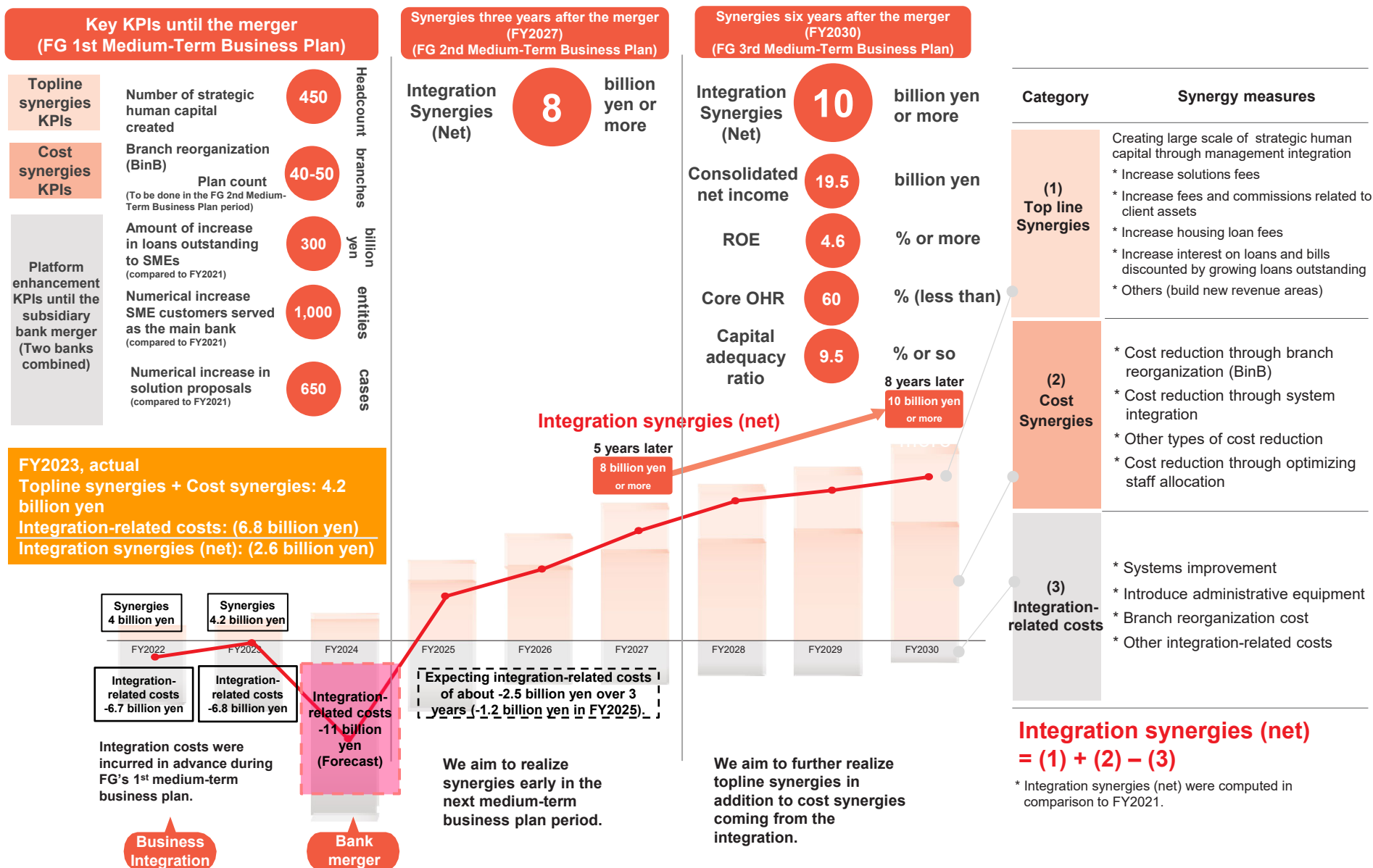
103

Total

450

410

FG 1st Medium-Term Business Plan KPIs and integration synergies



Targets and results of the FG 1st Medium-Term Business Plan

(1) Financial numerical targets

Item	FY2021, actual	FY2023, actual	FY2030 targets, 6 years after the merger
ROE	4.53%	2.37%	4.6% or more
Consolidated net income (interim)	14.7 billion yen	8.2 billion yen	19.5 billion yen
Core OHR	67.70%	69.51%	Less than 60%
Capital adequacy ratio	9.36%	8.94%	Approx. 9.5%

(2) Topline targets

Item	FY2021, actual (In millions of yen)	FY2023, actual (In millions of yen)	FY2024, targets (In millions of yen)
Interest on loans and bills discounted	34,567	36,060	36,000
Fees and commissions	14,377	15,669	16,000
Of which solution-related fees	3,051	4,017	3,900

* Interest on loans is the target value that will apply if levels of interest rates prevailing at the time of the announcement of this Medium-Term Business Plan (October 2022) continue.

(3) Key KPIs up to the merger Combined for the two banks

Item	FY2023, actual	FY2024, targets
Number of strategic human capital created	410 people	450 people
Increase in loans to SMEs (Compared to FY 2021)	317.5 billion yen	300.0 billion yen
Numerical increase in SME customers served as the main bank (compared to FY2021)	485 entities	1,000 entities
Numerical increase in solution proposals (compared to FY2021)	563 cases	650 cases



IV. Sustainability initiatives

Sustainability policy

Aichi Financial Group's management vision is "Contribute to the prosperity of local communities through financial services," and based on this philosophy, we aim to "realize a sustainable society" and "sustain the growth of our group" through our business activities..



1.Policies for Addressing Environmental Issues

To realize a sustainable society, we recognize that addressing environmental issues is an important management issue, and will work to reduce environmental impact and conserve biodiversity through our business activities.

- * We support customers who address environmental issues by developing and providing environmentally friendly products and services.
- * We will strive to promote resource and energy conservation in our business activities.
- * We will strive to foster the awareness of our officers and employees regarding our efforts to address environmental issues.

2.Policy for Addressing Social Issues

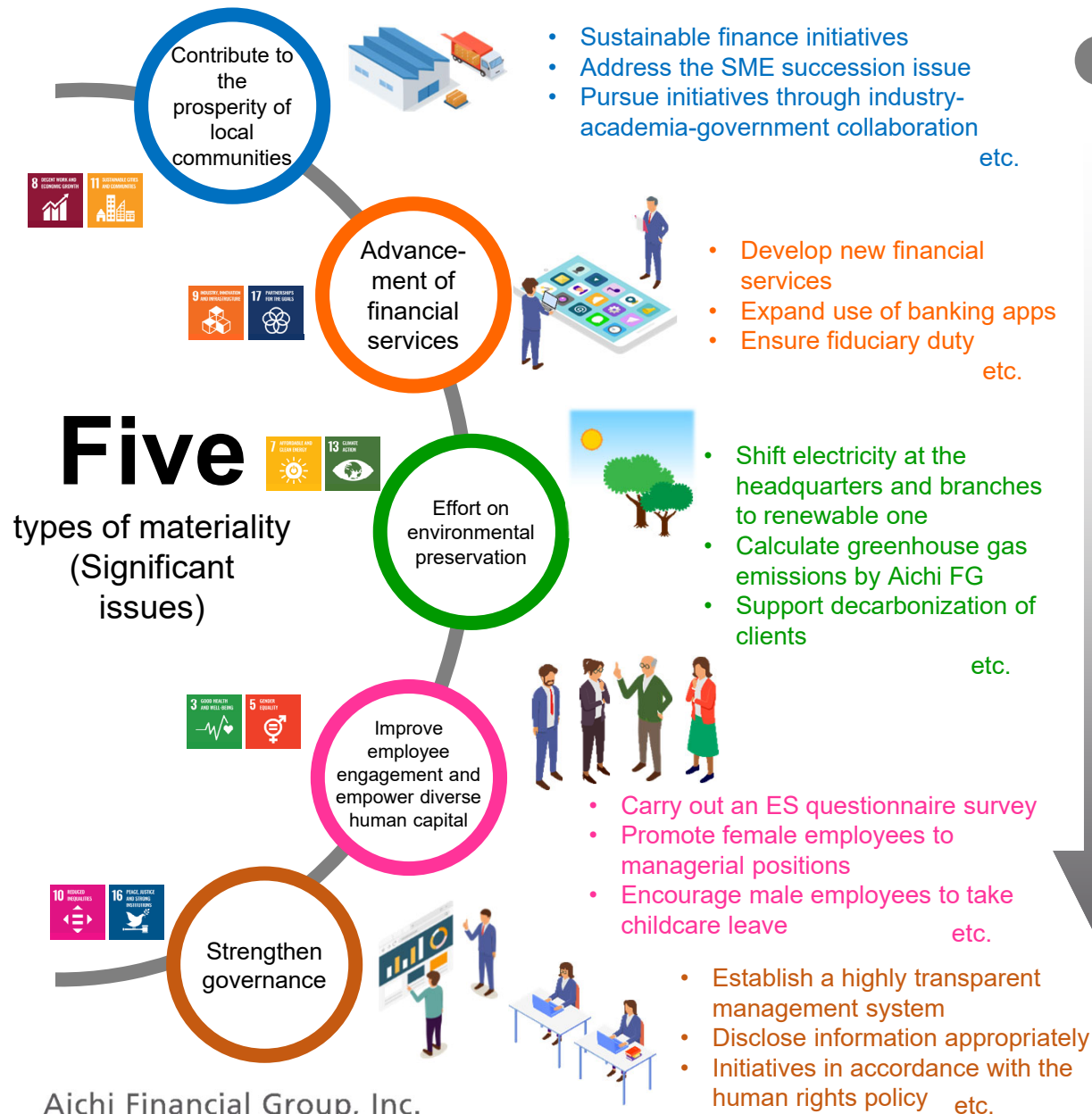
We will contribute to the realization of sustainable local communities by proactively and independently addressing various social issues surrounding the community.

- * We will comply with laws and regulations related to human rights and give consideration to the human rights of all people in all our business activities.
- * Providing comprehensive solutions for the development of local economies and the resolution of customers' needs and issues on a group-wide basis, and sustaining the sustainability of local communities contribute to growth.
- * We will respect the values of each and every executive and employee, and create a work environment where diverse human resources can work in a healthy and active manner under fair and appropriate treatment.

3. Sustainability promotion system

In order to promote initiatives for sustainability, we have established the Sustainability Committee to discuss important issues related to sustainability, including climate change, and appropriately allocate the management resources necessary to build and promote an appropriate business portfolio, and implement organizational improvements.

Materiality (significant issues)



Materiality identification process

Number of issues

207

STEP1

- Pick 207 issues from a wide range of international issues such as SDGs 169 targets, domestic issues, and regional issues

20

STEP2

- Pick issues highly relevant to the Group in STEP (1)
- Categorize into 5 major categories, organize similar issues, and consolidate them into 20 issues

14

STEP3

- Narrow down to 14 issues in light of screening information, interviews with the Group's management, and the opinions of outside directors while taking into account their importance for stakeholders

5

STEP4

- Conduct a questionnaire survey on a workplace-by-workplace basis in accordance with STEP (3)
- Identify five issues as materiality issues through consultations among management and in light of the survey results

Decide at Management Committee meeting after consultations by the Group's Sustainability Committee

Materiality KPIs and progress

We will practice business activities in accordance with the identified materiality and contribute to the prosperity of local communities through financial services.

Contribute to the prosperity of local communities

Investments and loans on sustainability by FY2030

1,000 billion yen

Of which, environment-related
500 billion yen

Results

210.5 billion yen

Of which environment-related: 92.3 billion yen

Progress rate

21.05%
Of which environment-related: 18.46%

Number of increase in solution proposals by FY2024

* Compared to FY2021

650 cases

Results

563 cases

Progress rate

86.61%

Advancement of financial services

Number of bank app registrations by FY2024

200,000 cases

Results

187,000 cases

Progress rate
93.62%

Number of smart passbook registrations by FY2024

45,000 cases

Results

over 50,000 cases

Progress rate
112.69%

Number of NISA accounts to be opened by FY2024

* Cumulative from April 2023

12,000 cases

Results

8,800 cases

Progress rate
73.90%

Effort on environmental preservation

Reduce SCOPE 1-2 GHG emissions by FY2030

* Compared to FY2013

70% reduction

Results

58.89% reduction

Progress rate

84.12%

Achieve carbon neutrality

by FY2050

Improve employee engagement and empower diverse human capital

By FY2024

Strategic capital professionals
IT and digital
Basic human resources

450 people
1,000 people

Results

410 people
955 people

Progress

91.11%

95.50%

Continuation target

80% or more

Paid holiday taking rate

Results

78.3%

Progress rate

97.87%

Continuation target

Once a year

Carry out an ES questionnaire survey

Results

Once
Done once

Progress rate

100%

Strengthen governance

Continuation target

10 investors or so each year

Results

8 investors

Continuation target

80%

Dialogue with investors

FY2023, actual

Progress rate

Continuation target

Twice or more each year

Results

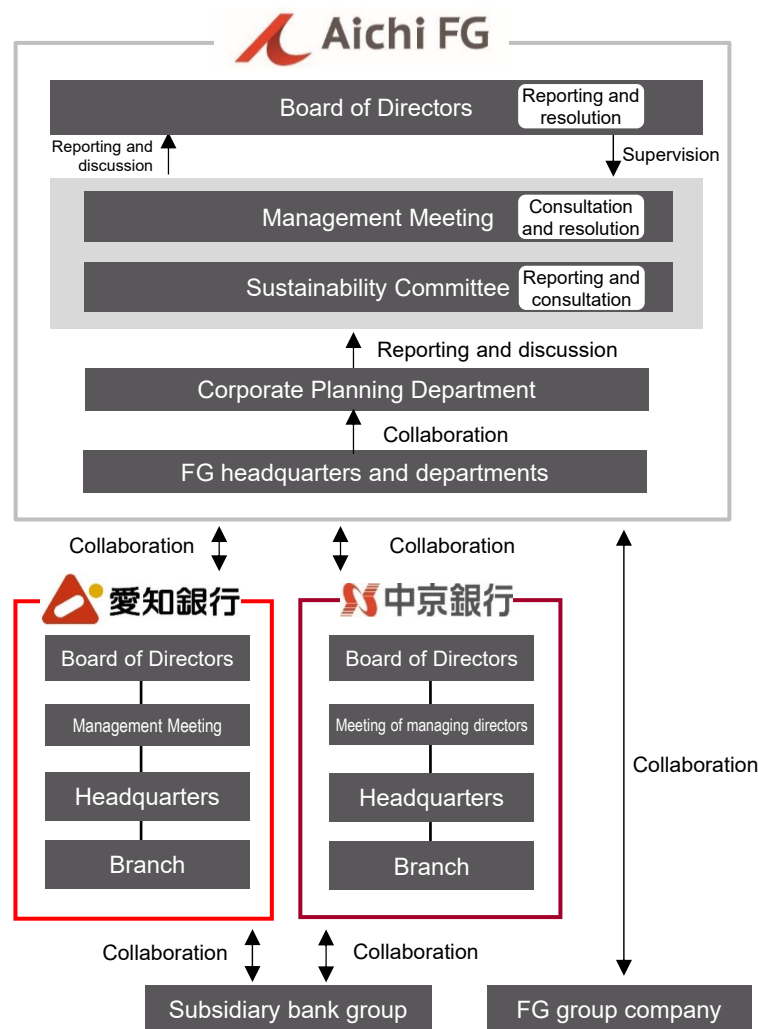
Internal study sessions on compliance and respect for human rights
Done three times in FY2023

Progress rate

150%

Initiatives on the TCFD recommendations: Governance

- We set up the Sustainability Committee in order to strengthen the promotion of the Group's sustainability management and improve the effectiveness of various measures over the medium to long term in appropriate response to materiality items identified. The Sustainability Committee is mainly responsible for consulting and reporting on the formulation of strategies for important sustainability-related issues, as well as for overseeing and managing the progress of our sustainability initiatives.
- Supervision and progress management in sustainability initiatives are reported to the Sustainability Committee at least once a half year and to the Board of Directors at least once a year. Important matters are brought up for discussion and decision-making at meetings of the Board of Directors and the Management Committee.



Main attendees at a Sustainability Committee

- President
- Vice President
- Directors
- Outside Directors (Audit & Supervisory Committee Members)
- General managers of the headquarters and departments

Main consultation and reporting matters of Sustainability Committee

- | | |
|--------------------------|--|
| Matters for consultation | • Formulation of the Aichi Financial Group Human Rights Policy (to be discussed at a Board of Directors) |
| | • Setting of TCFD disclosure items (to be discussed at a Management meeting) |
| | • Disclosure about our initiatives on the TCFD recommendation (to be discussed at a Management meeting) |
| | • Identifying materiality and setting KPIs in sustainability initiatives (to be discussed at a Management meeting) |
| | • Approval for TNFD and participation in a TNFD forum etc. |
| Matters for reporting | • The status of sustainability initiatives by Aichi Bank and Chukyo Bank |
| | • The initiative results and future plans of Aichi FG's climate change response operations |
| | • Enhancement of disclosure information in accordance with the TCFD recommendation |
| | • Sustainability initiatives of financial institutions etc. |

Initiatives on the TCFD recommendations: Strategy

Opportunities and risks

The Group analyzes opportunities and risks related to climate change. In our analysis, we set short, medium, and long timelines. In order to capture the impact of climate change, which is highly uncertain, we use the IEA*1 1.5°C scenario (NZE scenario) and the IPCC*2 4°C scenario (RCP8.5 scenario) to classify the degree of impact into major, medium, and minor ones, and strive to understand the impact of each opportunity and risk.

Opportunities and risks as classified			Description	Risk category	Extent of scenario impact		Timeline Short-term: 2025 Long-term: 2050
					1.5°C	Over 4°C	
Risk	Transition risk	Government policies and legal regulation	Impact of higher cost from the introduction of carbon taxes on business partner operations	Credit risk	Big	Small	Short term to long term
		Market	Impact of higher raw material prices from the transition to a decarbonized society on business partner operations	Credit risk	Big	Small	Short term to long term
			Changes in the value of securities holdings related to industries to be impacted by the transition to a decarbonized society	Market risk	Big	Small	Short term to long term
		Reputation	Corporate value decline caused by a delay in appropriate response or disclosure for climate change and environmental preservation	Operational risk	Big	Small	Short term to long term
	Physical risk	Acute	Impact on business partner operations due to the growing severity of weather phenomena such as typhoons and floods and damage to the value of pledged assets	Credit risk	Medium	Big	Short term to long term
			Damage to the Group's operating bases due to severe weather phenomena such as typhoon and flood	Operational risk	Medium	Big	Short term to long term
		Chronic	Typhoons, floods, or other weather events causes customers' cash flows to deteriorate, resulting in an outflow of deposits held by Aichi FG	Liquidity risk	Medium	Big	Short term to long term
			Impact on business partner operations due to increasing average temperatures, rising sea levels, and damage to the value of pledged assets	Credit risk	Small	Big	Long term
Opportunities	Products and services	Products and services	Exercise financial intermediary functions to meet increased demand for capital investment and other financing, including ESG finance, from business partners engaged in environmental conservation initiatives.	-	Big	Small	Short term to long term
			Exercise consulting functions for business partners facing challenges in responding to decarbonization and environmental preservation	-	Big	Small	Short term to long term
		Asset efficiency	Lower operating costs through energy conservation and utilization of renewable energy sources and new technologies	-	Big	Medium	Short term to long term
		Stringency	Enhance corporate value due to an appropriate response and disclosure for climate change and environmental preservation	-	Big	Medium	Short term to long term

Initiatives on the TCFD recommendations: Strategy

Scenario analysis

Scenario analysis is conducted for transition and physical risks with the aim of understanding the impact of climate change risks on our group.

Transition risk

From among industries that the TCFD recommendation says are likely to be easily impacted by climate change, we chose the electric power sector and the automobile sector, predicted to be greatly impacted by the Group's migration risk, as our transition risk analysis targets. Details of the analysis are as follows.

Target sectors	Electric power sector and automobile sector	
Reason for choice	Electric power sector	The electric power sector accounts for about 40% of Japan's GHG emissions by sector
	Automobile sector	It is the key industry in Aichi Prefecture in which the Group operates
Scenario analysis	IEA's 1.5°C scenario	
Analysis description	We analyzed potential impact on our finances from higher costs coming from the introduction of carbon taxes	
Target period	Did a simulated computation with the period up to 2050 as the target period and from March 31, 2024	
Analysis result	An annual increase of about 1.6 billion yen in impact on our credit costs (from March 31, 2024)	

Physical risk

Based on the IPCC 4°C scenario and assuming a rising frequency of flooding, we analyzed potential impact on our credit costs from real estate collateral damage of business partners predicted to suffer flooding (see Hazard Map) that are served by the Group's branches. Details of the analysis are as follows.

Scenario analysis	Based on the IPCC 4°C scenario
Analysis description	Assuming a rising frequency of flooding, we analyzed potential impact on our credit costs from real estate collateral damage of business partners predicted to suffer flooding (see Hazard Map) that are served by the Group's branches
Analysis target	Did a simulated computation for flooding and operational credit
Target period	Did a simulated computation with the period up to 2050 as the target period and from March 31, 2024
Analysis result	A cumulative increase of about 1.3 billion yen in impact on our credit costs (from March 31, 2024)

We did simulated computations for the scenario analysis results under certain assumptions

The simulated computations done under the assumptions found potential impact on the Group to be limited, but we will continue to revise and refine our assumptions, including analysis methodologies.

Initiatives on the TCFD recommendations: Risk management

Process of risk management for climate change

- We keep our business management sound by doing integrated risk management, a self-control-based risk management format in which our risks assessed by risk type are fully compared and contrasted with the Group's business capability.
- We will manage climate change risk while being aware of its potential impact on our business activities and financial position. Specifically, we will manage mainly credit risk from climate change impacts on our business partners' operations and from business performance changes as well as operational risk from disaster damage to the Groups' branches, and will take various measures as necessary.

Climate change-related risk

Risk classification	Definition	Transition risk cases	Physical risk cases	Timeline Short-term: 2025 Long-term: 2050
Credit risk	A type of risk in which the Group suffers an asset value decline or loss as a debtor's financial position deteriorates	Impacts on business partners' operations and finances due to inability to cater to changes in government policies, regulation, customer requirements, and technological developments	Direct damage to customers' assets from abnormal weather and knock-on effects on their operations and finances owing to indirect impacts on supply chains	Short term to long term
Market risk	A type of risk in which assets and liabilities held by the Group fluctuate in value due to changes in various market risk factors, such as interest rates, prices of securities, and foreign exchange rates, causing it to incur loss, and the Group incurs loss due to fluctuations in income generated from assets and liabilities	Changes in the value of securities holdings related to industries to be impacted by the transition to a decarbonized society	Market disruptions caused by abnormal weather and resultant fluctuations in the value of securities holdings	Short term to long term
Liquidity risk	A type of risk in which the Group incurs loss as it struggles to obtain needed funds due to a mismatch between operation and financing periods, to unforeseen cash outflows, or to being forced to raise funds at interest rates much higher than usual, or to being unable to trade in the market or being forced to trade at prices significantly unfavorable than usual due to a market turmoil	A potential deterioration in the market financing environment for the Group due to a reputational compromise caused by delays in responding to the transition to a decarbonized society	A type of risk in which cash outflows grow due to deposit withdrawals by business partners hit by abnormal weather, for the purpose of restoration and recovery	Short term to long term
Operational risk	A type of risk in which the Group incurs loss directly or indirectly due to the impropriety of its internal processes, behaviors of executives and employees, or system malfunctioning or due to external events	Deterioration of reputation due to delays in responding to the transition to a decarbonized society	Operational suspension at branches and data centers due to damage caused by abnormal weather	Short term to long term

Initiatives on the TCFD recommendations: Risk management

Investment and loan policy aimed to realize a sustainable society

Policies for positive impacts on the environment and society

1. We will actively assist business activities related to the transition for a decarbonized society, energy conservation and renewable energy
2. We will actively assist business activities related to the enhancement of medical care, welfare, and education that deal with issues such as an aging population and a declining birthrate.
3. We will actively assist business activities positively impacting the formation of a sustainable society, such as business succession, business founding that helps develop local communities, and innovation-based corporate founding.
4. We will actively assist business activities that contribute to maintaining and developing social infrastructure and local disaster prevention and mitigation.

Policies for specific businesses and sectors that are highly likely to have negative impacts on the environment and society

Cross-sector

1. **Businesses related to child labor, forced labor, or human trafficking**
We will not invest in or provide loans to businesses violating human rights, such as child labor, forced labor, and human trafficking, in breach of the Group Human Rights Policy or international human rights standards (such as Universal Declaration of Human Rights, Guiding Principles on Business and Human Rights).
2. **Businesses related to human rights violations in conflict areas**
We are aware that in conflict zones there may be serious negative human rights impacts. We will respond carefully and discreetly to a business that causes or encourages human rights violations in conflict areas or is directly linked to human rights violations.
3. **Other businesses**
We will not invest in or provide loans to businesses that are illegal or have an illegal purpose, run counter to public order and morals, or violate the Washington Convention.

Specific sectors

1. **Coal-fired power generation business**
We will not invest in or provide loans for constructing new coal-fired power plants or for plant expansion projects increasing greenhouse gas emissions. However, we will be cautious when exceptionally considering a case such as disaster response or a project conforming to the Japanese government's energy policy.
2. **Non-humanitarian weapons production and development business**
We will not invest in or provide loans to companies that manufacture or develop cluster munitions, nuclear weapons, biological or chemical weapons, or anti-personnel landmines.
3. **Forest logging business and palm oil plantation development business**
We are aware that, while timber and palm oil are important raw materials essential for daily life and the maintenance of society, large-scale deforestation, including illegal logging, could potentially have serious negative impacts on climate change and ecosystems. We will take prudent action with due attention to environmental and social considerations.

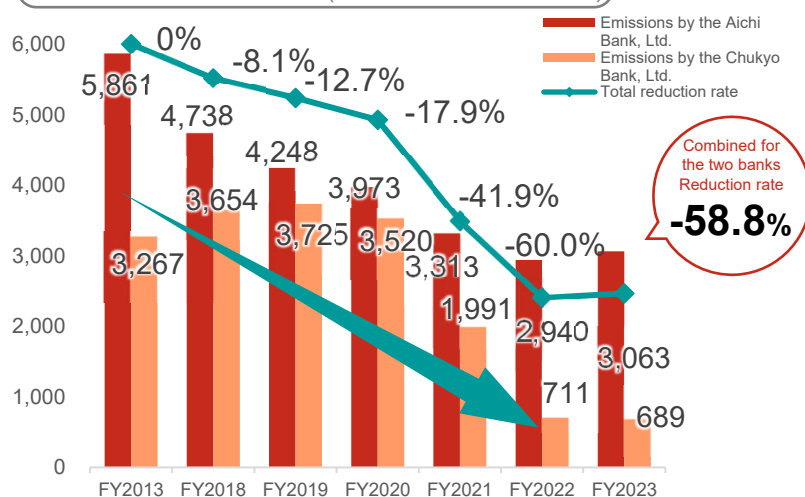
Initiatives on the TCFD recommendations: Indicators and targets

GHG emissions reduction targets (SCOPE 1 and SCOPE 2)

✓ **Reduce** our GHG emissions by **70%** from FY2013 levels by FY2030

✓ Aim to become **carbon neutral** by FY2050

GHG emissions of Aichi FG (SCOPE 1 and SCOPE 2)



* Our GHG emissions grew in FY2023 year on year as emissions from gasoline use (SCOPE 1) increased due to our sales activities having gone into full swing with the impact of the COVID-19 pandemic behind us, and emissions from electricity use (SCOPE 2) rose due to securing sites to promote system integration.

Targets for investments and loans on sustainability

From FY2022

Make investments and loans worth a cumulative total of **1 trillion yen** by FY2030

(including 500 billion yen for environment-related ones)

(In billions of yen)

	FY2022	FY2023	Cumulative total
Investments and loans, actual	66.0	144.5	210.5
Of which, environment-related	32.7	59.6	92.3

Aichi Financial Group, Inc.

GHG emissions (SCOPE 3)

Starting in FY2023, we began to calculate for categories from 1 through 5 and category 15 of SCOPE 3. We will continue to expand the scope of calculations and upgrade our calculation methods.

FY2023 GHG emissions (SCOPE 3)

(Unit: t-CO2)

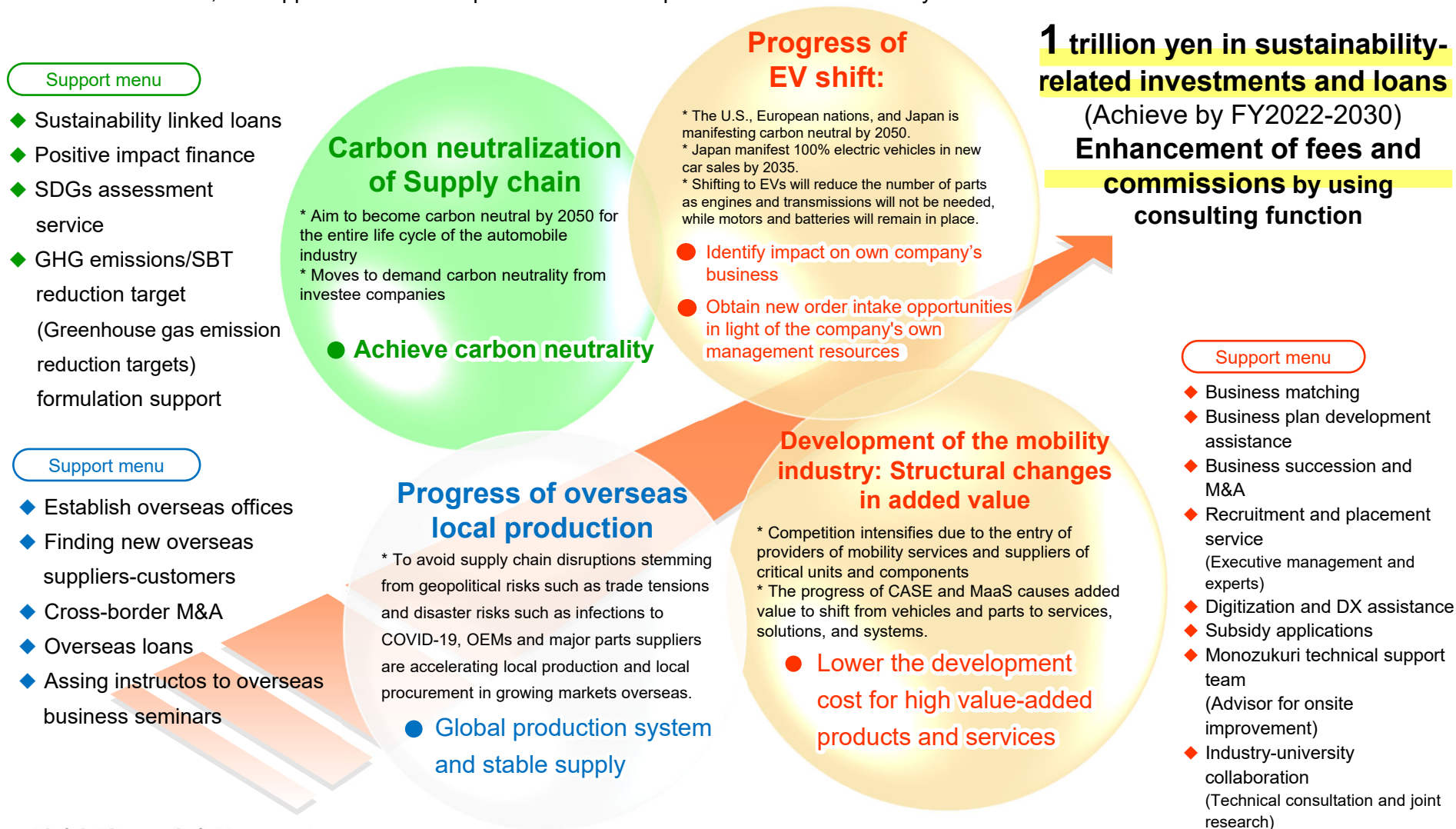
SCOPE3 calculation items	FY2023	Main calculation description and method
1 Products and services purchased	17,907	Passbooks, cards, office supplies, repair and maintenance fees
2 Capital goods	9,678	Buildings, movable property, software
3 Fuel and energy related activities not included in SCOPE 1 and SCOPE 2	897	Power not included in SCOPE 1 and 2
4 Transportation and delivery (upstream)	1,717	In-bank mails and postage.
5 Waste from business activities	15	Industrial waste, magazines, newspapers
6 Business trip	449	Calculation Method: CO2 emissions = \sum (number of employees x emissions intensity)
7 Employee commuting	1,011	Calculation Method: CO2 emissions = \sum (number of employees x number of business days x emissions intensity)
15 Investments and loans	8,037,060	Financed emissions = Emissions for each lender x attribution factor * Emissions by each lender Use values disclosed by each borrower and, if unavailable, use estimates * Attribution coefficient Loan amount / each borrower's debt + equity Please note that the results of these types of calculations could potentially change significantly in the future due to increased disclosure by customers and the progress of estimation methodologies.
SCOPE 3 total	8,068,734	

* Categories 8, 9, 10, 11, 12, and 14 of SCOPE 3 are not applicable.

Materiality (1): Contribute to the prosperity of local communities

Support for the automobile sector

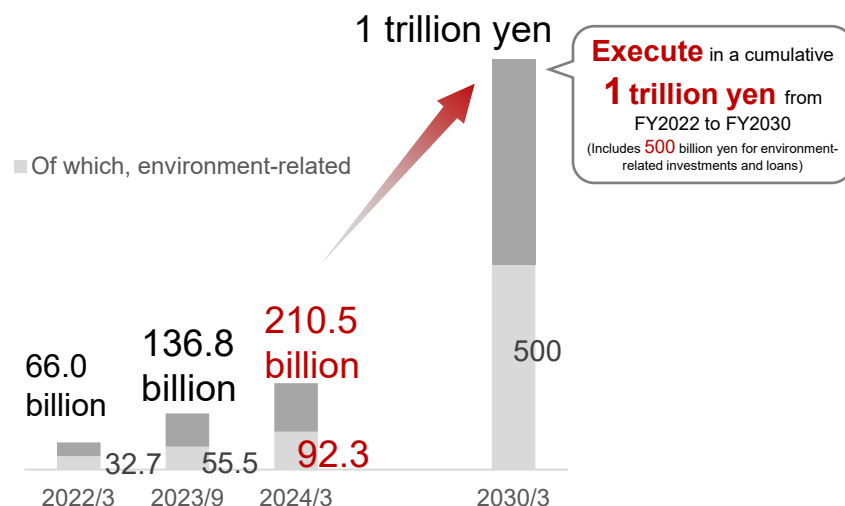
The automobile industry, a major industry in Aichi Prefecture, has been accelerating the carbon neutralization of supply chains, progress in EVs, progress in overseas local production, and development of the mobility industry (structural changes in added value). Through financial services, we support our business partners that underpin the automobile industry.



Materiality (1): Contribute to the prosperity of local communities

Sustainable finance

Targets and results for investments and loans on sustainability



Positive Impact Finance

A loan product that conforms to the framework of international financial principles and comprehensively analyzes and evaluates the environmental, social, and economic impact of the customer's corporate activities (impact assessment).

* Result: (as of March 31, 2024)

Aichi Bank 4 cases / 1.0 billion yen
Chukyo Bank 8 cases / 1.4 billion yen



Sustainability-linked loans

Sustainable management assistance loan / Contributory loan with SDGs / ESGs targets

This is a loan product for which the customer sets management goals related to SDGs and ESGs and can receive incentives such as interest rate reductions in accordance with the level of achievement.

* Sustainability-linked loan

Aichi Bank 3 cases / 1.3 billion yen (as of March 31, 2024)
Chukyo Bank 2 cases / 2.0 billion yen (as of March 31, 2024)

* Sustainability management support loan

Aichi Bank

Result: 560 cases / 39.9 billion yen (as of March 31, 2024)

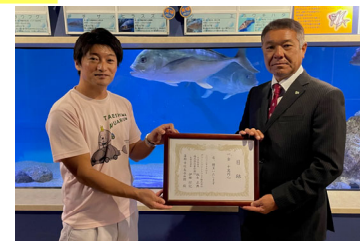
* Contributory loan with SDGs / ESGs targets

Chukyo Bank

Result: 989 cases / 45.2 billion yen (as of March 31, 2024)

SDGs private placement bonds

By using a portion of the issuance fees for private placement bonds, we will: i) donate goods such as books and sports gear to schools and municipalities designated by the issuing company; or ii) donate cash to public institutions, designated medical institutions for infectious diseases, or funds contributory to novel coronavirus measures that are each designated by the Company.



* Aigin SDGs Private Placement Bonds "Asunaro"

Aichi Bank

Result: 437 cases / 26,990 million yen (as of March 31, 2024)

* Chukyo SDGs Private Placement Bonds "Mirai Yell"

Chukyo Bank

Result: 200 cases / 13,210 million yen (as of March 31, 2024)

Materiality (1): Contribute to the prosperity of local communities

Assistance to startups

Activities of Aichi Capital, Inc., a subsidiary specializing in investment

In January 2022, Aichi Bank established Aichi Capital, Co., Ltd. a subsidiary that manages funds and provides equity in order to contribute to local communities by fostering startups and assisting business succession. The subsidiary works in collaboration with Chukyo Bank.



Founding, Startup Assistance Seminar 2023

Aichi Bank & Chukyo Bank

- *Total investment results: 17 cases / 510 million yen (March 31, 2024)
 - Aigin Venture Fund I Limited Liability Investment Partnership (dubbed "Kinshachi")
 - Aigin Venture Fund II Limited Liability Investment Partnership (dubbed "Kinshachi 2")
 - Aigin Startup Fund I Limited Liability Investment Partnership (dubbed "Takechiyo")

Collaboration with Aichi Prefecture's startup assistance program

In addition to donating cash for a startup ecosystem formation promotion project under Aichi Prefecture's Aichi-Startup Strategy, Aichi Bank dispatches employees to STATION Ai Corp. which will be responsible for the design, construction, operation, maintenance, and management of STATION Ai, one of Japan's largest incubation facilities, which is scheduled to come into operation in Nagoya City in October 2024 as its core project. The bank cooperates with startups in the form of recruitment consultation-assistance and event planning-operation.



Aichi Bank & Chukyo Bank

Business succession and M&A

We provide appropriate advice and consulting to customer's issues related to corporate operational platforms, management rights, property holdings succession, or business management strategies.

- * Consultations result: 1,142 cases (FY2023 results)
- * Consultations result: 545 cases (FY2023 results)

Aichi Bank

Chukyo Bank

Efforts for resolving the business issues of corporate clients

Placement and recruitment service

Aichi Bank

We have been providing staff placement services since October 2020 by obtaining approval for fee-charging employment placement business. We continue to participate in the Pioneer Human Resources Matching Project run by the Cabinet Office, helping resolve human resources issues particularly on highly-skilled professionals

- * Number of consultations: 2,038 (from entry into staff placement and recruiting business in October 2020 to the end of March 2024)

Establishment of Monozukuri Technical Support Team

Strengthen the function improvement advisor function, we assist productivity improvement at manufacturing sites by providing services for manufacturers in a multi-faceted manner.

Aichi Bank



* Activities of onsite improvement advisor

Since March 2017, former employees of leading auto parts manufacturers have been working as onsite improvement advisors.

- Activities result :
- Total number of companies visited 161
 - Total number of visits 694

SDGs evaluation-assessment service

We visualize the status of customer's SDG initiatives in order to promote and assist them.

- * Aigin SDGs assessment service handled: 454 cases (as of March 31, 2024)
- * Chukyo SDGs diagnostic service handled: 1,619 cases (as of March 31, 2024.)

Aichi Bank

Chukyo Bank

Materiality (1): Contribute to the prosperity of local communities

Donations to local communities

Donation through financial instruments

Aichi Bank & Chukyo Bank

According to a certain percentage of the customers deposits balance, and from a investment trust product that donate a part of trust fees which we supposed to receive, we donated to the following funds set up by Aichi and Mie prefectures.

* Cumulative donations (two banks combined in FY2023):
7.14 million yen (Aichi Bank 3.0 million yen, Chukyo Bank 4.14 million yen)

* Distributed to:
Children Empowerment Future Fund, Project for the Development of Leaders Supporting the Environmental Capital of Aichi, Aichi Forest and Greenery Creation Fund, Mie Child Aid Project, Aichi Prefectural Council of Social Welfare, and Mie Prefectural Council of Social Welfare

Aigin Education and Culture Foundation

Aichi Bank

The foundation annually subsidizes educational and cultural activities in regions of Aichi Prefecture.

* Total: 824 cases / 310.9 million yen

Financial education initiatives

Financial education activities

Aichi Bank & Chukyo Bank

We accept elementary, junior high, and high school students for bank visit, give lectures at high schools, and donate lectures at university.

* FY2023
Number of students taking lectures at high school or donation lectures at university.

Total: 26 times / 441 persons



Economics Koshien

Aichi Bank & Chukyo Bank

We hold an annual quiz event on finance and economics for Aichi Prefecture high school students in order to get them to learn about these matters while having fun.

* Total of participants*: 714 persons
* From the 2nd Tokai Event to 18th Aichi Event



Collaboration with local universities

Agreement on industry-academia collaboration

Aichi Bank & Chukyo Bank

In collaboration with local universities and other organizations, we work on a wide range of projects such as helping our corporate clients solve problems, improving students' financial literacy and supporting their career development, and addressing SDGs.

* Entities with which Aichi Bank concluded (in the chronological order of conclusion)
Nagoya Institute of Technology, Toyohashi University of Technology, Nagoya University, Nagoya City University, Meijo University, National Institute of Technology Toyota College, Nihon Fukushi University, Aichi University, Gifu University, Nagoya University of Arts, Umemura Gakuen (11 entities)

* Entities with which Chukyo Bank concluded (in the chronological order of conclusion)
Nagoya Institute of Technology, Nagoya University, Kindai University, Chubu University, Gifu University, Nagoya University of Arts, Umemura Gakuen (7 entities)

Entrepreneurship education

Jointly with Nagoya City University, we held "Get Together Future Top Managers! Learn about president's work through games," a workshop designed to provide entrepreneurship education to elementary school pupils.



3 / 9
Event held

Diversity considerations

Handling of maiden-name deposit accounts

Aichi Bank & Chukyo Bank

As part of our efforts to create a worker-friendly society, we open a maiden-name bank account for those wanting one.

Provide LGBT-accommodating housing loans

Aichi Bank

Same-sex partner was added to the definition of spouse for housing loans. Same-sex partners can apply for a pair loan and income aggregation.

Handling of agent transactions in deposit service

Aichi Bank & Chukyo Bank

To prepare for a scenario in which a customer not using the adult guardianship system or daily life independence support service struggles to conduct a deposit transaction, the customer is allowed to have a designated agent do a deposit transaction such as cash withdrawal for routine living.

Materiality (2): Advancement of financial services

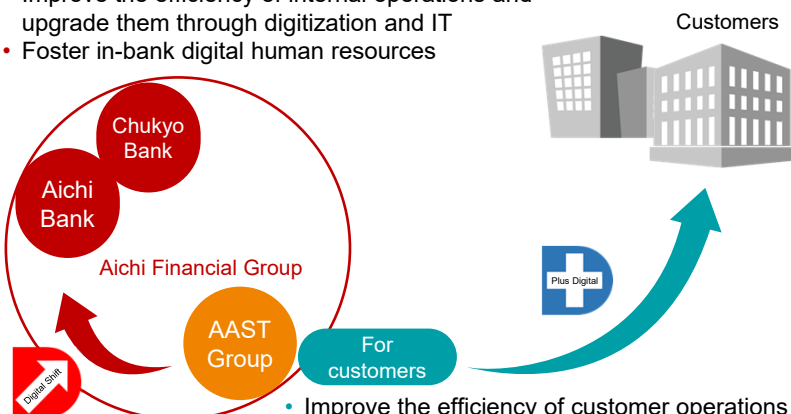
We aim to advance various financial services by enhancing customer convenience through expanding non-face-to-face channels and by strengthening support for digitalization

Converted AAST Group, into a subsidiary of Aichi Financial Group.

In April 2024, we welcomed AAST Group, an independent development company that provides high-quality system services mainly in Aichi Prefecture, as a subsidiary of Aichi FG. We will leverage the AAST Group's technological capabilities and expertise to improve and enhance the operational efficiency of our customers and the Aichi Financial Group.

For internal

- Improve the efficiency of internal operations and upgrade them through digitization and IT
- Foster in-bank digital human resources



- Improve the efficiency of customer operations and upgrade them through digitization and IT
- Provide a secure digital environment by offering cloud services
- Foster digital human resources



"Plus Digital" concept: Mainly customers

- * Add digital service to the existing services composed mainly of offline service
- * Add digital service-based convenience improvement and new customer experience (CX)



"Digital Shift" concept: Mainly internal

- * Transition from existing services composed mainly of offline service to digital operations
- * Operational efficiency improvement + Data utilization and DX promotion infrastructure

Efforts toward DX



Formulate a DX promotion plan

We aim to provide a new kind of customer experience by combining offline services, a strength of regional financial institutions, with digital services needed by customers.

1 Strengthen non-face-to-face channels

- Provide a service platform that enables customers to connect with the bank anytime, anywhere and easily
- Build a system that enables various procedures to be done via smartphone and PC without using paper, and improve convenience and saving labor

2 Assist customers and local communities

- Build a system able to assist customers and local communities on IT, digital, and DX issues, from identifying them to solving them
- Foster IT and digital human capital and collaborate with IT-DX companies, thus developing a platform and solution required for solving issues

3 Reforming operations and branches

- Promote labor-saving and speedy operations by digitizing and automating internal bank operations done mainly in writing and manually
- Allocate resources created by labor saving to areas of high productivity such as digital and DX promotions and sales activities

4 Develop an IT and system foundation

- Migrate the current system environment to an environment highly suitable to digital technologies, such as the Internet and cloud computing, and develop the environment as an IT and system infrastructure required for DX
- Promote transformation to a data-driven organization by restructuring information systems and building an AI utilization platform

Indicator item	March 31, 2024, actual	March 31, 2025, target
Number of bank apps registrations	187,000	200,000
Number of smart passbooks registrations	50,000	45,000
Number of corporate portal users registrations	620 (November 2023 Start of service)	12,000
Ratio of non-face-to-face channel notices receive*	16.4%	30%
Number of IT Passport & Financial Service Grade III DX Course takers	955	1,000

* Aichi Bank only

DX certification

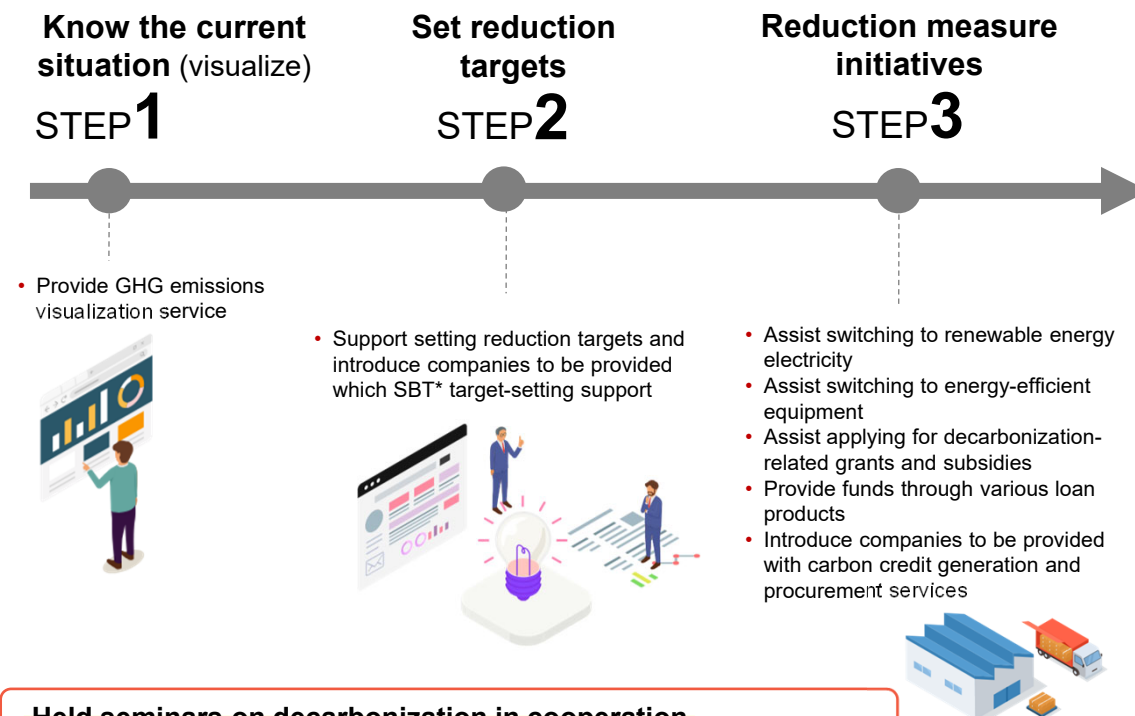
In January 2024, we were certificated as a DX Business Operator under the DX Certification System established by the Ministry of Economy, Trade and Industry.



Materiality (3): Environmental conservation response

Assist for client's decarbonization

We will pursue corporate decarbonization initiatives in three steps: (1) know the current status of GHG emissions (visualize); (2) set reduction targets; and (3) take reduction measures. We put in place a customer support system for each step, helping them achieve decarbonization.



Held seminars on decarbonization in cooperation with the Ministry of the Environment



Aichi Bank & Chukyo Bank

The event provided information on decarbonization and local SDGs (regional recycling symbiosis zone) and introduced examples of advanced local initiatives and public support measures.

10/18
Event held

The initiatives of FG and the banks

Participate in the TNFD Forum

Aichi FG

We participated in the TNFD Forum (*2) in support of the efforts of the Task Force on Nature-related Financial Disclosure (TNFD *1). Through our participation in the TNFD Forum, we aim to achieve a sustainable environment and society in the region by promoting initiatives related to the appropriate conservation of natural capital and biodiversity.

* 1: An international initiative launched in June 2021 by the United Nations Environment Programme and Finance Initiative (UNEP FI), the United Nations Development Programme (UNDP), the World Wide Fund for Nature (WWF) and Global Canopy, a British environmental NGO. The goal is to shift the flow of funds to nature-positive ones (i.e., positive impacts on nature) through corporate disclosures related to nature.

* 2: An organization of stakeholders that supports TNFD discussions, with more than 1,400 companies, institutions, and organizations from Japan and abroad.

Carbon neutralization of energy used by banks

Aichi Bank

Aichi Bank is a user of carbon-neutral energy with all urban gas and electricity used at its headquarters having been switched to carbon neutral city gas and to CO₂-free electricity utilizing environmental values derived from renewable energy sources produced in Aichi Prefecture.

Chukyo Bank

Chukyo Bank's head office and branches in Aichi, Mie, and Shizuoka prefectures (excluding tenant branches) have become users of CO₂-free electricity provided by Chubu Electric Power Miraiz Co., Inc.

The bank expects to reduce its CO₂ emissions by approximately 90% due to totally eliminating greenhouse gas emissions generated by the use of electricity at the facilities.

In addition, we take energy-saving measures at the time of branch rebuilding while switching from gasoline vehicles to hybrid and EV vehicles.

* SBT: Science Based Targets, a set of medium- to long-term corporate greenhouse gas emission reduction targets consistent with levels required by the Paris Agreement. A commitment to a certain level of reduction against a base year set by the company

Materiality (4): Enhancing employee engagement and promoting diverse human capital

Promote diversity and inclusion

In order to create an organization that accepts diverse human capital and allows everyone to continue to work with vigor, members of both banks meet regularly as a working team (called: "ai-team") to exchange opinions on a wide range of topics, including women's empowerment, development of young employees, and measures to improve employee satisfaction.



Members of period II ai-team

Supporting both: work and childcare

Aichi Bank & Chukyo Bank

- Introduce company-led nursey schools
- Enhance seminars to help employees on child care leave return to work as well as training to be given upon their return to work
- Aichi Bank became the first endorser of the 100% Male Employees Childcare Leave Declaration among regional financial institutions headquartered in the three Tokai prefectures

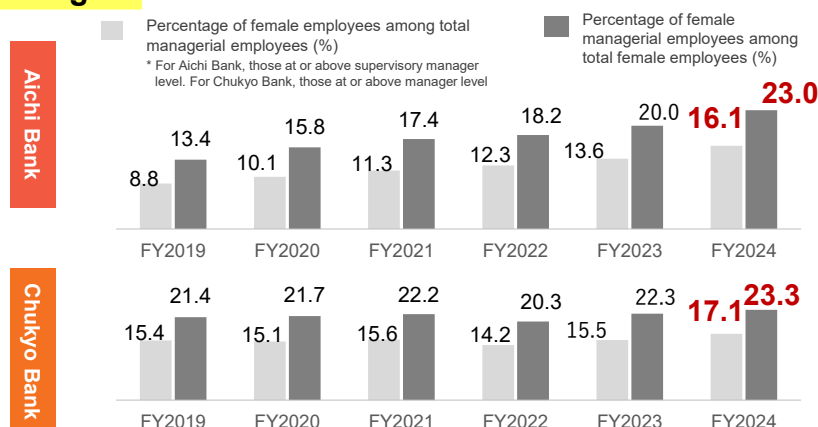
Taking rate of male employees childcare leave for FY2023

Aichi Bank	105.9 %
Chukyo Bank	70.6 %

Aichi Bank exceeded 100% since employees with a spouse who gave birth in FY2022 took childcare leave in FY2023.

Increasing female managers

Aichi Bank & Chukyo Bank



Health and Productivity Management

Aichi Bank considers the physical and mental health of its employees and their families as an important asset, and is working to improve productivity and revitalize the organization through systematic and strategic health management and health promotion efforts.

Chukyo Bank believes that the physical and mental health of its employees and their families is of paramount importance, and is committed to raising the health awareness of each and every employee, promoting physical and mental health, and creating a comfortable workplace.

Certified as an excellent health management corporation

Aichi Bank & Chukyo Bank

In recognition on efforts for health management, Aichi Bank was elected as Certified Health & Productivity Management Excellence Corporation (White 500) for the six consecutive year, and Chukyo Bank is Certified as a Health & Productivity Management Excellence corporation Organization for five consecutive year.



Efforts to improve health literacy

Aichi Bank & Chukyo Bank

- We carry out online medical treatment and low-dose pill prescription programs for the purpose of dealing with women's specific health issues associated with menstruation. Moreover, we strive to build a workplace environment in which women can work comfortably by watching videos of seminars on the female body (menstruation).
 - To support employees in balancing work and infertility treatment, we established a family support leave system able to be used during an infertility treatment period, and the entire bank works to provide assistance by arranging for training videos to be viewed to let them better understand infertility treatment.
 - Training on preconception care* is provided to all new employees.
- * Refers to a care program to let employees address their own life and health affairs with regard to pregnancy and childbirth while thinking about a future life plan

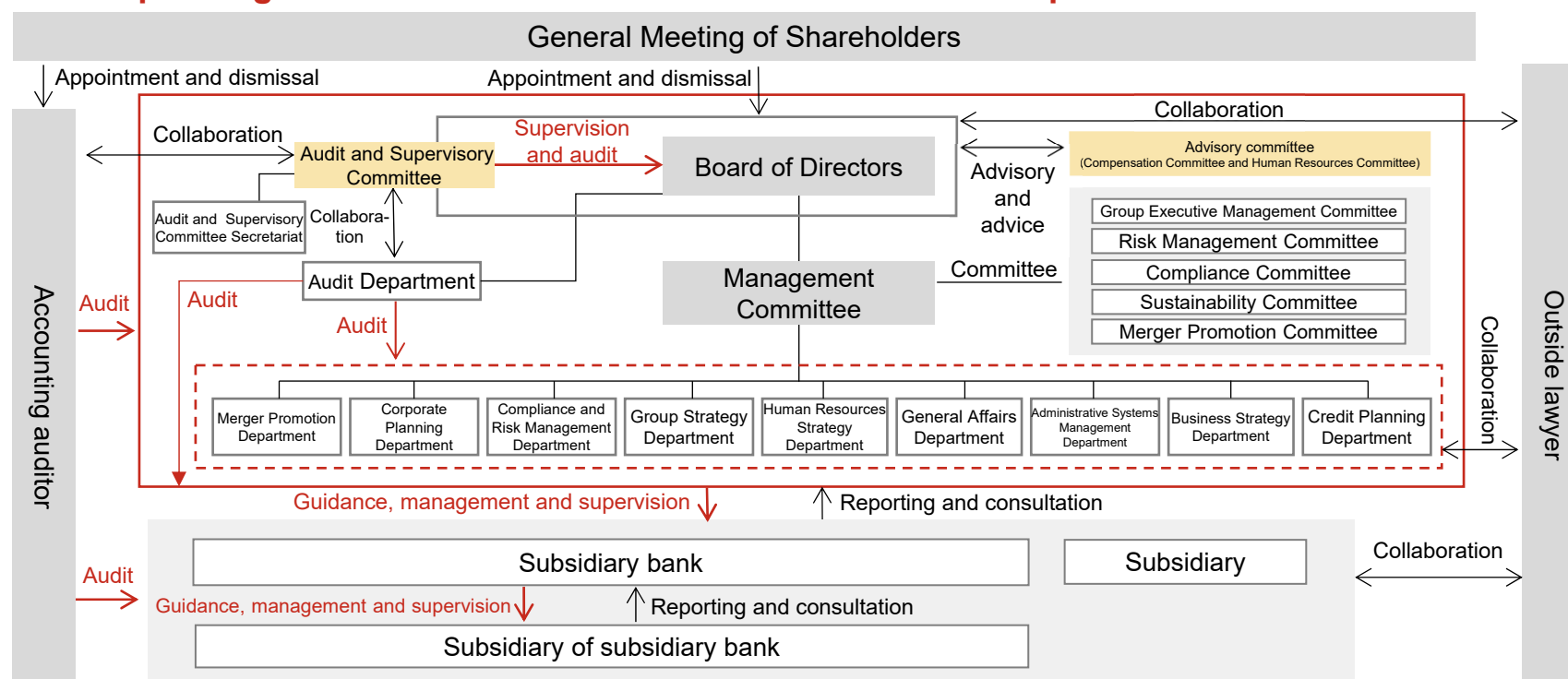
Materiality (5): Strengthen governance

Aichi Financial Group Human Rights Policy

Aichi Financial Group's management vision is “contribute to the prosperity of local communities through the financial services”, and based on this philosophy, we are working to realize a sustainable society through the business activities. In pursuing our various activities, we recognize that respect for human rights is an important issue to be addressed in management, and we will fulfill our responsibility to respect human rights in all our business activities.

(For the full text, see <https://www.aichi-fg.co.jp/release/files/pdf/news20231130.pdf>)

The corporate governance structure of the Aichi Financial Group



Among the three elements of our business philosophy, "PURPOSE" stipulates that we shall contribute to the prosperity of local communities through financial services. In order to gain the trust of all stakeholders, including customers, local communities, employees, and shareholders, and to contribute to the development of local communities as a regional financial group, we will strengthen and improve our corporate governance system while deeming the establishment of an effective corporate governance system aimed to make transparent, fair, prompt, and decisive decisions as one of our top management priorities.



V. Reference material

Outline of the Aichi Financial Group

Outline of the holding company

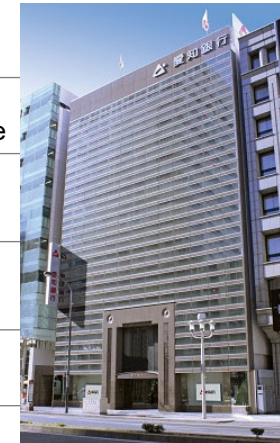
Corporate name	Aichi Financial Group, Inc.
Headquartered	3-14-12, Sakae, Naka-ku, Nagoya City, Aichi Prefecture
Institution	Company with audit & supervisory committee
President	Yukinori Ito (President, The Aichi Bank, Ltd.) Vice President Hideo Kobayashi (President, The Chukyo Bank, Ltd.)
Share capital	20 billion yen
Founded	October 3, 2022
Stock exchange listing	Tokyo Stock Exchange Prime Market Nagoya Stock Exchange Premier Market
Credit rating	A (Japan Credit Rating Agency, Ltd.)

Aichi Financial Group, Inc.

Outline of subsidiary banks (as of March 31, 2024)



Founded	September 17, 1910
Headquartered	3-14-12, Sakae, Naka-ku, Nagoya City, Aichi Prefecture
Balance of deposits	3,871.5 billion yen
Balance of loans	3,149.4 billion yen
Number of employees	1,539
Number of branches	106 (including two branches dedicated to managing ATMs at partner convenience stores)



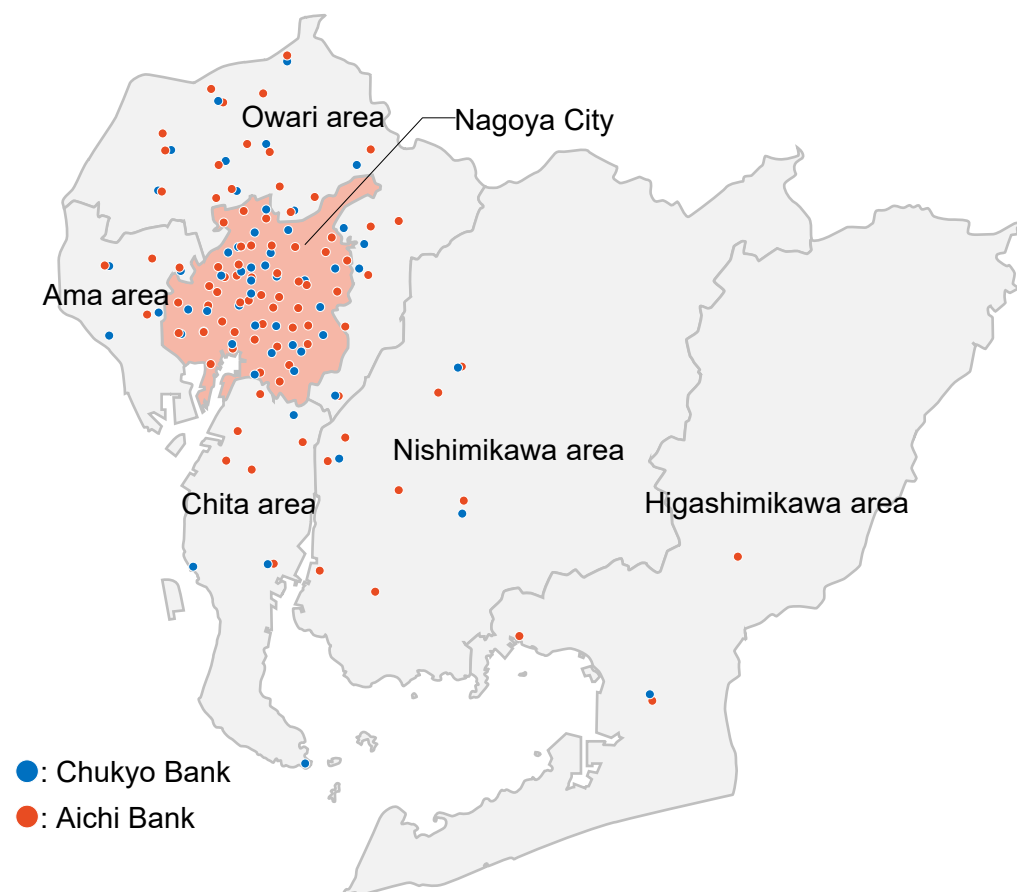
Founded	February 10, 1943
Headquartered	3-33-13, Sakae, Naka-ku, Nagoya City, Aichi Prefecture
Balance of deposits	1,964.2 billion yen
Balance of loans	1,561.7 billion yen
Number of employees	828
Number of branches	87 (1 online branch)



Business foundation

- Each of the banks is equipped with a well-developed branch network in Aichi Prefecture with a focus on Nagoya City

Branches in Aichi Prefecture



Number of branches of the two banks

	Aichi Bank	Chukyo Bank	Total
Aichi Prefecture	85	55	142
In Nagoya City	44	30	75
Owari area	20	13	34
Ama area	4	4	8
Chita area	6	4	11
Nishimikawa area	8	3	11
Higashimikawa area	3	1	4
Mie Prefecture	2	3	5
Gifu Prefecture	3	0	3
Shizuoka Prefecture	1	1	2
Osaka	1	1	2
Tokyo	1	1	2
Total	93	61	154

* The numbers of branches of both banks as of March 31, 2024

* Excluding virtual branches such as in-branch branches and online branches

Management philosophy

The thoughts represented in the corporate name

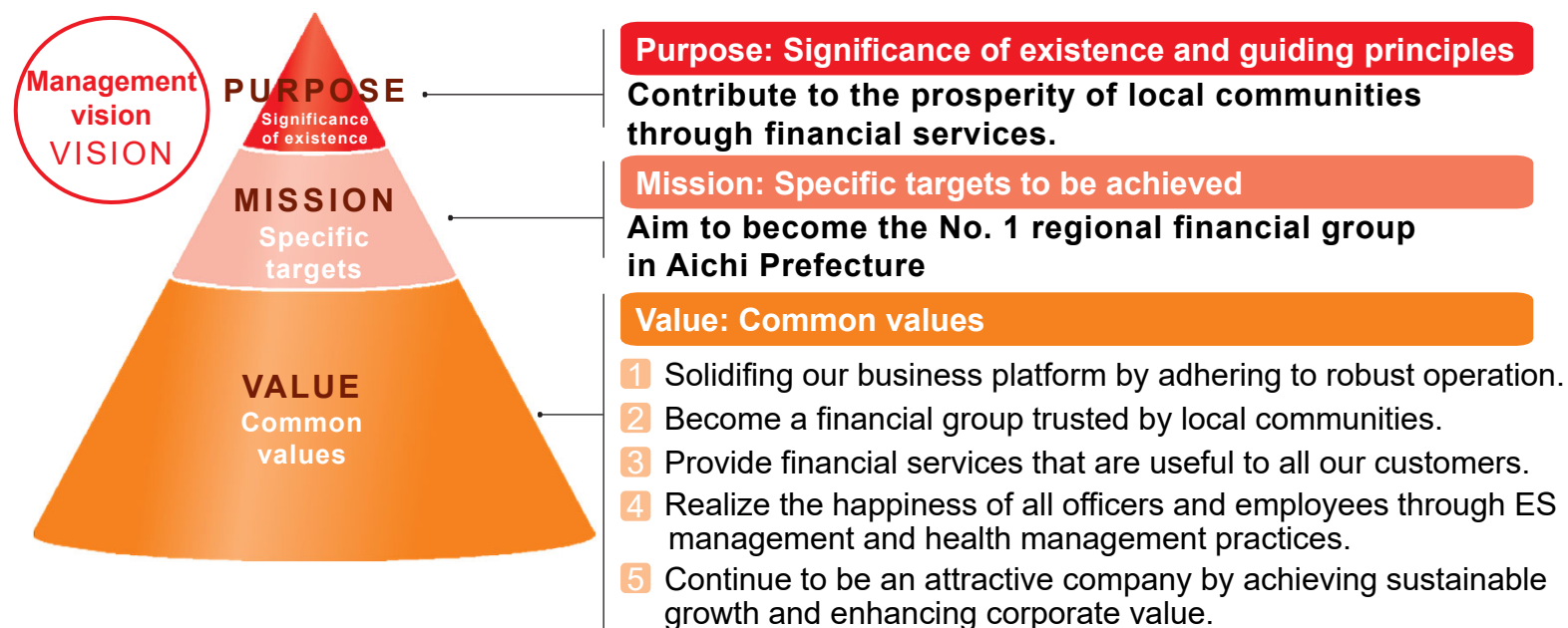


The corporate name represents our desire of aiming to become the No. 1 regional financial group in Aichi Prefecture by growing together with the prefecture while cherishing the area, which is our main base of operations.

Aichi
あいち

The letter "**A**" of Aichi Bank, the letters "**Ch**" of Chukyo Bank are expressed as a desire to become together the letter "**I**" of Ichiban, that means the best in the region.

Management philosophy of Aichi Financial Group



The financial Group's business philosophy is called the "VISION," a business vision composed of three elements, Purpose, Mission, and Value, intended to guide all executives and employees in decision-making and in the form we pursue.

Closest to you

People's lifestyles, the roles of corporations, everything keeps changing.

The challenges we face, the future we envision, and the things we seek are diverse,
and is difficult to see ahead into the future.

That is why we believe that we must support our customers at the closest level.

Sharing the daily joys, the concern for the future from the same perspective as our
customers, we help them create a secure future.

Being the first to consult and be the most reliable partner in this region.

We aim to become the No. 1 regional financial group in Aichi Prefecture.

Be solid and unwavering, unafraid to take on challenges.

Leveraging the strengths of two banks, we will create the unknown new value.



- The symbol mark is a simple and dynamic one using the initial letter "A" of the new trade name in English as a motif
- It gives a sense of growth potential and momentum, and the curve supporting on the right is reminiscent of the letter C
- This expresses how the two banks will grow together with the letter "A" of Aichi Bank and the letter "C" of Chukyo Bank being fused together and will become the No. 1 regional financial group in Aichi Prefecture, driven by the power of "people" as one.

Merger of subsidiary banks and change of corporate name

■ Merger schedule

Effective date of merger: **Wednesday, January 1, 2025**

* The merger will be executed subject to the resolution of the general meeting of shareholders of both banks regarding the merger, the acquisition of permits and approvals from the relevant authorities, and other conditions.

The schedule, procedures, terms and conditions may be altered after consultations if a material event hindering the execution of the merger occurs in the course of the merger procedures.

■ Merger format

An absorption-type merger with Aichi Bank as the surviving company and Chukyo Bank as the dissolving company.

Aichi Bank plans to change its corporate name to **Aichi Bank, Ltd.** on January 1, 2025.

■ Merged bank system

For the enterprise system, Chigin Kyodo Center will be adopted starting from January 2025. In principle, unify with the enterprise system and administrative processing standards of Aichi Bank Subsystems will be gradually integrated

■ Situation after the merger

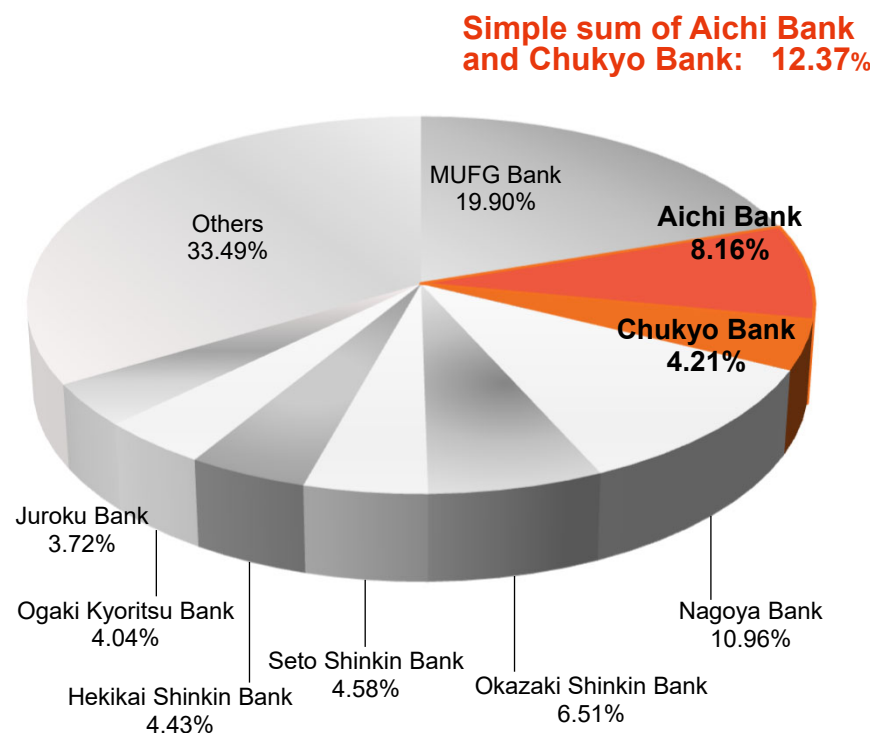
Corporate name	Aichi Bank, Ltd.
Headquartered	3-14-12, Sakae, Naka-ku, Nagoya City, Aichi Prefecture (current Aichi Bank headquarters)
Share capital	18,000 million yen
Bank code	0542 (current Aichi Bank bank code)



Market share of main bank, deposit, loan in Aichi prefecture

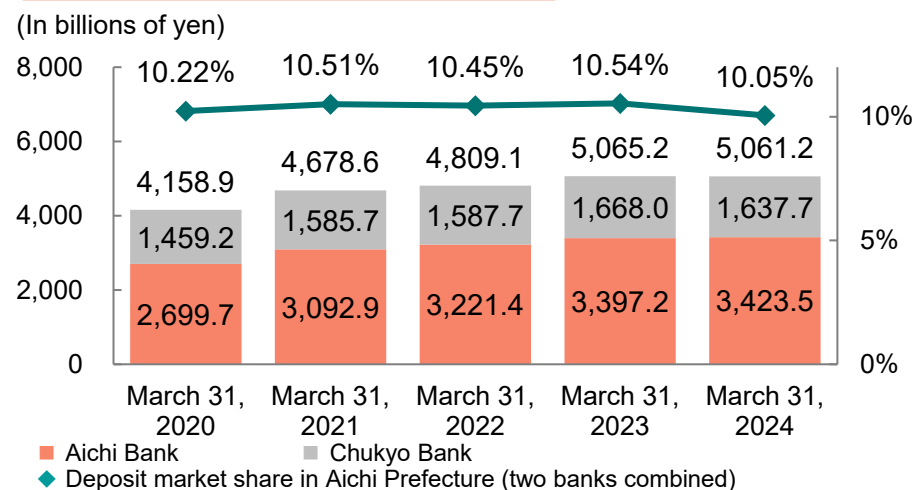
- The combined main-bank market share for Aichi Bank and Chukyo Bank in Aichi prefecture will trail only the share of MUFG Bank
- Deposit and loan market shares in Aichi Prefecture at approximately 10% and 15%, respectively

Share of main bank in Aichi Prefecture

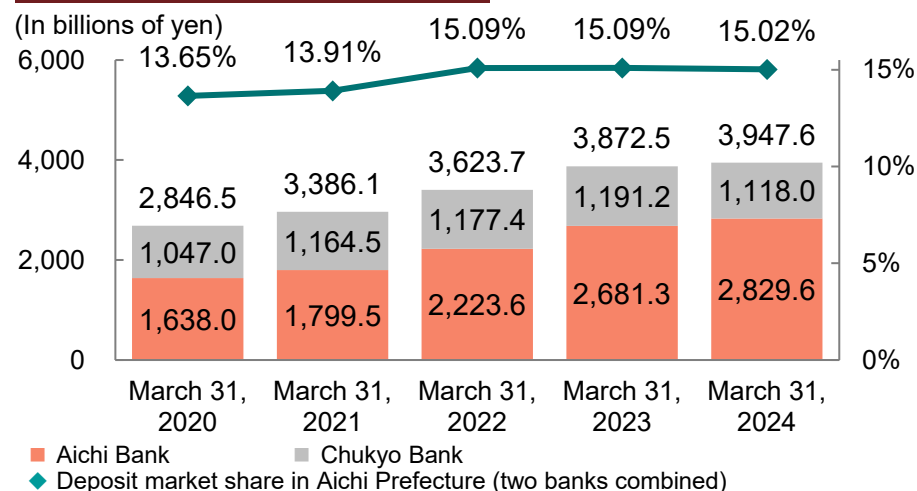


Source: Survey of Main Banks in Aichi Prefecture 2023, Teikoku Databank

Deposits in Aichi Prefecture



Loans in Aichi Prefecture



Source: Deposits and Loans by Prefecture, Bank of Japan

Economic environment of Aichi Prefecture

★Economic indicators of Aichi Prefecture

			Aichi Prefecture		Nationwide	
				National ranking		
Total population (As of October 1, 2023)			In thousands of people	7,477	4th place	124,352
Working-age population (As of October 1, 2023)			In thousands of people	4,627	4th place	73,952
Gross prefectural domestic product (at current price) (FY2020)			In billions of yen	39,659.2	3rd place	558,778.3
	Primary industry		In billions of yen	153.4	10th place	5,200.5
	Secondary industry		In billions of yen	15,878.6	1st place	148,629.4
	Tertiary industry		In billions of yen	23,499.3	4th place	403,218.8
Prefectural income per capita (FY2020)			In thousands of yen	3,428	2nd place	3,123
Offices (private-run only) (as of March 31, FY2020)			Offices	363,784	4th place	6,398,912
Value of manufactured goods shipments (2021)			In billions of yen	47,894.6	1st place	330,220
Agricultural output (2022)			In billions of yen	311.4	8th place	9,014.7

Future population (in thousands of people)

	2025	2035	2050	Compared to 2025
Aichi Prefecture	7,453	7,211	6,676	(10.42%)
Nationwide	123,262	116,639	104,686	(15.07%)

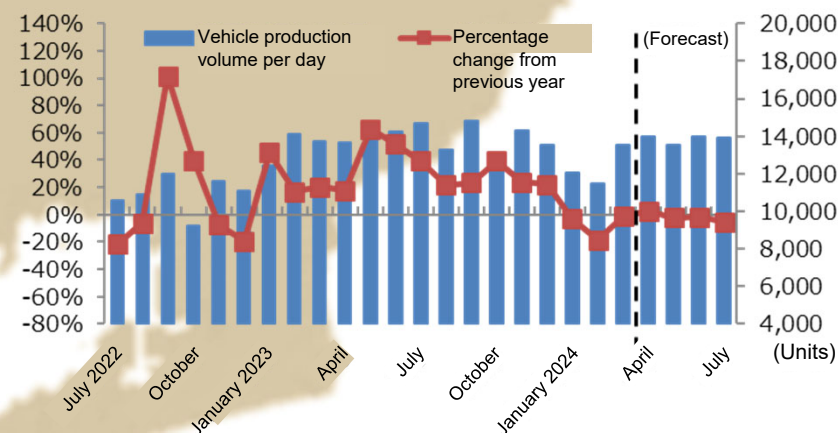
Working-age population forecast (in thousands of people)

	2025	2035	2050	Compared to 2025
Aichi Prefecture	4,609	4,315	3,649	(20.82%)
Nationwide	73,101	67,216	55,402	(24.21%)

Major products ranked top in shipment value in Japan (2022)

Item	Shipment value	National share
Standard-sized vehicles (cylinder capacity over 2,000 milliliters)	4,928.3 billion yen	46.3%
Pachinko and slot machines	517.8 billion yen	48.1%
Car air-conditioners	379.3 billion yen	65.9%
Power tools	172.3 billion yen	76.0%
Gas water heaters	105.3 billion yen	58.4%
Insulators and insulation pipes	17.0 billion yen	52.5%
Glaze clay tiles and salt-grilled clay tiles	15.6 billion yen	79.7%
Worsted wool cloth	11.7 billion yen	45.5%

Toyota Motor Corporation (non-consolidated) / Daily domestic production volume, year-on-year percentage change



Sources: Annual Estimates of National Accounts, Cabinet Office; Prefectural Accounts for Aichi, Prefectural Statistics Division; Population Estimates as of October 1, Ministry of Internal Affairs and Communications; Economic Census 2021 - Activity Survey, Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry; Industrial Statistics Survey 2020, Ministry of Economy, Trade and Industry (final); Industrial Statistics Survey 2018 Item Statistics Table, (final) Ministry of Economy, Trade and Industry; Population Projections by Region in Japan (2023 Estimates), National Institute of Population and Social Security Research; Production and Agricultural Income Statistics 2021, Ministry of Agriculture, Forestry and Fisheries; Agricultural Data 2021 and Aichi Prefecture Profile 2024, Aichi Prefectural Government; Sales, Production and Export Results, Toyota Motor Corporation; Chubu Keizai Shimbun

This document contains forward-looking statements on our future business performance. Such statements are not intended to guarantee any future business performance and involve risks and uncertainties. Please note that future business performance could potentially differ due to changes in the operating environment and other factors.

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