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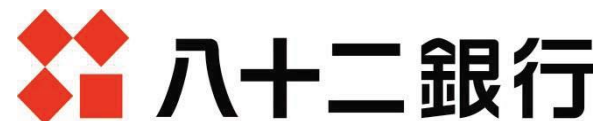
# The 34th Information Meeting

Development of Customers, Our Own Revolution,  
Evolution of Infrastructure  
~ 3 Challenges ~

The 29th Long-Term Management Plan (Apr 2012 ~ Mar 2015)

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November 26, 2014



**This report includes the descriptions relating to the future business performance  
but these descriptions would not assure the future business results.  
Please note that the actual business results will be substantially changed  
due to variable economic conditions.**

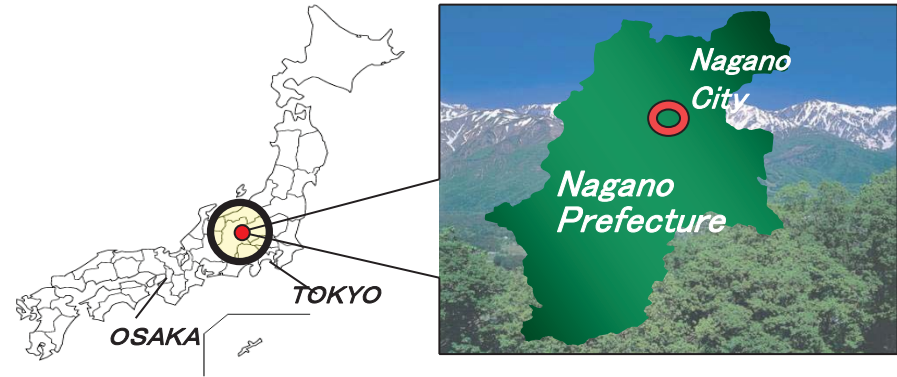
**<For inquiry>**

**Hiroshi Sakurai (Mr.)  
Planning & Coordination Dept. (IR)  
TEL: 026-224-5511  
FAX: 026-226-5077  
E-mail: a2762301@82bank.co.jp**

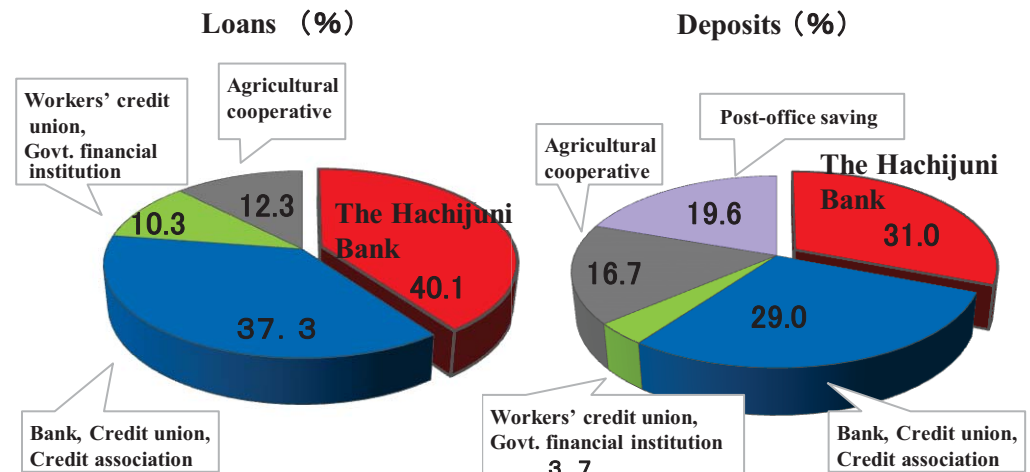
# Hachijuni Bank's profile

## Company overview

<b>Company name</b>	<b>THE HACHIJUNI BANK, LTD.</b>
<b>Head office</b>	Nagano City, Nagano Prefecture
<b>Date of Establishment</b>	August 1st, 1931
<b>Network</b>	<u>Domestic</u> 152 (In Nagano: 132, outside Nagano: 20) ATMs out of store: 205 <u>Overseas</u> 1 branch (Hong Kong) 4 representative offices (Dalian, Shanghai, Bangkok, Singapore)
<b>No. of employees</b>	3,210
<b>Capital stock</b>	¥52.2bn
<b>Issued shares</b>	511,103 thousand shares
<b>Total assets</b>	¥7,664.6bn
<b>Net assets</b>	¥596.2bn
<b>Deposits</b>	¥6,005.1bn
<b>Loans</b>	¥4,483.4bn
<b>Total capital ratio (Basel III)</b>	Consolidated: 19.71% (preliminary) Non-consolidated: 18.76% (preliminary)
<b>Rating</b>	S&P : A R&I : A+



## Share in Nagano (outstanding balance of Sep 30, 2014)

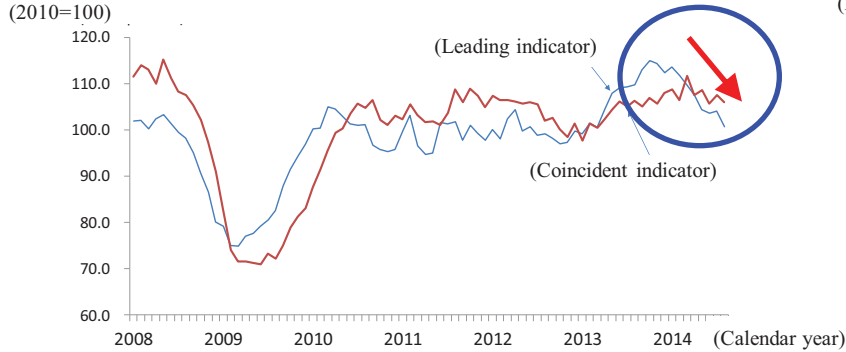


※Post-office saving ratio was our estimation.

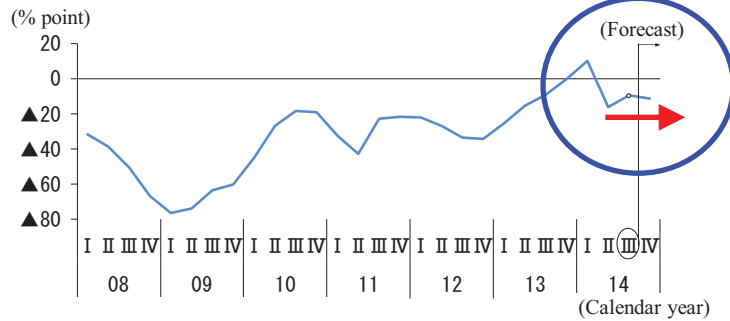
(as of Sep 30, 2014)

# The State of Economy of Nagano Prefecture

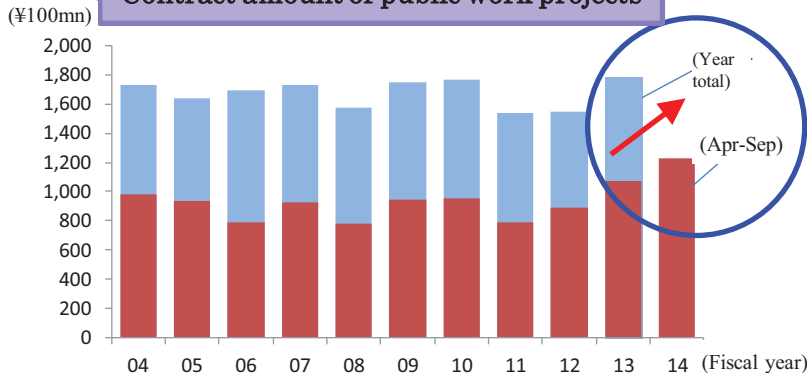
### Composite index (NCI)



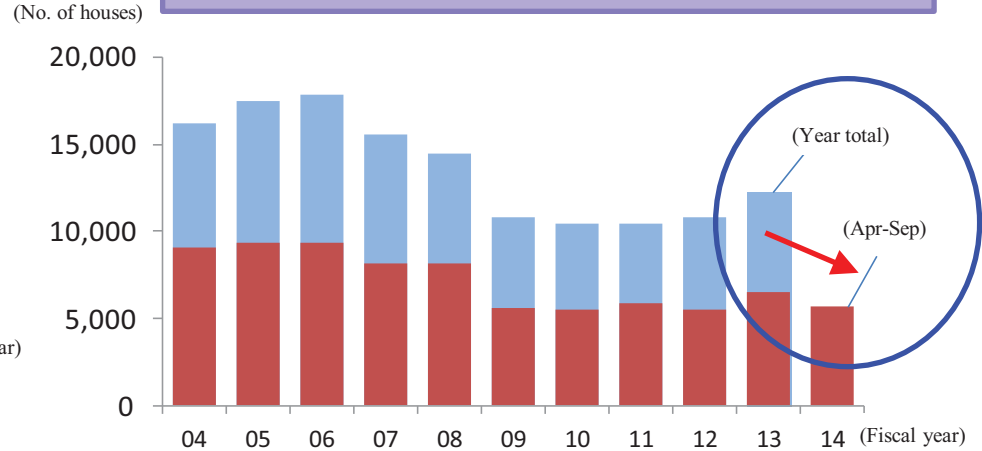
### Diffusion index



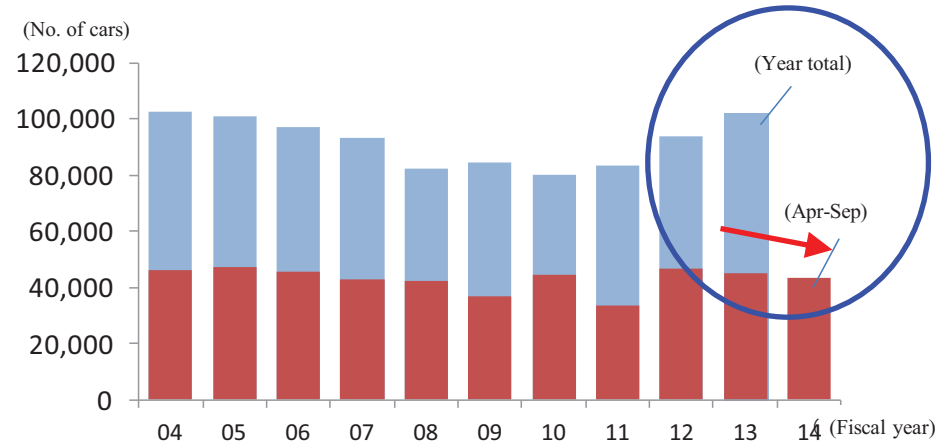
### Contract amount of public work projects



### The change in increase-decrease ratio of new housing starts (YoY)



### The change in car sales



(Source)

The left (upper and middle): Nagano Economic Research Institute

The left (lower): East Japan Construction Survey Co., Ltd. Nagano Branch

The right (upper): Nagano Prefecture

The right (lower): Ministry of Land, Infrastructure, Transport and Tourism  
Hokuriku-Shinetsu District Transport Bureau

# Outline of the 1st Half of FY2014 Financial Results (non-consolidated)

Measures Based on the 29th Long-Term  
Management Plan

Main Financial Figures

# Outline of Financial Results

## 【Characteristic of the 1st half of FY2014 financial results】

- ◆ Core net business profit was ¥13.4bn (▲¥0.9bn from 1H2013) due to the decrease in profit on interest.
- ◆ Credit costs was a negative ¥3.0bn (+¥0bn from 1H2013) due to upgrades of credit ranks of large-lot borrowers and a substantial decrease in transfer to specific reserve.
- ◆ Profit/losses related to securities was ¥3.4bn (▲¥2.8bn from 1H2013) due to decreases in profit on sales of government bonds and in profit on sales of stock.
- ◆ Net income was ¥14.2bn (▲¥1.0bn from 1H2013).
- ◆ Interim dividend was ¥5.0 per share (the same amount as 1H2013).

## 【Key points of FY2014 full year forecast】

- ◆ Core net business profit will decrease by ¥8.5bn from FY2013 to ¥24.5bn due to the decrease in profit on interest.
- ◆ Credit costs will decrease by ¥5.2bn from FY2013 to a negative ¥4.4bn, stabilizing at low level.
- ◆ Net income will increase by ¥0.3bn from FY2013 to ¥25.0bn.
- ◆ Dividend for full year will be ¥11.0 per share.

# Details of Income

(¥100mn)

	FY2013 1H results	FY2013 results	FY2014 1H results		FY2014 Full year forecast		From FY2013
				From 1H2013	From projection		
Gross business profit	492	981	462	▲29	20	901	▲80
Profit on interest	390	806	376	▲13	23	729	▲77
Profit on fees & commissions	51	103	50	▲0	0	99	▲4
Other business profit	50	68	33	▲16	▲2	68	0
Gains/losses related to bonds	48	64	29	▲19	0	59	▲5
G&A expenses	300	587	299	▲1	▲8	596	9
Personnel expenses	150	297	146	▲3	▲4	293	▲4
Non personnel expenses	135	264	134	▲0	▲3	272	8
Core net business profit	143	330	134	▲9	29	245	▲85
Actual net business profit	191	394	163	▲28	28	305	▲89
Transfer to general reserve for possible loan losses	—	▲59	—	—	—	—	59
Net business profit	191	453	163	▲28	28	305	▲148
Temporary profit/losses							
Reversal of allowance for loan losses	36	—	33	▲3	26	48	48
Gains/losses related to stocks	14	18	5	▲9	▲15	5	▲13
Disposal of NPL	4	67	2	▲2	0	4	▲63
Operating profit	245	404	211	▲33	41	370	▲34
Extraordinary gains/losses	▲0	▲3	▲1	▲0	▲1	—	3
Net interim income	153	247	142	▲10	32	250	3
Credit costs	▲31	8	▲30	0	▲25	▲44	▲52
Profit/losses related to securities	62	82	34	▲28	▲15	64	▲18

- Factors of the difference
- ✓ Interest on loans ▲¥1.7bn
- ✓ Interest and dividends on securities +¥0.5bn

- Factors of the difference
- ✓ Increase in average balance and in length of securities +¥1.9bn
- ✓ Dividends on stocks +¥0.2bn
- ✓ Funding cost in international division ▲¥0.3bn

- In FY2014, refund of deposit insurance premiums will not be scheduled.

- Factors of the difference
- ✓ Upgrading credit ranks of large-lot borrowers
- ✓ The number of decline of credit ranks of borrowers was less than forecast.

- Factors of the difference other than temporary profit/losses
- ✓ Improvement of profit/losses on money held in trusts: ¥0.5bn(+)
- ✓ Increase in temporary retirement benefit costs: ¥0.7bn(—)
- ✓ Decrease in losses on union-type of funds: ¥1.7bn(+)

# Progress of the Long-Term Management Plan

Items	The end of FY2014 target	Results of the end of 1H FY2014	The end of FY2014 forecast
Actual net business profit	¥40.0bn	¥16.3bn	¥30.5bn
Net income	¥20.0bn	¥14.2bn	¥25.0bn
NPL ratio based on the Financial Revitalization Law	3.5%	2.88%	The latter half of 2% level
Tier 1 Capital Ratio (Basel III)	16%	15.84% (preliminary)	The first half of 16% level
OHR	50% level	64.7%	66.1%



# Returns to Shareholders

(¥100mn)

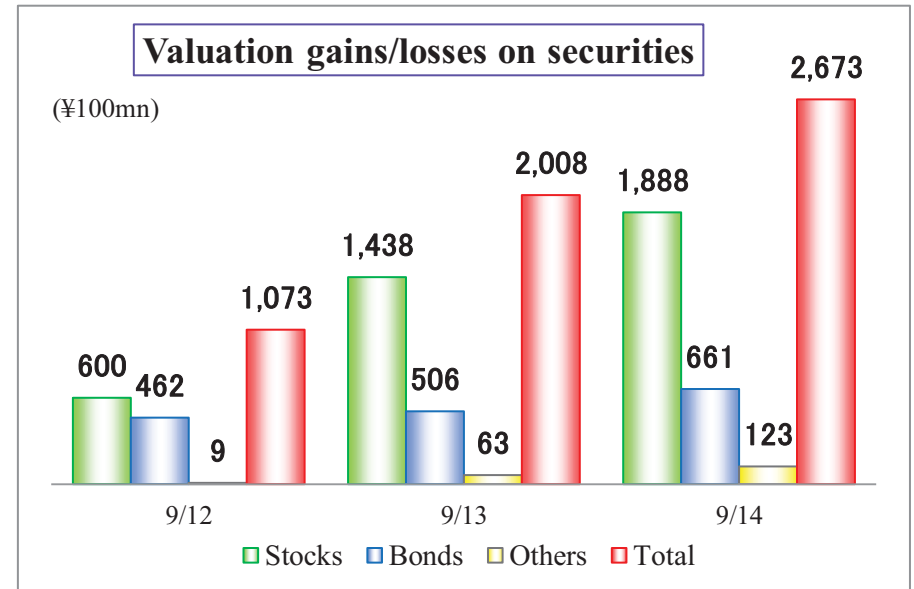
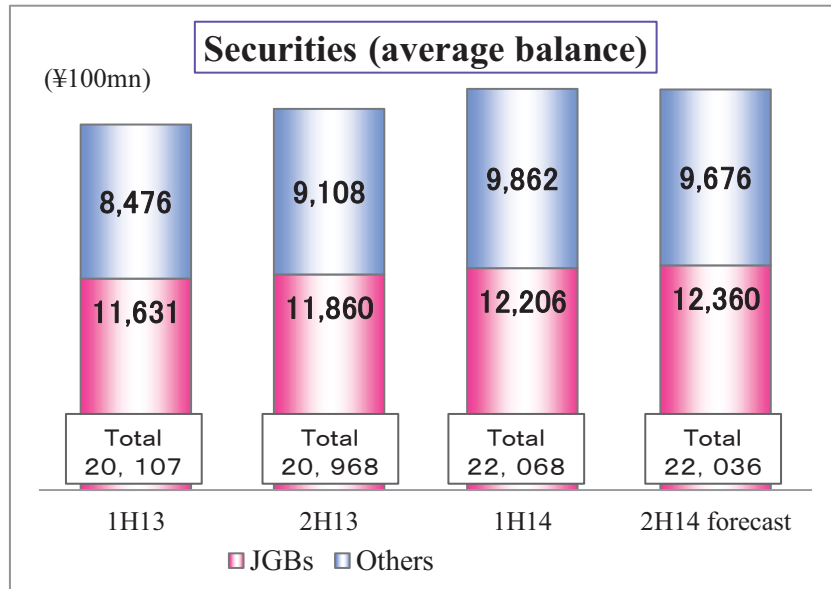
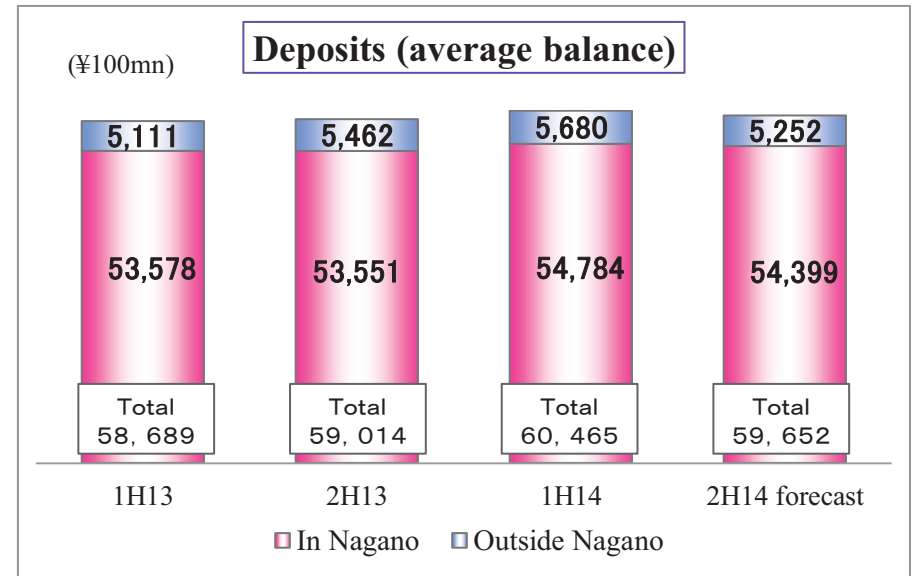
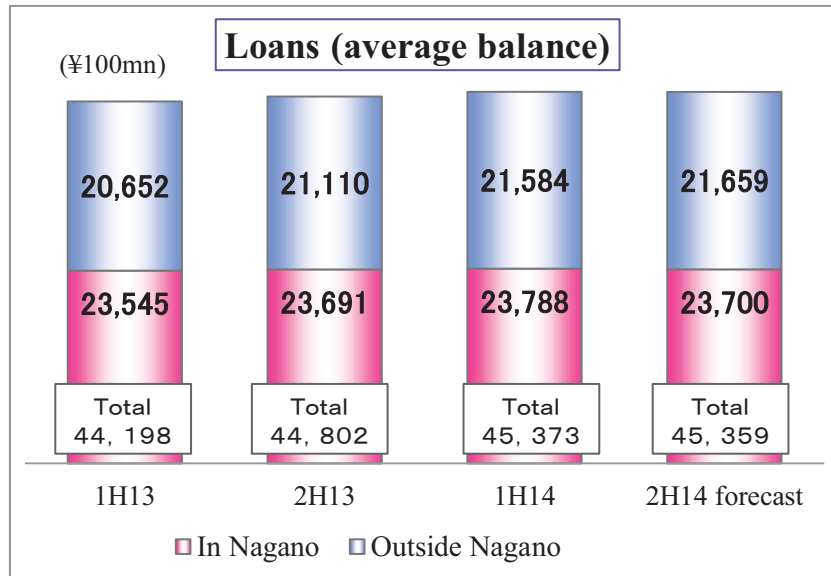
	FY2011	FY2012	FY2013	FY2014 forecast
Annual dividends①	35	50	55	55
Dividend per share (full year)	¥7.0	¥10.0	¥11.0	¥11.0
Interim dividend	¥3.0	¥3.5	¥5.0	¥5.0
Purchase of own stocks②	0	20	0	29
Shareholder returns③=①+②	36	70	55	85
Net income④	167	205	247	250
Payout ratio①÷④	21.3%	24.6%	22.2%	22.0%
Ratio of shareholder returns ③÷④	21.6%	34.4%	22.2%	34.0%

※Payout ratio and the ratio of shareholder returns were calculated using the above calculation formula.

### 【Dividend policy】

Distribution ratio will be approximately 20% against net income of ¥20bn or lower.  
 And if net income exceeds ¥20bn, add 30% of a portion of net income in excess of ¥20bn.  
 (lower limit of dividend per share: ¥5.0 a year)

# Major Accounts (Loans/Deposits/Securities)



Outline of the 1st Half of FY2014  
Financial Results (non-consolidated)

**Measures Based on the 29th Long-Term  
Management Plan**

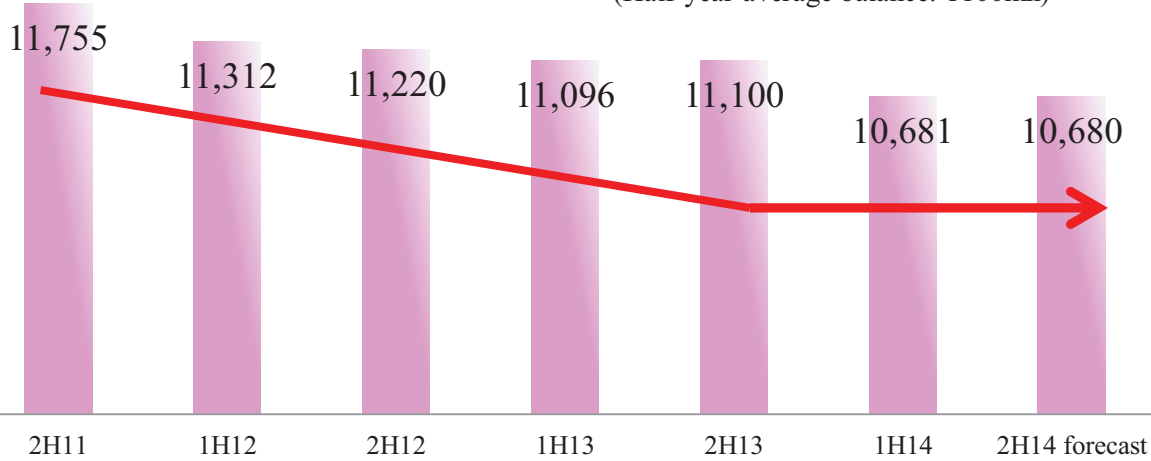
Main Financial Figures

# Corporate Banking①

## ◆ Increase in loans

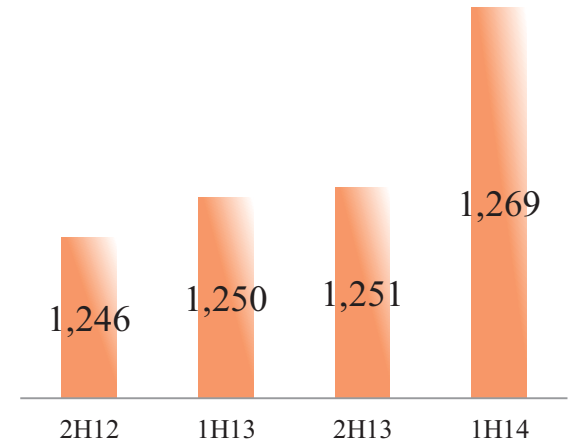
General loans in Nagano Prefecture

(Half-year average balance: ¥100mn)



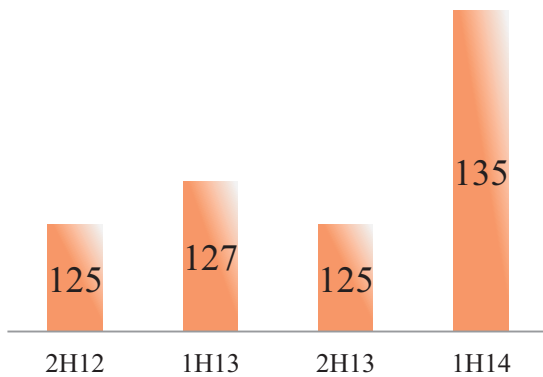
Medical/nursing care-related loans

(Outstanding balance: ¥100mn)



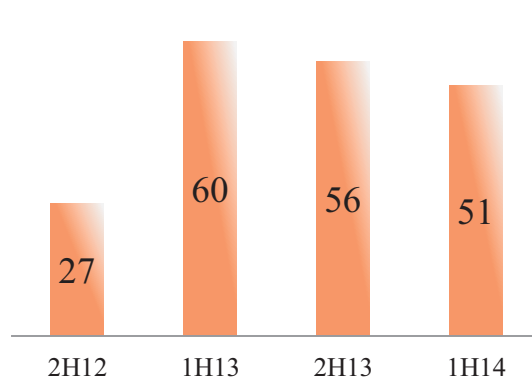
Agriculture related loans

(Outstanding balance: ¥100mn)



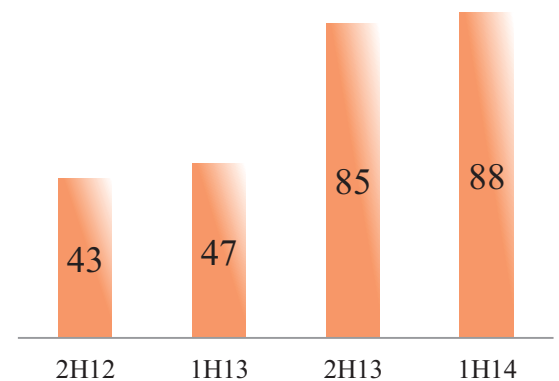
Environment related loans

(New increase: ¥100mn)



ABL

(Outstanding balance: ¥100mn)

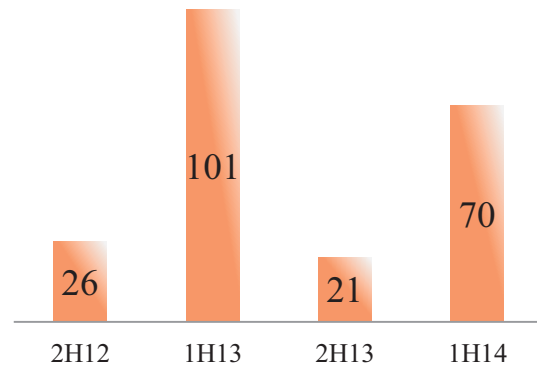


# Corporate Banking②

## ◆ Reinforcement of solution-providing businesses

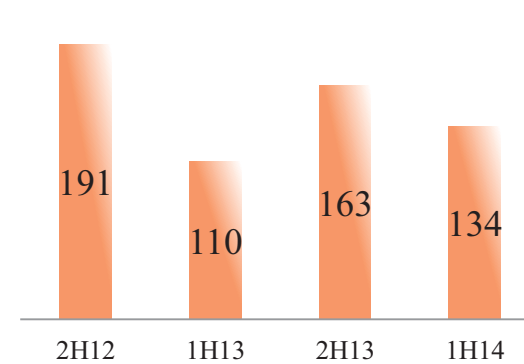
Profit on M&A related

(¥mn)



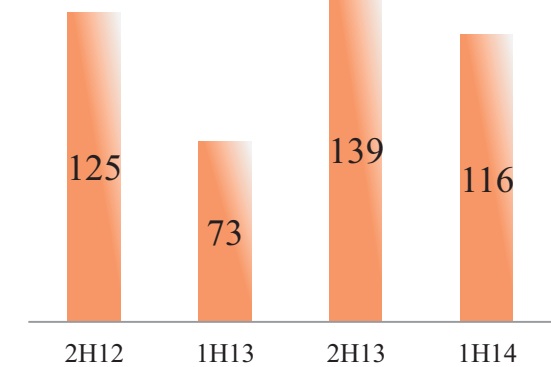
Profit on syndicated loans

(¥mn)



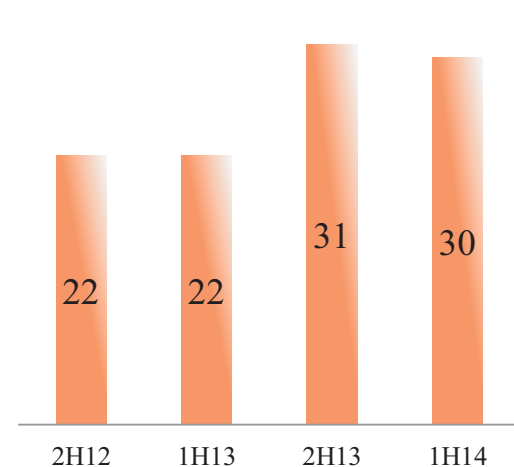
Profit on derivatives related

(¥mn)



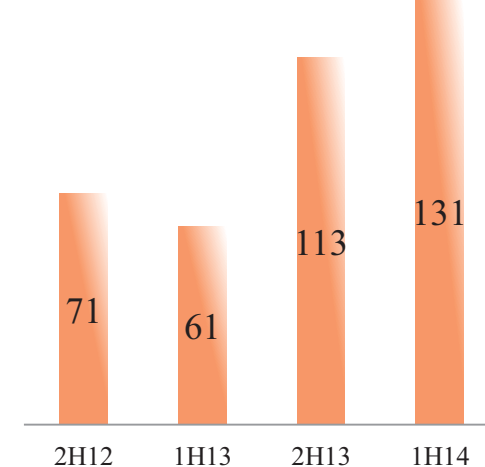
Private placement bonds (new increase)

(No. of cases)



Business succession

(No. of cases)



Support for start-ups/new businesses

### □ Support for start-ups

- Business creation seminar for woman
- Shinshu venture contest 2014

### □ Support for the growing industries

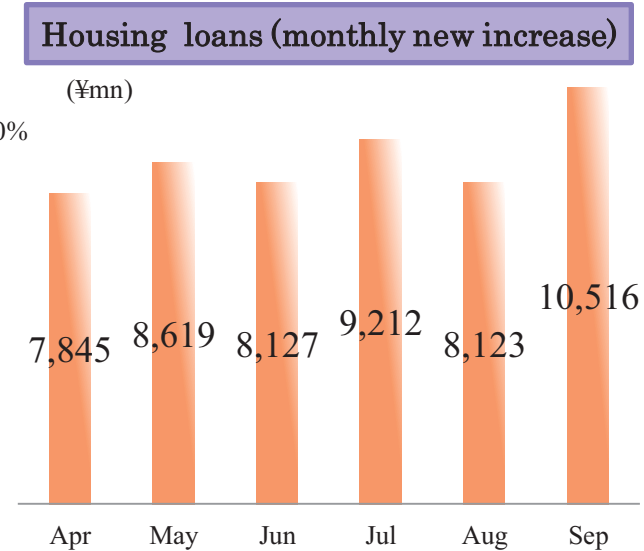
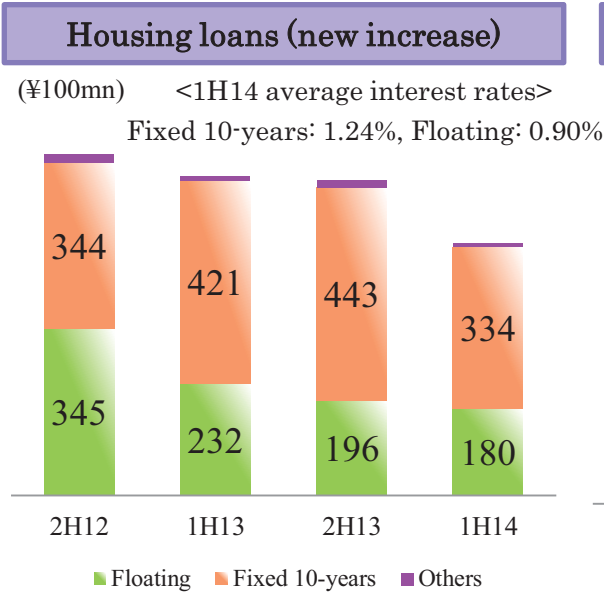
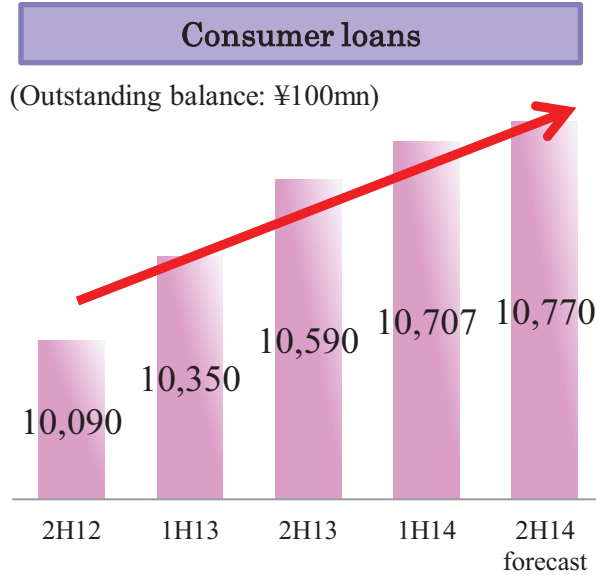
- Aerospace industry seminar

### □ Support for tourism industry

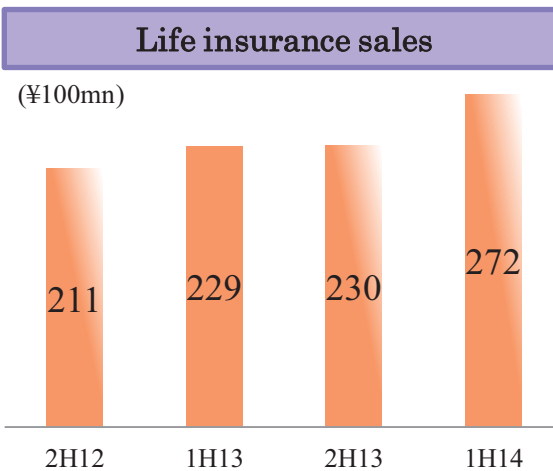
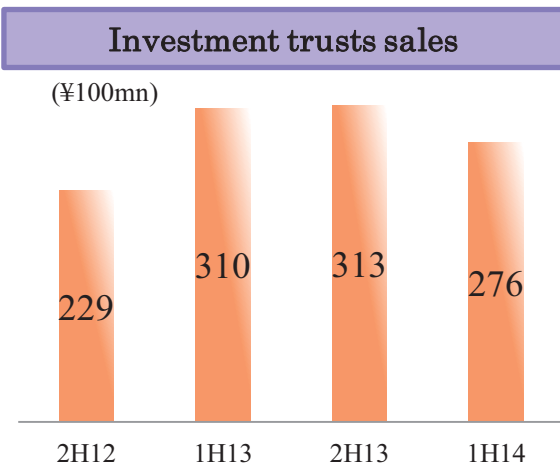
- Corporation agreement for “the regional activation by tourism in Nagano” with Regional Economy Vitalization Corporation of Japan (REVIC)

# Personal Banking①

## ◆ Consumer loans



## ◆ Investment type products



**NISA**

No. of accounts	34,226
Utilization rate	33.4%
Average amounts per 1 account	¥698,000

# Personal Banking②

## ◆ Providing products/services suited to each target

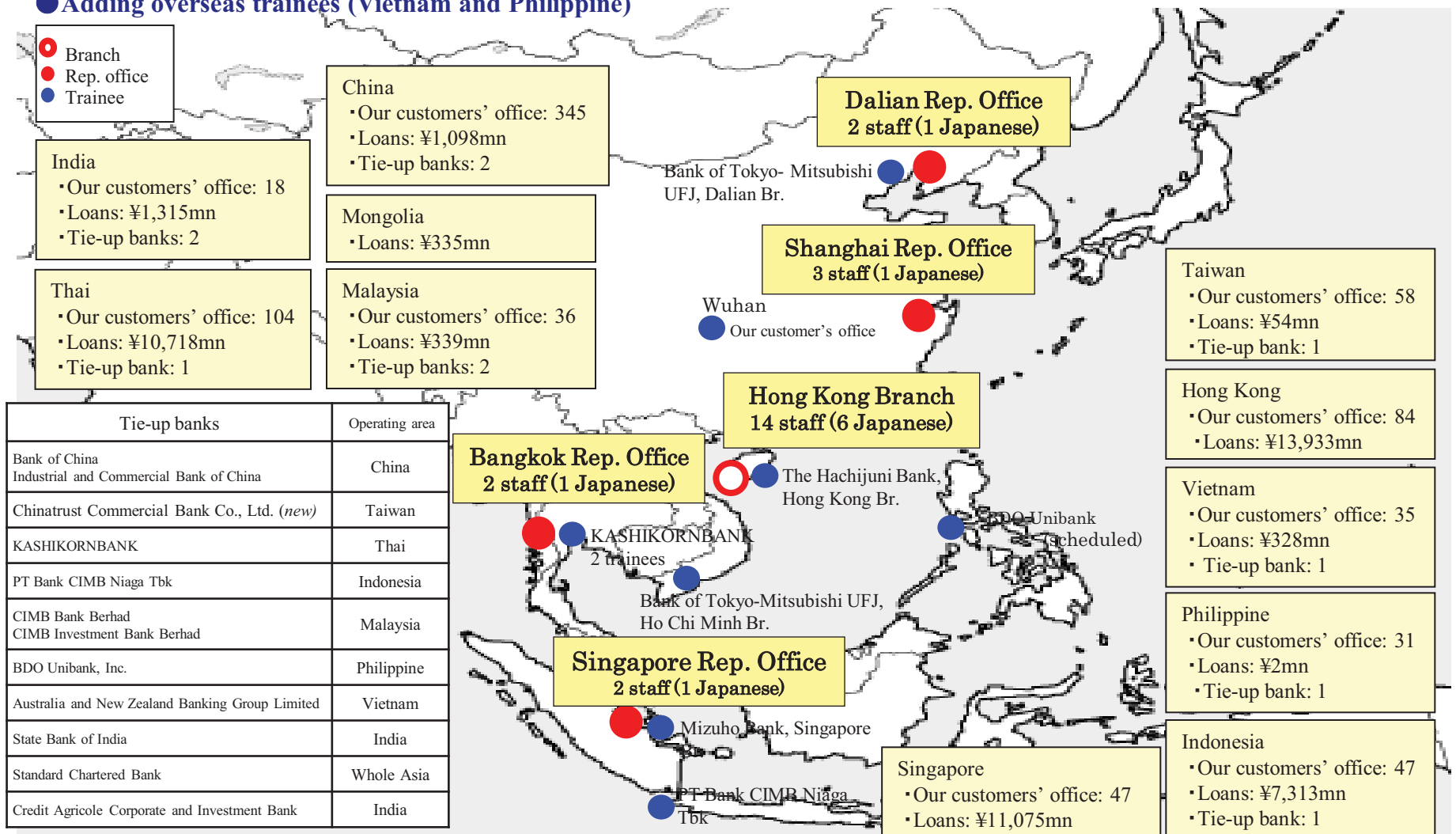
	Population in Nagano ※		Our bank users (as of Sep 30, 2014)	Issues to be addressed
The youth (~19 years old)	382,389	⇒	Account holders: 137,207	<ul style="list-style-type: none"> <li>▪ Expansion of the customer base by deposits for education fund donation</li> </ul>
Working People (20~59 years old)	955,070	⇒	Payroll-credit service contractors: 469,643 Internet Banking contractors: 266,879 (Total contractors: about 367 thousand) Housing loans borrowers: 57,871 Card loan contractors: 76,297	<ul style="list-style-type: none"> <li>▪ Improvement of homepage (scheduled in Apr 2015)</li> <li>▪ ATM card loan (scheduled in Mar 2015)</li> </ul>
The elderly (60 years old ~)	765,583	⇒	Investment-type products users: 151,897	<ul style="list-style-type: none"> <li>▪ Introduction of new products for NISA</li> <li>▪ Introduction of new products for life insurance</li> <li>▪ Reinforcement of the alliance with Hachijuni Securities Co., Ltd.</li> </ul>
		⇒	Insurance policy holders: 61,861	
		⇒	Pension-receiving service contractors: 228,246 Use of education support deposits: 738 Inheritance seminar visitors: 500/a year	<ul style="list-style-type: none"> <li>▪ Reinforcement of approaches to high-net-worth individuals by using the alliance with Asahi Trust Co., Ltd. and private banking team</li> </ul>

※Source: Information Statistics Section of Nagano Prefecture (as of Oct 1st, 2014)

# International Business

## ◆ Upgrading the ability to respond promptly to global needs

- **Total loans in international business: ¥86.5bn (in Asia: ¥48.1bn)**
- **Tie-up banks: 12 banks (adding 1 bank in Taiwan)**
- **Adding overseas trainees (Vietnam and Philippine)**



※Our customers' office: Nagano Prefecture Census of Manufactures dated Dec 31, 2012

※Loans: outstanding balance of loans as of Sep. 30, 2014 provided from domestic branches and Hong Kong Branch to foreign companies/Japanese-affiliated companies



# Market Investment Business

(¥100mn)

Outstanding balance of securities (cost basis)							Direction of 2H2014
	9/2012	3/2013	9/2013	3/2014	9/2014		
Bonds	Interest-bearing JGBs	8,711	9,685	8,850	9,627	9,854	→
	Floating-rate JGBs	1,808	1,927	1,878	1,879	1,880	→
	Inflation-protected JGBs	740	706	638	622	566	→
	Other domestic bonds	3,640	3,268	3,345	3,400	3,292	→
	Yen-denominated securitized products	0	0	0	89	260	↗
	Structured bonds etc.	147	67	34	29	124	→
Domestic securities	Domestic stocks	1,105	1,118	1,113	1,129	1,141	↗
	Domestic ETF	28	42	49	53	65	↗
	J-REIT	171	163	149	152	167	↗
	Other investment trusts	99	119	236	410	570	↗
	Union-type of funds etc.	108	119	157	184	227	↗
	Hedge funds	169	139	118	121	119	↗
Foreign securities	Hedge funds	44	53	55	61	64	→
	Yen-denominated foreign bonds	887	733	582	495	469	→
	Foreign stocks, ETF etc.	24	25	26	33	34	↗
	Foreign currency-denominated bonds	1,688	2,424	2,562	3,343	3,685	↘
	Foreign currency-denominated securitized products	0	0	0	0	0	→
Total		19,375	20,593	19,798	21,635	22,525	↗

Outline of the 1st Half of FY2014  
Financial Results (non-consolidated)

Measures Based on the 29th Long-Term  
Management Plan

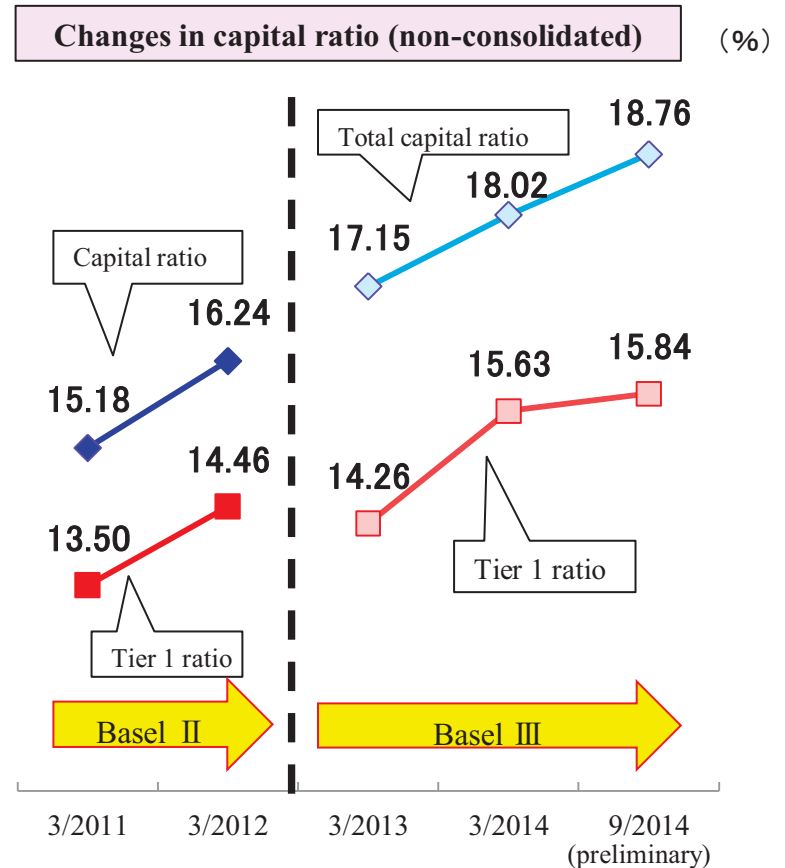
**Main Financial Figures**

# Capital (non-consolidated)

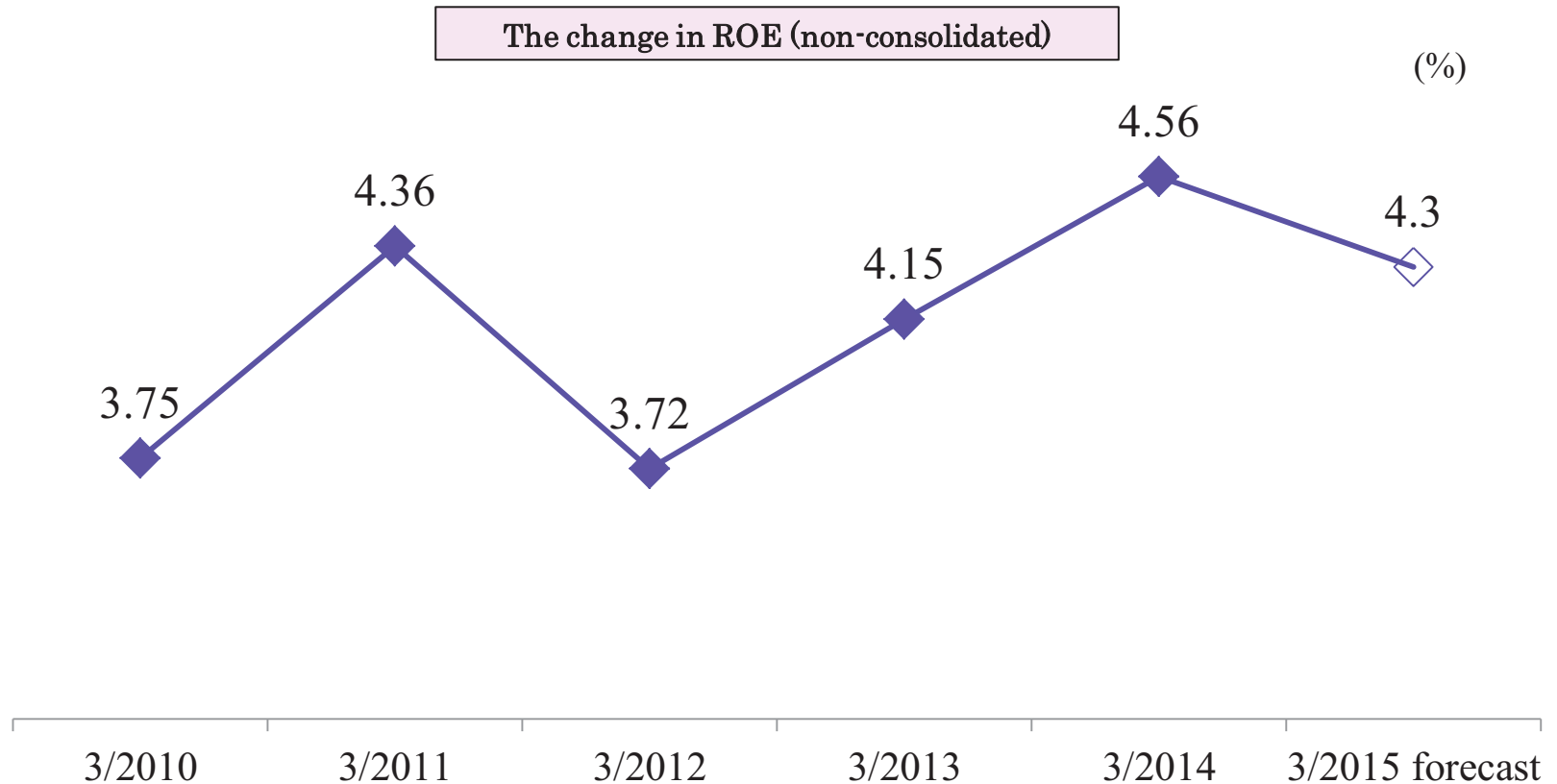
- From the end of FY2012, the Bank's capital ratio was based on new Basel III standards as a bank subject to international standards.
- Total capital ratio (non-consolidated) by Basel III standards was 18.76%, Tier 1 ratio was 15.84%, CET1 ratio (Common Equity Tier 1 Capital Ratio) was 15.84%. (preliminary basis).

(¥100mn, %)

Basel III standards	3/2014	9/2014 (preliminary)	Inc/Dec
Total capital ratio	18.02%	18.76%	+0.74%
Tier 1 ratio	15.63%	15.84%	+0.21%
Common Equity Tier 1 Capital Ratio	15.63%	15.84%	+0.21%
Total capital	5,116	5,480	+363
Tier 1	4,438	4,627	+188
(Common equity Tier 1)	(4,438)	(4,627)	+188
Tier 2	678	852	+174
Risk weighed assets	28,384	29,200	+816
Credit risk	26,602	27,434	+831
Operational risk	1,781	1,765	▲15



# The change in ROE (non-consolidated)

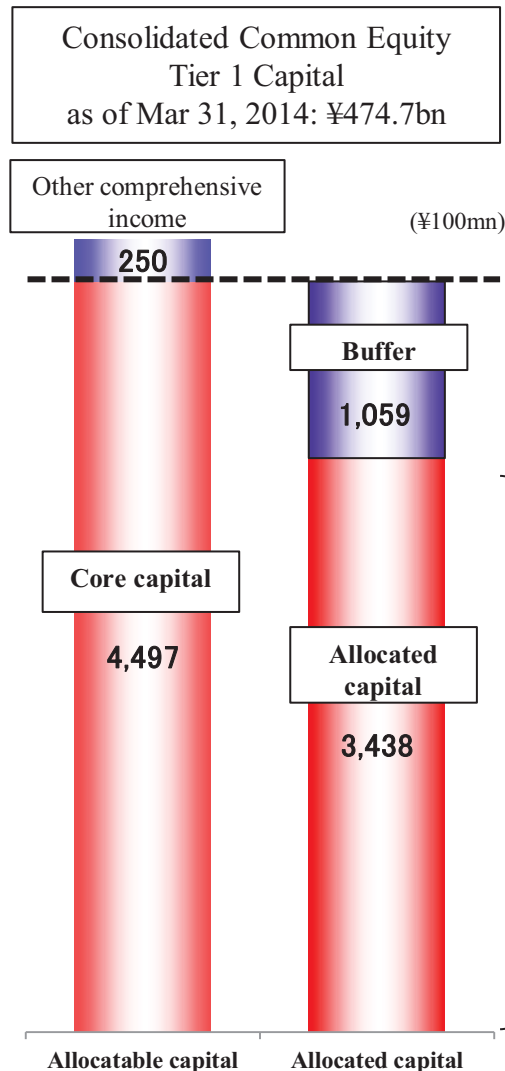


※Based on Annual Securities Report

If ROE will be 5% level in 3/2015...

⇒Net income should be around ¥29.5bn (+¥4.5bn from our projection).

# 2H14 Implementation of Capital Allocation (consolidated)



➤ **Domestic loans**

+¥2.0bn from 1H2014, reflecting the expectation of risk increase by aggressive fund provision

➤ **ALM**

▲¥5.0bn from 1H2014, reflecting the disappearance of risk increase factor (lengthening of core deposit duration)

➤ **Market-related, cross-shareholdings**

● Market-related: the same level as 1H2014

● Cross-shareholdings : ▲¥8.0bn from 1H2014, reflecting the decrease in risk amount (Risk amount in cross-shareholdings: “VaR – valuation gains/losses”, the smallest amount is zero. the expected lower price of stock market is around ¥10,000 by considering the lowest price in the past year.)

➤ **Buffer**

Preparation for providing loans to local companies in case of unexpected change of conditions

	2H2014 allocated capital	1H2014 allocated capital	Inc/Dec	Risk amount results (9/2014)
Total (¥100mn)	3,438	3,559	▲121	2,087
Credit risk (credit risk of loans)	880	860	+20	632
Interest rate risk (interest rate risk of loans and deposits)	350	400	▲50	214
Market-related	1,655	1,650	+5	769
Cross-shareholdings	100	180	▲80	2
Operational risk	143	144	▲1	143
Consolidated subsidiaries	310	325	▲15	310

Credit risk	Interest rate risk	Price risk	Note: transaction for trading etc. 10 business days, cross shareholdings: 1 year
Holding period: 1 year Confidence interval: 99.9%	Holding period: 6 months (note) Confidence interval: 99.9%	Holding period: 6 months (note) Confidence interval: 99.9%	

# Credit Costs, Nonperforming Loans, Body Risk

Credit costs (¥100mn, %)				
	FY2012	FY2013	FY2014 forecast	
			1H2014	
Transfer to general reserve for possible loan losses	▲27	▲59	▲20	▲24
Disposal of NPL	33	67	▲10	▲19
Credit costs	5	8	▲30	▲44
Credit costs ratio ※	0.01	0.01	▲0.13	▲0.09

※Credit costs ratio: credit costs / average balance of total loans

※The above figures of FY2012 were the revised figures if the item of reversal of allowance for loan losses was not used.

NPL (based on the Financial Revitalization Law) (¥100mn, %)				
	FY2012	FY2013	FY2014 forecast	
			1H2014	
Bankrupt assets	246	158	159	146
Doubtful assets	969	969	910	905
Substandard assets	334	276	242	238
Total	1,549	1,404	1,311	1,289
NPL ratio	3.48	3.11	2.88	2.80
After partial direct charge-off ※	3.16	2.90	2.69	

※Partial direct charge-off was not executed.

## ➤ The change in body risk

	Objectives	Target risk				VaR	
						Confidence interval	Holding period
Body risk measurement	Grasp of impact on term's profit	"Body Risk": the risk that potential losses having impact on net business profit will happen.				85 %	Half year
(Units: ¥100mn)		4/2014	5/2014	6/2014	7/2014	8/2014	9/2014
Domestic loans (credit risk)		60	60	60	58	56	56
Cross-shareholdings stock (write-down risk)		6	5	1	4	1	1
Total		66	66	61	62	57	57

※ "An upside risk in credit costs" and "a write-down risk in cross-shareholdings" were targeted because two items have large impact on term's profit.

# Yield, Interest Margin

Yield and margin (all offices)												(%)
	FY2010		FY2011		FY2012		FY2013		FY2014 forecast		From FY2013	
	1H		1H		1H		1H		1H			
Yield	1.55	1.53	1.48	1.47	1.39	1.37	1.32	1.31	1.18	1.18	▲0.13	
Funding costs	0.15	0.15	0.14	0.14	0.12	0.13	0.14	0.13	0.13	0.14	+0.01	
Interest margin	1.39	1.38	1.33	1.33	1.26	1.24	1.18	1.18	1.04	1.03	▲0.15	
Yield and margin (domestic)												(%)
Yield	1.52	1.50	1.45	1.44	1.35	1.33	1.28	1.24	1.14	1.13	▲0.11	
Yield on loans	1.68	1.64	1.54	1.53	1.44	1.42	1.33	1.30	1.22	1.21	▲0.09	
Yield on securities	1.39	1.35	1.36	1.34	1.30	1.27	1.31	1.38	1.28	1.21	▲0.17	
Funding costs	0.15	0.14	0.13	0.12	0.11	0.11	0.12	0.12	0.11	0.12	0.00	
Yield on deposits	0.11	0.09	0.06	0.05	0.04	0.04	0.04	0.03	0.04	0.04	+0.01	
Interest margin	1.37	1.36	1.32	1.32	1.24	1.21	1.15	1.12	1.02	1.01	▲0.11	

# Main Figures in Corporate and Personal Banking

<b>Business loans</b> (Half-year average balance: ¥100mn)				
	1H2013	2H2013	1H2014	2H2014 forecast
Neighboring Nagano (Nagano, Niigata and Gifu)	11, 505	11, 491	11, 063	11, 068
For SMEs	9, 026	8, 783	8, 528	—
Outside Nagano (Tokyo, Saitama, Gunma, Aichi and Osaka)	17, 159	17, 501	17, 788	17, 951
Loans guaranteed by CGC ※(outstanding balance)	3, 027	3, 010	2, 937	—
<b>Profit on fees and commissions</b> (¥mn)				
Derivatives	73	140	116	110
Syndicated loans, private placement bonds, factoring	469	534	480	526
M&A, business matching etc.	321	243	253	263
Total	864	917	850	899
<b>401K plan</b> (No. of companies, ¥mn)				
401K-contracted companies	406	413	419	424
Financial assets ※ (outstanding balance)	37, 453	38, 995	40, 269	41, 068
Investment type products	8, 466	8, 815	9, 504	9, 804
Deposits	28, 986	30, 179	30, 764	31, 264

<b>Personal loans</b> (Outstanding balance: ¥100mn)				
	1H2013	2H2013	1H2014	2H2014 forecast
Consumer loans	10, 350	10, 590	10, 707	10, 770
Housing related loans	9, 588	9, 832	9, 950	10, 036
<b>Investment type products</b> (Outstanding balance: ¥100mn)				
Public bonds	2, 574	2, 247	1, 900	1, 600
(new increase)	(109)	(133)	(124)	(120)
Investment trusts	1, 673	1, 651	1, 743	1, 810
(new increase)	(310)	(313)	(276)	(366)
Foreign currency deposits	274	254	239	245
Life insurance (market price basis)	2, 856	3, 027	3, 213	3, 380
(new increase)	(229)	(230)	(272)	(250)
FIIS ※	216	251	301	340
(new increase)	(145)	(159)	(71)	(115)
<b>Profit on investment type products</b> (¥mn)				
Public bonds	46	64	56	65
Investment trusts	804	844	775	858
Trust fees	421	399	396	420
Foreign currency deposits	320	287	227	242
Life & non-life insurance	761	842	951	890
FIIS ※	277	413	204	300
Total	2, 211	2, 450	2, 213	2, 355

※CGC: Credit Guaranty Corporation

※Financial assets: a part of fund assets of participant companies deposited with the Bank

※FIIS: Financial instruments intermediary service