
The 52nd Information Meeting

November 30, 2023



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

Overview of Hachijuni Bank

Company name	THE HACHIJUNI BANK, LTD.
Head office	Nagano City, Nagano Prefecture
Date of establishment	Aug 1st, 1931
Branch network	Domestic 151 (in Nagano: 131, outside Nagano: 20) Overseas Branches: 2 (Singapore, Hong Kong) Representative offices: 2 (Shanghai, Bangkok)
No. of employees	3,072 (+31 from 3/2023)
Capital stock	¥52.2bn
Issued shares	513,767 thousand shares ※Increased 22,664 thousand shares by issuing new shares at share exchange in Jun 2023
Total assets	¥13,487.2bn (+4.65% from 3/2023)
Net assets	¥878.4bn (+5.14%)
Deposits	¥8,244.7bn (+0.71%)
Loans	¥6,273.8bn (+1.91%)
Total capital ratio (Basel III)	Consolidated: 16.77% (-1.59% from 3/2023) Non-consolidated: 16.86% (+0.31%)
Ratings	S&P Global Ratings : A- R&I : A+ JCR : AA

As of Sep 30, 2023

Topics

- ◇Jun 1st Business integration with the Nagano Bank
- ◇Oct 1st Merged in Hachijuni System Development Co., Ltd.



Head Office of Hachijuni Bank



Head Office of Nagano Bank

<For reference> Overview of Nagano Bank

Company name	THE NAGANO BANK, LTD.
Head office	Matsumoto City, Nagano Prefecture
Branch network	53 (in Nagano: 52, outside Nagano: 1)
No. of employees	633
Total assets	¥1,105.8bn
Net asset	¥21.5bn
Deposits	¥1,075.1bn
Loans	¥690.5bn

As of Sep 30, 2023

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1 . Outline of 1H FY2023 Financial Results

Outline of 1H FY2023 Financial Results

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◆ Consolidated (¥100mn)	9/2022	9/2023	YoY
Consolidated gross business profit	479	524	45
Profit on interest	377	413	36
Profit on fees & commissions	85	92	7
Trading profit	6	1	-5
Profit from other business transactions	10	16	6
General & administrative expenses	281	316	34
Credit related expenses	18	10	-7
Gains/losses related to stocks	58	16	-42
Gains/losses on money held in trust	-13	-6	7
Ordinary profit	204	170	-33
Extraordinary gains/losses	-13	168	182
Gain on negative goodwill	—	173	173
Profit attributable to owners of parent	131	264	133

◆ 3/2024 Forecast (consolidated) (¥100mn)

Ordinary profit	210 (-138 YoY)
Profit attributable to owners of parent	270 (+29 YoY)

◇ Profit on interest

¥3.6bn increase YoY due to higher profit at Hachijuni Bank and new consolidation of Nagano Bank Group, etc.

◇ Ordinary profit

¥3.3bn decrease YoY, mainly due to a decrease in profit at Hachijuni Bank.

◇ Profit attributable to owners of parent

¥13.3bn increase YoY due to gain on negative goodwill of ¥17.3bn, resulting from business integration.

※The three Nagano Bank Group companies are included in the consolidated results only for the three-month period from Jul to Sep due to their consolidation as new consolidated subsidiaries.

Please refer to page 21 and 22 for Nagano Bank's results.

Review of 1H FY2023 Financial Results

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◆ Non-consolidated (¥100mn)		9/2022	9/2023	YoY	3/2024 Plan
Gross business profit (A)		422	434	12	851
Profit on interest		376	385	8	743
Profit on fees & commissions		52	51	-1	106
Profit from other business transactions		-8	-3	5	-3
Gains/losses related to bonds (B)		-17	-14	2	-24
G&A expenses (C)		263	269	5	540
Actual net business profit (A-C)		158	165	6	310
Core net business profit (A-B-C)		176	180	4	335
Excl. gains/losses on cancellation of investment trusts		197	191	-6	—
Transfer to general reserve for possible loan losses (D)		4	-1	-5	-1
Net business profit (A-C-D)		154	166	12	310
Temporary profit/losses	Gains/losses related to stocks (E)	58	16	-42	67
	Gains/losses on money held in trust (F)	-13	-5	7	-5
	Disposal of NPL	12	4	-7	21
Ordinary profit		179	148	-30	330
Extraordinary gains/losses		-11	0	12	14
Gains/losses on disposal of non-current assets		1	0	-0	—
Impairment losses		13	0	-13	—
Profit		117	109	-7	240
Profit/losses related to securities (B+E+F)		27	-4	-32	37
Credit related expenses		17	3	-13	19

◇ Core net business profit

Increased by ¥0.4bn YoY due mainly to an increase in profit on interest despite an increase in expenses (personnel and non-personnel costs).

◇ Ordinary profit

Decreased by ¥3.0bn YoY due to a decrease in gains/losses related to stocks, despite a decrease in credit related expenses.

◇ Profit

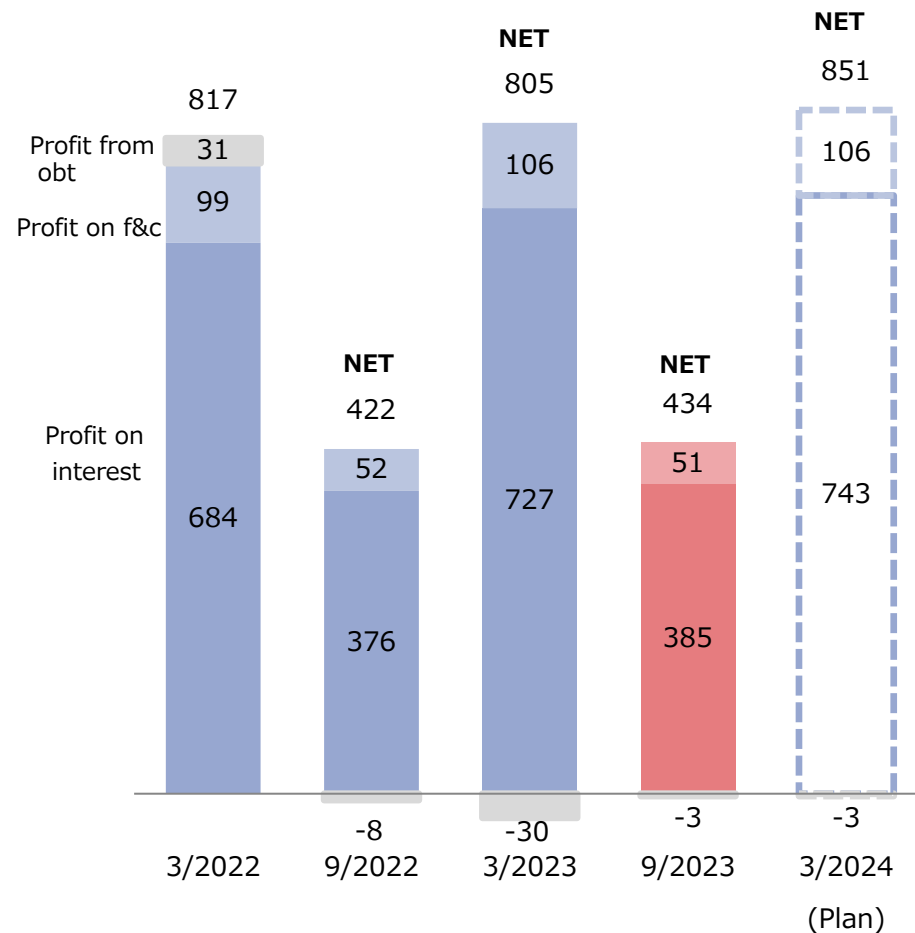
Decreased by ¥0.7bn YoY due to a decrease in ordinary profit, despite a smaller extraordinary losses (impairment loss of ¥1.3bn was recorded in 9/2022).

Gross Business Profit

- Gross business profit increased by ¥1.2bn YoY due to increases in profit on interest and profit from other business transactions.

◆ Gross Business Profit

(¥100mn)



◆ 9/2023 Increase/Decrease Factors (¥100mn)

	9/2022	9/2023	YoY
Profit on interest	376	385	8
Of which gains/losses on cancellation of investment trusts	-21	-10	11
Profit on fees & commissions	52	51	-1
Profit from other business transactions	-8	-3	5
Of which gains/losses related to bonds	-17	-14	2

Profit on Interest

- Despite an increase in foreign currency funding costs, profit on interest increased by ¥0.8bn YoY due to higher yields on loans and securities in the international operations and an increase in the balance of loans and securities.

◆ Profit on interest (¥100mn)	3/2022	9/2022	3/2023	9/2023
	684	376	727	385
Interest on loans	419	231	497	291
Domestic	396	197	395	201
International	22	34	101	90
Interest & dividends on securities	268	179	365	241
Domestic	182	110	220	135
International	86	69	145	106
Interest on deposits	-5	-10	-28	-22
Domestic	-2	-1	-1	-0
International	-3	-9	-26	-21
Interest payment on swaps, etc.※	-33	-38	-106	-103
Domestic	-19	-8	-18	-11
International	-14	-29	-88	-91

※Interest on interest swaps, interest payables under repurchase agreements, interest on payables under securities lending transactions, and other interest were included.

◆ Yield (%)	3/2022	9/2022	3/2023	9/2023
Yield on loans	0.72	0.76	0.81	0.93
Domestic	0.71	0.68	0.68	0.67
Excl. loans to the Japanese govt.	0.77	0.83	0.89	0.88
International	0.88	2.26	3.26	5.62
Yield on securities	0.99	1.55	1.64	1.92
Domestic	0.81	1.18	1.22	1.33
International	1.79	3.14	3.37	4.44
Funding costs	0.03	0.09	0.15	0.28
Domestic	0.01	0.01	0.01	0.01
International	0.31	1.30	2.10	3.93
Interest margin of international operations※	9/2022	9/2023	YoY	
Loans	0.96%	1.69%	0.73%	
Securities	1.84%	0.51%	-1.33%	

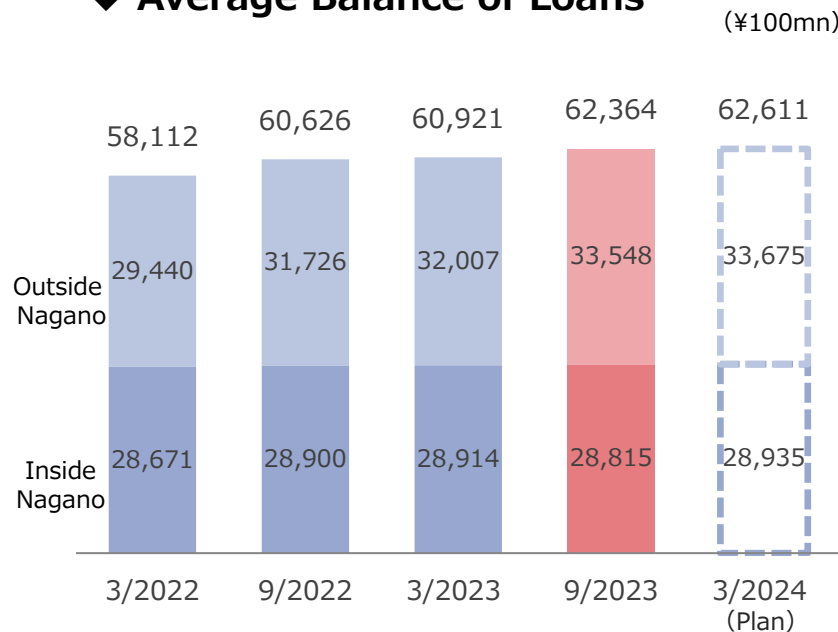
※Interest margin was the difference between yield and funding costs.

Loans/Deposits

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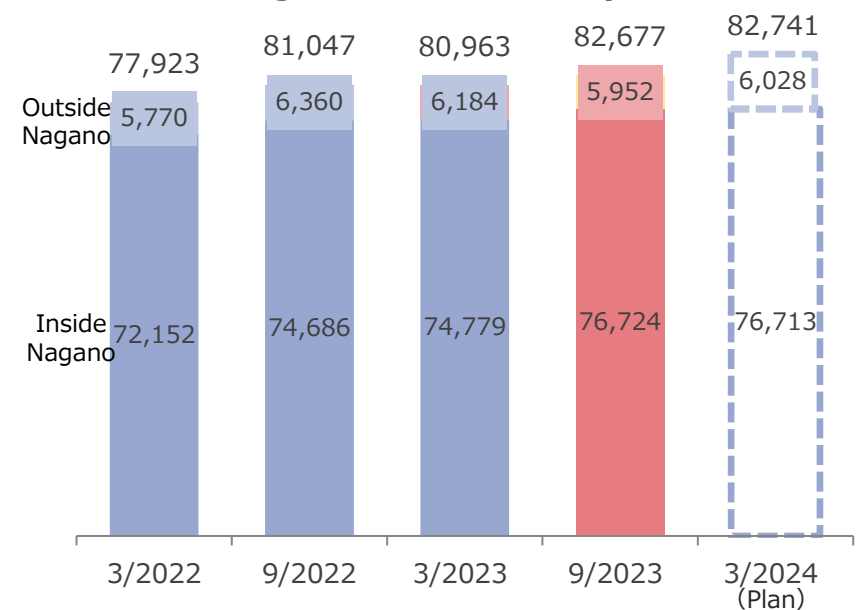
- While the annual percentage rate of in-prefecture loans were negative due to the repayment of zero-zero loans, intensified competition for housing loans, and a decrease in the amount of bonds issued by local governments and intensified competition, loans outside of the prefecture remained strong, mainly in large cities, and overall loans maintained a positive annual growth rate.

◆ Average Balance of Loans (¥100mn)



Inc/Dec ratio (YoY : %)	3/2022	9/2022	3/2023	9/2023	3/2024 (Plan)
All offices	3.47	7.09	4.83	2.86	2.77
Outside Nagano	4.79	13.10	8.71	5.74	5.21
Inside Nagano	2.14	1.19	0.84	-0.29	0.07

◆ Average Balance of Deposits (¥100mn)



Inc/Dec ratio (YoY : %)	3/2022	9/2022	3/2023	9/2023	3/2024 (Plan)
All offices	6.14	4.63	3.90	2.01	2.19
Outside Nagano	7.82	4.53	7.17	-6.41	-2.52
Inside Nagano	6.00	4.64	4.20	2.72	2.58

Business Loans

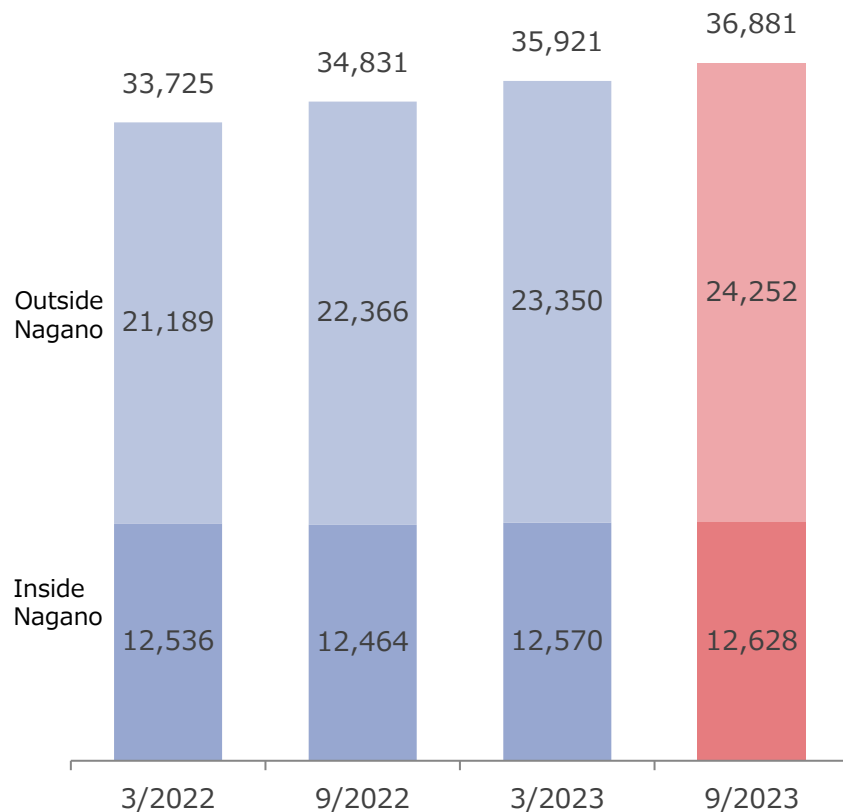
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- The balance increased due to the resumption of capital expenditures that had been pending due to the COVID-19 pandemic and increased demand for working capital.
- Although the number of customers had been on an increasing trend until the previous period as we focused on supporting customers affected by the COVID-19 pandemic, it decreased as repayments progressed due to the resumption of economic activities following the lifting of restrictions, etc.

◆ Business Loans by District

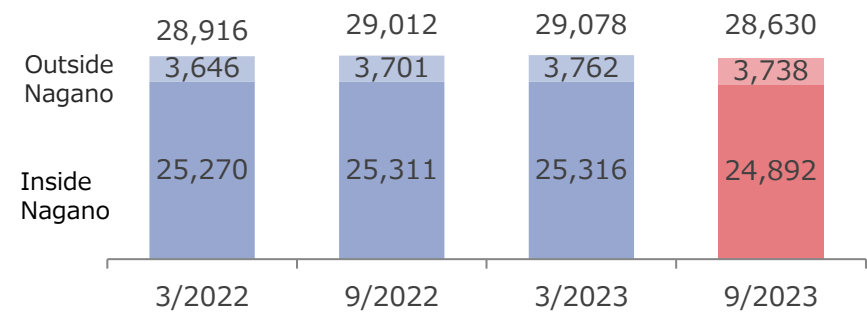
(Outstanding balance)

(¥100mn)



◆ No. of Customers by District

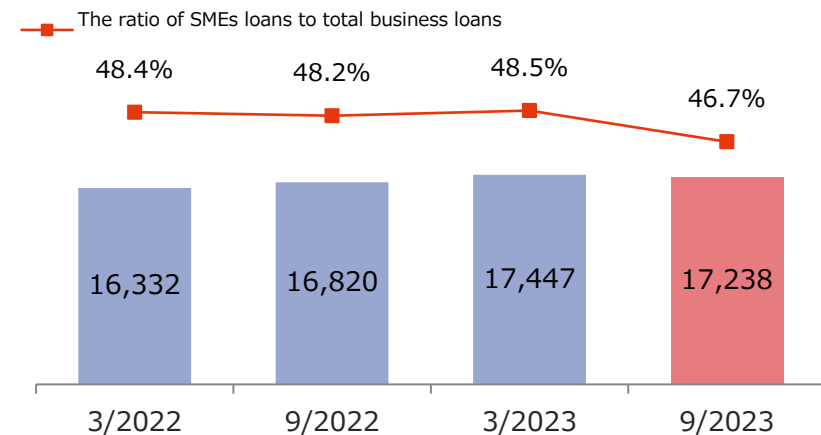
(No. of customers)



◆ Business Loans for SMEs※

(Outstanding balance)

(¥100mn)



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

Personal Loans

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- Despite a decrease in new loan executions due to a decline in housing starts caused by rising home acquisition prices and other factors, the loan balance reached a new record high.

◆ Personal Loans

(Outstanding balance)

(¥100mn)



◆ New Increase in Housing-Related Loans

(¥100mn)

	9/2022	9/2023	YoY
New increase	718	606	-112
Floating-rate (ratio)	597 (83.2%)	584 (96.4%)	-13 (13.2%)
10-year fixed rate (ratio)	106 (14.8%)	17 (2.9%)	-89 (-11.9%)

Profit on Fees & Commissions

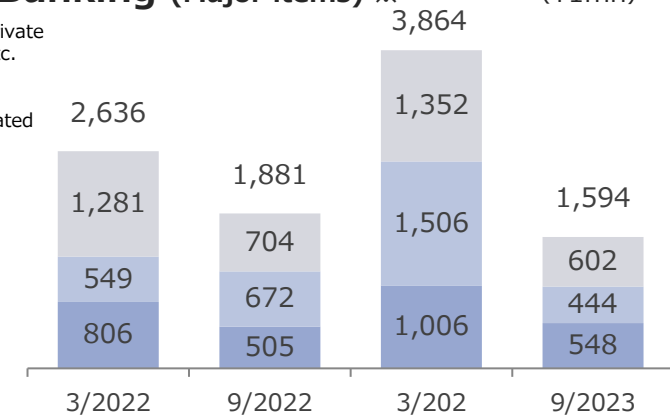
12

- Profit on fees & commissions decreased by ¥0.1bn YoY to ¥5.1bn due to a decrease in syndicated loan related commissions and an increase in mortgage payment insurance premiums, despite increases in consulting related commissions, and investment trust and insurance agency commissions.

(¥100mn)		3/2022 Full year	9/2022	3/2023 Full year	9/2023	3/2024 Plan
Profit on fees & commissions		99	52	106	51	106
Fees & commissions		178	91	182	93	187
<Major items>	Deposit/loan business	80	44	89	45	—
	Exchange business	55	25	51	25	—
	Securities-related business	22	9	17	10	—
	Agency business	9	5	12	5	—
Fees & commissions payment		78	38	76	41	80
<Major items>	Fees related to payment loans	57	29	57	32	—
	Exchange business	9	3	6	3	—

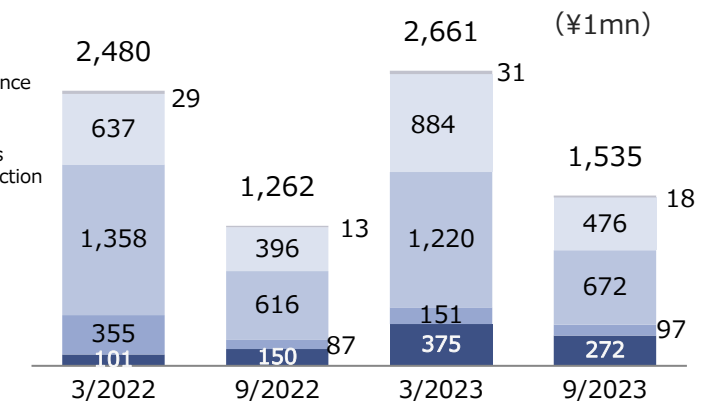
◆ Corporate Banking (Major items) ※ (¥1mn)

- Syndicated loans, private placement bonds, etc.
- Derivatives-related
- M&A, consulting-related



◆ Personal Banking (Investment type products) ※ (¥1mn)

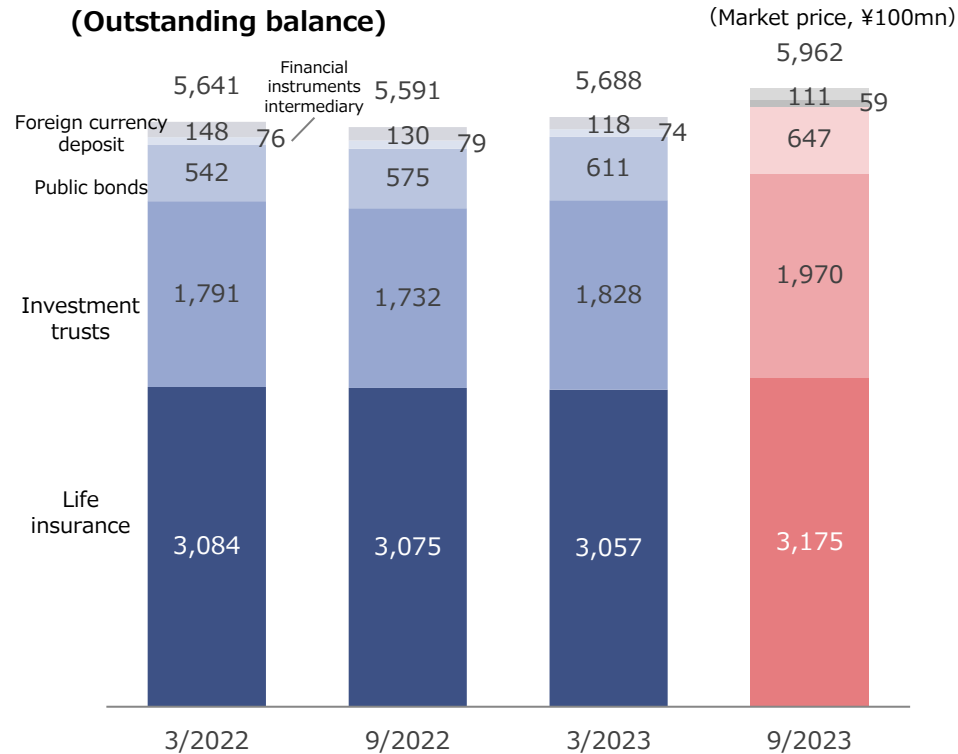
- Public bonds
- Life & non-life insurance
- Investment trusts
- Financial instruments intermediary/introduction
- Foreign currency deposits



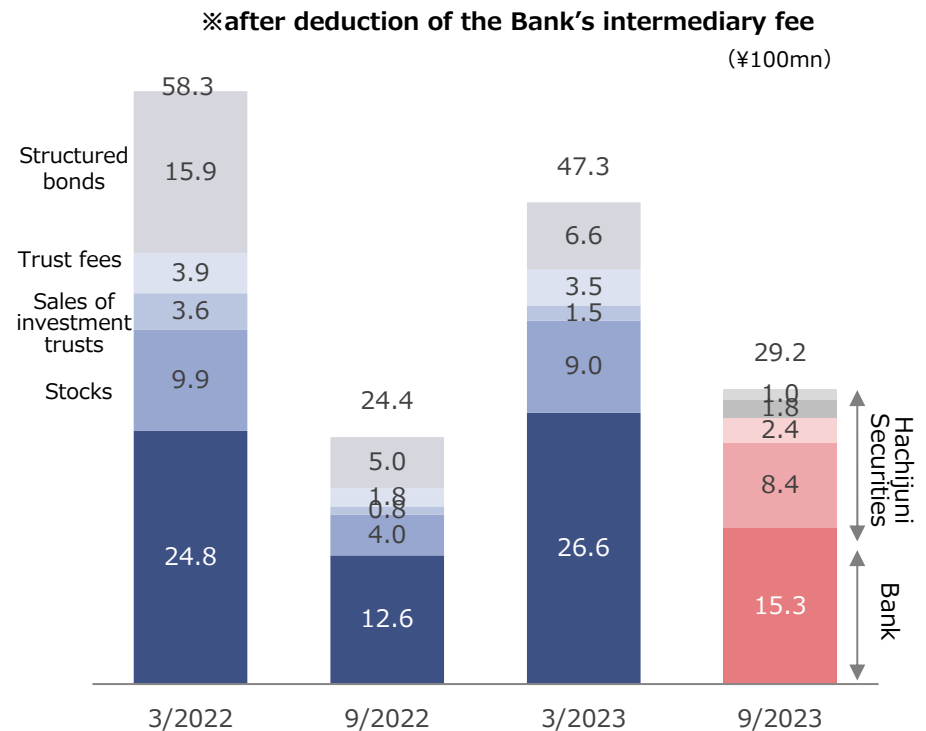
※Incomes from consulting business in each field were shown in the above figures. Incomes other than “profit on fees & commissions” such as “profit from other business transactions” were also included.

Investment-Type Related Income

◆ Investment Type Products of Personal Banking (Outstanding balance)



◆ Investment Type Income (Bank + Hachijuni Securities)



◆ Investment Trust Accumulation

	3/2022	9/2022	3/2023	9/2023	3/2024 (Plan)
No. of accounts	48,785	51,914	54,599	57,752	60,752
Tsumitate NISA	23,132	26,010	28,822	32,083	35,083
Monthly installments (¥1mn)	1,478	1,555	1,597	1,716	1,866

◆ Offering investment trust accumulation as an effective means of asset building to many customers.

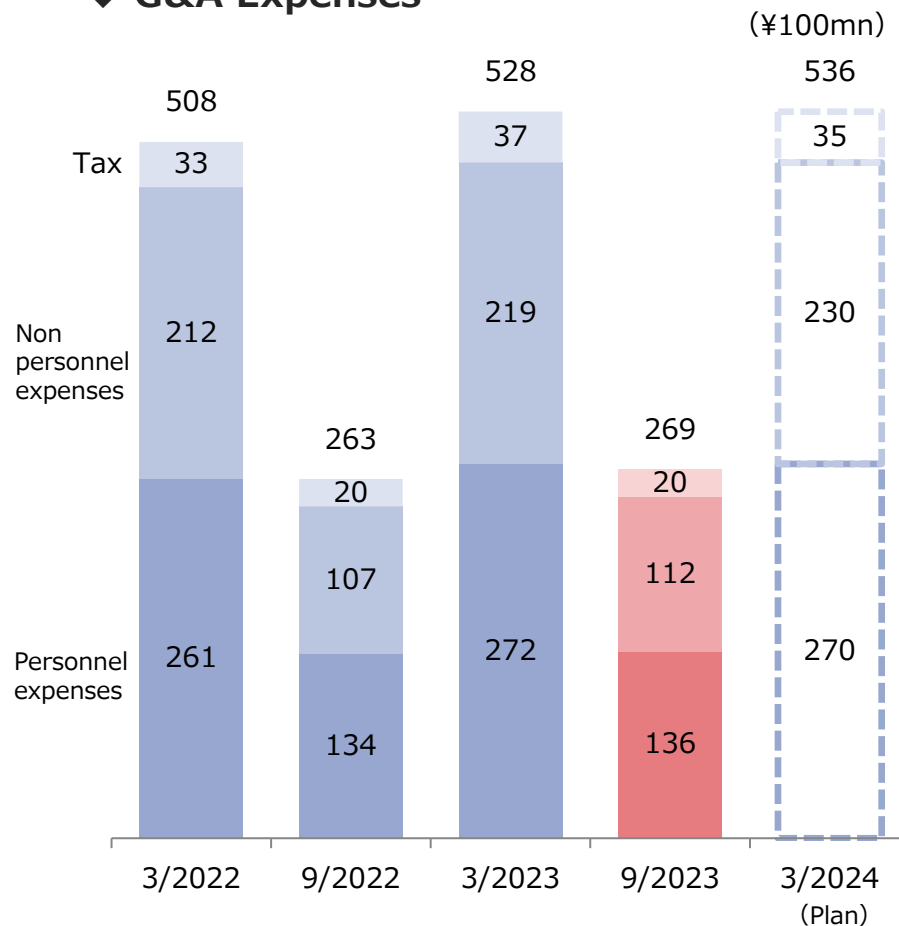
The number of accounts of the "Tsumitate NISA" keeps one of the highest in Japan supporting by campaigns such as the "NISA Start Campaign" and "Tsumitama" campaigns.

General & Administrative Expenses

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- Non personnel expenses increased ¥0.5bn YoY due to an increase in depreciation expenses from system investment and new banknote support, as well as an increase in advertising expenses.
- Personnel expenses increased due to the revision of the personnel system, which resulted in a review of compensation.

◆ G&A Expenses



◆ Main Factors of Increases in Expenses

(¥100mn)

	9/2022	9/2023	YoY	Main factors
Non personnel expenses	107	112	5	<ul style="list-style-type: none"> • Increase in depreciation expenses • Increase in advertising expenses • Increase in communication and transportation expenses
Personnel expenses	134	136	1	<ul style="list-style-type: none"> • Updated compensation structure as a result of personal system revision

◆ Investment Amounts

(¥100mn)

	3/2023	9/2023	3/2024 (Plan)
Investment amounts	37	23	57
Main investments	<ul style="list-style-type: none"> • Introduction of office365 • New construction of ZEB branches • Renewal of systems 	<ul style="list-style-type: none"> • Adaptation of ATMs/equipment to new banknotes • Renewal of PC, etc. 	<ul style="list-style-type: none"> • Adaptation of ATMs/equipment to new banknotes • Renewal of systems

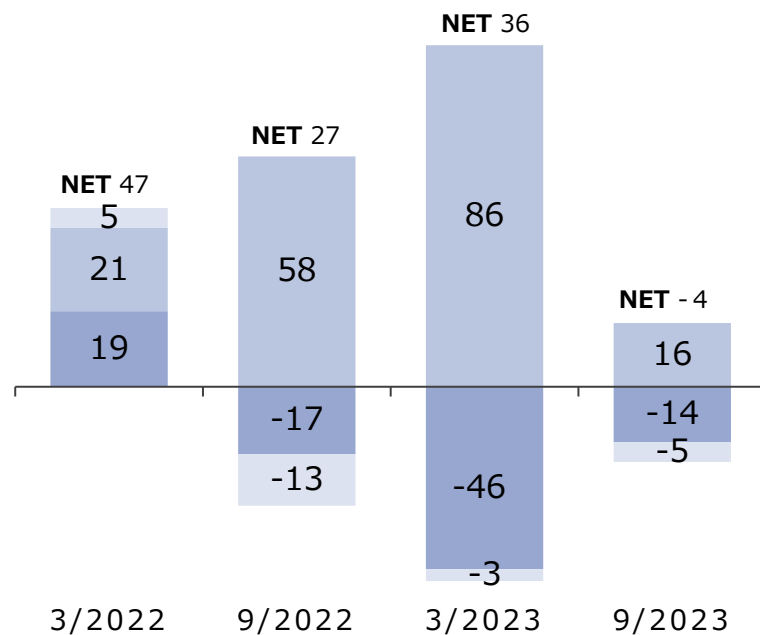
Profit/Losses Related to Securities

- Although valuation losses on bonds and other securities (foreign bonds, investment trusts, etc.) increased due to rising domestic and foreign interest rates, overall valuation gains on securities increased due to gains on hedging by swaps and higher gains on stocks resulting from rising domestic stock prices compared to 3/2023.

◆ Profit/Losses Related to Securities

(¥100mn)

- G/L on money held in trust
- G/L related to stocks
- G/L related to bonds



◆ Valuation Gains/Losses on Securities

(¥100mn)

	3/2022	9/2022	3/2023	9/2023
Stocks	3,915	3,308	4,165	4,632
Strategic holdings	3,405	2,810	3,698	4,103
Bonds	-55	-320	-280	-564
Others	-32	-266	-73	-186
Total	3,826	2,721	3,811	3,881
Valuation G/L on interest rate swap with hedge	255	534	322	660
NET	4,081	3,255	4,133	4,541

Market Investment (Foreign Currency-Denominated Bonds)

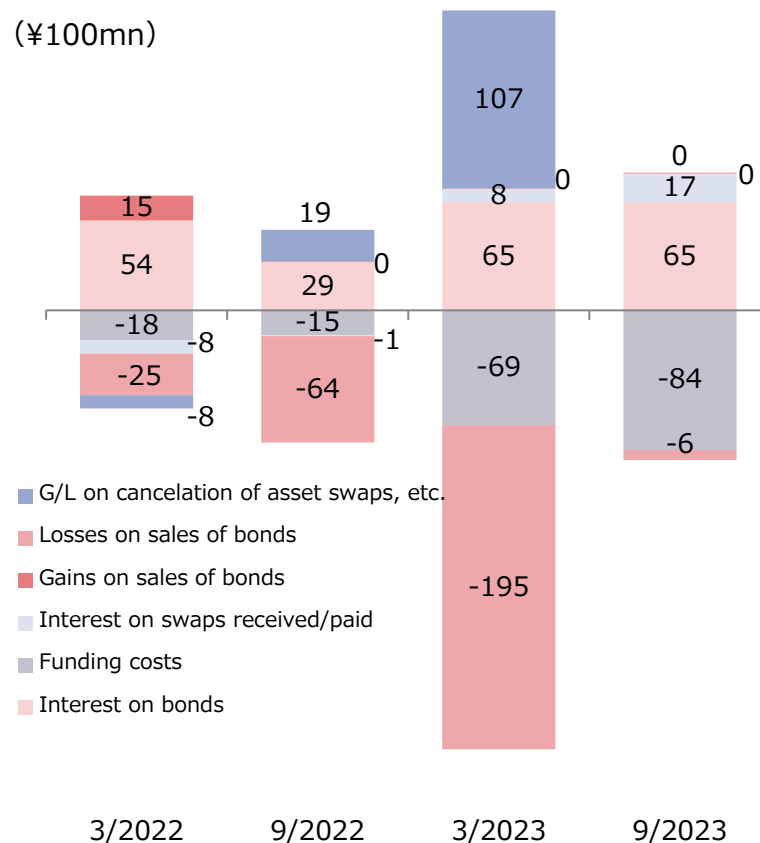
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- We curbed fixed-rate bonds and invested mainly in floating-rate bonds to avoid increased valuation losses and negative spread risk, resulting in a total realized loss of ¥0.7bn.

◆ Profit/Losses

Total realized P/L	9	-31	-82	-7
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(¥100mn)



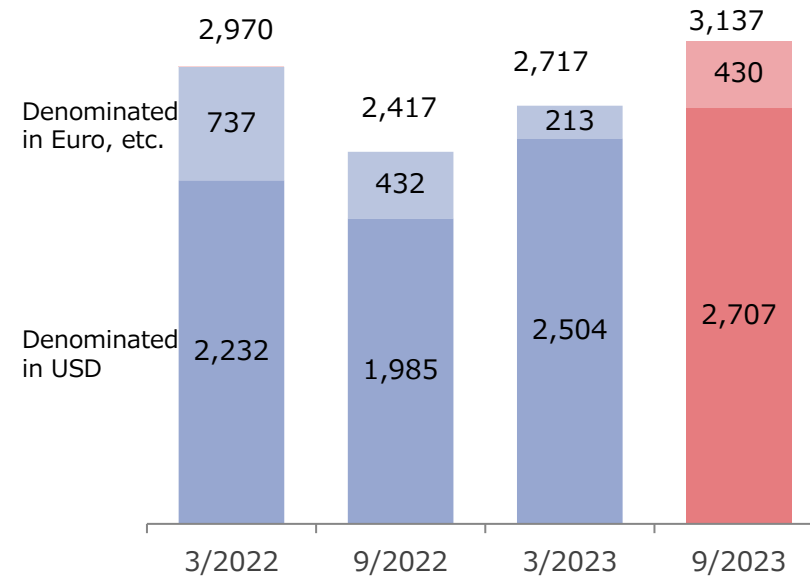
◆ Change in Valuation G/L and Balance

(Outstanding balance)

Valuation G/L before hedge	-127	-295	-123	-274
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Valuation G/L after hedge	-41	-106	-48	-74
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(¥100mn)



※ Figures are based on ALM accounting and differ from the figures published in the financial statements.

Change in Outstanding Balance of Securities

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- While focusing on domestic bonds, we intend to restructure our portfolio by deepening diversified investments based on macro and financial trends to secure stable interest and dividend income and flexible trading profits.

※ Figures are based on ALM accounting and differ from the figures published in the financial statements.

(Based on acquisition cost: ¥100mn)	3/2022	9/2022	3/2023	9/2023	Direction
Domestic bonds	17,920	15,386	16,663	17,903	→
JGBs	8,256	6,820	5,703	5,208	
Municipal bonds	3,076	2,409	3,417	4,199	
Public bonds, corporate bonds, etc.	5,953	5,527	6,783	7,745	
Beneficiary interest in trust	635	630	760	741	
Domestic stocks	1,016	1,001	985	1,013	→
Domestic investment trusts, etc.	2,315	2,684	2,791	2,952	→
Foreign bonds	3,098	2,713	2,842	3,412	→
Foreign stocks	44	14	12	17	→
Foreign investment trusts, etc.	366	440	351	438	→
Total	24,758	22,238	23,645	25,735	
Domestic bonds duration	3.09 years	3.58 years	3.79 years	3.61 years	

1H FY2023 efforts

2H FY2023 efforts

Bonds	<ul style="list-style-type: none"> ◇ Domestic bonds Purchased mainly short- to medium-term municipal and corporate bonds. Sold very long-term bonds to reduce risk. ◇ Foreign bonds Purchased mainly floating-rate bonds such as CLOs, asset swap bonds, etc. 	<ul style="list-style-type: none"> ◇ DB: In a phase of a further rise in domestic bond interest rates, we will seek to increase the balance, mainly in long-term bonds. ◇ FB: While purchasing mainly floating-rate bonds such as CLOs and asset swap bonds, etc. in order to curb the negative spread, we will also consider purchasing fixed-rate bonds in a phase of a further rise in interest rates.
Stocks	◇ Secured earnings through flexible trading, mainly of domestic stocks.	◇ Securing earnings through flexible trading, mainly of domestic stocks.
Investment trusts, etc.	◇ Expand diversification into J-REITs, investment trusts, etc.	◇ Expanding diversified investments in J-REITs, equity-related and currency-related mutual funds, and alternative areas, while keeping a close eye on market conditions.

Credit Related Expenses

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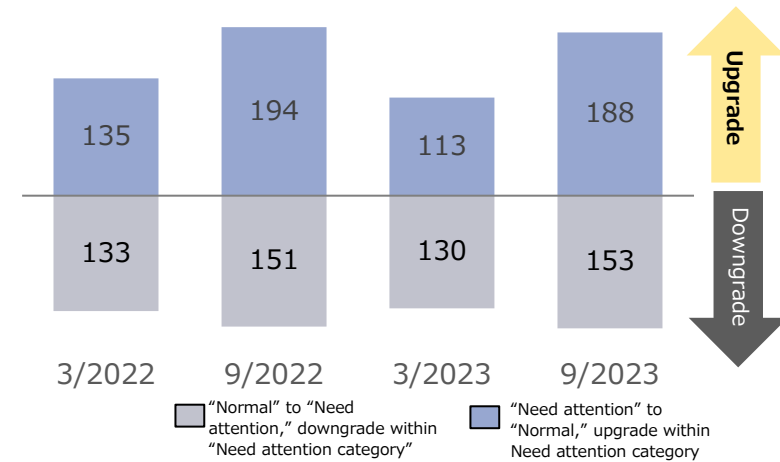
- Credit related expenses decreased by ¥1.3bn YoY, partly due to upgrades in the ranks of the borrowers as a result of improved business conditions.
- We expect about ¥1.6bn of credit related expenses in 3/2024.

◆ Credit Related Expenses

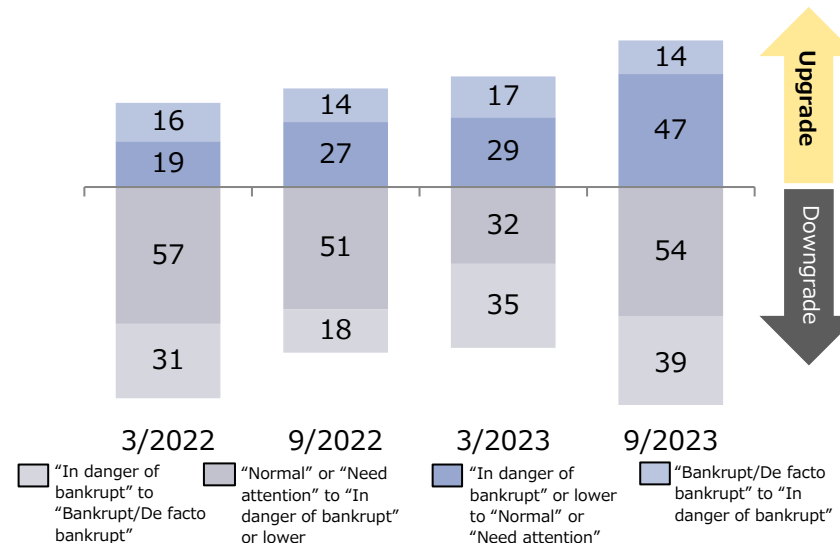
(¥100mn)	3/2022	9/2022	3/2023	9/2023	3/2024 (Forecasts)
Transfer to general reserve for possible loan losses	-19	4	9	-1	-0
Disposal of non-performing loans	39	12	32	4	16
Credit related expenses total	19	17	41	3	16
Factors of large borrowers (More than ±¥1.0bn impact)	12	21	31	0	—

◆ No. of Upgrade/Downgrade

〈General Reserve〉



〈Disposal of NPLs (Specific Reserve)〉



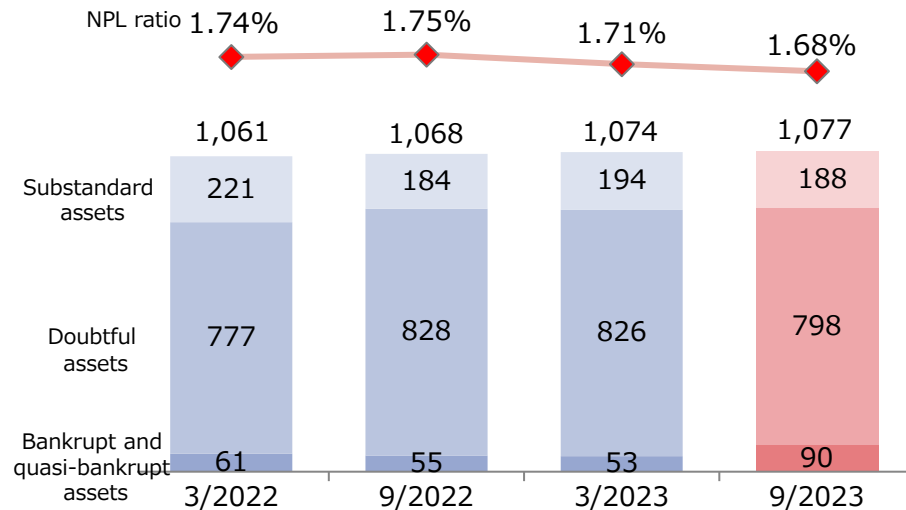
Non-Performing Loans, Reserve for Loan Losses

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◆ Non-Performing Loans

(¥100mn)

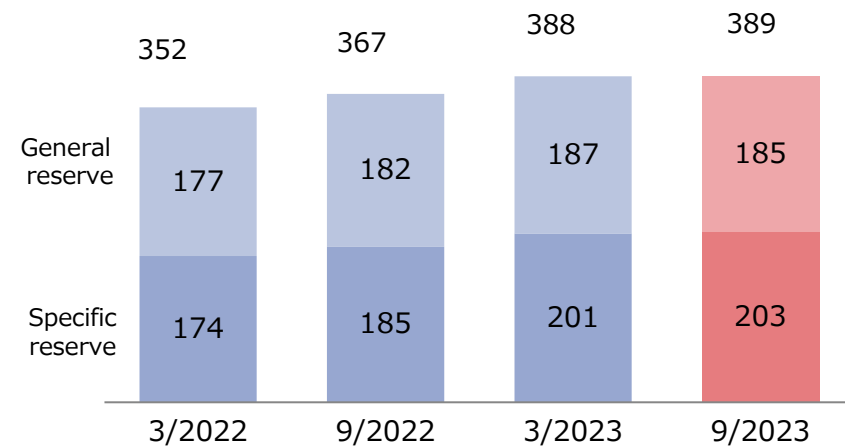
※Disclosure based on the Financial Revitalization Law



(¥100mn)	3/2022	9/2022	3/2023	9/2023
Substandard assets	221	184	194	188
Doubtful assets	777	828	826	798
Bankrupt and quasi-bankrupt assets	61	55	53	90
Total	1,061	1,068	1,074	1,077
NPL ratio	1.74%	1.75%	1.71%	1.68%

◆ Reserve for Loan Losses

(¥100mn)



(¥100mn)	3/2022	9/2022	3/2023	9/2023
General reserve	177	182	187	185
Normal	65	68	70	73
Need attention	67	62	61	55
Special attention	44	50	54	57
Specific reserve	174	185	201	203
In danger of bankrupt	154	167	185	160
Bankrupt/De facto bankrupt	19	17	15	43
Total	352	367	388	389

Shareholder Returns and the Reduction Plan of Strategic Shareholdings

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- Numerical targets for reduction was set based on the Bank's policy of strategic shareholdings in line with the intent of the Corporate Governance Code.

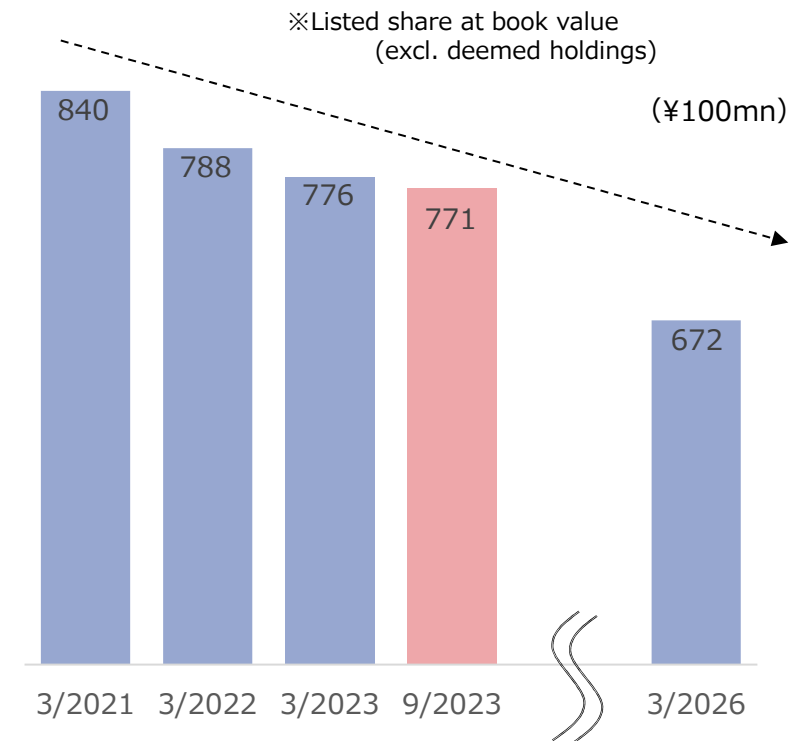
Reduction target: 20% reduction from 3/2021 (at the start of Medium-Term Management Vision)

◆ Shareholder Returns

(¥100mn)	3/2022	3/2023	3/2024 (Plan)	9/2023 (For reference)
Annual dividends ①	78	95	98	Interim dividend 49
Dividend per share (full year)	¥16.0	¥20.0	¥20.0	—
Interim dividend	¥6.0	¥10.0	¥10.0	¥10.0
Purchase of own shares ②	—	100	100	25 *
Shareholder returns ③ = ① + ②	78	195	198	74
Profit (consolidated) ④	266	241	270	Interim profit 91※
Dividend payout ratio (consolidated) ① ÷ ④	29.3%	40.0%	36.4%	53.6%
Ratio of shareholder returns (consolidated) ③ ÷ ④	29.3%	80.9%	73.3%	81.6%

※Excl. gains on negative goodwill

◆ Reduction Status of Strategic Shareholdings



Topics

- ① Revised medium-term management targets, with annual dividends of at least ¥20 (record high) through FY2025
- ② On Aug 25, the Bank decided to repurchase its own shares (up to ¥10bn and 12,500,000 shares) and is currently in the process of doing so.

* Total value of shares repurchases as of Oct 31: ¥5.1bn

Outline of Group Companies Financial Results

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Company name	Investment ratio (the Bank + subsidiaries)	9/2022 (¥1mn)		9/2023 (¥1mn)		Special remarks
		Ordinary profit	Net profit	Ordinary profit	Net profit	
Hachijuni Securities Co., Ltd.	100.0%	10	-189	171	127	Increase due to strong sales of stocks and other securities backed by firm stock market conditions
Hachijuni Lease Co., Ltd.	100.0%	582	404	309	214	Decrease due to increase in credit costs, etc. despite increase in lease and other sales
Hachijuni Card Co., Ltd.	100.0%	59	39	62	37	Decrease due to higher expenses, despite increase in transaction volume
Hachijuni Credit Guarantee Co., Ltd.	100.0%	1,173	772	962	634	Decrease due to decrease in guarantee fee income and increase in credit-related expenses, etc.
Hachijuni System Development Co., Ltd.	100.0%	48	32	84	52	Increase due to higher outsourcing fee income
Hachijuni Capital Co., Ltd.	41.0%	55	44	78	62	Increase due to higher interest and dividend income from securities holdings
Hachijuni Staff Service Co., Ltd.	100.0%	-5	-4	7	3	Increase mainly due to higher revenues in the placement and recruiting business
Yamabiko Services Co., Ltd.	99.0%	21	20	-31	-41	Decrease due to a decrease in collection of transferred receivables and increase in credit costs, etc.
Hachijuni Auto Lease Co., Ltd.	100.0%	508	334	450	296	Decrease due to decrease in gain on sales of vehicles and increase in credit costs, etc.
Hachijuni Asset Management Co., Ltd.	100.0%	31	20	58	39	Increase due to trust fees from managed funds, etc.
Hachijuni Investment Co., Ltd.	100.0%	33	21	23	15	Decrease due to the increase in expenses
Hachijuni Link Nagano Co., Ltd.	100.0%	—	—	-10	-11	Established in Oct 2022. Deficit shortly after establishment.
The Nagano Bank, Ltd.	100.0%	816	578	-3,651	-11,341	Decrease due to increase in credit costs, etc. resulting from change in accounting treatment associated with business integration
The Nagagin Leasing Corporation	88.1%	87	59	-51	-84	Decrease due to increase in credit costs resulting from change in accounting treatment
Nagano Card Co., Ltd.	95.0%	-14	-7	-20	-63	Decrease due to higher credit costs, impairment loss on fixed assets, etc.

Outline of Nagano Bank Financial Results

Recorded in consolidated financial statements

(¥100mn)	Apr~Jun 2023	Jul~Sep 2023	Apr~Sep 2023	YoY
Gross business profit (A)	21	26	48	-5
Profit on interest	26	26	52	-2
Profit on fees & commissions	0	0	1	0
Profit from other business transactions	-4	0	-5	-2
Gains/losses related to bonds (B)	-5	-0	-6	-4
General & administrative expenses (C)	24	23	48	1
Actual net business profit (A-C)	-3	2	-0	-7
Core net business profit (A-B-C)	2	3	6	-2
Excl. gains/losses on cancellation of investment trusts	2	3	6	-1
Transfer to general reserve for possible loan losses (D)	5	-0	5	5
Net business profit (A-C-D)	-9	2	-6	-12
Gains/losses related to stocks (E)	4	3	7	6
Gains/losses on money held in trust (F)	0	-0	-0	-0
Disposal of NPL	34	2	36	37
Ordinary profit	-39	2	-36	-44
Extraordinary gains/losses	-58	-5	-64	-64
Profit	-83	-30	-113	-119
Profit/losses related to securities (B+E+F)	-1	1	0	1
Credit related expenses	40	2	42	42

◇Gross business profit (-¥0.5bn YoY)

- Profit on interest
Decreased by ¥0.2bn YoY due to the decrease in interest and dividends on securities in the domestic sector, etc.
- Gain/losses related to bonds
Decreased by ¥0.6bn due to the decrease in gain on sales, etc.

◇Ordinary profit (-¥4.4bn YoY)

- Credit related expenses
Increased by ¥4.2bn YoY as reserve for loan losses increased due to alignment of self-assessment standards, etc. with those of the Bank following the business integration.

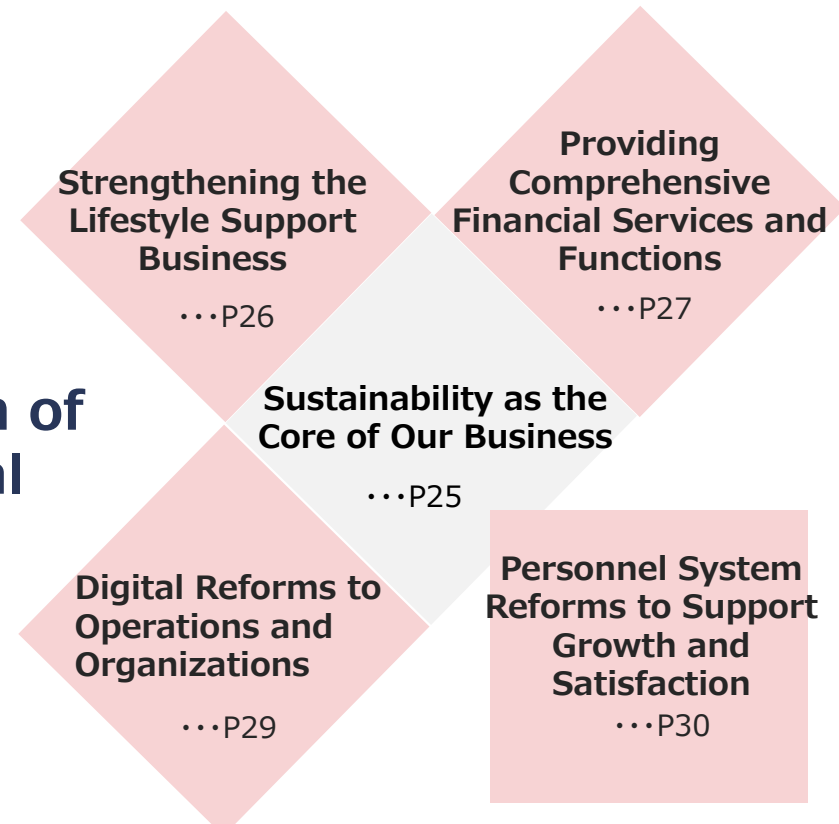
◇Profit (-¥11.9bn YoY)

- Extraordinary gains
Decreased by ¥6.4bn YoY as impairment losses of ¥4.1bn were recorded due to the Bank's standards for impairment losses on fixed assets.
Allowance for estimated losses of ¥2.3bn due to future system contract cancellations as a result of system integration.

2. Status of Medium-Term Management Initiatives

Medium-Term Management Vision 2021

Supporting Our Customers and Regions Through the Combination of Financial Services, Non-financial Services, and Relationships



Medium-Term Management Targets (Changed on Aug 25, 2023)		Targets	1H FY2023 results
Annual dividend target	From FY2023 through FY2025 Annual dividend of at least ¥20 per share for each fiscal year		Interim dividend per share : ¥10
Greenhouse gas (CO2) emissions	①FY2023 : Net zero ②FY2030 : 60% reduction compared to FY2013		①Achieved ②Scheduled to be achieved by the end of FY2023

Status of Medium-Term Management Initiatives

25

Sustainability as the Core of Our Business

Greenhouse Gas (CO2) Emissions : Achieved Net Zero for the First Time in the Banking Industry

- We achieved carbon neutrality one year ahead of schedule by introducing energy-efficient power generation, expanding the number of ZEB stores, increasing the use of CO2-free electricity produced in Nagano, and acquiring Nagano Prefecture-derived carbon credits.

◆ Greenhouse gas (CO2) emissions (Scope 1, 2)

Targets	1H FY2023 results
①FY2023 : Net zero	①Net zero achieved
②FY2030 : 60% reduction compared to FY2013	②Scheduled to be achieved by the end of FY2023 (44.9% reduction compared to FY2013)

Supporting Customer Sustainability Initiatives

- We provide services that support our customers' SDGs and sustainable initiatives.

◆ SDGs Initiatives Support Services

Feb 2023 (services started) ~ Sep 2023 results

Number of contracts signed: 2,220

◆ Sustainable Finance

Targets	1H FY2023 results
FY2021 ~ FY2030 Cumulative total : ¥1.5tn (Environmental fields: ¥1tn)	FY2021 ~ 1H FY2023 Cumulative total : ¥514.7bn (Environmental fields: ¥251.5bn)

Social Contribution Activities

- "Hachijuni no Mori" activity
We have resumed the "Hachijuni no Mori" activity, which had been suspended due to the COVID-19 pandemic. This activity aims to conserve forests in Nagano Prefecture by picking bamboo grass, thinning trees, etc.
- Terraced rice field conservation activities (90th anniversary project)
In Jun 2023, our executives and employees planted rice in terraced rice paddies in Inakura, Ueda City, and Obasute, Chikuma City. Harvested rice was donated to a volunteer-run cafeteria for children.
- Donation by personal car loan eco-type
A portion of interest earned from customers is donated to environmental conservation organizations.



Status of Medium-Term Management Initiatives

26

Strengthening the Lifestyle Support Business

Smartphone App. "Wallet+"

- "Wallet+" (started in Jul 2022) not only allows users to check the balances and statements of their registered accounts, but also enables monthly account balance management and segregated deposit management through a dedicated account.
- It also offers convenient non-financial services such as point services and delivery of coupons that can be used in the community.

«No. of cumulative total users as of the end of Sep 2023» **86,588 cases**



Strengthen Consulting Functions for Individuals

- To meet a wide range of needs based on each customer's life plan, we offer specialized plazas for inheritance and insurance, as well as trust products and services for individuals.

Dedicated channel		Cumulative total		
		Cases	1H FY2023 results	Income (¥1mn)
Hachijuni Insurance Plaza	It has been established within the Showadori Branch in partnership with PG Friendly Partners, Inc. This is the first insurance consulting base in Japan to be jointly operated by an insurance agency and a bank. Opened in Aug 2022			
	«Aug 2022 ~ Sep 2023 results» No. of consultations: 731 (completed contracts: 297 cases)			
Hachijuni Inheritance Consultation Plaza	The Inheritance Consultation Center is located within the Head Office Sales Department. Opened in Dec 2022			
	«Dec 2022 ~ Sep 2023 results» 102 seminars, 110 individual consultations			
Trust products and services for individuals				
	Relay of hearts	89	12	
Trust services for individuals	Longevity and peace of mind	54	18	
Started in Oct 2021	Testamentary trusts	111	33	144
	Estate arrangement services	19	10	
Real estate small-lot products		372	100	223

Status of Medium-Term Management Initiatives

Providing Comprehensive Financial Services and Functions

Strengthen Consulting Functions for Corporate Customers

➤ Results of utilizing grants, M&A, syndicated loans, funds, etc. is as follows.

◆ Assistance in applying for Business Restructuring Subsidies (from Mar 2021)

As a result of supporting customers with an eye on post pandemic, we have achieved one of the highest number of adoptions among regional banks in Japan.

	1 st round	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	Total
No. of application	150	104	139	129	133	75	69	48	55	41	943
No. of adoption	68	46	69	67	68	54	42	23	29	31	497
Adoption rate	45.3%	44.2%	49.6%	51.9%	51.1%	72.0%	60.8%	47.9%	52.7%	75.6%	52.7%
Amount of grant decision (¥1mn) (Fee-charged consulting)	1,085	766	650	422	306	127	※720	※363	※374	※960	5,773

※ The amount of the grant decision for the 7th and subsequent rounds is an estimated amount, as the grant application is in process.

◆ M&A

	3/2022	9/2022	3/2023	9/2023
No. of contract companies	10	10	17	4
Income (¥1mn)	145	106	203	135

◆ Syndicated loans

	3/2022	9/2022	3/2023	9/2023
Amount of originated by the Bank (¥100mn)	308	533	365	103
Income (¥1mn)	429	556	542	406

※Income included commitment fees.

◆ Business funds

	Agriculture	Growth support	Growth support No.2	Reconstruction support	Sustainability No.1	Total
Investment results (¥1mn) (Fund amount)	227 (1,000)	314 (500)	375 (500)	2,050 (4,195)	5,197 (30,000)	8,163 (36,195)

Status of Medium-Term Management Initiatives

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Providing Comprehensive Financial Services and Functions

Strengthening Group Functions and Expanding the Base

Strengthening functions	Hachijuni Link Nagano Co., Ltd	Regional trading company business: Participation in overseas exhibitions (Export EXPO, FoodJapan, etc.). Exporting Japanese sake, fruits and vegetables, etc. «1H results» No. of support customers: 84, 9 contracts Electric power business : On-site PPA contracts «1H results» No. of deal information: 105, 1 contract
	Hachijuni Investment Co., Ltd	Support by "Hachijuni Sustainability No. 1 fund" (¥30bn) Since its establishment in Jan 2022, the company has invested mainly in business succession projects, an important management issue for local companies. «Results as of the end of Sep, 2023» Cumulative total of investment: ¥5.1bn (business succession: ¥4.3bn, venture etc.: ¥0.8bn)
	Hachijuni Asset Management Co., Ltd.	Improving the Group's operational performance Since the fund operation started in Apr 2022, we have strengthened our market management capabilities in cooperation with the Bank. «Total asset under management as of the end of Sep 2023» ¥64.7bn
	Hachijuni Staff Service Co., Ltd.	Diversify placement and intermediary functions Responding to a wide range of local human resource needs that are becoming increasingly diversified, including the introduction of human resources for management, foreign workers, and intermediary services for side/concurrent jobs. «1H results (Bank cooperation cases)» 52 contracts (side or concurrent jobs: 9), Leading Human Resources Matching Project: 23 (including 8 cases of side or concurrent jobs), overseas human resources intermediation: 25 cases, 3 contracts
	Hachijuni Card Co. Ltd.	Development of credit cards for corporate customers Develop credit card proposals for corporate customers, including various accounting systems, based on compliance with invoice and electronic bookkeeping laws. «1H acquisition results» 2,919 customers
	Hachijuni Lease Co., Ltd.	Promote leasing that contributes to sustainable finance Promote leases that contribute to decarbonization by utilizing subsidies from ESG leasing promotion projects, etc. Expand new carbon-neutral commercial products such as EVs. «Sustainable finance 1H results (by utilizing leases)» Contract amounts: ¥2.0bn, 513 contracts
	Nagano Economic Research Institute	Consulting to support application for "Nagano Prefecture SDGs Promotion Company Registration System" Support for SDGs initiatives «1H results» 14 contracts
Expanding the base	The Nagano Bank, Ltd.	Provided support to Nagano Bank customers as part of the Business Co-Creation Project by offering the functions of the Bank's group companies Began providing services and functions such as temporary staffing and placement by Hachijuni Staff Service and various consulting services by Nagano Economic Research Institute.

Status of Medium-Term Management Initiatives

29

Digital Reforms to Operations and Organizations

Data Warehouse and AI Initiatives

- The DWH, which centrally manages the Bank's data, and DataRobot, a platform for building AI, enable the in-house production of AI models.

◆DWH (Data Warehouse)

Centralized management of all data held by the bank in chronological order over a long period of time. Customer transaction histories and other data are analyzed and used to develop effective sales strategies. Each of the Judan-kai banks has already introduced this system as a joint version of the Judan-kai system.



**In-house production of
AI model**

◆DataRobot (Decision-making AI)

A machine learning platform that can perform data analysis and future prediction using AI. Multiple algorithms are automatically executed to build highly accurate machine learning models in a short time.

Case Studies of Business Reform Using DWH and AI

Themes	Status	Outline of implementation	Effects
Product promotion (Marketing)	Nov 2021 ~ present	Predicts and proposes products that meet customer needs for a variety of products.	3 to 5 times more effective than conventional methods
Forecasts of business conditions changes (Credit control in the process)	Jul 2022 ~ present	Early identification of changes in business conditions of business partners and prompt support.	Faster and more sophisticated support for customers
Online lending (New credit screening)	Apr 2023 ~ present	Building an AI screening model that determines risk based on historical account transfer data.	AI screening for quicker response to screening and reduction of materials to be submitted
Suspicious transaction detection (Risk management)	Jan 2023 ~ Currently testing	Our proprietary fraudulent transaction detection model based on analysis of past suspicious transactions and suspicious tactics.	Detects transactions undetectable by conventional methods, preventing the occurrence and expansion of damage
Business streamlining (Generative AI)	Oct 2023 ~ present	Started using Chat-GPT and other generated AI for internal bank operations after eliminating risks.	Dramatically improve productivity of bank operations

Status of Medium-Term Management Initiatives

30

Personnel System Reforms to Support Growth and Satisfaction

Develop Long-Term Personnel Policy

- In Jun 2023, we formulated a long-term personnel policy to develop human resources with high added value. We will work to develop human resources and their environment toward the image of human resources demanded by customers.

Long-Term Personnel Policy

Human resource development

In order to achieve self-fulfillment through autonomous career development and to fulfill our corporate purpose through the execution of our management strategies, we will utilize the diverse values and characteristics of our employees and support them in developing a versatile range of skills.

Creating an environment for human resource development

We will foster an organizational environment rich in diverse thinking and a customer-focused mindset as a foundation for developing in-demand human resources.

Necessary Employee Characteristics

Established Strength

Enterprising Spirit

Thinking and Acting Independently

Initiatives to Improve Engagement

- An engagement survey was conducted in May 2023, resulting in a total engagement score of 3.88 and a positive response rate of 73.9%. Going forward, we will continue to engage in dialogue with staff members and continue organizational improvement activities that will lead to improved job satisfaction.

	Score	Positive response rate
The Bank	3.88	73.9%
Other companies' average(※)	3.63	58.7%

※Engagement survey by Recruit Management Solutions Co., Ltd.

Start Your Time (1-on-1 meeting)

- "Your Time (1-on-1 meetings)" was launched in Jun 2023 to promote the autonomous growth of staff members and improve communication amid diversifying work styles. We aim to revitalize the organization by establishing regular communication opportunities between supervisors and subordinates, and by developing the abilities of each staff member.

Status of Medium-Term Management Initiatives

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Personnel System Reforms to Support Growth and Satisfaction

Human Capital Situation

- Making various efforts to create an organization where every employee can experience growth and satisfaction.

Diversity	Unit	FY2020	FY2021	FY2022	1H FY2023
No. of employees	Person	3,159	3,067	3,041	3,072
No. of female employees	Person	1,461	1,437	1,446	1,476
Ratio of female employees	%	46.2	46.9	47.6	48.0
Average years of employment	Years	15.8	16.2	15.8	15.7
For male employees	Years	17.6	18.0	17.5	17.3
For female employees	Years	13.8	14.0	14.1	13.9
Ratio of women in management positions	%	10.8	11.5	12.5	13.3
Ratio of women in leadership positions	%	18.4	18.6	19.8	20.6
Work-life balance		FY2020	FY2021	FY2022	1H FY2023
Average days of paid leave taken	Days	13.9	14.3	15.9	8.0
Ratio of leave used	%	72.0	74.1	81.5	40.8
Corporate health		FY2020	FY2021	FY2022	1H FY2023
Ratio of employees receiving special health guidance offered	%	49.4	86.4	78.0	—
Ratio of employees with BMI of 25 or more	%	20.5	19.8	18.6	—
Human resources development		FY2020	FY2021	FY2022	1H FY2023
Total annual training hours	Hours	39,431	55,216	73,247	55,559
Average training hours per employee	Hours	12.5	18.0	24.1	18.1

3 . Business Integration

Business Integration

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Purpose of Business Integration

- Hachijuni Bank and Nagano Bank implemented business merger on June 1, 2023. The two banks are engaged in further discussion and consideration to formally merge in FY2025 (planned) with the aim of achieving "the most successful business integration of regional financial institutions in Japan."
- In conjunction with the merger of the two banks, management rationalization and human resource creation will be achieved through the unification of systems and paperwork, and the consolidation of branches. Furthermore, human resources will be reallocated to strategic areas and new business expansion, leading to growth from a medium- to long-term perspective.

◆ Timeline

- Sep 28, 2022 - Execution of the Basic Agreement
- Jan 20, 2023 - Execution of the Share Exchange Agreement and Business Integration Agreement
- Jun 1, 2023 - Business merger
- FY2025 - Formal merger of the two banks (planned)



八十二銀行

長野銀行

◆ Purpose of business integration

Rationalization of management	<ul style="list-style-type: none"> - Unification of systems and paperwork - Consolidation of branches 	<ul style="list-style-type: none"> • Increased management efficiency to create human resources and reduce costs
Creation of human resources	<ul style="list-style-type: none"> - Reallocation of human resources 	<ul style="list-style-type: none"> • Reallocation of human resources will lead to growth from a mid-to long-term perspective
Strengthening profitability	<ul style="list-style-type: none"> - Sharing the know-how of both banks 	<ul style="list-style-type: none"> • Responding to the needs of local customers • Strengthen growth areas (consulting, digital, etc.)

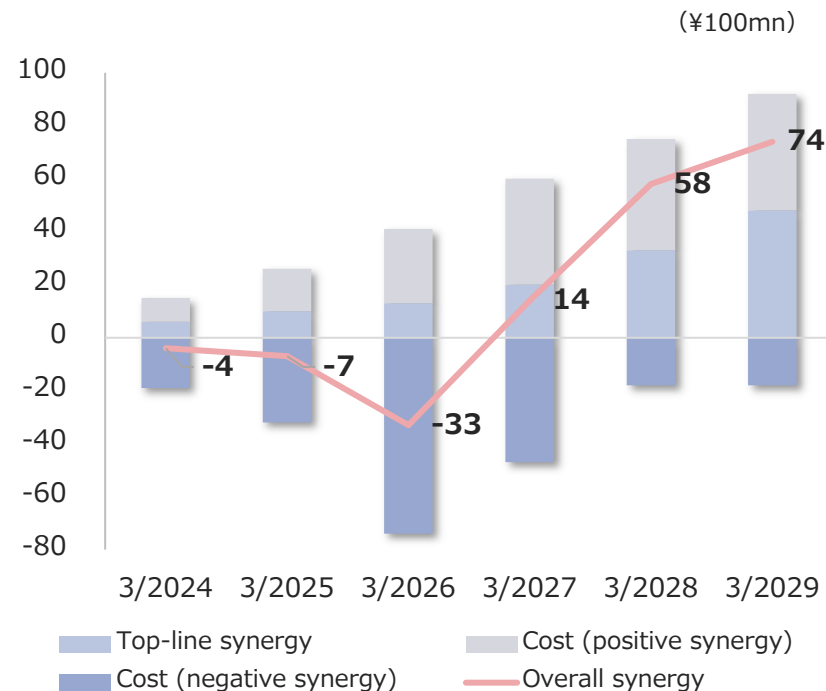
Business Integration

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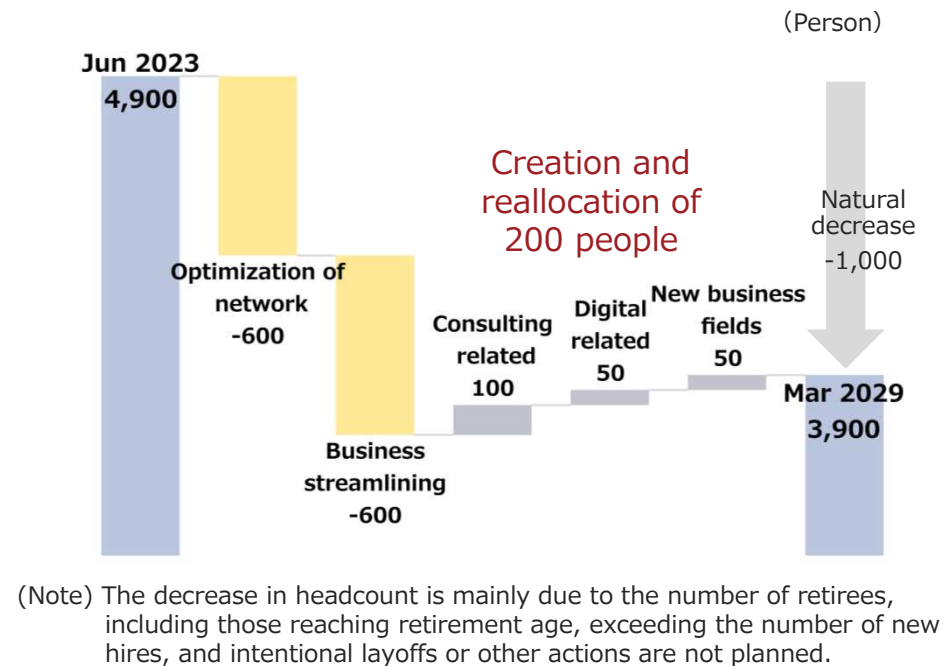
Business Integration Plan

- Before the merger, costs (negative synergies) will precede due to increased expenses related to system integration, but in FY2026, after the merger and beyond, costs (positive synergies) will be fully realized and the overall synergy effect is expected to expand the profit.
- In the six years following the business integration, 200 employees will be reallocated to strategic areas such as consulting and digital, while coping with a significant natural decrease in personnel by store rationalization and operational efficiency improvements.

◆ Overall synergy outlook



◆ Creation and reallocation of human resources



Source: Implementation plan based on the Act on Special Measures for Strengthening Financial Functions

Business Integration

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Progress on Synergies - Efforts Toward Reconciliation

- Both banks are focusing on various efforts, both top-down and bottom-up, to integrate organizational cultures and harmonize their staffs, which will be the basis of the integration.
- ◆ PMI activities by top management
 - Management strategy meetings held 8 times
Hold management strategy meetings on an ongoing basis to discuss ways to enhance corporate value from both financial and non-financial perspectives.
 - Integration Promotion Committee: 12 meetings
The "Integration Promotion Committee," consisting of directors from both banks, was established as a body to discuss important matters for the promotion of business integration and consideration of mergers.
 - Appointed as Director in both banks
Nagano Bank President appointed as Director of Hachijuni Bank and Hachijuni Bank Chairman appointed as Director of Nagano Bank for the purpose of strengthening governance and promoting harmony in preparation for the merger.
 - Message delivered at branch managers' meeting (Oct 2023)
Message from the presidents of the two banks to employees delivered at branch managers' meeting, including the significance of the business integration.
- ◆ Active staff reconciliation
 - Social gatherings between the two banks were held in all districts for the purpose of reconciliation
 - Secondment and dual employment between the two banks
Hachijuni ⇒ Nagano secondment : 1, dual employment : 1
Nagano ⇒ Hachijuni secondment : 7
 - Joint recruiting entity begins recruiting for the 2025 graduates
 - Joint study meeting : 224 times
 - Participation in joint training : 210 employees
 - Joint participation in summer festivals : 998 employees
 - Jointly hold seminars for customers : 151 participants
 - Accompanying visits to business loan clients : 3,311 clients
(Cumulative total since Jun 2023)



Business Integration

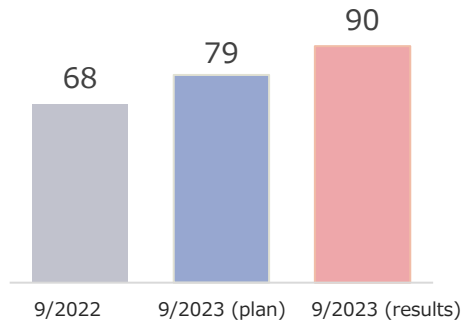
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Progress on Synergies - Co-Creation Efforts

- Upon the business integration, we have set "consulting-related human resources," "efforts to propose various solutions," and "efforts to support management improvement" as KPIs to contribute to the revitalization of the regional economy while demonstrating top-line synergies.
- The "Co-Creation Project" was initiated to support customers by mutually providing consulting functions of the two banks. The "Business Co-Creation Team" and "Financing Co-Creation Team" were formed to strengthen proposals to customers and contribute to KPIs.
- ◆ Co-Creation Project (4 months results after business integration)
 - Business Co-Creation Team
Originated 17 deals for overseas expansion support and syndicated loans. 4 of which have been executed.
 - Financing Co-Creation Team
23 borrowers were selected for joint support by the two banks. 16 of the 23 borrowers have been discussed and moved to the implementation stage.

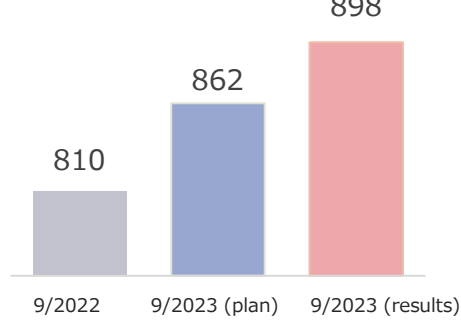
◆ KPIs: Plan/results

Consulting-related human resources
(person)



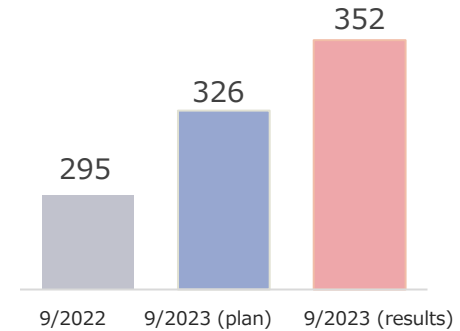
- YoY : 132%
- Compared to the plan : 114%

Efforts to propose various solutions
(cases)



- YoY : 110%
- Compared to the plan : 104%

Efforts to support management
improvement (cases)



- YoY : 119%
- Compared to the plan : 108%

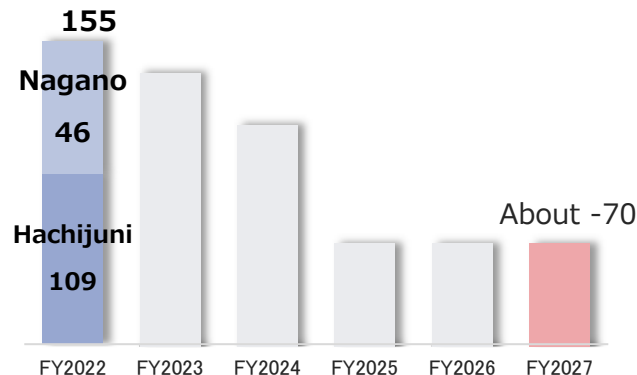
Business Integration

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Progress of Synergy - Branch Consolidation

- The two banks will optimize their branch network while taking customer convenience into consideration. Prior to the merger, the two banks will work to minimize costs by consolidating branches at an early stage and provide higher quality services through the reallocation of management resources.
- In conjunction with the consolidation of branches to be implemented prior to the merger, personnel exchange and paperwork integration will be promoted to achieve smooth integration and maximize synergies at the time of the merger. Some branches will be jointly operated to provide one-stop services of both banks.

◆ Synergies from branch consolidation plan and early implementation



Source: Basic service maintenance plan (Apr 28, 2023)

(Note) Branches outside of Nagano Prefecture are not included.

◆ Future branch consolidation plan

Planning period	Bank	No. of branch integrated ※1
2H FY2023	Hachijuni	4
	Nagano	1 ※ 2
1H FY2024	Hachijuni	4 ※ 3
After FY2024	Currently under consideration by both banks	

Cost minimization



Reconciliation through personnel exchange



Early administrative integration



- ※ 1 Number of branches to be relocated within stores and converted to joint stores
- ※ 2 Joint branching with Hachijuni Bank
- ※ 3 One of the four branches will be jointly operated with Nagano Bank.

4 . Effort to Improve PBR

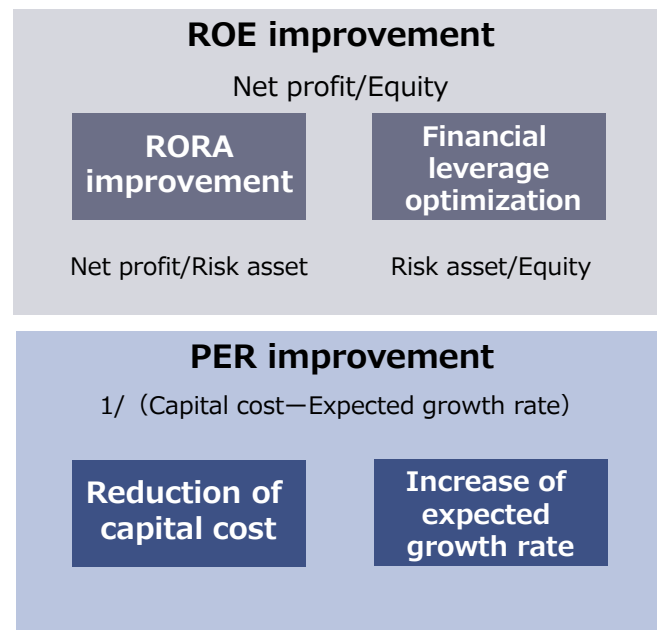
Efforts to Improve PBR

- We will work on both ROE improvement and PER improvement to improve PBR (over 1x).
- We will strive to improve ROE while maintaining a balance between "soundness," "profitability," and "shareholder returns."
- At the same time, we will enhance disclosure of non-financial information to enhance corporate value.

◆ Direction of efforts to improve PBR

$$\text{PBR} = \text{ROE} \times \text{PER}$$

$$\text{PBR} \Rightarrow \text{Over 1x}$$



<Direction of efforts>

Strengthening profitability

Effective capital utilization

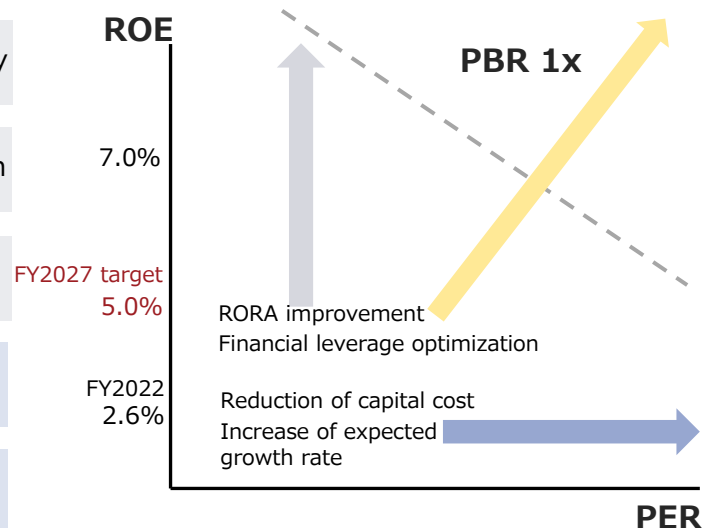
Risk asset control

Enhancement of non-financial capital

Enhanced disclosure

Resolution of materiality

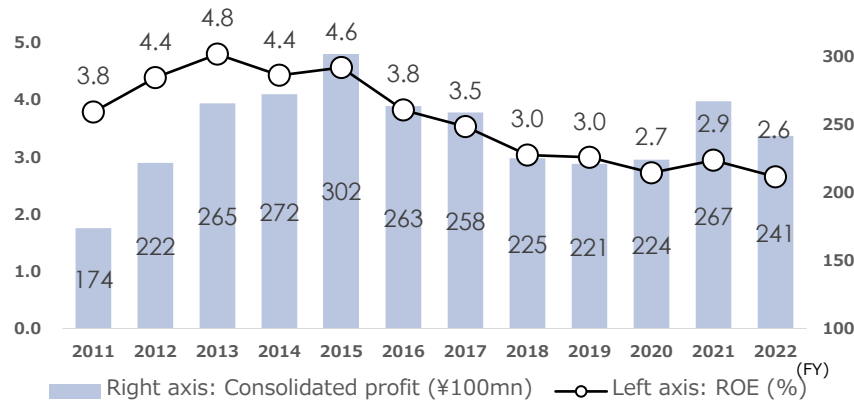
◆ Relation between capital efficiency and expected growth



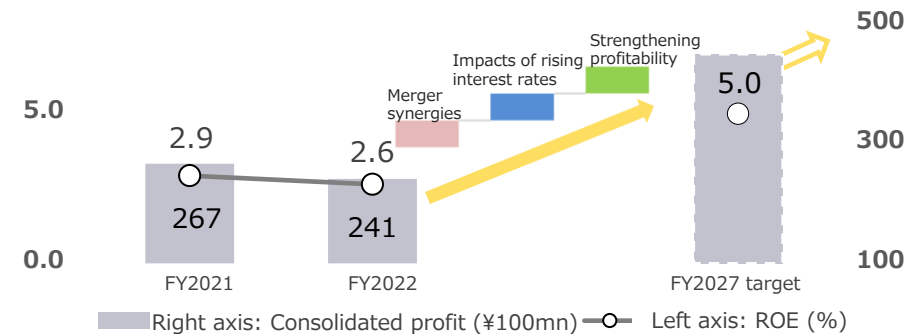
Efforts to Improve PBR

- We aim to achieve ROE of 5% or more by FY2027, and even higher levels (7-8%) in the future.
- By using ROE as a starting point and also working to improve PER, we will work to improve PBR.

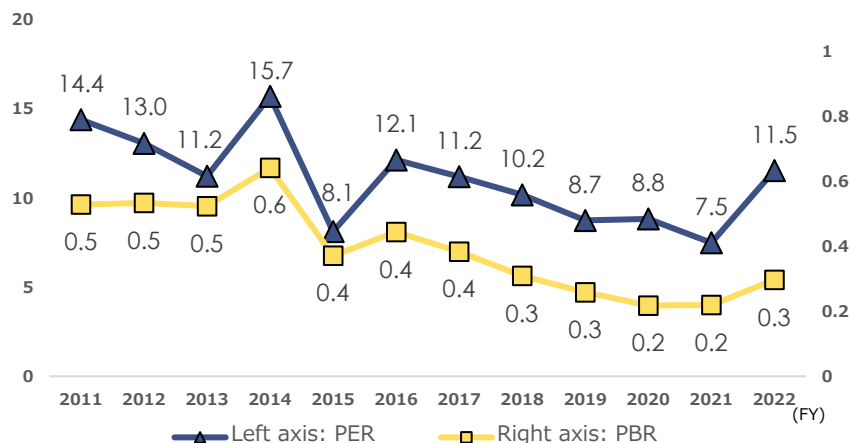
◆ ROE · Consolidated profit



◆ FY2027 target: ROE 5%



◆ PBR · PER



◆ Major initiatives under consideration to improve profitability

Strengthening profitability

- Effective allocation of management resources to growth regions and fields
- Strengthening structured finance initiatives
- Building a portfolio of securities to secure sustainable earnings

Realization of merger synergies

- Top-line synergy
- Cost synergy

Impacts of rising interest rates

<Loans>

- Short-term: Market interest rate-linked loans increase revenue linked to short-term interest rates
- Mid-to long-term: Improved yields on interest rate renewal

<Securities>

- Strengthening investment to capture the timing of rising interest rates
- Continuing to implement asset swaps to prepare for increased valuation losses

Efforts to Improve PBR

◆ Strengthening profitability

【Corporate banking】

- Effective allocation of management resources to growth regions and fields
 - Expansion of investments and loans to regions with growth potential, such as the tourism industry
- Strengthening structured finance initiatives
 - Strengthening the organizational system by increasing personnel, etc., and responding to sophisticated customer needs

【Personal banking】

- Expand personal transactions by utilizing AI and digital channels
 - Strategic promotion to meet diversifying customer needs and expansion of products for digital channels
- Upgrading the use of locations to meet customer needs (specialized stores)
 - Realization of comprehensive consulting services including asset management, insurance, inheritance, etc.

【Sustainability initiatives】

- Expand earnings through initiatives that contribute to regional sustainability
 - Strengthen support for business startups and revitalization through the use of funds
 - Expand group earnings in new areas including regional trading and power supply

【Securities investment】

- Building a portfolio of securities to ensure sustainable earnings
 - Portfolio construction from a mid-to long-term perspective by leveraging unrealized gains
 - Secure stable and flexible earnings by deepening diversified investments, including alternatives, and utilizing derivatives

◆ Realization of merger synergies

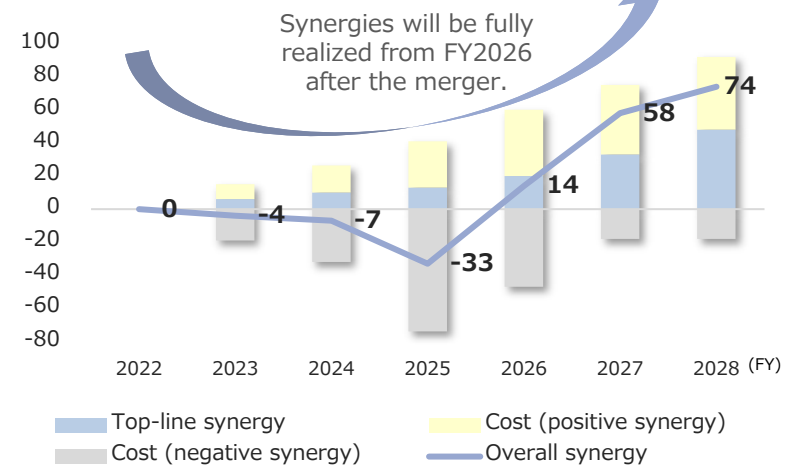
● Top-line synergies

- Increase fees and commissions revenues by reallocating personnel to consulting services (approx. 100 employees)
- Share know-how by consolidating sales personnel and strengthen in-store consultation capabilities by shifting to specialized stores

● Cost synergies

- Reduction of system maintenance investment through system integration
- Reduction of investment in store maintenance through optimization of store network (store consolidation and shift to specialized stores)
- Decrease in allowance for loan losses due to strengthened business improvement support to main customers of both banks

<Overall Merger Synergies Outlook>



Source: Implementation plan based on the Act on Special Measures for Strengthening Financial Functions

Efforts to Improve PBR

◆ Impacts of rising interest rates

<Loans>

- Short-term : 18% of yen-denominated loans are linked to sensitive market interest rates.
- Mid-to long-term : 80% of yen-denominated loans will be subject to interest rate renewal within 3 years.

<Securities>

- Interest rate sensitivity and duration as of the end of Sep 2023
Yen bond 10BPV : -¥6.1bn (incl. hedge)
Duration : 3.5 years (incl. hedge)



<Loans>

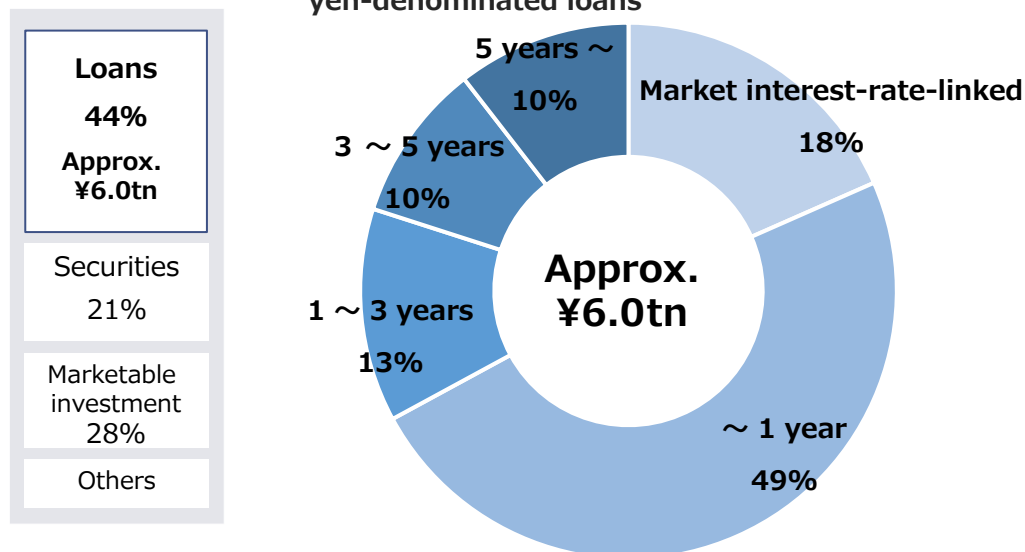
- Market interest-rate-linked loans generate approx. ¥1.0bn in additional income when market interest rates rise by 0.1%.
- Yield improvement is also expected for mid-to long-term loans due to an increase in the base interest rate corresponding to the loan term at the time of renewal.

<Securities>

- Continuing to implement asset swaps to prepare for increased valuation losses while controlling risk volume.
- Strengthening investment in yen bonds in capturing the timing of interest rate hikes, by watching the balance between term and interest rates.

◆ Yen interest rate sensitive assets of Hachijuni Bank (as of the end of Sep 2023)

◆ Interest rate remaining years of yen-denominated loans



◆ Interest rate remaining years on yen bonds

