

Medium-term Management Plan
“KAI KAKU 150 1st STAGE Gateway to the Future”
Aiming to Transform into a Digital & Consulting Bank
Progress Review

- In the final fiscal year of the Medium-term Management Plan, all the numerical targets are expected to be achieved

Numerical Targets of the Medium-term Management Plan

	Item	FY 3/21 (actual)	FY 9/21 (actual)	Progress in the Plan	FY 3/22 (Final goal of the Plan)
Profitability indicator	Net income	12.2 billion yen	6.9 billion yen	○	10.0 billion yen
Capital efficiency indicator	ROE (shareholders' equity basis)	4.56%	5.06%	○	3.7% or more
Efficiency indicator	OHR (core gross operating profit basis)	70.81%	66.26%	○	Less than 79%
Soundness indicator	Equity Ratio	10.11%	10.04%	○	9.5% or more
Growth indicators	Average balance of total deposits (including negotiable certificates of deposit)	5,405.3 billion yen	5,663.7 billion yen	◎	5,230.0 billion yen or more
	Average balance of total loans	3,824.0 billion yen	4,034.5 billion yen	◎	3,700.0 billion yen or more
	Loan-to-deposit ratio (average balance basis)	70.74%	71.23%	○	70.8% or more
Profit indicators	Operating income from services to customers	1.83 billion yen	2.84 billion yen	○	3.7 billion yen
	Corporate solutions fees	1,987 million yen	1,252 million yen	○	2,000 million yen
Human resources development indicator	Number of personnel with professional qualifications	282 persons	301 persons	○	300 persons

- An issue is “many redemptions of relatively high-yield JPY-denominated bonds.” A solution is to increase the volume of loans to local companies and housing loans

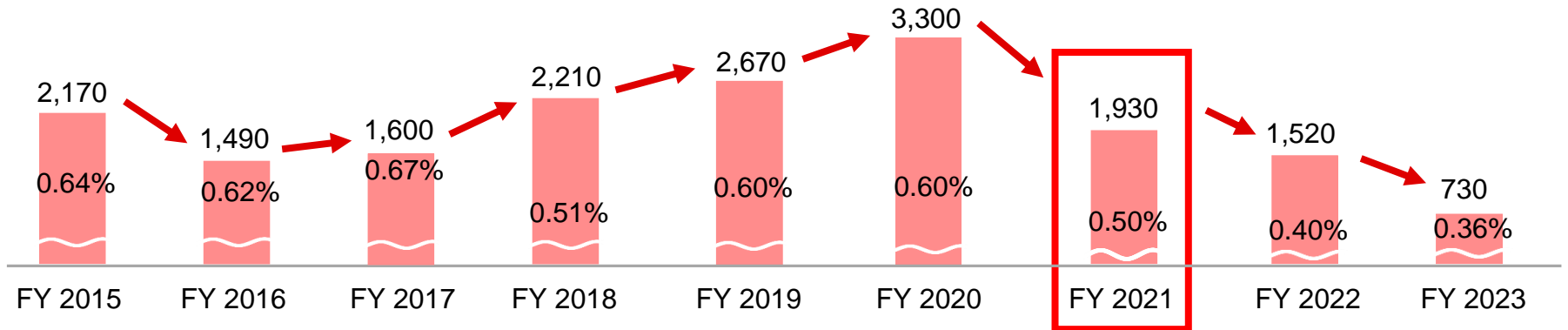
Maturity of many JPY-denominated bonds peaked in FY2020

As fewer JPY-denominated bonds mature in FY2021 onward, but **large redemptions are expected to continue**

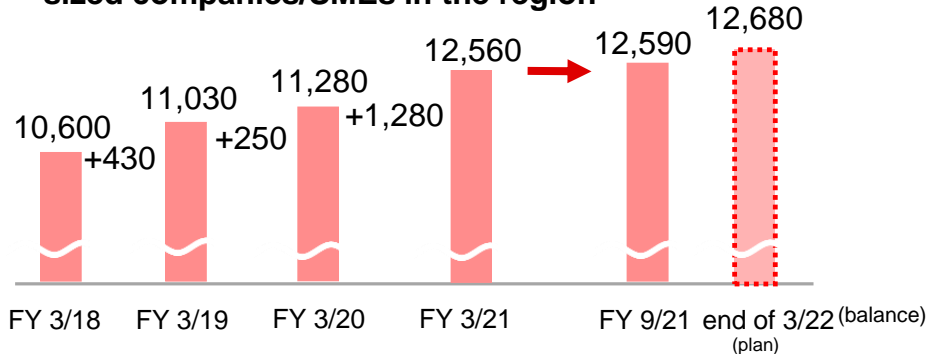
Solution

Focus on increasing the volume of loans to medium-sized companies/ SMEs in the region, and housing loans

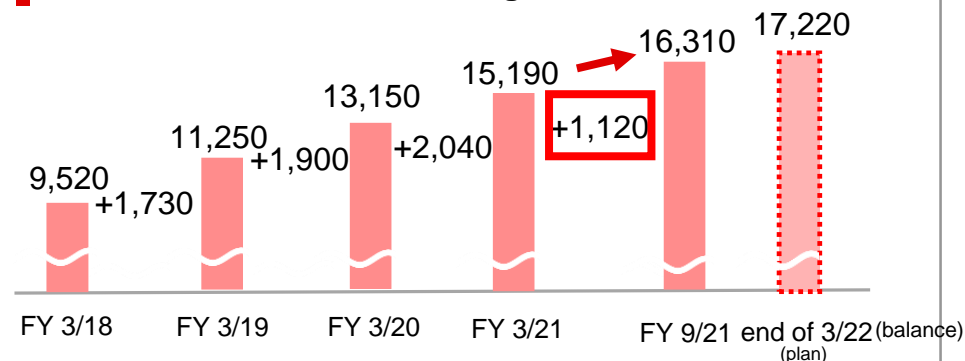
Trends in redemption amount of JPY-denominated bonds and average yield (100 million yen)



Increase the volume of loans to medium-sized companies/SMEs in the region (100 million yen)



Increase the volume of housing loans (100 million yen)

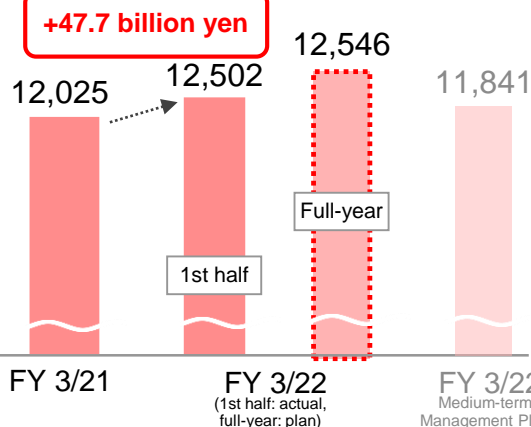


● Increase JPY-denominated loans such as loans to medium-sized companies/SMEs and consumer loans

JPY-denominated loans Average balance plan

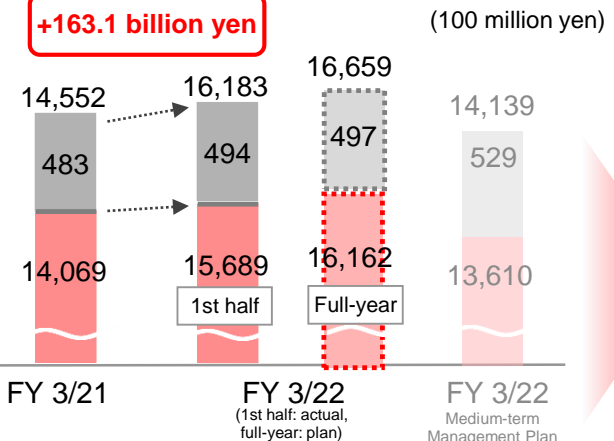
Loans to medium-sized companies and SMEs in the region

(100 million yen)



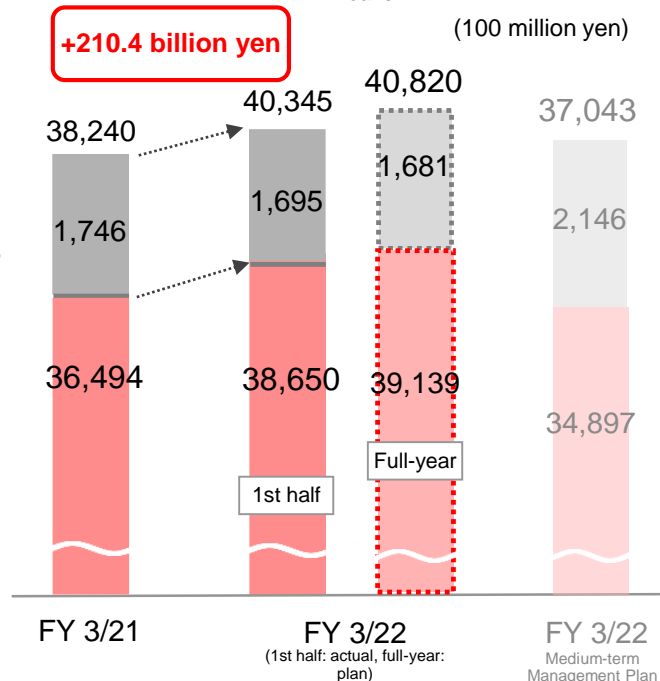
Consumer loans

(100 million yen)



Total loans Average balance plan

(100 million yen)



Foreign currency-denominated loans Average balance plan

During the term of the Medium-term Management Plan
50.0 billion yen up
Initial plan

Control

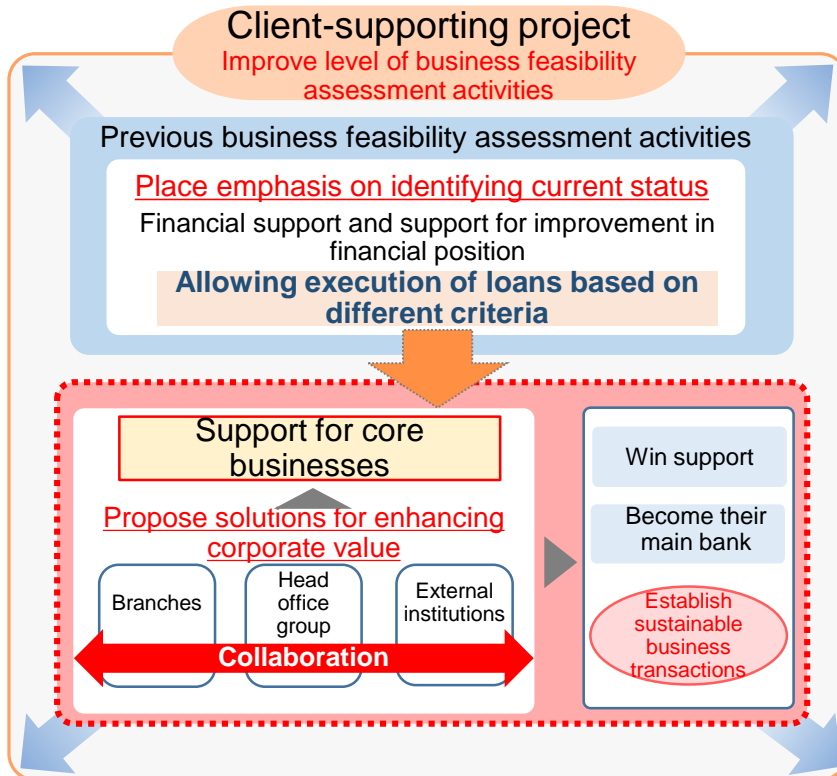
- Strengthen JPY-denominated loans
- Plan to achieve an average balance of 168.1 billion yen in FY3/22

Loan-to-deposit ratio

	FY 3/21 (actual)	FY 9/21 (actual)	FY 3/22 (Medium-term Management Plan)
Loan-to-deposit ratio	70.7%	+0.5P → 71.2%	70.8% or more

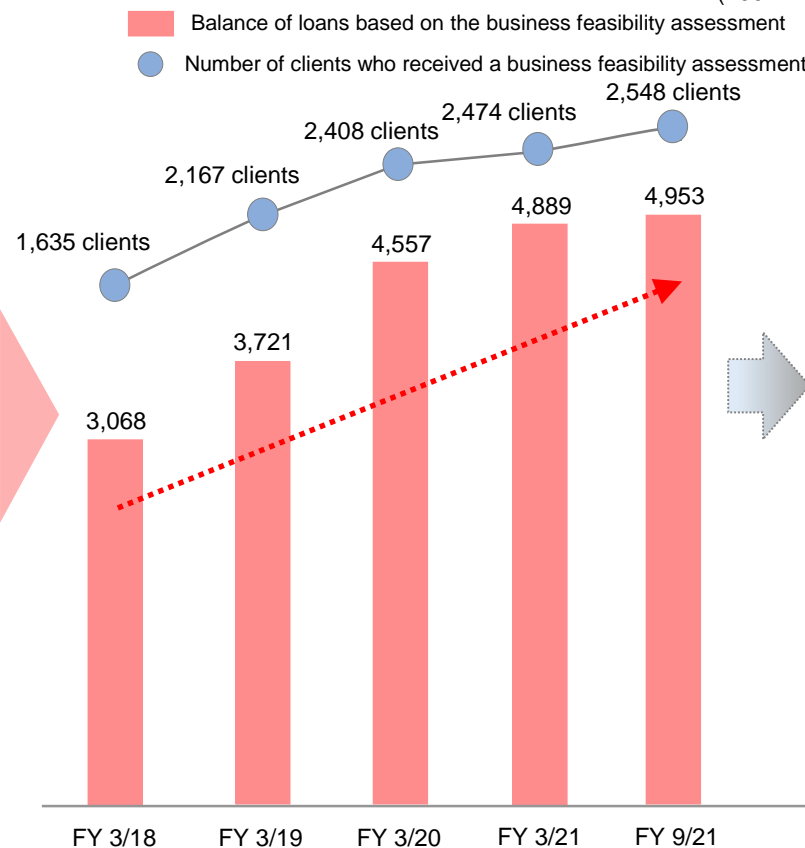
- **Sophisticate business feasibility assessment to support core businesses and customers under the COVID-19 pandemic.**

Toward More Sophisticated Business Feasibility Assessments



Support customers under the COVID-19 pandemic by supporting their core businesses based on business feasibility assessment

Change in the loan balance based on business feasibility assessment and the number of clients who received a business feasibility assessment
(100 million yen)

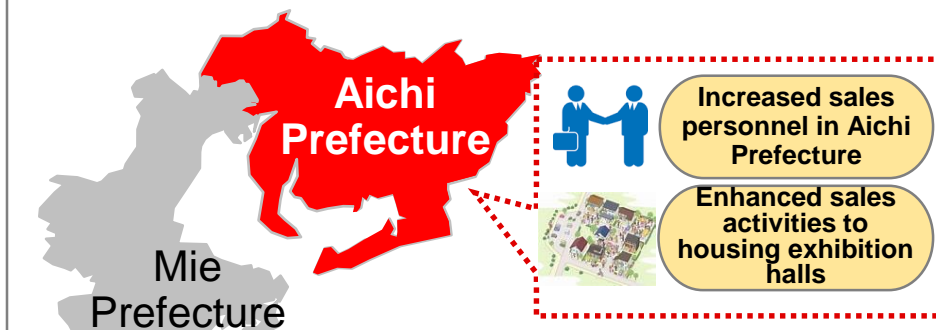


FY 9/2021
Average yield on loans based on business feasibility assessment
0.86%
JPY-denominated loans (average yield) 0.79%

● Attract more borrowers of housing loans in Aichi Prefecture

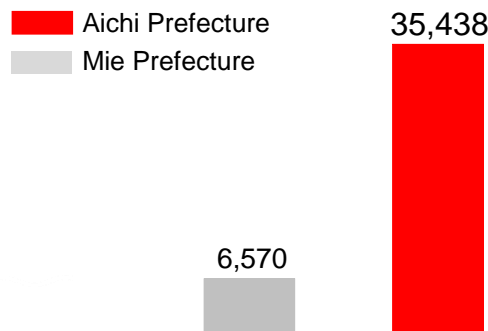
Housing loan promotion measures

Enhanced the sales power of housing loans mainly in Aichi Prefecture



New housing starts in FY2020

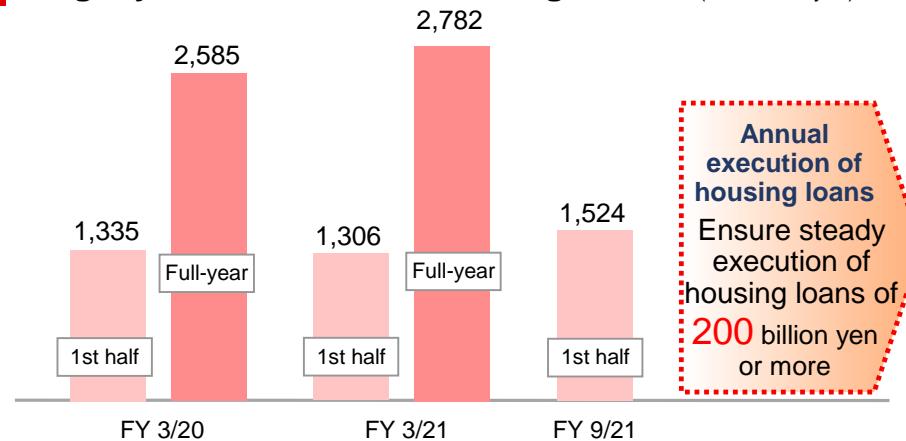
(Unit: contracts)



* (Source) MLIT, "Survey of Building Construction Work Started" Of new construction starts, rented and issued houses are excluded

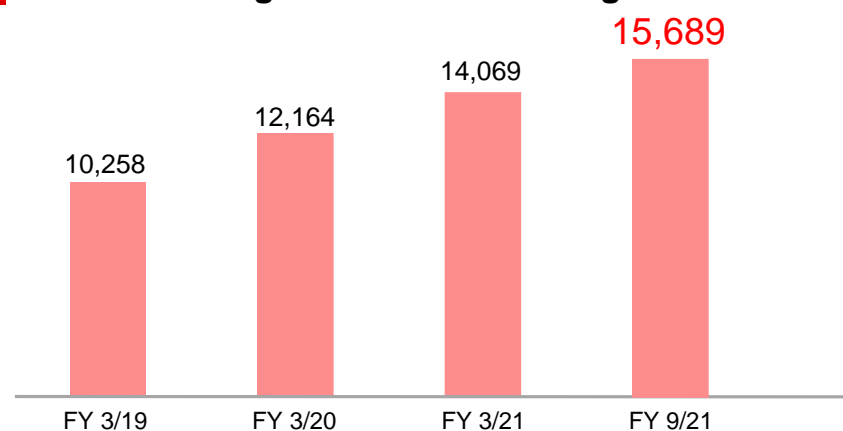
Single-year execution of housing loans

(100 million yen)



Trend in average balance of housing loans

(100 million yen)



Amount and rate of increase in housing loans

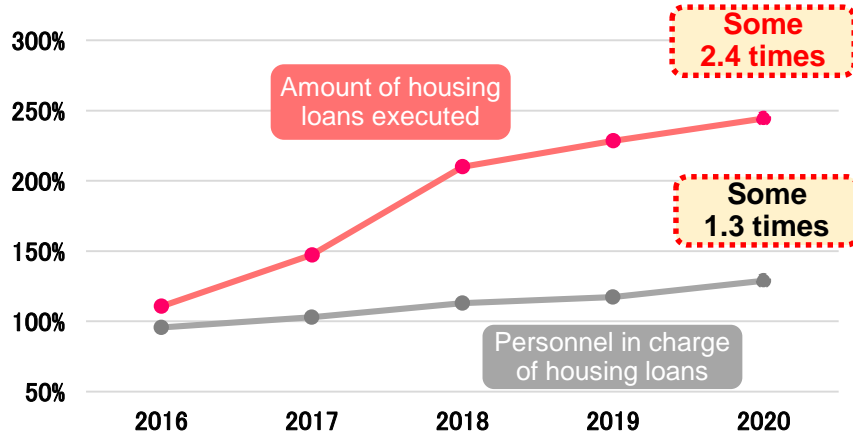
No. 1 among regional banks in Japan for three consecutive terms

* From Nikkin Reports FY2018, FY2019, FY2020.

- Further streamline housing loan operations. Financial health is maintained.

Streamline housing loan operations

Growth of amount of housing loans executed and personnel in charge of housing loan (compared to 2015)



Achievements for FY2017-2020

Centralized office work at the head office	12,000 hours
Systematized management of loan conditions	6,000 hours
Simplified loan management	3,000 hours etc.

Measures for FY2021

Introducing videos to explain housing loans	7,400 hours, etc.
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Reduced office workload by 50,000 hours or more

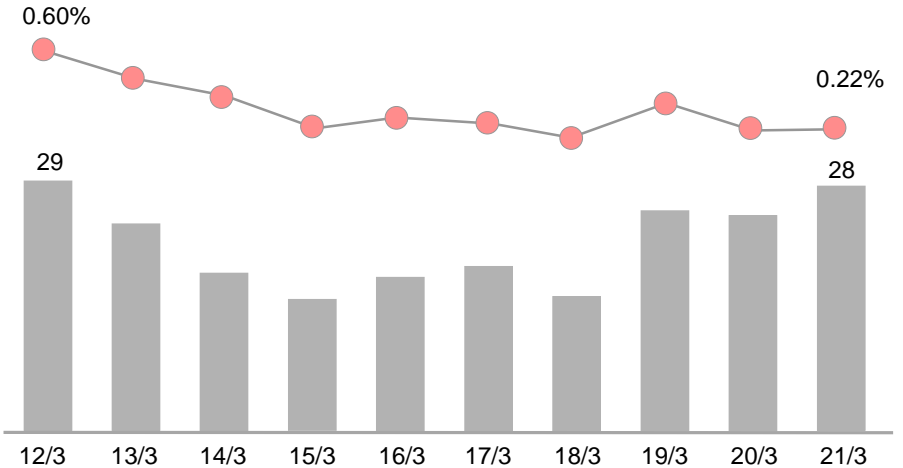


In terms of personnel, the effect equivalent to about 35 persons

Housing loan delinquency and default status

Delinquent loan balance and rate

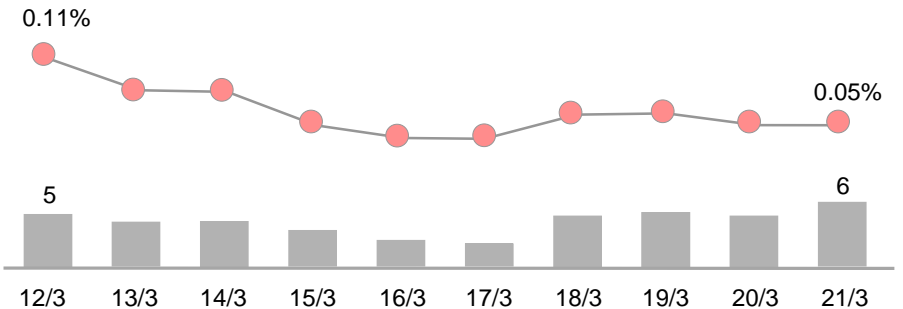
(Balance: 100 million yen)



Amount and rate of defaults, etc.

* including guaranteed loans (payment under guarantee)

(Amount: 100 million yen)



- Capture potential fund needs for housing loans, and promote unsecured loans

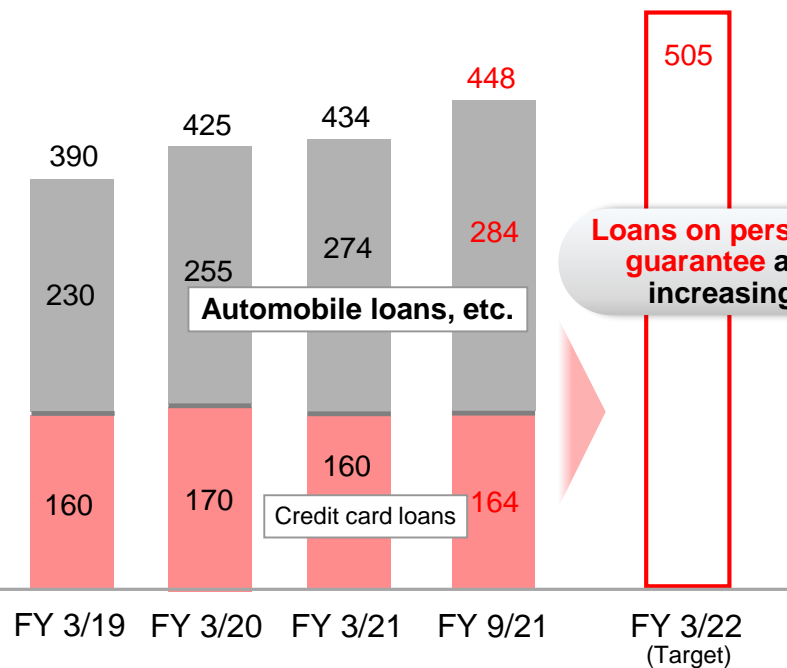
Trend in balance of unsecured loans, and promotion measures

Balance of unsecured loans (100 million yen)

4 years in a row

No. 1 among regional banks in three prefectures in Tokai Region

* Nikkin prompt reports
In terms of actual balance from FY 3/2018 to FY 3/2021.



Loans on personal guarantee are increasing

Enhance customer loyalty of those with a housing loan

Approaches to new housing loan applicants

- Propose refinancing when customers are applying for a housing loan

One Writing

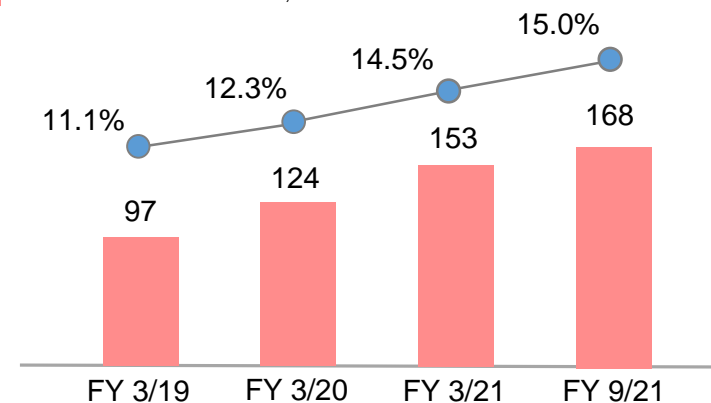


Approaches to existing housing loan users

- Periodic direct mailing to housing loan users

Trends in usage rate of automobile loans, etc. among housing loan users and loan balance

● Usage rate of automobile loans, etc. (100 million yen)
■ Balance of automobile loans, etc.

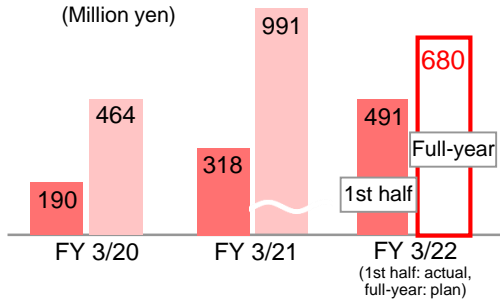


- Enhance offerings of solutions and support system to address customers' management issues and strengthen non-interest income

Strengthening corporate solutions fees

Structured finance-related fees

(Million yen)



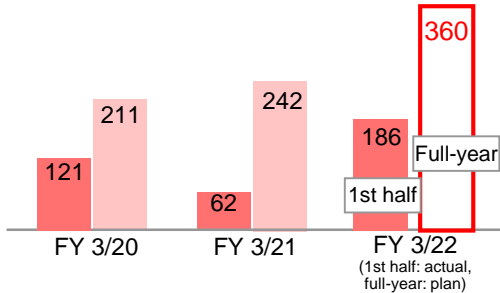
491 million yen

(Results as of end of September 2021)

◇ Offer loan methods satisfying customer needs and financing for PPP/PFI operations

M&A, etc.

(Million yen)



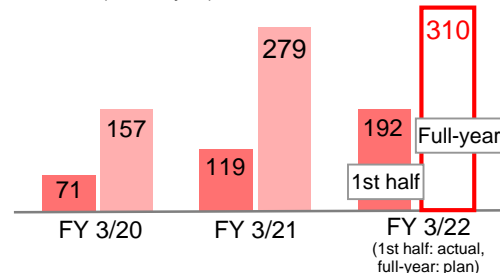
186 million yen

(Results as of end of September 2021)

◇ Provide solutions to business succession issues and support further corporate growth strategies with M&A services

Business matching fees

(Million yen)



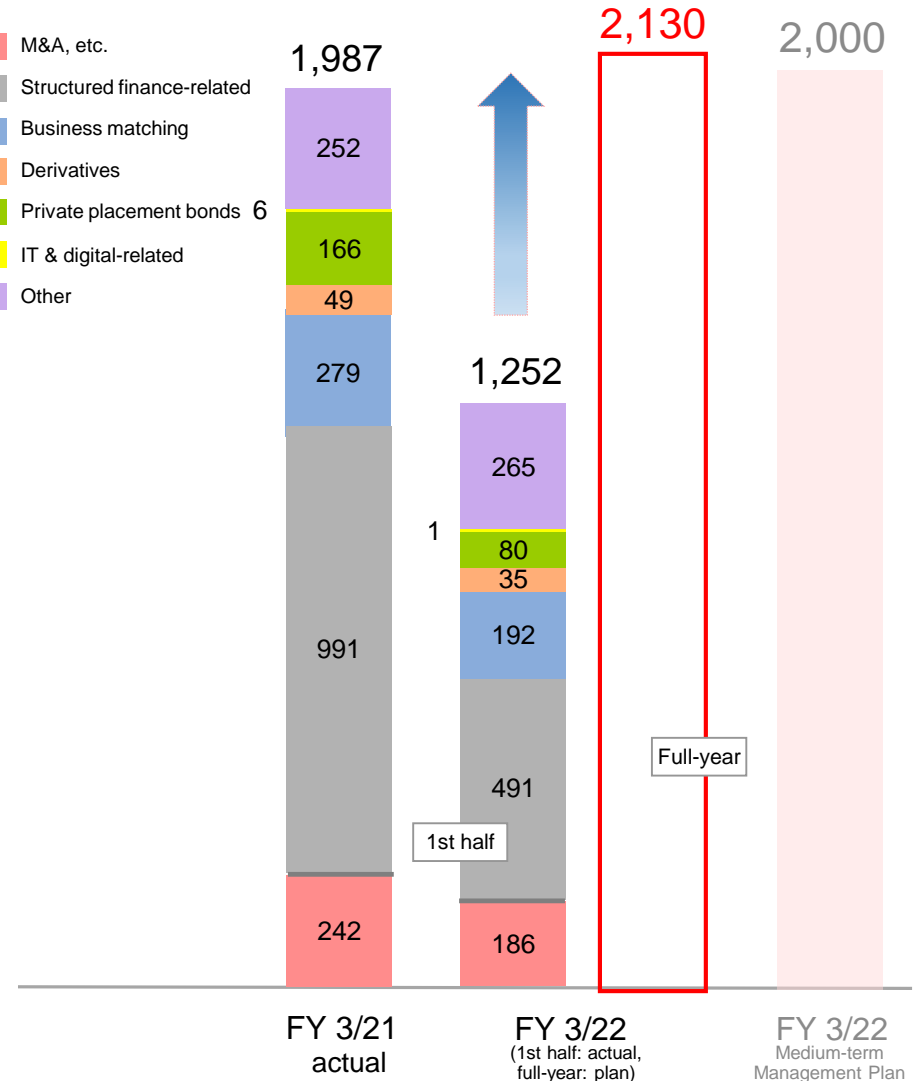
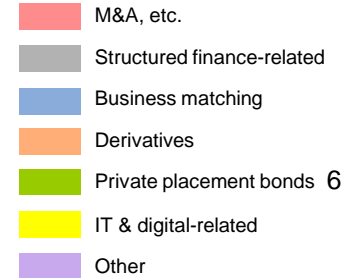
192 million yen

(Results as of end of September 2021)

◇ Start full-scale operations of real estate business matching by enhancing partnership with constructors, and newly start environment-related business matching in line with current trends

Corporate solutions fees: actual and plan

(Million yen)



● Case where the Bank demonstrates its consulting function: promotion of structured finance

Promoting project finance for PPP/PFI

Project finance for PPP/PFI

* Recent commitments to PPP/PFI

Project size: approx. 5.8 billion yen



(provisional name) PFI project for development and operation of food service center for junior high schools in Kawanishi city

Project size: approx. 11.0 billion yen



(provisional name) Project for development of food service community kitchen for new schools in Toyohashi city

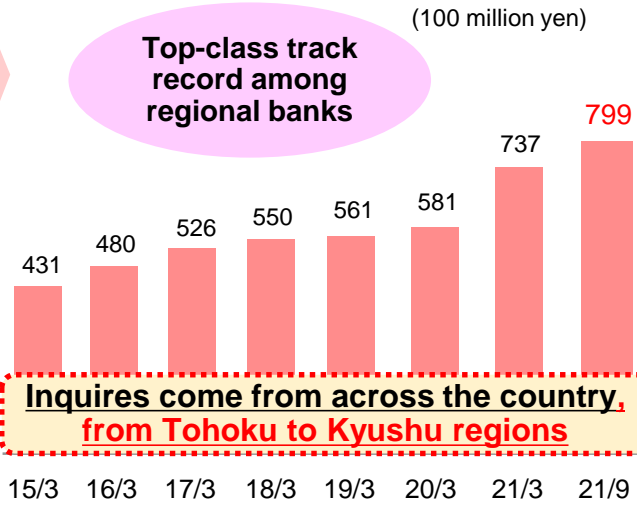
Project size: approx. 10.9 billion yen



(provisional name) Project for development and operation of food service center for schools in Yokkaichi city

Cumulative amount of PFI loan undertaking

(100 million yen)



Projects participated in in 1st half of 2021: 6 projects of which, projects where the Bank served as the arranger: 4 projects

Participating in PPP/PFI projects nationwide

Location	No. of projects	Cumulative number of projects
Aichi	19 projects	58 projects
Tokyo	8 projects	
Osaka	9 projects	79.9 billion yen
Mie	6 projects	
Kanagawa	4 projects	of which, Projects where the Bank served as arranger 29 projects Approx. 36.8 billion yen
Shizuoka and elsewhere	12 projects	

Promoting PPP projects in Mie Prefecture

First in Mie Prefecture

Financing a PPP project using the Park-PFI* system

*A new approach to maintenance and management of urban parks with private funds



"Central Greenery Kokoyoka" in Comprehensive Athletic Park, Central Green Park

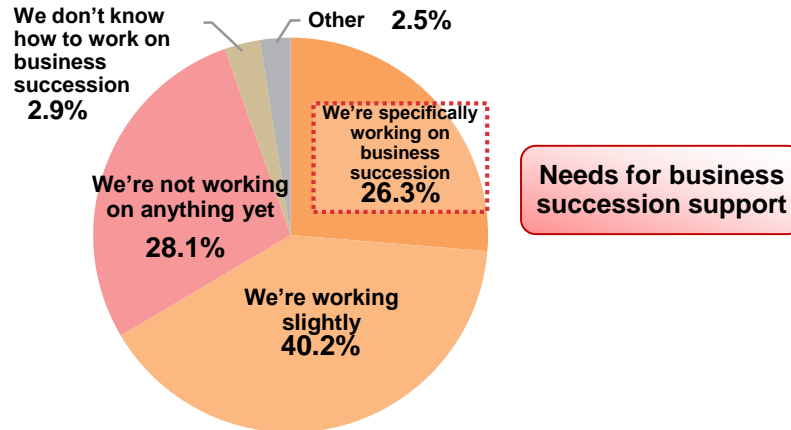
Project name: Park-PFI project for the Central Green Park
 Implementing local government: Yokkaichi city
 Project operator: Funatani Holdings, Co.
 Description: Project to make the Central Green Park more convenient and attractive

Financing support for PPP projects of local governments

- Enhance the scheme to support business succession as part of the Bank's commitment to sustainable community development, and increase earnings also

Support for business succession

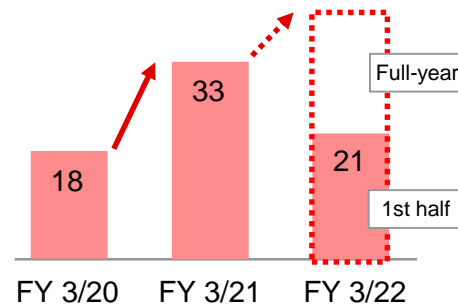
Business succession by companies in Mie Prefecture



(Source) The results of a questionnaire survey on business succession in SMEs in Mie Prefecture (January 2018)

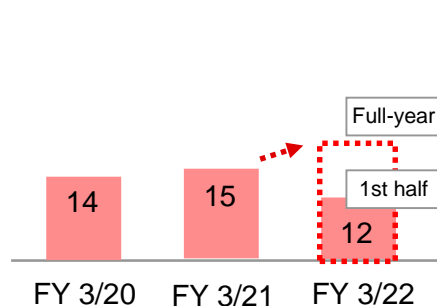
Number of consultations on business succession

(Consultations)
* Including partner companies



Number of client companies for M&A

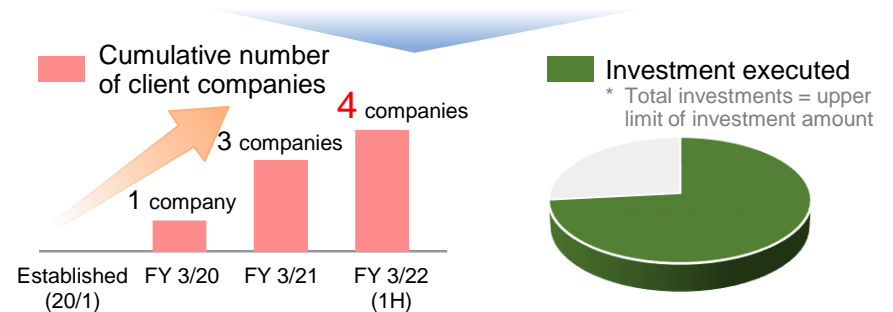
(Client companies)



Enhance support through Hyakugo Mirai Investment Co.

Management of business succession funds (AIDMA No. 1, total fund of 3 billion yen)

Investment in a new excellent company in June 2021



Launch of No. 2 Fund

Name	Limited liability partnership for investment project AIDMA No. 2
Established	July 2021
Operating company	Hyakugo Mirai Investment Co., Ltd.
Total capital contribution	3 billion yen
LP investor	The Hyakugo Bank, Ltd.
Investment target	Companies that need assistance with business succession

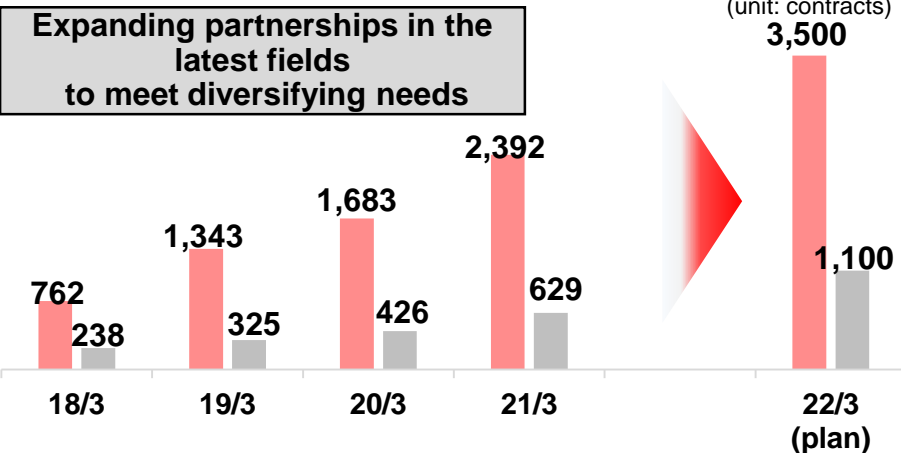
- The fund is in high demand, and the Bank has **steadily made investments**, and No. 1 Fund has completed most of its available investment capacity.
- The Bank has **launched No. 2 Fund** to meet further needs.
- The Bank will continue its investment activities with the aim of **resolving business succession issues** and providing **active management support** to client companies.

● Enhance its partnerships and support system to meet management issues and diversifying needs, and implement solutions to customers' issues.

Changes in the number of paid business matching arrangements and promotion measures

Changes in paid business matching arrangements

No. of arrangements (Red bar)
No. of contracts concluded (unit: contracts) (Grey bar)



Expanding partnerships in the latest fields to meet diversifying needs

Strengthening support for sustainable management

Strengthen support measures and proposals to achieve sustainable management of client companies by particularly focusing on three priority areas

GX and decarbonization

- Hold seminars and conduct surveys on decarbonization to deepen clients' understanding of the significance of working on decarbonization
- Support for the implementation of decarbonized management, including the use of renewable energy (PPA scheme, etc.) and proposals for energy-saving initiatives
- Suggest effective use of subsidies

ICT and DX

- Strengthen partnerships with ventures and startups in the latest fields
- Propose DX products to help client companies gain higher business efficiency and more sales channels

Human resources

- Survey and analyze client companies' business challenges and human resource needs
- Introduce high-level human resources with high expertise and diverse experience to client companies having business challenges to address

Organize seminars according to corporate needs

脱炭素経営セミナー

2050年までCO2の排出量を半減させる目標を掲げられた後、社会の脱炭素への意識は急激に高まっています。今後、脱炭素を目指す企業には難関であると考えられています。本セミナーでは、脱炭素経営を実現するための最新の知見、事例、ノウハウを脱炭素経営推進が求められる企業に届ける予定です。ご参加をお待ちしています。

日時 2021年10月7日(木) 14:00~15:00

開催形式 WEB会議システム「Zoom」にて開催

定員 80名 (事前予約制/先着順) 参加費 無料

- Seminar on utilization of foreign human resources
- Seminar on introduction of teleworking
- Seminar on ESG business management
- Seminar on real estate utilization
- Seminar on government subsidy for business restructuring
- Seminar on DX utilization
- Seminar on decarbonized business management

ITを経営の力にするためのDX活用セミナー

最新では、デジタルトランスフォーメーションが、ビジネスの競争力において重要な役割を果たしています。DXは、DXが進んでいる企業とそうでない企業間の格差を埋める重要な手段と見られています。本セミナーでは、DXの活用に関する最新の知見、事例、ノウハウをDX推進が求められる企業に届ける予定です。ご参加をお待ちしています。

日時 2021年7月5日(月) 14:00~15:20

開催形式 WEB会議システム「Zoom」にて開催

定員 80名 (事前予約制/先着順) 参加費 無料

- 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

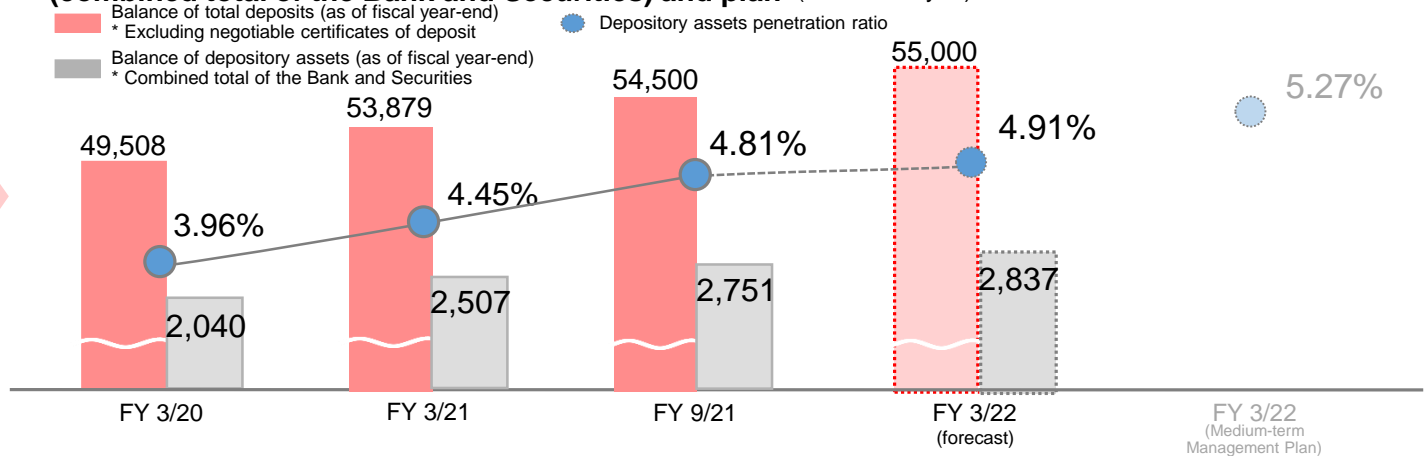
Depository assets sales strategy to increase penetration ratio

Depository assets penetration ratio

$$\frac{\text{Depository assets penetration ratio (\%)}}{\text{Balance of depository assets}} = \frac{\text{Balance of depository assets}}{\text{Total deposits + Balance of depository assets}}$$

Integrated management of deposits and depository assets with Hyakugo Securities

Trend of depository assets penetration ratio (combined total of the Bank and Securities) and plan (100 million yen)



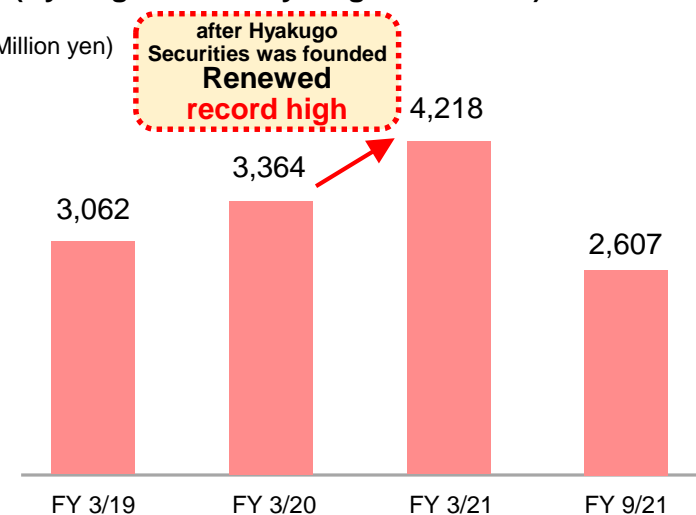
Commissions related to depository assets (Bank)

(Million yen)

	FY 3/21 (actual)	FY 9/21 (actual)	FY 3/22 (plan)	FY 3/22 (Medium-term Management Plan)
Investment trusts	1,134	786	1,241	1,176
Insurance	761	437	892	1,396
Financial instruments brokerage	387	211	344	225
Defined contribution pension	106	68	120	100
Total	2,389	1,503	2,597	2,897

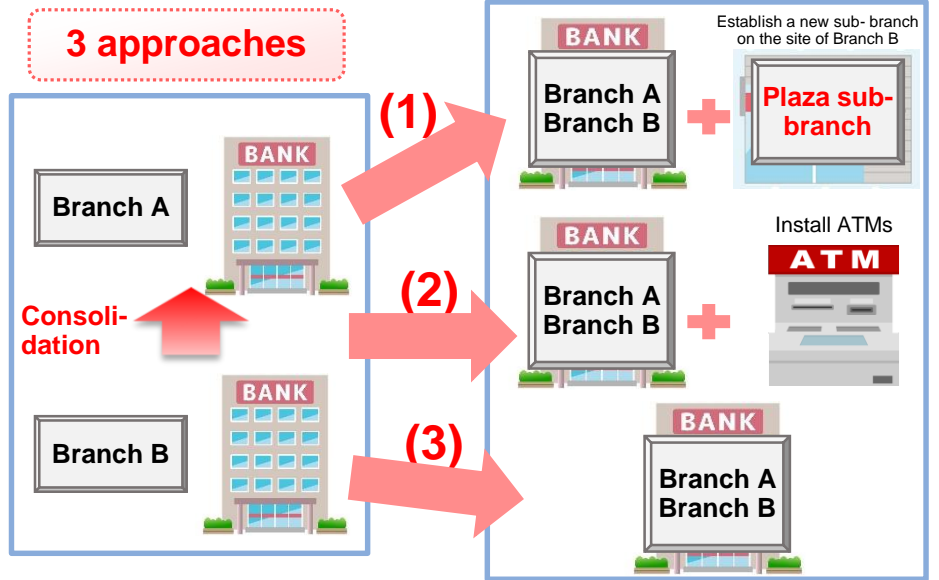
Commissions related to depository assets (Hyakugo Bank + Hyakugo Securities)

(Million yen)

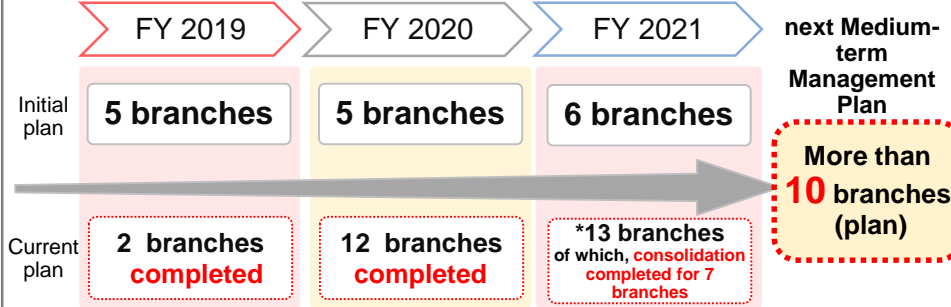


- Accelerate improved efficiency of branch network by eliminating inefficient overlapping of sales areas, while maintaining branch network and convenience for customers

Consolidate functions by adopting branch-in-branch method



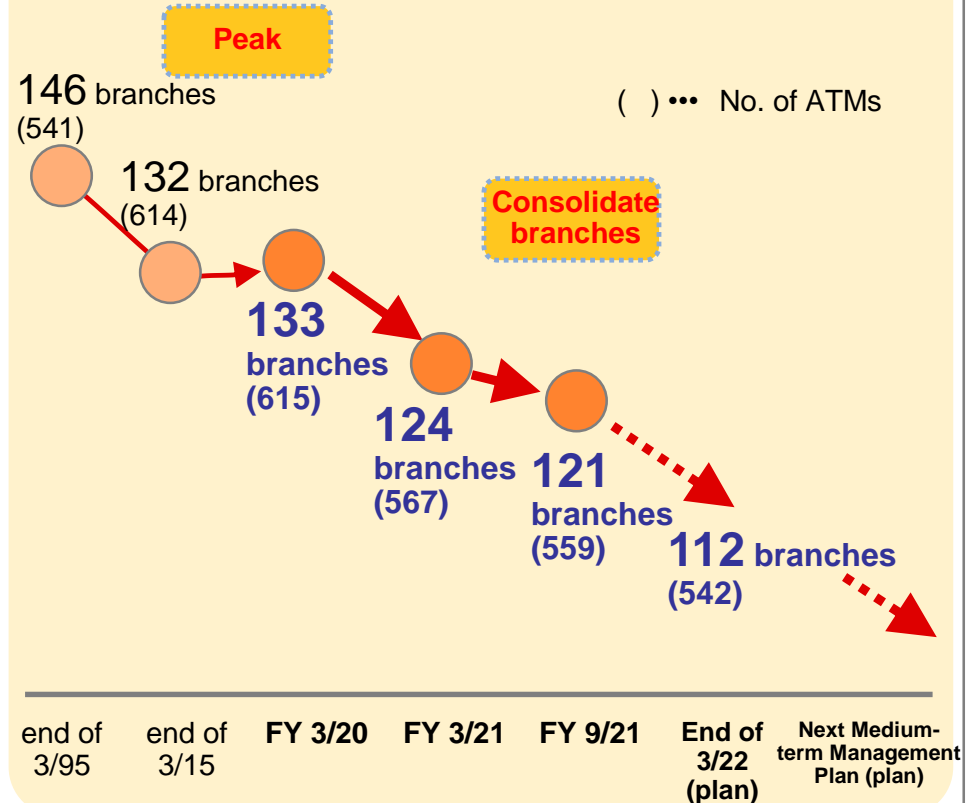
Plan 16 branches over three years, and another 11 branches during the Medium-term Management Plan



* 1 branch remains in operation as a plaza sub-branch

Change in the number of branches

Steadily enhance efficiency by reducing branches



Reallocate surplus employees to strategic areas for higher profitability

● Customers now “choose a bank with a good app”

From branch to app. A “new style of banks” begins with smartphone banking

From mobile banking app to super app

Enhanced the functionality of the banking app

Leverage the app as a platform



Family bank account inquiry screen



By March 2024 to 300,000 accounts

Plan for FY2023
Leverage the app as an advertising and payment platform

Plan for FY2022
Embed the functions of inquiries about investment trust, transactions, cash card verification, and payment app

Plan for FY2021
Services for opening an account for foreign currency deposits, prepayment of housing loans, application and contracts for unsecured loans

By March 2023 to 200,000 accounts

2021/10
Foreign currency deposit and withdrawal

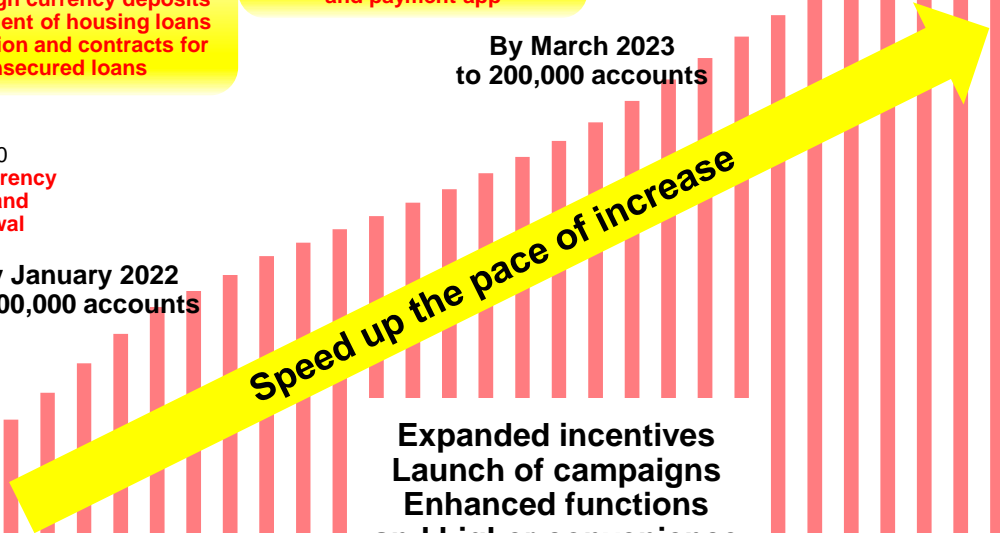
By January 2022 to 100,000 accounts

2020/10
Registration of accounts at other branches
Function to lock credit card
Credit card loan contract
Inquiry about loan
PDF output
Surrender of deposit account

March to May, 2021
Notification of change of address
Request for reissuance of bank card
Family bank account inquiry

June to July 2020
Regular receipt of money in deposit account
Account opening
Transfer

2019/11
Passbook functions



Expanded incentives
Launch of campaigns
Enhanced functions and higher convenience

- Satisfy customer needs quickly with the banking app developed on its own

Aiming to create services that can compete with online (smartphone) specialized banks

Function lineup to meet customers' needs

Function to lock credit card



I want to keep my cash card active only when I use it, in case it gets lost or stolen.

Push notification (deposit/withdrawal)

I want to know as soon as my account is credited
I'm worried that my account might be misused by a third party.



Push notification (scheduled direct debit)

I have a credit card debit tomorrow, so I need to deposit some funds if the balance is not enough.

Family bank account inquiry



I want to manage my own bank account with my spouse.

PDF output



I want to have a printed bank account statement
I need to submit my account information to my employer

Partnership with Finbee



I want to check my balance and transaction details of my smartphone automatic savings app "Finbee" via smartphone banking.

- Improve the digital literacy (understanding, recognition, and utilization) of all the bank employees

Raising awareness of DX throughout the bank (strategic measures such as training for all the bank employees)

Develop and produce digital professionals

Developing digital professionals to respond to financial DX, such as customer ICT transformation, digitalization of business operations, and support for app development

- Digital consultants
- System developers
- App development supporters

Promote DX

About 350 bank employees, over 15% of all, experience app development.

Literacy enhancement for all 2,200 bank employees

STEP 3



[Self-development support]
The Bank encourages employees to acquire digital knowledge through correspondence courses and certification exams. In particular, an IT passport is recommended to acquire basic digital knowledge.

STEP 1



[e-learning]
All employees have watched two videos to learn about the Bank's DX strategy and the digital trends of the world.

STEP 4



[Hands-on app development course]

Watching YouTube videos and using Microsoft's cloud service, employees actually experience the development of an app to manage sales performance.

STEP 2



[ICT training]

The Bank organizes training using a TV conference system, ZOOM home study system, etc.