
The 36th Information Meeting

The 30th Long-Term Management Plan
Change to the bank creating regional vitality
(April 2015 ~ March 2018)

November 26, 2015



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.

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Hachijuni Bank's Profile

Company Overview

Company name	THE HACHIJUNI BANK, LTD.
Head Office	Nagano City, Nagano Prefecture
Date of establishment	August 1st, 1931
Network	<u>Domestic</u> 151 (In Nagano: 131, outside Nagano: 20) <u>Overseas</u> 1 branch (Hong Kong) 4 representative offices (Dalian, Shanghai, Bangkok, Singapore)
No. of employees	3,200
Capital stock	¥52.2bn
Issued shares	511,103 thousand shares
Total assets	¥7,996.6bn
Net assets	¥619.0bn
Deposits	¥6,172.9bn
Loans	¥4,602.0bn
Total capital ratio (Basel III)	Consolidated: 19.90% (preliminary) Non-consolidated: 19.02% (preliminary)
Rating	S&P : A R&I : A+



(as of Sep 30, 2015)

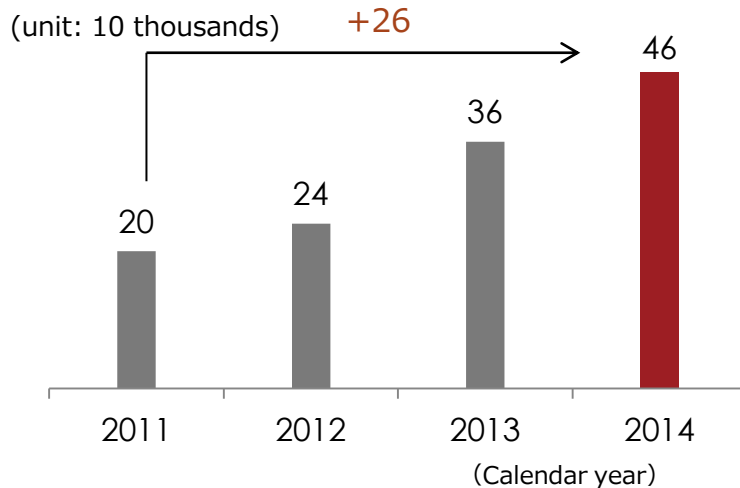
Topics in Nagano Prefecture

Main Topics

■ Increase of inbound tourists

- ◆ Total number of overnight guests of foreigners in 2014 is 460 thousand (record high); increased by 100 thousand from 2013, and increased by 260 thousand from 2011
- ◆ Tourists from Taiwan, Australia and China increased.

■ Total number of overnight guests of foreigners

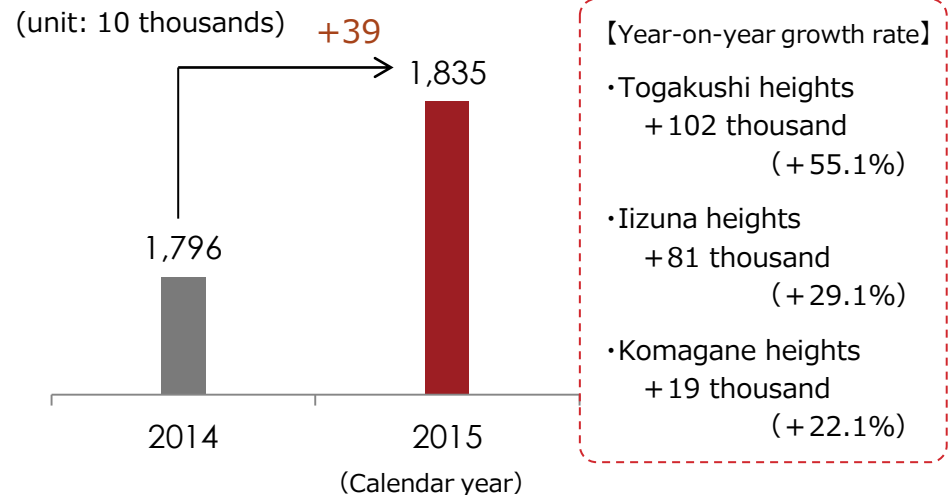


Source : Nagano Prefecture Sightseeing Statistics

■ Economic effects by extending of the Hokuriku Shinkansen Line

- ◆ Tourists increased at many sightseeing spots in Nagano Prefecture by extending of the Hokuriku Shinkansen Line in Mar 2015
- ◆ Especially tourists increased in highlands such as campgrounds and in mountains

■ The number of tourists in Nagano Pref. (Jul & Aug)



Source : Nagano Prefecture Sightseeing Statistics

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Outline of the 1st Half of FY2015 Financial Results
and FY2015 Full Year Forecast

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Main Financial Figures

Outline of Financial Results

Main Points of the 1st Half of FY2015 Financial Results

【Consolidated】

- ◆ Ordinary profit was ¥26.6bn (+¥2.7bn from 1H FY2014) due to the increase in interest and dividends on securities.
- ◆ Net income attributable to owners of the parent was ¥16.4bn (+¥1.8bn from 1H FY2014 , *record high*).

【Non-consolidated】

- ◆ Core net business profit was ¥15.6bn (+¥2.2bn from 1H FY2014) due to the increase in interest and dividends on securities, and the decrease in deposit insurance premiums.
- ◆ Credit costs was a negative ¥2.3bn (+¥0.7bn from 1H FY2014) due to the decrease in transfer to specific reserve.
- ◆ Profit/losses related to securities was ¥4.0bn (+¥0.6bn from 1H FY2014) due to the increase in gains/losses related to stocks despite the decrease in gains/losses related to bonds.
- ◆ Ordinary profit was ¥23.2bn (+¥2.0bn from 1H FY2014) due to increases in interest and dividends on securities and in gains/losses related to stocks.
- ◆ Net income was ¥15.5bn (+1.3bn from 1H FY2014, *record high*).

FY2015 forecast

Main Points of FY2015 Full Year Forecast

【Consolidated】

- ◆ Ordinary profit will decrease by ¥3.8bn from FY2014 to ¥44.0bn due to the decrease in profit on interest of non-consolidated account.
- ◆ Net income will increase by ¥1.4bn from FY2014 to ¥28.5bn due to the expected decrease in tax as a result of a cut in the effective corporate tax rate.

【Non-consolidated】

- ◆ Core net business profit will decrease by ¥2.9bn from FY2014 to ¥27.0bn due to the decrease in profit on interest caused by the decrease in interest on loans and the increase in funding costs, despite the decrease in non personnel expenses caused by the decrease in deposit insurance premiums.
- ◆ Credit costs will decrease by ¥1.1bn from FY2014 to a negative ¥4.8bn, staying at low level.
- ◆ Profit/losses related to securities will increase by ¥0.1bn from FY2014 to ¥6.8bn due to the increase in gains/losses related to stocks despite the decrease in gains/losses related to bonds.
- ◆ Ordinary profit will decrease by ¥2.2bn from FY2014 to ¥39.0bn due to the decrease in core net business profit.
- ◆ Net income will increase by ¥1.3bn from FY2014 to ¥27.0bn.

Details of Income [Consolidated]

	FY2014 1H results	FY2015 1H results	Changes	(¥100mn)
Consolidated gross business profit	517	520	2	
Profit on interest	377	386	8	
Profit on fees & commissions	77	75	▲1	<ul style="list-style-type: none"> ●Factors of the difference (cf. non-consolidated figure: ¥5.0bn) ✓Hachijuni DC Card Co., Ltd. ¥0.9bn ✓Hachijuni Securities Co., Ltd. ¥0.8bn ✓Hachijuni Credit Guarantee Co., Ltd. ¥0.3bn
Trading profit	6	10	4	
Profit from other business transactions	56	47	▲9	<ul style="list-style-type: none"> ●Factors of the difference (cf. non-consolidated figure: ¥0.1bn) ✓Hachijuni Securities Co., Ltd. ¥0.9bn
General & administrative expenses	325	306	▲19	
Credit costs	▲25	▲23	2	<ul style="list-style-type: none"> ●Factors of the difference (cf. non-consolidated figure: ¥2.5bn) ✓Hachijuni Lease Co., Ltd. ¥1.3bn ✓Hachijuni Auto Lease Co., Ltd. ¥0.5bn
Gains/losses related to stocks	5	18	12	
Others	16	12	▲3	
Ordinary profit	238	266	27	
Extraordinary gains/losses	▲5	▲1	3	
Net income attributable to owners of parent	145	164	18	
No. of consolidated subsidiaries	10	10	—	
Ratio of consolidated profits to parent company's profits	1.021	1.056	0.035	

Details of Income [non-consolidated]

	FY2014 1H results	FY2014 results	FY2015 1H results	From 2014 1H	From projections	FY2015 forecast	From FY2014	(¥100mn)
Gross business profit	462	935	462	▲0	42	877	▲58	<ul style="list-style-type: none"> ●Factors of the difference (cf. FY2014 figure) ✓Interest on loans ▲¥1.2bn ✓Interest & dividends on securities +¥2.7bn ✓Funding costs of foreign currency +¥0.7bn
Profit on interest	376	765	385	8	41	722	▲43	
Profit on fees & commissions	50	105	50	0	3	108	3	
Profit from other business transactions	33	62	25	▲8	0	43	▲19	
Gains/losses related to bonds	29	52	22	▲6	3	40	▲12	<ul style="list-style-type: none"> ●Factors of the difference (cf. FY2014 figure) ✓Interest on loans ▲¥2.3bn ✓Funding costs +¥2.2bn
G&A expenses	299	583	283	▲16	▲8	567	▲16	
Personnel expenses	146	291	145	▲1	▲3	290	▲1	<ul style="list-style-type: none"> ●Factors of the difference (cf. projection figures) ✓Interest & dividends on securities +¥3.6bn
Non personnel expenses	134	261	119	▲14	▲5	246	▲15	
Core net business profit	134	299	156	22	46	270	▲29	<ul style="list-style-type: none"> ●Factors of the difference ✓Decline in deposit insurance premiums rate
Actual net business profit	163	352	178	15	48	310	▲42	
Transfer to general reserve for possible loan losses	—	—	—	—	—	—	—	<ul style="list-style-type: none"> ●Factors of the difference ✓Upgrading credit ranks of large-lot borrowers +¥2.8bn ✓Partial change of calculation method of reserve for substandard assets +¥2.1bn
Net business profit	163	352	178	15	48	310	▲42	
Temporary profit/losses								
Reversal of allowance for loan losses	33	40	25	▲8	10	51	11	<ul style="list-style-type: none"> ●Factors of the difference ✓Upgrading credit ranks of large-lot borrowers +¥2.8bn ✓Partial change of calculation method of reserve for substandard assets +¥2.1bn
Transfer to general reserve	▲20	▲12	32	52	—	—	—	
Reversal of specific reserve	13	27	57	44	—	—	—	
Gains/losses related to stocks	5	14	18	12	12	28	14	
Disposal of NPL	2	3	1	▲0	0	3	0	
Transfer to specific reserve	—	—	—	—	—	—	—	
Ordinary profit	211	412	232	20	72	390	▲22	
Extraordinary gains/losses	▲1	▲2	▲1	▲0	—	—	—	
Net income	142	257	155	13	45	270	13	
Credit costs	▲30	▲37	▲23	7	▲10	▲48	▲11	
Profit/losses related to securities	34	67	40	6	15	68	1	

Returns to shareholders

(¥100mn)

	FY2012	FY2013	FY2014	FY2015 (forecast)
Annual dividends ^①	50	55	75	65
Dividend per share (full year)	¥10.0	¥11.0	¥15.0	¥13.0
Interim dividend	¥3.5	¥5.0	¥5.0	¥6.0
Purchase of own stocks ^②	20	0	30	30
Shareholder returns ^③ = ① + ②	70	55	105	95
Net income ^④	205	247	257	270
Payout ratio ^① ÷ ^④	24.6%	22.5%	29.2%	24.0%
Ratio of shareholder returns ^③ ÷ ^④	34.4%	22.6%	40.9%	35.1%

【New dividend policy】

Setting the lower limit of dividend per share to ¥5.0 a year, the Bank will positively provide returns to shareholders by stable dividend and purchase of own stocks.

- 30th Long-Term Management Plan
Management Targets for the end of FY2017
Ratio of shareholder returns: 40%

<Former 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)

【FY2014 dividend】 The Bank added ¥3.0 to the basic dividend calculated by the former dividend policy because net income was significantly higher than the 29th LTMP' target of ¥20bn and it has exceeded ¥20bn for three consecutive financial years.

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Correspondence to Corporate Governance Code①

Reasons for non-compliance with the principles of the Corporate Governance Code

■ Principle 4 – 8

With respect to the Board of Directors, it is necessary to secure members who are familiar with the Bank's businesses and problems in order to achieve its roles and duties effectively, while it is important to secure diversity of knowledge, experience, and ability of members. From such a point of view, the Bank hopes to appoint several independent outside directors at the Board of Directors.

But the Bank is yet to provide adequate systems for keeping several outside members at the Board of Directors because the securing of the effective person, other than internal members, who can judge appropriately many management matters such as risk taking or risk management inherent to the financial institution as well as various commitments for regional community as a local financial institution is not necessarily easy. The Bank will strive continuously to secure the most suitable talented persons for appointing independent outside directors.

Correspondence to Corporate Governance Code ②

Policy on cross-shareholdings (principle 1-4)

■ Policy on cross-shareholdings

The Bank shall hold shares of other companies as cross-shareholdings when it deems it contributes to increasing corporate value of both the issuing companies and the Bank in the light of strengthening of long-term business strategies and strategic relations of the Bank in addition to the growth of the companies and the development of regional economy. The Board of Directors annually examines the economic rationale and future outlook from the mid to long-term perspective of cross-shareholdings.

■ Standard of the exercise of voting rights of cross-shareholdings

Concerning the exercise of voting rights on cross-shareholdings, the Bank will check whether the proposal will contribute to increasing the share value of the issuing company in the medium- to long-term. Based on comprehensive consideration of such matters and details of the proposal, the Bank will decide whether to approve or reject the proposal. As for important proposals, the Bank will report the voting results to the Board of Directors.

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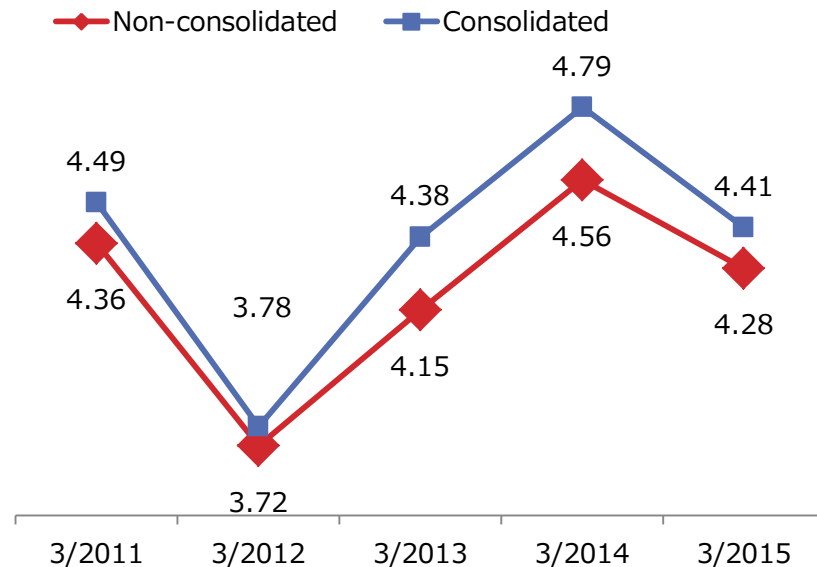
Progress in the 30th Long-Term Management Plan ①

Long-Term Management Guideline

■ ROE : 5% or higher

This guideline is applied regardless of each long-term management plan so as to achieve it over the long term.

■ The change in ROE



Note : Based on Annual Securities Report

Management Targets for the end of FY2017

■ Net income for current term: ¥20.0bn

- ✓ FY2015 1H ¥15.5bn
- ✓ FY2015 forecast ¥27.0bn

■ Ratio of consolidated profits to parent company's profits (net income basis): 1.2 times

- ✓ FY2015 1H 1.056 times
- ✓ FY2015 forecast 1.055 times

■ Ratio of return to shareholders: 40%

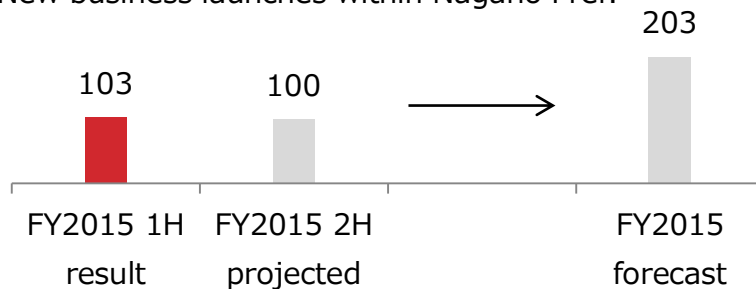
- ✓ FY2015 forecast 35.1%

Progress in the 30th Long-Term Management Plan②

Theme① Creating Regional Vitality

■ Support for startups

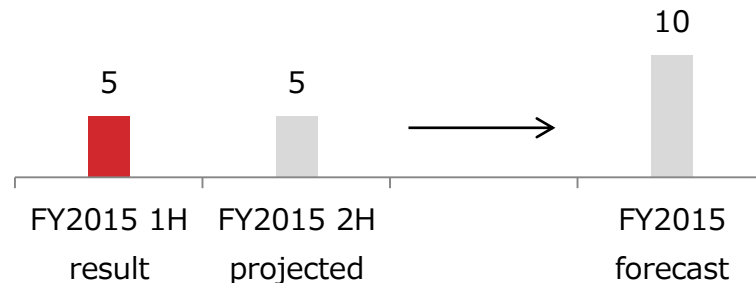
- New business launches within Nagano Pref.



Targeted number : 600 cases over 3 years

■ Support for attracting enterprises to Nagano

- New plant and research institute projects



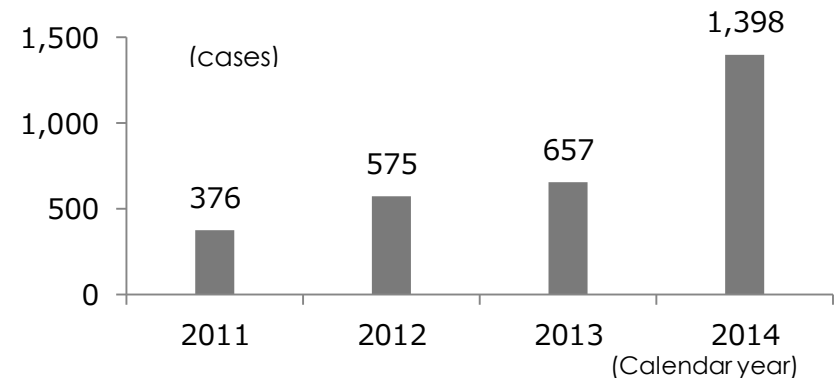
Targeted number : 30 cases over 3 years

■ Efforts by the Bank

- Strengthening the Bank's function for entrepreneur

- ✓ **Products** Startups support loan: "takeoff"
- ✓ **Promotion** Reinforcement of promotion for startups support by CM
- ✓ **Consultation functions**
 - Holding the "Shinshu venture contest"
 - Holding "startups seminars" by cooperating with municipalities
 - Commitment to "startups support project" planned by municipalities

【For reference】 The number of guarantees by Nagano Credit Guarantee Corporation for municipalities' startups support loans



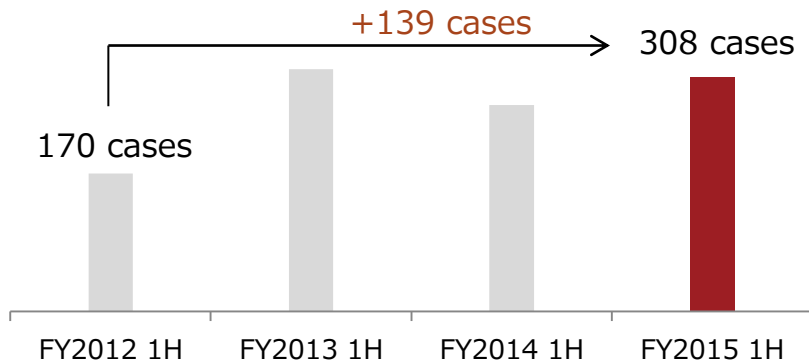
Sources: Nagano Prefecture

Progress in the 30th Long-Term Management Plan ③

Theme① Creating Regional Vitality

■ Support for nurturing next-generation and growth industries

■ Growth-related loans



■ Results of supporting next-generation/growth industries

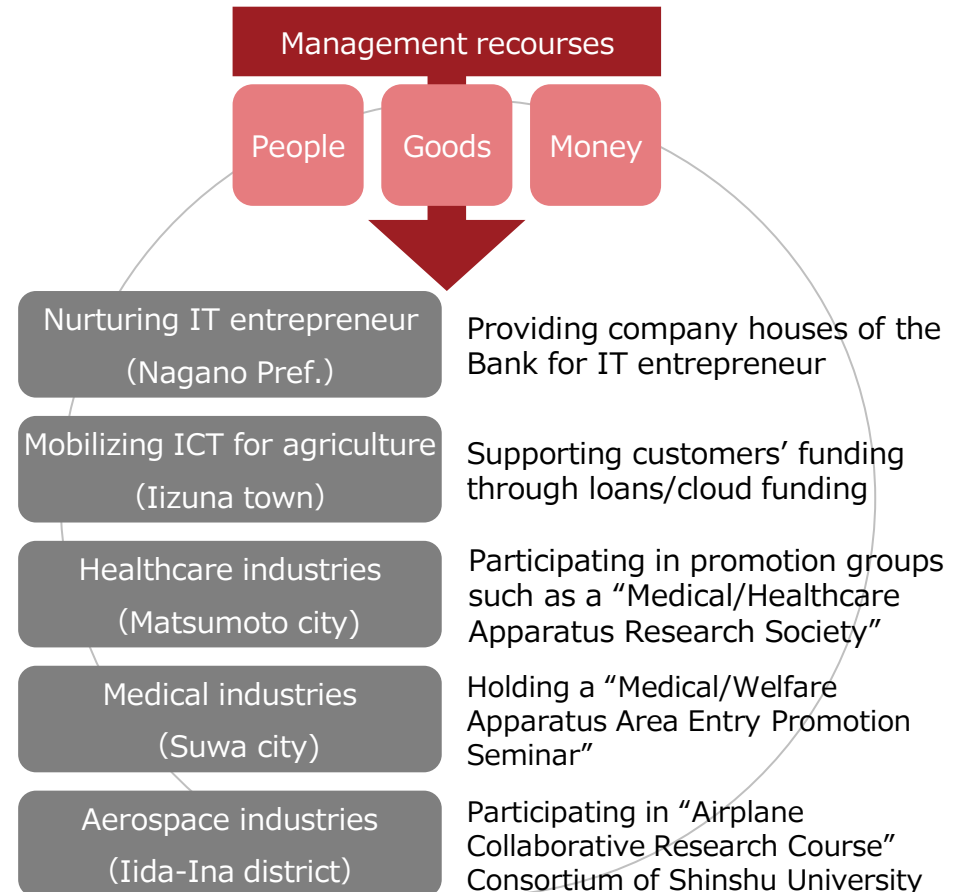
Consultations for business succession **72 cases**

Completions of M&A **3 cases**

Mobilizing outside professionals **200 cases**

The number of adoption for manufacturing and services subsidies **140 cases**

■ Efforts by the Bank



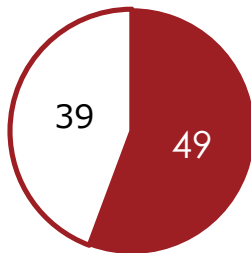
Progress in the 30th Long-Term Management Plan ④

Theme① Creating Regional Vitality

■ Contributions to town planning and human resources development

- Main efforts towards “town planning and human resources development”
 - ✓ Horizontal revival of sightseeing spots by the tourism funds (Yamanouchi town)
 - ✓ Hometown investment through cloud funding (Kiso town)
 - ✓ Co-holding migration seminars with local governments (Obuse town)
- Support for the formulation/implementation of “Regional Comprehensive Strategies”
 - ✓ Created a regional revitalization project team

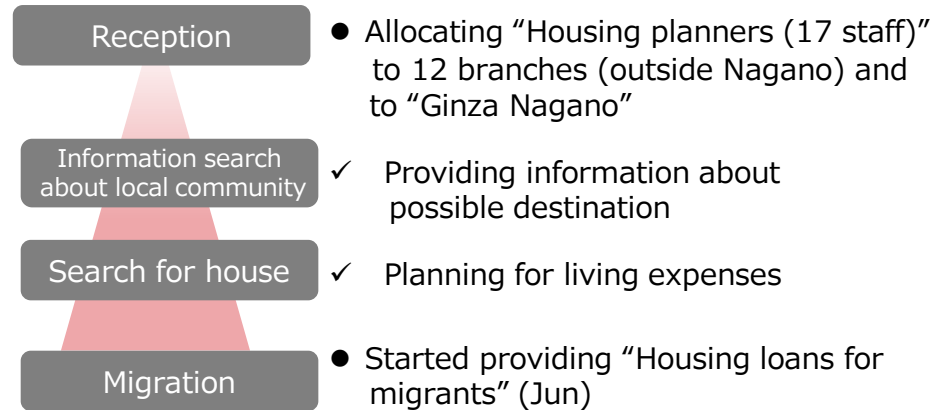
- The number of municipalities that planned “Regional Comprehensive Strategies”



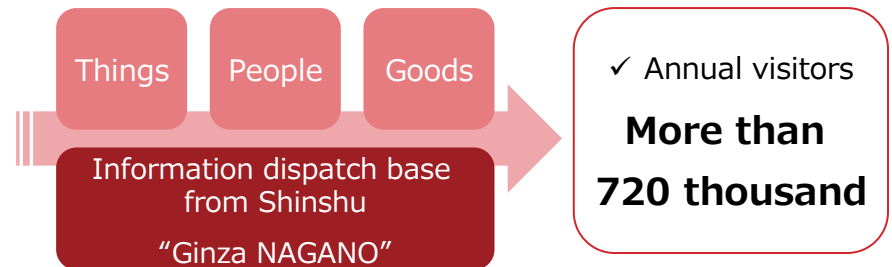
49 out of 78 municipalities (as of Sep 30, 2015)

■ Support for promoting migration and personnel exchanges

- Reinforcement consultation functions for migration



- Promotion for migration by use of “Ginza NAGANO”



(Oct 26, 2014~Sep 30, 2015)

Progress in the 30th Long-Term Management Plan ⑤

Theme② Developing Customer Convenience

■ Strengthening of customer contact points

- Reinforcement of non face-to-face channel
 - ✓ Internet/smartphone
 - Renewal of homepage (Apr)
 - Upgrading internet banking functions (scheduled in 2016)
 - Considering loans completed by internet procedure (scheduled in 2016)
 - ✓ ATM
 - Started ATM card loan (May)
 - ✓ At branches
 - Introduction of robot "Pepper" (Nov)

■ Enhancement of responsiveness to customers

- Next version of office' terminal system (scheduled in 2016 1H)

< Business operation not to keep customers waiting >

Total amount in investment
approx. **¥3.5bn**

Paper-less

**Process-less
(Seal-less)**

Manual-less

Theme② Enhancing Corporate Strength

■ Diversification of profit sources

- Strengthening of asset management business, including that of Group companies
 - ✓ Increase of dispatching staff to Hachijuni Securities Co., Ltd. (added 6 staff in Nov, total 12 staff)
 - ✓ Expansion of investment-type products lineups (Nov)
 - Wrap-typed investment trusts (1 product)
 - Investment trusts for exclusive use of internet banking (2 products)
 - Single-payment whole life variable insurance (1 product)

The number of investment trusts
53

The number of life insurances
35

FY2015 1H
Profit on investment-type products
(group total) **¥3.69bn**

■ Promoting acceleration and efficiency of group management

- ✓ Hachijuni Credit Guarantee Co., Ltd. became a wholly owned subsidiary company (Oct)

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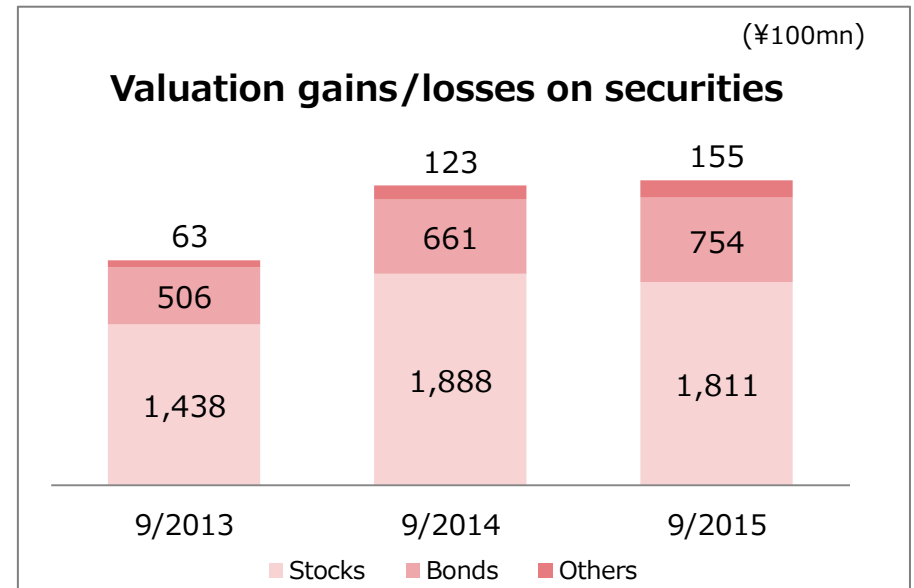
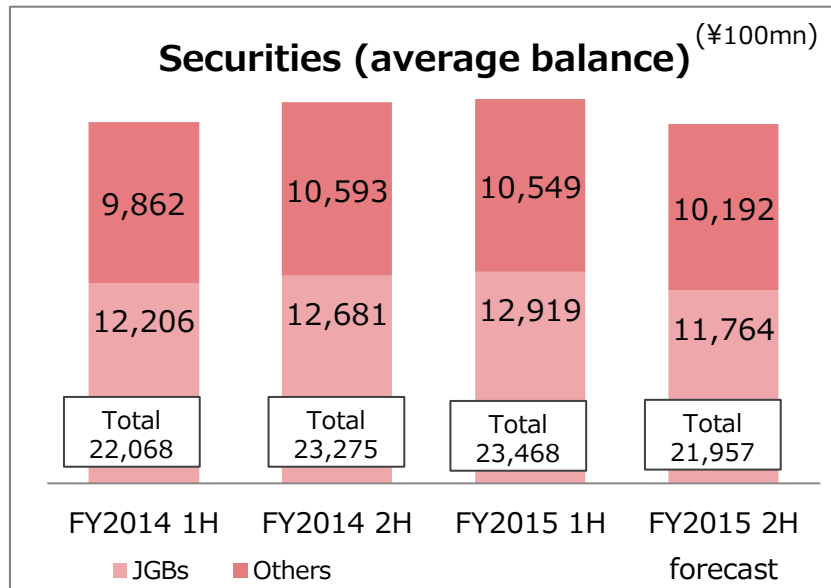
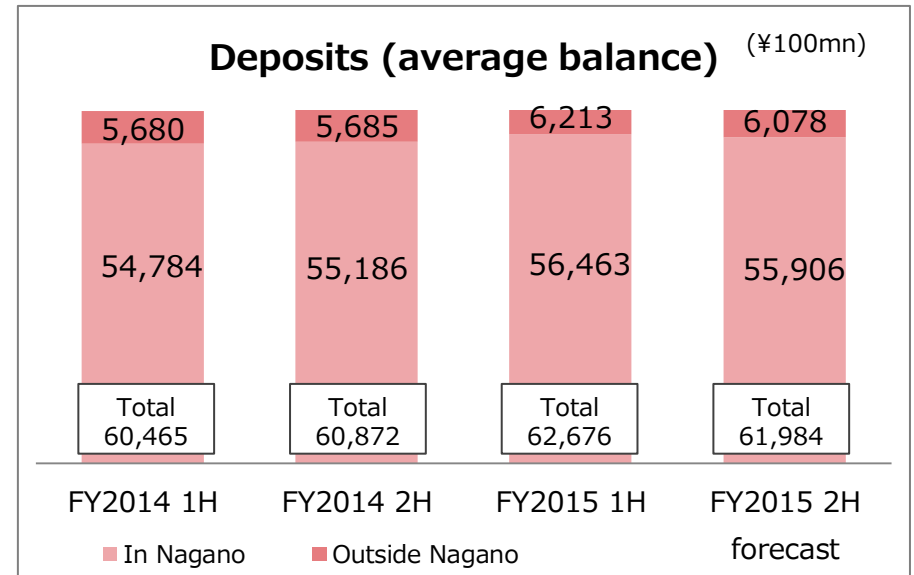
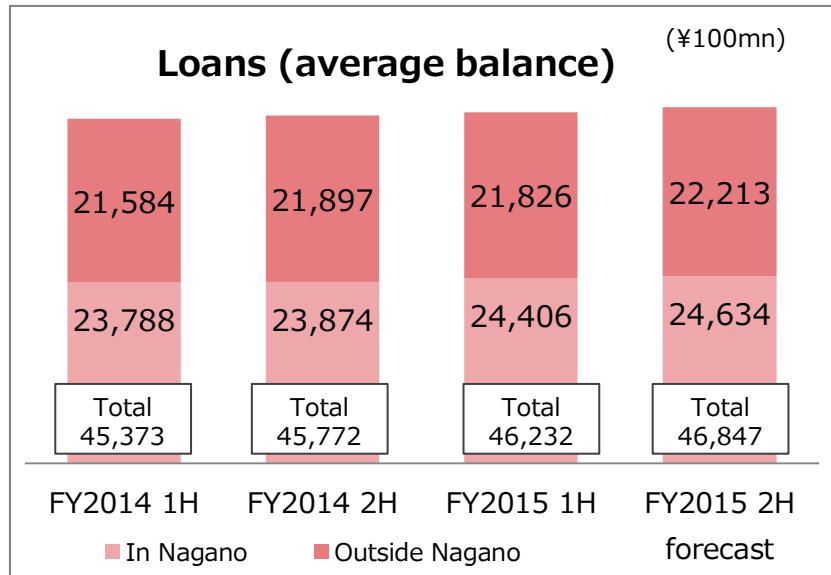
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Major Accounts (Loans/Deposits/Securities)



Yield, Interest Margin

■ Yield and Margin (all offices)

(%)

	FY2011		FY2012		FY2013		FY2014		FY2015		From FY2014
	1H	Full year	1H	Full year	1H	Full year	1H	Full year	1H	Full year forecast	
Yield	1.48	1.47	1.39	1.37	1.32	1.31	1.18	1.19	1.15	1.14	▲0.05
Funding costs	0.14	0.14	0.12	0.13	0.14	0.13	0.13	0.14	0.15	0.16	+0.02
Interest margin	1.33	1.33	1.26	1.24	1.18	1.18	1.04	1.05	1.00	0.98	▲0.07

● Rise of funding costs of foreign currencies

■ Yield and Margin (domestic)

(%)

	FY2011		FY2012		FY2013		FY2014		FY2015		From FY2014
	1H	Full year	1H	Full year	1H	Full year	1H	Full year	1H	Full year forecast	
Yield on loans	1.54	1.53	1.44	1.42	1.33	1.30	1.22	1.21	1.14	1.13	▲0.08
Yield on securities	1.36	1.34	1.30	1.27	1.31	1.38	1.28	1.21	1.39	1.29	+0.08
Funding costs	0.13	0.12	0.11	0.11	0.12	0.12	0.11	0.11	0.11	0.11	0.00
Yield on deposits	0.06	0.05	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.00
Interest margin	1.32	1.32	1.24	1.21	1.15	1.12	1.02	1.00	0.97	0.96	▲0.04

Main figures in Corporate and Personal Banking

■ Business loans

(Half-year average balance: ¥100mn)

	FY2014 1H	FY2014 2H	FY2015 1H	FY2015 2H forecast
Neighboring Nagano (Nagano, Niigata and Gifu)	11,063	11,099	10,959	11,143
For SMEs	8,528	8,702	8,590	—
Outside Nagano (Tokyo, Saitama, Gunma, Aichi and Osaka)	17,788	18,048	17,944	18,286
Loans guaranteed by CGC (outstanding balance) ※	2,937	2,906	2,879	—

※CGC: Credit Guaranty Corporation

■ Profit on fees and commissions

(¥mn)

Derivatives	116	111	110	110
Syndicated loans, private placement bonds, factoring	480	553	389	614
M&A, business matching etc.	253	322	315	279
Total	850	987	814	1,004

■ 401K plan

(No. of companies, ¥mn)

401K-contracted companies	419	422	425	430
Financial assets※	40,269	42,178	41,984	42,724
Investment type products	9,504	10,707	10,073	10,373
Deposits	30,764	31,471	31,911	32,351

※Financial assets: a part of fund assets of participant companies
deposited with the Bank (outstanding balance)

※FIIS: financial instruments intermediary service

※New increase: total increase in half-year period

■ Personal loans

(Outstanding balance: ¥100mn)

	FY2014 1H	FY2014 2H	FY2015 1H	FY2015 2H forecast
Consumer loans	10,707	10,866	10,972	11,130
Housing related	9,950	10,117	10,216	10,373

■ Investment type products

(Outstanding balance: ¥100mn)

Public bonds	1,900	1,552	1,272	1,155
(new increase※)	(124)	(87)	(61)	(90)
Investment trusts	1,743	1,855	1,712	2,005
(new increase)	(276)	(359)	(315)	(594)
Foreign currency deposits	239	196	168	192
Life insurance (market price basis)	3,213	3,295	3,285	3,595
(new increase)	(272)	(229)	(212)	(327)
FIIS※	301	266	290	346
(new increase)	(71)	(177)	(162)	(145)




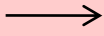













■ Profit on investment type products

(¥mn)

Public bonds	56	54	29	55
Investment trusts	775	983	932	1,350
Trust fees	396	443	474	460
Foreign currency deposits	227	249	197	200
Life & non-life insurance	951	1,034	865	1,115
FIIS※	204	422	457	405
Total	2,213	2,742	2,480	3,125

Market Investment Business

(¥100mn)

		Outstanding Balance of Securities (cost basis)					Direction of 2H 2015
		9/2013	3/2014	9/2014	3/2015	9/2015	
Bonds	Interest-bearing JGBs	8,850	9,627	9,854	11,029	10,078	
	Floating-rate JGBs	1,878	1,879	1,880	1,880	1,880	
	Inflation-protected JGBs	638	622	566	569	478	
	Other domestic bonds	3,345	3,400	3,292	2,880	2,975	
	Yen-denominated securitized products	0	89	260	406	553	
	Structured bonds etc.	34	29	124	114	59	
Domestic securities	Domestic stocks	1,113	1,129	1,141	1,126	1,111	
	Domestic ETF	49	53	65	162	41	
	J-REIT	149	152	167	185	197	
	Other investment trusts	236	410	570	781	829	
	Union-type of funds etc.	157	184	227	240	244	
	Hedge funds	118	121	119	138	138	
Foreign securities	Hedge funds	55	61	64	55	54	
	Yen-denominated foreign bonds	582	495	469	422	287	
	Foreign stocks, ETF etc.	26	33	34	51	26	
	Foreign currency-denominated bonds	2,562	3,343	3,685	4,048	3,675	
Total		19,798	21,635	22,525	24,093	22,634	
Yen bonds duration (after swap hedge transactions)		3.29	3.67	4.07	4.51	4.38	