

# **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**

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**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 Resource Strategy
		8	Governance Strategy
		9	Organizational Strategy
V	Increased Awareness of SDGs/ESG	10	Diversity Strategy
		11	SDGs/ESG Strategy

Continue to face difficult conditions due to the market environment and other factors, but the Group promotes various measures to achieve the final targets of the Medium-Term Management Plan

		Results in FY 3/23	Results in FY 3/24	Targets in FY 3/25 (Final targets of the Medium-term Management Plan)
KGI	Consolidated net income	14.4 billion yen	14.2 billion yen	15.0 billion yen or more
	ROE in consolidated net assets	3.65%	3.21%	3.50% or more <sup>*1</sup>
	Core OHR	63.78%	60.89%	Less than 67%
	Equity ratio	12.23%	12.22%	11% or more
KPI	Housing-loan-related fees	3.36 billion yen	3.55 billion yen	4.4 billion yen
	Commissions related to depository assets	2.80 billion yen	3.01 billion yen	3.4 billion yen
	Corporate solutions fees	2.90 billion yen	2.97 billion yen	3.0 billion yen <sup>*2</sup>
	Number of personnel with professional qualifications	371 persons	390 persons	450 persons

<sup>\*1</sup> Aiming for 5% in the long term    <sup>\*2</sup> Excluding income from derivatives

### Target for the end of FY2030

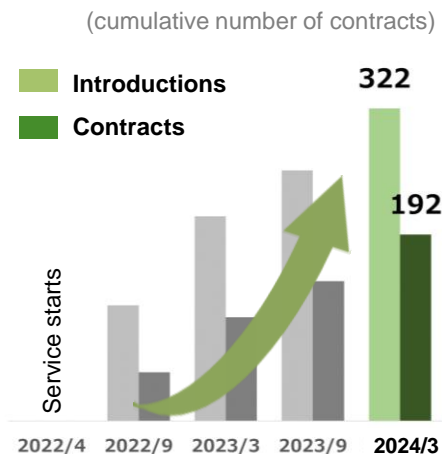
Greenhouse gas emissions	Achieve net zero (Scope1,2)
Amount of sustainable finance executed	1 trillion yen (Of which, more than 500 billion yen is environment-related loans)

\* Cumulative total since FY2022

## The Bank implemented initiatives to support local decarbonization

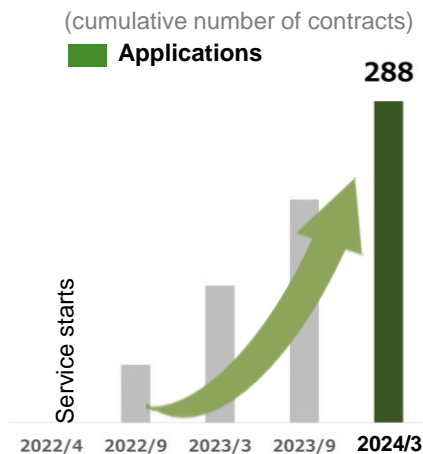
### Initiatives to support decarbonized management

#### Assistance in calculating emissions (Business matching)



#### Hyakugo Decarbonization Support Services\*

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



### Provided various solutions to realize decarbonized management

#### Seminar on decarbonization

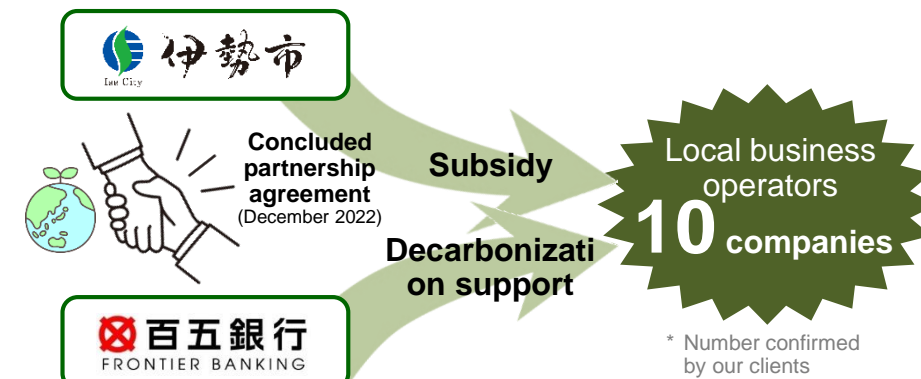
In March 2024, the Bank held a “seminar on decarbonization management” to provide information on promoting and supporting businesses’ efforts to decarbonize their operations



### Initiatives with local governments

#### Promoted activities for decarbonization among businesses in cooperation with Ise City

Contributed to the decarbonization of the region by providing decarbonization support to business operators through the use of the Ise City Office Decarbonization Support Subsidy established in Ise City



#### Collaboration with Toba City on regional decarbonization promotion

Concluded partnership agreement on the promotion of carbon neutrality in February 2024



#### Cooperation with each other in promoting awareness and supporting decarbonization management

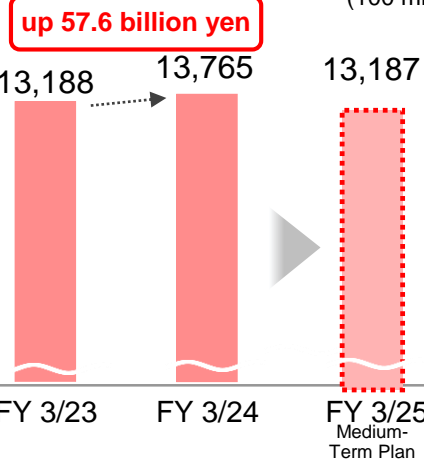


# Strategy to Enhance Loan Income and Fees and Commissions (General)

**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

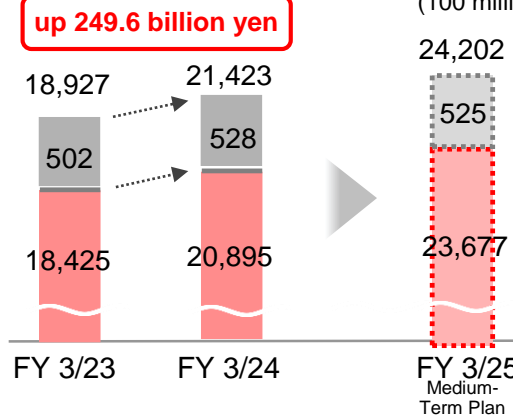
(100 million yen)



## Consumer loans

Housing loans Unsecured loans, etc.

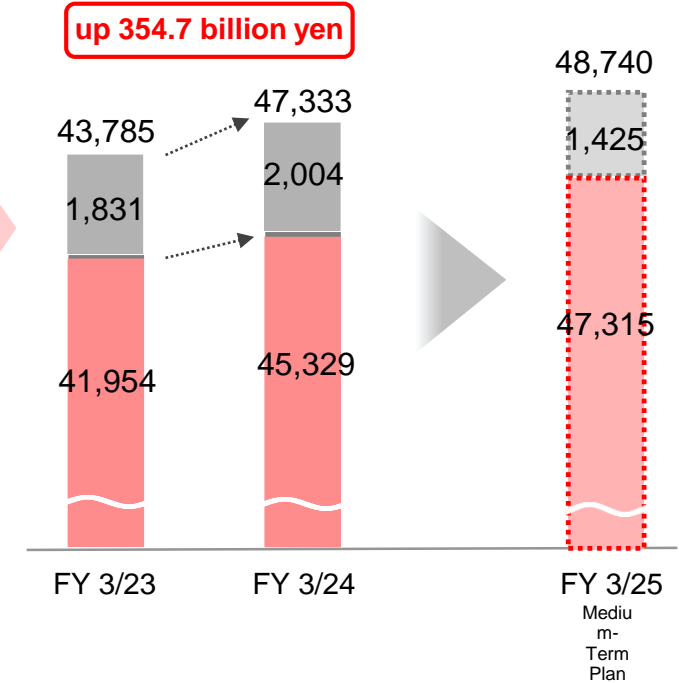
(100 million yen)



## Total loans Average balance plan

JPY-denominated loans Foreign-currency-denominated loans

(100 million yen)



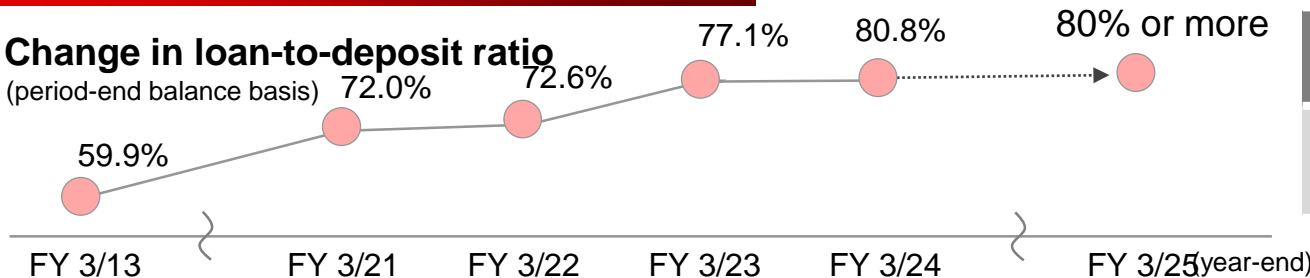
## Foreign-currency-denominated loans Average balance plan

- Initiatives for industries that play a role in social infrastructure (electricity, gas, telecommunications, etc.)
- Continued approaches in collaboration with overseas representative offices

## Increase in loan-to-deposit ratio

### Change in loan-to-deposit ratio

(period-end balance basis)



FY 3/24 (actual)	FY 3/25 (Medium-Term Plan)
80.8%	80.0% or more

# Strategy to Enhance Loan Income and Fees and Commissions (Housing Loans)

Achieved synergy between personal plazas' network and sales force

## FY2022 Initiatives

1H 2022

Launch of new bases and reorganization of existing ones  
Increase in sales personnel

2H 2022

HQ-led training  
Training sales personnel



The personnel acquired sales skills

The personnel gained thorough knowledge of products

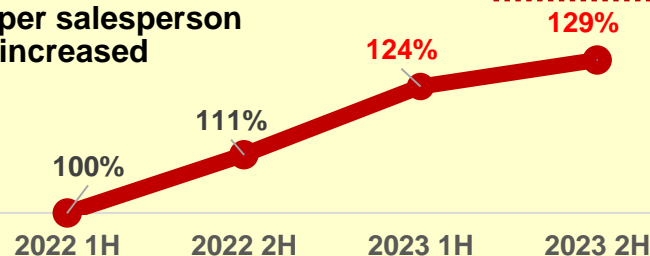
The personnel gained more administrative knowledge

## Achievements in FY2023

FY2023

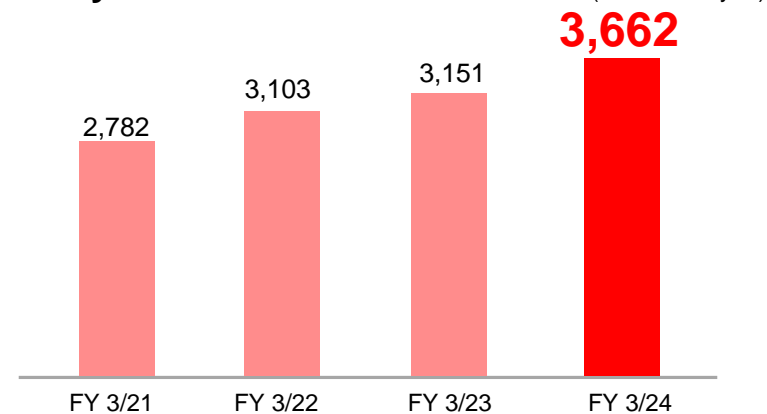
Sales per salesperson increased

compared with 1H 2022 level  
Approx. 1.3 times



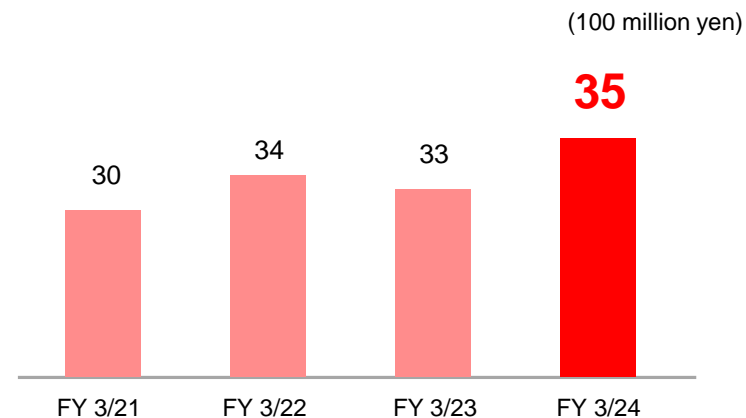
## Housing loans offered in a single year in value

(100 million yen)



## Housing-loan-related fees

(100 million yen)



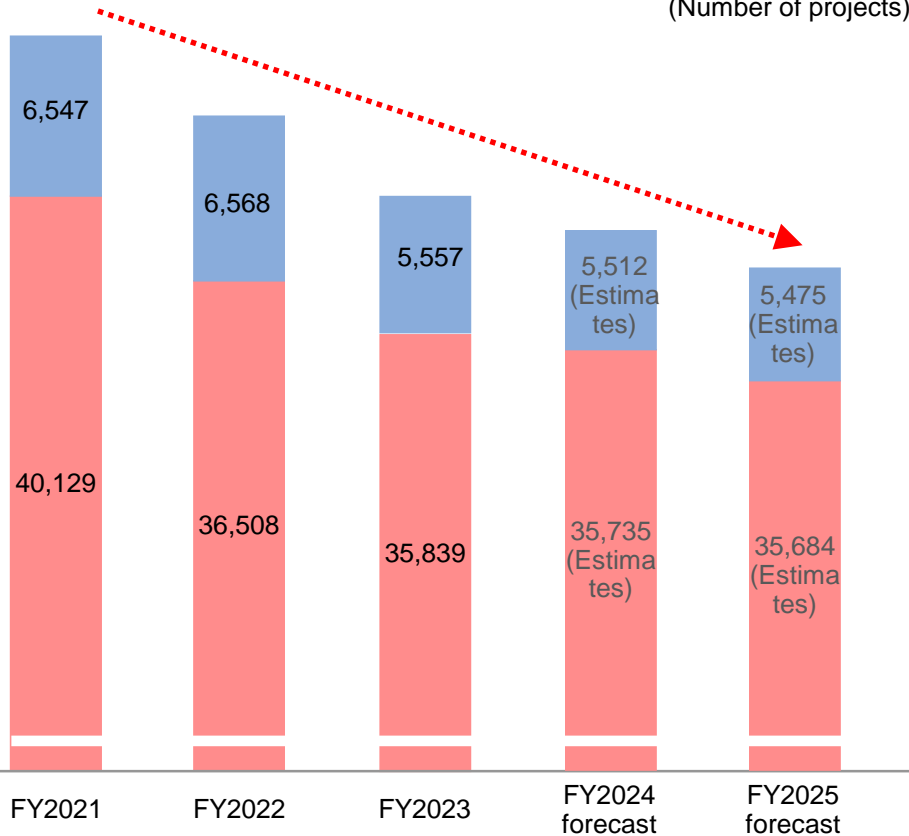
Revise mortgage targets in response to changes in external market conditions, accumulated higher quality assets

## Reorient mortgage acquisition plans as external market conditions change

### Trends in number of housing starts

\* Number of newly owned houses and houses for sale in Housing Starts Statistics

Mie Prefecture Aichi Prefecture  
(Number of projects)



(Reference) Actual figures are from the Ministry of Land, Infrastructure, Transport and Tourism's "Housing Starts Statistics." The forecast is based on data from the website of the research company and the National Institute of Population and Social Security Research's "Regional Population Projections for Japan."

Strategically reorient mortgage financing plans against a backdrop of declining housing starts and declining yields as other banks compete

- Increase the amount earned per person by streamlining and improving the efficiency of sales activities through promotion of DX investment and consolidation of branches
- Redeploy personnel generated through streamlining and efficiency to more profitable areas such as business loans

Housing loan plan (100 million yen)	FY 3/2025 Initial plan	FY 3/2025 Revised plan
Mortgage financing	4,000	3,000
Housing-loan-related fees	44	26*

\* Due to the changes in customer preferences, the plan was changed in consideration of the fact that the "fixed-rate type" with a fixed administration fee is on the rise from the "fixed-amount type," in which the administration fee varies depending on the loan amount

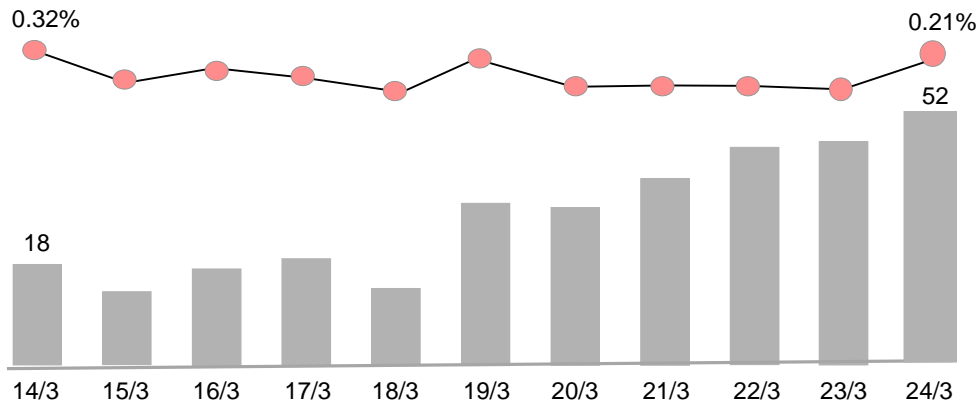
# Strategy to Enhance Loan Income and Fees and Commissions (Housing Loans)

Maintain financial health even as new housing loans and balance increased, and develop housing loan policies to prepare for market changes

## Housing loan delinquency and default status

### Delinquent loan balance and rate

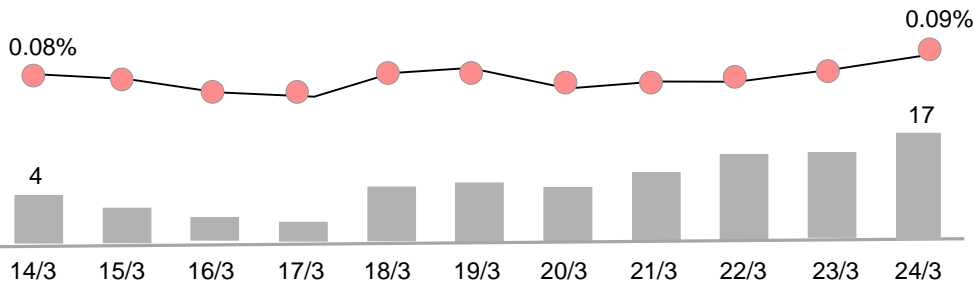
(Balance: 100 million yen)



### Amount and rate of defaults, etc.

\* Including guaranteed loans (payment under guarantee)

(Amount: 100 million yen)



## Provision for further increases in market interest rates

### Meeting fixed interest rate needs

Fixed 3 years  
Fixed 5 years  
Fixed 10 years



Flat 35

Strengthen customer base by incorporating child-rearing generation with fixed interest rate needs

## Future steps for housing loan operations

Computerize operations and centralize administrative work through the introduction of electronic contracts, etc.

Facilitate non-face-to-face procedures by incorporating home loan procedures into smartphone banking

Establish systems to prepare for delinquencies and defaults

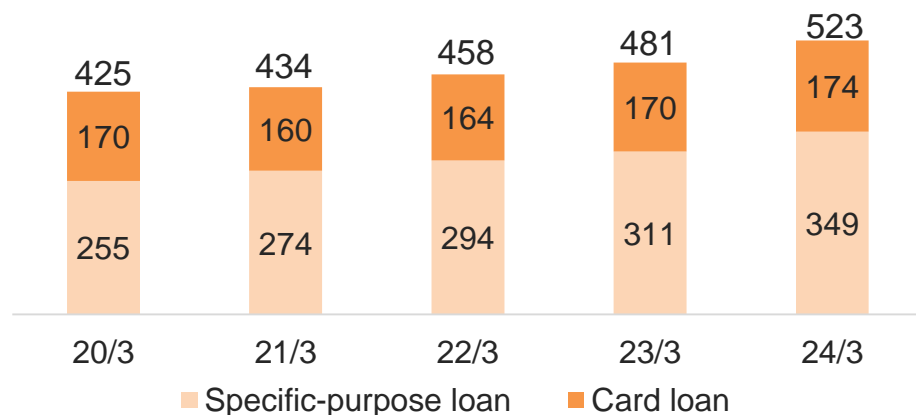


# Strategy to Enhance Loan Income and Fees and Commissions (Unsecured Loans)

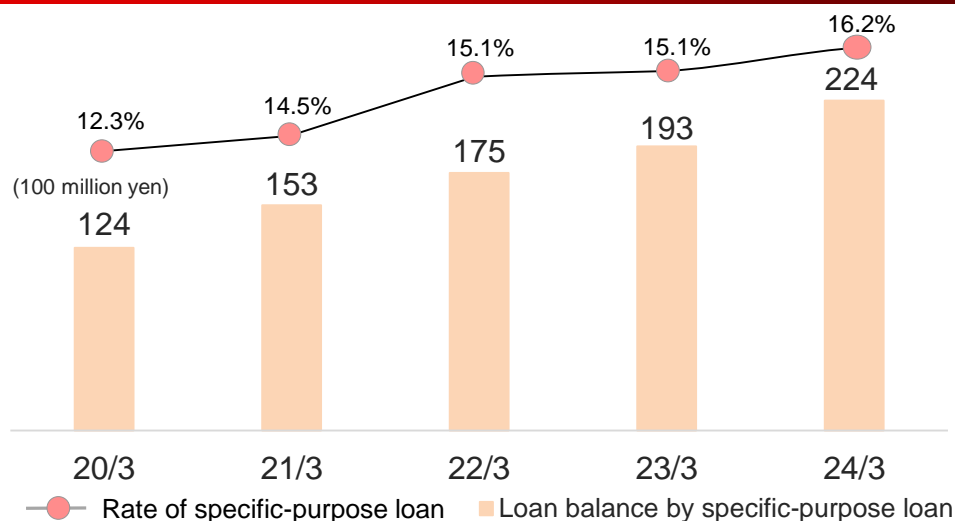
Promote unsecured loans by capturing the funding needs of housing loan customers

## Outstanding balance of unsecured loans

(100 million yen)

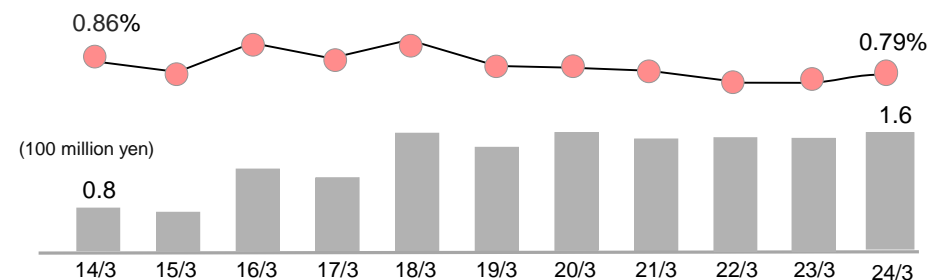


## Rate of housing loan users' use of specific-purpose loan and balance of loans

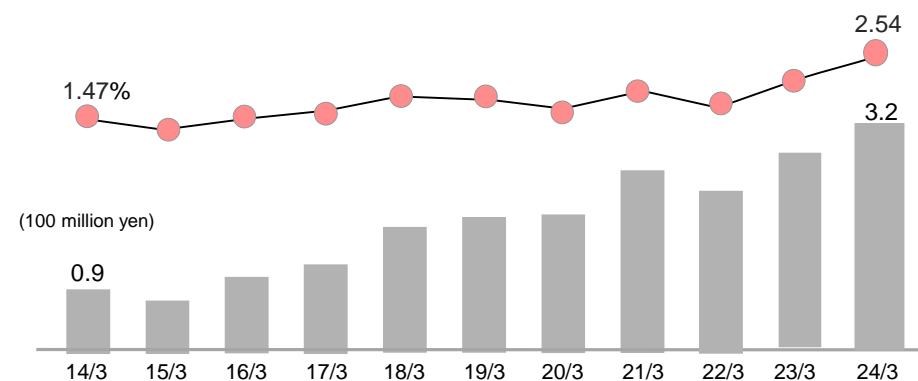


## Delinquent unsecured loan balance and rate

### Specific-purpose loan



### Card loan



# Strategy to Enhance Loan Income and Fees and Commissions (Depository Assets)

Leverage synergies between face-to-face and non-face-to-face sales, and conduct customer-oriented business operations and increase overall income from depository assets

## Organization of the depository assets division of the Hyakugo Bank Group

### <Hyakugo Bank>

#### Consulting plaza for “face-to-face sales”

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 the internet



### <Hyakugo Securities>

“For the wealthy and corporations (including owners)”

**Deepening engagement with highly specialized proposals and transactions**



## Commissions related to depository assets (Hyakugo Bank)

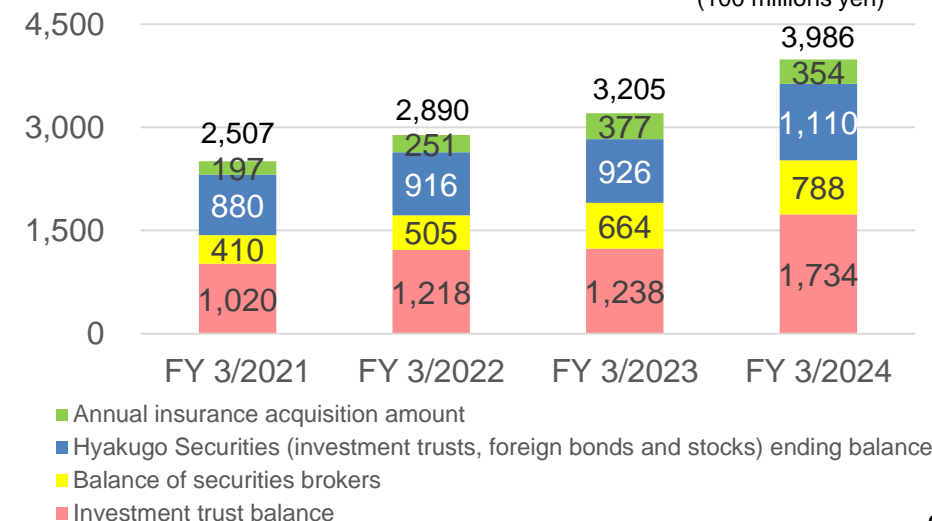
\* Breakdown of four major items

(millions of yen)

	FY 3/23 (actual)	FY 3/24 (actual)	FY 3/25 (Medium-Term Plan)
Investment trusts	960	1,431	1,570
Insurance	1,402	1,199	1,247
Financial instrument brokerage	296	228	502
Defined contribution pension	136	145	153
Total	2,805	3,016	3,497

## Depository assets balance (Hyakugo Bank + Hyakugo Securities)

(100 millions yen)



# Strategy to Enhance Loan Income and Fees and Commissions (Depository Assets)

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 through "long-term flat" policies
- Further promote "iDeCo" and "New NISA" 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

### Asset-building

### Use of savings

### To the next generation

Teens

Those in their 20s

Those in their 30s

Those in their 40s

Those in their 50s

Those in their 60s

Those in their 70s

Those in their 80s

Those in their 90s and beyond

Debut

Asset-building group

Asset management group

Elderly population

Providing accessible financial services

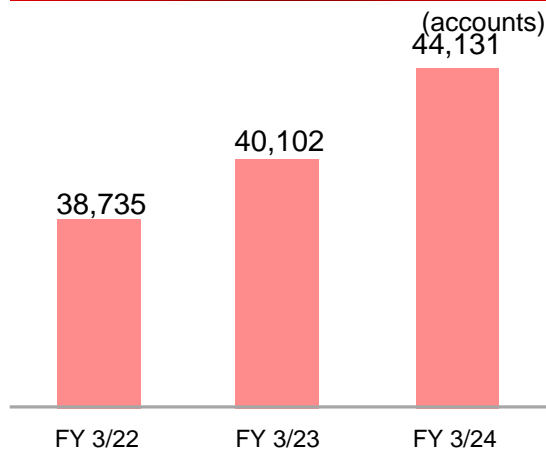
• Installment time deposit • Installment investment trust • Government bonds • Investment trusts  
• Foreign currency deposits • Whole life insurance • iDeCo • Personal annuity insurance  
• Financial instrument brokerage • Non-face-to-face (third-sector) insurance

• Testamentary trust • Gift during life  
• Consulting on asset succession

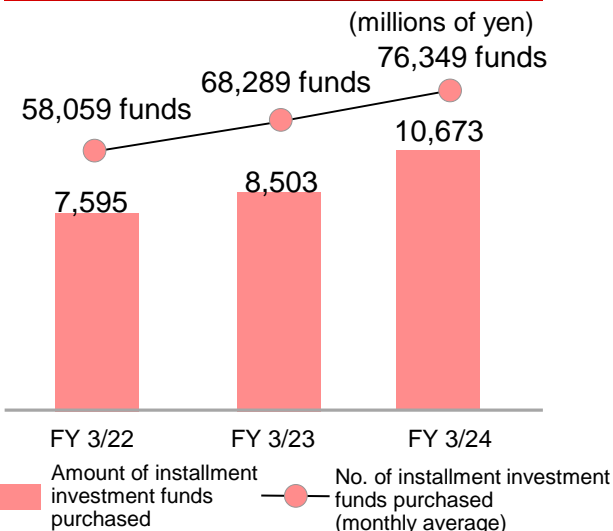
### NISA

### Installment investment trusts

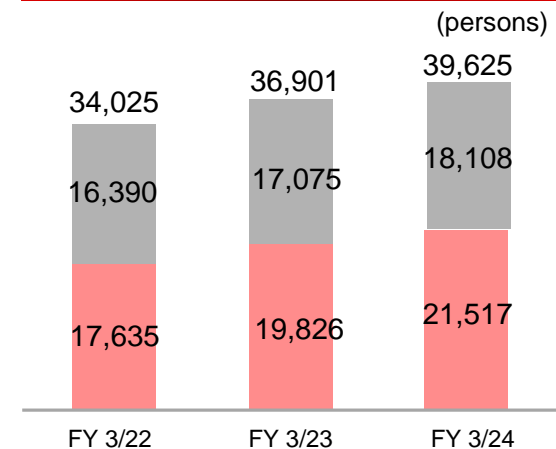
### Defined contribution pension



No. of NISA accounts



Amount of installment investment funds purchased  
No. of installment investment funds purchased (monthly average)



No. of corporate pension holders  
No. of iDeCo (individual) pension holders

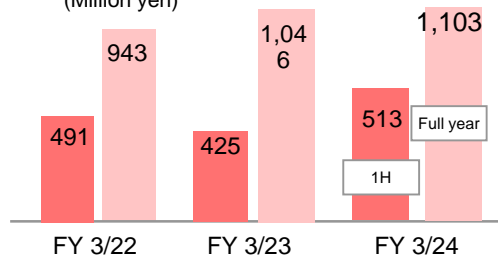
# Strategy to Enhance Loan Income and Fees and Commissions (Corporate Consulting)

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

## Increased corporate solutions fees

### Structured finance-related fees

(Million yen)



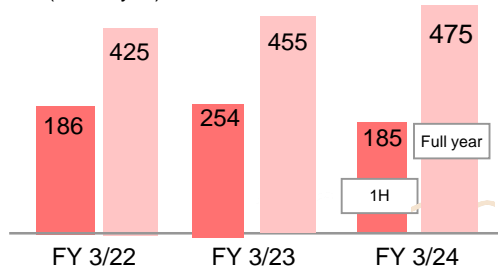
**1,103 million yen**

(Results as of March 31, 2024)

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

### M&A fees

(Million yen)



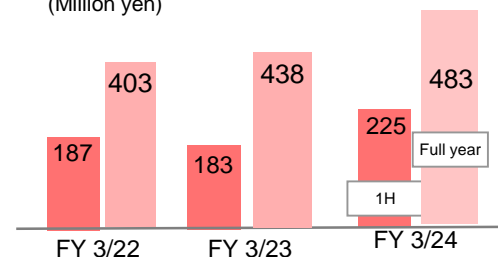
**475 million yen**

(Results as of March 31, 2024)

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

### Business matching fees

(Million yen)



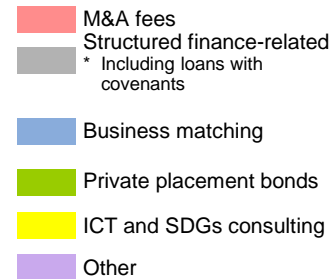
**483 million yen**

(Results as of March 31, 2024)

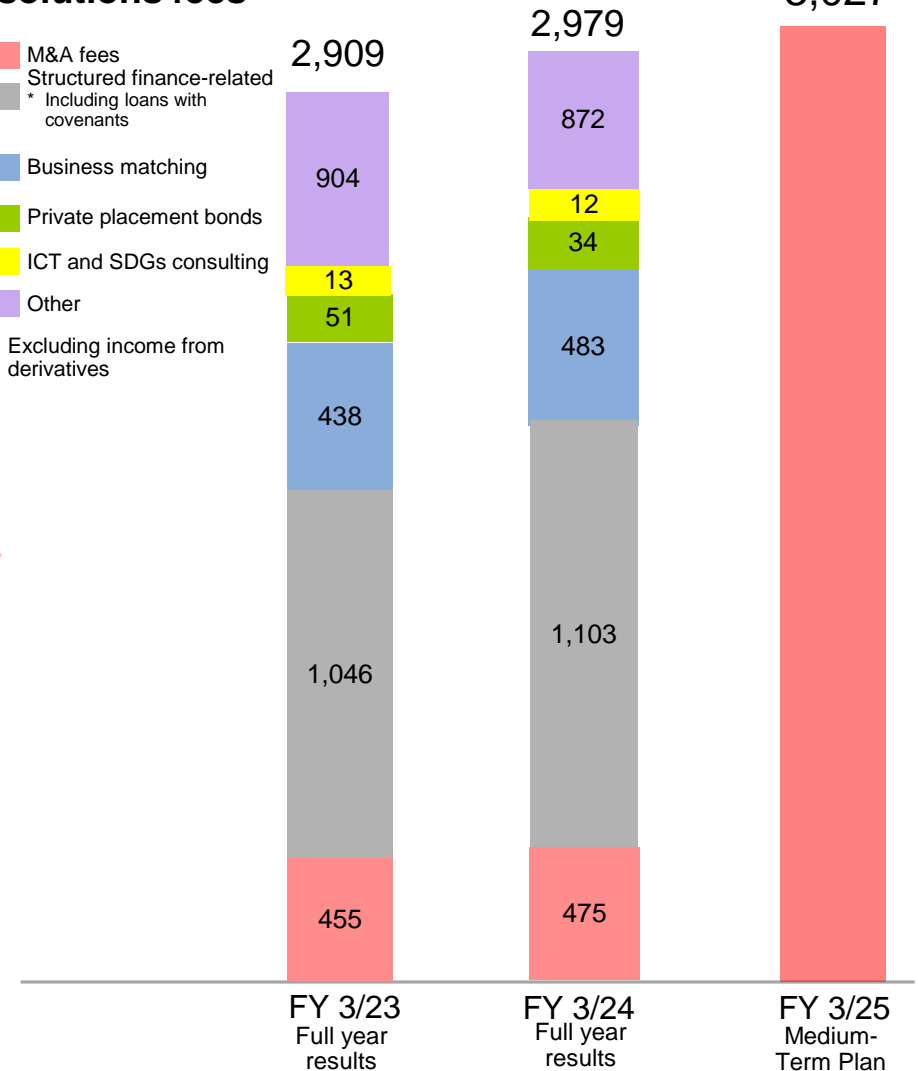
◇ Facilitate business matching based on current trends such as active use of construction benchmarking for business expansion, decarbonization, and digital transformation

## Results and plan of corporate solutions fees

(Million yen)



\* Excluding income from derivatives



# Strategy to Enhance Loan Income and Fees and Commissions (Corporate Consulting)

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

### Promotion of project finance for PFI business

- The Bank participated in the first PFI project in 2002, soon after the PFI Act was enacted in 1999
  - ⇒ Orders for new projects through long-term relationships with business operators and accumulated know-how since 2002
  - ⇒ Increased the presence of the Bank through continuous business orders
- Enhanced personnel structure (increased personnel in sales and management teams)
- Diversified support system as Hyakugo Group

- Contribution to regional development and sustainable finance

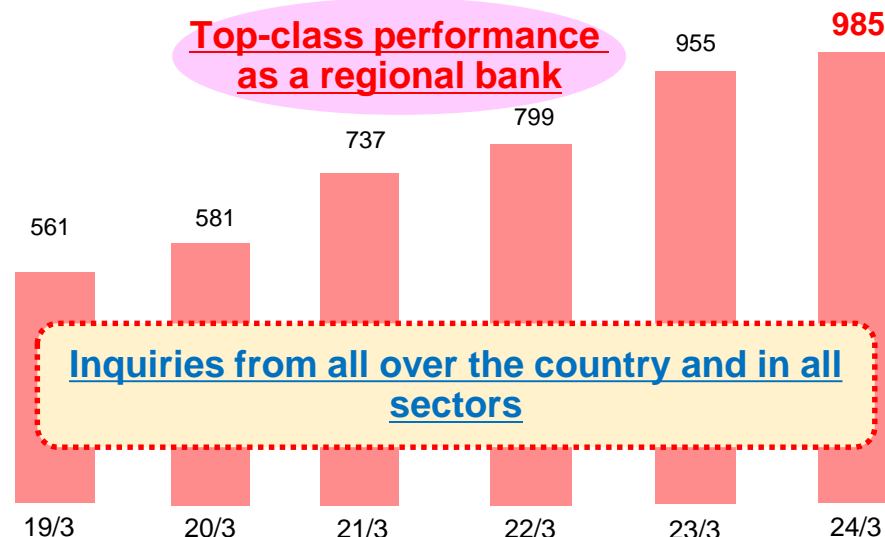
\* Recent PFI Initiatives (Shunan Green Space Development Management Project)

**Project size:**  
**approx. 9.5 billion yen**

山口県のスポーツレクリエーションパーク  
の融資契約を締結！



Cumulative total of PFI loans underwritten (100 million yen)



Prefecture	No. of projects	Sector	No. of projects	Cumulative no. of projects participated in
Aichi	22 projects	Accommodations, government buildings, housing	19 projects	<b>66</b> projects <b>Approx. 98.5</b> billion yen of which, <b>37</b> arranger projects <b>Approx. 55.0</b> billion yen
Osaka	10 projects	Educational and cultural facilities	14 projects	
Tokyo	8 projects	School meal service centers	11 projects	
Mie	8 projects	Sports and health facilities	8 projects	
Kanagawa	5 projects	Resource utilization and water treatment plants	7 projects	
Shizuoka and elsewhere	13 projects	Other (funeral halls, concession projects, etc.)	7 projects	

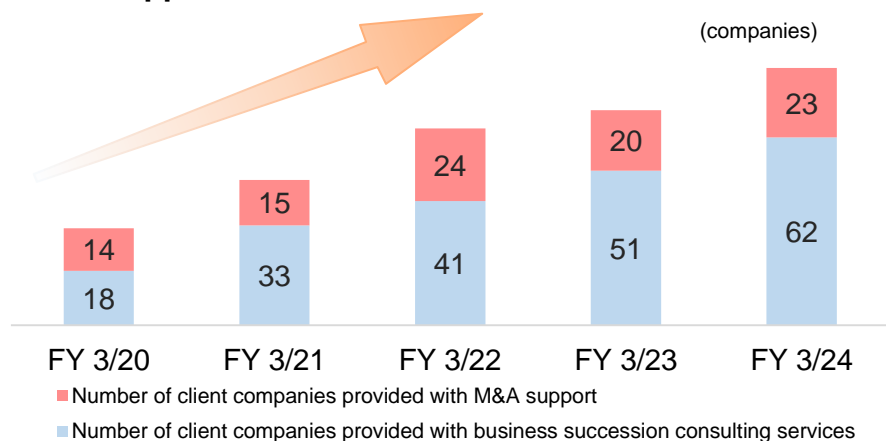


# Strategy to Enhance Loan Income and Fees and Commissions (Corporate Consulting)

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



### Held The 5th Hyakugo Successor Training School



- Held The 5th Hyakugo Successor Training School.
- This time, the venue was moved from Tsu City to Nagoya City, and 27 young managers and executives from their twenties to fifties participated.
- In addition to acquiring knowledge about the necessity of business succession, countermeasures, management, etc., provided a place for networking across industries and ages.

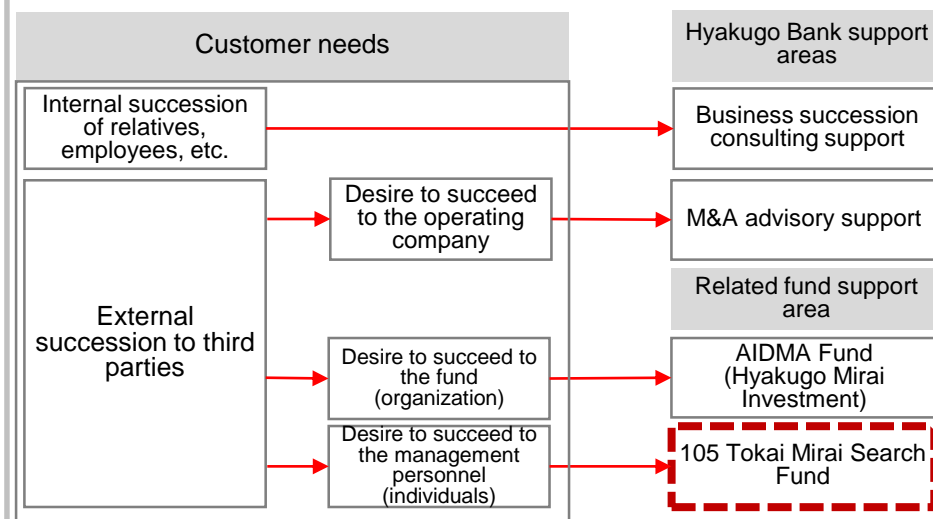
## Establishment of the “105 Tokai Mirai Search Fund”

### Established the first regional search fund in the Tokai region



- Hyakugo Bank provided smooth business succession support to successors and M&A support to third parties, and Hyakugo Mirai Investment Co., Ltd., a group company, provided business succession support using funds.
- The establishment of the search fund, which is based on management talent, provides regional clients with new options for business succession.

### Support system for business succession of the Group

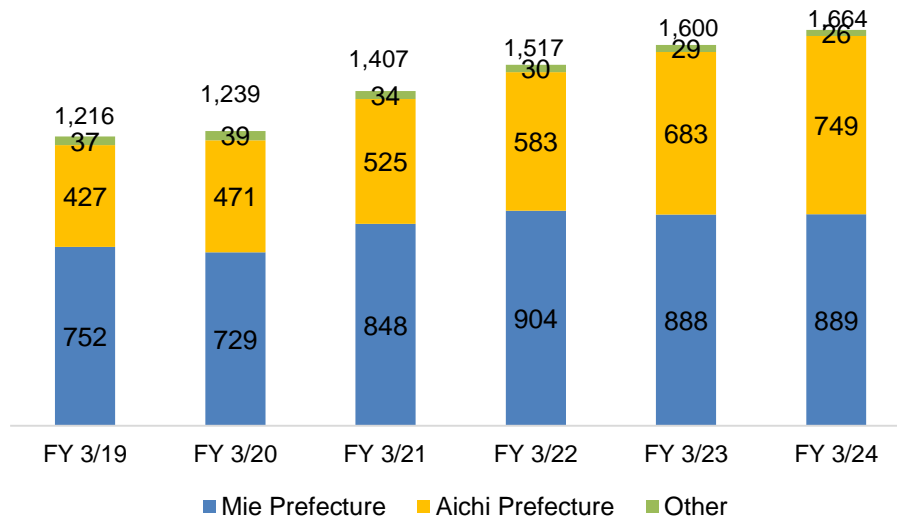


Enhance the sustainability of the region by continuing to strengthen its support for medical and welfare services, which are an important part of the region's infrastructure

## Active support for needs including capital investment

### Changes in lending to the health and welfare sectors

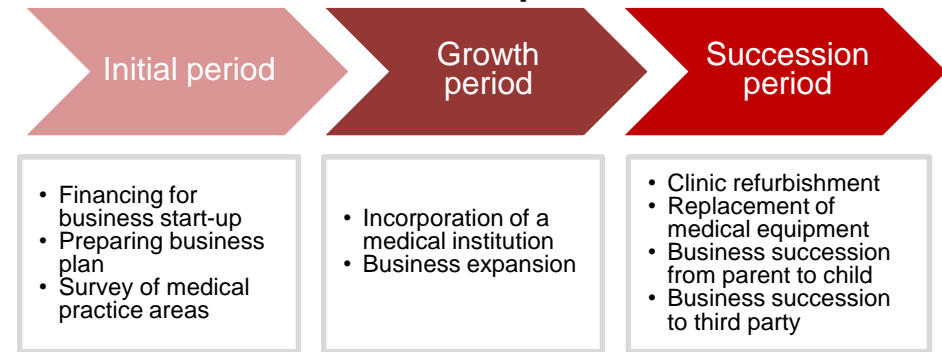
(100 million yen)



- Outstanding loans to the medical and welfare industries have been on an increasing trend for the past 13 years and are the largest among regional financial institutions headquartered in three Tokai prefectures (Aichi, Gifu, Mie).
- The Bank has had dedicated medical and welfare officers for over 40 years, and will continue to strengthen support for business partners by utilizing accumulated data and business partners
- Social loans based on the SDGs can be used to finance the relocation of clinics and the establishment of nursing homes.

## Consulting services to medical institutions

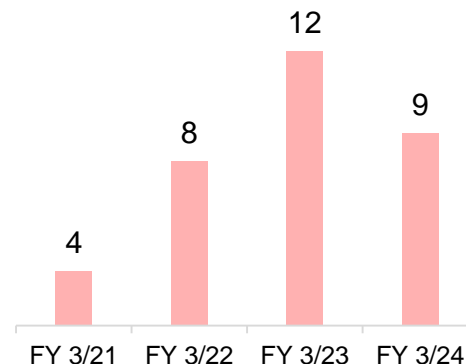
### Building a support system to meet customer needs from business start-up to succession



Of the above, the need for third-party succession due to the absence of successors is increasing markedly

### Status of support (no. of third-party successions)

### Support effectiveness (client feedback)



#### [Seller]

- We were able to protect our employees and existing patients through third-party succession
- I am glad that my clinic, which I have cherished for so many years, will continue and remain in the community

#### [Buyer]

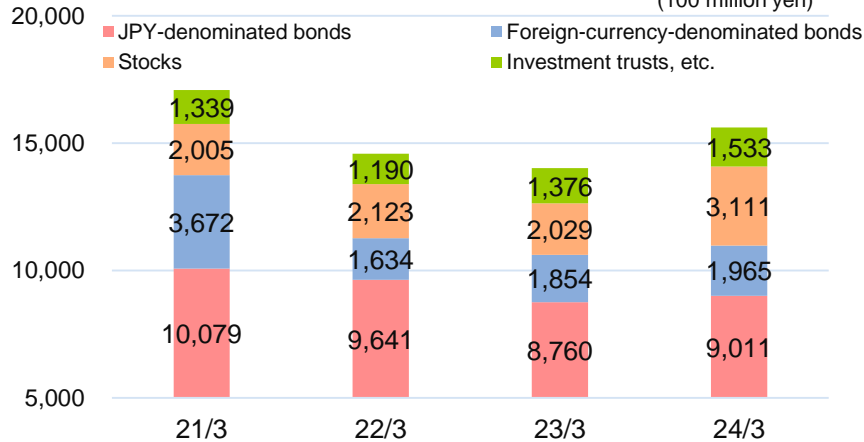
- I was able to keep my initial investment low
- The clinic has existing patients, making it easier to forecast sales

Gradually restructured the yen-bond portfolio as monetary policy normalized, and implemented portfolio improvements through exchange trading

### Changes in securities portfolio

Securities balance bottomed out due to resumption of long-term bond investment and rising stock prices

(100 million yen)



### Improvement of JPY-denominated bond portfolios

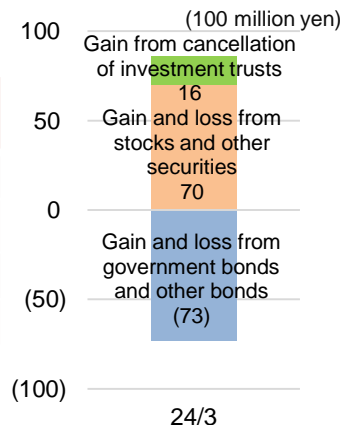
Portfolio improvement through replacement of low-yield stocks

- Purchase and sale of low-yield bonds using gains on the sale of stocks that became profitable during the rise in stock prices

Status of JPY-denominated bonds	3/24	(3/23 ratio)
Balance	901.1 billion yen	(up 25.1 billion yen)
Valuation gains (losses) on hedges	(21.1) billion yen	(6.4) billion yen
Holding yield	0.37%	(+0.07P)
Duration	5.67 yrs.	(-0.44 yrs.)

⇒ New investment and replacement trading have increased holding yields while shortening the maturity

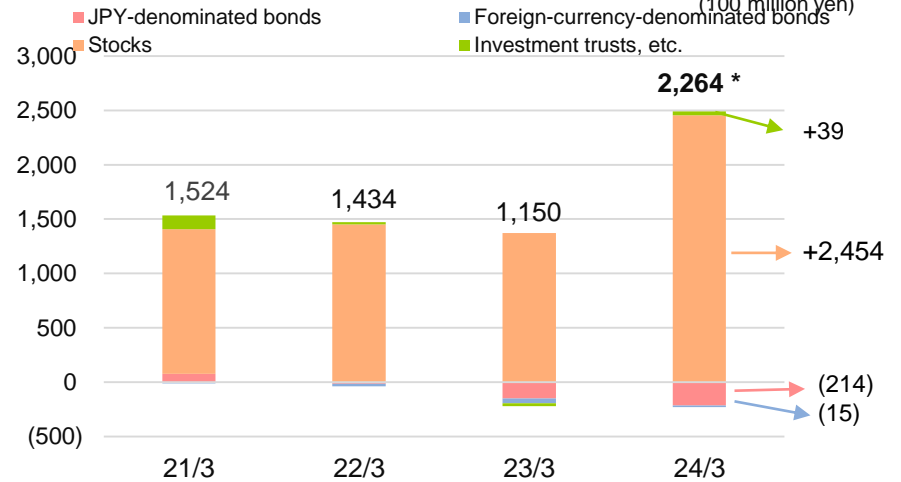
[Trading profit/loss]  
Total 13



### Valuation gains (losses) on securities

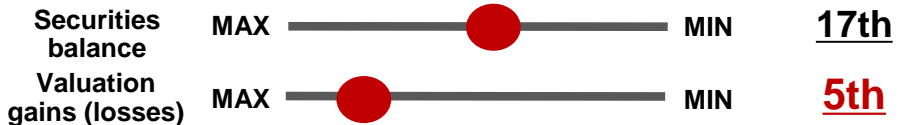
Unrealized gains increased due to rising stock prices

(100 million yen)



\* 229.2 billion yen of valuation gains after taking hedging into account

Ranking of Hyakugo Bank among 34 regional banks with at least 1 trillion yen in securities outstanding



\* Figures announced by each bank and compiled by the Bank (as of March 31, 2024). Valuation gains (losses) are before taking hedging into account

### Impact of interest rate risk

(100 million yen)

	Yen bonds	Foreign bonds
Impact on valuation gains (losses) if interest rates rise 10 basis points in parallel (after taking hedging into account)	(52)	(3)

\* As of March 31, 2024. Impacts on credit risk and foreign exchange, associated with rising interest rates, are not taken into account



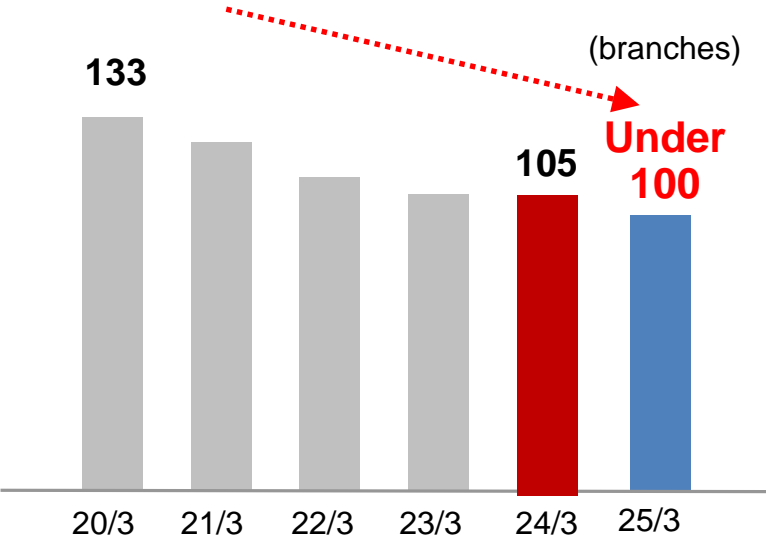
Aim to build an optimal sales structure by developing a channel strategy that captures the changing needs of customers

Optimize the branch and ATM network

Consolidation of branches through branch-in-branch method

Plan

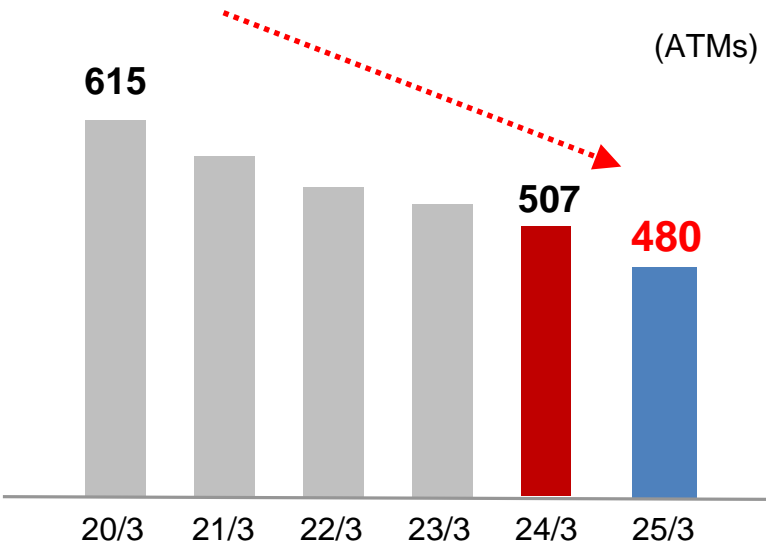
Aim to reduce number of branches to less than **100** over the three years of the Medium-term Management Plan



Review of ATMs

Plan

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



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

Establish alternative customer contact channels to in-store customer service

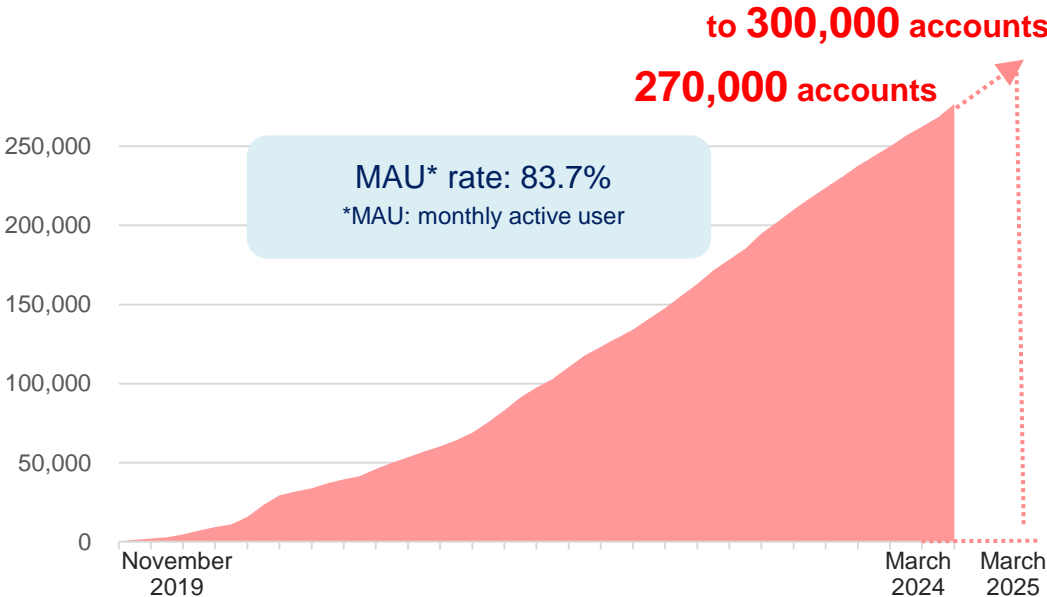
Smartphone

Changes in number of passbook-less 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



SDGs

Reduction of paper resource use



Digitization

Increased convenience

Improve the quality of monitoring

Introduction of unauthorized access detection service



Improve the quality of monitoring in response to increasingly complex financial crimes



Provide services that customers can use with confidence

External sales of app functions

The Bank began selling the application to domestic financial institutions through BIPROGY Inc. in 2023

Service delivery typeAdopted three additional Shinkin bank

Contract form	Contents of the contract	Hiring
Service delivery type	BIPROGY builds a new banking application based on “Hyakugo Bank Smartphone Banking” and provides it to financial institutions	4
In-house development and operation type	The Bank provides the program source code for “Hyakugo Bank Smartphone Banking” to financial institutions, which will develop their own banking applications	1

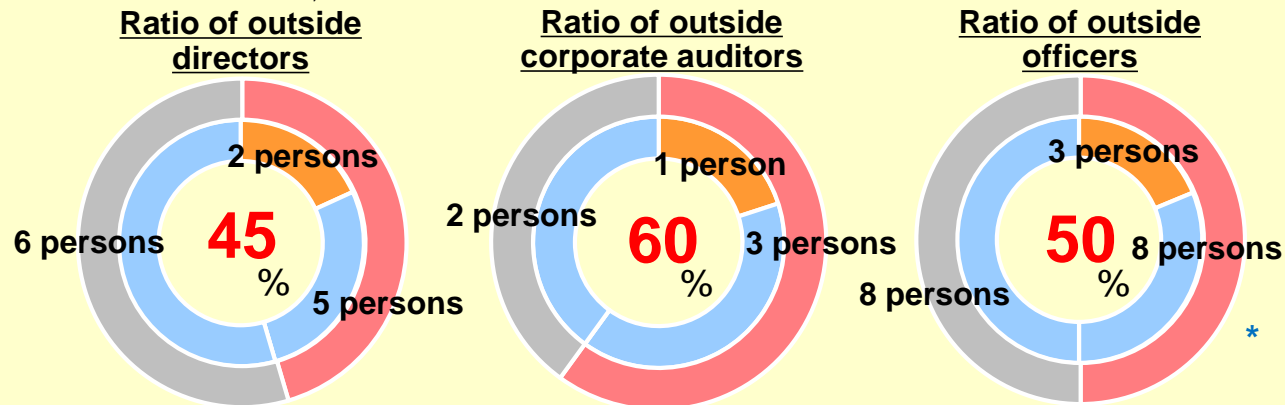
Strengthen corporate governance to ensure the Bank's sustainable growth and enhance its corporate value over the medium to long term

## Appointment and diversification of outside officers

### Ratio of outside officers

\* Scheduled for June 30, 2024

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

\* Eight outside officers are all independent

## Enhance governance through 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
<b>Outside directors</b>	<b>4</b>
<b>Inside directors</b> (representative director)	<b>2</b>
<b>Total</b>	<b>6</b>

\* No. of officers as of March 2024

Decision-making of Board of Directors

for higher  
**transparency**

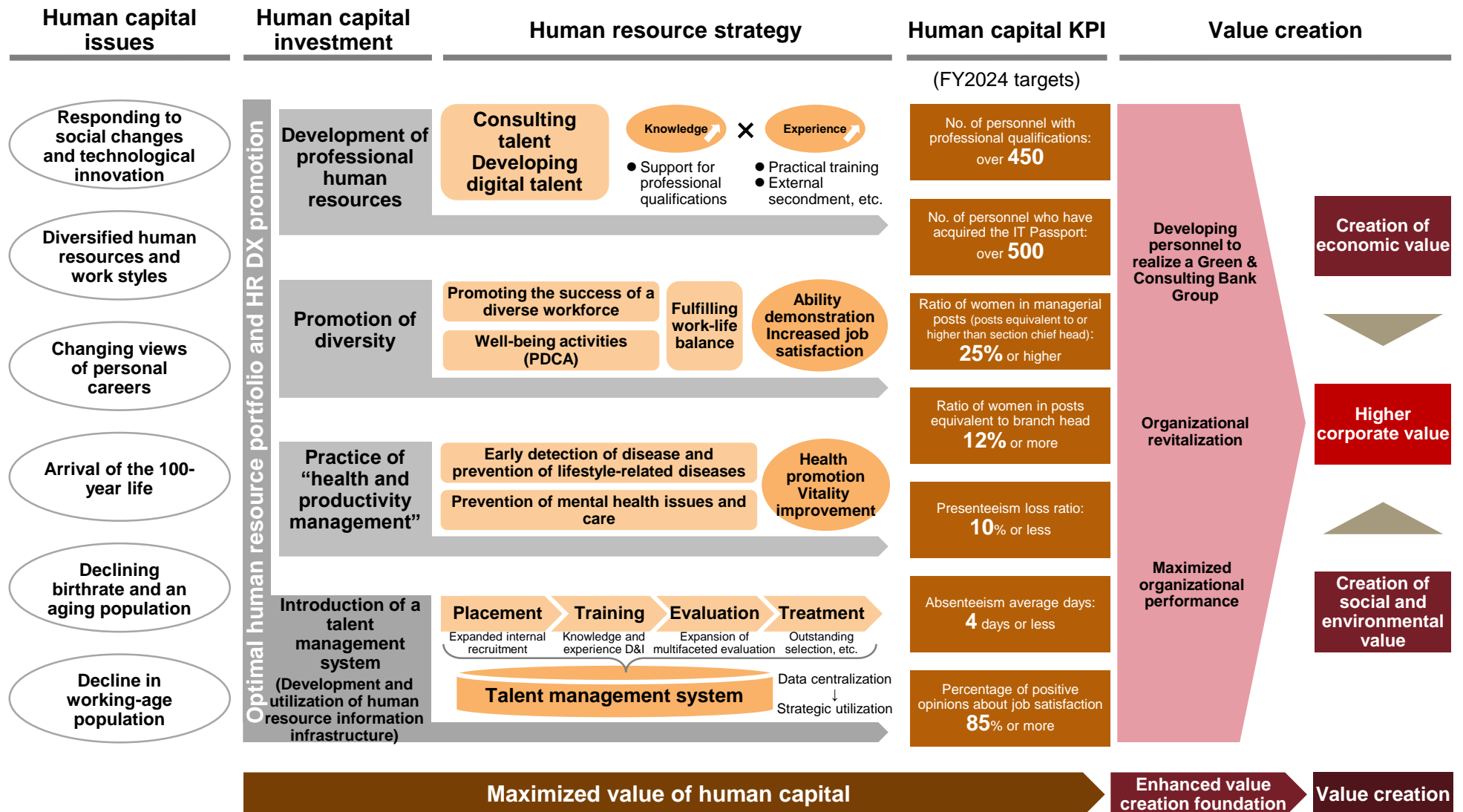
for higher  
**objectivity**

### [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)

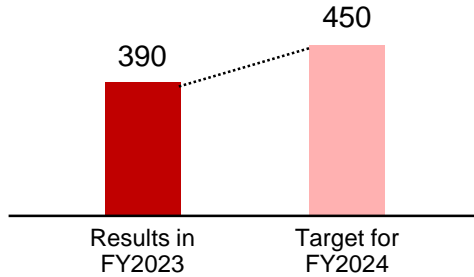
## Promote human resource strategy and initiatives to strengthen engagement to enhance human capital



## Key measurable indicators and targets related to investment in human capital and human resource strategy

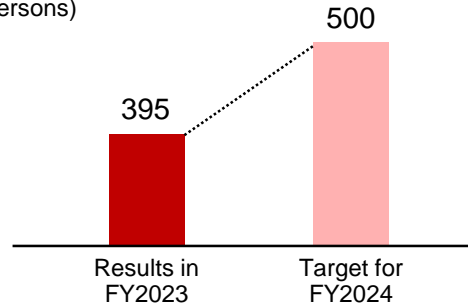
### No. of personnel with professional qualifications (7 qualifications including FP1)

(persons)



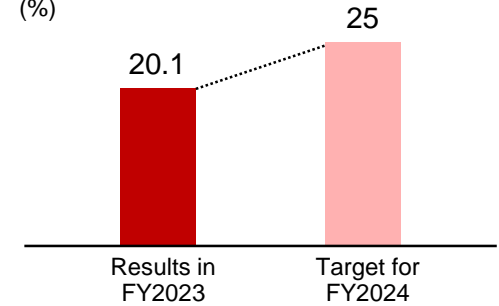
### No. of those who have acquired the IT Passport

(persons)



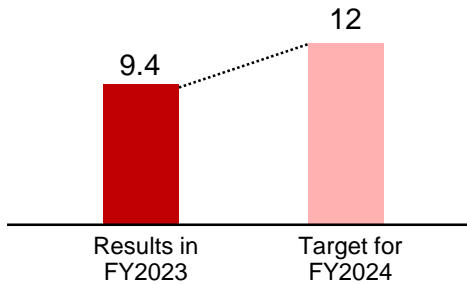
### Ratio of women in managerial posts (posts equivalent to or higher than section chief head)

(%)



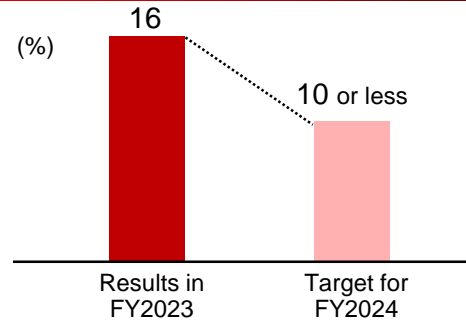
### Ratio of women in posts equivalent to branch head

(%)



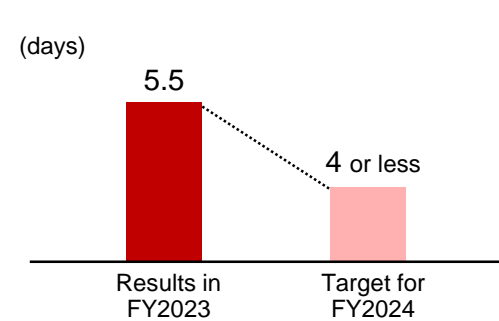
### Presenteeism loss ratio \*1

(%)



### Absenteeism average days \*2

(days)

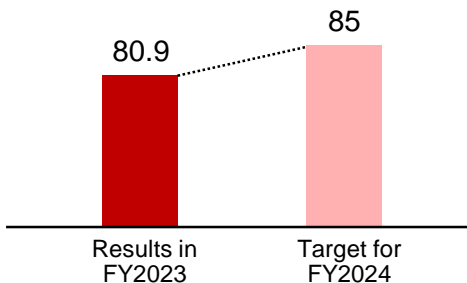


\*1 Presenteeism loss ratio: Percentage of work performance reduced due to illness or injury

\*2 Absenteeism average days: Number of days employees are absent from work due to illness, injury, or other physical condition (including paid leave, and calculated excluding those with no days of absence)

### Percentage of positive opinions about job satisfaction

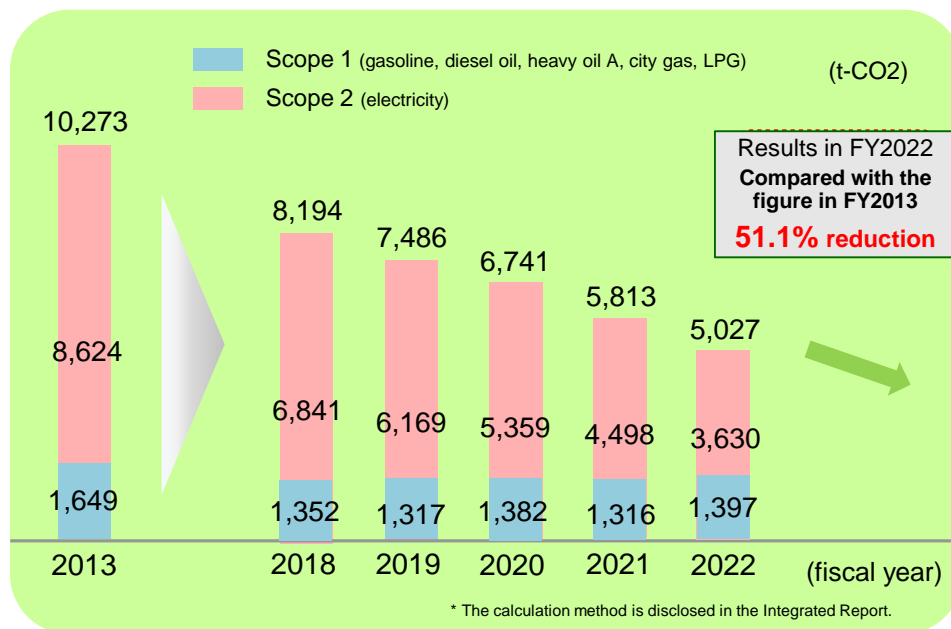
(%)



Greenhouse gas (GHG) emissions have been steadily declining. Information disclosure based on the TCFD concept is also implemented

## Greenhouse gas (GHG) emissions

### Changes in greenhouse gas (GHG) emissions



### Scope 3 measurement and calculation (disclosed July 2023)

- The Bank started measuring and calculating GHG emissions (Scope 3) in its supply chain
- It will consider increasing measurement items and improving measurement methods

Category 6  
(Business Travel)

389 t-CO2

Category 7  
(Employee Commuting)

1,823 t-CO2

Category 15  
(Investments)

5,715,383 t-CO2

\* The calculation method is disclosed in the Integrated Report.

## Scenario analysis and carbon-related assets

Physical risk to 2050

Additional credit cost up to  
**5.8 billion yen**

Transition risk to 2050

Additional credit cost up to  
**8.3 billion yen**

Carbon-related assets

**4 major sectors**

\* Based on the end of March 2023.

Energy, utility

1.94%

Transport

4.74%

Materials and buildings

17.72%

Agriculture, food and forest products

1.98%

\* The calculation method is disclosed in the Integrated Report.

## Sustainable finance

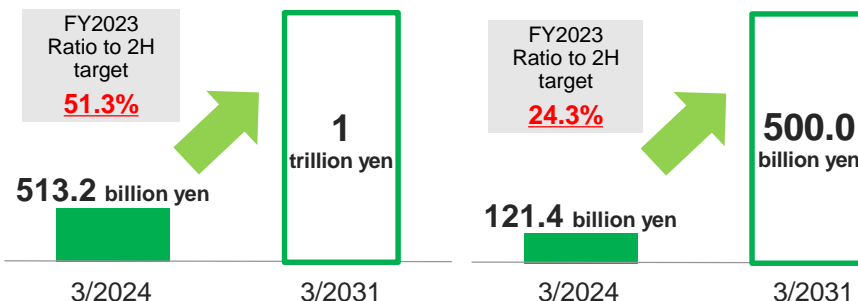
### Sustainable finance\* Targets and results

Sustainable finance  
Cumulative execution target

**1 trillion yen**

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

**500.0 billion yen**



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



## Sustainable finance: Project examples

## PIF's efforts to issue evaluation reports in video format

## Positive impact finance (PIF)

Evaluation  
and  
financing

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



First time in Japan! Issue the evaluation report published at runtime in video format

Conventional  
Written formThis time  
Video format

Hyakugo Bank Official Channel  
Available on (YouTube)

## Project finance for renewable energy

## Green finance



Supporting renewable energy power generation projects and contributing to the resolution of climate change issues

## Nagasaki Solar Power Generation Project



Conform to the Green Finance Framework acquired from the Japan Credit Rating Agency (JCR)