

Materiality

The Hyakugo Bank Group conducted a review of its key issues (materiality) to be addressed, based on changes in the environment, expectations from stakeholders, and their significance to the Group's businesses. In the formulation of the materiality, we engaged with employees by canvassing their opinions on Hyakugo Bank's issues and responses and through an internal questionnaire survey. We also obtained feedback of the draft materiality from investors, local governments, and Outside Directors, based on which the draft was further refined. We will continue to incorporate the opinions of our stakeholders into initiatives to advance the Group's sustainability management even further.

Determination Process



Main opinions of stakeholders

Employees

- For regional issues such as population decline, hollowing of central urban areas, and the increase in vacant houses (loss of historical resources due to demolition), it should be possible to revitalize the local economy by promoting tourism, leveraging Hyakugo Bank's strengths in human resources, finance, and information.
- A decline in marine products from Ise Bay and the sustainability of local fisheries and processing industries due to industrial development and global warming are issues. By leveraging Hyakugo Bank's strengths in connecting government authorities and private companies and the geographical characteristics (marine) of Mie Prefecture to address ocean issues, it should be possible to contribute to the transition to a decarbonized society and the revitalization of local industries.

Mie Prefecture

- Labor shortages are a major issue for the sustainability of Mie Prefecture's economy that we would like the Bank to address.
- It is commendable that the Bank incorporates a perspective of creating value not only for corporate profit but also for the local community. When considering new businesses, participation in the agricultural and fisheries industries should also be considered from the perspectives of creation of employment and new value.

Investors

- The Bank is to be commended for listening to the opinions of stakeholders in its materiality decision-making process. Its reference to Mie Prefecture's General Plan and dialogue is particularly worthy of praise.
- It is important that initiatives to address the materiality are linked to the strategies in the Medium-term Management Plan and to consider how to connect these initiatives to the enhancement of corporate value.

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Risks and Opportunities		Materiality	Sub-materiality	Target	
Risk	Decrease in profit opportunities due to weakening of sales foundation resulting from population decline and regional economic stagnation	Creating vibrant communities	■ Growth of local businesses ■ Sustainability of local businesses ■ Creation of innovation in the region	Number of customer management issues solved	FY2028 Cumulative total of 1,000 cases
Opportunity	Strengthening of sales foundation and increase in profit opportunities through financial support that contributes to the solution of management issues and the enhancement of appeal of local businesses			Number of community issue engagements	FY2028 Cumulative total of 30 cases
Risk	Decrease in profit opportunities due to weakening of sales foundation resulting from declining birthrate and aging population	Contributing to secure and prosperous lives	■ Maintenance and development of social infrastructure ■ Readiness for the era of the 100-year lifespan	Increase in balance of depository assets*	FY2028 ¥50.0 billion
Opportunity	Increase in profit opportunities due to demand for funds to enhance social infrastructure such as medical and nursing facilities and asset building and management needs			Number of financial and economic education sessions held	FY2028 Cumulative total of 500 times
Risk	Decline in competitiveness due to a decline in labor productivity and exodus of human resources resulting from insufficient consideration to diversity in human resources development and to personnel/labor management and health and safety management	Creating a society where every individual can thrive	■ Respect for human rights ■ Implementation of healthy management practices ■ Respect for diversity of human resources ■ Improving employee growth and job satisfaction	Employee engagement index	FY2028 85% or more
Opportunity	Improving labor productivity and competitiveness by maximizing capabilities of diverse human resources			Ratio of female executives	FY2028 25% or more
Risk	Decrease in profit opportunities due to decline in local industries resulting from depletion of natural capital and adverse effects on ecosystems	Coexistence with nature	■ Transition to a decarbonized society ■ Transition to a circular economy ■ Conservation of natural capital and biodiversity	GHG emissions (Scope 1 & 2)	FY2028 Net zero
Opportunity	Increase in demand for funds and profit opportunities for enhancement of sustainability of business activities and local industries that are considerate of nature			Sustainable finance	FY2030 ¥1 trillion (Of which, more than ¥500.0 billion is environment-related loans)
Risk	Loss of business strength due to business stagnation and loss of social confidence resulting from insufficient risk management	Responsible management	■ Conduct of sound financial activities ■ Enhancement of corporate governance ■ Protection of customers' financial assets and information ■ Provision of safe and secure financial services ■ Customer-oriented business operations	ROE in consolidated net assets	FY2028 5% or more
Opportunity	Strengthening of relationships and trust with stakeholders and the enhancement of corporate value through financial activities conducted under appropriate risk management			Consolidated net income	FY2028 ¥24.0 billion or more

* Compared with the end of March 2025
Increase in consolidated balance of bank and securities investment trusts