

# **New Medium-term Management Plan**

- There have been changes in the external environment, such as a declining population, a declining birthrate and an aging population, and growing interest in the environment and sustainability
- Create economic and social value by proactively utilizing new technologies such as “digitization” in addition to the capital accumulated to date

## Changes in the Environment Surrounding Hyakugo Bank

**Declining population / Declining Birthrate and Aging Population**

**Opportunity**

Increased demand for supporting efforts to improve productivity and capital investments

**Risk**

Stagnation and contraction of the Mie and Aichi markets due to serious labor shortage

**Digitization Advancement**

**Opportunity**

Productivity improvements by incorporating advancements in innovative new technologies and development and provision of new products and services

**Risk**

Intensified competition due to new services utilizing technologies such as BaaS and the entry from non-bank industries into the banking business

**Growing importance of Solving Social Issues**

**Opportunity**

Acquisition of new customers and creation of new revenue sources through new activities aimed at addressing social issues

**Risk**

Customer defection due to insufficient response  
Increased cost of credit due to a decline in local community vitality

**Diversification of Values**

**Opportunity**

Development and provision of new services based on diversification of values, and labor productivity improvements through new workstyles

**Risk**

Insufficient response and reduction in productivity due to customer defection and employee turnover

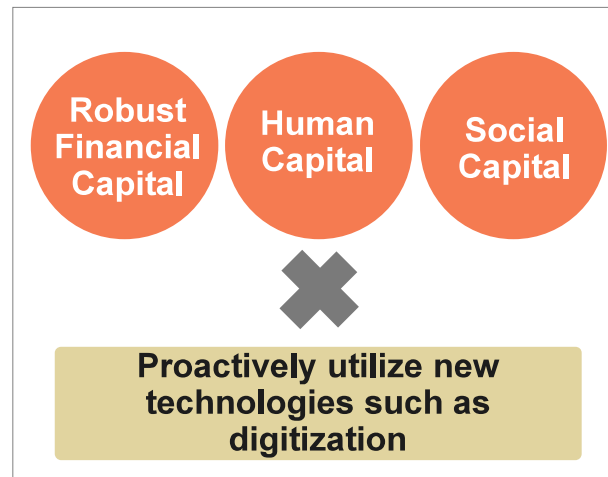
**Environment / Sustainability**

**Opportunity**

Profitability enhancement through adding value to existing products and services as well as development of new products and services

**Risk**




Increased costs due to environmental compliance  
Decline in PER due to insufficient efforts



**Create economic and social value**

# Materiality Review

- Reviewed materiality for new growth
- Redefined the issues to address in order to achieve new growth based on the Bank's corporate philosophy and corporate statement

Theme	Materiality	Goal
 <p>Society</p>	(1) <b>Creating vibrant communities</b>	Develop, promote, and vitalize local industries by helping local companies solve management issues and enhance added value, thereby contributing to the creation of vibrant and prosperous communities
	(2) <b>Contributing to secure and prosperous lives</b>	Provide support for realizing prosperous and secure lives by supporting community development initiatives, providing financial services aligned with customers' life stages, and offering financial and economic education
	(3) <b>Creating a society where every individual can thrive</b>	Contribute to local communities by creating workplaces where diverse personnel can grow their capabilities and work with vitality, both physically and mentally, thereby generating new values. Create a society that values people together with communities
 <p>Environment</p>	(4) <b>Coexistence with nature</b>	Conduct environmentally conscious business activities, and support the transition to a decarbonized society and circular economy through financial solutions and social contribution activities, aiming to pass on the region's abundant natural environment and resources to future generations
 <p>Governance</p>	(5) <b>Responsible management</b>	Aim to be the financial group of stakeholders' choice by conducting responsible management based on high ethical standards. Fulfill a role of supporting local communities by responding to environmental change flexibly and continuing to evolve

# Outline of the New Medium-term Management Plan

- The new Medium-term Management Plan is a four-year plan toward the 150th anniversary of Hyakugo Bank's founding, aimed at building a more robust and efficient business structure for the banking business, its core business
- Promote business renewal and continuously reform the Bank's business portfolio by creating and developing "new businesses that create new communities"
- Aim to enhance corporate value by creating both economic and social value

## Medium-term Management Plan (April 2025 – March 2029)



Medium-term Management Plan KAI-KAKU 150 FINAL STAGE

## Goals for Medium-term Management Plan

Aim to become a "bank that can be relied upon" through this Medium-term Management Plan  
To this end, bank employees need to become "people who are trusted and relied upon by customers"

### Bank's Goal

**A bank that can be  
relied upon**

### Bank Employees' Goal

**Bank employees whose  
faces are the first to  
come to mind when  
customers imagine their  
dreams and futures**

## Medium-term Management Plan: Basic Strategies

### 01 Creation of Social Value

Aim to create economic and social value by taking on the challenge of solving local issues

### 02 Taking on Challenges for Growth

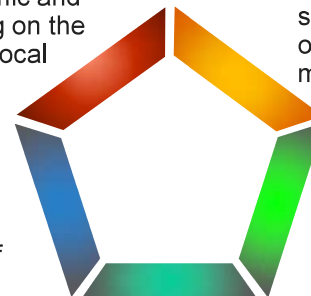
Aim to thoroughly streamline banking operations and provide more value to customers

### 03 Human Resource Strategy

Aim to be a "group of professionals who take on challenges" through proactive career development

### 04 Digital Transformation

Aim to transform operations and mindsets by leveraging digitalization and data



### 05 Strengthening of Strategic Foundation

Aim to strengthen governance and integrate sustainability and management

# Financial and Non-Financial Targets

- The new Medium-term Management Plan sets two financial KGIs: “ROE” and “Net Income”
- Aim to create social value in addition to economic value by setting new non-financial KGI targets

## Target for FY2028

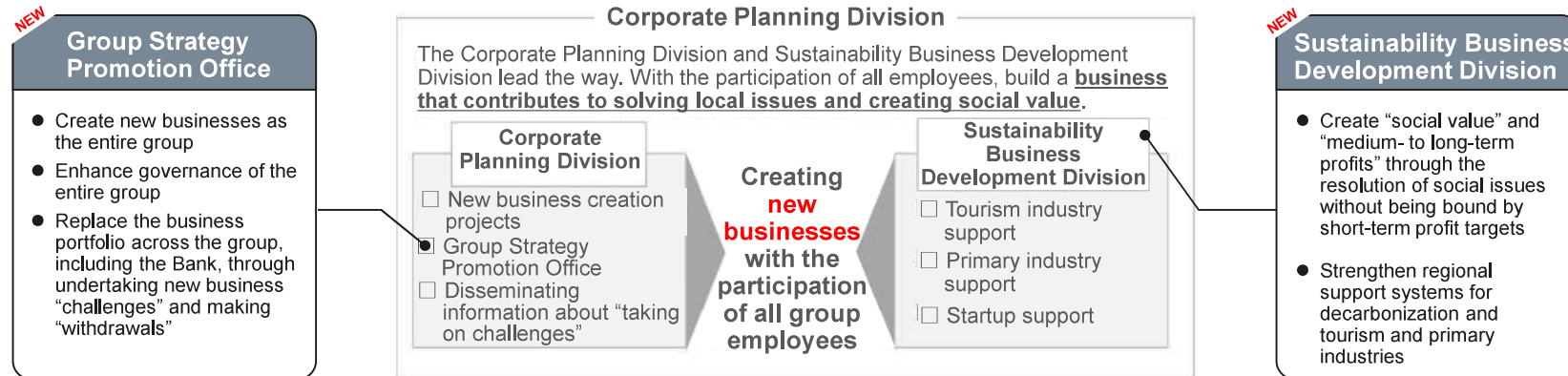
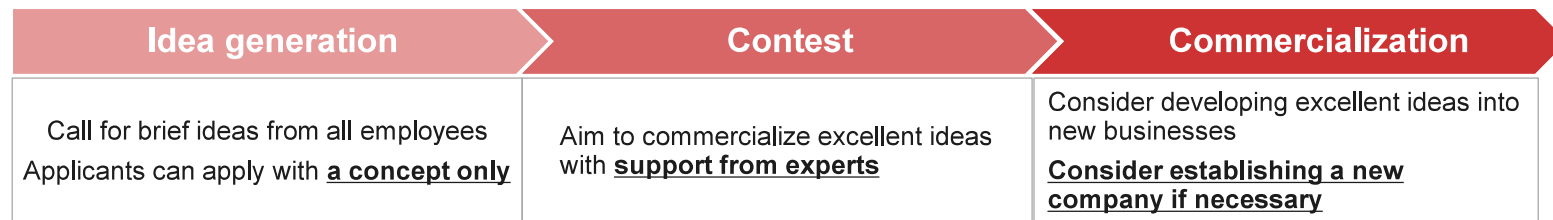
Financial Targets	ROE in consolidated net assets	Consolidated net income	Sustainable finance	
	5 % or more	24 billion yen or more	FY2030 1 trillion yen (Of which, more than 500 billion yen is environment-related loans)	
Non-Financial Targets	Number of customer management issues solved	Number of community issue engagements	Increase in balance of depository assets*	Number of financial and economic education sessions held
	Cumulative total of 1,000 cases	Cumulative total of 30 cases	50 billion yen	Cumulative total of 500 times
	Employee engagement index	Ratio of female executives	GHG emissions (Scope1,2)	
	85% or higher	25% or more	Net zero	* Compared with the end of March 2025 Increase in consolidated balance of bank and securities investment trusts

\* Compared with the end of March 2025  
Increase in consolidated balance of bank and securities investment trusts

# Basic Strategy 01: Creation of Social Value (Establishment of a System to Take on the Challenge of Creating Social Value)

Aim

- Establish a system for the entire group to work together to take on the challenge of creating social value
- Start a new project that allows each employee to freely create new businesses based on their own ideas



# Basic Strategy 02: Taking on Challenges for Growth (Enhancement of Funding Efficiency and Capital Efficiency Management)

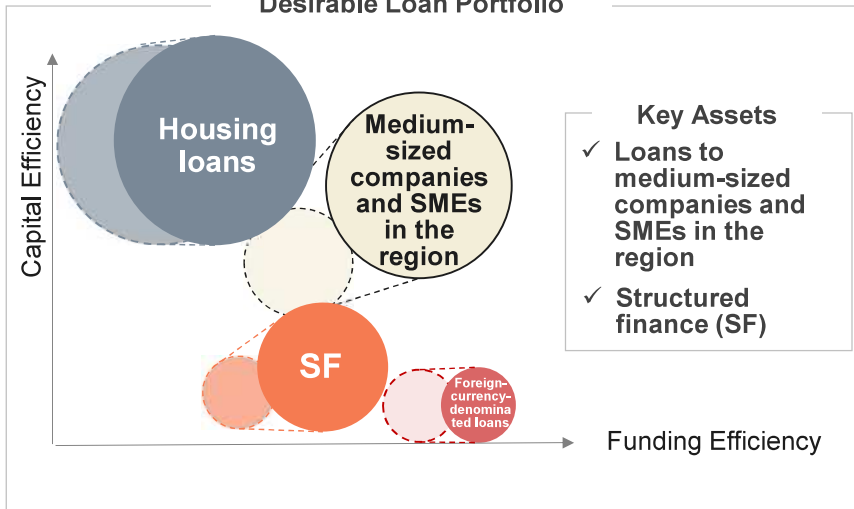
Aim

Optimize asset allocation by enhancing funding efficiency and capital efficiency management for the banking business, the Bank's primary business, while taking appropriate risks through clarification of risk appetite and flexible accumulation of assets

## Formation of a Portfolio with High Funding and Capital Efficiency

Establish a structure that enables the appropriate accumulation of assets for maximum efficiency in terms of both funding efficiency (interest margins) and capital efficiency (RORA)

Desirable Loan Portfolio



## Thorough asset management through interest margins and RORA

### Risk Appetite Framework (RAF)

A framework that clearly defines the risks the Bank should take, sets the amount, types, and tolerance levels of risks, and enables appropriate risk-taking

Clarification of risk appetite and flexible operations

Funding efficiency (interest margin)  
Capital efficiency (RORA)  
Management enhancement

Asset allocation optimization

## Establishment of Investment Finance Division and Financial Market Headquarters

NEW

### Financial Market Headquarters

Serve as the command center for the Investment Finance Division and the Treasury & Securities Division, building an optimal portfolio and providing a check-and-balance function

NEW

### Investment Finance Division

- ✓ Asset management by professionals with expertise
- ✓ Establishment of continuous training systems

## Basic Strategy 02: Taking on Challenges for Growth (Strengthening of Consulting)

Aim

**Aim to strengthen consulting capabilities by restructuring the corporate sales framework and standardizing sales activities, thereby addressing the issues that corporate and individual customers are facing and contributing to the growth of both the entire region and the Bank**

### Conversion to explicit knowledge (compiling into a manual)

- ✓ **Sharing of “models” of consulting proposal**  
Strengthen autonomous capabilities by compiling into a manual high-level consulting proposal techniques that corporate FAs (financial advisors) have been conducting and sharing them with sales branches

Tacit knowledge (learn by example) ⇒ Explicit knowledge (compiled into a manual)

**Strengthening  
of consulting**

### Development of environment where employees can learn and compete together

- ✓ **Strategic deployment of liaison personnel**
  - (1) Consolidate the “liaison and loan” personnel of smaller branches with relatively few liaison personnel into nearby branches
  - (2) Create an environment where the activities of ace (outstanding) bank employees can be directly experienced

### Development of ace bank employees

- ✓ **Establishment of an environment for developing ace bank employees**  
Implement the PDCA cycle for sales activities in addition to formulating various training programs to develop ace bank employees

**Strengthening  
of individuals**

**Consolidation  
of corporate  
branches**

### Standardization of sales activities (foundation and system building)

- ✓ **Practicing the “corporate sales models”**  
Standardize managers to ensure that “sales promotion, sales management, and talent development” are carried out at a consistent level, regardless of each manager’s knowledge, experience, or skills
- ✓ **Establishment of “PDCA for overall sales”**  
Strengthen monitoring of sales promotion and management at each branch in line with the permeation of corporate sales models, and establish a PDCA cycle covering planning, activity management, result verification, and drafting of improvement measures

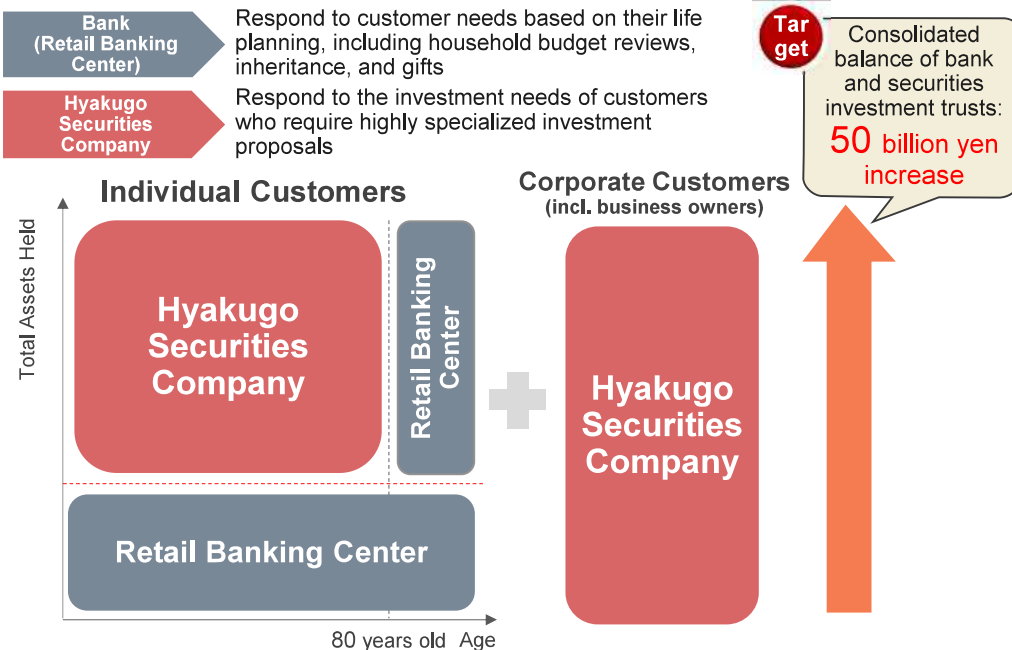


# Basic Strategy 02: Taking on Challenges for Growth (Strengthening of Depository Asset Sales)

## Aim

- Aim to increase the consolidated balance of bank and securities investment trusts by 50 billion yen through the enhancement of recurring-revenue businesses and the establishment of customer-oriented business operation
- Aim to realize the best interests of customers through initiatives such as enhancing the customer experience through DX and providing financial and economic education

## Establish a Unified Group-Wide Sales Structure for Depository Assets



## Expand Online Functions

- ✓ Promote paperless depository asset operations
- ✓ Implement online interview and online contract functions
- ✓ Implement the investment trusts transaction function in smartphone banking

## TOPIX

Started handling "105 Smartphone Investment Trust" in January 2025  
Achieved an improvement in customer convenience through transactions via smartphone banking application

## Strengthen Financial and Economic Education

Enhance financial literacy of local customers

Provide "security" and "prosperity" to people's lives



## Target

**500** on-site lectures held in total during the Medium-term management plan period

# Basic Strategy 02: Taking on Challenges for Growth (Renewal of Mortgage Strategy)

Aim

- Established a solid business model in the previous Medium-term Management Plan. Going forward, change the mortgage strategy by shifting the focus of activities from “quantity” to “quality”
- Aim to “further improve the quality of mortgage assets” through thorough DX and operational streamlining

## Improve the Quality of Mortgage Assets

### Digitalize customer procedures

- 01 Adopt paperless processing for the final mortgage application documents
- 02 Add a partial prepayment function to smartphone banking
- 03 Systematize the pre-screening application method

### Centralize administrative operations at headquarters and streamline them

- 01 Adopt labor-saving mid-term management operations
- 02 Centralize contracts and related documents at headquarters

### Promote cross-selling to mortgage customers

- 01 Increase deposits by increasing salary transfer designations
- 02 Expand ancillary transactions by capturing needs for unsecured loans and insurance

Shift activities' focus from quantity to quality

## Utilize “Flat 35”

Based on the anticipation of changes in the financial environment, utilize the full-term fixed-rate “Flat 35” to meet demand for fixed-rate mortgages

- ✓ Assign dedicated personnel
- ✓ Secure profits without using assets

Promote services that meet customer needs

## Strengthen Mortgage Claims Management

NEW

### Loan Claims Management Department

The Loan Claims Management Department has been established within the Retail Loan Consulting Division. The department is responsible for managing and analyzing cases of substitute payment, delinquency, and default, aiming to maintain high-quality loan claims both in recurring-revenue businesses and transaction-based businesses by strengthening mortgage claims management.

# Basic Strategy 02: Taking on Challenges for Growth (Enhancement of Deposit Transactions)

Aim

Aim to increase deposits essential for building a high-quality portfolio by implementing segment-specific deposit enhancement measures for individual and corporate customers

## Individual Segment

- ✓ Develop a framework to offer appropriate products and services aligned with life plans
- ✓ Develop strategies by generation and channel to increase sticky deposits

20s

30s

40s

50-60s

70s and older

### Asset-building group

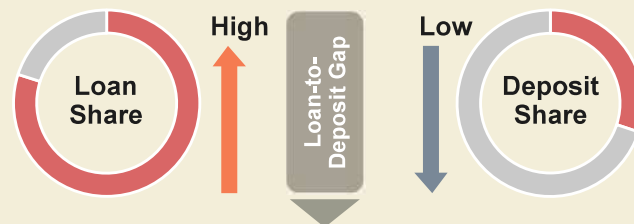
- **Strategy for mortgage customers**  
Expand channels and products for mortgage customers with potential for business expansion
- **Childcare support package**  
Provide customers in the “child-rearing generation” who generate the vitality of the community’s next generation with products and services aligned with their life stages

### Senior group

- **Strategy for the senior group**  
Provide comprehensive proposals on ideal asset management to senior customers with diverse asset-related concerns
- **Senior support package**  
Expand support measures to address issues beyond asset management, such as “preparation” and “connection”

## Corporate Segment

### Strategy to eliminate the loan-to-deposit gap



Work on comprehensive proposal enhancement for customers with a loan-to-deposit gap and provide solutions for their management issues, thereby becoming their main bank

### Out-of-prefecture strategy

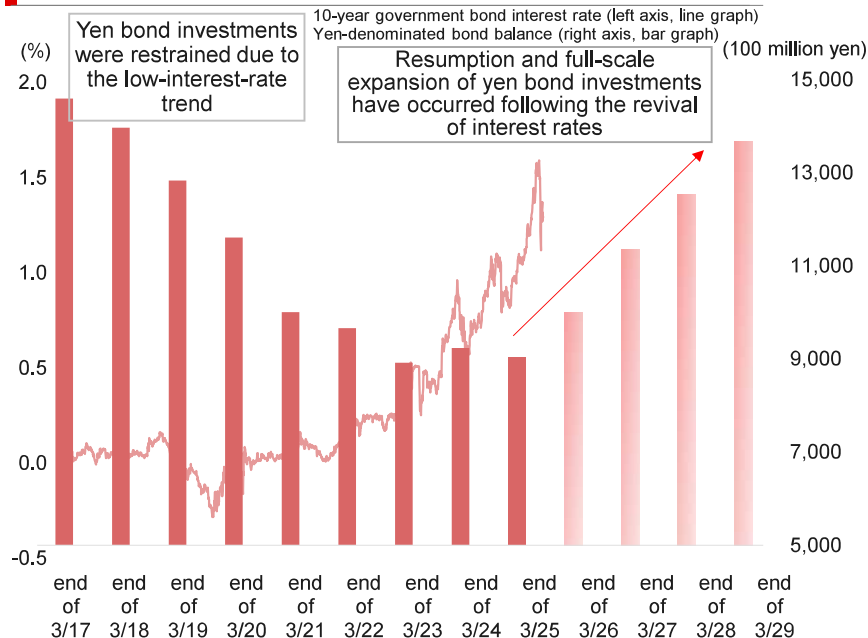


# Basic Strategy 02: Taking on Challenges for Growth (Securities Strategy)

Aim

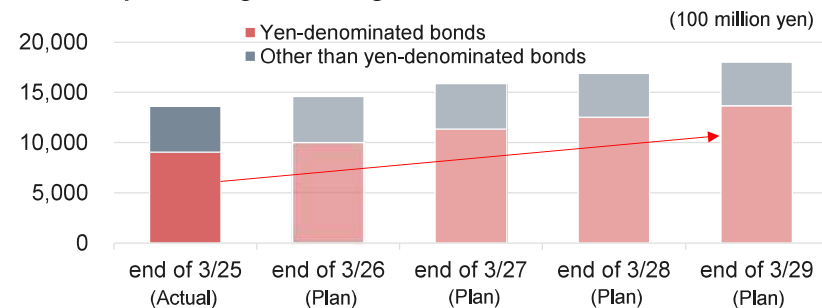
**Aim to maximize earnings by flexibly responding to changes in the market environment while restructuring the securities portfolio with a focus on yen-denominated bonds**

## Trend of Yen-Denominated Bond Balance

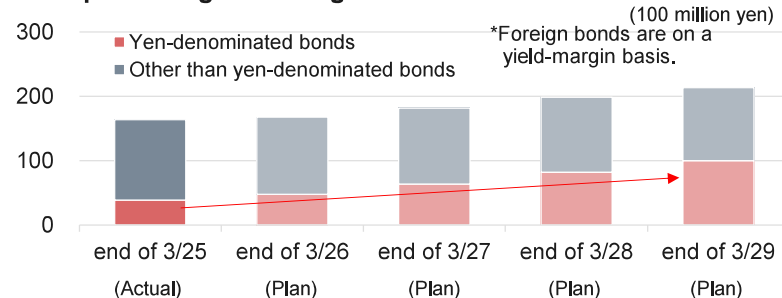


\* Actual results are shown up to the end of March 2025, and figures from the Medium-term Management Plan are presented from the end of March 2026 onward.

## Conceptual image of changes in balance of securities



## Conceptual image of changes in interest on securities



# Basic Strategy 03: Human Resource Strategy

## Aim

- Define the Bank's ideal image of talent and organization both qualitatively and quantitatively through the establishment of a personnel policy
- Realize a "group of professionals who take on challenges" by developing capabilities and improving engagement through personnel system reforms

## Ideal image of talent and organization

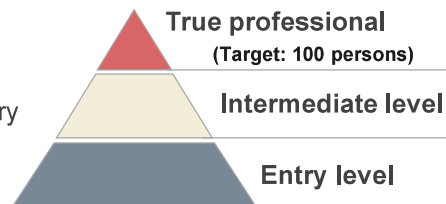
### Ideal image of talent and organization

Aim for all employees to become "true professionals" through autonomous career development

#### ✓ Advance human capital management

Encourage employees to take on challenges to achieve their desired careers

Build a system to define the requirements of the necessary talent, develop them, and precisely grasp their demonstrated capabilities



### Establishment of a personnel policy

#### ✓ Clarify the Bank's ideal image of talent and organization

"A group of people who, as good members of society, continue to deepen their knowledge and take on new challenges"

"An organization where each and every employee can fully demonstrate their capabilities and work with vigor and enthusiasm"

### Personnel system reforms

#### ✓ Realize a talent portfolio aligned with the management strategy

Implement a fundamental personnel system reform to improve employee engagement and realize a talent portfolio consisting of professionals

### Support for career autonomy and "taking on challenges"

#### ✓ Promote autonomous career development

#### ✓ Limit the scope of transfer for employees who wish to develop their specialization

Establish an expert system to accelerate the development of professionals

#### ✓ Encourage ambitious employees to take on challenges

Foster a rewarding work environment by expanding open-position transfers

### Continuous development of professionals

#### ✓ Development of professional talent\*

Establish a framework that supports autonomous career development, aiming to produce "100 professionals" with both knowledge and practical skills

\* Personnel who have passed the professional qualification examination and have demonstrated high levels of knowledge and competence

## Aim

Build a foundation of “a bank that can be relied upon” by promoting paperless operations and workforce streamlining through digital technologies, thereby realizing a flexible branch strategy, workstyle reform across the Group, and enhanced customer service

## Internal/Group DX & Regional DX

### Promotion of DX by “DX Promotion Office (newly established)”

Reorganize the IT Strategy Department under the Corporate Planning Division into the “DX Promotion Office,” and accelerate DX initiatives across group companies and regional businesses

#### Group Support

Promote operational efficiency throughout the entire group  
Operations of group companies

Sales division, etc.

Systems division

Personnel and general affairs divisions

Improve efficiency by centralizing system-related operations to system subsidiaries (outsourcing)

System subsidiaries (management of underlying infrastructure)

Accumulate know-how and experience to strengthen “regional DX promotion capabilities”

#### Local Business Support

Deploy IT specialists on-site in each region and provide ICT solutions

✓ Corporate sales staff identify customers’ ICT-related management challenges and, in coordination with system subsidiaries, provide solutions to address them

✓ Aim to establish a broad consultation framework for customers’ IT-related inquiries by “combining the bank branch network, IT specialists, and customers”

Alliance

System subsidiaries

Coordination

(Other companies) System companies

Resolve customers’ IT issues

## Paperless base

### ✓ Promote paperless work in main operations

Aim to improve operational efficiency and enable flexible workstyles by implementing paperless work in mortgage operations, depository asset operations, counter operations, and corporate liaison operations

## My page base

### ✓ Enhance efficiency in mortgage operations

Streamline mortgage operations by implementing system management of incomplete processing and optimizing interim payment procedures

## Electronic delivery base

### ✓ Discontinue mailed and hand-delivered documents

Reduce postage costs, improve operational efficiency, and prevent personal information leaks by promoting digitization of both mailed and hand-delivered documents

# Basic Strategy 04: Digital Transformation (Future to Pursue through Internal/Group DX)

Aim

- “Expand non-face-to-face transactions” and “enhance the efficiency of face-to-face transactions” by leveraging digital technologies
- Achieve DX-driven “transformation of operations and mindsets” by promoting internal and group DX initiatives centered on the DX Promotion Office

## Future to Pursue through Internal/Group DX

### The Future of Our Workplace

Provide new value to customers based on a **market-oriented (prioritizing customer needs and preferences)** approach that relies on data through hardware (systems) and software (data utilization)

#### Branch Strategy

##### Set up branches and functions according to market characteristics

- ✓ Consolidate and integrate operations of loan and liaison functions
- ✓ Establish a liaison activity base
- ✓ Reorganize the Retail Loan Center
- ✓ Expand plaza branches

#### Workstyle Reform

##### Mindset (dispel stereotypes)

- ✓ Promote remote work  
→ Shortened-hour telecommuting and telecommuting for childcare
- ✓ Standardize operations (remote seal approval and headquarters centralization)
- ✓ Execute operations outside the assigned branch
- ✓ Ensure psychological safety
- ✓ Reduce simple administrative tasks
- ✓ Reduce training time and accelerate employee readiness

#### Customer Service

##### Make Hyakugo Bank more accessible with “digital” technologies

- ✓ Improve accessibility (non-face-to-face, no visit required)  
→ Customers can complete procedures anytime at their own convenience without visiting branches  
→ Online interviews and consultations become available
- ✓ Provide the best services at the best time, based on an accurate understanding of customer needs
- ✓ Improve customer convenience by eliminating the need to fill out forms and affix seals
- ✓ Shorten wait times through operation-less and paperwork-less processes

Data  
Utilization

POWER  
EGG

My Page

Paperless Base

Online  
Interviews

Subsystem  
Reform

Generative  
AI

# Basic Strategy 04: Digital Transformation (Data Utilization)

Aim

Aim to enhance operational efficiency and sales capabilities through strengthening the building of a data-driven organization by promoting intra-group data utilization

## Data Utilization

### Development of measures based on data utilization

Focus on promoting data utilization in sales activities to “make data analysis more accessible,” in preparation for transformation to a data-driven organization

- ✓ **Practice digital marketing**  
Strengthen sales efforts in untapped areas (smartphone banking, small business customers, etc.)
- ✓ **Strengthen data utilization in the sales field**  
Advance CRM and BI tools and build an environment where the desired data is always accessible
- ✓ **Develop data utilization personnel**  
Support skill development for both “those who create valuable data” and “those who leverage it”

**Standardize liaison activities** by customer-specific recommendations

Present “**customers’ latent needs**” based on collected customer data

### Development of data utilization personnel

Develop talent capable of formulating initiatives to resolve issues and making decisions based on data analysis results

- Phase1 Develop data-driven talent and a data-driven culture**  
Conduct various training and trainee programs
- Phase2 Partner with data science universities (departments)**  
Conduct joint research and accept interns by partnering with data science departments
- Phase3 Hire data analysis specialists**  
Recruit both mid-career professionals and new graduates (from partner universities)
- Phase4 Build a data analysis infrastructure ⇒ Establish operational know-how ⇒ Deploy in actual operations**  
Build an advanced analysis platform that integrates internal and external data (internal data, website, internet banking, smartphone banking, etc.) to improve accuracy and expand usage scenarios



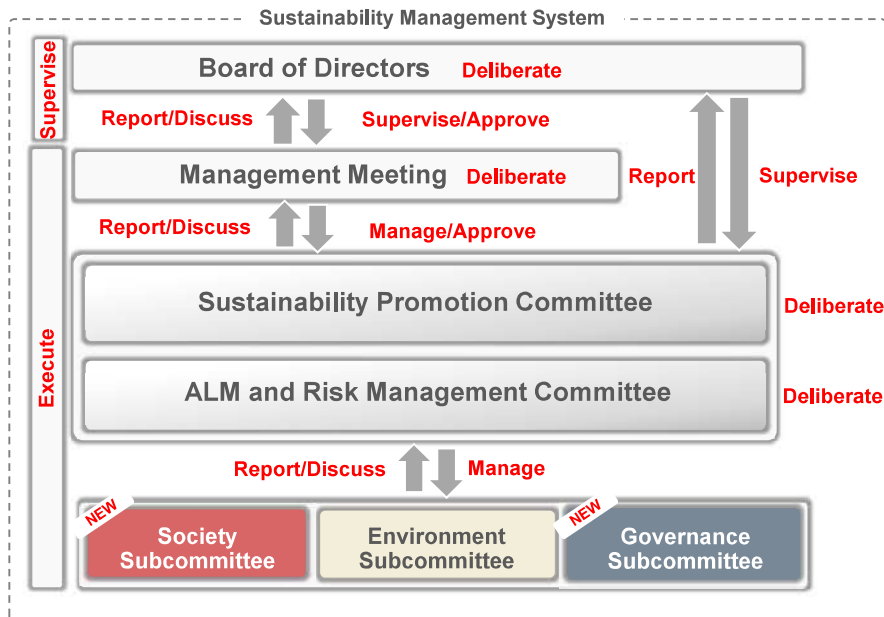
# Basic Strategy 05: Strengthening of Strategic Foundation (Governance Structure for Sustainability)

Aim

Enhance the Group's framework for realizing "sustainability management" by establishing a system in which the Board of Directors oversees the status of sustainability initiatives, including "creation of social value" and "governance"

## Sustainability Management System

Aim to be listed as a sustainability stock by strengthening sustainability governance and establishing the PDCA cycle



## Sustainability Promotion Committee

Objective: **Deliberate on the operation of initiatives that contribute to the realization of a sustainable society** by addressing regional social issues while promoting economic development

Frequency: The committee is, in principle, **held approximately once every three months, and its activities are reported to the Management Meeting and the Board of Directors**

Role:

- (1) Deliberate important sustainability matters
- (2) Oversee the progress of materiality initiatives and manage the activities of each subcommittee and working group
- (3) Report and discuss sustainability activities with the Management Meeting and the Board of Directors

### Subcommittees by ESG area

Society Subcommittee	Environment Subcommittee	Governance Subcommittee
Role: Promotion of social fields KPI progress management	Role: Promotion of environmental fields KPI progress management	Role: Promotion of governance fields KPI progress management

# Basic Strategy 05: Strengthening of Strategic Foundation (Decarbonization of the Group)

Aim

Promoting decarbonization of facilities, explore a wide range of options, including the use of highly sustainable renewable energy sources, with the aim of achieving net-zero GHG emissions ahead of schedule across the entire Group (going from “by FY2030” to “by FY2028”)

## Decarbonization of the Group

### Decarbonization of facilities

#### ✓ Promote decarbonization of facilities

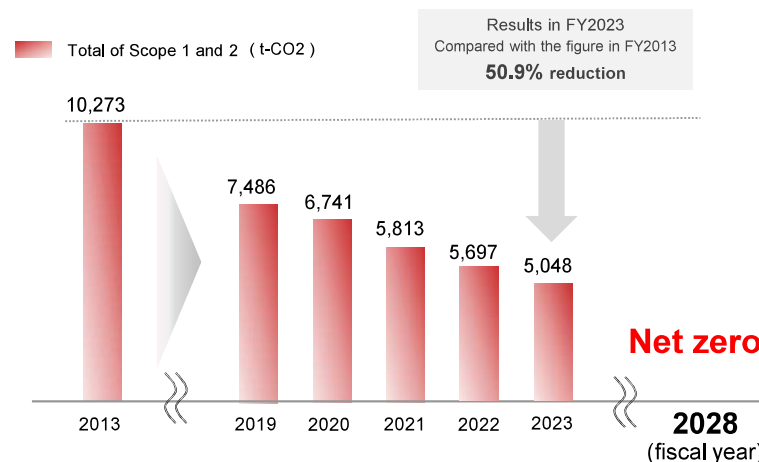
Promote decarbonization of facilities in conjunction with normal renewal of facilities, etc. Ensure timely and appropriate responses by reviewing the roadmap annually

Initiative	Roadmap
Introduction of CO <sub>2</sub> -free electricity	Complete the transition to renewable energy for owned properties by 2027
Further introduce LED lighting	Introduce it at all bases
Renew air conditioning equipment	Renew equipment at the end of its useful life
Decarbonization of company vehicles	Actively introduce EVs and HVs

Ensure **timely and appropriate responses** with the annual roadmap review

### Greenhouse gas (GHG) emissions

#### ✓ GHG Emissions Trend of the Group



# Basic Strategy 05: Strengthening of Strategic Foundation (Cybersecurity)

## Aim

Establish a dedicated department for “cybersecurity response” to strengthen the management framework, aiming to surely protect the assets and information entrusted to the Bank by customers, while maintaining stable operation of financial systems that support regional economic activities

## Cybersecurity Response

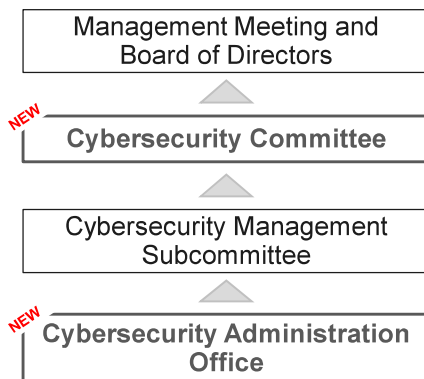
Cybersecurity response, which forms the foundation of customer safety and peace of mind, is essential. Strengthen the Group’s overall cybersecurity management framework

### Reinforcement of cybersecurity framework

Establish the “Cybersecurity Administration Office” within the Computer Systems Planning & Administration Division

- To address the growing cyber risks, aim to enhance the cybersecurity management framework across the entire Hyakugo Bank Group by establishing a dedicated department **focused on specialized and intensive** cybersecurity response

- ✓ **Through the establishment of the Cybersecurity Committee**, strengthen information-sharing with the Board of Directors and establish a governance structure that includes the management
- ✓ Supervise cybersecurity risks across the entire Hyakugo Bank Group through **the formulation of the Hyakugo Bank Group CSIRT**



### Response to high-priority challenges

Formulate response plans for high-priority challenges and implement PDCA management

- Leverage external vendors to advance responses and monitor their progress through the Cybersecurity Management Subcommittee. Conduct timely reporting to the management team

High-Priority Challenges	Descriptions and Responses
Enhancement of governance	Establish a framework that enables cybersecurity-related discussions and deliberations led by the management, through the consideration and development of management policies, action plans, and governance structures in relation to cybersecurity
Development of regulations and organizations	Develop organizations and regulations in relation to managing vulnerability, ensuring secure use of cloud services, and strengthening the group administration framework (Group CSIRT)
Education, training, and talent acquisition	For the development and acquisition of cybersecurity talent, enhance recruitment efforts and build collaborative frameworks with external organizations for incident response
Strengthening of risk response systems (controls and technologies)	Manage external contractors, including group companies, implement technical countermeasures against cyberattacks, conduct vulnerability assessments, and perform log storage, monitoring, and analysis