

Medium-term Management Plan

KAI-KAKU 150 1st STAGE “Gateway to the Future”

- Aiming to Transform into a Digital & Consulting Bank -

Overview of Medium-term Management Plan

Our medium-term management plan, KAI-KAKU 150 1st STAGE “Gateway to the Future” is an initial three year plan to achieve our long-term vision, “Digital & Consulting Bank that Opens Up the Future to Customers and the Region.”

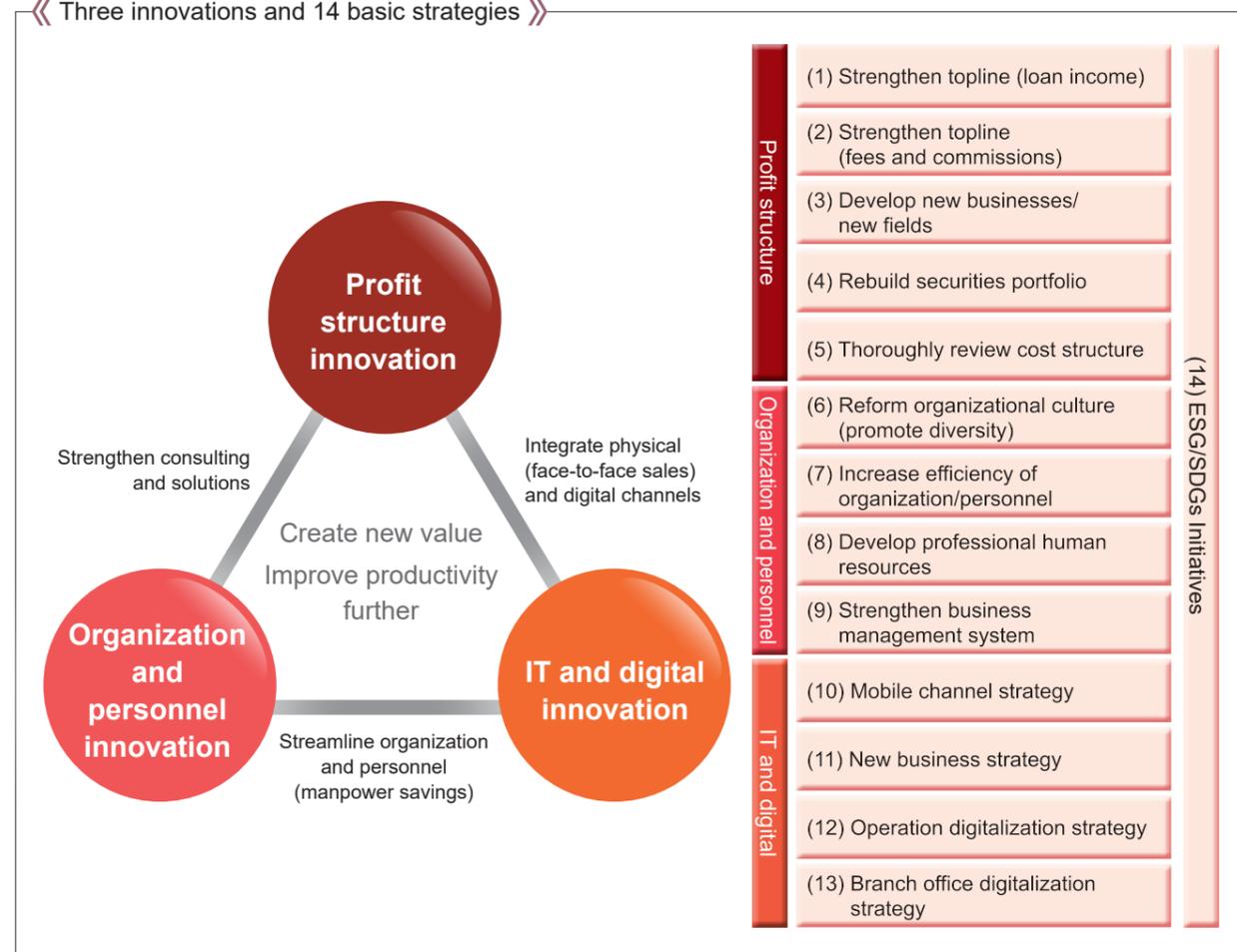
This medium-term management plan covers a period of three years to build foundations for a variety of aspects. If these foundations wobble, it becomes impossible to achieve sustainable growth. We are not simply pursuing short-term results, but moving forward with innovations from a medium- and long-term perspective.

Three Innovations of Medium-term Management Plan and 14 Basic Strategies

The medium-term management plan implements innovation in three areas: “profit structure innovation,” “organization and personnel innovation,” and “IT and digital innovation,” in view of the environment surrounding the Bank and the issues it faces.

Below are the key strategies related to each of these innovations.

《 Three innovations and 14 basic strategies 》



Profit structure innovation

We are striving to reinforce our loan income and fees and commissions by fully exercising our financial intermediation functions to address the issues and needs of customers, as well as providing optimal consulting and solution services tailored to customers.

In order to achieve this, in April 2019 we newly established the “Solution Business Division,” which integrated sales divisions and departments at our headquarters, and drastically increased the number of corporate financial advisors (FAs) from four to 14 staff members. These FAs serve as intermediaries between the branches and the division. Through this, we have improved coordination between branches and headquarters, group companies, and external institutions, and realized an improvement in our consulting proposal level. Furthermore, by improving the efficiency of our business activities, we have increased the amount of time spent for dialogues with customers, and contributed to resolving customer issues.

Organization and personnel innovation

We are deepening our ongoing reform of the work style while also promoting diversity. Through this, we are enabling all of our personnel to leverage their full capabilities and creating workplaces in which employees feel motivation and job satisfaction.

To achieve this, in April 2019 we have renamed the “Work Style Reform Promotion Office” within the Corporate Planning Division to the “Diversity Management Division,” elevating its level from “Office” to “Division.” This Division is actively promoting the participation of women and

supporting their self-directed career formation, and also promoting the participation of the elderly in the workplace.

We are also taking initiatives to enhance our training system and promote self-development in order to cultivate professional personnel well-versed in consulting.

In addition, by improving the level of our measures for Anti-Money Laundering and Counter Financing of Terrorism as well as our compliance system, we are building a solid business management system.

IT and digital innovation

In order to deploy evolving digital technologies, optimize entire systems, and promote medium and long-term digital strategies, we newly established the “Digital Innovation Division” in April 2019.

Our IT and digital innovation begins with our digitalization of customer contact points. Our customers’ lifestyles are changing with advances in digital technologies and the growing ubiquity of smartphones. As there is a growing need, especially among younger customers, to handle all bank transactions and procedures “via smartphone anywhere, at any time,” we will meet this need without delay.

Meanwhile, we are moving forward with digitalization of bank operations. Among those digital technologies that are evolving day by day, there are some technologies that can lead to drastically improved and more efficient banking operations if we adopt them in a better way. The Digital Innovation Division is taking the lead in investigating new technologies and comprehensively deliberating on policies for using them in operations, and promoting IT and digital innovation in order to bring about overall optimization.

Numerical Targets of the Medium-term Management Plan

Item		FY2018 (actual)	FY2019 (actual)	FY2021 (Final goal of the Plan)
Profitability indicator	Net income	¥10.7 billion	¥11.3 billion	¥10.0 billion or more
Capital efficiency indicator	ROE (shareholders' equity base)	4.32%	4.41%	3.7% or more
Efficiency indicator	OHR (core business gross income base)	74.43%	75.67%	less than 79%
Soundness indicator	Capital adequacy ratio	9.74%	10.07%	9.5% or more
Growth indicators	Average balance of deposits (including NCDs)	¥4,992.9 billion	¥5,102.3 billion	¥5,230.0 billion or more
	Average balance of loans	¥3,246.2 billion	¥3,529.7 billion	¥3,700.0 billion or more
	Loan-to-deposit ratio (average balance base)	65.0%	69.2%	70.8% or more
Profit indicators	Operating income from services to customers	¥1.5 billion	¥2.9 billion	¥3.7 billion
	Corporate solutions fees	¥941 million	¥1,103 million	¥2,000 million
Human resources development indicator	Number of personnel with professional qualifications	161 persons	221 persons	300 persons