

# The 53rd Information Meeting

## May 30, 2024



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# Overview of Hachijuni Bank

Company name	The Hachijuni Bank, Ltd.
Head office	Nagano City, Nagano Prefecture
Date of establishment	August 1st, 1931
Branch Network	Domestic: 151 (in Nagano:131, outside Nagano:20) Overseas: 1 Branch (Singapore) 2 Representative Offices (Shanghai, Bangkok) ※Hong Kong Branch closed on Mar 31, 2024.
No. of employees	3,289 (+248 from 3/2023)
Capital stock	¥52.2bn
Issued shares	513,767 thousand shares ※22,664 thousand shares increased due to the issuance of new shares in connection with a share exchange.
Total assets	¥13,711.3bn (+6.39% from 3/2023)
Net assets	¥1,011.7bn (+21.09%)
Deposits	¥8,467.6bn (+3.43%)
Loans	¥6,203.4bn (+0.76%)
Total capital ratio (Basel III)	Consolidated: 20.74% (+2.38% from 3/2023) Non-consolidated: 21.00% (+4.45%)
Ratings	S&P Global Ratings : A- R&I : A+ JCR : AA

As of Mar 31, 2024

## Topics

- We were the first domestic bank to receive the highest "A" rating in CDP's 2023 survey.
- Hachijuni Nagano Bank will be born on January 1, 2026.

※ It is assumed that the amendment to the Articles of Incorporation will be approved at the General Meeting of Shareholders.



〈For reference〉 Overview of Nagano Bank

Company name	The Nagano Bank, Ltd.
Head office	Matsumoto City, Nagano Prefecture
Branch network	Domestic: 53 (in Nagano: 52, outside Nagano: 1)
No. of employees	612
Total assets	¥1,023.2bn
Net assets	¥23.4bn
Deposits	¥989.7bn
Loans	¥636.1bn

As of Mar 31, 2024

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## Outline of FY2023 Financial Results

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# Outline of FY2023 Financial Results (Consolidated)

## ◆ Consolidated (¥100mn)

	3/2023	3/2024	Change
<b>Consolidated gross business profit</b>	915	1,004	88
<b>Profit on interest</b>	727	877	150
<b>Profit on fees and commissions</b>	172	184	12
<b>Trading profit</b>	9	2	-6
<b>Profit from other business transactions</b>	6	-60	-67
<b>General &amp; administrative expenses</b>	566	662	96
<b>Credit related expenses</b>	42	16	-25
<b>Gains/losses related to stocks</b>	87	109	22
<b>Gains/losses on money held in trust</b>	-3	-9	-6
<b>Ordinary profit</b>	348	352	3
<b>Extraordinary gains/losses</b>	-1	156	157
<b>Gain on negative goodwill</b>	—	173	173
<b>Profit attributable to owners of parent</b>	241	370	129

## ● Profit on interest

¥15.0bn increase from FY2022 due to increased profit at Hachijuni Bank and the new consolidation of Nagano Bank group.

## ● Ordinary profit

¥0.3bn increase from FY2022 due to increased profit at Hachijuni Bank despite an extraordinary factor of losses on securities of Nagano Bank.

## ● Profit attributable to owners of parent

¥12.9bn increase from FY2022 due mainly to gain on negative goodwill of ¥17.3bn by business integration.

※Due to the new consolidation of Nagano Bank, Nagagin Lease and Nagano Card, only the nine-month financial results from Jul 2023 to Mar 2024 are reflected in the consolidated figures.

(Please refer to Page 7 and 21 for the financial results of these three companies.)

# Outline of FY2023 Financial Results (Hachijuni Bank Non-consolidated)

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## ◆Hachijuni Bank (¥100mn)

◆Hachijuni Bank (¥100mn)		3/2023	3/2024	Change
Gross business profit (A)		805	875	70
	Profit on interest	727	809	81
	Profit on fees & commissions	106	103	-2
	Profit from other business transactions	-30	-38	-8
	Gains/losses related to bonds (B)	-46	-62	-15
G&A expenses (C)		528	542	13
Actual net business profit (A-C)		276	333	56
Core net business profit (A-B-C)		323	395	72
	Excl. G/L on cancellation of investment trusts	369	408	39
Transfer to general reserve for possible loan losses (D)		9	2	-7
Net business profit (A-C-D)		266	331	64
Temporary P/L	Gains/losses related to stocks (E)	86	100	14
	Gains/losses on money held in trust (F)	-3	-9	-6
	Disposal of NPLs	32	11	-20
Ordinary profit		302	362	60
Extraordinary gains/losses		0	6	6
	Gain on extinguishment of tie-in shares	—	15	15
	Gains/losses on disposal of non-current assets	15	-1	-16
	Impairment losses	14	7	-7
Profit		215	271	56
Profit/losses related to securities (B+E+F)		36	28	-8
Credit related expenses		41	13	-28

### ● Core net business profit

¥7.2bn increase from FY2022 due to an increase in profit on interest of domestic despite an increase in G&A expenses.

### ● Ordinary profit

¥6.0bn increase from FY2022 due to an increase in core net business profit and a decrease of credit-related expenses despite a decrease in P/L related to securities.

### ● Extraordinary G/L

¥0.6bn increase from FY2022 due to gain on extinguishment of tie-in shares of ¥1.5bn by merged of Hachijuni System Development Co., Ltd.

### ● Profit

¥5.6bn increase from FY2022 to ¥27.1bn.

# Outline of FY2023 Financial Results (Nagano Bank Non-consolidated)

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Recorded in consolidated financial statements ↓

## ◆ Nagano Bank (¥100mn)

	4~6/ 2023	7/2023~ 3/2024	4/2023~ 3/2024	Change from 3/2023
<b>Gross business profit (A)</b>	21	-80	-59	-168
Profit on interest	26	63	89	-19
Profit on fees & commissions	0	2	3	-6
Profit from other business transactions	-4	-146	-151	-142
G/L related to bonds (B)	-5	-117	-123	-116
G&A expenses (C)	24	71	96	-0
<b>Actual net business profit (A-C)</b>	-3	-152	-155	-168
<b>Core net business profit (A-B-C)</b>	2	-34	-31	-51
Excl. gains/losses on cancellation of investment trusts	2	-34	-31	-49
Transfer to general reserve for possible loan losses (D)	5	-1	4	6
<b>Net business profit (A-C-D)</b>	-9	-150	-159	-174
Temporary P/L	G/L related to stocks (E)	4	27	29
	G/L on money held in trust (F)	0	0	0
	Disposal of NPL	34	-4	25
<b>Ordinary profit</b>	-39	-119	-158	-173
Extraordinary gains/losses	-58	21	-37	-37
<b>Profit</b>	-83	-133	-216	-226
P/L related to securities (B+E+F)	-1	-89	-90	-87
Credit related expenses	40	-5	35	31

- **Gross business profit**  
¥16.8bn decrease from FY2022  
Profit on interest: -¥1.9bn  
G/L related to bonds: -¥11.6bn
- **Ordinary profit**  
¥17.3bn decrease from FY2022  
Credit related expenses: +¥3.1bn
- **Profit**  
¥22.6bn decrease from FY2022  
Extraordinary G/L: -¥3.7bn
  - Impairment losses: -¥4.4bn
  - Allowance for estimated losses from future system contract cancellations: -¥2.3bn
  - Gain on sales of subsidiaries' stock: +¥3.1bn

## Profit on Interest

- Domestic: ¥7.8bn increase from FY2022 due to an increase in the balance of securities and an improvement of yields on interest and dividends on securities.
- International: ¥0.3bn increase from FY2022 due to higher yields on loans and securities and increases in the balance of loans and securities despite an increase in foreign currency funding costs.

### ◆ Profit on Interest (¥100mn)

	3/2023	3/2024	Change
<b>Domestic sector</b>	633	712	78
Interest income	650	740	90
Interest on loans	395	405	9
Interest and dividends on securities	220	305	85
Funding costs	-17	-28	-11
<b>International sector</b>	94	97	3
Interest income	257	437	179
Interest on loans	101	186	84
Interest and dividends on securities	145	236	90
Funding costs	-163	-339	-176

### ◆ Yield (%)

	3/2023	3/2024	Change
<b>Domestic sector</b>			
Yield	0.57	0.62	0.05
Yield on loans	0.68	0.68	0.00
Yield on securities	1.22	1.46	0.24
Funding yield	0.01	0.02	0.01
<b>International sector</b>			
Yield	3.30	4.99	1.69
Yield on loans	3.26	5.68	2.41
Yield on securities	3.37	4.61	1.24
Funding yield	2.10	3.96	1.86

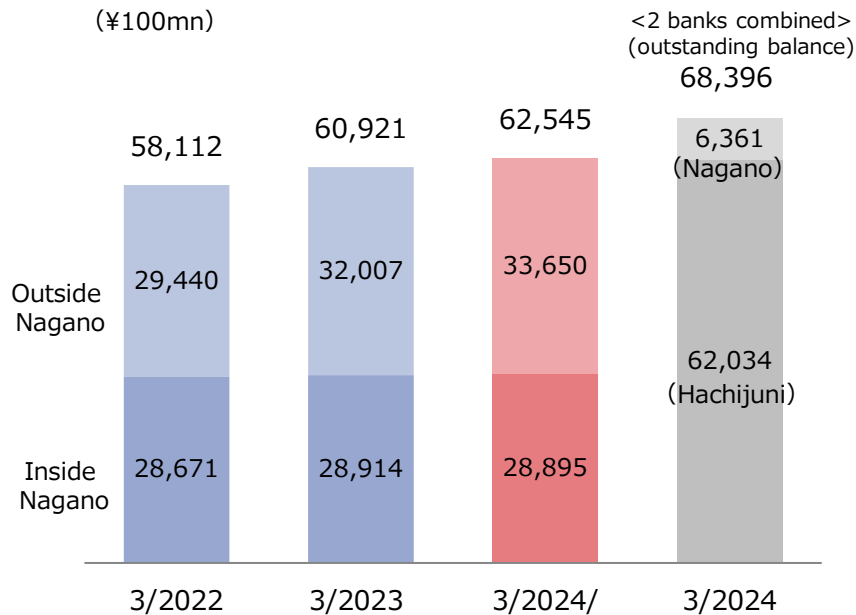


## Loans/Deposits

- The balance of loans increased due to increases in corporate and consumer loans despite decreases in loans to government and local public entities.
- The balance of deposits increased steadily.

### ◆Average Balance of Loans

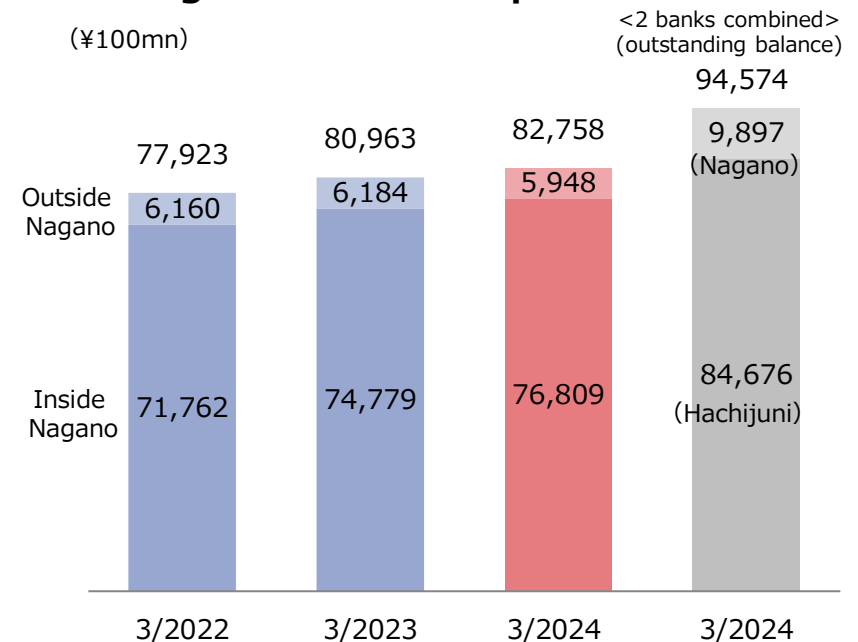
(¥100mn)



Inc/Dec ratio (YoY: %)	3/2022	3/2023	3/2024
All offices	3.47	4.83	2.66
Outside Nagano	4.79	8.71	5.13
Inside Nagano	2.14	0.84	-0.06

### ◆Average Balance of Deposits

(¥100mn)



Inc/Dec ratio (YoY: %)	3/2022	3/2023	3/2024
All offices	6.14	3.90	2.21
Outside Nagano	7.85	0.37	-3.80
Inside Nagano	6.00	4.20	2.71

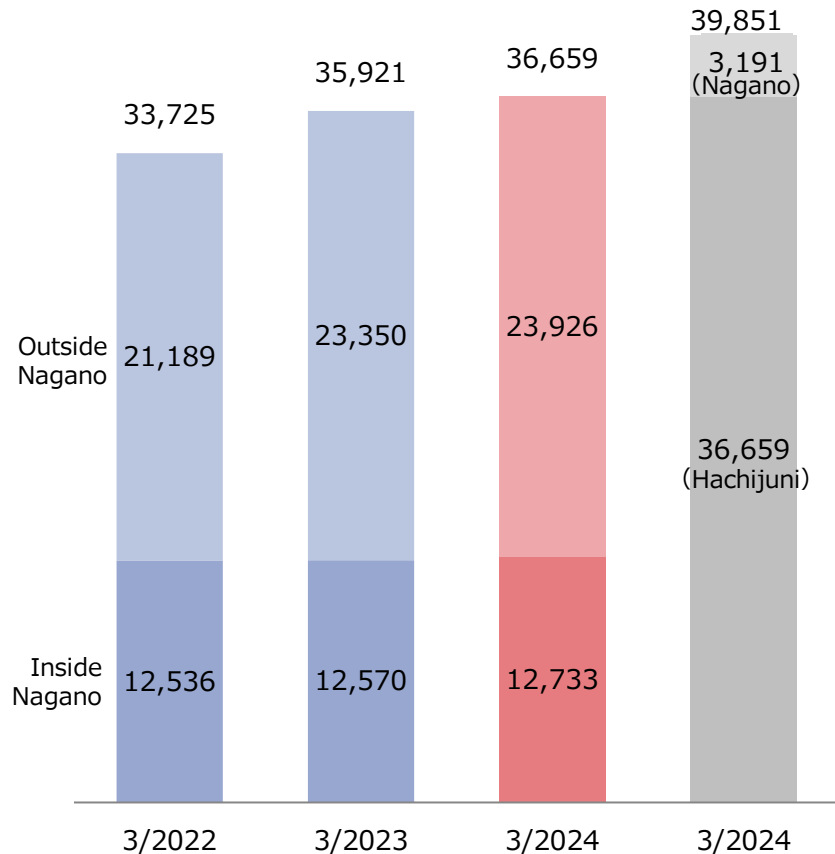
## Business Loans

- Business loans increased due to increases in corporate capital investment which had been postponed during pandemic and in working capital demand. On the other hand, the number of borrowers and the balance of SME loans decreased due to the sequential arrival of deferment deadlines for zero-zero loans (interest-free and unsecured loans).

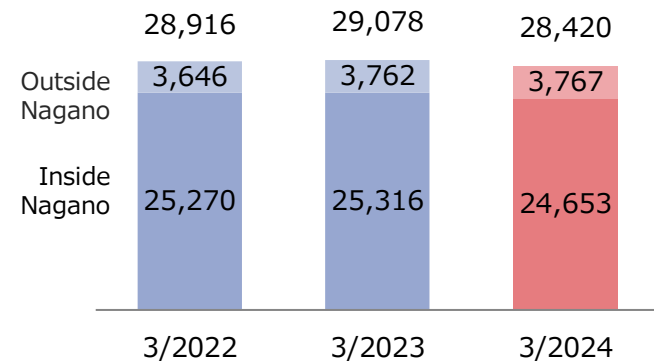
### ◆ Business Loans (outstanding balance)

(¥100mn)

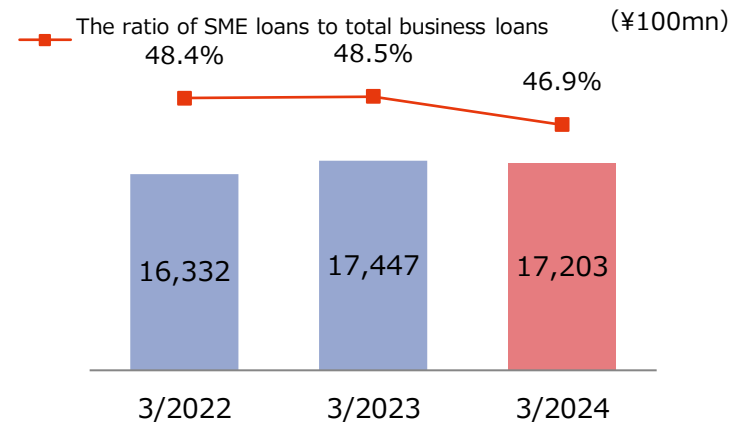
&lt;2 banks combined&gt;



### ◆ No. of Customers



### ◆ Business Loans for SMEs※ (outstanding balance)



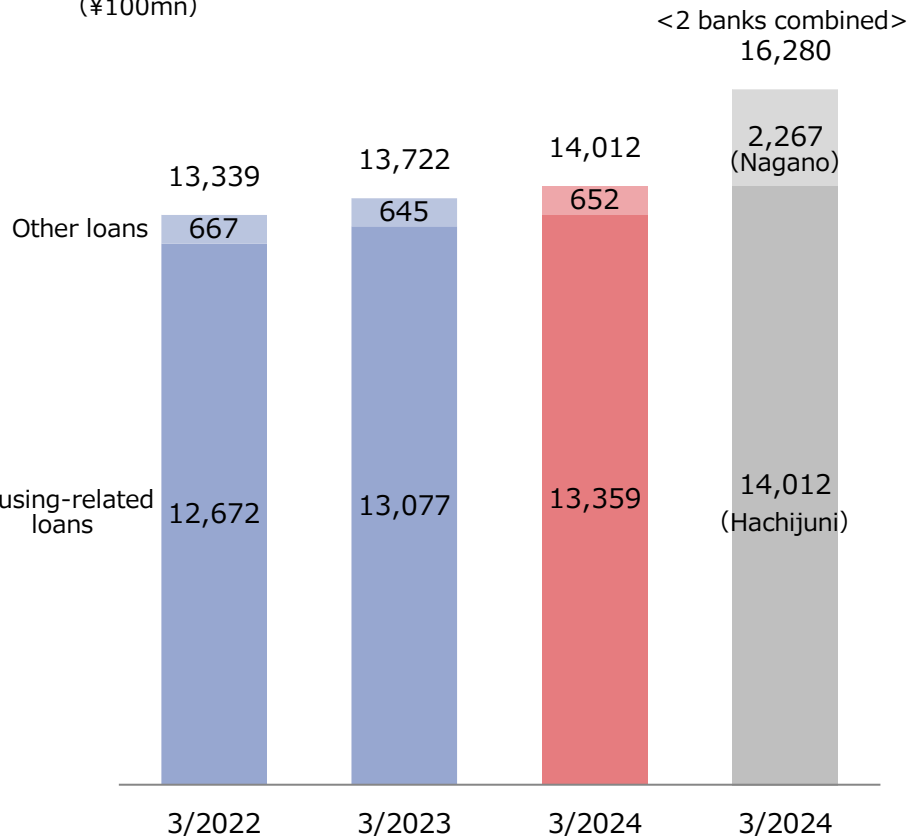
※ SMEs (excl. local public entities) + self-employed company owners

## Personal Loans

- The balance of personal loans reached a record high. New loan execution amount decreased due to a decline in housing starts caused by rising home acquisition prices and other factors.

### ◆ Personal Loans (outstanding balance)

(¥100mn)



### ◆ New Increase in Housing-Related Loans

(¥100mn)	3/2022	3/2023	3/2024
New increase	1,617	1,330	1,177
Floating rate (ratio)	1,227 (75.8%)	1,152 (86.6%)	1,147 (97.4%)
10-year fixed rate (ratio)	354 (21.8%)	156 (11.7%)	21 (1.7%)

### ◆ Details of Housing Loans (outstanding balance)

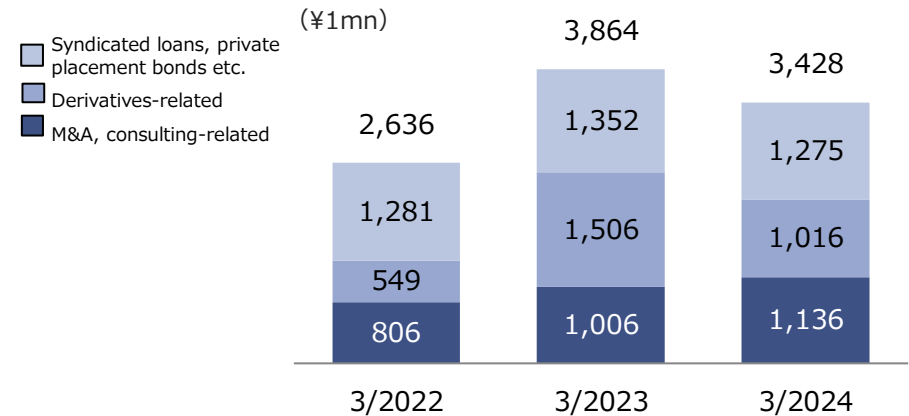
(¥100mn)	3/2022	3/2023	3/2024
Outstanding balance	12,105	12,557	12,866
Floating rate (ratio)	5,456 (45.1%)	6,386 (50.9%)	7,429 (52.2%)
10-year fixed rate (ratio)	5,730 (47.5%)	5,332 (42.6%)	4,658 (36.3%)

## Profit on Fees & Commissions

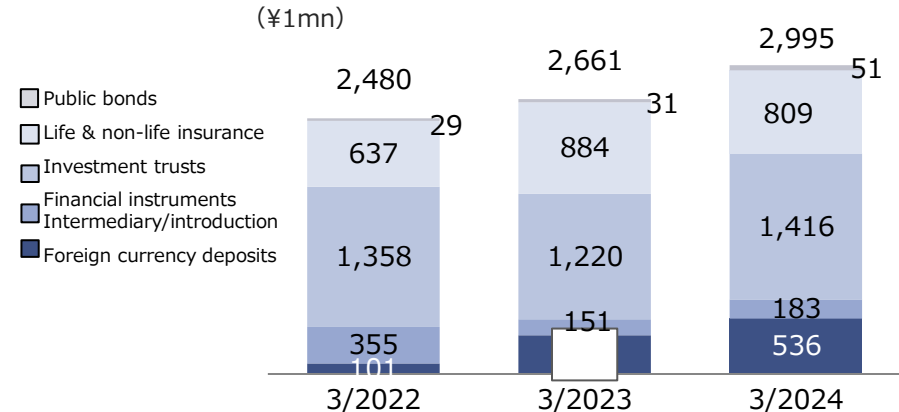
- Profit on fees & commissions decreased by ¥0.2bn from FY2022 to ¥10.3bn due to an increase in mortgage payment insurance premiums despite increases fees related to consulting and investment trusts.

(¥100mn)		3/2022	3/2023	3/2024
Profit on fees & commissions		99	106	103
Fees & commissions		178	182	186
〈Major items〉	Deposit/loan business	80	89	92
	Exchange business	55	51	51
	Securities-related business	22	17	20
	Agency business	9	12	10
Fees & commissions payment		78	76	83
〈Major items〉	Fees related payment loans	57	57	62
	Exchange business	9	6	6

### ◆Corporate Banking (Major items) ※



### ◆Personal Banking (Investment type products) ※

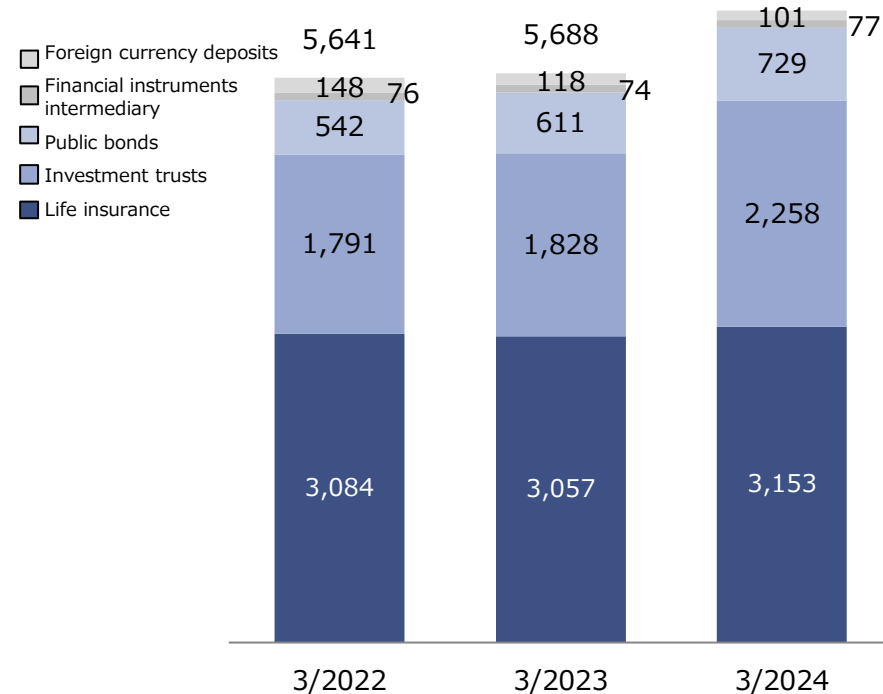


※Incomes from consulting business in each field were shown in the above figures.  
Incomes other than "profit on fees & commissions" such as "profit from other business transactions" were also included.

# Investment-Type Related Income

## ◆ Investment Type Products of Personal Banking (outstanding balance)

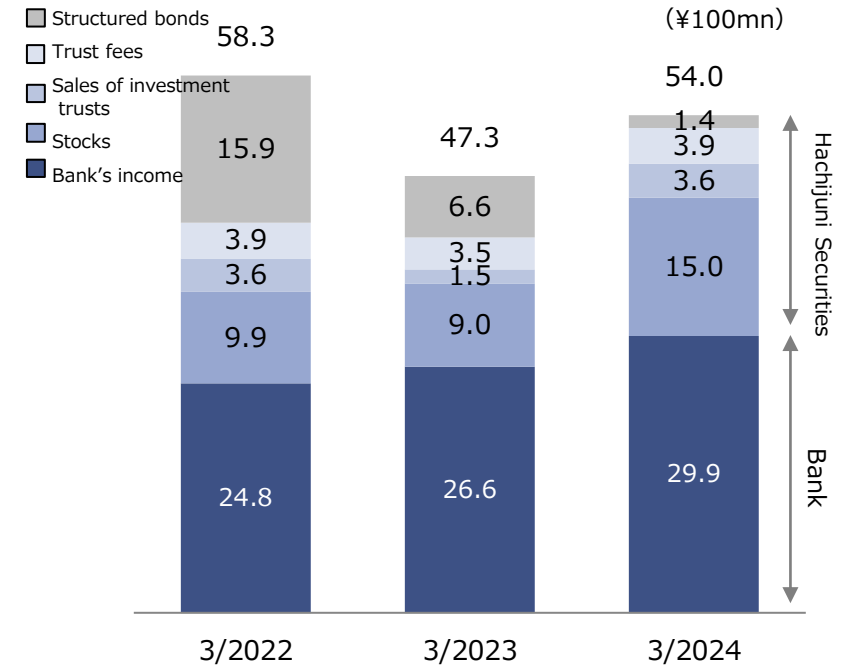
(Market price, ¥100mn)  
6,318



## ◆ Investment Type Income

(Bank + Hachijuni Securities)

※after deduction of the Bank's intermediary fees



## ◆ Investment Trust Accumulation

	3/2022	3/2023	3/2024	YoY
No. of accounts	48,785	54,599	60,673	6,074
Tsumitate NISA (No. of accounts)	23,132	28,822	40,803	11,981
Total amount of monthly accumulation (1mn)	1,478	1,597	2,092	495

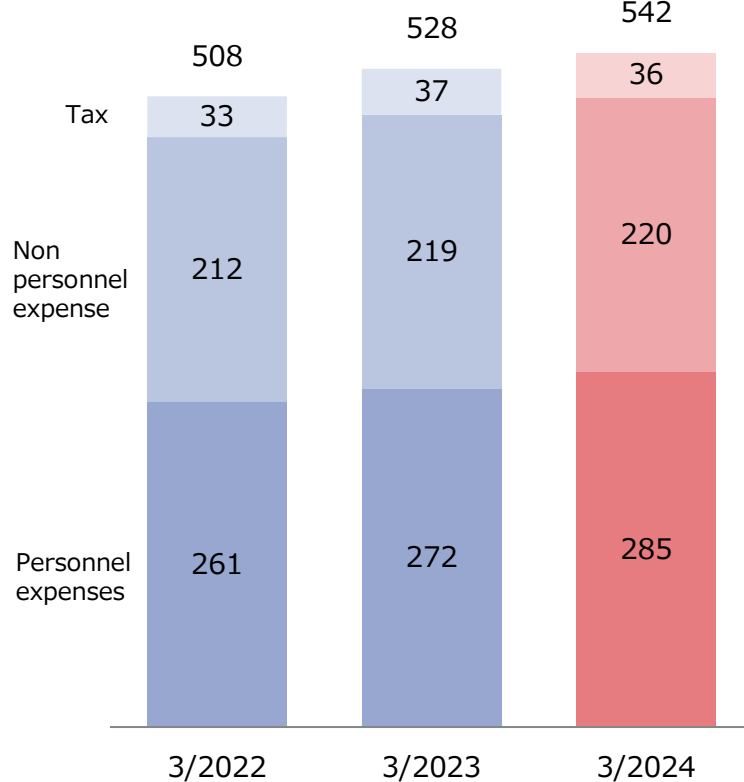
- Offering investment trust accumulation as an effective means of asset building to many customers.
- The number of accounts of the "Tsumitate NISA" and monthly accumulation amount keep one of the highest in regional banks of Japan.

## General and Administrative Expenses

- Non personnel expenses: ¥0.1bn increase from FY2022 due to increases in systems investment, depreciation by the new banknotes, outsourcing expenses by business merger.
- Personnel expenses: ¥1.3bn increase due to the revision of the personnel system in the previous fiscal year, improvement of compensation and an increase in personnel due to the absorption merger of Hachijuni System Development Co., Ltd.

### ◆ G&A Expenses

(¥100mn)



### ◆ Main Factors of Increase in Expenses

(¥100mn)

	3/2023	3/2024	Factors
Non personnel expenses	219	220	<ul style="list-style-type: none"> <li>• Increase in depreciation</li> <li>• Increase in outsourcing expenses</li> <li>• Decrease in consignment expenses</li> </ul>
Personnel expenses	272	285	<ul style="list-style-type: none"> <li>• Revision of the personnel system, improvement of compensation</li> <li>• Increase in personnel due to the absorption merger of Hachijuni System Development Co., Ltd.</li> </ul>

### ◆ Investment Amounts

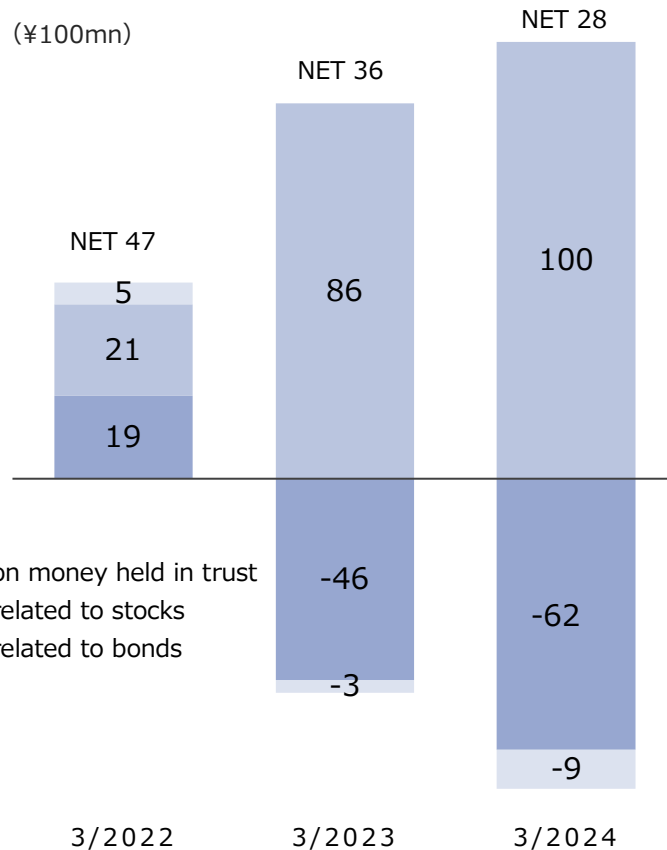
(¥100mn)

	3/2023	3/2024	Factors
Investment amounts	37	47	<ul style="list-style-type: none"> <li>• Adaptation of ATMs/equipment to new banknotes</li> <li>• Renewal of PC etc.</li> </ul>

## Profit/Losses Related to Securities

- Overall valuation gains on securities increased from FY2022 due to valuation gains on hedging by swaps and higher valuation gains on stocks in line with rising domestic stock prices, although valuation losses on bonds increased due to rising domestic and foreign interest rates.

### ◆ Profit/Losses Related to Securities



### ◆ Valuation Gains/Losses on Securities

(¥100mn)

	3/2022	3/2023	3/2024
Stocks	3,915	4,165	6,416
Strategic shareholdings	3,405	3,698	5,666
Bonds	-55	-280	-509
Others	-32	-73	-28
<b>Total</b>	<b>3,826</b>	<b>3,811</b>	<b>5,878</b>
Valuation G/L on interest rate swap with hedge	255	322	500
<b>NET</b>	<b>4,081</b>	<b>4,133</b>	<b>6,378</b>

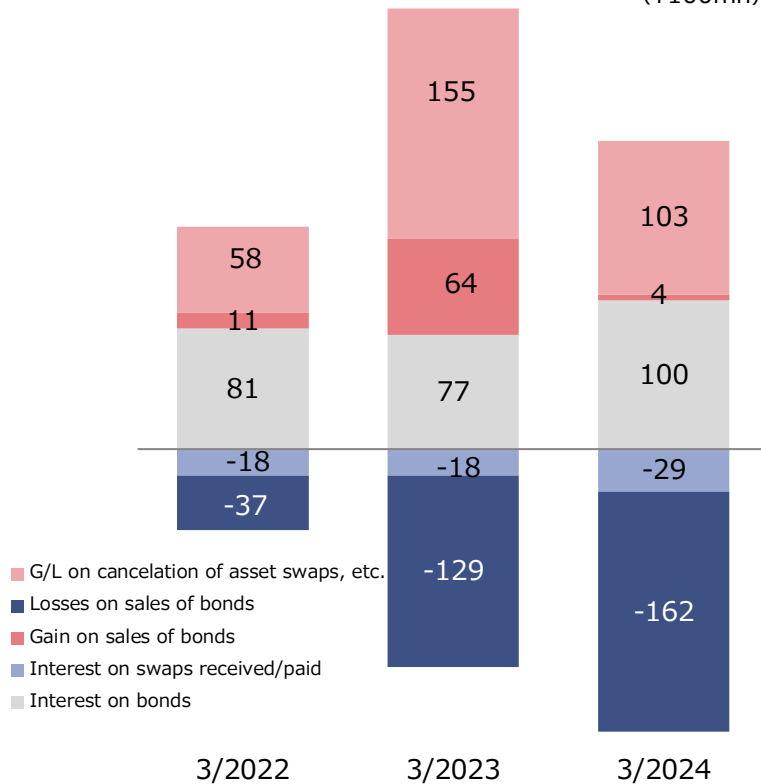
## Market Investment (Yen-Denominated Bonds)

- Total realized P/L was ¥1.7bn as we continued to invest mainly in short- and medium-term municipal bonds and corporate bonds, while we worked to reduce risk in low-yielding ultra-long-term bonds, etc.

### ◆ Profit/Losses

Total realized P/L	95	150	17
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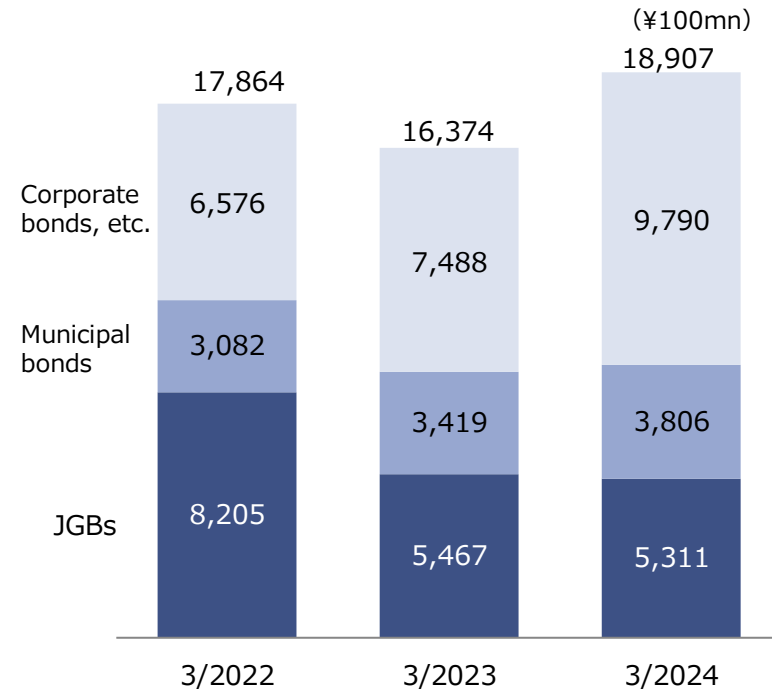
(¥100mn)



### ◆ Change in Valuation Gains/Losses and Balance (outstanding balance)

Valuation G/L before hedge	-57	-290	-524
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Valuation G/L after hedge	114	-42	-135
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※Figures are based on ALM accounting and differ from the figures published in the financial statements.



## Market Investment (Foreign Currency-Denominated Bonds)

- Total realized P/L was a negative ¥0.6bn as we expanded our investments mainly in floating rate bonds, in which interest rate risk is controlled, and worked to curb valuation losses and negative spread risk.

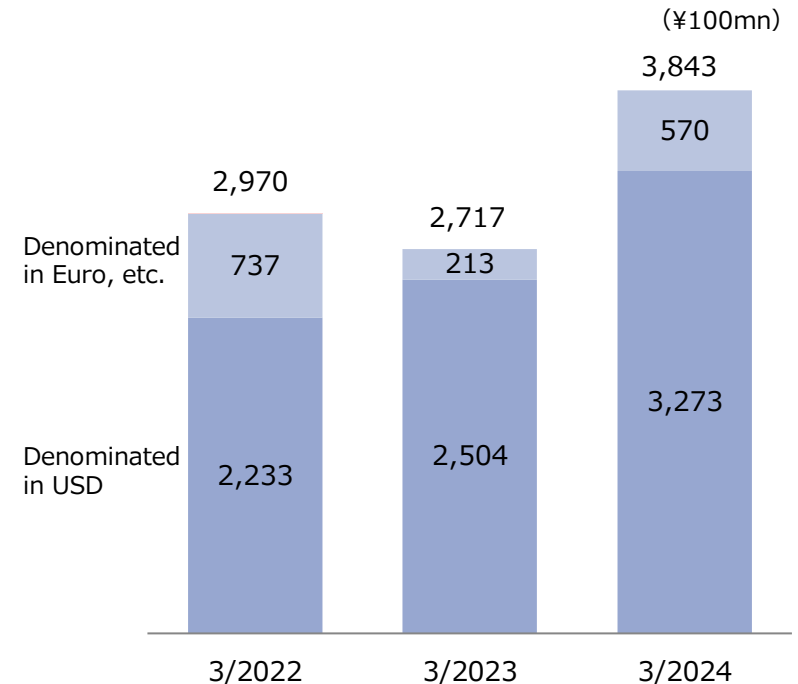
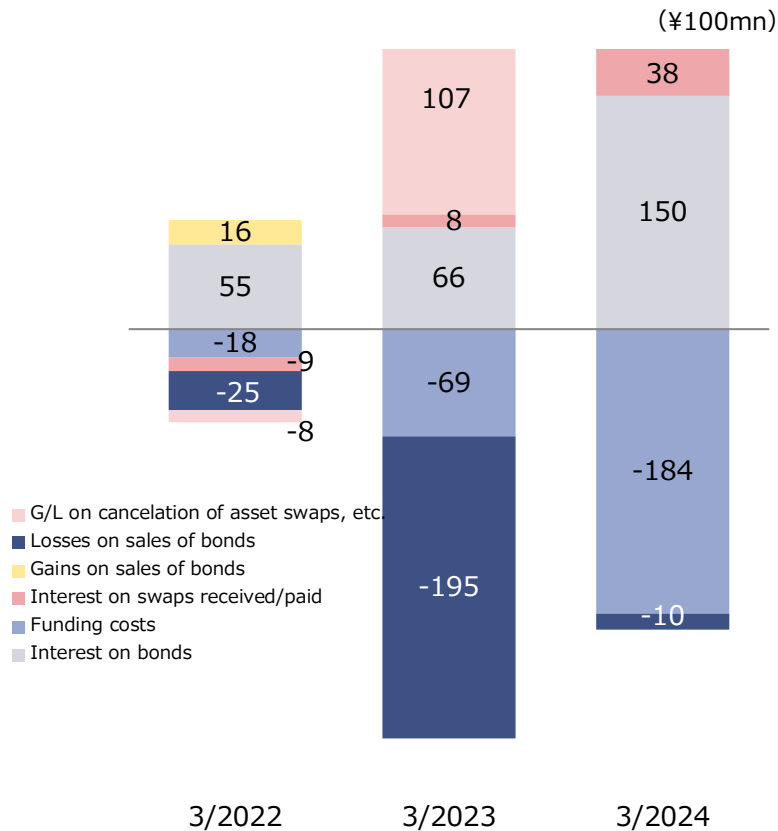
### ◆ Profit/Losses

Total realized P/L	9	-82	-6
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### ◆ Change in Valuation Gains/Losses and Balance (outstanding balance)

Valuation G/L before hedge	-127	-123	-162
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Valuation G/L after hedge	-41	-48	-51
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※Figures are based on ALM accounting and differ from the figures published in the financial statements.

## Change in Outstanding Balance of Securities

- Closely monitoring domestic and international macroeconomic and monetary policy trends and diversify the portfolio, focusing on domestic bonds, to secure stable interest and dividend income and flexible trading gains.

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

(Based on acquisition cost: ¥100mn)		9/2022	3/2023	9/2023	3/2024	Directions
Domestic bonds		15,386	16,663	17,903	19,429	→
JGBs		6,820	5,703	5,218	5,725	
Municipal bonds		2,409	3,417	4,199	3,822	
Public bonds, corporate bonds, etc.		5,527	6,783	7,745	9,023	
Beneficiary interest in trust		630	760	741	859	
Domestic stocks		1,001	985	1,013	983	↗
Domestic investment trusts, etc.		2,684	2,791	2,952	3,185	↗
Foreign bonds		2,713	2,842	3,412	4,006	→
Foreign stocks		14	12	17	20	→
Foreign investment trusts, etc.		440	351	438	471	→
Total		22,238	23,645	25,735	28,095	—
Domestic bonds duration (after swap hedge)		3.58 years	3.79 years	3.61 years	3.32 years	—

### 2H FY2023 efforts

### 1H FY2024 plan

Bonds	◇Domestic bonds Purchased mainly short- and medium-term municipal and corporate bonds, sold ultra-long-term bonds to reduce risk.	◇DB: Reinvest in short- and medium-term municipal bonds, corporate bonds, and long-term JGBs. When interest rates rise further, expand investment mainly in long-term bonds. ◇FB: Purchase mainly CLOs and floating rate bonds such as CMO floaters to improve interest income/expenses.
	◇Foreign bonds Purchased CLOs, floating rate bonds such as CMO floaters.	
Stocks	◇Secured earnings through flexible trading of domestic stocks and ETF.	◇Securing earnings through flexible trading of domestic stocks and ETF.
Investment trusts etc.	◇Expanded diversification into J-REITs, currency-related investment trusts, etc.	◇Expand medium- to long-term investments in domestic stocks, increase investments in J-REITs and currency-related investment trusts, and expand diversified investments in alternative areas.

## Credit Related Expenses

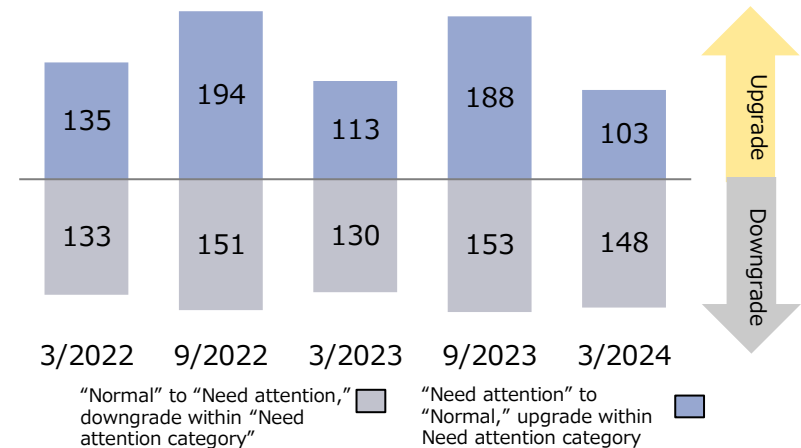
- Credit related expenses decreased by ¥2.8bn from FY2022 due to improved business performance of large borrowers and reversal of allowance for possible loan losses.
- The number of downgrade borrowers is on the increasing trend due to factors such as yen depreciation, increases in purchase prices and labor costs.

### ◆ Credit Related Expenses

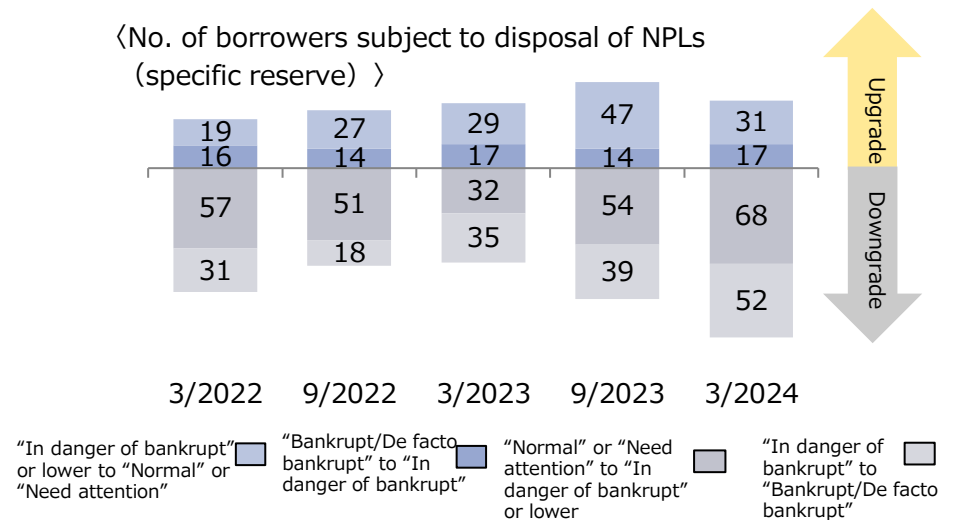
(¥100mn)	3/2022	3/2023	3/2024
Transfer to general reserve for possible loan losses	-19	9	2
Disposal of NPLs	39	32	11
Credit related expenses	19	41	13
Factors of large borrowers (more than ±¥1.0bn impact)	12	31	-12

### ◆ No. of Upgrade/Downgrade

〈No. of borrowers subject to general reserve〉



〈No. of borrowers subject to disposal of NPLs (specific reserve)〉

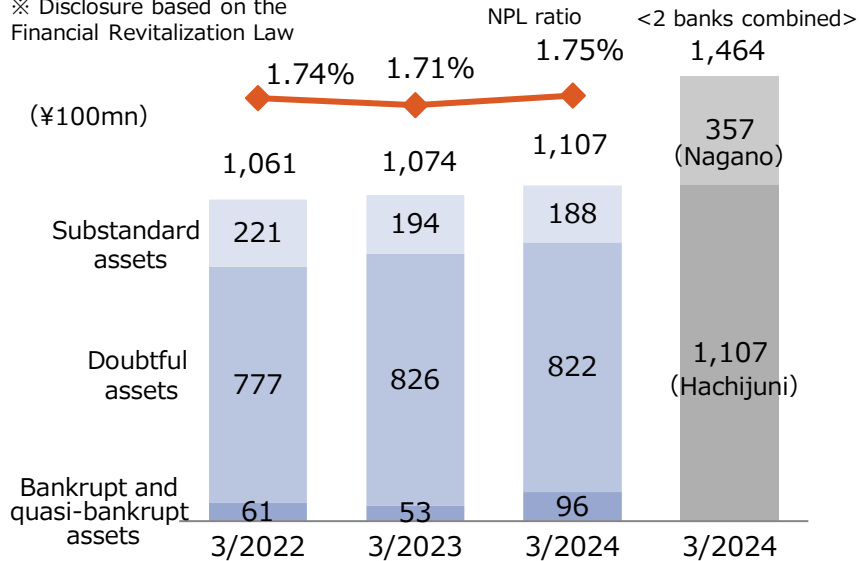


# Non-Performing Loans, Reserve for Loan Losses

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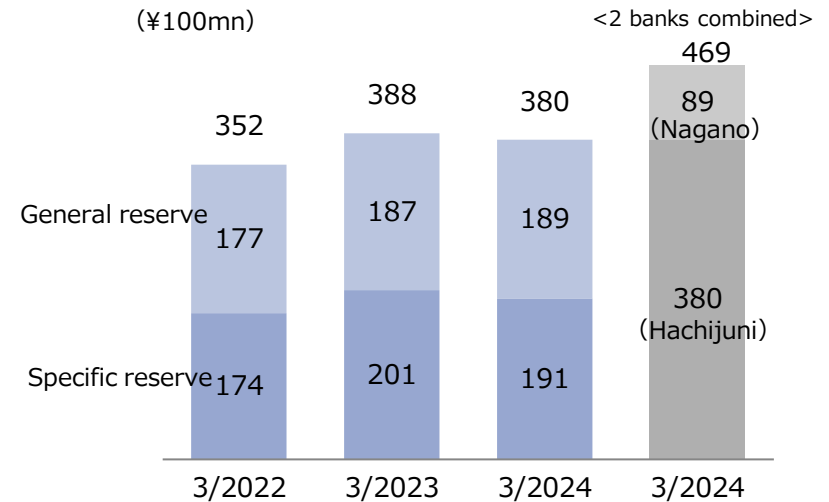
## ◆ Non-Performing Loans

※ Disclosure based on the Financial Revitalization Law



(¥100mn)	3/2022	3/2023	3/2024
Substandard assets	221	194	188
Doubtful assets	777	826	822
Bankrupt and quasi-bankrupt assets	61	53	96
<b>Total</b>	<b>1,061</b>	<b>1,074</b>	<b>1,107</b>
<b>NPL ratio</b>	<b>1.74%</b>	<b>1.71%</b>	<b>1.75%</b>

## ◆ Reserve for Loan Losses



(¥100mn)	3/2022	3/2023	3/2024
General reserve	177	187	189
Normal	65	70	72
Need attention	67	61	54
Special attention	44	54	61
Specific reserve	174	201	191
In danger of bankrupt	154	185	165
Bankrupt/De facto bankrupt	19	15	25
<b>Total</b>	<b>352</b>	<b>388</b>	<b>380</b>

# Outline of Group Companies Financial Results

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Company name	Investment ratio (Bank + subsidiaries)	3/2023 (¥1mn)		3/2024 (¥1mn)		Special remarks
		Ordinary profit	Net profit	Ordinary profit	Net profit	
Hachijuni Securities Co., Ltd.	100.0%	-256	-544	203	166	Increase due to strong sales of stocks and other securities backed by firm stock market conditions
Hachijuni Lease Co., Ltd.	100.0%	1,096	761	738	512	Decrease due to increase in credit costs, etc., despite increase in lease sales
Hachijuni Card Co., Ltd.	100.0%	188	130	167	109	Decrease due to higher expenses, despite increase in transaction volume
Hachijuni Credit Guarantee Co., Ltd.	100.0%	2,609	1,719	2,114	1,393	Decrease due to decrease in guarantee fee income and increase in credit-related expenses, etc.
Hachijuni Capital Co., Ltd.	41.0%	94	73	-20	-47	Deficit due to write-down of securities holdings
Hachijuni Staff Service Co., Ltd.	100.0%	-9	-8	14	8	Increase mainly due to higher revenues in the placement and recruiting business
Yamabiko Services Co., Ltd.	99.0%	41	43	-16	-18	Deficit due to decrease in collection of transferred receivables and increase in credit costs, etc.
Hachijuni Auto Lease Co., Ltd.	100.0%	947	624	907	596	Decrease due to decrease in gain on sales of vehicles and increase in credit costs, etc.
Hachijuni Asset Management Co., Ltd.	100.0%	47	30	71	49	Increase due to trust fees, etc. from managed funds
Hachijuni Investment Co., Ltd.	100.0%	64	42	47	31	Decrease due to higher personnel and other expenses
Hachijuni Link Nagano Co., Ltd.	100.0%	-3	-3	-26	-26	Deficit shortly after establishment (Oct 2022)
The Nagano Bank, Ltd.	100.0%	1,495	1,057	-15,851	-21,631	Deficit due to special factors associated with business integration (details on page 7)
The Nagagin Leasing Corporation	88.1%	188	127	-237	-212	Deficit due to increase in credit costs, etc. resulting from change in accounting treatment associated with business integration
Nagano Card Co., Ltd.	95.0%	13	8	-90	-129	Deficit due to increase in credit costs, impairment loss on fixed assets, etc.

# FY2024 Forecasts

22

◆Consolidated (¥100mn)	3/2024 (FY2023)	1H FY2024	3/2025 (FY2024)	Change from 3/2024
Ordinary profit	352	205	450	98
Profit attributable to owners of parent	370	140	310	-60
◆Non-consolidated (¥100mn)	3/2024 (FY2023)	1H FY2024	3/2025 (FY2024)	Change from 3/2024
Gross business profit (A)	875	457	935	60
Profit on interest	809	385	782	-27
Profit on fees & commissions	103	55	119	16
Profit from other business transactions	-38	13	26	64
G/L related to bonds (B)	-62	—	—	62
G&A expenses (C)	542	286	574	32
Actual net business profit (A-C)	333	170	360	27
Core net business profit (A-B-C)	395	170	360	-35
Transfer to general reserve for possible loan losses (D)	2	7	7	5
Net business profit (A-C-D)	331	164	352	21
Temporary P/L				
G/L related to stocks (E)	100	33	67	-33
G/L on money held in trust (F)	-9	—	—	9
Disposal of NPLs	11	9	15	4
Ordinary profit	362	190	420	58
Profit	271	135	300	29
P/L related to securities (B+E+F)	28	33	67	39
Credit related expenses	13	16	23	10

# Strengthen Shareholder Returns and the Reduction Plan of Strategic Shareholdings

23

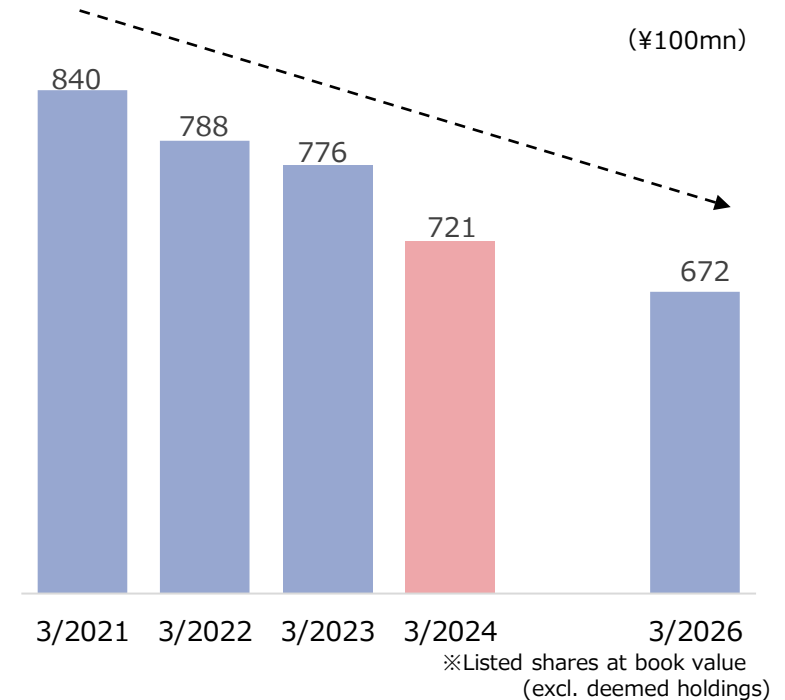
- Numerical targets for reduction was set based on the Bank's policy of strategic shareholdings.

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

## ◆ Shareholder Returns

	3/2022	3/2023	3/2024	3/2025 (plan)
Annual dividends ①	¥7.8bn	¥9.5bn	¥11.6bn	¥12.5bn
Dividend per share (full year)	¥16.0	¥20.0	¥24.0	¥26.0
Interim dividend	¥6.0	¥10.0	¥10.0	¥13.0
Purchase of own share ②	—	¥10.0bn	¥10.0bn	¥10.0bn (plan)
Shareholder returns ③ = ① + ②	¥7.8bn	¥19.5bn	¥21.6bn	¥22.5bn
Profit (consolidated) ④	¥26.6bn	¥24.1bn	¥37.0bn	¥31.0bn
Dividend payout ratio (consolidated) ① ÷ ④	29.3%	40.0%	31.4%	40.4%
Ratio of shareholder returns (consolidated) ③ ÷ ④	29.3%	80.9%	58.4%	72.7%

## ◆ Reduction Results and Plan of Strategic Shareholdings



## Topics

- On May 10, the Bank decided to **repurchase its own shares (up to ¥10.0bn and 9 million shares)** and is currently in the process of doing so.
- Annual dividend for FY2024 is planned of **¥26, the highest ever.**

## Status of Medium-Term Management Initiatives

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# Status of Medium-Term Management Initiatives

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## Medium-Term Management Vision 2021

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



**Strengthening the  
Lifestyle Support  
Business**

... P27

**Providing  
Comprehensive  
Financial Services  
and Functions**

... P28

**Sustainability as the  
Core of Our Business**

... P26

**Digital Reforms to  
Operations and  
Organizations**

... P30

**Personnel System  
Reforms to Support  
Growth and Satisfaction**

... P31

Med-Term Management Target	Targets	FY2023 results
Annual dividend	FY2023 - FY2025 Annual dividend of at least ¥20 per share for each fiscal year	Annual dividend per share ¥24 (scheduled)
Greenhouse gas (CO2) emissions	①FY2023 : Net zero ②FY2030 : 60% reduction compared to FY2013	①Achieved (1 year ahead of schedule) ②Achieved (83.7% reduction)
Sustainable finance	Targets	Cumulative total to FY2023
Execution amounts	FY2021 - FY2030 Cumulative total: ¥1.5tn (Environmental fields: ¥1tn)	¥674.2bn (Environmental fields: ¥334.1bn)

# Status of Medium-Term Management Initiatives

## Sustainability as the Core of Our Business

### CDP2023 (Climate Change) "A" Rating Obtained

- We were the first domestic bank to receive the highest rating of "A" in the 2023 survey by CDP, one of the world's leading ESG rating agencies.
- We were commended for our proactive efforts to achieve net-zero greenhouse gas (CO<sub>2</sub>) emissions (Scope 1 and 2) and other initiatives.



### TNFD Endorsement

- In Mar 2024, we endorsed the TNFD (Task Force on Nature-Related Financial Disclosures) and began our efforts. More than ever, we are committed to preserving the natural capital and biodiversity of our local communities.

### Social Contribution Activities

#### ● "Hachijuni Forest" conservation activities

Forest conservation at five locations in Nagano Prefecture. From this fiscal year, we have changed this program from volunteer to work status.

«FY2023 results» 237 participants

#### ● Terraced rice field preservation activities

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. «FY2023 results» 190 participants

#### ● Financial and economic education

Providing financial and economic education for students, accepting students for work experience, conducting seminars for working adults.

«FY2023 results» seminars for students: 46 times (1,660 participants), seminars for adults: 137 times (1,275 participants)

### Efforts to Revitalize Local Communities Through the Use of Sustainability No.1 Fund

«FY2023 results» (inside Nagano)

Fields	Cases	Amounts
Local revitalization	4	¥228mn
Venture	2	¥300mn

«Examples of investments»

#### • Company A

The company, operating a mountain lodge in the Kurobe headwaters area of the Northern Alps, revived an abandoned road and reopened a mountain lodge. The surrounding area (Omachi City) are expected an increase in income due to increases in the number of visitors to the mountain and in the number of infrastructure users.

#### • Company B

A venture company originating from Shinshu University. The company is developing a new cancer therapy called "Gene-modified T-cell (CAR-T cell) therapy."

# Status of Medium-Term Management Initiatives

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## Strengthening the Lifestyle Support Business

### Strengthen Non-Face-to-Face Function

- **Started accepting applications for Housing Loans Advance Consultation Service on the web (Jan 2024)**

Through a dedicated page for each customer, customers can check screening results and apply for group credit life insurance and other services. As of Mar 2024, 35.2% of all applications were accepted online.

- **Online consultation**

One-on-one online consultation were held by the Customer Contact Team, a non-face-to-face promotion section, by appointment only. These consultations were held on weekday evenings and holidays for customers who cannot visit the store on weekdays. 152 applications, more than 90% of the total 157 slots available, were received.

- **Visit Reservation Service**

Reduction in waiting time mainly in complicated procedures of inheritance procedures and asset management consultation.

### Strengthen Consulting Functions for Individuals

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

Dedicated channel	
Hachijuni Insurance Plaza Opened in Aug 2022	«Aug 2022 - Mar 2024 results» No. of consultations: 1,356 (completed contracts: 664 cases)
Hachijuni Inheritance Consultation Plaza Opened in Dec 2022	«Dec 2022 - Mar 2024 results» Seminars: 51 times Individual consultations: 200 cases

Trust products and services for individuals		Cumulative total			
		Cases	Income (¥1mn)	FY2023 results Cases	Income (¥1mn)
Trust services Started in Oct 2021	Relay of hearts	114	11	37	3
	Longevity and peace of mind	70	11	34	5
	Testamentary trusts	143	127	65	59
	Estate arrangement services	33	62	24	48
Real estate small-lot products		450	287	218	173

# Status of Medium-Term Management Initiatives

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## Providing Comprehensive Financial Services and Functions

### Strengthen Consulting Functions for Corporate Customers

- The Consulting Sales Group, a section set up at head office specializing in problem-solving, collaborates with branch staff to provide a variety of consulting services. FY2023 results as follows;

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

1st to 11th rounds	
No. of application	943
No. of adoption	497
Adoption rate	52.7%
Total amount granted (¥1mn) (Fee-charged consulting)	5,773※

※Including estimated amounts as a part of application is in process.

#### ◆ Business funds

	Agriculture	Growth support	Growth support No.2	Sustainability No.1	Total
Investment results (¥1mn) (Fund total)	227 (1,000)	314 (500)	376 (500)	6,282 (30,000)	7,200 (32,000)

#### ◆ M&A

	3/2022	3/2023	3/2024
No. of contract companies	10	17	14
Income (¥1mn)	145	203	353

#### ◆ Syndicated loans

	3/2022	3/2023	3/2024
Amount of originated by the bank (¥100mn)	410	898	359
Income (¥1mn) ※	734	1,098	954

※Including commitment fees, etc.

### Support for Customer Efforts to Resolve Issues Through Dedicated Products

Products	Characteristics	Execution amounts (¥100mn)		
		3/2022	3/2023	3/2024
Sustainability Linked Loans (Started in Jul 2021)	Variable interest rates and other loan terms depending on the achievement of ambitious sustainability challenge targets consistent with international principles	58	62	127
Positive Impact Finance (Started in Feb 2022)	The Bank and the Nagano Economic Research Institute will analyze the environmental, social, and economic impact of customers and provide financial support for initiatives to increase or reduce the identified impact.	1	132	83

# Status of Medium-Term Management Initiatives

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## Providing Comprehensive Financial Services and Functions

### Recent Initiatives by Newly Established Companies and Newly Licensed Companies

- Expanding our consulting menu and broadening the scope of our services to meet the increasingly sophisticated and diverse needs of our customers.

Company name	Efforts	FY2023 results
Hachijuni Link Nagano Co., Ltd.	<ul style="list-style-type: none"> <li>◆Regional Trading Company Business <ul style="list-style-type: none"> <li>Participation in overseas exhibitions (Export EXPO, Food Japan, etc.), exporting Japanese sake and vegetables, etc.</li> <li>Opened own cross-border e-commerce site and Instagram account, and began online sales and advertising.</li> </ul> </li> <li>◆Electric Power Business <ul style="list-style-type: none"> <li>Provide green power by On-site and Off-site PPA</li> <li>Provide support services to customers regarding decarbonization</li> </ul> </li> </ul>	<p>«Regional Trading Company Business»</p> <ul style="list-style-type: none"> <li>Participation in overseas exhibitions: 8 times</li> <li>Joint participation in overseas exhibitions with customers, support for business negotiations: 11 cases</li> <li>Completed contracts: 26 cases (incl. first exports: 14 cases)</li> </ul> <p>«Electric Power Business»</p> <ul style="list-style-type: none"> <li>Supplying started in Feb 2024 by On-site PPA No.1</li> <li>Selected as a PPA project operator for Minowa Town's project.</li> <li>No. of inquiries: 143, operating capacity: 1.1MW</li> </ul>
Hachijuni Investment Co., Ltd.	<ul style="list-style-type: none"> <li>◆Hachijuni Sustainability No.1 Fund (¥30bn) <ul style="list-style-type: none"> <li>Mainly investing in business succession matters, an important management issue for local companies</li> </ul> </li> </ul>	<p>«Investment results»</p> <ul style="list-style-type: none"> <li>¥1.7bn (business successions: ¥0.1bn, venture: ¥1.0bn, local revitalization, etc.: ¥0.6bn)</li> </ul>
Hachijuni Asset Management Co., Ltd.	<ul style="list-style-type: none"> <li>◆Diversify and upgrade market management methods, and develop and strengthen the Bank Group's human resources</li> <li>Strengthened our market management capabilities in cooperation with the Bank.</li> <li>Prospecting for developing distinctive investment products for institutional investors, etc. in the future</li> </ul>	<p>«Asset management results»</p> <ul style="list-style-type: none"> <li>Total assets under management ¥50.0bn → ¥64.7bn (3/2023) → ¥72.5bn (3/2024)</li> <li>Performance of flagship fund Return (annual rate) : 1.33%, Sharpe ratio: 1.878 ※Dec 22, 2022 - Dec 21, 2023 (2nd fiscal period)</li> </ul>
Hachijuni Staff Service Co., Ltd.	<ul style="list-style-type: none"> <li>◆Diversify placement and intermediary functions</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Placement and intermediary: 135 contracts <ol style="list-style-type: none"> <li>Transfer type referrals: 118</li> <li>Side job personnel referrals: 17</li> </ol> </li> <li>Pioneering Human Resources Business: 45 contracts</li> <li>Overseas human resources intermediation: 55 (19 contracts)</li> </ul>

# Status of Medium-Term Management Initiatives

30

## Digital Reforms to Operations and Organizations

### AI Initiatives, Data Warehouse (DWH) Utilization, Generative AI



※1 DataRobot (Predictive AI)

A machine learning platform that allows AI to perform data analysis and future forecasting.  
Used by the Bank to create predictive AI.

※2 DWH: Data Warehouse

A system for centralized long-term time-series management of a wide range of data held by the Bank.

※3 Generative AI

Customize existing large-scale language models for the Bank.

Tool	Contents	Effects
1 DWH × Generative AI	Developing proprietary AI using data accumulated at the Bank to support conventional business operations.	Contributes to more precise customer targeting, more sophisticated risk management, and more efficient operations. AI to improve screening speed (online lending).
2 Generative AI	Introduced ChatGPT to the secure internal banking system and created an environment that all bank employees can utilize.	Creation of idea, planning, improved operational efficiency in documentation, etc.
3 Generative AI × DWH	Combining data (including text data) from within the bank and generated AI to support operations outside the scope of traditional approaches.	Automatic generation of approval requests, and to generate revenue through automatic business matching, etc.
4 Predictive AI × DWH × Generative AI	Combining the results of predictive AI and generative AI, the generative AI presents optimal measures and messages to customers.	Aiming to improve profitability by increasing the explainability of AI and sophistication of marketing.

# Status of Medium-Term Management Initiatives

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## Personnel System Reforms to Support Growth and Satisfaction

### Creating a Workplace Environment that is Easy for Everyone to Work in

- To create a comfortable work environment, we have systems in place to encourage employees to take paid leave and to help them balance work with various circumstances, such as childcare, nursing care, and infertility treatment.
- When male employees take childcare leave, they are required to submit a "Housework and Childcare Participation Action Plan" to clarify the purpose of the leave and their actions during the leave.

#### FY2023 acquisition results

Paid leave	Ratio	83.0%
	Average days	16.0
Childcare leave took by male employee	Ratio※	101.9%
	Average days	9.6

※Numerator: Male employees who started childcare leave  
Denominator: Male employees whose spouse gave birth

### Enrichment of Training

#### • Your Learning

"Your Learning", in which external video content for self-improvement is provided free of charge to all who wish to participate.

«FY2023 results» No. of participants: 1,695

#### External contents provided in FY2023

- GLOBIS unlimited learning (video Learning)
- flier (business book summary)
- e-Jinzai (video learning)
- Udemy (video learning)

#### • Certification holders (cumulative total at end of Mar 2024)

	Small and medium business consultants	Grade 1 financial planners/CPF	Grade 2 financial planners/AFP	Securities analysts	Real estate notaries	IT coordinator	Total
Hachijuni	59	143	1,350	52	315	63	1,982
Newly acquired in FY2023	3	15	105	2	16	11	152
Nagano	17	4	414	1	19	2	457
Newly acquired in FY2023	0	0	16	0	2	2	20

## Status of Medium-Term Management Initiatives

### Personnel System Reforms to Support Growth and Satisfaction

#### Human Capital

- Working to reform our personnel systems and work styles, promote the creation of a workplace where diverse staff can experience growth and fulfillment.

<b>Diversity</b>	Unit	FY2020	FY2021	FY2022	FY2023
No. of employees	People	3,159	3,067	3,041	3,289 ※
Ratio of female employees	%	46.2	46.9	47.6	47.5
Average years of employment	Years	15.8	16.2	15.8	14.8
Male employees	Years	17.6	18.0	17.5	16.2
Female employees	Years	13.8	14.0	14.1	13.3
Ratio of woman in management positions	%	10.8	11.5	12.5	13.3
Ratio of woman in leadership positions	%	18.4	18.6	19.8	20.5
<b>Work-life balance</b>		FY2020	FY2021	FY2022	FY2023
Average days of paid leave taken	Days	13.9	14.3	15.9	16.0
Ratio of leave uses	%	72.0	74.1	81.5	83.0
<b>Human resources development</b>		FY2020	FY2021	FY2022	1H FY2023
Total annual training hours	Hours	39,431	55,216	73,247	94,521
Average training hours per employee	Hours	12.5	18.0	24.1	28.7

※ In Oct 2023, merged with Hachijuni System Development Co. Ltd.



# Business Merger

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# Business Merger

## Outline of Merger

- Hachijuni Bank and Nagano Bank merged in June 2023. Aiming for “the most successful business integration of regional financial institutions in Japan,” we are preparing to complete the integration process on January 1, 2026 (scheduled) by consolidating branches and integrating systems.
- In conjunction with the merger, the company name will be changed from Hachijuni Bank, Ltd. to Hachijuni Nagano Bank, Ltd. and the corporate logo will be changed.

### ◆ Corporate Logo and Concept



**八十二長野銀行**

### Symbol mark

The triangle, with its corners rounded to create a sense of stability and familiarity, expresses the characteristics of Shinshu, a region surrounded by lush greenery and nature, as well as a sincere bank with deep roots in the local community. The triangular shape, with its overlapping layers, includes the initials “H” and “N,” indicating the overlapping mountains of Shinshu and the creation of a new area through the combination of the two banks.

### ◆ Branch Consolidation Plan

We plan to consolidate 56 branches in areas where the two banks' branches overlap.

No. of branches	Inside Nagano			Outside Nagano (for reference)		
	Hachijuni	Nagano	Total	Hachijuni	Nagano	Total
Before business integration	109	46	155	20	1	21
Jun 2023: Business integration①	108	46	154	20	1	21
Jan 2026: Merger②	93	5	98	17	0	17
Change① – ②	-15	-41	-56	-3	-1	-4



# Business Merger

## Post-Integration Activities - Efforts to Achieve Synergy Between the Two Banks

- Both banks are focusing on various efforts, both top-down and bottom-up, to integrate their organizational cultures and achieve synergy, which will be the basis of the integration.
- ◆ **Activities toward merger**
  - Integration promotion committee: 24 times (as of May 2024)  
Discussing the promotion of business integration and important matters toward future merger.
  - Joint Branch Managers' Meeting  
In Apr 2024, the first joint branch managers' meeting of the two banks was held. The presidents of the two banks communicate their preparedness for the merger and future initiatives.
  - Joint induction ceremony  
First joint induction ceremony for both banks in Apr 2024.
  - Unification of sales contacts and transactions (trial started in some areas)  
Prior to the merger, the two banks conducted sales activities in unison aiming to “alleviate customers’ anxiety for the merger” and “enable customers to realize the benefits of the business integration as soon as possible.”  
Eliminating the overlap of sales staff and shift personnel to consulting services, thereby sharing the know-how of both banks and enhancing the sophistication of problem-solving proposals.
- ◆ **Active staff reconciliation**
  - Secondment and dual employment between the two banks  
Hachijuni ⇒ Nagano secondment: 2, dual employment: 5  
Nagano ⇒ Hachijuni secondment: 8, dual employment: 2, secondment for training: 4
  - Joint recruiting entity begins recruiting for the 2025 graduates
  - Joint study meeting: 2,741 participants
  - Joint training: 237 participants
  - Voluntary training: 601 employees
  - Jointly hold seminars for customers: 1,179 participants  
(Cumulative total since Jun 2023)



Joint induction ceremony



Joint training

# Business Merger

## Post-Integration Activities - Efforts Toward Merger

- Taking various actions to make the community and customers to realize the synergies of the business integration.

### ◆Waiving and unifying fees for ATMs use (Oct 2023)

In order to make the use of ATMs of both banks more convenient, we have waived the tie-up fee for mutual use of ATMs and unified the card transfer fee.

As a result, ATM fees and card transfer fees are the same regardless of which of the two banks' ATMs you use.

### ◆Single point of contact for housing loans

In Nov 2023, Nagano Bank's housing loan specialists were consolidated into the Hachijuni Bank Loan Plaza, and a single point of contact has been established.

### ◆Publicize the new bank name –unify the backs of the business cards of both banks (Feb 2024)



### ◆Commencement of joint store operations

Hachijuni Bank and Nagano Bank have begun joint store operations. Under the same roof, the staff of both banks will strengthen cooperation and provide better services.

【Feb 2024】

Tokyo Main Office (Hachijuni) with  
Tokyo Branch (Nagano)

【May 2024】

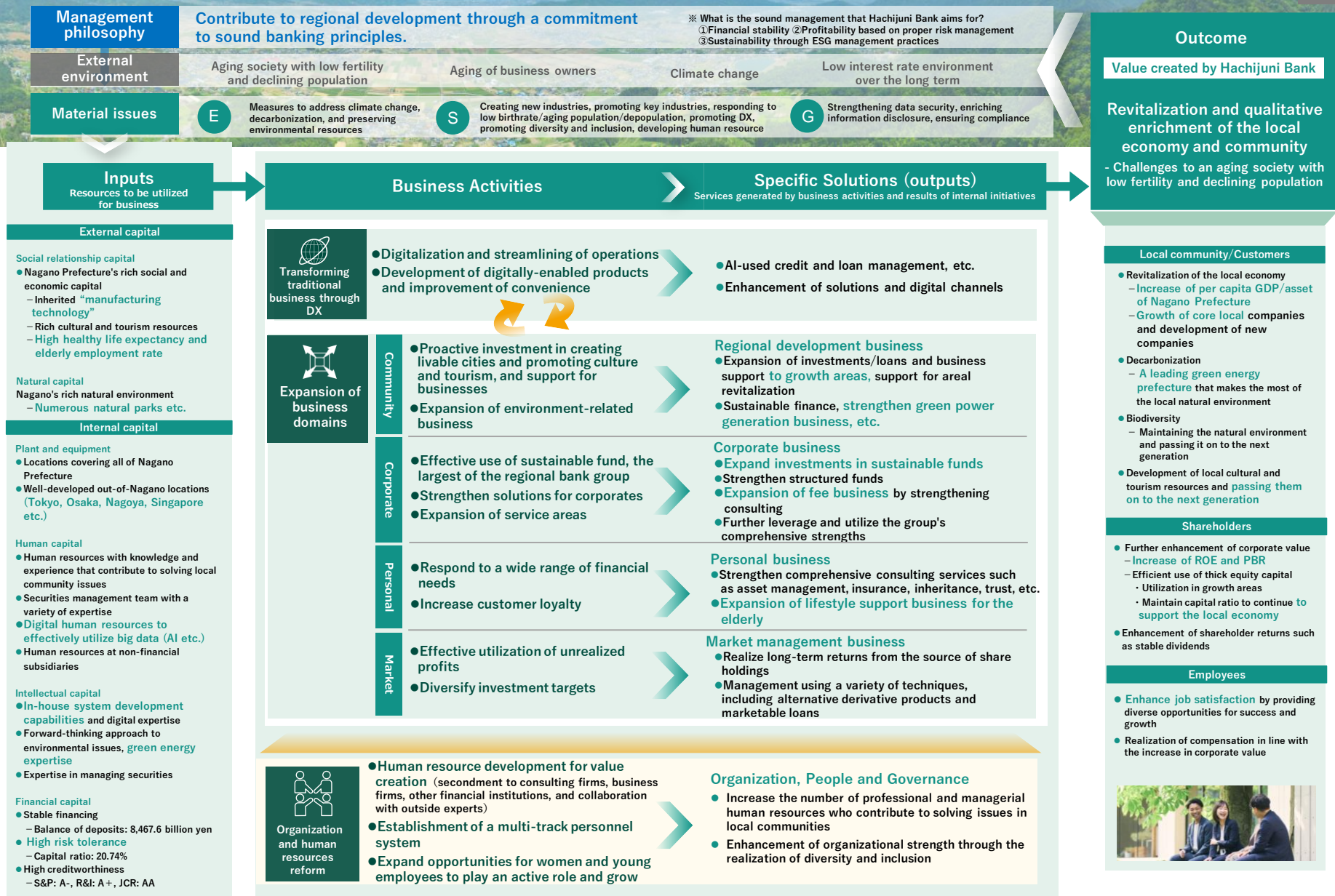
Shinshu University Mae Branch (Hachijuni)  
with Matsumoto Kita Branch (Nagano)



# Value Creation Process

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# Value Creation Process





## Solutions in the “local” domain

- Expansion of investments/loans and business support to growth areas, support for areal revitalization
- Strengthen sustainable finance, green power generation business, etc.

## Solutions in the “corporate” domain

- Expansion of sustainable fund's investment portfolio
- Strengthening structured finance
- Strengthen consulting
- Further demonstration and utilization of the Group's comprehensive strengths

**Revitalization of the local economy and community, and realization of qualitative enrichment**  
**- Challenges to an aging society with low fertility and declining population**

**Sustainable growth of the company**

**Expansion of employment**  
**Increase of income**

## Solutions in the “personal” domain

- Strengthen comprehensive consulting services for asset management, insurance, inheritance, trusts, etc.
- Expansion of lifestyle support business for the elderly

**Poverty alleviation and respect for human rights**  
**Enhancement of childcare and welfare environment**

**Revitalization of local economies and communities**

**Increase in local resident**

**Creating a livable community**  
**Development and succession of rich natural and tourism resources**

**Realization of qualitatively rich lifestyles**

## Solutions in the “market” domain

- Realization of long-term returns from the source of share holdings
- Management using a variety of techniques including alternative/derivative products and marketable loans

## Initiatives to Be Considered as Areas of Focus in the Future

Themes	Efforts
<b>Maintenance and Development of Nagano Prefecture's Industrial Base</b> - High concentration of highly competitive companies	<ul style="list-style-type: none"> <li>Strengthen the competitiveness and expand the business scale in the prefecture's industries (companies) through support for business succession and M&amp;A</li> <li>Providing comprehensive rehabilitation and growth support through banks, specialized investment subsidiaries, and servicer subsidiaries</li> <li>Support for inviting "management personnel" and "professional personnel" through search funds, placement and matching</li> </ul>
<b>Responding to the Aging Population</b> - Become Japan's most desirable prefecture to live in	<ul style="list-style-type: none"> <li>Enhancement of support services for the elderly (expansion of partner companies)</li> <li>Expansion of inheritance and trust product lineup</li> <li>Strengthen business support for nursing homes and medical institutions</li> <li>Strengthen investments and loans for venture companies that address issues for the elderly</li> </ul>
<b>Expansion of Investment in Southeast Asia</b> - Capturing growth in Southeast Asia	<ul style="list-style-type: none"> <li>Investments and loans for local companies in Southeast Asia</li> <li>Strengthening of business support for companies in Nagano Prefecture through local companies</li> <li>Expand business areas, including partnerships and collaborations with overseas companies</li> </ul>
<b>Concentrated Investment in Tourist Areas</b> - Become one of the world's leading resort areas	<ul style="list-style-type: none"> <li>Proactively supplying finance through the use of funds (revitalization of hot spring resorts, etc.)</li> <li>Strengthen syndicated loans with domestic and overseas financial institutions</li> <li>Strengthening support for attracting high net worth individuals from Japan and abroad</li> <li>Provide tourism support personnel for foreign tourists</li> <li>Supporting the formation of local economic zones by providing local currency</li> </ul>
<b>Creation of Green Power</b> - Become a leading prefecture in green energy	<ul style="list-style-type: none"> <li>Strengthening small-scale hydroelectric and solar power generation</li> <li>Strengthening investment and financing for green power related businesses</li> <li>Supply green power outside the prefecture</li> </ul>



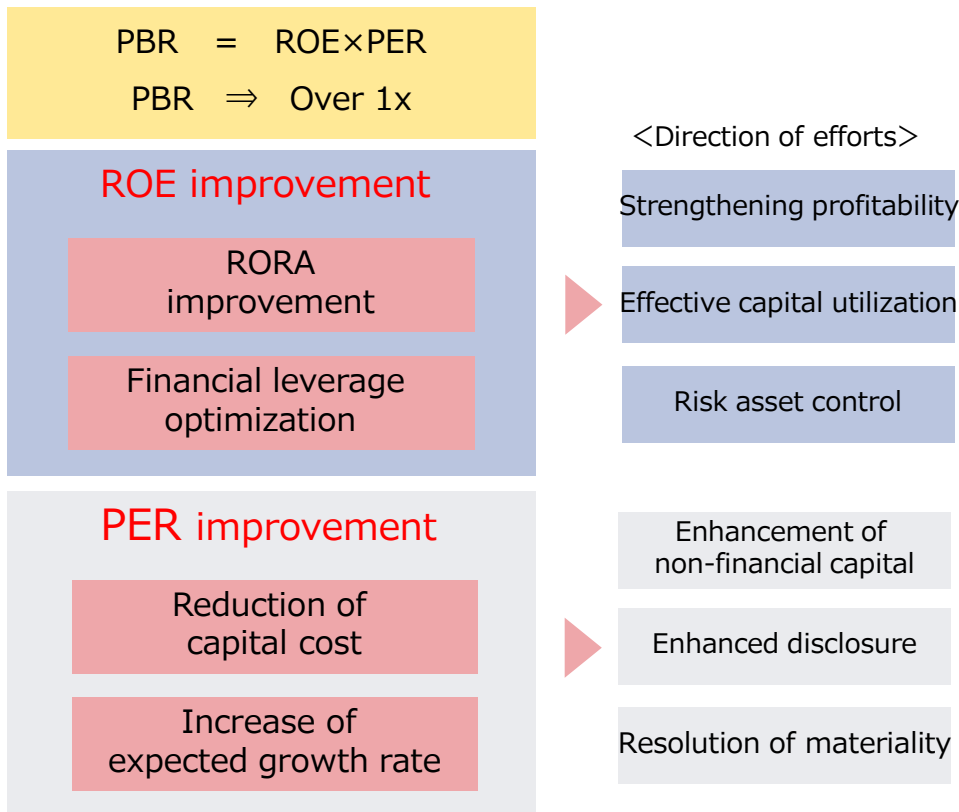
## Efforts to Improve PBR and ROE

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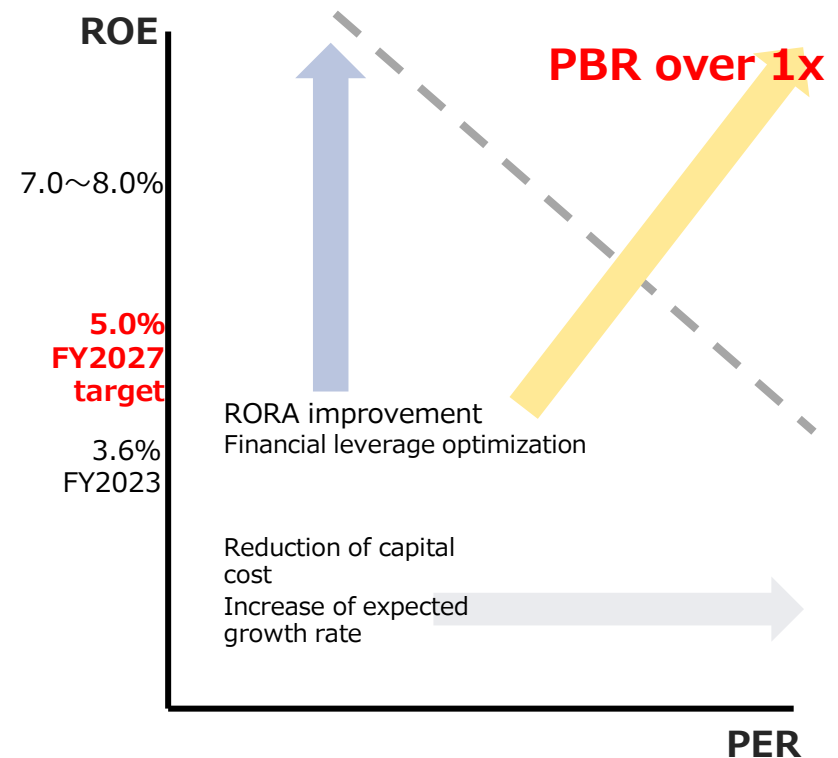
## Efforts to Improve PBR

- Improving ROE to increase PBR (over 1x) while maintaining a balance between soundness, profitability, and shareholder returns.
- Enhance disclosure of non-financial information to increase corporate value.

### ◆ Direction of efforts to improve PBR



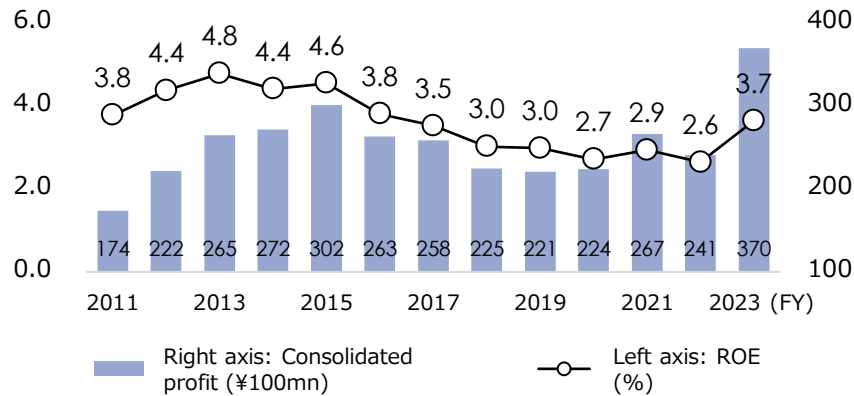
### ◆ Relation between capital efficiency and expected growth



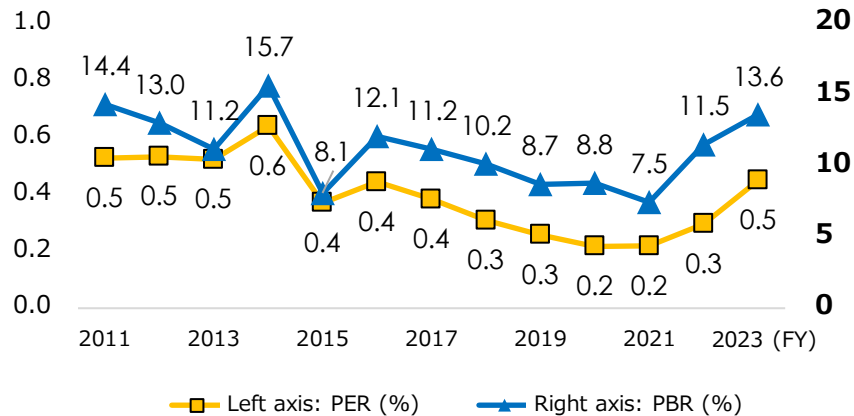
## Efforts to Improve PBR

- We recognize that the Bank's low PBR is due to low ROE.
- We aim to achieve a ROE of at least 5% by FY2027, and in the future we will aim for an even higher level (7-8%) above the cost of capital.

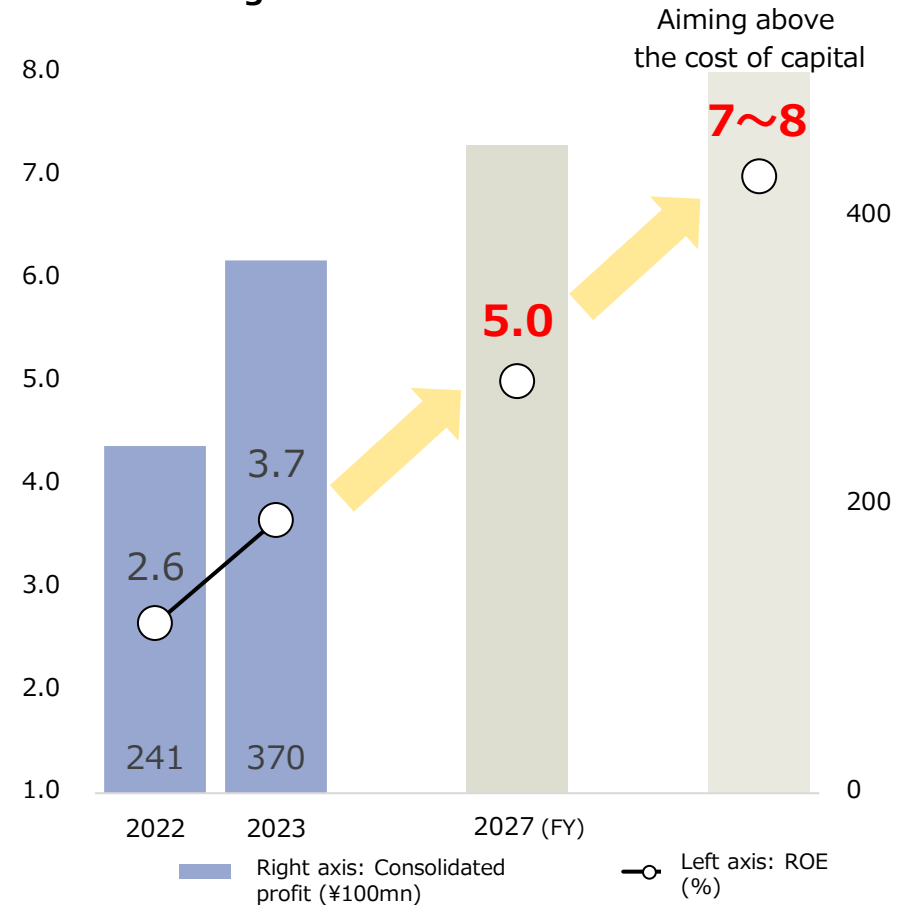
### ◆ROE, Consolidated profit



### ◆PBR, PER

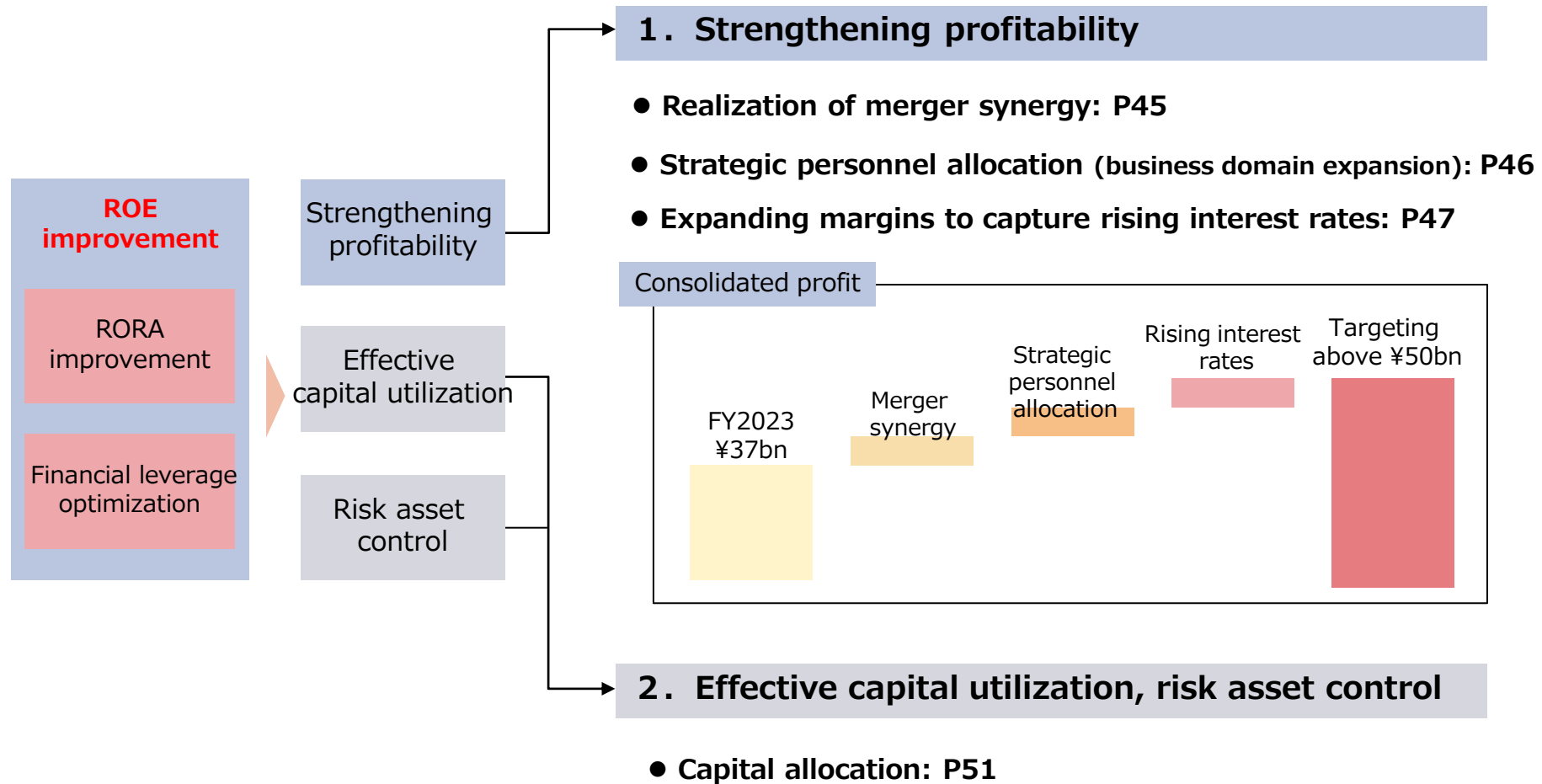


### ◆FY2027 target: ROE 5%



# Efforts to Improve ROE

- Improve ROE, especially through strengthening profitability
- We are considering measures to improve profitability with a view of post-merger.



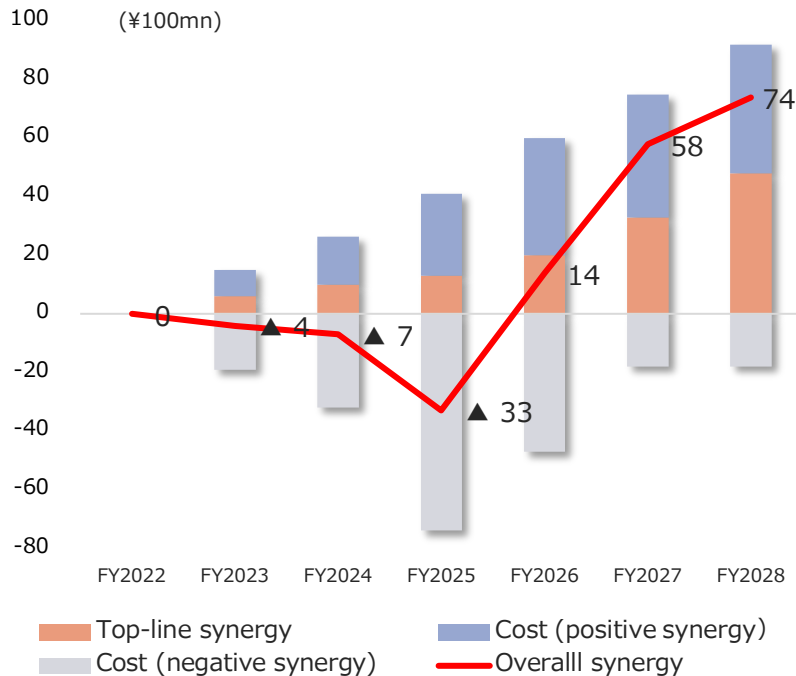
# Efforts to Improve ROE

## Strengthening Profitability –Realization of Merger Synergy

### < Implementation plan (May 2023) >

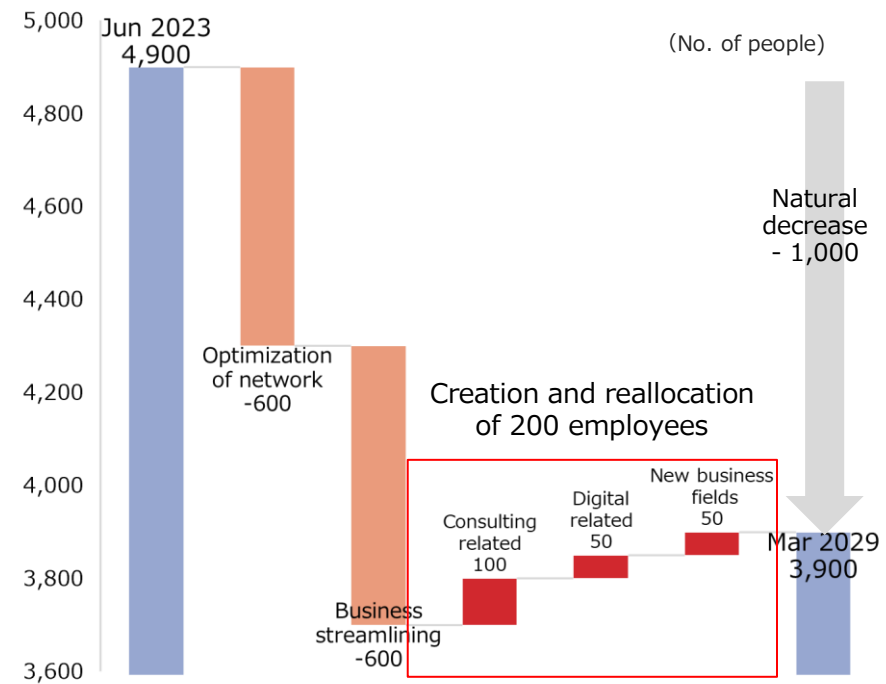
#### ◆ Overall synergy outlook

- Top-line synergy  
Growth through the creation of human resources, enhancement of sales capabilities by strengthening new businesses and by the sharing of know-how
- Cost synergy  
Rationalization through system integration and store consolidation and optimization of personnel allocation



#### ◆ Creation and reallocation of human resources

- Reallocation of 200 employees to strategic areas such as consulting and digital, etc., through streamlining stores and improving operational efficiency, while coping with a significant natural decrease in headcount



(Note) The decrease in headcount is mainly due to the number of retirees, including those reaching retirement age, exceeding the number of new hires, and intentional layoffs or other actions are not planned.

## Efforts to Improve ROE

### Strengthening Profitability - Strategic Personnel Allocation (Business Domain Expansion)

- Human resources created by optimizing the store network and improving operational efficiency as a result of the merger: approx. 200 employees
- Major initiatives under consideration as follows;

< Fields to be strengthened >

<Major initiatives>

Reinforcement of earnings through created human resources

#### Face-to-face channels

【For corporates】

- Strengthen consulting for business succession, M&A, overseas expansion support, corporate revitalization, etc.
- Strengthen structured finance including LBO and MBO

【For individuals】

- Strengthen comprehensive consulting services for asset management, insurance, inheritance, trusts, etc.
- Deepen lifestyle support business for the elderly and strengthen transactions

#### Non-face-to-face channels

【For corporates -Mikatano series, AI analysis of various transaction data 】

- Expansion of balance of online lending ⇒ P48
- Strengthening transactions through digital channels by non-face-to-face sales sections at head office.

【For individuals -Wallet+, AI analysis of various transaction data 】

- Improved convenience and increased balance of unsecured loans and housing loans by making them available on the web ⇒ P48
- Strengthening transactions with asset-building class through digital channels by non-face-to-face sales sections at head office.

#### Market investment field

- Portfolio construction from a medium- to long-term perspective by utilizing Hachijuni Asset Management and unrealized profits.
- Deepen diversified investments, including alternatives, and enhance stability and mobility through the use of derivatives
- Structured finance, and non-Japanese loan initiatives in Singapore Branch. ⇒ P49

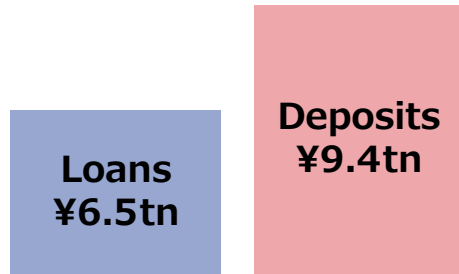
#### Sustainability field

- Support decarbonization and strengthen sustainable finance ⇒ P50
- Strengthen investment focusing on local companies by using sustainability fund
- Strengthen group functions in new areas such as regional trading and power supply

## Efforts to Improve ROE

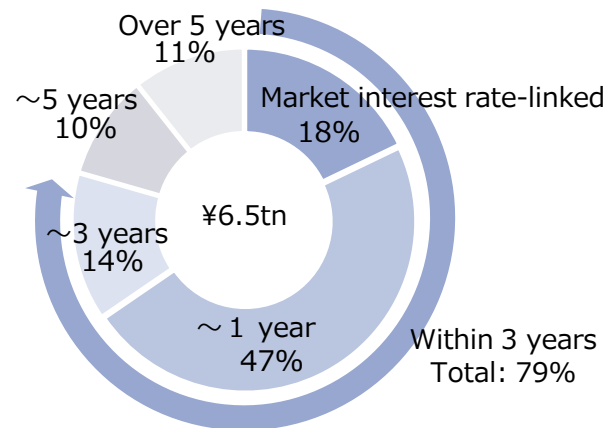
### Strengthening Profitability - Expanding Margins to Capture Rising Interest Rates

**Mar 31, 2024**  
Yen currency  
**Loan-to-deposit ratio 69%**  
Hachijuni Bank + Nagano Bank



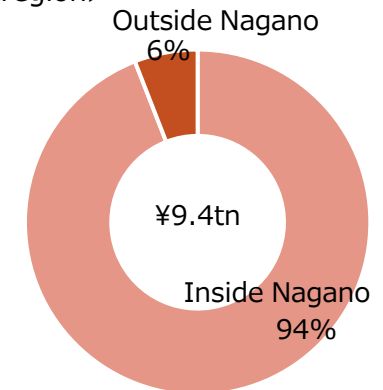
#### ◆ Details of loans

(Remaining years of interest rates)

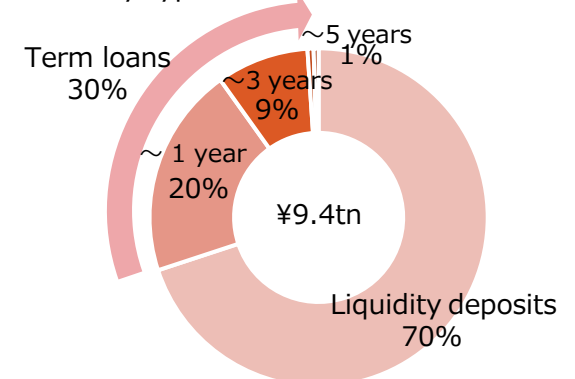


#### ◆ Details of deposits

<By region>



<By type>



#### ● Loans

Short-term : 18% of yen-denominated loans are linked to sensitive market interest rates.  
→¥1bn in additional income by 0.1% increase of short-term interest rate (Tibor, TONA etc.)  
Mid-to-long term : 80% of yen-denominated loans will be subject to interest rate renewal within 3 years.  
→Yield improvement is also expected for mid-to long-term loans due to an increase in the base interest rate at the time of renewal.

#### ● Deposits

Secure small and diversified investment resources, mainly in Nagano Prefecture.  
Liquidity deposits with high interest rate sensitivity account for 70% of total deposits.  
→ Increase in funding costs due to higher deposit rates will be absorbed by interest received from loans.

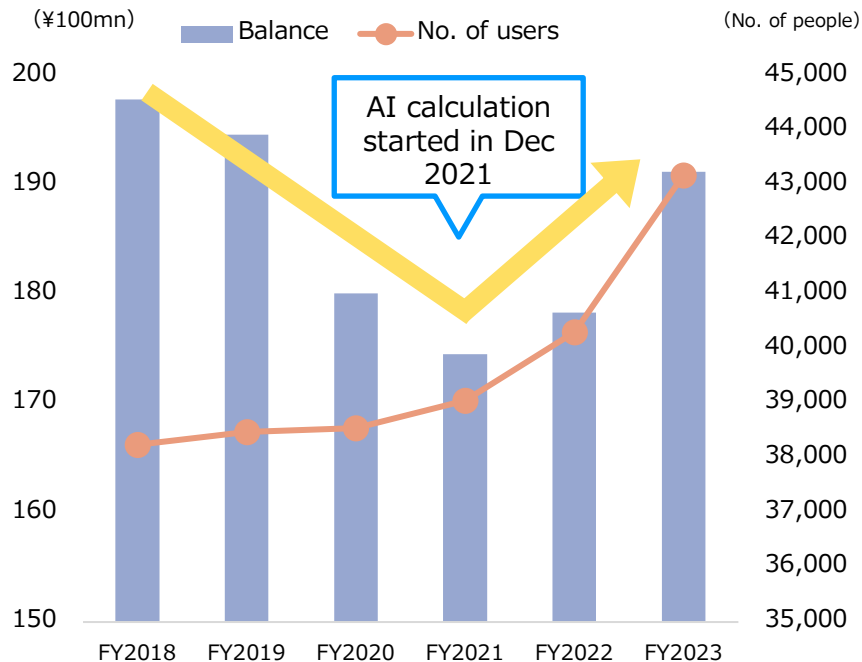
## Effort to Improve ROE

### Data and AI Initiatives

- Kanta-kun card (personal card loan): Promotion using contract probabilities calculated by AI began in Dec 2021. The balance, which had been on a declining trend, turned to increase and recovered to the ¥19bn during FY2023. The number of users, which had remained flat, has also grown significantly in recent years.
- Online business loan: By utilizing AI in screening and promotion, the speed of screening is overwhelmingly faster than conventional loans, and both the number of contracts and the balance of loans outstanding are growing steadily against a backdrop of high customer convenience.

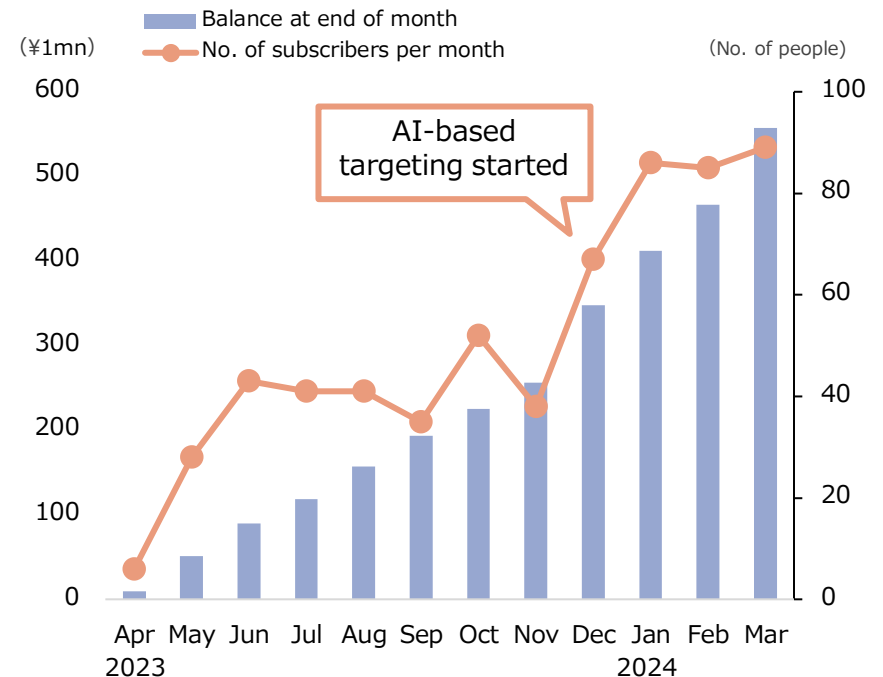
#### ◆Example: Kanta-kun card loan

- Promotion using contract probabilities calculated by AI began in Dec 2021
- Combined efforts, including campaign-based measures to promote usage by existing users



#### ◆Example: Online business loan

- Released as a product that utilizes a proprietary screening AI. This is an online-only product and is promoted mainly through non-face-to-face channels such as direct mail.
- AI-based targeting also started in Dec 2023, further expanding the growth rate of both the number of users and balance.





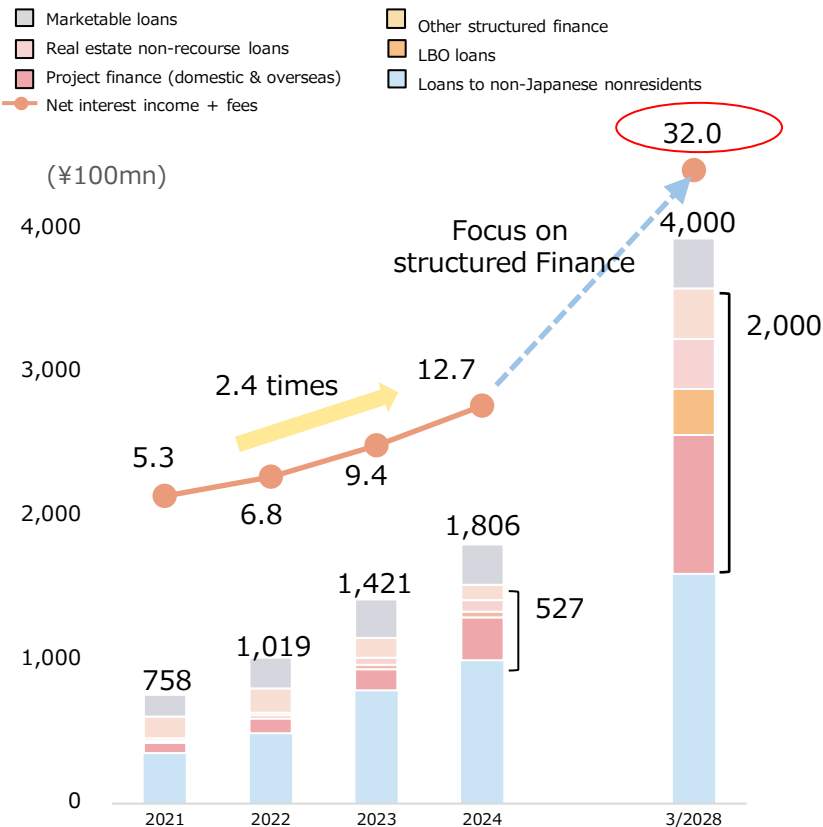
# Efforts to Improve ROE

## Structured Finance

- Structured finance, loans to non-Japanese nonresidents, marketable loans: both balances and incomes increased 2.4 times.
- FY2027 target: balance ¥400bn, income ¥3.2bn
- Strengthen profitability by developing human resources and improving our framework, with a particular focus on structured finance.

### ◆ Changes in balance, income

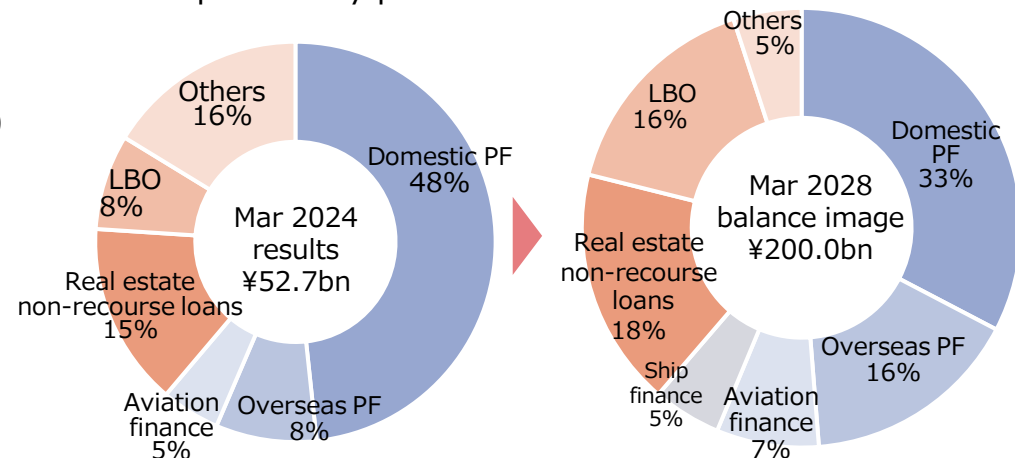
(Financial Market Dept. and Singapore Br.)



### ◆ Efforts in structured finance

- Develop specialized human resources by continuously increasing personnel and dispatching external trainees
- Clarification of priority areas, establishment of a framework, including system management to strengthen initiatives
- Expand handling of high risk-return products

### ◆ Composition by products



### ◆ Efforts in loans to non-Japanese nonresidents

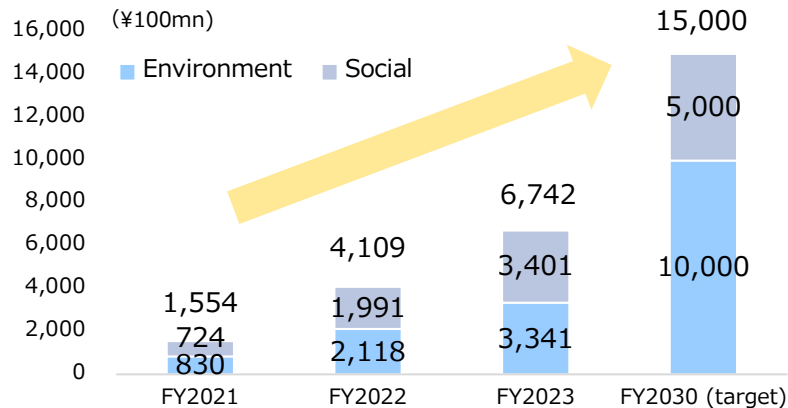
- Strengthen global deal intake through collaboration between the Financial Market Department and the Singapore Branch.

# Efforts to Improve ROE

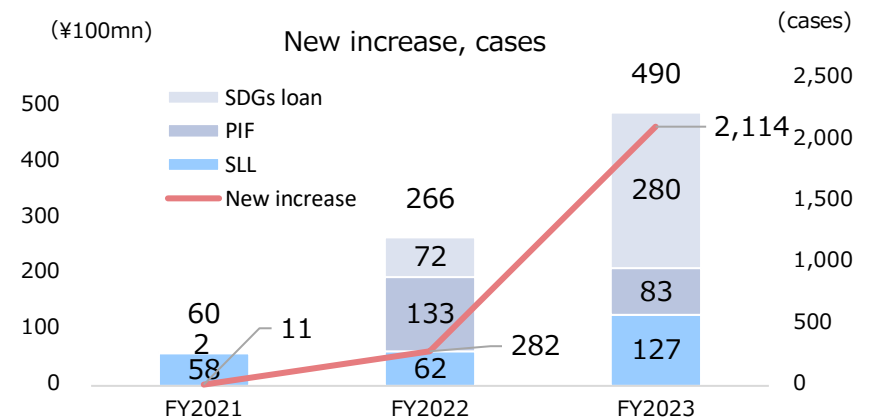
## Sustainable Finance Initiatives

- Target from FY2021 to FY2030: ¥1.5tn (cumulative total), FY2023 results: ¥674.2bn
- Dedicated sustainable finance products (loan products and sustainability No. 1 Fund) has remained strong in terms of both number and balance by the specialized department at the head office and the promotion system at each branch.
- Further strengthen our promotion system and enhance profitability by utilizing the human resources created by the increased management efficiency resulting from the merger.

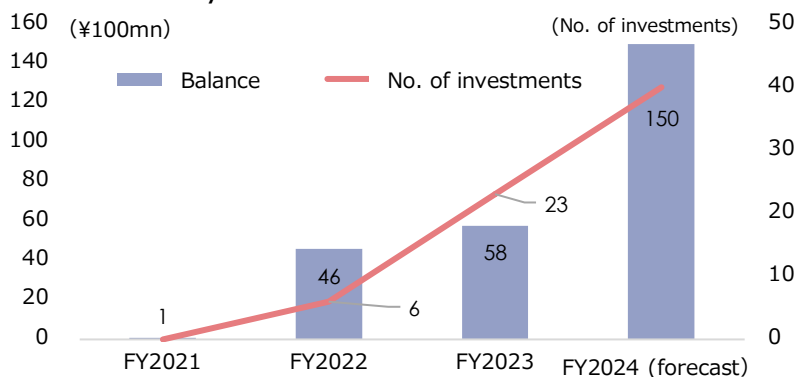
### ◆ Sustainable finance (cumulative total)



### ◆ Dedicated sustainable finance products



### ◆ Sustainability No.1 fund



### ◆ Details of sustainability No.1 fund

Investment amount	¥6.27bn (Cumulative total as of the end of FY2023)
EXIT	No. of case: 1 Investment amount: ¥493mn Return amount: ¥545mn Period: 15 months
FY2024 plan	No. of cases: 13 Amounts: ¥9.22bn

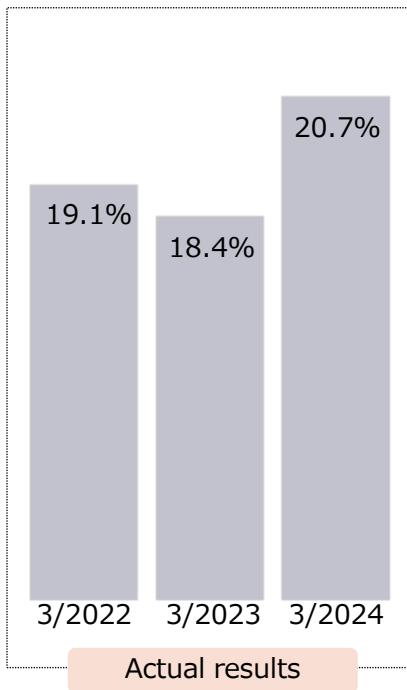
## Efforts to Improve ROE

### Effective Capital Utilization, Risk Asset Control

#### ◆ Capital allocation

- Maintain around 15% of consolidated CET1 ratio by accumulating appropriate risk assets and shareholder returns

#### Consolidated CET1 ratio



Profit



Dividends



Share  
buyback



Increase of  
risk assets



New  
business  
areas



#### ■ Shareholder returns

Stable dividends  
Flexible share buyback

#### ■ Risk assets

Accumulation based on investment efficiency  
Accumulation in focus areas

#### ■ New business areas

Continuing consideration of new businesses and domains

15.0%

In addition to the dividend limit of 10.5%, a minimum level that should be secured in consideration of major market disruptions like the financial crisis of 2008 and natural disaster risk, etc.