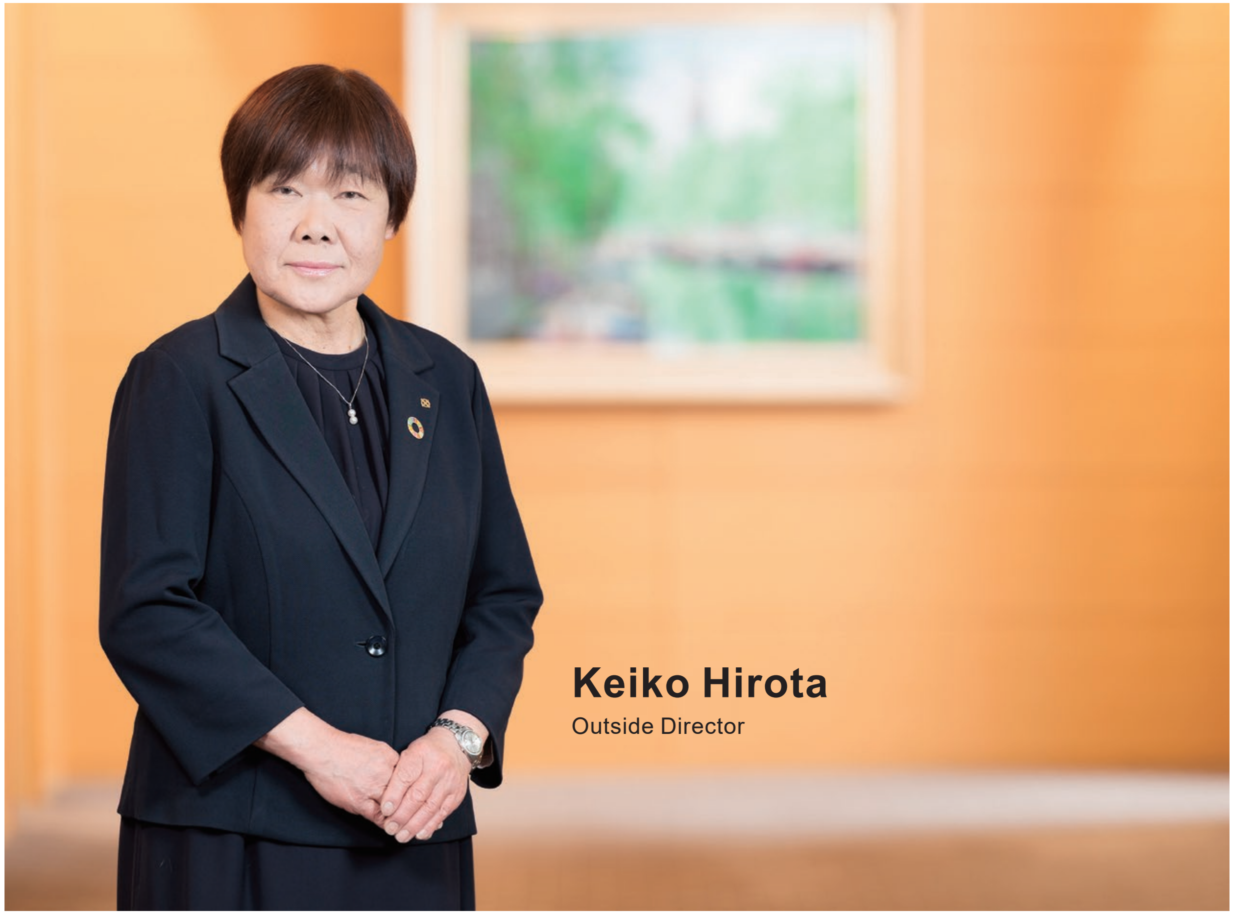
Message from an Outside Director

I want to use the diverse insights I have gained from my experience in public administration to share in the creation of sustainable growth of Hyakugo Bank.



Keiko Hirota
Outside Director

Q What is your assessment of the previous Medium-term Management Plan?

I sensed that Hyakugo Bank demonstrated a strong ability to execute concrete actions to achieve the previous Medium-term Management Plan.

For example, while the prefectural government often plays the leading role in the promotion of industry, Hyakugo Bank, with its network that spans the entire prefecture and relationships of trust with local businesses, is able to address solutions to specific issues, which means that it has the ability to execute concrete initiatives. In that respect, I find it highly significant that, under the previous Medium-term Management Plan, Hyakugo Bank strengthened its corporate consulting services and pursued initiatives for the sustainable development of local communities.

In terms of the outcomes of the Plan, the financial targets were generally achieved, and as “A Bank That Can Be Relied Upon,” the goal espoused by President Sugiura, I believe that it has fully earned the recognition of customers. On the other hand, there were problems evident in the non-financial targets. The employee engagement index was 80% against a target of 85%, and I understand that the ratio of female executives was 21.1% against a target of 25% for senior staff or higher and 9.8% against a target of 12% for branch general managers and equivalent. For any organization, its “people” are its greatest asset. I look forward to seeing continued efforts under the new Medium-term Management Plan to promote diversity to create an environment in which every individual, regardless of gender or age, can fully realize their potential.

Q What is your assessment of the new Medium-term Management Plan and the new, revamped materiality?

In the process of formulating the new materiality, interviews were held to obtain the opinions of a wide range of stakeholders, including prefectural and other government officials, as well as employees. I found that process to be highly commendable. It conveys what kind of presence Hyakugo Bank wants to have for what kind of people. Further, the new materiality is highly specific, including a vision, sub-materiality issues, and financial and non-financial targets. Internally, it is linked to the fiscal year operational plans and include which divisions will engage in what kind of initiatives. It has been organized well to make it easy to understand, and we can expect it to be effective.

Among the five basic strategies of the new Medium-term Management Plan, the one that I am particularly focused on is "Creation of Social Value." Several specific initiatives have been outlined in pursuit of the aim to create economic and social value by taking on the challenge of solving local issues. Among these, I am particularly interested in the Hyakugo Bank's newly stated policies in areas that it has had little involvement to date, such as "local production of renewable energy for local consumption" and "support for the primary industry, including agriculture, forestry, fisheries, and livestock farming."

I also appreciated the clear articulation of a mindset of fostering a culture that allows each employee to freely take on challenges, which reflects a frontline perspective. The regional community and companies have diverse issues, and their situations and circumstances that are impeding solutions to those issues also differ. In addition, in order to engage in new areas, there are problems that cannot be solved simply by following precedent or established rules. In all such situations, frontline bank employees must work closely with the regional community and companies, approaching problems with flexibility. I believe that the clear articulation of this mindset is highly significant.

I hope that the Bank will engage in solutions to problems with "free-thinking" and bring new economic and social value to local communities.

Further, as well as this mindset, I am extremely impressed with the Bank's intention to invest properly in its people, including career building for the development of professional talent and the improvement of terms and conditions, as part of the Human Resource Strategy.

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Q What are your views on the support for Mie Prefecture's tourism industry that is mentioned in the new Medium-term Management Plan?

The tourism industry is a wide-ranging one, including travel companies, accommodation facilities, leisure facilities, food & beverage businesses, transport services, and souvenir shops. As such, it has a massive impact on the revitalization of the regional economy.

One problem with tourism in Mie Prefecture is the low level of the average number of days that travelers stay in the prefecture. The prefecture has many appealing tourism resources, such as Iseshima, but tourist locations are scattered throughout the prefecture, and access between those locations is a problem. Many tourism business operators are still lagging in terms of DX, and issues remain in accommodating foreign languages.

While there are individual tourism operators implementing advanced initiatives, these efforts alone are not enough. To enhance the overall convenience and appeal of the region, it is essential to not only spread cutting-edge initiatives across to other businesses but also to enhance infrastructure development that individual operators cannot undertake on their own. There is a need to establish the infrastructure for destination-style tourism, to encourage tourists to consider Mie Prefecture overall as "a good place" and "an appealing place to visit" and to stay multiple nights touring throughout the prefecture.

I believe that the trust, achievements, and networks built up by Hyakugo Bank as "A Bank That Can Be Relied Upon" will be major weapons for solving issues.

This is because, as well as the provision of loans, consulting that empathizes with customers is what is needed. In addition, we can also expect Hyakugo Bank to leverage its network to share good examples through business matching, create collaborative projects among companies, or play a coordinating role in bringing together organizations such as destination management/marketing organizations (DMOs).

In my experience in public administration, I remember difficult moments when conflicting interests among stakeholders became entangled, and we were unable to unite them around a common goal. There are things that can be achieved with the trust and organizational capabilities that Hyakugo Bank has built up to date, and I hope to take advantage of those past bitter experiences to provide advice and cooperation.

> I want to take various opportunities to share the realities and perspectives gained through the many discussions I had as a public administration official.

Q What is your assessment of the governance structure, and the effectiveness of the Board of Directors?

My impression is that Hyakugo Bank's Board of Directors takes seriously the opinions of the Outside Directors and Corporate Auditors and responds to each of them with care.

Particularly noteworthy is its sharing of information at the stages prior to Board of Directors meetings. The direction and framework of proposals are shared from their early deliberation stage as matters for reporting. The discussions in the Management Meeting and risks and other negative information are included in those reports. In this respect, it is an extremely transparent process. The proposals are then refined by incorporating the opinions of the Outside Directors before being brought to the Board of Directors, enabling high-quality discussions that help the Board to reach conclusions.

Regarding the governance structure, I have no doubts about its transparency, neutrality, and framework for the monitoring and control of management. I am particularly impressed by the flexibility of responses to change. With the establishment of new bodies such as the Cybersecurity Administration Office and the Sustainability Business Development Division, I believe that the Bank has excellent execution capabilities for promptly reflecting what is needed to respond to changes in society into its organizational structures.

Q What do you see as the roles expected of Outside Directors and their expectations of Hyakugo Bank?

In my experience in public administration, I have had many discussions with people involved in all sectors from the primary sector to the tertiary sector, as well as people involved in a variety of industries. I have also had numerous opportunities to hold frank discussions with administrative officials at the various municipal governments, which have different situations and issues, even within the same Mie Prefecture.

I believe that it is my role to convey to the Board of Directors those various circumstances and intentions of the prefecture's residents that I have learned in that process, and contribute to solutions to regional sustainability issues and the enhancement of medium- to long-term corporate value. I personally feel that I have been given another chance to contribute. Something that I was unable to do when working in public administration but I can do at Hyakugo Bank, a private-sector company, is to face each issue one by one sincerely with individual businesses and actually work on issues, coming up with concrete solutions together with the companies.

As someone who had been involved in public administration for many years, nothing would make me happier than to gain a true sense of the co-existence and advancement of Hyakugo Bank and local communities.