

Medium-term Management Plan

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

Aiming to Transform into a Green & Consulting Bank Group

State of 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

The plan is generally on track, and the Group will promote various measures to achieve the final goals of the medium-term management plan.

		Results in FY 3/22	Results in FY 3/23	Targets in FY 3/25 (Final targets of the Medium-term Management Plan)
KGI	Consolidated net income	13.4 billion yen	14.4 billion yen	15 billion yen or more
	ROE in consolidated net assets	3.36%	3.65%	3.50% or more *1
	Core OHR	62.24%	63.78%	Less than 67%
	Equity ratio	9.84%	12.23%	11% or more
KPI	Housing-loan-related fees	3.4 billion yen	3.36 billion yen	4.4 billion yen
	Commissions related to depository assets	2.89 billion yen	2.8 billion yen	3.4 billion yen
	Corporate solutions fees	2.64 billion yen	2.9 billion yen	3 billion yen *2
	Number of personnel with professional qualifications	336 persons	371 persons	450 persons

*1. Aiming for 5% in the long term *2. Excluding income from derivatives

Target for the end of FY2030

Greenhouse gas emissions

Achieve **net zero** (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

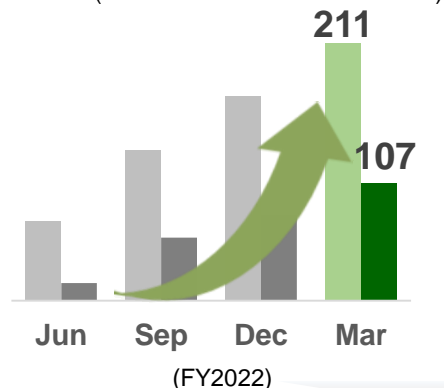
Initiatives to support decarbonized management

Assistance in calculating emissions (Business matching)

Introductions

Contracts

(cumulative number of contracts)

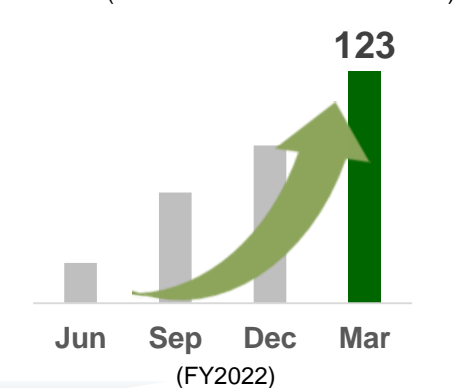


Hyakugo Decarbonization Support Services*

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

Applications

(cumulative number of contracts)



Providing various solutions to realize decarbonized management

The Bank starts handling the Mie Prefecture Credit Guarantee Association's "Decarbonized Management Support Guarantee."



Supporting businesses that engage in decarbonized management to achieve a sustainable society from a financial perspective

Initiatives in cooperation with local governments

The Bank signs agreement with local governments to promote decarbonized management

Partnership agreements on the promotion of carbon neutrality

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

Concluded in September 2022

Concluded in December 2022



Seminar on decarbonized management

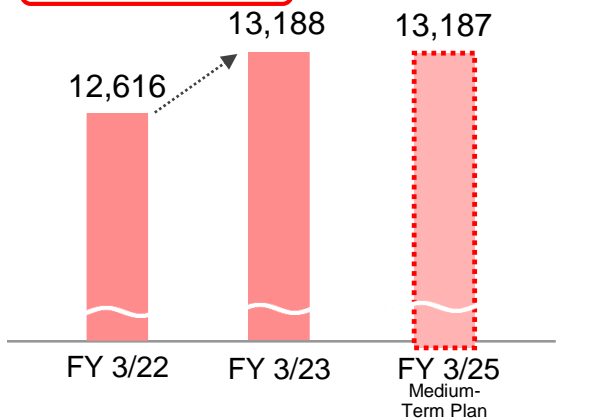
Based on the partnership agreement, the Bank and Tsu City jointly held a seminar for businesses in February 2023 to promote and raise awareness of decarbonized management.



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

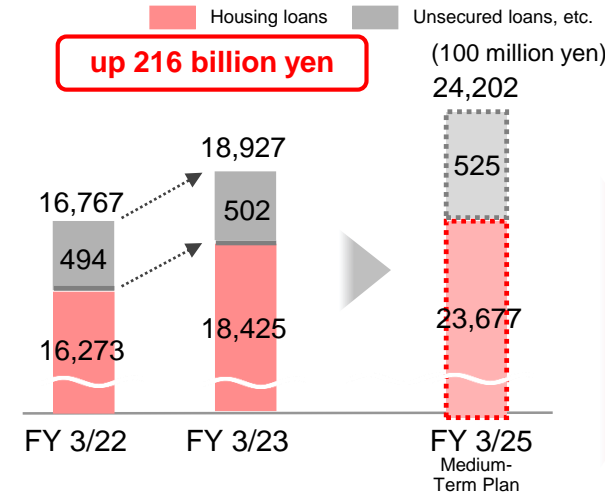
Loans to medium-sized companies and SMEs in the region

up 57.2 billion yen



Consumer loans

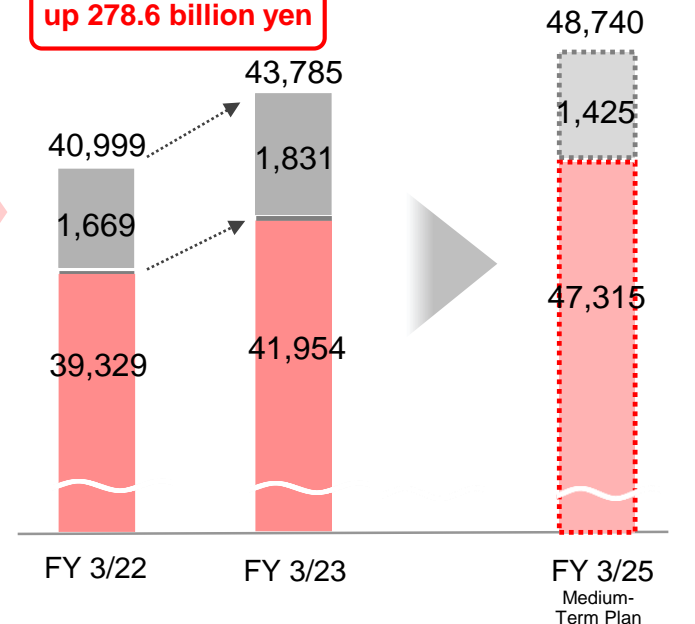
up 216 billion yen



Total loans Average balance plan

JPY-denominated loans Foreign-currency-denominated loans (100 million yen)

up 278.6 billion yen

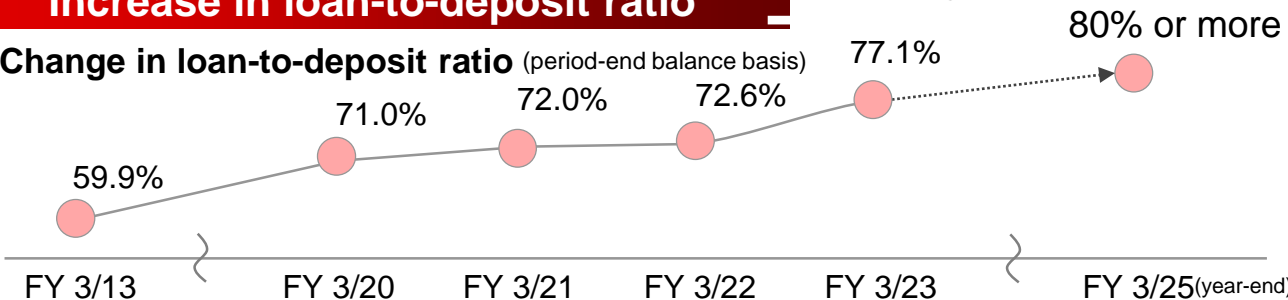


Foreign-currency-denominated loans Average balance plan

- Focus on investment-grade companies and projects with good quality guarantees
- Activities with portfolio balance in mind

Increase in loan-to-deposit ratio

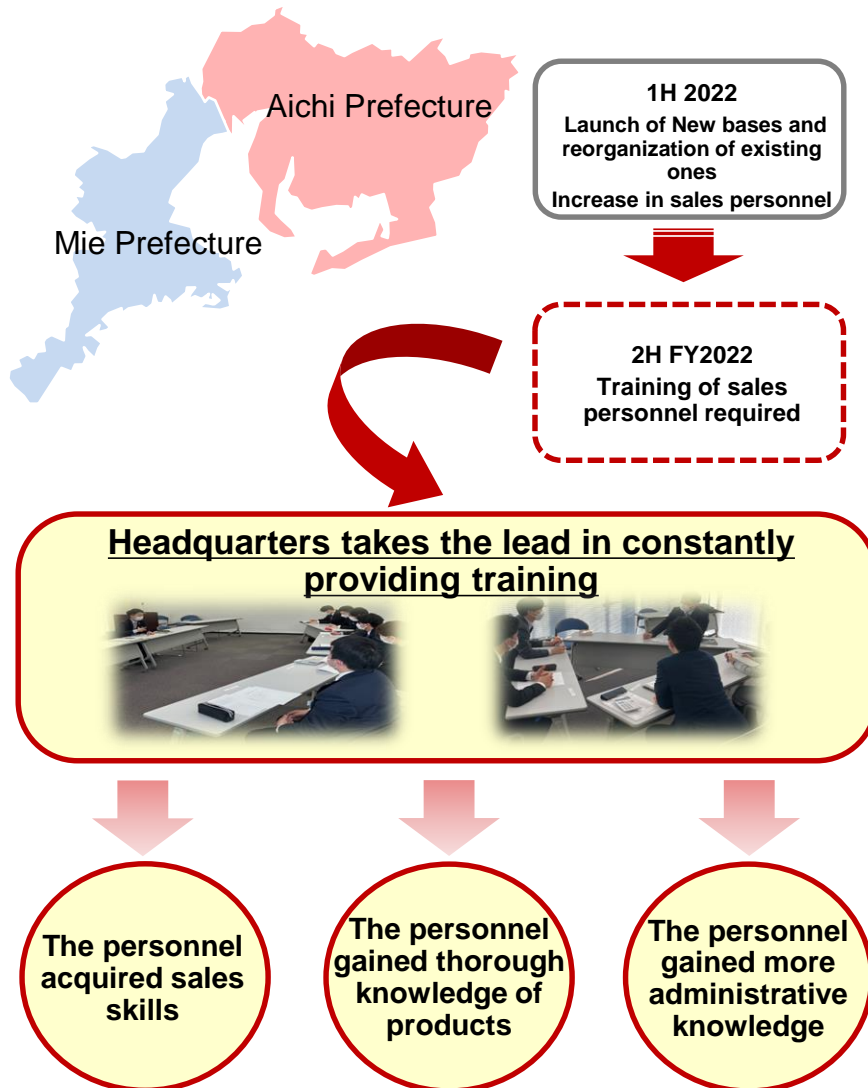
Change in loan-to-deposit ratio (period-end balance basis)



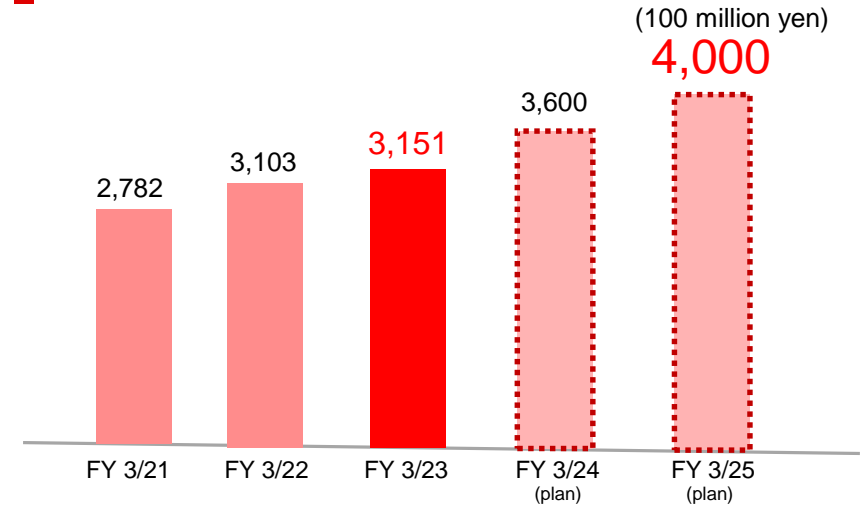
FY 3/23 (actual)	FY 3/25 (Medium-Term Plan)
77.1%	80.0% or more

Housing loans offered in a single year reached a record high

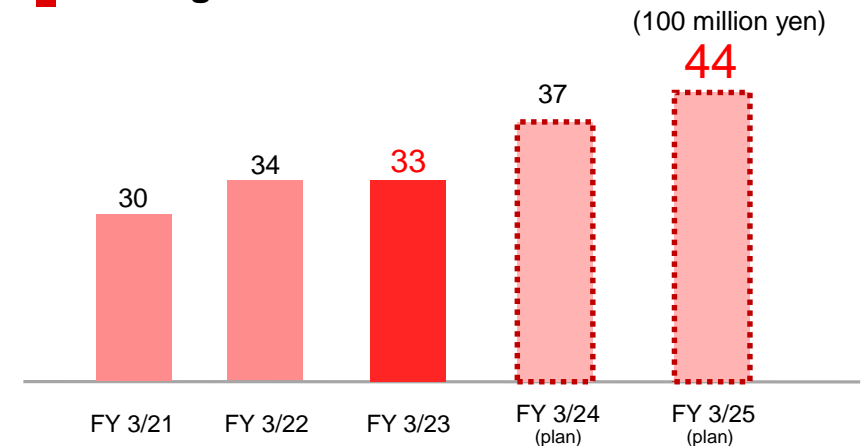
Increasing and developing sales personnel



Housing loans offered in a single year in value



Housing-loan-related fees

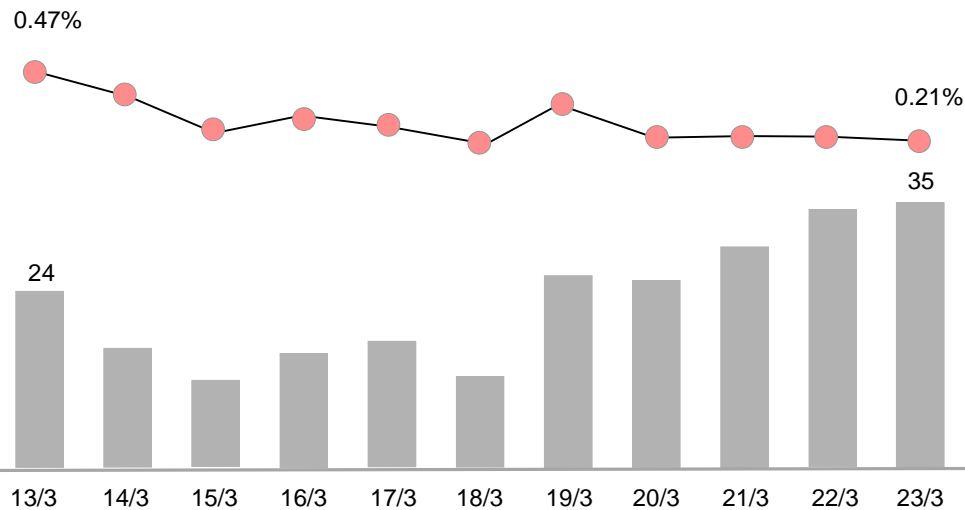


Maintain financial health even as new housing loans and balance increased. Further streamline and computerize housing loan operations

Housing loan delinquency and default status

Delinquent loan balance and rate

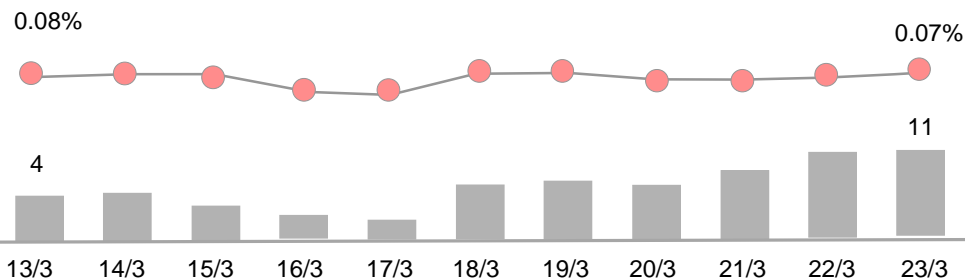
(Balance: 100 million yen)



Amount and rate of defaults, etc.

*Including guaranteed loans (payment under guarantee)

(Amount: 100 million yen)



Streamline housing loan operations

Loan pre-screening navigation system introduced (November 2022)



Future steps for housing loan operations

Enhanced training lineup to support human resource development

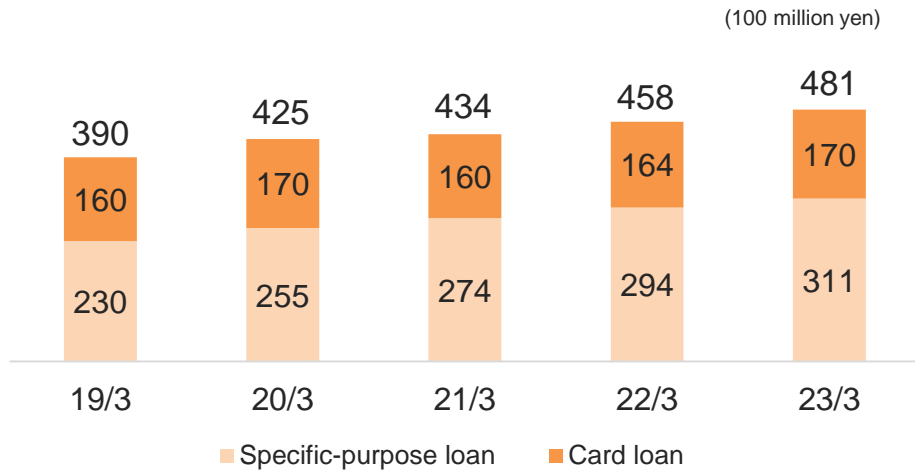
Design products to suit market conditions and customer needs

Introduce electronic contracts and switch to using IT for operations

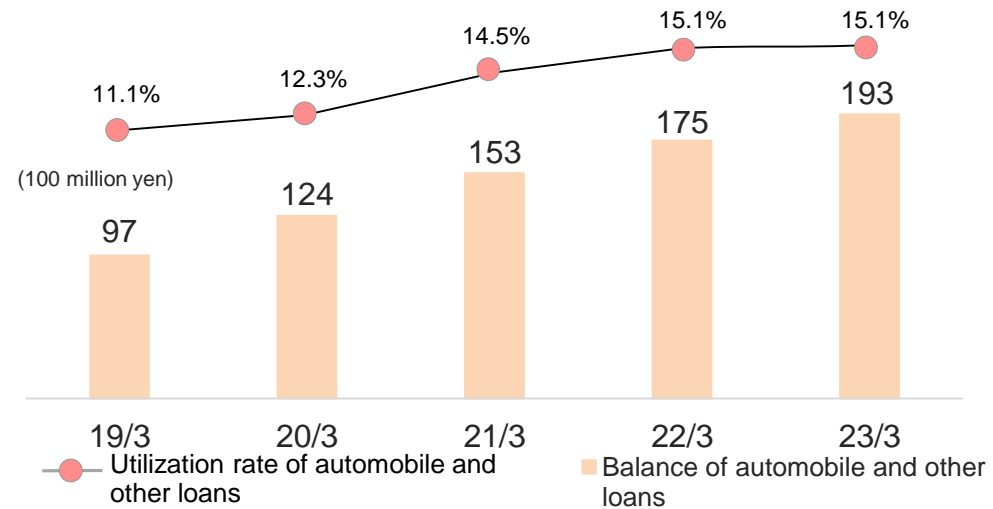
Establish a system that can respond to changes in market interest rates and home-buying sentiment

Promote unsecured loans by capturing the funding needs of housing loan customers

Outstanding balance of unsecured loans



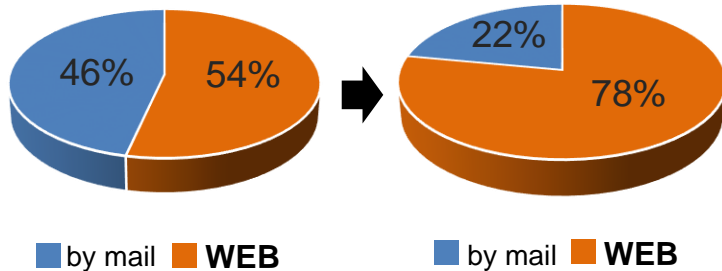
Rate of housing loan users' use of automobile loans and balance of loans



Breakdown of card loan borrowing channels

FY2018

FY2022

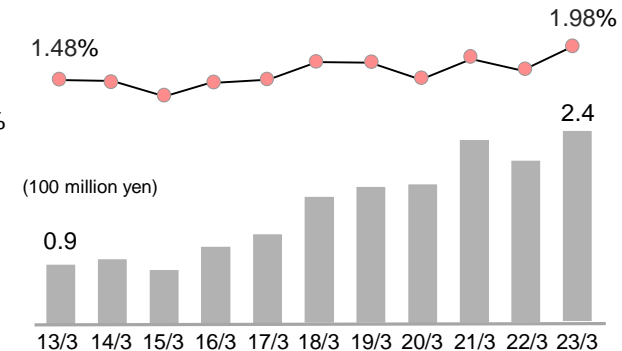
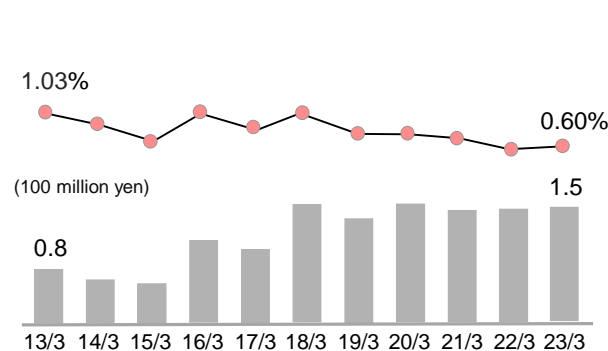


*Aggregate of "My Card DREAM" card loans

Delinquent unsecured loan balance and rate

Specific-purpose loan

Card loan



Conduct customer-oriented business operations and increase overall income from depository assets by leveraging synergies between face-to-face and non-face-to-face sales

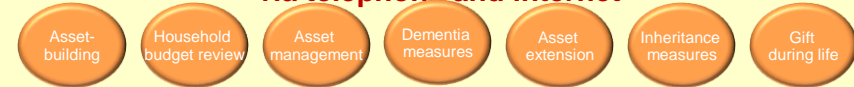
Consulting plaza for “face-to-face sales”

Concentrate personnel in charge of depository assets

Increase effective points of contact with customers through a network of nine locations (of which seven are co-located with the Hyakugo Securities functions)

Depository asset center for “non-face-to-face sales”

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



Propose optimal asset management plans

Leverage various service tools and provide a wide range of information to identify customers' needs, life plans, and risk tolerance

Commissions related to depository assets (Hyakugo Bank)

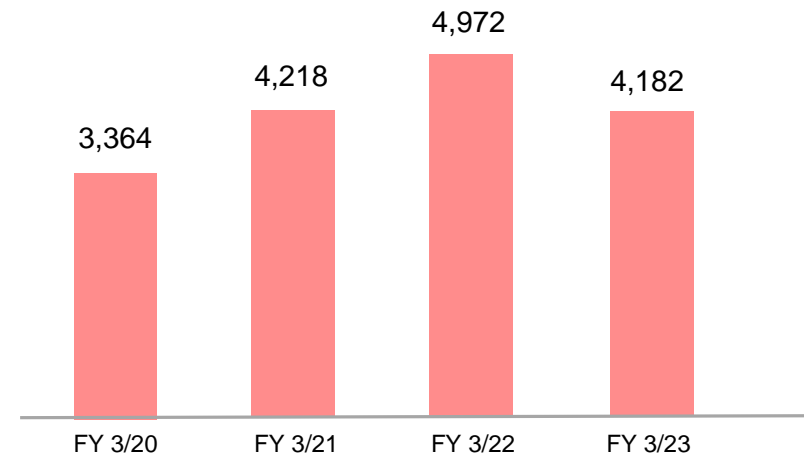
*Breakdown of four major items

(millions of yen)

	FY 3/22 (actual)	FY 3/23 (actual)	FY 3/25 (Medium-Term Plan)
Investment trusts	1,496	960	1,570
Insurance	866	1,402	1,247
Financial instruments brokerage	404	296	502
Defined contribution pension	124	136	153
Total	2,892	2,805	3,497

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

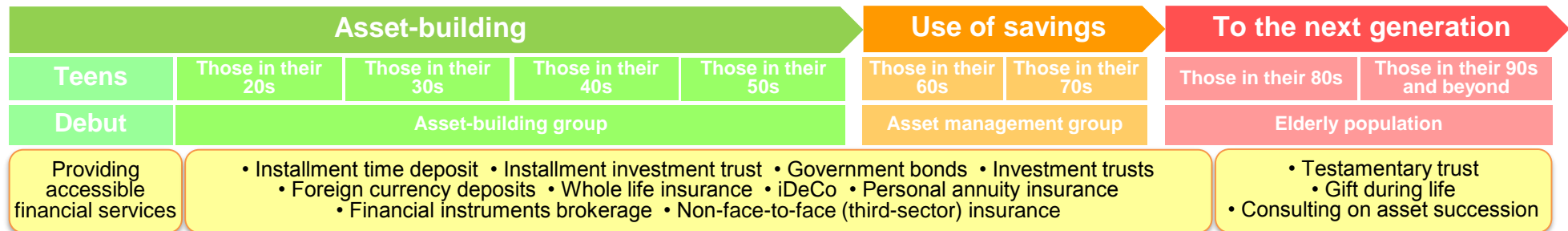
(millions of yen)



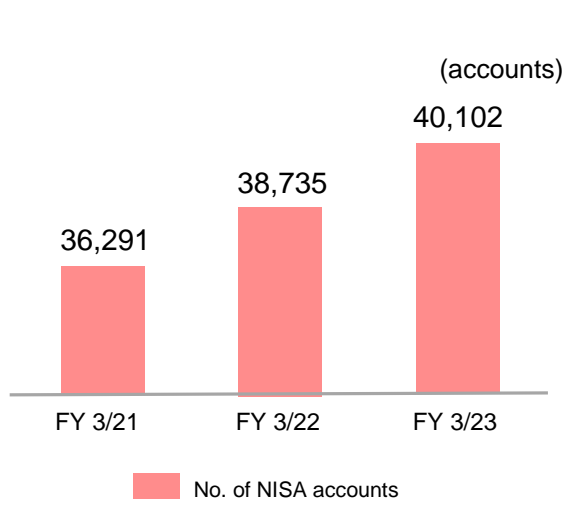
Evolve face-to-face and non-face-to-face sales to establish a stock business

Provide optimal services according to each customer's "life stage"

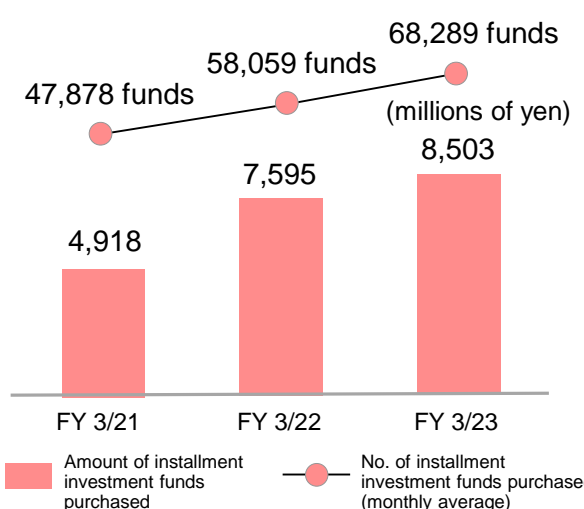
- Appropriately apply face-to-face and non-face-to-face sales to customers of different age groups, create opportunities for proposals regarding depository assets, and acquire new customers to **smooth depository assets in the long term**
- Further promote "iDeCo" and "NISA" in anticipation of the launch of a new system to expand the customer base, especially among asset builders
- Make the Bank's "consulting sales" services more known to customers and strengthen the flow of services at the stages where customers want to increase and maintain their assets
- The Wealth Management Department to capture needs for "inheritance and gift during life" and approach wealthy individuals



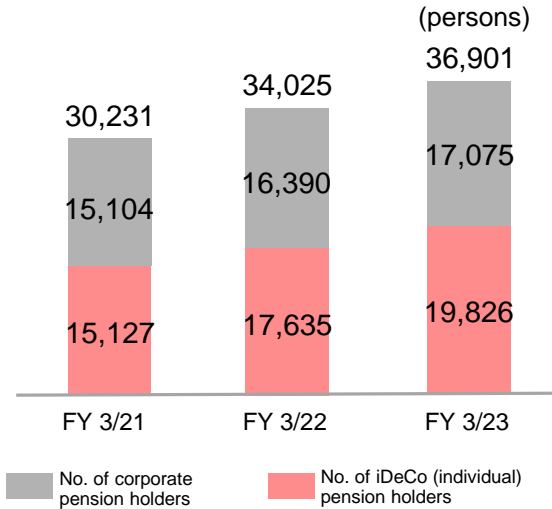
NISA



Installment investment trust



Defined contribution pension

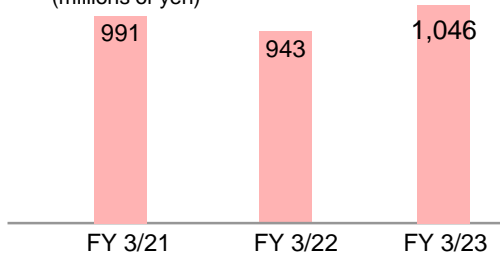


Provide optimal solutions to customers' diverse management issues and needs and increase non-interest income

Increased corporate solutions fees

Structured finance-related fees

(millions of yen)



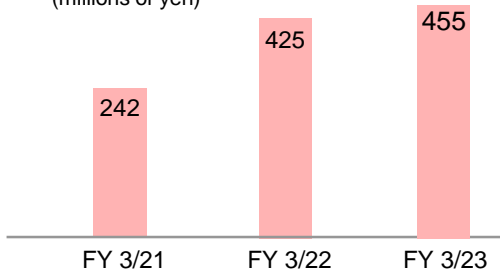
1,046 million yen

(Results as of March 31, 2023)

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

M&A fees

(millions of yen)



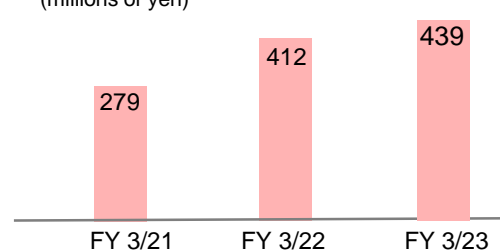
455 million yen

(Results as of March 31, 2023)

- Support companies in resolving business succession issues and further growth strategies with M&A operations

Business matching fees

(millions of yen)



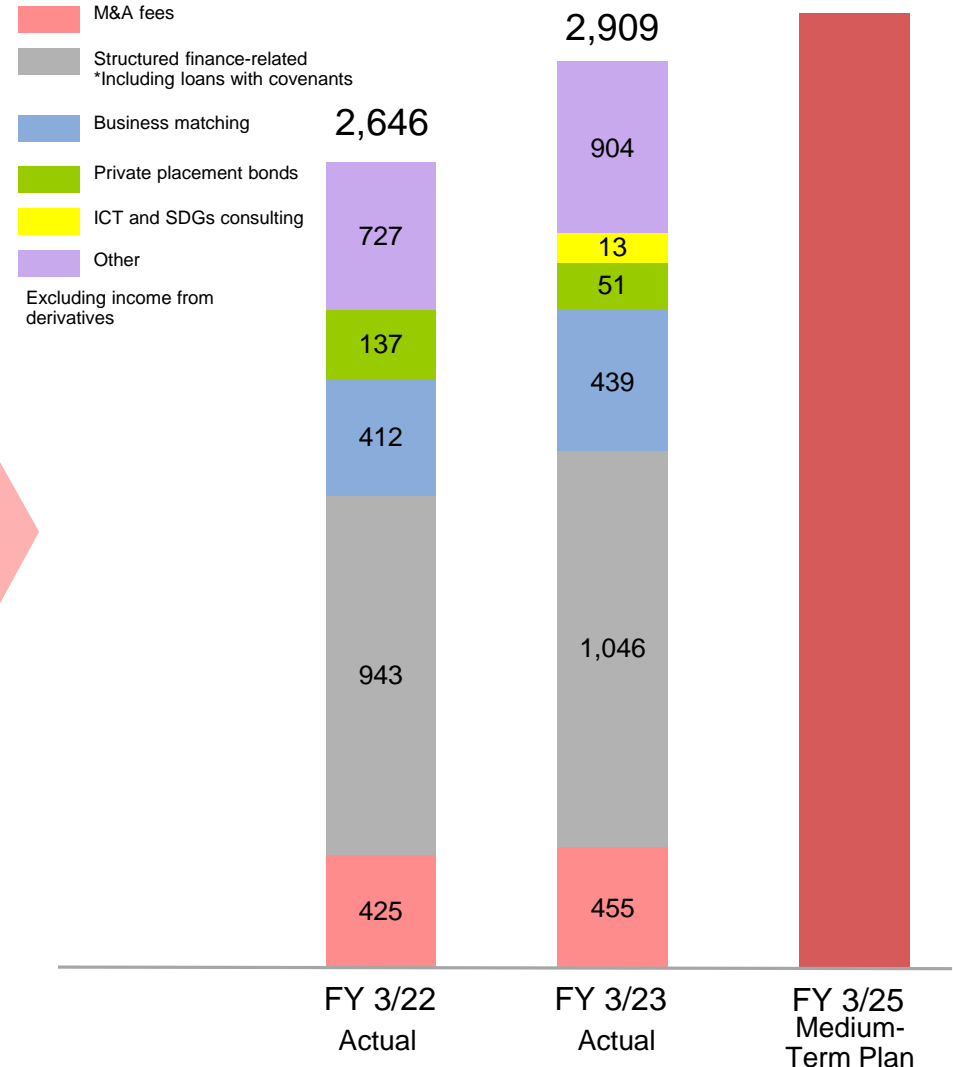
439 million yen

(Results as of March 31, 2023)

- 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

(millions of yen)
3,027



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

Promotion of project finance for PPP/PFI

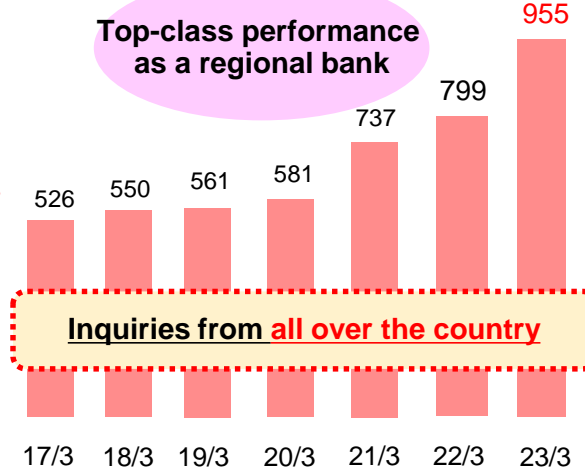
Recent PPP/PFI Initiatives



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

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

Cumulative total of PFI loans underwritten (100 million yen)



Projects participated in in FY2022: 6
 Of which, projects where the Bank served as the arranger: 6 projects

Prefecture	No. of projects	Cumulative no. of projects participated in
Aichi	22	64 projects 95.5 billion yen
Tokyo	8	
Osaka	9	
Mie	8	of which,
Kanagawa	5	35 arranger projects
Shizuoka and elsewhere	12	Approx. 51.9 billion yen

Promotion of PPP projects in Mie Prefecture

Support for business creation

Established the **Mie Public-Private Partnership Co-Creation Platform** in November 2017, together with the Cabinet Office and local governments in the prefecture

Purpose of establishment	To vitalize the regional economy through the promotion of PPP/PFI projects in Mie Prefecture
Administrative office	Hyakugo Bank, Mie Prefecture
Constituent bodies	All municipalities in Mie Prefecture, Mie University
General participating organizations	Private companies (general contractors, design firms, etc.)
Activities	Seminars (at least once a year) Commercialization support for municipalities

Commercialization support

Support in the form of financing

Social loan initiatives for Japan's first Park-PFI project

Provided a social loan in June 2022 to the "Chusei Green Park Public-Private Partnership Project," for which the Bank provided commercialization support through the platform



Support for a series of local economic revitalization activities

The Bank's initiatives were recognized as an "example of distinctive initiatives" by financial institutions contributing to regional development, and the Bank received the Minister of State for Special Missions Award from the Cabinet Office.



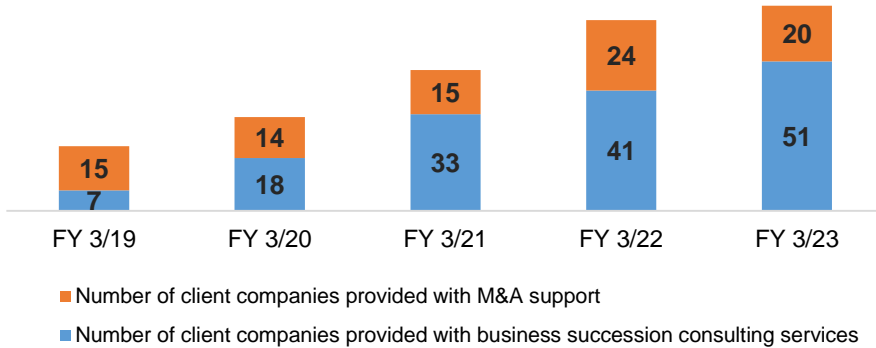
Enhance the scheme to support business succession as part of the Bank's commitment to sustainable community development, and increase earnings also

Support for business succession

Number of consultations on business succession and M&A support

*Including partner companies

(companies)



Held The 4th Successor Training School

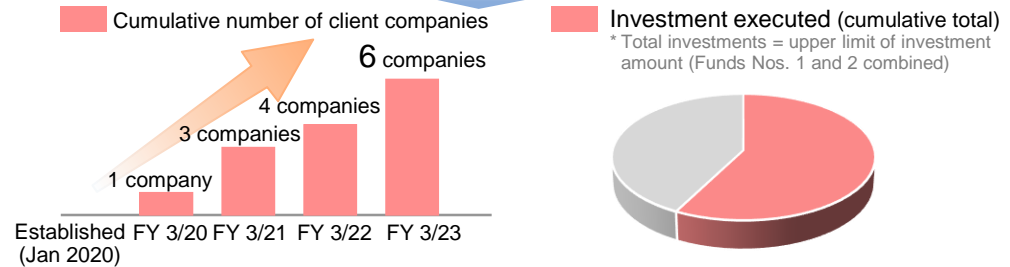


- Attended by 24 young managers and management executives in their 20s to 50s
- Providing knowledge about the need for business succession, how to deal with it, and the management required of business owners
- **Offering networking opportunities across industries and ages**

Enhance support through Hyakugo Mirai Investment Company

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

The Bank achieved investment target of 2 companies per year, and is in the process of finding more companies to invest in.



M&A TOKAI EXPO exhibit to enhance the Bank's presence



- The Bank participated in a joint seminar in the Tokai region to find investment targets for Fund No. 2, and **to increase its presence in the region and the number of prospective projects**
- It 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
- It will continue investment aimed at providing **interactive management support**

Providing support for SDGs to help client companies to engage in sustainable business activities, and support to help customers and local communities adopt digitized operations

SDGs consulting



[Steps 2 through 5] PDCA cycle

Support for sustainable management through issue identification and goal setting

Launched in April 2022
The Bank has offered support to 41 companies.
SDG card game is also popular

I felt that my company should be involved in the SDGs.
I want the whole company to think about the SDGs

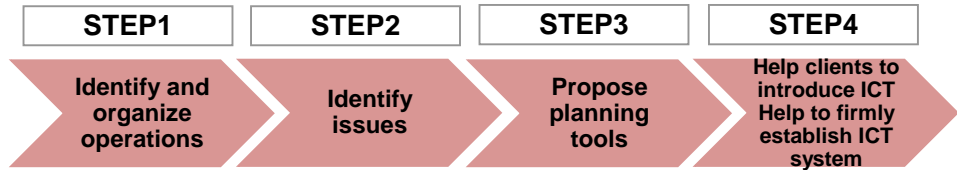
*Prepare declarations with client companies



* Participants playing SDG card game

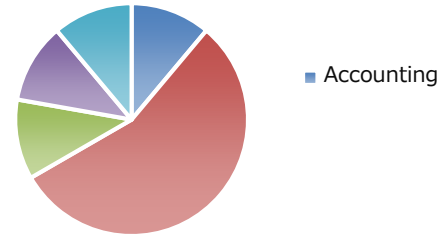
ICT consulting

In April 2022, the Bank started providing accompanying support for proposal, introduction, and establishment of ICT tools to improve operational efficiency and strengthen sales capabilities of customers



Status of support

Area of support services



Seminars



Examples of support

Business issues faced by client companies

- We have a lot of paper-based work.
- We manage information scattered across multiple tools.
- We cannot gain real time information.

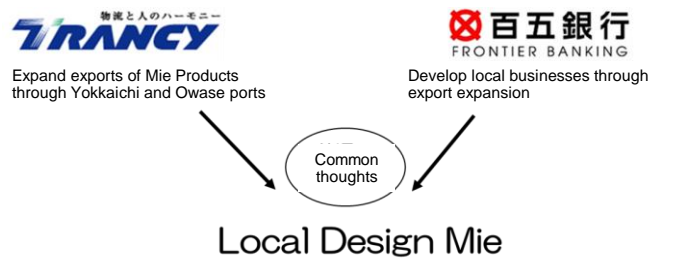
Support effectiveness (client feedback)

- Streamlined reporting operations now enable us to offer attentive customer service
- The Bank's accompanying support helped us smoothly introduce and firmly establish ICT
- We were able to raise employees' awareness of the digitalization process

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

Collaboration with logistics company in the prefecture

Accompanying support for client companies



- [Business description]**
- Sales channel development support, export consulting, logistics support
 - Providing accompanying support to local businesses in their export operations
 - Activities aimed at regional revitalization through the export of local products

Collaboration with overseas government agency

Example of collaboration with overseas government agencies



- Photos: Seminar outline and the visit of officials from the Malaysian Investment Development Authority
- The Bank and the Malaysian Investment Development Authority (MIDA) jointly hosted the "Malaysia Automotive Seminar."
 - The Bank continues to support client companies considering expanding into Malaysia through the seminar.

Collaboration with overseas partner bank

On site seminar for Japanese companies in Vietnam



- Photos: Seminar at HD Bank, Vietnam
- HD Bank Japan Desk held its first seminar in three years for Japanese companies, jointly with partner financial institutions
 - Networking exchange after the seminar to reinforce cooperation with HD Bank in order to move away from the COVID-19 pandemic

Support for export of local products

Accompanying support for client companies



- Photo: Meeting with clients at Nagashima Branch
- Collaboration of Mie sea bream and Banko-yaki (pottery) for overseas market
 - Accompanying support for business partners through accompanying visits
 - Support for preparation for export trials to Singapore

Special menus at the Bank's cafeteria incorporating local products and publicizing this initiative



- Photos: Cafeteria special menu and Ise sea bream sales event
- Create opportunities for employees to learn about local products and publicize export support initiatives by utilizing the cafeteria
 - All the Bank's branches worked together to carefully select local products with high export potential, compiled information on approximately 300 local products, and encouraged local businesses to export them

Export promotion seminar for businesses in Higashi-Kishu

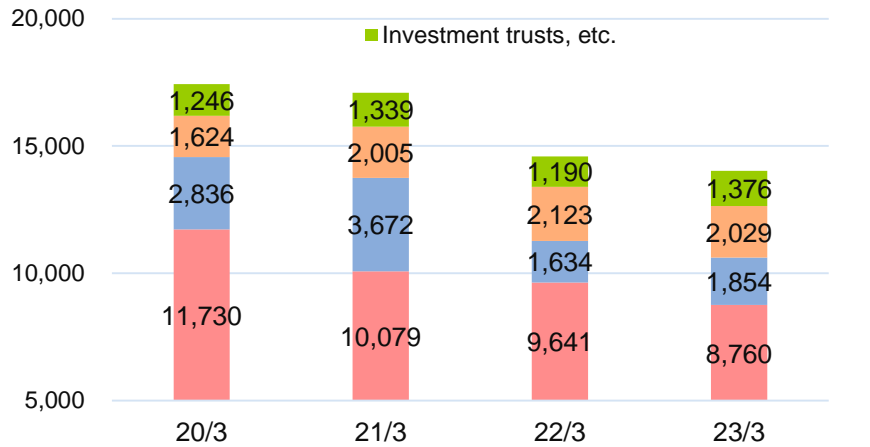


- Photo: Seminar to promote export of products of Higashi-Kishu
- Seminar co-sponsored by Owase Port Promotion Association
 - Fifty-eight people, including related parties, participated to promote Local Design Mie's activities
 - Support local companies' export efforts through individual consultations during the seminar

Restrained reinvestment in JPY-denominated bonds in preparation for changes in monetary policy. Reconfigured the foreign currency bond portfolio to focus on floating rate bonds

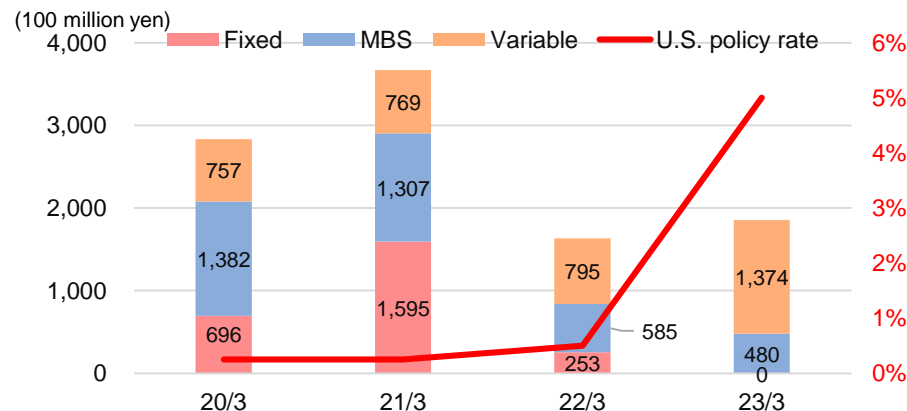
Changes in securities portfolio

Restrained reinvestment in JPY-denominated bonds in preparation for changes in monetary policy. (100 million yen)



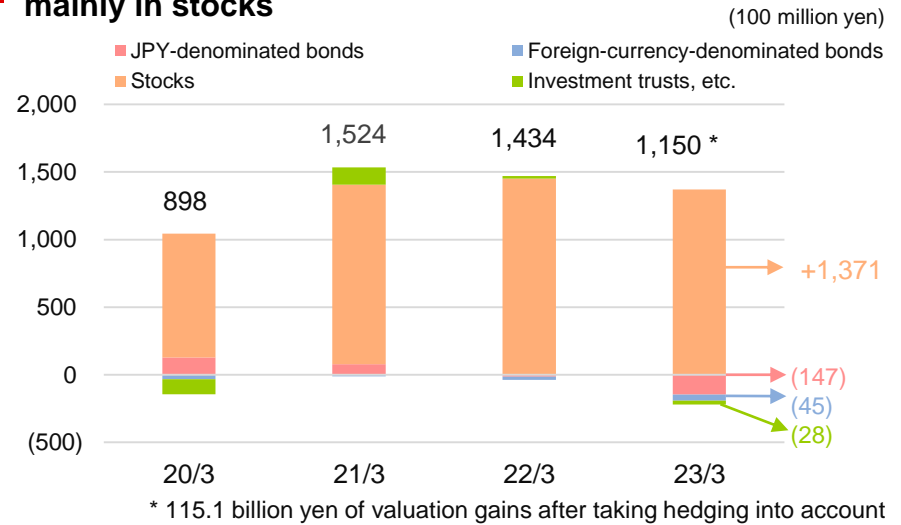
Changes in foreign-currency-denominated bonds

Reorganized the portfolio with a focus on floating rate bonds in consideration of interest rate hikes.

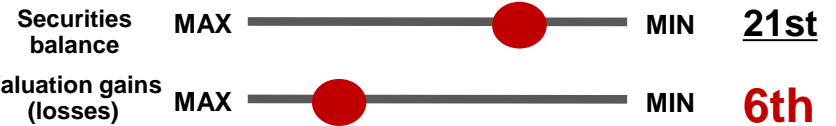


Valuation gains (losses) on securities

Maintained unrealized gains of over 100 billion yen, mainly in stocks



Ranking of Hyakugo Bank among 31 regional banks with over ¥1 trillion in securities outstanding



* Figures announced by each bank and compiled by the Bank (as of March 31, 2023). Valuation gains (losses) are before taking hedging into account

Interest rate risk is contained

	Yen bonds	Foreign bonds
Impact on valuation gains (losses) if interest rates rise 10 basis points in parallel (after taking hedging into account)	(53)	(2)

* As of March 31, 2023. Impacts on credit risk and foreign exchange, associated with rising interest rates, are not taken into account

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

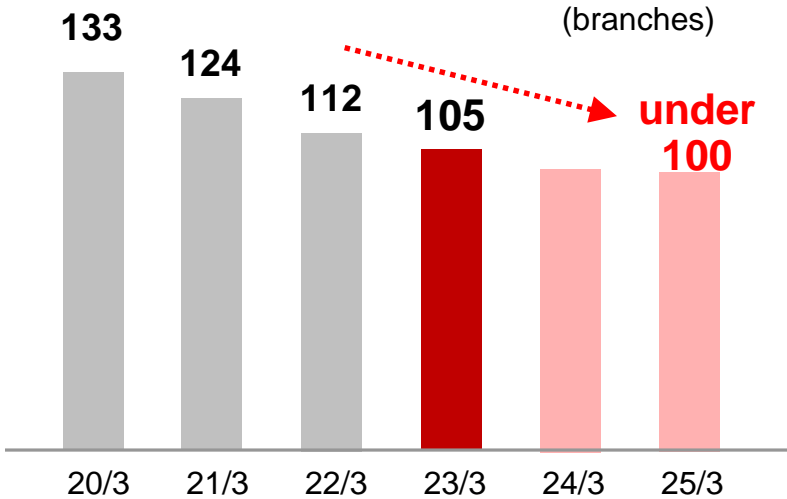
Optimize the branch and ATM network

Consolidation of branches through branch-in-branch method

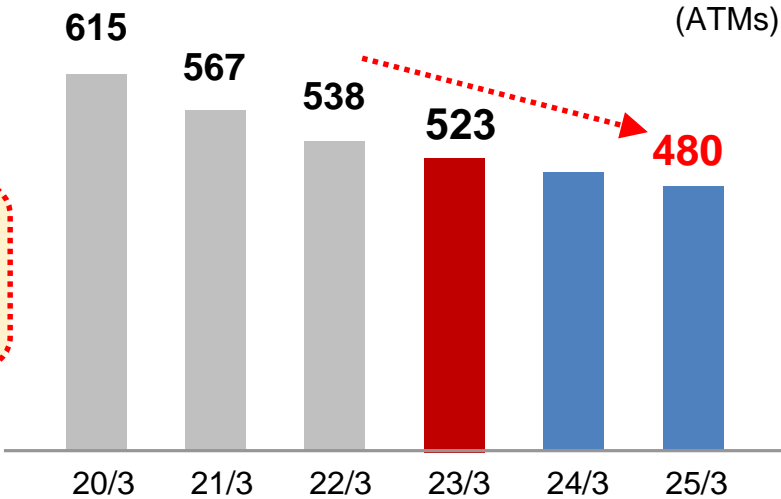
Plan Aim to reduce number of branches to less than **100** over the three years of the Medium-term Management Plan

Review of ATMs

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



Number of customers visiting the branches* decreased by about 33% compared with 10 years ago
*Average daily number of customer traffic



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

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

Smartphone banking usage is increasing across all age groups, and the Bank aims to deliver an application that will be used as a customer contact channel to replace branch visits

Smartphone

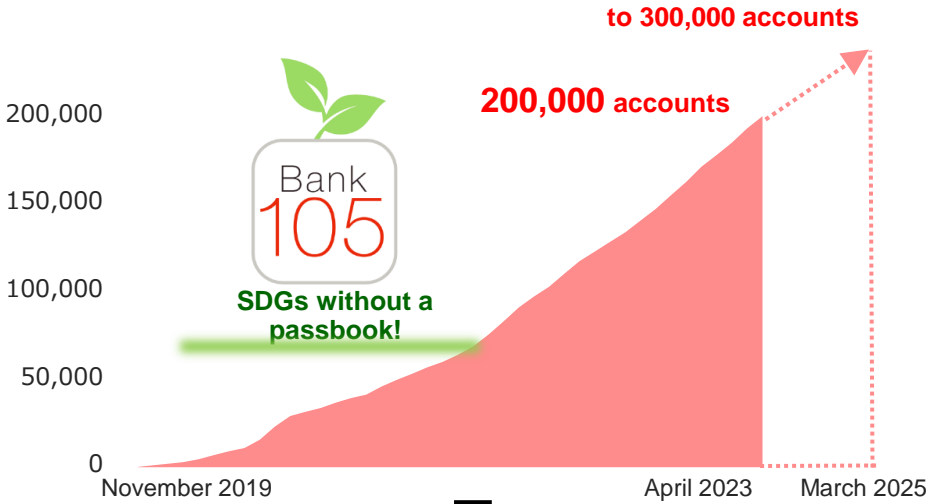
Increased usage among a wide range of age groups as a convenient application

“Anytime”
“Anywhere”
“Easily”
Complete banking transactions with your smartphone

◆ Banking functions

◆ Notification functions

Steady growth in smartphone banking accounts



Target of Medium-term Management Plan
300,000 accounts covering about half of household accounts

* Household accounts are accounts with payroll transfers and pension payments

March 31, 2021		March 31, 2022		March 31, 2023	
Age group	Usage rate	Usage rate	Usage rate	Usage rate	Usage rate
10	3.14%	7.66%	12.30%	12.30%	12.30%
20	7.38%	17.21%	28.07%	28.07%	28.07%
30	4.73%	11.36%	19.52%	19.52%	19.52%
40	2.67%	6.73%	12.19%	12.19%	12.19%
50	1.95%	4.82%	8.84%	8.84%	8.84%
60	0.70%	2.12%	4.30%	4.30%	4.30%

Smartphone banking as a point of contact for optimal marketing

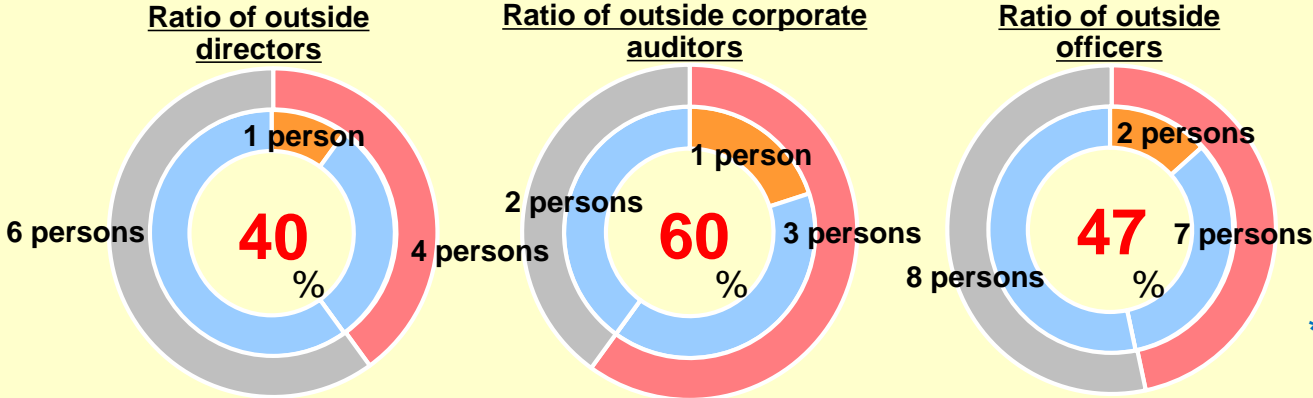
Strengthen the management system by responding to changing regulations and addressing new risks as needed

Appointment and diversification of outside officers

Ratio of outside officers

* As of March 2023

Outside Inside Female Male



[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 March 2023

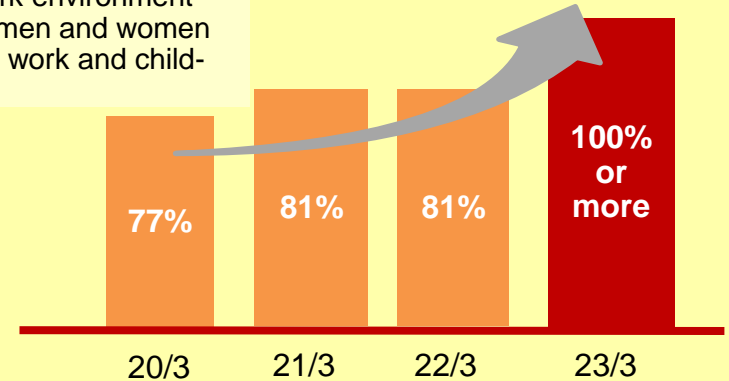
View human resources as valuable assets, and foster a workplace culture in which each employee can maximize their abilities and work comfortably

Hyakugo professional personnel

- Number of personnel with professional qualifications
Target is **450** personnel by March 31, 2025
1 in 4 to 5 bank employees
(371 persons as of March 31, 2023)
- Those who have passed the IT Passport
Target is **500** personnel by March 31, 2025
1 in 4 to 5 bank employees
(244 persons as of March 31, 2023)

Percentage of male employees taking childcare leave

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



Health and Productivity management — White 500 enterprise

Certified as **White 500 enterprise for 6 consecutive years**
The only company in Mie Prefecture to be certified in the large enterprise category



Human resource development

Male employees to participate in childcare

Workplace environment improvement

Promote women's participation

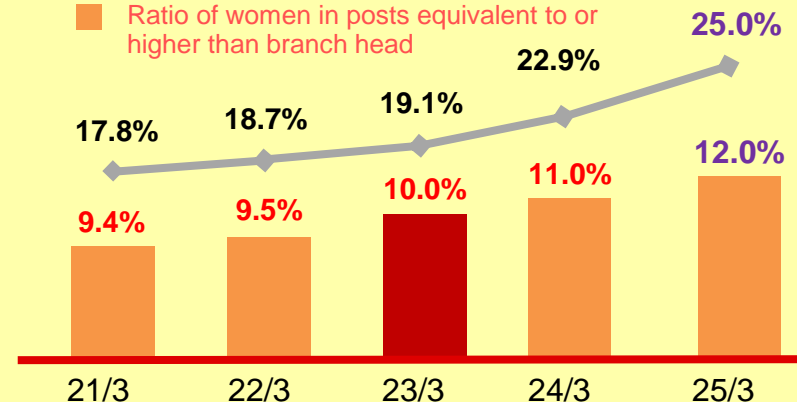
Platinum Kurumin Plus Certification

The Bank is **the first company in the three Tokai prefectures** to be certified as a company committed to creating a workplace environment that facilitates both work and fertility treatment.



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

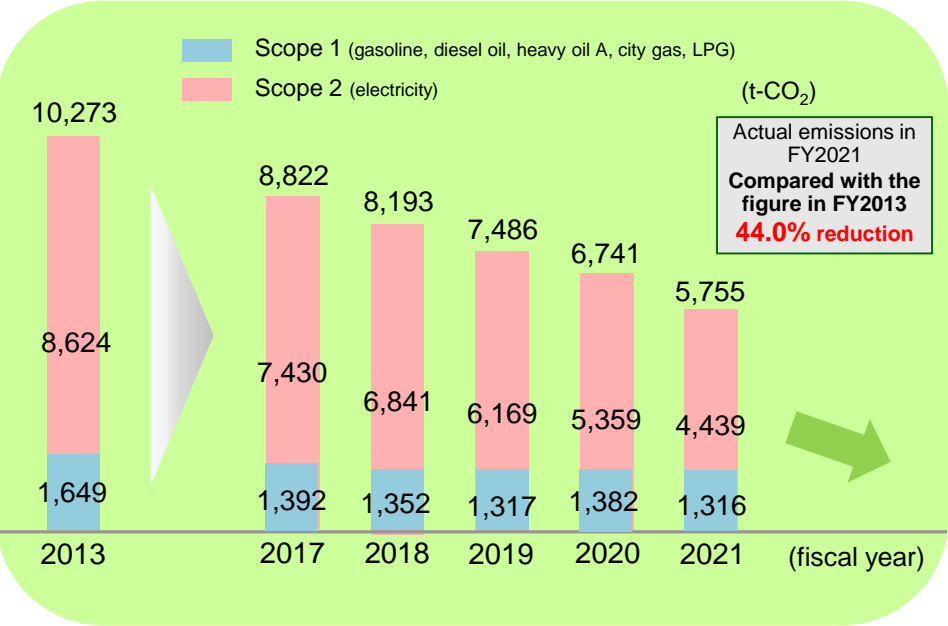


Greenhouse gas (GHG) emissions have been steadily declining. The Bank has also disclosed information in line with the TCFD recommendations.

Changes in greenhouse gas (GHG) emissions

Information disclosure (in July 2022)

Changes in the Group's GHG emissions



Physical risk to 2050

Additional credit cost up to 5 billion yen

[Risk events to be analyzed]

- Damage to collateral property due to a massive flood
- Deterioration in business performance of commercial borrowers due to direct damage to their buildings and damage due to the suspension of operations resulting from flooding

[Target portfolio]

- Domestic business loans and housing loans borrowers (the Bank's own clients and those guaranteed by the Bank's own guarantee company)

Transition risk to 2050

Additional credit cost up to 3.5 billion yen

[Risk events to be analyzed]

- Deterioration in the performance of credit clients due to sales fluctuations and increased costs and capital expenditures associated with the transition to a decarbonized society

[Target portfolio]

- Utilities (electricity and gas), energy (gas)


Target by the end of FY2030
Achieve net zero
 (Scope 1,2)

Introduction of CO₂-free electricity

CO₂-free electricity generated in Mie Prefecture
Headquarters and main office buildings

CO₂-free electricity generated in Aichi Prefecture
9 locations in Aichi

Equivalent to approx. **28%** of the Bank's total electricity consumption*



*Based on actual usage in FY2020 and FY2021

Carbon-related assets* as a percentage of the Bank's loans and other assets 1.92%

<Calculation of GHG emissions>
 * Scope 1 and Scope 2 GHG emissions of the Hyakugo Bank and its group companies.
 * For gasoline, diesel oil, heavy oil A, city gas, and LPG, coefficients based on the Law Concerning the Promotion of the Measures to Cope with Global Warming are used.

* Total loans, acceptances, foreign exchange, etc. as of March 31, 2022, for the energy and utility sectors based on the definition recommended by the TCFD recommendations. Water supply projects, renewable energy power generation projects, etc. are excluded.

Promote sustainable finance to create prosperous local economies. The Bank also conducts activities to promote the SDGs in local communities

Sustainable finance

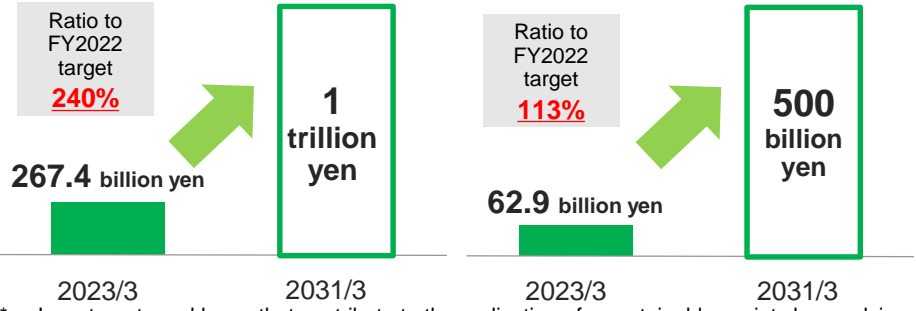
Sustainable finance* Targets and results

Target for cumulative amount of sustainable finance execution

1 trillion yen

of which, target for cumulative amount of execution in the environmental area

500 billion yen



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

Providing financial support for customers' sustainable initiatives

Financing product lineup

- Offering products to meet a variety of needs**
- Sustainability-linked loans (SLLs)
 - Positive impact finance
 - Green loans
 - Hyakugo sustainable loans (green loans and SLLs)
 - Loan to support SDG initiatives

Initiatives for promoting and raising awareness of the SDGs in the region

Partnerships with Mie Prefecture and Tokio Marine & Nichido Fire Insurance Co.

Utilizing the “Mie Prefecture SDGs Promotion Partner Registration System” implemented by the prefecture, the three parties work together to promote and educate businesses in Mie Prefecture about the SDGs in order to solve regional issues and develop the prefecture’s economy.



More than 1,000 applications received in just over a year since the registration system was launched.

Mie Prefecture SDGs Promotion Seminar

In January 2023, the Bank held the “Mie Prefecture SDGs Promotion Seminar” to further expand and improve the quality of SDG promotion initiatives.

- Keynote speeches by lecturers and introduction of good practices by companies and organizations in the prefecture
- Ceremony to commemorate 1,000th application



As a financial institution with deep roots in the community, the Bank continues to make efforts to promote the SDGs