

Medium-term Management Plan

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

Aiming to Transform into a Digital & Consulting Bank

Progress Review

- The indicators demonstrated steady performance towards the final goals of the Medium-term Management Plan. Operating income from services to customers was negative in the interim period, but is expected to remain positive on a full-year basis

Numerical Targets of the Medium-term Management Plan

	Item	FY 3/20 (actual)	FY 9/20 (actual)	Progress in the Plan	FY 3/22 (Final goal of the Plan)
Profitability indicator	Net income	11.3 billion yen	5.7 billion yen	○	10.0 billion yen
Capital efficiency indicator	ROE (shareholders' equity basis)	4.41%	4.34%	○	3.7% or more
Efficiency indicator	OHR (core gross operating profit basis)	75.67%	73.63%	○	Less than 79%
Soundness indicator	Equity Ratio	10.07%	10.22%	◎	9.5% or more
Growth indicators	Average balance of total deposits (including negotiable certificates of deposit)	5,102.3 billion yen	5,327.5 billion yen	◎	5,230 billion yen or more
	Average balance of total loans	3,529.7 billion yen	3,753.4 billion yen	◎	3,700 billion yen or more
	Loan-to-deposit ratio (average balance basis)	69.2%	70.5%	○	70.8% or more
Profit indicators	Operating income from services to customers	2.9 billion yen	(60) million yen	△	3.7 billion yen
	Corporate solutions fees	1,103 million yen	590 million yen	△	2,000 million yen
Human resources development indicator	Number of personnel with professional qualifications	221 persons	217 persons	○	300 persons

No. 1 among regional banks in Japan

The number of staff members who passed the knowledge-based exam of the 1st Grade Financial Planning Qualifications

(two consecutive examinations held in Sept 2019 and Jan 2020)

- An issue is “many redemptions of relatively high-yield JPY-denominated bonds.” A solution is to increase the volume of loans to local companies and housing loans

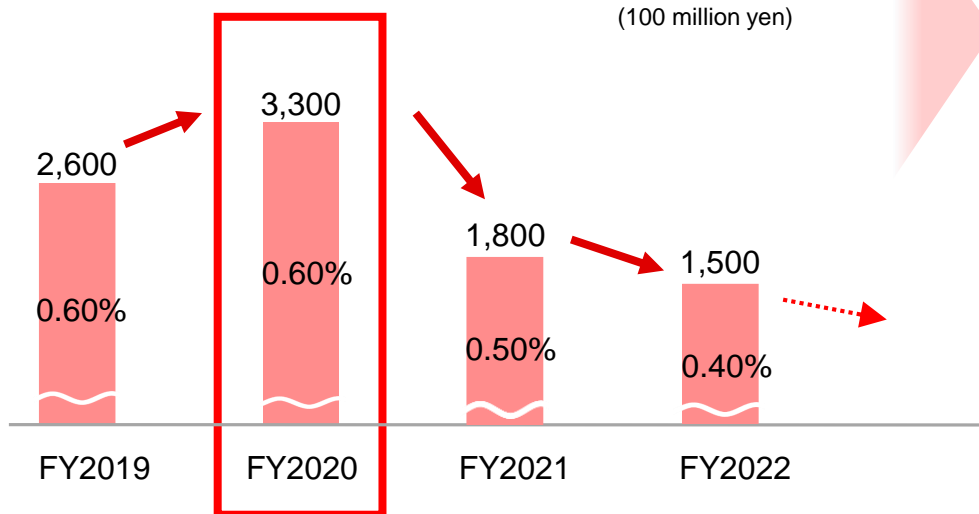
Maturity of many JPY-denominated bonds will peak in FY2020

As fewer JPY-denominated bonds mature in FY2021 onward, **FY2020 is the crucial point.**

Solution

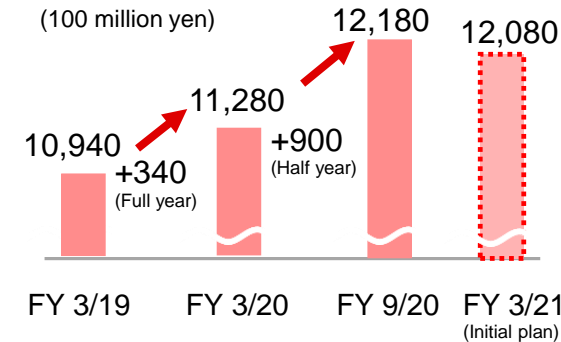
Focus on increasing the volume of loans to medium-sized companies/SMEs in the region, and housing loans

Trends in redemption amount of JPY-denominated bonds and average yield



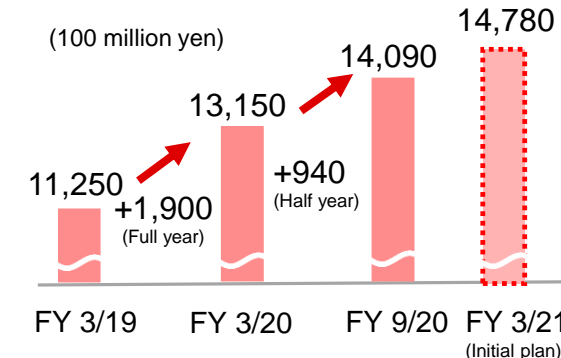
The first half of FY2020 saw a steady increase in “loans to medium-sized companies/SMEs in the region” and “housing loans”

Increase the volume of loans to medium-sized companies/SMEs in the region



1st half of FY2020
Execution of new non-interest-bearing, unsecured loans guaranteed by Credit Guarantee Corporation
97.6 billion yen

Increase the volume of housing loans



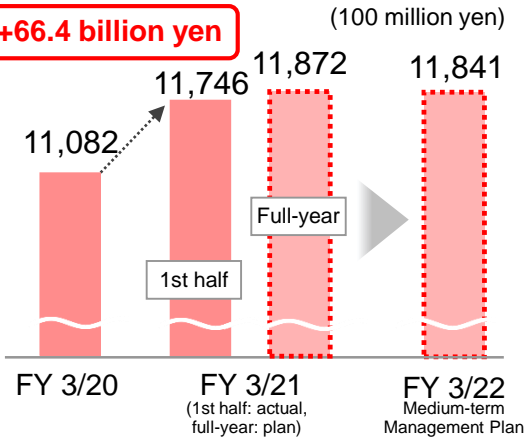
1st half of FY2020
Execution of new housing loans
130.6 billion yen

- 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

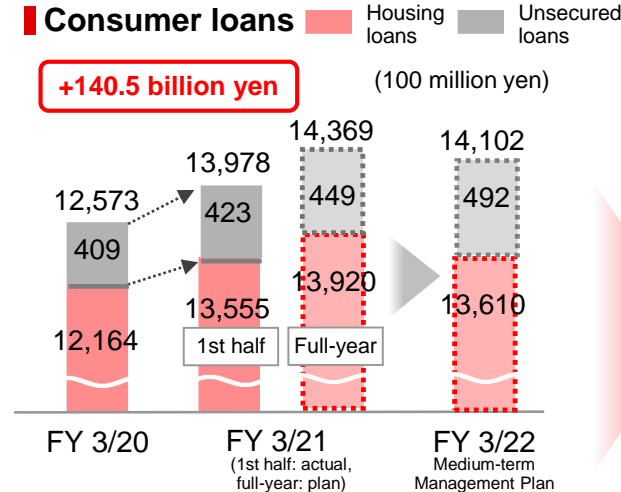
Loans to medium-sized companies and SMEs in the region

+66.4 billion yen



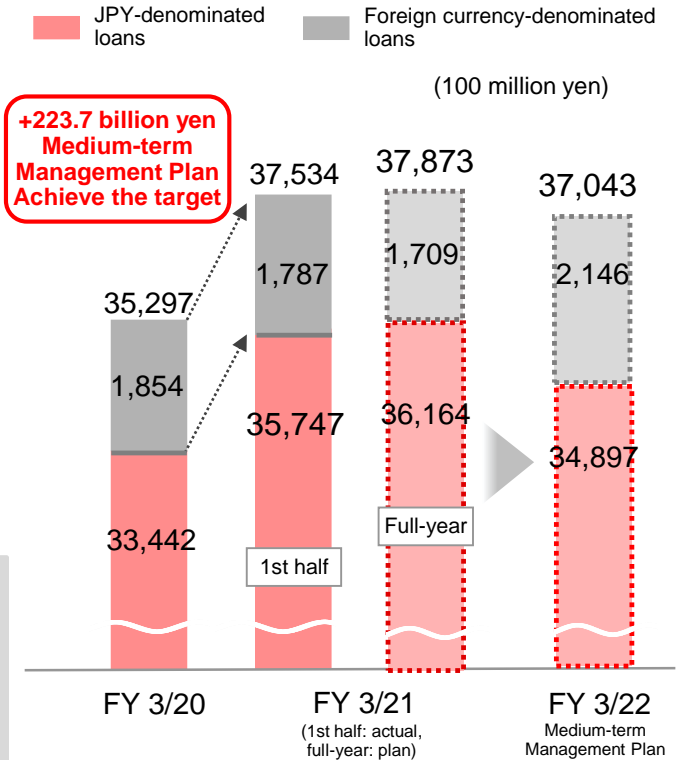
Consumer loans

+140.5 billion yen



Total loans Average balance plan

+223.7 billion yen
Medium-term Management Plan Achieve the target



Foreign currency-denominated loans Average balance plan

Acquire prime borrowers while enhancing the operating scheme and performing careful risk analysis

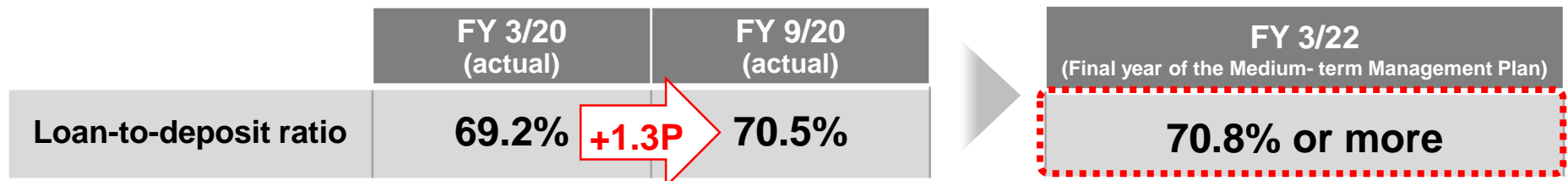
For companies operating overseas business	Increase the volume of loans for higher portfolio diversification
For companies operating domestic business	Ensure to acquire fund needs of overseas subsidiaries
Aircraft finance	Fulfill aircraft demand while carefully examining the industry trends

During the term of the Medium-term Management Plan
50.0 billion yen up

Control

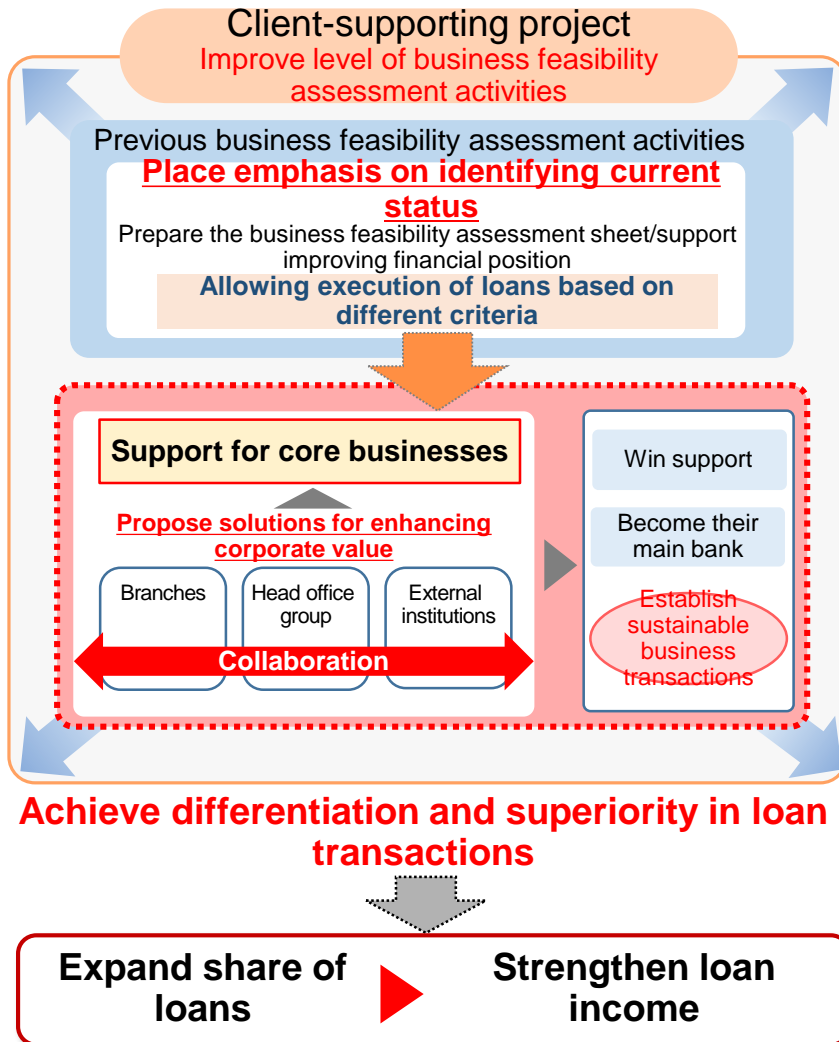
Initial plan

Loan-to-deposit ratio

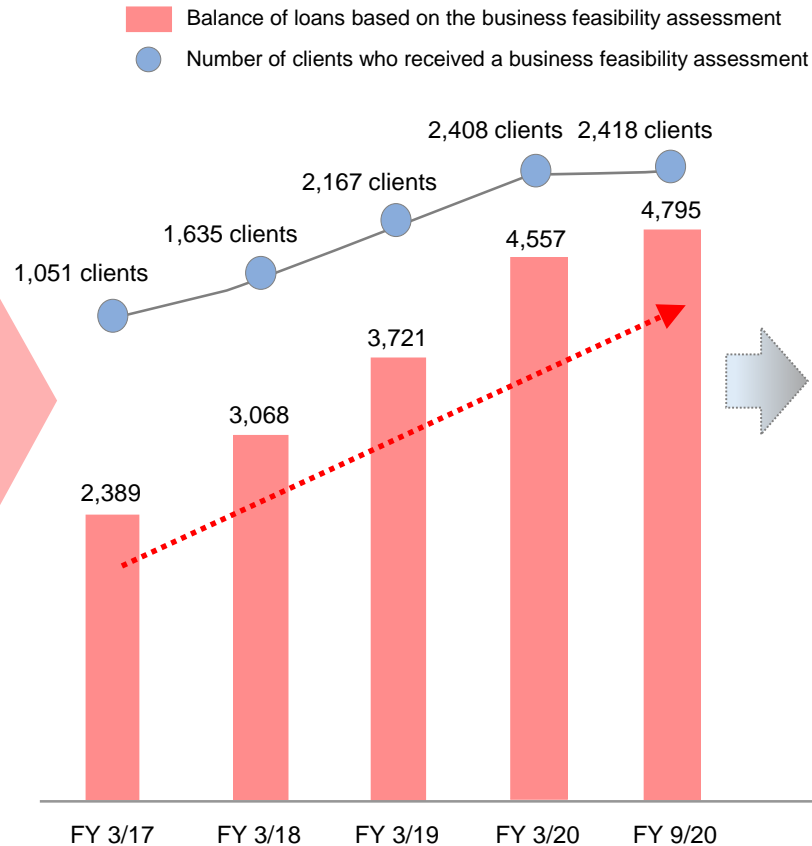


- Deepen business feasibility assessment to further strengthen financial intermediary capability and increase market share for loans.

Toward More Sophisticated Business Feasibility Assessments



Change in the loan balance based on business feasibility assessment and the number of clients who received a business feasibility assessment
 (100 million yen)



FY 9/20
 Average yield on loans based on business feasibility assessment
1.06%
 JPY-denominated loans (average yield) 0.82 %

● Attract more borrowers of housing loans in Aichi Prefecture

Housing loan promotion measures

Launched Toyohashi Personal Plaza
on June 29, 2020

Started offering housing loans in Toyohashi City,
Aichi Prefecture

and...

Enhanced the sales power of housing loans
in Aichi Prefecture



Aichi
Prefecture

Mie
Prefecture

Increased sales
personnel in Aichi
Prefecture

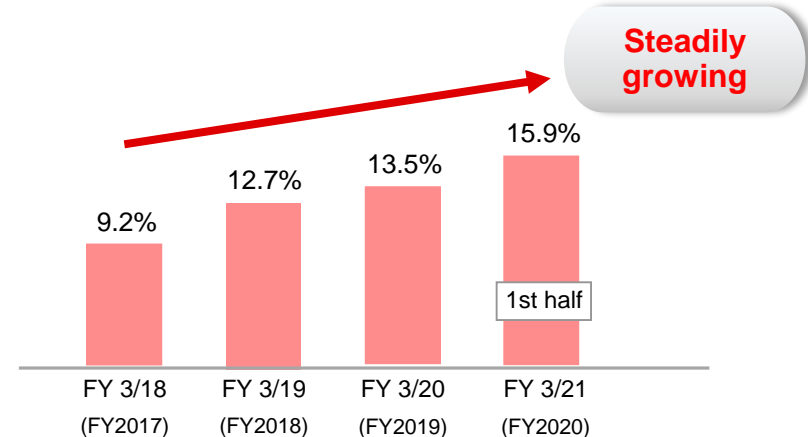


Performance of Toyohashi Personal Plaza

Loans executed worth
over **1.5 billion yen**

* since the launch
until end of Sept

Share of housing loans in Aichi Prefecture
(%)



Steadily
growing

* The share is obtained by dividing the number of the Bank's housing loans executed by the number of housing starts

Attract more housing loan borrowers in Aichi Prefecture
and expand the share of Hyakugo Bank

- Streamline business negotiations and enhance contactless transactions during COVID-19 The average balance is increasing at a faster pace than stated in the Medium-term Management Plan

Streamlining operations and numerical targets

Streamlining operations

More customers prefer contactless contracting in the face of COVID-19

Enhance contactless transactions

Make more use of postal service for contracting

Use postal service for loan agreements, and meet customers less frequently and reduce travel hours

and...

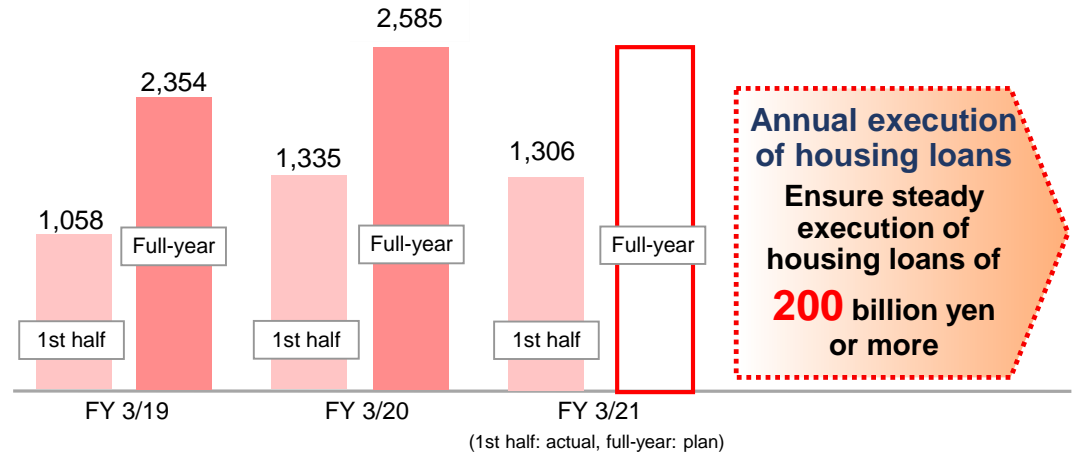
Consider introducing E-contracts



Simplify loan contract procedures for higher operational efficiency

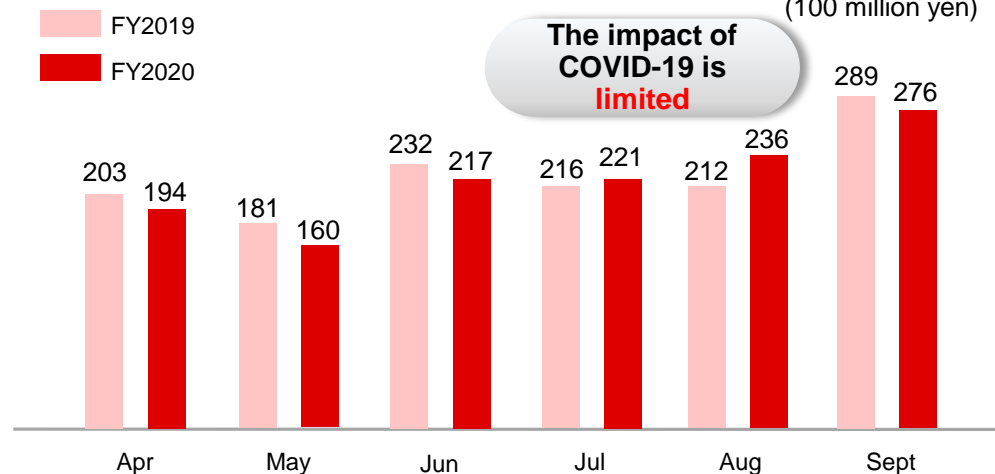
Single-year execution of housing loans

(100 million yen)



Monthly execution of housing loans (year-on-year change)

(100 million yen)



● Capture potential fund needs for housing loans, and increase contactless transactions through online contracting

Trend in balance of unsecured loans, and promotion measures

Enhance customer loyalty of those with a housing loan

Products exclusively for housing loan users Value Plan

(1) Propose refinancing when customers are applying for a housing loan



(2) One Writing

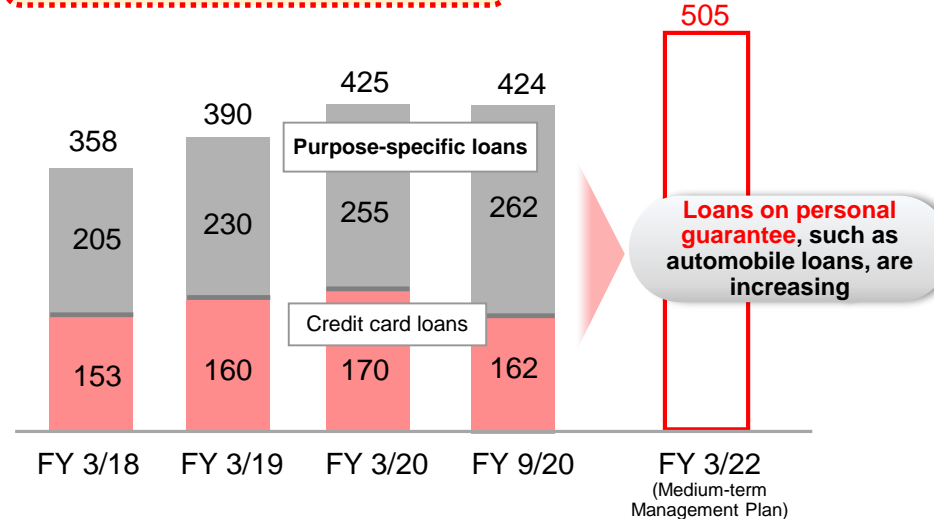


(3) Apply preferential interest rates to housing loan users

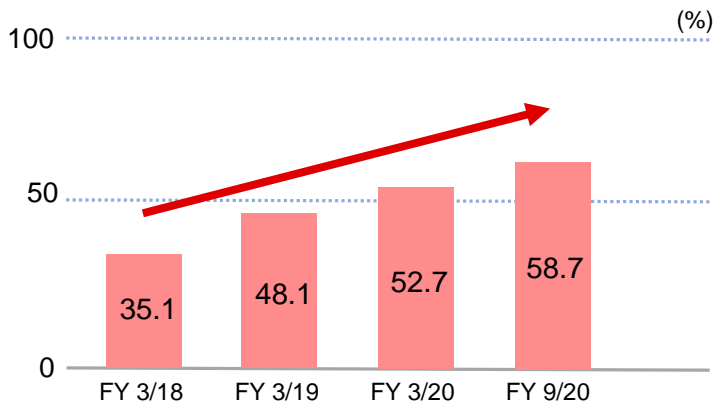
Balance of unsecured loans (100 million yen)

No. 1 among regional banks in three prefectures in Tokai Region

* Prompt report of Nikkin (the Japan Financial News), Sept 2020



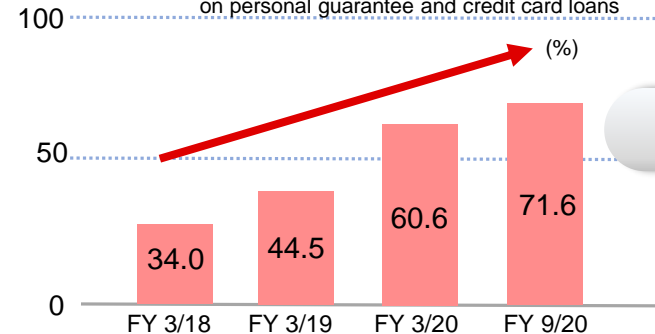
Ratio of housing loan users to all unsecured loan users (%)



Ratio of loan users online and by mail

Ratio of loan users (online and by mail)

* Percentage of the application channel for loans on personal guarantee and credit card loans



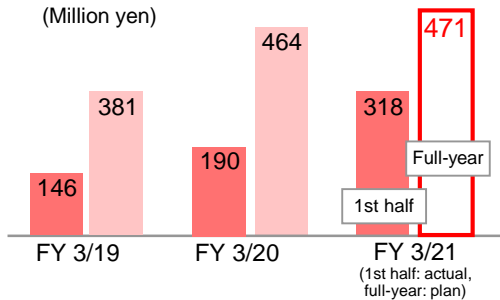
Steadily growing

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

Strengthening corporate solutions fees

Structured finance-related fees

(Million yen)



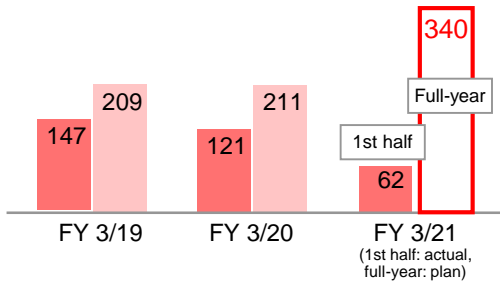
318 million yen

(Results as of end of Sept 2020)

◇ Offer loan methods satisfying customer needs and financing for PPP/PFI operations

M&A, etc.

(Million yen)



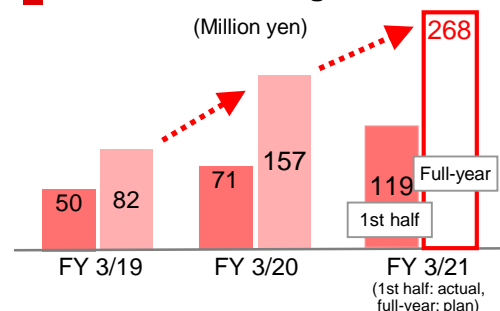
62 million yen

(Results as of end of Sept 2020)

◇ Focus more on some 1,500 target customers with net assets of 300 million yen or more

Business matching fees

(Million yen)

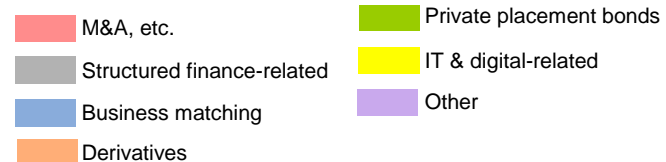


119 million yen

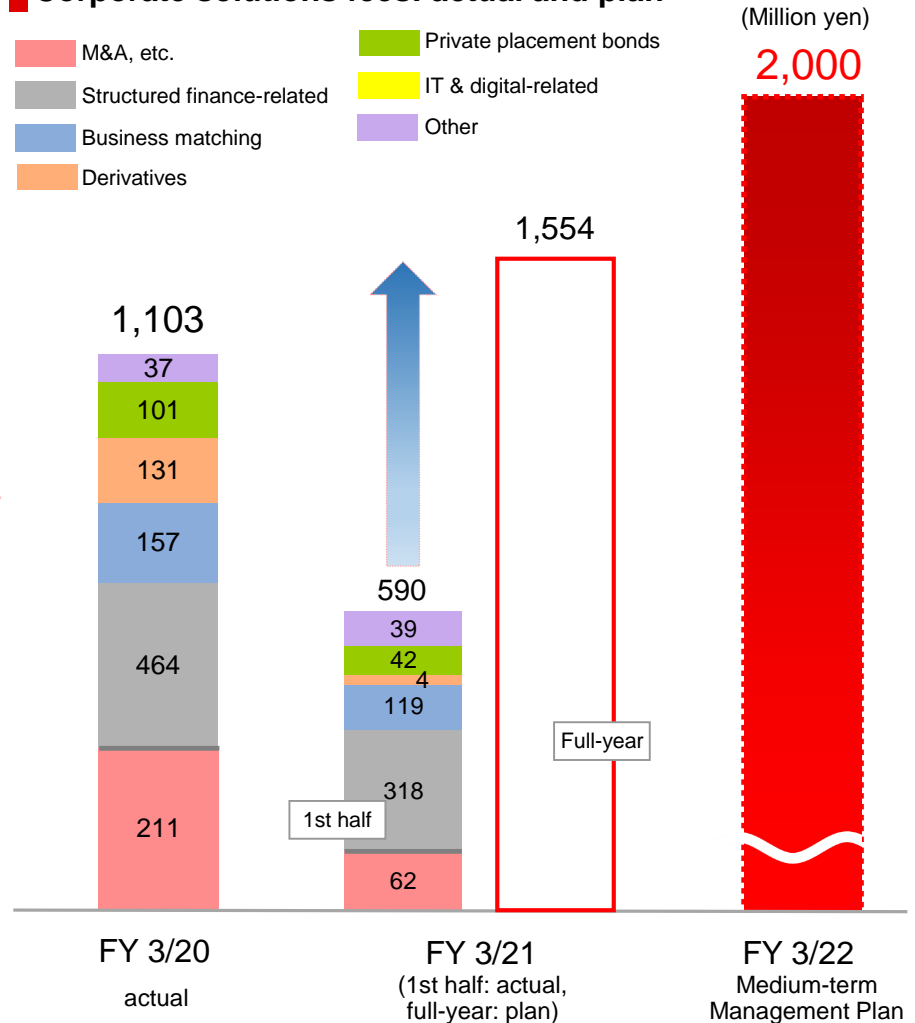
(Results as of end of Sept 2020)

◇ Start full-scale operations of real estate business matching by enhancing partnership with constructors, and newly start business matching in areas related to artificial intelligence and the IoT

Corporate solutions fees: actual and plan



(Million yen)



- Enhance the scheme to support business succession as part of the Bank's commitment to sustainable community development, and increase earnings also

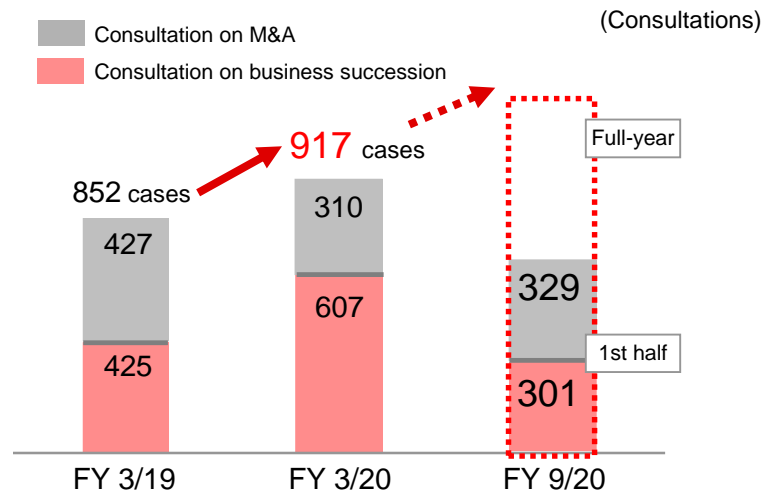
Enhance the scheme to support business succession

Heightened needs for business succession

In April 2019, established a Business Succession and M&A Support Service Department

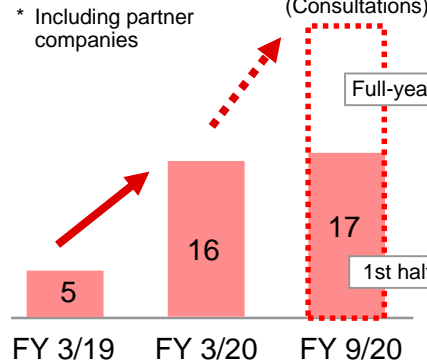
Full-time staff 10 members

Number of consultations on business succession and M&A

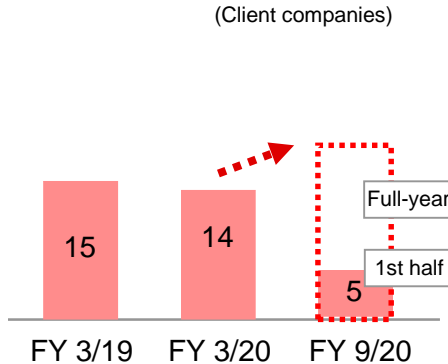


Enhance the scheme to support business succession

Number of consultations on business succession



Number of client companies for M&A



Offer solutions to business succession issues of clients and increase earnings also

Online seminar on M&A

held Sept 2020

Theme: Business succession and M&A in the Next Normal era

Amid COVID-19 pandemic, the capacity was initially set at 100, but 400 persons attended the seminar



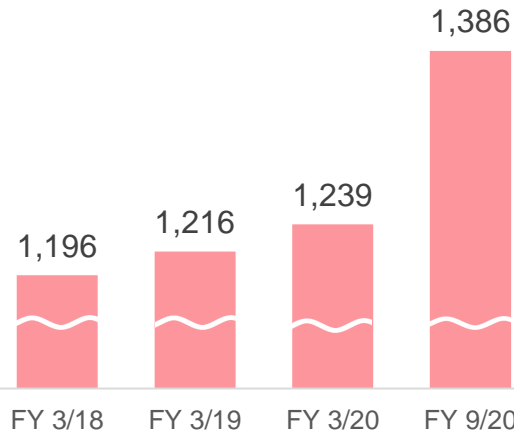
An opportunity to be updated with the latest news about M&A as a solution to business succession and corporate growth

- Enhance the scheme to support medical and welfare businesses to steadily increase loan offering. Also support regional medical institutions that are part of social infrastructure

Loan offering to medical and welfare businesses

Balance of loans to medical and welfare businesses

(100 million yen)



No. 1 among regional banks in three prefectures in Tokai Region

* Ranking among regional banks publishing the balance in their flash earnings, TANSHIN, for the term ended Sept 2020

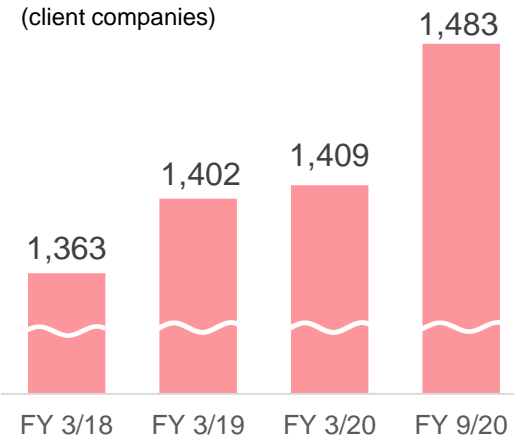
138.6 billion yen

(Results as of end of Sept 2020)

- ◇ Enhance commitment to funds to deal with COVID-19 and construct new hospital buildings

Number of medical and welfare businesses financed with the Bank's loans

(client companies)



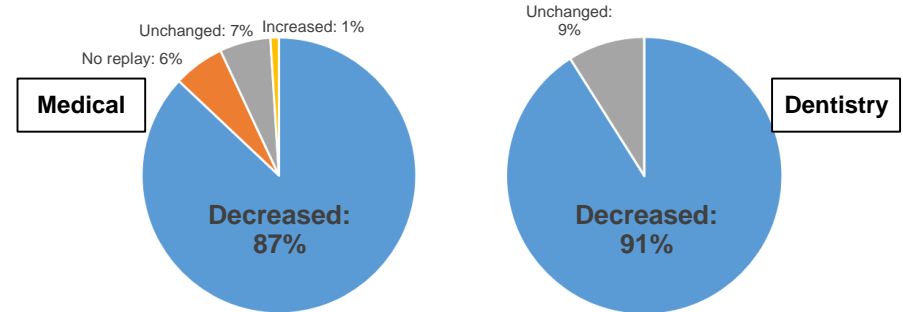
1,483 clients

(Results as of end of Sept 2020)

- ◇ Help new medical practitioners to open a clinic
- ◇ Enhance support for nursing care, welfare, and child care

Impact of COVID-19 on medical institutions

Revenues from healthcare services on health insurance in April 2020 (year-on-year change)

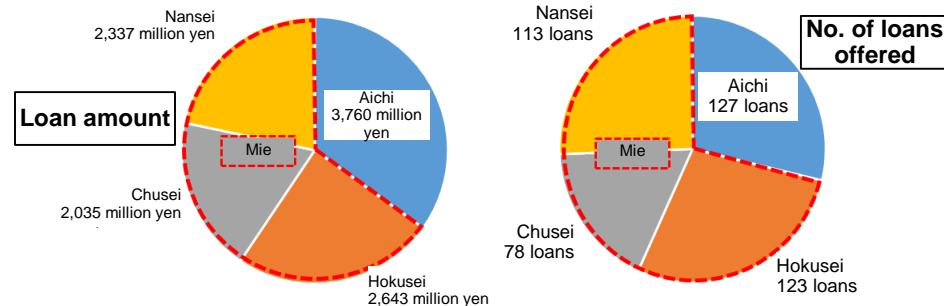


Source: Mie Medical Practitioners Association, "Emergency Questionnaire on the Outbreak of COVID-19 Infections," conducted in May 2020

Some 90% of medical institutions in Mie Prefecture replied that their revenue from medical services on health insurance dropped

The Bank's loan offering in relation to COVID-19

* Total from February to end of September 2020



Loans to medical and welfare businesses to fight against COVID-19: 10.7 billion yen

Fulfilled the role of supporting regional medical institutions that are a crucial part of social infrastructure

● Case where the Bank demonstrates its consulting function: promotion of project finance

Promoting project finance for PPP/PFI

Participated in project finance for PPP/PFI for the first time

April 2002, project for Kuwana-city composite facilities including library

* Recent commitments to PPP/PFI

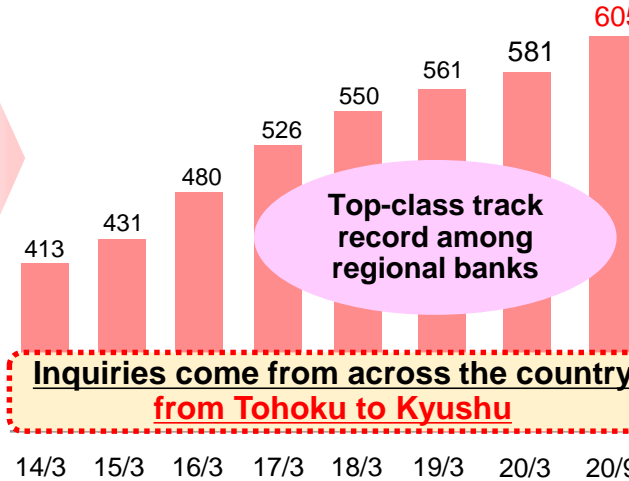


School catering center, northern part of Toyota-shi



Excellent rental housing in Oyama-cho, Shizuoka Prefecture

Cumulative amount of PFI loan undertaking (100 million yen)



Participating in PPP/PFI projects nationwide

Location	No. of projects	Cumulative number of projects
Aichi	17 projects	50 projects 60.5 billion yen
Tokyo	8 projects	
Osaka	6 projects	
Mie	5 projects	of which, Projects where the Bank served as arranger 23 projects Approx. 21.4 billion yen
Kanagawa	4 projects	
Shizuoka and elsewhere	10 projects	

Promoting project finance for renewable energy

JRE Takashima Solar Power Plant
(Power generation capacity of 13.8 MW)
Project finance

The Bank served as the arranger of the project

Commercial operations launched in May 2020



Total electric power generation can supply about 3,230 households each year

The plant has CO₂ reduction effect of some 6,180 t (equivalent to some 440,000 cedar trees) per year

* From press release of Japan Renewable Energy Corp (JRE)

One of the largest solar power plants in Shiga Prefecture

- 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

Depository assets penetration ratio (%)

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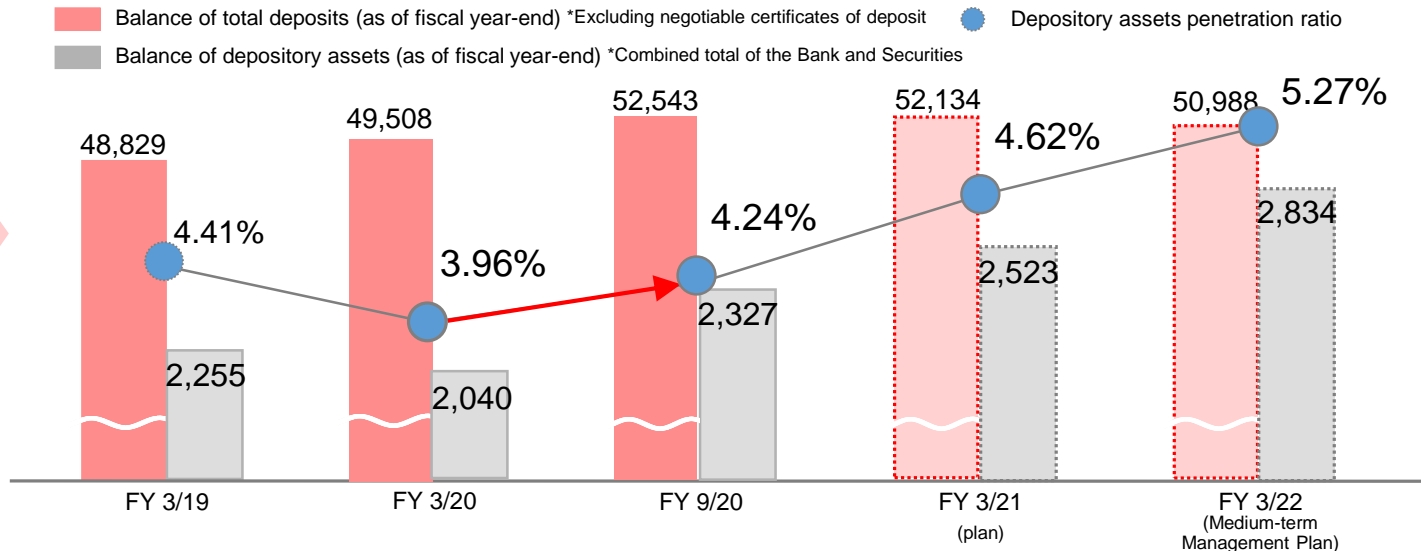
Balance of depository assets

Total deposits + Balance of depository assets



Integrated management of deposits and depository assets with Hyakugo Securities

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



Commissions related to depository assets

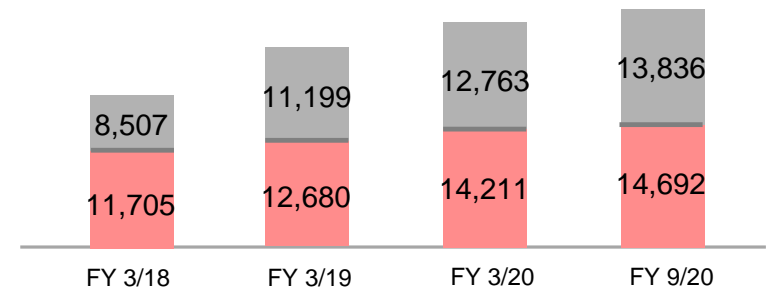
(Million yen)

	FY 3/20 (actual)	FY 9/20 (actual)	FY 3/21 (plan)	FY 3/22 (Medium-term Management Plan)
Investment trusts	892	452	1,021	1,176
Insurance	990	375	1,255	1,396
Financial instruments brokerage	172	151	225	225
Defined contribution pension	95	57	100	100
Total	2,150	1,036	2,601	2,897

Subscribers to defined contribution pension plans (persons)

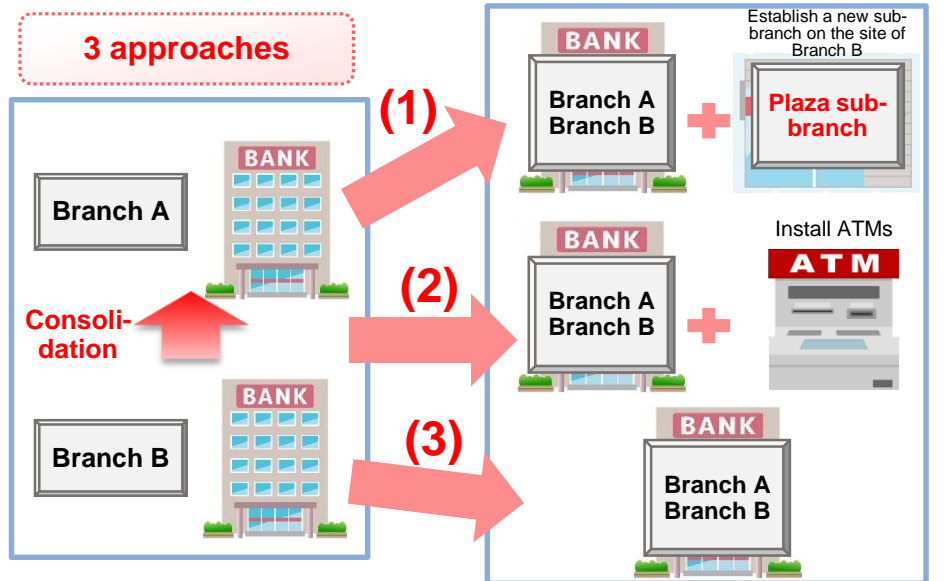
Corporate plans
Individual plans (iDeCo)

For both corporate and individual plans, **No. 1** among regional banks in three prefectures in Tokai Region

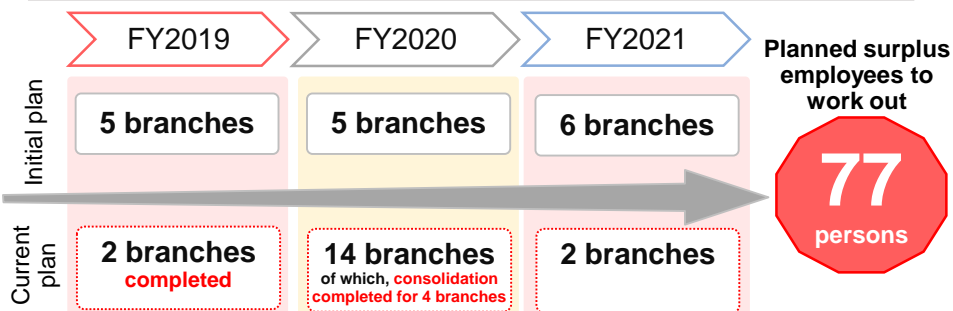


- Accelerate improved efficiency of branch network by eliminating inefficient overlapping of sales areas, while maintaining branch network and convenience for customers

Consolidate functions by adopting branch-in-branch method



Plan 16 branches over three years, and more



* Planned surplus employees to work out include those resulting from downsizing of branches

Reallocate personnel

Destination of surplus employees worked out through optimizing the branch network

Enhance sales personnel at branches

- Increase corporate sales personnel
- Increase housing loan sales personnel
- Launch new branches (Aichi Prefecture)

Increase sales personnel at Head Office

- Solution Sales Department ⇒ Also train personnel at branches

77 persons

Strengthen human resources development

- Internal head office trainees
- External special trainees
- Loan young personnel to partner companies

Inject human resources into key measures

- Strengthen digital strategy
- Promote diversity, etc.

Focus human resources in strategic areas for higher profitability

- For a more accessible and flexible bank with smartphone banking. No time-consuming application and approval process is needed. Easy to start with a cash card

Towards the rollout of smartphone banking

Towards services, where banking transactions are completed only on a smartphone

Phases 1 and 2 completed
from a mere “online-only” service to a “comprehensive banking app”

Passbook functions

- Passbook-less
- Account statements in the previous 10 years
- Memo function
- Monthly balance presentation

Alert and notification services

- **Push notification**
Deposit/withdrawal
Advice on direct debit
Insufficient funds



Transaction functions

- Transfer
- Account opening **eKYC**
- Regular receipt of money in deposit account
- Internal transfer
- Credit card loans
Loan and repayment
- Inquiry about loan balance
- Surrender of time deposits in deposit account

• Card lock **New**

- Adding accounts at other branches
- PDF output of account statements
- PDF output of account information

To Phase 3, the final phase (Dec 2020 – Mar 2021)

Procedures and notifications

- Notifications of change (address, telephone number)
- Notification of loss of bank card and request for reissuance
- * Personal verification with eKYC or My Number card

New services

- Tagging bank accounts of family members
- Simplify the procedure to send cash cards by mail with eKYC
- Linkage to other services (including credit cards)

Enhanced transaction functions

- Forward loan repayment (partial and whole)
- Asset management deals (investment trusts and foreign currency)
- Enhance security monitoring

● Digital transformation of operations and branches with smartphone banking

Smartphone banking to start digital transformation of operations and branches

Smartphone banking to rationalize and streamline every step of banking services

Smartphone banking

- Passbook-less accounts to total 300,000 (currently 40,000 accounts)
- Continuously upgrade services
- Achieve a good balance between security and convenience
- Increase customer contact points

- Streamline sales operations
- Raise the topline
- Compete with mega banks and Internet banks

Vitalize contactless channels

- Realize sales operations to meet in customer attributes (Leverage push notifications)
⇒ To reduce advertisement costs
- Expand sales areas of the retail segment



Branches and counters



ATMs



Passbooks



Seal impression

Branch facilities

- Increase branches in branches
- Reduce ATMs
⇒ To reduce cost and effectively reallocate management resources

Cost reduction

Services

- Integrate Internet banking services
- Reduce costs of account passbooks
⇒ To reduce the cost of over 120M per year

Bank counter

- Use tablets with smartphone banking API at branches (procedures and notifications)
⇒ To promote paperless banking
⇒ To operate branches at lower costs

