

The 42nd Information Meeting

The 31st Long-Term Management Plan

Dare to Change; Create the Next Generation

(April 2018 ~ March 2021)

Nov 15, 2018



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

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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 Branch: 1 (Hong Kong) Representative Offices: 4 (Dalian, Shanghai, Bangkok, Singapore)
No. of employees	3,284
Capital stock	¥52.2bn
Issued shares	511,103 thousand shares
Total asset	¥9,855.5bn
Net asset	¥721.1bn
Deposits	¥6,619.5bn
Loans	¥5,211.5bn
Total capital ratio (Basel III)	Consolidated: 19.74% (preliminary) Non-consolidated: 19.06% (preliminary)
Ratings	S&P Global Ratings : A R&I : A+

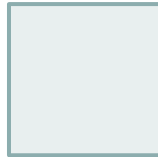
"Eco-First Company" **The 2nd Company in the Banking Industry**

In August 2018, the Bank was certified as an "Eco-First Company" by the Ministry of Environment, highly evaluated the Bank's advanced and sustainable programs in which both officers and employees engaged actively in environmental conservations.



Head Office

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Main Volume

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1. Outlines of 1H FY2018 Financial Results and FY2018 Full Year Forecasts
2. Major Accounts and Main Figures
3. Progress in the 31st Long-Term Management Plan

Topics

Interest on loans of 1H FY2018 increased from the 1H of the previous fiscal year for the first time in 10 years.

(¥100mn)	FY2008 1H	FY2009 1H	FY2010 1H	FY2011 1H	FY2012 1H	FY2013 1H	FY2014 1H	FY2015 1H	FY2016 1H	FY2017 1H	FY2018 1H
Interest on loans	408	377	344	322	308	292	275	262	242	234	235
Change from the 1H of the previous FY	+2.3	▲30.9	▲32.6	▲22.1	▲14.7	▲15.3	▲17.6	▲12.9	▲19.6	▲7.6	+0.3

Outline of the 1H FY2018 Financial Results

■ Consolidated

(¥100mn)	9/2017	9/2018	Change
Consolidated gross business profit	497	468	▲29
Profit of interest	343	342	▲1
Profit on fees & commissions	66	65	▲1
Trading profit	11	12	1
Profit from other business transactions	76	47	▲28
General & administrative expenses	316	310	▲5
Credit related expenses	6	▲3	▲10
Gains/losses related to stocks	21	9	▲12
Ordinary profit	202	167	▲34
Net income attributable to owners of parent	134	108	▲25
Ratio of consolidated profits to parent company's profits (times)	1.098	0.947	▲0.151

■ Non-Consolidated

(¥100mn)	2017/9	2018/9	Change	From projections
Gross business profit (A)	439	407	▲31	14
Profit on interest	342	340	▲1	17
Profit on fees & commissions	39	38	▲1	▲6
Profit from other business transactions	56	27	▲28	4
Gains/losses related to bonds (B)	55	23	▲32	9
G&A expenses (C)	285	277	▲7	▲7
Core net business profit (A-B-C)	98	106	8	11
Actual net business profit (A-C)	153	130	▲23	20
Transfer to general reserve for possible loan losses (D)	▲2	-	2	-
Net business profit (A-C-D)	156	130	▲26	20
Temporary profit/losses				
Reversal of allowance for loan losses	-	4	4	▲2
Reversal of general reserve	-	11	11	-
Reversal of specific reserve	-	▲6	▲6	-
Gains/losses related to stocks (E)	22	9	▲12	4
Disposal of NPL	3	0	▲3	▲0
Ordinary profit	175	142	▲32	22
Extraordinary gains/losses	▲5	12	17	▲2
Net income	122	114	▲7	14
Credit related expenses	0	▲4	▲5	2
Profit/losses related to securities (B+E)	78	33	▲44	13

Review of the 1H FY2018 and FY2018 (3/2019) forecasts

(Revised the previous projections disclosed in April)

■ Review of the 1H FY2018

【Consolidated】

- Ordinary profit was ¥16.7bn (▲¥3.4bn from 1H FY2017) due to decreases in gains/losses related to bonds (▲¥3.2bn) and in gains/losses related to stocks (▲¥1.2bn) despite the decrease in credit related expenses.
- Net income attributable to owners of the parent was ¥10.8bn (▲¥2.5bn).

【Non-consolidated】

- Core net business profit was ¥10.6bn (+¥0.8bn) due to the decrease in G&A expenses (▲¥0.7bn).
- Ordinary profit was ¥14.2bn (▲¥3.2bn) due to the decrease in profit/losses related to securities (▲¥4.4bn).
- Net income was ¥11.4bn (▲¥0.7bn) due to the decrease in ordinary profit, despite the ¥1.6bn of extraordinary gains by the merger with Hachijuni Business Services Co., Ltd.

■ FY2018 (3/2019) Forecasts

【Consolidated】

- Ordinary profit will be ¥34.5bn (▲¥7.0bn from FY2017) due to the decrease in ordinary profit of non-consolidated account as profit/losses related to securities will decrease.
- Net income attributable to owners of the parent will be ¥22.5bn (▲¥3.3bn).

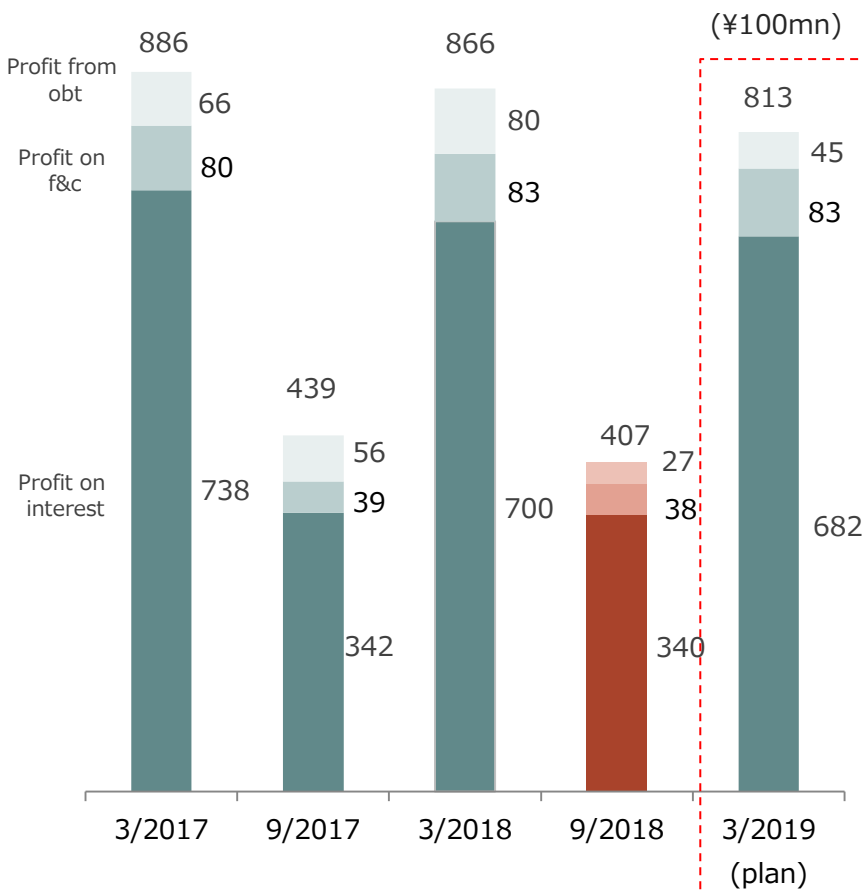
【Non-consolidated】

- Core net business profit will be ¥22.5bn (▲¥0.3bn) due to the decrease in profit on interest by the increase in funding costs, reflecting higher rates in US despite the decrease in G&A expenses.
- Ordinary profit will be ¥28.5bn (▲¥6.3bn) due to the decrease in profit/losses related to securities.
- Net income will be ¥21.5bn (▲¥1.2bn).

Gross Business Profit (Non-Consolidated)

- Profit on interest decreased by ¥0.1bn from 1H FY2017 due to the increase in funding costs despite the increase in interest on loans.
- Gross business profit for the end of FY2018 will decrease due to the decrease trend in profit on interest.

■ Gross Business Profit



◆ 1H FY2018 Increase/Decrease factors

(¥100mn)	9/2017	9/2018	Change	For reference
Profit on interest	342	340	▲ 1	See page 7
Profit on fees & commissions	39	38	▲ 1	See page 8
Profit from other business transactions	56	27	▲ 28	See page 9

◆ FY2018 (3/2019) forecast

- Profit on interest: ▲¥1.8 from FY2017 due to the increase in funding costs of foreign currencies.
- Profit on f&c: almost unchanged from FY2017.

Profit on Interest (Non-Consolidated)

- Interest on loans (domestic: ¥21.7bn, international: ¥1.7bn) increased by ¥30mn from 1H FY2017 for the first time in 10 years.
- The pace of the decline in interest on loans of domestic area will become moderate.

(¥100mn)	9/2017	3/2018	9/2018 (FY2018 plan)
Profit on interest	342	700	340 (682)
Domestic	321	629	307 (628)
Interest on loans	223	443	217
Interest & dividends on sec.	106	199	96
Interest on deposits	▲3	▲6	▲2
Interest payment on interest rate swaps	▲7	▲13	▲6
International	20	70	33 (54)
Interest on loans	11	23	17
Interest & dividends on sec.	34	95	47
Interest on deposits	▲9	▲19	▲11
Interest payment on interest rate swaps	▲4	▲7	▲3

Yield and Margin (all offices, %)

	3/2016	3/2017	3/2018	9/2018	3/2019 (forecast)
Yield	1.14	1.07	0.94	0.88	0.88
Funding costs	0.16	0.15	0.11	0.12	0.13
Interest margin	0.98	0.92	0.83	0.76	0.74

Yield and Margin (domestic, %)

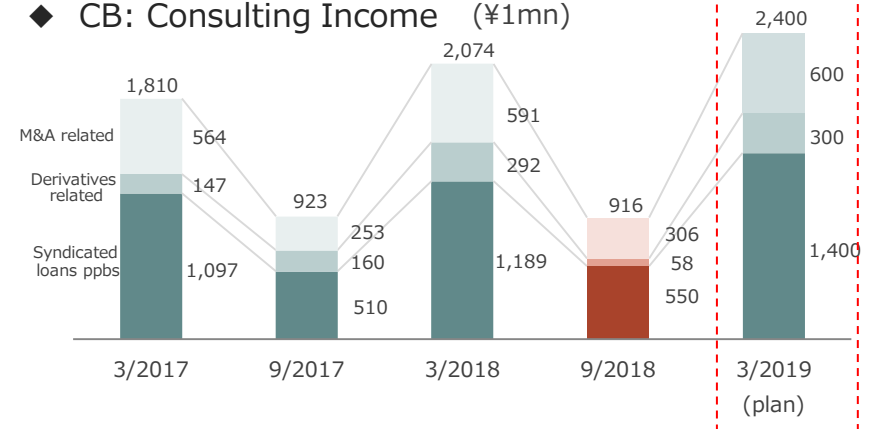
	3/2016	3/2017	3/2018	9/2018	3/2019 (forecast)
Yield on loans	1.12	0.99	0.90	0.85	0.85
Yield on sec.	1.24	1.27	1.06	1.02	1.06
Funding costs	0.10	0.06	0.02	0.02	0.01
Yield on depo.	0.03	0.01	0.01	0.00	0.00
Interest margin	0.94	0.90	0.79	0.72	0.72

Profit on Fees & Commissions (Non-Consolidated)

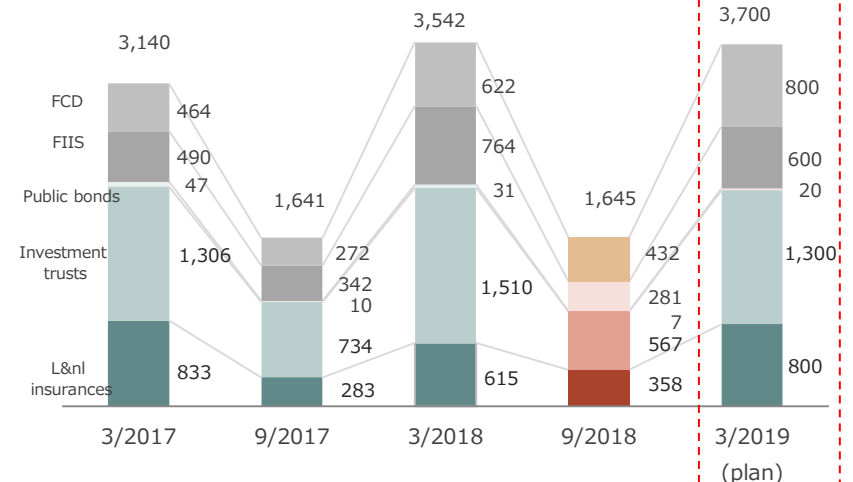
- Consulting income in corporate banking (CB) was the same level as 1H FY2017 because the issuance of Regional Revitalization Support PPBs (private placement bonds) remained solid.
- Income from investment type products in personal banking (PB) was also the same level as 1H FY2017 because income from foreign currency deposits increased firmly.

(¥100mn)		9/2017	9/2018	3/2019 (forecast)
Profit on f&c		39.7	38.5	84
Fees & commissions		84.7	85.4	177
Main items	Corporate banking (CB) - Consulting income	9.2	9.1	24
	Syndicated loans, PPBs etc.	5.1	5.5	14
	Derivatives related	1.6	0.5	3
	M&A related	2.5	3.0	6
	Personal banking (PB) - Income from investment type products	16.4	16.4	37
	Life & non-life insurances	2.8	3.5	8
	Investment trusts	7.3	5.6	13
	Financial instruments intermediary/introduction services (FIIS)	3.4	2.8	6
	Foreign currency deposits (FCD)	2.7	4.3	8
	Fees & commissions payments	44.0	46.0	93
	Fees related to payment loans	31.0	33.0	66

◆ CB: Consulting Income (¥1mn)



◆ PB: Income from Investment Type Products (¥1mn)

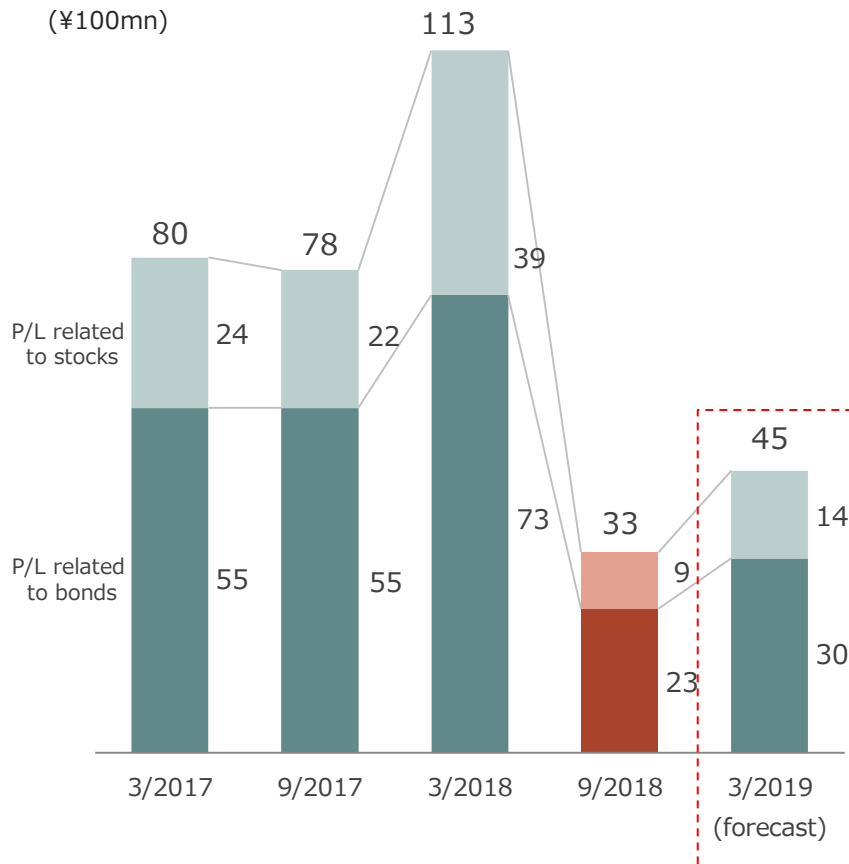


Note: The above figures were deferent from the figures on Statements of Income.

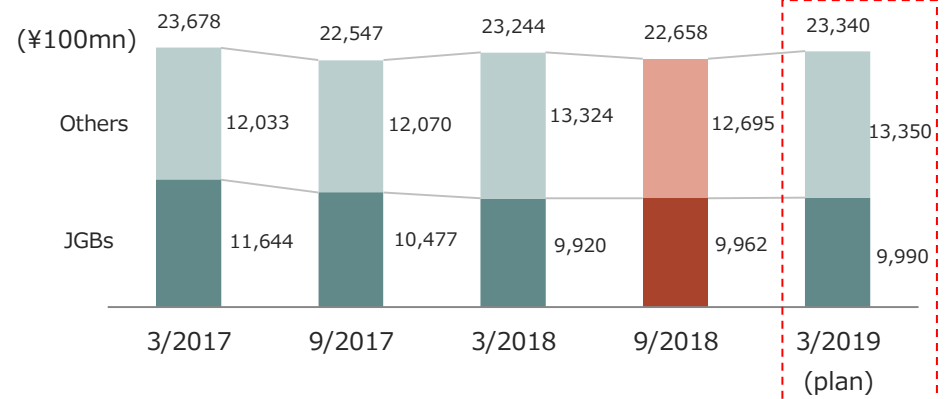
Profit/Losses Related to Securities (Non-Consolidated)

- Profit/losses related to securities decreased by ¥4.4bn from 1H FY2017.
- Average balance of securities increased by ¥11.1bn due mainly to the increase in other securities.

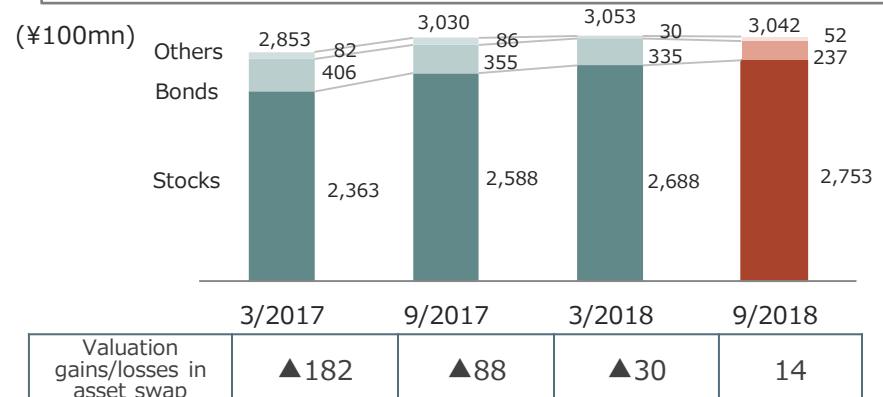
■ Profit/Losses Related to Securities



■ Average Balance of Securities (6 months)



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

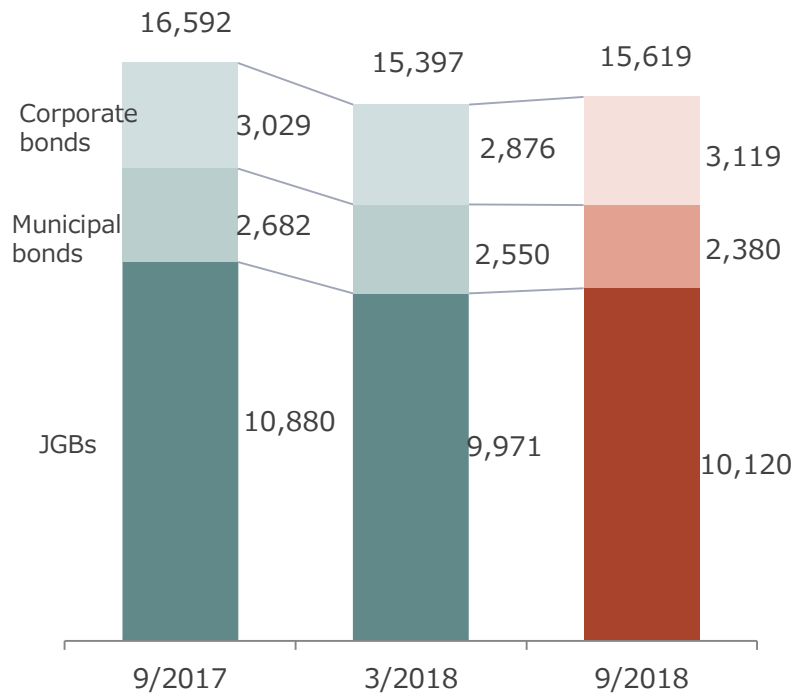


Market Investment (Yen Bonds)

■ Holding Amounts (Outstanding Balance)

(¥100mn)

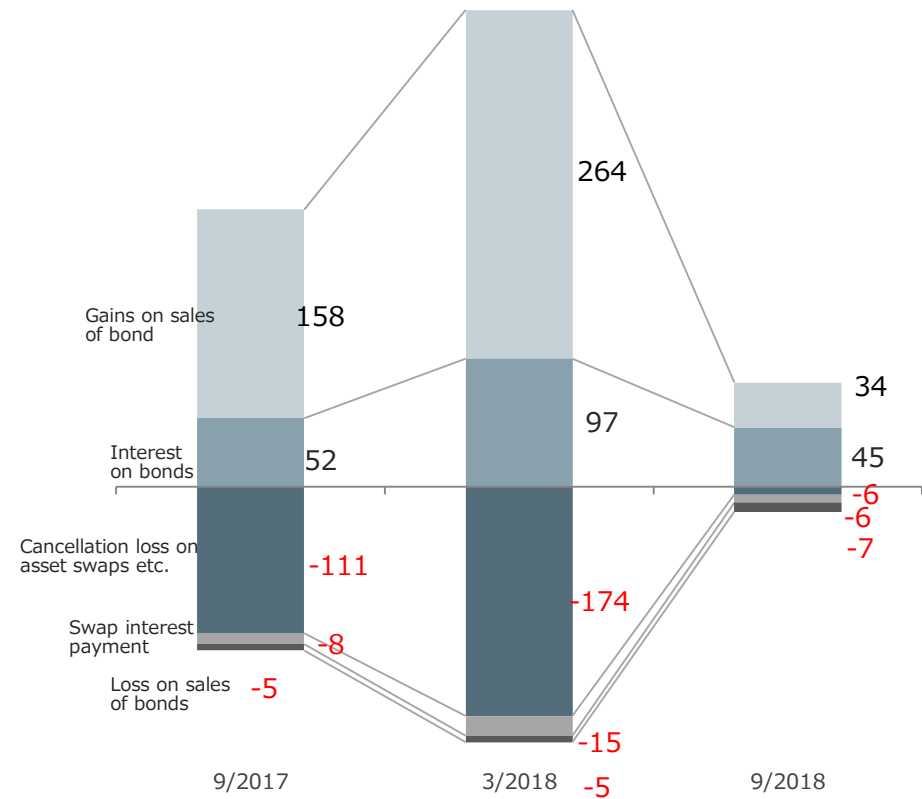
Valuation gains/losses before hedge	445	369	226
Valuation gains/losses after hedge	355	344	238



■ Profit/Losses

(¥100mn)

Total realized P/L	87	167	60
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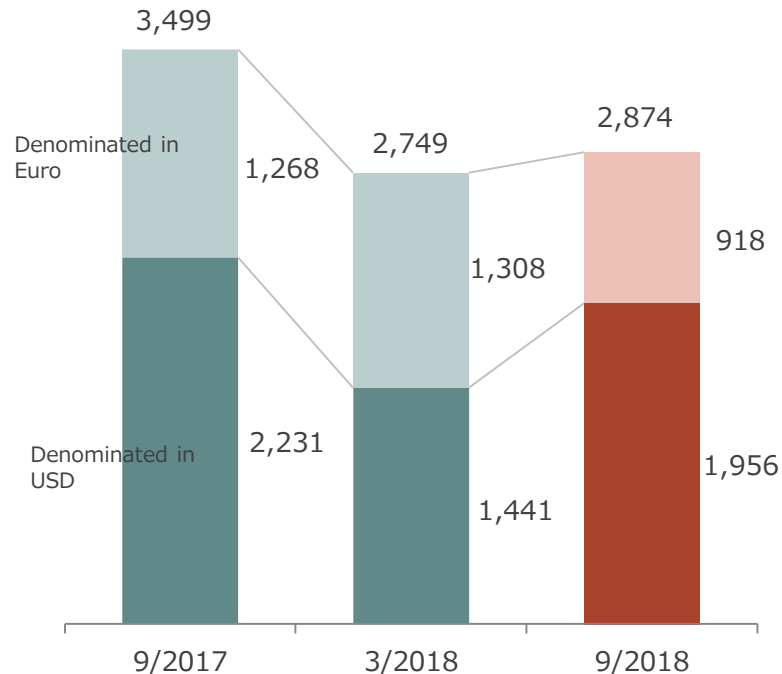
※ The above figures were based on ALM accounting so they were different from the figures on Financial Statements.

Market Investment (Foreign Bonds)

■ Holding Amounts (Outstanding Balance)

(¥100mn)

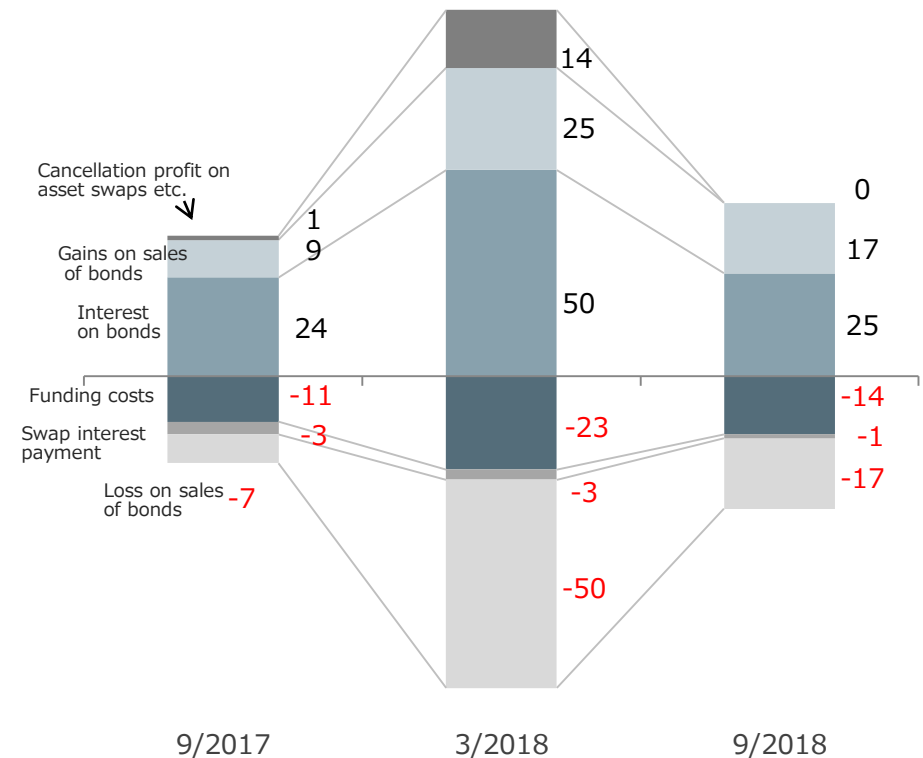
Valuation gains/losses before hedge	10	▲10	▲22
Valuation gains/losses after hedge	11	▲5	▲19



■ Profit/Losses

(¥100mn)

Total realized P/L	14	13	10
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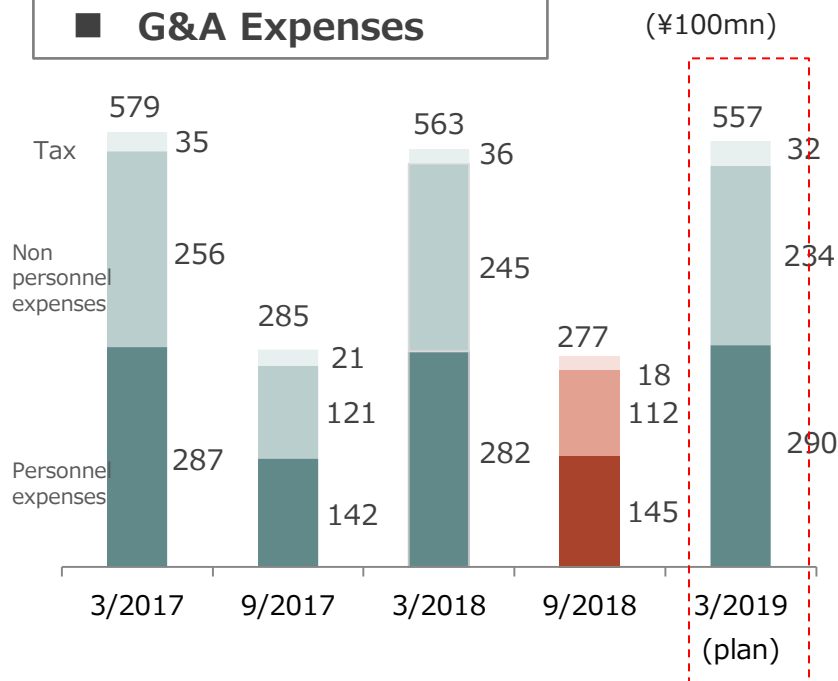


※ The above figures were based on ALM accounting so they were different from the figures on Financial Statements.

General & Administrative Expenses (Non-Consolidated)

- Personnel expenses increased by ¥0.3bn, non-personnel expenses decreased by ¥0.9bn, and tax decreased by ¥0.2bn from 1H FY2017.
- The merger with Hachijuni Business Services Co., Ltd. affected G&A expenses (increase in personnel expenses, decrease in outsourcing expenses).

■ G&A Expenses



◆ FY2018 forecasts

- Personnel expenses: +¥0.8bn from FY2017 due to the employee increase caused by the merger with Hachijuni Business Services Co., Ltd.
- Non personnel expenses: ▲¥1.0bn due to the reduction of operation consignment expenses, reflecting the above-mentioned merger

■ Depreciation and Investment Amounts

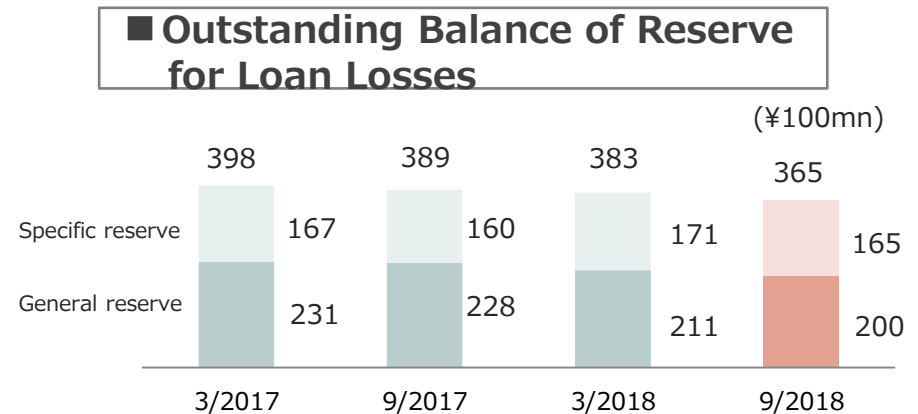
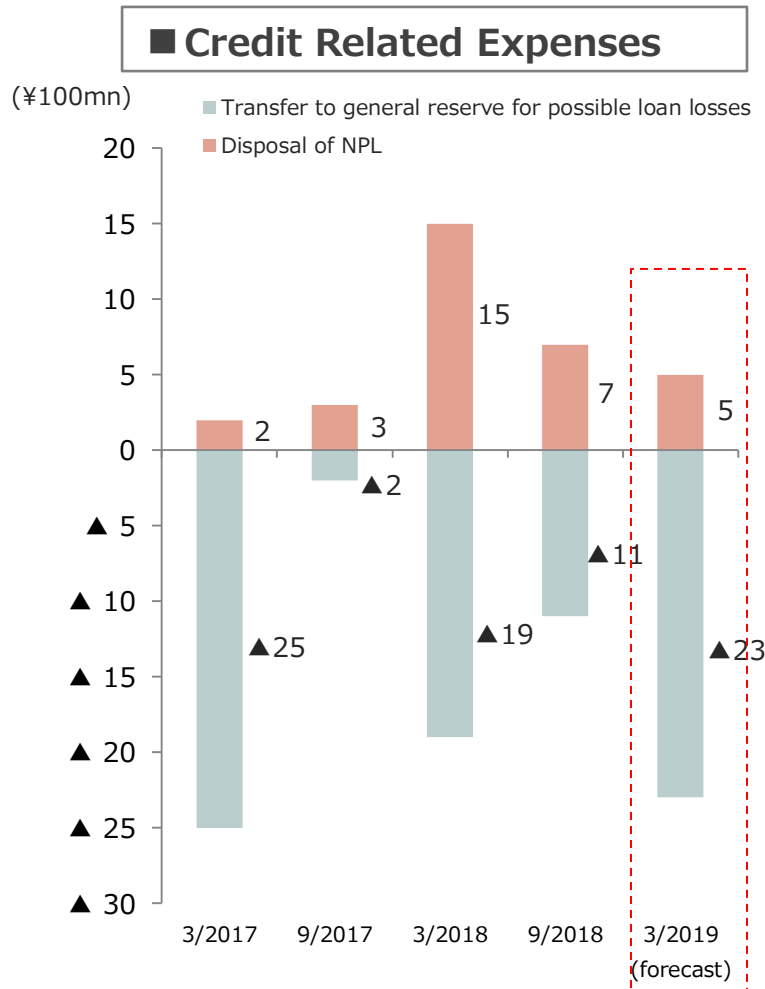
(¥100mn)	3/2017	3/2018	3/2019 (plan)
Depreciation	43.2	42.4	41.0
Investment amounts	35.7	45.1	42.9
Main investments	*Branch system update *Increase in biometrics authentication machines *Integrated office PC update	*Instant issuance machine of card *Next phased system *OTM update	*Next phased system *Paperless *API

◆ 1H FY2018 Increase/Decrease Factors

(¥100mn)	9/2017	9/2018	Change	Main factors
Personnel expenses	142	145	3	•Increase in wages •Increase in temporary employment costs
Non personnel expenses	121	112	▲9	•Decrease in outsourcing expenses •Decrease in advertising expenses
Tax	21	18	▲2	•Decrease in consumption tax •Decrease in size-based enterprise tax

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 ¥1.8bn, reflecting the recent financial surroundings and the decline in the probability of default.



■ Non-Performing Loans (NPL)

(¥100mn)

	3/2017	3/2018	3/2019 forecast	9/2018
Bankrupt and quasi-bankrupt assets	101	120	120	105
Doubtful assets	640	542	491	478
Substandard assets	226	207	187	178
Total	967	869	799	762
NPL ratio	1.94%	1.68%	1.51%	1.46%
After partial direct charge-off※	1.83%	1.53%	1.37%	1.32%

※Partial direct charge-off was not executed. This figure was disclosed only for the reference.

Return to Shareholders

- Year-end dividend per share will be ¥8.0, ¥1.0 up from the previous forecast based on the full year business forecast and management target of consolidated payout ratio (over 30%).
- Dividend per share of FY2018 full year will be ¥14.0.
- Ratio of shareholder returns will be 43.6% due to the purchase of own stocks according to the resolution on Jun 2018.

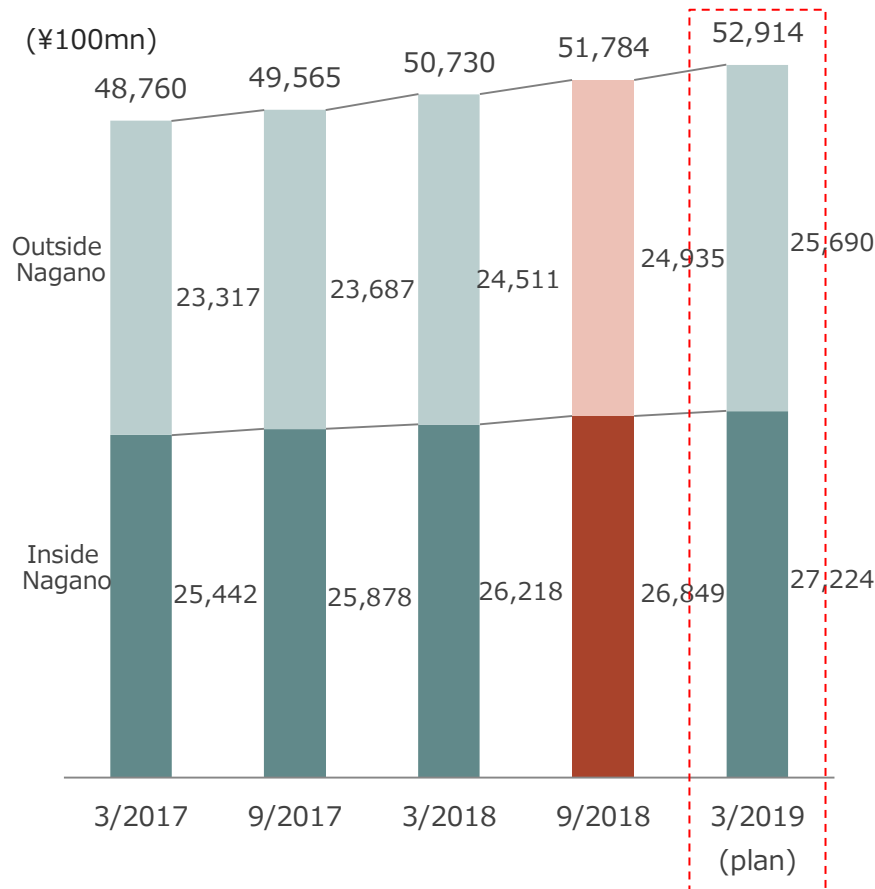
(¥100mn)		3/2015	3/2016	3/2017	3/2018	3/2019 (forecast)
Annual dividends①		75	75	70	65	69
Dividend per share (full year)		¥15.0	¥15.0	¥14.0	¥13.0	¥14.0
	Interim dividend	¥5.0	¥6.0	¥6.0	¥6.0	¥6.0
Purchase of own stocks②		30	30	0	29	28
Shareholder returns ③ = ① + ②		105	105	70	95	98
Net income (non-consolidated)④		257	277	231	227	225※
Dividend payout ratio (non-consolidated)①÷④		29.2%	27.2%	30.6%	28.9%	30.8%※
Ratio of shareholder returns (non-consolidated)③÷④		40.9%	37.9%	30.6%	41.9%	43.6%※

※Consolidated basis

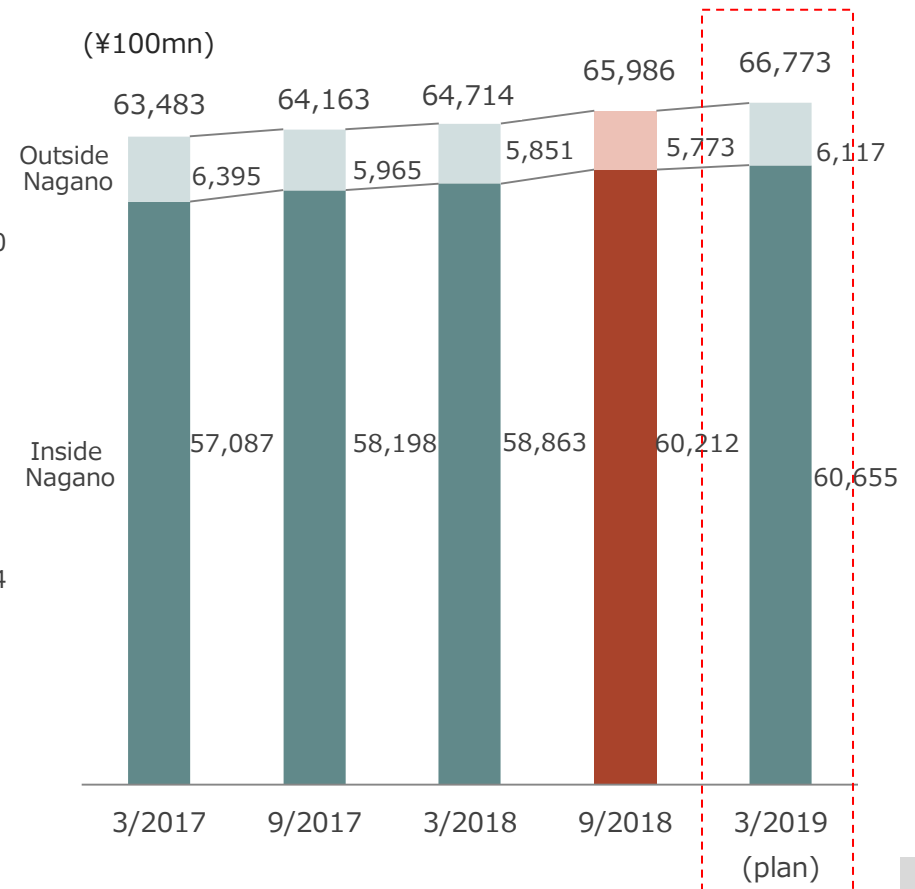
Major Accounts (Loans/Deposits)

- Loans and deposits continued to increase, hitting new record highs.
- Loans both inside and outside Nagano Prefecture increased firmly and average balance of loans exceeded the ¥5tn mark.

■ **Average Balance of Loans
(6 months)**



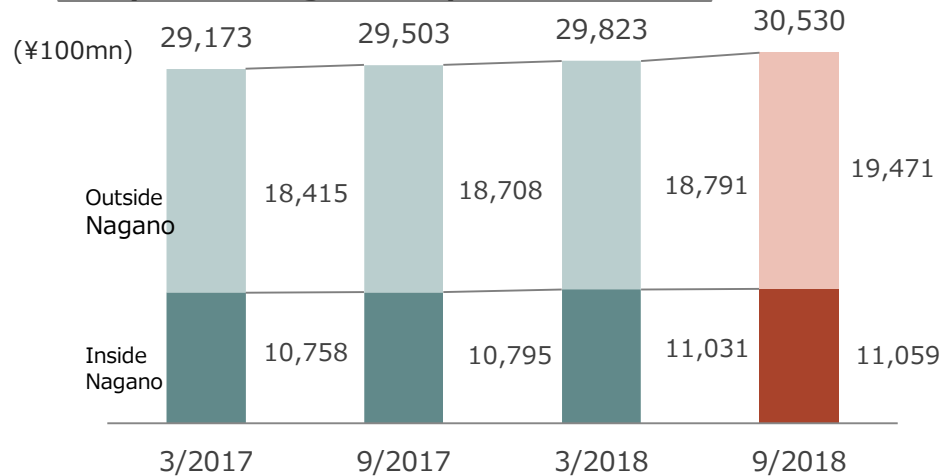
■ **Average Balance of Deposits
(6 months)**



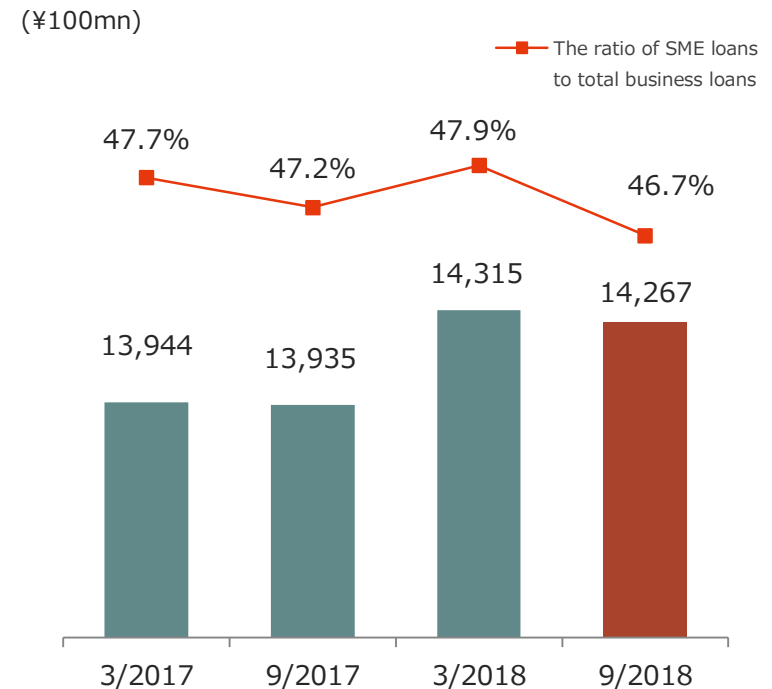
Main Figures (Business Loans)

- 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 ¥102.7bn from 1H FY2017.
- Business loans to SMEs increased by ¥33.2bn due to the reinforcement of relations with customers.

■ Business Loans by District (Outstanding Balance)



■ Business Loans to SMEs※ (Outstanding Balance)



■ Business Loans for Real Estate Sector (Outstanding Balance)

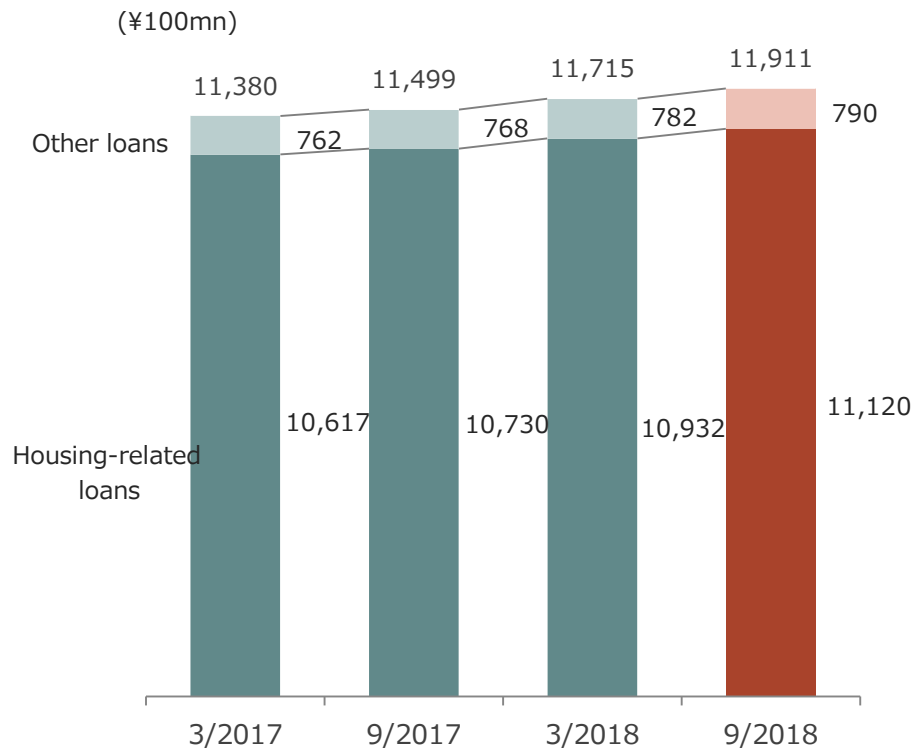
(¥100mn)	3/2017	9/2017	3/2018	9/2018
Inside Nagano	1,549	1,530	1,658	1,661
Total	3,495	3,588	3,732	3,900
(Loans to large companies)	1,136	1,186	1,212	1,340

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

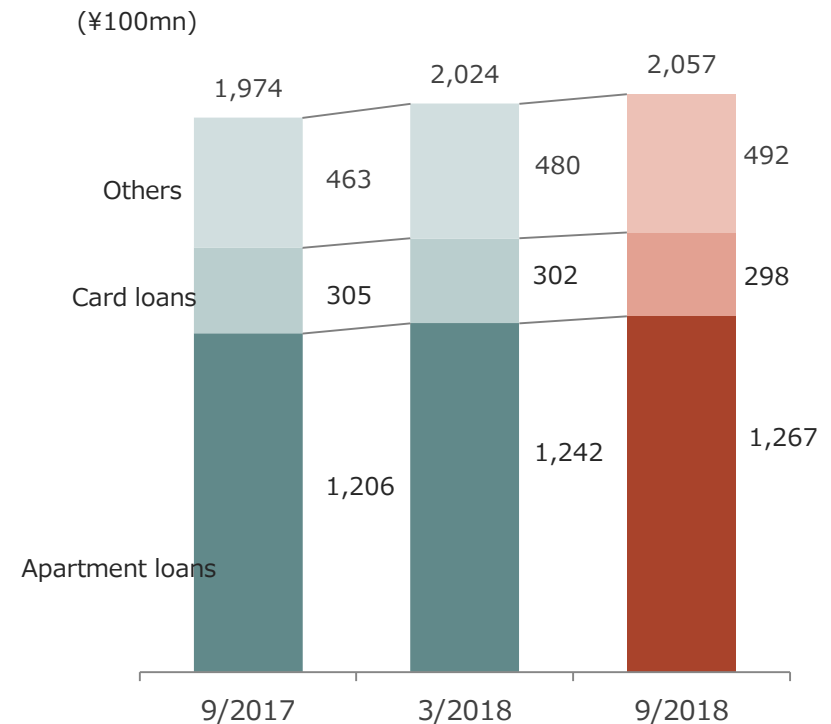
Main Figures (Personal Loans)

- Personal loans increased by ¥41.2bn from 1H FY2017 to ¥1,191.1bn (record high).
- Housing-related loans increased by ¥39.0bn to ¥1,112.0bn (record high).

■ Personal Loans (Outstanding Balance)



■ Apartment Loans, Other Loans (Outstanding Balance)

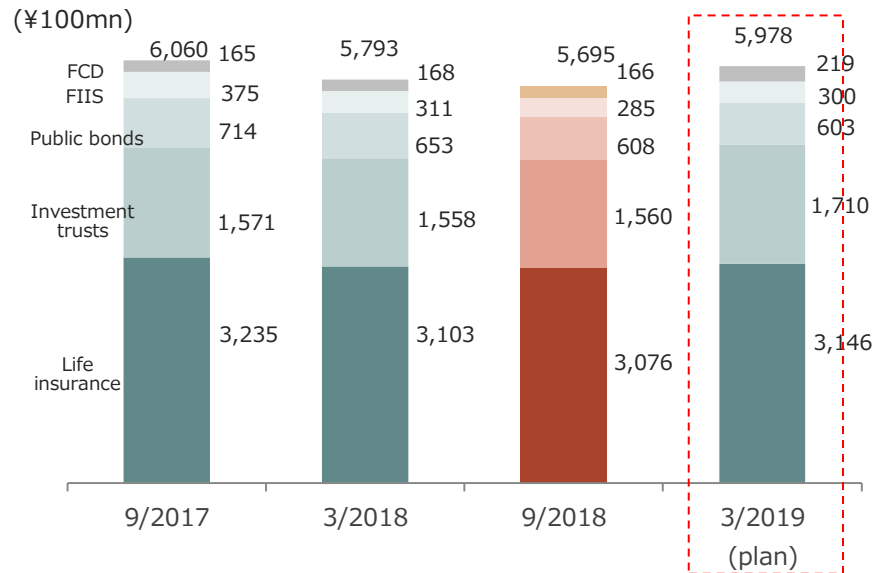


※ Classification codes of apartment loans were reconsidered in March 2018. After this reconsideration, the above figures of Sep 2017 were revised from the previous report.

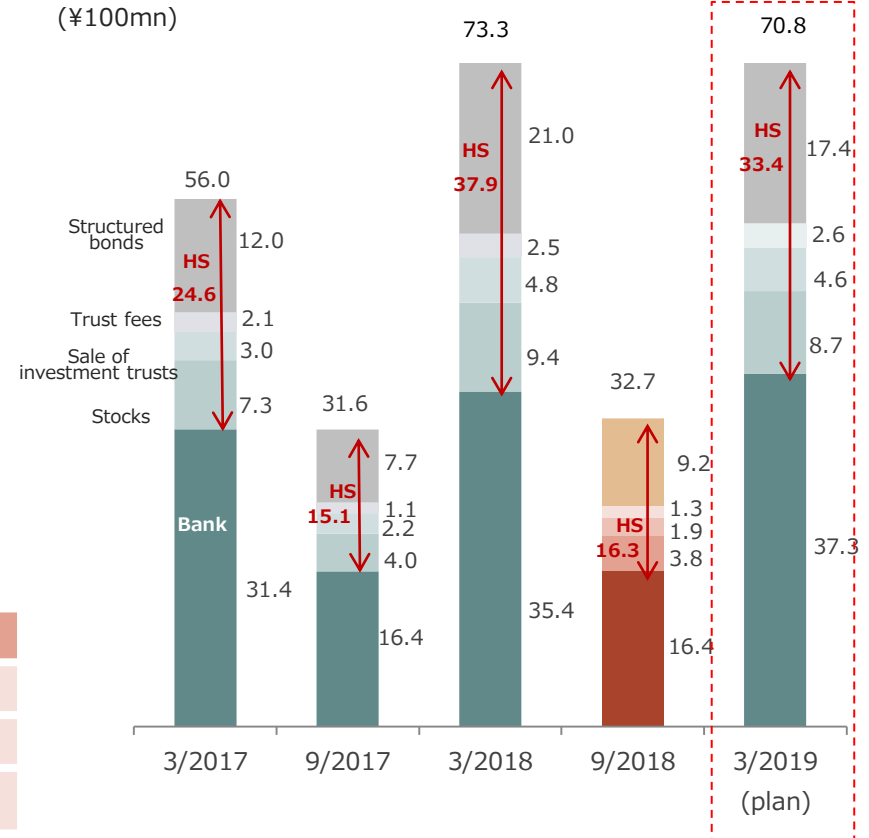
Main Figures (Investment Type Products in Personal Banking)

- Outstanding balance of investment type products (market price) decreased by ¥36.5 from 1H FY2017. Investment trusts decreased by ¥1.1bn due to the increase of cancellation backed by the rises in stock prices.
- Income from investment type products increased by ¥0.1bn, reflecting firm sales of structured bonds by the reinforcement of the alliance between the Bank and Hachijuni Securities Co., Ltd.(HS).

■ Investment Type Products (Outstanding Balance)



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



◆ Installment-type Investment Trusts (IIT)

	3/2017	9/2017	3/2018	9/2018
No. of IIT accounts	18,691	20,551	22,175	24,297
(Installment NISA)	—	—	2,675	4,047
Monthly installments (¥1mn)	247	291	361	477

Market Investment (the Change in Outstanding Balance of Securities)

- Progressing diversified investment while continuing yen-denominated securities investment

(Cost basis, ¥100mn)		3/2017	9/2017	3/2018	9/2018	Direction of 2H FY2018
Bonds	Interest-bearing JGBs	8,295	8,309	8,013	8,684	→
	Floating-rate JGBs	1,855	1,845	1,656	1,256	↘
	Inflation-protected JGBs	365	350	0	11	→
	Other domestic bonds	3,797	4,862	4,651	4,816	→
	Yen-denominated securitized products	701	624	581	582	→
	Structured bonds etc.	30	156	126	59	→
Stocks	Domestic stocks	1,173	1,150	1,148	1,162	↑
Yen-denominated investment trusts	Domestic ETF	144	191	161	184	↑
	J-REIT	213	219	263	273	→
	Other investment trusts	1,676	1,733	1,796	1,740	↑
	Union-type of funds etc.	152	159	185	178	↑
	Hedge funds	147	166	224	229	→
Foreign securities	Hedge funds	50	50	47	50	→
	Yen-denominated foreign bonds	79	206	342	352	→
	Foreign stocks, ETF etc.	39	108	103	87	↑
	Foreign currency-denominated bonds	2,775	3,216	2,492	2,499	→
	Foreign currency-denominated securitized products	123	274	263	398	→
Total		21,614	23,620	22,052	22,558	
Bond duration (years)		4.17	3.94	3.62	3.68	

Outline of the 31st Long-Term Management Plan

"Dare to Change; Create the Next Generation"

April 2018 ~ March 2021

Reform of Sales Promotion Structure and Operational Processes ⇒ P.24

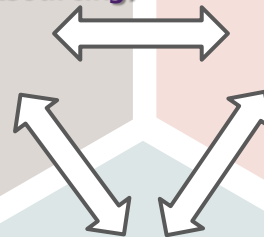
- ◆ Reorganization of operational section
(change of organization, review of business, outsourcing)
- ◆ Reduction of operational processes
- ◆ Increasing operational efficiency by IT
- ◆ Review of structure (branch/staff)
- ◆ Reduction of customers' burden/improving convenience

Strengthening and Expansion of "Face-to-Face Sales" in Order to Realize Customer Profits ⇒ P.22

- ◆ Strengthening quantity in "face-to-face sales"
- ◆ Strengthening quality in "face-to-face sales"
- ◆ Expansion of the scale of "face-to-face sales"
- ◆ Strengthening "face-to-face sales" of the whole Hachijuni Group

Expansion of Investment in Developing "Human Resources" and More Opportunities for Their Active Participation ⇒ P.23

- ◆ Career path/program of nurturing human resources
- ◆ Staff support system according to their age
- ◆ Personnel exchanges within the Hachijuni Group
- ◆ Nurturing human resources in specialized fields
- ◆ Work style reform



Progress in the 31st Long-Term Management Plan 【Numerical Targets】

Management Targets

	Targets	9/2018
Net income attributable to owners of the parent	(FY2020) ¥25.0bn	¥10.8bn
Ratio of consolidated profits to parent company's profits	(FY2020) 1.25	0.94
Dividend payout ratio (consolidated)	(consolidated, annual) Over 30%	(FY end forecast) 30.8%

Regional Vitality Targets

	Targets	9/2018
No. of new business launches (over 3 years): companies	1,000	194
No. of cases through business matching (sales channels development, etc.) (over 3 years)	6,000	943
No. of cases utilizing private placement bonds, funds, etc. (over 3 years)	500	125
No. of business successions, M&As, and change/discontinuation of businesses: cases (over 3 years)	1,000	225

Environmental Targets

	Targets	9/2018
Amount of greenhouse gas emissions reduced (compared to FY2013)	(FY2020) 15%	FY end release
No. of new contracts for electronic delivery services: cases (over 3 years)	3,000	1,978
No. of new contracts for and renewals to e-livret: cases (over 3 years)	100,000	22,579
No. of environmental investments and loans: cases (over 3 years)	3,000	415

Long-Term Management Guideline

	Guideline	9/2018
ROE	5% or higher	(FY end forecast) 2.88%

Progress in the 31st Long-Term Management Plan ①

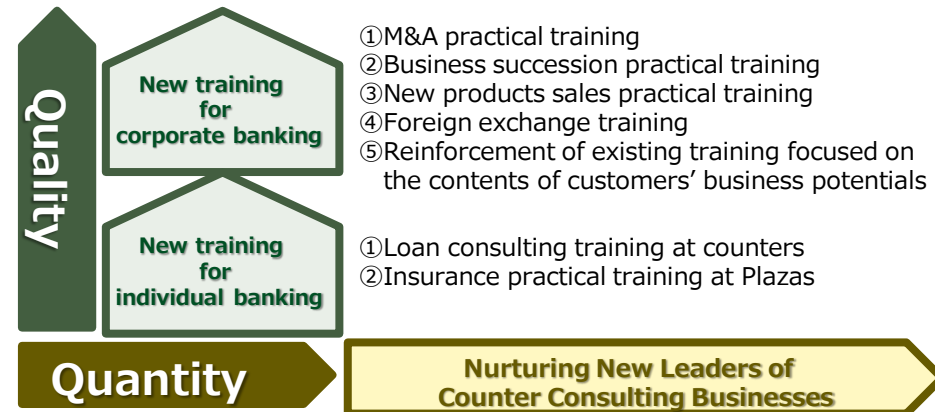
Theme① Strengthening and Expansion of “Face-to-Face Sales” in Order to Realize Customer Profits

Providing financial services most suited to customer needs

Nurturing Human Resources for the Coexistence of “Quality” and “Quantity”

(Quality) Review of training programs of staff in charge of corporate/individual customers to reinforce their consulting skills

(Quantity) Nurturing 500 staff to take charge of consulting businesses at counters by adding new training



Enhancing Both “Quality” and “Quantity”

New Small Office ~“Hachini-no-Madoguchi (Hachini’s Desk)”~



Hachini-no-Madoguchi (the Bank's first branch located in a supermarket) opened in November 19 .

- Operation staff: 1 ~ 2 staff
- ATMs: deposit/withdrawal, and transfer
- Original tablets: other transactions such as account opening, change of registered items

Providing New Transaction Styles

Progress in the 31st Long-Term Management Plan ②

Theme② Expansion of Investment in Developing “Human Resources” and More Opportunities for Their Active Participation

Creating personnel system focused on each staff’s growth and worthwhileness of working

Abolition of 55 Years Old Retirement System of Managerial Posts

Age limit system of managerial post was abolished in July 2018.

Clarifying expected roles of over 55 years old staff, thereby utilizing their experience values for staff training and revitalization of the Bank



Work Style Unconstrained by Age

Appointment of Sales Assistant Staff to Managerial Posts



Sales assistant staff can take managerial posts in July 2018.

Staff having ability and desire can exert their utmost efforts by getting more opportunities, contributing to regional community.

Work Style Unconstrained by the Occupation Type

Progress in the 31st Long-Term Management Plan ③

Theme③ Reform of Sales Promotion Structure and Operational Processes

Reinforcement of counter sales structure by increasing operational efficiency
Improving customers' convenience by using automation and self-services

Introduction of RPA

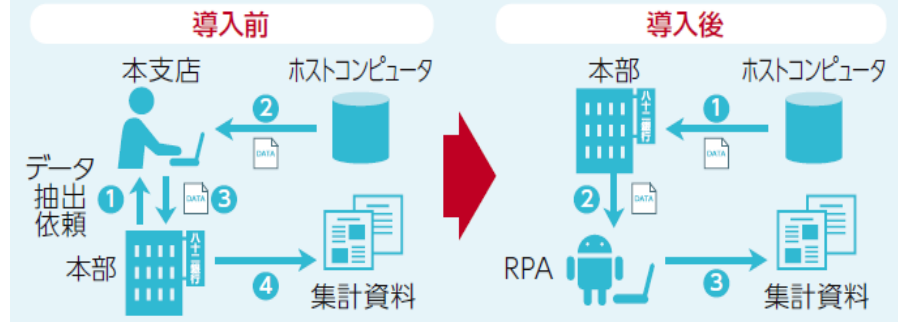
RPA※ is used for making of loan-related documents, routine work such as data extraction/aggregation.

The range of using RPA will be expanded to promote the automation in business operation.

※Using robot technology incorporated in software, RPA automated routine work and enhanced business efficiency.

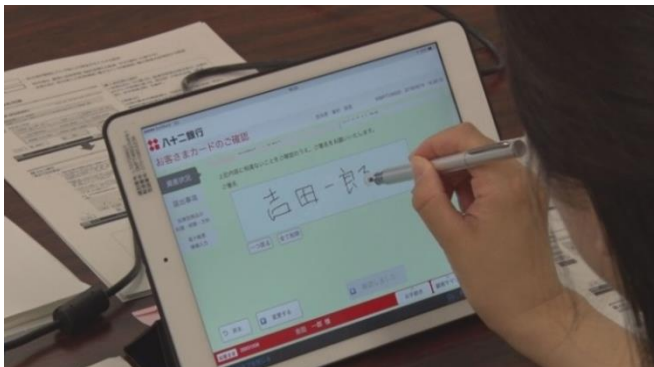
Saved 5,000 or more hours/a year

集計・報告業務におけるRPA導入事例



Creating More Time for Consultation With Customers

Introduction of Tablet Terminals



Application/cancellation of investment trusts,
 application of life insurance

➤ Paperless process

By using tablet terminals, transactions are completed more easily and speedily.

Reduction of Customers' Burden

Progress in the 31st Long-Term Management Plan ④

Deepening of Environmental Management

Top level in
Japanese banks

Comprehensive rating “B (management)” in CDP 2017

The 1st company
in Nagano Pref.

The 2nd “Eco-First Company” in the Banking Industry (Aug 2018)

The Bank’s advanced environmental conservation efforts; high level of the FY2030 reduction target of GHG emissions, continued biodiversity protection such as forest maintenance work called “Hachijuni-no-Mori” activities and extermination of bur cucumber

Challenge target

- GHG emissions of FY2030 :
30% reduction compared to
FY2013



Launch of “Car Loan (Eco-Type)” (Aug 2018)

“Car loan (eco-type)” was launched as a renewal version of “Car loan eco-merit”, mainly provided to customers using eco-car tax break. The amount of 0.1% of the loan (average balance of the first year) is donated to Nagano Association for Conserving Environment※ through the Bank. That donation is used for CO2 reduction in Nagano Prefecture and the prevention of global warming.

※The association in which public sector and private sector cooperates in promotion of global warming protection

