

Basic Policy Strengthening Management Foundation

Key Strategy Governance Strategy, Organizational Strategy

Hyakugo Bank Group strives to meet stakeholders' expectations by strengthening its management foundation and enhancing its corporate value.

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 medium to long term.

To realize the abovementioned 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.

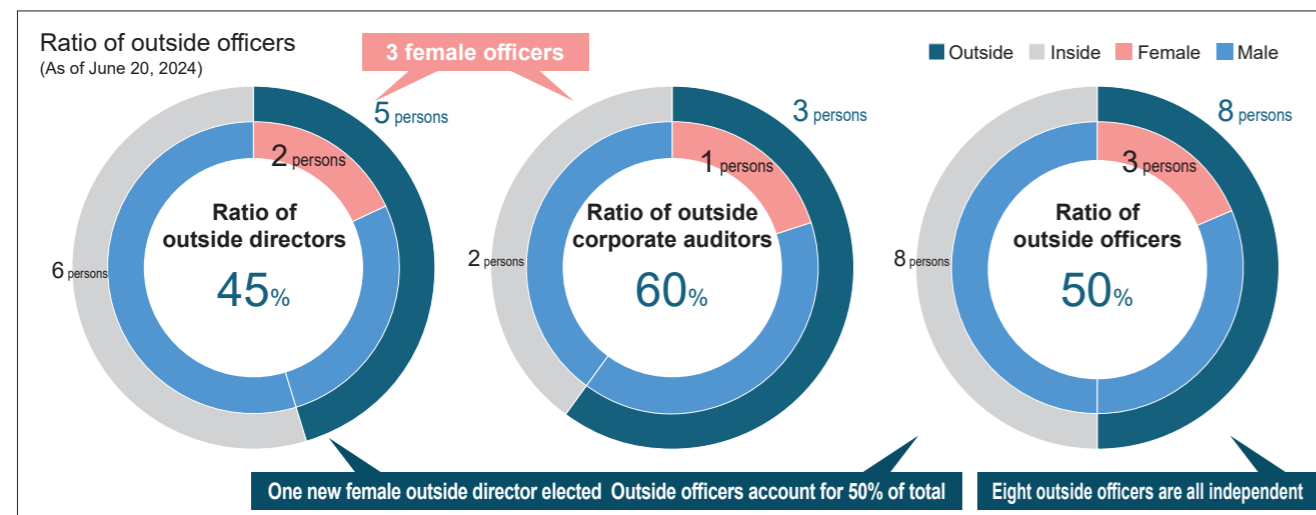
In addition, we have established the Basic Policy on the Internal Control System pursuant to the Companies Act, and developed a system to ensure the appropriateness of business execution of the corporate group comprised of the Hyakugo Bank and its subsidiaries. We also engage in efforts such as convening 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 20, 2024, the ratio of outside officers at the Bank is 50%. We have three female officers and are further diversifying the makeup of outside officers. In addition, we have a Corporate Governance Committee, which serves as our non-mandatory nomination committee/compensation committee, that works to achieve higher transparency and 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 committee / compensation committee)

Chairperson is elected from among **outside directors**

Title	No. of persons
Outside directors	5
Inside directors (representative directors)	2
Total	7

(As of June 20, 2024)

Decision-making of Board of Directors

- For higher **transparency**
- For higher **objectivity**

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 (such as fostering of successors and initiatives for diversity)

Corporate governance system

Board of Directors

The Board of Directors is composed of 11 directors (including five outside directors) and 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 operation of measures and oversees directors' execution of their duties. The Bank has also adopted an executive officer system and is working to enhance its business execution functions under the supervision of the Board of Directors.

Board of Corporate Auditors

The Board of Corporate Auditors is composed of five corporate auditors (including three outside corporate auditors) and meets in principle once a month. In addition to resolving and consulting on matters prescribed in laws and regulations and elsewhere, it receives reports on the results of internal audits by each of the corporate auditors and audits the directors' overall execution of their duties.

Corporate Governance Committee

The Bank has established a Corporate Governance Committee to serve as the Bank's non-mandatory nomination committee/compensation committee. It strives to achieve higher transparency and objectivity of decision-making by the Board of Directors through appropriate involvement and advice by the outside officers.

Management Committee

Established under the Board of Directors, the Management Committee is composed of the standing directors and meets in principle 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.

Internal Audit Board

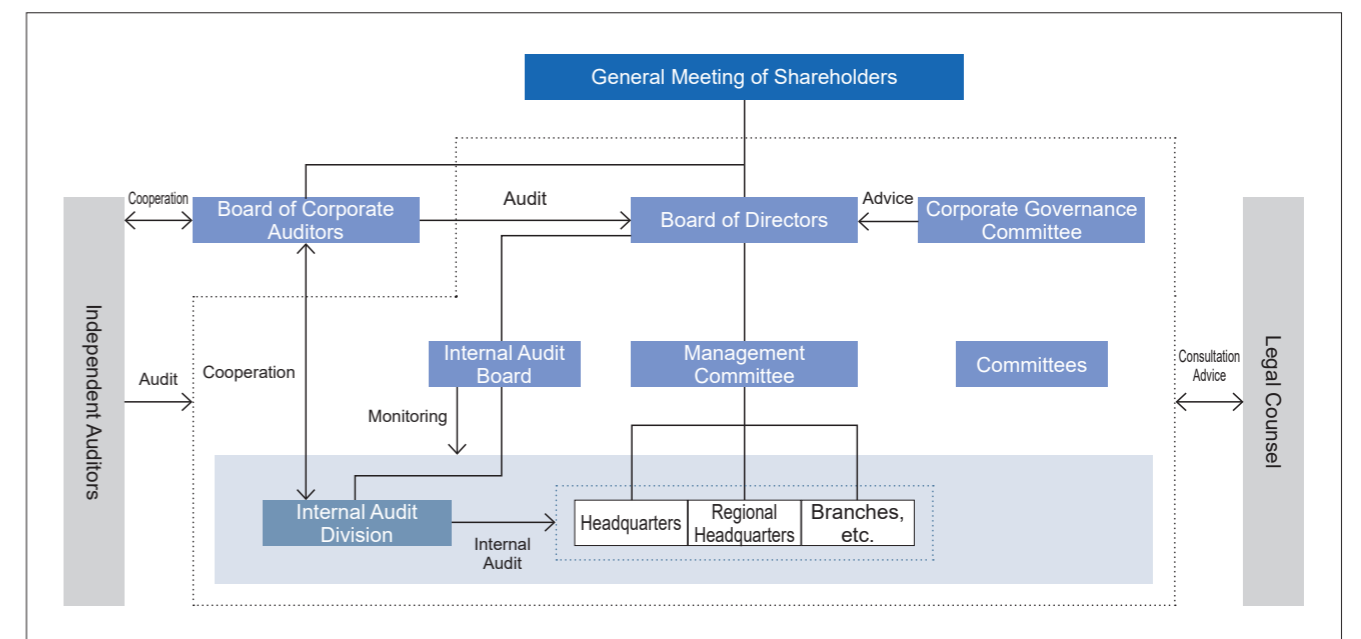
Established under the Board of Directors, the Internal Audit Board is composed of the standing directors and the General Manager of Internal Audit Division and meets in principle once a month. It received reports on the results of internal audits conducted by the Internal Audit Division under its direct control and monitors the appropriateness of business execution and effectiveness of internal audits

Committees

Hyakugo Bank has established the following committees in its efforts to strengthen and enhance management.

Name of committee	Objectives
Compliance Committee	Establishment of legal compliance structure
Customer Protection Management Committee	Consideration of improvements and responses to enhance customer protection and convenience
Finance Facilitation Committee	Appropriate facilitation of finance for small and medium-sized businesses
ALM Risk Management Committee	Deliberation of portfolio management from the dual perspectives of management soundness and profitability
Operational Risk Management Committee	Deliberation of measures for the minimization of operational risk
IT and Digital Strategy Committee	Optimization of system investments and realization of DX
Performance and Compensation Committee	Improvement of credibility, fairness and transparency of personnel evaluations
SDGs Promotion Committee	Contribution to the achievement of a sustainable society
FD Committee	Strengthening of initiatives for customer-oriented business operations (FD)

Corporate Governance System Diagram



Evaluation of effectiveness of Board of Directors

Evaluation method

The Bank evaluates the effectiveness of the Board of Directors on an annual basis.

For the evaluation conducted in FY2023, the Bank distributed a questionnaire survey to the members of the Board, and the Board conducted an analysis and evaluation based on the responses and feedback received.

Evaluation results

This evaluation showed that the diverse members of the Board of Directors conduct multifaceted and in-depth discussions based on their respective experience and knowledge, that the Board's decision-making and supervisory functions are being appropriately performed, and that Board meetings are run appropriately, thus confirming that its effectiveness has been ensured. In addition, in FY2023, the Board of Directors addressed the challenge of aiming for sharing of information about management strategies and issues and the further revitalization of discussions with a consciousness of sustainability (medium- to long-term sustainability that includes ESG elements). The Bank's evaluation is that these efforts have been reasonably effective.

Future policy

In FY2024, the Board of Directors will work to enhance its sharing of information and in-depth discussions about management strategies and issues with a consciousness of sustainability (medium- to long-term sustainability that includes ESG elements).

Main matters discussed in Board of Directors meetings in FY2023 (15 meetings)

Management plans

- Consideration of the framework for the next Medium-term Management Plan
- DX strategy for the next Medium-term Management Plan
- FY2024 operational plans
- Formulation of roadmap for improvement of PBR

Matters concerning sustainability

- Scope 1 and 2 emissions reduction plans
- State of human capital management initiatives and disclosures
- State of progress toward goals for the promotion of women's active engagement and future action plans

Matters concerning corporate governance

- Evaluation of effectiveness of Board of Directors
- Review of cross-shareholdings and formulation of divestment policy

Matters concerning risk and compliance

- Formulation of FY2024 compliance activity plans
- Amendment of Group risk assessment report
- Formulation of operational policy for integrated risk management
- Determination on annual audit plan

Officers compensation system

1 Directors' compensation

Compensation is paid as an incentive to strive for the sustainable improvement of corporate value. The basic policy for the determination of individual directors' compensation is that it should be at an appropriate level based on their individual duties and responsibilities.

(1) Compensation of standing directors
Composition

Compensation is composed of a defined-amount compensation as fixed compensation, performance-linked compensation, and share compensation-based stock options.

Defined-amount compensation	Defined-amount compensation shall total no more than ¥300 million per year, and it will be paid in monthly installments in accordance with roles and responsibilities.
Performance-linked compensation	This compensation is paid once a year after the Annual General Meeting of Shareholders in accordance with the business performance of a single fiscal year (previous fiscal year). The total amount paid shall be 0.9% of the Bank's profit for the relevant business year. However, a maximum amount of 100 million yen will apply, and if profit for the fiscal year is less than ¥2,000 million, the payment amount will be 0.
Share compensation-based stock options	The objective of this compensation is to raise motivation and morale toward the improvement of medium- to long-term corporate value and increased share prices. Share acquisition rights will be allotted once a year to a total value of no more than ¥30 million.

Ratio of compensation by type

This is determined upon comprehensive consideration of positions, responsibilities, business performance and other factors, with the target ratio of 70% defined-amount compensation, 25% performance-linked compensation, and 5% share compensation-based stock options (assuming that the maximum amount of performance-linked compensation is paid).

(2) Compensation of outside directors

Outside directors shall be paid defined-amount compensation only in consideration of their duties.

(3) Individual compensation amounts

The President of the Bank shall be entrusted with the specific details based on a resolution of the Board of Directors. The President's authority shall consist of the evaluation and allocation of each individual director's defined-amount compensation and business-linked compensation. The Board of Directors shall consult with and obtain advice from the Corporate Governance Committee to ensure that this authority is exercised appropriately by the President. Having been delegated this authority as described above, the President must respect the content of such advice in making decisions. The number of share compensation-based stock options to be allotted to each Director shall be determined by the Board of Directors based on advice from the Corporate Governance Committee. The policy for determining the content of compensation, etc. for individual Directors is decided by a resolution of the Board of Directors after consulting with the Corporate Governance Committee and receiving its deliberation and advice.

2 Compensation of corporate auditors

Corporate auditors shall be paid defined-amount compensation only in monthly installments to enhance their neutrality and independence. The timing and allocation of payments, etc. shall be determined in consultation with the Corporate Auditors.

Reasons for appointment of outside officers

Outside Directors

For the following reasons, the Bank has appointed the Outside Directors after determining that they will contribute greatly to the enhancement of the effectiveness of the Board of Directors' decision-making and supervisory functions, from the perspective of promoting the sustainable growth of the Bank and improving its medium- to long-term corporate value.

Name (Year and month of appointment)	Reasons for appointment	Attendance of Board of Directors meetings in FY2023
Nagahisa Kobayashi (June 2013)	Mr. Kobayashi has been involved in the management of listed companies for many years and has a wealth of experience and broad insights as a corporate manager.	14/15
Hisashi Kawakita (June 2015)	Mr. Kawakita has been involved in the management of private companies for many years and has a wealth of experience and broad insights as a corporate manager.	15/15
Keiko Nishioka (June 2020)	Ms. Nishioka has been involved in the management of private companies for many years and has a wealth of experience and broad insights as a corporate manager.	15/15
Atsushi Nakamura (June 2022)	Mr. Nakamura has been involved in the management of insurance companies for many years and has a wealth of experience and broad insights in the finance industry.	15/15
Keiko Hirota (June 2024)	Through her wealth of work experience at the Mie Prefectural Government, Ms. Hirota is well versed in the realities and challenges of the region, and she has experience and insights in regional revitalization.	—

Outside Corporate Auditors

For the following reasons, the Bank has appointed the Outside Corporate Auditors after determining that they will be able to actively express their impressions and opinions in meetings of the Board of Directors and Board of Corporate Auditors and conduct audit activities appropriately, including giving advice and recommendations.

Name (Year and month of appointment)	Reasons for appointment	Attendance of Board of Directors and Board of Corporate Auditors meetings in FY2023
Shinji Tsuruoka (June 2019)	In addition to his extensive knowledge as a university professor, Mr. Tsuruoka has served as a Director and Vice President of a university and has a wealth of experience and broad insights in the management of organizations.	Board of Directors: 15/15 Board of Corporate Auditors: 14/14
Ikuko Kawabata (June 2019)	Ms. Kawabata has worked as a prosecutor and attorney for many years and has a wealth of experience and broad insights as an expert in the law.	Board of Directors: 15/15 Board of Corporate Auditors: 14/14
Kazuto Uchida (June 2022)	Mr. Uchida has been involved in the management of banks and securities firms for many years and has a wealth of experience in the finance industry and broad insights into financial matters.	Board of Directors: 15/15 Board of Corporate Auditors: 14/14

Directors' skills matrix

Inside Directors

Name	Gender	Position in Hyakugo Bank	Areas of specialty/experience (officers or divisions in charge) possessed by Inside Director					
			Corporate strategy	Legal affairs/ risk management	Personnel and labor affairs	Sales	Market operation	IT/systems
Toshiyasu Ito	Male	Chairman	●				●	●
Masakazu Sugiura	Male	President	●	●			●	
Kei Yamazaki	Male	Senior Managing Executive Officer	●	●	●			
Tetsuya Kato	Male	Managing Executive Officer			●	●		●
Yutaka Arakida	Male	Managing Executive Officer		●	●	●		
Yasuhiro Urata	Male	Managing Executive Officer	●				●	●

Outside Directors

Name	Gender	Position in Hyakugo Bank	Areas in which Outside Directors are especially expected to play significant roles				
			Corporate management	Finance	ESG/ sustainability	Global	Regional revitalization
Nagahisa Kobayashi Independent	Male	Director	●			●	
Hisashi Kawakita Independent	Male	Director	●		●		
Keiko Nishioka Independent	Female	Director	●			●	
Atsushi Nakamura Independent	Male	Director		●	●		
Keiko Hirota Independent	Female	Director			●		●

* The above tables highlight the areas of particular strengths of each Director or those in which some of the expertise, experience and knowledge of each Director are expected to come in useful. They do not represent all expertise, experience and knowledge possessed by each Director.

* "Independent" indicates Independent Director as prescribed by Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc.