

The 41st Information Meeting

The 31st Long-Term Management Plan

Dare to Change; Create the Next Generation

(April 2018 ~ March 2021)

May 17, 2018



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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 establishments	August 1st, 1931
Network	Domestic 151 (in Nagano: 131, outside Nagano: 20) Overseas 1 Branch (Hong Kong) 4 Representative Offices (Dalian, Shanghai, Bangkok, Singapore)
No. of employees	3,192
Capital stock	¥52.2bn
Issued shares	511,103 thousand shares
Total asset	¥9,240.3bn
Net asset	¥716.0bn
Deposits	¥6,598.3bn
Loans	¥5,087.6bn
Total capital ratio (Basel III)	Consolidated: 20.51% (preliminary) Non-consolidated: 19.70% (preliminary)
Ratings	S&P Global Ratings : A R&I : A+



Head Office

Index



Main Volume

P.4~19

1. Outline of FY2017 Financial Results and FY2018 Forecasts
2. Major Accounts and Main Figures

Outline of FY2017 Financial Results

Consolidated

(¥100mn)	3/2017	3/2018	Change
Consolidated gross business profit	1,001	992	▲9
Profit on interest	740	702	▲38
Profit on fees & commissions	133	138	4
Trading profit	17	29	12
Profit from other business transactions	110	122	11
General & administrative expenses	660	629	▲31
Credit related expenses	▲22	2	25
Gains/losses related to stocks	26	39	12
Ordinary profit	404	415	10
Net income attributable to owners of parent	263	258	▲4
Ratio of consolidated profits to parent company's profits (times)	1.135	1.137	0.002

Non-Consolidated

(¥100mn)	3/2017	3/2018	Change	From projections
Gross business profit (A)	886	866	▲20	21
Profit on interest	738	700	▲37	64
Profit on fees & commissions	80	83	3	▲5
Profit from other business transactions	66	80	14	▲37
Gains/losses related to bonds (B)	55	73	17	▲32
G&A expenses (C)	579	563	▲15	▲11
Core net business profit (A-B-C)	251	228	▲22	63
Actual net business profit (A-C)	307	302	▲4	32
Transfer to general reserve for possible loan losses (D)	-	-	-	-
Net business profit (A-C-D)	307	302	▲4	32
Temporary profit/losses				
Reversal of allowance for loan losses	22	4	▲18	4
Reversal of general reserve	25	19	▲5	-
Transfer to specific reserve	2	15	12	-
Gains/losses related to stocks (E)	24	39	15	19
Disposal of NPL	▲0	0	0	-
Ordinary profit	342	348	6	58
Extraordinary gains/losses	▲7	▲21	▲13	-
Net income	231	227	▲4	27
Credit related expenses	▲23	▲3	19	▲3
Profit/losses related to securities (B+E)	80	113	33	▲12

Outline of FY2017 Financial Results and FY2018 Forecasts

■ Outline of FY2017 Financial Results (Consolidated)

- Ordinary profit was ¥41.5bn (+¥1.0bn from FY2016) due to the increase in profit/losses related to securities (+¥3.0bn) and the decrease in G&A expenses (▲¥3.1bn) despite the decrease in profit on interest of non-consolidated account (▲¥3.8bn) and the increase in credit related expenses (+¥2.5bn).
- Net income attributable to owners of parent was ¥25.8bn (▲¥0.4bn).

■ FY2018 Forecasts

【Consolidated】

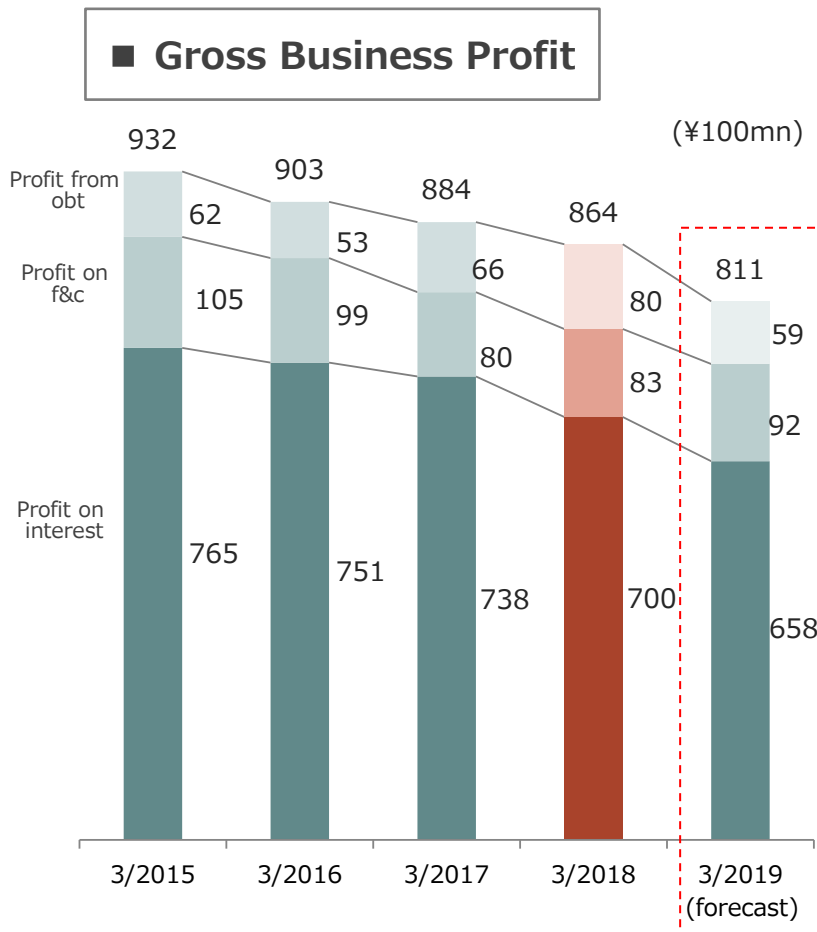
- Ordinary profit will be ¥32.0bn (▲¥9.5bn from FY2017) due to decreases in profit on interest and profit/losses related to securities.
- Ratio of consolidated profits to parent company's profits will decline, reflecting the absorption-type merger with Hachijuni Business Services Co., Ltd. (a Bank's subsidiary company) by the Bank.

【Non-consolidated】

- Profit on fees & commissions will be ¥9.2bn (+¥0.9bn) due to increases in sales commissions of investment trusts and fees of securities intermediary services, while profit on interest will continue to decrease with severe surroundings, gross business profit will be ¥81.1bn (▲¥5.5bn).
- G&A expenses will be ¥56.6bn (+¥0.3bn), personnel expenses will be ¥29.2bn (+¥1.0bn) and non personnel expenses will be ¥24.0bn (▲¥0.5bn).
- Net income will be ¥20.0bn (▲¥2.7bn).

Gross Business Profit (Non-Consolidated)

- Profit on interest decreased by ¥3.7bn from FY2016 due mainly to the decrease in interest and dividends on securities.
- Gross business profit will decrease in FY2018 as profit on interest will continue to decrease.



◆ FY2017 Increase/Decrease factors (¥100mn)

	3/2017	3/2018	Change	For reference
Profit on interest	738	700	▲37	→See page 7
Profit on fees & commissions	80	83	3	→See page 8
Profit from other business transactions	66	80	14	→See page 9

◆ FY2018 (3/2019) forecast

- Profit on interest will decrease by ¥4.2bn from FY2017 due to the decrease in interest & dividends on securities and the increase in funding costs of foreign currencies.
- Profit on f&c will increase by ¥0.9bn.

Profit on Interest (Non-Consolidated)

- As for domestic operations, profit on interest decreased by ¥4.5bn from FY2016 due to decreases in interest on loans and interest & dividends on securities.
- As for international operations, profit on interest increased by ¥0.7bn due to the decrease in interest on deposits.
- The pace of the decline in interest on loans for domestic will moderate.

(¥100mn)	3/2016	3/2017	3/2018
Profit on interest	751	738	700
Domestic	673	674	629
Interest on loans	503	460	443
Interest & dividends on sec.	234	248	199
Interest on deposits	▲20	▲11	▲6
Interest payment on interest rate swaps	▲47	▲30	▲13
International	77	63	70
Interest on loans	17	21	23
Interest & dividends on sec.	96	95	95
Interest on deposits	▲14	▲27	▲19
Interest payment on interest rate swaps	▲11	▲10	▲7

■ Yield and Margin (all offices・%)

	3/2015	3/2016	3/2017	3/2018	3/2019 (forecast)
Yield	1.19	1.14	1.07	0.94	0.95
Funding costs	0.14	0.16	0.15	0.11	0.12
Interest margin	1.05	0.98	0.92	0.83	0.82

■ Yield and Margin (domestic・%)

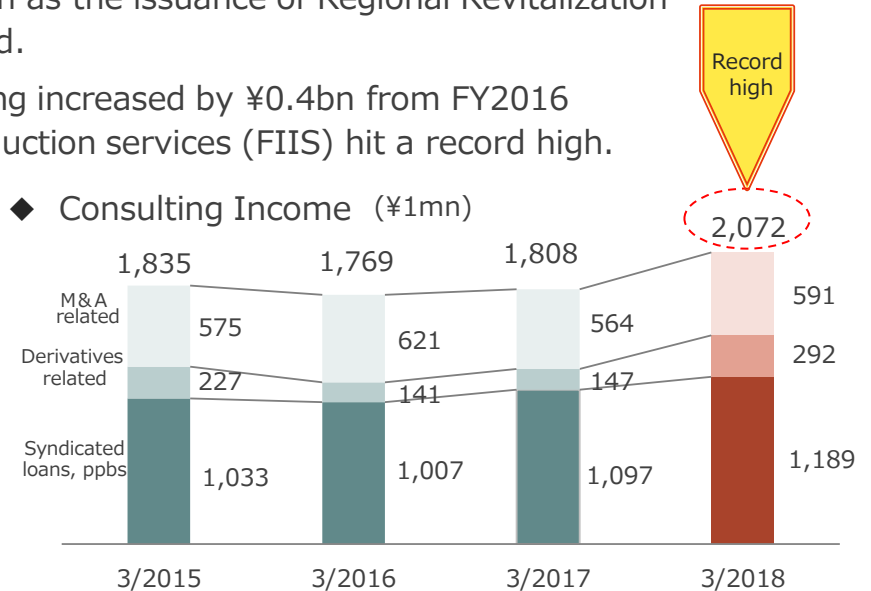
	3/2015	3/2016	3/2017	3/2018	3/2019 (forecast)
Yield on loans	1.21	1.12	0.99	0.90	0.87
Yield on sec.	1.21	1.24	1.27	1.06	0.94
Funding costs	0.11	0.10	0.06	0.02	0.01
Yield on depo.	0.03	0.03	0.01	0.01	0.00
Interest margin	1.00	0.94	0.90	0.79	0.80

Profit on Fees & Commissions (Non-Consolidated)

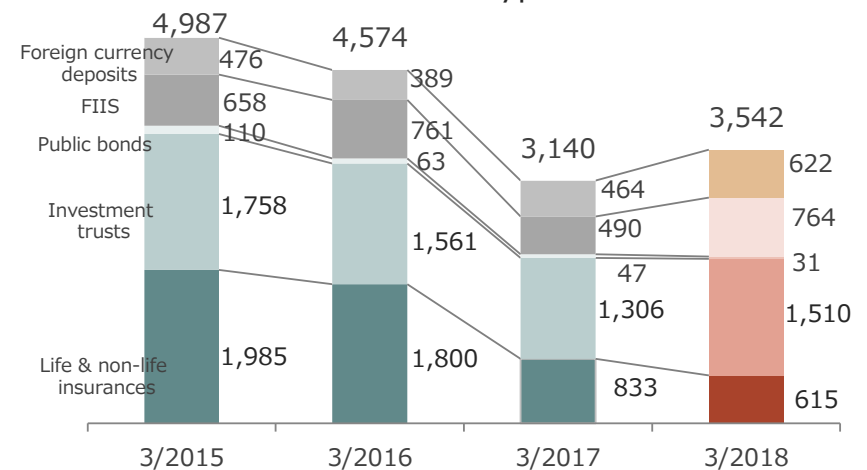
- Consulting income in corporate banking was record high as the issuance of Regional Revitalization Support ppbs (private placement bonds) remained solid.
- Income on investment type products in personal banking increased by ¥0.4bn from FY2016 as income on financial instruments intermediary/introduction services (FIIS) hit a record high.

(¥100mn)	3/2016	3/2017	3/2018
Profit on F&C	99	80	83
F&C <main items>	183	168	174
Corporate banking -Consulting income	17	18	20
Syndicated loans, ppbs etc.	10	10	11
Derivatives related	1	1	2
M&A related	6	5	5
Personal banking -Income from investment type products	45	31	35
Life & non-life insurances	18	8	6
Investment trusts	15	13	15
Financial instruments intermediary/introduction services (FIIS)	7	4	7
Foreign currency deposits	3	4	6
F&C payments	84	88	90
Fees related to payment loans	59	62	64

◆ Consulting Income (¥1mn)



◆ Income from Investment Type Products (¥1mn)

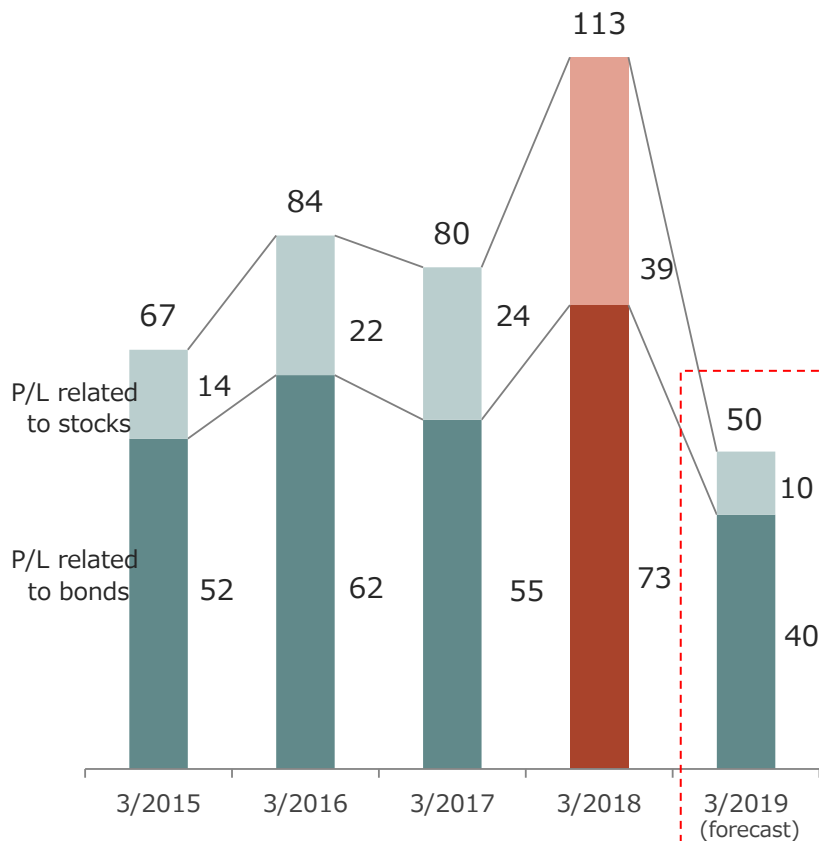


Profit/Losses Related to Securities (Non-Consolidated)

- Profit/losses related to securities increased by ¥3.3bn from FY2016.
- Average balance of securities decreased by ¥84.3bn due mainly to the decrease in JGBs.

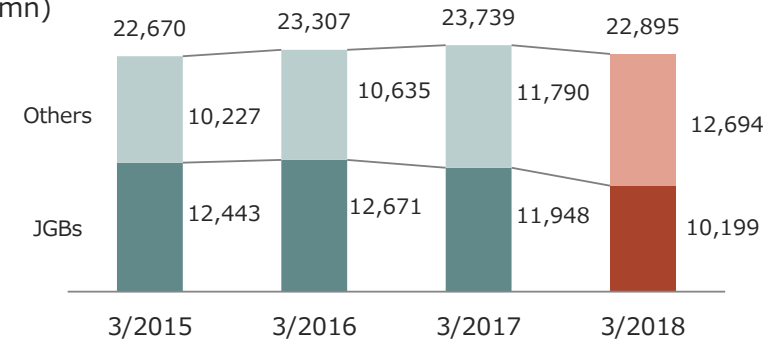
■ Profit/Losses Related to Securities

(¥100mn)



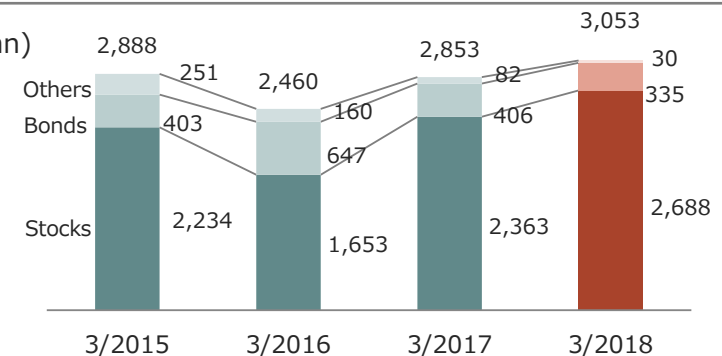
■ Average Balance of Securities

(¥100mn)



■ Valuation Gains/Losses on Securities (after asset swap valuation)

(¥100mn)



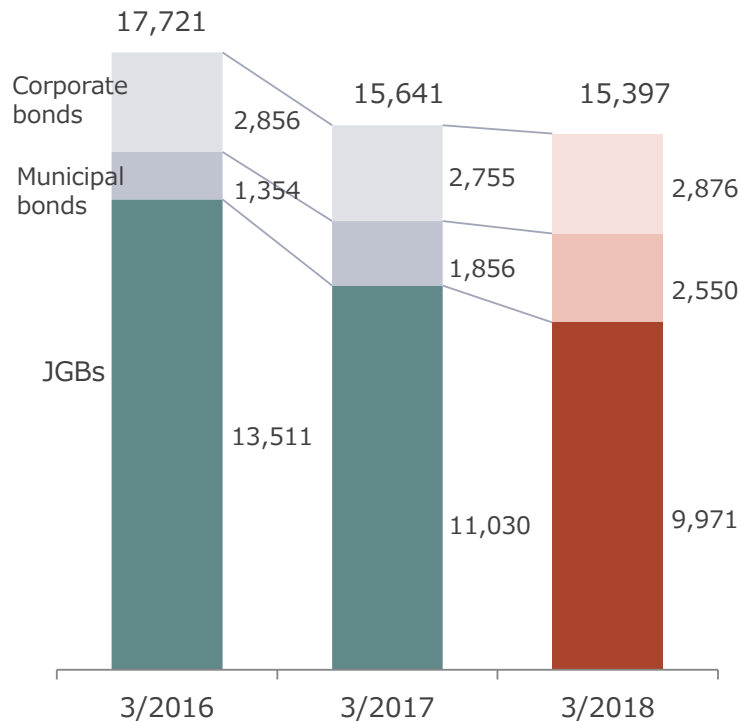
Valuation gains/losses in asset swap	▲371	▲641	▲182	▲30
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Market Investment (Yen Bonds)

■ Holding Amounts (Outstanding Balance)

(¥100mn)

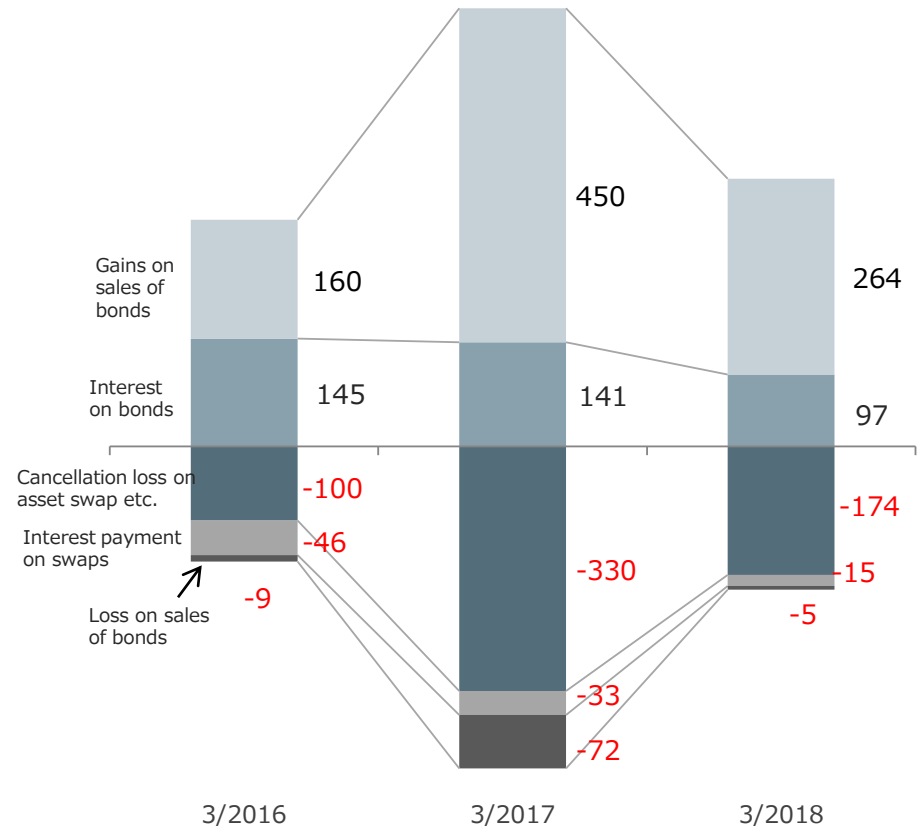
Valuation gains/losses Before hedge :			
	1,204	600	369
Valuation gains/losses After hedge :			
	608	444	344



■ Profit/Losses

(¥100mn)

Total realized P/L	150	156	167
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※ The above figures were based on ALM accounting so they were deferent from the figures on Statements of Income.

Market Investment (Foreign Bonds)

■ Holding Amounts (Outstanding Balance)

(¥100mn)

Valuation gains/losses

Before hedge : 116

▲5

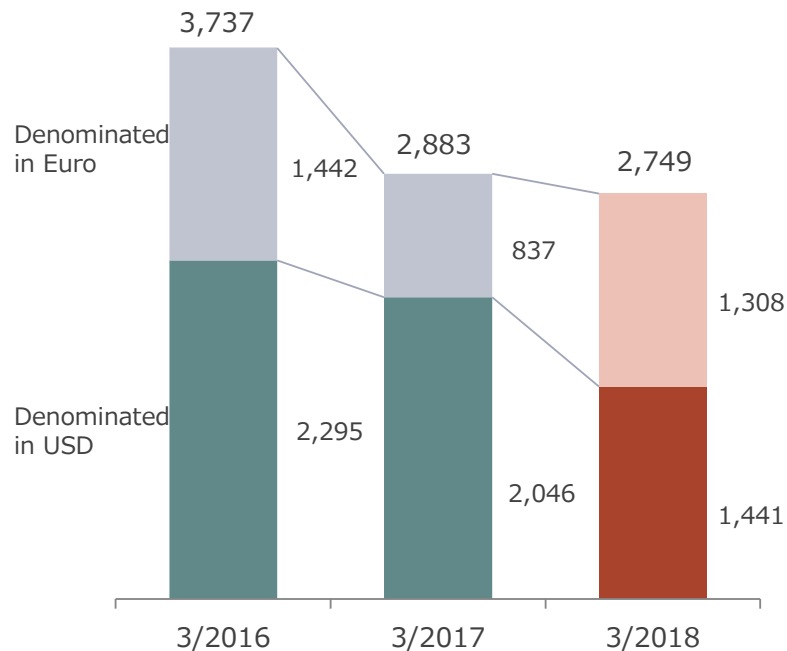
▲8

Valuation gains/losses

After hedge : 72

3

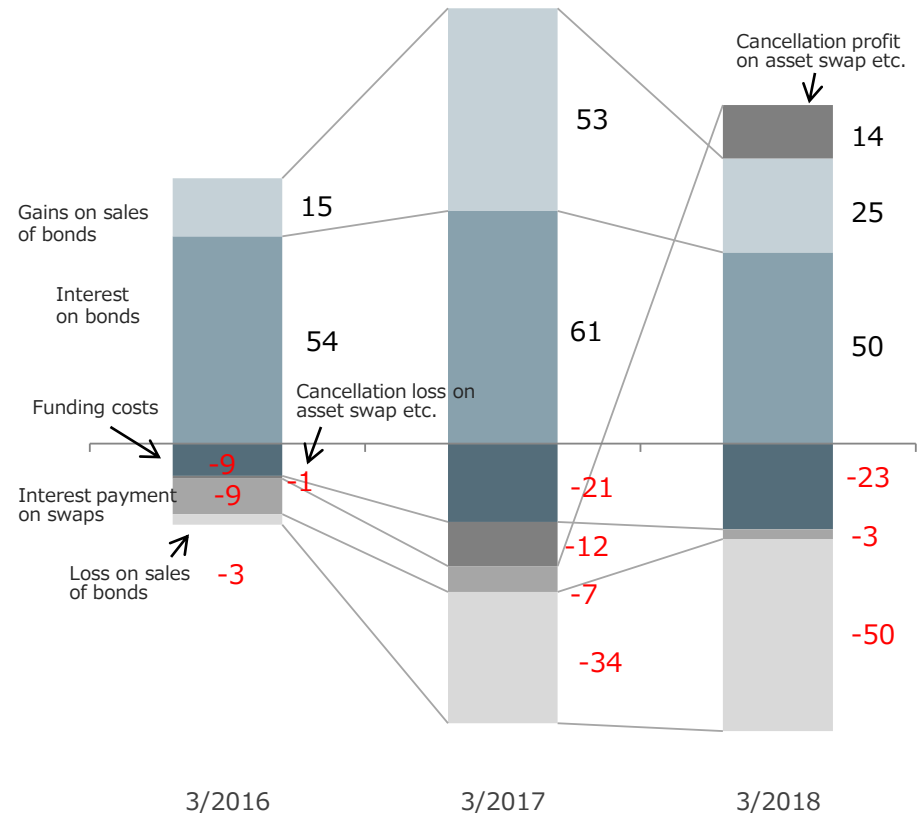
▲5



■ Profit/Losses

(¥100mn)

Total realized P/L	48	40	13
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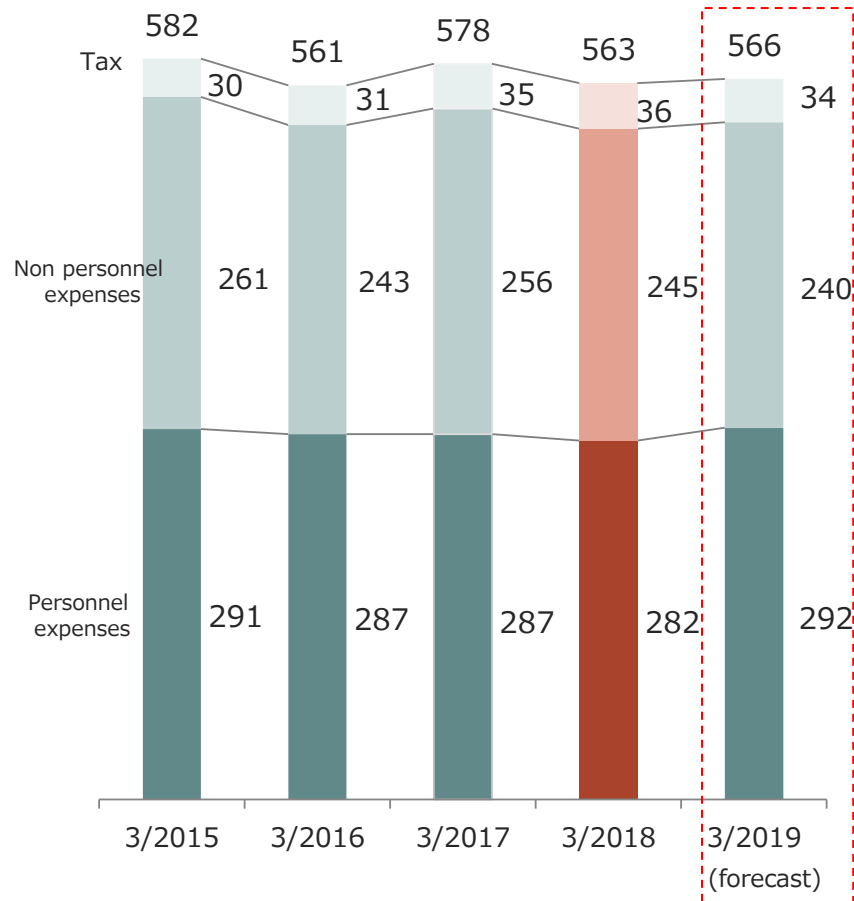
※ The above figures were based on ALM accounting so they were deferent from the figures on Statements of Income.

General & Administrative Expenses (Non-Consolidated)

- Personnel expenses decreased by ¥0.5bn from FY2016 and Non personnel expenses decreased by ¥1.1bn due to the decrease in outsourcing expenses.

■ G&A Expenses

(¥100mn)



◆ FY2017 Increase/Decrease factors

(¥100mn)

	3/2017	3/2018	Change	Main factors
Personnel expenses	287	282	▲5	<ul style="list-style-type: none"> • Decrease in overtime pay • Decrease in special bonus
Non personnel expenses	256	245	▲11	<ul style="list-style-type: none"> • Decrease in outsourcing expenses • Decrease in deposit insurance premiums
Tax	35	36	1	

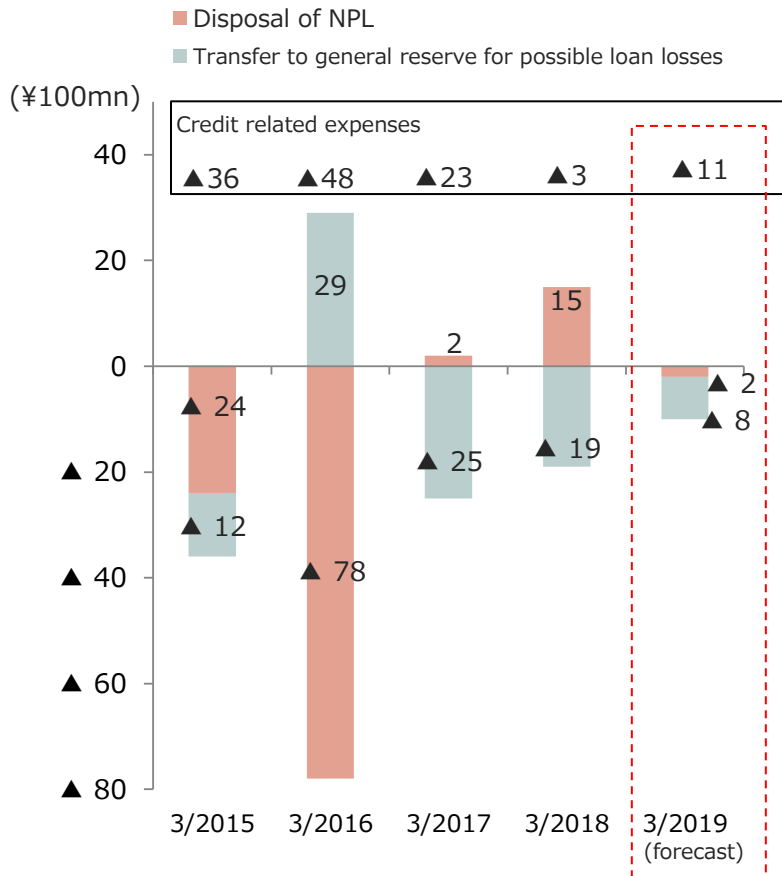
◆ FY2018 (3/2019) forecast

- Personnel expenses will increase by ¥1.0bn from FY2017 due to the employee increase caused by the merger with Hachijuni Business Services Co., Ltd.
- Non personnel expenses will decrease by ¥0.5bn due to the reduction of operation consignment expenses, reflecting the above-mentioned merger.

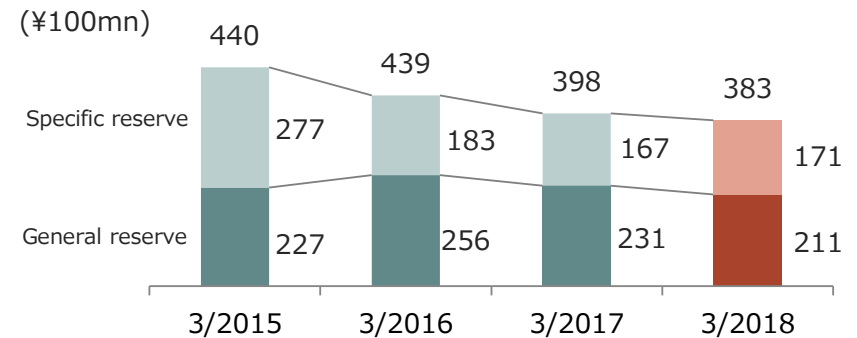
Credit Related Expenses (Non-Consolidated)

- Non-performing loans continued to decrease, NPL ratio also declined.
- Credit related expenses of FY2018 (3/2019) will be a negative ¥1.1bn due to the recent financial surroundings and the decline in the probability of default.

■ Credit Related Expenses



■ Outstanding Balance of Reserve for Loan Losses



■ Non-Performing Loans (NPL)

(¥100mn)	3/2017	3/2018
Bankrupt and quasi-bankrupt assets	101	120
Doubtful assets	640	542
Substandard assets	226	207
Total	967	869
NPL ratio	1.94%	1.68%
After partial direct charge-off	1.83%	1.53%

※Partial direct charge-off was not executed.

Returns to Shareholders

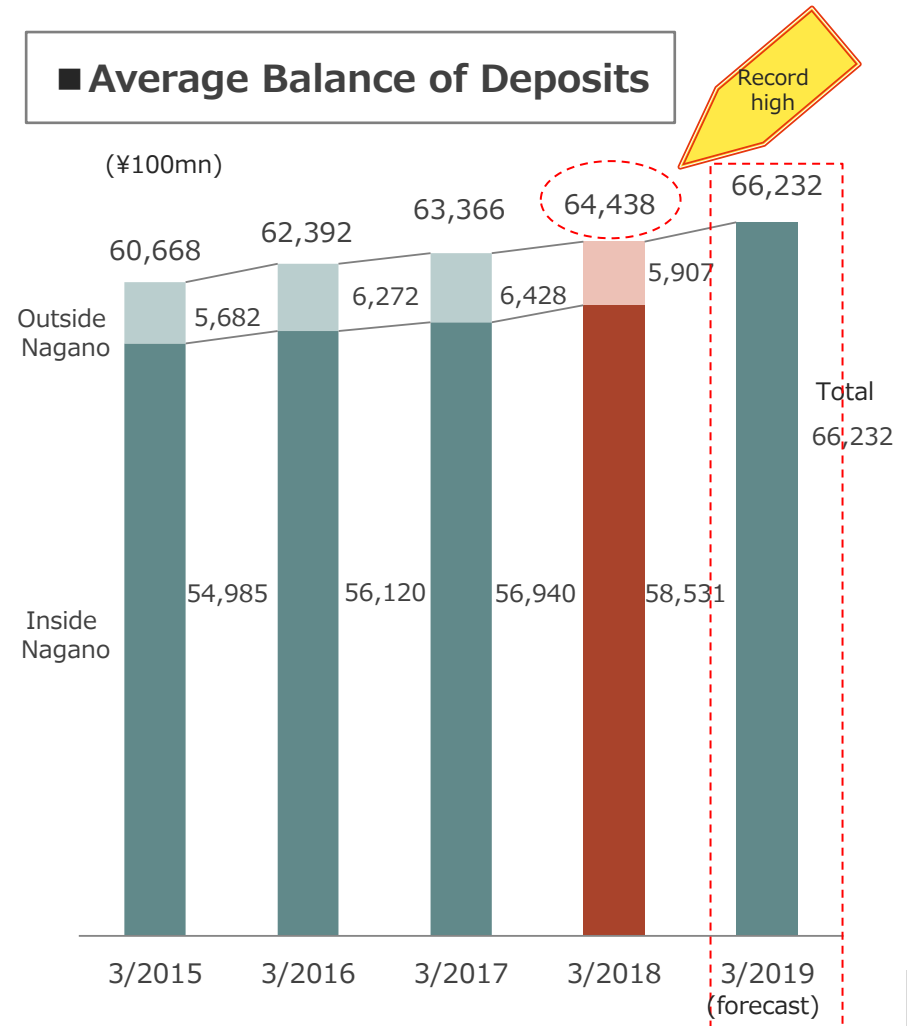
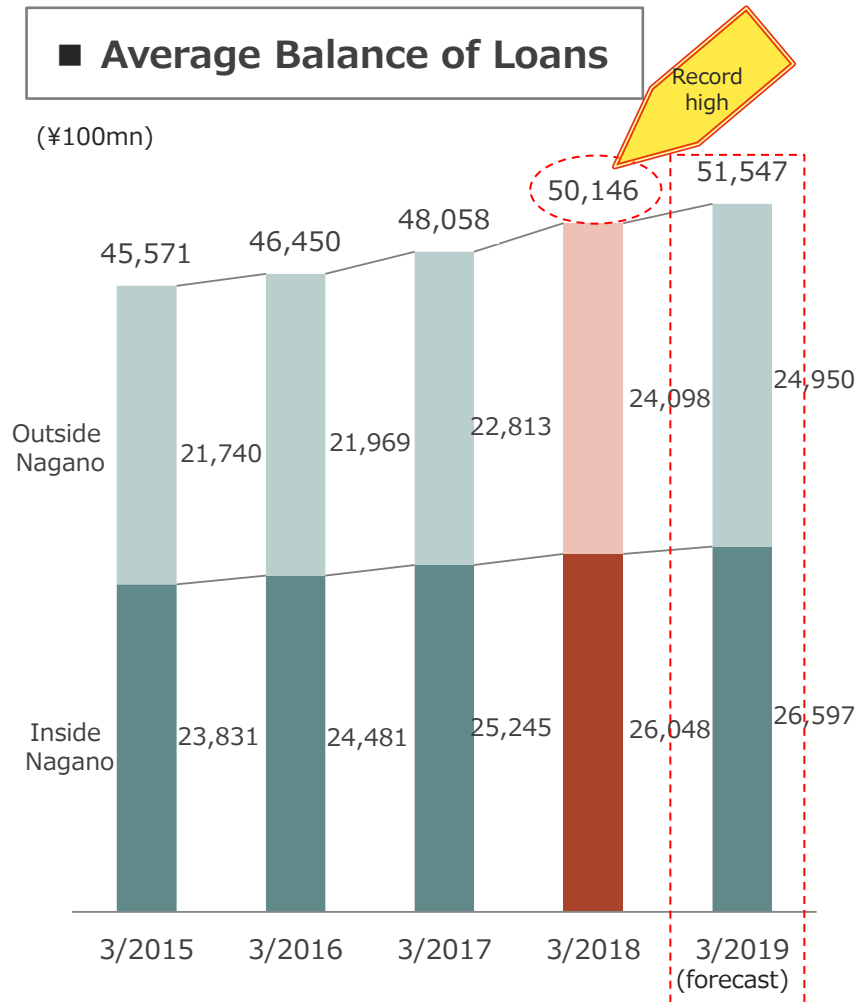
- Dividend per share of FY2017 was ¥13.0 and payout ratio declined by 1.7% from FY2016, while shareholder returns ratio rose by 11.3% to 41.9% due to the purchase of own stocks.
- Dividend per share of FY2018 (3/2019) will be ¥13.0 despite the decrease in net income.

(¥100mn)	3/2015	3/2016	3/2017	3/2018	3/2019 (forecast)
Annual dividends ^①	75	75	70	65	65
Dividend per share (full year)	¥15.0	¥15.0	¥14.0	¥13.0	¥13.0
Interim dividend	¥5.0	¥6.0	¥6.0	¥6.0	¥6.0
Purchase of own stocks ^②	30	30	0	29	—
Shareholder returns ^③ = ① + ②	105	105	70	95	65
Net income (non-consolidated) ④	257	277	231	227	200
Payout ratio ^① ÷ ④	29.2%	27.2%	30.6%	28.9%	31.0% (Consolidated)
Ratio of shareholder returns ③ ÷ ④	40.9%	37.9%	30.6%	41.9% ※	—

※Ratio of shareholder returns of 3/2018 included the purchase of own stocks based on the resolution on Feb 2018.

Major Accounts (Loans/Deposits)

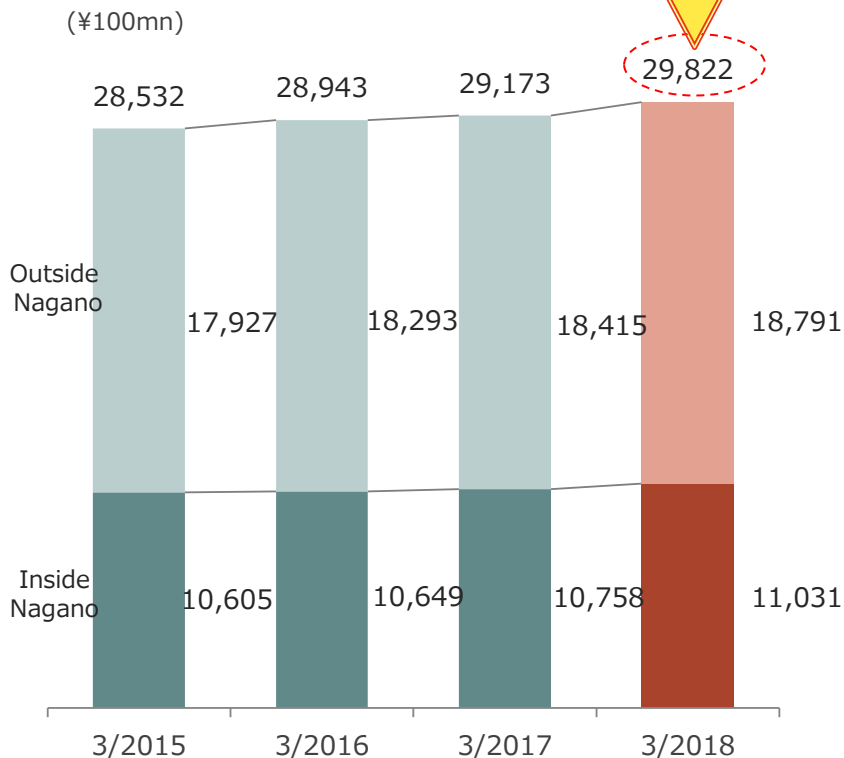
- Loans and deposits hit record highs.
- Loans both inside and outside Nagano Prefecture increased firmly and average balance of loans exceeded the ¥5tn mark.



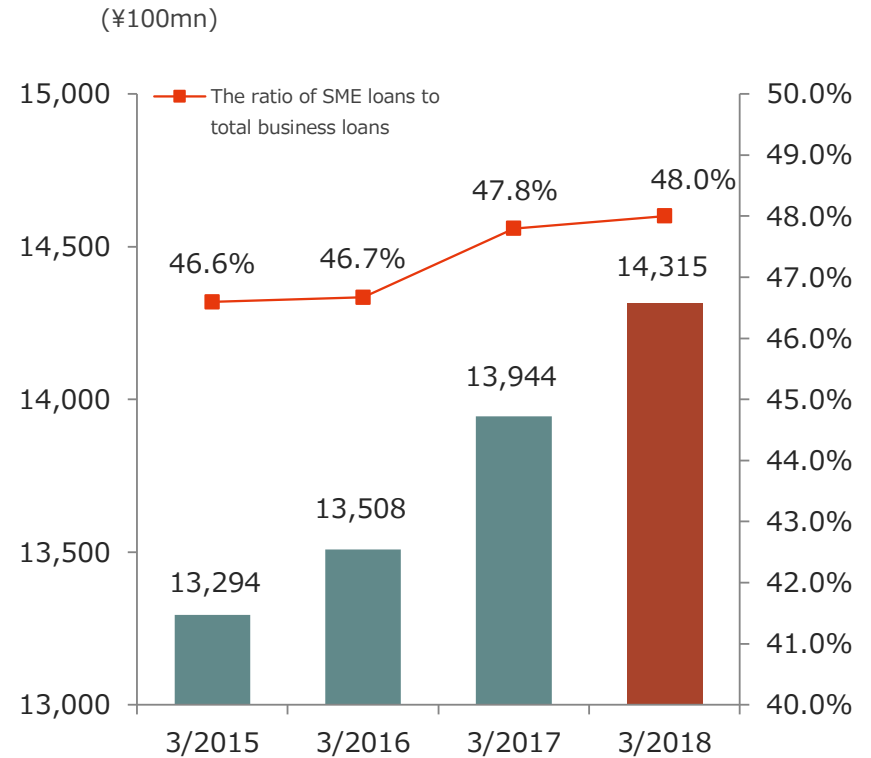
Main Figures (Business Loans)

- Business loans both inside and outside Nagano increased, reflecting the increase in credit needs relating to capital investment of growth industries; total business loans increased by ¥64.9bn from FY2016.
- Business loans to SMEs increased by ¥37.1bn due to the reinforcement of relations with customers by the Bank staffs' visiting them thoroughly.

■ **Business Loans by District (Outstanding Balance)**



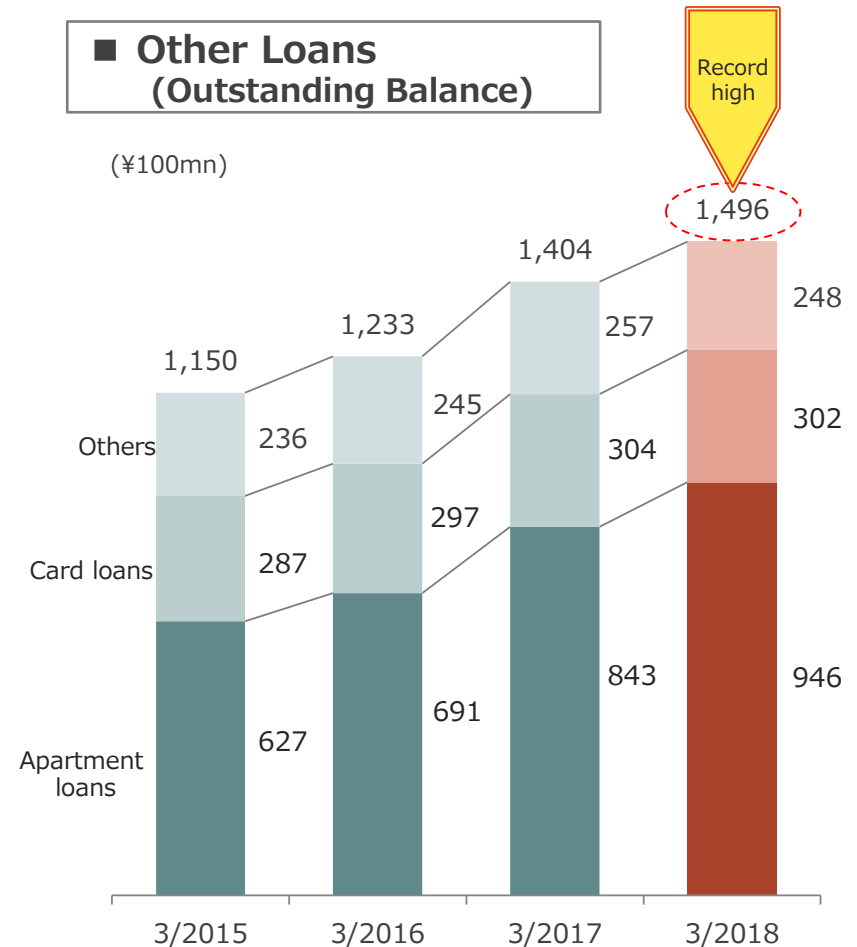
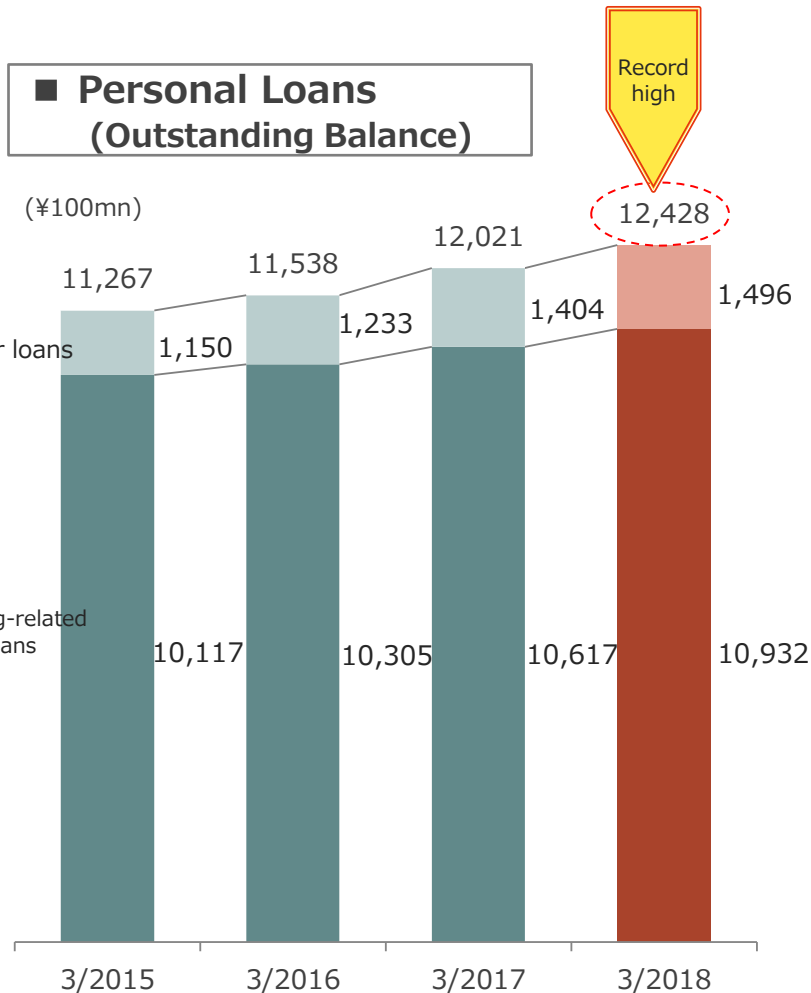
■ **Business Loans to SMEs ※ (Outstanding Balance)**



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

Main Figures (Personal Loans)

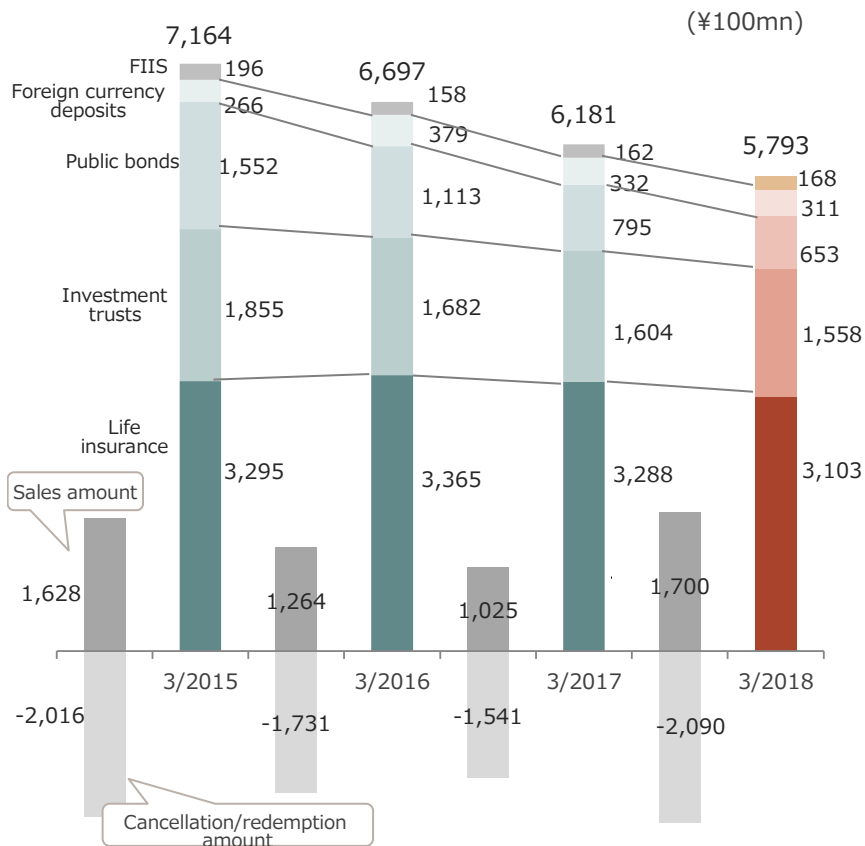
- Personal loans increased by ¥40.7bn from FY2016 to ¥1,242.8bn (record high).
- Housing-related loans increased by ¥31.5bn to ¥1,093.2bn (record high).



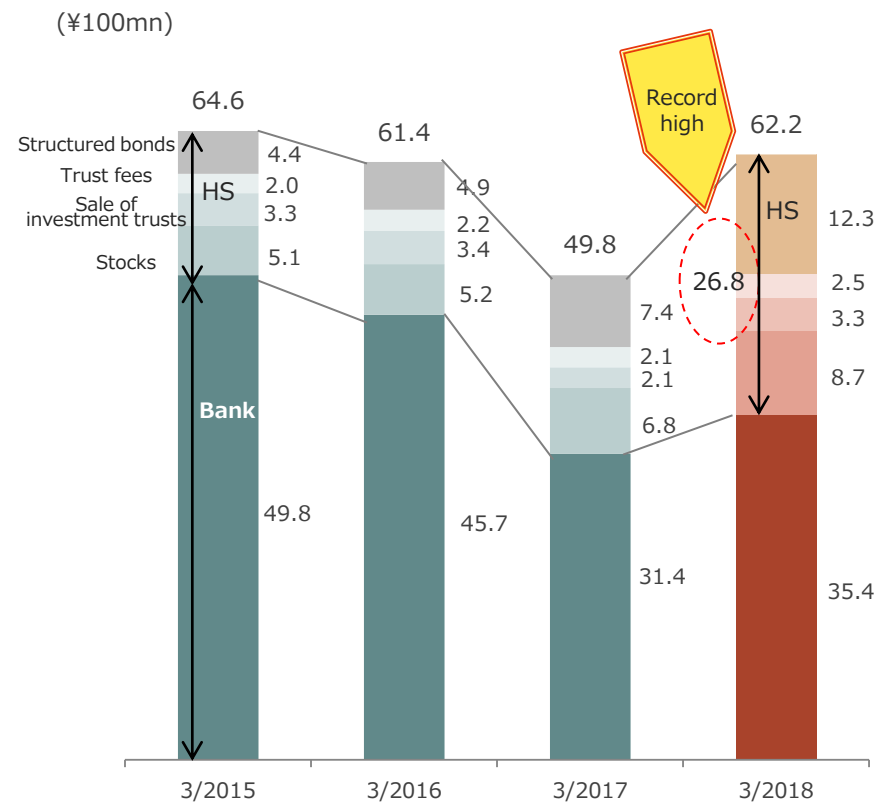
Main Figures (Investment Type Products in Personal Banking)

- Outstanding balance of investment type products (market price) decreased by ¥38.8bn from FY2016. Investment trusts decreased by ¥4.6bn due to the increase of cancellation backed by the rises in stock prices.
- Revenue of Hachijuni Securities Co., Ltd. (HS) hit a record high, thanks to sales increase of structured bonds by reinforcing the collaboration between the Bank and HS.

Investment Type Products (Outstanding Balance) and Sales Amount etc.



Income from Investment Type Products (Bank + HS) ※after deduction of the Bank's intermediary fee



Market Investment (the Change in Outstanding Balance of Securities)

- Stabilizing profit from portfolio mainly by yen bonds along with making diversified investments to enhance profitability

(Cost basis: ¥100mn)		9/2016	3/2017	9/2017	3/2018	Direction of 1H FY2018
Bonds	Interest-bearing JGBs	10,068	8,295	8,309	8,013	→
	Floating-rate JGBs	1,884	1,855	1,845	1,656	→
	Inflation-protected JGBs	428	365	350	0	→
	Other domestic bonds	3,717	3,797	4,862	4,651	→
	Yen-denominated securitized products	697	701	624	581	→
	Structured bonds etc.	92	30	156	126	→
Domestic securities	Domestic stocks	1,187	1,173	1,150	1,148	↑
	Domestic ETF	195	144	191	161	↑
	J-REIT	195	213	219	263	↑
	Other investment trusts	1,428	1,676	1,733	1,796	↑
	Union-type of funds etc.	141	152	159	185	↑
	Hedge funds	157	147	166	224	↑
Foreign securities	Hedge funds	45	50	50	47	↑
	Yen-denominated foreign bonds	159	79	206	342	→
	Foreign stocks, ETF etc.	24	39	108	103	↑
	Foreign currency-denominated bonds	3,414	2,775	3,216	2,492	→
	Foreign currency-denominated securitized products	176	123	274	263	→
Total		24,005	21,614	23,620	22,052	