
The 38th Information Meeting

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

November 17th, 2016



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 name	THE HACHIJUNI BANK, LTD.
Head Office	Nagano City, Nagano Prefecture
Date of Establishment	August 1st, 1931
Network	<ul style="list-style-type: none"> ◆ Domestic 151 (in Nagano: 131, outside Nagano: 20) ◆ Overseas Branch 1 (Hong Kong) Representative Offices 4 (Dalian, Shanghai, Bangkok, Singapore)
No. of employees	3,224
Capital stock	¥52.2bn
Issued shares	511,103 thousand shares

Total assets	¥8,433.9bn
Net assets	¥652.2bn
Deposits	¥6,311.7bn
Loans	¥4,764.9bn
Total capital ratio (Basel III)	Consolidated: 20.90% (preliminary) Non-consolidated: 20.21% (preliminary)
Rating	S&P : A R&I : A+



Index

Main Volume

P. 4 ~27

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- 2 . Progress in the 30th Long-Term Management Plan
- 3 . Major Accounts and Main Figures

Outline of the 1st Half of FY2016 Financial Results

【Consolidated】

- ◆ Ordinary profit was ¥19.7bn (▲¥6.9bn from 1H FY2015) due mainly to the decrease in profit on interest.
- ◆ Net income attributable to owners of the parent was ¥13.1bn (▲¥3.3bn from 1H FY2015).

【Non-consolidated】

- ◆ Core net business profit was ¥9.6bn (▲¥5.9bn from 1H FY2015) due to decreases in profit on interest and in profit on fees & commissions.
- ◆ Credit related expenses was a negative ¥1.9bn due to reversal of both general reserve and specific reserve (+¥0.4bn from 1H FY2015).
- ◆ Profit/losses related to securities was ¥4.8bn (+¥0.8bn from 1H FY2015) due to the increase in gains on sales of bonds.
- ◆ Ordinary profit was ¥17.0bn (▲¥6.1bn from 1H FY2015).
- ◆ Net income was ¥11.6bn (▲¥3.9bn from 1H FY2015).

FY2016 Full Year Forecast (Not change from the projections disclosed in May)

【Consolidated】

- ◆ Ordinary profit will decrease by ¥11.0bn from FY2015 to ¥38.0 due to the decrease in profit on interest of non-consolidated account.
- ◆ Net income attributable to owners of the parent will decrease by ¥5.6bn from FY2015 to ¥24.5bn.

【Non-consolidated】

- ◆ Core net business profit will decrease by ¥10.2bn from FY2015 to ¥18.0bn due to the decrease in profit on interest and the increase in non personnel expenses.
- ◆ Credit related expenses will increase by ¥2.8bn from FY2015 to a negative ¥2.0bn due to the decrease in reversal of allowance for loan losses.
- ◆ Profit/losses related to securities will increase by ¥3.6bn from FY2015 to ¥12.0bn due to the increase in gains/losses related to stocks.
- ◆ Ordinary profit will decrease by ¥10.4bn from FY2015 to ¥32.0bn due to the decrease in core net business profit.
- ◆ Net income will decrease by ¥5.7bn from FY2015 to ¥22.0bn.

Financial Summary (Consolidated)

(¥100mn)	1H FY2016	1H FY2015	Change
Consolidated gross business profit	491	520	▲29
Profit on interest	351	386	▲35
Profit on fees & commissions	65	75	▲10
Trading profit	6	10	▲4
Profit from other business transactions	68	47	21
General & administrative expenses	334	306	28
Credit related expenses	▲19	▲23	3
Gains/losses related to stocks	3	18	▲15
Ordinary profit	197	266	▲69
Net income attributable to owners of parent	131	164	▲33
Ratio of consolidated profits to parent company's profits	1.130	1.056	0.074

Profit on interest

- ◆ Though outstanding balance of loans increased by ¥166.9bn from 1H FY2015, interest on loans decreased by ¥1.9bn due to the decline in interest margin.
- ◆ Though outstanding balance of securities increased by ¥157.9bn from 1H FY2015, interest & dividends on securities decreased by ¥1.7bn.

Profit on fees & commissions

- ◆ Sales commission of life insurance and investment trusts decreased by ¥0.8bn from 1H FY2015.

Net income attributable to owners of parent

- ◆ This figure decreased by ¥3.3bn from 1H FY2015 due to the decrease in net income of non-consolidated account.
- ◆ Ratio of consolidated profits to parent company's profits rose as Hachijuni Credit Guarantee Co., Ltd. became the Bank's wholly owned subsidiary company in October 2015.

Main Volume 1.

Financial Summary (Non-Consolidated)

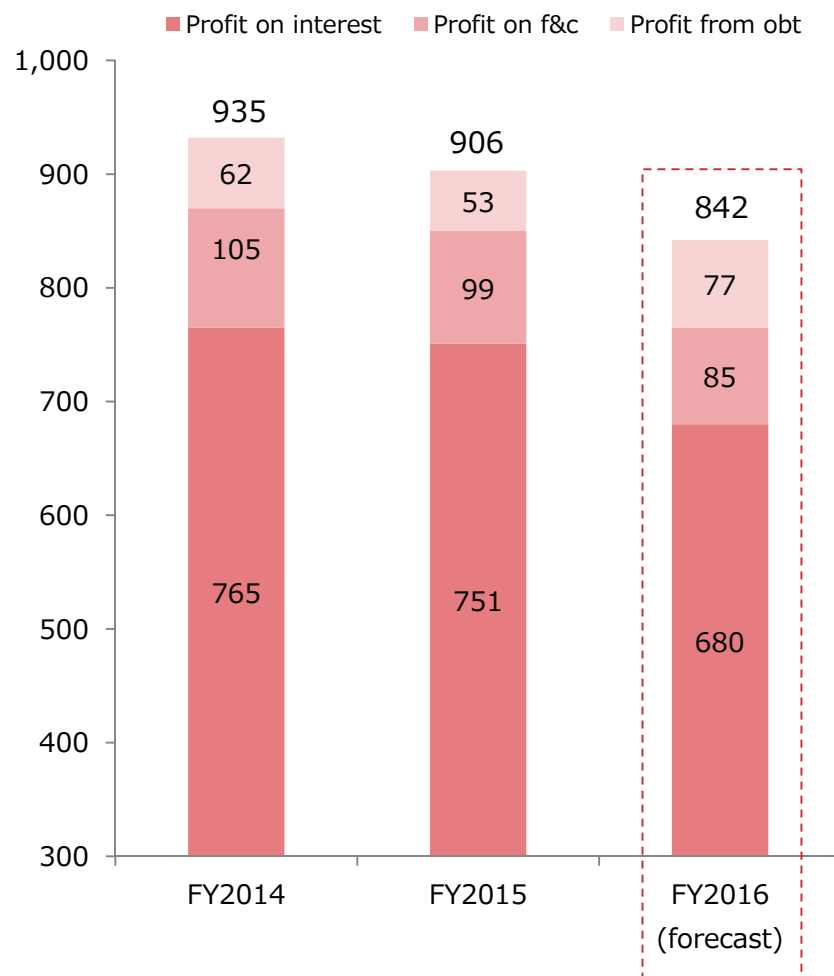
(¥100mn)		1H FY2016	1H FY2015	From 1H 2015	From Projections	
Gross business profit(A)		435	462	▲26	28	
Profit on interest		349	385	▲35	27	Interest on loans, Interest & dividends on securities decreased.
Profit on fees & commissions		38	50	▲12	▲11	Sales commission of life insurance and investment trusts decreased.
Profit from other business transactions		46	25	21	12	
Gains/losses related to bonds(B)		45	22	23	14	Gains on sales of bonds increased.
G&A expenses (C)		293	283	9	▲3	Non-personnel expenses increased, personnel expenses was almost unchanged.
Core net business profit(A-B-C)		96	156	▲59	16	
Net business profit (A-C)		142	178	▲36	32	
Transfer to general reserve for loan losses (D)		-	-	-	-	
Net business profit (A-C-D)		142	178	▲36	32	
Temporary profit/losses	Reversal of allowance for loan losses	18	25	▲6	▲3	
	Reversal of general reserve	17	▲32	50	-	Change of credit rank standards, change of assessment rate of real estate collateral
	Reversal of specific reserve	0	57	▲56	-	Increased in 1H FY2015 as credit ranks of borrowers upgraded
	Gains/losses related to stocks (E)	3	18	▲15	▲17	
	Disposal of NPL	▲0	1	▲1	0	
Ordinary profit		170	232	▲61	15	▲26.6% from 1H FY2015
Extraordinary profit		▲3	▲1	▲1	▲2	
Net income		116	155	▲39	11	▲25.3% from 1H FY2015
Credit related expenses		▲19	▲23	4	1	
Profit/losses related to securities (B+E)		48	40	8	▲3	

Main Volume 1 .

FY2016 Forecast (Gross Business Profit)

The Change in Gross Business Profit

(¥100mn)



Increase/Decrease Factors

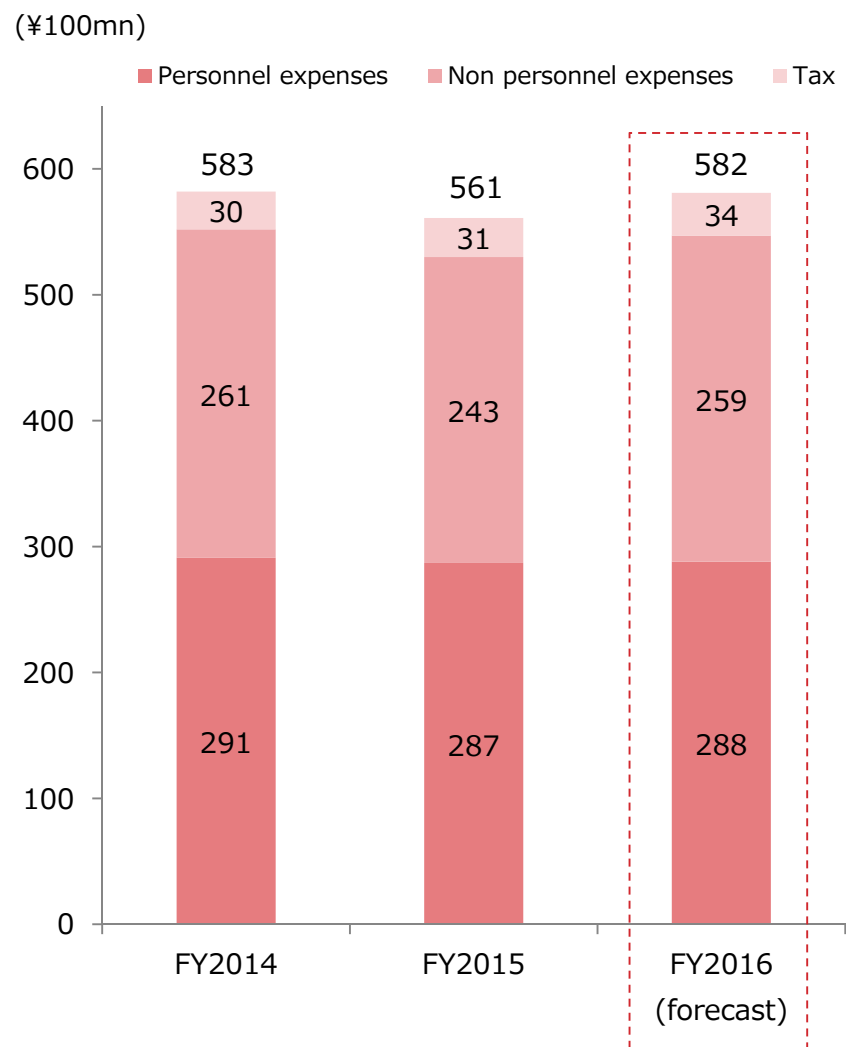
(¥100mn)

	FY2016 Forecast (1H results)	From FY2015	Main Factors	
Profit on interest	680 (349)	▲71	<ul style="list-style-type: none"> Interest on loans Interest & dividends on securities Interest on deposits Interest payments on swaps 	▲44 ▲30 ▲3 ▲3
Profit on fees & commissions	85 (38)	▲14	<ul style="list-style-type: none"> Fees & commissions Fees & commissions payment 	▲11 +3
Profit from other business transactions	77 (46)	+24	<ul style="list-style-type: none"> Gains/losses related to bonds 	+24

Main Volume 1.

FY2016 Forecast (General & Administrative Expenses)

The Change in G&A Expenses



Increase/Decrease Factors

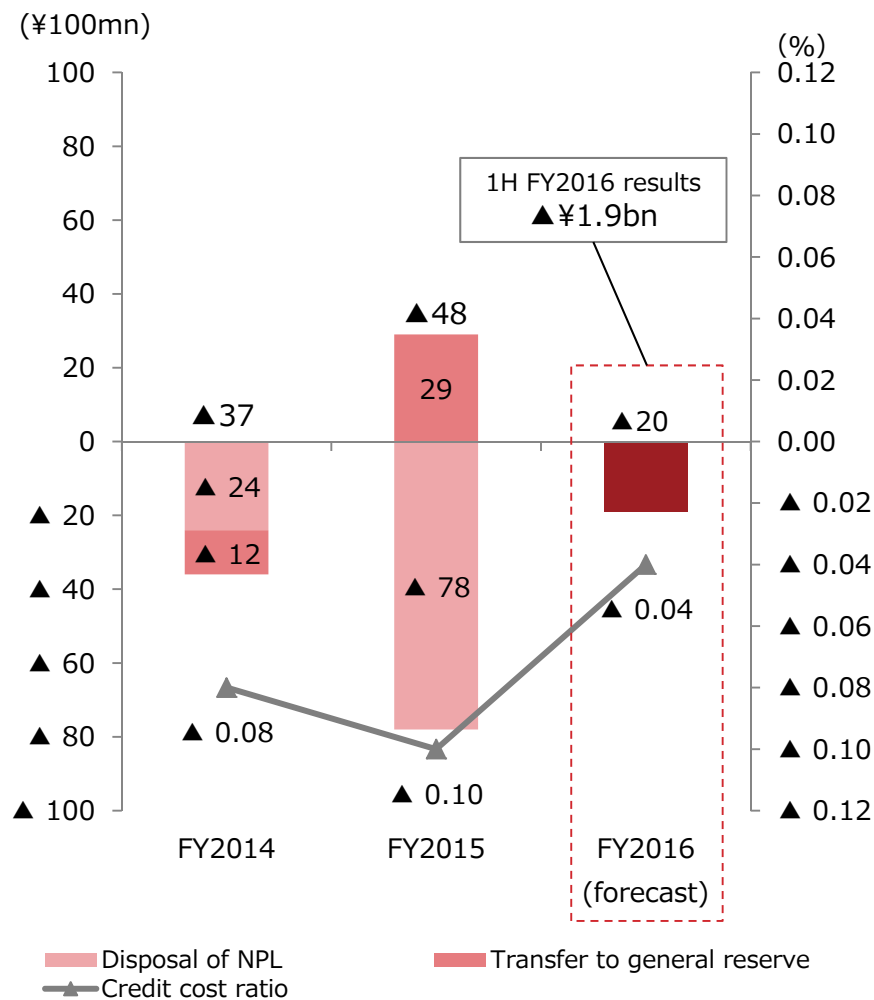
(¥100mn)

Category	FY2016 Forecast (1H results)		From FY2015	Main Factors	Change
	Amount	(1H results)			
Personnel expenses	288	(145)	0	• The number of employees remains unchanged	
Non personnel expenses	259	(126)	+16	• Increase in depreciation due to new version of offices' terminal system • Increase in outsourcing expenses relating to the level-up of internet banking	+5 +3
Tax	34	(20)	+3	• Increase of Size-based Business Tax due to the rise in tax rate	

Main Volume 1.

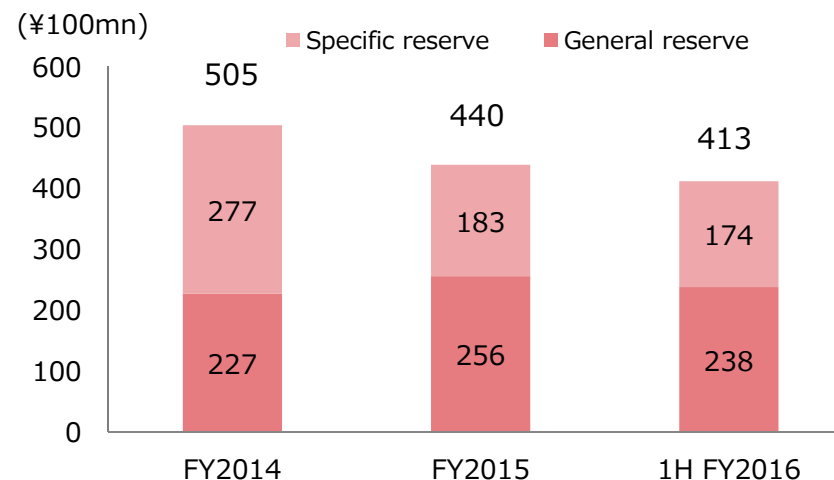
FY2016 Forecast (Credit Related Expenses)

The Change in Credit Related Expenses



Note 1 : Credit cost ratio = Credit related expenses/total loans (average balance)
 Note 2 : There is no breakdown in credit related expenses for FY2016 forecast.

The Change in Outstanding Balance of Reserve for Loan losses



The Change in Non-Performing Loans (NPL)

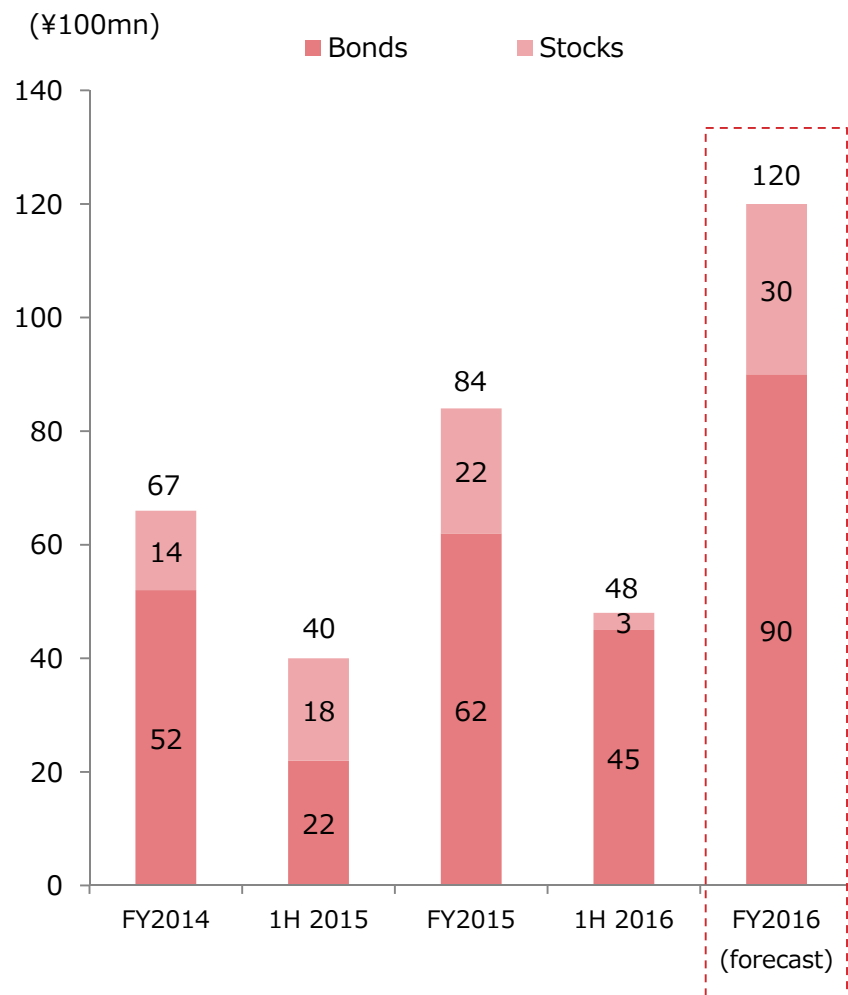
(¥100mn, %)	FY2014	FY2015	FY2016 forecast	
			1H	Full Year
Bankrupt and quasi-bankrupt assets	116	109	115	100
Doubtful assets	844	729	638	635
Substandard assets	259	274	266	255
Total	1,220	1,113	1,019	990
NPL ratio	2.64	2.34	2.11	2.04
After partial direct charge-off	2.50	2.22	1.98	1.90

※Partial direct charge-off was not executed.

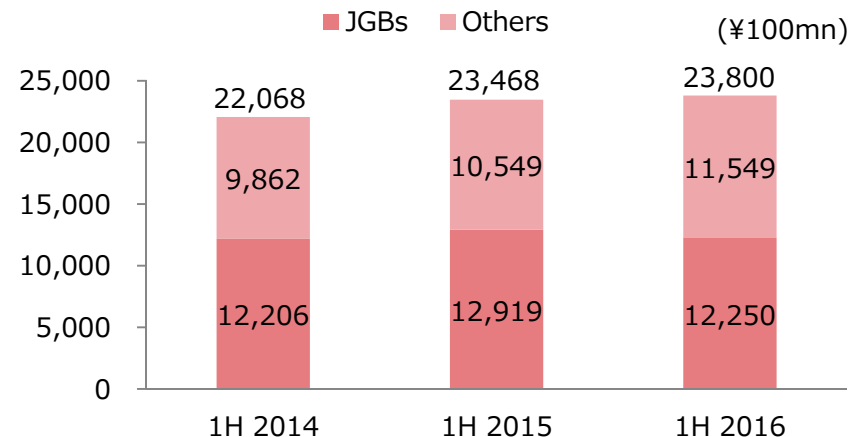
Main Volume 1.

Outline of Financial Results (Profit/Losses Related to Securities)

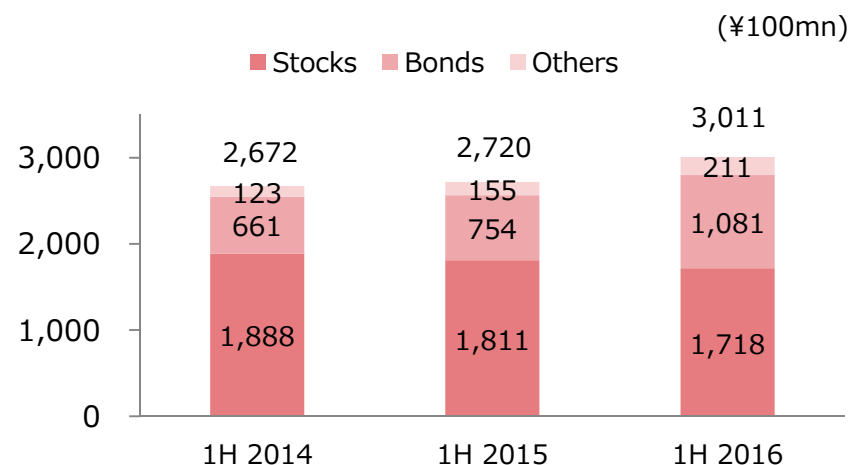
The Change in Profit/Losses Related to Securities



Average Balance of Securities



Valuation Gains (Losses) on Securities



Main Volume 1 .

Returns to Shareholders

(¥100mn)

	FY2013	FY2014	FY2015	FY2016 (projections)
Annual dividends ^①	55	75	75	65
Dividend per share (full year)	¥11.0	¥15.0	¥15.0	¥13.0
Interim dividend	¥5.0	¥5.0	¥6.0	¥6.0
Purchase of own stocks ^②	0	30	30	0
Shareholder returns ^③ = ① + ②	55	105	105	65
Net income ^④	247	257	277	220
Payout ratio ^① ÷ ^④	22.5%	29.2%	27.2%	29.5%
Ratio of shareholder returns ^③ ÷ ^④	22.6%	40.9%	37.8%	29.5%

【Change in the number of shares per unit】

The Bank reduced the number of shares per unit from 1,000 (thousand) to 100 (hundred) in Apr 1st, 2016 in order to boost the liquidity of the Bank's share and to broaden investor base.

【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 ¥20.0bn and it has exceeded ¥20.0bn for three consecutive fiscal years.

1 Outline of the 1st half of FY2016 Financial Results and
FY2016 Full Year Forecast

2

Progress in the 30th Long-Term Management Plan

3

Major Accounts and Main Figures

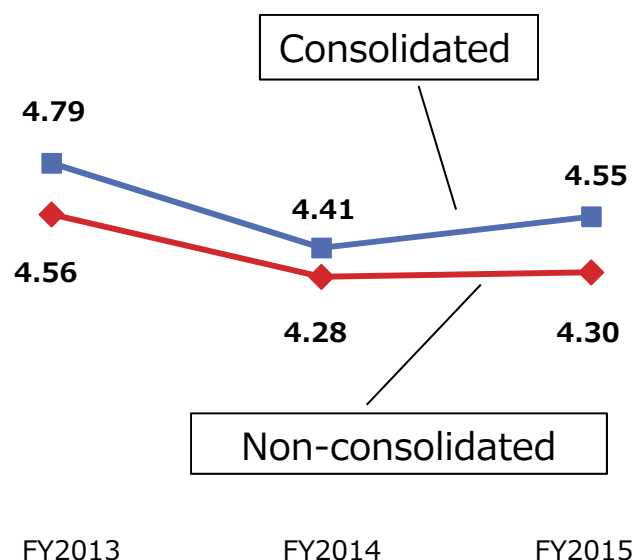
Main Volume 2.

Progress in the 30th Long-Term Management Plan①

Long-Term Management Guideline

■ **ROE : 5% or higher**

■ **The Change in ROE**



This guideline is the long term target so we apply it regardless of each management plan's period.

Management Targets for the end of FY2017

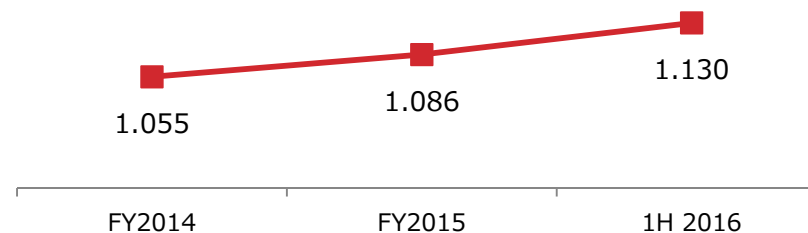
■ **Net income : ¥20.0bn (non-consolidated)**

- 1H 2016 **¥11.6bn**
- FY2016 (forecast) **¥22.0bn**

■ **Ratio of shareholder returns: 40%**

- FY2015 **37.8%**
- FY2016 (forecast) **29.5%**

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



Main Volume 2.

Progress in the 30th Long-Term Management Plan②

Theme① Creating Regional Vitality

■ Main Efforts and Figures Related to Theme ①

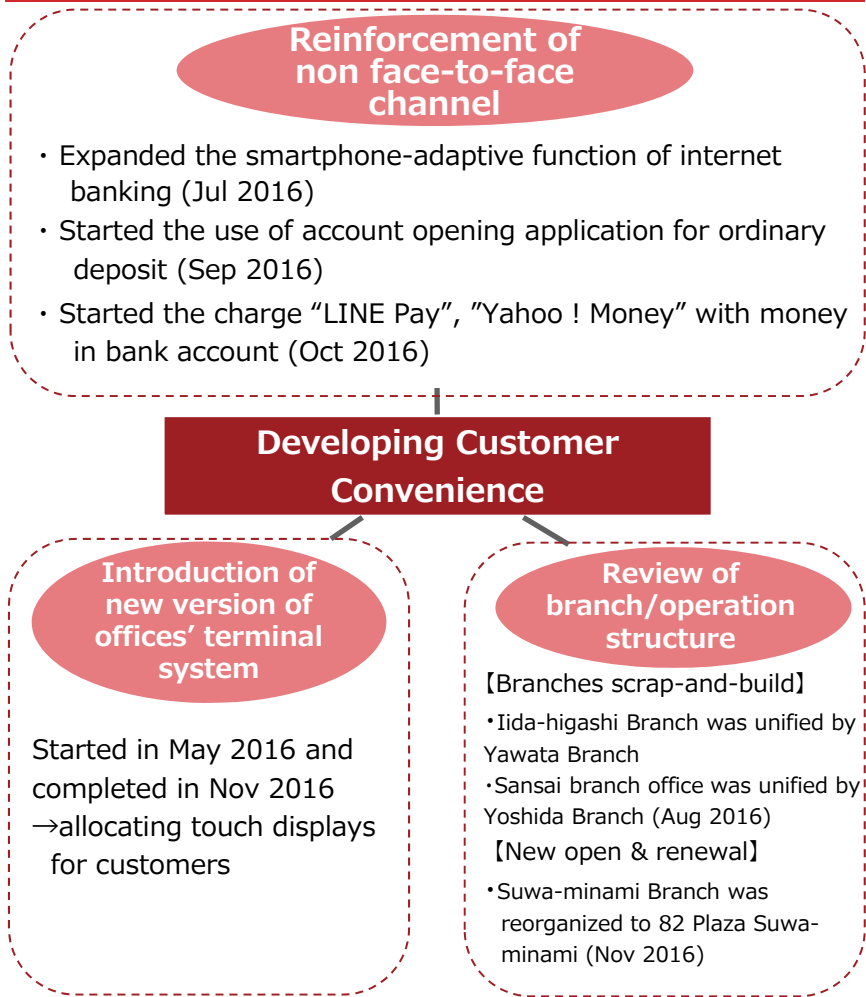
To achieve the strengthening of the regional vitality and regional industries' competitiveness, the Bank contributes to develop regional economy via both financial functions and non-financial functions

	1H 2015	2H 2015	1H 2016	Accumulated total
New plant and research institute projects (cases) (Target: 30 cases by Mar 2018)	5	4	8	17
New business launches within Nagano Pref. (cases) (Target: 600 cases by Mar 2018)	103	103	148	354
New loans of startups related within Nagano Pref. (¥bn)	2.01	1.18	2.84	6.03
New loans of growth-related (¥bn) (Medical/welfare, Agriculture, Environment, Next generation industry)	25.17	26.56	26.14	77.87
Consultations for business succession (cases)	72	137	114	323
Completions of M&A (cases)	3	3	4	10

Progress in the 30th Long-Term Management Plan③

Theme② Developing Customer Convenience

Strengthening of Customer Contact Points Enhancement of Responsiveness to Customers



■ Issues to be addressed

Non face-to-face Reinforcement of non face-to-face channel by introducing new services

- ◆ Start of education card loans (scheduled in Feb 2017)
- ◆ Start of non face-to-face contracts in free loans (scheduled in Sep 2017)

Branches Review of branch/operation structure

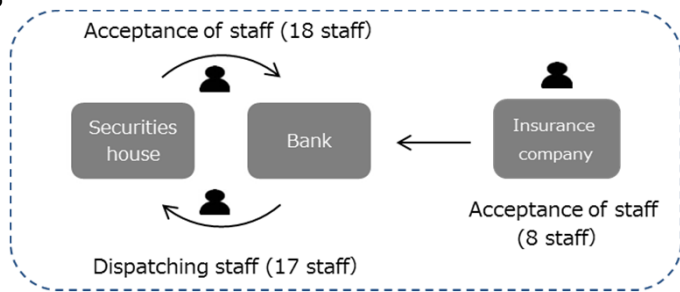
- ◆ Considering compound store facility with other businesses
→Utilization of the Bank's branches building in the community after branches scrap-and-build
- ◆ Strategic allocation of management resources
→Reinforcement of sales power by the review of area operation system and business operation structure
- ◆ Level-up of new version of offices' terminal system
→Considering slip-less procedure

Progress in the 30th Long-Term Management Plan④

Theme③ Enhancing Corporate Strength

Strengthening of Asset Management Business, Including That of Group Companies

- ◆ Reinforcement of alliance between the Bank and Hachijuni Securities Co., Ltd.(HS) by personnel exchanges
 - 1H 2016 results
 - No. of account opening in HS by the Bank's introduction: over 1,800 accounts
 - Total revenue regarding the Bank's introduction: over ¥100mn
- ◆ Acceptance of staff from insurance companies to support sales desk
 - 1H 2016 results
 - No. of contracts of equal premium payment insurance: 135% of 1H 2015



Deepening of Environmental Management

Greenhouse Gas Emission
as of Mar 31,2016 (preliminary basis)
<Target: 10% reduction from 2010> **14.2%** reduction

Environmental Management Survey ranking :
1st rank in banking industries in 2 straight years

Broadening the base Broadening the base of asset management by installment investment trust

- ◆ 1H 2016 results
 - No. of investment trust accounts: more than 2,500 increase
 - No. of installment investment trust accounts : more than 3,200 increase
- ◆ Expansion of the base of investment trusts triggered by the introduction of office installment NISA

Broadening the base Broadening the base of asset management by 401k for individual customers

- ◆ 401k for corporate customers: 438 companies (top level in regional banks)
- ◆ Utilizing the accumulated know-how through the alliance with Tokio Marine & Nichido Fire Insurance Co., Ltd.
- ◆ Meeting customer needs by making use of the characteristic such as taxation-system merits, supplemental function of the public pension, and accessing working ages to develop compounded transactions

Expansion of Employee Fields of Activity

The number of female staff in managerial post as of Sep 30, 2016
<Target : 40% increase from Apr 1st, 2015> **16.51%** increase

11.56% increase from Mar 31, 2016

1 Outline of the 1st half of FY2016 Financial Results and
FY2016 Full Year Forecast

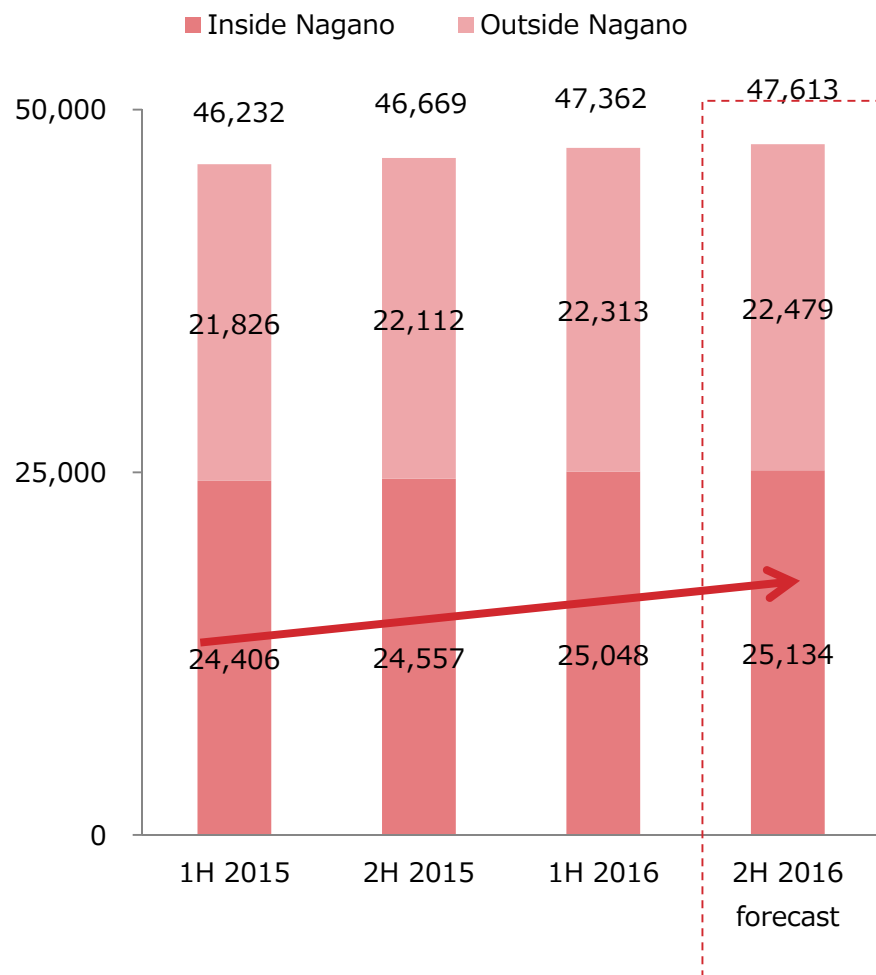
2 Progress in the 30th Long-Term Management Plan

3 Major Accounts and Main Figures

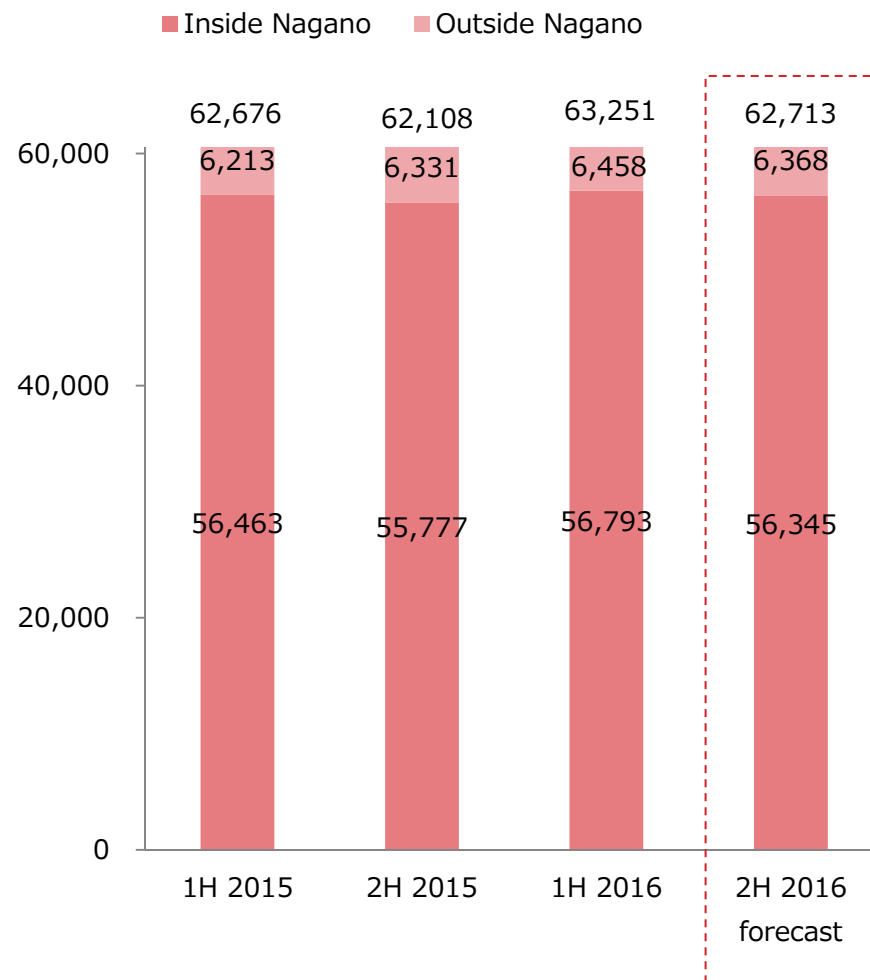
Main Volume 3.

Major Accounts (Loans/Deposits)

Average Balance of Loans (unit: ¥100mn)



Average Balance of Deposits (unit: ¥100mn)



Main Volume 3.

Yield, Interest Margin

Yield, Interest Margin

■ The Change in Yield and Margin (all offices, %)

	FY2012		FY2013		FY2014		FY2015		FY2016		
	1H	Full year	1H	Full year	1H	Full year	1H	Full year	1H	Change from 1H2015	Full year forecast
Yield	1.39	1.37	1.32	1.31	1.18	1.19	1.15	1.14	1.05	▲0.10	1.03
Funding costs	0.12	0.13	0.14	0.13	0.13	0.14	0.15	0.16	0.16	+0.01	0.15
Interest margin	1.26	1.24	1.18	1.18	1.04	1.05	1.00	0.98	0.89	▲0.01	0.88

■ The Change in Yield and Margin (domestic, %)

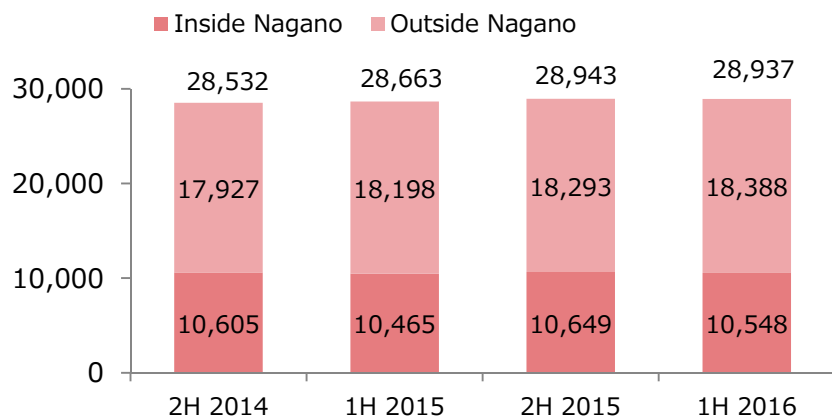
	FY2012		FY2013		FY2014		FY2015		FY2016		
	1H	Full year	1H	Full year	1H	Full year	1H	Full year	1H	Change from 1H2015	Full year forecast
Yield on loans	1.44	1.42	1.33	1.30	1.22	1.21	1.14	1.12	1.01	▲0.13	1.00
Yield on securities	1.30	1.27	1.31	1.38	1.28	1.21	1.39	1.24	1.26	▲0.13	1.21
Funding costs	0.11	0.11	0.12	0.12	0.11	0.11	0.11	0.10	0.07	▲0.04	0.07
Yield on deposits	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.02	▲0.01	0.01
Interest margin	1.24	1.21	1.15	1.12	1.02	1.00	0.97	0.94	0.91	▲0.06	0.89

Main Volume 3.

Main Figures (Business Loans)

The Change in Business Loans

Outstanding Balance by District (unit: ¥100mn)



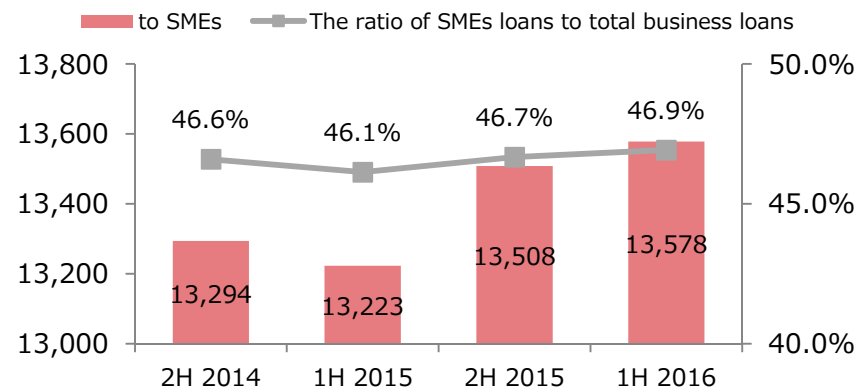
Efforts by the Bank

- ◆ Change of the Bank's loan portfolio
Increase in loans to local companies in Nagano, especially in loans to SMEs in Nagano

From the 2H 2015, the growth rate of business loans in Nagano※1, and Business loans to SMEs※1 turned to positive territory

※1 : Outstanding balance basis

Outstanding Balance of Loans to SMEs (unit: ¥100 mn)※2



※2 : SMEs (excluding local public entities) + self-employed company owner

Issues to be addressed

- Support for startups
- Thorough pursuit of business promotion
- Providing funds based on customers' business potentials
- Loans/funds for growth
Risk money
- Support for core regional companies

The ratio of loans to SMEs to total business loans

(as of Sep 30, 2016)

Main Volume 3.

Main Figures (Personal Loans)

The Change in Personal Loans

Outstanding Balance (unit: ¥100mn)

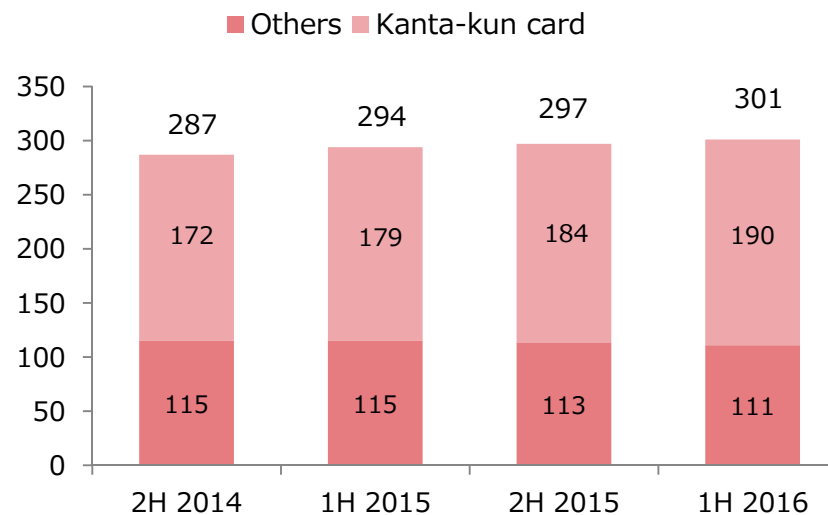


Efforts by the Bank

Reinforcement of Channel Strategy

- Started WEB contracts in card loans "Kanta-kun card" (product name)
- Start of education card loans (scheduled in Feb 2017)
- Introduction of non face-to-face contracts in free loans (scheduled in Sep 2017)

Card Loans (outstanding balance, unit: ¥100mn)

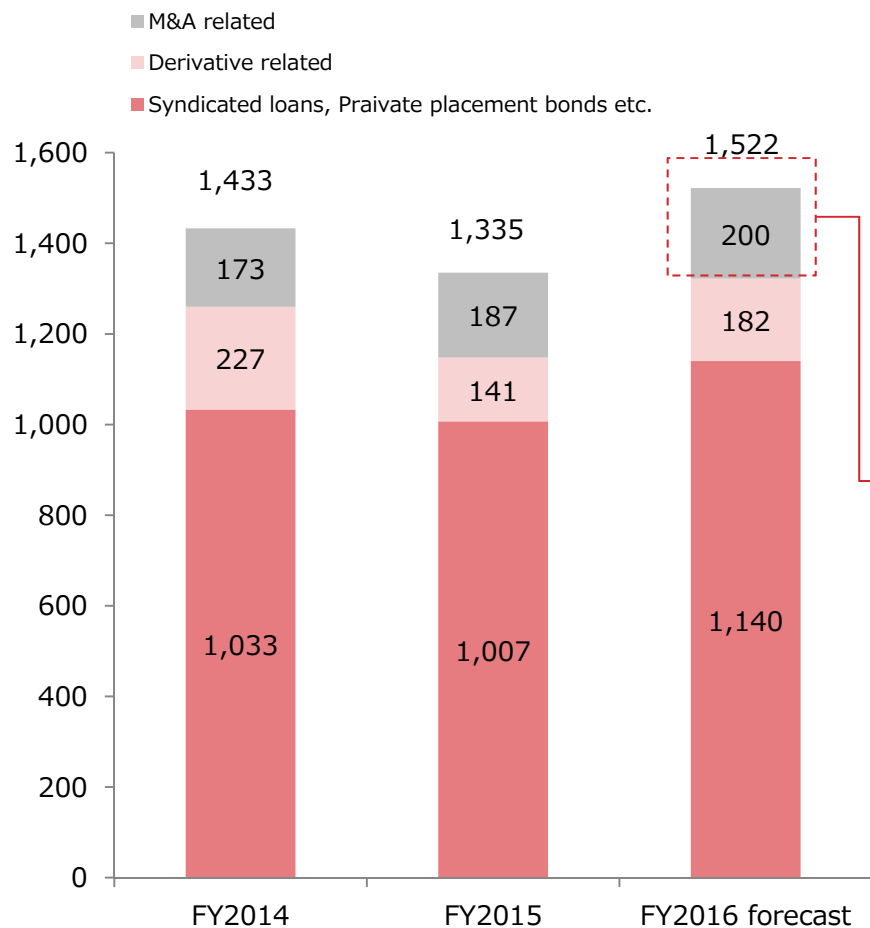


Main Volume 3.

Main Figures (Fees & Commissions in Corporate Banking)

The Change in Consulting-related Profit

Consulting-related Profit (unit:¥1mn)

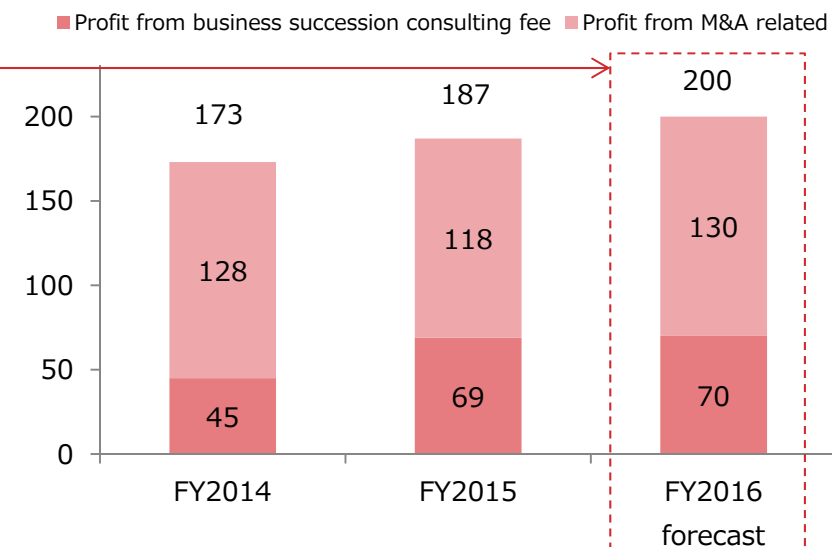


Efforts by the Bank

Market environment Growing the need for business succession
 More efforts to business succession in "great succession era"
 →Evolving the business to a profit source under the severe environment of the decline in loan interest rates

Survival of local companies + Maintenance of management base

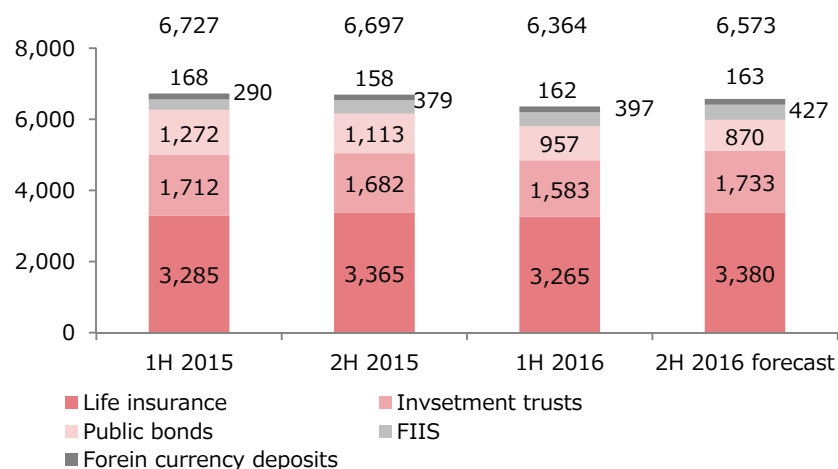
Profit from Business Succession/M&A Related (unit: ¥1mn)



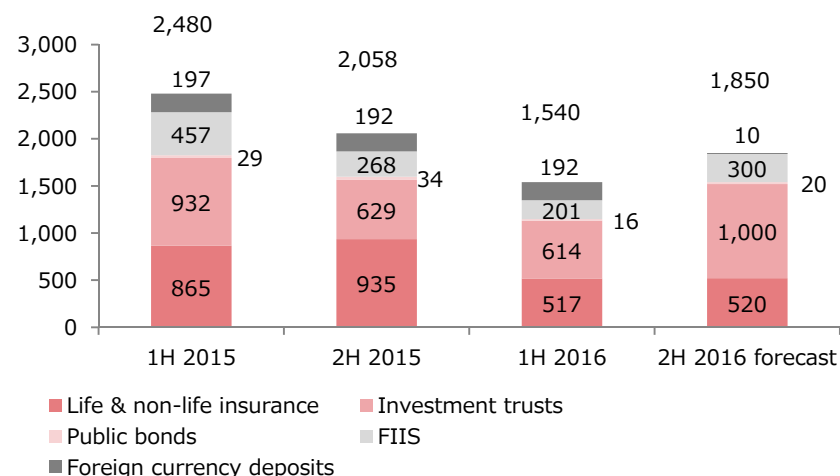
Main Volume 3.

Main Figures (Investment Type Products in Personal Banking)

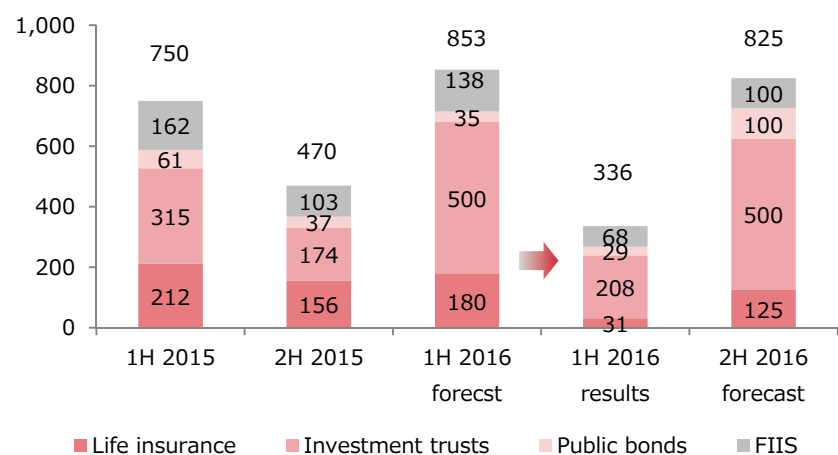
Outstanding Balance of Investment Type Products (¥100mn)



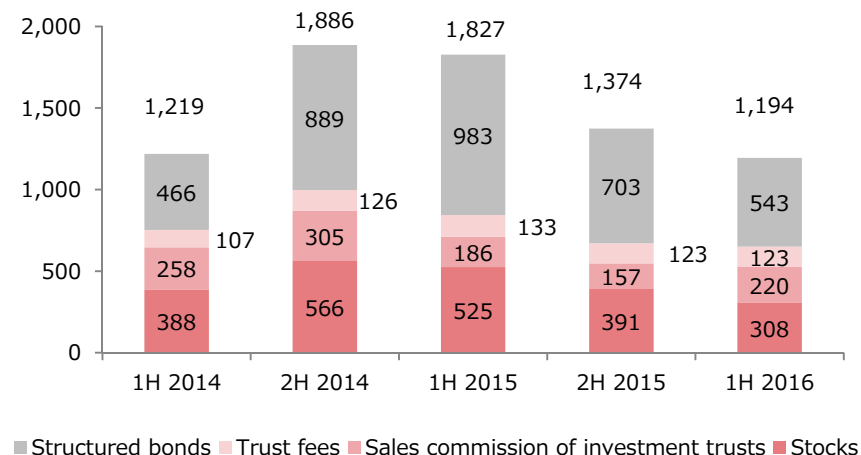
Profit on Investment Type Products (¥1mn)



New Increase in Investment Type Products (¥100mn)



Revenue of Hachijuni Securities Co., Ltd. (¥1mn)



※FIIS: Financial instruments intermediary service

Main Volume 3.

Market Investment Business

Outstanding Balance of Securities (cost basis, ¥100mn)

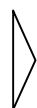
		9/2014	3/2015	9/2015	3/2016	9/2016	Direction of 2H FY2016
Bonds	Interest-bearing JGBs	9,854	11,029	10,078	10,065	10,068	→
	Floating-rate JGBs	1,880	1,880	1,880	1,880	1,884	→
	Inflation-protected JGBs	566	569	478	486	428	→
	Other domestic bonds	3,292	2,880	2,975	3,388	3,717	↑
	Yen-denominated securitized products	260	406	553	697	697	→
	Structured bonds etc.	124	114	59	89	92	→
Domestic securities	Domestic stocks	1,141	1,126	1,111	1,192	1,187	→
	Domestic ETF	65	162	41	208	195	→
	J-REIT	167	185	197	211	195	→
	Other investment trusts	570	781	829	1,046	1,428	↑
	Union-type of funds etc.	227	240	244	276	141	↑
	Hedge funds	119	138	138	157	157	→
Foreign securities	Hedge funds	64	55	54	50	45	→
	Yen-denominated foreign bonds	469	422	287	257	159	→
	Foreign stocks, ETF etc.	34	51	26	86	24	→
	Foreign currency-denominated bonds	3,685	4,048	3,675	3,613	3,414	→
	Foreign currency-denominated securitized products	0	0	0	70	176	↑
Total		22,525	24,093	22,634	23,777	24,005	↑
Yen bonds duration (after swap hedge)		4.07	4.51	4.38	4.67	4.34	

Change to the Bank Creating Regional Vitality

Action example Horizontal Revival of Sightseeing Spot

- Investing and financing to “WAKUWAKU Yamanouchi” (town planning company) by All-Shinshu Tourism Revitalization Fund
- Renovating vacant houses to maintain beautiful cityscape based on the regional unique culture(see below photos)
- August 2016: Started an investing and financing to “Hakuba Gallop” (town planning company No.2) to support Hakuba area to become a mountains resort of the world standard.

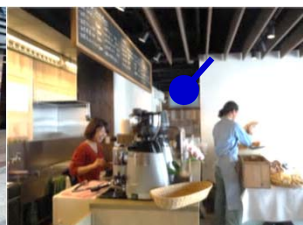
Before: vegetable store



Beer bar & restaurant

Local foods × Fermentation(hakko) culture

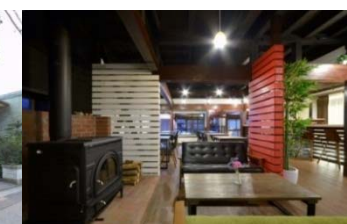
Before: clothing store



Café & space

“Tee” menu

Before: Japanese-style inn



Hostel

Hostel & cafe (ZEN, rent for outside company)

(Photo by) WAKUWAKU Yamanouchi

Change to the Bank Creating Regional Vitality

Action example Conclusion of the Cooperation Agreement

- The Bank concluded the “Cooperation Agreement for Regional Revitalization” with 5 companies in Mitsubishi group (The Bank of Tokyo-Mitsubishi UFJ Ltd., Tokio Marine & Nichido Fire Insurance Co., Ltd., MITSUBISHI ESTATE Co., Ltd., Mitsubishi UFJ Trust and Banking Corporation, Meiji Yasuda Life Insurance Company) in September 2016.
- Mixing our bank’s network and information with 5 companies’ knowledge and know-how to further strengthen efforts for regional revitalization



【The signing ceremony】

Image of Creating Regional Vitality

