

# The Hyakugo Bank, Ltd.

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

## INFORMATION MEETING

Presentation for FY2019 Interim Financial Results

December 2, 2019



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# Mie's Opportunities Developed by Adopting ICT Aggressively

# Diffusion of Cashless Payments in Mie

## Mie's cashless payment ratio

- 1st Tokyo
- 2nd Kagawa
- 3rd Chiba

- (1) Inbound tourists
- (2) Large shopping centers

**4th Mie**

**19.15%**

Mie Pref. is **more receptive** to cashless payments

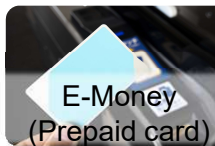
\* Based on Commercial Statistics announced by the Government (2014)



Credit card



Debit card



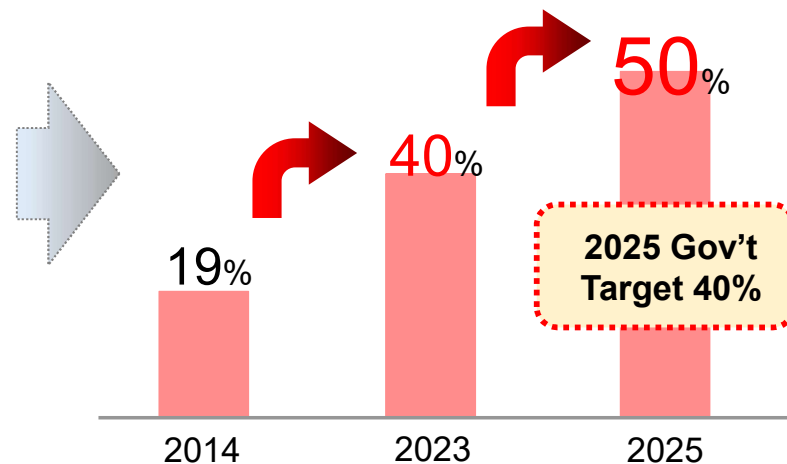
E-Money (Prepaid card)



Smartphone settlement (QR code, etc.)

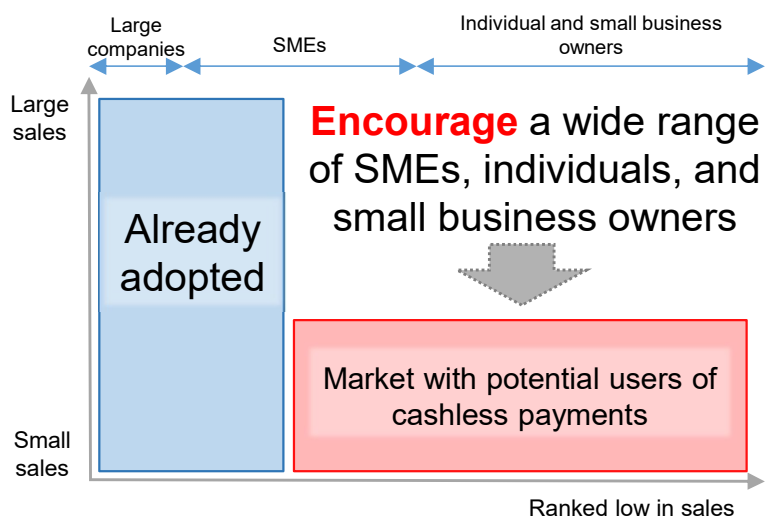
## Our target penetration ratio of cashless payments in Mie

Toward a prefecture leading in cashless payments



\* Announced by the Ordinary Committee Meeting of Strategy, Planning, Employment and economy of Mie Prefecture Congress in Oct. 2019

## Activities to diffuse cashless payments



## Cashless payment of automobile taxes based on our Bar Code Pay



April 2020  
Full-scale introduction by Mie pref.

Accelerate use of Bar Code Pay

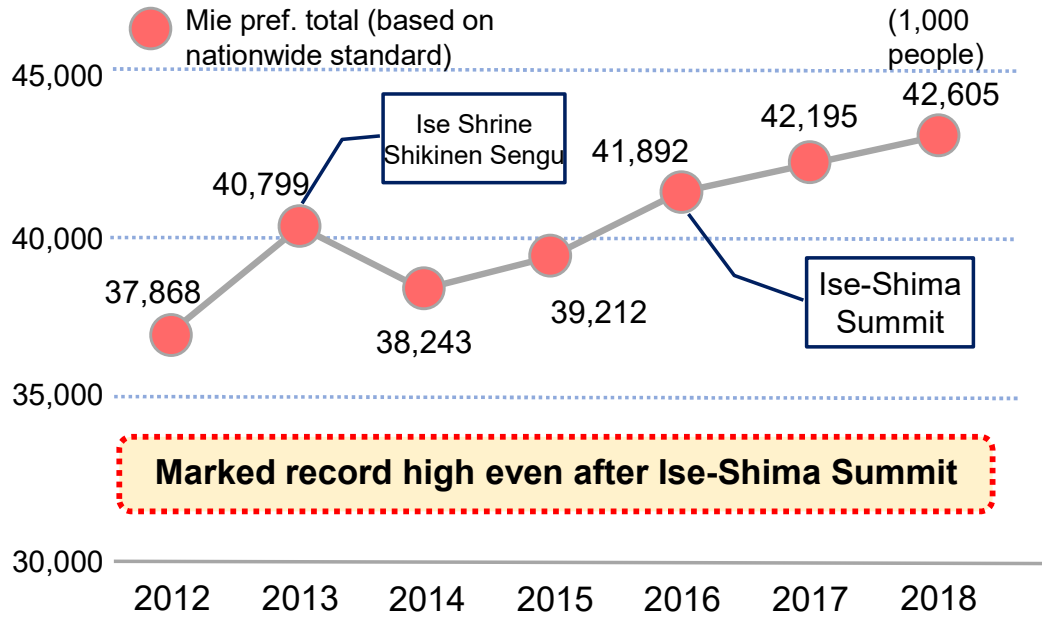
Hyakugo Bank Cashless Seminar for retailers and restaurant owners



OrigamiPay Promotion Seminar

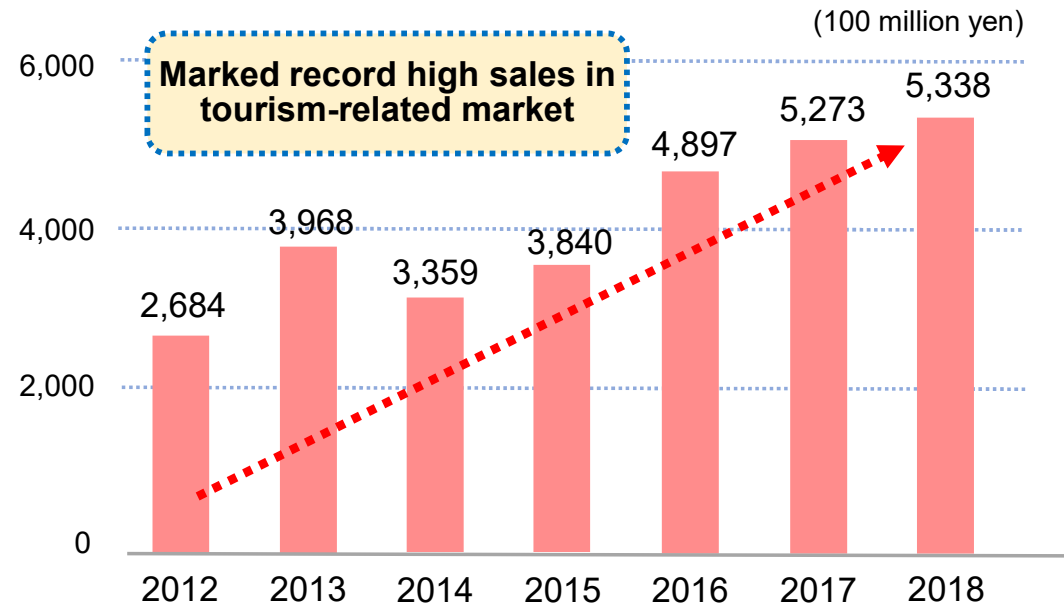
# Improving Tourism Brand Power Using ICT

## Number of tourists



\* Prepared based on estimated number of tourists (Mie pref.)

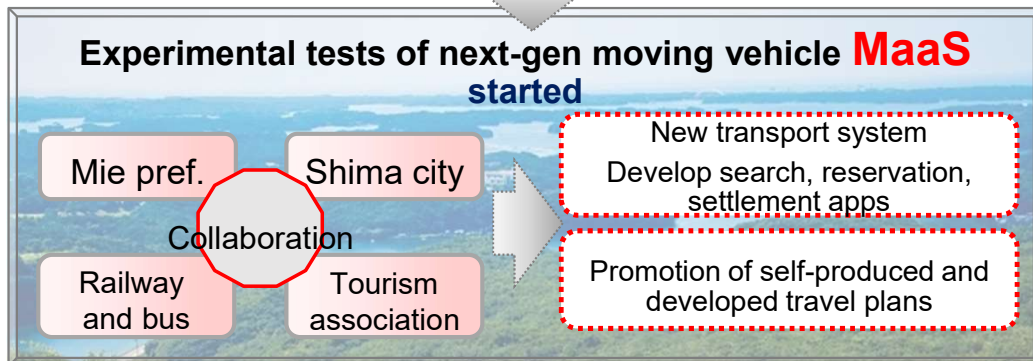
## Tourist spending in Mie pref.



\* Prepared based on Tourist Spending by Prefecture (Mie) by Japan Tourism Agency

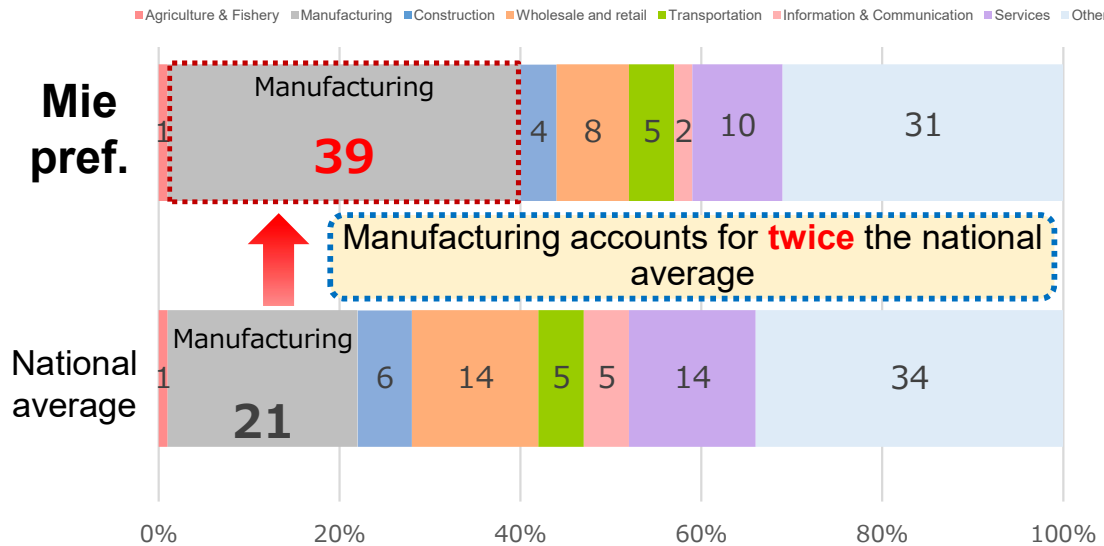
## Introduces **MaaS**, a next-gen moving vehicle using ICT

**Shima city** (venue of Ise-Shima Summit)  
High-potential tourist destinations and attractions



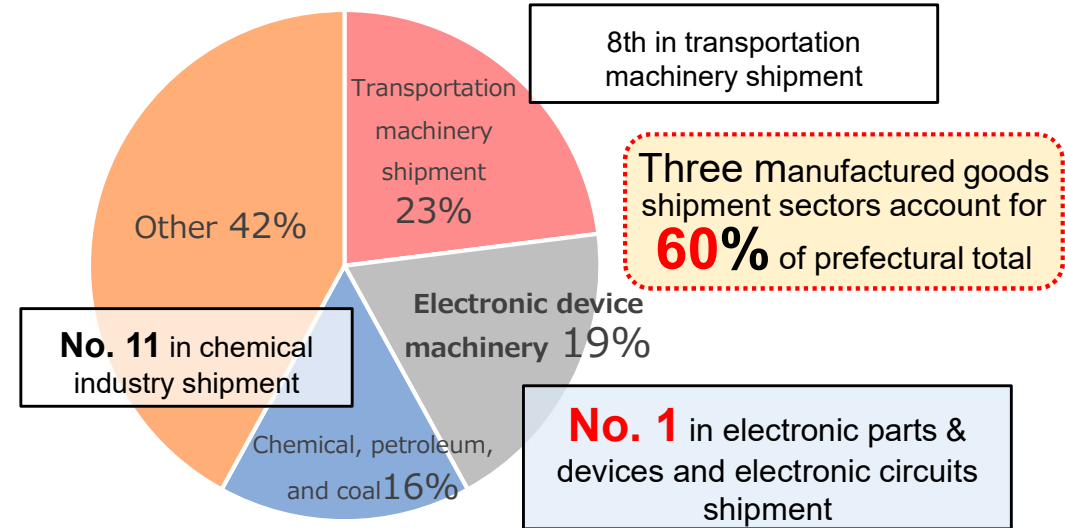
## Mie as a center for manufacturers

Economic activities by production type by prefecture



Source: Data from Gross Domestic Product classified by Economic Activities (FY2016) (percentage distribution)

Mie Prefecture's manufactured goods shipments by industry in Japan



Source: Data from 2018 Industrial Statistics (preliminary)

## Mie Prefecture's industrial measures 10 years ahead

Measures set by Mie in Nov. 2018

Mie Prefecture's Vision for Industrial Promotion

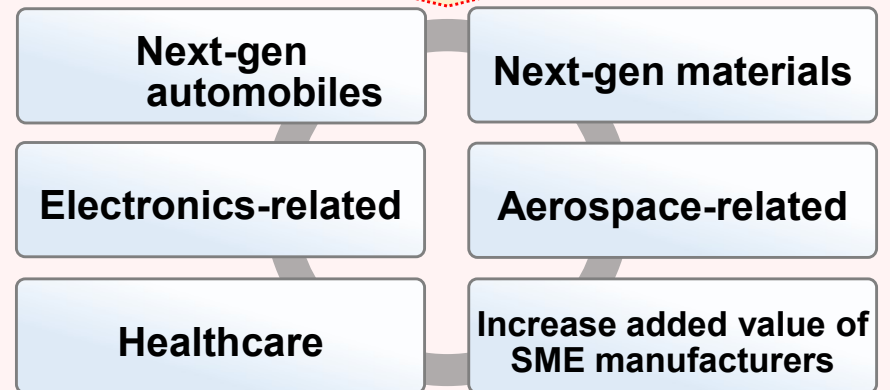
Adaptation to fourth industrial revolution by manufacturers

Promote **smart factory and cultivation of ICT personnel**

From 2019  
Added two more categories eligible for corporate investment promotion subsidies

- Next-gen automobile development
- Transformation to smart factories

Use technology such as AI, IoT, and big data

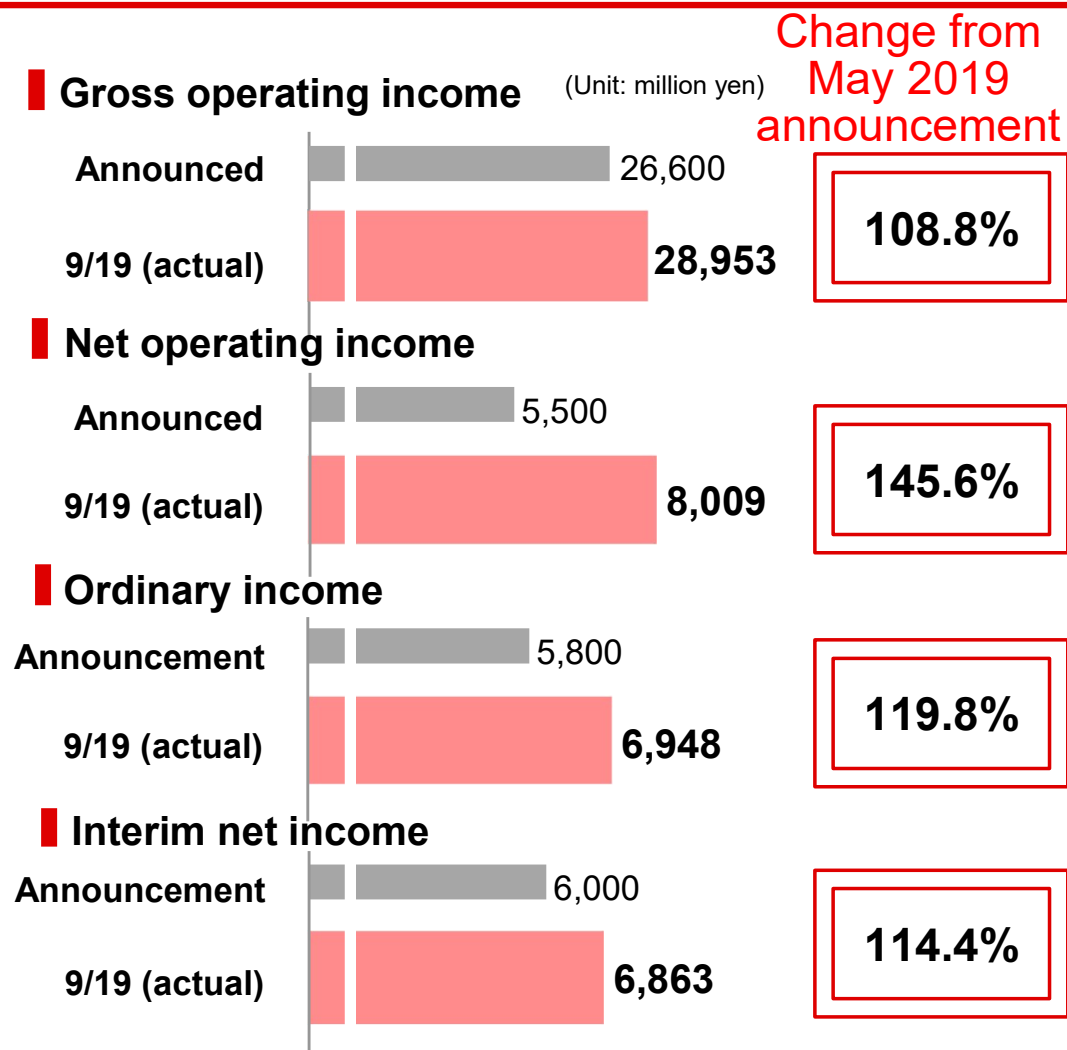


# Outline of Financial Position



- Interim profit increased 5.2% year-on-year due partly to recording profits after accounting for effects of revising retirement benefit system on extraordinary income

(Unit: million yen)	FY 9/18	FY 9/19	Change
<b>Gross operating profit</b> ①	27,869	28,953	1,084
Interest income	24,812	24,931	119
Fees and Commissions	4,628	4,902	273
Other operating income	(1,572)	(880)	691
Of which, gain and loss from government bonds and other bonds ②	(231)	1,474	1,705
Provision of general allowance for loan losses ③	—	35	35
Expenses ④	20,549	20,909	360
<b>Net operating income</b> ①-③-④	7,319	8,009	689
<b>Core net operating income</b> ①-②-④	7,550	6,569	(980)
Core net operating income (less investment trust cancellation gain and loss)	6,751	6,163	(588)
<b>Non-recurring gain and loss</b>	1,439	(1,060)	(2,500)
Of which, disposal of bad debts ⑤	54	521	466
Reversal of allowance for doubtful accounts ⑥	105	—	(105)
Gain and loss from stocks and other securities	1,461	(752)	(2,214)
<b>Ordinary income</b>	8,758	6,948	(1,810)
<b>Extraordinary gain and loss</b>	(38)	2,311	2,349
<b>Interim net income before income taxes</b>	8,720	9,259	538
<b>Interim net income</b>	6,522	6,863	341
<b>Credit-related expenses</b> ③+⑤-⑥	(51)	556	607



- Net operating profit increased due mainly to other operating income.
- Ordinary income decreased, but interim net income increased due to a gain from the revision of retirement benefit systems.
- Each profit item exceeded the interim forecast announced in May and remained robust.

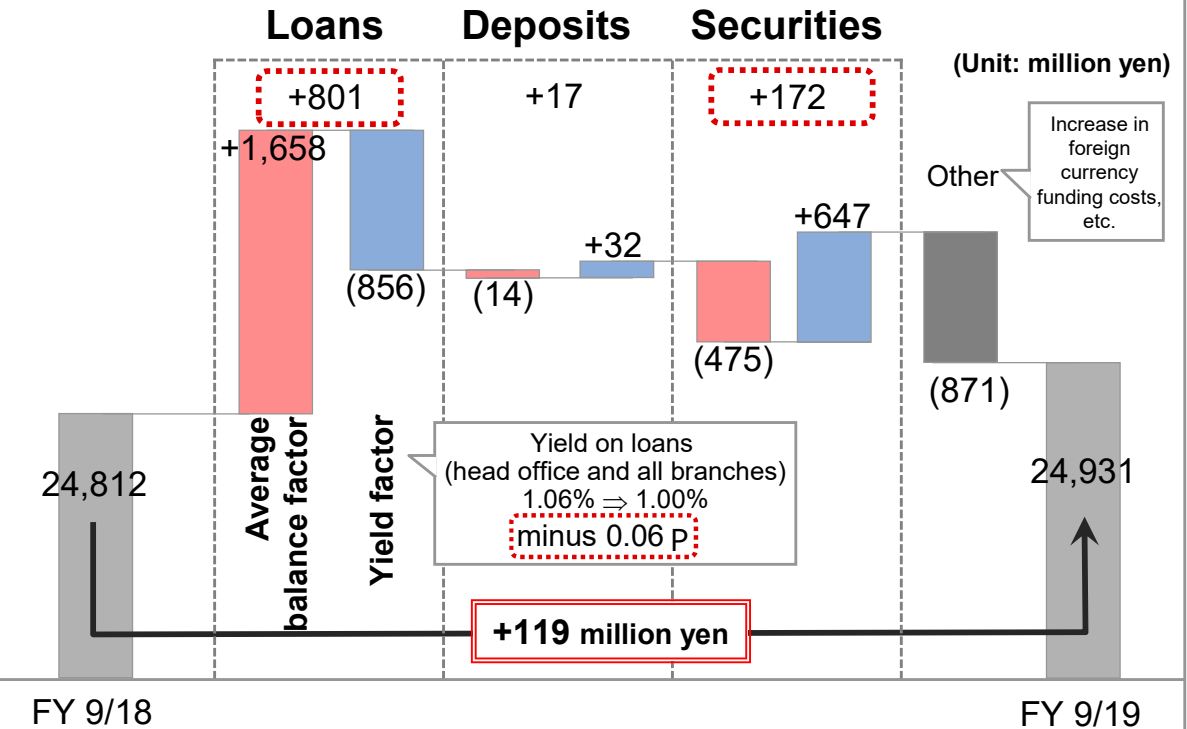


- An increase in interest on loans contributed to an increase in interest income of 0.5% year-on-year

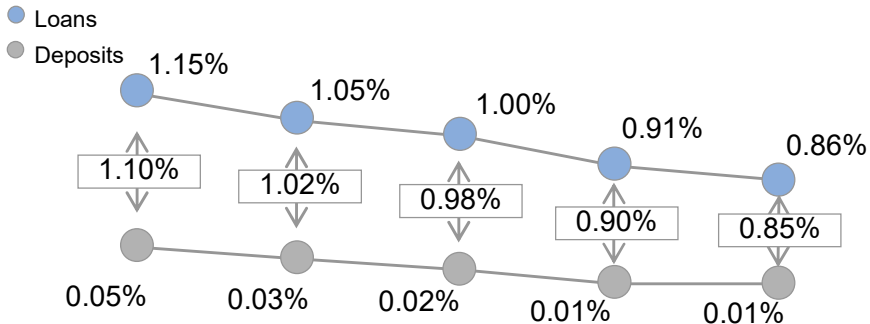
(Unit: million yen)	FY 9/18	FY 9/19	Change
<b>Interest income</b>	<b>24,812</b>	<b>24,931</b>	<b>119</b>
Total interest income	27,061	27,676	614
Loan interest	16,692	17,493	801
Interest and dividends on securities	9,672	9,844	172
Other	696	337	(358)
Interest expenses	2,249	2,745	495
Interest on deposits	513	496	(17)
Other	1,735	2,248	513

## Factors behind increase/decrease in interest income

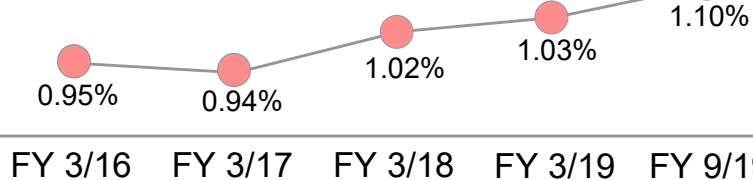
<Head Office and all branches (both domestic and international operations departments)>



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

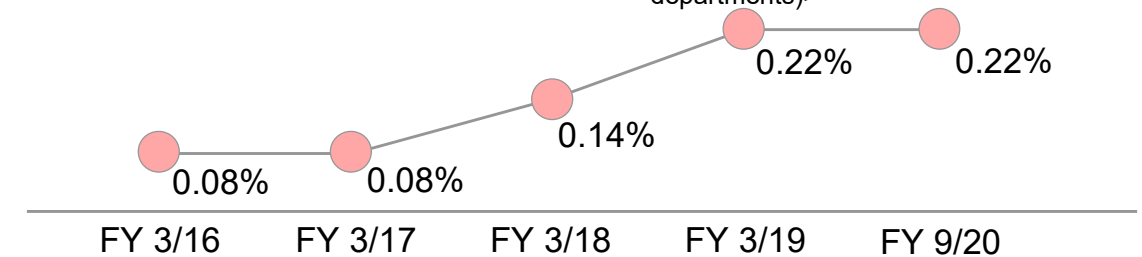


## Returns on securities investments (domestic operations departments)



## Historical overall profit margins

<Head office and all branches (including domestic and international operations departments)>



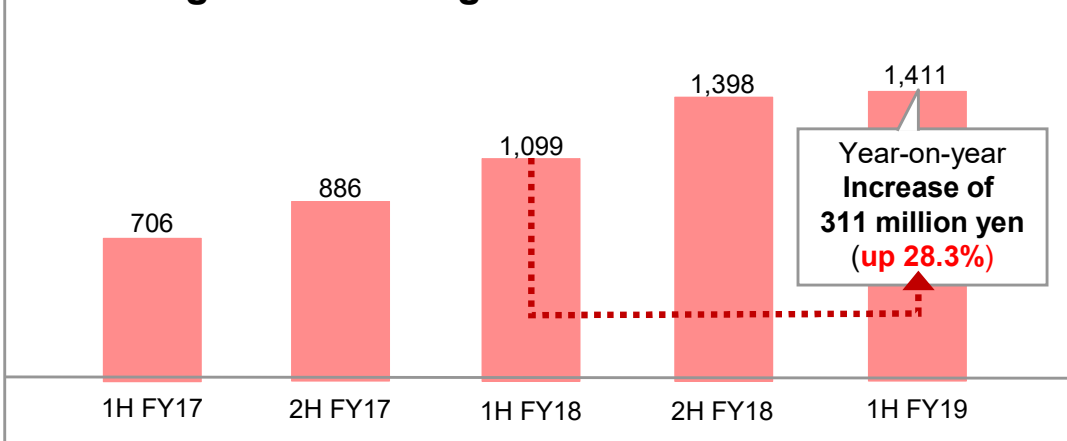
- An increase in housing loan handling fees, etc. contributed to an increase in fees and commissions of 5.9% year-on-year

(Unit: million yen)

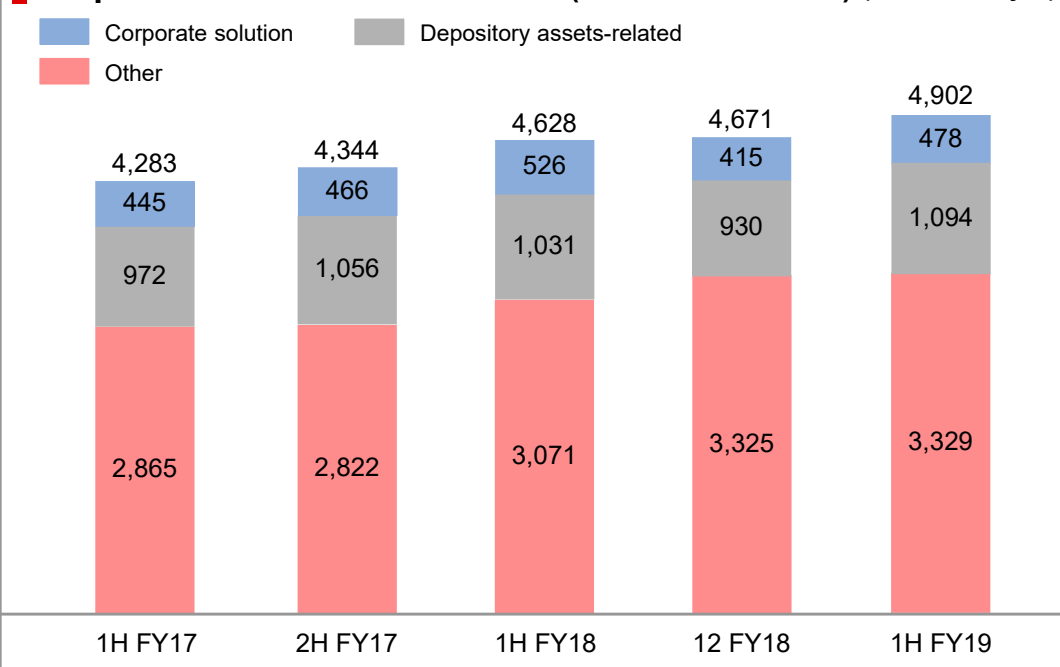
	FY 9/18	FY 9/19	Change
<b>Fees and commissions</b>	<b>4,628</b>	<b>4,902</b>	<b>273</b>
<b>Fees and commissions</b>	<b>6,772</b>	<b>7,244</b>	<b>471</b>
<b>Commissions related to depository assets</b>	<b>1,031</b>	<b>1,094</b>	<b>63</b>
Investment trust commissions	453	405	(48)
Insurance sales commissions (*)	504	573	69
Financial instruments brokerage commissions	32	65	32
Defined contribution pension commissions	41	50	9
Corporate solution commissions (*)	526	478	(47)
<b>Housing loan handling fees</b>	<b>1,099</b>	<b>1,411</b>	<b>311</b>
<b>Fees and commissions expenses (expenses)</b>	<b>2,143</b>	<b>2,341</b>	<b>197</b>
Of which, payments of housing loan guarantee and insurance premium, etc. (expenses)	1,381	1,546	164

\* Enterprise insurance commissions are included in Corporate solution commissions instead of Insurance sales commissions.

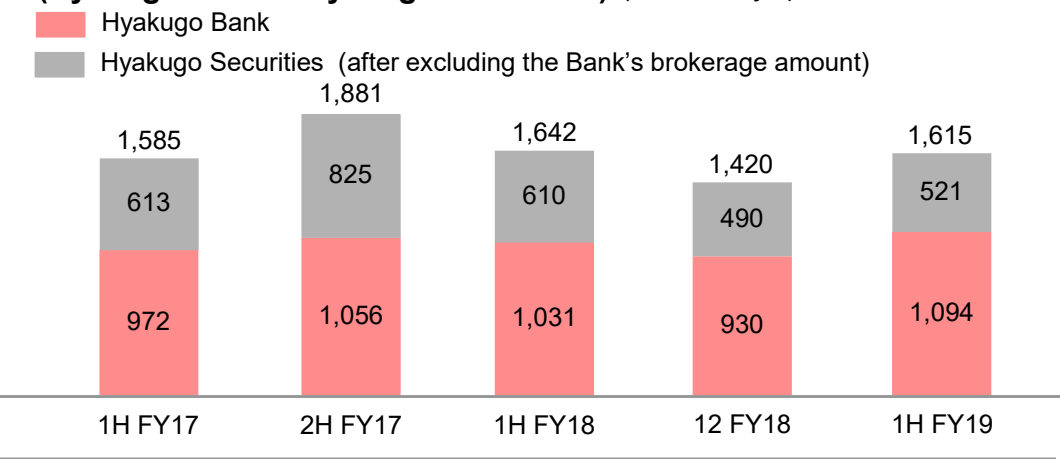
## Housing loan handling fees (Unit: million yen)



## Graph of fees and commissions (non-consolidated) (Unit: million yen)



## Commissions related to depository assets (Hyakugo Bank + Hyakugo Securities) (Unit: million yen)



- Expenses increased 1.8% year-on-year due mainly to an increase in non-personnel expenses.

(Unit: million yen)

	FY 9/18	FY 9/19	Change
<b>Expenses</b>	<b>20,549</b>	<b>20,909</b>	<b>360</b>
Personal expenses	11,360	11,191	(169)
Non-personnel expenses	8,038	8,641	602
Taxes	1,150	1,076	(73)

## Major factors underlying increase in expenses

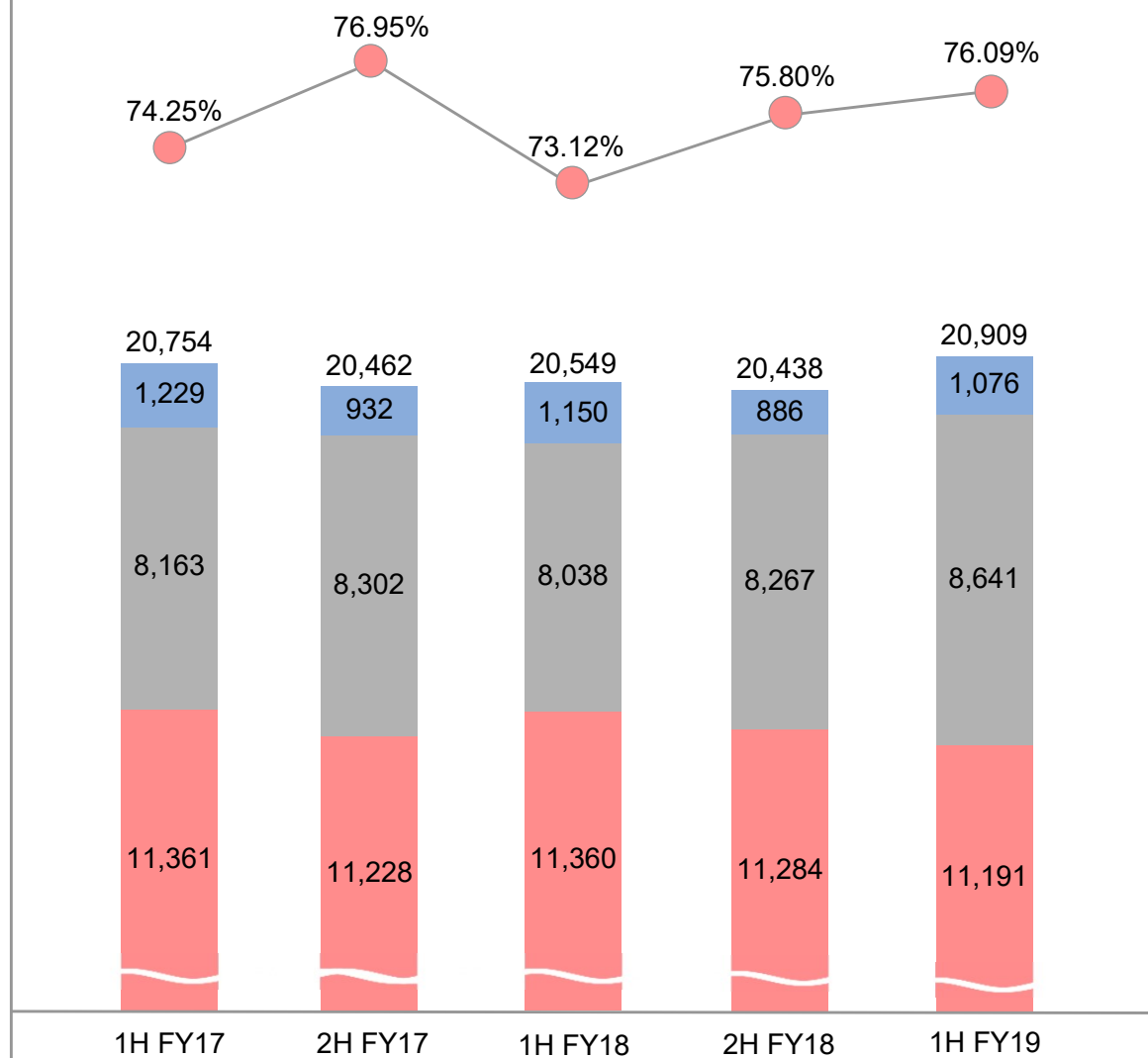
- Non-personnel expenses**

**Supplies expenses**  
(PC and office equipment, etc.) **172 million yen**

**Depreciation expenses**  
(Branch systems, etc.) **107 million yen**

## Expenses and core OHR

(Unit: million yen) ■ Taxes ■ Non-personnel expenses ■ Personnel expenses  
● OHR (core gross profit basis)



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

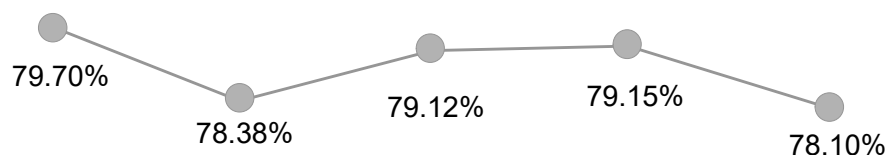
(Unit: million yen)

	FY 9/18	FY 9/19	Change
Credit costs	(51)	556	607
Of which, provision of general allowance for loan losses	(*) (714)	35	749
Of which, provision of specific allowance for loan losses	(*) 608	520	(88)
Of which, loss on sale of receivables and other securities	—	—	—
<b>Credit cost ratio</b>	<b>(0.00%)</b>	<b>0.03%</b>	<b>0.03 P</b>

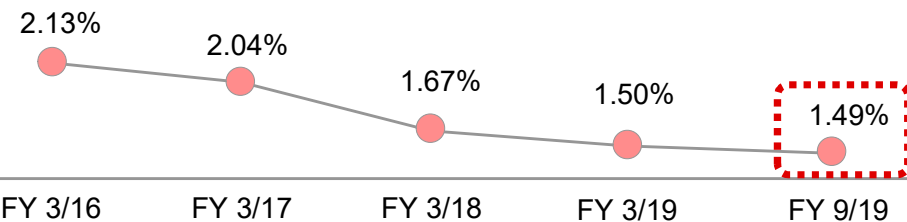
\* Before reversal of allowance for loan losses

	FY 3/19	FY 9/19	Change
<b>Nonperforming loans</b>	<b>52,250</b>	<b>53,343</b>	<b>1,092</b>

## Nonperforming loans coverage ratio

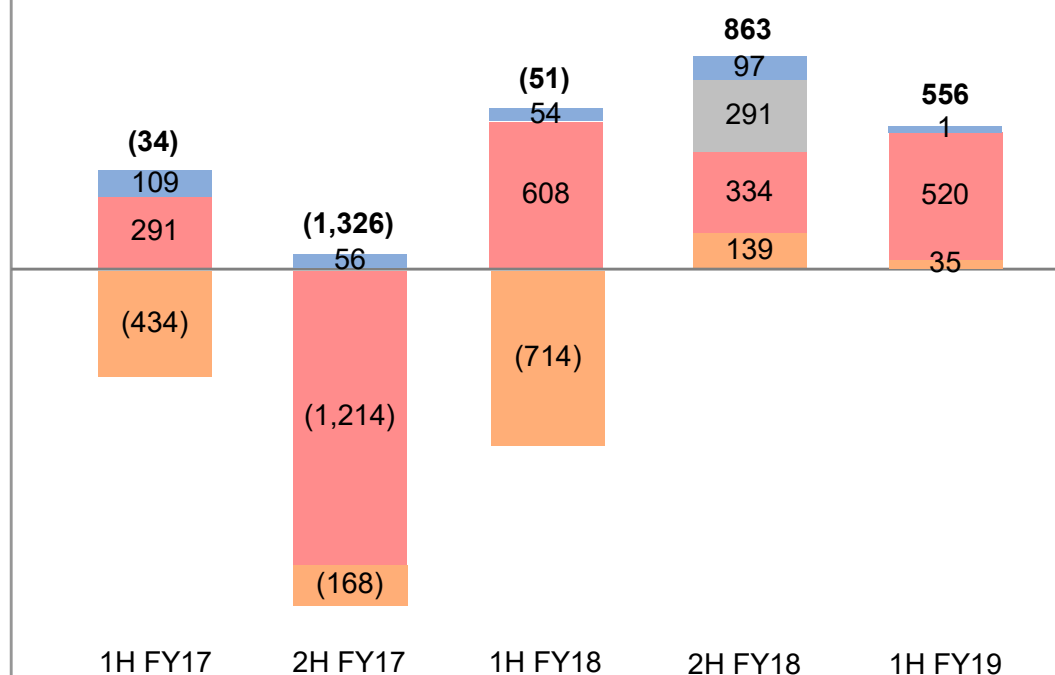
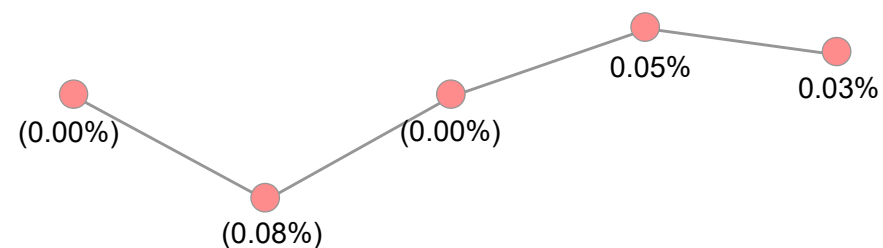


## Nonperforming loans ratio



## Credit costs (non-consolidated)

(Unit: million yen)



- Individual deposits and corporate deposits both remained strong, increasing total deposits 2.4% year-on-year

(Unit: 100 million yen)

	FY 3/19	FY 9/19	Change
<b>Total deposits (average balance)</b>	<b>49,929</b>	<b>51,139</b>	<b>1,210</b>
Mie Prefecture	44,687	45,844	1,156
Aichi Prefecture	4,973	4,999	25
Tokyo and Osaka	267	295	27

(Unit: 100 million yen)

	FY 3/19	FY 9/19	Change
<b>Individual deposits (average balance)</b>	<b>36,979</b>	<b>37,636</b>	<b>↑ 656</b>
Mie Prefecture	34,271	34,808	537
Aichi Prefecture	2,688	2,806	117
Tokyo and Osaka	20	21	1

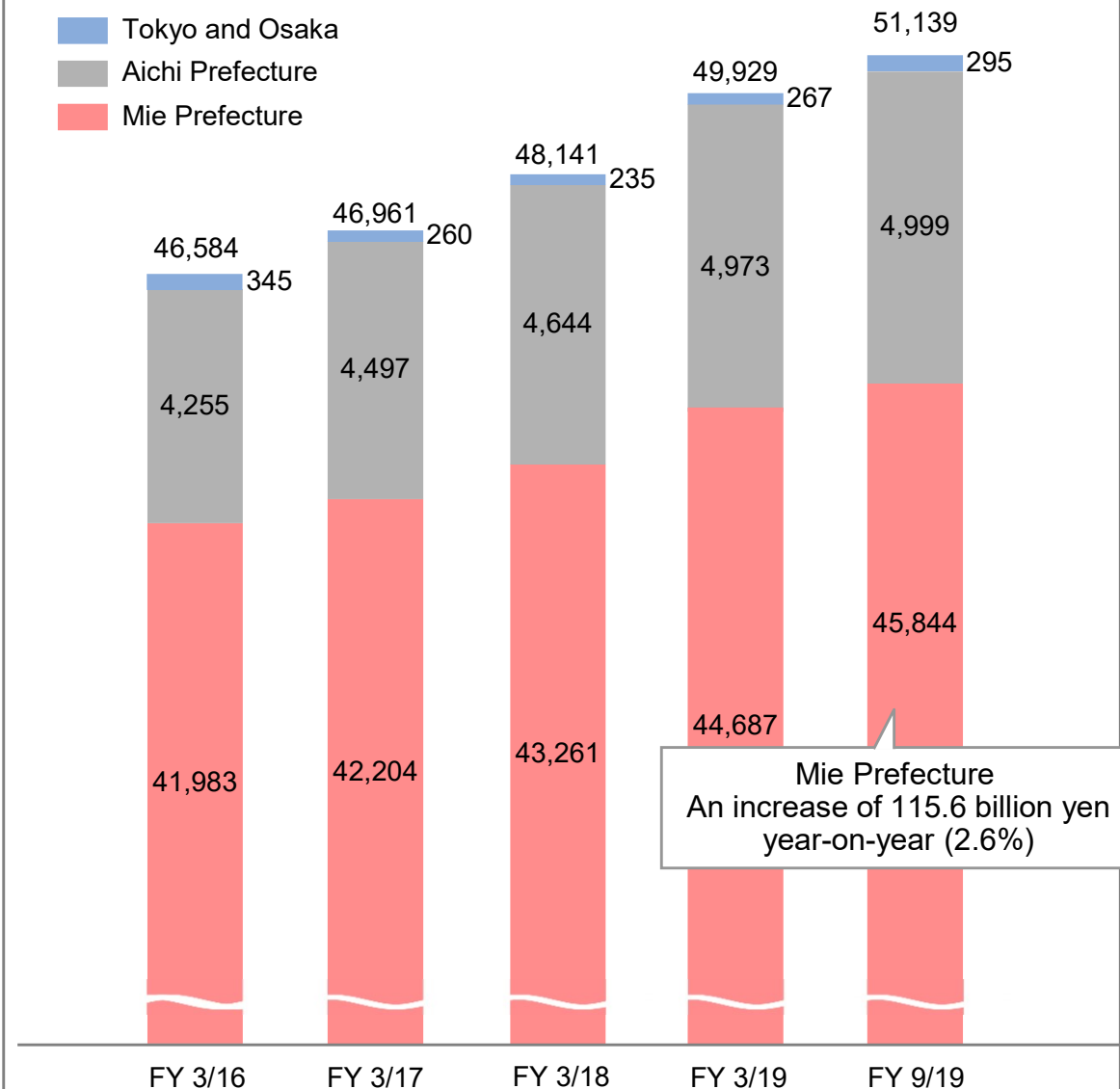
(Unit: 100 million yen)

	FY 3/19	FY 9/19	Change
<b>Corporate deposits (average balance)</b>	<b>10,244</b>	<b>10,555</b>	<b>↑ 311</b>
Mie Prefecture	7,974	8,231	256
Aichi Prefecture	2,025	2,053	28
Tokyo and Osaka	244	271	26

\* Mie Prefecture includes Shingu and Internet branches.

Total deposits (average balance)

(Unit: 100 million yen)



- Individual loans such as housing loans increased, resulting in an 6.9% increase year-on-year in total loans

(Unit: 100 million yen)

	FY 3/19	FY 9/19	Change
Total loans (average balance)	<b>32,462</b>	<b>34,688</b>	<b>2,225</b>
Mie Prefecture	<b>16,499</b>	<b>16,901</b>	<b>401</b>
Aichi Prefecture	<b>9,272</b>	<b>10,563</b>	<b>1,291</b>
Tokyo and Osaka	<b>6,691</b>	<b>7,223</b>	<b>532</b>

(Unit: 100 million yen)

	FY 3/19	FY 9/19	Change
Loans to SMEs (average balance)	<b>11,994</b>	<b>12,389</b>	<b>394</b>
Mie Prefecture	<b>7,033</b>	<b>7,106</b>	<b>73</b>
Aichi Prefecture	<b>3,124</b>	<b>3,297</b>	<b>172</b>
Tokyo and Osaka	<b>1,835</b>	<b>1,985</b>	<b>149</b>

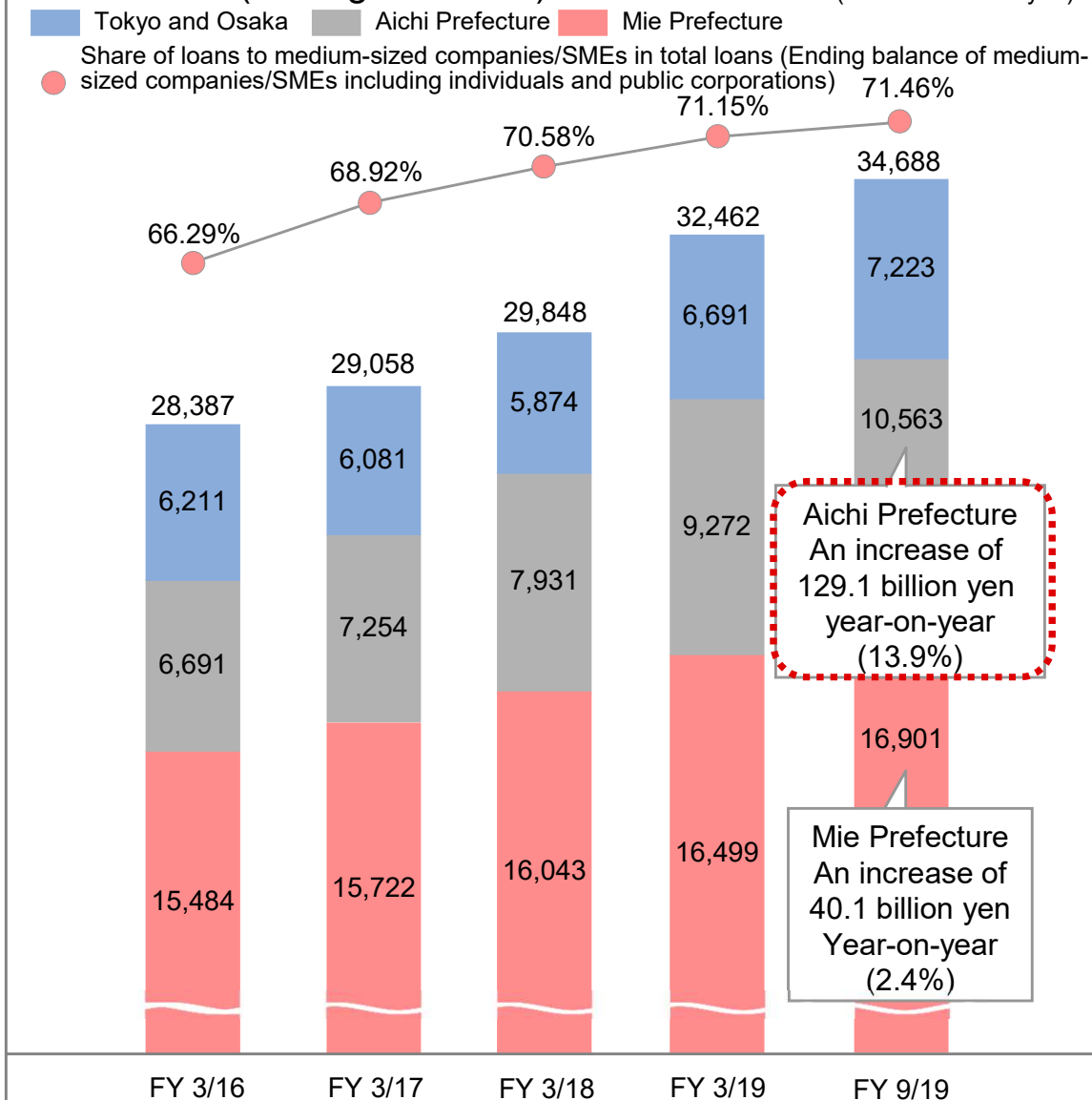
(Unit: 100 million yen)

	FY 3/19	FY 9/19	Change
Housing loans (average balance)	<b>10,258</b>	<b>11,684</b>	<b>1,425</b>
Mie Prefecture	<b>5,743</b>	<b>6,120</b>	<b>376</b>
Aichi Prefecture	<b>4,514</b>	<b>5,564</b>	<b>1,049</b>

\* Mie Prefecture includes Shingu and Internet branches

## Total loans (average balance)

(Unit: 100 million yen)

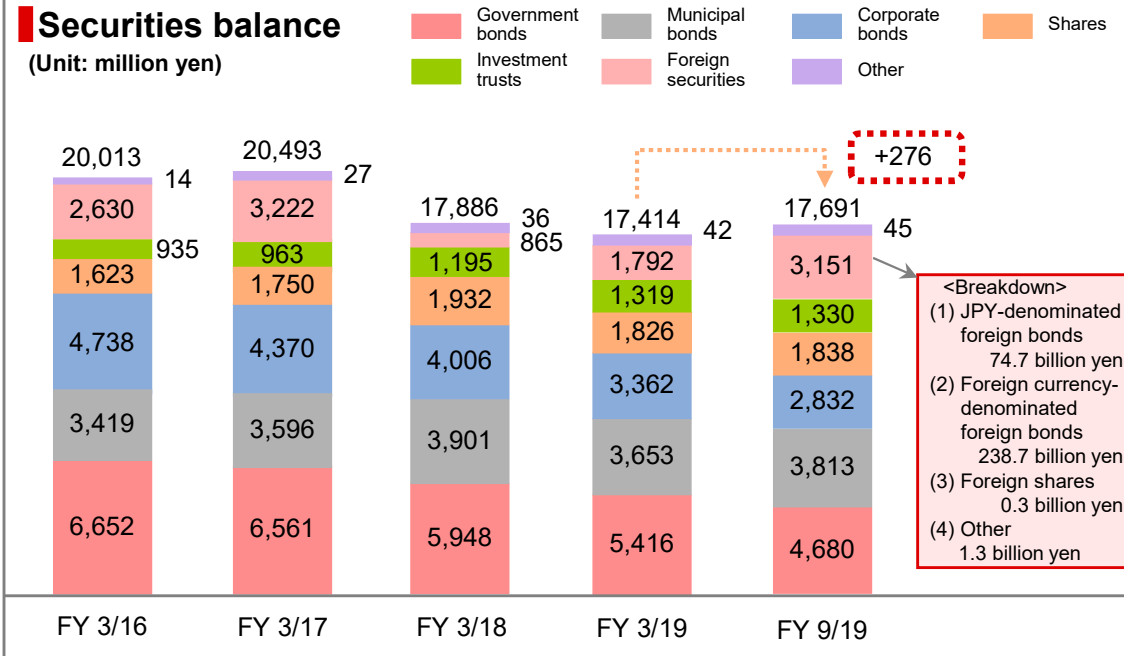


- Valuation gains (losses) mainly on shares and investment trusts increased 5.9% from the end of the previous fiscal year

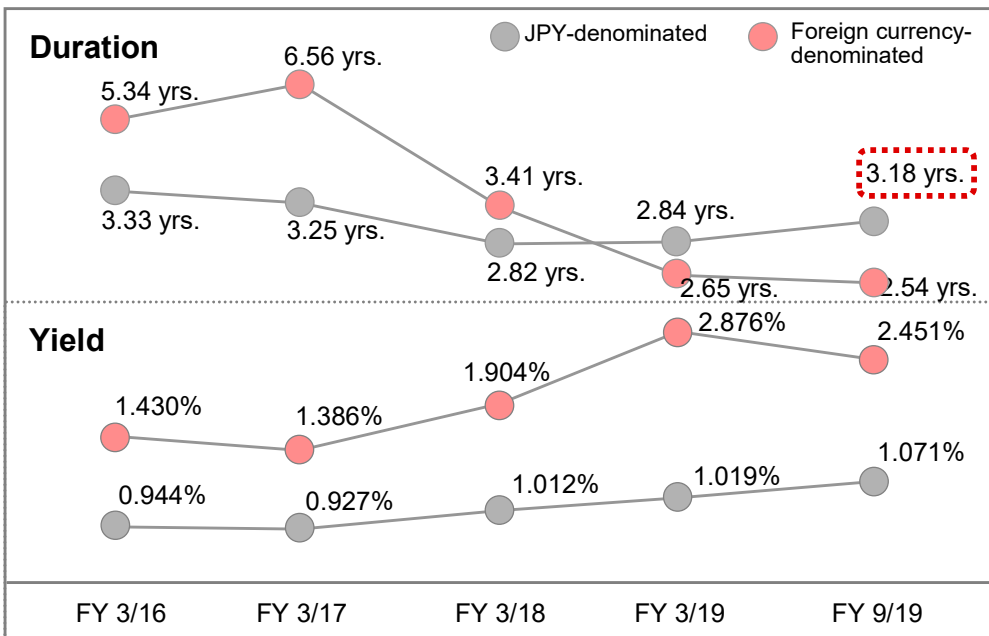
(Unit: 100 million yen)	FY 3/19	FY 9/19	Change
Securities balance	17,414	17,691	276
Government bonds	5,416	4,680	(736)
Municipal bonds	3,653	3,813	159
Corporate bonds	3,362	2,832	(530)
Shares	1,826	1,838	12
Investment trusts	1,319	1,330	10
Foreign securities	1,792	3,151	1,358
Other	42	45	2
JPY-denominated average balance*	16,098	14,343	(1,754)
Foreign currency-denominated average balance*	826	1,766	939

## Securities balance

(Unit: million yen)

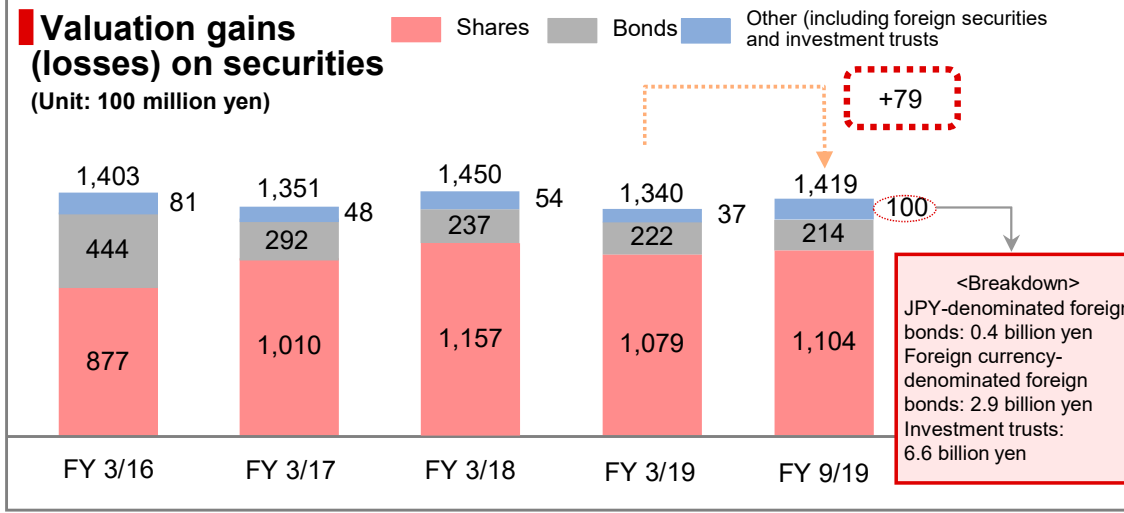


## Duration, yield (\*)



## Valuation gains (losses) on securities

(Unit: 100 million yen)



\* Including trust beneficiary rights



- An increase in equity capital, resulting from recording profits, etc., contributed to a rise in the equity ratio of 0.14 percentage points year-on-year

(Unit: 100 million yen)

Method of computing credit risk asset value	Fundamental internal rating-based approach			
	As of	FY 3/18	FY 3/19	FY 9/19
Equity capital (for equity ratio calculation purpose)		2,244	2,285	2,322
Risk assets		21,839	23,458	23,497
Equity ratio		10.27%	9.74%	9.88%

Shareholders' equity	FY 3/18	FY 3/19	FY 9/19
	2,443	2,530	2,587

Method of computing value-at-credit-risk : Standard approach  
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

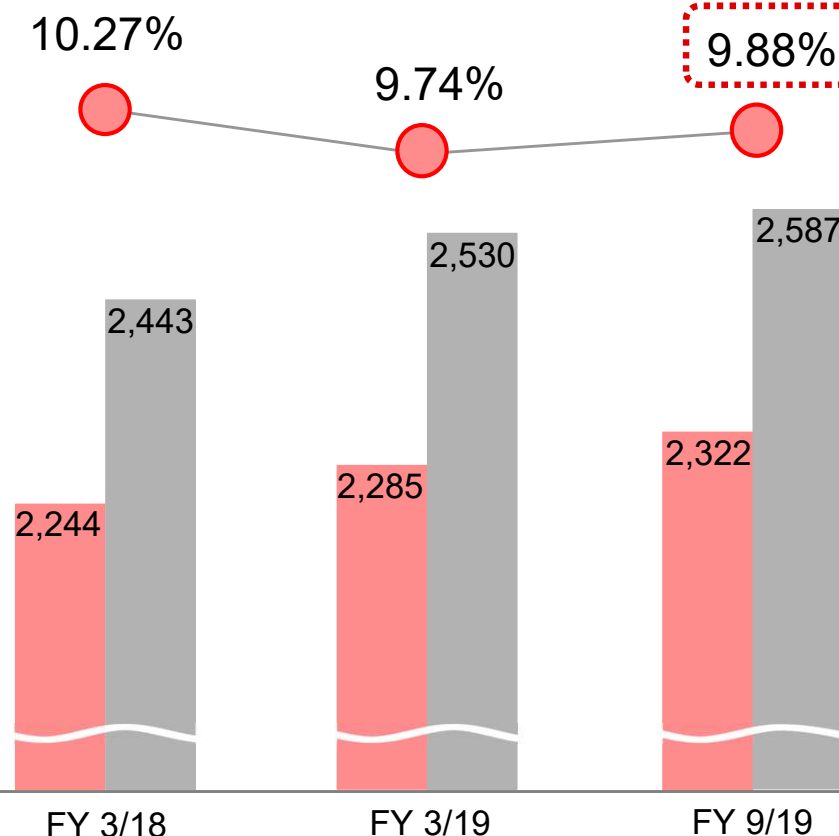
Enhances financial intermediary capabilities

## Equity capital, shareholders' equity, and equity ratio (Unit: 100 million yen)

Equity capital Shareholders' equity\* Equity ratio

### Fundamental internal rating-based approach (FIRB)

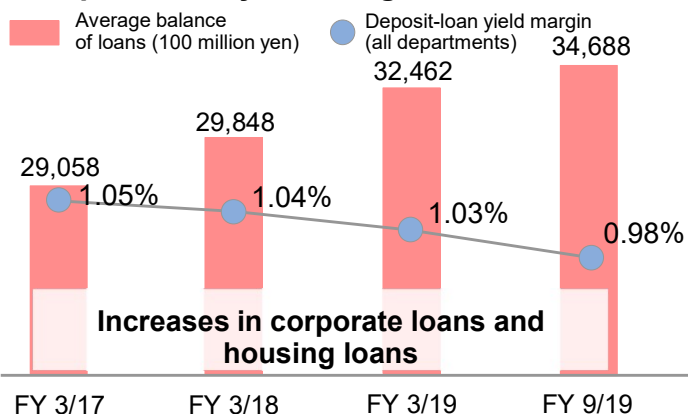
(JGAAP)



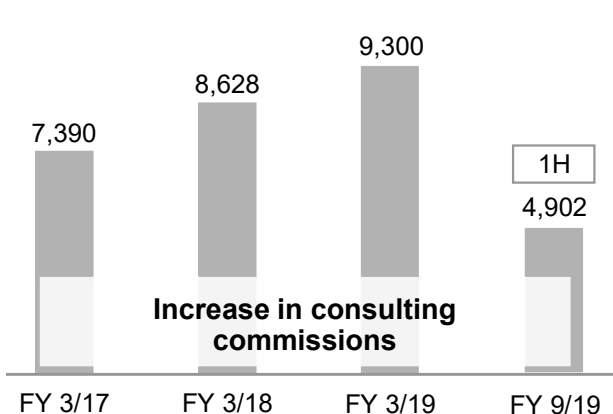
- Moved operating income from services to customers into the black in 2018, forecasting further growth

## Turnaround of operating income from services to customers

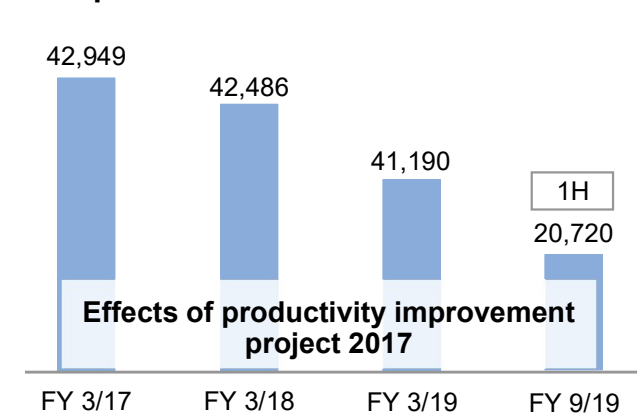
### Change in average balance of loans and deposit-loan yield margin



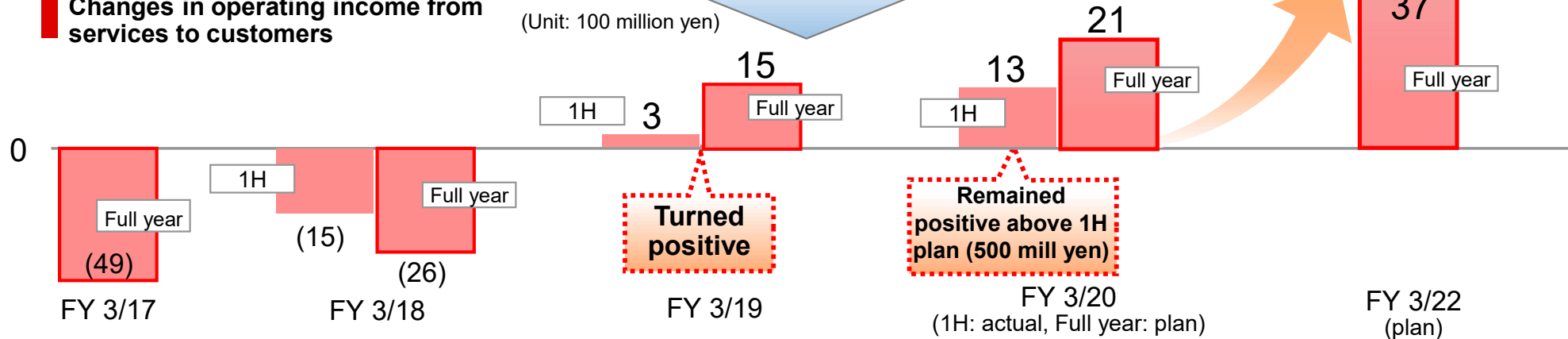
### Change in fees and commissions



### Change in operating expenses



### Changes in operating income from services to customers



### 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)

- FY 3/2019 full year forecast has been revised upward based on the above results. Dividends will be maintained at the previous year's level and include the 140th commemorative dividend.

### Forecast (non-consolidated)

(Unit: million yen)

\* Announced on November 8, 2019

	FY 3/20 (initially announced)	FY 3/20 (after upward revision)
Gross operating income	52,700	55,300
Interest income	50,000	48,600
Fees and commissions	9,100	9,400
Other operating income	(6,400)	(2,700)
Net operating income	10,600	13,400
Ordinary income	11,000	12,700
Net income	9,600	10,900
Consolidated net income attributable to shareholders of the parent (consolidated)	10,000	11,000

### Dividend forecast

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

# Medium-term Management Plan:

**KAI - KAKU 150 1st STAGE —**

**“Gateway to the Future”**

—Aiming to Transform into a Digital & Consulting Bank—

## **Progress Status**

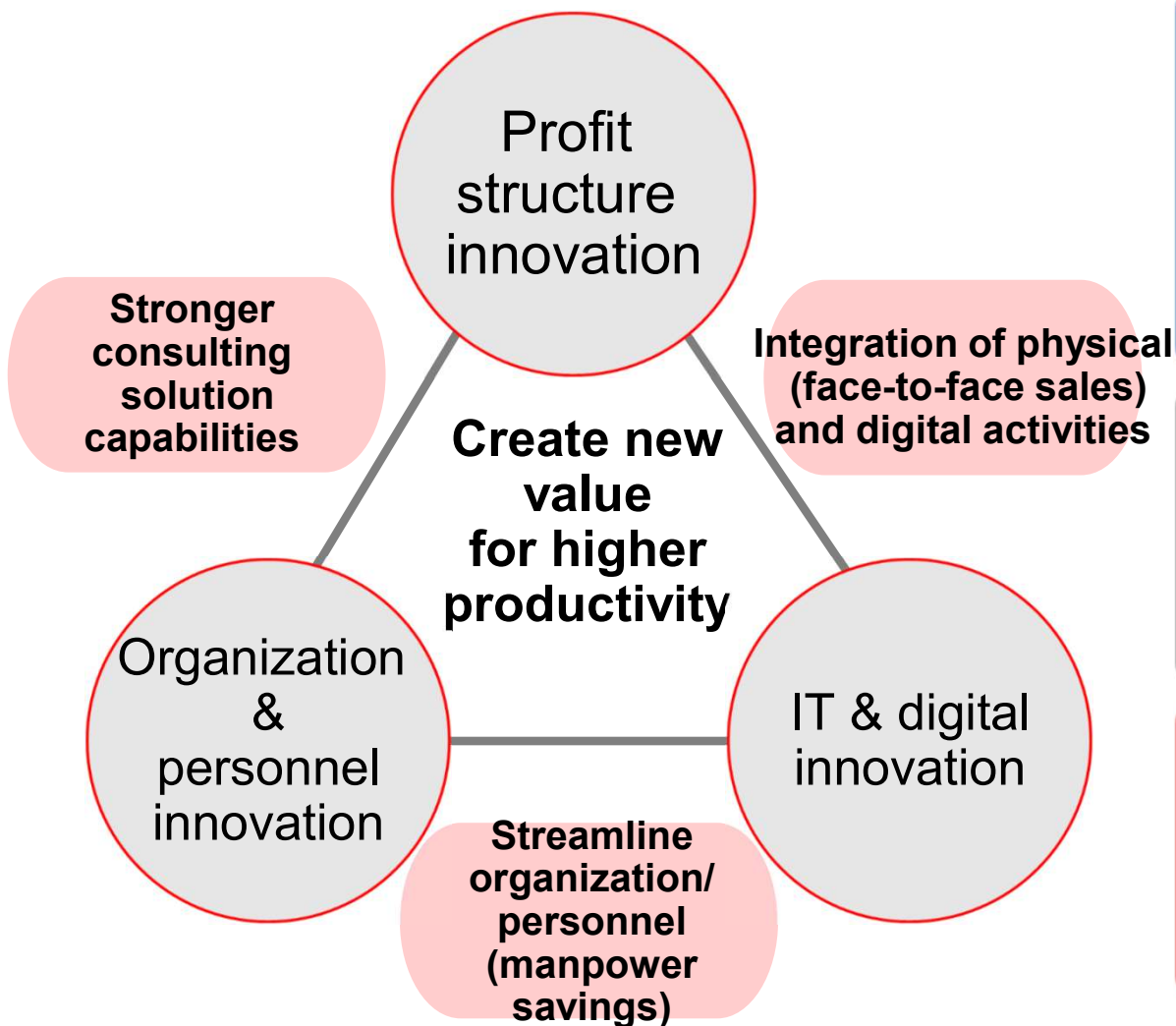
- We are strongly positioned toward achieving Mid-term Management Plan final targets. Certificated professionals exceed 190 personnel.

### Numerical Targets of Medium-term Management Plan

	Item	FY 3/19 (actual)	FY 9/19 (actual)	FY 3/22 (MTMP final target)
Profitability indicator	Net income	10.7 billion yen	6.8 billion yen	10.0 billion yen
Capital efficiency indicator	ROE (Shareholders' equity base)	4.32%	5.34%	3.7% or more
Efficiency indicator	OHR (Core gross operating profit base)	74.32%	76.09%	Less than 79%
Soundness indicator	Capital adequacy ratio	9.74%	9.88%	9.5% or more
Growth indicator	Average balance of total deposit (including negotiable certificates of deposit)	4,992.9 billion yen	5,113.9 billion yen	5,230 billion yen or more
	Average balance of total loans	3,246.2 billion yen	3,468.8 billion yen	3,700 billion yen or more
	Loan-to-deposit ratio (average balance base)	65.0%	67.8%	70.8% or more
Revenue indicator	Operating income from services to customers	1.5 billion yen	1.3 billion yen	3.7 billion yen
	Corporate solutions fees	941 million yen	478 million yen	2,000 million yen
Human resources development indicator	Number of personnel with professional qualifications	161 persons	190 persons	300 persons

- Overview of 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

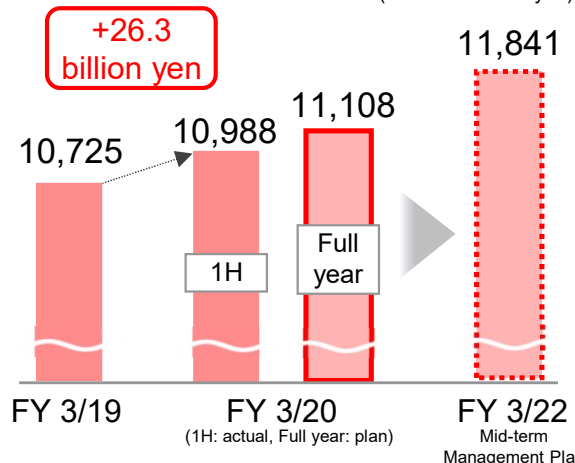
<b>Profit structure</b>	(1) Strengthen topline (loan income)	<b>(14) Initiatives for ESG/SDGs</b>
	(2) Strengthen topline (fees and commissions)	
	(3) Develop new businesses/new fields	
	(4) Rebuild securities portfolio	
	(5) Thoroughly review cost structure	
<b>Organization &amp; personnel</b>	(6) Reform 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) Initiatives for ESG/SDGs	

- 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**

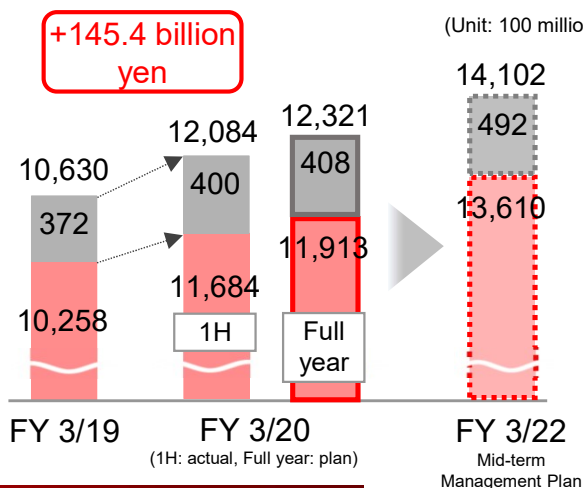
**Loans to medium-sized companies and SMEs in the region**

(Unit: 100 million yen)



**Consumer loans**

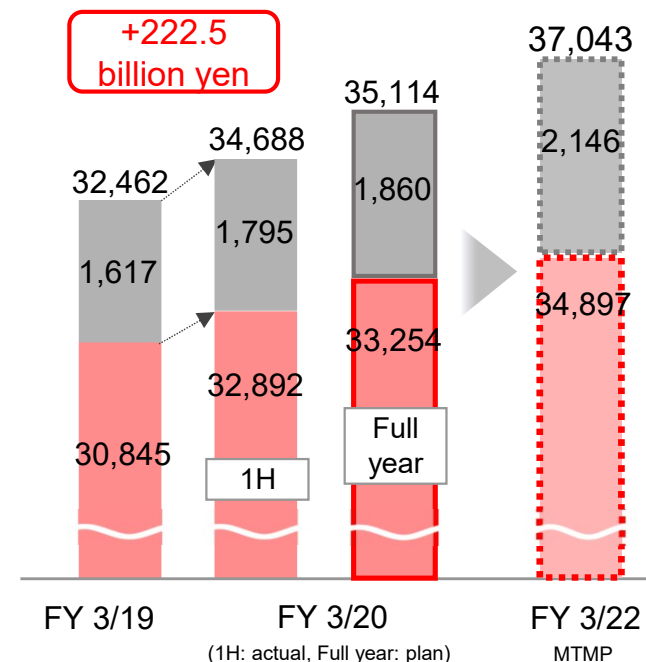
Housing loans (red) Unsecured loans (grey)  
(Unit: 100 million yen)



**Total loans Average balance plan**

(Unit: 100 million yen)

JPY-denominated loans (red) Foreign currency-denominated loans (grey)



**Foreign currency-denominated loans Average balance plan**

Acquire excellent deals under a strengthened operation system and careful risk analysis

- Overseas industrial corporations: Give consideration to portfolio diversification
- Domestic industrial corporation: Secure funding opportunities for overseas subsidiaries
- Aircraft finance: Examine industry developments to acquire orders

Increase by 50.0 billion yen during MTMP period

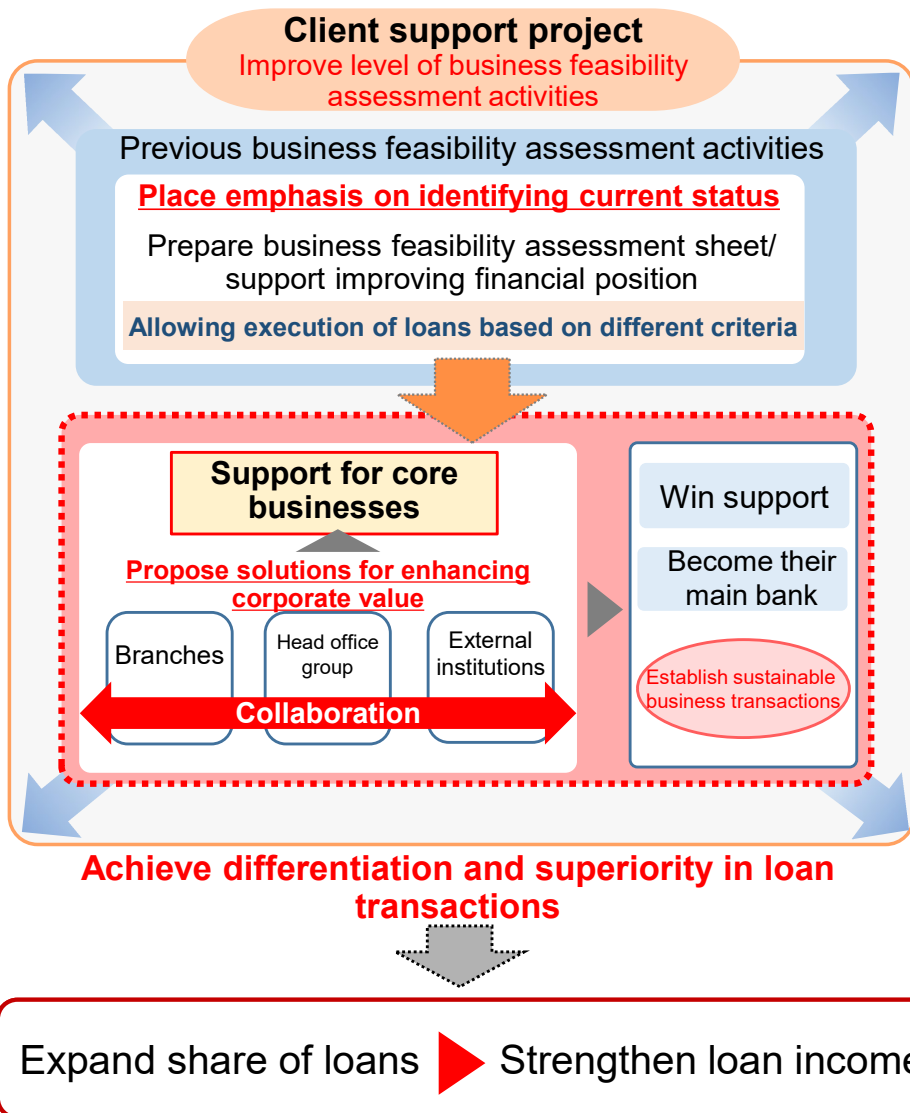
**Loan-to-deposit ratio**

	FY 3/19 (actual)	FY 9/19 (actual)	FY 3/20 (plan)	FY 3/22 (final year of the Medium-term Management Plan)
Loan-to-deposit ratio	65.0%	67.8%	69.0%	70.8% or more

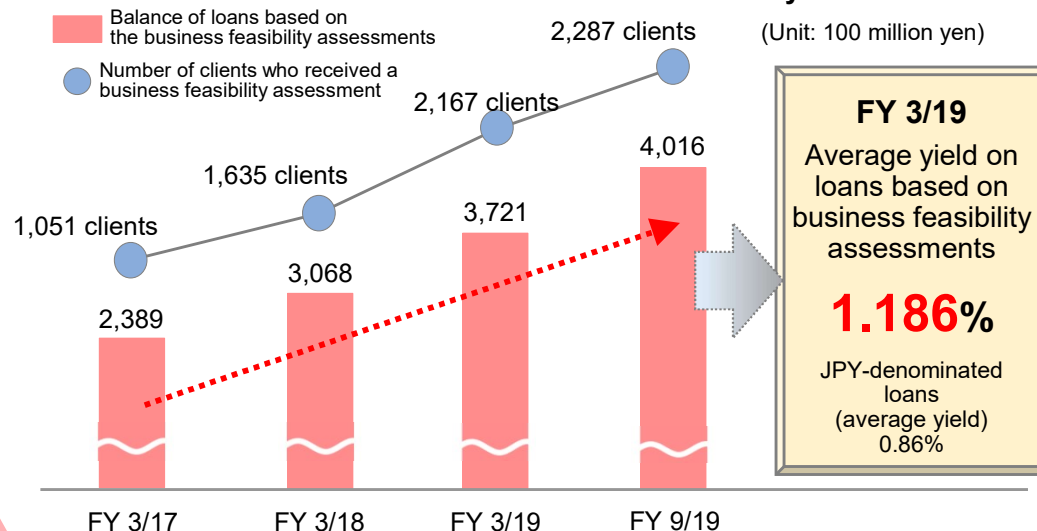


- Deepen business feasibility assessments to further strengthen financial intermediary capabilities and increase market share for loans.

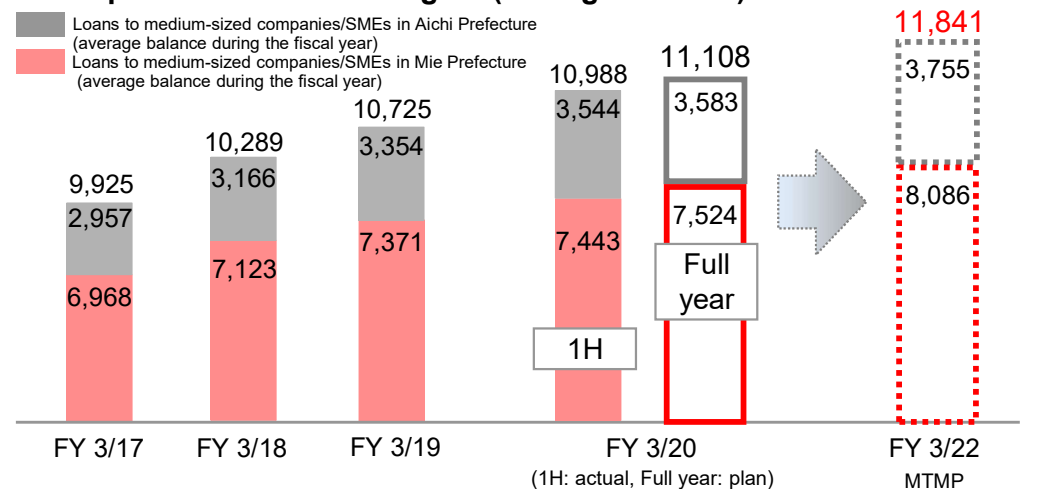
## Toward More Sophisticated Business Feasibility Assessments



### Changes in loan balance based on business feasibility assessments and number of clients who received a business feasibility assessments



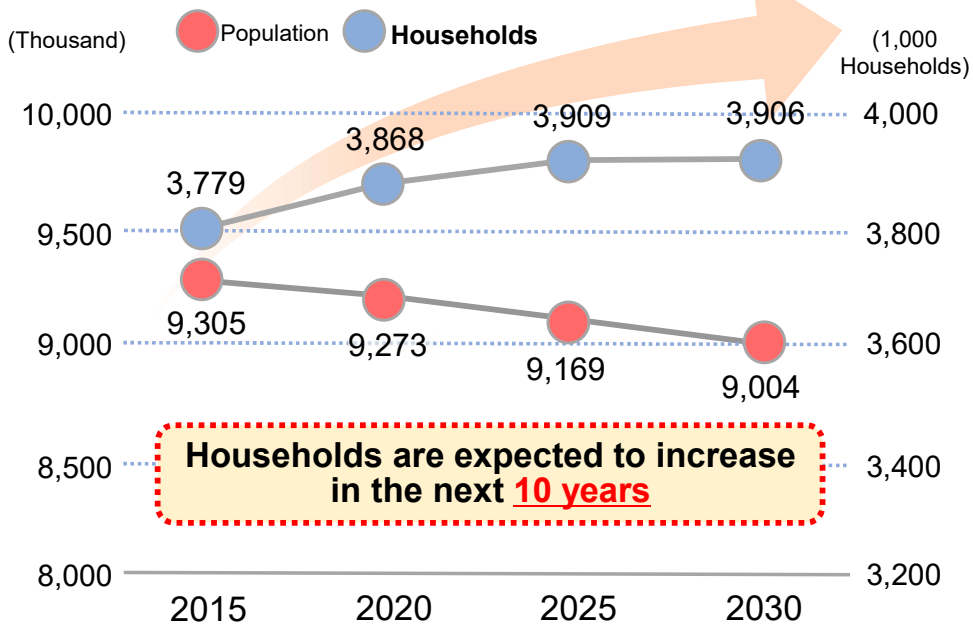
### Change in volume of loans to medium-sized companies/SMEs in the region (average balance)



● Environmental analysis of business areas

External environment for promoting housing loans

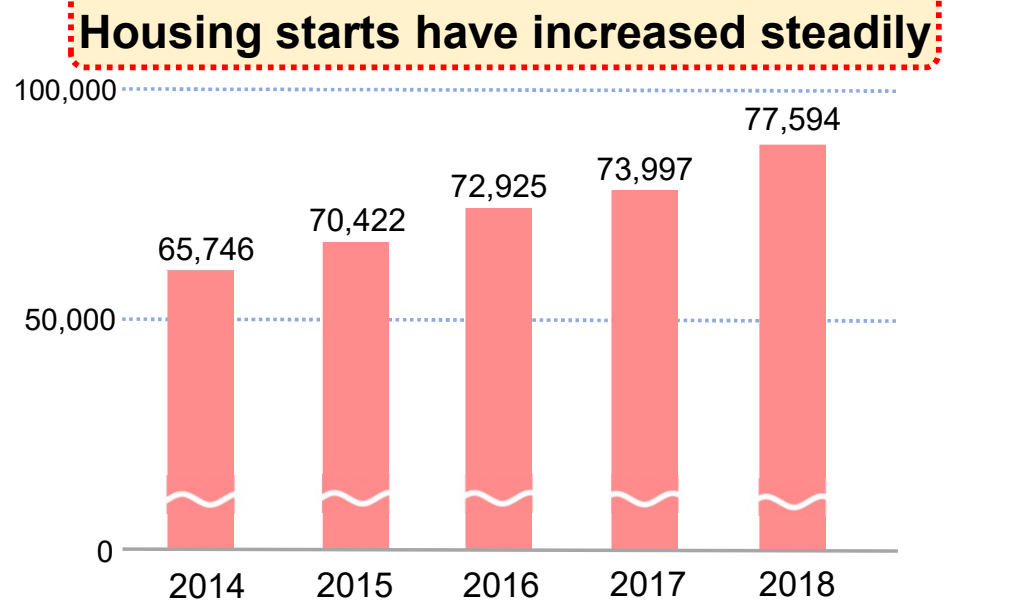
Projection of population and households in Mie Prefecture and Aichi Prefecture



\* Prepared based on Population & households Projection for Japan by Prefecture publicized by National Institute of Population and Social Security Research

Housing starts in Mie Prefecture and Aichi Prefecture

(Unit: number of housing units)



\* Prepared based on the Housing Starts Statistics by the Ministry of Land, Infrastructure, Transport and Tourism

Forecast housing loan demand in the business area to  
continue for the next 10 years

- Exceeds level of the favorable previous year with stronger sales force achieved by allocating more time for on-site sales activities

Housing loan promotion measures and numerical targets

Main product: Sumai no Chikara

Appropriate loan product independent of external guarantee

Accelerate examination process



Increase administrative efficiency and systemization

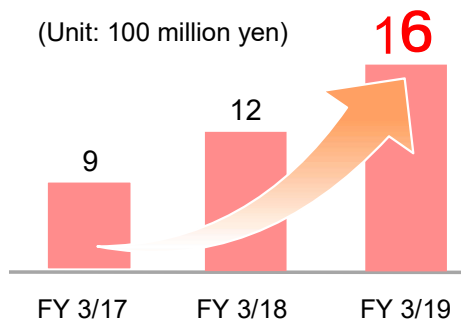
Achievements from 2016 through 2018  
Integration of administrative work to the headquarters: 12,000 hours  
Systemization of loan term management: 6,000 hours

Reduced 30 thousand hours of administrative burden in the sales division

Strength: Succeeded in using more time for sales activities

Acquisition of housing loans per sales personnel

(Unit: 100 million yen)

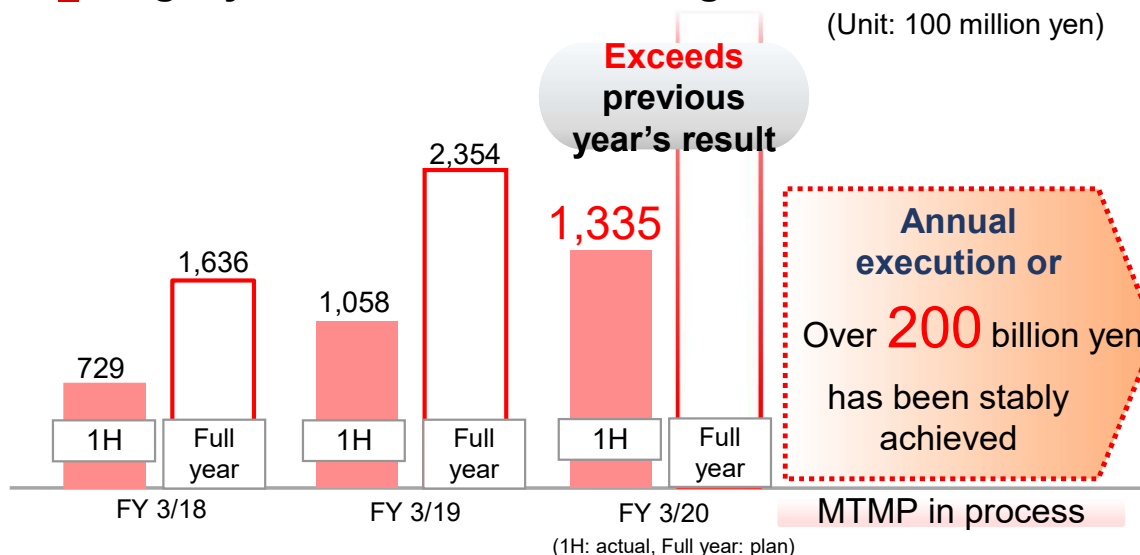


Number of housing loan sales personnel

Period	# of personnel
FY 3/17	146
FY 3/18	141
FY 3/19	149

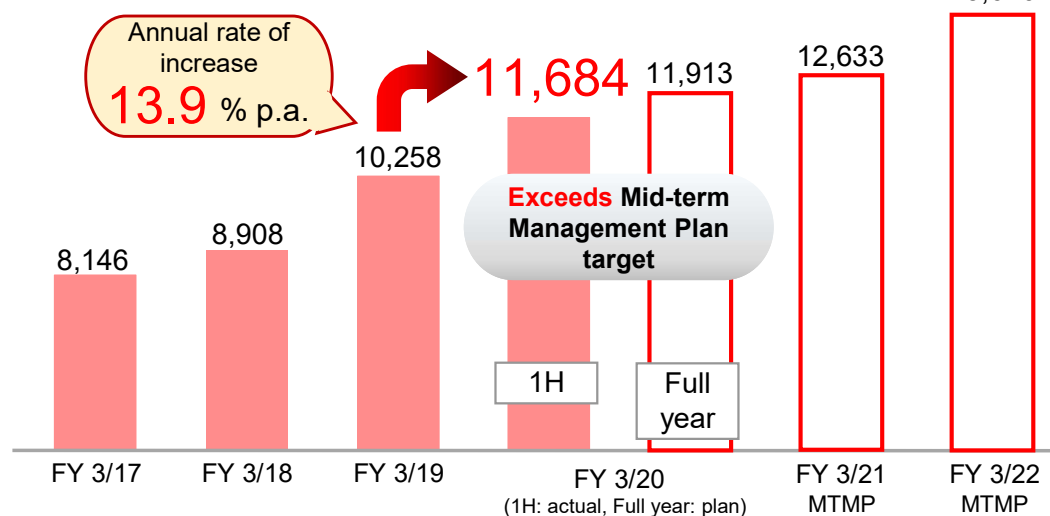
Single-year execution of housing loans

(Unit: 100 million yen)



Average balance of housing loans (planned)

(Unit: 100 million yen)



● Examples of leveraging our consulting capabilities—project finance for PPP/PFI projects

Promotion of PPP/PFI project finance

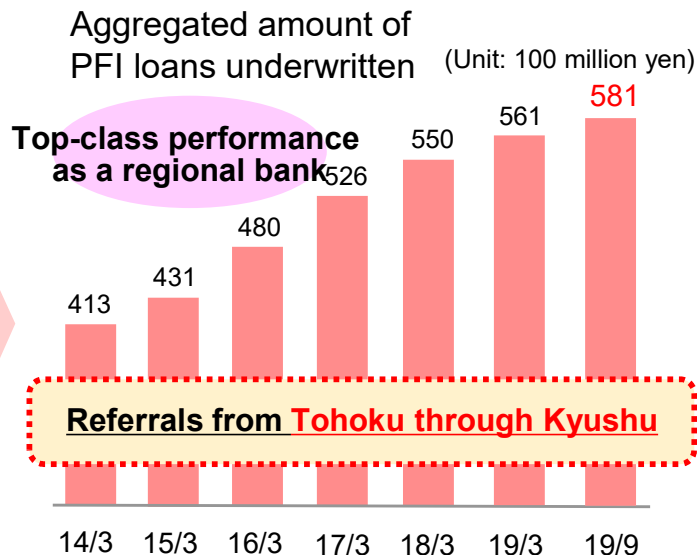
First involvement in project finance for PPP/PFI projects

April 2002 Construction of complex facility including Kuwana City Library



Biomass resource reuse facility in Toyohashi City

Iga City Elementary School Food Service Center in Mie Prefecture



Involved in PPP/PFI projects across the country

Location (prefecture)	Number of projects	Total number of projects involved
Aichi	17	48 projects
Tokyo	8	
Osaka	6	58.1 billion yen including
Mie	5	
Kanagawa	4	22 arranger deals with about 21 billion yen
Shizuoka and other	8	

PPP/PFI awareness-raising activities

Central and regional governments

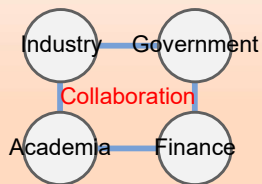
Financial contraction  
Decrease in population

Challenge

Measures for aging of infrastructure and public facilities

November 2017

Cooperated with Cabinet Office and local municipalities of prefecture to establish  
**Mie Public-Private Partnership Platform**



Hold seminars and educational events

Obtain and share information and know-how

Energize PPP/PFI projects => Create financing deals

May 2019

Cabinet Office and MLIT

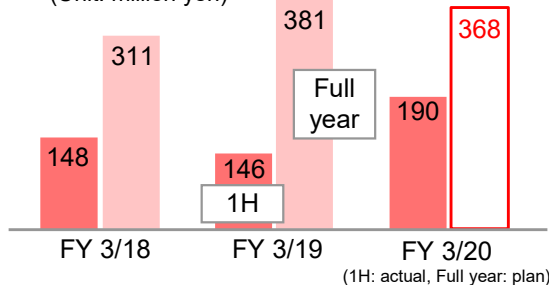
Certified member of PPP/PFI regional platform agreement

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

## Corporate solutions fees

### Structured finance-related fees

(Unit: million yen)



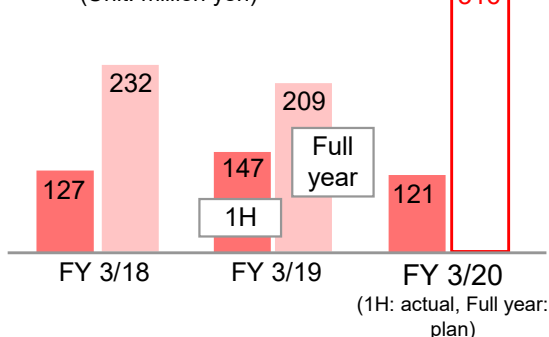
**190 million yen**

(Results as of September 30, 2019)

- ◇ Expects execution of PPP/PFI projects ordered across the country, and acquisition of LBO loans linked to business succession

### M&A and related fees

(Unit: million yen)



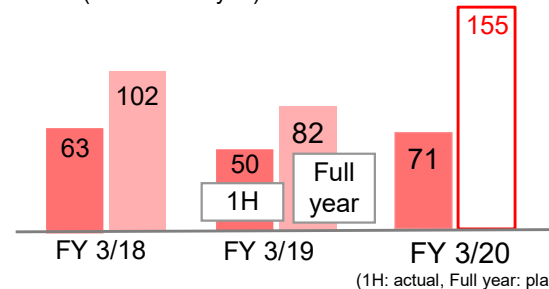
**121 million yen**

(Results as of September 30, 2019)

- ◇ More aggressively approached about 1,500 clients with net assets of 300 million yen or more

### Business matching-related fees

(Unit: million yen)



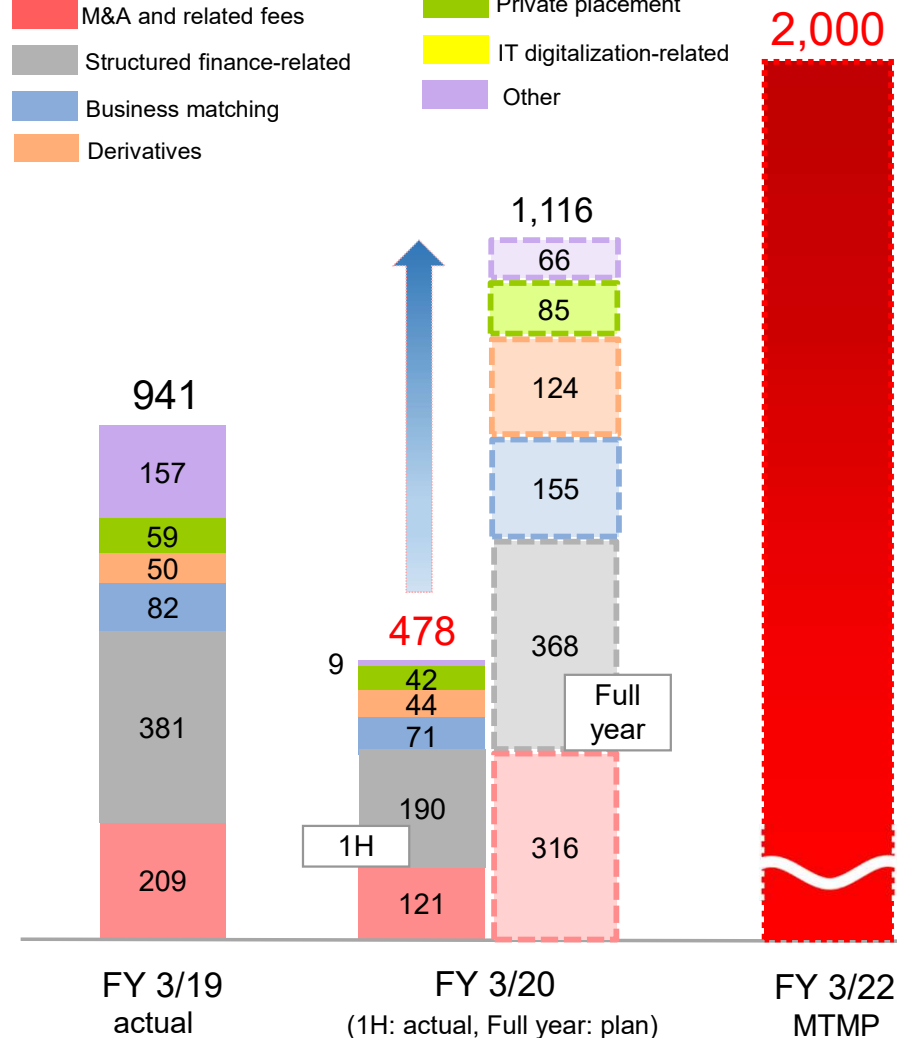
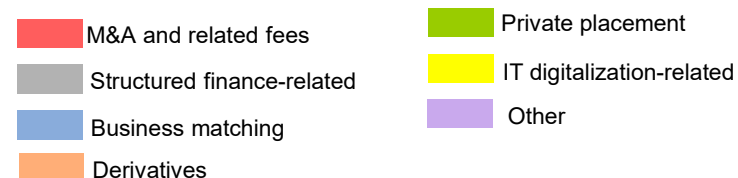
**71 million yen**

(Results as of September 30, 2019)

- ◇ Began full-scale operation of real estate BM by expanding range of partner constructors, and explored new opportunities of AI and IoT-related BM

### Results and plan of corporate solution fees

(Unit: million yen)



- 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 (%)

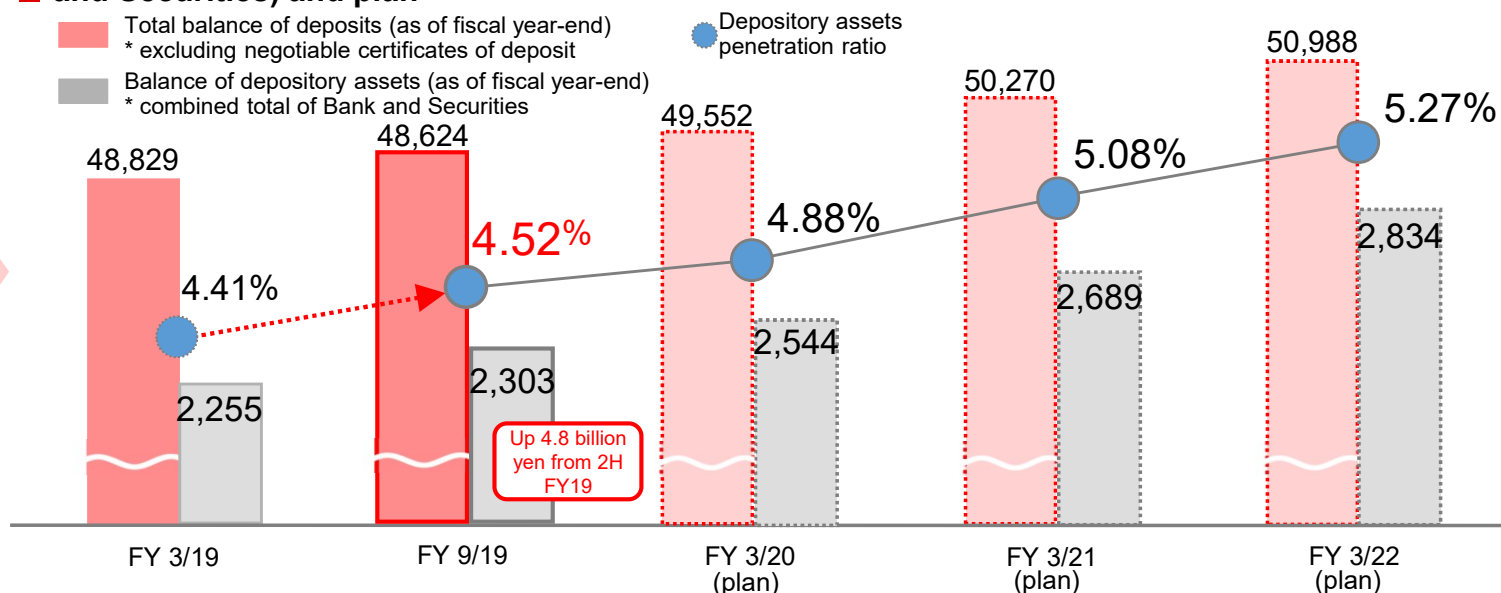
$$\frac{\text{Balance of depository assets}}{\text{Total balance of deposits} + \text{Balance of depository assets}}$$



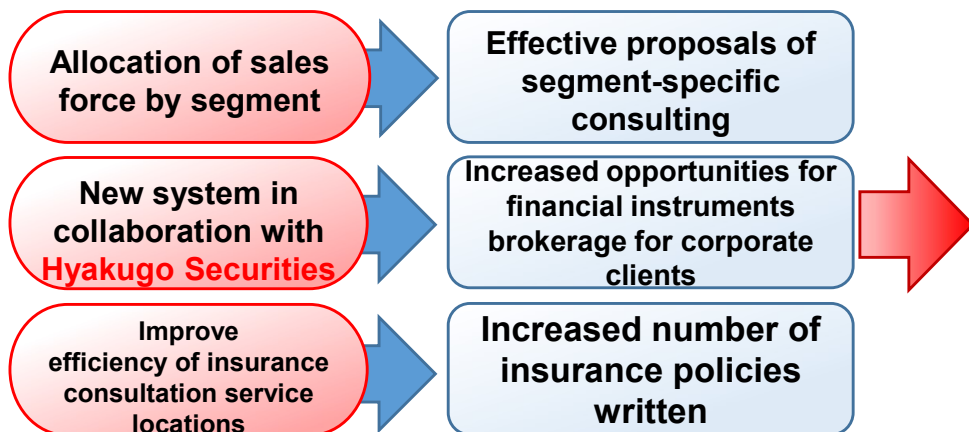
Integrated management of deposits and depository assets through collaboration between the Bank and Securities

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

- Total balance of deposits (as of fiscal year-end) \* excluding negotiable certificates of deposit
- Balance of depository assets (as of fiscal year-end) \* combined total of Bank and Securities



### Effects of sales system innovation



### Depository assets-related fees

(Unit: million yen)

	FY 3/19 (actual)	FY 9/19 (actual)	FY 3/20 (plan)	FY 3/22 (MTMP)
Investment trusts	820	405	961	1,176
Insurance	993	573	1,133	1,396
Financial instruments brokerage	68	65	128	225
401K	79	50	93	100
Total	1,961	1,094	2,317	2,897



- 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

### Initiatives to promote active participation by female employees

#### Hired **2** certified **career consultants**

##### Career development seminar for female staff

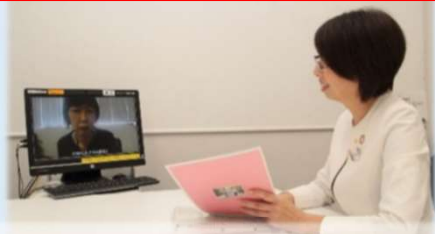
- Hold Career Development Seminar for young female staff
- Opportunity to have a long-term career vision



Targets female staff before life events

##### Create a career development environment

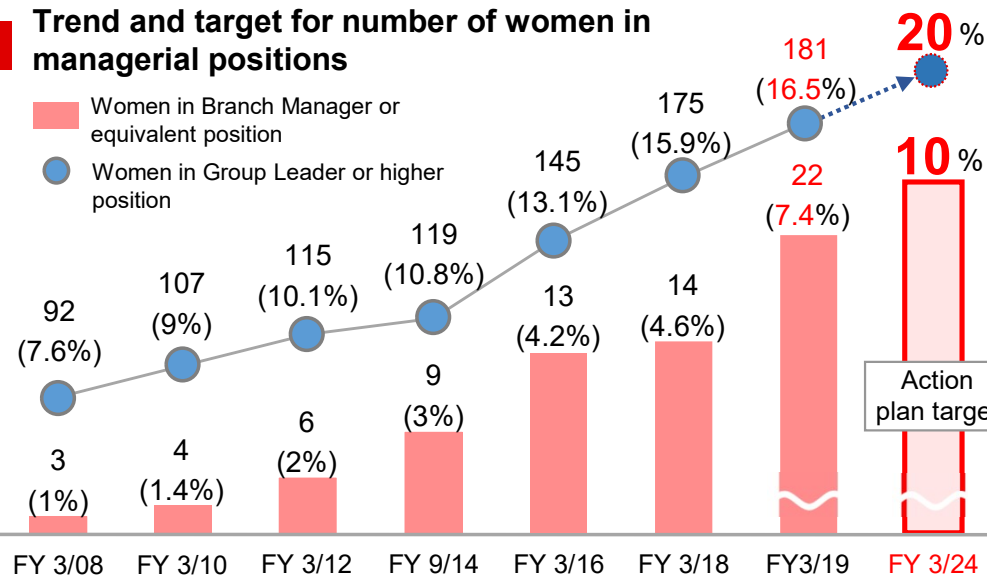
- Upgrade interview for women on childcare leave, incl. pre- and post-interview
- Support personal development, etc.
- Make a smooth return to work



Interview using teleconference system

### Trend and target for number of women in managerial positions

- Women in Branch Manager or equivalent position
- Women in Group Leader or higher position



### Employment of persons with disabilities (challenged individuals)

#### Special subsidiary

#### Initiatives of Hyakugo Kanri Service Co., Ltd.

##### Promote operational and workplace development

- Develop operation and revise HR structure to provide opportunities for persons with disabilities
- Make work environment comfortable



Create passbooks for bills and cheques, and credit passbooks

Brushing up skills every year

##### Support skill development

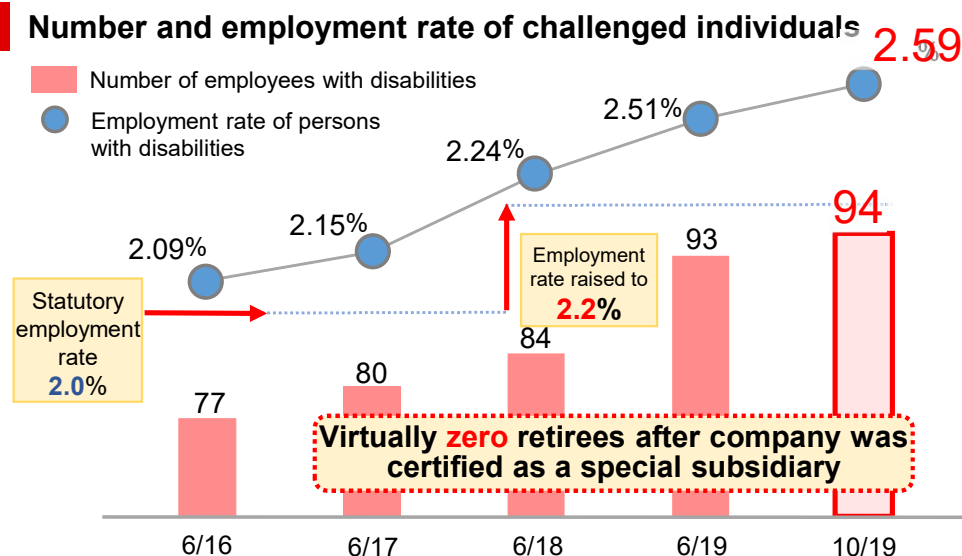
- Study on skill development of persons with disabilities
- Evaluation system based on individual skill and contribution



Training on public speaking at a company orientation as part of skill development

### Number and employment rate of challenged individuals

- Number of employees with disabilities
- Employment rate of persons with disabilities

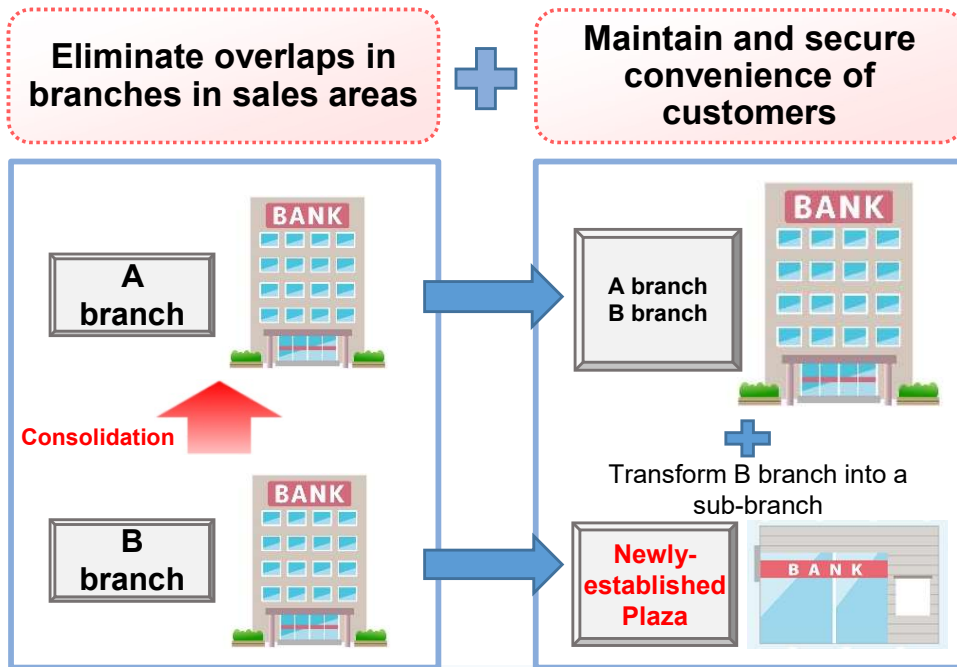


Virtually zero retirees after company was certified as a special subsidiary

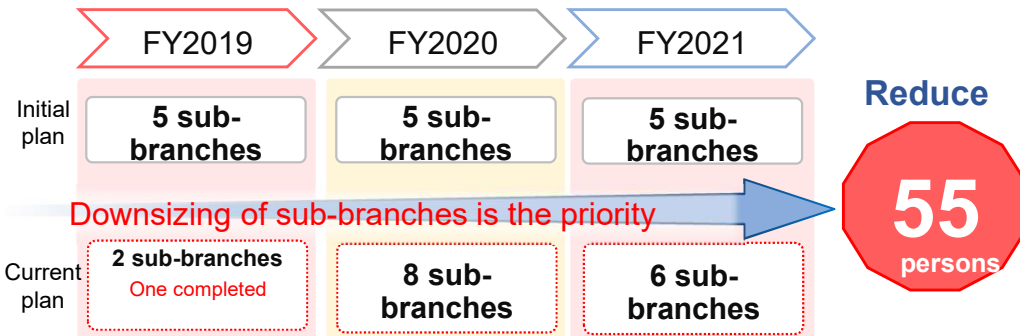


- Increase efficiency of branch network by eliminating inefficient overlapping of sales areas, while maintaining branch network and convenience for customers

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



**Plan** Aim to establish **16** sub-branches during MTMP period



## Downsizing of Sub-branches

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

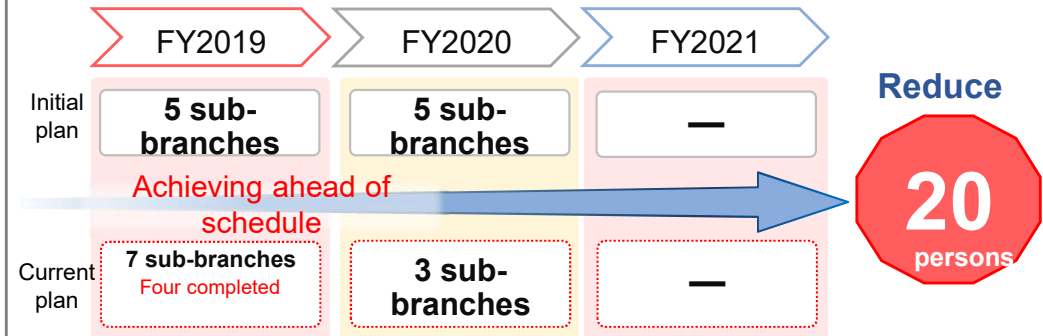
Rollout of "105 Plaza"  
BANK  
Branch operation with a small staff  
(Two employees and two-four part-timers)

**Example: 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



**Plan** Aim to establish **10** sub-branches during MTMP period



- Aggressively adopt cashless payments to acquire other sources of revenue

## Acquisition of other revenue sources through cashless services

### Our existing cashless services

#### Bar code settlement service



July 2017

Pioneered service in Japan

#### ◇ Bar Code Pay

Applicable to about half of residential tax payments in Mie Prefecture  
Also applicable to automobile tax payments in Mie Prefecture from April 2020

#### QR code settlement service



December 2018  
Pioneered service as the first regional bank in Tokai area

#### ◇ OrigamiPay

Service provided in collaboration with open API

### Outline of other cashless payment services

From October 2019



User

Not necessary to charge cash

QR code allows **direct payments** from bank account

Branch

Promptly receive sales money

Payment recorded on member store's account within **three business days** from settlement



Encourage customers to register app with their accounts

The first regional bank in the Tokai area to offer business-targeted service by member stores

Since launch of service in October,

Number of applications for member store registration has reached 1,000

Other promising revenue sources

- Launched smartphone banking app to offer greater convenience

## Process to establish smartphone banking app

### Launch smartphone banking app

“Handy bank whenever you want and wherever you want”

<Target> All account holders (cash card issuers only)



1st phase  
November 2019

#### Smart passbook

- ◇ Completely shift from paper passbooks to passbook-less transactions with digitalized passbooks on smartphone
- Account balance viewable      Transaction records viewable (up to 10 years)

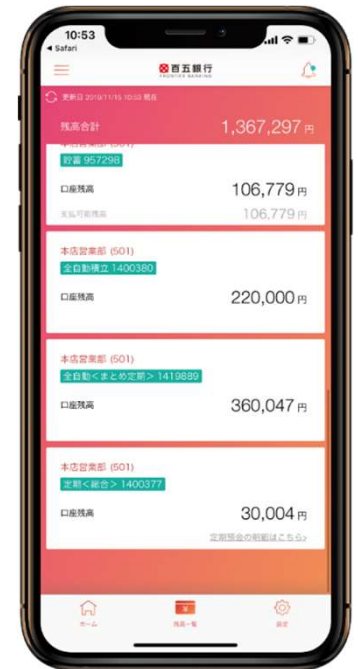
2nd phase  
June 2020 (plan)

#### Alternative to OTC service

- ◇ Shift transactions, registration, and documentation to smartphone from OTC
- Money transfer      Registrations and contracts      Account opening      Inquiries

#### Invitations and notifications

- ◇ Invitations and notifications to customers via smartphone
- Notification of large cash receipts, insufficient account balance at time of debit, etc.



Improve non-OTC channels

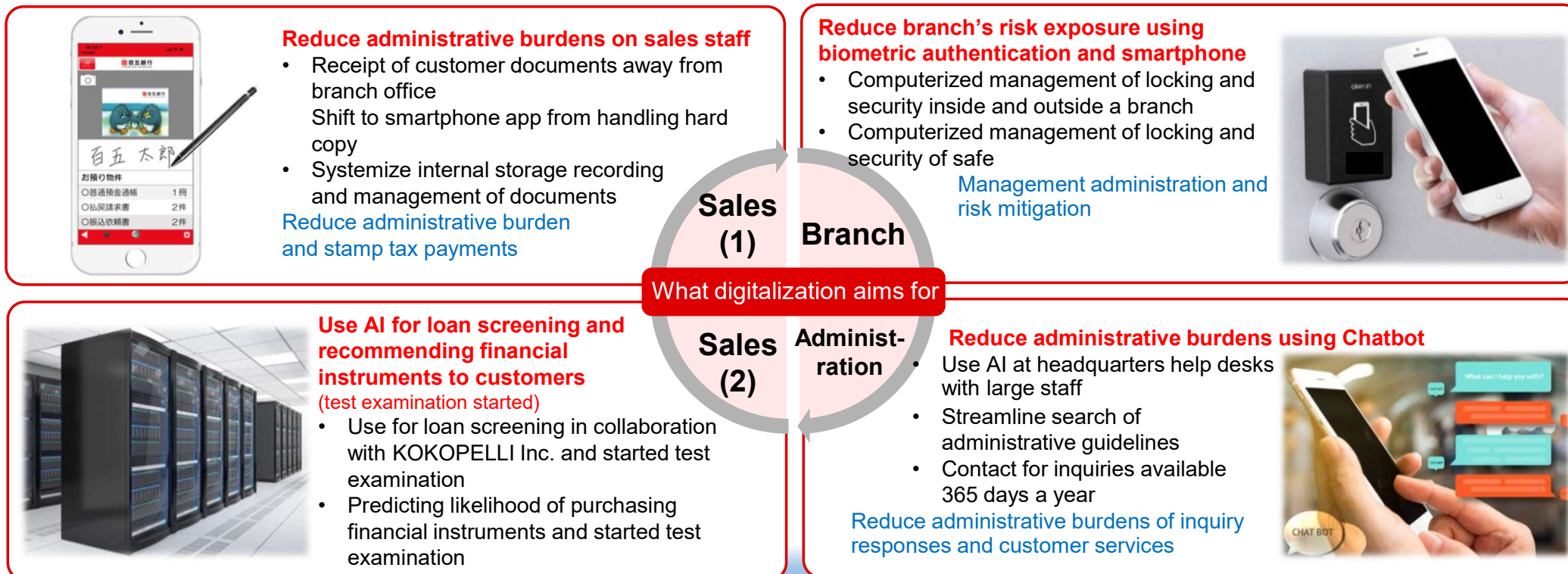
Reduce costs (stamp tax and expenses for issuing passbooks)

Downsize ATM in the future

- Major reforms to operational processes using IT and digitalization under consideration

## Achieve operational innovations using digitalization

### Operational digitalization strategy on the table



**Digitalize banking operations using smartphone apps and AI**

**For strengthening sales force, finding human resources internally, and reallocating personnel**

# Initiatives for ESG/SDGs



- 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

## Our basic posture on SDGs

### Structure for promoting SDGs

April 2019 **Established SDGs Promotion Committee**



Announced on Oct. 21, 2019

## 百五銀行 Group **SDGs Policy**

(Hyakugo Bank Group Sustainability Policy)





The Hyakugo Bank Group incorporates SDGs in its corporate activities and management strategy and balances the provision of solutions to social challenges in local areas through its main businesses and economic development, thereby contributing to the development of a sustainable society

**As a regional financial institution, we are committed to:**

**Achieving a sustainable local society; and**

**Disseminating SDGs locally**

### Priority issues and links with action policy and SDGs targets

Priority issues	Action policy	SDGs
Conservation of global and regional environment	<ul style="list-style-type: none"> <li>Contribute to achieving a sustainable global environment by supporting projects beneficial to environmental conservation and reducing burden on environment</li> <li>Participate in forest conservation and eco-friendly activities for conserving the local environment and raising awareness</li> </ul>	
Creation of regional society	<ul style="list-style-type: none"> <li>Provide financial services beneficial to solving challenges and needs of customers for the creation of the local economy</li> <li>Provide cutting-edge financial services to support improving added value of local companies and contribute to customers' sound asset formation</li> </ul>	
Sustainable development of regional society	<ul style="list-style-type: none"> <li>Be alert to challenges and needs facing the local community and contribute to sustainable development through business and social contribution activities</li> <li>Help achieve a dynamic local society by proactively offering educational opportunities for next-gen children</li> </ul>	
Diversity promotion	<ul style="list-style-type: none"> <li>Help build an infrastructure for the work environment that allows various work styles and optimizes human abilities for further job satisfaction</li> <li>Contribute to developing a society that provides various career development opportunities</li> </ul>	
Tightening business management system	<ul style="list-style-type: none"> <li>Improve and tighten risk management and compliance systems for the further transparency of corporate management</li> </ul>	

## Promote ESG/SDGs from financing (loan) perspective

**The first regional bank** Offers **Hyakugo SDGs/ESG Evaluation** (based on our proprietary standard for evaluating corporate SDG activities)

### Hyakugo SDGs/ESG loan

Offering started in October 2019

Loan instrument

**Sustainable 105**

Clients of Hyakuto SDGs/ESG rating service

**Loan interest rate advantage** according to Rank S to C

Eligible to

MOE's project

**Interest subsidies for encouraging local ESG financing**

**Nominated as officially certified financial institution**

(1) ESG loan target-oriented

(2) CO2 reduction target-oriented

Adopted both (1) and (2)  
As the **2nd regional bank**



**Certificate dedicated to an evaluatee**

### Hyakugo SDGs Private Placement

Offering started in July 2019

**Business back-up type**

(1) **Hyakugo SDGs/ESG rating service**

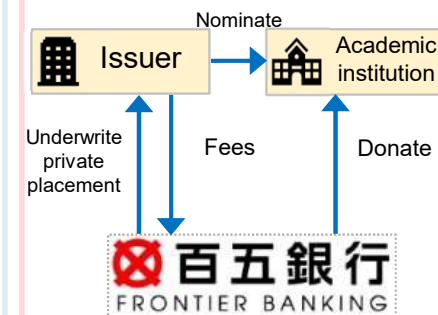
(2) Help obtaining official environmental, social, and governance-related certificates

(3) Comprehensive assessment of corporate initiative

for those applicable to either of (1) through (3)

**Coupon rate advantage**

**Donation type**

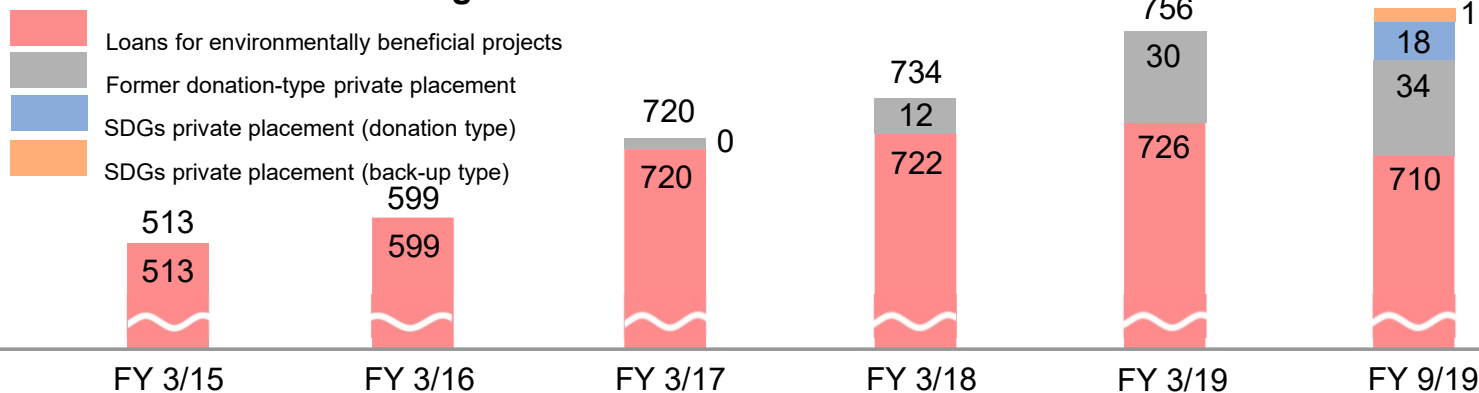


**Total amount donated** (from FY16 to 1H FY19)

**6,297,148 yen**

### Trend of outstanding ESG/SDGs-related financing

(Unit: 100 million yen)



- ◇ Sustainable 105
- ◇ Hyakugo SDGs private placement (donation type)
- ◇ Hyakugo SDGs private placement (back-up type)
- ◇ Renewable energy-related financing





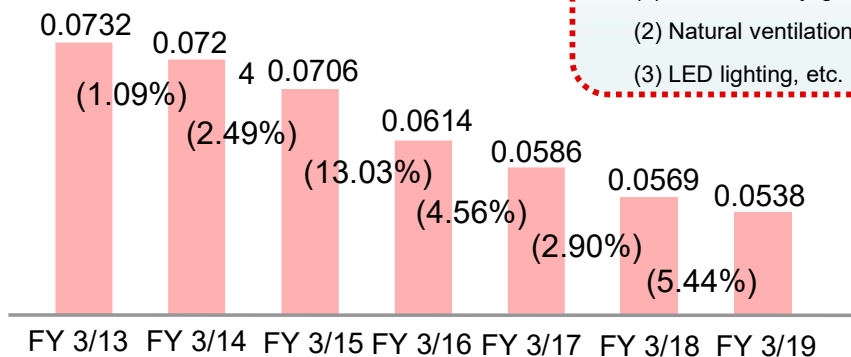
● **Environment:** Highly environmentally conscious initiatives



## In-house environmental initiatives

### Reduction of CO2 emissions

Trend of CO2 emissions per m<sup>2</sup>  
(Unit: t-CO2/m<sup>2</sup>)



**<Main building>  
Environmentally friendly system**  
(1) Full-scale daylighting  
(2) Natural ventilation  
(3) LED lighting, etc.

### Promotion of Hyakugo no Mori forest-development activity

**Hyakugo no Mori** started in 2006

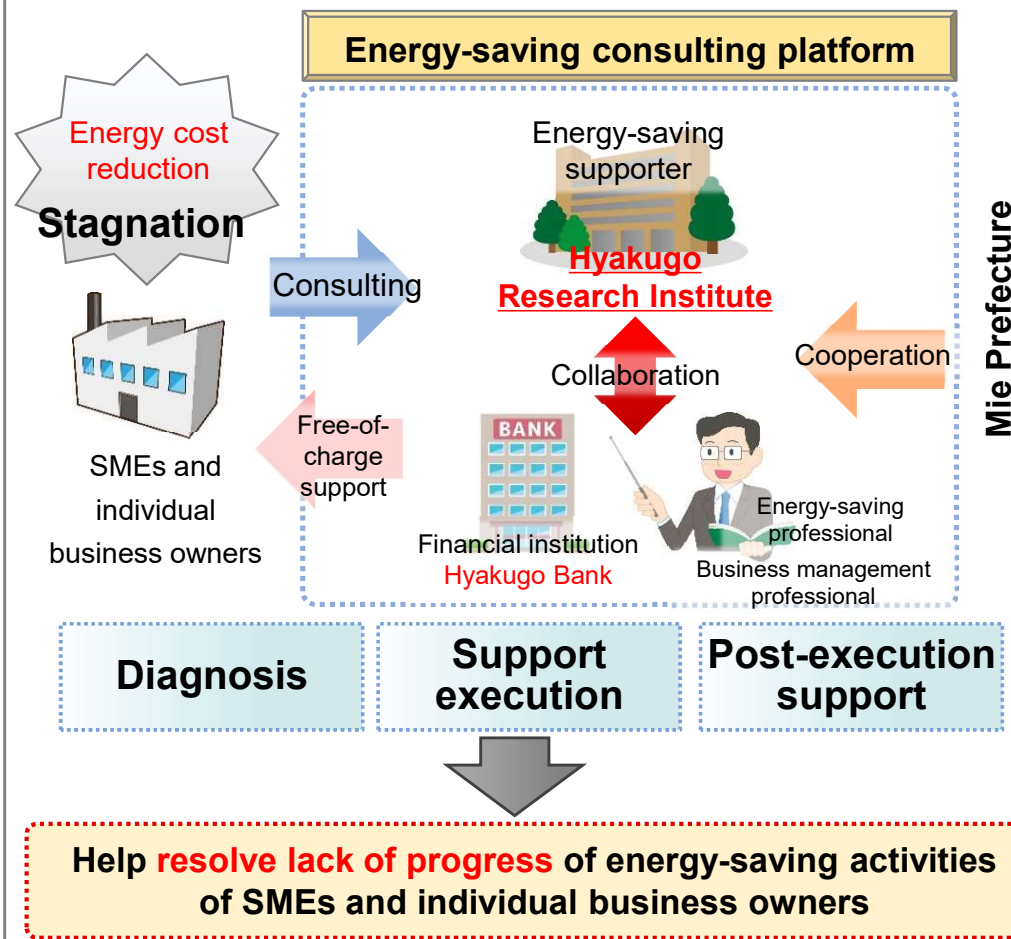
Engage in forest development activities at five sites in Mie Prefecture every year



## External initiatives for promoting environmental conservation

### Participate in projects of an energy-saving consulting platform

Initiatives of Hyakugo Economic Research Institute





● **Social: Initiatives for sustainable development of local community**



## SDGs promotion activities for local companies

### SDGs seminar for business owners

	Date	Theme	# of participants
1st	February 2019	SDGs practical seminar (Yokkaichi city)	43
2nd	July 2019	Contribution to local community and achieving corporate growth through SDGs initiatives (Shima city)	50

**Collaboration with local government**

Collaboration with **Shima city**, an **SDGs Future City** certified by the Cabinet Office 2018

Foster **SDGs intelligence**

For business owners

Examples of **SDGs application**



## Help address business succession needs

### The 1st Hyakugo Business Successor Ikusei Juku

**Started**  
April 2019

**Invited external lecturer**

Composed of **7** curriculums

**Graduated**  
October 2019

#### Purpose

Learn about necessity and actions to be taken for business succession

Learn about management required by business owners

Develop network across sectors and age boundaries

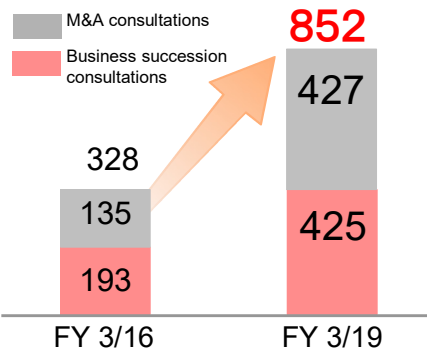
Participated by **27** companies



Offer a chance to intensely consider own business succession and management

### Business succession and M&A seminar

# of business succession and M&A-related consultations

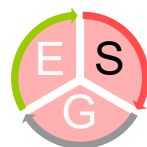


7th seminar in April 2019  
Participation by **40** companies



Respond to growing business succession needs





## Social: Initiatives for creating a local economy



### Encourage adopting cashless payments within a local community

#### Contracted to undertake experimental cashless project by Mie Prefecture

September 2019

Experimental cashless project within a sightseeing area

Mie Prefecture

outsourced



Arrangement of cashless payment facilities



Promotion and publication

#### (1) Demonstration at large-scale event

Suzuka F1 Grand Prix at stores inside and near the site



Cashless Usage Survey

#### (2) Demonstration at sightseeing area

Approach to Ise Jingu shrine (Geku) at nearby stores (restaurants, shops, and hotels)



Seminar based on survey results

Utilize survey results in promoting cashless trades within Mie's sightseeing areas

### Use crowd funding to help expand distribution channel

#### Energize local community using crowd funding

May 2016

Business alliance with crowd funding operator

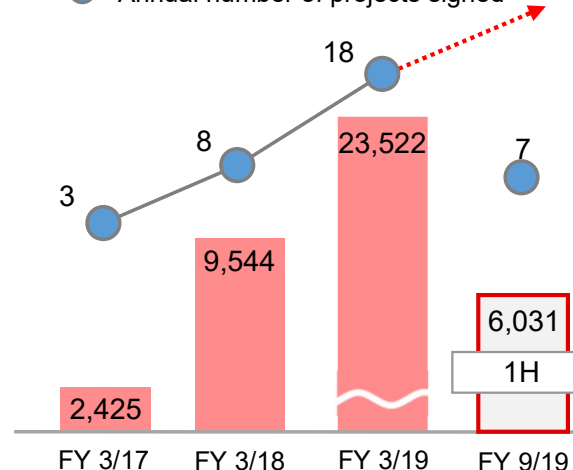


Makuake

\* Makuake, Inc. (formerly Cyberagent Crowd Funding)

#### Examples of projects to which we contributed

Amount funded (Unit: thousand yen)  
Annual number of projects signed



Examples of signed projects to which we contributed

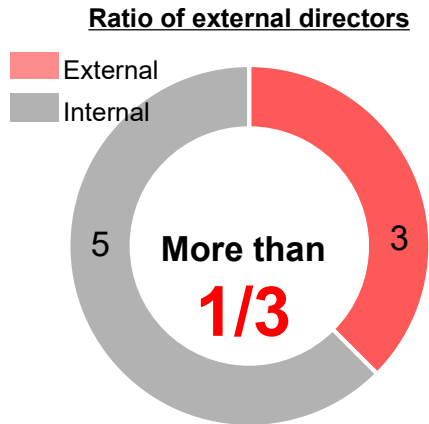
Help uncover regional business opportunities  
(1) **New products**  
(2) **New services**  
(3) **New-type stores**

< Cumulative total >  
**36** projects  
**41,522** thousand yen

## ● Governance: Tightening corporate governance

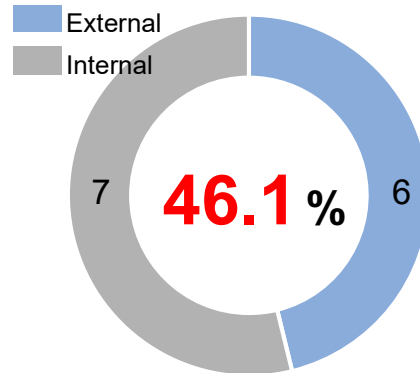
### Invite external directors to tighten governance

#### Ratio of external directors



\* As of December 2019

#### Ratio of external officers



#### Corporate governance meeting

(Volunteer nomination and compensation committee)

Chairperson: Elected from **external directors**

Position	# of persons
<b>External directors</b>	<b>3</b>
<b>Internal directors</b> (Representative Director)	<b>2</b>
<b>Total</b>	<b>5</b>

Decision making by Board of Directors

**Increase transparency**

**Increase objectivity**

### Measure to prevent money laundering and funding of terrorism

#### Established a supervisory department in charge of actions against money laundering and funding of terrorism

October 2018 Within Compliance Supervisory Department

**Newly established**

**Department in charge of actions against money laundering and funding of terrorism department**

Enacted December 2018

**Policy for actions against money laundering and funding of terrorism**

#### Structure to strengthen actions against money laundering and funding of terrorism

Prevention of money laundering and funding of terrorism

**Mission**

**One of the most important managerial missions**

Cooperation with headquarters departments

Strengthening continuous, organized education

Integrated management of Hyakugo Group as a whole

**Engage in development and sophistication of efficient risk management scheme**

# Appendix

## Deposits (ending balance)

(Unit: million yen)

	March-end 2016	March-end 2017	March-end 2018	March-end 2019	September -end 2019
Corporate deposits	817,514	852,381	897,550	940,577	932,307
JPY liquid	531,742	559,677	607,132	637,719	631,734
JPY time	280,270	286,610	284,375	296,595	294,358
Foreign currency	5,501	6,093	6,043	6,261	6,215
Individual deposits	3,489,272	3,551,239	3,647,772	3,741,707	3,765,196
JPY liquid	1,685,030	1,798,213	1,900,053	2,000,289	2,046,582
JPY time	1,790,090	1,736,663	1,728,979	1,720,154	1,698,435
Foreign currency	14,150	16,362	18,739	21,263	20,178
Public funds deposits	108,116	112,305	145,611	165,245	141,157
JPY liquid	84,164	81,376	110,241	126,707	74,394
JPY time	23,952	30,928	35,370	38,537	66,763
Foreign currency	0	0	0	0	0
Other	38,046	36,054	31,961	35,456	23,769
<b>Total deposits</b>	<b>4,452,949</b>	<b>4,551,980</b>	<b>4,722,896</b>	<b>4,882,986</b>	<b>4,862,431</b>
Deposits in Mie Prefecture*	4,051,769	4,133,334	4,298,018	4,427,746	4,403,851
Deposits outside Mie Prefecture	401,180	418,645	424,877	455,239	458,580
Tokyo and Osaka	13,621	13,276	9,518	11,169	11,465
Aichi	387,559	405,368	415,358	444,069	447,114
Negotiable certificates of deposit	202,311	179,465	187,500	182,115	181,538

## Loans (ending balance)

(Unit: million yen)

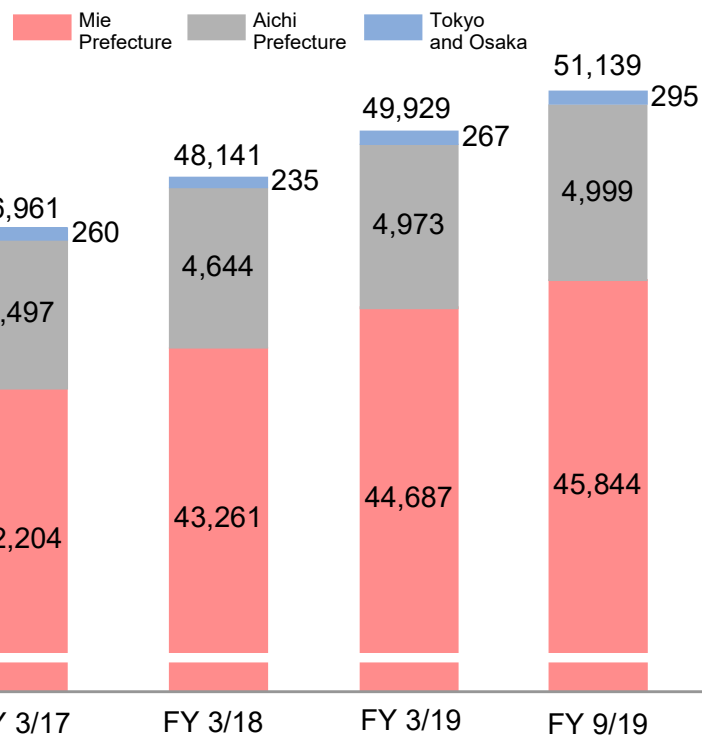
	March-end 2016	March-end 2017	March-end 2018	March-end 2019	September -end 2019
Corporate sector	1,796,820	1,793,112	1,837,194	2,023,492	2,032,187
Large companies	670,007	615,873	597,913	701,520	727,678
Medium-sized companies	67,247	65,736	70,576	68,607	72,868
Small and medium-sized companies	1,059,565	1,111,502	1,168,705	1,253,367	1,231,639
Individual sector	845,213	909,265	1,014,861	1,188,146	1,287,995
Public corporations	245,149	238,333	249,991	230,114	214,402
Governments	2,862	1,491	120	0	0
Other	242,287	236,841	249,870	230,114	214,402
<b>Total loans (excluding governments) (Offshore book)</b>	<b>2,887,184</b>	<b>2,940,712</b>	<b>3,102,047</b>	<b>3,441,753</b>	<b>3,534,585</b>
Consumer loans	826,295	891,264	997,845	1,172,255	1,272,386
Housing loans	784,465	848,167	952,761	1,125,634	1,224,257
Other loans	41,830	43,097	45,084	46,621	48,129
Loans in Mie Prefecture*	1,559,710	1,590,550	1,647,928	1,688,946	1,695,811
Loans outside Mie Prefecture	1,327,473	1,350,161	1,454,118	1,752,807	1,838,773
Tokyo and Osaka	637,053	590,938	606,232	733,660	729,469
Aichi	690,419	759,223	847,885	1,019,146	1,109,304

\* Deposits in Mie Prefecture and Loans in Mie Prefecture include Shingu 42

# Deposits (including negotiable certificates of deposit), Depository Assets

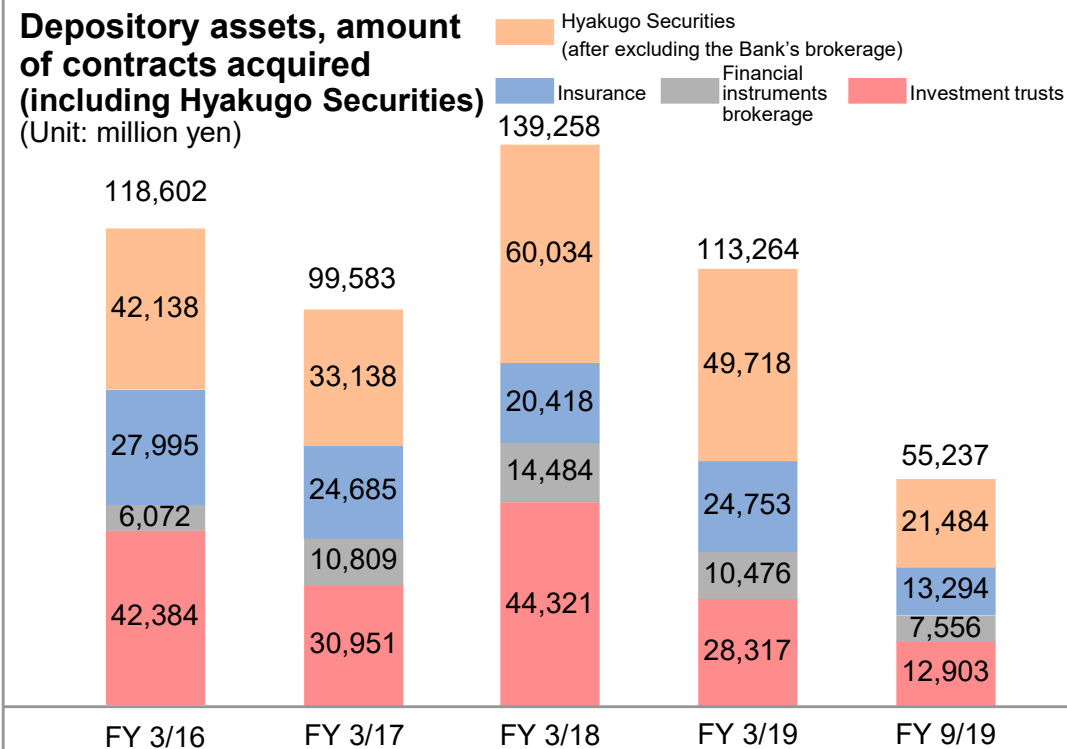
## Total deposits (average balance)

(Unit: 100 million yen)



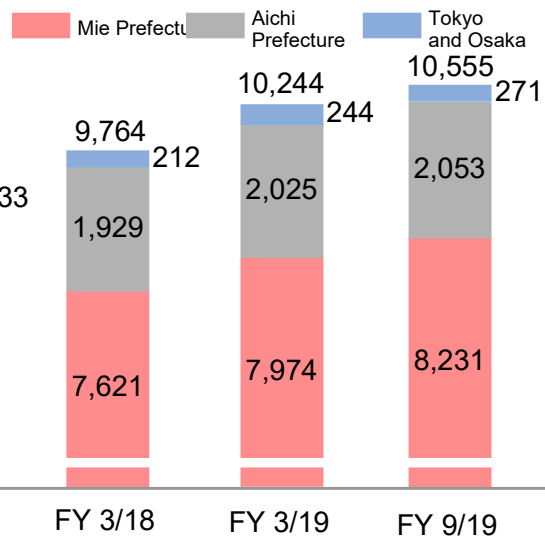
## Depository assets, amount of contracts acquired (including Hyakugo Securities)

(Unit: million yen)



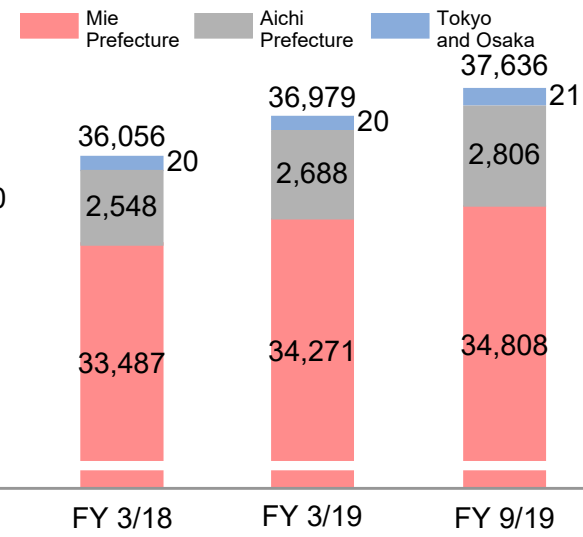
## Corporate deposits (average balance)

(Unit: 100 million yen)

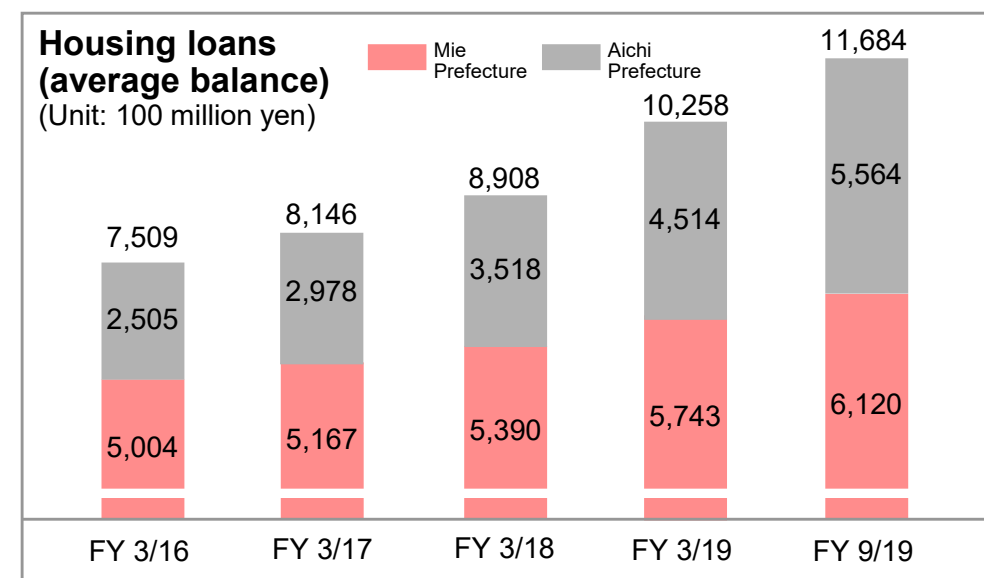
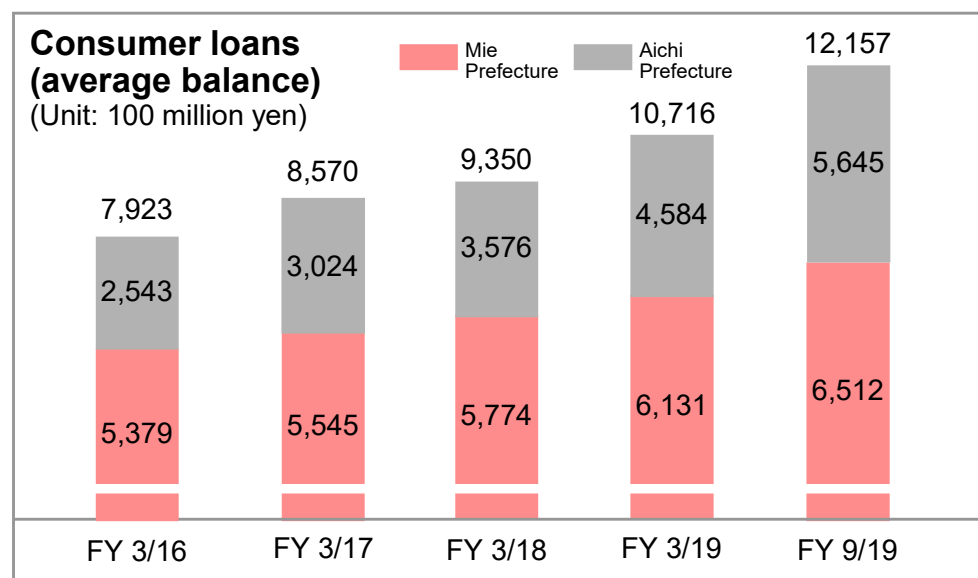
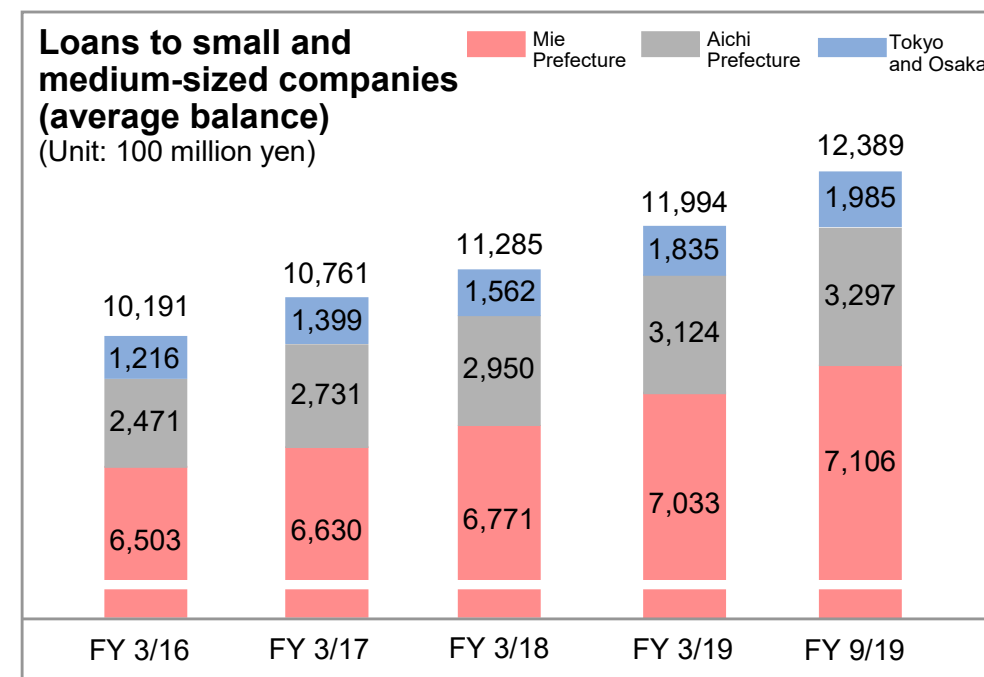
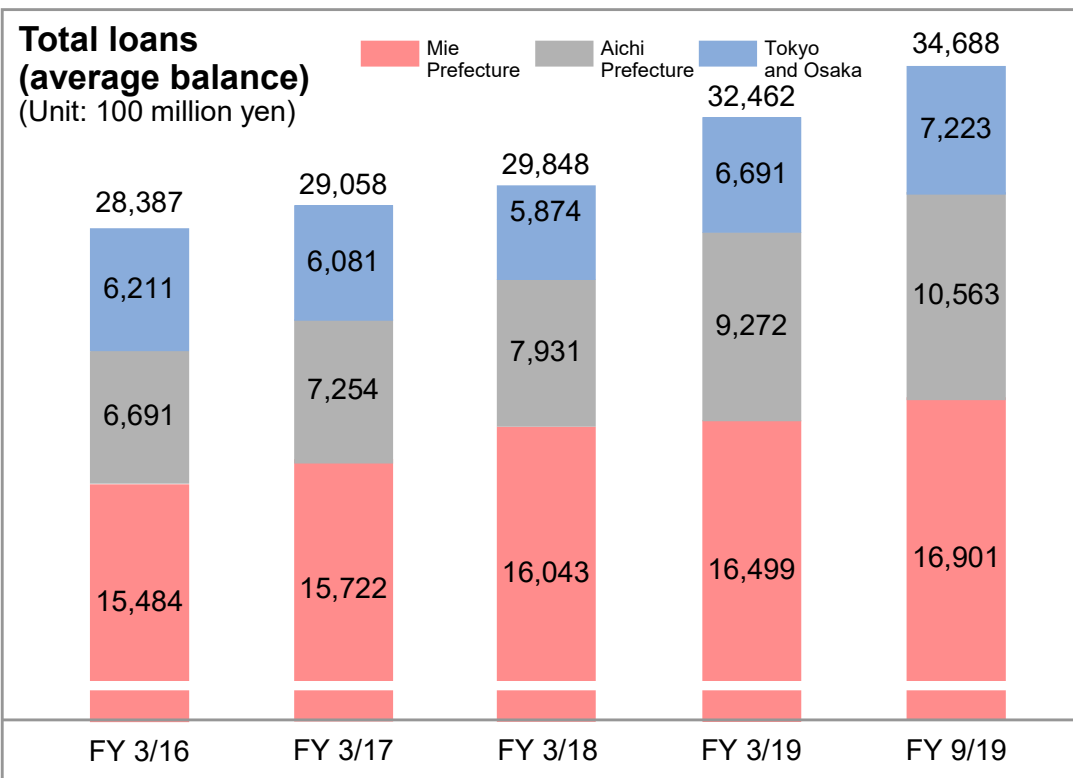


## Individual deposits (average balance)

(Unit: 100 million yen)





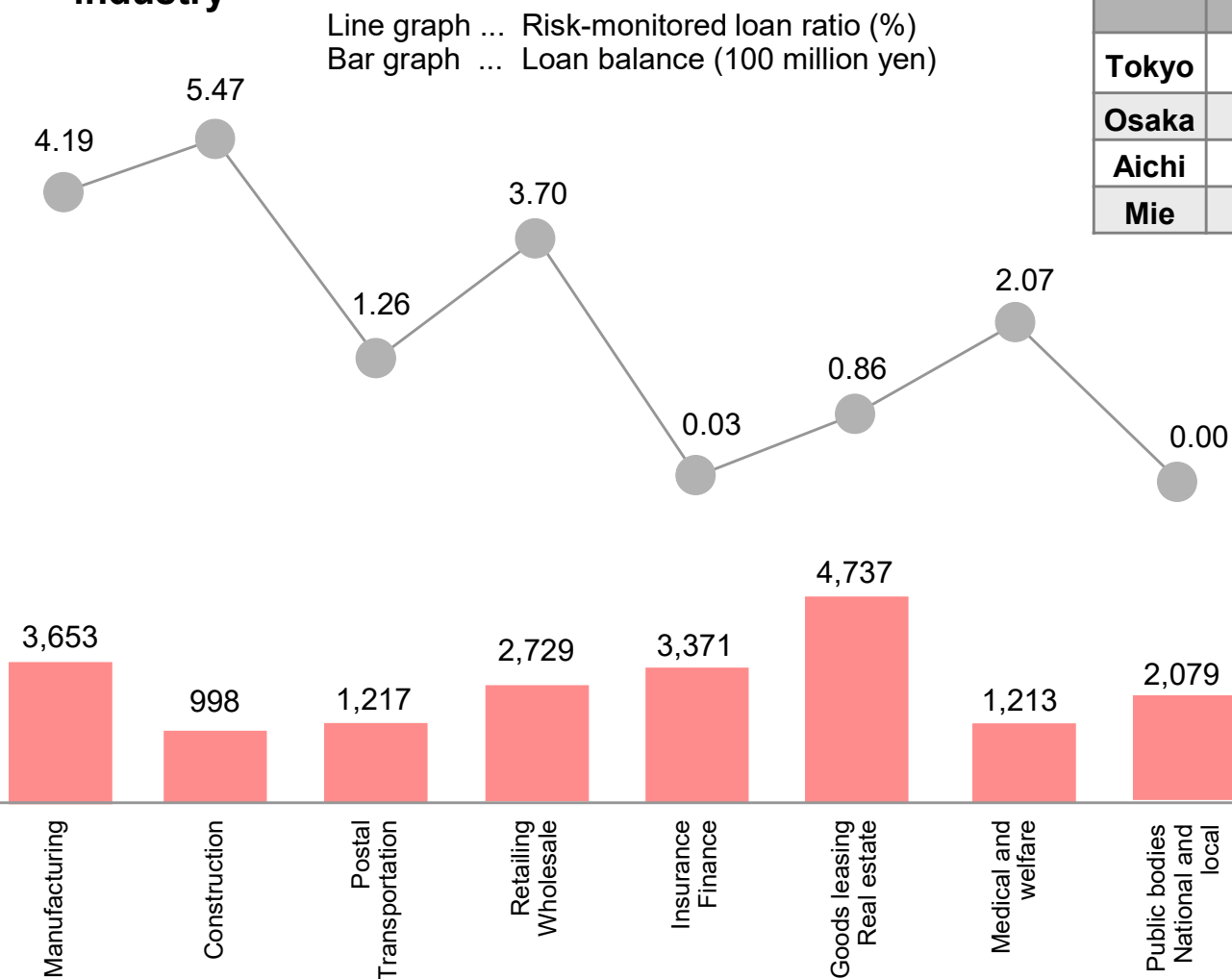


## Change in risk-monitored loans

(Unit: 100 million yen)

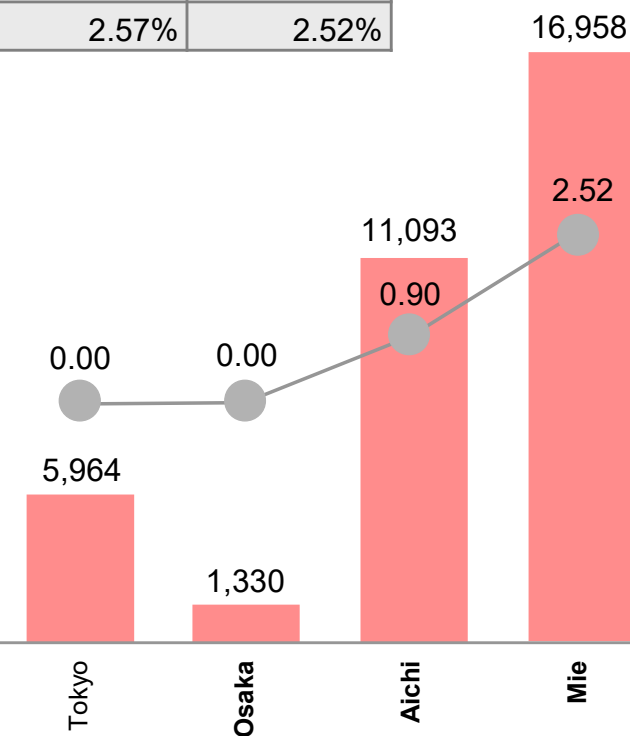
	3/31/2016	3/31/2017	3/31/2018	3/31/2019	9/30/2019	Year-on-year	<Reference> End of September 2019 Nonperforming loan ratio: 1.49%
Risk-monitored loans balance (total)	614	602	518	517	528	11	
Risk-monitored loan ratio	2.12%	2.05%	1.67%	1.50%	1.49%	(0.01P)	

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

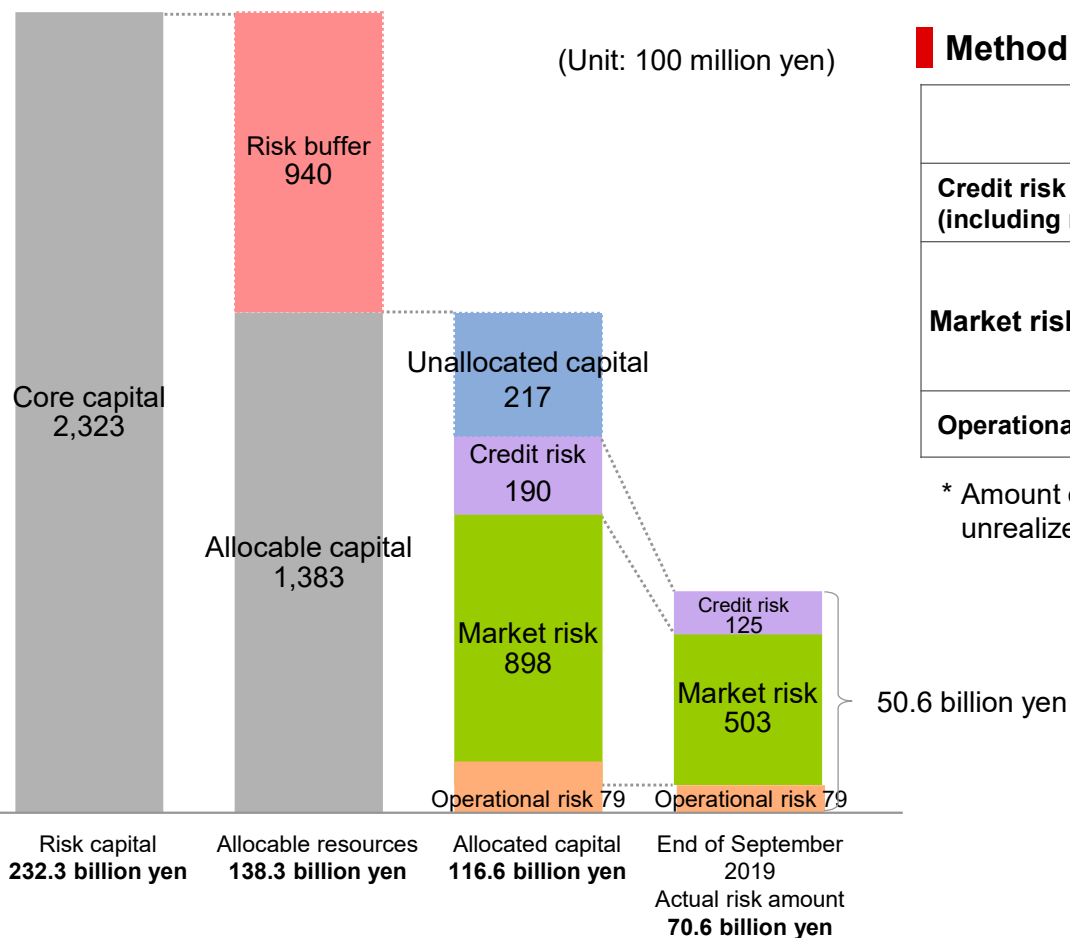


## Risk-monitored loan ratio by region

	3/31/2018	3/31/2019	9/30/2019
Tokyo	0.00%	0.00%	0.00%
Osaka	0.00%	0.00%	0.00%
Aichi	0.86%	0.80%	0.90%
Mie	2.70%	2.57%	2.52%



- Risk is controlled within an appropriate range according to the Bank's operating capabilities based on integrated risk management.
- Compared to core capital of 232.3 billion yen and allocable capital of 138.3 billion yen, actual amount of risk is 70.6 billion yen.



### Method of measuring risk

	Method of measurement	Confidence interval	Holding period
<b>Credit risk (including market-related credit exposure)</b>	VaR	99%	One year
<b>Market risk</b>	<b>Cross-shareholdings</b>	VaR*	Six months
	<b>Investment rates, portfolio investment, investment trusts</b>	VaR	99%
<b>Operational risk</b>	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	21 <6>	18	3	— (2)	— (15)	Bankrupt and quasi-bankrupt assets	81 <46>	39	41	100.00%	Loans to borrowers in legal bankruptcy	20 <6>
Substantial failure	59 <39>	44	14	— (4)	— (20)						Past due loans	427 <408>
Possible failure	371	238	62	71 (72)	Doubtful assets	371	227	72	80.72%	Debts past due by three months or more		
Watch list	Under control	123	26	97	Substandard loans	80	29	5	43.76%		Restructured loans	80
										Others	830	285
Normal	34,349	34,349			Normal assets	35,223	Ratio of loans disclosed under the Financial Reconstruction Act (sub-total) over total credit exposure .....1.49%			Ratio of risk-monitored loans over total loans .....1.49%		
Total	35,757 <35,721>	34,962	723	71 (79)			— (35)	Total	35,757 <35,721>	[Reference] Ratio of loans disclosed under the Financial Reconstruction Act over total credit exposure if partial direct write-offs were carried out .....1.39%		

(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 are shown in angled brackets

## Trends of Loans disclosed under the Financial Reconstruction Act

(Unit: 100 million yen)

	3/31/2016	3/31/2017	3/31/2018	3/31/2019	9/30/2019	Year-on-year
Bankrupt and quasi-bankrupt assets	81	79	64	73	81	7
Doubtful assets	433	445	393	379	371	(7)
Substandard loans	108	84	67	68	80	11
Total	623	609	524	522	533	10
Nonperforming loans ratio	2.13%	2.04%	1.67%	1.50%	1.49%	(0.01 P)

## Trends of Debtor Classification

Upper: # of debtors/Lower: credit exposure

(Unit: million yen)

		Debtor Classification as of 9/30/2019								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 3/31/2019 credit exposure by debtor classification	Normal	191,913	172,277	456	26	42	100	3	19,009	–	0.08%	–	627	
	Other under close observation	3,328,546	3,095,966	12,172	1,161	885	862	38	217,460	–	0.05%	–	15,120	
	Under control		2,116	319	1,508	15	60	14	–	200	–	3.50%	319	89
			85,612	9,960	67,150	1,538	1,520	157	–	5,284	–	1.96%	9,960	3,216
	Possible failure		201	5	10	163	11	3	–	9	–	6.97%	15	14
			10,724	135	232	9,139	155	48	–	1,012	–	1.90%	368	203
	Substantial failure		1,254	8	36	2	1,118	24	3	63	–	–	46	27
			37,934	23	698	208	34,435	553	86	1,928	–	–	931	639
	Failure		490	9	1	–	–	359	9	112	–	–	10	9
			5,308	17	10	–	–	4,240	323	717	–	–	27	323
	Total		46	–	1	–	1	6	28	10	–	–	8	–
			2,088	–	27	–	10	108	1,700	240	–	–	147	–
		196,020	172,618	2,012	206	1,232	506	43	19,403	–	–	398	766	
		3,470,215	3,106,103	80,292	12,047	37,007	5,970	2,149	226,643	–	–	11,434	19,503	

# 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	1st Half of 2019
Subject to Head Office support	72	64	59	56	45	44	40	46	48	53	62
Subject to branch support	322	320	315	352	361	343	308	293	271	259	202
# of instances of upgrading	23	23	23	25	21	21	28	25	32	25	22
# of instances of downgrading	25	26	16	19	28	19	11	12	14	15	14
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	30 million yen

**Compliance with Hyakugo Bank's credit policies (as of September 30, 2019)**

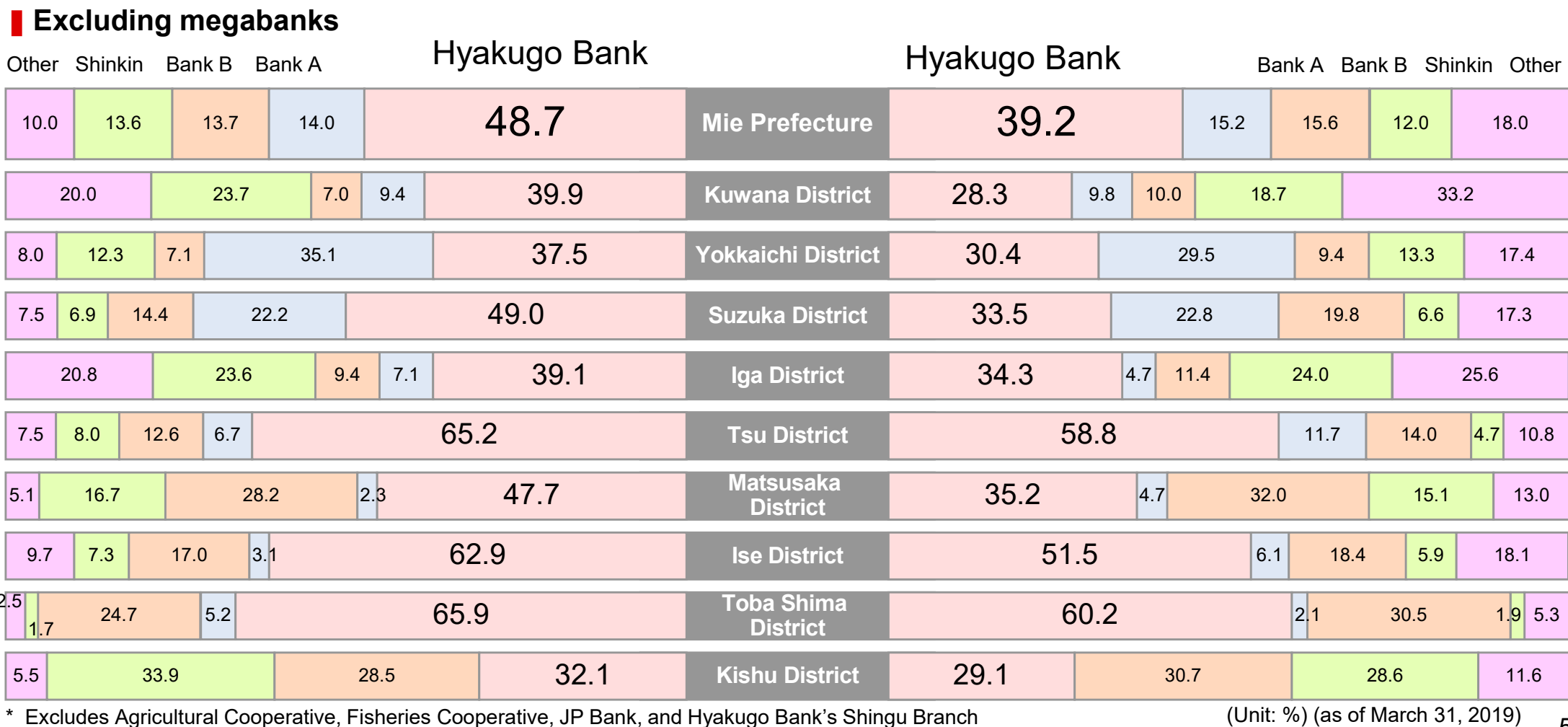
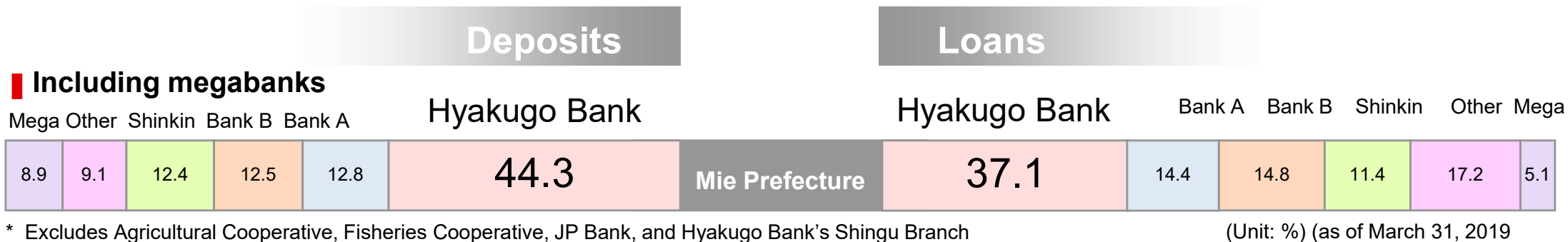
(Unit: 100 million yen)

Classification	Content	Limit	Compliance	
Loans for individuals engaging in housing leasing business	7% or lower of total loans	2,474	1,947	5.51%
Loans for other real estate industry	7% or lower of total loans	2,474	2,038	5.77%
Loans for non-banks	10% or lower of total loans	3,534	1,712	4.85%
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	7,069	4,374	12.38%
Loan balance per borrower	Credit for a borrower should be 10% or less of the Bank's equity capital	232	220	9.47%
Loan balance per corporate group	Credit per corporate group should be 25% or less of the Bank's equity capital	580	478	20.59%

**Changes in loans by industry**

(Unit: 100 million yen)

Industry	3/31/2016	3/31/2017	3/31/2018	3/31/2019	9/30/2019	Share by industry
Manufacturing	3,686	3,455	3,349	3,627	3,653	10.33%
of which, transportation equipment manufacturing	693	621	676	795	808	2.28%
Agriculture, Forestry, Fishery, Mining, Quarrying, and Gravel quarrying	163	207	209	241	243	0.68%
Construction	1,024	1,026	1,034	1,057	998	2.82%
Utilities	581	700	761	900	908	2.56%
Telecommunication	181	174	106	123	123	0.34%
Transport and Post	986	1,004	1,170	1,231	1,217	3.44%
Wholesale and Retail	2,705	2,564	2,508	2,678	2,729	7.72%
Finance and Insurance	2,944	2,738	2,560	3,440	3,371	9.53%
Real estate and Rental	3,571	3,880	4,377	4,619	4,737	13.40%
of which, Real estate	2,559	3,003	3,307	3,399	3,507	9.92%
Academic research, Specialist and Technical services	137	129	137	136	146	0.41%
Accommodation and Food and beverage	295	295	294	315	316	0.89%
Lifestyle-related services and Entertainment	259	228	242	245	246	0.69%
Education and Learning support	65	72	74	76	84	0.23%
Medical and Social welfare	1,074	1,128	1,196	1,216	1,213	3.43%
Other services	383	388	407	399	394	1.11%
National and local government	2,357	2,321	2,440	2,227	2,079	5.88%
Other	8,452	9,092	10,148	11,881	12,879	36.43%
Total by industry	28,871	29,407	31,020	34,417	35,345	100.00%

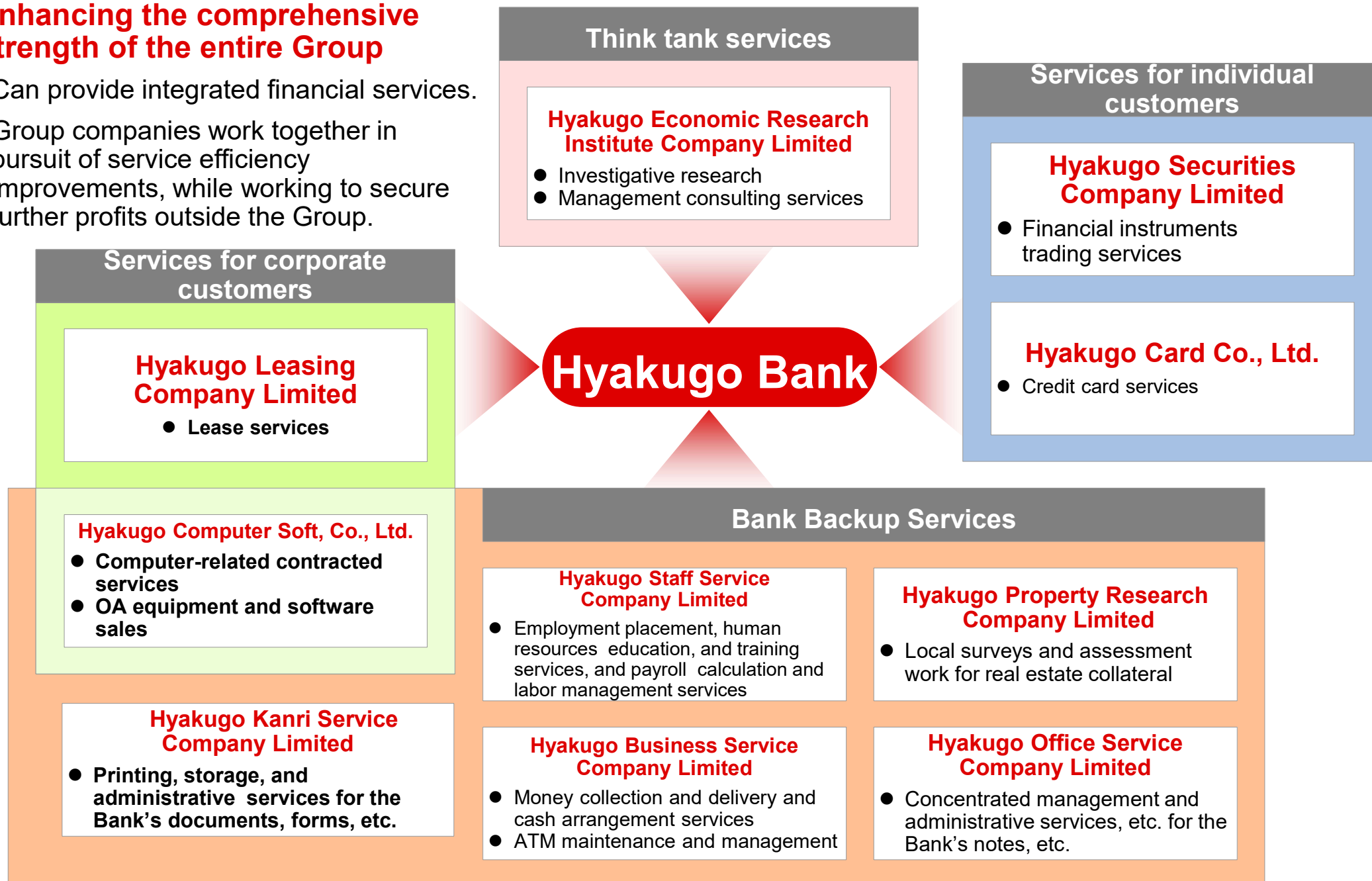




## Enhancing the comprehensive strength of the entire Group

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/>

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