

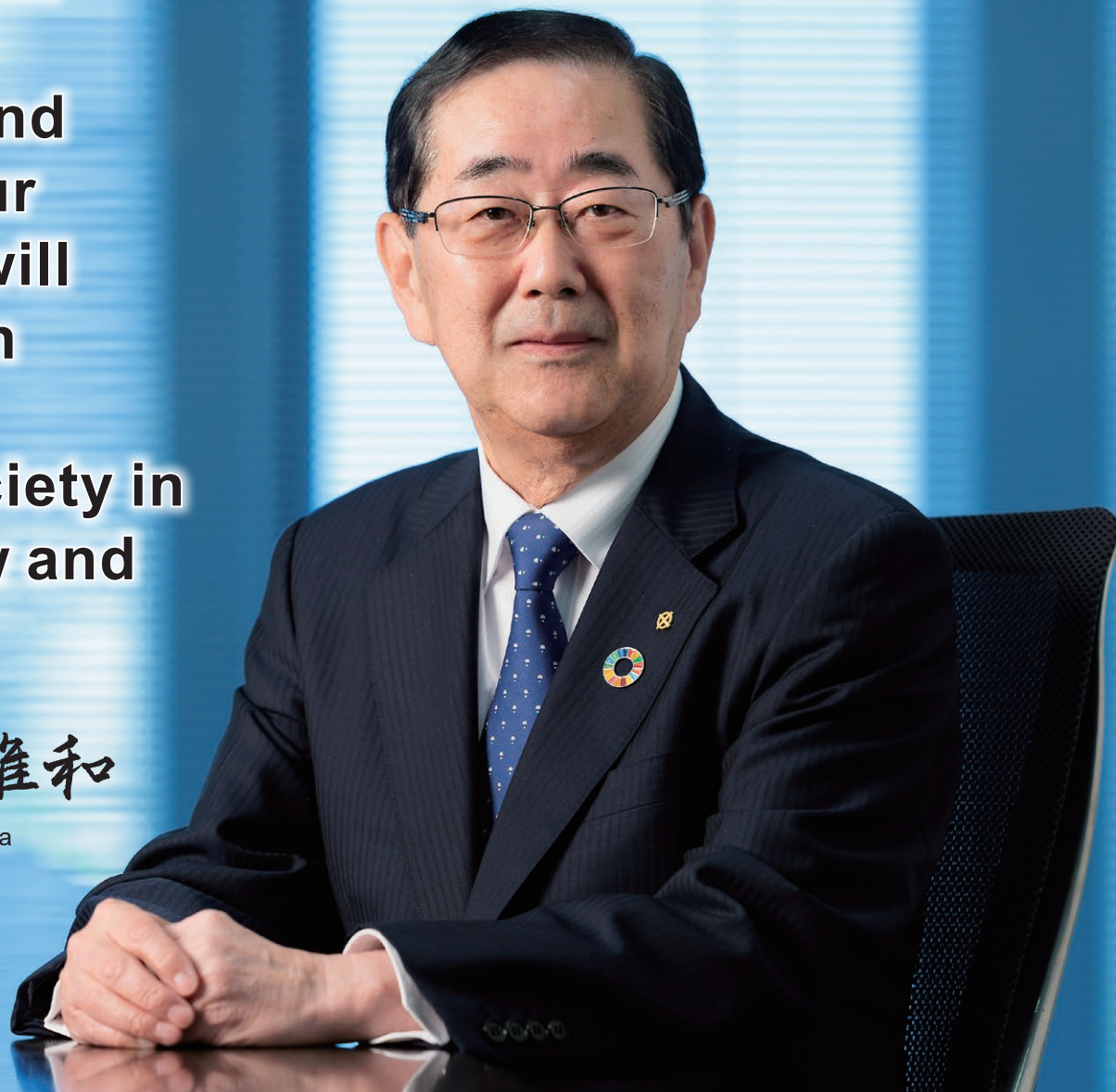
Message from the President

With the support and collaboration of our stakeholders, we will continue to take on “challenges” to contribute to a society in which we can grow and prosper together.

President

杉浦雅和

Masakazu Sugiura





Introduction

Looking back on FY2024, the arrival in earnest of “a world with interest rates” was the most significant news for financial institutions. Our true worth as a financial institution will now be measured by how effectively we can contribute to our customers and to the region.

Unfortunately, it was also a year marked by numerous cases of misconduct in the financial industry, which significantly undermined the trust held in the sector as a whole. Here at Hyakugo Bank, we must not believe that this situation has nothing to do with us. Instead, we must strengthen our own governance frameworks and be thorough in upholding compliance.

As a regional bank, in response to both the advent of “a world with interest rates” and the need to restore trust in the financial industry, we must pursue change with more haste than ever and further respond to the expectations and trust held in us by our customers and shareholders. To achieve this, I recognize that, above all else, we must take on many different “challenges.”

“

We will hasten to pursue change and further respond to the expectations and trust held in us by our customers and shareholders.

”

I am often told that the first image of Hyakugo Bank that comes to mind is one of “solid management.” While I am delighted that we are recognized for that solidity, by the same token, I imagine that some people have a slightly more negative impression that we are “overly cautious” or “conservative.”

With our announcement of “FRONTIER BANKING” in the Bank’s corporate statement, we have declared our commitment to deliver cutting-edge services and products in our aim to offer the most advanced customer service in Japan, and in doing so, provide customers with satisfaction that exceeds their expectations.

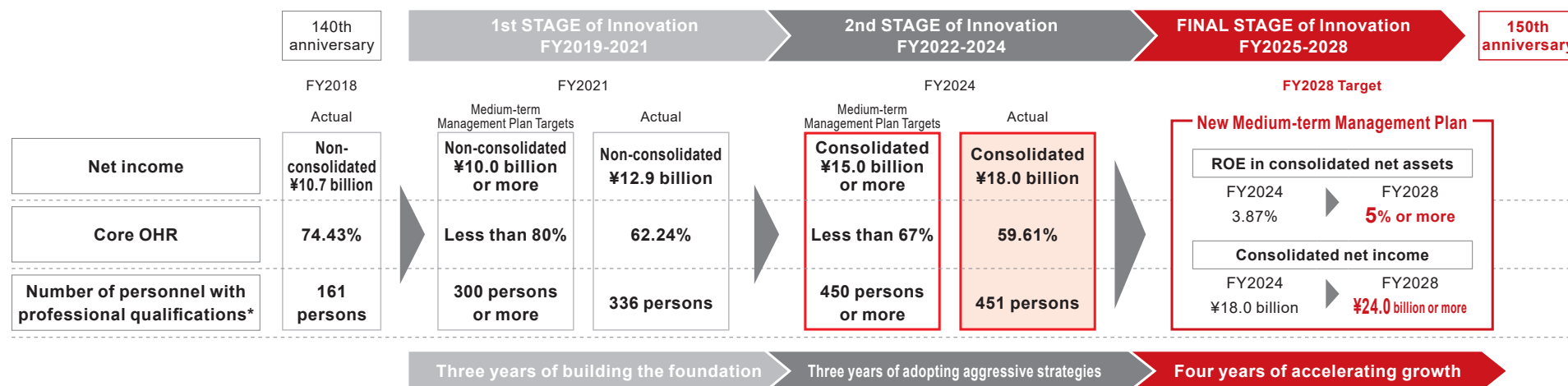
Hyakugo Bank’s solidity is by no means the result of an overly cautious approach. Rather, I take pride in the fact that it is something that has been cultivated by our FRONTIER spirit. To continue to be an institution of FRONTIER BANKING, we will be more proactive than ever in taking on diverse “challenges.”

We have incorporated that resolve into the four-year Medium-term Management Plan that began in April 2025 by giving it the name “KAI-KAKU 150 FINAL STAGE—Challenge for the Future.” Building on the foundation of “solidity” laid by our predecessors and supported by our many stakeholders over the years, by sowing and nurturing new seeds of “challenge,” we hope to share the many fruits of those efforts four years from now.

Review of the Previous Medium-term Management Plan

The three-year Medium-term Management Plan, “KAI-KAKU 150 2nd STAGE —Gateway to the Future II,” which began in April 2022, came to an end in March 2025. The result was the successful achievement of all of the KGIs that we had set, namely

Long-Term Vision



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

consolidated net income of ¥15.0 billion or more, ROE in consolidated net assets of 3.50% or more, a core OHR of less than 67%, and a capital adequacy ratio of 11% or more. In particular, as we posted record high consolidated net income of ¥18.0 billion, my assessment is that we were able to accomplish the plan smoothly overall.

This plan represented the mid-point of our ten-year Long-term Vision, “Aiming to Transform into a Green & Consulting Bank Group,” toward 2028, the 150th anniversary of the Bank’s foundation. As such, we focused on “the quality” of each initiative in the activities we pursued for the achievement of the Long-term Vision.

As the first step in our sales activities, our fundamental approach is to first listen to the concerns of our customers, who are our highest priority, and identify their underlying issues. To thoroughly execute this approach, we reorganized our sales locations and re-examined our personnel allocations, thereby working to build a framework that enables more productive sales activities. Additionally, to enhance opportunities for dialogue with customers, we have significantly expanded the reception booths at rebuilt branches. These kinds of initiatives have helped improve the quality of our dialogue with customers.

We have also placed increased efforts into human resources development to improve the quality of the proposed solutions to customer issues identified through in-depth dialogue. As a result, we were able to increase the number of personnel with

professional qualifications from 336 at the beginning of the Plan to 451. We also worked to improve the quality of support for solutions to our customers’ issues, which are becoming increasingly diverse and complex, by establishing a new dedicated team to provide solutions to relatively new business issues, such as decarbonization, support for the automotive industry, and ICT consulting. I believe that a virtuous cycle of such initiatives has helped to strengthen our profitability, leading to the achievement of record high financial results.

We have also focused efforts on activities for the realization of a sustainable society. In particular, although understanding of the importance of addressing climate change is increasing every year, progress in such initiatives by SMEs in the region has been limited due to a lack of information and resources on their part. For this reason, we have taken the lead in actively engaging in climate change responses ourselves to set the example for the local community. We have also deployed activities to deepen our customers’ understanding to help them take action themselves. To take the example of the Bank’s own carbon neutrality, our initiatives have included the expanded locations introducing CO₂-free electricity and carbon offsetting through the purchase of forest-related J-Credits. In addition, we have obtained “ZEB” and “Nearly ZEB” certification for newly built branches through the adoption of energy-saving equipment and solar power equipment, among other initiatives.

Regarding support for customers, we have held multiple seminars to help increase their understanding, as well as providing information. Other initiatives include consulting on the calculation of greenhouse gas emissions and concrete proposals for emissions reductions. As a result of such quiet, steady efforts, the Hyakugo Decarbonization Support Services received over 500 requests over three years, greatly broadening the circle of regional engagement in this issue.

Recognition of the External Environment and Practice of Sustainable Management

Our greatest strength lies in the strong bonds and unwavering relationships of trust with our customers that we have forged in the region over our long history of 146 years. In particular, we boast the highest market share in Mie Prefecture for both deposits and loans. This is a testament to the strong relationships we have with our



customers. This solid customer base underpins our stable business operations, and it will no doubt remain the source of enhancement of our corporate value in the years to come.

While our performance has remained steady to date, if we look at the external environment, social change is accelerating at an unprecedented rate. Factors of change include the declining working-age population due to birthrate decline and population aging, the materialization of climate change risks, advances in digitalization, and the increasing diversity of people's values. Depending on how we approach them, these major changes could become either a crisis or an opportunity for the Bank. If we falter in our approach to these changes, it could lead to the decline in the regional community as a whole. It would also mean the simultaneous decline of the Bank, which is supported by the region. This is precisely why, in the respect of the enhancement of the Bank's corporate value as well, it is more important than ever that we view these changes in the external environment in a positive light and undertake activities that will create a sustainable society.

With this recognition, we began the process of formulating the Medium-term Management Plan that began in April 2025 by re-organizing the key issues "materiality" that the Bank must address. This is because we determined that it was essential to re-examine what kind of value we should provide and in which domains, to fulfill our social responsibilities and build a future together with the regional community. In this materiality review, to ensure that we identified the most pressing social issues and the roles that the Bank is expected to play, we incorporated opinions from a wide range of perspectives. This included employee questionnaires, discussions with the Outside Directors, and interviews with institutional investors, local governments, and ESG evaluation institutions.

Ultimately, we organized our materiality into the five key issues: "Creating vibrant communities," "Contributing to secure and prosperous lives," "Creating a society where every individual can thrive," "Coexistence with nature," and "Responsible management." In addition, while not publicly announced, to ensure the execution of the materiality, we have set sub-materiality issues for each of the key issues, as well as 230 KGIs and 370 KPIs for the quantitative measurement of their degree of achievement.

By earnestly building up small actions one by one, we will solve the larger issues of the regional community, which will lead to the sustainable growth of both the region and the Bank.

New Medium-term Management Plan

As I mentioned earlier, we launched the new Medium-term Management Plan, "KAI-KAKU 150 FINAL STAGE—Challenge for the Future," in April 2025. This is a

“

Through the challenge of “new business that creates new communities,” we will aim to create both “economic and social value” to revitalize the region and enhance our corporate value.

”

four-year plan that will lead us into the milestone year of our 150th anniversary. It has an extremely important position for the Bank, marking the final stage of the ten-year Long-term Vision, “Aiming to Transform into a Green & Consulting Bank Group.” On the basis of building a more robust and efficient business structure for “the banking business,” the Bank’s core business, we will create both “economic and social value” through the challenge of “new business that creates new communities.” In doing so, we aim to revitalize the region and enhance our corporate value, which is the concept of the plan.

One distinctive feature of the new plan is that, in addition to financial targets, we have set non-financial targets for measuring the outcomes of the “materiality” approaches that I presented earlier. The financial targets include ROE in consolidated net assets of 5% or more and consolidated net income of ¥24.0 billion or more in FY2028. With regard to ROE in particular, until now, while our previously stated aim was to achieve 5% “in the long term,” we have now clarified the specific timeframe for reaching this target. In terms of non-financial targets, we have set seven targets, including “Cumulative total of 1,000 customer management issues solved” and “Cumulative total of 30 community issue engagements.”

In addition, to achieve these targets, we have set five basic strategies, namely “01 Creation of Social Value,” “02 Challenge for the Growth,” “03 Human Resource Strategy,” “04 Digital Transformation,” and “05 Strengthening of Strategic Foundation.” The formulation of the individual strategies and initiatives was indeed an “All Hyakugo” affair, including multiple discussions with the Outside Directors, and canvassing of the opinions and wishes of all employees, including at Group companies. I believe that the resulting plan is one that the employees will feel happy to take on as a “challenge” as we work toward achieving our goals over the next four years.



On April 1, 2025, the starting date of the plan, we were able to announce an initiative that will symbolize our “challenge for the future.” I would like to present that initiative here. Nagoya-based systems-related companies, Asca Planning Nagoya Company Limited and Digital Associate Company Limited, became subsidiaries of the Bank on April 1, 2025. These two companies are engaged in businesses such as systems development support, systems maintenance, systems operation support, and dispatch of systems-related personnel. The key objectives behind making these companies subsidiaries of the Group are to generate maximum synergies by leveraging the technologies, expertise, and abundant development talent possessed by these two companies, combined with the Group’s customer base, credibility, and systems development capabilities, and in doing so, take the lead in driving digital transformation (DX) in the region, contributing to the region’s enhanced productivity and revitalization. Through the accumulation of such initiatives, we will continue to embrace the challenge of creating economic value and social value at the same time by providing a wider range of solutions than ever to our customers.

Basic Strategies of the New Medium-term Management Plan

The following is a description of the five basic strategies of the Medium-term Management Plan “KAI-KAKU 150 FINAL STAGE—Challenge for the Future.”

01 Creation of Social Value

Aim to create economic and social value by taking on the challenge of solving local issues

02 Challenge for the Growth

Aim to thoroughly streamline banking operations and provide more value to customers

03 Human Resource Strategy

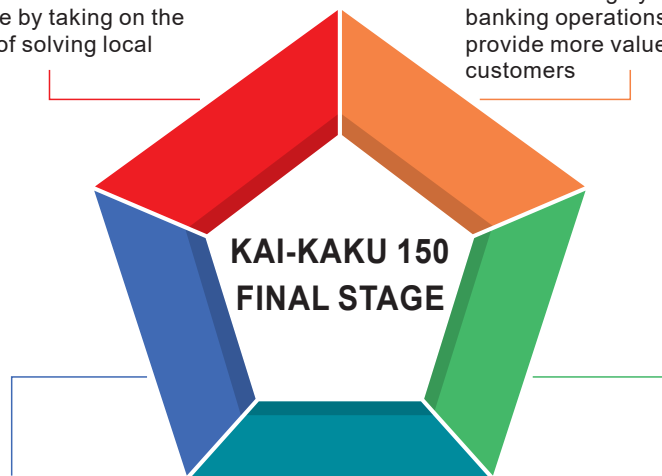
Aim to be a “group of professionals who take on challenges” through proactive career development

04 Digital Transformation

Aim to transform operations and mindsets by leveraging digitalization and data

05 Strengthening of Strategic Foundation

Aim to strengthen governance and integrate sustainability and management



Basic Strategy 01 Creation of Social Value

Through this strategy, we aim to revitalize the region and establish diverse revenue streams for the Bank by actively taking on the challenge of new businesses that contribute to solutions to regional issues and to the creation of social value. We have established a new Group Strategy Promotion Office and Sustainability Business Development Division as the framework for achieving this aim.

The Group Strategy Promotion Office will take the lead in reviewing the Group’s overall business portfolio by pursuing new business initiatives and considering the withdrawal from unprofitable businesses. In addition, the Office will play a central role in the “New Business Creation Project” to foster a culture of “challenge” and encourage employees to freely create new business based on their own ideas.

The Sustainability Business Development Division will take the lead in creating new business that will lead to solutions to social issues and that are able to consider relatively long-term profitability from medium- to long-term perspectives, rather than short-term gains.

In future terms, our goal is for the business that emerges from this strategy to grow into business that will stand alongside the banking business, which is our primary business.



Basic Strategy 02 Challenge for the Growth

This strategy aims at building a more robust and efficient structure for the banking business, our core business.

Thanks to strong performance in areas such as housing loan acquisition, our loan-to-deposit ratio has risen to over 80%. To achieve even further growth in “a world with interest rates,” it is essential that we build a loan portfolio with high capital and funding efficiency.

In that regard, in corporate sales, we will work on consolidating our corporate sales bases and standardizing sales activities, leveraging the “corporate sales models” that bring together the expertise of our ace bank employees. By further enhancing our sales capabilities in these ways, we will aim to be “A Bank That Can Be Relied Upon” by our customers, as well as conducting thorough asset management through RORA and interest margins to build the optimal loan portfolio.

Additionally, in the housing loan area, we will leverage DX to streamline operations and significantly reduce the number of personnel involved with the aim of improving profitability.

Basic Strategy 03 Human Resource Strategy

Amid the continued decline in the birth rate and aging of the population, as well as significant changes in values and workstyles, it has become more important than ever to break free from conventional frameworks, harness the strengths of diverse talent, and establish an environment in which each individual can thrive while feeling a sense of their own growth.

In this strategy, we are considering a fundamental reform of our personnel systems to realize clearer differentiations in treatment, reduce perceptions of unfairness, promote the active participation of dedicated and senior employees, and bring greater diversity to our human resources and workstyles. Through further efforts to improve human resources development and employee engagement via personnel system reforms, we will strive to build a “group of professionals who take on challenges” that is equipped with the ability to deliver solutions for our customers and the region.

Basic Strategy 04 Digital Transformation

In the previous Medium-term Management Plan, the IT Strategy Department in the Corporate Planning Division played a central role in identifying issues concerning bank-wide operational efficiency improvements and organizing IT strategy directions. This included conducting trials of initiatives in advance of their full-scale implementation.

In this strategy, in addition to operational and workforce streamlining by leveraging digital technologies to achieve paperless operations, we will pursue the enhancement of sales operations through the use of data within the organization with unwavering determination. To demonstrate that determination both internally and externally, we have renamed the IT Strategy Department as the DX Promotion Office. This office will play the central role in the promotion of our DX strategy.

From April this year, customers are able to perform a variety of procedures, such as opening savings accounts, notifying a change of address, and applying for housing loans, “without the need to fill out forms or affix their seals.”

Basic Strategy 05 Strengthening of Strategic Foundation

This strategy forms the foundation of the other four strategies presented above.

As specific initiatives, we will establish a framework for the supervision by the Board of Directors of sustainability initiatives, such as creating “social value” and “governance” in the form of a new Sustainability Promotion Committee, in our efforts to strengthen sustainability-related governance.

In addition, with regard to the management of risks such as money laundering, we aim to further strengthen our framework by enhancing the effectiveness of our initiatives, referring to reviews by external experts, and advancing the sophistication of our systems, including monitoring and filtering functions.

We will also work on strengthening the overall Group’s cybersecurity framework with the establishment of a new Cybersecurity Administration Office.

Initiatives to Improve Corporate Value

Around two years have passed since the Tokyo Stock Exchange called on companies to take “measures to realize management that is conscious of capital cost and share price.” Of course, even prior to that request, we had considered the enhancement of corporate value as a listed company to be a top priority and pursued a variety of management strategies. However, we viewed the request as a good opportunity to reassess our efforts and discuss how to enhance the quality of our management.

Thanks to the tailwind of “the world with interest rates,” the Bank’s share price rose from ¥649 to ¥735 in the past year*. However, our P/B ratio has stayed less than one, which we acknowledge is far from a satisfactory level.

As such, in the new Medium-term Management Plan, we have indicated our path toward the enhancement of corporate value (equivalent to improvement of P/B ratio) and the relationships between the individual strategies and initiatives in the form of a logic tree. P/B ratio is expressed by the multiplication of ROE and P/E ratio, so I will explain how we will improve them both.

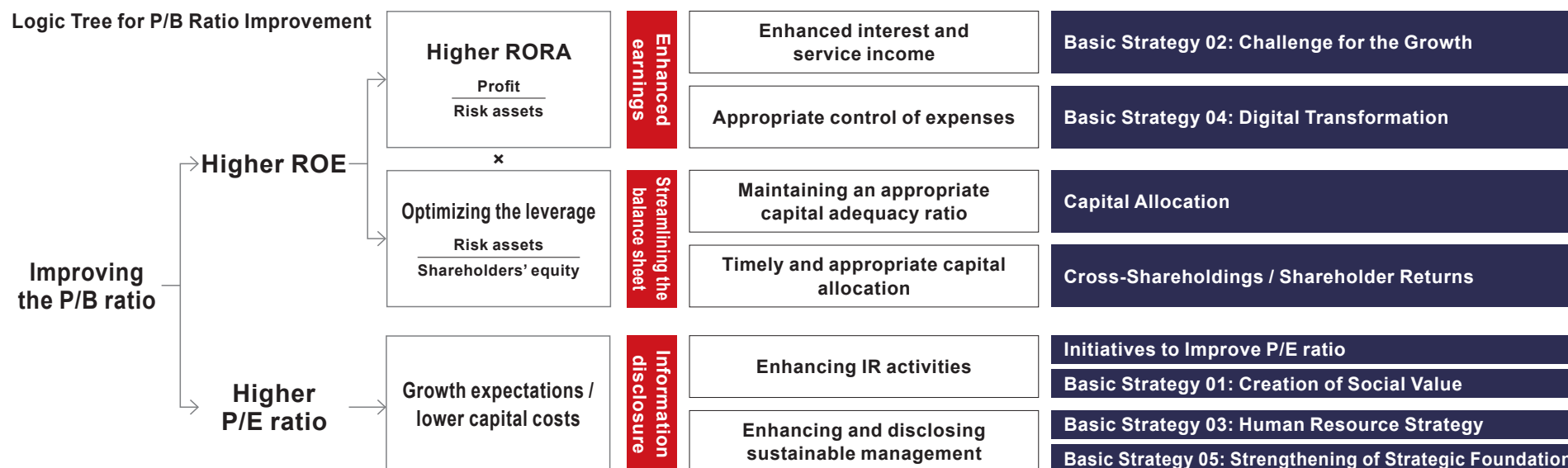
Higher ROE

For ROE, we will aim for higher RORA through the accumulation of quality loan assets via the initiatives in “Basic Strategy 02: Challenge for the Growth” and “Basic Strategy 04: Digital Transformation” in the Medium-term Management Plan. We will also aim to enhance interest and service income.

While maintaining an appropriate capital adequacy ratio, by allocating surplus capital to growth investments and timely, appropriate returns to our shareholders, thus ensuring both soundness and capital efficiency.

Regarding returns to shareholders, whereas previously, our stated aim was “a dividend payout ratio of 30% over the long term,” we have upgraded that to a target of “40% in FY2028.” Although our basic policy of long-term, stable dividends will remain unchanged, we will consider various measures, including flexible repurchases of treasury shares, in our aim to further enhance shareholder returns.

Logic Tree for P/B Ratio Improvement



*Comparison of closing prices on March 31, 2024 and March 31, 2025

In addition, regarding cross-shareholdings, we will continue to reduce holdings systematically by thoroughly assessing their economic rationale, such as the status of business relationships and investment efficiency, and reviewing any holdings for which no rationale can be recognized. Over the four years of the new Medium-term Management Plan, we intend to reduce our cross-shareholdings by more than ¥20.0 billion on a market value basis and allocate the resulting gains to strategic investments such as investment in DX.

Higher P/E ratio

For higher P/E ratio, through “Basic Strategy 01: Creation of Social Value” in the new Medium-term Management Plan, we will actively engage in businesses that will lead to the creation of markets from a medium- to long-term perspective.

In addition, through IR^{*1} and SR^{*2} activities, we will actively disclose information and communicate our initiatives in our efforts to eliminate the asymmetry of information between the Bank and our stakeholders. Our specific target in this regard is to conduct IR and SR activities at least 30 times a year.

*1: Investor Relations, including company briefing sessions for investors

*2: Shareholder Relations, including company briefing sessions for shareholders

Conclusion

“We dedicate ourselves to helping develop a society that places the highest value on mutual trust.” “We manage the Bank in a manner deemed fair and responsible against broader social standards.” “We try to always display our sincerity in both business and individual activities, guided by our conscience and common sense.” This is the Bank’s Corporate Philosophy, which has been carried on unchanged from when it was first established in 1996 until today.

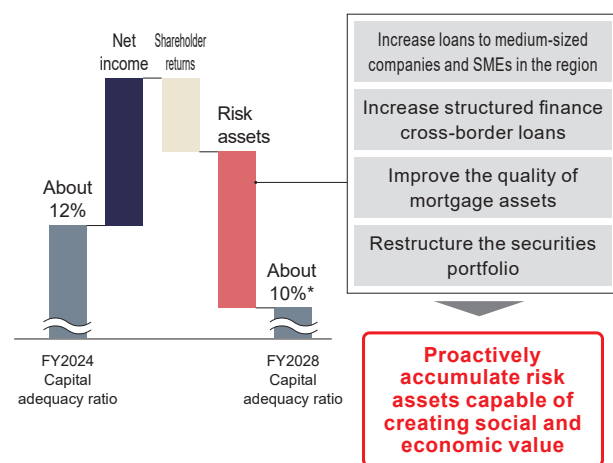
Among those, “We dedicate ourselves to helping develop a society that places the highest value on mutual trust.” expresses the fact that it is “the mission of the Bank” to foster sincere, mutually trusting relationships within society and to work hand in hand to build a society of shared growth and progress.

As the external and internal environments continue to undergo rapid change, our management strategies and the services we provide must also evolve. However, the mission of Hyakugo Bank remains unchanged.

As all employees contribute their ideas, and with the support and collaboration of our stakeholders, we will continue to embrace “challenges” to contribute to a society in which we can grow and prosper together.

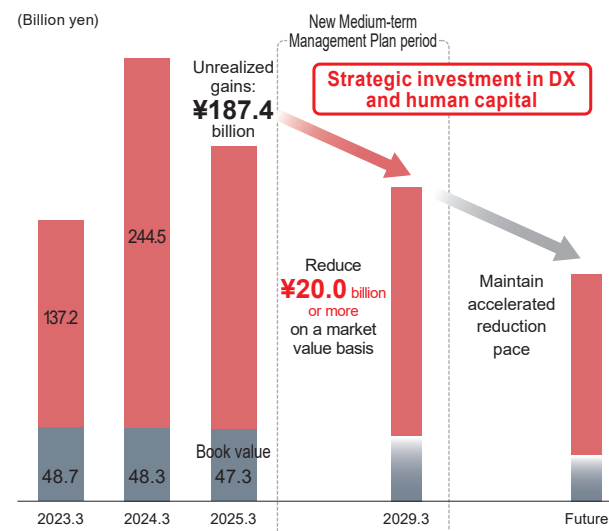
I hope we may rely on your continued support of Hyakugo Bank.

Capital Allocation



*The impact based on regulations to be applied as of the end of March 2028 following the finalization of Basel III (fully implemented) is taken into account.

Cross-Shareholdings (Listed Stocks)



Shareholder Returns

