

# The Hyakugo Bank, Ltd.

First Section of TSE and First Section of NSE (8368)

## INFORMATION MEETING

Presentation for FY2018 Financial Results

May 31, 2019



## Effects of Road Construction on Mie's Economy

Effects of Road Construction on Mie's Economy .....	4
-----------------------------------------------------	---

## Outline of Financial Position

Summary of Financial Results .....	8-16
FY 3/2020 Forecasts (published figures) .....	17

## Review of the Previous Medium-term Management Plan: "Next COMPASS 140"

Achievements in Three Priority Areas .....	19
The Medium-term Management Plan: Results for Key Numerical Targets .....	20
Status of Operating Income from Services to Customers (published figures) .....	21

## New Medium-term Management Plan "KAI-KAKU 150 1st STAGE—Gateway to the Future"

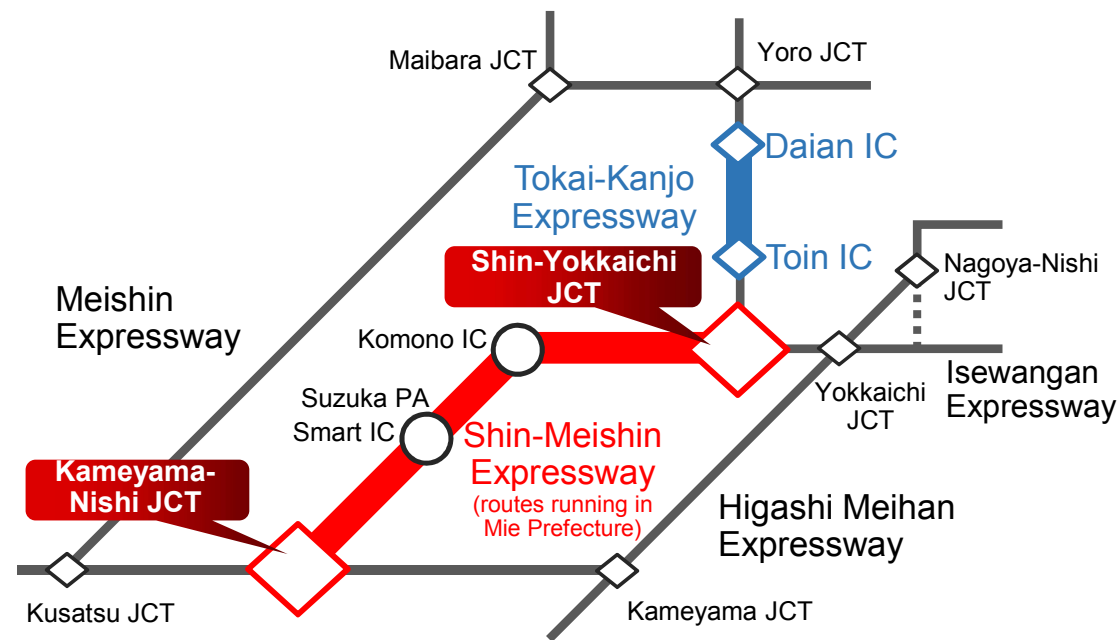
Long-term Vision	
Long-term Vision and Five Future Goals .....	23
Timeline for Realizing the Vision of the Bank within 10 Years .....	24
Milestones Toward Realizing the Long-term Vision .....	25
Gateway to the Future	
Overview of the New Medium-term Management Plan .....	26
Numerical Targets (General) .....	27
Profit Structure Innovation	
Strengthening Loan Income .....	28-30
Strengthening Fees and Commissions .....	31-32

Strengthening Integrated Financial Service Capabilities .....	33
Rebuilding the Securities Portfolio .....	34
Detailed Review of Cost Structure .....	35
Organizational/Personnel Innovation	
Promoting Diversity .....	36
Optimizing the Branch Network .....	37
Branch Strategy and Personnel Planning .....	38
IT & Digital Innovation .....	39
Initiatives for ESG/SDGs .....	40

## Appendix

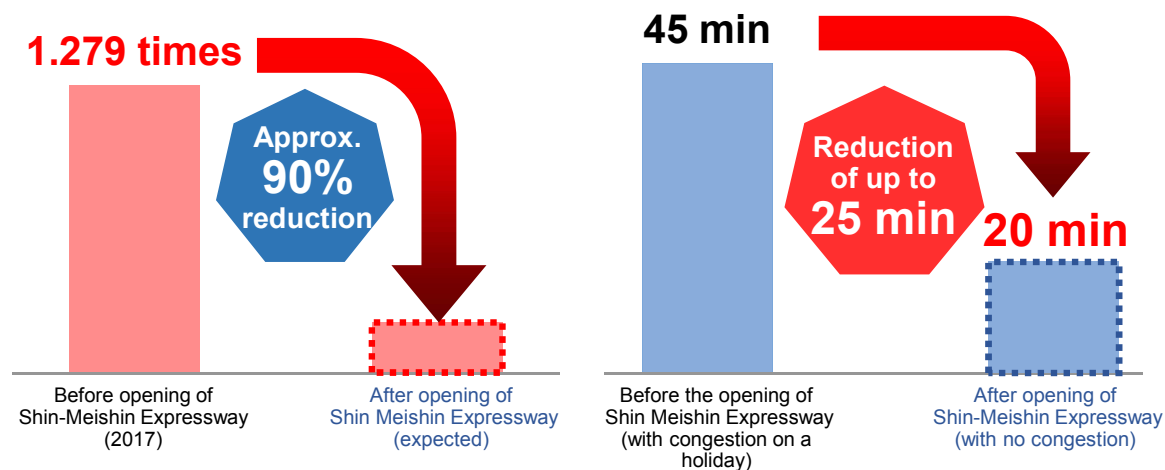
Deposits and Loans .....	42
Deposits (including negotiable certificates of deposit), Depository Assets .....	43
Loans .....	44
Risk-monitored Loans .....	45
Integrated Risk Management .....	46
Outstanding Nonperforming Loans by Disclosure Standard and Coverage .....	47
Trends of Debtor Classification .....	48
Hyakugo Bank's Credit Policies .....	49
Mie Prefecture's Shares of Deposits and Loans .....	50
Group Companies .....	51

# Effects of Road Construction on Mie's Economy



Number of occurrences of traffic congestion on the Higashi Meihan Expressway (Yokkaichi JCT – Kameyama JCT)

Time required to drive between junctions



\* Source: Website of Central Nippon Expressway Company Ltd.



# Effects of Road Construction on Mie's Economy

## Manufacturing industries are flourishing in Mie Prefecture

<National ranking>

Value of manufactured goods shipment  
(Business establishments with four employees or more) **10<sup>th</sup>**  
\* Source: METI in 2016

Factory site area (1,000 m<sup>2</sup> or more) **2<sup>nd</sup>**  
\* Source: METI, 2016

### Opening of Shin-Meishin Expressway and extension of Tokai-Kanjo Expressway

Kansai region

**Mie Prefecture**

Improved accessibility both eastward and westward

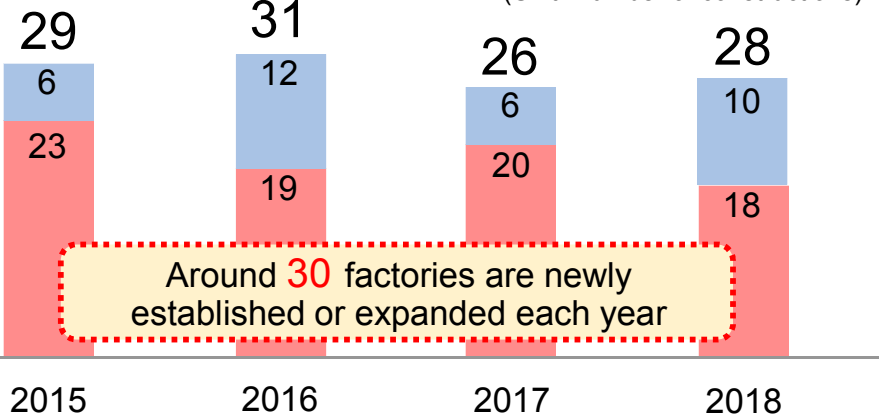
Chubu region  
Kanto region

## Trends of factory construction by companies from outside Mie Prefecture (new construction and expansion)

Newly established factories

Expanded factories

(Unit: Number of constructions)



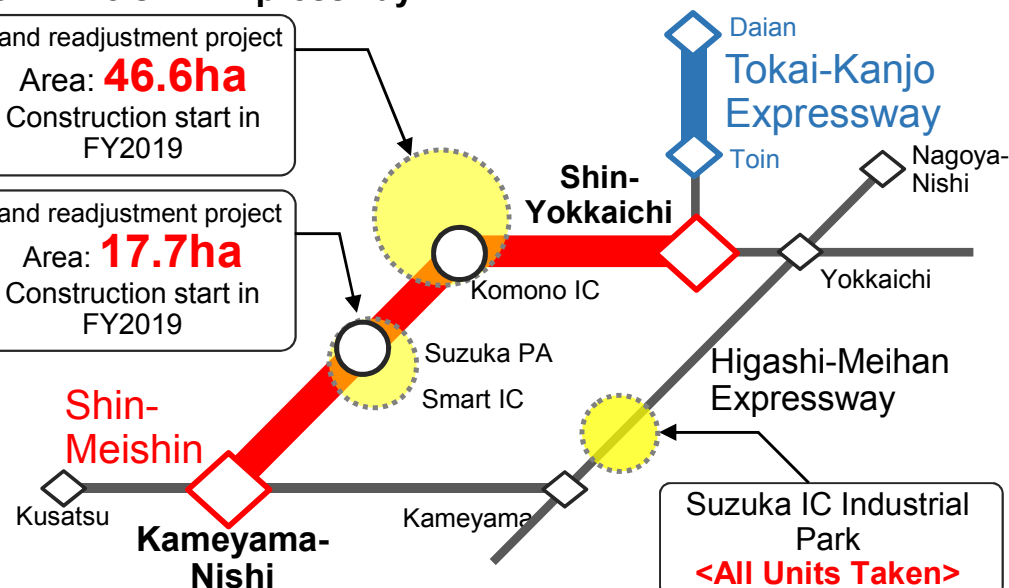
Around 30 factories are newly established or expanded each year

※Prepared based on data on factory location trends by year and area released by Mie Prefecture

## Development of industrial park anticipating opening of the Shin-Meishin Expressway

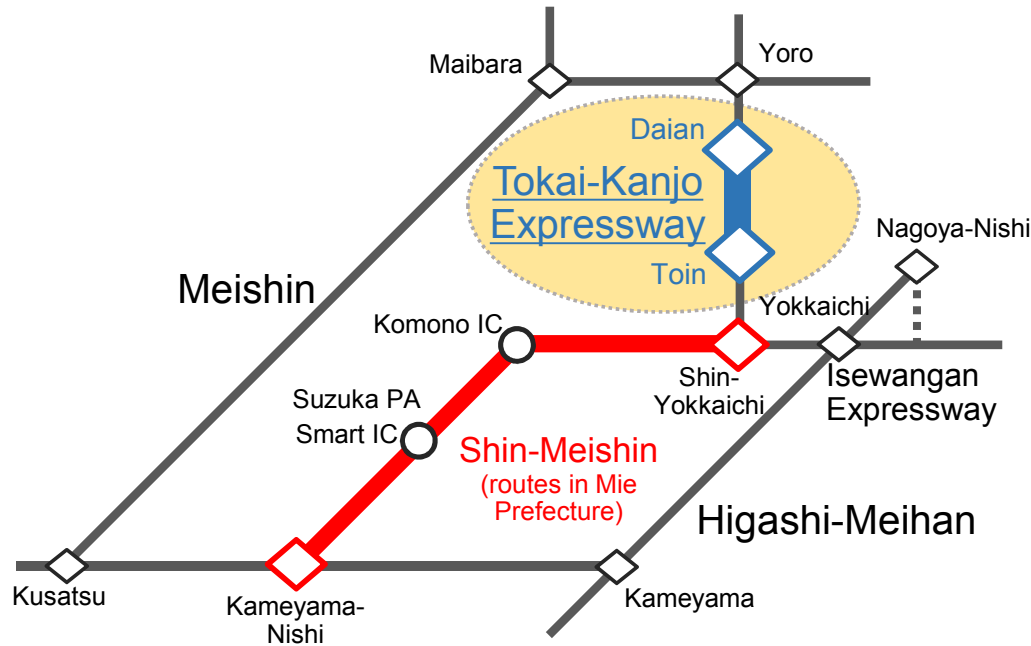
Land readjustment project  
Area: **46.6ha**  
Construction start in FY2019

Land readjustment project  
Area: **17.7ha**  
Construction start in FY2019

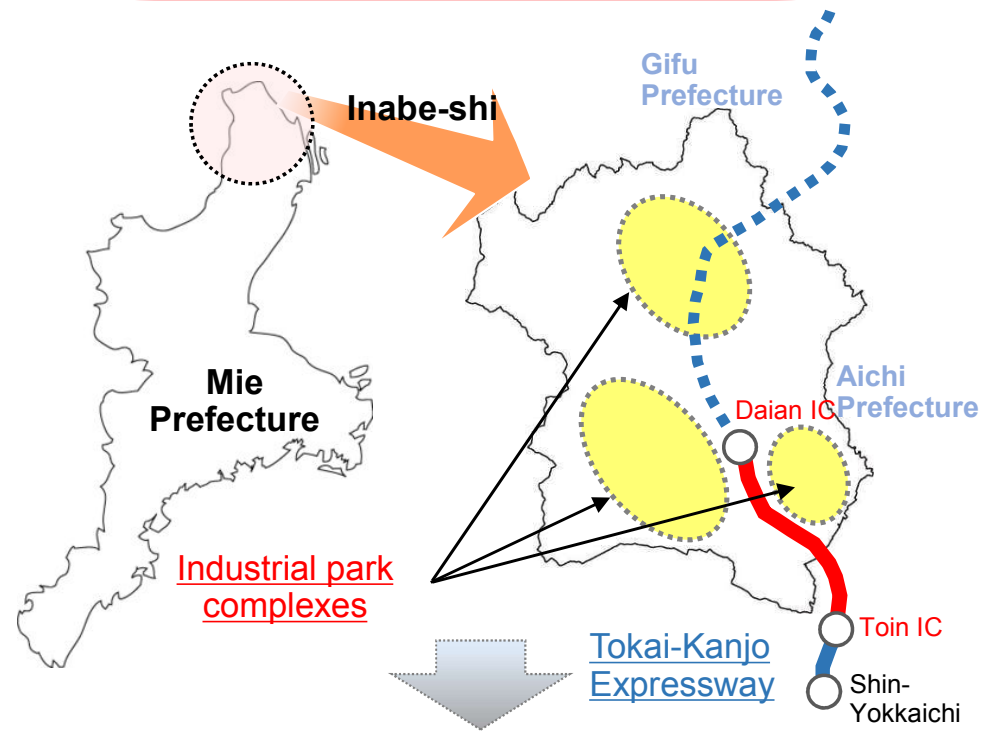


# Effects of Road Construction on Mie's Economy

## Economic benefits of extending the Tokai-Kanjo Expressway

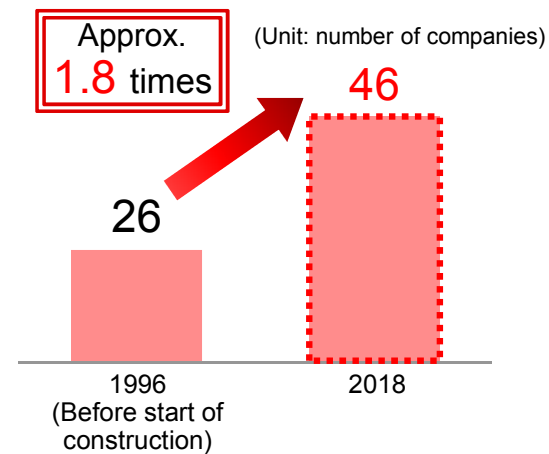


## Areas along the Tokai-Kanjo Expressway (Inabe-shi)

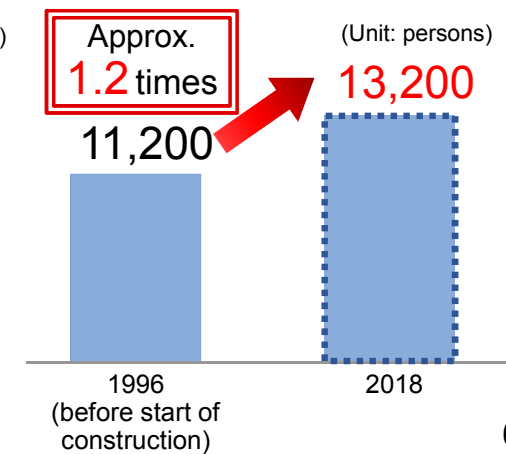


Relocation and construction of new Inabe Branch (May 27, 2019)

Number of companies that have located their factories in industrial park



Number of employees at companies located in industrial parks



# Outline of Financial Position

- A decrease in gain and loss from stocks and other securities and an increase in credit costs caused net income to decline 1.7% year-on-year

(Unit: million yen)

		FY 3/18	FY 3/19	Change
Gross operating income	(1)	51,753	55,131	3,378
Interest income		48,108	49,388	1,279
Fees and commissions		8,628	9,300	671
Other operating income		(4,983)	(3,556)	1,426
Of which, gain and loss from government bonds and other bonds	(2)	(2,785)	70	2,855
Provision of general allowance for loan losses	(3)	—	(574)	(574)
Expenses	(4)	41,216	40,987	(229)
Net operating income	(1) – (3) – (4)	10,536	14,718	4,181
Core net operating income	(1) – (2) – (4)	13,322	14,073	751
Non-recurring gain and loss		4,995	304	(4,690)
Of which, disposal of bad debts	(5)	166	1,387	1,221
Reversal of allowance for doubtful accounts	(6)	1,526	—	(1,526)
Gain and loss from stocks and other securities		4,318	1,665	(2,652)
Ordinary income		15,531	15,023	(508)
Extraordinary gain and loss		(154)	(177)	(22)
Net income before income taxes		15,377	14,845	(531)
Net income		10,956	10,766	▲190
Credit costs	(3) + (5) – (6)	(1,360)	812	2,173

\* Part of dividend income of insurance reported under “Non-recurring gain and loss” in the previous fiscal year has been reported under “Fees and commissions” and “Expenses” from the current fiscal year, and the figures for the previous fiscal year have been reclassified accordingly.

### Gross operating income

(Million yen)

Comparison with the  
Medium-term  
Management Plan

106.8%

### Net operating income



185.2%

### Ordinary income



164.7%

### Net income



164.9%

- Net operating income increased due mainly to increases in interest income and other operating income.
- Each profit item significantly overachieved the Medium-term Management Plan's targets.

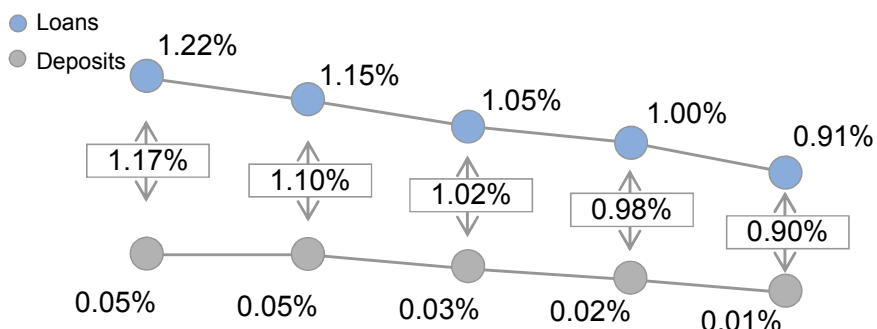


● An increase in interest on loans contributed to an increase in interest income of 2.7% year-on-year

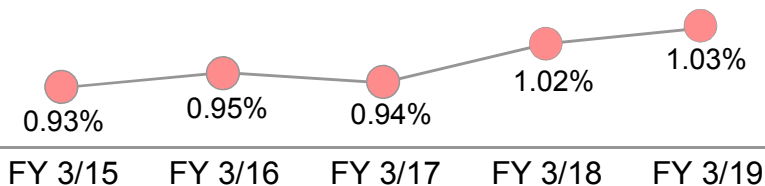
(Unit: million of yen)

	FY 3/18	FY 3/19	Change
Interest income	48,108	49,388	1,279
Total interest income	53,153	54,044	891
Loan interest	31,938	34,089	2,150
Interest and dividends on securities	20,061	18,791	(1,270)
Other	1,152	1,164	11
Interest expenses	5,045	4,657	(388)
Interest on deposits	1,137	999	(137)
Other	3,908	3,657	(251)

### Deposit-loan yield margin (domestic operations departments)

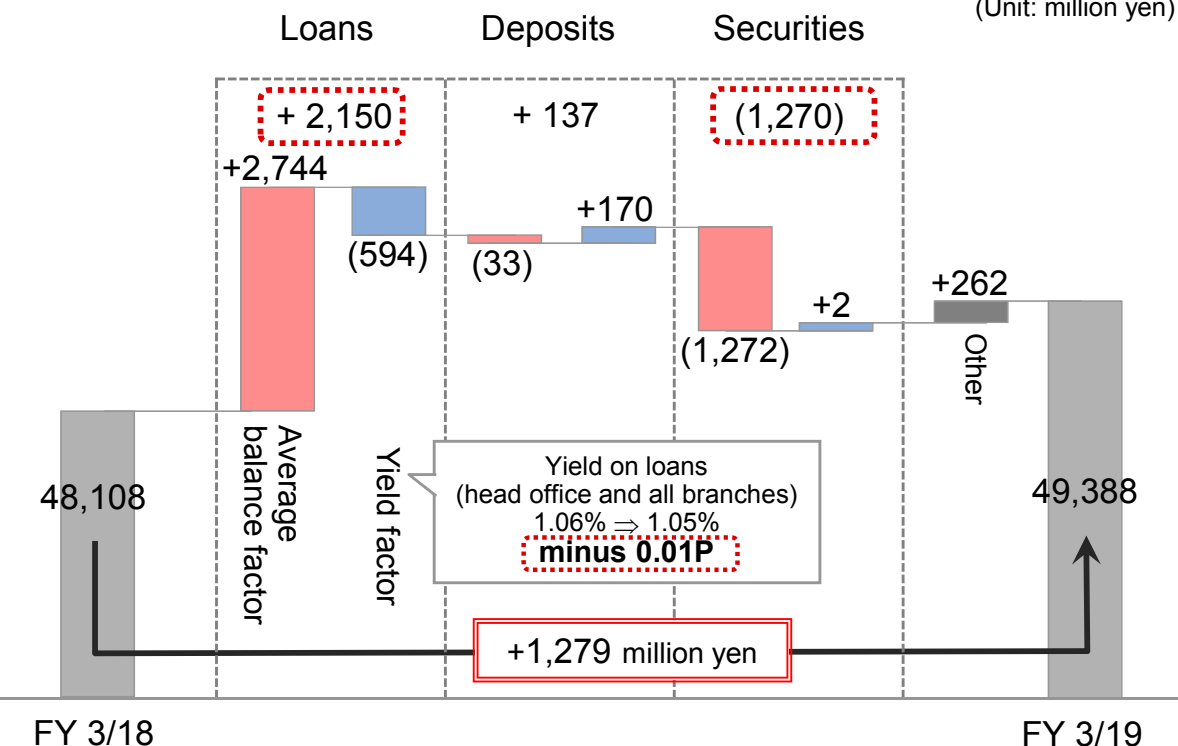


### Returns on securities investments (domestic operations departments)

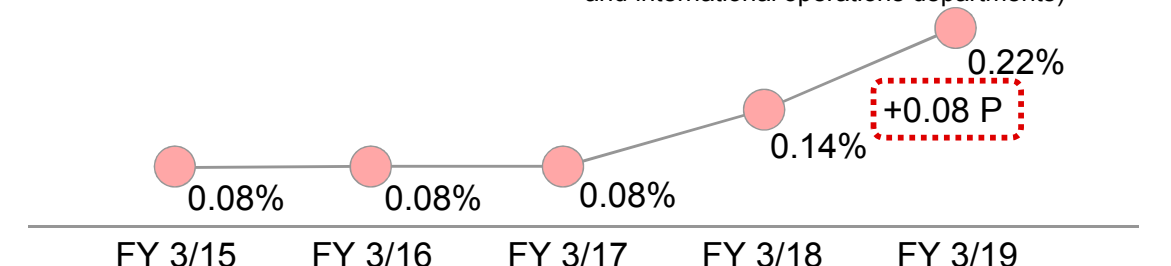


### Factors behind increase/decrease in interest income <Head Office and all branches (both domestic and international operations departments)>

(Unit: million yen)



### Historical overall profit margin <Head office and all branches (including domestic and international operations departments)>

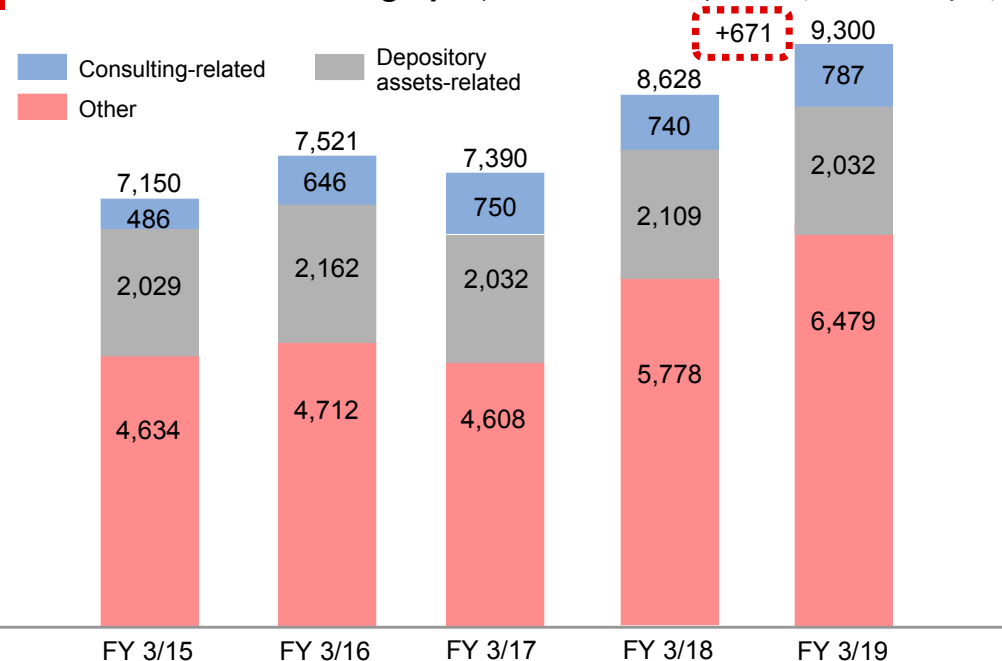


- An increase in housing loan handling fees and insurance sales commissions, etc. contributed to an increase in fees and commissions of 7.8% year-on-year

	(Unit: million yen)		
	FY 3/18	FY 3/19	Change
Fees and commissions	8,628	9,300	671
Fees and commissions	12,714	13,816	1,102
Commissions related to depository assets	2,109	2,032	(76)
Investment trust commissions	1,080	820	(259)
Insurance sales commissions	931	1,143	211
Financial instruments brokerage commissions	96	68	(28)
Consulting-related commissions	740	787	46
Housing loan handling fees	1,593	2,498	904
Fees and commissions expenses (expenses)	4,085	4,516	430
Of which, payment of housing loan guarantee and insurance premium, etc. (expenses)	2,405	2,972	566

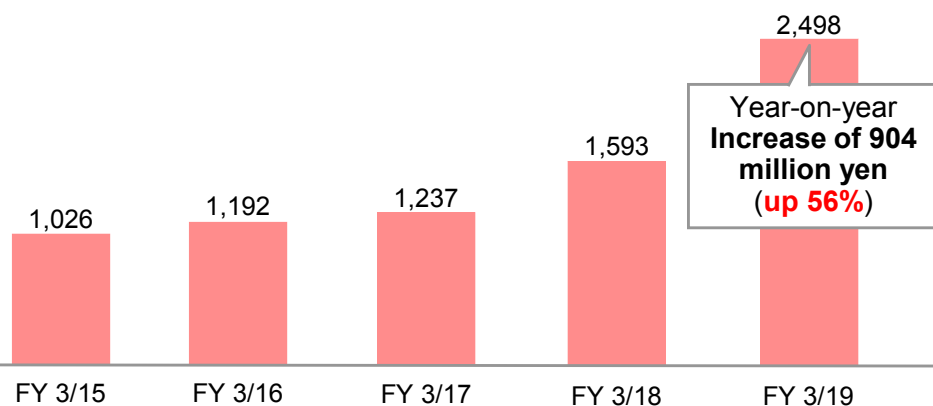
\* Part of dividend income of insurance reported under "Non-recurring gain and loss" in the previous fiscal year has been reported under "Housing loan guarantee and insurance premium, etc." from the current fiscal year, and the figures for the previous fiscal year have been reclassified accordingly.

**Fees and commissions graph (non-consolidated)** (Unit: million yen)



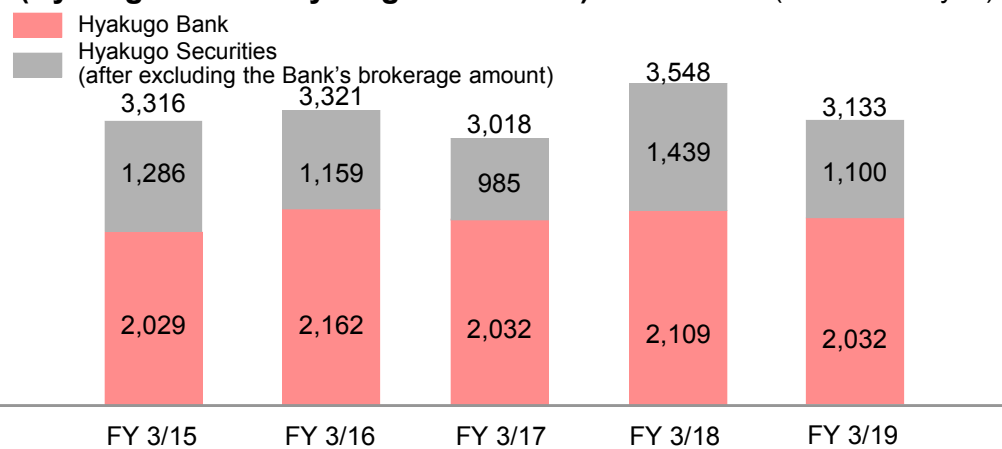
**Housing loan handling fees**

(Unit: million yen)



**Commissions related to depository assets (Hyakugo Bank + Hyakugo Securities)**

(Unit: million yen)



- Expenses decreased 0.6% year-on-year due mainly to a decrease in non-personnel expenses. OHR declined 1.14P year-on-year

(Unit: million yen)

	FY 3/18	FY 3/19	Change
Expenses	41,216	40,987	(229)
Personnel expenses	22,589	22,644	55
Non-personnel expenses	16,465	16,305	(159)
Taxes	2,161	2,037	(124)

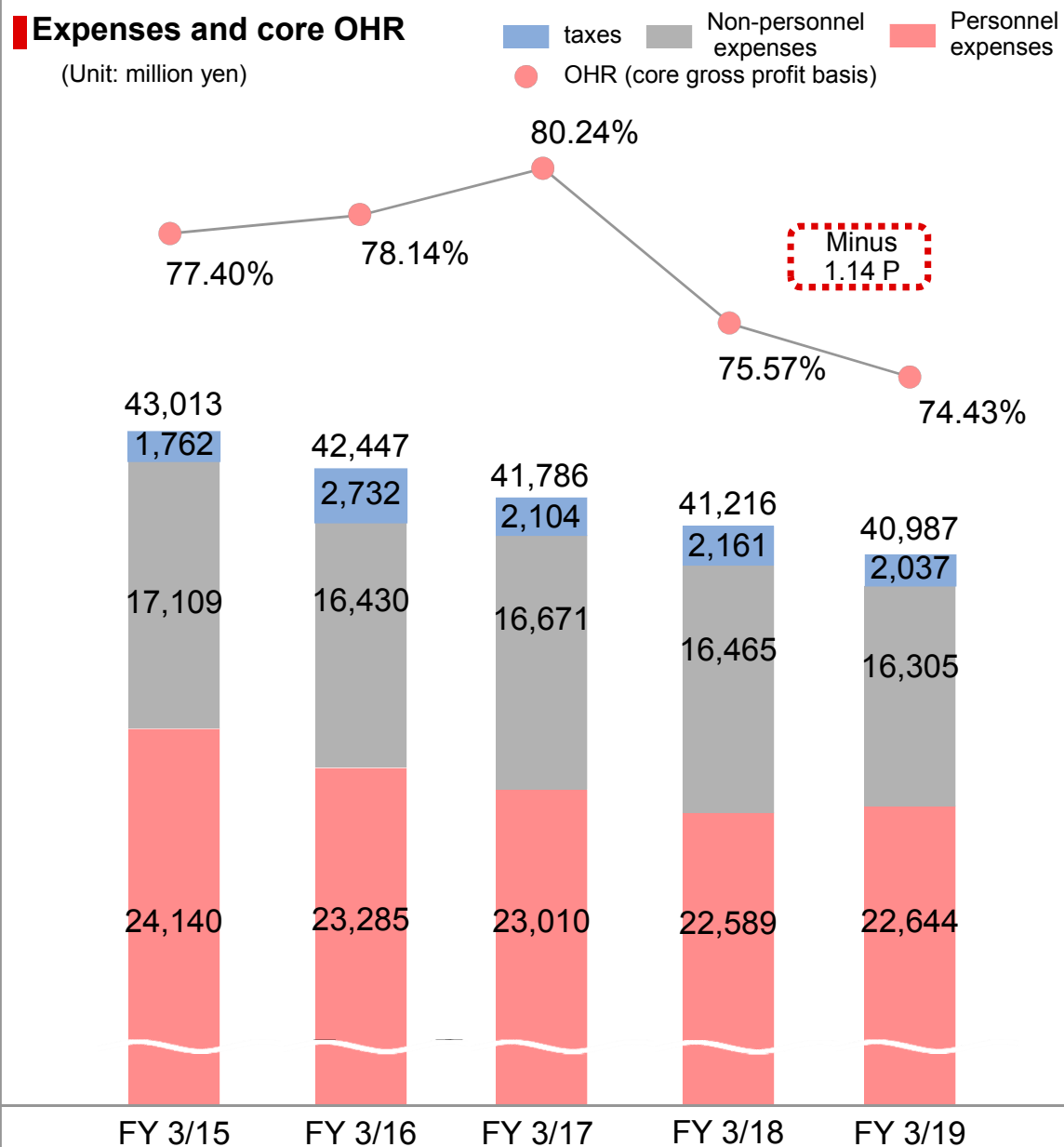
\* Part of dividend income of insurance reported under "Non-recurring gain and loss" in the previous fiscal year has been reported under "Personnel expenses" from the current fiscal year, and the figures for the previous fiscal year have been reclassified accordingly.

## Major factors underlying decrease in expenses

- Non-personnel expenses
  - Supplies expenses (PC and office equipment, etc.) (128) million yen
  - Maintenance and management expenses (126) million yen
  - Deposit and insurance premiums (89) million yen
- Taxes
  - Consumption tax (100) million yen

## Expenses and core OHR

(Unit: million yen)



● An increase in the provision of allowance for specific loan losses caused a year-on-year increase in credit costs

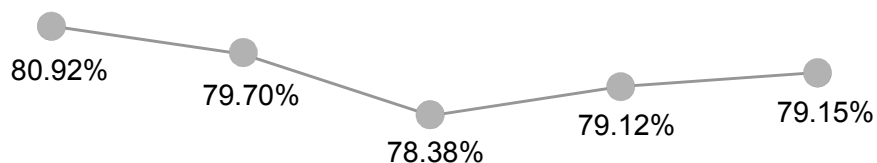
(Unit: million yen)

	FY 3/18	FY 3/19	Change
<b>Credit costs</b>	(1,360)	812	2,173
Of which, provision of general allowance for loan losses	(*) (603)	(574)	29
Of which, provision of specific allowance for loan losses	(*) (923)	943	1,866
Of which, loss on sale of receivables and other securities	—	291	291
<b>Credit cost ratio</b>	(0.04)%	0.02%	0.06P

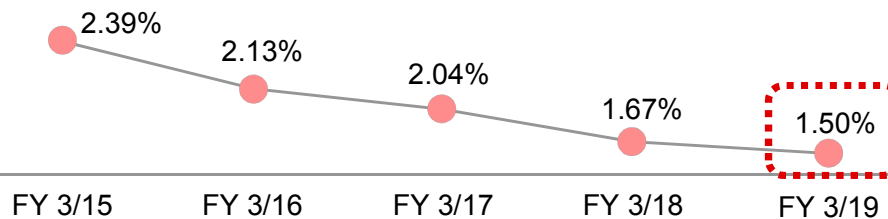
\* Before reversal of allowance for loan losses

	March-end 2018	March-end 2019	Change
<b>Nonperforming loans</b>	52,454	52,250	(204)

## Nonperforming loans coverage ratio

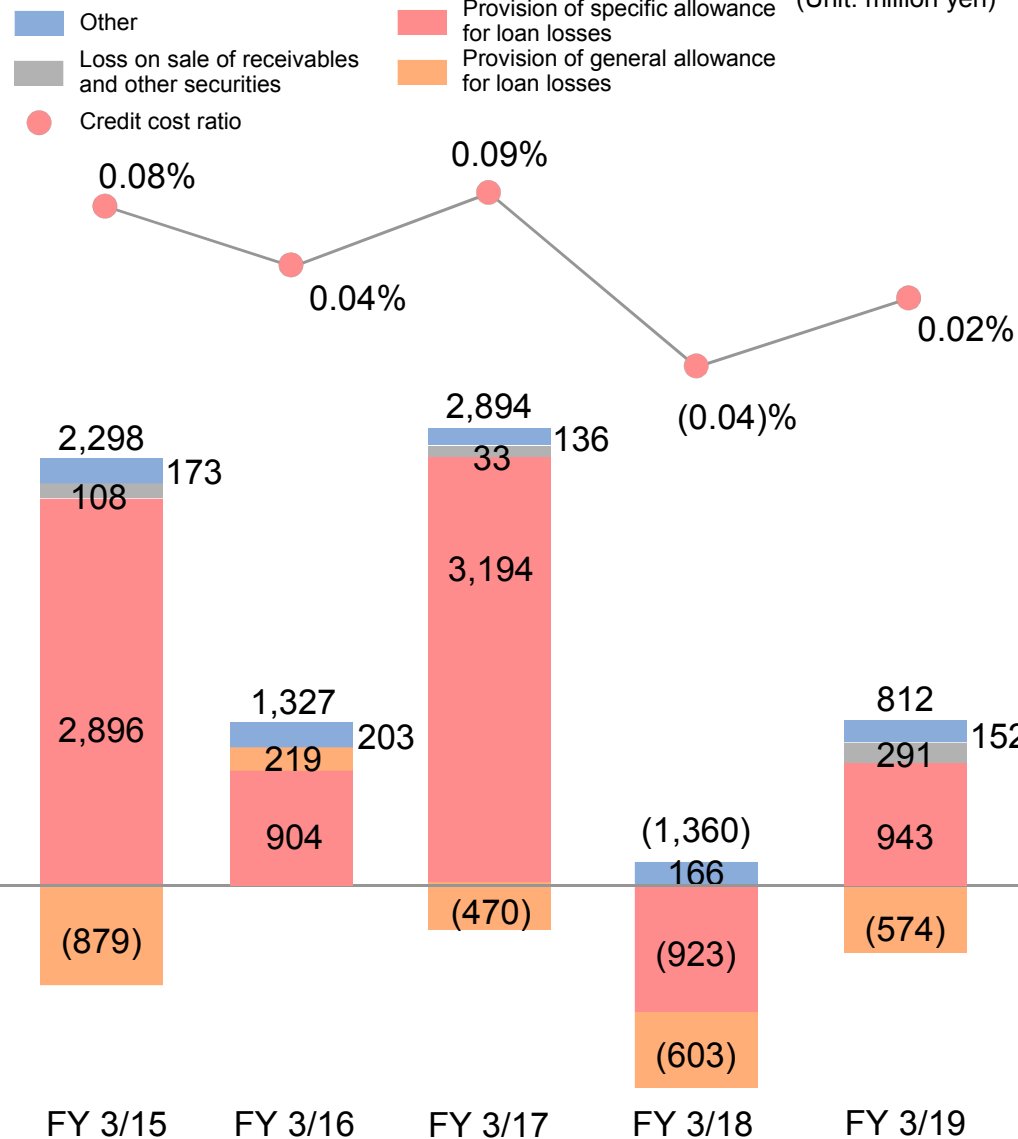


## Nonperforming loans ratio



## Credit costs (non-consolidated)

(Unit: million yen)



- Individual deposits and corporate deposits both remained strong, increasing total deposits 3.7% year-on-year

(Unit: 100 million yen)

	FY 3/18	FY 3/19	Change
Total deposits (average balance)	48,141	49,929	1,787
Mie Prefecture	43,261	44,687	1,425
Aichi Prefecture	4,644	4,973	329
Tokyo and Osaka	235	267	32

(Unit: 100 million yen)

	FY 3/18	FY 3/19	Change
Individual deposits (average balance)	36,056	36,979	922
Mie Prefecture	33,487	34,271	783
Aichi Prefecture	2,548	2,688	139
Tokyo and Osaka	20	20	(0)

(Unit: 100 million yen)

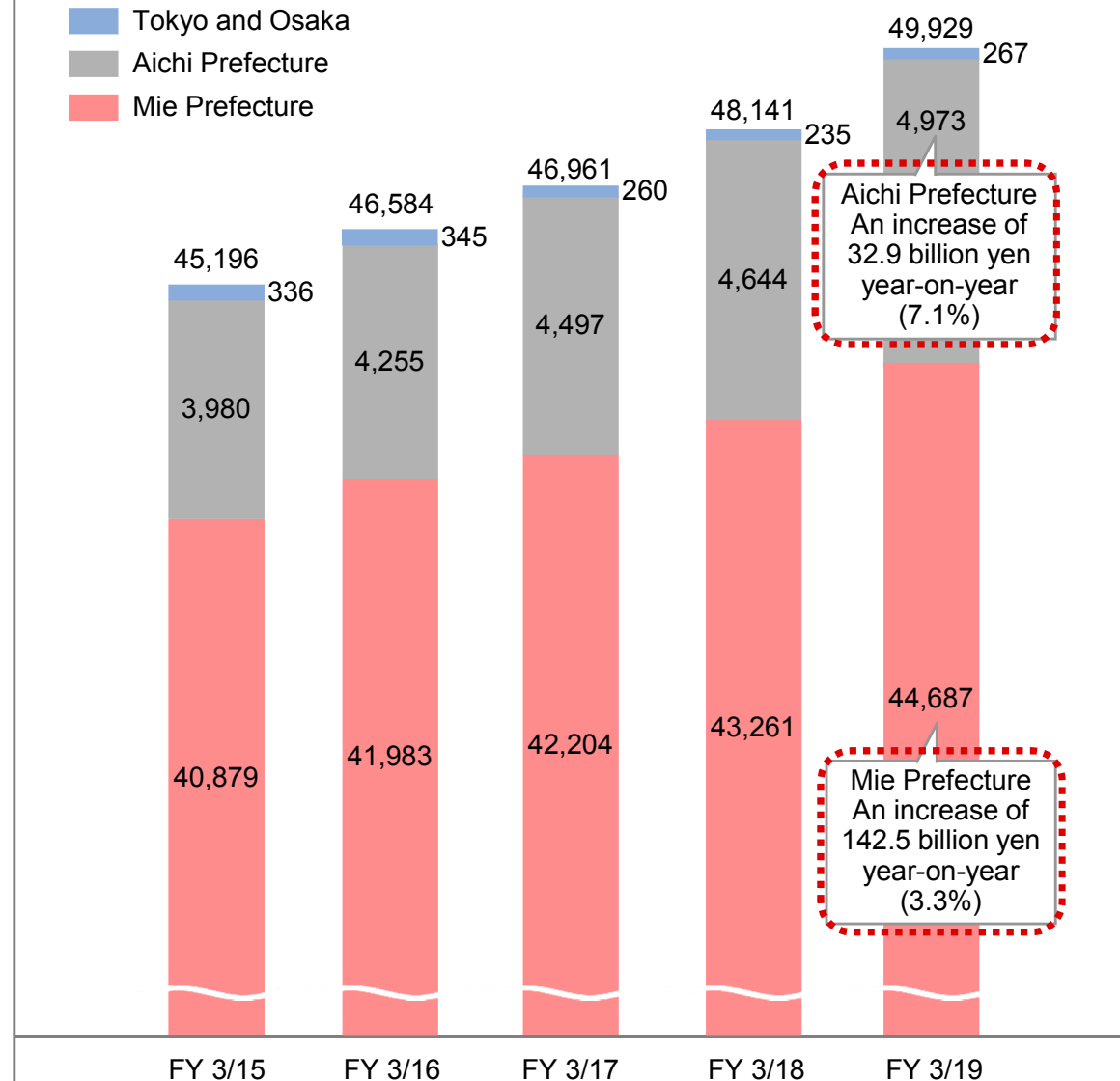
	FY 3/18	FY 3/19	Change
Corporate deposits (average balance)	9,764	10,244	479
Mie Prefecture	7,621	7,974	352
Aichi Prefecture	1,929	2,025	95
Tokyo and Osaka	212	244	31

\* Mie Prefecture includes Shingu and Internet branches.

## Total deposits (average balance)

(Unit: 100 million yen)

- Tokyo and Osaka
- Aichi Prefecture
- Mie Prefecture





- Individual loans such as housing loans and loans to medium-sized companies and SMEs increased, resulting in an 8.8% increase year-on-year in total loans

(Unit: 100 million yen)

	FY 3/18	FY 3/19	Change
Total loans (average balance)	29,848	32,462	2,613
Mie Prefecture	16,043	16,499	456
Aichi Prefecture	7,931	9,272	1,340
Tokyo and Osaka	5,874	6,691	816

(Unit: 100 million yen)

	FY 3/18	FY 3/19	Change
Loans to SMEs (average balance)	11,285	11,994	708
Mie Prefecture	6,771	7,033	261
Aichi Prefecture	2,950	3,124	173
Tokyo and Osaka	1,562	1,835	272

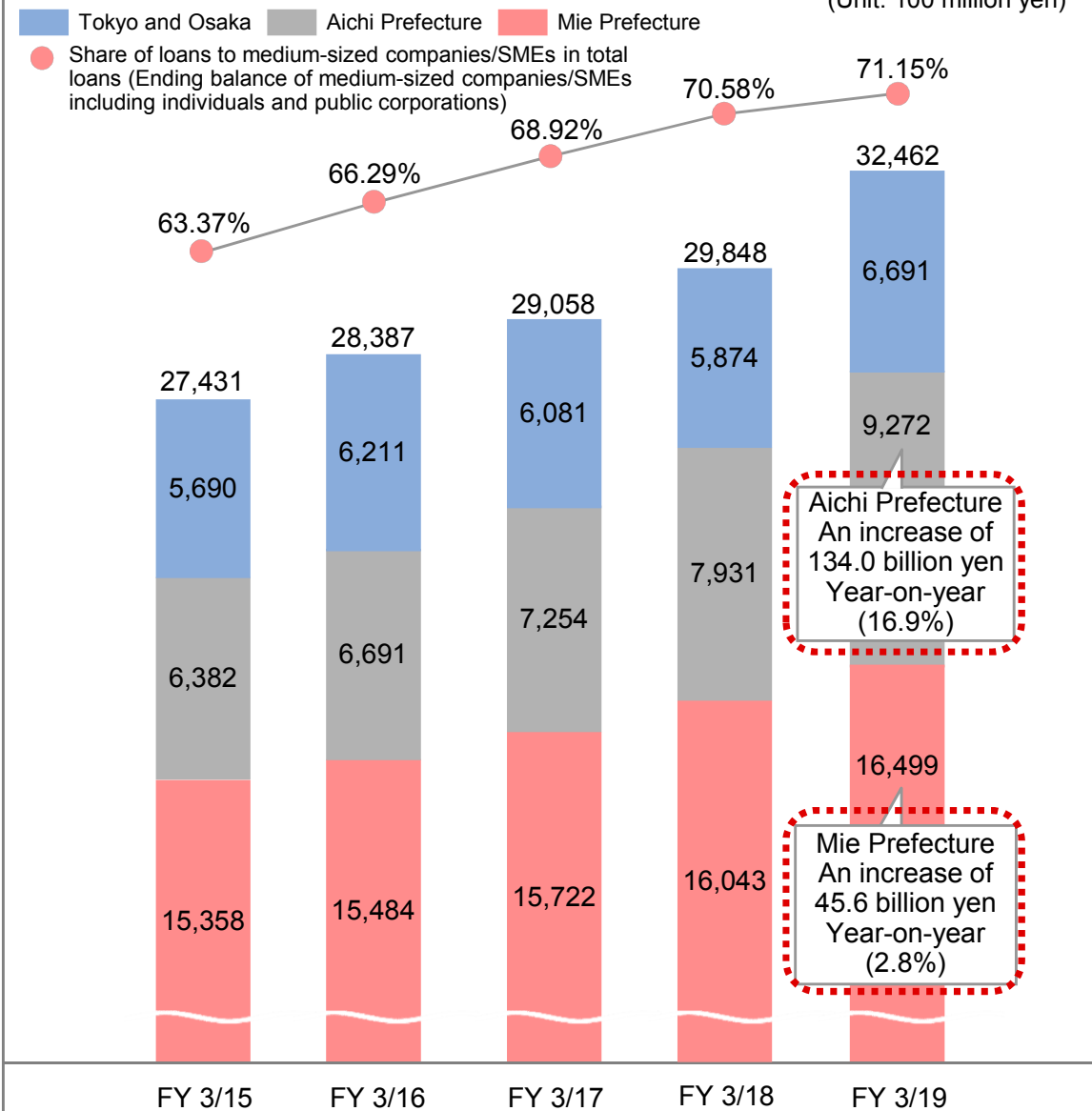
(Unit: 100 million yen)

	FY 3/18	FY 3/19	Change
Housing loans (average balance)	8,908	10,258	1,350
Mie Prefecture	5,390	5,743	353
Aichi Prefecture	3,518	4,514	996

\* Mie Prefecture includes Shingu and Internet branches

## Total loans (average balance)

(Unit: 100 million yen)

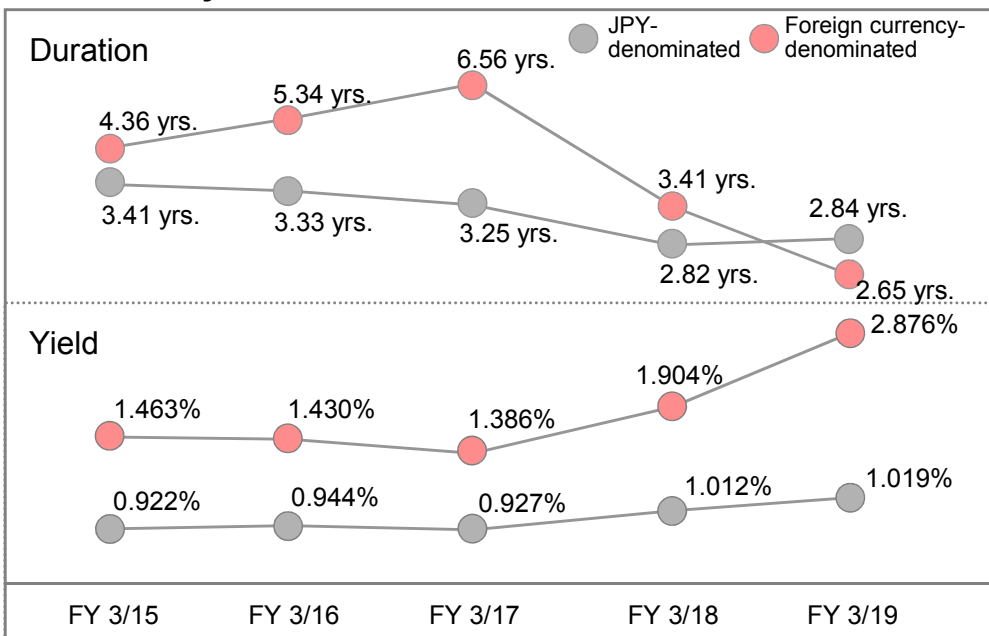


● Decrease in share prices caused valuation gains (losses) on securities to decline 7.6% from the end of the previous fiscal year

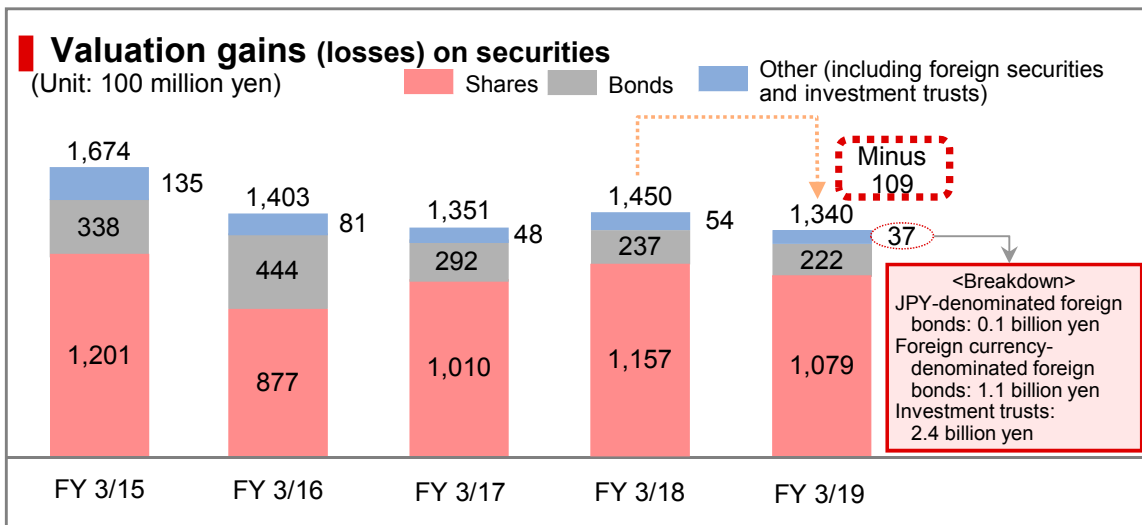
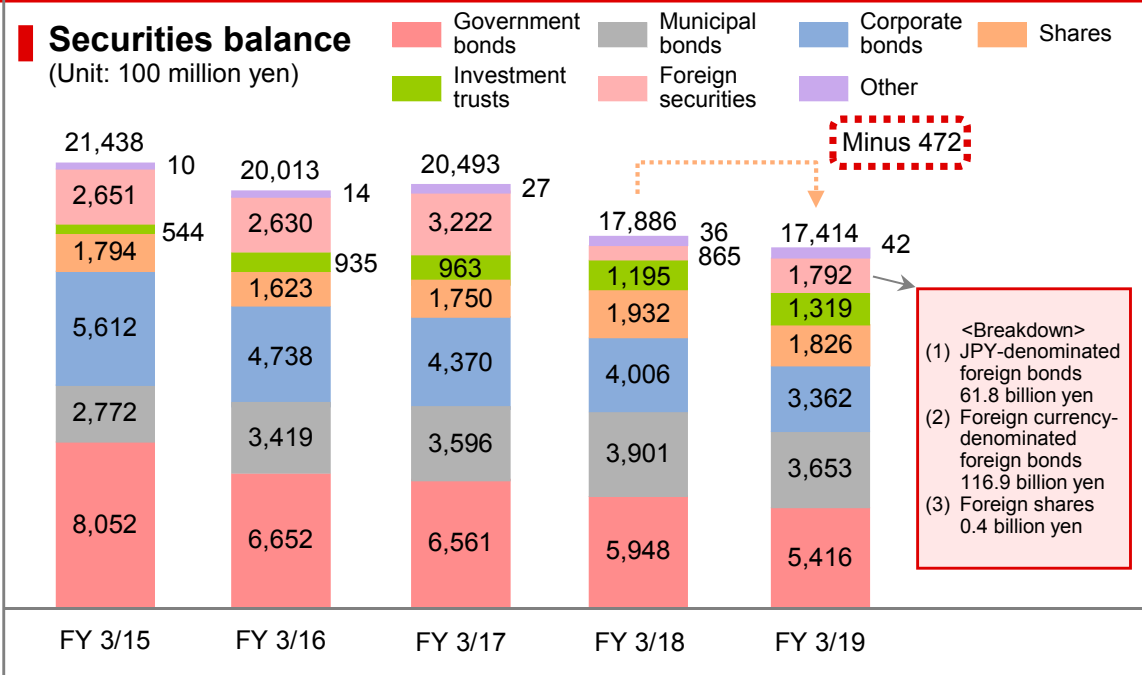
(Unit: 100 million yen)	FY 3/18	FY 3/19	Change
Securities balance	17,886	17,414	(472)
Government bonds	5,948	5,416	(531)
Municipal bonds	3,901	3,653	(248)
Corporate bonds	4,006	3,362	(643)
Shares	1,932	1,826	(106)
Investment trusts	1,195	1,319	124
Foreign securities	865	1,792	926
Other	36	42	6

JPY-denominated average balance*	16,113	16,098	(15)
Foreign currency-denominated average balance*	1,967	826	(1,140)

## Duration, yield\*



\* Including trust beneficiary rights



- An increase in risk assets, resulting from an increase in loans, etc., caused the equity ratio to decline 0.53 percentage points year-on-year

(Unit: 100 million yen)

Computation method of credit risk asset value	Standard approach	Fundamental internal rating-based approach	
		March-end 2017	March-end 2018
As of	March-end 2017	March-end 2018	March-end 2019
Equity capital (For equity ratio calculation purposes)	2,329	2,244	2,285
Risk Assets	24,451	21,839	23,458
Equity ratio	9.52%	10.27%	9.74%
Shareholders' equity*	2,354	2,443	2,530

Method of computing value-at-credit-risk : Standard approach (until 3/2017)  
FIRB (from 9/2017)  
Method of computing value-at-operational risk : The Standardized Approach (TSA)

## Benefits of introducing FIRB

**Sophisticated management of risk and equity capital**

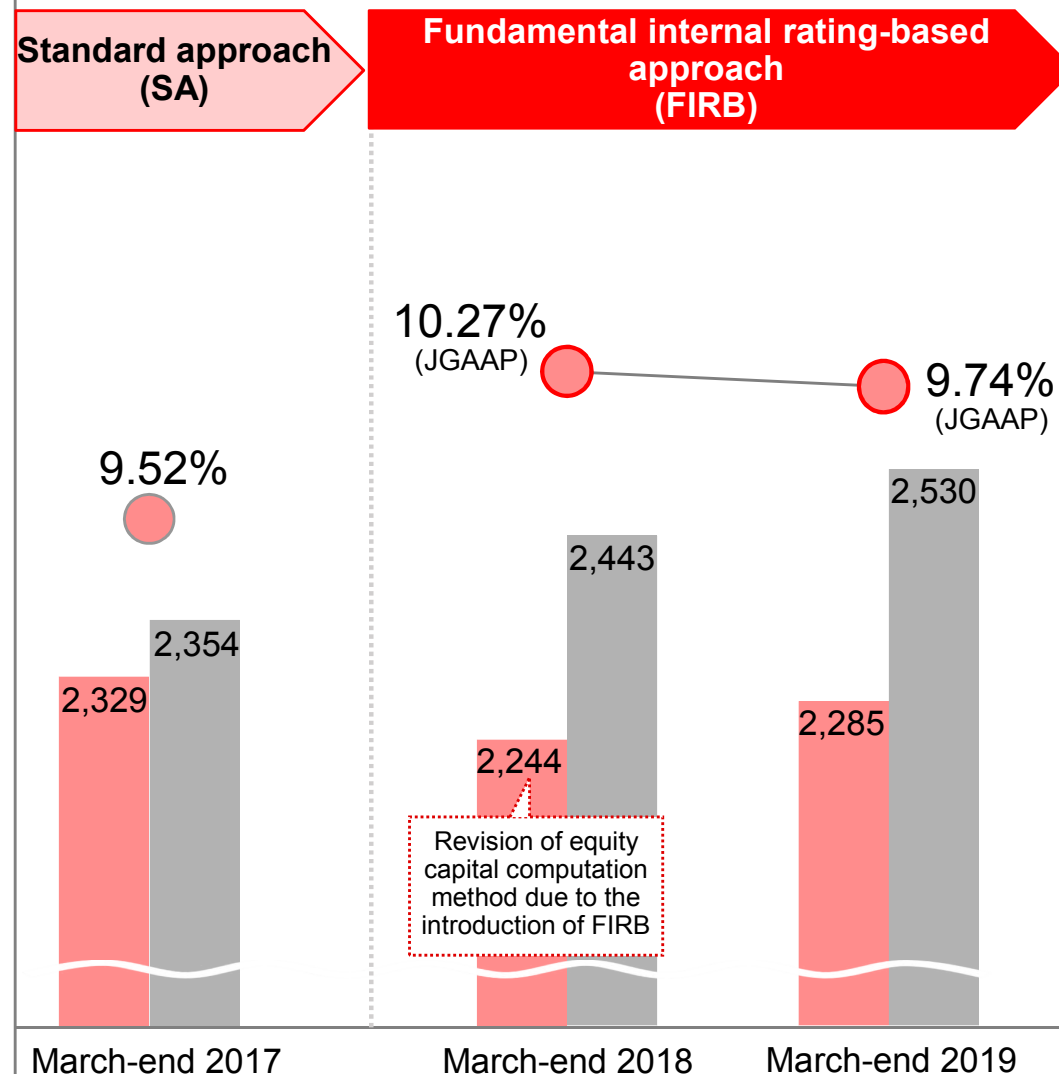
**Achieves financial health**

**Enhances financial intermediary capability**

## Equity capital, shareholders' equity, and equity ratio

(Unit: 100 million yen)

Equity capital    Shareholders' equity\*    Equity ratio



\* Shareholders' equity is not affected by a change in the computation method of credit risk asset value. 16

- Net income is forecast to decrease due mainly to an increase in costs. Dividends will be maintained at the previous year's level and include the 140th commemorative dividend.

### Forecast (non-consolidated)

(Unit: million yen)

	FY 3/19	FY 3/20 (forecast)
Gross operating income	55,131	52,700
Interest income	49,388	50,000
Fees and commissions	9,300	9,100
Other operating income	(3,556)	(6,400)
Net operating income	14,718	10,600
Ordinary income	15,023	11,000
Net income	10,766	9,600
Consolidated net income attributable to shareholders of the parent (consolidated)	10,843	10,000

### Dividend forecast

Interim	Year-end	Full year
4.50 yen	4.50 yen	9.00 yen

# Review of the Previous Medium-term Management Plan:

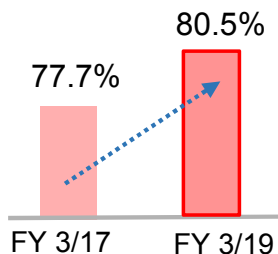
“Next COMPASS 140”

Maintaining Our Solid Position Toward the Next Stage



## ● Review of “Next COMPASS 140:” Maintaining Our Solid Position Toward the Next Stage

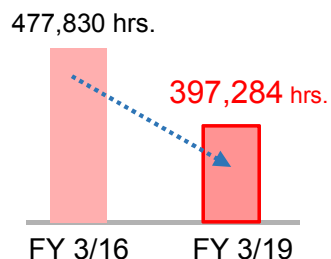
Employee awareness survey  
Ratio of employees who have job satisfaction **80.5%**



### Work-style Reforms



Total overtime work hours  
\*Compared to FY 3/16 **Reduction by 16.8%**

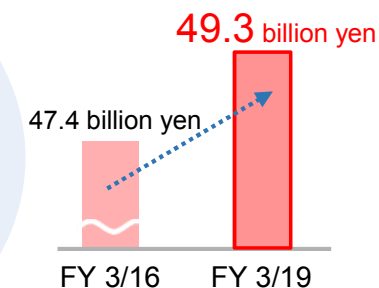


### Three Points of Focus

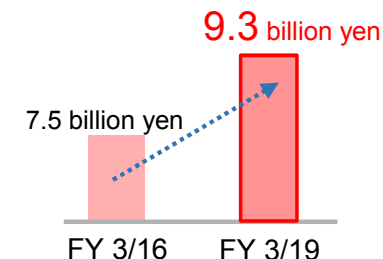
### Topline Innovation



Interest income **+1.9**  
\* Comparison with FY 3/16 billion yen



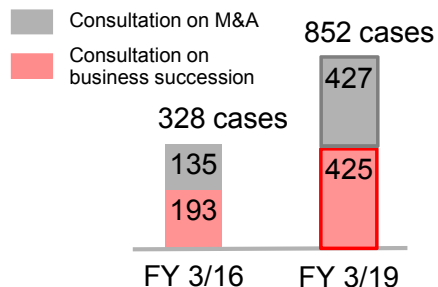
Fees and commissions **+1.8**  
\* Comparison with FY 3/16 billion yen



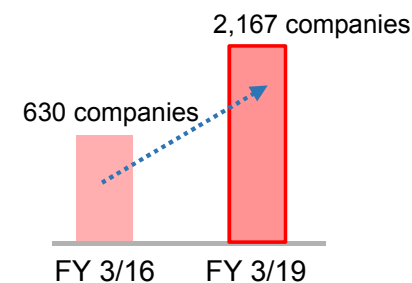
### Supporting and growing together with the region



Number of consultation on business succession **852**  
cases



Number of clients which underwent business assessment **2,167**  
companies



- The Bank performed favorably during the three-year period covered by the previous Medium-term Management Plan, with a significant increase in deposits and loans, and achieved most numerical targets.

## Results for Key Management Indicators

	Item	The previous medium-term management plan period		Change over the three-year period	Topics
		FY 3/16 (results)	FY 3/19 (results)		
Growth potential	Average balance of total deposits (including negotiable certificates of deposit)	4,658.4 billion yen	4,992.9 billion yen	+334.5 billion yen Increase rate 7.1%	<p>Average balance of housing loans (Unit: 100 million yen)</p>
	Average balance of loans	2,838.7 billion yen	3,246.2 billion yen	+407.5 billion yen Increase rate 14.3%	
Profitability	Core net operating income	11.8 billion yen	14.0 billion yen	+2.2 billion yen Increase rate 18.6%	<p>Balance of loans in Aichi Prefecture (Unit: 100 million yen)</p>
Efficiency	ROE (Shareholders' equity base)	(*) 5.90%	4.32%	Compared with the Medium-term Management Plan targets +1.62P	
	Core OHR (Core gross operating income base)	78.14%	74.43%	Improvement of 3.71P	
Soundness	Capital adequacy ratio (Based on full implementation of Basel III)	(SA) 9.14%	(FIRB) 9.30%	Obtained FIRB approval Achieved sophisticated risk and equity capital management	

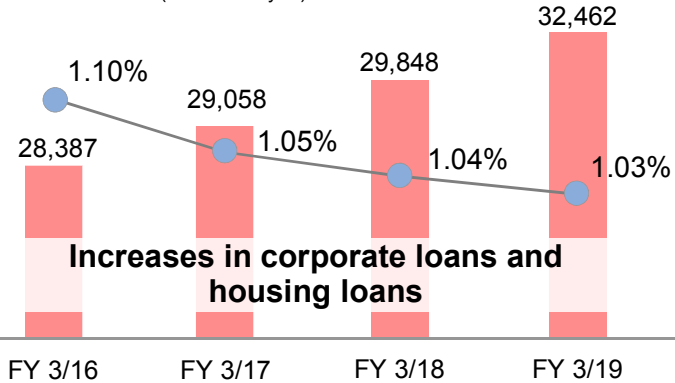
(\*) temporary factors: Posted gain on redemption of retirement benefit trust of 3.6 billion yen in FY 3/16.

- Moved operating income from services to customers into the black

## Turnaround of operating income from services to customers

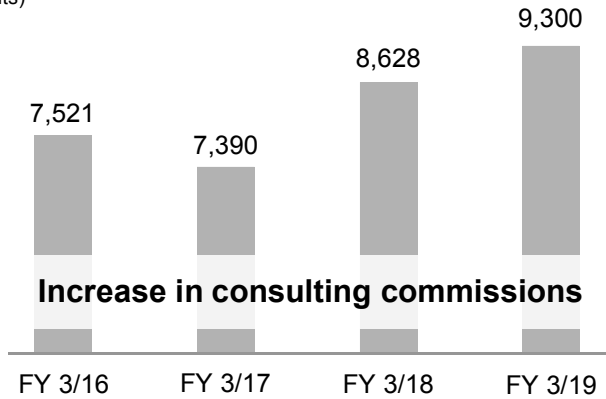
### Change in average balance of loans and deposit-loan yield margin

Average balance of loans (100 million yen) Deposit-loan yield margin (all departments)



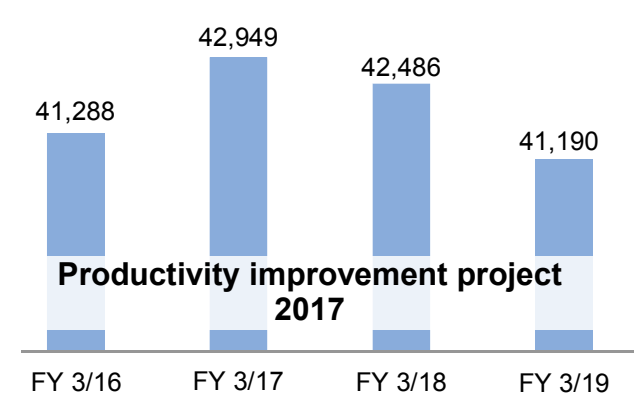
### Change in fees and commissions

(Unit: million yen)



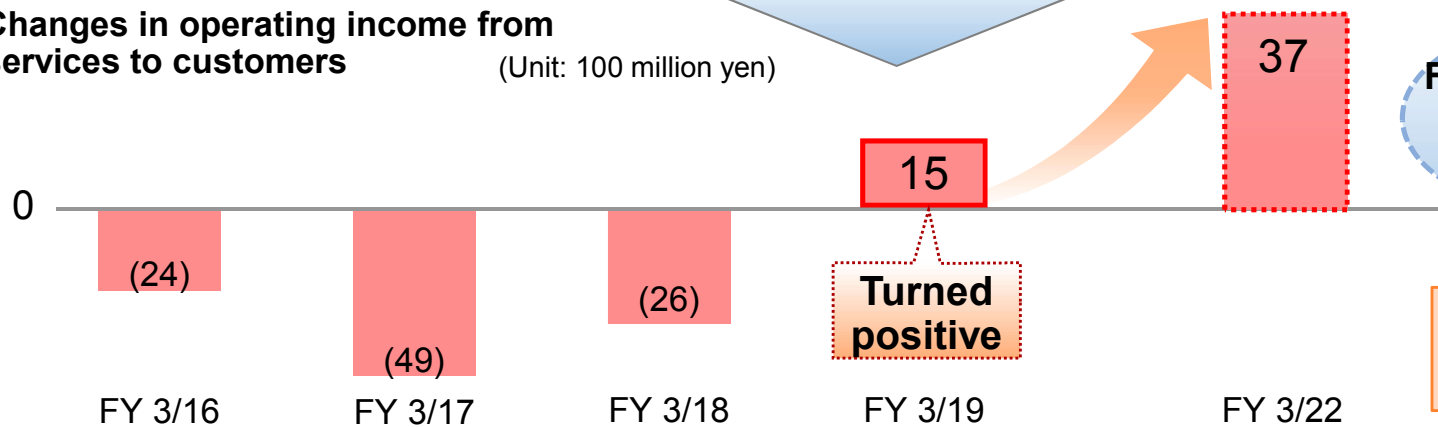
### Change in operating expenses

(Unit: million yen)



### Changes in operating income from services to customers

(Unit: 100 million yen)



Further growth of profit in core businesses

Execution of new Medium-term Management Plan

### Operating income from services to customers

Average balance of loans x (interest rate on loans - interest on deposits, etc.) + fees and commissions - operating expenses (including retirement benefit expenses in extraordinary gain and loss)

# **New Medium-term Management Plan: KAI-KAKU 150 1st STAGE— Gateway to the Future**

—Aiming to Transform into a Digital & Consulting Bank—

## Five Future Goals

### Long-term vision

**Digital & consulting bank that opens up the future to customers and the region**

Envision the future to be realized from the perspectives of our five stakeholders based on fulfilling our social roles (ESG and SDGs).

### Customers' perspective

Maximize benefits of financial intermediary capability and provide high-quality consulting solutions.

### The Bank's perspective

Establish solid management foundations by building a sustainable business model and ensuring stable profits and soundness.

### Regional perspective

Contribute to the development of the regional economy by creating new value and become a vital resource of the region.

### Shareholders' perspective

Aim to increase share price, market capitalization, ROE, and shareholder returns through sustainable growth and enhancing corporate value.

### Employees' perspective

Create workplaces where employees can fulfill their potential to the maximum and experience job satisfaction from being appreciated by customers.



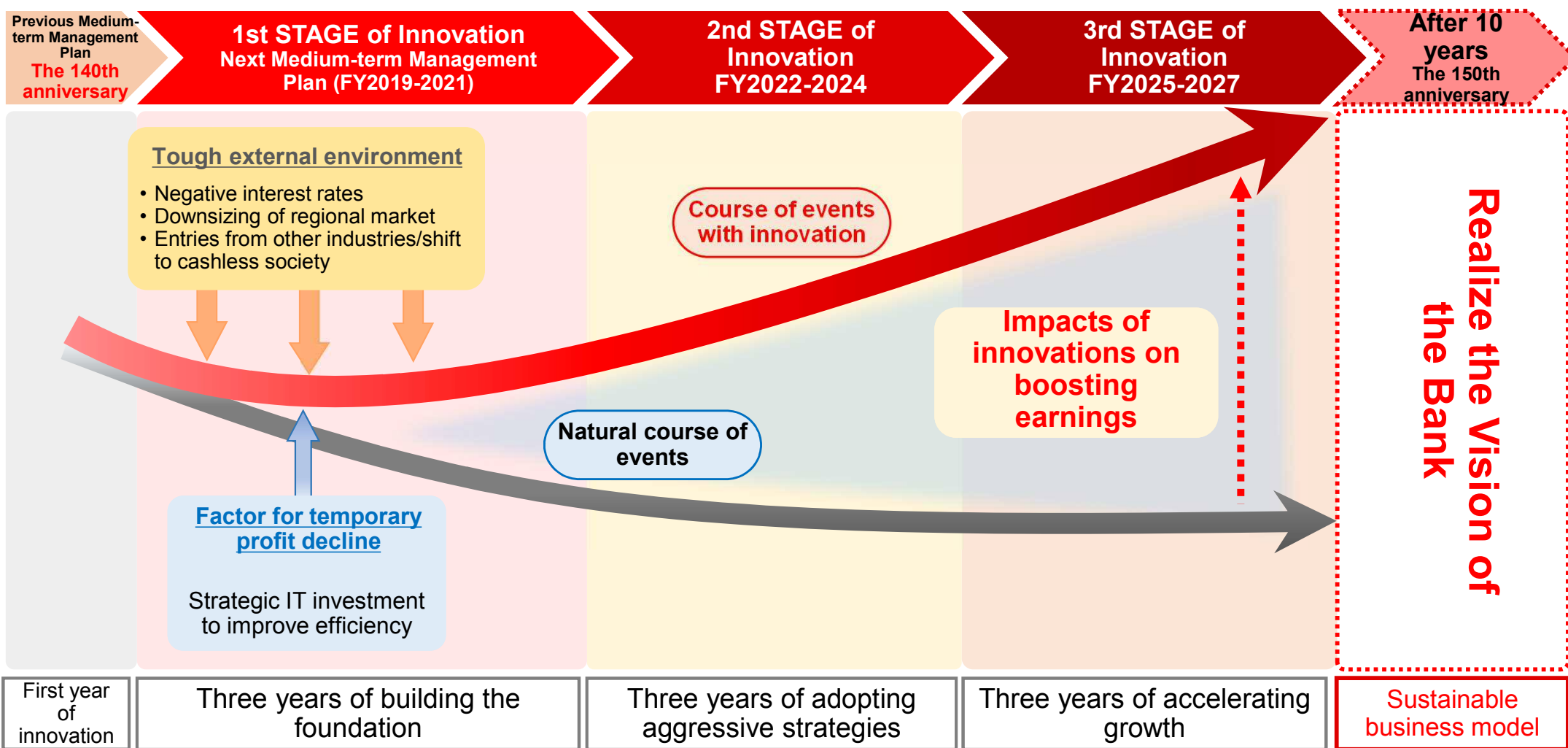
**Five future goals to be pursued**



- After three years building the foundation, the Bank will shift to a sustainable business model and realize the vision of the Bank within 10 years

Vision of the Bank within 10 years (numerical targets)

Item	Core OHR	Capital adequacy ratio	Net income
Targets	In the 60% range	10% or more	15.0 billion yen or more



- Steadily achieve the milestones set to realize the vision of the Bank within 10 years

Timeline/ Target item	Previous Medium-term Management Plan The 140th anniversary	1st STAGE of Innovation FY2019-2021	2nd STAGE of Innovation FY2022-2024	3rd STAGE of Innovation FY2025-2027	After 10 years The 150th anniversary
	FY2018 (actual)	FY2021 (targets)	FY2024 (targets)	FY2027 (targets)	FY2028 (targets)
Net income	10.7 billion yen	10.0 billion yen or more	12.0 billion yen or more	14.0 billion yen or more	15.0 billion yen or more
Core OHR	74.4%	Less than 79%	Approx. 75%	Approx. 70%	In the 60% range
Market share of loans in Mie Prefecture	36.8% <small>(*as of September 2018)</small>	Approx. 39%	Approx. 40%	Approx. 41%	41% or more
Number of personnel with professional qualifications	161 persons	300 persons or more	450 persons or more	600 persons or more	650 persons or more

- Number of personnel with professional qualifications ⇒ 1st Grade Certified Skilled Professional of Financial Planning, CFP, Small and Medium Enterprise Management Consultant

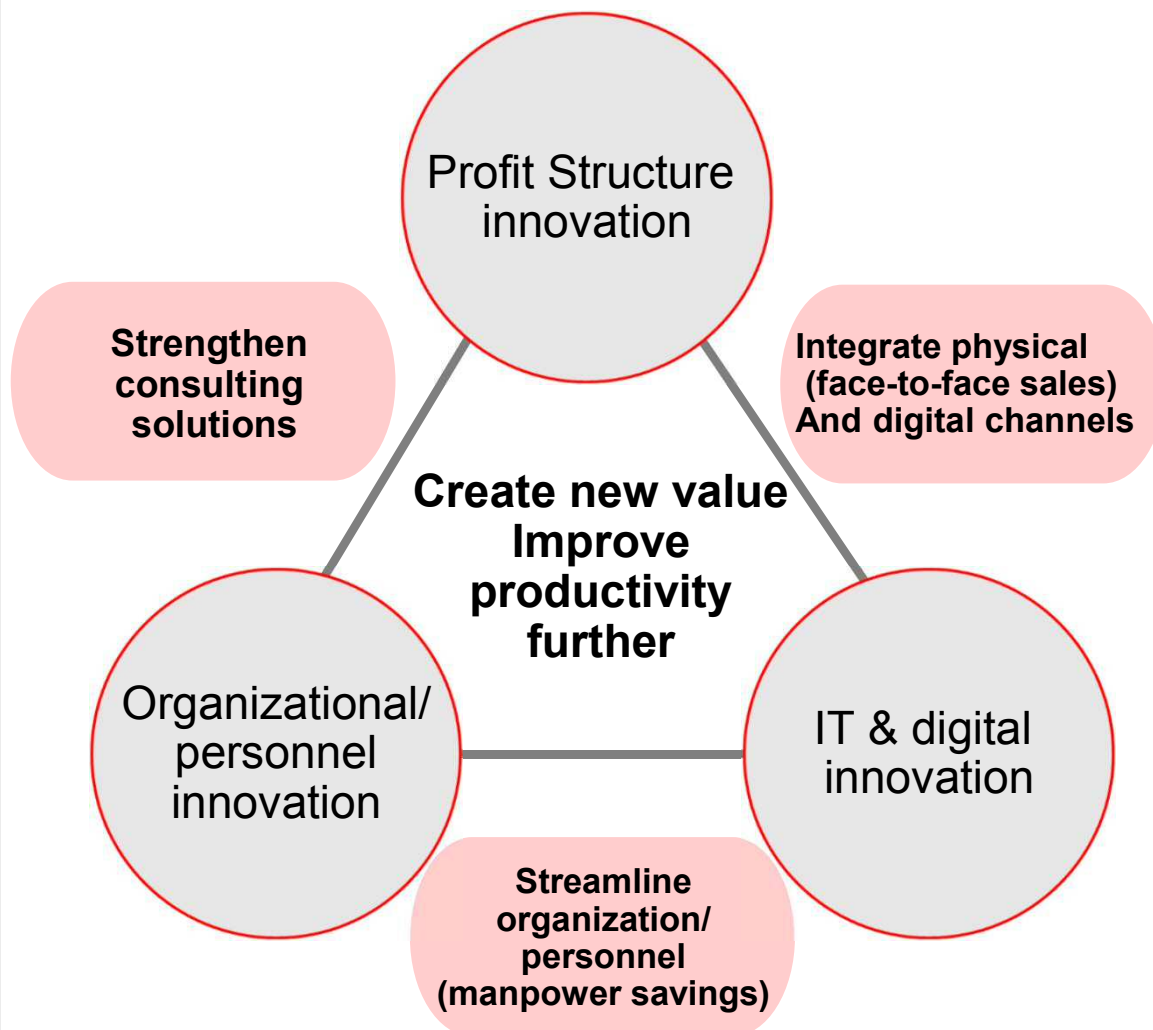
Three years of building  
the foundation

Three years of  
adopting aggressive  
strategies

Three years of  
accelerating growth

- Overview of the Medium-term Management Plan “KAI-KAKU 150 1st STAGE—Gateway to the Future” comprising three reform measures and 14 basic strategies

## Three innovation measures



## 14 basic strategies

<b>Profit Structure</b>	(1) Strengthen topline (loan income)	<b>(14) Initiatives for ESG/SDGs</b>
	(2) Strengthen topline (fees and commissions)	
	(3) Develop new businesses/new fields	
	(4) Rebuild securities portfolio	
	(5) Thoroughly review cost structure	
<b>Organization/personnel</b>	(6) Reform organizational culture (promote diversity)	
	(7) Increase efficiency of organization/personnel	
	(8) Develop professional human resources	
	(9) Strengthen business management system	
<b>IT &amp; digital</b>	(10) Mobile channel strategy	
	(11) New business strategy	
	(12) Operations digitization strategy	
	(13) Branch office digitization strategy	
	(14) [Blank]	

- We set numerical targets designed to further strengthen the Bank's management structure over three years in order to build the foundation while looking 10 years into the future.

## Numerical Targets of the Medium-term Management Plan

		Item	FY 3/19 (actual)	Final year FY 3/22 (target)
Target achievement indicators	Profitability indicator	Net income	10.7 billion yen	10.0 billion yen or more
	Capital efficiency indicator	ROE (Shareholders' equity base)	4.32%	3.7% or more
	Efficiency indicator	OHR (Core gross operating profit base)	74.43%	Less than 79%
	Soundness indicator	Capital adequacy ratio	9.74%	9.5% or more
Performance evaluation indicators	Growth indicator	Average balance of total deposit (including negotiable certificates of deposit)	4,992.9 billion yen	5,230 billion yen or more
		Average balance of total loans	3,246.2 billion yen	3,700 billion yen or more
		Loan-to-deposit ratio (average balance base)	65.0%	70.8% or more
	Profit indicator	Operating income from services to customers	1.5 billion yen	3.7 billion yen
		Corporate solutions fees	941 million yen	2,000 million yen
	Human resources development indicator	Number of personnel with professional qualifications	161 persons	300 persons

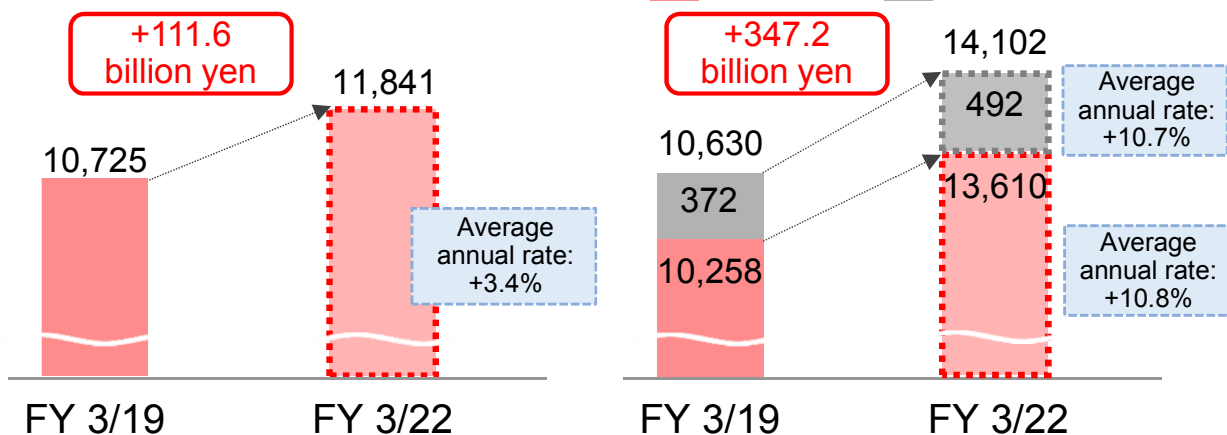
- Increase average balance of loans, such as loans to local medium-sized companies/SMEs and consumer loans, by approx. 500 billion yen.

## JPY-denominated loans Average balance plan

### Loans to medium-sized companies and SMEs in the region

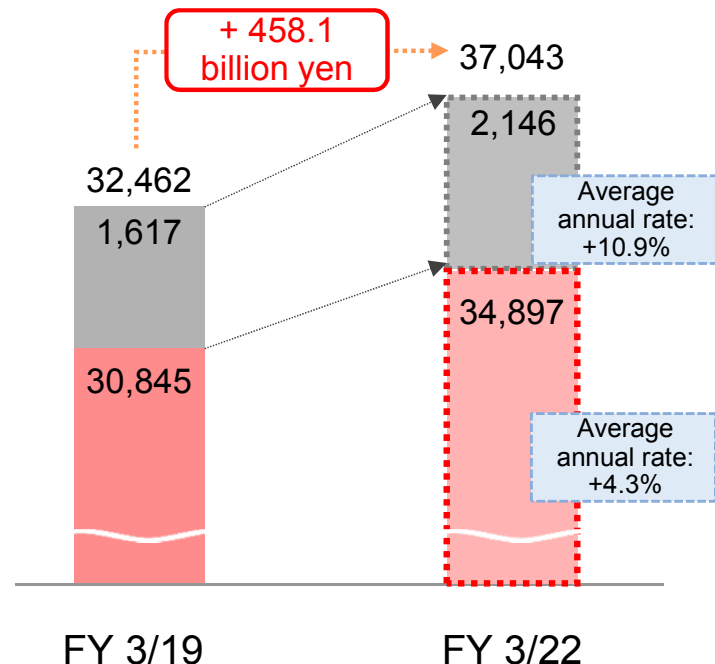
### Consumer loans

(Unit: 100 million yen)



## Total loans Average balance plan

(Unit: 100 million yen)



## Foreign currency-denominated loans Average balance plan

- Increase average balance of loans by approx. 50.0 billion yen by further strengthening the operation system and based upon careful risk analysis.
- Provide loans for excellent floating-rate loan deals that offer reasonable spreads.

## Improve loan-to-deposit ratio

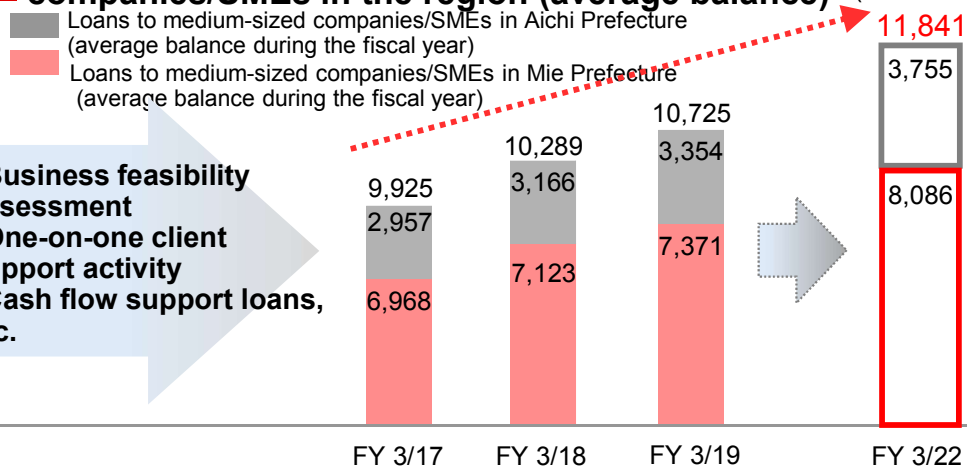
	FY 3/19 (actual)	FY 3/22 (final year of the Medium-term Management Plan)	Comparison with FY 3/19
Loan-to-deposit ratio	65.0%	70.8% or more	+5.8P or more

- Deepen business feasibility assessment to further strengthen financial intermediary capability and increase market share for loans.

### Toward More Sophisticated Business Feasibility Assessments

#### Change in volume of loans to medium-sized companies/SMEs in the region (average balance)

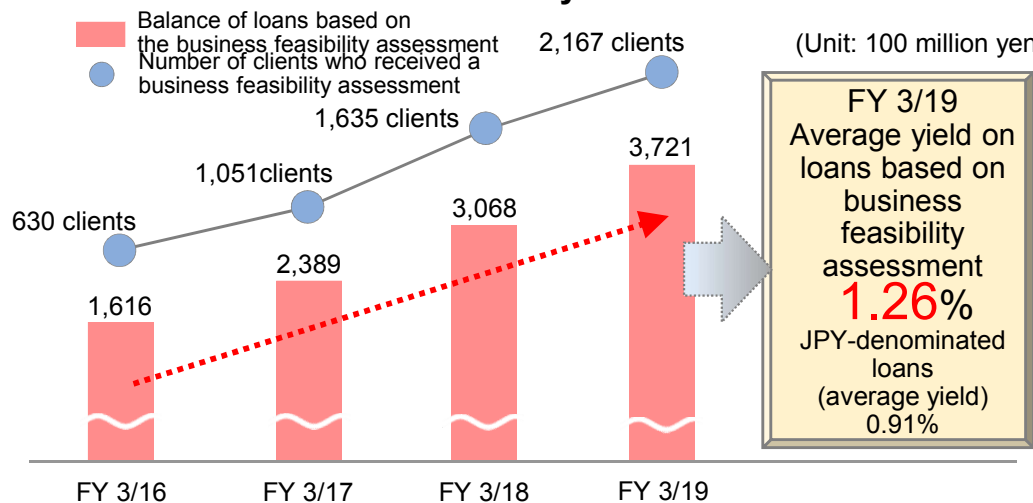
(Unit: 100 million yen)



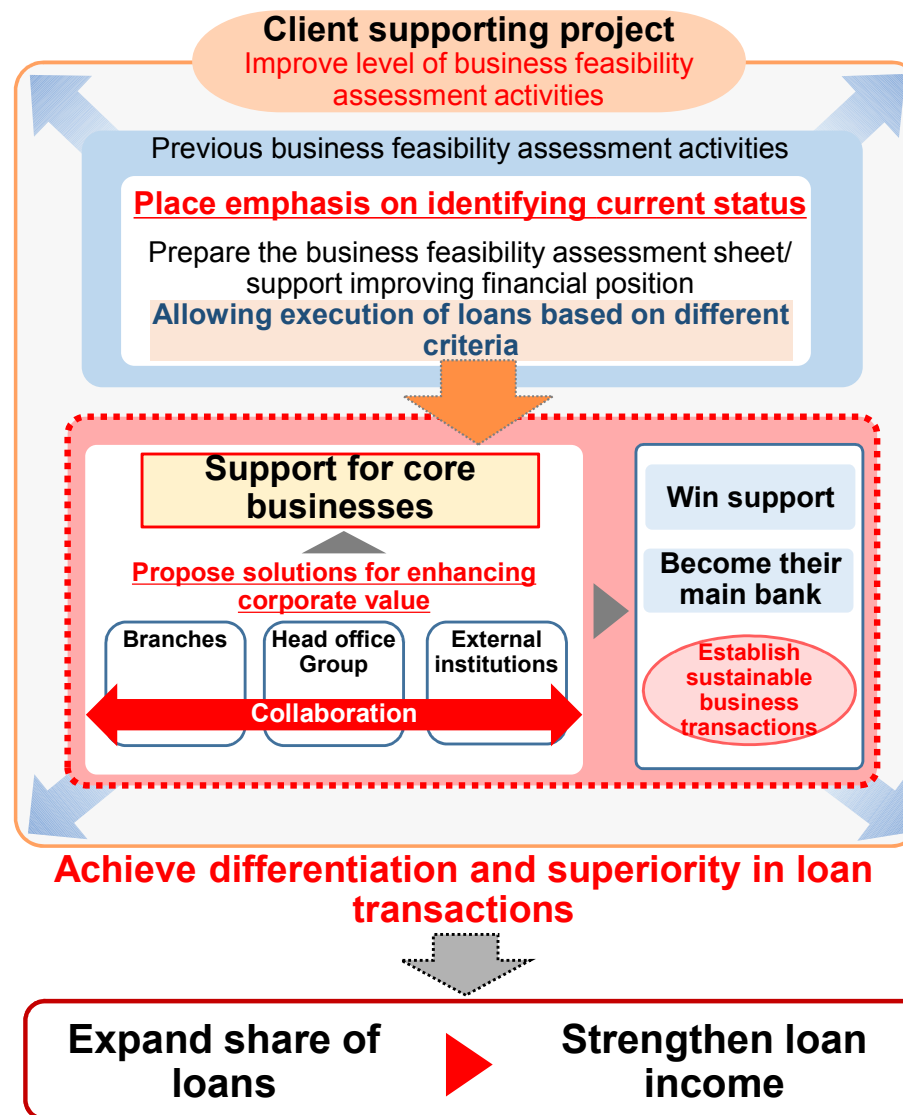
- Business feasibility assessment
- One-on-one client support activity
- Cash flow support loans, etc.

#### Change in the loan balance based on business feasibility assessment and number of clients who received a business feasibility assessment

(Unit: 100 million yen)



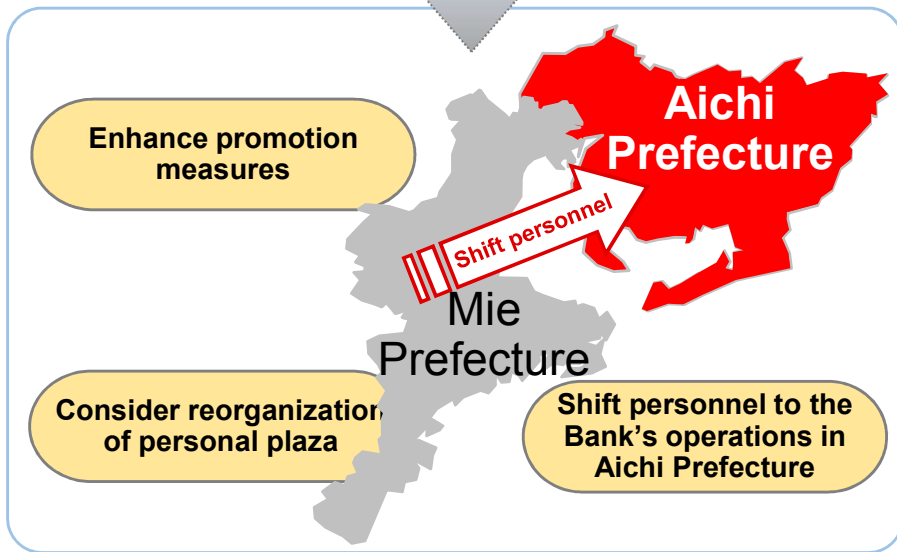
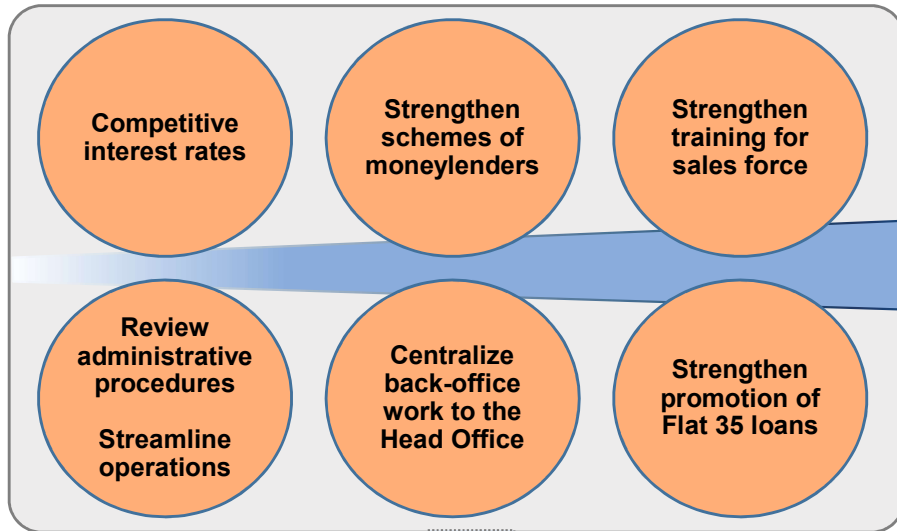
FY 3/19  
Average yield on loans based on business feasibility assessment  
**1.26%**  
JPY-denominated loans (average yield) 0.91%





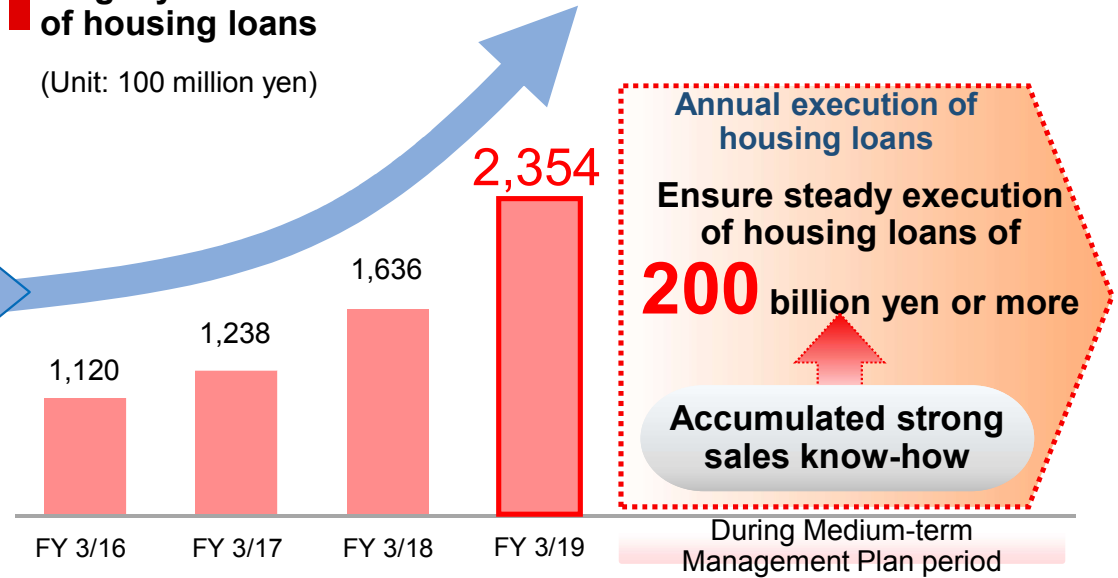
- Improve sales force and productivity to establish a system that secures an annual loan volume of 200 billion yen.

## Housing loan promotion measures and numerical targets



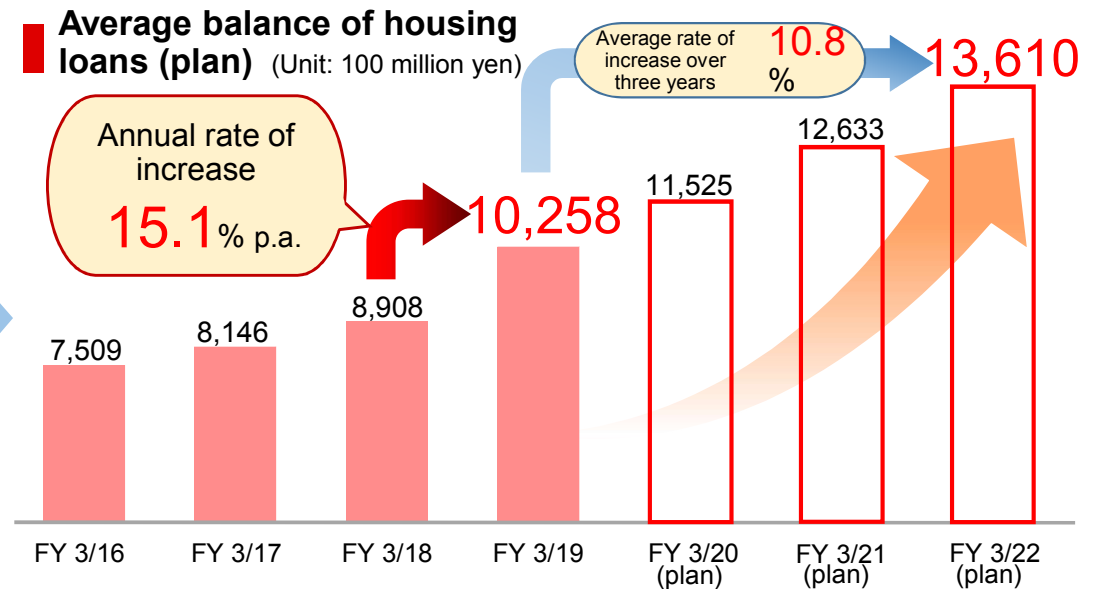
## Single-year execution of housing loans

(Unit: 100 million yen)



## Average balance of housing loans (plan)

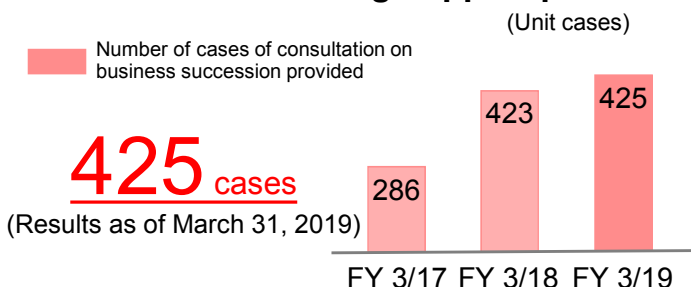
(Unit: 100 million yen)



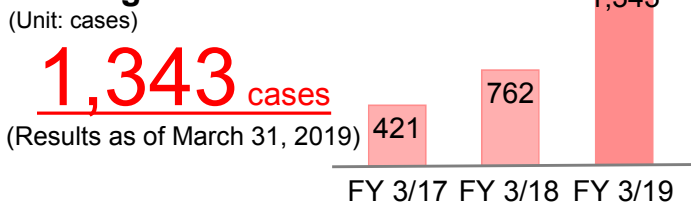
- Enhance offerings of solutions and support system to address customers' management issues and strengthen non-interest income

### Corporate solutions fees

#### Number of cases of business succession consulting support provided



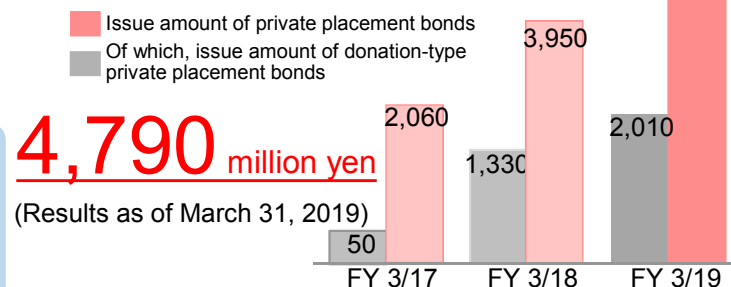
#### Number of business matching meetings held



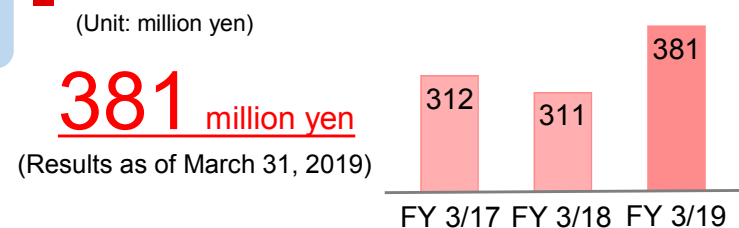
**Newly established**  
**Solution Business Division**

Personnel in charge of corporate customers  
Personnel in charge of individual customers  
**60 staff organization**

#### Change in issue amount of private placement bonds

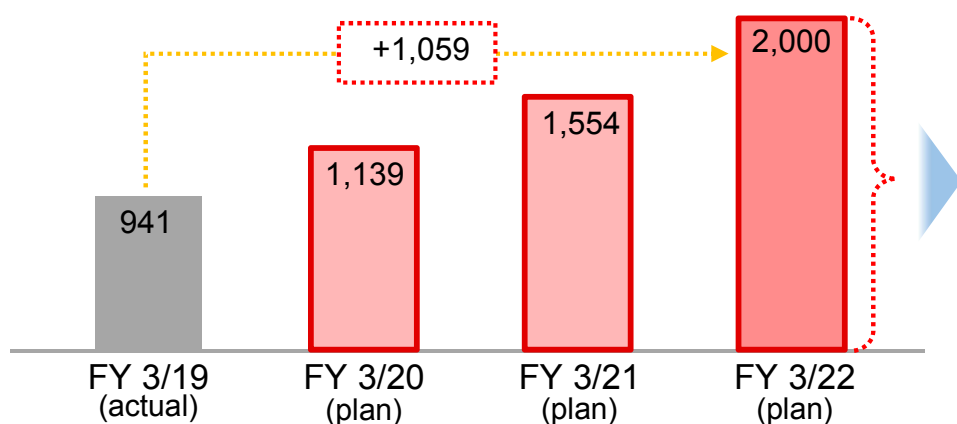


#### Structured finance-related fees



#### Corporate solutions fees (plan)

(Unit: Million yen)



Breakdown for FY 3/22 (Unit: million yen)	FY 3/22 (plan)	Comparison with FY 3/19
M&A	630	+422
Structured finance-related	478	+96
Business matching	300	+215
Derivatives	240	+189
Private placement bonds	150	+90
IT & digital-related	20	+20
Other	182	+24

- Make customer-oriented proposals for depository assets according to their needs in order to increase the penetration ratio of depository assets and strengthen depository assets-related fees

## Depository assets sales strategy to increase penetration ratio

### Depository assets penetration ratio

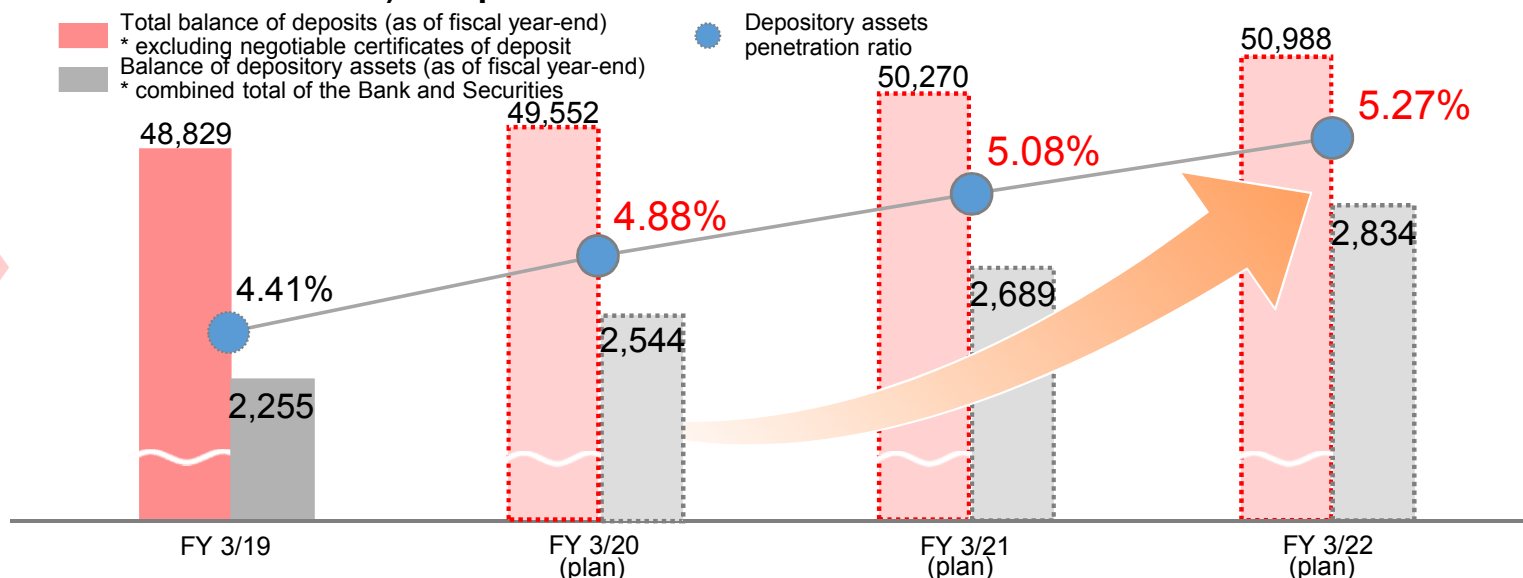
Depository assets penetration ratio (%)

$$\frac{\text{Balance of depository assets}}{\text{Total balance of deposits} + \text{Balance of depository assets}}$$

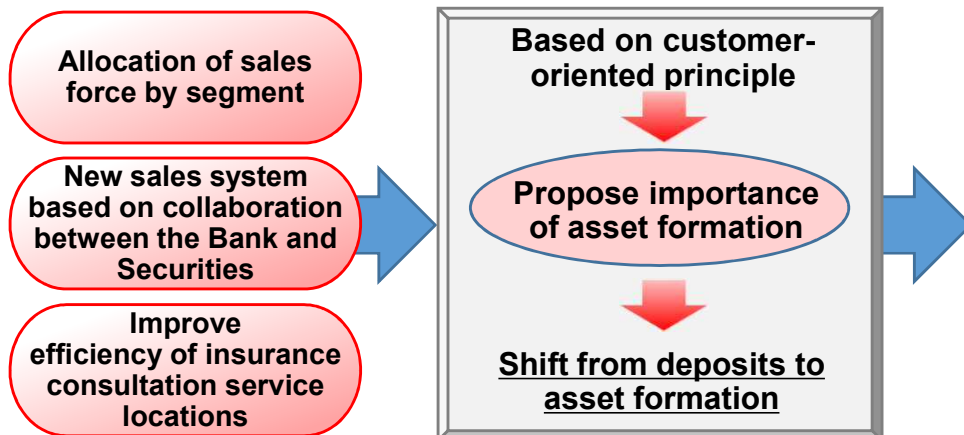
Integrated management of deposits and depository assets through collaboration between the Bank and Securities

### Trend of depository assets penetration ratio (combined total of the Bank and Securities) and plan

(Unit: 100 million yen)



### Sales system and change of awareness



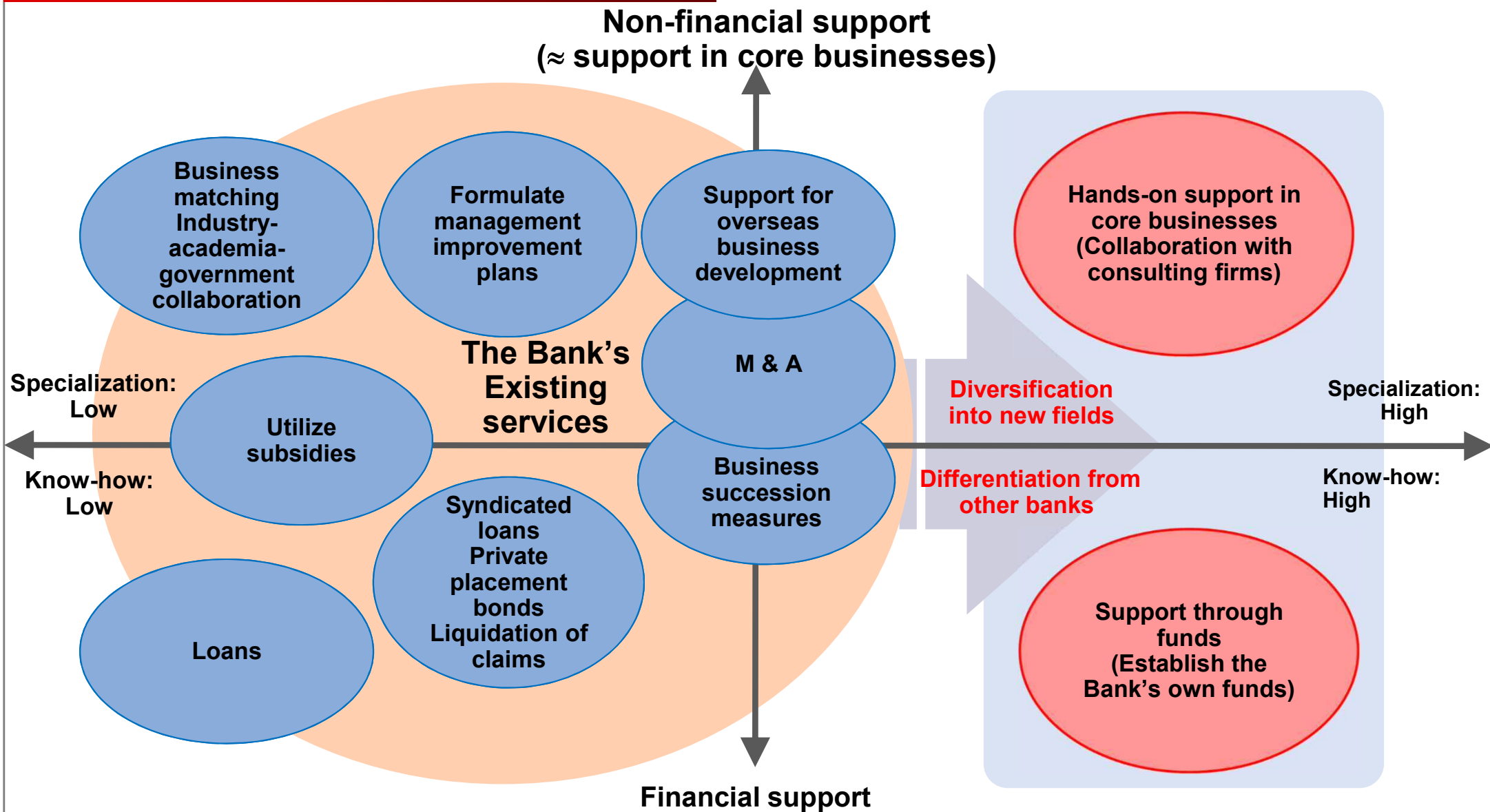
### Numerical targets for depository assets-related fees

(Unit: million yen)

	FY 3/19 (actual)	FY 3/22 (plan)	Increase
Investment trusts	820	1,176	+356
Insurance	1,143	1,496	+353
Financial instruments brokerage	68	225	+157
401K (defined contribution pension)	79	100	+21
<b>Total</b>	<b>2,110</b>	<b>2,997</b>	<b>+887</b>

- Provide new financial service capabilities to establish a presence and ensure a sustainable competitive advantage in the sales area

**Integrated financial service capabilities**



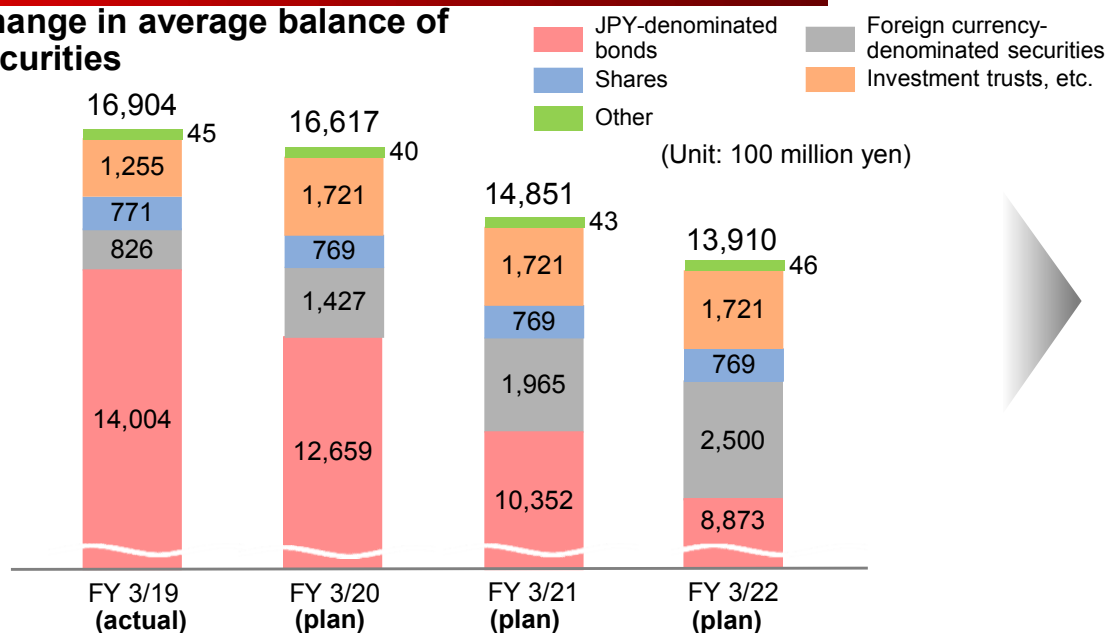
- Aim to rebuild the Bank's portfolio in order to earn stable income by reinvesting proceeds from large volumes of redemptions of JPY-denominated bonds and secure income

## Investment policy by investment target

Investment target	Future investment policy	Direction
JPY-denominated bonds	<ul style="list-style-type: none"> <li>Under the negative interest rate policy, the Bank will reduce JPY-denominated bond investments.</li> </ul>	↓
Foreign currency-denominated bonds	<ul style="list-style-type: none"> <li>The Bank will mainly invest in high-liquidity bonds, such as Ginnie Mae bonds and European government bonds.</li> </ul>	↗
Securities	<ul style="list-style-type: none"> <li>The Bank will maintain the balance at its current level and buy and sell individual stocks flexibly while capturing the right timing.</li> </ul>	→
Investment trusts, etc.	<ul style="list-style-type: none"> <li>The Bank will increase investment trust holdings depending on timing from the perspectives of both income and capital gains.</li> </ul>	↗

## Plan for the securities portfolio

### Change in average balance of securities



**Alternative investment targets for proceeds from redemptions of JPY-denominated bonds (500 billion yen)**

**Shift to loans such as loans to medium-sized companies/SMEs and housing loans**

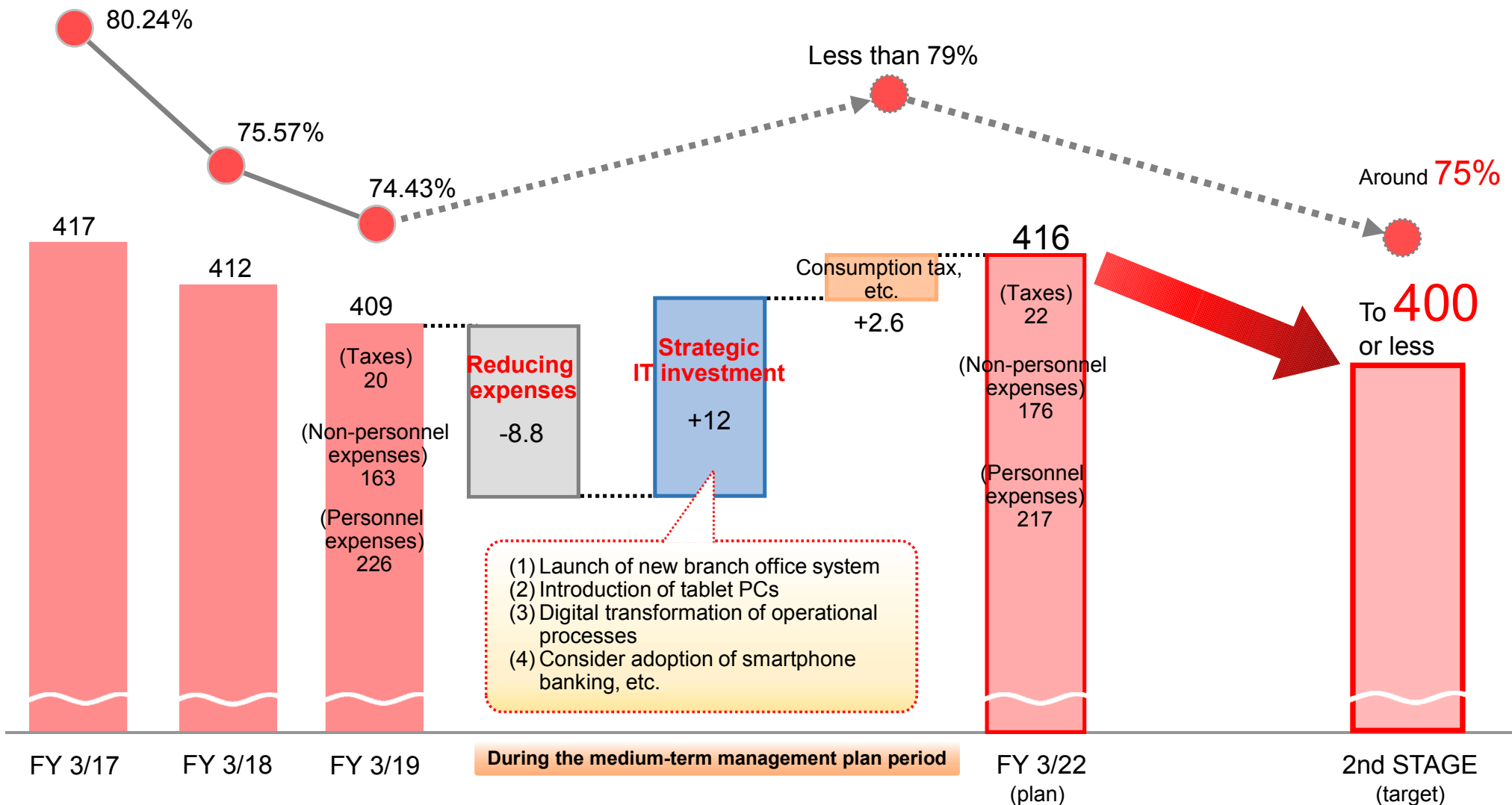
**Investment stance focusing on RORA/  
Rebalance into a portfolio that is less susceptible to market fluctuations**

- Continue strategic IT investments and productivity improvement project to achieve reductions of expenses in the future

Trend of expenses and core OHR and plan

● Core OHR

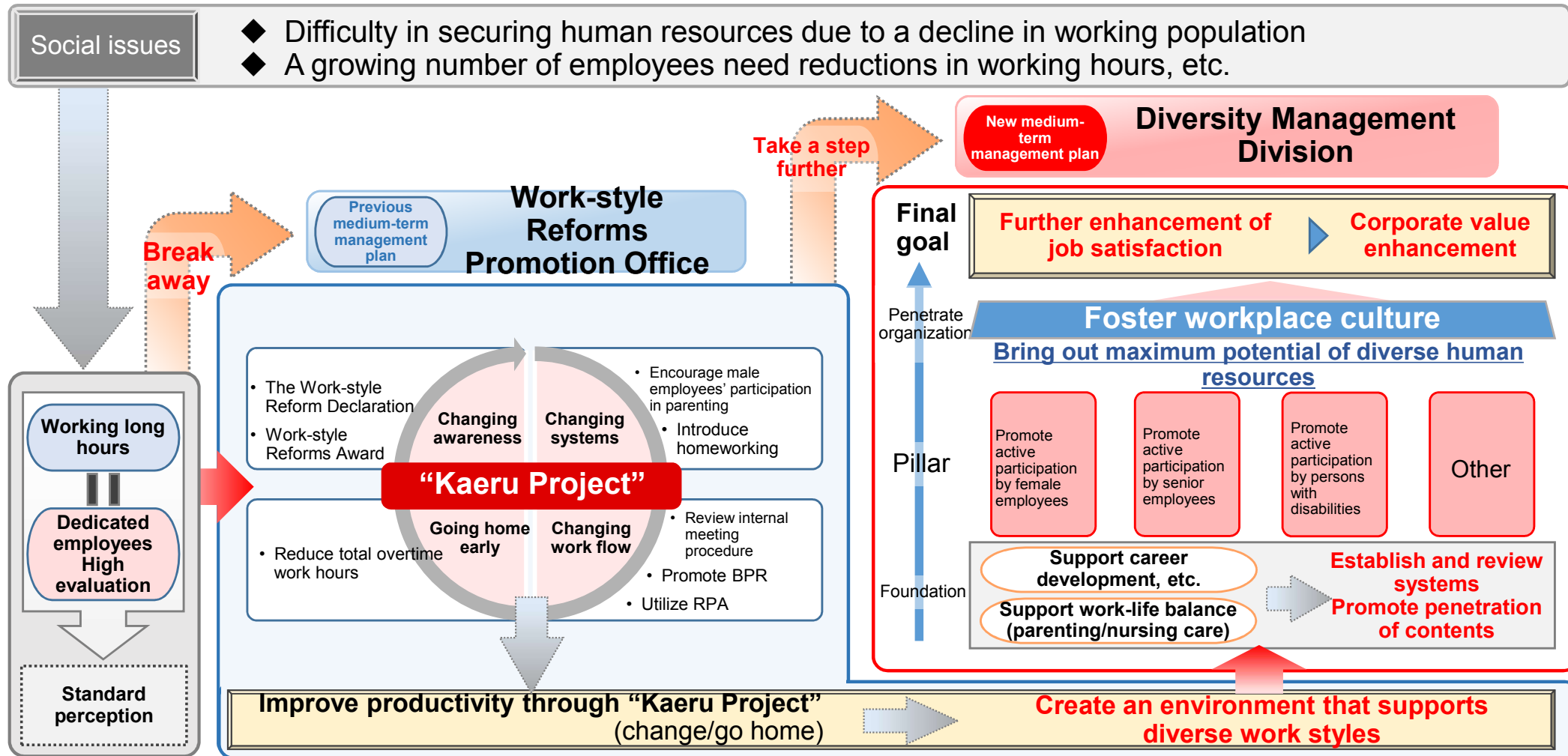
(Unit: 100 million yen)





- Create workplaces that support employees with diverse work styles to achieve their full potential and build an organization that offers job satisfaction and a sense of unity

## Promoting diversity centered on work-style reforms



Previous work-style model

**Realize work-style reforms**  
Previous Medium-term Management Plan (FY2016-2018)

**Realize diversity management**  
New Medium-term Management Plan (FY2019-2021)

- Increase efficiency of branch network by eliminating inefficient overlapping of sales areas, while maintaining branch network and convenience for customers

## Consolidate functions by adopting branch-in-branch method

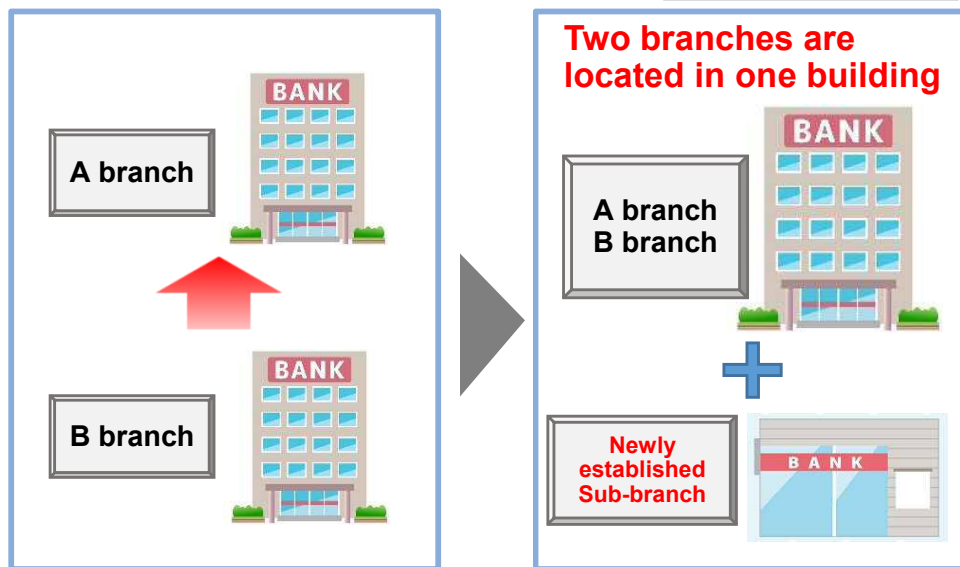
Eliminate overlaps in branches in sales areas

Maintain and secure convenience of customers

No changes to branch code and account number.

Number of branches consolidated through the branch-in-branch method

16 branches over three years



## Downsizing of Sub-branches

Distance from main branches and neighboring branches

Trends of customers visiting branches

Study/  
review

- (1) Limiting the services offered
- (2) Changing business hours
- (3) Setting non-business days on weekdays

10 branches over three years

Rollout of "105 Plaza" BANK

Branch operation with a small staff (Two employees and two-four part-timers)

Introduced first to Kiyamachi Plaza (one employee and two part-timers)

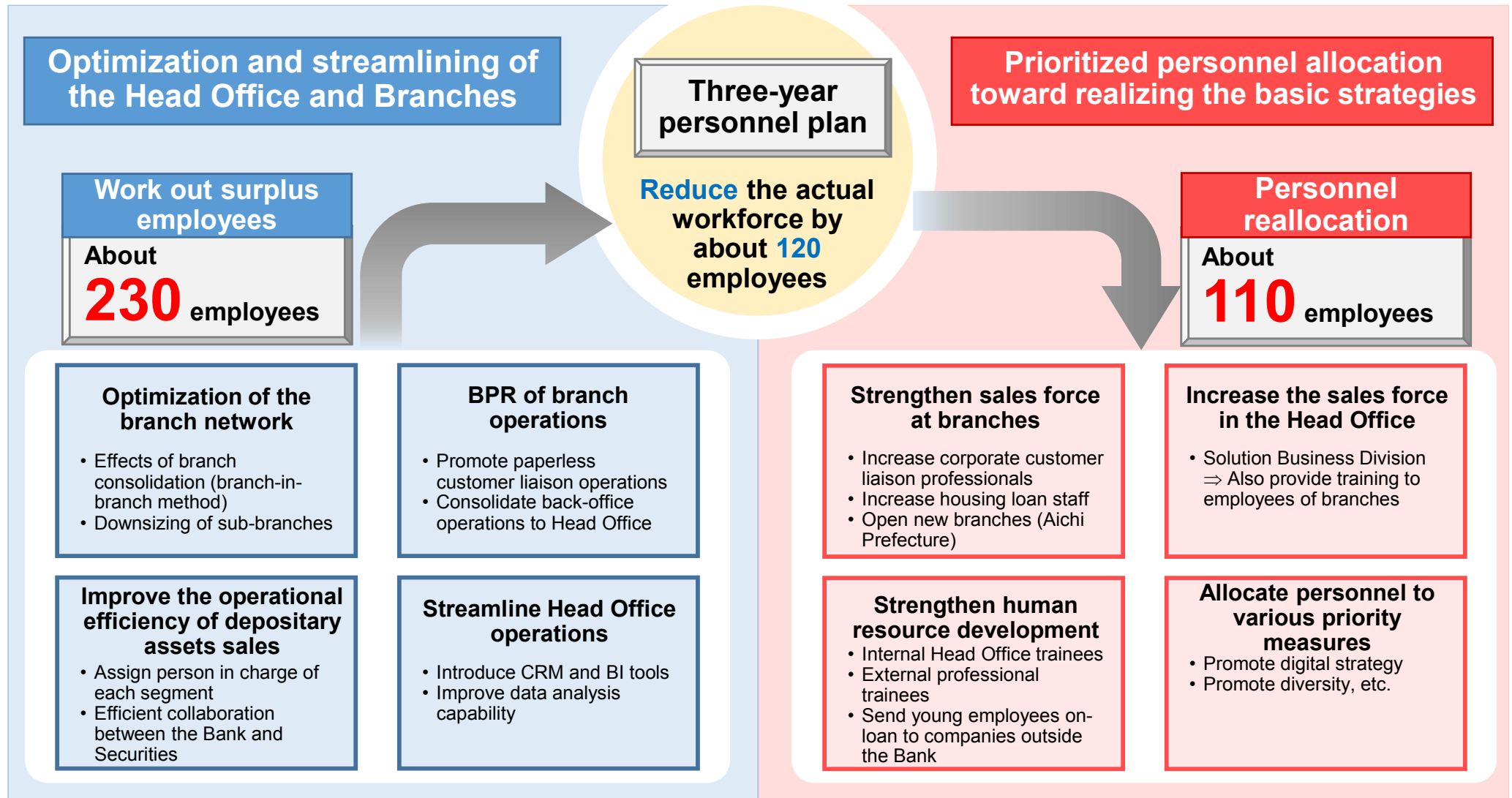
- Limited services offered ⇒ Cash handling services and consulting services
- Closed during lunch hours ⇒ 12:00 - 13:30



Promote improved operational efficiency by downsizing sales force and sharing and transfer of sales know-how.

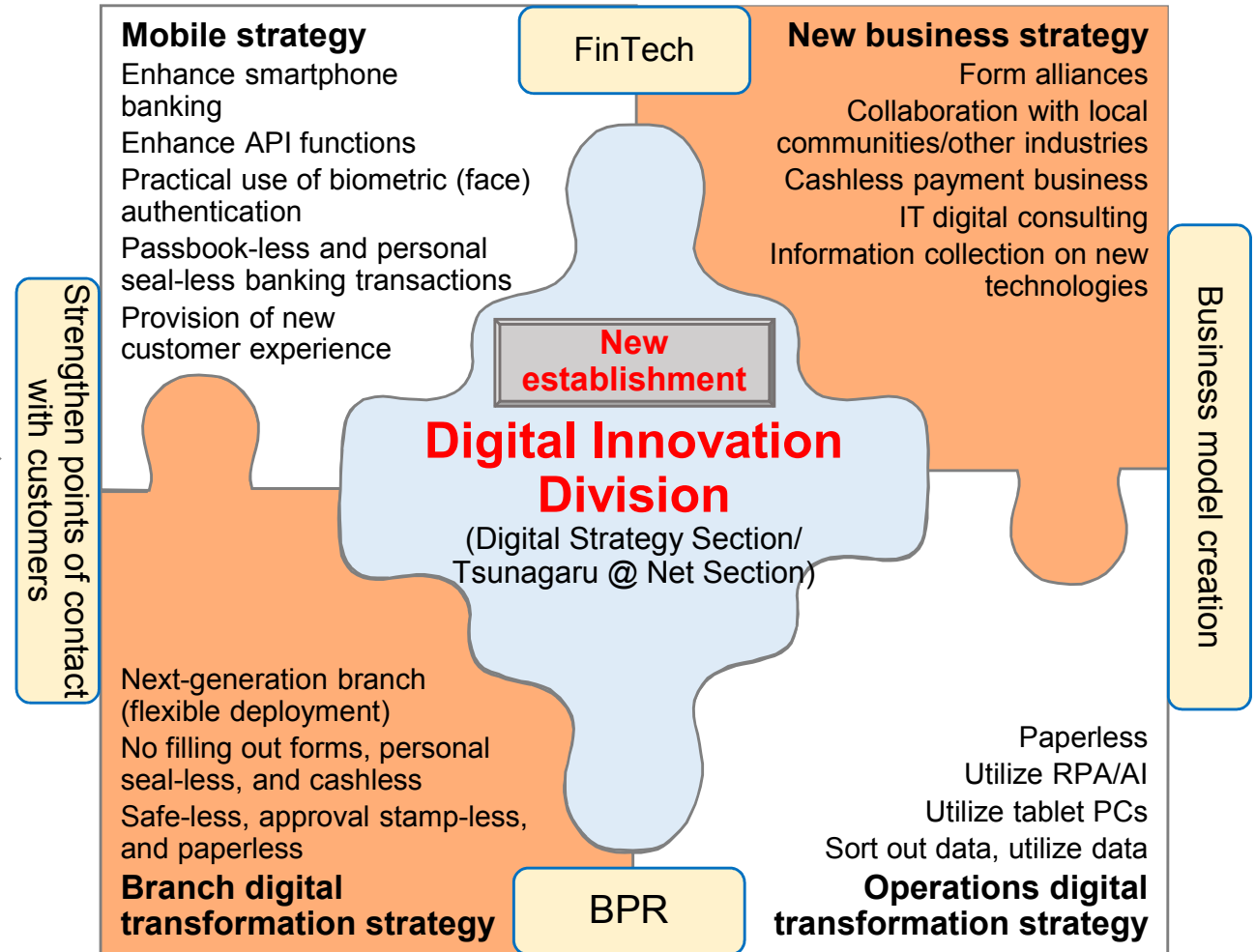
- Set direction of branch strategy and aim for systematic reallocation of personnel while looking 10 years into the future

## Personnel plan (reallocation) in the Medium-term Management Plan























- The Bank will implement four strategies using IT & digital and create new value and profit opportunities

## Four strategies in IT & Digital innovation



- The Bank will implement the 13 management strategies set out in the Medium-term Management Plan as initiatives for ESG/SDGs and practice sustainable management.

	Priority issues	SDGs to be addressed	Specific action items
 Environment	Protecting global and regional environments	    	<ul style="list-style-type: none"> <li>Provide investments and loans/support for renewable energy-related projects</li> <li>Provide environmentally sensitive products</li> <li>Conduct forest preservation activities</li> <li>Conduct energy saving, recycling, and CO2-reducing activities</li> </ul>
Social	Creating regional economy	    	<ul style="list-style-type: none"> <li>Support regional companies to resolve issues (business succession, etc.)</li> <li>Support regional companies to increase added value</li> <li>Adapt to and support a cashless, digital society</li> <li>Provide support to individual customers for asset management/inheritance, etc.</li> <li>Conduct customer-oriented business operations</li> </ul>
	Sustainably developing regional societies	    	<ul style="list-style-type: none"> <li>Support persons with disabilities to live independently/participate in society</li> <li>Conduct contribution activities to support regional societies</li> <li>Provide support for financial education and asset management education, etc.</li> </ul>
	Work-style reforms Promoting diversity	  	<ul style="list-style-type: none"> <li>Promote women's active participation in workplaces, employment of persons with disabilities, and work-style reforms</li> <li>Support development of sophisticated human resources</li> </ul>
Governance	Strengthening business management systems		<ul style="list-style-type: none"> <li>Strengthen corporate governance</li> <li>Strengthen risk management system</li> <li>Strengthen compliance</li> </ul>

# Appendix



## Deposits (ending balance)

(Unit: million yen)

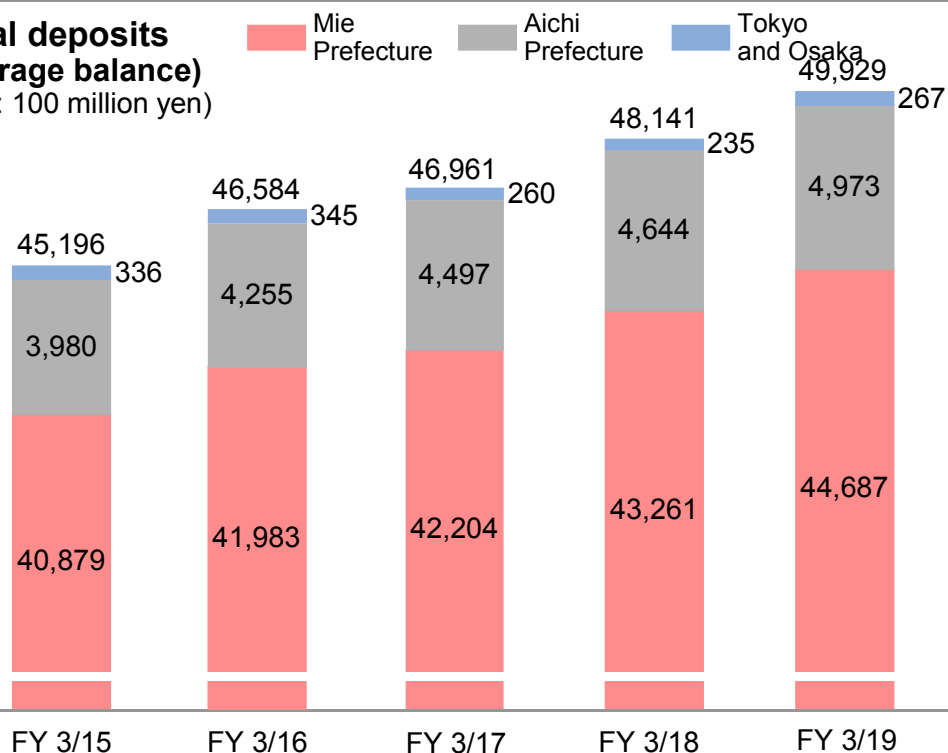
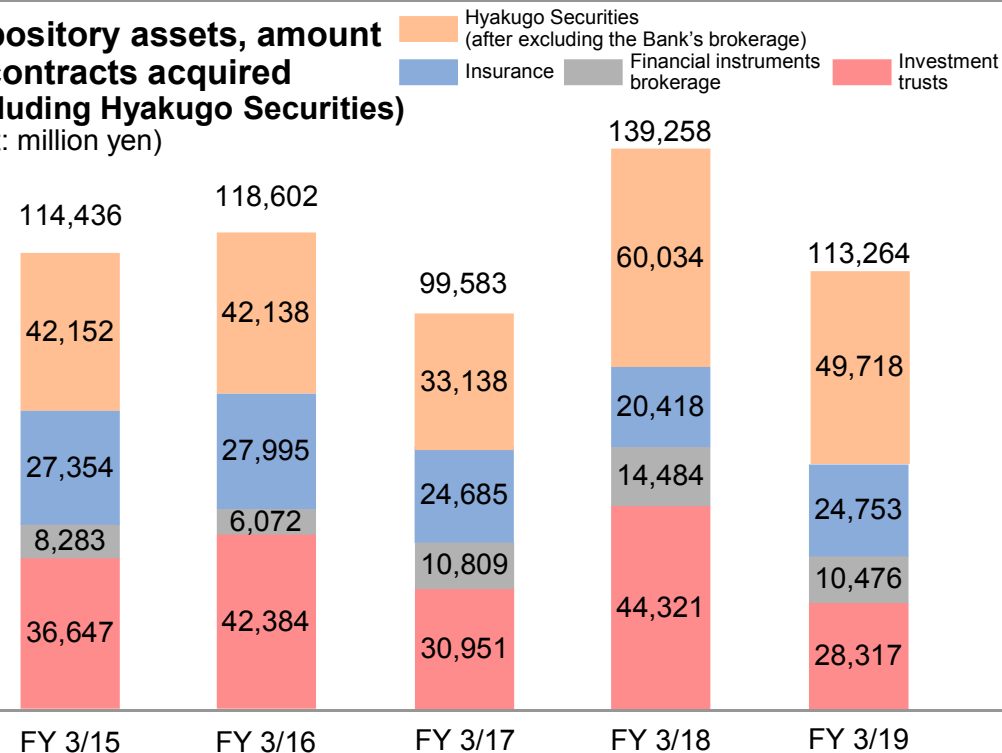
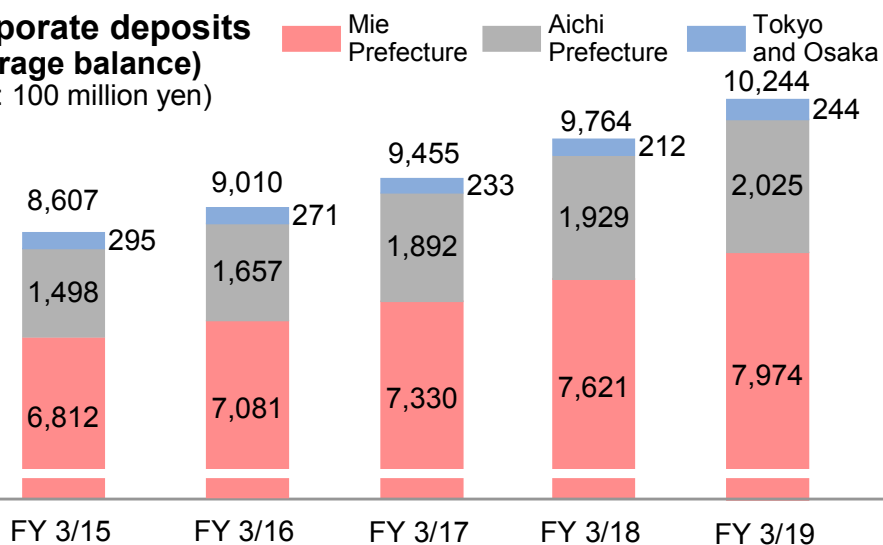
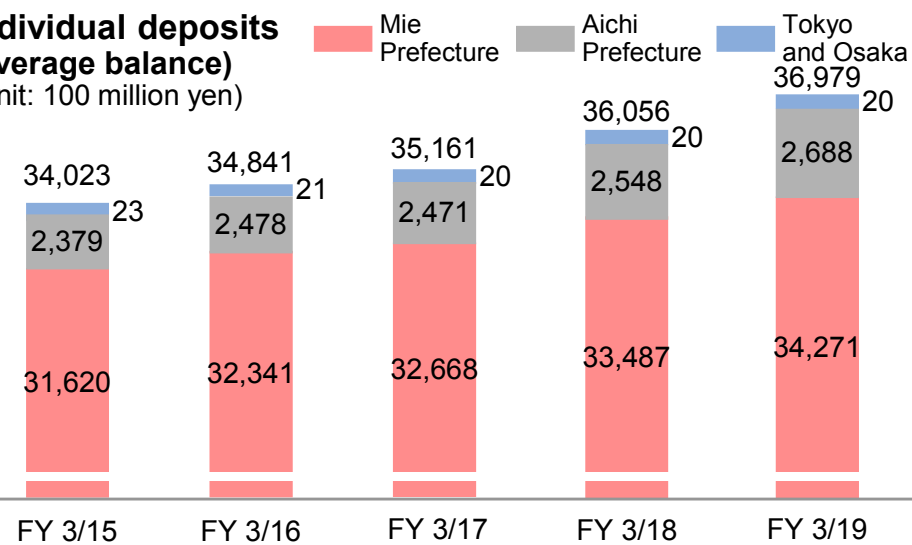
	March-end 2015	March-end 2016	March-end 2017	March-end 2018	March-end 2019
Corporate deposits	792,017	817,514	852,381	897,550	940,577
JPY liquid	515,643	531,742	559,677	607,132	637,719
JPY time	272,149	280,270	286,610	284,375	296,595
Foreign currency	4,223	5,501	6,093	6,043	6,261
Individual deposits	3,452,448	3,489,272	3,551,239	3,647,772	3,741,707
JPY liquid	1,636,971	1,685,030	1,798,213	1,900,053	2,000,289
JPY time	1,802,285	1,790,090	1,736,663	1,728,979	1,720,154
Foreign currency	13,192	14,150	16,362	18,739	21,263
Public funds deposits	127,313	108,116	112,305	145,611	165,245
JPY liquid	90,014	84,164	81,376	110,241	126,707
JPY time	37,298	23,952	30,928	35,370	38,537
Foreign currency	0	0	0	0	0
Other	42,688	38,046	36,054	31,961	35,456
<b>Total deposits</b>	<b>4,414,467</b>	<b>4,452,949</b>	<b>4,551,980</b>	<b>4,722,896</b>	<b>4,882,986</b>
Deposits in Mie Prefecture*	4,023,506	4,051,769	4,133,334	4,298,018	4,427,746
Deposits outside Mie Prefecture	390,961	401,180	418,645	424,877	455,239
Tokyo and Osaka	16,704	13,621	13,276	9,518	11,169
Aichi	374,256	387,559	405,368	415,358	444,069
Negotiable certificates of deposit	179,378	202,311	179,465	187,500	182,115

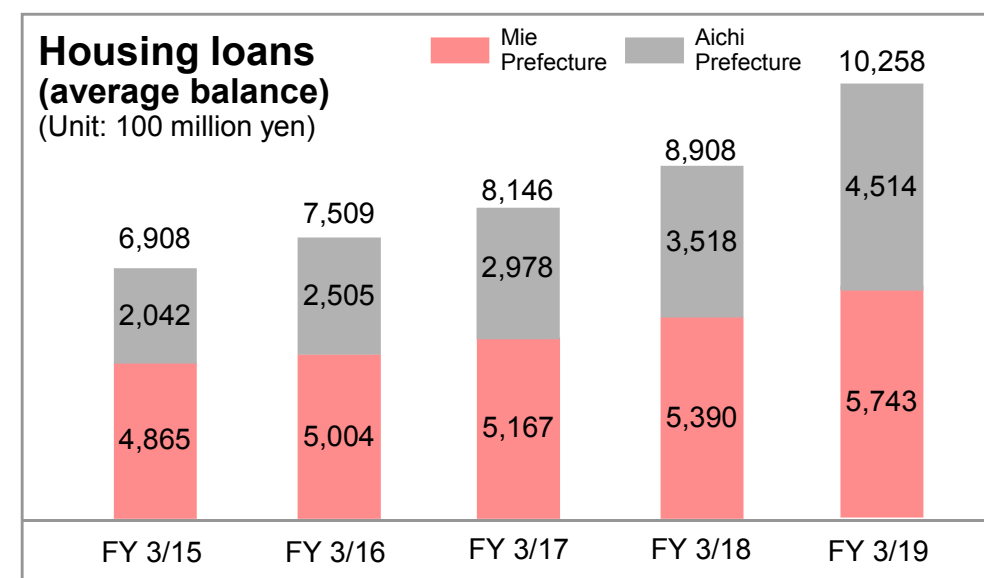
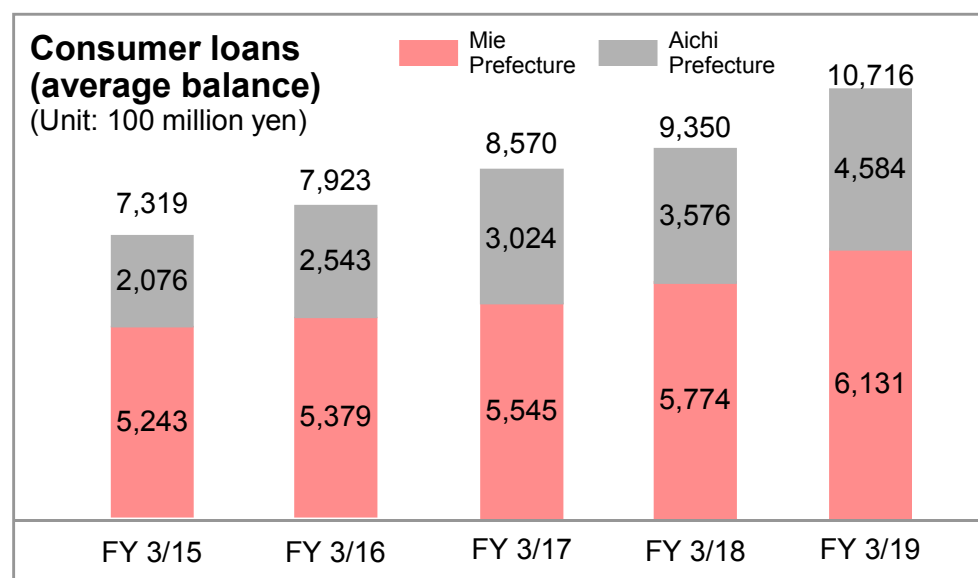
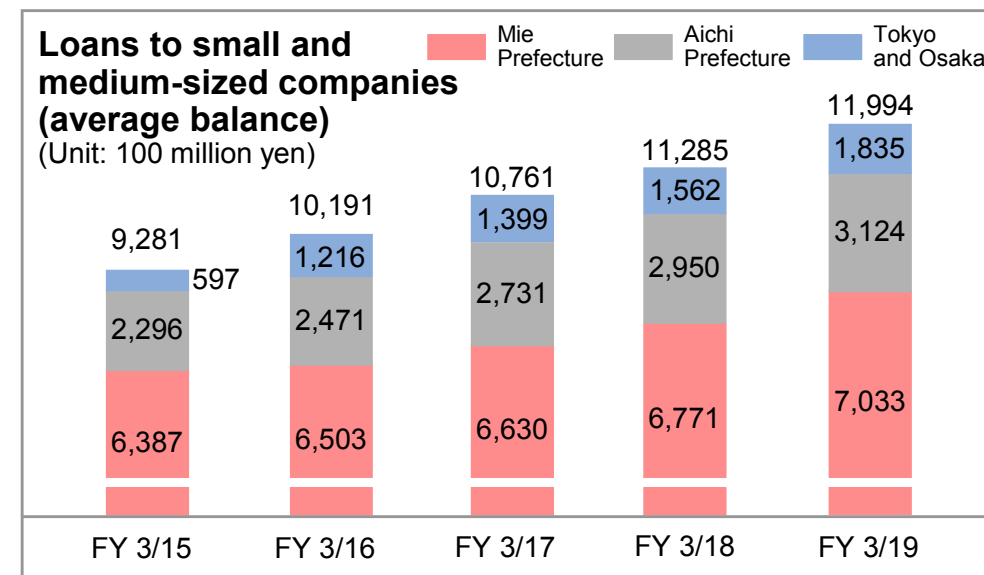
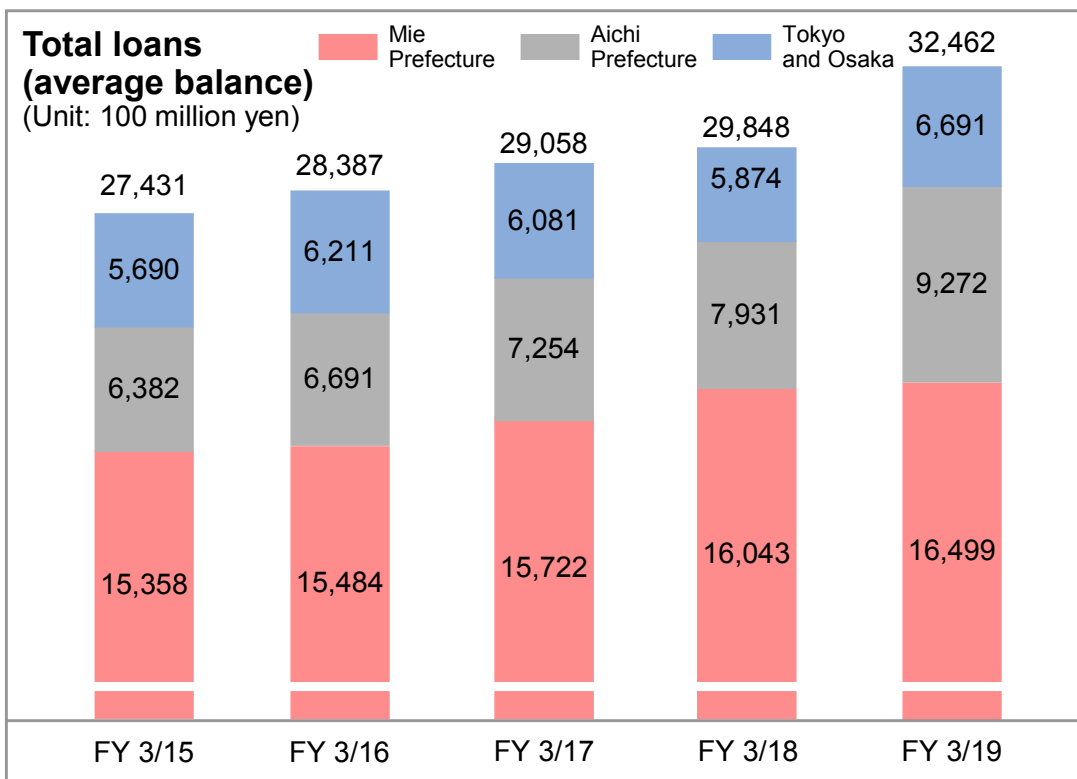
## Loans (ending balance)

(Unit: million yen)

	March-end 2015	March-end 2016	March-end 2017	March-end 2018	March-end 2019
Corporate sector	1,761,131	1,796,820	1,793,112	1,837,194	2,023,492
Large companies	703,672	670,007	615,873	597,913	701,520
Medium-sized companies	71,858	67,247	65,736	70,576	68,607
Small and medium-sized companies	985,599	1,059,565	1,111,502	1,168,705	1,253,367
Individual sector	788,485	845,213	909,265	1,014,861	1,188,146
Public corporations	268,388	245,149	238,333	249,991	230,114
Governments	6,733	2,862	1,491	120	0
Other	261,655	242,287	236,841	249,870	230,114
<b>Total loans</b>	<b>2,818,004</b>	<b>2,887,184</b>	<b>2,940,712</b>	<b>3,102,047</b>	<b>3,441,753</b>
(excluding governments)	2,811,271	2,884,322	2,939,220	3,101,926	3,441,753
(Offshore book)	0	0	0	0	0
Consumer loans	768,703	826,295	891,264	997,845	1,172,255
Housing loans	727,908	784,465	848,167	952,761	1,125,634
Other loans	40,795	41,830	43,097	45,084	46,621
Loans in Mie Prefecture*	1,550,658	1,559,710	1,590,550	1,647,928	1,688,946
Loans outside Mie Prefecture	1,267,345	1,327,473	1,350,161	1,454,118	1,752,807
Tokyo and Osaka	609,745	637,053	590,938	606,232	733,660
Aichi	657,600	690,419	759,223	847,885	1,019,146

\* Deposits in Mie Prefecture and Loans in Mie Prefecture include Shingu

**Total deposits  
(average balance)**  
 (Unit: 100 million yen)

**Depository assets, amount  
of contracts acquired  
(including Hyakugo Securities)**  
 (Unit: million yen)

**Corporate deposits  
(average balance)**  
 (Unit: 100 million yen)

**Individual deposits  
(average balance)**  
 (Unit: 100 million yen)




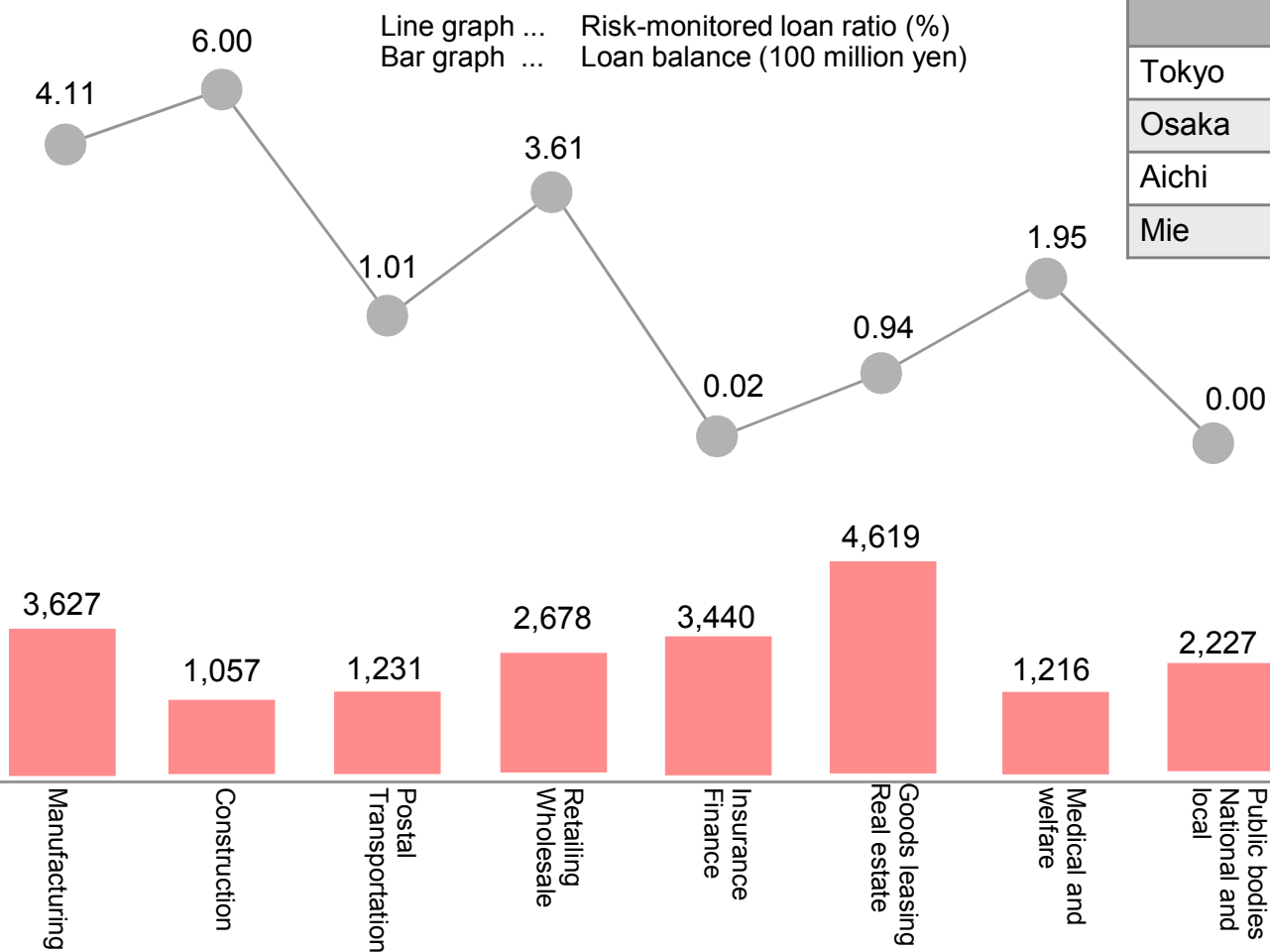
## Change in risk-monitored loans

(Unit: 100 million yen)

	3/31/2015	3/31/2016	3/31/2017	3/31/2018	3/31/2019	Year-on-year
Risk-monitored loans balance (total)	678	614	602	518	517	(1)
Risk-monitored loan ratio	2.40%	2.12%	2.05%	1.67%	1.50%	minus 0.17P

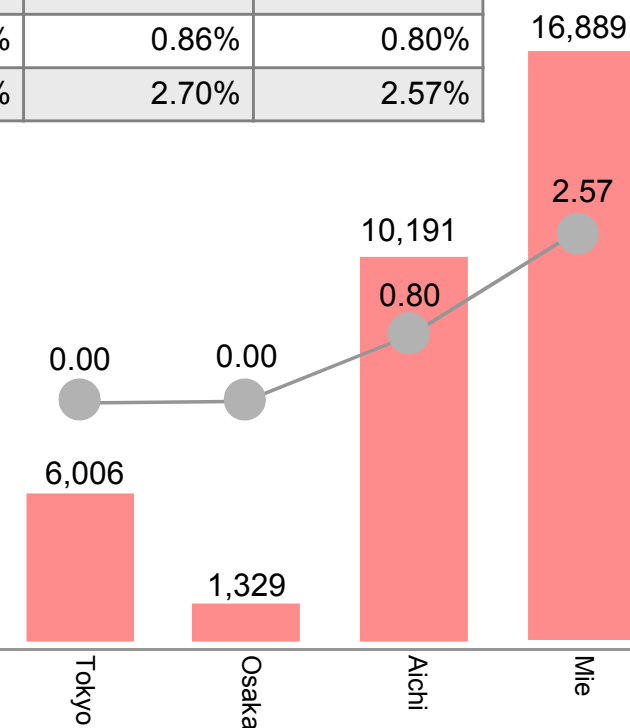
<Reference>  
 End of March 2019  
 Nonperforming loan  
 ratio: 1.50%

## Loan balance and risk-monitored loan ratio by major industry

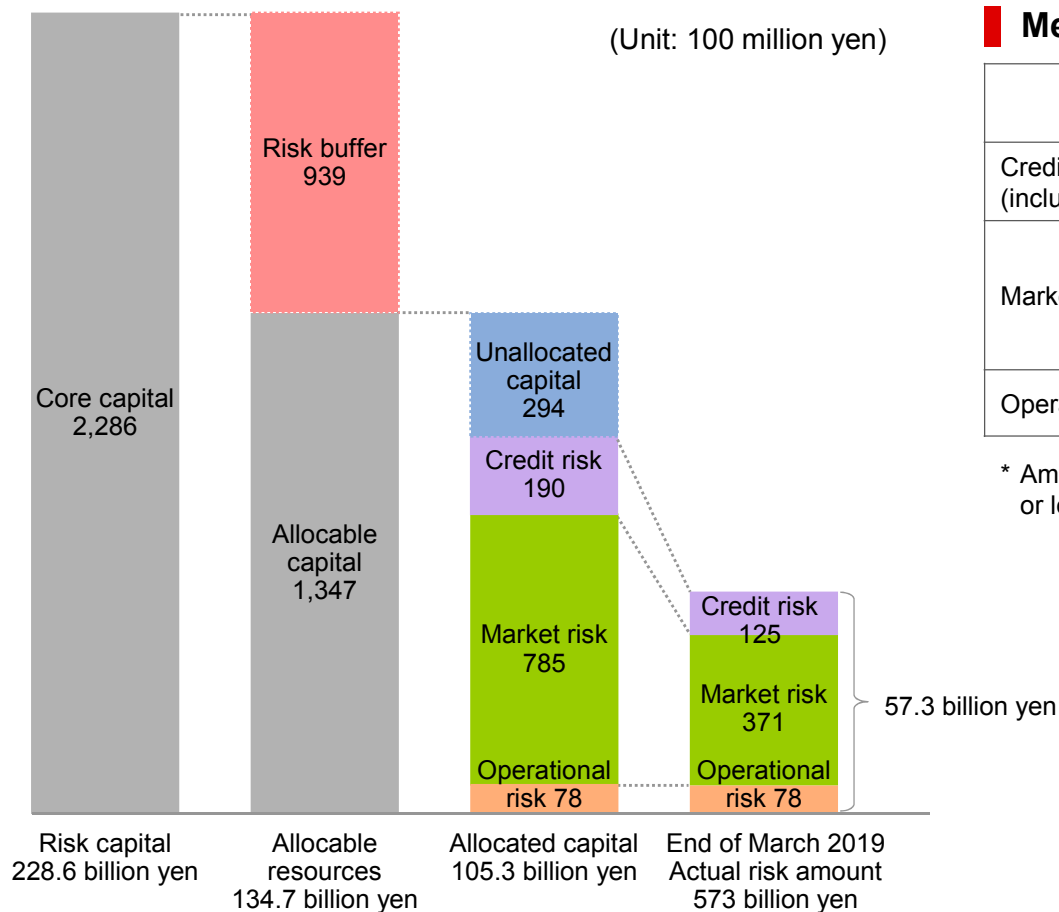


## Risk-monitored loan ratio by region

	3/31/2017	3/31/2018	3/31/2019
Tokyo	0.65%	0.00%	0.00%
Osaka	0.00%	0.00%	0.00%
Aichi	1.10%	0.86%	0.80%
Mie	3.07%	2.70%	2.57%



- Risk is controlled within an appropriate range according to the Bank's operating capabilities based on integrated risk management.
- Compared to core capital of 228.6 billion yen and allocable capital of 134.7 billion yen, actual amount of risk is 57.3 billion yen.



### Method of measuring risk

	Method of measurement	Confidence interval	Holding period
Credit risk (including market-related credit exposure)	VaR	99%	One year
Market risk	Cross-shareholdings	VaR*	99%
	Investment rates, portfolio investment, investment trusts	VaR	99%
Operational risk	The standardized approach		

\* Amount of risk of cross-shareholdings is measured after taking into consideration unrealized gains or losses (valuation gains (losses) minus the VaR-equivalent value)

- \* Risk buffer : Capital not allocated to risk limits in the case of emergencies (equivalent to 4% of equity ratio)
- \* Unallocated capital : Unused portion of allocable capital

# Outstanding Nonperforming Loans by Disclosure Standard and Coverage

Nonperforming Loans under Internal Assessment Standard (target: total credit exposure)						Loans disclosed under the Financial Reconstruction Act (target: total credit exposure) * For substandard loans, only loans are included.					Risk-monitored Loans (target: loans)	
Classification	Credit outstanding	Category				Classification	Credit outstanding	Amount covered by collateral and guarantee	Reserve for possible loan losses	Coverage ratio	Classification	Balance
		Non-categorized	Category II	Category III	Category IV							
Failure	20 <7>	18	2	— (1)	— (13)	Bankrupt and quasi-bankrupt assets	73 <43>	37	36	100.00%	Loans to borrowers in legal bankruptcy	20 <7>
Substantial failure	53 <36>	39	13	— (4)	— (16)						Doubtful assets	379
Possible failure	379	246	61	72 (72)		Substandard loans	68	26	5	46.55%		
Watch list	Under control	107	28	79							Sub-total	522 <492>
	Others	863	306	557		Normal assets	34,289	Ratio of loans disclosed under the Financial Reconstruction Act (sub-total) over total credit exposure .....1.50%		Ratio of risk-monitored loans over total loans .....1.50%		
Normal	33,387	33,387						Total	34,812 <34,781>	[Reference] Ratio of loans disclosed under the Financial Reconstruction Act over total credit exposure if partial direct write-offs were carried out .....1.41%		[Reference] Ratio of risk-monitored loans over total loans if partial direct write-offs were carried out .....1.42%
Total	34,812 <34,781>	34,026	713	72 (78)	— (30)							

(Unit: 100 million yen)

\* Amounts less than stated units are rounded down.

- \* Total credit exposure: Loans, customers' liabilities for acceptances and guarantees, the Bank's guaranteed private placements, foreign exchange, and suspense payments and accrued interest, which are equivalent to loans
- \* Values shown in the section "Nonperforming Loans" under "Internal Assessment Standard" are after loan losses reserves, with the value indicated in parentheses representing amounts of reserves corresponding to the respective sections.
- \* The Bank does not carry out partial direct write-offs, but the amounts that would be derived if a partial direct write-off were carried out is shown in angled brackets

## Trends of Loans disclosed under the Financial Reconstruction Act

(Unit: 100 million yen)

	3/31/2015	3/31/2016	3/31/2017	3/31/2018	3/31/2019	Year-on-year
Bankrupt and quasi-bankrupt assets	115	81	79	64	73	9
Doubtful assets	473	433	445	393	379	(13)
Substandard loans	97	108	84	67	68	1
Total	686	623	609	524	522	(2)
Nonperforming loans ratio	2.39%	2.13%	2.04%	1.67%	1.50%	minus 0.17P



Upper: # of debtors/Lower: credit exposure

(Unit: million yen)

		Debtor Classification as of 3/31/2019									Ratio of downgrading to possible failure or lower	Upgrade	Downgrade
		Normal	Other under close observation	Under control	Possible failure	Substantial failure	Failure	Other	Bulk, etc.				
as of 3/31/2018	Normal	188,407	162,020	619	36	70	116	10	25,536	8	0.10%	—	851
		2,985,524	2,630,492	16,140	1,824	2,634	783	269	333,381	256	0.12%	—	21,651
	Other under close observation	2,159	474	1,301	10	78	13	2	281	1	4.31%	474	103
		86,453	12,420	60,796	819	1,618	76	88	10,633	25	2.06%	12,420	2,603
	Under control	214	16	23	138	14	4	1	18	—	8.88%	39	19
		11,434	667	1,721	7,252	472	70	49	1,200	—	5.18%	2,389	592
	Possible failure	1,395	29	80	15	1,060	31	7	173	20		124	38
		39,271	380	992	546	32,434	455	779	3,681	315		1,919	1,235
	Substantial failure	473	15	3	—	2	303	10	140	11		20	10
		5,789	8	12	—	19	3,789	629	1,330	153		40	629
	Failure	32	—	3	—	—	4	15	10	7		7	—
		624	—	61	—	—	49	252	261	110		110	—
	Total	192,680	162,554	2,029	199	1,224	471	45	26,158	47		664	1,021
		3,129,098	2,643,968	79,724	10,442	37,179	5,225	2,068	350,488	861		16,879	26,712

# of debtors

	1st Half of 2014	2nd Half of 2014	1st Half of 2015	2nd Half of 2015	1st Half of 2016	2nd Half of 2016	1st Half of 2017	2nd Half of 2017	1st Half of 2018	2nd Half of 2018
Subject to Head Office support	72	64	59	56	45	44	40	46	48	53
Subject to branch support	322	320	315	352	361	343	308	293	271	259
# of instances of upgrading	23	23	23	25	21	21	28	25	32	25
# of instances of downgrading	25	26	16	19	28	19	11	12	14	15
Change in nonperforming loans	500 million yen	(700) million yen	(600) million yen	(2.5) billion yen	1.2 billion yen	4 million yen	(2.4) billion yen	80 million yen	(800) million yen	10 million yen

## Compliance with Hyakugo Bank's credit policies (as of March 31, 2019)

(Unit: 100 million yen)

Classification	Content	Limit	Compliance	
Loans for individuals engaging in housing leasing business	7% or lower of total loans	2,409	1,947	5.66%
Loans for other real estate industry	7% or lower of total loans	2,409	1,939	5.64%
Loans for non-banks	10% or lower of total loans	3,441	1,597	4.64%
Loans for large companies	Total loans for large companies by Tokyo and Osaka sales departments should be 20% or less of the Bank's total loans	6,883	4,274	12.42%
Loan balance per borrower	Credit for a borrower should be 10% or less of the Bank's equity capital	228	220	9.63%
Loan balance per corporate group	Credit per corporate group should be 25% or less of the Bank's equity capital	571	487	21.33%

## Changes in loans by industry

(Unit: 100 million yen)

Industry	3/31/2015	3/31/2016	3/31/2017	3/31/2018	3/31/2019	Share by industry
Manufacturing	3,831	3,686	3,455	3,349	3,627	10.53%
of which, transportation equipment manufacturing	692	693	621	676	795	2.31%
Agriculture, Forestry, Fishery, Mining, Quarrying and Gravel quarrying	174	163	207	209	241	0.70%
Construction	1,057	1,024	1,026	1,034	1,057	3.07%
Utilities	516	581	700	761	900	2.61%
Telecommunication	182	181	174	106	123	0.35%
Transport and Post	966	986	1,004	1,170	1,231	3.57%
Wholesale and Retail	2,940	2,705	2,564	2,508	2,678	7.78%
Finance and Insurance	2,523	2,944	2,738	2,560	3,440	9.99%
Real estate and Rental	3,397	3,571	3,880	4,377	4,619	13.42%
of which, Real estate	2,323	2,559	3,003	3,307	3,399	9.87%
Academic research, Specialist and Technical services	134	137	129	137	136	0.39%
Accommodation and Food and beverage	318	295	295	294	315	0.91%
Lifestyle-related services and Entertainment	241	259	228	242	245	0.71%
Education and Learning support	75	65	72	74	76	0.22%
Medical and Social welfare	1,007	1,074	1,128	1,196	1,216	3.53%
Other services	362	383	388	407	399	1.15%
National and local government	2,564	2,357	2,321	2,440	2,227	6.47%
Other	7,884	8,452	9,092	10,148	11,881	34.52%
Total by industry	28,180	28,871	29,407	31,020	34,417	100.00%

## Deposits

## Loans

## Including megabanks

Mega	Other	Shinkin	Bank B	Bank A	Hyakugo Bank	Mie Prefecture	Hyakugo Bank	Bank A	Bank B	Shinkin	Other	Mega
8.8	9.2	12.7	12.7	12.9	43.7		36.8	14.3	15.0	11.5	17.2	5.2

\* Excludes Agricultural Cooperative, Fisheries Cooperative, JP Bank, and Hyakugo Bank's Shingu Branch

(Unit: %) (as of September 30, 2018)

## Excluding megabanks

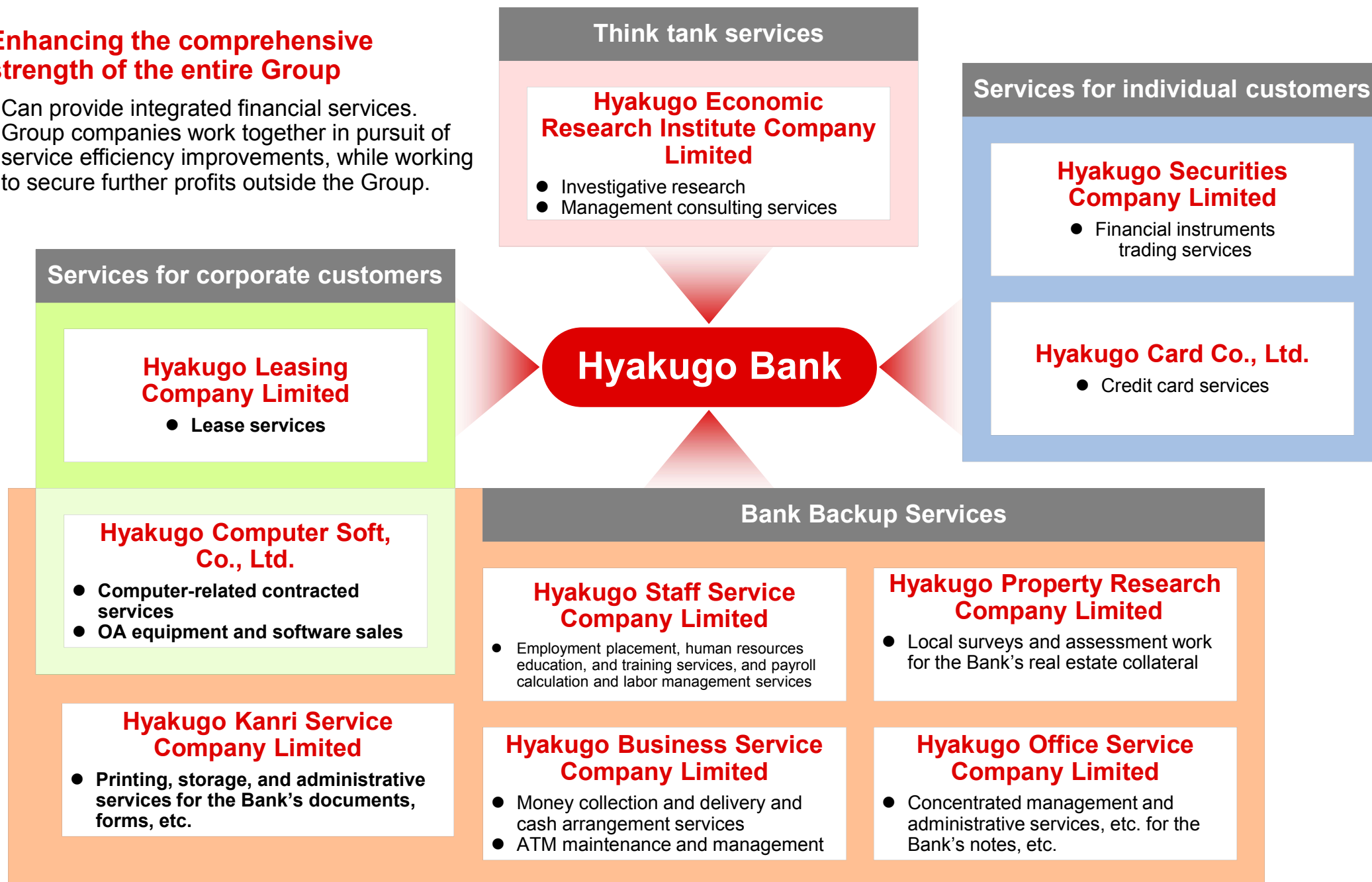
Other	Shinkin	Bank B	Bank A	Hyakugo Bank	Mie Prefecture	Hyakugo Bank	Bank A	Bank B	Shinkin	Other			
10.1	13.9	14.0	14.1	47.9		38.8	15.1	15.8	12.1	18.2			
20.3		23.9		7.1	9.4	39.3	Kuwana District	27.4	9.5	10.0	19.0	34.1	
7.7	12.7	7.2	35.3		37.1	Yokkaichi District	30.6	29.0		9.6	13.4	17.4	
7.6	7.1	14.7	22.5		48.1	Suzuka District	33.0	22.6		20.3	6.6	17.5	
21.0		24.0		9.5	7.2	38.3	Iga District	34.2	4.7	11.4	24.1		25.6
7.7	8.4	12.9	7.1	63.9		Tsu district	58.1		12.2	14.4	4.6	10.7	
5.1	17.1		28.5		2.3	47.0	Matsusaka District	34.4	4.7	32.3		16.0	12.6
10.0	7.7	17.3	3.2	61.8		Ise District	50.9		6.6	18.5	5.9	18.1	
2.6	1.7	24.9	5.2	65.6		Toba Shima District	59.5		2.2	30.9		2.0	5.4
5.5	33.9		28.9		31.7	Kishu District	28.8	31.1		28.7		11.4	

\* Excludes Agricultural Cooperative, Fisheries Cooperative, JP Bank, and Hyakugo Bank's Shingu Branch

(Unit: %) (as of September 30, 2018) 50

## Enhancing the comprehensive strength of the entire Group

Can provide integrated financial services. Group companies work together in pursuit of service efficiency improvements, while working to secure further profits outside the Group.



Please direct inquiries concerning this document to:  
The Hyakugo Bank, Ltd. Corporate Planning Division  
Nishiura/Muraoka at Public Relations CSR Section  
TEL (059) 223-2326  
FAX (059) 223-2384  
<https://www.hyakugo.co.jp/>

This document contains forward-looking statements, including forecasts, outlooks, targets, and plans. These statements are not intended to guarantee future performance, as they are subject to risks and contain uncertainties.

Please keep in mind that future results may differ due to factors including changes in the business environment.

Furthermore, the information concerning entities other than the Bank contained in this document has been quoted from publicly available information, etc., and the Bank has not verified the accuracy or appropriateness of such information, nor does the Bank guarantee the accuracy or appropriateness of such information.