

Medium-term Management Plan

(April 2022 - March 2025)

KAI-KAKU 150 2nd STAGE “Gateway to the Future II”

—Aiming to Transform into a Green & Consulting Bank Group—

New Long-term Vision

The environment surrounding the Bank has become increasingly severe, with the prolonged COVID-19 pandemic and lifestyle changes associated with the outbreak as well as manifestation of climate change risks, on top of the population decline and intensifying competition. In order to capture these changes as opportunities, we have renewed our long-term vision toward the 150th anniversary of the company foundation to “Aiming to Transform into a Green & Consulting Bank Group.”

This renewal of long-term vision expresses the Hyakugo Bank Group’s two aspirations.

The first is our desire to contribute to sustainable economic development of local communities by supporting the promotion of “Just Transition,” a shift to a low-carbon society in a way that has no negative economic or social impact, in addressing the important social issue of climate change risks.

And the second is our aspiration to be a banking group that pioneers the future of our customers and local communities through problem-solving consulting.

We have put these thoughts into the words “Green” and “Consulting Bank Group.”

KAI-KAKU 150 2nd STAGE

“Gateway to the Future II” New Long-term Vision

Aiming to Transform into a Green & Consulting Bank Group

The Hyakugo Bank Group’s Aims

Green

- The Hyakugo Bank Group will support “Just Transition,” a fair transition to carbon neutrality in the region, and contribute to the sustainable economic development of local communities.

Consulting bank group

- The Hyakugo Bank Group will practice problem-solving consulting and commit itself to pioneering the future of its customers and local communities.
- The Hyakugo Bank Group will continue its IT strategy to improve productivity and support customers and local communities in their efforts towards IT applications.

Overview of Medium-term Management Plan

Based on this new long-term vision, we position the Medium-term Management Plan KAI-KAKU 150 2nd STAGE “Gateway to the Future II”—Aiming to Transform into a Green & Consulting Bank Group—, which kicked off in April, 2022, as “three years of adopting to aggressive strategies.” Using the foundation established in the 1st

STAGE as a jumping board, we will use the three-year period to diversify revenue sources and reform the cost structure by strengthening green initiatives and deepening digital and consulting initiatives, making a united group effort to leap to the next stage.

Five Basic Policies and 11 Key Strategies

In the Medium-term Management Plan “Gateway to the Future II,” we established five basic policies and 11 initiatives.

In “Strengthening Efforts towards Carbon Neutrality,” we will contribute to the creation of green society by supporting the decarbonization of customers and advancing decarbonization efforts of the Hyakugo Bank Group. In “Strengthening Business Model” and “Increased Productivity,” we will exhaustively pursue improved productivity by rebuilding face-to-face and non-face-to-face channels and streamlining operational efficiency through data utilization, as well as enhance loan income and fees and commissions. In “Strengthening Management Foundation” and “Increased Awareness of SDGs/ESG,” we will build a solid management foundation by investing in human capital, including development of consulting and data application personnel and provision of career support for diverse human resources, as well as by taking measures against climate change and other emerging risks as necessary.

Basic Policies	Key Strategies
I. Strengthening Efforts towards Carbon Neutrality	1. Carbon Neutral Strategy
II. Strengthening Business Model	2. Strategy to Enhance Loan Income and Fees and Commissions 3. Securities Strategy 4. Group Company Strategy
III. Increased Productivity	5. Channel Strategy 6. IT Strategy
IV. Strengthening Management Foundation	7. Human Resources Strategy 8. Governance Strategy 9. Organizational Strategy
V. Increased Awareness of SDGs/ESG	10. Diversity Strategy 11. SDGs/ESG Strategy

Numerical Targets of the Medium-term Management Plan

As numerical targets of the Medium-term Management Plan, we have set the targets for FY2024 by bringing forward the goals originally set for the 150th anniversary of the company foundation (FY2028) which were presented as long-term vision formulated in 2019.

We also have two additional items of “Return to shareholders” and “Contributing to local sustainability” as our commitment to stakeholders.

		Results in FY2021	Target for FY2024
KGI	Consolidated net income	¥13.4 billion	¥15 billion or more
	ROE in consolidated net assets	3.36%	3.50% or more * Aiming for 5% in the long term
	Core OHR	62.24%	Less than 67%
	Capital adequacy ratio	9.84%	11% or more
KPI	Housing loan-related fees	¥3.4 billion	¥4.4 billion
	Commissions related to depository assets	¥2.8 billion	¥3.4 billion
	Corporate solutions fees	¥2.7 billion	¥3 billion
	Number of personnel with professional qualifications*	336 persons	450 persons

* 1st grade financial planner, CFP, SME consultant, certified tax accountant, certified social insurance labor consultant, securities analyst, and CIA (Certified Internal Auditor), etc.

Return to shareholders

Dividend payout ratio	Aiming for 30% in the long term
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Contributing to local sustainability

Greenhouse gas emissions	Achieve net zero (Scopes 1, 2)
Amount of sustainable finance executed*	¥1 trillion (of which, more than ¥500 billion is environmental financing)

* Cumulative total since FY2022