

HYAKUGO BANK REPORT 2020

Hyakugo Bank Integrated Report

Disclosure Book Main Volume

Corporate Philosophy

Mission

We support a society that values trust.

Hyakugo Bank believes trust is the foundation of society. Through sound financial activities, we strive to build a vibrant and enriched society where people can trust each other.

Management

We pursue fair, impartial, and responsible management.

Hyakugo Bank conducts fair and impartial management with the spirit of independence and autonomy while placing importance on ethics. We live up to the trust of society through responsible management in pursuit of sound and strong development.

Behavior

We behave in a sincere manner with common sense as a member of society.

We deepen our knowledge and behave in accordance with our conscience as a decent member of society.

We make sincere efforts with feelings of gratitude and take on new challenges with cheerfulness and vigor.

Editorial Policy

Hyakugo Bank has prepared HYAKUGO BANK REPORT 2020 (Integrated Report). This Integrated Report correlates financial information with non-financial information, including our corporate philosophy, strategies, ESG information, and initiatives, and explains in an integrated manner the framework for the Bank and regional societies to achieve sustainable value creation, in reference to the "International Integrated Reporting Framework" recommended by the "International Integrated Reporting Council" (IIRC), and the "Guidance for Collaborative Value Creation" by the Ministry of Economy, Trade and Industry. For disclosure materials (data edition) based on Article 21 of the Banking Act, please see the Bank's website. (<https://www.hyakugo.co.jp/>)

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◆ Cautionary Note Regarding Forward-Looking Statements ◆

This document contains forward-looking statements including forecasts, outlooks, targets, and plans. These statements do not guarantee future business performance, and involve risks and uncertainties. Please note that future business performance may vary due to factors including changes in the business environment.

The History of Hyakugo Bank

Since the Bank's establishment in 1878, we All the while, we are steadily growing together

have adhered to the respected traditions passed down to us, starting with solid management practices with the local region and aiming to evolve.

Established
1878
Established as The 105th National Chartered Bank.

1870

1879
Commenced banking business at 1 Tsusawanoue-chō. Capital: ¥80 thousand

1897
Restructured as an ordinary bank and name changed to The Hyakugo Bank, Ltd. Capital: ¥240 thousand

1901
Relocated Head Office to newly constructed building at Daimon-chō 1056, Tsu City.

1919
Received order from Jingu cash handling office.

1920
Opened Nagoya Branch

1924
Head Office relocated to Iwatagawa, Marunouchi, Tsu City.

1900

1949
Started offering the first Fukuju Term Deposit.

1951
Authorized to handle foreign exchange business.

1964
Opened Tokyo Branch

1968
Head Office relocated to Iyomachi, Tsu City.

1972
Built new administrative center in Sendo-machi, Tsu City. Sequentially started online operation of currency exchange, deposits, and loans

1973
Stock listed on Second Section of the Tokyo and Nagoya Stock Exchanges. Installed the first ATM at Head Office. Capital: ¥4 billion

1970

1974
Listing changed to the First Section of the Tokyo and Nagoya Stock Exchanges.

100-year anniversary
1978
Celebrated the Bank's 100th anniversary.

1980
Total deposits exceeded ¥1 trillion.

1988
Opened New York Representative Office. (Promoted to New York Branch in October 1991)

1990
Increased capital to ¥20 billion.

1991
Opened Singapore Representative Office.

1996
Established Corporate Philosophy

1999
Reassigned the status of the New York Branch to a representative office.

2000

2001
Started Internet Mobile Banking Service.

2003
Established "FRONTIER BANKING" corporate statement. Opened Shanghai Representative Office. Closed New York Representative Office.

2006
Involvement began in "Corporate Forest".

2007
Started operation of "Bank Vision" next-generation open account system.

2010
Launched "Eco Frontier," Hyakugo's environmentally rated loan program

2011
Launched Hyakugo's environmentally rated private bonds.

2010

2012
Opened Bangkok Representative Office. Total deposits exceeded ¥4 trillion

2015
Completion of Iwata Head Office Building (main building) and Marunouchi Headquarter Building.

2016
The Bank group companies were recognized as a "special-purpose subsidiary" and allowed an "affiliated company exception" for employment of persons with disabilities.

2017
Launched "Barcode Pay," a new smartphone payment service.

Enacted Hyakugo Bank Health Declaration.

Surpassed ¥5 trillion
2020
Total deposits exceeded ¥5 trillion.

2020

2018
Started provision of finbee, a fintech service operated through an open API.

140-year anniversary

2019
Started the new Medium-term Management Plan "KAI-KAKU 150 1st STAGE—Gateway to the Future".

Launched Hyakugo SDGs Private Placement Bonds. Launched Bank Pay.

Announced Hyakugo Bank Group SDGs Declaration.

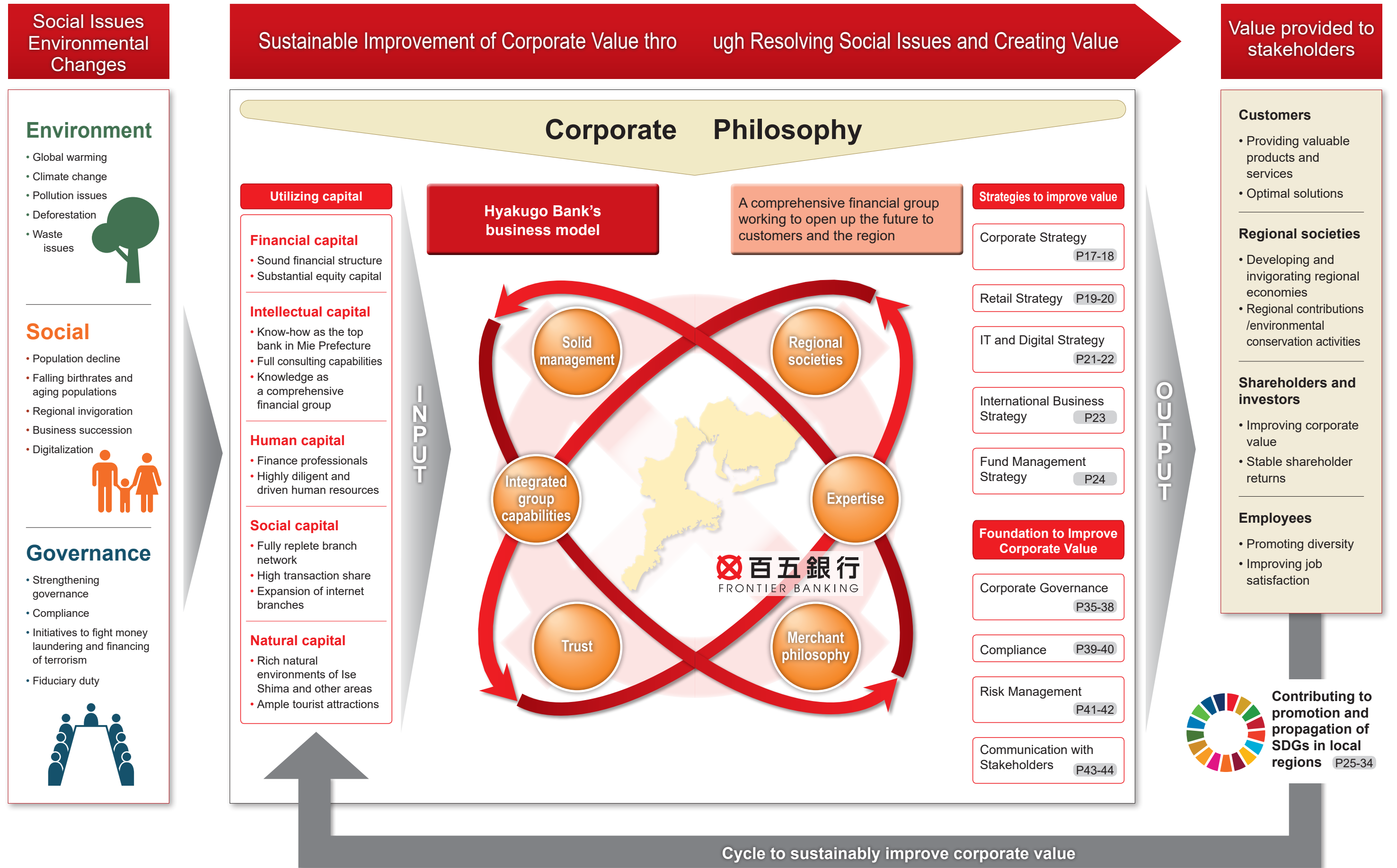
Launched "Hyakugo smartphone banking" app.

Established Hyakugo Mirai Investment Co., Ltd.

<< Social Situations >>

<p>1850–</p> <p>1877 Satsuma Rebellion 1882 Establishment of the Bank of Japan 1894 Sino-Japanese War 1904 Russo-Japanese War</p>	<p>1910–</p> <p>1914 World War I 1923 Great Kanto Earthquake 1941 The Pacific War 1944 Tonankai Earthquake</p>	<p>1950–</p> <p>1959 Isewan Typhoon 1964 Tokyo Olympic Games 1973 Yen shifted to the floating exchange rate system The first oil crisis</p>	<p>2000–</p> <p>1985 Plaza Accord 1991 Economic bubble burst 1995 Great Hanshin-Awaji Earthquake</p>	<p>2010–</p> <p>2005 EXPO 2005 AICHI, JAPAN 2008 Financial crisis</p>	<p>2010–</p> <p>2011 Great East Japan Earthquake 2016 Introduction of negative interest rates</p>
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Value Creation Process



Message from the President

By striving to achieve a balance between resolving social issues in the region and developing the economy, we will contribute to achieving a sustainable society.

July 2020
Toshiyasu Ito
President

伊藤 歳恭

Changes in the Business Environment and the Mission of Hyakugo Bank

Looking at the current business environment, we are facing the worldwide spread of COVID-19, and a rapid deceleration of the global economy has become unavoidable. Amid this situation, Mie and Aichi Prefectures, which are the Bank's main operating bases, have also been deeply affected.

In addition, as medium to long-term changes in the business environment, there have been continued population decline spurred by low birth rates and aging populations, prolonged period of low interest rates, and competitors' entry from other industries. As a result, the Bank's management conditions have become increasingly severe.

Under these circumstances, the Bank has been earnestly engaged in its daily work while defining business areas such as Mie and Aichi prefectures, which are its main operating bases, as its own "region" and thinking through "what we can do for the region" as a regional bank.

Spread of COVID-19 infections

As it has been said that COVID-19's impact on the global economic deceleration is surpassing the 2008 financial crisis, we are also seeing widespread impacts on the economies of Mie and Aichi prefectures across a wide range of businesses including tourism-related industries, and restaurant and service industries.

Considering these circumstances, as part of our efforts to fully support customers, we have established the "COVID-19 Related Consultation Counter" in all branches (excluding sub-branches and Retail Banking Centers) so that we can quickly provide them with sufficient fund. In addition, we have partnered with public institutions and prepared a diverse range of financial products to support cash flow. Furthermore, by responding sincerely to a variety of consultations regarding issues such as postponement of repayment, we are providing full support for customers impacted by COVID-19, and continuing to proactively work to maintain and invigorate the regional economy.

Population decline due to falling birthrates and aging populations

With falling birthrates, aging populations, and population declines becoming full-fledged in the future, we expect to see decreases in capital investment and housing construction as well as an increase in bankruptcies. As the population concentrates in urban areas and local areas suffer from depopulation, further widening disparities between regions, it will become difficult to achieve profitability per branch. As such, it will be a challenge to keep a good balance between maintaining convenience for our customers and optimizing our branch networks.

To address such issues, the Bank has reduced the number of shift work employees by changing service counter operating hours at existing sub-branches and implementing temporary closure during lunch hours, thereby realizing an efficient operation of branches with smaller number of employees.

In addition, we are striving to maintain convenience for our customers by proceeding with the consolidation of branches through a branch-in-branch method and continuing our businesses by opening plaza sub-branches operated by smaller number of staff on the empty lots of the consolidated branches.

Prolonged period of low interest rates

Since the Bank of Japan adopted a negative interest rate policy, market interest rates have further declined, with 10-year bond yields going into a negative range. As previously financed securities and loans with relatively higher yields are approaching their maturity dates, new investment yields are also declining, making it a challenge to maintain and improve earning power. In fiscal 2020, in particular, as much as ¥330.0 billion in total of yen-denominated bonds is reaching maturity dates, causing us to face a crucial moment.

In response to this issue, we are working to improve earning power by conducting business feasibility assessment activities that ensure financing after

appropriately understanding the business descriptions of our customers and also by strengthening our ability to acquire non-interest based income, such as corporate solutions fees and depository assets-related fees earned from consultations to address their needs and challenges.

In addition, we are also working to increase the balance of loans for regional SME loans and housing loans, as a strategy to supplement the “interest rates” by “volume.” This is a strategy to “counter” the maturing yen-denominated bonds by increasing loans. We are currently setting numerical benchmarks for such strategies, and planning and promoting a variety of measures.

Environmental changes surrounding the financial industry

Finally, there have been changes in the environment surrounding financial business, such as advances in IT, digitization, and AI, entries of competitors from other industries and fintech companies into the market, and loosening of regulations. These are the fastest, and most significant change, and we believe that this is something that we should never fall behind.

The Bank has been paying close attention to these trends, and taking on challenges while placing the highest priority on related initiatives. Specifically, we are introducing a smartphone banking app, promoting cashless transactions in the region, and partnering with fintech companies. In addition to expanding products and services, we are moving forward with digitalization of banking operations, including taking initiatives to go paperless and optimize administrative work.

In 2003, the Bank established a declaration as a company, or corporate statement, called “FRONTIER BANKING.” The statement is based on the concept of the “bank that provides the most advanced customer service in Japan.”

By putting into practice the “FRONTIER BANKING” statement, we will provide cutting edge services and products to our customers and the region.

《 Corporate Statement 》



The essence that has supported the history of Hyakugo Bank lies in the “philosophy of merchants” and the Bank has valued “trust” since its foundation. Building on this history, the FRONTIER BANKING corporate message conveys our determination to be a creative bank in which all our employees fully demonstrate their capabilities so that Hyakugo Bank continues to be valued into the future.

■ We try to deliver the most advanced customer service in Japan.

Hyakugo Bank has been founded upon sound business management rooted in the region. Based on the tangible and intangible assets accumulated over the long history, we aim to become a bank with a culture abound with flexible and enterprising spirit.

■ We will provide cutting-edge services and financial products.

Hyakugo Bank will overcome every hurdle to create new value and open new frontiers.

■ We will provide satisfaction that exceeds customer expectations.

Hyakugo Bank will work to create new partnerships that take customer individuality into account. We believe that this contributes to satisfaction that exceeds customer expectations.

Long-term Vision

- the Digital & Consulting Bank that Opens Up the Future to Customers and the Region-

As the business environment is undergoing changes in a dramatic and more accelerated manner, planning only a three-year medium-term management plan would unavoidably end up formulating by predicting the future based on a mere extension from the past to the present. And this will make it difficult to achieve a significant growth. Therefore, based on our belief that it is necessary to draw a bold vision that looks ahead to the next 10 years instead of three years, in March 2019 we formulated our long-term vision, “the Digital & Consulting Bank that Opens Up the Future to Customers and the Region.”

This long-term vision clearly lays out where we want to be in fiscal 2028, when the Bank celebrates its 150-year anniversary. It aims to achieve a sustainable business model that can withstand environmental changes.

Long-term vision (future ideals)

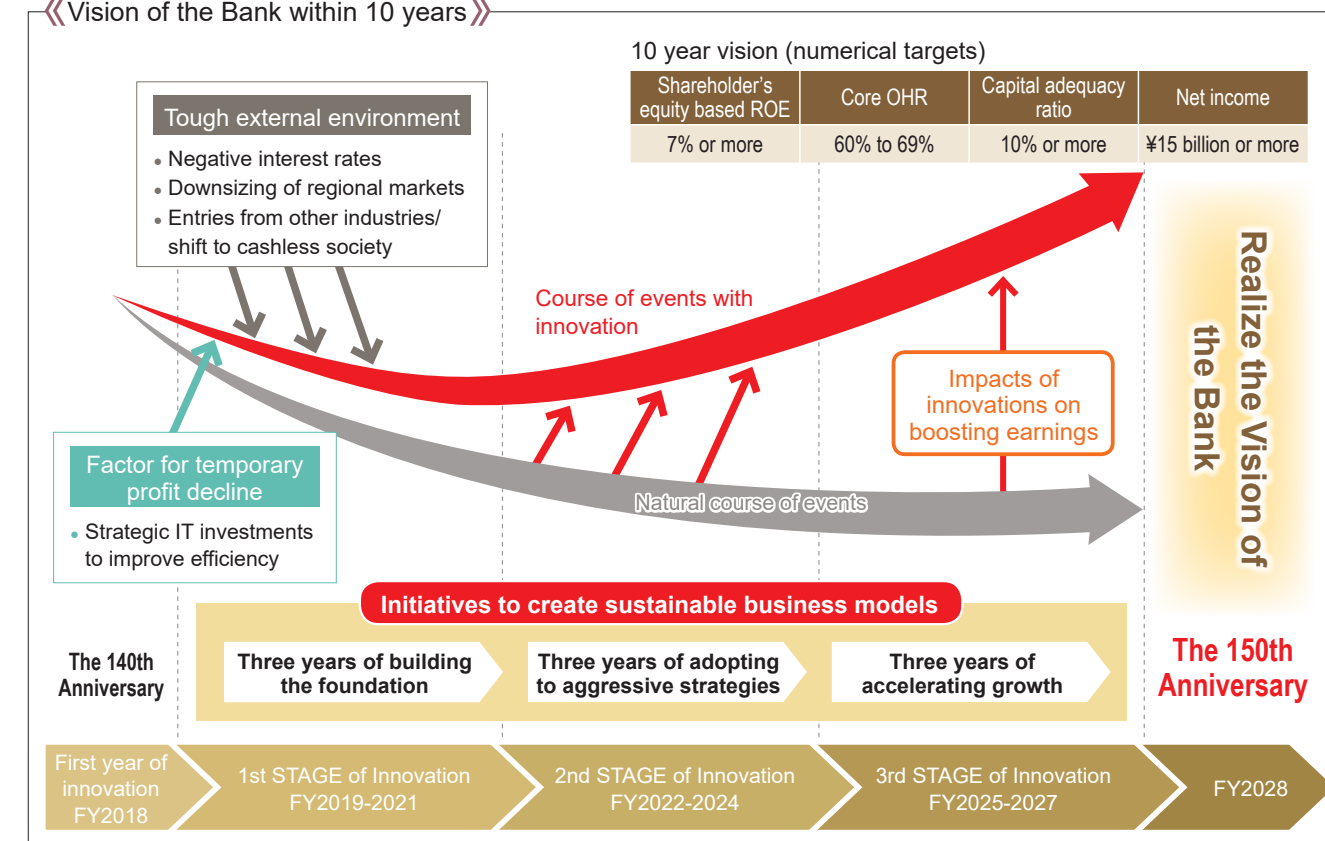
With this vision, we believe that having separate initiatives for the “real world” and “digital” is crucial.

The “real world” initiatives refer to offering optimal products and solutions that are tailored to our customers’ diverse and complex needs and issues by compassionately responding to a variety of consultations through face-to-face meeting with customers at branches and through on-site visits.

The “digital” initiatives refer to building next-generation branches on the wave of emerging digital innovations, pushing digitalization of bank operations and customer procedures, and expanding non-face-to-face channels.

By integrating both “real world” and “digital” initiatives, we hope to achieve a sustainable business model, and ideally become the most reliable bank for the customer.

《 Vision of the Bank within 10 years 》



Five Future Goals to Be Pursued

To crystallize our long-term vision, we have drawn up five goals for the future from the perspective of our stakeholders that we value most, incorporating our social responsibility (ESG/SDGs) to fulfill as a regional financial institution.

Are we practicing optimal corporate management based on the five standpoints: customer, region, employee, shareholder, and the Bank? We will be unable to achieve our long-term vision without any one of them. To achieve this vision, all of the Bank's officers and employees act with these viewpoints in mind.

What Are the SDGs?

- SDGs is an acronym for **Sustainable Development Goals**. The SDGs consist of 17 goals and 169 targets to be achieved in order to resolve social issues and create a bright future across the world by 2030.
- The SDGs are international targets unanimously adopted in September 2015 by the 193 United Nations member countries at the UN Headquarters in New York.



1 NO POVERTY

2 ZERO HUNGER

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

SUSTAINABLE DEVELOPMENT GOALS

About ESG and SDGs Initiatives

To materialize this long-term vision, it is crucial that we incorporate the ESG/SDGs into the Bank's management. Incorporating into management means that we, with a shared awareness across the organization, lead all kinds of activities related to banking management to the achievement of a sustainable society.

In order to proceed with examining the ESG and SDG initiatives across the organization, we

established the "SDGs Promotion Committee" in April 2019, and in October of the same year, announced the "Hyakugo Bank Group SDGs Declaration."

The Hyakugo Bank Group will continue to put into practice activities toward achieving a sustainable society, while expanding its ESG and SDGs initiatives to employees, customers, the regional community, and other stakeholders.



The Hyakugo Bank Group will link SDGs to its corporate activities and management strategies, and contribute to achieving a sustainable society by striving to achieve a balance between resolving social issues in the region and developing the economy through primary businesses.

《 Five Future Goals to Be Pursued 》



Customer's Perspective

Engage in business operations from a thoroughly customer-centric perspective, providing rich financial mediation functions to address customer issues and needs and offering high-quality, optimal consulting solutions.

Regional Perspective

Create new values for regional society through our primary business, and contribute to the development of local economies to become an essential part of the region.

Employee's Perspective

Aim to realize workplaces in which each and every employee feels pride and confidence in their work, fully leverages their own capabilities, and feels a sense of motivation and accomplishment in providing customer satisfaction.

Shareholder's Perspective

Work to achieve sustainable growth and increase corporate value, aiming to increase our share value, aggregate market value, ROE, and shareholder returns.

The Bank's Perspective

Establish a lean, firm management foundation by creating a sustainable business model and ensuring the stable earnings and future soundness.

Dividend Policy

The Bank's basic policy is to enhance internal reserve in order to maintain and reinforce sound management, and to implement stable return of profit to its shareholders.

Trends of the Bank's dividend payouts are as follows.

Changes in dividend per share

	Interim dividend	Year-end dividend	Annual dividend
FY2015	¥4.0	¥4.0	¥8.0
FY2016	¥4.0	¥4.0	¥8.0
FY2017	¥4.0	¥4.0	¥8.0
FY2018	¥4.5	¥4.5	¥9.0
FY2019	¥4.5	¥4.5	¥9.0

Hyakugo Bank will continue to live up to the trust placed in us and all executives and employees will work together for the development of the regional society and the Bank. We appreciate your further support and cooperation.



Medium-term Management Plan

KAI-KAKU 150 1st STAGE “Gateway to the Future”

- Aiming to Transform into a Digital & Consulting Bank -

Overview of Medium-term Management Plan

Our medium-term management plan, KAI-KAKU 150 1st STAGE “Gateway to the Future” is an initial three year plan to achieve our long-term vision, “Digital & Consulting Bank that Opens Up the Future to Customers and the Region.”

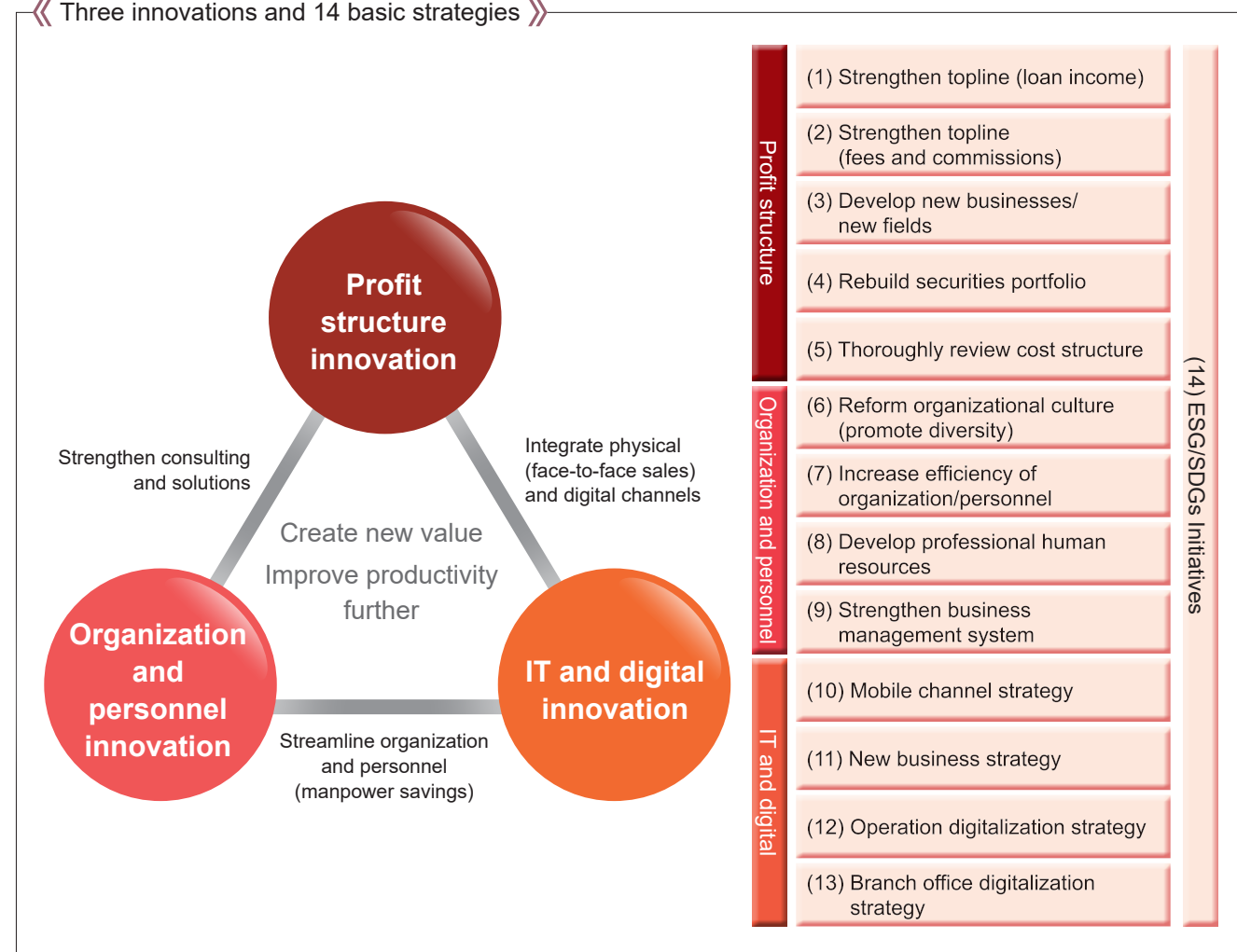
This medium-term management plan covers a period of three years to build foundations for a variety of aspects. If these foundations wobble, it becomes impossible to achieve sustainable growth. We are not simply pursuing short-term results, but moving forward with innovations from a medium- and long-term perspective.

Three Innovations of Medium-term Management Plan and 14 Basic Strategies

The medium-term management plan implements innovation in three areas: “profit structure innovation,” “organization and personnel innovation,” and “IT and digital innovation,” in view of the environment surrounding the Bank and the issues it faces.

Below are the key strategies related to each of these innovations.

《 Three innovations and 14 basic strategies 》



Profit structure innovation

We are striving to reinforce our loan income and fees and commissions by fully exercising our financial intermediation functions to address the issues and needs of customers, as well as providing optimal consulting and solution services tailored to customers.

In order to achieve this, in April 2019 we newly established the “Solution Business Division,” which integrated sales divisions and departments at our headquarters, and drastically increased the number of corporate financial advisors (FAs) from four to 14 staff members. These FAs serve as intermediaries between the branches and the division. Through this, we have improved coordination between branches and headquarters, group companies, and external institutions, and realized an improvement in our consulting proposal level. Furthermore, by improving the efficiency of our business activities, we have increased the amount of time spent for dialogues with customers, and contributed to resolving customer issues.

Organization and personnel innovation

We are deepening our ongoing reform of the work style while also promoting diversity. Through this, we are enabling all of our personnel to leverage their full capabilities and creating workplaces in which employees feel motivation and job satisfaction.

To achieve this, in April 2019 we have renamed the “Work Style Reform Promotion Office” within the Corporate Planning Division to the “Diversity Management Division,” elevating its level from “Office” to “Division.” This Division is actively promoting the participation of women and

supporting their self-directed career formation, and also promoting the participation of the elderly in the workplace.

We are also taking initiatives to enhance our training system and promote self-development in order to cultivate professional personnel well-versed in consulting.

In addition, by improving the level of our measures for Anti-Money Laundering and Counter Financing of Terrorism as well as our compliance system, we are building a solid business management system.

IT and digital innovation

In order to deploy evolving digital technologies, optimize entire systems, and promote medium and long-term digital strategies, we newly established the “Digital Innovation Division” in April 2019.

Our IT and digital innovation begins with our digitalization of customer contact points. Our customers’ lifestyles are changing with advances in digital technologies and the growing ubiquity of smartphones. As there is a growing need, especially among younger customers, to handle all bank transactions and procedures “via smartphone anywhere, at any time,” we will meet this need without delay.

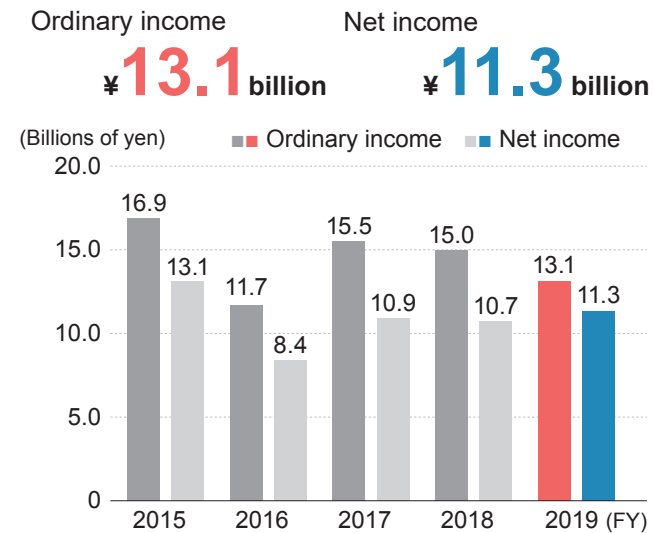
Meanwhile, we are moving forward with digitalization of bank operations. Among those digital technologies that are evolving day by day, there are some technologies that can lead to drastically improved and more efficient banking operations if we adopt them in a better way. The Digital Innovation Division is taking the lead in investigating new technologies and comprehensively deliberating on policies for using them in operations, and promoting IT and digital innovation in order to bring about overall optimization.

Numerical Targets of the Medium-term Management Plan

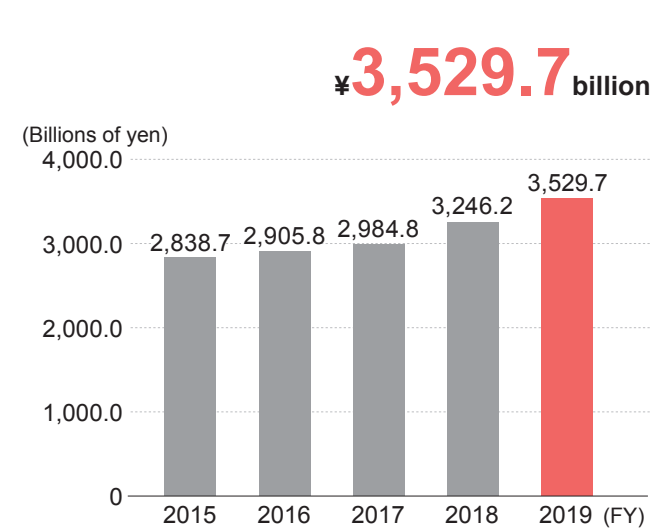
Item		FY2018 (actual)	FY2019 (actual)	FY2021 (Final goal of the Plan)
Profitability indicator	Net income	¥10.7 billion	¥11.3 billion	¥10.0 billion or more
Capital efficiency indicator	ROE (shareholders' equity base)	4.32%	4.41%	3.7% or more
Efficiency indicator	OHR (core business gross income base)	74.43%	75.67%	less than 79%
Soundness indicator	Capital adequacy ratio	9.74%	10.07%	9.5% or more
Growth indicators	Average balance of deposits (including NCDs)	¥4,992.9 billion	¥5,102.3 billion	¥5,230.0 billion or more
	Average balance of loans	¥3,246.2 billion	¥3,529.7 billion	¥3,700.0 billion or more
	Loan-to-deposit ratio (average balance base)	65.0%	69.2%	70.8% or more
Profit indicators	Operating income from services to customers	¥1.5 billion	¥2.9 billion	¥3.7 billion
	Corporate solutions fees	¥941 million	¥1,103 million	¥2,000 million
Human resources development indicator	Number of personnel with professional qualifications	161 persons	221 persons	300 persons

Financial Highlights (Non-consolidated)

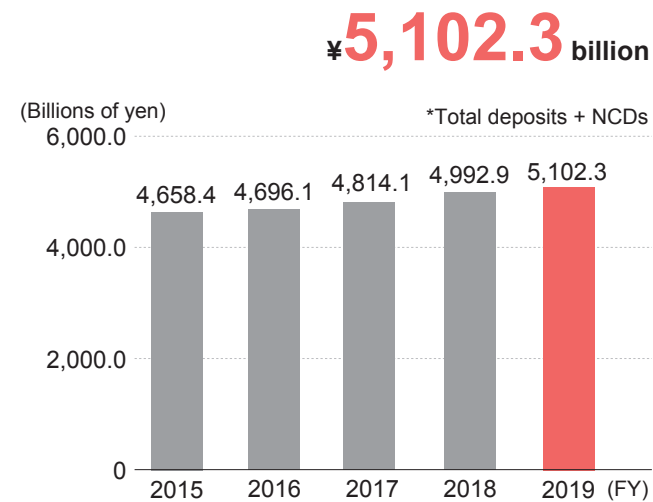
Ordinary income/Net income



Total loans (average balance)



Total deposits, etc. (average balance)



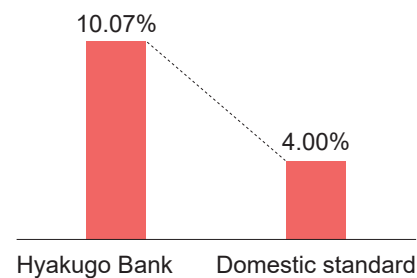
Rating

Business soundness and trustworthiness are evaluated.



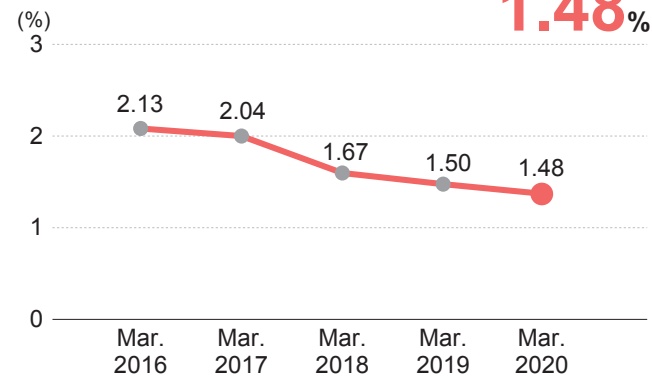
Capital adequacy ratio (domestic standard)

Our capital adequacy ratio, which shows business soundness, has significantly exceeded domestic standards. **10.07%** (as of March 31, 2020)



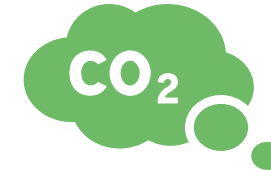
Nonperforming loans ratio

Assets remain sound. **1.48%**



Non-financial Highlights

Reduction rate of CO₂ emissions → P27 **Down 2.97%** (FY2019 comparison)



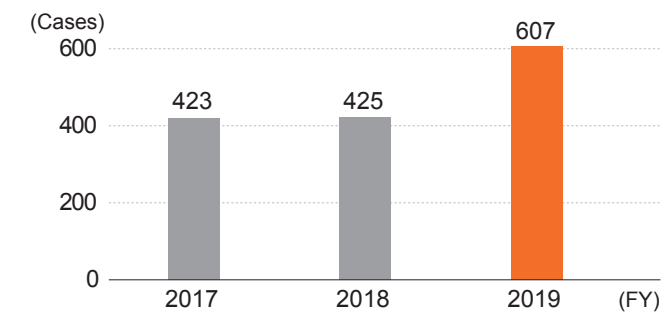
Employment rate of persons with disabilities → P33 **2.59%** (as of June 1, 2020)



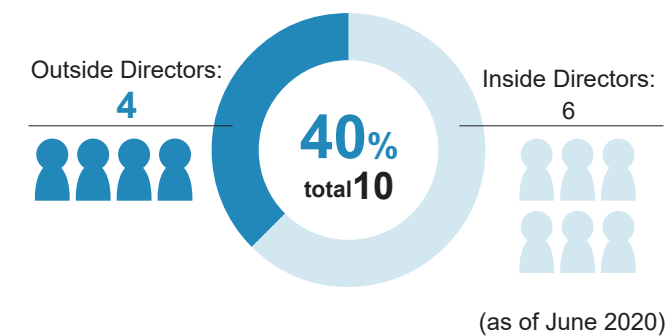
Successful business matching cases → P30 **426 cases** (FY2019)



Number of consultations on business succession → P29 **607 cases**



Composition of Board of Directors (ratio of Outside Directors) → P35



Balance of renewable energy-related loans **¥63.1 billion** (as of March 31, 2020)

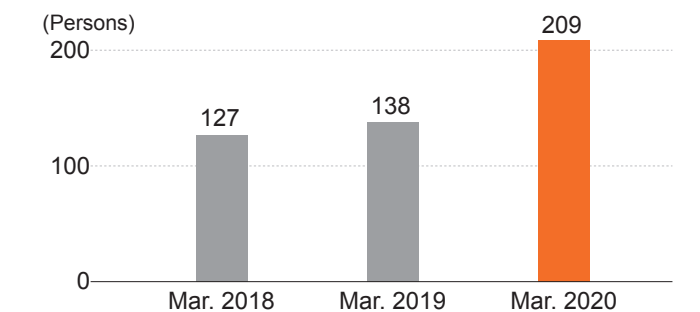


Percentage of female managers → P33

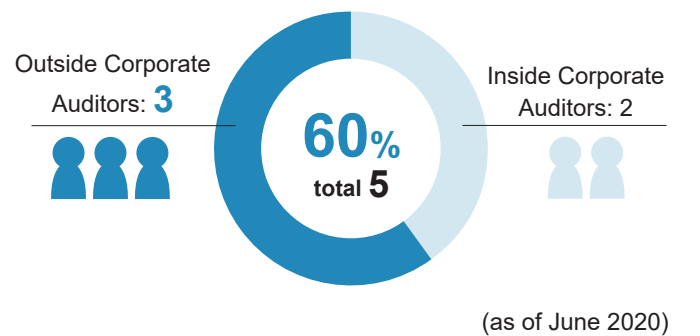


Female branch general manager equivalent **8.7%**
Female senior staff or higher **17.0%** (as of March 31, 2020)

Number of 1st grade financial planners **209 persons**



Composition of Board of Corporate Auditors (ratio of Outside Corporate Auditors) → P35



Corporate Strategy

For the Development of Regional Business

As a reliable partner rooted in the region, we offer consulting services according to the management issues of our customers. We provide consultations tailored to the life stage of each customer, including business incorporation and new business support, financing based on business feasibility assessments, M&A and business succession support, and more.

Promotion of Business Feasibility Assessment Activities

The Bank has positioned business feasibility assessment activities as a central pillar of its corporate business strategy.

Through business feasibility assessment activities, we contribute to the continued operation and growth of customers' businesses. And we aim to increase the number of customers who want to be engaged in transactions with us over a long period of time as their main bank.

Through proactive partnership among branches, headquarters, group companies, and external institutions, we will respond to diverse needs of our customers, and strive to improve our representatives' capabilities to provide consulting and propose solutions.

Consultations through Client-supporting project

In order to instill and ingrain business feasibility assessment activities, since the second half of FY2017, the Bank has implemented the "One Person One Company

Customer Support Campaign," whereby one sales representative is assigned to one company for support activities every half year.

Since FY2020, under the "Client-supporting project" targeting all customers, we are working to provide proposals that meet customer needs in specific fields such as business succession and M&A, and business matching.

"One Person One Company Customer Support Campaign" and "Client-supporting project" target numbers

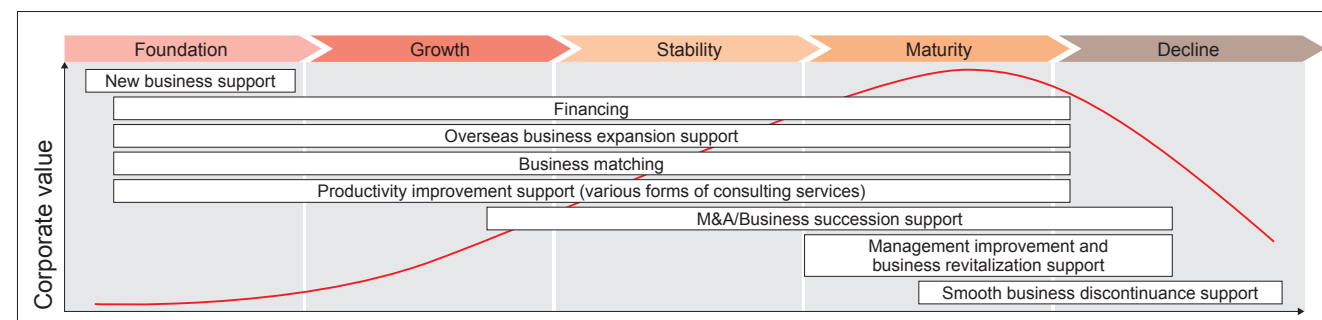
	2017	2018	2019	2020 (FY)
One Person One Company Customer Support Campaign	622	2,448	3,872	—
Client-supporting project	—	—	—	All customers

Strengthening Consulting Capabilities

Management support matched with life cycles

Companies generally move along a life cycle from the inception phase to the decline phase. The Bank identifies customers' management challenges that will change according to each life cycle, and engages in providing solution services that propose concrete action plans to support customers.

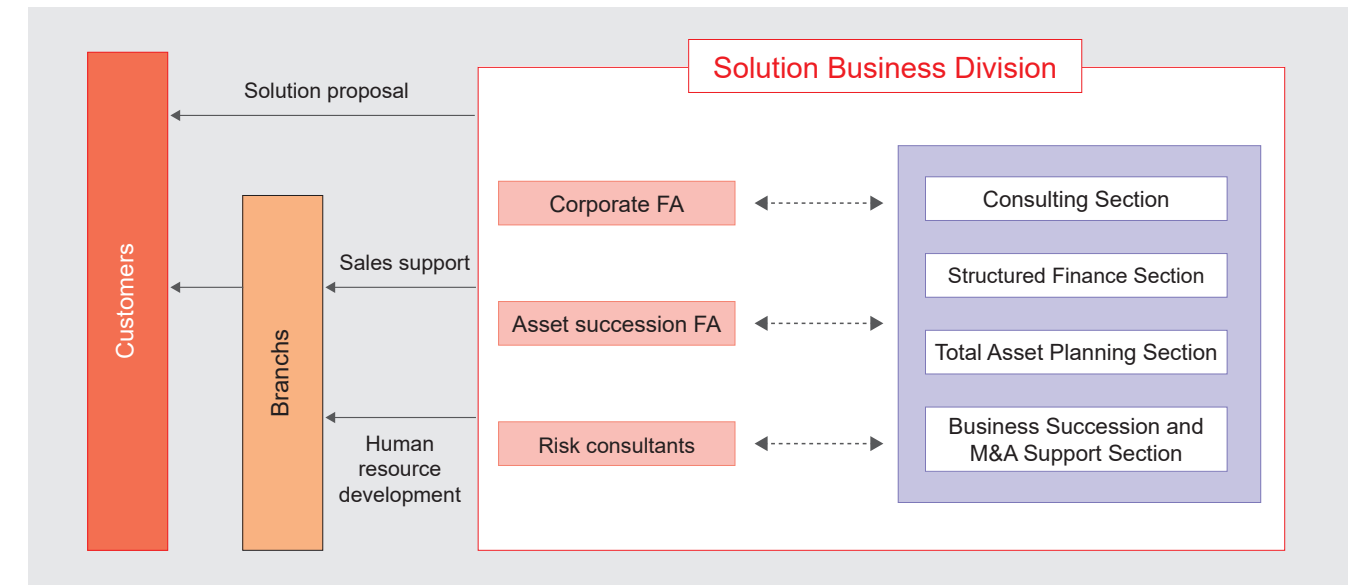
Business life cycle



Solution business support system

By strengthening relationship with customers on a daily basis, the Bank is making efforts to understand their management issues, which are becoming more diverse and serious. The Solution Business Division was established in April 2019. By consolidating sales departments in the Bank's headquarters and deepening mutual collaboration, the division provides integrated solutions addressing both corporate and individual needs.

In addition, we are always making efforts to expand solutions menu to resolve management issues and also strengthening our support system so that we can offer proposals according to the trends of the times.



Strengthening of corporate solutions fees

Structured finance

Rather than conventional financing, we are pushing tailor-made financing that meets the demands of our customers. Specifically, we are taking initiatives for PFI projects, project financing for power businesses, financing for acquisitions (LBO loans, etc.), syndicate loans, securitized loans, loan covenants, and more.

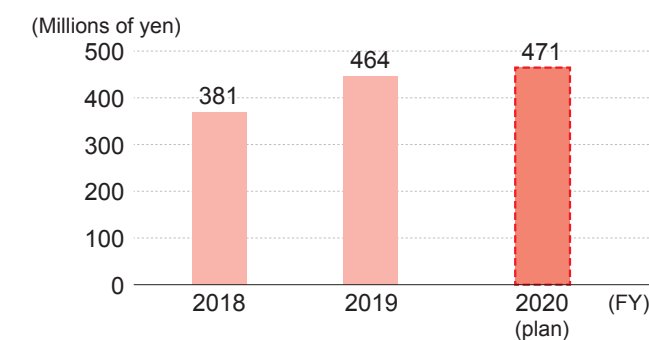
M&A

The Bank considers that its M&A support business is conducive to maintaining the regional industry base and revitalizing the communities. Eight specialized staff members are actively offering consultation services. In FY2019, we supported 9 cases of M&A, involving 14 companies.

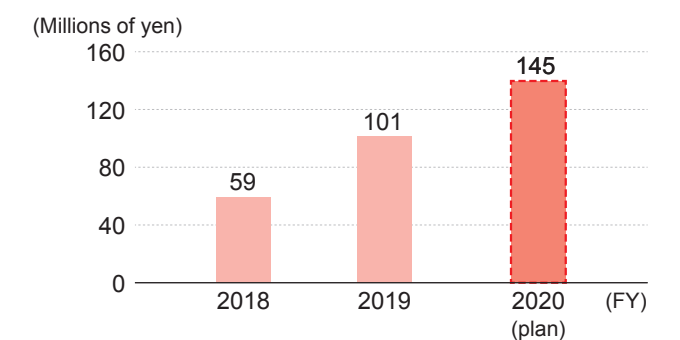
Private placement bonds

In addition to responding to financing needs to ensure long-term stable finance and stabilize cashflow, we are working to expand private placement bonds, which will help improve external creditworthiness since they are limited to good-standing companies that fulfill eligibility criteria. We also offer "105 SDGs Private placement bonds (corporate support-type)," which give a preferred coupon rate to companies engaged in SDGs initiatives, and "105 SDGs Private placement bonds (donation-type)," which donate books, equipment and other materials to the customer's designated educational institution, welfare institution, municipal government, or public-service corporation.

■ Structured finance-related fees



■ Private placement bonds commission fees



Retail Strategy

One-on-One Customer Support

To meet the diverse needs of customers in each life event, we are working to improve our product and service lineup, and provide solutions that align with each customer's life plan.

Support for Asset Management and Formation

Support for asset management and preservation

Based on the "Customer-based Business Operation Declaration and Action Policy," the Bank offers proposals tailored to customers' needs and life plans.

We implement proposals via in-person sales services for customers who have asset management and preservation needs. In order to improve the quality of our proposals, we are taking initiatives such as internal training and qualification program.

Furthermore, to respond to the diverse needs of our customers, in addition to investment trusts and insurance, since April 2019 we began offering stocks and bonds managed by Hyakugo Securities through intermediary accounts. The number of intermediary accounts opened has more than doubled year on year, and we are receiving positive feedback from customers.

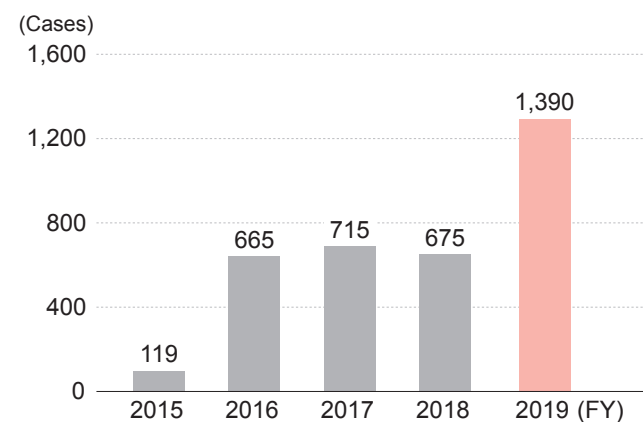
Support for asset formation

For customers with asset formation needs, we are holding seminars at customers' offices, and reviewing insurance through our "Insurance Consultation Counter."

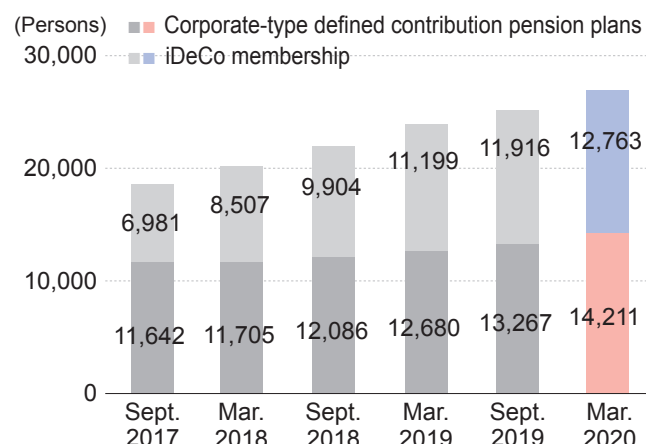
We proactively offer products to meet long-term asset formation needs. With respect to corporate-type defined contribution pension plans, in particular, we provide support for smooth introduction of the plan and long-term asset formation by offering guidance for designing the system tailored to corporate needs and providing support in preparation of the introduction as well as information provision such as follow-up support for employees after the introduction.

In addition, for iDeCo (individual-type defined contribution pension plan), we provide support for long-term asset management through our freely available "Mirai Navi" investment support app, and with sales staff providing follow-up support for customers after enrollment in the plan. Owing to the recognition of such initiatives by the Bank, the numbers of membership with both the corporate-type defined contribution pension plan and iDeCo (individual-type defined contribution pension plan) are top-ranked among regional banks in the nation.

Accounts opened through Hyakugo Securities



Corporate-type defined contribution pension plans / iDeCo membership



Support by Individual Loans

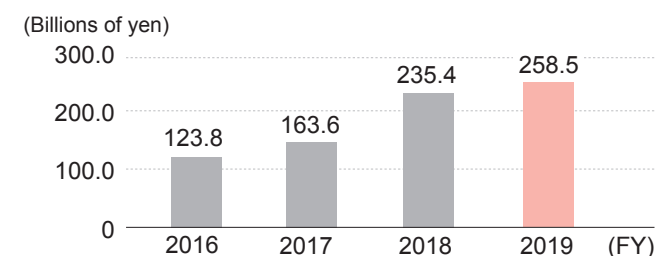
Housing loans

The amount of housing loans implemented has been growing mainly in Aichi Prefecture.

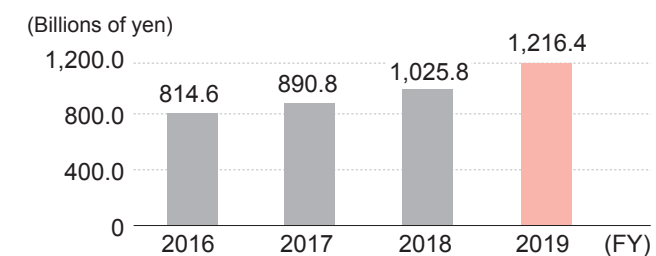
Even though the amount of administrative work has increased as a result, the impact has been absorbed by various measures to improve efficiency, so there has been no increase in the number of staff numbers at each branch. In the last three years, we have been able to increase efficiency by a total of 40,000 working hours. Along with the measures to improve efficiency, we are also taking initiatives to improve services.

Since fall 2019, we started experimenting with non-face-to-face contracts (mailing). We prepared a YouTube video explaining important items and how to complete the contract, and customers can view easy-to-understand explanations that can be viewed repeatedly until the content is fully understood. Going forward, we will increase the variation of videos, and plan to launch an online contract signing system as well.

Housing loan amount made by FY



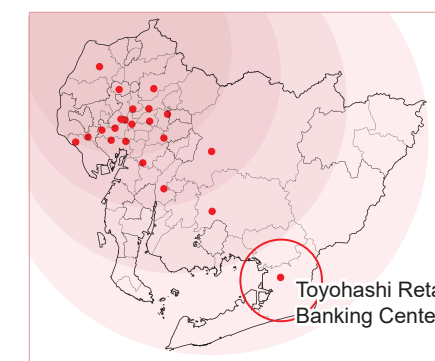
Average balance of housing loans



Opening of Toyohashi Retail Banking Center

In June 2020, we opened a retail banking center in Toyohashi City, as a new base in Aichi Prefecture. The center specializes in consultations on housing loans and other services.

Linking with our existing branch network, we are now ready to offer housing loan consultations and accept applications across an expansive area spanning the Mikawa and Owari regions in Aichi Prefecture.

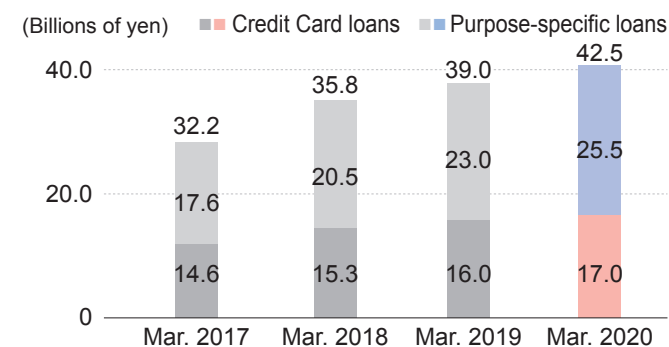


Unsecured loans

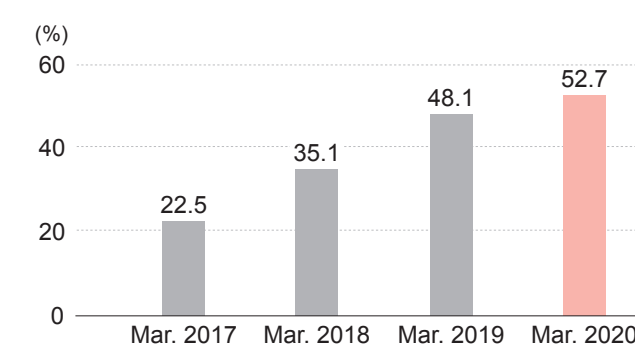
Starting June 2019, we launched an online contract signing system for car loans and other loans for specific purposes. This has allowed our customers to sign a contract for all kinds of unsecured loans available including credit card loans and untied loans, without visiting a branch.

To acquire more customers for housing loans, which are remaining strong, we started a one-stop screening service for housing and unsecured loans. Along with housing loans, we offer comprehensive financial plans that include insurance reviews, refinancing of current car loans, and more. We have received positive feedback for the simplicity of refinancing procedures to more favorable bank loans.

Balance of unsecured loans



Ratio of housing loan users to all unsecured loan users



IT and Digital Strategy

Improving Convenience and Streamlining Business through Digitalization

Hyakugo Bank is working to increase work efficiency and convenience for customers through digitalization efforts focused on smartphone banking and cashless payments.

Toward the Establishment of Smartphone Banking

Bank 105 Hyakugo Bank Smartphone Banking

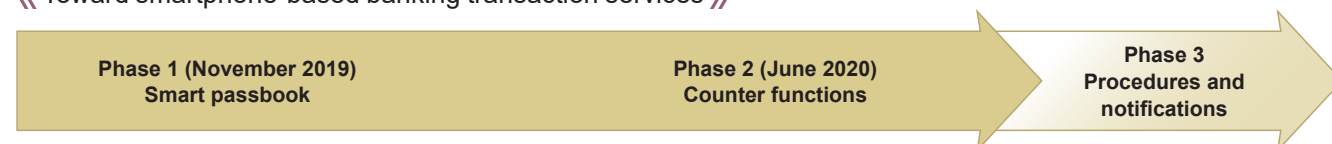
In November 2019, we began supporting the Hyakugo Bank smartphone banking app.

Though an API, the app includes passbook functions, guidance and notification functions, and counter functions, aiming to allow users to easily complete bank transactions only using their smartphone, regardless of the time or place.

The initial launch in November 2019 offered a passbook function, with guidance and notification services added in March 2020. In addition, the passbook functionality was then improved, allowing users to check withdrawal/deposit statements up to 10 years ago.

Since June 2020, transaction functions have gradually been added, allowing for fixed deposits and transfers. The Hyakugo Bank smartphone banking app continues to evolve to offer more convenient services.

《 Toward smartphone-based banking transaction services 》



➤ The convenience of Hyakugo Bank smartphone banking ◀

Passbook functions

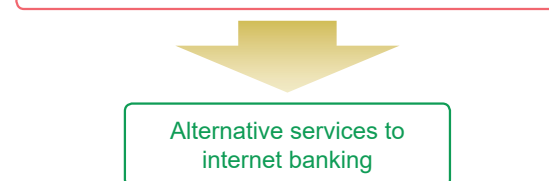
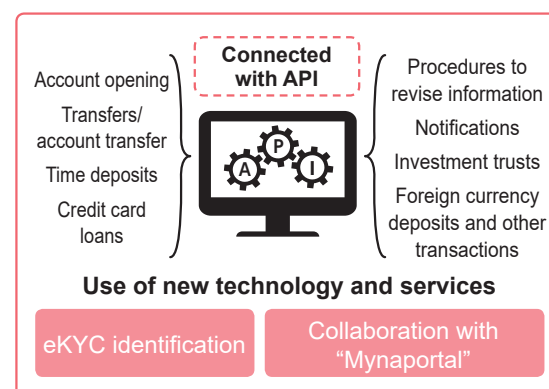
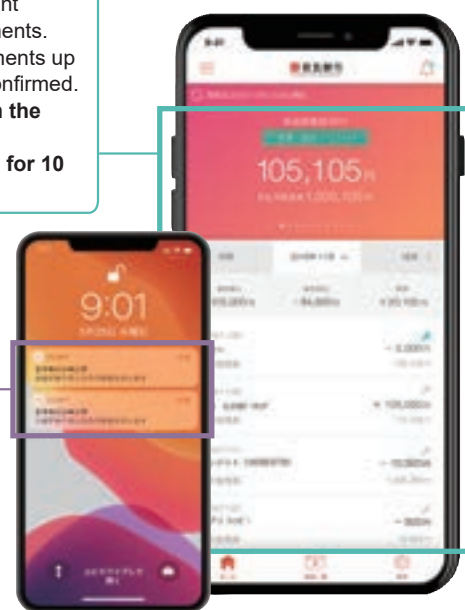
Possible to quickly confirm account balance and recent deposit/withdrawal statements. Deposit/withdrawal statements up to 10 years ago can be confirmed.

- Account statements in the previous 10 years
- Memo function (saved for 10 years)

Guidance and notification functions

Notifies users of scheduled withdrawals from account, deposits and withdrawals

- Deposits/withdrawals
- Scheduled withdrawals from account
- Insufficient funds



Promoting Cashless Payments

BP QR code settlement service "Bank Pay"

In October 2019, we began accepting "Bank Pay," a QR code settlement service provided by the Japan Electronic Payment Promotion Organization.

Bank Pay is a service that allows for convenient, direct bank payments with no deposit. Stability and security of the service is assured through use of the Japan Electronic Payment Promotion Organization's J-Debit settlement infrastructure.

The service is available at approximately 1,400 stores in Mie and Aichi Prefectures (as of June 2020). Going forward, more stores and financial institutions are expected to support the service across Japan.



Barcode Pay Payment slip settlement service "Barcode Pay"

By simply using a smartphone to scan the barcode on the payment slip for convenient stores, this app allows users to make a variety of direct payments from their Hyakugo Bank account, including paying for taxes, utilities, and online shopping.

Not only automobile taxes and other taxes, customers can also pay phone and electricity bills.

This tax payment service is rapidly expanding, and now available not only in Mie Prefecture, but also in Aichi and Osaka Prefectures.

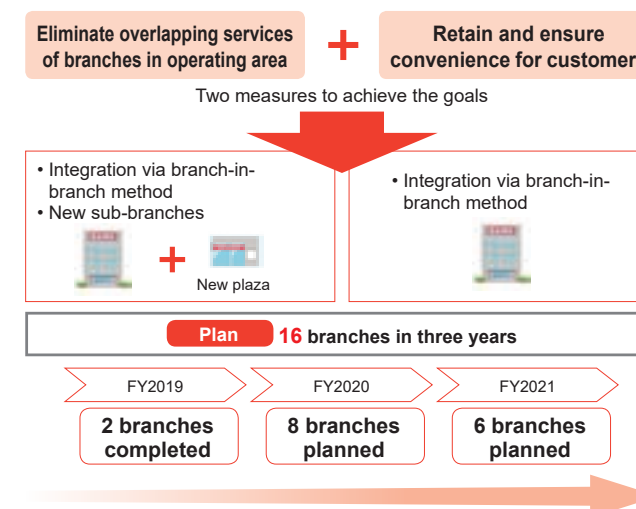


Optimizing Branch Network

Customer's banking needs are changing due to the rapid development of the Internet society and an increase in smartphone usage. In dealing with such changes, the Bank is working to increase efficiency while maintaining the branch network and ensuring customer convenience.

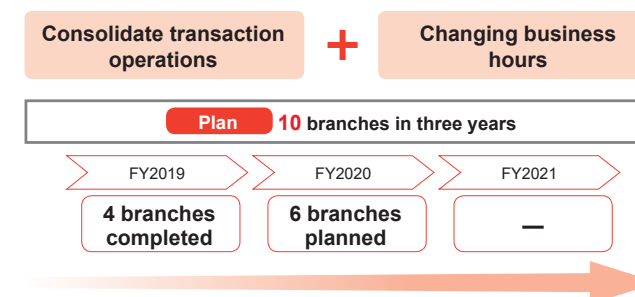
Consolidating functions by adopting branch-in-branch method

We are working to increase efficiency by eliminating overlapping services within operating areas, consolidating branches through our branch-in-branch method, all while minimizing inconvenience to customer. To ensure convenience, the vacant sites of consolidated branches have been equipped with ATMs, and new, small-scale sub-branches (plazas) are being built at the sites.



Downsizing sub-branches

By consolidating transaction operations (loans, asset management) and changing business hours (designating a lunch break), branches are now operating with minimal staff. Cooperation among branches ensures that there is no impact on customer convenience.



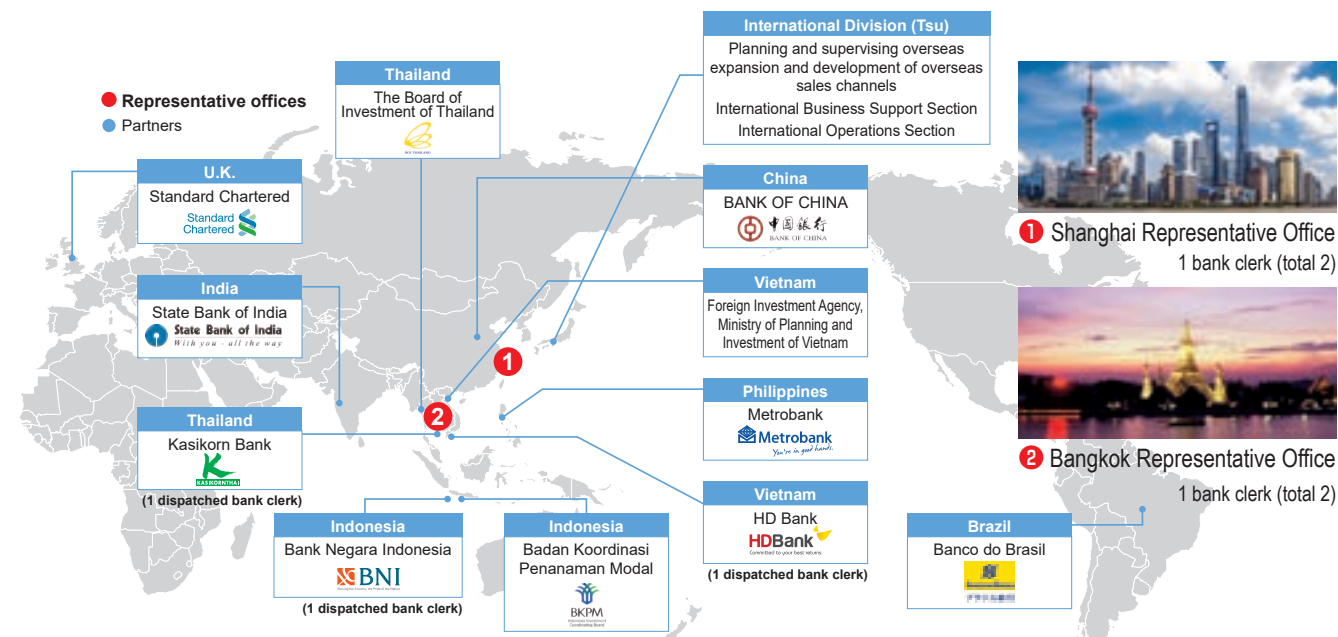
International Business Strategy

Supporting Customers in Overseas Expansion and Development of Overseas Sales Channels

As a bank with strong presence in Asia, Hyakugo Bank provides support for a wide variety of customer needs relating to overseas business expansion.

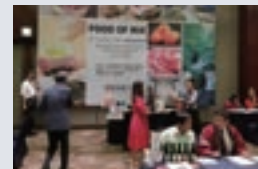
Overseas Network

The International Business Support Section of International Division in Japan has tied up with our two representative offices overseas (Shanghai, Bangkok), along with dispatched overseas staff in three countries, and partnering overseas financial institutions. Together we have built a broad support system for customers to assist with expansion of overseas sales channels and various types of trading.



Ho Chi Minh Business Conference 2019

On Monday, November 18, 2019 the Bank provided support for organizing a business conference in Ho Chi Minh City, Vietnam. This conference, tied up with the Mie Prefecture Fair in Ho Chi Minh City organized by the Mie Prefectural Government Office, was held in cooperation with The Cultural Foundation of Okada and Aeon Group. Approximately 100 Vietnam-based or Japanese buyers and businessmen engaged in business meetings in Vietnam held business meetings with companies from Mie Prefecture.



Business meetings with overseas companies with cutting-edge AI and IoT technologies

On Friday, October 25, 2019, the Bank held a business conference with the Greater Nagoya Initiative Council (GNIC), JETRO, and the Ministry of Economy, Trade and Industry, inviting overseas companies with cutting edge technologies in AI and IoT that will contribute to improving the manufacturing industry and streamlining the manufacturing sites in the greater Nagoya area (the economic zone within a radius of approximately 100 kilometers from the city of Nagoya).

19 overseas companies from six countries including the US, Spain, Switzerland, and Germany held 34 business meetings in total with 14 domestic companies, and we provided support for business matching.



Fund Management Strategy

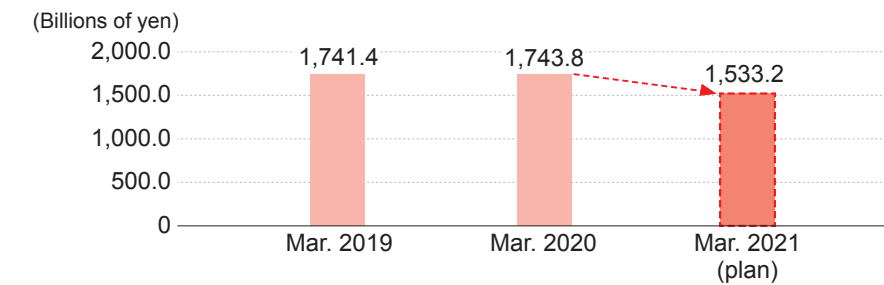
Rebuilding Securities Portfolio

Hyakugo Bank aims to secure stable profits by further diversifying its securities management.

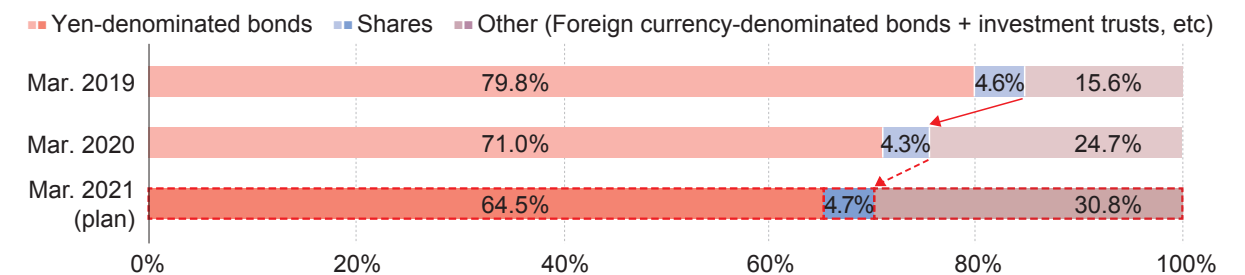
Securities Portfolio

The Bank manages approximately ¥1.7 trillion yen in securities. In the future, a large sum of the yen-denominated bonds held by the Bank will mature. With the expectation that negative interest rates will be prolonged in Japan and reinvestment will become challenging, we therefore will focus on expanding housing loans and loans for small and medium-sized companies. In terms of securities investments, the Bank aims to secure stable profits by further diversifying our portfolio through foreign currency bonds, investment trusts, and other instruments.

Trends in securities balance

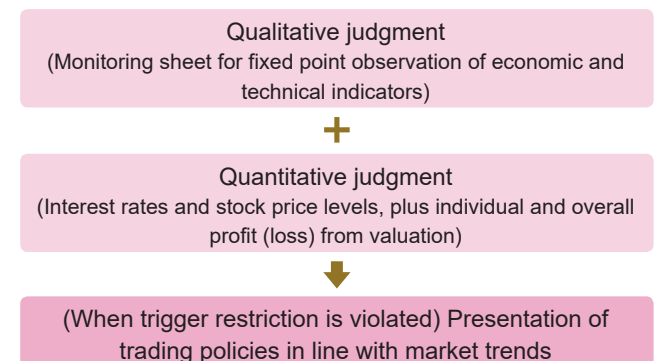


Trends in securities balance ratio



Securities action plan

Based on the market environment and changes in the makeup of our securities portfolio, we are continually working to improve prediction management on each investment target of domestic and overseas interest rates and equities, as well as our action plans.













Initiatives Aimed at Achieving a Sustainable Society

The Hyakugo Bank Group will link SDGs to its corporate activities and management strategies, and contribute to achieving a sustainable society by striving to achieve a balance between resolving social issues in the region and developing the economy through primary businesses.

How does Hyakugo Bank define "region"?

- Mie Prefecture, where our headquarters is located.
- Aichi Prefecture, which has strong economic ties with and is adjacent to Mie Prefecture.
- Shingu-shi, Wakayama Prefecture, which has integrated with the Higashi Kishu area of Mie Prefecture.

Theme	Priority issues	Action policy	SDGs to be addressed	Major initiatives	Page
Environment 	Protecting Global and Regional Environments	<ul style="list-style-type: none"> ■ Contribute to realization of a sustainable global environment by supporting businesses leading to environmental preservation and a reduction in environmental burdens. ■ Undertake forest preservation and energy-saving activities to help preserve the regional environment and raise awareness. 		Hyakugo Forest Initiative for CO ₂ emission reductions Hyakugo SDGs/ESG loans "Sustainable 105" Managing regional platform creation project for energy-saving consultations	▶ P27-28
Social 	Creating a Regional Economy	<ul style="list-style-type: none"> ■ Offer financial services meeting various challenges and issues of customers, and contribute to creating regional economy. ■ Offer advanced financial services, support local companies to enhance added value and help customers with high-quality asset formation. 		Business succession Business matching	▶ P29-30
	Sustainable Development of Regional Societies	<ul style="list-style-type: none"> ■ Sensitively clarify issues and needs of regional societies, and contribute to their sustainable development through business activities and social contribution activities. ■ Actively engaged in education for children who will become responsible for the next generation, and contribute to the achievement of vibrant regional societies. 		Project finance for PPP and PFI businesses 105 SDGs Private placement bonds Financial education Volunteer activities Sports promotion initiatives	▶ P31-32
	Promoting Diversity	<ul style="list-style-type: none"> ■ Maximize human talent based on a work environment where diverse workstyles are possible, and seek to improve employment satisfaction. ■ Contribute to creating a society that allows for diversified career formations. 		Initiatives for active participation of female employees Employment of persons with disabilities Implementing healthy management practices	▶ P33-34
Governance 	Strengthening business management systems	<ul style="list-style-type: none"> ■ Enhance and review the risk management and compliance systems for higher transparency of corporate management 		Corporate governance Compliance Risk management	▶ P35-42

Protecting Global and Regional Environments



Hyakugo Forest

Aiming for a sustainable, recycle-based society, the Bank has been engaged in forest conservation activities since 2006. To date, we established “Hyakugo Forest” at four locations in Mie Prefecture, and planted approximately 3,100 saplings with participating executives, employees, and their families.

In addition, in May 2018, we partnered with Mie Prefecture, the town of Taki, and an NPO for the fifth Hyakugo Forest (in Niu, Taki-cho). To date, executives and new employees of the Bank participated twice in forest conservation activities, such as forest maintenance and path maintenance.

Summary of forest conservation activities



Date	Activity	Location	Plant/tree number	Participants
October 2006 April 2016	Tree planting Additional tree planting	Geino-cho, Tsu (Shakujo Lake area)	Broad-leaved trees Total 580	Total 216
October 2008 November 2014	Tree planting Additional tree planting	Hakusan-cho, Tsu (Aoyama Highland)	Broad-leaved trees Total 645	Total 210
November 2010 May 2017	Tree planting Clearing undergrowth	Misugi-cho, Tsu (Next to Michi-no-eki Misugi)	Broad-leaved trees Total 550	Total 277
February 2013 March 2015	Tree planting Additional tree planting	Higashitoyohama-cho, Ise (Artificial coastal bank)	Japanese black pines Total 1,340	Total 427
May 2018 April–May 2019	Forest maintenance Path maintenance	Niu, Taki-cho (Mountain forest)	—	Total 155

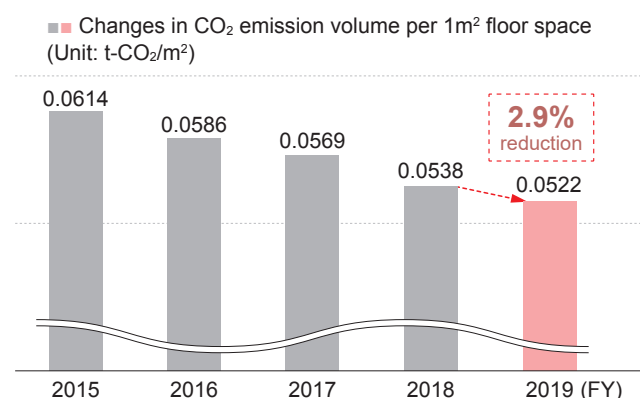


Initiative for CO₂ Emission Reductions

Under independently formulated environmental conservation action plans, the Bank has set forth a target to reduce the volume of electricity consumption by not less than 1% compared with the prior fiscal year, and it has been taking initiative to save energy in the course of its daily business.

In addition to measures to save energy on the facilities side, such as installment of LED lighting at cash corners and branch offices, other measures including the reduction of overtime work hours through work-style reforms resulted in a 2.9% decrease in CO₂ emissions per square meter compared with the prior fiscal year.

CO₂ emissions



Hyakugo SDGs/ESG loans “Sustainable 105”

In order to offer financial support for corporate and self-employed customers engaged in environmentally-friendly management, we launched the Hyakugo environmentally rated loan program “Eco Frontier” in 2010.

As of the end of September 2019, a cumulative total of 210 deals totaling ¥32.7 billion in financing were made. In October 2019, we newly launched the Hyakugo SDGs/ESG loans “Sustainable 105,” which expanded the merchantability of “Eco Frontier.”

The new financial product offers preferential interest rates based on the rating evaluation in accordance with the SDGs and ESG initiatives of each corporate or individual customer.

Through our primary business, the Bank will make efforts to achieve the SDGs such as environmental conservation, together with our stakeholders in the region.

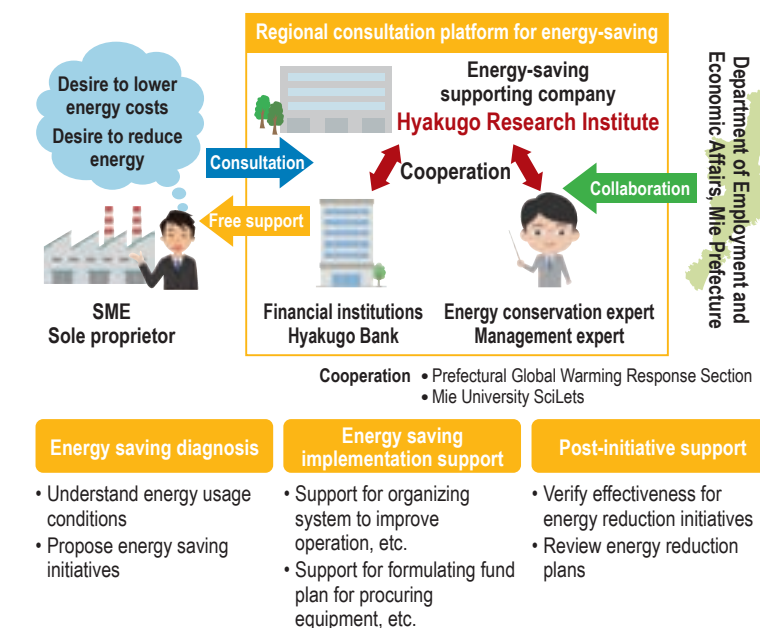


Managing regional platform creation project for energy-saving consultations

Hyakugo Research Institute, one of our group companies, participates in the regional platform creation project for energy-saving consultations by the Ministry of Economy, Trade and Industry, and serves as an energy-saving consultation counter across the entire regions of Mie Prefecture. Specifically, it offers a wide range of support (free of charge) in accordance with each phase of the entire energy-saving initiatives. This includes identifying SMEs who want to work on energy-saving initiatives, performing energy-saving diagnostics, and follow-up on initiatives including proposals for operational improvements and capital investment.

The Institute worked on six cases in FY2018, and 14 cases in FY2019, helping to resolve issues related to cost and lack of human resources with expertise, which have become hurdles in tackling energy-saving initiatives. It has been promoting initiatives to achieve environmental friendliness through energy reduction efforts, in addition to helping to improve substantive profit.

《Initiatives of Hyakugo Research Institute Company Limited》



Energy-saving success story

(1) Food company

By overhauling the setting of multiple boilers with different performance and prioritizing the operation of highly-efficient boilers while terminating the operation of useless ones), reduction of utility costs by ¥4.60 million per year was anticipated.

(2) Casting refractory manufacturing company

Improvements to unbalanced usage of intake/exhaust fans for drying process were expected to reduce utility costs by ¥0.84 million per year as a result of reduced fan operations. In addition, there was an improvement in the working environment by removing odor.

Creating a Regional Economy



Business succession

Regional issues

A decline in the number of companies due to aging corporate managers and the difficulty of finding a successor has become a serious issue in Japan. If the business succession issue is left unaddressed, in Mie Prefecture, approximately 83,000 people are estimated to lose their jobs, with a loss of approximately ¥330.0 billion in gross domestic product (GDP) as cumulative total figures during the 10-year period until around 2025.

The Bank understands that smooth business succession is crucial to contributing to regional revitalization.

Initiatives towards resolving issues

To resolve issues relating to business succession, the Bank is working to provide optimal, custom-made support by conversing with customers and listening to their needs, and cooperating with branches, headquarters, and specialized organizations.

Support

- Advising on share transfer and business succession methods
- Support for M&A strategies
- Support for formulating capital policies to improve corporate value
- Support for developing successors, etc.

Support flow

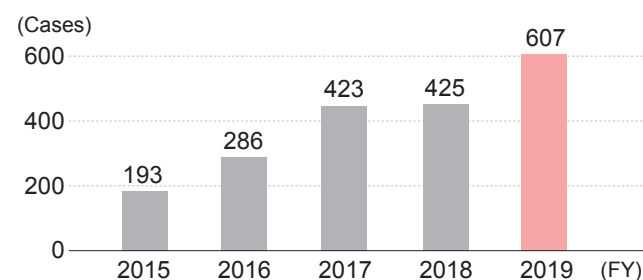
Strategy

- Developing human resources for business succession consulting
By increasing specialist staff at headquarters and improving the expertise of branch staff, we work to strengthen the quality of our customer contact points.
- Strengthening alliance with specialized organizations
We aim to strengthen our alliance with specialized organizations in order to build a system that broadly supports the diversification and specialization of M&A and business succession methods.
- Expansion of business succession support tools
We will build a system to help create an environment that makes it easier for corporate managers to hand over their businesses, through efforts such as establishing a business succession fund, providing support to develop successors, and offering support for formulating business succession plans.

Achievements and previous initiatives

In order to meet the business succession needs of many different companies and customers, the Bank has added the number of staff specialized in business succession. As a result, the number of projects to support business succession has been on an increasing trend, exceeding 600 cases in FY2019. We are dealing with about 900 cases per year, including projects for M&A support, providing courteous support to enable customers to pass on their businesses to successors with peace of mind.

Number of consultations



In FY2019, we held four business succession seminars to provide customers with opportunities to obtain information. Specifically, starting in April, we held a group seminar entitled Hyakugo Successor Training School over the course of seven months, welcoming 27 participants. We expect the graduates of the seminar to take a leadership role in leading not only their own companies but also the regional economies. Initiatives that would help reduce as much as possible the anxieties of successors, who will be constantly exposed to significant responsibilities as corporate managers, will lead to a reduction in the number of companies without successors. So we also hope to continue supporting these successors.



Future developments

We will strive to tackle increasing business succession issues with a focus on the following three themes: developing human resources for business succession consulting, strengthening alliance with specialized organizations, and expansion of business succession support tools.

As part of efforts to enhance business succession support tools, in December 2019 Hyakugo Mirai Investment Co., Ltd. was established as a wholly-owned subsidiary of the Bank specializing in investment. In October of the same year, limitations on the holding of voting rights by banks, etc. relating to business succession (the

Business matching

We are proactively engaged in initiatives to promote business matching by utilizing our regional network, making various efforts including expansion of sales channels of customers and providing support for resolving management issues.

In addition, in response to management issues such as improvement of productivity by using ICT, new product development, and cost reduction, we support the growth of customer's business, by introducing business partners in line with their needs.

Business meetings and seminars to expand sales channels and provide support to resolve management issues

We are committed to holding business conferences and seminars to expand sales channels and address a variety of management issues. In addition, we partner with other banks to hold exhibitions and conferences to provide opportunities for attendees to meet new business partners from areas outside of their own prefectures.

Business conferences and seminars held in FY2019

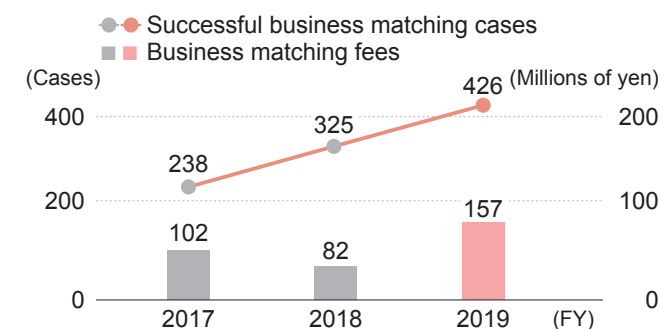
Date	Event	Attendees (companies)
Sept. 2019	Food Selection 2019 (Tokyo)	35
Oct.	Network Business Conference in Osaka	21
Dec.	Three Banks Business Conference (Nagoya)	69
Dec.	Seminars and consultation on carbon-free management and adoption of renewables	114
Dec.	Digital Solution Seminar	40
Jan. 2020	Foods in Mie: Matching, exhibition, and networking conference (Yokkaichi)	20
Feb.	Subsidy usage seminar	24



so-called 5% rule) were relaxed, and the establishment of a subsidiary specializing in investment in compliance with the amended rule was the first in Japan after the deregulation. Hyakugo Mirai Investment Co., Ltd. utilizes investment limited partnership (fund) that it forms, and proactively provides financing to corporations engaged in business succession efforts and offers management support, aiming to achieve sustainable and stable growth together with customers and the region.

Taking on these new challenges, the Bank will contribute to the realization of a sustainable society through business succession support.

Successful business matching cases and fees

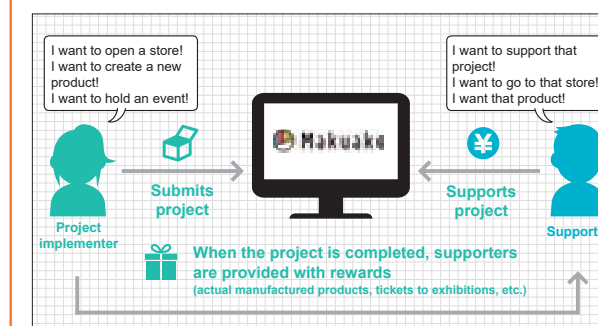


Crowd funding initiatives

Crowd funding is a scheme to raise funds from a large indefinite number of people via the Internet to create unprecedented new products, services, or stores. The supporters then receive products made or have rights granted.

Since starting business partnership with CyberAgent Crowd Funding, Inc. in May 2016, we have been supporting customer needs for new product development, expansion of sales channels, and provision of financing methods through the introduction of services such as Makuake, a purchase-type crowdfunding site operated by the company.

To date, the Bank has helped launch 37 projects and financed ¥42,778 thousand.



Sustainable Development of Regional Societies



Project finance for PPP/PFI businesses

PPP/PFI Business Initiatives

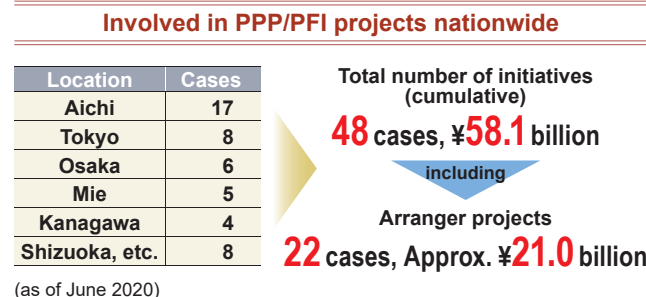
As the first project for the PFI business, the Bank participated as a lender in the specified business for library and other complex public facilities in Kuwana city, a PFI business in the city of Kuwana, in April 2002. One employee was dispatched as a designated personnel to promote PPP/PFI operations as a business to contribute to the revitalization of the region. We are building on our achievements in financing PFI projects, by expanding the target area from Mie to Aichi, the Tokai region, and across the nation.

Establishment of the Mie Public-Private Partnership Platform

In November 2017, the Bank established the Mie Public-Private Partnership Platform with support from Mie Prefecture, all municipalities within the prefecture, and Mie University.

In order to return the knowledge and networks built through our participation in the PPP/PFI project financing to our customers in Mie Prefecture, we hold seminars twice a year and provide support in introducing PPP/PFI approaches to each public project being considered by municipalities.

In addition, to support the creation of a system for regional companies to participate in the PPP/PFI projects, we are providing opportunities to acquire knowledge and form a network with various industries and major corporations.



Signing of the PPP/PFI regional platform arrangement system

In May 2019, the Mie Public-Private Partnership Platform came under the joint operation with Mie Prefecture, and we entered into the PPP/PFI regional platform arrangement system with the Cabinet Office and the Ministry of Land, Infrastructure, Transport and Tourism.

Under the arrangement system, at the August 2019 seminar we invited staff from the Cabinet Office's PPP/PFI Promotion Office as a lecturer to speak on successful cases in the introduction of regional PFI businesses in local regions and the necessity for the participation of regional corporations under the topic entitled "Recent Trends in PPP and PFI Projects."

There has been a steady increase in the number of comments from local municipalities saying "We are feeling the necessity for PPP/PFI projects" and from regional companies saying "We are interested in PPP/PFI projects." We will continue to contribute to creating regional business through platform activities.



***What is PPP/PFI?**
 PPP (Public Private Partnerships) refers to a diverse range of methods by which public and private organizations collaborate to effectively and efficiently improve public facilities or offer services. PFI (Public Finance Initiatives) is one of the major methods of PPP.

105 SDGs Private placement bonds

105 SDGs Private placement bonds (corporate support-type and donation-type) are financial products that aim to support corporations engaged in business activities to realize the SDGs, and to advance activities to achieve a sustainable society together with stakeholders in the region.

Among these, "105 SDGs Private placement bond (donation-type)" is a financial product whereby companies who would like to contribute to their own local region through donation issue privates bonds, and the Bank in turn donates a portion of the processing fee it receives to educational institutions, welfare

organizations, local public organizations, or public service corporations designated by the issuing companies. This financial product has been received very well by regional companies.

Data on 105 SDGs Private placement bonds (donation-type) (July 2019 to March 2020)

Total cases	101 cases
Donation amount	¥9,416 thousand
Donated to	Elementary schools, junior high schools, high schools, social welfare institutions, etc.
Donated items	Books, tents, personal computers, printers, etc.

Financial education

Economics Koshien

Every year since 2011, the Bank has held the Mie competition of Economics Koshien, a national finance and economics quiz tournament for high-school students, under the joint sponsorship of the Association for the Promotion of Financial Literacy, a non-profit organization.

With financial knowledge becoming increasingly necessary amid diversifying financial and economic conditions, the tournament aims to provide an opportunity for high school students to have fun learning about finance and economics. At the ninth competition held in December 2019, 23 teams comprising 46 high school students from eight schools in the prefecture participated. They competed on financial knowledge in the hopes of progressing to the national tournament.

Economics Koshien Data (2011 to 2019)

Events held	9 times
Participating schools	74 schools
Participants	470 people/235 teams



Volunteer activities

Cooperation with UNICEF's "Coin Aid" and UNESCO's "Miswritten Postcards" campaigns

We support the activities of UNICEF (United Nations Children's Fund) engaged in community development focusing on children in developing countries. Since April 2007, the Bank has set up UNICEF's "Coin Aid" donation boxes at 19 branches. Foreign coins donated by numerous customers who visited our branches are collected at the headquarters of the Bank once a year and delivered to the Japan Committee for UNICEF on a regular basis.

In addition, we also participate in the "Miswritten Postcards" campaign operated by the UNESCO Liaison Council of Mie Prefecture, in order to cooperate with activities supporting education, sanitation, and nutrition for children around the world.



Sports promotion initiatives



Towards achieving a rich regional society through the performance of top athletes

In the runup to the National Sports Festival scheduled to be held in Mie Prefecture (Mie Tokowaka Kokutai) for the first time in 46 years, there are high hopes for regional development through sports.

Against this backdrop, since 2018, the Bank has employed top athletes active in Japan and overseas in order to further increase the momentum of sports in the region.

Currently, five top athletes are active in Japan and overseas, including Hisayoshi Harasawa, who is performing well in men's judo (over 100 kg division) in international competitions.

By sharing joy with local residents through significant achievements of top athletes, we hope to contribute to achieving a richer regional community.

Sponsorship and support for prefectural sports activities

To support local sports teams and help invigorate the region, the Bank is sponsoring JFL soccer team Suzuka Point Getters, and holds matches bearing the name of the Bank.

In addition, we are sponsoring a table tennis tournament inviting participants from a wide range of age groups from elementary school children to the elderly. Going forward, we hope to continue to contribute to the development of sports in the region.



Promoting Diversity



Initiatives for active participation of female employees

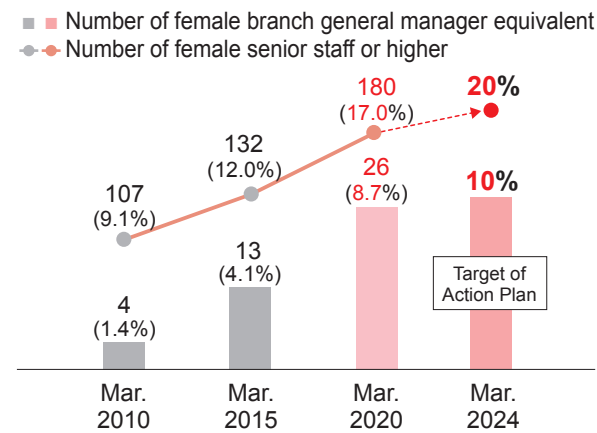
As part of efforts to promote active participation of women, we are taking initiatives to create equal job opportunities for both men and women, offering seminars for female bank employees ahead of life events, and providing opportunities for long-term career planning. In order to create a workplace that allows women to continue their career paths, we extended the period of childcare leave up to the month immediately preceding the month in which their child turns 3 years old, and made it possible to work reduced hours starting from three hours a day, with the aim of enhancing system and environment. We also put in place a consistent support structure for those taking a childcare leave, by enhancing interviews during the period of childcare leave and providing internet learning tools and offering support for self-development during the period of childcare leave.



Cooking lessons for dads

Furthermore, we are proactively engaged in initiatives for participation by male employees in childcare, as we believe that cooperation of family members is essential for active participation of women in the workplace. We recommend male employees to take "paternal leave," and hold events such as "workplace experience tours" and "cooking lessons for dads" for male employees and their children, in order to deepen the understanding of childrearing in the workplace and to increase opportunities for men to participate in childcare. In addition, we hold "Mom and Dad Meeting" for couples raising children, providing opportunities to share issues and information about childrearing and discuss how to keep a good balance between work and childcare. Through such measures, we are working to improve the ratio of female employees in managerial posts by enhancing their own awareness of career planning and creating a workplace that allows for active participation of women.

Number of females in managerial posts and targets



Employment of persons with disabilities

Hyakugo Group has adopted the special-purpose subsidiary program, which pays special attentions to the employment of persons with disabilities. Hyakugo Kanri Service Company Limited, a special-purpose subsidiary, sets forth under its medium-term management plan a goal of "taking on challenges to develop a workplace where everyone can continue to work with a sense of stability and peace of mind." By setting targets to achieve both operational development and workplace improvement, the company is developing operations to enable persons with disabilities to actively participate in the workplace, and revising personnel system to improve a worker-friendly environment. In addition, the company proactively provides employment know-how through lectures and tours, taking initiatives to promote employment of persons with disabilities in the region. In January 2020, the company was certified as a "company promoting active participation of persons with disabilities" by the Japan Association of Employers of Persons with Disabilities for the first time in Mie Prefecture, and for the first time in Japan as a special-purpose subsidiary of a regional bank, in recognition of its progressive initiatives including flexible time management and acquisition of leave, welfare benefits, and career development.

First in Mie Prefecture!
First regional bank!

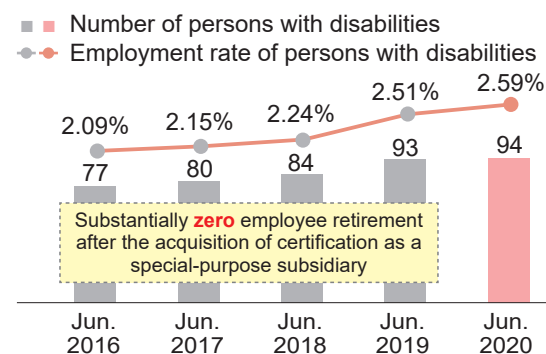


Certified as a "company promoting active participation of persons with disabilities"



Offering employment know-how

Number/employment rate of persons with disabilities



Substantially zero employee retirement after the acquisition of certification as a special-purpose subsidiary

The Bank group will continue to proactively make a group-wide effort to promote the employment of persons with disabilities.

Implementing healthy management practices

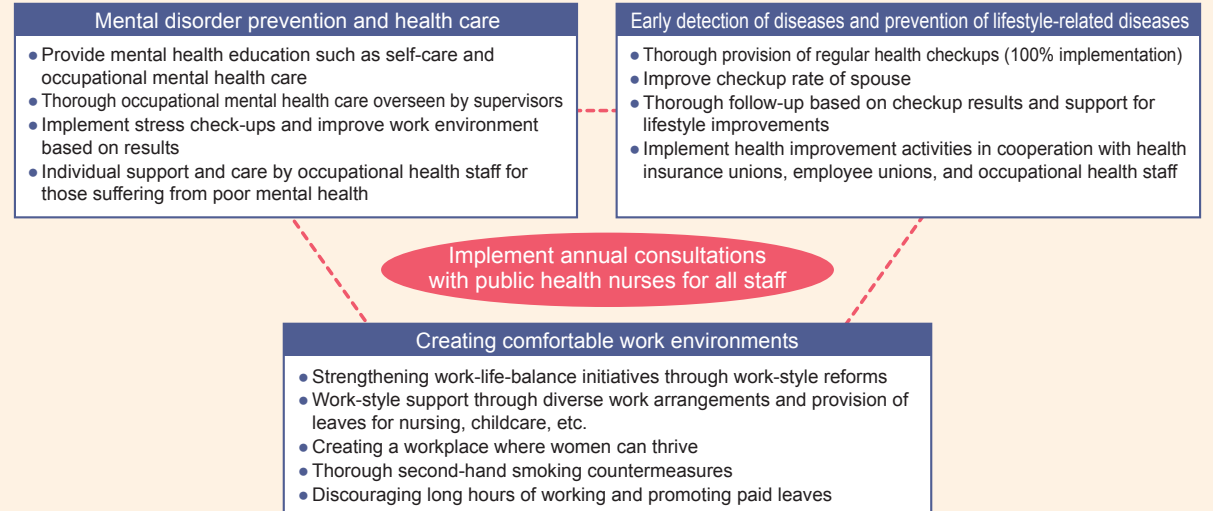
Hyakugo Bank Health Declaration

Based on the belief that the physical and mental health of our employees and their families is essential for the Bank to permanently develop and contribute to the regional community, the Bank formulated the Hyakugo Bank Health Declaration in September 2017.

- (1) Mental Health (prevention and care of mental illness)
- (2) Physical health (early detection of diseases and prevention of lifestyle-related diseases)
- (3) Occupational health (creating comfortable work environments)

We are working to achieve healthy management with three pillars of important health measures.

Summary of major health measures



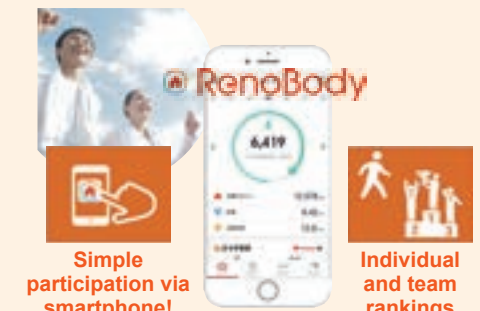
Specific initiatives

- Promotion of Shima City Kurort
- Full smoking ban on premises
- Walk to get healthy! Launch of 105 Walking Championships



Signed a memorandum regarding a comprehensive partnership to promote Shima City Kurort

- (1) Using Shima city's kurort project to promote employee health
- (2) Taking action to improve healthy management and invigorate the region in partnership with Shima city



- Simple participation via smartphone!
- Individual and team rankings

Walking championships using a smartphone app

Participants	Approx. 1,000
Average steps per day	7,383

Certified as Health & Productivity Management Outstanding Organizations Recognition Program—White 500

In recognition of various initiatives to achieve healthy management, in March 2020, the Bank was certified by the Ministry of Economy, Trade and Industry, and NIPPON KENKO KAIGI, as an organization engaged in outstanding health management under the "2020 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category)—White 500" for the third year in a row.



Corporate Governance



Fundamental Approach to Corporate Governance

In order to clarify our stance on our management that we will contribute to society through sound banking operations by adapting to the changes in the management environment of the financial industry, we have established a corporate philosophy in an aim to gain the trust of the regional society, customers, employees, and shareholders, and in an effort to realize sustainable growth and enhancement of corporate value over the mid to long-term.

To realize the above-mentioned aim, we have adopted a system of a company with a board of corporate auditors that enables transparent, fair, swift and resolute decision-making as our system of corporate governance. While making effective use of the auditing functions of the Board of Corporate Auditors,

we have appointed multiple, highly independent outside directors so that monitoring functions of the Board of Directors are duly executed.

In addition, we have established the Basic Policy on the Internal Control System pursuant to the Companies Act, and developed a system to ensure the appropriateness of business execution of the corporate group comprised of the Hyakugo Bank and its subsidiaries. We also engage in efforts such as convening the Corporate Governance Committee, establishing other various committees, and enhancing investor relations (IR) activities.

Within the context of the changing business environment, we will continue to review the system as required to strengthen and enhance corporate governance.

Strengthening Corporate Governance

The Bank is working to strengthen corporate governance.

As of June 2020, the ratio of outside officers at the Bank is 47%. We have two female officers, and are further diversifying the makeup of outside officers. In addition, we established a

Corporate Governance Committee, which works to improve transparency and aims for higher objectivity of decision-making by the Board of Directors.

Appointment and diversification of outside officers



Suitable involvement and guidance from outside officers

Corporate Governance Committee (non-mandatory nomination/compensation committee)

Chairperson is elected from among **outside directors**

Title	Number of persons
Outside directors	4
Inside directors (representative director)	2
Total	6

(As of June 2020)

Functions

- Providing advice on the following matters to Board of Directors
 - Matters concerning candidates for directors and corporate auditors
 - Matters concerning compensation, etc. to directors
 - Other significant matters concerning management

Decision-making of Board of Directors

- for higher **transparency**
- for higher **objectivity**

Corporate Governance System

Board of Directors

The Board of Directors, composed of ten directors (including four outside directors), meets in principle once a month. It deliberates and makes decisions on matters stipulated by laws and regulations or the Articles of Incorporation of the Bank, as well as fundamental management policies and other important matters. The Board also receives reports on status of business execution and oversees directors' execution of their duties.

Corporate Governance Committee

The Corporate Governance Committee, composed of six directors (including four outside directors), deliberates on matters related to candidates for directors and corporate auditors and issues related to compensation of directors, and provides guidance to the Board of Directors.

Management Committee

The Management Committee is comprised of six standing directors, and, in principle, meets once a week. It deliberates on important matters concerning business execution and makes decisions on the execution, based on the basic policies set by the Board of Directors.

Board of Corporate Auditors

The Board of Corporate Auditors, composed of five corporate auditors (including three outside corporate auditors), meets in principle once a month. It resolves and consults on matters prescribed in laws and regulations and others. In addition, it receives reports on the results of internal audits by each of the corporate auditors and audits the directors' overall execution of their duties. The Staff of Corporate Auditor's Board is established and one dedicated staff is assigned to support the corporate auditors and the Board of Corporate Auditors.

Internal Audit Board

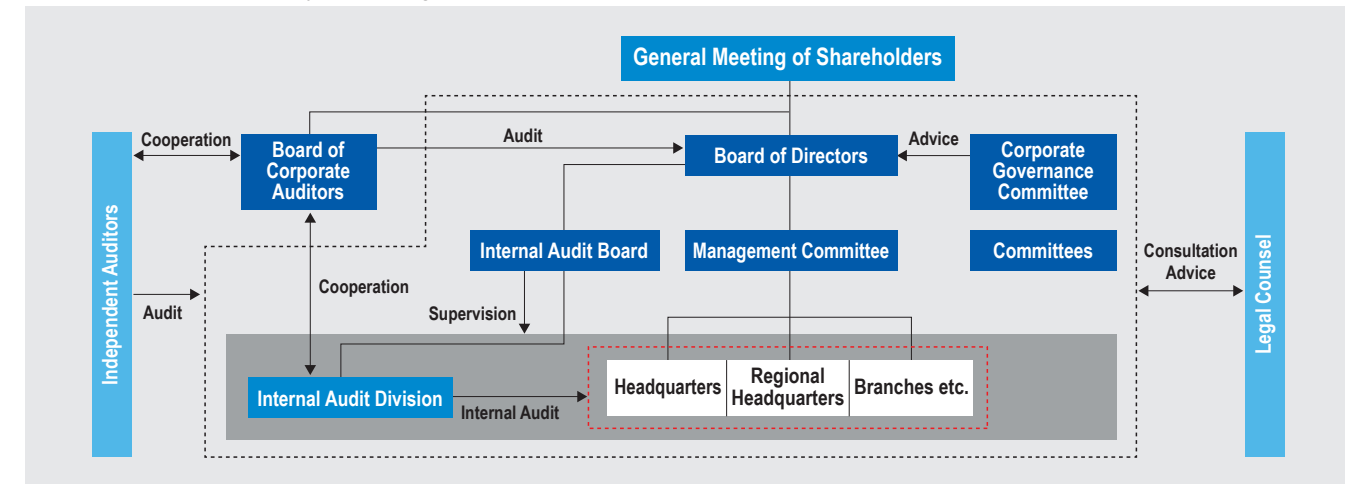
The Internal Audit Board, composed of standing directors and General Manager of the Internal Audit Division, in principle, meets once a month. It monitors the appropriateness of business execution and effectiveness of internal audits, and works to strengthen and improve management. Specialized personnel are assigned at the Internal Audit Division, which reports directly to the Internal Audit Board. In addition, the Internal Audit Division conducts internal audits in accordance with the Internal Audit Policy, Internal Audit Rules, etc., and basic audit plan for each fiscal year, and recommends improvements as necessary.

Committees

Furthermore, Hyakugo Bank has established the following committees to strengthen and enhance management.

Name of committee	Objectives
Compliance Committee	Establishment of legal compliance structure
Customer Protection Management Committee	Study of improvement and response measures to improve customer protection and convenience
Finance Facilitation Committee	Appropriate facilitation of funds for small and medium-sized businesses
ALM Risk Management Committee	Deliberation of portfolio management from the perspectives of soundness and profitability of management
Operational Risk Management Committee	Deliberation of measures to minimize operational risks to the end of ensuring the soundness and appropriateness of management
IT Strategy Committee	Optimization of information system etc. policies and investments
Performance and Compensation Committee	Improvement of credibility, fairness and transparency of personnel evaluations
SDGs Promotion Committee	Contribution to the achievement of a sustainable society

Corporate Governance System: Diagram



Board of Directors, Corporate Auditors and Executive Officers

(As of June 23, 2020)

Directors



President
(Representative Director)
Toshiyasu Ito

Apr. 1976 Joined Hyakugo Bank
Dec. 1998 General Manager, Kyonan Branch
Jun. 2001 General Manager, Tokyo Business Division, General Manager, Tokyo Office, Staff of Management Committee
Apr. 2002 Group Manager, Corporate Planning Group
Jun. 2004 Group Manager, Treasury & Securities Group
Jun. 2005 Director, General Manager, Tsu Regional Headquarters
Jun. 2006 Director, General Manager, Nagoya Regional Headquarters
Jun. 2007 Managing Director
Jun. 2009 Deputy President (Representative Director)
Apr. 2015 President (Representative Director) (current)



Director and Senior
Managing Executive Officer
(Representative Director)
Masakazu Sugiura

Apr. 1980 Joined Hyakugo Bank
Jan. 2004 General Manager, Yokkaichi-nishi Branch
Jun. 2005 General Manager, Yokkaichi Branch
Jun. 2007 General Manager, Corporate Planning Division
Jun. 2009 Director, General Manager, Corporate Planning Division
Apr. 2010 Director, General Manager, Nansei Regional Headquarters
Jun. 2012 Director, General Manager, Treasury & Securities Division
Jun. 2013 Managing Director
Jun. 2017 Senior Managing Director
Jun. 2018 Director, Senior Managing Executive Officer
Jun. 2019 Senior Managing Executive Officer (Representative Director) (current)



Director and Senior
Managing Executive Officer
Hideto Tanaka

Apr. 1978 Joined The Mitsubishi Bank, Limited
Aug. 1980 Retired, The Mitsubishi Bank, Limited
Sept. 1980 Joined Hyakugo Bank
Dec. 2003 General Manager, Taki Branch
Jun. 2005 General Manager, Kameyama Branch, General Manager, Higashimiyuki Sub-branch, General Manager, Kuwana Branch
Jun. 2006 General Manager, Personal Banking Division
Jun. 2008 Director, General Manager, Credit Supervision Division
Jun. 2011 Director, General Manager, Treasury & Securities Division
Jun. 2012 Director, General Manager, Personnel Division
Jun. 2015 Managing Director
Jun. 2018 Director, Managing Executive Officer
Jun. 2019 Director, Senior Managing Executive Officer (current)



Director and Managing
Executive Officer
Tsuyoshi Yanagitani

Apr. 1983 Joined Hyakugo Bank
Apr. 2004 General Manager, Futamiura Branch
Jun. 2006 Manager, Toba-Shima Regional Headquarters
Apr. 2007 General Manager, Yada Branch
Jun. 2009 General Manager, Matsusaka Branch
Jun. 2011 General Manager, Nagoya Branch
Jun. 2013 General Manager, Head Office Business Division
Jun. 2014 General Manager, Chusei Regional Headquarters
Jun. 2015 Director, General Manager, Nansei Regional Headquarters
Jun. 2018 Executive Officer, General Manager, Credit Division
Jun. 2019 Director, Managing Executive Officer (current)



Director and Managing
Executive Officer
Kei Yamazaki

Apr. 1984 Joined Hyakugo Bank
Jun. 2009 General Manager, Sujikaibashi Branch, General Manager, Wataraihashi Sub-branch
Jun. 2011 General Manager, Tokyo Business Division
Jun. 2013 General Manager, International Division
Jun. 2017 Director, General Manager, International Division
Jun. 2018 Executive Officer, General Manager, Chusei Regional Headquarters
Jun. 2020 Director, Managing Executive Officer (current)



Director and Managing
Executive Officer
Satoru Fujiwara

Apr. 1987 Joined Hyakugo Bank
Dec. 2010 General Manager, Shiratsuka Branch
Jun. 2012 Manager, Secretariat Group, Secretariat
Jun. 2014 General Manager, Kawasaki Branch
Jun. 2016 General Manager, Kuwana Branch
Jun. 2018 General Manager, Yokkaichi Branch
Jun. 2019 General Manager, Head Office Business Division
Nov. 2019 Executive Officer, General Manager, Head Office Business Division
Jun. 2020 Director, Managing Executive Officer (current)



Outside Director
Nagahisa Kobayashi

Mar. 1966 Joined Yokkaichi Warehouse Co., Ltd. (currently Japan Transcity Corporation)
Jun. 1991 General Manager, Tokyo Branch, Japan Transcity Corporation
Aug. 1994 General Manager, Transport Planning Department, Transport Business Division, General Manager, Chubu Department, Transport Business Division, Japan Transcity Corporation
Jun. 1995 Director, Japan Transcity Corporation
Jun. 1999 Managing Director, Japan Transcity Corporation
Jun. 2001 Representative Director and Senior Managing Director, Japan Transcity Corporation
Jun. 2003 President, Japan Transcity Corporation
Jun. 2011 Board Chairman, Japan Transcity Corporation
Jun. 2013 Outside Director, Hyakugo Bank (current)
Jun. 2019 Director and Advisor, Japan Transcity Corporation (current)



Outside Director
Hisashi Kawakita

Apr. 1969 Joined Toyota Motor Sales Co., Ltd.
Jul. 1978 Joined Mie Toyopet Co., Ltd.
Jun. 1980 Director, Joined Mie Toyopet Co., Ltd.
Jun. 1981 Managing Director (Representative Director), Mie Toyopet Co., Ltd.
Jun. 1984 President, Member of the Board of Directors (Representative Director), Mie Toyopet Co., Ltd.
Jun. 1986 Director, Hironaga Toen Co., Ltd.
Sept. 1990 Representative Director and President, Hironaga Toen Co., Ltd.
Jun. 2007 Outside Corporate Auditor, Hyakugo Bank
Jun. 2014 Representative Director and President, Chitose Co., Ltd.
Jun. 2015 Outside Director, Hyakugo Bank (current)
Jun. 2015 Director, Chitose Co., Ltd. (current)
Jun. 2019 Chairman of the Board of Directors (Representative Director), Mie Toyopet Co., Ltd. (current)



Outside Director
Ichiro Wakasa

Apr. 1977 Joined Meiji Life Insurance Company (currently Meiji Yasuda Life Insurance Company)
Jul. 2005 Director, Meiji Yasuda Life Insurance Company
Jul. 2006 Executive Officer, Meiji Yasuda Life Insurance Company
Apr. 2008 Managing Executive Officer, Meiji Yasuda Life Insurance Company
Apr. 2012 Senior Managing Executive Officer, Meiji Yasuda Life Insurance Company
Apr. 2014 Deputy President, Meiji Yasuda Life Insurance Company
Jul. 2014 Vice Chairperson, The Life Insurance Association of Japan
Jul. 2017 Representative Director and Chairman, Meiji Yasuda Real Estate Management Company Limited
Jun. 2018 Outside Director, Hyakugo Bank (current)
Apr. 2019 Representative Director and Chairman, Meiji Yasuda Research Institute, Inc. (current)



Outside Director
Keiko Nishioka

May 1980 Secretary and Interpreter at Japan Offices of SEDCO INC. (currently Schlumberger Limited.) and Chevron U.S.A. Inc.
Aug. 1986 Started to work as a conference and business interpreter (freelance)
Dec. 1996 Joined Hikari Kikai Seisakusho Co., Ltd.
May 2001 President, Hikari Kikai Seisakusho Co., Ltd. (current)
Jun. 2011 Management Committee Member, Mie University (current)
Jun. 2015 Outside Director, IMURAYA GROUP CO., LTD. (current)
Jan. 2020 Visiting Professor, Nagoya Institute of Technology (current)
Jun. 2020 Outside Director, Hyakugo Bank (current)

Corporate Auditors



Standing Corporate Auditor
Kiyoharu Nakatsu

Apr. 1981 Joined Hyakugo Bank
Jan. 2004 General Manager, Matsusaka-ekimae Branch
Oct. 2005 General Manager, Miyagawa Branch, General Manager, Iseshimaichiba Branch
Apr. 2008 General Manager, Owase Branch
Jun. 2010 General Manager, General Affairs Division
Jun. 2012 General Manager, New Main Building Construction Division
Jun. 2016 Standing Corporate Auditor (current)



Standing Corporate Auditor
Takashi Nakagawa

Apr. 1990 Joined Hyakugo Bank
Jun. 2015 Deputy General Manager, Corporate Planning Division, Manager, Budget Group
Jun. 2017 General Manager, Internal Audit Division
Jun. 2018 General Manager, Risk Management Division
Jun. 2020 Standing Corporate Auditor (current)



Outside Corporate Auditor
Takashi Nishida

Apr. 1976 Joined The Mitsubishi Bank, Limited (currently MUFG Bank, Ltd.)
Sept. 2002 Executive Officer, Mitsubishi Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
Jun. 2003 Managing Executive Officer, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
Jun. 2004 Executive Officer, The Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.)
Jun. 2007 Outside Corporate Auditor, Mitsubishi Pharma Corporation (currently Mitsubishi Tanabe Pharma Corporation)
Jun. 2007 Outside Corporate Auditor, Mitsubishi Chemical Corporation
Jun. 2007 Outside Corporate Auditor, Mitsubishi Chemical Holdings Corporation
Jun. 2018 Outside Corporate Auditor, Hyakugo Bank (current)
Jun. 2019 Outside Auditor, Kitano Construction Corp. (current)



Outside Corporate Auditor
Shinji Tsuruoka

Jun. 1989 Associate Professor, Faculty of Engineering, Mie University (currently National University Corporation Mie University)
Apr. 2000 Professor, Faculty of Engineering, Mie University
Apr. 2005 Director, Practical Education Department, Common Education Center, Mie University
Apr. 2007 Assistant to the President, Mie University
Apr. 2009 Dean, Graduate School of Regional Innovation Studies, Mie University
Apr. 2015 Executive Vice President, Mie University
Apr. 2019 Vice President, Mie University
Apr. 2019 Professor, Graduate School of Engineering, Mie University
Jun. 2019 Outside Corporate Auditor, Hyakugo Bank (current)
Apr. 2020 Specially Appointed Professor, Department of Medical Information Science, Faculty of Medical Engineering, Suzuka University of Medical Science (current)
Apr. 2020 Executive Advisor to the President, National University Corporation Mie University (current)



Outside Corporate Auditor
Ikuko Kawabata

Apr. 1998 Appointed as Prosecutor
Aug. 2010 Registered as attorney, Mie Bar Association
Aug. 2010 Representative Attorney, Kawabata Law Office (current)
Jun. 2019 Outside Corporate Auditor, Hyakugo Bank (current)

Executive Officers

General Manager, Chusei Regional Headquarters, General Manager, Head Office Business Division

Yoshito Kaijyuu

General Manager, Nansei Regional Headquarters

Masayuki Miyashita

General Manager, Credit Division

Shigeki Noro

General Manager, Computer Systems Planning & Administration Division

Masahiro Shinkai

General Manager, Aichi Regional Headquarters

Masami Nambu

Deputy Senior General Manager, Business Planning & Promotion Headquarters

Tetsuya Kato

General Manager, Hokusei Regional Headquarters

Yutaka Arakida

General Manager, Treasury & Securities Division

Teruo Tsuruta

Compliance



Compliance Measures

In addition to observing laws, regulations and rules, compliance refers to the act of adhering to and fulfilling social norms. Hyakugo Bank believes that as a bank, whose most valuable asset is its credibility, enhancing its managerial soundness and solidifying society's trust are natural principles of compliance, and each executive and employee must steadily put compliance into practice in the daily execution of duties.

To this end, the Hyakugo Bank has made compliance one of its highest management priorities and has been making efforts to bolster its compliance structure, while at the same time mitigate ethical and legal risks*.

Specifically, in addition to issuing the Compliance Manual that states fundamental guidelines for compliance within the Bank, we have created the Bank-wide Compliance Committee to discuss overall compliance measures. Furthermore, Hyakugo Bank has established the Compliance Management Division to conduct integrated supervision and promotion of compliance.

Moreover, compliance officers are assigned to all headquarters divisions, regional headquarters, branches and the Retail Banking Centers to prevent legal infractions and check the status of compliance. Furthermore, Hyakugo Bank is engaged in initiatives based on the Compliance Action Plan, which is formulated as a concrete action plan each year.

Hyakugo Bank will continue to reinforce its compliance structure going forward.

*The risk of Hyakugo Bank having to assume liability for damages or the Bank losing its credibility as a result of Hyakugo Bank being held legally or morally culpable by clients, shareholders and other stakeholders, on account of directors and employees engaging in activities that violate laws, regulations, rules, social norms, etc. in the execution of their duties or Hyakugo Bank's rules or procedures being in violation thereof.

Management of Conflicts of Interest

In transactions that may pose a conflict of interest between Hyakugo Bank or its group companies and customers, and between customers of Hyakugo Bank or its group companies, Hyakugo Bank properly conducts business so as not to unfairly impair the interests of customers, in accordance with the Banking Act, the Financial Instruments and Exchange Act and other related laws and regulations.

"Transactions that may pose a conflict of interest" refer to transactions entered into by Hyakugo Bank or its group companies that "may unfairly impair the interests of customers." "Conflicts of interest" refer to situations in which interests conflict between the Hyakugo Bank or its group companies and the customer, and the interests between the customers of Hyakugo Bank or its group companies. Companies subject to conflict of interest management are Hyakugo Bank and its group companies, namely Hyakugo Research Institute Company Limited and Hyakugo Securities Company Limited.

Hyakugo Bank appropriately manages conflicts of interest by identifying transactions that are subject to conflict of interest management.

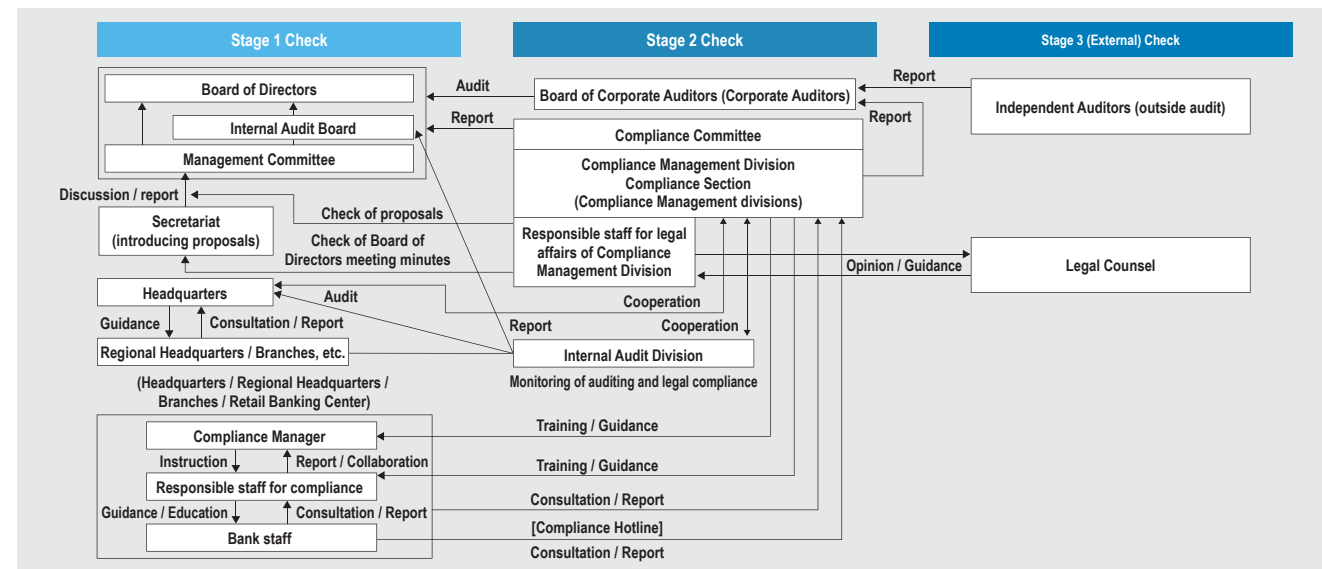
Pursuant to laws and regulations, Hyakugo Bank also discloses its Guidelines on the Management of Conflicts of Interest by posting them on its website and at its branches.

Response to the financial alternative dispute resolution (ADR) system

Hyakugo Bank has concluded a contract regarding procedures for handling customer complaints and procedures for dispute resolution with the Japanese Bankers Association, which is the designated dispute resolution institution as defined in the Banking Act.

Contact: Advisory Office, Japanese Bankers Association
Phone: 0570-017109 or 03-5252-3772

Compliance System: Diagram



Initiatives for Anti-Money Laundering and Counter Financing of Terrorism

Financial institutions face the risk of day-to-day transactions being used for money laundering, financing of terrorism, or financial crimes due to the nature of their business. As the threat of terrorism grows around the world, money is increasingly transferred over greater distances, and globalism in money transferring increases, there is a rising interest in the measures being taken by financial institutions to combat these risks.

With this background, the Hyakugo Bank Group carries out

effective initiatives for combatting money laundering and the financing of terrorism in order to comply with related laws and regulations such as the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange and Foreign Trade Act and to enable the Group to respond to constantly changing risks. Through this, the Group lives up to the trust vested in it as a financial institution.

Policy on Anti-Money Laundering and Counter Financing of Terrorism

Hyakugo Bank has defined the following basic policy for Anti-Money Laundering and Counter Financing of Terrorism (hereinafter referred to as "AML/CFT").

- Operation policy**
Hyakugo Bank has positioned AML/CFT as one of its most critical business issues. The Bank constantly reviews and improves its activities aimed at the establishment of an effective risk management system, coordinates closely with related authorities both inside Japan and overseas, and pays ample attention to trends in financial crime and domestic and international laws and regulations, living up to the trust vested in it as a financial institution.
- Organizational structure**
Hyakugo Bank has designated the officer in charge of the Compliance Management Division as the manager responsible for AML/CFT and the AML/CFT unit of the Compliance Management Division as the division responsible for AML/CFT. This division formulates policies, procedures, plans, etc. for AML/CFT measures, cooperating with other divisions to implement appropriate operation and management in order to ensure effective AML/CFT measures.
- Risk-based approach**
Hyakugo Bank uses a risk-based approach to identify and evaluate risks related to AML/CFT, faced by Hyakugo Bank based on external information such as the National Risk Assessment of Money Laundering and Terrorist Financing issued by the National Public Safety Commission and implements mitigation measures commensurate with these risks.
- Customer reception policy**
Hyakugo Bank has established a customer reception and refusal policy in order to protect the Bank and its customers from money laundering and other related crime.
- Economic sanctions and asset freezing**
Hyakugo Bank uses filtering, etc. to eliminate transactions with targets of economic sanctions, etc. It also has in place a system for carrying out appropriate confirmation related to measures for freezing assets, etc.
- Reporting of suspicious transactions**
Hyakugo Bank appropriately deals with customers, transactions, etc., detected as suspicious activity by reports from branches, etc., or monitoring by the headquarters, and promptly reports suspicious transactions to the authorities.
- Prohibition of anonymous accounts and accounts opened under false names**
Hyakugo Bank does not perform transactions involving highly anonymous accounts or accounts opened under false names.

- Policy regarding the management of correspondent agreement parties**
Hyakugo Bank gathers sufficient information regarding correspondent banks, appropriately evaluate them, and implement appropriate handling measures based on correspondent party risk. Furthermore, Hyakugo Bank discontinues all transactions with fictitious banks that are not engaged in actual banking business, and with all banks that have transactions with fictitious banks.
- Training for executives and employees**
Hyakugo Bank strives to deepen knowledge and understanding of executives and employees and to secure and develop employees with specialization and aptitude commensurate with their roles through its system of continuous, systematic training regarding AML/CFT.
- Bribery Prohibition and Corruption Prevention**
Hyakugo Bank works to bestow bank executives and employees with a high degree of professional ethics. Our bank executives and employees adhere to established guidelines, which prohibit social contact or gifts that exceed the scope deemed as socially appropriate as well as bribery based on the intent of related laws and regulations.
- Compliance status review and auditing**
Hyakugo Bank has the division responsible for AML/CFT, regularly implement reviews and improvements regarding the Bank's system for AML/CFT, as well as conducts reviews and improvements as appropriate when review is deemed necessary by the manager responsible for AML/CFT. Furthermore, an independent internal audit division performs regular audits, and the Bank makes further improvements of the system based on the results of the said audits.
- Foreign currency transactions**
When handling foreign currency transactions, Hyakugo Bank not only complies with Japanese laws and regulations, but also takes into consideration related overseas regulations, etc. in order to eliminate the risk of the said transactions being improperly used for purposes such as money laundering, etc. Furthermore, the Bank establishes a system to continuously improve and reinforce its handling of foreign currency transactions. To this end, the Bank carries out measures for mitigating the risks of the said transactions, actively collects information regarding the external environment, and assesses risks in a timely and appropriate manner, among others.
- Group company management**
Hyakugo Bank shares the information it has itself gathered and analyzed regarding AML/CFT as needed with each company of the Hyakugo Bank Group and works for AML/CFT throughout the Group.

Risk Management



Fundamental Risk Management Policies

With the diversification of financial services and businesses, the risks to which banks are exposed are becoming more complex and diverse, heightening the importance of risk management. Hyakugo Bank is working to strengthen and enhance risk management. Its fundamental risk management policy is to gain an accurate understanding and awareness of each type of risk, and to establish an appropriate risk management framework to maintain the soundness and adequacy of management and secure stable income.

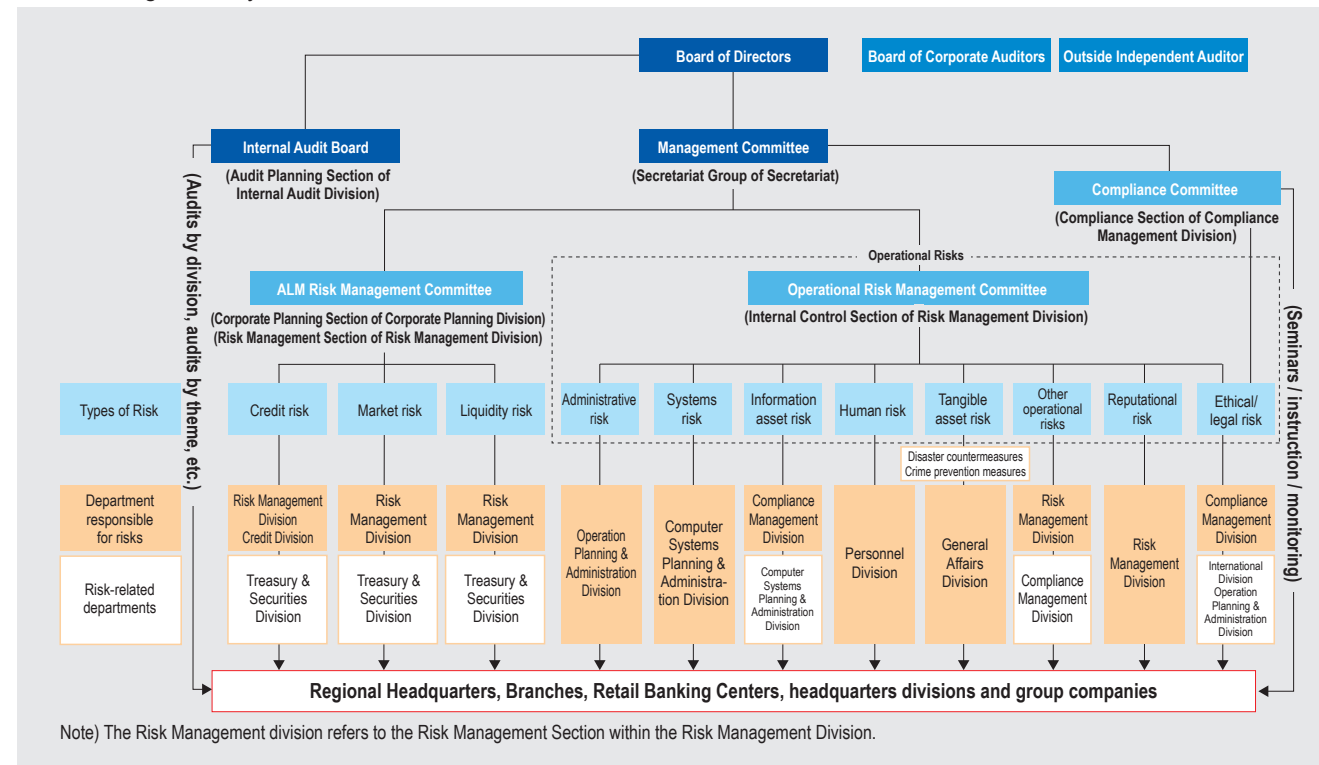
Comprehensive Risk Management System

Hyakugo Bank has a comprehensive system to understand and manage the risks it faces in conducting its banking operations. Specifically, risks are grouped into categories such as “credit risk,” “market risk” and “operational risk,” and some headquarters divisions are designated as having principal responsibility for managing a specific type of risk. In addition, the ALM Risk Management Committee and the Operational Risk Management Committee regularly meet to comprehensively gauge, evaluate and monitor the status of each risk and its management status, and consider risk management policies and measures, as well as submit major deliberation and reporting matters to the Management Committee and Board of Directors.

In addition, Hyakugo Bank quantifies risks according to consistent criteria and executes “comprehensive risk management” that controls the amount of risk within a scope appropriate to the Bank’s operating capabilities. Based on this approach, Hyakugo Bank sets limits for the amount of credit risk, market risk and operational risk, as well as for their total combined amount, in working to both maintain sound operations and generate stable earnings.

Moreover, by conducting internal audits through auditing units that are independent from business divisions, the Bank has established a mechanism for examining the appropriateness and effectiveness of management within each of its divisions and for encouraging improvement.

Risk Management System



Credit risk management

One of the most important management tasks for a bank is maintaining the soundness of loans and other assets. Hyakugo Bank has therefore implemented a credit rating system that employs consistent criteria to evaluate the credit risk of each borrower and loan, and formulates lending policies and sets interest rates taking creditworthiness into account. In addition, the Bank has established a credit policy that limits the concentration of credit in any specific company, corporate group or industry, and strives to diversify risk associated with loans by understanding their distribution by industry, region, credit rating, credit amount and other categories from the standpoint of credit portfolio management.

Hyakugo Bank uses the Foundation Internal Ratings-Based (FIRB) approach to calculate the capital adequacy ratio, with the aim to develop an appropriate risk management structure to respond to diversification and sophistication of financial transactions and to enhance risk management.

In internal control, Hyakugo Bank uses Value at Risk (VaR) to measure credit risk in a way that includes credit concentration risk, which is not included in calculation of the capital adequacy ratio, based on a framework for integrated risk management. By managing risk within specified limits, the Bank aims to avoid overexposure and secure stable earnings.

In terms of its organizational structure, Hyakugo Bank has always clearly separated its sales promotion and credit investigation divisions to carry out rigorous assessment and control of credit risk.

For borrowers facing issues such as deteriorating business conditions, Hyakugo Bank appropriately determines management status and administers guidance for the formulation of revitalization plans as required to resolve problems and recover loans.

Market risk and liquidity risk management

The influence of changes in interest rates, foreign exchange rates, stock prices and other market movements on bank earnings has increased steadily. Consequently, Hyakugo Bank has strengthened its asset and liability management (ALM) capabilities with the objective of securing stable earnings. Specifically, the ALM Committee meets monthly to analyze the composition and changes in the composition of assets, such as loans and securities, and liabilities, such as deposits. The ALM Committee also provides consultation on optimal portfolio management based on future interest rate scenarios.

For market risks, Hyakugo Bank primarily uses the VaR measurement to quantify various risks such as “interest rate risk,” “foreign exchange risk,” and “stock price risk,” based on the framework of “Integrated Risk Management,” and controls the amount of risks within the range of the limit set for each risk. In addition, we monitor risk to profit decline following interest rate fluctuations based on Interest Rate Risk in the Banking Book (IRRBB) concepts.

In its organization, Hyakugo Bank clearly separates trade execution department (front office) and administrative processing department (back office), and also has established a risk management department (middle office), thus creating a system of mutual checks and balances.

Hyakugo Bank deals with liquidity risk by appropriately monitoring and managing yen-denominated and foreign currency-denominated cash management, and maintains a fixed minimum level of highly liquid assets to prepare for contingencies. In addition, the Bank regularly confirms how much liquidity can be procured in the market and formulates measures in advance according to the tightness of credit.

Operational risk management

The environment in the financial industry is undergoing constant change, including diversification of businesses, products and services, and the systemization of business processing. Therefore, Hyakugo Bank sets operational risk management rules to comprehensively manage the risks accompanying its business operations. The Operational Risk Management Committee comprehensively gauges, evaluates and monitors these risks, and conducts cross-organizational consultation on risk reduction measures, as well as submits major deliberation and reporting matters to the Management Committee and Board of Directors.

Hyakugo Bank considers operational risk to encompass a wide range of risks consisting of administrative risk, systems risk, information asset risk, ethical and legal risk, human risk, fixed asset risk, reputation risk, and other operational risks. The Bank is working to upgrade the level of both qualitative and quantitative risk management.

With regard to organization, a department is assigned responsibility for managing each type of risk, including administrative risk. Moreover, Hyakugo Bank has established a department controlling operational risks, thus creating a system of mutual checks and balances.

Crisis Management

In addition to these risk management systems, Hyakugo Bank, in light of the public nature of banking operations, has formulated the Business Continuity Plan, which will enable it to continue offering or resume at an early stage the necessary financial services to maintain the social and economic activities of the region, even in the event of a major disaster such as earthquakes or epidemics such as new viruses. In addition, Hyakugo Bank is reinforcing its capability to respond to crises by formulating various contingency plans and conducting regular drills.

Communication with Stakeholders

In addition to working to provide stable shareholder returns, we strive to proactively disclose information through general meetings of shareholders and company briefing sessions. We also hear opinions and requests from shareholders and investors in an effort to improve management.

Shareholder Returns

Dividends to shareholders

The Bank's basic policy is to enhance internal reserve in order to maintain and reinforce sound management, and to implement stable return of profit to its shareholders.

In accordance with the Bank's basic policy, annual dividend of ¥9 per share was paid to all shareholders for FY2019. We intend to distribute an annual dividend of ¥9 per share for FY2020 as well.

Shareholder benefit program

We introduced a shareholder benefit program as a way of expressing our appreciation to our shareholders for their support.

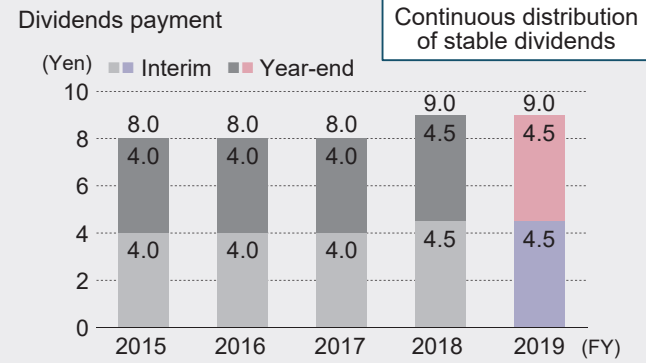
All shareholders who hold 1,000 shares or more as of March 31 of each year receive a gift catalog for local specialties of Mie Prefecture.

Eligible shareholders

Shareholders recorded in the shareholder registry who hold 1,000 or more shares in Hyakugo Bank as of March 31 of each year

Description of shareholder benefits

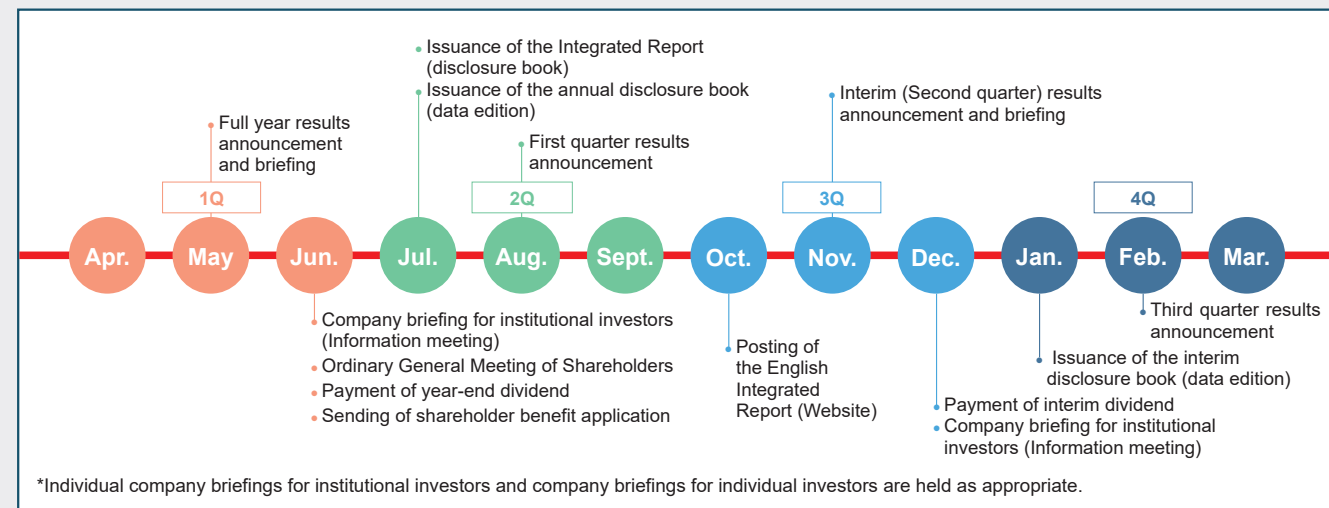
Recipients can select items from the Shareholder Benefit Gift Catalog, which lists local specialties of Mie Prefecture, in accordance with the number of shares they hold.



Number of shares held	Available local specialty gift
1,000 to 4,999	¥3,000 equivalent
5,000 or more	¥5,000 equivalent

Disclosure of Information

IR calendar



Ordinary General Meeting of Shareholders

Every June, we hold an Ordinary General Meeting of Shareholders at our Marunouchi Headquarter Building.

Holding company briefing sessions and IR audio broadcasts

We hold regular company briefing sessions for domestic and international securities firms, institutional investors, analysts, and regional customers. Various stakeholders are provided with information about financial performance, management strategy, and ESG/SDG initiatives.

In addition, from the perspective of fair and impartial information disclosure, audio recording of an annual information meeting held in Tokyo is available on our website, along with explanatory materials distributed to attendees.



Issuance of the disclosure book "Integrated Report"

To replace the previous Hyakugo Report (Informational Edition), the Bank decided to issue the Hyakugo Bank Integrated Report (HYAKUGO BANK REPORT) every July.

This report comprises both financial and non-financial information, and describes the Bank's management conditions, initiatives for sustainable growth, and medium to long-term value creation. Specifically, the report introduces our medium to long-term management strategy, corporate governance structure, as well as our activities

aiming to achieve a sustainable society as a regional financial institution, along with photos and numerical data.

The latest edition of Hyakugo Bank Integrated Report 2020 is available at each branch's counter.

In addition, the disclosure book (data edition) based on Article 21 of the Banking Act is published in July and January every year. Please see the Bank's website.



Integrated Report (Issued in July)

Data Edition (Issued in January and July)

Website <https://www.hyakugo.co.jp/>

We will publish information on the Bank's management, products, services, and campaigns in a timely manner. Financial information such as IR materials and disclosure book is available for viewing from the category entitled "For Shareholders and Investors." To improve security, we always use SSL encryption (communication encryption*), ensuring safe access to our website.

*A security method using https communication (encryption) across all pages on the website.



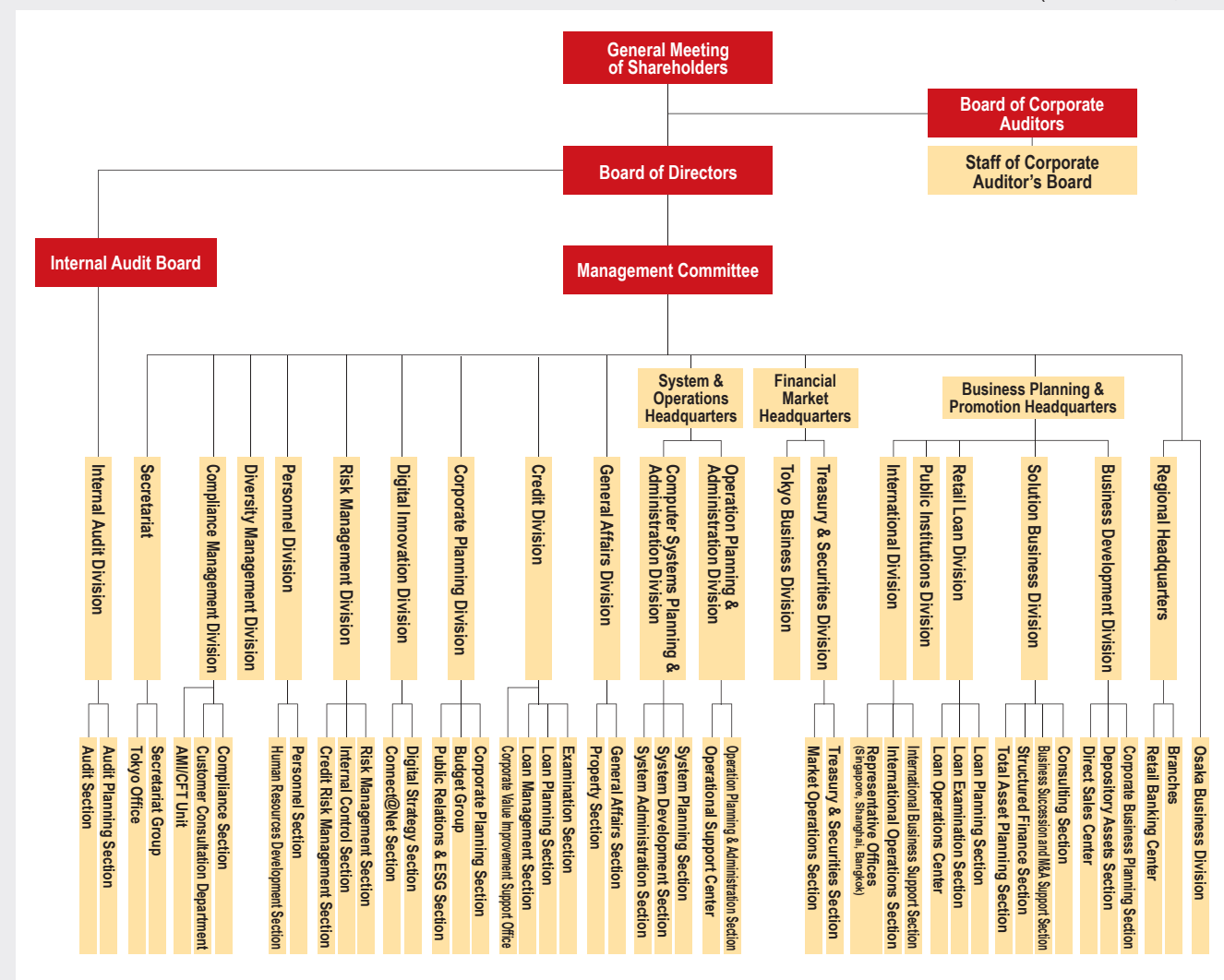
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Corporate Data

Organizational Structure/List of Group Companies

Organizational structure

(As of June 23, 2020)



Group companies

Company name	Address	Main fields of business
Hyakugo Card Co., Ltd.	3-123-1 Sakaemachi Bldg. Sakaemachi, Tsu	Credit card services and credit guarantee services
Hyakugo Leasing Company Limited	3-123-1 Sakaemachi Bldg. Sakaemachi, Tsu	Lease services
Hyakugo Research Institute Company Limited	21-27, Iwata, Tsu	Regional industry survey and consulting-related services
Hyakugo Computer Soft, Ltd.	21-27, Iwata, Tsu	Computer information processing services
Hyakugo Securities Company Limited	21-27, Iwata, Tsu	Financial instruments transaction services
Hyakugo Business Service Company Limited	33-21, Honmachi, Tsu	Examination and arrangement services of cash, etc.
Hyakugo Kanri Service Company Limited	7-6-70, Takajaya, Tsu	Printing, storage, administrative services for documents, account books, etc.
Hyakugo Property Research Company Limited	21-27, Iwata, Tsu	Collateralized real estate survey and appraisal activities
Hyakugo Office Service Company Limited	21-27, Iwata, Tsu	Concentrated management and administrative services for bank notes, bonds, etc.
Hyakugo Staff Service Company Limited	21-27, Iwata, Tsu	Employment placement and labor management services
Hyakugo Mirai Investment Co., Ltd.	3-123-1 Sakaemachi Bldg. Sakaemachi, Tsu	Formation and operation of investment limited partnership (fund)

Profile and Stock Information

Profile (As of March 31, 2020)

Name:	The Hyakugo Bank, Ltd.
Established:	November 19, 1878
Head office location:	21-27, Iwata, Tsu, Mie Prefecture
Representative:	President, Toshiyasu Ito
Paid-in capital:	¥20.0 billion
Number of employees:	2,399
Number of branches:	139 Branches, 3 Overseas Representative Offices
Breakdown	
	Mie Prefecture 85 Branches
	30 Sub-branches
	Aichi Prefecture 21 Branches
	Wakayama Prefecture 1 Branch
	Others 2 Branches (Tokyo, Osaka)
	Overseas 3 Representative Offices (Singapore, Shanghai, Bangkok)

Non-branch ATM locations:	205
Convenience store ATM locations (E-net, SEVEN BANK, LAWSON BANK):	49,068
Total assets:	¥6,423.3 billion
Deposits:	¥4,950.8 billion
Loans and bills discounted:	¥3,631.0 billion
Non-consolidated capital adequacy ratio:	10.07% (Domestic standard)
Consolidated capital adequacy ratio:	10.41% (Domestic standard)
Rating:	A (Rating and Investment Information, Inc.)
Number of outstanding shares:	254,119 thousand shares

Note: The Singapore Representative Office is planned for dissolution in August 31, 2020.

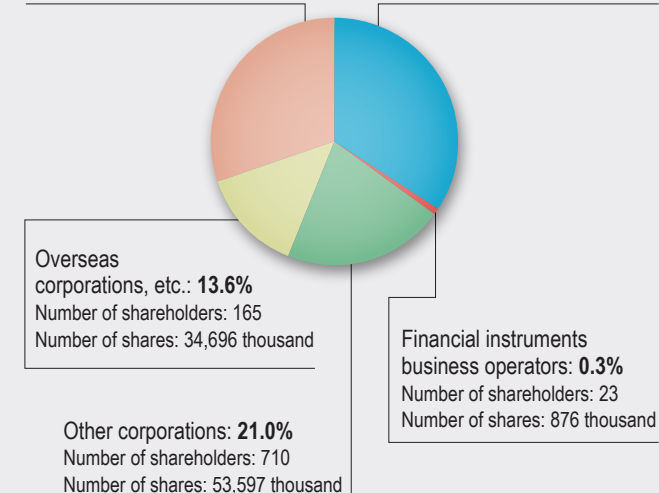
Stock information (As of March 31, 2020)

■ Status of shares

Total number of authorized shares	396,000 thousand
Total number of outstanding shares	254,119 thousand
Number of shareholders	15,019
Stock exchanging listing	Tokyo, Nagoya
Securities code	8368

■ Shareholder composition

Individuals and others: 30.1%	Financial institutions: 34.7%
Number of shareholders: 14,067	Number of shareholders: 54
Number of shares: 76,659 thousand	Number of shares: 88,289 thousand



■ Major shareholders

Name of shareholder	Number of shares (thousands)	Voting rights (%)
Meiji Yasuda Life Insurance Company	10,093	3.97
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,091	3.97
Japan Trustee Services Bank, Ltd. (Trust Account)	9,485	3.73
Nippon Life Insurance Company	8,396	3.30
Japan Trustee Services Bank, Ltd. (Trust Account 9)	7,501	2.95
Hyakugo Bank Employees' Shareholding Association	5,613	2.20
MUFG Bank, Ltd.	4,222	1.66
The Master Trust Bank of Japan, Ltd. (Toyota Motor Account)	3,986	1.56
SHIMIZU CORPORATION	3,930	1.54
Sompo Japan Nipponkoa Insurance Inc.	3,748	1.47
Top 10 total	67,069	26.39

Notes: 1. Amounts of the number of shares and voting rights are rounded down to the unit displayed.
2. Voting rights are calculated by dividing the number of shares held by the total number of outstanding shares.
3. Sompo Japan Nipponkoa Insurance Inc. changed its name to Sompo Japan Insurance Inc. on April 1, 2020.

■ Guidance on stock

Shareholder's register administrator	Mitsubishi UFJ Trust and Banking Corporation
Account management organization for special accounts	
Contact information	TEL: 0120-232-711 (Toll free)



**Edited by the Corporate Planning Division,
The Hyakugo Bank, Ltd.**

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