

Basic Policy Strengthening Business Model

Key Strategy **Securities Strategy**

Hyakugo Bank carries out securities investment to accumulate safe and good assets to secure good payment reserve assets, obtain stable interest and dividend revenue, and form unrealized gains from a medium- to long-term perspective and they play an important role in asset management, together with loans.

Status of securities portfolio

As of March 31, 2023, the Bank had approximately ¥1.4 trillion of securities under management. As a result of the Bank's overall efforts to increase lending to small and medium-sized companies and housing loans due to the difficulty of redeeming and reinvesting JPY-denominated bonds in the prolonged low interest rate environment in Japan, the balance of securities has been declining over the past few years.

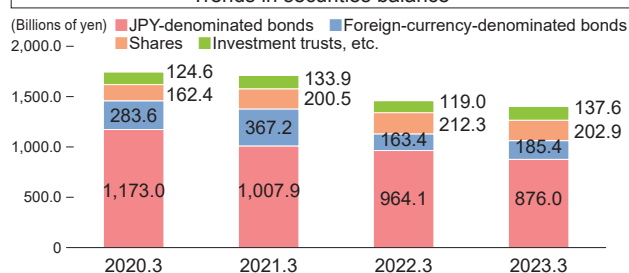
The balance of JPY-denominated bonds is on a declining trend, as negative interest rate policy and other monetary easing policies continue to curb redemption and reinvestment.

The balance of foreign currency-denominated bonds has been reduced, mainly in fixed-rate bonds, to avoid the impact of large interest rate hikes in the U.S. and Europe, and new investments have been made mainly in floating-rate bonds.

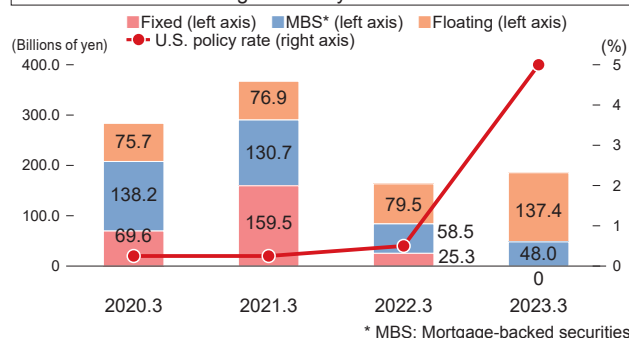
In addition to controlling the balance of shares and investment trusts in accordance with market trends, we also invest to diversify our investment tactics, aiming to secure stable income without being greatly affected by market trends as an alternative to bond investments.

With regard to valuation gains and losses on securities, which indicate the health of management, although JPY-denominated bonds and foreign currency-denominated bonds have suffered valuation losses due to rising domestic and foreign interest rates, as a result of curbing reinvestment of redemptions in JPY-denominated bonds and reducing the balance of fixed-rate bonds in foreign currency-denominated bonds, overall securities had an unrealized gain of ¥115.0 billion as of March 31, 2023.

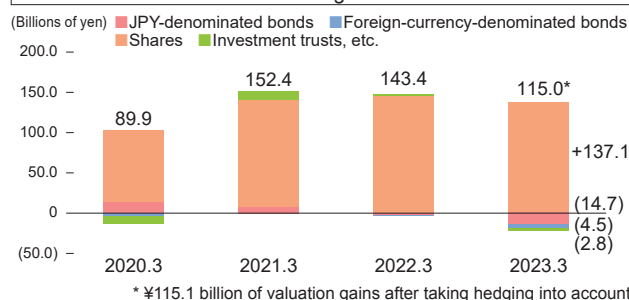
Trends in securities balance



Trends in foreign-currency-denominated bonds



Trends in valuation gains and losses



* ¥115.1 billion of valuation gains after taking hedging into account

Future investment policy

In addition to the above basic policy, the Bank's securities investment policy aims to accumulate safe and quality assets while responding to market environment fluctuations as appropriate in constructing its securities portfolio.

Looking ahead at the market environment, it is uncertain whether price hikes and wage increases will be sustained in Japan, and overseas, there are growing concerns about a future recession due to continued monetary

tightening by major central banks, and the outlook is uncertain in general.

Based on this recognition of the environment, for the time being, we will gradually build up our securities portfolio and manage it in a way that preserves our investment capacity, so that we can smoothly and flexibly revise our investment policy and pursue income even in times of market fluctuations.