

New Medium-term Management Plan

KAI-KAKU 150 2nd STAGE “Gateway to the Future II”

Aiming to Transform into a Green & Consulting Bank Group

April 1, 2022 through March 31, 2025

The Bank has developed a new long-term vision to respond to new threats, such as increased climate change risks and changing lifestyles

KAI-KAKU 150 2nd STAGE “Gateway to the Future II” New Long-Term Vision

Aiming to Transform into a Green & Consulting Bank Group

New threats

- Increased climate change risks
- Changing lifestyles

<The Hyakugo Bank Group’s Aims>

- **Green**
 - The Hyakugo Bank Group will support "Just Transition," a fair transition to carbon neutrality in the region, and contribute to the sustainable economic development of local communities.
- **Consulting bank group**
 - The Hyakugo Bank Group will practice problem-solving consulting and commit itself to pioneering the future of its customers and local communities.
 - The Hyakugo Bank Group will continue its IT strategy to improve productivity and support customers and local communities with IT through consulting.

KAI-KAKU 150 1st STAGE “Gateway to the Future” Long-Term Vision

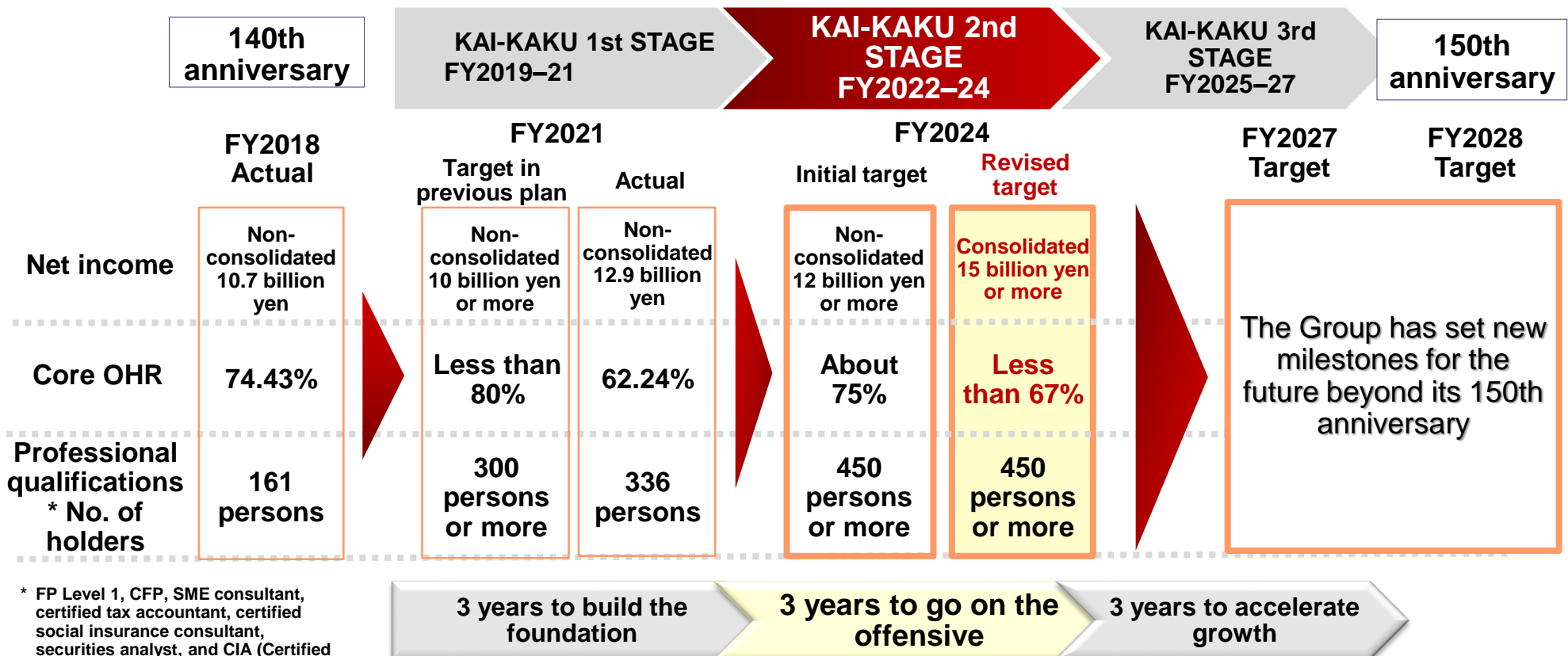
Aiming to Transform into a Digital & Consulting Bank <Three Innovations>

- Profit Structure Innovation
- Organizational & Personnel Innovation
- IT & Digital Innovation

The Group has positioned the period of its New Medium-term Management Plan as "three years to go on the offensive" and will work on new measures

KAI-KAKU 150 2nd STAGE "Gateway to the Future II"

Aiming to Transform into a Green & Consulting Bank Group



* FP Level 1, CFP, SME consultant, certified tax accountant, certified social insurance consultant, securities analyst, and CIA (Certified Internal Auditor), etc.

New Medium-term Management Plan KAI-KAKU 150 2nd STAGE “Gateway to the Future II” consists of five basic policies and 11 key strategies

Five Basic Policies		11 Key Strategies	
I	Strengthening Efforts towards Carbon Neutrality	1	Carbon Neutral Strategy > P.30
II	Strengthening Business Model	2	Strategy to Enhance Loan Income and Fees and Commissions > P.31
		3	Securities Strategy > P.35
		4	Group Company Strategy > P.36
III	Increased Productivity	5	Channel Strategy > P.37
		6	IT Strategy
IV	Strengthening Management Foundation	7	Human Resources Strategy
		8	Governance Strategy > P.38
		9	Organizational Strategy
V	Increased Awareness of SDGs/ESG	10	Diversity Strategy > P.39
		11	SDGs/ESG Strategy > P.40

These targets have been set for the next three years as the Bank takes the offensive and leaps to the next stage. The Bank will also actively promote sustainable finance

		Results in FY2021	Targets in FY2024
KGI	Consolidated net income	13.4 billion yen	15 billion yen or more
	ROE in consolidated net assets	3.36%	3.50% or more <small>* Aiming for 5% in the long term</small>
	Core OHR	62.24%	Less than 67%
	Equity Ratio	9.84%	11% or more
KPI	Housing loan-related fees	3.4 billion yen	4.4 billion yen <small>Compared with FY2021 up 29%</small>
	Commissions related to depository assets	2.8 billion yen	3.4 billion yen <small>up 21%</small>
	Corporate solutions fees	2.7 billion yen	3 billion yen <small>up 11%</small>
	Number of personnel with professional qualifications	336 persons	450 persons <small>up 33%</small>

Return to shareholders

Dividend payout ratio

Aiming for **30%** in the long term

* Dividend payout ratio in FY2021 (consolidated): 20.8%

Contributing to local sustainability

Greenhouse gas emissions

Target for the end of FY2030

Achieve **net zero** (Scopes 1, 2)

Amount of sustainable finance executed

1 trillion yen (of which, more than 500 billion yen is environment-related loans)

* Cumulative total since FY2022

Promote carbon neutrality by creating green financial flows in the region and solving issues related to decarbonization

Support local decarbonization

Provide decarbonization consulting

- Provide a tool for identifying CO₂ emissions through business matching
- Assist companies in developing financial plans (for example, help them apply for interest subsidies and support programs)
- Support and manage progress in developing decarbonization plans
- Support public relations efforts of companies that have declared their decarbonization management by introducing them in press releases

Establish a specialized team within the headquarters

Perform sustainable finance functions

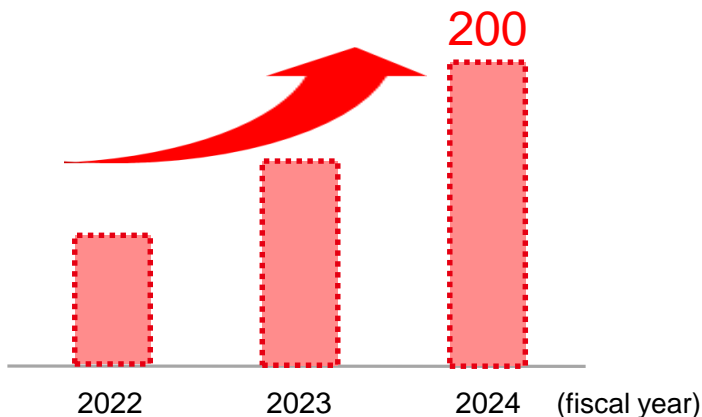
Finance to support companies' investments in decarbonization

- Provide a wide range of "sustainable finance" to customers who are working on decarbonization
- Support customers' public relations efforts by offering products that incorporate third-party opinions, such as "Positive Impact Finance" and "Green Loans"

Expand product lineup

Fee target for consulting related to decarbonization

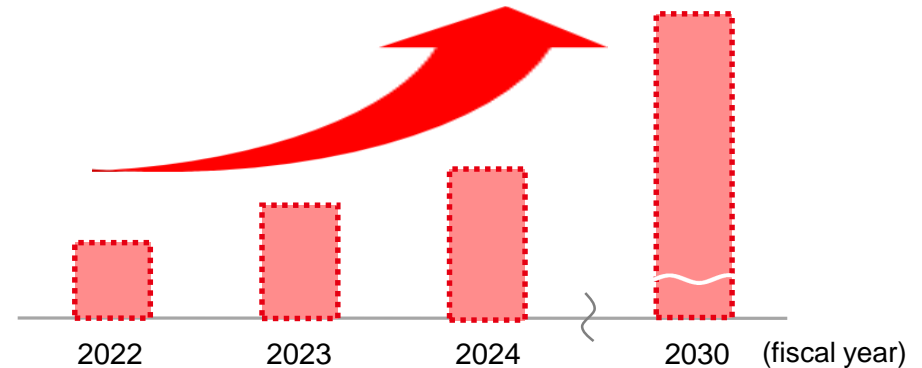
(millions of yen)



* Part of the corporate solutions fees. Target for related fees for a single fiscal year

Target for amount of sustainable finance execution

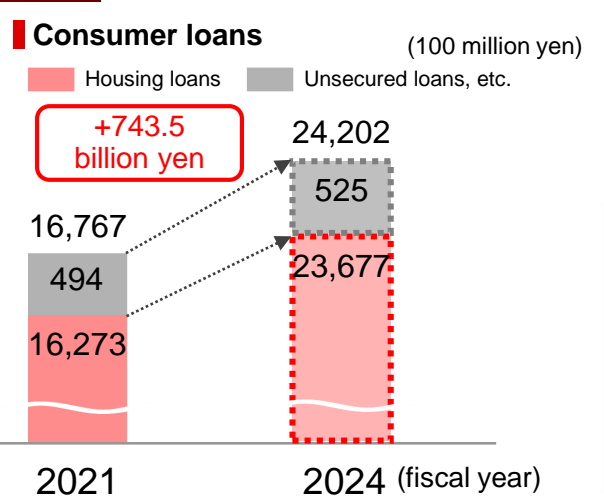
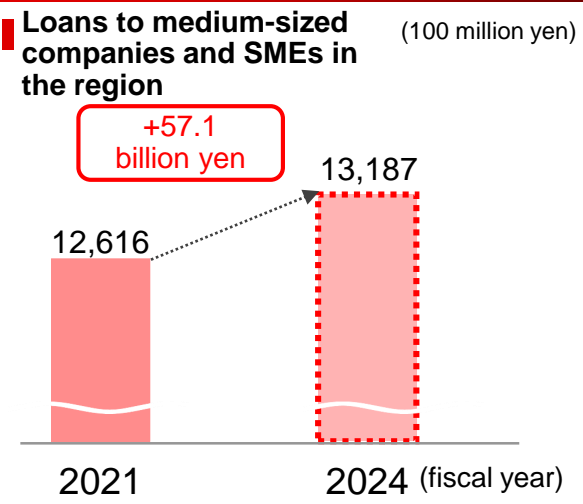
1 trillion yen



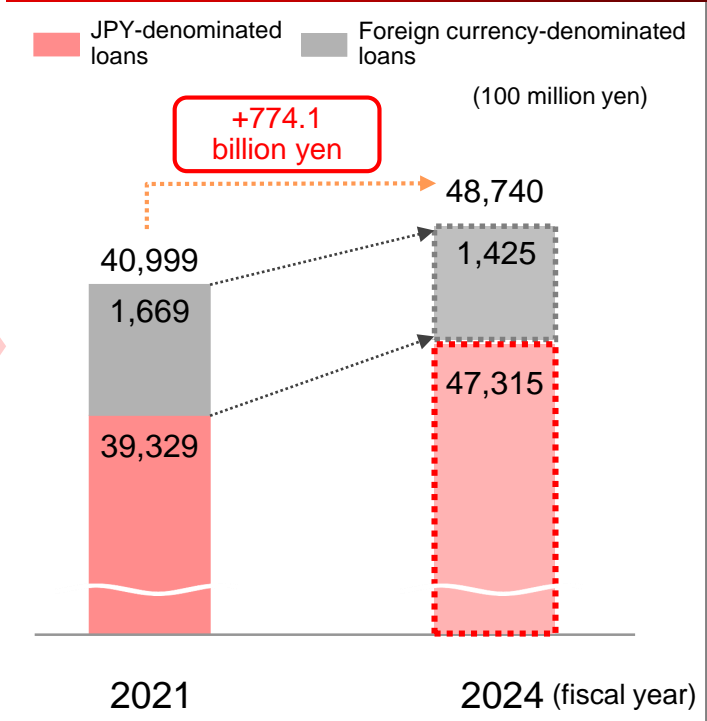
* Cumulative amount to be executed by the end of FY2030

Aim to increase revenues and profits by increasing loans and fees and commissions, despite expected declines in returns on securities investment and yield on loans

JPY-denominated loans Average balance plan



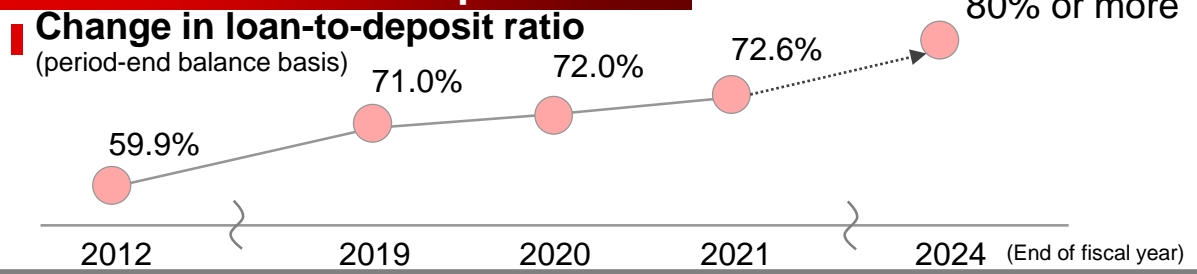
Total loans Average balance plan



Foreign currency-denominated loans Average balance plan

- Focus on investment-grade companies and projects with good quality guarantees
- Avoid aggressive lending in light of social conditions such as the COVID-19 pandemic and the situation in Ukraine

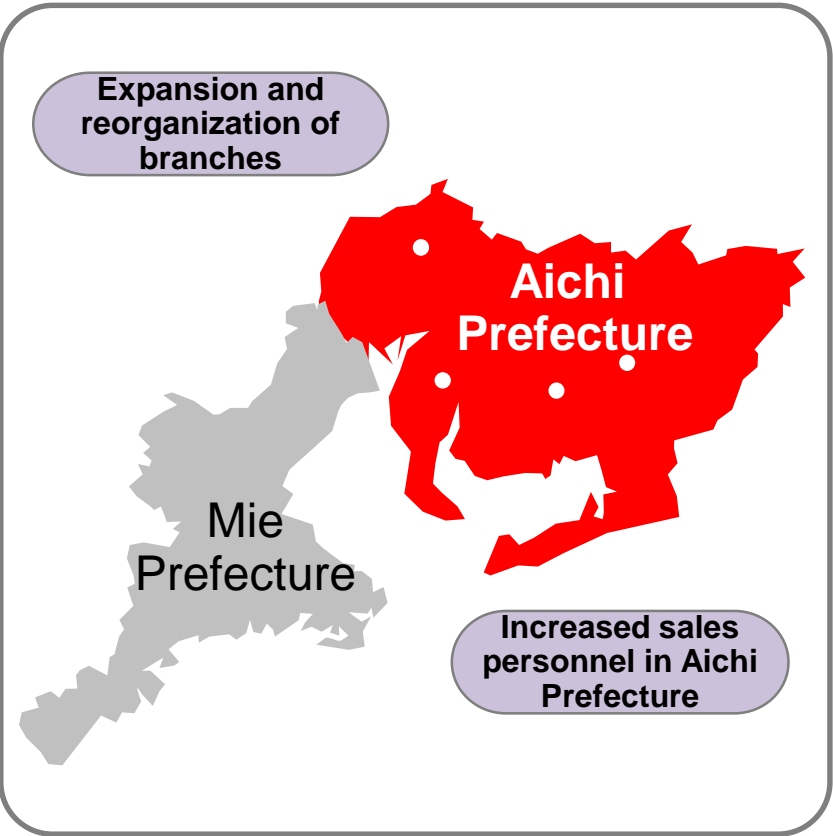
Increase in loan-to-deposit ratio



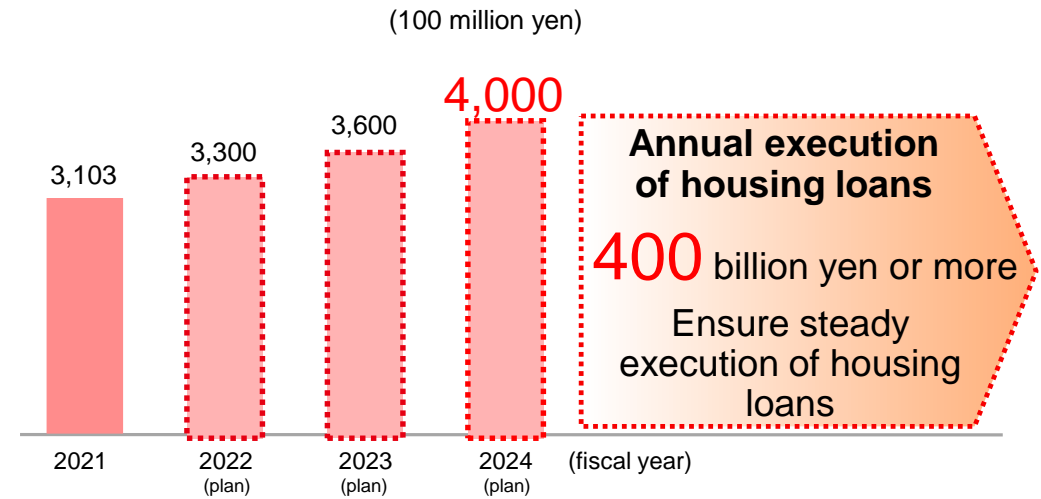
FY2024 (Final year of the Medium-term Plan)	Compared with the figure in FY2021
80.0% or more	up 7.4 points or more

Build a structure capable of acquiring 400 billion yen annually by strengthening sales force and improving productivity

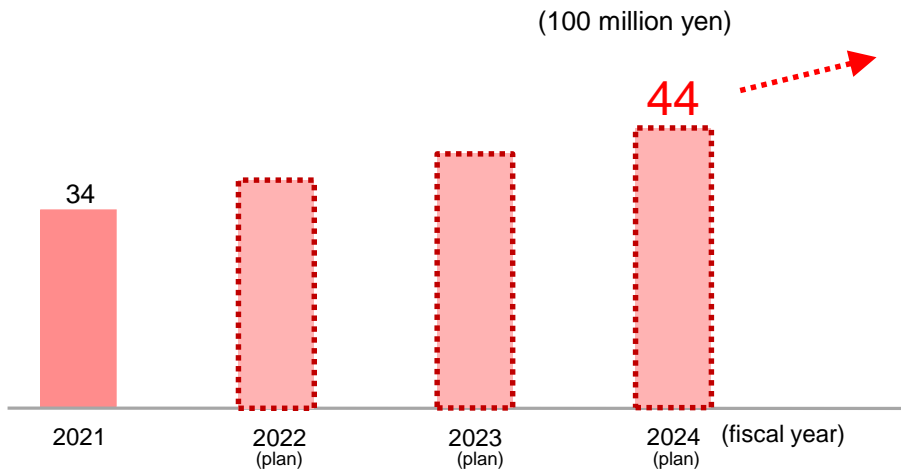
Measures to promote housing loans and quantitative plan



Single-year execution of housing loans



Housing loan-related fees



Increase customer-oriented business operations and overall income from depository assets by “increasing opportunities to make proposals” and “improving quality”

Newly established a consulting plaza to "strengthen face-to-face sales"

- Strengthen human resource development by consolidating personnel
- Co-locate Hyakugo Securities at the branches for enhanced collaboration between the banking and securities functions
- Relocate personnel generated by the new structure to strategic divisions

<Consulting Plaza (CP) locations>
9 locations (of which, 8 are co-located with the Hyakugo Securities functions)

Newly established a depository asset center to "strengthen non-face-to-face sales"

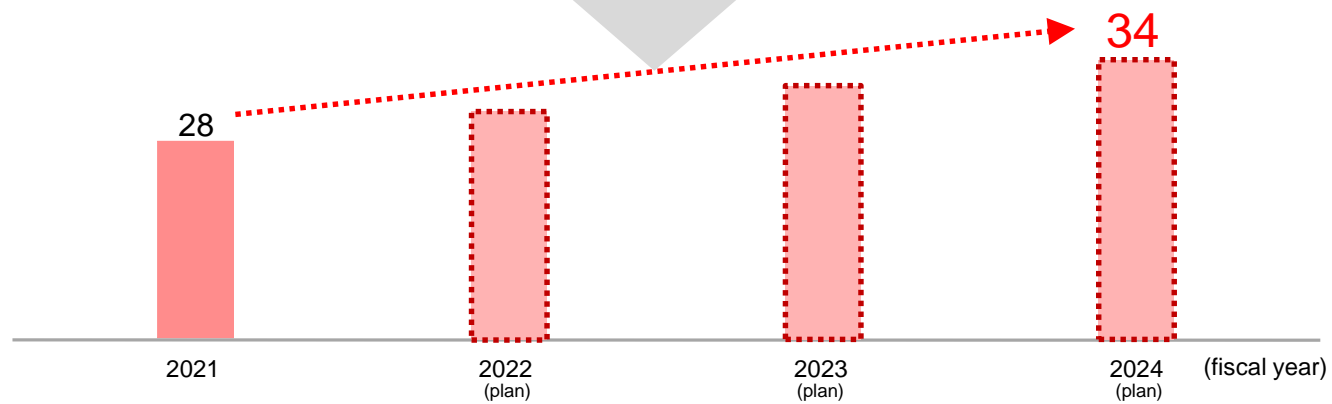
- Strengthen non-face-to-face sales to customers with assets
- Aim to become the main bank for as many of these customers as possible by promoting products other than depository assets
- Facilitate transactions through personal Internet banking services and, depending on needs, provide intermediary services to face-to-face transaction departments and remote support using tablets

Provide consulting services and services to fulfil various needs via telephone and internet

- Asset-building
- Household budget review
- Asset management
- Dementia measures
- Asset extension
- Inheritance measures
- Gift during life

Maximize returns on depository assets

Commissions related to depository assets (100 million yen)

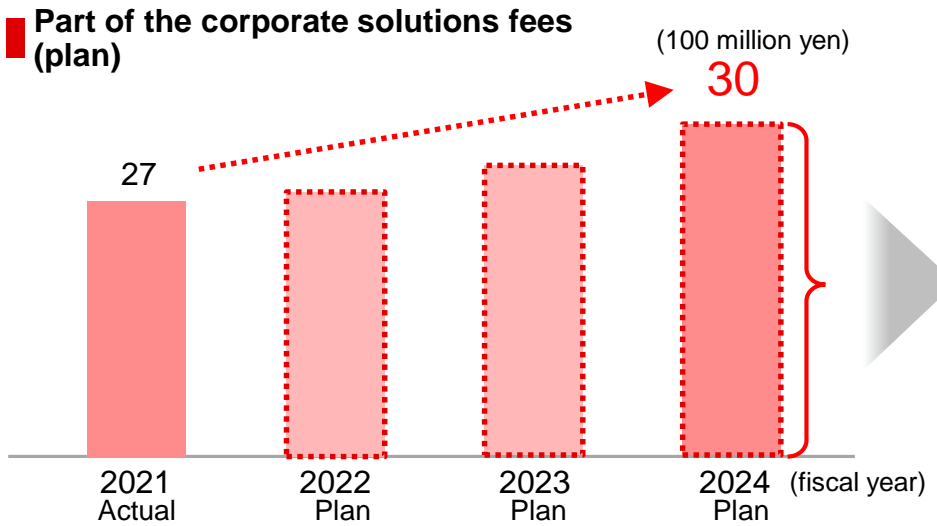


Provide optimal solutions to customers' diverse management issues and needs and increase non-interest income

Corporate solutions fees

Consulting personnel at headquarters
 in charge of corporate clients
 in charge of private clients
A total of 70 specialists

- Specific solutions**
- Support for business model review
 - Support for business succession and M&A
 - Structured finance
 - Business matching
 - Support for decarbonization
 - SDGs consulting
 - ICT consulting
 - Support for medical and welfare businesses
 - Support for overseas expansion



(Million yen)

Major items	FY2024 (plan)
Structured finance-related	925
Business matching	500
M&A, etc.	430
ICT consulting, etc.	65

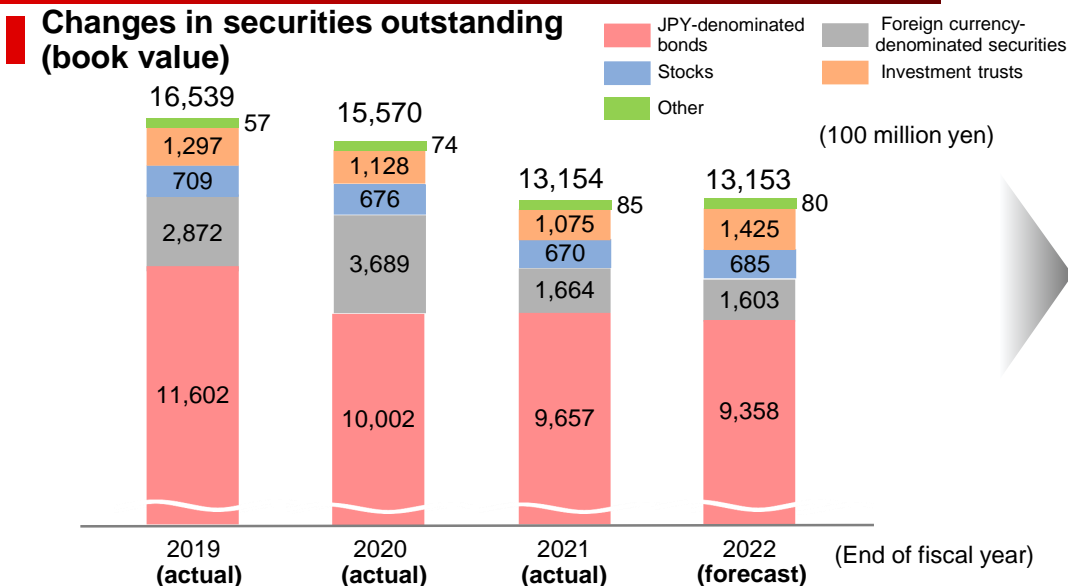
* Business matching includes a portion of decarbonization consulting fees

Redemption of JPY-denominated bonds during the period of the medium-term management plan is approximately 290 billion yen. The Bank will utilize investment trusts and other instruments to supplement earnings

Investment policy by target

Investment target	Future policy	Trend
JPY-denominated bonds	<ul style="list-style-type: none"> Intend to curb investment in a low-interest-rate environment 	↘
Foreign currency-denominated bonds	<ul style="list-style-type: none"> Intend to temporarily reduce balances in response to rapid interest rate hikes, but consider investments depending on market conditions 	↘
Stocks	<ul style="list-style-type: none"> Intend to invest by time diversification and trade stocks according to market conditions 	→
Investment trusts, etc.	<ul style="list-style-type: none"> Intend to increase investment depending on timing in terms of both income & capital gains 	↗

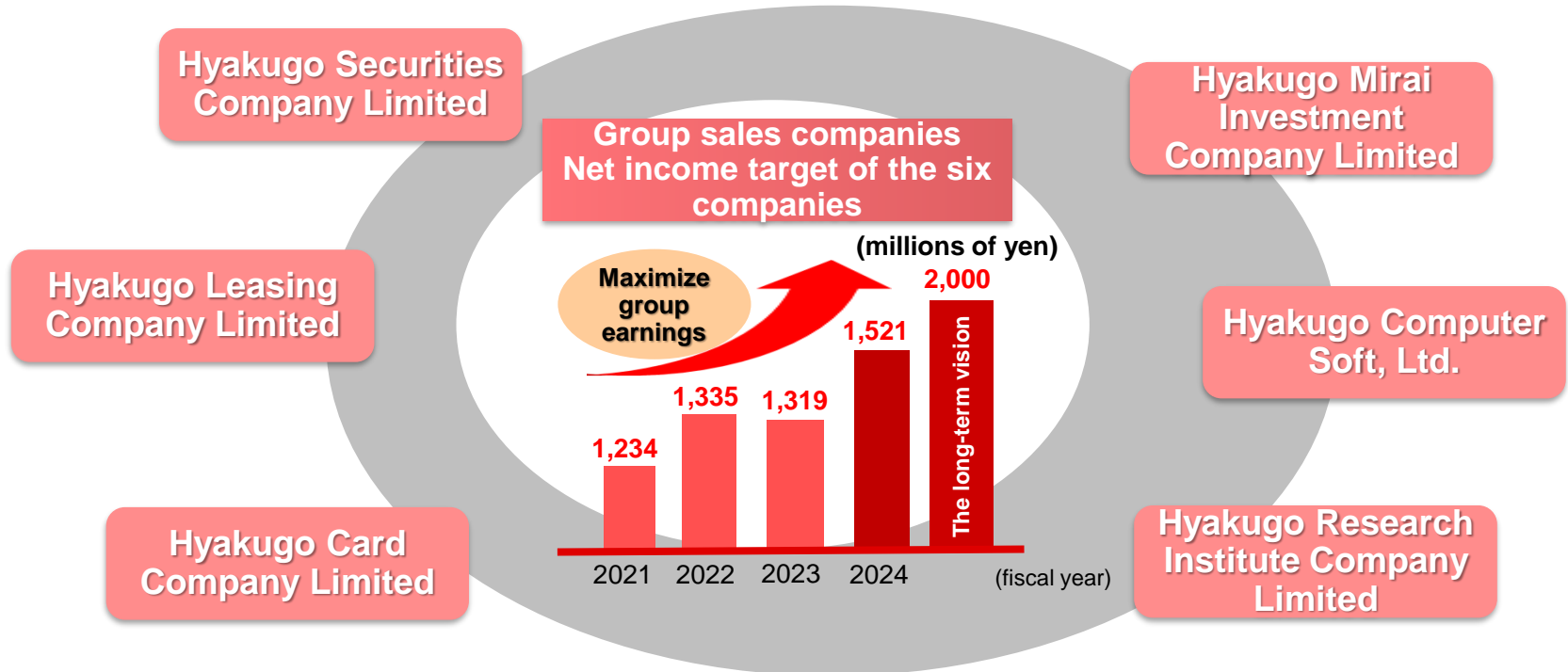
Securities portfolio plan



Secure stable income by diversifying investments and utilizing investment trusts

Review and rebalance investments according to market trends to improve portfolio quality

Provide comprehensive financial services as an integrated group to maximize group earnings



Contribute to local communities through job creation for people with disabilities

Hyakugo Kanri Service Company Limited (special affiliated company)

Employment rate of persons with disabilities

- Create new job opportunities for persons with disabilities through job creation, such as outsourcing existing operations, bringing outsourced operations in-house, and considering new business types
- Strengthen initiatives to promote diversity through employment of persons with disabilities

Initiatives to support regional problem-solving

Consider regional trading company business

Establish a new company

- Consider a mechanism to maximize the appeal of the region through the use of companies such as "advanced banking service companies"
- Support sales channel development, branding, etc.

Strengthen initiatives to support human resources

Hyakugo Staff Service Company Limited (Expand fee-charging job placement services)

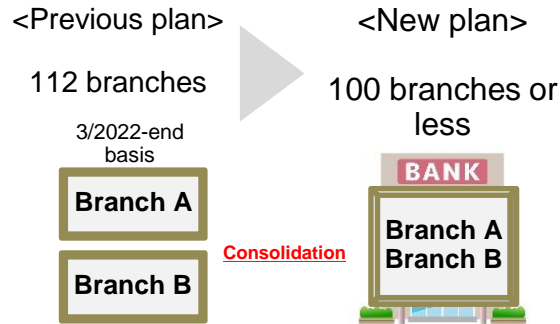
- Promote human resource matching through expanded placement and recruiting services
- Participate in "matching business for leading human resources" (Cabinet Office)
- Participate in the project to promote the matching of human resources for local business management * REVICareer (FSA)

Aim to build an optimal sales structure by developing a channel strategy that captures the changing needs of customers

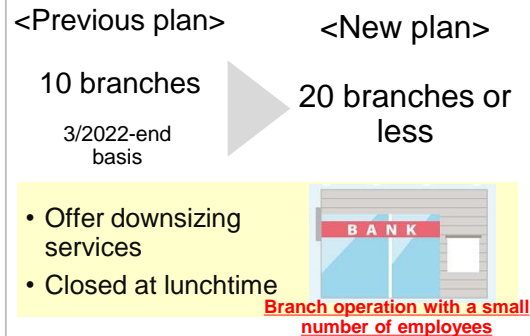
Optimize the branch network

- Consolidate branches using the branch-in-branch method to reduce the total number of branches to 100 or less (a reduction of 30% or more from the peak level*) * Compared with 1995
- Accelerate the downsizing of branches to respond to the decline in the number of customers and the consolidation of deposit asset sales

No. of branches



No. of compact branches



Higher efficiency

Create available personnel **48 persons**

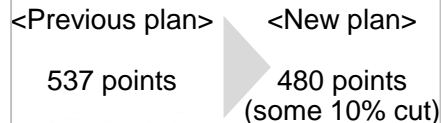
Reduce property costs **89 million yen per year**

Reduce CO₂ **240 tons per year**

Reduce ATMs

Review existing ATMs

[Investigate ATM utilization rates by location]



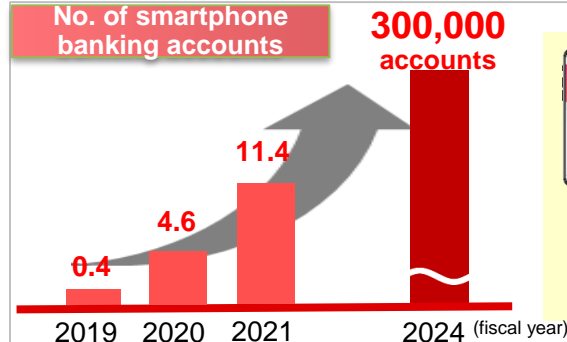
Strategic relocation

[Install ATMs in Aichi]
Consider installing ATMs in areas where none exist

Streamline ATM channels

Enhanced smartphone banking

No. of smartphone banking accounts



Consider and promote functional expansion

To enable customers to make the same transactions on their smartphone as they would at a branch

Strengthen the management system by responding to changing regulations and addressing new risks as needed

Compliance with new regulations

- Compliance with Basel III
 - Apply Basel III finalization to risk-weighted asset calculations
 - Review the method of calculating operational risk equivalent amount



Identification and disclosure of new risks

- Understanding climate change risks (including TCFD)
 - Disclose physical and transition risks
 - Continue disclosing climate change risks
 - Understand the Hyakugo Bank Group's energy consumption



Sophisticated anti-money-laundering and anti-terrorist financing

- Establish a strong anti-money-laundering system
 - Fully implement ongoing customer management
 - Manage and enhance Hyakugo Bank Group's proprietary database
 - Reinforce the transaction monitoring system



Long-term initiatives to enhance corporate value

- Strengthening corporate governance
 - Diversify the board of Directors further
 - Systematically reduce policy shareholdings
 - Establish a flexible business auditing system



Build an environment in which each member of our diverse human resources feels fulfilled in their work and can maximize their abilities

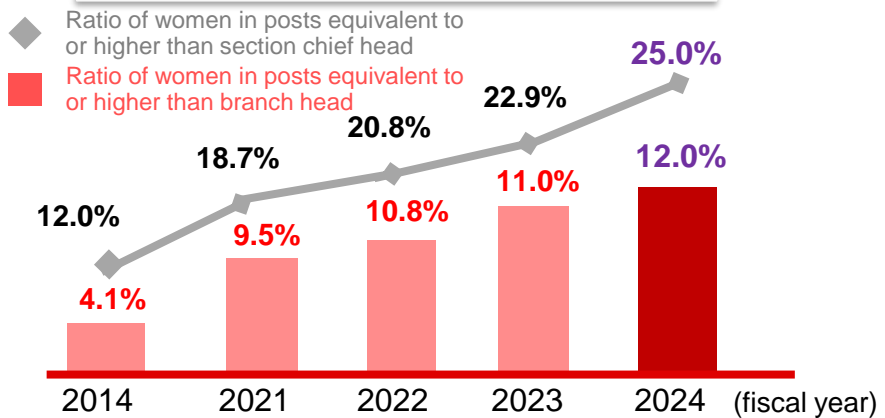
Career support for diverse human resources

- **Promote women's participation**
 - Provide stronger career support (reduction of prescribed working hours, inclusion of childcare leave period in career)
 - Control unconscious bias (training and study sessions)
 - Provide equal opportunity for training, placement, and evaluation
 - Change management's awareness
- **Promote diversification of human resources and improve the environment**
 - Support for retention of persons with disabilities
 - Encourage male workers to participate in childcare
 - Various responses to LGBTQ (sexual minority)

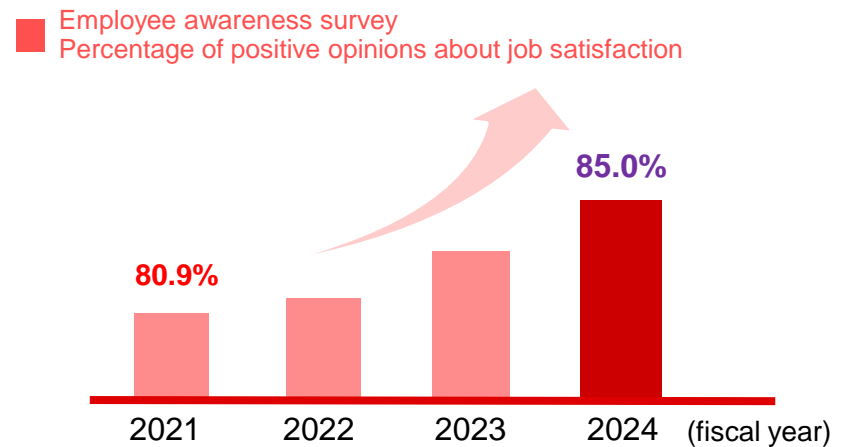
Well-being management practices

- **Enhanced employee well-being**
 - Conduct activities to improve job satisfaction, starting with employee awareness surveys
 - ⇒ Solidarity-building
 - Correct long working hours by improving operational efficiency
 - ⇒ Fulfilled work-life balance
 - Distribute tablets to the child-rearing generation
 - ⇒ Promotion of diversified working styles
 - Support the success of diverse human resources
 - ⇒ Diversity and inclusion practices

Ratio of female managers



Percentage of positive opinions about job satisfaction



The Bank is implementing a wide range of SDG/ESG-related initiatives

Mie Prefecture's Scheme for Registering SDGs Promotion Partners

Efforts to promote and raise awareness of the SDGs in the region

The Bank signs a collaboration agreement to promote SDGs

Hyakugo Bank × Mie Pref. × Tokyo Marine & Nichido

Support registration of local businesses

Positive impact finance

Initiatives to support both the resolution of local social issues and economic development

Green deposit

Environmental conservation efforts through the handling of green deposits

Obtained third-party evaluation by R&I

First in Japan! Developed JPY-denominated green deposits

The Bank received the 7th (2021) Sustainable Finance Awards "Regional Finance Award"

Obtained third-party opinion by JCR

- SDGs promotion
- Decarbonization, etc.

Support customers' efforts to increase positive economic, social, and environmental impacts and mitigate negative impacts