

Medium-term Management Plan:

KAI - KAKU 150 1st STAGE —

“Gateway to the Future”

—Aiming to Transform into a Digital & Consulting Bank—

Progress Status

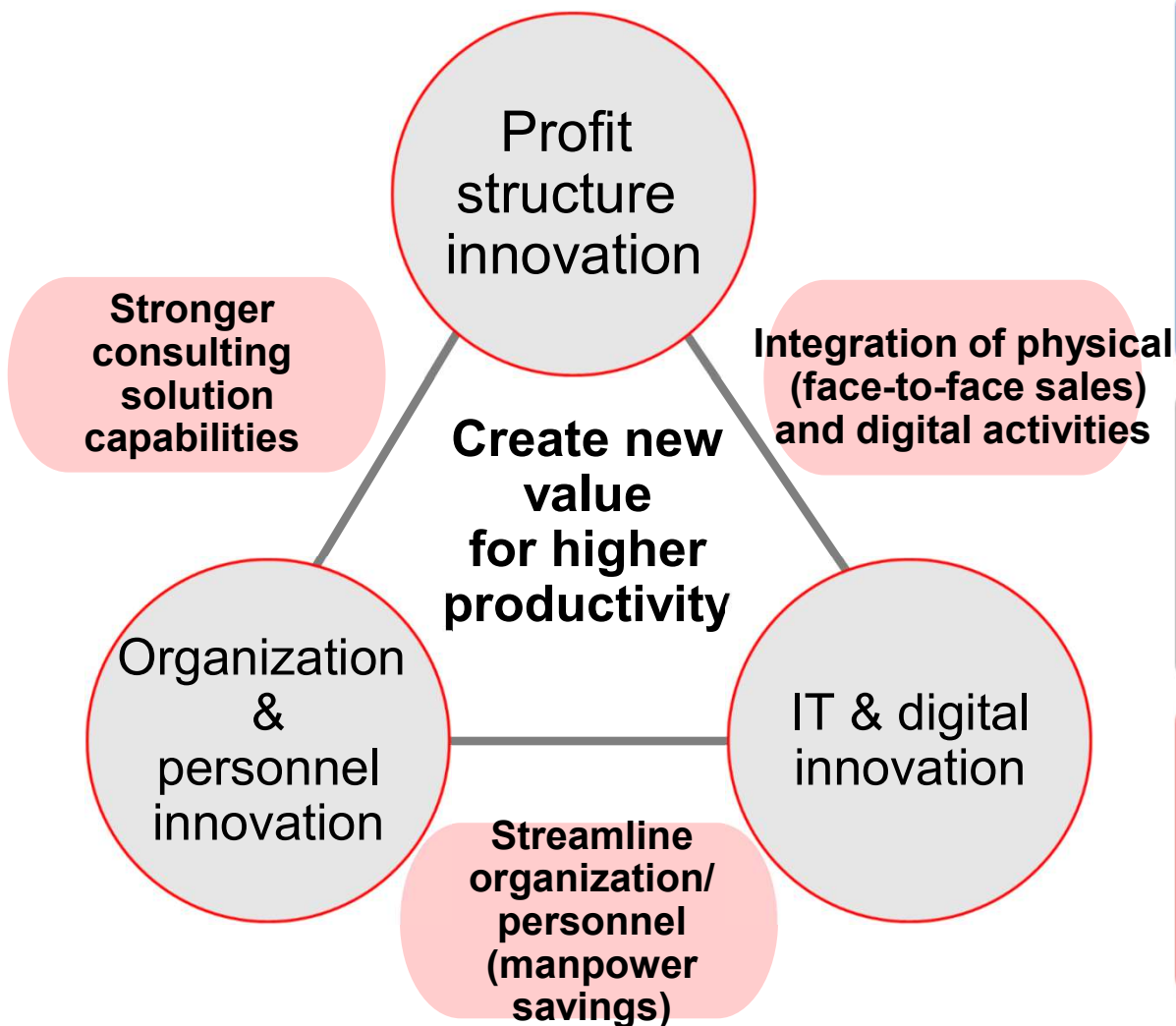
- We are strongly positioned toward achieving Mid-term Management Plan final targets. Certificated professionals exceed 190 personnel.

Numerical Targets of Medium-term Management Plan

	Item	FY 3/19 (actual)	FY 9/19 (actual)	FY 3/22 (MTMP final target)
Profitability indicator	Net income	10.7 billion yen	6.8 billion yen	10.0 billion yen
Capital efficiency indicator	ROE (Shareholders' equity base)	4.32%	5.34%	3.7% or more
Efficiency indicator	OHR (Core gross operating profit base)	74.32%	76.09%	Less than 79%
Soundness indicator	Capital adequacy ratio	9.74%	9.88%	9.5% or more
Growth indicator	Average balance of total deposit (including negotiable certificates of deposit)	4,992.9 billion yen	5,113.9 billion yen	5,230 billion yen or more
	Average balance of total loans	3,246.2 billion yen	3,468.8 billion yen	3,700 billion yen or more
	Loan-to-deposit ratio (average balance base)	65.0%	67.8%	70.8% or more
Revenue indicator	Operating income from services to customers	1.5 billion yen	1.3 billion yen	3.7 billion yen
	Corporate solutions fees	941 million yen	478 million yen	2,000 million yen
Human resources development indicator	Number of personnel with professional qualifications	161 persons	190 persons	300 persons

- Overview of Medium-term Management Plan “KAI-KAKU 150 1st STAGE—Gateway to the Future” comprising three reform measures and 14 basic strategies

Three innovation measures



14 basic strategies

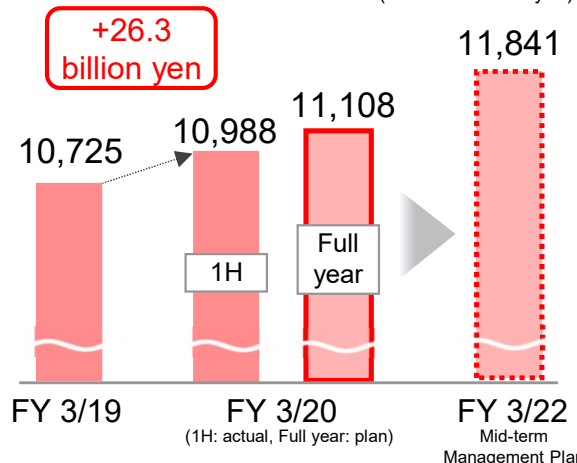
Profit structure	(1) Strengthen topline (loan income)	(14) Initiatives for ESG/SDGs
	(2) Strengthen topline (fees and commissions)	
	(3) Develop new businesses/new fields	
	(4) Rebuild securities portfolio	
	(5) Thoroughly review cost structure	
Organization & personnel	(6) Reform organizational culture (promote diversity)	
	(7) Increase efficiency of organization/personnel	
	(8) Develop professional human resources	
	(9) Strengthen business management system	
IT & digital	(10) Mobile channel strategy	
	(11) New business strategy	
	(12) Operations digitization strategy	
	(13) Branch office digitization strategy	
	(14) Initiatives for ESG/SDGs	

- Increase average balance of loans, such as loans to local medium-sized companies/SMEs and consumer loans, by approx. 500 billion yen.

JPY-denominated loans Average balance plan

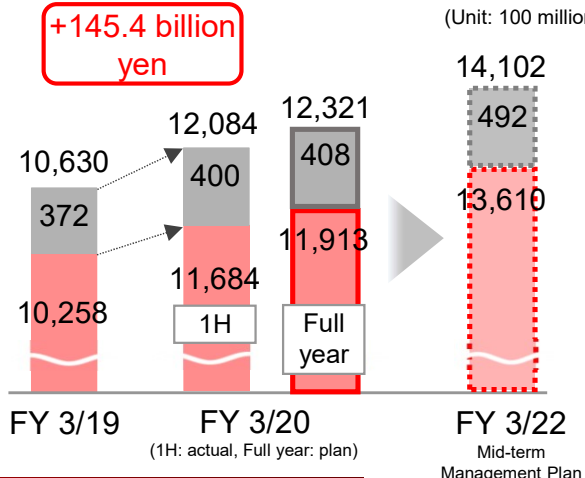
Loans to medium-sized companies and SMEs in the region

(Unit: 100 million yen)



Consumer loans

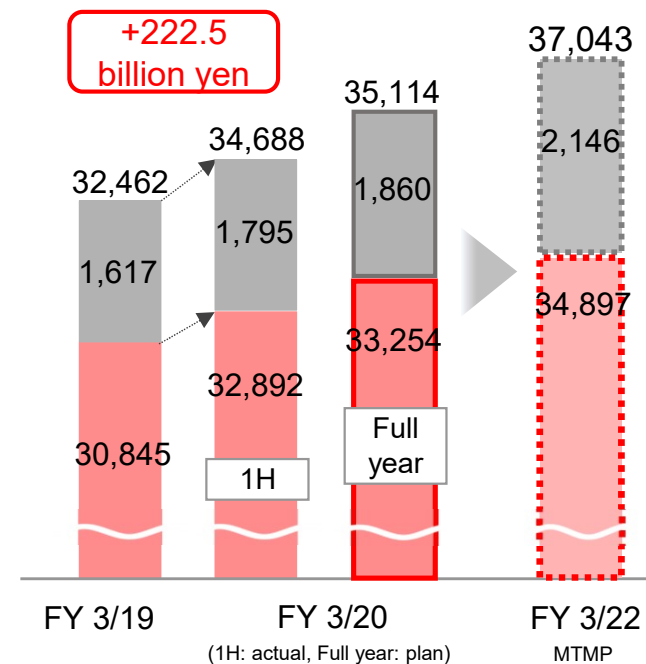
Housing loans (red) Unsecured loans (grey)
(Unit: 100 million yen)



Total loans Average balance plan

(Unit: 100 million yen)

JPY-denominated loans (red) Foreign currency-denominated loans (grey)



Foreign currency-denominated loans Average balance plan

Acquire excellent deals under a strengthened operation system and careful risk analysis

- Overseas industrial corporations: Give consideration to portfolio diversification
- Domestic industrial corporation: Secure funding opportunities for overseas subsidiaries
- Aircraft finance: Examine industry developments to acquire orders

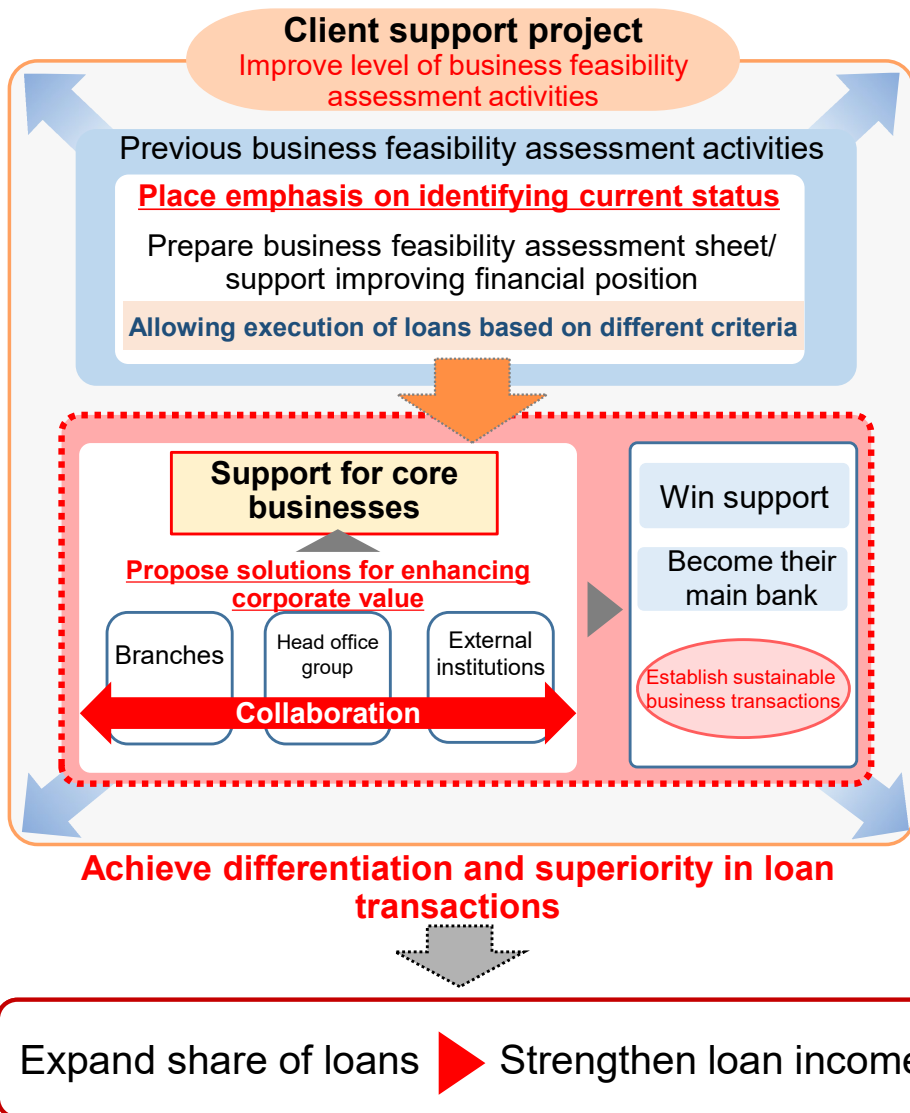
Increase by 50.0 billion yen during MTMP period

Loan-to-deposit ratio

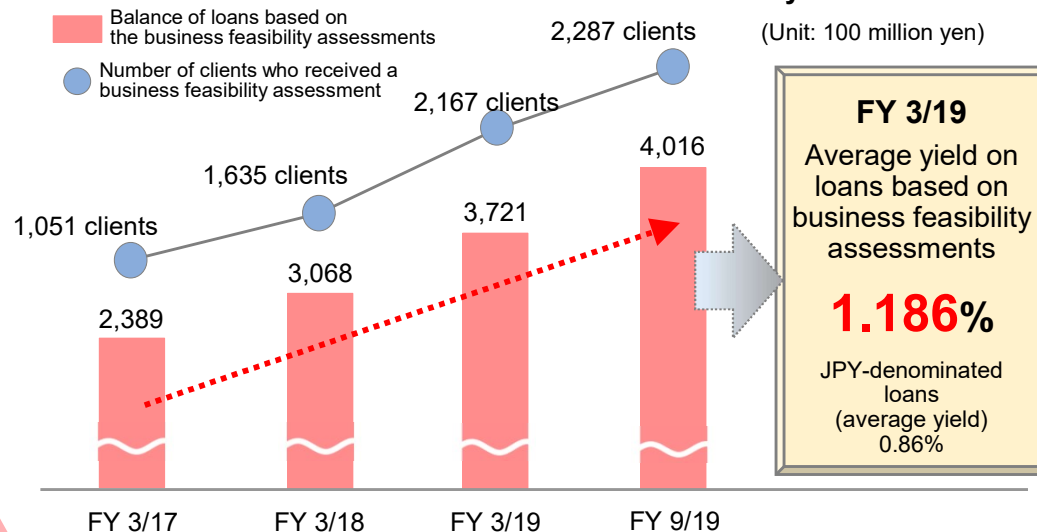
	FY 3/19 (actual)	FY 9/19 (actual)	FY 3/20 (plan)	FY 3/22 (final year of the Medium-term Management Plan)
Loan-to-deposit ratio	65.0%	67.8%	69.0%	70.8% or more

- Deepen business feasibility assessments to further strengthen financial intermediary capabilities and increase market share for loans.

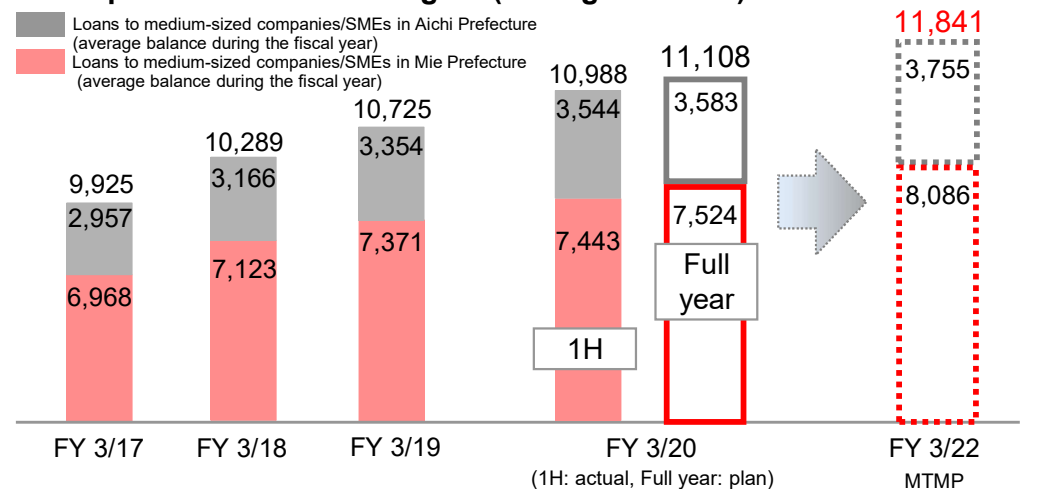
Toward More Sophisticated Business Feasibility Assessments



Changes in loan balance based on business feasibility assessments and number of clients who received a business feasibility assessments



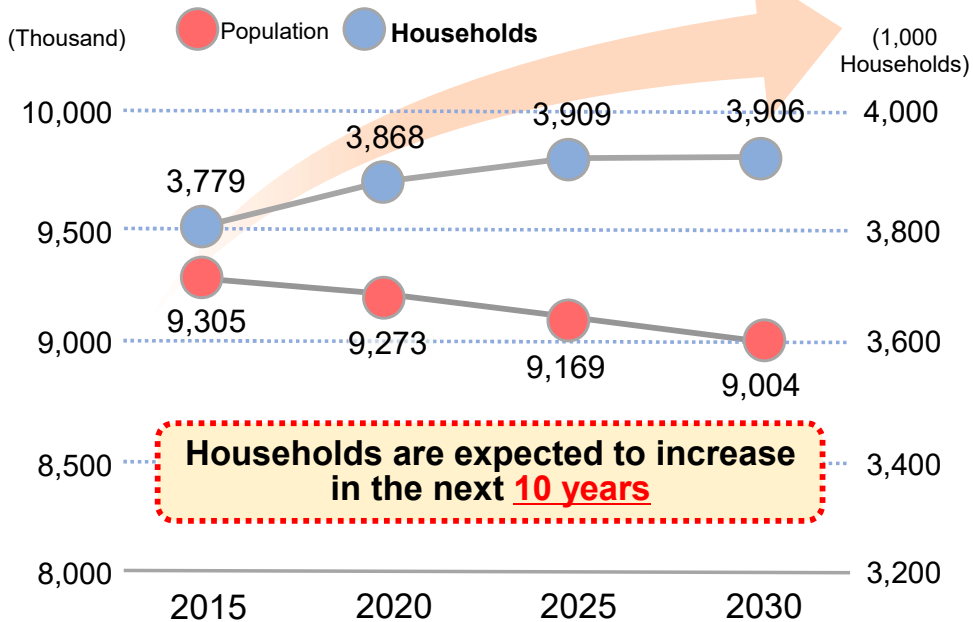
Change in volume of loans to medium-sized companies/SMEs in the region (average balance)



● Environmental analysis of business areas

External environment for promoting housing loans

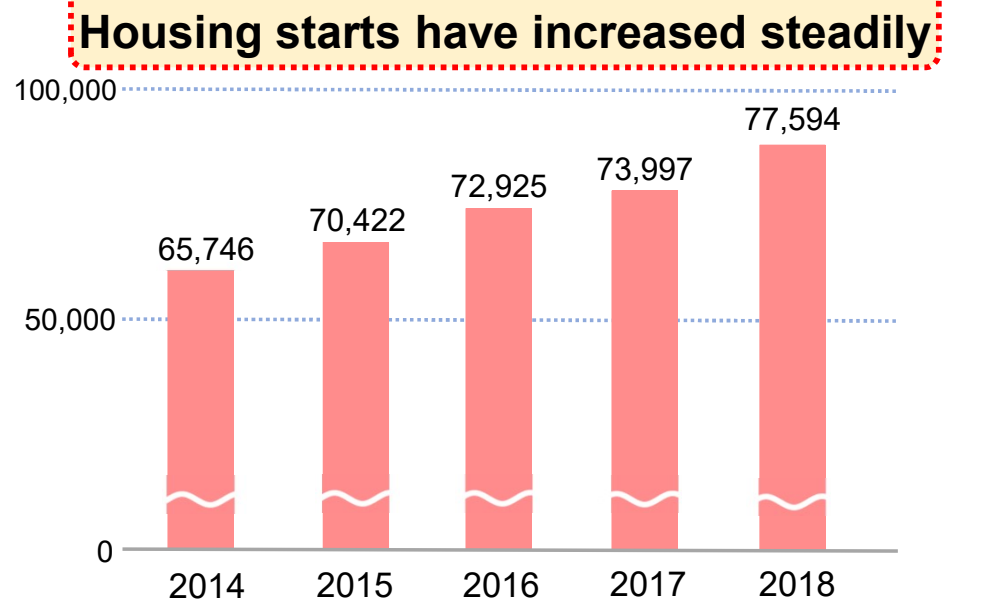
Projection of population and households in Mie Prefecture and Aichi Prefecture



* Prepared based on Population & households Projection for Japan by Prefecture publicized by National Institute of Population and Social Security Research

Housing starts in Mie Prefecture and Aichi Prefecture

(Unit: number of housing units)



* Prepared based on the Housing Starts Statistics by the Ministry of Land, Infrastructure, Transport and Tourism

Forecast housing loan demand in the business area to
continue for the next 10 years

- Exceeds level of the favorable previous year with stronger sales force achieved by allocating more time for on-site sales activities

Housing loan promotion measures and numerical targets

Main product: Sumai no Chikara

Appropriate loan product independent of external guarantee

Accelerate examination process



Increase administrative efficiency and systemization

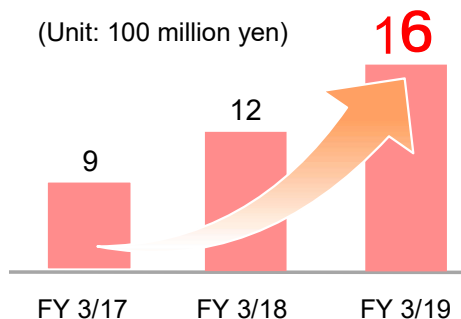
Achievements from 2016 through 2018
Integration of administrative work to the headquarters: 12,000 hours
Systemization of loan term management: 6,000 hours

Reduced 30 thousand hours of administrative burden in the sales division

Strength: Succeeded in using more time for sales activities

Acquisition of housing loans per sales personnel

(Unit: 100 million yen)

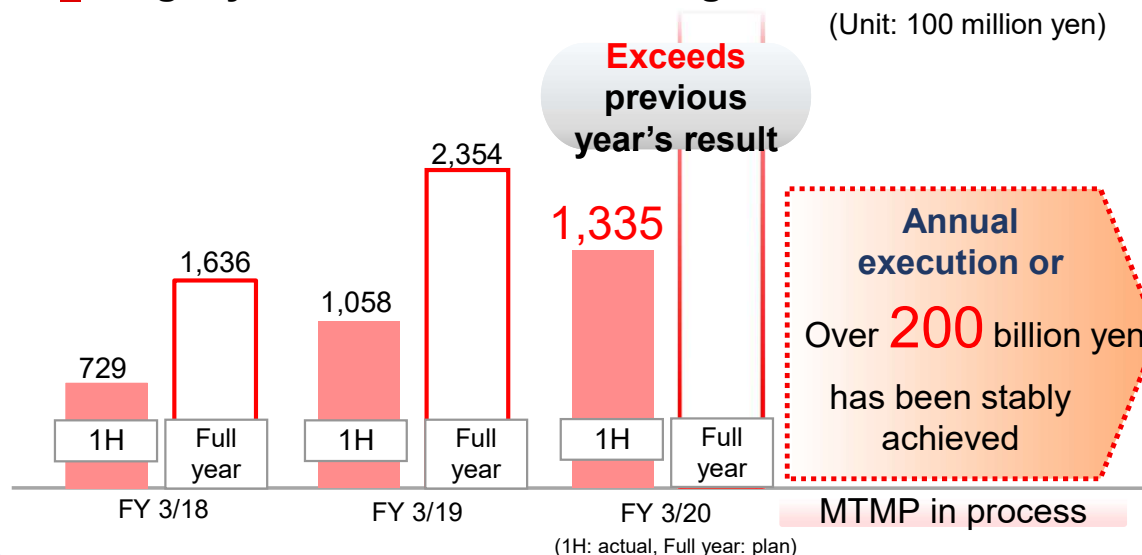


Number of housing loan sales personnel

Period	# of personnel
FY 3/17	146
FY 3/18	141
FY 3/19	149

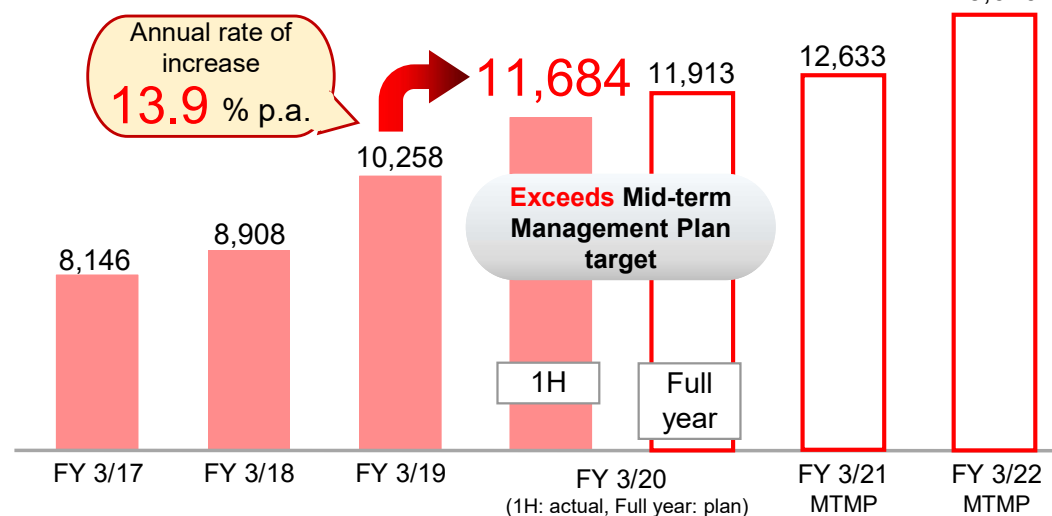
Single-year execution of housing loans

(Unit: 100 million yen)



Average balance of housing loans (planned)

(Unit: 100 million yen)



Examples of leveraging our consulting capabilities—project finance for PPP/PFI projects

Promotion of PPP/PFI project finance

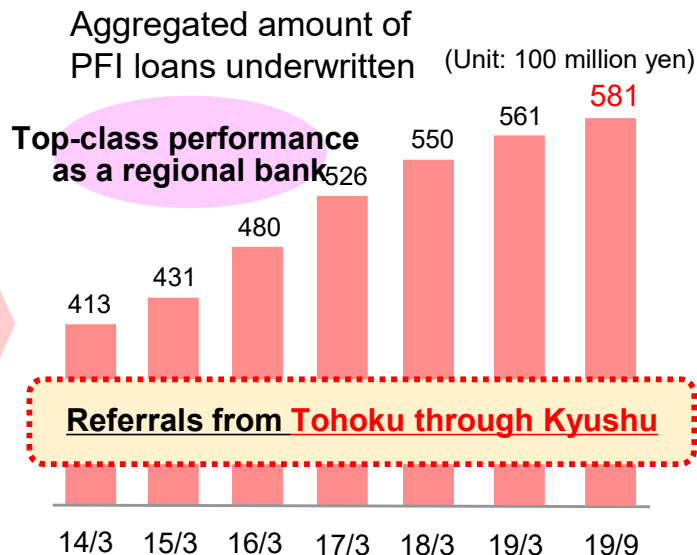
First involvement in project finance for PPP/PFI projects

April 2002 Construction of complex facility including Kuwana City Library



Biomass resource reuse facility in Toyohashi City

Iga City Elementary School Food Service Center in Mie Prefecture



Involved in PPP/PFI projects across the country

Location (prefecture)	Number of projects	Total number of projects involved
Aichi	17	48 projects
Tokyo	8	
Osaka	6	58.1 billion yen including
Mie	5	
Kanagawa	4	22 arranger deals with about 21 billion yen
Shizuoka and other	8	

PPP/PFI awareness-raising activities

Central and regional governments

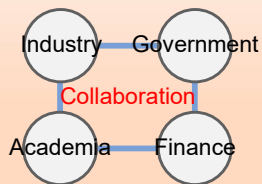
Financial contraction
Decrease in population

Challenge

Measures for aging of infrastructure and public facilities

November 2017

Cooperated with Cabinet Office and local municipalities of prefecture to establish
Mie Public-Private Partnership Platform



Hold seminars and educational events

Obtain and share information and know-how

Energize PPP/PFI projects => Create financing deals

May 2019

Cabinet Office and MLIT

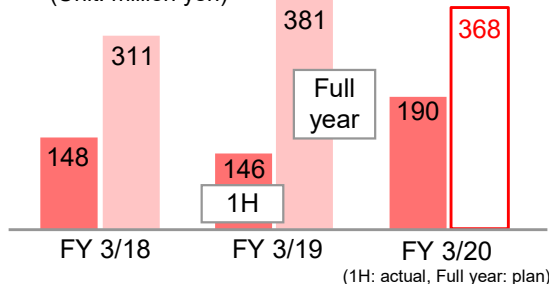
Certified member of PPP/PFI regional platform agreement

- Enhance offerings of solutions and support system to address customers' management issues and strengthen non-interest income

Corporate solutions fees

Structured finance-related fees

(Unit: million yen)



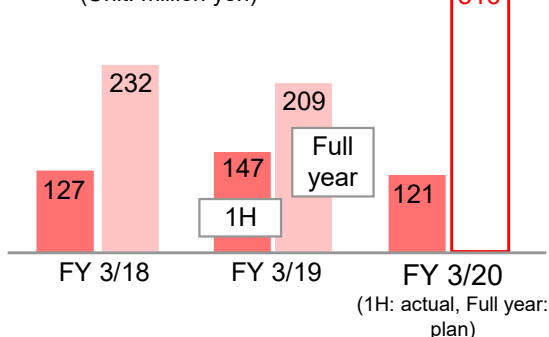
190 million yen

(Results as of September 30, 2019)

- ◇ Expects execution of PPP/PFI projects ordered across the country, and acquisition of LBO loans linked to business succession

M&A and related fees

(Unit: million yen)



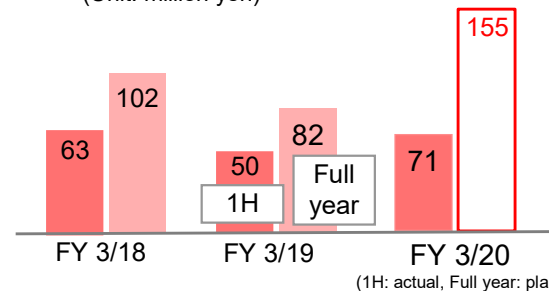
121 million yen

(Results as of September 30, 2019)

- ◇ More aggressively approached about 1,500 clients with net assets of 300 million yen or more

Business matching-related fees

(Unit: million yen)



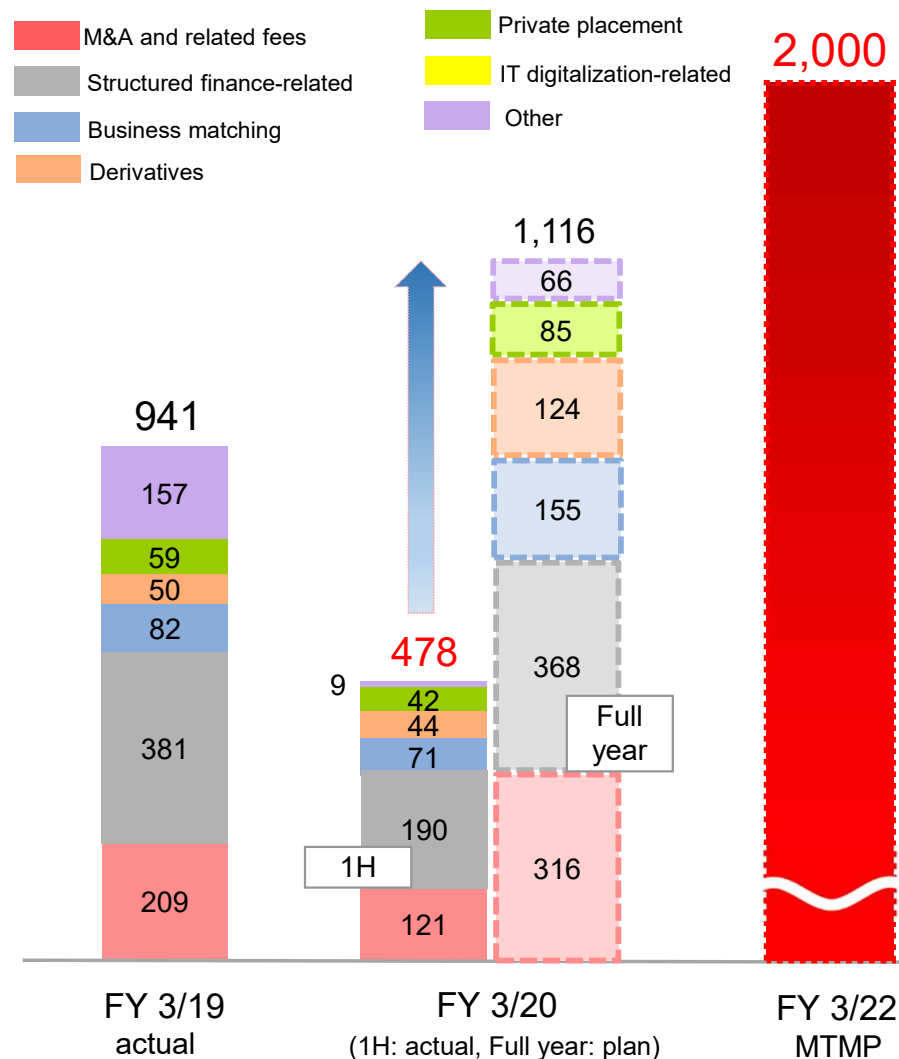
71 million yen

(Results as of September 30, 2019)

- ◇ Began full-scale operation of real estate BM by expanding range of partner constructors, and explored new opportunities of AI and IoT-related BM

Results and plan of corporate solution fees

(Unit: million yen)



- Make customer-oriented proposals for depository assets according to their needs in order to increase the penetration ratio of depository assets and strengthen depository assets-related fees

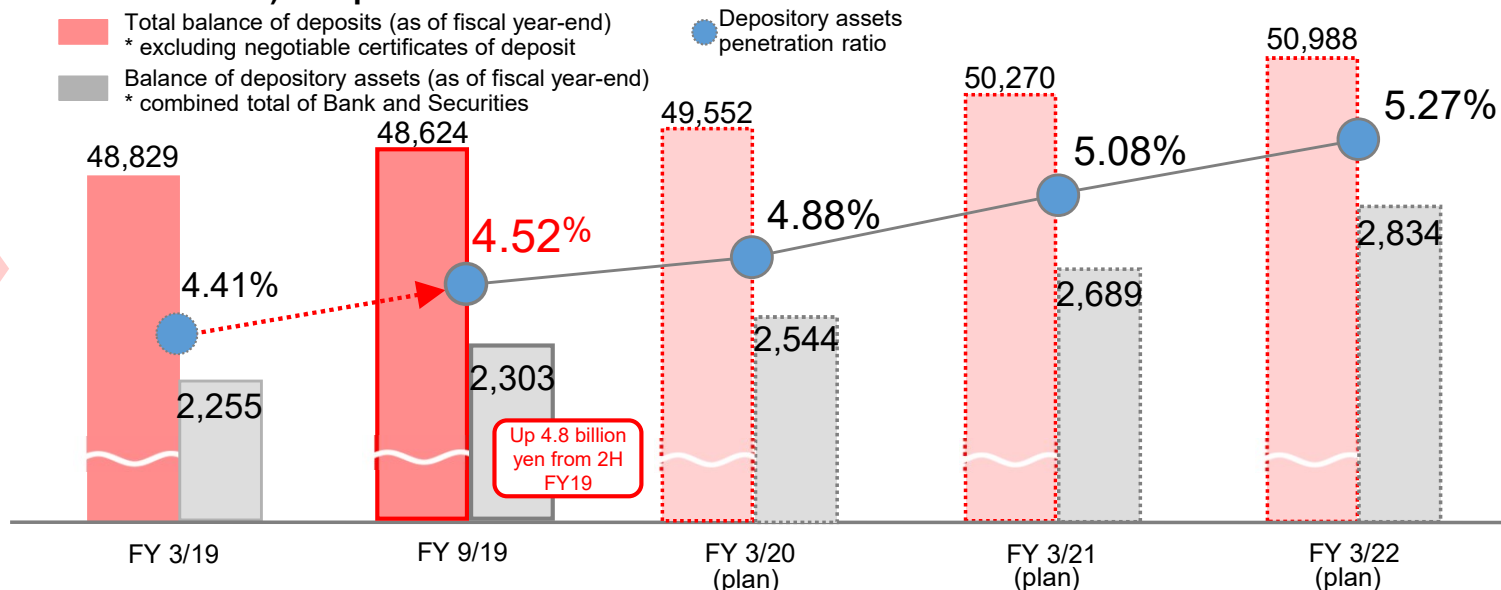
Depository assets sales strategy to increase penetration ratio

Depository assets penetration ratio

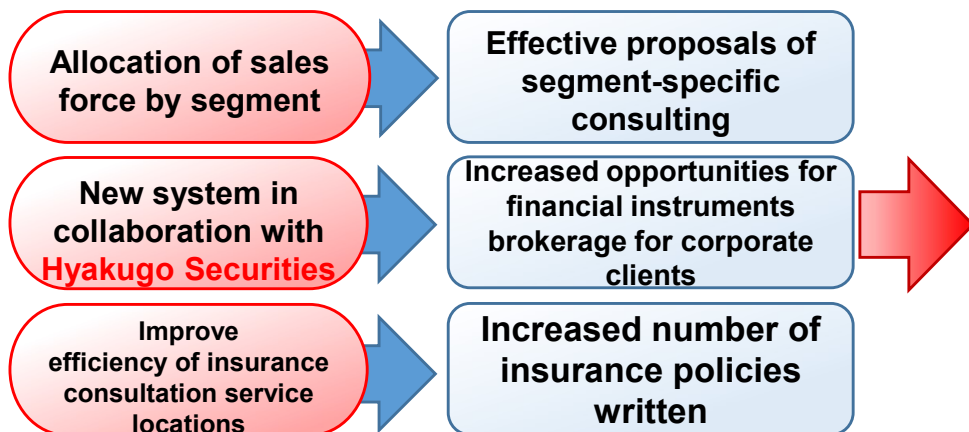
$$\frac{\text{Depository assets penetration ratio (\%)}}{\text{Balance of depository assets}} = \frac{\text{Total balance of deposits + Balance of depository assets}}{\text{Total balance of deposits + Balance of depository assets}}$$

Integrated management of deposits and depository assets through collaboration between the Bank and Securities

Trend of depository assets penetration ratio (combined total of Bank and Securities) and plan



Effects of sales system innovation



Depository assets-related fees

(Unit: million yen)

	FY 3/19 (actual)	FY 9/19 (actual)	FY 3/20 (plan)	FY 3/22 (MTMP)
Investment trusts	820	405	961	1,176
Insurance	993	573	1,133	1,396
Financial instruments brokerage	68	65	128	225
401K	79	50	93	100
Total	1,961	1,094	2,317	2,897

- Create workplaces that support employees with diverse work styles to achieve their full potential and build an organization that offers job satisfaction and a sense of unity

Promoting diversity

Initiatives to promote active participation by female employees

Hired **2** certified **career consultants**

Career development seminar for female staff

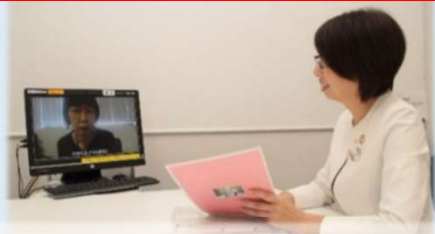
- Hold Career Development Seminar for young female staff
- Opportunity to have a long-term career vision



Targets female staff before life events

Create a career development environment

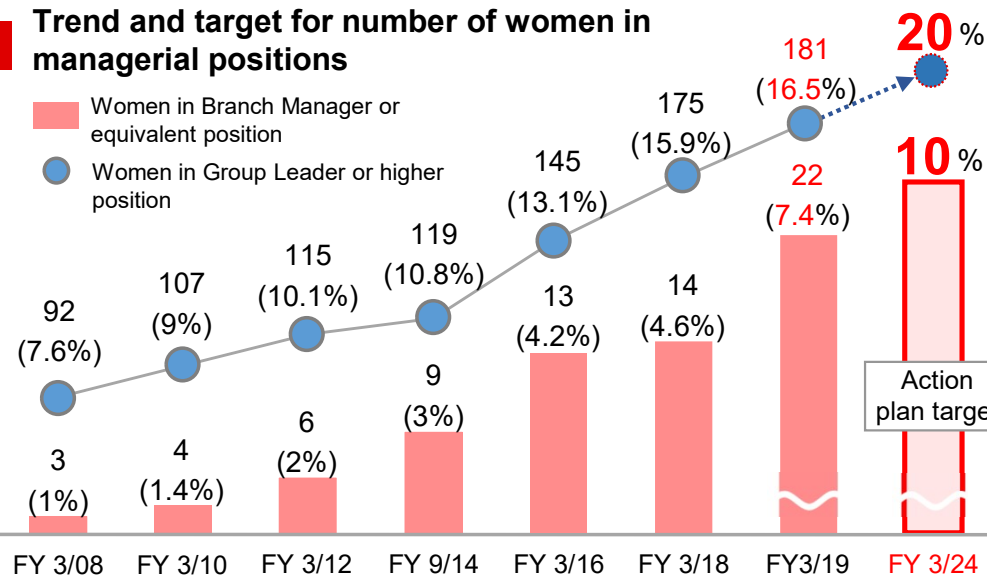
- Upgrade interview for women on childcare leave, incl. pre- and post-interview
- Support personal development, etc.
- Make a smooth return to work



Interview using teleconference system

Trend and target for number of women in managerial positions

- Women in Branch Manager or equivalent position
- Women in Group Leader or higher position



Employment of persons with disabilities (challenged individuals)

Special subsidiary

Initiatives of Hyakugo Kanri Service Co., Ltd.

Promote operational and workplace development

- Develop operation and revise HR structure to provide opportunities for persons with disabilities
- Make work environment comfortable



Create passbooks for bills and cheques, and credit passbooks

Brushing up skills every year

Support skill development

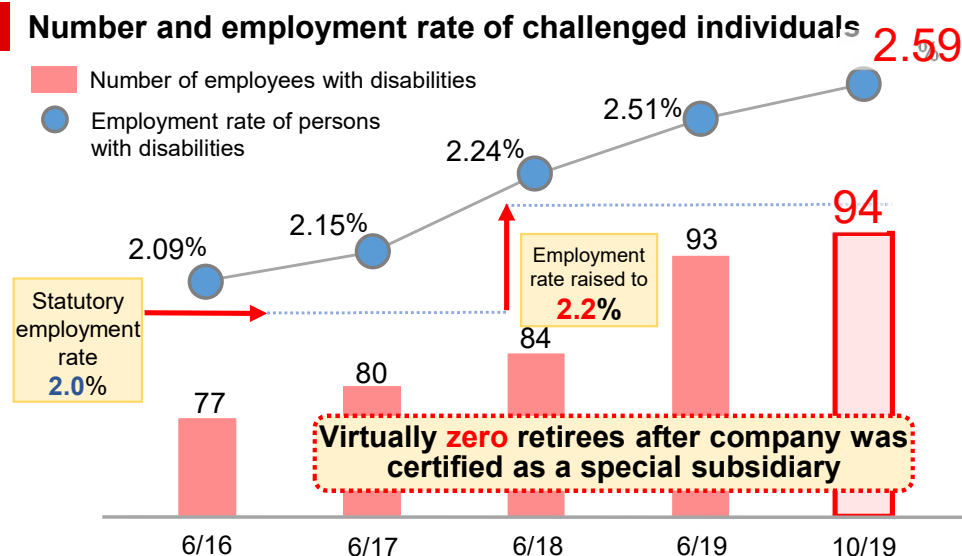
- Study on skill development of persons with disabilities
- Evaluation system based on individual skill and contribution



Training on public speaking at a company orientation as part of skill development

Number and employment rate of challenged individuals

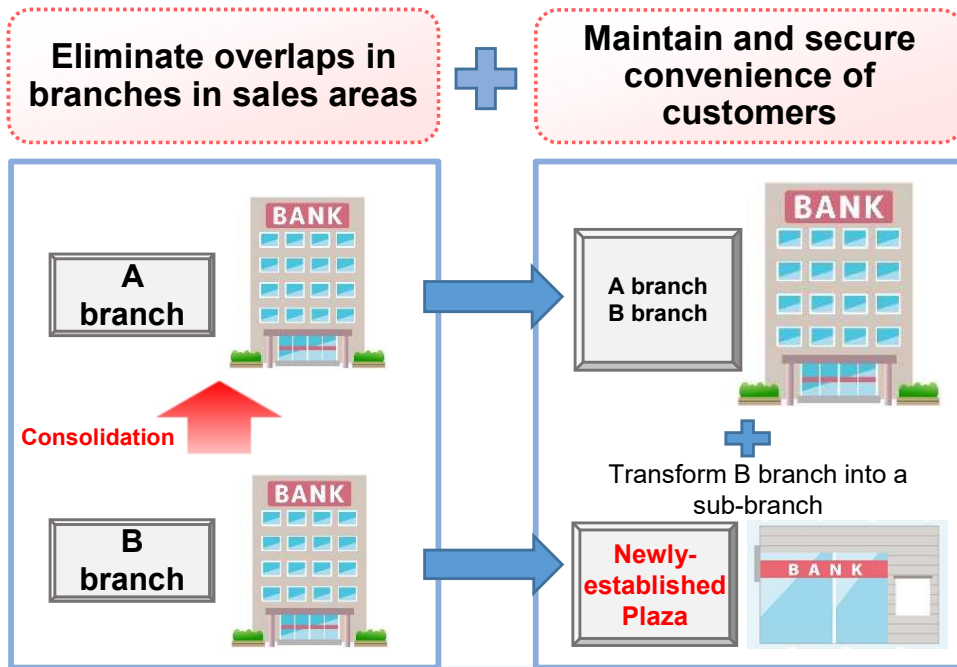
- Number of employees with disabilities
- Employment rate of persons with disabilities



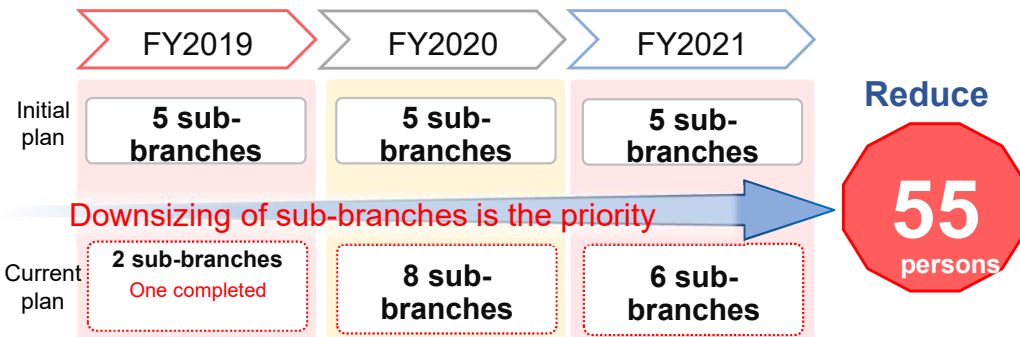
Virtually zero retirees after company was certified as a special subsidiary

- Increase efficiency of branch network by eliminating inefficient overlapping of sales areas, while maintaining branch network and convenience for customers

Consolidate functions by adopting branch-in-branch method



Plan Aim to establish **16** sub-branches during MTMP period



Downsizing of Sub-branches

- (1) Limiting services offered
- (2) Changing business hours
- (3) Setting non-business days on weekdays

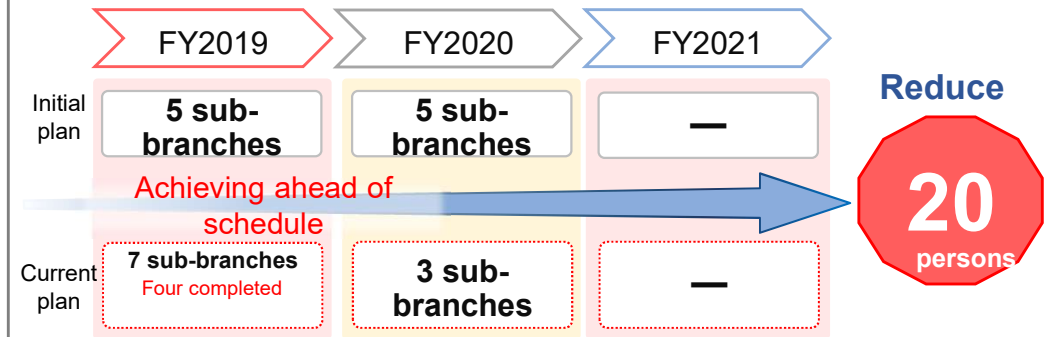
Rollout of "105 Plaza"
BANK
Branch operation with a small staff
(Two employees and two-four part-timers)

Example: Kiyamachi Plaza
(one employee and two part-timers)

- Limited services offered
⇒ Cash handling services and consulting services
- Closed during lunch hours
⇒ 12:00 - 13:30



Plan Aim to establish **10** sub-branches during MTMP period



- Aggressively adopt cashless payments to acquire other sources of revenue

Acquisition of other revenue sources through cashless services

Our existing cashless services

Bar code settlement service



July 2017

Pioneered service in Japan

◇ Bar Code Pay

Applicable to about half of residential tax payments in Mie Prefecture
Also applicable to automobile tax payments in Mie Prefecture from April 2020

QR code settlement service



December 2018
Pioneered service as the first regional bank in Tokai area

◇ OrigamiPay

Service provided in collaboration with open API

Outline of other cashless payment services

From October 2019



User

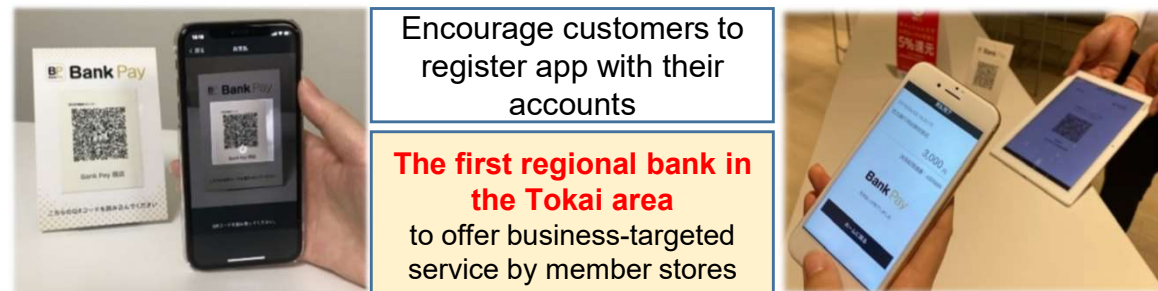
Not necessary to charge cash

QR code allows **direct payments** from bank account

Branch

Promptly receive sales money

Payment recorded on member store's account within **three business days** from settlement



Encourage customers to register app with their accounts

The first regional bank in the Tokai area to offer business-targeted service by member stores

Since launch of service in October,

Number of applications for member store registration has reached 1,000

Other promising revenue sources

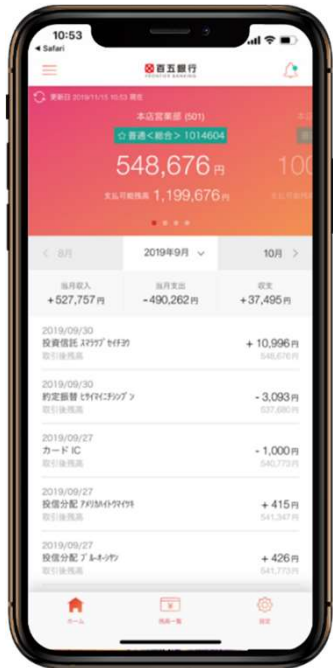
- Launched smartphone banking app to offer greater convenience

Process to establish smartphone banking app

Launch smartphone banking app

“Handy bank whenever you want and wherever you want”

<Target> All account holders (cash card issuers only)



1st phase
November 2019

Smart passbook

- ◇ Completely shift from paper passbooks to passbook-less transactions with digitalized passbooks on smartphone
- Account balance viewable Transaction records viewable (up to 10 years)

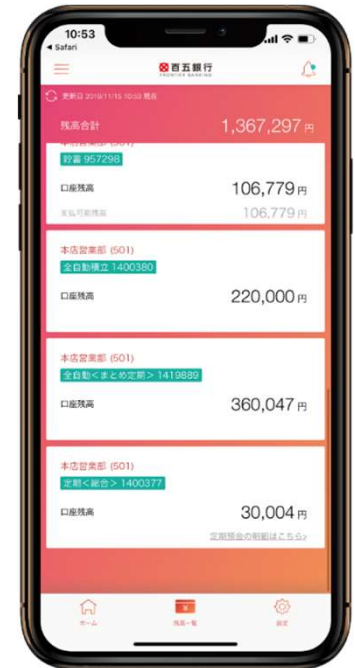
2nd phase
June 2020 (plan)

Alternative to OTC service

- ◇ Shift transactions, registration, and documentation to smartphone from OTC
- Money transfer Registrations and contracts Account opening Inquiries

Invitations and notifications

- ◇ Invitations and notifications to customers via smartphone
- Notification of large cash receipts, insufficient account balance at time of debit, etc.



Improve non-OTC channels

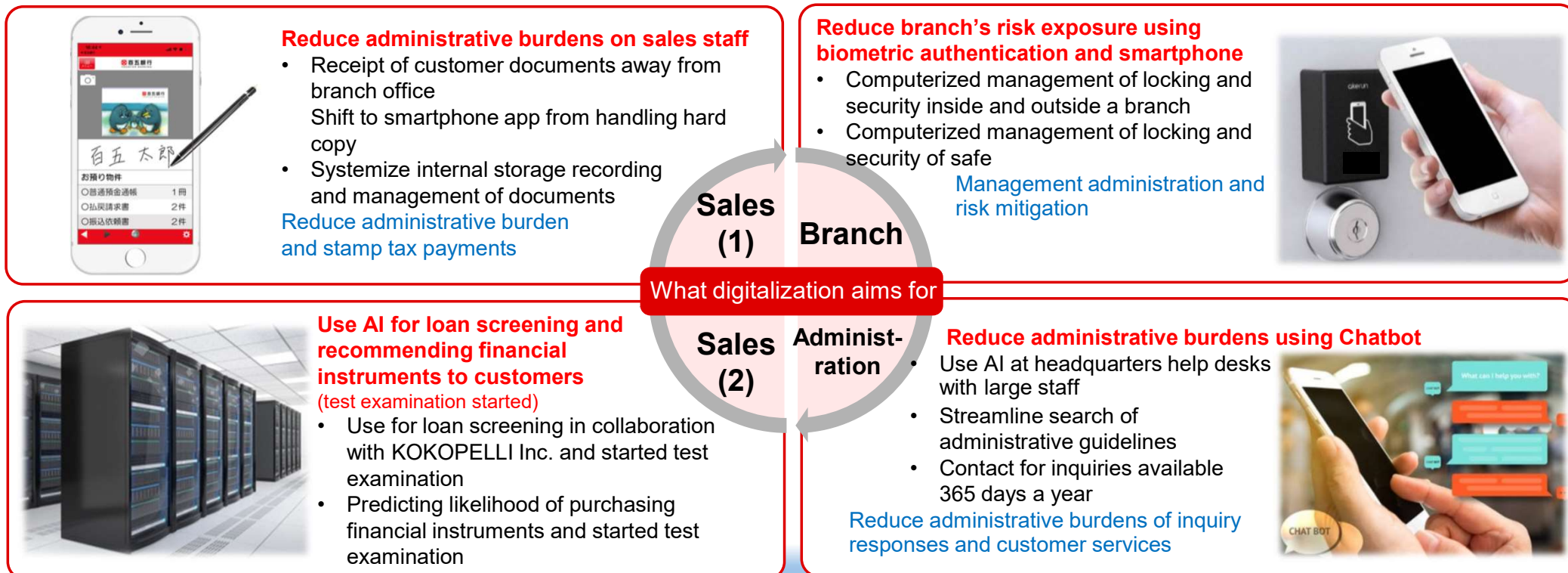
Reduce costs (stamp tax and expenses for issuing passbooks)

Downsize ATM in the future

- Major reforms to operational processes using IT and digitalization under consideration

Achieve operational innovations using digitalization

Operational digitalization strategy on the table



Digitalize banking operations using smartphone apps and AI

For strengthening sales force, finding human resources internally, and reallocating personnel