

Medium-term Management Plan

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

Aiming to Transform into a Green & Consulting Bank Group

Progress

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
II	Strengthening Business Model	2	Strategy to Enhance Loan Income and Fees and Commissions
		3	Securities Strategy
		4	Group Company Strategy
III	Increased Productivity	5	Channel Strategy
		6	IT Strategy
IV	Strengthening Management Foundation	7	Human Resources Strategy
		8	Governance Strategy
		9	Organizational Strategy
V	Increased Awareness of SDGs/ESG	10	Diversity Strategy
		11	SDGs/ESG Strategy

KGI items are generally progressing as planned, as we aim to achieve targets in the first year of the Medium-term Management Plan

		FY 3/22, actual	FY 9/22, actual	FY 3/25, target (Final targets of the Medium-term Management Plan)
KGI	Consolidated net income	13.4 billion yen	7.4 billion yen	15 billion yen or more
	ROE in consolidated net assets	3.36%	3.79%	3.50% or more *
	Core OHR	62.24%	63.07%	Less than 67%
	Equity Ratio	9.84%	9.66%	11% or more
KPI	Housing loan-related fees	3.4 billion yen	1.6 billion yen	4.4 billion yen
	Commissions related to depository assets	2.8 billion yen	1.3 billion yen	3.4 billion yen
	Corporate solutions fees	2.7 billion yen	1.3 billion yen	3 billion yen
	Number of personnel with professional qualifications	336 persons	364 persons	450 persons

* Aiming for 5% in the long term

Target for the end of FY2030

Greenhouse gas emissions

To achieve **net zero emissions** (Scope1,2)

Amount of sustainable finance executed

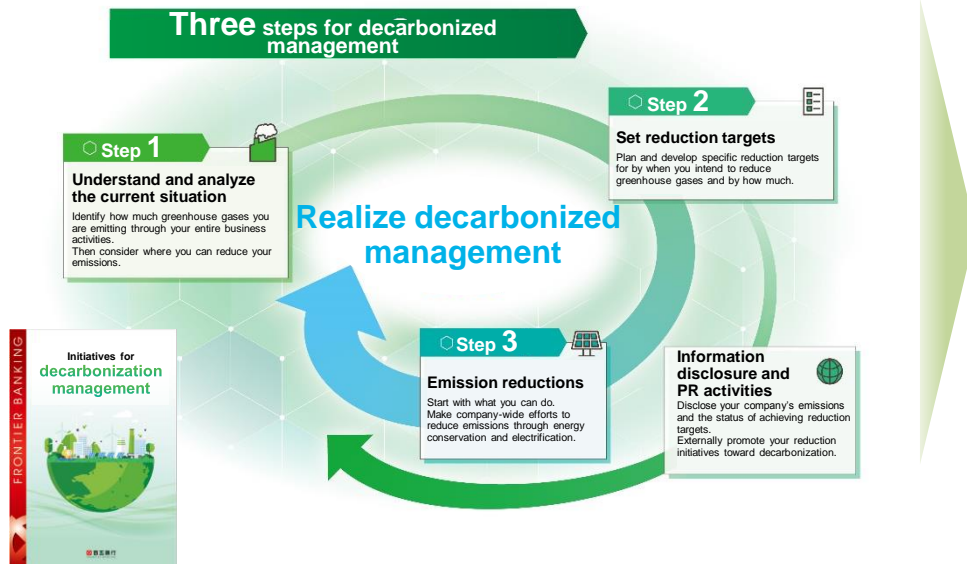
1 trillion yen (Of which, more than 500 billion yen is environment-related loans)

* Cumulative total since FY2022

The Bank implemented initiatives to support local decarbonization

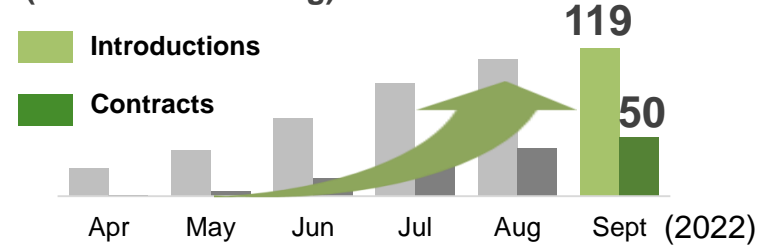
Initiatives to support decarbonized management

The Bank provides support for each step in the process of achieving decarbonized management, as well as for the identification of needs



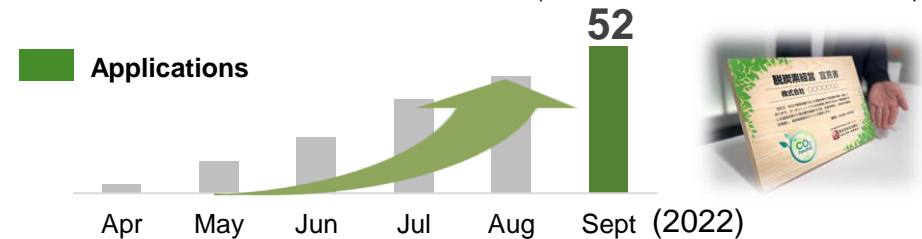
Support for calculation of greenhouse gas emissions (business matching)

(cumulative number of contracts)



Hyakugo Decarbonization Support Services*

(cumulative number of contracts)



* Support for the development of reduction simulations, delivery of declarations, and posting of activities on the Bank's website

Initiatives in cooperation with local governments

The Bank signs agreement with Tsu City to promote decarbonized management

Concluded in September 2022

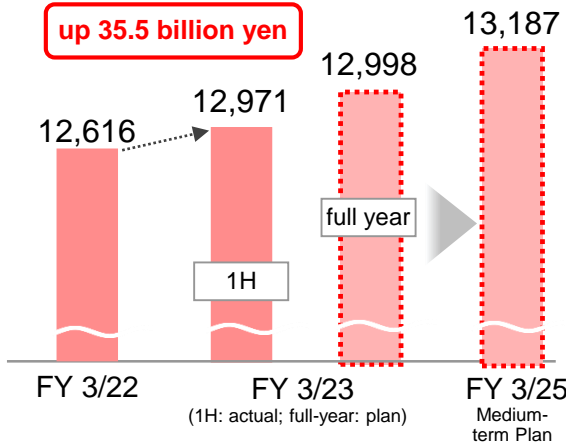
Partnership Agreement on the Promotion of Decarbonized Management to Achieve Carbon Neutrality

Both parties work together to promote awareness and support for decarbonized management so as to achieve carbon neutrality

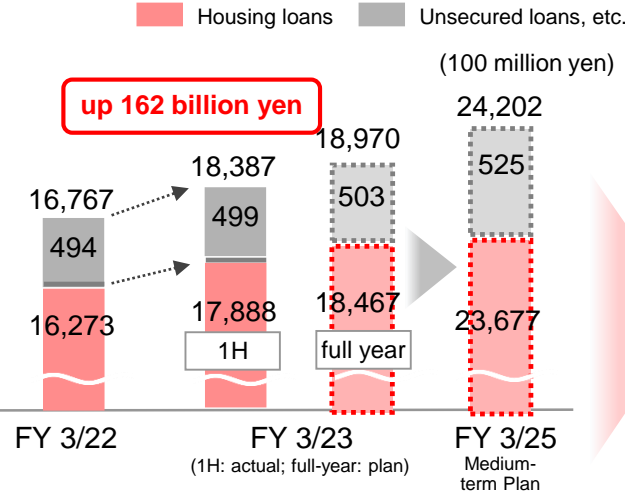


Steadily increase loans to small and medium-sized businesses and consumer loans in the region, leading to an increase in loan and service revenues.

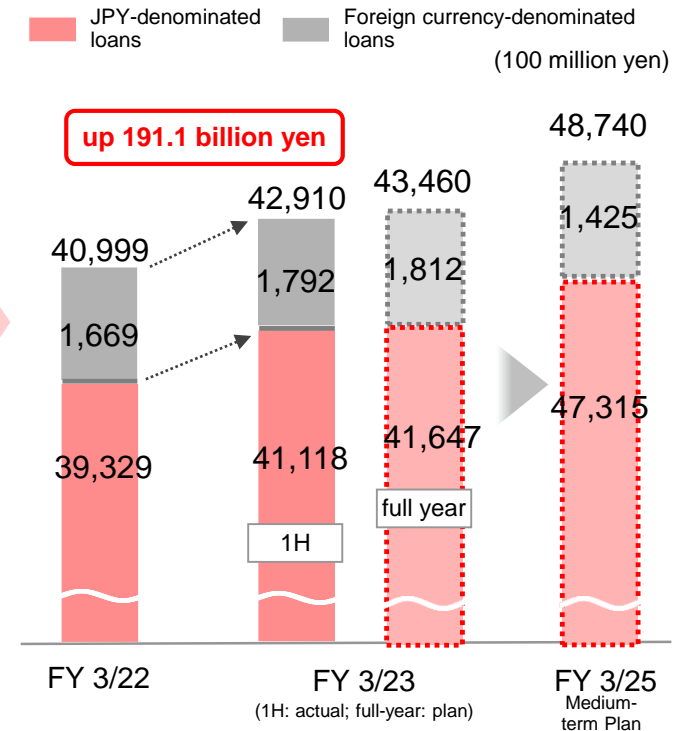
Loans to medium-sized companies and SMEs in the region (100 million yen)



Consumer loans (100 million yen)



Total loans Average balance plan (100 million yen)

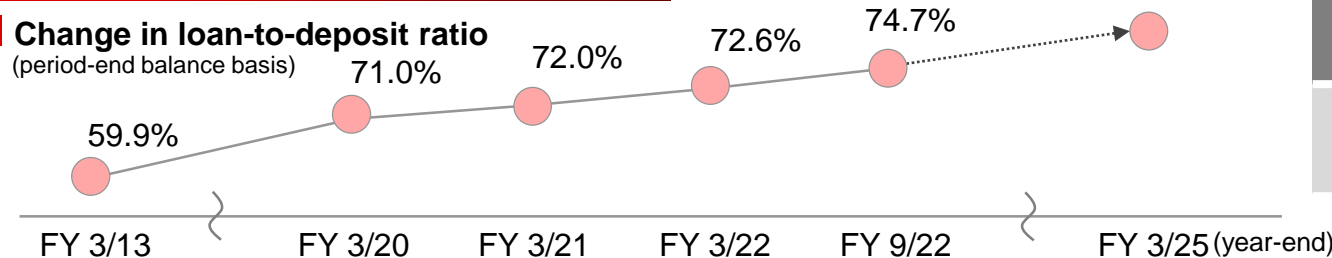


Foreign currency-denominated loans Average balance plan

- Focus on investment-grade companies and projects with good quality guarantees
- Diversify in terms of industries, regions, and schemes, and build up balances prudently

Increase in loan-to-deposit ratio

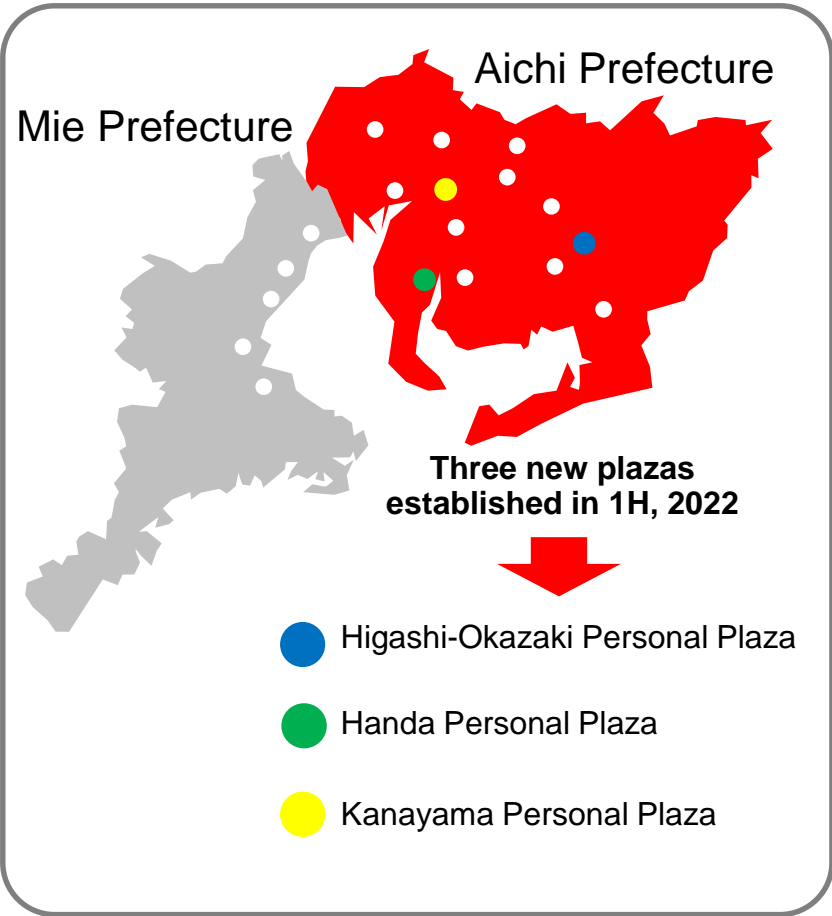
Change in loan-to-deposit ratio (period-end balance basis)



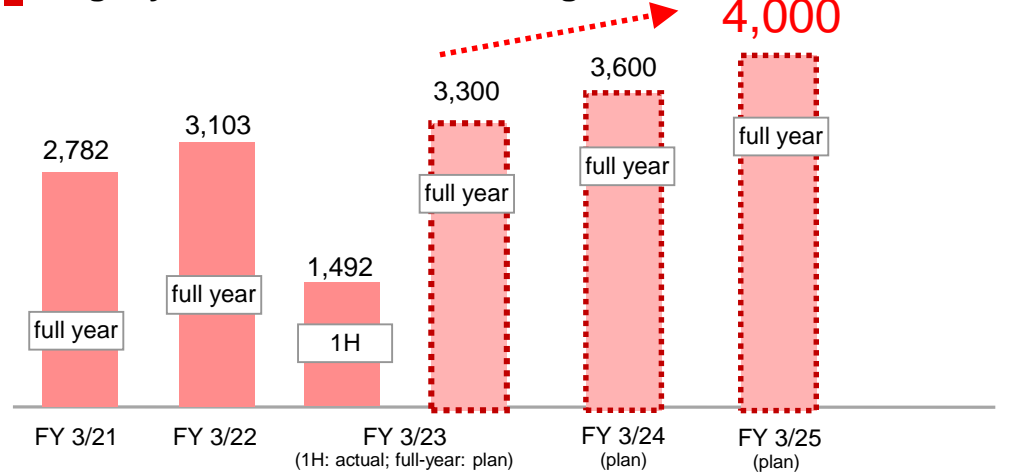
FY 9/22 (actual)	FY 3/25 (Medium-term Plan)
74.7%	80.0% or more

All new personal plazas are now opened, creating a structure capable of acquiring 400 billion yen annually

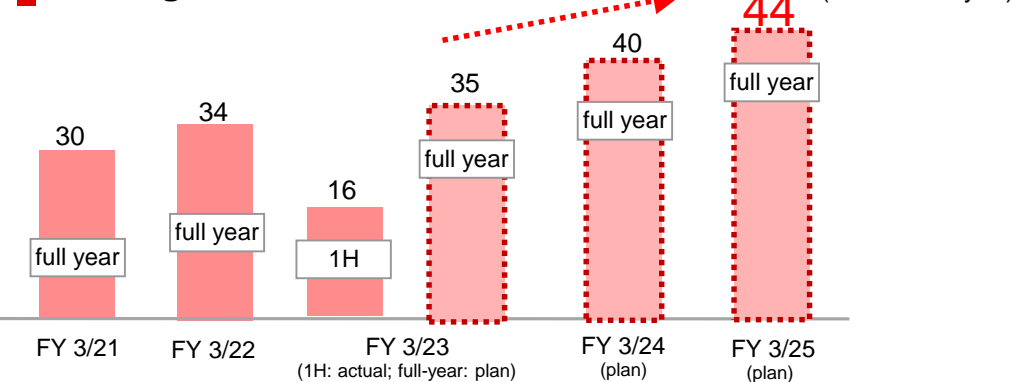
Build a housing loan promotion bases



Single-year execution of housing loans (100 million yen)



Housing loan-related fees (100 million yen)



Increase in housing loans

Ranked first among regional banks nationwide for the third consecutive year (FY 3/2020 – FY 3/2022)

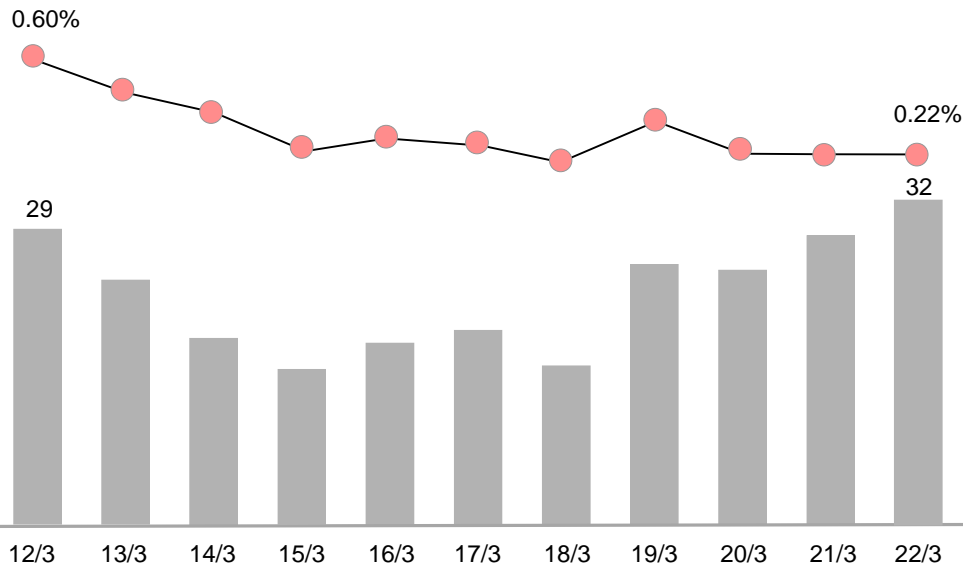
* From Nikkin Reports Three consecutive years are year-on-year comparisons at the end of March 2020, March 2021, and March 2022.

Financial health is maintained even as balances increased. Further streamline housing loan operations

Housing loan delinquency and default status

Delinquent loan balance and rate

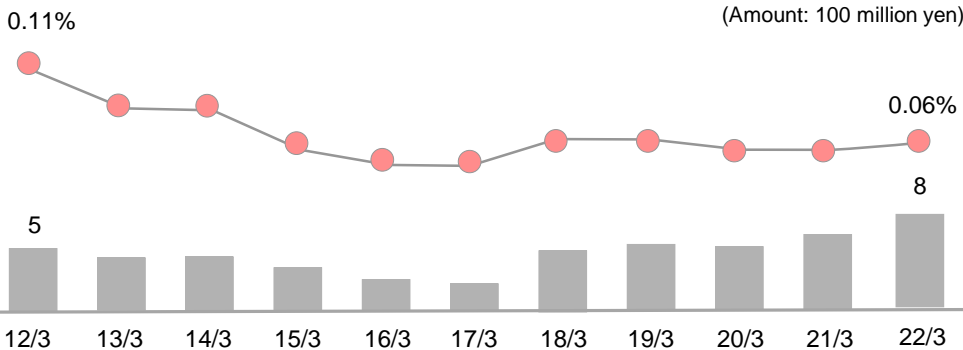
(Balance: 100 million yen)



Amount and rate of defaults, etc.

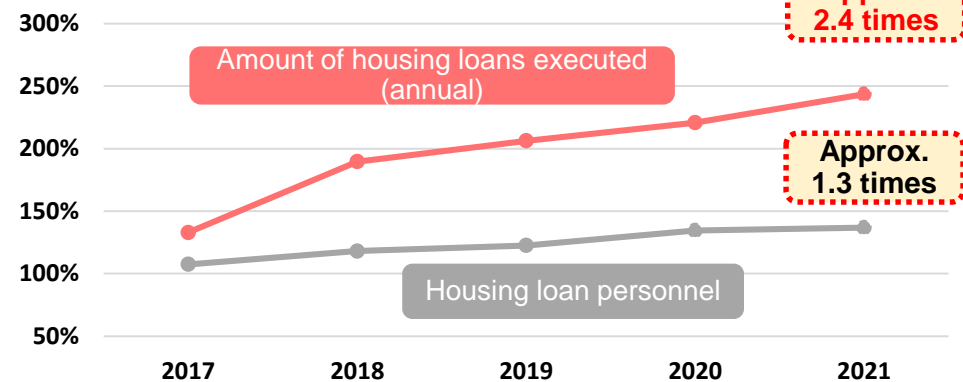
* Including guaranteed loans (payment under guarantee)

(Amount: 100 million yen)



Streamline housing loan operations

Amount of housing loans executed and growth rate in housing loan personnel (Compared with 2016)



Outcomes for FY2017 through 1H 2022

Centralized paperwork at headquarters: 18,800 hours

Systematized loan terms management: 6,700 hours

Simplified loan administration: 5,100 hours

Preprinted contract documents: 3,800 hours

Successful in reducing office workload of over 50,000 hours

Equivalent to a reduction in workload of approximately 40 persons

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, 7 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 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



Commissions related to depository assets (Hyakugo Bank)

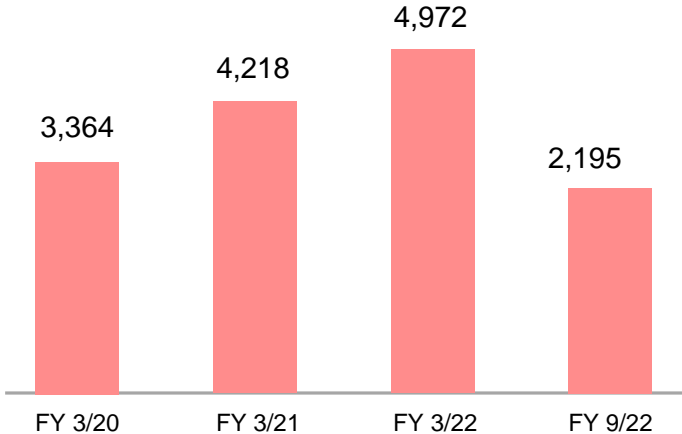
(Million yen)

* Breakdown of four major items

	FY 3/22 (actual)	FY 9/22 (actual)	FY 3/25 (Medium-term Plan)
Investment trusts	1,496	482	1,569
Insurance	866	612	1,245
Financial instruments brokerage	404	183	505
Defined contribution pension	124	71	153
Total	2,892	1,358	3,497

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

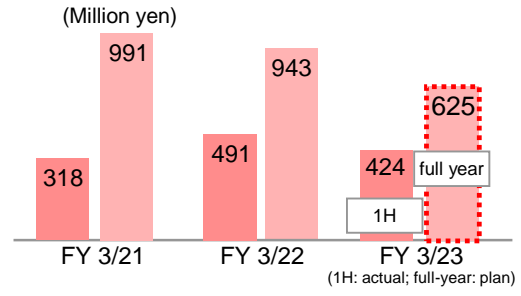
(Million yen)



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

Increased corporate solutions fees

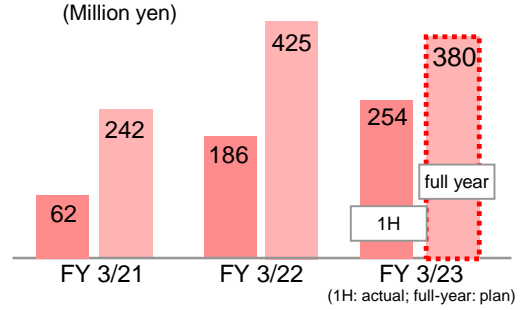
Structured finance-related fees



424 million yen
(Results as of Sept. 2022)

◇ Provide financing methods in line with customers' needs, and engage in PPP/PFI project financing

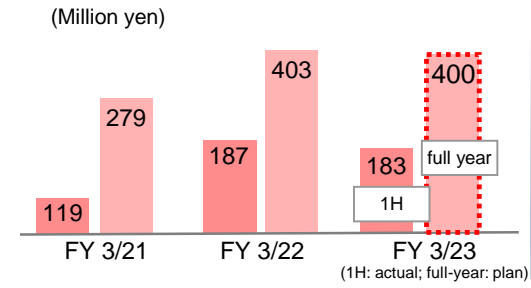
M&A fees



254 million yen
(Results as of Sept. 2022)

◇ Support companies in resolving business succession issues and further growth strategies through M&A operations

Business matching fees

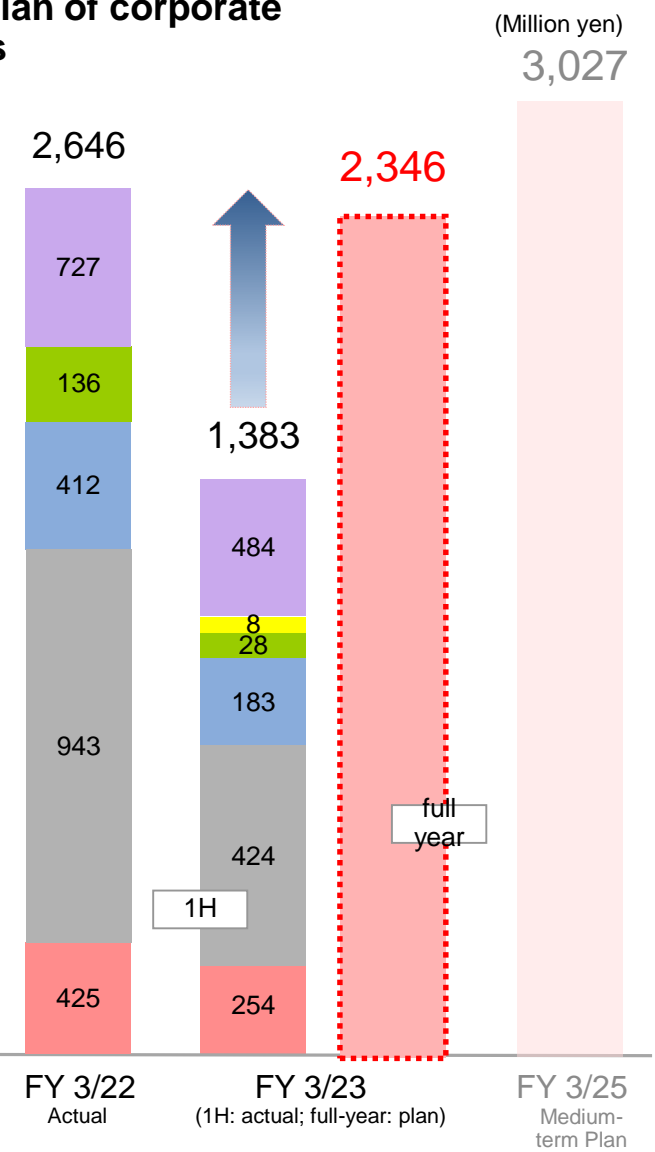


183 million yen
(Results as of Sept. 2022)

◇ Facilitate business matching based on current trends such as active use of construction benchmarking for business expansion, decarbonization, and digital transformation

Results and plan of corporate solutions fees

- M&A fees
 - Structured finance-related
 - Business matching
 - Private placement bonds
 - ICT and SDGs consulting
 - Other
- * Excluding income from derivatives



Examples of initiatives that demonstrate the Bank's consulting capabilities — promotion of structured financing

Promotion of project finance for PPP/PFI

Project finance for PPP/PFI

*Recent PPP/PFI Initiatives



Project size: approx. 49.6 billion yen

©2021(株)瑞穂LOOP-PFI
Project for development of Nagoya City Mizuho Park Athletic Field, etc.
(*Image is for reference only)



Project size: approx. 15.9 billion yen

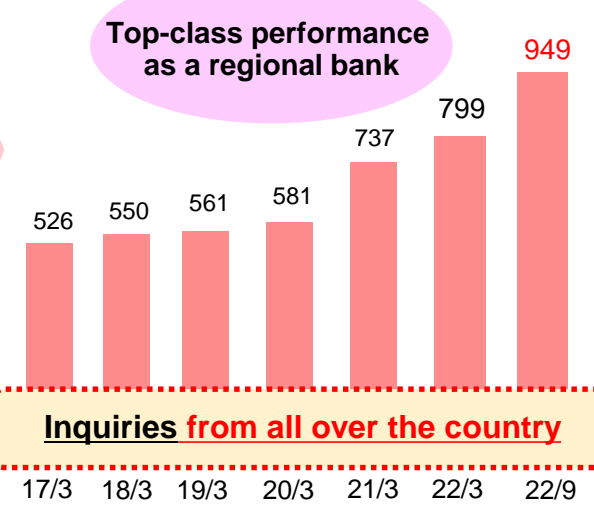
Project for development of No.4 regional government building in Nagoya



Project size: approx. 4.7 billion yen

Project for development and operation of Suzuka Youth Center and Suzuka Youth Forest

Cumulative total of PFI loan underwritten (100 million yen)



Projects participated in 1H 2022: 5
Of which, projects where the Bank served as the arranger: 5 projects

Participation in PPP/PFI projects nationwide

Prefecture	No. of projects	Cumulative no. of participating projects
Aichi	22	63 projects
Tokyo	8	
Osaka	9	94.9 billion yen of which
Mie	7	
Kanagawa	5	
Shizuoka and elsewhere	12	34 arranger projects approx. 51.4 billion yen

Hyakugo Bank Group companies strengthen collaboration in PPP/PFI projects

Group collaboration

- Hyakugo Bank**
- Financing service
 - Monitoring service



- Hyakugo Research Institute Company**
- Financial advisory services
 - Project management support services



Project name:
Project for development and operation of health promotion facilities

Implementing local government:
Nishichita Medical Service and Public Welfare Association (Partial administrative association consisting of Tokai and Chita cities)

Project operator:
Nishichita Health Promotion Partners Co., Ltd.

Description:
The project is to establish, maintain, and operate a new health promotion facility for the purpose of promoting the health and welfare of citizens.

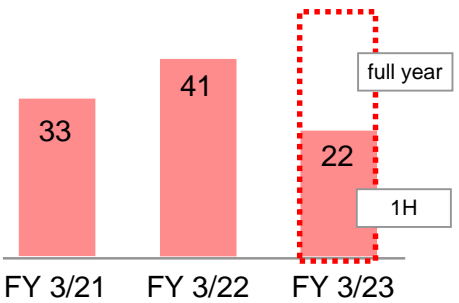
Enhance the scheme to support business succession as part of the Bank's commitment to sustainable community development, and increase earnings also

Support for business succession

Number of consultations on business succession

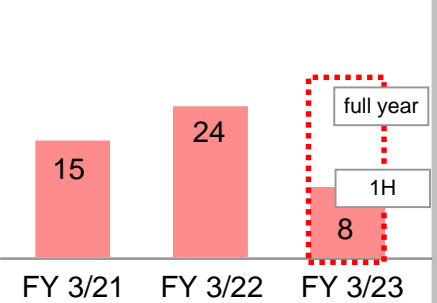
(Consultations)

* Including partner companies



Number of client companies for M&A

(Client companies)



Received the Regional Contribution Award of the M&A Bank of the Year



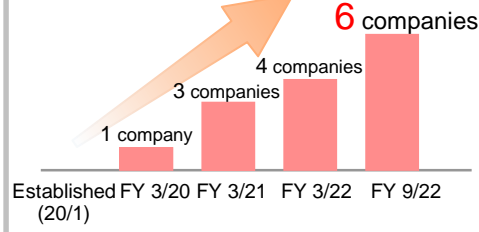
- The "M&A Bank of the Year" is an annual award given to regional banks by the Nihon M&A Center Inc. The Hyakugo Bank received the Regional Contribution Award (Tokai Area) for its contribution to the local community through M&A operations
- The Bank will continue to focus on regional development through M&A operations

Enhance support through Hyakugo Mirai Investment Company

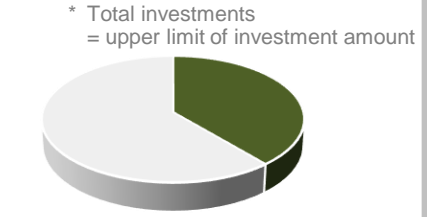
Management of business succession funds (AIDMA Nos. 1 & 2, fund of 3 billion yen each)

Investment in two new excellent companies in 1H FY2022

Cumulative number of client companies



Investment executed out of Fund No. 2



Status of investment destinations

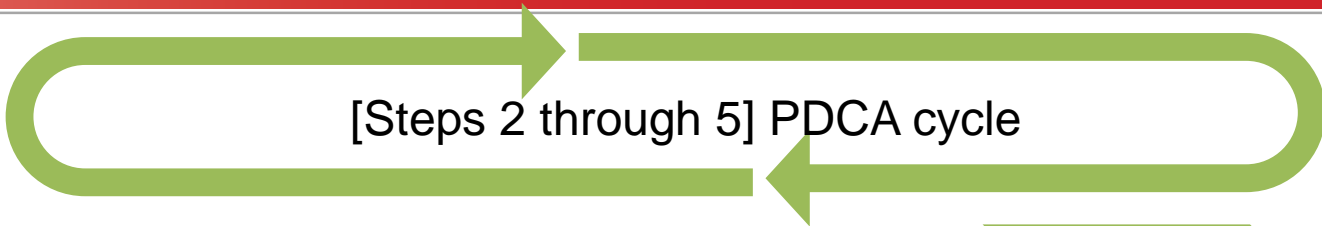


- Investments are progressing well, with AIDMA No. 1 having completed most of its available investment capacity, and the Bank has moved on to investments with No. 2
- The Bank intends to differentiate itself from other banks through wide-area expansion and specialization in the field of business succession, while focusing on the Tokai area.
- The Bank will continue investment aimed at providing interactive management support

Implement an “essential” SDGs support system to help businesses realize sustainable corporate activities — Promotion of SDGs consulting

Total support for essential SDGs

Launched in April 2022
The Bank has offered support to 31 companies



Seminars for management and employees

The Bank holds seminars and workshops to help client companies build an environment in which they can engage in company-wide initiatives.

**Support for SDGs relevance analysis
Support for SDGs declaration**

The Bank analyzes the relevance between business activities and the SDGs with its original screening sheet. Client companies create an SDGs declaration after determining their priorities.

Support for setting their own SDGs (KPIs)

The Bank helps client companies set their own goals (KPIs) for their priorities. It also provides guidance on an individualized menu to achieve their goals.

Support for review of monitoring plan

The Bank confirms the progress and works with client companies to review and propose a future course of action.



* Participants playing SGS card game



Send out the latest information on local products overseas and support the expansion of exports of local products

Sending out of overseas local information

[Seminars to send out information]

Seminar title
Seminar on business related to Hawaii
Hyakugo webinar on business in China

Provides up-to-date, overseas local information through collaboration with partner institutions and overseas financial institutions

Holds physical seminars after the COVID-19 regulations were lifted

[Collaboration with overseas partner institutions, embassies, and consulates]

(In collaboration with the Board of Investment of Thailand)

(In cooperation with the Consulate General of Indonesia in Osaka)

Support for expansion of exports of local products

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

14 LIFE BELOW WATER

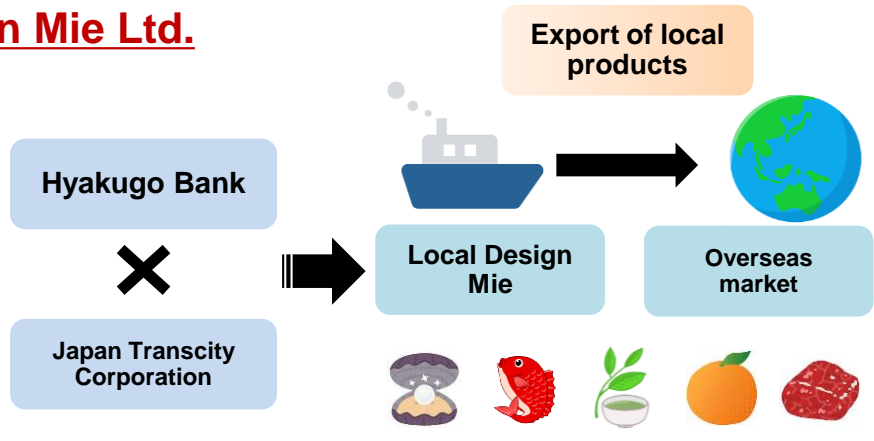
15 LIFE ON LAND

Establishment of a joint venture with a general logistics company

Local Design Mie Ltd.

[Established]
October 5, 2022

[Business description]
Import and export of agricultural, forestry and fishery products, etc.
Support for sales channel development
Consulting services



Organize seminar events to promote local exports
Co-sponsored by Hyakugo Bank, Japan Transcity Corporation, Japan Finance Corporation

About 80 people from prefectures, cities, towns, and other related organizations participated

地域総輸出時代の到来
～地域の魅力再発見とサステナブル農業～
主催：日本トランスシティ 百五銀行 日本政策金融公庫
後援：農林水産省 東海農政局
2022年10月6日(木) 13:30～16:30

Logos for RANCY, 百五銀行, and 日本政策金融公庫.



Restrained reinvestment in yen-denominated bonds as the economy is under a negative interest rate policy. Reduced foreign currency-denominated bonds, mainly fixed-income bonds, in response to rising interest rates in Europe and the U.S.

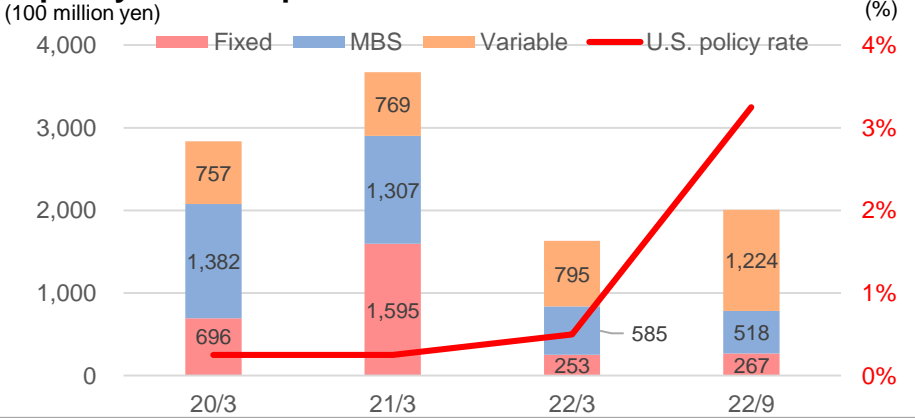
Changes in securities portfolio

Continuing downward trend in securities balances



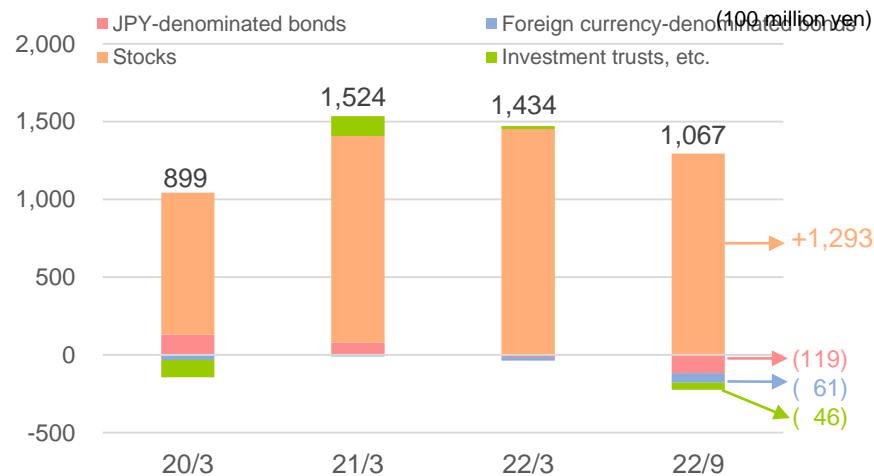
Changes in foreign currency-denominated bonds

Reduced fixed bonds and MBS balances during the U.S. policy rate hike phase



Valuation gains (losses) on securities

Unrealized gains of over 100 billion yen mainly in equities



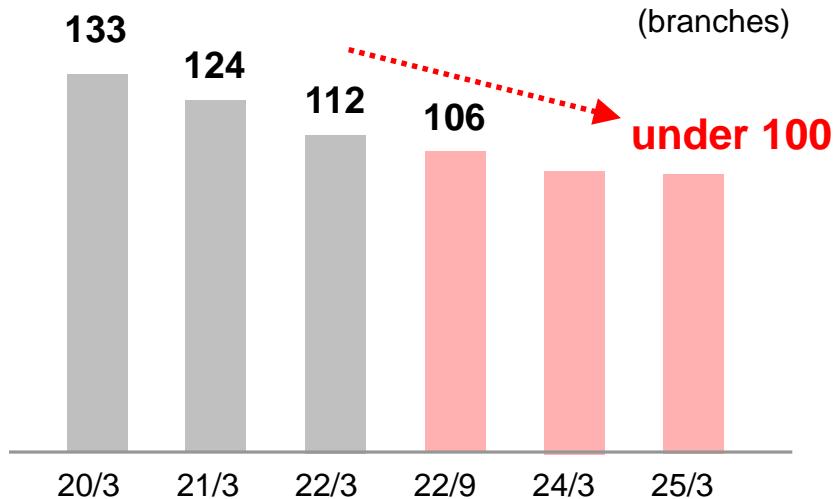
Aim to build an optimal sales structure by developing a channel strategy that captures the changing needs of customers

Optimize the branch and ATM network

Consolidation of branches through branch-in-branch method

Plan

Aim to reduce number of branches to less than **100** over the three years of the Medium-term Management Plan

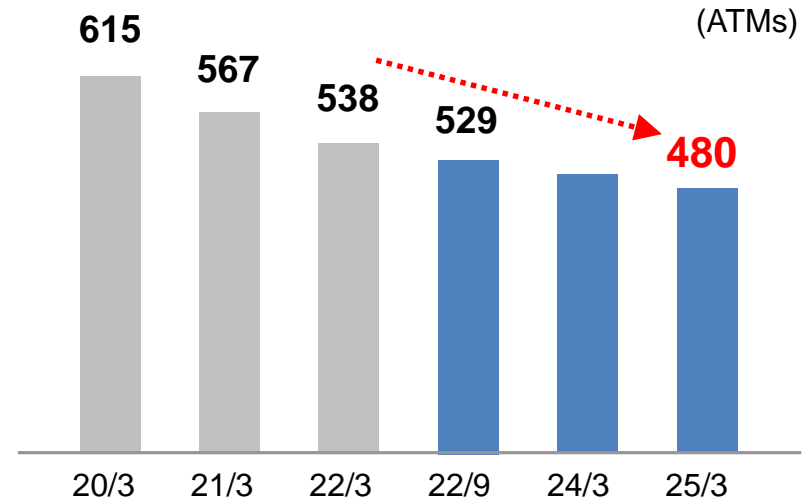


As the non-face-to-face channel has become usual practice, the Bank seeks to reorganize its branches with a view to the future of banking branches

Review of ATMs

Plan

Aim to reduce number of ATMs by **10%** over the three years of the Medium-term Management Plan

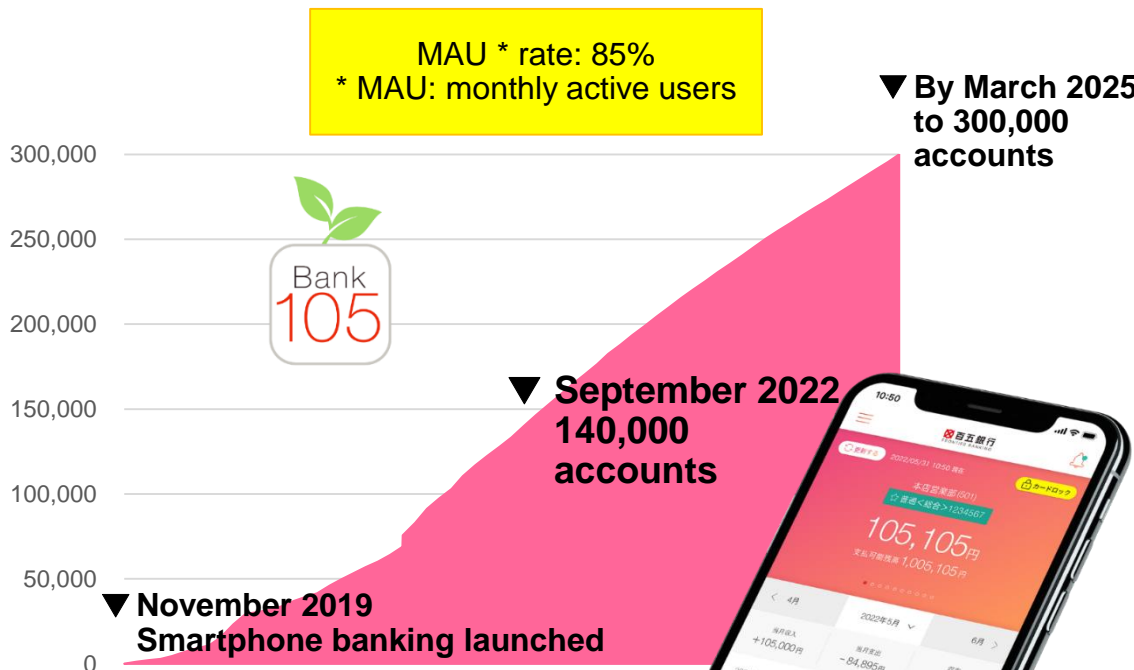


Consider the operating status of each ATM and optimize the number of ATMs to secure both convenience and cost reduction

Establish alternative customer contact channels to physical branches

Enhanced smartphone

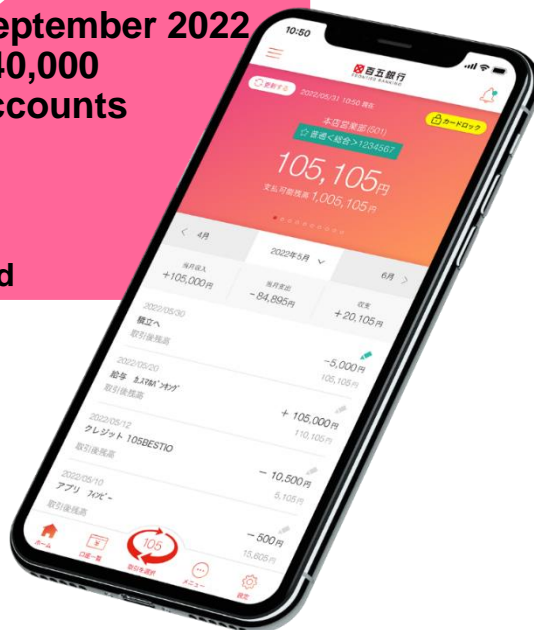
Changes in smartphone banking accounts



SDGs
Improved paperless operation

×

Digitization
Increased convenience



Evolution of smartphone banking

UI and UX Improvement

Now larger “select transaction” button on the home screen
Transaction icons are all on the menu screen



New functions

Opening of foreign currency savings accounts
App users can open accounts for 3 currencies (USD, AUD, and EUR)
Payee registration
App users can register payees



Upcoming functions and improvements

— For release in spring 2023

New function
L-30 application (general account overdraft)
Upcoming improvements

- Customers will be able to use IC reading functions such as My Number Card when changing their personal information.
- Customers will be required to register their mobile phone number (for enhanced registration)



Advance consulting and digital human resource development

Hyakugo professional personnel (consulting and digital human resources)

[Consulting human resources]

- Corporate long-term trainees
- Corporate medium-term trainees (engaged in multiple duties within the Bank)
- Short-term trainees for various operations, etc.

Hands-on training

Expand training to further enhance the skills of qualified personnel

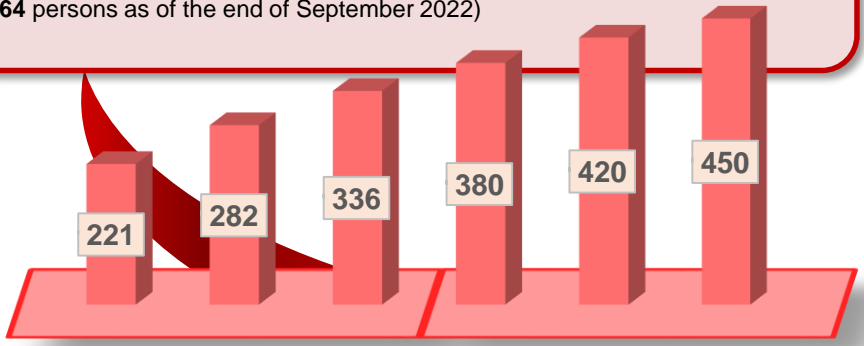
[Digital human resources]

- Medium-term trainees for data utilization (engaged in multiple duties within the Bank), etc.

* "Engagement in multiple duties" refers to holding two positions concurrently

Professional qualifications
1st grade certified skilled professional of financial planning, CFP, registered SME management consultant, tax accountant, labor and social security attorney, securities analyst, certified internal auditor

450 personnel with professional qualifications
1 in 4 to 5 bank employees
(364 persons as of the end of September 2022)



Results in FY 3/20 in FY 3/21 in FY 3/22 Target in FY 3/23 Target in FY 3/24 Target in FY 3/25

Target 500 people to pass IT Passport Exam
1 in 4 to 5 bank employees
(187 persons as of the end of September 2022)



Results in FY 3/20 Results in FY 3/21 Results in FY 3/22 Target in FY 3/23 Target in FY 3/24 Target in FY 3/25

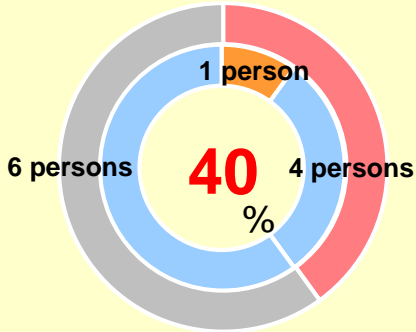
Strengthen the management system by responding to changing regulations and addressing new risks as needed

Appointment and diversification of outside officers

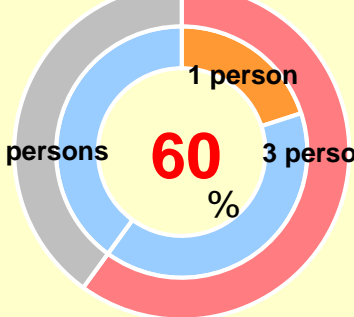
Ratio of outside officers

* As of September 2022
 Outside (Red) Inside (Grey) Female (Orange) Male (Blue)

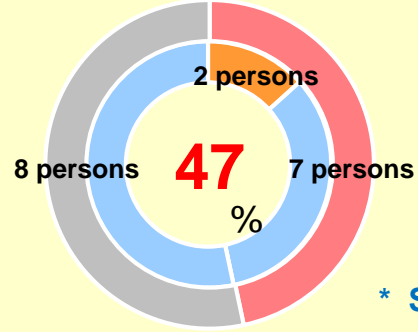
Ratio of outside directors



Ratio of outside corporate auditors



Ratio of outside officers



[Future policy]
 The Bank will make further efforts to appoint and diversify individuals who meet the independence requirements and who can contribute to the Bank's management

* Seven outside officers are all independent

Appropriate involvement and advice from outside officers

Corporate Governance Committee (non-mandatory nomination/compensation committee)

Chair is elected from among **outside directors**

Title	No. of persons
Outside directors	4
Inside directors (representative director)	2
Total	6



Decision-making of Board of Directors
 for higher **transparency**
 for higher **objectivity**

[Functions]
 Providing advice on the following matters to Board of Directors

- Matters concerning candidates for directors and corporate auditors
- Matters concerning compensations, etc. to directors
- Other significant matters concerning management (such as fostering of successors and initiatives for diversity)

* No. of officers as of September 2022

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

Human rights policy

The Hyakugo Bank will not tolerate discrimination or infringement of human rights on the basis of nationality, race, ethnicity, family origin, social status, religion, creed, gender, sexual orientation, gender identity, disability, or anything in any situation. [Excerpts from the anti-discrimination provisions]

Health declaration

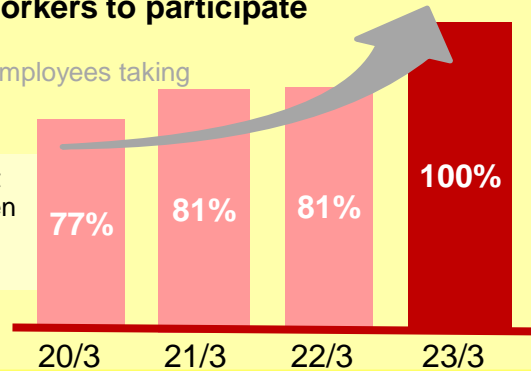
The Hyakugo Bank will seek to extend healthy life expectancy and commit itself to raising the health awareness of each and every employee and creating a workplace environment where all employees can work with vitality. [Excerpt]



Encourage male workers to participate in childcare

Percentage of male employees taking childcare leave, etc.

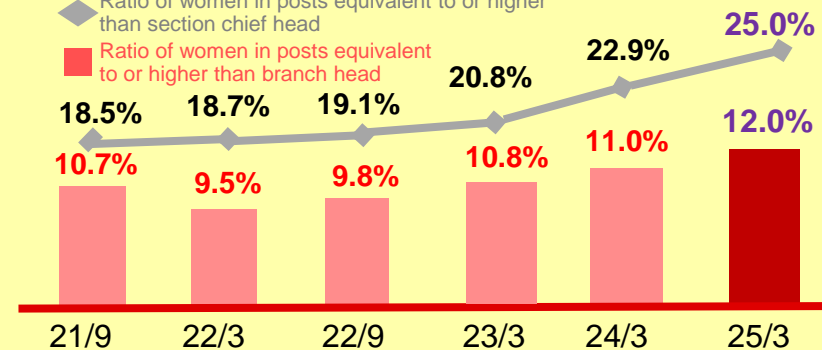
Create a work environment where both men and women can balance work and child rearing



Ratio of female managers

Ratio of women in posts equivalent to or higher than section chief head

Ratio of women in posts equivalent to or higher than branch head



Guidelines on diverse sexuality

- Established guidelines for better understanding of diverse sexuality and appropriate behavior
- Diversity and inclusion consultation desk



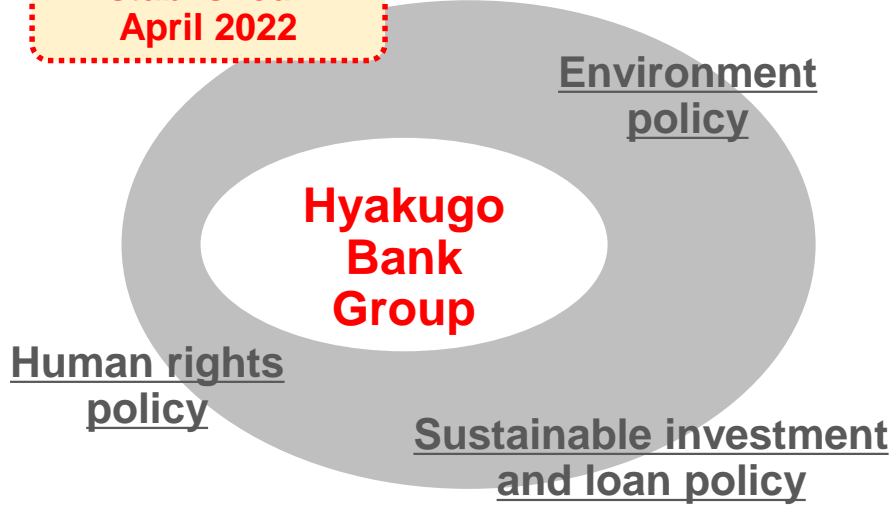
Career support for diverse human resources

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

Establishment of a new policy

Hyakugo Bank Group Sustainability Policy

Established in April 2022

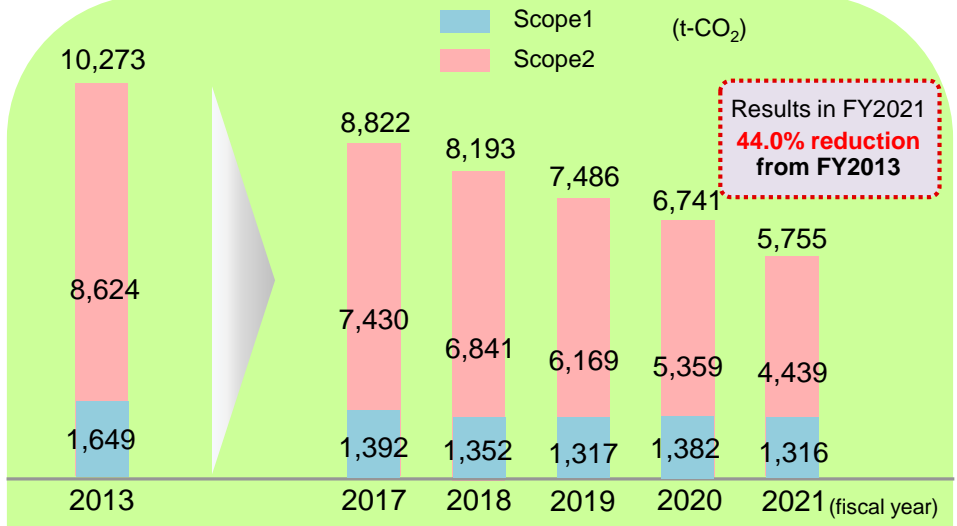


Greenhouse gas (GHG) emissions reduction targets

by the end of FY2030
To achieve net zero missions
 (Scope1,2)

Greenhouse gas (GHG) emissions

Changes in the Group's GHG emissions



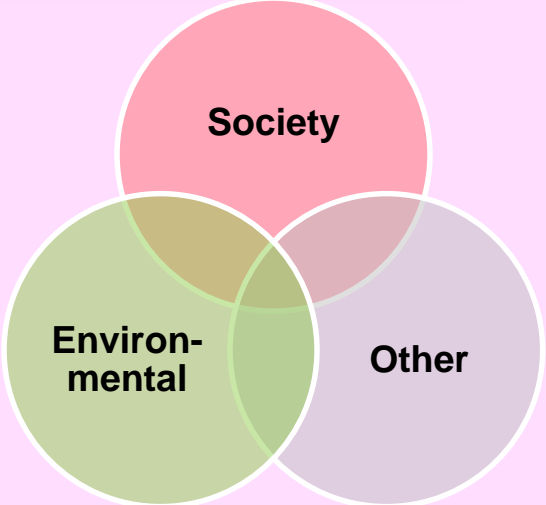
Support customers' decarbonization efforts and also promote GHG emission reduction initiatives at the Bank

Promote sustainable finance to create prosperous local economies

Definition

Definition of sustainable finance

Investments and loans that contribute to the realization of a sustainable society by resolving social and environmental issues



Targets and results

Target to be executed * Cumulative total at the end of FY2030

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

Actual amount executed * Cumulative total at the end of September 2022

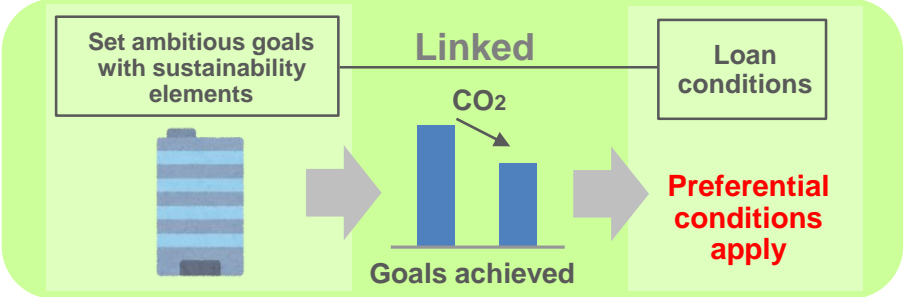
132.7 billion yen Of which, 22.3 billion yen in environmental sector

Product lineup

Support customers with products that conform to principles and guidelines

Sustainability-linked loans (SLLs)

Individual assessment, framework assessment



The Bank applies preferential loan conditions to companies that achieve ambitious goals, helping them increase their corporate value and realize a sustainable society

Positive impact finance (PIF)



Comprehensively analyze and evaluate the impact of corporate activities



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