

# **The Yamanashi Chuo Bank, Ltd. The 22nd Analyst Meeting**

- **Fiscal 2011 Business Results**
- **Forecasts for the Current Term (FY2012)**

**June 5, 2012 (Tue)**

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## ■ Profile (as of March 31, 2012)

- Predecessor Founded: April, 1877
- Established: December, 1941
- Head Office: 20-8, Marunouchi 1-Chome, Kofu, Yamanashi
- Common Stock: ¥15,400 million
- Employees: 1,704
- Branches (including sub-branches): 92 \*as of June 5, 2012  
(76 in Yamanashi Pref., 15 in Tokyo, 1 in Kanagawa Pref.),  
Corporate Sales Offices: 1 (Tokyo, Higashimurayama City),  
Representative Office in Hong Kong



Head Office

## Our Mission

### Region-Based Operations and Sound Management

Maintaining a close relationship with the communities in the region where we operate, we will contribute to the prosperity of the region and the development of its economy, with a commitment to sound management that enjoys the trust of our customers, while bolstering our business operations.

# I Fiscal 2011 Business Results

# Fiscal 2011 Business Results (Summary)



(¥ billion, %)	FY2010	FY2011	YoY change [%]
Operating income	48.5	46.3	(2.2) [ (4.4) ]
Gross banking profit	42.2	39.7	(2.5) [ (5.8) ]
Interest income	36.4	35.2	(1.2) [ (3.0) ]
Fees and commissions	4.5	4.3	(0.2) [ (4.7) ]
Other operating income	1.2	0.1	(1.1) [ (91.2) ]
Gross banking profit on core operations	41.1	39.8	(1.3) [ (3.1) ]
JGBs and other bond transactions	1.0	(0.0)	(1.0) [ (104.8) ]
Expenses	29.3	30.1	0.8 [ 2.9 ]
General provision to loan loss reserve	(0.7)	-	0.7 [ 100.0 ]
Net business profit	13.6	9.5	(4.1) [ (29.8) ]
Net business profit on core operations	11.8	9.6	(2.2) [ (18.3) ]
Non-operating losses	(6.2)	(0.8)	5.4 [ 86.6 ]
NPL disposal amount	2.1	0.2	(1.9) [ (88.1) ]
Equity share and similar transactions	(3.7)	(1.0)	2.7 [ 70.8 ]
Ordinary profits	7.3	8.7	1.4 [ 18.5 ]
Extraordinary income (losses)	(0.6)	(0.1)	0.5 [ 79.9 ]
Income before income taxes	6.7	8.6	1.9 [ 27.3 ]
Income taxes - basic	1.7	0.0	(1.7) [ (97.4) ]
Income taxes - deferred	1.1	1.6	0.5 [ 34.9 ]
Net income	3.8	6.9	3.1 [ 80.3 ]

Interest income  
(analysis of difference factors)

(¥ billion, %)	FY2011	YoY change [%]	Balance	Yield
Fund Operations	37.1	(1.6) [ (4.1) ]	1.5	(3.1)
Interest on loans	24.1	(1.6) [ (6.3) ]	(0.2)	(1.4)
Interest on securities	12.7	(0.1) [ (0.2) ]	1.3	(1.3)
Call loan, etc.	0.1	(0.0) [ (2.5) ]	(0.0)	(0.0)
Fund procurement	1.8	(0.5) [ (22.9) ]	0.1	(0.6)
Interest on deposits	1.6	(0.5) [ (23.8) ]	0.1	(0.6)
Call money, etc.	0.1	(0.0) [ (10.6) ]	0.0	(0.0)
Interest income	35.2	(1.2) [ (3.0) ]	—	—

Fees and commissions

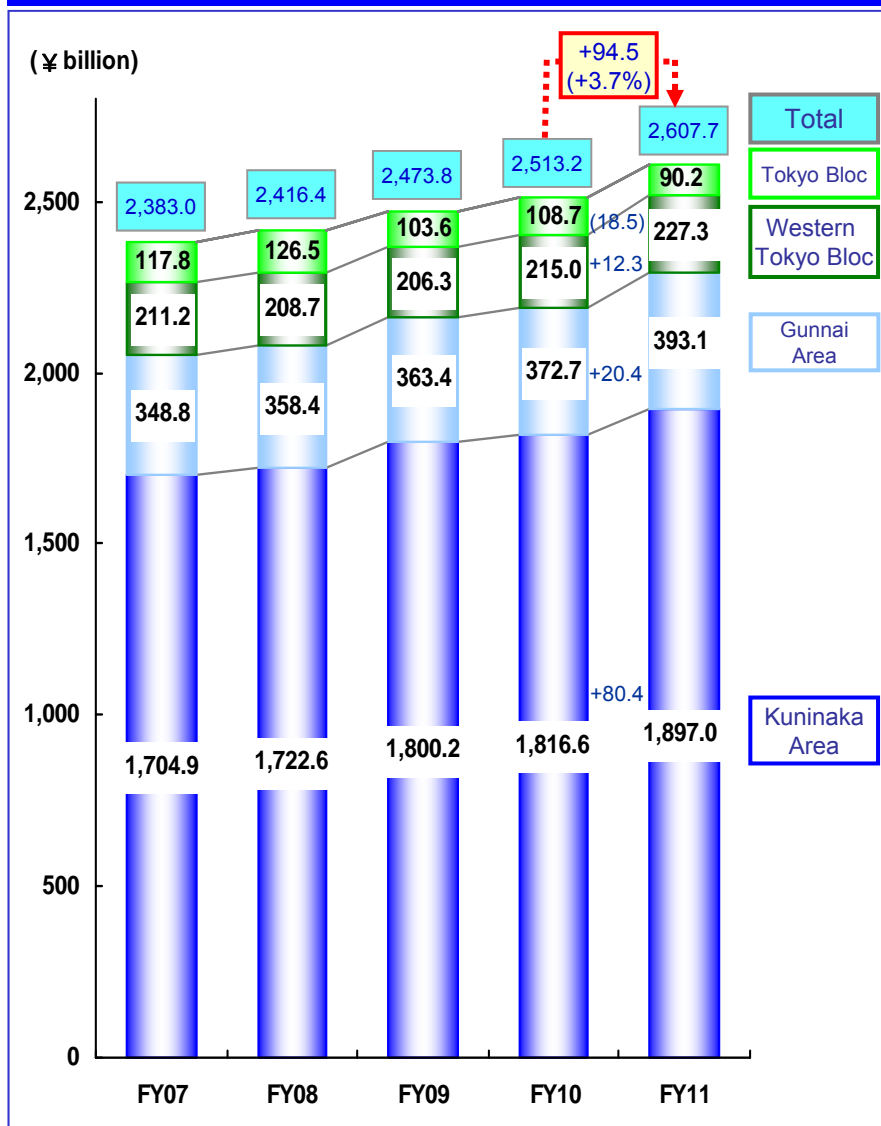
(¥ billion)	FY2011	YoY change
Revenues	6.5	(0.2)
Investment trusts	0.7	(0.0)
JGBs held by individuals	0.02	(0.0)
Life insurance	0.5	0.0
Others	5.2	(0.1)
Cost	2.2	0.0
Fees and Commissions	4.3	(0.2)

Expenses

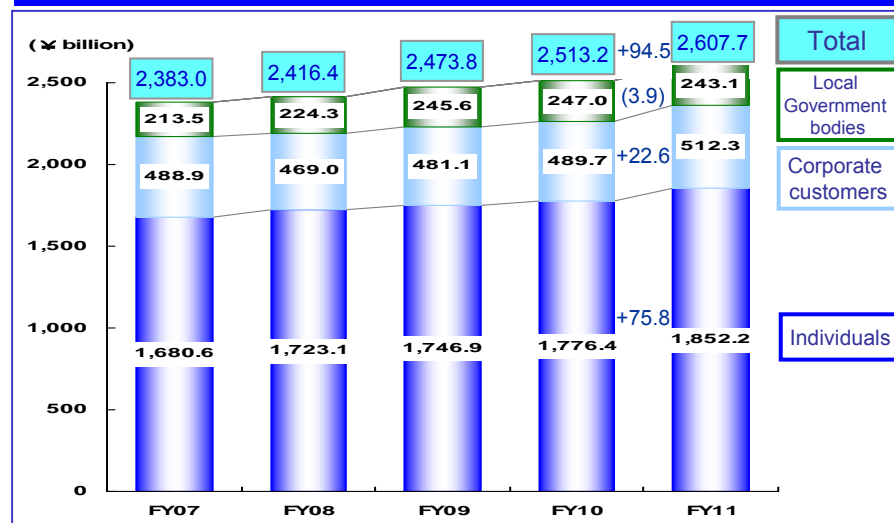
(¥ billion)	FY2011	YoY change
Personnel	15.9	(0.0)
Premises and equipment	13.1	1.0
Taxes	1.1	(0.1)
Expenses	30.1	0.8

# Deposits

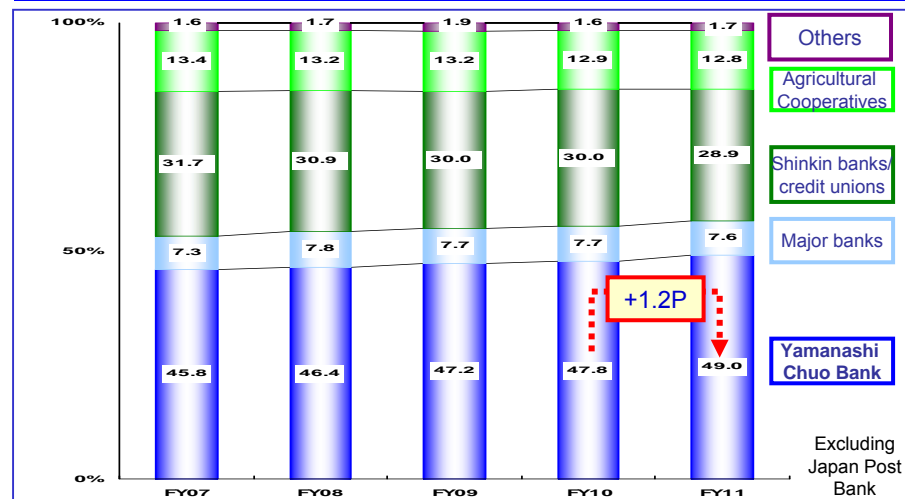
## Deposit Balance



## Balance by Customer Segment



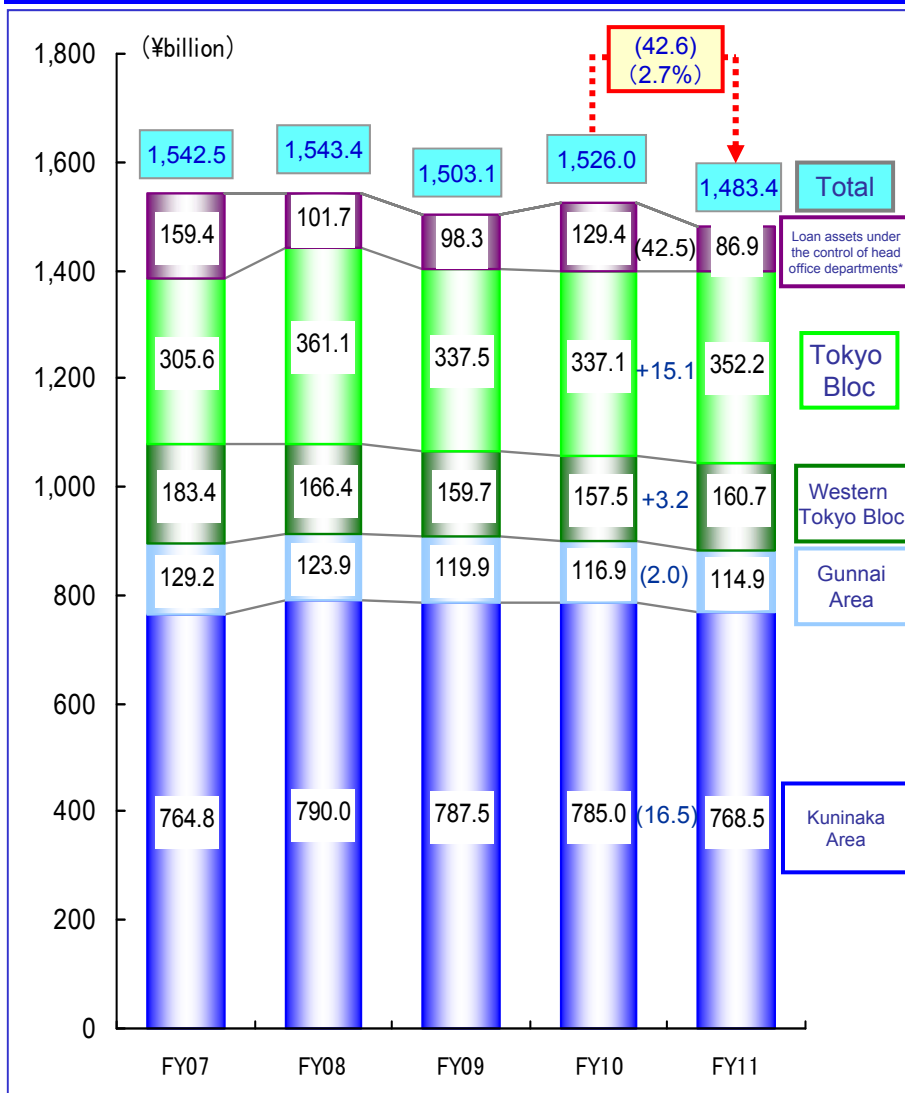
## Deposit Shares in Yamanashi Prefecture



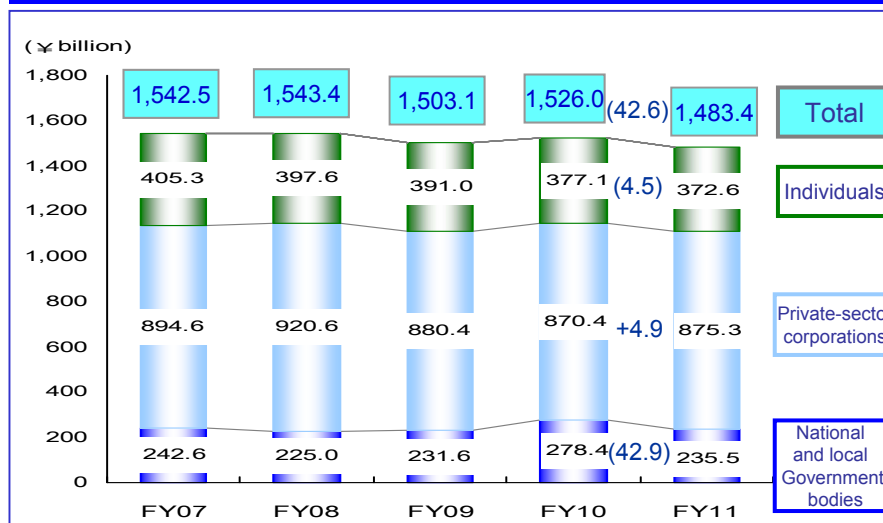


# Loans

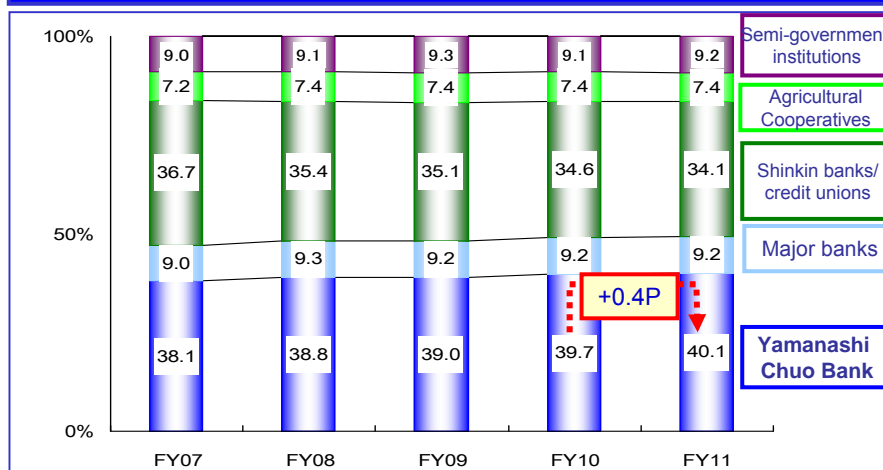
## Loan Balance



## Balance by Customer Segment



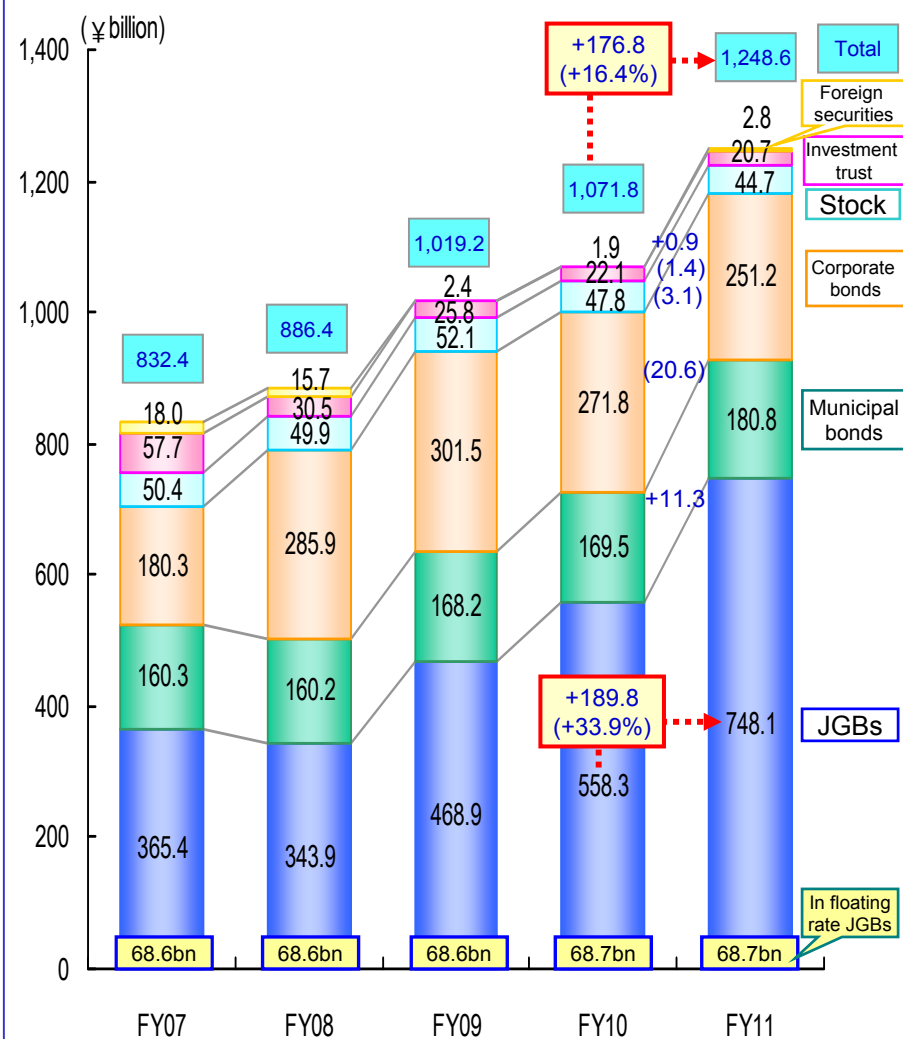
## Loan Shares in Yamanashi Pref.



\*Note: Loan assets under the control of head office departments refers to loans to the Ministry of Finance, loans made under loan participation agreements and financial receivables transferred from other industries.

# Securities

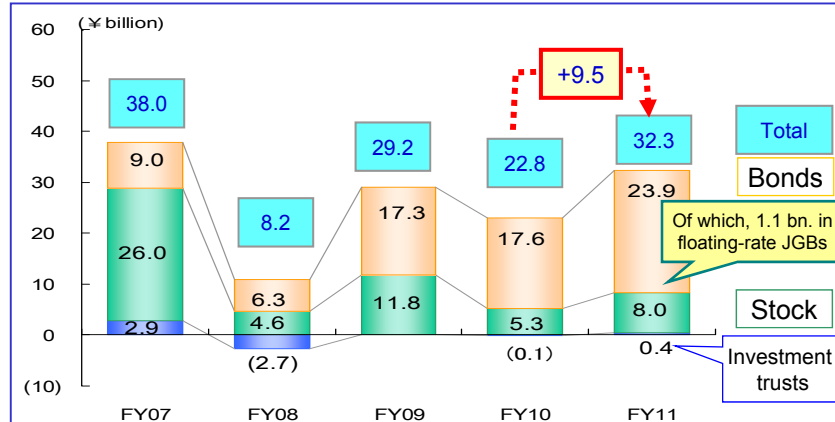
## Securities Balance (subject to mark-to-market valuation)



## Breakdown of Gains (Losses) on Securities

	FY10	FY11	Change
Interests and dividends on securities	12.8	12.7	(0.1)
Securities yields	1.18%	1.07%	(0.11)P
Gains (losses) on bonds	1.0	(0.0)	(1.0)
Gains on sale of bonds	1.3	1.0	(0.3)
Losses on sale of bonds	0.2	1.0	+0.8
Amortization of bonds	-	-	-
Gains (losses) on stock	(3.7)	(1.0)	+2.7
Gains on sale of stock	0.6	0.3	(0.3)
Losses on sale of stock	0.6	0.8	+0.2
Amortization of stock	3.7	0.5	(3.2)

## Unrealized Gains (Losses)



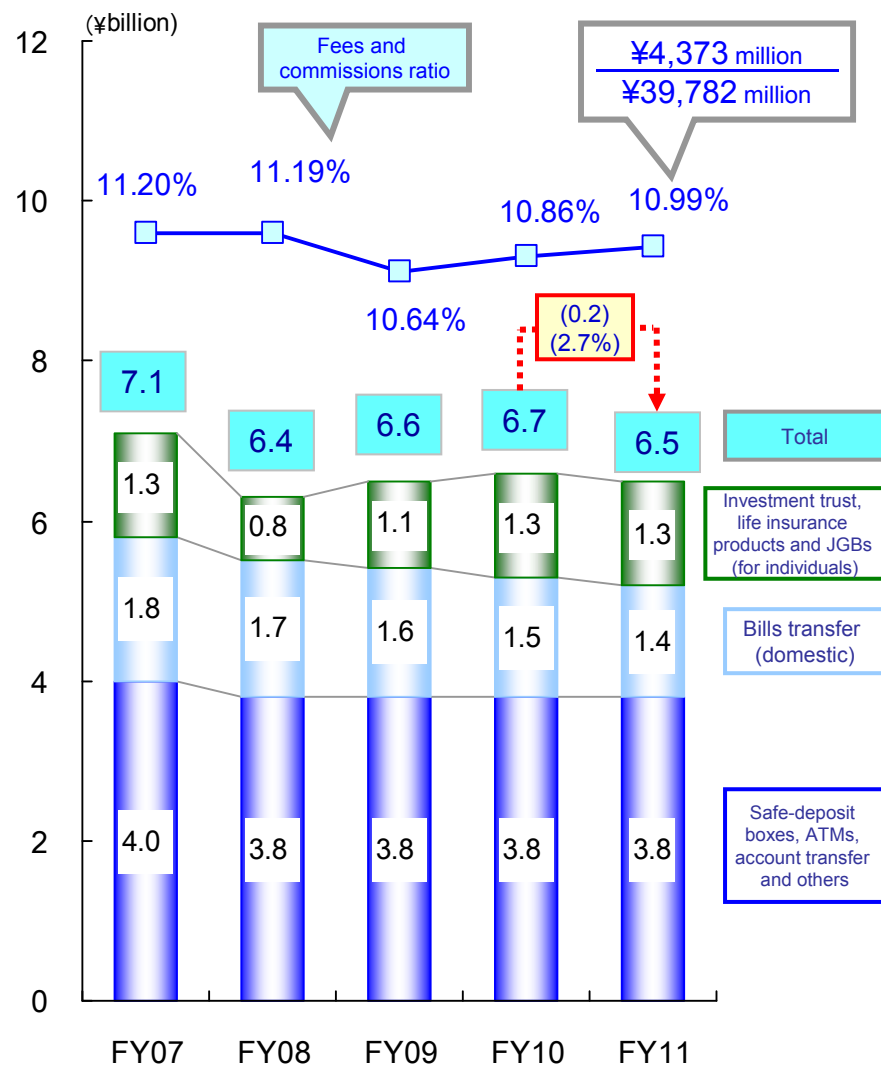
### Modified Duration (Yen-denominated bonds)

	FY07	FY08	FY09	FY10	FY11
Yen-denominated bonds	3.4	3.7	3.9	3.8	3.5

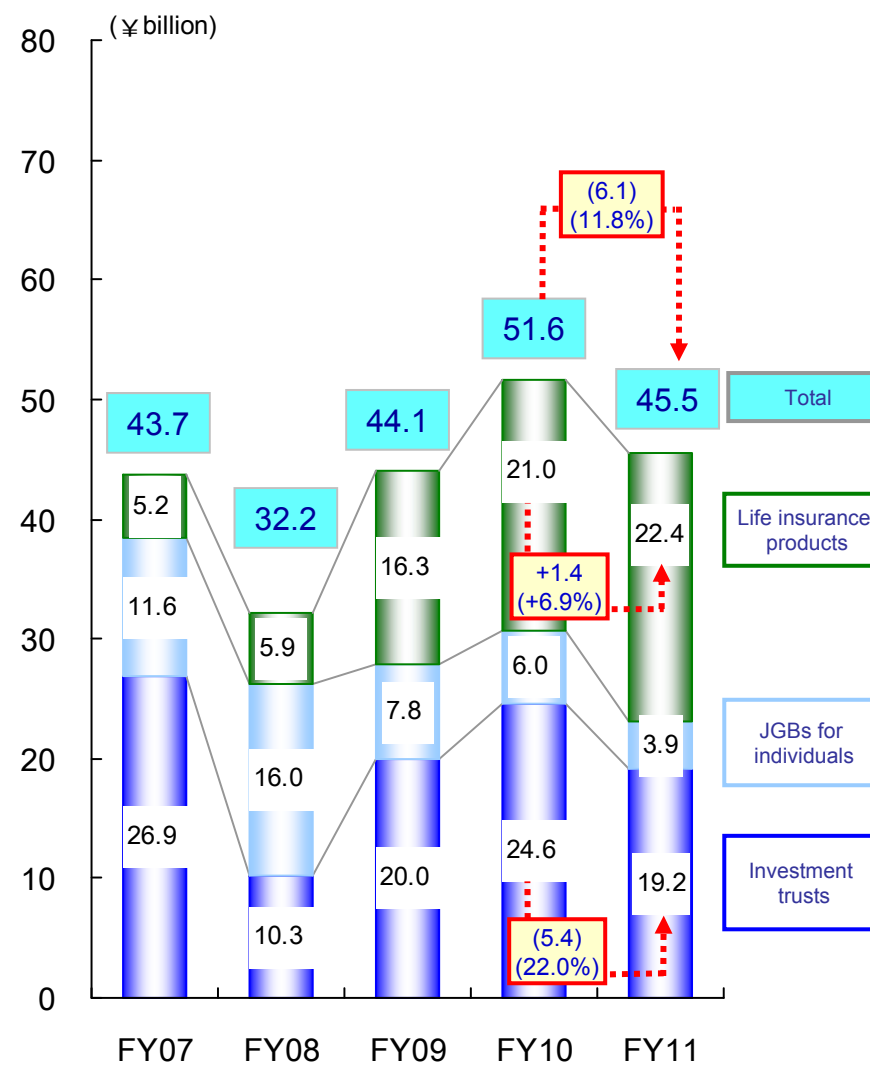


# Fees and Commissions

Result of Fees and Commissions/Fees and Commissions Ratio



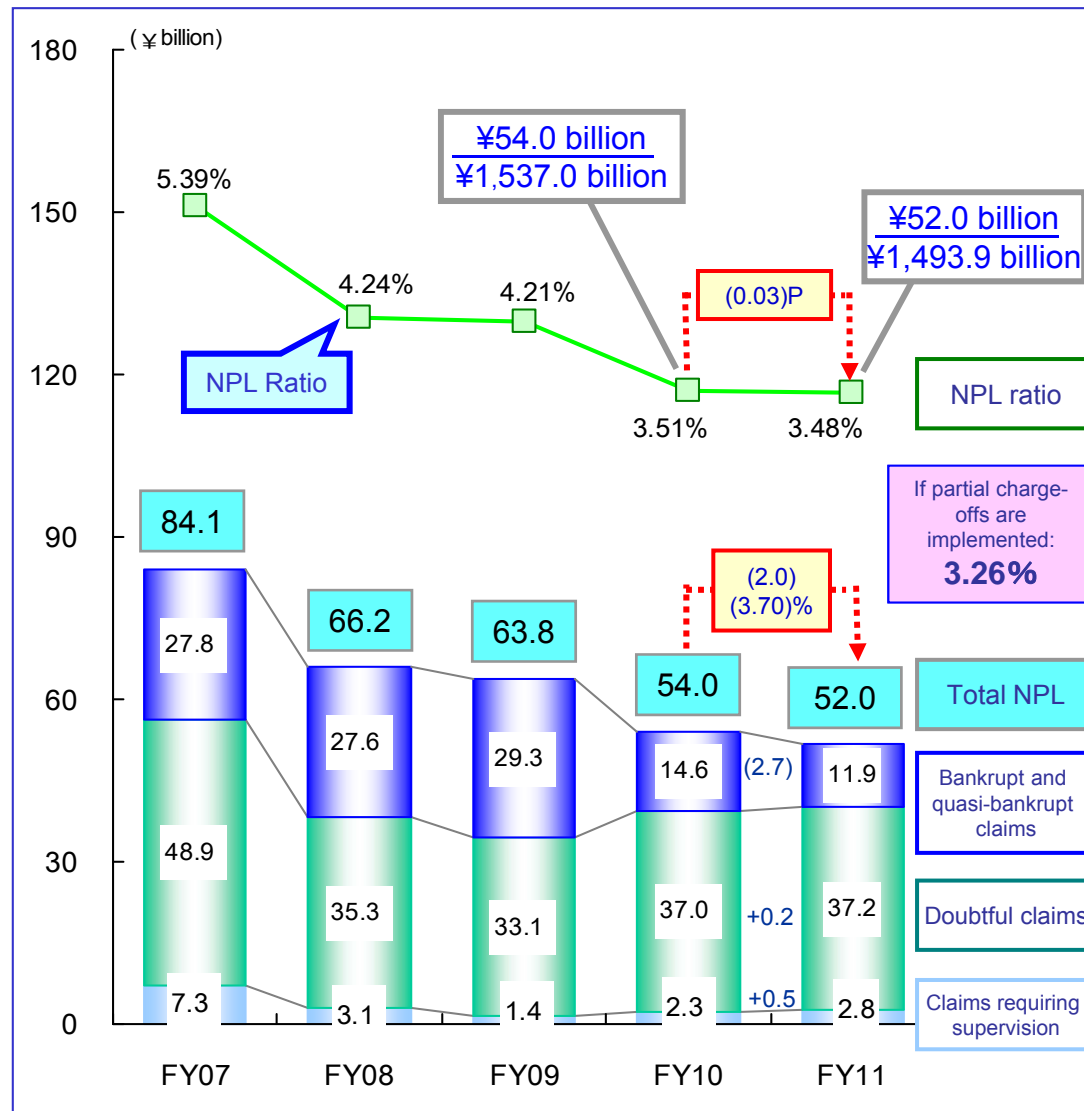
Sales for Investment Trusts, Life Insurance Products and JGBs



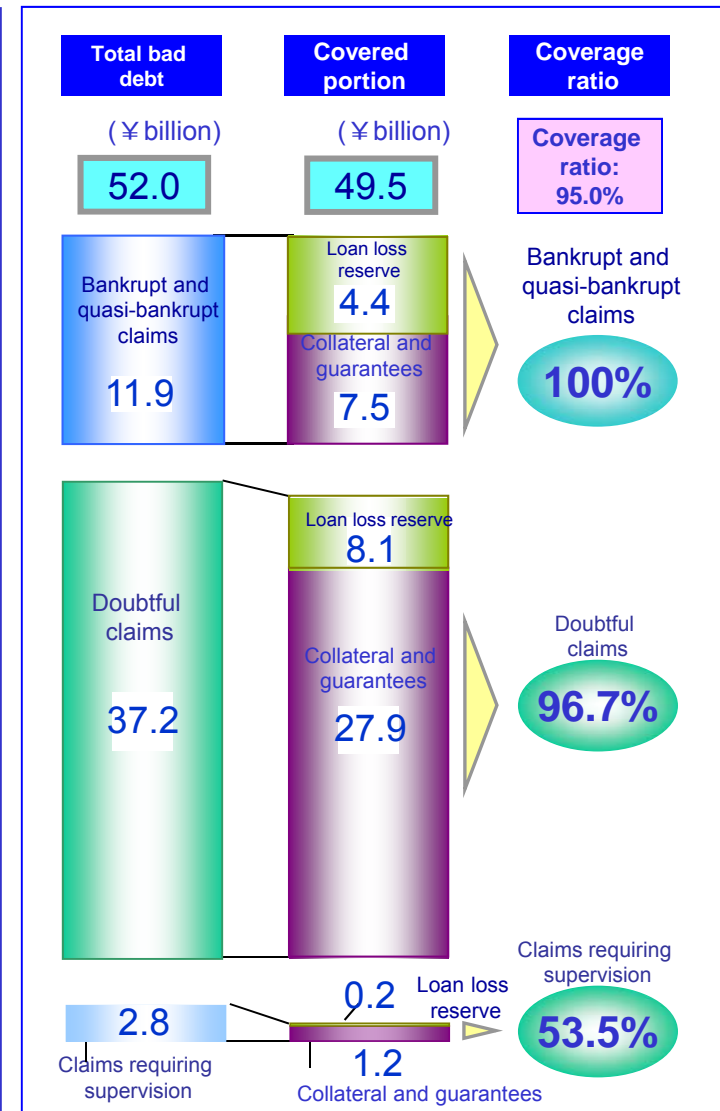
\* Fees and commissions ratio= Fees and commissions / Gross banking profit

# Mandatory Disclosure of Bad Debt under the Financial Reconstruction Law

## Bad Debt under the Financial Reconstruction Law

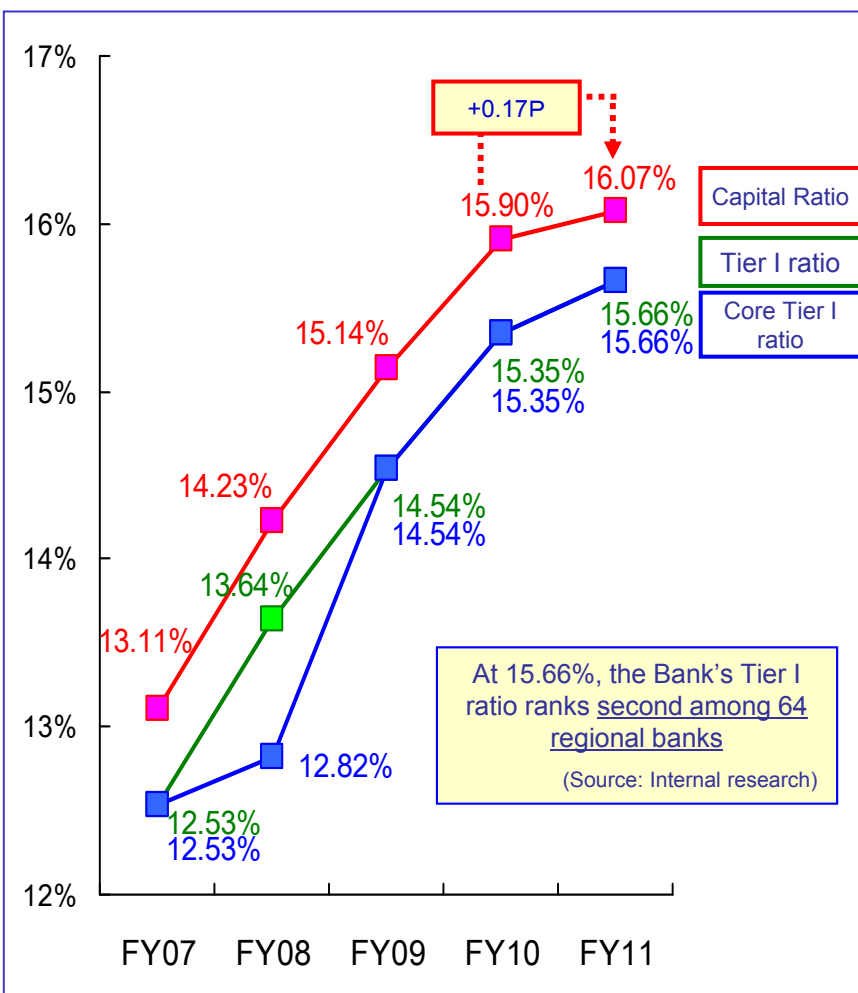


## Coverage of Bad Debt under the Financial Reconstruction Law



# Capital Ratio (Non-Consolidated Basis)

## Capital Ratio



\*Core Tier I: A portion of the regulatory capital, mainly consisting of common stock, capital surplus and retained earnings

## Breakdown of Regulatory Capital

(¥ billion)

	FY11	Comparison with FY10
<b>Tier I (A)</b>	148.7	5.0
Core Tier I ratio	148.7	5.0
Net deferred tax assets	—	—
Preferred stock / preferred investment certificates	—	—
<b>Tier II (B)</b>	3.9	(1.1)
General provision to loan loss reserve	3.9	(1.1)
<b>Deductions (C)</b>	—	—
<b>Regulatory capital (A)+(B)-(C)</b>	152.7	3.9
<b>Risk-weighted assets</b>	949.7	14.3

### Risk Calculation Methods Employed

Credit risk	Standardized Approach (SA)
Operational risk	Basel II Standardized Approach (TSA)

## **II Medium-Term Management Plan (Future Creation Plan 2013)**

# Medium-Term Management Plan 'Future Creation Plan 2013'



**Our Mission: Region-Based Operations and Sound Management**

Management Vision

**Creating a prosperous future together with the local community through the provision of high-quality financial services**

Local communities

A bank that contributes to the continuous development of local communities

Customers

A bank that is trusted and supported by its customers

Shareholders

A bank that is both highly sound and has a low-cost, high-profit structure

Employees

A vibrant bank that is a rewarding place to work

Basic Strategies

**Strengthen marketing capabilities**

- (1) Strategies for encouraging broader service use by individuals
- (2) Strategies for encouraging broader service use by corporate customers
- (3) Area strategies tailored to local features
- (4) Marketing channel strategies

- (1) Strategies for encouraging broader service use by individuals
- (2) Strategies for encouraging broader service use by corporate customers
- (3) Area strategies tailored to local features
- (4) Marketing channel strategies

**Emphasis on customer satisfaction and solutions**

**Strengthen the management base**

- (1) Increase capabilities in fund operations
- (2) Reform administrative processes at retail branches
- (3) Build a more efficient system for administrative operations
- (4) Develop personnel training programs and invigorate the organization as a whole
- (5) Expand the internal controls system

**Contribute to the local community and the region**

- (1) Measures to stimulate the local economy
- (2) Initiatives for contributing to the local community
- (3) Initiatives for environmental protection

- Initiatives for promoting community-based financing  
- Initiatives for smoother financing operations

**Compliance**

**Protection of customer information**

**Code of Conduct: 'Gratitude and Humility' 'Confidence and Pride' 'Honesty and Sincerity' 'Effort and Endeavor' 'Trust and Affection'**

# Plan Duration

April 2010 - March 2013 (3 years)

**Secure foothold in first stage**

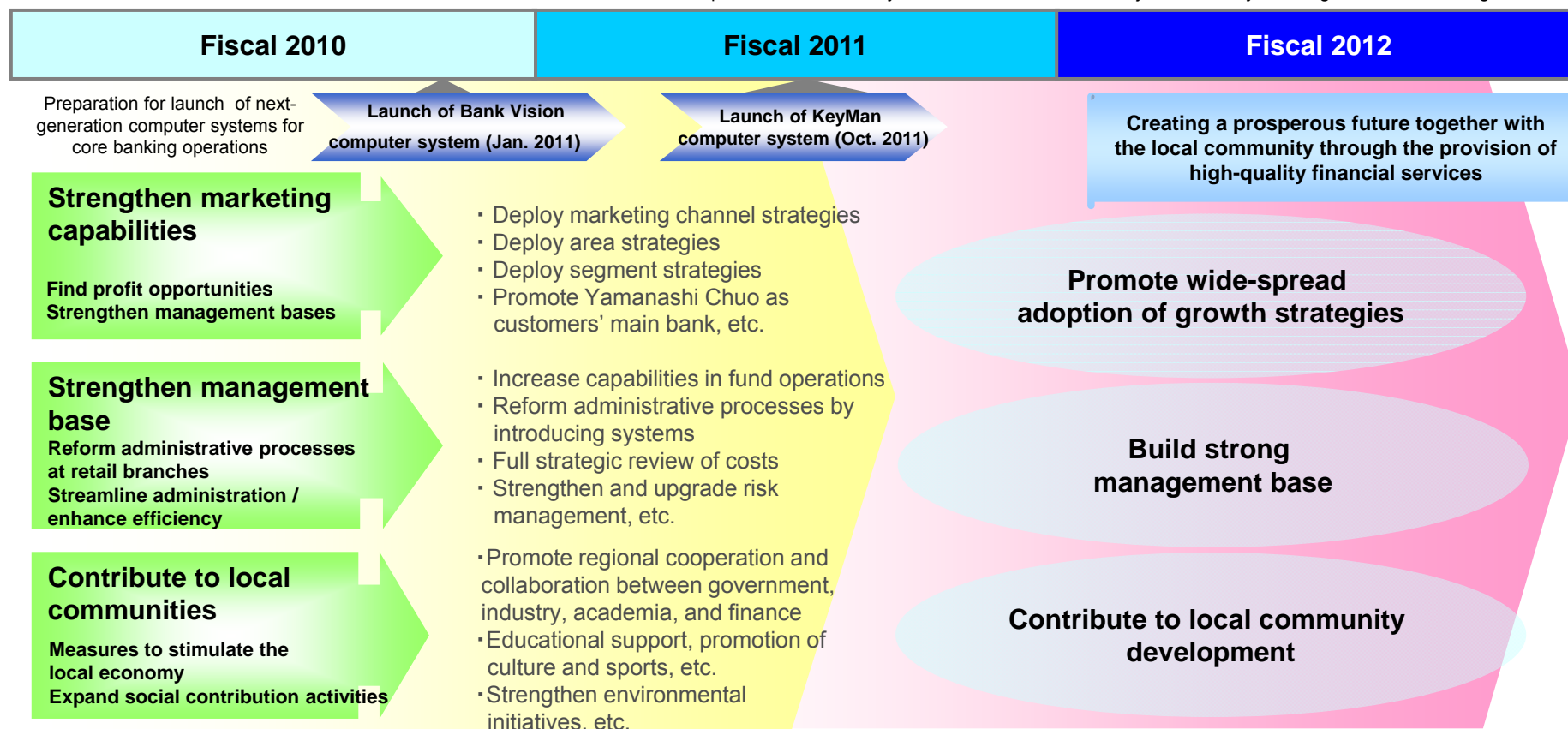
Up-front investment to prepare for action later



**Realize huge growth in second stage**

**‘Kutsu kutsu shin\*’ (Growth after great patience)**

\* Kutsu kutsu shin: This phrase was created by the late Go Master Shuko Fujisawa, literally meaning “Endure, endure, grow.”





# Quantitative Targets

(¥ billion)

Item	FY10 (Results)	FY11 (Results)	Comparison with FY10	FY12 (Target in final year)
Gross banking profit on core operations	41.1	39.8	Down 1.3	44.0 or above
Net business profit on core operations	11.8	9.6	Down 2.2	14.5 or above
Average loan balance	1,481.9	1,466.6	Down 15.2	1,570.0
Average deposit balance	2,496.8	2,592.2	Up 95.4	2,600.0
OHR	71.30%	75.80%	Up 4.50P	67% or under
ROA	0.43%	0.34%	Down 0.09P	0.5% or above
ROE	2.60%	4.64%	Up 2.04P	3.3% or above
Capital ratio (domestic standard)	15.90%	16.07%	Up 0.17P	14% range
NPL ratio	3.51%	3.48%	Down 0.03P	3% range

Business environment assumptions when medium-term management plan was formulated:

- Economy is growing slowly
- Current (at time formulated) interest-rate levels will continue

\* OHR=Operating expenses / Gross banking profit on core operations  
 ROA=Net business profit on core operations / Total assets (average balance)  
 ROE=Net Income / Net Assets (average balance)

## **III Forecasts for the Current Term (FY 2012)**

# Earnings Forecasts for the Current Term (FY 2012)

(¥ billion, %)	FY11	FY12(forecast)	YoY change [%]
Operating income	46.3	46.2	(0.1) [ (0.2) ]
Gross banking profit	39.7	39.2	(0.5) [ (1.2) ]
Interest income	35.2	34.2	(1.0) [ (2.8) ]
Fees and commissions	4.3	4.8	0.5 [ 11.6 ]
Other operating income	0.1	0.1	0.0 [ 0.0 ]
Gross banking profit on core operations	39.8	39.2	(0.6) [ (1.5) ]
JGBs and other bond transactions	(0.0)	0.0	0.0 [ 100.0 ]
Expenses	30.1	30.5	0.4 [ 1.3 ]
General provision to loan loss reserve	-	(1.1)	(1.1) [ - ]
Net business profit on core operations	9.6	8.7	(0.9) [ (9.3) ]
Non-operating losses	(0.8)	(3.6)	(2.8) [ (350.0) ]
NPL disposal amount	0.2	3.0	2.8 [ 1,400.0 ]
Equity share and similar transactions	(1.0)	(0.3)	0.7 [ 70.0 ]
Ordinary profits	8.7	6.2	(2.5) [ (28.7) ]
Net income	6.9	4.0	(2.9) [ (42.0) ]

Dividends	FY10	FY11	FY12 (plan)
Dividend per share (annual)	¥6.00	¥7.00	¥6.00

	End of FY11	End of FY12 (estimate)
Nikkei Stock Average	¥10,083	¥10,083

70<sup>th</sup> Anniversary  
Commemorative  
dividend ¥1.00  
(1<sup>st</sup> half ¥3.5)  
(End of FY11 ¥3.5)

## Interest income (analysis of difference factors)

(¥ billion, %)	FY2012 (forecast)	YoY change [%]	Balance	Yeild
Fund operations	35.8	(1.3) [ (3.5) ]	0.8	(2.1)
Interest on loans	23.7	(0.4) [ (1.6) ]	0.5	(0.9)
Interest on securities	12.0	(0.7) [ (5.5) ]	0.7	(1.4)
Call loan, etc.	0.1	0.0 [ 0.0 ]	0.0	0.0
Fund procurement	1.6	(0.2) [ (11.1) ]	0.0	(0.2)
Interest on deposits	1.4	(0.2) [ (12.5) ]	0.0	(0.2)
Call money, etc.	0.1	0.0 [ 0.0 ]	0.1	(0.1)
Interest income	34.2	(1.0) [ (2.8) ]	—	—

## Fees and commissions

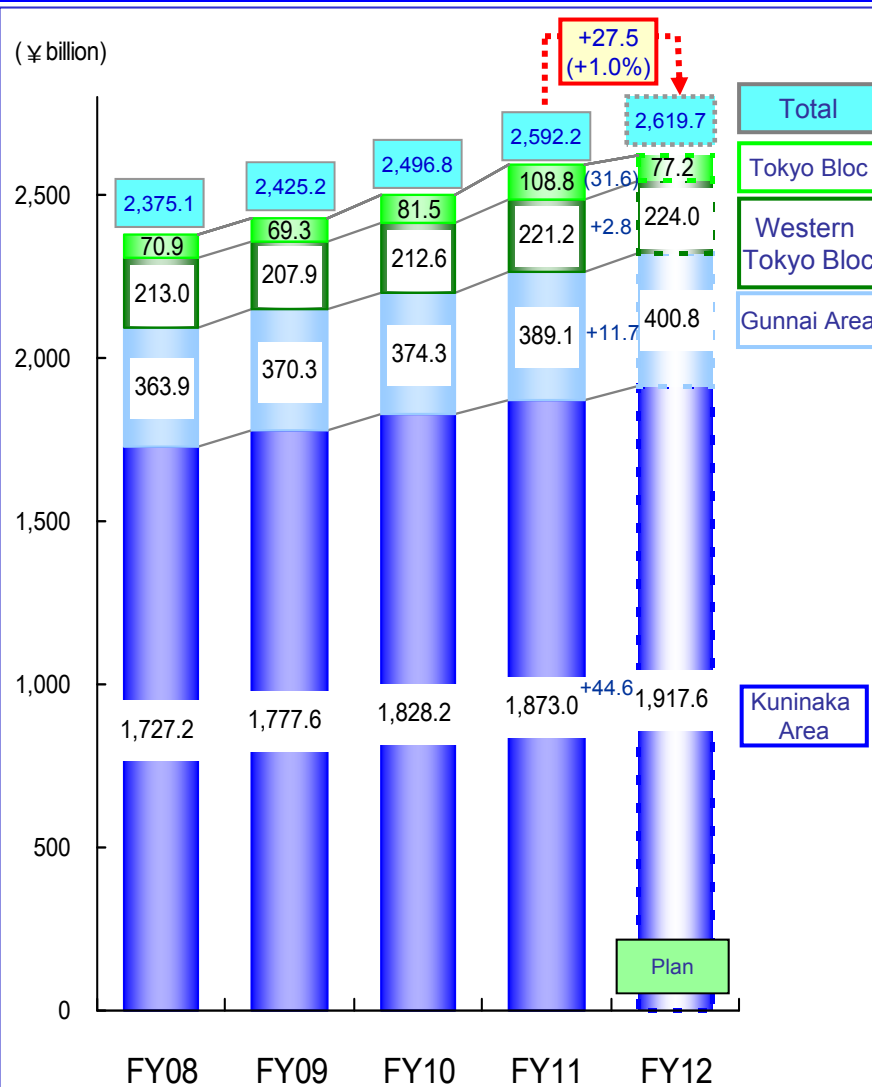
(¥ billion)	FY2012 (forecast)	YoY change
Revenues	7.1	0.6
Investment trusts	0.8	0.1
JGBs held by individuals	0.04	0.02
Life insurance	0.7	0.1
Others	5.5	0.3
Cost	2.2	0.0
Fees and commissions	4.8	0.5

## Expenses

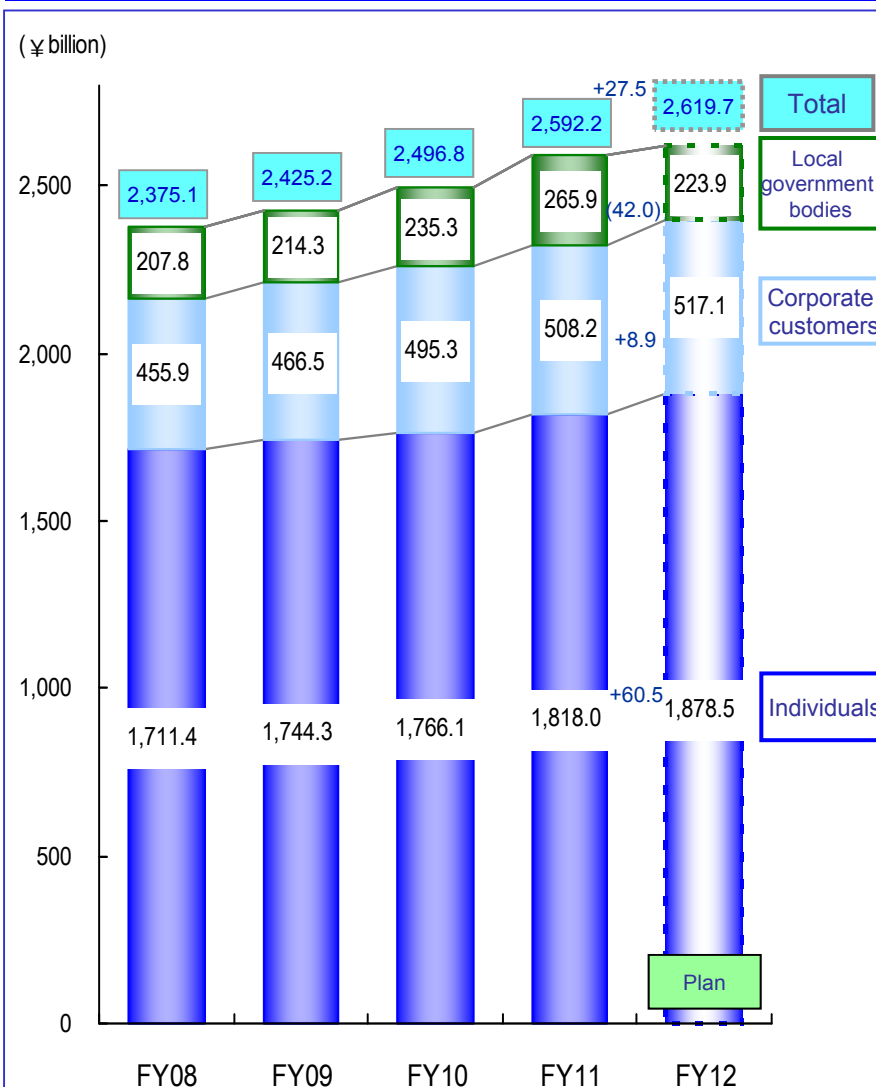
(¥ billion)	FY2012 (forecast)	YoY change
Personnel	15.8	(0.1)
Premises and equipment	13.4	0.3
Taxes	1.2	0.1
Expenses	30.5	0.4

# Plan for Deposits

## Average Deposit Balance

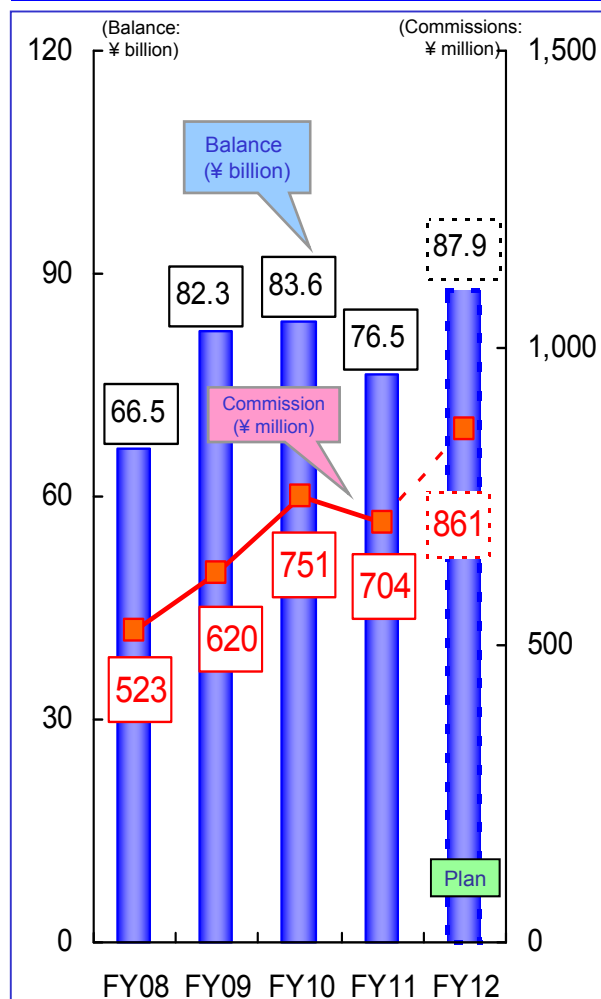


## Balance by Customer Segment (average balance)

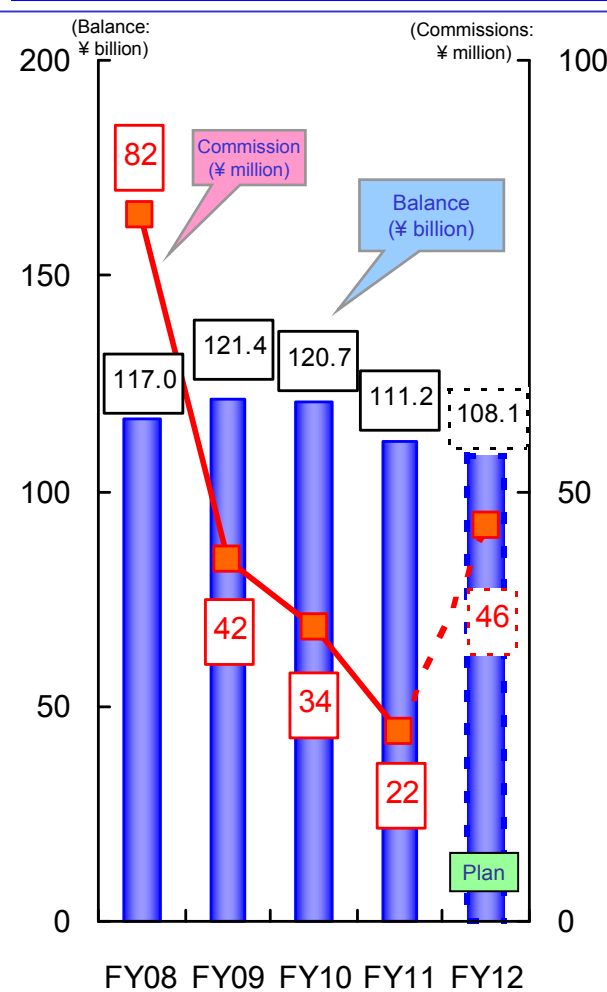


# Financial Products Sales Plan

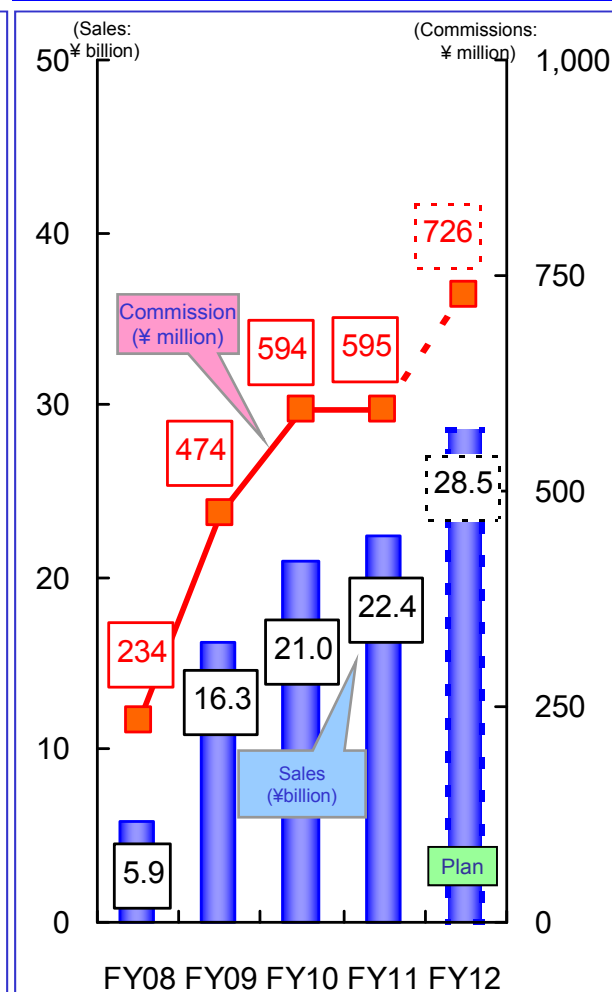
Balance and commissions on investment trusts



Balance and commissions on JGB held by individuals

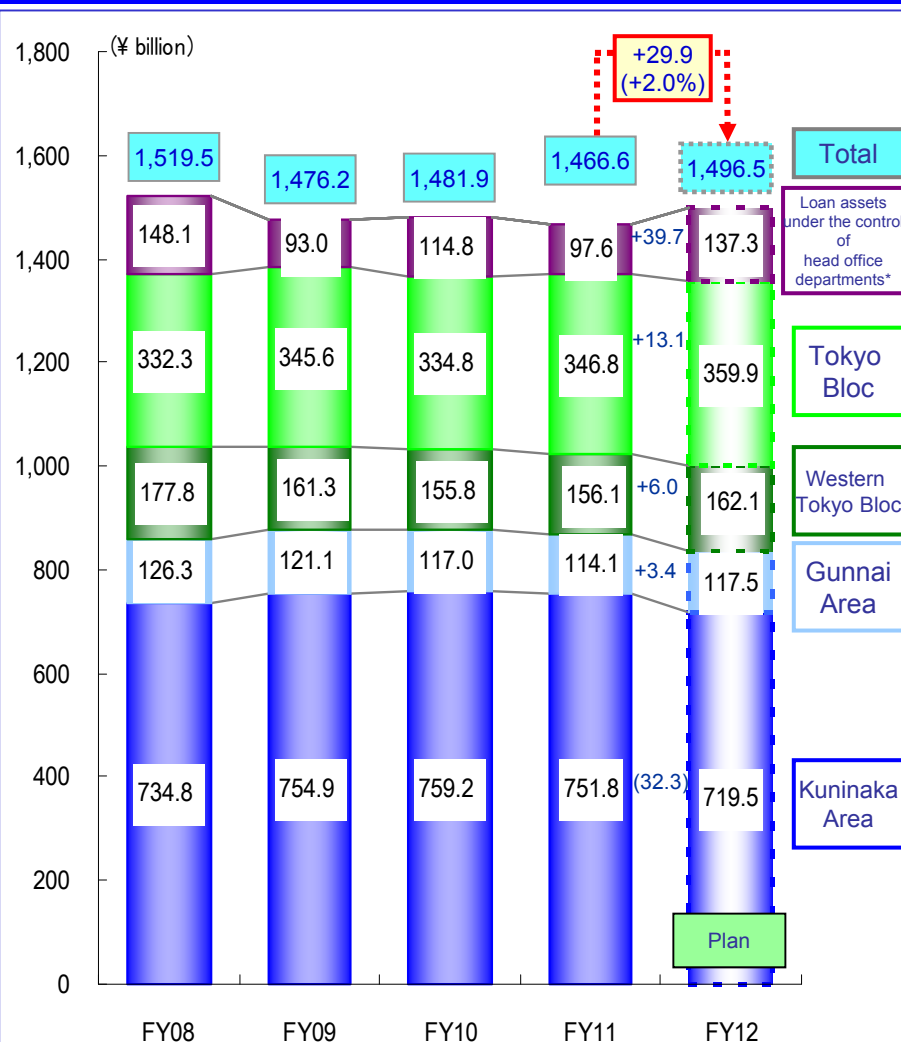


Life Insurance sales and commissions

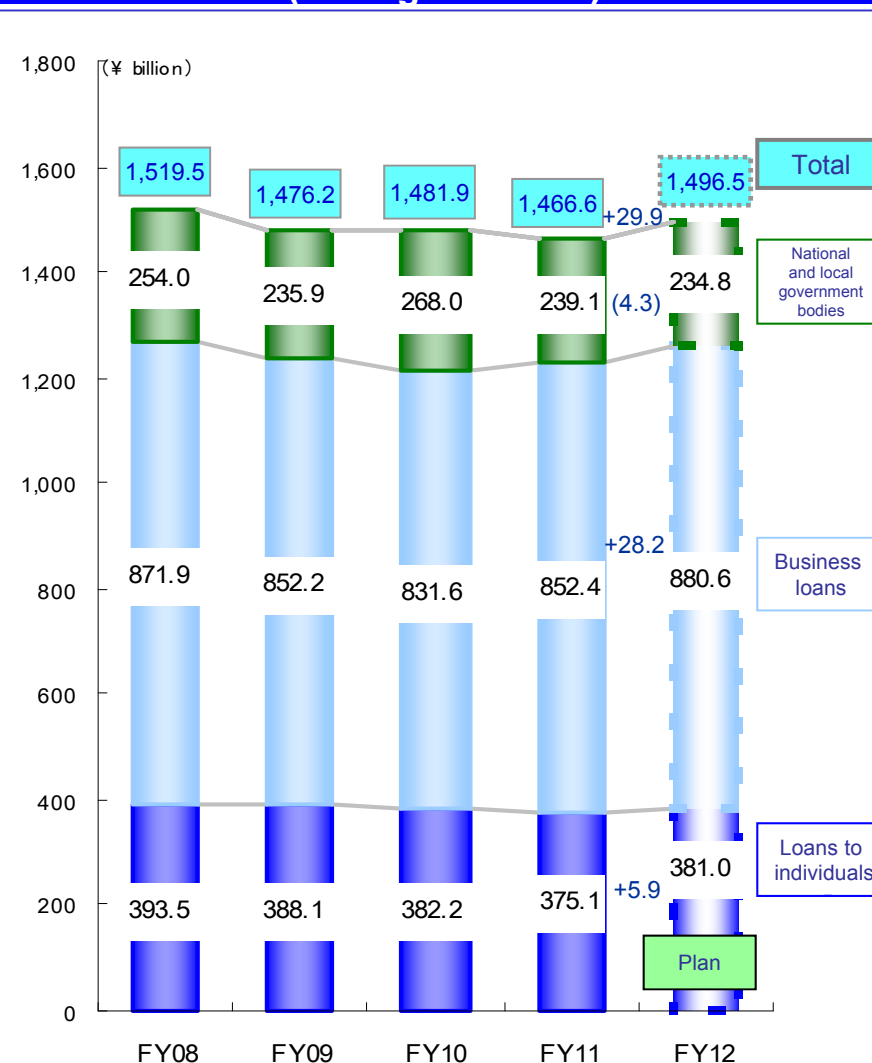


# Plan for Loans

## Average Loan Balance



## Balance by Customer Segment (average balance)

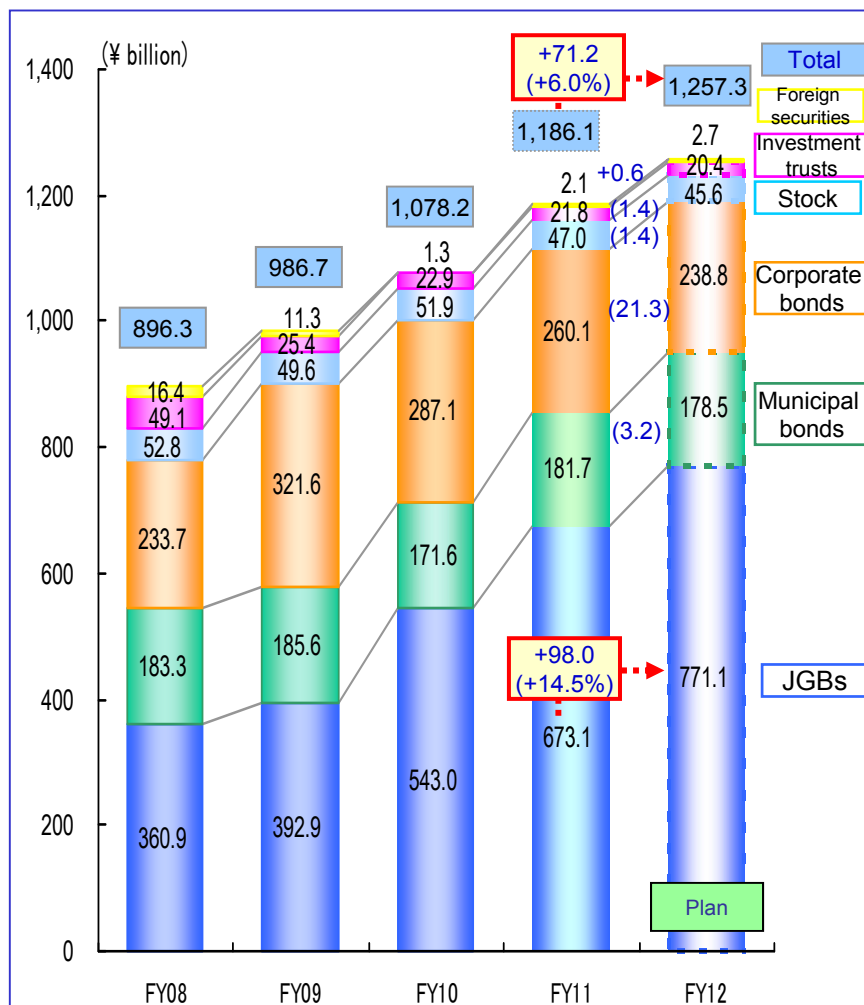


\*Note: Loan assets under the control of head office departments refers to loans to the Ministry of Finance, loans made under loan participation agreements and financial receivables transferred from other industries.

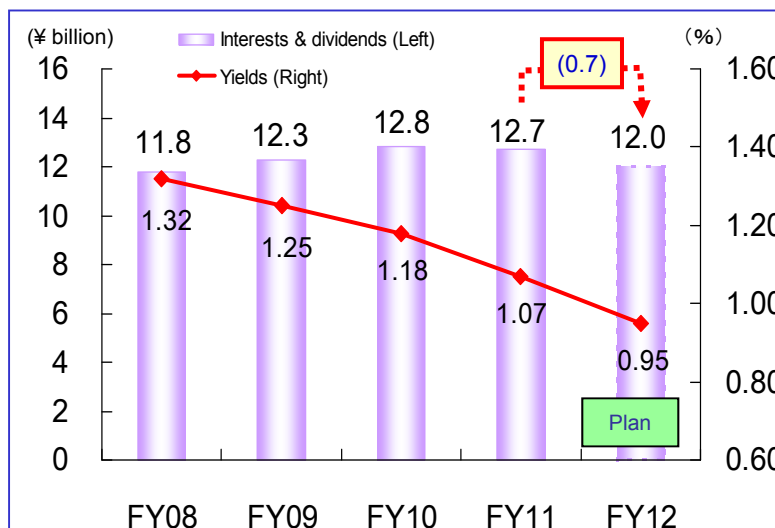


# Plan for Investment in Marketable Securities

## Average Balance of Securities



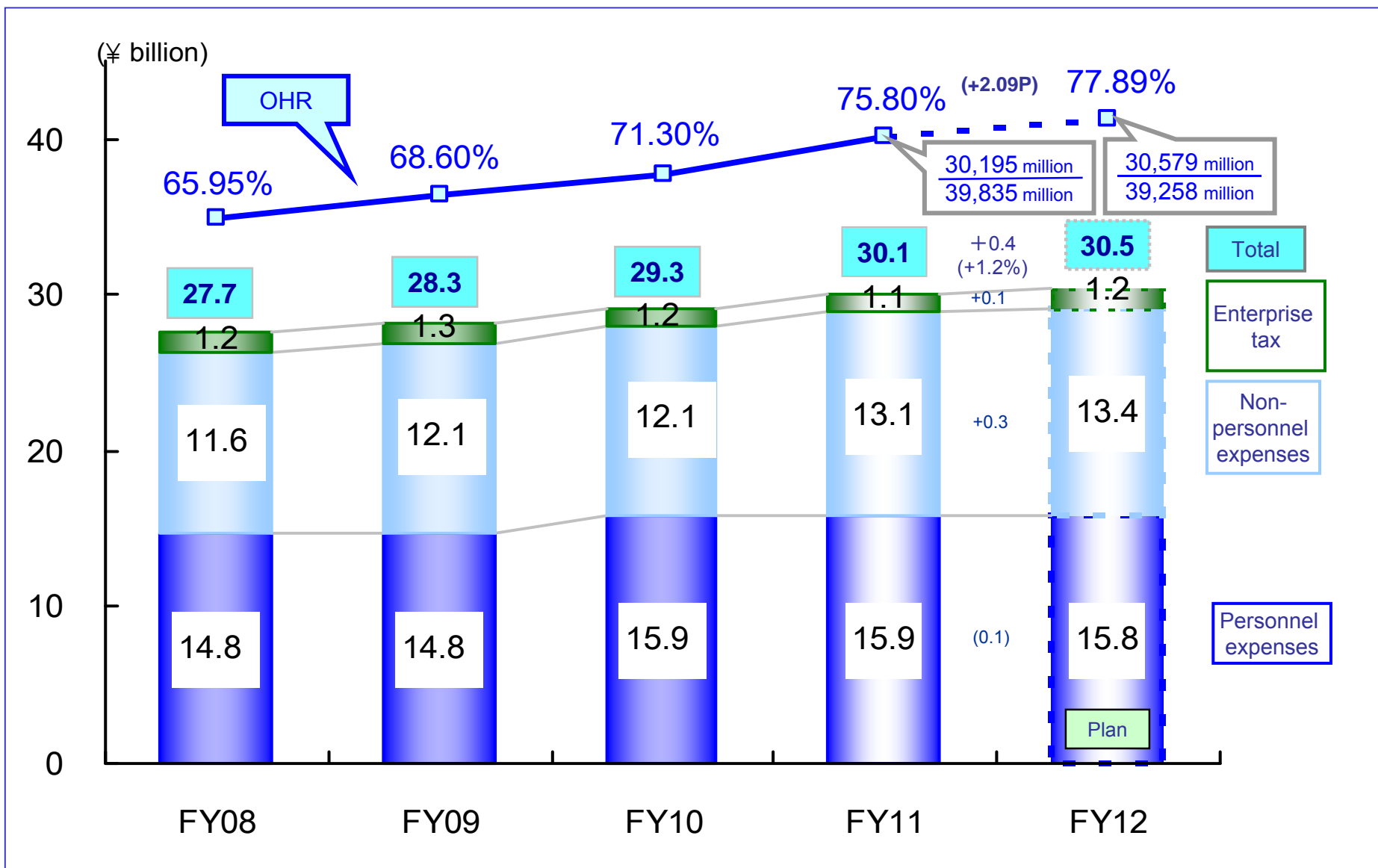
## Securities Yields / Interests & Dividends



### Plan Breakdown of Interests & Dividends for FY12

	FY11	FY12	Change
Securities	11.4	10.9	(0.5)
Stocks	1.0	0.8	(0.2)
Investment trusts	0.3	0.3	0.0
Total	12.7	12.0	(0.7)

# Operating Expenses and OHR (Trends and Forecasts)



\*OHR=Operating expenses / Gross banking profit on core operations

Gross banking profit on core operations = Gross Banking profit – JGBs and other bond transaction profit/loss

# Initiatives to Cutback Expenses and Effective Utilization of Human Resources

## Initiatives to cutback expenses

### Continue and step up cost reduction projects

- ◇ Foster cost-reduction awareness throughout bank
- ◇ Consolidate administrative procedure at headquarters

### Department in charge of project

- ◇ As department in charge of project, establish cost management section in General Affairs Department

### Mission of Cost Management Section

- ◇ Rebuild cost management system
- ◇ Reform procurement method
- ◇ Maintain cost management infrastructure
- ◇ Review investment screening and results verification method
- ◇ Always maintain a low cost structure

(¥ billion)	Result		Target for mid-term plan	
	FY08	FY11	FY12	Comparison with FY08
Ordinary expense	6.6	5.7	5.4	(1.2)

## Effective utilization of human resource

### Promote strategic allocation of personnel and train human resources

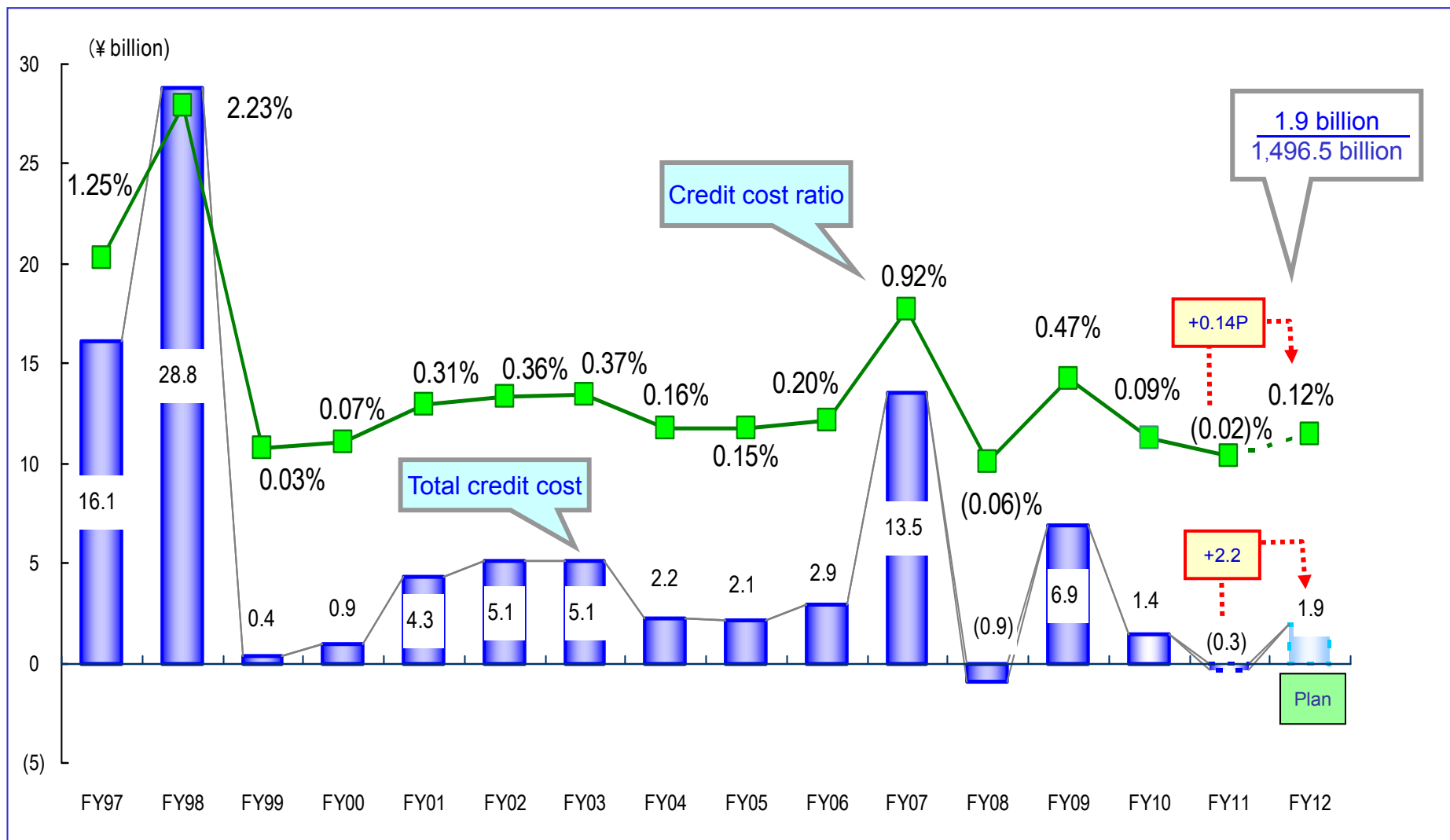
- ◇ Streamline branches within prefecture
- ◇ Shift system conversion staff
- ◇ Create additional manpower through greater work efficiency

- ◇ Reduce labor cost by cutting back personnel
- ◇ Allocate personnel to promising area and new business
- ◇ Send personnel to JETRO and other external institution

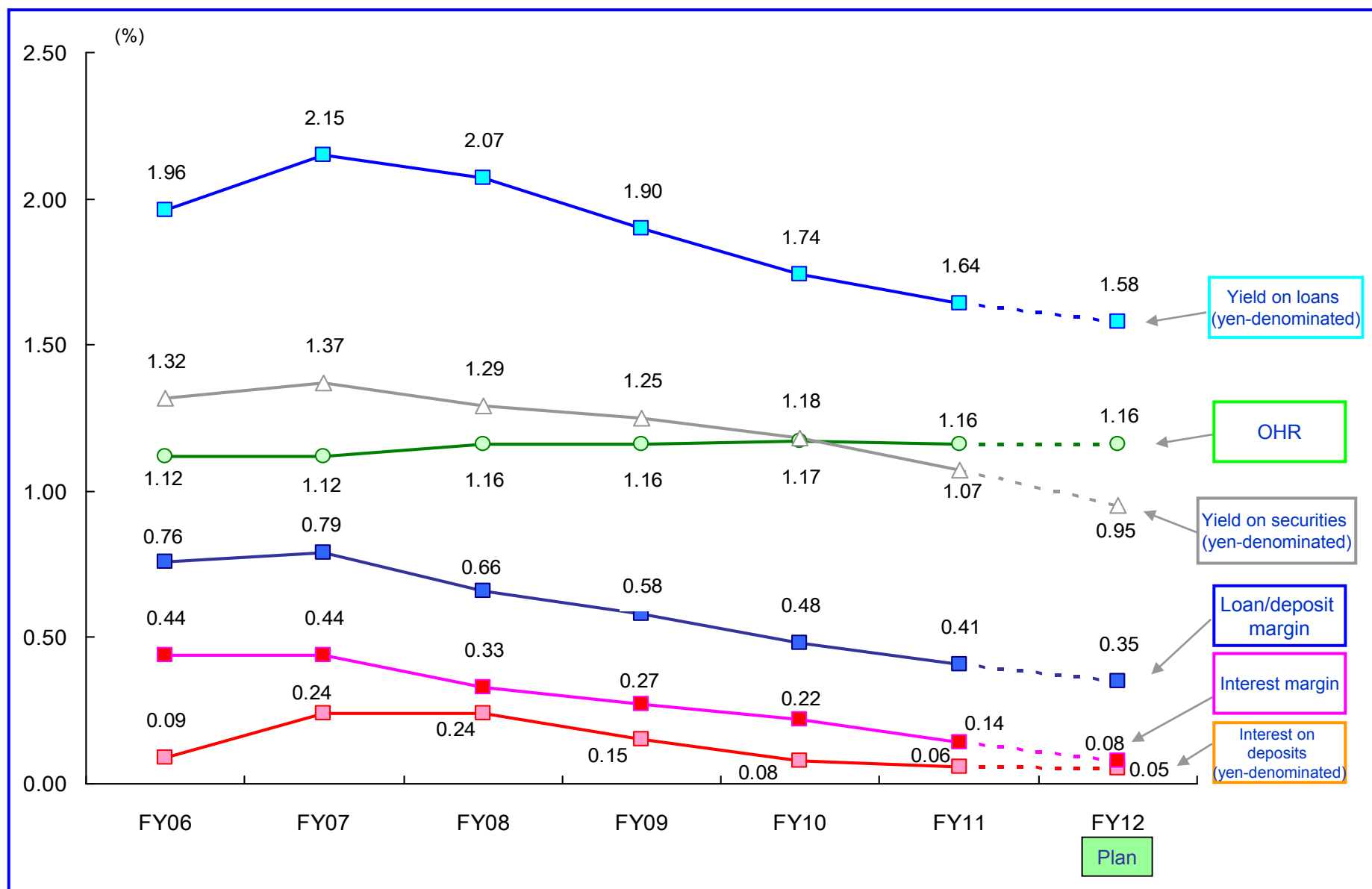
# Credit Cost (Trends and Forecasts)

## Total Credit Cost / Credit Cost Ratio

Credit cost ratio = Total credit cost / Average loan balance  
 Total credit cost = General provision to loan loss reserve + Provisions to specific loan loss reserve + Loans written-off + Loss on sale of claims + Others



# Yields & Interest Margins (Trends and Forecasts)



# Return to Shareholders

## Basic Dividend Policy

Work toward increasing the level of internal reserves required to maintain sound management while at the same time providing for the stable payment of dividends.

70th Anniversary  
Commemorative  
dividend of ¥1.00 is  
scheduled  
(1st half ¥3.5)  
(End of FY11 ¥3.5)

## Trends in Dividend Payment

	FY08	FY09	FY10	FY11	FY12(Forecast)
Dividend per share (annual)	¥6.00	¥6.00	¥6.00	¥7.00	¥6.00
Period-end share price	¥515	¥411	¥404	¥368	-
Dividend yield	1.16%	1.45%	1.48%	1.90%	-

## Return to Shareholders

(¥ million)	FY08	FY09	FY10	FY11	FY12(Forecast)
Annual dividend (1)	1,106	1,105	1,089	1,256	1,071
Treasury stock acquired (2)	175	12	1,447	647	0
Return to shareholders (3)=(1)+(2)	1,281	1,117	2,536	1,903	1,071
Net income (non-consolidated) (4)	6,021	2,744	3,861	6,965	4,000
Dividend payout ratio (1)/(4)x100	18.36%	40.28%	28.20%	18.04%	26.77%
Shareholder return ratio (3)/(4)x100	21.28%	40.72%	65.68%	27.33%	26.77%

Acquired 1,793 thousand shares, equivalent to ¥638 million, on May 27, 2010

Purchased 1,906 thousand shares, equivalent to ¥795 million between Dec. 2010 and Mar. 2011

Purchased 2,079 thousand shares, equivalent to ¥644 million, on Dec. 26, 2011

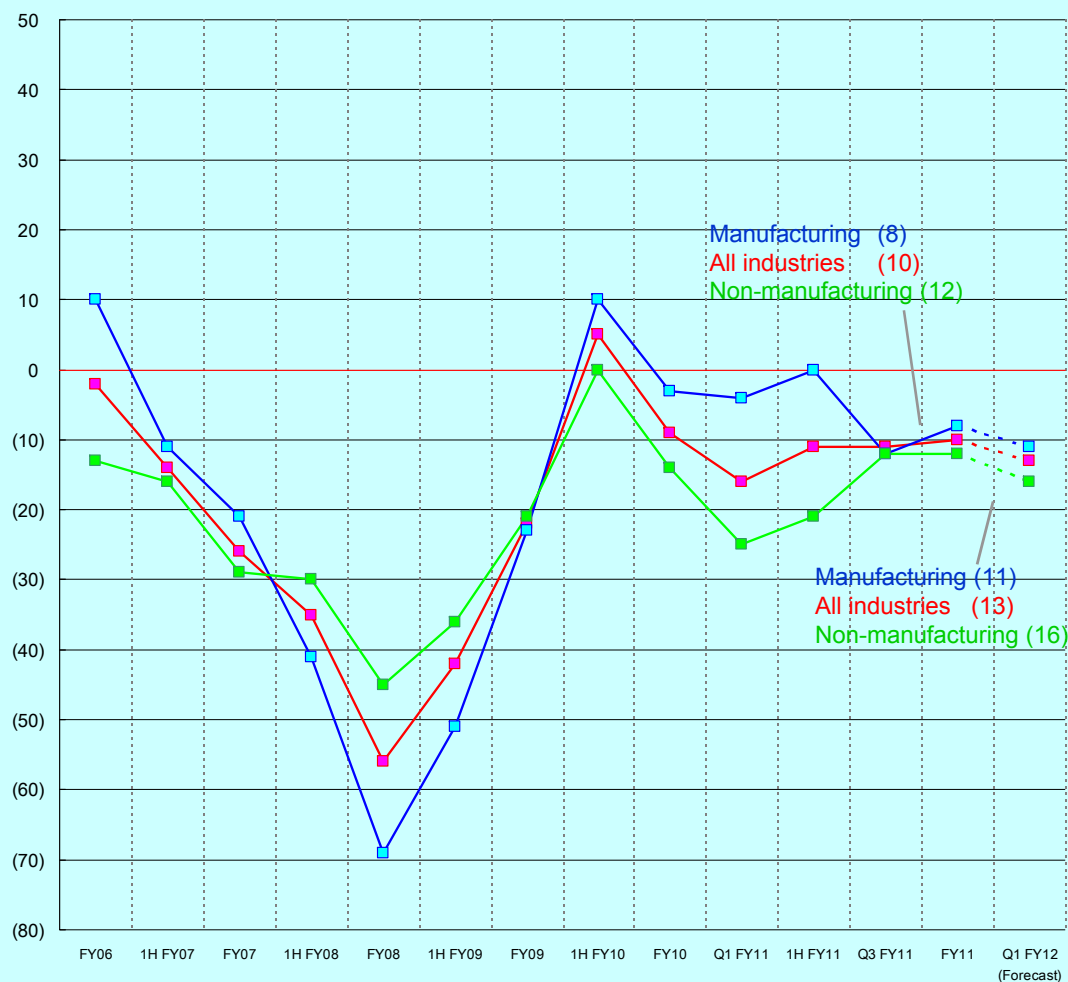
(Note) Calculated in yen and rounded down



## IV Economic Trends in Yamanashi Prefecture

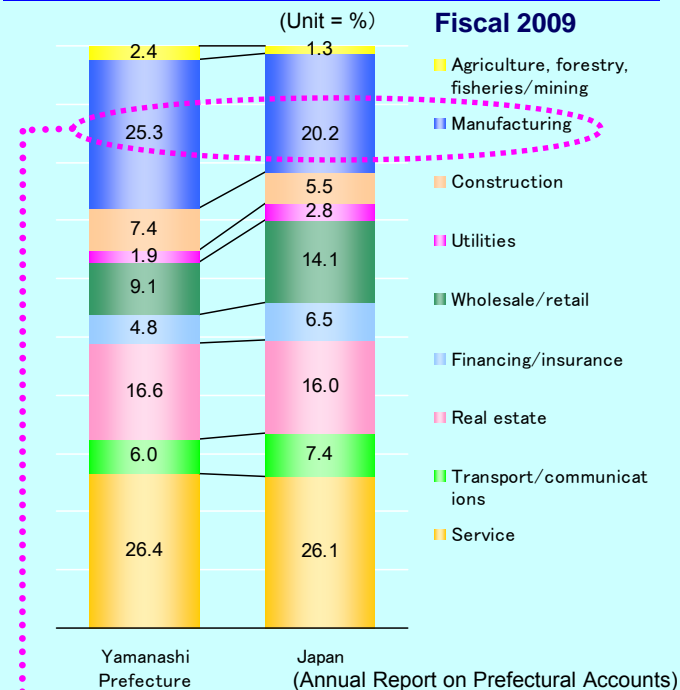
# Business Trends

**Diffusion Index for Yamanashi Prefecture  
(BOJ's Tankan Survey)**

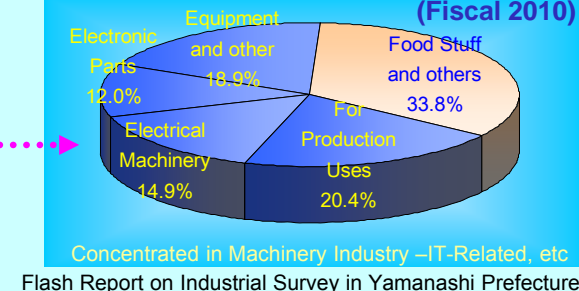


(Bank of Japan, Kofu Branch)

**Gross Production by Economic Activity  
(Industrial Sector = 100)**



**Percentage of Shipments of Products  
Manufactured in Yamanashi Prefecture  
(Fiscal 2010)**



## Turning Yamanashi into a Clean Energy Developer – a Cutting-Edge Industry

### Fuel Cells

#### <Initiatives in Yamanashi>

#### Yamanashi Conference for the Promotion of Widespread Fuel Cell Use

Participation by 30 groups from within and outside the prefecture, including universities and leading automakers

#### Fuel Cell Nanomaterials Center, University of Yamanashi

- World-leading basic research aimed at realizing fuel cell usage
- Project budget of ¥7 billion
- World-class testing equipment
- Started joint development with Nissan, Honda and Daihatsu in Nov. 2010
- In March 2012, began joint evaluation with Honda Motor Co., Ltd. and Panasonic Corporation of usability of catalyst developed at said Center

#### - Market Forecast -

- **Fuel cell market in Japan** <Fuji Keizai Group research in July 2010>  
Increase from ¥15.9 billion in 2009 to ¥785.4 billion in 2020.
- **Fuel cell vehicle global market** <Fuji Keizai Group research in March 2011, based on the volume of shipments>  
Increase from 5.6 billion (forecasted) in 2010 to 2,510 billion in 2025

### Solar-Power Generation

#### One of the largest solar-power generating facilities in Japan's inland area (Kofu city) now in operation

- Joint project of Yamanashi Prefecture and Tokyo Electric Power Company
- Started operation in January 27, 2012
- Max. output: Approx. 10,000kW
- Approx. 12,000,000kW/year
- Facility for development of storage system using superconducting technology for linear motors to be constructed in adjoining area in fiscal 2013 or after. (Yamanashi Pref. and Railway Technical Research Institute)



#### Photovoltaic (PV) power generation system tests <Hokuto site PV power generation system>

- Full-scale operation began in Dec. 2009
- Hokuto City accepted transfer from NEDO (New Energy Development Organization) in April 2011
- Continue research for expanding use of photovoltaic power generation systems
- \* In March 2013, begin trial operation of mega-solar-type system at two locations (total land area: 23.9ha) on prefectural land



#### Development of mass-production capabilities for thin-film silicon solar cells

- Tokyo Electron and Sharp ⇒ anticipating growth of the related industries in Yamanashi

#### - Market Forecast-

- **Solar-Power Generation system market in Japan** <Yano Research Institution Ltd. research in Sep. 2011>  
Increase from ¥655.3 billion in 2010 to ¥1,479.7 billion in 2015

**Help customers create more new industries and increase machinery industry orders within Yamanashi**

- ★ Actively finance relevant industries
- ★ Better matching of advanced research results with technical needs of companies

# Preparations for High-Speed Transportation Network

Expected Effects: Increase in tourists from Kansai region, growth in orders, increase in residents due to expanded potential commuting range

## Maglev Chuo Shinkansen Line

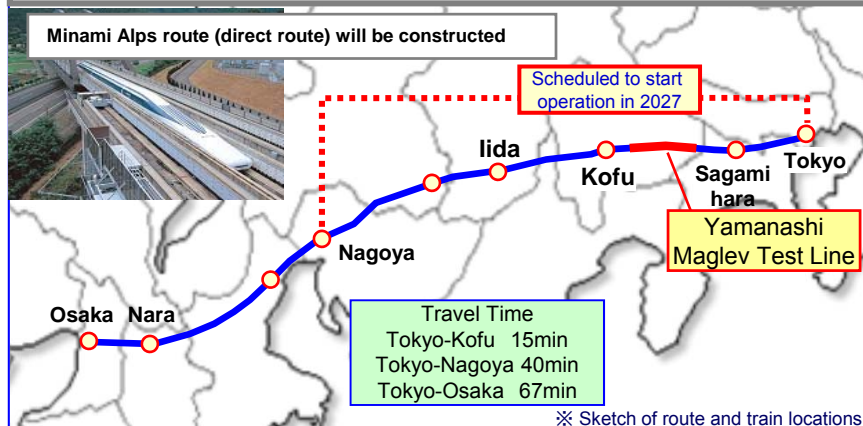
### OMaglev Test Line: Line extension work

- Scheduled for completion in 2013 (Total project cost: Approx. ¥350 billion)

### OMaglev Chuo Shinkansen Line

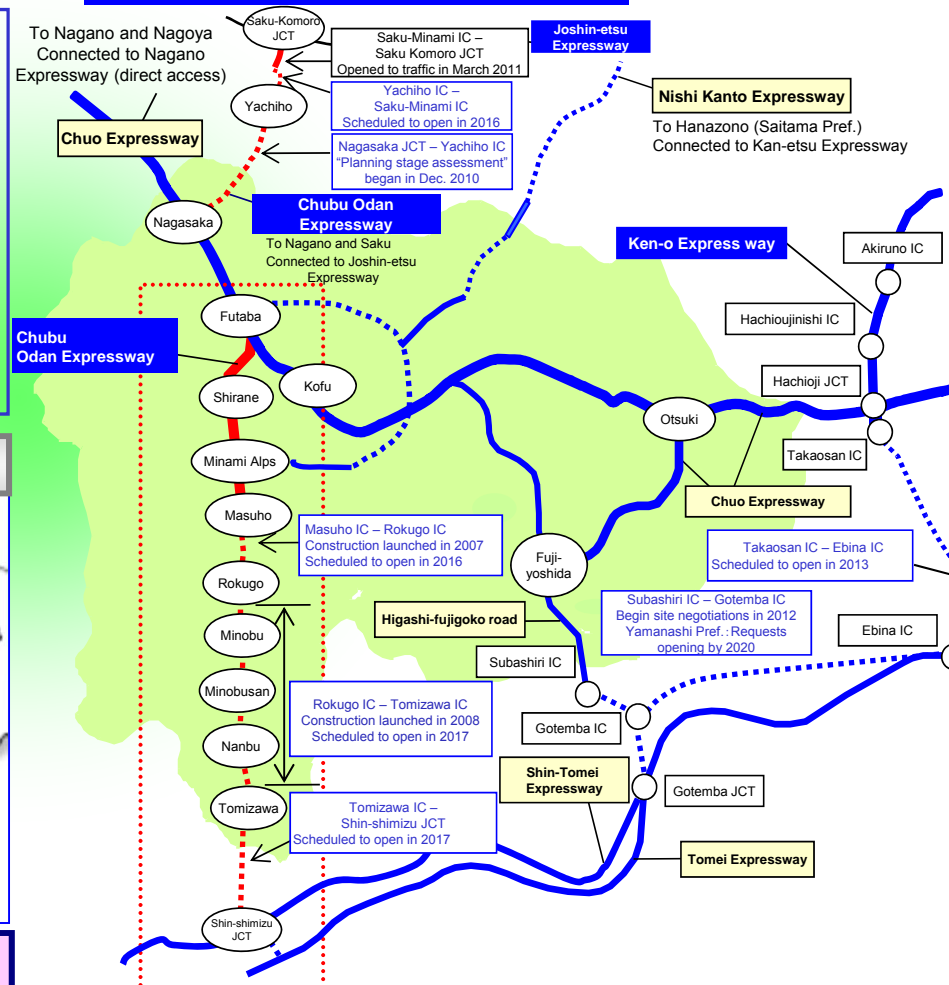
- Start construction in 2014, operational launch planned for 2027
- Ministry of Land, Infrastructure, Transport and Tourism approved JR Tokai for construction on May, 2011
  - ⇒ Train stations almost decided in Yamanashi in Nov. 2011
- Estimated construction cost (including train cars): ¥9,030.0 bn
- Economic impact if maglev station is opened within the prefecture (Yamanashi Prefecture estimate)
  - An increase of ¥14.6 bn in annual production for the prefecture's industrial sector
  - An increase in passenger traffic of 20,000 people per day

### Map of Maglev Chuo Shinkansen Line Route



★In January 2012, Maglev Chuo Shinkansen/Chubu Odan Expressway Usage Promotion Project Team set up within Yamanashi Chuo Bank

## Chubu Odan Expressway



## V (Continued) Themes for Fiscal 2012 and Beyond

## Becoming the No. 1 Regional Bank for Customer and Employee Satisfaction





## **To increase operating income**

- 1. Increase risk-weighted assets so that capital ratio declines by no more than 1 %**
- 2. Regain market share from major banks in prefecture ~ Immediate goal is 10% of the total credit balance of approximately ¥210 billion for major banks**
- 3. Develop personnel (50 in 5 years) with good judgment to revitalize local industry and new demand growth**
- 4. Better and more sophisticated bond investments**
- 5. Efforts to revitalize Yamanashi Prefecture's economy in line with transportation infrastructure improvements**

# (Continued) Themes for Fiscal 2012 and Beyond (2)

## – For Operating Income Growth

1. Increase risk-weighted assets so that capital ratio declines by no more than 1 %

### Actively support local companies and provide financing

#### Main initiatives to date

Assign highly specialized staff

- Small and medium enterprise management consultants: 40
- Visiting Social Coordinators at University of Yamanashi: 102
- Agricultural management advisers, solution supporters, etc.

Management support coordinator services

Collaborate with outside experts

- Administrative advisers (former officers from listed manufactures)
- Yamanashi Industry support organizations
- University of Yamanashi /Yamanashi Gakuin University
- Yamanashi Industrial Technology Center
- Organization for Small & Medium Enterprises and Regional Innovation, Japan
- Japan Institute of Invention and Innovation/TKC West Tokyo Yamanashi Council, etc.

Specialist dispatch/R&D/subsidies/  
intellectual property registration/tax  
services/management improvement



Information storage in KeyMan computer system  
and sharing with other banks

Project to strengthen outside sales capabilities

Outside sales staff:  
add 105 people

Rationalize, streamline, and focus (free-up additional manpower)  
administrative work

Introduce "BankVision" calculation system and new "KeyMan" loan support system

#### Measures to be taken (medium- to long-term initiatives, etc.)

Expand product lineup

Shopping District Revitalization Loan  
(tentative name)

- Support for struggling SMEs in shopping districts
- Unsecured and flexible

Local Commitment Loan (tentative name)

- Financing for promising companies that developed new technologies and products with interest rates set according to business plan progress (lower rates, etc.)

Financing based on business assessment

Asset-based lending (ABL)

- Achievement so far  
Koshu wine beef/Koshu wine, etc.
- Cooperate with TRUVA GHD to further strengthen initiatives

Intellectual property-based lending

- Actively use in combination with public loans

Communication and monitoring tools

# (Continued) Themes for Fiscal 2012 and Beyond (2)

## – For Operating Income Growth

1. Increase risk-weighted assets so that capital ratio declines by no more than 1 %
2. Regain market share from major banks in prefecture
  - ~ Immediate goal is 10% of the total credit balance of approximately ¥210 billion for major banks

### ● Increase loans to SMEs

- Develop and support growth fields and local brands

#### Main initiatives to date

- Increase loans in growth fields (accumulated value of such loans since July 2010: ¥19.2 billion)
- Expand promotional campaign of taking over the business loans of other banks (accumulated value of such loans since Dec. 2011: ¥5.9 billion)

#### Measures to be taken (Medium- to long-term initiatives)

- Support for growth fields and local brand industries through the “More Vital Community Fund”

- ◆ Growth fields (medical/nursing care, environment, tourism, agriculture, business continuity, M&A, etc.)

- ◆ Support for local industry (local brands)

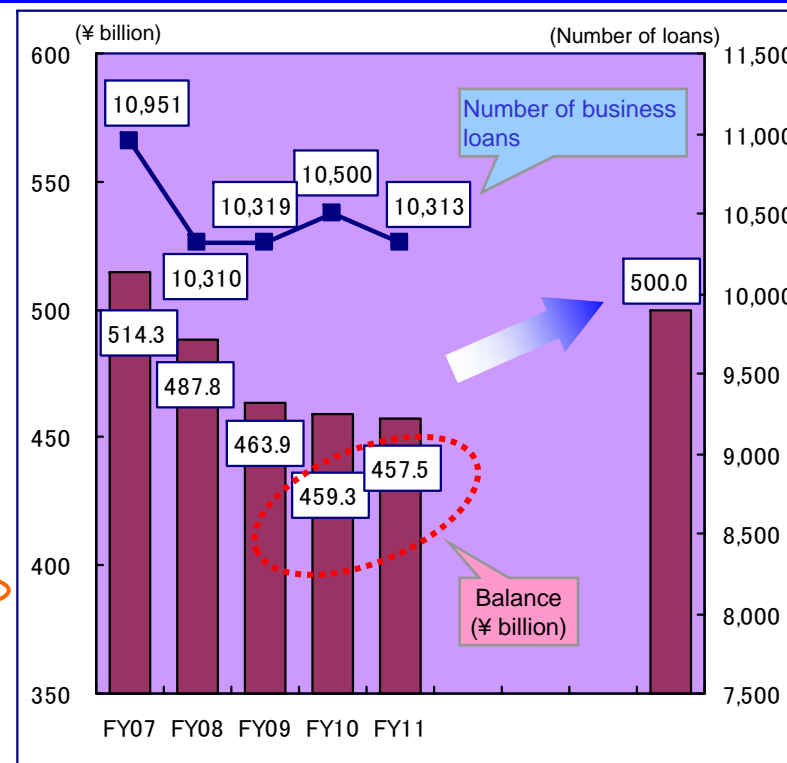
Fund: ¥20 billion / Est. 4/2012

- Regain market share from major banks in prefecture
  - ~ Immediate goals is 10% of the total credit balance of approx. ¥210 billion for major banks

- ◆ Expand the Bank’s campaign to takeover business loans
- ◆ Bank branches and solutions supporters by headquarter bloc visit customers together and support projects
- ◆ Human resource training by company liaison training promoter

- Strengthen promotion/solution sales by segment in Western Tokyo Area

#### Balance of loans to SMEs (year-end) / Number of business loans



\* Balance of loans to SMEs excludes loans to real estate-related public sector)

Medium- to long-term target balance

Balance: ¥500 billion

# (Continued) Themes for Fiscal 2012 and Beyond (2)

## – For Operating Income Growth

1. Increase risk-weighted assets so that capital ratio declines by no more than 1 %

### ● Increase personal transactions by extending more personal loans

- Actively participate in important life events of individual customers
- Make personal loans the point of entry for promoting Yamanashi Chuo as the customer's main bank

#### Main initiatives to date

#### ■ Expand promotional campaign of taking over the loans of other banks

- ◆ Value of loans taken over in FY2011 2H: ¥8.7 billion (up 13% YoY)
- ◆ Balance of mortgage loans has shifted upward

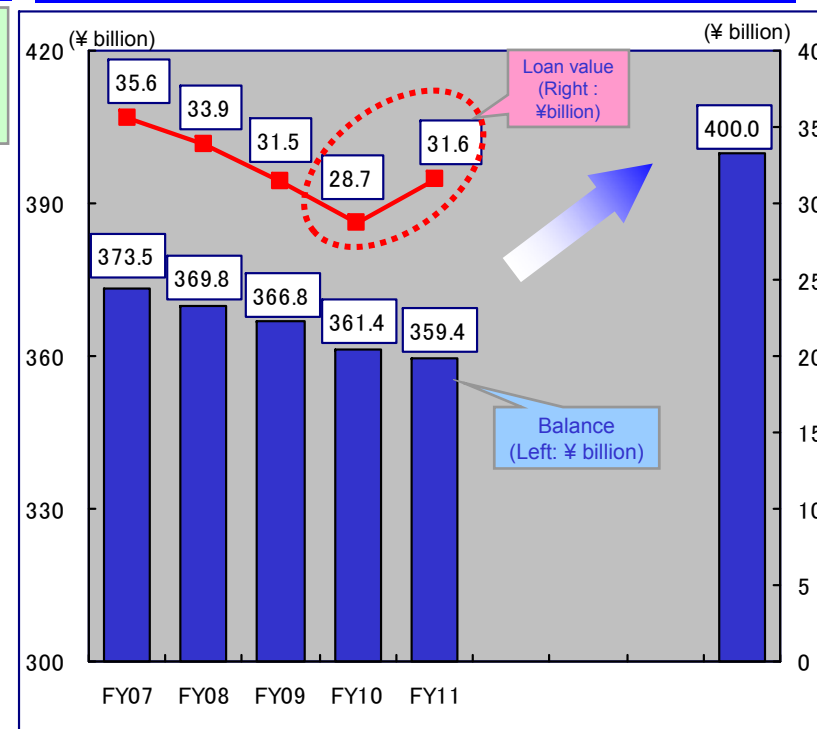
#### Measures to be taken (medium- to long-term initiatives)

#### ■ Strengthen mortgage loan marketing

- ◆ Fortify Loan Squares/Establish new Loan Squares
- ◆ Enhance joint promotions at retail branches and loan squares

#### ■ Increase consumer loans by launching new card loans

### Mortgage loan balance (year-end) Value of loans during year



Medium- to long-term  
mortgage loan target  
balance

Balance: ¥400 billion

Increase profits throughout the entire loan period by promoting Yamanashi Chuo as the customer's main bank using personal loans as point of entry

# (Continued) Themes for Fiscal 2012 and Beyond (2)

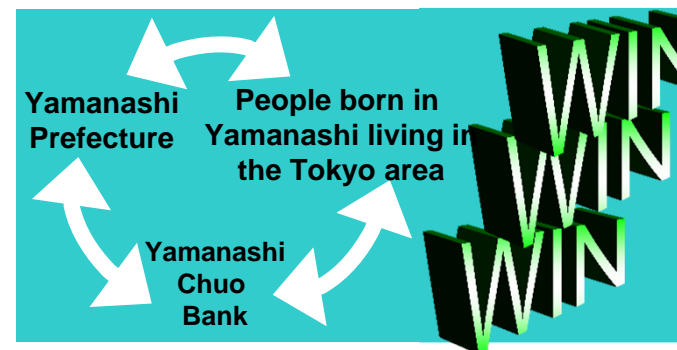
## – For Operating Income Growth

1. Increase risk-weighted assets so that capital ratio declines by no more than 1 %

### Cooperate more closely with “Furusato Yamanashi Linkage 200”

#### What is “Furusato Yamanashi Linkage 200”?

- “A movement that seeks to revitalize Yamanashi through the cooperation of 2 million people who are Yamanashi Prefecture residents or were born in Yamanashi Prefecture but live in the Tokyo area” and which is supported by the Federation of Associations of People from Yamanashi Prefecture



Fully leverage networks in Tokyo and Sagamihara

#### Yamanashi Chuo Bank's Mission

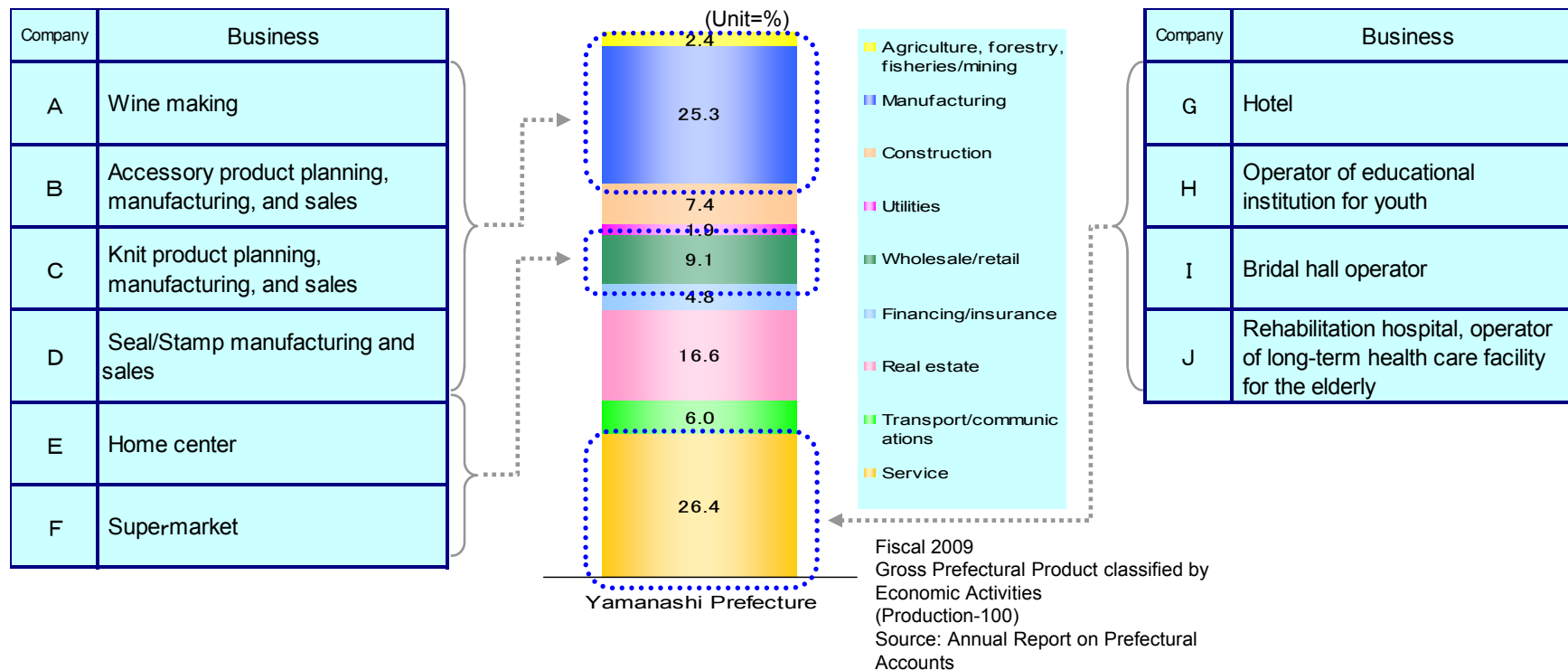
- To serve as a bridge for promoting cooperation between Yamanashi Prefecture and Yamanashi-related companies and individuals in the Tokyo area
- To increase financial transactions by developing business solutions such as business matching services, providing useful information, etc.

Sagamihara Branch opened for business on May 17, 2012

# (Continued) Themes for Fiscal 2012 and Beyond (2) – For Operating Income Growth

3. Develop personnel (50 in 5 years) with good judgment to revitalize local industry and new demand growth

● Began dispatching Bank staff to 10 companies in Yamanashi Pref. on April 1, 2012



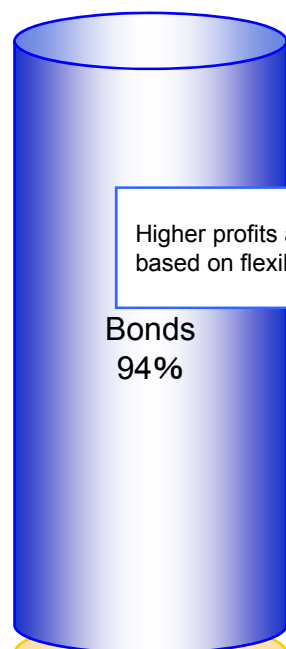
● Will continue dispatching staff from next fiscal year, for a total of approx. 50 staff over five years planned

# (Continued) Themes for Fiscal 2012 and Beyond (2)

## – For Operating Income Growth

### 4. Better and more sophisticated bond investments

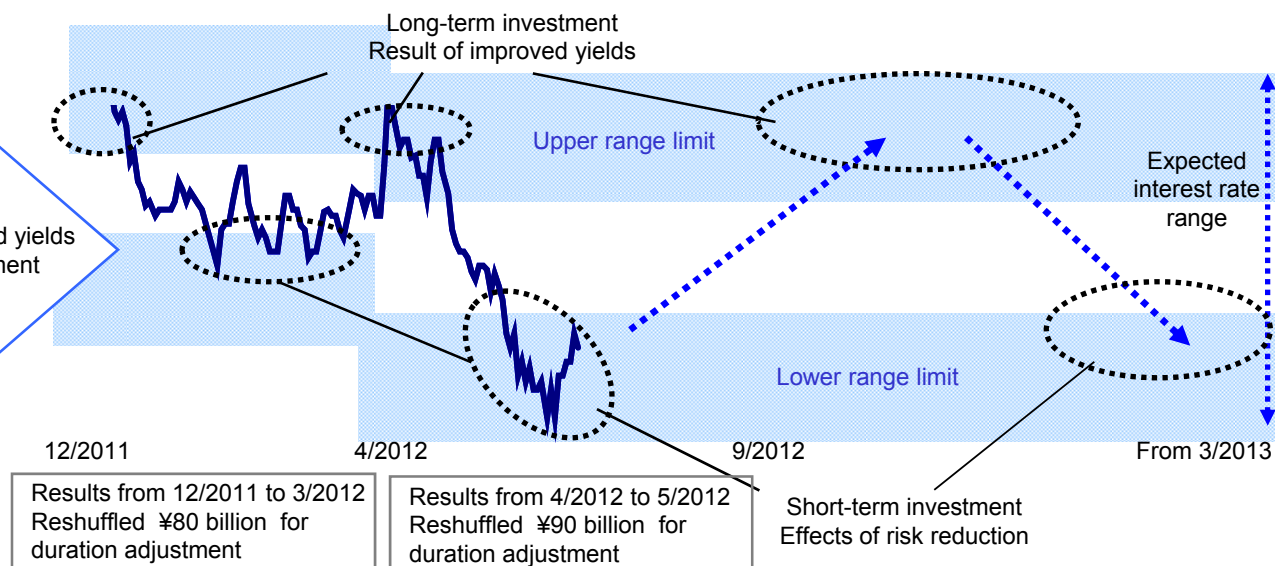
FY2011  
Average balance: ¥1,186.1 billion



Higher profits and improved yields  
based on flexible management

#### Bonds

- Restructured portfolio based on flexible management style in response market volatility
- Upper limit of interest rate risk: Modified duration for yen-denominated bonds 4.0
- Diversify investment to foreign securities
- Forecasted range for FY 2012 1H: 10-year JGBs 0.85%-1.05%



#### Stocks

- Focus on profitability and growth potential
- Limit number of different stocks and improve investment yield
- Restrict policy investments
- Forecasted range for FY2012 1H: Nikkei Stock Average ¥8,500 to ¥11,000

#### Investment trusts

- Focus on risk-return balance
- Invest in stocks that generate higher investment yield
- Continue J-REIT investments



## (Continued) Themes for Fiscal 2012 and Beyond (2) – For Operating Income Growth



### 5. Efforts to revitalize Yamanashi Prefecture's economy in line with transportation infrastructure improvements



#### **Set up Maglev Chuo Shinkansen/Chubu Odan Expressway Promotion Project Team**

(Commonly called: Maglev Promotion PT Established : January 23, 2012)

##### **1. Purpose**

To carry out investigative research on the future effects of the opening of the Maglev Chuo Shinkansen and Chubu Odan Expressway as well as the effects of various changes in local communities on the region and the Bank and to check that they are reflected in policies and measures to revitalize the Prefecture, and in business strategy.

##### **2. Structure**

Total of 21 people (Chairperson: Senior Managing Director, 7 people publicly recruited from within the Bank, and others)

##### **3. Current activities**

- (1) Basic research
- (2) Yamanashi Prefecture's future vision and investigate the Bank's revitalization measures



**Contribute to the growth and development of Yamanashi Prefecture's economy and society so that it leads to business opportunities for the Bank**



**Thank you attending our analyst meeting. If you have any further questions, please do not hesitate to contact us at the following telephone number, email address or website.**

**Inquiries:**

**Corporate Communications CSR Office**

**Corporate Planning Division**

**The Yamanashi Chuo Bank, Ltd.**

**Tel: +81-55-233-2111**

E - mail [kouho@yamanashibank.co.jp](mailto:kouho@yamanashibank.co.jp)

URL: <http://www.yamanashibank.co.jp/>

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