

Compliance

Compliance measures

In addition to observing laws, regulations and rules, compliance refers to the act of adhering to and fulfilling social norms. Hyakugo Bank believes that as a bank, whose most valuable asset is its credibility, enhancing its managerial soundness and solidifying society's trust are natural principles of compliance, and each executive and employee must steadily put compliance into practice in the daily execution of duties.

To this end, the Hyakugo Bank has made compliance one of its highest management priorities and has been making efforts to bolster its compliance structure, while at the same time mitigate ethical and legal risks*. Specifically, in addition to issuing the Compliance Manual that states fundamental guidelines for compliance within the Bank, we have created the Bank-wide Compliance Committee to discuss overall compliance measures. Furthermore, Hyakugo Bank has established the Compliance Management Division to conduct integrated supervision and promotion of compliance.

Moreover, compliance officers are assigned to all headquarters divisions, regional headquarters, branches, Retail Banking Centers, and consulting plazas to prevent legal infractions and check the status of compliance. Furthermore, Hyakugo Bank is engaged in initiatives based on the Compliance Action Plan, which is formulated as a concrete action plan each year.

Hyakugo Bank will continue to reinforce its compliance structure going forward.

* Ethical and legal risks: The risk of Hyakugo Bank having to assume liability for damages or the Bank losing its credibility as a result of Hyakugo Bank being held legally or morally culpable by clients, shareholders and other stakeholders, on account of executives and employees engaging in activities that violate laws, regulations, rules, social norms, etc., or Hyakugo Bank's rules or procedures in the execution of their duties.

Initiatives for anti-money laundering, counter financing of terrorism, and counter proliferation financing

Financial institutions face the risk of day-to-day transactions being used for money laundering, financing of terrorism, proliferation financing, or financial crimes due to the nature of their business. As the threat of terrorism grows around the world, money is increasingly transferred over greater distances, and as globalism in money transferring increases, there is a rising interest in the measures being taken by financial institutions to combat these risks. With this background, the Hyakugo Bank Group carries out effective initiatives for combatting money laundering, the financing of terrorism, and proliferation financing in order to comply with related laws and regulations such as the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange and Foreign Trade Act and to enable the Group to respond to constantly changing risks. Through this, the Group lives up to the trust required of a financial institution.

Management system of Hyakugo Bank

Classification	Department	Functions
First line of defense (sales divisions)	Branches, Retail Banking Centers, Consulting Plazas, etc.	Directly confront and prevent money laundering and other risks
Second line of defense (administrative divisions)	AML/CFT Unit, departments reporting to the headquarters	Oversee and support the autonomous risk management efforts of the first line of defense.
Third line of defense (internal audit divisions)	Internal Audit Division	Examine the effectiveness of AML/CFT/CPF measures.

Whistle-blowing system

The Bank has established a whistle-blowing system (Compliance Hotline) for the early detection, correction, and prevention of recurrence of compliance issues, such as violations of laws and regulations, misconduct, breaches of internal rules and regulations, and harassment. This system allows all executives and employees of the Bank and the Group (including those who have left within the past year) to report and consult on compliance concerns.

The Compliance Hotline supports both anonymous and non-anonymous reports and consultations, and the designated Hotline Response Personnel and dedicated attorneys will receive reports, investigate them, and take necessary corrective actions.

Only a small number of Hotline Response Personnel will handle the report in order to minimize the extent to which the whistleblower's information is shared.

The Bank stipulates that executives and employees shall not seek the identity of whistleblowers, subjects of whistleblower reports, or those assisting in the investigation of the reported case, and that whistleblowers and those assisting in the investigation shall not disclose the fact that they have cooperated in the reporting and investigation, or any facts that they have come to know. This ensures that whistleblowers are not treated disadvantageously and can use the system with confidence.

In addition, the Compliance Management Division explains the whistle-blowing system and the Compliance Hotline at training sessions and on other occasions to familiarize executives and employees with the system and deepen their understanding of the system.

Management of conflicts of interest

In transactions that may pose a conflict of interest between Hyakugo Bank or its group companies and customers, and between customers of Hyakugo Bank or its group companies, Hyakugo Bank properly conducts business so as not to unfairly impair the interests of customers, in accordance with the Banking Act, the Financial Instruments and Exchange Act and other related laws and regulations.

"Transactions that may pose a conflict of interest" refer to transactions entered into

by Hyakugo Bank or its group companies that “may unfairly impair the interests of customers.” “Conflicts of interest” refer to situations in which interests conflict between the Hyakugo Bank or its group companies and the customer, and the interests between the customers of Hyakugo Bank or its group companies. Companies that are subject to the management of conflicts of interest include Hyakugo Bank, and Hyakugo Research Institute and Hyakugo Securities, both of which are companies of Hyakugo Bank Group.

Hyakugo Bank appropriately manages conflicts of interest by identifying transactions that are subject to conflict of interest management.

Pursuant to laws and regulations, Hyakugo Bank also discloses its Guidelines on the Management of Conflicts of Interest by posting them on its website and at its branches.

Elimination of antisocial forces

The Hyakugo Bank Group always recognizes the importance of a bank’s public mission and social responsibility. The entire organization is committed to cutting off all relationships, including transactions, with antisocial forces, by firmly refusing the provision of funds to antisocial forces that threaten the order and safety of civil society, and resolutely rejecting any undue requests and interventions by antisocial forces.

Specifically, the Regulation for Responding to Antisocial Forces stipulate basic matters for cutting off relationships with antisocial forces, and ensure that executives and employees are thoroughly aware of these matters. In addition, the Bank has introduced clauses to exclude organized crime groups in contracts and transaction terms and conditions in an effort to prevent transactions with antisocial forces.

In addition, the Bank cooperates with the police and other relevant administrative bodies, as well as with attorneys and other external professional organizations, and continuously implements measures to eliminate transactions and cut off relationships.

Initiatives to strengthen customer protection and customer information management systems

The Hyakugo Bank Group regards the management of customer protection as one of the important management issues, and strictly observes laws, regulations and rules from the perspective of customers, and conducts corporate activities in good faith and fairness. The Hyakugo Bank Group’s Customer Protection Management Policy stipulates that it will strictly comply with laws and regulations, protect the legitimate interests of customers, and strive to improve customer convenience in accordance with its corporate philosophy. The Group is making continuous efforts based on the analysis and evaluation of the status of customer protection management.

A centralized complaint management department has been established to accept consultations and complaints from customers. The department in charge of complaints consolidates them and provides direction and guidance to the department where the complaint originated and to other relevant departments to resolve the complaints.

Details of complaints, their cause analysis, and the status of corrective actions are reported to the Board of Directors through the Compliance Committee, and continuous efforts are made to improve them. The Bank has also entered into a basic agreement for the implementation of dispute resolution procedures with the Japanese Bankers Association, which is the designated dispute resolution institution as defined in the Banking Act, and is compliant with the financial ADR system, which resolves disputes with customers through the involvement of a third party.

In accordance with the Act on the Protection of Personal Information and related laws and regulations, the Bank discloses the purpose of use, etc. of personal information on its website. In addition, based on its Personal Information Protection Declaration, the Bank is committed to the appropriate protection and use of personal information, and strictly manages such information.

Response to the financial alternative dispute resolution (ADR) system

Hyakugo Bank has concluded a contract regarding procedures for handling customer complaints and procedures for dispute resolution with the Japanese Bankers Association, which is the designated dispute resolution institution as defined in the Banking Act.
Contact: Advisory Office, Japanese Bankers Association; Phone: 0570-017109 or 03-5252-3772

Initiatives against bribery and other forms of corruption

Business entertainment is a means to build relationships with all stakeholders, including customers, and to ensure smooth business operations, and is conducted in an appropriate and sound manner. The Bank has established the Management Procedures for Business Entertainment, and has developed a system to prevent bribery and other forms of corruption, so as not to deviate from socially accepted norms and common sense.

TOPICS

Execution of “Information Sharing Partnership Agreement on Prevention of Damage, etc., Related to Financial Crimes” with the Mie Prefectural Police

On March 7, 2025, in light of serious situations surrounding financial crimes such as phone scams as well as investment and romance scams using social media, Hyakugo Bank executed the “Information Sharing Partnership Agreement on Prevention of Damage, etc., Related to Financial Crimes,” whereby we provide the Mie Prefectural Police with information obtained through transaction monitoring and other measures regarding transactions suspected to cause damage and accounts such as those opened under suspicious circumstances, to prevent the escalation of damage for victims not yet aware of the damage and to lead to prompt investigation.

Hyakugo Bank will continue to contribute to building regional communities where local people can live life with a sense of safety and security through its efforts to collaborate with the police.

