

## Basic Policy

## Strengthening Business Model

## Key Strategy

## Securities Strategy

(Basic Policy)

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, 2024, the Bank had approx. ¥1.5 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 had been declining over the past few years. However, due to a revision of monetary policy and a rise in stock prices, the balance of securities in FY2023 increased by ¥160.1 billion from the end of the previous fiscal year.

Although the negative interest rate policy and other monetary easing policies had continued to curb redemption and reinvestment of JPY-denominated bonds, the invested amount has gradually increased as monetary policy is returning to normal, starting with more flexible implementation of yield curve control instigated in July 2023. We also improved our portfolio by selling low-yielding bonds that we had invested in when interest rates were low and reinvesting the proceeds.

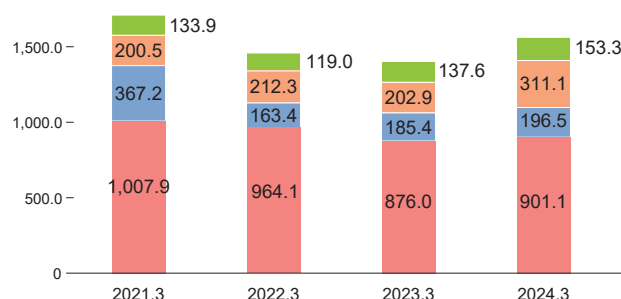
In our foreign currency-denominated bonds portfolio, new investments have primarily been in floating-rate bonds to avoid the impact of interest rate hikes in the U.S. and Europe. As with JPY-denominated bonds, we improved the portfolio by replacing holdings of foreign currency-denominated bond in anticipation of future rate cuts.

In addition to controlling the balance of shares and investment trusts in accordance with market trends, we are aiming to secure stable income without being greatly affected by market trends as an alternative to bond investments, which is leading to the diversification of our sources of income.

With regard to valuation gains and losses on securities, which indicate the health of management, although JPY-denominated bonds have suffered valuation losses due to rising domestic interest rates, overall securities had an unrealized gain of ¥226.4 billion as of March 31, 2024 due to the impact of rising stock prices.

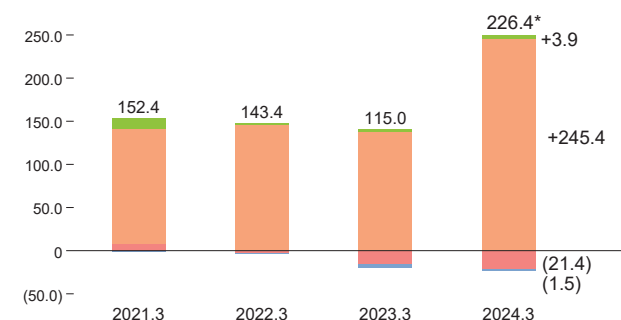
## Trends in securities balance

(Billions of yen) ■ JPY-denominated bonds ■ Foreign-currency-denominated bonds  
■ Shares ■ Investment trusts, etc.



## Trends in unrealized gains and losses on securities

(Billions of yen) ■ JPY-denominated bonds ■ Foreign-currency-denominated bonds  
■ Shares ■ Investment trusts, etc.



\* ¥229.2 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, in Japan, although yen interest rates have been rising due to the normalization of the Bank of Japan's monetary policy, the pace and end point of that monetary policy normalization is uncertain. In overseas markets, while inflation rates have been slowing due to monetary tightening by the

major central banks, the outlook for the economy and prices remains unclear.

Based on this recognition of the environment, while adopting a basic approach of gradually building up our securities portfolio, in addition to smoothly and flexibly revising our investment policy and pursuing income even in times of market fluctuations, we will improve our portfolio by replacing our bond holdings as we did in FY2023.