

The 39th Information Meeting

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

May 18, 2017



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- Information contained herein may be changed or revised without prior notice.

<For inquiry>

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Hachijuni Bank's Profile

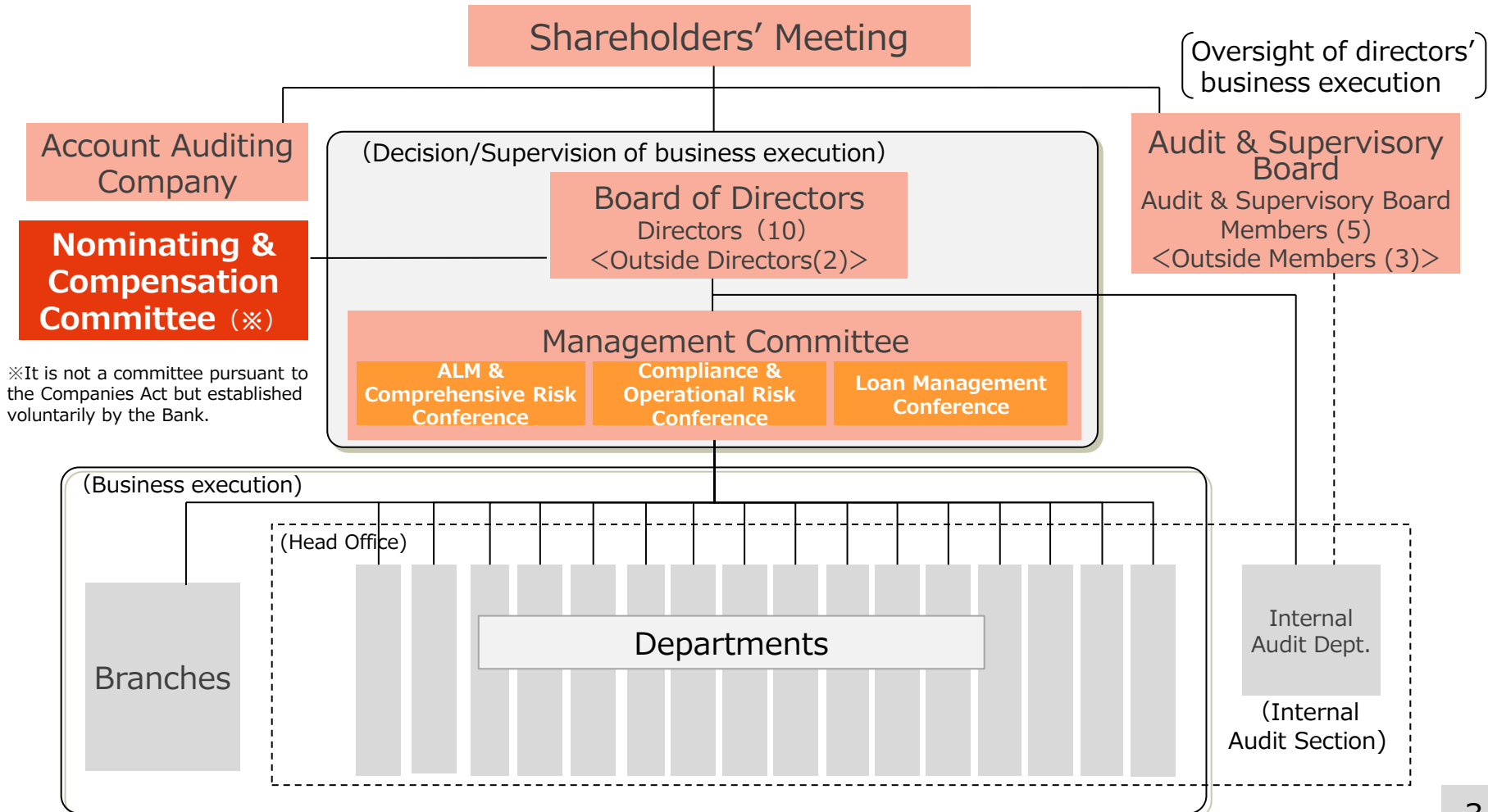
Company name	The Hachijuni Bank, LTD.
Head Office	Nagano City, Nagano Prefecture
Date of Establishment	August 1st, 1931
Network	Domestic 151 (in Nagano: 131, outside Nagano: 20) Overseas Branch 1 (Hong Kong) Representative Offices 4 (Dalian, Shanghai, Bangkok, Singapore)
No. of employees	3,178
Capital stock	¥52.2bn
Issued shares	511,103 thousand shares
Total assets	¥8,642.3bn
Net assets	¥691.3bn
Deposits	¥6,401.9bn
Loans	¥4,910.8bn
Total capital ratio (Basel III)	Consolidated: 20.62% (preliminary) Non-consolidated: 20.03% (preliminary)
Rating	S&P : A R&I : A+



Head Office

Corporate Governance

- Corresponding to the Corporate Governance Cord, the Bank established the “Nominating and Compensation Committee(※)” in Feb 2017 to reinforce the function of the Board of Directors and the governance.
- The Bank complies with all principles of the Corporate Governance Cord.



※It is not a committee pursuant to the Companies Act but established voluntarily by the Bank.

Main Volume

P.5~25

-
1. Outline of FY2016 Financial Results and FY2017 Forecasts
 2. Progress in the 30th Long-Term Management Plan
 3. Major Accounts and Main Figures

Financial Summary (Consolidated)

- Ordinary profit was ¥40.4bn (▲¥8.6bn from FY2015) due to a decrease in consolidated gross business profit and increases in operation cost as well as credit related expenses.
- Net income attributable to owners of parent was ¥26.3bn (▲¥3.8bn from FY2015).

(¥100mn)	3/2016	3/2017	Change
Consolidated gross business profit	1,019	1,001	▲17
Profit on interest	752	740	▲12
Profit on fees & commissions	149	133	▲16
Trading profit	18	17	▲0
Profit from other business transactions	97	110	12
General & administrative expenses	608	660	52
Credit related expenses	▲50	▲22	27
Gains/losses related to stocks	19	26	6
Ordinary profit	490	404	▲86
Net income attributable to owners of parent	301	263	▲38
Ratio of consolidated profits to parent company's profits	1.086	1.135	0.049

Profit on interest : ▲¥1.2bn

Interest on loans (▲¥3.8bn)
 Interest & dividends on securities (+¥1.3bn)
 Interest payments on swaps (▲¥1.7bn)

Profit on fees & commissions : ▲¥1.6bn

Sales commission of life insurance (▲¥1.1bn)
 Sales commission of investment trusts (▲¥0.2bn)

G&A expenses : +¥5.2bn

Expense for retirement benefit (+¥3.4bn)
 Non personnel expenses (+¥1.3bn)
 Tax (+¥0.4bn)

Credit related expenses : ▲¥2.7bn

Net income attributable to owners of parent : ▲¥3.8bn (▲12.6%)

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.

Financial Summary (Non-Consolidated)

- Core net business profit was ¥25.1bn (▲¥3.0bn from FY2015) due to decreases in profit on interest and profit on f&c.
- Credit related expenses was a negative ¥2.3bn (+¥2.5bn from FY2015) due to ¥2.2bn of reversal of allowance for loan losses.
- Profit/losses related to securities was ¥8.0bn (▲¥0.4bn from FY2015) due to the decrease in gains related to bonds.

(¥100mn)		3/2016	3/2017	From FY2015	From projections	
Gross business profit(A)		906	886	▲20	44	→ P 8
Profit on interest		751	738	▲13	81	Interest on loans decreased due to the decline in interest rate→ P 18
Profit on fees & commissions		99	80	▲19	▲20	Sales commission of life insurance/investment trusts decreased→ P 22
Profit from other business transactions		53	66	13	▲18	
Gains/losses related to bonds(B)		62	55	▲6	▲25	Both sales profit and sales loss increased →P11
G&A Expenses (C)		561	579	17	▲3	Outsourcing expenses and depreciation increased→P9
Core net business profit (A-B-C)		282	251	▲30	71	
Actual net business profit (A-C)		344	307	▲37	47	
Transfer to general reserve for loan losses (D)		-	-	-	-	
Net business profit (A-C-D)		344	307	▲37	47	
Temporary profit/losses	Reversal of allowance for loan losses	50	22	▲27	1	
	Reversal of general reserve	▲29	25	54	-	Change of credit rank standards/assessment rate of collateral, decrease in upgrade of credit rank of borrowers →P 10
	Transfer to specific reserve	▲79	2	82	-	Turned to transfer due to decreases in upgrade of credit rank of borrowers and in collection
	Gains/losses related to stock(E)	22	24	2	▲16	Decrease in sales loss
	Disposal of NPL	1	▲0	▲1	▲1	
Ordinary profit		424	342	▲82	22	▲19.4% from FY2015
Extraordinary profit		▲3	▲7	▲4	▲5	
Net income		277	231	▲45	11	▲16.5% from FY2015
Credit related expenses		▲48	▲23	25	▲3	
Profit/losses related to securities (B+E)		84	80	▲4	▲40	

FY2017 Forecast

【Consolidated】

- Ordinary profit will decrease by ¥5.4bn from FY2016 to ¥35.0bn due to the decrease in profit on interest of non-consolidated account.
- Net income attributable to owners of parent will decrease by ¥3.3bn from FY2016 to ¥23.0bn.

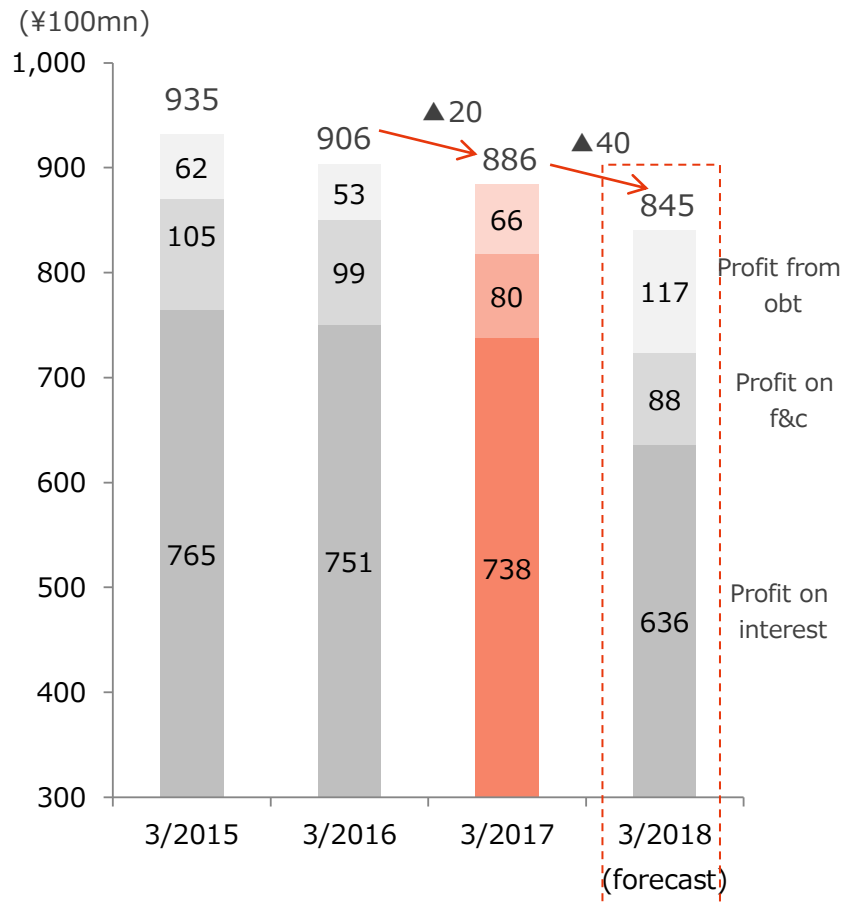
【Non-consolidated】

- Outstanding balance of loans will be ¥5tn (+3% YoY), outstanding balance of deposits (incl. NCD) will be ¥7tn or more (+1% YoY). Both figures will hit the new record high.
- Core net business profit will be ¥16.5bn (▲¥8.6bn) due to the decrease in profit on interest despite the increase in profit on fees & commissions.
- Profit on fees & commissions will be ¥8.8bn (+¥0.8bn) due to increases in sales commission of investment trusts/life insurance, while profit on interest will be ¥63.6bn (▲¥10.2bn) due to the continuation of severe interest rate environment.
- Profit/losses related to securities will be ¥12.5bn (+¥4.5bn) due to increases in gains related to bonds and stocks.
- Ordinary profit will be ¥29.0bn (▲¥5.2bn), net income will be ¥20.0bn (▲¥3.1bn).

Gross Business Profit (Non-Consolidated)

- Profit on interest decreased by ¥1.3bn from FY2015 due mainly to the decrease in interest on loans.
- Gross business profit will decrease in FY2017 due to the continuation of the decrease in profit on interest.

■ Gross Business Profit



◆ FY2016 Increase/Decrease factors (¥100mn)

	From FY2015	Main factors	
Profit on interest	738	▲13	<ul style="list-style-type: none"> Interest on loans ▲38 Interest & dividends on securities +13 Interest on deposits +3 Interest payments on swaps ▲17
Profit on fees & commissions	80	▲19	<ul style="list-style-type: none"> Fees & commissions payment +3 Fees on investment trusts ▲2 Fees on life insurance ▲11
Profit from other business transactions	66	+13	<ul style="list-style-type: none"> P/L on derivatives +14

◆ FY2017 forecast (Inc/Dec from FY2016)

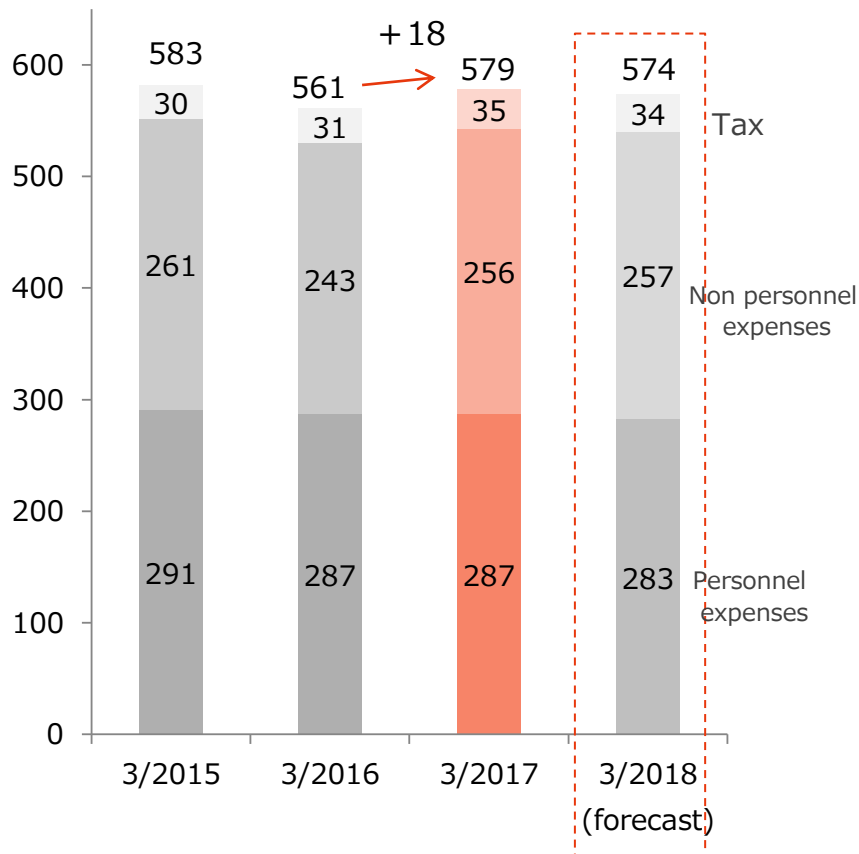
- Profit on interest
 - Interest on loans: ▲¥1.9bn
 - Interest & dividends on securities: ▲¥9.3bn
- Profit on fees & commissions: +¥0.8bn

General & Administrative Expenses (Non-Consolidated)

- Non personnel expenses increased by ¥1.3bn from FY2015 due to increases in outsourcing expenses and depreciation.
- Both personnel expenses and non personnel expenses will almost unchanged in FY2017.

■ G & A Expenses

(¥100mn)



◆ FY2016 Increase/Decrease factors (¥100mn)

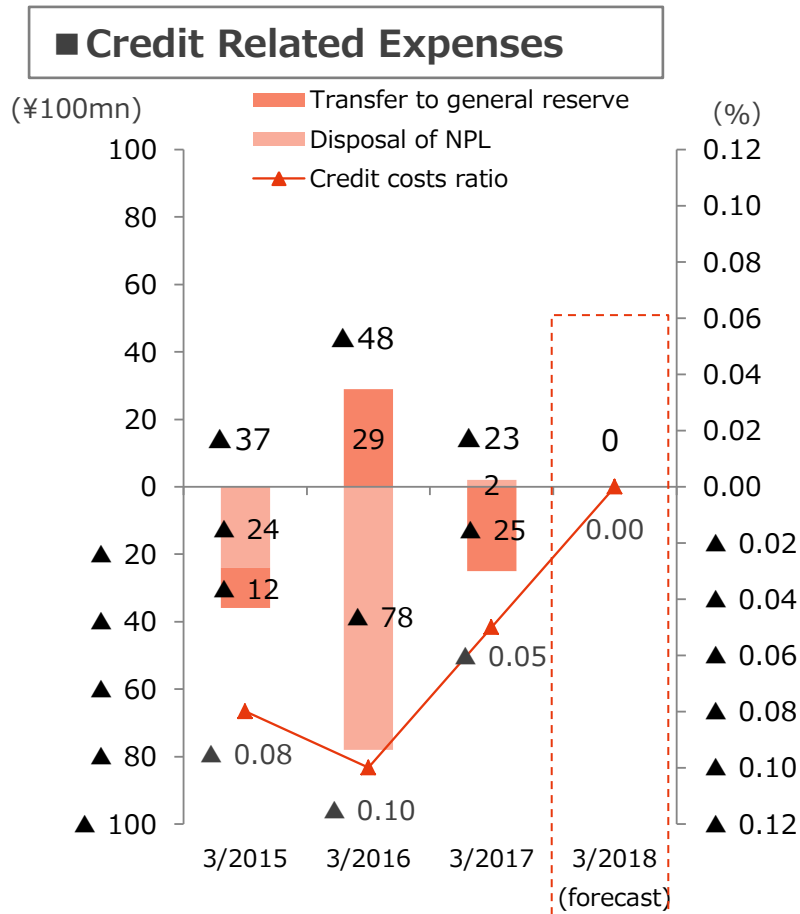
		From FY2015	Main factors	
Personnel expenses	287	0	• the same level as FY2015	
Non personnel expenses	256	+13	<ul style="list-style-type: none"> • Increase in outsourcing expenses relating to the raising of level of internet banking • Increase in depreciation due to new version of offices' terminal system • Supplies expenses (new uniform) 	+5.0 +4.2 +1.9
Tax	35	+4	• Increase of Size-based Business Tax due to the rise in tax rate	+3.8

◆ FY2017 forecast

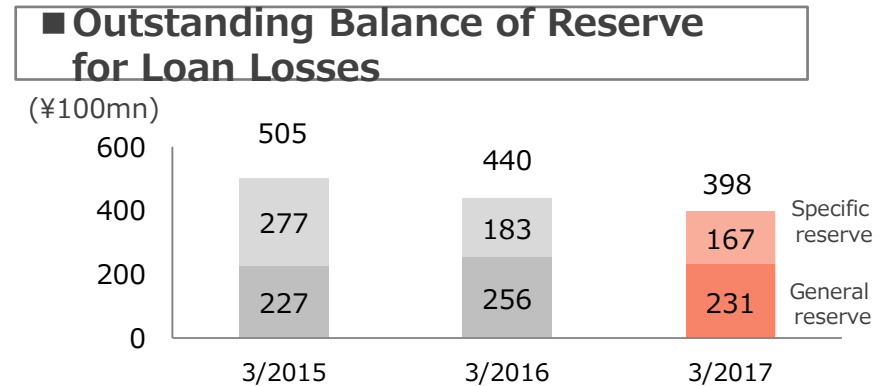
- Non personnel expenses will unchanged due to increases in depreciation by arranging immediate issuing of cash card and in outsourcing expenses for preparing non face-to-face loans
- Promoting the cost cuts through the business reform including group companies

Credit Related Expenses (Non-Consolidated)

- Though credit related expenses resulted in reversal for 3 consecutive fiscal years, the reversal amount decreased from FY2015 so outstanding balance of reserve for loan losses also decreased in both general account and specific account.
- The amount of NPL was under ¥100bn, NPL ratio declined to under 2.0%.



Note 1 : Credit cost ratio = Credit related expenses/total loans (average balance)
 Note 2 : There is no breakdown in credit related expenses for 3/2018 forecast.



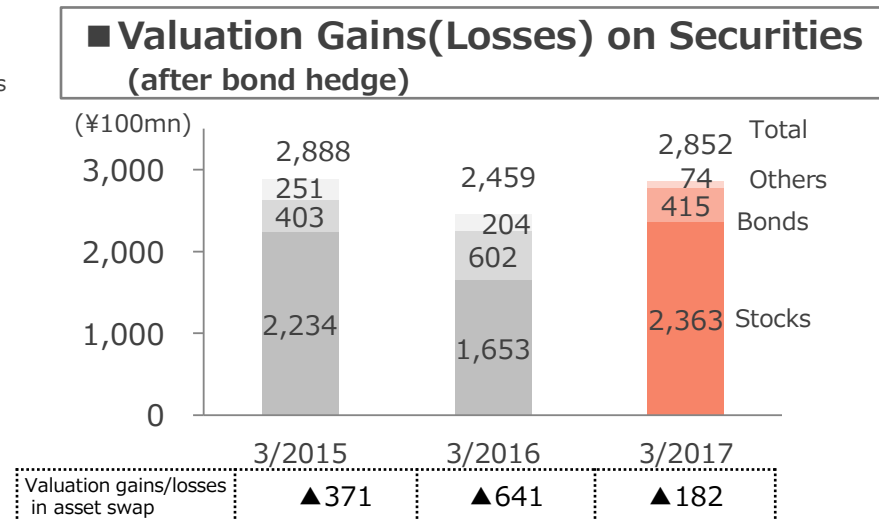
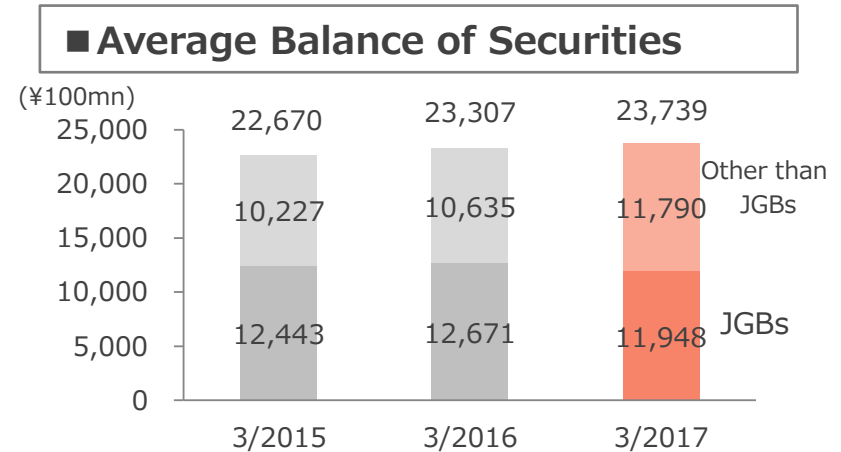
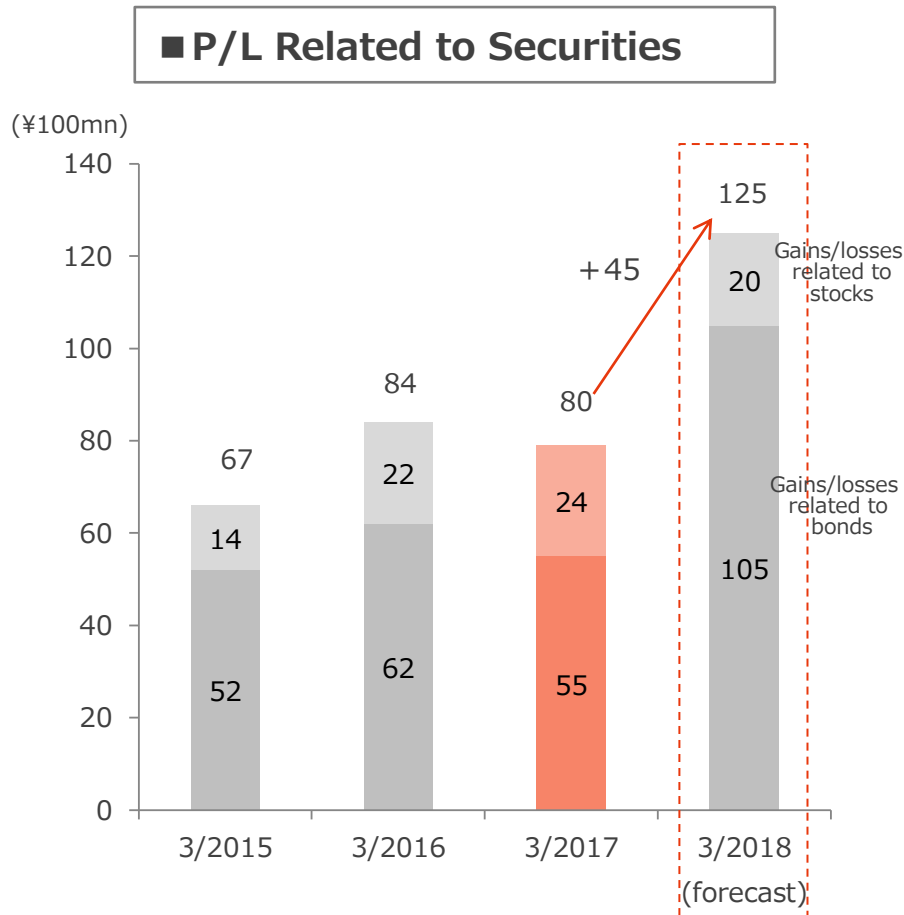
■ Non-Performing Loans (NPL)

(¥100mn)	3/2016	3/2017	3/2018 (forecast)
Bankrupt and quasi-bankrupt assets	109	101	115
Doubtful assets	729	640	595
Substandard assets	274	226	220
Total	1,113	967	930
NPL ratio	2.34%	1.94%	1.86%
After partial direct charge-off	2.22%	1.83%	1.75%

※Partial direct charge-off was not executed.

Profit/Losses Related to Securities (Non-Consolidated)

- Average balance of securities increased by ¥43.2bn from FY2015 due to the increase in investment trusts despite the decrease in Japanese government bonds.
- Valuation gains/losses on bonds (after bond hedge) decreased by ¥18.7bn from 3/2016 due to the interest rate rise and the sale of bonds to secure profit.



Returns to Shareholders

- Though payout ratio rose by 3.4pt from FY2015, shareholder returns ratio declined by 7.3pt from FY2015 due to the lack of purchasing own stocks.
- Forecast of dividend per share of FY2017 is ¥12.0 (interim:¥6.0, year-end:¥6.0).

(¥100mn)	FY2014	FY2015	FY2016	FY2017 (forecast)
Annual dividends ^①	75	75	70	60
Dividend per share (full year)	¥15.0	¥15.0	¥14.0	¥12.0
Interim dividend	¥5.0	¥6.0	¥6.0	¥6.0
Purchase of own stocks ^②	30	30	0	—
Shareholder returns ^③ = ① + ②	105	105	70	—
Net income (non-consolidated) ^④	257	277	231	200
Payout ratio ^① ÷ ^④	29.2%	27.2%	30.6%	30.0%
Ratio of shareholder returns ^③ ÷ ^④	40.9%	37.9%	30.6%	—

【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.

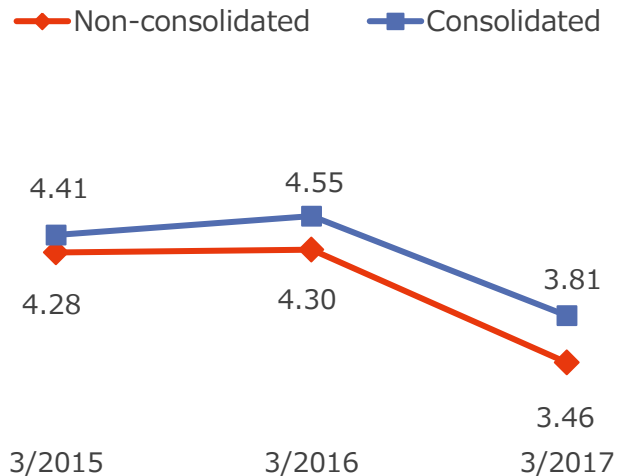
Progress in the 30th Long-Term Management Plan①

Long-Term Management Guideline

■ ROE : 5% or higher

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

The Change in ROE



Management Targets for the End of FY2017

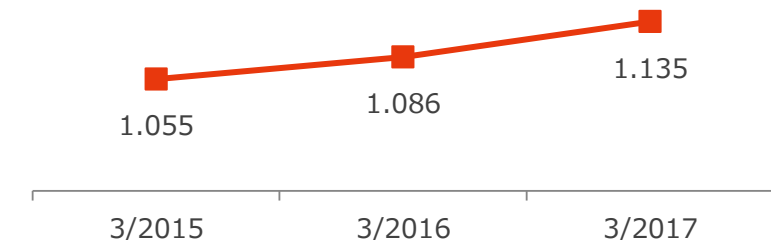
■ Net income : ¥20.0bn (non-consolidated)

- FY2015 ¥27.7bn
- FY2016 ¥23.1bn

■ Ratio of shareholder returns: 40%

- FY2015 37.9%
- FY2016 30.6%

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



Progress in the 30th Long-Term Management Plan②

Theme① Creating Regional Vitality

- Every item progressed firmly and exceeded the results of the pervious period.

■ Main Efforts and Figures Related to Theme ①

	3/2016	3/2017	Accumulated total	Issues to be addressed
New plant and research institute projects (cases) (Target: 30 cases by Mar 2018)	9	13	22	Strengthening business promotion to R&D-type companies by using the tool "Guide for the establishment of new business facilities in Nagano"
New business launches within Nagano Pref. (cases) (Target: 600 cases by Mar 2018)	206	292	498	Reinforcement of approaches to potential entrepreneurs through the informing in the website and the collaborating with co-working space
New loans of startups-related within Nagano Pref. (¥bn)	3.19	4.72	7.91	
New loans of growth-related (¥bn) (Medical/welfare, Agriculture, Environment, Next generation industry)	51.73	58.72	110.45	Capturing capital investment demand of medical/welfare companies through consulting
Consultations for business succession (cases)	209	212	421	More than 200 staff hold "Business succession/M&A expert licenses" to meet the future increase of business issues
Completions of M&A (cases)	6	8	14	

Progress in the 30th Long-Term Management Plan③

Theme② Developing Customer Convenience

- In non face-to-face channel, expanding the smartphone-adaptive function mainly

Reinforcement of Non Face-to-Face Channel

- Expanded the smartphone-adaptive function of internet banking (Jul 2016)
- Started the use of account opening application for ordinary deposit (Sep 2016)
- Started the charge “LINE Pay”, “Yahoo ! Money” with money in bank account (Oct 2016)
- The renewal of homepage - expanding smartphone/tablet-adaptive function, adding visit reservation function (Feb 2017)
- Started of education card loans (Feb 2017)



Review of Branch/Operation Structure

【Branches scrap-and-build】

- Iida-higashi Branch was unified by Yawata Branch, Sansai branch office was unified by Yoshida Branch (Aug 2016)

【New open & renewal】

- Suwa-minami Branch was reorganized to the 82 Plaza Suwa-minami (Nov 2016)

【Introduction of new version of offices' terminal system】

- Completed in all branches (Nov 2016) - reducing customers' burden through interactive procedure

Issues to be Addressed

Reinforcement of Non Face-to-Face Channel

- Start of non face-to-face contracts in free loans (scheduled in Sep 2017)
- Raising the level of corporate customers' internet banking including foreign exchange transactions (scheduled in Feb 2018)

Issues to be Addressed

Improvement of Convenience and Productivity by Developing the Advanced Procedure

- Immediate issuing of cash card at the Branch's counter (scheduled in Sep 2017)
- Expanding interactive procedure in account opening
 - Customers write only their names in documents (scheduled in Jan 2018)
- Start of considering the simpler procedure without seal, signature, and paper in application of investment trusts/insurances

A customer's address is input to the Bank's system by a counter staff through interactive procedure



Progress in the 30th Long-Term Management Plan④

Theme③ Enhancing Corporate Strength

- Reinforcing the profitability of The Hachijuni Securities Co., Ltd.(HS) through the Bank's introductions
- Broadening the customer base by providing 401k program and office installment NISA

Strengthening Asset Management Business, Including That of Group Companies

- Personnel exchanges between the Bank and HS have good effects on linkage and staff training
- Increase in no. of account opening at HS through the Bank's introductions (about 1,800 in FY2016) contributed to enhance the profitability of HS
- No. of investment trusts accounts in FY2016 increased by 3,500 (+5.8%)
- No. of installment-type investment trusts in FY2016 increased by 6,200 (+26.9%)
- Applications for 401k program by individual customers (Jan ~ Mar 2017) :5,300

Efforts to Improve the Profitability of Group Companies

- Hachijuni Staff Services Co., Ltd. reinforced staff dispatch/introduction to the outside by cooperating with external institutions
- Hachijuni DC Card Co., Ltd. reinforced sales promotion to card member shops, capturing inbound demand

Expansion of Employee Fields of Activity

The number of female staff in managerial post as of Mar 31, 2017

<Target : 40% increase from Apr 1st, 2015>

14.6%
increase

Deepening of Environmental Management

Greenhouse Gas Emission as of Mar 31, 2017 (preliminary basis)

<Target: 10% reduction from 2010>

15.3%
reduction

Environmental Management Survey ranking :
1st rank in regional banks
in 3 straight years

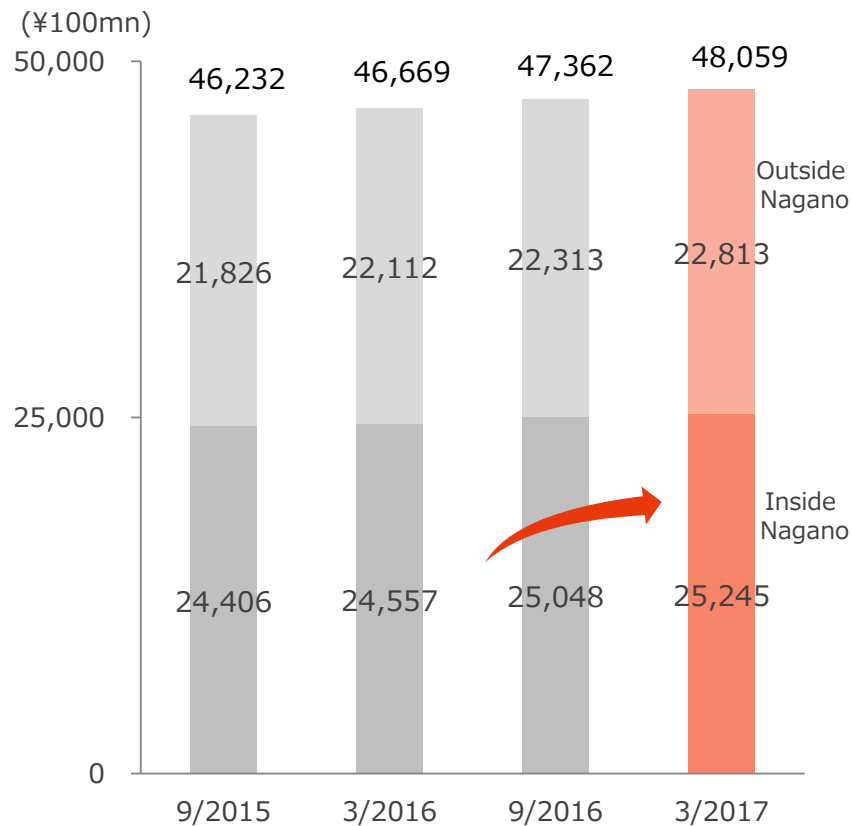


Introduction of "PaperLab"
-Reproduction of the used paper in offices

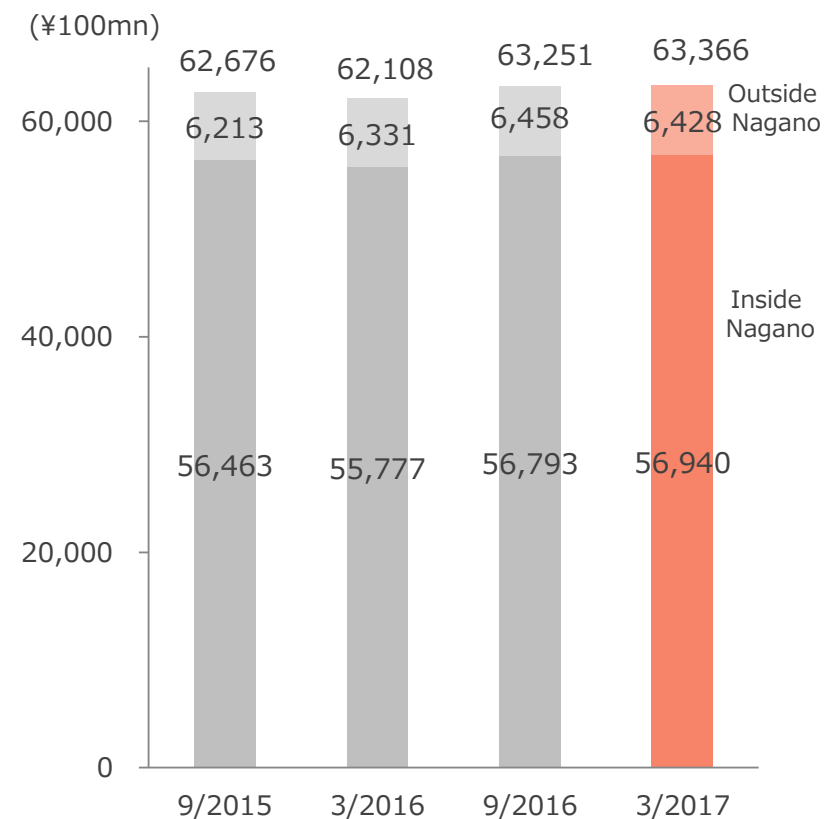
Major Accounts (Loans/Deposits)

- Both loans and deposits hit new record high.
- Loans inside Nagano increased by ¥68.8bn (+2.8% YoY), loans outside Nagano increased by ¥70.1bn (+3.1% YoY).

■ Average Balance of Loans



■ Average Balance of Deposits



Yield, Interest Margin

➤ Yield & margin of all offices and domestic will decline in FY2017 due to the downward trend in interest rate.

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

	3/2014		3/2015		3/2016		3/2017		3/2018 forecast		Change from 3/2017
	1H	Full year	1H	Full year	1H	Full year	1H	Full year	1H	Full year	
Yield	1.32	1.31	1.18	1.19	1.15	1.14	1.05	1.07	0.94	0.95	▲0.12
Funding costs	0.14	0.13	0.13	0.14	0.15	0.16	0.16	0.15	0.13	0.13	▲0.02
Interest margin	1.18	1.18	1.04	1.05	1.00	0.98	0.89	0.92	0.81	0.82	▲0.10

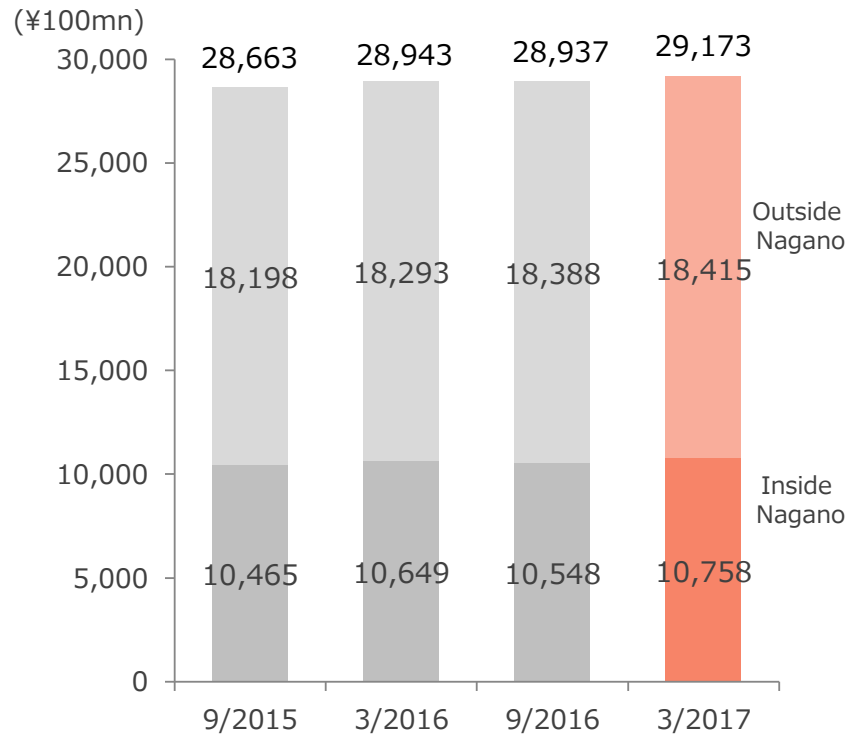
■ The Change in Yield and Margin (domestic, %)

	3/2014		3/2015		3/2016		3/2017		3/2018 forecast		Change from 3/2017
	1H	Full year	1H	Full year	1H	Full year	1H	Full year	1H	Full year	
Yield on loans	1.33	1.30	1.22	1.21	1.14	1.12	1.01	0.99	0.94	0.94	▲0.05
Yield on securities	1.31	1.38	1.28	1.21	1.39	1.24	1.26	1.27	0.97	0.96	▲0.31
Funding costs	0.12	0.12	0.11	0.11	0.11	0.10	0.07	0.06	0.04	0.04	▲0.02
Yield on depo.	0.04	0.03	0.03	0.03	0.03	0.03	0.02	0.01	0.01	0.01	0.00
Interest margin	1.15	1.12	1.02	1.00	0.97	0.94	0.91	0.90	0.84	0.83	▲0.07

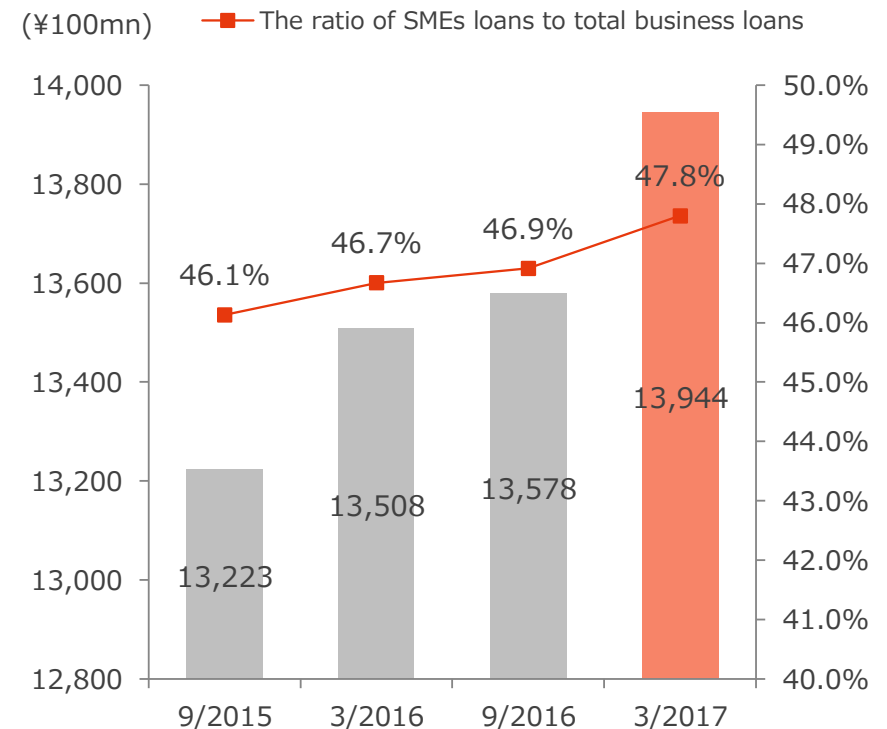
Main Figures (Business Loans)

- Business loans both inside and outside Nagano increased. Business loans inside Nagano turned back to upward trend in the previous fiscal year (FY2015).
- Business loans to SMEs increased by ¥43.6bn from 3/2016, and the ratio of SMEs loans to total business loans rose, too.

■ Outstanding Balance of Business Loans by District



■ Outstanding Balance of Loans to SMEs

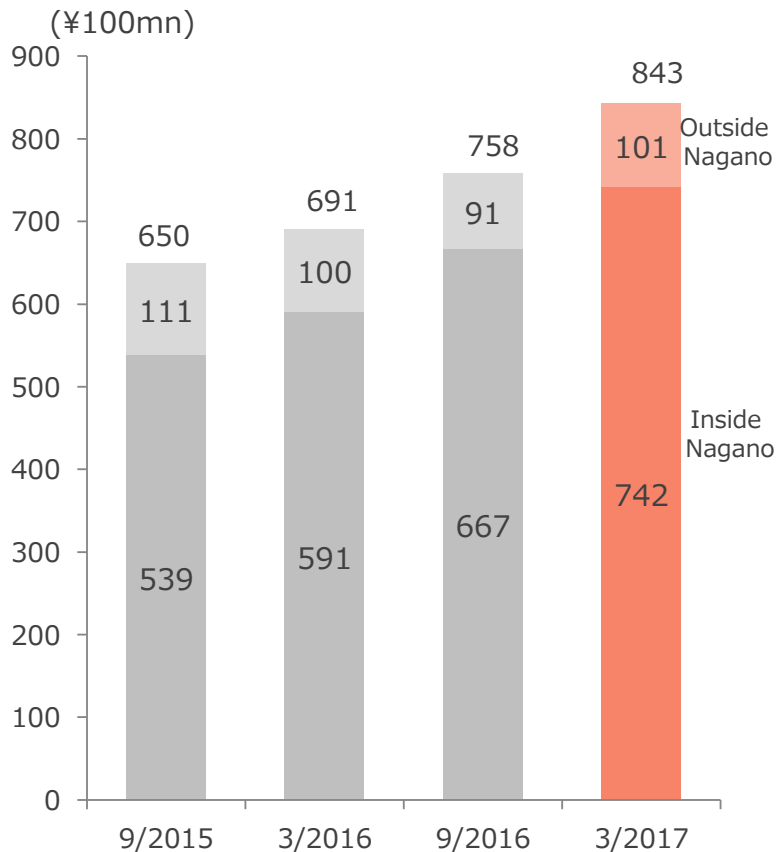


Note: SMEs (excl. local public entities)+self-employed company owner

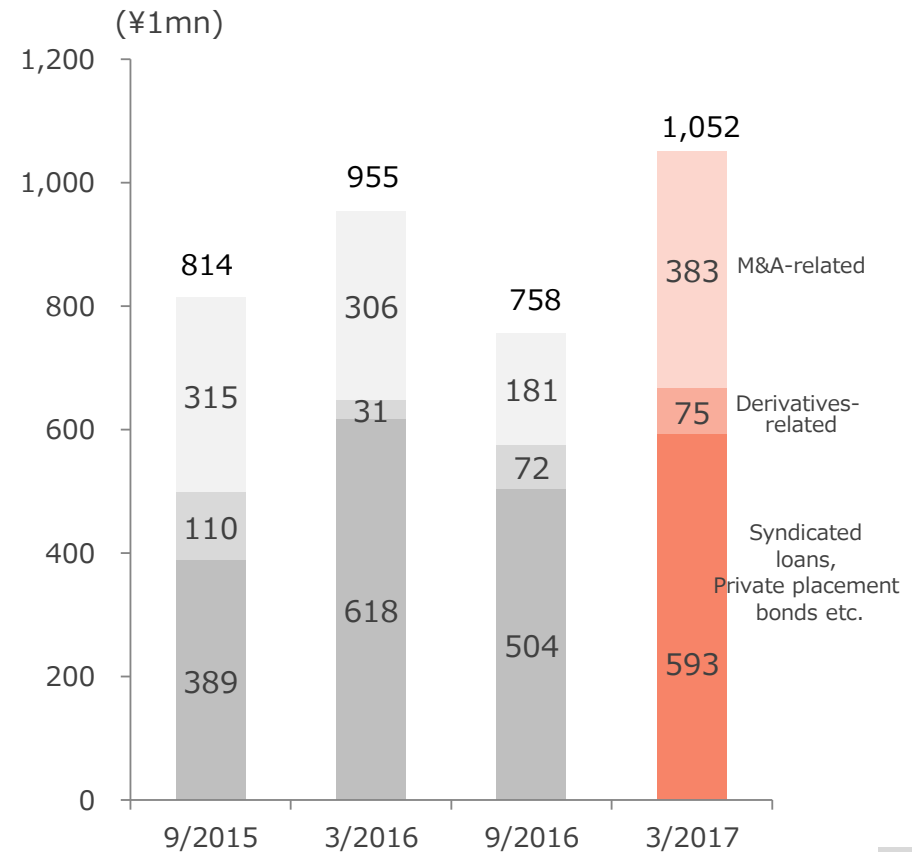
Main Figures (Apartment Loans/Corporation-related Consulting Income)

- Apartment loans increased by ¥15.2bn from 3/2016 due to the increase in housing start of house for rent in Nagano Prefecture.
- As for corporation-related consulting income, M&A-related income increased.

■ Outstanding Balance of Apartment Loans



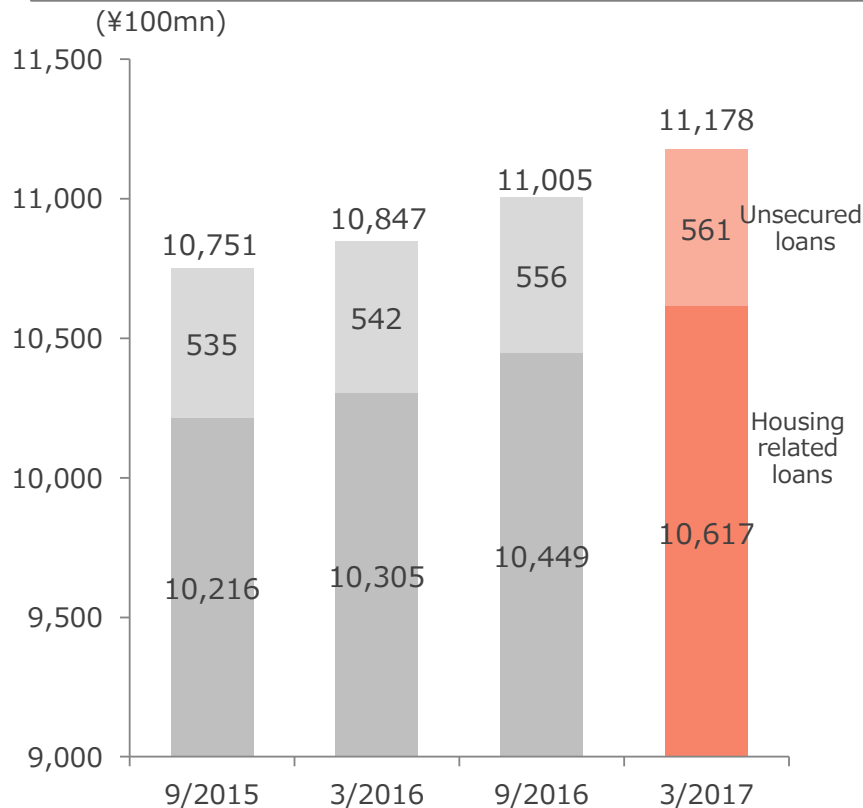
■ Corporation-related Consulting Income



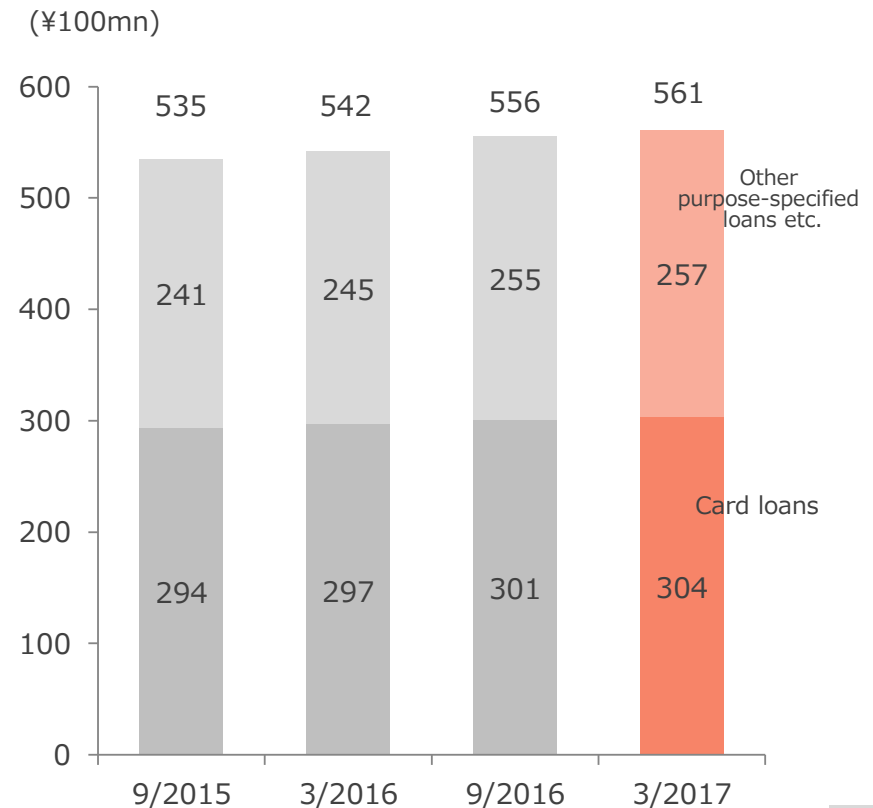
Main Figures (Personal Loans)

- Housing related loans increased by ¥31.2bn from 3/2016 due to increases in housing start in Nagano Prefecture and in taking over other bank's loans.
- Unsecured loans increased by ¥1.9bn from 3/2016, reflecting firm increase in card loans and other purpose-specified loans.

■ Outstanding Balance of Personal Loans



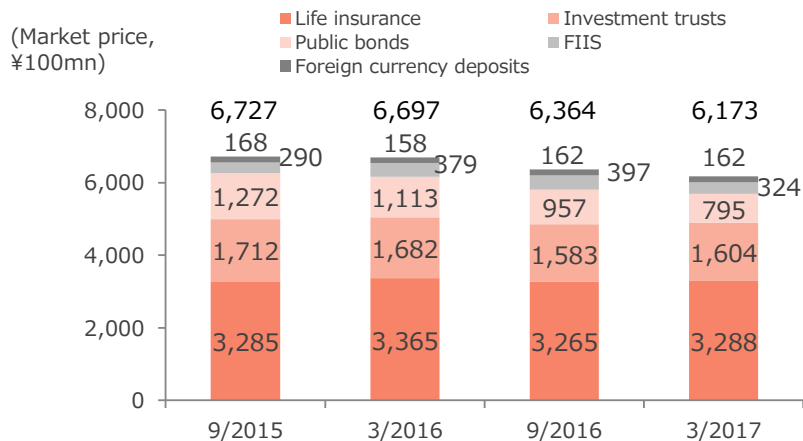
■ Outstanding Balance of Unsecured Loans



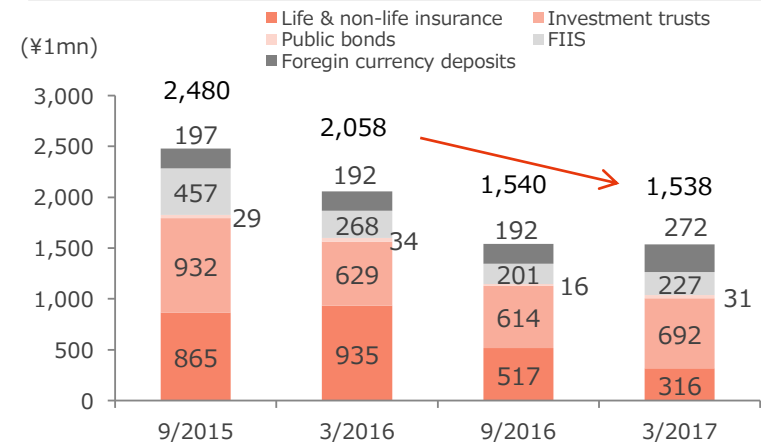
Main Figures (Personal Banking)

- New increase amount of life insurance decreased on the back of the Bank's focus on the expansion of investment trusts base and on the introduction of customers to Hachijuni Securities Co., LTD. (HS).
- Profit on ITP of the Bank decreased (▲¥520mn), while revenue of HS increased (+¥448mn) from 3/2016.

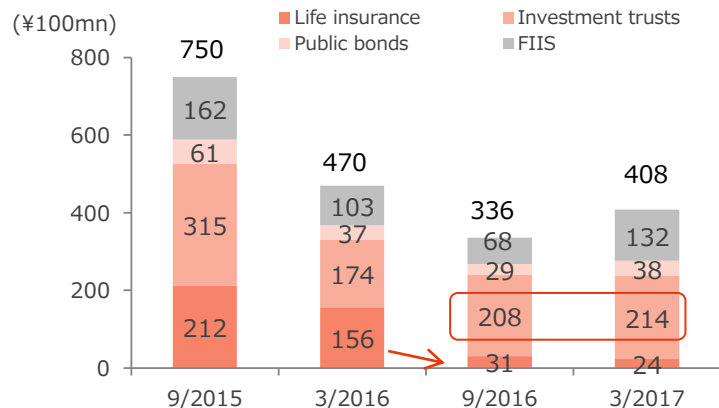
■ Outstanding Balance of Investment Type Products



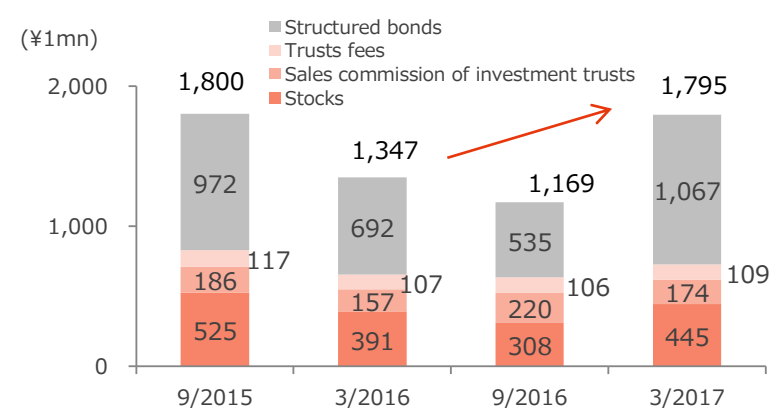
■ Profit on Investment Type Products (ITP)



■ New Increase in Investment Type Products



■ Revenue of Hachijuni Securities Co., Ltd



※FIIS: Financial instruments intermediary service

Market Investment (the Change in Outstanding Balance of Securities)

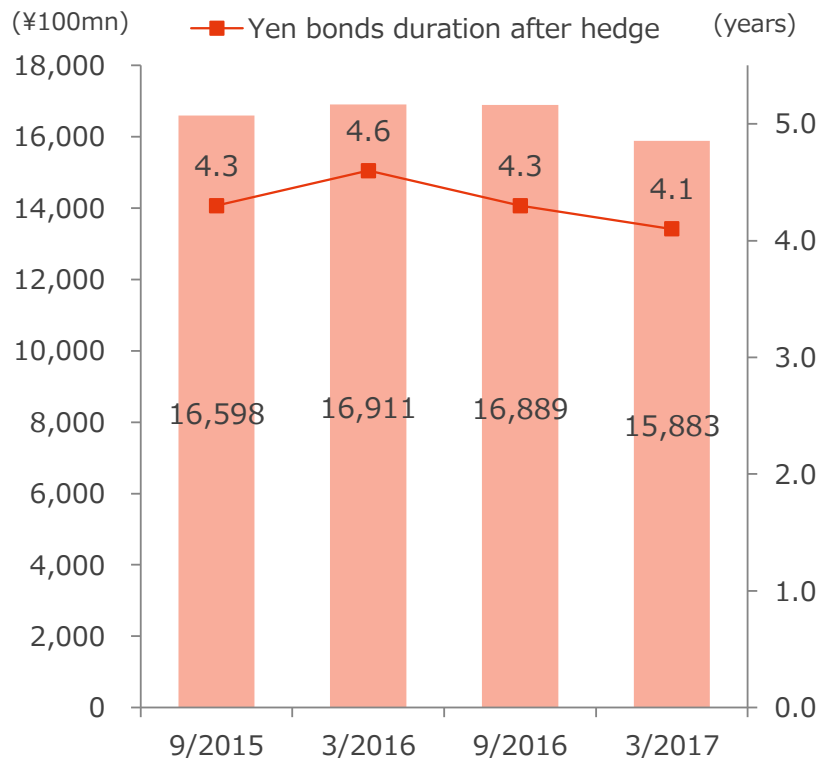
- Stabilizing profit from portfolio mainly by yen bonds along with making diversification of investment to enhance profitability

(cost basis: ¥100mn)		9/2015	3/2016	9/2016	3/2017	Direction of 1H FY2017
Bonds	Interest-bearing JGBs	10,078	10,065	10,068	8,295	→
	Floating-rate JGBs	1,880	1,880	1,884	1,855	→
	Inflation-protected JGBs	478	486	428	365	→
	Other domestic bonds	2,975	3,388	3,717	3,797	→
	Yen-denominated securitized products	553	697	697	701	→
	Structured bonds etc.	59	89	92	30	→
Domestic securities	Domestic stocks	1,111	1,192	1,187	1,173	→
	Domestic ETF	41	208	195	144	↑
	J-REIT	197	211	195	213	→
	Other investment trusts	829	1,046	1,428	1,676	↑
	Union-type of funds etc.	244	276	141	152	↑
	Hedge funds	138	157	157	147	↑
Foreign securities	Hedge funds	54	50	45	50	→
	Yen-denominated foreign bonds	287	257	159	79	→
	Foreign stocks, ETF etc.	26	86	24	39	↑
	Foreign currency-denominated bonds	3,675	3,613	3,414	2,775	→
	Foreign currency-denominated securitized products	0	70	176	123	→
Total		22,634	23,777	24,005	21,614	

Market Investment (Yen Bonds)

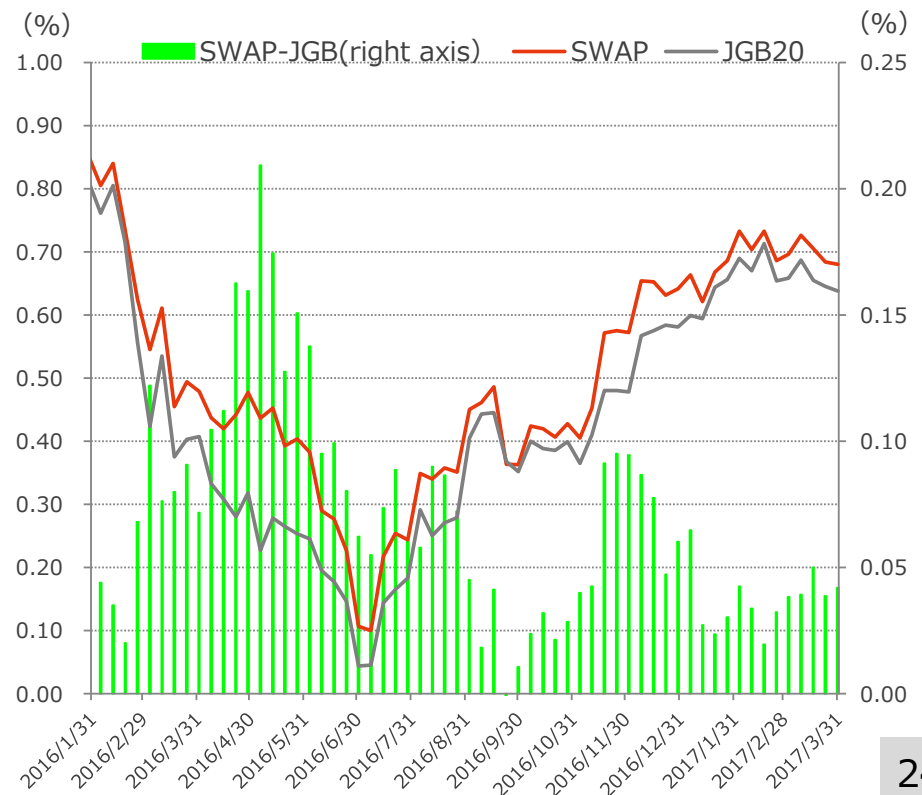
- Average balance of yen bonds decreased by ¥100.6bn from 9/2016, yen bonds duration after hedge declined by 0.2 years.
- Sales profit was ¥48.3bn and sales loss was ¥43.4bn (incl. ¥34.4 sales loss from the cancellation of asset swap) by flexible buying and selling in yen bonds.
New increase is ¥116.0bn and cancellation is ¥235.0bn in asset swap.

■ Average Balance of Yen Bonds



(For your reference)

Interest rate for 20-year JGB/20-year asset swap and interest rate gap



Market Investment (Foreign Bonds)

- The Bank took such operations as restrict interest rate risk in foreign bonds investment in FY2016.
- Profit/losses on foreign bonds for FY2016 (full year) was a positive, as though the Bank reduced the balance of foreign bonds on the back of US rate rise.

■ Outstanding Balance of Foreign Bonds

