

Basic Strategy **04** Digital Transformation

# Creating Sustainable Value through Digital Transformation



## What Is DX, and Why Is It Required of Regional Banks Now?

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Director and Senior Managing Executive Officer

### Toward sustainable value creation through DX

In 2019, we launched a 10-year long-term vision toward our 150th anniversary. It states that our future goal is to achieve sustainable and stable growth by integrating real (face-to-face sales, consulting, branches) and digital (non-face-to-face channels) initiatives, and adapting to changes in society and creating shared value together with our customers and regional communities.

### Changes in the environment surrounding the region

In recent years, we have seen significant changes in the environment surrounding regional communities and in the business environment of regional banks, caused by factors such as changes in social and economic structures, a declining birthrate and an aging population, and a declining population. We believe that in order to respond to drastic environmental changes, transformation is essential not only to simply improve operational efficiency, but also to ensure business sustainability and build new competitive advantages.

### Establishing sustainable regional societies

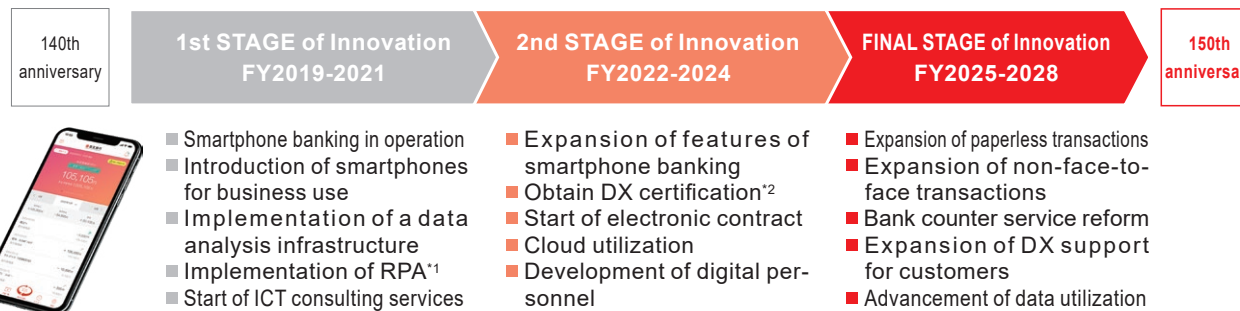
DX is not limited to merely utilizing IT to improve operational efficiency. It is an initiative that fundamentally transforms business models, organizational culture, and the way people work, using digital technology as a starting point, to realize sustainable improvement in corporate value. In order for regional banks, which are core financial institutions in the region, to continue to fulfil their roles, it is important to go beyond conventional approaches, and review their own existence and take

on challenges of creating new values by anticipating changes.

Especially for regional banks with many local SMEs and sole proprietors as customers, digital technology is a powerful means of maintaining and improving the vitality of regional economies. At the same time, it is also a source of strengthening their competitiveness. In other words, DX is not just one option for regional banks, but a strategic necessity to live with the region.

We will work on DX with an unwavering resolve to realize a flexible branch strategy and workstyle reform across the Hyakugo Bank Group by promoting paperless work and workforce streamlining for business and administrative operations. The Hyakugo Bank Group will accurately identify our customers' management issues through dialogue with them and provide optimal solutions by bringing together the collective strength of the entire Group, thereby enhancing our value as "A Bank That Can Be Relied Upon." By promoting DX, we will support future-oriented management and contribute to the realization of sustainable regional communities.

### Changes in DX initiatives



\*1 RPA (Robotic Process Automation)  
Technology that uses software robots to automate repetitive routine tasks performed by humans

\*2 DX certification  
A system whereby the government certifies businesses fully prepared to promote business transformation (DX) utilizing digital technology, based on the "Digital Governance Code" set forth by the Ministry of Economy, Trade and Industry.

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# Toward “Transformation of Operations and Mindsets” Leveraging Digitalization and Data

In order to realize our Medium-term Management Plan that aims to create both economic value and social value, enhance corporate value, and establish a sustainable business model, it is essential for us to utilize digital technology and data to work to increase productivity through business reforms, improve customer services through branch and channel reforms, and expand IT digital services to support the region and regional DX. For these to be achieved, we will formulate and implement a roadmap looking ahead to the medium to long term, based on factors such as our system and network infrastructure, data utilization platform, and development of digital personnel.

With technological innovations such as AI also evolving at an accelerated pace, we will transform our operations themselves, organization, process, corporate culture, and mindsets to promote unwavering DX.

### To improve productivity through business reforms

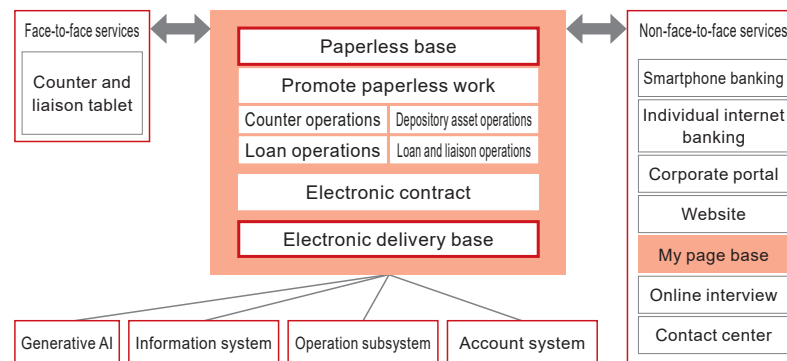
In order to enhance our corporate value and establish a sustainable business model, we believe it is necessary to promote DX not only within the Bank but also across the entire Hyakugo Bank Group, aiming for optimization on a Group-wide basis.

Our policy is to expand the use of the know-how for promoting business reforms at the Bank to the Group companies, as well as reorganize and share system and network infrastructure.

The know-how accumulated through DX across the entire Hyakugo Bank Group will be returned to the region and our customers in the form of regional DX support through cooperation with other companies.

### To improve customer services through channel reforms

We are considering to provide services that connect customers to Hyakugo Bank anytime, anywhere, from the customer’s perspective by coordinating with various systems and data within the Bank to integrate operational efficiency and face-to-face and non-face-to-face services. In this fiscal year, we will work to establish and expand operation of “paperless base”<sup>1</sup>, “my page base”<sup>2</sup>, and “electronic delivery base”<sup>3</sup> to realize these services.



\*1 Paperless base: ..... expansion of operations and services that eliminate the need for customers to fill out forms and affix seals

\*2 My page base: ..... a system that allows customers to communicate smoothly with staff without visiting branches

\*3 Electronic delivery base: ..... digitization of documents provided to customers (reduction of mailed and hand-delivered documents)

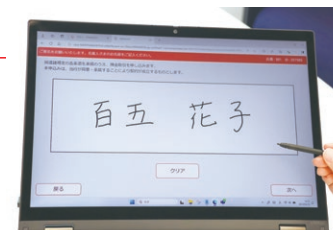
**TOPICS**

## Now you can open a regular saving account in a paperless manner, even outside of a branch

Starting April 1, 2025, we have offered services such as opening regular saving accounts for individual customers.

Previously, opening an account using a tablet-type terminal was handled only at a branch. Now it is also available outside of a branch (at external locations).

We will continue to create an environment where customers can find Hyakugo Bank to be a closer presence by utilizing digital technology.



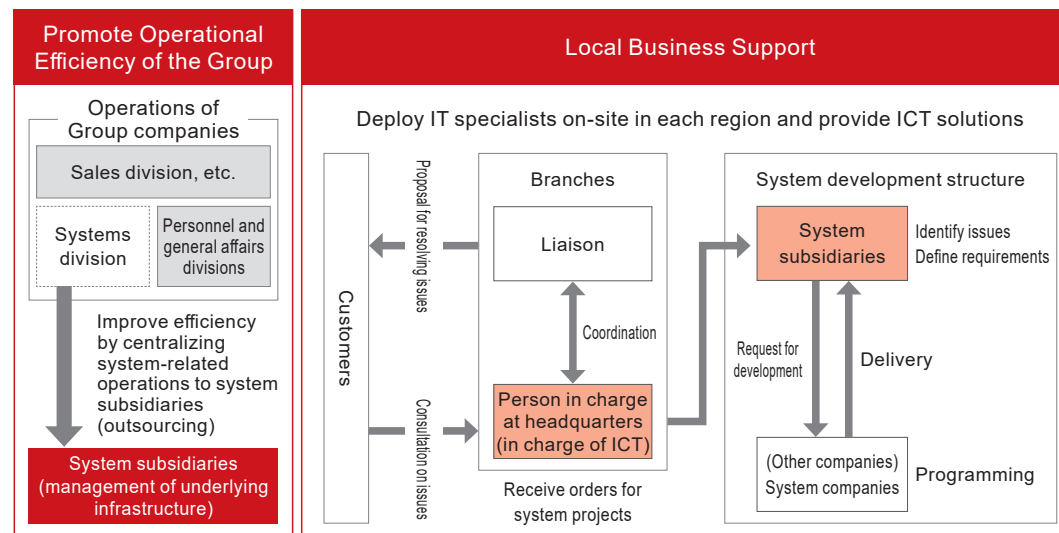
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## Promoting DX Together with the Region and Customers

One of the most important pillars in our DX strategy is “supporting DX for the region and customers.” The wave of digitalization is rapidly sweeping over local companies as well, and utilizing digital technology is essential for solving various management issues such as improving productivity, addressing labor shortages, and developing new sales channels.

We are proactively engaged in supporting the implementation of digital technology by local companies. Specifically, we offer a wide range of support programs, including matching support and system development support in collaboration with IT vendors, as well as hosting seminars and consultation meetings. In addition, we will establish a regional DX promotion network with a view to collaborating with local governments, commercial and industrial organizations, and regional universities, aiming to develop digital personnel and expand the DX base across the entire region.

We will fulfill our role as a regional DX hub with finance as a starting point, including provision of new financial services utilizing digital technology.



### DX promotion utilizing personnel through internal recruitment —comments from applicants—

In promoting DX within the Bank, in order to strive for transformation that is not bound by conventional thinking, the DX Promotion Office in the Corporate Planning Division recruits DX personnel internally and promotes initiatives across the Group, including the Bank.

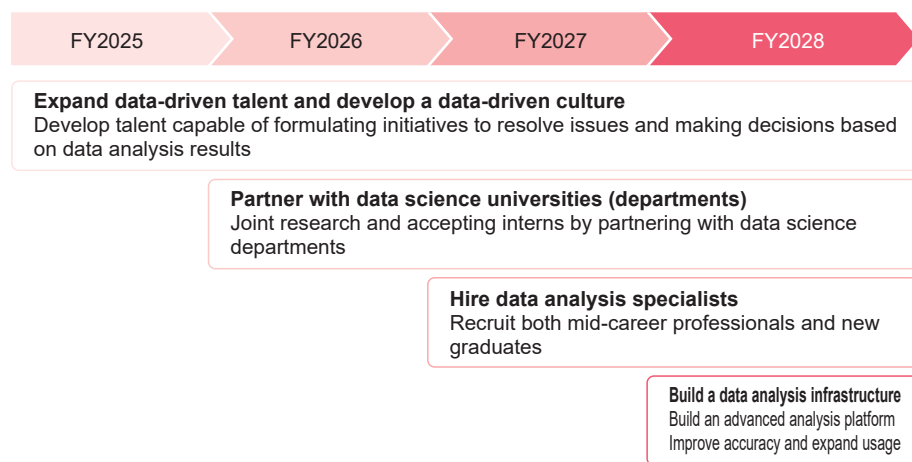


Previous responsibilities	Responsibilities in the DX Promotion Office	Comments
Housing loan sales Corporate sales	Loaned to an IT company for six months, data utilization	I will utilize my experience gained in corporate sales and at the loaned company to work to create a system that supports young employees in their sales field.
Sales at branch counters Depository assets sales	Implementation of a paperless system in depository assets sales	I will continue to work so that we can improve our banking operations by listening to the opinions of our customers and front-line sales staff while utilizing my sales experience.
Sales at branch counters Depository assets sales	Improving non-face-to-face services	I will strive to improve operational efficiency through DX in various areas, and to help maintain and increase motivation of bank employees and improve customer services.

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# Data Utilization Initiatives

With the progress of DX within the Bank and the Group, various data will be accumulated, and the advancement of data utilization is expected. We aim to enhance operational efficiency and sales capabilities through strengthening the building of a “data-driven” organization by promoting intra-group data utilization. We will aim to strengthen a “system for making decisions based on data” and a “sales framework utilizing data” through the advancement of data utilization platform and the development of data utilization personnel.



### TOPICS

#### Utilization of digital platform

Hyakugo Bank’s “digital platform” is designed to enable the use of CRM system (sales support system), BI tools (data analysis/visualization tools), and MCIF system (marketing database), as well as the operations management, in an integrated manner. In establishing the platform, we aimed to create a platform that anyone can use easily at any time, and we utilize the platform for various purposes such as improving sales capabilities and streamlining operations.



## Development of measures based on data utilization

### ▶ Practice digital marketing (non-face-to-face sales)

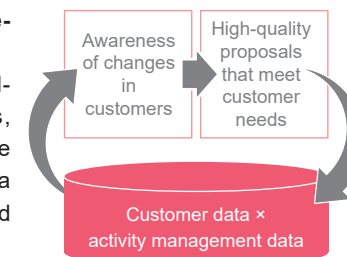
We will strengthen our digital marketing through smartphone banking for individuals and Hyakugo Corporate Direct for corporations, and establish a system that enables us to make proposals at the optimal timing through the most appropriate channels (smartphone, email, telephone, etc.) for each customer.

### ▶ Strengthen data utilization in the sales field (face-to-face sales)

By renewing CRM/SFA (sales support systems) and advancing BI tools, we visualize changes in customers, raise awareness among sales staff, and realize high-quality proposals that meet customer needs in a timely manner. The activities of sales staff are digitized and fed back, thereby further improving accuracy.

### ▶ Development of data utilization personnel

Aiming to develop both “those who create valuable data” (data scientist) and “those who leverage it” (data strategist), we will strive to develop specialized personnel and improve analytical literacy within the organization by providing a variety of data science training courses according to the level, interests, and operations of participants.



- **Financial data utilization challenge training**  
Collaborate with external organizations to develop advanced data analysis skills
- **Data analysis study session for headquarters**  
Develop person in charge of data analysis for headquarters staff
- **Data utilization trainee program**  
Improve data utilization skills and literacy for person in charge at branches